



Brandywine **GLOBAL**

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Fourth Quarter 2018

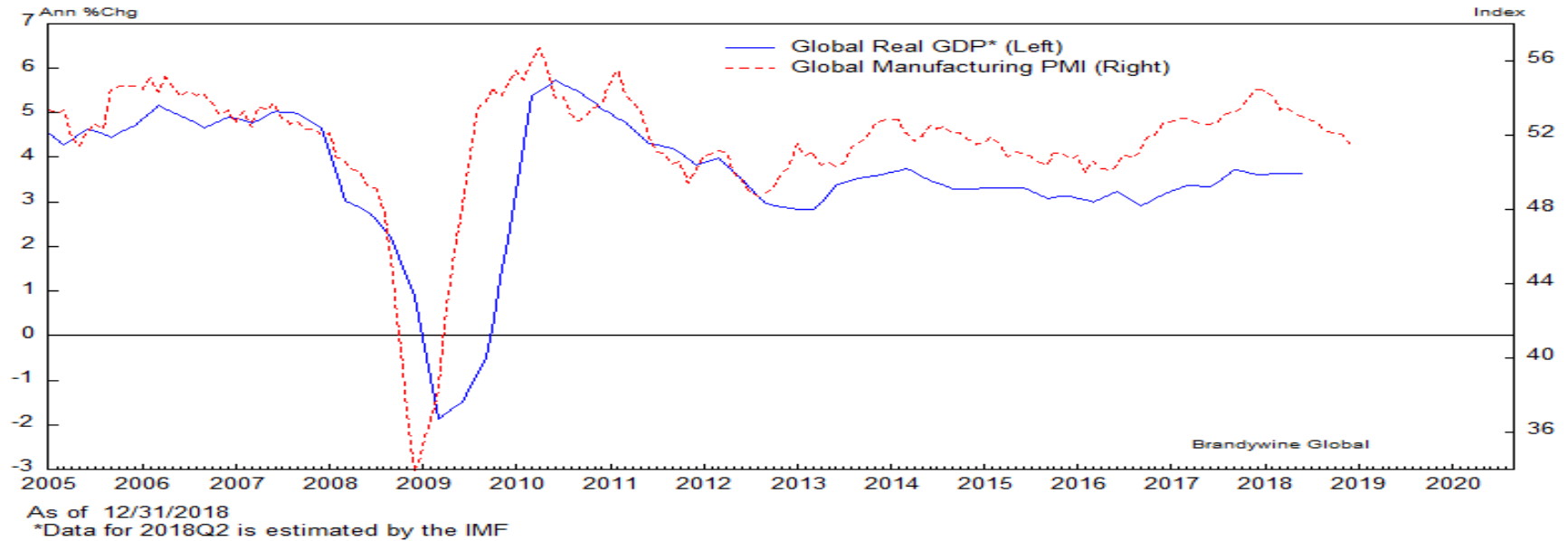
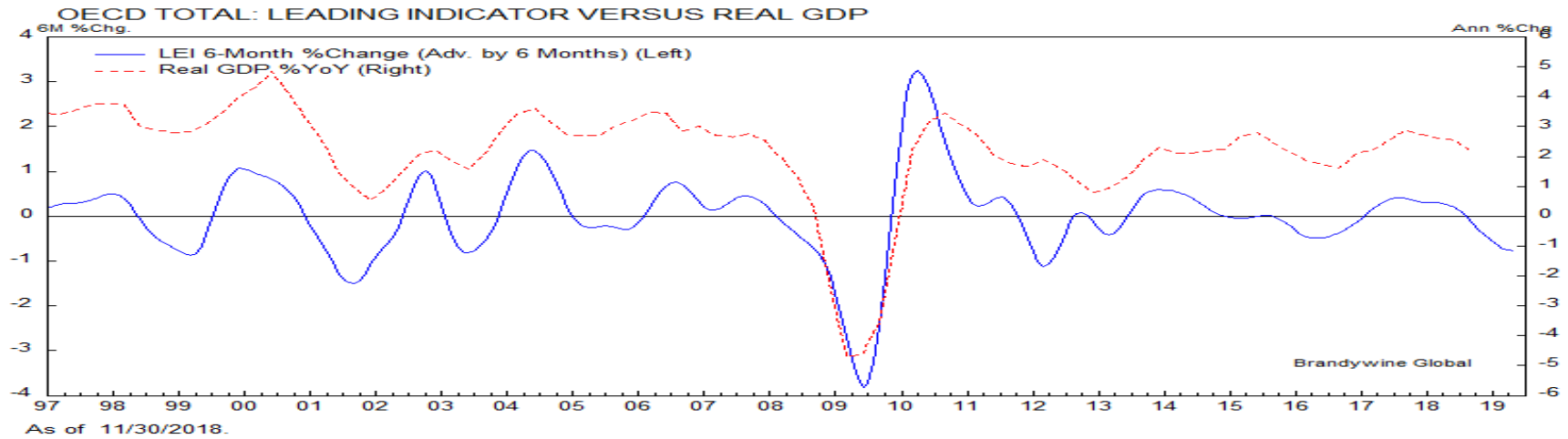
Global Macro Outlook

Presented by

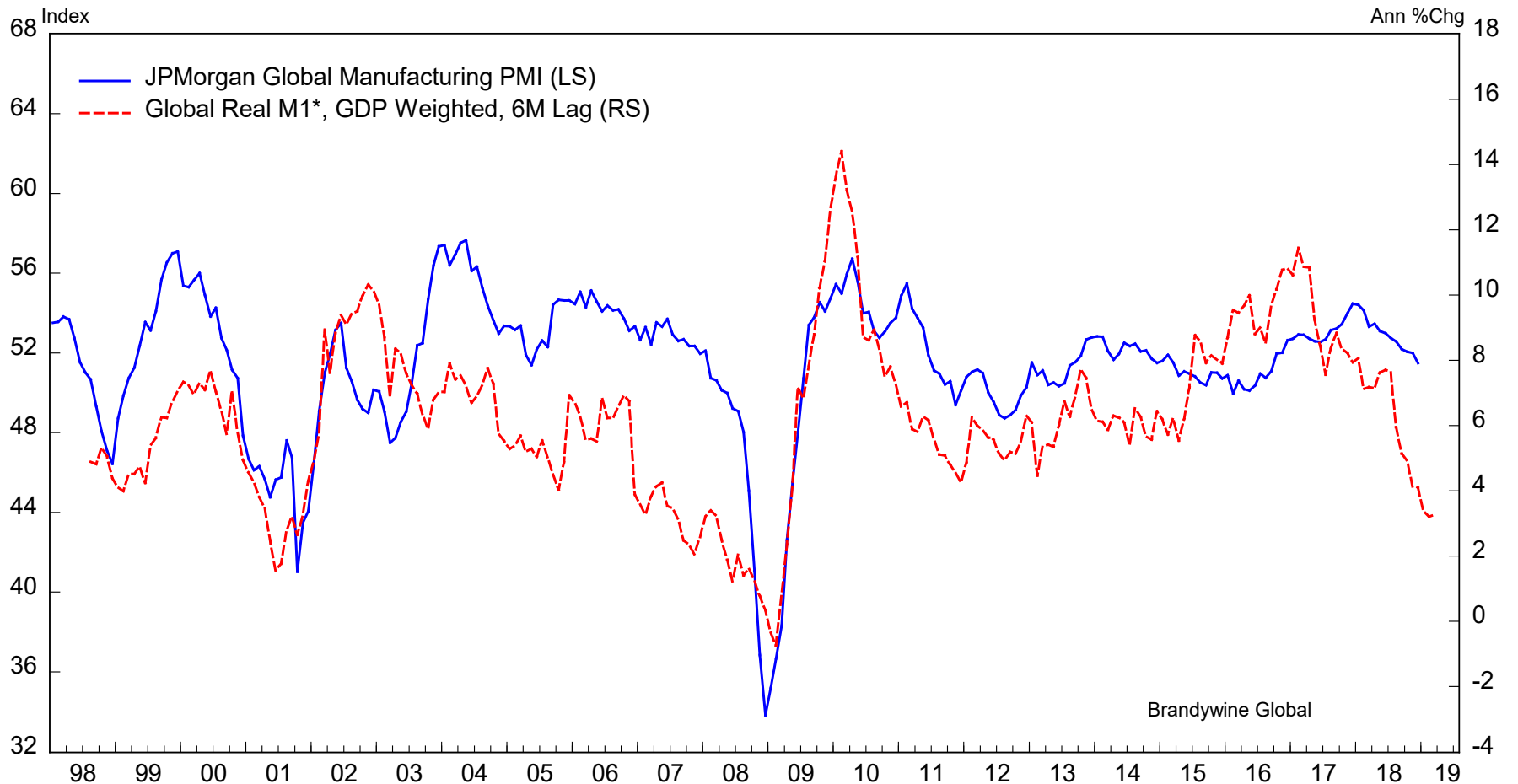
Francis Scotland

Director of Global Macro Research

Slower Global Growth Based on OECD Indicators and Global Purchasing Manager Surveys



Global Real M1 Growth Still in Retreat

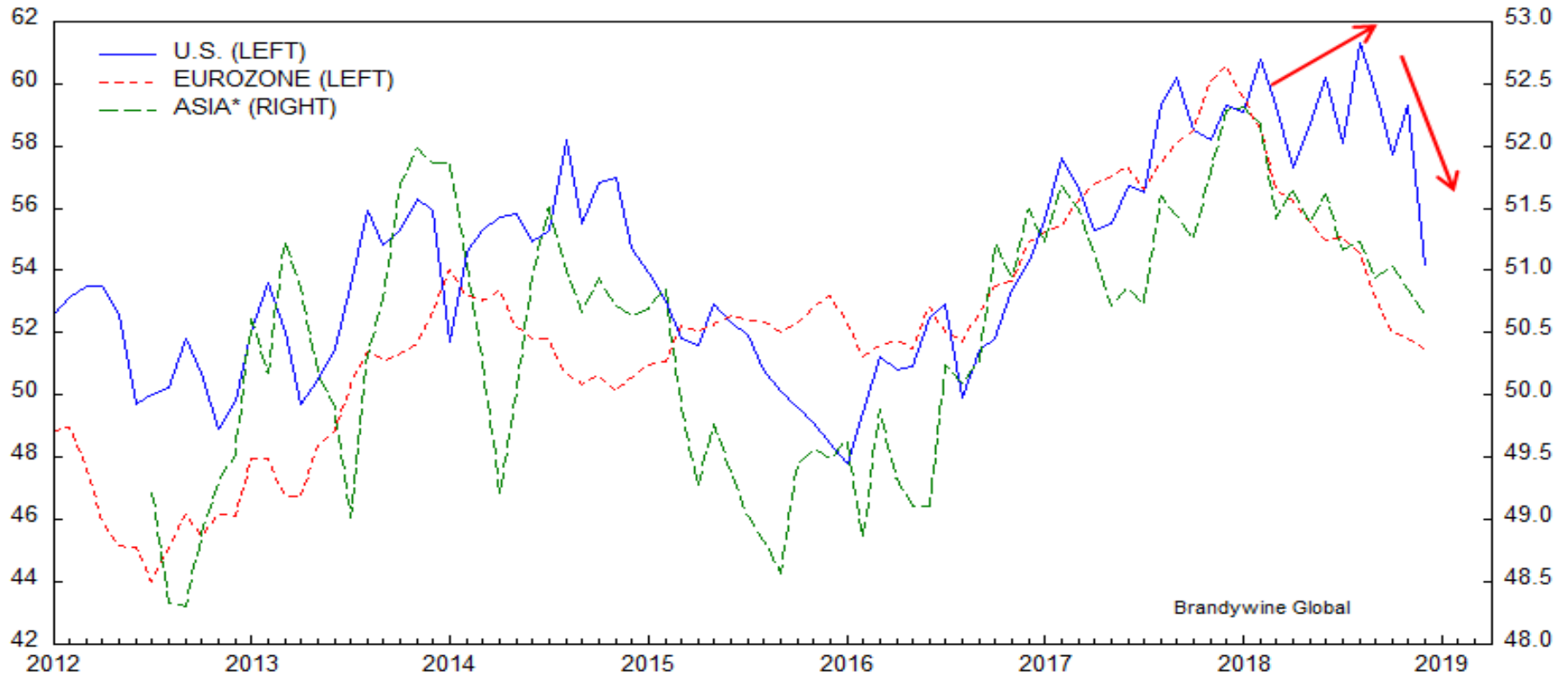


*US, UK, Eurozone, Japan, China, India, Indonesia, Mexico, Turkey, Korea, Canada, Thailand, Australia, Poland
As of 12/31/2018

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U.S. Growth Divergence with the Rest of the World Resolving Itself Lower

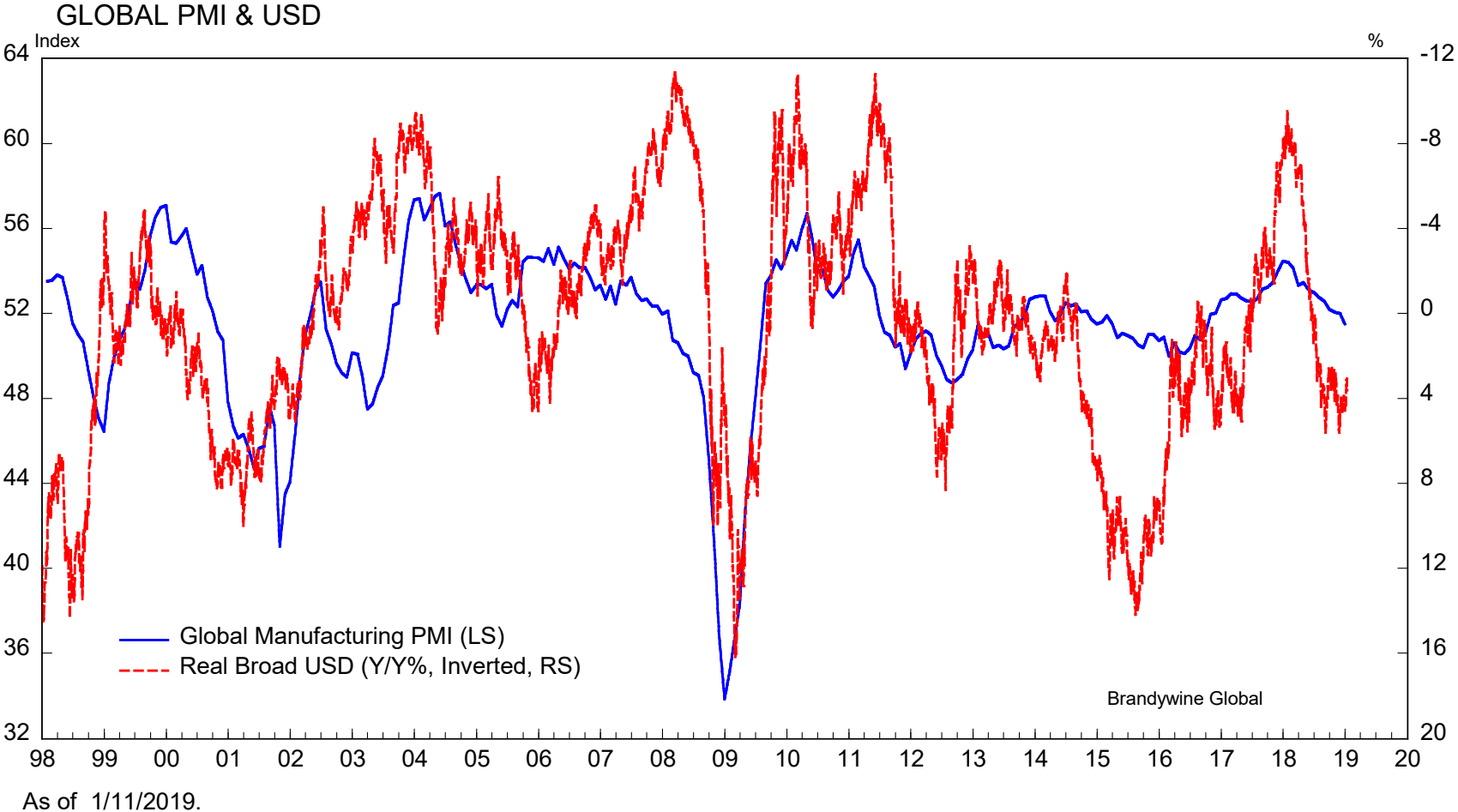
MANUFACTURING PMI: U.S., EUROZONE, AND ASIA



* GDP-weighted average of Japan, Indonesia, India, Malaysia, Singapore, S.Korea, China, and Taiwan
As of 12/31/2018.

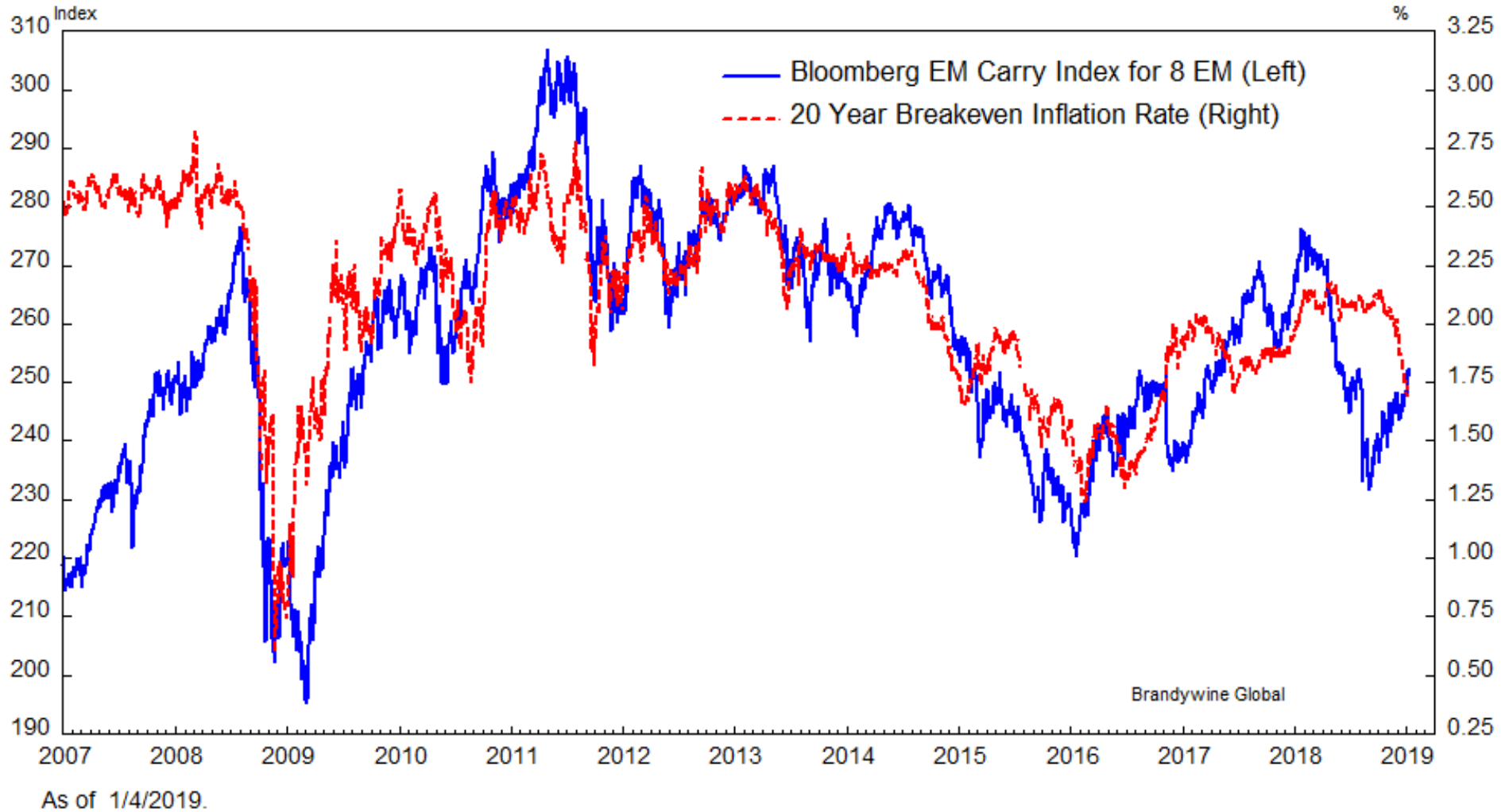
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Dollar Strength Tends to Correlate with Global Economic Weakness

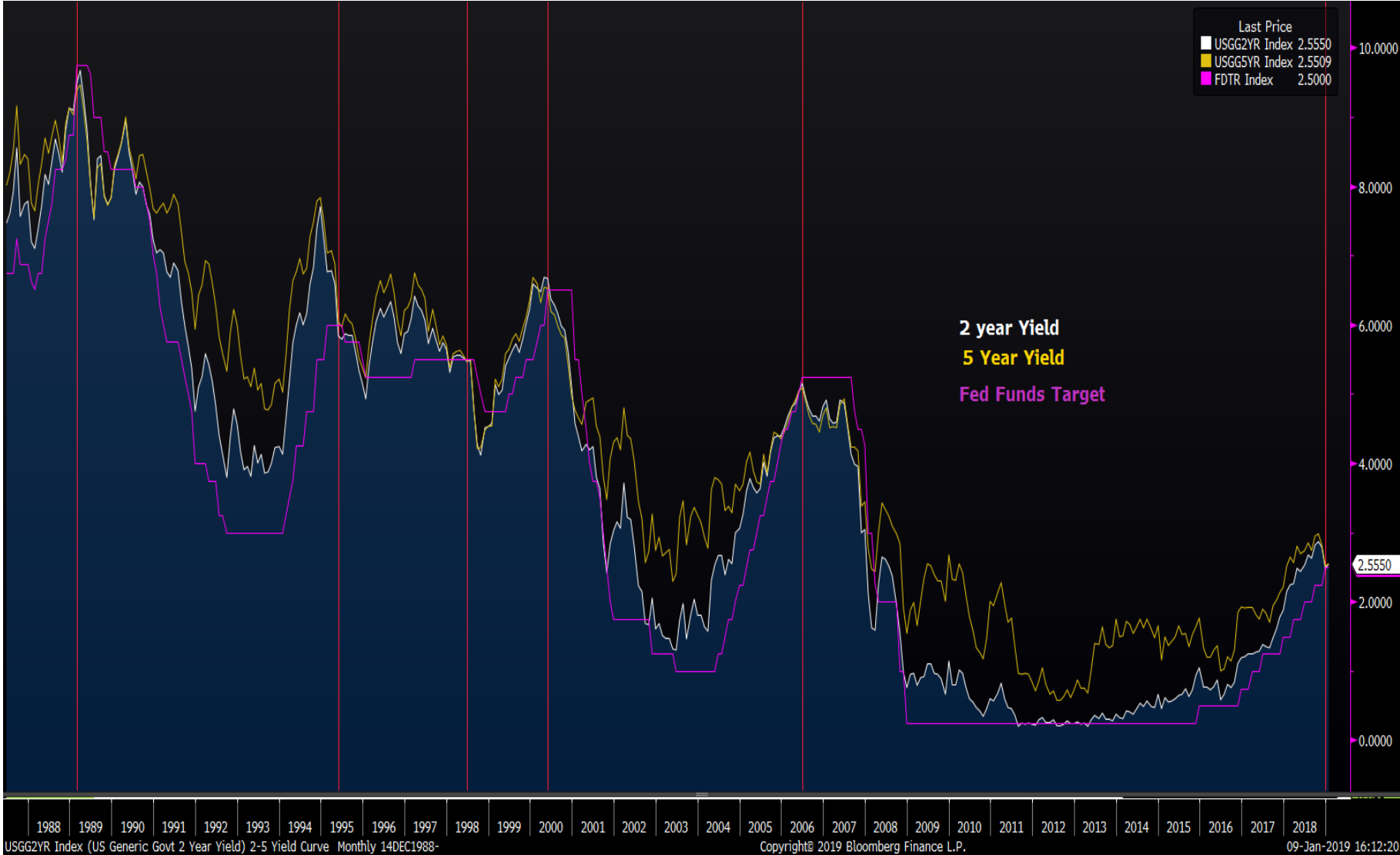


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EM Carry Return Index Fell Sharply in 2018 in Line with Breach in Nominal Growth Outlook Flagged by Lower Inflation Expectations

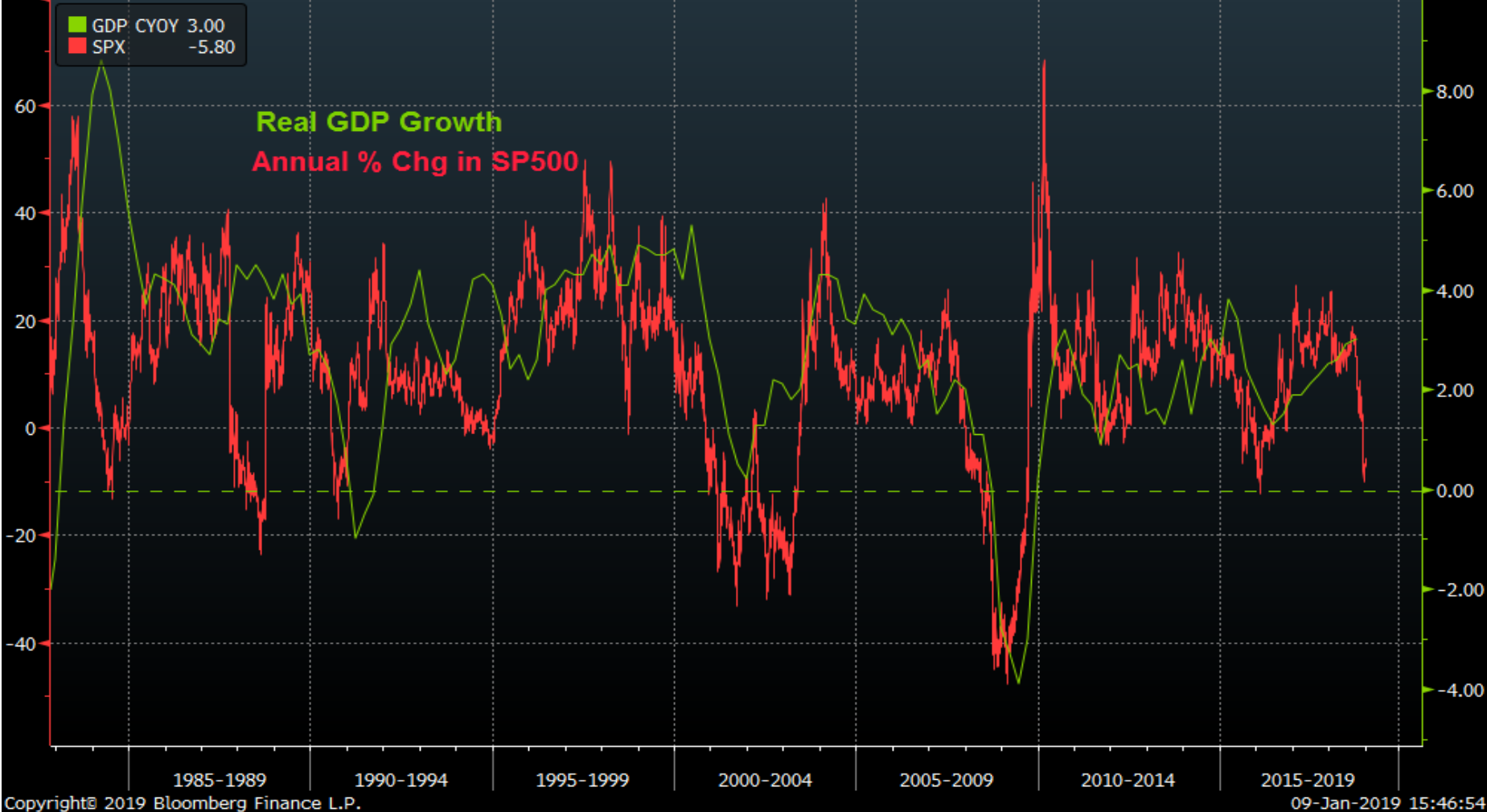


The Fed Already at Neutral Based on the 2 and 5 Year Yield



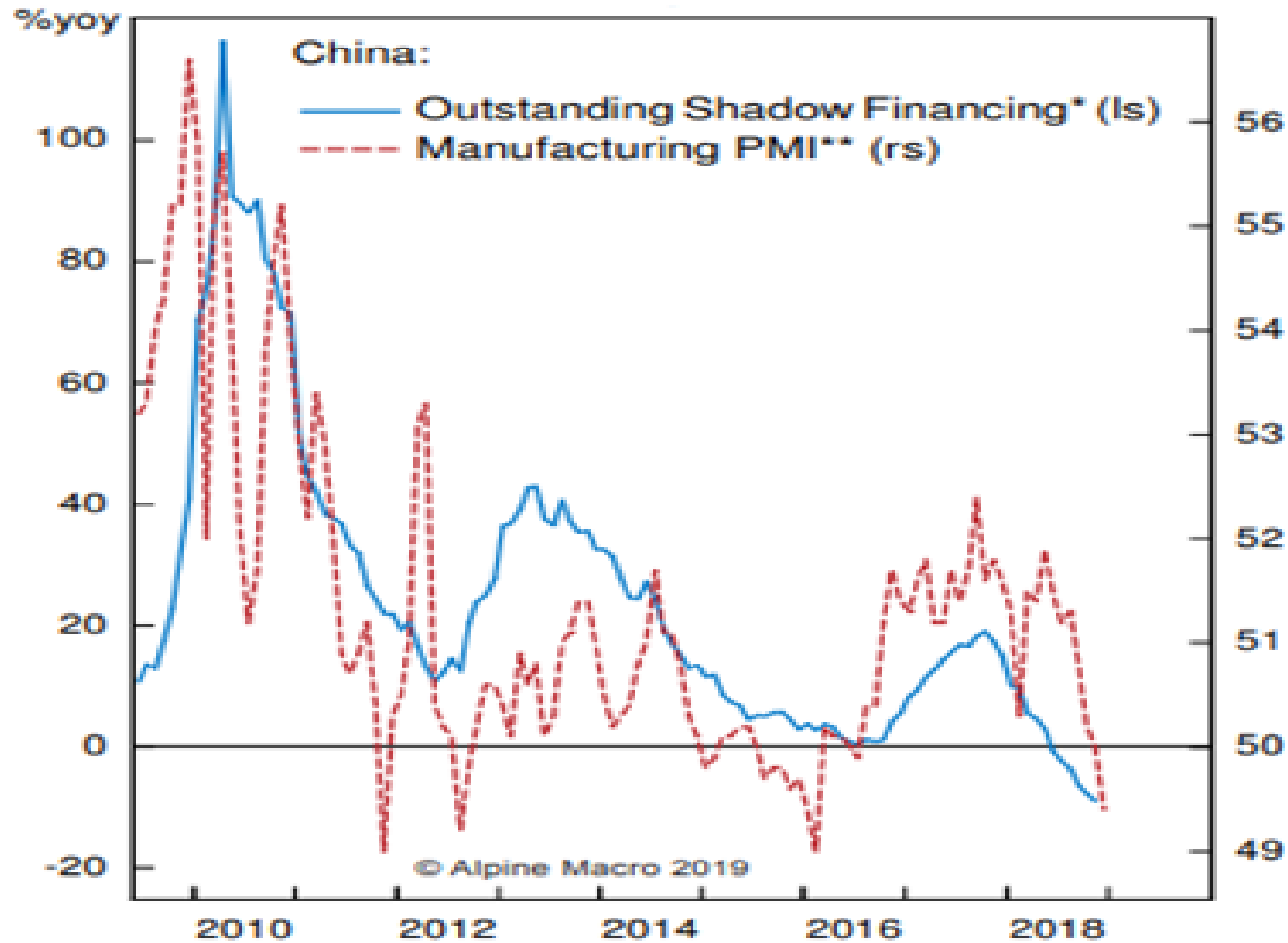
Source: Bloomberg (© 2019, Bloomberg Finance LP) which Brandywine Global believes to be accurate and reliable. Please refer to Appendix 1 for important disclosure information.

Financial Volatility a Risk to the U.S. Business Cycle If Sustained



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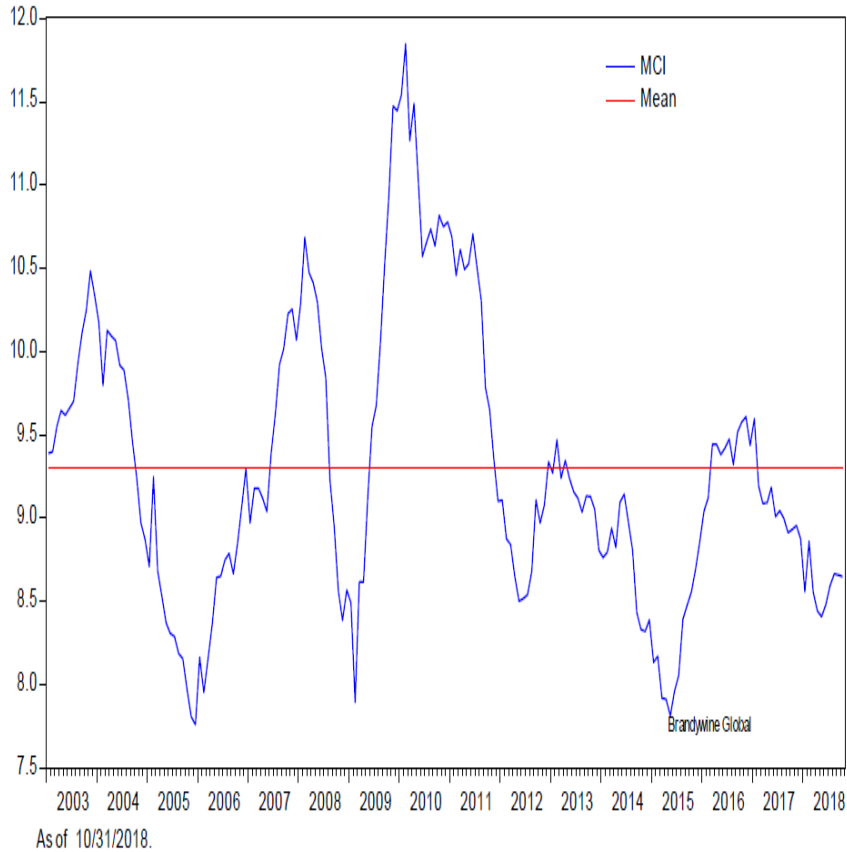
U-turn in Chinese Economic Policy Drove the Domestic Economic Slowdown



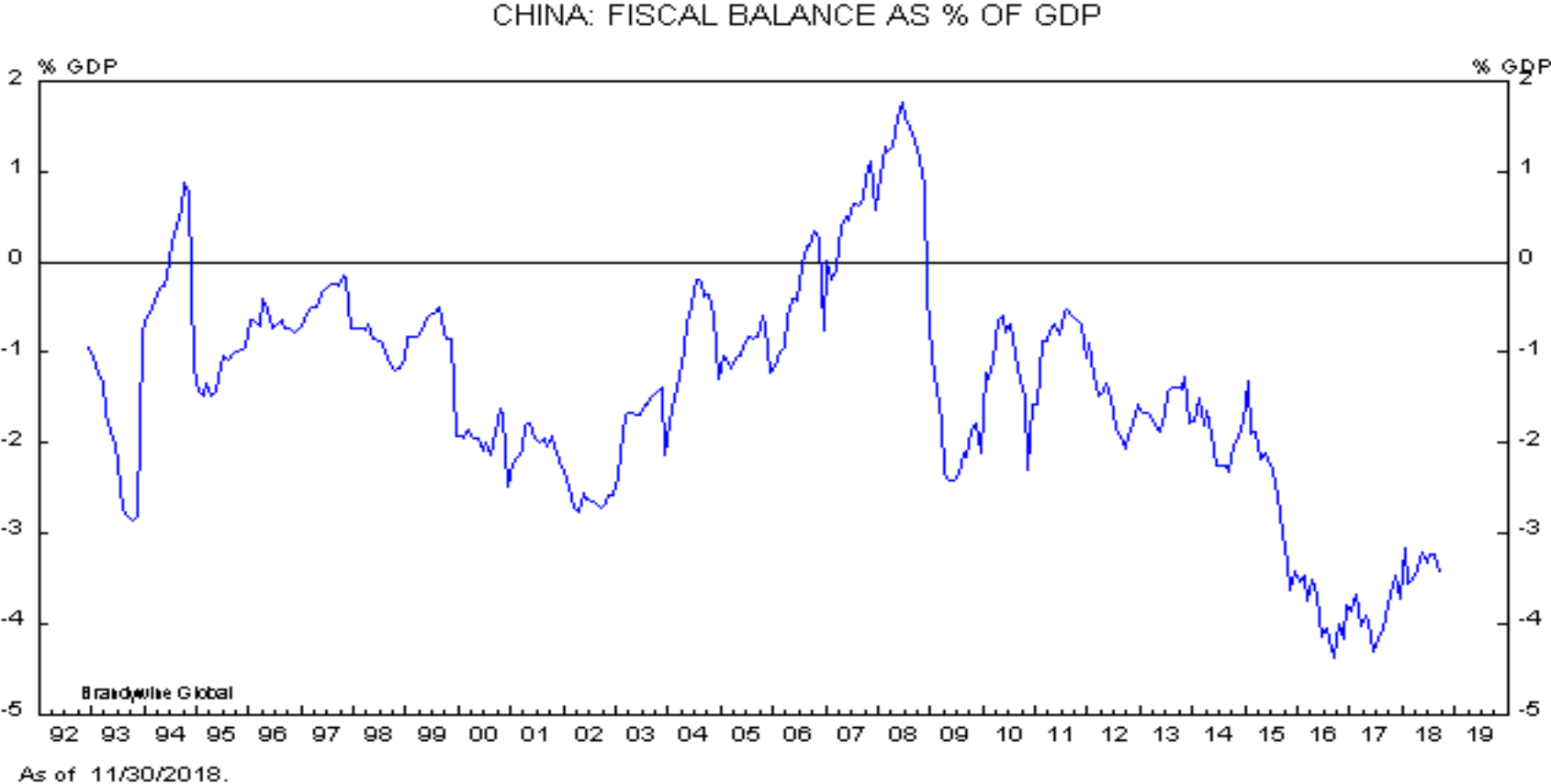
*Sum of entrusted loans, trust loans and undiscounted bankers' acceptances; source: PBoC, Macrobond

**Source: China Federation of Logistics & Purchasing

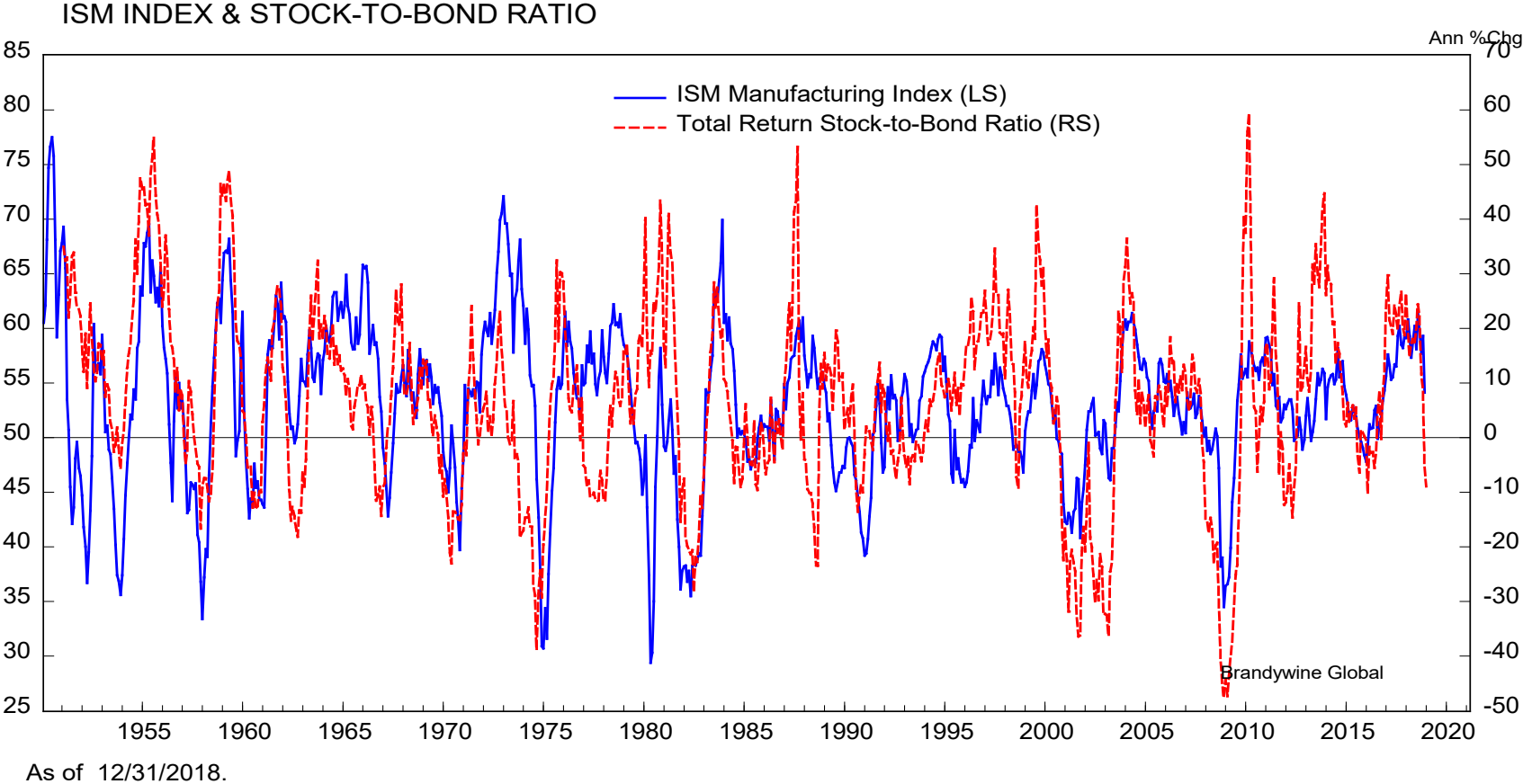
Complete Reversal of China Monetary Conditions (MCI) and Fiscal Impulse over the Last 18 Months



China's Policy Makers Constrained by the Deficit?

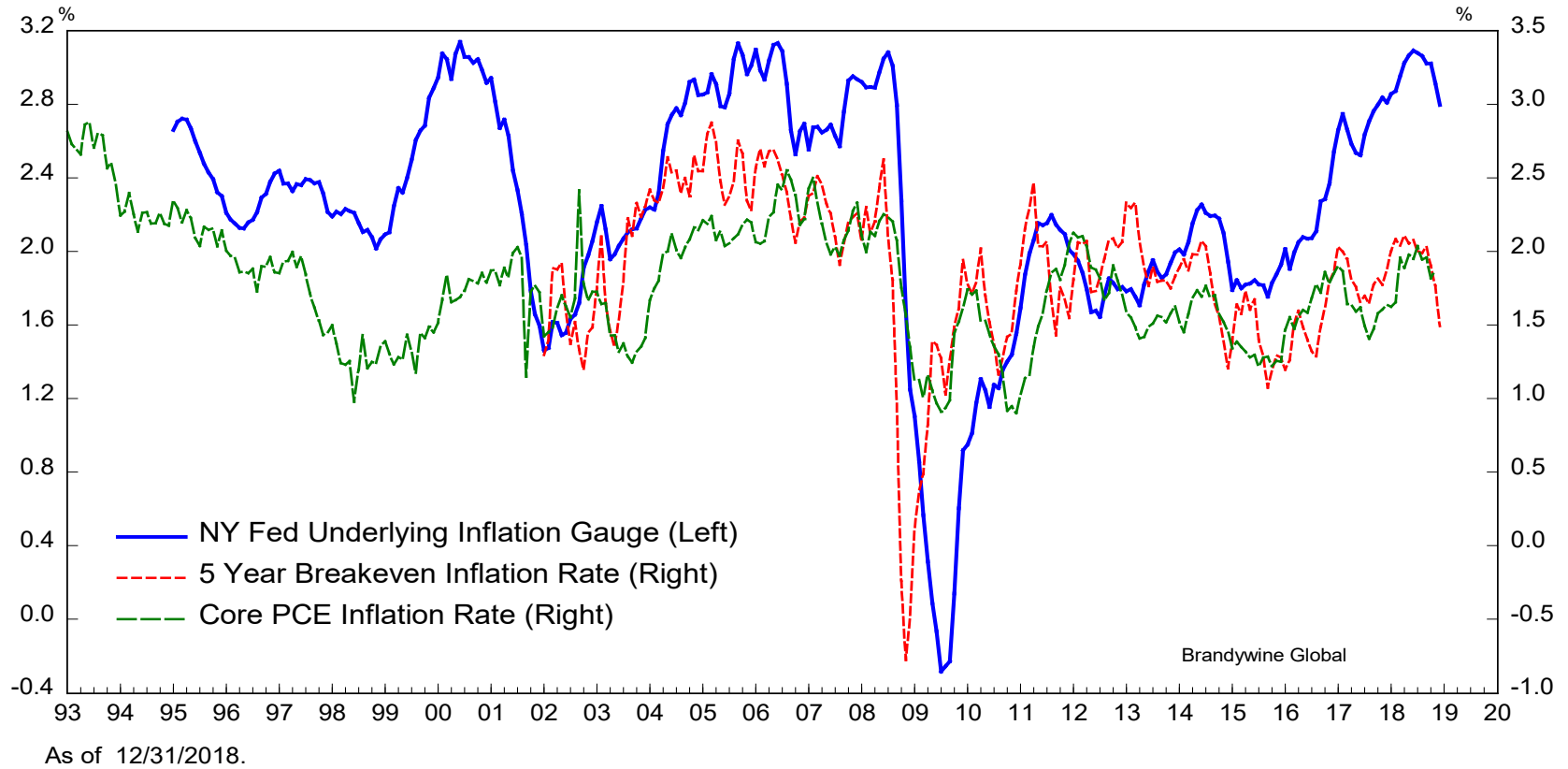


ISM Manufacturing Index Retreat in Line with Stock-To-Bond Ratio

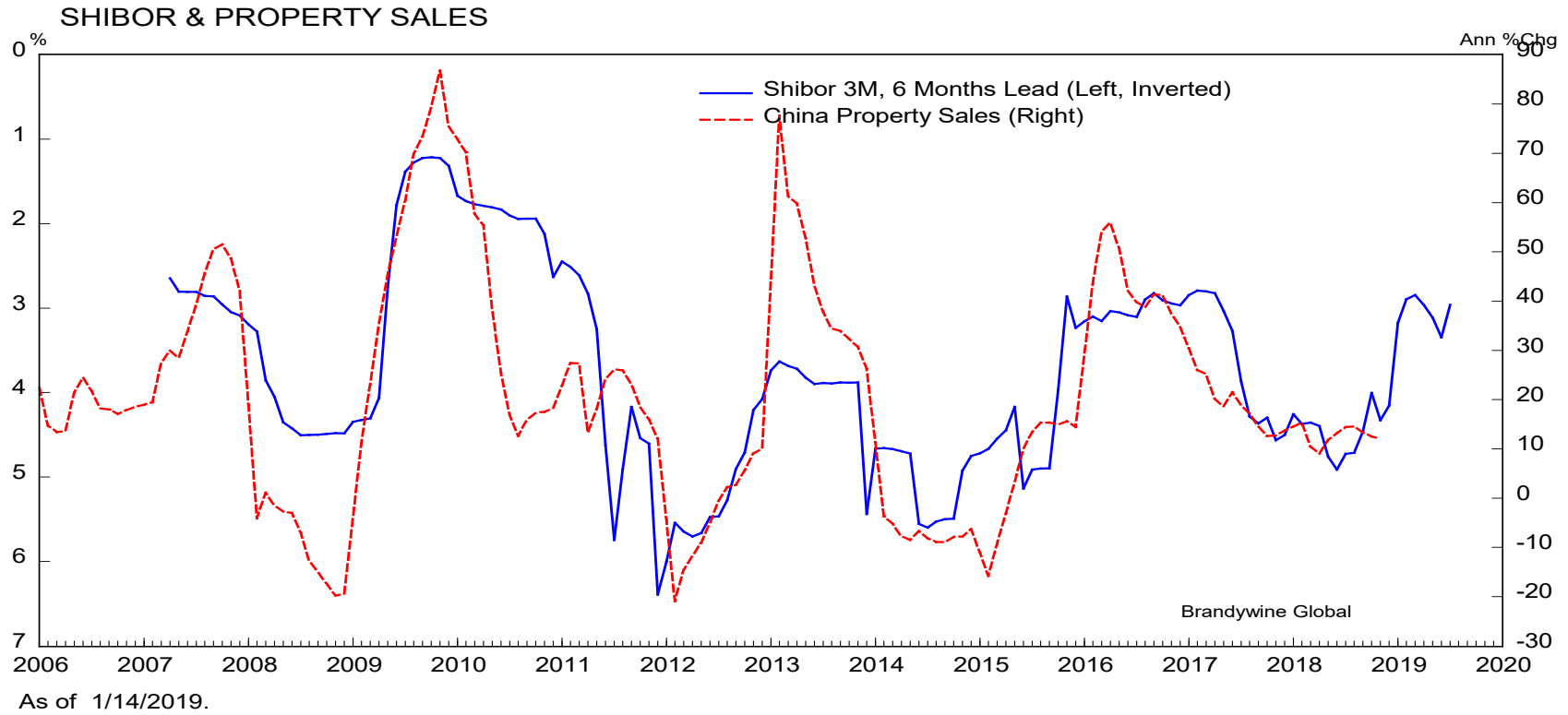


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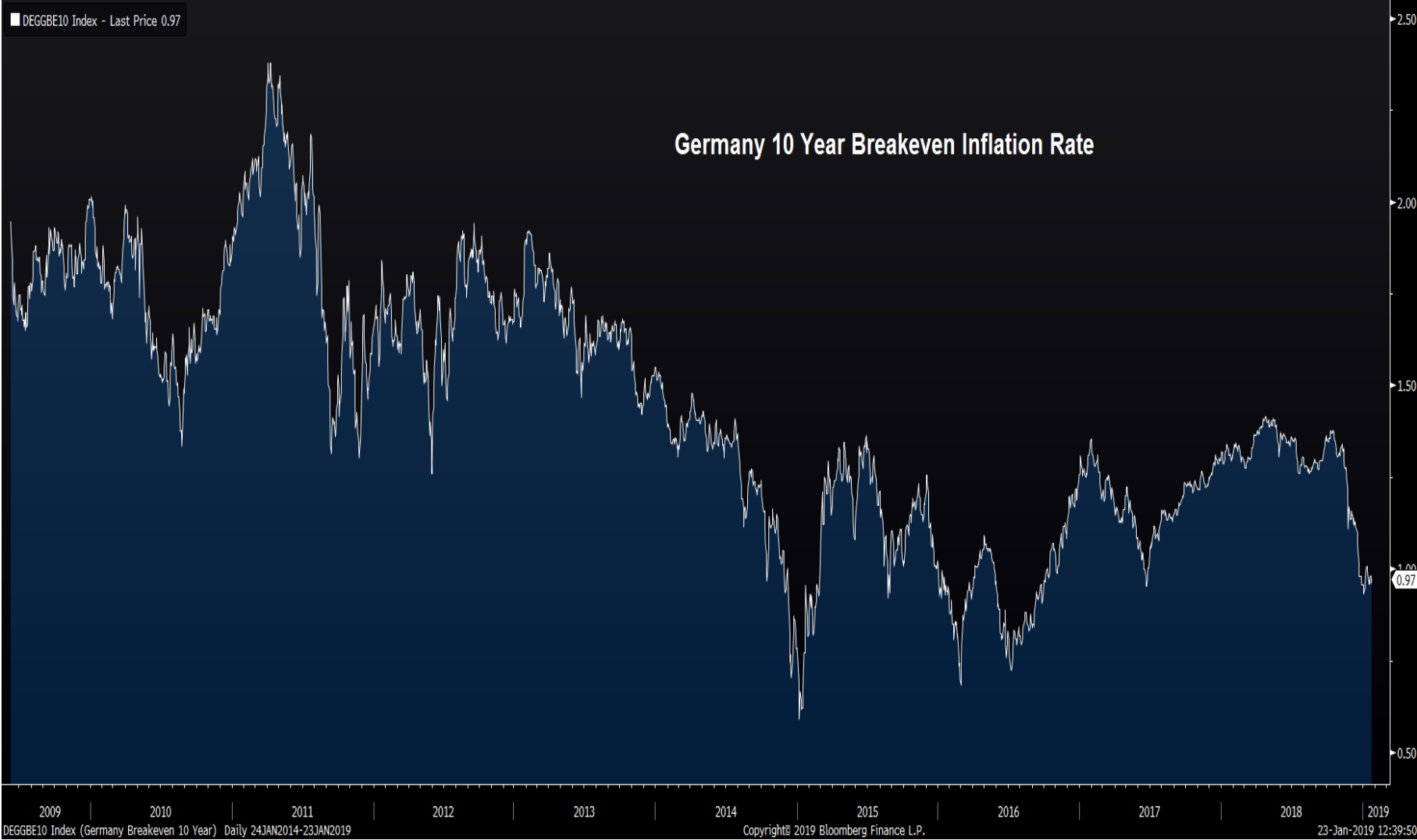
Fed Gauge on Inflation Also in Retreat



Shibor Correlation with Property Sales Implies Economic Stabilization in China Later This Year

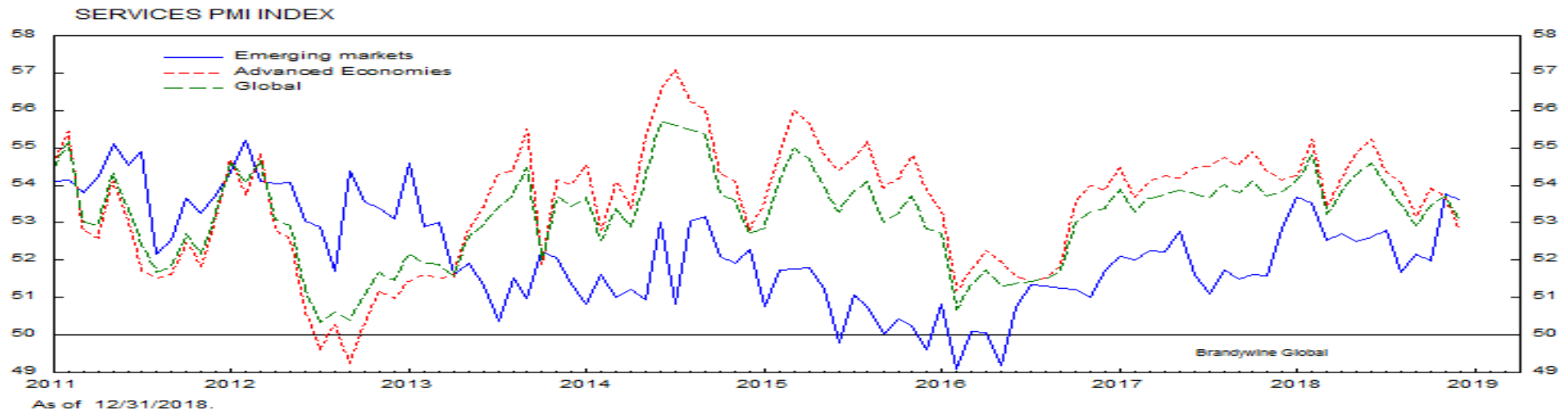
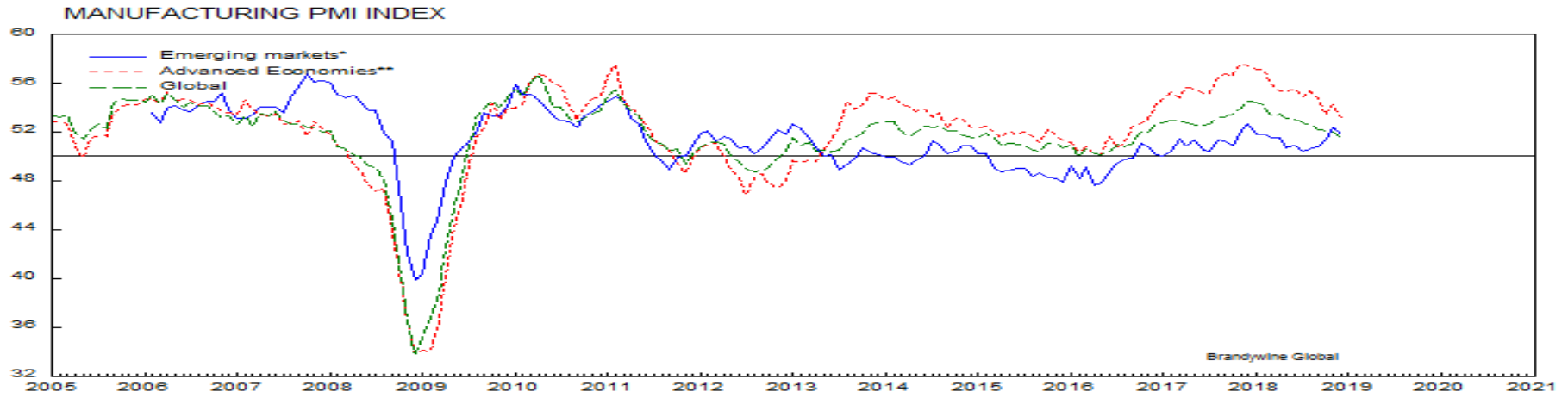


Slower European Growth Translated Quickly to Reduced Inflation Pressure



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Early Signs of Stabilization in EM PMI Data Are Consistent with Global Soft Landing If Sustained



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