



# Global Economic and Market Outlook

**Larry Kantor**

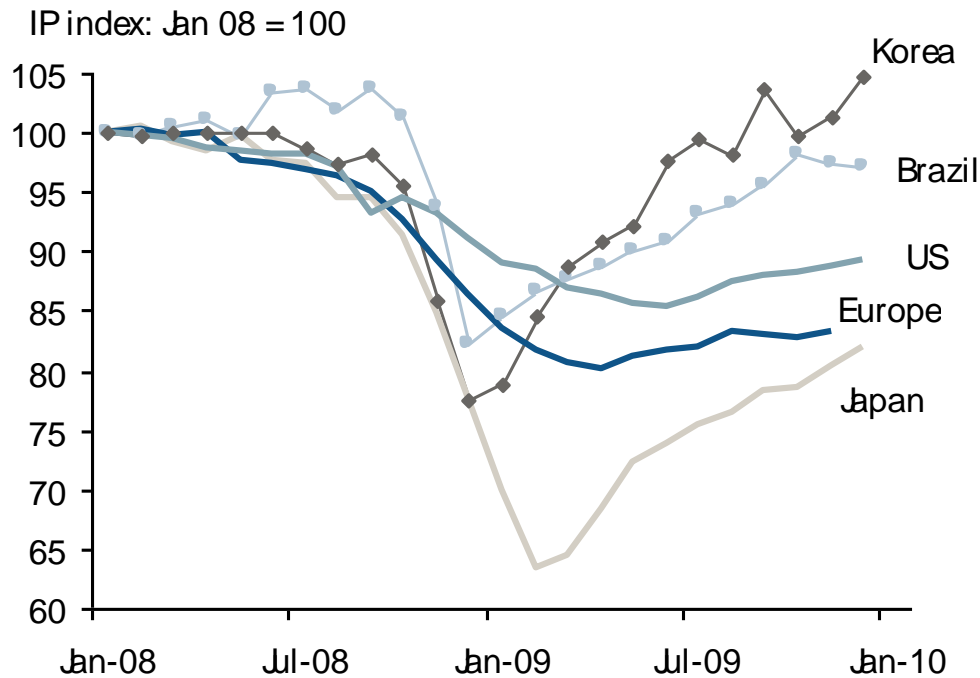
Head of Research

March 3, 2010

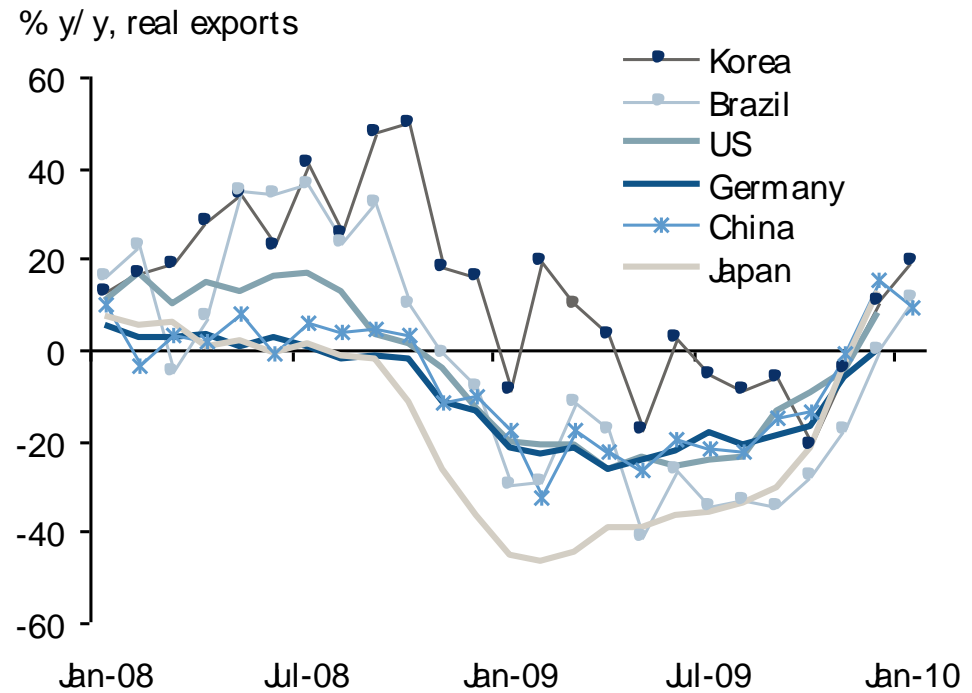
# Recovery in 2010 still on course

- The world is normalizing, which implies a strong rebound from extremely depressed levels

## Industrial production already turning

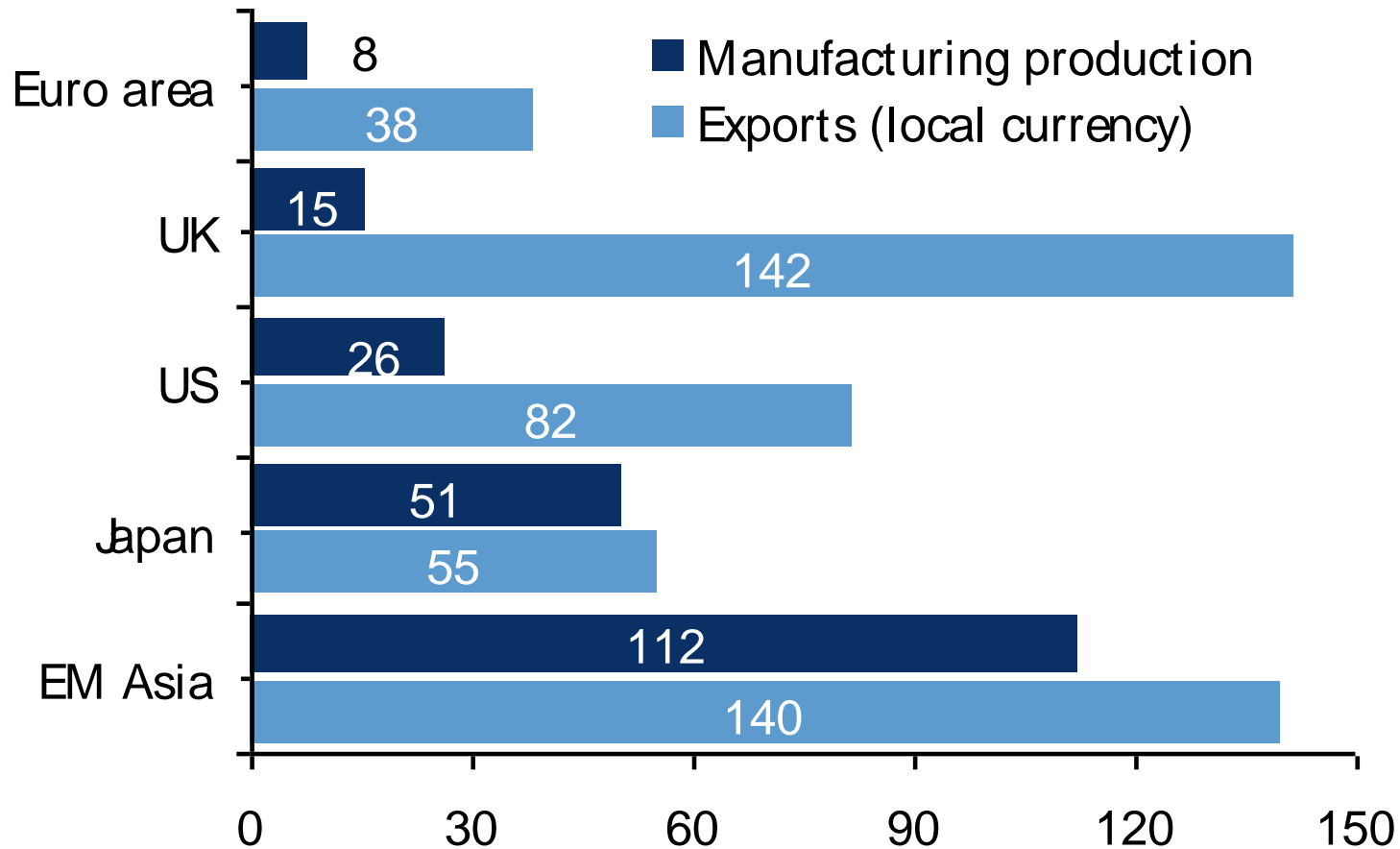


## Exports are expanding



# Recovery patterns in manufacturing and exports

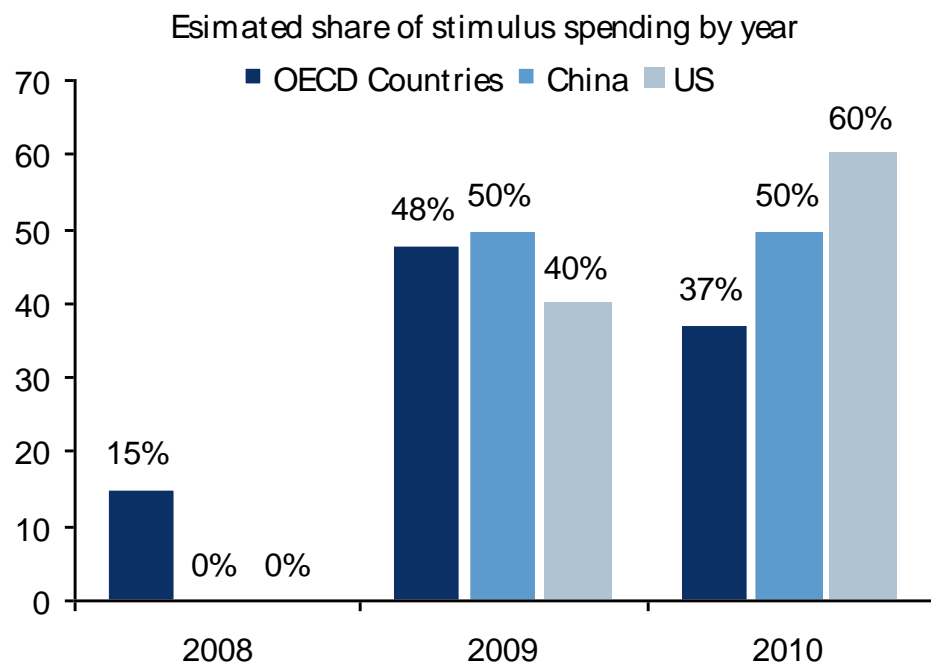
% of manufacturing and export loss recovered since start of '08



## Fiscal pedal off the metal, but only slightly

- Cash-for-clunkers and housing incentives are short-lived and “borrow” from the future, but are only a small part of overall fiscal packages
- 40% of global discretionary stimulus is still in the pipeline for 2010; even higher in China.

### Estimated stimulus spending by year

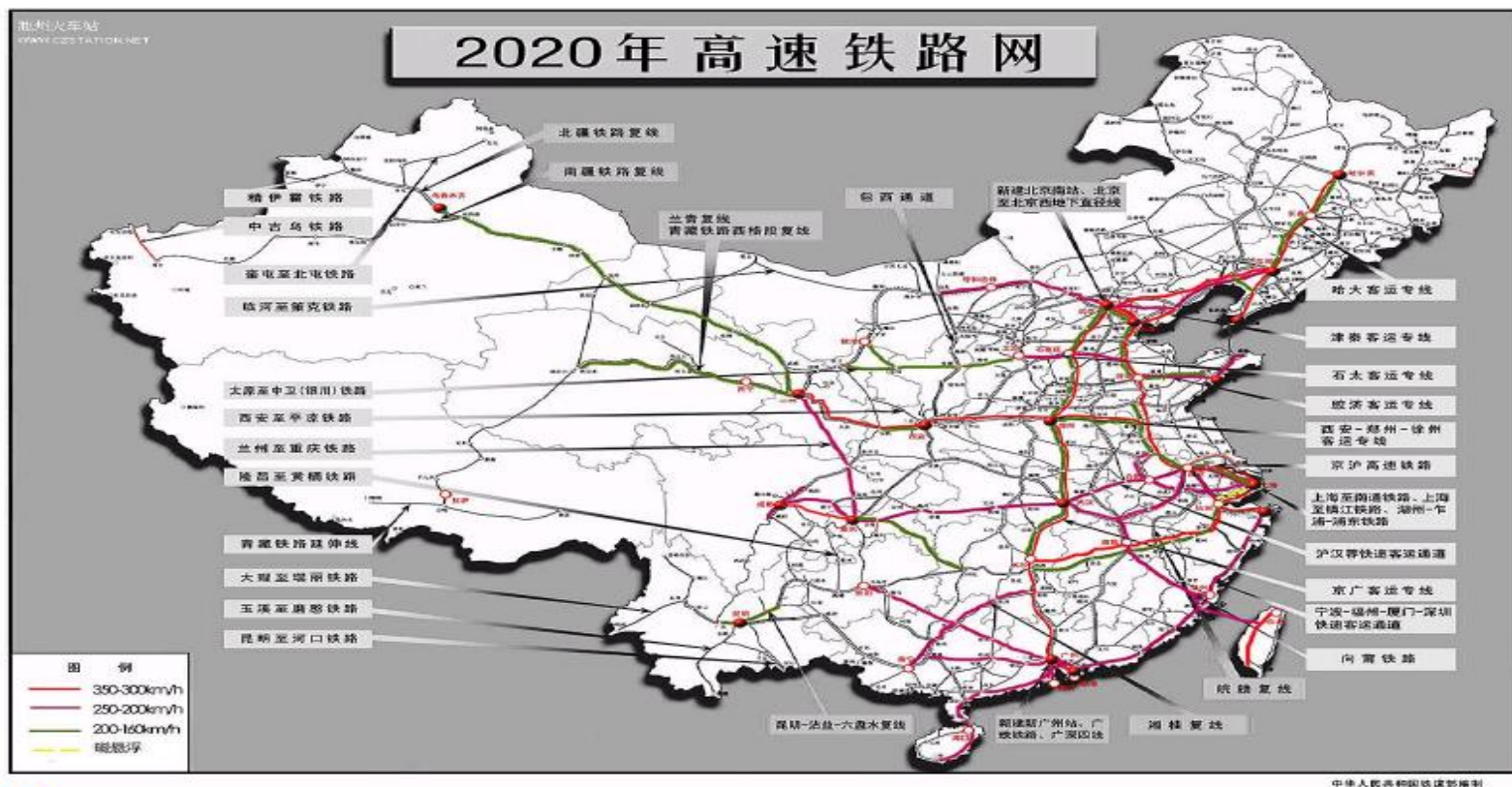


### Fiscal stimulus by country

Discretionary fiscal stimulus % of GDP (in relation to 2007 baseline)					
	Brazil	China	France	Ger.	India (FY)
2008	0.0	0.4	0.0	0.0	0.6
2009	0.6	3.1	0.7	1.6	0.6
2010	0.8	2.7	0.8	2.0	0.6
	Japan	Korea	SArabia	UK	US
2008	0.3	1.1	2.4	0.2	1.1
2009	2.4	3.9	3.3	1.3	2
2010	1.8	1.2	3.5	-0.1	1.8

# China: Trains to nowhere? Not quite.

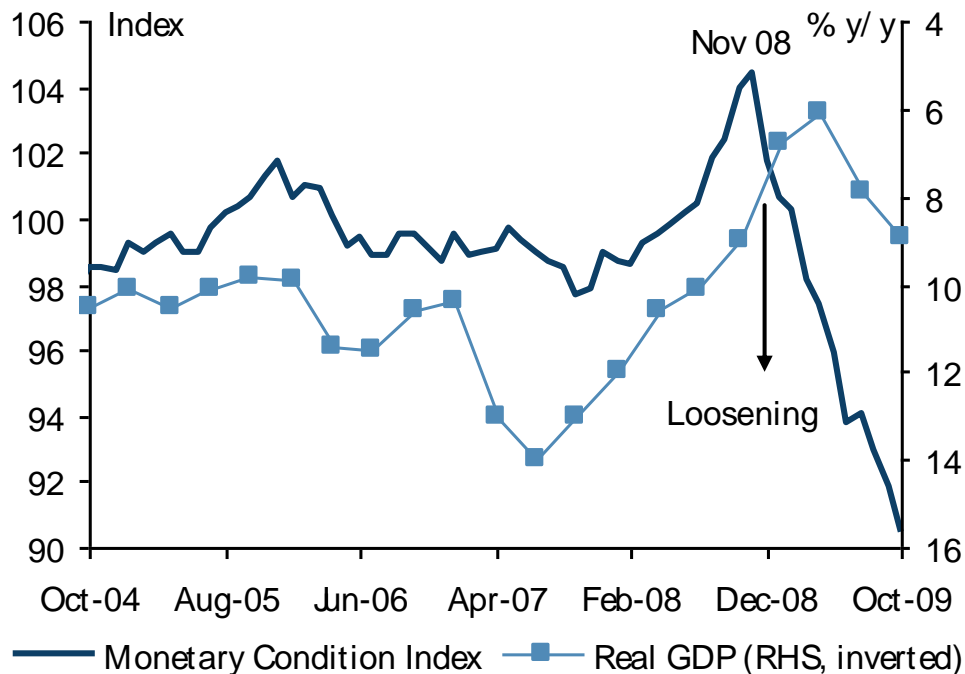
- 33,000 km of new railways currently under construction, totaling investment of CNY2.5trn
- Wuhan – Guangzhou high-speed railway opened on Dec 09: 10.5 hour trip made into 3hs
- By 2012, high-speed railways will reach 13,000 km, covering 70% of cities with pop. of above 0.5 mn



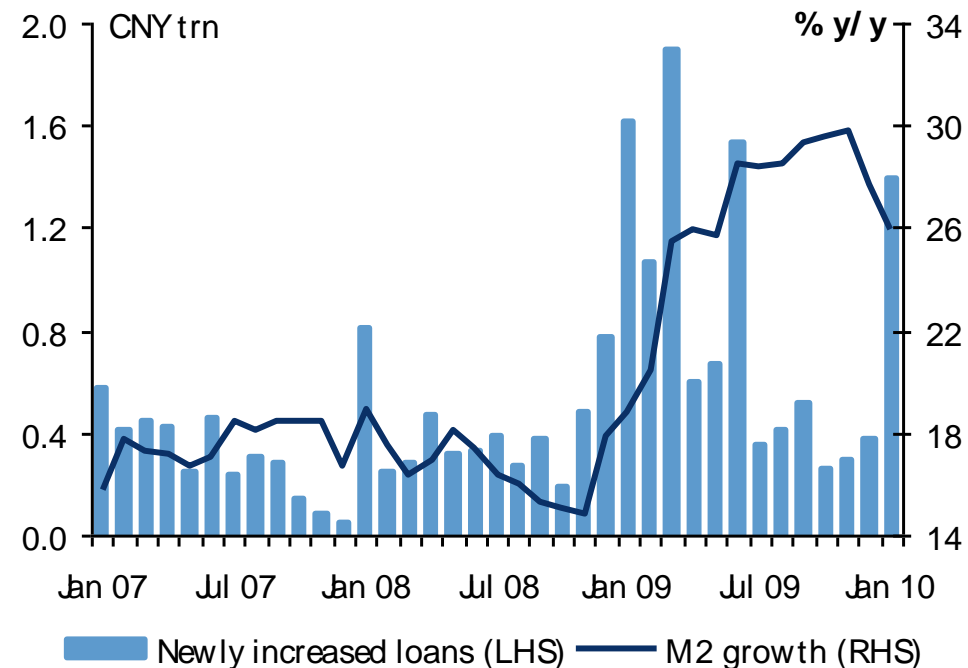
# Controlling the hangover from the 2009 boost

- We expect the M2 growth target to be set at 17% in 2010...
- ... representing a slowdown from growth of 27% in 2009...

Index of monetary conditions and GDP growth

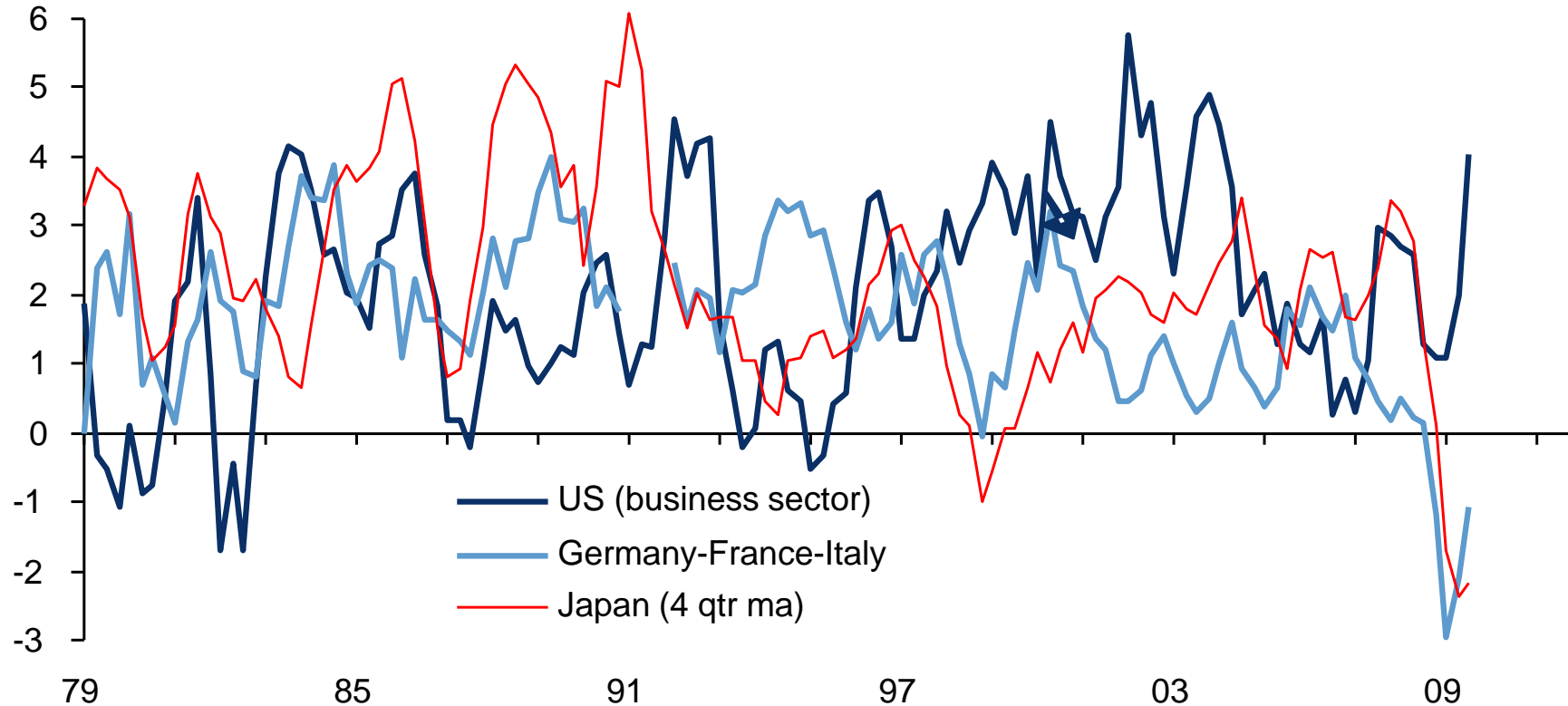


Strong January prompted early warning



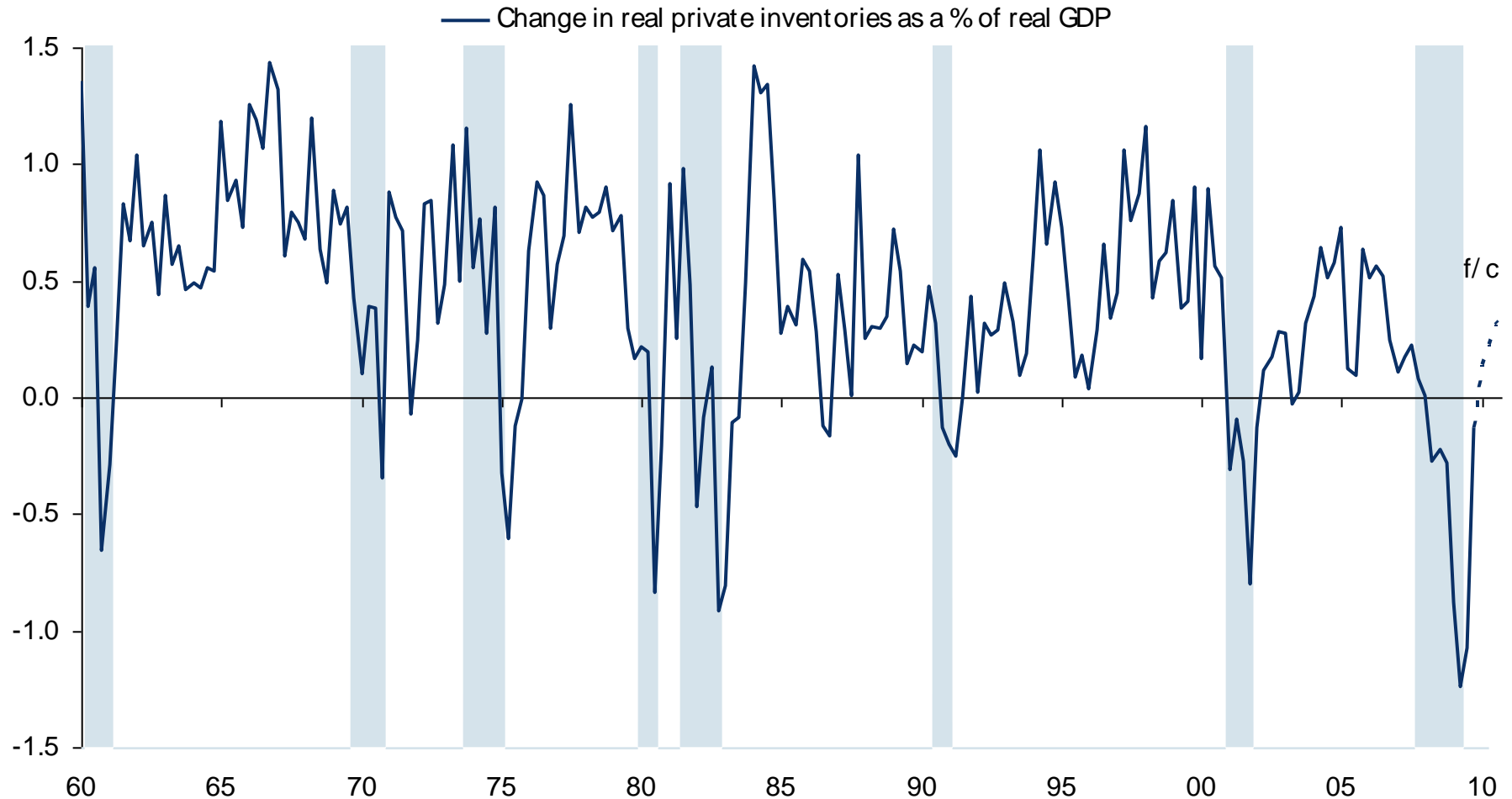
# Productivity: Europe lags US

## Productivity comparisons: GDP per hour worked (% y/y)



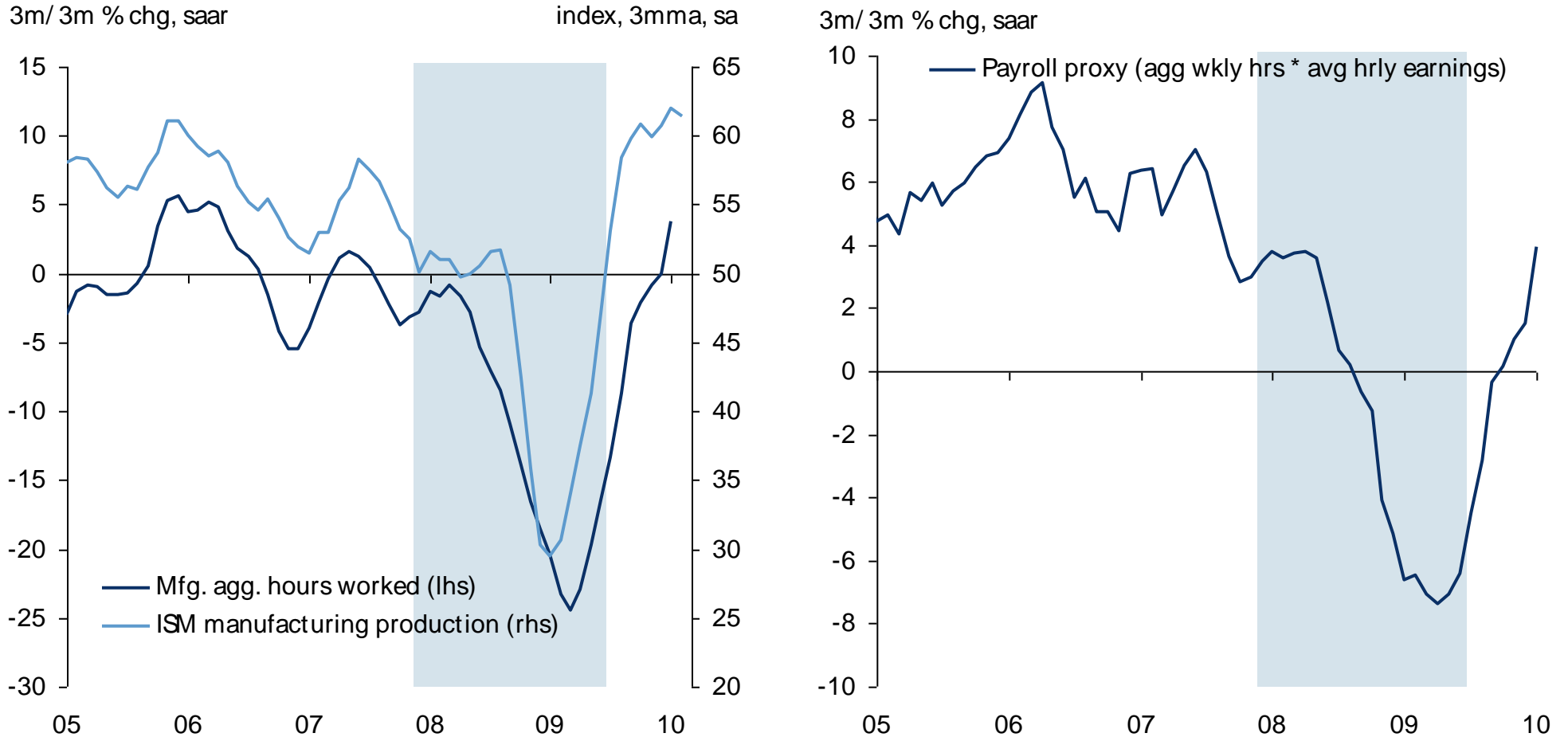
Source: Barclays Capital, Haver, Thomson DataStream

# Inventory cycle is larger than in past recessions



Note: Shading indicates recession. Source: BEA, Haver Analytics, Barclays Capital

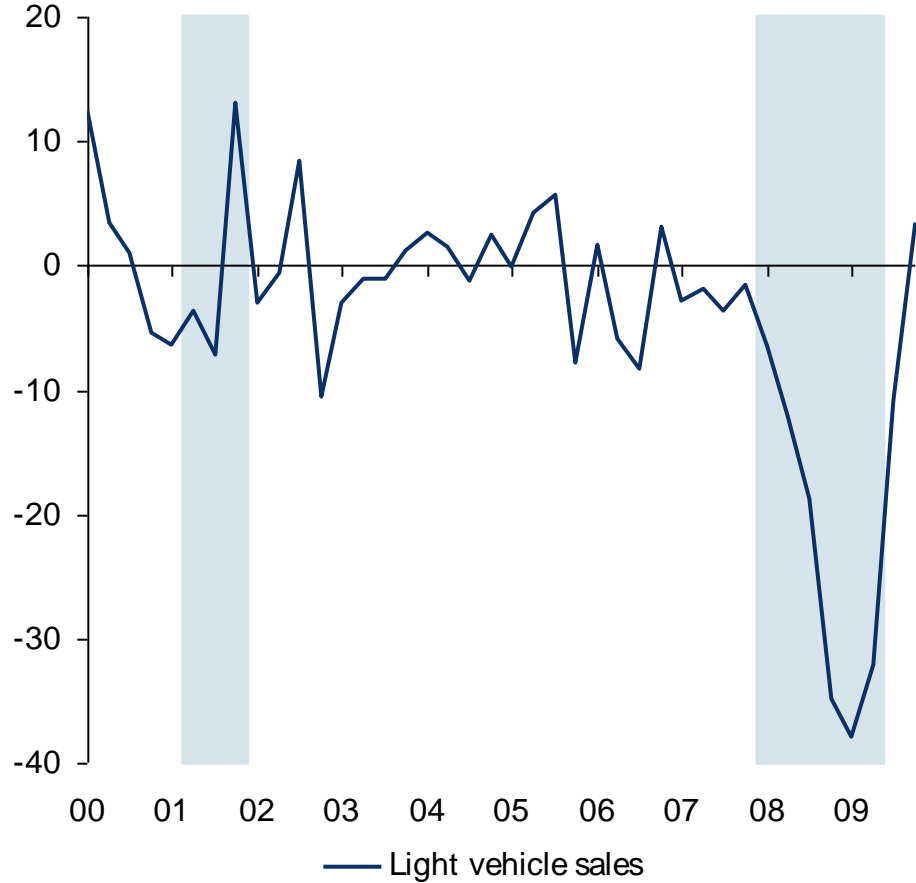
# Production is bouncing now, supporting household labor income growth



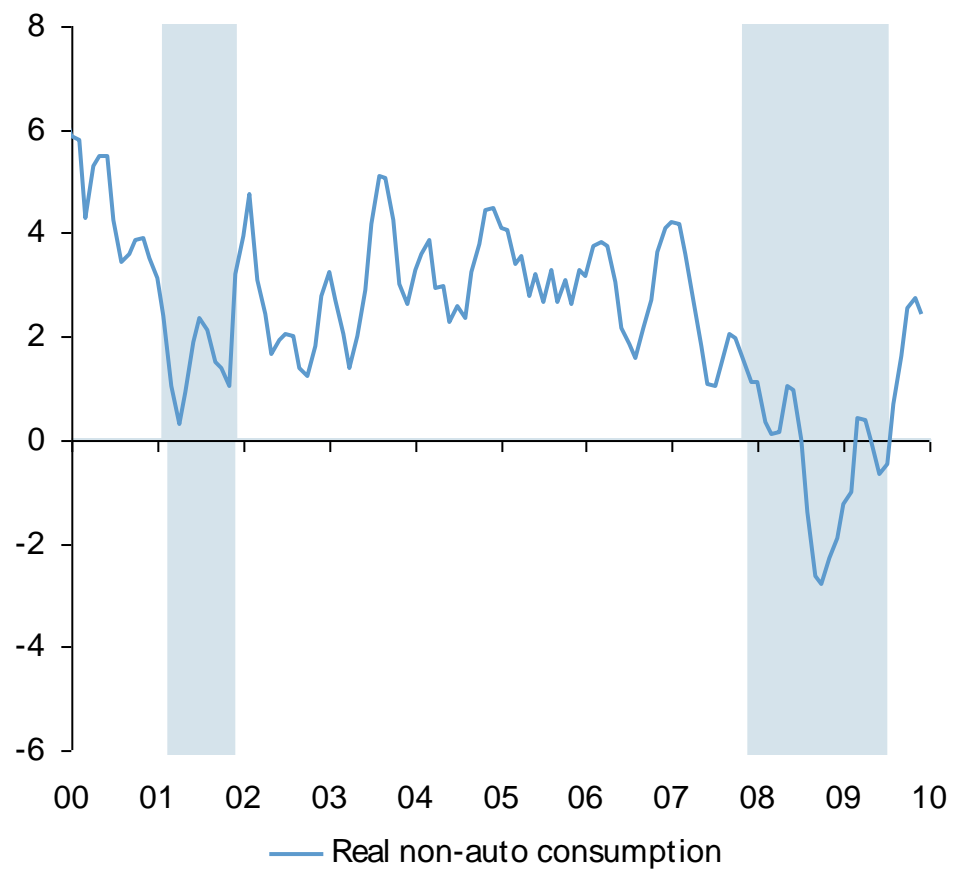
Note: Shading indicates recession. Source: BLS, ISM, Haver Analytics, Barclays Capital.

# Consumption is improving along with labor income

% y/y, quarterly data

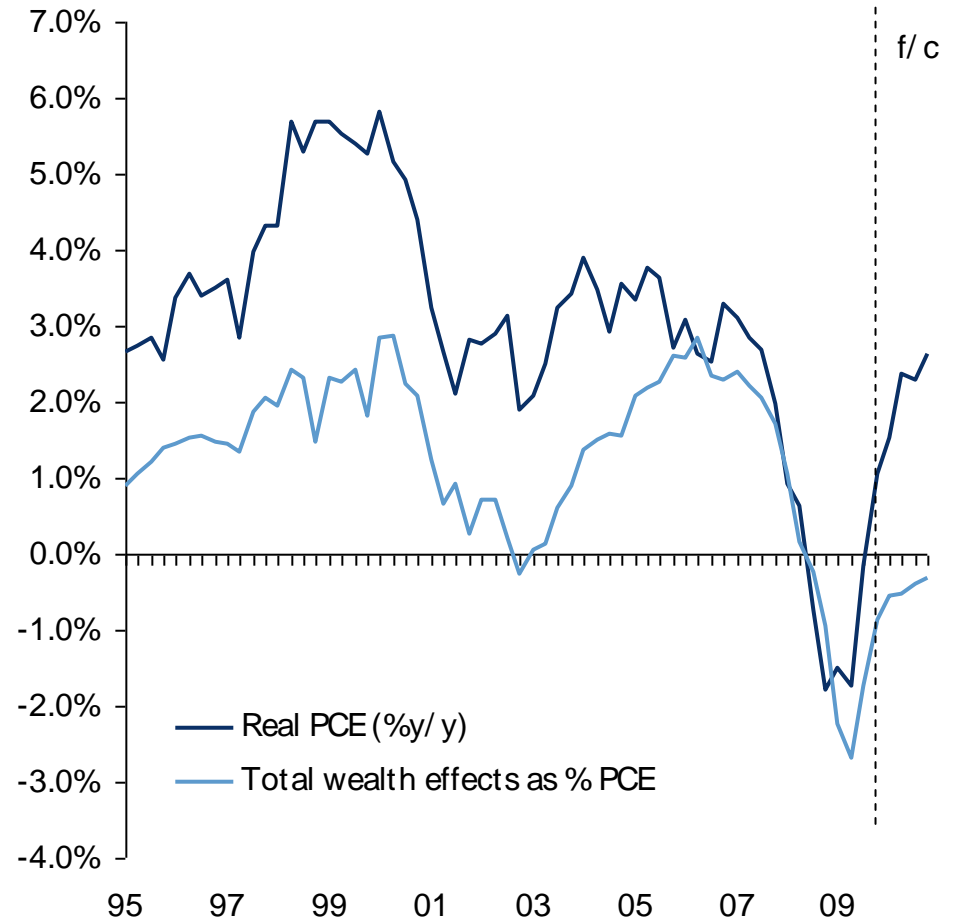
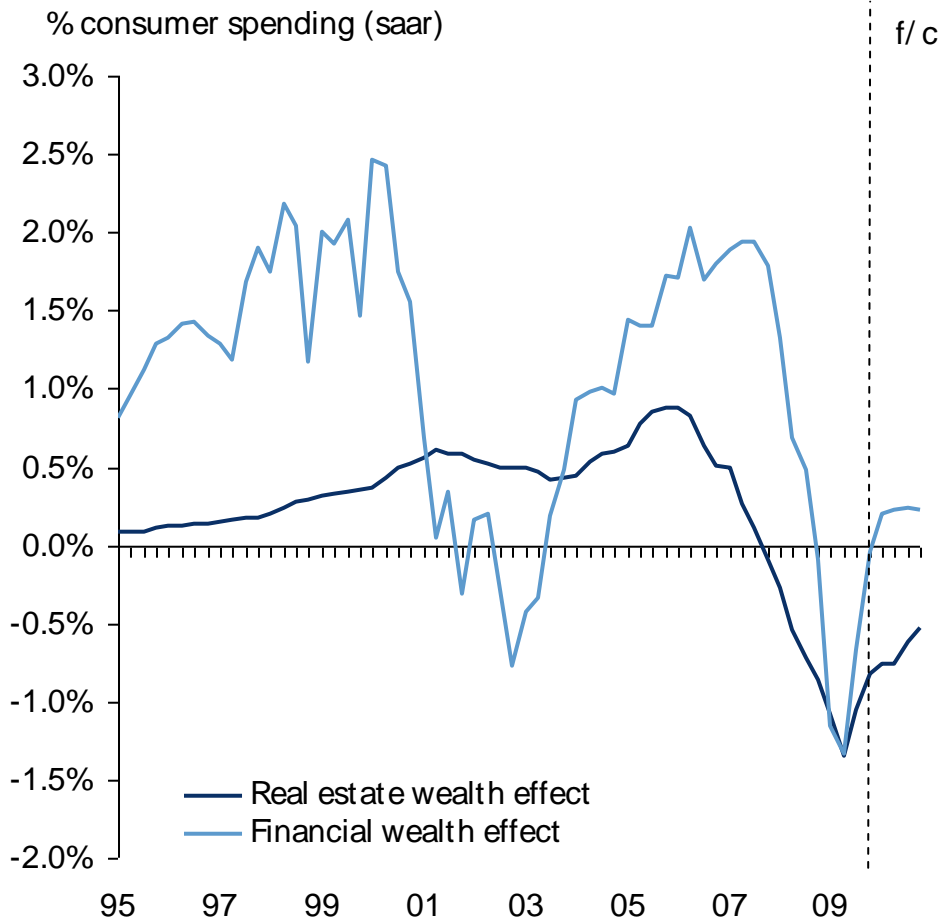


% 3m/ 3m, saar



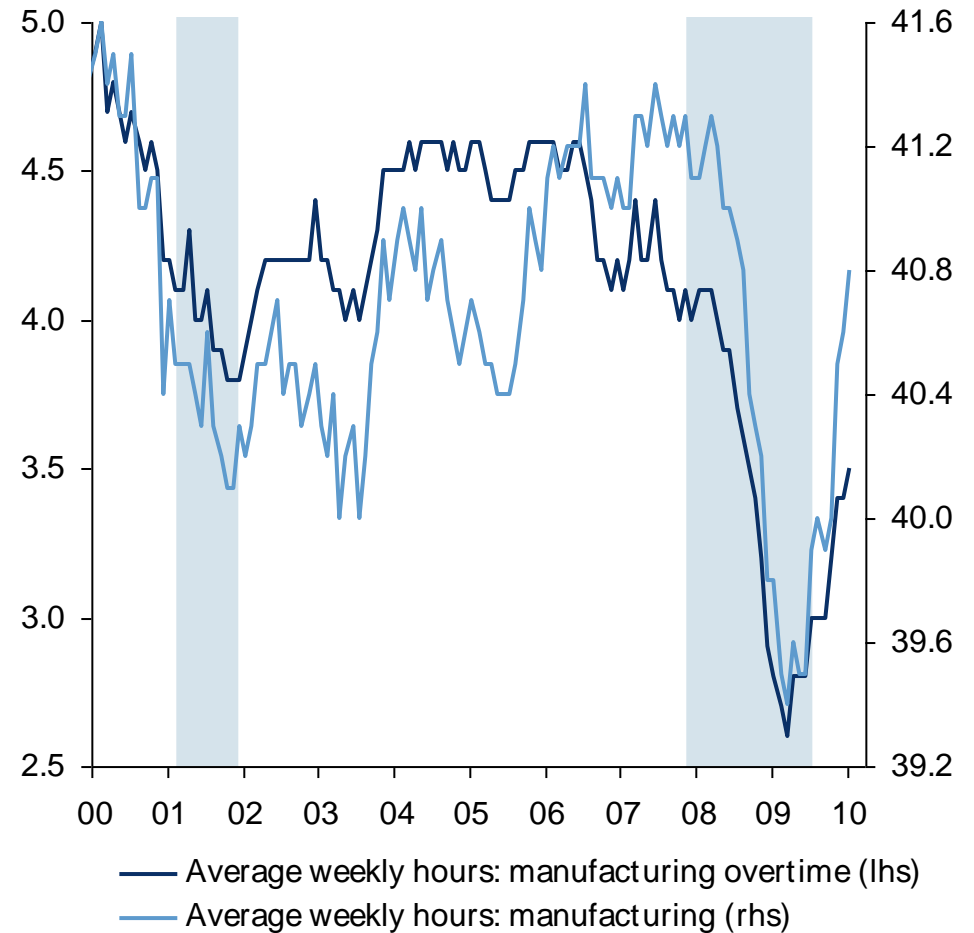
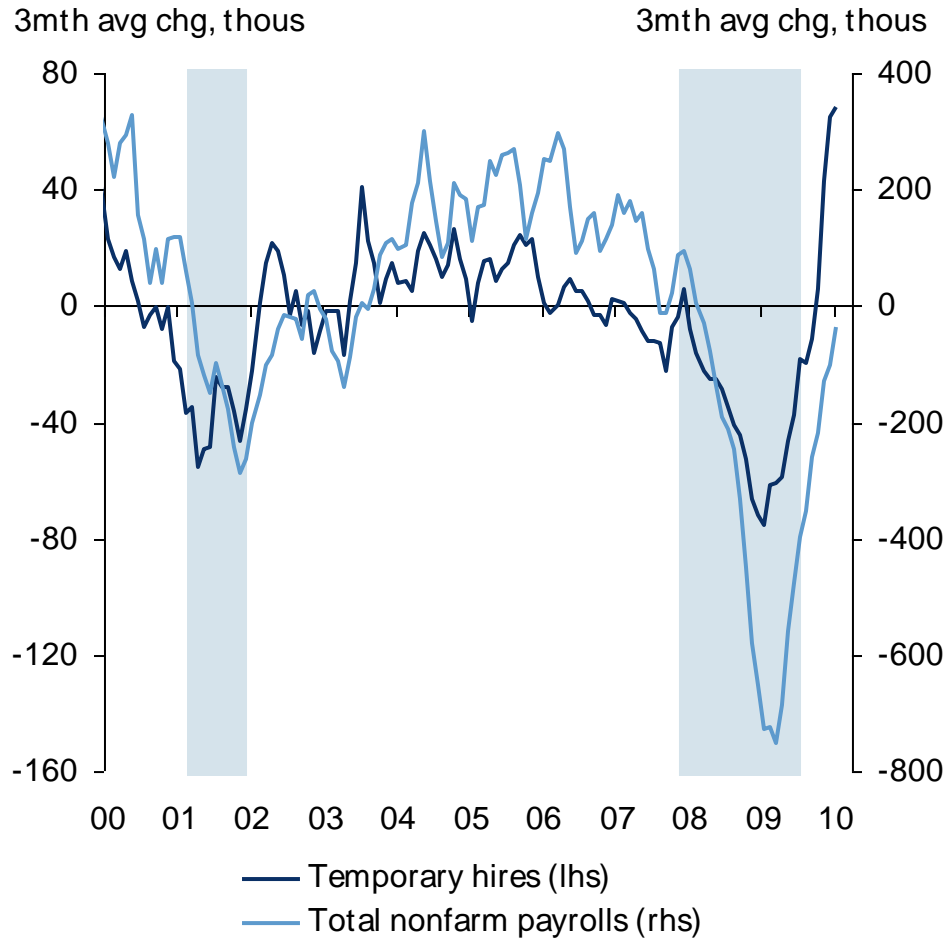
Note: Shading indicates recession. Source: BEA, Haver Analytics, Barclays Capital

# Negative wealth effects are starting to lessen



Source: FRB, Barclays Capital, Haver Analytics

# Leading indicators of payroll changes are improving



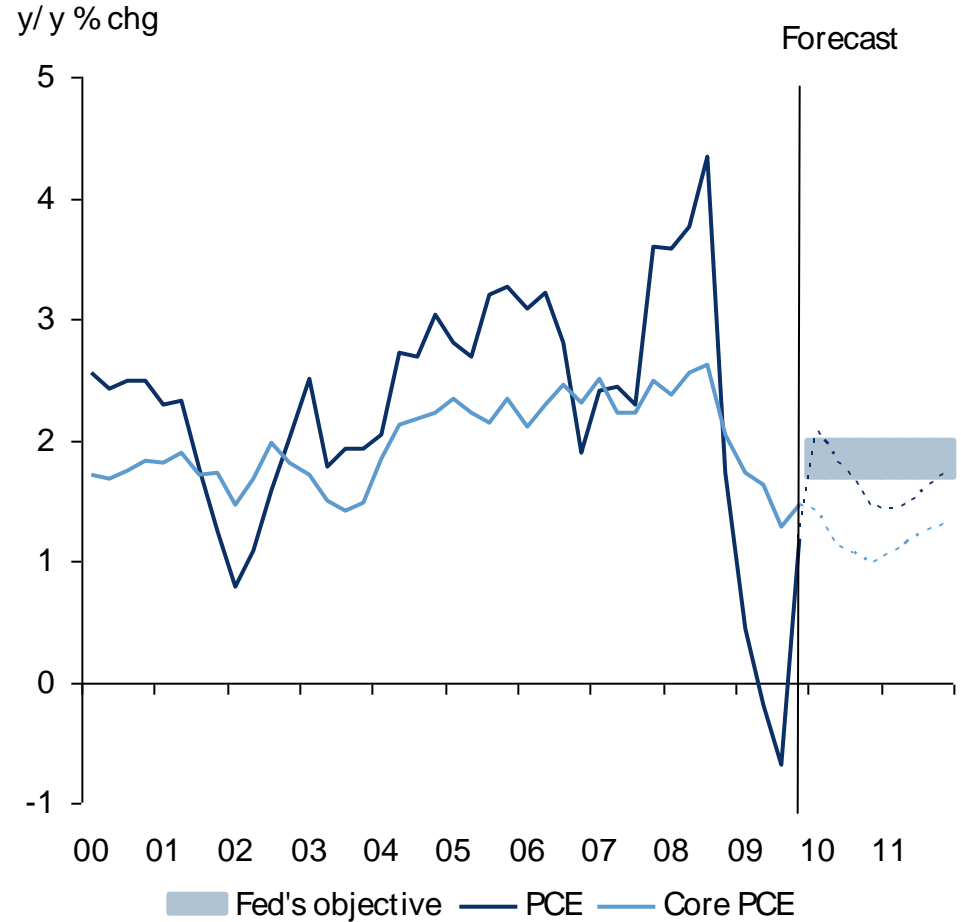
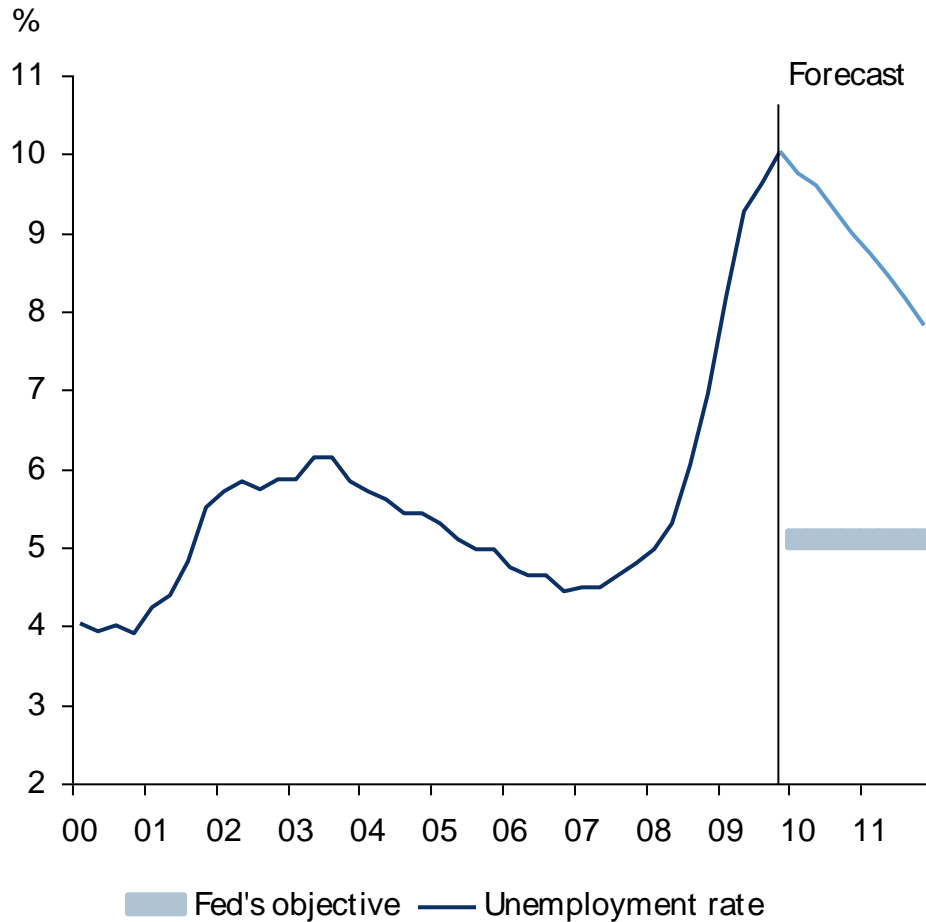
Source: BLS, Haver Analytics

# Level of business investment spending is very low



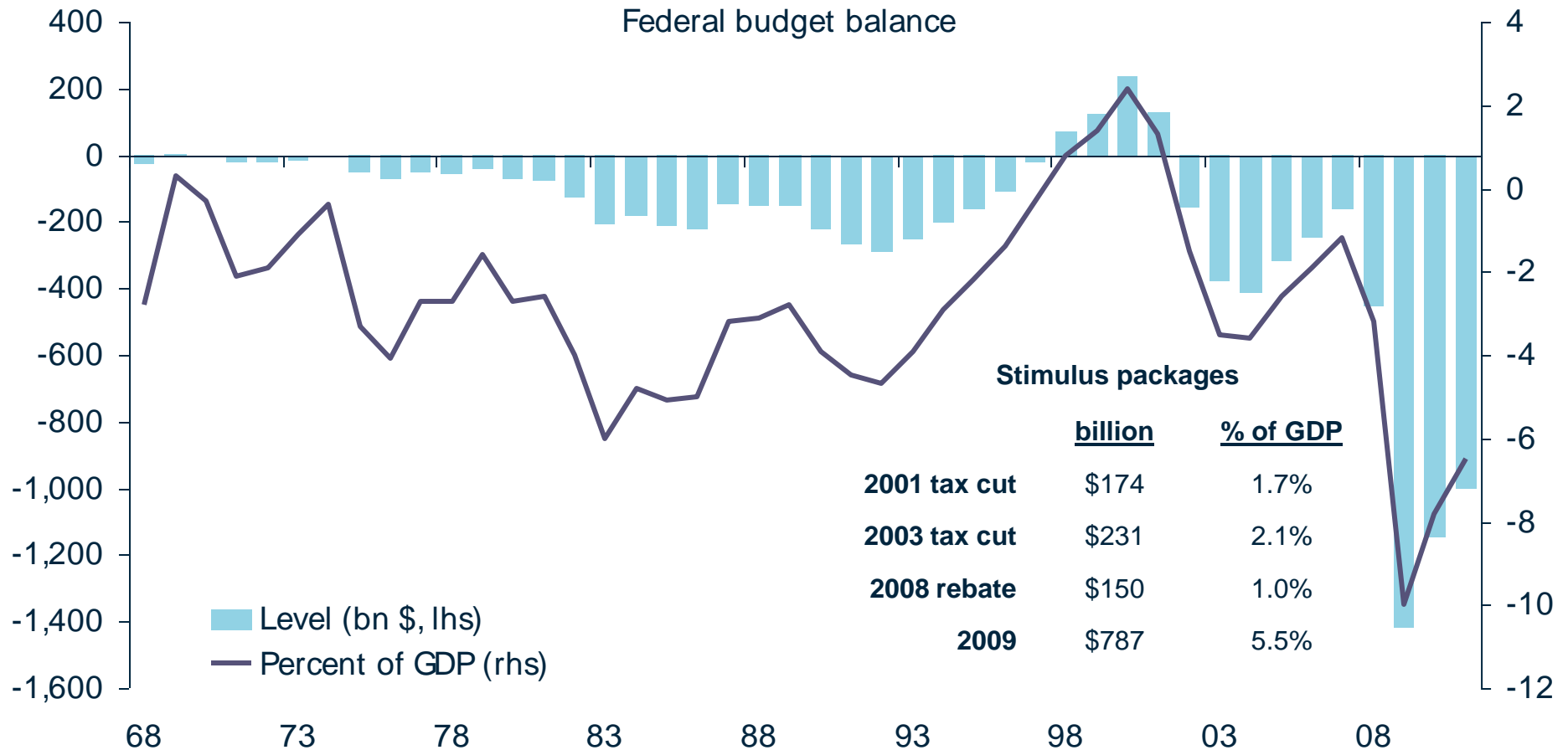
Source: BEA, Haver Analytics

# Unemployment is well above the Fed's desired range, while inflation is below



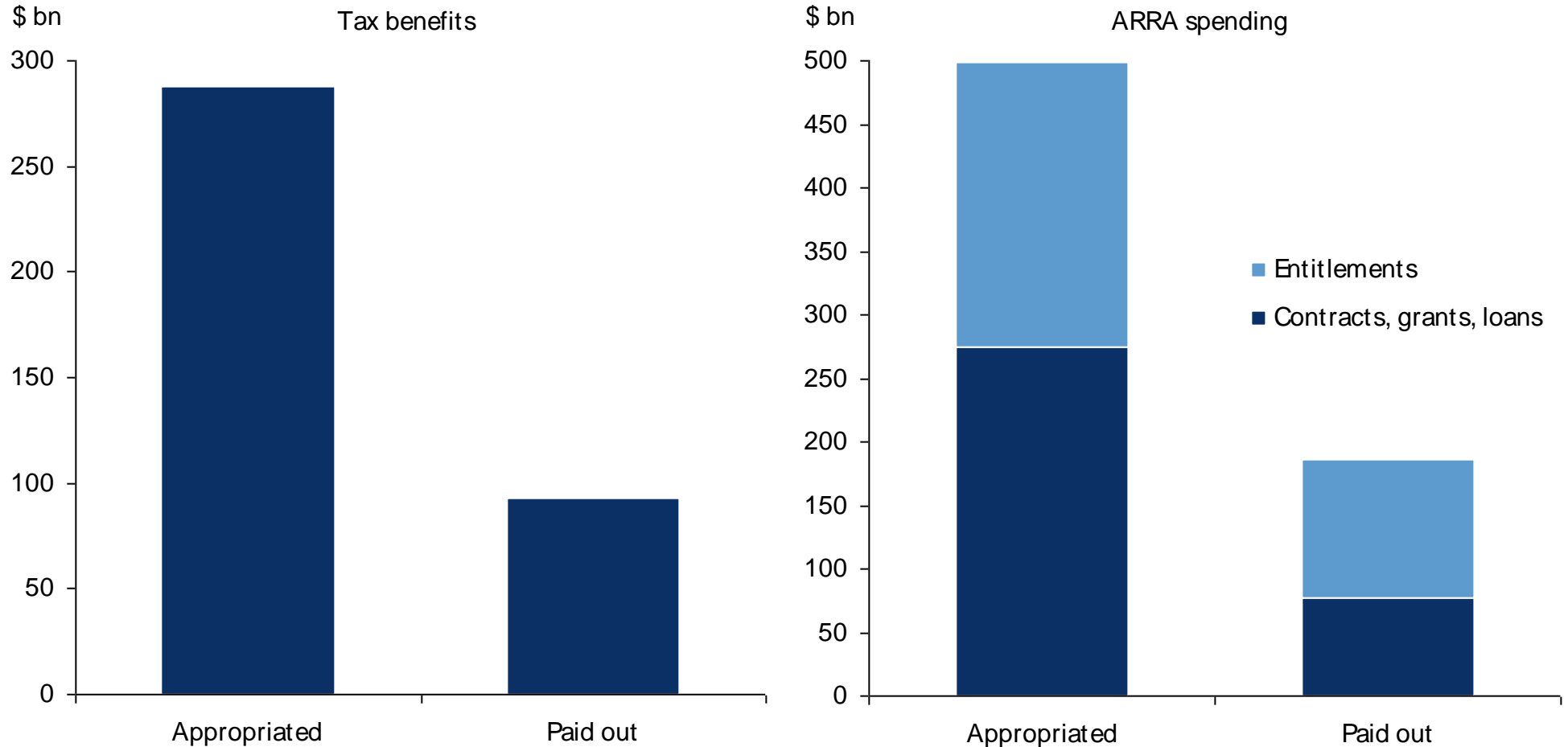
Source: BLS, BEA, FRB, Haver Analytics

# Fiscal package is massive



Source: BEA, CBO, Barclays Capital

# Most of the stimulus has yet to kick in



Source: Recovery.gov, BEA, CBO, Council of Economic Advisers, Haver Analytics, Barclays Capital

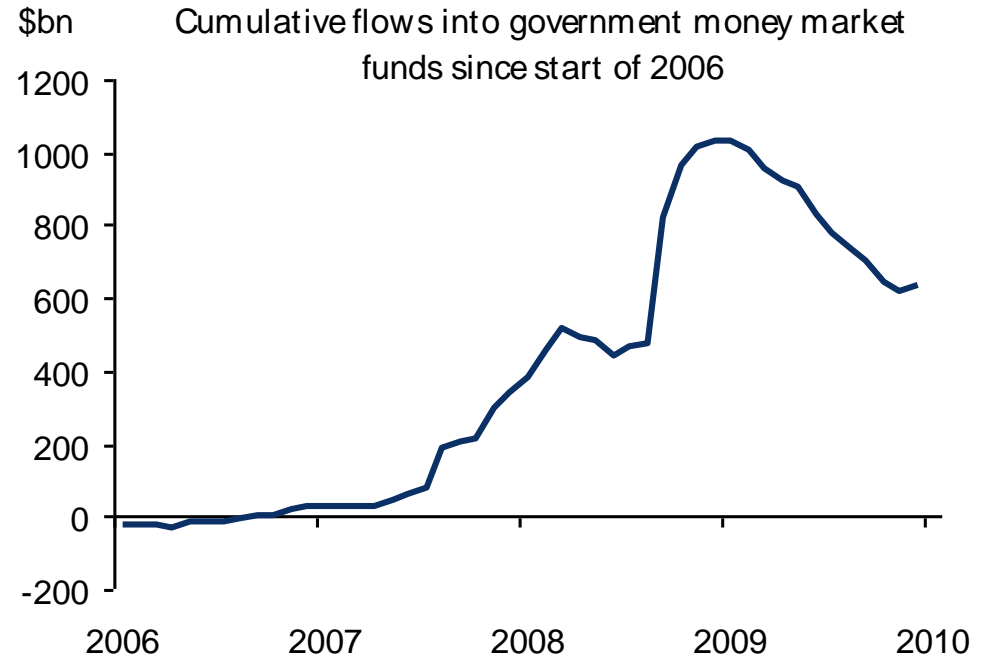
# Fixed income accounting plus composition

The retrenchment of the Fed and the return to risk suggest it is inevitable that rates are going up

## FI supply demand imbalance

Ex Ante Demand	Total
Overseas	+600
Banks	+300
Households	+600
Pension allocation	+100
Total ex-ante demand	1600
Total net term FI supply	2640
<b>Imbalance</b>	<b>-1040</b>

## Demand for risk free assets

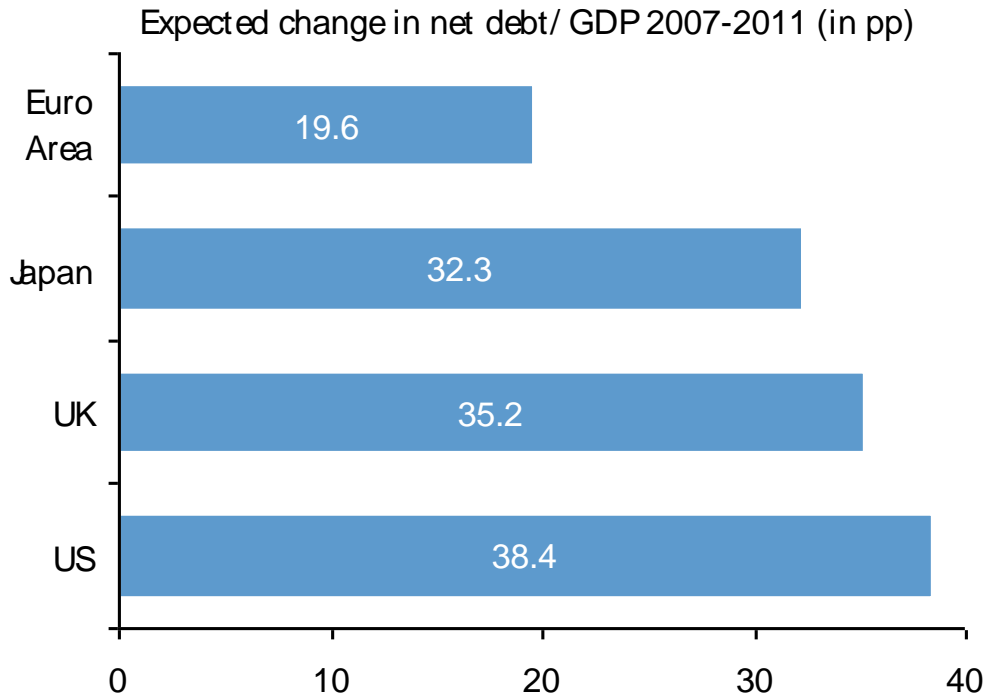


Source: ICI, OECD Outlook, Barclays Capital

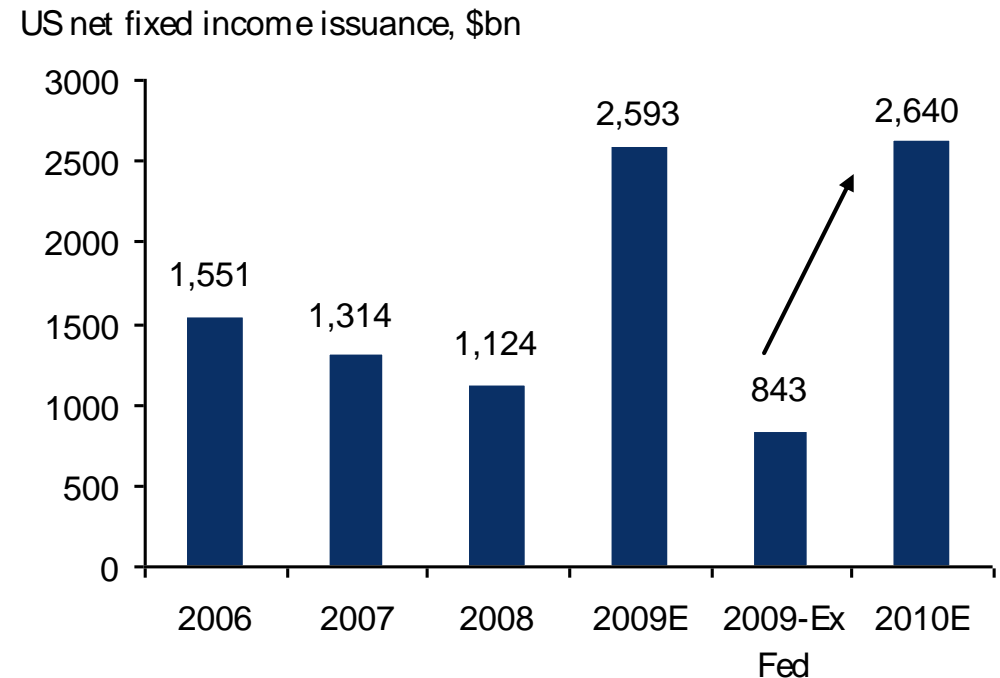
# A global fiscal shock

- Massive amounts of QE reduced the burden of the fiscal shock

## G4 net debt/GDP set to increase dramatically



## US net fixed income issuance



Source: OECD Outlook, Barclays Capital.

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