

Orderly Global Reflation Will Support The Recovery From COVID-19, Article Says

NEW YORK, March 22, 2021 /PRNewswire/ -- (S&P Global Ratings) -- The global economic recovery is gaining steam--powered by accommodative fiscal and monetary policy stances and accelerating vaccinations. And the recent rise in U.S. Treasury yields, and its spillover into corporate bond yields, indicates greater confidence in a sustained recovery, including a normalization in market functioning and risk pricing. However, the exit path from a very unusual cycle has the potential to be uncertain and volatile for credit markets, and recent discussions have focused on the risk of rising inflation.

Fears that overaggressive fiscal policies could stoke a return of too high inflation have pushed bond yields higher and led central banks to clarify their (for now, dovish) reaction functions. In our view, these discussions confuse the risk of reflation fueled by a solid recovery, which is broadly positive, with the risk of a disorderly rise in inflation and yields, which is broadly negative. These fears are most pronounced in the U.S. but could spread as the recovery gains traction.

We think inflation fears are overblown and that orderly reflation, around a return to sustainable growth, is a healthy development for both macro and credit development, said S&P Global Ratings today in its article "Orderly Global Reflation Will Support The Recovery From COVID-19."

Risks relate to a rapid and volatile reset in risk premium or durably elevated inflation--which would hurt, in particular, corporate entities at the lower end of the rating scale and in some emerging markets.

This report does not constitute a rating action.

The report is available to subscribers of RatingsDirect at www.capitaliq.com . If you are not a RatingsDirect subscriber, you may purchase a copy of the report by calling (1) 212-438-7280 or sending an e-mail to research_request@spglobal.com . Ratings information can also be found on S&P Global Ratings' public website by using the Ratings search box located in the left column at www.standardandpoors.com. Members of the media may request a copy of this report by contacting the media representative provided.

Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a

substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.

SOURCE S&P Global Ratings

For further information: Global Chief Economist, Paul F Gruenwald, New York, + 1 (212) 437 1710, paul.gruenwald@spglobal.com; Global Head Of Research, Alexandra Dimitrijevic, London, + 44 20 7176 3128, alexandra.dimitrijevic@spglobal.com; Media Contact, Luke Shane, New York, + 1 (212) 438 1244, luke.shane@spglobal.com

<https://press.spglobal.com/2021-03-22-Orderly-Global-Reflation-Will-Support-The-Recovery-From-COVID-19-Article-Says>