	GDP Trajectory	V	U	L	W	V	I
	Growth Trajectory	**Above-trend Recovery**	**Below-trend Recovery**	**Stagnation**	**Double Dip; V-ish Recovery**	**Severe Double Dip; then Weak Recovery (U or L)**	**Global Financial / Economic Collapse**
Thematic Scenario	Precedent	Classic, V-shaped Post-War US-led Recovery	New Normal: Reduction in Potential Output	Japan: Decade(s) of Sub-par Real Growth	United States: 1982; 1937	Japan 1997	1990s EM Crises; 2008 Global Crash Redux
	Trigger	Liquidity is the problems - not solvency; so balance shreets are rapidy adjusted	Protracted balance sheet repair of widespread solvency problems	Inadequate balance sheet repair leaves zombified entities	Inadequate easing; premature tightening; accelerated balance sheet repair	Cascading defaults; further damage to global financial system	Bond market revolt; attack on EUR / global fiat currency system; systemic insolvency
	Probability	5%	40%	12.5%	30%	10%	2.5%
	Growth	Back to status quo ante. Global trend 4.5%; U.S. trend 3.5%	In recovery: Global 3%; U.S. 2-2.5%. Global trend 3.5%; US. trend 2.5 - 3%	Global trend 2.5%; U.S. trend 2%	W then V give way to low trend growth: Global 2.5%; U.S., 2%	Some years of global recession, then very low trend growth: Global 2%; U.S., 1%	Great Depression 2.0 - many years of global recession
Global Macro	Inflation	G10 above price stability; very high EM inflation	G10 price stability; high EM inflation	Zero G10 inflation; low EM inflation	G10 deflation; EM price stability	Global deflation	Severe global deflation
	Monetary Policy	Rapid rate hikes to choke off rising inflation expectations	Protracted free money conditions to sustain consumption, balance sheet repair	"QEII:" Major CBs try to lower real interest rates by buying govt bonds	Enhanced QEII: Unsterilized intervention in govt & private asset markets	Competitive QEII: Unsterilized FX intervention	Policy debate shifts to a return to the Gold Standard
	Imbalances	"Imbalancing" to higher levels	Gradual rebalancing, protectionist rhetoric	Rapid rebalancing, trade tension	Sharp rebalancing; trade friction	Sudden rebalancing; trade war	Financial collapse destroys imbalances
	Risk Appetite / Risk Aversion	Volatile; inflation-growth tension	Strong risk appetite, given easy money, low inflation	Episodic risk-on / -off conditions	Descent into risk-off with high volatility	Risk appetite collapses to aversion before stabilizing	Risk aversion dominates; markets cannot find a footing
	Commodities	Strong rally	Sideways	Weak	Collapse; then strong recovery	Collapse to stabilize at low levels	Collapse; no floor
	Gold	Surges	Range trades	Weak	Takes off	Skyrockets	Skyrockets then collapses
	G10 Currencies	Funding currencies end up strengthening as risk of policy rate hikes hit carry trades	USD, JPY, CHF as funding currencies cheap; high-yielding, commodity FX rallies on carry trades	Funding currencies strong, then weaken as free money promotes carry trade	Funding currencies strong on risk aversion	USD leads strength against most other currencies, followed by CHF, JPY	Fiat currency attack hits major currencies in order - EUR, GBP, CHF, JPY, USD
	G10 Rates	Term premium rises sharply	Curves bull flatten	Curves flatten fast; low term premium	Curves flatten, then eventually steepen	Curves flatten sharply, stay flat, low	Term premium vanishes
Global Markets	EM Currencies	EM FX hit with other carry trade currencies	Protracted carry trade drives up EM FX until eventual G4 rate hikes	Protracted carry trade drives up EM FX for foreseeable future	EM FX hit by dip, strong for recovery, hit as V prompts hikes	EM FX hit by risk aversion but stabilize	EM FX among first to be hit by currency substitution
	EM Rates	Curves steepen; rate hikes prompt outflows	Curves bull flatten on FX strength, inflows	Curves bull flatten on low inflation hopes	Curves flatten then steepen on cycle	Curves twist and rise on outflows, rising restructuring risk	Curves rise and invert sharply on fear
	DM Credit	Initial rally on rising sales, pricing power gives way to steeper spread curves following government bonds, anticipating rate hikes	Spreads rally, credit curve flattens as easy money retards differentiation across credit spectrum	Spread curve tightening, flattening constrained; defaults rise over time; high-grade outperforms high-yield	Rising high-yield, mid-grade defaults spur differentiation based on free cash flow, till recovery prompts rally	Cascading defaults in levered sectors amid high risk of financial crisis. Strong cash flow is king	Financial crisis results in universal credit crunch, severe refinancing crisis; defaults galore
	EM Credit	Best names do well; weak hit by rate hikes	Parastatal spreads collapse to sovereign level; private names compress sharply	Differentiation via sovereign strength; limited market access drives defaults	Weak names lose market access fast "state-near," blue chips can refinance	Most names lose market access; sovereign support required to pay debt	Names, sectors, countries in sequential, cascading defaults
	DM Equities	Strong rally; P/E ratios between current & pre-crisis levels	P/Es low given low pricing power, risk of deeper GDP deceleration	Secular bear market, re-pricing to lower sustainable P/Es	Sharp equity collapse, then rally gathers momentum	Sharp, protracted equity collapse, then tentative recovery	Severe equity collapse, then weak, high-vol trading
	EM Equities	P/E ratios trade above pre-crisis levels, pending rate hikes	P/E ratios remain rich to G10 and to history, prompting bubble fears	P/E ratios come under pressure due to lost exports, FX earnings	P/E ratios collapse then gradually recover in up-leg of the V	P/E ratios collapse, stabilize at low levels and range-trade	Drastic capital flight