

ECONOMICS

The shifts and the shocks

Assessing the key global macro themes

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**PEEL
HUNT**

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Key themes:

- Trade wars – the case for muddling through
- End of US exceptionalism = make Europe great again?
- UK – permanently weak or a bad case of the jitters?
- Global outlook – shrinking growth gaps, sticky(ish) inflation
- The great interest rate normalisation

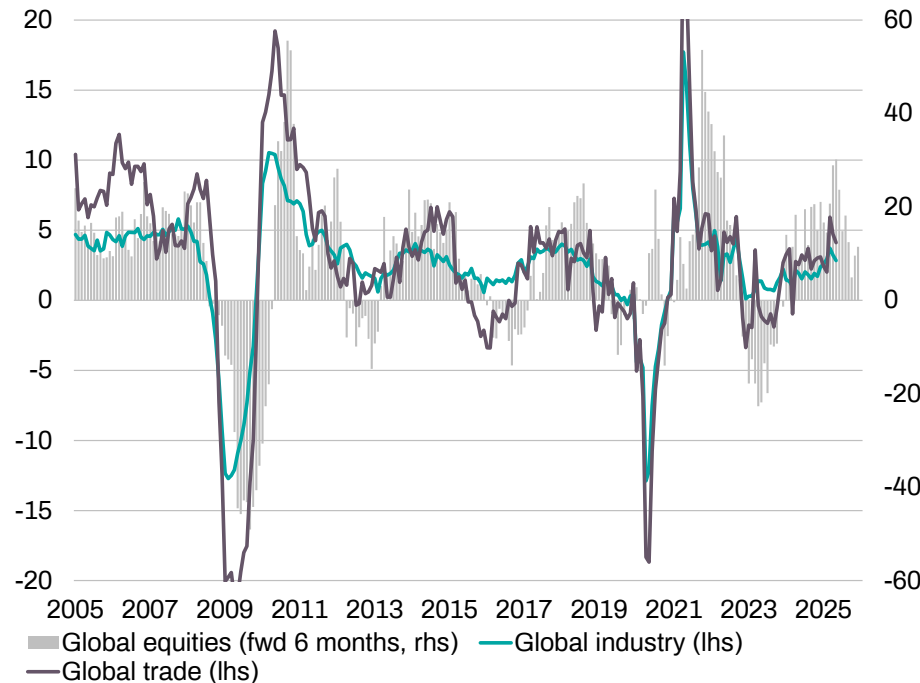
US tariffs cloud the outlook for trade, production and markets

Muddling through - rising global equities remain consistent with expanding global trade and production

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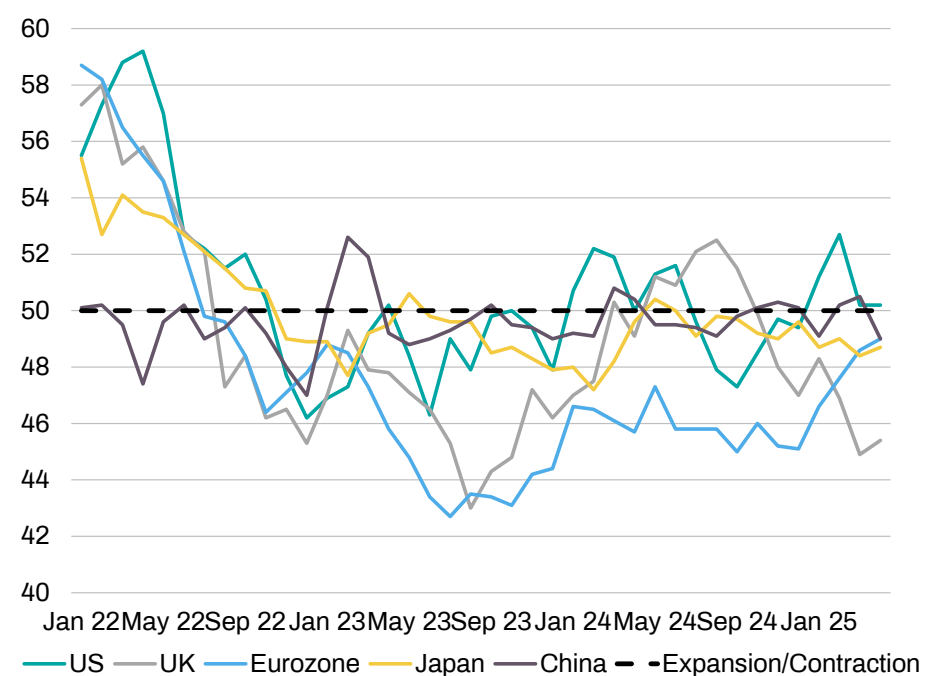
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Global trade, production and equities



In % YoY. Global trade based on world trade merchandise exports. Global equities based on Dow Jones Global Index. Monthly data. Source: CPB Netherlands Bureau for Economic Policy Analysis, Dow Jones.

Still soft - PMI manufacturing in major economies



50+ = expansion. Monthly data. Source: S&P Global, China Federation of Logistics & Purchasing

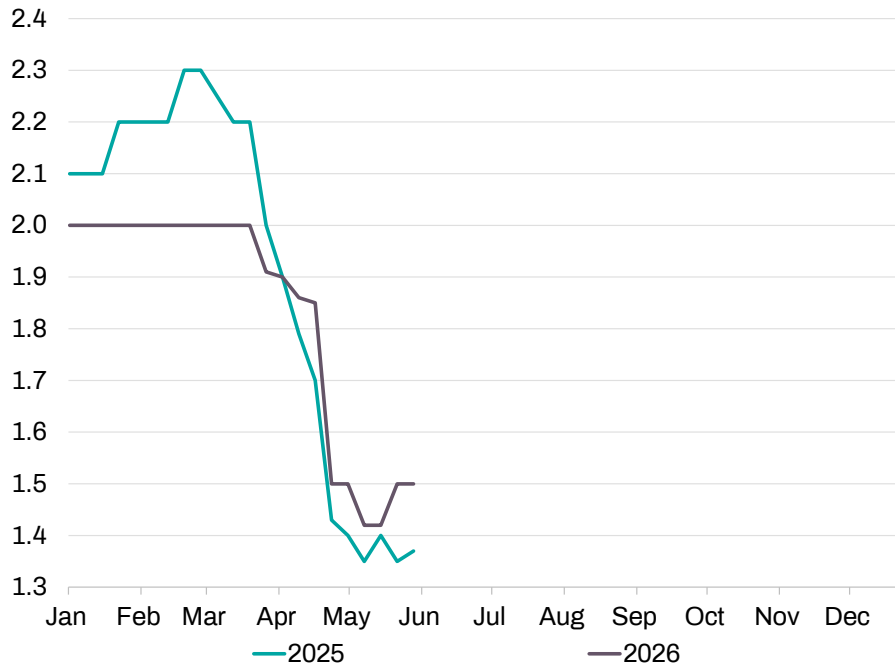
US vs. China – are US tariffs backfiring?

Economists' clear verdict that the US's tariffs will hit home markets the hardest

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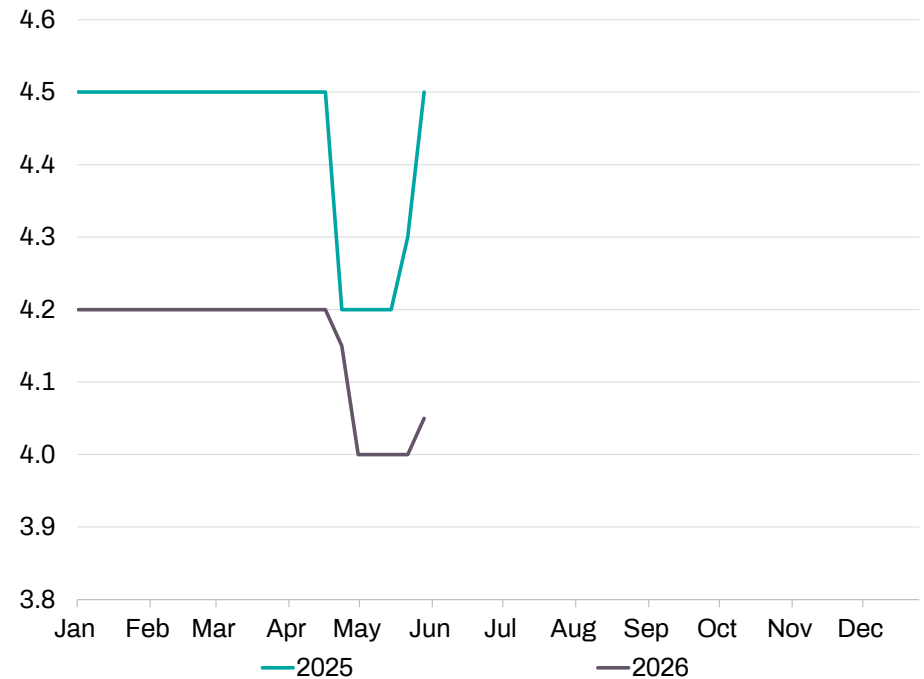
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US: consensus real GDP growth expectations



% YoY. Weekly data. Source: Bloomberg

China: consensus real GDP growth expectations



% YoY. Weekly data. Source: Bloomberg

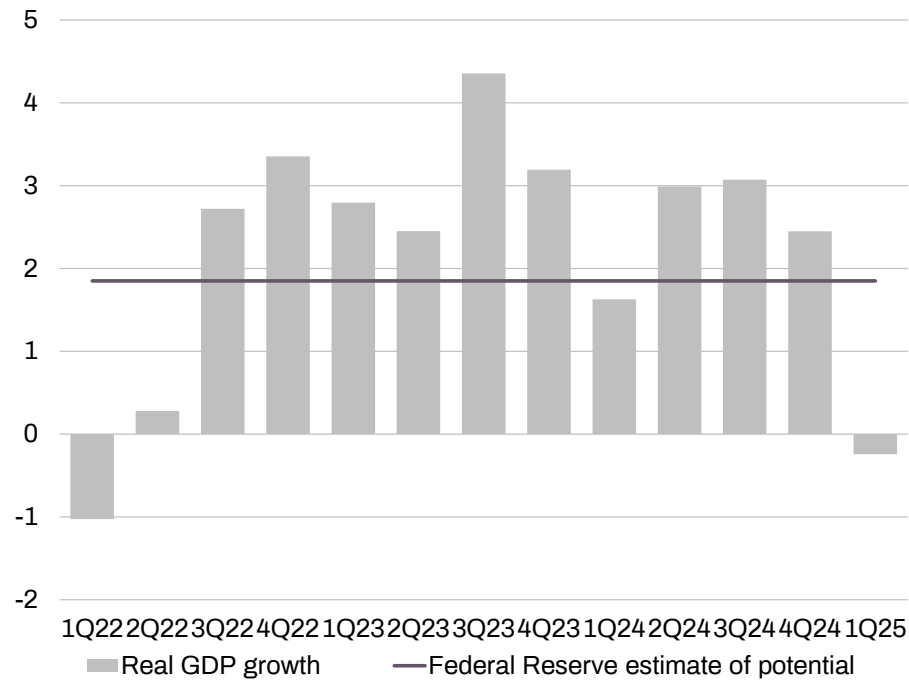
The end of US exceptionalism?

After three years of outsized growth, consensus expectations now hint at a stagflation risk

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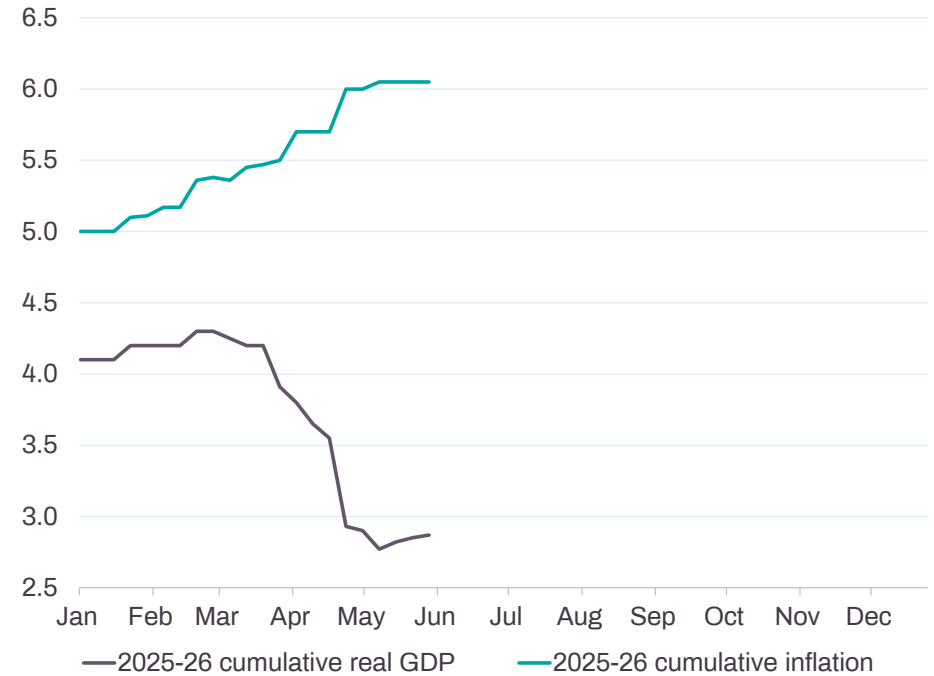
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Real GDP growth versus potential



Quarterly data. % annualised. Sources: BEA, Federal Reserve

US consensus growth and inflation expectations



Aggregate % change. Weekly data. Source: Bloomberg

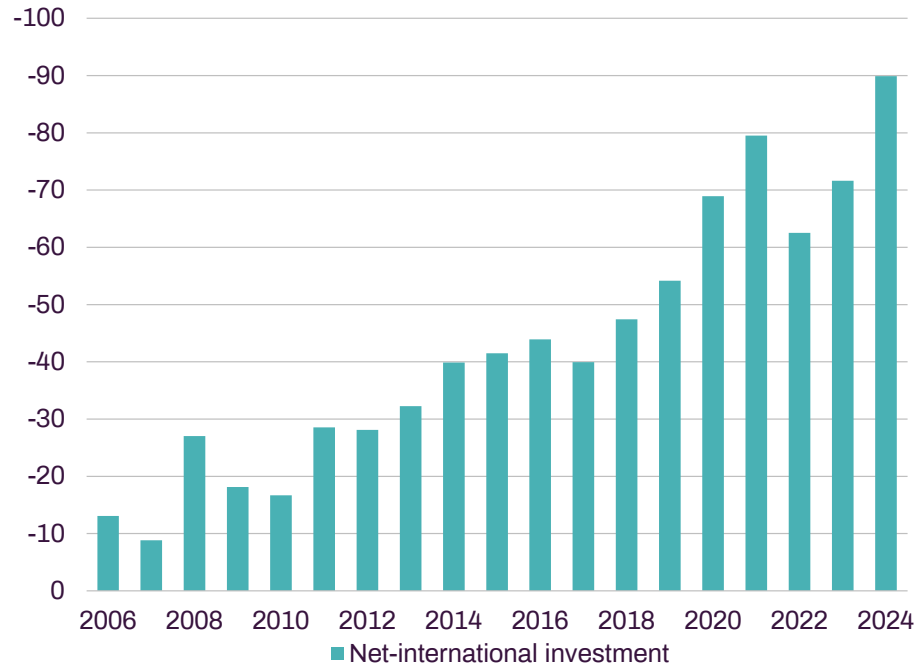
Could the tidal wave of global money to the US go into reverse?

Lessons from past dollar depreciations suggest the trend away from the US could be a multi-year one

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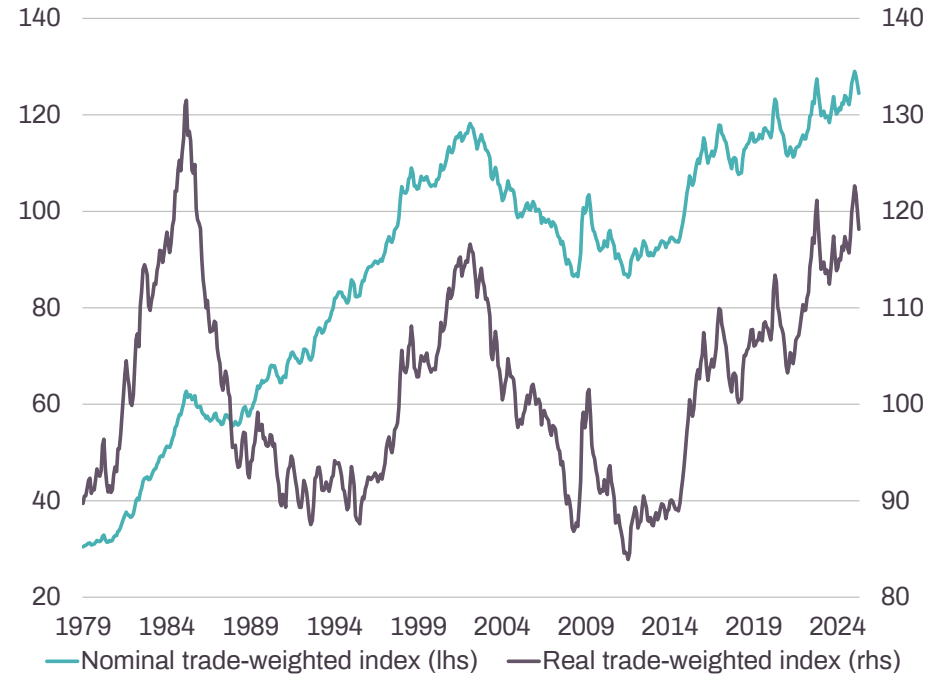


US net-international investment



% of US GDP. Quarterly data. Source: BEA

US dollar trade-weighted indexes



Broad trade-weighted exchange rates. January 2006 = 100. Monthly data. Sources: Federal Reserve Board

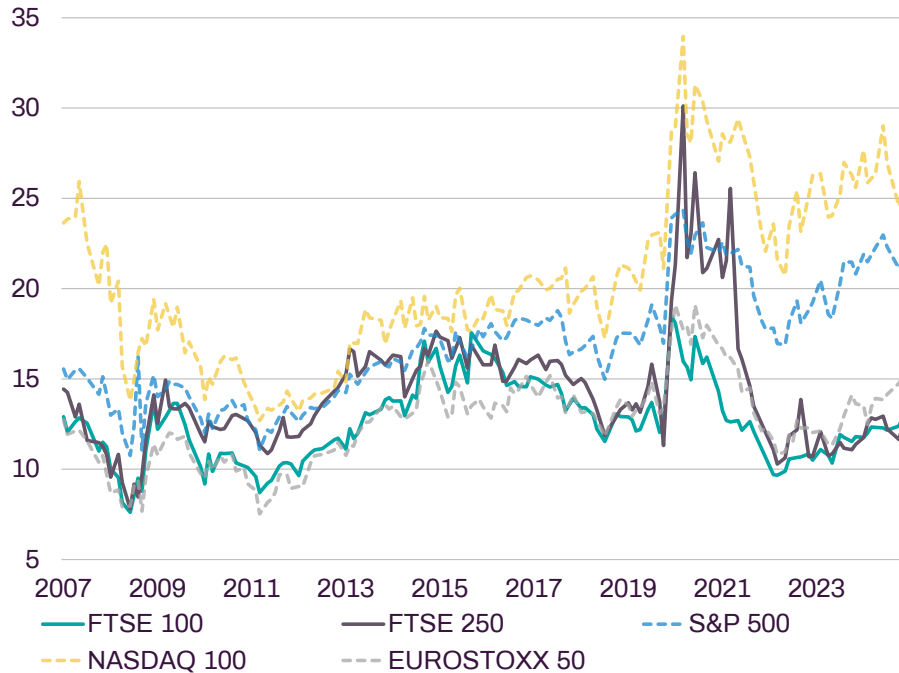
US versus Europe – how much of price gap is still justified?

UK and European equities now look cheap relative to the US as growth and risk gaps narrow

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US expensive while Europe remains cheap



12-month forward price-to-earnings ratio. Monthly data. Source: Bloomberg

Stock markets to GDP ratio hints at US bubble

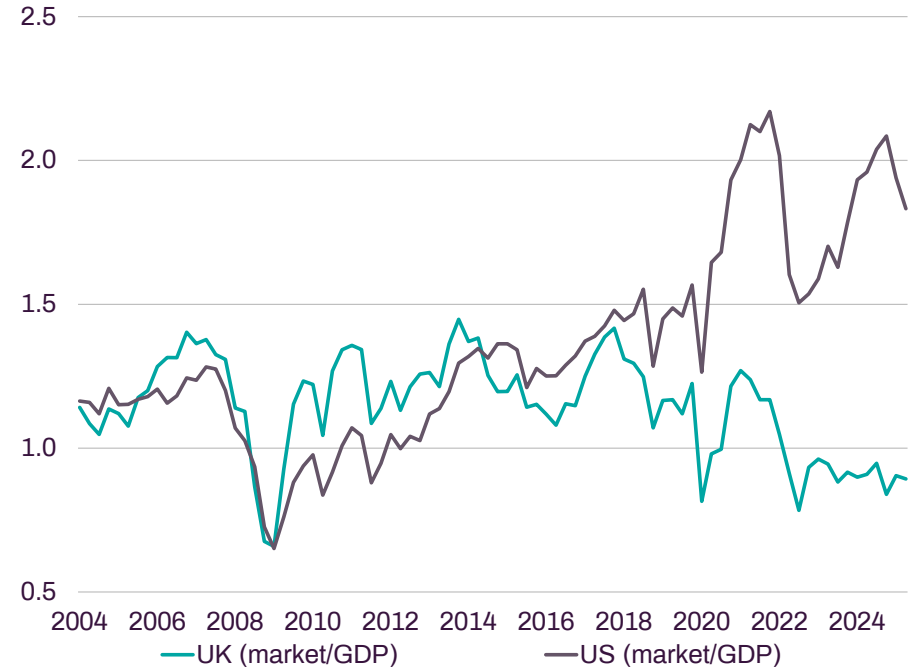
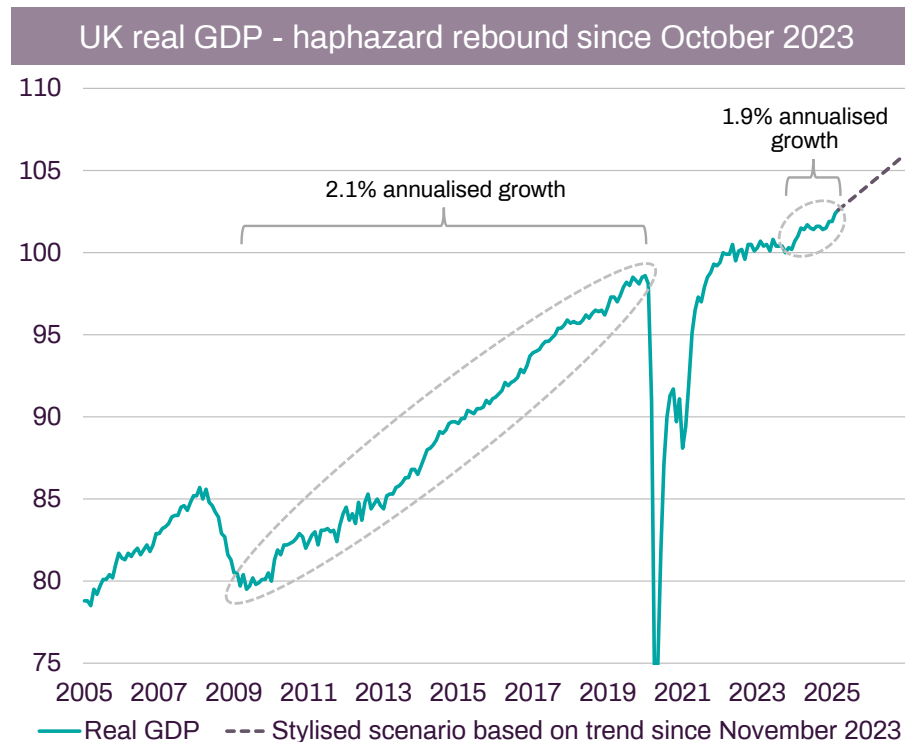
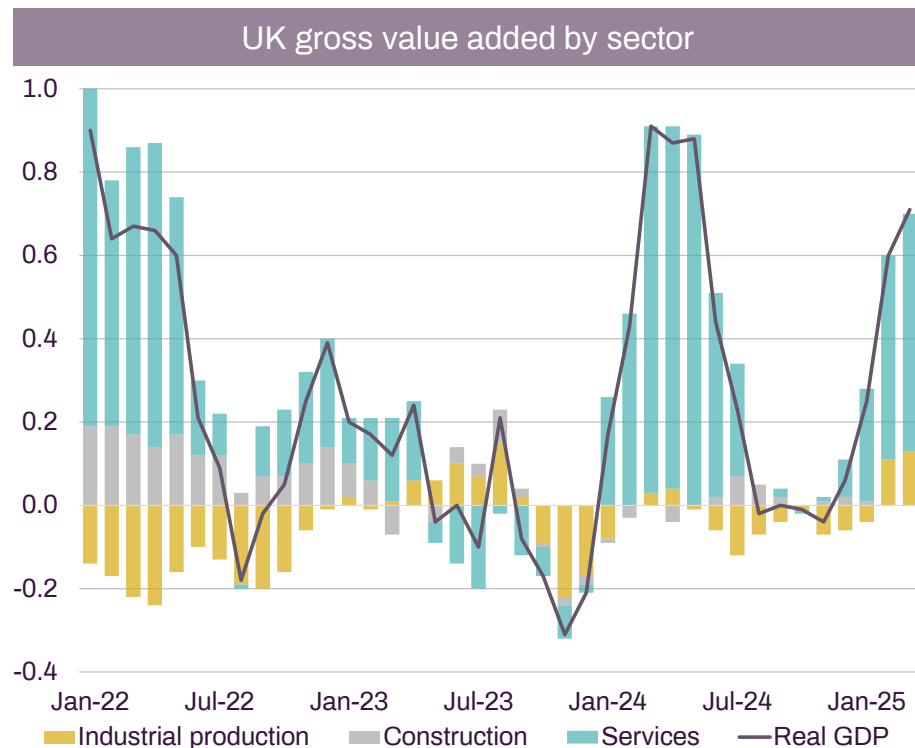


Chart shows the total value of country stock markets divided by GDP – all data based in USD terms. Quarterly data. Source: Bloomberg

UK recovery is haphazard – fundamentals vs. downside risks

Like after the 2008 crash, early recovery momentum is stop and start, and downside risks remain elevated

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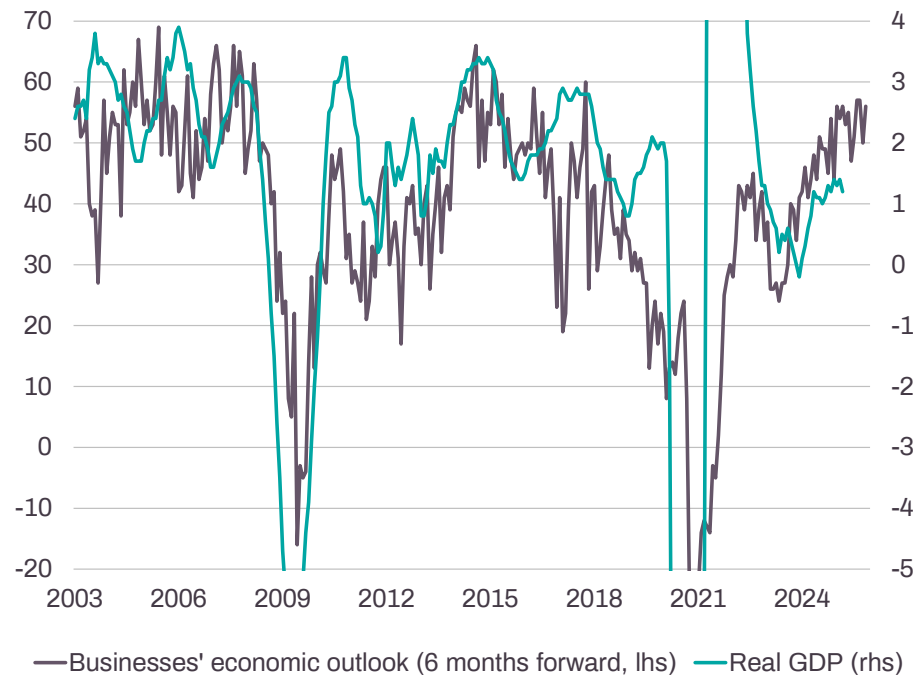
UK leading indicators have turned up, but consumers are skittish

Household income growth is healthy, but ultra-high saving points to factors beyond higher interest rates

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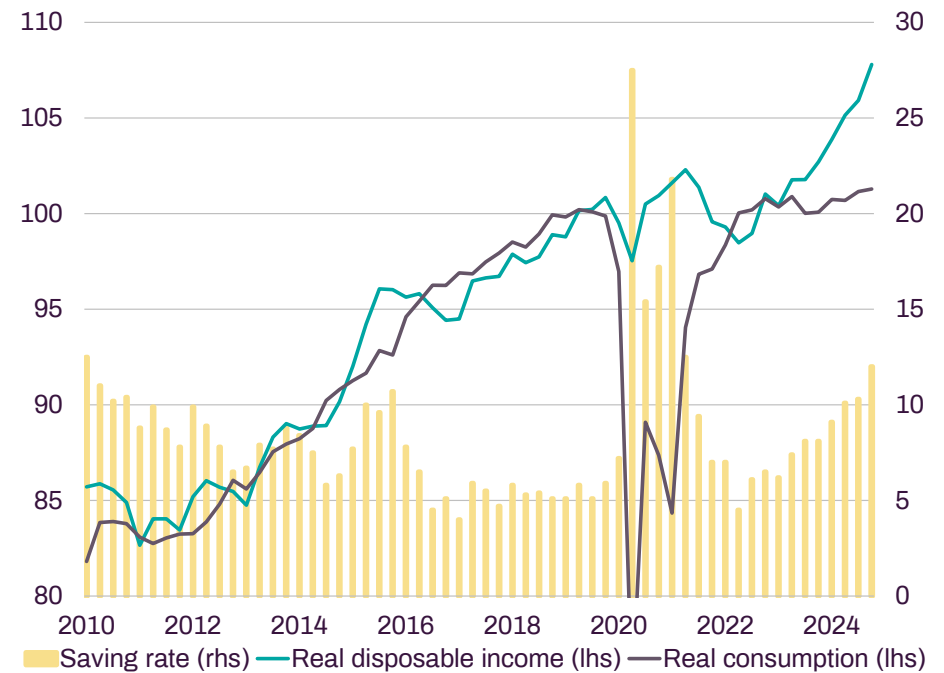
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UK GDP growth versus business confidence



Business barometer as % balance. Real GDP in % YoY, three month moving average. Monthly data.
Sources: ONS, Lloyds

Household real incomes, consumption, and saving rate



Real income and consumption index at 2019 = 100. Savings rate in %. Quarterly data. Source: ONS

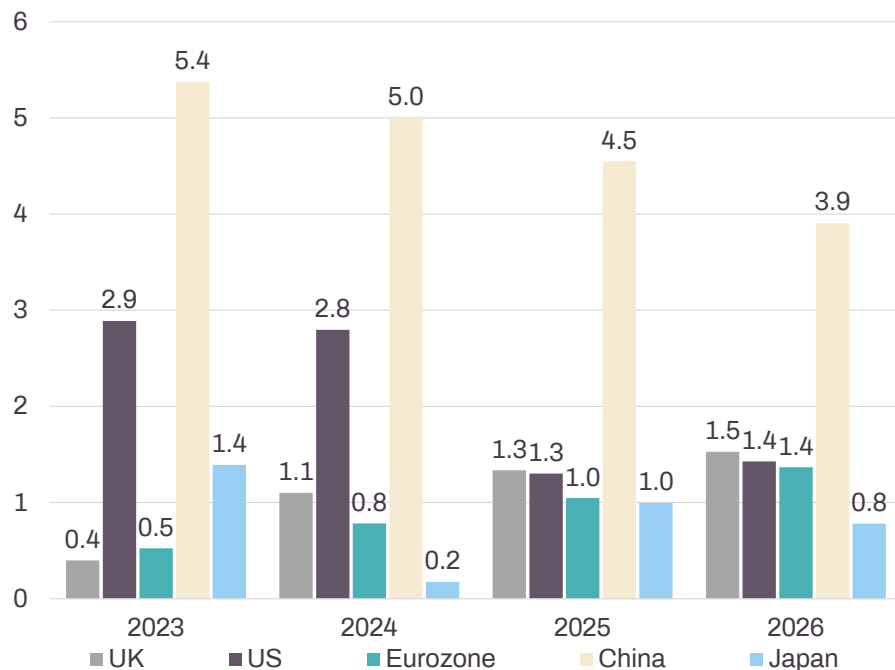
Peel Hunt economic projections

Transatlantic growth gaps are likely to narrow while inflation remains above 2%

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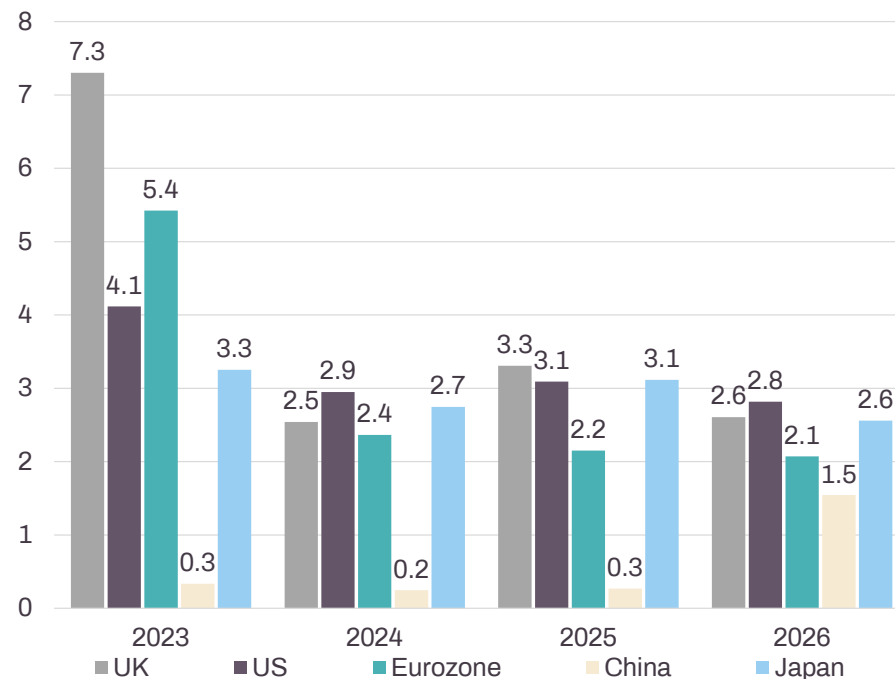


Peel Hunt projections for real GDP



Peel Hunt projections for 2024-26. % YoY. Annual data. Sources: ONS, BEA, Eurostat, China National Bureau of Statistics, Cabinet Office of Japan

Peel Hunt projections for inflation in western economies



Peel Hunt projections for 2024-26. % YoY. Annual data. Sources: ONS, BEA, Eurostat, China National Bureau of Statistics, Cabinet Office of Japan

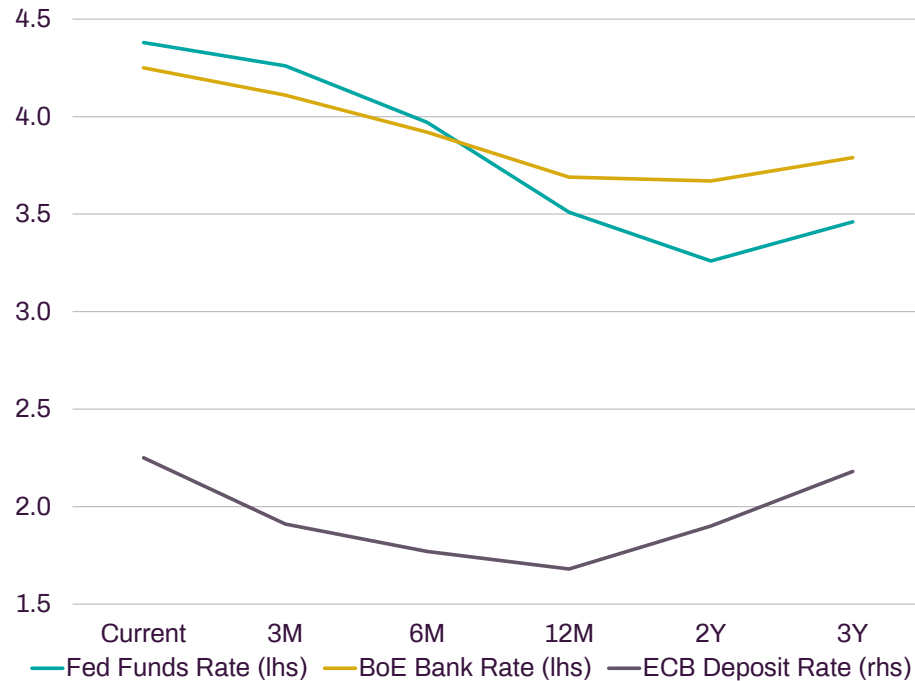
The great interest rate normalisation

Money markets expect further modest central bank rate cuts, but structural factors keep long-term rates up

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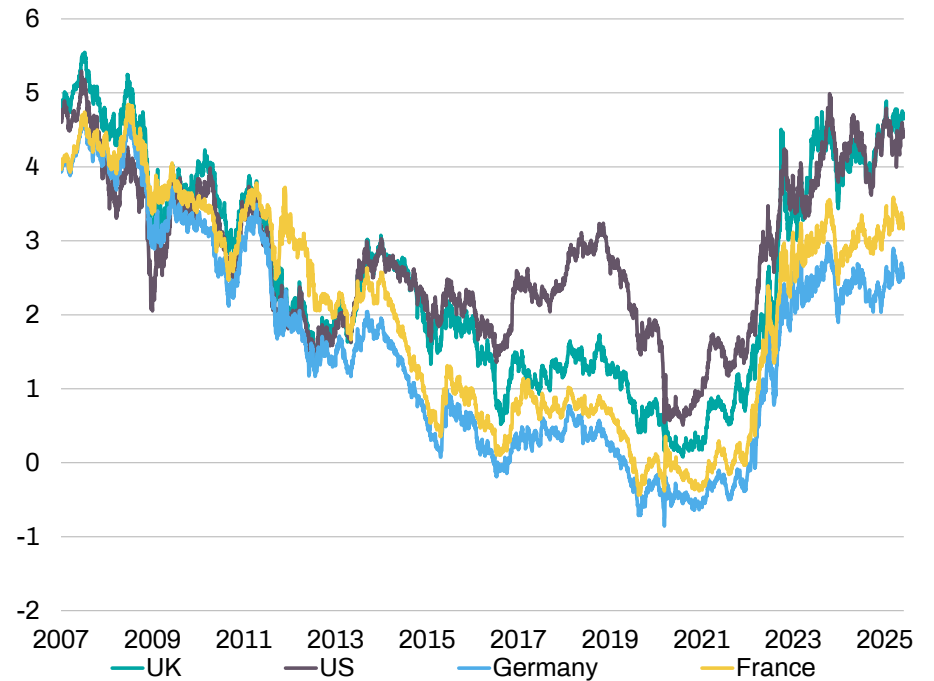
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Money market expectations for central banks



In %. Chart shows money market implied expectations for central bank policy rates. Data taken on 2 June 2025 at 15:00BST. Source: Bloomberg

10-year government bond yields



In %. Daily data. Source: Bloomberg

Summary of economic and financial projections

Bloomberg consensus data taken on 30 May at 09:00 BST

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Peel Hunt economic projections

	GDP				Inflation				Unemployment				Industrial production			
	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
North America																
US	2.9	2.8	1.3	1.4	4.1	2.9	3.1	2.8	3.6	4.0	4.3	4.3	0.2	-0.3	1.2	1.3
Canada	1.2	1.3	1.2	1.5	3.9	2.4	2.1	2.1	5.4	6.3	6.5	6.3	n/a	n/a	n/a	n/a
Asia and Oceania																
China	5.4	5.0	4.5	3.9	0.3	0.2	0.3	1.5	5.2	5.1	5.1	5.0	4.4	5.6	4.5	4.5
Japan	1.4	0.2	1.0	0.8	3.3	2.7	3.1	2.6	2.6	2.5	2.4	2.4	-1.5	-2.9	1.8	1.6
India	8.2	7.8	6.3	6.6	5.7	4.8	4.6	4.4	8.1	n/a	n/a	n/a	5.8	5.8	4.3	5.3
Australia	2.0	1	2.0	2.5	5.6	3.4	2.8	2.7	3.7	4.2	4.5	4.5	n/a	n/a	n/a	n/a
Europe																
UK	0.4	1.1	1.3	1.5	7.3	2.5	3.3	2.6	4.1	4.4	4.7	4.5	-0.8	-1.2	0.5	1.4
Eurozone	0.5	0.8	1.0	1.4	5.4	2.4	2.2	2.1	6.6	6.4	6.1	5.9	-1.6	-3.1	0.7	0.9
Germany	-0.1	-0.2	0.7	1.5	6.0	2.5	2.3	2.2	3.0	3.4	3.3	3.0	-1.9	-4.6	-0.4	1.3
France	1.6	1.1	0.4	1.0	5.7	2.3	1.4	1.7	7.3	7.4	7.2	6.8	0.8	-0.1	0.3	1.0

GDP, inflation (CPI basis) and industrial production data in % YoY. Unemployment rate in %

Peel Hunt financial projections

	Current	2Q25	4Q25	2Q26	4Q26	Change
Central banks						
BoE Bank Rate	4.25	4.25	3.75	3.75	3.75	-0.50
Fed Funds Rate (Upper)	4.50	4.50	3.75	3.75	3.75	-0.75
ECB Deposit Rate	2.25	2.00	1.75	1.75	2.25	0.00
10-year bond yields						
UK	4.66	4.35	4.35	4.35	4.35	-0.31
US	4.42	4.20	4.40	4.50	4.50	0.08
Germany	2.51	2.75	2.75	2.75	2.75	0.24
Japan	1.50	1.40	1.40	1.45	1.50	0.00
Currencies						
GBPUSD	1.35	1.35	1.36	1.38	1.40	3.87
GBPEUR	1.19	1.19	1.20	1.22	1.24	4.31
EURUSD	1.13	1.13	1.13	1.13	1.13	-0.42

Notes: 1. Current data taken on 30 May at 09:00 BST 2. Interest rates in % 3. All estimates are for end of period 4. Currency projections may not add up due to rounding 5. Change in percentage points for interest rates and percent for currencies

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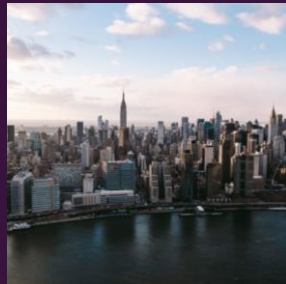
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