



Short dreams, long reality

Bracing for the return of inflation risk

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Economist

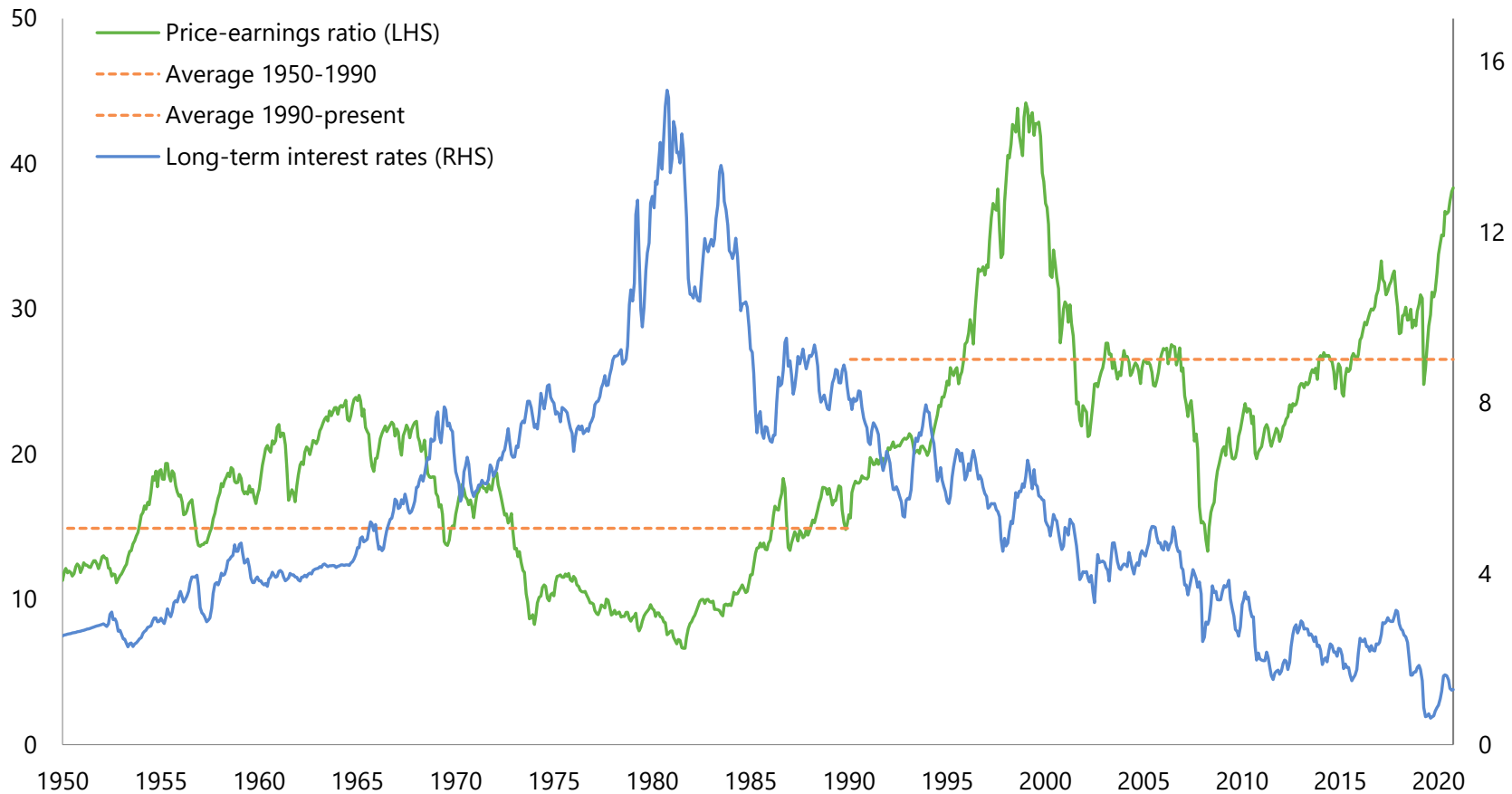
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17 MAY 2022

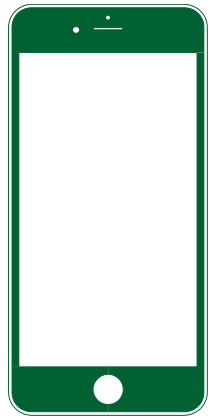


Capital's post-Cold War Golden Age: permanent? (no)

LOW RATES, INFLATION AND VOLATILITY HAVE UNDERPINNED ASSET PERFORMANCE



Disinflationary drivers



New supply side shocks which aren't deflationary

ESG – TRANSITION TO NET ZERO INVOLVES A LARGE NEGATIVE SUPPLY SHOCK AND MEGA CAPEX



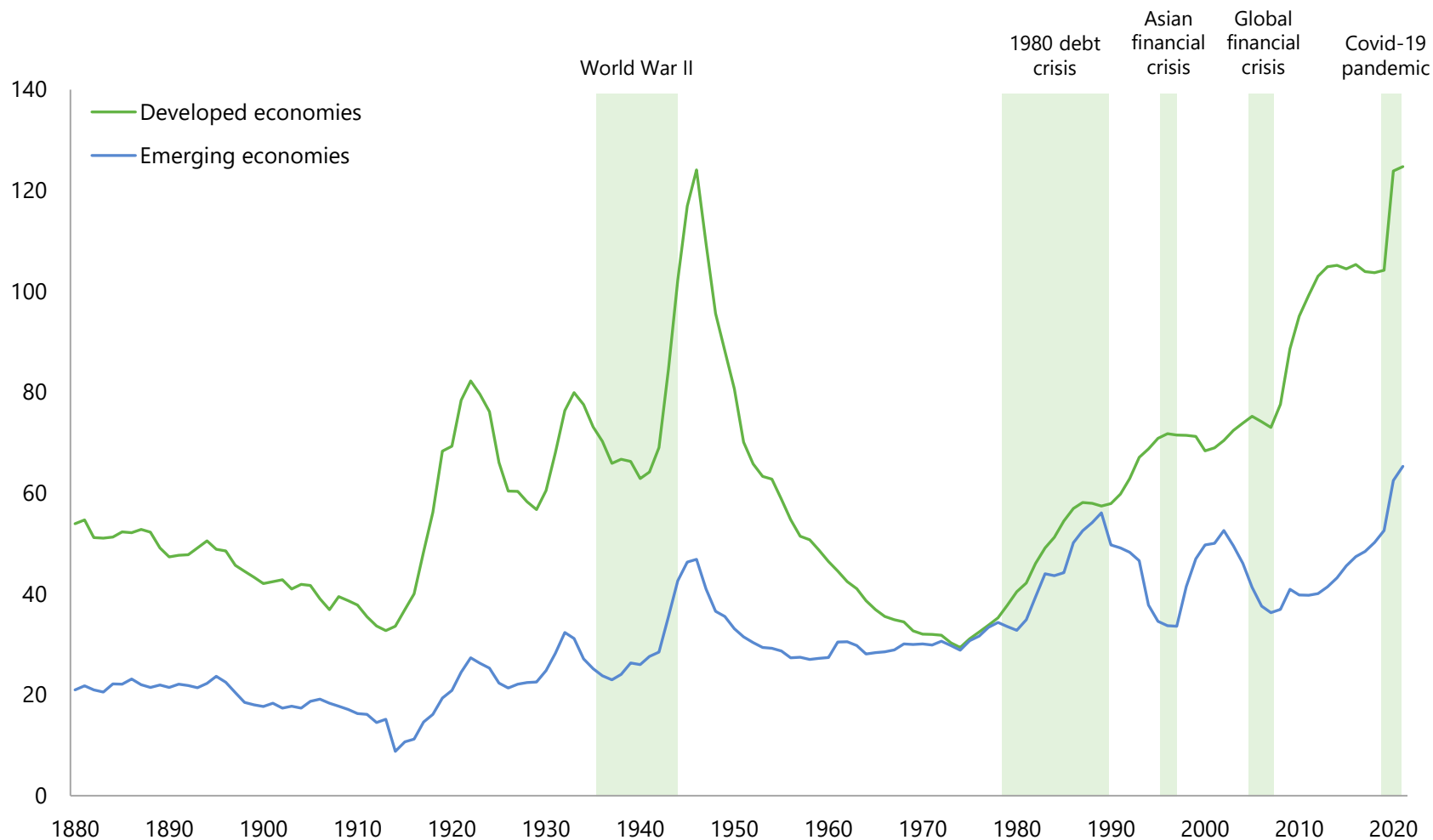
Liquidity has been the critical variable...



...in the new policy regime

Fiscal policy goes ‘whatever it takes’ too

GOVERNMENT DEBT AS A PERCENTAGE OF GDP IS BACK AT WWII LEVELS

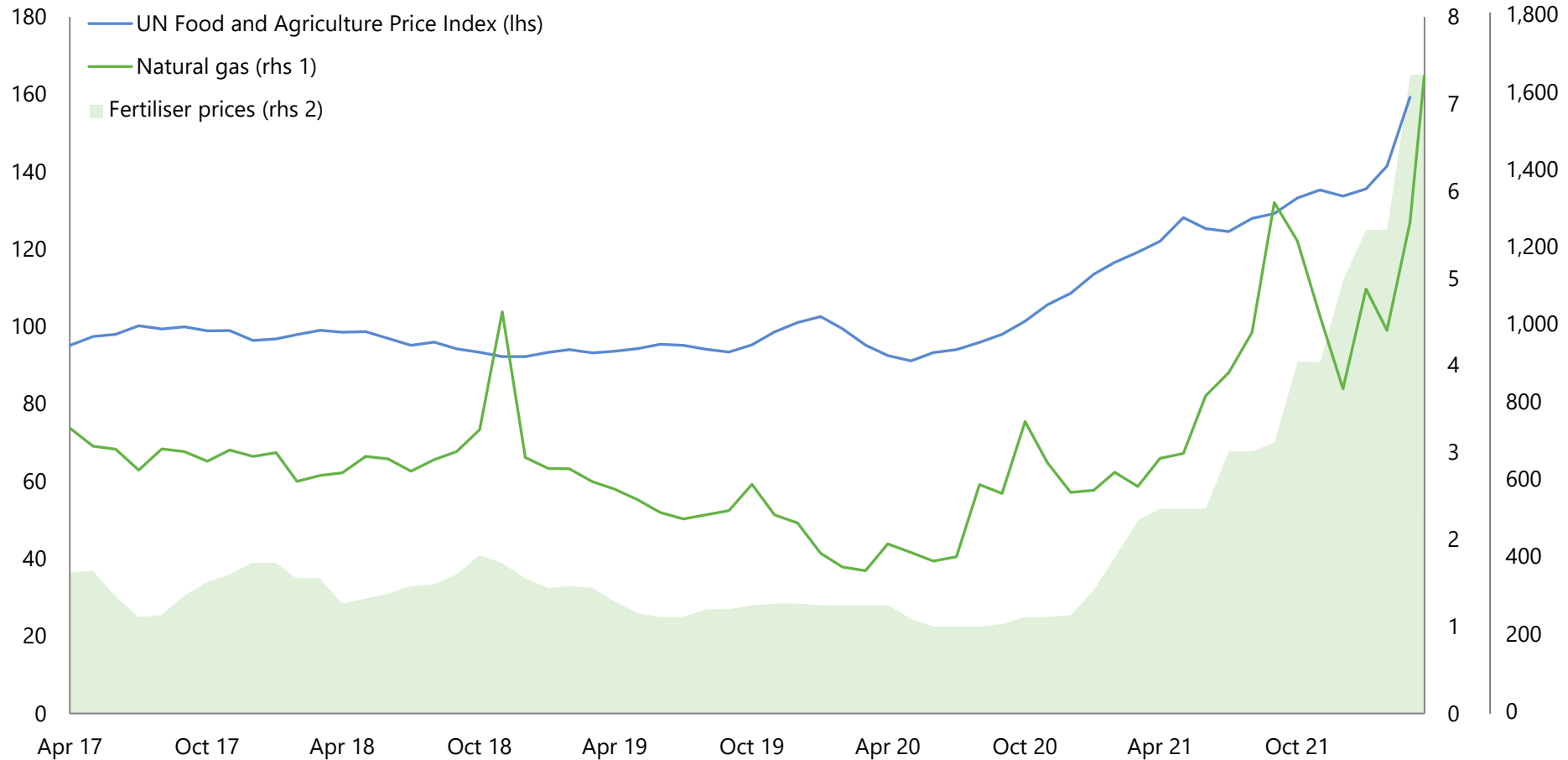


Sources: IMF, Historical Public Debt Database; IMF, World Economic Outlook database; Maddison Database Project; and IMF staff calculations.

Note: The aggregate public-debt-to-GDP series for advanced economies and emerging market economies is based on a constant sample of 25 and 27 countries, respectively, weighted by GDP in purchasing power parity terms.

Let them eat (lentil?) cake!

WORLD FOOD PRICES HAVE JUST POSTED THEIR FASTEST EVER INCREASE.
HIGH FERTILISER PRICES = LOWER CROP YIELDS NEXT YEAR?



Slamming on the brakes on a dark, foggy night...



**The
Economist**

Ukraine's Minsky moment

Indian democracy: festive but fraying

Xi Jinping's thinker-in-chief

Redistricting: a bipartisan scandal

FEBRUARY 12TH-18TH 2022

When the ride ends

What would happen if the markets crashed?



The big risk...

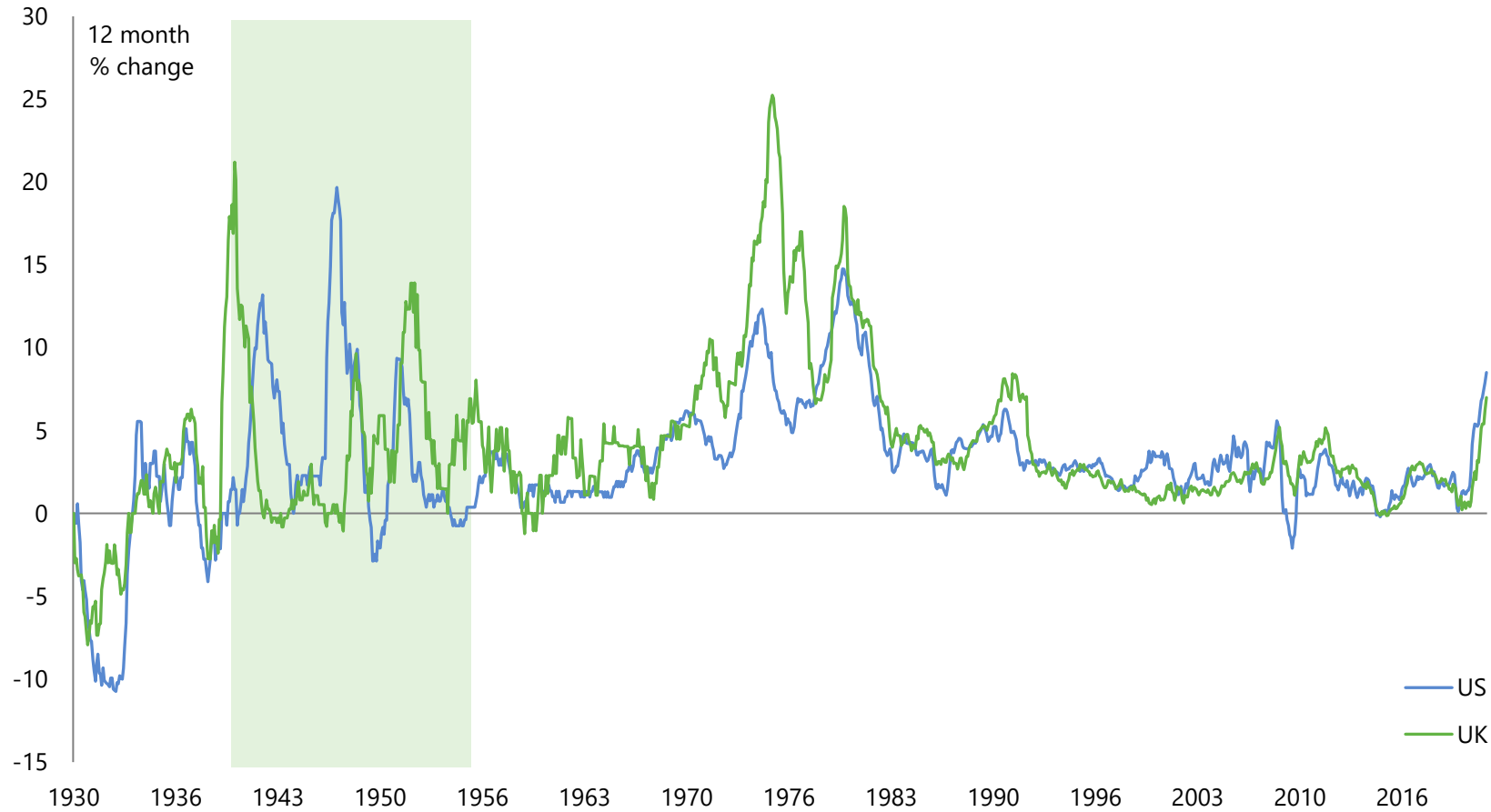
Inflation-prone economy

versus

inflation-intolerant financial system

The new era dawns: inflation at 40 year highs

THE OUTCOME IS UNLIKELY TO BE LINEAR: MORE VOLATILE THAN ELEVATED. COVID AND UKRAINE = ACCELERANTS



THE COLLECTED WRITINGS OF

JOHN
MAYNARD
KEYNES

II

THE ECONOMIC
CONSEQUENCES
OF THE PEACE

PUBLISHED FOR
THE ROYAL ECONOMIC SOCIETY

History
doesn't end...
...regimes
do change



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