



ALLIANCEBERNSTEIN®

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GLOBAL MACRO LANDSCAPE

POLICY MOVES SUPPORT RISK ASSETS, BUT WILL THEY WORK?

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Market Backdrop: What's The Consensus Narrative?

Hopes Buoyed By Policy Puts

Market pricing and analysts' views imply a consensus narrative along these lines:

- + Global growth likely to slow but risk of recession remains small, thanks to:
 - + Fed to cut rates 75-100bp over the next 12 months (Fed put)
 - + China policymakers will do enough to stabilize growth (Xi put)
 - + Near-term truce in the trade-war to persist (Trump put)
- + Inflation is dead (or, at least, likely dormant for an extended period)
- + Together, the growth, inflation and policy picture puts a floor under asset prices
- + And, with the end of US “exceptionalism”, the USD has likely seen its highs

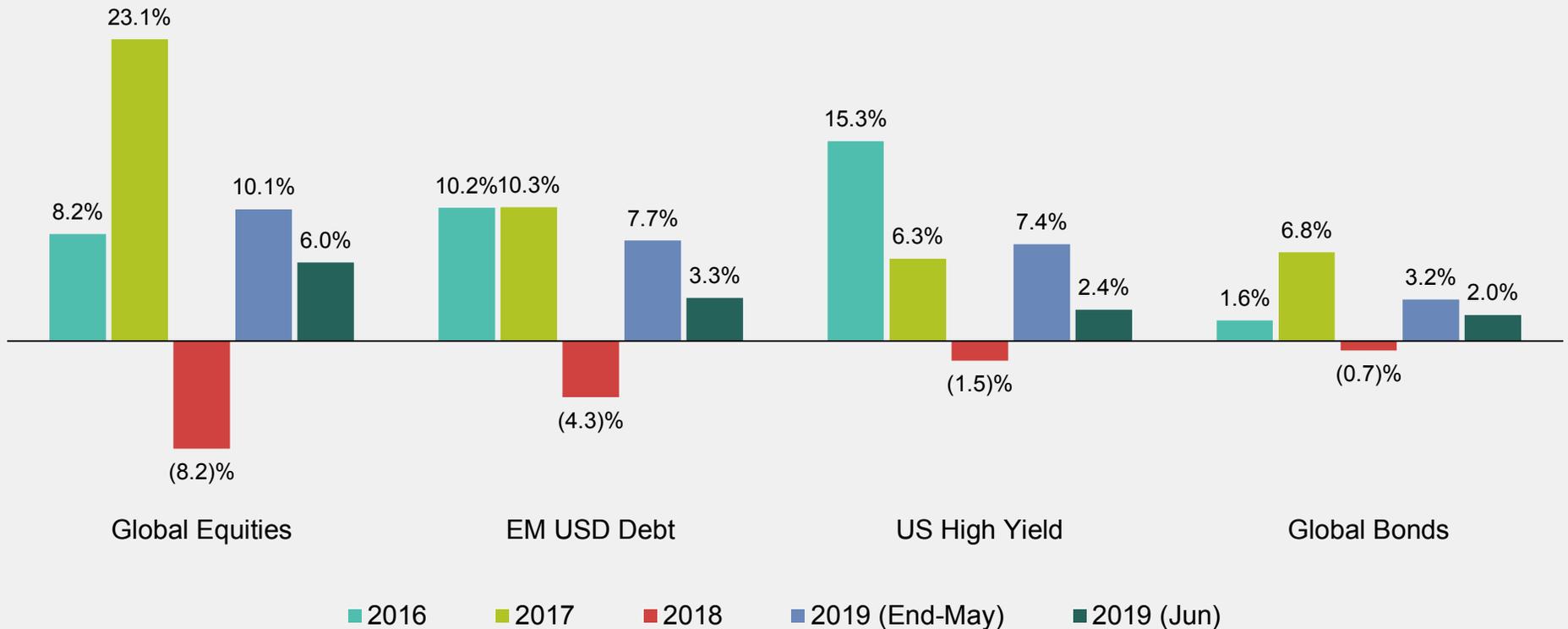
Source: AB



Market Backdrop: What's The Consensus Narrative?

Hopes Buoyed By Policy Puts

Global Asset-Price Returns



Past analysis does not guarantee future results.

As of Jun 27, 2019

Source: Bloomberg



Global Macro Outlook: What Are The Key Controversies?

Coming Down the Track

- +Policy Regime Shift
- +Trade Conflict Spreads
- +Crystallization of Populist Risks

On The Radar

- +Policy Effectiveness
- +Trade Tension / Conflict
- +China Stabilization
- +Global Recession

Moving Off the Radar

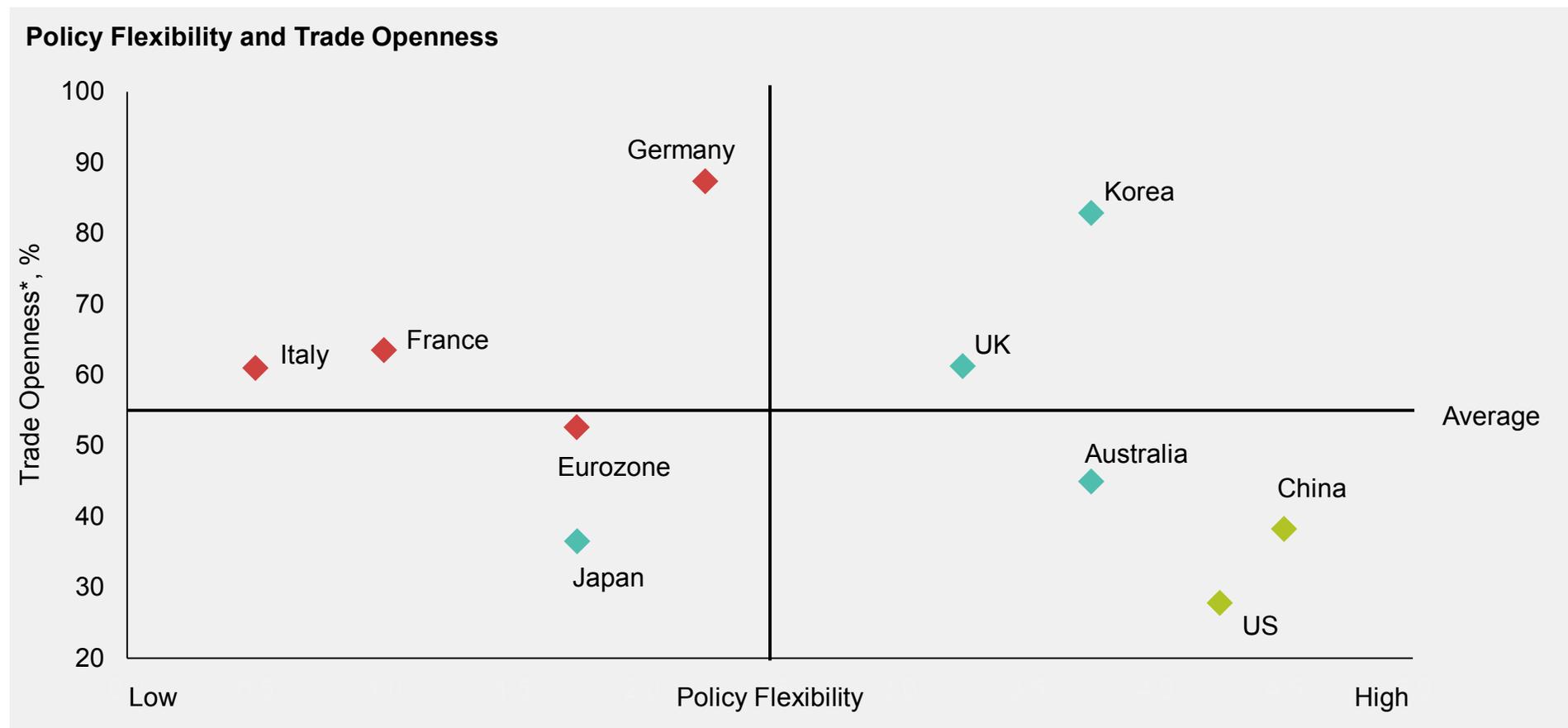
- +DM Monetary Policy Pivot

Current analysis does not guarantee future results.

As of 30 June 2019

Source: AB

Trade Exposure and Policy Levers: Who's Most Vulnerable?



Current analysis does not guarantee future results.

As of 30 June 2019

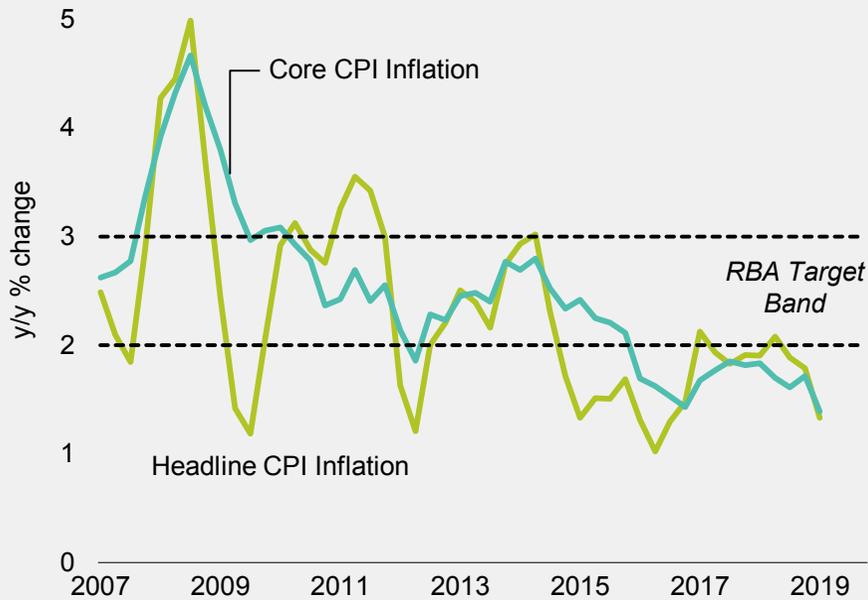
*Exports plus imports of goods & services as a share of GDP.

Source: Haver Analytics and AB

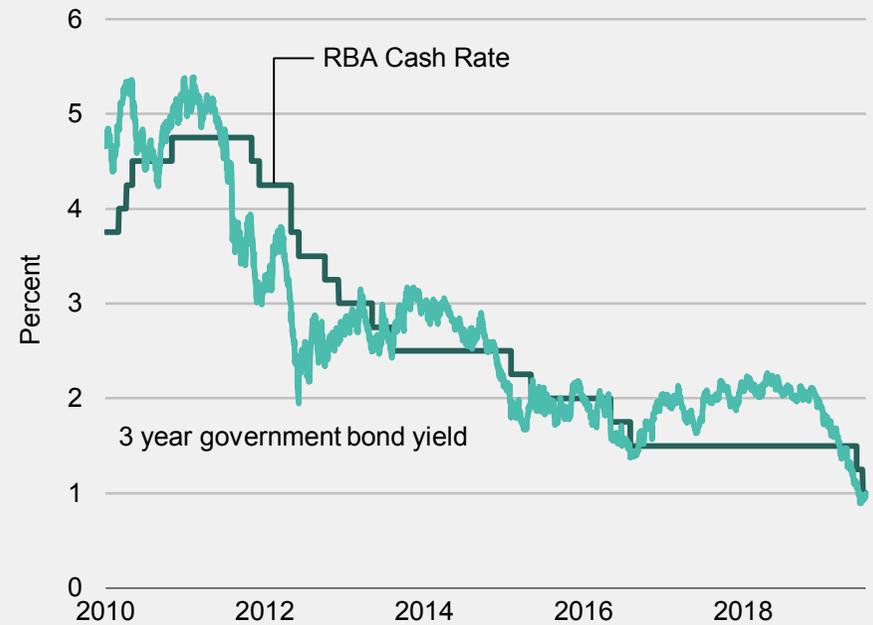
Australia: Additional Domestic Challenges

With Housing Sliding and Wage Growth Soft, RBA Joins The Global Easing Pack

Core Inflation Remains Well Below Target...



...Prompting RBA to Restart Policy Easing



Current analysis does not guarantee future results.

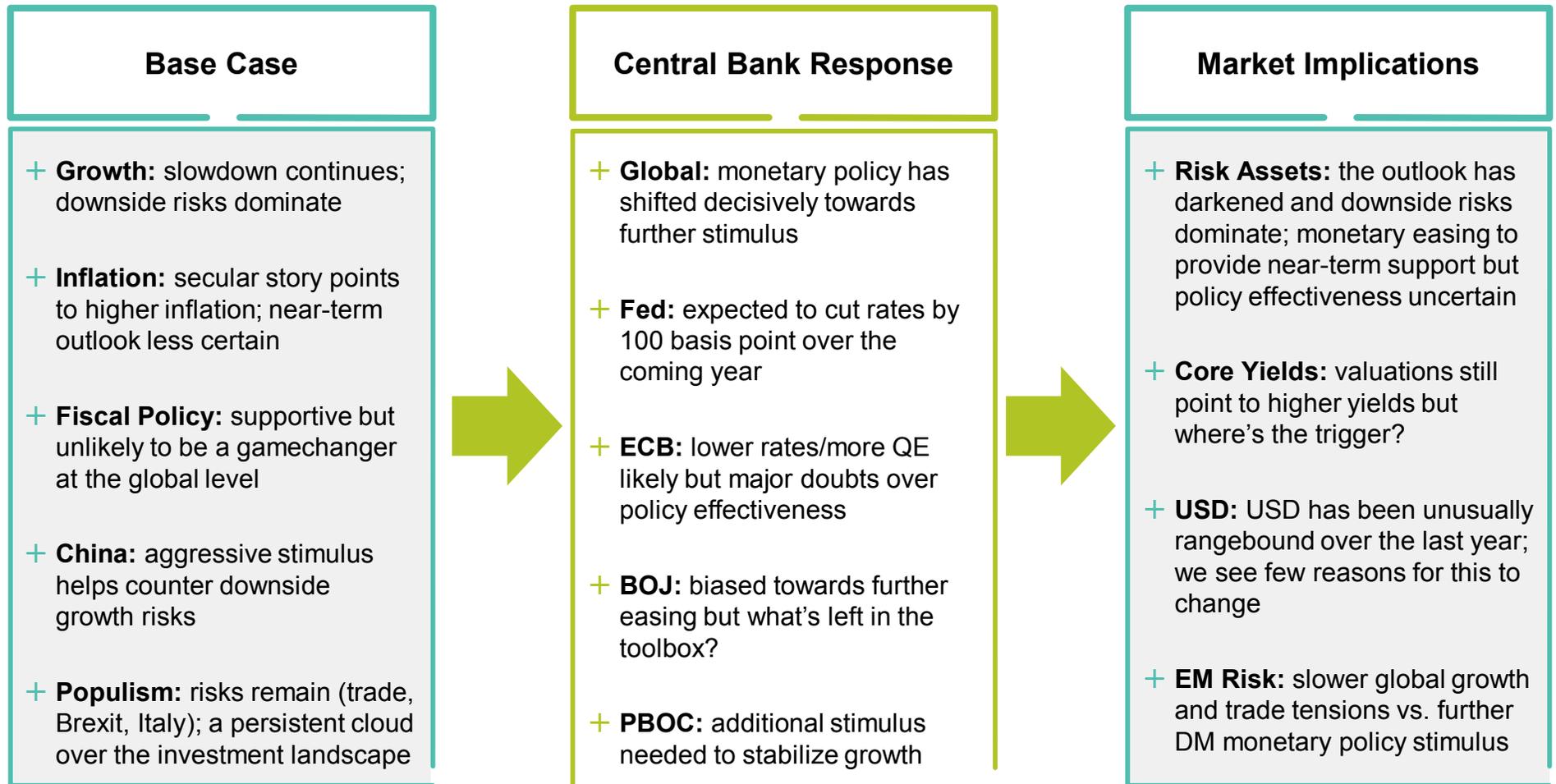
Left display: through Q1-2019. Core = average of trimmed mean, weight median and CPI ex Food and Energy.

Right display: through July 17, 2019

Source: Thomson Reuters Datastream, Bloomberg



Global Macro Outlook: The Outlook Has Darkened



Current analysis does not guarantee future results.

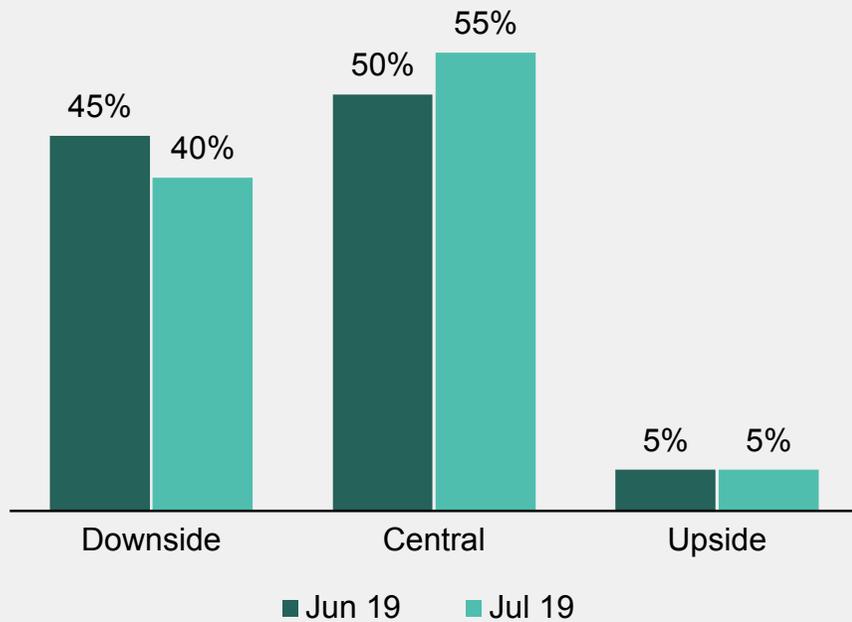
As of 30 June 2019

Source: AB

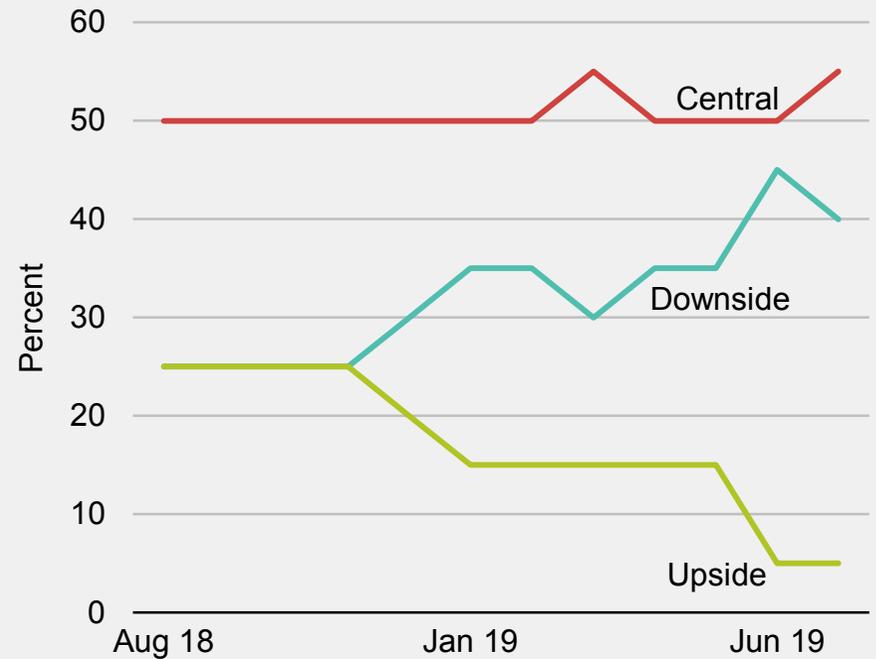
Global Macro Outlook: Balance Of Risks

Policy Easing Supports Central Case But Risks Still Heavily Skewed To The Downside

AB Scenario Probabilities



AB Scenario Probabilities



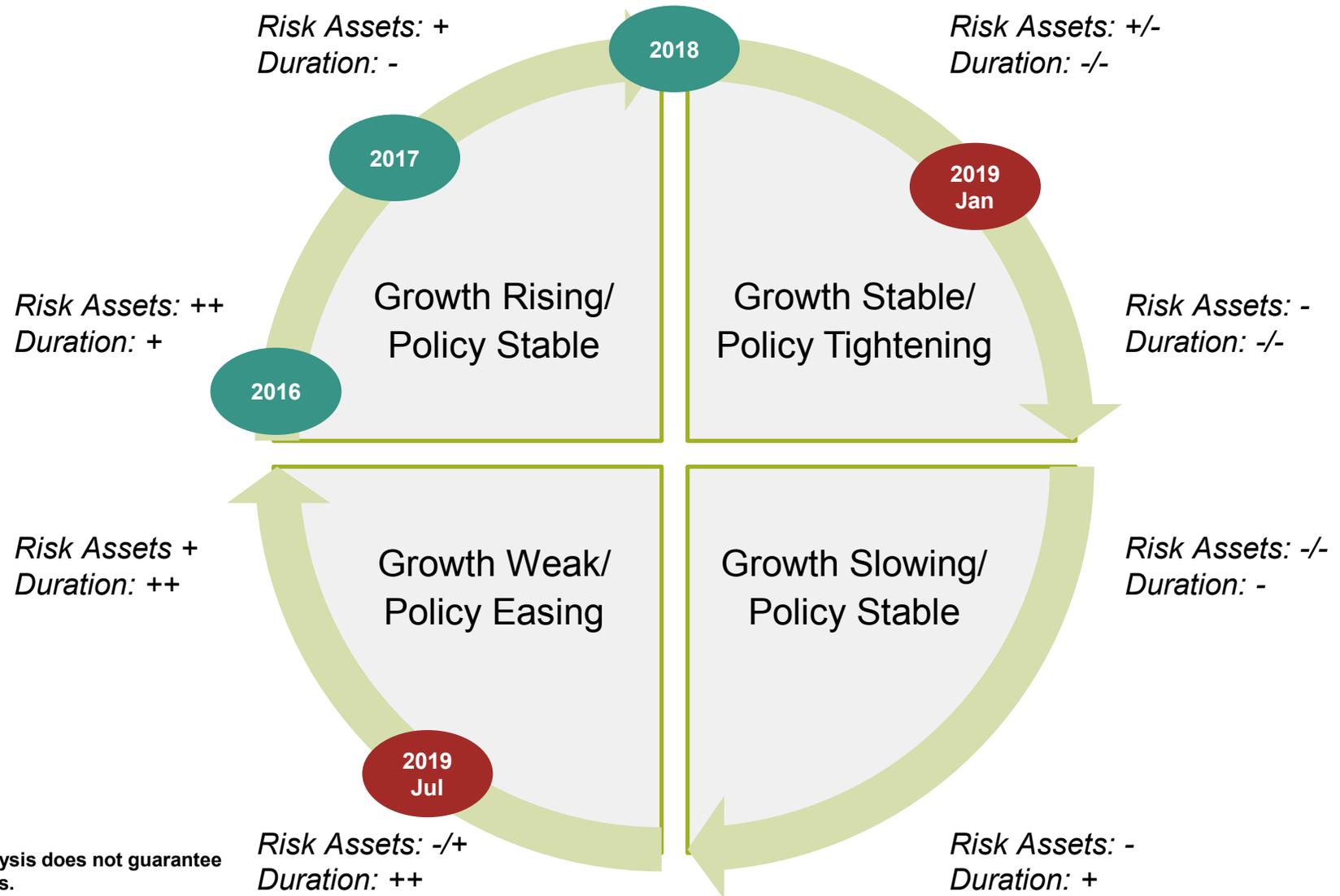
Current analysis does not guarantee future results.

As of 30 June 2019

Source: AB



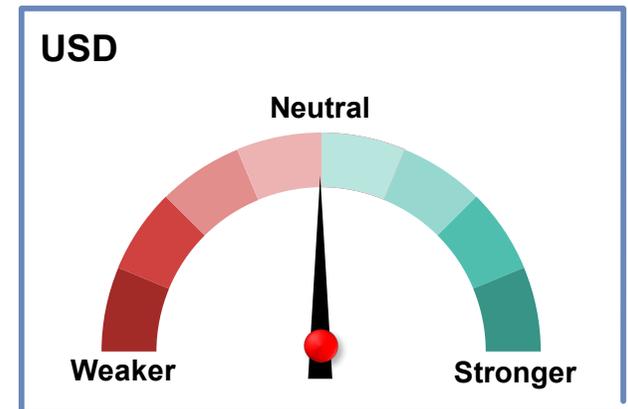
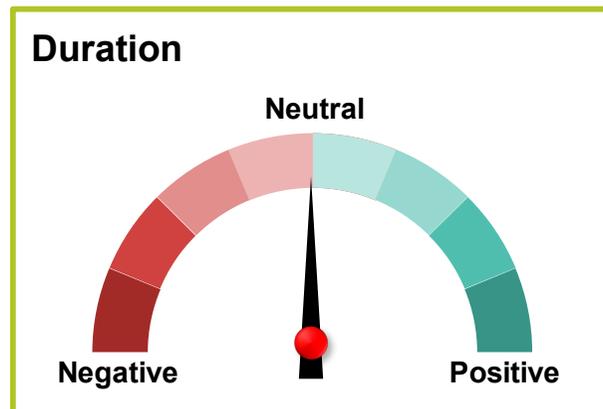
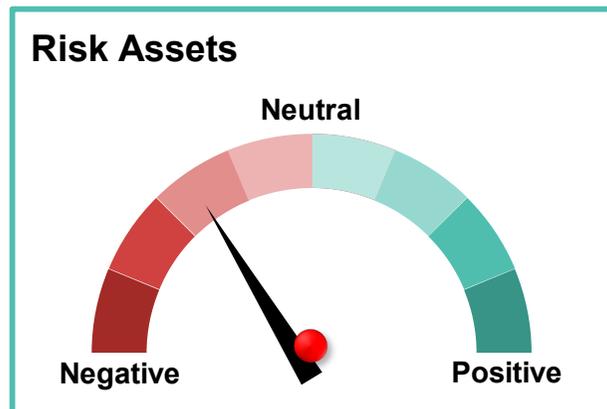
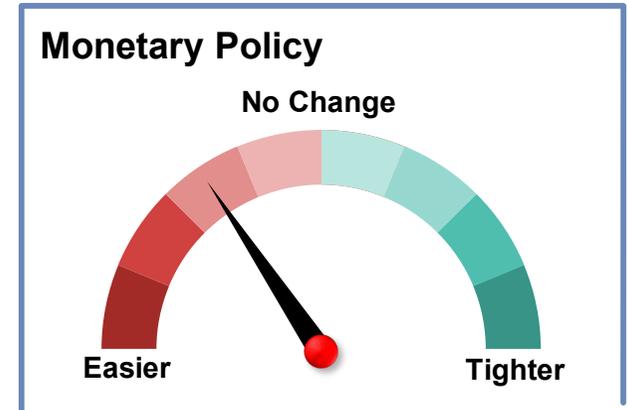
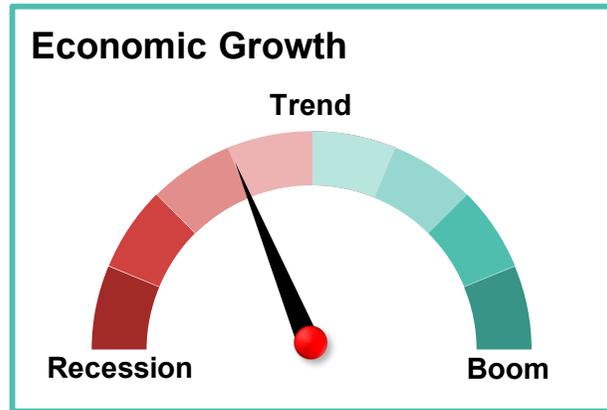
Global Macro Cycle



Current analysis does not guarantee future results.
Source: AB



Global Macro Outlook: Cyclical & Market Dashboard



Current analysis does not guarantee future results.

As of Jun 30, 2019

Source: AB



Biography



Guy Bruten
Chief Economist—
Asia Pacific ex China

Guy Bruten joined AllianceBernstein (AB) in 2004 and is a member of the firm's Global Economic Research team. In that role, he provides macro research coverage for a number of countries in the Asia Pacific region, and is also responsible for conducting thematic research—looking at the impact, for example, of demographic change, the commodity price supercycle and the global surge in populist politics on the outlook for economies and asset prices. Prior to joining AB, Bruten worked in economics and market strategy roles for Macquarie Bank's Funds Management Group and for SBC Warburg. He started his career in the early 1990s at the Commonwealth Department of the Treasury in Canberra. Bruten holds a BEc from the University of Adelaide and a MEc from the Australian National University. Location: Melbourne

Source: AB



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A short strategy may not always be able to close out a short position on favorable terms. Short sales involve the risk of loss by subsequently buying a security at a higher price than the price at which it sold the security short. The amount of such loss is theoretically unlimited (since it is limited only by the increase in value of the security sold short). In contrast, the risk of loss from a long position is limited to the investment in the long position, since its value cannot fall below zero. Short selling is a form of leverage. To mitigate leverage risk, a strategy will always hold liquid assets (including its long positions) at least equal to its short position exposure, marked to market daily.

Important Risk Information Related to Investing in Emerging Markets and Foreign Currencies

Investing in emerging-market debt poses risks, including those generally associated with fixed-income investments. Fixed-income securities may lose value due to market fluctuations or changes in interest rates. Longer-maturity bonds are more vulnerable to rising interest rates. A bond issuer's credit rating may be lowered due to deteriorating financial condition; this may result in losses and potentially default, or failure to meet payment obligations. The default probability is higher in bonds with lower, noninvestment-grade ratings (commonly known as "junk bonds").

There are other potential risks when investing in emerging-market debt. Non-US securities may be more volatile because of the associated political, regulatory, market and economic uncertainties; these risks can be magnified in emerging-market securities. Emerging-market bonds may also be exposed to fluctuating currency values. If a bond's currency weakens against the US dollar, this can negatively affect its value when translated back into US-dollar terms.



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