In 2019-20, overactive policy makers, especially superdovish central bankers, and a new fiscal impulse (U.S., China and Europe, to a lesser extent) will help avoid a global recession, but flat-lining growth – with activity bottoming out in Q1 2020 – will be the norm.

This time around, expect more volatile markets and fickle capital flows, as our fragmented world has entered an “Illiberal Cycle”. This also means volatile commodity prices (~70$/bbl for oil), currencies (3-5% depreciation on average) and capital flows for emerging markets.

To exit these limbos, 2 upside possibilities (electoral bifurcation in the U.S. and moratorium on protectionism, or sizeable fiscal response from Europe), and 2 downside risks (credit event from a zombie corporate in the U.S., full-fledged U.S.-China trade war).

What it means for markets: Superdovish central banks will keep bond yields at very low levels: 10YR Bund at -0.4% at end-2020 and 10YR U.S. yield at 1.7%. Higher volatility from U.S.-China trade conflict will keep the USD strong (1.10 end-2019 and 1.12 end-2020 for EUR/USD).

What it means for companies: Global Insolvency Index should increase by +8% (in 2019 and 2020)
NO BIG R IN 2020
**BACK TO SCHOOL: WALL OF (POLITICAL) WORRIES**

### TRADE WAR
- No further significant escalation but U.S. average tariff hovering around 9%
- High volatility in policy announcements to continue

### ECONOMIC SLOWDOWN, RECESSION
- No full-fledged global recession
- Soft landing of the economy: after +3.1% in 2018, +2.5% in 2019, +2.4% in 2020

### ITALIAN FISCAL POLICY
- The new governing coalition in Italy takes away, at least temporarily, the risk of a strong confrontation with the EU as the fiscal deficit is likely to be kept under control

### USA 2020 ELECTION
- Additional volatility, in the US, on the back of the start of the campaign: trade policies, financial vulnerabilities, the fragile emerging markets and high valuations will create more volatility.

### HONG-KONG PROTESTS
- Borderline recession, economic outlook revised downwards
- Gradual normalization ahead

### EARNINGS RECESSION
- Strong correction post Q4 2018
- Since end of Q1, 12-month forward EPS gradually recovering (despite May + August disruptions)

### NEGATIVE DEBT PILE
- Further vulnerabilities due to superdovishness of central banks
- Increasing risks for corporates in U.S., Eurozone & China (SOEs)

### BREXIT
- Last minute extension of Article 50 will further delay Brexit and avoid a no-deal on Oct 31st

### GLOBAL BOND YIELDS
- Lower for longer: end of period forecasts: Bund -0.6% 2019, -0.4% 2020. 10-year U.S: 1.6% 2019, 1.7% 2020

### CENTRAL BANK AMMO
- More central bank easing
- Diminishing returns to policy mix
After contracting in Q4 2018, goods trade contracted in Q1 2019 by -0.3% q/q and in Q2 by -0.7% q/q. It is the first time since 2009 that we have 3 negative quarters. On a year on year basis, growth is now well below average.

Difficulties of the car and electronic sectors have translated into lower demand for intermediate goods globally.

Global industrial production has contracted as well on the back of unusually high inventories. We expect it to reach a trough in Q4 2019 (-0.2% y/y in September).
The average U.S. tariff increased from 7.6% to 8% on September 1st, and should reach 9% by December 15th. While further tariff escalation to a trade war is not our baseline scenario, as it would damage the U.S. domestic economy, we expect the average U.S. tariff to remain around present levels (~9%) well into 2020.
Lessons learned: (i) Uncertainty costs more to growth than tariffs. (ii) The Trade Feud accelerated China’s trade opening to the RoW (iii) and failed to reduce the U.S. trade deficit; (iv) U.S. CPI should not be immune to tariffs anymore; (v) investment is taking a hit. Attention can turn to Europe in November (10% tariffs on cars) which would cost -0.1pp to annual real GDP growth.
Demand weakness competes with risk of supply disruption. Our central forecast is for an average Brent crude price of USD 66/bbl 2019e. There is upside risk in case of protracted Saudi supply loss, beyond 30 days. High case USD 68/bbl.

Higher oil prices would have a negative impact on oil importers (India, China, France) but favor oil exporters. Besides the oil sector, beneficiaries would be renewable energy/power generation, construction in oil exporting countries, while consumer-oriented sectors would be hit.

No contagion to other commodities (metals, food) of the oil price spike and an unwinding of the current pressure before year-end mean an environment that will not change for EM currencies: A moderate bumpy trend decline ahead.

Sources: Allianz Research

Forecast

Impact on GDP growth after 1 year from a permanent increase in oil price of USD 10bbl

Commodity prices vs. Emerging Markets exchange rate

Sources: IHS Markit, Allianz Research

Depreciation

Forecast
GROWTH TO BOTTOM OUT IN Q1 2020

Global growth to weaken again during the next quarters. No global recession ahead, but again quarters of negative growth, mainly in the US, the UK, Japan, South Korea, Russia and Asian export hubs. The recovery thereafter should remain subdued. Overall, with 9 quarters below +3%, Q4 18 - Q4 20 will be the longest slow growth period since 1991-93.

Sources: Markit, Allianz Research

Recession (two quarters of contraction) or borderline ones (one quarter of contraction) were already seen in Germany, Italy, the UK, South Korea, Singapore, Hong Kong, Turkey, Brazil, Mexico, Argentina and South Africa.

Sources: Bloomberg, Allianz Research

Forecasts

Manufacturing PMI indices being above or below 50

World growth, q/q annualized

Fragile Four are Brazil, Russia, Turkey and South Africa
Financial and monetary conditions remain in tightening mode, even if to a lower extent since Q2 2019. Going forward, the superdovish Central Banks should help ease financial conditions from current tight levels.

Financial cycles remain in contraction, even if less than in 2012-15, suggesting a moderate negative impact on activity.

Emerging markets are suffering from tighter financial conditions in the advanced economies (notably in the US) while credit flows and the housing market remain in distress. Going forward, some easiness is likely.
A new wave of monetary policy easing will take place: we expect three rate cuts by the Fed in 2020 and two more by the ECB in addition to more QE (EUR30bn per month starting in April 2020).

Global monetary easing should help boost business confidence in early 2020 and avoid a full-fledged global recession.

There are growing doubts expressed on the benefits of negative yields. In a context of too high debt, whatever interest rates, necessity to repay weighs on consumption and investment.
MONETARY EASING: A LOT ALREADY PRICED IN

US and German long-term government yields have declined and reached the lower-band of our proprietary model indicating that in the current market environment it is hard to buy duration at a reasonable price.

Our proprietary Long-Term government bond yield models have, so far, remained robust as shown by their out-of-sample performance. In addition, it looks like the residual of our proprietary model (the unexplained part of the model) can be explained by expected short-term changes in short term rates (rational expectations about monetary policy).

All in all, adaptive expectations (as defined by our proprietary smoothing, grey lines above) seem to keep rational expectations (expected short term changes in short term rates, green lines above) on a leash.
Falling interest rates have been accompanied by falling earnings yields in the US over the last 46 years. Extremely low interest rates link to pessimistic (real as well as nominal) growth expectations and increasing earnings yield. Trend nominal GDP growth and long-term nominal interest rates are closely linked together.

Sources: Bloomberg, Allianz Research

Historically, fixed income assets have been the outperformers in late-late cycle environments. A severe economic downturn (recession) would lead equity markets to a double digit downward correction.

Sources: Bloomberg, Allianz Research
To exit the 2015-2016 limbos, we see two upside possibilities, and two downside risks. Risk factors: potential positive developments include: an electoral bifurcation in the US in 2020 and a moratorium on protectionism (40% v. 60% for more of the same) but less business-friendliness; and a sizeable fiscal response, from Europe, taking the baton from the US (20%). These would call for rapid normalization by Central Banks to avoid exuberance. On the negative side: a credit event from a zombie corporate in the US (20%); a major policy and a full-fledged US-China trade and currency war (10%) will trigger a recession.
GLOBAL INSOLVENCIES: ON THE UPSIDE, AS EXPECTED

We expect 2 out of 3 countries to register an increase in corporate insolvencies in 2019 and almost 3 out of 5 countries to end 2019 with more insolvencies than posted annually before the 2008-2009 global crisis. The upside trend would remain broad-based in 2020. Our Global Insolvency Index is forecasted to increase by +8%, both in 2019 and 2020, with a still noticeable increase in Asia (+15% in 2019 and +16% in 2020), a rebound in Western Europe (+3%) and a trend reversal in North America (respectively +2% and +4%).
Major insolvencies* by sector and by region (number of insolvencies)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Africa Middle East and Latin America</th>
<th>Central &amp; Eastern Europe</th>
<th>North America</th>
<th>Asia Pacific</th>
<th>Western Europe</th>
<th>TOTAL FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronics</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Commodities</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>Machinery/Equipment</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>21</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Computers &amp; Telecom</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>1</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Automotive</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>4</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Paper</td>
<td>-</td>
<td>-</td>
<td>2</td>
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<td>6</td>
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<tr>
<td>Chemicals</td>
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<td>-</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>8</td>
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<tr>
<td>Household equipment</td>
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<td>-</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>17</td>
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<tr>
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<td>1</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>Textile</td>
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<td>-</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Energy</td>
<td>1</td>
<td>1</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td>24</td>
</tr>
<tr>
<td>Agrifood</td>
<td>-</td>
<td>2</td>
<td>1</td>
<td>7</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
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<td>1</td>
<td>1</td>
<td>5</td>
<td>8</td>
<td>32</td>
</tr>
<tr>
<td>Metals</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>6</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>Construction</td>
<td>-</td>
<td>2</td>
<td>1</td>
<td>10</td>
<td>7</td>
<td>60</td>
</tr>
<tr>
<td>Retail</td>
<td>-</td>
<td>2</td>
<td>7</td>
<td>2</td>
<td>13</td>
<td>51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1</td>
<td>15</td>
<td>31</td>
<td>47</td>
<td>61</td>
<td>155</td>
</tr>
<tr>
<td><strong>Source:</strong> Euler Hermes, (*) Companies with a turnover exceeding EUR50m</td>
<td></td>
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</tbody>
</table>

H1 2019 monitoring points to a lower number of major insolvencies (-14 cases from H1 2018). Based on their financials, these insolvent companies represented a higher combined turnover of EUR88.2bn (+37% or +EUR23.9bn vs H1 2018), suggesting a worsening severity of global insolvencies, which could have serious effects on providers along supply chains. Asia and North America both experienced an increase in major insolvencies (+4 and +13 cases, respectively, compared to H1 2018), while both Central & Eastern Europe and Western Europe recorded less (-13 and -16 cases, respectively). At the same time, Western Europe remained the main contributor to the global level of major insolvencies. Retail (24 insolvencies), Construction (20) and Metals (16) were the most affected sectors in terms of the number of insolvencies for this period. Metals (+7), along with Paper (+5), posted the strongest rise in insolvencies, while Machinery & Equipment (-10) saw a noticeable decline compared to H1 2018.
THE US AND WESTERN EUROPE

02
Credit deterioration in the consumer credit segments (autos, student loans, credit card) points towards lower momentum in the coming months.

Household consumption is expected to decelerate at 1.4% y/y in 2020 compared with 1.9% y/y in 2019. Some erosion of real purchasing power will come from higher core CPI price items post implementation of tariffs on consumer goods imported from China.
New export orders of the ISM manufacturing PMI index are at their lowest value since Sept 2009. The deterioration of external demand weighs on manufacturing activity and progressively spreads to the rest of the economy.

Imports are a good advanced indicator of inventories. Front-loading activities before real implementations of tariffs have been at work and nurtured inventories. In the coming months (6 months lag), inventories are expected to contribute much less to growth.
US: RECESSSION AVOIDED BUT LIMITED CAPACITY TO GROW

The potential of growth has been unresponsive to the recent stimulus, pointing towards limited capacity to stabilize debt. Fed independence is at risk. Tools of economic policy will be less powerful in the future.

Sources: Bloomberg, Allianz Research

We don't expect a radical re-orientation of fiscal policy now thanks to a bi-partisan agreement on debt, which will generate USD150bn more of fiscal spending over the two coming years. However the contribution to growth of fiscal spending is expected to gradually weaken because of fiscal constraints.

Sources: National sources, Allianz Research
Small caps growth stocks tend to exhibit a more cyclical behavior than the large caps stocks. While the relative performance of the S&P 500 has been flat since October 2018, that of the Russell 2000 growth has seemingly peaked in August 2018. The divergence in the behavior of large and small caps is reminiscent of the one observed in 2000.

As the S&P500 stands well above fair value, the distribution of outcomes is skewed (less than 8% chance to see a higher S&P500).
US: CORPORATE PROFITABILITY WILL REACH A TROUGH IN H2 2020

- The S&P 500 reported profits account for only about 1/6 of total corporate profits. The share of after-tax corporate profits in corporate GDP has peaked in Q1 2012 and, from Q4 2014 onwards, they have started to fall.
- The increased negative contribution of employees’ compensation, the consumption of fixed capital, interest payments, and the turn-around in the contribution of taxes on corporate income, from negative to positive, are the key changes observed since 2014. Without these tax cuts, profits would have barely grown since 2014, and as a share of GDP, their recession would have been more pronounced.

Sources: Refinitiv, Allianz Research

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Assessment of stocks by companies in the industrial sector, balance of opinion

Company inventories remain at unusually high levels, notably in Germany…

Industrial production, 3M yoy

…which calls for further downside adjustment in production: we expect a trough in Q3-Q4

Real Eurozone GDP growth, contribution by component

Consumer spending growth should remain broadly stable in 2020

Sources: Eurostat, Allianz Research

Sources: Eurostat, Allianz Research

Sources: IHS Data Insight, Allianz Research
The ECB announced a super-dovish stimulus package in September but we think it will further up the stimulus doses in 2020 with inflation to remain notably below target and the Fed further easing its policy. To ensure the implementability of its QE program the issuer limit will have to be raised from 33% to 50% by mid-2020.

The ECB will further lower the deposit rate by another 10bps in March and September to a low of -0.7% while monthly QE purchases will be increased to EUR30bn as early as April 2020.
EUROPE: MORE FISCAL SPENDING NEEDED

Public debt vs r-g

EU Budget (Multiannual Financial Framework)

Capital funds, EURbn

Sources: The Economist, Allianz Research
Negative r-g creates some space for more public spending but the room to maneuver of the States are limited.

Sources: EU Commission, Allianz Research
The next EU Budget should reach between 9.5% and 11% of GDP, in addition to Invest EU (EUR650bn by 2027, i.e. 5.4% of GDP)

Sources: The Economist, Allianz Research
A European Future Fund of at least EUR100bn is likely in 2020-21 which will aim to invest directly in the equity of European champions (probably in ITC, agri-food, aeronautics, machinery) in order to cope with competition from abroad.
GERMANY: FLIRTING WITH RECESSION, BUT NOT COMMITTING YET

German export weakness is mostly about cars and Brexit. Meanwhile the trade tensions appear to play a less important role with overall German export growth – in particular when disregarding cars – still positive compared to Q1 2018.

Germany has experienced four comparable industrial setbacks of which three ended in a recession. What’s different this time: consumption is structurally boosted with 3 million jobs added over the past 6 years. Thanks to Kurzarbeit & skilled-labor shortages, employment will remain resilient in 2020.
GERMANY: DON’T WAIT FOR A FISCAL BAZOOKA!

To maximize the impact of its room for maneuver under the Schuldenbremse (about EUR 12bn in 2020, +0.2pp of GDP growth) Germany should follow a multi-pronged approach aimed at boosting short-term demand as well as potential growth.

**Fiscal wish list - in compliance with German debt brake**

<table>
<thead>
<tr>
<th>Fiscal impulse</th>
<th>Objective</th>
<th>Impact &amp; implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructure investment (EUR4bn)</strong></td>
<td>Boost potential growth with focus on green, digital</td>
<td>• High fiscal multiplier (1.5)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Likely delayed implementation due to bottlenecks in construction sector</td>
</tr>
<tr>
<td><strong>Lower taxes &amp; social contributions (EUR4bn)</strong></td>
<td>Tackle short-term demand lack &amp; boost potential growth</td>
<td>• Fiscal multiplier of 0.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Immediate implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• High uncertainty may see households chose to save rather than spend</td>
</tr>
<tr>
<td><strong>Cash for clunkers (e-cars) / temp. reduction in VAT (EUR4bn)</strong></td>
<td>Tackle short-term demand lack</td>
<td>• Fiscal multiplier of 0.6-0.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Immediate implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Politically controversial due to recent car scandals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Require a certain degree of legal and regulatory certain.</td>
</tr>
</tbody>
</table>

Even without much support from the government, the private sector is in good shape to weather an economic downturn given low indebtedness & high savings amassed during recent years.
France is exposed to the downturn experienced elsewhere (e.g. French suppliers of the car industry), with lowering order books (including foreign ones).

French corporates have increased both their output and inventories in H1 2019. Manufacturing production should slowdown more markedly.

However, higher purchasing power growth (+2.5% in 2019) and low interest rates are providing a stimulus to residential investment acting as a buffer and limiting the growth downturn.
ITALY: REDUCED RISK OF BUDGET TENSIONS, BUT DEBT DYNAMICS REMAIN A PROBLEM

Italian 10-yr yields fall to the lowest level since H1 2018 with markets relieved about the M5S-PD coalition taking over. Reduced uncertainty will boost 2020 growth prospects with GDP accelerating to 0.4% in 2020.

Sources: Refinitiv, Allianz Research

We expect the government to comply with the 3% deficit criterion, but despite a more prudent fiscal stance, debt dynamics remain a problem with debt as % of GDP remaining on an upward trajectory.
The trade flows between the UK and the EU have been reinforced by the contingency stockpiling. A no deal would push the Netherlands, Belgium and Germany into recession.
Buffers: Emerging Markets have more leeway to ease their monetary policy. Exceptions: India, Brazil and South Africa for fiscal policy. In Eastern Europe, monetary policy easing would have to come through unconventional measures.

Emerging Markets: FEELING THE SQUEEZE

Activity: EM PMIs broadly deteriorated but with the strongest pace in open economies. The gap between open and closed economies is typically observable during strong downturns.

Capital outflows are again materializing and are aligned with the two last bouts of protectionists moves from the US (May and August)

Emerging Markets have more

Sources: Bloomberg, Allianz Research

Emerging Markets: Aggregate Manufacturing PMI

Emerging Markets: Fiscal balance in % of GDP vs. real monetary policy rate

Sources: IHS Data Insight, Allianz Research

Net capital flows to Emerging Markets excl. China and Russia (USD bn)

Sources: Bloomberg, Allianz Research

Emerging Markets: Net capital flows to Emerging Markets excl. China and Russia (USD bn)

Capital outflows

Closed
Open

Long-term average

Sources: Bloomberg, Allianz Research

Emerging Markets: Aggregate Manufacturing PMI

Emerging Markets: Fiscal balance in % of GDP vs. real monetary policy rate
CHINA: PRUDENT CONSUMER AMID NEGATIVE EXTERNAL FORCES

**Car sales in China (% y/y)**

- Total
- Passengers
- Commercial

**Employment conditions and retail sales**

- Nominal retail sales (% y/y, LHS)
- Employment sub-component official PMI, RHS

**Nominal exports and export orders in China**

- New Exports orders (3m avg, left)
- Nominal USD Exports (3m avg y/y, right)

Sources: IHS, Allianz Research

The fiscal stimulus did not bear fruit for the private sector yet.

The consumer remains worried about deteriorating job market prospects.

New export orders suggest weak export performance going forward.
The RMB should depreciate further alongside trade dispute = 7.23 for CNY/USD in a 1-year horizon...

Stricter capital controls will allow avoiding disorderly adjustments like in 2015 - 2016
The PBOC is likely to implement three cuts in RRR, new cuts in the medium-term lending facility (TMLF) rate and in the loan prime rate (LPR). Policymakers could increase quotas for special bonds to allow for higher bond issuances for local governments to allow for higher infrastructure spending. We expect around 2% of GDP more in late 2019 – early 2020. The private sector will slowly positively respond.
Open economies with strong trade links to China have experienced significant export losses in early 2019. Vietnam is a beneficiary from the US-China trade feud, with firms shifting production. Australian exports bolstered by strong commodity prices.

The industrial output cycle follows the trade cycle.

Exchange rate pressures were moderate in H1 2019 (except for South Korea where the economy unexpectedly shrank in Q1...but have markedly picked up in August as weak trade data were published and “political noise” intensified.)
RUSSIA: CLOSE TO RECESSION
TURKEY: BOTTOMED OUT - RISKS REMAIN

Russia:
Indicators:
- Industrial production growth (y/y) and Manufacturing PMI (3-mth moving averages)
- Retail sales growth (y/y) and consumer confidence index (quarterly averages)

Sources: National statistics, IMF, IHS, Allianz Research

Russia’s GDP growth disappointed in H1 2019 (+0.7% y/y), owing to both subdued domestic demand and exports, the latter due to oil output cuts agreed with OPEC. This pattern is to continue broadly amid global uncertainties and stepped-up financial sanctions.

Growth forecasts: +0.7% in 2019 and +1.1% in 2020.

Solid macro fundamentals continue to provide buffers: fiscal and current account surpluses, low debt levels, moderate inflation that allows for more monetary easing.

But insolvency risk for corporates and (small) banks remains elevated.

Turkey:
Indicators:
- Industrial production and retail sales growth (y/y, 3-mth moving averages)

Source: National statistics, IHS Markit, Allianz Research

Turkey’s GDP growth is forecast at -0.2% in 2019 and +2.3% in 2020. Rebalancing of external sector continues though current account to remain in (small) deficit. Fundamental weaknesses will remain (high unemployment and inflation, exchange rate vulnerability, low FX reserves, high external debt).
No sizable recovery in sight: 0.8% growth 2019, +1.3% in 2020 (exc. Venezuela), after +1.4% in 2018. Features of illiberal cycle: monetary easing, prioritization of household purchasing power and interventionism amid political risk. Brazil’s growth should be moderately boosted by watered-down pension reform and privatizations. Low-growth regime in Mexico and policy uncertainty driving off investment. Argentina’s default and predicted election result = additional year of economic contraction in 2020, and heightened political risk for companies. Higher risk of financial contagion Colombia + Costa Rica (twin deficits)
African growth underperformance is widening (+1.9% in 2019 and 2020). Large economies (Nigeria, South Africa, Algeria) and export hubs (Morocco, Tunisia) are underperforming visibly. Over-performers (from Egypt to Ghana) are not affected by the downturn.

African Export hubs are suffering from a visible downturn in their exports change, as sizeable as in 2015 despite lower price deflation (~stronger volume impact)
THANK YOU!

Economic Research Department
Q3 2019
Earlier than expected full implementation of 15% import tariffs of USD325bn of Chinese imports and announce a further increase to 30% post January 2020

Implement 10% import tariffs on cars and announce an increase to 25% 6 months later

Further pressure for rate cuts and damage to Fed’s credibility

Push for higher fiscal spending (infrastructure mainly)

Further sanctions

Stronger stance on immigration if the wall financing is blocked by the Senate

---

6 key steps in the impeachment process:
- Impeachment resolution: ongoing
- Investigation: likely
- House vote on impeachment: likely
- Trial: likely
- Senate vote: unlikely
- Removal: unlikely

Only two Presidents have been impeached before, Andrew Johnson in 1868, and Bill Clinton in 1998-1999. The latter has been impeached in Oct 1998, had his trial in Jan 1999 and was impeached in Dec 1998.