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Economic Update: Cash Investment Forecast for the Year Ahead

Thursday, 23 February, 2023

The webinar will begin at the top of the hour

Agenda

- Offshore MMF Trends
- Macroeconomic environment and outlook
- Impact of monetary policies
- Short-term investment trends
- Q & A



Today's Speakers



NICHOLAS FAWCETT

Director
BlackRock Investment Institute



MATT CLAY

Managing Director, Head of
International Cash Portfolio
Management
BlackRock Cash Management



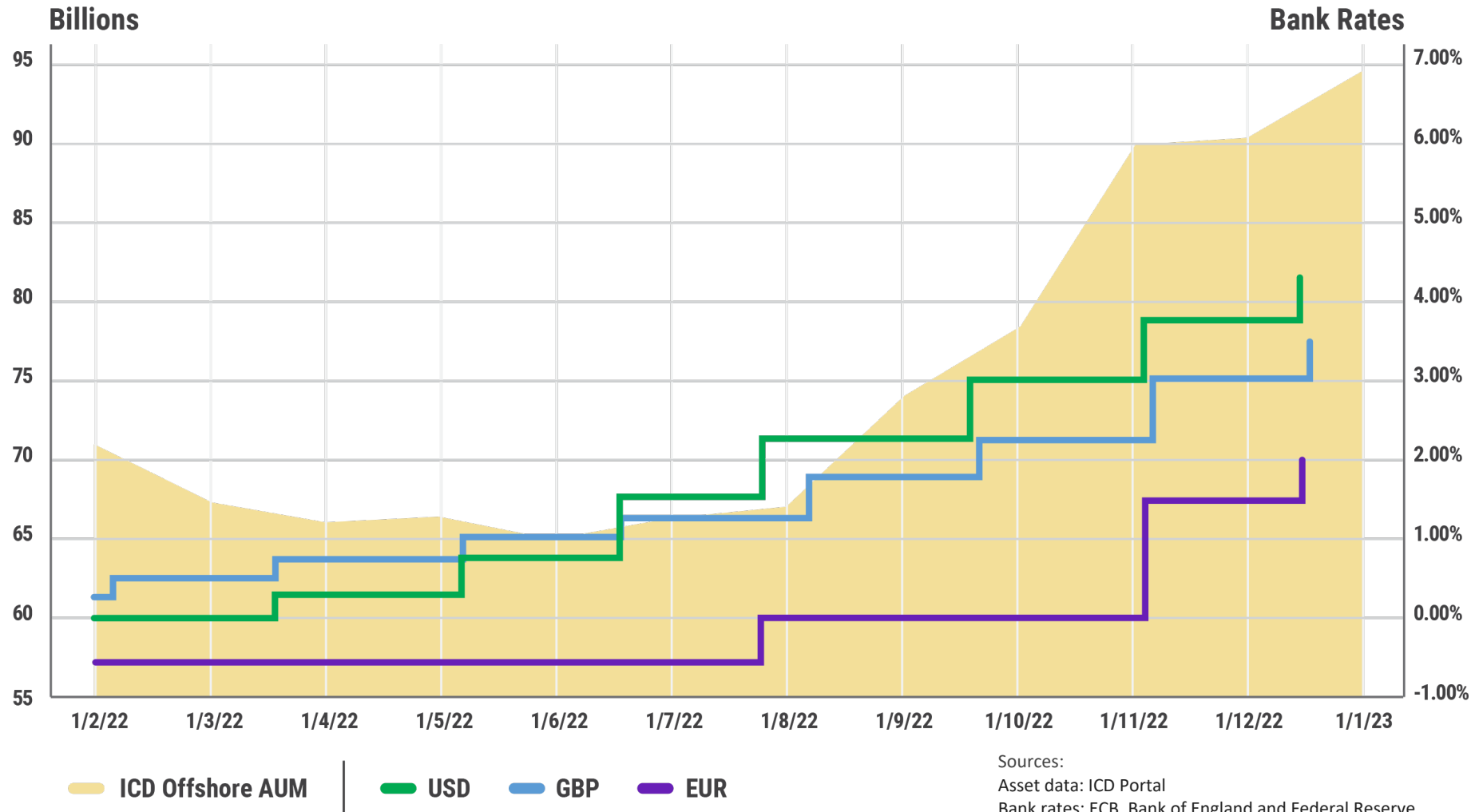
LUKE NEWMAN

Director of Business Development
ICD

Q & A:

Submit questions at any time
during the presentation.

ICD Offshore AUM vs Central Bank Rates



January 2023

BlackRock

2023 Global outlook

Our new investment playbook – in charts

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Institute

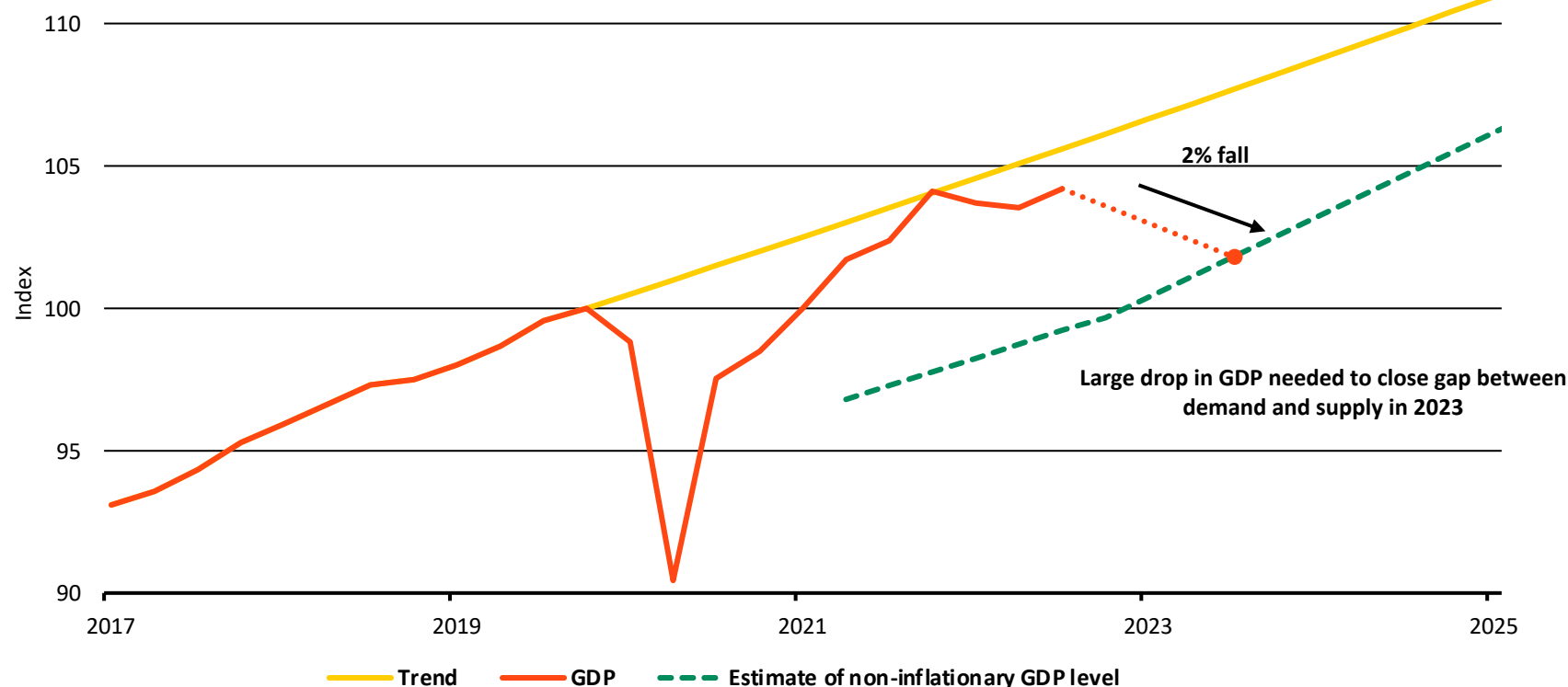
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World Shaped by Supply

Bringing inflation down to central bank targets entails crushing demand to meet constrained supply – meaning the coming recessions are foretold, in our view.

U.S. GDP and potential supply capacity, November 2022



Sources: BlackRock Investment Institute and U.S. Bureau of Economic Analysis, with data from Haver Analytics, November 2022. Notes: The chart shows demand in the economy, measured by real GDP (in orange) and our estimate of pre-Covid trend growth (in yellow). The green dotted line shows our estimate of current production capacity, which we infer from how far core PCE inflation has exceeded the Federal Reserve's 2% inflation target. Closing the gap between current activity (orange line) and production capacity (green dotted line), assuming some recovery in production capacity, would entail a 2% drop in GDP between Q3 2022 and Q3 2023 (orange dotted line). Forward-looking estimates may not come to pass.

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Central Banks Pricing

European Central Bank (ECB)	Current	Prior
ECB Main Refinancing Rate	3.00%	2.50%
ECB Deposit Facility Rate	2.50%	2.00%

Probability of rate hike implied in the Overnight Index Swap (OIS) curve:

Meeting date	Rate move priced in (bps)	Probability of 50bp rate hike
16/03/2023	48.8	98%
04/05/2023	83.6	167%
15/06/2023	104.9	210%
27/07/2023	116.1	232%
14/09/2023	118.7	237%
26/10/2023	117.7	235%
14/12/2023	115.4	231%

Bank of England (BOE)	Current	Prior
Base Rate	4.00%	3.50%

Probability of rate hike implied in the Overnight Index Swap (OIS) curve

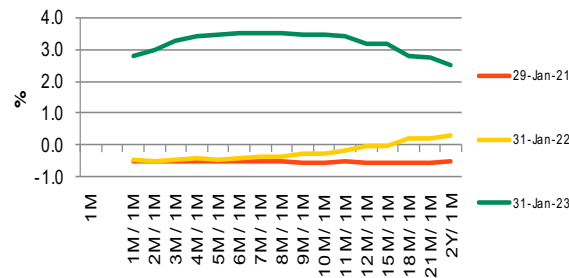
Meeting date	Rate move priced in (bps)	Market implied probability of 25bp rate hike
23/03/2023	21.2	85%
11/05/2023	35.2	141%
22/06/2023	44.3	177%
03/08/2023	50.2	201%
21/09/2023	52.8	211%
02/11/2023	47.6	190%
14/12/2023	43.1	173%
01/02/2024	36.3	145%

The Federal Open Market Committee	Current	Prior
Federal Funds Target Rate	4.50% - 4.75%	4.25% - 4.50%

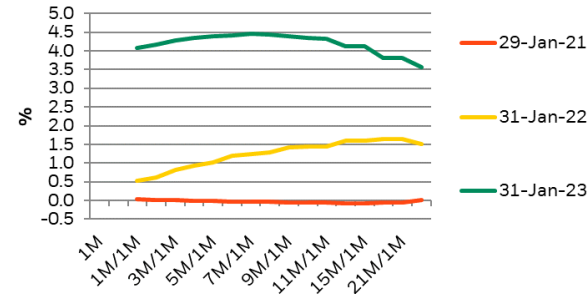
Probability of rate hike implied in the Overnight Index Swap (OIS) curve

Meeting date	Rate move priced in (bps)	Market implied probability of 25bp rate hike
22/03/2023	27.2	109%
03/05/2023	48.1	192%
14/06/2023	62.9	252%
26/07/2023	68.5	274%
20/09/2023	66.4	265%
01/11/2023	60.3	241%
13/12/2023	49.8	199%
31/01/2024	34.6	138%

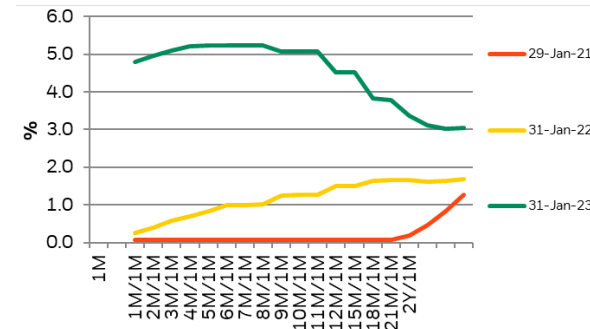
Implied EONIA* rate path



Implied SONIA* rate path



Implied SOFR* rate path



Source: Bloomberg, as of 14 February 2023. The opinions expressed are as of 14 February 2023 and are subject to change at any time due to changes in market or economic conditions. There is no guarantee that any forecasts made will come to pass. EONIA :Euro Overnight Index Average, SONIA: Sterling Overnight Index Average, SOFR: Secured Overnight Financing Rate

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Q & A



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LUKE NEWMAN

Director of Business Development
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Q & A:

Please submit your questions.

ICD | Thank you

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