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SIGNIA INVEST

INSIGHTS

5 June 2023

From the Chief Investment Officer (not yet powered by AI)

The Inbetweeners Market

“Everybody wants to buy a bargain, but they want to buy a bargain with no bad news. It doesn't exist; bargains exist because of fear.” ***Rob Arnott***

SUMMARY

- The current rate and business cycle is coming to an end, but it is too early to place bets on the new cycle.
- Performance concentration of a narrow group of mega caps has been at an extreme this year.
- There is strong evidence that the US might face much lower real growth over the next few quarters.
- The Chinese economy is not in a healthy state and requires targeted support – likely more volatility ahead.
- Focusing on areas with a favourable risk/reward remains critical as does stringent risk management.

Markets have been challenging over the last few months. It started with the banking crisis, which came - as crises have it – unexpectedly, leading to a very bifurcated market that was driven by a very narrow set of companies.

Year-to-date, five names are responsible for over 90% of gains in the S&P500 and seven names for all gains – and all of them are technology companies.

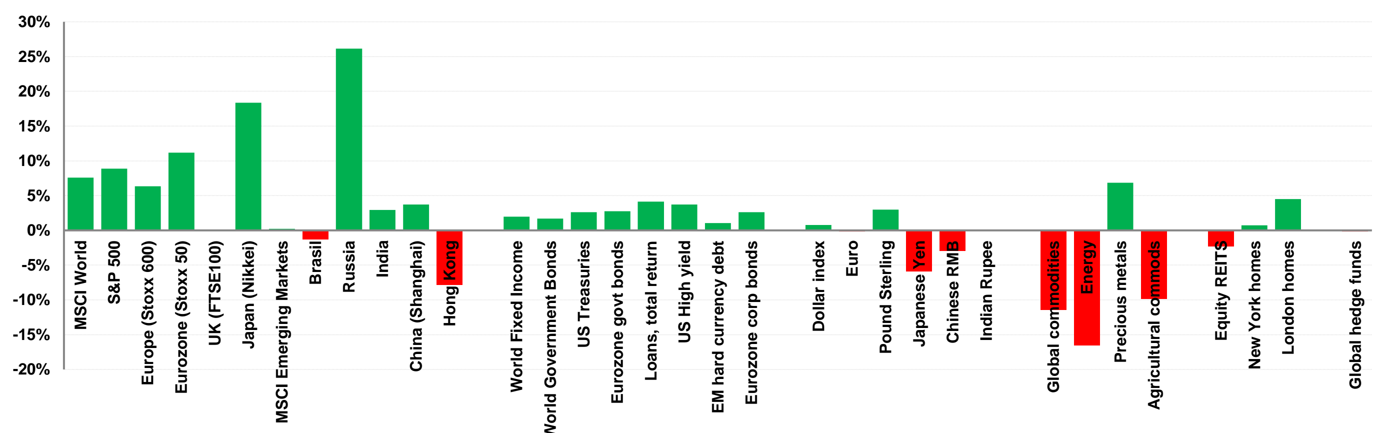
It seems investors have decided to bypass the uncertainties over the economic outlook, interest rates and inflation and buy what has worked in the past and what has so far proven to be unassailable.

Investing in stocks that exhibit relative strength is a powerful strategy and, fundamentally, some of the stocks in that group are attractive.

However, there are also reasons for concern.

Midjourney: “Warren Buffett watching the stock market in disbelief, Vermeer style”

Exhibit 1: Performance of different asset classes in 2023



Source: Bloomberg Finance L.P., Arbion Ltd., prices as of 31st May 2023

Ever since the end of the pandemic, we have been experiencing an increasingly two-speed economy whereby the consumer is doing fine but the broader economy is showing signs of strain. In essence, the micro is doing alright but the macro is looking a little shaky.

Exhibit 2: The two sides of the same current economy

The good	The not so good
Discretionary spending	Sticky inflation
Wage growth	Oil and commodity prices falling
New home sales	Weak credit growth
Consumer confidence	Commercial real estate prices declining
Pension growth	Chinese equities and credit signalling weakness
Income from cash/investments	Leading indicators pointing to weakness
Low unemployment	Deeply inverted yield curves
	Unemployment claims rising
	Germany in recession
	US recession probabilities extremely high

Source(s): Arbion Ltd.

The banking crisis has moved the macro element into the limelight and forecasts of further rate hikes instantly turned to rate cuts when Silicon Valley Bank required a bailout. Stickier inflation has subsequently reversed that view again with markets now expecting one more increase of interest rates in the US, two in the eurozone and four (!) in the UK where inflation is not coming down quickly enough.

This hawkish rate outlook is partly driving some of the other macro variables into a position that reflects a weaker economic outlook. Energy prices have been falling for some time now and many other key commodity prices have reversed course from their post-"China reopening" highs. What's more, domestically traded commodities in China have been exhibiting substantial weakness (domestic coal prices are down 40% since October), supporting the presence of a dual-speed recovery also in Asia.

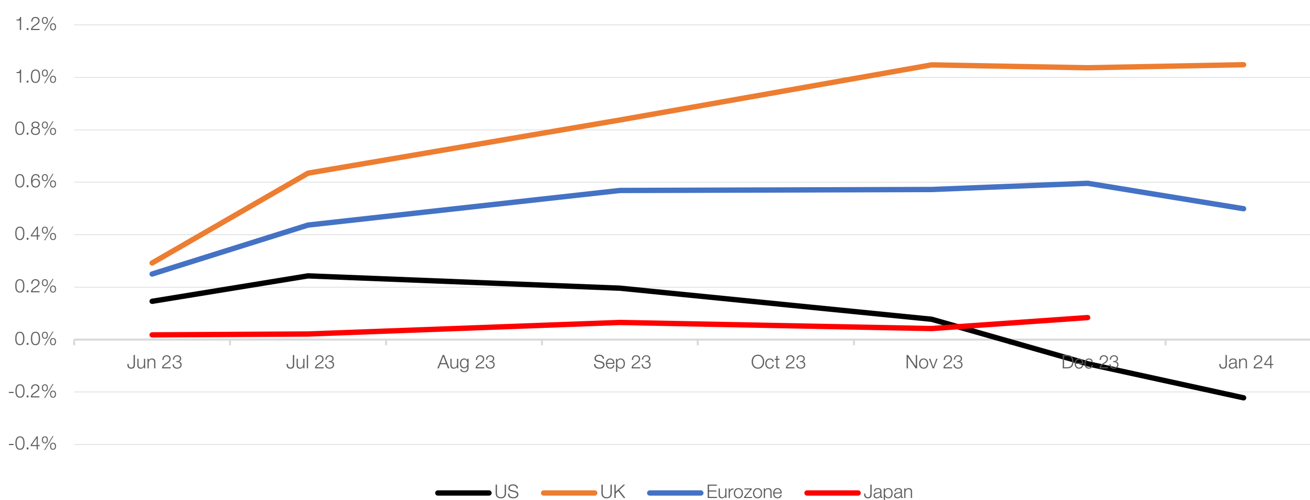
Leading indicators as well as deeply inverted yield curves, especially in the US, reflect the sombre mood on the macro side. Add to this the dire state of commercial real estate markets in many countries and it is understandable that many are calling for an end to rate hikes.

On the other side of this equation, we still find the consumer who was bailed out during the pandemic with a variety of support schemes and is now enjoying higher wages, low unemployment and extra income from the literal cash that used to be on the side-lines.

Taken together, we are confronted with a market that is struggling to find direction, pulled and pushed between the Dr Jekyll and Mr Hyde.

The contrast between these two sides of the coin are best seen in what investors are expecting policy rates to be over the next few quarters. For the UK, which is still struggling with retail price inflation (RPI) of 11.4% year-on-year (April), markets are expecting four more rate hikes between now and January, whilst for the US where signs of a slowdown are more prominent, investors have priced in one rate cut.

Exhibit 3: Market-implied forecasts (as of 31 May) for cumulative policy rate changes for the next six upcoming central bank meetings



Source(s): Bloomberg Finance L.P., Arbion Ltd.

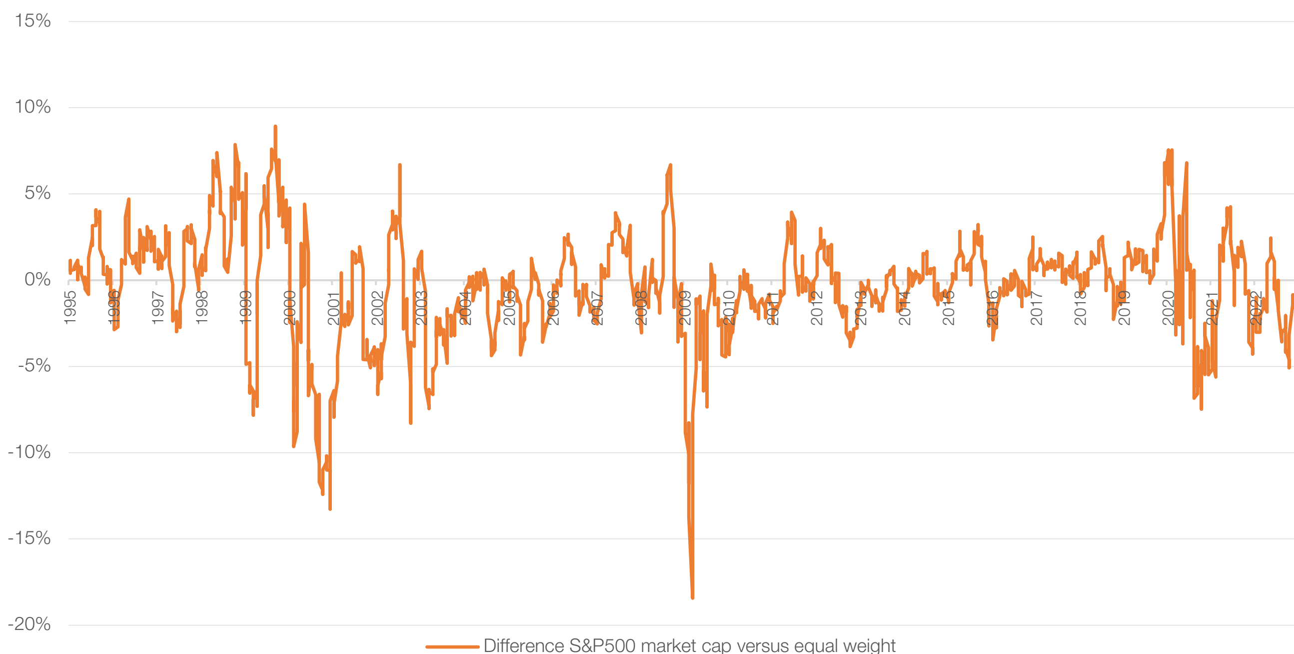
What are the chances that both are correct and Andrew Bailey is able to pull off a five-rate hike differential between the UK and the US over the next six months? I would take the other side of that trade anytime.

Meanwhile, inflation markets are expecting UK RPI to decline from its current lofty levels of 11.4% to 4.1% in twelve months' time whilst US CPI is expected to fall from 4.9% to 2.4% over the same period.

The winner takes it all, and some

We find similar dichotomies also within asset classes, reflecting the somewhat split-personality state of markets. Within equities, this has become obvious in the extreme concentration of performance within a very small group of leaders.

Exhibit 4: Difference in three-month rolling performance of S&P500 market-cap weighted versus equal-weighted indices



Source(s): Bloomberg Finance L.P., Arbion Ltd.

At a headline level, this is visible in the performance differential between the market-cap weighted S&P500 and its equal-weighted version, which is at a historic record level at the moment.

Zooming in, we see the staggering performance contribution of the top ten largest stocks in the index year-to-date compared to other years. So far in 2023, their performance explains more than 100% of index performance – the highest in 30 years.

Exhibit 5: Annual contribution of the ten largest S&P500 stocks to total market performance (during positive years)

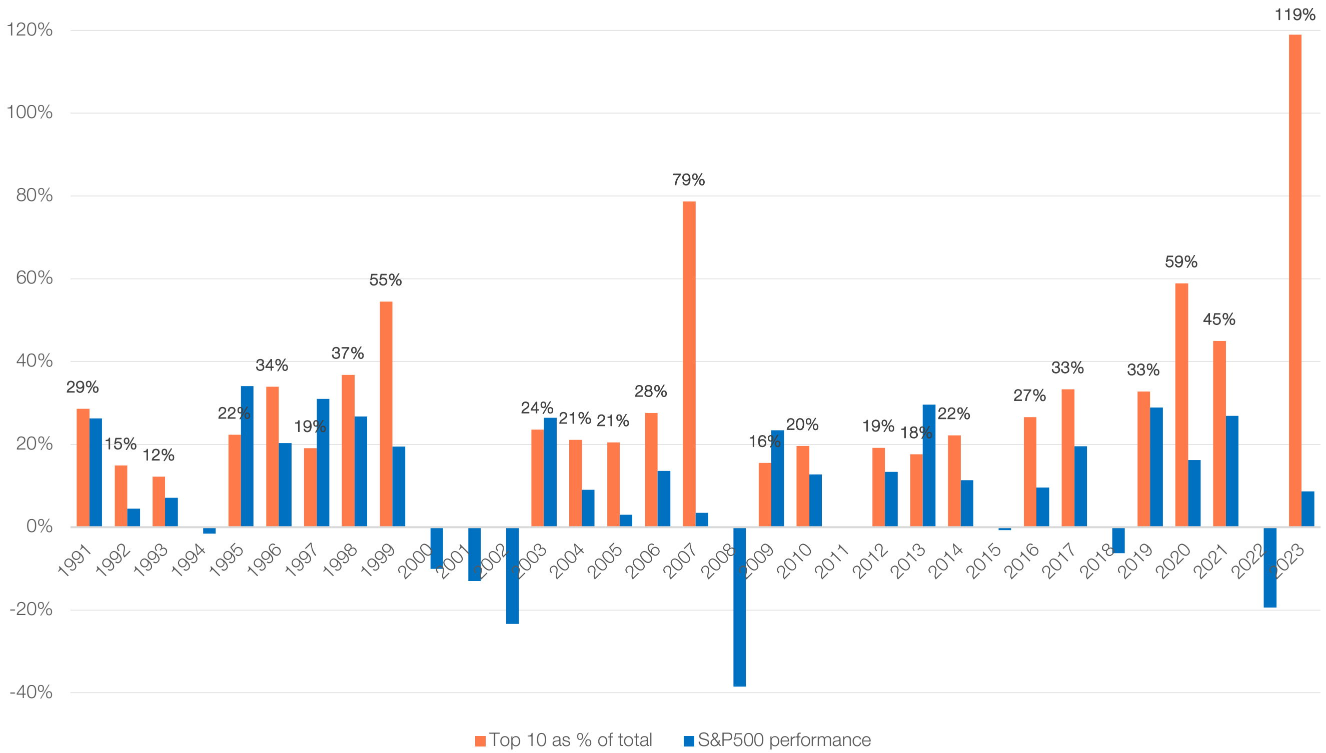
Company	Performance	% of index move
Apple	36.8%	25.0%
Microsoft	37.6%	23.5%
NVIDIA	158.9%	20.2%
Amazon	43.5%	11.4%
Meta	120.0%	11.4%
Tesla	65.6%	7.6%
Alphabet Class A	39.3%	7.3%
Alphabet Class C	39.0%	6.4%
Broadcom	45.5%	3.7%
Salesforce	68.5%	3.2%
Average/total	**65.5%**	**119.6%**

Source(s): Bloomberg Finance L.P., Arbion Ltd.

No surprise in the names, they are all in tech in a broader sense with Apple and Microsoft being responsible for almost 50% of index performance.

With this degree of concentration, it mattered more what to have rather than what not to have.

Exhibit 6: Annual contribution of the ten largest S&P500 stocks to total market performance (during positive years)



Source(s): Bloomberg Finance L.P., Arbion Ltd.

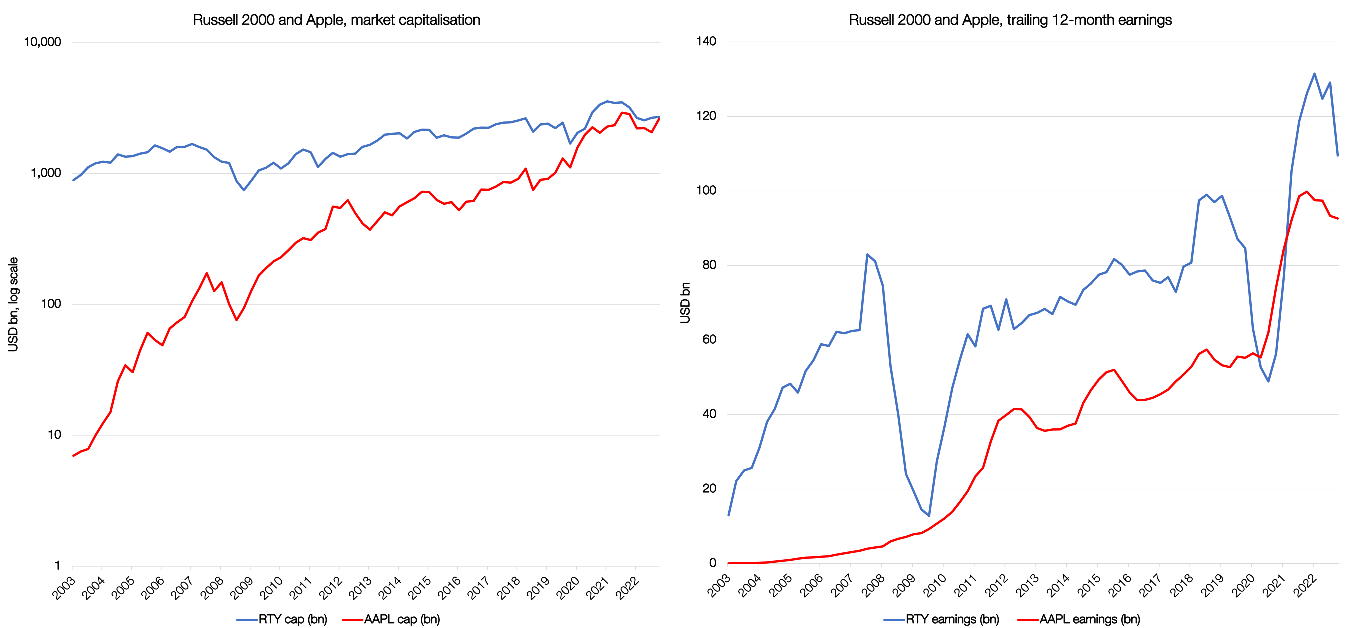
In this context, it is not surprising that concentrated capitalisations can lead to bizarre effects such as Apple now being more valuable than all companies in the Russell 2000 index together or JPMorgan outweighing all regional banks in the US.

Equally, however, it can also be shown that this is probably not completely unjustified. In the case of Apple, the company has grown its earnings since 2003 from USD50m to just under USD100bn. In that light, is a USD2.6trn market cap too much?

Similarlyin the banking world, JPMorgan remains an outstanding, well-managed and highly profitable institution compared to the majority of regional banks, many of which face substantial issues at present.

This phenomenon of concentration is consistent with the underlying concerns about rapidly slowing economies, which can be seen at many levels.

Exhibit 7: Apple stock and the Russell 2000 index: market caps and earnings comparison



Source(s): Bloomberg Finance L.P., Arbion Ltd.

The recession question

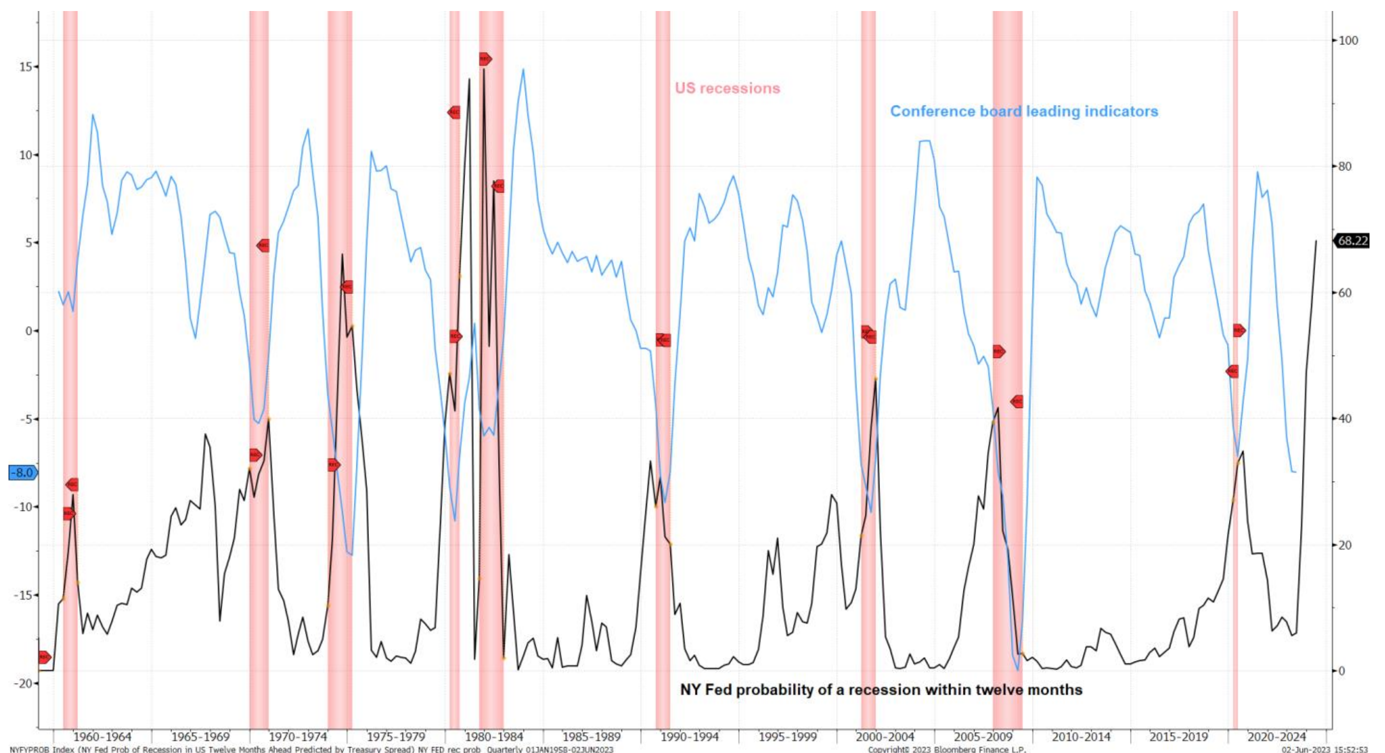
In the US, leading indicators are broadly pointing down and are now below the highest reading recorded in a recession. Yield curves continue to be deeply inverted, sending the same signal.

Exhibit 8: US 10 minus 2-year Treasury yield curve, Fed Fund rates and recessionary periods

Source(s): Bloomberg Finance L.P., Arbion Ltd.

Weakness is becoming more broad-based, from housing permits that peaked in early 2022, capital goods spending receding, initial jobless claims moving higher from a very low base as well as bond spreads and sentiment surveys indicating incoming economic contraction.

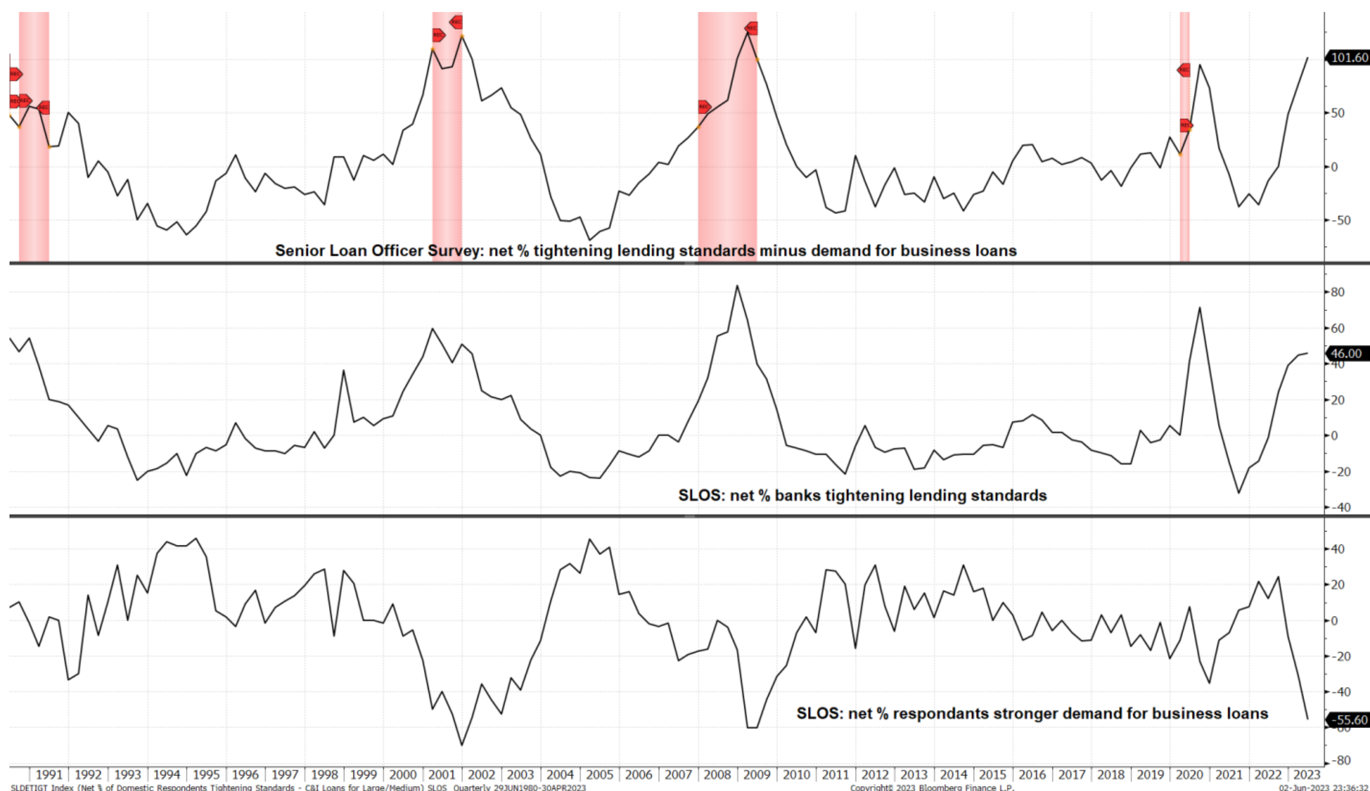
Exhibit 9: NY Fed probability of a recession within twelve months and Conference Board Leading Indicators index



Source(s): Bloomberg Finance L.P., Arbion Ltd.

Finally and importantly, lending standards have been tightening across the board, leading to less demand for business loans, according to the Senior Loan Officer Survey. The regional banking crisis, which is far from over, will make that crunch even worse. Taken together, this indicator is now at levels last seen in 2001 and 2009. Historically, a drop in loan demand and tightening lending standards only happen a few months before or during a recession.

Exhibit 10: Senior Loan Officer Survey: net % of respondents tightening lending standards minus demand for business loans



Source(s): Bloomberg Finance L.P., Arbion Ltd.

Much of the above are market-implied and survey-based soft data that indicate a recession, and it is hard to argue that hard data, for now, are still relatively solid.

However, empirically, the last nine tightening cycles have led to seven recessions; we have corporate earnings declining which usually leads unemployment higher which ultimately leads to a more severe slowdown.

It is important to note that in the current environment of high inflation, a recession can occur without causing a decline in nominal growth. Only on very rare occasions when economies are hit extremely hard, will we see a collapse in real and nominal GDP growth. Recessions in more normal economic regimes tend be ones were real growth declines, but nominal growth stays positive. Such was the case during the 1970s and 1980s. 2008 and 2020 were quite unusual recessions as they also pulled nominal growth into negative territory.

A good way to illustrate what happens in a stagflationary recession is to look at some consumer names and their revenues and unit sales.

Exhibit 11: Nominal price and unit sales growth for companies in Q1 2023

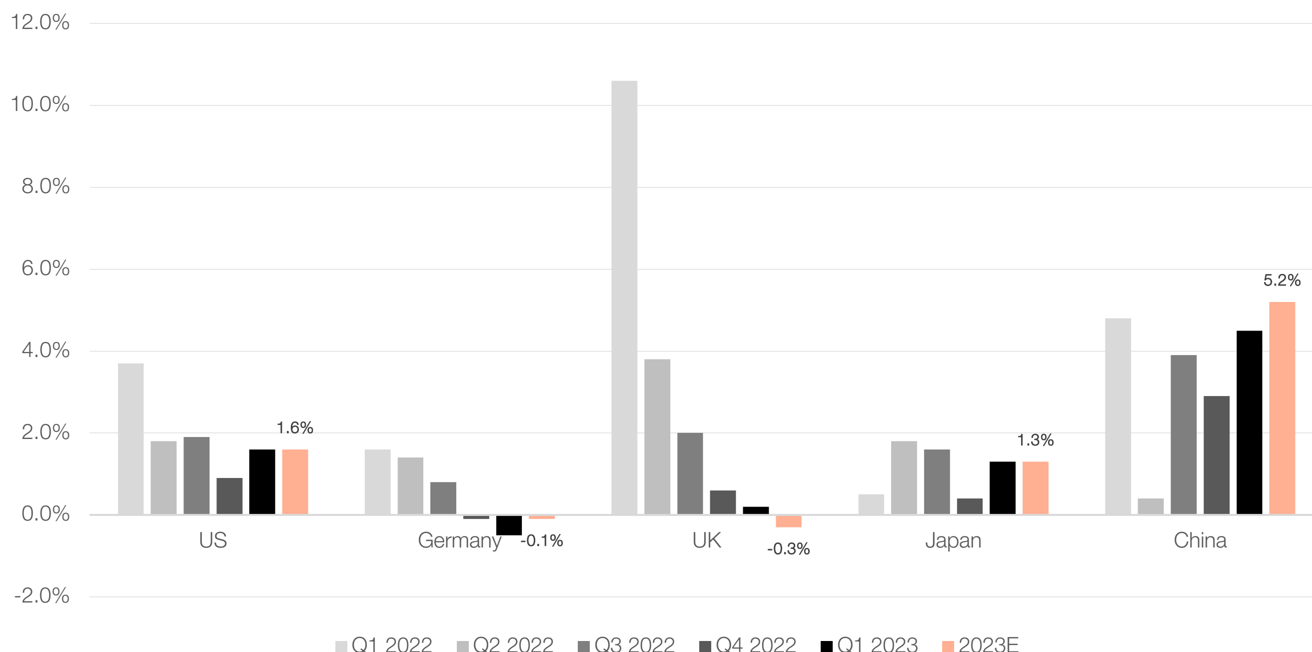
	Price	Volume
Coca Cola	9.0%	3.0%
Colgate	12.0%	-3.5%
Conagra	15.1%	-9.0%
Hershey	8.9%	3.3%
Mondelez	16.2%	3.2%
P&G	10.0%	-3.0%
PepsiCo	16.0%	-2.0%
Unilever	10.7%	-0.3%
Average	12.2%	-1.0%

Source(s): TheTranscript

Companies managed to get away with substantial price increases but, naturally, as we have seen in many countries, consumers are trading down and buying less in terms of units. They still end up spending more overall but manage the hit on their disposable incomes by saving more consciously. In the example above, these firms increased prices by 12.2% on average year-on-year in Q1 of this year but faced unit declines of 1%. The increasingly evident issue of shrinkflation is another expression of that tendency – selling a lower quantity/weight in the same package for the same price.

Whilst the debate about a recession in the US is slightly academic at the moment, it is a lot more tangible in other parts of the world.

Exhibit 12: Quarterly GDP growth since Q1 2022 and IMF (International Monetary Fund) forecast for 2023



Source(s): Bloomberg Finance L.P., Arbion Ltd.

Germany is already in a recession after posting two consecutive quarters of declining GDP with the UK currently predicted by the IMF to end the year in a recession. We still suffer the worst inflation amongst developed countries, dragging down consumer confidence. Although there are signs that rampant food price inflation (19% in April) is cooling down, higher interest rates are absorbing a much higher share of disposable income for many homeowners. As mortgage rates are now set to rise back above 5% over the summer, this would see monthly repayments rise to 28% of incomes.

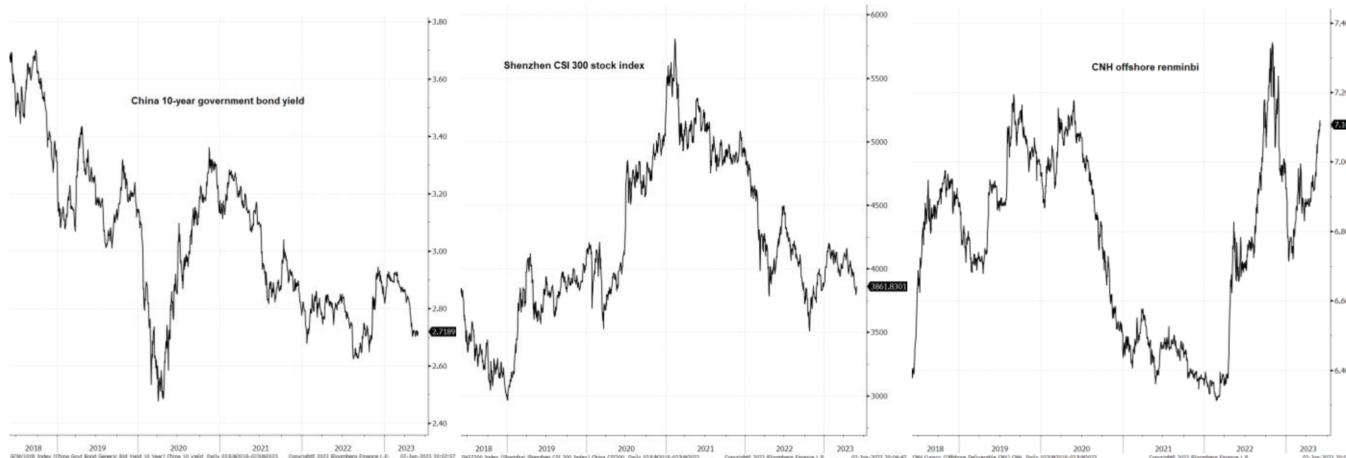
France appears to be very close to a recession after having only narrowly avoided it so far. The composite PMI as well as the INSEE (Institut National de la Statistique et des Études Économiques) survey have already rolled over since the beginning of 2023 and consumer spending is declining due to high inflation.

The main reason for Germany's current recession is a record decline in government spending, reversing some of the gains made during COVID. Similar to other countries, private consumption was also negatively affected. The only reason the decline was not more severe, was the strong capex spending by the private sector, i.e. corporate investment. However, the country has also seen new manufacturing and foreign orders dropping substantially. In addition, auto orders are falling and credit demand is weak as consumers are struggling with inflation in addition to softening sentiment because of potential new environmental regulations that are being discussed.

On China

The other major component of the World economic engine that is stuttering at the moment is China. The long-awaited re-opening was brief and much of the debate was dominated by the ongoing geo-political issues. The three major asset classes in the country – equities, rates and the currency – are indicating a very subdued outlook for now.

Exhibit 13: China: 10-year government bond yields, CSI 300 Shenzhen domestic stock market, offshore renminbi CNH

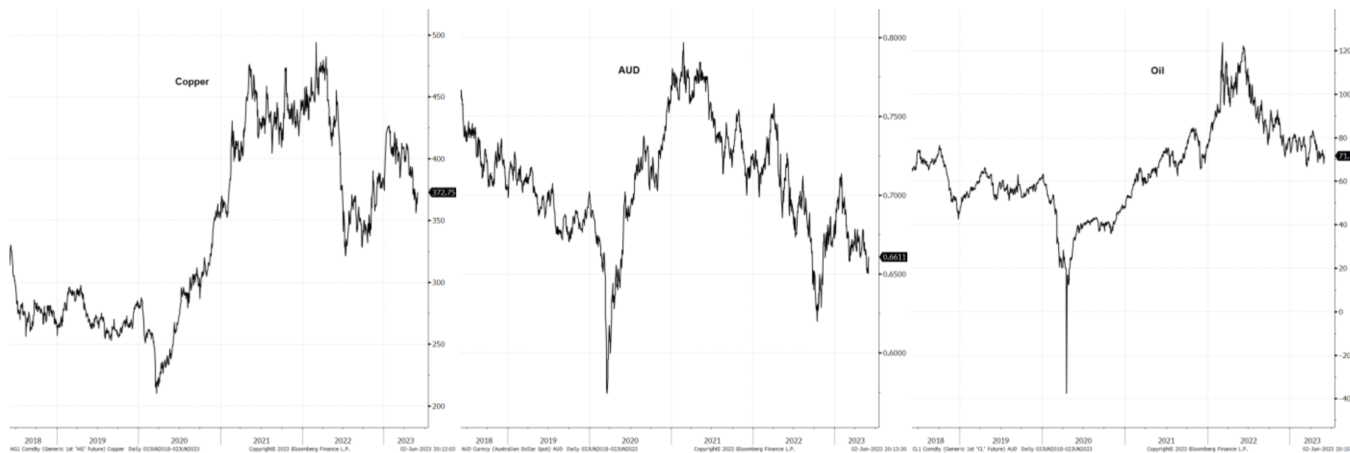


Source(s): Bloomberg Finance L.P., Arbion Ltd.

Bond yields are approaching the lows of the last lockdown around 2.7% and domestic stocks are still in an entrenched downtrend at levels they traded five years or even 15 years ago. At the same time, the offshore renminbi is only a few percent away from a 15-year low.

Also outside China, several macro aggregates indicate that Chinese demand is not what it used to be. The Australian dollar reflects that weakness well, trading not far off a three-year low. Oil also fails to catch a bid, not just because of China, of course, but Russia's negotiating position also does not help here. Most industrial metals are now substantially below their Dec '22/Jan '23 tops, down up to 40%, in the case of zinc. Nickel, steel rebar and iron ore are faring only slightly better.

Exhibit 14: Ancillary assets are also indicating weak Chinese growth: Copper, Australian dollar and oil



Source(s): Bloomberg Finance L.P., Arbion Ltd.

Within the context of an even more highly politicised relationship between China and the West, it is now even harder to know which information to trust. Whether the official growth figures are trustworthy or not, the best one can assume for this year is probably that China may reach the bottom end of its target range - around the 5% level.

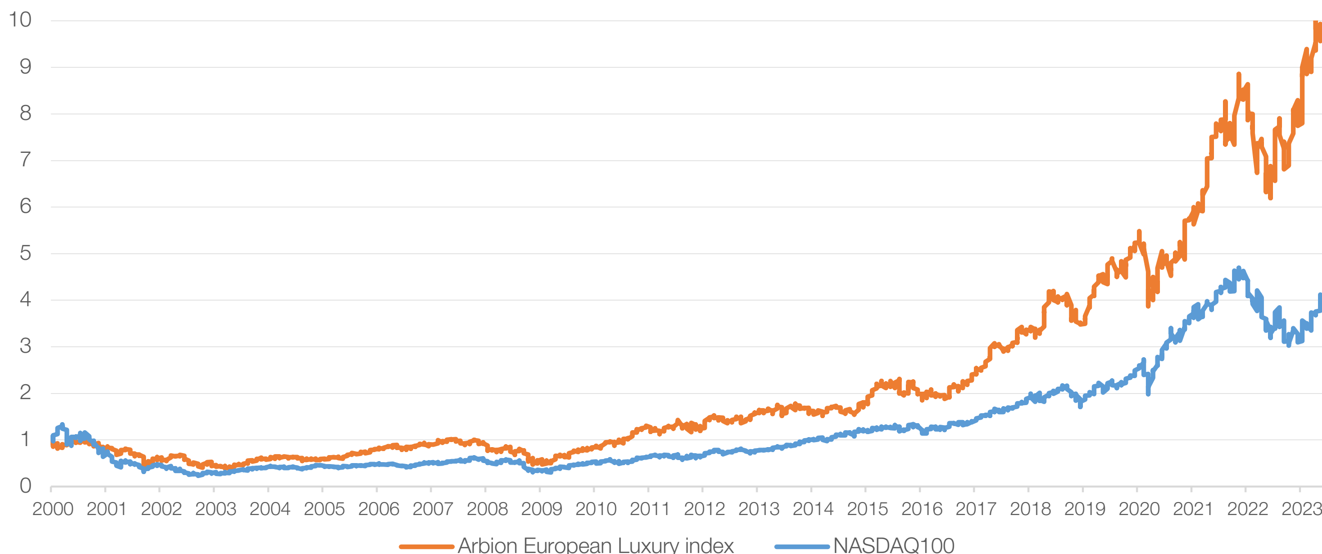
The one connecting element between Europe, China and the one sector in China that is doing well (the consumer) is the luxury segment, and here especially the European names. The leading companies generate between one third and half of their revenues in Asia which is also the area with the strongest growth. Asian consumers, by and large, came out of the pandemic with higher savings and a desire to enjoy their newfound freedom, resulting in a massive shopping extravaganza that helped the luxury sector.

Chinese household savings increased by over RMB20trn year-on-year, far exceeding the typical RMB4-6trn annual savings increase in pre-pandemic years.

The sector has been going from strength to strength and has handily outperformed most of the US technology names. Similar to the US, a handful of names dominate business and stock market performance. For instance, LVMH, Hermes and Dior have compounded at well over 15% annualised since 2000.

Despite this performance, and in stark contrast to many US tech names, the European luxury sector is certainly not cheap but also far from very expensive. This might partly also be because the names are not as well known amongst many retail investors.

Exhibit 15: Arbion European Luxury Goods index and NASDAQ100 since 1st Jan 2000, normalised



Source(s): Bloomberg Finance L.P., Arbion Ltd.

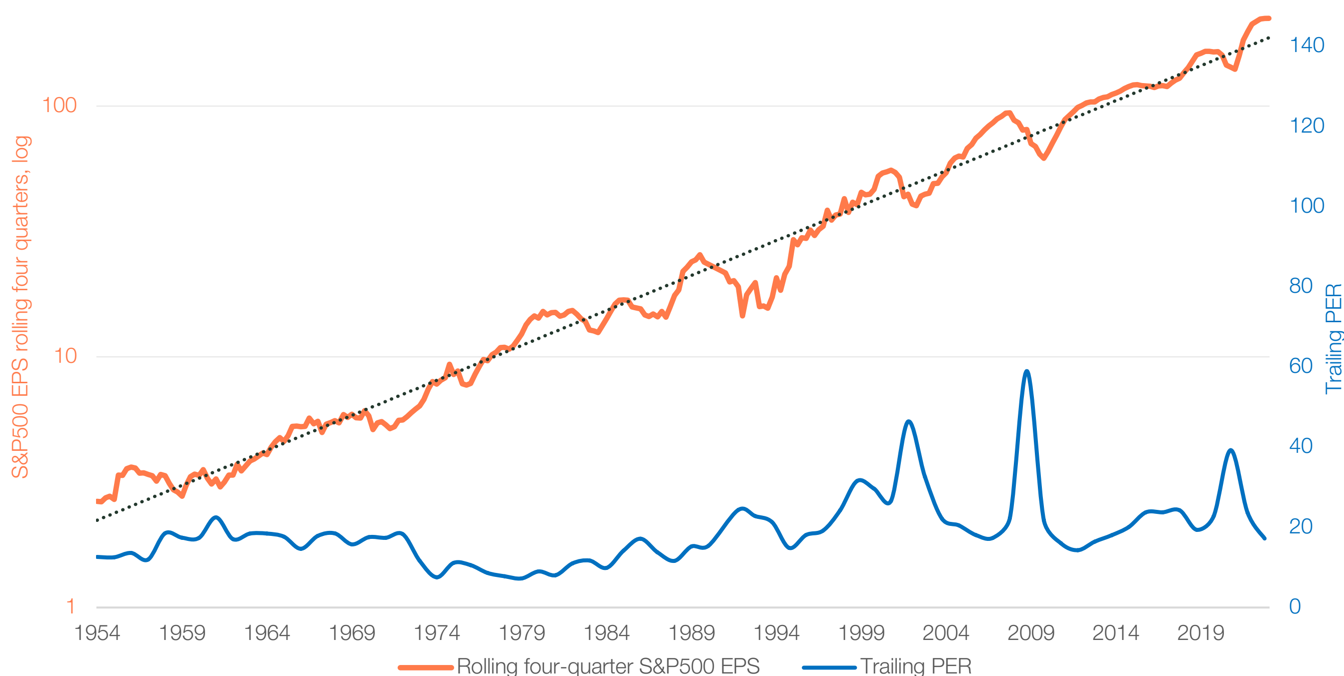
Activity on the ground in China has been slow when we look at traditional industries. Electricity generation, railway freight volumes and cement production have only modestly bounced back so far. Real estate investment, land sales and floor space started for construction are all still contracting. The property crisis that started in 2021 is still ongoing although less so in the public domain than before. More negative headlines are to be expected.

Facing this combination of factors, it is likely that the government will provide some modest stimulus over the course of this year, probably coming in the form of support for regional governments which are struggling under the fallout from the property crisis. This should help Chinese markets and ringfence the current issues.

Looking at indicators that would point to an incoming recession is important primarily for risk management, sector allocations and in the context of knowing where an economy roughly sits at any moment in time. It is somewhat less relevant for security selection, and I try also not be over-obsessed with the recession question much like the rather pointless debate about the implications of the debt ceiling not being lifted in time.

It is ultimately and primarily earnings growth that drives stocks and, obviously, stock prices are quoted in nominal terms, not real prices. As a result, during inflationary periods, earnings can rise meaningfully.

Exhibit 16: Rolling four-quarter S&P500 earnings, trend earnings (log scale) and trailing four-quarter S&P500 PER



Source(s): Bloomberg Finance L.P., Arbion Ltd.

As we can see, over the long run, earnings growth is quite stable and stock prices follow as a result, subject to fluctuations in valuation multiples which are partly driven by interest rates. This is summarised in the chart above that shows that the volatility of earnings is lower than that of valuations, which results in stocks being more volatile than the economy. Nominal earnings growth over the period was just under 7%, roughly in line with annual total returns of stock markets.

Returning to the current situation, Q1 real GDP growth in the US was 1.6% with nominal GDP growing at 7.1%. If real growth were to decline to 0% and inflation were to fall by 2%, we would still have nominal GDP growing at a rate of 3.5%. This is the number we would expect to see in terms of broader revenue growth at a corporate level. Therefore, a recession in this environment per se doesn't have to spread doom and gloom across the stock market. Lower growth will enable companies to manage their cost base more efficiently, maintaining margins and, with the exception of very cyclical industries remain profitable, setting the stage for a recovery off a leaner cost base.

It might be too early to say this, but US stocks already experienced an earnings recession last year when operating earnings fell by 18% from peak and stock prices declined by 25% before reaching the October 2022 low.

Real estate

One of the first areas that came substantially under pressure in the current rate hike cycle was real estate and in particular commercial real estate. A few years ago, pre-pandemic, the retail side of sector came under pressure from the Amazonification of the world that saw many bricks-and-mortar businesses fail, especially in markets with a high retail shopping density.

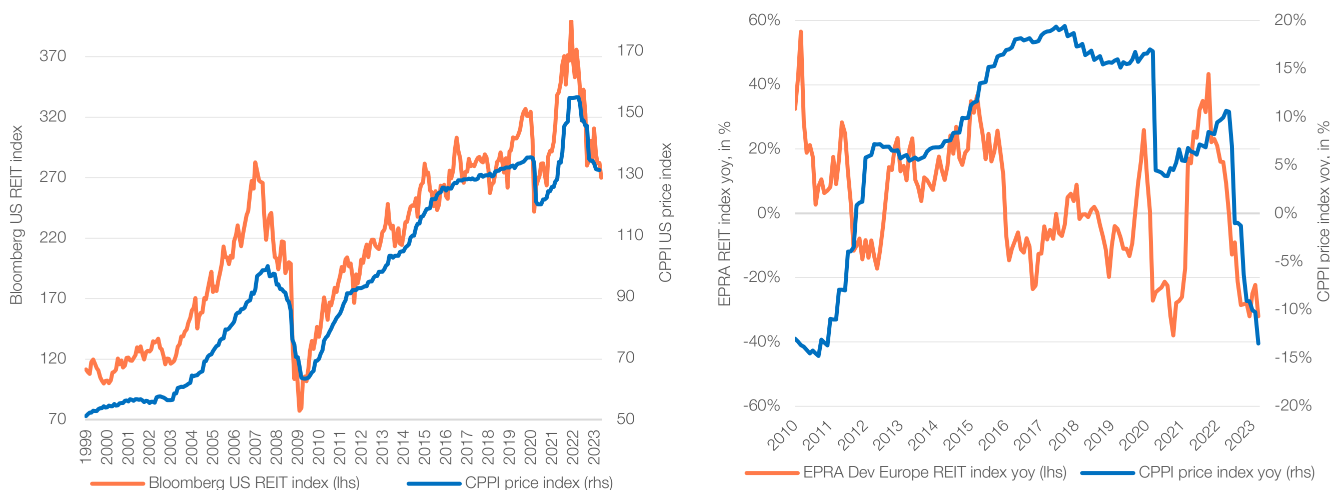
The pandemic then added the additional element of working-from-home, which now appears to become a more permanent feature in many developed countries. This can be seen in cell phone activity data which in many large cities is only at approximately half the 2019 level. Office vacancies have increased as a result, entailing distress for owners who are also facing rising refinancing costs.

As a leveraged asset play, real estate is clearly very rate-sensitive and, therefore, REITs (real estate investment trusts), came under huge pressure already last year. US-listed REITs lost 29% when the S&P500 was down 18%. In Europe, the EPRA REIT index (European Real Estate Association) lost even more and was down 32% when the Euro Stoxx 50 index lost 12%.

In essence, European real estate due to its substantially lower interest rates, turned into a longer-duration asset whose values were pushed higher by investors who wanted to escape the negative rate regime. Logically, the move higher in rates hurt that market more than others.

Generally, due to their leveraged nature, property stocks tend to follow their underlying markets with a 2-4x sensitivity which explains substantial losses across the space, despite some more moderate pullbacks in physical markets.

Exhibit 17: Green Street Commercial Property Price Index* and Bloomberg US REIT index (lhs), Green Street Pan-European Commercial Property Price Index** and EPRA developed Europe REIT index year-on-year changes (rhs)

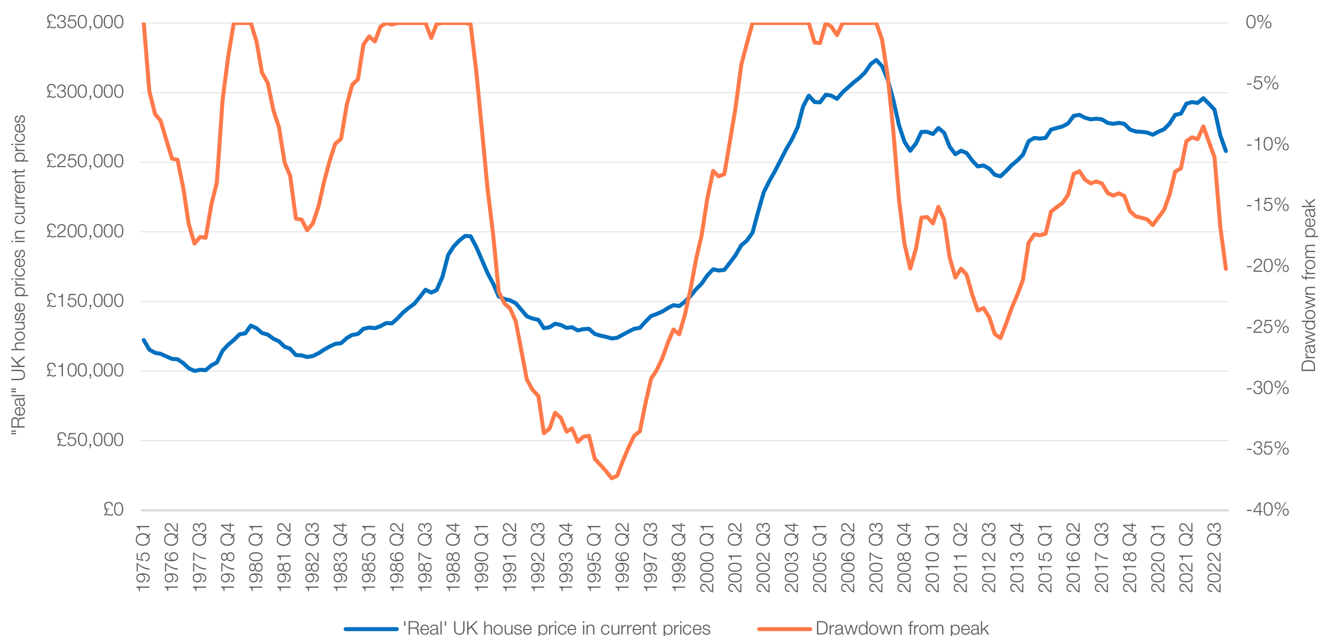


*All Property US CPPI weights: retail (20%), office (17.5%), apartment (15%), health care (15%), industrial (10%), lodging (7.5%), net lease (5%), self-storage (5%), manufactured home park (2.5%), and student housing (2.5%). Retail is mall (50%) and strip retail (50%). Core Sector CPPI weights: apartment (25%), industrial (25%), office (25%), and retail (25%).
**CPPI Europe Core Sector Average is equally-weighted between the Industrial, Office, and Retail sectors.

Source(s): Bloomberg Finance L.P., Arbion Ltd.

The charts above for the US and developed Europe show how closely REIT prices follow underlying markets and that they, in fact, move ahead of physical markets, at least in terms of reported data points (it takes time to compile and publish price indices and they rely on backward-looking data, which means that in real life, REIT performance is probably in-line with real-time price action). With US and European REITs now 33% and 48% below their respective peaks, this segment could become interesting at some stage once we have more evidence that central banks are finished tightening policy further.

Exhibit 18: Nationwide real UK house prices in current prices and drawdown from peak

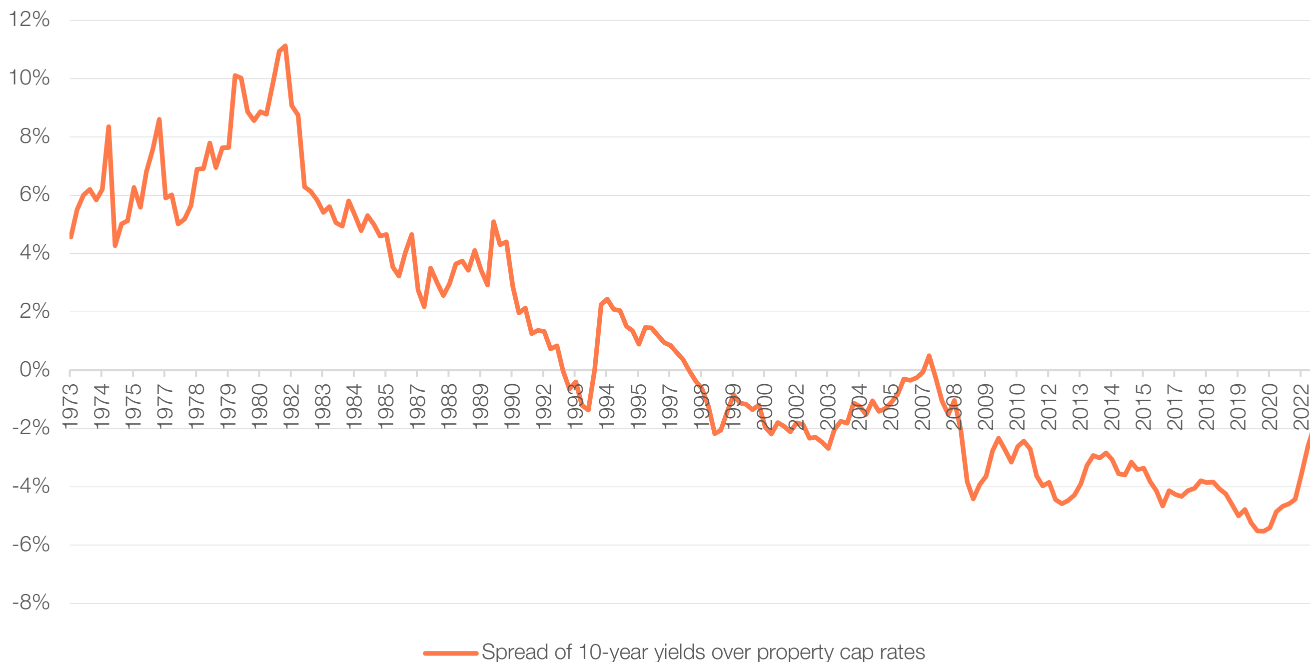


Source(s): Nationwide, Arbion Ltd.

The UK is an interesting market in this regard. Due to the devastating effects of the GFC (Great Financial Crisis) and the subsequent Brexit referendum, in addition to making it more difficult and expensive for foreigners to own property, real estate markets have never really quite followed the boom in the US and the eurozone.

In real terms, UK house prices are more than 20% below their 2007 peak and at levels last seen in 2014. More importantly, they have now spent a record time ‘underwater’, i.e. not making new highs (in real terms). It took them more than twelve years to recover from the previous downturn during the 1990s but they have been below their most recent peak now for more than 15 years already.

Exhibit 19: Difference of 10-year UK government yields and UK property cap rates



Source(s): CBRE, Arbion Ltd.

Whilst real estate is rate sensitive, it is important to remember that property is not a bond. Cap rates, i.e. discount rates used to discount rental streams from property investments have been relatively stable over time (between ~4% and ~8% over the last decades) within their respective segments. We can see this in the premium or discount of government bond yields over all-property cap yields in the UK which is similar to what we can observe in other markets. Historically, until the mid 1990s, bond yields exceeded property yields whilst this dynamic shifted decisively in the aftermath of the GFC when bond yields drifted below cap rates for real estate. This explains why real estate was so attractive initially post 2008, especially in the eurozone.

The flipside of higher interest rates

Much of the current debate is focused on the negative effects higher interest rates have on the economy, and it is undeniable that they already left their marks in many sectors. However, I also find the discussion somewhat disingenuous, as it was only a few years ago when we all complained about financial oppression and the challenging circumstances for savers.

Now, we have finally returned to a world where low-risk assets such as cash and bonds pay a meaningful interest rate and investors have more than one option to diversify their portfolio.

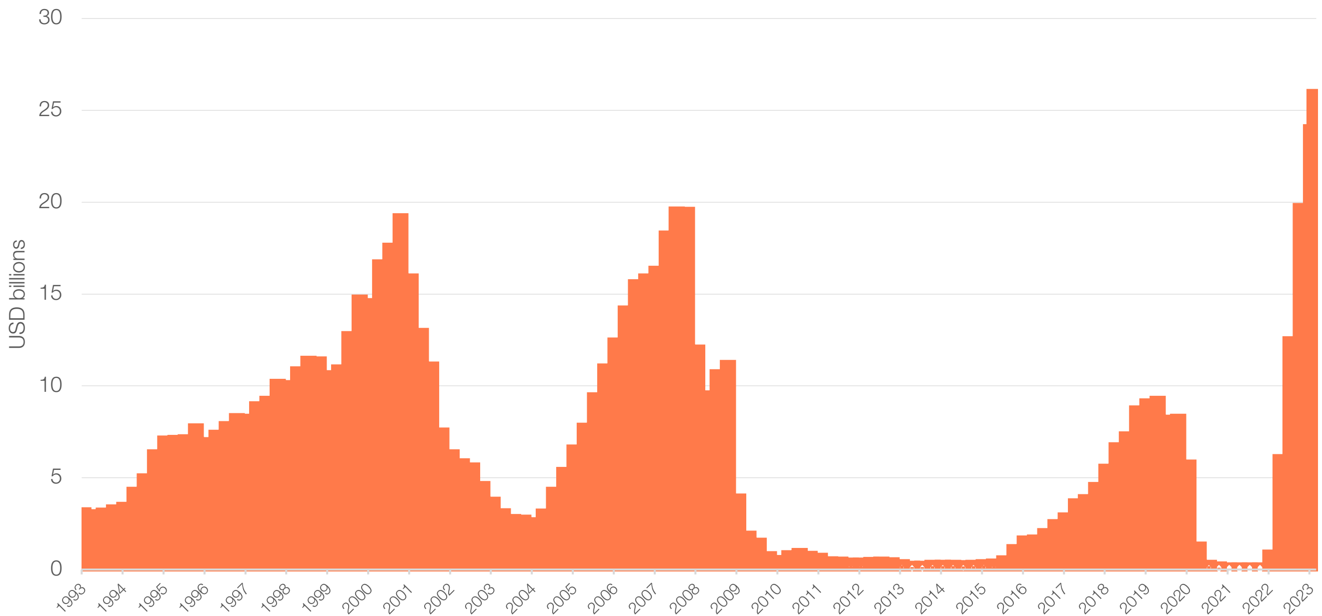
Higher interest rates simply also mean higher income. And this is now reaching significant dimensions. For instance, US money market funds have received substantial inflows over the last months, have now grown to around USD6trn in total and are likely to grow further.

Using current yields on these funds implies monthly income of circa USD25bn at present or USD300bn per year, a number that is likely to rise further.

To put this in context, this is the equivalent of two thirds of US oil consumption or more than 1.3% of US GDP. Add to this figure the income from bond holdings plus deposit rates and this in itself amounts to a huge stimulus for consumers. Altogether, it likely covers 100% of the US oil bill.

This is part of the reason why the consumer is more resilient than expected, although obviously not all money market fund holdings are held by individuals. A large part can certainly be attributed to corporates which provides support for business profits going forward.

Exhibit 20: Estimated inflation-adjusted monthly income from US money market funds (in 2023 dollars)



* Estimates based on St. Louis Fed total US money market fund assets and the yield of Vanguard Federal Money Market Fund

Source(s): Bloomberg Finance L.P., Arbion Ltd.

Risk management and where we go from here

Markets have been trading within a broad range since 2019. We are currently in the middle of that range and back to levels last visited in early 2021 and 2022. The range measures approximately 40% up from its floor.

Market downside is somewhat limited by valuations that are not extremely high and the outlook of declining inflation and potentially interest rates. The upside is capped by an earnings outlook that is not very strong and multiples that are on the higher end of their historic range.

Exhibit 21: MSCI World over the past four years

Source(s): Bloomberg Finance L.P., Arbion Ltd.

In markets trading within broad sideways ranges or at the risk of more severe drawdowns, risk management becomes even more important than it usually is in managing portfolios.

As markets tend to decline faster than they rise, cutting losses quickly or ideally avoiding them altogether is clearly very beneficial for long-term returns.

One can see the impact a drawdown can have on the amount of time required to recover, which is a function of expected/realised future after-tax returns. Normally, assuming reasonable return assumptions, once a portfolio or a position lost more than 30%, it is

likely to take many years to recoup such losses. This might be easier on a single-position level, but it is much harder for a large diversified portfolio which is likely to generate returns that are closer to market returns.

For instance, to recover from a 30% loss and assuming a 5% reinvested after-tax yield, would take over seven years to break even.

Exhibit 22: Years required to recover from a portfolio drawdown given different after-tax return assumptions

	Annual return, after-tax								
Drawdown	2.0%	3.0%	4.0%	5.0%	7.5%	10.0%	12.5%	15.0%	17.5%
5%	2.6	1.7	1.3	1.1	0.7	0.5	0.4	0.4	0.3
10%	5.3	3.6	2.7	2.2	1.5	1.1	0.9	0.8	0.7
15%	8.2	5.5	4.1	3.3	2.2	1.7	1.4	1.2	1.0
20%	11.3	7.5	5.7	4.6	3.1	2.3	1.9	1.6	1.4
25%	14.5	9.7	7.3	5.9	4.0	3.0	2.4	2.1	1.8
30%	18.0	12.1	9.1	7.3	4.9	3.7	3.0	2.6	2.2
35%	21.8	14.6	11.0	8.8	6.0	4.5	3.7	3.1	2.7
40%	25.8	17.3	13.0	10.5	7.1	5.4	4.3	3.7	3.2
45%	30.2	20.2	15.2	12.3	8.3	6.3	5.1	4.3	3.7
50%	35.0	23.4	17.7	14.2	9.6	7.3	5.9	5.0	4.3
55%	40.3	27.0	20.4	16.4	11.0	8.4	6.8	5.7	5.0
60%	46.3	31.0	23.4	18.8	12.7	9.6	7.8	6.6	5.7
65%	53.0	35.5	26.8	21.5	14.5	11.0	8.9	7.5	6.5
70%	60.8	40.7	30.7	24.7	16.6	12.6	10.2	8.6	7.5
75%	70.0	46.9	35.3	28.4	19.2	14.5	11.8	9.9	8.6
80%	81.3	54.4	41.0	33.0	22.3	16.9	13.7	11.5	10.0

Source(s): Arbion Ltd.

Therefore, having protective measures in place, which do not have to be permanent features, can avoid a severe drawdown in the first place and set up the investor to benefit from lower asset prices once markets recover.

Importantly, and this is an underappreciated point usually; significant losses almost always have a deeply negative impact on investors' psychology. Daniel Kahneman and Amos Tversky in 1992 suggested that the pain of losing is twice as powerful as the pleasure of gaining.

This leads to undesirable outcomes as investors tend to capitulate near the bottom and, because of the traumatic experience, delay coming back to the market, only to find themselves reinvesting nearer the top, perpetuating the problems, which is the opposite of what a rational investor ought to do.

Managed correctly, cutting out major drawdowns enables investors to re-enter with a fresh and unencumbered mindset, which enables them to see volatile markets and lower asset prices for what they are – major opportunities for future returns.

Avoiding downside risks can be achieved in three principal forms:

1) **Holding cash.** Cash is fortunately a very viable asset class again, paying substantial interest. De-risking a portfolio during uncertain periods is therefore not fraught anymore with the risk of losing out. One is literally getting paid to wait. Typically, this is an approach we prefer as it is cost-efficient and generating income.

2) **Hedging with put options.** Short of reducing the size of a portfolio is limiting the risk via put options. Due to the cost of options, this is rather a tactical measure and should only be used during particularly uncertain periods, such as the one we currently face, or when hedging is extraordinarily cheap – typically when markets are very bullish. Options allow for the portfolio to be untouched and, hence, fully participate in the upside whilst hedging the treaded left tail of the return distribution.

3) **Modifying the structure of the portfolio.** In order to potentially reduce downside risks, a change in the composition of the portfolio is another important option to consider. This would entail reducing higher-beta positions, companies that are loss-making, positions with weak balance sheets as well as highly cyclical businesses. This can achieve a lot towards making a portfolio more weather-proof.

Looking at the current circumstances and the rest of the year, medium-duration investment-grade credit still appears to be the best bet one can make on a risk-adjusted basis but we also do not want to be carried away by what appears to be excessive pessimism towards the economy. Sure, it is very likely that we will see consumers retrenching after the recent inflationary shock and economic growth is likely to fall in the near term with all the consequences this typically entails but many stocks are also trading significantly below their previous peaks reflecting this outlook.

From a market perspective, we are closely watching the performance of early cyclicals to get an indication at what point stock and bond markets will start trading the new cycle as opposed to being pulled and pushed by coincident current events.

GLOBAL ECONOMIC MONITOR

	Dec	Jan	Feb	Mar	Apr	May		Trend
Citi Economic Surprise US	-2.7	-6.1	38.6	57.0	22.0	23.7		
Citi Economic Surprise G10	20.2	32.1	45.4	49.2	19.8	-7.1		
Citi Economic Surprise Europe	67.9	97.2	61.8	50.0	15.2	-62.9		
Citi Economic Surprise EM	-20.6	8.3	2.4	26.5	35.6	10.6		
Citi Economic Surprise UK	39.7	19.2	-1.1	51.5	86.8	79.8		
ISM manufacturing	48.4	47.4	47.7	46.3	47.1	46.9		
ISM new orders	45.15	51.45	54.8	48.25	50.9			
Global manufacturing PMI	48.2	49.7	52.1	53.4	54.2			
China manufacturing PMI	47.0	50.1	52.6	51.9	49.2	48.8		
Japan manufacturing PMI	48.9	48.9	47.7	49.2	49.5	50.6		
US durable goods orders	4.5	-1.3	-2.7	3.3	1.1			
US initial jobless claims	206	199	221	228	242	232		
US Industrial production	-1.6	1.0	0.0	0.1	0.5			
Euro Industrial production	-1.0	0.6	1.5	-4.1				
Japan Industrial production	0.3	-5.3	4.6	1.1	-0.4			
US retail sales	-0.7	2.8	-0.7	-0.7	0.4			
Euro retail sales	-1.6	1.0	-0.2	-1.2				
Japan retail sales	3.8	5.0	7.3	6.9	5.0			
China retail sales	-1.8	10.6	18.4					
US consumer confidence	109.0	106.0	103.4	104.0	103.7	102.3		
Euro consumer confidence	-22.0	-20.6	-19.0	-19.1	-17.5	-17.4		
ifo German business expectations	83.3	86.1	88.2	91.1	91.7	88.6		
China export trade	-9.9	-10.4	-1.3	14.8				
South Korea export trade	-9.7	-16.4	-7.6	-13.8	-14.3	-15.2		
German export trade	6.6	9.4	7.7	4.3				
China monthly money supply	11.8	12.6	12.9	12.7	12.4			
US personal income	0.2	0.6	0.3	0.3	0.4			

Source(s): Bloomberg Finance L.P., Arbion Ltd.

THE GLOBAL PMI HEATMAP

The table shows monthly PMI statistics across countries and different sectors per country for the past two years.

The latest data are next to the country/sector name at the bottom of the page.

Country / Region	Category / Sector	31/05/2023	30/04/2023	31/03/2023	28/02/2023	31/01/2023	31/12/2022	30/11/2022	31/10/2022	30/09/2022	31/08/2022	31/07/2022	30/06/2022
Austria	Manufacturing	39.7	42.0	44.7	47.1	48.4	47.3	46.6	46.6	48.8	48.8	51.7	51.2
Brazil	Composite	#N/A	51.8	50.7	49.7	49.9	49.1	49.8	53.4	51.9	53.2	55.3	59.4
Brazil	Manufacturing	47.1	44.3	47.0	49.2	47.5	44.2	44.3	50.8	51.1	51.9	54.0	54.1
Brazil	Services	#N/A	54.5	51.8	49.8	50.7	51.0	51.6	54.0	51.9	53.9	55.8	60.8
Canada	Manufacturing	49.0	50.2	48.6	52.4	51.0	49.2	49.6	48.8	49.8	48.7	52.5	54.6
China	Composite	#N/A	53.6	54.5	54.2	51.1	48.3	47.0	48.3	48.5	53.0	54.0	55.3
China	Manufacturing	50.9	49.5	50.0	51.6	49.2	49.0	49.4	49.2	48.1	49.5	50.4	51.7
China	Services	#N/A	56.4	57.8	55.0	52.9	48.0	46.7	48.4	49.3	55.0	55.5	54.5
Czech Republic	Manufacturing	42.8	42.8	44.3	44.3	44.6	42.6	41.6	41.7	44.7	46.8	46.8	49.0
Developed Markets	Manufacturing	47.6	48.5	48.4	48.1	48.1	47.3	47.8	48.8	50.1	50.2	51.2	52.5
Developed Markets	Services	#N/A	54.6	53.4	51.8	48.7	47.2	47.5	48.8	49.6	46.7	49.1	53.1
Developed Markets	Composite	#N/A	53.7	52.6	51.1	48.4	47.1	47.3	48.5	49.3	46.9	49.0	52.5
Egypt	Whole Economy	#N/A	47.3	46.7	46.9	45.5	47.2	45.4	47.7	47.6	47.6	46.4	45.2
Emerging Markets	Composite	#N/A	54.9	54.6	53.9	51.8	50.0	49.0	49.8	50.1	53.3	53.9	55.2
Emerging Markets	Manufacturing	51.4	50.5	50.7	51.6	49.9	49.8	49.7	49.8	49.3	50.2	50.8	51.7
Emerging Markets	Services	#N/A	57.3	56.7	54.5	53.1	50.1	49.2	49.9	50.6	54.8	55.4	55.5
European Union	Composite	#N/A	54.1	53.6	51.9	50.2	49.2	47.7	47.2	48.0	48.8	49.7	51.8
European Union	Manufacturing	44.9	45.8	47.3	48.3	48.6	47.5	46.7	46.1	48.1	49.1	49.3	51.6
European Union	Services	#N/A	56.2	55.0	52.7	50.8	49.8	48.5	48.6	48.8	49.8	51.2	53.0
Eurozone	Composite	53.3	54.1	53.7	52.0	50.3	49.3	47.8	47.3	48.1	48.9	49.9	52.0
Eurozone	Manufacturing	44.8	45.8	47.3	48.5	48.8	47.8	47.1	46.4	48.4	49.6	49.8	52.1
Eurozone	Retail	#N/A											
Eurozone	Services	55.9	56.2	55.0	52.7	50.8	49.8	48.5	48.6	48.8	49.8	51.2	53.0
Eurozone	Construction	#N/A	45.2	45.0	47.6	46.1	42.6	43.6	44.9	45.3	44.2	45.7	47.0
France	Composite	51.4	52.4	52.7	51.7	49.1	49.1	48.7	50.2	51.2	50.4	51.7	52.5
France	Manufacturing	45.7	45.6	47.3	47.4	50.5	49.2	48.3	47.2	47.7	50.6	49.5	51.4
France	Retail	#N/A											
France	Services	52.8	54.6	53.9	53.1	49.4	49.5	49.3	51.7	52.9	51.2	53.2	53.9
France	Construction	#N/A	46.0	45.3	45.2	48.4	41.0	40.7	44.3	49.1	48.2	48.6	46.4
Germany	Composite	54.3	54.2	52.6	50.7	49.9	49.0	46.3	45.1	45.7	46.9	48.1	51.3
Germany	Manufacturing	43.2	44.5	44.7	46.3	47.3	47.1	46.2	45.1	47.8	49.1	49.3	52.0
Germany	Retail	#N/A											
Germany	Services	57.8	56.0	53.7	50.9	50.7	49.2	46.1	46.5	45.0	47.7	49.7	52.4
Germany	Construction	#N/A	42.0	42.9	48.6	43.3	41.7	41.5	43.8	41.8	42.6	43.7	45.9
Greece	Manufacturing	51.5	52.4	52.8	51.7	49.2	47.2	48.4	48.1	49.7	48.8	49.1	51.1
Hong Kong	Whole Economy	#N/A	52.4	53.5	53.9	51.2	49.6	48.7	49.3	48.0	51.2	52.3	52.4
India	Composite	#N/A	61.6	58.4	59.0	57.5	59.4	56.7	55.5	55.1	58.2	56.6	58.2
India	Manufacturing	58.7	57.2	56.4	55.3	55.4	57.8	55.7	55.3	55.1	56.2	56.4	53.9
India	Services	#N/A	62.0	57.8	59.4	57.2	58.5	56.4	55.1	54.3	57.2	55.5	59.2
Indonesia	Manufacturing	#N/A	52.7	51.9	51.2	51.3	50.9	50.3	51.8	53.7	51.7	51.3	50.2
Ireland	Composite	#N/A	53.5	52.8	54.5	52.0	50.5	48.8	52.1	52.2	51.0	52.9	52.8
Ireland	Manufacturing	47.5	48.6	49.7	51.3	50.1	48.7	48.7	51.4	51.5	51.1	51.8	53.1
Ireland	Services	#N/A	58.4	55.7	58.2	54.1	52.7	50.8	53.2	54.1	54.7	56.3	55.6
Ireland	Construction	#N/A	48.4	49.5	49.8	47.7	43.2	46.8	47.4	50.2	46.9	41.8	46.4
Italy	Composite	#N/A	55.3	55.2	52.2	51.2	49.6	48.9	45.8	47.6	49.6	47.7	51.3
Italy	Manufacturing	45.9	46.8	51.1	52.0	50.4	48.5	48.4	46.5	48.3	48.0	48.5	50.9
Italy	Retail	#N/A											
Italy	Services	#N/A	57.6	55.7	51.6	51.2	49.9	49.5	46.4	48.8	50.5	48.4	51.6
Italy	Construction	#N/A	49.0	47.4	48.9	48.2	47.0	52.0	48.1	46.7	41.2	46.2	50.4
Japan	Composite	54.9	52.9	52.9	51.1	50.7	49.7	48.9	51.8	51.0	49.4	50.2	53.0
Japan	Manufacturing	50.6	49.5	49.2	47.7	48.9	48.9	49.0	50.7	50.8	51.5	52.1	52.7
Japan	Services	56.3	55.4	55.0	54.0	52.3	51.1	50.3	53.2	52.2	49.5	50.3	54.0
Lebanon	Whole Economy	#N/A	49.5	49.7	48.8	47.7	47.3	48.1	49.1	48.8	50.1	49.9	49.1
Mexico	Manufacturing	50.5	51.1	51.0	51.0	48.9	51.3	50.6	50.3	50.3	48.5	48.5	52.2
Netherlands	Manufacturing	44.2	44.9	46.4	48.7	49.6	48.6	46.0	47.9	49.0	52.6	54.5	55.9
Poland	Manufacturing	47.0	46.6	48.3	48.5	47.5	45.6	43.4	42.0	43.0	40.9	42.1	44.4
Russia	Composite	#N/A	55.1	56.8	53.1	49.7	48.0	50.0	45.8	51.5	50.4	52.2	50.4
Russia	Manufacturing	53.5	52.6	53.2	53.6	52.6	53.0	53.2	50.7	52.0	51.7	50.3	50.9
Saudi Arabia	Whole Economy	#N/A	59.6	58.7	59.8	58.2	56.9	58.5	57.2	56.6	57.7	56.3	57.0
South Africa	Whole Economy	#N/A	49.6	49.7	50.5	48.7	50.2	50.6	49.5	49.2	51.7	52.7	52.5
South Korea	Manufacturing	48.4	48.1	47.6	48.5	48.5	48.2	49.0	48.2	47.3	47.6	49.8	51.3
Spain	Composite	#N/A	56.3	58.2	55.7	51.6	49.9	49.6	48.0	48.4	50.5	52.7	53.6
Spain	Manufacturing	48.4	49.0	51.3	50.7	48.4	46.4	45.7	44.7	49.0	49.9	48.7	52.6
Spain	Services	#N/A	57.9	59.4	56.7	52.7	51.6	51.2	49.7	48.5	50.6	53.8	54.0
Taiwan	Manufacturing	44.3	47.1	48.6	49.0	44.3	44.6	41.6	41.5	42.2	42.7	44.6	49.8
Turkey	Manufacturing	51.5	51.5	50.9	50.1	50.1	48.1	45.7	46.4	46.9	47.4	46.9	48.1
United Arab Emirates	Whole Economy	#N/A	56.6	55.9	54.3	54.1	54.2	54.4	56.6	56.1	56.7	55.4	54.8
United Kingdom	Composite	53.9	54.9	52.2	53.1	48.5	49.0	48.2	48.2	49.1	49.6	52.1	53.7
United Kingdom	Manufacturing	47.1	47.8	47.9	49.3	47.0	45.3	46.5	46.2	48.4	47.3	52.1	52.8
United Kingdom	Services	55.1	55.9	52.9	53.5	48.7	49.9	48.8	48.8	50.0	50.9	52.6	54.3
United Kingdom	Construction	#N/A	51.1	50.7	54.6	48.4	48.8	50.4	53.2	52.3	49.2	48.9	52.6
United States	Manufacturing	48.4	50.2	49.2	47.3	46.9	46.2	47.7	50.4	52.0	51.5	52.2	52.7
United States	Services	55.1	53.6	52.6	50.6	46.8	44.7	46.2	47.8	49.3	43.7	47.3	52.7
United States	Composite	54.5	53.4	52.3	50.1	46.8	45.0	46.4	48.2	49.5	44.6	47.7	52.3
Vietnam	Manufacturing	45.3	46.7	47.7	51.2	47.4	46.4	47.4	50.6	52.5	52.7	51.2	54.0
World	Composite	#N/A	54.2	53.4	52.1	49.7	48.2	48.0	49.0	49.6	49.3	50.8	53.5
World	Manufacturing	49.6	49.6	49.6	49.9	49.1	48.7	48.8	49.4	49.8	50.3	51.1	52.2
World	Services	#N/A	55.4	54.4	52.6	50.1	48.1	48.0	49.2	50.0	49.2	51.0	53.8

Country / Region	Category / Sector	31/05/2022	30/04/2022	31/03/2022	28/02/2022	31/01/2022	31/12/2021	30/11/2021	31/10/2021	30/09/2021	31/08/2021	31/07/2021	30/06/2021
Austria	Manufacturing	56.6	57.9	59.3	58.4	61.5	58.7	58.1	60.6	62.8	61.8	63.9	67.0
Brazil	Composite	58.0	58.5	56.6	53.5	50.9	52.0	52.0	53.4	54.7	54.6	55.2	54.6
Brazil	Manufacturing	54.2	51.8	52.3	49.6	47.8	49.8	49.8	51.7	54.4	53.6	56.7	56.4
Brazil	Services	58.6	60.6	58.1	54.7	52.8	53.6	53.6	54.9	54.6	55.1	54.4	53.9
Canada	Manufacturing	56.8	56.2	58.9	56.6	56.2	56.5	57.2	57.7	57.0	57.2	56.2	56.5
China	Composite	42.2	37.2	43.9	50.1	50.1	53.0	51.2	51.5	51.4	47.2	53.1	50.6
China	Manufacturing	48.1	46.0	48.1	50.4	49.1	50.9	49.9	50.6	50.0	49.2	50.3	51.3
China	Services	41.4	36.2	42.0	50.2	51.4	53.1	52.1	53.8	53.4	46.7	54.9	50.3
Czech Republic	Manufacturing	52.3	54.4	54.7	56.5	59.0	59.1	57.1	55.1	58.0	61.0	62.0	62.7
Developed Markets	Manufacturing	55.0	56.3	56.5	56.5	56.3	56.6	56.9	56.6	57.1	58.3	59.8	59.5
Developed Markets	Services	53.9	55.8	56.5	55.1	50.8	55.2	56.6	56.1	53.9	53.8	57.4	59.8
Developed Markets	Composite	53.6	55.4	56.0	54.7	51.3	54.8	55.8	55.2	53.8	54.1	57.5	59.3
Egypt	Whole Economy	47.0	46.9	46.5	48.1	47.9	49.0	48.7	48.7	48.9	49.8	49.1	49.9
Emerging Markets	Composite	46.9	43.6	46.9	51.3	50.8	53.2	52.5	52.8	52.3	49.3	52.0	50.8
Emerging Markets	Manufacturing	49.5	48.1	49.2	50.9	50.0	51.7	51.2	51.6	50.8	49.6	50.6	51.3
Emerging Markets	Services	47.3	43.7	46.3	51.6	51.5	53.3	53.0	54.2	53.7	50.1	52.9	50.7
European Union	Composite	54.7	55.8	54.8	55.4	52.3	53.4	55.3	54.2	56.1	58.9	60.1	59.4
European Union	Manufacturing	54.2	55.3	56.3	57.9	58.5	57.9	58.2	58.0	58.3	61.0	62.5	63.1
European Union	Services	56.1	57.7	55.6	55.5	51.1	53.1	55.9	54.6	56.4	59.0	59.8	58.3
Eurozone	Composite	54.8	55.8	54.9	55.5	52.3	53.3	55.4	54.2	56.2	59.0	60.2	59.5
Eurozone	Manufacturing	54.6	55.5	56.5	58.2	58.7	58.0	58.4	58.3	58.6	61.4	62.8	63.4
Eurozone	Retail												
Eurozone	Services	56.1	57.7	55.6	55.5	51.1	53.1	55.9	54.6	56.4	59.0	59.8	58.3
Eurozone	Construction	49.2	50.4	52.8	56.3	56.6	52.9	53.3	51.2	50.0	49.5	49.8	50.3
France	Composite	57.0	57.6	56.3	55.5	52.7	55.8	56.1	54.7	55.3	55.9	56.6	57.4
France	Manufacturing	54.6	55.7	54.7	57.2	55.5	55.6	55.9	53.6	55.0	57.5	58.0	59.0
France	Retail												
France	Services	58.3	58.9	57.4	55.5	53.1	57.0	57.4	56.6	56.2	56.3	56.8	57.8
France	Construction	50.9	50.7	48.4	50.0	52.0	50.9	51.6	50.3	48.9	44.9	48.5	48.9
Germany	Composite	53.7	54.3	55.1	55.6	53.8	49.9	52.2	52.0	55.5	60.0	62.4	60.1
Germany	Manufacturing	54.8	54.6	56.9	58.4	59.8	57.4	57.4	57.8	58.4	62.6	65.9	65.1
Germany	Retail												
Germany	Services	55.0	57.6	56.1	55.8	52.2	48.7	52.7	52.4	56.2	60.8	61.8	57.5
Germany	Construction	45.4	46.0	50.9	54.9	54.4	48.2	47.9	47.7	47.1	44.6	47.1	47.0
Greece	Manufacturing	53.8	54.8	54.6	57.8	57.9	59.0	58.8	58.9	58.4	59.3	57.4	58.6
Hong Kong	Whole Economy	54.9	51.7	42.0	42.9	48.9	50.8	52.6	50.8	51.7	53.3	51.3	51.4
India	Composite	58.3	57.6	54.3	53.5	53.0	56.4	59.2	58.7	55.3	55.4	49.2	43.1
India	Manufacturing	54.6	54.7	54.0	54.9	54.0	55.5	57.6	55.9	53.7	52.3	55.3	48.1
India	Services	58.9	57.9	53.6	51.8	51.5	55.5	58.1	58.5	55.2	56.7	45.4	41.2
Indonesia	Manufacturing	50.8	51.9	51.3	51.2	53.7	53.5	53.9	57.2	52.2	43.7	40.1	53.5
Ireland	Composite	57.5	59.6	61.0	59.1	56.5	56.5	59.3	62.5	61.5	62.6	65.0	63.4
Ireland	Manufacturing	56.4	59.1	59.4	57.8	59.4	58.3	59.9	62.1	60.3	62.8	63.3	64.0
Ireland	Services	60.2	61.7	63.4	61.8	56.2	55.4	59.3	63.4	63.7	63.7	66.6	63.1
Ireland	Construction	51.5	52.5	53.9	58.4	56.1	53.7	56.3	56.9	56.3	57.5	62.8	65.0
Italy	Composite	52.4	54.5	52.1	53.6	50.1	54.7	57.6	54.2	56.6	59.1	58.6	58.3
Italy	Manufacturing	51.9	54.5	55.8	58.3	58.3	62.0	62.8	61.1	59.7	60.9	60.3	62.2
Italy	Retail												
Italy	Services	53.7	55.7	52.1	52.8	48.5	53.0	55.9	52.4	55.5	58.0	58.0	56.7
Italy	Construction	54.3	59.0	62.9	68.5	68.2	64.4	65.5	58.6	56.6	65.2	55.8	57.9
Japan	Composite	52.3	51.1	50.3	45.8	49.9	52.5	53.3	50.7	47.9	45.5	48.8	48.9
Japan	Manufacturing	53.3	53.5	54.1	52.7	55.4	54.3	54.5	53.2	51.5	52.7	53.0	52.4
Japan	Services	52.6	50.7	49.4	44.2	47.6	52.1	53.0	50.7	47.8	42.9	47.4	48.0
Lebanon	Whole Economy	48.6	47.9	47.4	47.5	47.1	46.7	46.1	46.6	46.9	46.6	47.0	47.5
Mexico	Manufacturing	50.6	49.3	49.2	48.0	46.1	49.4	49.4	49.3	48.6	47.1	49.6	48.8
Netherlands	Manufacturing	57.8	59.9	58.4	60.6	60.1	58.7	60.7	62.5	62.0	65.8	67.4	68.8
Poland	Manufacturing	48.5	52.4	52.7	54.7	54.5	56.1	54.4	53.8	53.4	56.0	57.6	59.4
Russia	Composite	48.2	44.4	37.7	50.8	50.3	50.2	48.4	49.5	50.5	48.2	51.7	55.0
Russia	Manufacturing	50.8	48.2	44.1	48.6	51.8	51.6	51.7	51.6	49.8	46.5	47.5	49.2
Saudi Arabia	Whole Economy	55.7	55.7	56.8	56.2	53.2	53.9	56.9	57.7	58.6	54.1	55.8	56.4
South Africa	Whole Economy	50.7	50.3	51.4	50.9	50.9	48.4	51.7	48.6	50.7	49.9	46.1	51.0
South Korea	Manufacturing	51.8	52.1	51.2	53.8	52.8	51.9	50.9	50.2	52.4	51.2	53.0	53.9
Spain	Composite	55.7	55.7	53.1	56.5	47.9	55.4	58.3	56.2	57.0	60.6	61.2	62.4
Spain	Manufacturing	53.8	53.3	54.2	56.9	56.2	56.2	57.1	57.4	58.1	59.5	59.0	60.4
Spain	Services	56.5	57.1	53.4	56.6	46.6	55.8	59.8	56.6	56.9	60.1	61.9	62.5
Taiwan	Manufacturing	50.0	51.7	54.1	54.3	55.1	55.5	54.9	55.2	54.7	58.5	59.7	57.6
Turkey	Manufacturing	49.2	49.2	49.4	50.4	50.5	52.1	52.0	51.2	52.5	54.1	54.0	51.3
United Arab Emirates	Whole Economy	55.6	54.6	54.8	54.8	54.1	55.6	55.9	55.7	53.3	53.8	54.0	52.2
United Kingdom	Composite	53.1	58.2	60.9	59.9	54.2	53.6	57.6	57.8	54.9	54.8	59.2	62.2
United Kingdom	Manufacturing	54.6	55.8	55.2	58.0	57.3	57.9	58.1	57.8	57.1	60.3	60.4	63.9
United Kingdom	Services	53.4	58.9	62.6	60.5	54.1	53.6	58.5	59.1	55.4	55.0	59.6	62.4
United Kingdom	Construction	56.4	58.2	59.1	59.1	56.3	54.3	55.5	54.6	52.6	55.2	58.7	66.3
United States	Manufacturing	57.0	59.2	58.8	57.3	55.5	57.7	58.3	58.4	60.7	61.1	63.4	62.1
United States	Services	53.4	55.6	58.0	56.5	51.2	57.6	58.0	58.7	54.9	55.1	59.9	64.6
United States	Composite	53.6	56.0	57.7	55.9	51.1	57.0	57.2	57.6	55.0	55.4	59.9	63.7
Vietnam	Manufacturing	54.7	51.7	51.7	54.3	53.7	52.5	52.2	52.1	40.2	40.2	45.1	44.1
World	Composite	51.3	51.3	52.8	53.5	51.1	54.3	54.8	54.4	53.3	52.5	55.7	56.6
World	Manufacturing	52.3	52.3	53.0	53.7	53.2	54.3	54.2	54.2	54.1	54.1	55.4	55.5
World	Services	51.9	52.2	53.4	54.0	51.0	54.7	55.6	55.6	53.8	52.7	56.3	57.4

Source(s): Bloomberg Finance L.P., Arbion Ltd.

Broad global slowdown

THE WORLD IN NUMBERS

US												
Date	PMI	CPI (%)	Disc rate %	Ind Prodyoy%	Exports ($M)	Imports ($M)	Trade bal ($M)	M2 ($bn)	M2 mom%	Unempl %	Date	GDP yoy%
30/11/2022	37.9	7.1	4.00	1.85	172,968	259,172	-86,204	21,399		3.6	30/06/2022	1.8
31/12/2022	45.1	6.50	4.50	0.58	169,847	255,169	-85,322	21,358	-0.2%	3.5	30/09/2022	1.9
31/01/2023	44.3	6.4	4.50	1.46	168,568	256,743	-88,175	21,213	-0.7%	3.4	31/12/2022	0.9
28/02/2023	43.6	6	4.75	0.81	160,266	233,105	-72,839	21,077	-0.6%	3.6	31/03/2023	1.6
31/03/2023	43.8	5	5.00	0.07	185,876	265,409	-79,533	20,840	-1.1%	3.5		
30/04/2023	48.6	4.9	5.00	0.24				20,673	-0.8%	3.4		
31/05/2023	40.4		5.25							3.7		

CHINA												
Date	PMI	CPI (%)	Disc rate %	Ind Prodyoy%	Exports ($bn)	Imports ($bn)	Trade bal ($bn)	M2 (RMBbn)	M2 mom%		Date	GDP yoy%
30/11/2022	48	1.6	1.50	2.2	294.886	226.373	68.5	264,701			30/06/2022	0.4
31/12/2022	47	1.8	1.50	1.3	305.529	228.59	76.9	266,432	0.7%		30/09/2022	3.9
31/01/2023	50.1	2.1	1.50	3.9	292.175	192.831	99.3	273,807	2.8%		31/12/2022	2.9
28/02/2023	52.6	1	1.50	5.6	213.821	197.381	16.4	275,525	0.6%		31/03/2023	4.5
31/03/2023	51.9	0.7	1.50		315.543	227.342	88.2	281,457	2.2%			
30/04/2023	49.2	0.1	1.50		295.418	205.21	90.2	280,850	-0.2%			
31/05/2023	48.8		1.50									

GERMANY												
Date	PMI	CPI (%)	Disc rate %	Ind Prodyoy%	Exports (€bn)	Imports (€bn)	Trade bal (€bn)	M2 EZ (€bn)	M2 EZ mom%	Unempl %	Date	GDP yoy%
30/11/2022	46.2	8.8	2.00	-0.5	136.4	125.6	10.8	15,335,063		5.5	30/06/2022	1.4
31/12/2022	47.1	8.1	2.50	-3.3	128.2	116.9	11.3	15,328,202	0.0%	5.5	30/09/2022	0.8
31/01/2023	47.3	8.7	2.50	-1.6	131.6	115.9	15.7	15,230,801	-0.6%	5.5	31/12/2022	-0.1
28/02/2023	46.3	8.7	3.00	0.7	136.8	120.3	16.5	15,172,754	-0.4%	5.5	31/03/2023	-0.5
31/03/2023	44.7	7.4	3.50	1.8	128.8	113.9	14.9	15,173,528	0.0%	5.6		
30/04/2023	44.5	7.2	3.50					15,156,350	-0.1%	5.6		
31/05/2023	43.2	6.1	3.75							5.6		

UK												
Date	PMI	CPI (%)	Disc rate %	Ind Prodyoy%	Exports,GBPM	Imports,GBPM	Trade bal (GBPM)	M2 (GBPM)	M2 mom%	Unempl %	Date	GDP yoy%
30/11/2022	46.5	10.7	3.00	-2.9	74,670	76,240	-1,570	2,280,027		3.7	30/06/2022	3.8
31/12/2022	45.3	10.5	3.50	-2.7	71,042	77,994	-6,952	2,289,483	0.4%	3.7	30/09/2022	2
31/01/2023	47	10.1	3.50	-3.0	69,283	72,235	-2,952	2,256,077	-1.5%	3.7	31/12/2022	0.6
28/02/2023	49.3	10.4	4.00	-2.7	67,740	71,094	-3,354	2,255,783	0.0%	3.8	31/03/2023	0.2
31/03/2023	47.9	10.1	4.25	-2.0	66,937	69,801	-2,864	2,266,778		3.9		
30/04/2023	47.8	8.7	4.25					2,259,209				
31/05/2023	47.1		4.50									

JAPAN												
Date		CPI (%)	Disc rate %	Ind Prodyoy%	Exports,JPYbn	Imports,JPYbn	Trade bal (JPYbn)	M2 (JPY TRN)	M2 mom%	Unempl %	Date	GDP yoy%
30/11/2022		3.8		-0.9	8,837	10,869	-2,032	1,213		2.5	30/06/2022	1.8
31/12/2022		4.0		-2.4	8,787	10,246	-1,459	1,213	0.0%	2.5	30/09/2022	1.6
31/01/2023		4.3		-3.1	6,551	10,057	-3,506	1,213	0.0%	2.4	31/12/2022	0.4
28/02/2023		3.3		-0.5	7,654	8,574	-920	1,209	-0.3%	2.6	31/03/2023	1.3
31/03/2023		3.2		-0.6	8,824	9,583	-759	1,213	0.4%	2.8		
30/04/2023		3.5		-0.3	8,289	8,721	-432	1,232	1.6%	2.6		

INDIA												
Date		CPI (%)	Disc rate %	Ind Prodyoy%	Exports ($M)	Imports ($M)	Trade bal ($M)	M3 (INR 10M)	M2 mom%		Date	GDP yoy%
30/11/2022		5.9	5.90	7.6	31,992	55,885	-23,893	21,397,426			30/06/2022	11.95
30/12/2022		5.7	6.25	5.1	34,477	58,244	-23,767	21,859,358	2.2%		30/09/2022	5.41
31/01/2023		6.5	6.25	5.5	32,914	50,657	-17,743	21,894,248	0.2%		31/12/2022	4.73
28/02/2023		6.4	6.50	5.8	33,877	51,309	-17,432	22,101,519	0.9%		31/03/2023	6.48
31/03/2023		5.7	6.50	1.1	38,381	58,109	-19,728	22,333,020	1.0%			
28/04/2023		4.7	6.50		34,662	49,896	-15,234	22,682,193	1.6%			
31/05/2023			6.50					22,764,913				

Source(s): Bloomberg Finance L.P., Arbion Ltd.

PERFORMANCE OF DIFFERENT ASSET CLASSES

EQUITIES	Currency		MAY	2023	2022	2021	2020	2019	2018	2017	2016
MSCI World	USD	2,800.6	-1.2%	7.6%	-19.5%	20.1%	14.1%	25.2%	-10.4%	20.1%	5.3%
MSCI World (EUR hedged)	EUR	199.4	-0.6%	7.2%	-19.2%	21.5%	10.1%	22.2%	-11.1%	14.6%	5.6%
MSCI World (GBP hedged)	GBP	1,070.7	-0.5%	7.8%	-18.5%	22.2%	9.9%	23.0%	-9.3%	15.5%	6.0%
MSCI World (USD hedged)	USD	791.8	-0.4%	8.4%	-16.7%	22.7%	12.4%	25.9%	-7.4%	16.9%	7.2%
MSCI World local	Local	779.4	-0.5%	7.2%	-17.5%	19.1%	12.3%	23.7%	-9.5%	17.5%	6.8%
US (S&P500)	USD	4,179.8	0.2%	8.9%	-19.4%	26.9%	16.3%	28.9%	-6.2%	19.4%	9.5%
Europe (Stoxx 600)	EUR	451.8	-3.2%	6.3%	-12.9%	22.2%	-4.0%	23.2%	-13.2%	7.7%	-1.2%
Eurozone (Euro Stoxx 50)	EUR	4,218.0	-3.2%	11.2%	-11.7%	21.0%	-5.1%	24.8%	-14.3%	6.5%	0.7%
Germany (DAX30)	EUR	15,664.0	-1.6%	12.5%	-12.3%	15.8%	3.5%	25.5%	-18.3%	12.5%	6.9%
UK (FTSE 100)	GBP	7,446.1	-5.4%	-0.1%	0.9%	14.3%	-14.3%	12.1%	-12.5%	7.6%	14.4%
France (CAC40)	EUR	7,098.7	-5.2%	9.7%	-9.5%	28.9%	-7.1%	26.4%	-11.0%	9.3%	4.9%
Greece (ASE)	EUR	1,218.7	12.3%	31.1%	4.1%	10.4%	-11.7%	49.5%	-23.6%	24.7%	1.9%
Spain (IBEX)	EUR	9,050.2	-2.1%	10.0%	-5.6%	7.9%	-15.5%	11.8%	-15.0%	7.4%	-2.0%
Italy (MIB)	EUR	26,051.3	-3.8%	9.9%	-13.3%	23.0%	-5.4%	28.3%	-16.1%	13.6%	-10.2%
Japan (Nikkei 225)	JPY	30,887.9	7.0%	18.4%	-9.4%	4.9%	16.0%	18.2%	-12.1%	19.1%	0.4%
MSCI Emerging Markets	USD	958.5	-1.9%	0.2%	-22.4%	-4.6%	15.8%	15.4%	-16.6%	34.3%	8.6%
MSCI Emerging Markets local	Local	58,169.1	-1.2%	1.2%	-17.9%	-2.3%	16.6%	15.1%	-12.2%	27.8%	7.1%
MSCI Asia ex Japan	USD	617.2	-2.1%	-0.3%	-21.5%	-6.4%	22.5%	15.4%	-16.4%	38.7%	2.9%
MSCI Eastern Europe	USD	35.0	-4.5%	10.9%	-82.9%	12.9%	-15.6%	26.9%	-8.1%	12.9%	33.0%
MSCI Latin America	USD	2,198.3	-1.4%	3.3%	-0.1%	-13.1%	-16.0%	13.7%	-9.3%	20.8%	27.9%
Russia (MICEX)	RUB	2,717.6	3.1%	26.2%	-43.1%	15.1%	8.0%	28.6%	12.3%	-5.5%	26.8%
India (Sensex)	INR	62,622.2	2.5%	2.9%	4.4%	22.0%	15.8%	14.4%	5.9%	27.9%	1.9%
Brasil (Bovespa)	BRL	108,335.1	3.7%	-1.3%	4.7%	-11.9%	2.9%	31.6%	15.0%	26.9%	38.9%
Hong Kong (Hang Seng)	HKD	18,234.3	-8.3%	-7.8%	-15.5%	-14.1%	-3.4%	9.1%	-13.6%	36.0%	0.4%
China (Shanghai Comp)	CNY	3,204.6	-3.6%	3.7%	-15.1%	4.8%	13.9%	22.3%	-24.6%	6.6%	-12.3%
South Korea (Kospi)	KRW	2,577.1	3.0%	15.2%	-24.9%	3.6%	30.8%	7.7%	-17.3%	21.8%	3.3%
Israel (TA 25)	ILS	1,744.9	-1.2%	-2.9%	-9.2%	32.0%	-10.9%	15.0%	-3.0%	2.7%	-3.8%
South Africa (Top 40)	ZAR	69,997.8	-3.6%	4.5%	-0.1%	23.3%	7.0%	8.8%	-11.1%	19.7%	-4.1%
FIXED INCOME			MAY	2023	2022	2021	2020	2019	2018	2017	2016
FTSE WorldBig	USD	206.2	-2.0%	2.0%	-17.1%	-5.4%	9.5%	6.9%	-1.3%	7.4%	1.9%
FTSE WorldBig local	Local	219.7	-0.7%	2.5%	-13.9%	-2.1%	5.7%	7.1%	0.5%	2.1%	3.3%
FTSE WorldBig (EUR hedged)	EUR	204.2	-0.8%	1.9%	-15.1%	-2.6%	4.9%	5.3%	-1.1%	1.0%	2.4%
FTSE WorldBig (GBP hedged)	GBP	266.7	-0.6%	2.5%	-14.1%	-1.9%	5.6%	6.7%	0.0%	1.9%	3.6%
FTSE WorldBig (USD hedged)	USD	249.8	-0.6%	3.0%	-13.1%	-1.8%	6.2%	8.4%	1.7%	2.9%	3.9%
World government bonds (FTSE)	USD	849.3	-2.2%	1.7%	-18.3%	-7.0%	10.1%	5.9%	-0.8%	7.5%	1.6%
US Treasuries, total return	USD	228.6	-1.2%	2.6%	-12.9%	-2.5%	8.3%	6.9%	0.8%	2.5%	1.1%
US 10-year yield	USD	3.64%	0.22	-0.23	2.36	0.60	-1.00	-0.77	0.28	-0.04	0.17
US 10-year bond	USD	114.5	-0.6%	1.9%	-13.9%	-5.5%	7.5%	5.3%	-1.6%	-0.2%	-1.3%
US 5y/5y forward inflation expectation	USD	2.24%	0.09	0.04	-0.07	0.30	0.13	-0.00	-0.15	-0.05	0.24
Eurozone government debt	EUR	213.3	0.5%	2.8%	-18.4%	-3.4%	5.0%	6.7%	1.0%	0.1%	3.3%
Eurozone corporate bonds	EUR	212.7	0.2%	2.6%	-14.2%	-1.1%	2.7%	6.3%	-1.3%	2.4%	4.7%
EU high yield (BofAML)	USD	318.7	0.6%	3.8%	-11.5%	3.3%	2.8%	11.3%	-3.6%	6.7%	9.1%
Germany 10-year yield	EUR	2.28%	-0.03	-0.29	2.75	0.39	-0.38	-0.43	-0.19	0.22	-0.42
Germany 10-year bond	EUR	136.1	0.4%	2.3%	-22.4%	-3.5%	4.2%	4.2%	1.2%	-1.5%	3.9%
UK 10-year yield	GBP	4.18%	0.46	0.51	2.70	0.77	-0.63	-0.46	0.09	-0.05	-0.72
Japan 10-year yield	JPY	0.44%	0.04	0.01	0.35	0.05	0.03	-0.01	-0.05	0.00	-0.22
China 10-year yield	CNY	2.71%	-0.07	-0.13	0.06	-0.37	0.00	-0.17	-0.59	0.84	0.20
India 10-year yield	INR	6.99%	-0.13	-0.34	0.87	0.59	-0.69	-0.81	0.04	0.81	-1.25
Loans, total return (S&P LSTA)	USD	3,425.6	-0.2%	4.1%	-0.6%	5.2%	3.1%	8.6%	0.4%	4.1%	10.2%
US High yield (BofAML)	USD	1,453.9	-0.9%	3.7%	-11.2%	5.4%	6.2%	14.4%	-2.3%	7.5%	17.5%
US investment grade (BofAML)	USD	3,075.8	-1.3%	2.9%	-15.4%	-1.0%	9.8%	14.2%	-2.2%	6.5%	6.0%
US mortgages (BofAML)	USD	2,067.0	-0.7%	2.3%	-11.9%	-1.2%	4.1%	6.5%	1.0%	2.4%	1.7%
US municipals (BofAML)	USD	600.5	-0.8%	1.9%	-9.0%	1.8%	5.3%	7.7%	1.0%	5.4%	0.4%
EM hard-currency debt (JPM EMBI+)	USD	693.5	-1.3%	1.0%	-24.7%	-4.5%	7.1%	12.6%	-5.3%	8.3%	9.6%
EM external government debt (BofAML)	USD	1,062.2	-1.3%	1.5%	-18.8%	-2.2%	6.9%	12.7%	-4.5%	11.5%	7.6%
EM investment grade (BofAML)	USD	381.8	-0.7%	2.8%	-14.6%	-0.7%	6.5%	11.6%	-1.4%	7.3%	5.5%
Emerging market spreads	USD	327.6	0.84	22.13	-6.09	46.19	32.37	-73.10	100.50	-81.21	-218.44
US Investment-grade spreads	USD	165.1	4.29	6.41	46.81	16.87	-2.30	-49.72	55.55	-32.15	-44.55
US high-yield spreads	USD	498.5	17.89	18.23	142.63	-42.10	-13.45	-127.81	145.89	-54.61	-289.20
FOREIGN EXCHANGE			MAY	2023	2022	2021	2020	2019	2018	2017	2016
Dollar index		104.3	2.6%	0.8%	8.2%	6.4%	-6.7%	0.2%	4.4%	-9.9%	3.6%
Euro		1.1	-3.0%	-0.1%	-5.8%	-6.9%	8.9%	-2.2%	-4.5%	14.1%	-3.2%
Pound Sterling		1.2	-1.0%	3.0%	-10.7%	-1.0%	3.1%	3.9%	-5.6%	9.5%	-16.3%
Swiss Franc		0.9	-1.8%	1.5%	-1.3%	-3.0%	9.4%	1.4%	-0.7%	4.5%	-1.6%
Japanese Yen		139.3	-2.2%	-5.9%	-12.2%	-10.2%	5.1%	0.9%	2.8%	3.8%	2.8%
Renminbi		7.1	-2.7%	-3.0%	-7.8%	2.7%	6.7%	-1.2%	-5.3%	6.7%	-6.6%
Won		1,326.4	1.0%	-4.9%	-5.7%	-8.4%	6.1%	-3.6%	-4.2%	13.2%	-2.6%
Brasilian Real		5.1	-1.3%	4.5%	5.4%	-6.8%	-22.6%	-3.4%	-14.7%	-1.8%	21.7%
Indian Rupee		82.7	-1.1%	0.0%	-9.9%	-2.0%	-2.5%	-2.3%	-8.4%	6.3%	-2.6%
USD real effective exchange rate (JPM)		126.1	1.6%	0.3%	6.5%	6.4%	-2.6%	-1.1%	4.2%	-6.3%	4.2%
EUR real effective exchange rate (JPM)		94.6	-1.1%	1.2%	1.5%	-3.9%	5.3%	-3.1%	0.1%	5.4%	-1.2%
JPY real effective exchange rate (JPM)		58.3	-1.1%	-4.2%	-8.7%	-11.4%	-0.5%	-0.7%	5.3%	-3.1%	3.6%
COMMODITIES			MAY	2023	2022	2021	2020	2019	2018	2017	2016
Global commodities, total return (S&P GSCI)	USD	3,096.4	-6.1%	-11.4%	26.0%	40.4%	-23.7%	17.6%	-13.8%	5.8%	11.4%
Agriculture, spot return	USD	424.3	-2.7%	-9.8%	5.7%	21.1%	21.8%	6.3%	0.6%	-3.0%	2.6%
Energy, total return	USD	509.6	-8.5%	-16.6%	42.3%	60.7%	-46.3%	29.7%	-17.1%	6.4%	18.1%
Crude oil	USD	364.9	-10.8%	-13.9%	27.6%	62.2%	-60.3%	34.1%	-20.5%	4.1%	8.0%
Industrial metals, total return	USD	1,526.7	-6.8%	-8.9%	-7.6%	29.6%	14.8%	2.6%	-18.0%	29.1%	17.6%
Copper	USD	5,257.5	-5.6%	-1.8%	-11.2%	26.0%	25.3%	4.7%	-16.8%	29.4%	17.3%
Livestock, total return	USD	1,591.6	-0.2%	0.0%	4.8%	7.9%	-22.1%	-5.6%	-1.5%	8.4%	-7.3%
Precious metals	USD	2,219.7	-1.8%	6.8%	-0.4%	-5.1%	23.0%	17.6%	-3.6%	12.0%	8.4%
Gold, total return	USD	988.1	-1.3%	7.8%	-0.7%	-4.3%	20.9%	18.0%	-2.8%	12.8%	7.7%
REAL ESTATE			MAY	2023	2022	2021	2020	2019	2018	2017	2016
All Equity REITS total returns (FTSE NAREIT)	USD	20,996.7	-4.2%	-2.3%	-24.9%	41.3%	-5.1%	28.7%	-4.0%	8.7%	8.6%
FTSE EPRA NAREIT developed markets, total return	USD	5,080.1	-4.4%	-1.5%	-24.4%	27.2%	-8.2%	23.1%	-4.7%	11.4%	5.0%
FTSE EPRA NAREIT emerging markets	USD	1,437.9	-5.9%	-10.9%	-10.8%	-11.4%	-27.2%	24.3%	-11.0%	28.8%	0.2%
New York home prices	USD	273.0	0.0%	0.7%	6.9%	12.1%	8.0%	0.8%	3.5%	5.7%	2.8%
Greater London house price (£)	GBP	696,477.0	2.8%	4.5%	4.6%	2.6%	3.5%	-0.5%	-1.1%	-1.7%	1.4%
Moscow prop prices (US$/sqm)	USD	3,219.0	2.9%	-17.4%	16.9%	19.3%	-1.0%	8.8%	-8.3%	4.8%	3.6%
HEDGE FUNDS			MAY	2023	2022	2021	2020	2019	2018	2017	2016
Global hedge funds	USD	1,366.1	-0.5%	-0.1%	-4.4%	3.7%	6.8%	8.6%	-6.7%	6.0%	2.5%
Equity hedge funds	USD	1,471.4	0.3%	1.7%	-3.2%	12.1%	4.6%	10.7%	-9.4%	10.0%	0.1%
Event-driven hedge funds	USD	1,586.4	-2.6%	-3.4%	-7.3%	0.5%	8.9%	10.0%	-11.7%	6.5%	11.1%
CTA funds	USD	1,263.2	0.9%	-0.3%	3.7%	-0.8%	4.3%	4.8%	-3.2%	2.5%	-2.9%
Credit hedge funds	USD	2,158.1	-0.1%	1.9%	-11.6%	1.4%	11.3%	6.2%	-2.5%	3.9%	5.0%
Activist hedge funds	USD	3,731.4	0.0%	3.1%	-2.2%	19.8%	18.1%	15.5%	-7.4%	6.1%	9.1%

Source(s): Bloomberg Finance L.P., Arbion Ltd.

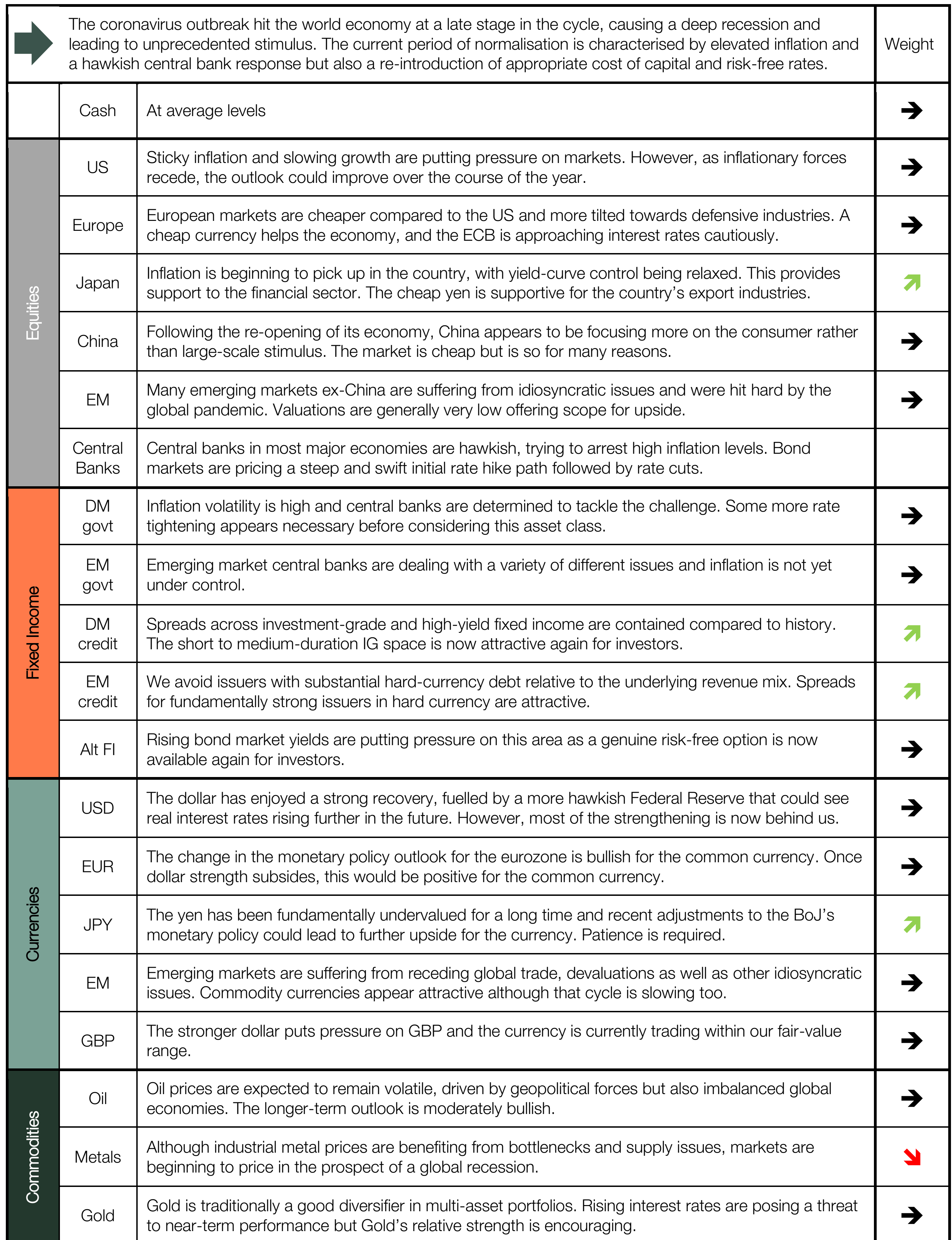
PERFORMANCE AND VALUATIONS OF INTERNATIONAL EQUITY MARKETS

Country		Year to date	Market Cap (USDbn)*	Rolling 1-yr change	Rolling 2-yr change	Rolling 3-yr change	PER 2023E	PER 2024E	EPS growth 2024E	Dividend yield 2023E	Dividend yield 2024E
WORLD											
All Country MSCI	MXWD Index	9.6%	78,525	2.2%	-7.4%	23.1%	16.7	15.1	10.7%	2.3%	2.4%
Developed World	MXWO Index	10.4%	59,431	3.4%	-4.1%	26.8%	17.2	15.7	9.5%	2.2%	2.3%
Emerging World	MXEF Index	2.9%	19,094	-7.2%	-28.8%	-1.8%	12.9	11.0	18.0%	3.0%	3.2%
AMERICAS											
US (S&P500)	SPX Index	11.5%	36,372	4.2%	1.2%	34.1%	19.6	17.6	11.4%	1.6%	1.7%
US (Dow Jones Industrial)	INDU Index	1.9%	10,855	2.6%	-2.9%	24.5%	17.4	15.7	10.9%	2.1%	2.2%
US mid/small cap	RTY Index	4.0%	2,628	-2.8%	-19.9%	21.5%	26.0	18.7	39.3%	1.7%	
Canada	SPTSX Index	3.3%	2,292	-3.7%	0.0%	26.3%	13.7	12.6	8.4%	3.6%	3.7%
Mexico	MEXBOL Index	9.8%	389	5.0%	5.4%	36.7%	12.1	11.1	8.8%	3.6%	4.3%
Argentina	MERVAL Index	74.6%	43	284.6%	433.2%	682.1%	13.7	4.3	221.1%		
Brazil	IBOV Index	2.6%	624	1.3%	-13.5%	18.9%	7.8	7.3	6.1%	6.3%	6.4%
EUROPE											
Europe	SXXP Index	8.8%	13,021	5.0%	2.1%	23.1%	13.0	11.9	9.0%	3.5%	3.8%
Germany	DAX Index	15.3%	1,578	11.0%	2.3%	24.9%	11.4	10.4	9.0%	3.5%	3.8%
France	CAC Index	12.3%	2,491	12.1%	11.6%	39.9%	12.8	11.6	10.0%	3.3%	3.5%
UK	UKX Index	2.1%	2,487	1.0%	7.6%	17.3%	10.5	10.0	5.9%	4.1%	4.4%
Spain	IBEX Index	13.2%	624	6.8%	2.5%	18.4%	10.5	10.4	1.3%	4.7%	4.9%
Italy	FTSEMIB Index	14.2%	611	12.0%	5.9%	34.1%	8.2	7.8	5.9%	5.4%	5.6%
Switzerland	SMI Index	6.7%	1,392	-0.7%	-1.1%	12.3%	18.3	15.7	16.8%	3.1%	3.3%
Norway	OBX Index	1.2%	220	-4.8%	9.4%	43.7%	9.2	8.6	6.9%	7.6%	7.1%
Sweden	OMX Index	12.2%	764	10.8%	0.9%	32.5%	15.0	14.0	6.8%	3.6%	3.8%
Austria	ATX Index	0.4%	93	-6.9%	-10.9%	26.3%	6.8	6.9	-2.0%	6.0%	6.2%
Greece	ASE Index	31.0%	80	35.8%	35.1%	78.2%	8.6	12.2	-29.7%	3.8%	4.3%
EMERGING EUROPE											
Hungary	BUX Index	9.3%	23	15.9%	-0.9%	26.0%	6.2	5.1	22.6%	5.7%	5.7%
Kazakhstan	KZKAK Index	7.8%	12	33.2%	2.7%	50.9%					
Ukraine	PFTS Index	-2.3%	1	-2.3%	-4.5%	1.5%					
Russia	RTSI$ Index	8.3%	487	-12.3%	-36.2%	-18.2%	3.1			18.0%	29.3%
Poland	WIG Index	14.3%	284	15.5%	-1.8%	27.5%	8.2	8.3	-1.0%	4.6%	5.0%
Czech Rep	PX Index	9.5%	52	-1.1%	11.6%	37.4%	8.7	8.3	5.1%	7.4%	6.9%
Turkey	XU100 Index	-7.2%	197	96.6%	257.0%	364.9%	4.6	4.3	7.8%	4.1%	4.1%
MIDDLE EAST & AFRICA											
South Africa	TOP40 Index	7.5%	889	11.9%	16.8%	43.4%	10.8	9.4	14.9%	4.1%	4.6%
Egypt	Hermes Index	21.1%		80.3%	80.7%	105.4%	6.1	5.8	5.0%	4.7%	5.5%
Namibia	FTN098 Index	-4.6%	101	-12.8%	7.3%	39.5%	8.2	8.1	2.2%	6.5%	7.1%
Nigeria	NGSEINDX Index	8.9%	66	5.5%	44.1%	123.1%					
Israel	TA-25 Index	-3.8%		-9.1%	2.5%	20.1%	7.8	6.8	15.3%	3.1%	
Saudi Arabia	SASEIDX Index	5.1%		-12.6%	3.4%	51.2%	16.0	14.0	14.0%	3.8%	4.3%
Qatar	DSM Index	-4.4%		-20.2%	-5.5%	12.6%	11.4	10.5	9.2%	4.8%	
Dubai	DFMGI Index	8.0%		6.4%	27.6%	76.7%	8.6	9.0	-4.8%	4.9%	5.0%
ASIA											
Asia	MXAPEXA Index	4.4%	3,835	-6.8%	-34.2%	-8.4%	14.3	11.7	22.3%	2.2%	2.4%
Japan	TPX Index	15.4%	5,502	12.9%	11.4%	35.4%	14.2	12.9	10.1%	2.4%	2.6%
Japan	NKY Index	20.8%	3,845	13.6%	8.9%	37.9%	19.1	16.6	15.1%	1.9%	2.0%
Hong Kong	HSI Index	-4.2%	2,611	-10.1%	-34.5%	-23.5%	9.2	8.4	9.3%	4.0%	4.3%
China domestic	shashr Index	4.6%	6,594	1.1%	-10.1%	10.2%	11.2	9.7	15.2%	3.1%	3.5%
China offshore	HSCEI Index	-4.1%	1,915	-11.5%	-40.5%	-36.1%	8.4	7.5	11.8%	3.7%	3.9%
South Korea	KOSPI Index	16.3%	1,485	-2.6%	-19.7%	19.2%				2.2%	2.4%
New Zealand	NZSE Index	2.4%	93	0.7%	-10.2%	-0.6%	23.6	21.3	10.7%	3.4%	3.7%
Australia	AS30 Index	1.5%	1,705	-1.9%	-2.8%	19.9%	14.3	14.2	0.6%	4.3%	4.4%
Pakistan	KSE100 Index	2.3%	18	0.1%	-14.2%	20.5%	3.3	2.8	18.0%		
Thailand	SET50 Index	-8.0%	357	-7.1%	-4.9%	-4.2%	17.1	14.9	14.7%	2.8%	3.2%
Indonesia	JCI Index	-3.2%	625	-7.2%	11.5%	39.5%	13.8	1.7	719.4%	4.2%	4.3%
India	NIFTY Index	2.4%	1,773	11.8%	18.3%	82.7%	19.6	16.3	19.8%	1.5%	1.8%
Singapore	FSSTI Index	-2.6%	360	-1.9%	0.2%	21.2%	10.3	10.1	1.5%	5.2%	5.5%
Malaysia	FBMKLCI Index	-7.6%	209	-10.2%	-12.5%	-11.2%	13.2	12.3	7.3%	4.5%	4.7%
Philippines	PCOMP Index	-0.8%	164	-3.4%	-4.2%	0.7%	12.2	11.2	8.5%	2.6%	2.6%
Vietnam	VNINDEX Index	8.3%	183	-15.3%	-20.6%	23.1%	10.6	8.8	21.1%		

* Market cap for the main index
Data as of 31st May 2023

Source(s): Bloomberg Finance L.P., Arbion Ltd.

THREE-MONTH OUTLOOK



→		The coronavirus outbreak hit the world economy at a late stage in the cycle, causing a deep recession and leading to unprecedented stimulus. The current period of normalisation is characterised by elevated inflation and a hawkish central bank response but also a re-introduction of appropriate cost of capital and risk-free rates.	Weight
	Cash	At average levels	→
Equities	US	Sticky inflation and slowing growth are putting pressure on markets. However, as inflationary forces recede, the outlook could improve over the course of the year.	→
Equities	Europe	European markets are cheaper compared to the US and more tilted towards defensive industries. A cheap currency helps the economy, and the ECB is approaching interest rates cautiously.	→
Equities	Japan	Inflation is beginning to pick up in the country, with yield-curve control being relaxed. This provides support to the financial sector. The cheap yen is supportive for the country's export industries.	↗
Equities	China	Following the re-opening of its economy, China appears to be focusing more on the consumer rather than large-scale stimulus. The market is cheap but is so for many reasons.	→
Equities	EM	Many emerging markets ex-China are suffering from idiosyncratic issues and were hit hard by the global pandemic. Valuations are generally very low offering scope for upside.	→
Equities	Central Banks	Central banks in most major economies are hawkish, trying to arrest high inflation levels. Bond markets are pricing a steep and swift initial rate hike path followed by rate cuts.	
Fixed Income	DM govt	Inflation volatility is high and central banks are determined to tackle the challenge. Some more rate tightening appears necessary before considering this asset class.	→
Fixed Income	EM govt	Emerging market central banks are dealing with a variety of different issues and inflation is not yet under control.	→
Fixed Income	DM credit	Spreads across investment-grade and high-yield fixed income are contained compared to history. The short to medium-duration IG space is now attractive again for investors.	↗
Fixed Income	EM credit	We avoid issuers with substantial hard-currency debt relative to the underlying revenue mix. Spreads for fundamentally strong issuers in hard currency are attractive.	↗
Fixed Income	Alt FI	Rising bond market yields are putting pressure on this area as a genuine risk-free option is now available again for investors.	→
Currencies	USD	The dollar has enjoyed a strong recovery, fuelled by a more hawkish Federal Reserve that could see real interest rates rising further in the future. However, most of the strengthening is now behind us.	→
Currencies	EUR	The change in the monetary policy outlook for the eurozone is bullish for the common currency. Once dollar strength subsides, this would be positive for the common currency.	→
Currencies	JPY	The yen has been fundamentally undervalued for a long time and recent adjustments to the BoJ's monetary policy could lead to further upside for the currency. Patience is required.	↗
Currencies	EM	Emerging markets are suffering from receding global trade, devaluations as well as other idiosyncratic issues. Commodity currencies appear attractive although that cycle is slowing too.	→
Currencies	GBP	The stronger dollar puts pressure on GBP and the currency is currently trading within our fair-value range.	→
Commodities	Oil	Oil prices are expected to remain volatile, driven by geopolitical forces but also imbalanced global economies. The longer-term outlook is moderately bullish.	→
Commodities	Metals	Although industrial metal prices are benefiting from bottlenecks and supply issues, markets are beginning to price in the prospect of a global recession.	↘
Commodities	Gold	Gold is traditionally a good diversifier in multi-asset portfolios. Rising interest rates are posing a threat to near-term performance but Gold's relative strength is encouraging.	→

IMPORTANT INFORMATION

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