

Q4 2021 | Global Macro Outlook

As we head into the fourth quarter, we're going to be experiencing many of the same themes that dominated the third quarter, from sticky, high, uncomfortable levels in prices driven by supply chain disruptions that continue to wreak havoc on not just our inflation data but our ability to get the things and services we want and a slower growth profile as we normalize away from that initial rapid recovery coming out of the COVID-19 recession and China and Asia continue their deceleration over time.

And yet markets are more focused on what's priced. And there's a much better understanding of these themes than there were relative to last quarter. So even though in level terms we're going to see inflation stay somewhat high and growth stay somewhat low, we do believe, in expectations terms, we can see growth begin to surprise to the upside again, and inflation begin to moderate relative to expectations.

That's a little bit of a Goldilocks-type environment, one that we're happy to rent, not own. And yet even within the Goldilocks story, there are three bears. And these three bears we need to monitor very closely.

One is policy mistakes, either from the fiscal side or the monetary side. That can create a lot of disruption.

Two is any sort of further disruptions to supply chains that continue to make it difficult for our economy to re-accelerate, for companies to build inventory back up as they so desperately need to do.

And last but not least, that slowing China story is making it more difficult for the global economy to re-accelerate sharply.

So, we are watching this fragile "Goldilocks and the Three Bears".

Check out our Q4 Global Macro Outlook to learn more.

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