

#TheZero: why interest rates will stay low

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**Inflation (rising prices) holds the key to low interest rates**

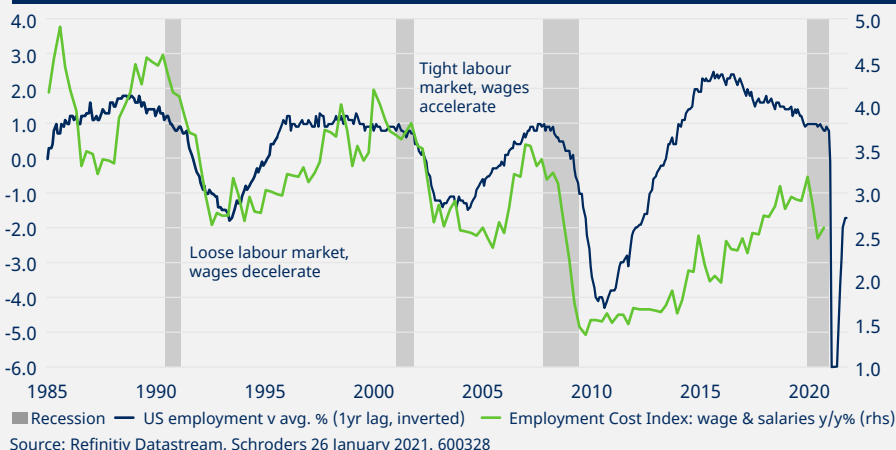


Goods prices may rise as economies recover from the pandemic



But higher unemployment will put pressure on wages and keep inflation contained

US unemployment signals weaker wage growth



#TheZero: high government debt to reinforce low interest rates



We think interest rates are set to remain low

One reason why is the high level of government debt

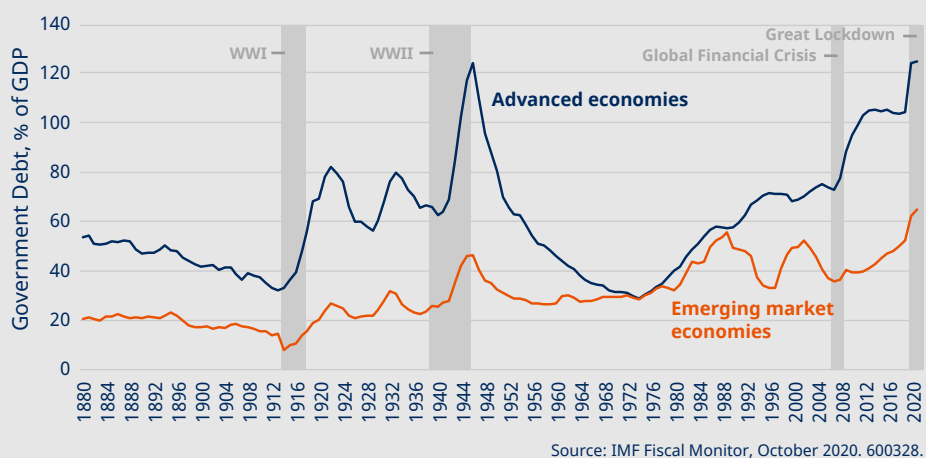


High debt limits a government's ability to spend to boost growth



Central banks may be under pressure to keep rates low to ensure debt remains sustainable

Government debt surges to a new high



Post Covid recovery could see dollar and yen underperform

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The US dollar and Japanese yen are seen as 'safe havens' as their value rises in tough times

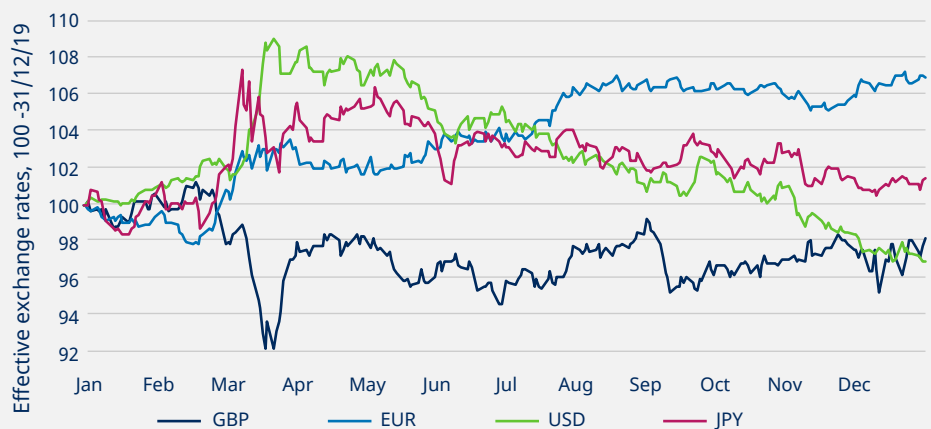


The value of both rose steeply in March 2020 as the Covid crisis hit



With economies poised for recovery, these safe haven currencies could underperform

Post-Covid recovery should mean underperformance for safe haven currencies



Source: Schroders as at February 2021.

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