KKR

KKR Releases 2021 Mid-Year Macro Outlook Report

July 21, 2021

Henry McVey: The Macroeconomic Outlook Is Not the "Same As It Ever Was"

NEW YORK--(BUSINESS WIRE)-- KKR today announced the release of its 2021 mid-year outlook piece by Henry McVey, CIO of KKR's Balance Sheet and Head of Global Macro and Asset Allocation. In his latest Insights piece, McVey delves into a key question on investors' minds: Will the post-pandemic economy be the same as it ever was?

"While we are optimistic about the future, we believe the 'once in a lifetime' event that defined 2020 indicates it is not the time to adopt a 'same as it ever was' mentality. We enter the second half of 2021 increasingly confident that the portfolio that drives excess returns in the next decade will look much different than the past. To us, this means opportunity to invest today in what we think is the portfolio of tomorrow," said Henry McVey.

Key to McVey's thinking, as outlined in the report, is that policy shifts across the globe – particularly a reliance on more government support across a number of issues – have shifted the skew from disinflation towards reflation. Against this backdrop, McVey's message to investors is to get long pricing power and collateral-based cash flows.

Specifically, McVey and his team outline the following structural inputs that they believe will make this recovery much different than those experienced during the last four decades:

1. There is a more accommodative approach to monetary policy, including Average Inflation Targeting (AIT) in the United States.
2. Austerity is out and sustained global fiscal stimulus is in, with more of it going directly to consumers.
3. More input cost pressures are being seen in already fragile supply chains, particularly as the Producer Price Index (PPI) rises above the Consumer Price Index (CPI). Labor shortages are also a part of this emerging conundrum.
4. Lower real rates mean easier financial conditions for longer.
5. The current global energy transition towards a cleaner environment is actually inflationary.
6. There is now a record amount of savings to be spent earlier in the cycle.

Links to access this report in full 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.
- For an archive of previous publications please visit www.KKRInsights.com

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

KKR is a leading global investment firm that offers alternative asset management and capital markets and insurance solutions. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and supporting growth in its portfolio companies and communities. KKR sponsors investment funds that invest in private equity, credit and real assets and has strategic partners that manage hedge funds. KKR's insurance subsidiaries offer retirement, life and reinsurance products under the management of The Global Atlantic Financial Group. References to KKR's investments may include the activities of its sponsored funds and insurance subsidiaries. For additional information about KKR & Co. Inc. (NYSE: KKR), please visit KKR's website at www.kkr.com and on Twitter @KKR_Co.

View source version on businesswire.com: https://www.businesswire.com/news/home/20210721005252/en/

Cara Major or Miles Radcliffe-Trenner
212-750-8300
media@kkr.com

Source: KKR