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# Global Economic Overview

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# A look at 2010...

- **Low and slow recovery**
- **Jobless recovery**
- **Risk aversion: Lower US Treasury rates – Increased demand for Bonds over Equities**
- **Higher commodity prices although not as high as expected**
- **Diminished government stimulus**
- **Asia becoming self-sufficient and increasing ability to drive world growth**

# What to expect in 2011?

- Unbalanced, slow global recovery
- Marginal employment growth
- Risk appetite to improve
- Increasing Debt/GDP levels
- Higher commodity prices
- Higher inflation
- Interest rates expected to remain low in the advanced economies
- Continued outperformance of emerging markets

# WORLD GDP FORECASTS

	2009 (actual)	2010 (estimated)	2011 (forecast)
World	-0.60%	4.80%	4.20%
Advanced Economies <sup>1</sup>	-3.20%	2.70%	2.20%
US	-2.40%	2.60%	2.30%
EU	-4.10%	1.70%	1.50%
UK	-4.90%	1.70%	2.00%
Emerging economies <sup>2</sup>	2.50%	7.10%	6.40%
Latin America	-1.80%	5.70%	4.00%

1. US, EU, Japan, UK, Canada, Other Advanced Economies

2. Central and Eastern Europe, Russia, China, India, Middle East and North Africa, Latin America

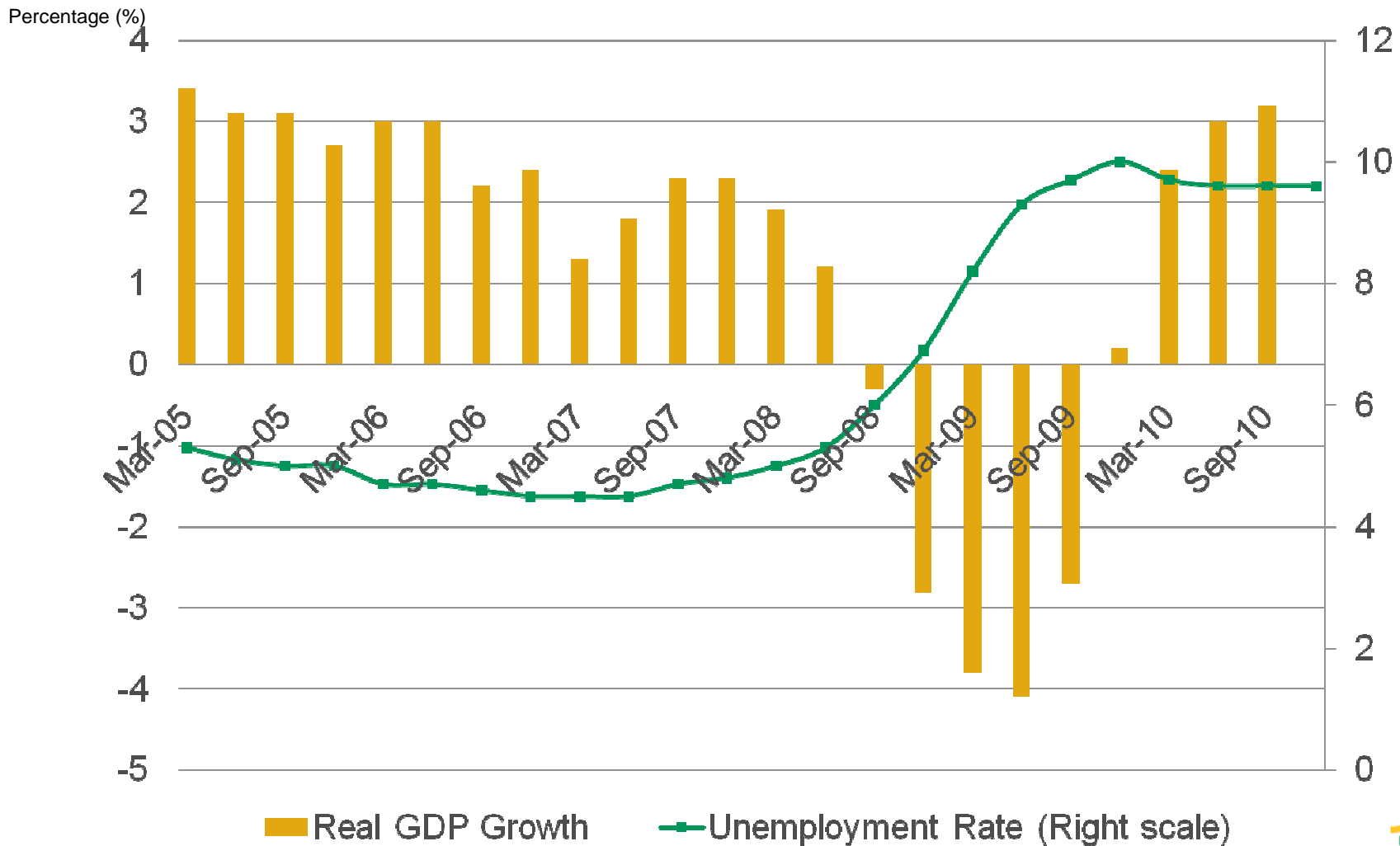




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# UNITED STATES

# Unemployment / GDP



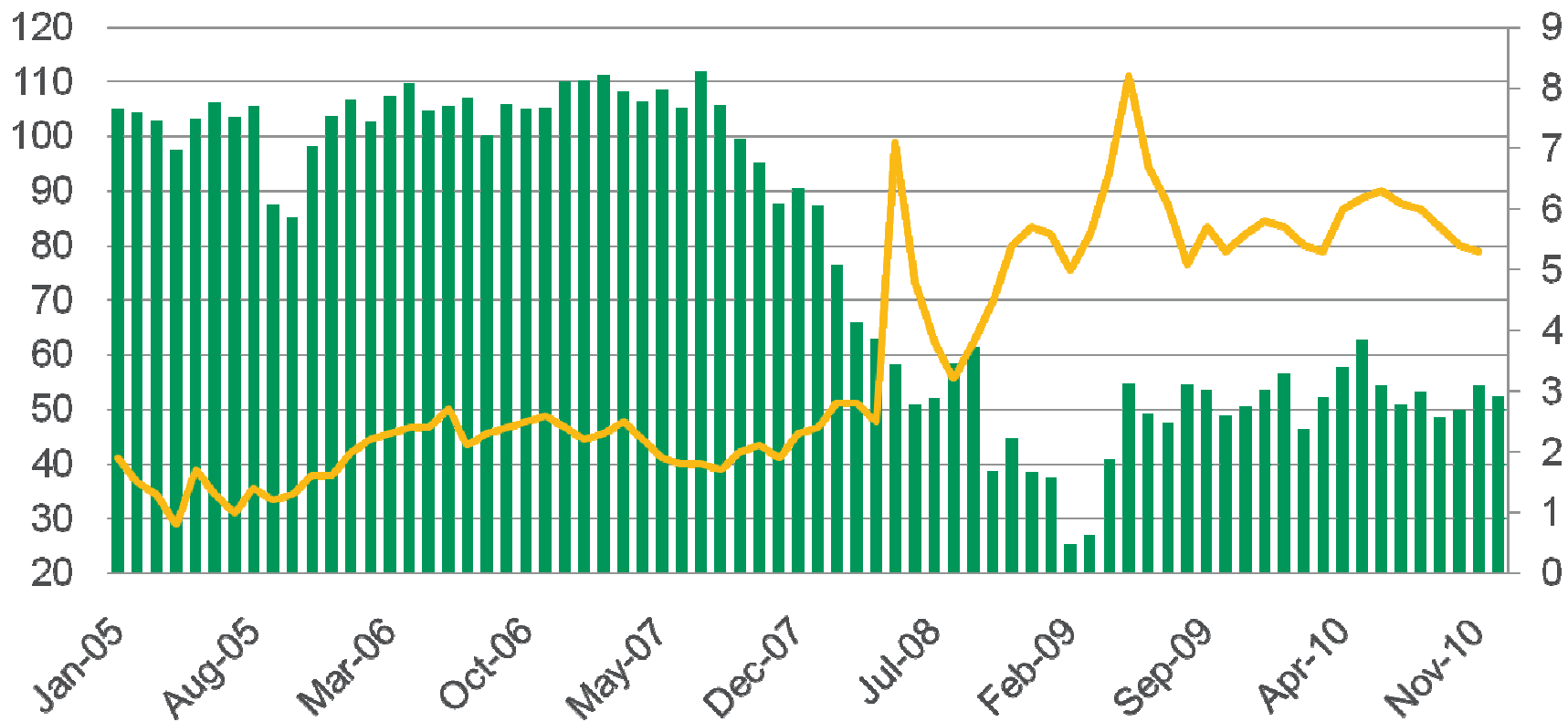
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Source: Bloomberg, First Citizens Investment Services Research Department



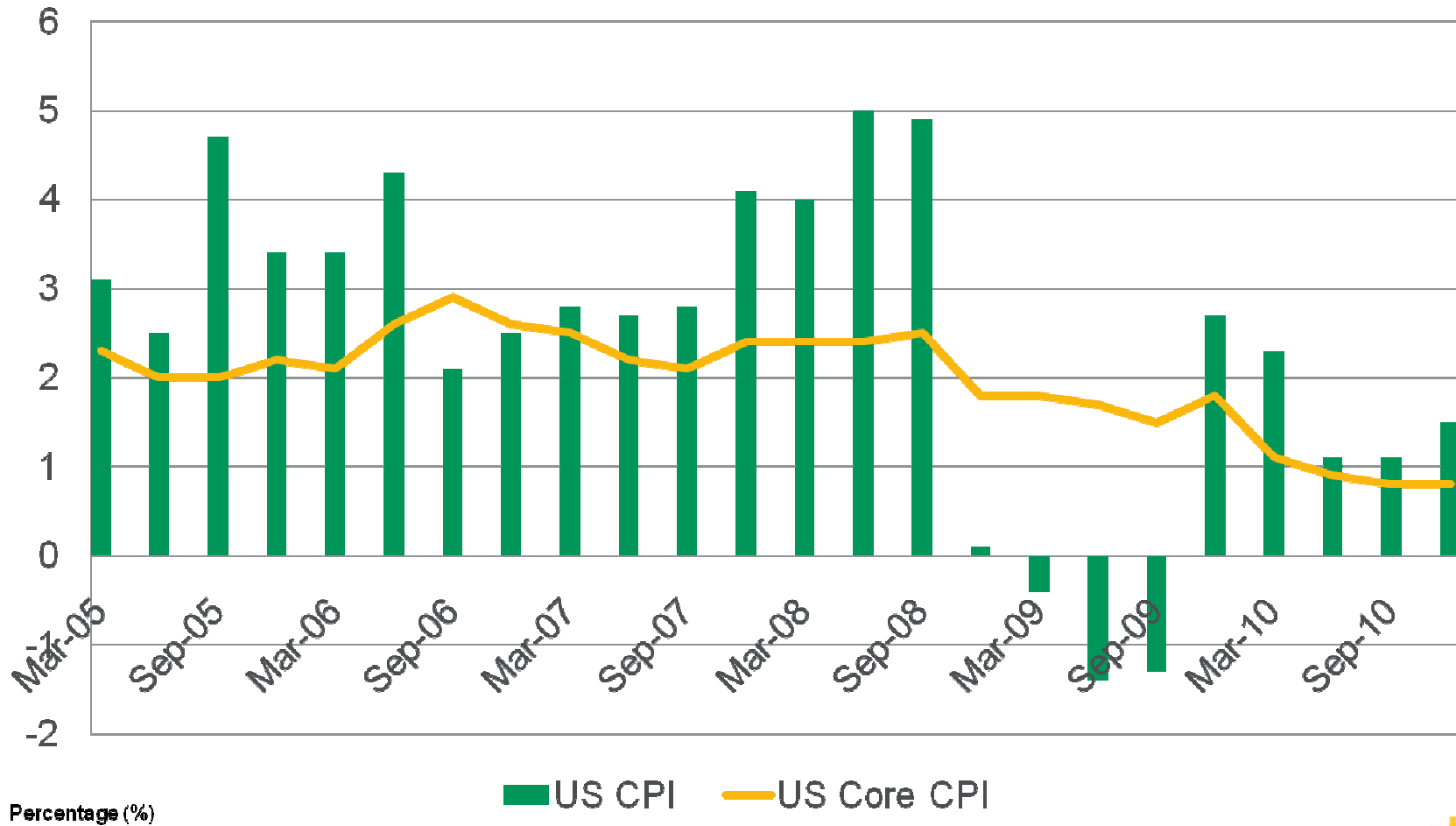
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# Consumer confidence vs. savings rate



■ Consumer Confidence Index (Left scale)  
— US Personal savings as a % of disposable personal income

# US Inflation Levels...

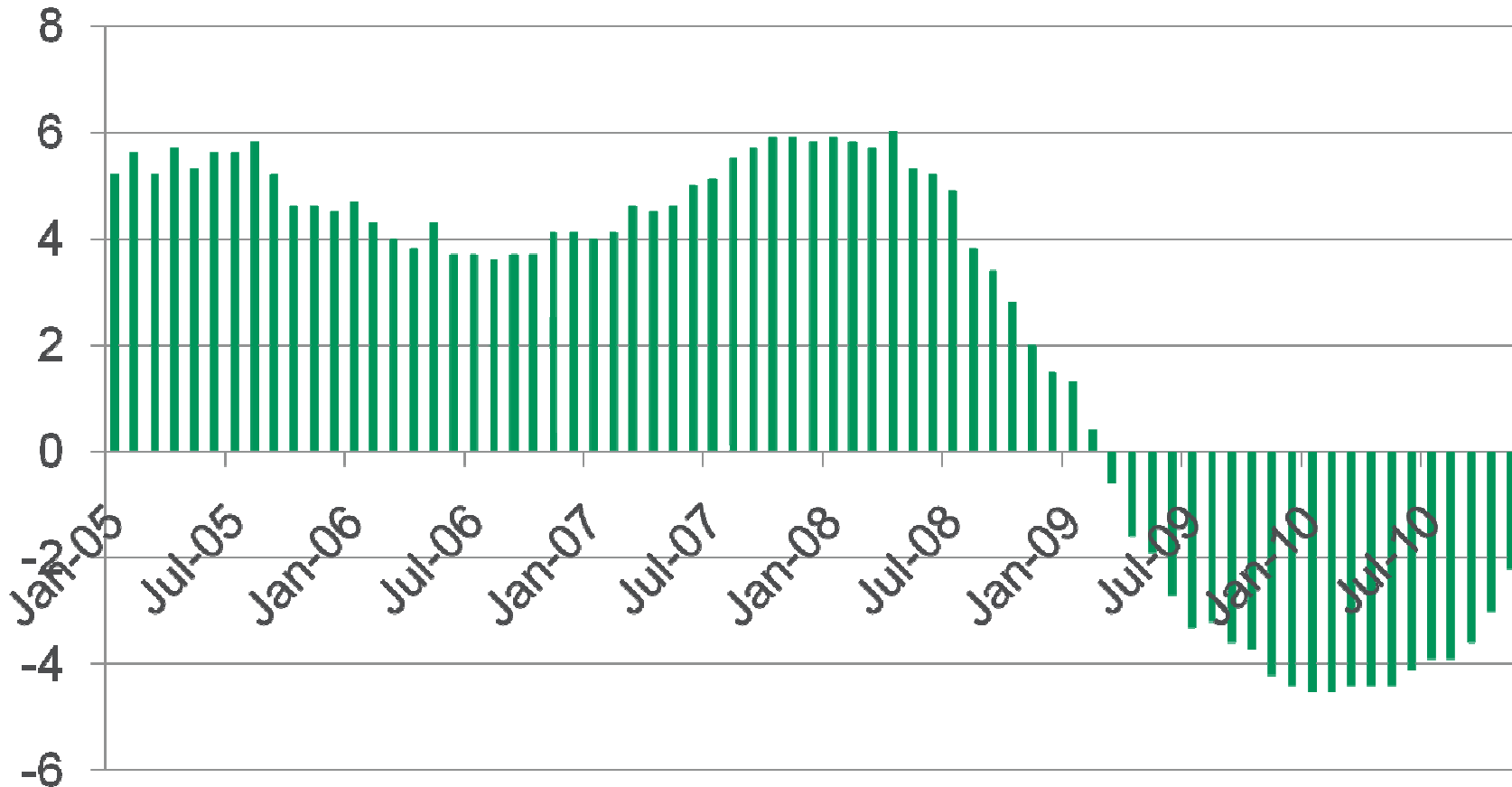


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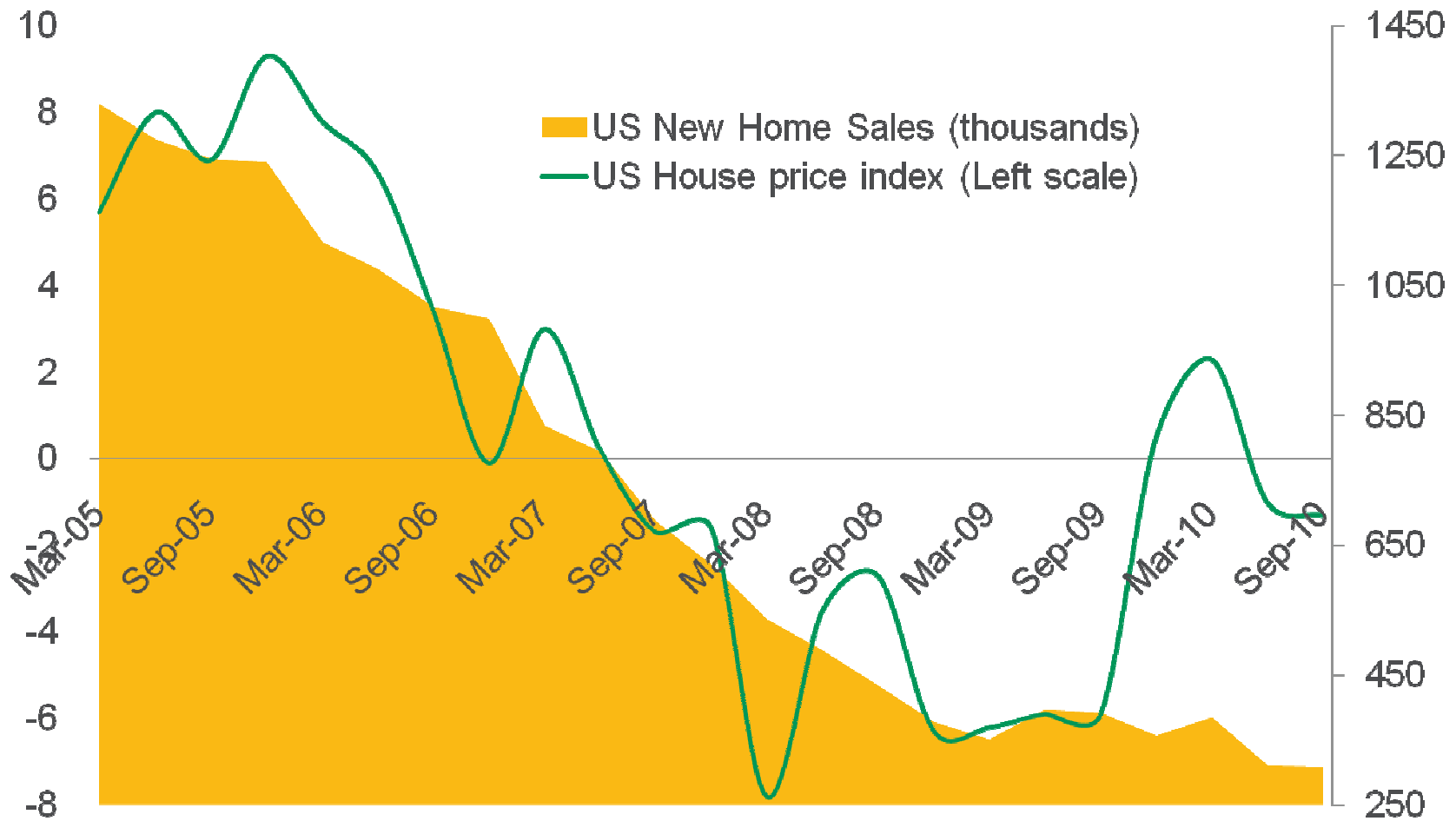
Source: Bloomberg, First Citizens Investment Services Research Department

# Consumer Credit Still Weak....

## Consumer Credit % yearly change



# Depressed Housing Market



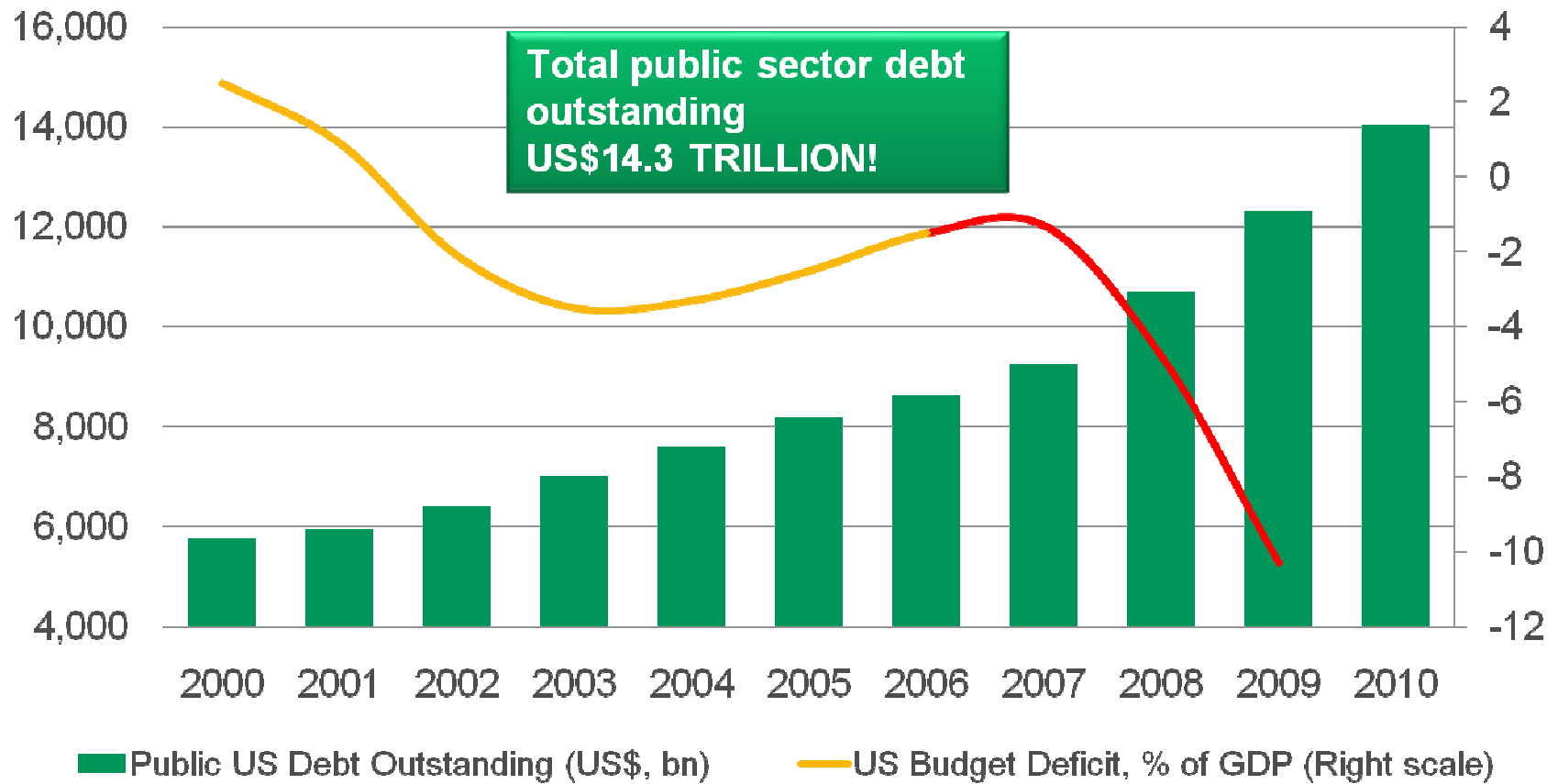
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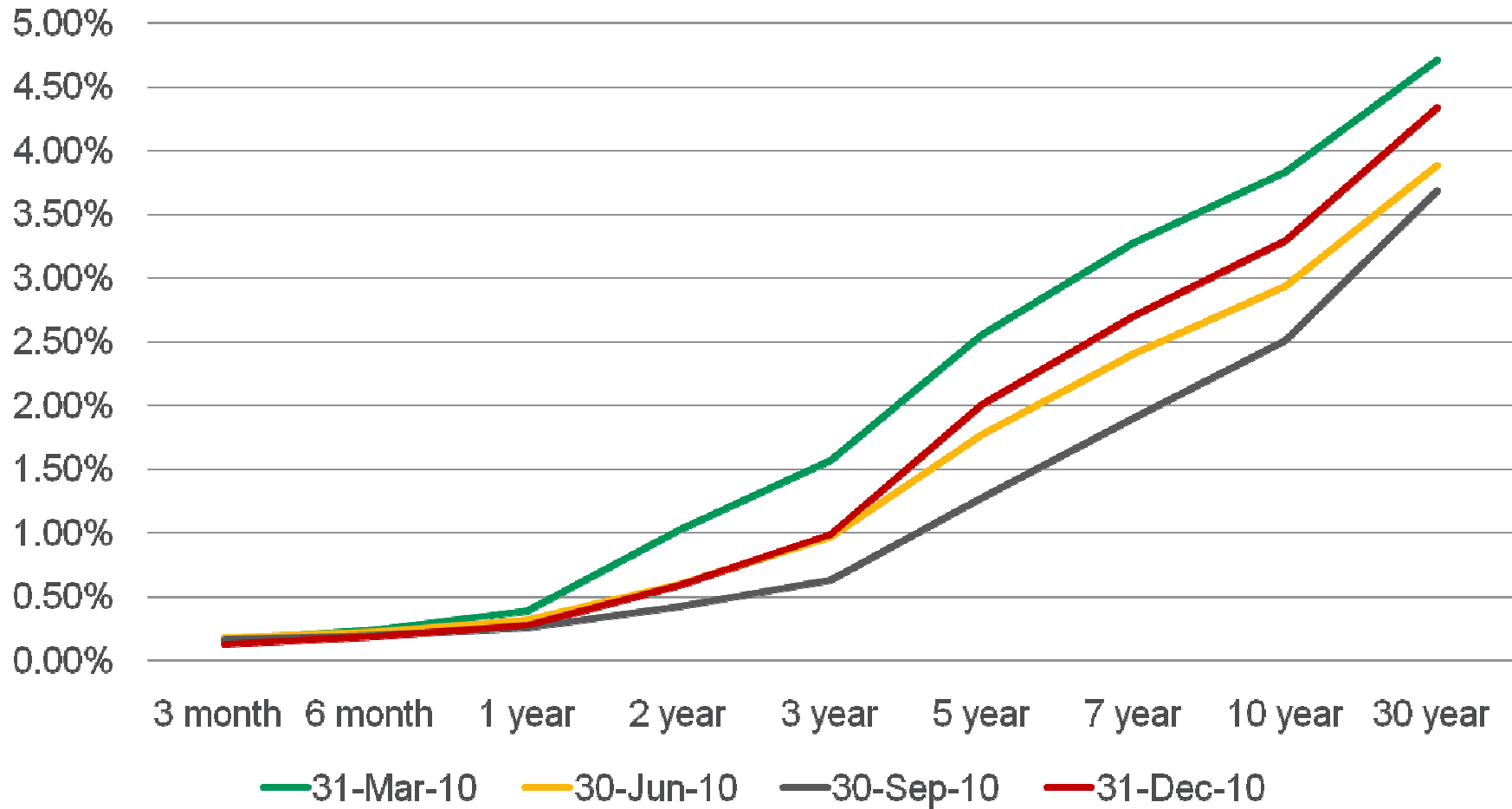


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# US Debt Levels Soar...



# US Treasury Yield Curves



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Source: Bloomberg, First Citizens Investment Services Research Department

# US Dollar Performance

## DXY Index



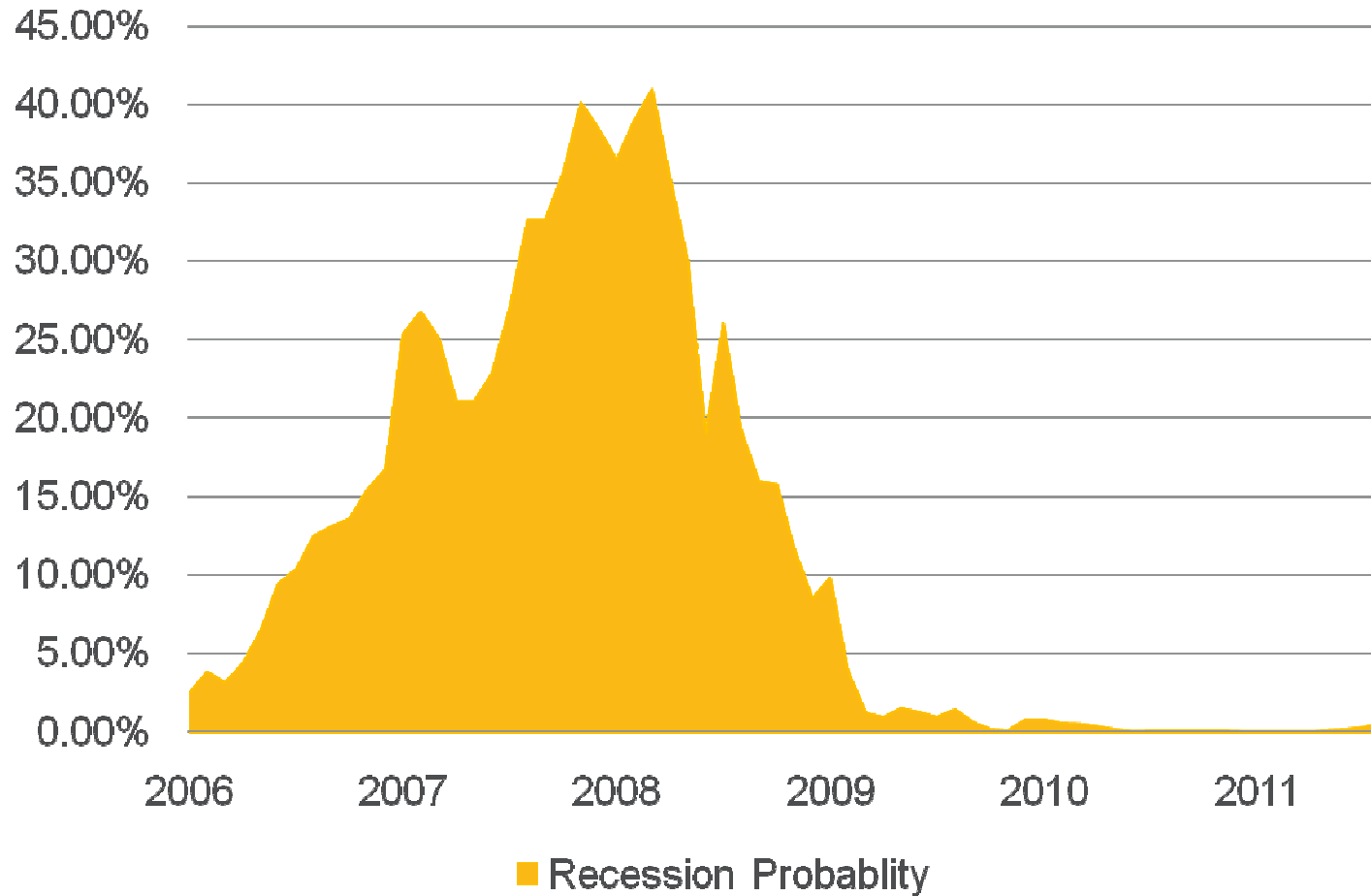
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# Double – Dip on the Horizon?



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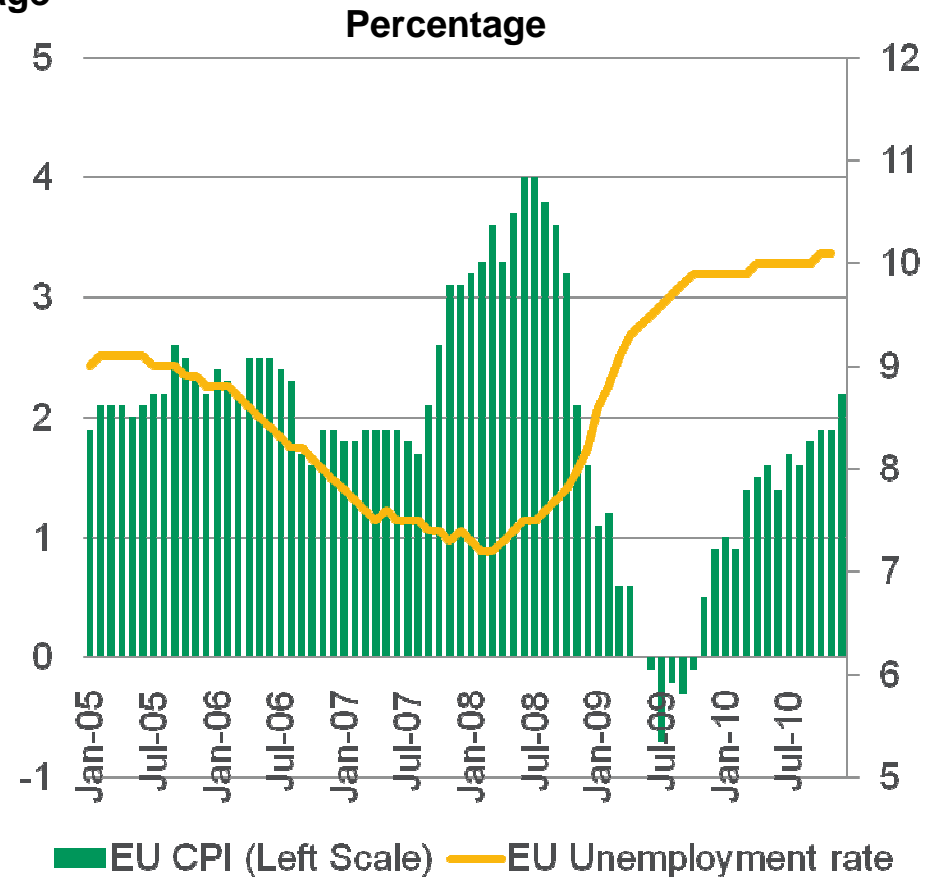
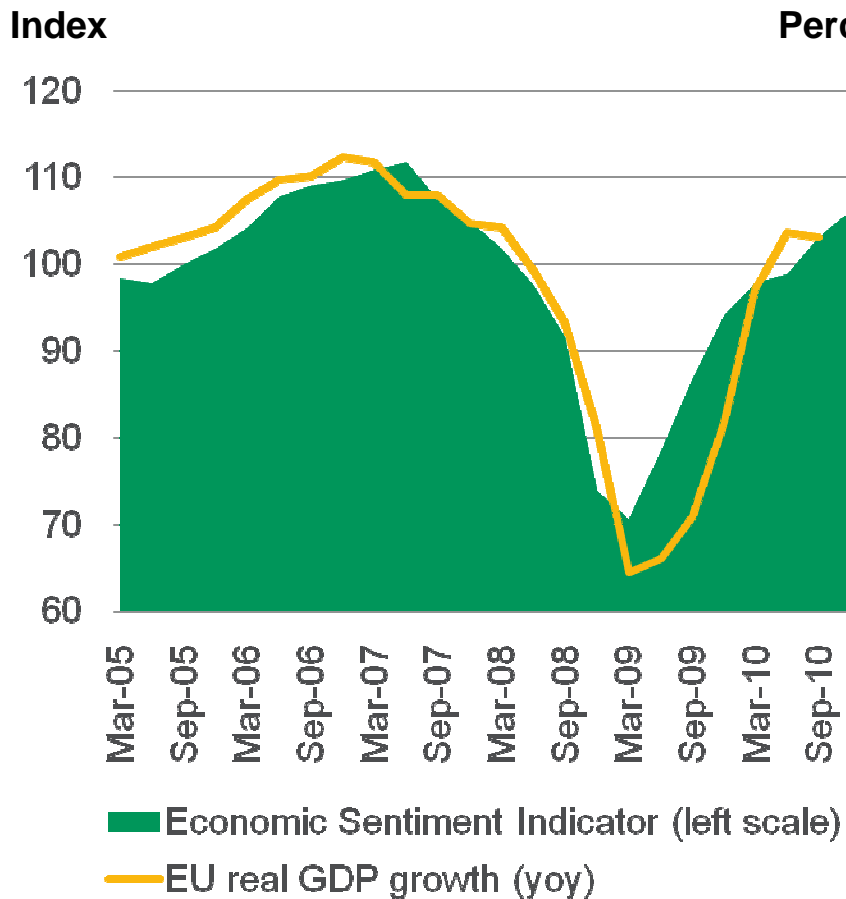
Source: New York Fed, First Citizens Investment Services Research Department



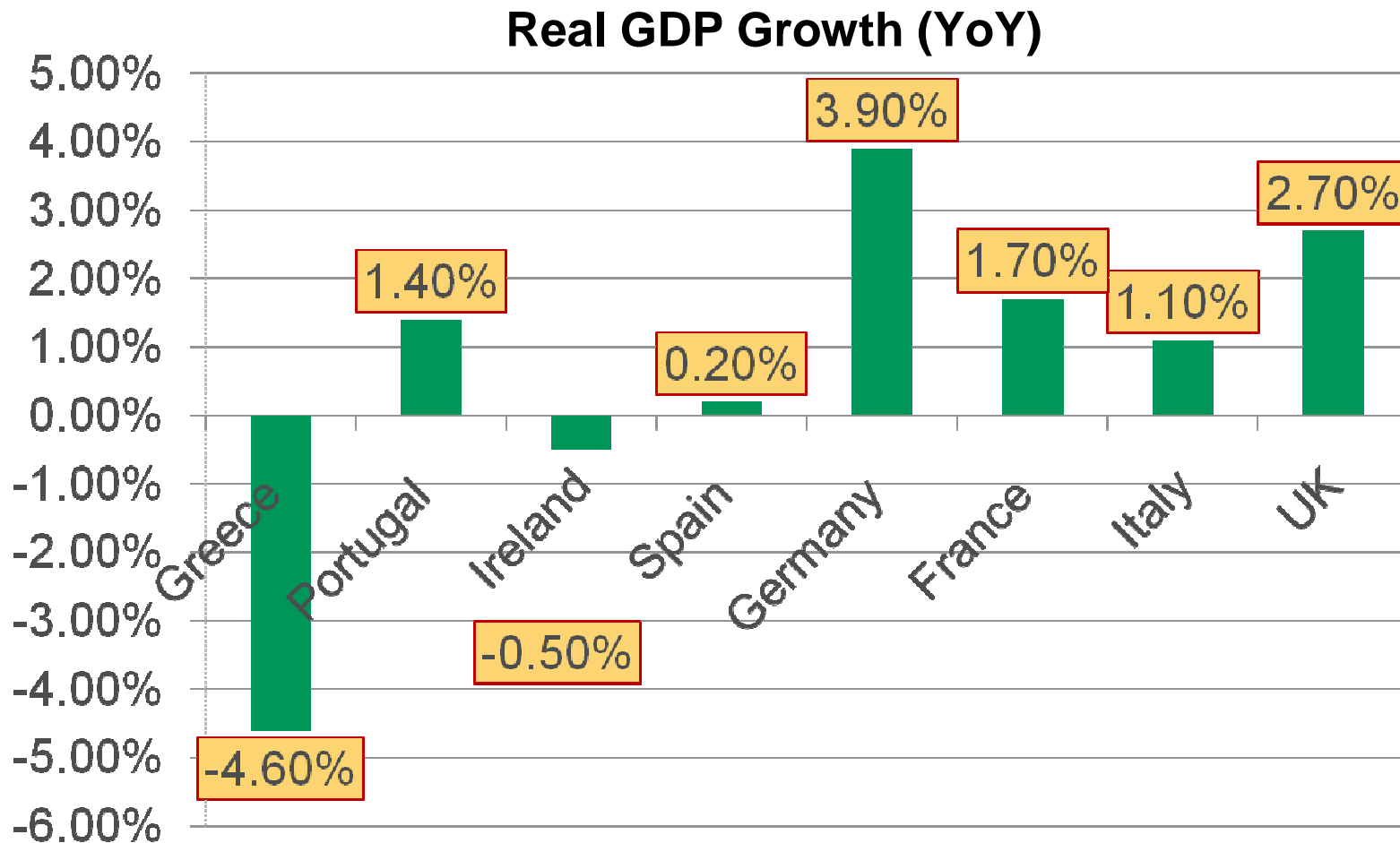
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# European Union

# Recovery in the EU

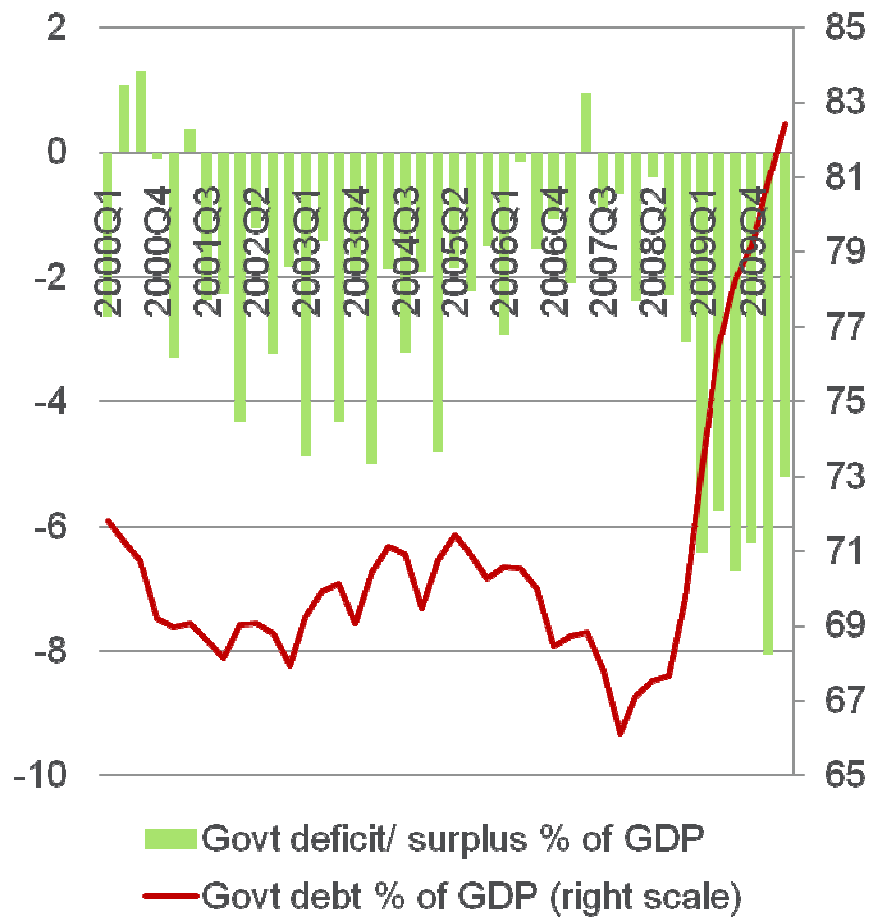


# But Unbalanced Across Countries...

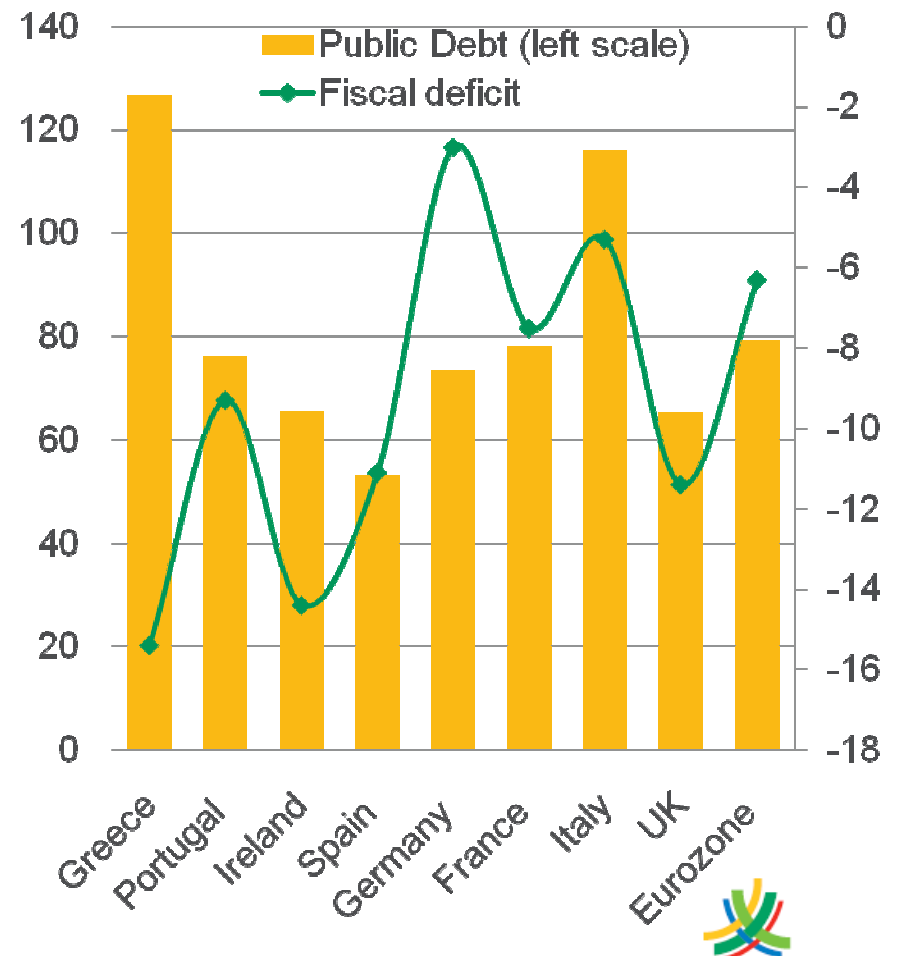


# Fiscal and Debt Troubles...

EU Region  
Aggregated



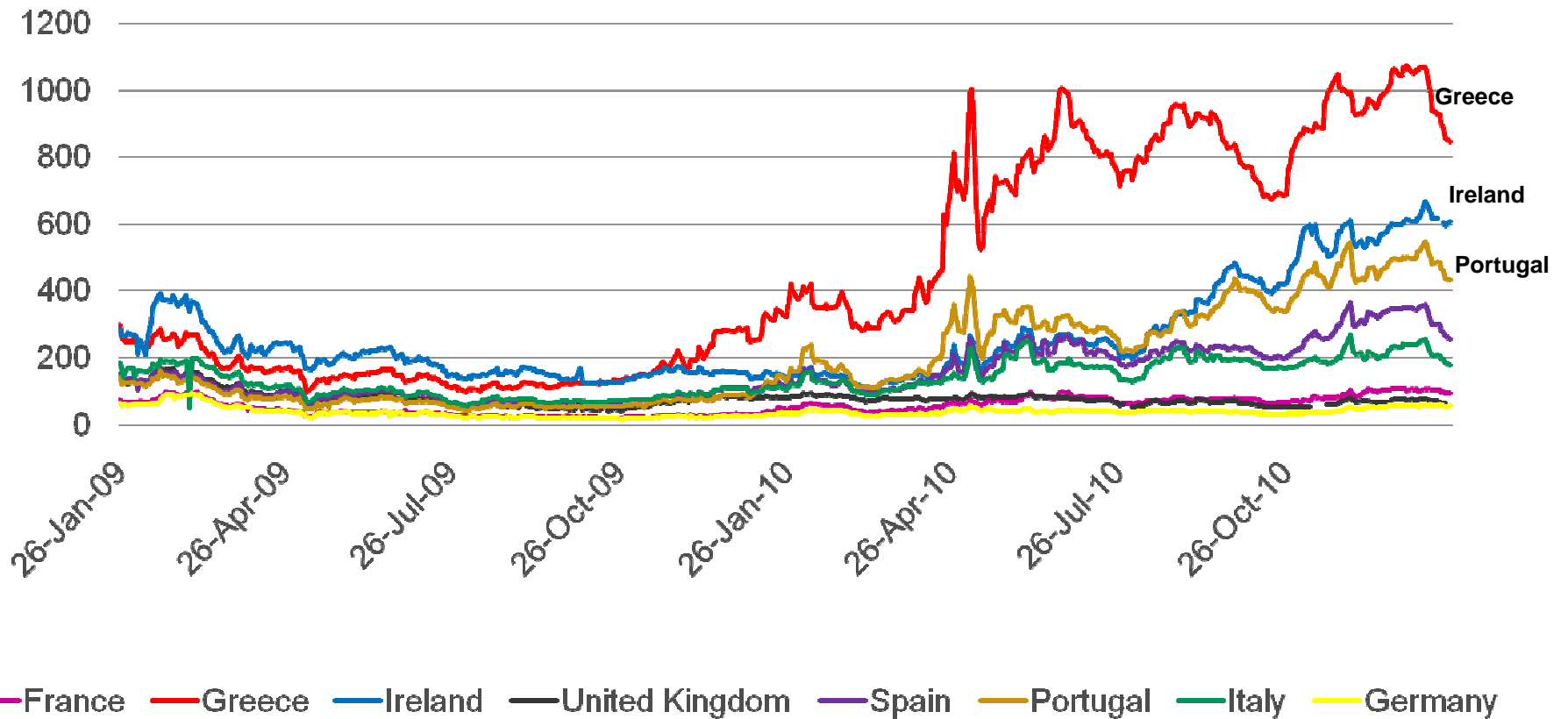
As percent of GDP



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Source: Bloomberg, First Citizens Investment Services Research Department

# 5-Year CDS Levels – Selected European Countries



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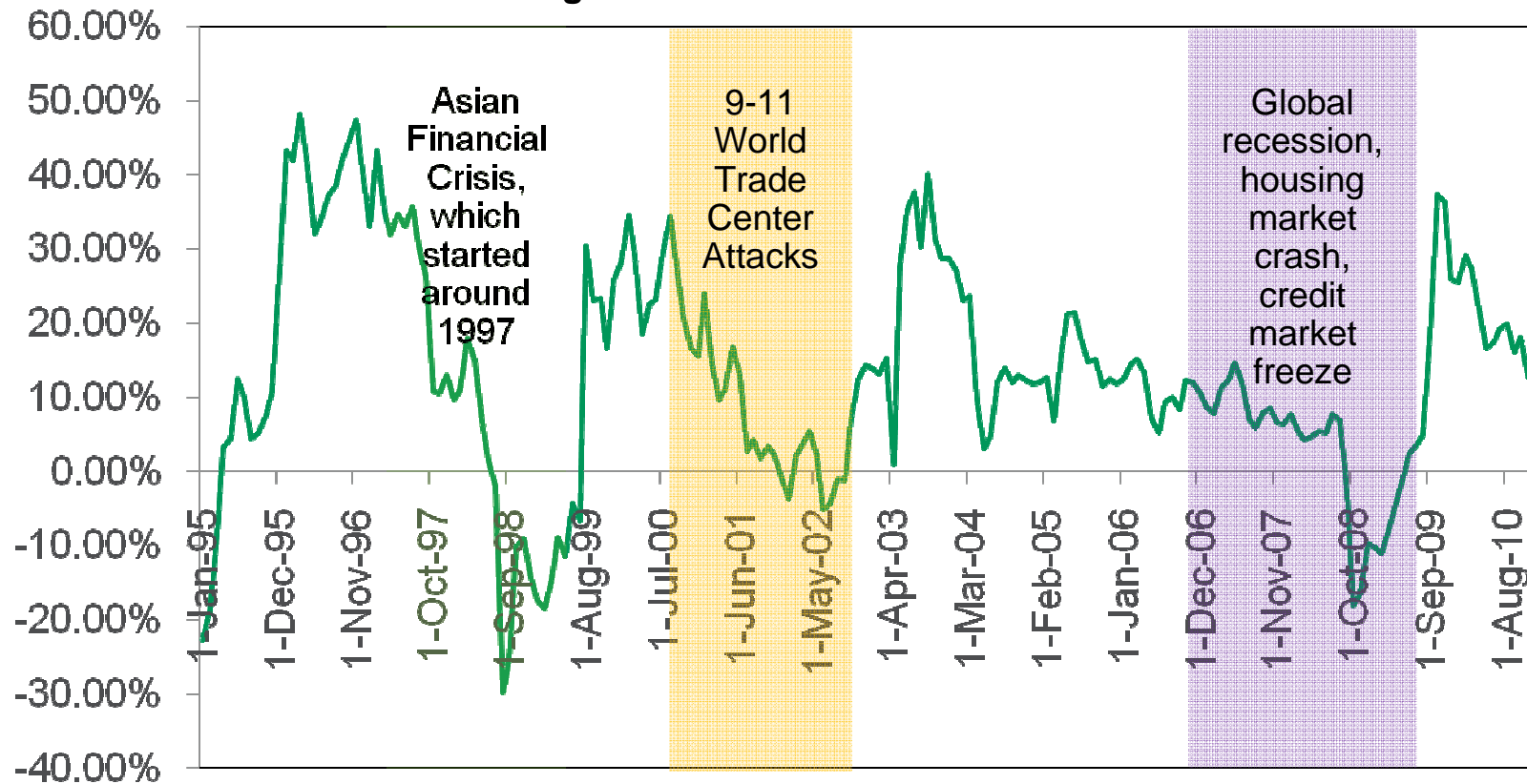


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# Emerging Markets

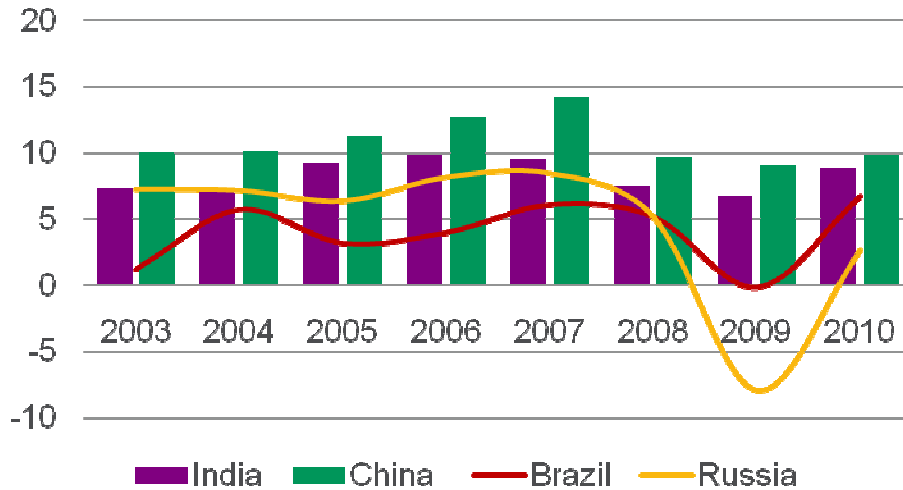
# Emerging Market Performance

JP Morgan EMBI+ Index – 12 Month Return

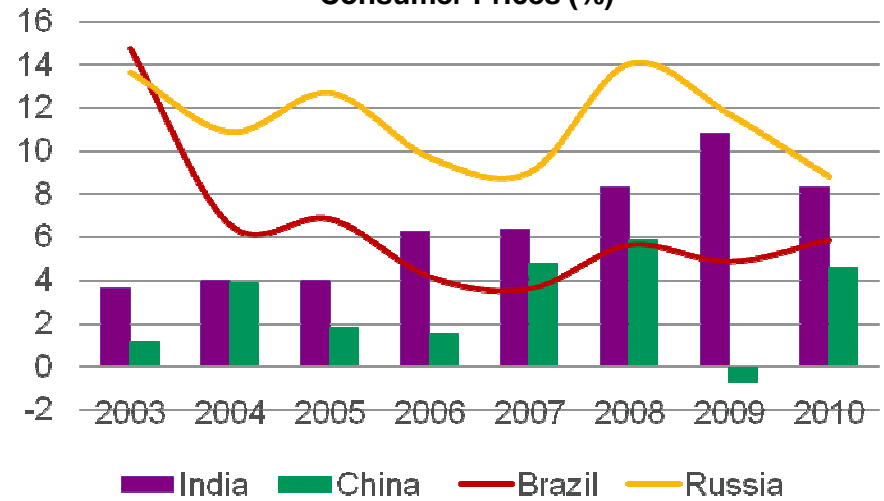


# BRIC (Brazil Russia India China)

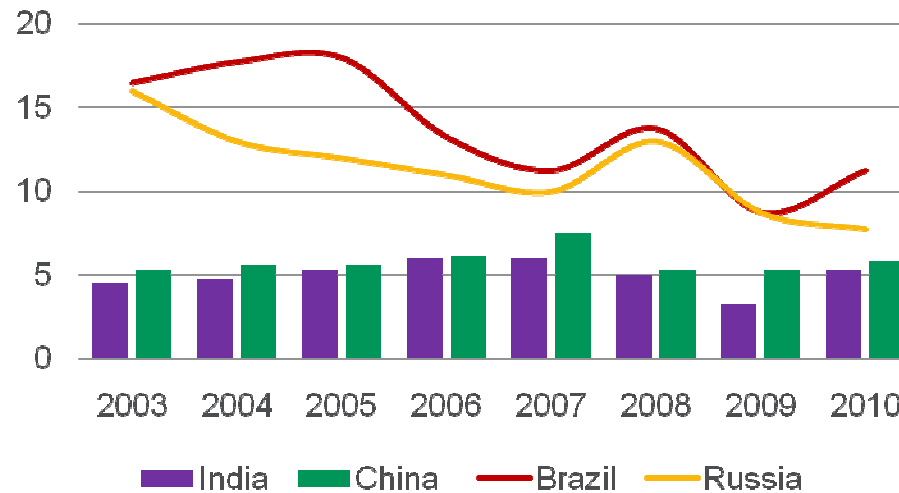
GDP Growth (%)



Consumer Prices (%)



Central Bank Policy Rate (%)



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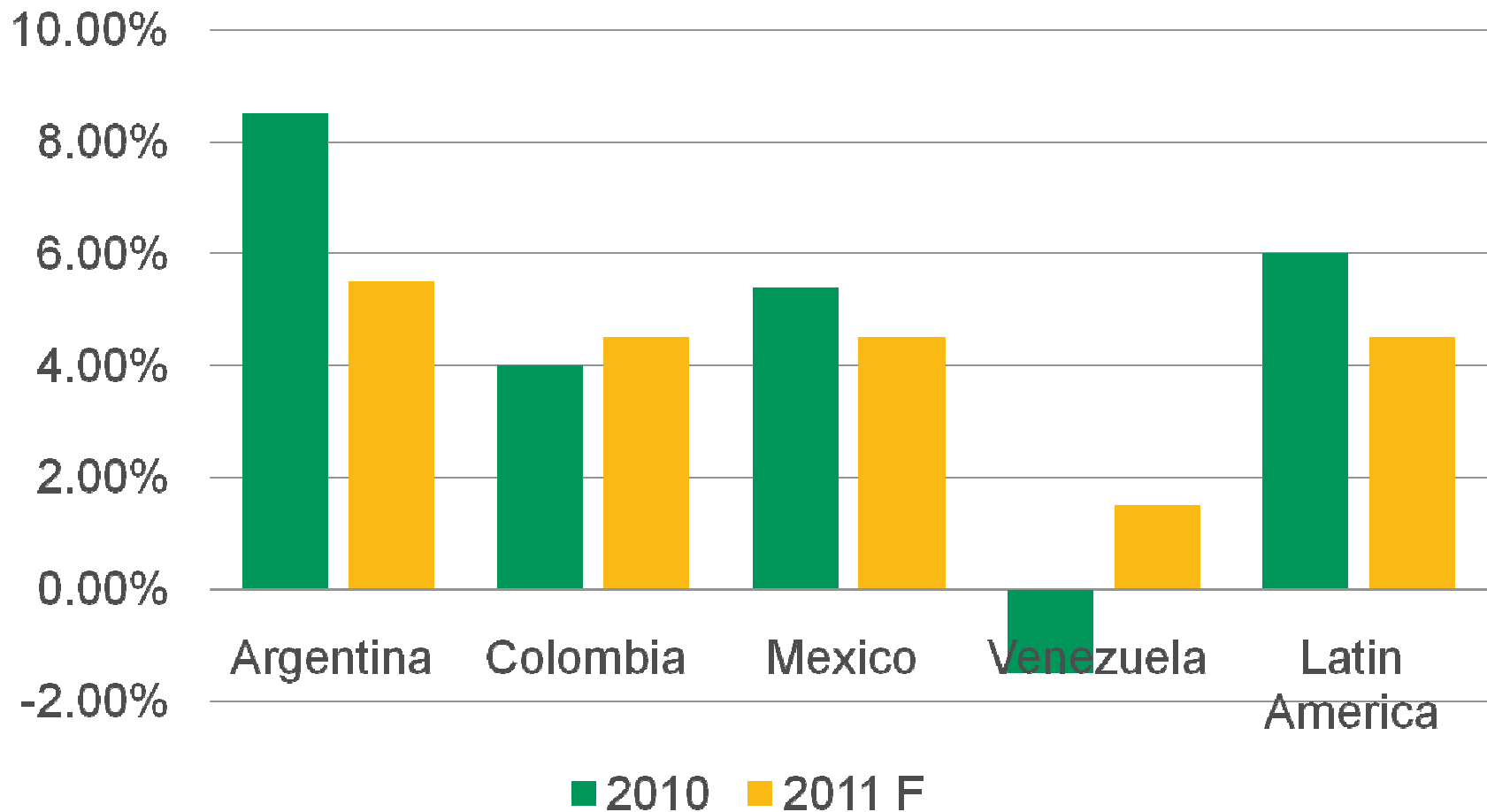
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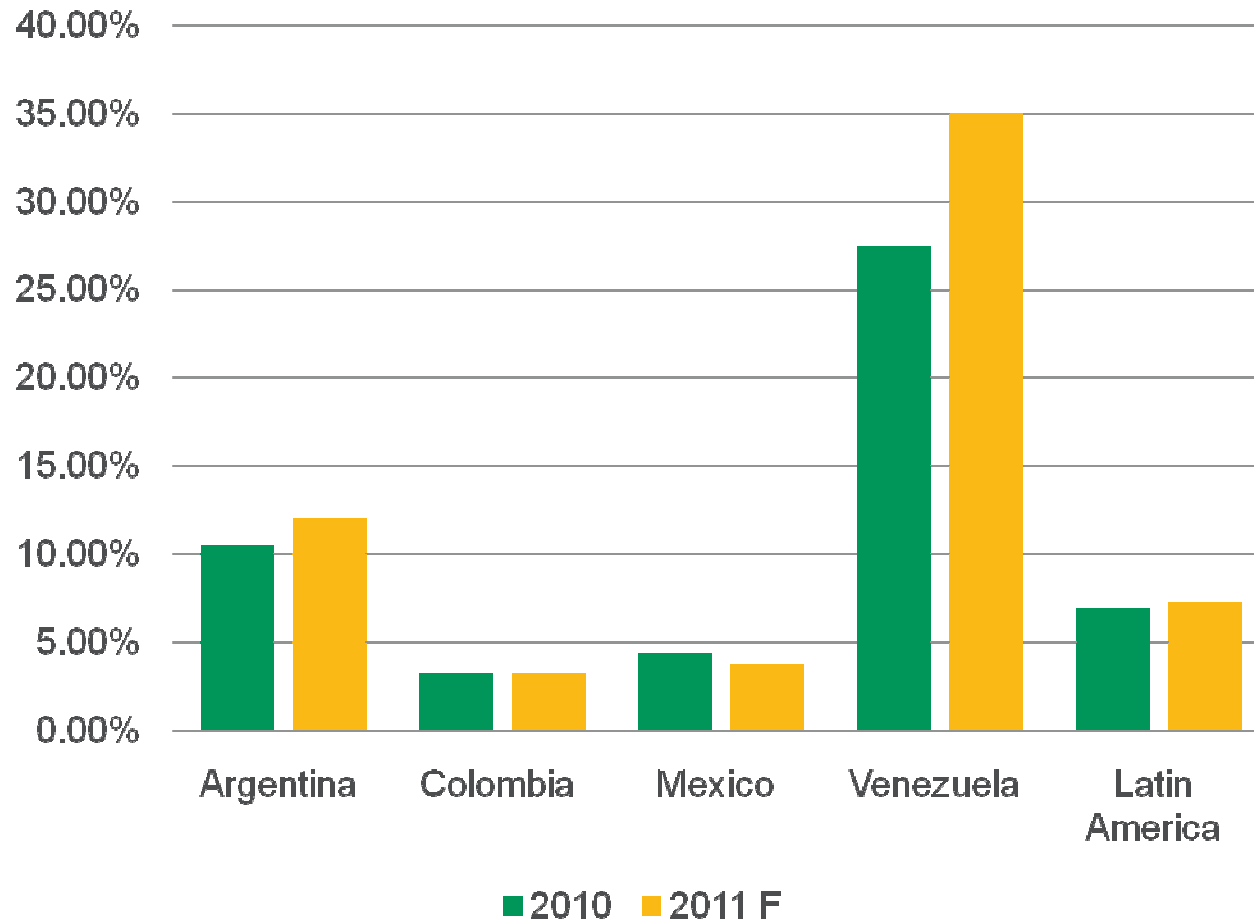
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# Latin American Economic Overview

# Selected LATAM: GDP Growth

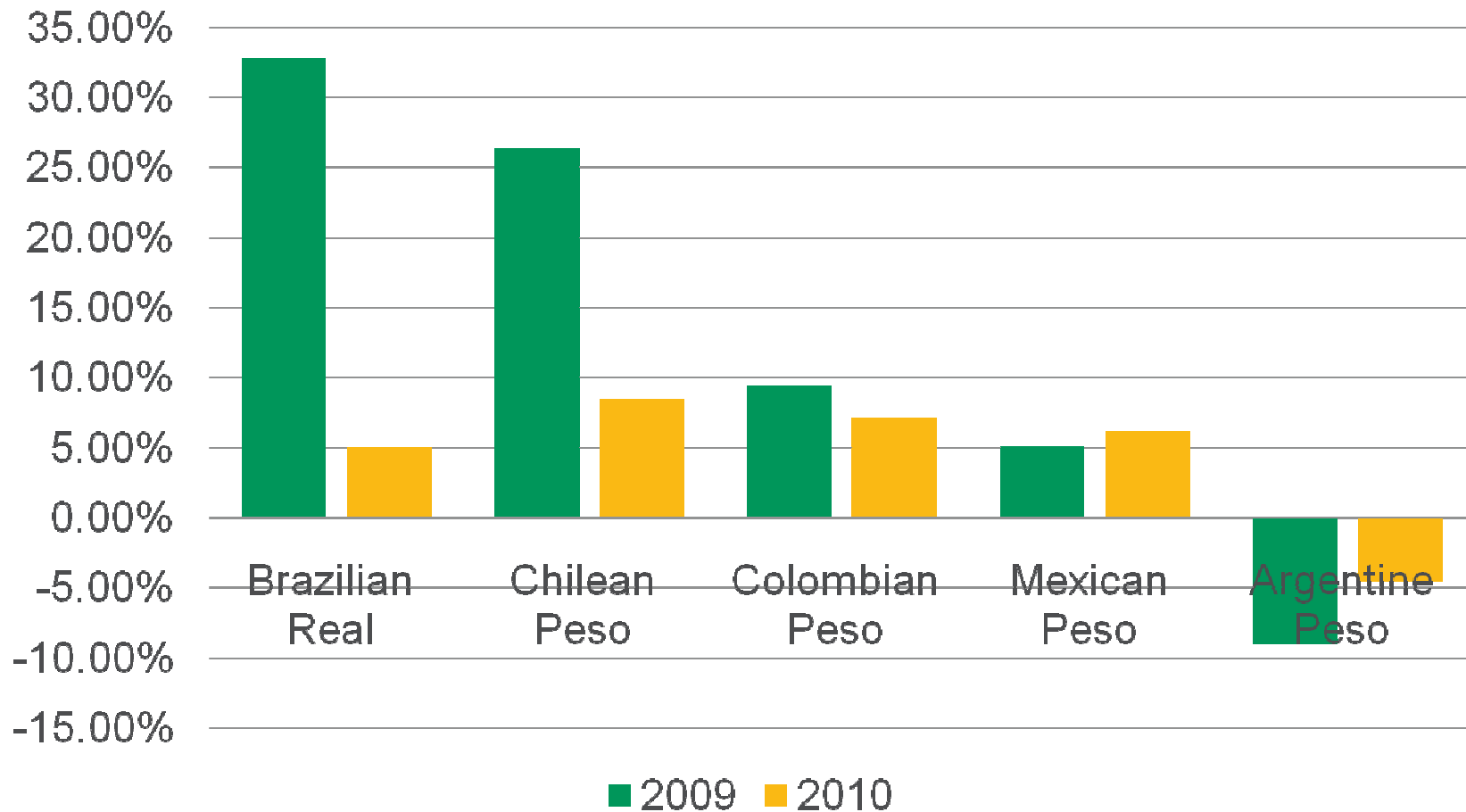


# Selected LATAM Inflation



	Inflation Target (%)
Brazil	4.5 ( $\pm$ 2)
Colombia	3 ( $\pm$ 1)
Mexico	2 ( $\pm$ 1)

# Selected LATAM Currencies Performances



# Outlook for the LATAM Region

- Rebound in commodity prices should improve fiscal positions of the Latin America countries as this is their primary export. This will keep credit spreads low for 2011.
- However, with increasing growth in the region, there will be inflation and this could lead to higher domestic interest rates in the region increasing the possibility of appreciating currencies.
- Most Latin American economies are highly dependent on the pace of recovery in the US and the return of the US consumer to the market to increase demand of commodities and agriculture.



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# Conclusions

# Main Points of Focus – Thoughts for 2011

- Very Low Probability of Double Dip Recession in the US
- The US to experience a gradual jobless recovery as the housing market and credit demand remains weak
- Inflation to remain low for advanced economies while higher in the EMs
- Interest rates are likely to remain low amid uncertainties in the advanced countries, but tighter policies expected in the EMs
- Sovereign debt crisis expected to be contained in the European region, but economic activity to remain unbalanced in the region
- Exchange Rate volatility to continue, but EM currencies to outperform. Long term trend for US dollar to depreciate based on fundamentals.

# THANK YOU

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