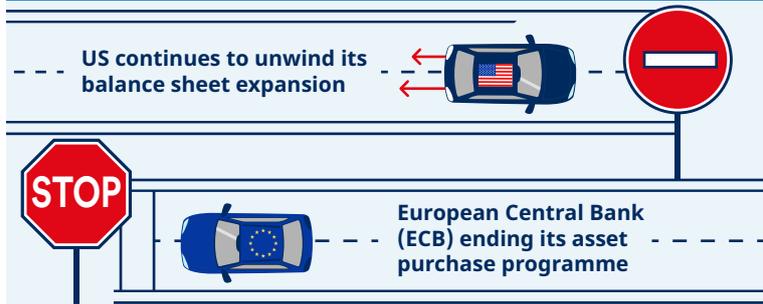


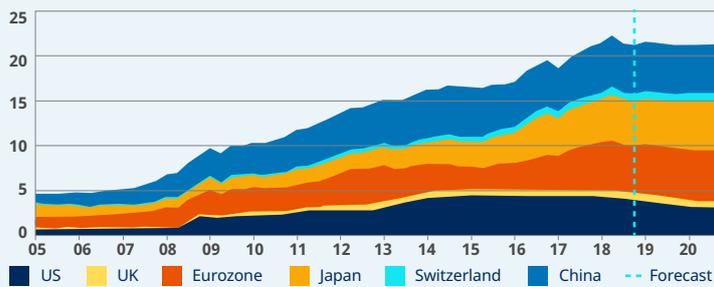
Schroders: three key trends and four black swans in 2019

Trend 1: QE* goes into reverse



Global liquidity set to peak and fall

Value of assets in central banks balance sheets (Trillions of USD)

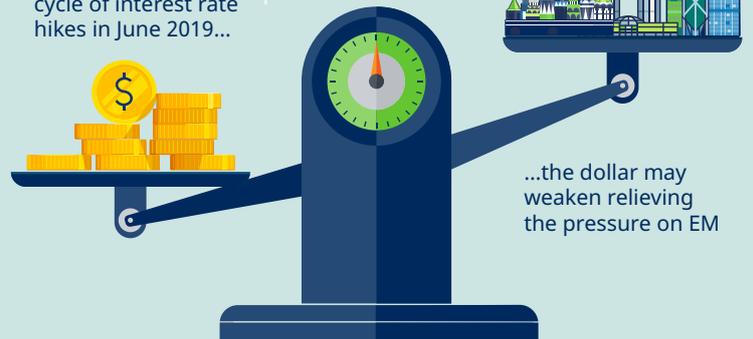


Source: Thomson Reuters Datastream, Schroders Economics Group, 20 Dec 2018

Trend 2: Return of emerging markets

- Weaker dollar may reduce costs for indebted emerging markets (EM) countries
- EM assets look cheaper after recent falls
- Unwinding of quantitative easing or 'easy money'
- Ongoing US/China trade wars

If the Fed pauses the cycle of interest rate hikes in June 2019...



Trend 3: Populist pressure



Schroders' three key trends to watch in 2019

- QE* goes into reverse
- Return of EM
- Populist pressure

Our forecasts

- Global growth to slow to 2.9%
- Inflation to hold at 2.9%
- US interest rates to peak at 2.75%

Black swan risks in 2019

Black swans are events that deviate beyond the norm and are extremely difficult to predict. Could we see some rare sightings in 2019?

- Eurozone crisis two**
Single currency area to feel effect of tighter liquidity as European Central Bank (ECB) ends quantitative easing
- No Brexit**
With the UK and the European Union (EU) in a deadlock, will Article 50 be cancelled?
- Trump to quit**
Investigation into Russian involvement with 2016 election and health factors may prevent second term. Other plans... Trump TV anyone?
- Military action**
Potential hot spots to ignite include Saudi Arabia and Iran, and China has ambitions for Taiwan

Source: Schroders as at January 2019. *Quantitative easing

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