RBC Global Asset Management

# Economic outlook

NEW YEAR 2022

## Headwinds slow recovery

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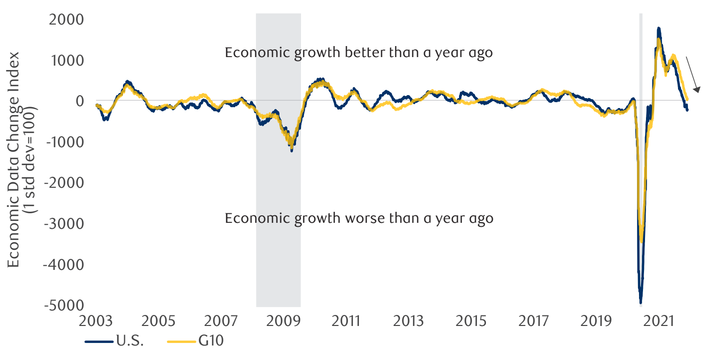
Several headwinds are slowing or threatening to slow economic growth (Exhibit 1). A new, more contagious coronavirus variant could undermine economic activity for the next few quarters. Inflation remains problematically high. Supply chains are still hobbled, if beginning to improve slightly. China's property-market slowdown also continues. Finally, central banks are becoming more hawkish and fiscal supports are becoming less generous. More generally, growth is becoming less buoyant as economies near their potential.

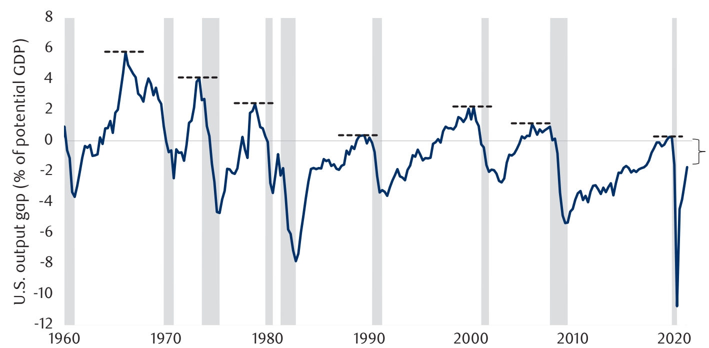
Despite these adverse forces, an economic recovery of sorts should persist into 2022, albeit at a diminished clip relative to 2021 (Exhibit 2). Two key underlying drivers of growth remain resilient. Consumers have accumulated a high level of liquid savings and have low financial obligations. This puts them in a position to spend more, especially as supply-chain problems are resolved. Simultaneously, businesses have expressed a desire to rebuild their inventories and have bold plans for capital expenditures.

### Exhibit 1: Economic growth deteriorating globally




Note: As of Dec. 2, 2021. Shaded area represents U.S. recession. Source: Citigroup, Bloomberg, RBC GAM

### Exhibit 2: There's still room for catch-up growth in coming year




Note: As of Q3 2021. Shaded area represents recession. Source: CBO, Macrobond, RBC GAM

From an investment perspective, we recommend a modest reduction in the allocation toward equities. This is in response to the aforementioned slowing economic growth, alongside an advancing business cycle, fairly full equity valuations and cautious technical signals. Nevertheless, the recommended equity weight remains above a neutral setting, consistent with the view that a continuation of the economic recovery should support further equity gains.

## The next pandemic wave

The COVID-19 pandemic has recently become more challenging in two disparate ways.

The first and ultimately more minor consideration is that COVID-19 infections have been rising in the developed world for a few months (Exhibit 3).

This new wave is seemingly the result of the highly contagious Delta variant taking advantage of colder weather in the northern hemisphere, reopened schools, fewer social-distancing restrictions and waning immunity. The deterioration is particularly intense in Europe, though is by no means restricted to the continent (Exhibit 4). Cases are also edging higher in the U.S. and Canada.

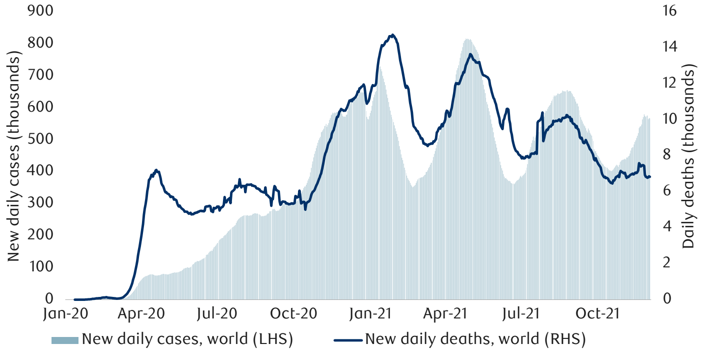
This problem will resolve with time as the weather becomes warmer in a few months and as the widespread vaccination of younger children in developed countries and the delivery of booster shots bolster immunity.

The latest wave, mostly the result of the Delta variant, will have only a modestly negative impact on economic growth due to the mildly tighter social distancing restrictions that have accompanied it (Exhibit 5).

However, the second, more recent, virus-related development could be far more serious. A new Omicron variant appears to be more contagious than any previous strain (albeit perhaps less deadly), is probably more resistant to vaccines and is reportedly better at re-infecting people. It has spread rapidly across southern Africa, and is now surfacing in many other regions.

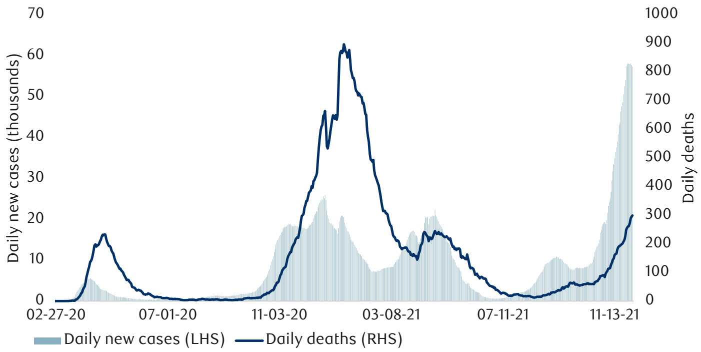
There are a number of ways this development may evolve. If the variant is truly more infectious, a further significant wave of infections is likely.

### Exhibit 3: Global COVID-19 cases have risen since early fall



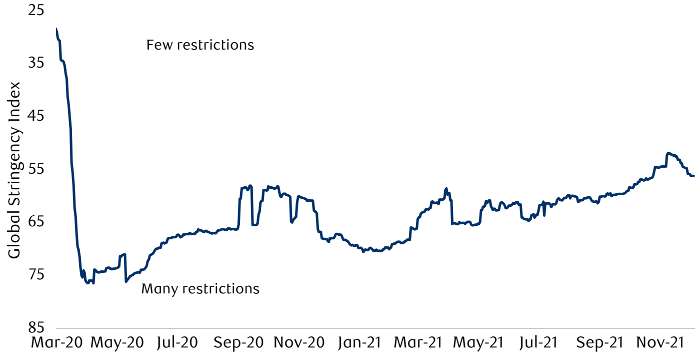

Note: As of Dec. 3, 2021. 7-day moving average of daily new cases and new deaths. Source: WHO, Macrobond, RBC GAM

### Exhibit 4: Germany reported record COVID-19 infections in latest wave




Note: As of 12/3/2021. 7-day moving average of daily new cases and new deaths. Source: WHO, Macrobond, RBC GAM

### Exhibit 5: Global Stringency Index has tightened




Note: As of Dec. 5, 2021. Global Stringency Index measuring the strictness of lockdown policies that restrict mobility, calculated as stringency index of 50 largest economies. Sources: University of Oxford, IMF, Macrobond, RBC GAM

Vaccine makers indicate they can modify their formulas to better target the Omicron variant if this proves necessary, but the process of formulation, testing, approval, manufacturing and distribution is likely to take a number of quarters to restore a high level of population-wide protection.

In a negative scenario, an especially large wave could significantly impede economic growth, potentially to the point of reducing output by multiple percentage points for a period of a few quarters.

In our base-case scenario, a more moderate wave subtracts up to one percentage point of output over a similar period. This is a bigger hit than from the Delta variant, but not dissimilar to the late-2020 wave, and far less than the damage from the original wave.

A best-case scenario could occur if the Omicron variant is more infectious but significantly less deadly. This would allow the variant to outcompete more dangerous variants, accelerating the world toward some semblance of herd immunity without an unacceptable loss of life. Such a scenario could even add something to economic growth to the extent the virus would burn out more quickly. That said, the supply of labour would be temporarily reduced as large numbers of infected people would have to isolate.

As a possible Omicron wave approaches, several more granular thoughts are also useful:

- China could be more adversely affected than many other countries from an economic standpoint purely due to its zero-tolerance policy toward the coronavirus, an approach that could require widespread lockdowns to maintain and, in turn, exacerbate supply-chain problems.
- While vaccine passports and mandates have largely supplanted blunter and broader restrictions in recent months, a major new wave of infections might well require a return to more forceful restrictions. Europe, notably Austria and Germany, is already travelling down this path in response to a surge in cases.
- From a sector perspective, travel and high-touch service activities such as accommodations and food services are naturally most at risk, consistent with prior waves.
- To the extent that the Omicron variant is reported to be particularly adept at breaking through the natural immunity developed in prior infections, countries like the U.S., with a low vaccination rate and a high infection rate, would be particularly vulnerable. Many poorer nations would be in a similar position.

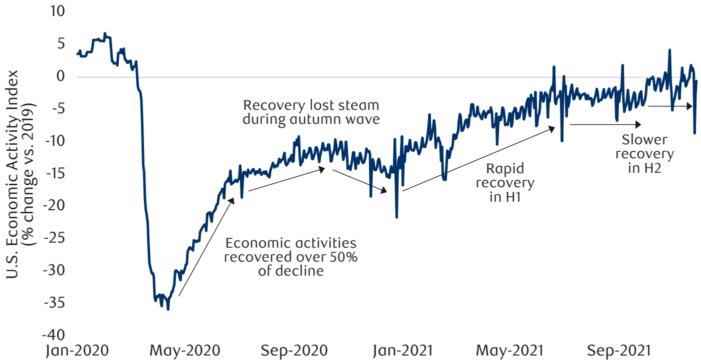
## Economic deceleration

Economic growth has slowed significantly from the first half of 2021 (Exhibit 6) and we expect a further deceleration over the year ahead. This should translate into around 3.5% growth for most developed nations in 2022 (Exhibit 7). This growth rate is diminished relative to 2021, but nevertheless nearly twice the pre-pandemic norm and consistent with an extension of the economic recovery.

Several considerations support this faster-than-normal growth prognosis. There is still some natural buoyancy left in the economy given that activity remains below theoretically sustainable levels. Put differently, unemployment has further room to decline and some business sectors can still expect to reclaim lost activity.

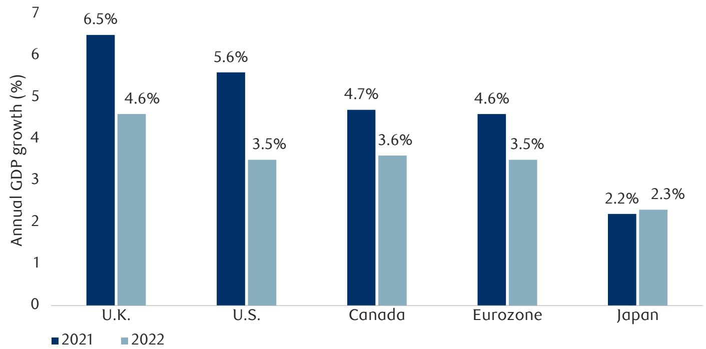
Turning to the major components of the economy, households have accumulated significantly more savings than normal over the past few years (Exhibit 8) and also now enjoy lower financial obligations than usual. Some of this may be converted into spending, especially after supply-chain problems ease. It is a similar situation with businesses: they express enthusiasm for making major capital expenditures (Exhibit 9) and rebuilding inventories (Exhibit 10).

### Exhibit 6: Decelerating economic recovery



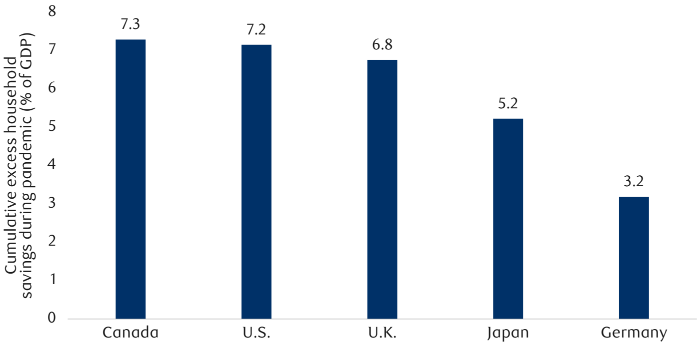

Note: As of Nov. 27, 2021. Economic Activity Index is the average of nine high-frequency economic data series measuring the percentage change versus the same period in 2019. Source: Bank of America, Goldman Sachs, OpenTable, Macrobond, RBC GAM

### Exhibit 7: RBC GAM GDP forecast for developed markets



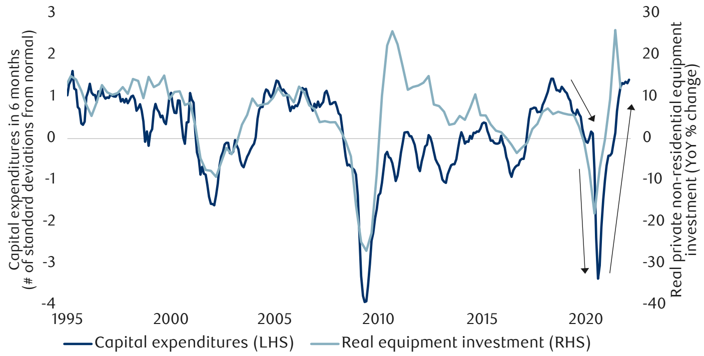

Note: As of 11/30/2021. Source: RBC GAM

### Exhibit 8: Considerable excess household savings due to pandemic



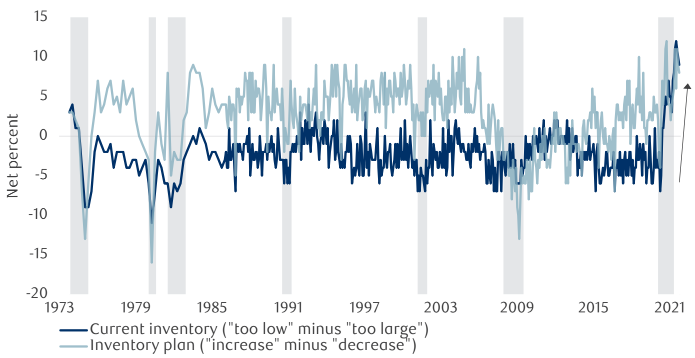

Note: As of Sep 2021 for U.S.; Q3 2021 for Canada and Germany; Q2 2021 for Japan and U.K. Cumulative excess savings vs. 2019 average since March 2020. Source: Macrobond, RBC GAM

### Exhibit 9: U.S. capex expectations rise in the wake of the pandemic



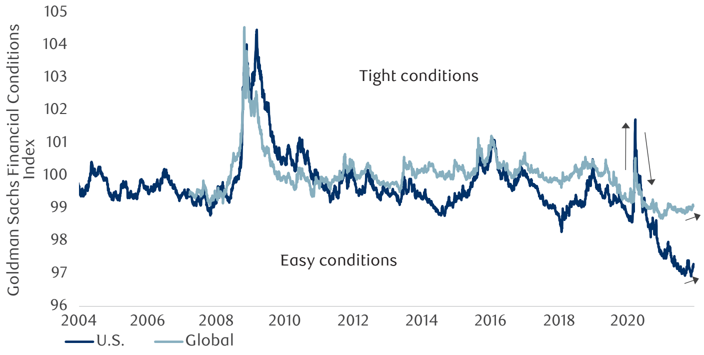

Note: Capital expenditures in 6 months (Nov 2021, in 3-month lead) are 3-month moving average of an aggregate of normalized indicators of future capex from surveys on manufacturing and non-manufacturing firms conducted by NFIB, the Federal Reserve Bank of Chicago, Dallas, Kansas City, New York, Philadelphia, and Richmond. Real equipment investment as of Q3 2021. Source: Haver Analytics, RBC GAM

### Exhibit 10: U.S. businesses plan to build inventory




Note: As of Oct 2021. Shaded area represents recession. Source: NFIB Small Business Economic Survey, Haver Analytics, RBC GAM

### Exhibit 11: Financial conditions still extremely stimulative but starting to tighten

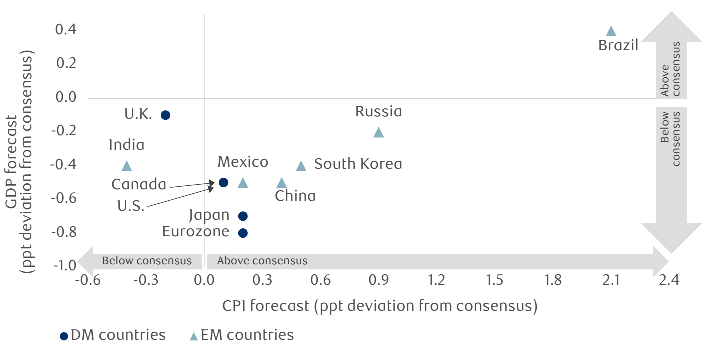



Note: As of Dec. 1, 2021 for U.S., 11/30/2021 for global. Source: Goldman Sachs, Bloomberg, RBC GAM

Financial conditions remain quite friendly to consumers and businesses even as central banks tighten monetary policy by pulling back on bond buying and laying the groundwork for a gradual rise in interest rates (Exhibit 11).

All of this is to say that, absent headwinds, the 2022 growth outlook would be pretty "fantastic." However, there are several headwinds that dial back the outlook down to "good" on an absolute basis, and potentially somewhat disappointing relative to what the consensus has priced in (Exhibit 12).

### Exhibit 12: RBC GAM forecasts vs. consensus for 2022




Note: Deviation measured as difference between RBC GAM forecast (Nov. 30, 2021) and consensus forecast (Nov 2021). Source: Consensus Economics, RBC GAM

There are six headwinds to consider:

**1**

Another wave of COVID-19 infections appears to be on the way, and potentially of a fairly significant magnitude if Omicron lives up to its early billing. This does non-trivial economic damage.

**2**

Inflation is at its highest level in several decades, and hasn't begun to ebb in any significant way. This exacts a toll on economic growth.

**3**

Supply chains, while improving somewhat, are still dysfunctional and restricting economic activity.

**4**

China's economic slowdown, driven disproportionately by a cooling housing market, has negative implications not just for the country but for the world.

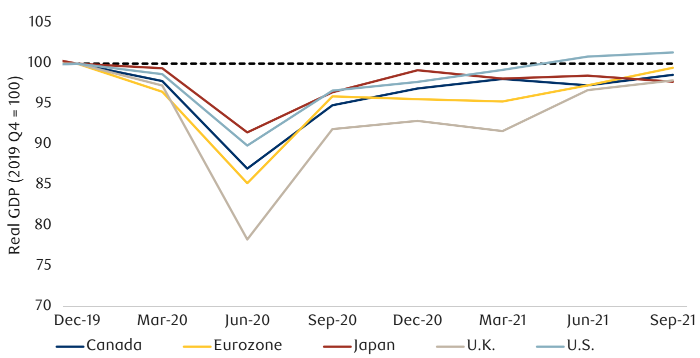
**5**

Monetary policy is becoming less generous, and fiscal policy, despite further spending initiatives, is set to exert a significant drag on 2022 growth.

**6**

While there is still some buoyancy remaining in the economy as some sectors still scramble to return to normal levels of activity, a great deal of this normalization has already occurred, dulling the pace of growth (Exhibit 13).

### Exhibit 13: Room for further economic recovery




Note: As of Q3 2021. Source: Macrobond, RBC GAM

These adjustments yield a below-consensus view, and one that is supported by the fact that the consensus forecast has been declining for some time (Exhibit 14) and economic surprises have been mostly negative lately.

Most of these factors are also applicable to emerging-market economies, resulting in broadly softer and below-consensus GDP forecasts there, too (Exhibit 15).

Canada has a further headwind to consider: in late November major flooding in British Columbia cut the country's most important port off from the rest of the country. Significant damage will likely be visible in fourth-quarter GDP, followed by a rebound in early 2022.

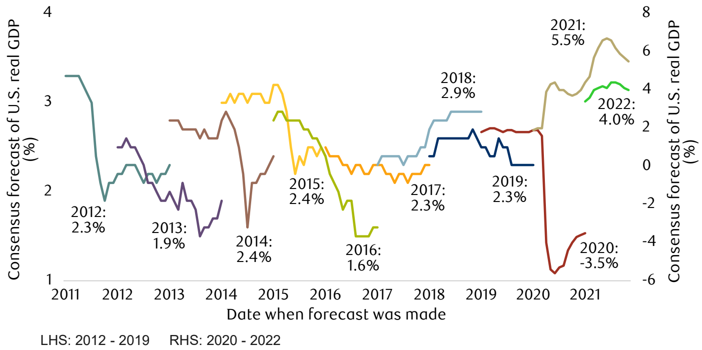
## Supply-chain woes

Supply-chain problems remain intense. While the supply of goods has been modestly constrained by Asian pandemic waves, power outages and a decline in migrant factory workers, the main story is one of unusually strong demand. Shipping from Asia to North America is a remarkable 27% higher than it was before the pandemic. Shippers and suppliers have struggled to keep pace, resulting in inventory shortages and higher goods prices. These problems have arguably been most intense in the U.S., though the U.K. has also felt a disproportionate impact.

Fortunately, supply-chain problems may be starting to improve, and we have become somewhat less pessimistic on the supply-chain outlook in recent months. The cost of shipping goods, while still extremely high, has begun to fall (Exhibit 16). Similarly, manufacturers report that supplier deliveries are starting to arrive more dependably (Exhibit 17).

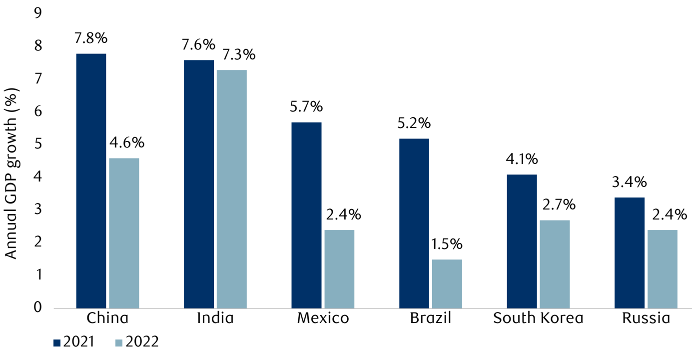
It makes sense that supply-chain problems are peaking. With the holiday shopping season in full swing and products in stores, the shipping pinch has already come and gone. Once the consumer-oriented Chinese New Year ends in early February, there should be a further slackening of demand. For both of these reasons, consumer spending usually softens in the first quarter of the year, allowing supply chains to catch up.

### Exhibit 14: U.S. consensus growth forecast declining



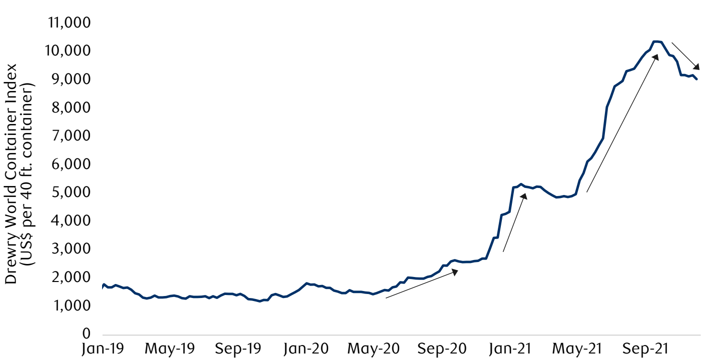

Note: As of Nov 2021. Source: Consensus Economics, IMF, RBC GAM

### Exhibit 15: RBC GAM GDP forecast for emerging markets



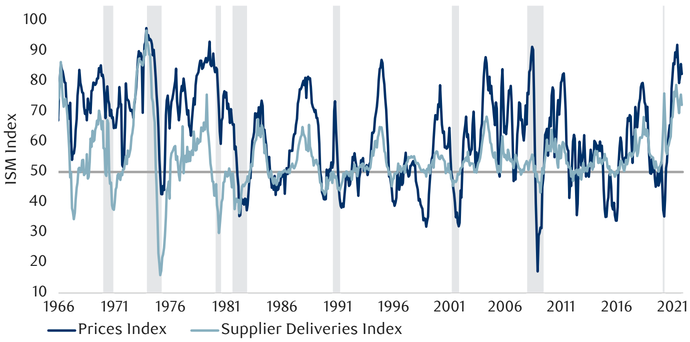

Note: As of Nov. 30, 2021. Source: RBC GAM

### Exhibit 16: Shipping costs falling but still elevated




Note: As of the week ended Dec. 2, 2021. Source: Drewry Supply Chain Advisors, RBC GAM

### Exhibit 17: U.S. manufacturers complain slightly less about suppliers and prices




Note: As of Nov 2021. Shaded area represents recession. Source: ISM, Haver Analytics, RBC GAM

That said, notable if diminishing supply-chain frictions should persist across 2022. One problem is that supply chains aren't built with much slack or redundancy. Further, there isn't much incentive for shipping companies to permanently expand their capacity when the additional demand is probably temporary.

The second issue is that modern goods are built with many materials and parts sourced from different places. It takes just one missing input for a product to go unfinished. Computer-chip shortages, for instance, largely explain the sharp drop in car production. Third, the pandemic has unleashed permanent changes in demand including a greater appetite for electronic products that will require more chip-fabrication plants. All of this is to say that some supply-chain induced price pressures will persist.

Of course, considerable uncertainties remain. Another major wave of infections over the coming months could again damage supply chains, especially given China's zero-tolerance policy for infections. Conversely, consumers could abandon their recent infatuation with goods and return to previously neglected services, leading to the resolution of supply-chain problems more quickly than expected.

## High inflation

The rate of inflation increased even further over the past quarter, and is now in the range of 4% to 6% in most developed nations. These are extraordinary levels not encountered in decades. There are several reasons for

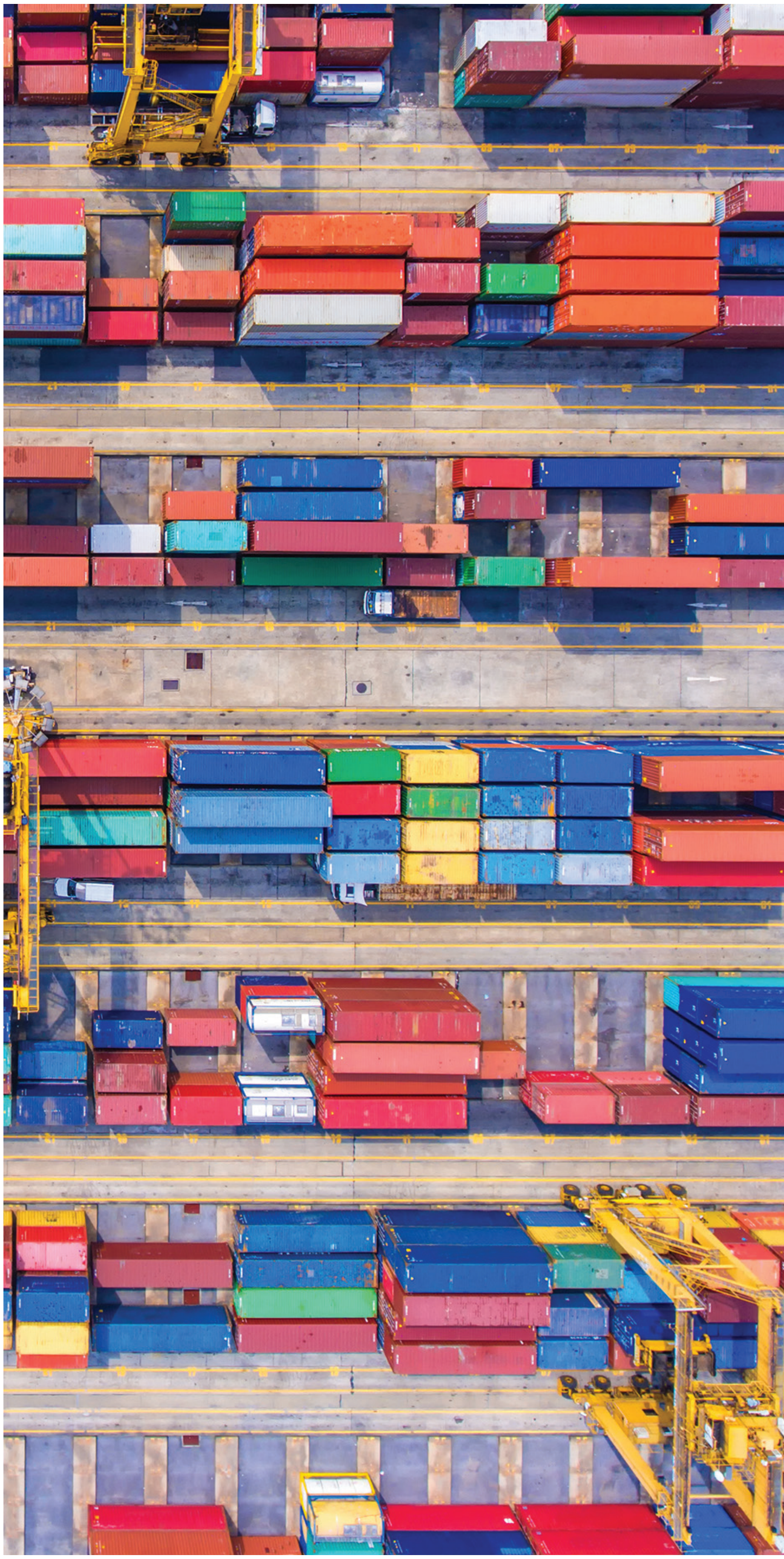
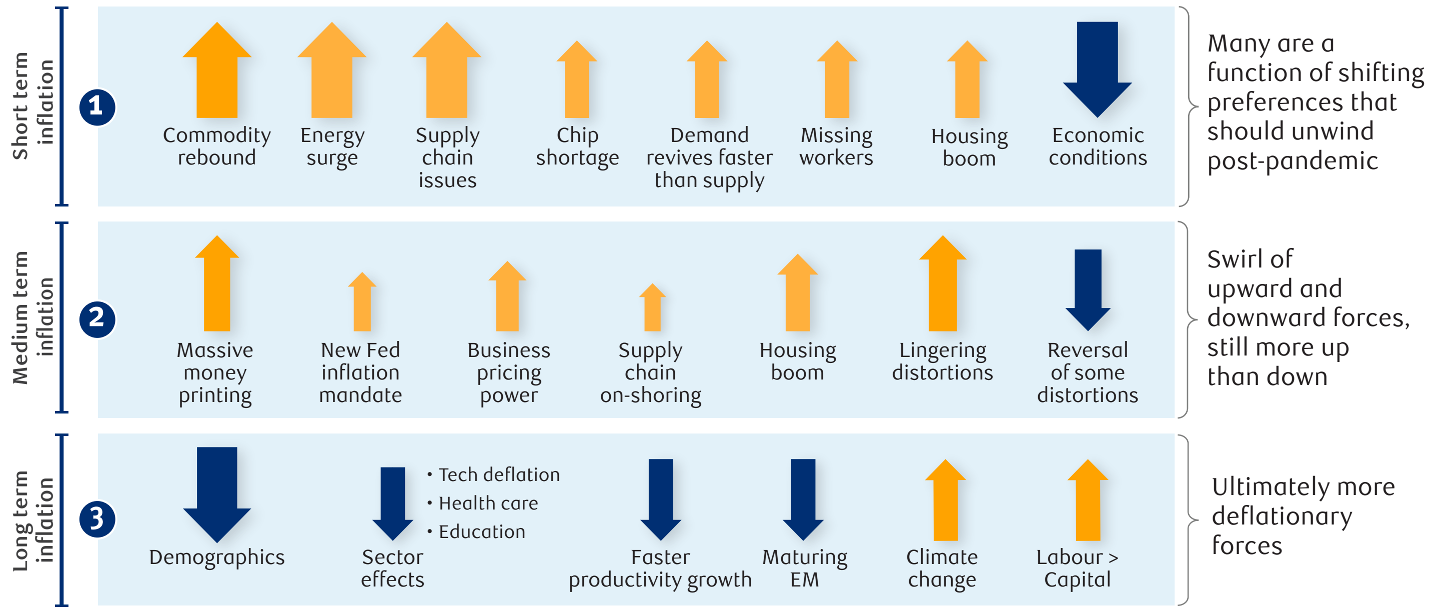


**Exhibit 18: Inflation to be quite high in short term, a little high in medium term, normal to low in long term**




Note: As of Nov. 4, 2021. Source: RBC GAM

this bout of high inflation, with most representing some variation on the theme of economic demand snapping back more quickly than supply (Exhibit 18). This effect can be seen in higher commodity prices, insufficient workers and a shortage of any number of goods. Also, the early-pandemic housing boom is now beginning to show up in consumer price indexes via higher rents.

Our research finds that U.S. inflation tends to pick up before it does in other countries. This means that the Eurozone and Japan may continue to experience price pressures for several months after the U.S. has peaked.

In the short run, it doesn't pay to bet against further high inflation. Inflation indicators have repeatedly been higher than expected, and real-time measures remain hot (Exhibit 19). Our forecasts remain above the consensus.

**Exhibit 19: Global inflation surprises skyrocket after end of initial lockdowns**


Note: As of Nov 2021. Source: Citigroup, Bloomberg, RBC GAM

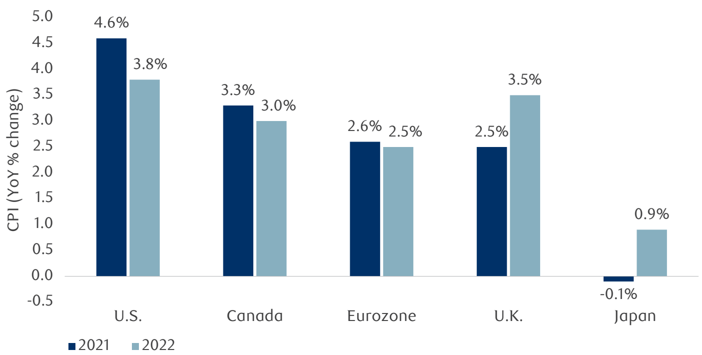
Over the coming year, inflation should decline, but probably not all the way to normal (Exhibit 20). While supply-chain pressures will likely fade and we budget for lower oil prices over the coming quarters as oil production rebounds (Exhibit 21), other inflation pressures may persist or even intensify.

Central banks have printed a lot of money and are broadly more indulgent of higher inflation. Higher home prices have yet to fully be reflected in inflation readings.

Inflation pressures have broadened (Exhibit 22), and no longer emanate solely from rising gasoline and car prices. This suggests it is no longer as simple as taming those two sectors for inflation to come back down.

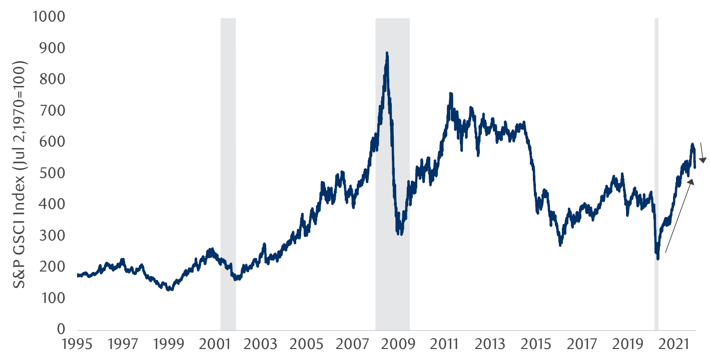
Additionally, we expect robust wage growth over the coming year in many parts of the world: workers have noticed the recent increase in their cost of living and – unusually – are in a strong position to demand higher wages given the tightness of the labour market (Exhibit 23).

### Exhibit 20: RBC GAM CPI forecast for developed markets



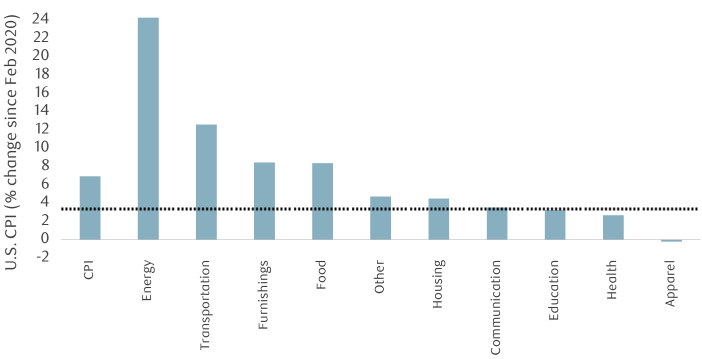

Note: As of Nov. 30, 2021. Source: RBC GAM

### Exhibit 21: Commodities rallied but oil-price strength may fade



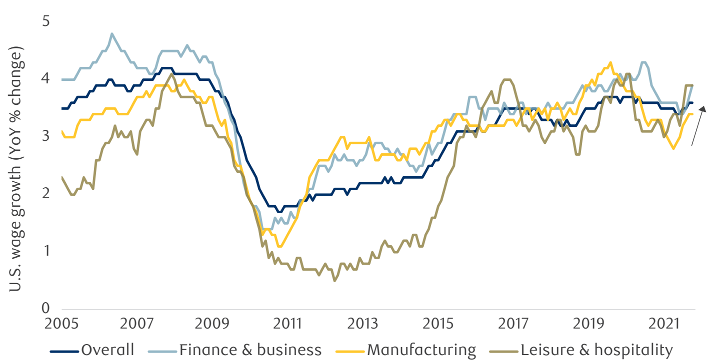

Note: As of Dec. 2, 2021. Shaded area represents recession. Source: S&P, Haver Analytics, RBC GAM

### Exhibit 22: Inflation has outpaced normal rate for many categories




Note: As of Oct 2021. Dotted line represents the cumulative % change since Feb 2020 if inflation grows at annual rate of 2%. Source: BLS, Haver Analytics, RBC GAM

### Exhibit 23: Wage growth has been fairly robust, with further pressures to come




Note: As of Oct 2021. 12-month moving average of median wage growth. Source: Federal Reserve Bank of Atlanta, Haver Analytics, RBC GAM

Lastly, businesses have expressed their intention to pass higher costs to consumers (Exhibit 24). In short, while inflation will likely fall over 2022, it may not return all the way to normal 2.0% readings.

Despite all of this, we remain firm in our conviction that high inflation is cyclical rather than structural. Over the long run, after the pandemic dust has settled, normal inflation readings should eventually prevail. We even highlight the risk that inflation over the long term could be lower than normal as adverse demographics (Exhibit 25) could outmuscle the structural inflationary pressures emanating from climate change and the rising clout of workers relative to businesses.

## Chinese housing headwinds

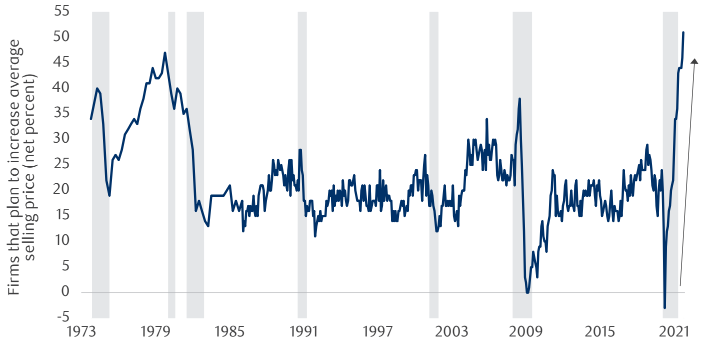
The Chinese economy slowed significantly over the past several months as problems in the housing market boiled over. Prompted in significant part by stricter housing-market rules, several major Chinese homebuilders including Evergrande have run into financial distress, missing bond payments and scrambling to address liquidity problems by selling off portions of their businesses.

It remains unclear whether these liquidity issues could eventually morph into solvency problems, but either way the entire sector is now cooling. The Chinese credit impulse has turned negative, construction has fallen and demand for properties is also notably lower (Exhibit 26).

Given that the housing market accounts for around 25% of Chinese economic activity, this dip limits economy-wide growth. Simultaneously, China has engaged in a largely technology-focused regulatory crackdown over the past several quarters, supply-chain problems are limiting Chinese production, the country has struggled to secure sufficient energy to power its electrical grid, and China's aging population is a challenge for the years ahead.

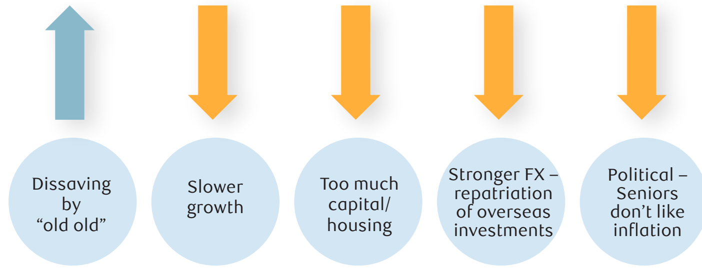
As a result, we forecast that Chinese economic growth will be below 5% in 2022, a below-trend rate of growth. Given that China is responsible for around a quarter of global growth, this weighs on global growth as well.

### Exhibit 24: Record high fraction of U.S. businesses planning to raise prices



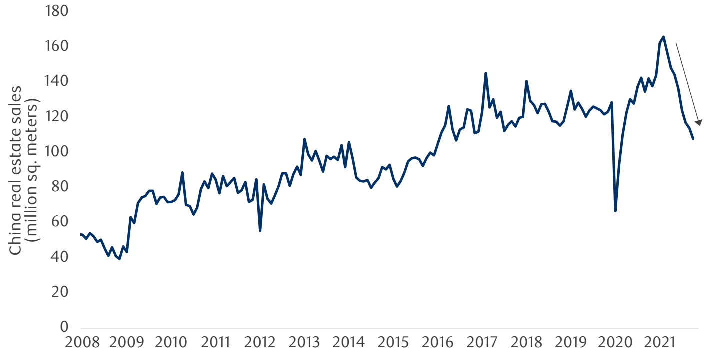

Note: As of Oct 2021. Shaded area represents recession. Source: NFIB Small Business Economic Survey, Haver Analytics, RBC GAM

### Exhibit 25: Deflationary forces from adverse demographics




Note: As of Nov. 10, 2021. Source: RBC GAM

### Exhibit 26: China's real estate market depressed by latest reforms




Note: As of Oct 2021. Floor space sold monthly in square meters. Source: Haver Analytics, RBC GAM

Fortunately, we do not foresee an outright economic disaster unfolding in China. The country is very good at resolving debt excesses, and so the recent housing-market woes are probably not China's "Lehman moment" (meaning a financial crisis is unlikely). Other comparisons to Japan's bust in the early 1990s offer some parallels – similar housing excesses, rising debt and deteriorating demographics. But there are also important differences in the form of China's better policy response and the fact that China still has plenty of room to catch up to developed-world living standards. Yes, China may be leaving behind its halcyon days of 7% and 8% annual growth, but this doesn't mean it is suddenly stuck with Japan's 1% pace. Monetary policy remains likely to become more supportive as the country seeks to steady growth.

China's success at keeping the pandemic at bay has not been cost-free. The country has had to repeatedly lock down neighbourhoods, factories and ports when even minor outbreaks were detected. This could be a significant disadvantage for China if the Omicron variant proves to be as infectious as feared.

## Less generous policy supports

Government support is set to become less generous across the developed world in 2022 (Exhibit 27).

Central banks are scaling back the rate of their bond purchases, or have ended these initiatives altogether, as in the case of the Bank of Canada. The U.S. Federal Reserve is on track to halt its purchases around the middle of 2022, and it has said it will consider accelerating the process.

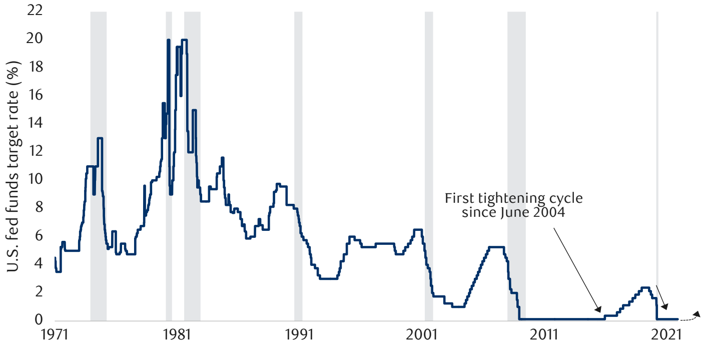
Rate hikes are now anticipated for most developed-world central banks in 2022. The bulk of the tightening should be delayed until the second half of the year, but some exceptions are possible. Markets have scrambled to price in additional tightening over the past several months (Exhibit 28), motivated by high inflation.

Even so, plenty of stimulus remains in place. Not only are central-bank balance sheets still very large, but policy rates remain at extraordinarily low settings.

We continue to anticipate less tightening than imagined by financial markets. Supply-chain problems should become less intense and growth should decelerate over the coming year. What constitutes a normal interest rate is very low in a high-debt world, meaning central banks don't have all that far to travel before policy tightening will begin to pinch growth.

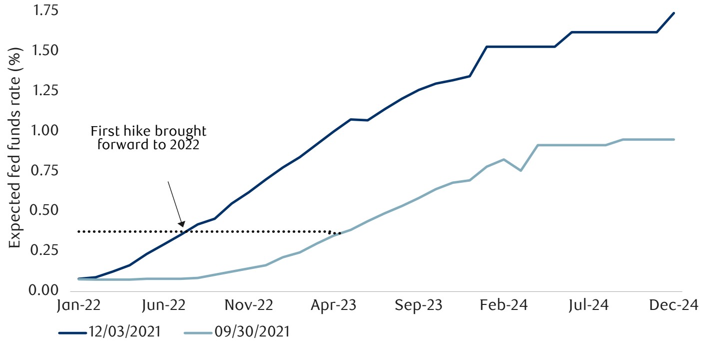
With regard to fiscal policy, no amount of infrastructure spending or other initiatives in 2022 can match the explosion of economic support that was ignited in 2020 and 2021 during the worst of the pandemic. As such, even though we budget for a further round of U.S. spending initiatives and see many other countries making campaign promises

### Exhibit 27: U.S. fed funds rate low but to rise over next few years




Note: As of Dec. 2, 2021. Shaded area represents recession. Source: Federal Reserve Board, Macrobond, RBC GAM

### Exhibit 28: More hawkish Fed moves up the timing of first hike




Note: As of Dec. 3, 2021. Source: Bloomberg, RBC GAM and delivering expansive budgets, the coming year is set to experience a fiscal drag simply because that support will be smaller than in the prior few years (Exhibit 29). Looking further ahead, U.S. fiscal initiatives may become considerably scarcer in 2022 and beyond as the midterm elections are on track to deliver a divided Congress.

We continue to budget for a broadly weaker U.S. dollar over the coming year. This outlook is based on the greenback's current expensive valuation and the fact that U.S. dollar bear markets have historically lasted longer than the current one. By extension, we look for a stronger euro, pound, yen and Canadian dollar.

## Longer-run considerations

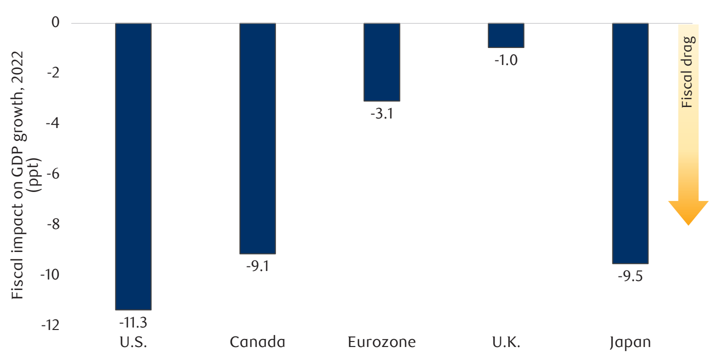
Looking beyond the coming year, several further trends and themes will become relevant.

Our latest business-cycle analysis finds that the U.S. economy has advanced from early cycle to mid cycle (Exhibit 30). This is a fairly benign development in several ways. A mid-cycle economy is associated with solid growth, and suggests that the current cycle has considerable time left to run. Indeed, our various recession models continue to indicate that the risk of a recession is fairly low in the year ahead.

However, the cycle has been advancing unusually quickly, which raises the possibility that it may continue to move briskly through its remaining phases. This could result in something like a five-year cycle. That would be a contrast to the prior two, which lasted closer to a decade each. Further, risk assets like stocks tend to perform best when the cycle is young. A mid-cycle reading is still entirely consistent with moderate equity gains, but not the explosive returns frequently achieved at the start of a cycle.

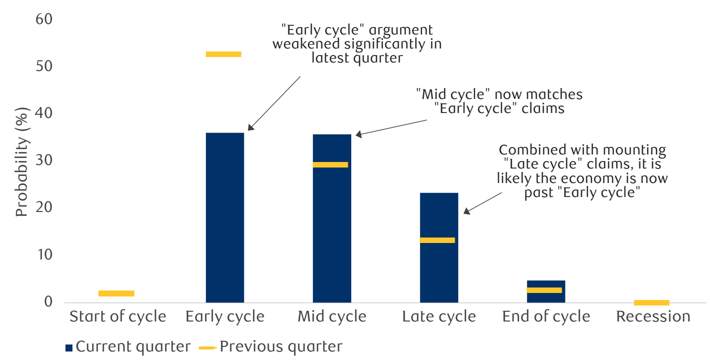
When the pandemic eventually abates, the implications will vary considerably by sector. Some sectors of the economy are already operating at normal levels – including health care and financial services – and so won't get much of a boost. Conversely, many high-touch service sectors – including arts, entertainment and recreation – should enjoy a considerable leap as they recover a great deal of remaining lost ground (Exhibit 31).

### Exhibit 29: Theoretical fiscal drag for developed countries in 2022



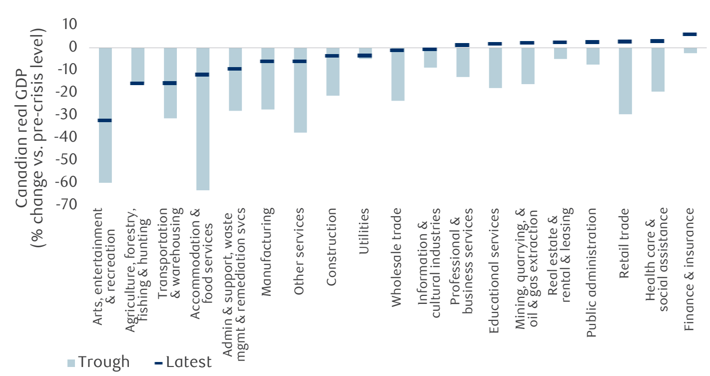

Note: RBC GAM estimates as of Oct. 21, 2021 based on IMF and OECD forecast of fiscal balance. Source: Macrobond, RBC GAM

### Exhibit 30: U.S. business cycle score




Note: As at Oct. 29, 2021. Calculated via scorecard technique by RBC GAM. Source: RBC GAM

### Exhibit 31: Pace of recovery varies across industries




Note: As of Sep 2021. Trough since Feb 2020. Source: Macrobond, RBC GAM

We continue to anticipate several long-term consequences of the pandemic, including the prospect of far more remote work (Exhibit 32), less business travel, somewhat diminished downtowns and a permanently higher online share of spending.

Structural trends without a pandemic link are also worth highlighting:

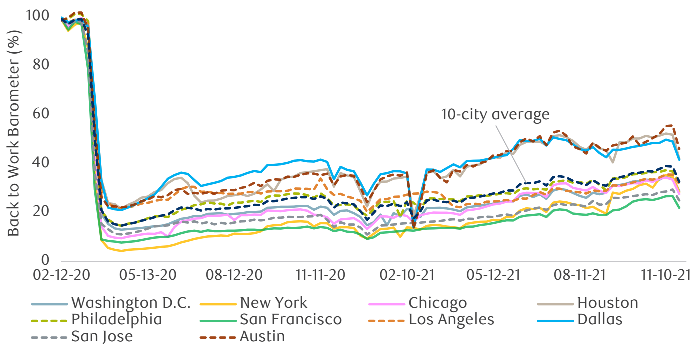
Populations are set to grow more slowly and to skew older in the future, with dampening implications for growth and inflation alike, though with considerable variation by country (Exhibit 33).

Providing a partial offset to these demographic challenges, we anticipate faster productivity growth in part due to the many technological leaps that have occurred during the pandemic, and in part due to favourable pre-existing trends in the rate of scientific advancement, research and development, and capital expenditures. China, despite the geopolitical threat it presents to the West, has now reached the technological frontier and is in a position to help push global innovation forward.

We also see several forces that may collectively increase the clout of workers and decrease the clout of businesses and investors. Examples include the prospect of labour shortages as baby boomers retire, rising minimum wages, an expanding social safety net, a new global minimum corporate tax rate and significant antitrust efforts. These could result in faster wage growth and flatter profit margins.

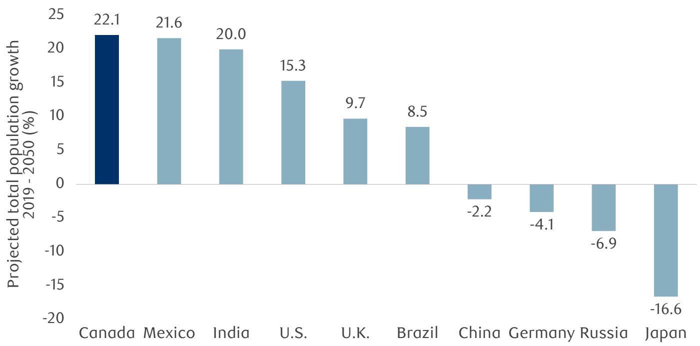
Finally, the effects of climate change cannot be ignored. While the aggregate impact on global economic activity may only be moderate, the effects at the industry level are set to be enormous. Carbon taxes and similar initiatives represent an enormous challenge to the fossil-fuel industry, utilities and energy-intensive industries. Conversely, there are opportunities in green technologies, and capital expenditures are likely to rise as economies reorient themselves.

### Exhibit 32: Office occupancy still very low nearly two years later




Note: As of the week ending Nov. 24, 2021. The Barometer represents the weekly office occupancy based on swipes of access controls. Source: Kastle Systems, Bloomberg, RBC GAM

### Exhibit 33: Canadian demographics are less challenging than others




Source: UN World Population Prospects 2019, Macrobond, RBC GAM

## Bottom line

Significant challenges clearly exist for the global economy over the year ahead. Some of these are highly uncertain, including the contours of any further pandemic waves and the timeline for inflation to normalize. Other challenges are no less relevant but at least somewhat better understood: the outlook for snarled supply chains, the prospect of diminishing natural economic buoyancy and fading support from policymakers.

Fortunately, households and businesses are collectively well positioned to push the economy forward even in the face of these challenges, and we accordingly believe the economic recovery can persist in 2022, despite some bumps along the way.

This nuanced view is consistent with reducing equity exposure modestly, but nevertheless maintaining an above-neutral orientation, especially given that the business cycle still appears to have some years left to run.

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