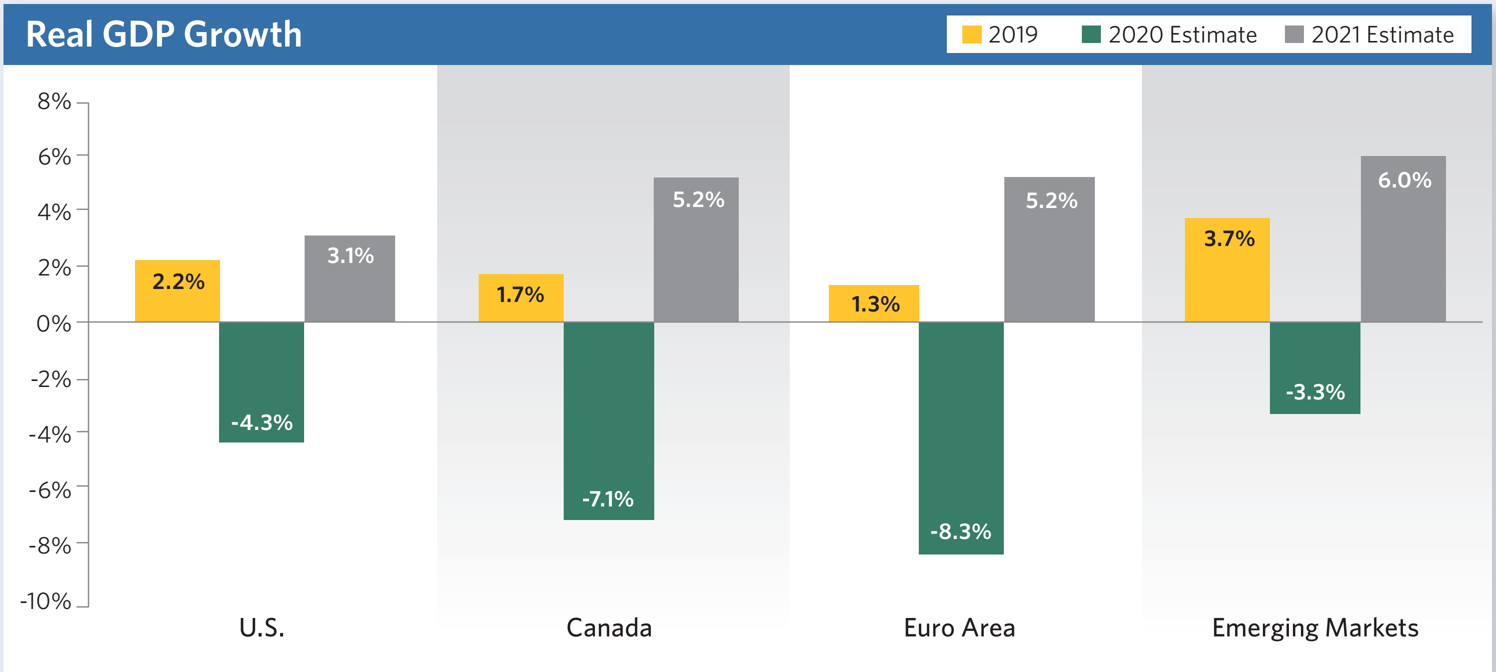

Source: IMF, World Economic Outlook, October 2020.

QUARTERLY MARKET OUTLOOK: **FIRST QUARTER 2021**

International Outlook

We expect the global economy to enter a new expansionary cycle this year, supporting international equity market performance. Global growth will start the year on a weak note but accelerate later to likely the fastest pace in the last 10 years.

Global recovery to pick up the pace – The second half of the year could see the first synchronized pickup in growth across regions since 2017. The resurgence of virus cases and renewed lockdowns in Europe likely resulted in negative GDP growth in Q4 2020. However, stronger fiscal and monetary policy coordination across Europe and an eventual vaccine distribution should help spur the recovery as European economies emerge from lockdown. The varying speed of a vaccine rollout will likely shape the rebound across regions, but the general trend will be one of improvement.

China's swift return to pre-crisis levels – China has led the way on COVID-19 containment and is the only major country expected to grow its economy in 2020 and 2021. Given the timing of its containment measures and policy stimulus, China appears slightly further into the new expansion. We expect solid economic growth across Asia as well, which should support emerging-market equity returns. While trade relations are likely to be less contentious this year, we suspect periodic tensions between the U.S. and China will trigger occasional market anxiety.

Currency less of a headwind – After a decade of strength, the U.S. dollar's rise has taken a breather. Short-term changes in the dollar's value are hard to predict, but we think the dollar could flatten or potentially weaken over time against other global currencies. The expected rebound of global growth – together with the Federal Reserve's commitment to keeping rates near zero and the fast-rising government debt – are likely to exert some pressure on the dollar and support international investment returns.

▶ *Action for Investors*

We recommend adding international equity investments as part of a well-diversified portfolio to take advantage of global growth. In contrast, lower rates in the rest of the world keep us cautious about international fixed income.

Investing in equities involves risks. The value of your shares will fluctuate and you may lose principal.

Special risks are inherent to international investing, including those related to currency fluctuations and foreign political and economic events.

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