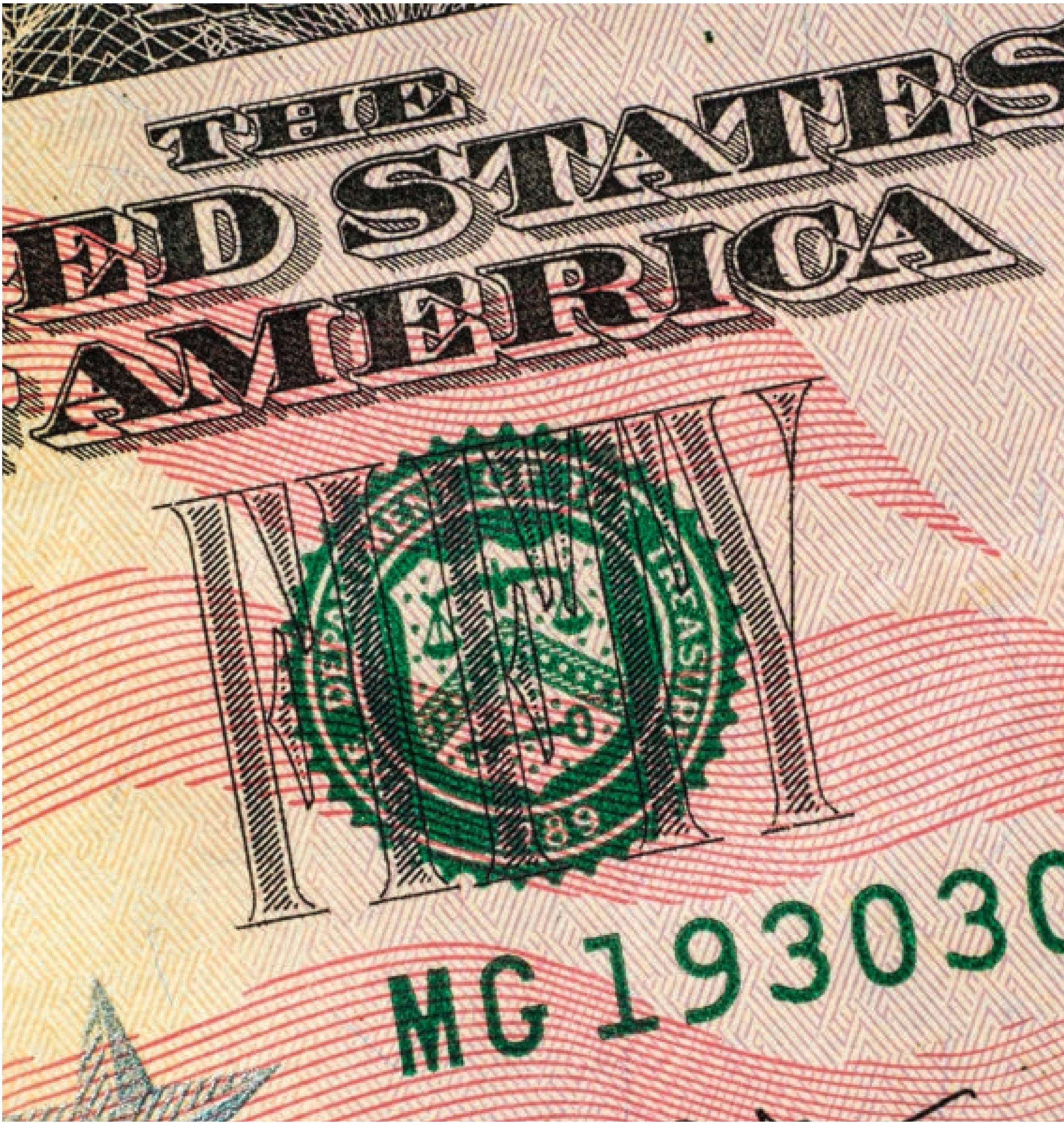


MARKET PERSPECTIVE | NOVEMBER 2024

Must growth disappoint?

Foreword

CONTENTS

You do not have to admire Trump to wonder whether much post-election commentary here in Europe has lost the plot. The result was not that big a surprise. In the narrow, impersonal investment context, a positive stock market response was not irrational, even as tariffs rise, if US business taxes and regulation are indeed about to fall significantly.

As we write, there is still a lot of uncertainty surrounding the new administration's personnel and policies. We will doubtless revisit the new policy agenda in more detail as the inauguration approaches, but in the meantime we wanted to share the following, highly subjective guidelines:

- **Separate the personal from the portfolio.** Trump is a highly idiosyncratic character. However, as investors we should not let our personal feelings affect our financial judgement. Remember, global investment markets are focused on a few key variables – profitability, discount rates, risk appetite – and if these are not affected materially, even the most important political events can seemingly leave them unaffected.
- **Take Trump seriously, not literally.** This is based on an insight from a US journalist in 2016, which we found valuable: Trump's words are not important, but there is substance to what he represents. He seems often not to give much thought to what he says, and to be seeking not debate but attention and reaction; meanwhile, his own attention span can seem short, and his grasp of many facts can seem tenuous. However: he is the only senior Western politician willing to take China to task over its unfair trading; Europe has indeed been free-riding on the US defence budget (arguably for more than a century now); liberals have no answer to the challenge of economically-driven mass migration; and Western establishments are indeed over-confident and complacent.
- **Positive outcomes are possible too.** It is easy to imagine that Armageddon awaits – and it could, of course. But it is also possible: that (for example) Trump's threatened tariffs prove to be a potent negotiating tool, and any practical damage they do to short-term growth is more than offset by reductions in taxation and regulation; that his sheer unpredictability catalyses negotiation and conflict resolution; and that much of what he has said he will do doesn't get done. It is also likely that some of his more provocative appointees don't make it to the inauguration, never mind office.

The graphic below places some of Trump's policies into three categories: those which are economically supportive; those which are restrictive; and others which should be monitored with interest.

Image source: US 50 dollar © Getty Images.

Publication date: November 2024. Values: all data as at 14 November 2024, text as of 18 November 2024.

Sources of charts and tables: Rothschild & Co or Bloomberg unless otherwise stated.

Meanwhile, looking to 2025, global economic risk may be tilting back in the inflationary direction. When the new administration takes office, an even bigger US structural deficit is likely. China's fiscal package may have disappointed local investors, but is significant nonetheless – and maybe unfinished. The new UK government's first budget was firmly pro-cyclical, despite talk of imaginary fiscal 'black holes', while Germany's coalition government has fallen because its proposed budget wasn't.

Of the larger economies, only France seems to be trying to tighten fiscal policy meaningfully. Meanwhile, alongside this fiscal impulse, interest rates are falling – with unemployment still low, business surveys stabilising, and private sector cashflow healthy. For more than two years economists were braced for a material setback which did not occur. Are they about to miss a material upturn?

Many diagnose 'secular stagnation'. We remain sceptical, and in the essays below suggest that three perceived structural constraints on growth – debt, real interest rates and protectionism – may be less binding than feared.

Stronger growth would initially be welcomed by stock markets, and for now, from our top-down perspective, we still prefer stocks to bonds, and the US to most other regions. After the US market's recent run, however, a lot is being taken on trust: valuations there are back at 2021 levels, and this time interest rates are higher. Those rates are falling now, but if reflation looms perhaps they ought not to do so for much longer. Of course, central banks have learned from their mistakes, and are no doubt capable of repeating them exactly.

Kevin Gardiner / Victor Balfour / Anthony Abrahamian
Global Investment Strategists

HEADLINE POLICIES

Economically supportive policies

Tax

Cut corporate income tax rate to 15% from 21%

Extend the individual income tax provisions in the Tax Cuts and Jobs Act 2017 – due to expire in 2025

Reinstate unlimited deduction for State and Local Taxes (SALT)

Deregulation

Renewed ambition to loosen regulation across several sectors, including energy, finance and construction; less constructive, repeal the Inflation Reduction Act

Economically restrictive policies

Immigration

Deporting many of America's 11m illegal immigrant population – potentially reducing the labour force by as much as 4% through expedited removal; also end 'Catch & Release'

Protectionism

'America First': impose 10–20% tariffs on all $3tn imports (from an effective 2% duty today); 60% tariff on Chinese goods (from 19%)

Ban Chinese and foreign of ownership of all US critical infrastructure

Renegotiate United States-Mexico-Canada Agreement

Healthcare
More competition for ACA marketplaces; cuts (and/or consolidation) of federal agencies (e.g. CDD); renewed commitment to bring down drug prices; RFK Jnr. is seeking to 'Make America Healthy Again'

Climate
'Energy dominance' – repealing much of Biden's climate legacy (e.g. rescinding unspent IRA funding) while emphasising fossil fuels; bigger focus on critical minerals

Defense
Settle war in Ukraine; modernise and revive industrial base; reconfigure NATO if allies are unable to commit to more spending

Bitcoin
Build a Strategic Reserve; seek to make US 'crypto capital of the planet'

Source: Rothschild & Co, Bloomberg, FT, BBC

Life after debt

Sixteen years after the Global Financial Crisis (GFC) there is more debt than ever. This is not a surprise. It may not be a big problem.

The world cannot be insolvent. For every borrower there is a lender: total financial liabilities equal total financial assets. This is an obvious point, but when somebody worries that the average human owes (say) $30,000, or that we are borrowing from future generations, they are missing it.

Debt's practical significance is more nuanced than the doomsday narrative (as even the IMF recently recognised). If global borrowing is driven by newly-banked populations investing in businesses and mortgaging new homes it simply reflects prosperity. A wealthier world will likely have a bigger financial balance sheet. There is no 'right' amount of debt.

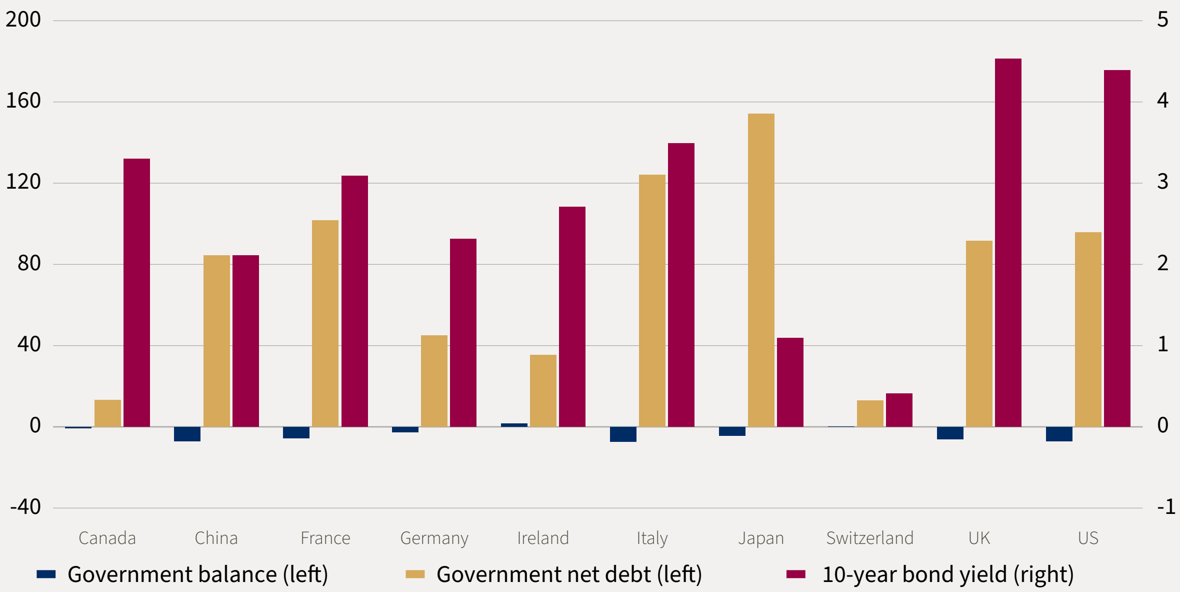
Debt neither adds to, nor subtracts from, total potential demand. Credit creation facilitates short-term growth because borrowers want to spend now while lenders don't. Similarly, credit crunches shrink the economy if loans are called in. But debt is redistributing aggregate spending power, not augmenting or diminishing it.

Debt is not a necessary input, a primary 'factor of production'. Such things are real – natural resources, labour, knowledge, institutions – not financial.

Further nuance comes from the fact that debt and money can be two sides of the same coin, as it were, because the banking system effectively creates deposits when it lends. When credit dries up, liquidity is hoarded, working capital is scarce and business is interrupted – as in 2008/9. But new money can always be created.

FIGURE 1: CURRENT DEBT RATIOS AND BORROWING COSTS

Relative to GDP (%, left); yield (%, right)



Source: Rothschild & Co, Bloomberg, IMF
Note: China data is gross government debt.

The debt debate sometimes focuses on a specific sector – recently, the public sector, whose liabilities have risen fastest since the GFC as governments and central banks have reliquified economies and (more recently) supported consumers and businesses through the pandemic.

Interest was fanned by 'This Time It's Different', a highly influential book published in 2009 by US economists Reinhart and Rogoff, noting the historical ubiquity of financial crises and (public) default. Unfortunately, their later, more prescriptive analysis, claiming to identify threshold debt ratios beyond which growth takes a hit, fell foul of calculational and interpretative errors, and events.

Government debt ratios do vary hugely across countries and time, but do not always significantly retard prosperity or raise borrowing costs, at least for the countries of most interest to investors (figure 1). Germany and Switzerland are prosperous low-debt countries with low borrowing costs, but debt ratios in other prosperous countries vary hugely, and show little obvious correlation with their borrowing costs.

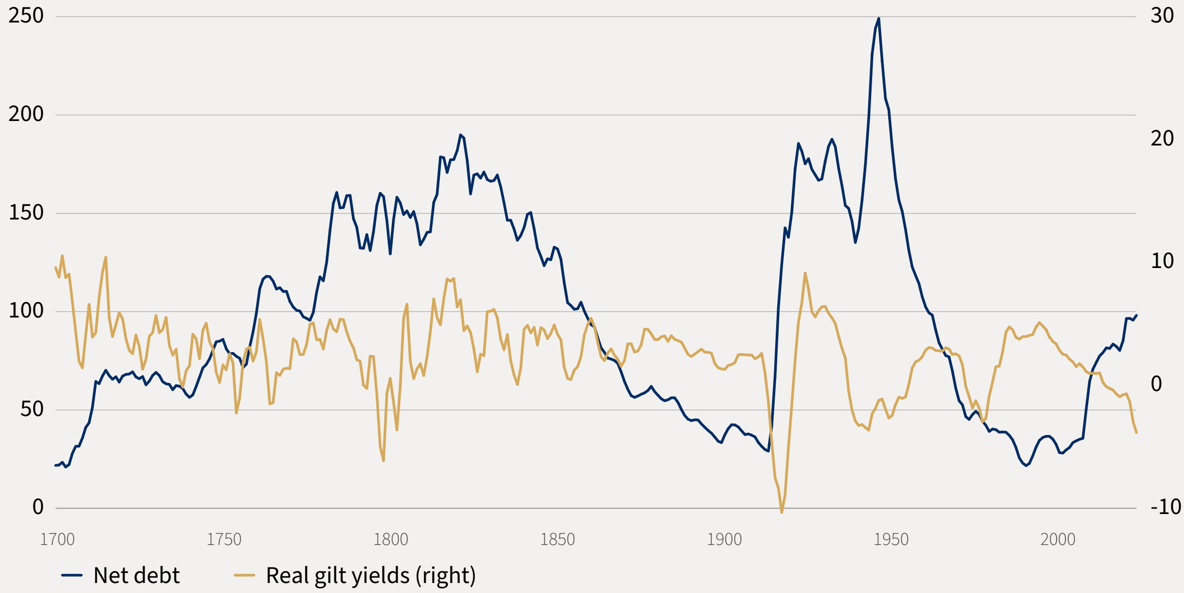
Government borrowing in the US is especially topical, and the new president's plans seem set to boost the deficit further (revenues from tariffs won't pay for many tax cuts).

However, here we find yet another nuance. US government bonds, with the dollar, are seen by global investors as 'safe havens'. This status has survived all sorts of shenanigans with debt ceilings, government shutdowns and credit downgrades. Meanwhile, in extremis – which is what it sometimes seems likely to require – the US could lift government revenue by five percentage points of GDP and still be a low-tax economy. In practice, this all means that while US federal borrowing does influence yields, it does not do so systematically or (yet) drastically.

Government debt is also highly topical and emotive here in Europe. A small amount of it has just brought down the coalition government in Germany, and it has tied the new UK government into all sorts of presentational knots. But again, while yields do often react to borrowing news – most obviously in the UK after the Truss Budget in September 2022 – the movements are generally small compared to those routinely delivered by the business cycle (which has seen 10-year bund and gilt yields rise by 3.25 and 4.5 percentage points from their 2020 lows).

FIGURE 2: UK DEBT AND GILT YIELDS

Relative to GDP (%, left); real yield (7-year moving average, %, right)



Source: Rothschild & Co, Datastream, Bank of England

There is a lot of historic data available in the UK, where the naked eye can see no long-term link between government debt and borrowing costs (figure 2). This could reflect omitted variable bias, but debt doomsters do not consider such subtleties.

If you are going to focus on one sector only, arguably it should be the household sector (figure 3). Consumers are the economy's ultimate owners (even if they don't know it). For the US, their identified (yet another nuance) net worth is resoundingly positive, at almost six times GDP, and swamps their government's international borrowing (less than one-third of GDP).

All this is not just academic. People do believe strongly there is simply 'too much' debt, and that growth must stop as a result. If you thought the world was somehow insolvent in 2008/9, you would at no point since have felt reassured – on the contrary, you'd be even more worried now.

But if in 2008/9 you'd seen not a fundamentally-flawed global economy, but one subject to periodic monetary over-exuberance (still reprehensible of course) and atonement, you'd have felt better able subsequently to participate in what turned out to be a profitable investment cycle (or, if you were in government, to borrow for socially-useful projects). Reckless borrowing is bad, but so too is an obsession with debt.

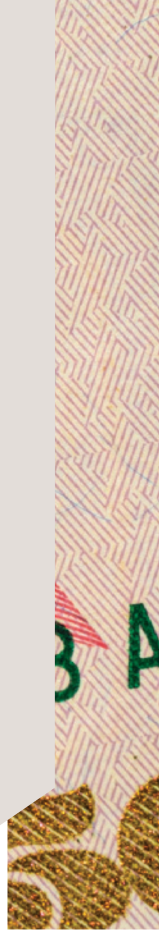
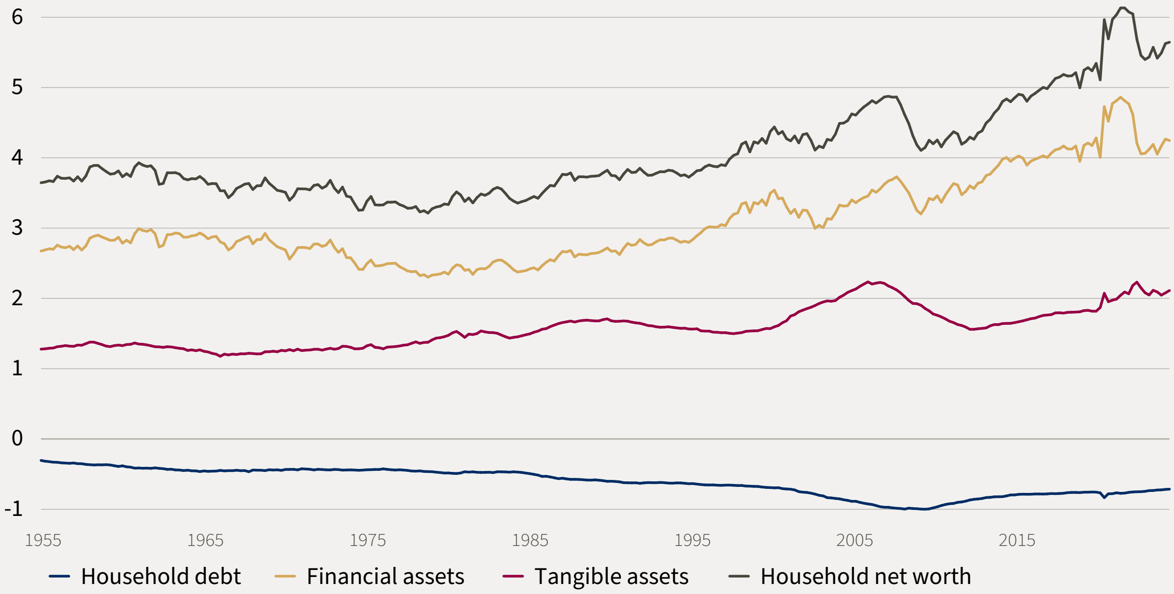


FIGURE 3: US HOUSEHOLD NET WORTH

Relative to US GDP (x)



Source: Rothschild & Co, Datastream, Federal Reserve

Living with higher interest rates

After one of the sharpest tightening cycles on record, we are now witnessing one of the most pronounced easing cycles. The major Western central banks – emboldened by their seeming success in tackling inflation – are allowing interest rates to fall, albeit at different speeds and with varying levels of conviction (figure 4).

But it might be a little too soon for them – and investors – to fully relax: disinflation seems to be stalling and bond markets have recently been registering rising inflation risk. With the prospect of fiscal policy being loosened on both sides of the Atlantic, and US tariffs set to rise, near-term inflation risk has not gone away. It's possible that a wider rethink on interest rates may lie ahead: bigger real rates may be needed to retain monetary credibility.

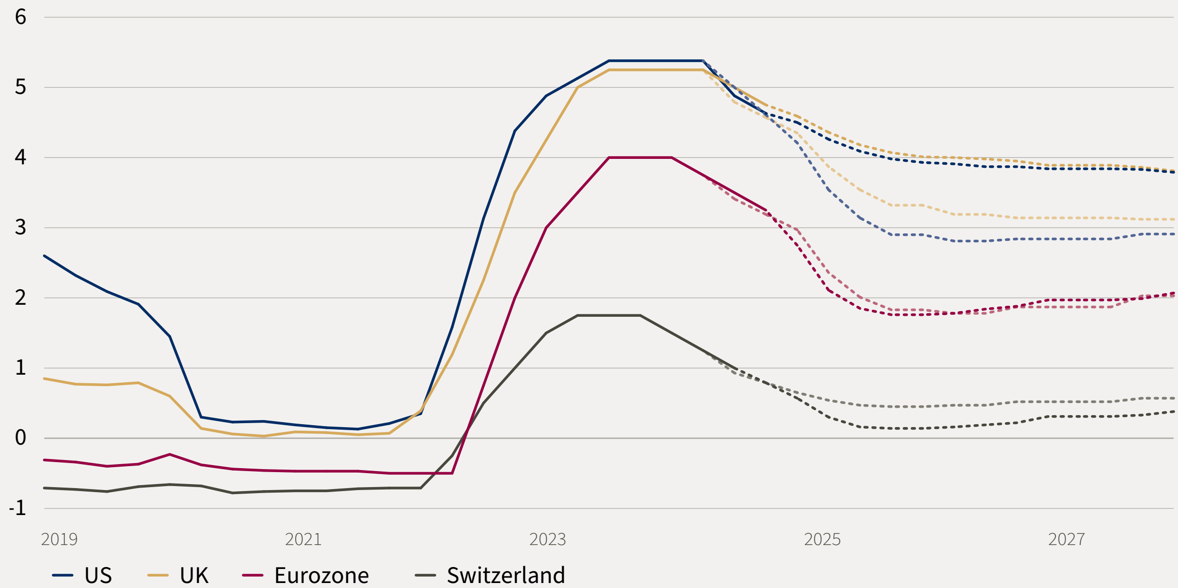
If so, could the level of interest rates be another constraint on growth?

MALIGN RATE CYCLE; BENIGN ECONOMIC CYCLE

This has been an unusual tightening cycle in many ways – not only in terms of the underlying inflation dynamics, but also the shape and speed of the policy response. The average developed market central bank raised interest rates by close to 4.5 percentage points over the past couple of years, with the absolute level of interest rates peaking a little above 5% (on a GDP-weighted basis).

FIGURE 4: ACTUAL (BOLD) AND MARKET-IMPLIED (DOTTED) POLICY RATES

Latest estimates relative to two months ago (%)



Source: Rothschild & Co, Bloomberg
Note: Darker (lighter) dotted lines represent latest (two months ago) market pricing.

Remarkably, tighter policy hasn't seemed to inflict much economic pain – there have been few (if any) economy-wide cracks that suggest growth is going into reverse. There have been some pockets of indigestion within the bank and real estate sectors, and many point to the fabled 'long and variable lags' between higher interest rates and the real economy. But two and a half years into this cycle – and with interest rates now on the way back down – labour markets still remain tight, consumers continue to spend and corporate defaults have started to recede (having peaked at relatively low levels).

This might reflect the workings of fixed rate mortgages, or the extended maturity profile of corporate debt perhaps – or simply the fact that monetary policy was remarkably loose to begin with: the higher levels of interest rates recently have effectively been what we used to consider 'normal'.

It isn't a huge surprise that economies haven't had to go into reverse to bring inflation down. If inflation is partly caused by constrained supply – not just by too much spending – then it can subside without as much damage to growth. Economies don't need to shrink to create some renewed spare capacity – they need only grow more slowly than their productive potential, and if supply constraints ease, capacity becomes available.

Of course, demand needs to be managed too, and the recent inflation cycle was caused both by deficient supply and excessive demand. If rates are allowed to fall too fast now, then spare capacity (the so-called 'output gap') may eventually be used up and inflationary pressures will rebuild.

R-STAR GAZING

We saw above that there is no 'right' level for debt. Does the same apply to rates? Alternatively, after such a long period of abnormally low – and now, briefly, higher – rates, is there a happy mean at which they might eventually settle?

As noted, on longer-term comparisons, today's interest rates are distinctly unremarkable. And whereas we are agnostic on debt levels, we do often talk of 'fair value' for interest rates – at 4–5% for the US and UK, and 3–4% for the eurozone, close to where rates have been of late.

These notions of fair value are not plucked completely from thin air – and they might, in theory, owe something to the notion of debt. While there may be no right level for the latter, one way of gauging when growth in debt might be becoming problematic is to compare that growth with the nominal rate of growth of the economy. Debt-to-GDP ratios do vary hugely over time and across countries, as we showed above, but stability in such ratios – with debt growing in line with nominal GDP – might reassure even the most pessimistic economist. And if interest rates are in line with that growth rate they will be making their contribution at least to a more stable world.

On longer-term comparisons, today's interest rates are distinctly unremarkable

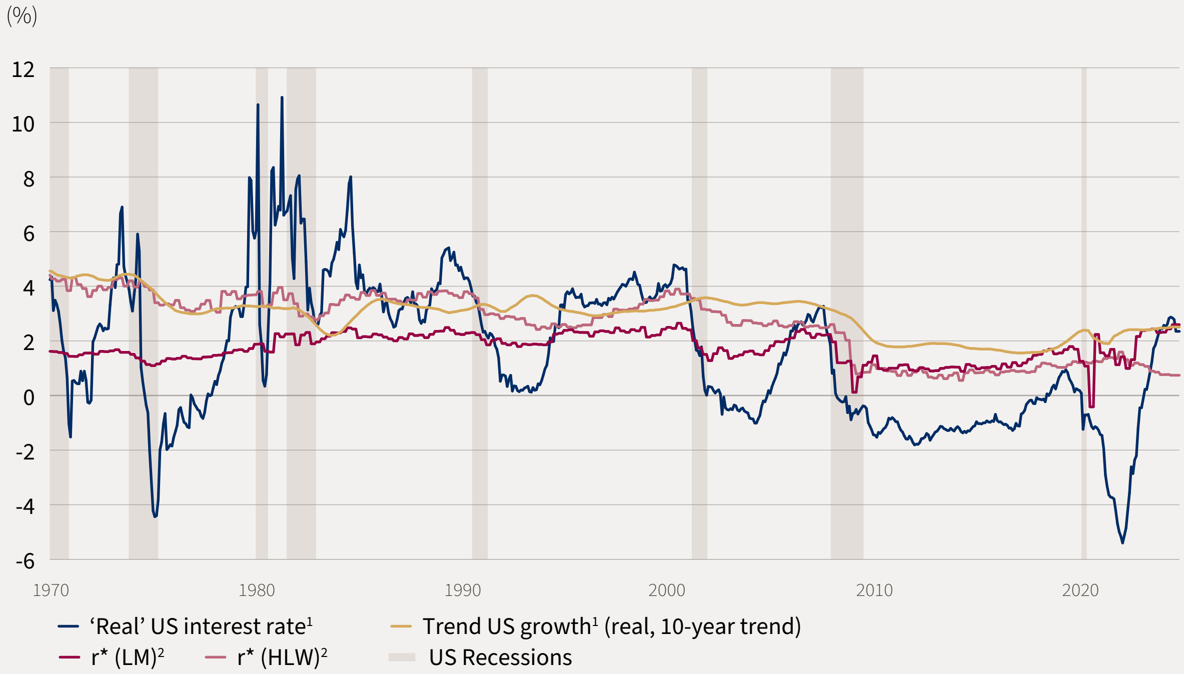
Hence the literature often cites the trend rate of growth in nominal GDP – the sum of inflation and output growth – as a neutral or 'fair' level of interest rates. Such rates do their bit to ensure that balance sheets remain proportionate to the economy.

Such a rule of thumb has actually worked as well as anything in the post-WWII period. In both the US and UK, the two biggest economies for which a long run of consistent data is available, long-term interest rates over the 1955-2005 period were within one percentage point of the average growth in nominal GDP. Whether this is coincidence, rather than causation, is moot: as noted above, there is little short-term correlation between debt levels and bond yields over time and across countries. Nonetheless, it's as plausible a line in the sand as any. On this view, normal service was interrupted with the GFC and then the pandemic, but is perhaps now re-asserting itself.

Of course, trends in nominal GDP are themselves hardly fixed in stone, and what applied after WWII may not be valid now. With inflation these days targeted at 2%, and real growth potential perhaps close to 2% (in the US and UK at least), the lower half of that 4-5% range might be more appropriate.

The notion of a fair, neutral or 'natural' level of interest features understandably in the shorter-term musings of academic economists and central bankers of late. The debate focuses on 'R-star', an attempt to gauge a real (inflation-adjusted) short-term interest rate that is neither expansionary nor contractionary. Inevitably, it is not directly observable, but has to be inferred from wider economic trends and relationships, which is why it has been of limited use in calibrating policy. In our simple, longer-term rule of thumb, R-star will match the trend rate of real GDP growth, but central bank models are more complicated than this. Two are shown in the chart, alongside a shorter-term moving average for trend real GDP growth (figure 5).

FIGURE 5: US ESTIMATES OF THE 'NATURAL RATE' OF INTEREST



Source: Rothschild & Co, Bloomberg, NBER, FRED

Note: 1. 'Real' US interest rates reflects the Federal Funds rate less the trend (5-year moving average) in the core PCE deflator; Trend US growth reflect 10-year moving average of real GDP growth.

2. The HLW (Holston-Laubach-Williams) estimate is a semi-structural model that removes short-run business cycle fluctuations through a trend/cycle decomposition and attributes changes in the natural rate to trend output growth and a residual that captures other potential drivers. The LM (Lubik Matthes) is a time series model that comprises inflation, real output growth and the short-term real interest rate.

Estimates of R-star have been falling in recent years (the Bank of England[3] suggests that real interest rates have in fact been trending lower for several centuries, though this of course has not applied to real GDP growth over that period – suggesting that on a very long term view either the data, and/or our rule of thumb, or both, are questionable). Much of this recent decline has been attributed to the 'secular stagnation' noted above. It gained more momentum in the post-financial crisis epoch: supposedly record lows in interest rates in the last cycle reflected the fact that economies had simply gone 'ex growth'. The economic scarring from that episode was acute and it's possible that the R-star models – and expectations about future growth – were reflecting where we've been and not where we are headed.

However, some more recent estimates of R-star have been moving higher – currently in the 1% to 2.5% range (3%–4.5% nominal). Cynics will suggest that this simply reflects the recent rebound in actual rates, but there are also other reasons for thinking that a higher level of real rates may be the 'new normal' (or new old normal perhaps) equilibrium state. Long-term changes around increasing capital intensiveness, not just in technology, but also the wider climate transition and efforts to decarbonise, suggest we might be moving away from a world in which the motive to save dominates towards one in which higher investment leads growth.

Whatever the exact drivers of interest rates – it is one of the great inconveniences for economists that those drivers cannot be determined and demonstrated decisively – we think it is quite likely that the interest rates of the last decade were the exception, not the rule, and so today's levels need not pose an ongoing threat to growth. Indeed, if the growth-led model of fair value or R-star is right, then it is the economy which ultimately shapes interest rates, not vice versa.

[3] *Eight centuries of global real interest rates, R-G, and the 'suprasecular' decline, 1311–2018, Bank of England, 3 January 2020*

Growth and protectionism

Falling trade barriers arguably helped to foster economic prosperity in the post-war world.

The free flow of trade, capital, people, technology, cultures and ideas has given us more choice and competition, benefiting customers, businesses and workers. Moreover, it has contributed to the disinflationary trends of recent decades.

More recently, however, the world has experienced a wave of supply-side disruptions, including a pandemic and wars in Europe and the Middle East. Trade tensions revived after 2016 and are now set to escalate further. Is protectionism now a major obstacle to global growth?

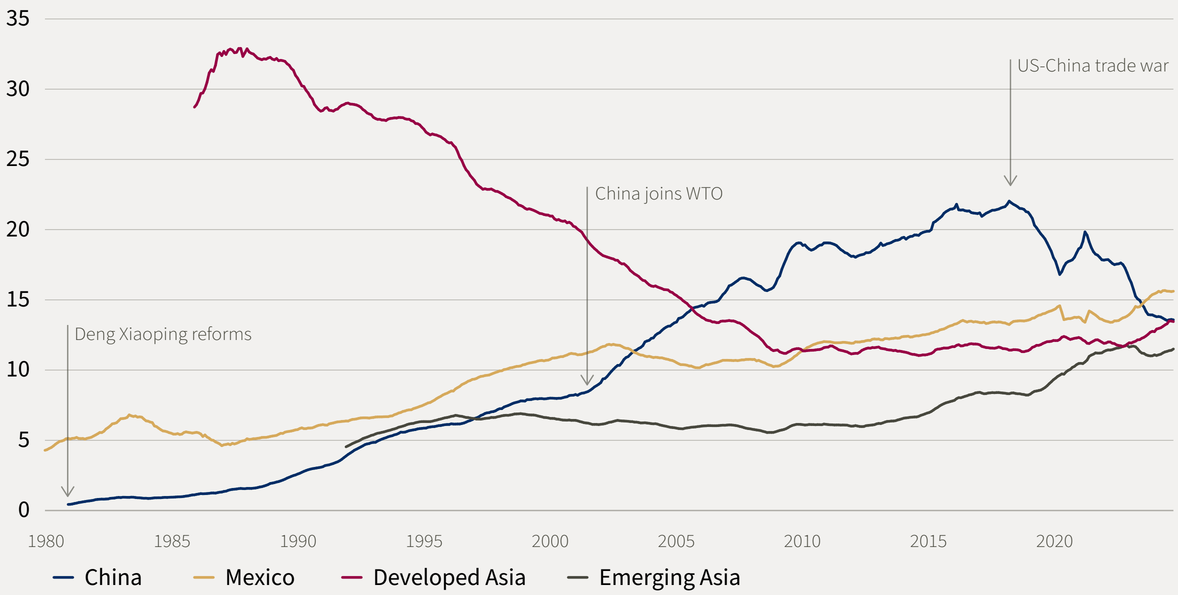
PROTECTIONISM *WAS* THE NORM

The world was indeed less open before the second half of the 20th century. Tariffs – a tax on imports – and other barriers were commonly used to 'protect' domestic producers. However, that protection was often counterproductive.

The Corn Laws were a notable example during the first half of the 19th century, when the UK introduced tariffs on grain to protect its farmers (and landowners) against a glut from abroad. The higher food prices which resulted – particularly during periods of poor harvest – hit household disposable incomes and reduced spending on key sectors such as manufacturing, more than offsetting the benefits to domestic farmers.

FIGURE 6: US GOODS IMPORTS BY REGION

Total import share (12-month moving average, USD, %)



Source: Rothschild & Co, Datastream, US Census Bureau, author's calculations
Note: Developed Asia refers to Japan, Singapore, South Korea and Taiwan. Emerging Asia refers to India, Indonesia, Malaysia, Myanmar, the Philippines, Thailand and Vietnam.

A century later, on the other side of the Atlantic, the Smoot-Hawley Act of 1930 at the onset of the Great Depression was supposed to protect US industry. Instead, retaliatory tariffs from the US's major trading partners – 'beggar-thy-neighbour' policies – likely prolonged the downturn.

Nonetheless, the General Agreement on Tariffs and Trade (GATT) in 1947, and subsequently the World Trade Organisation (WTO) from 1995, lowered barriers to trade on both goods (under GATT) and eventually services. Together with innovations in shipping (such as the adoption of the standardised 40-foot shipping container), and, momentously, China's joining of the WTO in late 2001, this led to a surge in trade and capital mobility: 'globalisation'.

FEW SIGNS OF 'DEGLOBALISATION' TODAY

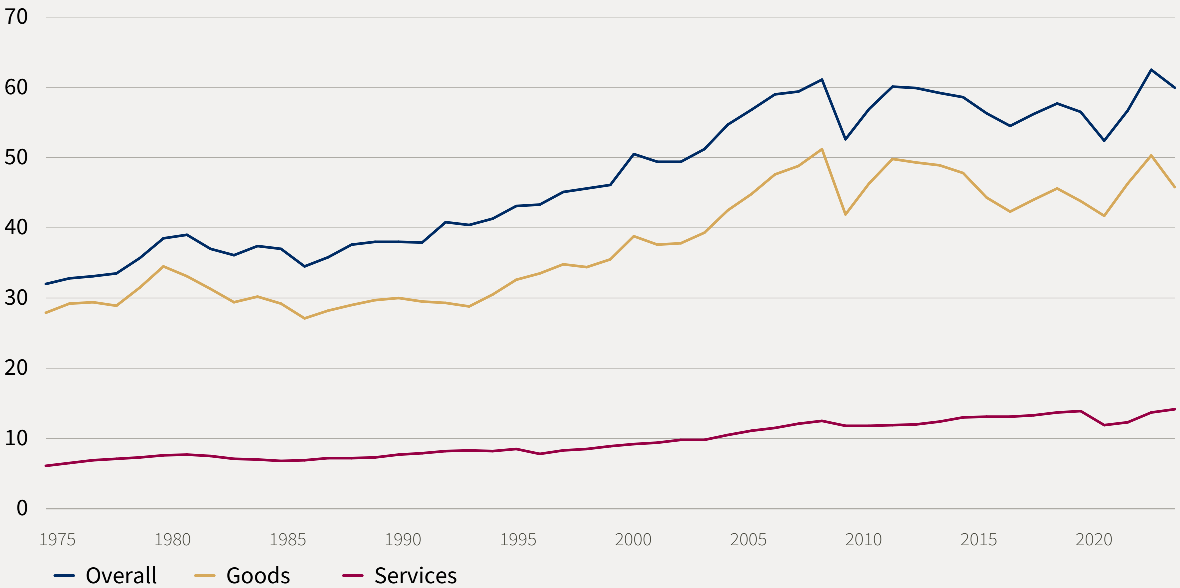
A backlash began to emerge as some pundits and politicians argued that globalisation was to blame for a decline in Western manufacturing employment. The 'deglobalisation' debate intensified during the pandemic, as trade was interrupted by the health emergency, and supply chains were stretched and broken. Western consumers found themselves considering whether they could do without such trade after all.

The extent of deglobalisation is easily overstated. Nonetheless, the US's import share from China has been in decline since trade tensions revived in earnest in 2018, with nearby emerging Asian countries and Mexico benefitting (figure 6). Supply chains may actually have become longer as a result, with more *indirect* linkages between the US and China. Intermediate goods may be exported from China to nearby countries, where the final product is assembled, then re-exported to the US. A re-shuffling of supply chains – rather than re-shoring – seems to have occurred.

In fact, while world trade in goods and services relative to GDP – one way of gauging globalisation – has flatlined for more than a decade now, it has done so at historically elevated levels, and actually touched a short-lived record high in 2022 (figure 7). It may yet test new highs this year, as visible trade volumes regain more momentum alongside resilient GDP.

FIGURE 7: WORLD TRADE IN GOODS AND SERVICES

Relative to GDP (%)



Source: Rothschild & Co, Datastream, World Bank, author's calculations
Note: 2023 'overall' datapoint is an estimate.

THE BRICS: A FALSE DAWN

The BRIC grouping (Brazil, Russia, India and China) was coined by economist Jim O'Neill in 2001. The prediction was that these emerging economies would soon account for a much greater share of global GDP in future (figure 8).

Their political leaders followed the marketing literature when they held an inaugural summit in 2009 – South Africa joined in 2010, creating the 'BRICS' bloc – and the group has since broadened to include Egypt, Ethiopia, Iran, and the United Arab Emirates. However, while their global GDP share has grown – largely due to China – they have made little progress on deviating away from the West. As an investment theme, it has been a huge disappointment, with the bloc – including China – underperforming the US dramatically in common currency terms.

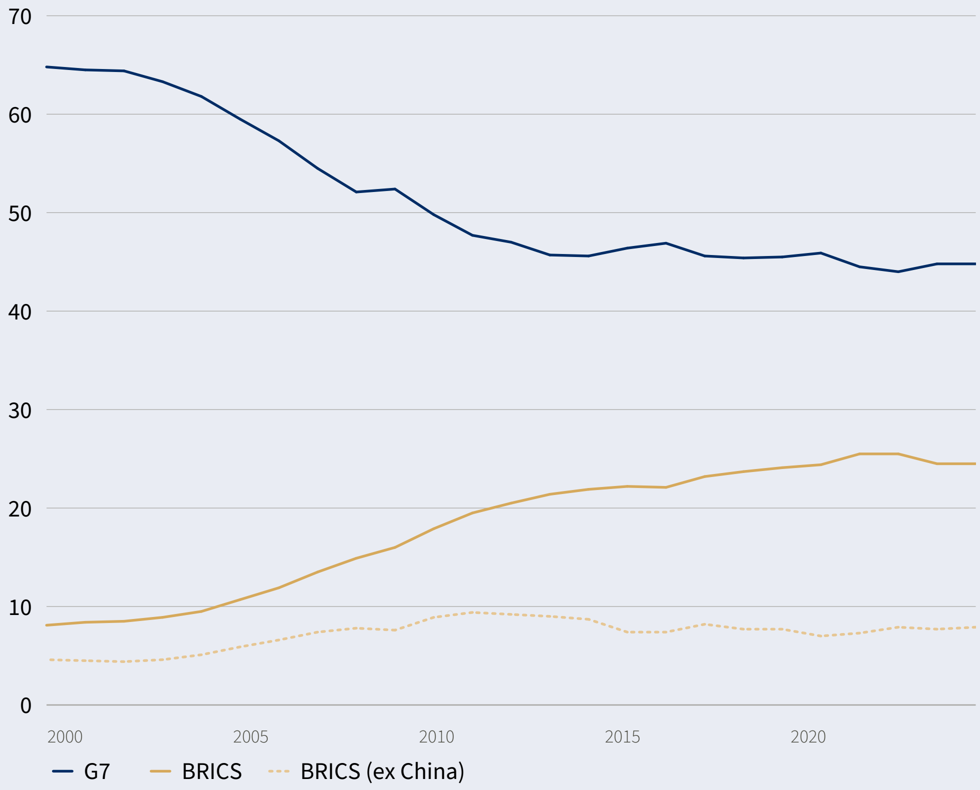
The countries concerned have little in common. Each has different product ranges, governance standards, and relations with the West. There are tensions within the bloc: ongoing clashes on the Sino-Indian border, for example.

There has also been no material progress on 'de-dollarisation' – as last month's highly publicised summit again confirmed. The idea of a shared currency was never realistic to begin with, and focus is shifting to settling cross-border payments in local currencies. More widely, few emerging economies – other than their direct trading partners – want to be paid in Russian ruble or even Chinese renminbi, particularly when they have USD-denominated debt. The dollar is still in demand at times of crisis – most recently, Brazil needed to join the Federal Reserve's emergency dollar-denominated swap lines in the pandemic.

The BRICS story was a good one, but had little grounding in objective economics. The most important bloc in the global economy remains the US household sector…

FIGURE 8: GLOBAL GDP SHARE

USD terms (%)



Source: Rothschild & Co, Bloomberg, IMF
Note: G7 includes Canada, France, Germany, Italy, Japan, UK and US. BRICS includes Brazil, Russia, India, China, South Africa.

THE ELEPHANT IN THE ROOM: TRUMP 2.0

> *"Countries that run consistently large surpluses are the protectionists in the global economy. Others, like the US, that run perennial huge trade deficits are the victims… The problem is … the predatory industrial policies."*
>
> Robert Lighthizer, former US trade representative (2017–21), *Financial Times* article, 1st November 2024.

The return of Donald Trump means the world's most important economy is about to shift in a more protectionist direction – again.

The 47th US President has failed to acknowledge that the US trade deficit is mostly driven by strong domestic demand, not just competitiveness. He has talked of a 60% tariff on all Chinese goods, and 20% on other countries' goods imports. The effective US tariff rate – duties collected relative to total imports – could rise above 25%, the highest in more than a hundred years (figure 9).

The hit to growth and inflation (in the short term) could be big. Importers might look for alternatives to China – production is shifting to nearby countries anyway, as noted – but the blanket tariff would of course apply.

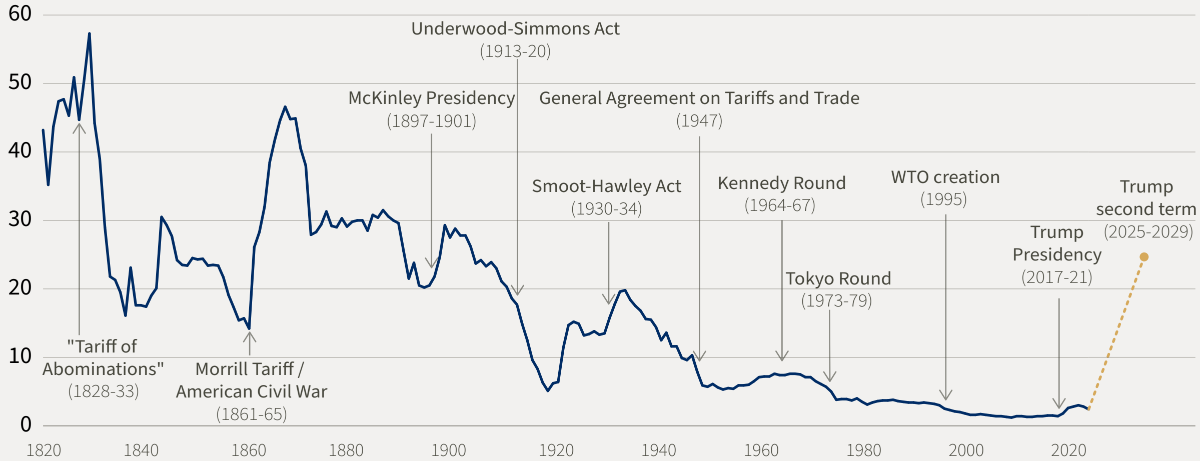
However, Trump may be using the threat of tariffs as a bargaining chip. In 2019, he threatened (up to) a 25% tariff rate on all goods imports from Mexico, a major trade partner. But that tariff never materialised. Instead, he struck a border deal. Scott Bessent – one possible candidate for Treasury Secretary – has suggested that tariffs are in fact a negotiating tool.

Parts of Europe may be affected. Notably, Germany appears exposed due to its large visible trade surplus vis-à-vis the US. However, not all European countries are running a visible trade surplus with the US (the UK isn't, for example). And some other surplus countries – such as Saudi Arabia – only have a modest one with the US.

For all the understandable concern when Trump raised tariffs in his first term, the effective increase barely registers on the scale (figure 9 again). Trump's proposals are scarier this time around, but China knows that he still has a point (it is indeed the most protected economy to begin with). Meanwhile, world trade will continue to be driven by many variables – not just the ebb and flow of protection. If US domestic demand were to receive a boost from tax cuts, for example, imports would get some support – even those from China. And for all Trump's rhetoric, total US imports of goods and services still amount to just 14% of total domestic spending – before tariffs.

FIGURE 9: A 200-YEAR HISTORY OF US TARIFFS

Effective US tariff rate on total merchandise imports (1821–2023, %)

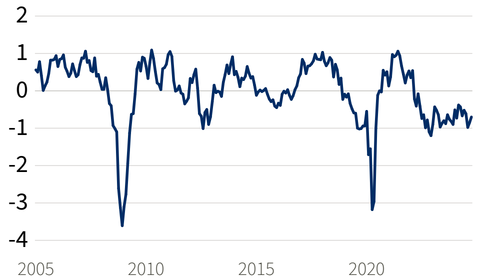


Source: Rothschild & Co, U.S. International Trade Commission, U.S. Census Bureau, author's calculations
Note: Effective tariff rate is defined as duties collected relative to total imports. The 'Trump second term' label is an upper-bound forecast which assumes a 20% tariff on all goods imports and a 60% tariff on all goods imports from China.

Economy and markets: background

GROWTH: MAJOR ECONOMIES

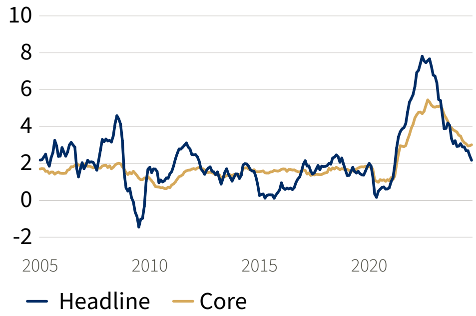
Business optimism: standard deviations from trend



Source: Bloomberg, Rothschild & Co
Composite of the forward-looking components of manufacturing surveys from China, Germany, Japan, UK and US loosely weighted by GDP

G7 INFLATION

Year-over-year (%)



Source: OECD, Bloomberg, Rothschild & Co

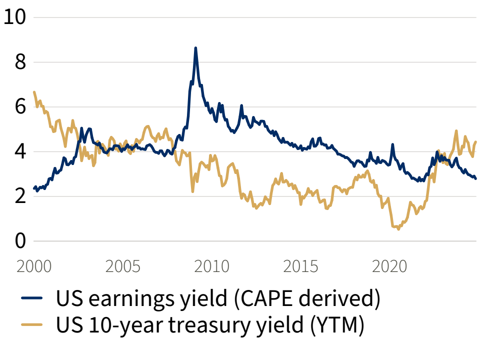
DEVELOPED MARKET STOCKS AND GOVERNMENT BOND RETURNS

Relative returns since 2005 (%)

Source: MSCI, Bank of America Merrill Lynch, Bloomberg, Rothschild & Co

STOCKS/BONDS — RELATIVE VALUATIONS

(%)



Source: MSCI, Datastream, Bloomberg, Rothschild & Co

EQUITIES

MSCI indices, USD terms

	1M (%)	YTD (%)
Global	-0.6	18.7
US	1.8	25.8
Europe ex UK & Switzerland	-6.8	2.9
UK	-5.1	7.5
Switzerland	-6.7	1.4
Japan	-4.1	5.7
Pacific ex Japan	-3.1	8.4
EM Asia	-7.4	11.9
EM ex Asia	-3.2	-4.7

FIXED INCOME

Current yields and returns, local currency terms

	YIELD	1M (%)	YTD (%)
Global Govt (hdg, USD)	3.19	-0.5	2.4
Global IG (hdg, USD)	4.70	-0.7	3.6
Global HY (hdg, USD)	7.34	0.8	10.2
US 10 Yr	4.44	-2.3	-0.4
German 10 Yr	2.34	-0.4	-0.2
UK 10 Yr	4.48	-1.5	-3.1
Swiss 10 Yr	0.40	0.9	3.2

CURRENCIES

JP Morgan Trade-Weighted Nominal Effective Exchange Rates

	1M (%)	YTD (%)
US Dollar	3.2	6.6
Euro	-1.0	0.0
Pound Sterling	-0.2	4.2
Swiss Franc	-0.7	-1.3

COMMODITIES

	LEVEL	1M (%)	YTD (%)
Gold (USD)	2565	-3.2	24.3
Brent Crude (USD)	73	-6.3	-5.8
Gas (EUR)	46	14.0	42.9

Chart data as of 14 November 2024. Table data as of 14 November 2024.

Past performance should not be taken as a guide to future performance.

Table sources: Bloomberg, Rothschild & Co

Important information

This document is produced by Rothschild & Co Wealth Management UK Limited. This document is distributed by Rothschild & Co Bank AG for information and marketing purposes only and for the sole use of the recipient. Save as specifically agreed in writing by Rothschild & Co Wealth Management UK Limited and Rothschild & Co Bank AG, this document must not be copied, reproduced, distributed or passed, in whole or part, to any other person. This document does not constitute a personal recommendation or an offer or invitation to buy or sell securities or any other banking or investment product. Nothing in this document constitutes legal, accounting or tax advice.

The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your original investment. Past performance should not be taken as a guide to future performance. Investing for return involves the acceptance of risk: performance aspirations are not and cannot be guaranteed. Should you change your outlook concerning your investment objectives and/or your risk and return tolerance(s), please contact your client adviser. Where an investment involves exposure to a foreign currency, changes in rates of exchange may cause the value of the investment, and the income from it, to go up or down. Income may be produced at the expense of capital returns. Portfolio returns will be considered on a "total return" basis meaning returns are derived from both capital appreciation or depreciation as reflected in the prices of your portfolio's investments and from income received from them by way of dividends and coupons. Holdings in example or real discretionary portfolios shown herein are detailed for illustrative purposes only and are subject to change without notice. As with the rest of this document, they must not be considered as a solicitation or recommendation for separate investment.

Although the information and data herein are obtained from sources believed to be reliable, no representation or warranty, expressed or implied, is or will be made and, save in the case of fraud, no responsibility or liability is or will be accepted by Rothschild & Co Wealth Management UK Limited or Rothschild & Co Bank AG as to or in relation to the fairness, accuracy or completeness of this document or the information forming the basis of this document or for any reliance placed on this document by any person whatsoever. In particular, no representation or warranty is given as to the achievement or reasonableness of any future projections, targets, estimates or forecasts contained in this document. Furthermore, all opinions and data used in this document are subject to change without prior notice.

Where data in this presentation are source: MSCI, we are required as a condition of usage to advise you that: "Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent."

This document is distributed in Switzerland by Rothschild & Co Bank AG. Law or other regulation may restrict the distribution of this document in certain jurisdictions. Accordingly, recipients of this document should inform themselves about and observe all applicable legal and regulatory requirements. For the avoidance of doubt, neither this document nor any copy thereof may be sent to or taken into the United States or distributed in the United States or to a US person. References in this document to Rothschild & Co are to any of the various companies in the Rothschild & Co Continuation Holdings AG group operating/trading under the name "Rothschild & Co" and not necessarily to any specific Rothschild & Co company. If you have any questions on this document, your portfolio or any elements of our services, please contact your client adviser.

Rothschild & Co Wealth Management UK Limited. Registered in England No 04416252. Registered office: New Court, St Swithin's Lane, London, EC4N 8AL. Authorised and regulated by the Financial Conduct Authority. Rothschild & Co Bank AG. Registered office: Zollikerstrasse 181, 8034 Zurich, Switzerland. Authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).