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Our answers to December's big questions

The US has been the main engine for growth in the global economy but things are changing. Growth expectations across Europe, Japan and emerging markets have been revised up but inflation rarely gets a mention.

Executive summary

There is a wave of optimism on activity and jobs but inflation remains the elephant in the room.

Markets are tentative on the prospect for higher interest rates and given the improving growth story, this could be a risk, particularly for bond markets next year.

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