

## April 2016

In this month's Viewpoint our top economists analyse the global economy and ask whether the panic is over, and what's next? They consider Brexit risks and whether now is the right time to buy emerging markets.

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### **Global update: Panic over, what's next? (page 2)**

Markets have regained their risk appetite following action by central banks, a firming in commodity prices and evidence that the tail risks of a US recession and of a China hard landing are not materialising.

Going forward we will need to see greater evidence of stronger activity for the rally to continue; however, this is also likely to bring the Federal Reserve back into play, posing a challenge for investors.

### **UK: The risks of Brexit (page 7)**

As the Brexit debate rages and referendum approaches, we assess the risk of the UK voting to leave the EU and the potential impact on the UK economy.

The EU is the UK's largest trading partner and a key source of foreign direct investment along with a major source of migrants.

In the near-term, a vote to leave the EU in June would hit both foreign sourced and domestic investment, while we forecast UK consumers to cut spending as confidence is dented. Assuming sterling falls further, net trade may make a positive contribution, but the overall impact would be lower growth and higher inflation compared to our baseline forecast.

In the long-term, the impact on the UK economy will be determined by how much access to the single market the UK manages to retain, how migration flows are impacted by government policy, and how much the UK government manages to save in subscription costs.

Most studies offer a range of scenarios concluding that the most likely outcome would be lower long-term growth compared to remaining in the EU.

### **Emerging markets: time to buy? (page 19)**

The recent emerging markets rally has piqued interest in the asset class again, but to us little fundamental seems to have changed. The time will come to buy emerging markets again, but not yet.

## **Views at a glance (page 23)**

A short summary of our main macro views and where we see the risks to the world economy

## **Read the full report**

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