

# A snapshot of the world economy February 2024



## How do stocks, bonds and cash perform when the Fed starts cutting rates?

**11%**  
ahead of inflation

Average return of US stocks in the 12-months after the US Federal Reserve (Fed) started cutting interest rates

22

There have been 22 US rate-cutting cycles since 1928...

...both stocks and bonds have tended to do well when the Fed has started cuts...

...although the range of historical returns is wide

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## Why we don't expect the Suez shipping disruption to fire up inflation

Attacks by Houthi rebels on vessels passing through the Red Sea en route to the Suez Canal...

...have disrupted ships destined for major European, US and UK ports...

...evoking memories of the Covid-19 disruption which contributed to higher inflation and interest rates

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## Why less climate action now means more rapid increase in carbon prices later

Carbon pricing is an important policy tool to incentivise the transition to net zero by 2050...

Higher carbon prices

- Delayed transition
- Net zero with innovation
- Current policies

...however, we expect climate action to be delayed until 2030, under our so-called 'delayed transition' scenario...

...as opposed to a much more favourable outcome of immediate but more gradual price rises...

...spurring investment and innovation and also ultimately curbing the extent of rises required to hit net zero

Source: Schroders as at February 2024.

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