

## ING's 2021 Global Outlooks

As this turbulent year draws to a close, we look back at the year everything changed and focus on what to expect from markets and world economies in our 2021 Global Outlooks. We hope you enjoy our cross-asset analysis and for more broad country coverage, visit our special 2021 hub

[\\*\\*Please note that these 2021 Outlooks have been published earlier, and can be found on ING THINK\\*\\*](#)

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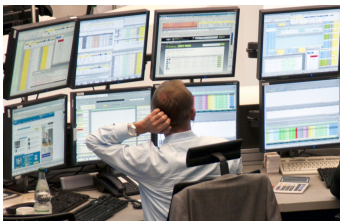
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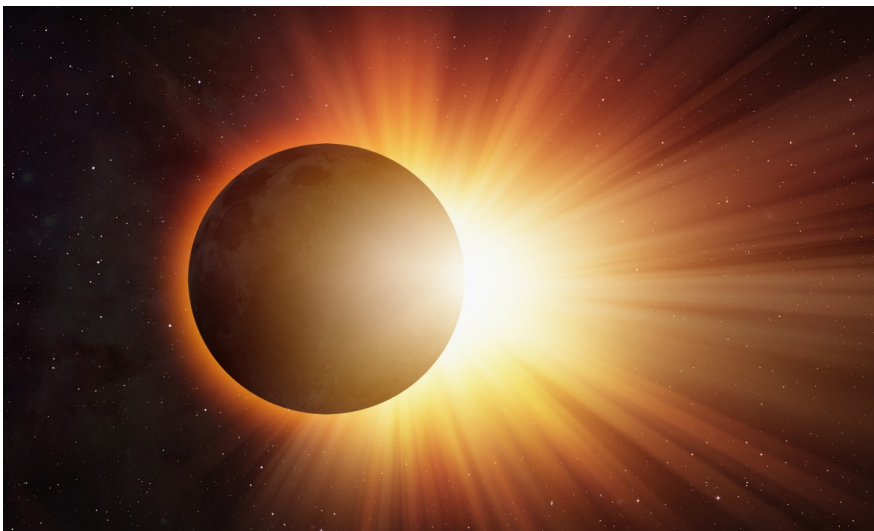
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# Global Macro Outlook 2021: The darkness before the dawn

What a year! As this wild and turbulent year draws to a close, we look back on how Covid-19 has sent the global economy into the worst slump in a century and focus on what to expect beyond lockdowns, the virus and the vaccine in 2021



Source: Shutterstock

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# 2021 FX Outlook: Back on Track

2021 will be the year that FX markets get back on track, as the gravitational pull of the dollar fades. We forecast the dollar to broadly decline in 2021 - generally by 5-10% against most currencies



Source: Shutterstock

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# Commodities Outlook 2021: Let the good times roll

The coronavirus crisis wreaked havoc across the commodities complex in 2020. However, we're already seeing a remarkable recovery which began in the second half of the year. We expect this will strengthen still in 2021 as the global economy recovers from Covid-19



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# EM Credit Outlook: Risky Business

We are constructive on emerging markets; a weaker dollar, only mild rises in core rates and robust inflows present solid underpinnings. But, when collective deficits are at 10% of GDP, we need to pay attention to future debt dynamics. Not in focus right now, but likely will become a focus in the coming years. We explore this and more, by country



## Executive Summary

It's a sit up and pay attention moment when emerging markets run a collective fiscal deficit of some 10% of GDP. Eye-watering stuff that pushes the aggregate emerging markets debt/GDP ratio above 60%. That is a level that emerging market debt should not be above, but such is the effect of the 2020 crises that in fact an average of 70% of GDP is probable in the medium term. Therein lies the biggest risk for emerging markets, one that will be ever present in the coming decade. We explore further and assess the risks.

Given that context, our constructive stance on emerging markets has a focus just on the immediate few quarters, where we view the emerging space as one that aligns in a net positive sense, just about. The year ahead should see the US dollar remain on a weakening trend, a circumstance that cushions emerging market economies in many ways. It is also a year in which there will be some upward pressure on core rates, but not too much. This is a goldilocks combination, as there is a needed reflection and global growth underpinning, but no big bad bear market for core bonds.

To make money in emerging markets, risk must be taken though. Not a new theme, but in 2021 it

is very apt. It is in the high yielders where value can be gleaned. This is applicable in both the local currency and hard currency spaces. We think that risk adjusted returns are tolerable enough to pan them as the way to go in the next few quarters. But having to go out the credit curve for returns is fraught with added risk. It needs to be balanced with a rolling strategy, on tight stops where applicable.

The low yielding emerging markets offer very little apart from a vanilla low yielding rolldown play that remains vulnerable to any outsized upside to core US dollar rates. There are many places to hide in low yielding EM, but very few to make decent alpha. Even risk adjusted based off current volatility does not tell the full story here, as future volatility can spike, as it most probably will at some point.

Better then to be positioned in selected product that provides a decent cushion of spread, ensuring that the implied breakeven in the spread is not breached too easily.



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# Rates Outlook 2021: Money for nothing

Our outlook for rates in 2021 is relatively optimistic. That said, there are numerous drags that will contain those market rates. A large debt overhang is one. Pushing in the other direction is re-pricing from heavy supply and a potentially jumpy inflation dynamic



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# Banks Outlook 2021

The pandemic brought banks a renewed sense of purpose in 2020: providing liquidity to the real economy. Helped along by accommodative monetary and government policies, banks have indeed played their part in the crisis response. Going into 2021, the delayed impact of the pandemic will make itself felt



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