

## 2017 Global Economic Outlook

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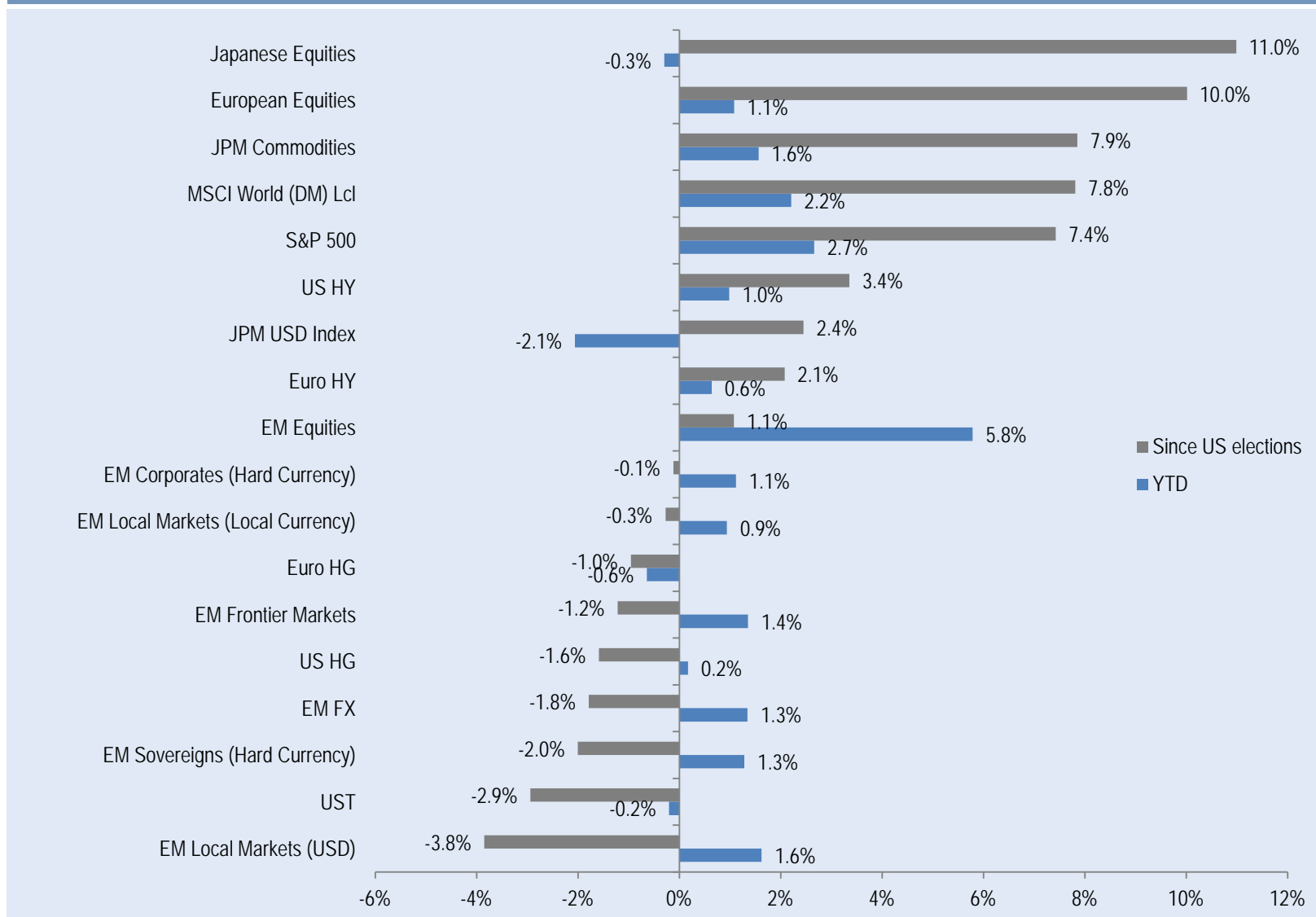
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# Markets have rallied strongly since the November 8 elections

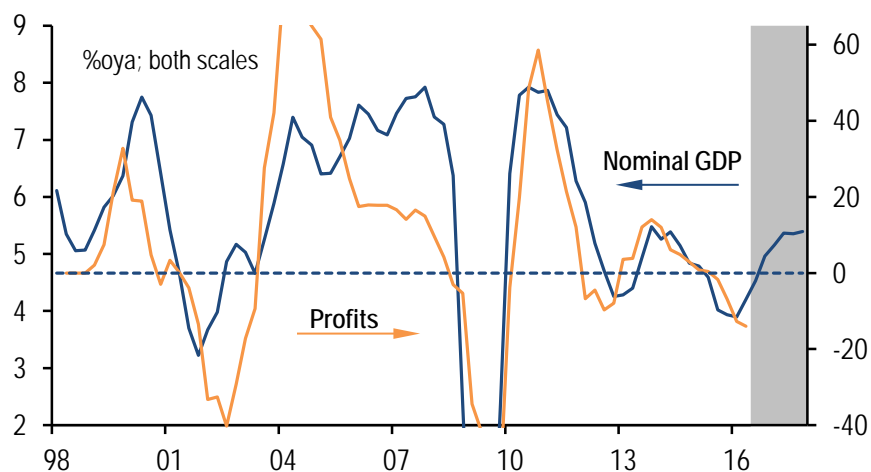
Returns across asset classes YTD and since the US elections; as of 1/25/2017 COB, %



Source: J.P. Morgan, Bloomberg.

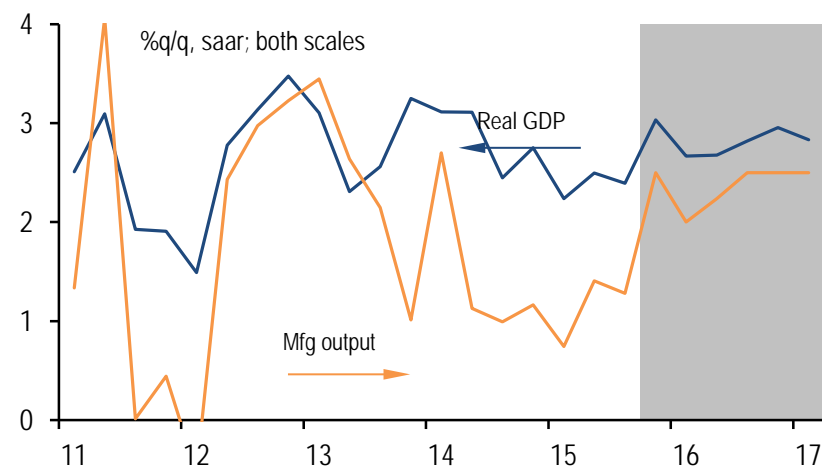
# Unclear that Trump's proposals will materially change the growth outlook

Global nominal GDP and corporate profits; %oya both scales



Source: J.P. Morgan

Global real GDP and manufacturing output; %q/q saar both scales



Source: J.P. Morgan

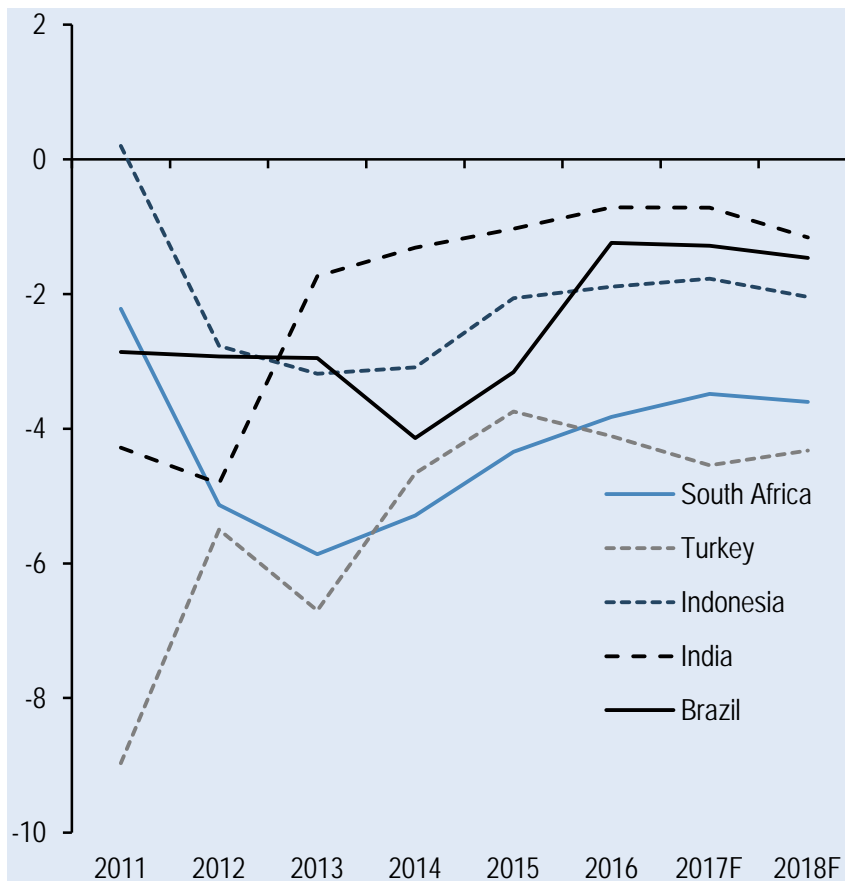
Global real GDP; %oya

	2011-13	2014	2015	2016	2017F	Potential
<b>Global</b>	2.6	2.8	2.9	2.6	2.9	2.6
<b>DM</b>	1.2	1.7	2.1	1.6	1.9	1.5
<b>US</b>	1.8	2.4	2.4	1.6	2.1	1.4
<b>Euro area</b>	0.1	0.9	1.5	1.6	1.5	1.0
<b>Japan</b>	1.0	-0.1	0.6	1.0	1.5	0.6
<b>EM</b>	5.2	4.4	3.6	3.8	4.2	4.8
<b>EM Asia</b>	6.7	6.4	5.9	5.8	5.7	6.0
<b>China</b>	8	7.3	6.9	6.7	6.5	6.8
<b>India</b>	6.3	7.3	7.5	6.7	7.2	7.8
<b>EM Latam</b>	3.1	0.6	-0.4	-0.7	1.6	2.4
<b>Argentina</b>	1.6	-2.6	2.4	-2.3	3.2	2.5
<b>Brazil</b>	2.3	0.1	-3.8	-3.3	0.6	2.0
<b>Mexico</b>	3.1	2.3	2.5	2.2	1.8	2.5
<b>EMEA EM</b>	2.7	2.6	1.2	1.3	1.8	3.0
<b>Russia</b>	2.7	0.6	-3.7	-0.6	1.1	1.1

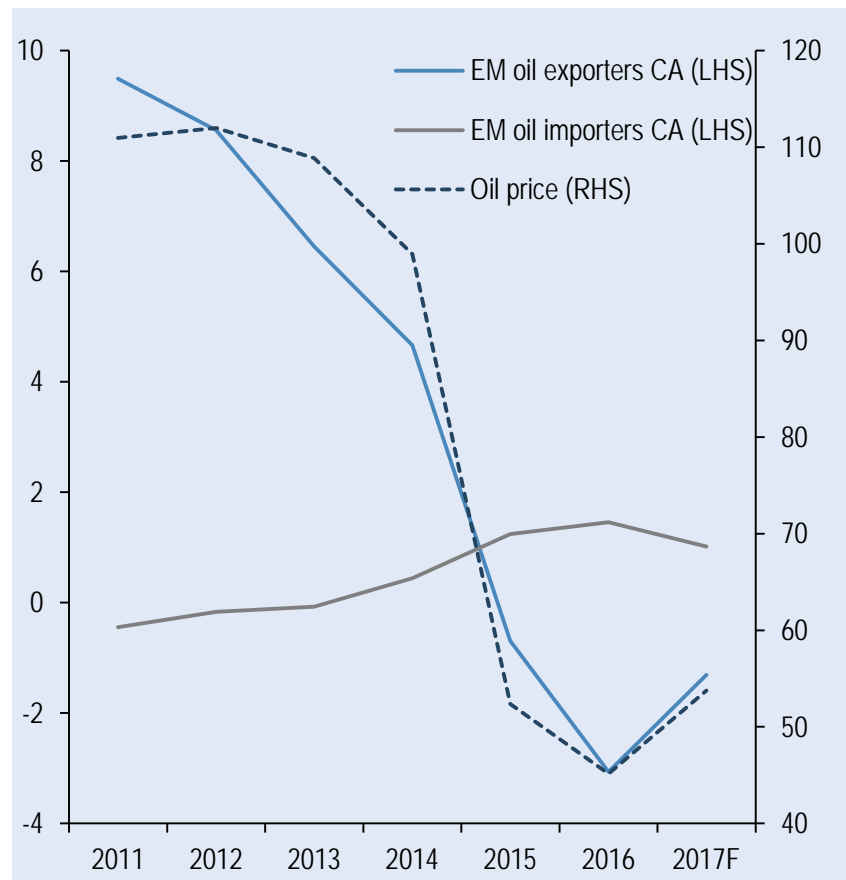
Source: J.P. Morgan

## EM seen as most vulnerable but external accounts much less fragile compared to the 2013 Fed taper tantrum selloff

Current account balances; % of GDP



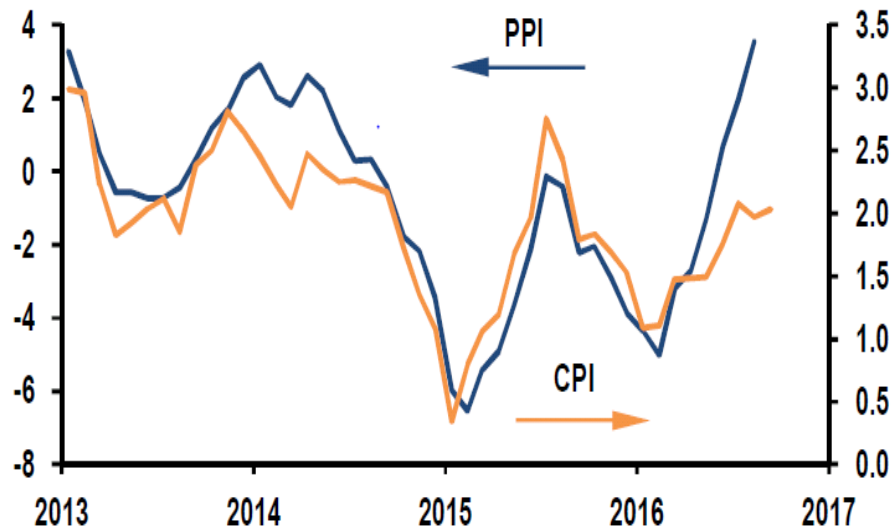
Current account balances of EM oil exporters and importers; % of GDP vs. Oil price; \$



Source for both charts: Bloomberg, J.P. Morgan

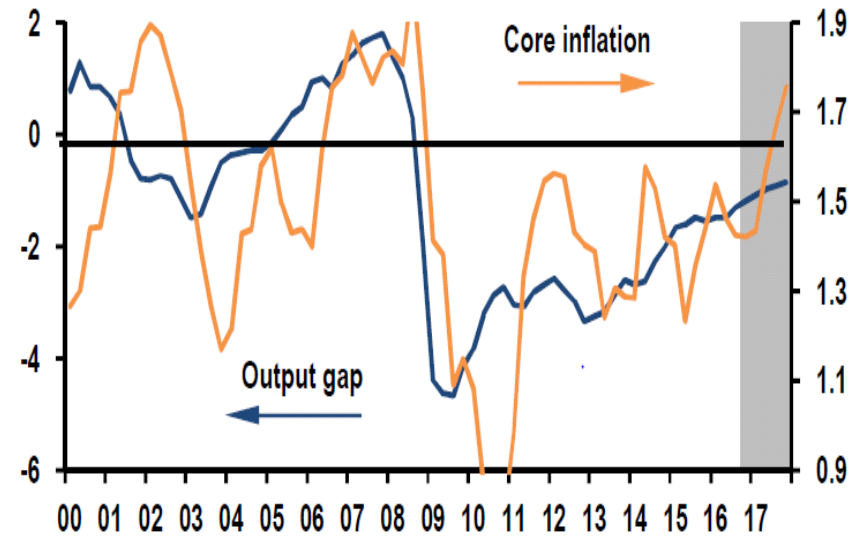
## Global reflationary bias is reinforced

Global PPI and CPI; % 6m saar both scales



Source: J.P. Morgan

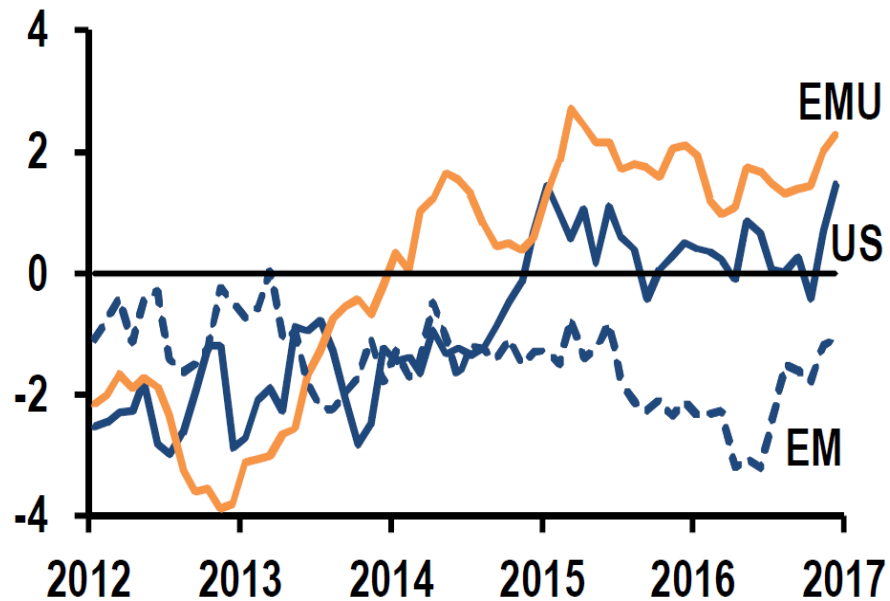
Developed market output gap (% of potential) and core inflation (%oya)



Source: J.P. Morgan

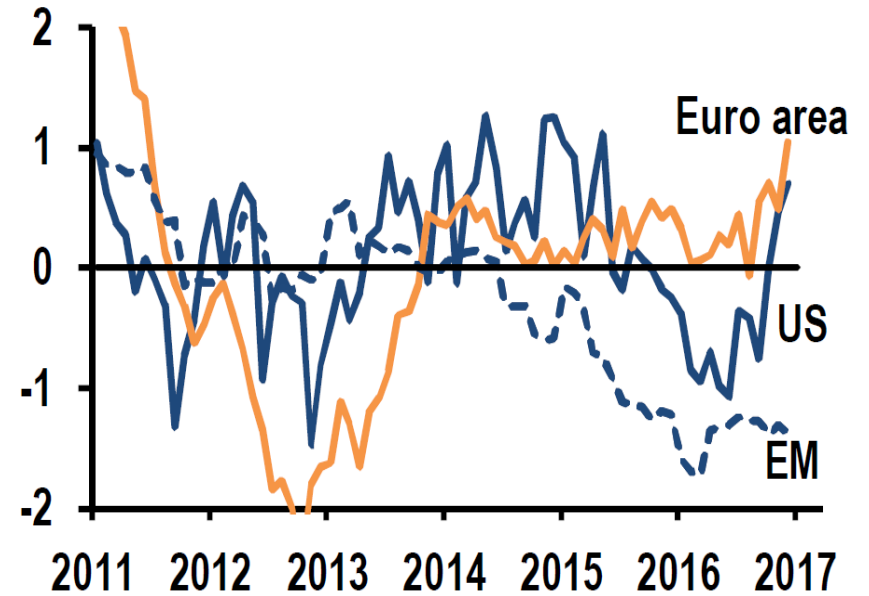
## Hopes that animal spirits could turn the tide

Global consumer confidence; Standard deviation from historical average



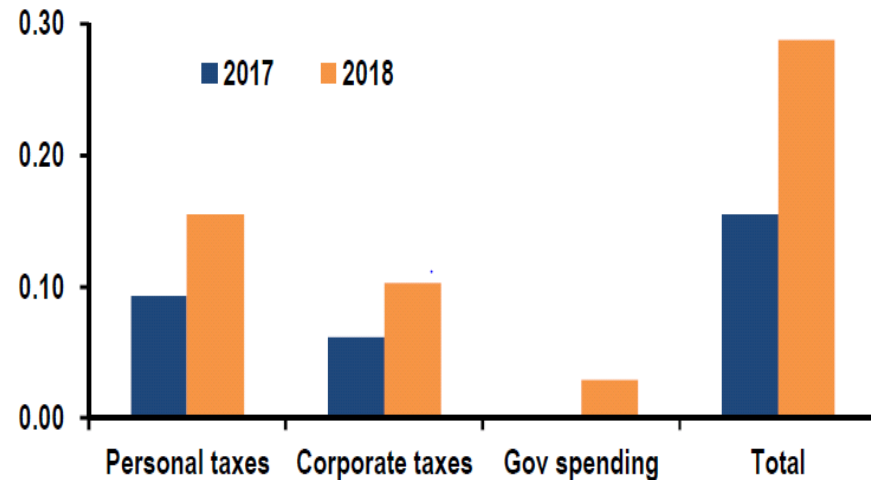
Source for both charts: J.P. Morgan

Global business confidence; Standard deviation from historical average



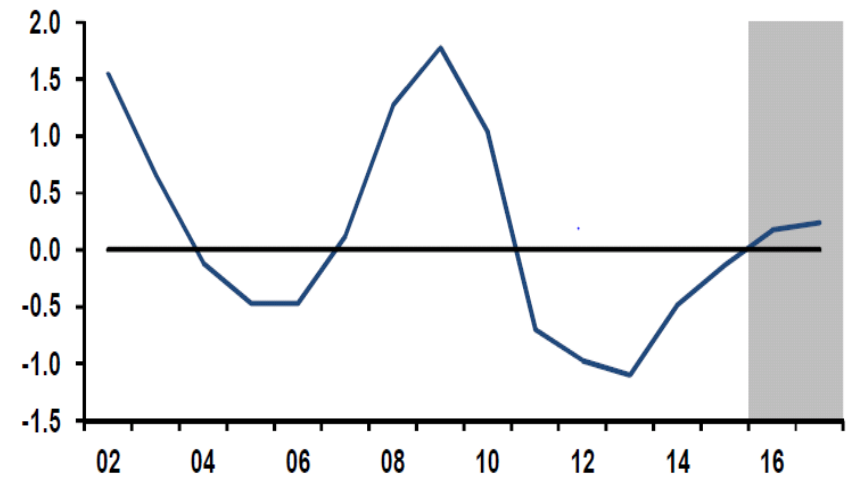
## Trump's potential economic impact still forecast as relatively modest

Trump's potential economic impact; %-pt contribution to GDP growth (ar)



Source: J.P. Morgan

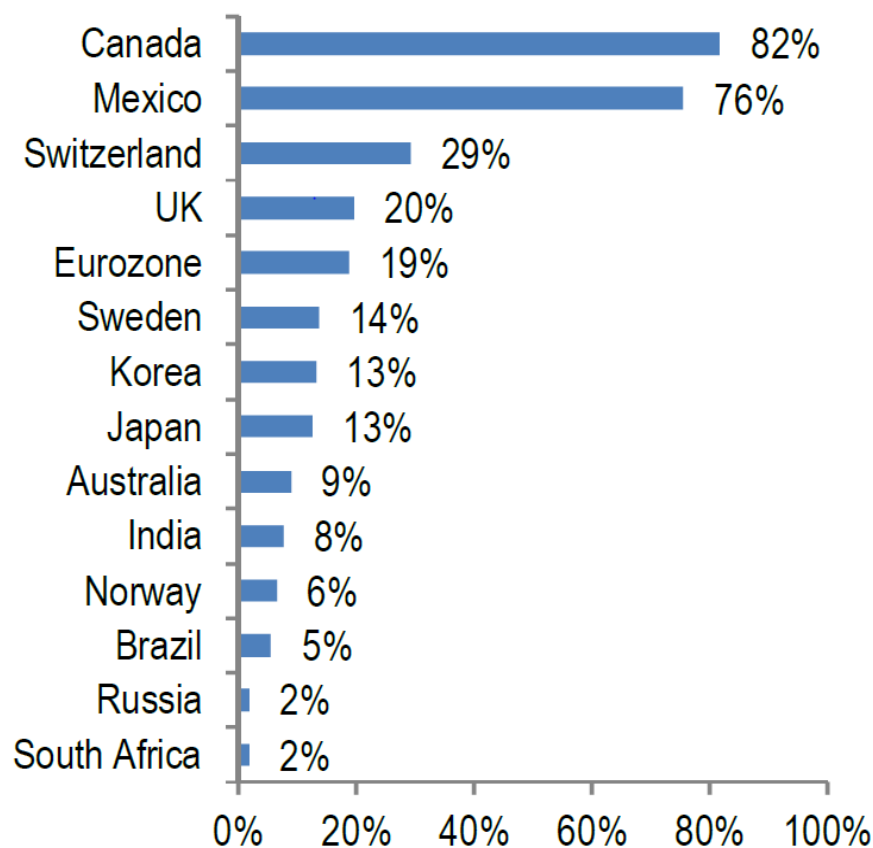
Fiscal impact on real GDP growth, DM; %-pt impact



Source: J.P. Morgan, IMF; Defined as change in structural deficit with some adjustments

# Who is most vulnerable to the US border adjustment tax?

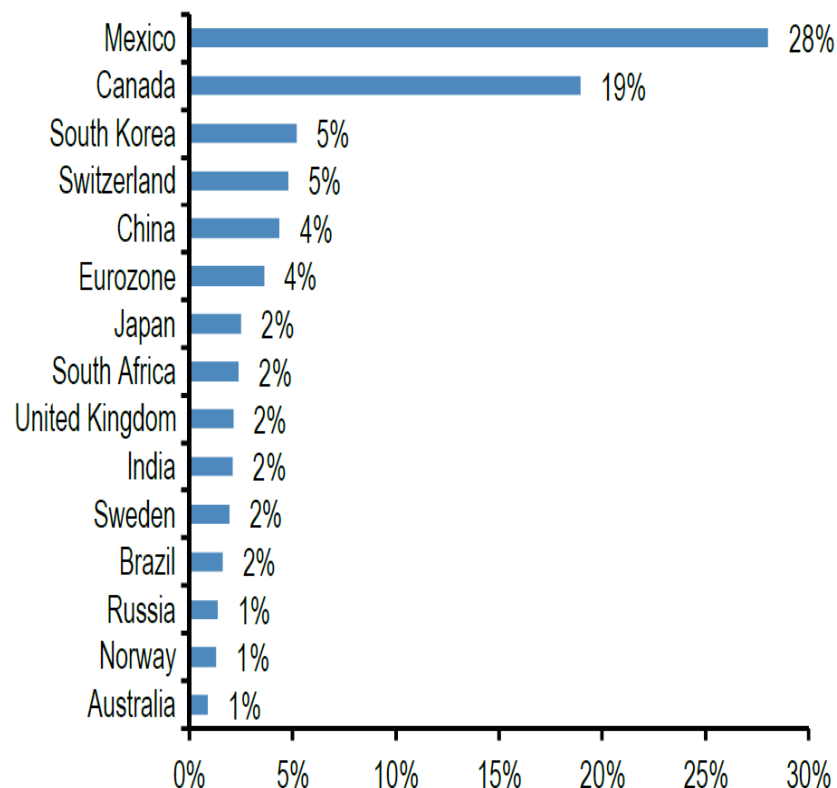
Revenue exposure to the US for companies listed in major equity markets



Note: The revenue exposure to the US for a country is measured by the market cap weighted average of the US revenue share for each stock listed in that country (> \$150market cap and covered by at least 2 brokers).

Source: J.P. Morgan, Bloomberg

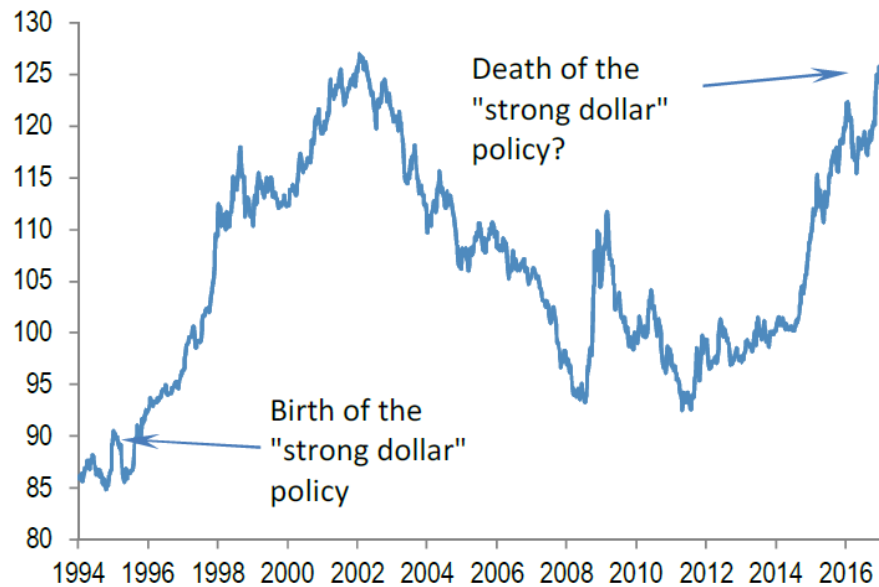
Exports to the US as % of GDP



Source: National statistics, J.P. Morgan, Bloomberg

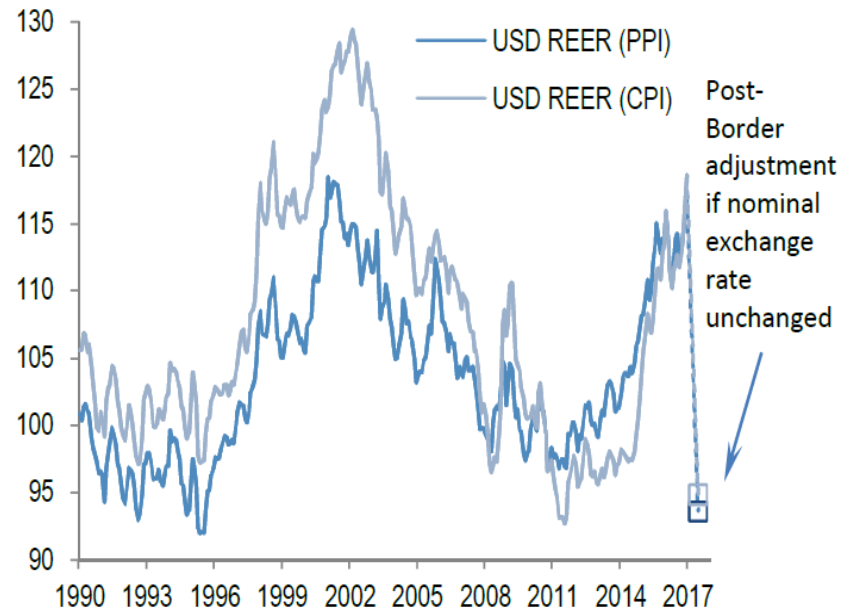
## The US's strong dollar policy ending on a high?

JPM USD NEER from 1994-2016



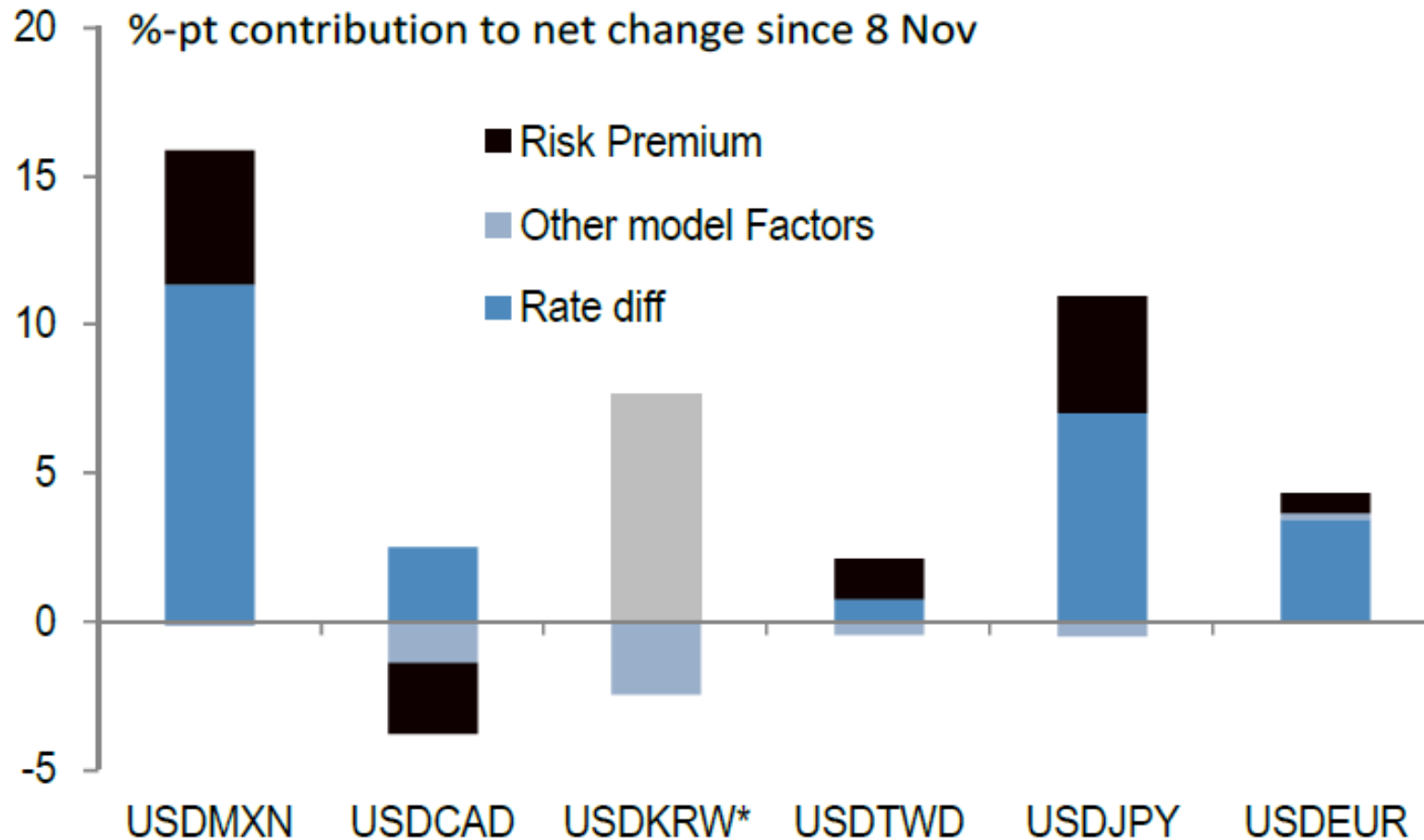
Source for both charts: J.P. Morgan

The real depreciation impact of a 20% border adjustment



Dollar strength since Nov 8 still largely a function of US cyclical and rates rather than trade tension

Risk premium, rate differentials and other model factors %-pt contribution to net change since Nov 8th



Source: J.P. Morgan. \* Note the USD/KRW STFV model does not include rate differentials. The model residual does show an outsized 7.6% of the post-election move due to risk premium, but is not strictly comparable due to the lack of rate differentials in the model.

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