



KKR Releases 2019 Global Macro Outlook

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Henry McVey Sees Value in Liquid Markets, but Acknowledges a New Reality for Investing: “The Game Has Changed”

NEW YORK--(BUSINESS WIRE)-- [KKR](#) today released the 2019 Global Macro Outlook piece by [Henry McVey](#), Head of Global Macro and Asset Allocation (GMAA). In “[The Game Has Changed](#),” McVey outlines his perspective on the current investing environment, details several investment considerations portfolio managers should have on their horizon, and shares his outlook for key action items and asset allocation targets for 2019 and beyond.

“As we begin 2019, we definitely tilt more positive in our global asset allocation and macro positioning, despite our call for a weaker economic environment,” McVey says. “However, it is not business as usual in the global capital markets these days. In our humble opinion, the game has changed.”

Specifically, McVey and his team see four major influences that will require a different approach to asset allocation for investors in the years ahead:

1. A structural shift from monetary policy to fiscal policy is under way
2. Technology, while still an incredibly powerful agent of change in the global economy, now faces more valuation and regulatory headwinds than in the past
3. Tightening liquidity conditions amidst higher real rates are macro headwinds that must now be considered
4. The rise of geopolitical uncertainty warrants a higher risk premium than in the past

Despite these crosswinds, McVey’s message is not to head to the sidelines. Rather, he advocates staying invested and electing thoughtful asset allocation preferences by taking into account the key macro themes outlined throughout his report. By doing so, he believes investors with a long-term game plan and the ability to buy complexity amidst uncertainty can drive above-average returns from current levels.

The report details the GMAA team’s updated asset allocation model for 2019, including the team’s view on interest rates, inflation, oil, stocks versus bonds, and cycle duration, as well as geographic views, specifically regarding the economic outlook for the U.S., Europe, China and Mexico.

In terms of key calls for 2019, McVey and his team believe public equities are now pricing in a recession, with liquid credit not far behind. So, for the first time in three years, he is now moving to an overweight position in public equities, including the U.S. McVey also remains constructive on cash flowing assets linked to nominal GDP, including infrastructure and asset-based finance. Though he thinks the role of government bonds in global asset allocation is structurally changing, he sees good value in the short-end of the curve, particularly in the U.S. Finally, he sees the dollar peaking against many currencies in 2019.

Links to access this report as well as an archive of Henry McVey's previous publications follow:

- To read the latest Insights, click [here](#).
- To download a PDF version, click [here](#).
- To download the KKR Insights app [for iOS click here](#), and [for Android click here](#).
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About Henry McVey

Henry H. McVey joined KKR in 2011 and is Head of the Global Macro and Asset Allocation team. Mr. McVey also serves as Chief Investment Officer for the Firm's Balance Sheet and oversees Firmwide Market Risk at KKR. As part of these roles, he sits on the Firm's Investment Management & Distribution Committee and the Risk & Operations Committee. Prior to joining KKR, Mr. McVey was a managing director, lead portfolio manager and head of global macro and asset allocation at Morgan Stanley Investment Management (MSIM). Learn more about Mr. McVey [here](#).

About KKR

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Kristi Huller or Samantha Norquist
212-750-8300
media@kk.com

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