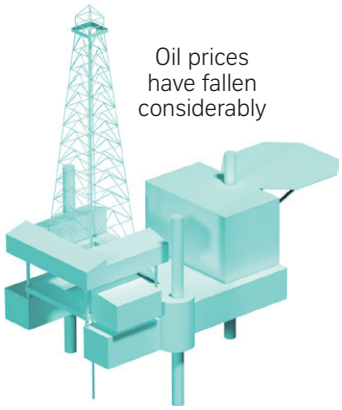
How the global economy played out in 2015

Jan — The world economy adjusts to a fall in oil prices

Oil prices have fallen considerably

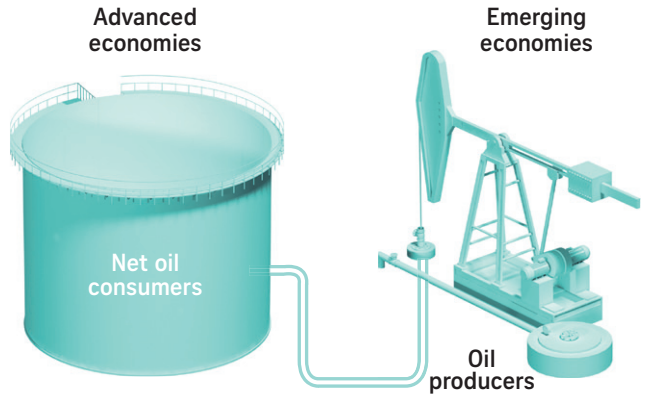


Investors welcome the European Central Bank's announcement of quantitative easing

€60b spending per month until Sept 2016

US Federal Reserve changes its language from patient to more cautious

Feb — Decline in oil prices favours advanced over emerging economies



May — Tension rises, EU exit?

EU

Britain — BREXIT

Surprise victory for Conservative Party
=
Uncertainty around Brexit

Greece — GREXIT

Terms of the bailout are nowhere nearer being agreed
=
Increased likelihood of forced Grexit

Bother in the BRIC

Brazil — Corruption scandal and monetary tightening hit investment and consumption

Russia — Oil prices low amid tense situation with Ukraine

India — Reforms disappoint market

China — Property and manufacturing struggle. Weak growth = policy easing measures

July — Tightening tantrum

Federal Reserve signals September rate rise
↓
Sell-off in bond markets and currencies
↓
Emerging market currencies weaken
↓
Weaker growth and higher inflation in emerging markets

US no longer the global locomotive it once was

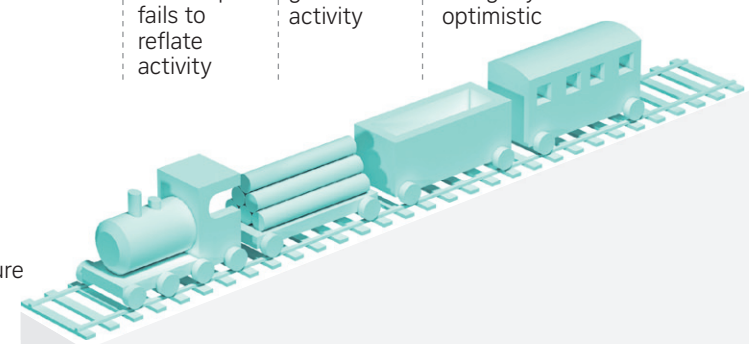
US — The US economy is not in a positon to continue as a driver of global growth

EU — Escaping deflation

Japan — Weak industrial & domestic consumption fails to reflate activity

China — Too small, represents 10% of global activity

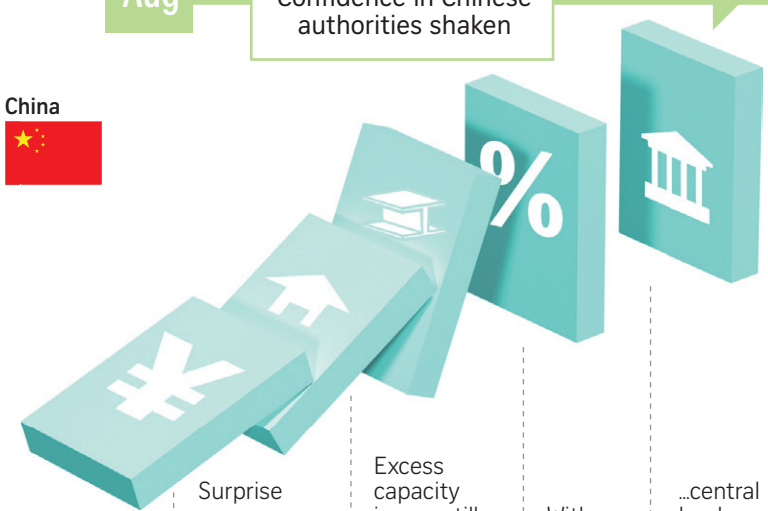
India — India as global driver is slightly optimistic



- Subdued growth
- Ageing workforce
- Inflationary pressure
- Interest rates rise

Aug — Confidence in Chinese authorities shaken

China



Equity market slumps despite rescue efforts

Surprise yuan devaluation rattles markets further

Excess capacity issues still not reduced. Global steel prices squeezed

With interest rates close to zero...

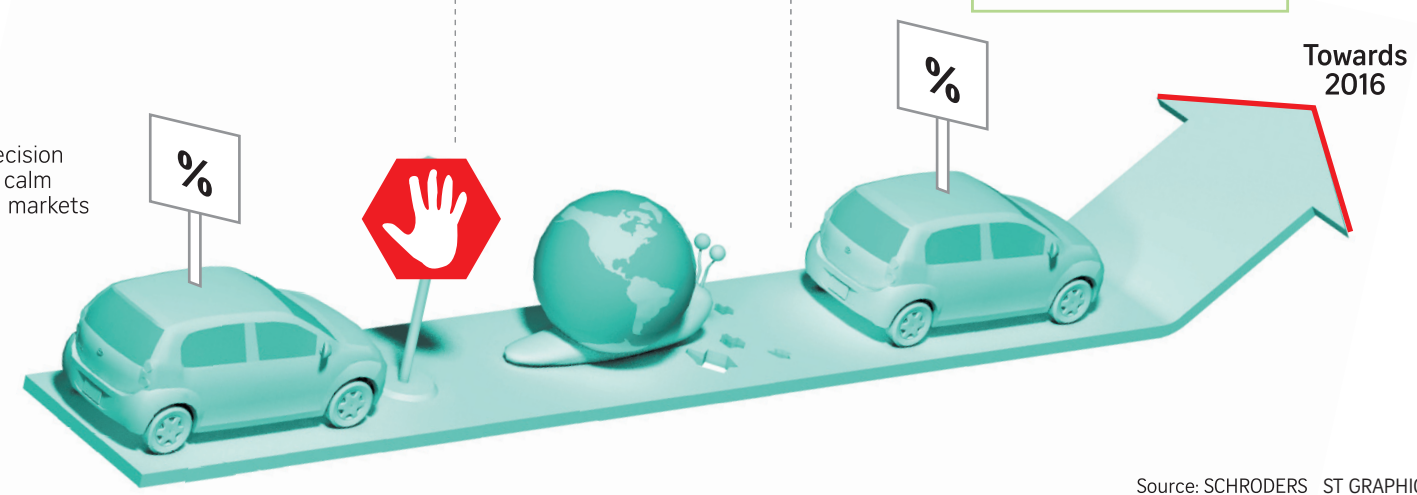
...central banks are not well placed to react to the shocks

Sept — After much speculation, the US Federal Reserve keeps interest rates on hold

This decision helps calm emerging markets

Dec — The world economy appears slow moving, unstable and vulnerable to shocks

The US Federal Reserve raises interest rate by 25 basis points, the first hike in nearly a decade. Market reactions muted



Source: SCHRODERS ST GRAPHICS