



Global Economic Outlook

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Working with the Cheshire Pension Fund since 1993

- **Largest manager of Local Government Pension Scheme assets**

- 59 LGPS clients with £69bn of assets*
- Including c.£11bn across 9 LGPS Central Funds**
- Managing assets for the LGPS for over 25 years

- **Focused on investment solutions for LGPS clients**

- Growth, income, risk management, ESG, transition management
- Supported by LGPS solutions specialists with LGPS-specific tools

- **Commitment to the delivering excellent client service to LGPS**

- Dedicated Local Authority relationship management team
- LGPS-specific reporting tailored to Funds' needs

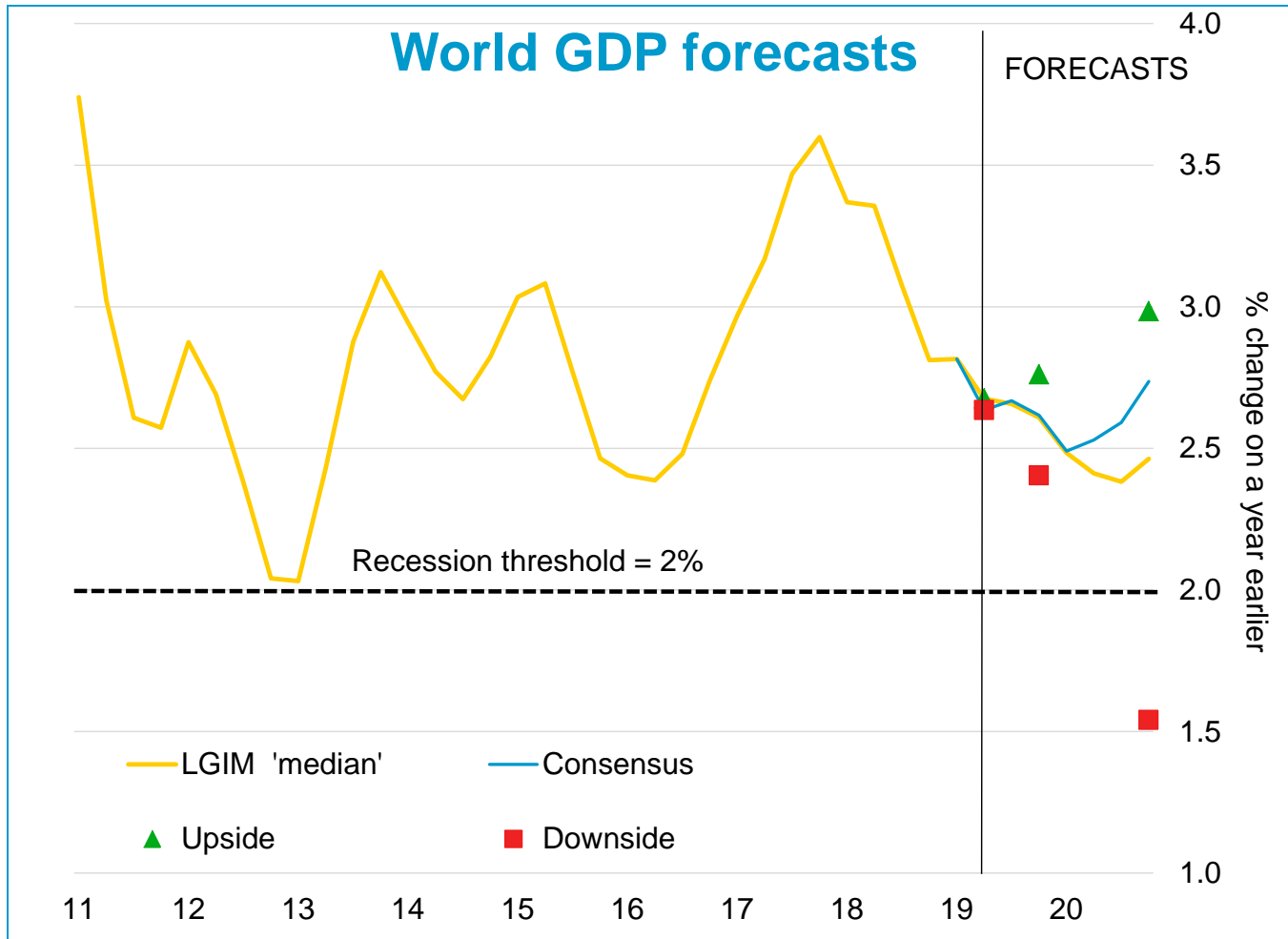


Economic summary

- **Latest data suggest global growth slightly lower than average rate**
 - United States-China trade war ceasefire
 - No-deal Brexit risk has fallen
 - Risk that damage has already been done with cooling global employment and softer consumer spending
 - But central banks have eased monetary policy, offering a path to improving growth in 2020
- **Main risks**
 - Trade war between US-China remains a threat, but risk of escalation has diminished
 - Same applies to no-deal Brexit
 - China less willing or able to stabilize slowdown
- **Implications**
 - Benign inflation allows central banks to respond to shocks and any growth disappointment
 - Risk of global recession in next 12 months diminishing
 - Long term themes include technological, environmental and demographic shifts

Global growth settling at 2 ½ % pace

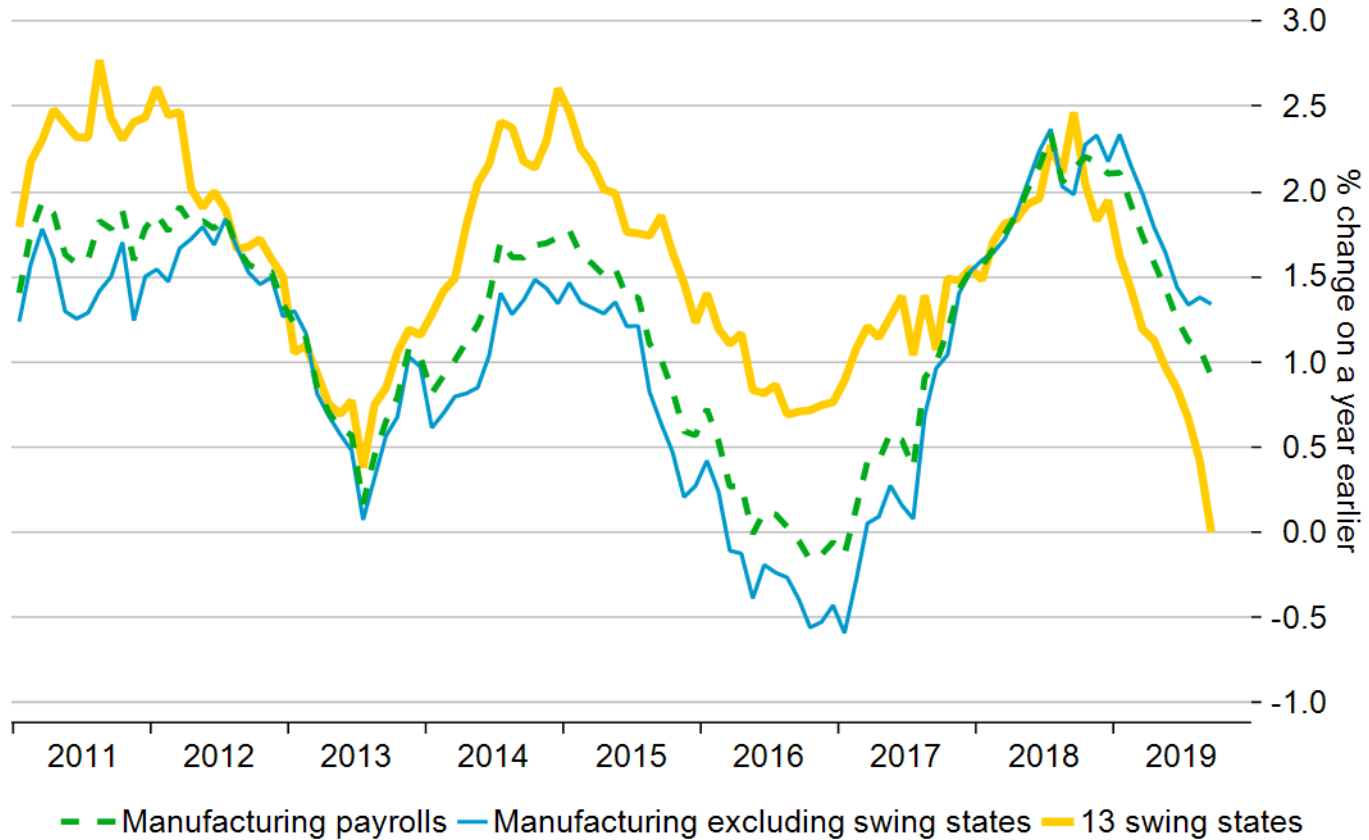
Extreme geopolitical risks have diminished e.g. US-China trade war, no-deal Brexit



The trade war is hurting President Trump

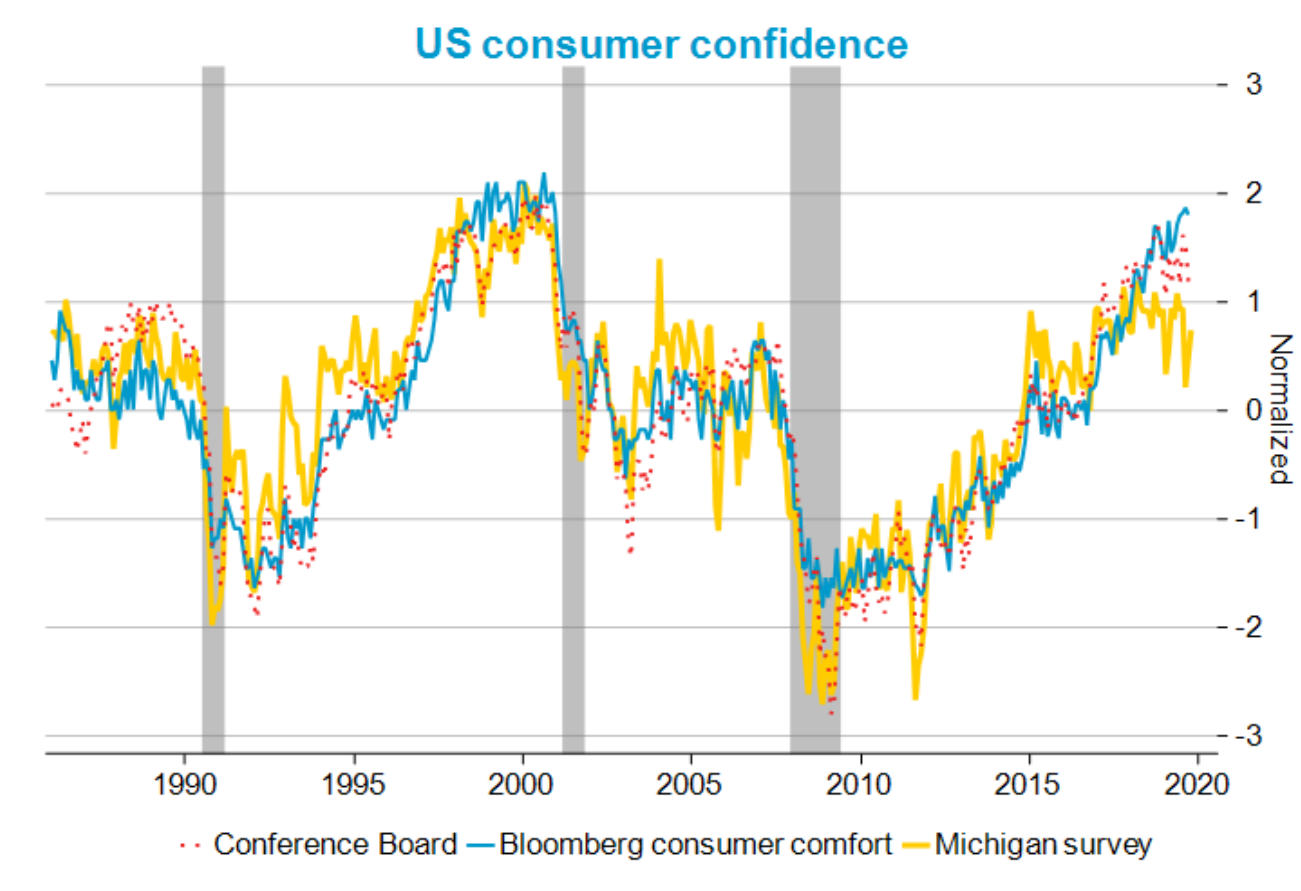
Damage to manufacturing employment in the 13 swing states

Manufacturing employment by State



Not much sign of US consumer faltering

Retail sales are healthy, consumer comfort at record high

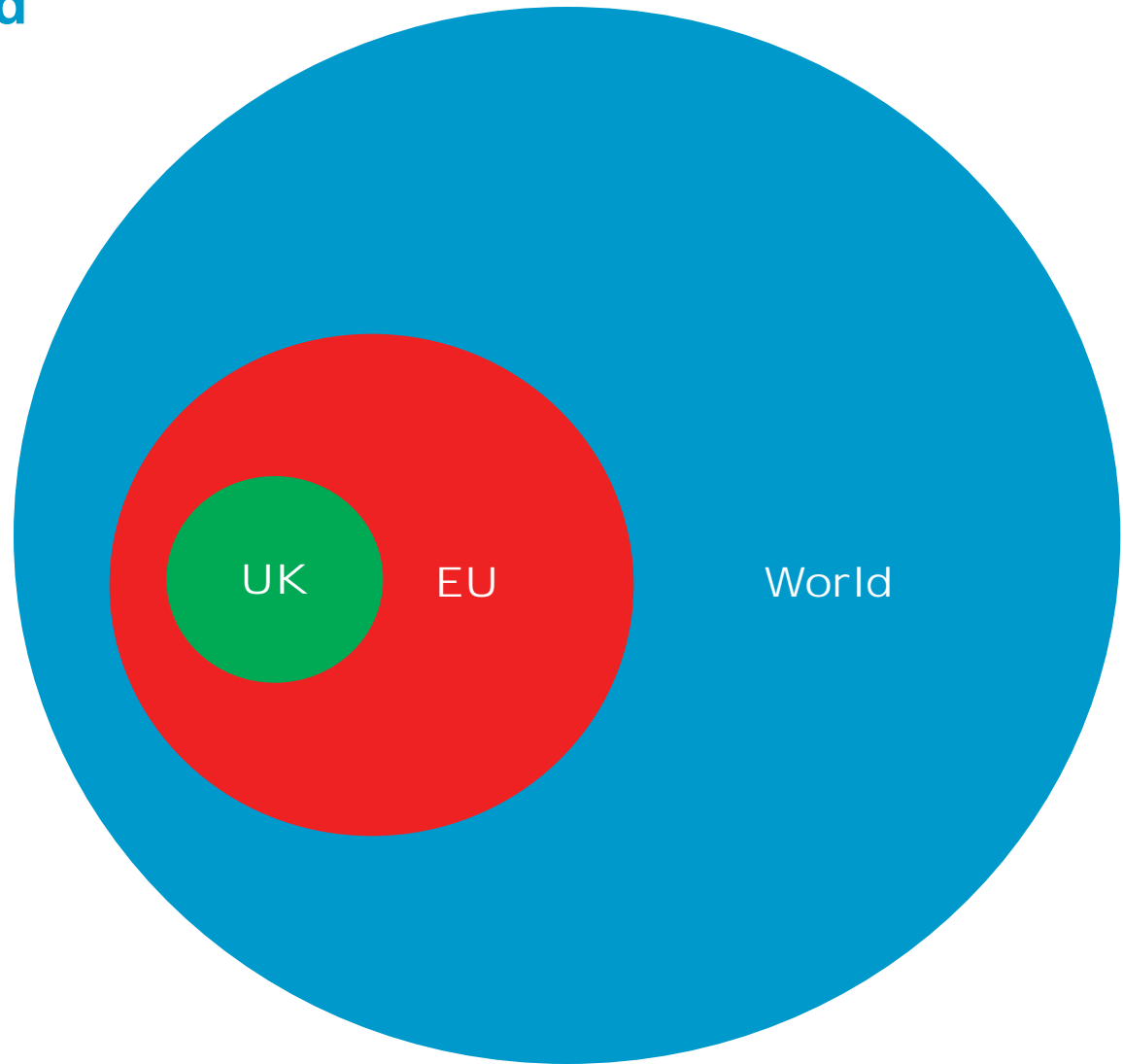
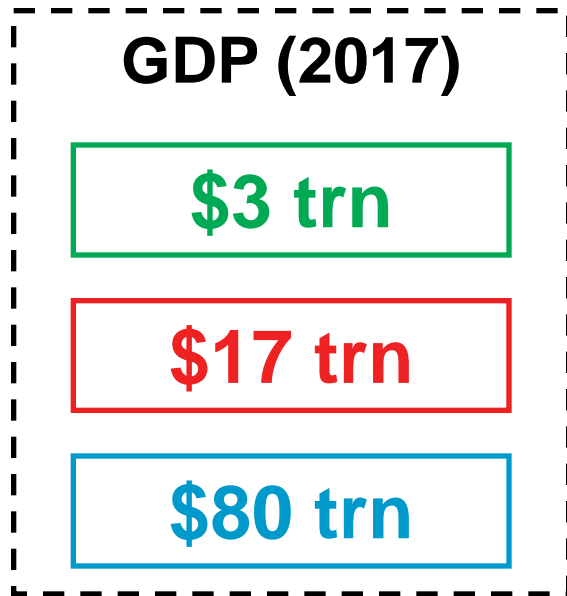


China growth is yet to bottom out

US-China trade war will weigh on growth in coming quarters

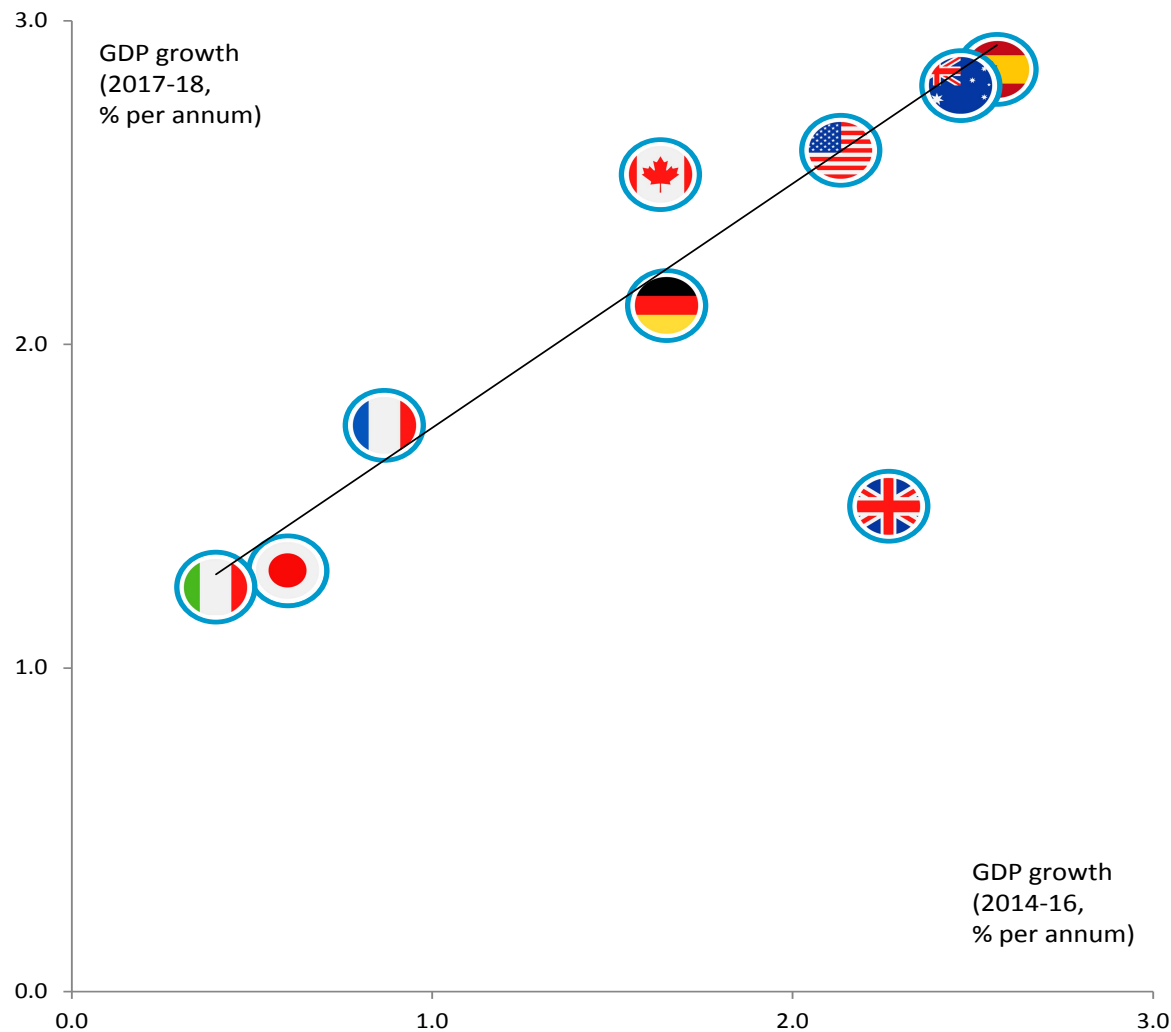


Notes from a Small Island



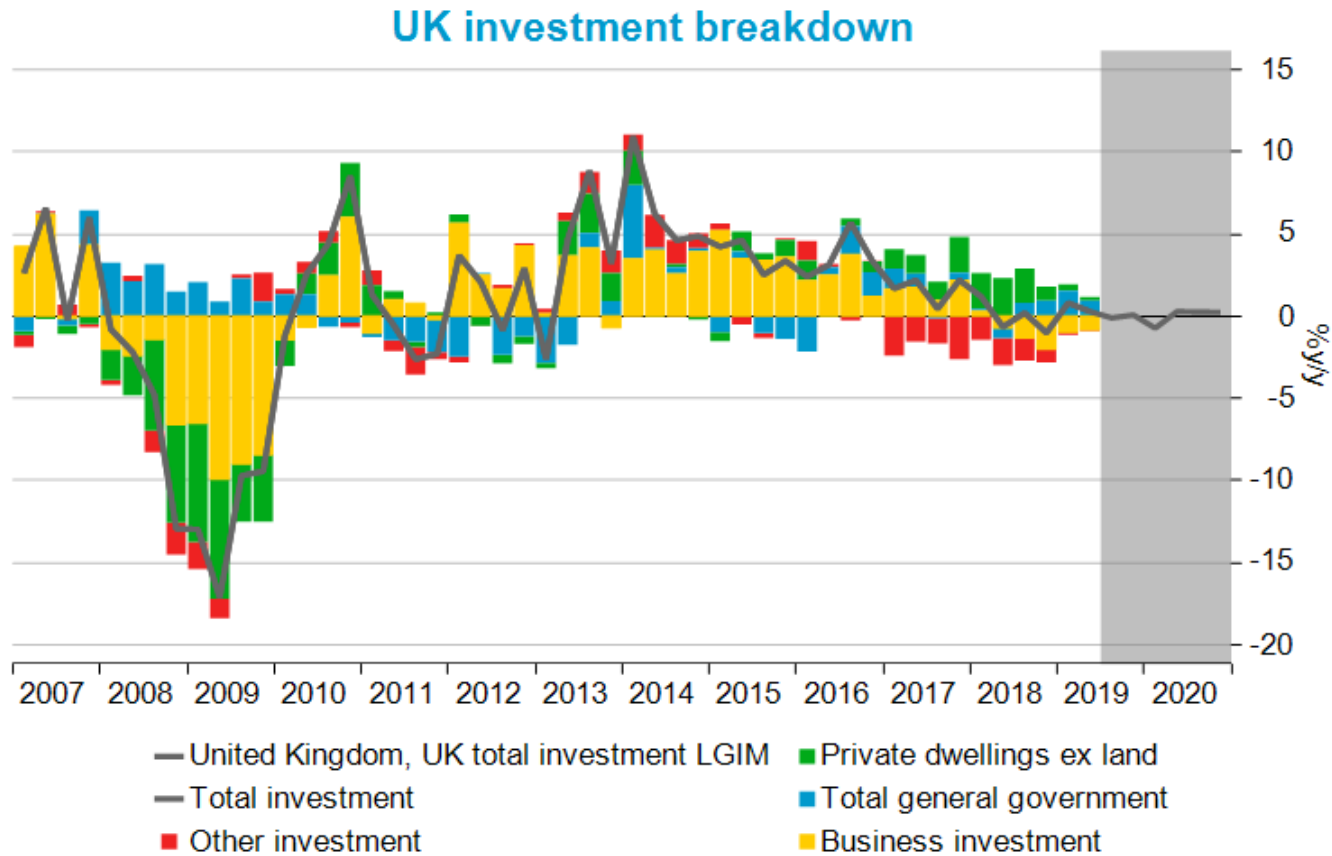
Brexit: spot the odd one out

UK was one of the few major economies to see weaker growth in 2017/18



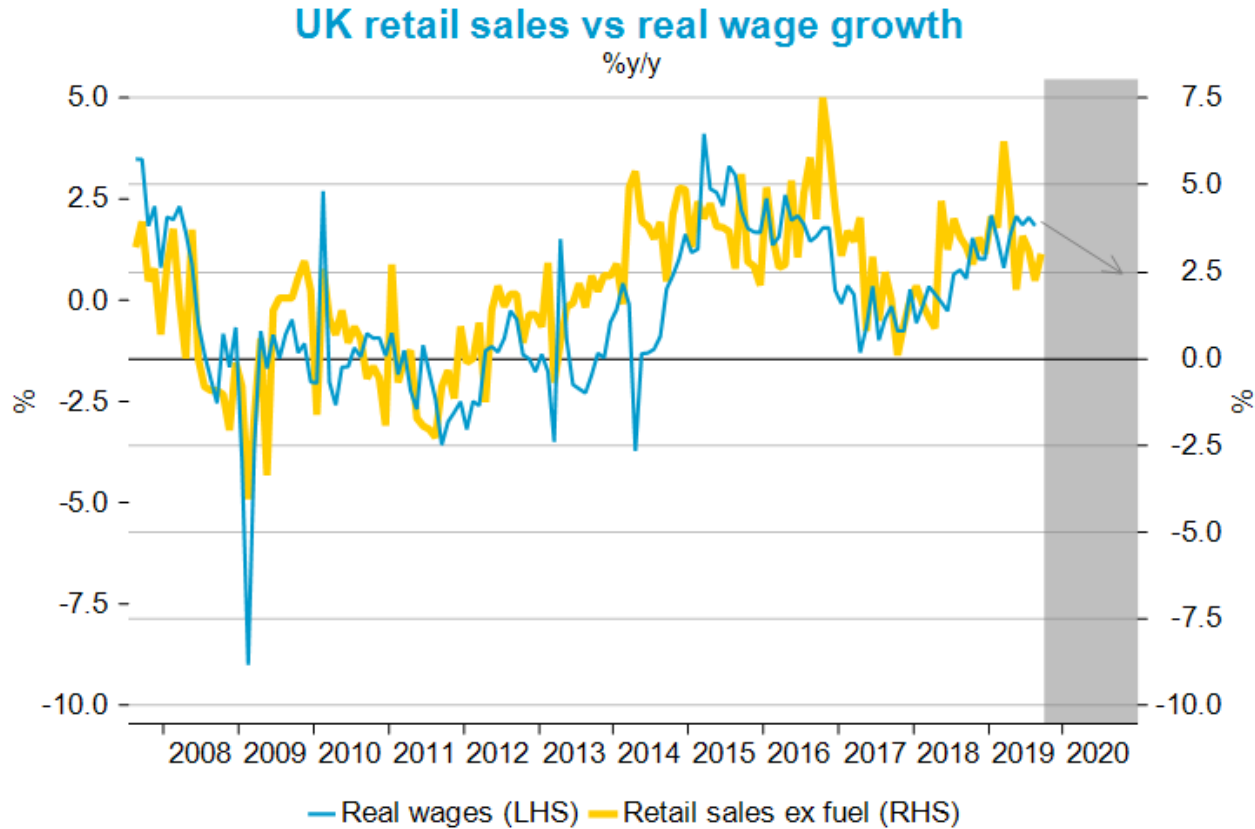
UK investment remains subdued, particularly business investment

We do not expect a pick up in the forecast due to Brexit uncertainty



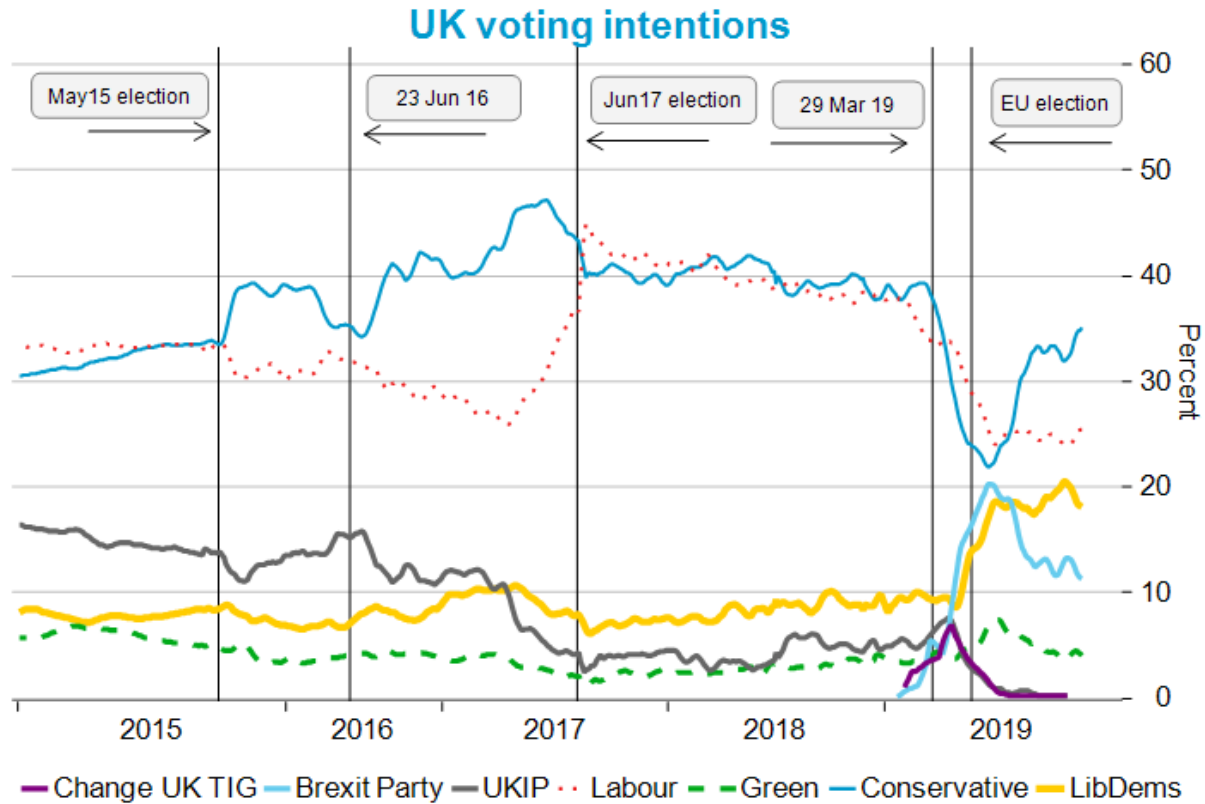
But the UK economy is not doing badly considering

Retail sales continue to grow at a robust pace, underpinned by rising real wages



UK heading for a general election

Current polling points to a Conservative party majority



Conclusion

• Global economic outlook

- Tentative signs of stabilization in global confidence and a trade war ceasefire
- Only modest global growth in 2020, recession risk diminishing
- Reasonable real wage growth and consumer confidence
- Euro area sluggish, but stable
- China likely to weaken further due to tariffs
- UK heading for a general election with growth slightly better than consensus fears

• Implications for asset prices

- US stock market at record highs, but expectations too high for 2020 given the modest growth outlook
- Steady interest rates, though if growth surprises positively rates likely to move higher and vice versa
- Sterling recovery due to the lower probability of a crash out / no-deal Brexit
- Scope for further sterling appreciation if a trade deal can be reached, a softer Brexit or no Brexit



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