

Global Economy and Opportunities in 30 minutes

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Today's Discussion

- Global Economic Growth – where it is and how fast the world economy is growing
- The US Dollar and other currencies
- Outlook for Emerging Markets
- China: key risk and an investment opportunity

Global Growth is Still Modest, but Accelerating

Macroeconomic Scorecard

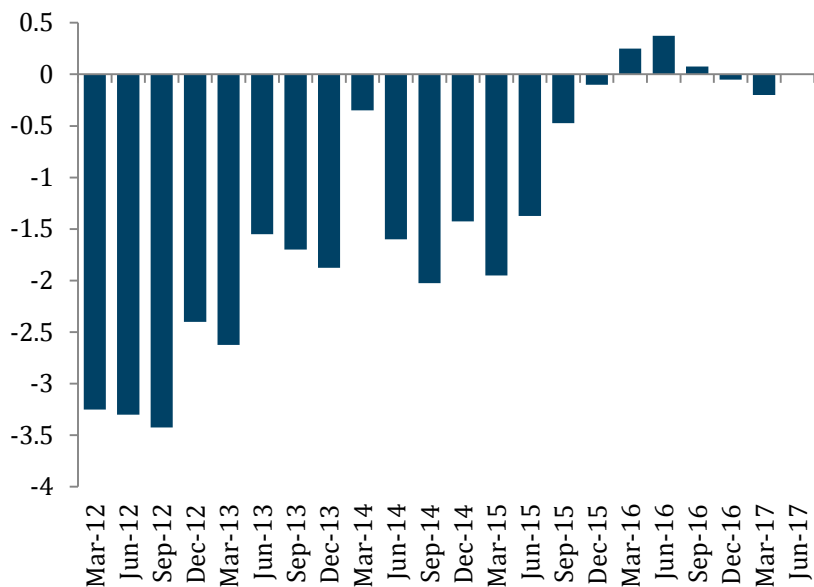
Countries	IP volume, YoY % change			manufacturing PMIs			m. PMIs: orders - inventories			retail sales volume, YoY % change			autos, mn units, AR		
	latest	1-m Δ	3-m Δ	latest	1-m Δ	3-m Δ	latest	1-m Δ	3-m Δ	latest	1-m Δ	3-m Δ	latest	1-m Δ	3-m Δ
DMs	2.7	0.6	0.7	53.9	-0.2	0.0	4.6	0.0	-0.5						
US	1.7	0.5	1.3	53.2	1.2	0.4	1.0	-0.7	-2.6	1.9	-0.4	-0.6	-2.6	-0.5	-1.8
Euro Area	2.5	0.8	1.2	56.8	-0.6	0.1	9.2	0.2	0.9	2.6	0.2	0.9	2.7	-2.8	-5.1
Germany	3.2	1.1	2.8	58.3	-1.3	0.1	12.1	0.3	2.0	2.8	0.4	2.0	0.4	-5.1	-6.2
UK	0.1	-0.9	-3.2	54.3	-2.0	0.3	5.8	-1.6	-3.0	2.3	-0.8	-0.4	-11.0	-4.4	-14.7
Japan	5.2	-0.7	0.8	52.2	-0.4	-0.5	2.5	-1.2	-1.7	2.1	0.5	1.8	11.7	1.6	4.7
Korea	1.3	-0.8	-2.3	50.1	0.9	1.7	1.8	0.6	2.6	1.8	0.1	-0.8	-6.4	-2.7	-9.4
Taiwan	1.5	-1.4	-5.9	53.3	0.2	-2.9	6.5	0.2	1.5						
Canada	4.7	0.9	2.1	54.7	-0.4	-0.8	6.9	-0.5	0.1	5.5	0.9	1.5			
Australia										2.8	0.2	1.1			
EMs	3.8	-0.1	-0.5	50.8	0.3	-0.8	2.3	-0.2	-1.3						
Brazil	0.6	-0.6	-1.2	50.5	-1.5	0.9	7.0	1.0	3.8	0.1	0.5	2.1	9.2	2.5	10.8
China	6.9	0.4	-0.7	50.4	0.8	-0.8	0.6	-0.4	-2.4	9.9	0.3	1.3	-0.9	0.2	-7.7
India	2.8	0.3	0.6	50.9	-0.7	-1.6	5.9	-0.2	-0.8				4.0	-7.1	-7.1
Indonesia	5.6	0.1	1.7	49.5	-1.1	-1.0	1.1	-0.7	-1.3	4.3	0.2	-2.6	-5.2	-12.1	-11.2
Mexico	-0.1	0.1	0.1	52.3	1.1	0.8	1.8	-0.4	0.7	5.1	-0.2	-3.2	-4.8	-8.8	-18.7
Russia	3.0	2.8	3.0	50.3	-2.1	-2.1				0.9	1.0	3.4	12.2	1.9	12.0
S. Africa	-1.4	0.2	-0.4	49.0	-1.2	-1.7				1.1	1.2	0.7	-5.0	-0.5	-7.2
Thailand				50.4	0.7	0.2	1.0	0.1	0.2						
Turkey	4.2	1.9	2.9	54.7	1.2	2.4	8.4	1.7	5.0	1.9	0.5	1.5	-9.4	0.8	-4.7

Data as of June 30, 2017.

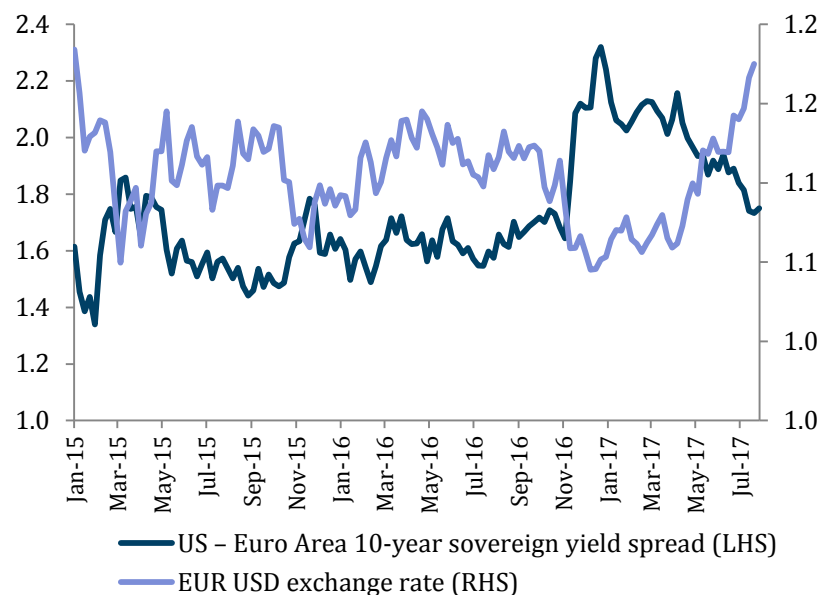
Source: Bloomberg.

Relative Outlook Between the US and the Euro Area has Changed

GDP Growth Differential Euro Area - US GDP, QoQ %, AR



Sovereign Bond Spreads and Bilateral Exchange Rate

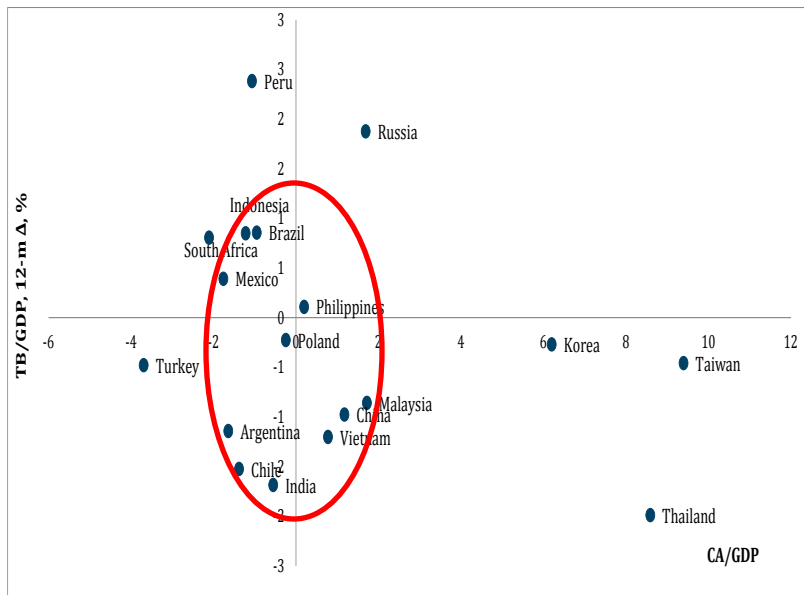


Data as of June 30, 2017.

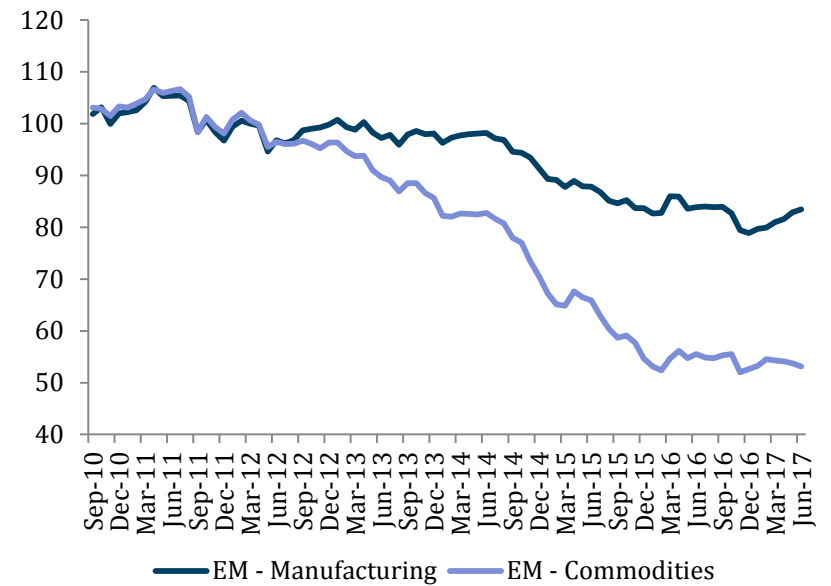
Source: Bloomberg.

Emerging Markets are Well Positioned to Participate

External Imbalances, H1 2017

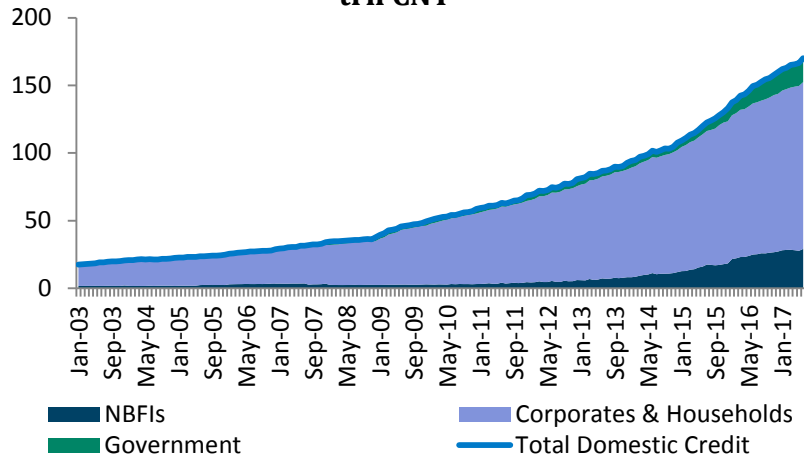


Exchange Rate Against US Dollar Select Country Groups, January 2010=100

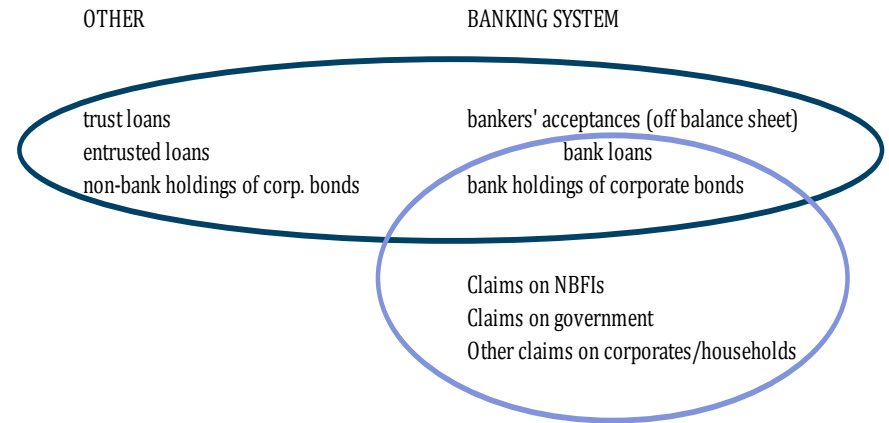


China: First, the Key Concern

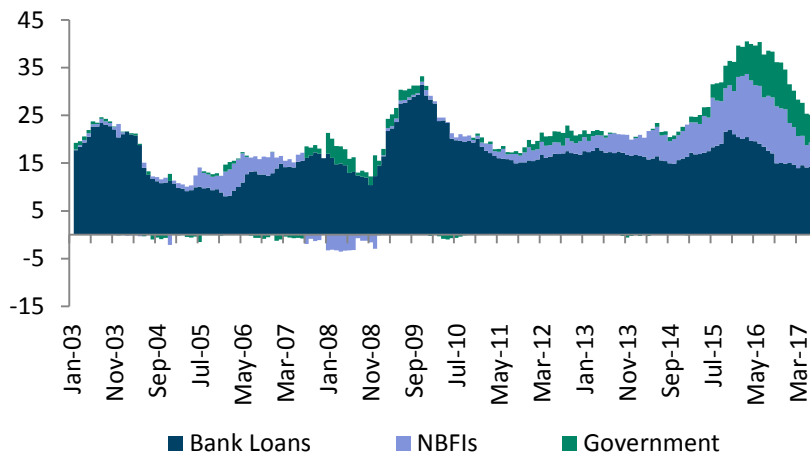
Total Domestic Credit by Borrower trn CNY



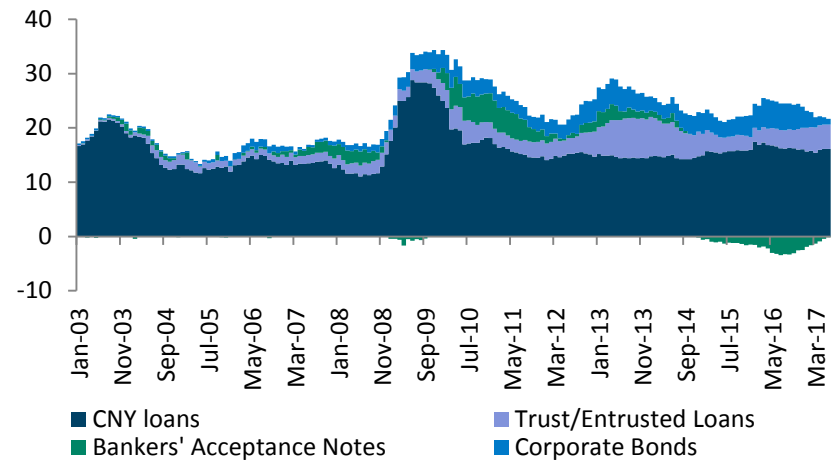
Credit Data by Source



New Credit Flows by Borrower Monthly Change in Bank Claims, % of GDP



New Credit Flows by Category Monthly TSF Flows, % of GDP



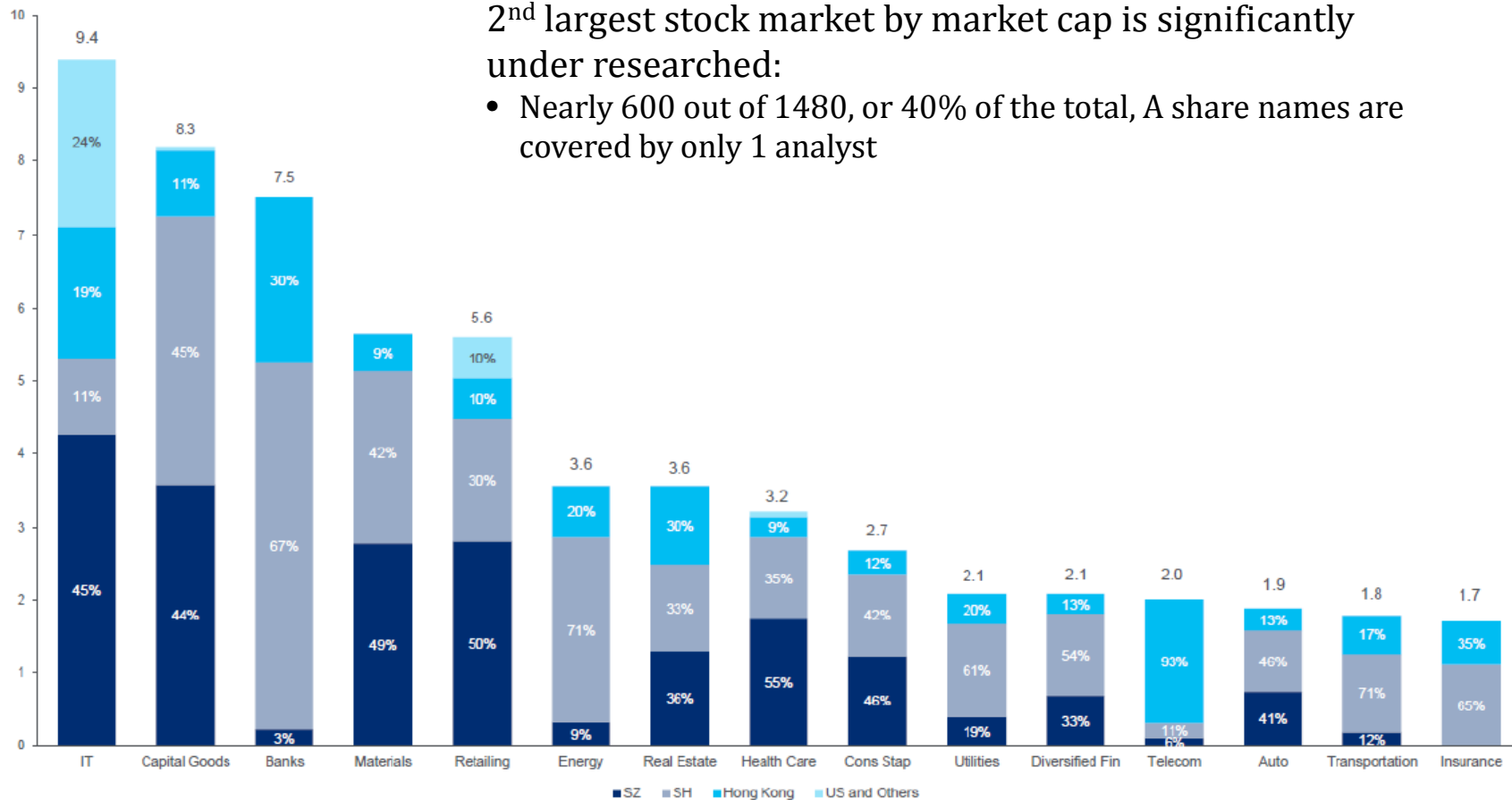
Data as of June 30, 2017.

Source: Bloomberg.

China: The Opportunity in the Shenzhen (and Shanghai) – Hong Kong Connect

RMB61 Trillion (US\$ 9.4 Trillion) Market Value Geographical Distribution By Sector

RMB in Trillion



Data as of March 31, 2017.

Source: Citi.

Key Takeaways

- Growth across the world remains modest – relative to pre-GFC period – but it is accelerating
- Recovery in the Euro Area is well underway
- Growth in China is no longer decelerating
- Current growth differentials and monetary policy outlook suggest that the US dollar is likely to remain at current levels or depreciate further
- Emerging Market economies are well positioned to benefit from current environment of accelerating growth and weak US dollar.
- Within EMs, commodities exporters have fared much worse than manufacturers
- China remains key to global growth outlook
- Financial innovation has stayed well ahead of regulatory oversight. Since H2 2016, the regulators have moved in to curb shadow lending
- Unprecedented opportunity to participate in China's economic growth through Shenzhen Connect

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