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2020: A new phase for global policy

2019 has been a year of surprises; not least in terms of asset class performance, geopolitics and central bank action. As we look towards the New Year, the backdrop might still be a little murky – but one thing we’re sure of is that 2020 will see us enter a new phase of global policy.

Don’t forget to check our 4 minute video, 20 minute podcast and Q&A! On page 18 you can also find an easy-to-print key events calendar for 2020. Together, these make up your essential guide to the Year Ahead, which we hope you’ll find useful.

Weaker global growth, yes – but plenty to look forward to

The ‘R’ word (i.e. recession) has been bounced around by a number of financial firms and news outlets in the second half of 2019. Let’s just make it really clear upfront that whilst it is possible, a 2020 recession is not our base case. Though we do certainly expect to see weaker global growth, and forecast 2.5% global growth for the year ahead.

That said, our list of what to look forward to next year is long and includes space for more US central bank action (i.e. monetary policy from the US Federal Reserve), possible improvements in the US/China trade war tensions, reductions in the negative Brexit-related risks and strong global labour markets.

Meanwhile, one of our highest conviction macro views heading into 2020 is that the consensus is leaving too much negativity on Europe and emerging markets, and not enough on the US.

The spotlight is well and truly on government action and fiscal policy

This is a theme we’ve been talking about for several months now. And as more and more external factors begin to align in support of a long-awaited fiscal revival, it continues to be our biggest call. Indeed, monetary policy dominance 2019 (and the years before that) has had a big impact on markets. Clearly, a policy re-think is needed and we expect to see a new phase for global policy in 2020, and for it all to begin with Germany.

The bottom line? 2020 looks set to be a busy year, and no doubt will be another one full of surprises. We’ve got a number of views that do go against the broad consensus which I hope you’ll enjoy.

Until next year…

James McCormick
Global Head of Desk Strategy
2019 recap: Expectations, markets and policy

The year of central bank action

Investor expectations for 2019

Safe-haven assets were expected to be 2019’s flavour of the year

Twelve months is a long time for financial markets. When we published our 2019 Year Ahead last November, the market mood was gloomy. Asset markets in 2018 registered their worst calendar year performance since the Global Financial Crisis (GFC). Only US and German government bonds posted positive returns. Despite these lows, markets didn’t appear to be expecting much of a turnaround and were overall downbeat about prospects for 2019 returns.

In a series of investor surveys we ran last December, most respondents told us that against this backdrop, they were planning to stick with safe-haven assets, such as developed market government bonds and gold. And that they were going to avoid risky assets, such as equities and high yield credit. This partly reflected fears the US Federal Reserve (the Fed) was not listening to market stress; most investors saw the Fed hiking two more times in 2019. Many economists saw even more!

Markets today – November 2019

Both safe-haven AND risk assets have rallied

Fast forward to today and few of these market and investor expectations actually played out. Safe-haven assets have indeed increased in popularity over 2019, which has seen prices rise and yields fall. But not a single investor in our 2019 survey expected the levels we’ve seen.

The reality is 10-year US Treasury and German bund yields fell to the lowest they have ever been – down to 2% and 0%, respectively. And risk assets such as equities and high yield credit have rallied even more.

Collectively and on balance, global markets have had the best calendar year performance since 2008, with a median return of 9%. As you can see in Figure 1 overleaf, 2019’s market performance so far has been exceptional, especially versus the lows of 2018.

The big lesson from 2019? Don’t underestimate central banks

A big factor in the 2019 ‘everybody wins’ market rally was that central banks were not tone deaf after all. In most developed economies and many emerging ones, central banks reacted decisively to weak growth and low inflation.

Notes:

(1) NatWest Markets consistently track a global basket of assets across regions and asset classes to represent what we refer to as the ‘global market’. These include but are not limited to US/UK/EUR/Japan/China and emerging market equities as well as US/EUR/UK fixed income such as corporate investment grade, high yield and government bonds and finally, a group of global currencies, commodities and interest rates.

(2) Source: NatWest Markets and Bloomberg 2019
Central bank action was 2019’s real flavour of the year

Over 2019, major central banks across the globe took significant action throughout the year. This saw the European Central Bank (ECB) reverse the 2018/19 quantitative tightening and formally re-launch quantitative easing. Meanwhile the US Federal Reserve (the Fed) informally began easing too, albeit not calling it quantitative easing!

This reversal from quantitative tightening to quantitative easing will see a huge shift by central bankers from selling assets, to buying assets, in 2020. Ultimately, the big lesson from 2019 is that markets should never underestimate the ability of central banks to lift asset markets. That being said, as we head into 2020, one does wonder whether 2019 will end up being a swan song of sorts for the post-Global Financial Crisis era of monetary dominance.

The hurdles for more monetary policy are high

Part of the problem with a reliance on monetary policy is that many central banks have simply run out of ammunition now, or at least the type of ammunition still viewed as orthodox.

In Japan and much of Europe, interest rates are already negative. However, the US as well as some other countries such as Canada do have room to take more action. But even where there is space for monetary policy, there is not much enthusiasm from central bankers to do so.

Higher inflation yet to be achieved

There is more to this growing reluctance to use monetary policy than simply low ammunition. The truth is that monetary policy has largely failed to deliver its main goal – higher inflation. Out of the globe’s nine major economies, only Norway has managed to hit its inflation target on average since 2013. Others have been consistently below target, with Europe being the most obvious example.

More worryingly, despite 2019’s strong dose of new monetary stimulus from central banks across the world, inflation expectations have actually been falling. The truth is hard to ignore - markets (and households) are increasingly pessimistic that monetary policy alone can generate enough inflation.

Notes:

(3) Nine major economies refer to the US, UK, eurozone, Canada, Sweden, Norway, Australia, New Zealand and Japan.

Monetary policy dominance has caused big market distortions
While central banks have not moved the needle on inflation, they have done ample work at distorting markets, in some cases to record extremes. This is certainly the case for high yield credit markets and real estate.

**European high yield credit**
Super-loose monetary policy and resulting record low real yields for government bonds in Europe have forced fixed income investors to look elsewhere. On their quest to find better yielding assets, investors are increasingly looking at riskier options. And they are looking to European high yield credit – as the demand has gone up, so have prices.

Meanwhile, European equities have not enjoyed the same central bank support as others, such as the US, and have struggled to perform. On average, eurozone equity risk premia are as high as they were during the 2008 Global Financial Crisis and eurozone debt crisis.

**Soaring real estate prices**
Elsewhere, many smaller open economies that have felt the knock-on-effects from the central bank action of other large economies have seen real estate prices soar. Some average valuations have been more extreme in 2019 than many of the pre-2008 GFC ‘bubbles’. Such distortions are visible in the Nordics, Canada, Australia and New Zealand, where real estate valuations stand significantly above the Organisation for Economic Co-operation and Development (OECD) average.

On the other hand, European periphery countries (such as Portugal and Spain) never fully recovered from the GFC real estate crash. As you can see in Figure 2 below, the purple line shows that real estate prices are roughly 50% more expensive than the teal and blue lines – a huge gap! These distortions have created an uncomfortable dilemma for central banks and yet more work for them to contend with in 2020.

“Many central banks have run out of ammunition, or at least the type of ammunition still viewed as orthodox”

“While central banks have not moved the needle on inflation, they have done ample work at distorting asset markets… European credit has never been so expensive relative to equities”

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**Figure 2: Real estate valuations – strong regional divergence**
Source: NWM, Haver 2019
2020: The end of interest rates as the sole market saviours

It’s time for fiscal instruments to fill the void – watch Germany

The spotlight is well and truly on fiscal policy

Clearly, a policy re-think is needed. As we have seen, monetary policy so far has delivered exceptional market returns, but no inflation or much growth. A shift towards fiscal tools has to be on the agenda. The US has already relied heavily on fiscal policy – mainly a $1.5 trillion tax cut. So too have France and some Central and Eastern European countries (Poland and to an extent, Hungary and the Czech Republic) in 2019. All have delivered better growth than their peers.

The litmus test? German fiscal policy

The litmus test for 2020 will be German fiscal policy. Germany matters in part because it has both the capacity and increasingly the incentive to increase public spending and take weight off the ECB. Calls for more fiscal support from the eurozone’s largest economy have been raised for many years, including from ECB President Christine Lagarde while at the International Monetary Fund. To date, the calls have largely been ignored. However, the landscape in the eurozone and the Germany has changed. Monetary instruments have shown their limits and the German industry has swung from leader to clear laggard in the eurozone growth story. We think Germany will use fiscal stimuli to the tune of around 0.8% of gross domestic product (GDP).

A multi-year story

Ultimately a rebalancing of policy should be a game changer for markets, but it’ll be a multi-year story. At the margin, the biggest near-term impact should be felt in Europe. It is here where the gap between monetary and fiscal policy support has been the largest in recent years. At a bare minimum, we would not expect monetary dominance to drive financial markets again next year.

We’re expecting 2.5% global growth

A tad too much growth pessimism heading into 2020

Let me start with a strong disclaimer: we are not overly optimistic on global growth in 2020. Our forecast for global GDP growth is 2.5%, which would be the deepest and most persistent period of weakness since the start of the global recovery or ‘expansion’ in 2009. Recession is a real possibility, but certainly not our base case. The ‘good’ news is that markets have to some degree caught up with our own concern about the global economy. Judging from the latest Bloomberg GDP forecast, we are starting 2020 with some of the most pessimistic forecasts (Figure 3 below).
Looking back: 2016–2017

An obvious recent guide is late 2016. Then like now, growth pessimism was pervasive in the wake of the global manufacturing slump, the Brexit vote, Italian banking stress, etc. In the end, 2017 turned into one of the best global growth years of the expansion. However, this seems unlikely to be repeated in 2020. That said, investing is all about identifying market asymmetries. While the NatWest Markets and consensus baseline for 2020 is for global growth weakness, there is plenty that can go right next year:

• Interest rate stimuli, i.e. monetary policy, has already been used substantially, and the Federal Reserve Bank has more ammunition and a willingness to deploy it

• Fiscal policy will likely be eased through the course of 2020, especially in Europe. This should help European growth

• While we remain sceptical about progress on US/China trade relations, recent mood music has been encouraging. At the very least, a signed Phase One deal should reduce the risk of renewed escalation

• Brexit tail risks should diminish into early 2020

• While labour markets look to be peaking, they continue to support global households. Wages are on the rise as well

• There are fewer market imbalances than in 2008. Apart from fixed income products being expensive and pockets of overvalued equities (in the US) and real estate, the markets are not at extreme levels. Put another way, some of the usual drivers of recession are not flashing red

Ultimately, the key question on global growth in 2020 is whether:

1. We are at the tail end of another mid-cycle slowdown in a now 10-year-old expansion or

2. We are finally slipping to the first recession since 2008

“While the NatWest Markets and consensus baseline is global growth weakness, there is plenty that can go right next year”

“The key question on global growth is whether we’re at the tail end of another mid-cycle slowdown or finally slipping into recession”
2020: European recovery while US risks rise

Market concern over select regions is misplaced

Too much negativity on Europe and emerging markets (EM), but not enough on the US

For most of the past few years, the general perception of regional risk has been:

- The US economy is on sound footing and largely shielded from many of the globe’s weak spots
- Europe is the epicentre of global risks, with a combination of both political (Brexit, Italy) and economic (Italy, now Germany) problems
- China and broader EM are caught somewhere in between, although much closer to negative Europe than to positive US

These perceived regional risks have not changed much heading into next year. For our part, we think the perception of regional risks is misplaced. We expect an important shift with potentially big implications for financial markets:

1) Uncertainties in Europe are diminishing

Governments show initiative to boost growth

It is fair to say the pessimism around Europe has not been without cause. Brexit uncertainties have led to a significant economic weakness in the UK with a large spill over to the broader region.

A real worry has been Italy: Italian politics and persistent weak growth have helped put Italian government bonds on the edge of junk bond status. And the usual market leader, Germany, has seemed frail, too: its industrial sector weakness has been deep and persistent as well as consistently underestimated (though less by us, to be fair).

Optimistic versus the consensus

2020 should be better for Europe, at least relative to fairly negative consensus expectations. While a Brexit ‘deal’ would be just the end of the beginning of the process, it should remove concerns about any imminent “no deal” Brexit crash out.

Italian politics has entered a quieter period and the country’s improved financial conditions should help boost growth. Germany’s increasing willingness to use fiscal stimuli should provide a floor for German growth.
2) US risks are on the rise

Strong over the last few years

In relative terms, the US economy and its politics have provided a strong platform for markets in the past few years. GDP growth has averaged nearly 3% since the start of 2018.

US politics have made for ‘interesting’ headlines though have largely been friendly for business and markets. Given this, it is probably no surprise that US asset markets have outperformed, and the US dollar has risen.

Is this the end of US exceptionalism?

As we head into 2020, the risks, however, around the US economy and its markets are building. Corporate sector confidence has weakened, likely driven in part by the US/China trade war. With the 2020 Presidential Election looming, it is hard to imagine a big recovery.

This type of uncertainty will not bode well for a recovery in business sentiment. Importantly, these risks come at a time when US equities are expensive and the US dollar is at its 86th percentile of the past 25 years (developed Europe is around its 5th percentile).

3) More optimistic on emerging markets (EM)

Early market growth, but asset and country selection continue to matter a lot

While it is unfair to say that emerging markets is an unloved asset class, 2019 was certainly a year when EM lacked a coherent theme. Underneath the surface, however, we'd say EM performance in 2019 was quite encouraging. Against a backdrop of weak manufacturing, trade war escalation, a rising dollar and more than a few political flare-ups, EM asset class performance was respectable – as we had expected.

On balance, EM government bonds and interest rate products denominated in local currencies were one of the better performing asset classes of the year. Meanwhile EM foreign exchange and EM equity returns were more modest, but still positive.

Constructive overall – especially early 2020

As we head into 2020, the macro backdrop for EM is improving, at least a little. Broadly speaking, growth has improved, helped in part by ongoing efforts by China to stabilise its economy. Notably, the manufacturing Purchasing Managers’ Index (PMI) in emerging markets is above the developed markets equivalent for the first time since 2012. A Phase One US/China trade truce will help, but we don’t see this as a game changer for EM.

Our broad view therefore for emerging markets heading into 2020 is constructive, especially early in the year. There are pockets of opportunities across foreign exchange which we expect to benefit from early growth optimism in emerging markets. We also see opportunities in local currency-denominated government bonds and interest rate products. But as with 2019, asset and country selection will matter quite a lot.

Notes:

(5) Source: NatWest Markets and Bloomberg 2019
(6) Source: NatWest Markets Valuation Dashboard 2019
Regional outlooks

Global economy

Economic optimism is on the rise, fuelled by signs of de-escalation in the US/China trade war and hints of stabilisation in global manufacturing activity. While we are encouraged by recent developments, we do not believe that business sentiment will shift as quickly as markets in 2020. Uncertainty over trade, global growth, and binary political outcomes will linger, keeping companies cautious and capital expenditure spending subdued in 2020.

2019 – Cracks have appeared

Global demand was relatively resilient in 2019, but cracks have appeared. The global services PMI has moved down sharply in recent months, global labour markets have softened and global auto-industry sales have peaked. Clearly the global growth slowdown is more than just a trade-related contraction in manufacturing.

2020 – A more broad-based recovery is needed

As a result of these factors, we are hesitant to extrapolate the recent signs of industrial improvement too far forward. A more broad-based recovery is needed for a sustained upswing in global activity. We’d like to see a recovery especially in:

1. Corporate confidence
2. Profitability
3. Capital expenditure
4. Hiring

And, in our view, the impetus is lacking.

We’re expecting 2.5% global growth

Over time, the ability of the consumer to compensate for weaker business activity will fade. In 2020, we expect global growth of only 2.5% – that’s slightly below the World Bank forecast, but in line with 2019’s sub-par pace (poised to be the weakest in a decade). More policy support will be forthcoming, though the focus will shift from monetary to fiscal stimulus. Beyond 2020, as political uncertainty lifts and fiscal actions gain traction, we see scope for a more meaningful uptick in activity, with global growth projected to accelerate back towards the 3% mark in 2021.
Europe

Fiscal support could neutralise looming risks
We’re expecting domestic demand in the eurozone to remain resilient next year, despite the cracks that started to appear in 2019 – not least because of contamination from global trade gyrations. Governments seem to have noticed, finally, and have planned significant fiscal policy support for 2020. And it is most certainly needed in full.

We believe that this fiscal support could neutralise risks that are threatening the eurozone. For example, on the economic side, there’s the threat of a US/China trade war re-ignition; while more close to home on the political front is the threat of a hard Brexit or another political crisis in Italy.

We expect eurozone GDP growth and inflation to be around 1%
Granted, these risks have been downgraded more recently, but could they only be lying dormant? This is a possibility, especially since the economic cycle is in need of support. Overall, we expect GDP growth and inflation to be only around 1% in 2020.

10-year German government bonds to return to positive yields in Q1
Bund yields are too low. Markets expect only a narrow escape from recession next year for Germany, risking much more policy easing and risks that it ends in tears. That is too negative: investors dismiss good reasons for European resilience too lightly, including fiscal policy’s response. We aren’t gung-ho, but a move for bund yields back into positive territory feels likely.

Optimistic for Italy
We’re also optimistic for European periphery government bonds, particularly Italy. Italy has re-entered a period of political stability and the market is still getting used to it. We see a virtuous circle of lower interest rates, debt and political stability, and investor comfort, combining together to bring Italian government bonds to within 1% of German government bonds. Spain should also do well, and we also like Ireland and Austria among the higher-rated sovereigns. France and Portugal may suffer.

Scandis

Riksbank to hike
We expect Sweden’s central bank, the Riksbank, to hike the policy rate by 0.25% to 0% in December 2019, reflecting the recovery in inflation and aversion to a prolonged period of very low/negative rates. However, the Riksbank’s forecasts for growth and the labour market look optimistic in our view. We also expect inflation to undershoot the 2% target and the central bank’s projections through next year. This may worry a central bank that has fought hard to restore its inflation-targeting credibility in recent years. We see Swedish krona weakness persisting through 2020 on sluggish growth and possible speculation of renewed Riksbank policy easing.

Growth will slow in Norway
In Norway, we expect growth to slow somewhat next year as the impulse from the upswing in petroleum investment fades and as support from monetary and fiscal policy reduces. However, growth will still likely remain above trend levels. Reduced risks in Europe could also provide a better backdrop for Norwegian kroner appreciation in 2020.
Post-Brexit pick-up – albeit temporary

Brexit relief and fiscal stimulus will provide some support for growth in 2020, but this seems likely to fade over the year. We remain distinctly cautious around notions of speedy, seamless trade deals. In any case, a Johnson Government’s ambitions in this area would be modest (a Canada-style free trade agreement would amount to a significant regression versus full European Union single market access).

Interest rate cuts from the Bank of England

We’re expecting UK inflation to remain subdued and below target. This will likely be helped in the near-term by sterling’s recovery and, later in 2020 and 2021, by the disinflationary impact of post-Brexit economic restructuring.

That outlook would be consistent with further modest policy easing from the Bank of England. We forecast a -0.25% cut to interest rates in May 2020, with risks of a further -0.25% cut later in the year.

Greatest risk in 2020 – the Brexit hangover

Optimism around the Brexit withdrawal agreement looks set to sour once the impact of Brexit finally dawns on markets. The risks of a ‘harder Brexit’ economic settlement with the European Union and difficulties around cutting deals with third countries are probably going to hit hard. Quite how UK politicians can square 1970s levels of public expenditure with Britain becoming a dynamic, low-tax economy remains something of a mystery.

10-year gilts to rise in the near term

Short-term optimism and election relief is likely to move yields high in the near term, up to 1%. But the underlying state of the UK economy, combined with other factors such as interest rate cuts, will drag yields again towards 0.5% over the long term.

US

2019 has been a good year

Positive news on trade, evidence of stabilisation in the manufacturing sector and a stronger labour market has fuelled economic optimism in the US over 2019. Equity prices have made new highs and the US yield curve is back in positive territory after inverting in August.

...though we are not as optimistic as others

While we are encouraged by recent developments, we are not as optimistic as others that US growth prospects have materially improved. Consumers remain healthy but business spending remains weak. Many believe a trade deal will reduce uncertainty and reverse this trend, but we do not think businesses will be quick to abandon their caution.

First, future trade policy remains unpredictable. Second, and perhaps more importantly, we fear that reduced uncertainty over trade will simply be replaced by increased uncertainty over the outcome of the 2020 presidential election. And the 2020 election could be the year’s defining event.
All eyes on the US Presidential Election

Depending on the two candidates, the policy implications for the US could be very binary, encouraging companies to maintain a wait-and-see stance on both the investment and hiring. We believe the weakness in business activity will – via a less robust labour market – ultimately undermine the strength of the consumer. We expect volatility in all markets in general to be high in 2020, especially due to the US 2020 election.

Real GDP growth down to 1.5%

In 2020, we're expecting real US GDP growth to cool to around 1.5%. In contrast, the Federal Open Market Committee expects growth of around 2%, a strong labour market and inflation near 2%. However, if the economy loses momentum in 2020, as we expect, the Fed will likely conclude that additional action is needed. We continue to forecast interest rate cuts in March and June.

Japan

Gearing up to the 2020 Olympics

We expect Japan’s GDP growth to stagnate in 2020. This is thanks to slowing consumption and residential investment as well as rising taxes and capital expenditure, all against a backdrop of Olympics-related demands.

Expect more easing from the Bank of Japan

As a result of this, we expect that Japan is unlikely to shift the output gap from negative territory into positive next year. And so we are forecasting additional easing from the Bank of Japan (BoJ) in April and October next year. In October 2020 when the boost from the Tokyo Olympics has passed, we expect already negative interest rates to be further lowered.

But if we see a boost in Japanese exports...

However, if US/China trade tensions relax and we see a boost in Japanese exports more than anticipated, there is a possibility that the BoJ will not implement additional easing in April and October 2020.

Eyes on growth in Q1 2020

On the other hand, the negative impact of the consumption tax hike has been more evident than anticipated. And if the negative growth that is widely anticipated in Q4 2019 is followed by negative growth in Q1 2020, it is possible that BoJ’s deeper negative interest rates will be brought forward from October to April 2020.

China

Tepid growth momentum in 2020

After China's growth slowdown in 2019, we think the policymakers will target a more sustainable, but slower, growth trajectory for 2020. With the lack of a clear resolution in US/China trade tensions, we expect officials to further lower the growth target to around 6% in order to factor in more external pressure in the coming year.
Fiscal deficit to be expanded to 3%

For fiscal policy, we expect more fiscal stimulus to support corporate investment, consumption and infrastructure investments. We expect the National People’s Congress in March 2020 to expand China’s fiscal deficit target (i.e. the deficit or gap between fiscal spending and borrowing) from 2.8% in 2019 to 3.0% in 2020.

And of course, uncertainties in US/China trade negotiations complicate targeted monetary easing policies.

Expect further tax cuts and more reforms

We do not expect the US/China trade negotiations to result in any long lasting resolution in the short term. This means that Chinese policy makers will likely push for further tax cuts and adopt structural reform policies to boost both domestic and foreign investors’ business confidence. We expect policy makers to respond swiftly with a short-term liquidity injection if a US/China trade talk fallout threatens financial market stability. However that is not our base case at this stage, as both sides are seemingly on track to sign a Phase One deal soon.

Emerging markets

Goldilocks and the three bears

We are optimistic for emerging markets (EM) in 2020, and the first half should offer something of a Goldilocks backdrop. And there are three ‘bears’ arguments some of which we don’t agree with. Firstly, on valuations – they are lower than last year, but still ample. Secondly, some feel that the fundamentals are not improving in EM (where some indicators, such as inflation, are improving) and finally, there is a possibility that there may only be a temporary growth rebound in 2020.

Expect a strong start to the year

Despite these bears, financial conditions for emerging markets are the most accommodative they have been since 2012/2013. We think economic growth will pick up over the next few months – recent economic and sentiment data has shown less deterioration and some stabilisation, as some economic activity returns to its average growth rates after bouts of weakness. This means that we believe despite lower valuations, they remain ample. We expect EM foreign exchange (FX) to start the year well, with credit and interest rates more supported later in the year.

Monetary policy easing in the developed markets has also helped stabilise external costs and currencies. Inflation and inflation expectations are falling, which means that EM’s real interest rates should stay high relative to the developed markets – a factor that leaves the space attractive as an asset class.

Growth is key for Latin America. Eyes on Brazil and Argentina

For Latin American local markets, the big theme for 2020 is growth. We think that Brazil will do much better than the consensus expect, thanks to historically low bond yields and the impact of strong pension, fiscal and privatisation reforms in Brazil. We’re positive on the Brazilian real and it should appreciate against both the US dollar and regional peers, such as Colombia. We are also very constructive on Argentina, optimistic about the new administration coming in 2020 and the involvement from the International Monetary Fund.

Cautious on the growth outlook overall

But the question of where overall emerging market growth goes leaves room for caution. The fundamentals don’t show signs of outright improvement, which means that upticks in the data could be a bounce, rather than an improvement in the broader trend.
Key events 2020

What to watch
Globally, no event looms larger than the US 2020 election, while locally, the US Fed may be easing sooner than the market expects (we forecast cuts in March and June). The European electoral calendar is surprisingly muted next year, and we think the ECB may deliver few fireworks. Fiscal stimulus is the key risk in Europe, but few specific dates are available. Navigating near-term Brexit risks will heavily influence the remaining UK event calendar. In Japan, additional easing may be coming in April. Finally, China will hold a number of key conferences and events in the year ahead as growth is expected to slow further. A potential US/China Phase One deal is the major near-term event risk, but exactly when this will be still remains unclear.

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### June 2020

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<td>4-Jun</td>
<td>ECB Decision</td>
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<td>10-Jun</td>
<td>FOMC Decision</td>
<td>We anticipate a 0.25% rate cut at the June meeting, following a 0.25% March reduction</td>
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<td>16-Jun</td>
<td>BaJ Decision</td>
<td>No policy change expected</td>
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<td>18-Jun</td>
<td>BoE Decision</td>
<td>No policy change expected</td>
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<td>June</td>
<td>BoE Mansion House speech</td>
<td>A key potential signalling ground for the BoE Governor</td>
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<td>June</td>
<td>ECB Sintra Conference</td>
<td>Former President Draghi's speech at Sintra has twice been a major signalling ground for the ECB. Will new President Lagarde do the same?</td>
</tr>
<tr>
<td>H1 2020</td>
<td>Fed Policy Strategy Review</td>
<td>The Fed to announce result (and potential changes) to its communication and inflation targeting strategy after a lengthy review. A topic for the Jackson Hole conference?</td>
</tr>
</tbody>
</table>

### July 2020

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-July</td>
<td>China Politburo Meeting</td>
<td>Quarterly economic review may signal major change in policy stance</td>
</tr>
<tr>
<td>16-Jul</td>
<td>ECB Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>22-Jul</td>
<td>BOJ Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>Mid-July</td>
<td>Powell Semi-Annual Testimony</td>
<td>Powell speaks to Congress in a key speech for Fed policy signalling. Normally in mid-July</td>
</tr>
<tr>
<td>29-Jul</td>
<td>FOMC Decision</td>
<td>No policy change expected</td>
</tr>
</tbody>
</table>

### August 2020

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-Aug</td>
<td>BOE Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>24-Aug</td>
<td>Republican National Convention</td>
<td>President Trump and Vice President Pence likely to give major policy speeches</td>
</tr>
<tr>
<td>Late Aug</td>
<td>Jackson Hole Symposium</td>
<td>Discussion of monetary policy review? Formal schedule not yet released</td>
</tr>
</tbody>
</table>

### September 2020

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-Sep</td>
<td>ECB Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>16-Sep</td>
<td>FOMC Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>17-Sep</td>
<td>BOJ Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>17-Sep</td>
<td>BOE Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>29-Sep</td>
<td>First US Presidential Debate</td>
<td>The first of three high profile Presidential debates ahead of the Nov. 3rd election</td>
</tr>
</tbody>
</table>

### October 2020

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-October</td>
<td>China's 5th Plenum</td>
<td>Chinese Communist Party will outline the important medium term economic blueprint - the 14th Five Year Plan</td>
</tr>
<tr>
<td>29-Oct</td>
<td>ECB Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>29-Oct</td>
<td>BOJ Decision</td>
<td>We see risk of additional BoJ easing in October after expected April easing</td>
</tr>
</tbody>
</table>

### November 2020

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-Nov</td>
<td>US Election Day</td>
<td>It is impossible to understate the importance of the US election on both the local and global economic and financial market outlook</td>
</tr>
<tr>
<td>5-Nov</td>
<td>FOMC Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>5-Nov</td>
<td>BOE Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>21-22 Nov</td>
<td>G20 Summit</td>
<td>Opportunity for Phase Two trade talks? After the 2020 election</td>
</tr>
</tbody>
</table>
## December 2020

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec</td>
<td>OPEC meeting</td>
<td>Second of two semi-annual meetings likely in Nov / Dec</td>
</tr>
<tr>
<td>10-Dec</td>
<td>ECB Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>16-Dec</td>
<td>FOMC Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>17-Dec</td>
<td>BOJ Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>17-Dec</td>
<td>BOE Decision</td>
<td>No policy change expected</td>
</tr>
<tr>
<td>Mid-Dec</td>
<td>China Central Economic Work Conference</td>
<td>To outline the main economic priorities for 2021</td>
</tr>
</tbody>
</table>

Source: NWM, Bloomberg, White House, US Treasury, National Central Banks, OPEC 2019
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