



## Escape Velocity?

Unio Global Macro Committee Outlook

November 2023

# ESCAPE VELOCITY?

As we approach the year's end, the macro story of the year has been the persistence of inflation, the prolongation of high rates and somewhat surprisingly, the relative calm of markets in the face of these forces (as we write equity volatility is at its lowest for the year).

Add to that the rebound in economic activity from the precipice of recession. In that respect, the macro outcome has not been as bad as feared.

The optimistic view heading into 2024 is that inflation continues to ebb lower, bond yields drop back and central banks start to lower interest rates. In that environment, both equities and bonds will do well. Our sense however is that the coast is not yet clear.

The Chinese and European economies are moribund, and the rumblings in the US (and Chinese) property markets are not pleasing. Revenue growth for some of the megacap technology stocks appears to be slowing, not least as the US consumer seems to have exhausted the covid subvention payments.

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**Ireland, which sits between the US and European economies, will hope that a moderation in global interest rates drives a strong technology sector and maintains stability in the housing market.**

The question for the year ahead is whether economic activity in the major economies can achieve escape velocity from the twin burdens of debt and stubbornly high interest rates. In Europe, there is little scope for fiscal stimulus to achieve this, however the strong positive is the health of labour markets. If anything, there is a risk of a second wave of inflation later in 2024.



## The Committee's View

We have started to think about the main investment themes for 2024, and will soon release our five main pointers to how next year might evolve. Prominent amongst these will be the impact of near record levels of debt on governments, households and companies and the very busy electoral schedule across the world. In 2024, voters in countries representing nearly 70% of world GDP will go to the polls.

Chronologically, we highlight Taiwan's presidential election in January (13th), Indonesia in February (14th), Russia on March 17th and India in April. A general election in South Africa will then likely follow. In early June, Europeans go to the polls. An autumn election in the UK looks inevitable and finally, on November 5th, America votes for its next president.

## FINAL WORD

For the time being, we note that the major macro trends for 2024 are intertwined. Indeed, the biggest risk, in our view, is that the prospect of a second Trump presidency triggers a loss of faith by investors in US assets.



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