

# Global Economic Perspectives

## What Your Peers are Thinking – UBS Conference

### Economics

### Global

#### European Conference—Audience questions & answers

This week we hosted our annual European Conference, one of the most important annual gatherings of European CEOs and CFOs, policymakers, politicians, experts and institutional investors.

The event (for over 1500 clients and 105 companies) had over 100 speakers spread across 23 different panels. One of the most interesting things about the conference is that we have the opportunity to ask investors to vote on a range of topical issues, yielding sometimes surprising results (see full results starting on page 2).

**The single biggest fear investors now have (64.6%) about Europe is the rise of separatist, far right populist parties**, which dwarfs concerns about ECB tapering, the banking system or sovereign debt dynamics. We discuss these risks in more detail in our [European Equities in 2017 Outlook](#) and the [Global Economic Outlook 2017-2018](#). This fear is a key reason why US investors have been net sellers of European equities via ETFs for 10 months in a row. If fear subsides and earnings decisively turn, for the first time in 7 years, we project a 10% total market return. We also show 4 areas where value could be unlocked in Europe vs the World [European Themes 2017](#)

**Investors seemed much more negative about the prospect of UK-EU trade relations than about US economic policy** (it is assumed there will be no dismantling of existing trade agreements like NAFTA). However, we've shown how big a potential drag increasing protectionism could be (see [Big Macro 08](#)).

**Panellists (mostly academics and some independent analysts) were very optimistic about the growth boost that might be coming from Trump's fiscal plans** and the prospect for infrastructure spending, even though there is little evidence of such a spending boost in the plans presented during the campaign (there are planned spending cuts that would actually be a drag on growth). However, the composition of the package could change and we look at the beneficiaries of such spending in [US Stock Beneficiaries of Increased Fiscal Spending](#).

**There is significant scepticism about monetary policy** (only 1.5% think we need more stimulus and less than 25% more fiscal stimulus). The majority believes we do not live in a secular stagnation world and that the growth headwinds are more structural. We discuss the narrow path to reflation in our [Markets Outlook 2017](#).

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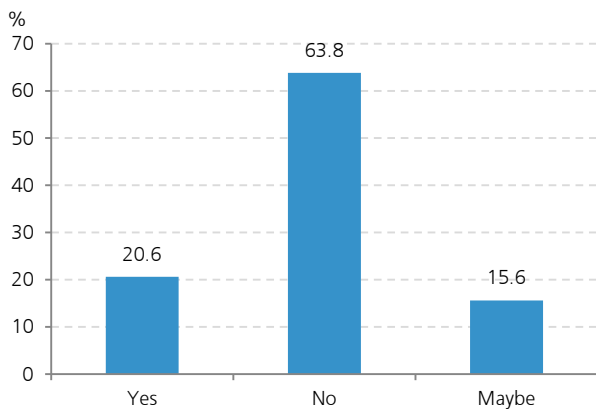
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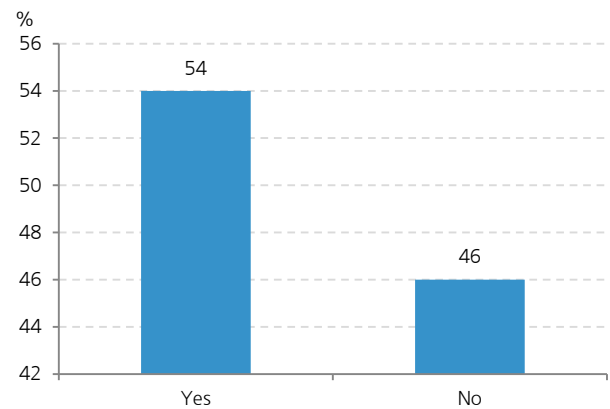
## European Union

**Figure 1: Will Marine Le Pen be the next President of the French Fifth Republic?**



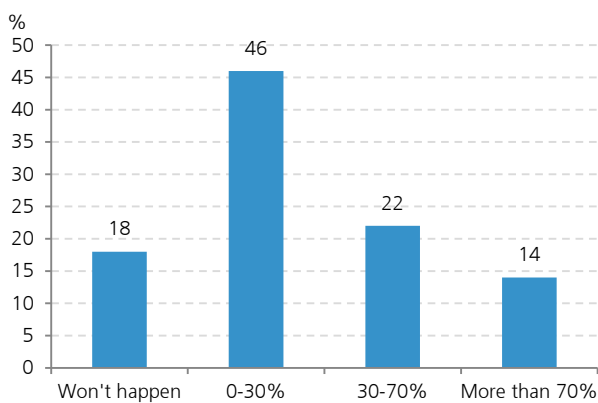
Source: UBS

**Figure 2: Excluding the UK, do you think that the EU will be intact with its remaining members in 2022?**



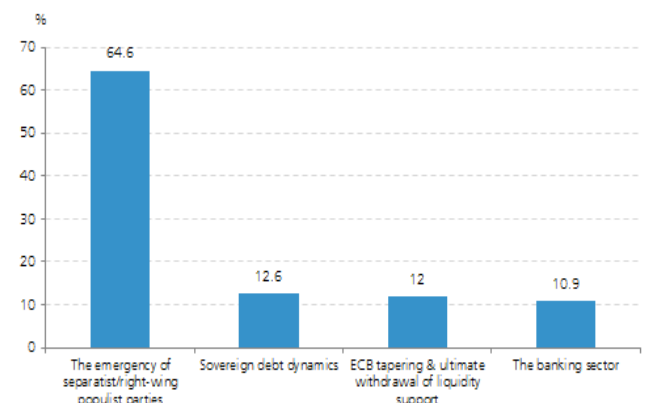
Source: UBS

**Figure 3: What is the chance of a Eurozone sovereign debt restructuring in the next 5 years (excl. Greece)?**



Source: UBS

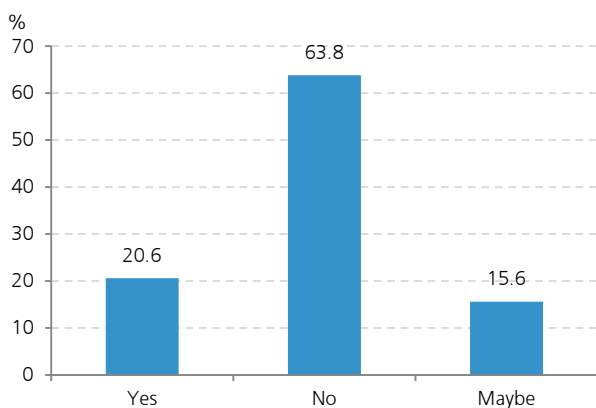
**Figure 4: What is your greatest concern about Europe right now?**



Source: UBS

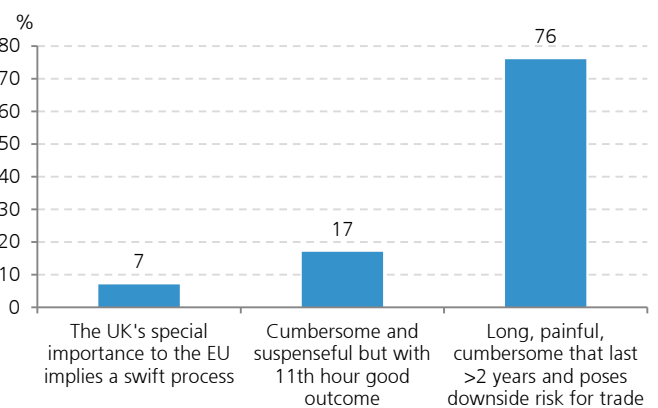
## UK

**Figure 5: Will the UK have a General Election in 2017?**



Source: UBS

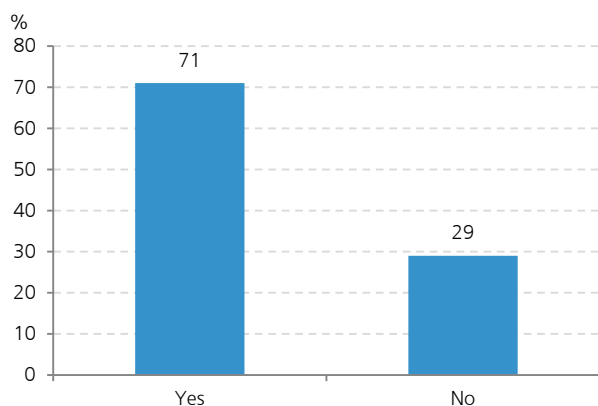
**Figure 6: What does Canada's experience negotiating a trade treaty with the EU imply for the UK's negotiations?**



Source: UBS

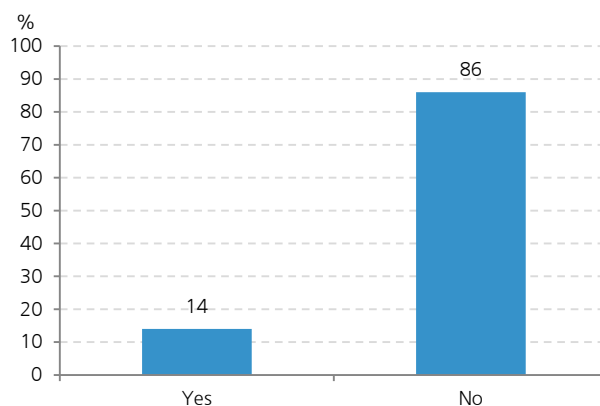
## US

**Figure 7: Will Janet Yellen remain Fed chair through the end of her term? (2018)**



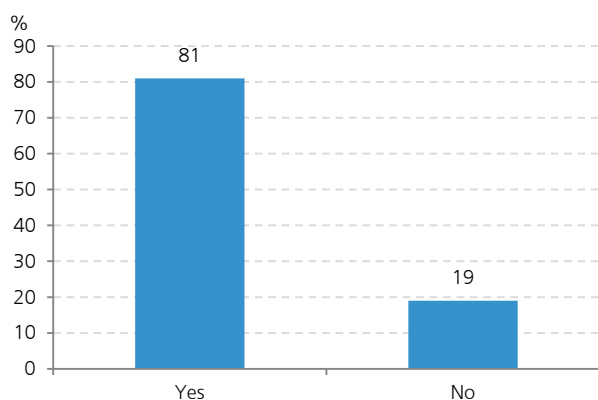
Source: UBS

**Figure 8: Will the US withdraw from NAFTA?**



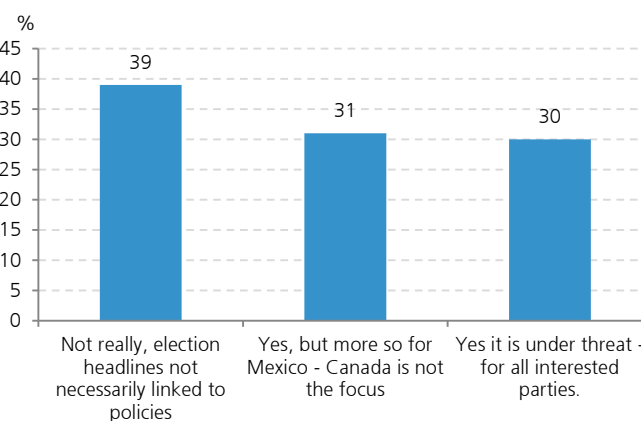
Source: UBS

**Figure 9: Will the US remain a two-party system?**



Source: UBS

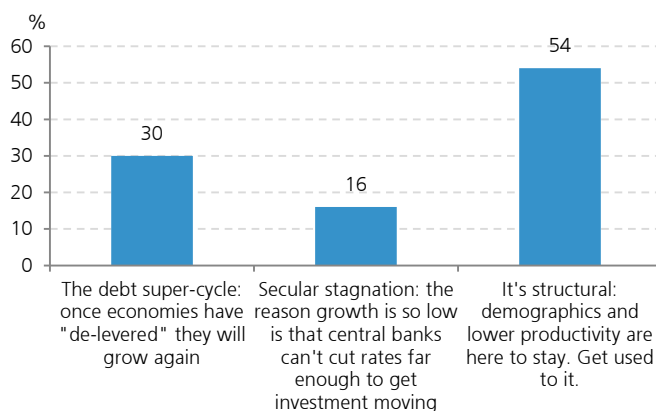
**Figure 10: In light of the new administration's proclamations, is the NAFTA under threat?**



Source: UBS

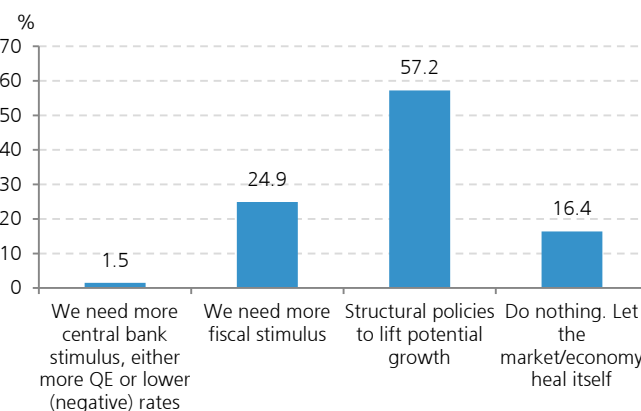
## Growth & Policies

**Figure 11: Which do you think most accurately describes the current growth environment?**



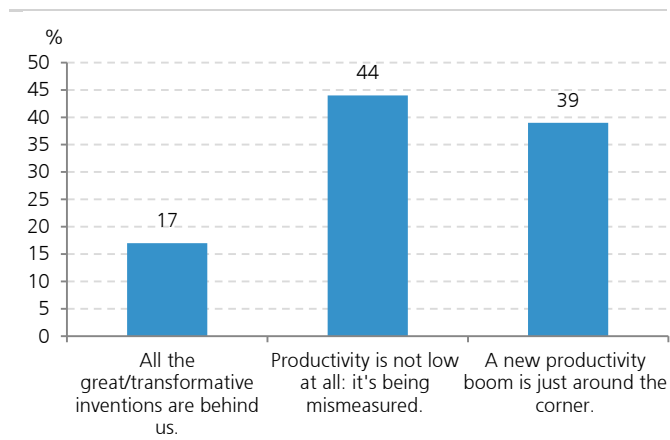
Source: UBS

**Figure 12: The right response for the current environment is:**



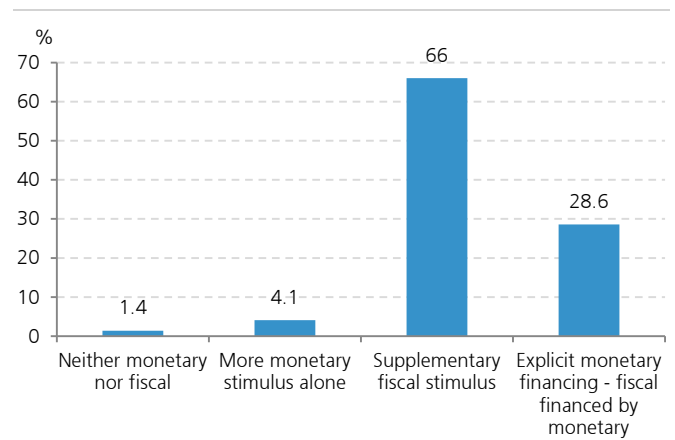
Source: UBS

**Figure 13: Which best describes your view on the currently low-productivity environment?**



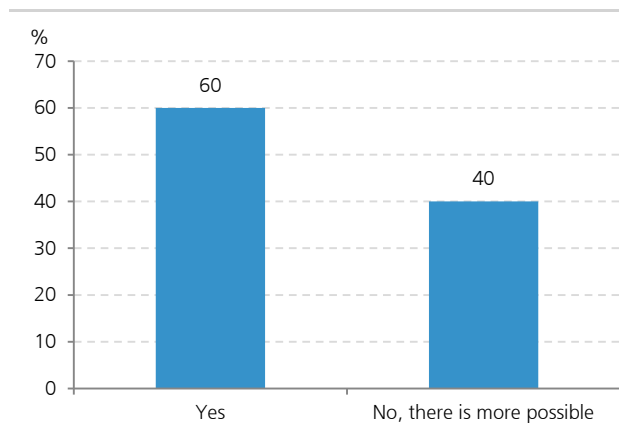
Source: UBS

**Figure 14: In a year's time, will at least one of the major economies have done further monetary or fiscal stimulus?**



Source: UBS

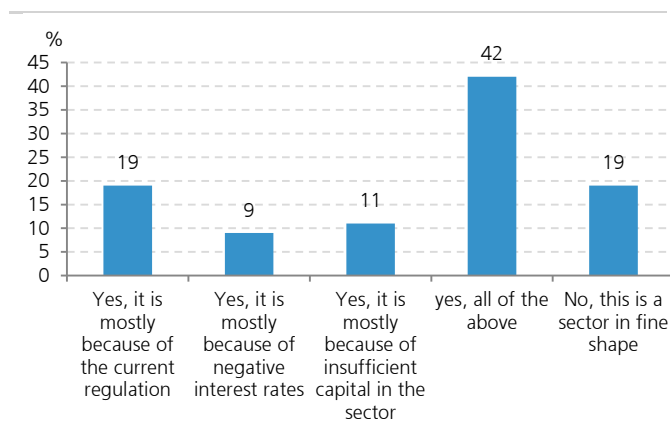
**Figure 15: Have we reached the lower bounds of monetary policy or are lower rates feasible without creating economic damage?**



Source: UBS

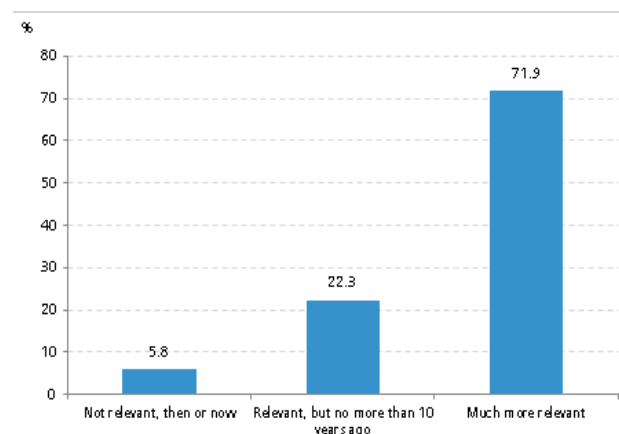
## Market

**Figure 16: It has been said that the banking sector is currently un-investable. Do you agree?**



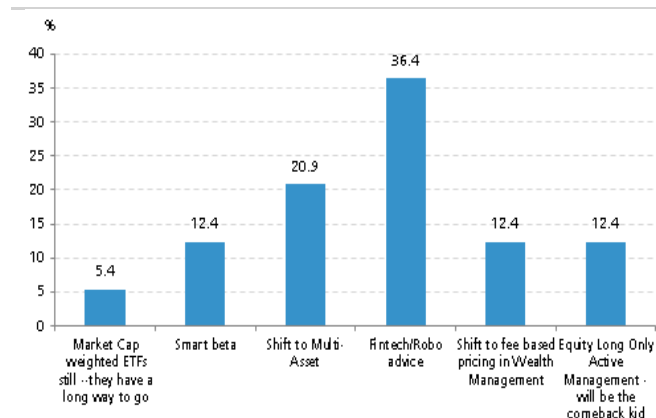
Source: UBS

**Figure 17: How much is your investment process influenced by liquidity factors now vs 10 years ago?**



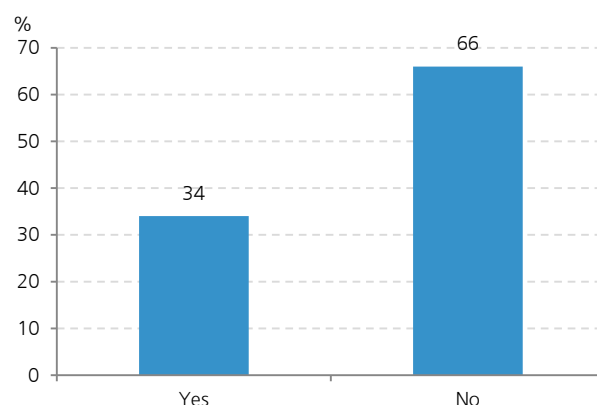
Source: UBS

**Figure 18: ETF's have been the biggest "disrupter" to the Asset Management industry over the last 10 years – what will be the next one?**



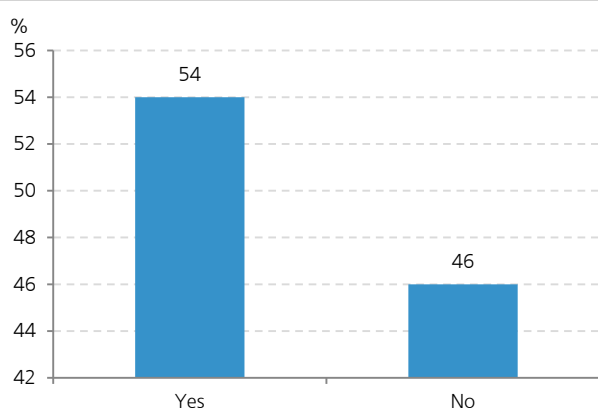
Source: UBS

**Figure 19: Do you think the ETF and Passive Market can grow at the same pace in the next 10 years as it has in the last 10?**



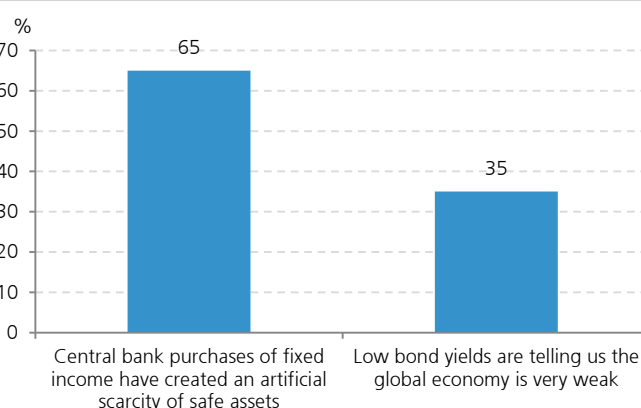
Source: UBS

**Figure 20: Do you think the current Equity Market Cap weighted Benchmarks need to change?**



Source: UBS

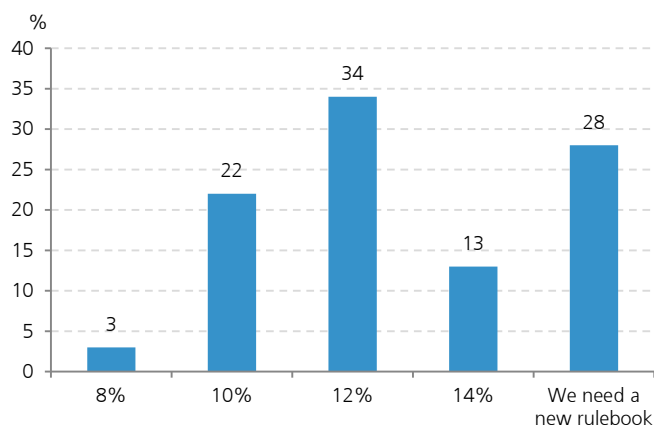
**Figure 21: Low global bond yields – which statement do you agree most with?**



Source: UBS

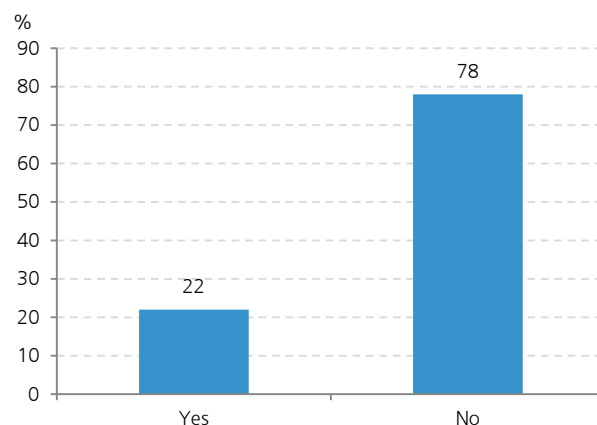
## Banks

**Figure 22: As investors, what common tier 1 ratio would you like to see European banks hold?**



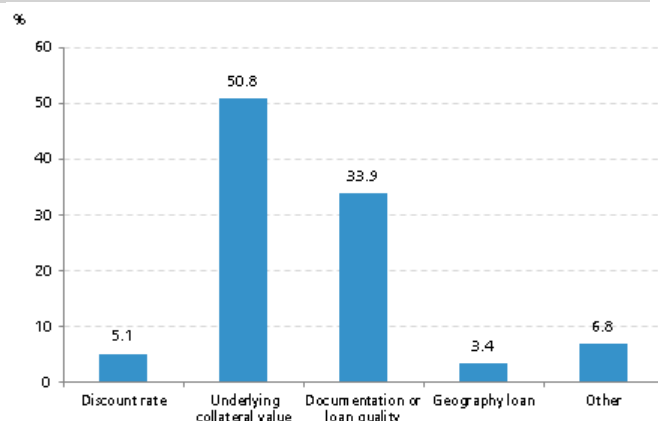
Source: UBS

**Figure 23: Is a level playing field in global bank regulation achievable?**



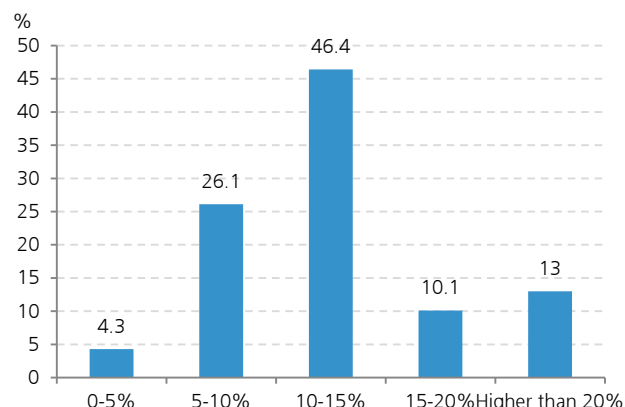
Source: UBS

**Figure 24: What do you believe is the main factor determining the price at which NPL transactions materialized?**



Source: UBS

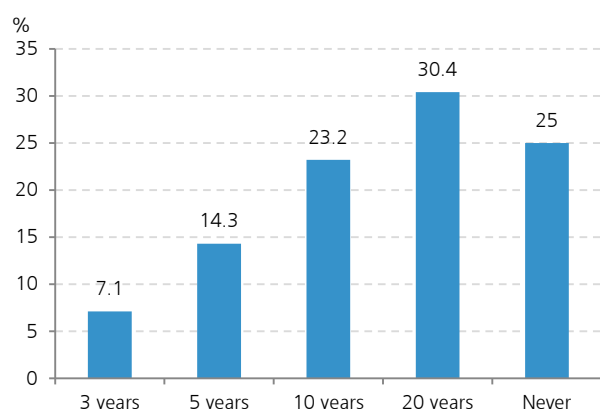
**Figure 25: Where do you see the Italian banks' NPL ratios in 5 years from the current 15-20% sector average?**



Source: UBS

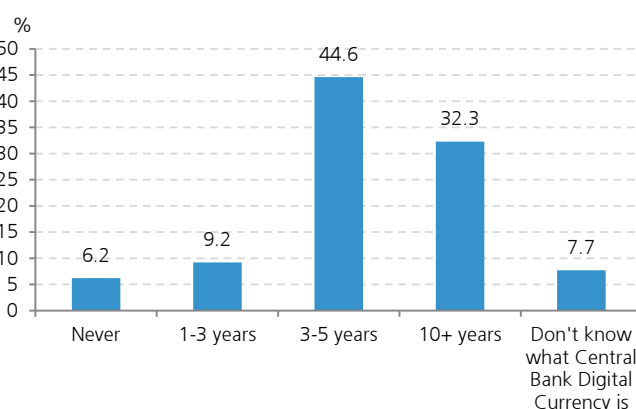
## Future of Money

**Figure 26: When will paper currency be phased out of an OECD country (where largest bill would be equal to, say, \$10)**



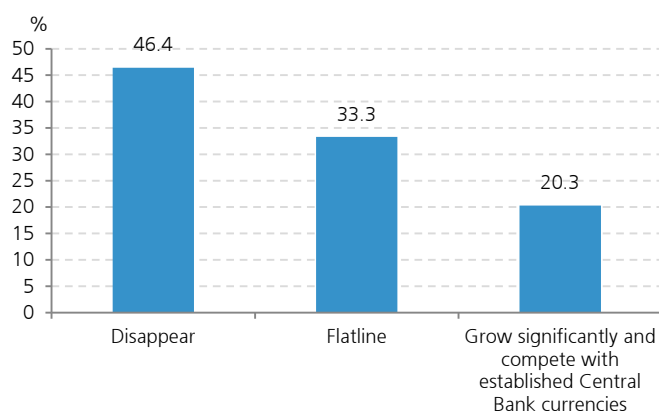
Source: UBS

**Figure 27: Timeframe within which a G10 nation implements Central Bank Digital Currency**



Source: UBS

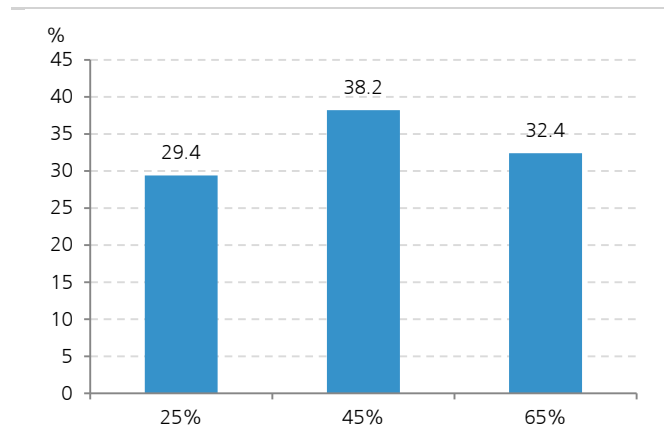
**Figure 28: Bitcoin will....**



Source: UBS

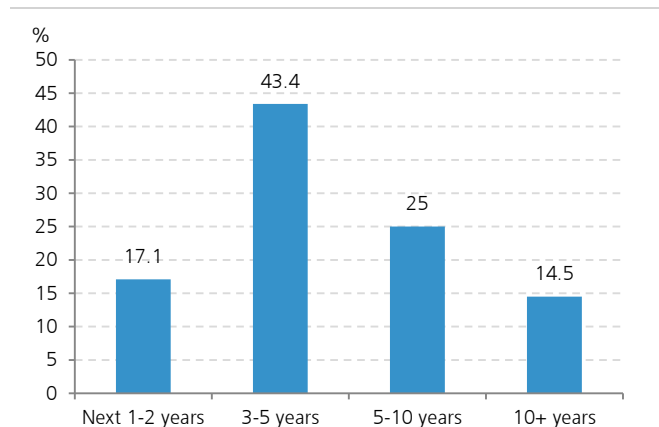
## Technology

**Figure 29: What percentage of the workforce could eventually be automated?**



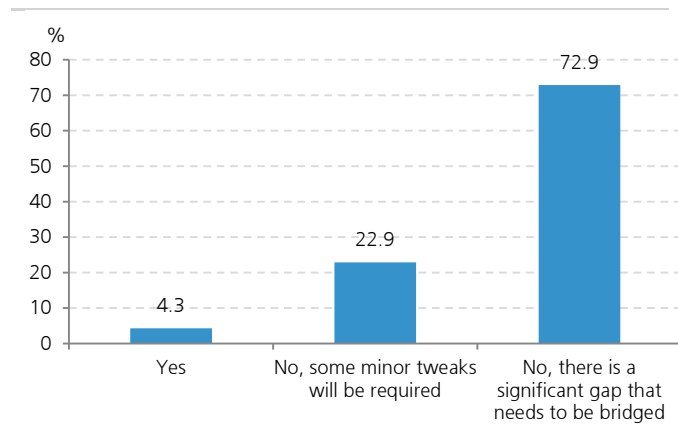
Source: UBS

**Figure 30: How long before we see a commercial use case for Blockchain on a sizeable scale?**



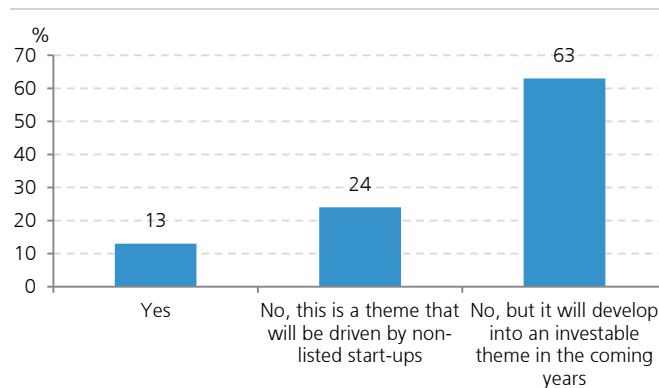
Source: UBS

**Figure 31: Is the current legal & regulatory framework for Europe compatible for Blockchain solutions?**



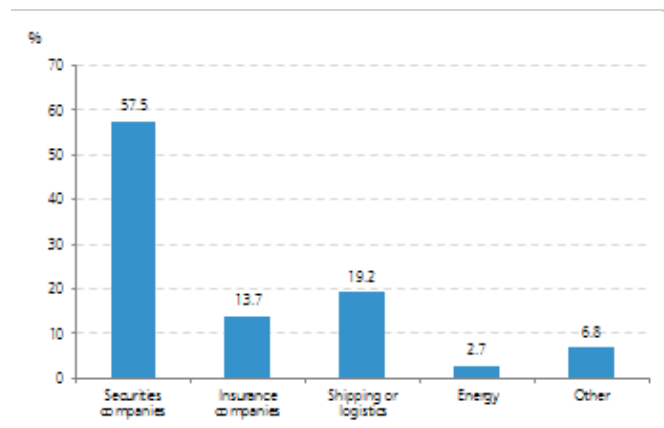
Source: UBS

**Figure 32: Is Blockchain an investable theme for public equity investors?**



Source: UBS

**Figure 33: From an investor perspective, where do you think we will see the initial impact of Blockchain?**



Source: UBS

### **Valuation Method and Risk Statement**

Risks include macroeconomic variables (such as GDP growth rates and inflation), economic slowdown, a weakening currency, global economic events, and government policy changes.



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