



## 2020 monetary policy outlook

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We are looking at a substantial probability that rates go back to zero.

In terms of monetary policy we've gone through a substantial change and some substantial reorientation versus where we were last year. We were in a hiking cycle, were in the process of shrinking the Fed's balance sheet. We're now in the process of cutting rates and expanding the Fed's balance sheet. And looking at 2020, the likelihood is quite strong that we'll continue that easing into 2020 as risks to growth continue to stay on the table.

Collectively global developed markets have very limited policy space right now, from a conventional perspective, to respond to downside risks, and if those risks materialize in 2020, there's a strong probability that they do, we will have to rely on much more unconventional measures -- quantitative easing -- for guidance.

Fiscal policy is not complimenting what monetary policy is trying to do. And so, we've handicapped ourselves and right now, the margin of safety is quite slim, and the odds of an accident happening have increased substantially relative to where we were, say, even a year ago.

And so, as we go into 2020 we are handicapped from a policy perspective. And, I think, again, that's not a great place to be.

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