

Global Macro Thoughts

World Economic Forum 2018; What to Watch For

The annual 4-day World Economic Forum (WEF) at Davos-Klosters, Switzerland will commence tomorrow (January 23); effectively a glorified, high-altitude networking opportunity for central bankers, politicians and global executives. Expect much of the market's focus this week to therefore be on the many headlines and potentially thought-provoking comments to come out of the gathering, even if history has shown us that little tends to change as a direct result of these Forums.

Nonetheless, over the duration of this year's symposium, entitled 'Creating a Shared Future in a Fractured World', the great and the good will discuss and seek solutions 'to developing a shared narrative to improve the state of the world'.

Key things to watch this year will include the opening address, delivered by Indian Prime Minister Modi on his maiden visit to the WEF. From a macro perspective, this could be a landmark speech as Modi promotes his 'Make in India' agenda, highlighting the structural reforms carried out by his government and seeking international economic and financial investment.

Meanwhile, the spotlight will also fall on U.S. President Trump, who is scheduled to give the closing speech on Friday. Expect Mr Trump to push his 'America First' strategy, criticizing unfair trade practices and with tough talk about dealing with enemies, all of which could create some controversy among the audience. Similarly, expect him to emphasize the 'successes' of his first year in office and the current strength of the US macroeconomic outlook. From a market perspective, watch for comments concerning the direction of the dollar, as well as competitiveness and domestic spending which could trigger moves in the currency as well as treasury yields.

In between Modi and Trump, the market will be looking for soundbites and insights from attendees. Central bank rhetoric will be closely monitored as will any comments from corporate leaders on business outlook, profitability and credit quality; opportunities and challenges. In an online Twitter poll this morning by KPMG, the expected key topics of discussion at the WEF are seen as environment (35%), international trade (30%), finances (25%) and infrastructure (10%).

This said, near-term, direct market implications of the overall Forum may be limited. At the end of the day, the WEF may be most exciting for the journalists who get an all-expenses-paid trip to the high-end ski resort to cover the event.

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World Economic Forum; possible highlights to watch

Longer dated core global yields are edging higher as the BOJ becomes the latest central bank to announce a reduction in bond purchases (of 10Y+ JGBs)

- How will industries, institutions and innovation shape the future of energy systems?
 - Shaping the transition to alternative energy sources
 - Partnering on energy solutions to meet climate targets
 - Collaborating on greater efficiency through smart city design
- Global Markets in a Fractured World
 - Changing regulatory environments, tax policy and geopolitical risks. What does this mean for financial markets and global business?
- The Next Financial Crisis?
 - Are the overheated markets headed towards another financial crisis?
 - Concerns over leverage and liquidity; implications of passive investing; transforming financial services business models
- The End of Easy Money
 - Central banks are starting to raise interest rates and unwind bond purchase programs. Are financial markets and the world economy ready for tighter monetary policy?
- Strategic Outlook: Eurasia
 - Political change, structural reform and technological innovation are reshaping the region's strategic outlook
- Reconnecting Refugees
 - The plight of large-scale displacement calls for new solutions to help families find safety, navigate life and contribute to the communities where they found refuge. From universal digital identities to data-driven advocacy, how can new technologies and partnerships help people on the move?
- Pioneering the Future of Governance in the Arab World
 - From appointing the world's first Minister of Youth and Artificial Intelligence to its Protocol for the Fourth Industrial Revolution, what new approaches are driving the United Arab Emirates to an innovation-driven economy and what is the outlook for future governance across the region?
- Finding a New Equilibrium in the Middle East
 - With new patterns of international and regional dynamics unravelling, is a new interconnected order reshaping the Middle East?
- Special Address by Angela Merkel, Chancellor of Germany
- Strategic Outlook: United States / The Global Impact of America First
- New Avenues for Global Trade
 - With NAFTA negotiations at a sticking point, Mexico and Canada strengthening links outside North America, and TPP11 and RCEP inching towards completion, is greater protectionism in multiple global capitals clearing the ground for a new trade landscape?
- The Crypto-Asset Bubble
 - Bitcoin valuations recently touched unprecedented highs, and there are now close to 1,000 different crypto-assets on the market. Are these assets finally coming into their own or are they the seed of the next financial crisis?

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