



19.04.2022

Against all odds

- There has been a stream of downgrades for US & global growth recently. Goldman Sachs, Larry Summers & the World Bank are just some of the blue chip names highlighting downside economic risks.
- Just before the long Easter weekend, two US reports posted material surprises to the upside relative to consensus. Between them, the University of Michigan Consumer Sentiment report & Empire State Manufacturing Survey added almost 80bp to tracking US economic growth.
- Q2 US GDP growth was tracking at +0.6% QoQ last week. It now stands at +1.5%, or 6% annualized. On Qi, US economic growth has spent much of early 2022 slightly below trend. These reports have pushed it well above recent trend.



- This is unlikely to derail the strong narrative about economic pain ahead. Fiscal drag, Fed tightening, war in Ukraine & the impact on commodity markets, cost of living scares & demand destruction, lockdowns in China all make a powerful & toxic combination.
- Moreover, the usual caveats apply. Two data points do not make a trend. Still, with mainstream financial media pushing an unambiguously negative newsflow, it is worth noting.
- Ultimately, the recession script may still prove correct. However, the exact timing can deviate from previous cycles & from forecasts. Tracking real-time changes & knowing which assets are most sensitive to current growth rates should be a critical part of any investment framework.

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