

Global Economy and Trade

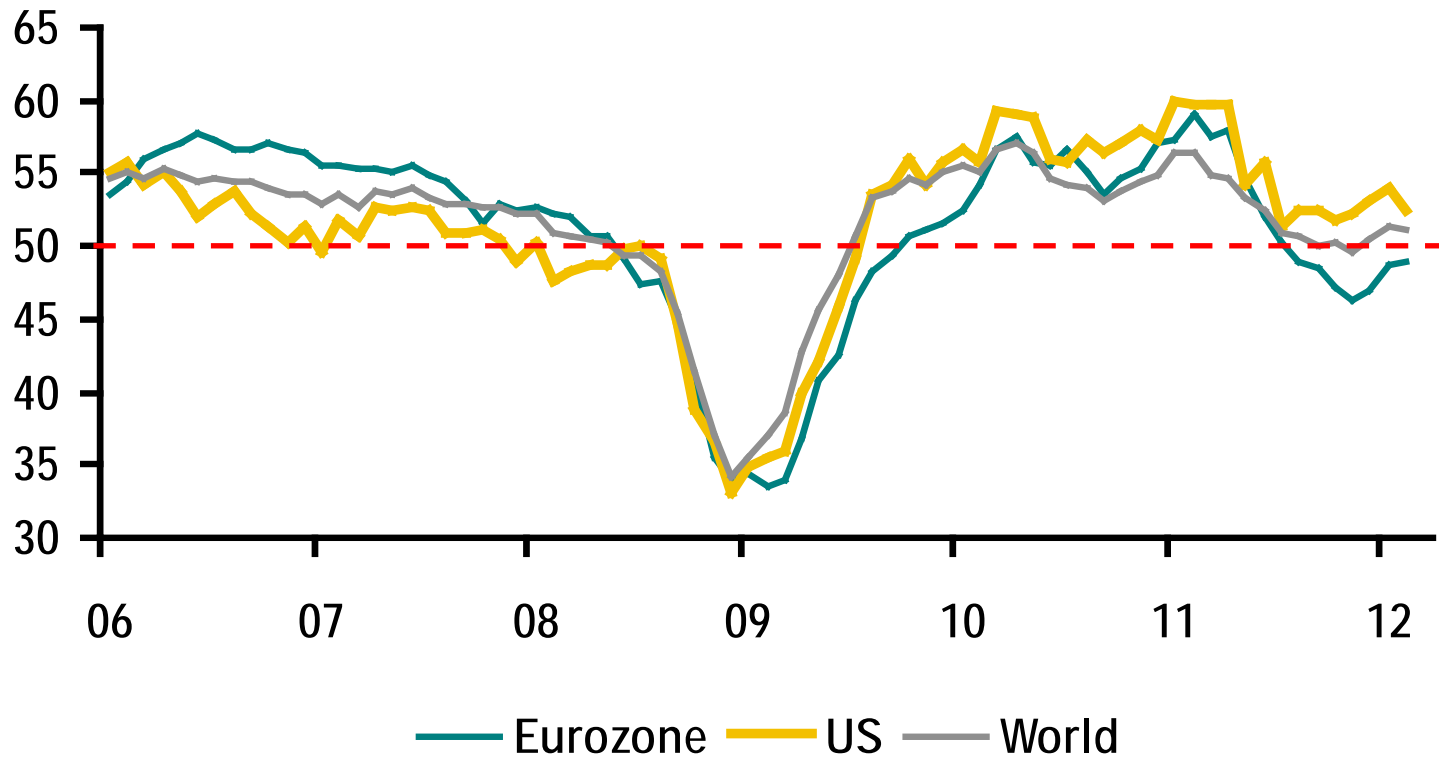
Past the nadir?

Nick Kounis
Head Macro Research

New York, 19 March 2012

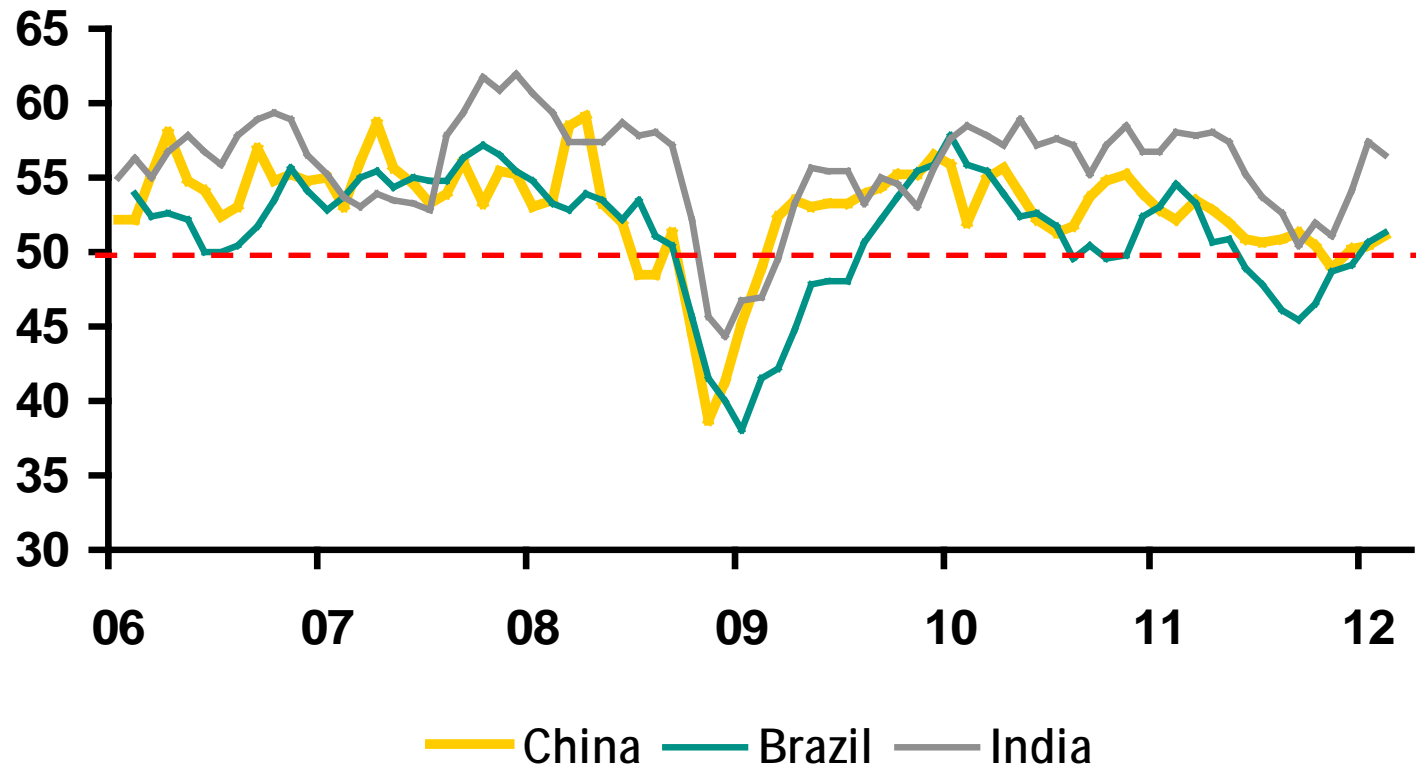
Global economy looks to be bottoming out

Manufacturing PMIs



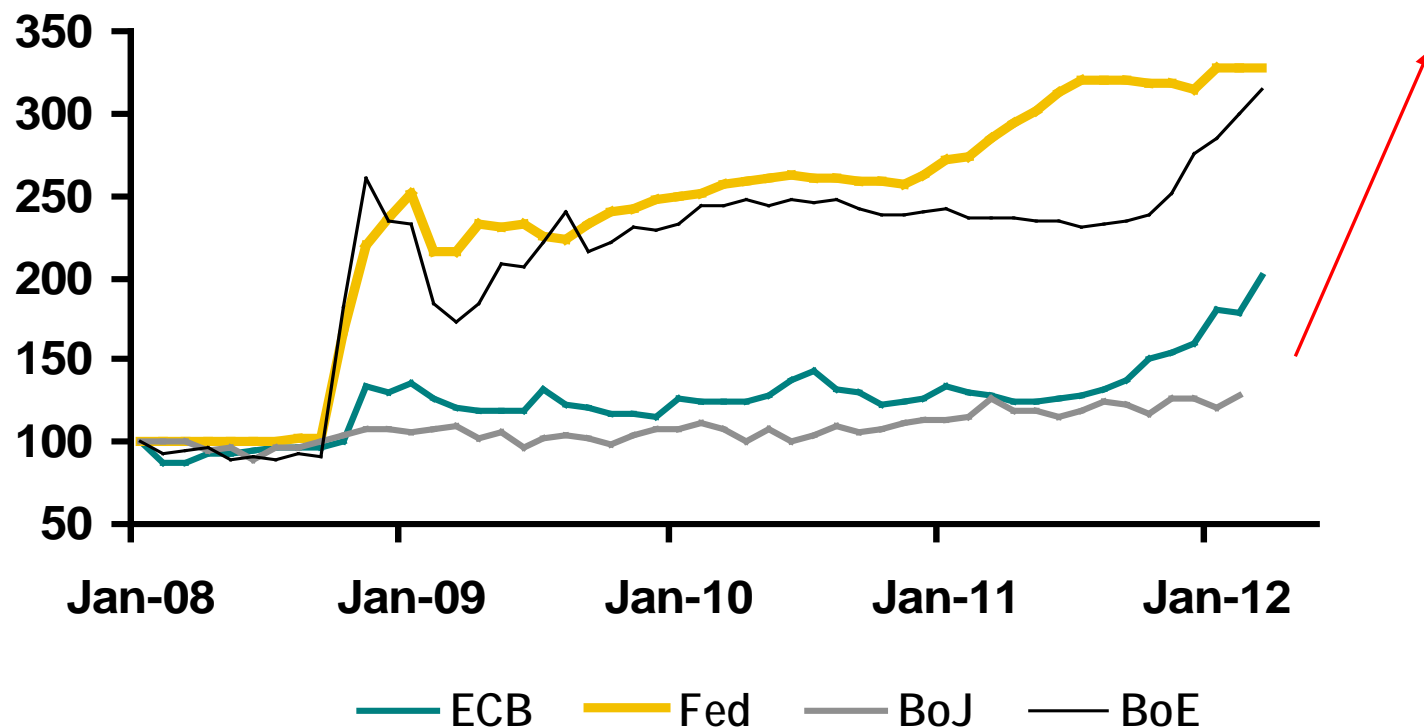
Emerging markets as well as advanced economies

Manufacturing PMIs



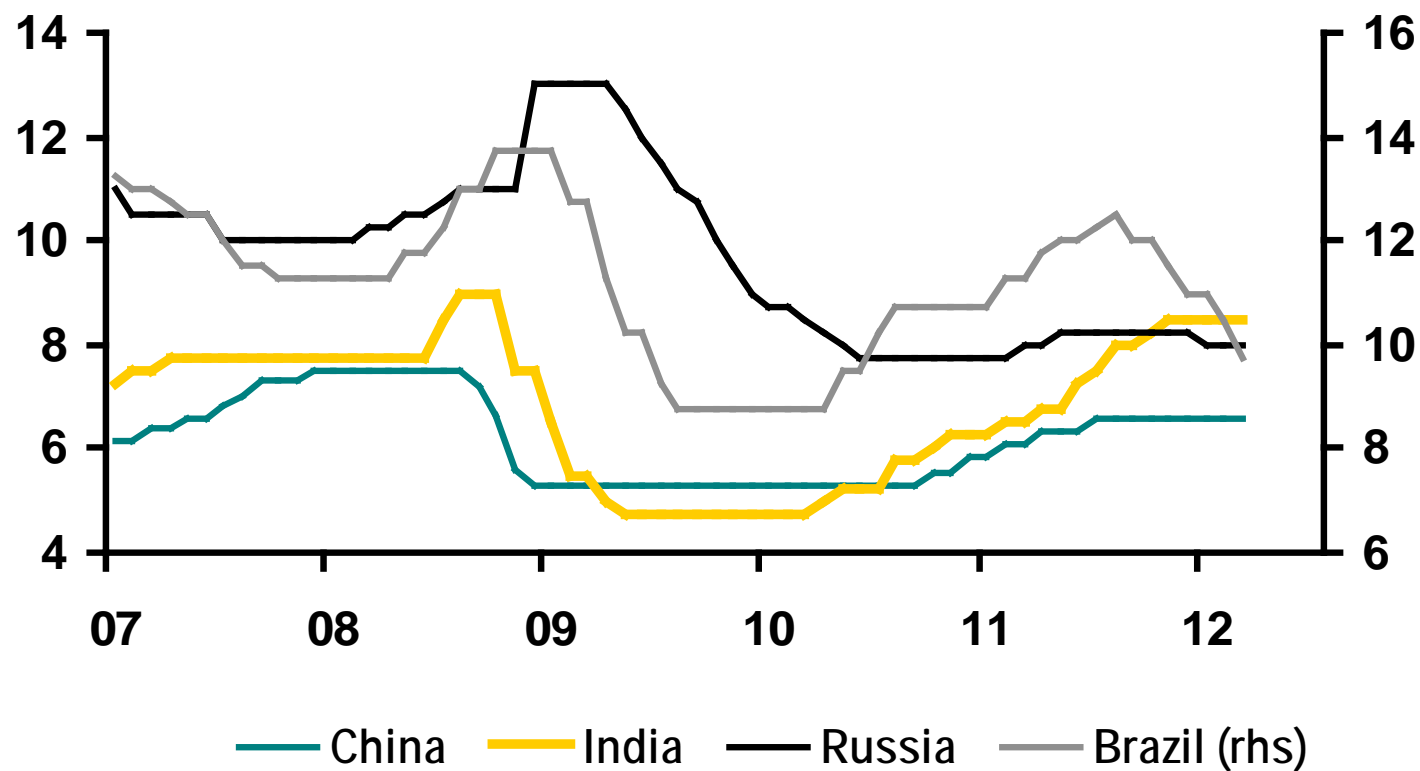
The Return of Global Easing

Central bank balance sheet, January 2008 = 100



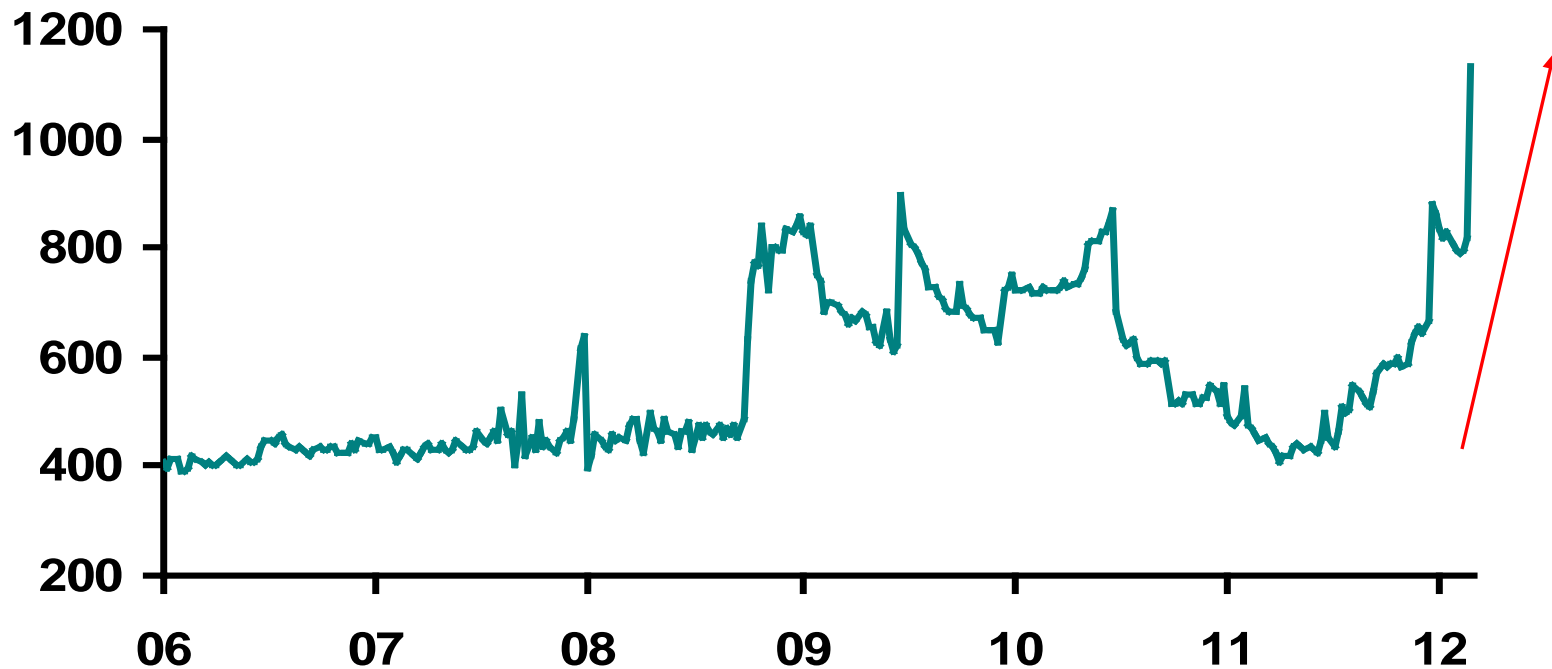
Emerging markets going from rate hikes to cuts

Central bank policy rates, %



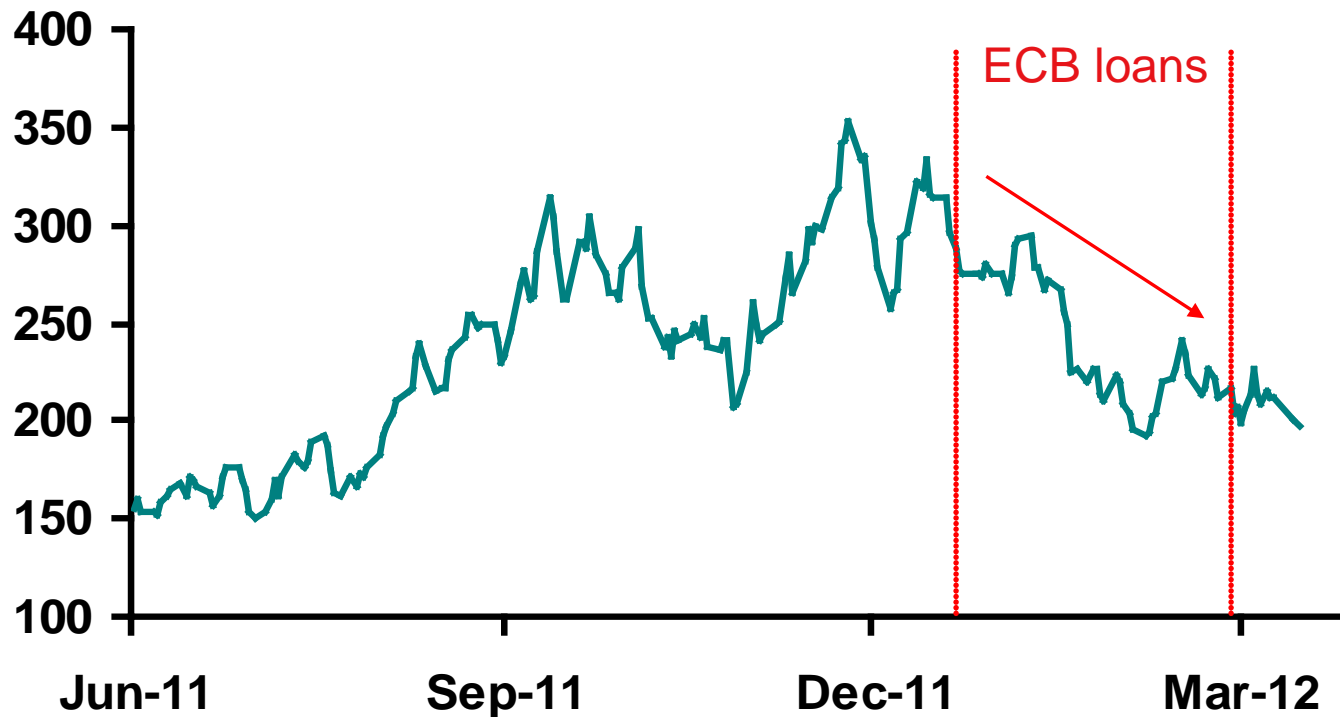
ECB has averted a credit crunch

ECB lending to commercial banks, EUR bn



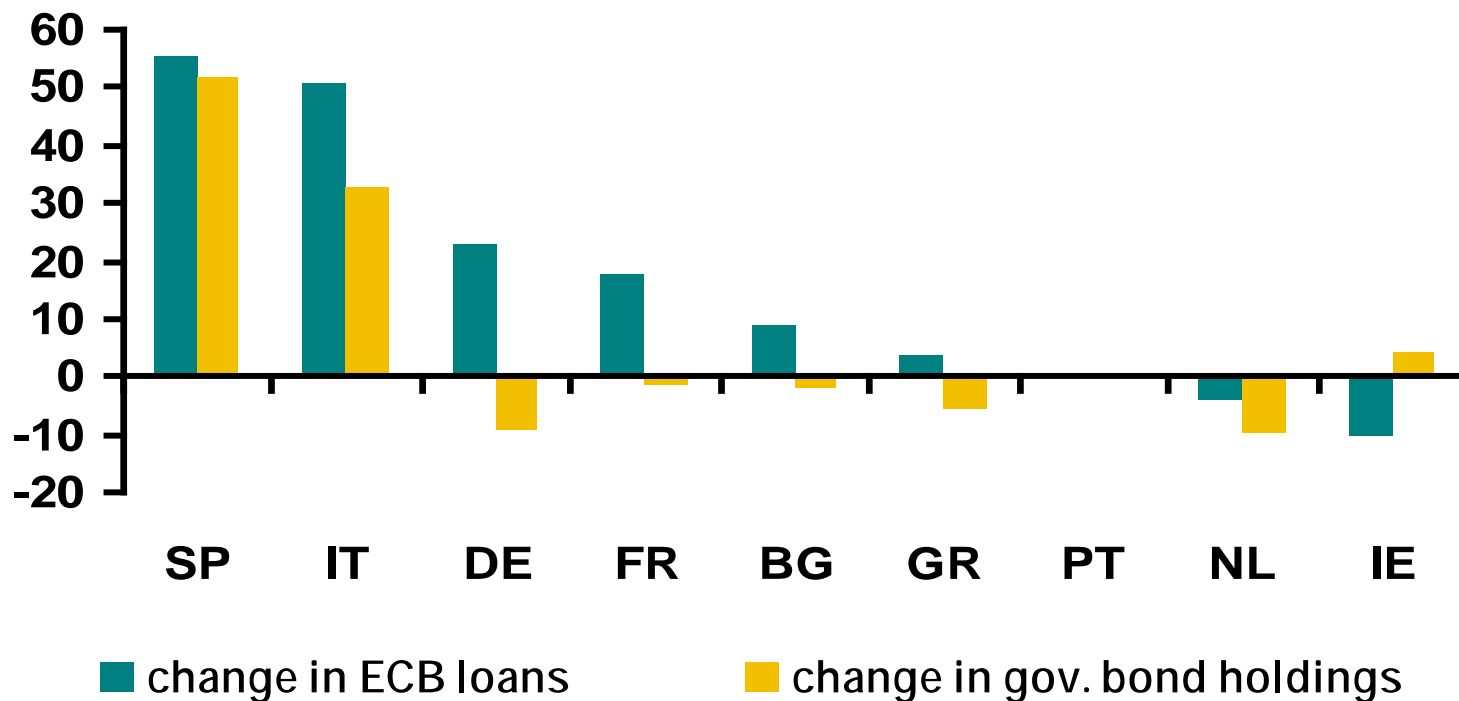
Bank funding markets starting to thaw

Eurozone bank CDS index



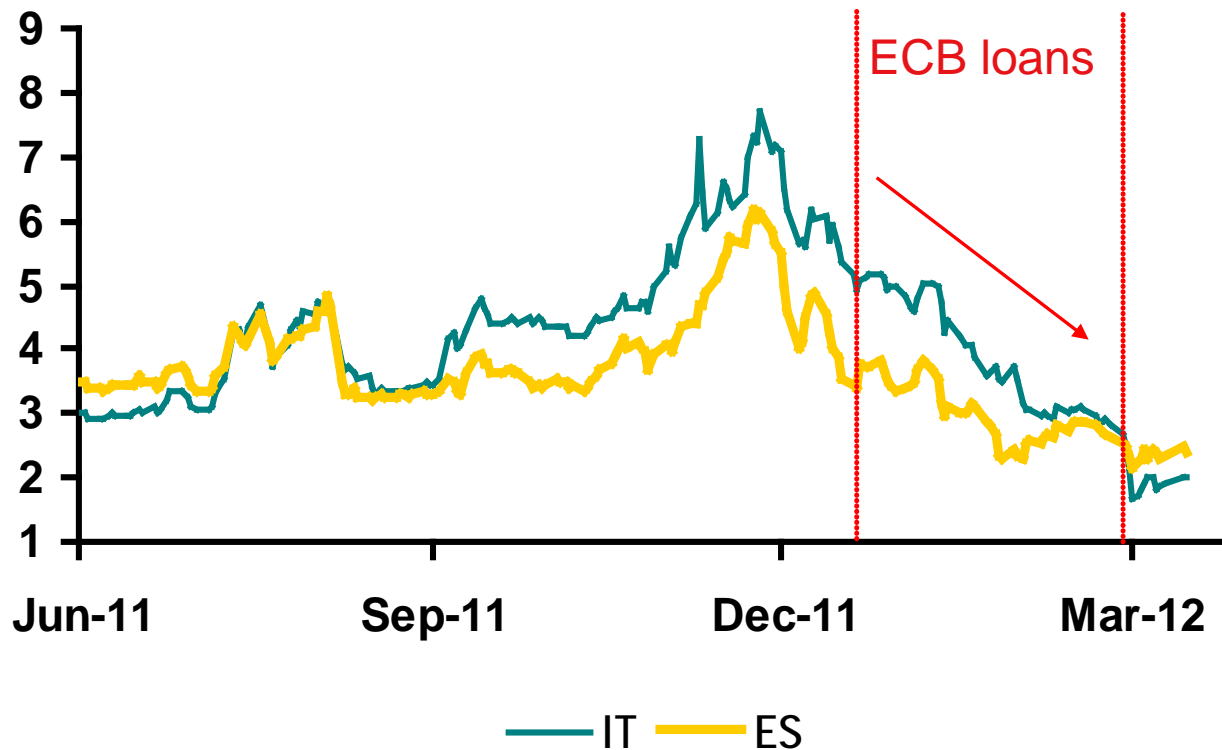
Italian and Spanish banks went shopping

December and January, EUR bn



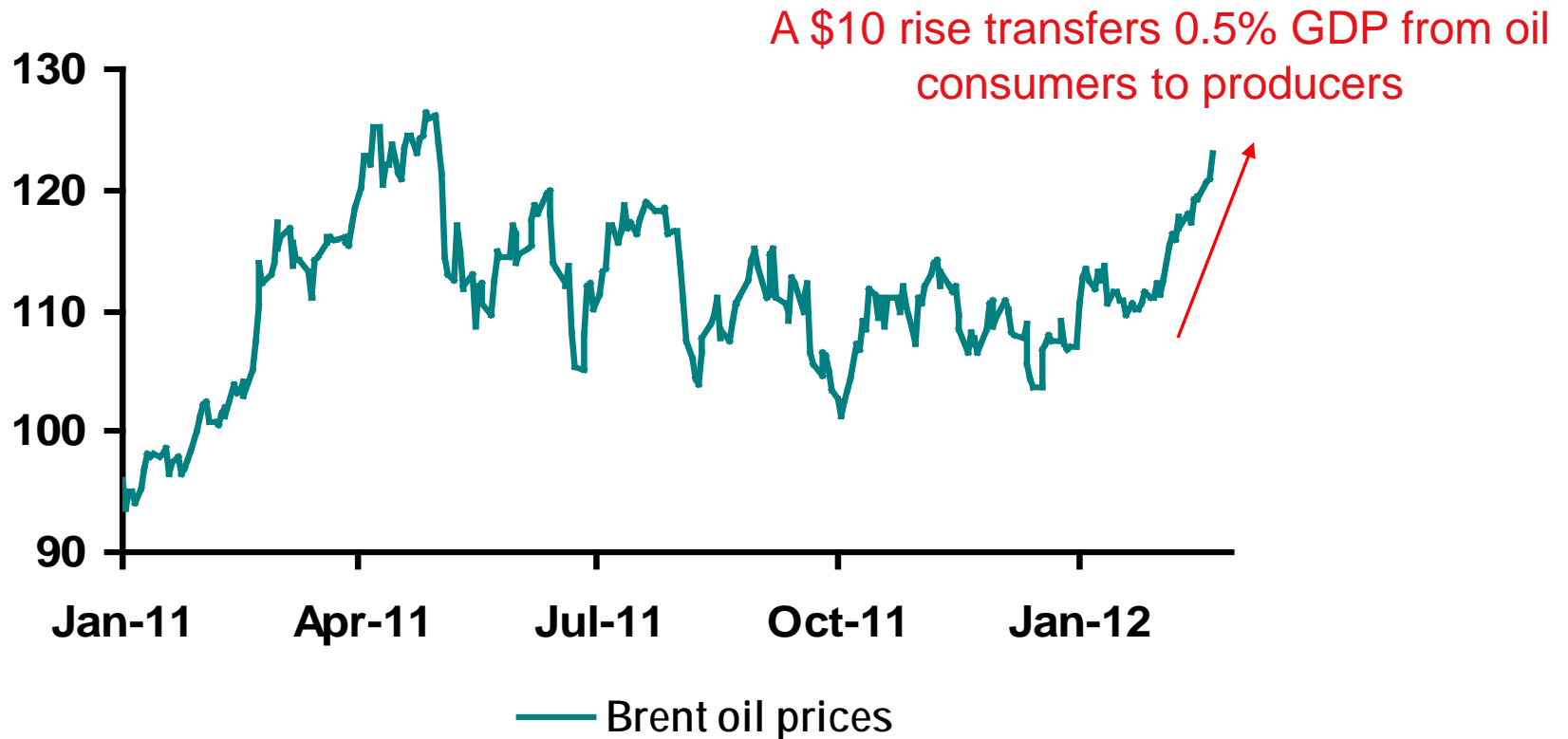
Sovereign bond market stress easing

2-Y government bond yield, %



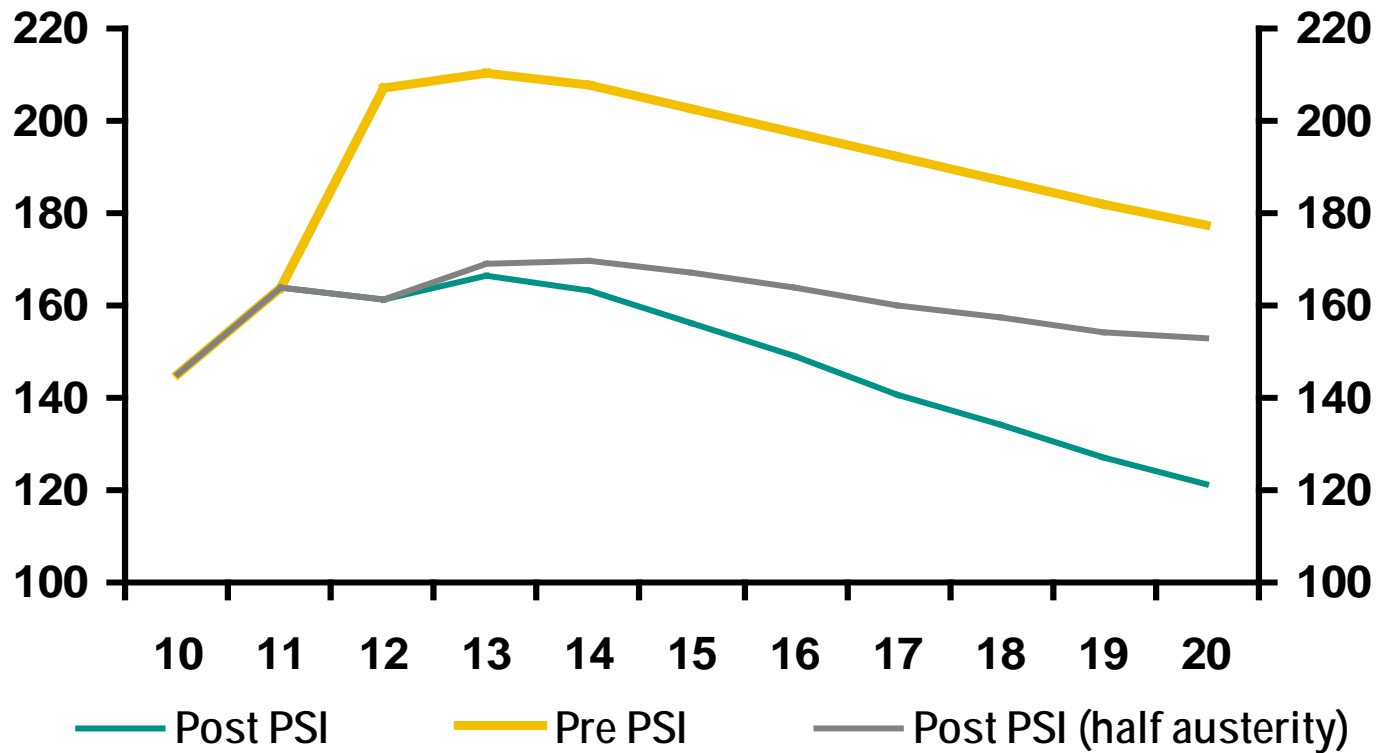
Oil prices could spoil the mood...

\$ per barrel

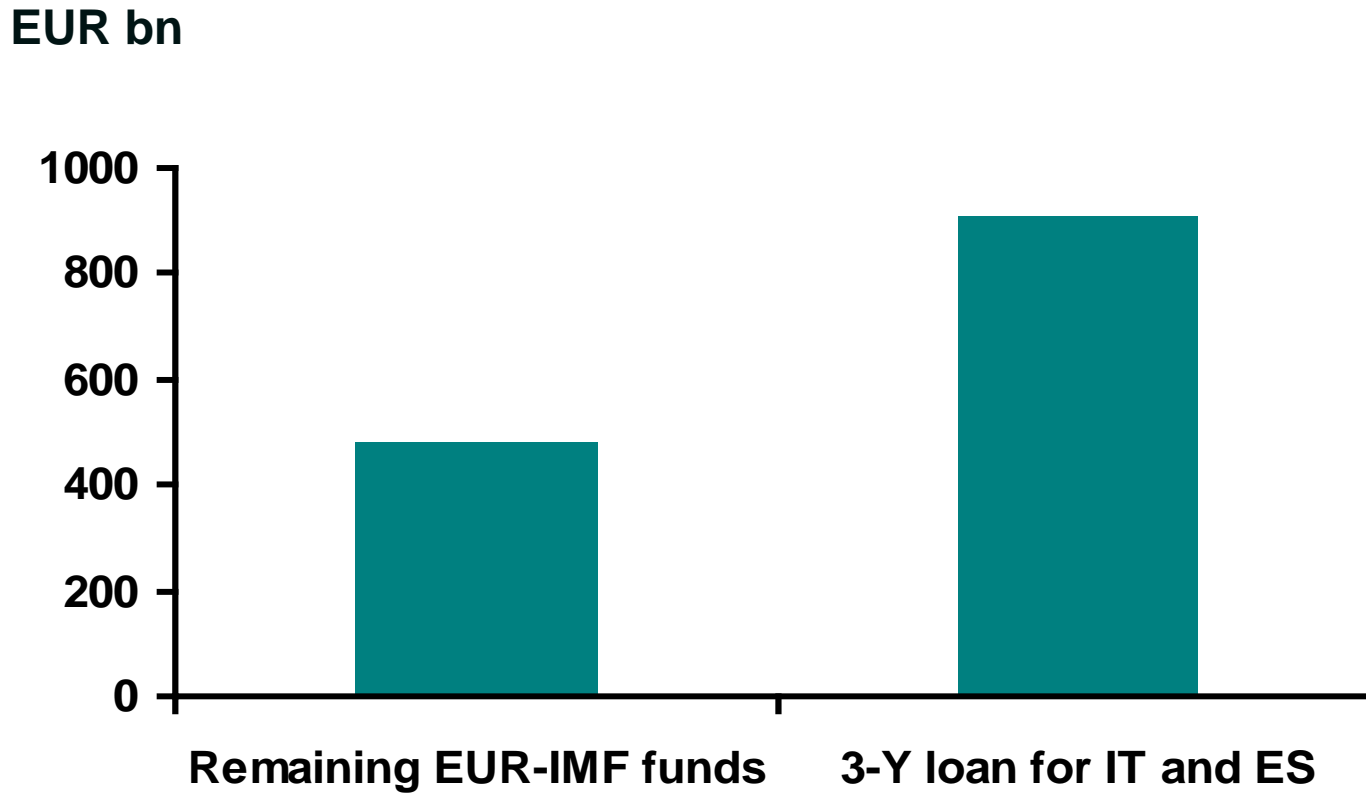


...and the debt crisis could re-escalate

Greek government debt, % GDP

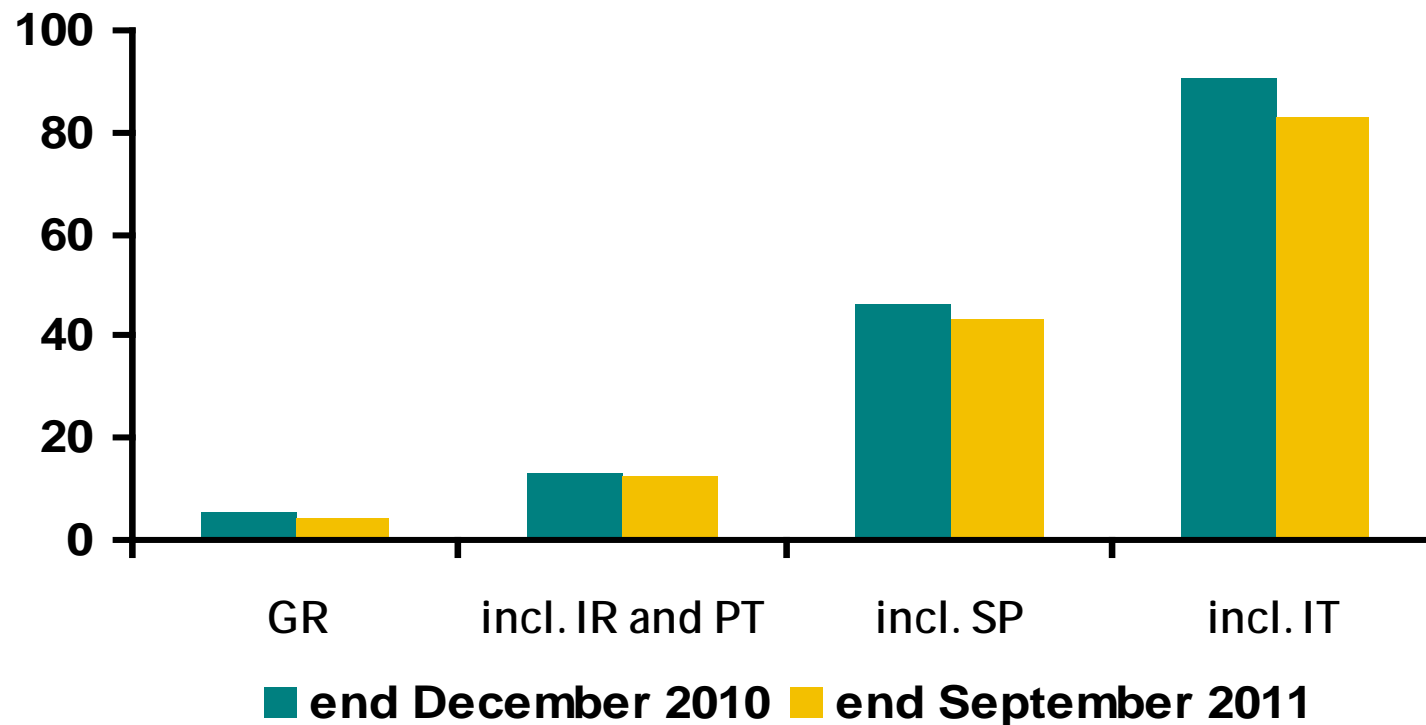


Safety net is just not big enough

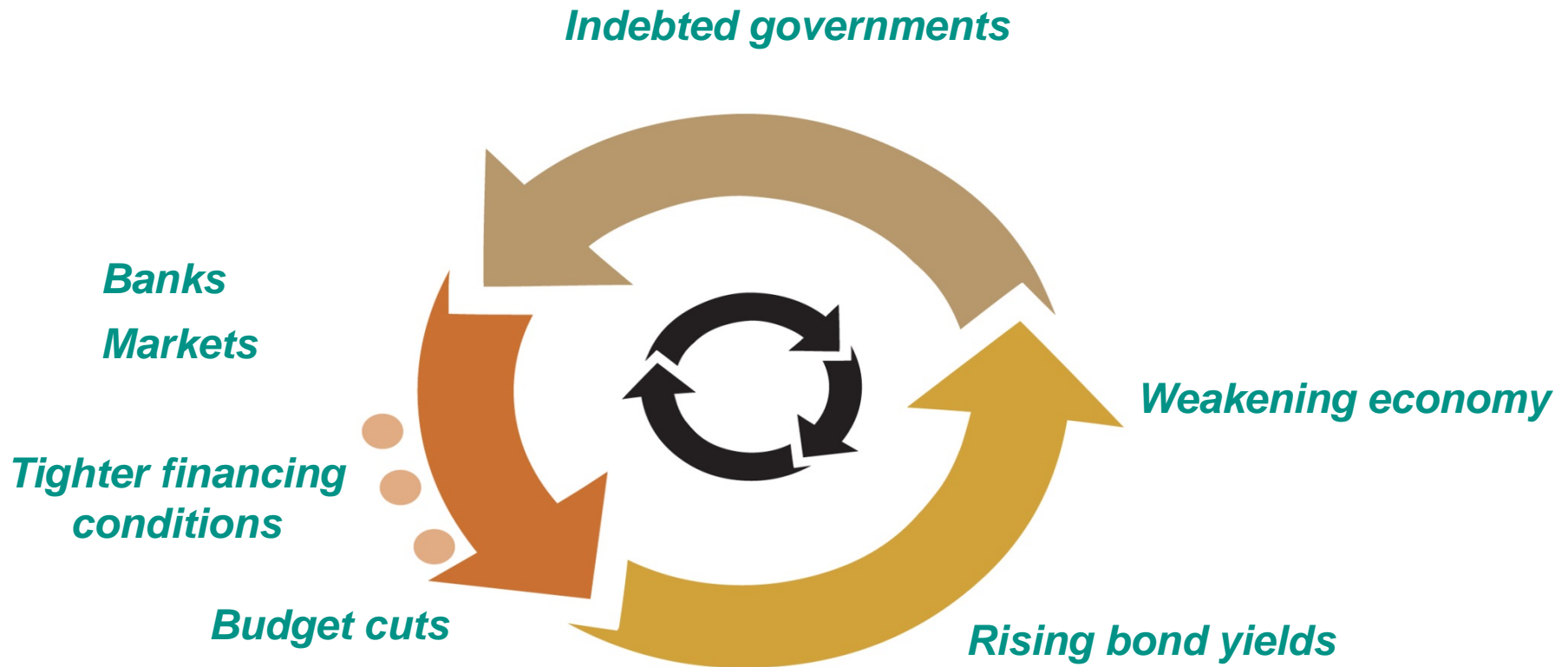


Large Eurozone bank exposures to periphery

Eurozone big bank exposure to sovereign debt (% tier 1 capital)



Threat of a vicious circle, euro break-up



Who is going to save the euro?



Costs of super crisis outweigh costs of bail-out

Costs of euro break-up: 50 - 100% GDP over 3-yrs

Defaults
Bank failures
Financial panic
Uncertainty
Deep recession
Wealth losses



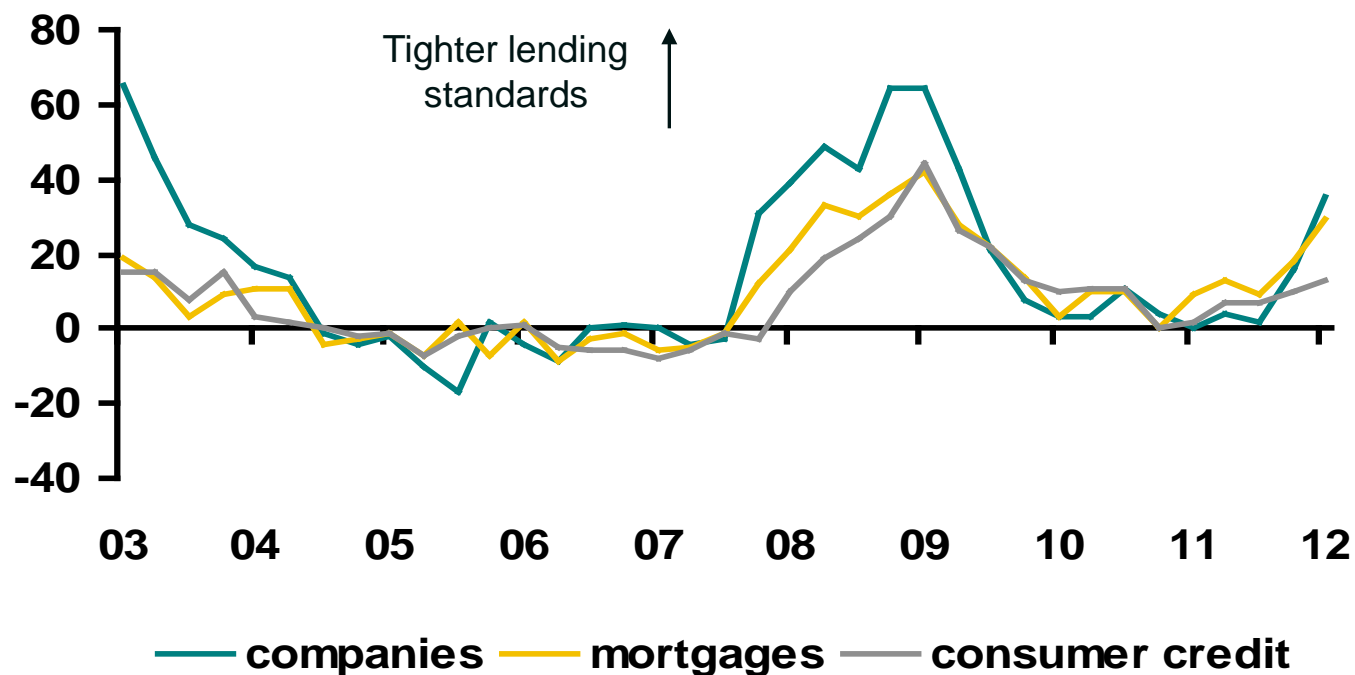
Costs of bail-out: 25% GDP

EFSF to be increased to 1.3 trillion euros

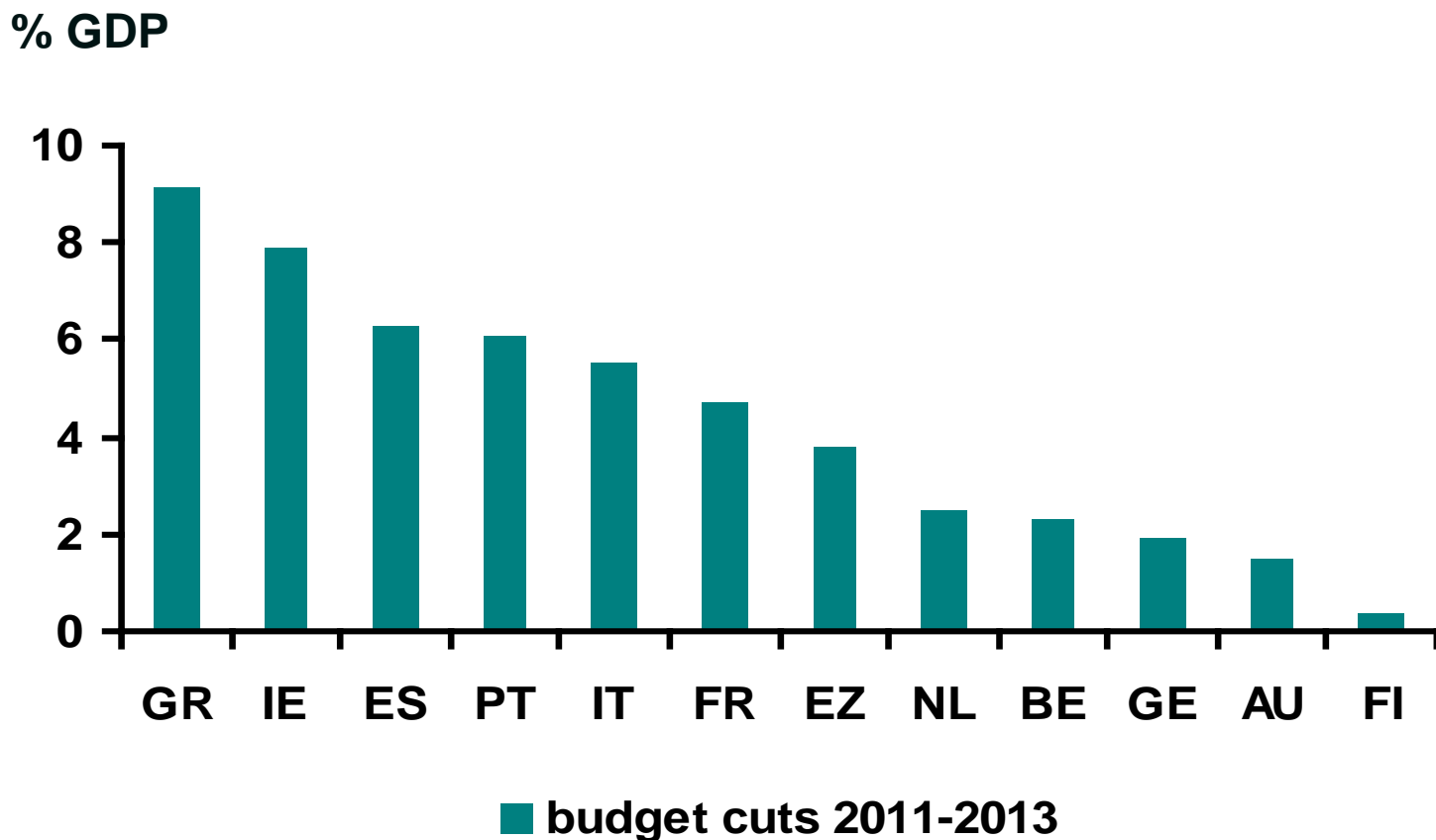
Road map to eurobonds

European banks tightening lending standards again

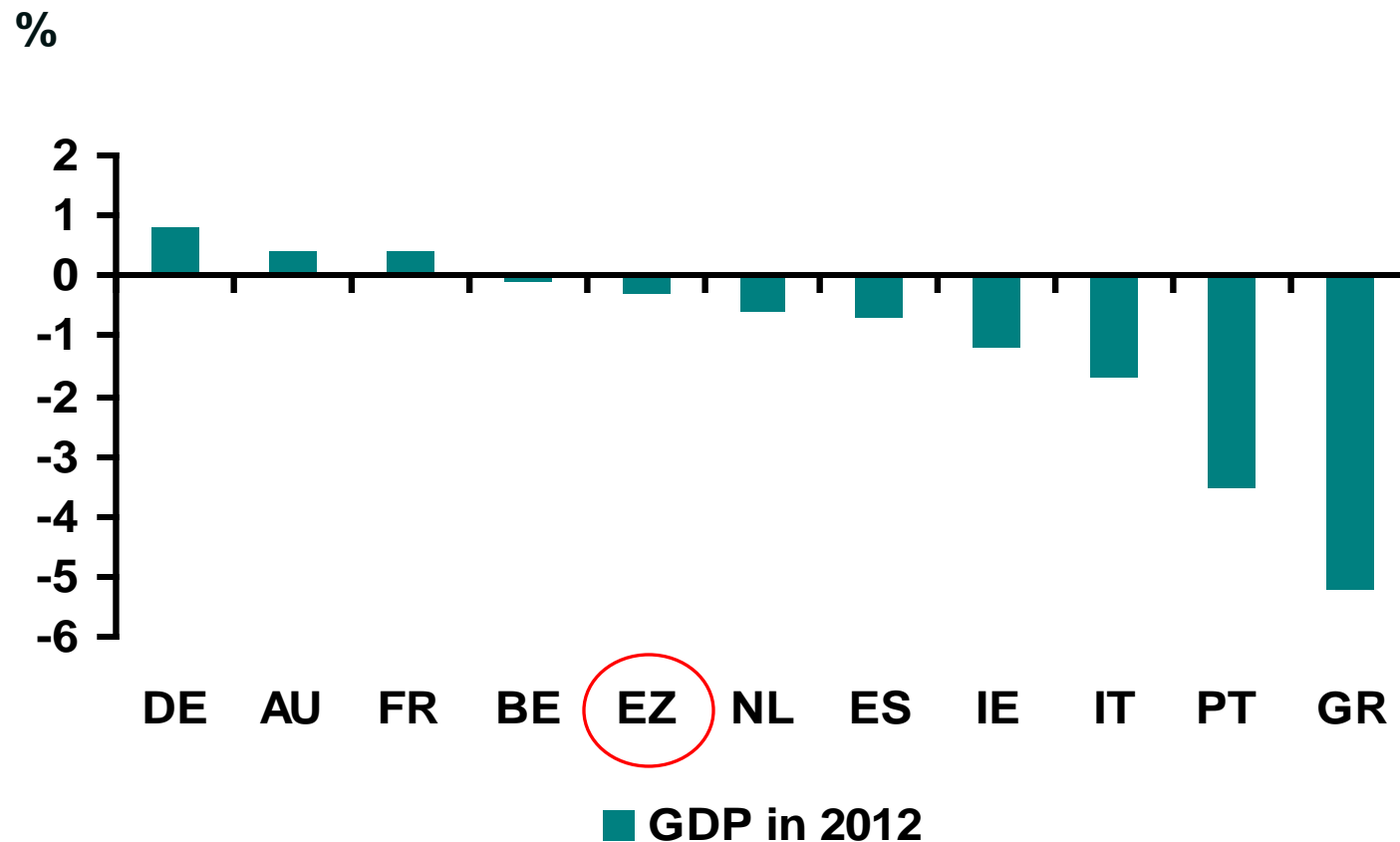
Balance net tightening



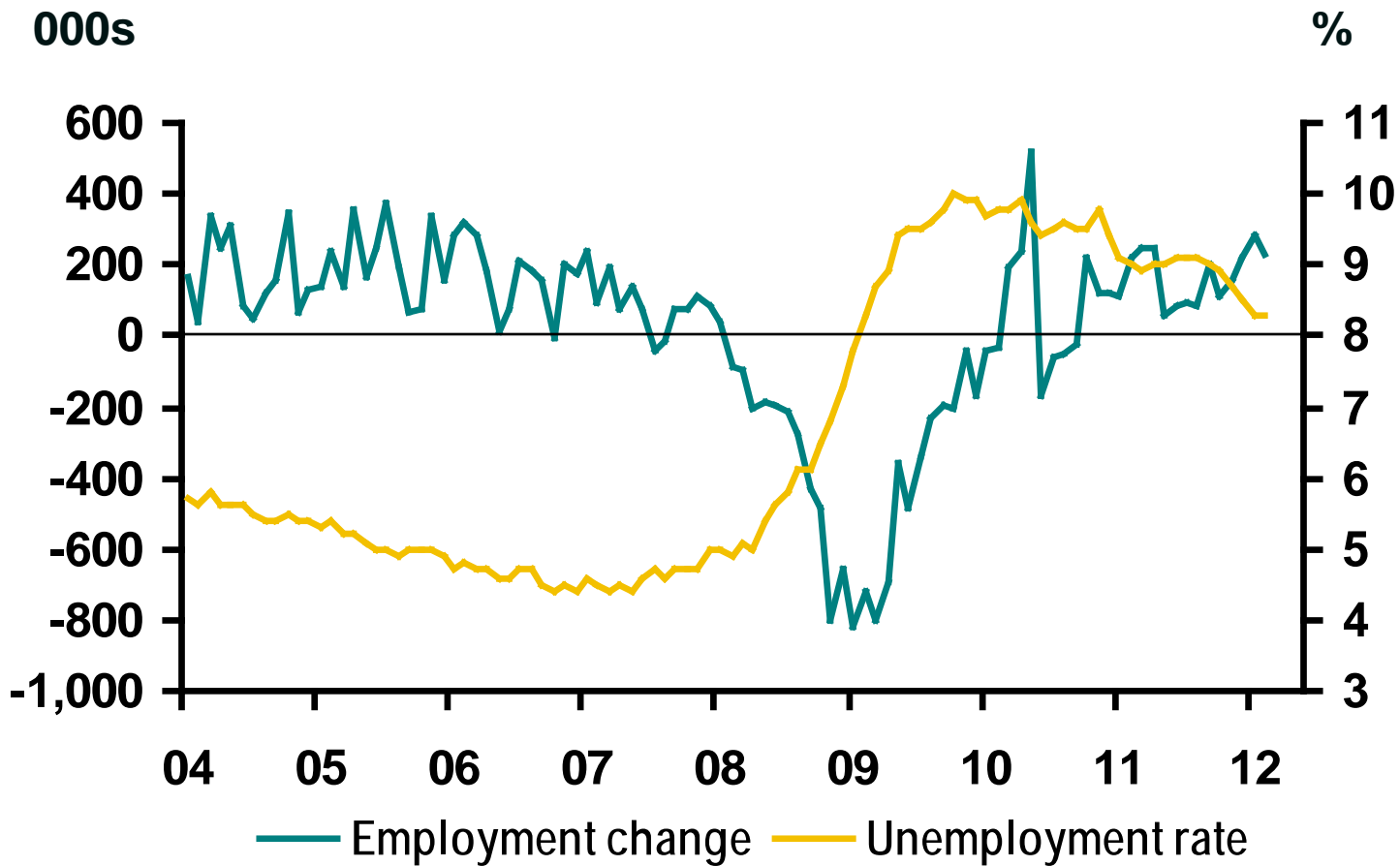
The new fiscal fundamentalism in Europe



Eurozone in recession – divergence remains

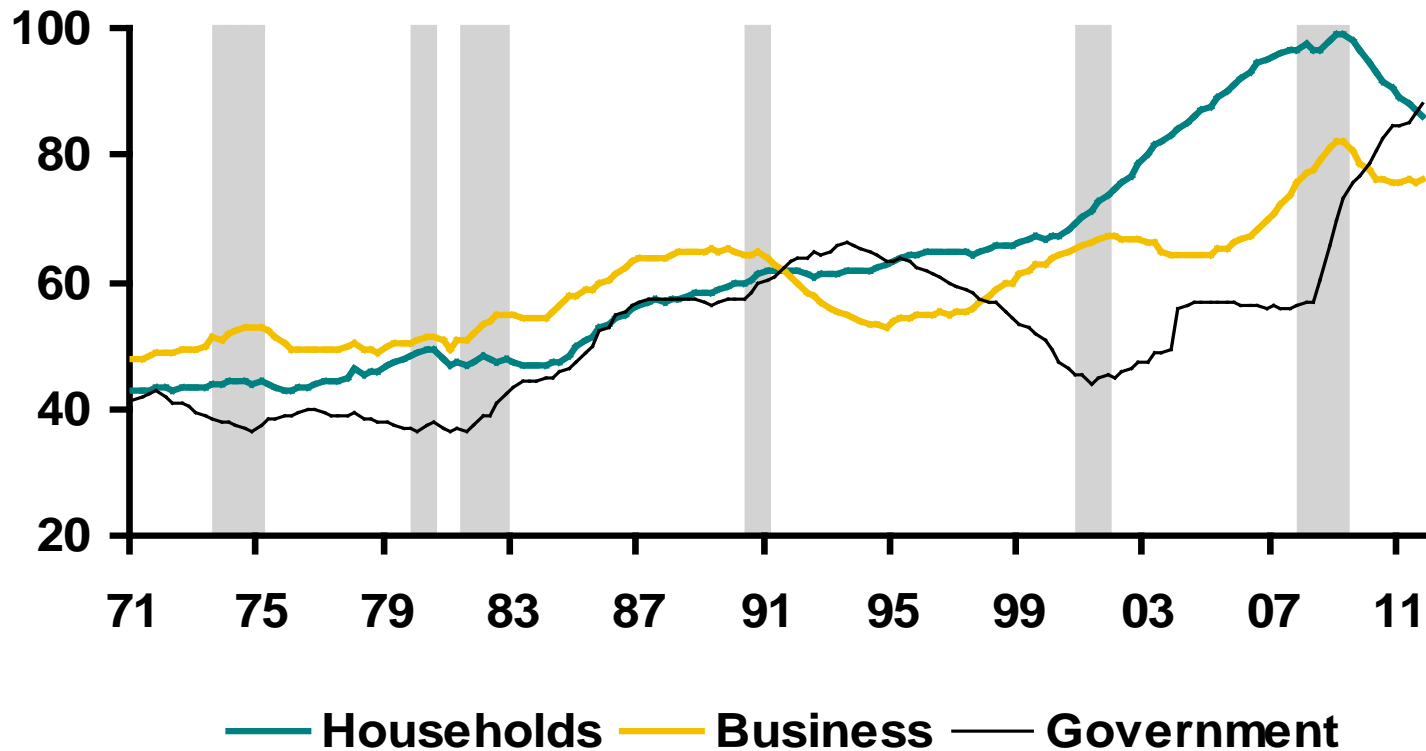


US labour market starting to come to life



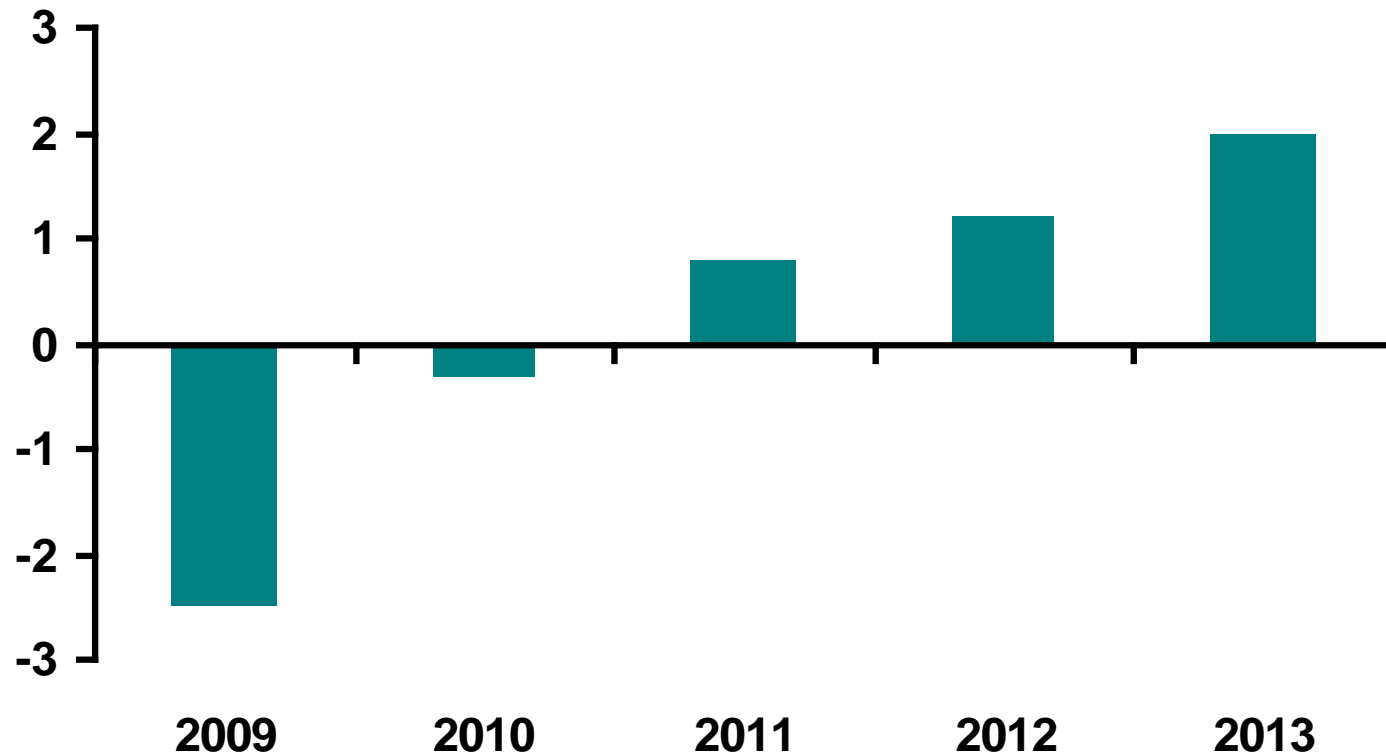
US private sector deleveraging advanced

Debt, % GDP



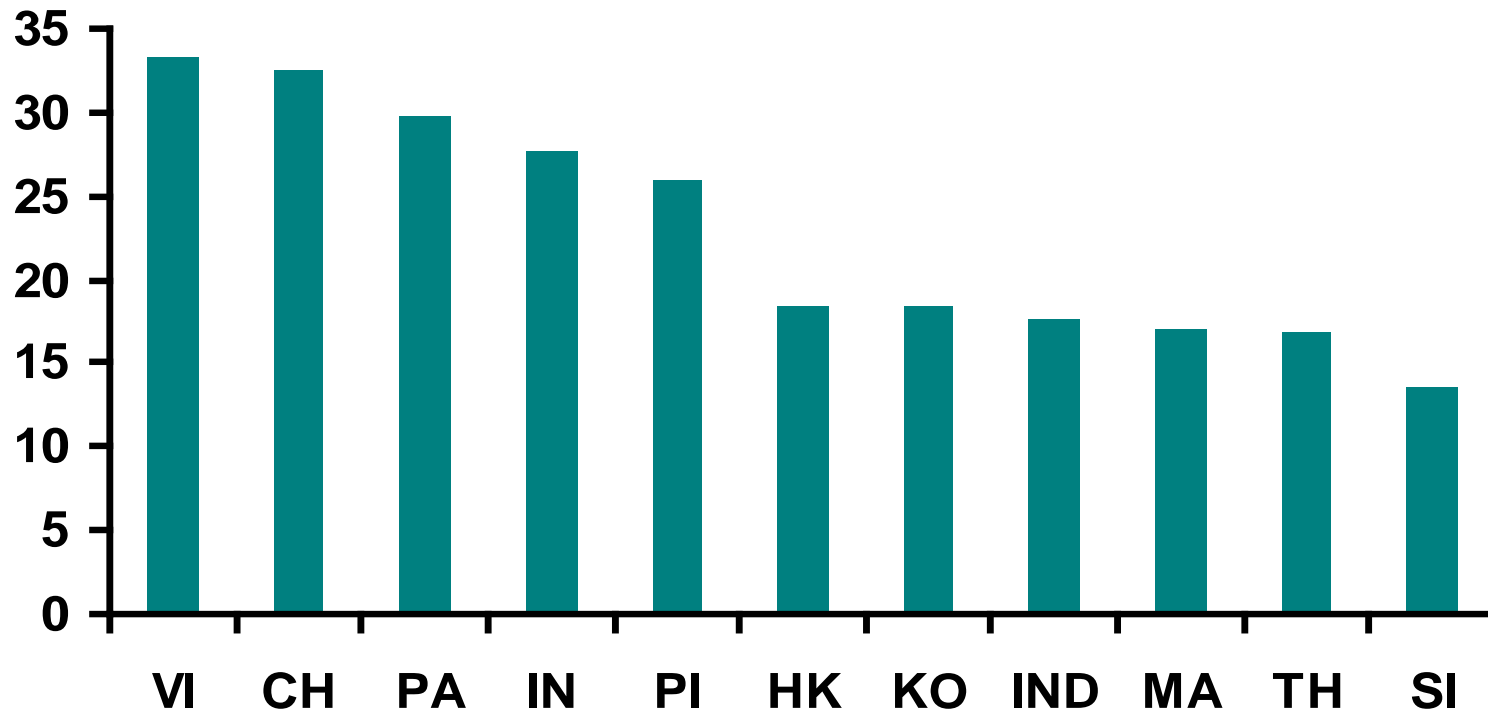
US fiscal policy getting tighter

% GDP

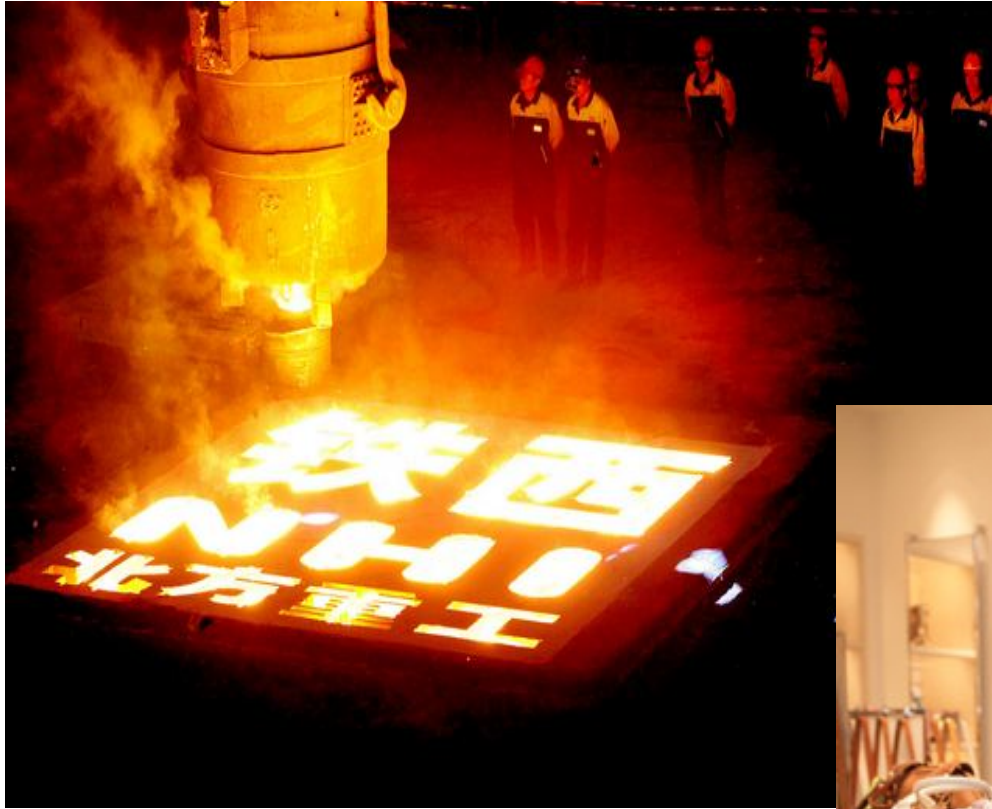


Asia still relies on the West for its exports

Share of total exports to US and Eurozone

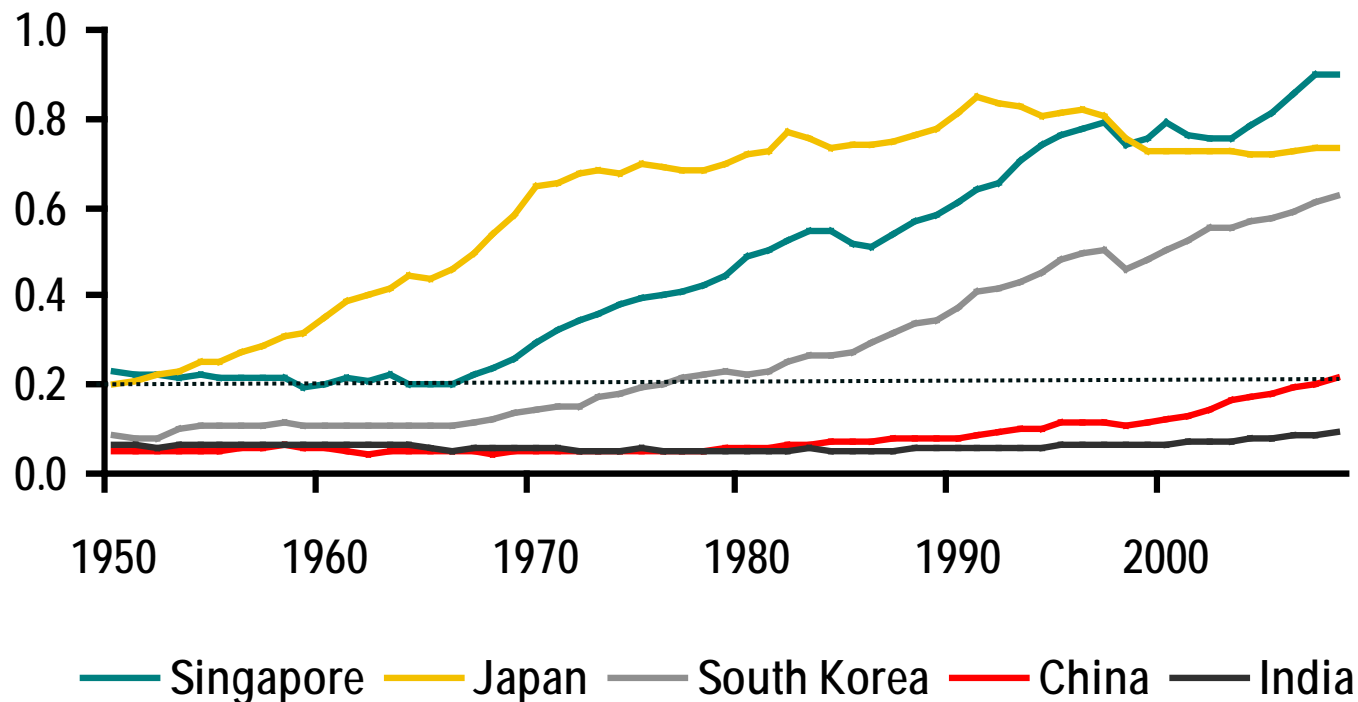


China's great transformation



Productivity catch-up has a long way to go

Per capita GDP relative to the US



Moderate global growth

Economic outlook	2010	2011	2012	2013
Global GDP	5.1	3.8	3.4	4.0
US	3.0	1.7	2.4	2.4
Eurozone	1.8	1.5	-0.3	1.4
China	10.4	9.2	8.4	8.2
World trade	15.5	6.0	4.5	6.5
Global CPI	3.6	4.6	3.7	3.6
Eurozone	1.6	2.7	2.1	1.2
US	1.6	3.1	1.9	1.6
China	3.3	5.4	4.5	5.0
Rates and FX (end of period)	16-Mar	3M	2012	2013
3-M Euribor rate	0.85	0.70	0.90	1.0
3-M Libor rate	0.47	0.40	0.30	0.3
German 10-Y yield	2.06	2.20	2.40	2.9
US 10-Y yield	2.34	2.30	2.50	3.3
EUR/USD	1.31	1.35	1.30	1.25

Important information

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