## Global Macro: Deglobalization, Inequality and Country Risk Premia

Globalization and the opening of trade and capital between countries led to a reduction in income and wealth inequality between countries. The mobility of financial and intellectual capital also led to a widening of inequality within each country. Since the global financial crisis of 2008, countries have had to reexamine their economic and commercial models. Domestic inflexibility has led many countries to pursue mercantilist policies aimed at gaining a competitive advantage over trading partners. Re-shoring is an example of a large scale, secular theme associated with mercantilism. From 2008, the world has witnessed a slowing of globalization. Countries have incentives to deglobalize. Large, developed countries with sufficient domestic demand will pursue this strategy while traditional exporters who have weaker intellectual property generation capabilities are likely to recognize the balance of power and pursue their own domestically focused policies. Deglobalization is likely to lead to a divergence in income and wealth between countries, reversing the trend of the period of globalization. There is no evident impact on income and wealth inequality within countries. That is left to a separate analysis. Country risk premia have diverged since 2008, most notably within the Eurozone, albeit for reasons surrounding the robustness of its currency union, and appear to be driven by deglobalization. This is a long term trend with implications for security valuation across equities and credit globally.