## Global Economy

The global rally in risk assets stalled in September as investors reacted to weaker economic data, uncertainty over the US federal debt ceiling, and growing momentum for the withdrawal of pandemic-era policy support. Messaging from the September FOMC meeting tilted hawkish, with Chair Powell indicating that tapering is likely to be announced in November and finish by mid-2022. While Congress passed a stopgap measure at the end of September to avoid a government shutdown, the bill did nothing to address the larger issue of the debt ceiling, which will continue to be a point of contention and weigh on investor sentiment as the mid-October deadline approaches. September PMIs fell to a 12-month low in the US and 7-month low in Europe, confirming the slowdown in global growth, though growth overall remains strong. The Delta Covid surge has continued to decline both in the US and abroad, and the decision to allow expanded unemployment benefits in the US to expire in September underscores the diminishing economic impact of the virus. However economic effects of the virus continue to be felt, notably in labor markets and supply chains, and the risk for further disruption remains.

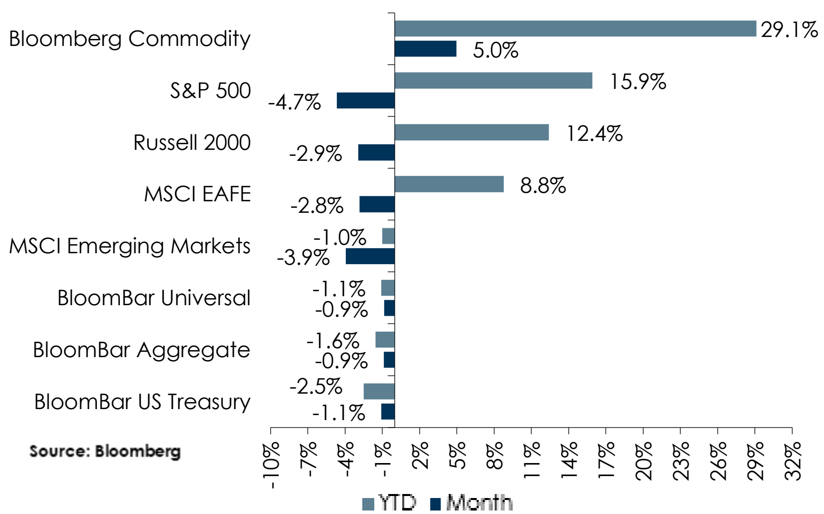
## Global Markets

- **Global Equity –** Equity indices declined in September. US Large Cap stocks underperformed as the S&P 500 suffered its worst month since March 2020. Emerging market weakness continued as issues in China weighed heavily on the index, most recently the potential collapse of property giant Evergrande Group. Index level P/E multiples on forward earnings remain elevated but have declined recently amid supportive earnings growth and weaker returns, and valuations currently favor non-US equities. The spread of Covid variants, peaking growth momentum, and a more hawkish Fed could produce headwinds for equities, but near-term support remains. Strong earnings growth is expected to continue, and relative valuations favor equities over credit given low interest rates and credit spreads.

- **Global Fixed Income –** US Treasuries posted negative returns in the month with the 10-Yr yield rising from 1.31% to 1.47% as the FOMC tilted hawkish at its September meeting and signaled increased support for raising rates next year. Credit spreads were little changed, with investment grade 3 bps tighter and high yield 1 bps wider, and credit outperformed treasuries on a duration-adjusted basis. Core fixed income investing remains a challenge with nominal yields trailing current inflation across the entire treasury curve and most grades of corporate credit, and with credit spreads tight from an historical perspective. However a robust economy and demand for income should continue to support spread sectors. ACG continues to value Absolute Return strategies that often benefit from volatility and can offer downside protection, while a marginally higher cash allocation provides flexibility.

- **Global Real Assets & Private Markets –** A disparity remains across property sectors with industrial continuing to lead followed by multifamily, office, retail, and hotels. Global PE activity has been on a record-setting pace in 2021, and measures for private equity purchase price multiples remain elevated as managers look to deploy dry powder. The broad commodities index was positive, driven by a rally in energy as oil was up over 9%. Most other commodity sectors declined in the month as worries about China demand weighed on sentiment. Inflation remains elevated, and ten-year inflation breakevens rose 4 bps in September to 2.38%.

### Key Market Indices




Source: Bloomberg

| | Current | 20-Dec |
|---|---|---|
| US GDP (%) | 6.7 | 4.3 |
| US Unemployment (%) | 5.2 | 6.7 |
| CPI (Core) (%) | 4.00 | 1.60 |
| Fed Funds (%) | 0.00 – 0.25 | 0.00 – 0.25 |
| 10 Year UST Yld (%) | 1.49 | 0.92 |
| S&P 500 Div Yld (%) | 1.38 | 1.57 |
| S&P 500 P/E (Trailing) | 25.79 | 29.92 |
| Gold/oz. | $1,755.30 | $1,895.10 |
| Oil (Crude) | $75.03 | $48.52 |
| Gasoline (Natl Avg) | $3.27 | $2.33 |
| USD/Euro | $1.16 | $1.22 |
| USD/GBP | $1.35 | $1.37 |
| Yen/USD | ¥111.29 | ¥103.25 |

Source: Bloomberg

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