HALF-YEAR INVESTMENT REVIEW & OUTLOOK

SEASPRAY PRIVATE
Creating Investment Solutions

JULY 2022

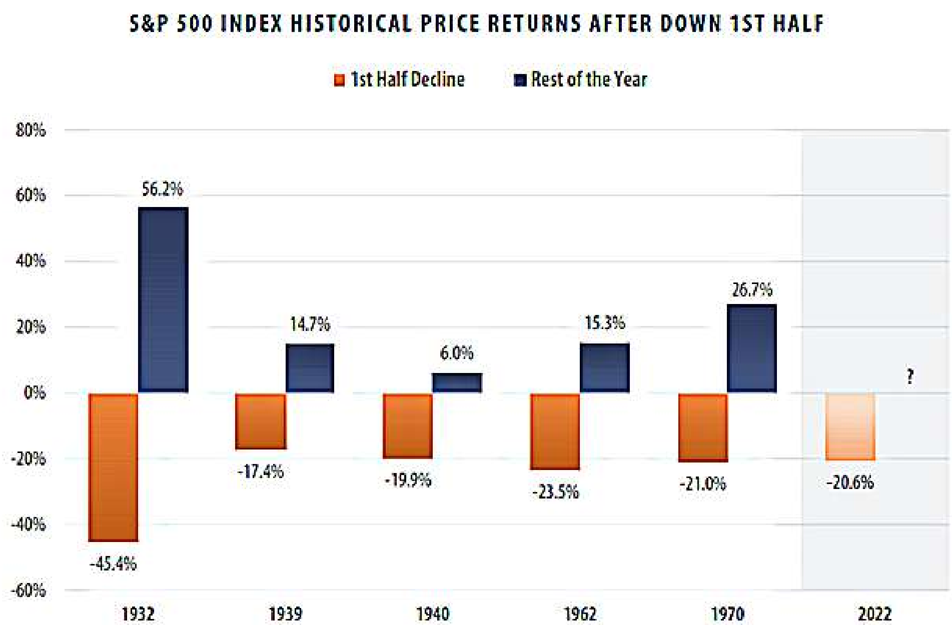
www.seasprayprivate.ie

Introduction

Markets have without a doubt had a very difficult first half of the year. Equities have seen the worst opening 6 months in over fifty years, and bonds have seen their worst drawdown in a century. Clearly, two factors have been driving this – slowing economic growth and persistently high inflation. Three major shocks this year have unexpectedly affected global growth prospects; firstly, the war in Ukraine and the unprecedented inflationary impact particularly on energy and food prices around the globe. Second, the uneven opening and closing of the Chinese economy due to Beijing's unusual zero-covid policy. Third, and most importantly, the major central banks have been forced to tighten policy much more aggressively than was planned for at the beginning of 2022, as they desperately attempt to get inflation under control.

We understand that bear markets can be daunting for many investors. At Seaspray, we believe and reaffirm our house view that after a torrid and arduous first half to 2022 across most asset classes, much if not all of the bad news is already reflected in prices, leading us on to a potential recovery during H2 and into 2023. While the final bottom may not be in just yet for equities, buying opportunities at current prices are presenting themselves to us in a variety of sectors and will likely continue to do so over the coming weeks and months.

As we now move into H2 2022, from a long-term standpoint, we believe we are approaching a very over-sold state in equities, and we will explore this view and our outlook in detail in this market update.



S&P 500 INDEX PRICE RETURNS

Year	1st Half Decline	Rest of the Year
1932	-45.44%	56.21%
1939	-17.35%	14.73%
1940	-19.90%	6.01%
1962	-23.48%	15.25%
1970	-21.01%	26.72%
2022	-20.58%	?
Average	**-24.63%**	**23.78%**

Source: First Trust

Introduction, contd...

We believe that risk assets will recover over the medium to longer term with this view predicated on the belief that as monetary policy tightening continues and as base effects come into play, inflationary pressures will inevitably moderate. This could allow central banks to ultimately be less aggressive in their pace of rate increases during the second half of 2022 and the first half of 2023. Markets have found some support around current levels, and signs are growing that we may have reached the peak of inflationary fears, which could reduce upwards pressure on interest rates. As we enter Q3 we will continue to be vigilant around corporate news flow as we approach the reporting season.

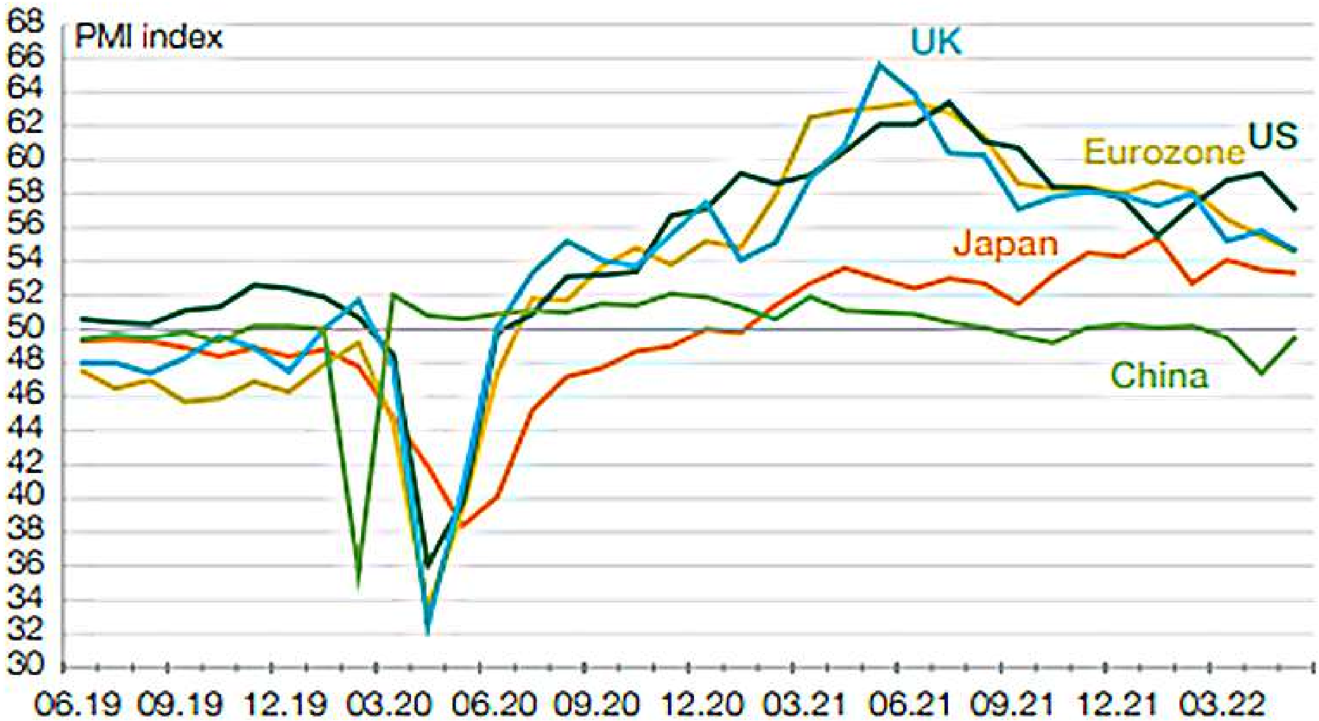
	1 Month	3 Month	YTD	1 Year
Equity Indices				
S&P 500	2.8%	-12.7%	-19.1%	-11.8%
DAX	-5.2%	-10.3%	-19.9%	-19.4%
EuroStoxx 50	-1.6%	-10.2%	-19.8%	-15.8%
ISEQ	-7.5%	-12.0%	-25.5%	-23.6%
FTSE	-0.5%	-5.9%	-2.9%	0.6%
Nikkei 225	-2.4%	-1.8%	-8.5%	-8.3%
Multi-Asset Funds				
Aviva Multi-Asset ESG 3	-1.0%	-5.0%	-8.7%	-6.7%
Irish Life MAPS 3	-0.2%	-5.0%	-7.8%	-4.4%
New Ireland iFunds 3	-0.4%	-2.6%	-4.6%	-3.1%
New Ireland PRIME 3	-0.5%	-3.7%	-5.8%	-2.1%
Zurich Prisma 3	-0.1%	-3.8%	-6.3%	-3.7%
Aviva Multi-Asset ESG 4	-0.6%	-5.9%	-9.1%	-5.4%
Irish Life MAPS 4	-0.1%	-5.7%	-8.1%	-3.0%
New Ireland iFunds 4	-0.3%	-3.4%	-5.4%	-1.8%
New Ireland PRIME 4	0.1%	-4.7%	-7.5%	-1.0%
Zurich Prisma 4	-0.4%	-6.7%	-10.0%	-4.6%
Aviva Multi-Asset ESG 5	0.1%	-6.2%	-9.0%	-3.7%
Irish Life MAPS 5	0.5%	-6.2%	-9.3%	-3.6%
New Ireland iFunds 5	0.0%	-3.8%	-5.5%	0.3%
New Ireland PRIME 5	0.9%	-4.8%	-7.7%	0.8%
Zurich Prisma 5	-0.4%	-8.5%	-13.0%	-5.6%
Currencies				
EUR/USD	-3.8%	-8.0%	-11.9%	-14.9%
EUR/GBP	-1.4%	1.2%	0.7%	-0.7%
GBP/USD	-2.4%	-9.1%	-12.5%	-14.3%
USD/JPY	1.9%	9.3%	19.0%	12.8%
Fixed Income				
US 10yr	-0.25	0.19	1.41	1.55
German 10yr	-0.38	0.33	1.30	1.42
Irish 10yr	-0.50	0.30	1.44	1.59
UK 10yr	-0.39	0.25	1.08	1.40
Commodities				
Gold	-5.3%	-11.2%	-5.5%	-4.7%
Brent Crude Oil	-16.4%	4.0%	31.5%	33.7%

Global Economy & Inflation

Without a doubt, the global growth story continues to face active risks, notably on the geopolitical front. Renewed constraints with regard to energy supply, still-persistent high inflation, and now more restrictive monetary regimes may weigh on activity and put some pressure on growth during H2 and into 2023. Tighter financial conditions and lower credit supply are already applying pressures everywhere, while high inflation has hit consumers' confidence and increased sector rotation in purchases despite still large savings balances being present for both individuals and corporates. Business confidence has decreased, but the leading PMI indicators mostly remain above the important threshold of 50, which means a significant slowdown is in process but not an imminent recession, notably for the US economy. Manufacturing PMI results from mid-2019 until today for the main regions can be seen below.

Business confidence points towards slowdown not recession

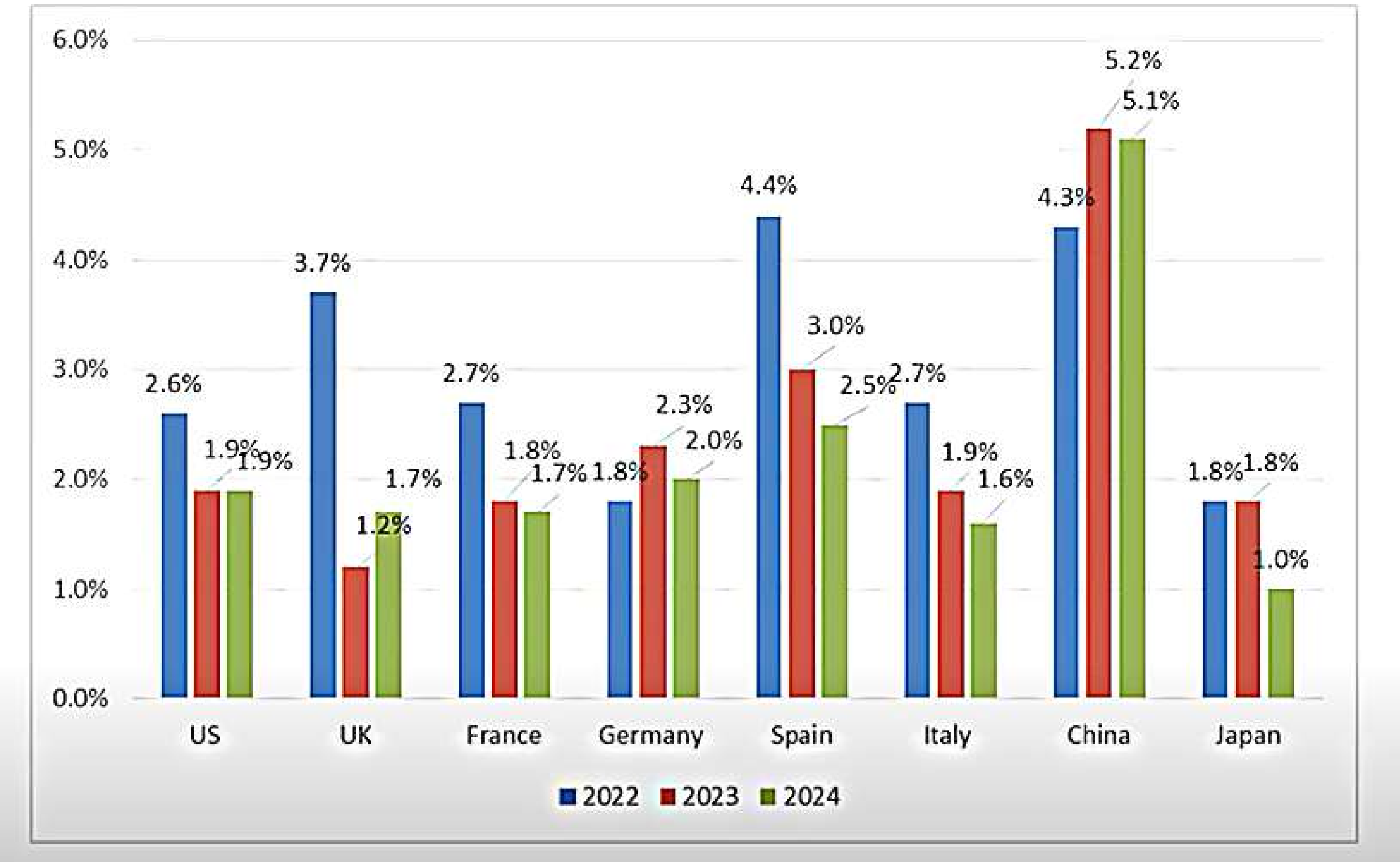
Business confidence in manufacturing



Source: UBP, S&P Global

Global Economy & Inflation

Despite all of the talk of recession, consensus growth estimates (seen below) remain positive, albeit they are significantly weaker than at the start of the year and the margin for error now is quite a bit less. Many of these figures, while still in positive territory, have been downgraded over recent months. There is of course a risk that some of these could turn negative should a possible recession happen and deepen. On a more positive note, signs of cooling economic activity could allow for a more gradualist approach from the central banks. This should limit the downside risk for assets and re-establish the negative correlation between stocks and bonds that had previously proved so helpful to investors trying to construct a balanced portfolio.



Source: Bloomberg, New Ireland

Global Economy & Inflation

As we highlighted last month, the OECD is now forecasting that the world economy will grow by 3.0% this year and 2.8% in 2023, down from its previous projections of 4.5% and 3.2% for 2022 and 2023, respectively.

This would represent a marked slowdown from the growth of roughly 6% seen in 2021. In particular, growth in developed economies is expected to slow sharply from 5.5% last year to 2.7% in 2022 and 1.6% in 2023, according to the OECD. Inflation in advanced economies is now forecast by the organisation to average 8.5% this year and 6.0% in 2023, up from its prior projections of 4.2% and 3.0% for both years made back in December.

For the Eurozone economy, it is clear that we are now facing a challenging period. Inflation has continued to increase by more than anticipated, in part, due to the war in Ukraine. The war will continue to weigh on economic activity both directly and indirectly, by reducing trade flows between the Eurozone and Russia, and by reducing real incomes through persistent inflation.

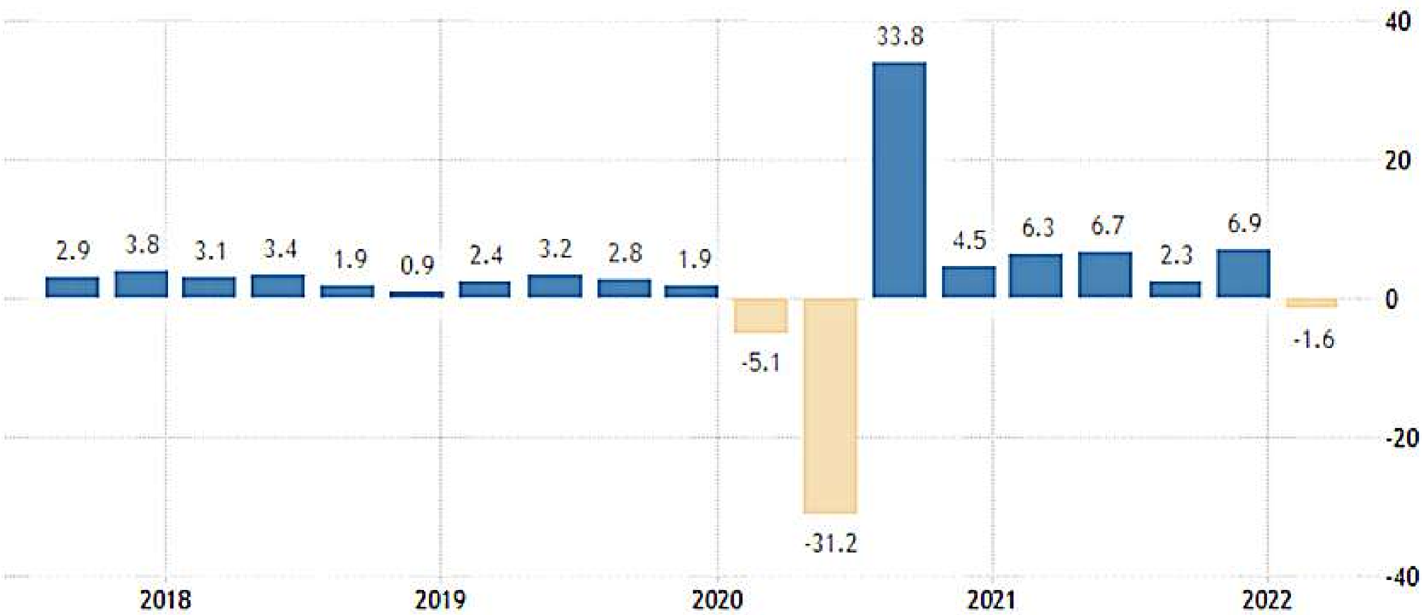
If the EU were to stop importing all types of Russian energy, the threat of a recession would increase substantially.

Global Economy & Inflation

Source: tradingeconomics.com

Meanwhile, as can be seen above, the region's labour market has performed very strongly over the last year or so. Indeed, the unemployment rate was at a new record low of 6.6% in May, down from a Covid-peak of 8.7% in the middle of 2020. Perhaps even more impressively, employment moved above its pre-pandemic level back in Q4 of 2021, and rose again by 0.6% in Q1 of this year.

Moving over to the United States; GDP contracted by 1.6% in annualised terms during the first quarter of the year. However, the headline rate masks the continued solid growth seen in final domestic demand. Consumption rose by 3.1% in Q1, contributing 2.1 percentage points (p.p.) to GDP, while fixed investment added a further 1.2 p.p. A massive surge in imports though, as businesses continued to rebuild inventories, and a fall in exports meant that net trade subtracted 3.2 p.p. from growth. Meanwhile, although businesses continued to rebuild stock levels, they did so at a slower pace than in Q4, meaning inventories knocked 1.1 p.p. from GDP.

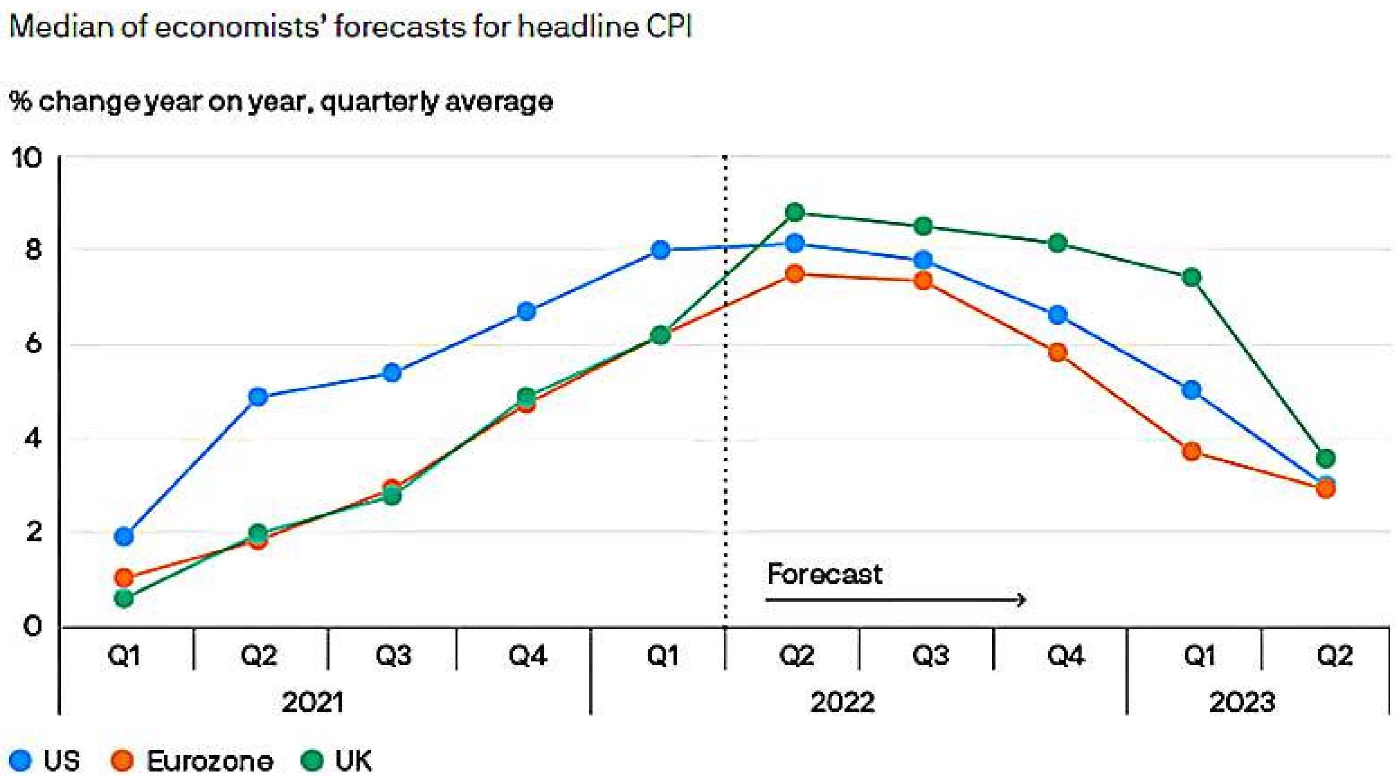


Source: tradingeconomics.com

Global Economy & Inflation

The markets have accepted that inflation is likely to remain above target for the foreseeable future and the risks of transitioning to a stagflationary environment have increased. That said, it is possible, or even probable, that central banks will eventually control the problem by slowing economic momentum and reducing aggregate demand. On the other hand, slowing growth caused by both geopolitical tensions and supply-side restrictions is much harder for policymakers to control. The war in Ukraine, the recent resurgence of Covid in China, and bottlenecks with global logistics have all converged to form a 'perfect' supply-side storm. That is, of increasing prices and slowing growth factors which have been so far difficult for central banks to deal with.

Obviously, inflation has surprised to the upside this year. We do expect it either to be peaking at present, or to peak soon. The market would also agree with this hypothesis, as we can see on the below graph. We also expect it to moderate as we go through the second half of this year and into 2023 while still remaining above central banks' targets of 2%.



Source: Bloomberg, BLS, Eurostat, ONS, JP Morgan Asset Management

Global Economy & Inflation

There are three key reasons why we believe inflation should moderate during the second half of the year.

1. Taming inflation: The commitment that we are seeing from the major central banks to contain and bring inflation under control as highlighted by the 0.75% increase that we saw from the Federal Reserve last month – the first hike of that magnitude since 1994. With that, they will slow growth and slow demand, but that in turn should lead to lower levels of inflation.

2. Another factor will be high base rate effects from last year falling out, which will reduce inflation as we go through the second half of this year and into next year – because of the nature of the year-on-year comparisons.

3. A third reason, on the supply side, is that we have seen a number of big corporates globally speak on the buildup of excess inventories that they have had over the last couple of months. This comes after they were forced to over-order through the supply bottlenecks that we saw throughout the pandemic, but also the easing of demand that we are beginning to see coming through has left them with too high inventories. As a result of this, we have seen some large firms suggest that they will have to offer discounts in order to offload that inventory, which should lead to lower levels of inflation as well as we go through the second half of the year.

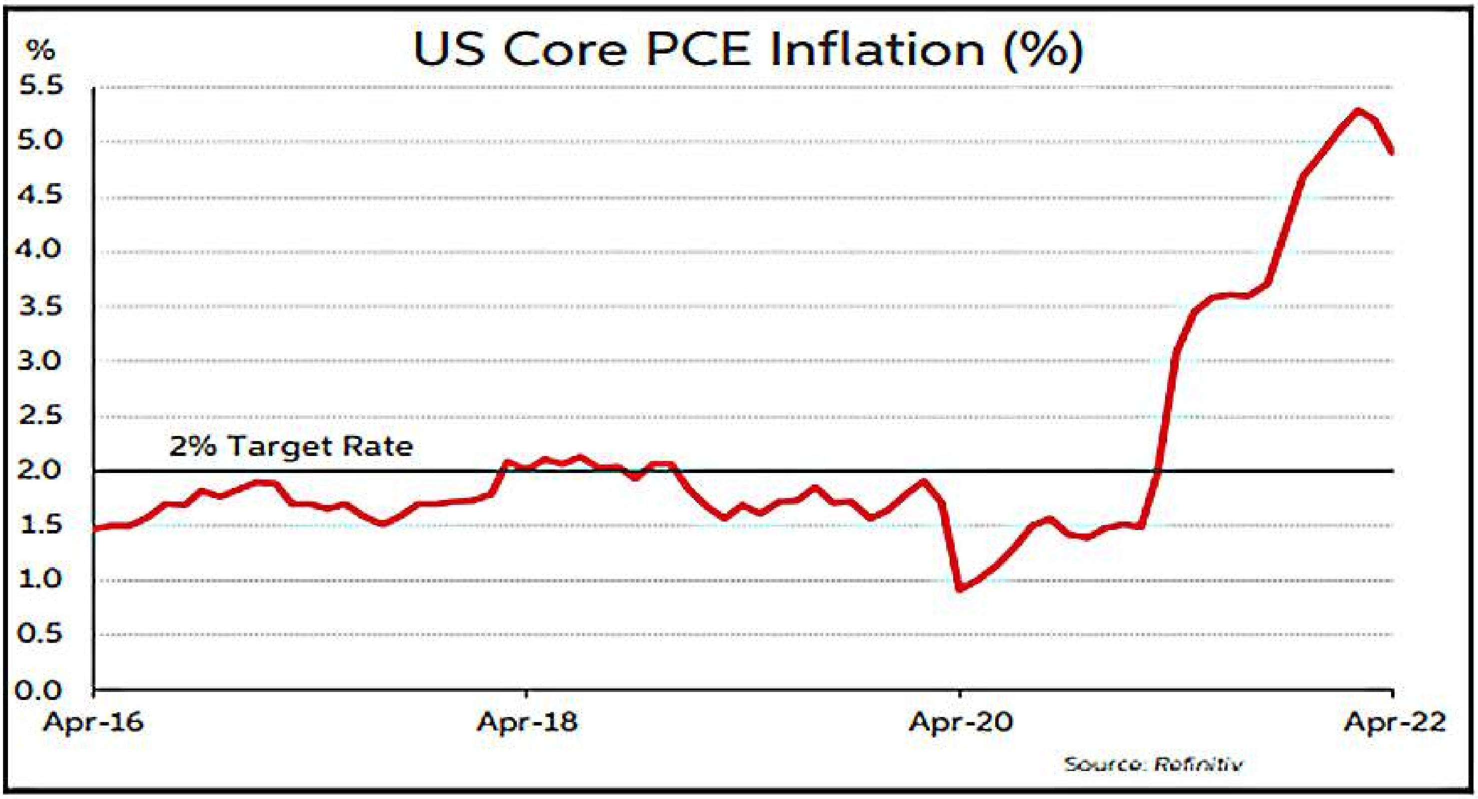
Since our last Update roughly four weeks ago, we have seen the Eurozone's June CPI inflation figure come in at 8.6%, up from May's 8.1% and ahead of expectations for 8.5%. Energy prices remained a significant contributor to inflation in the region. However, and somewhat worryingly, inflation has become more broad-based over recent months, with prices rising in each of the major categories.

Global Economy & Inflation

"Taming inflation: The commitment that we are seeing from the major central banks to contain and bring inflation under control as highlighted by the 0.75% increase that we saw from the Federal Reserve last month – the first hike of that magnitude since 1994..."

Meanwhile, the US 'Core PCE' result, which is the Federal Reserve's preferred inflation metric, and which had already hit multi-decade highs back in Q1, has continued to rise. Core PCE (which excludes energy and food) for the month of May came in at 0.3% m/m (vs 0.4% forecasts) and 4.7% y/y (vs 4.8% forecasts and the prior 4.9%).

This inflation figure is expected to continue its decline over the second half of this year, as favourable base effects come into effect. Nevertheless, a decline back towards the 2% target level is likely to be slow. The latest projections, from the June Fed meeting, show core-PCE inflation declining to 4.3% in Q4 2022, 2.7% by Q4 2023 and 2.3% in Q4 2024.

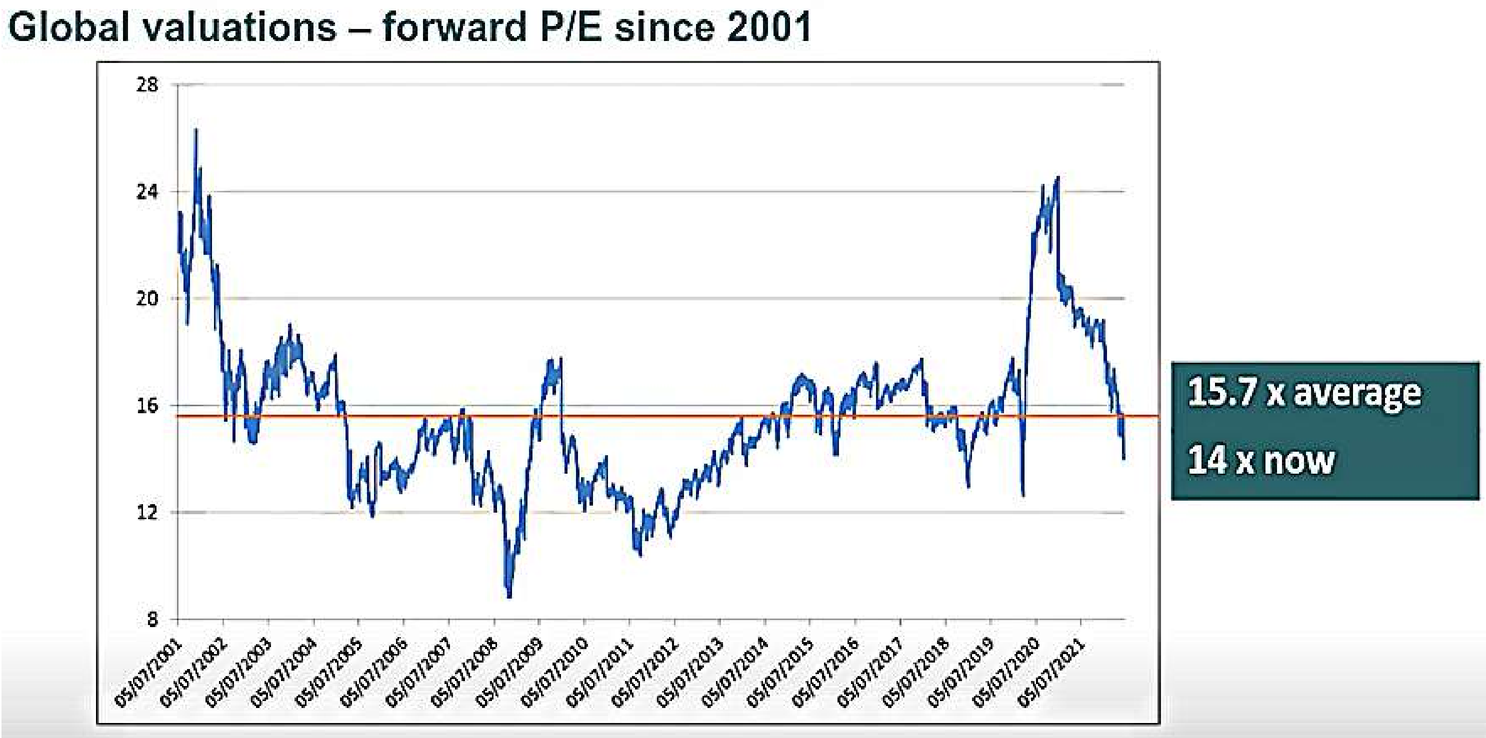


Source: Refinitiv, AIB

Markets

Any forward-looking view of equity and bond markets has to take into account the path of interest rates, but also current valuations and corporate earnings in the case of equities. One can argue that we have already seen a significant repricing in the bond markets given the spike in interest rates across the curve, with the short end pricing in most of the Fed's hiking cycle and the long end reflecting elevated inflation.

However, a further rise in rates can be argued given the uncertain nature of when we will actually see 'peak inflation'. Equity valuations on the other hand are cheaper today, especially for long-term investors willing to look past the ongoing volatility.



Source: Bloomberg, New Ireland

We have seen a significant de-rating of equities, as is shown above. Over the past two decades the average P/E ratio for global equities was 15.7x, and recently it has fallen to 14x. Price adjustment has led to this downgrade in valuations, but many investors are now asking if we will see the earnings component start to drop off. It is still unclear to what extent this will occur, but market participants will be watching the Q2 earnings season very closely this month and next for any clues.

For earnings, the key risk now comes down to questions around corporate margins, which are expected by the consensus to stay at record-high levels. Since demand has been strong so far, companies have been able to raise prices and strongly benefited from significantly higher sales via operating leverage. Should demand slow down meaningfully because of inflation or any other factors, this ability to raise prices would fall quickly and margins would be squeezed by still rising input costs and other supply chain issues. As a result, current all-time high earnings expectations could well be revised downwards in the coming months. In the US, a further increase in bond yields would also weigh on valuation multiples. In this uncertain environment, we continue to focus on companies with strong balance sheets, a predictable future earnings stream and solid dividend yields.

Markets

From a long-term standpoint, we believe we are approaching a very over-sold state in equities.

The 1-week candlesticks on the chart below (scale on the right-hand side) represents the percentage of stocks in the S&P 500 that are above their 200-day moving average (DMA). The S&P 500 itself is in black with its price on the left-hand side. Currently about 21% of stocks are above their respective 200-DMA, but in June that figure got as low as 11%. Clearly, every time the candlesticks have moved down to the 10% region over recent years it has resulted in a major market bottom, as can be seen for 2018 and the Covid bottom in March 2020.

Source: Seaspray, July 2022

Time is one of the best assets that many investors have, but they do not always know how to take advantage of it. This is especially true when markets turn volatile. At such times, many investors feel the urge to sell out of the market or hold their cash on the sidelines, waiting for the perfect time to invest. It is important to understand that trying to time the market seldom works. Equity markets can be extremely volatile in the short term, but over the long term they have always risen and recovered from downturns.

This means that an investor who stays in the market generally has a much higher probability of long-term success than one who tries to pick the perfect time to invest.

Markets

Staying fully invested through a market cycle has, in the past, ensured investors reap greater rewards over the longer term as rebounds after large losses are often significant. Markets rise and fall daily, weekly, and monthly. It is part of the natural cycle of investing. Historically, each significant market downturn has been followed by an eventual upswing.

Reasons to stay invested:

- With regard to the S&P 500, the 3rd of March 2020 saw the third-strongest one-day gain for the index since 1945, after the two-day rebounds that followed the Black Monday Crash of 1987, and the Lehman Brothers bankruptcy in 2008.

- Despite the infamous 'Black Monday' of 1987, it was still a positive year for equities. The same can be said for the onset of Covid in 2020.

- Despite the last Bull Market being one of the longest on record, we still saw double digit falls in 8 of the 11 years, proving that some volatility is a necessary and normal part of investing.

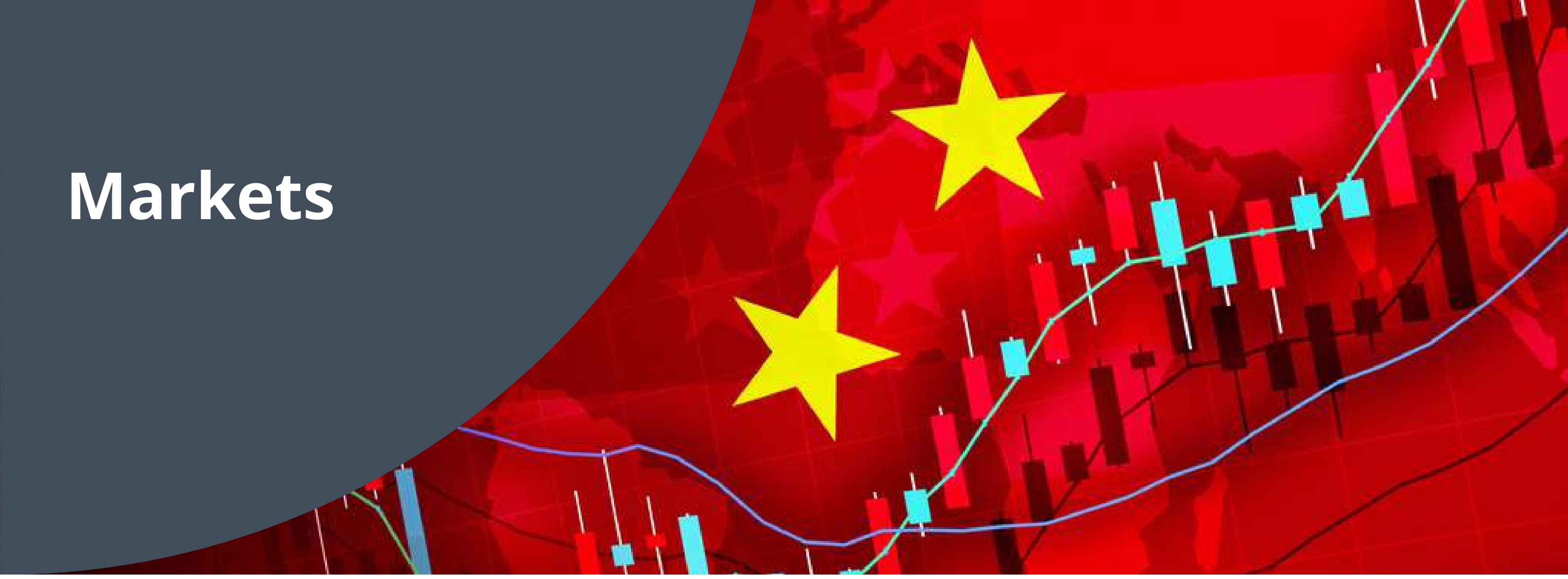
- European equities have finished the year in positive territory on 31 of the past 40 years, yet in each of those years, the market suffered an average intra-year decline of 15.2%.

- In any 10-year period the odds of global equities posting positive returns is 96%.

- In any 10-year period multi-asset funds have never made a loss.

- In any 20-year period global equities have never made a loss.

Markets



Commodities have clearly been the best-performing asset class and the only one to post a positive return year-to-date. While many have pulled back over recent weeks, energy and agricultural prices have had a strong 2022 so far on the back of the Russia-Ukraine conflict. Some of these gains will be reversed if hostilities subside, which unfortunately looks unlikely as it stands. One risk for commodity markets going forward is that China's economy continues to slow, as the country struggles with on and off restrictions in a desperate attempt to reach zero-Covid. On balance, the case for commodities exposure is still positive, but weaker growth as central banks tighten policy will likely dampen demand during H2. As an asset class, commodities are on pace to deliver a third consecutive year of significant positive returns. Despite this strong performance, the case for commodities going forward remains relatively strong, as conditions of acute scarcity continue to persist in many cases.

In oil markets, Russian crude is flowing, but global crude markets have tightened considerably, as transit times get longer. It is however worth noting that oil markets are beginning to price in slowing demand and even possibly a minor recession. Brent crude oil briefly traded below $100 last week for the first time since April and has pulled back roughly 15% from its June high point. Tightness in Liquefied Natural Gas (LNG) supply suggests higher prices for longer is the continued theme for the European natural gas market.

Precious metals remain in a difficult place at present. While firmer inflation may seem bullish for the likes of gold, it is now being quickly counteracted by more aggressive pricing for a policy response from the Fed and other central banks, likely keeping prices constrained. Until inflation subsides investors will remain concerned about overly aggressive central banks and the possibility for stagflation. Alternatives such as core infrastructure and real estate, and stocks that offer resilient high dividends, are relatively attractive in this challenging backdrop.

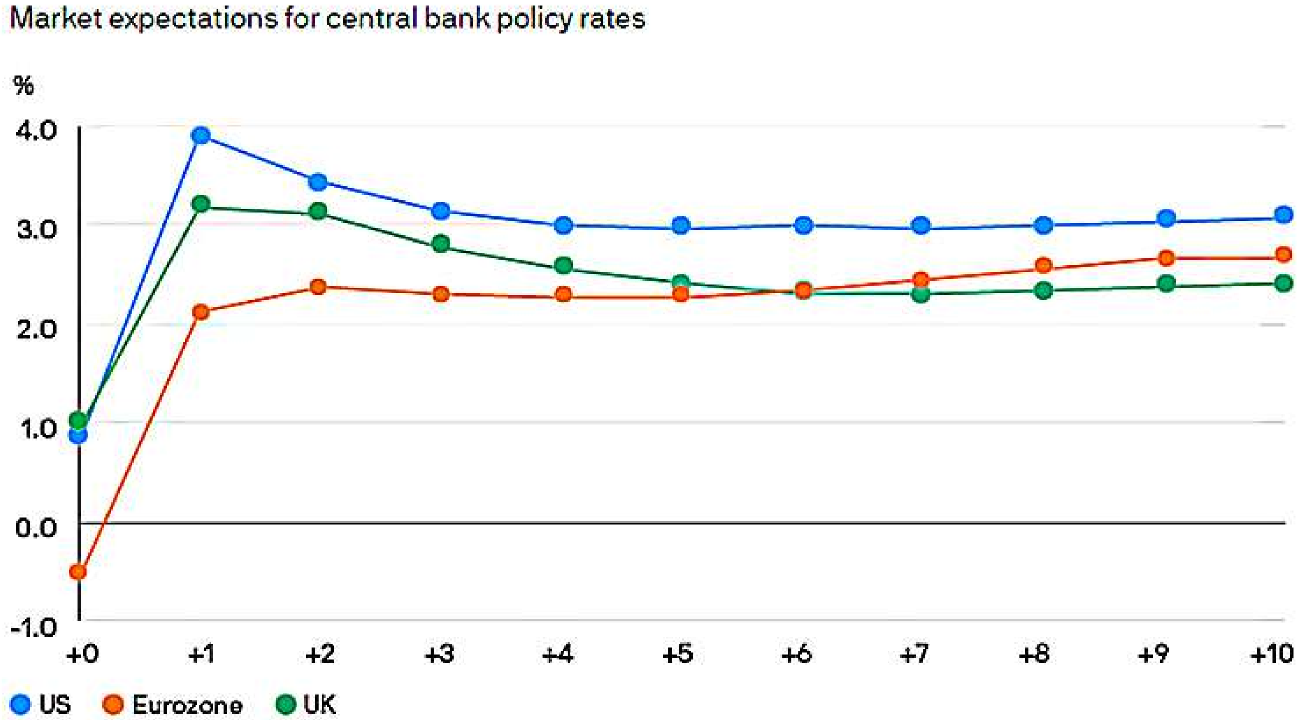
The recent softening in rate hike expectations in 2023 has caused the move higher in bond yields to take a break. Ten-year US Treasury yields have fallen to 2.9% from 3.5% in mid-June, with ten-year German bund yields declining from 1.9% to 1.24% over the same period. Investors had come to rely on forward guidance on policy from central banks over the past decade or more, but this is no longer the case. Central bankers have been changing their minds quickly on policy this year as they contend with an inflation shock. Policy decisions, and bond markets, are now being largely driven by the latest inflation data coming out.

The US dollar has made strong gains so far this year on Fed hawkishness and safe-haven appeal during the Russia-Ukraine conflict. We would expect to see the world's reserve currency weaken if hostilities in Ukraine were to subside and if lower inflation outcomes later in the year lead to less Fed tightening than markets currently expect. When inflation does eventually fall back towards 2%, the main beneficiaries are likely to be the Euro, which has become more undervalued, and the Japanese Yen, which has weakened on commodity price inflation and Chinese growth concerns. We also believe that the British Pound and the economically sensitive commodity currencies such as the Australian dollar and Canadian dollar have the potential to make some gains as we head towards 2023.

Monetary Policy

In our recent June Investment Update, we covered the core details of both the European Central Bank and Federal Reserve's June meetings and monetary policy decisions. Since then, markets have had more time to digest these important releases and price in slightly different scenarios for the next couple of years. Rather than simply repeating what we have already covered in or previous update, we will attempt in this section to offer some additional thoughts and insights to the decisions made by the ECB and Fed last month, their likely course of action over the rest of the summer, and also examine the Bank of England's June release.

The behaviour of the most major central banks in recent months has without a doubt presented another risk to global growth. Investors have become increasingly fearful that central banks have decided to engineer a global recession in order to drive out inflation, similar to the situation we saw in the 1970s. These concerns have served to worsen the equity sell-off that we have seen year-to-date. The Federal Reserve has openly discussed this unpalatable possibility, and hawkish rhetoric has encouraged a repricing of short-term interest rates. The graph below shows that the market is currently expecting the Fed and BOE to engineer a slowdown in their respective regions – tightening so quickly this year that within about a year they will have to cut rates once again.



Source: SeaspraySource: Bloomberg, JP Morgan Asset Management July 2022

Other developed world central banks are in a slightly different position. In the eurozone, on the other hand, there are fewer obvious signs of overheating, allowing the European Central Bank to tighten policy more gradually than other central banks. It has become clear this year that Europe can finally get out of negative interest rates. However, exactly how far the ECB can get in its hiking cycle is still unclear, but it is worth keeping an eye on given the impact Europe's negative interest rates have had on bond yields globally.

Federal Reserve

"Achieving what is known as a 'soft landing' for the US economy has proven to be a difficult task for the Fed in the past, especially when bringing inflation down from elevated levels such as these...."

As was well covered by the financial press, the US Federal Reserve delivered its first 75bps rate hike since 1994 at its June meeting. The rate hike brought the target range for the Fed funds rate to 1.5-1.75% and followed the 50bps and 25bps rate increases at the previous two policy meetings in May and March, respectively. This was the first time the Fed has hiked rates at three consecutive meetings since 2000. The decision was not unanimous, with one FOMC member voting for a 50bps hike. Interestingly, this move came after Chair Jerome Powell had stated at May's policy meeting that the Fed was not actively considering a 75bp move. However, the inflation data released since then obviously caused a change of heart.

In this context, we believe that inflation results over the coming weeks and months will be extremely important for the pace of monetary policy tightening for the remainder of this year. The Fed's projected path for interest rates in the US, published last month, sees them getting to 3.375% by end-2022 and a peak of 3.75% next year. The market broadly agrees, and is currently pricing in for the central bank to reach a peak of around 3.5% in December and remain at this point until it begins cutting rates this time next year.

The key challenge the Fed faces in tightening policy is to slow activity sufficiently that inflation is brought under control, but not to the extent that it tips the economy into recession. In this regard, financial conditions have already tightened considerably this year. Achieving what is known as a 'soft landing' for the US economy has proven to be a difficult task for the Fed in the past, especially when bringing inflation down from elevated levels such as these. Jerome Powell acknowledged this recently, saying the task "is not getting easier". He commented that "we are not trying to induce a recession now. Let's be clear about that". These issues are at least well understood now by markets. At the beginning of the year, it was unclear how far inflation would surge and how aggressively central banks would respond.

European Central Bank

"while significant policy tightening is certainly on the cards for the second half of 2022, rate hikes on the scale priced in by markets for 2023 may not materialise if growth proves weaker than expected by the ECB....."

As we spoke about in June, the latest meeting of the ECB's Governing Council marks a major turning point in monetary policy for the Eurozone. The ECB announced that net asset purchases under its QE programme would end on July 1st. Meanwhile, rates in the region will start to be hiked from this month also, in the first tightening of policy by the ECB in over a decade. The ECB stated that it would raise its key interest rates by 25bps at its July 21st. It expects to increase interest rates again at the following policy meeting in September and indicated that a larger hike than 25bps may be appropriate then, depending on the outlook for inflation.

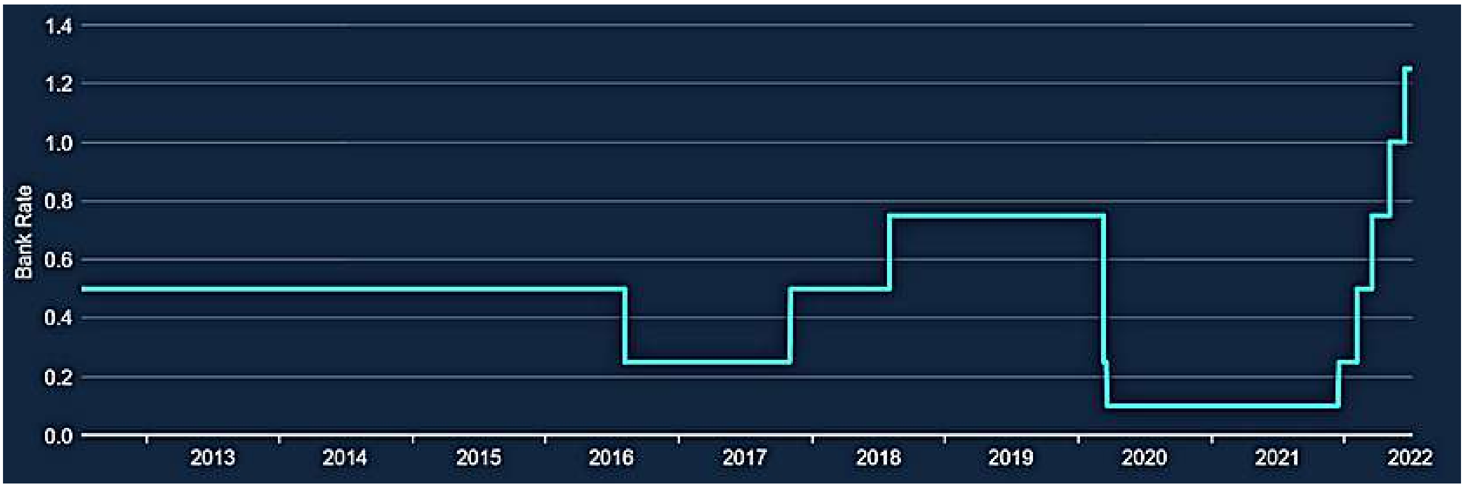
The ECB struck a more hawkish than anticipated tone in June, with the central bank now qualifying previous guidance that the pace of tightening would be gradual and modest. Rates are now seen as rising by 75 basis points during the current quarter and close to a further 75bp in Q4. This would see the key deposit rate rise from the current -0.5% to 1.0% by year-end. Rates are expected to be hiked by circa a further 100bp in 2023, possibly taking them up to near 2% by the end of next year.

A weaker than expected growth performance for the Eurozone over the next 12 months could help inflation return to target over the medium term, notwithstanding that much of the spike in inflation is due to external factors that have driven global commodity prices sharply higher. Thus, while significant policy tightening is certainly on the cards for the second half of 2022, rate hikes on the scale priced in by markets for 2023 may not materialise if growth proves weaker than expected by the ECB, which combined with some easing in oil prices helps bring inflation back to target.

It is worth noting that as investors have priced in ECB rate hikes for H2, the difference between the rate at which the Italian and German governments can borrow has continued to widen, as it did in the run up to the eurozone sovereign debt crisis about a decade ago. In reaction, the ECB has said that it will come up with an anti-fragmentation tool to limit the rise in 'peripheral' nations' (such as Italy) borrowing costs, allowing for an even transmission of its desired monetary policy across the eurozone, and hence help keep the eurozone together. The market, though, is still awaiting more detail on the tool and any conditions attached.

Bank of England

Taking a closer look at the Bank of England: the bank's June monetary policy meeting saw the announcement of further tightening. Policymakers voted to increase the UK's Bank Rate by 25 basis points to 1.25% in light of the continuing "signs of robust cost and price pressures and the risk that these become more persistent". This is the fifth consecutive meeting whereby the BOE has delivered rate hikes, after kicking off its tightening cycle last December with a 15bp increase. This was followed by 25bps increases at its February, March and May meetings. June's policy decision was broadly in line with market expectations, with all 9 Monetary Policy Committee members in favour of a rate hike.



Source: Bank of England

However, similar to the previous meeting in May, there was a difference of opinion over the size of the increase. The voting breakdown showed the committee voting 6:3 in favour of the decision to raise rates by 25bp, with the same three members from the May meeting preferring a 50bp rate hike in June. The three members were of the view that a faster pace of tightening was warranted in order to reduce the risks of a "more extended and costly tightening cycle later".

Meanwhile on the inflation front, the bank commented that it has once again revised higher its expectation around where inflation will peak this year. It now anticipates inflation rising to slightly above 11% in October compared to its previous projection of slightly over 10% at its peak in Q4. This was mainly due to larger increases in energy & utility prices. Further out, it envisages inflation remaining above its 2% target in Q4 2023, at 3.5%, but expects it to fall to 1.5% by the end of 2024. It stated that risks to its inflation projections remained "skewed to the upside". It noted in its statement that growth was weaker in both Q1 and April than it had factored into its assessment back in May. Overall though, it stated that incoming macro data did not suggest a materially different near-term underlying growth path to the one that was envisaged in May. The May Monetary Policy Report showed that the BOE expects a major slowdown in the UK economy. It anticipates that after growth of 3.75% in 2022, GDP will contract by 0.25% in 2023. For 2024, it is projecting very modest growth of just 0.25%. This constitutes a mild recession followed by a period of stagnation over the next two years.

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