

GFOAZ International Markets Overview

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Luke Schneider, CFA, Managing Director

Annette Gaston, Senior Managing Consultant

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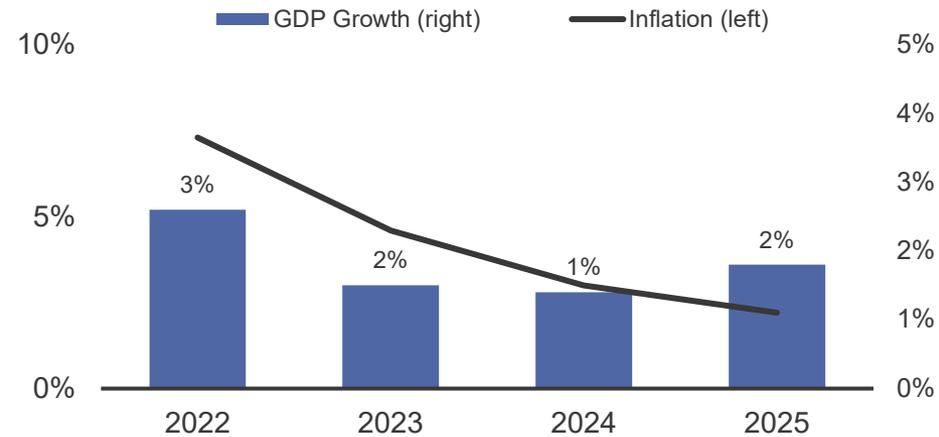
Global Economic Update



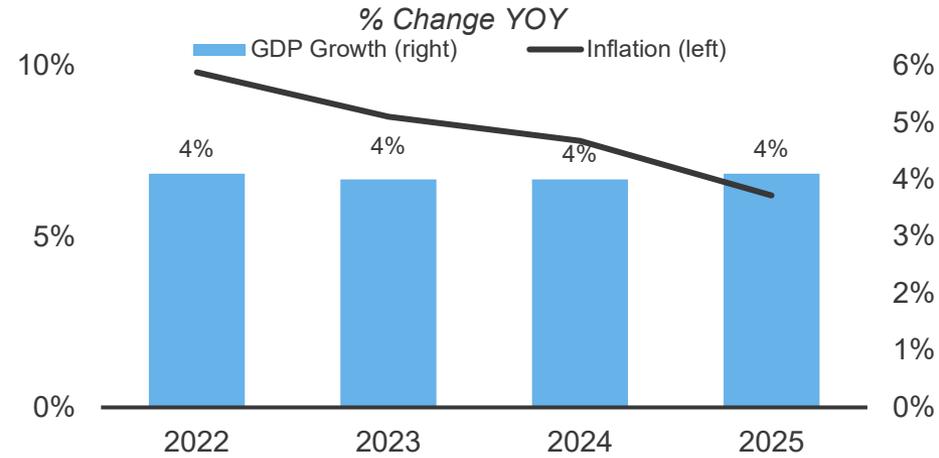
Current Global Market Themes

- ▶ **Inflation:** Is moderating globally while global central banks continue to remain hawkish
- ▶ **Europe:** Export-oriented economies have been impacted by slowing global trade but moderating inflation and demand recovery still a positive.
- ▶ **China:** Growth negatively impacted by property sector crisis and slowing global trade
- ▶ Geopolitical risks that could alter regional alignments and lead to supply chain shocks remain a source of concern

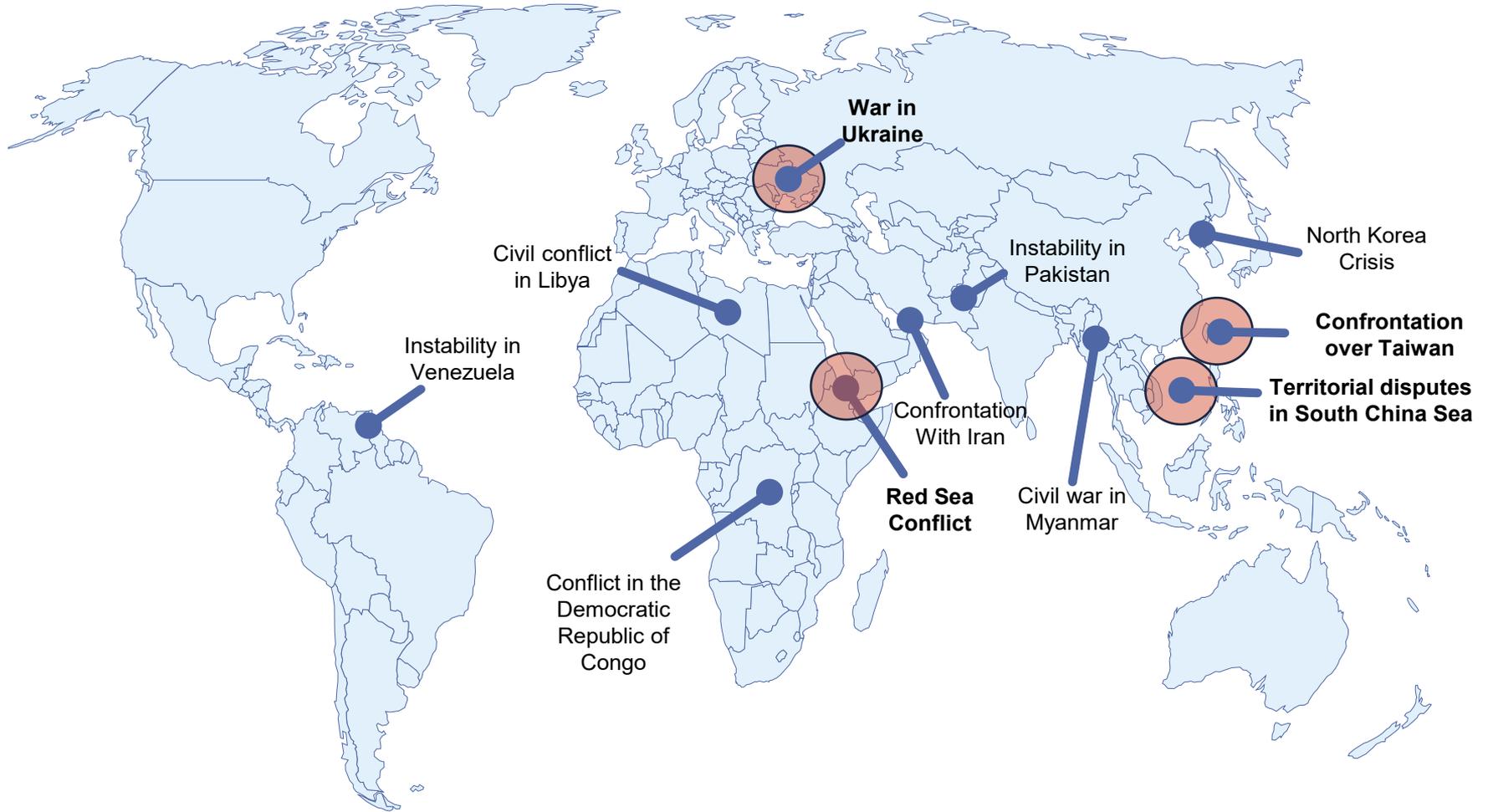
Advanced Economies: Growth and Inflation
% Change YOY



EM & Developing Economies: Growth and Inflation
% Change YOY

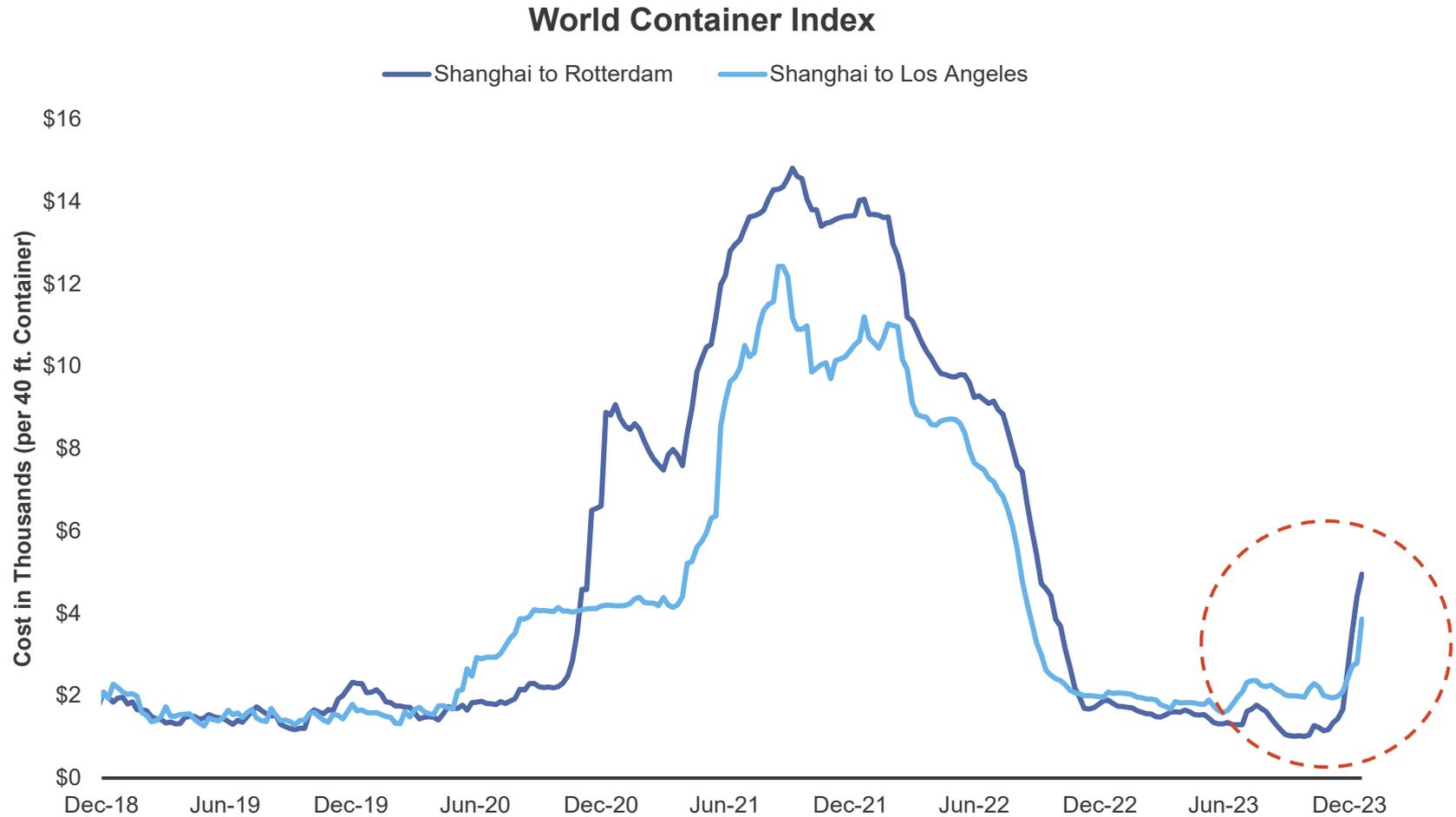


Geopolitical Conflicts Persist Around the Globe



Source: Council on Foreign Relations, Global Conflict Tracker. As of January 17, 2024.

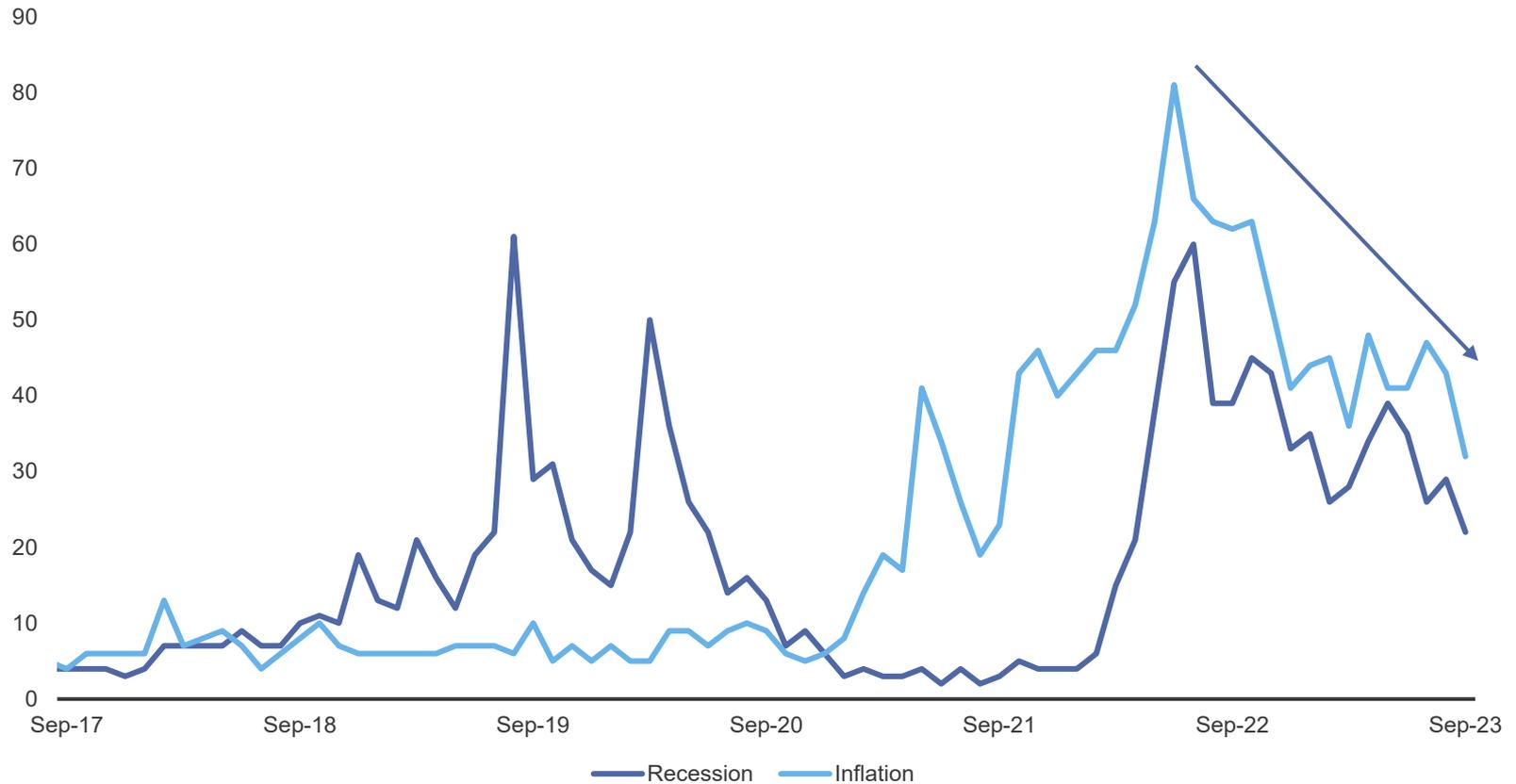
Shipping Costs Reaccelerate on Conflict in the Red Sea



Source: Bloomberg, Drewry World Container Index, as of 1/18/2023. Drewry reports actual spot container freight rates for major East West trade routes. All indices are reported in USD per 40 ft. Container.

Global Inflation and Recession Concerns Abate but Remain Elevated

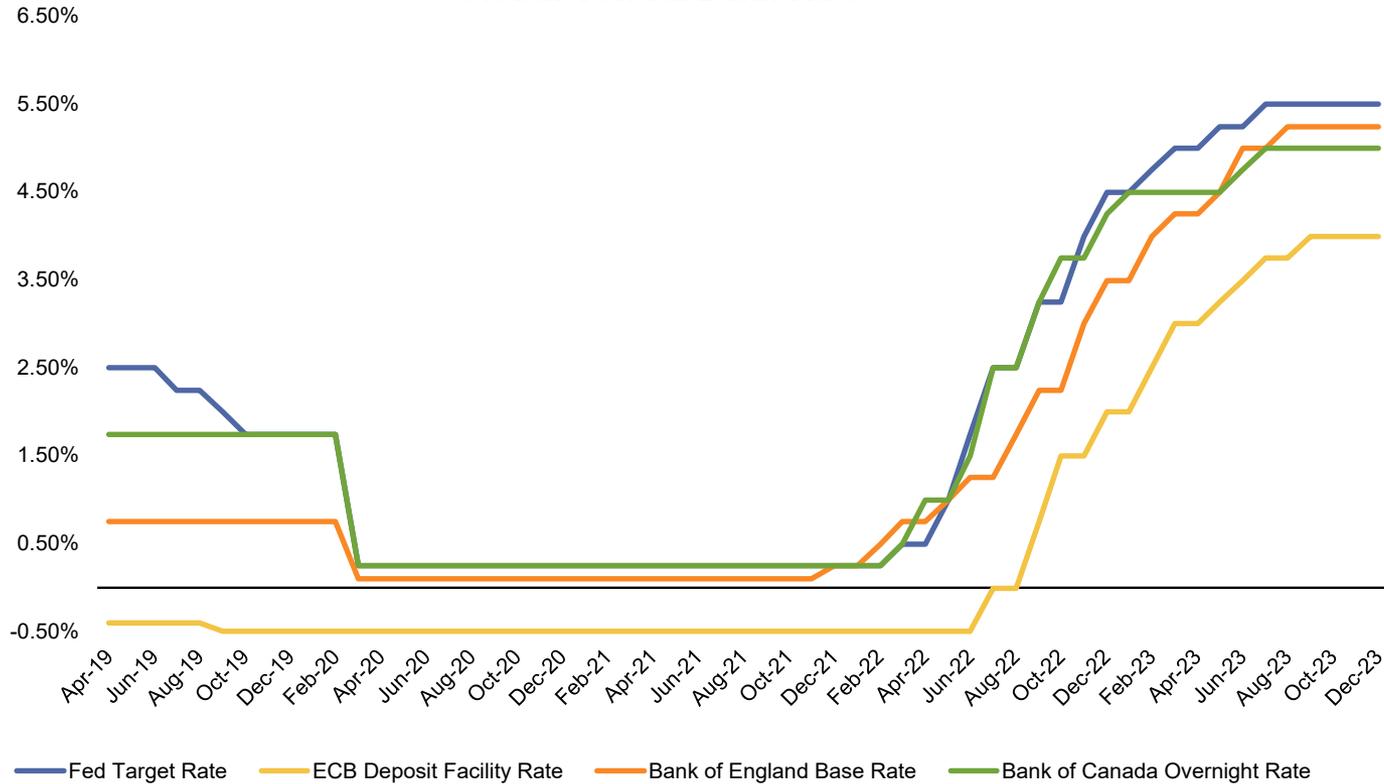
Recession and Inflation Concerns Over Time



Source: International Monetary Fund, Google Trends. Figure reports Google search interest in the topics recession and inflation relative to the highest point (100) during 2008-2023 worldwide.

Central Banks Pause

Global Central Bank Rates

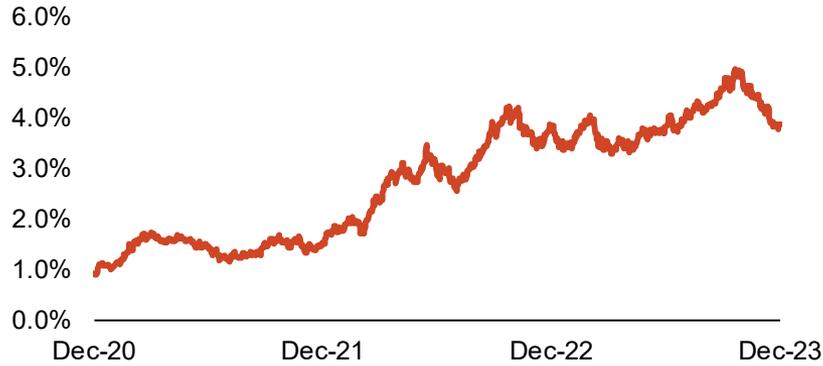


Central Bank	Current Rate	Last Meeting	Change	Next Meeting
US	5.25%-5.50%	Dec 13	None	Jan 30
UK	5.25%	Dec 14	None	Feb 1
Canada	5.0%	Dec 6	None	Jan 24
Euro Region	4.00%	Dec 14	None	Jan 25

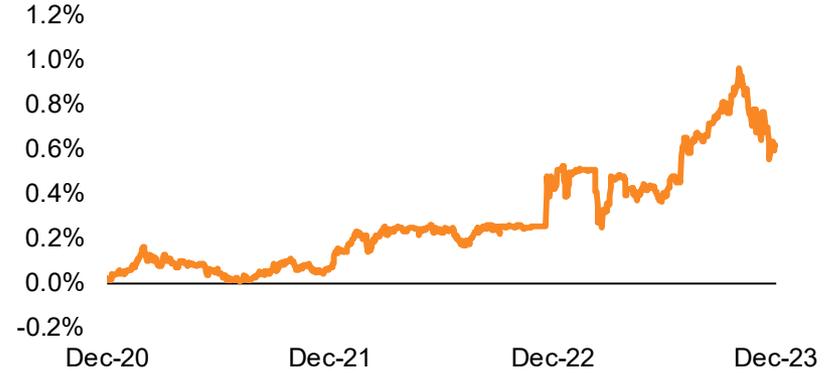
Source: Bloomberg, as of December 31, 2023

10-year Bond Yields Fell Across Developed Markets

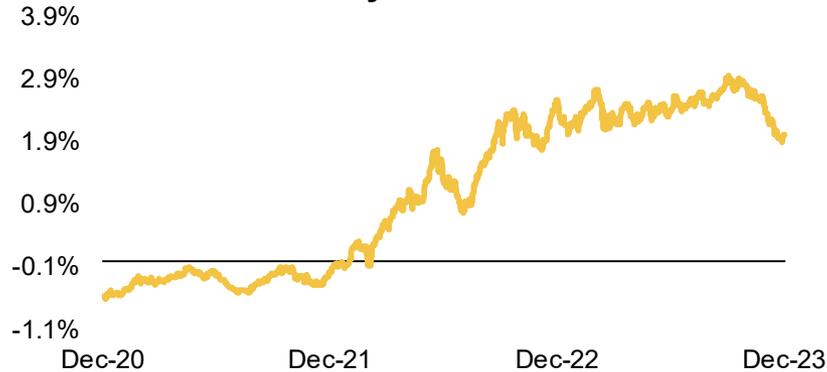
US 10 Year Yield



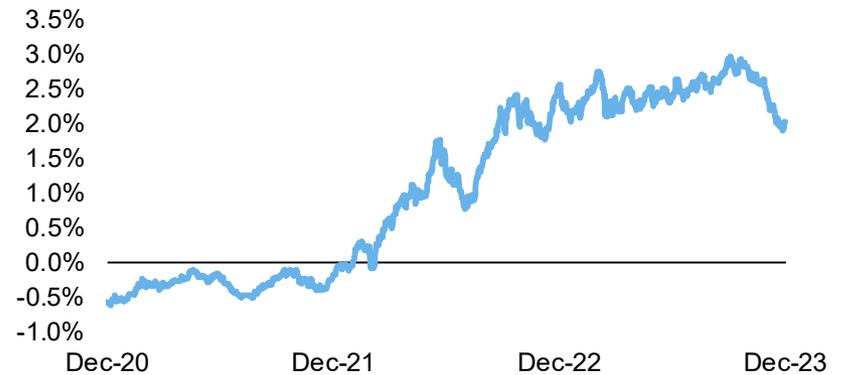
Japan 10 Year Yield



Germany 10 Year Yield

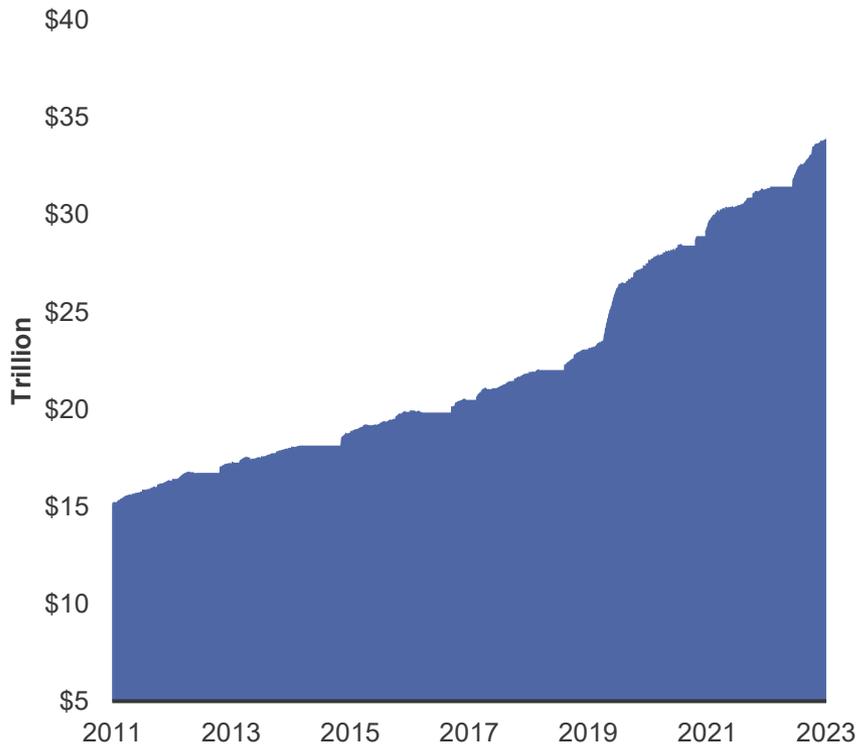


Eurozone 10 Year Yield



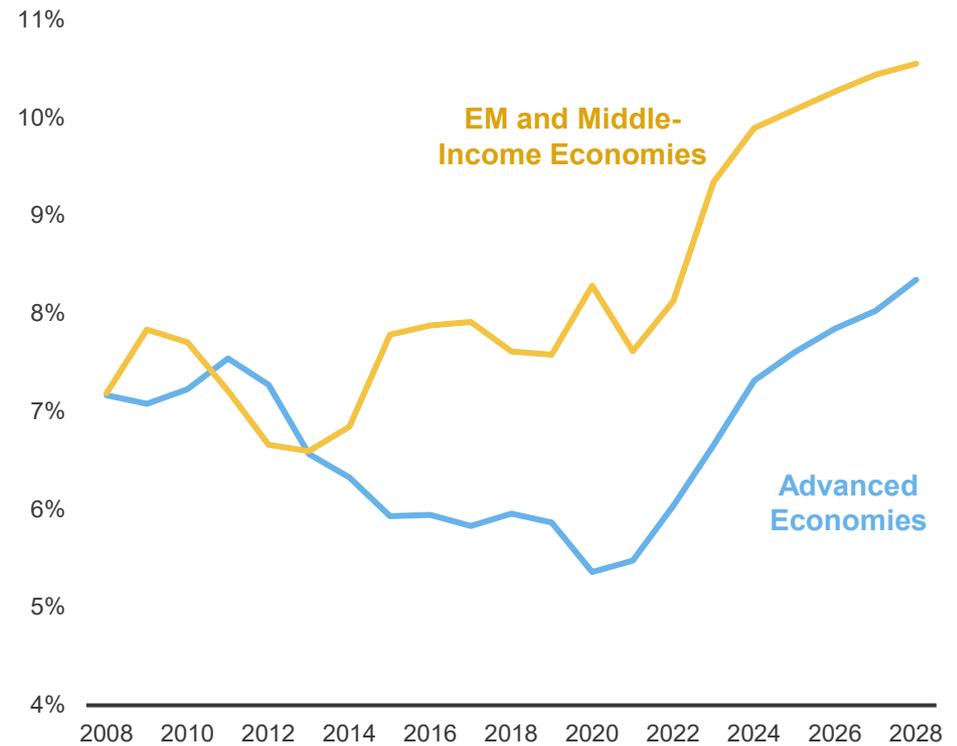
Growing Debt Poses Threat to Economic Growth

Total U.S. Public Debt Outstanding



Government Interest Payments

% of General Government Revenues



U.S. Economic Update



2023 In Review

Outperforming Economy

- ▶ U.S. GDP exceeded forecasts
- ▶ Strong labor market with increasing real wages
- ▶ Resilient consumer spending

Improving Inflation

- ▶ Headline inflation improved markedly
- ▶ Services inflation sticky
- ▶ Energy prices unchanged on the year

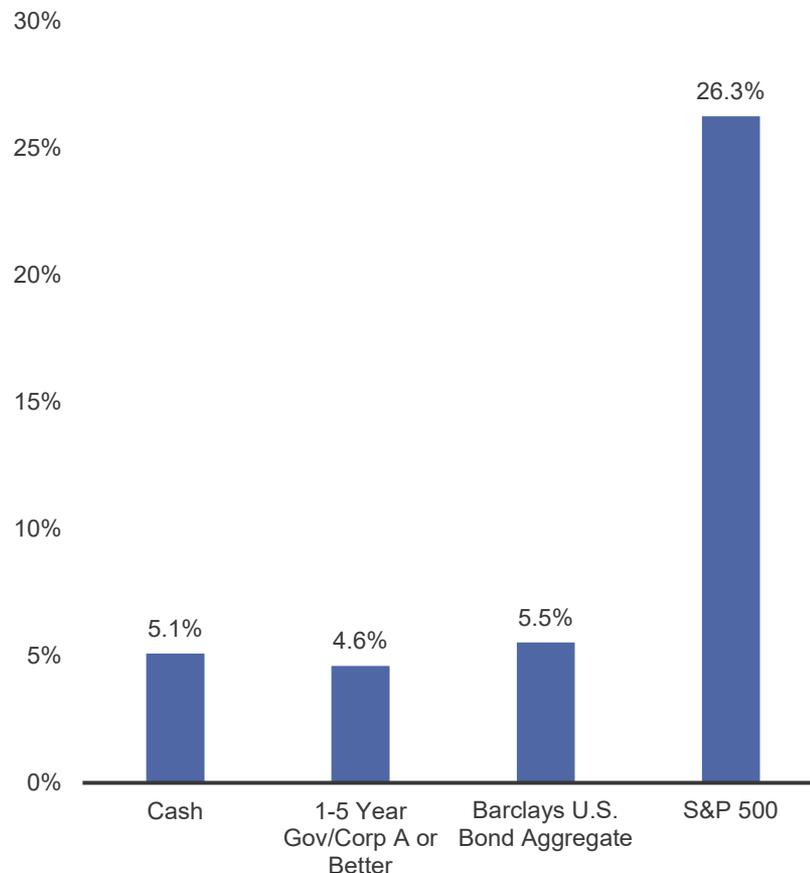
Hawkish Fed Pauses

- ▶ Four rate hikes in 2023
- ▶ Extended pause may mean cycle is done
- ▶ Now restrictive; QT continues

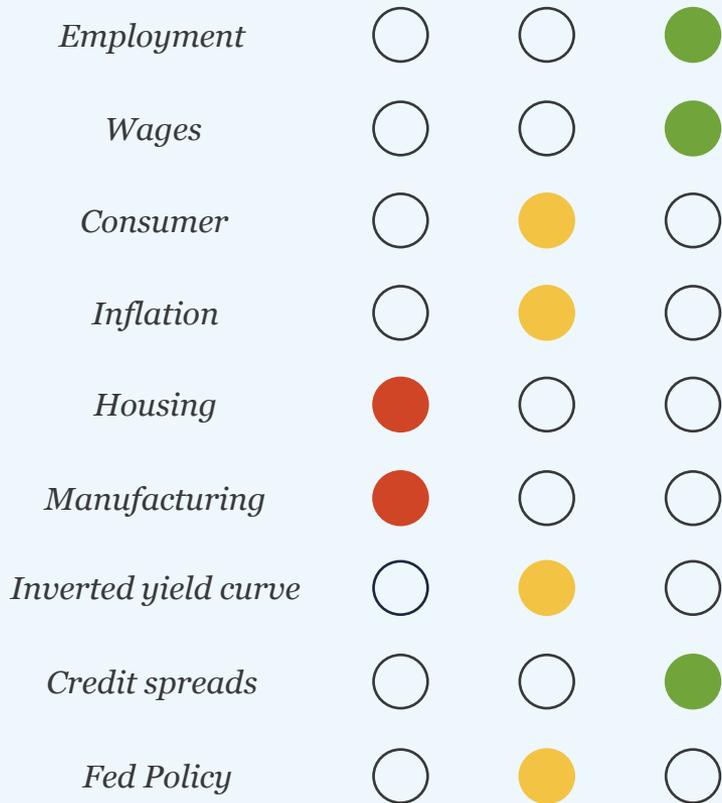
Market Expectations

- ▶ Slowing economy heading into 2024; mixed views on recession risk
- ▶ Expectation for multiple rate cuts in 2024
- ▶ Heightened political risks domestically and abroad

2023 Asset Class Returns

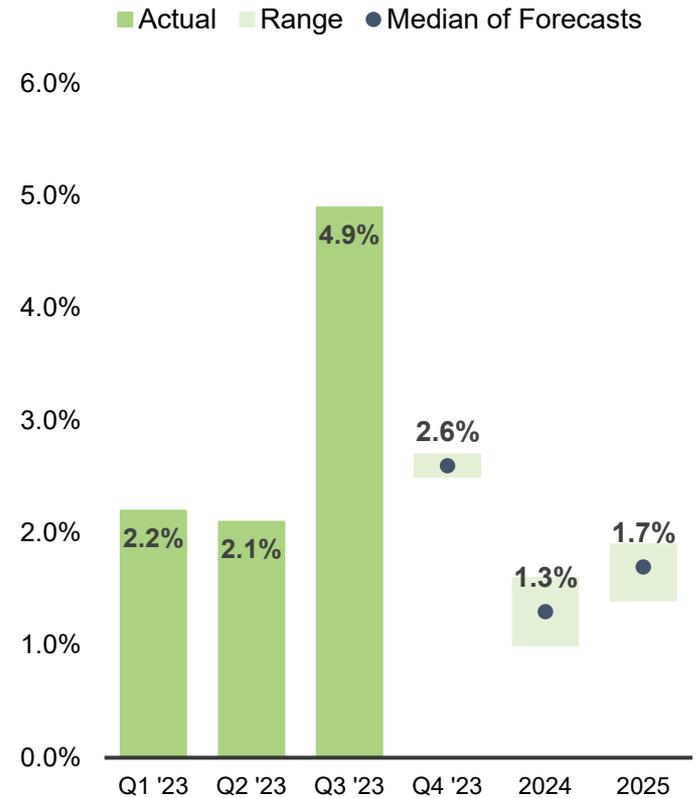


Balanced Risks Support Soft Landing



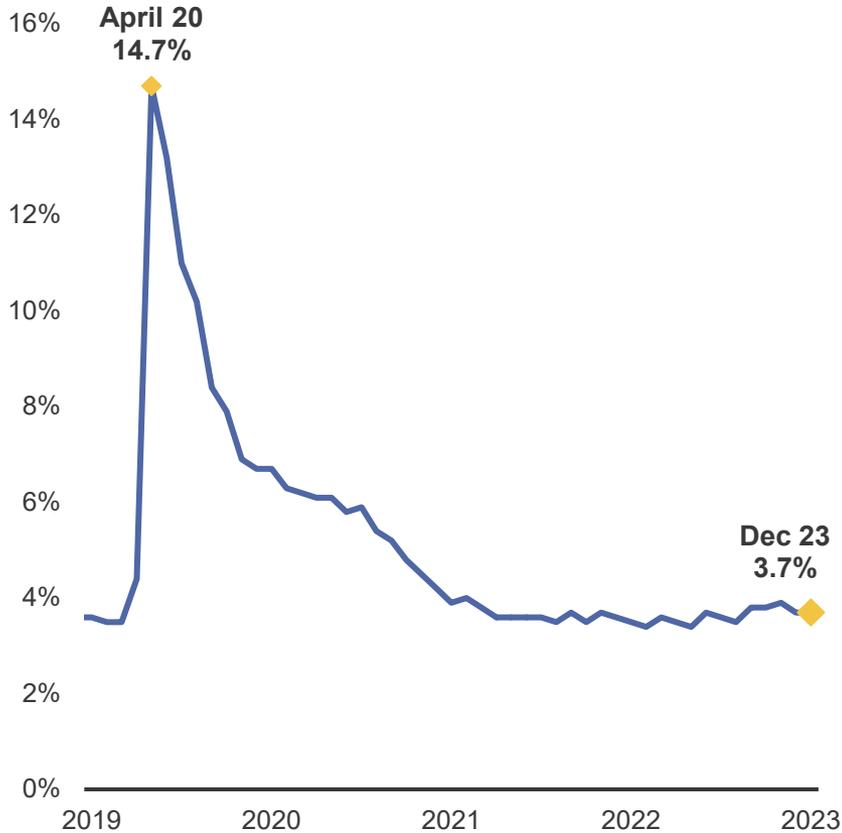
U.S. GDP Forecasts

Annualized Rate

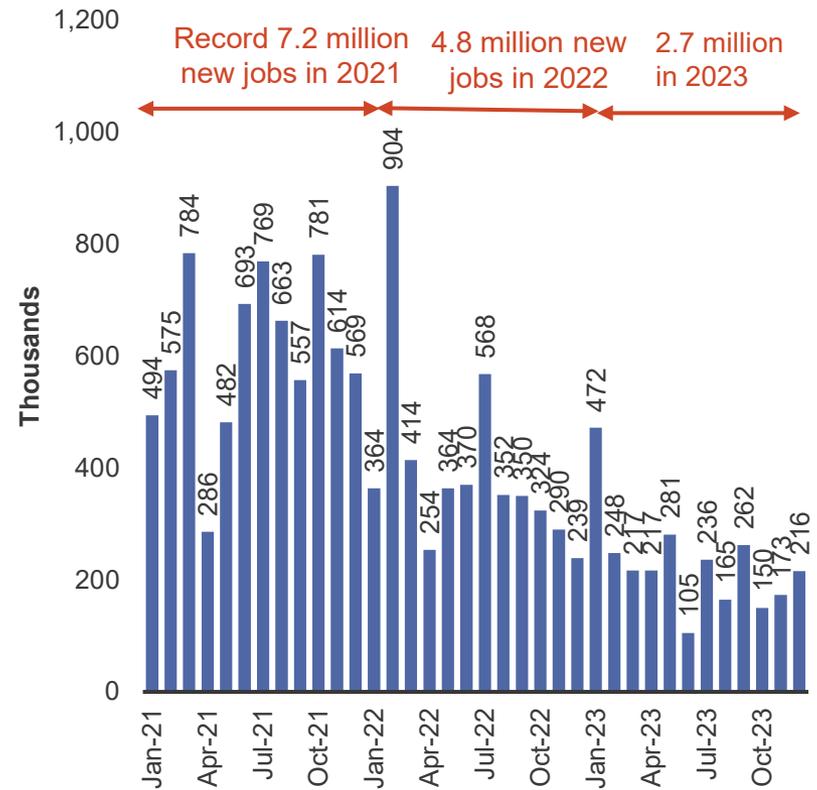


Economy Added 216k Jobs in December to Finish the Year on a Strong Note

Unemployment Rate



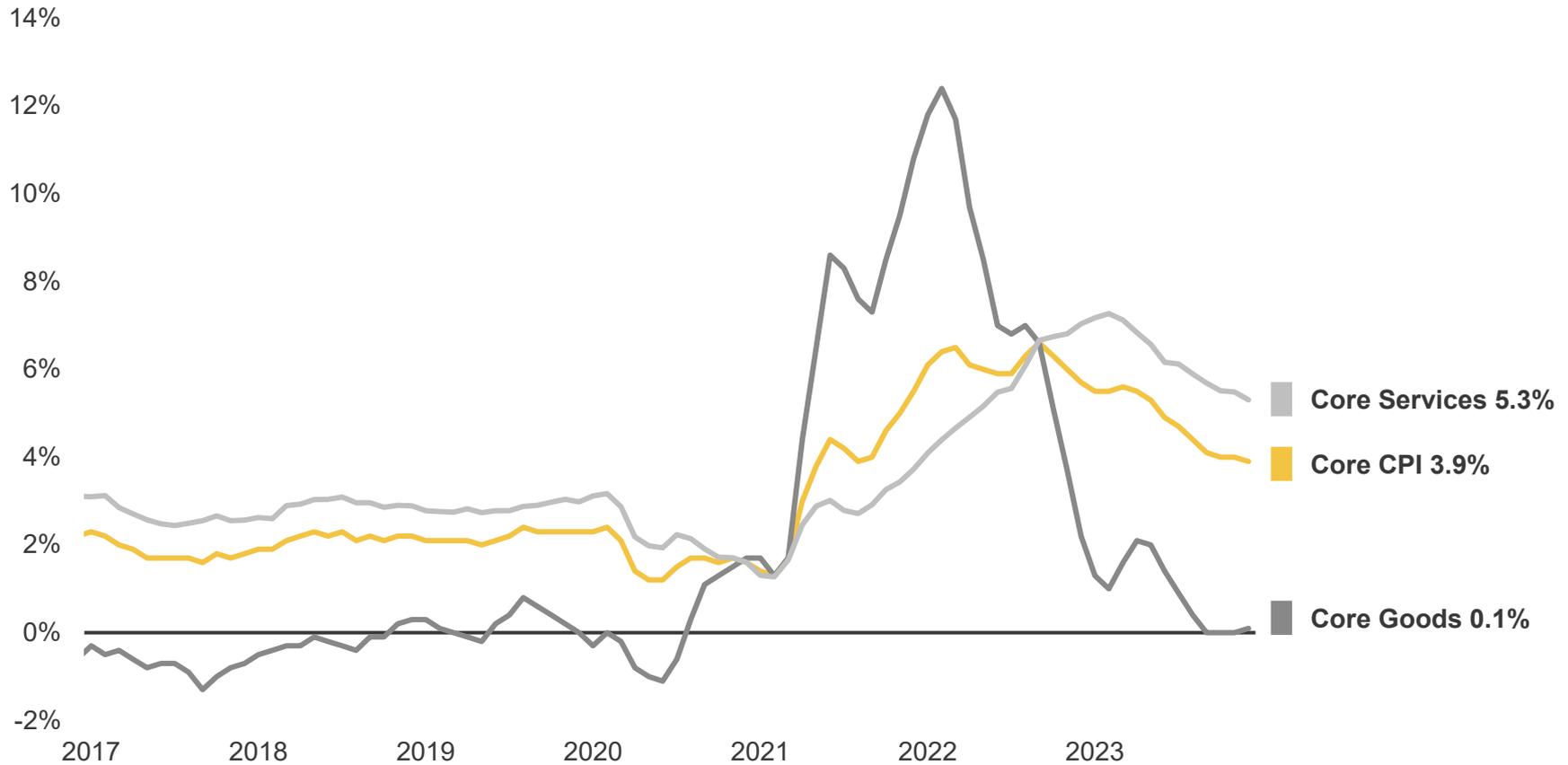
Monthly Change In Nonfarm Payrolls



Source: Bloomberg, as of December 2023. Data is seasonally adjusted.

Core Inflation Softens as Goods Prices Slide

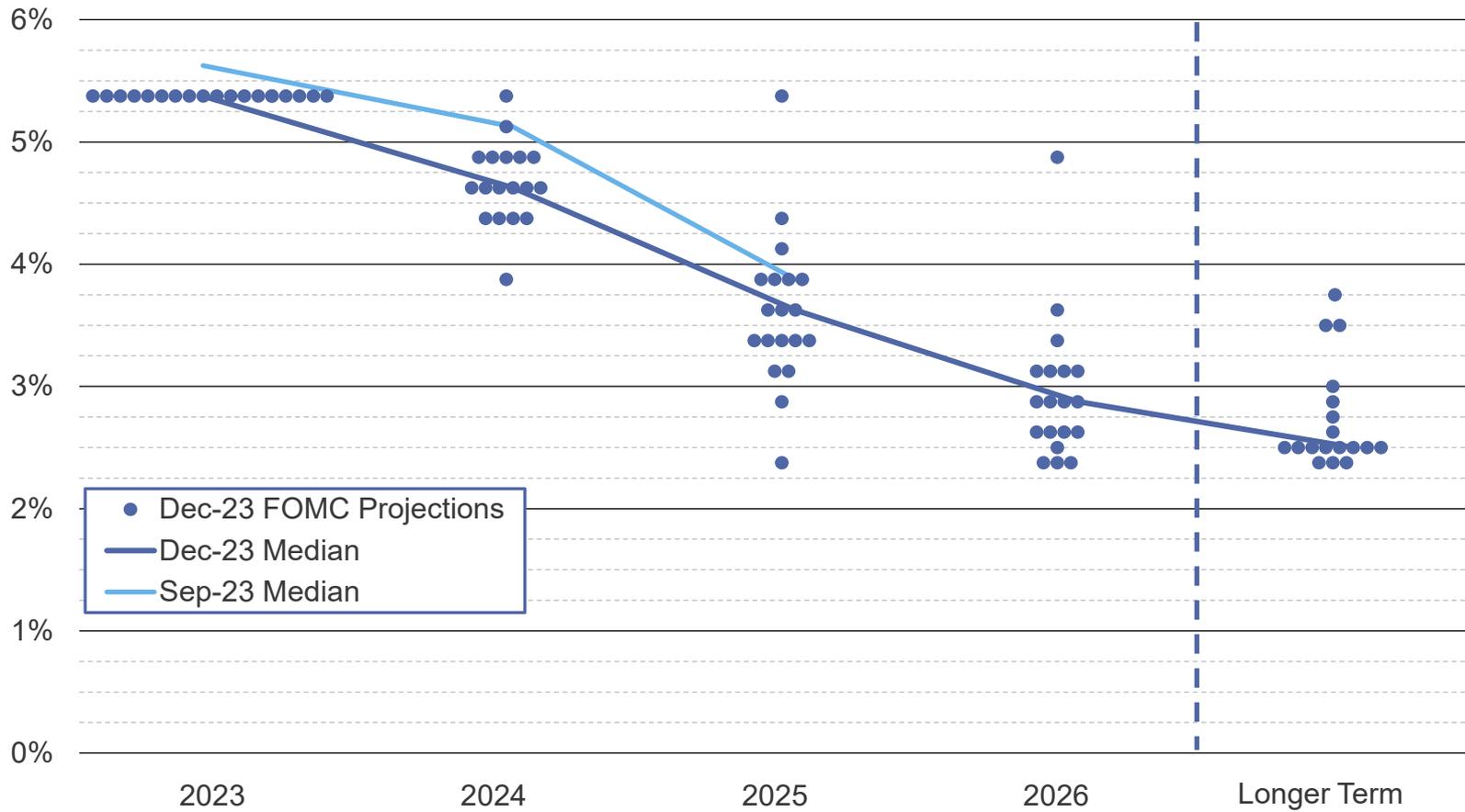
Core Services and Goods Prices
Consumer Price Index - Change from a year earlier



Source: Bloomberg, Bureau of Labor Statistics as of December 2023.

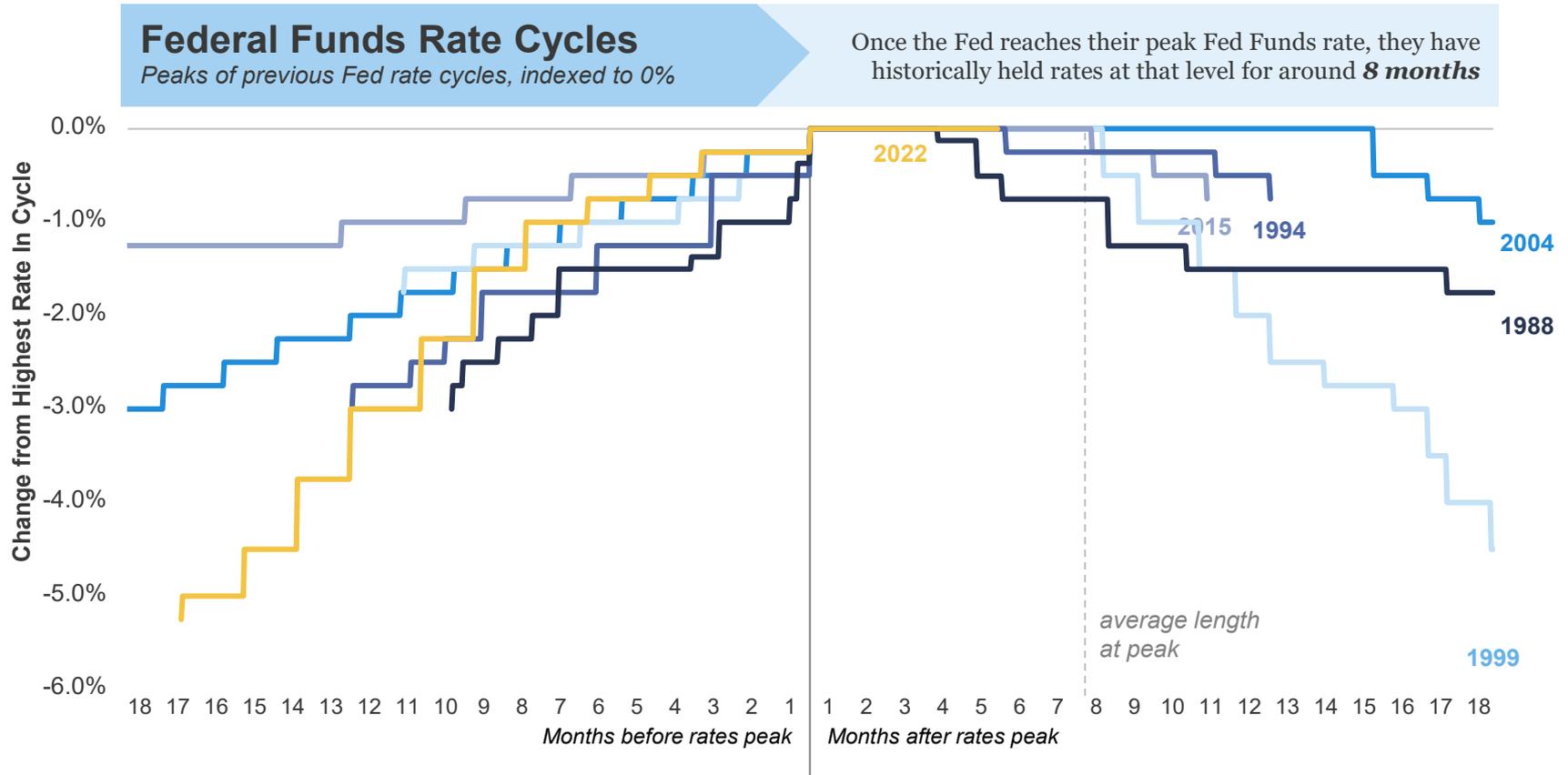
Fed's Updated "Dot Plot" Shows Lower Rate Trajectory

Fed Participants' Assessments of "Appropriate" Monetary Policy



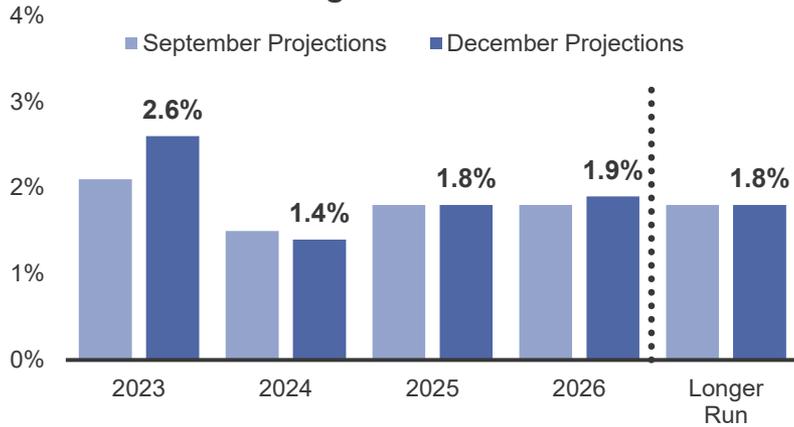
Source: Federal Reserve. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

How Long Will Rates Stay at the Peak?

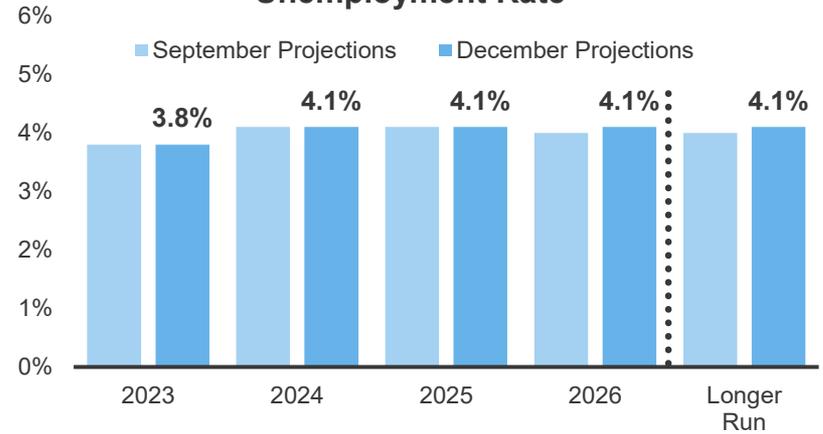


Federal Reserve Projects a Soft Landing

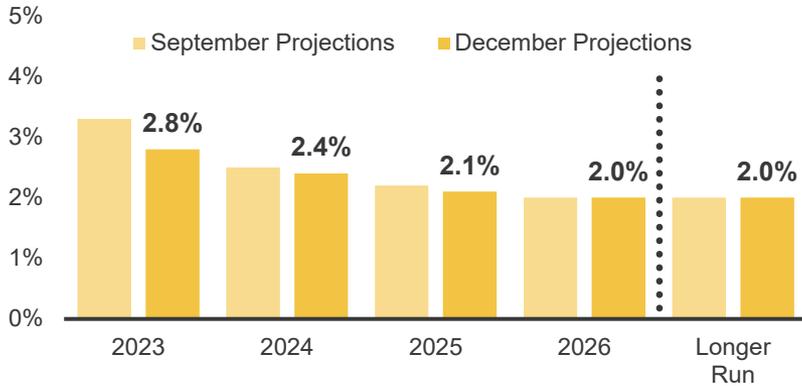
Change in Real GDP



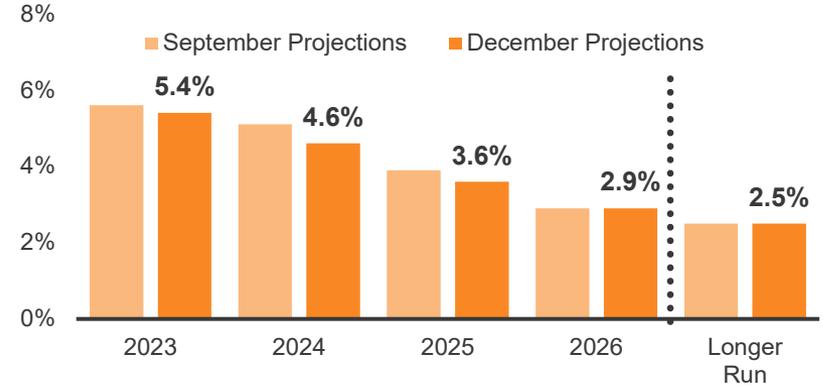
Unemployment Rate



PCE Inflation



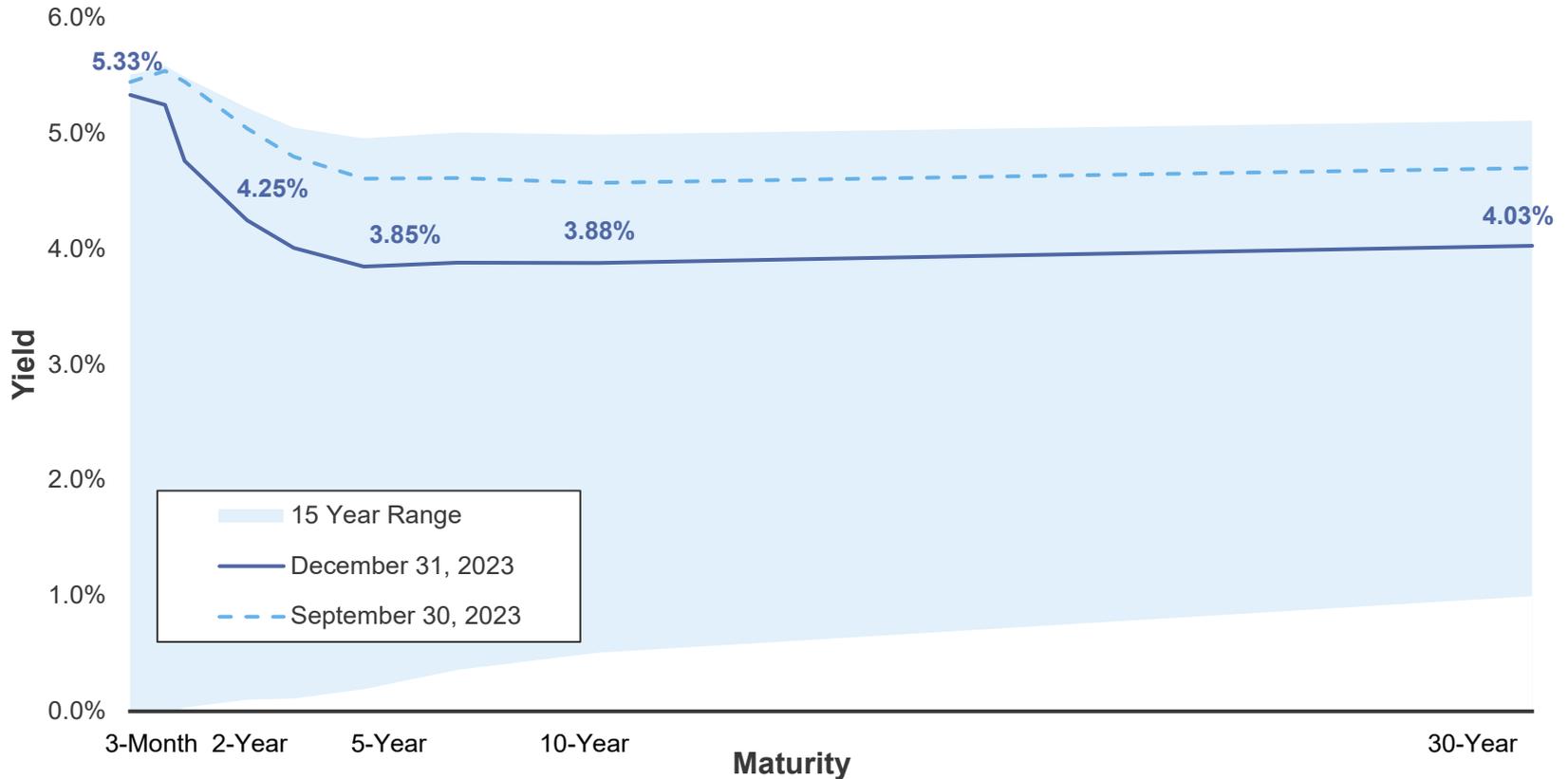
Federal Funds Rate



Source: Federal Reserve, latest economic projections as of December 2023.

Interest Rates Moderate but Remain High

U.S. Treasury Yield Curve



Source: Bloomberg, as of December 31, 2023.

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