

# The UniCredit Macro & Markets 2023-24 Outlook

Presentation accompanying the report

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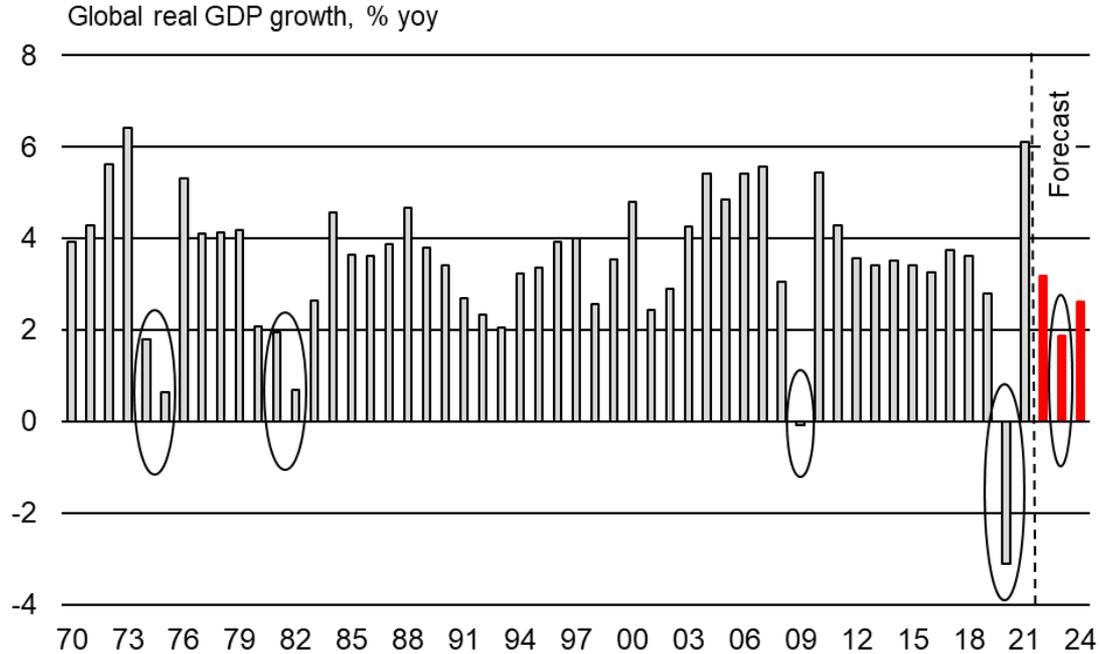
Milan – 17 November 2022

# Summary of macro views

- A **global downturn** is likely next year, followed by a fairly **weak recovery** in 2024 as the full effects of monetary policy tightening play out. The US and eurozone are likely to enter mild **technical recessions**. China's growth is set to be bumpy and **below the pre-pandemic pace**.
- **Inflation will likely descend materially** to around 3% in the US and 2.5% in the eurozone by the end of 2023, driven by a stabilization of energy prices, weaker aggregate demand and a further easing of supply constraints.
- The Fed and the ECB are likely to keep **hiking rates through 1Q23**, to 5% and 2.75%, respectively, at which point they will probably acknowledge the damage to growth (and inflation) and stop. Several **rate cuts are likely in 2024**.
- The **risks to growth are skewed to the downside** and include negative geopolitical developments, greater persistence in wage and price setting, and financial stability risks from higher rates.



# Global downturn likely in 2023

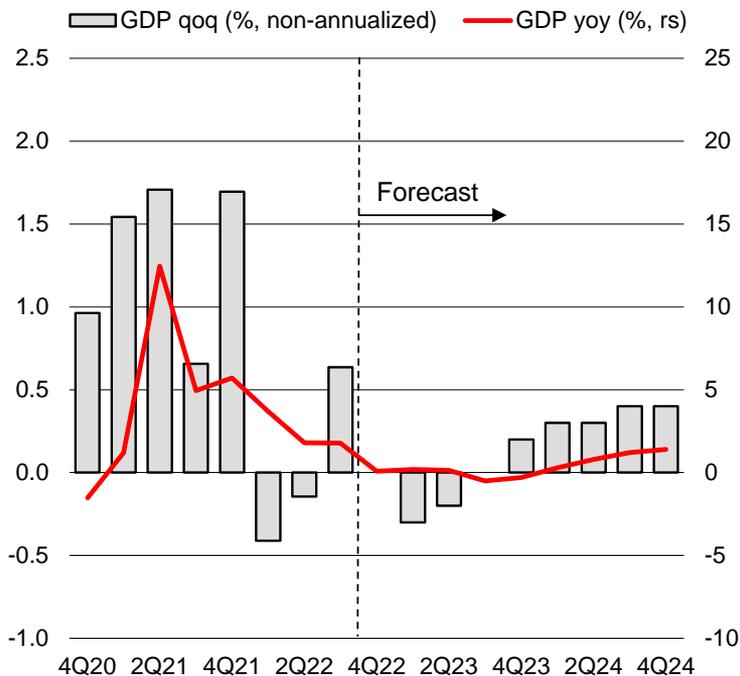


Source: IMF, World Bank, UniCredit Research

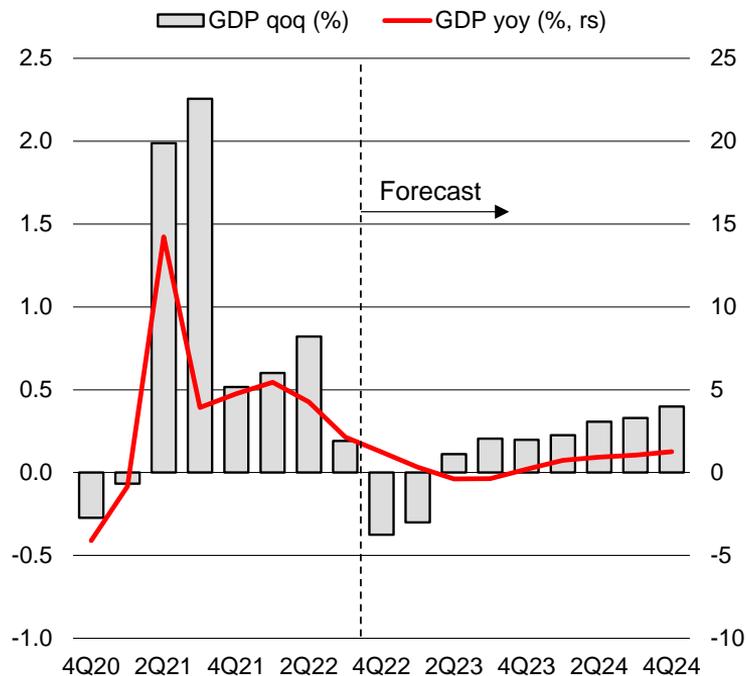


# US and eurozone: (mild) technical recession followed by weak recovery

## US



## Eurozone



Source: BEA, Eurostat, UniCredit Research



# Our GDP forecasts by country

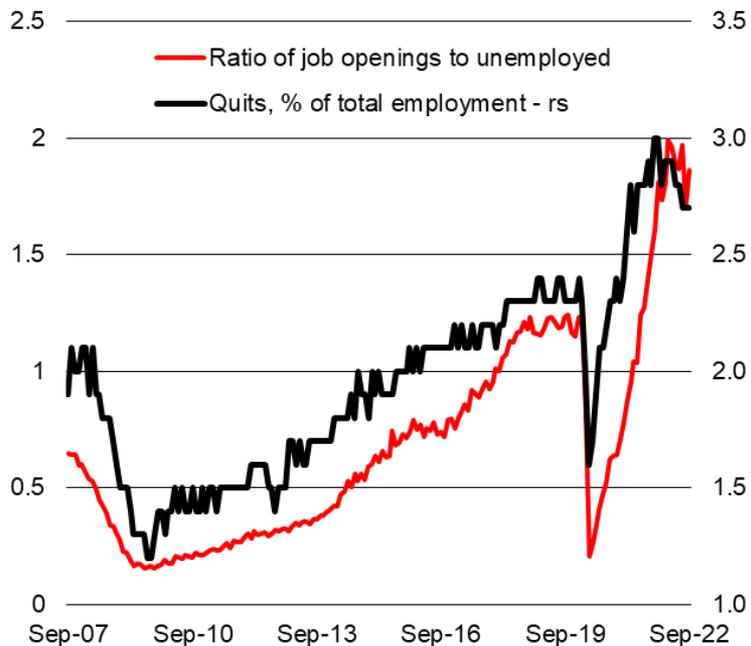
	2022	2023	2024
World	3.2	1.9	2.6
US	1.8	-0.1	0.9
Eurozone	3.2	0.0	1.0
Germany*	1.7	-0.2	1.3
France	2.5	0.2	1.1
Italy	3.7	-0.1	0.9
Spain	4.5	0.9	1.4
EU-CEE	4.1	0.4	3.1
UK	4.4	-0.7	0.8
China	3.3	4.2	3.6
Japan	1.6	0.8	1.0

\*Non-wda figures. Adjusted for working days: 1.8% (2022), 0.0% (2023) and 1.3% (2024)

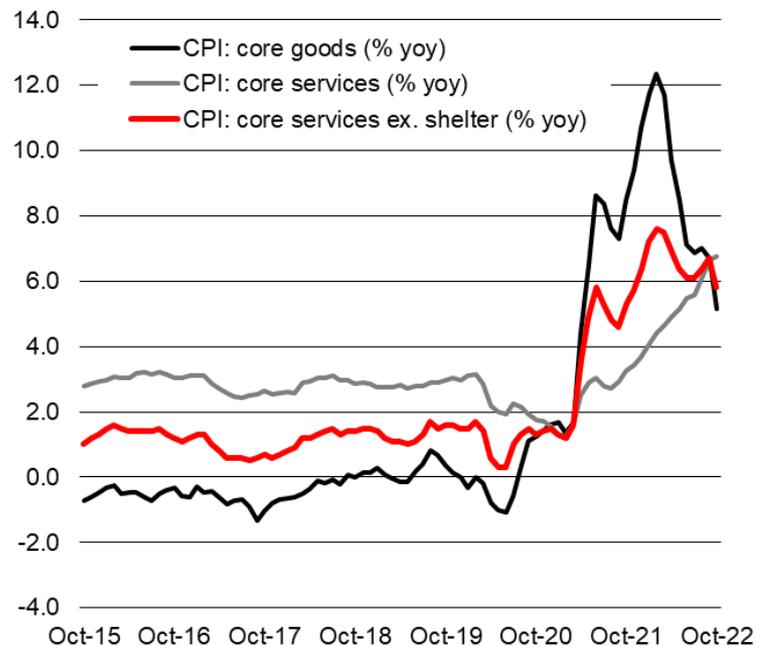


# Labor-market rebalancing is key for a return to price stability

US



US

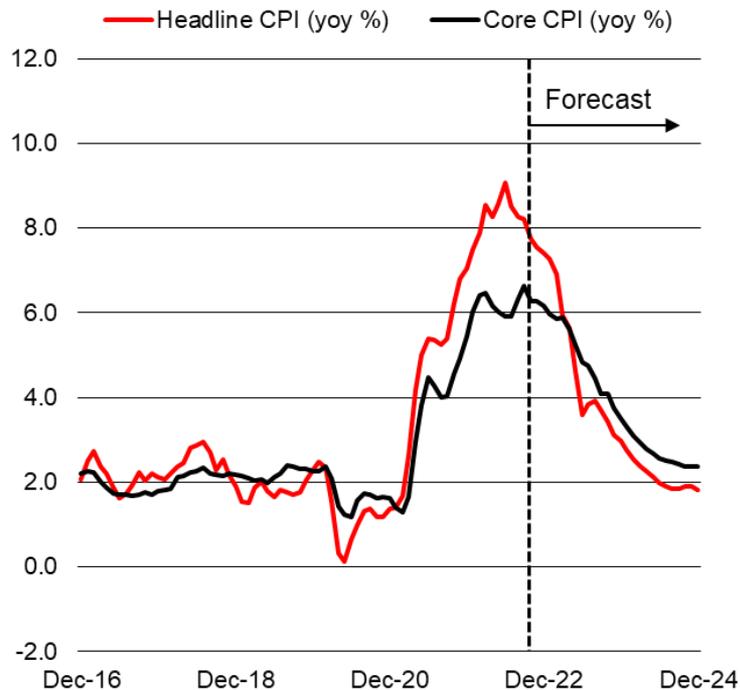


Source: BLS, UniCredit Research

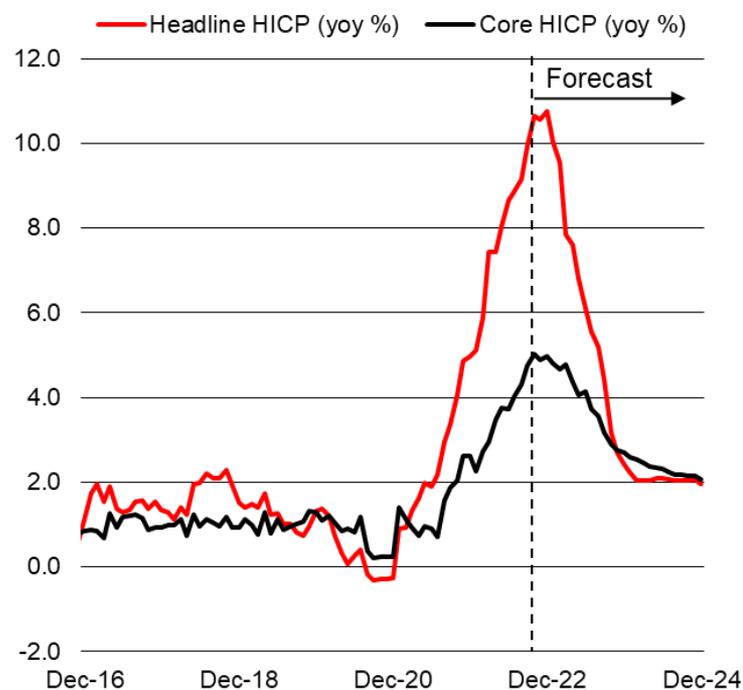


# Disinflation ahead, speed of descent highly uncertain

## US



## Eurozone

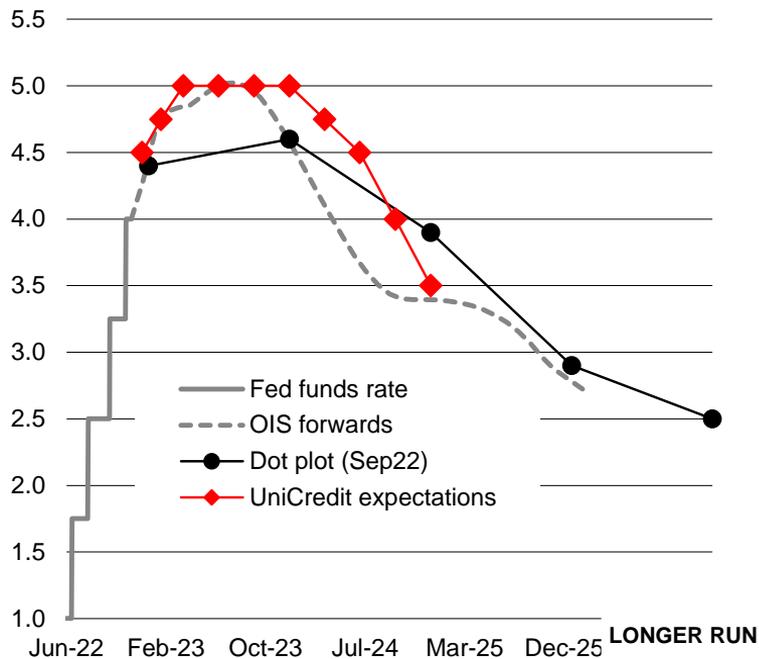


Source: BLS, Eurostat, UniCredit Research

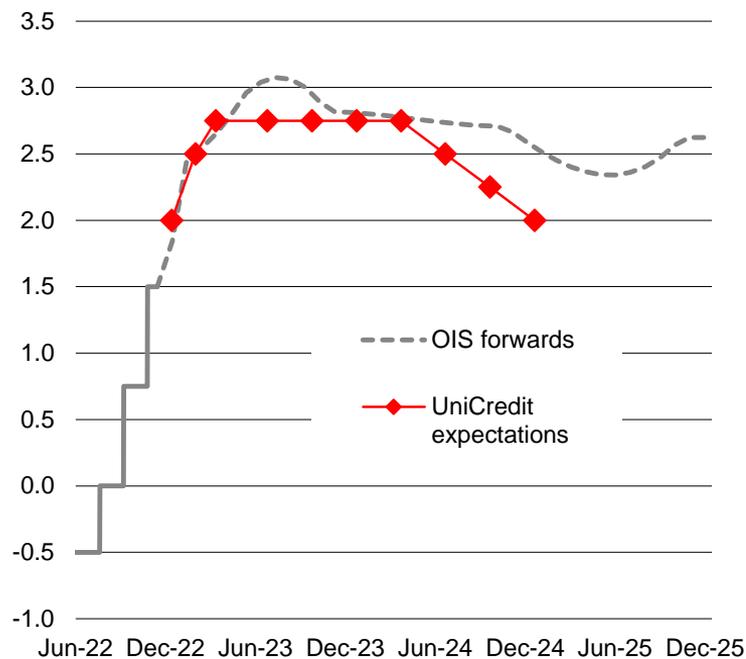


# Central banks have responded aggressively, likely to overtighten

## US



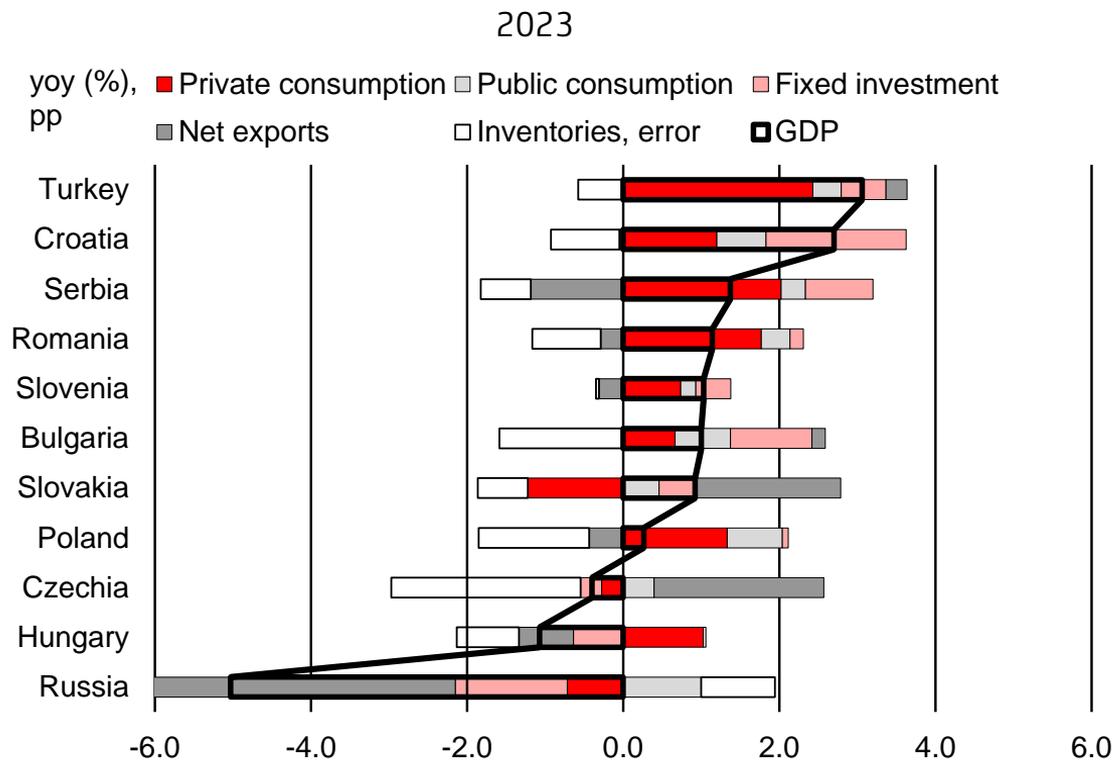
## Eurozone



Source: Bloomberg, Fed, UniCredit Research



# CEE: weathering geopolitical and economic shocks



Source: National statistical offices, UniCredit Research



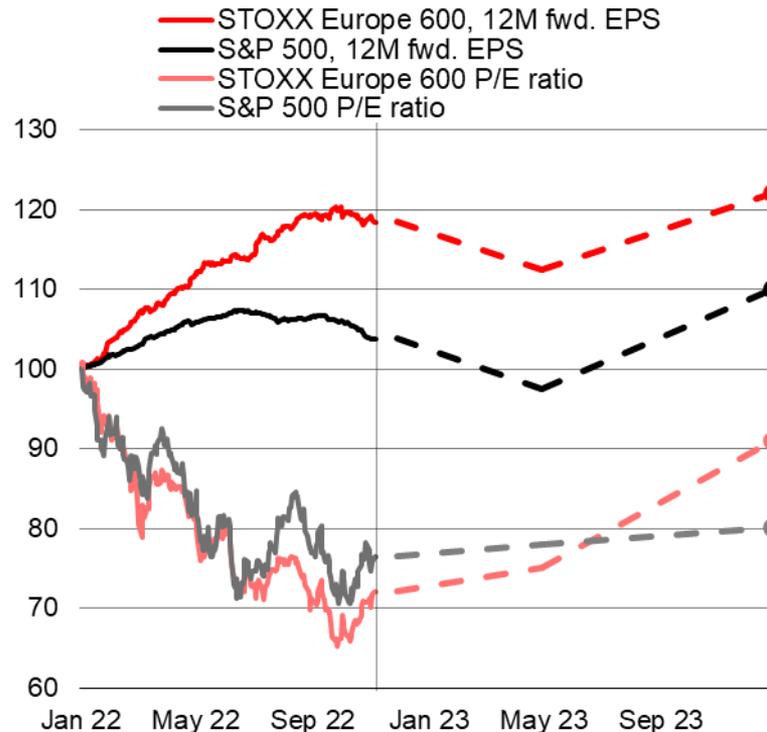
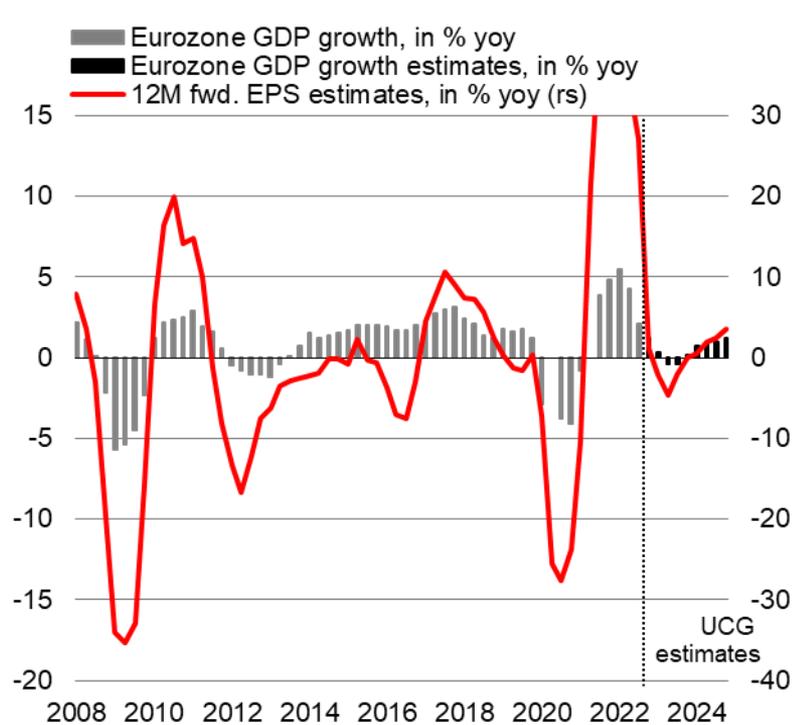
# Summary of Strategy views

- **2023 is likely to inherit non-trivial risks** from ongoing sharp monetary tightening and upcoming economic recession. We suggest starting the year with a **defensive allocation**, preferring fixed income to equities and developed to emerging market exposure.
- **Bonds** offer attractive **carry** and have **superior risk-adjusted return prospects**. We like HY and AT1 in European credit and suggest cautious duration exposure for the time being. We prefer **defensive sectors** on both equity and credit exposure for the first part of the year.
- Evidence of **slowing core inflation, peaking official rates** and signs of **economic recovery** would pave the way for lower long-term yields, **more risk taking** and fuel the USD weakening.



# Strategy Research

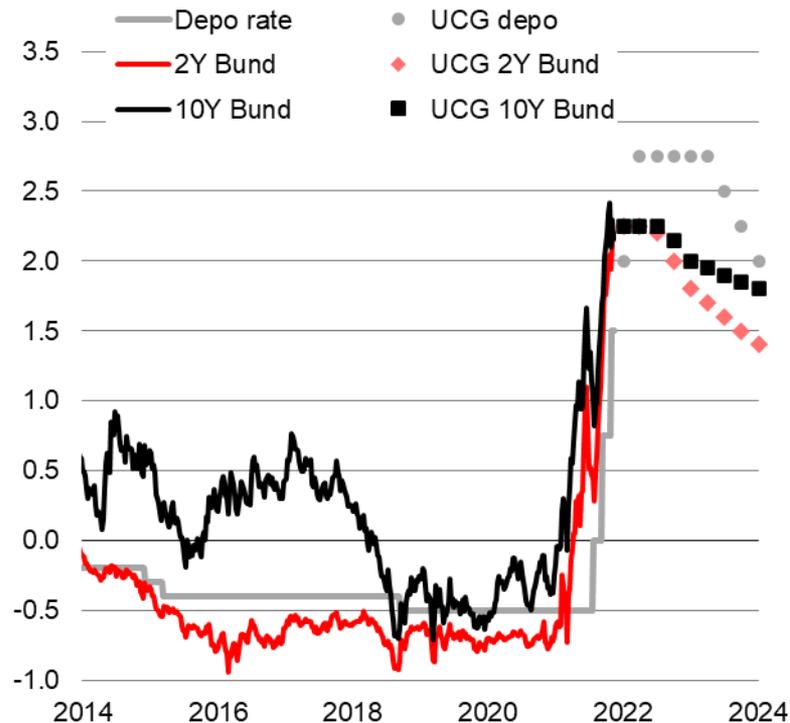
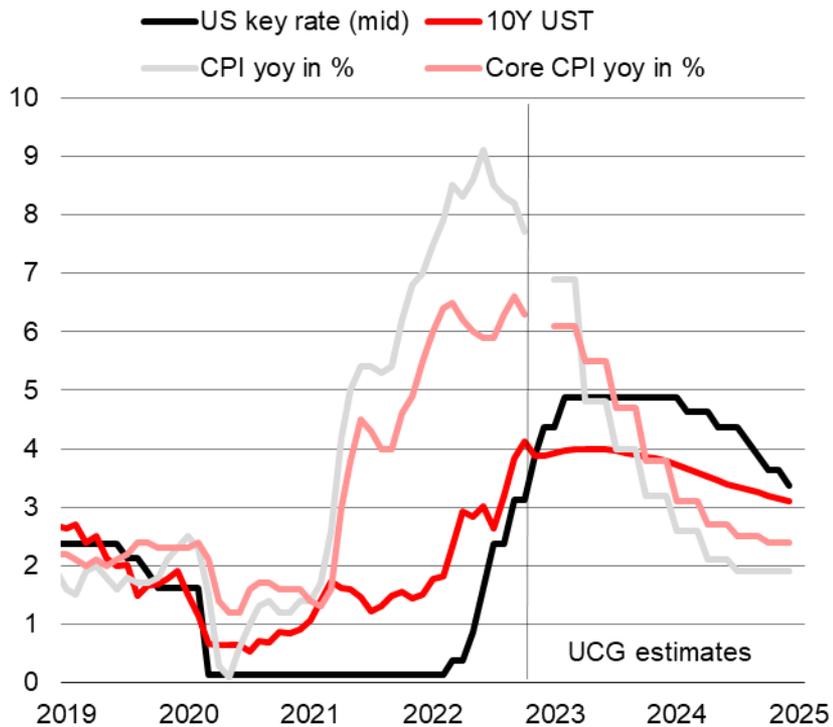
## Equity: a year of transition



Source: Refinitiv Datastream, UniCredit Research



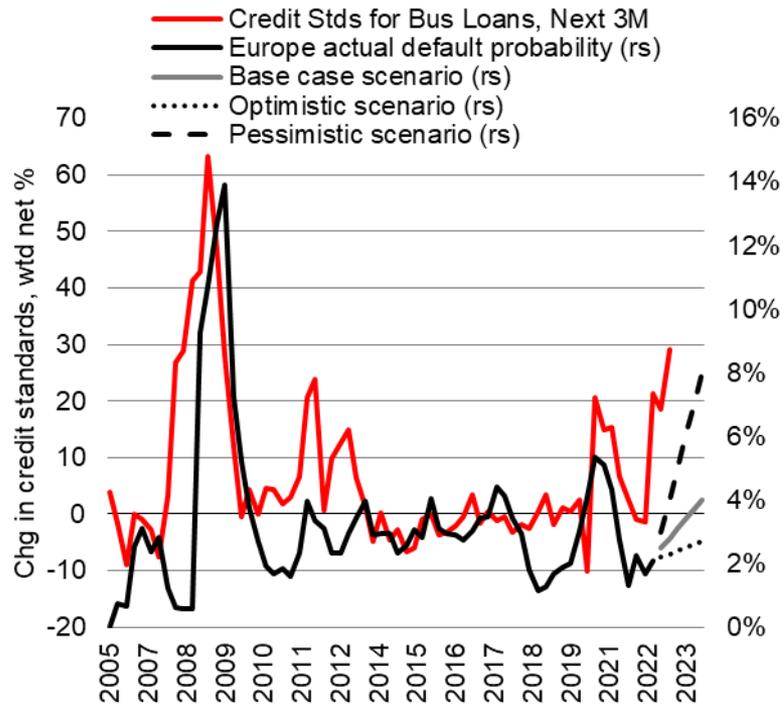
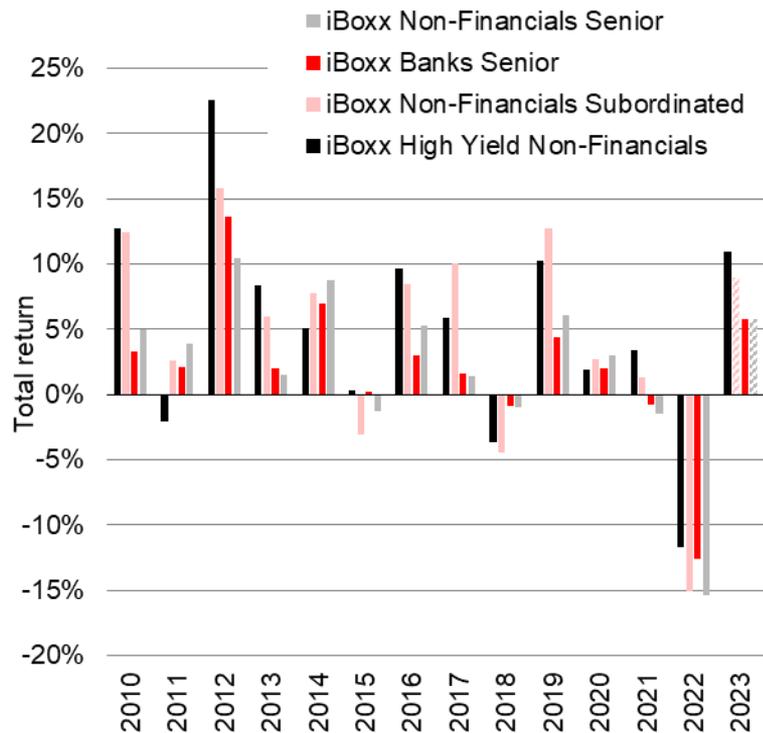
# Rates: bull market revival



Source: Bloomberg, UniCredit Research



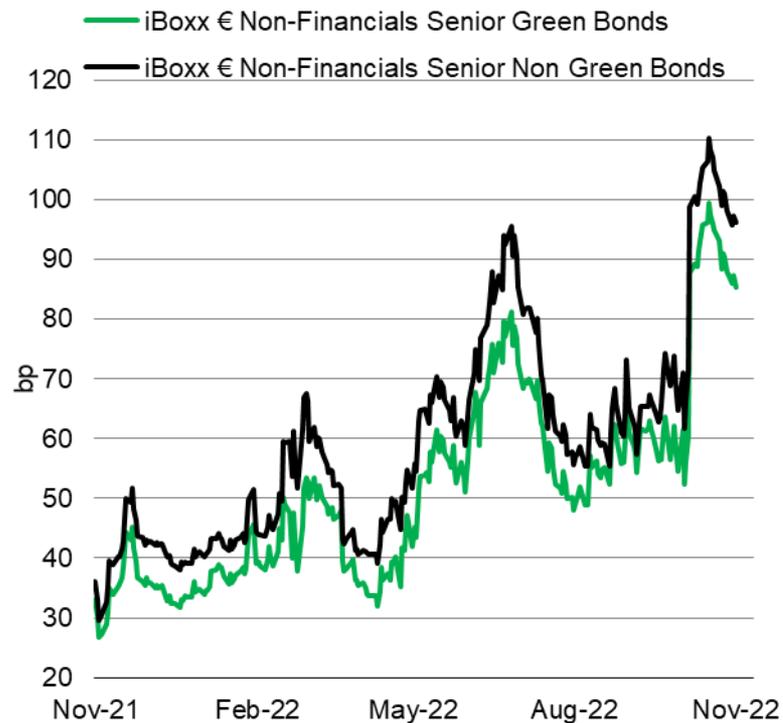
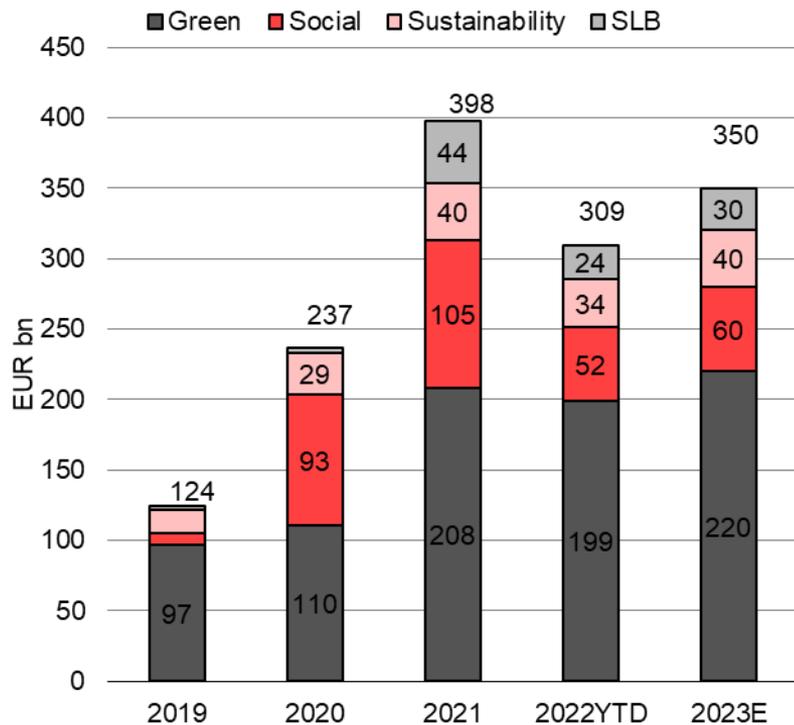
# Credit: solid returns, modest risks to credit quality



Source: IHS Markit, ECB, Moody's, Bloomberg, UniCredit Research



# ESG: increasing supply meets solid demand



Source: IHS Markit, Bloomberg, UniCredit Research



# FX: a lower USD, but not a complete reversal of its strength



Source: Bloomberg, UniCredit Research



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