

INSIGHT INVESTMENT: THE ERA OF BIG GOVERNMENT IS UPON US

NEW YORK – September 24, 2020: A new era of big government has begun and is likely to remain underway for decades to come, according to analysis from the global macro research team at Insight Investment, a world-leading defined benefit investment manager with \$909bn under management,¹ which includes assets managed for approximately 23 million plan participants across the world.²

The team has adopted a term, 'Neofiscalism', to define the era which has begun to emerge, under which governments take a more direct and proactive role in economic policy and management through fiscal policy. This is in stark contrast to the current regime under which central banks have been largely able to make monetary policy decisions without political interference, it argues.

Gareth Colesmith, Head of Global Rates and Macro Research at Insight, said: "The neoliberal paradigm of smaller government involvement in the economy is under threat. Longer term trends were already moving in this direction, but emergency policies implemented to deal with the COVID-19 crisis have created a potential tipping point."

Five implications for markets, according to Insight's global macro research team:

1. Bond markets may become Japanese-like for a long period. Relatively low volatility by historical standards could lead to a grab for yield that compresses spreads and flattens yield curves.
2. Inflation could trigger spikes in bond yields if it causes quantitative easing to be tapered. Such opportunities are likely to be attractive entry points, as long as the longer-term expectation is for inflation to return to target following the funding squeeze in the real economy.
3. For sovereigns without full control over the currency they issue in, government effectiveness could be key. Effective governments that are able to raise productivity and trend growth could more swiftly reduce debt/GDP ratios.
4. Identifying governments able to maximize trend growth is likely to become important for equity markets as this will become a key driver of earnings.
5. Corporates with state support could have an advantage during funding droughts.

For more detail on this viewpoint, please read "[Neofiscalism: Implications of Big Government in a Post-COVID World](#)".

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About Insight Investment

Insight Investment is a leading asset manager focused on designing investment solutions to meet its clients' needs. Founded in 2002, Insight's collaborative approach has delivered both investment performance and growth in assets under management. Insight managed \$909 billion of assets as of June 30, 2020 across its core liability-driven investment, risk management, liquidity management, fixed income and credit capabilities.¹

Many retirement plans in the U.S. are in the decumulation phase and are facing new pressures to ensure they have enough cash to cover their obligations. Insight builds unique outcome-oriented investment solutions to help plans manage risk, harness liquidity and maximize certainty. Insight Investment is owned by BNY Mellon, a global leader in investment management and investment services with \$2 trillion in assets under management as of June 30, 2020.

More information about Insight Investment can be found at: www.insightinvestment.com

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¹ As at 30 June 2020. Assets under management (AUM) are represented by the value of cash securities and other economic exposure managed for clients. Figures shown in USD. FX rates as per WM Reuters 4pm spot rates. Reflects the AUM of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML). Insight includes, among others, Insight Investment Management (Global) Limited (IIMG), Insight Investment International Limited (IIL), Insight Investment Management (Europe) Limited (IIMEL) and Insight North America LLC (INA), each of which provides asset management services. ¹ Excludes previous parent introduced assets prior to 2009.

² Insight's assets under management includes assets managed for approximately 23 million pension plan participants across the world. Figures based on Insight's clients reporting data to Wilmington's 'Pension Fund Online' Blue Book as published in 2019.