

# 2021 Macro Themes

Aerial View

## Behind the Mask: Markets in the Post-Vaccine World

In our *2021 Macro Themes*, we look ahead to the next 12 months and identify six key forces likely to define market activity and economic policy during 2021.

### 1: The US in a Post-Vaccine World

With the US labor force under great pressure, we expect recovery to be slow as a supply-constrained economy experiences bottlenecks. Lower productivity is priced through deeply negative real interest rates.

### 2: Eurozone Fiscal Ghosts

The eurozone's response to the pandemic has slowly but surely taken a pro-growth and investment direction. The NGEU recovery plan, supported by EU-issued bonds, is a sign that the ghosts of austerity may have been laid to rest. European reflation may finally have a chance.

### 3: Circulating Around China's Center

The 14th Five Year Plan has established a 15-year strategy to achieve self-reliance. Inflows will still be welcome, but China's growth plans are for its own ends, and reciprocation to reflate the world is not a priority.



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#### **4: Emerging or Submerging**

We find significant undervaluation in AUD, GBP, JPY, CAD, TRY, RUB, BRL and MXN. Fiscal room and vaccination should be more important, however, supporting China, Mexico, Russia and the euro area.



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#### **5: Duration Spoilers**

Bond volatility is at rock bottom, but risks to long duration positions loom as the economy recovers with the delivery of a vaccine. The Fed might have to move to some form of yield curve control and financial repression.

#### **6: The iFlow Show**

Our positioning and holdings framework show broad desire to sell the USD and buy international equities. Positioning is close to neutral.

*[To access our 2021 Macro Themes, click here](#)*

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