



Petercam Macro Presentation

Tuesday 4 February 2014

→ Markets have been under pressure

- Equities are suffering, while bonds are doing well
- Markets are worrying about the growth outlook

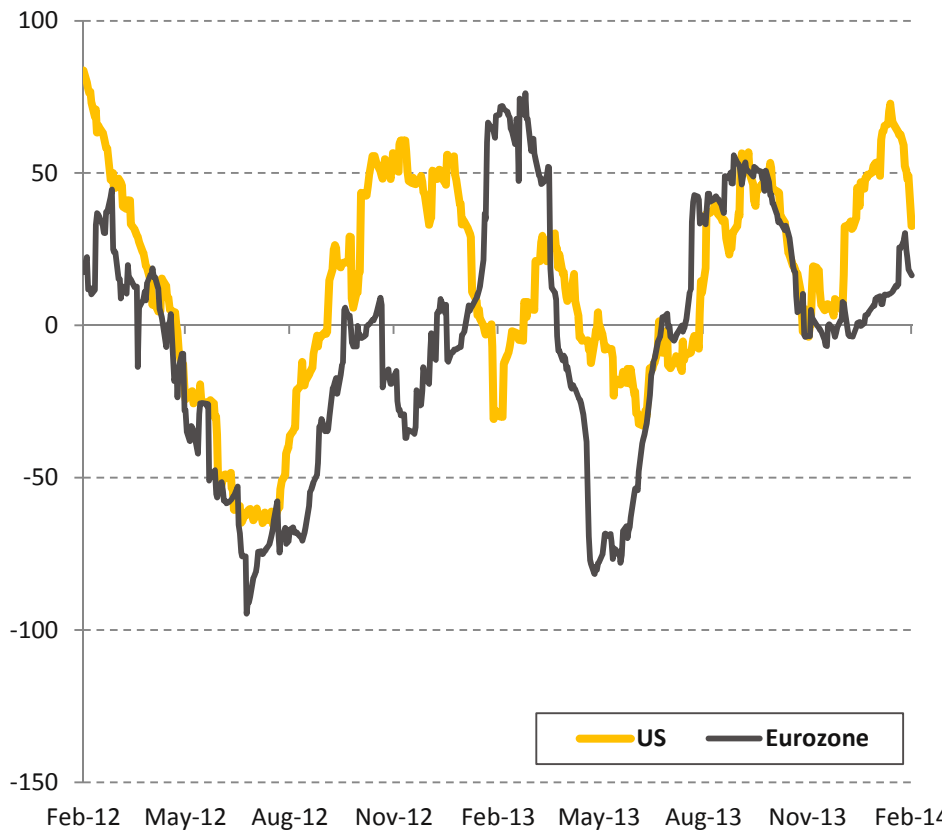
→ Shift from 'no risk' to 'risks everywhere'

- Many commentators started the year with a positive outlook with little emphasis on risks
- In recent weeks a number of risks have grabbed the headlines: US growth outlook, US debt ceiling, Eurozone deflation, financial crisis in EM, hard landing in China, ...

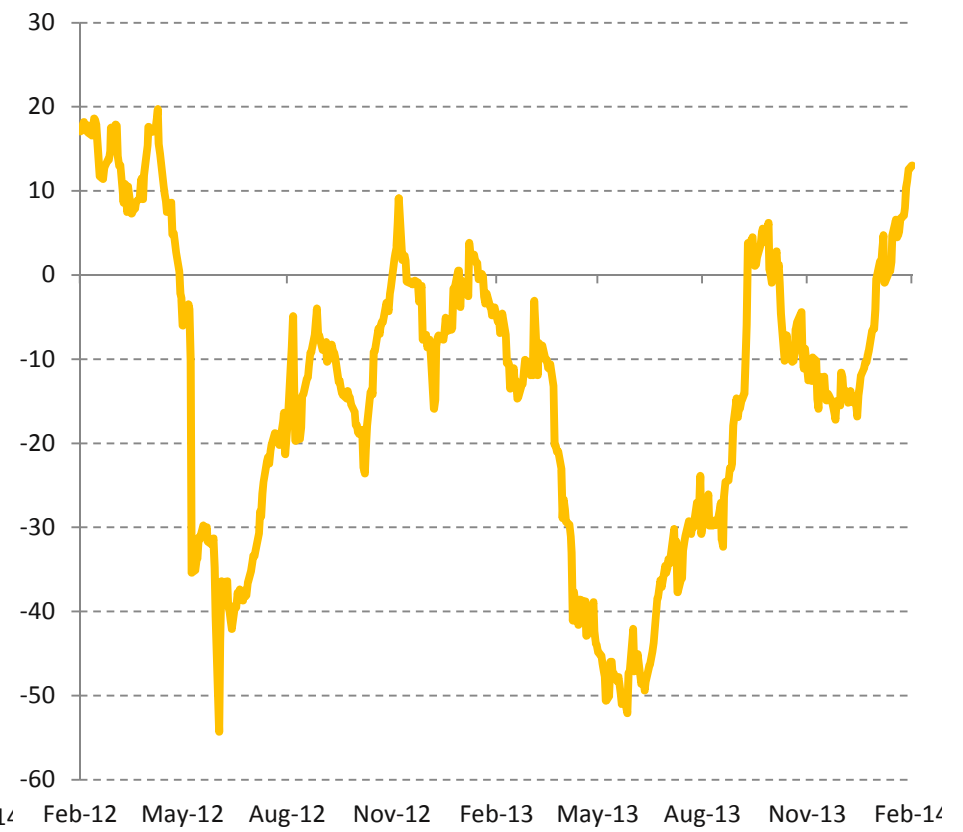
→ Where are we on the global recovery scenario?

US disappointment vs positive surprises in EM

Developed markets

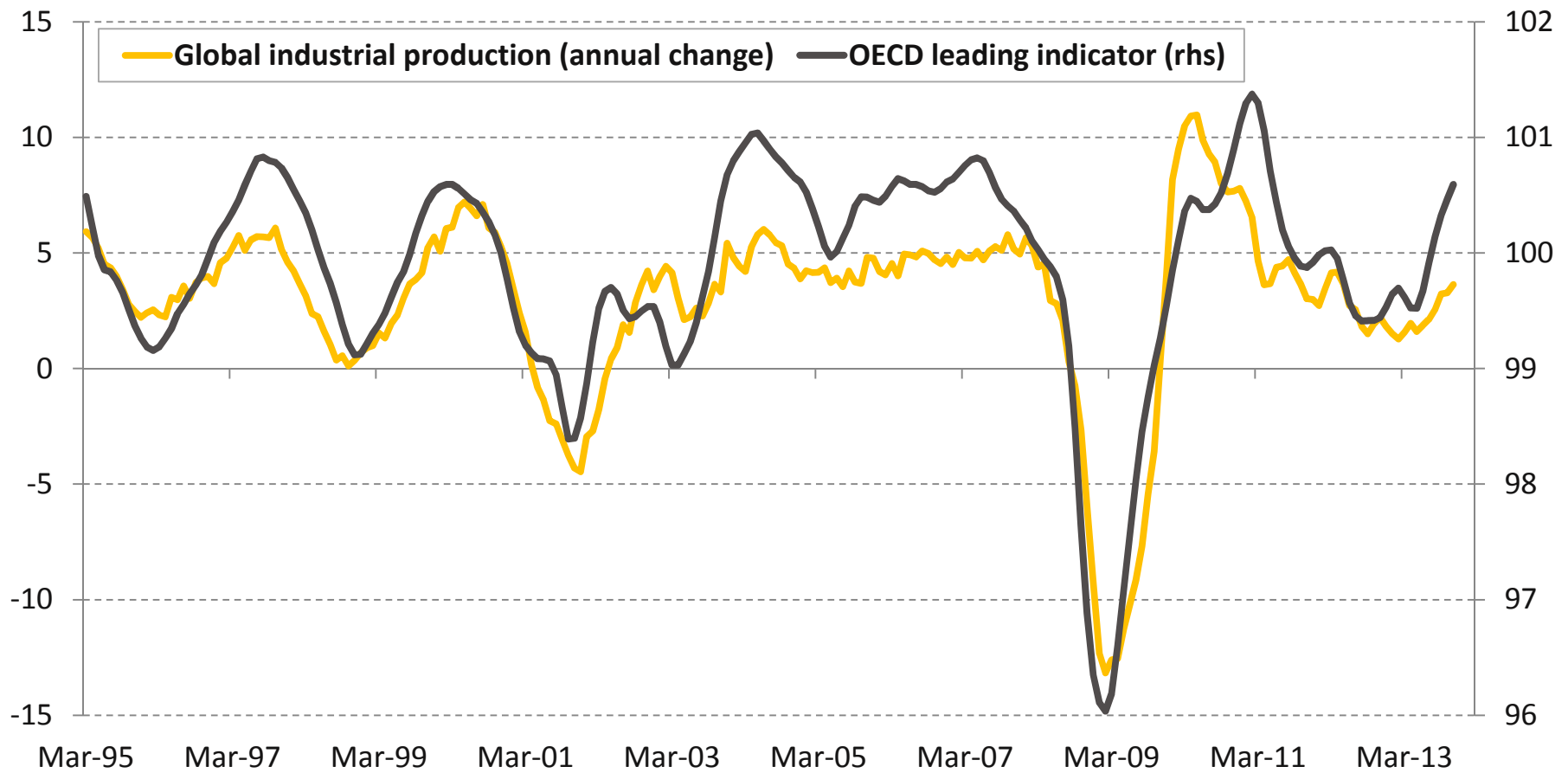


Emerging markets

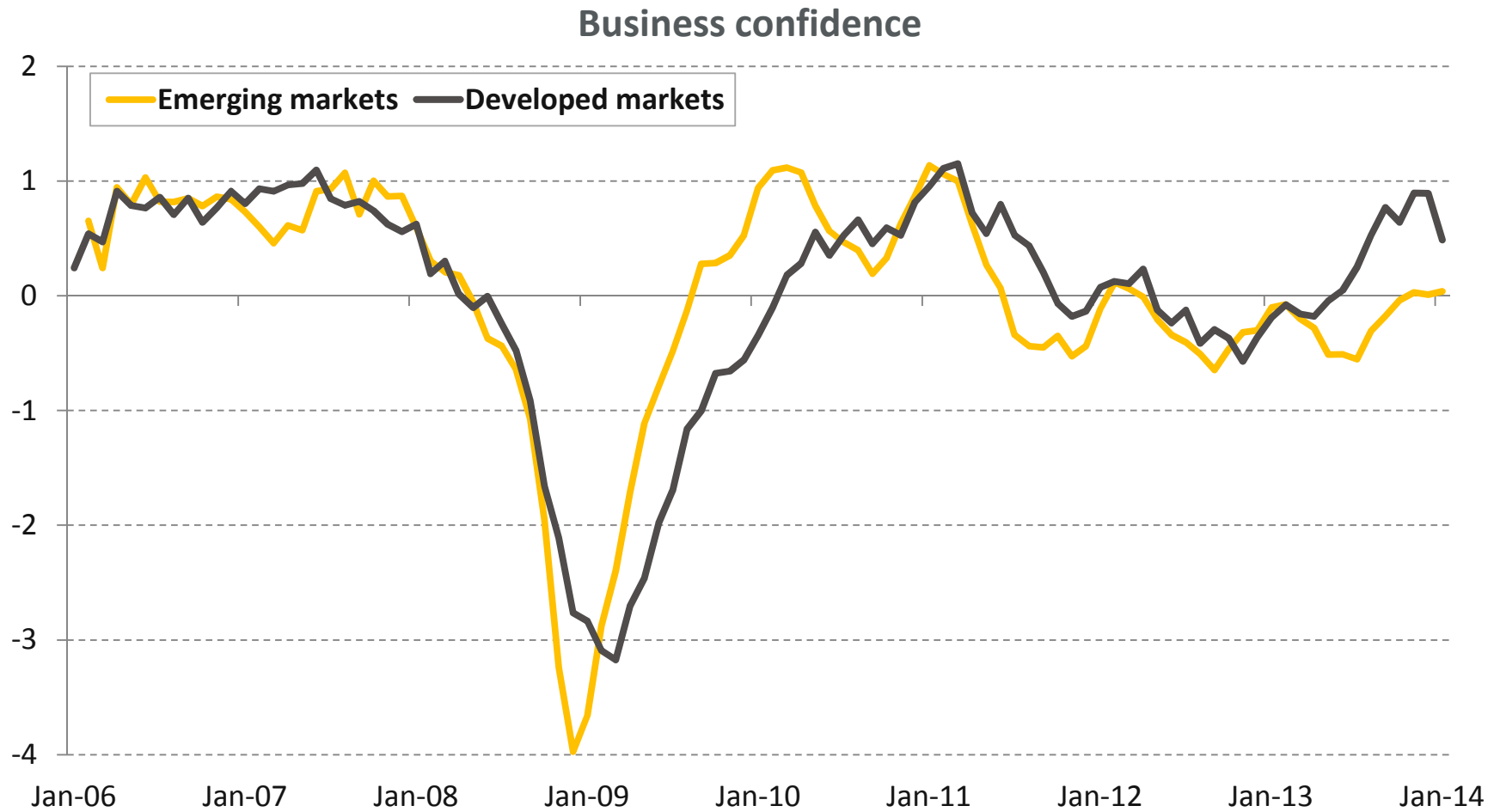


Economic surprise indicators

Global industrial recovery

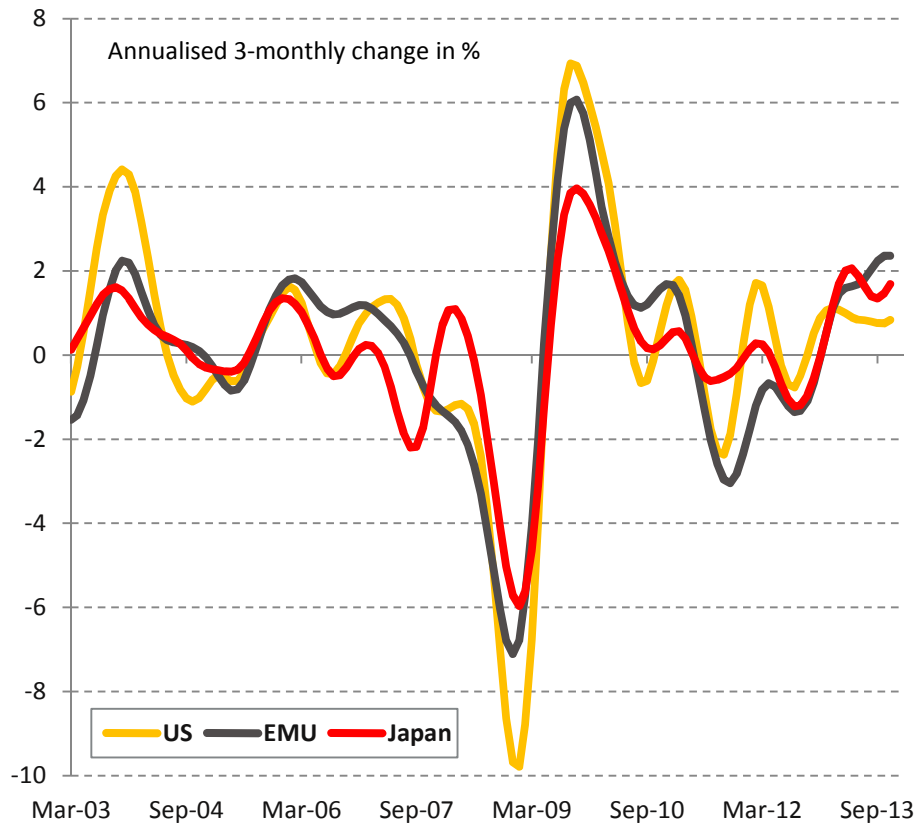


Global recovery: ISM effect?

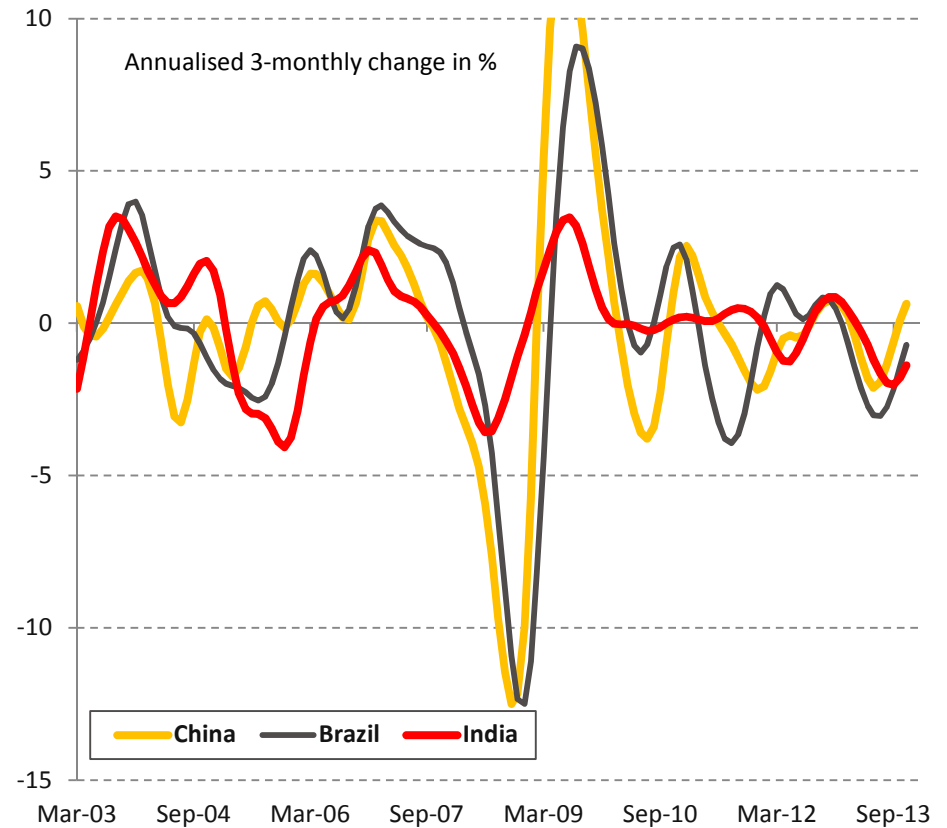


Improving outlook in DM and EM

Developed markets



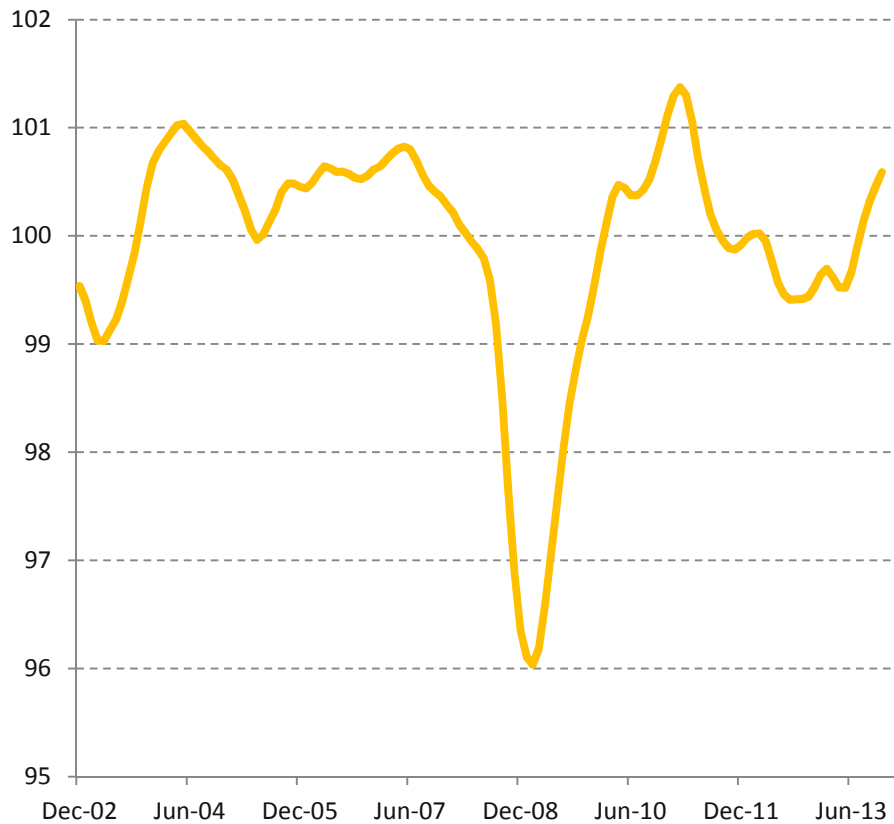
Emerging markets



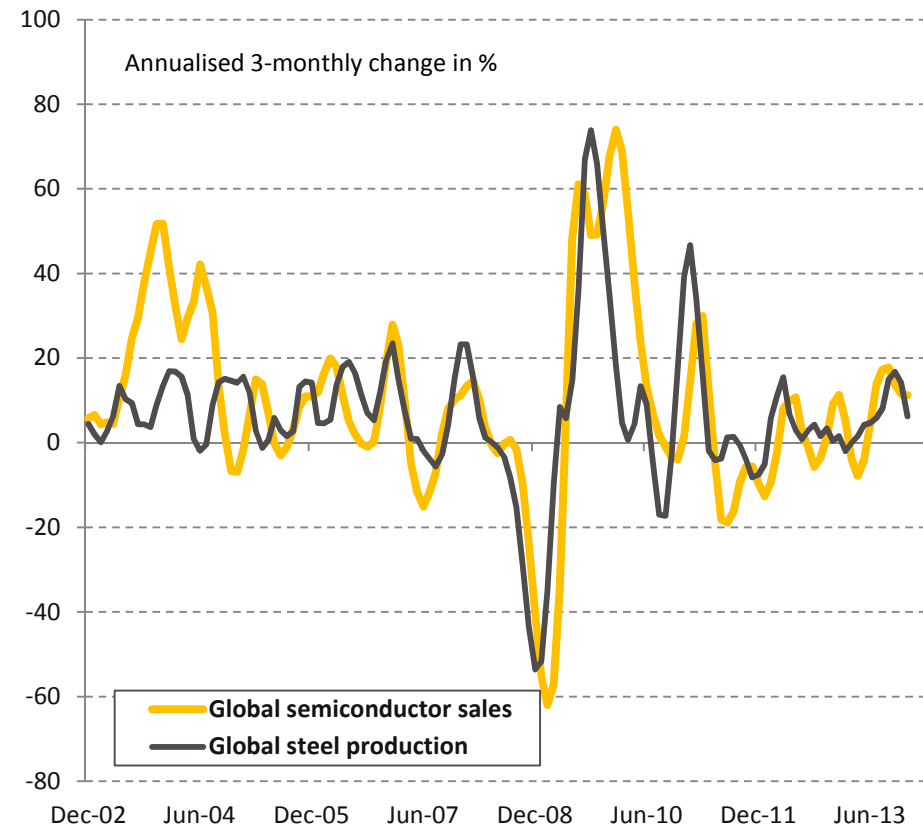
OECD leading indicators

Some hesitation in global industrial indicators

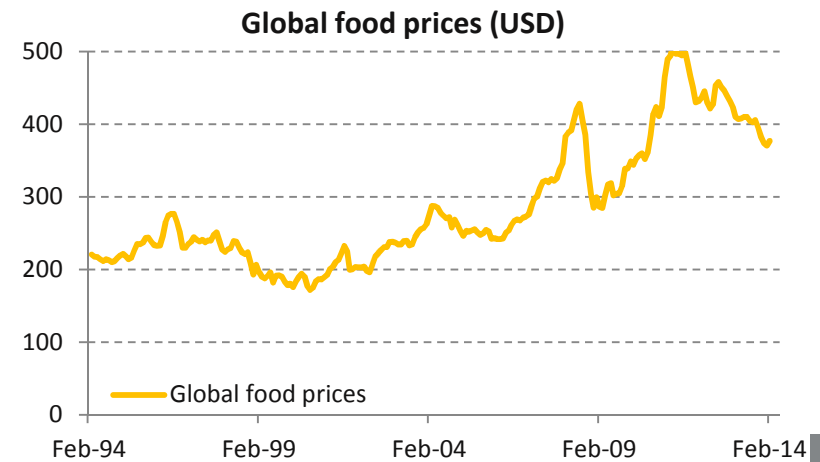
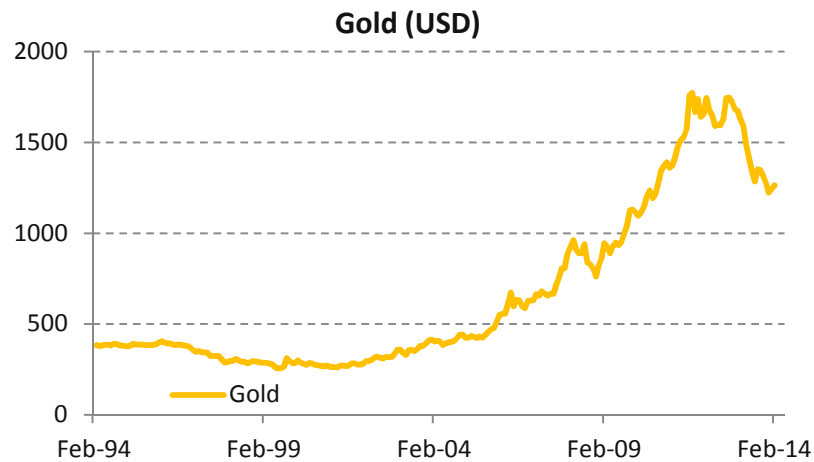
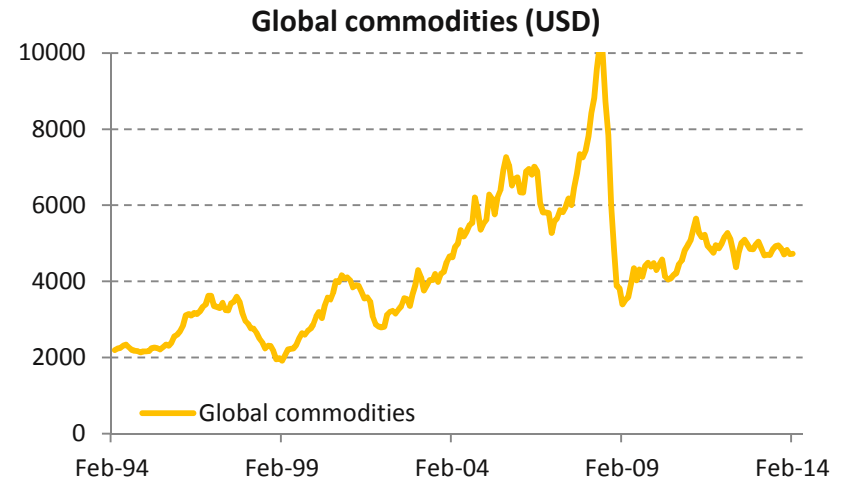
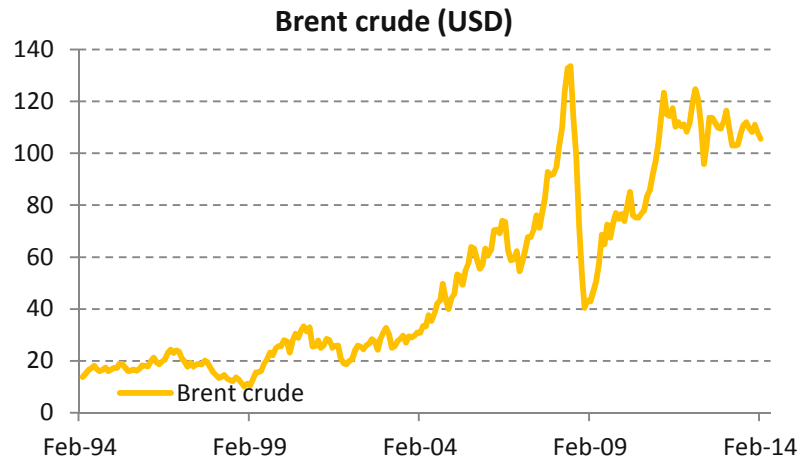
OECD Industrial confidence



Global industrial indicators

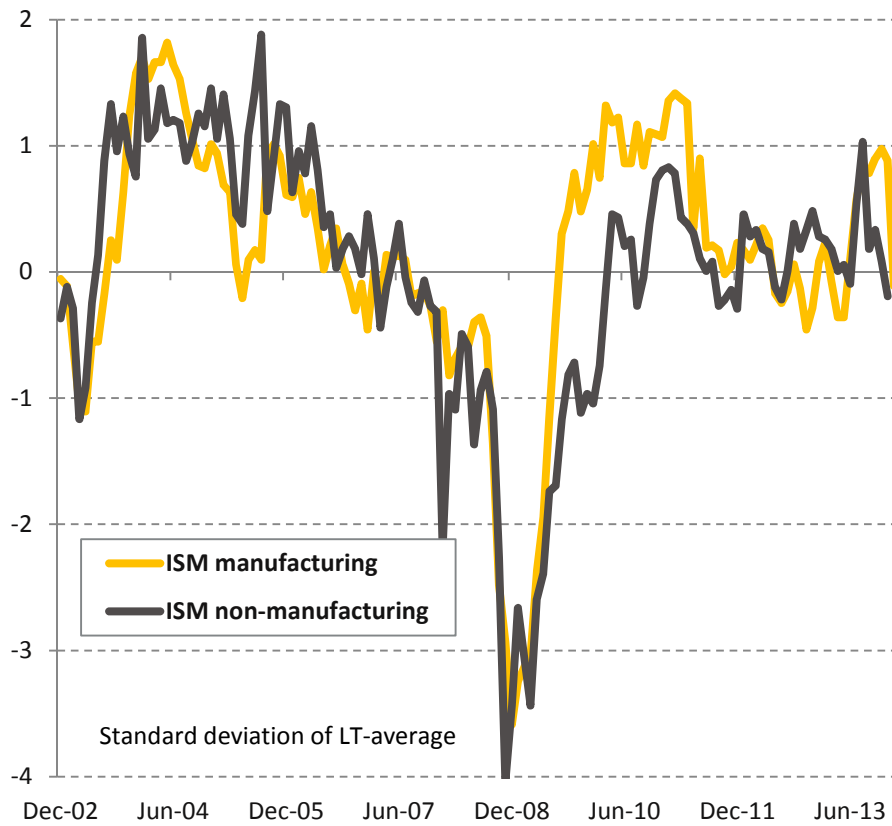


Commodity markets

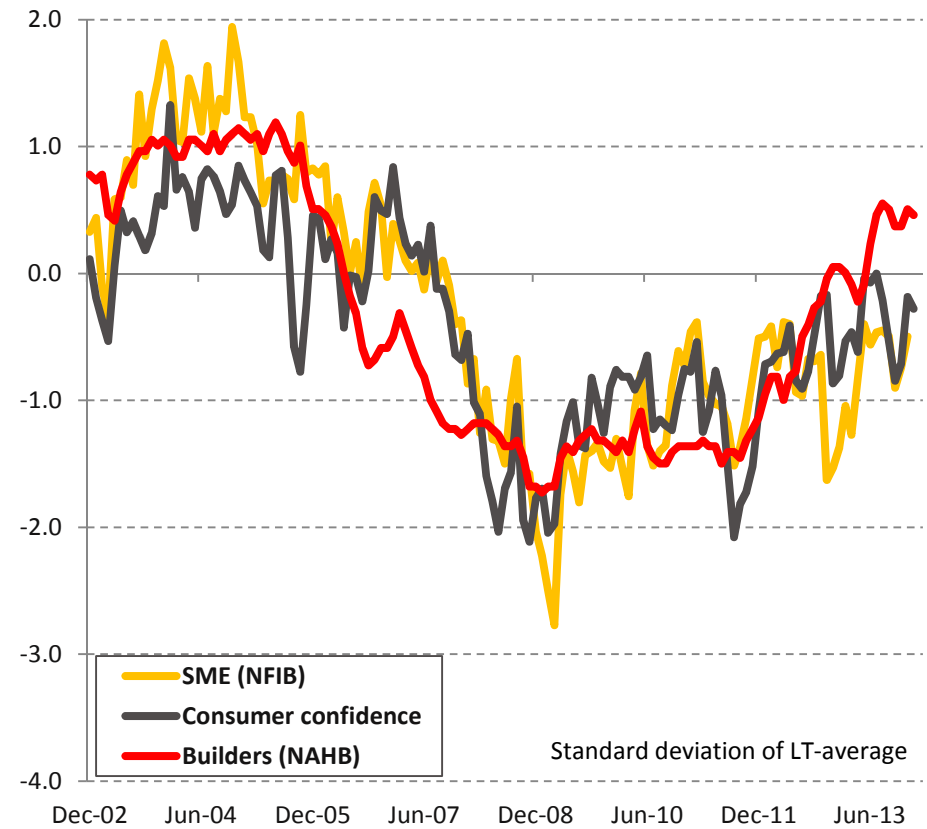


Mixed data on confidence in the US

ISMs

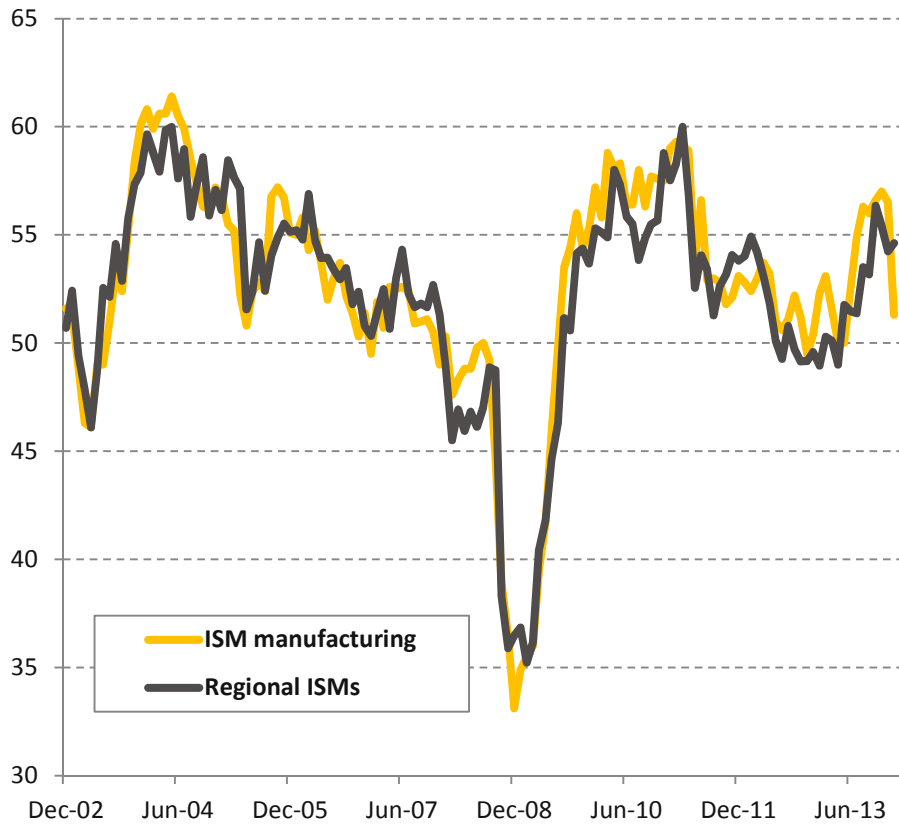


Other confidence indicators

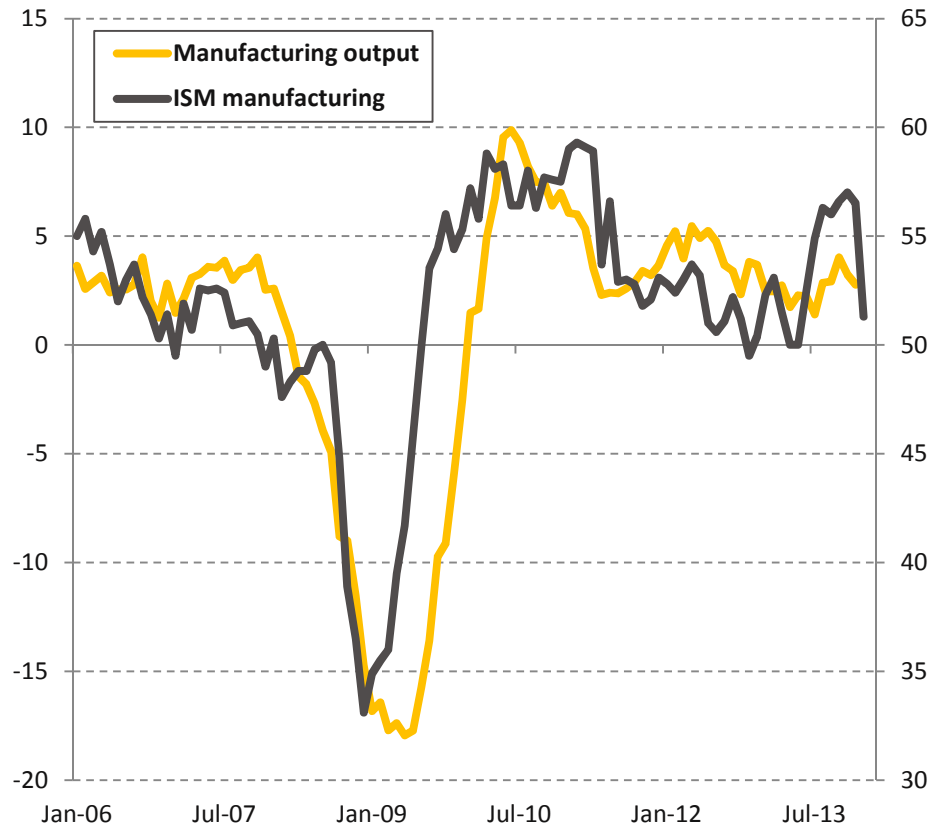


US manufacturing ISM: weather-related exaggeration in January?

Regional ISMs

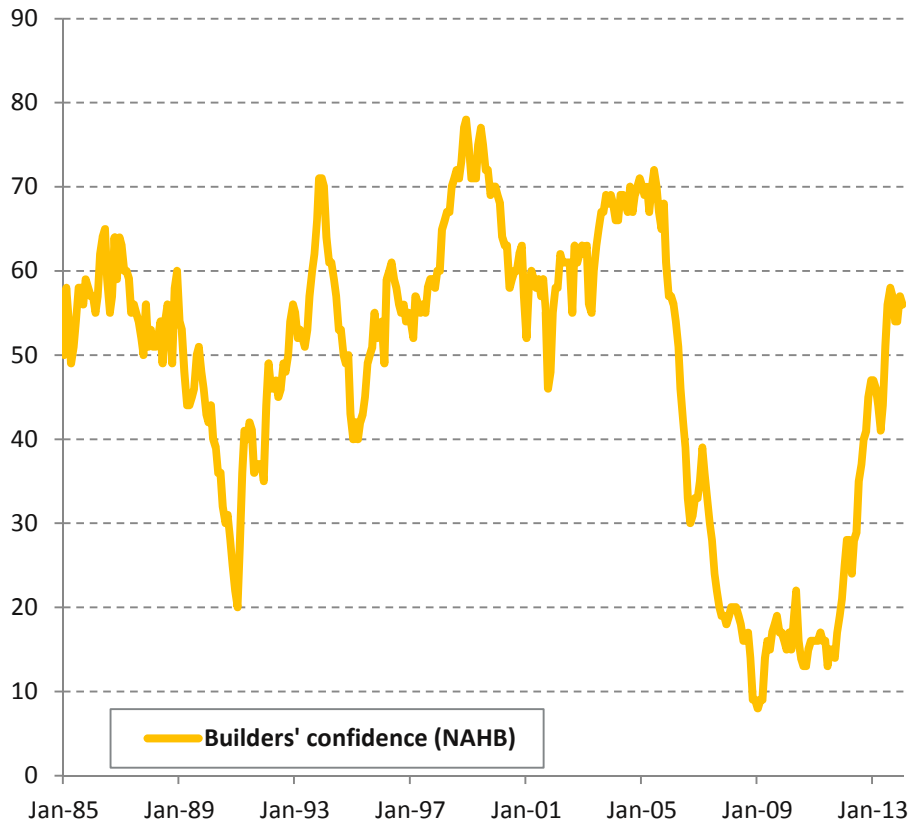


Industrial production

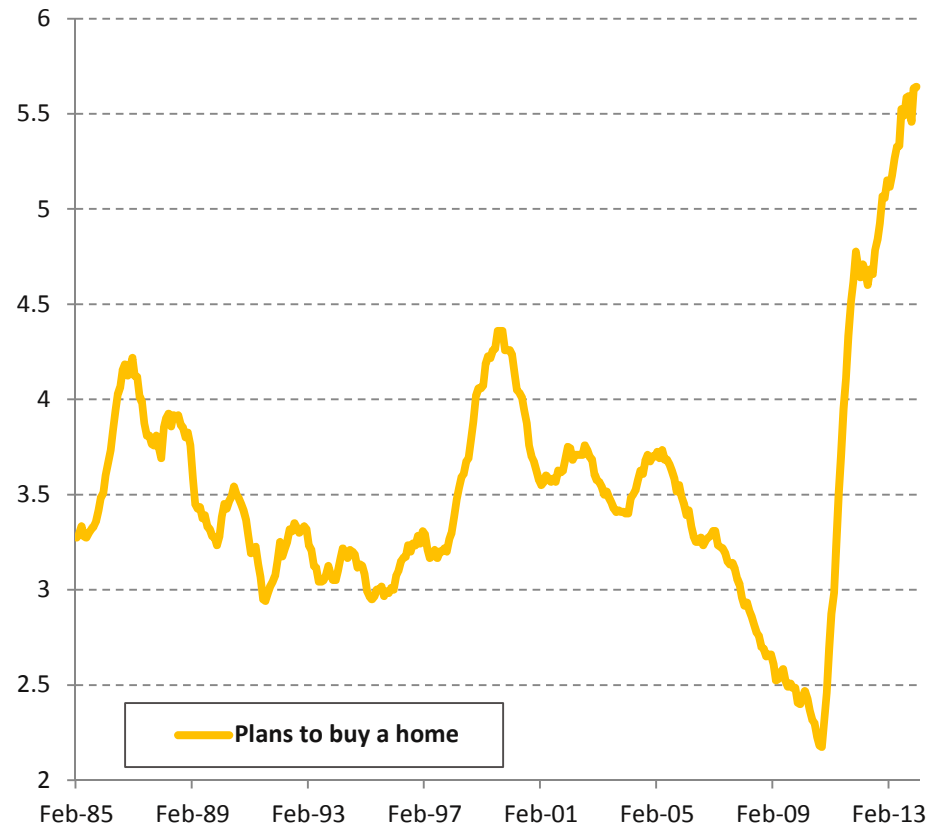


Strong confidence in US housing market

Builders

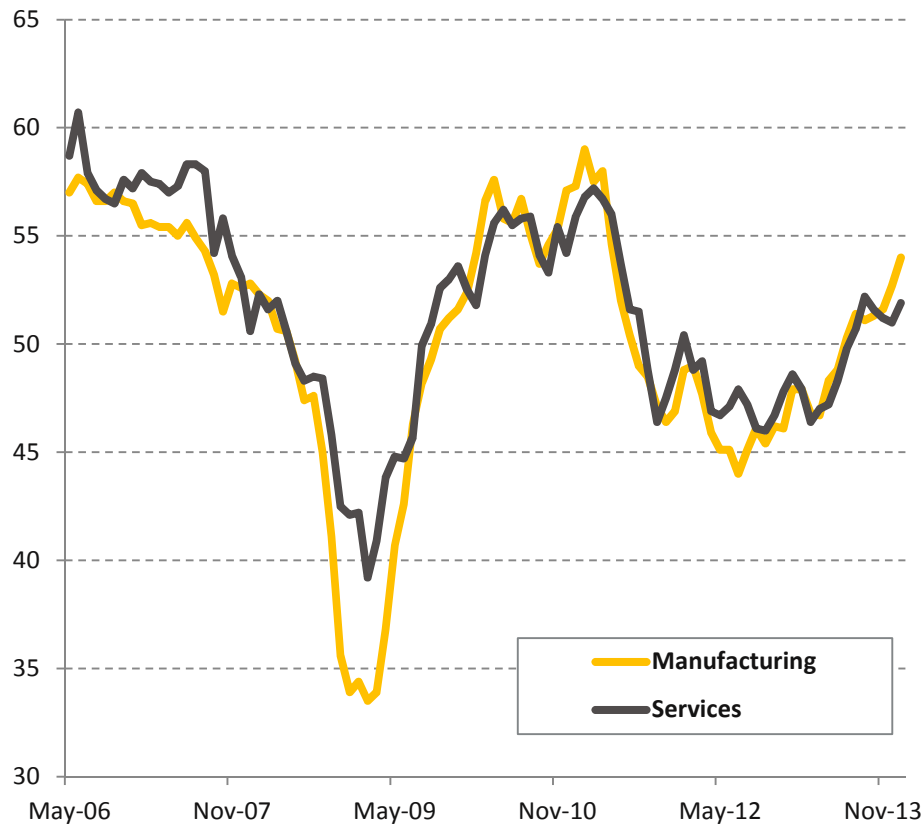


Households

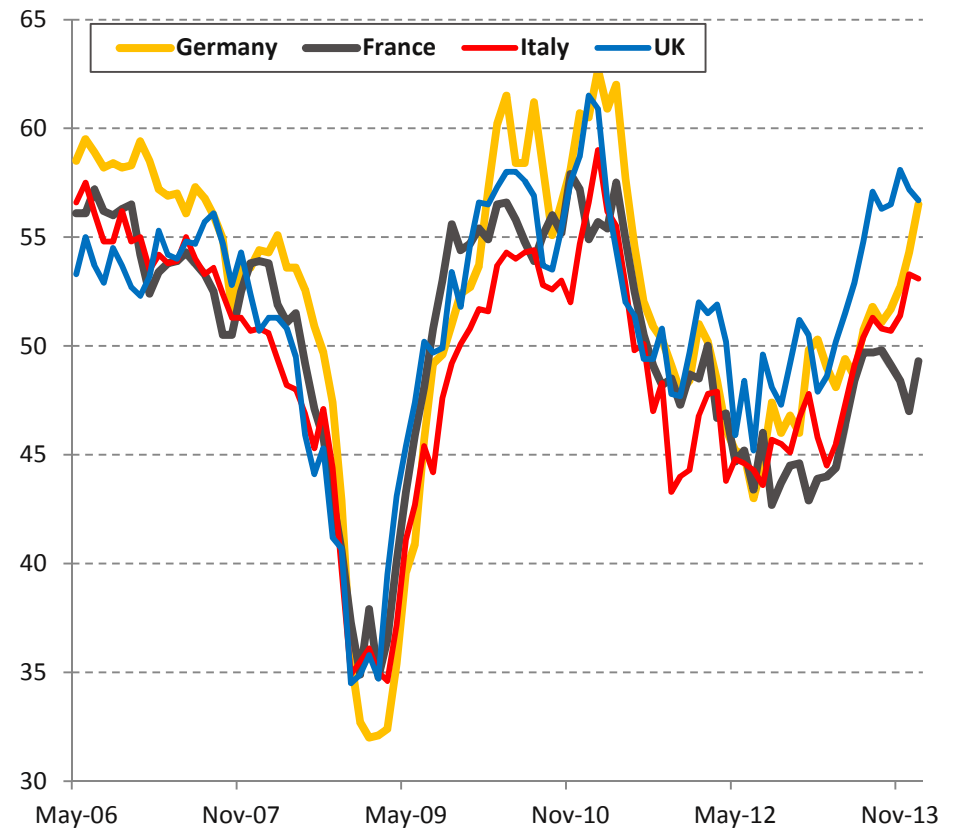


Continuing recovery in Europe: January PMIs

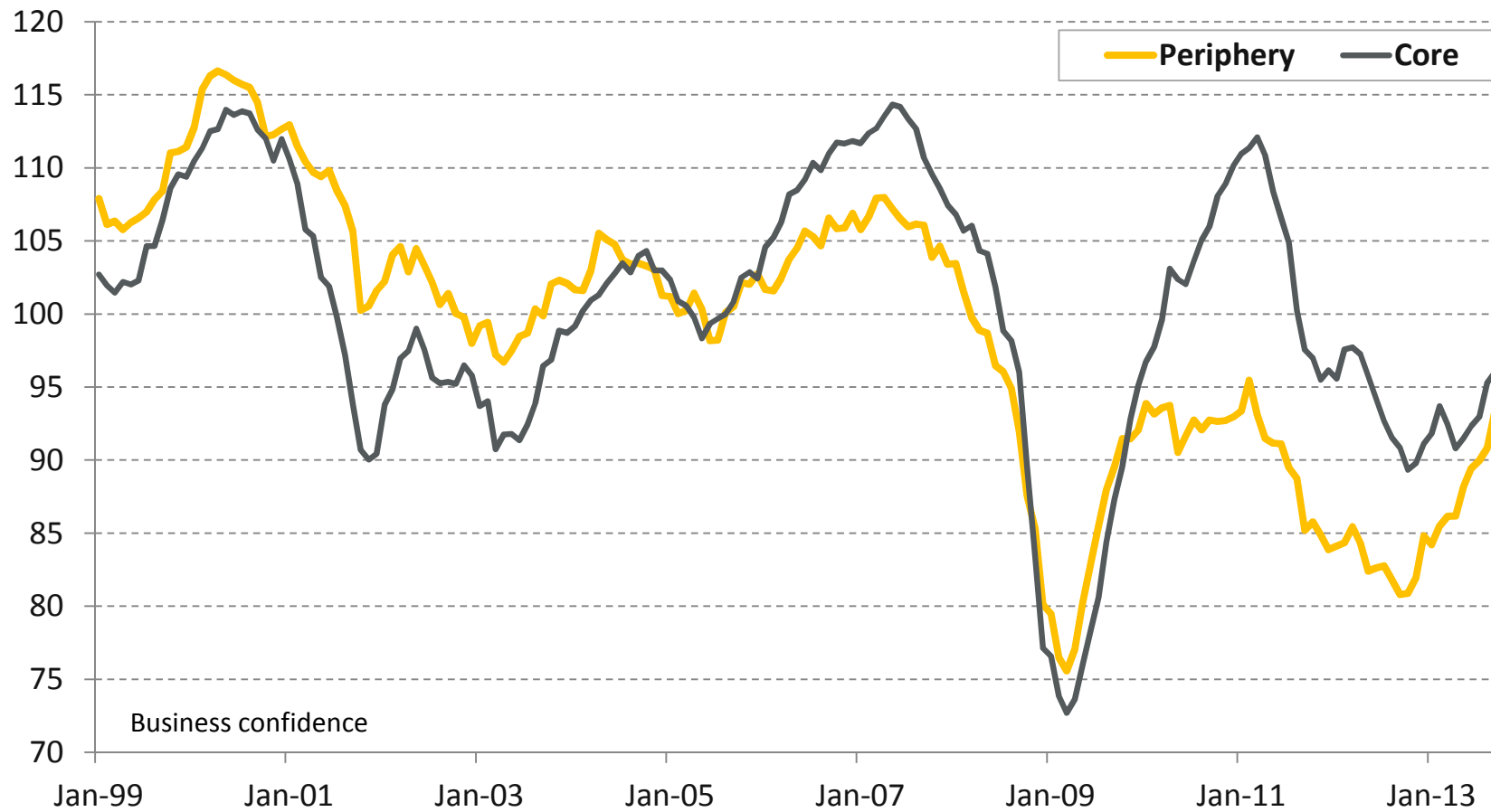
Eurozone PMIs



Manufacturing PMI

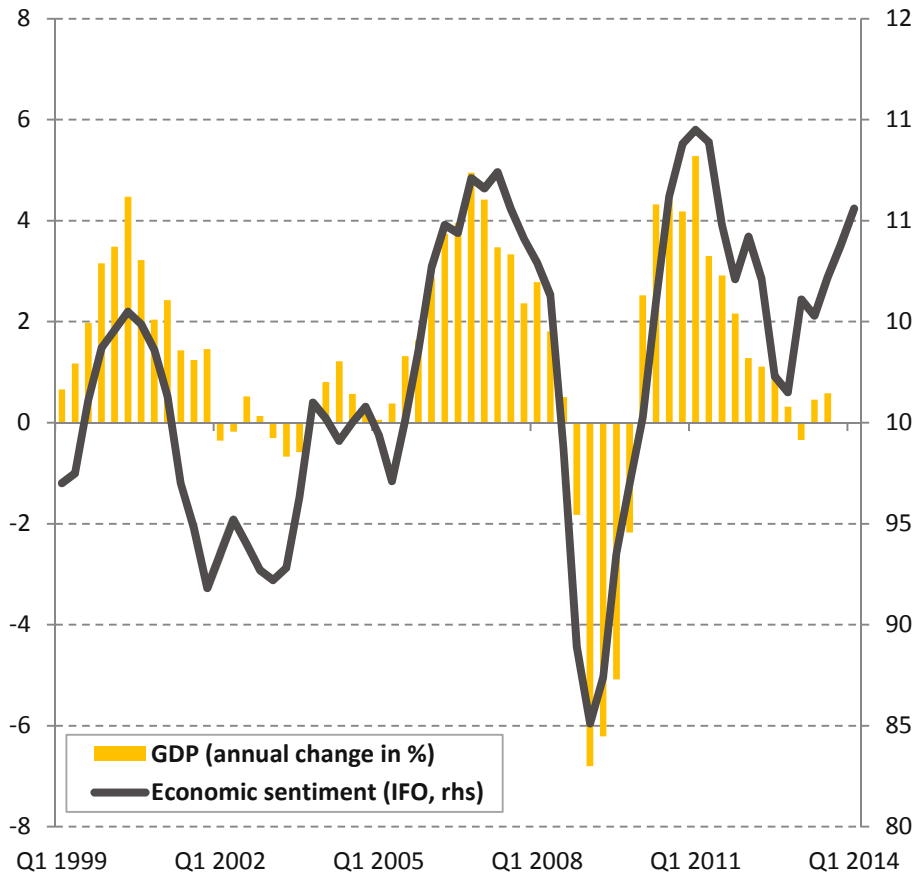


Improving business confidence in the eurozone

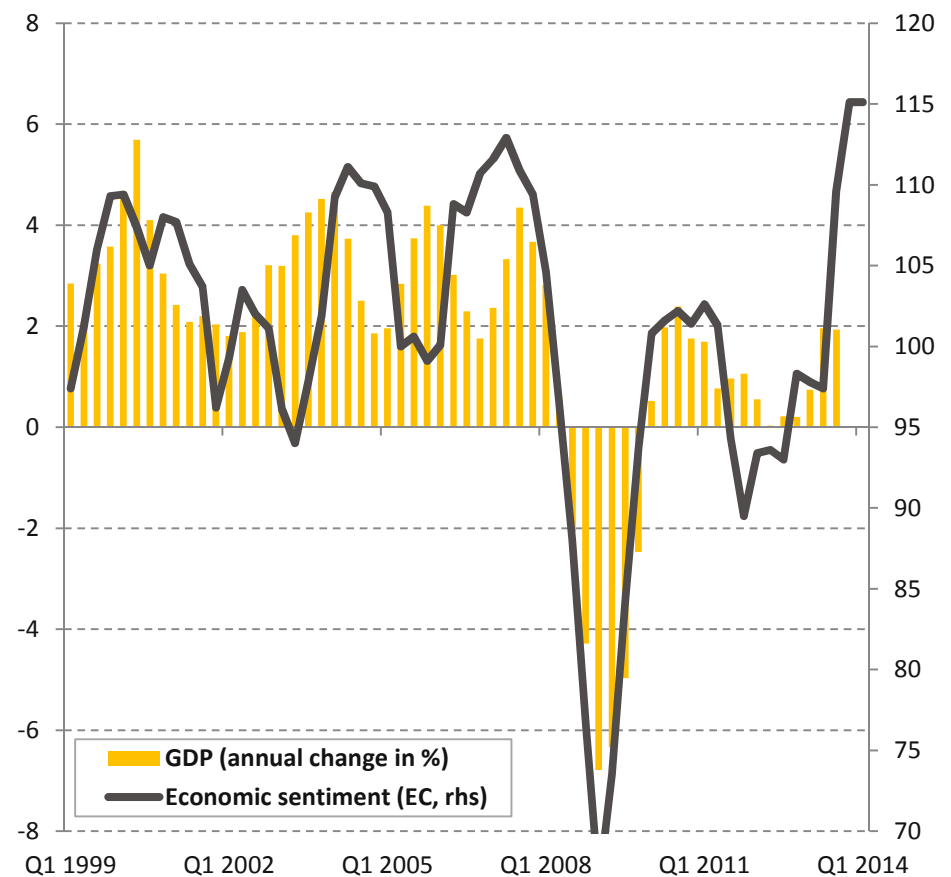


Recovery in Europe

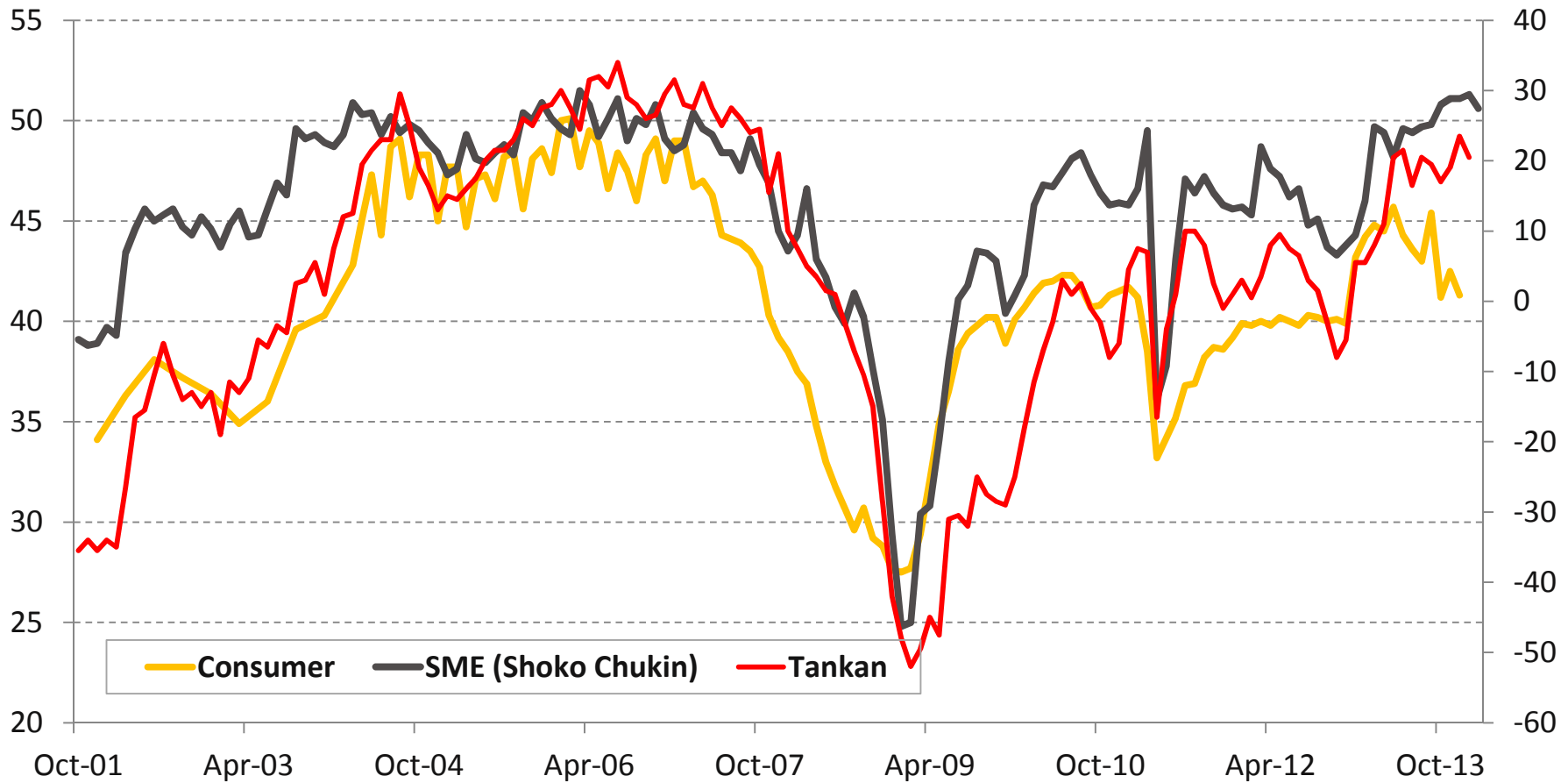
Germany



UK

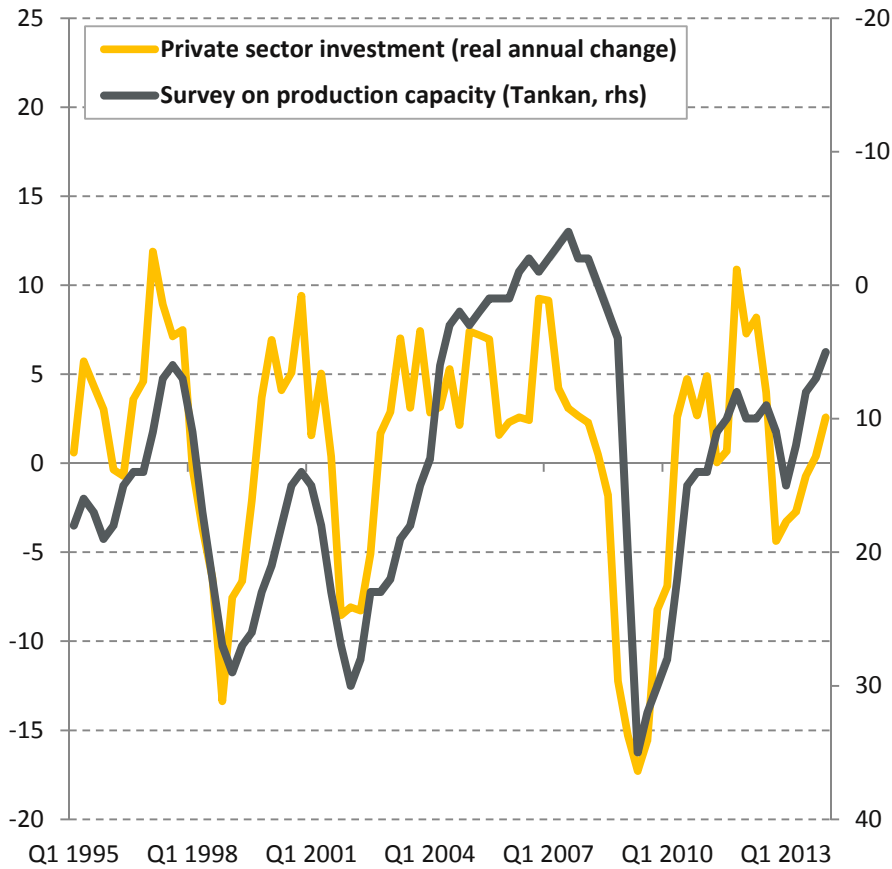


Confidence in Japan picking up, but consumer is worried

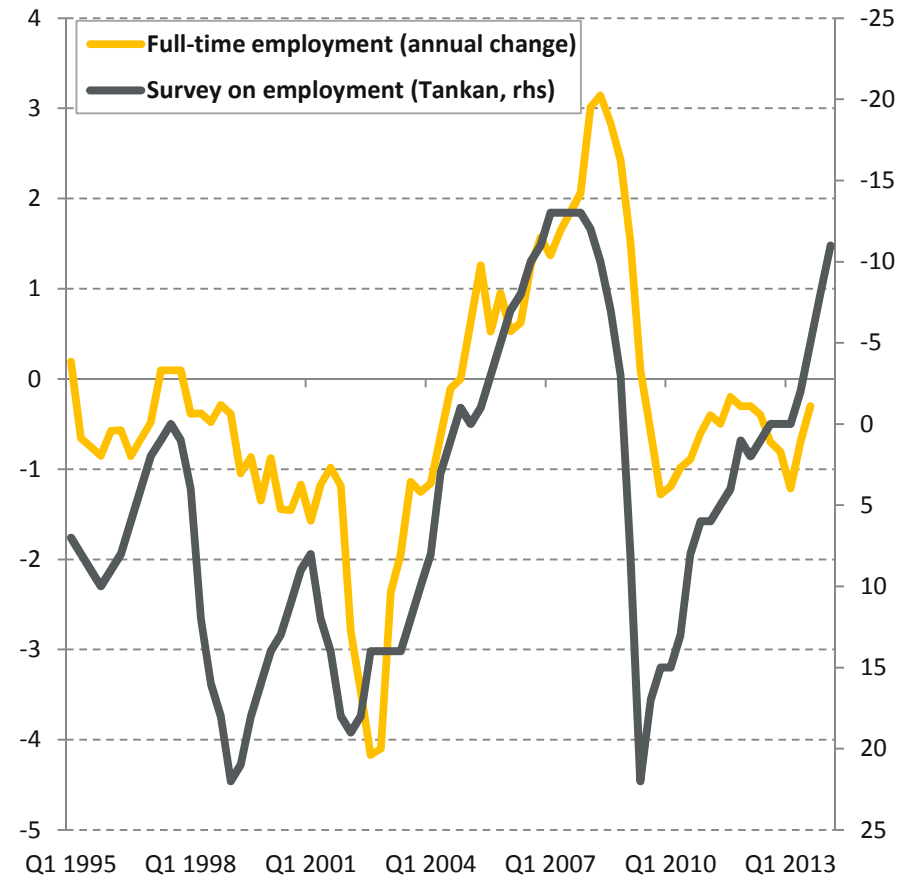


Japanese companies ready to invest and hire

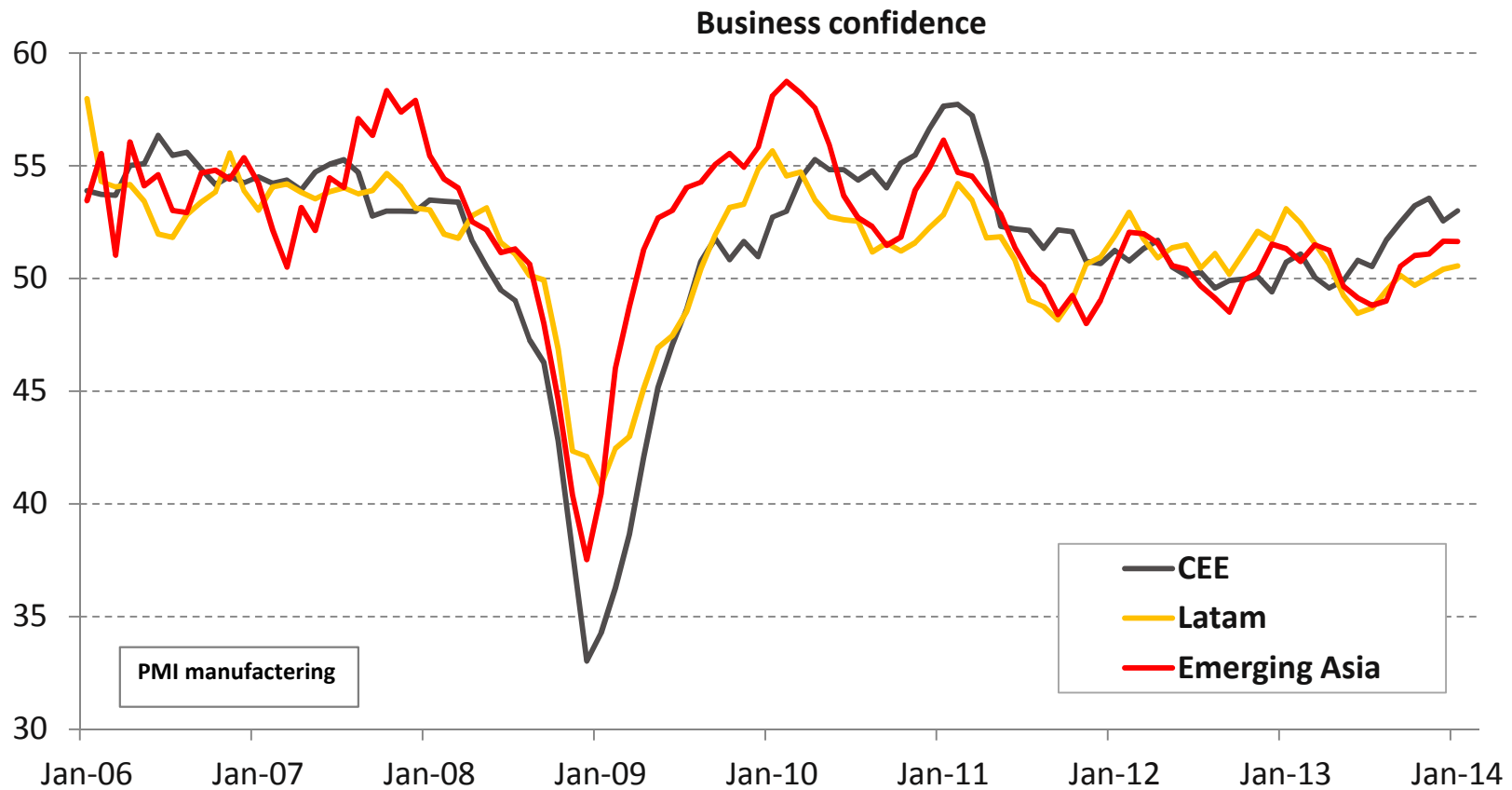
Capex



Employment

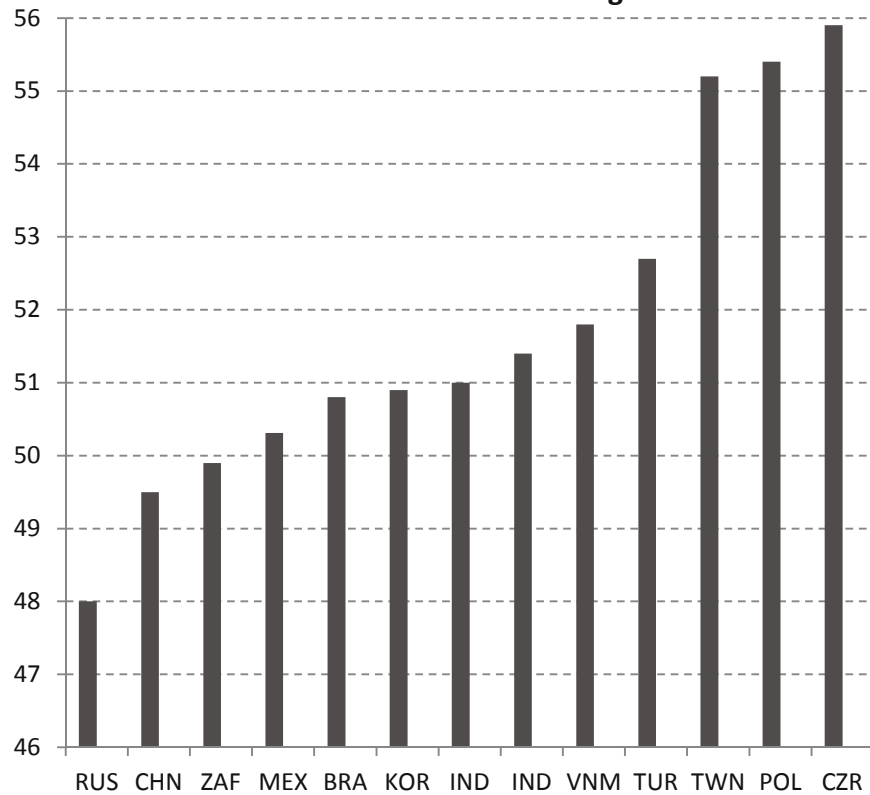


Signs of cyclical improvement in EM: January PMIs

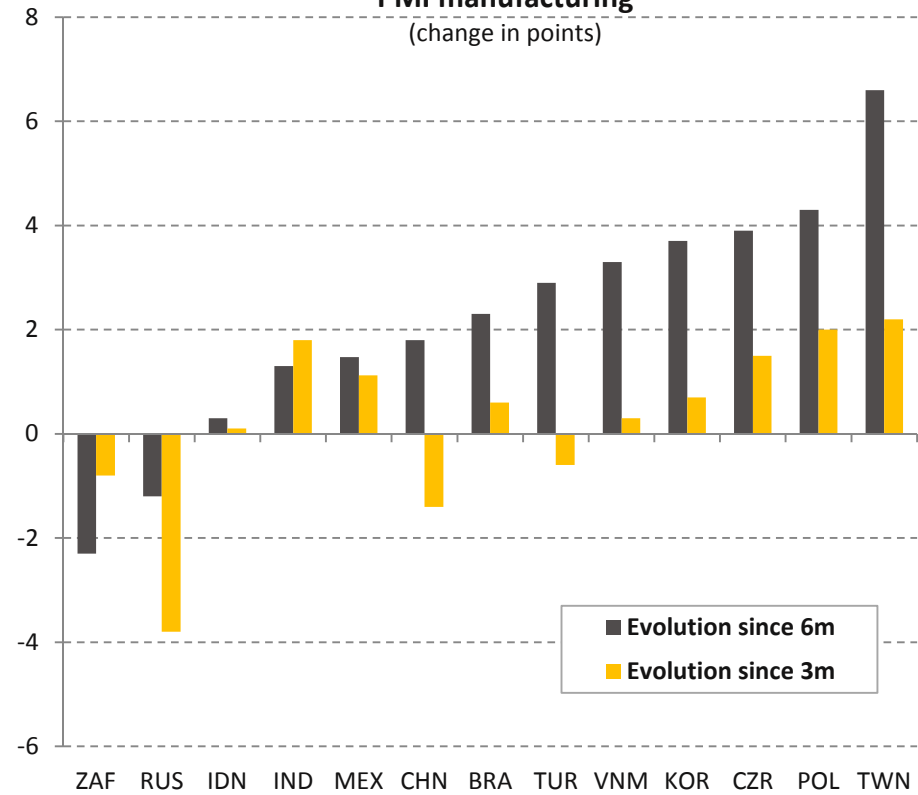


Business confidence in EM

PMI manufacturing



PMI manufacturing
(change in points)



Leading indicators broadly confirm global recovery

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- In US, ISMs show signs of weakness
- Recent leading indicators up in Europe and most EM
- Some stabilisation in Japan

→ Some concerns:

- US: very weak recent data, possibly distorted by the weather
- China: efforts to slow down credit growth is affecting overall economic activity
- Under pressure EM (Turkey, Argentina, Ukraine, Thailand): limited risk of contagion

→ Key drivers for recovery remain in place

- Increased confidence
- Reduced deleveraging
- Reduced fiscal tightening (US, Europe)
- Continued supportive monetary policy
- Low inflation

Global recovery remains intact

→ US

- Housing market recovery
- Continued job creation
- Reduced fiscal tightening

→ Europe

- Increasing confidence
- Capex cycle
- Reduced fiscal tightening

→ Japan

- Export companies benefit from global recovery/yen weakness
- Trickle down into domestic economy through capex and hiring
- Risk: April consumption tax hike
- BoJ to add further stimulus to weaken yen

→ EM

- Deficit countries to remain under pressure
- Cyclical upturn in exports
- Structural slowdown continues

Near term developments

→ Possible data distortions

- US: extremely cold weather
- Chinese new year

→ From no risk to risks everywhere

- US: debt ceiling
- Europe: deflation
- Japan: consumption tax hike + Abenomics fail
- EM: financial implosion/contagion

→ Most of these seem overdone

- US: another debt ceiling showdown seems unlikely
- Europe: inflation is uncomfortably low, but overall deflation still seems unlikely + ECB is increasingly likely to act
- Japan: BoJ is likely to add stimulus
- EM: structural slowdown continues, but little reason to expect significant contagion from the troubled countries to the entire region