



BNY MELLON

2021 Macro Themes

Aerial View

Mid-Year Update: Bottlenecks Everywhere

In our Mid-Year Update to our *2021 Macro Themes*, we look ahead to the next six months and identify six key forces likely to define market activity and economic policy during the remainder of the year.

1: The US in a Post-Vaccine World

The economy will continue to improve through 2021, setting the stage for the Fed to announce it will taper asset purchases.

2: Eurozone Fiscal Ghosts

As NGEU issuance begins, the speed of implementation of approved fiscal plans – with a green recovery and future at their core – will be essential to sustain asset rotation in favor of the eurozone.

3: Circulating Around China's Center

Despite the government's best intent, "dual circulation" and pushing for stronger household consumption is not the optimal way for the economy to recover. Under the circumstances, the government has had to prioritize manufacturing to continue to take advantage of the surprising resilience in external demand.



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4: Emerging or Submerging

EM flows have been gradually improving despite recent outflows from Chinese government bonds. In our Macro Salon back in April, we discussed fiscal policy divergence in detail. This will likely support EM flows in H2.

5: Duration Spoilers

We experienced a bit of a duration spoiler this past spring, sooner than we imagined. With inflation high on our list of worries for the rest of this year, we expect higher bond market and FX volatility this summer.

6: The iFlow Show

Our positioning and holdings framework show outsized demand for carry, driven by USD selling up until the June FOMC meeting. We worry about a summer unwind of these popular positions.

To access our 2021 Macro Themes Mid-Year Update, [click here](#)

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