



Global Cyclical Dashboard

Economic Activity

Trend

- Growth has been resilient, albeit at a below-trend level. We expect gradual weakening to characterize the next few quarters but do not forecast an imminent hard landing.

Inflation

Target

- Inflation is on the way down in most countries, but the starting point is daunting and the pace of progress has been slow and variable across geographies. That will continue in 3Q.

Monetary Policy

Neutral

- Major central banks have raised rates aggressively and are increasingly emphasizing that the persistence of tight policy is more important than the terminal rate. We expect tight policy for several quarters to come.

Key Assumptions

- Financial:** Our base case presumes that financial market instability will not cause an economic hard landing.
- Geopolitical:** We expect that tensions between major powers will continue to simmer but will not boil over into economically disruptive events.
- Monetary policy:** Major central banks have settled into a higher-for-longer regime, making a protracted period of restrictive policy the likely outcome.

Central Narrative

- Global growth:** Tight monetary policy will persist for several quarters, slowing growth.
- Inflation:** Inflation will decelerate as the year progresses, but convergence to target will be slow to come.
- Yields:** Markets remain reluctant to price higher policy rates; if central banks deliver that outcome, rates could be forced higher. Downside growth risks balance the risk profile, however.
- USD:** With other DM central banks having more ground to cover than the Fed, the dollar may weaken modestly.

Key Upside Risks

- As inflation slows, real incomes will rise, which could boost consumption.
- Financial market stability may encourage corporate investment, producing more robust growth.

Key Downside Risks

- Tighter monetary policy could lead to disruptive financial market events.
- Political risk is ever-present, both within and between countries and will only escalate ahead of the 2024 US election.

More Information

Please contact AllianceBernstein if you have any questions about this information.

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