

# Macro Microscope

New World-New Playbook?



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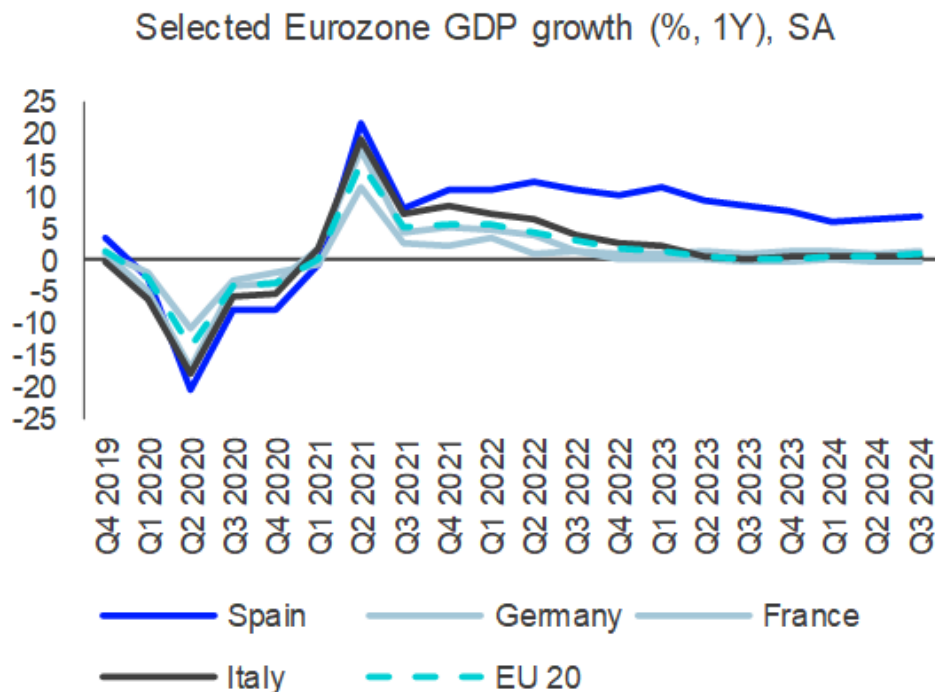
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# Europe: Peripherals vs North

Spanish economic growth is stronger than Germany

In contrast to Germany, Spain's economy has been thriving, with growth expected to surpass other EU countries in 2025-26; the country is benefiting from EU stimulus to help transition towards cleaner energy.



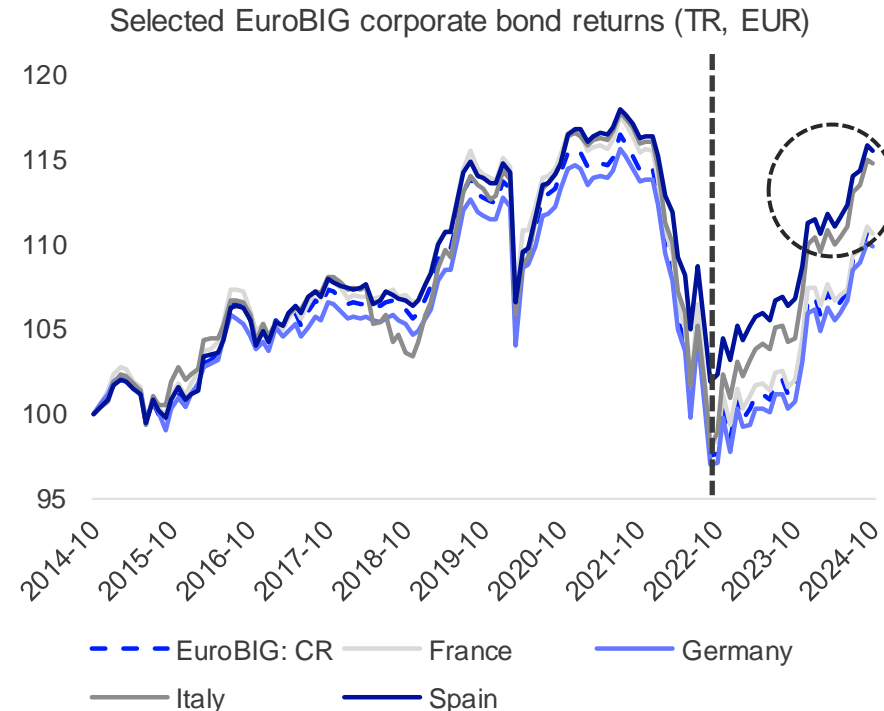
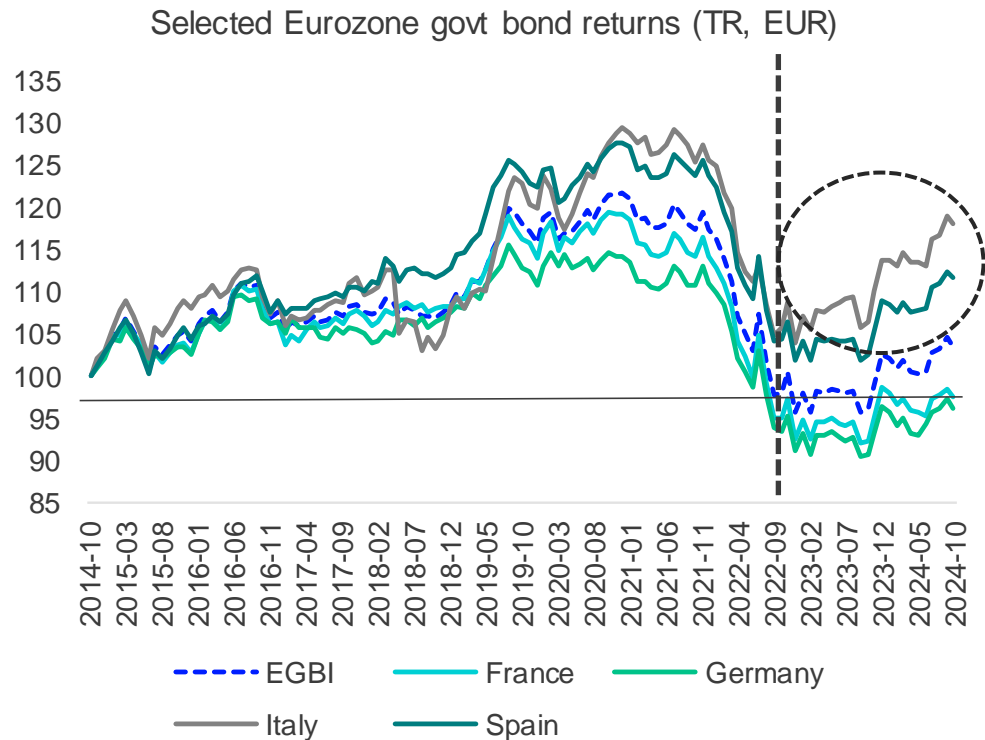
**Remember the Eurozone Debt crisis (PIIGs crisis), post-Great Financial Crisis!**

Source: Eurostat, and LSEG FTSE Russell. Data to October 30, 2024, total returns, in euros. Past performance is no guarantee of future results. Please see the end for important legal disclosures

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# Spain and Italy sovereigns and corporate bonds lead 10-year outperformance

Spanish and Italian government and corporate bonds have outperformed over 10yrs, **especially since 2022**.

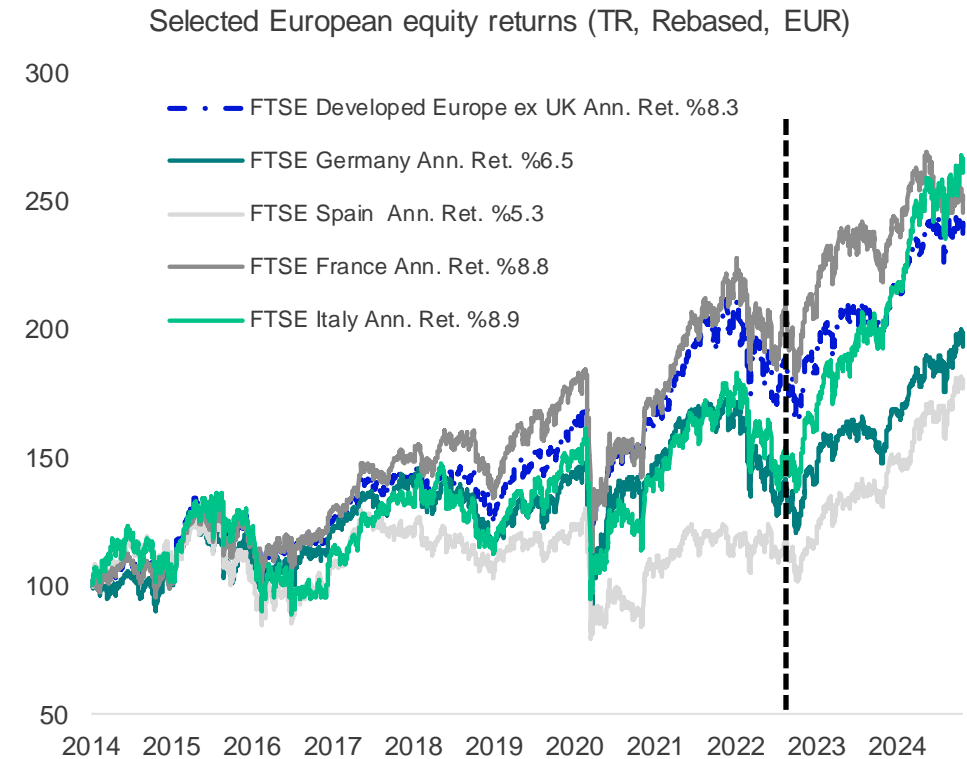
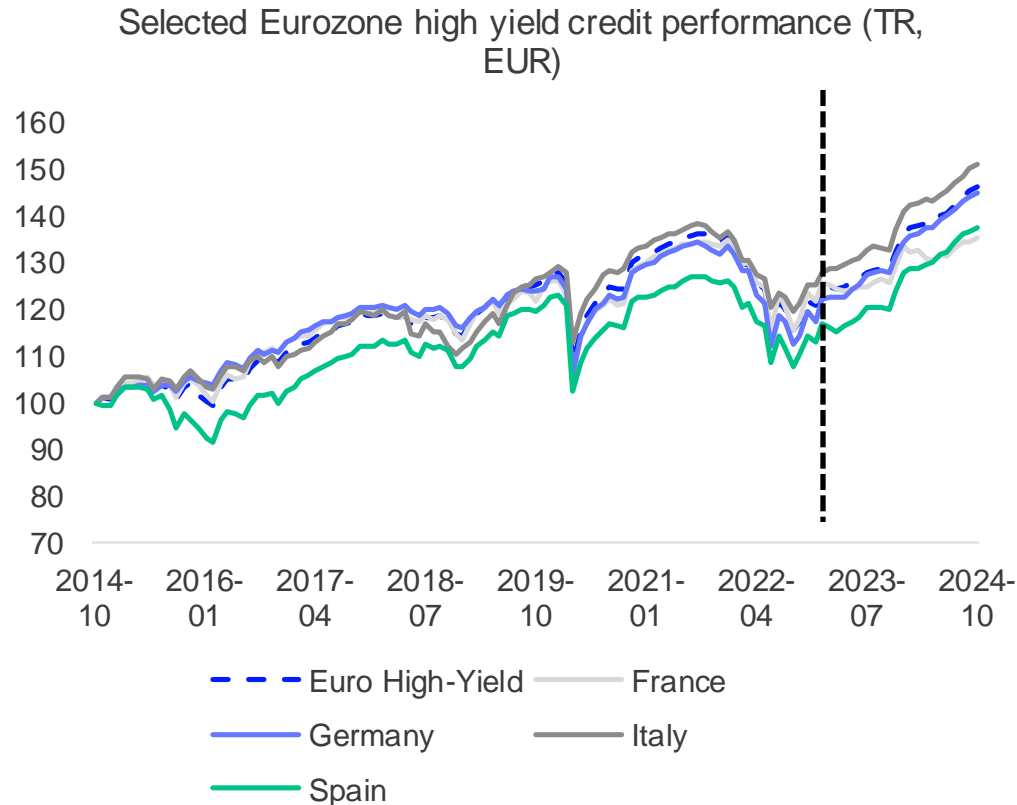


Source: LSEG FTSE Russell. Data to October 30, 2024. Total returns, in euros. Past performance is no guarantee of future results. Please see the end for important legal disclosures

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## ...As do Italian equities and high yield credit

Italian equities and high yield credit also outperformed the market, with **decoupling evidenced since 2022**.



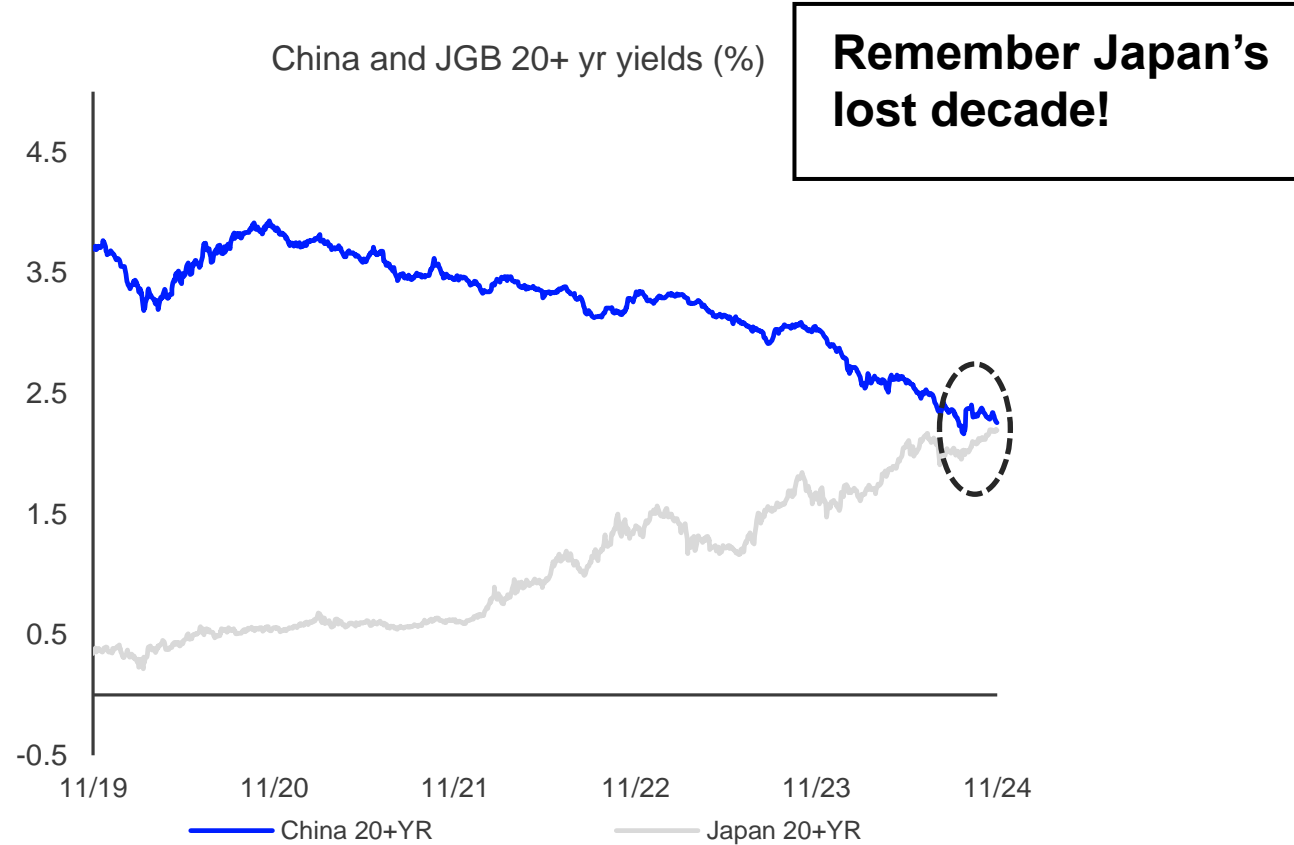
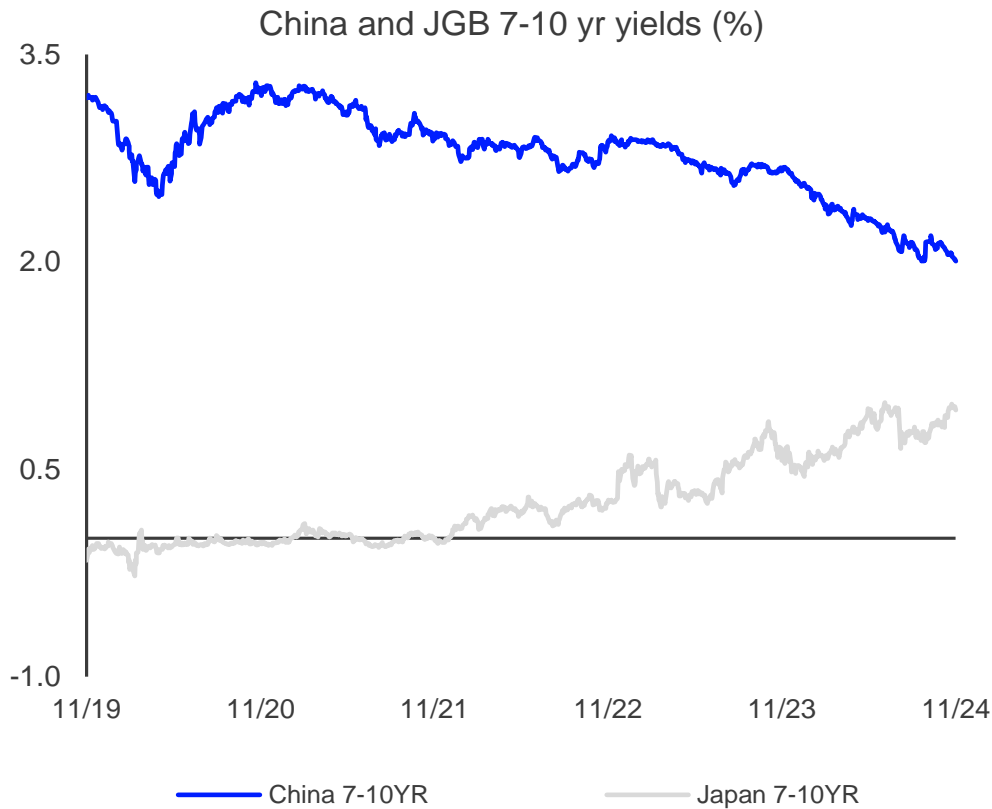
Source: LSEG FTSE Russell. Data to October 30, 2024. Total returns, in euros. Past performance is no guarantee of future results. Please see the end for important legal disclosures

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# Asia: China vs Japan

Crossover of Chinese & JGB yields – blip, or a decade of deflation in China?

Deflation risks intensify in China, as consumers increase savings, despite lower rates, with no social security system. **Longer dated China bonds have now fallen to JGB yield levels, as JGB yields rise. Strong parallels with Japan's experience in the 1990s**

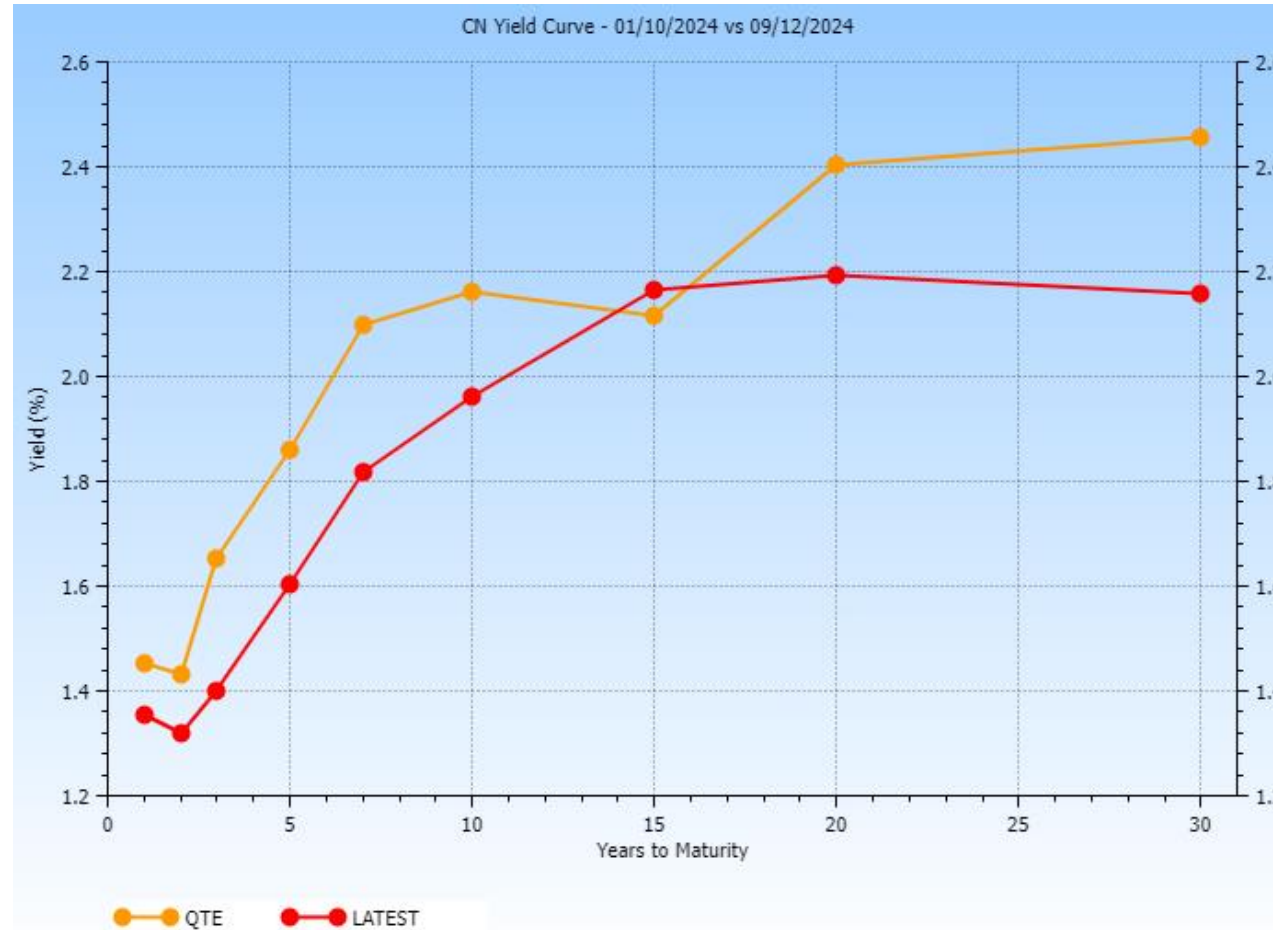


Source: LSEG and FTSE Russell.. All data as of November 29, 2024. Past performance is no guarantee of future results. For professional investors only.

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# Chinese yield curve pricing in deflation in China?

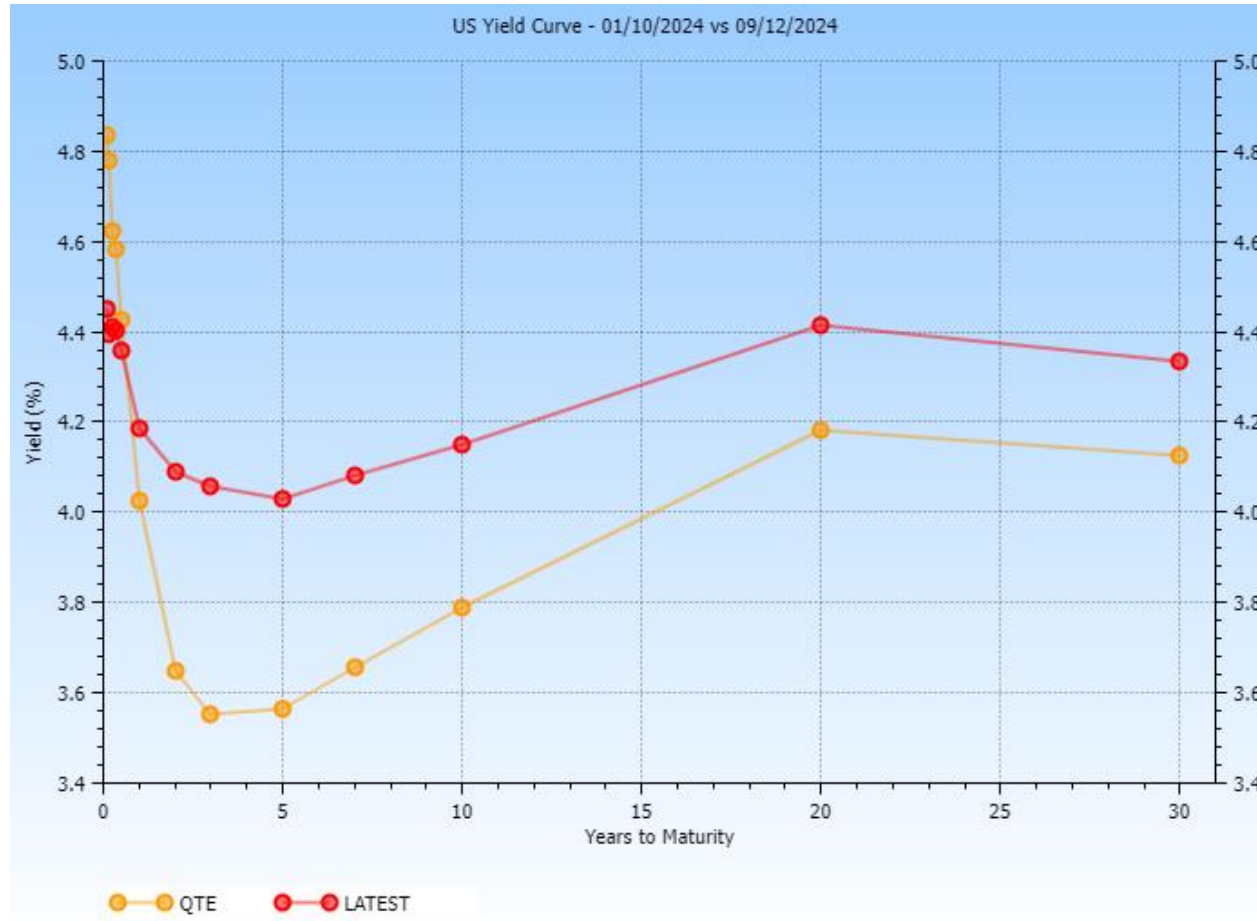
The latest yield curve shows the Chinese yield curve has shifted down since the end of Q3-2024, implying the market is pricing in lower future Chinese interest rates given lower inflation expectations.



Source: LSEG and Datastream.. All data as of December 09, 2024. Past performance is no guarantee of future results. For professional investors only.

# US yield curve pricing in inflation for the United States?

In contrast, the latest yield curve movements shows the US yield curve has shifted up since the end of Q3-2024, implying the market is pricing in higher future interest rates given higher inflation expectations.





Source: LSEG and Datastream.. All data as of December 09, 2024. Past performance is no guarantee of future results. For professional investors only.



# Central Bank Interest Rate Probabilities

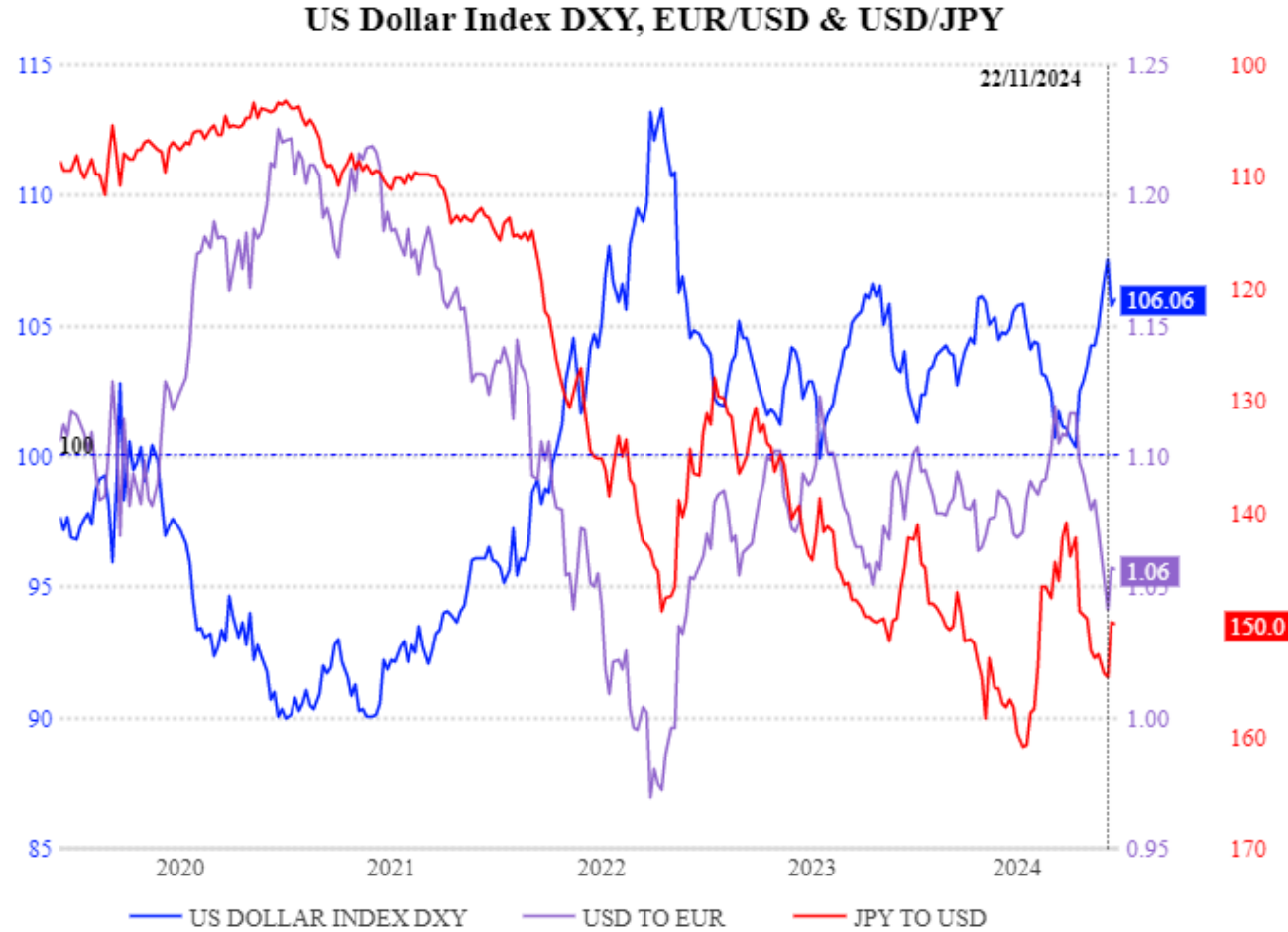
Complete divergence in central bank interest rate probabilities, as domestic markets evolve in different directions

INTEREST RATE PROBABILITIES											
	Central Bank	Target Rate	Next Meeting Date	Current Rate	Implied Rate	Most Probable Action	Change By	Probability (%)	Least Probable Action	Change By	Probability (%)
	Federal Reserve	Fed Funds Target	18-Dec-2024	+4.625	4.362	CUT	-0.25	87.0	NO CHANGE	-	13.0
	European Central Bank	Deposit Facility Rate	12-Dec-2024	+3.25	2.874	CUT	-0.25	83.5	CUT	-0.50	16.6
	Bank of Japan	Policy Rate Balance	19-Dec-2024	+0.25	0.300	NO CHANGE	-	71.1	HIKE	0.25	28.9
	Bank of England	Bank Rate	19-Dec-2024	+4.75	4.673	NO CHANGE	-	89.0	CUT	-0.25	11.0
	Swiss National Bank	3M Target LIBOR Rate	12-Dec-2024	+1.00	0.551	CUT	-0.5	60.6	CUT	-0.25	39.4
	Bank of Canada	ON Target Rate	11-Dec-2024	+3.75	3.312	CUT	-0.5	89.4	CUT	-0.25	10.6
	Reserve Bank of Australia	Cash Target Rate	10-Dec-2024	+4.35	4.316	NO CHANGE	-	90.3	CUT	-0.25	9.7
	Reserve Bank of New Zealand	Cash Rate	19-Feb-2025	+4.25	3.858	CUT	-0.25	54.5	CUT	-0.50	45.5
	Sveriges Riksbank	Repo Rate	19-Dec-2024	+2.75	2.674	CUT	-0.25	51.8	NO CHANGE	-	48.3
	Banco Central do Brasil	SELIC Target Rate	11-Dec-2024	11.25	12.102	HIKE	0.75	59.0	HIKE	1.00	41.0
	Central Bank of Chile	Target Rate	17-Dec-2024	+5.25	5.112	CUT	-0.25	55.2	NO CHANGE	-	44.9
	Czech National Bank	2 Week Repo Rate	19-Dec-2024	+4.00	3.720	HIKE	0.25	81.9	NO CHANGE	-	18.1
	Reserve Bank of India	Repo Rate	07-Feb-2025	+6.50	6.495	NO CHANGE	-	68.2	CUT	-0.25	31.8
	Central Bank of Colombia	Intervention Rate	20-Dec-2024	+10.25	8.827	CUT	-0.25	58.7	CUT	-0.50	41.3
	National Bank of Poland	7 Day Repo Rate	16-Jan-2025	+5.75	5.491	NO CHANGE	-	94.4	HIKE	0.25	5.6
	Danmarks Nationalbank **	Certificate of Deposit Rate	12-Dec-2024	+3.00	2.659	CUT	-0.25	73.3	CUT	-0.50	26.7
	Central Bank of Turkey	Repo Rate	26-Dec-2024	+50.00	47.473	CUT	-2.5	82.1	CUT	-2.75	18.0
	Central Bank of Thailand	1-Day Repo Rate	18-Dec-2024	+2.25	2.170	NO CHANGE	-	70.3	CUT	-0.25	29.8
	Bank Indonesia	7-Day Reverse Repo	18-Dec-2024	+6.00	6.075	NO CHANGE	-	86.4	CUT	-0.25	13.6
	Norges Bank	Key Policy Rate	19-Dec-2024	+4.50	4.457	NO CHANGE	-	82.9	CUT	-0.25	17.1
	Bank of Korea	BoK Base Rate	16-Jan-2025	+3.00	2.960	NO CHANGE	-	86.0	CUT	-0.25	14.0

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# Currency Pressures – Changing interest rate differentials

Divergence in central bank interest rates mean changes in interest rate differentials between economies



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