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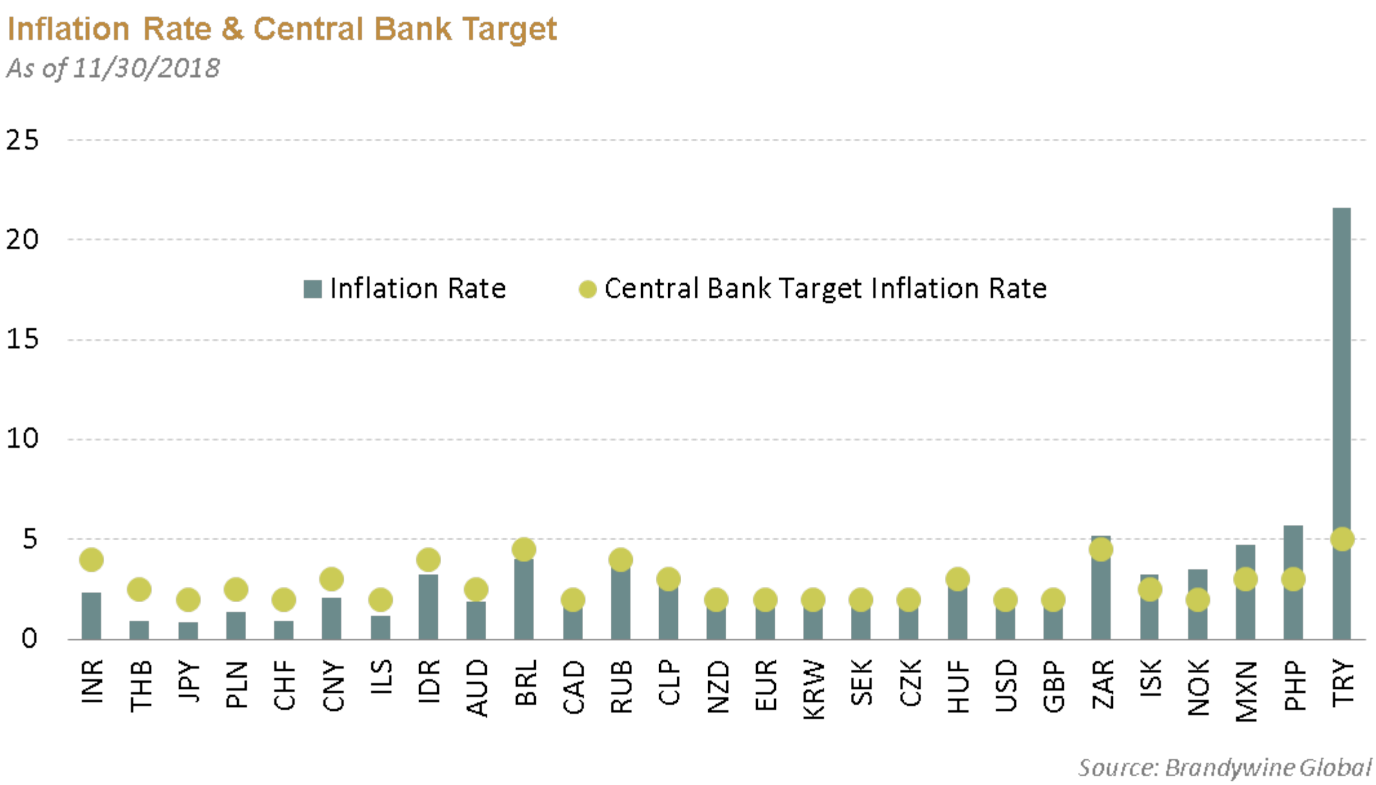
Chart of the Moment: Global Inflation As a Tailwind in 2019



This chart is one of the reasons why we remain constructive regarding the prospects for stable global growth in 2019. The world doesn't have an inflation problem, so central banks can quickly inject monetary stimulus if conditions warrant it. In particular, emerging market central banks should be able to focus more on their inflation mandates—or the lack thereof—now that there are signs of stability in their currency markets. Barring outliers like Turkey—and on the other side of the spectrum—India and Japan, inflation rates look to be within many central bank targets. Emerging market central banks in particular did a stellar job in 2018 targeting policy to either keep up with rising rates in the U.S. or address persistently high inflation rates. Banco de Mexico, South Africa Reserve Bank, and Bank Indonesia all swiftly introduced prescriptive policies to address respective inflation-related issues within their respective economies. Even the Central Bank of the Republic of Turkey eventually raised a key policy enough times to appease market expectations. We expect this responsiveness from emerging market central banks to continue while the Federal Reserve retreats from its hawkish stance.

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