

KKR Releases 2024 Mid-Year Global Macro Outlook

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Henry McVey: Investors Who Prioritize Diversification This Cycle Will Be Best Prepared When Opportunity Knocks

NEW YORK--(BUSINESS WIRE)-- KKR, a leading global investment firm, today released its 2024 mid-year global macro outlook by Henry McVey, CIO of KKR's Balance Sheet and Head of Global Macro and Asset Allocation (GMAA).

In "Opportunity Knocks," McVey and his team explain why they believe the current economic cycle has further to run, despite an environment of heightened volatility and political complexity that they envision in the second half of 2024. They also note that diversification and ability to dynamically lean into dislocation will be critical to successfully capitalizing on the compelling investment opportunities that this environment presents. Several factors underpin the team's constructive outlook, including an encouraging technical backdrop, a belief that we have entered a structurally higher level of productivity in the U.S., a stronger global employment market versus prior cycles, central bank balance sheets that are still plump relative to history, and a surprisingly strong global capex cycle.

Henry McVey and his team continue to believe that we are still in a Regime Change for investing, one that will be defined by a combination of excess stimulus, heightened geopolitical risks, an uneven energy transition, and ongoing skills mismatch. As a result, they believe that the traditional relationship between stocks and bonds in a portfolio has fundamentally changed, necessitating a different approach to portfolio strategy, including owning more non-correlated assets. They also note that stock-bond correlation has supplanted single-asset volatility as the primary source of volatility in portfolios, an environment unfamiliar to most CIOs.

In the piece, McVey and his team present high conviction asset allocation picks and pans and important investment themes that they believe can serve as foils in today's uncertain landscape, including accelerating AI demand for electricity, reorientation of global supply chains, improving labor productivity, and retirement security. They also

highlight several notable updates since their 2024 Outlook:

- Stronger conviction in the importance of owning more non-correlated assets, given a flatter frontier for expected returns amidst heightened portfolio volatility.
- More pronounced mismatch between energy supply and demand given electrification needs and the growth of energy-intensive users such as data centers, semi fabs, EV battery plants and steel mills.
- Broadening of earnings growth across sectors and geographies, which we expect will bring more balance to the equity markets.
- More sustained deficits amidst election volatility, which reinforce our Regime Change thesis and continued belief that the deficit will stabilize at historically wide levels under either U.S. presidential administration.
- Greater focus on the positive path for productivity, especially in the U.S.
- Unprecedented demand for worker retraining, as companies seek to fill high-skilled jobs left open by COVID-era retirements as well as ongoing technological advancements.

McVey and his team also make a number of out-of-consensus calls, which include:

- Above consensus estimates for GDP growth in 2024 across all regions, including 2.5% for the U.S., 0.8% for Europe, 5.0% in China and 0.6% in Japan.
- Less concern about a lower U.S. savings rate, given the impact of aging demographics on savings rates.
- Above consensus on long-term interest rates in the U.S. and Europe, given our higher for longer inflation thesis.
- We believe we are likely to see better earnings per share than the consensus, powered by margin expansion, and as a result, remain above consensus in our price target for the S&P.
- We expect oil prices to settle in the mid \$70-80s range in 2024 and our longer-term forecasts remain well above futures.
- Our base view is that there is an asymmetric risk for the economy and markets if rates go higher versus lower. We also see the currency and labor markets as potential sources of volatility.

In addition, the report details the GMAA team's updated views on global growth, inflation, interest rates, commodities, currencies, and the capital markets. The report also addresses key investor queries on topics such as relative value, inflation, the U.S. election, consumer spending, expected returns and portfolio construction, and emerging markets.

Links to access this report in full as well as an archive of Henry McVey's previous publications follow:

- To read the latest Insights, click [here](#).
- To read the 2024 Outlook, click [here](#).
- For an archive of previous publications please visit <https://www.kkr.com/insights>.

About Henry McVey

Henry H. McVey joined KKR in 2011 and is Head of the Global Macro, Balance Sheet and Risk team. Mr. McVey also serves as Chief Investment Officer for the Firm's Balance Sheet, oversees Firmwide Market Risk at KKR, and co-heads KKR's Strategic Partnership Initiative. As part of these roles, he sits on the Firm's Global Operating Committee and the Risk & Operations Committee. Prior to joining KKR, Mr. McVey was a Managing Director, Lead Portfolio Manager and Head of Global Macro and Asset Allocation at Morgan Stanley Investment Management (MSIM). Learn more about Mr. McVey [here](#).

About KKR

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