CITY OF LONDON
Investment Management Company Limited

Developed Markets Quarterly Outlook

November 2021*

Overview

Will Equities Follow Where Bond Markets Lead?

The recent rise in inflation readings has spooked bond markets, which have moved to price in early rate hikes for many central banks. Yet, equity markets continue to mark new highs. We believe that some inflation fears are exaggerated and that central banks will eventually hold their nerve. This will allow equity markets to continue to perform well in 2022.

Equity markets maintained their solid year-to-date performance, adding another 3.3% gain over the past three months. While activity has stuttered in parts of the global economy, COVID-related supply disruptions are expected to ease as vaccinations progress and infections abate (even if additional booster shots may yet be required). But the key concern for market participants has been a rise in inflation that has been more pronounced and persistent than expected at the start of the recovery (a widespread clamouring for 'reflation' notwithstanding). Associated with this is a change in central bank postures as rhetoric turns more cautious, quantitative easing programs are being phased out and the possibility of interest rate hikes enters official deliberations. While some emerging markets have already embarked on this path some time ago, developed markets are still at its outset, struggling to gauge the persistence of the recent rise in inflation.

The frantic economic recovery that has taken place in parts of the world has led to an important supply and demand mismatch that cannot be resolved in the short term. Not only has pent-up consumer demand been released as economies reopened, but its effect has been reinforced by the excess savings accumulated by households during the pandemic. On the other hand, new COVID-19 variants and repeated waves of infections hamper production and supply chains in countries producing consumer goods, while consumer countries are unable to distribute arriving merchandise due to backlogs, infrastructure that cannot be scaled up at short notice and personnel shortages. The sum of these problems has created price pressures across the entire production chain: in raw materials prices, freight prices, producer prices and, lastly, consumer prices.

It is likely that the majority of these issues will get resolved over the next year, but timing this is challenging, not least for central banks targeting CPI and aiming to contain inflation expectations. The additional problem of dislocated labor markets in the form of demand-supply mismatches, migration bottlenecks, worker shortages and declining labor force participation only complicates the task further as it risks driving wages higher and engendering a dangerous, mutually reinforcing dynamic.

It should thus not come as a surprise that bond markets began to price in successively higher interest rates over the past months. This not only shifted the yield curve higher, but also flattened it as markets increasingly perceived a need for urgent action (i.e. near term rate hikes) to ward off the threat of runaway inflation. In turn, such drastic action would choke off the recovery, obviating the need for more rate increases in the future, thus flattening the yield curve.

Against this pessimistic scenario, equity markets remained adamantly sanguine, notably driving the S&P500 to several consecutive record highs. What is more, momentum stocks returned to their winning days. How long can this disjoint persist and how will it be resolved? US stocks have certainly become expensive, but the recent strong earnings quarter implies that they have not reached the previous, stretched valuation levels. Leading sectors, such as IT and Communications, continue to benefit from record low real yields and can thus sustain the price gains. On the other hand, the need for urgent central bank action is less clear. In any case, a shift in stance is most likely going to be preceded by a prolonged period of phasing out asset purchases. So while inflation appears to be more persistent than expected, easing bottlenecks will likely help a near term deceleration and take central banks off the hook from rising market pressure.

Global Equity Allocation Breakdown

	Chg	-2	-1	0	+1	+2
US	–				■	
Canada	–				■	
Eurozone	↓			■		
Switzerland	–	■				
UK	–			■		
Japan	–	■				
Australia	↑				■	
EM	–		■			

International Equity Allocation Breakdown

	Chg	-2	-1	0	+1	+2
Canada	–				■	
Eurozone	↓			■		
Switzerland	–		■			
UK	–			■		
Japan	–		■			
Australia	↑				■	
EM	–		■			

Note: Up/down arrows indicate a positive/negative change in our asset allocation compared to the previous quarter. A dash indicates no change.

Source: City of London Investment Management

Market Strategy: Despite the risk of new variants or renewed outbreaks of widespread COVID-19 infections, our allocation continues to position for a broad-based recovery without destabilising interference by central banks (i.e. no rate hikes beyond the market's capacity to absorb). We thus make few changes to the allocation, merely upgrading **Australia** to *overweight* and downgrading the **Eurozone** to *neutral*. Attractive valuations for **EM** are tempting, but we believe it is too early for an *overweight* yet.

**This publication reflects asset performance up to 31 October, 2021, and macro events and data releases up to 10 November, 2021, unless indicated otherwise.*

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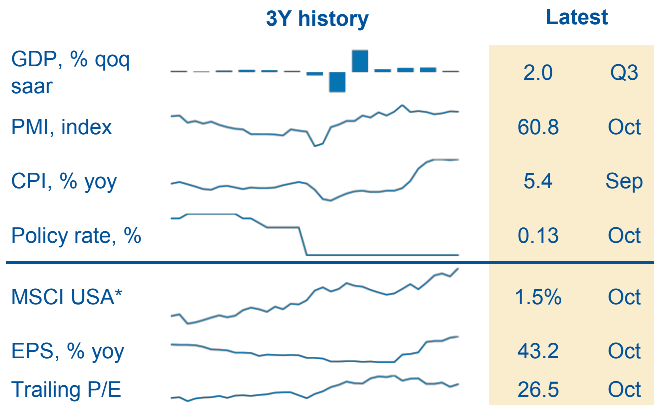
United States

OW (Global Index)

The economy slowed and price growth accelerated in Q3, but the associated temporary factors will likely ease soon.



	3Y history	Latest	
GDP, % qoq saar		2.0	Q3
PMI, index		60.8	Oct
CPI, % yoy		5.4	Sep
Policy rate, %		0.13	Oct
MSCI USA*		1.5%	Oct
EPS, % yoy		43.2	Oct
Trailing P/E		26.5	Oct

**US$ total return relative to MSCI ACWI. Latest is three-month return.*

Source: Bloomberg

After a record breaking performance during H1, the US equity market followed up with another strong performance in Q3, second only to Canada, which benefited from rising energy prices. This mostly reflected a turning point in COVID-19 infections – raising the prospect of a possible acceleration of the recovery – as well as exceptionally strong earnings reports in the latter part of the quarter. New COVID-19 infections reached a peak of 280K in late-August and have since decelerated to some 72K, a 74% decline. Earnings recorded a solid 42% yoy gain in Q3, down from Q2 which had benefited from even bigger base effects. Importantly, the latest quarter lifted EPS above their long-run trend, making for a remarkably short earnings recession. In addition, it took place on the back of ever increasing profit margins, suggesting that US producers face little difficulty in passing price increases on.

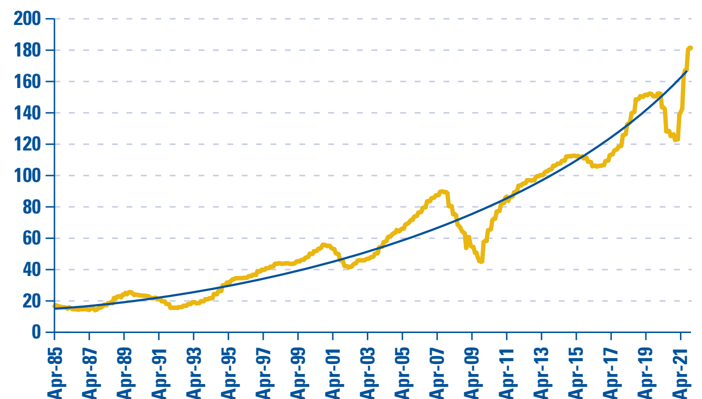
These positive developments have overshadowed some of the less favourable developments over the past quarter, namely the slowdown in activity and the rise in inflation readings. Beyond the panoply of higher frequency data, the key release in Q3 was the GDP outcome, which showed growth decelerating considerably, from 6.5% saar in Q2 to a mere 2.0%. This reflected ongoing supply chain issues, a pullback in consumer spending due to the recent surge of the Delta variant and a drop-off in fiscal stimulus that had propelled growth during the first half of the year. Spending on goods contracted by 9.2% saar but still remained well above its pre-pandemic trend and contrasted with spending on services which expanded at a healthy 7.9% saar pace, but still hasn't reached its pre-pandemic level of late 2019.

The labor market continues to heal gradually, although the expiration of expanded unemployment insurance benefits at the federal level has yet to translate into increased labor supply. High quit rates, early retirements, extended studies and continued childcare issues weigh on the participation rate, which remains at 62.1%, 2% points below the pre-pandemic level. On the other hand, payroll employment increased a sizeable 531,000 in October and job growth in the prior two months was revised up by 235,000, reducing the unemployment rate to 4.6%.

In a much-needed boost for the President's popularity, Congress passed the $1.2 trn infrastructure bill after it was separated from a larger social spending package, the "Build Back Better" bill which promises spending on childcare and efforts to combat climate change. The bill passed with the support of 13 Republican votes, but was opposed by six Democrat votes, of the party's progressive wing. Having passed the Senate in August, it can now be signed into law by President Biden.

CPI accelerated to 5.4% yoy as of June and stabilized at or just below this level for the subsequent three months. Core PCE exhibited a similar behaviour. However, the October reading bounced to 6.2% yoy. Two-year breakeven rates have increased to 3%, a level not reached since 2006 and markets have begun to price in the start of the monetary tightening cycle, expecting two rate hikes by year-end 2022. At the same time, the yield curve has flattened, an indication of the expectation that sharper, short term rate hikes would kill off the longer term recovery. For its part, the FOMC announced at its November meeting that it would begin winding down asset purchases by $15 bn per month, ending the program by mid-2022 (although the pace could be adjusted either direction before then).

Chart 1: Trailing 12M EPS of the S&P 500 Index



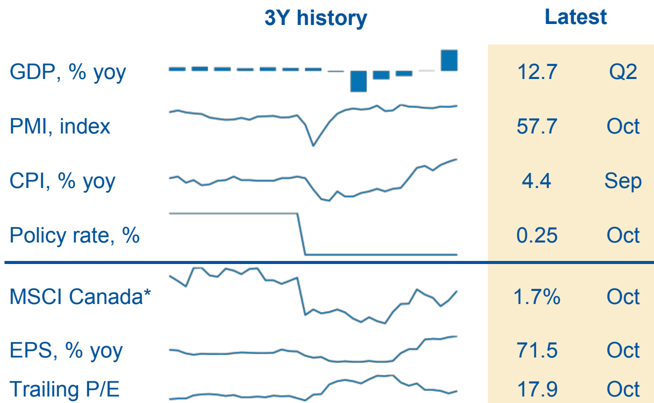
Source: Bloomberg, as of November 5, 2021

Market Strategy: US stock market outperformance stands at 6.2% points relative to the MSCI ACWI following another strong quarter. The strong earnings growth of late is unlikely to persist into 2022, but is still expected to outperform key peer markets such as the Eurozone, Japan and the UK. Valuations remain rich, but are less stretched than earlier in the year. What is more, the leading IT and 'new economy' companies continue to benefit from record-low real yields, even after recent market adjustments. The growth outlook in the US is stronger than in peer economies, while the pandemic has been better brought under control. Against this backdrop, we maintain our longstanding *overweight* to the US.

Canada

OW (Global and Global ex-US index)

Reduced COVID-19 restrictions and a fast vaccination rollout are set to support above-trend growth in 2022.



**US$ total return relative to MSCI ACWI. Latest is three-month return.*

Source: Bloomberg

Canada's growth prospects for 2021 have deteriorated as Q3 activity was hampered by COVID-19 restrictions. Consensus now expects growth of 5.0% this year, down from 6.2% three months ago. Nevertheless, 2022 GDP is projected to rise by 4.0%, significantly above the pre-pandemic trend. Activity is likely to be supported by easing COVID-19 restrictions as hospitalisations have fallen by approximately 20% since peaking in late October. In addition, the fast vaccination rollout means that further lockdowns are less likely. The rise in the oil price from $65/barrel (Brent crude) in August to $83 in November should also support the energy sector.

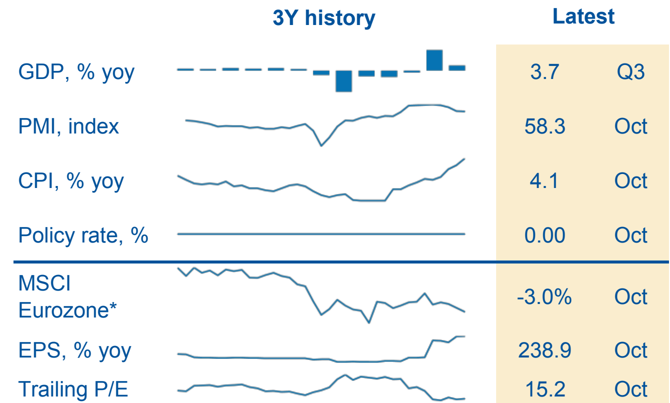
Meanwhile, inflation has run above the 1-3% target range since April. CPI has continuously trended upwards since mid-2020 and reached a high of 4.4% yoy in September. Although some of this is due to base effects, the central bank (BoC) expects price pressures to remain high in the coming months and projects CPI to fall back to 2% yoy only by end-2022. Hence, at its October meeting, the BoC stopped new purchases under its quantitative easing programme, and the market expects the hiking cycle to begin in March 2022.

Market Strategy: The valuation of the MSCI Canada Index still looks attractive given the solid economic backdrop. The 12M forward P/E is at a 16% discount to that of the MSCI ACWI Index, 1.2 standard deviations below the five-year average. The dividend yield of 2.5% is also above that of ACWI (1.8%). As a result, we maintain our *overweight*.

Eurozone

NW (Global and Global ex-US index) ↓

Activity is losing momentum following a strong recovery, but the ECB will maintain its accommodative stance.



**US$ total return relative to MSCI ACWI. Latest is three-month return.*

Source: Bloomberg

Activity in the Eurozone carried on from Q2 and gained a solid 3.7% yoy (2.2% qoq) in Q3, benefitting from the easing of mobility restrictions in the spring and summer. The gain was broad-based although Germany stands out for its weaker outcome as GDP remains 1% point below the pre-pandemic level, whereas other countries recovered beyond it. This primarily relates to weaker output in its manufacturing sector, which in turn is driven by the automotive sector. In turn, this has dragged PMI readings down to 54.3 in October. While still solid, it puts the cumulative decline over the three months at 5.8 points and leaves the survey at its lowest level since April, suggesting a loss in momentum. It also translated into direct contractions in German industrial production during August and September. However, as supply chain bottlenecks ease, these sectors are set to recover swiftly.

What is more, the recent resurgence of COVID-19 infections – chiefly in Germany – raises the risk of a further dampening of activity as mobility restrictions could be reimposed amidst a weak vaccine uptake. In addition, more time spent indoors during the cold season, the waning immunity offered by the vaccine after five months and even worse infections in neighbouring Central European countries bode ill for the further outlook. Germany recently recorded a new pandemic record of 41,000 new cases per day. Because of the lack of vaccinations, this also translates into record high numbers of ICU patients and fatalities in Germany and some other EU countries.

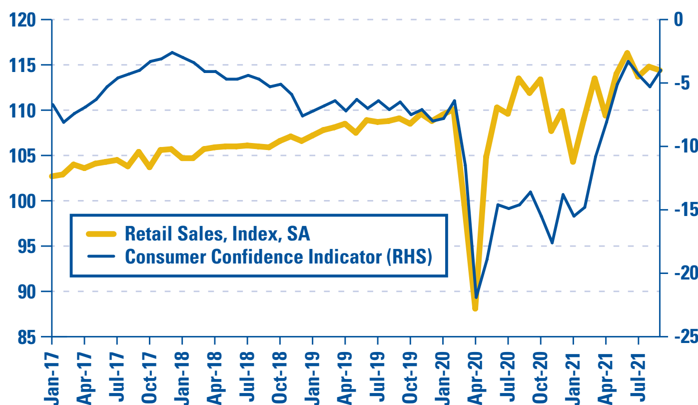
Retail sales have moved sideways since July, likely reflecting a rotation of demand from goods towards services. But during the first part of the year, retail sales increased sharply, lifting them above the pre-pandemic trend. What is more, consumer confidence remains high. Higher inflation, notably from energy prices, remains a key risk for household spending in the coming months, but will be cushioned by high excess savings.

Labor markets continued to improve, with the unemployment rate inching down to 7.4% in September, in line with the pre-pandemic level. However, workers in short term work subsidy schemes may belie the true extent of unemployment, even though their number has declined recently. Nevertheless, there has been little pass-through to wage growth so far, which is running at a mere 1.5% yoy in the euro area.

While inflation readings had been more benign in the Eurozone than elsewhere most of this year, this has now changed: the HICP rose to 3.0% yoy in August and continued its ascent 4.1% yoy by October. While this was largely due to a jump in energy prices, core HICP also increased, albeit more moderately, from 1.6% yoy in August to 2.1% yoy in October. This reflects an increase in services prices, likely linked to recent reopenings.

ECB President Christine Lagarde maintained the view that these gains are likely temporary and indeed energy prices are likely to ease as demand conditions normalize and supply problems are resolved. In addition, the negative German VAT base effect is set to fade in early 2022. While currently sharply above target, the ECB remains adamant that these effects will fade and that inflation will drop below target over the course of 2022. Lagarde also pushed back against market expectations for rate hikes as early as 2022 and emphasized that conditions for a first hike would not be met by end-2022 "or anytime soon" thereafter. She also announced that the PEPP program would end in March, but did not comment on the future of other ECB programs, such as the TLTROs.

Chart 2: Eurozone Retail Sales and Consumer Confidence



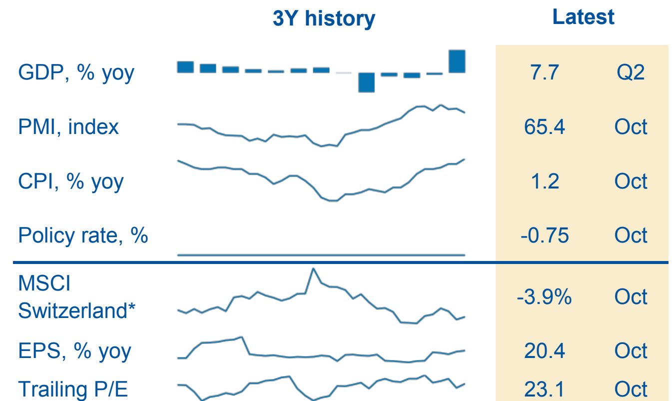
Source: Bloomberg

Market Strategy: While the Eurozone as a whole underperformed the MSCI ACWI during the past quarter by 300bps, some peripheral countries (Italy, Spain) came close to or outperformed the benchmark. This has led to attractive valuations for the region as a whole and Germany in particular. But in the short term, Eurozone activity is likely to further lose momentum, all the more so if the resurgence of COVID-19 requires new lockdowns or other restrictions that hamper consumer confidence or productive capacity. With the increase in inflation being regarded as temporary, the ECB can afford to maintain a more accommodative stance than other central banks. The combination of these factors impels us to maintain a *neutral* country allocation.

Switzerland

UW (Global and Global ex-US index)

Swiss growth is likely to remain robust, supported by inventory build-up and household consumption.



**US$ total return relative to MSCI ACWI. Latest is three-month return.*

Source: Bloomberg

Switzerland's economy remains in good health and consensus projects above-trend growth for this year (3.4% yoy) and next (3.0%). The manufacturing sector is hampered by supply chain issues, but the PMI remains in the expansionary territory as companies seek to raise purchases and build up inventories. Household consumption (51% of GDP) should also hold up well despite the rise in energy costs as only 2% of energy is sourced from fossil fuels.

COVID-19 cases and hospitalisations are comfortably below previous peaks, even though both have risen since late October. Some 63% of the population is now fully vaccinated and booster shots are being administered too. There may yet be a more severe wave of infections over the winter, but high vaccination numbers should limit severe cases.

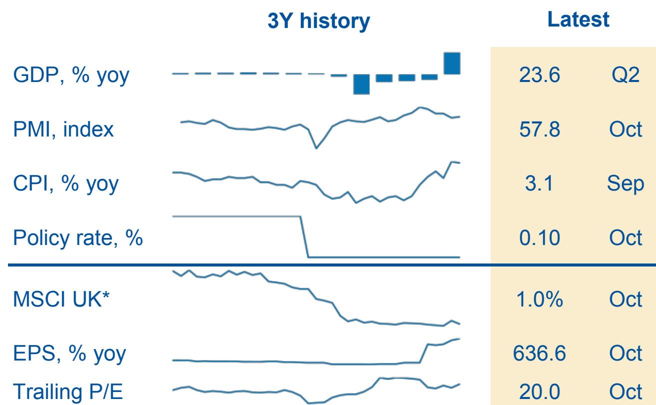
The Swiss National Bank is somewhat unique in a DM context in that: 1) inflation is below its 2% target and 2) it has a focus on the exchange rate, seeking to limit franc strength. As a result, it has more of a dovish bias than its peers. Indeed, consensus forecasts no change in the policy rate through end-2023.

Market Strategy: Valuations for the MSCI Switzerland Index are unchallenging. The 12M forward P/E relative to the MSCI ACWI Index is 0.4 of a standard deviation below the five-year average. Given the defensive nature of Swiss stocks, there is potential for underperformance given global monetary tightening amid robust growth and inflation. We believe the relative cheapness still does not compensate sufficiently for this risk. Hence we stay *underweight*.

United Kingdom

NW (Global and Global ex-US index)

An unmitigated reopening provided a lift to the economy, but also boosted COVID-19 infections.



**US$ total return relative to MSCI ACWI. Latest is three-month return.*

Source: Bloomberg

Britain's decline in activity in 2020 was deeper than that of most of its European peers (Spain excepted) and, accordingly, its expected GDP growth of some 7% is also likely to exceed that of the eurozone in 2021. Indeed, such base effects led to the 24% yoy jump in Q2 GDP. However, in 2022, growth in the two economies is likely to converge, notably due to the earlier withdrawal of fiscal and monetary support in the UK. Even as manufacturing and services PMI are running in the high 50s, consumer confidence and retail sales remain depressed. Supply chain shortages and natural gas price increases will likely further weigh on activity. The labor market has been strong due to a swift rebound in employment as furlough schemes end.

A key question for the UK is the outlook on the pandemic. The UK started vaccinations early and began to roll out booster shots recently, thus enjoying one of the highest vaccination rates. But the government also encouraged a full reopening of the economy and required no more distancing measures, leading to one of the highest levels of daily infections amongst DMs.

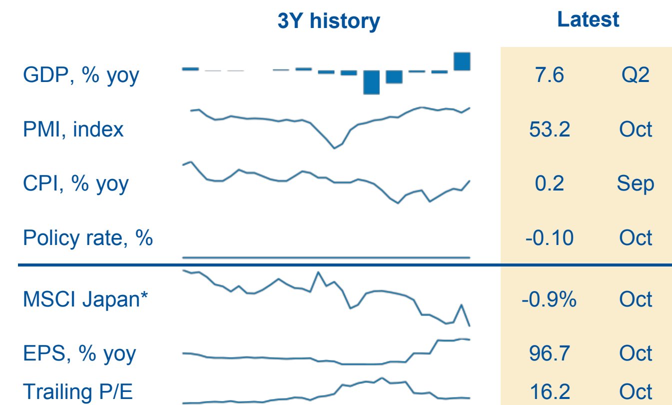
As expected, inflation continued to accelerate, peaking at 3.2% yoy in August before inching back to 3.1% in September. Market expectations had coalesced around a rate hike in November, having been reinforced by Governor Bailey's assertive language. However, the MPC failed to deliver it although it indicated that it would take place in the near term. The wisdom of such a decision is questionable and market expectations for a 100bps tightening by end-2022 are likely overdone.

Market Strategy: The UK stock market outperformed the MSCI ACWI by 0.9% points after having underperformed for most of the year. However, the growth outlook remains weak and recent attempts by the government to repudiate the Northern Ireland protocol injects a new degree of uncertainty into Britain's post-Brexit future. Already trade with the EU suffered significantly and found no replacement elsewhere. We retain our *neutral* allocation given favourable valuations.

Japan

UW (Global and Global ex-US index)

The end of the state of emergency is giving the economy a fillip, but inflation remains far below target.



**US$ total return relative to MSCI ACWI. Latest is three-month return.*

Source: Bloomberg

As it ramped up vaccination, Japan has finally beaten its 5th, most severe wave of COVID-19 infections, with new cases falling from a peak of some 25K at end-August to less than 200 as of November. This has allowed the government to end the state of emergency by end-September, unleashing consumer demand. With cases continuing to decline, the government will likely announce further easing of business restrictions.

Given pent-up consumer demand, retail sales started to pick up already before the end of the state of emergency and have gained further since. Consumer confidence recovered strongly, although the index remains below the pre-pandemic level. On the other hand, industrial production has contracted, being held back by a hamstrung automotive sector. But carmakers expect production to rise from November as supply bottlenecks begin to ease even if they are seen as persisting into 2022, according to surveys. October PMIs have also risen above 50 for the first time since the pandemic began.

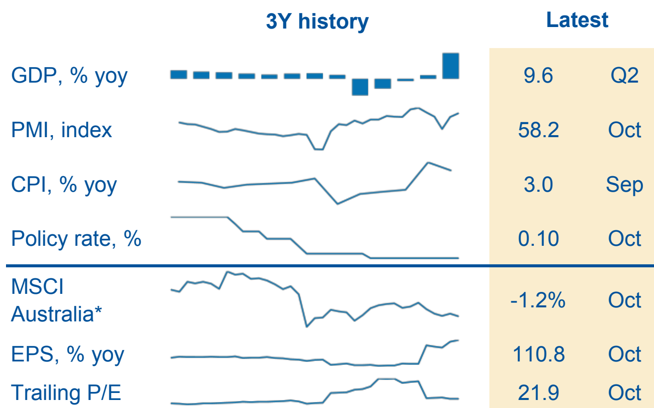
September witnessed an end to deflation with CPI rising 0.4% mom and 0.2% yoy. However, this was mostly due to higher energy and food prices and the various core inflation measures still remained flat to negative. At its October meeting, the BoJ signalled that it didn't expect inflation to rise closer towards the 2% target and thus vowed to maintain its accommodative stance.

Market Strategy: The Japanese equity market continued to underperform the MSCI ACWI by 100bps during the August-October period and retains an attractive valuation. The LDP kept its majority at the October elections, but lost 15 seats. PM Kishida announced that the government would propose a supplementary budget by end-November, worth 2% of GDP. However, EMs and several Eurozone countries now benefit from more attractive valuations and a better economic outlook than Japan. We thus remain *underweight*.

Australia

OW (Global and Global ex-US index) ↑

The abandonment of the "zero-COVID" policy and strong external demand are supportive for growth while inflation remains under control.



**US$ total return relative to MSCI ACWI. Latest is three-month return.*

Source: Bloomberg

Australia's economy faced headwinds due to COVID-19 in recent months. It is starting to ease restrictions, but daily new cases have risen to new historical highs. However, this is counterbalanced by falling hospitalisations, down by some 40% since the September peak, and a strong vaccination rollout (65% of the population are now fully vaccinated). Moreover, social protest against the length of the restrictions has reduced the appetite for maintaining the "zero COVID" policy.

Meanwhile, rising commodity prices are set to benefit Australia's exporters and this should support activity. Consensus projects GDP to rise by 3.8% yoy this year and by 3.7% in 2022, with both growth rates above the pre-pandemic trend. Household consumption (54% of GDP) is likely to prove supportive as the economy reopens and the labour market recovers further.

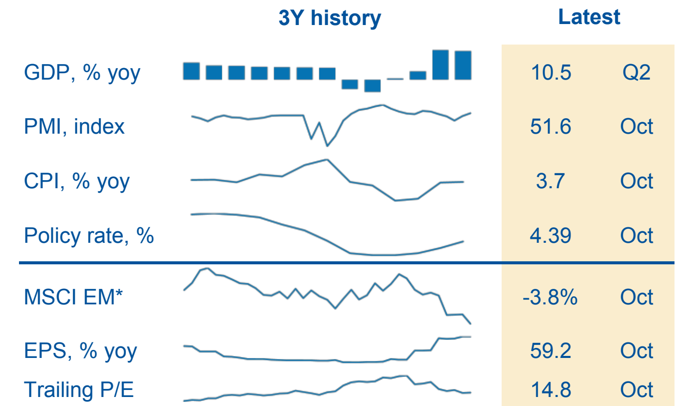
However, while the Reserve Bank of Australia (RBA) expects a recovery, the impact on inflation is expected to be manageable as recent price pressures stem from only a few components such as fuel and housing costs. The RBA expects inflation to rise further in Q4 before falling within its 2-3% target in June 2022. Although the Bank abandoned its yield curve control policy in October, the bar for a rate hike remains high. Indeed, wage growth, which was only 1.7% yoy in Q2 and is projected to be 2.5% yoy in 2022, would need to be "materially higher" before a rate hike would take place.

Market Strategy: The 12M forward P/E of the MSCI Australia Index is at a 4% discount to that of the MSCI ACWI Index. This is 0.9 of a standard deviation below the five-year average and the 3.8% dividend yield is attractive too. We therefore upgrade Australia to *overweight*.

Emerging Markets

UW (Global and Global ex-US index)

COVID resurgence hampered activity, while rising inflation triggered early monetary tightening.



**US$ total return relative to MSCI ACWI. Latest is three-month return. Economic indicators are GDP-weighted with the exception of PMI, which is value-added-weighted.*

Source: Bloomberg

Many Emerging Markets made dramatic progress in vaccination over the past quarter: in the aggregate, the gap to DM in total doses administered narrowed from 59% to 44% of doses from the previous quarter-end. Indeed, China is now the most vaccinated country in the world, having dispensed 163 doses per 100 people. Nevertheless, the overall effort remains highly variable: South Korea, Malaysia, Turkey and even Brazil have achieved vaccination rates comparable to DMs, but Mexico, India, Russia, South Africa and several others remain substantial laggards. Infection rates have nevertheless peaked in most countries (for now), with the notable exceptions of Russia and South Korea.

Activity has similarly been highly variable across countries and often suffered severe setbacks when a new wave of infections struck or persisted. While China and India are expected to grow ca. 6% and 8% respectively next year, EM economies on the whole are likely to be some 10% smaller in 2024 relative to their pre-pandemic trend. The biggest scars are expected to be in Asian economies, whose output the IMF forecasts to be 9.4% points lower in 2024 (excluding China). For Latin America, the reduction relative to trend is expected at 5% points and for China at 2.1% points.

The biggest issue for EMs in the past quarter has been the rise in imported inflation which necessitated sharp monetary adjustments in several cases: interest rates have tightened by 575bps in Brazil year to date, 325bps in Russia and 75bps in Mexico. Only in Turkey have they oddly been cut by 300bps, despite rising inflation as President Erdogan weighed on the central bank.

Market Strategy: The performance of the MSCI EM to date is essentially flat, a severe underperformance compared to the 16.8% gain of the MSCI ACWI (8.4% ex-US). Inflows have stalled even as valuations suggest that the asset class is now attractive. We remain *underweight* for now. ◆

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INTERNATIONAL EQUITY - KEY ECONOMIC AND FINANCIAL INDICATORS *(All data shown are as at November 3, 2021 unless otherwise stated)*

		Macroeconomic Data													Market Performance				Forecast†	
		% change on year ago				Latest 12 months														
Weighting	Developed Market	Annual GDP Growth	Quarterly GDP Growth QoQ*	Industrial Production Growth	Consumer Price Index	Budget Balance % of GDP 2021F**	Trade Balance	Current Account Balance	Foreign Reserves 2021 Latest	Foreign Reserves 2020 Year Ago	Currency vs $ 2021 Latest	Currency vs $ 2020 Year ago	Short-Term Interest Rates	Sovereign Rating S&P	% MSCI ACWI Net***	Stock Market Index (MSCI ACWI Net) US$	Change since 12/31/20 US$	Change since 12/31/20 Local	2021 P/E Forecast	3 month Currency vs $ +/-
		%	%	%	%		$ Bns	$ Bns	$ Bns	$ Bns			%		Oct. 29, 2021	Oct. 29, 2021	%	%		
Overweight	CANADA	4.1	-1.1	18.3	4.4	-5.7	-5.5	-7.3	77.94	77.32	1.24	1.32	0.30	AAA	7.41	7785.34	26.49	23.07	16.1	+
Overweight	AUSTRALIA	9.6	2.8	-1.5	3.0	-6.5	82.2	51.2	38.21	32.45	0.74	0.72	0.05	AAA	4.47	5101.55	11.36	14.41	17.2	-
Neutral	AUSTRIA	-4.0	13.9	8.6	3.6	-7.5	-8.4	0.4	8.48	7.92	1.16	1.17	-0.55	AA+	0.14	4412.62	36.07	43.86	9.4	+
Neutral	BELGIUM	4.7	7.4	11.7	4.2	-6.8	13.1	10.3	10.80	10.41	1.16	1.17	-0.55	AA	0.58	9332.17	3.58	9.52	19.5	+
Neutral	DENMARK	10.0	11.7	14.2	2.2	-1.8	6.5	28.0	66.35	66.63	6.42	6.36	-0.60	AAA	1.73	49312.85	20.13	26.94	22.2	-
Neutral	EUROZONE	3.7	9.1	5.1	4.1	-7.6	3.3	3.8	321.77	320.70	1.16	1.17	0.08	n.a.	21.23	427.30	13.85	20.36	16.0	+
Neutral	FINLAND	7.8	9.1	4.0	2.5	-4.5	-3.1	4.5	8.17	6.56	1.16	1.17	0.00	AA+	0.64	1363.97	7.05	13.18	18.2	+
Neutral	FRANCE	3.3	12.6	3.9	2.6	-8.5	-80.4	-24.7	54.58	54.10	1.16	1.17	2.00	AA	7.26	8504.70	16.55	23.22	17.4	+
Neutral	GERMANY	2.5	7.4	1.6	4.5	-6.0	235.6	298.6	37.16	36.58	1.16	1.17	0.08	AAA	5.69	7250.70	6.74	12.85	14.5	+
Neutral	IRELAND	21.6	27.7	24.3	3.7	-4.7	77.2	-52.4	0.98	0.95	1.16	1.17	-0.53	AA-	0.45	512.37	9.36	15.63	25.9	+
Neutral	ISRAEL	15.4	16.5	3.1	2.5	-7.0	-31.1	52.4	199.44	158.70	3.13	3.42	0.10	AA-	0.40	179.70	13.17	11.87	12.8	-
Neutral	ITALY	3.9	10.8	0.0	2.9	-10.5	78.5	82.8	48.42	46.48	1.16	1.17	1.31	BBB	1.59	1006.03	14.61	21.17	12.6	+
Neutral	NETHERLANDS	10.4	16.1	9.8	2.7	-5.4	78.5	73.3	5.08	5.89	1.16	1.17	-0.55	AAA	3.19	29015.66	31.60	39.02	27.6	+
Neutral	NEW ZEALAND	17.4	11.7	19.1	4.9	-5.4	-2.8	-7.8	12.48	14.77	0.71	0.67	0.53	AA+	0.15	700.80	-11.92	-11.38	42.6	+
Neutral	NORWAY	5.7	5.7	2.2	4.1	-1.0	32.3	24.1	77.11	69.83	8.50	9.41	0.75	AAA	0.42	10736.85	26.42	24.91	13.8	-
Neutral	PORTUGAL	4.2	12.1	-5.4	1.8	-4.8	-17.9	-2.5	7.31	6.48	1.16	1.17	-0.55	BBB	0.13	203.56	4.98	11.00	25.2	+
Neutral	SINGAPORE	6.5	0.8	-3.4	2.5	-2.2	117.6	68.7	408.41	324.78	1.35	1.36	0.38	AAA	0.75	1321.75	13.98	16.23	17.0	-
Neutral	SPAIN	2.7	8.2	3.6	5.5	-8.4	-23.8	-0.7	54.66	55.71	1.16	1.17	-0.55	A	1.51	3300.60	6.82	12.94	13.3	+
Neutral	SWEDEN	9.7	3.6	1.0	2.5	-2.7	4.3	34.4	43.97	44.98	8.56	8.85	-0.09	AAA	2.39	36133.71	21.14	26.68	19.5	-
Neutral	UK	23.6	23.9	3.7	3.1	-9.5	-34.5	-70.8	127.85	129.38	1.36	1.30	0.25	AA	9.22	7173.24	16.69	16.37	12.2	+
Underweight	SWITZERLAND	7.7	7.4	15.7	1.2	-2.4	60.3	22.5	1004.40	945.48	0.91	0.91	-0.75	AAA	6.27	18038.13	12.33	16.12	19.8	-
Underweight	EM****	10.5	n.a.	7.0	3.7	-4.8	621.3	73.5	7862.64	7527.21	1729.51	1659.06	4.39	n.a.	29.21	622.43	-0.27	1.62	13.3	n.a.
Underweight	JAPAN	7.6	1.9	-2.3	0.2	-8.5	20.1	195.5	1285.51	1309.43	113.85	104.50	-0.05	A+	14.52	7983.89	2.34	13.03	15.3	+
Underweight	HONG KONG	5.4	0.4	5.6	1.4	-4.2	-48.5	71.1	496.92	448.94	7.78	7.75	0.09	AA+	1.86	73003.27	0.94	1.25	18.6	-

*Note: S&P credit rating shown is long-term foreign currency rating. * % change in GDP on previous quarter, annual rate. **Bloomberg consensus forecast.*
****MSCI All Country World ex USA Index Daily Total Return Net. ****IP data from CPB; Currency level from MSCI EM Currency Index; GDP, CPI, budget and interest rate data from Bloomberg.*
†Any forecasts are based on Bloomberg consensus forecasts, where available, and assumptions. Actual results may vary from any such statements or forecasts. Past performance is no guarantee of future results.

Source: Bloomberg, CLIM

GLOBAL EQUITY - KEY ECONOMIC AND FINANCIAL INDICATORS *(All data shown are as at November 3, 2021 unless otherwise stated)*

	Developed Market	Macroeconomic Data													Market Performance				Forecast†	
		% change on year ago				Latest 12 months														
		Annual GDP Growth	Quarterly GDP Growth QoQ*	Industrial Production Growth	Consumer Price Index	Budget Balance % of GDP 2021F**	Trade Balance	Current Account Balance	Foreign Reserves 2021 Latest	Foreign Reserves 2020 Year Ago	Currency vs $ 2021 Latest	Currency vs $ 2020 Year ago	Short-Term Interest Rates	Sovereign Rating S&P	% MSCI ACWI Net***	Stock Market Index (MSCI ACWI Net) US$	Change since 12/31/20 US$	Change since 12/31/20 Local	2021 P/E Forecast	3 month Currency vs $ +/-
		%	%	%	%		$ Bns	$ Bns	$ Bns	$ Bns			%		Oct. 29, 2021	Oct. 29, 2021	%	%		
Overweight	UNITED STATES	4.9	2.0	4.6	5.4	-13.1	-817.5	-715.0	41.71	43.05	1.00	1.00	0.22	AA+	60.64	12938.18	22.98	22.98	22.9	uc
	CANADA	4.1	-1.1	18.3	4.4	-5.7	-5.5	-7.3	77.94	77.32	1.24	1.32	0.30	AAA	2.92	7785.34	26.49	23.07	16.1	+
	AUSTRALIA	9.6	2.8	-1.5	3.0	-6.5	82.2	51.2	38.21	32.45	0.74	0.72	0.05	AAA	1.76	5101.55	11.36	14.41	17.2	-
Neutral	AUSTRIA	-4.0	13.9	8.6	3.6	-7.5	-8.4	0.4	8.48	7.92	1.16	1.17	-0.55	AA+	0.05	4412.62	36.07	43.86	9.4	+
	BELGIUM	4.7	7.4	11.7	4.2	-6.8	13.1	10.3	10.80	10.41	1.16	1.17	-0.55	AA	0.23	9332.17	3.58	9.52	19.5	+
	DENMARK	10.0	11.7	14.2	2.2	-1.8	6.5	28.0	66.35	66.63	6.42	6.36	-0.60	AAA	0.68	49312.85	20.13	26.94	22.2	-
	EUROZONE	3.7	9.1	5.1	4.1	-7.6	3.3	3.8	321.77	320.70	1.16	1.17	0.08	n.a.	8.36	427.30	13.85	20.36	16.0	+
	FINLAND	7.8	9.1	4.0	2.5	-4.5	-3.1	4.5	8.17	6.56	1.16	1.17	0.00	AA+	0.25	1363.97	7.05	13.18	18.2	+
	FRANCE	3.3	12.6	3.9	2.6	-8.5	-80.4	-24.7	54.58	54.10	1.16	1.17	2.00	AA	2.86	8504.70	16.55	23.22	17.4	+
	GERMANY	2.5	7.4	1.6	4.5	-6.0	235.6	298.6	37.16	36.58	1.16	1.17	0.08	AAA	2.24	7250.70	6.74	12.85	14.5	+
	IRELAND	21.6	27.7	24.3	3.7	-4.7	77.2	-52.4	0.98	0.95	1.16	1.17	-0.53	AA-	0.18	512.37	9.36	15.63	25.9	+
	ISRAEL	15.4	16.5	3.1	2.5	-7.0	-31.1	52.4	199.44	158.70	3.13	3.42	0.10	AA-	0.16	179.70	13.17	11.87	12.8	-
	ITALY	3.9	10.8	0.0	2.9	-10.5	78.5	82.8	48.42	46.48	1.16	1.17	1.31	BBB	0.63	1006.03	14.61	21.17	12.6	+
	NETHERLANDS	10.4	16.1	9.8	2.7	-5.4	78.5	73.3	5.08	5.89	1.16	1.17	-0.55	AAA	1.26	29015.66	31.60	39.02	27.6	+
	NEW ZEALAND	17.4	11.7	19.1	4.9	-5.4	-2.8	-7.8	12.48	14.77	0.71	0.67	0.53	AA+	0.06	700.80	-11.92	-11.38	42.6	+
	NORWAY	5.7	5.7	2.2	4.1	-1.0	32.3	24.1	77.11	69.83	8.50	9.41	0.75	AAA	0.17	10736.85	26.42	24.91	13.8	-
	PORTUGAL	4.2	12.1	-5.4	1.8	-4.8	-17.9	-2.5	7.31	6.48	1.16	1.17	-0.55	BBB	0.05	203.56	4.98	11.00	25.2	+
	SINGAPORE	6.5	0.8	-3.4	2.5	-2.2	117.6	68.7	408.41	324.78	1.35	1.36	0.38	AAA	0.29	1321.75	13.98	16.23	17.0	-
	SPAIN	2.7	8.2	3.6	5.5	-8.4	-23.8	-0.7	54.66	55.71	1.16	1.17	-0.55	A	0.60	3300.60	6.82	12.94	13.3	+
	SWEDEN	9.7	3.6	1.0	2.5	-2.7	4.3	34.4	43.97	44.98	8.56	8.85	-0.09	AAA	0.94	36133.71	21.14	26.68	19.5	-
	UK	23.6	23.9	3.7	3.1	-9.5	-34.5	-70.8	127.85	129.38	1.36	1.30	0.25	AA	3.63	7173.24	16.69	16.37	12.2	+
Underweight	JAPAN	7.6	1.9	-2.3	0.2	-8.5	20.1	195.5	1285.51	1309.43	113.85	104.50	-0.05	A+	5.72	7983.89	2.34	13.03	15.3	+
	SWITZERLAND	7.7	7.4	15.7	1.2	-2.4	60.3	22.5	1004.40	945.48	0.91	0.91	-0.75	AAA	2.47	18038.13	12.33	16.12	19.8	-
	EM****	10.5	n.a.	7.0	3.7	-4.8	621.3	73.5	7862.64	7527.21	1729.51	1659.06	4.39	n.a.	11.50	622.43	-0.27	1.62	13.3	n.a.
	HONG KONG	5.4	0.4	5.6	1.4	-4.2	-48.5	71.1	496.92	448.94	7.78	7.75	0.09	AA+	0.73	73003.27	0.94	1.25	18.6	-

*Note: S&P credit rating shown is long-term foreign currency rating. * % change in GDP on previous quarter, annual rate. **Bloomberg consensus forecast.*
****MSCI All Country World Index Daily Total Return Net. ****IP data from CPB; Currency level from MSCI EM Currency Index; GDP, CPI, budget and interest rate data from Bloomberg.*
†Any forecasts are based on Bloomberg consensus forecasts, where available, and assumptions. Actual results may vary from any such statements or forecasts. Past performance is no guarantee of future results.

Source: Bloomberg, CLIM

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