



iFlow

VISION

November 29, 2022

2023 Macro Themes

Strong Growth, High Inflation, Weaker USD

Our central scenario for 2023 includes stronger growth and higher inflation than analysts' consensus. We think central banks will be more hawkish than priced, except notably in Australia, China, India, Brazil, and Mexico. We expect flow reversals in global equities and the US dollar, and cross-border outflows from US Treasuries.

Introducing Our Six Macro Themes:

- **The Fed's Magic Number.** US rate hikes to end in Q1 with funds rate at 5%. Inflation-related flows already imply much lower inflation expectations.
- **ECB To Lean Hawkish.** Full TLTRO reduction would cut the ECB's balance sheet 24%. TPI to keep spreads in check. Upside risk to policy rates.
- **China To Circulate.** Nov. 11 was not a normal "singles day": Beijing signaled policy changes to support reopening and consumer spending.
- **Housing – Household Debt Burden Increasing.** Rising interest rates have impacted global housing. We're less concerned about the US market.
- **APAC Reflation With BoJ Help.** Lifting the YCC yield cap by up to 15bp should be the bare minimum, would help strengthen tailwinds for JPY.



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Stepping Back From The Brink Our Six Macro Themes For 2023

In May 2022, our [iFlow Mood](#) gauge of investor sentiment hit its lowest point since the Global Financial Crisis. This was a consequence of outflows from global equities and emerging market assets, as well as unprecedented buying of US short-duration paper. We expect to see various reversals in 2023.

Strong Growth, High Inflation, Weaker USD

Our central scenario for 2023 includes stronger growth and higher inflation than analysts' consensus. We think central banks will be more hawkish than priced, except notably in Australia, China, India, Brazil, and Mexico. We expect flow reversals in global equities and the USD, and cross-border outflows from USIT.

Introducing Our Six Macro Themes:

- **The Fed's Magic Number.** US tightening cycle to end in Q1 with fed funds at 5%. Inflation-related flows already imply much lower inflation expectations.
- **ECB To Lean Hawkish.** Full TLTRO reduction would cut the ECB's balance sheet 24%. TPI to keep spreads in check. Upside risk to policy rates.
- **China To Circulate, Again.** This Nov. 11 was not a normal "singles day": Beijing signaled policy changes to support reopening and consumer spending.
- **Housing – Household Debt Burden Increasing.** Rising interest rates have already impacted global housing. We're less concerned about the US market.
- **APAC Reflation With BoJ Help.** Lifting the YCC yield cap by up to 15bp should be the bare minimum, would help strengthen tailwinds for the JPY.
- **Emerging Markets Flow Revival.** Expect an EM asset sellers' strike: we believe investors will run out of emerging markets financial assets to sell.

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• **Emerging Markets Flow Revival.** Expect an EM asset sellers' strike: we believe investors will run out of emerging markets financial assets to sell.

To access the full report, click on the image above, or [click here](#).

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