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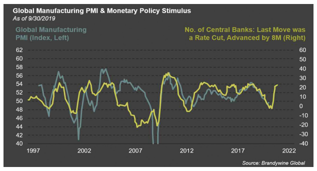
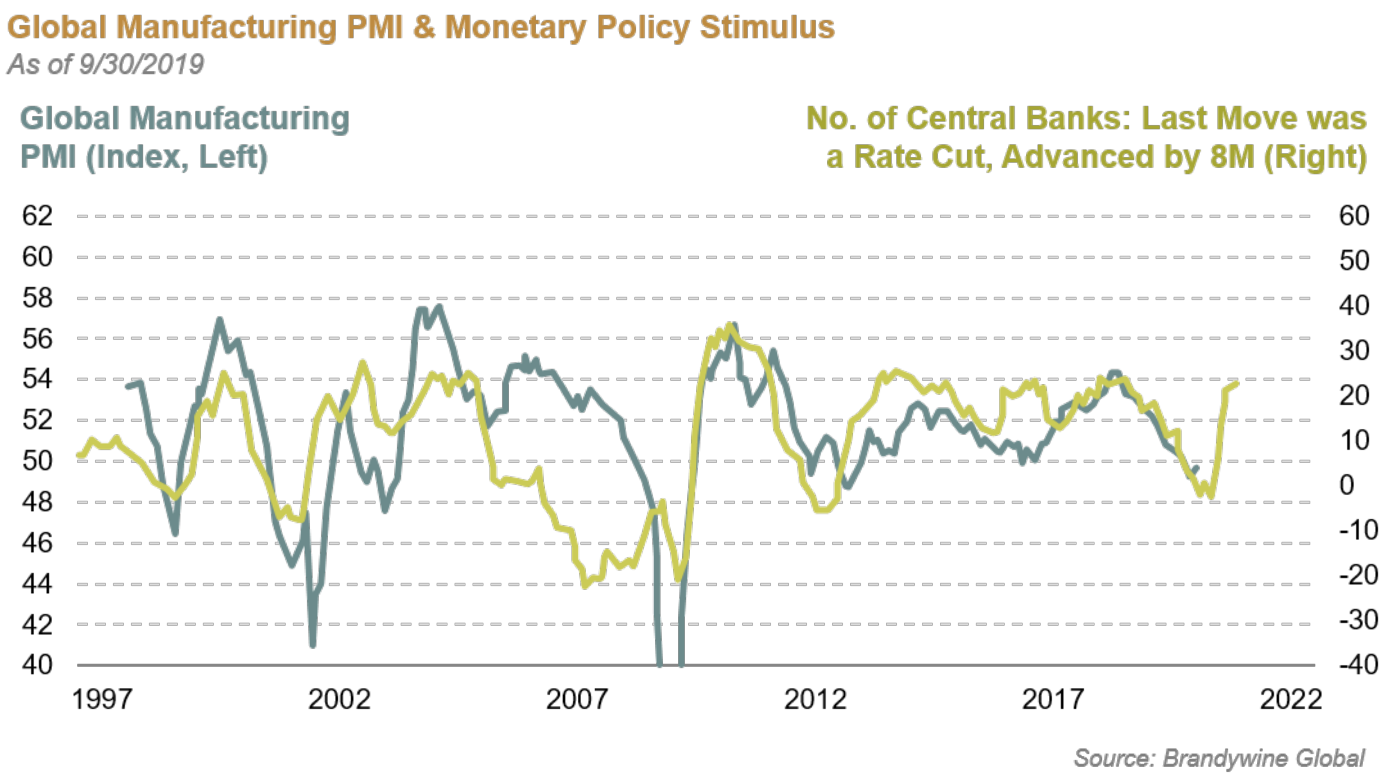


Around THE Curve

Chart of the Moment: Global Monetary Easing Should Register in the Economy

Most central banks around the world joined the G3 in 2019 by easing monetary conditions, a trend that should persist in 2020. For its part, the Federal Reserve (Fed) course corrected three times to address global headwinds and improve domestic business conditions. The effects of these coordinated easing efforts will continue to take time to register in the global economy as shown in the chart below:



The tailwinds of easier monetary conditions should transmit into global economic activity in 2020 and eventually push global manufacturing Purchasing Manager Indices (PMIs) higher. While the chart above shows global PMIs hovering at that crucial "50" mark, emerging market manufacturing *and services* PMIs have remained expansionary in 2019, helping that broader metric stay in neutral territory. We expect emerging market PMIs will remain strong in 2020 and lend support to developed markets. Similarly, strength from the services sector of the global economy could also offset the slowdown in manufacturing. This emerging market strength should come from lower policy rates—global short-term rates on a weighted GDP basis should stay around 2% in 2020—targeted reform, and improved external balances, including their current accounts.

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