

Each year the Wealth Management investment team undertakes a comprehensive economic forecast for the following calendar year. The process begins with gathering of the investment team staff and select expert colleagues from other firms. The initial results of this annual process is the derivation of specific macro-economic forecasts outlined below. From here, the team will be developing capital market expectations and then reformulate investment strategies designed to capture the opportunities and importantly to avoid or limit areas of risk going forward.

To summarize our 2021 macro-economic forecast, the team evaluated factors such as Federal Reserve Policy, number of Rate Hikes, US Gross Domestic Product, US Unemployment, and European Central Bank Policy, amongst others. Broadly speaking, we see a world where central banks continue to be on hold from a policy perspective and economic growth is considerably stronger than in 2020, gaining momentum in first-half of '21 but strongest in second-half of '21 as the population becomes more vaccinated and life starts to resemble "normal" once again. This view is generally constructive for risk assets, in particular stocks. At the same time debt markets will likely be challenged during the year. Further, high on the list of risks include the potential for further USD weakening and inflation regaining traction.

	Source	2020	2021	Notes
Fed Policy (%)	US Fed	0-0.25%	0.25%	No change
# of Rate Hikes/(Cuts)	US Fed	(5)	0	No Fed action w/policy rates
US CPI (H) (%)	BLS	1.20%	1.75%	Inflation to increase in 2021 but still below Fed target of 2%+
US GDP (%)	WSJ	-2.70%	4%+	GDP growth driven primarily by consumer in 2nd half of 2021 once population vaccinated; tepid 1st half
US 10 Yr (%)	UST	0.93%	1.25%+	Yield curve looks to continue steepening into 2021 as the economy improves and the consumer become more active. Could see ranges above 1.25%
US Unemployment (%)	WSJ	6.70%	6% +/-	1H 2021 could have soft numbers, with improvement accelerating in 2H 2021
US Nominal Wage Growth (%)	Bloomberg	5.10%	3.25%	The jobs returning to the labor force on the lower end of the expenditure spectrum will hamper wage growth
US Corporate Earnings Growth	FactSet	-13.60%	20.00%	We are at the lower range of Street estimates, believe many of these estimates are priced to perfection and our view is modestly below consensus
EUR/USD	Ycharts	1.23	1.23	No change
ECB Policy (%)	ECB	0.00%	0.00%	No change
10 Yr Bund (%)	Bloomberg	-0.58%	-0.3% +/-	Slight improvement as the German economy gets back on track as vaccinations increase
Europe GDP (%)	Statista	-7.40%	2.50%	Tempered enthusiasm as businesses reopen and tourism comes back
EM GDP (%)	IMF	-3.28%	5.75%	Strong rebound in GDP on the back of a weakened US dollar and improvement in local economies from COVID response
Brent Crude Oil Price (\$/barrel)	Ycharts	51	Mid \$50s	COVID impacted global growth in 2021 combined with OPEC+ action expected to rebalance supply & demand around \$55
USD/Yuan	Ycharts	6.53	6.64	Modest change
China GDP (%)	IMF	1.85%	6.50%	Signs of strength in underlying economy in addition to very strong government support of domestic economy.

2021 Macroeconomic Forecast

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