Global Macro Outlook

Summer of political heat

Fidelity Solutions & Multi Asset
Global Macro and Strategic Asset Allocation Team

July 2024

2024 growth forecasts

Our global risk assessment remains balanced, and we expect a solid global expansion this year. We are more constructive on Eurozone, Brazil and India vs consensus, while we see downside risks to Mexico, Turkey and Indonesia

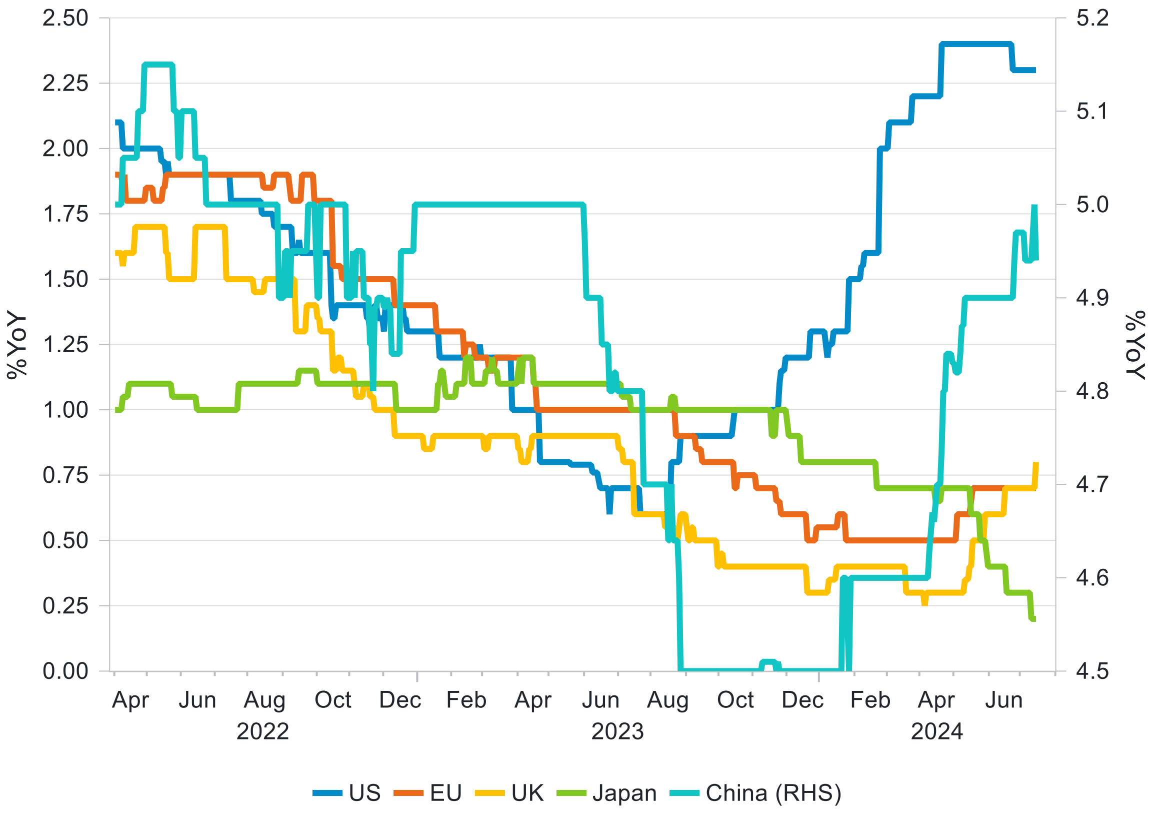
2024 Growth	BBG consensus*	Fidelity upside case	Fidelity downside case	Risk assessment vs consensus
Global	**3.5**	**3.9**	**2.6**	Balanced
Developed markets	**1.4**	**1.9**	**0.9**	Balanced
US	2.3	2.8	1.5	Balanced
Eurozone	0.7	1.0	0.3	Upside
UK	0.7	0.7	0.0	Balanced
Japan	0.2	1.3	0.5	Balanced
Emerging markets	**5.0**	**5.4**	**3.7**	Balanced
China	5.0	5.0	3.5	Balanced
India	7.0	8.2	5.5	Upside
Brazil	2.1	2.2	1.5	Upside
Mexico	2.0	3.0	2.0	Downside
Turkey	3.1	3.5	2.0	Downside
Indonesia	5.0	5.5	4.5	Downside

Source: Fidelity International, Bloomberg, July 2024. Note: these scenarios and risk assessment are not intended to be exact growth forecasts, but rather illustrations of potential outcomes based on particular assumptions about a number of variables, including supply side risks, monetary and fiscal policies and associated multipliers, corporate and consumer behaviour. Given significant uncertainties related to how the cycle might evolve, these scenarios are subject to change. DM, EM and global aggregates are calculated including only countries that appear in the table, giving rise to potential differences vs aggregate consensus numbers quoted on Bloomberg, which include a wider universe. We will be revising growth numbers and risk assessment continuously, as signals evolve and more information becomes available. *BBG consensus as of 15 July 2024.

Global growth and inflation consensus forecasts for 2024

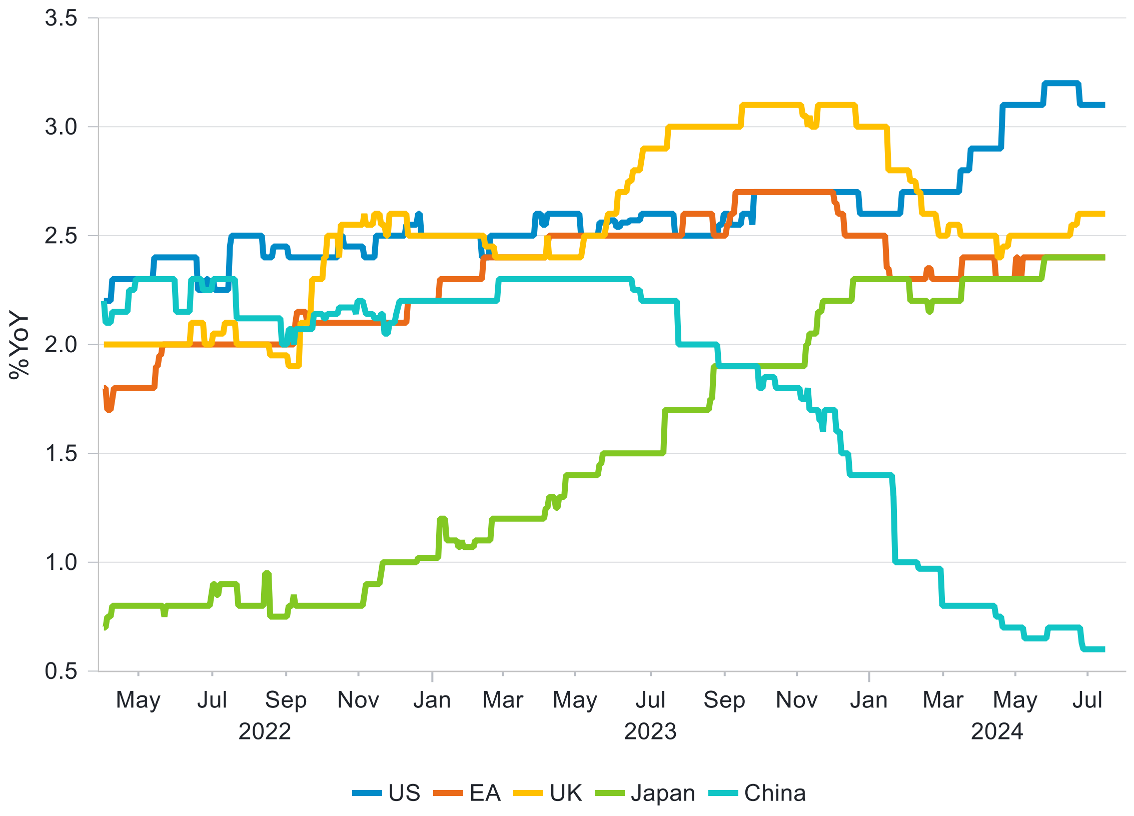
US remains the outlier but recent data on inflation has been more encouraging

2024 real GDP growth Bloomberg consensus forecast



Source: Fidelity International, Macrobond, Bloomberg, July 2024.

2024 CPI inflation Bloomberg consensus forecast

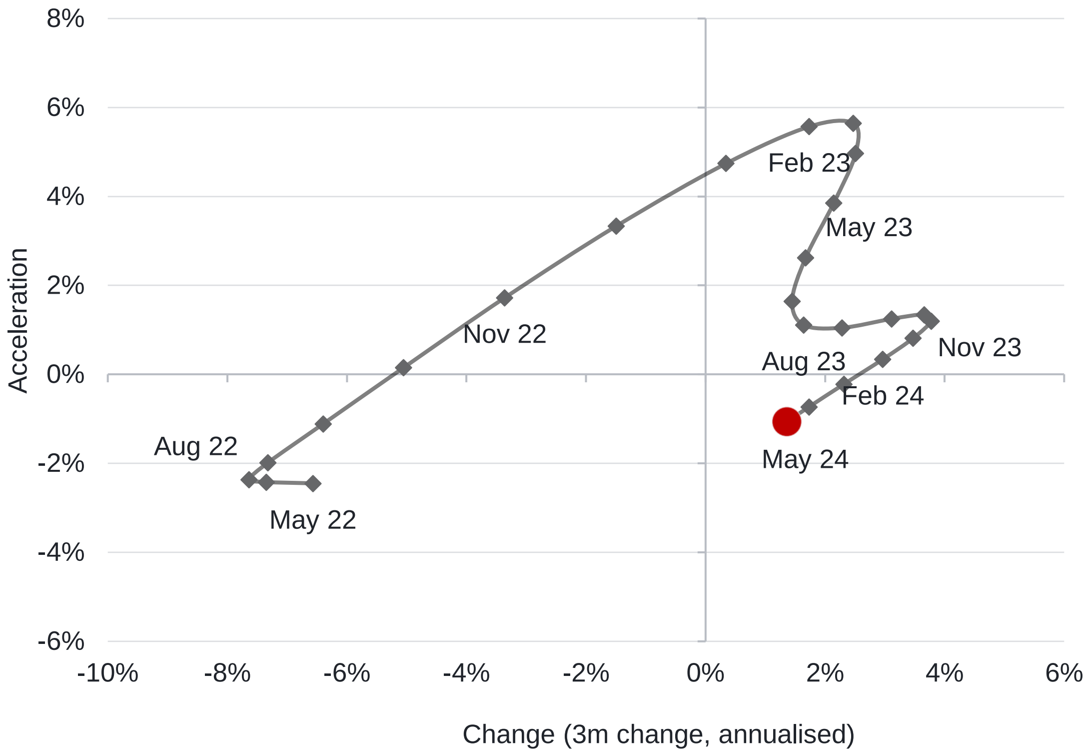


Source: Fidelity International, Macrobond, Bloomberg, July 2024.

Global leading indicators

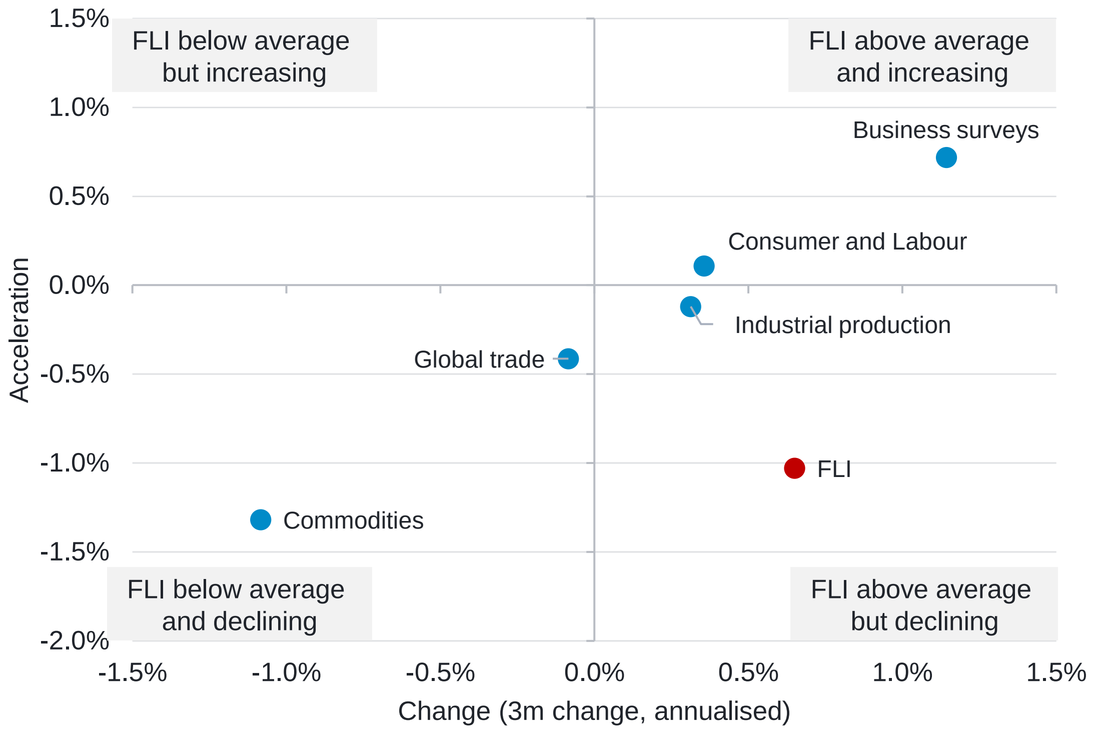
Fidelity's leading indicator shifts further to the 'bottom-right' quadrant, reaffirming we have reached the cycle peak. Nevertheless, the majority of the components continue to show resilience

Fidelity Leading Indicator: cycle tracker



Y-axis: acceleration (annualised 3m vs. 12m change); X-axis: growth (3m change, annualised)
Source: Fidelity International, FIL Global Macro Team calculations, Haver Analytics, July 2024.

Fidelity Leading Indicator: cycle tracker

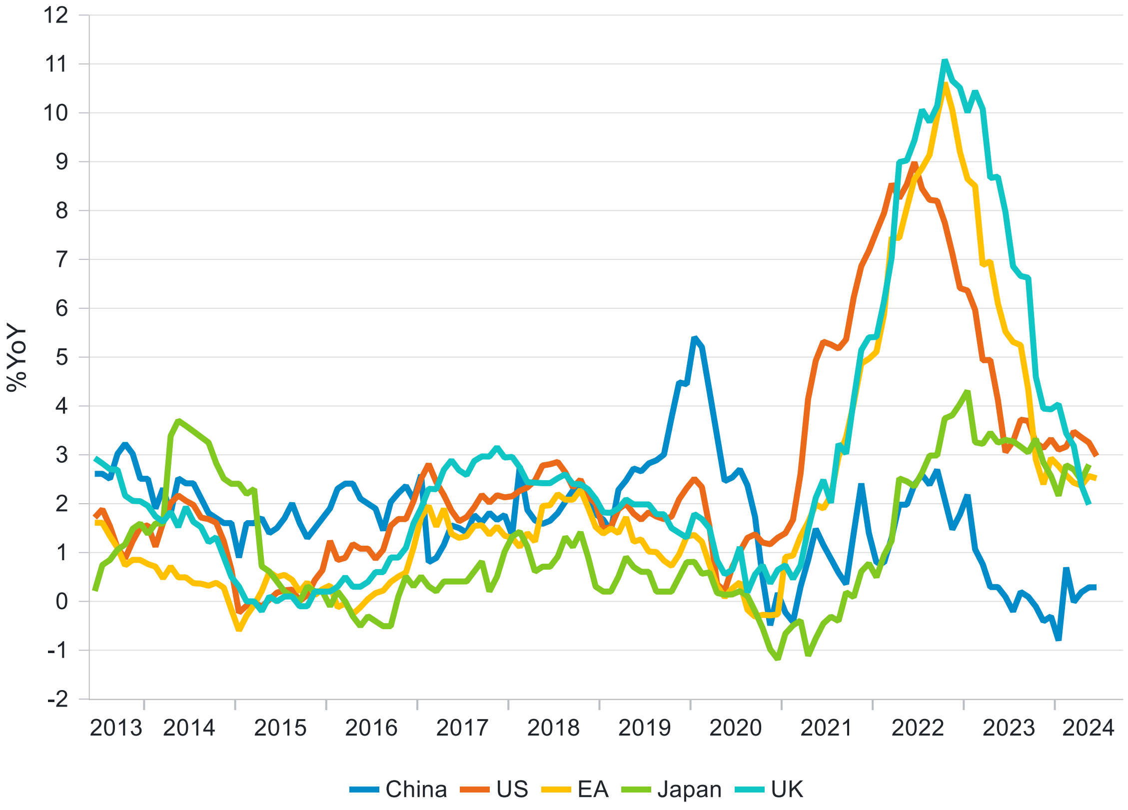


Y-axis: acceleration (annualised 3m vs. 12m change); X-axis: growth (3m change, annualised)
Source: Fidelity International, FIL Global Macro Team calculations, Haver Analytics, July 2024.

Inflation showing more progress

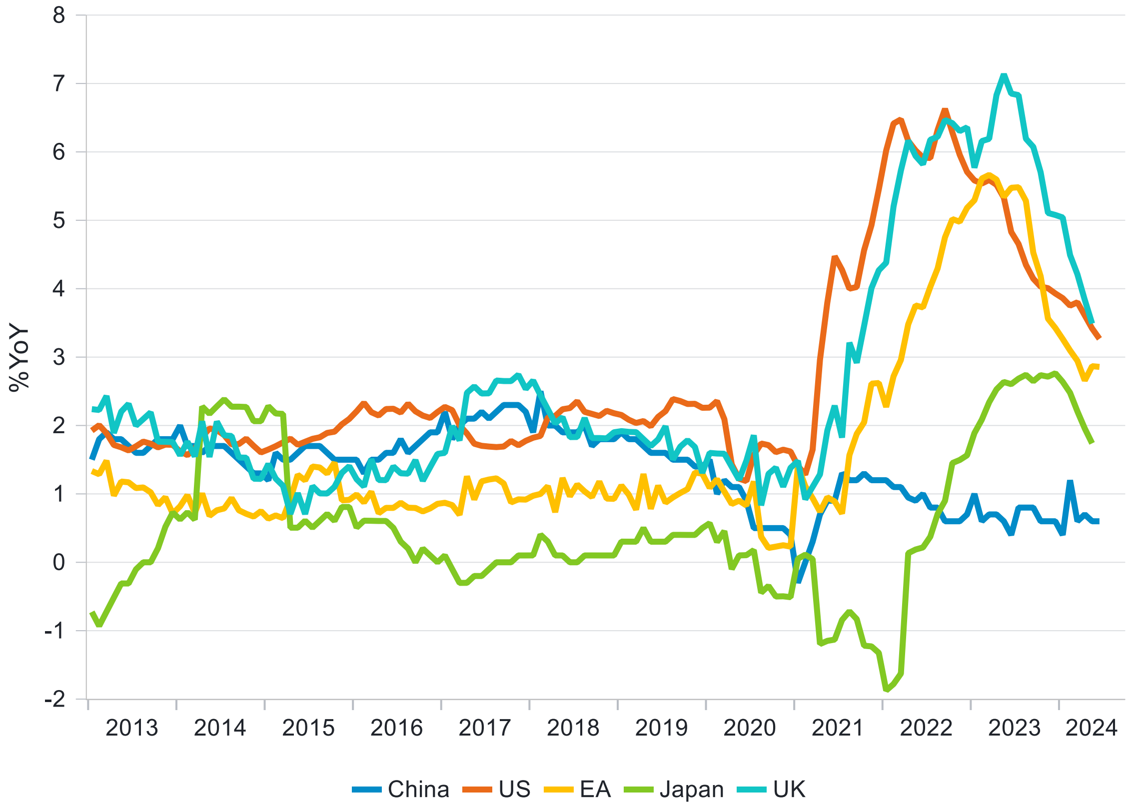
Overall progress on disinflation has picked up, but path ahead likely to remain bumpy for the US, UK and EA. Inflation trajectories remain benign for Japan and China

Global headline CPI rates



Source: Fidelity International, NBS, BLS, Eurostat, SBJ, ONS, Macrobond, July 2024.

Global core CPI rates



Source: Fidelity International, NBS, BLS, Eurostat, SBJ, ONS, Macrobond, July 2024.

Four scenarios for developed markets in 2024

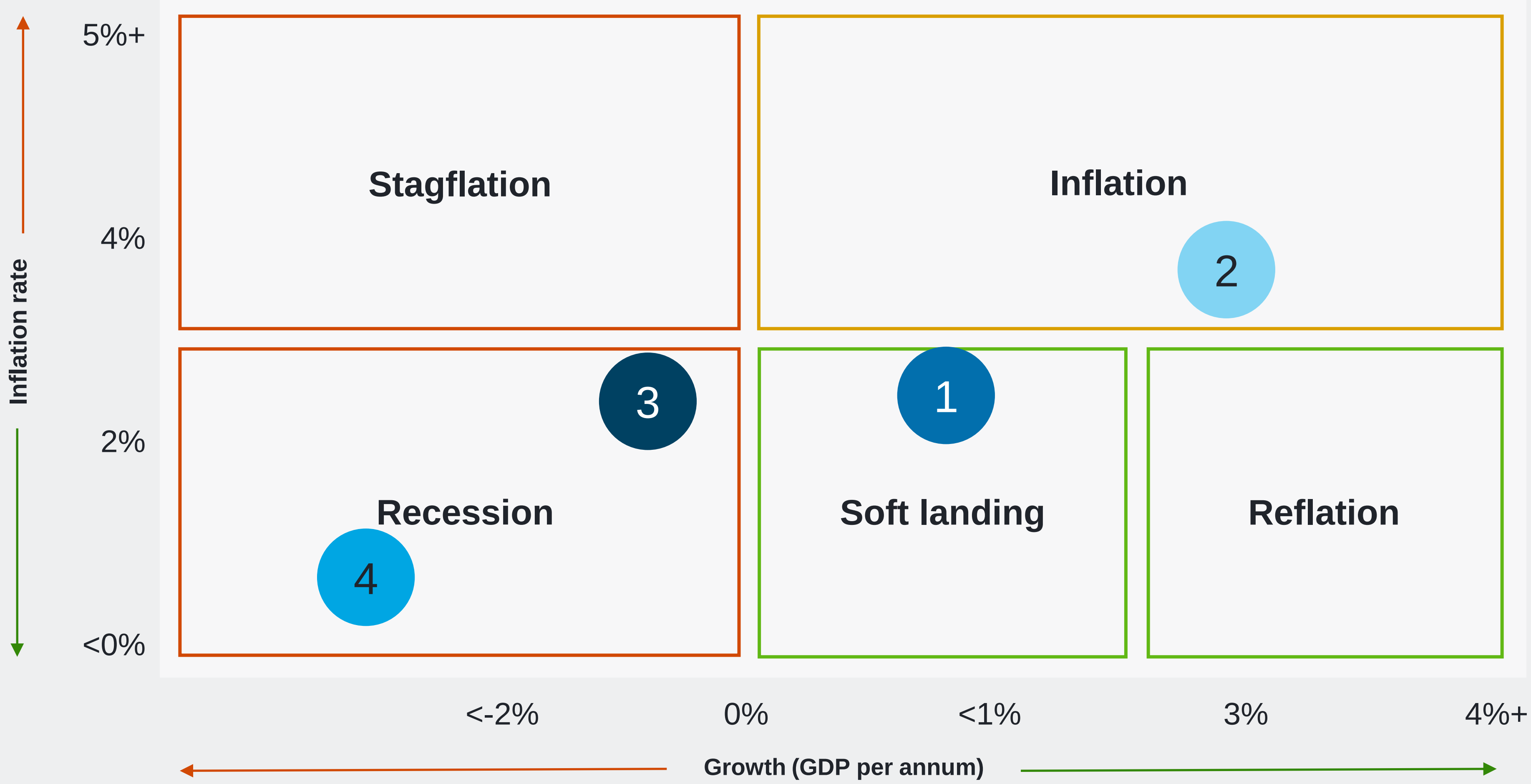
Interconnected and interdependent

Scenario 1:
Soft landing **40%** (45%)

Scenario 2:
No landing **30%** (15%)

Scenario 3:
Cyclical recession **25%** (35%)

Scenario 4:
Balance sheet recession **5%**



Note: Brackets reflect previous probabilities. Inflation rate measured by US Core Personal Consumption Expenditures Price Index.
Source: Fidelity International, July 2024.

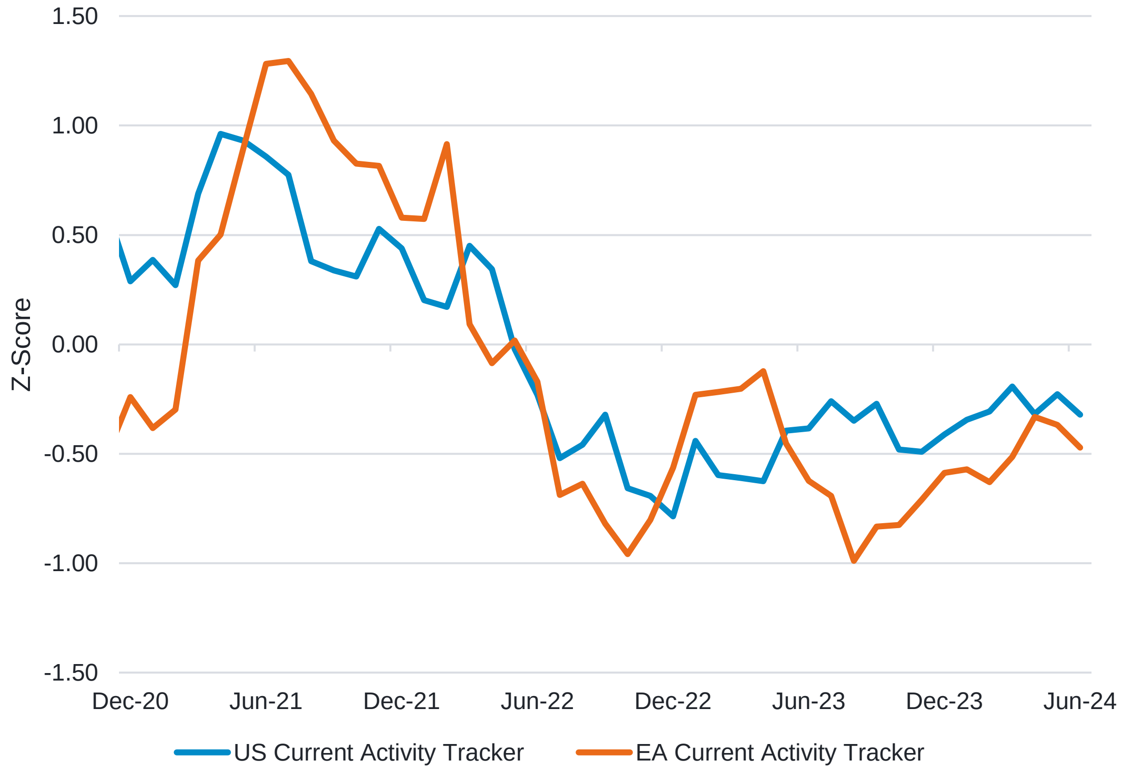
DM business cycle update

Soft landing dynamics pick up pace

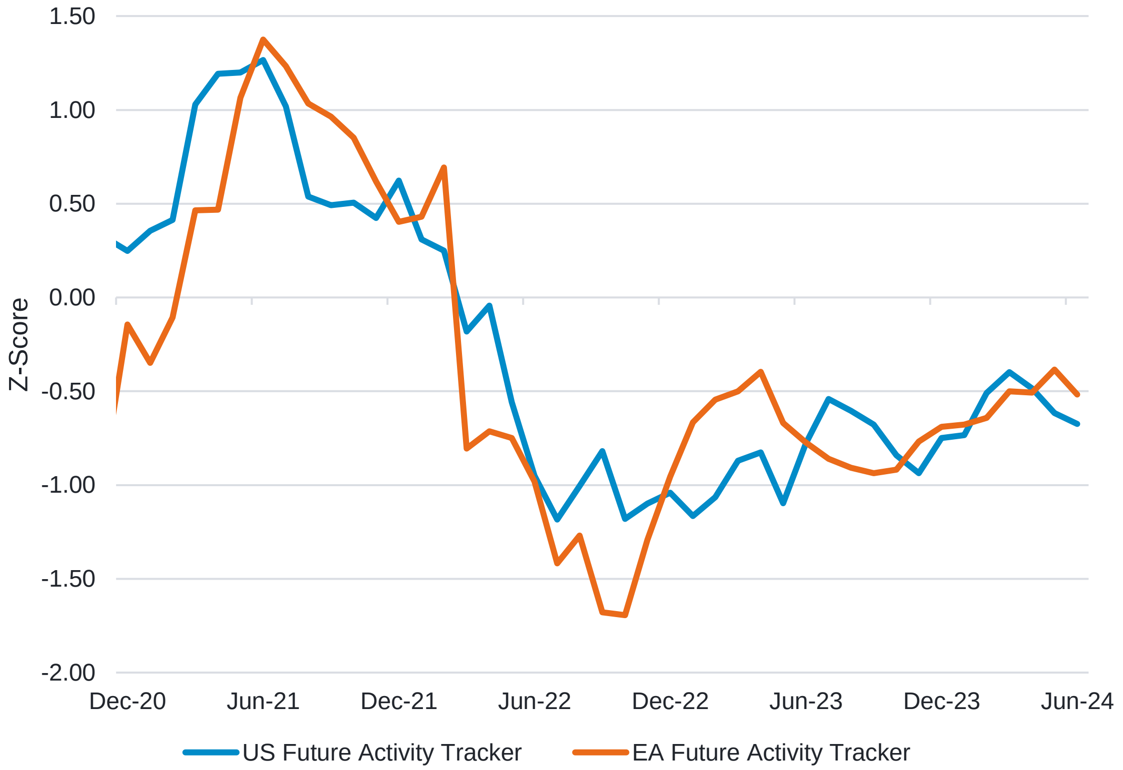
Regional activity trackers

Both our US and euro area activity trackers deteriorate in June. The weakness was more notable in the industrial sector with mixed signals from the services sector

Current activity trackers



Future activity trackers



Source: Fidelity International, FIL Global Macro Team calculations, Haver Analytics, July 2024.

US Labour market and growth dashboards

Both our growth and labour market dashboards are now showing soft landing signals

Growth Signal	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
CAT (Z-score)	Soft landing ↓	Soft landing ↑	Soft landing ↑	Soft landing ↑	Soft landing ↓	Soft landing ↑	Soft landing ↓	Soft landing ↓	Soft landing ↑	Soft landing ↑	Soft landing ↑	Soft landing ↑	Soft landing ↓	Soft landing ↑	Soft landing ↓
FAT (Z-score)	Soft landing ↑	Recession	Soft landing	Soft landing ↑	Soft landing ↓	Soft landing ↓	Soft landing ↓	Recession	Soft landing	Soft landing ↑	Soft landing ↑	Soft landing ↑	Soft landing ↓	Soft landing ↓	Soft landing ↓
GDP Nowcast (%QoQ, SAAR)	Soft landing	Soft landing ↑	No landing	No landing ↑	No landing ↑	No landing ↓	No landing ↓	Soft landing	Soft landing ↑	No landing	No landing ↓	No landing ↓	No landing ↑	No landing ↓	Soft landing
Credit Impulse: Bank credit	Soft landing ↓	Soft landing ↓	Recession	Recession ↓	Recession ↓	Recession ↑	Recession ↑	Recession ↑	Soft landing	Soft landing ↑	Soft landing ↑	Soft landing ↑	Soft landing ↑	Soft landing ↑	Soft landing ↑
Credit Impulse: C&I loans	Recession	Recession ↓	Recession ↓	Recession ↓	Recession ↓	Recession ↑	Recession ↑	Recession ↑	Soft landing	Soft landing ↑	Soft landing ↑	Soft landing ↑	Soft landing ↑	Soft landing ↑	Soft landing ↑
Non-farm business productivity (%QoQ, SAAR)	No landing	No landing	No landing	No landing ↑	No landing	No landing	No landing ↓	No landing	No landing	Soft landing	Soft landing	Soft landing			
Housing Market tracker (Z-score)	Soft landing ↑	No landing	No landing ↑	No landing ↑	No landing ↓	No landing ↑	No landing ↑	No landing ↑	No landing ↑	No landing ↓	No landing ↑	No landing ↑	No landing ↑	No landing ↓	
Aggregate signal	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing

Note – Credit impulse is calculated as 6 month change of annual growth rate of credit

Please see the appendix for the details behind our rules for mapping data to soft landing, no landing or a recession scenario

Labour market indicators	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Non-farm payrolls ('000)	No landing ↓	No landing ↑	No landing ↑	No landing ↓	No landing ↓	No landing ↑	No landing ↓	No landing ↓	No landing ↑	No landing ↑	No landing ↑	No landing ↑	No landing ↓	No landing ↓	Soft landing
Employment to population	Soft landing ↑	Soft landing ↓	Soft landing ↑	Soft landing ↑	Soft landing ↑	Soft landing ↓	Soft landing ↓	Soft landing ↑	Soft landing ↓	Soft landing ↑	Soft landing ↓	Soft landing ↑	Soft landing ↓	Soft landing ↓	Soft landing ↑
Job opening per unemployed	No landing ↑	No landing ↓	No landing ↓	No landing ↓	No landing ↓	No landing ↓	No landing ↓	No landing ↑	No landing ↓	No landing ↑	No landing ↓	No landing ↓	No landing ↓	No landing ↑	Soft landing
Unemployment rate*	No landing ↑	No landing ↓	No landing ↑	No landing ↑	No landing ↓	No landing	No landing	No landing ↑	No landing	No landing	Soft landing	No landing	Soft landing	Soft landing ↓	Soft landing ↓
Average hourly earnings YoY	No landing ↑	No landing ↓	No landing ↑	No landing ↑	No landing ↓	No landing ↓	No landing ↓	No landing ↓	No landing ↓	No landing ↑	No landing ↓	No landing ↓	No landing ↓	No landing ↑	No landing ↓
Aggregate signal	No landing	No landing	No landing	No landing	No landing	No landing	No landing	No landing	No landing	No landing	No landing	No landing	No landing	No landing	Soft landing

Note: UR = unemployment rate, arrows are reversed. ↓ reflects rising UR and ↑ reflects falling UR. To calculate job openings per unemployed ratio for June 2024 we have used the Job openings number of May 2024

Please see the appendix for the details behind our rules for mapping data to soft landing, no landing or a recession scenario

Source: Fidelity International, Haver Analytics, July 2024.

US inflation and financial conditions dashboards

Our inflation dashboard has also softened while our financial conditions dashboard is showing signs that the economy is being stimulated

Inflation indicators		Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
CPI measures	Core CPI %6MA	No landing ↑	No landing ↑	No landing ↓	No landing ↓	No landing ↓	No landing ↓	Soft landing	Soft landing ↓	Soft landing ↑	No landing	No landing ↑	No landing ↑	No landing ↑	No landing ↓	Soft landing
	Core services CPI ex shelter %6MA	No landing ↓	No landing ↓	Soft landing	Soft landing ↓	Soft landing ↓	No landing	Soft landing	No landing	No landing ↑	No landing ↑	No landing ↑	No landing ↑	No landing ↑	No landing ↓	No landing ↓
	Atlanta Fed Core sticky CPI ex shelter %1MA, 6mma	No landing	Soft landing	Soft landing ↓	Soft landing ↓	Soft landing ↓	Soft landing ↑	Soft landing ↓	Soft landing ↑	Soft landing ↑	No landing	No landing	No landing ↑	No landing ↑	No landing ↓	Soft landing
PCE measures	Core PCE %6MA	No landing ↓	No landing ↑	No landing ↓	No landing ↓	Soft landing	Soft landing ↓	Soft landing ↓	Recession	Recession ↓	Soft landing	Soft landing ↑	No landing	No landing ↑	No landing ↓	
	Core services PCE ex Housing %6MA	No landing ↓	No landing ↓	No landing ↓	No landing ↓	Soft landing	No landing	Soft landing	Soft landing ↓	Soft landing ↑	No landing	No landing ↑	No landing ↓	No landing ↑	No landing ↓	
	FRB Dallas: Trimmed-Mean %6M PCE ann.	No landing ↓	No landing ↓	No landing ↓	No landing ↓	No landing ↓	No landing ↓	Soft landing	Soft landing ↓	Soft landing ↓	Soft landing ↑	No landing	No landing ↓	No landing ↑	Soft landing	
	FRB Cleveland Median PCE %1M, 6mma, ann.	No landing ↓	No landing ↓	No landing ↓	No landing ↓	No landing ↓	No landing ↓	No landing ↓	No landing ↓	Soft landing	No landing	No landing ↑	No landing ↓	No landing ↑	No landing ↓	
	PCE CSXH Median, %6MA	No landing ↓	No landing ↓	No landing ↓	No landing ↑	No landing ↓	No landing ↑	No landing ↓	No landing ↓	No landing ↑	No landing ↑	No landing ↑	No landing ↑	No landing ↓	No landing ↓	
Inflation expectation	UMICH Inflation expectation: 1 year	No landing ↑	No landing ↓	No landing ↓	No landing ↑	No landing ↑	No landing ↓	No landing ↑	No landing ↑	No landing ↓	Soft landing	No landing	Soft landing	No landing	No landing ↑	No landing ↓
	UMICH Inflation expectation: 5 year	No landing	No landing ↑	No landing ↓	No landing	No landing	Soft landing	No landing	No landing ↑	Soft landing	Soft landing	Soft landing	Soft landing ↓	No landing	No landing	No landing
	Aggregate signal	No landing	No landing	No landing	No landing	No landing	No landing	Soft landing	Soft landing	Soft landing	No landing	No landing	No landing	No landing	No landing	

Please see the appendix for the details behind our rules for mapping data to soft landing, no landing or a recession scenario

Financial conditions Indicators	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
WEI - (FCI-G, 1Y lookback)	Recession	Recession ↑	Soft landing	Soft landing ↑	Soft landing ↑	Soft landing ↓	Soft landing ↓	Soft landing ↑	No landing	Soft landing	No landing	No landing ↑	No landing ↓	No landing ↑
WEI - (FCI-G, 3Y lookback)	Recession	Recession ↑	Soft landing	Soft landing ↑	Soft landing ↓	Soft landing ↓	Soft landing ↓	Soft landing ↑	Soft landing ↑	Soft landing ↓	Soft landing ↑	Soft landing ↑	Soft landing ↓	No landing
Real Proxy funds rate > R*	Soft landing ↓	Soft landing ↑	Soft landing ↓	Recession	Recession ↓	Recession ↓	Recession ↓	Recession ↓	Recession ↑	Recession ↑	Recession ↑	Recession ↑	Recession ↑	Recession ↑
SLOOS C&I loans**	Recession ↓	Recession	Recession	Soft landing ↑	Soft landing	Soft landing	Soft landing ↑	Soft landing	Soft landing	Soft landing ↓	Soft landing	Soft landing	Soft landing ↑	Soft landing
Aggregate signal	Recession	Recession	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	Soft landing	No landing

Note: The real proxy funds rate is a 6M moving average of the SF Fed proxy rate deflated by the 6mma of core PCE. WEI is the weekly economic index published by the Dallas Fed which we convert into a monthly frequency

Please see the appendix for the details behind our rules for mapping data to soft landing, no landing or a recession scenario

Source: Fidelity International, Haver Analytics, July 2024.

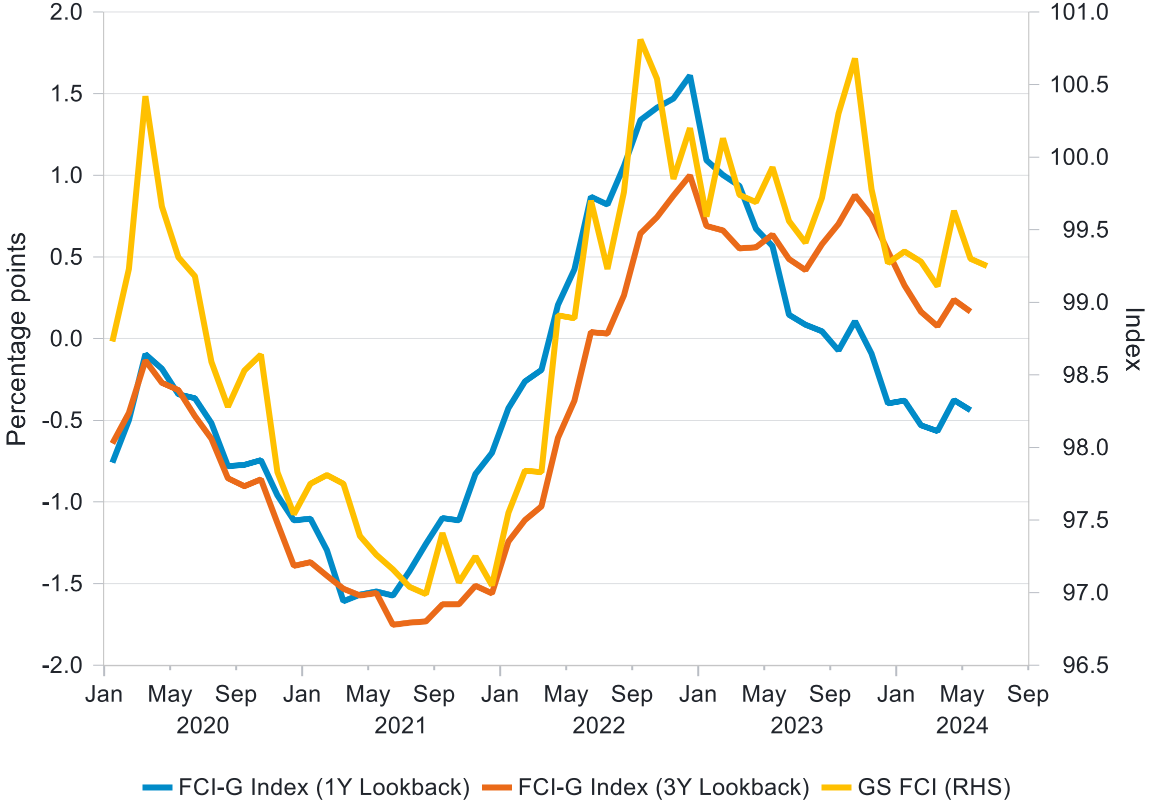
Financial conditions still acting as a tailwind to growth…

…particularly for the US, which allows central banks to keep policy restrictive

G3 Financial condition index (FCI)

Source: Fidelity International, Macrobond, Bloomberg, July 2024.

Financial conditions impulse on growth vs FCI



Source: Fidelity International, Fed, Macrobond, Bloomberg, July 2024.

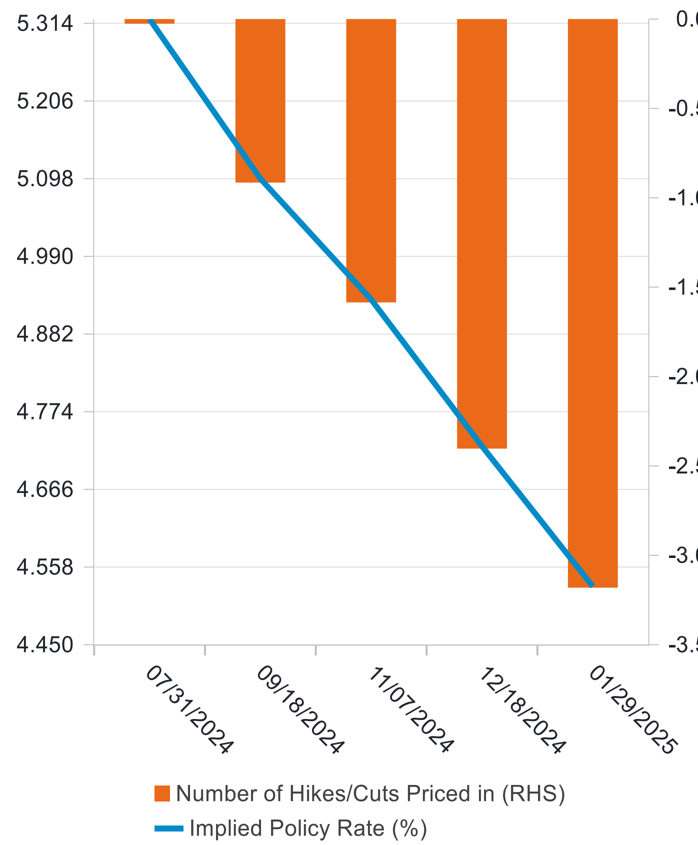
DM Policy Outlook

Rate cuts in place?

Fed: Softer data opens the door for earlier cuts

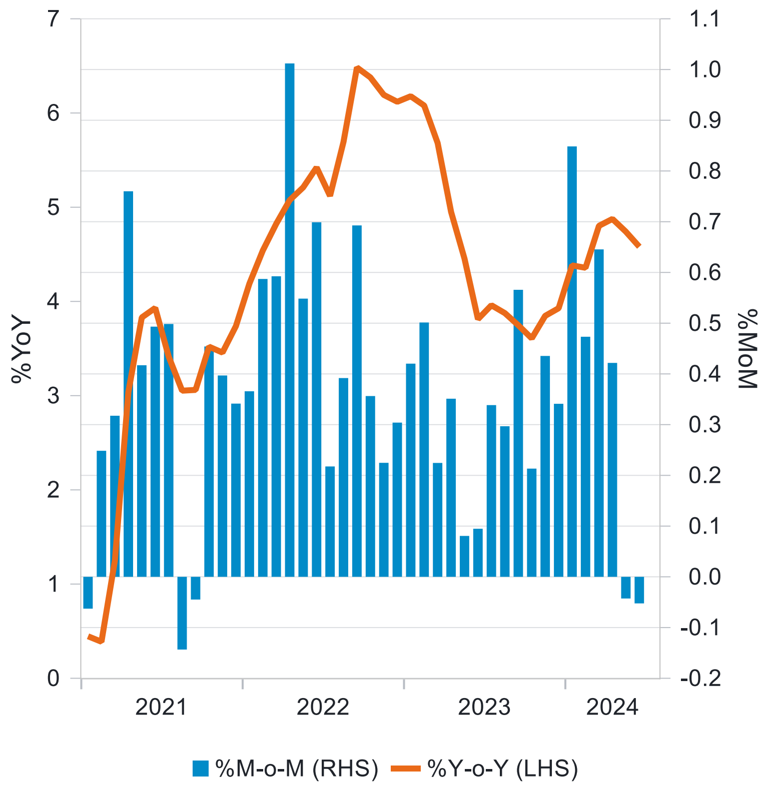
Recent progress on inflation and labour market opens the door for cuts in September

Market-implied path: Fed funds rate



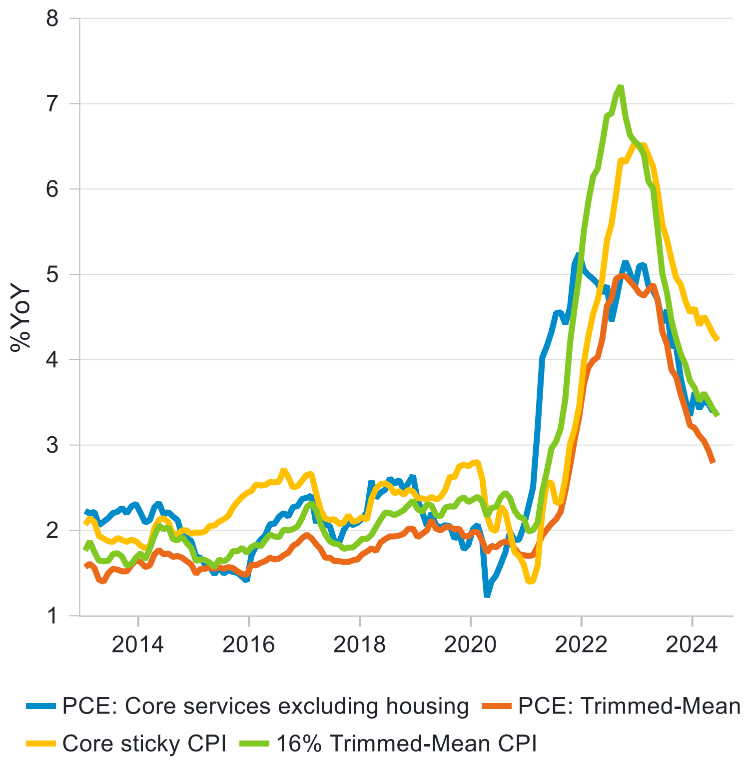
Note: Implied path as of 15 July. Hikes/cuts assume 25bp increments.
Source: Fidelity International, Macrobond, Bloomberg, July 2024.

US: CPI core services ex shelter



Source: Fidelity International, Macrobond, U.S. Bureau of Labor Statistics (BLS), July 2024

US alternative measures of inflation

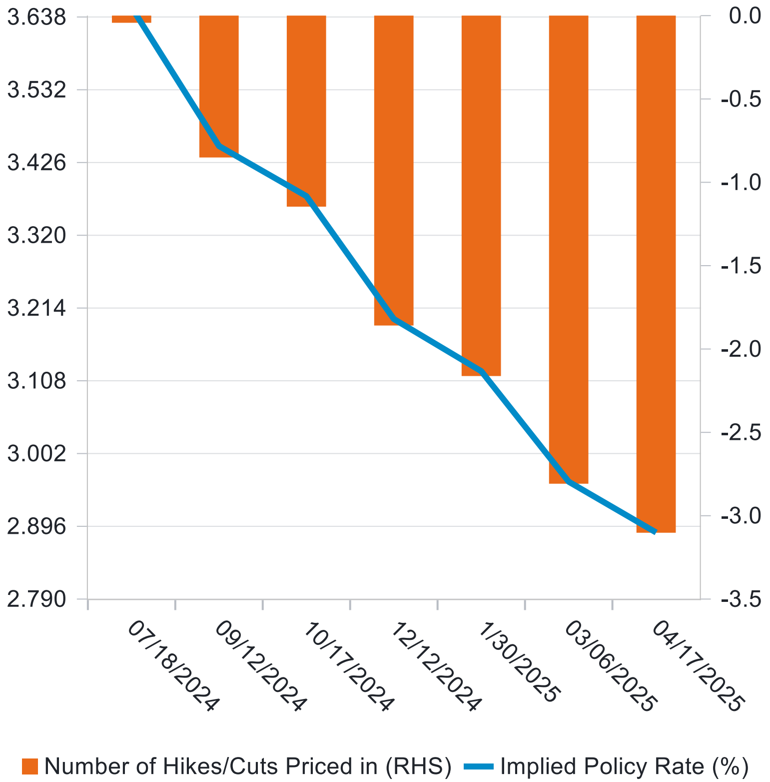


Source: Fidelity International, Macrobond, US Bureau of Economic Analysis, Federal Reserve Bank of Dallas, Federal Reserve Bank of Atlanta, Federal Reserve Bank of Cleveland, July 2024.

ECB: Rate path ahead remains downward…

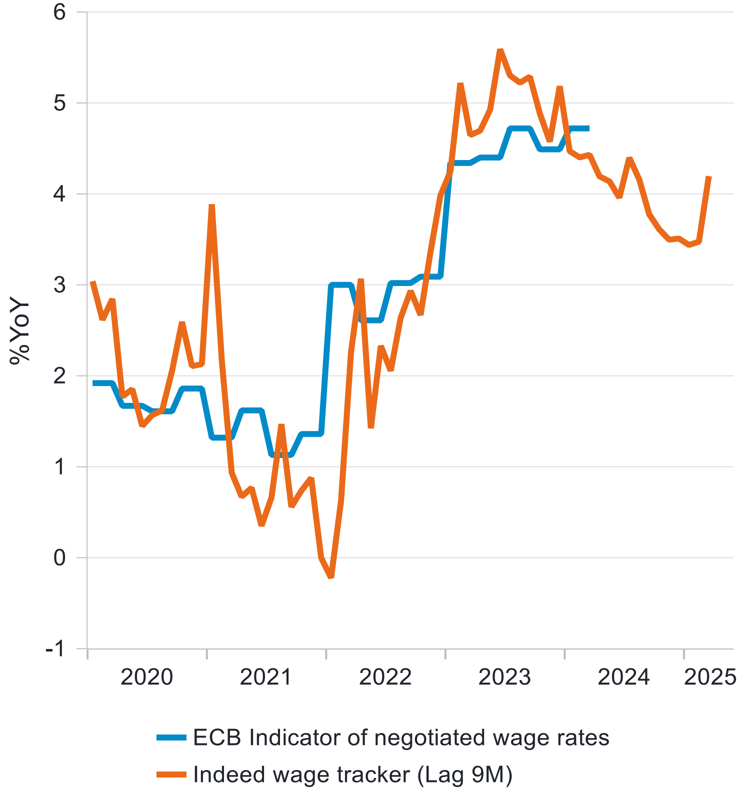
…but data flow to confirm timing of next rate cut

Market-implied path: ECB bank rate



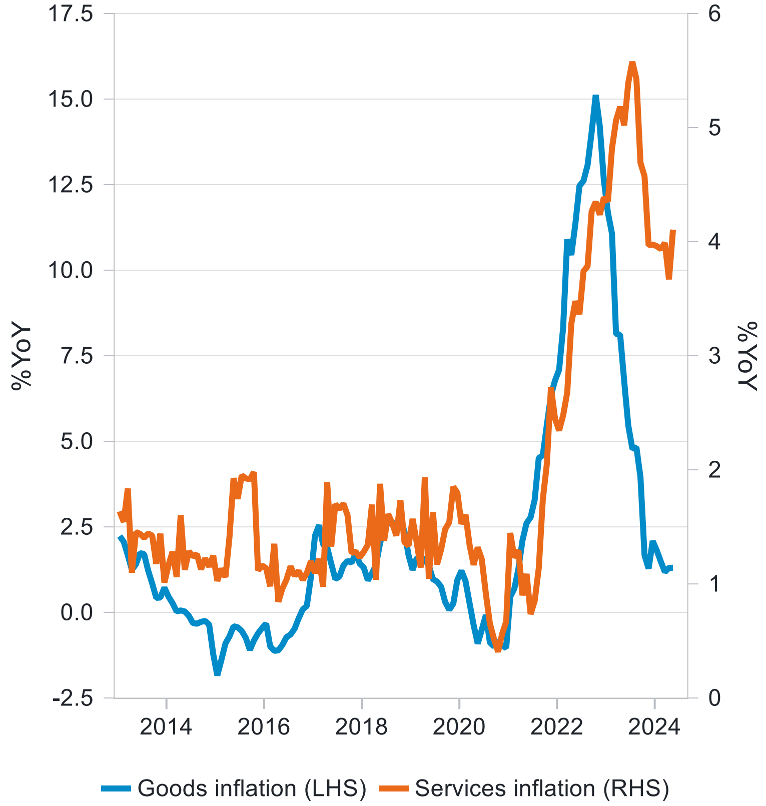
Note: Implied path as of 15 July. Hikes/cuts assume 25bp increments.
Source: Fidelity International, Macrobond, Bloomberg, July 2024.

EA wage growth remains elevated but is expected to ease ahead



Source: Fidelity International, ECB, Macrobond, July 2024.

Goods vs services inflation, HICP

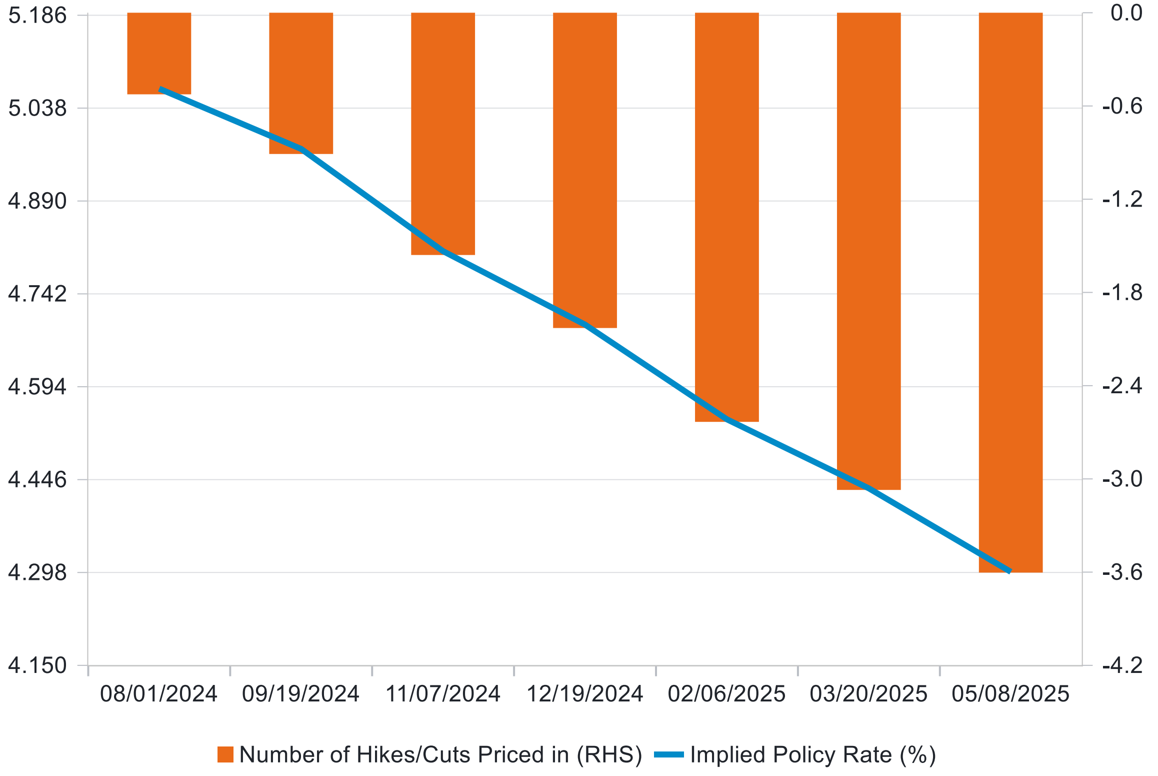


Source: Fidelity International, Macrobond, Eurostat, July 2024

BOE: Finding middle ground between Fed and ECB

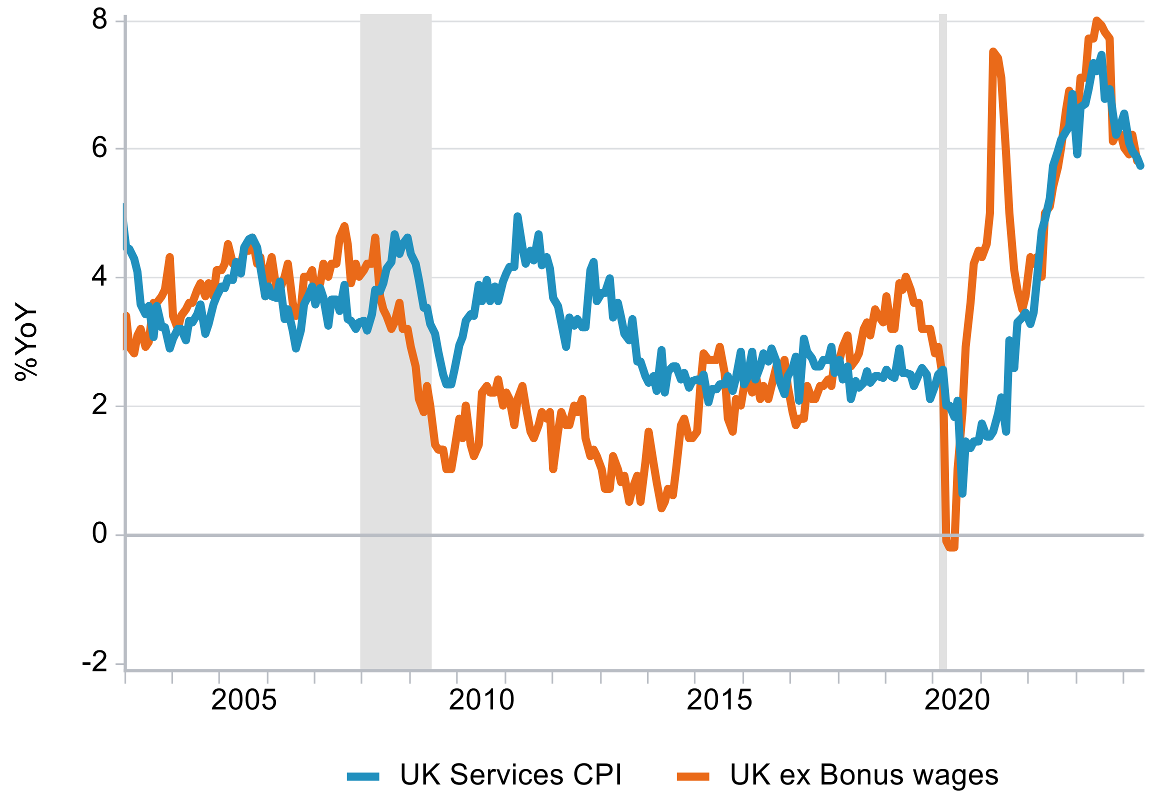
Loosening labour market allows an August cut, but sticky services inflation means fewer cuts than ECB

Market-implied path: BOE bank rate



Note: Implied path as of 15 July, Hikes/cuts assume 25bp increments.
Source: Fidelity International, Macrobond, Bloomberg, July 2024.

Wage pressures to keep services inflation sticky

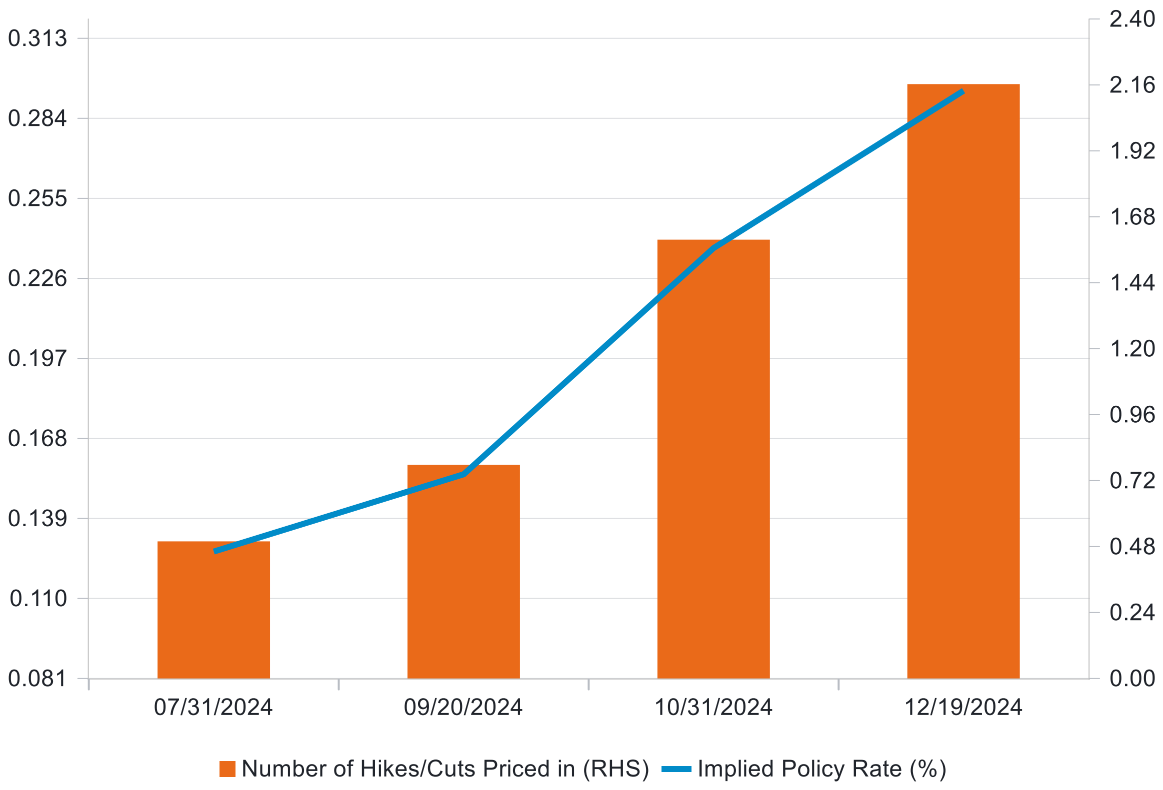


Source: Fidelity International, Haver Analytics, July 2024

BOJ to accelerate pace of policy normalisation

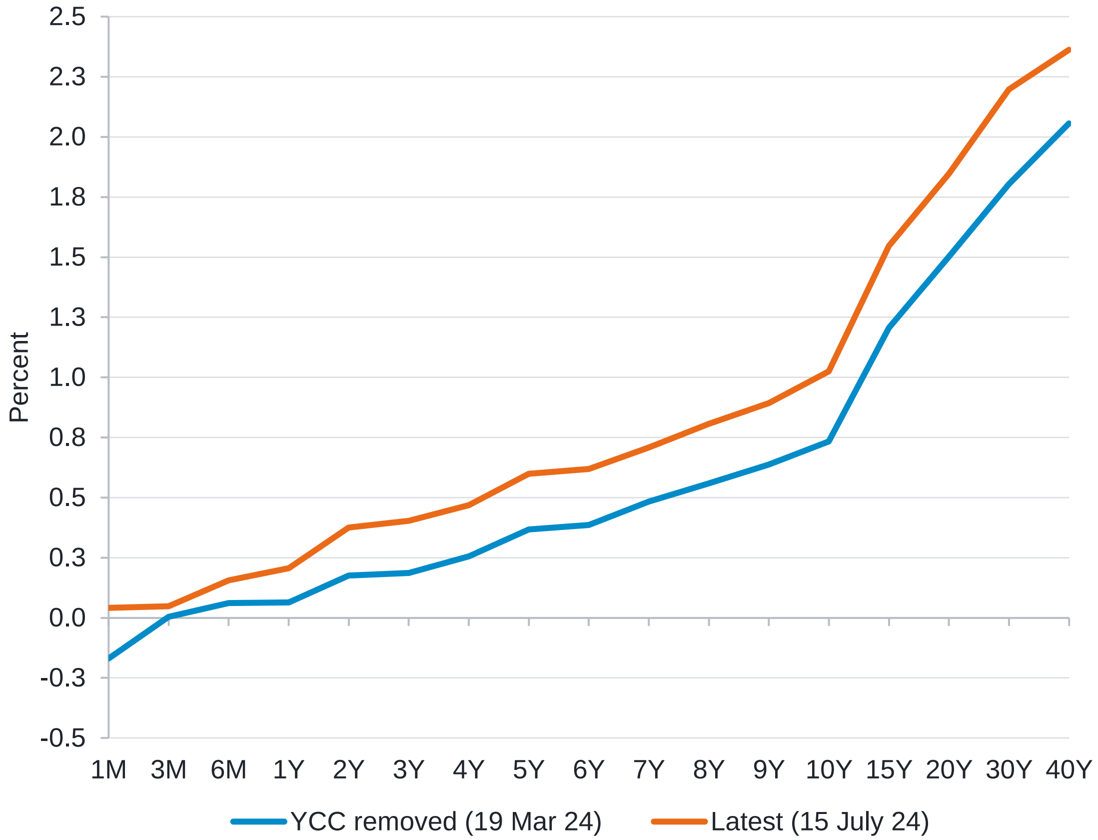
We expect the BOJ to raise the policy rate in July, which will result in a further steepening of the JGB curve.

Market-implied path: BOJ bank rate



Note: Implied path as of 15 July. Hikes/cuts assume 10bp increments.
Source: Fidelity International, Macrobond, Bloomberg, July 2024.

JGB yield curve



Source: Fidelity International, Bloomberg, July 2024.

China macro update

Three scenarios for China in 2024

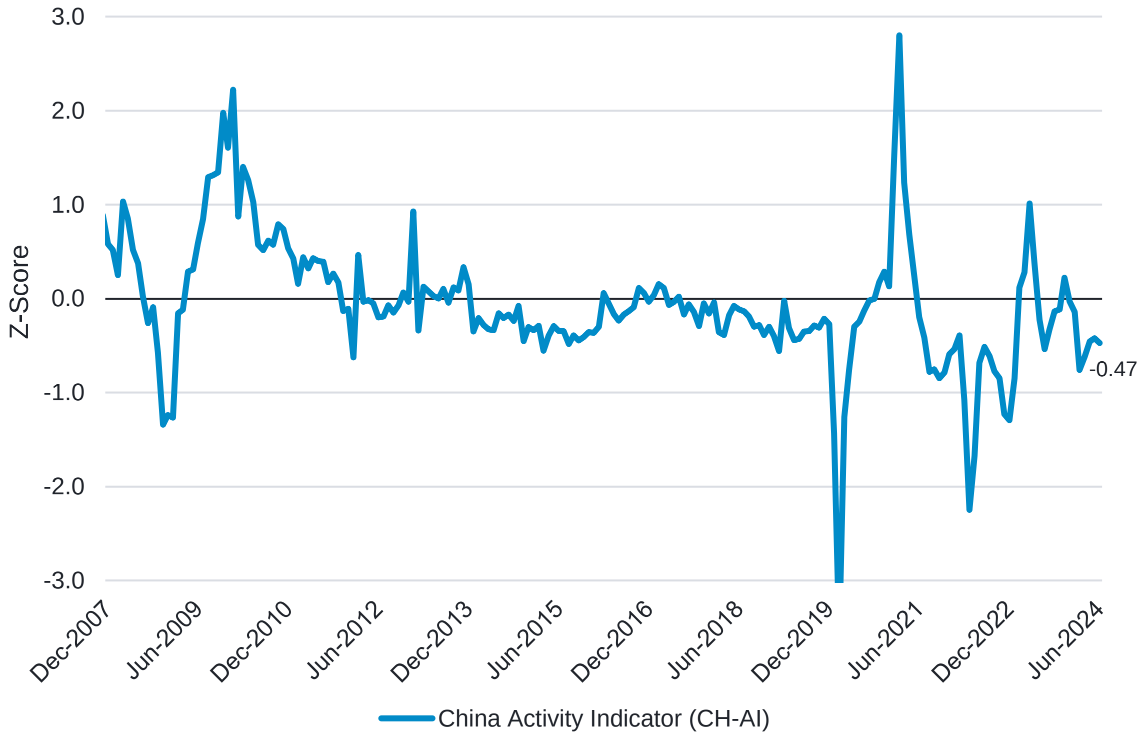
	Growth	Inflation	Monetary policy	Fiscal policy
Scenario 1: **Controlled stabilisation** 65%	The pace of recovery gradually gains momentum as consumption continues to lead. Industrial activities rebound due to improving external demand. Despite the drag in the property sector, real GDP growth stabilises in line with the government's target.	CPI and PPI rebound softly on the back of a gradual recovery in domestic demand. Inflation stabilises slightly below target over the medium term.	The PBoC has less urgency to cut rates given the stable growth momentum. The near-term focus will be on the reserve requirement ratio cuts to provide liquidity support.	Policymakers roll out proactive easing led by additional central government bond issuance. It will continue with gradual de-risking plans to resolve structural issues in local government, property and banking sectors.
Scenario 2: **Serious slowdown** 25%	The economy faces stronger headwinds from domestic structural issues and a developed market slowdown. If financial market stress spreads, private and consumer confidence could be slow to return and growth would remain well below potential.	Both CPI and PPI gradually fall into deflation well below government targets.	Easing is in small steps and with limited effect.	Policymakers are slow to introduce sufficient fiscal support for growth.
Scenario 3: **Reflation** 10%	The recovery becomes more broad-based and gains momentum with a more dovish policy setting. Property sector takes the lead from a strong monetary policy push. The initial impulse is strong, but it creates more debt problems in future. Growth may rebound above target.	Both CPI and PPI recover and gain momentum with the strong domestic demand rebounding to match or beat the government target.	The PBoC eases monetary policy more aggressively with consecutive benchmark rate and reserve requirement ratio cuts. The system is flushed with liquidity to accommodate broad-based re-leveraging.	Policymakers explicitly bail out stressed local governments and property sector companies, leading to renewed optimism in re-leveraging. They also aggressively expand fiscal deficits to support domestic demand.

Source: Fidelity International, July 2024.

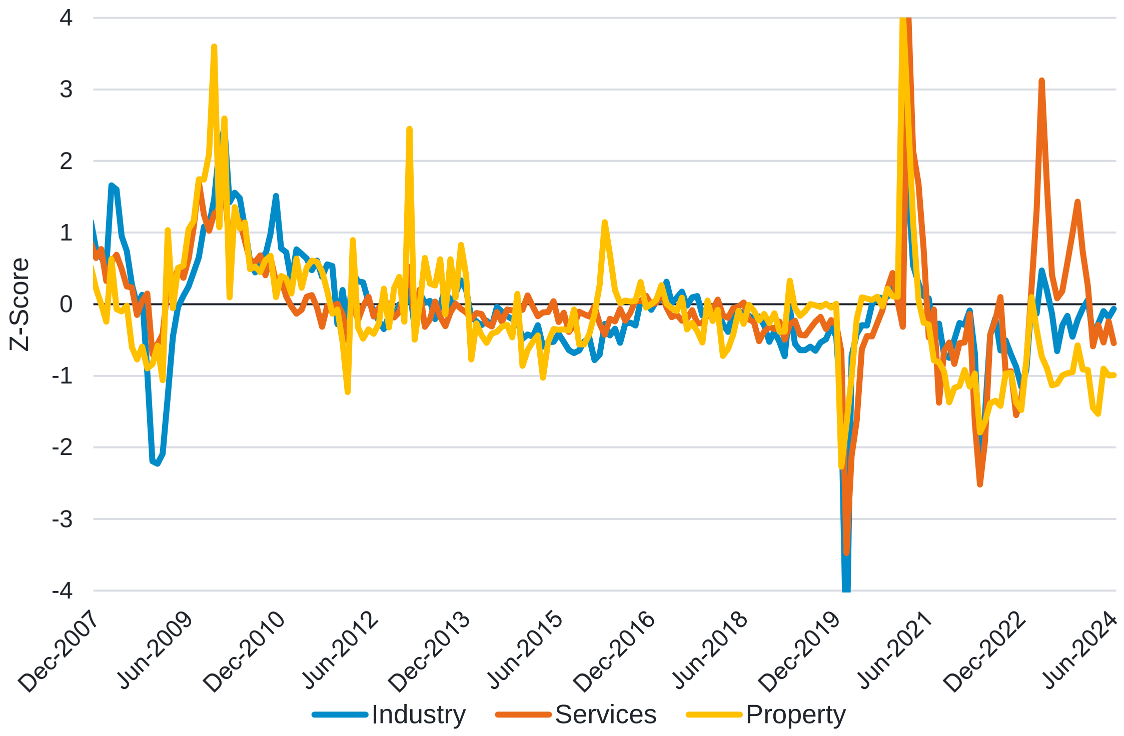
China Activity tracker shows signs of gradual recovery

Our China activity indicator continues to pick up led by solid recovery in manufacturing. Services sector has been consolidating while the property sector remains at depressed levels.

China activity indicator (CH-AI),



China activity indicator (CH-AI) by sector



Source: Fidelity International, FIL Global Macro Team calculations, Bloomberg, Haver Analytics, Wind, July 2024.

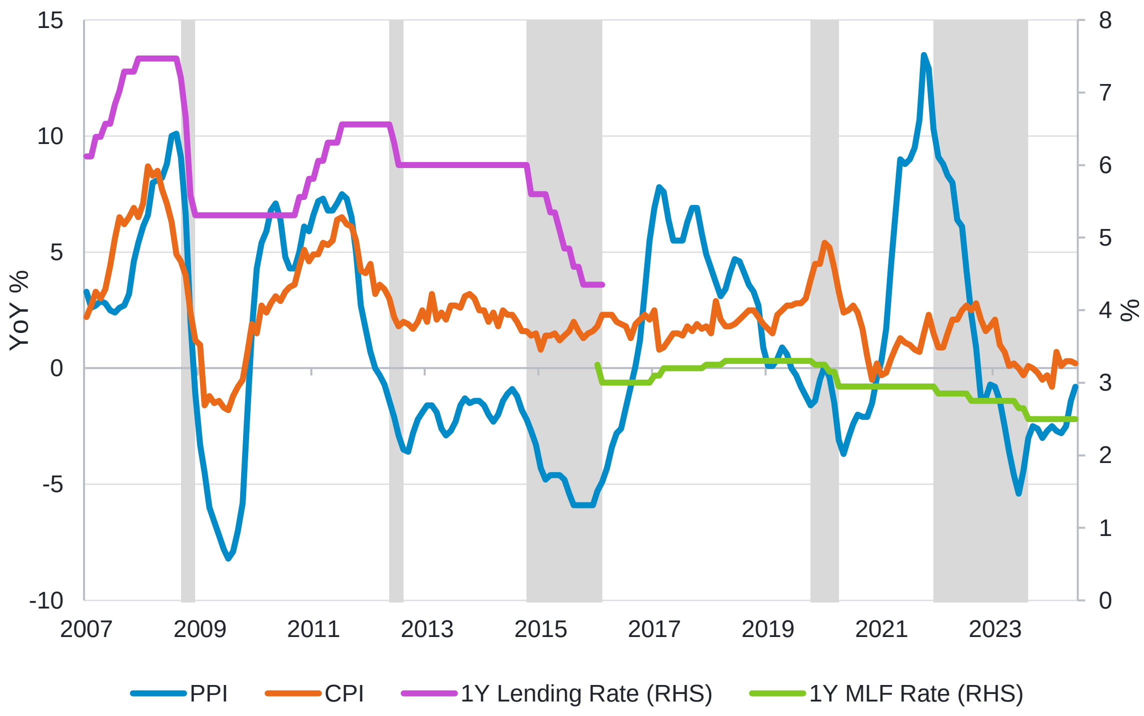
Policy update

Demand for credit is weakening despite accommodative policy stance, fiscal easing is important

Aggregate financing (credit impulse)

Source: Fidelity International, Bloomberg, July 2024.

Inflation and policy rate



Source: Fidelity International, Bloomberg, July 2024.

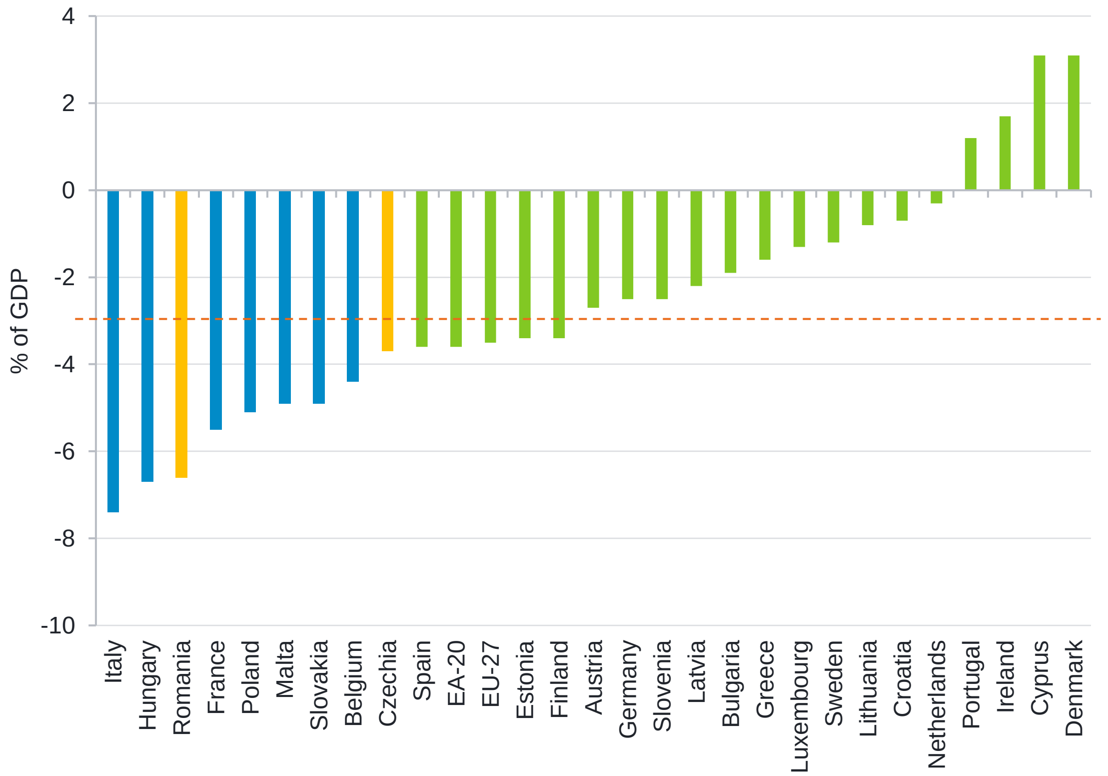
Politics

European and US election developments to be the key focus going ahead

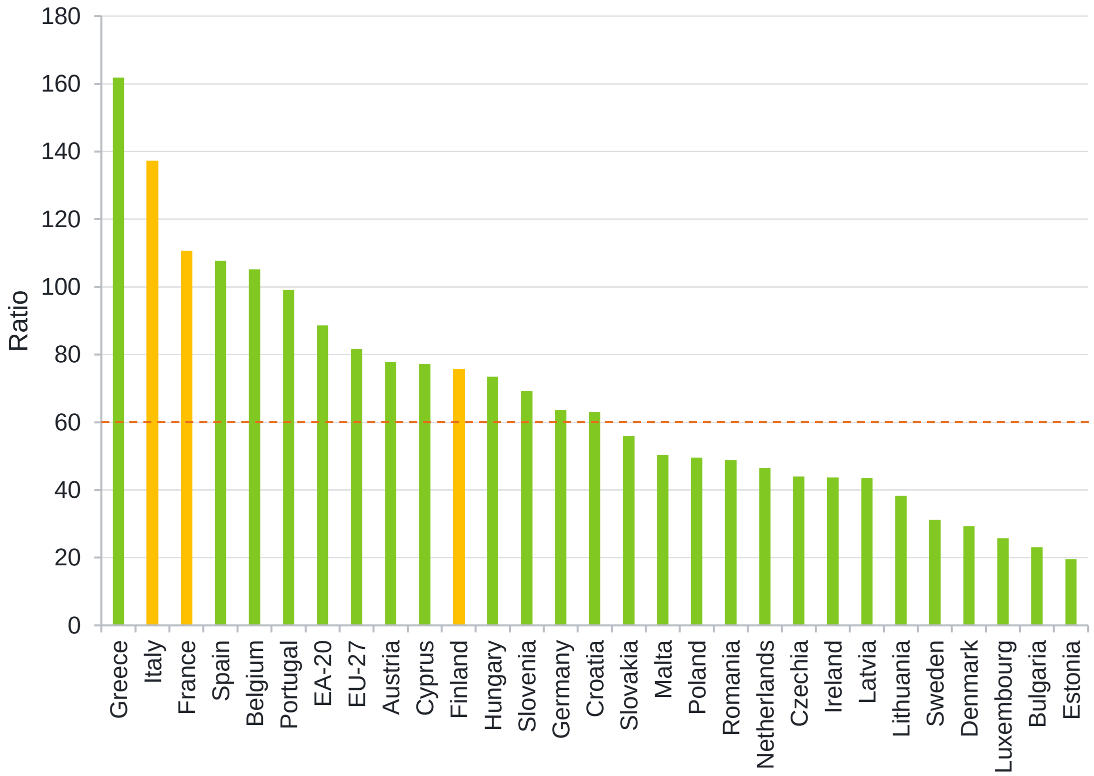
Euro Area: The (new) Stability and Growth Pact is back

Seven countries including France and Italy have been recommended disciplinary action by the EC. Few countries are complying with the 3% deficit and 60% debt-to-GDP rules

Budget balance



Debt to GDP ratio



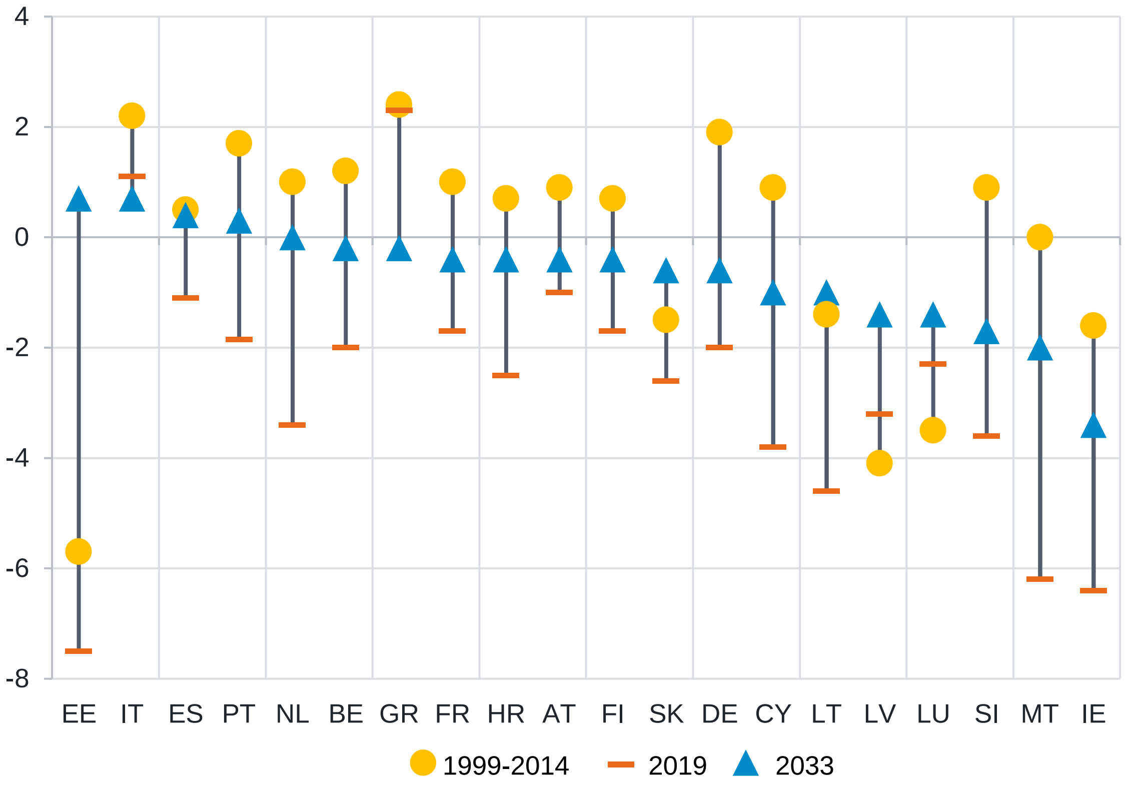
Notes: Budget balances in blue are non-compliant with the target and countries have been reprimanded by EC, yellow countries have mitigating factors to avoid EDP. Yellow bars for debt-to-GDP ratio are non-compliant but cannot be recommended an EDP yet under the new rules that require deviations from the new medium-term structural plans which are only presented for the first time in September.

Source: Fidelity International, European Commission AMECO Database, July 2024.

Euro Area: Higher interest rates imply rising interest expenditure as share of GDP

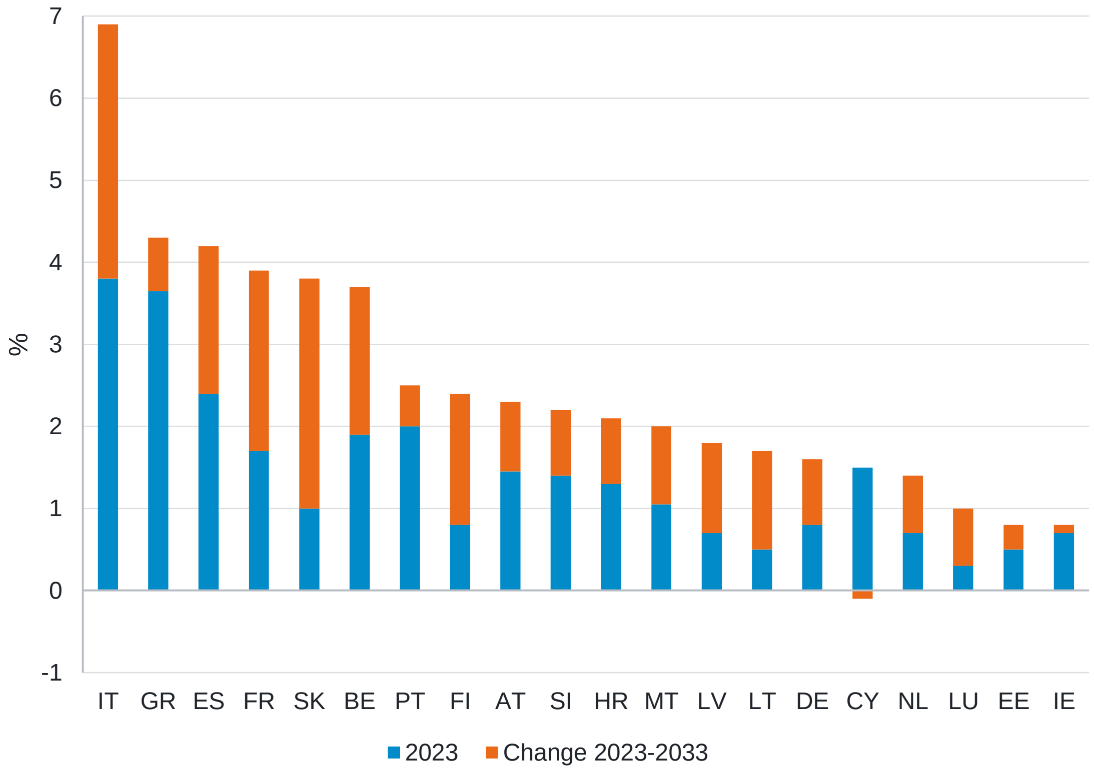
Italy stands out with the highest debt levels and projected interest expense at close to 7% if GDP

Interest rate growth differential less favourable than pre-Covid



Notes: Projections are derived from the current yield curve consistent with the ‘sound fiscal policy’ scenario (baseline of the Eurosystem DSA; based on June 2024 BMPE data)
Source: Fidelity International, ECB and ECB staff calculations, July 2024.

Interest costs projected to almost double in most countries



Notes: Annual government interest expenditures in % of GDP, Debt Sustainability Monitor (DSM) 2023 is based on the Commission’s 2023 autumn forecast.
Source: Fidelity International, European Commission, DSM 2023, July 2024.

France: A poor fiscal track record and low growth isn't helping

A low average interest rate on outstanding stock of debt helps but growth is too weak to allow for spending

France needs a primary deficit of 0.6% to 1.1% to stabilise debt…

Trend Nominal Growth (%Y)	Weighted average interest rate paid on stock of debt (%)								
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0
1.5	-0.6	0.0	0.6	1.1	1.7	2.3	2.8	3.4	4.0
2.0	-1.1	-0.6	0.0	0.6	1.1	1.7	2.3	2.8	3.4
2.5	-1.6	-1.1	-0.6	0.0	0.6	1.1	1.7	2.3	2.8
3.0	-2.2	-1.6	-1.1	-0.6	0.0	0.6	1.1	1.7	2.3
3.5	-2.7	-2.2	-1.6	-1.1	-0.6	0.0	0.6	1.1	1.7
4.0	-3.3	-2.7	-2.2	-1.6	-1.1	-0.6	0.0	0.6	1.1
4.5	-3.8	-3.3	-2.7	-2.2	-1.6	-1.1	-0.6	0.0	0.6
5.0	-4.3	-3.8	-3.3	-2.7	-2.2	-1.6	-1.1	-0.6	0.0
5.5	-4.8	-4.3	-3.8	-3.3	-2.7	-2.2	-1.6	-1.1	-0.6
6.0	-5.3	-4.8	-4.3	-3.8	-3.3	-2.7	-2.2	-1.6	-1.1

Characterisations

- **Lowflation:** low nominal growth, low policy rates.
- **Stagflation:** low growth, high inflation, high policy rates.
- **Reflation:** high growth, rising inflation, limited reaction in policy rates

Source: Fidelity International, FIL Global Macro Team calculations, Macrobond, July 2024.

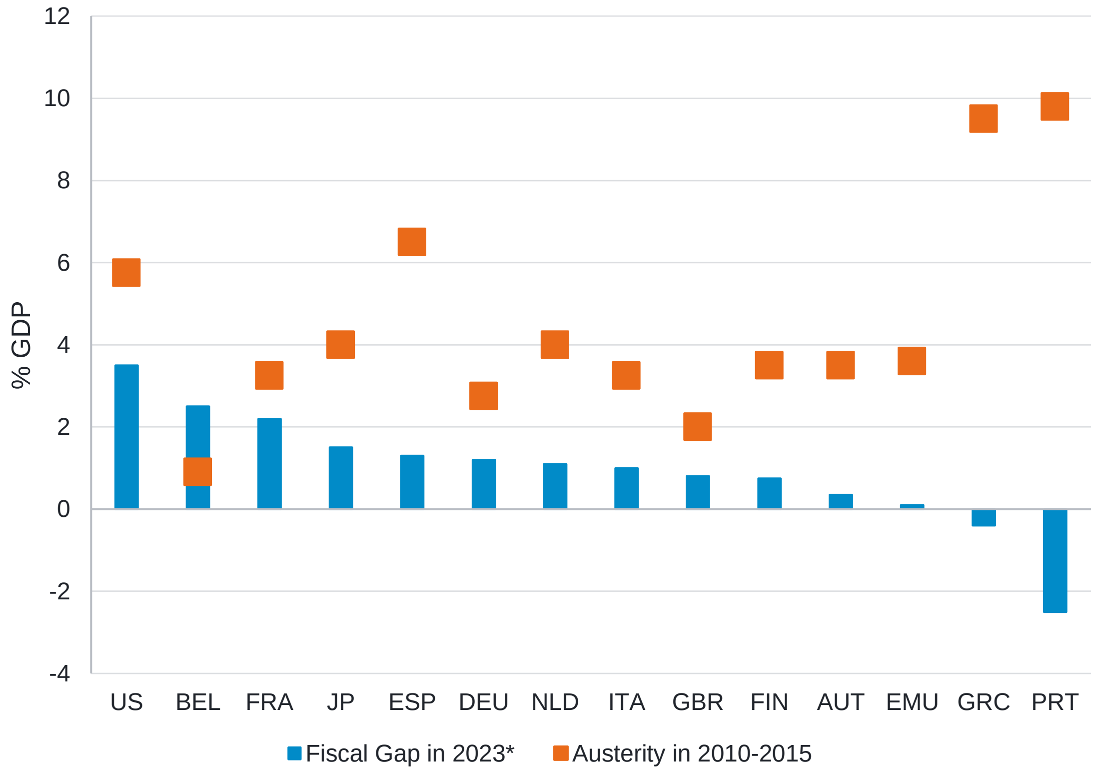
… but is running closer to 4% with little improvement expected

Source: Fidelity International, Macrobond, European Commission (DG ECFIN), July 2024

France: A challenging fiscal outlook with a hung parliament

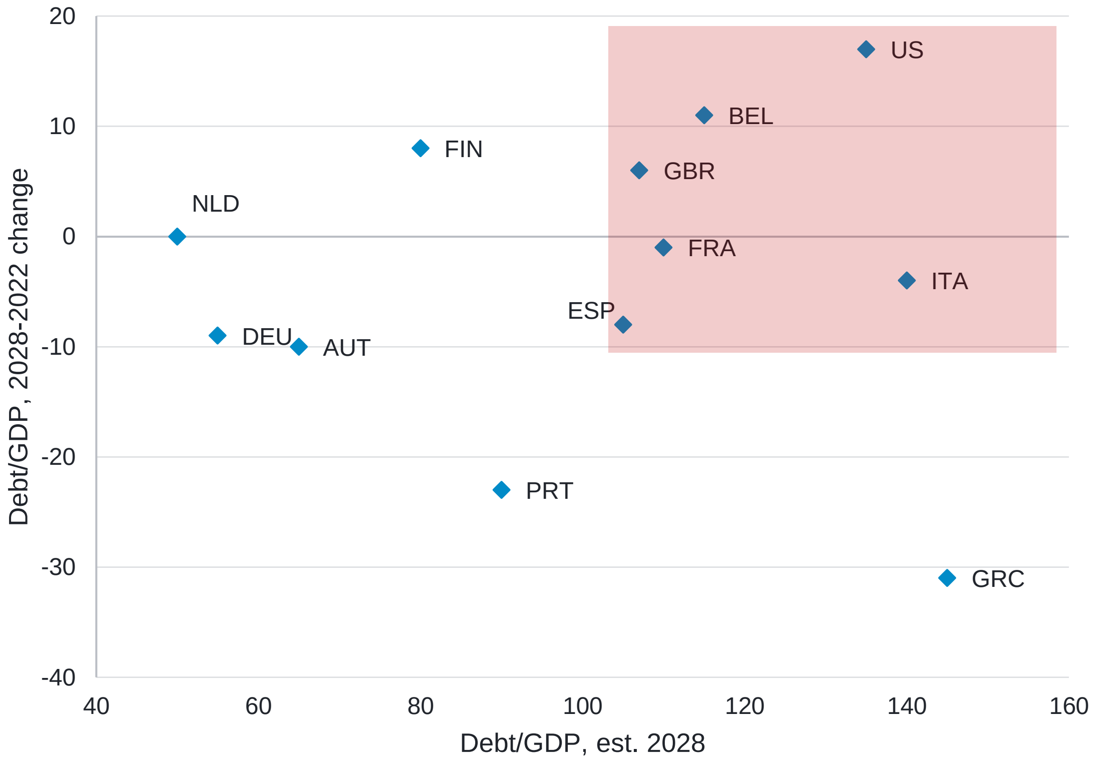
To stabilise its debt ratio, France needs significant fiscal consolidation through spending cuts

France needs to cut its structural deficit by as much as 2.2pp…



Notes: Difference between projected cyclically-adjusted primary balance in 2023 and required CABP to stabilise debt in 2028.
Source: Fidelity International, IMF World Economic Outlook (Oct 2023), BNP Paribas, July 2024.

… just to stabilise its debt at current levels.



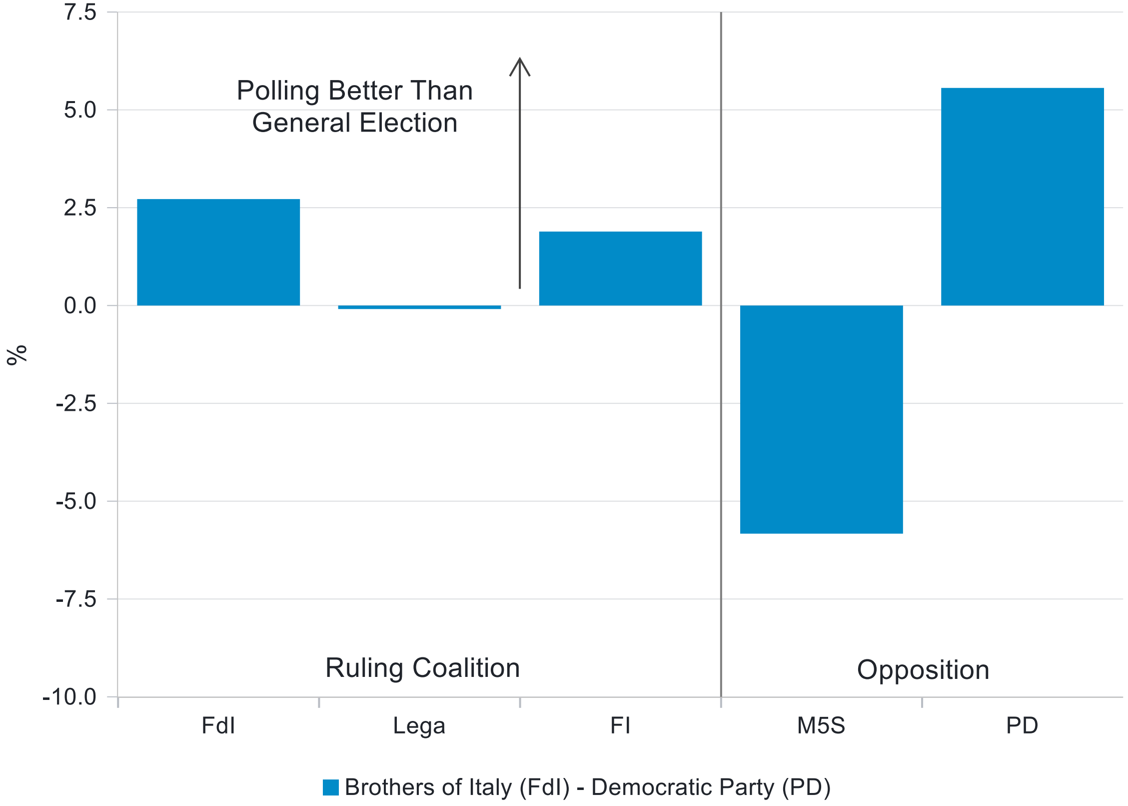
Notes: The box highlights countries with high debt ratios and no clear downtrend in the coming years
Source: Fidelity International, IMF World Economic Outlook (Oct 2023), BNP Paribas, July 2024.

Fidelity INTERNATIONAL

Italy: Government faces no political headwind to advance its agenda

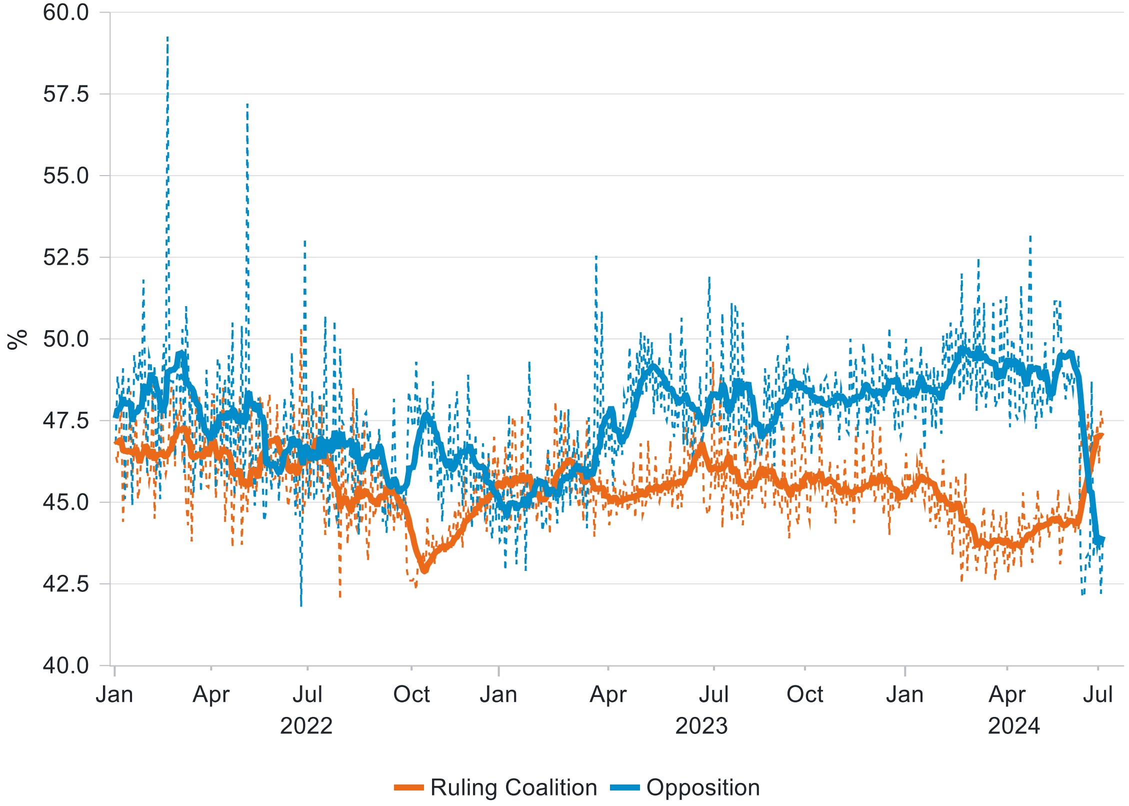
Meloni enjoys the largest parliamentary majority since WW2 and has further improved in polls since 2022

Ruling coalition is polling ahead of their 2022 result …



Source: Fidelity International, Macrobond, Political Thermometer, July 2024

… and it polls ahead of the opposition again lately



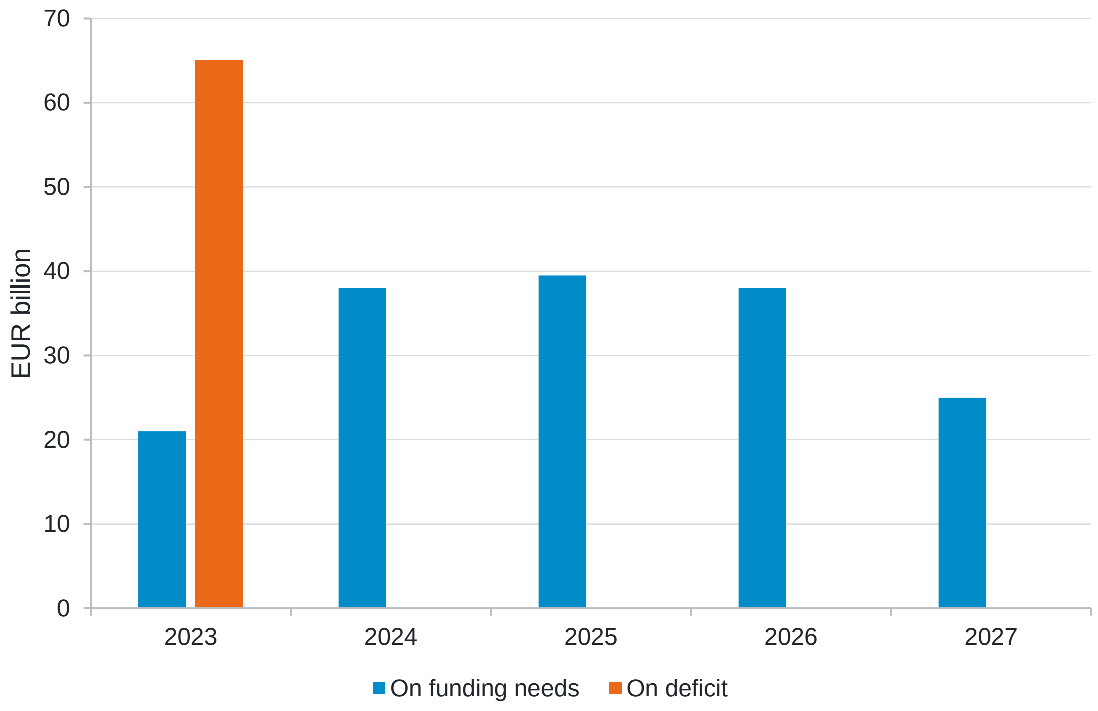
Source: Fidelity International, Macrobond, Political Thermometer, July 2024

Italy: Tax credits will have a long-lasting impact on funding needs

The growth impact of "Superbonus 110%" is now in the past but its costs will still weigh on funding needs

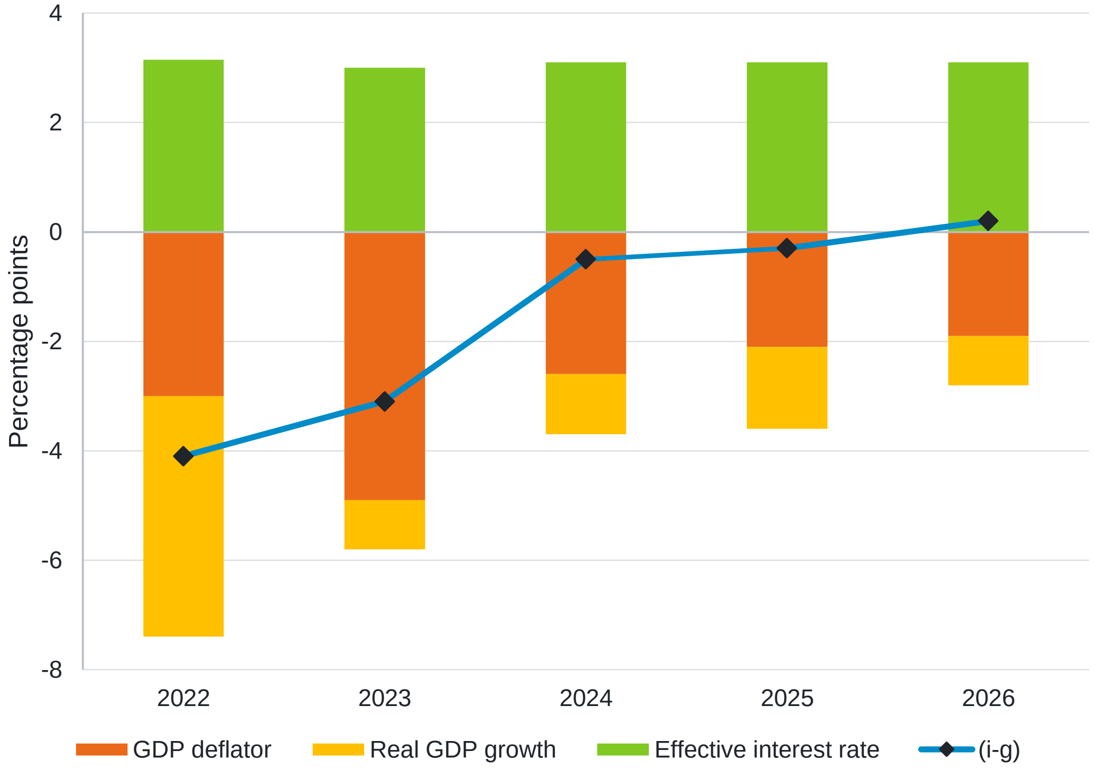
Funding needs from tax credits extend to ~2% of GDP…

Impact of construction tax credit



Source: Fidelity International, Goldman Sachs, July 2024.

…from 2024 to 2026 with weaker nominal growth further constraining fiscal headroom

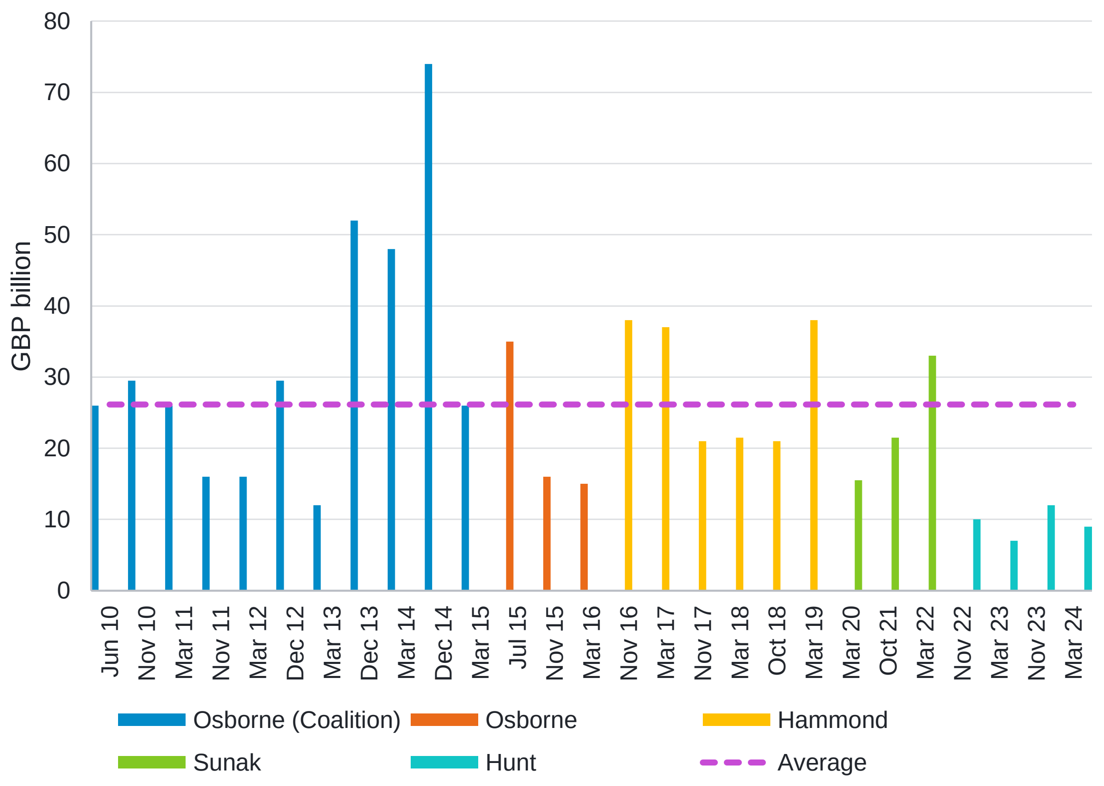


Note: (i-g) = Interest rate – Growth differential
Source: Fidelity International, Goldman Sachs, July 2024.

UK: Labour now enjoys a comfortable majority but has limited fiscal space

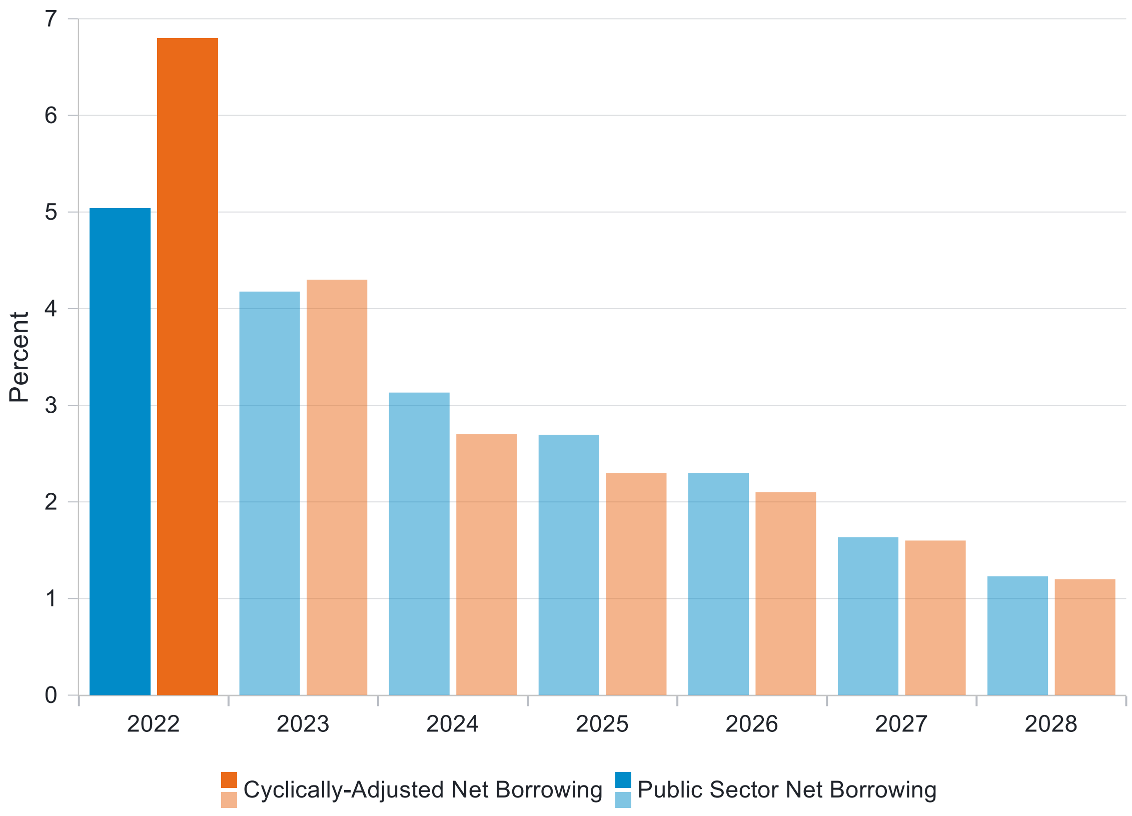
Fiscal space is limited and relies on overly optimistic growth forecasts - spending cuts or tax hikes are coming

The OBR sees fiscal headroom of less than GBP 10bn ..



Note: For comparability with headroom against the current fiscal mandate, past headrooms have been calculated in percent of GDP as forecast at the time and multiplied by our latest forecast for nominal GDP in 2028-29. For November 2016 and March 2020, we have used the Chancellor's headroom against the proposed fiscal rules at the time.
Source: Fidelity International, OBR, July 2024.

… but it relies on very optimistic OBR GDP forecasts

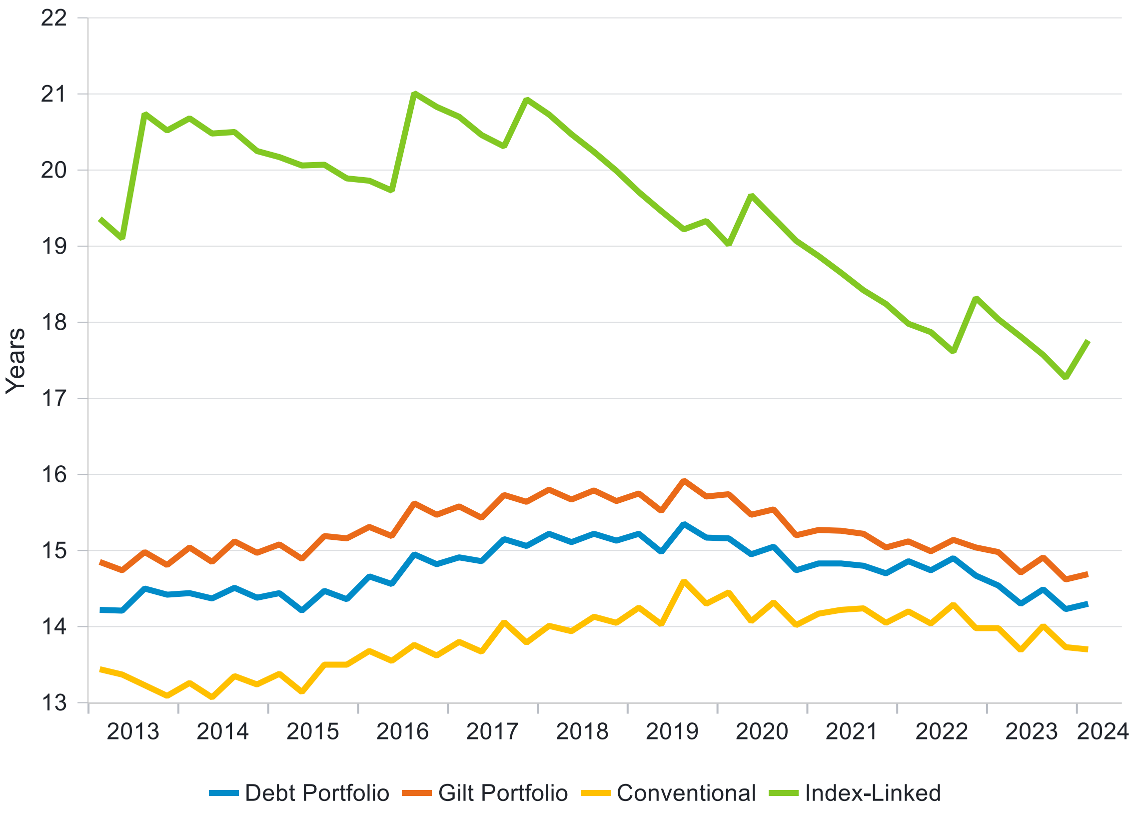


Source: Fidelity International, Macrobond, OBR, U.K. Office for Budget Responsibility, July 2024

UK: Long average maturities help debt management, but yields are now way higher

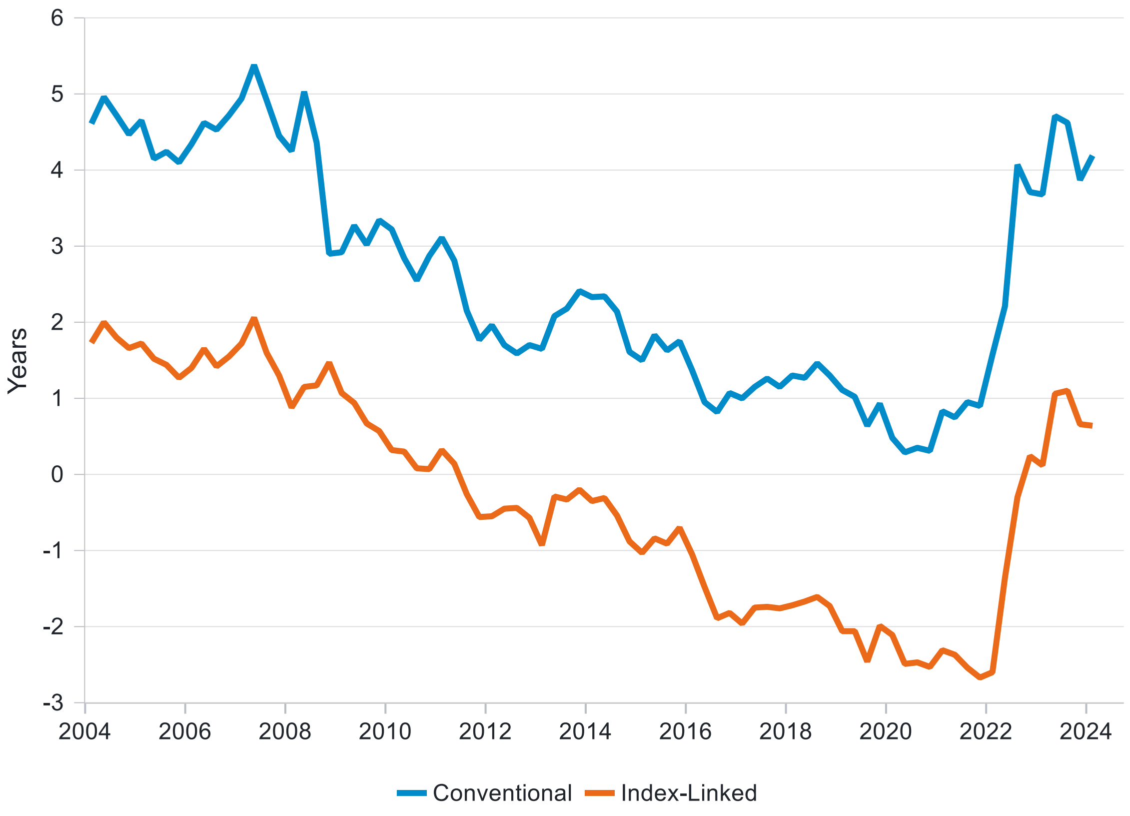
Rapidly rising interest rates have pushed average portfolio yields up sharply over the past three years

Average debt maturity has fallen but remains high …



Source: Fidelity International, Macrobond, DMO, July 2024

… but average yields have risen sharply.



Source: Fidelity International, Macrobond, DMO, July 2024

Fidelity INTERNATIONAL

UK: Elevated interest rates and weak growth make spending cuts more likely

With current economic conditions, the UK needs to run a primary surplus which risks spending cuts

The UK needs to run a primary surplus to stabilise debt…

Primary balance to GDP ratio required to keep debt/GDP stable at 88.8%

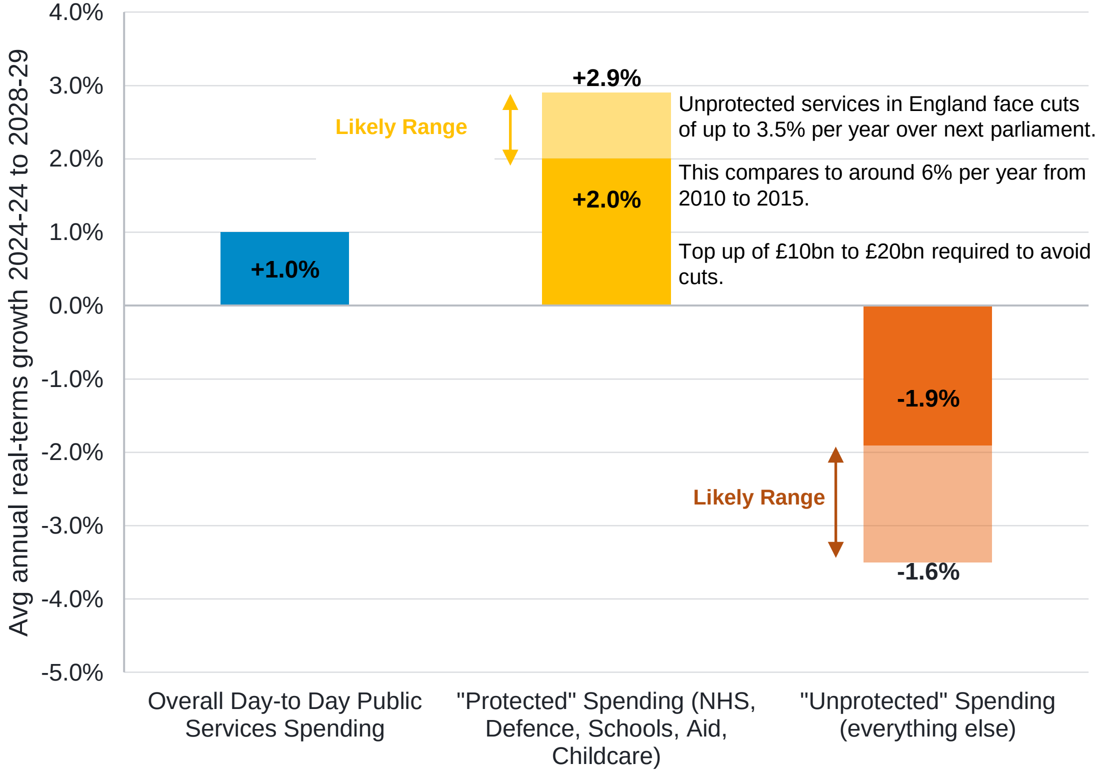
Trend Nominal Growth (%Y)	Weighted average interest rate paid on stock of debt (%)								
	1.0	**1.5**	**2.0**	**2.5**	**3.0**	**3.5**	**4.0**	**4.5**	**5.0**
1.5	-0.4	0.0	0.4	0.9	1.3	1.8	2.3	2.7	3.2
2.0	-0.9	-0.4	0.0	0.4	0.9	1.3	1.8	2.3	2.7
2.5	-1.3	-0.9	-0.4	0.0	0.4	0.9	1.3	1.8	2.3
3.0	-1.7	-1.3	-0.9	-0.4	0.0	0.4	0.9	1.3	1.8
3.5	-2.2	-1.7	-1.3	-0.9	-0.4	0.0	0.4	0.9	1.3
4.0	-2.6	-2.2	-1.7	-1.3	-0.9	-0.4	0.0	0.4	0.9
4.5	-3.0	-2.6	-2.2	-1.7	-1.3	-0.9	-0.4	0.0	0.9
5.0	-3.4	-3.0	-2.6	-2.2	-1.7	-1.3	-0.9	-0.4	0.0
5.5	-3.9	-3.4	-3.0	-2.6	-2.2	-1.7	-1.3	-0.9	-0.4
6.0	-4.3	-3.9	-3.4	-3.0	-2.6	-2.2	-1.7	-1.3	-0.9

Characterisations

- **Lowflation:** low nominal growth, low policy rates.
- **Stagflation:** low growth, high inflation, high policy rates.
- **Reflation:** high growth, rising inflation, limited reaction in policy rates

Source: Fidelity International, FIL Global Macro Team calculations, Macrobond, July 2024.

… likely needing additional "unprotected" spending cuts



Source: Fidelity International, IFS, July 2024.

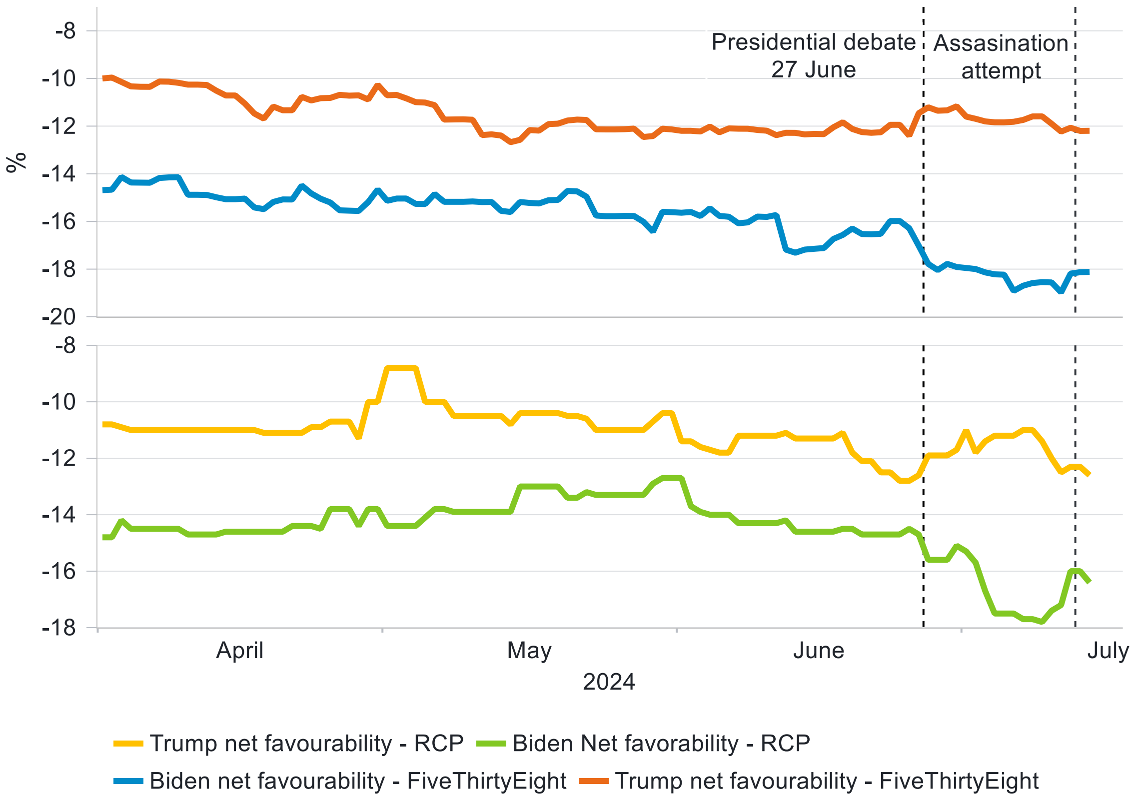
US Elections

Fidelity INTERNATIONAL

Post debate polls show Trump lead over Biden has widened…

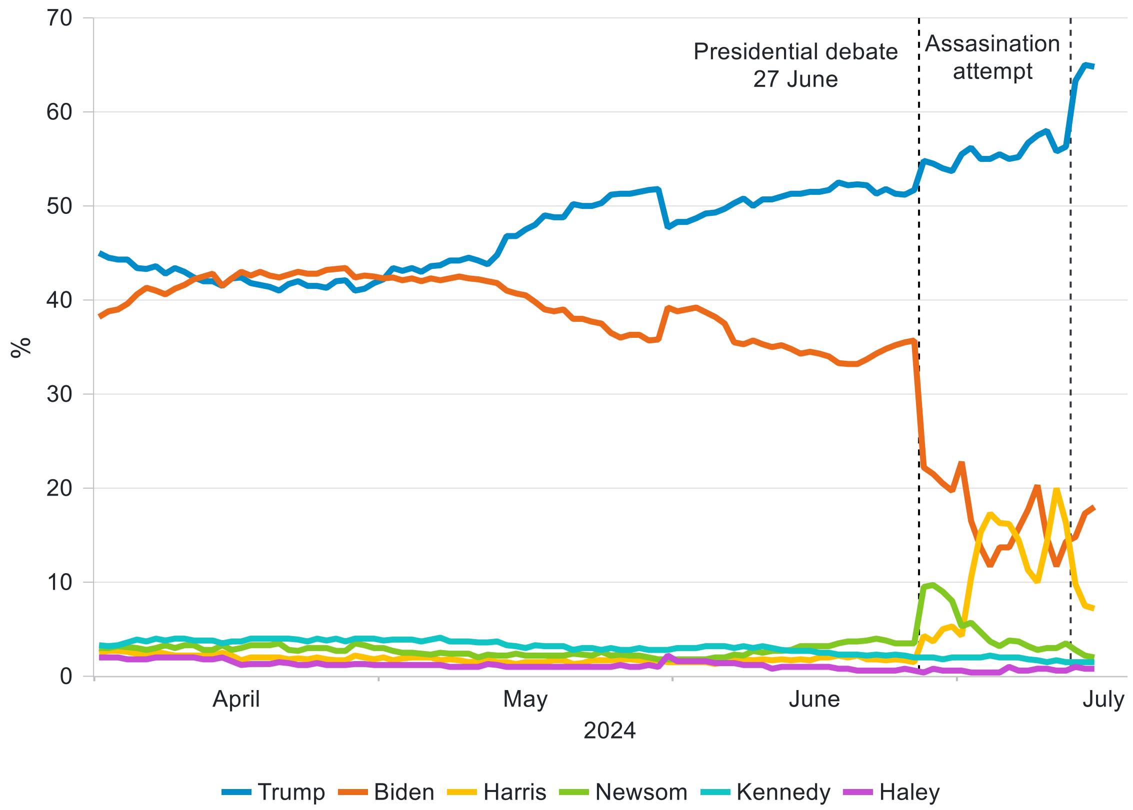
….with favourability for Trump getting another boost post the assassination attempt

Trump and Biden net favourability rating



Source: Fidelity International, Macrobond, FiveThirtyEight, RealClearPolitics (RCP), July 2024.

2024 US presidential election betting odds

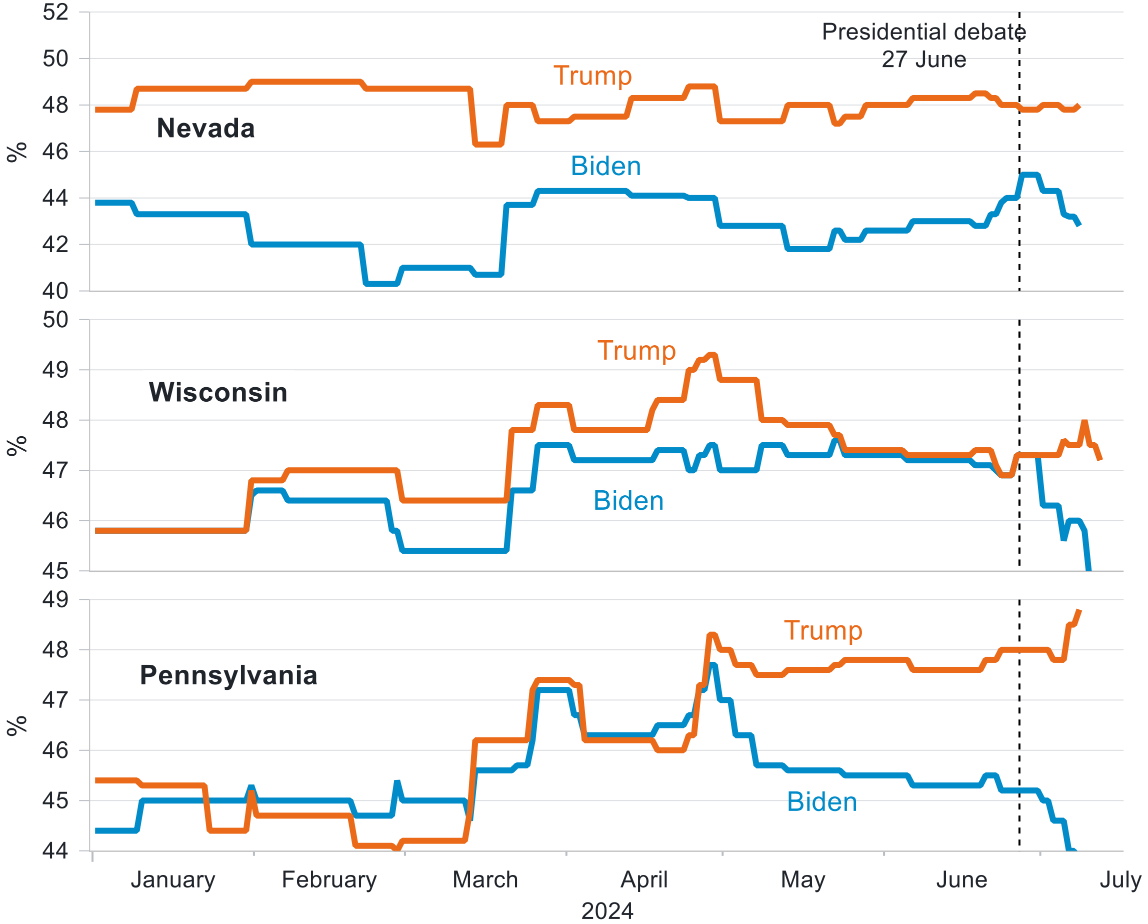


Source: Fidelity International, Macrobond, RealClearPolitics (RCP), July 2024.

Polls in swing states to be crucial

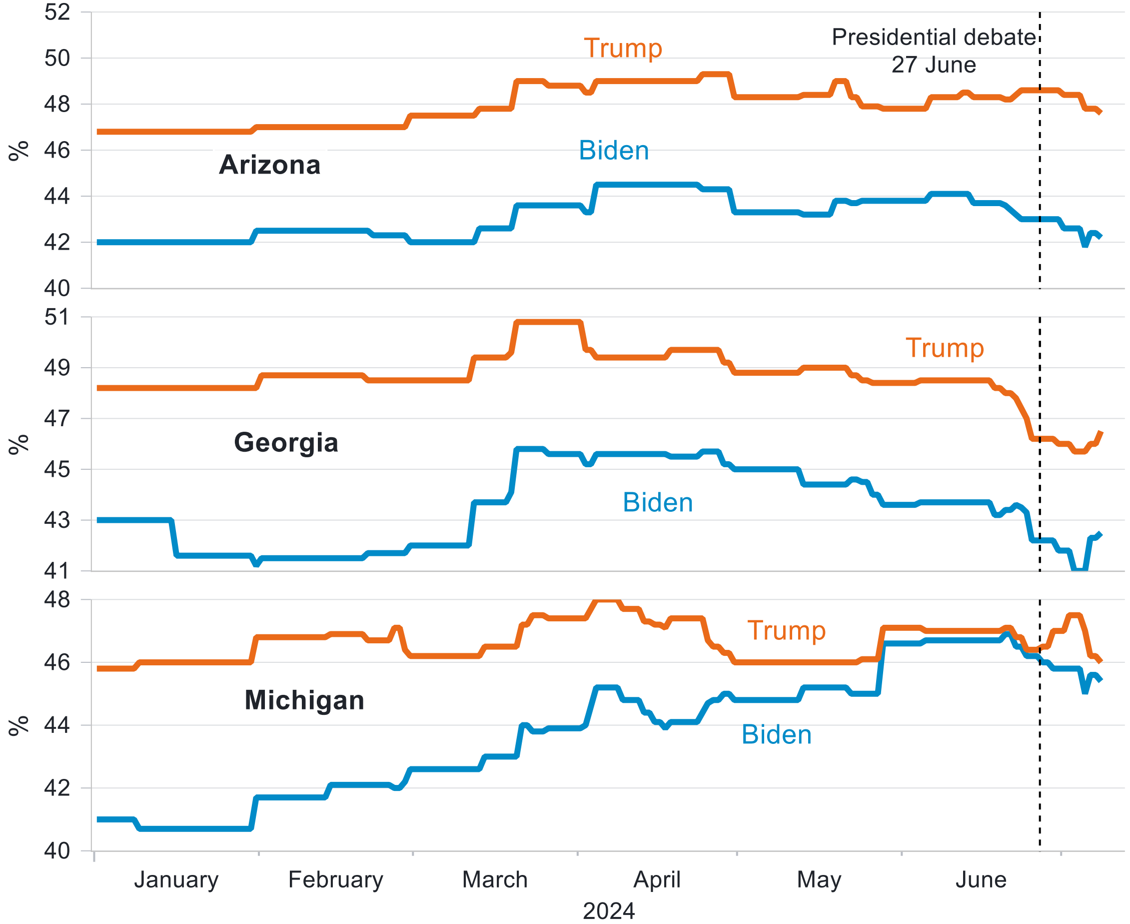
Trump's lead over Biden has widened post-debate in swing states, Michigan still a close call

US states poll trend



Source: Fidelity International, Macrobond, RealClearPolitics (RCP), July 2024.

US states poll trend

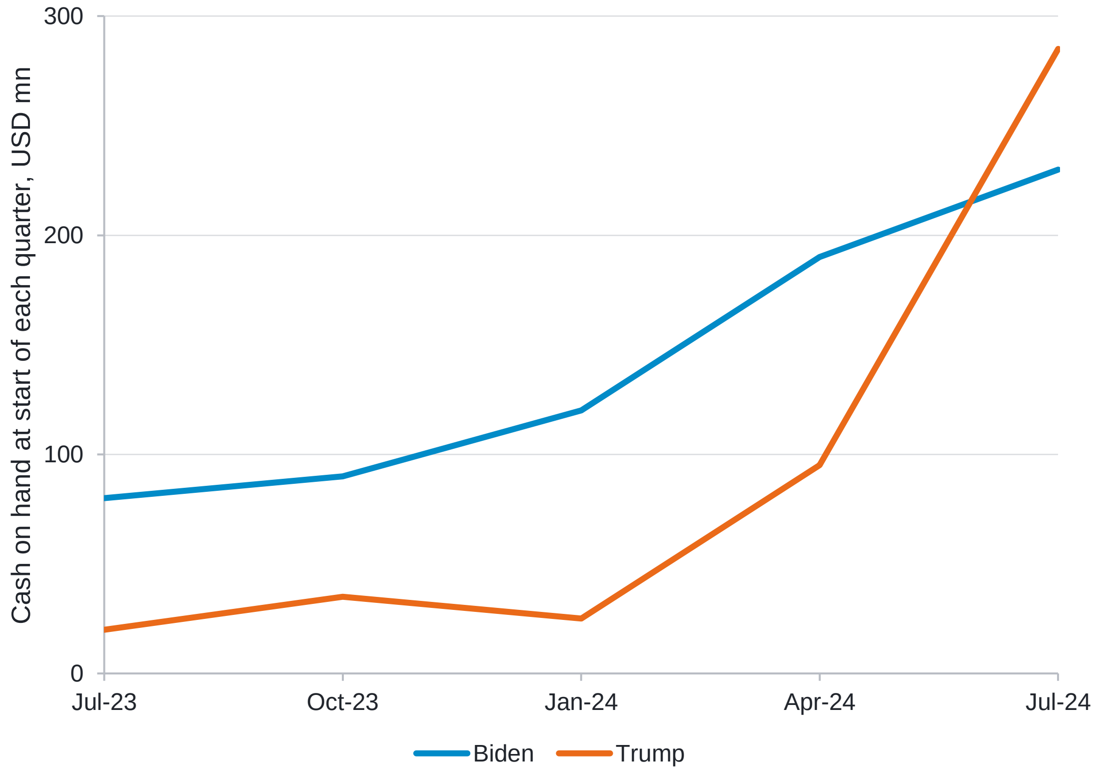


Source: Fidelity International, Macrobond, RealClearPolitics (RCP), July 2024.

Follow the money

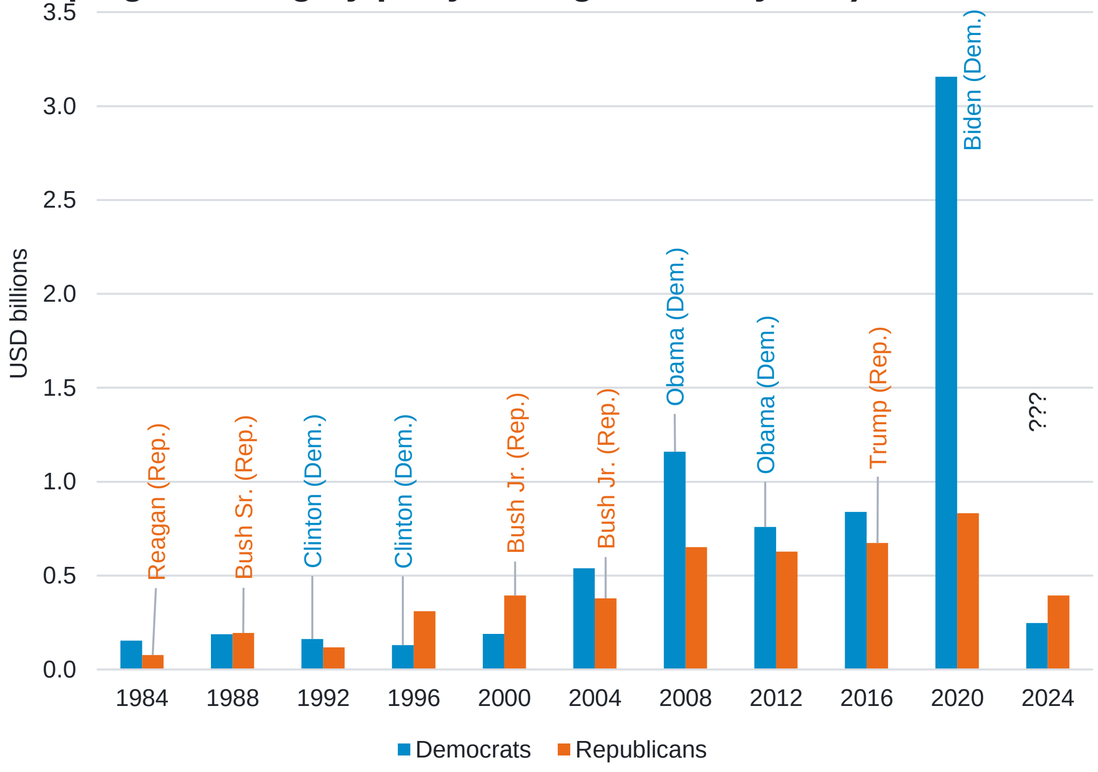
Trump has caught up and surpassed Biden in raising funds as donors withhold future contributions for Biden

Trump tops Biden in money chase



Source: Fidelity International, Federal Election Commission, Bloomberg, July 2024.

Democrats usually raise more money than Republicans (Campaign funding by party during election years)



Source: Fidelity International, Federal Election Commission, July 2024.

Fidelity INTERNATIONAL

Major policy differences between Trump and Biden

Range of policy similarities and differences

More similar

- Industrial policy (Buy American, Domestic subsidies)
- China (Tariffs, export controls, Outbound limits)
- Big Tech (Section 230, Tech Antitrust)
- Defence (Increase spending, Minimise deployments)
- Middle East (Israel, Iran)

Unclear

- AI
- Chips
- Debt

More different

- Business Regulation (FTC,CFPB,SEC,IRS, Antitrust)
- Climate & Energy (Renewables, IRA credits, EV's, Oil & Gas)
- Taxes (Corp. rate, individual/investor rates)
- Immigration (Deportation, amnesty, some border)
- Crypto
- Ukraine &Europe
- Social issues (DEI, Firearms)

Source: Fidelity International, Citi, July 2024.

Differences on key policies between Trump and Biden

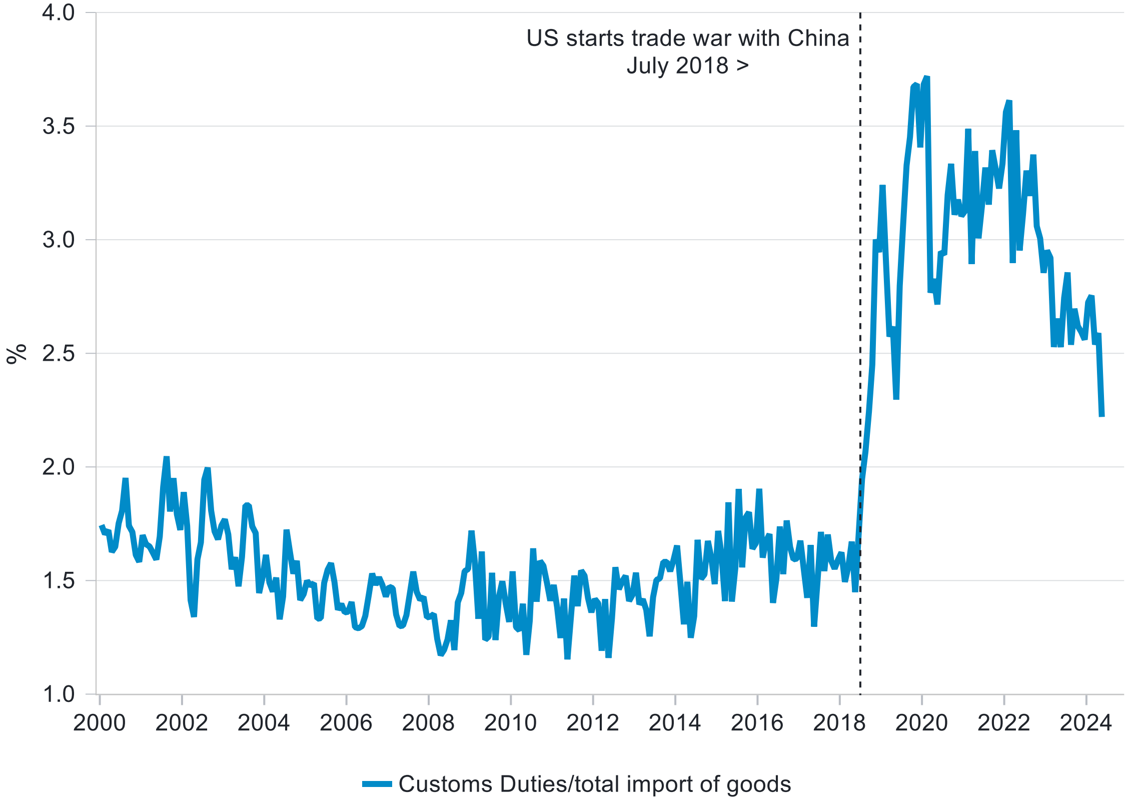
Major policy	Biden	Trump
Trade	Status quo (unchanged tariffs on China imports from Trump 1.0 + selectively increasing tariffs on certain China imports)	60% tariff on Chinese imports + 10% universal tariffs on all imports
Taxes	Selective TCJA extension + higher corporate taxes	Complete TCJA extension + possibility of lower corporate taxes
Immigration	Status Quo (recently tightened border entry rules but immigration numbers have remained high	Shut southwest border + begin large-scale deportation of unauthorized immigrants in the country
Industrial policy	IRA & Chips act stimulated close to $500 bn in announced investments in semi-conductor and clean tech manufacturing	Challenge spending on green tech capex but supportive of fossil fuel capex

Source: Fidelity International, July 2024.

Higher tariffs to boost fiscal revenues positively under Trump 2.0

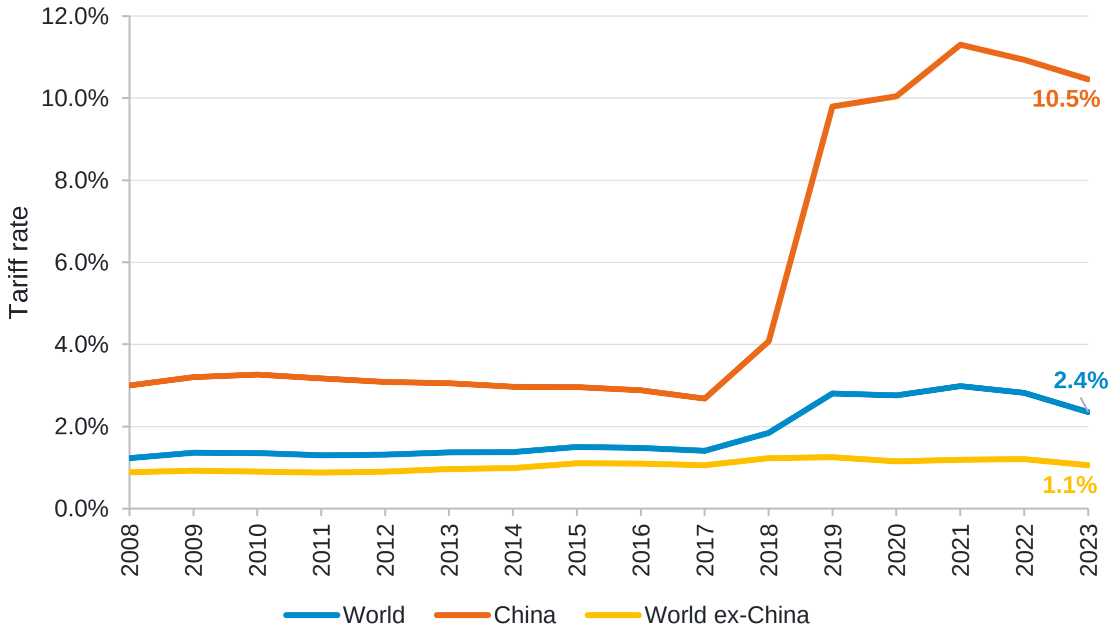
Flat increase in tariffs can increase US custom revenues by over $450 bn (~1.3% of GDP) ceteris paribus

US effective tariff rate increased by ~2pp after 2018-19 trade war



Source: Fidelity International, Macrobond, Census Bureau, US DoT, July 2024

US trade weighted average tariffs to China and ROW



	US Effective tariff rate	Share of total imports, as of 2023 (A)	Expected tariff increase* (B)	Increase in total effective tariff (A*B)	Increase in custom revenue ($ bn)
China	11%	14%	40-50%	5.6-7%	175-220
ROW	1%	86%	9%	8%	240
Total	**2%**	**100%**	**13-15%**	**13-15%**	**415-460**

^ assuming there is a blanket increase in tariff rates to 50-60% from China imports and a 10% universal tariff on ROW imports
Source: Fidelity International, FIL Global Macro Team calculations, Census Bureau, Haver Analytics, July 2024.

Actual gains to custom revenues likely to be smaller…

…given workarounds to these tariff increases

Actual revenues increases likely to be smaller vs these blanket increase calculations:

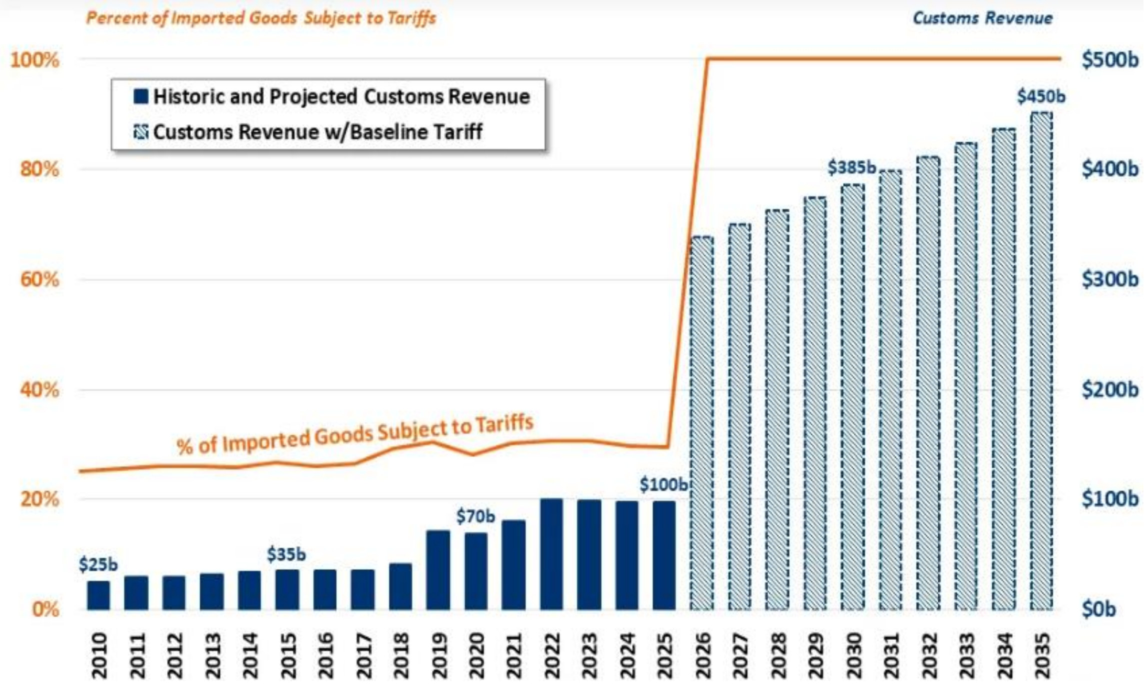
Exemptions
- Requests from companies to allow importing goods difficult to access elsewhere
- over 2000 product specific exemptions granted by 2020 post trade war with China

Existing trade agreements
- Existing trade agreements (USMCA, KORUS, USJTA, etc);
- covers >35% of US imports and would lead to < $160 bn increase in revenues from a 10% universal tariff

Re-routing & retaliatory tariffs
- Re-routing trade via other countries that are exempt plus loss of output due to retaliatory tariffs could reduce overall revenue boost

Source: Fidelity International, July 2024.

Potential increases in revenue collections based on CRFB



Impact of 10% universal tariff on revenue collections and debt*

	Revenue Impact (FY 2026-2035)	Debt-to-GDP Impact (FY 2035)
Conventional Estimate	$2.5 Trillion	-7 percent of GDP
Dynamic Estimate	$2.0 Trillion	-4 percent of GDP

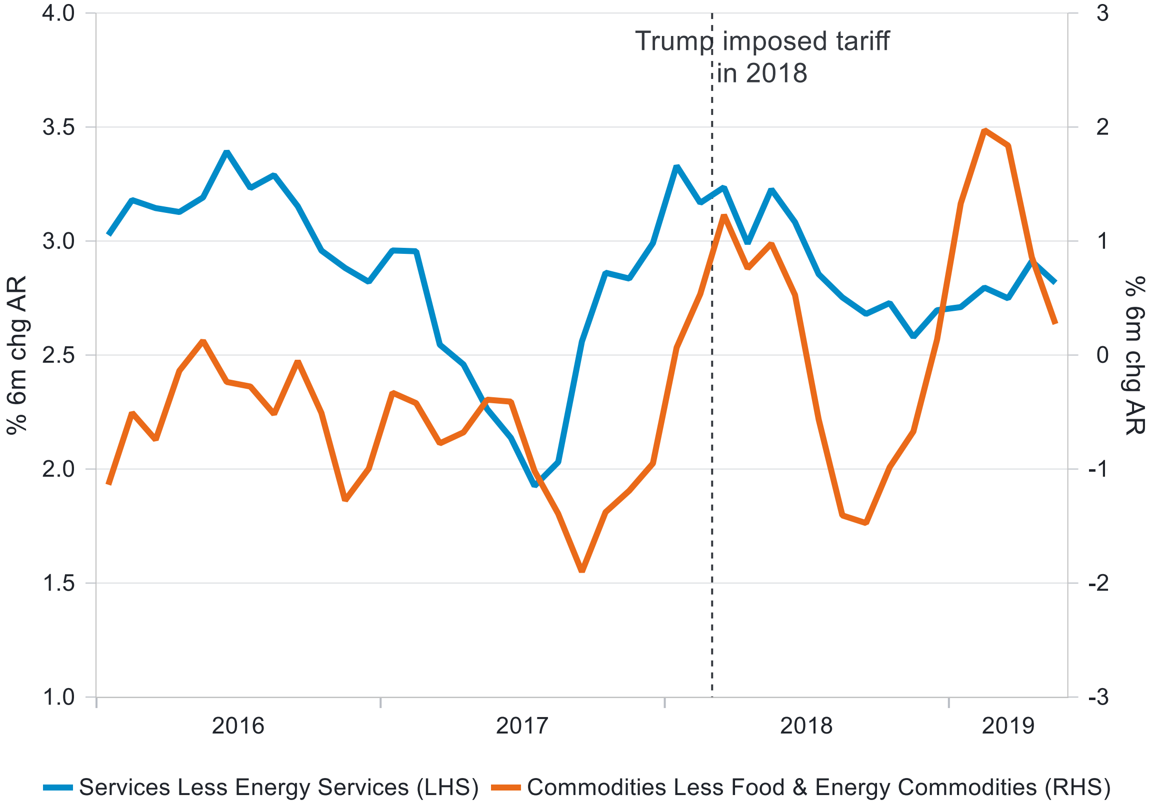
*Above impact is calculated after accounting for effects of tariffs on imports, import prices, and taxable income. Dynamic estimate assumes a reduction in output by ~1% due to these tariffs and subsequent retaliations

Source: Fidelity International, CRFB, July 2024.

Evidence from trade war 2018-19 show clear impact of tariffs on inflation…

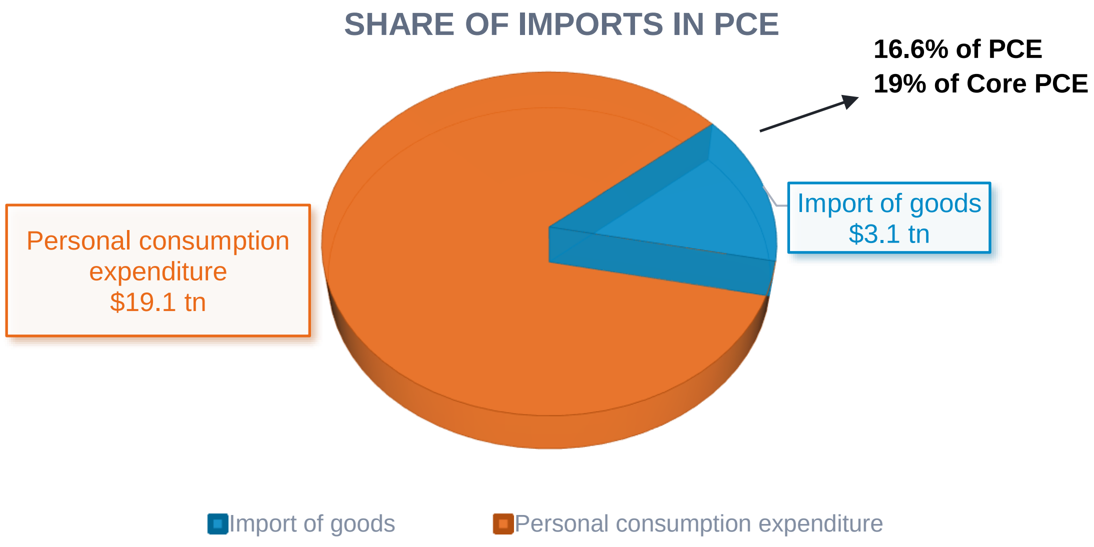
…however, there are some mixed evidence on complete pass through to inflation

Tariffs during 2018-19 resulted in sharp acceleration in core good prices



Source: Fidelity International, Macrobond, U.S. Bureau of Labor Statistics (BLS), DB, July 2024

Impact of tariffs assuming complete pass through to consumers



	Total share in PCE	Increase if effective tariff rate^	Increase in PCE headline (in bps)	Increase in core PCE (in bps)
US total imports	16.6%	8%	133	152
US imports from China	2.3%	40-50%	90-120	110-130

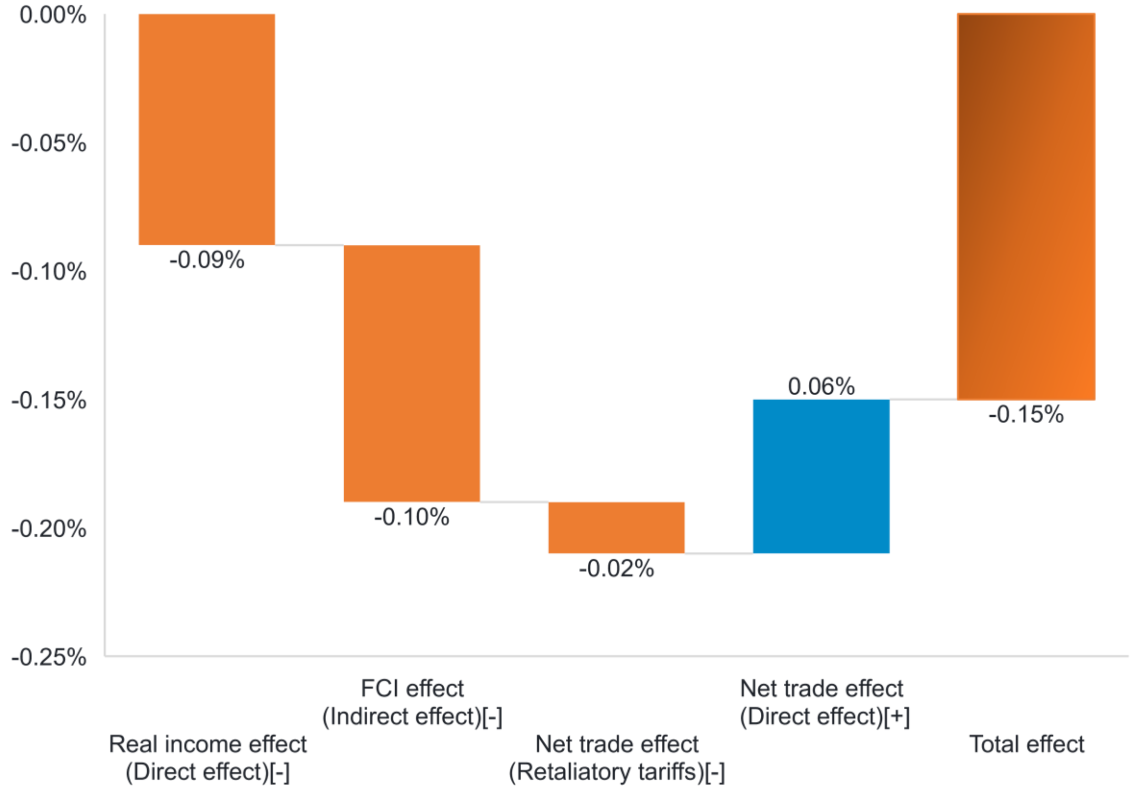
^ assuming there is a blanket increase in tariff rates to 50-60% for imports from China and a 10% blanket increase to all imports to 10%

Source: Fidelity International, FIL Global Macro Team calculations, Census Bureau, BEA, July 2024.

Higher tariffs to impact growth negatively…

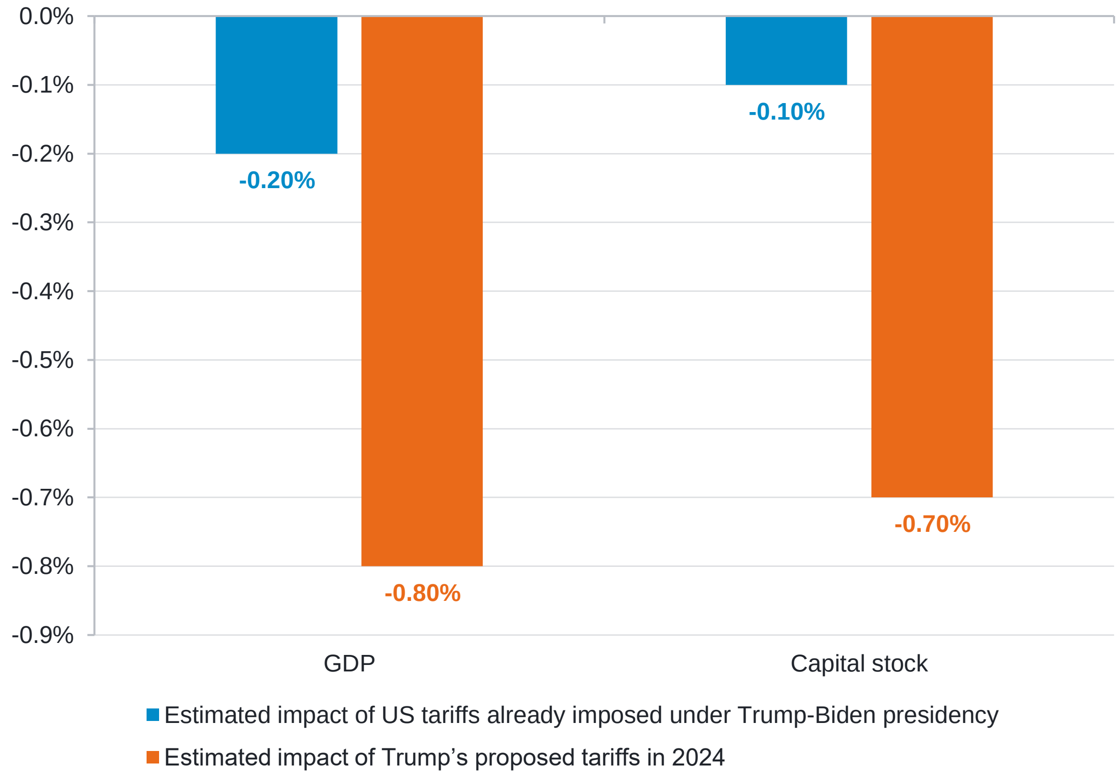
…through both direct and indirect channels

Impact of 1pp increase in average tariff rates to GDP



Note: Orange bars denotes negative effect and blue bars denote positive effect.
Source: Fidelity International, Goldman Sachs, July 2024.

Economic effects of US proposed tariffs

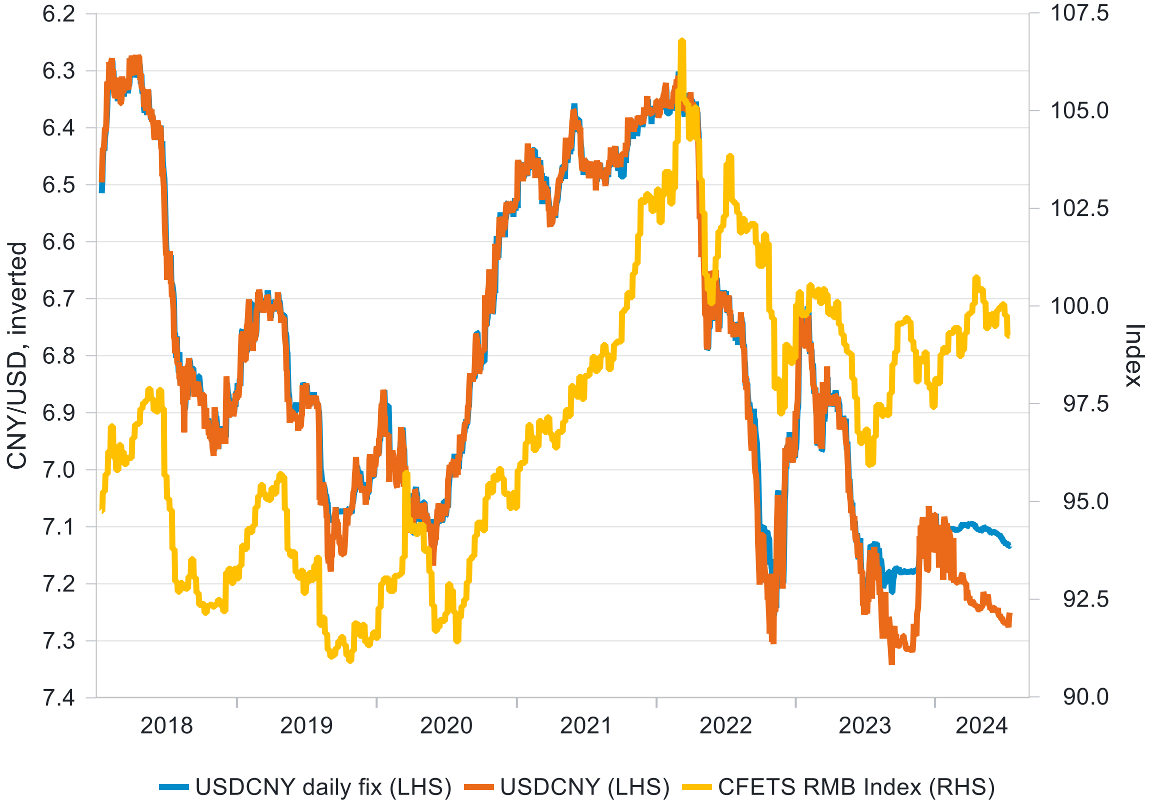


Source: Fidelity International, Tax Foundation General Equilibrium Model, July 2024.

Impact on China

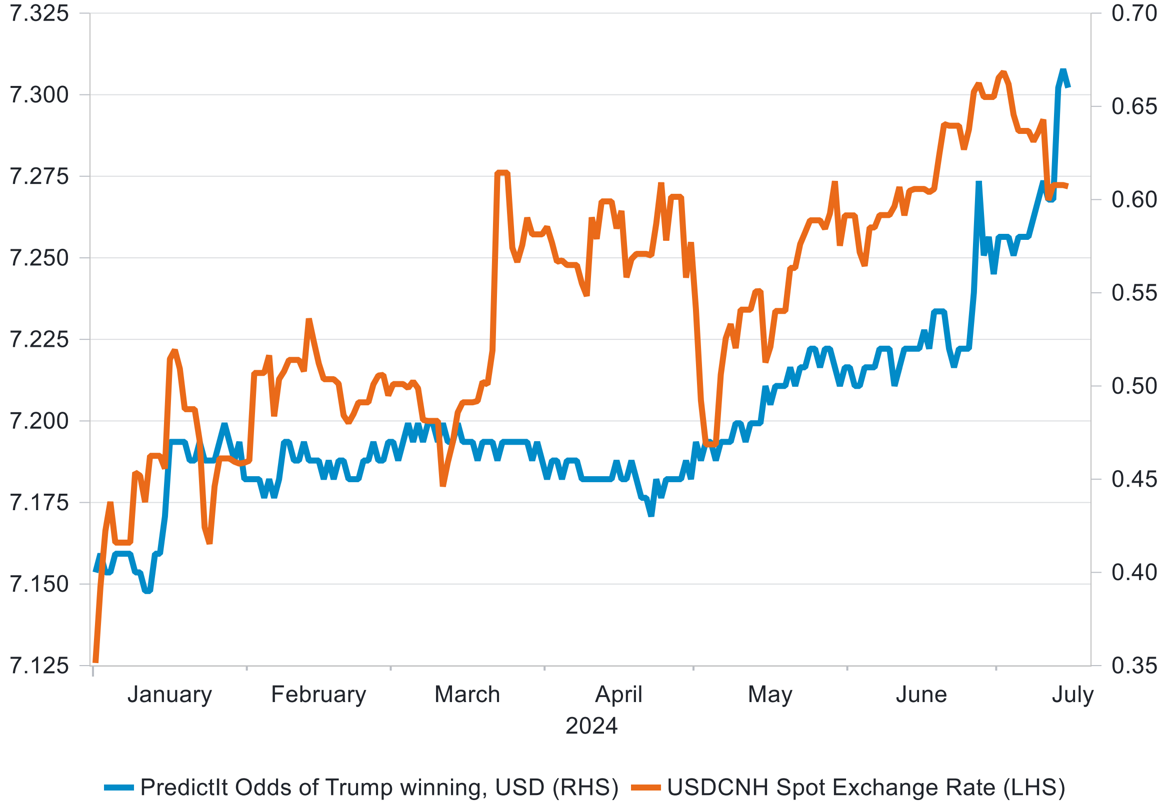
The expected tariffs impact may be partly offset by a weaker yuan, but the scope of devaluation is smaller now

FX depreciation may partly offset the rising tariffs



Source: Fidelity International, Macrobond, SAFE, Macrobond, CFETS, July 2024

Market implied bets of Trump winning elections vs USDCNH

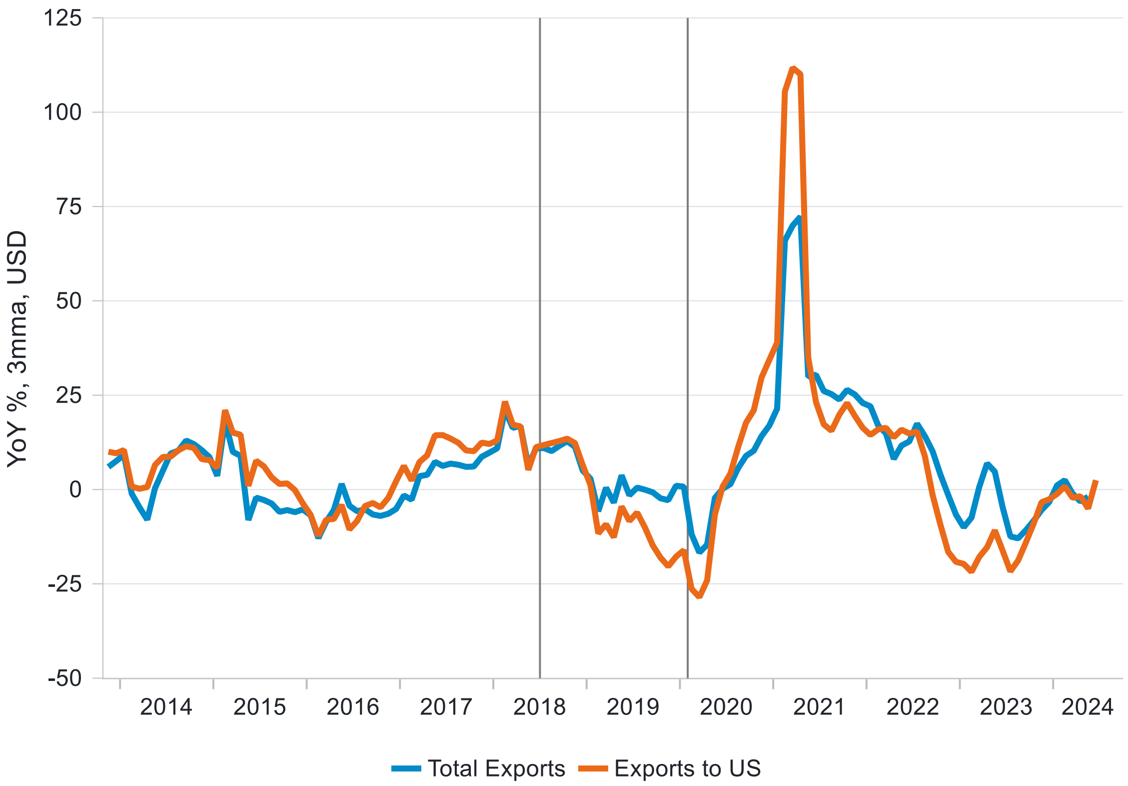


Source: Fidelity International, Macrobond, Bloomberg, PredictIt, July 2024

Impact on China

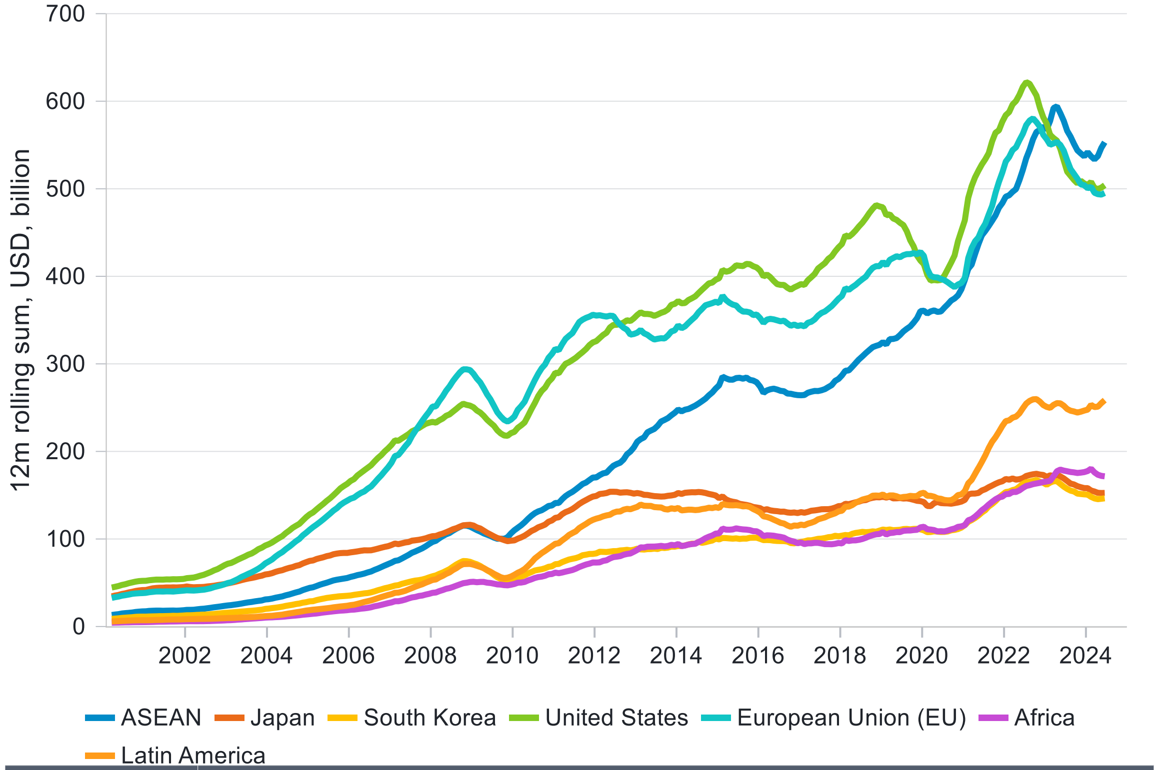
The immediate impact is on exports, but the structure of global trade has reshaped since the last trade war.

China's exports to the US underperforms its global exports



Source: Fidelity International, Macrobond, China Customs Statistics Information Center (CCS), China General Administration of Customs (GAC), July 2024

China's exports by destination



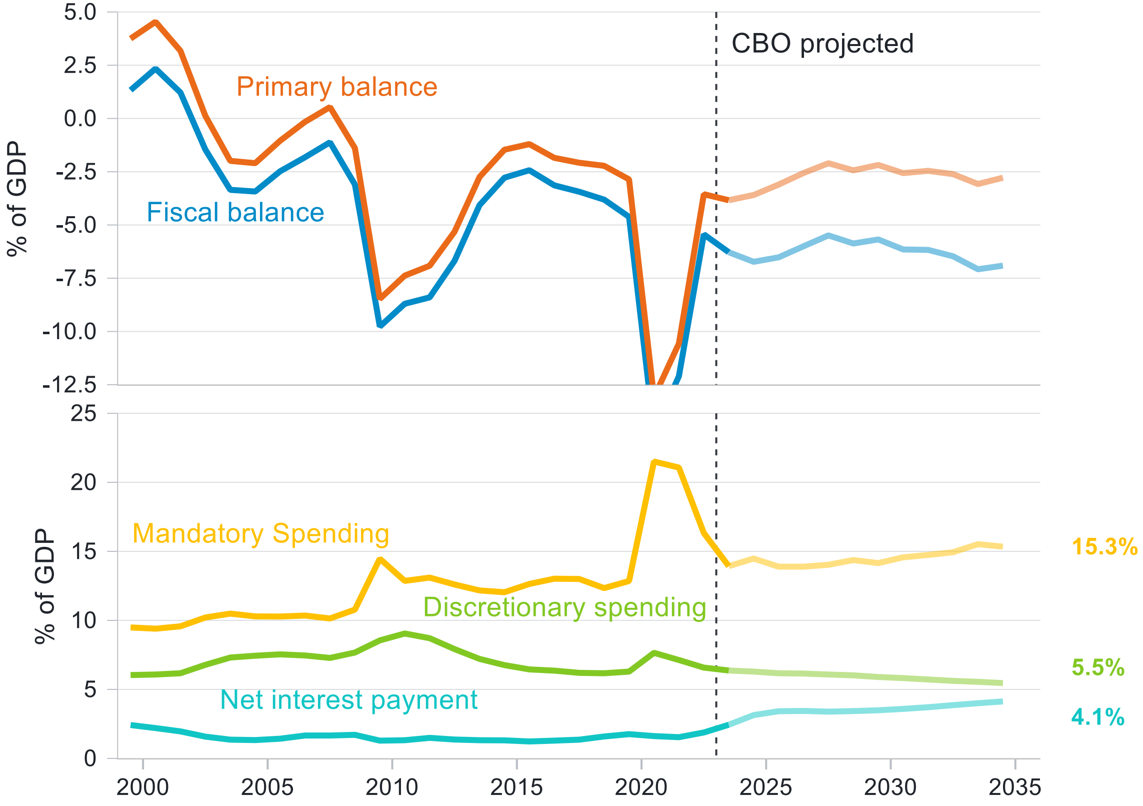
Year	% of total China exports			
	US	ASEAN	EU	RoW
2017	20.4%	11.4%	14.7%	53.5%
2023	13.4%	16.8%	17.5%	52.3%

Source: Fidelity International, Macrobond, China General Administration of Customs (GAC), July 2024.

The new government in 2025 is likely to be met with a challenging fiscal environment

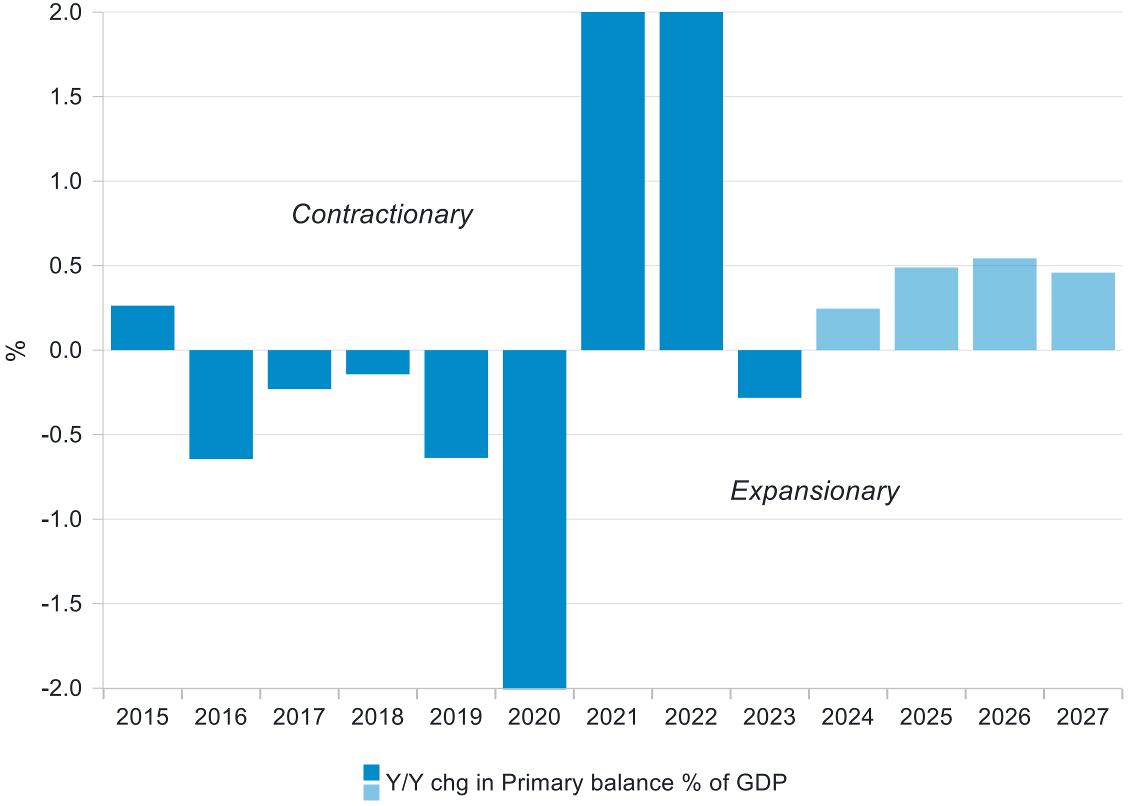
Fiscal impulse is expected to turn negative in following years as rising interest costs and mandatory spends leave less room for productive spending by the government

Fiscal balance and outlay by category



Source: Fidelity International, Macrobond, U.S. Congressional Budget Office (CBO), July 2024

Fiscal impulse (change in primary balance as % GDP)

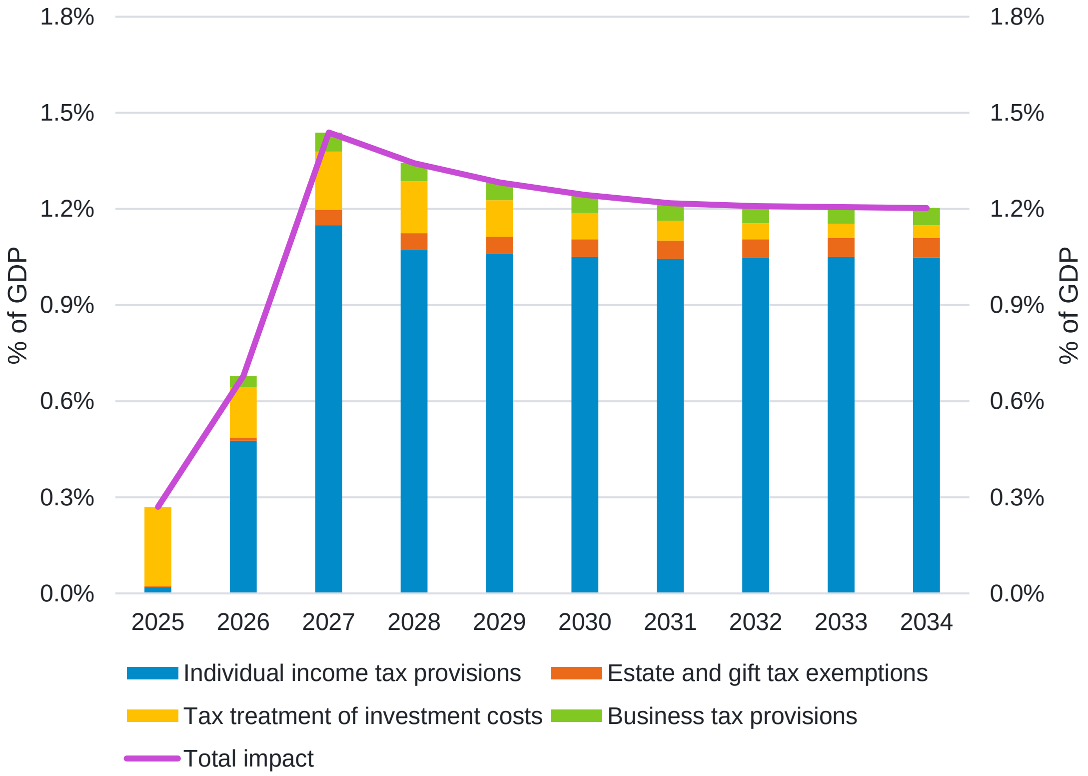


Source: Fidelity International, Macrobond, CBO, U.S. Congressional Budget Office (CBO), July 2024

Addressing TCJA expiry will be central focus of new government in 2025

In the absence on an extension to the TCJA government tax receipts would get a boost by ~$400 bn per year (1.1% of GDP)

Fiscal impact (primary balance) on extending TCJA (as % of GDP)



TCJA expiry is largely focused on income tax provisions with corporate tax mostly permanent in nature (will need congress approval to change)

Type	Provision	Expiring	Cost of extension in $ bn (2025-34)	as % GDP
Individual/Family Tax rates	Individual income tax	end 2025	3256	0.90%
	Child Tax credit	end 2025		
	Alternative minimum tax	end 2025		
	Business income deduction	end 2025		
	Exemption on higher estate and gift tax	end 2025	167	0.05%
Corporate Tax	Bonus depreciation of investments	phase out by end 2026	378	0.11%
	Certain business tax provisions	end 2025	172	0.05%
	Corporate tax cut to 21%	Permanent	-	-
Total			**3973**	**1.1%**

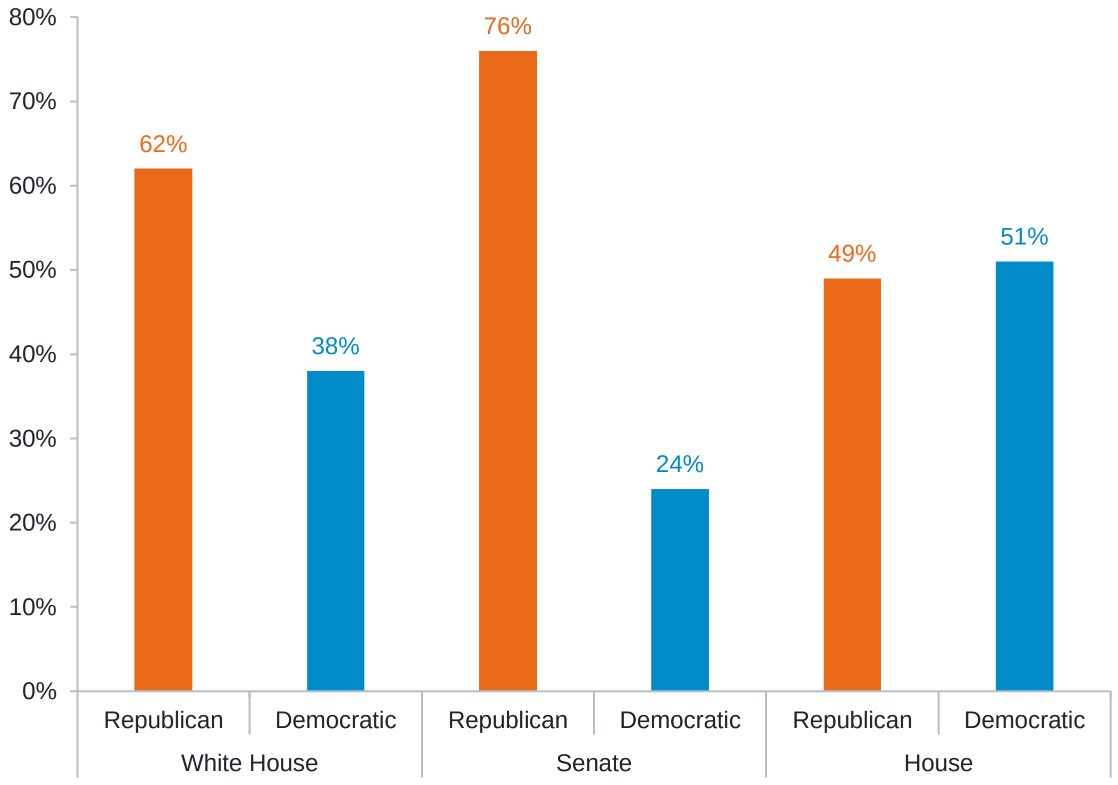
Note : Above numbers reflect costs of extending TCJA excluding costs on interest payments. After including interest payment costs, total impact on fiscal balance would be around $4580 bn over 10 years (1.3% of GDP)

Source: Fidelity International, FIL Global Macro Team calculations, CBO, July 2024.

Shape of fiscal policy will be dependent on the results of …

… both the Presidential and Congressional winners

Market implied odds for election winners



Implied odds as of July 11th, 2024

Source: Fidelity International, Polymarket, July 2024.

Trump and Biden major differences on Tax policy

	Trump	Biden
Expiring Tax Cuts	Full extension	Extend for incomes <400K
Other tax cuts	Corporate tax reduction from 21% to 15-20% Unspecified household tax cuts Exempt tips	Continued enhanced ACA tax credits Expand Child tax credit and earned income tax credit
Fund by	10% across the board tariffs	Raise corporate tax to 28% raise Medicare tax >$400K Raise buyback tax from 1% to 4%

	Trump	Biden
Sweep	Extension of TCJA with possibility of additional tax cuts (including corporate)	TCJA extension for <$400K ACA/CTC policies adopted Raise corporate taxes **(least likely scenario)**
Divided government	Bipartisan compromise extension of TCJA (more in line with Democrats) with no change/increase on corporate taxes	Bipartisan compromise extension of TCJA in line with democrats No corporate tax changes

Irrespective of the election winner the fiscal outlook likely to deteriorate…

… more than CBO projections. A red sweep is likely to be most fiscally expansive scenario, however windfall gains from custom revenues are a wild card

					Scenarios under different Presidential and Congressional winner (ordered from left to right as most fiscally expansive to least)			
in $ billion	Pre-pandemic average (2012-2019)	2023	2024	CBO projections (over 2025–2034)	Red sweep (complete TCJA extension + corporate tax cut)**	Trump victory with divided congress (TCJA extension but no corporate tax cut)	Biden victory with divided Congress (partial TCJA extension but no corporate tax increase)	Blue Sweep (partial TCJA extension + increase corporate tax)***
Revenues	3109	4,441	4,890	6,281	5,784	5,884	6,021	6,252
Mandatory spending	2332	3,758	4,121	5,145	5,145	5,145	5,145	5,145
Discretionary spending	1227	1,719	1,791	2,052	2,052	2,052	2,052	2,052
Net interest	262	658	892	1,293	1,293	1,293	1,293	1,293
Total Outlay	3821	6,135	6,805	8,490	8,490	8,490	8,490	8,490
Fiscal deficit	712	1,694	1,915	2,208	2,706	2,606	2,469	2,238
as % GDP								
Revenues	16.8%	16.5%	17.2%	17.8%	16.4%	16.7%	17.1%	17.7%
Mandatory spending	12.6%	13.9%	14.5%	14.6%	14.6%	14.6%	14.6%	14.6%
Discretionary spending	6.6%	6.4%	6.3%	5.8%	5.8%	5.8%	5.8%	5.8%
Net interest	1.4%	2.4%	3.1%	3.7%	3.7%	3.7%	3.7%	3.7%
Total Outlay	20.6%	22.7%	23.9%	24.1%	24.1%	24.1%	24.1%	24.1%
Fiscal deficit	**-3.8%**	**6.3%**	**6.7%**	**6.3%**	**7.7%**	**7.4%**	**7.0%**	**6.4%**
Fiscal deficit (adjusted for tariff increase)*					**6.7%**	**6.4%**	**7.0%**	**6.4%**

Note: we assume no changes to spending patterns from the CBO estimates.

* assuming windfall gain to revenues by 1% of GDP due to increase in tariffs.**assuming reduction in corporate taxes to 15%.*** assumes increase in corporate taxes to 28% from 21% along with increase in tax for Medicare and buybacks

Source: Fidelity International, FIL Global Macro Team calculations, CBO, July 2024

Investment Implications

Selectively constructive on risk

Resilient growth continues

Growth and inflation dynamics should cause correlations to fall

Equities: The global cycle remains intact, although a few leading indicators point to some softening of growth. There are signs that growth may be broadening out, which may lead to other regions 'catching up' to the US. Fundamentals are solid and technicals also remain supportive of taking equity risk. While valuations are a concern in the US, other regions still offer upside potential at a reasonable price. The US is still the best relative opportunity in regional equities and we also remain overweight Japanese equities although with lower conviction. The macroeconomic picture is improving marginally in the UK, however, holdings are low and flows are negative despite the attractive valuations. We have tactically underweighted European equities due to volatility from the French election. We remain underweight Asia Pacific equities but close our underweight to emerging market equities due to signs of China's economy stabilising.

Credit: We remain neutral on credit overall – spreads are still tight despite supportive fundamentals. We remain underweight investment grade bonds and overweight high yield bonds, which are attractive from a total return perspective and where fundamentals remain stable. We prefer short-dated credit in general.

Government bonds: We move up to neutral. The more balanced growth and inflation dynamics should lead to less positive bond-equity correlations. Government bonds will play an important role if growth concerns become more significant. We prefer US TIPS to Treasuries as a hedge for sticky inflation. We remain underweight JGBs because the BOJ remains on a policy normalisation path.

Cash/currencies: We remain underweight the euro. Political risks have been added to weakening inflation dynamics. We retain our overweight EM FX as the carry available on selective exposures is still attractive.

	Jul-2024	Jun-2024	May-2024	Apr-2024
Equities	○○○●○	○○○●○	○○●○○	○○○●○
Credit	○○●○○	○○●○○	○○●○○	○○●○○
Government bonds	○○●○○	○●○○○	○●○○○	○○●○○
Cash	○●○○○	○○●○○	○○○●○	○●○○○

Source: Fidelity International, as of June 2024. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters.

Key asset allocation views at a glance

Resilient growth continues

Equity regions

	View	Change	Rationale
US	○○○●○	-	The earnings picture is supportive, but valuations are getting stretched.
Europe ex. UK	○●○○○	▼	Uncertainty around French elections and implications for fiscal discipline are masking improved fundamentals.
UK	○○●○○	-	The composition of the UK market isn't the most attractive although valuations are cheap. We do prefer FTSE 250.
Japan	○○○●○	-	The structural story in Japan remains intact, but the pace of change is slowing and lacks a short-term catalyst. Japanese mid-caps sit in a better place due to reforms & valuations.
Emerging markets	○○●○○	▲	Election risk for key countries is now behind us. There are some early signs of China's property market bottoming out, thanks to ongoing supportive policy measures.
Pacific ex. Japan	○●○○○	-	Australia's domestic economy remains weak, putting pressure onto heavyweight banks. We favour Singapore equities.

Government bonds

	View	Change	Rationale
US Treasuries	○●○○○	-	Yields are in the middle to lower end of our expected range as the data is inconsistent with an aggressive cutting cycle and implies higher terminal rates.
Euro core (Bund)	○○●○○	▼	We are taking profits as yields have migrated down despite evidence of better growth with inflation resilience.
UK Gilts	○○●○○	-	There are signs that inflation might be coming under control enough for the BOE to start to think about a pivot.
Japan govt bonds	○●○○○	-	The BOJ could hike more than the market is pricing, partly in response to sustainable inflation and partly in response to JPY weakness.
Inflation linked bonds (US TIPS)	○○○●○	-	We prefer TIPS to nominal Treasuries as a hedge for sticky inflation. We believe inflation will be structurally higher in the future and TIPS offer attractive real yield.

Credit

	View	Change	Rationale
Investment grade (IG) bonds	○●○○○	-	Spreads remain very tight in IG. We prefer Euro short-dated IG.
Global high yield	○○○●○	-	Although fundamentals remain stable, valuations continue to look stretched. Short-dated HY remains an attractive source of risk adjusted carry.
Emerging market debt (EMD, hard currency)	○○●○○	-	Things looking mixed due to uncertainty over USD and liquidity dynamics. Spreads for HC are relatively attractive, as are real yields in pockets of LC.

Currencies

	View	Change	Rationale
USD	○○●○○	-	Resilient growth reduces the number of Fed cuts that are likely this year. The dollar remains a key portfolio diversifier but significant upside from here is unlikely.
EUR	○●○○○	-	Political risk supports the cautious view, but we are watching for excessive risk premium.
JPY	○○●○○	-	Despite extremely cheap valuations, we need more aggressive Fed cuts for a material rally.
GBP	○○●○○	-	Supportive fundamentals due to positive growth surprises and inflation stickiness, but positioning warrants caution.
EM FX	○○○●○	-	We are seeing selective opportunities in EM FX such as ZAR, INR, TRY.

Source: Fidelity International, as of June 2024. Change reflects directional difference in view versus previous month. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters.

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Appendix

Rules behind our macro dashboards

Labour market dashboard

Rules	No landing	Soft landing	Recession	Notes
CAT	>0	-0.73 to 0	<-0.73	-0.73 was the low of CAT during the 2001 recession
FAT	>0	-0.9 to 0	<-0.9	-0.9 or more is consistent with a >50% probability of a recession as per our probit model
GDP Nowcast	>2%	0 to 2%	<0%	Assuming trend growth at 2% and recession is negative growth
Credit Impulse: Bank credit	>2%	-4.5 to +2%	<-4.5%	Since 1960s a credit impulse of -4.5% or lesser has always resulted in a recession
Credit Impulse: C&I loans	>2%	-6.5% to 2%	<-6.5%	Since 1960s a credit impulse of -6.5% or lesser has always resulted in a recession
Non-farm business productivity	>3%	0 to 3%	<0	One standard deviation above 2010-19 average productivity growth of 1.2%
Housing Market tracker	>0.3	-0.39 to 0.3	<-0.39	CR cut off (-0.39) is average score of past recessions. NL cut off (+0.3) is average score during 2012-19

Growth dashboard

Rules	No landing	Soft landing	Recession	Notes
NFP	>180K	75K-180K	<75K	183K is 2010-2019 average, 75K is average NFP 6 months prior to start of last three recession (90,01,08-09)
V/U ratio	>1.2	0.9-1.2	<0.9	0.9 job opening/UE ratio is consistent with 4.5-4.6% UR, 1.2 in 2019 average
E/P ratio	>60.6%	60.1-60.6%	<60.1%	60.1% is consistent with a UR of 4.5%, 60.6 is 2018-19 average levels
AHE YoY	>3.5%	2-3.5%	<2%	Fed remark that 3-3.5% wage growth is consistent with 2% inflation.
UR	<3.9%	3.9-4.4%	>4.4%	Our macro grid estimates; Sahm's rule

Inflation dashboard

Rules	No landing	Soft landing	Recession
CPI measures	>=3.5%	3.5%>x>=2	<2%
PCE measures and inflation expectations	>=3%	3%>x>=2%	<2%

Financial conditions dashboard

Rules	No landing	Soft landing	Recession	Notes
FCI-G (1Y lookback) **FCI-G (3Y lookback)**	>2%	0.5% to 2%	<0.5%	Assuming trend growth at 2% and recession is below 0.5% growth
Real Proxy FFR > R*	<0	0 to 2	>2	Historically a restrictiveness of more than 2% has resulted in a recession (1990 and 2001)
SLOOS: C&I loans	<0	0-50%	>50%	Positive (negative) values indicate tighter (looser) standards and historically standards >50% has resulted in a recession

Source: Fidelity International, July 2024.

Indicators underlying our PCAs and Labour Market Tightness Indicator

Updated on a monthly basis

USA PCA Framework – Indicators used

PCA Current activity
PMI Manufacturing - Production
PMI Manufacturing – Employment
NAHB Single Family Home Sales
Philly Fed Manufacturing Business Activity
Richmond Fed Manufacturing – Capacity Utilisation
PMI Non-Manufacturing - Business Activity
PMI Non-Manufacturing – Employment
Richmond Fed Service Sector - Revenue
Richmond Fed Service Sector – No of Employees
UMICH Consumer Sentiment Current Conditions
Conference Board Consumer Confidence Present Situation
Mortgage Purchase Applications

PCA Future activity
PMI Manufacturing - New Orders
NAHB Single Family Home Sales - In 6 months
Philly Fed Manufacturing - Future Business Activity
Empire State Manufacturing – New orders
Richmond Fed Manufacturing – Capacity Utilisation in 6 months
PMI Non-Manufacturing - New Orders
PMI Non-Manufacturing - New Export Orders
Richmond Fed Service Sector Demand – 6 months ahead
UMICH Consumer Sentiment Expectations
Conf. Board Consumer Confidence Expectations
Conf. Board Expectations of Buying New Home in 6M

Eurozone PCA Framework – Indicators used

PCA Current activity
German Ifo Business Climate: Manufacturing
EC Industrial Confidence
EC Construction Confidence
PMI Manufacturing - Quantity of Purchase
PMI Manufacturing - Production
EC Service Confidence
PMI services
German Ifo - Business Climate: Services
German Ifo - Passenger car demand
EC Consumer Confidence
ZEW Economic Sentiment
EC Retail
EC Employment Expectation

PCA Future activity
German Ifo 6 Months ahead
EC Industrial Production expectations
PMI manufacturing New orders*
PMI manufacturing New Export orders*
PMI Construction New orders*
EC Services expected demand over next 3 months
EC Retail trade expected business situation
PMI services New business*
EC Consumption fin situation next 12 months
EC Consumption eco situation next 12 months
Sentix Future

Fidelity Labour Market Tightness Indicator

Dates in brackets show when indicator starts being used
NAIRU minus UR (31/3/1949)
Jobs minus workers (where JOLTS have been extrapolated prior to December 2000 using a composite Help Wanted Index) (31/1/1951)
Employment NFIB firms with positions not able to fill right now (31/10/1973)
NFIB single most important problem: percent reporting quality of labour (31/10/1973)
NFIB Businesses with few or no qualified applicants for job openings (30/04/1993)
JOLTS quits rate / hires rate (31/12/2000)
Full employment normal guesstimate minus part time work for economic reasons % employment (31/7/1955)
Conference board jobs plentiful minus jobs hard to get (31/1/1967)
Atlanta FED wage growth tracker: job switcher minus job stayer (31/3/1997)

Source: Fidelity International, July 2024.

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Fidelity's proprietary China Activity Indicator (CH-AI)

China Activity Indicator subcomponents

Sector	Indicator List	Weights
Industry	Major Ports Volumes	9.0%
	Caixin manufacturing PMI: Output	7.3%
	Manufacturing PMI: Production	7.3%
	Manufacturing PMI: Employment	6.5%
	Industrial Production	10.3%
	Total Industry	40.4%
Services	Caixin services PMI: Employees	6.5%
	Caixin services PMI: Business Activity	7.5%
	Auto sales	10.2%
	Domestic flight	8.5%
	Total Services	32.6%
Property	Residential property sales	9.7%
	Construction Starts	8.8%
	Cement Production	8.5%
	Total Property	27.0%

Source: Fidelity International, FIL Global Macro Team calculations, July 2024.

Global Macro & SAA team

Powering asset allocation across Fidelity's investment teams

Our team

Salman Ahmed
Global Head of Macro & SAA

Anna Stupnytska Global Macro Economist	**Stefan Rusev** Senior SAA Strategist
Max Stainton Global Macro Strategist	**Edoardo Cilla** CMA Strategist
Peiqian Liu Asia Economist	**Naveen Yadav** Lead CMA/SAA Research
Marcus Gedai Eurozone Economist	**Weiye Kou** Associate CMA and SAA Strategist
Ashray Ohri Senior Lead Macro Research	
Mohd Tariq Azim Lead Macro Research	

Our role

- Part of Fidelity Solutions & Multi Asset, working across Fidelity's investment teams to feed into asset allocation decision making
- Leading research into macroeconomic and market dynamics, supporting asset allocation decisions and establishing core investment views

Evolving Fidelity's capabilities

- Building out Fidelity's capabilities in macroeconomic research
- Creating and maintaining Fidelity's capital market assumptions (CMAs)
- Working in partnership with clients to create robust investment solutions and provide services around asset allocation

Source: Fidelity International, July 2024.

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Important information