



Global Macroeconomic Dashboard

APRIL 2019

BARINGS

Overview

GROWTH

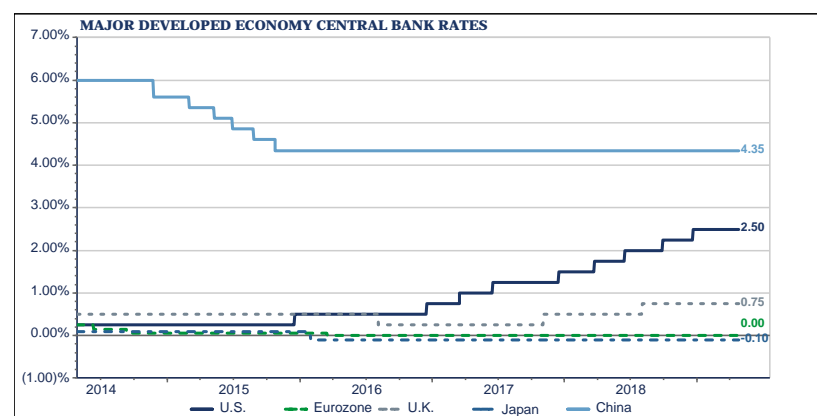
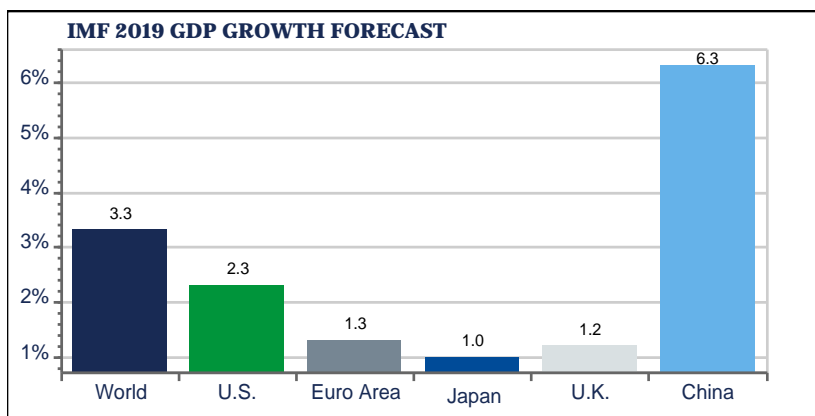
Short-term uncertainties led the IMF to cut its global growth forecast by .2 to a still respectable 3.3% in April.

- U.S. – The 3.2% annualized gain in 1Q19 GDP was well above the consensus forecast. However, upside surprises from net trade and inventory building masked weaker personal consumption growth. The growth outlook may still be challenging if these 1Q drivers prove to be temporary. Still, the U.S. economy remains better positioned than Europe, Japan and China. Leading indicators still point toward continued expansion and employment data is consistent with a sound economy, but rates markets suggest the path is not all clear yet.
- Europe – EZ growth momentum has slowed and the outlook remains unclear. External demand continues to be a worry, but consumer and business confidence has weakened and German manufacturing is still contracting. Potential trade issues with the U.S. surrounding auto tariffs still loom and fiscal policy remains uncertain. The ongoing Brexit saga continues to cloud the European economic growth outlook.
- Japan – The growth outlook remains challenging with leading indicators still signaling a weak activity environment. Downside risks may emerge from protectionist trade measures and softness in other economies of the Asia-Pacific region.
- China – The growth trend is lower, but recent stimulus efforts are starting to take hold and activity data has improved. The key challenge will be to determine whether the rebound is sustainable or further weakness materializes later in the year.

CENTRAL BANKS

Global central banks tilted dovish in a coordinated fashion following market weakness in December.

- Fed – No plans to hike rates in 2019 with the balance sheet unwind to end in September. Eased financial conditions to offset downside risk.
- ECB – Policy on hold. Assessing how to preserve the positive effects of negative interest rates while mitigating negative impact on banks.
- BOE – Policy direction still clouded by Brexit uncertainty. Bias is toward further tightening, but any policy change should be gradual.
- BOJ – Yield curve control targets remain in tact, but altered forward guidance to keep interest rates at current levels until Spring 2020.
- PBOC – After stimulating, would like to keep monetary policy neutral and assess economic conditions before making any further changes.



Source: IMF and Factset as of 04/26/2019

For investment professionals only

Global Macro Summary

Overview

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RATES/INFLATION

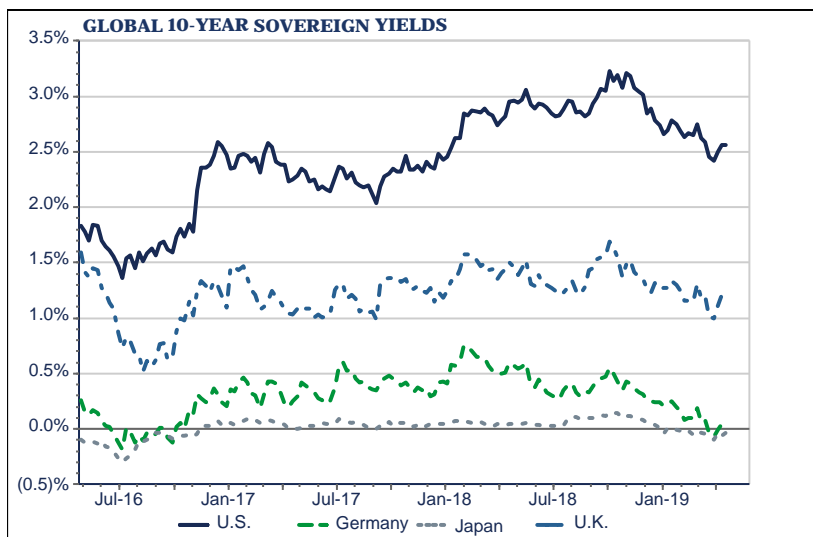
Rates markets continue to price in a Fed rate cut for later this year. The 2s/10s UST spread has steepened while 10-year Bund and JGB yields remain mired in negative territory. Global inflation expectations are contained, enabling central banks to be patient with policy moves.

CURRENCIES/COMMODITIES

The USD has strengthened as the U.S. economy outperforms and global growth concerns persist. The recent rise in oil prices following the U.S. decision to end waivers on imports from Iran may be short-lived as several production areas are available to fill any potential void. Industrial metals have been range bound recently, a potential signal that may indicate the global growth outlook remains uncertain.

GEOPOLITICS:

- U.S.-China trade tensions continue to cloud the global growth outlook, but markets are hopeful a resolution is near.
- Brexit uncertainty is still high, although the EU agreed to offer the U.K. an extension until October 31, with a June 3 review at the EU summit. The extension is conditional on the U.K participating in European elections on May 23. A failure to vote would trigger the U.K. departing the EU on June 1. European parliamentary elections in the spring could raise headline risks as populist parties rally support.
- Wild Cards: New Russian sanctions; Iran, auto tariffs; Venezuela



Source: Factset as of 04/26/2019

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Global Macro Summary

Key Macro Themes

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- Although the IMF downgraded the 2019 global growth forecast, it is still expected to come in at a reasonable 3.3%. Downside risks have increased due to trade concerns, fiscal policy uncertainty, Brexit and weakness in the Asia-Pacific area. Growth could surprise to the upside if China's rebound shows staying power, the trade conflict is resolved soon and business confidence recovers. The U.S. economy remains best positioned on a relative basis as the Eurozone faces growth challenges, Japan's outlook has weakened and China's recovery is still fragile.
- U.S. and China trade talks appear to be heading toward the final stages, but trade friction remains and a contraction in South Korea's economy during 1Q19 indicates the trade tensions are having negative impact on growth. The Brexit drama has been extended as neither side can come up with an amicable resolution. Populist movements across Europe are likely to increase headline risk as we move closer to European parliamentary elections.
- Globally, central banks have responded and are generally considered to be accommodative with ample time to be patient on policy moves as inflation expectations and data remain subdued. The market is still ahead of the Fed in terms of rate cut expectations, but that will not likely be resolved until 2H19.
- Overall, macro fundamentals seem supportive of near term growth and new highs in U.S. equity markets appear to back that up. Still, downside risks persist and some market signals have not flashed the all clear sign yet.

Economic Activity	2015	2016	2017	2018	2019 (E)	2020 (E)
Real GDP (Y/Y %)	3.4	3.4	3.8	3.6	3.3 ▼	3.3 --
CPI (Y/Y %)	2.8	2.8	3.2	3.6	3.1 --	3.1 --
Trade Volume (Y/Y%)	2.8	2.2	5.4	3.8	3.4 ▼	3.9 ▼
Inter-Bank Rates						
3-Month USD Libor	0.61	1.00	1.69	2.81	2.66 ▼	2.63 ▼
3-Month Euribor	-0.13	-0.32	-0.33	-0.31	-0.30 ▼	-0.18 ▲
3-Month GBP Libor	0.59	0.37	0.52	0.91	1.08 ▼	1.38 ▼
3-Month JPY Libor	0.08	-0.05	-0.02	-0.07	-0.05 ▼	0.10 --

Arrows indicate consensus estimate change compared to 1 month ago.

Source: Bloomberg and IMF as of 04/26/2019. (E) – Bloomberg private market consensus estimates for GDP, CPI and rates. IMF estimate for trade volume.

Global Key Charts

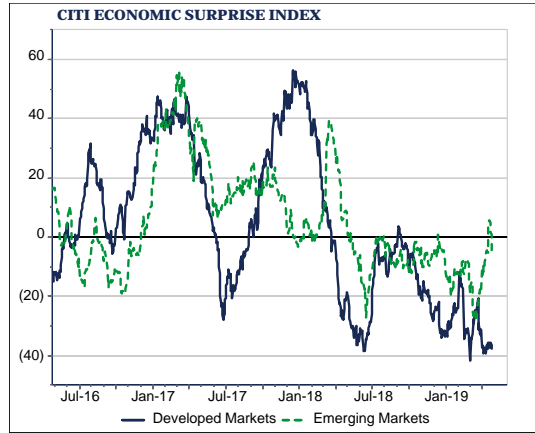
Leading Indicators

Downside risks to global growth are elevated as PMIs continue on a downward trend



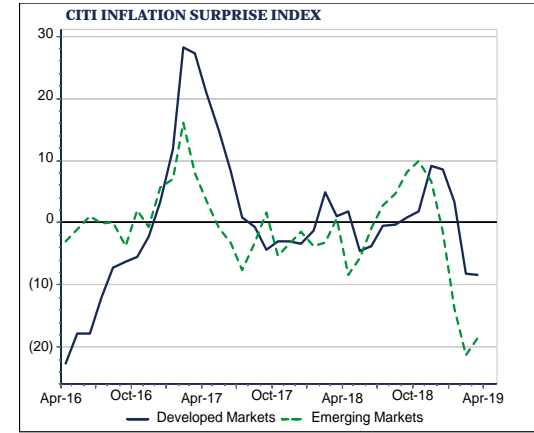
Economic Data

Developed market data continues underperform while emerging market data has shown improvement recently



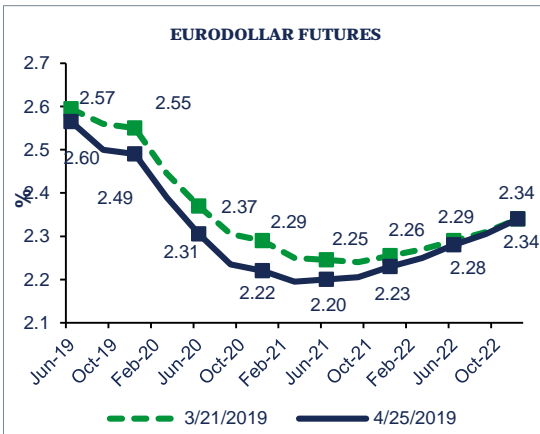
Inflation Data

Inflation data in both developed and emerging markets is coming in weaker than expected



Eurodollar Futures Curve

Dovish expectations for future monetary policy are evident in the futures curve which has repriced lower since last month



Macro Risk

Market volatility remains very low as risk aversion fell sharply following central banks easing financial conditions



Copper/Gold Ratio

The ratio is a good barometer for the 10Y UST yield and shows recent growth worries may be overdone as yields rise



Source: Factset and Bloomberg as of 04/26/2019

U.S. Macro Dashboard

Key Macro Themes

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- GDP growth unexpectedly accelerated to 3.2% in 1Q19 from 2.2% in 4Q18. The acceleration in 1Q19 is at odds with recent U.S. economic data that has been much weaker than expected and PMI readings that have trended lower. The U.S. growth outlook still remains above trend, although the pace should slow. Market estimates (Q/Q saar) for 2Q19 and 3Q19 GDP were revised slightly lower by .1 over the past month to 2.5% and 2.2%, respectively.
- Inflation expectations have rebounded modestly, but remain subdued relative to the levels that prevailed over much of last year. Current data shows headline CPI accelerated to 1.9% Y/Y driven by higher energy prices, while core CPI remains contained as core goods prices have fallen. The March employment report showed a better-than-expected rebound in payroll growth with the unemployment rate holding steady at 3.8%, although wage gains eased.
- The yield curve has steepened recently, however, Treasury yields remain inverted between one-month and three years. Fed Funds futures seem to be looking past the current rebound and are pricing in a rate cut late in the year. The Fed is not expected to make any policy changes at the May FOMC meeting after a more dovish than expected shift at the March meeting.
- Better 1Q growth combined with a still cautious outlook for later this year has led to conflicting views over the potential for a rate cut.

Economic Growth	04/26/2019	2016	2017	2018	2019 (E)	2020 (E)
Real GDP (Y/Y %)	3.2	1.6	2.2	2.9	2.4 --	1.9 --
Inflation						
CPI (Y/Y %)	1.9	1.3	2.1	2.5	1.9 ▲	2.1 ▼
Core PCE (Y/Y %)	1.8	1.7	1.6	1.9	1.9 --	2.0 ▼
Labor Market						
Unemployment (%)	3.8	4.9	4.4	3.9	3.7 --	3.6 --
Rates						
Fed Funds	2.38	0.63	1.38	2.38	2.55 ▼	2.50 ▼
2Y Treasury	2.30	1.19	1.89	2.52	2.53 ▼	2.56 ▼
10Y Treasury	2.51	2.45	2.41	2.72	2.75 ▼	2.87 ▼

Arrows indicate consensus estimate change compared to 1 month ago.

Source: Bloomberg and IMF as of 04/26/2019. (E) – Bloomberg private market consensus estimates for GDP, CPI and rates. IMF estimate for trade volume.

U.S. Key Charts

Leading Indicators

The April PMI was a slight uptick from March and still supportive of a decent growth outlook



Inflation Expectations

Inflation expectations have been range-bound recently as no signs of materially higher prices are present in the data



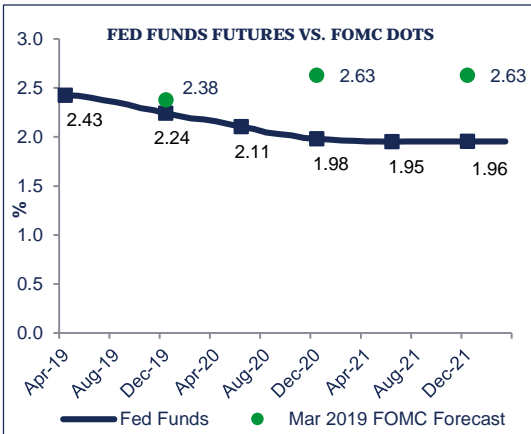
Economic Data

In contrast to a strong 1Q19 GDP report, recent economic data has come in much weaker than expected



Fed Funds Futures Curve

The market and Fed are almost in sync with rates this year, but unlike the Fed is pricing in cuts for 2020 and 2021



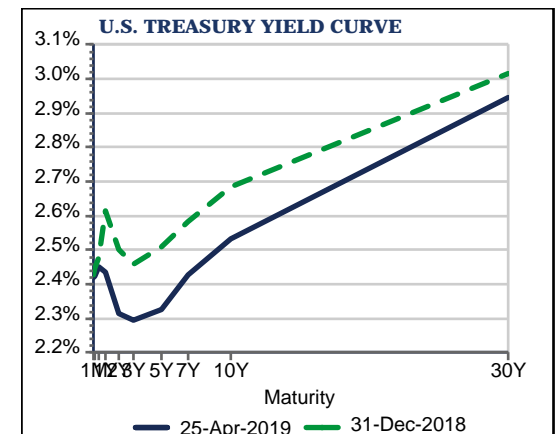
Wage Growth

The March employment report saw wage growth steady with little signs of wage inflation breaking out



Yield Curve

The yield curve has inverted out to three years while shifting lower year-to-date, indicating future growth concerns persist



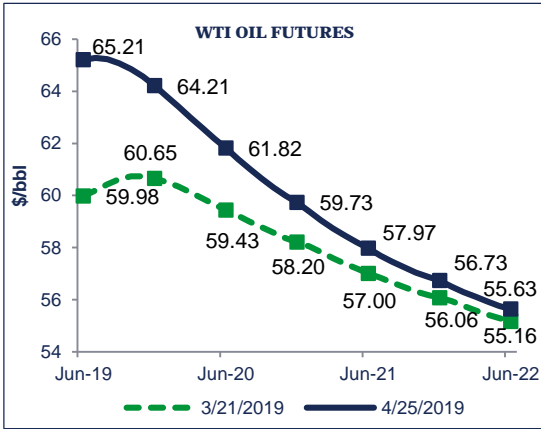
Source: Factset and Bloomberg as of 04/26/2019

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U.S. Key Charts

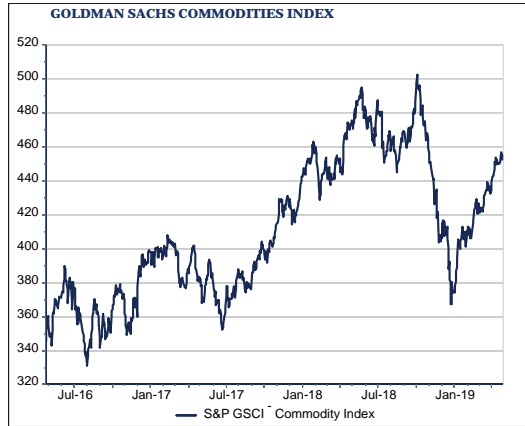
WTI Crude Oil Futures

Near-term prices continued to move higher over the past month, pushing the futures price structure into contango



Commodity Index

The rally in oil prices has led the rebound in commodity prices this year



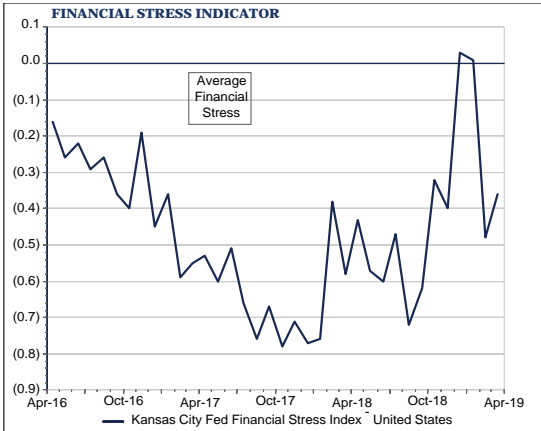
USD Index

Despite the Fed's shift to a more neutral policy stance, the USD continue to trek higher



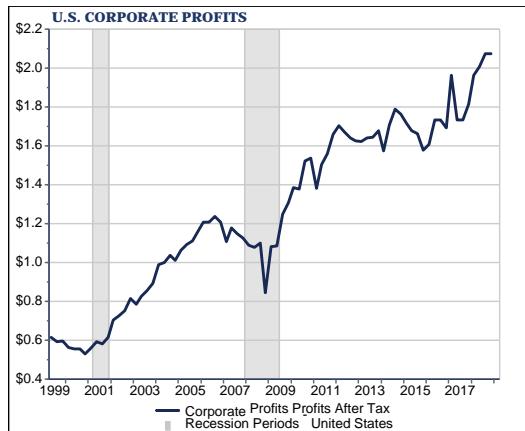
Financial Stress

The Fed's dovish Fed enabled financial conditions to ease and triggered a very low volatility environment



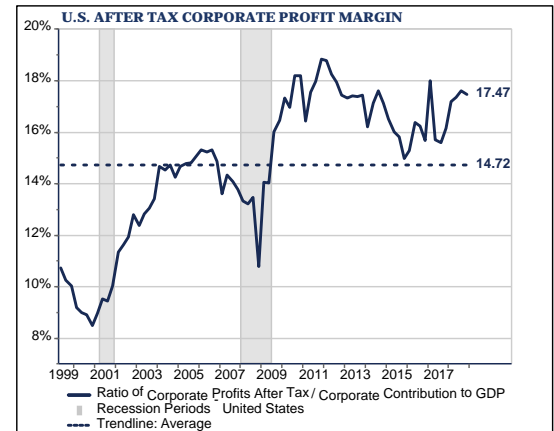
Corporate Profits

Solid economic growth and the continued benefits of tax reform combined to boost corporate profits to new highs



Corporate Profit Margin

Strong corporate profit margins have been supported by solid economic growth and contained wage costs



Source: Factset and Bloomberg as of 04/26/2019

Eurozone & U.K. Dashboard

Key Macro Themes

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- Leading indicators in the EZ steadied in April but remain below the expansion/contraction line, while a bounce back in the U.K. PMI signals the growth outlook seems fine. Recent economic data has come in weaker-than-expected, amplifying EZ growth worries. Notably, German manufacturing data has been poor. Despite Brexit uncertainty, the U.K. economy appears to be holding up well. Market estimates for EZ Q/Q GDP growth in 1Q19 and 2Q19 dipped .1 to .2% and .3%, respectively. U.K. Q/Q GDP growth for 1Q19 and 2Q19 remained at .3%.
- Inflation expectations in the EZ and U.K. continue to creep higher, but remain relatively restrained. Euro area headline inflation was 1.4% Y/Y in March, down from 1.5% in February, reflecting a decline in food, services and non-energy industrial goods price inflation. The U.K. inflation outlook remains clouded by Brexit, although the BOE will be releasing an updated inflation report in May.
- The ECB kept its policy settings on hold at the April 10th meeting, following the announcement of new bank loans and extending rate guidance last month. The ECB will consider whether mitigating its negative rate policy is needed to support banks, indicating rates may stay lower for longer than current guidance suggests. The BOE is expected to keep a gradual tightening bias, provided there is an orderly Brexit.
- Slower growth momentum in the EZ, coupled with trade issues and ongoing Brexit ambiguity challenges the outlook in Europe.

Economic Growth	04/26/2019	2016	2017	2018	2019 (E)	2020 (E)
EZ Real GDP (Y/Y %)	1.2	2.0	2.4	1.9	1.1 ▼	1.4 --
U.K. Real GDP (Y/Y %)	1.4	1.8	1.8	1.4	1.2 ▼	1.5 --
Inflation						
EZ CPI (Y/Y %)	1.4	0.2	1.5	1.8	1.3 ▼	1.4 ▼
U.K. CPI (Y/Y %)	1.9	0.7	2.7	2.5	2.0 --	2.0 --
Labor Market						
EZ Unemployment (%)	7.8	10.0	9.1	8.2	7.8 --	7.7 --
U.K. Unemployment (%)	3.9	4.9	4.4	4.1	4.0 --	4.1 --
Rates						
EZ Central Bank	0.00	0.00	0.00	0.00	0.00 --	0.10 --
EZ 2Y Note	-0.60	-0.80	-0.64	-0.62	-0.42 ▼	-0.01 ▼
EZ 10Y Bond	-0.02	0.20	0.42	0.24	0.35 ▼	0.69 ▼
U.K. Central Bank	0.75	0.25	0.50	0.75	0.90 ▼	1.15 ▼
U.K. 2Y Gilts	0.72	0.04	0.43	0.74	1.06 ▼	1.35 ▼
U.K. 10Y Gilts	1.14	1.24	1.19	1.27	1.50 ▼	1.75 ▼
Currencies						
EUR/USD	1.12	1.05	1.20	1.14	1.16 ▼	1.24 ▲
GBP/USD	1.29	1.23	1.35	1.27	1.36 --	1.45 ▲

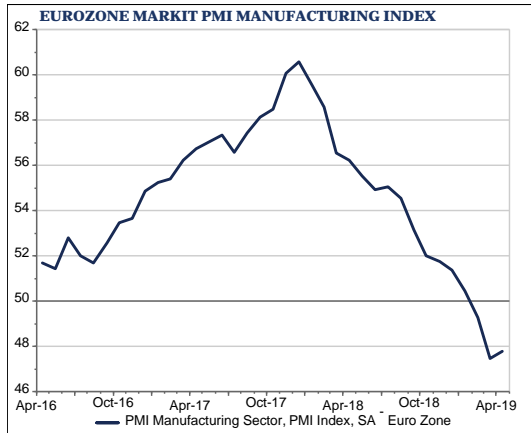
Arrows indicate consensus estimate change compared to 1 month ago

Source: Bloomberg as of 04/26/2019. (E) – Bloomberg private market consensus estimate.

Eurozone & U.K. Key Charts

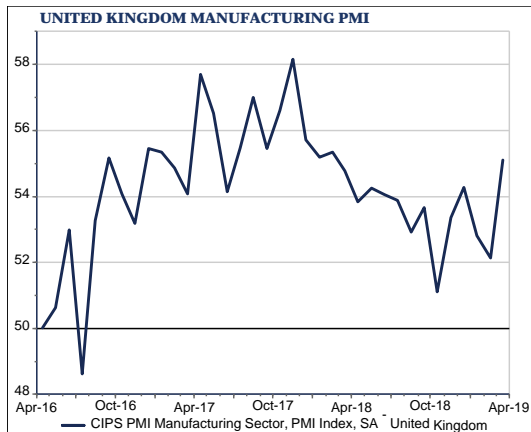
Leading Indicators – EZ

The April PMI shows a slight uptick following a lengthy decline, but the reading remains below the expansion/contraction line



Leading Indicators – U.K.

The latest PMI reading ticked higher indicating the near term growth outlook should be fine



Economic Data – EZ

Growth concerns persist as recent economic data releases have come in weaker than expected



Economic Data – U.K.

Recent economic data releases appear to confirm an improving outlook by coming in better than estimated



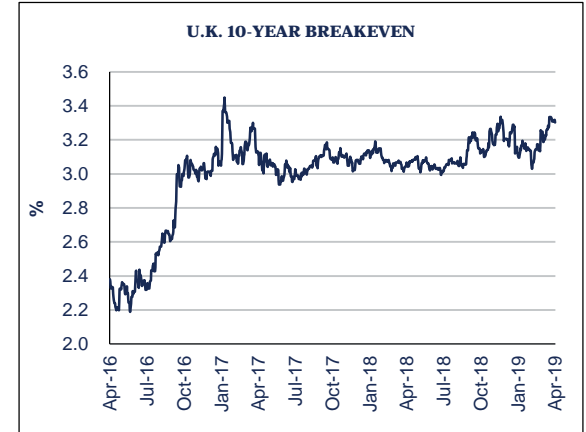
Inflation Expectations – EZ

A challenging growth outlook has kept inflation expectations subdued despite a modest bounce recently



Inflation Expectations – U.K.

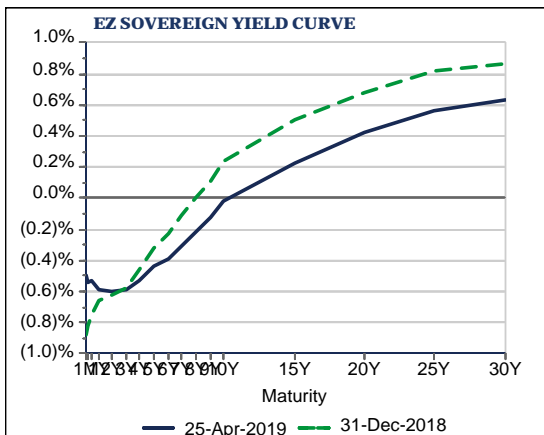
While the ultimate Brexit resolution is uncertain, inflation expectations continue to be fairly range-bound



Eurozone & U.K. Key Charts

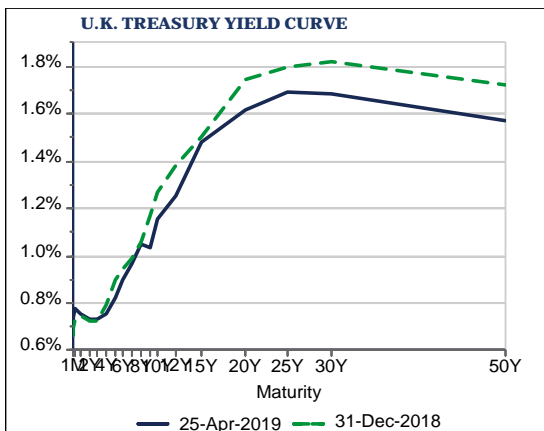
Yield Curve – EZ

Most of the yield curve has shifted down since year end, signaling the growth outlook has deteriorated



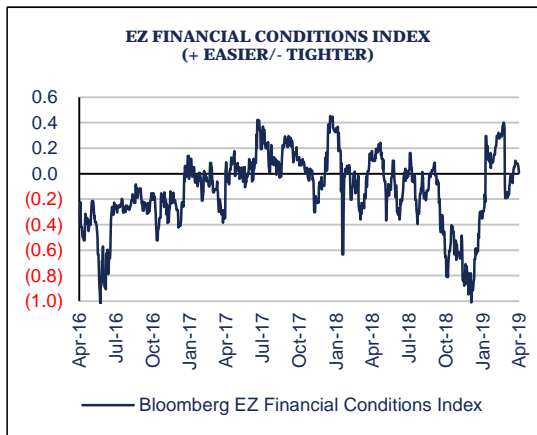
Yield Curve – U.K.

The bulk of the yield curve shifted lower since the start of the year with ongoing Brexit uncertainty and EZ weakness



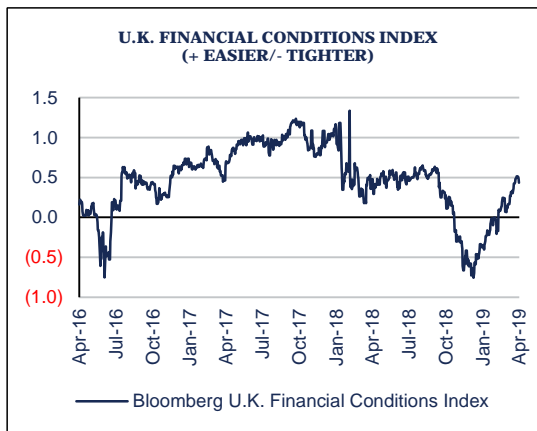
Financial Stress – EZ

Current financial conditions appear to be neutral as the ECB plans to keep rates on hold



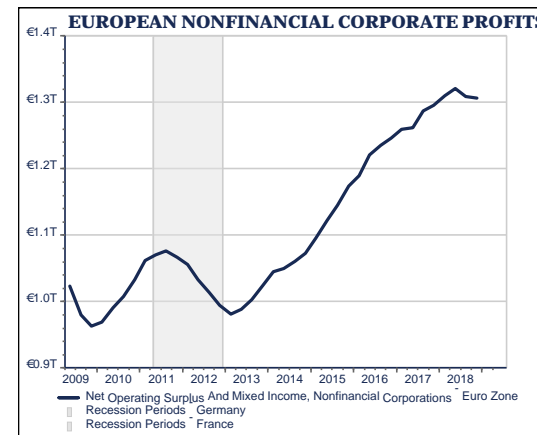
Financial Stress – U.K.

As the BOE remains on hold with monetary policy, current financial conditions have become easier



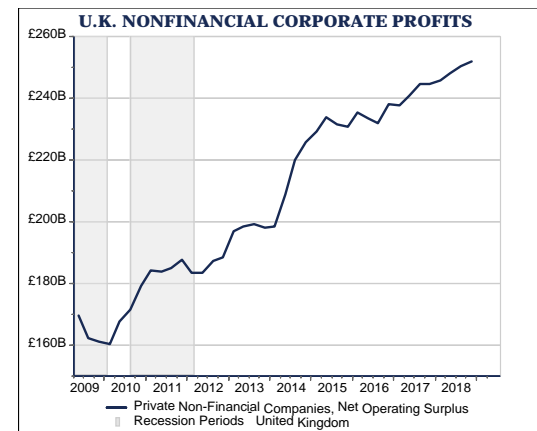
Corporate Profits – EZ

Corporate profit growth has stalled following an extended period of low growth, low inflation and easy monetary policy



Corporate Profits – U.K.

Easier post-Brexit financial conditions created a supportive environment for corporate profit growth



Source: Factset and Bloomberg as of 04/26/2019

Japan & China Dashboard

Key Macro Themes

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- Leading indicators in Japan bounced closer to neutral in April, but remain in contraction territory. China's leading indicators showed further improvement in March and are now above the expansion/contraction line. Recent economic data in Japan remains below expectations, while China's data has come in much better-than-expected. Market consensus for 1Q19 GDP growth (Q/Q, saar) in Japan was lowered .2 over the past month to .1%, while 2Q19 growth was lifted .1 to 1.5%. China's GDP growth estimates (Q/Q) are unchanged at 1.6% for 2Q19 and 1.5% for 3Q19.
- Inflation expectations in Japan have drifted lower as consumer prices struggle to advance. Headline and core CPI of .5% and .8% Y/Y in March, respectively, remain well below the BOJ's price target. China's CPI inflation accelerated to 2.3% Y/Y in March on temporary food supply factors while higher commodity prices lifted PPI inflation to .4% Y/Y in March.
- The BOJ kept policy on hold at its April 24th meeting, but tweaked their forward guidance stating interest rates will remain at current levels until Spring 2020 vs. previously saying "an extended time". This comes despite lowering its inflation forecast from January projections. The PBOC is trying to argue for a neutral monetary policy stance, wanting to assess economic conditions before making any further moves.
- Japan's growth outlook remains challenging, while uncertainty surrounds the sustainability of China's recent recovery.

Economic Growth	04/26/2019	2016	2017	2018	2019 (E)	2020 (E)
Japan Real GDP (Y/Y %)	0.3	0.6	1.9	0.8	0.7 --	0.5 --
China Real GDP (Y/Y %)	6.4	6.7	6.8	6.6	6.2 --	6.0 --
Inflation						
Japan CPI (Y/Y %)	0.5	-0.1	0.5	1.0	0.8 ▼	1.2 --
China CPI (Y/Y %)	2.3	2.0	1.6	2.1	2.1 --	2.2 --
Labor Market						
Japan Unemployment (%)	2.5	3.1	2.8	2.4	2.4 --	2.4 ▲
China Unemployment (%)	3.8	4.0	3.9	3.8	4.0 --	4.0 --
Rates						
Japan Central Bank	-0.10	-0.10	-0.10	-0.10	0.00 --	0.10 --
Japan 2Y Note	-0.16	-0.19	-0.14	-0.14	-0.13 ▼	0.14 ▼
Japan 10Y Bond	-0.05	0.04	0.04	0.04	0.03 ▼	0.18 ▼
China Central Bank	4.35	4.35	4.35	4.35	4.25 ▼	4.20 ▲
China 2Y Note	2.90	2.40	2.75	2.71	2.47 ▼	2.28 ▲
China 10Y Bond	3.37	3.03	3.88	3.88	3.06 ▲	2.94 ▲
Currencies						
USD/JPY	111.63	116.96	112.69	112.69	108.00 ▼	104.00 ▼
USD/CNY	6.73	6.94	6.53	6.53	6.68 ▼	6.55 ▼

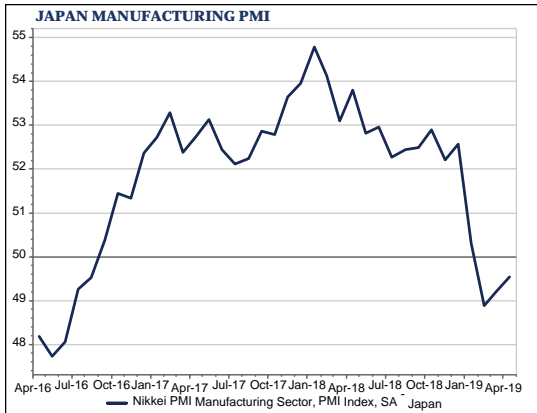
Arrows indicate consensus estimate change compared to 1 month ago

Source: Bloomberg as of 04/26/2019. (E) – Bloomberg private market consensus estimate.

Japan & China Key Charts

Leading Indicators – Japan

April's PMI ticked slightly higher, but the level remains below the expansion/contraction line



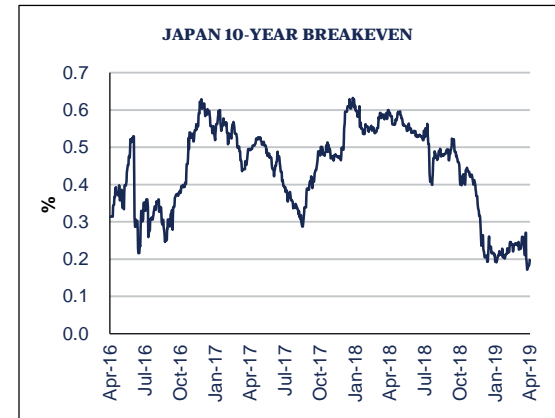
Economic Data – Japan

Recent economic data releases have come in below consensus expectations creating a challenging outlook



Inflation Expectations – Japan

Inflation expectations have taken another turn lower with recent weak data and a downwardly revised BOJ forecast



Leading Indicators – China

The latest PMI data bounced back into expansion territory, but the growth outlook remains uncertain



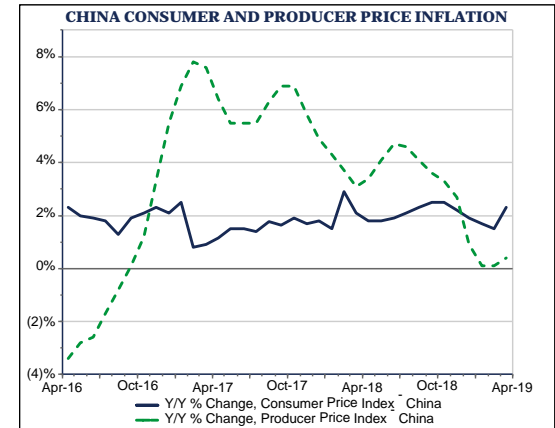
Economic Data – China

Recent economic data has come in better than expected, giving policy makers hope the rebound can endure



Inflation Data – China

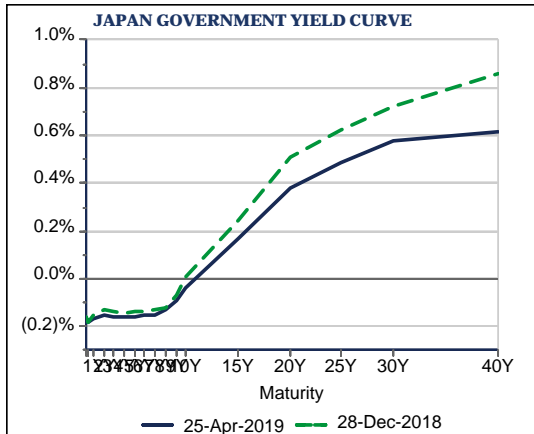
Consumer inflation moved higher in March on temporary factors, but producer prices remain muted



Japan & China Key Charts

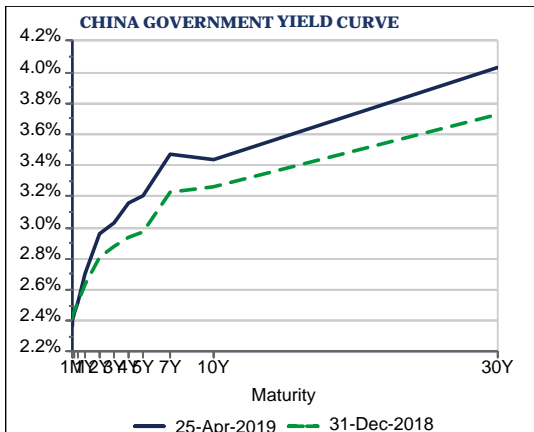
Yield Curve – Japan

A weaker growth and inflation outlook has pushed the yield curve lower since year end



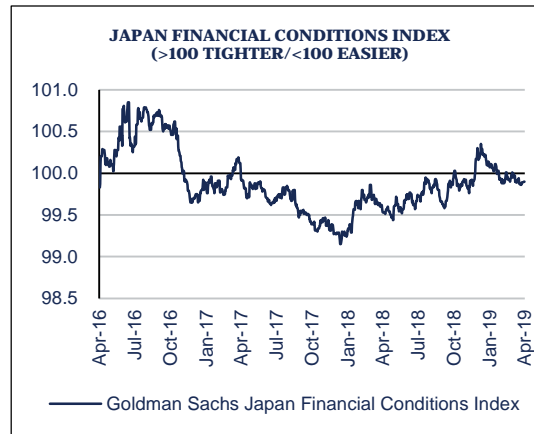
Yield Curve – China

The stimulus provided by the PBOC this year may be taking hold as the yield curve has shifted higher



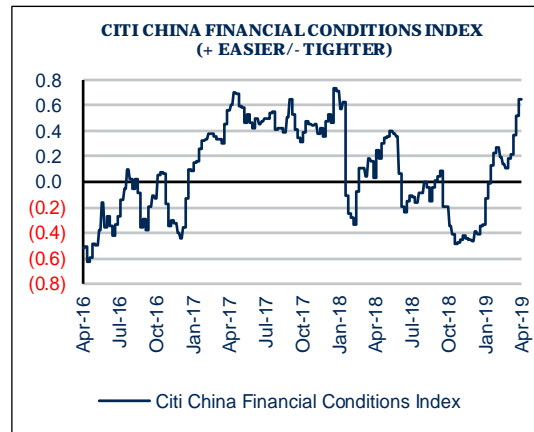
Financial Stress – Japan

The BOJ continues to maintain its dovish policy signals, which has made financial conditions relatively neutral to easy



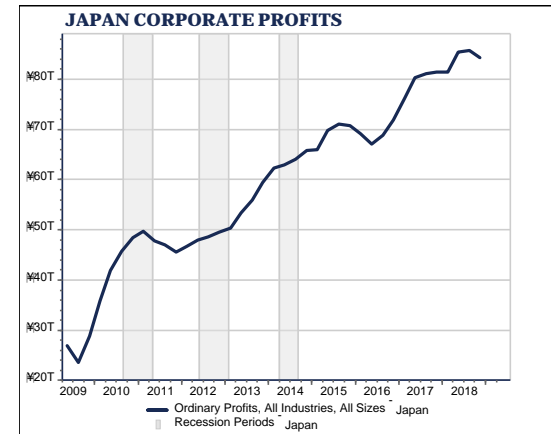
Financial Stress – China

Financial conditions in China have become very easy since global central banks made a dovish pivot



Corporate Profits – Japan

Corporate profits dipped in 4Q18, following a soft patch in growth and weaker global outlook



Industrial Profits – China

Profit growth remains challenged by weaker economic growth and elevated trade frictions



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