

2022 Global Market Outlook

Playbook for a Shifting
Economic Landscape

Four themes to follow

1

Growth Delayed
Not Derailed

2

Focus on
Fundamentals

3

Navigating
Policy Shifts

4

Path to Global
Sustainability

1

Global markets face headwinds

Worries
about
peaking
growth

Fading fiscal
and monetary
stimulus

Supply
chain
bottlenecks

Lingering
COVID-19
effects

yet, we believe
the global recovery
remains on track



The Delta variant delayed economic activity, but that could boost growth heading into 2022



Growth could shift to infrastructure spending, and the green transition

Raising Rates, Reducing Stimulus: The Fine Balance



Too slow Inflation continues to accelerate and markets react badly



Too quick Economic growth potentially falters and yield curves flatten

2

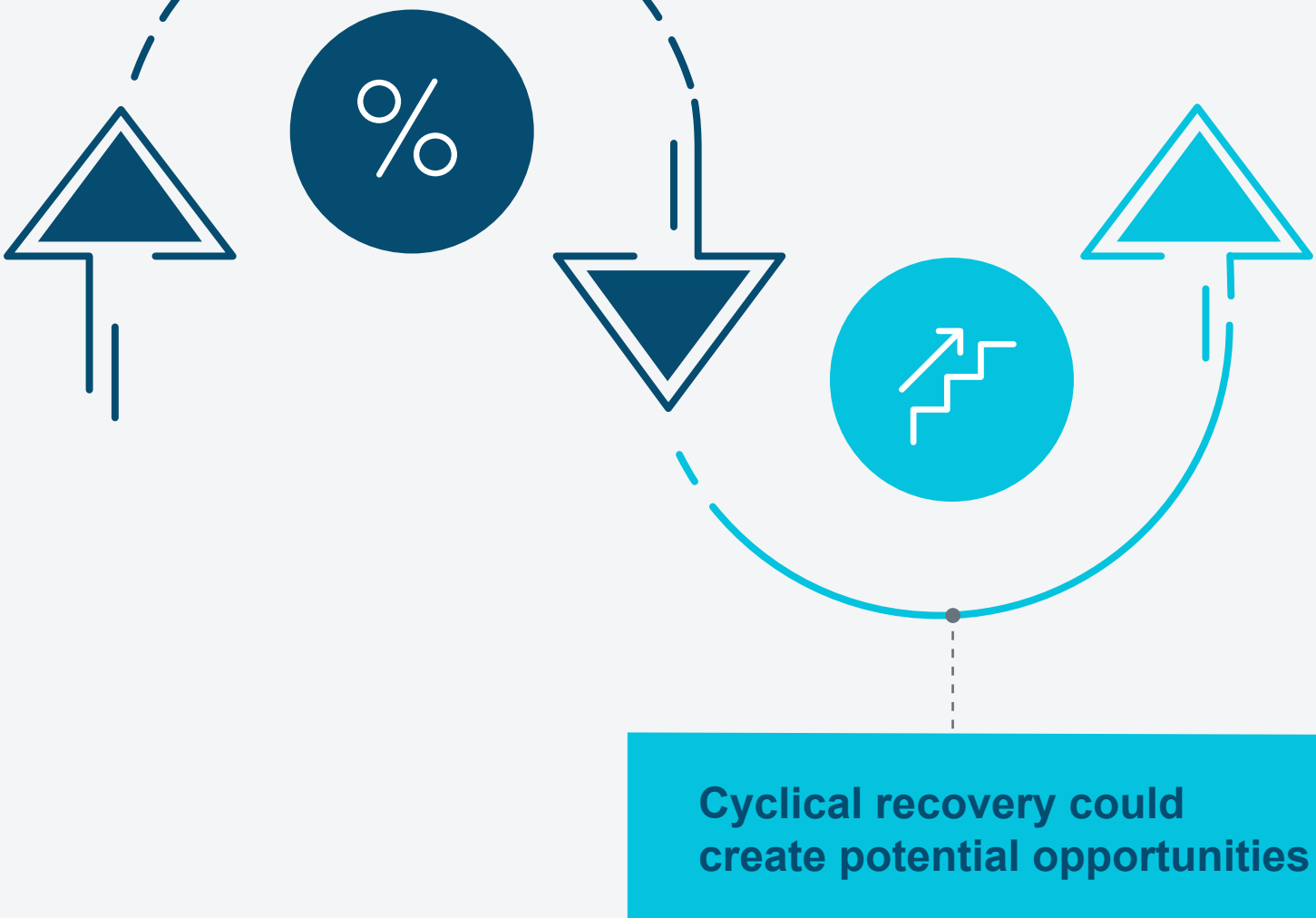
Focus on Fundamentals

Will earnings growth be strong enough to support high equity valuations?

The trend toward wider profit margins seen over the past three decades may be reversing

Key factors

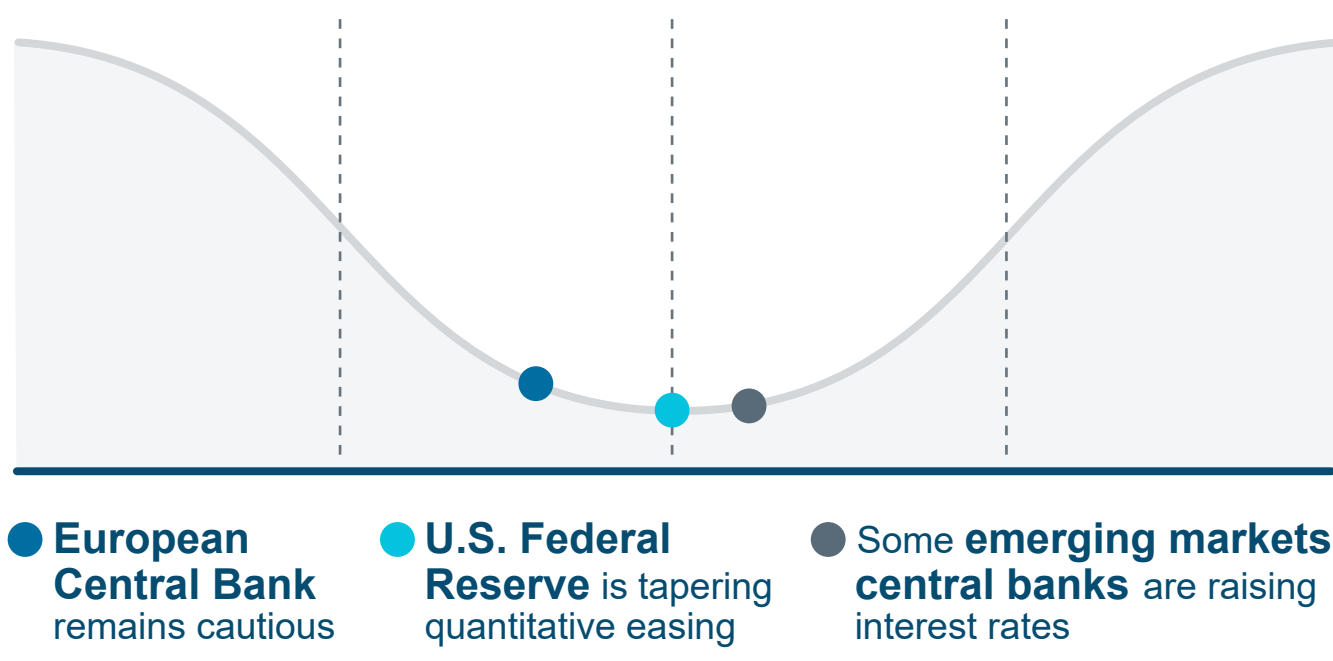
- Corporate profit margins
- Interest rate movements
- Corporate tax rates
- Globalization trends



3

Navigating Policy Shifts

Central banks are turning more hawkish, but their policies are unsynchronized



- European Central Bank** remains cautious
- U.S. Federal Reserve** is tapering quantitative easing
- Some emerging markets central banks** are raising interest rates

For illustrative purposes only.

The U.S. Federal Reserve has signaled it wants to move slowly, but inflation pressures could speed rate hikes in 2022

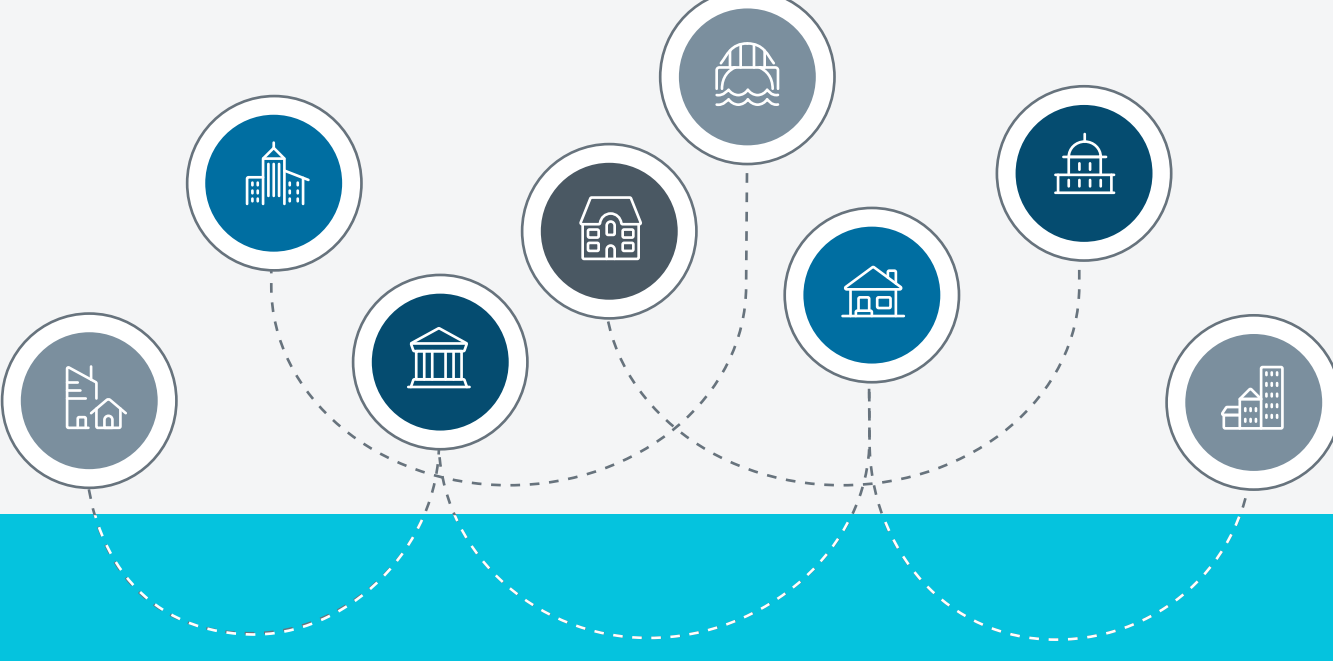


Credit spreads have tightened, so global dispersion highlights the need for credit selection—in global high yield and emerging markets debt

4

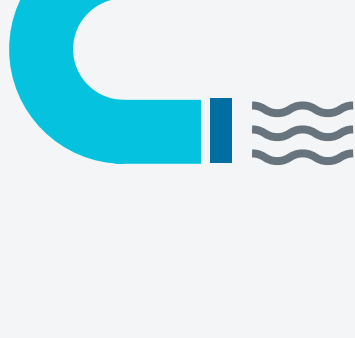
Path to Global Sustainability

Major investments are needed in order to make meaningful progress toward global sustainability



This could spur a boom in public and private infrastructure investment that sustains economic and earnings growth

Look for a potential new “super cycle” in demand for



Key raw materials (lithium, nickel, copper, etc.)

Industrial goods vital to renewable energy, storage systems, power grids

Infrastructure that boosts capacity and productivity

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Investments concentrating in a specific sector can be more volatile than investments in a broader range of industries.

International investments can be riskier than U.S. investments due to the adverse effects of currency exchange rates, differences in market structure and liquidity, as well as specific country, regional, and economic developments. These risks are generally greater for investments in emerging markets.

Investments in high-yield bonds involve greater risk of price volatility, illiquidity, and default than higher-rated debt.

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