



## Macro/Market Views

June 2022

**LOMBARD ODIER**  
INVESTMENT MANAGERS

# Multi Asset Macro/Market Views

## The Nowcasting Corner

The most recent evolution of our proprietary nowcasting indicators for World growth, World inflation surprises and World monetary policy surprises.

- Solid growth in the US and in the Eurozone, while China lags – for now.
- Inflation surprises are behind us in the US, but not in the Eurozone.
- Monetary policy is set to remain on the hawkish side, except in China.

## Macro/Market Views

Our views on the current markets' situation.

- Macro: growth is slowing down, not a recession yet.
- Sentiment: sentiment is now very bearish as even good news are bad news.
- Valuation: what was expensive a year ago is now much cheaper.

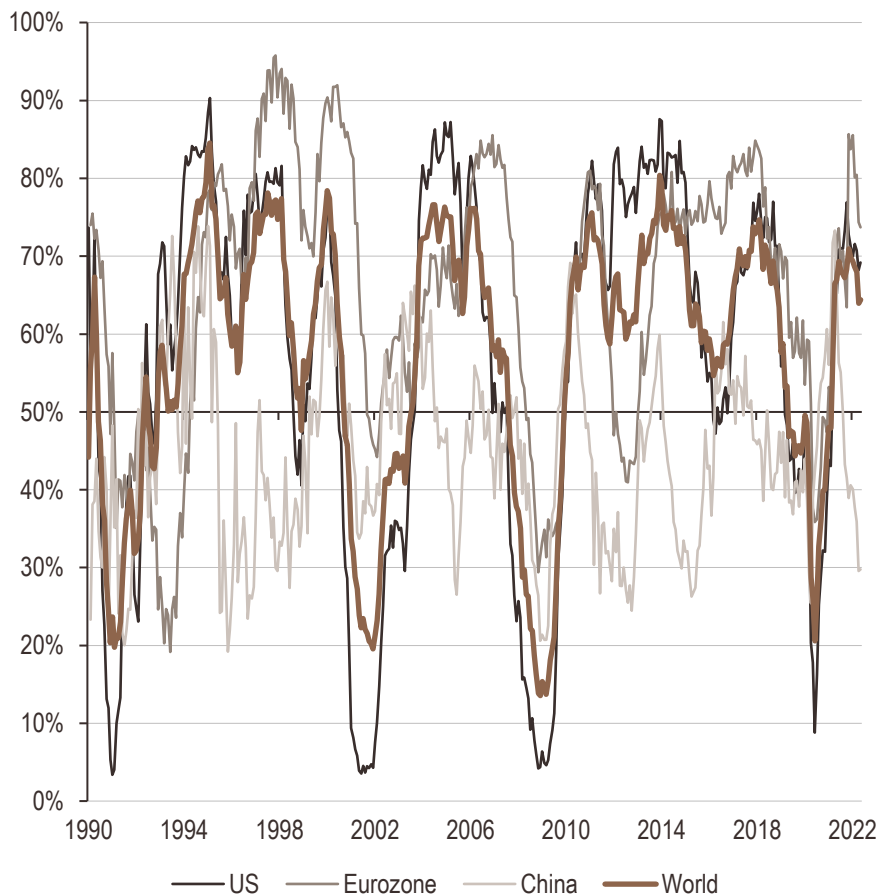


# Nowcasting Signals

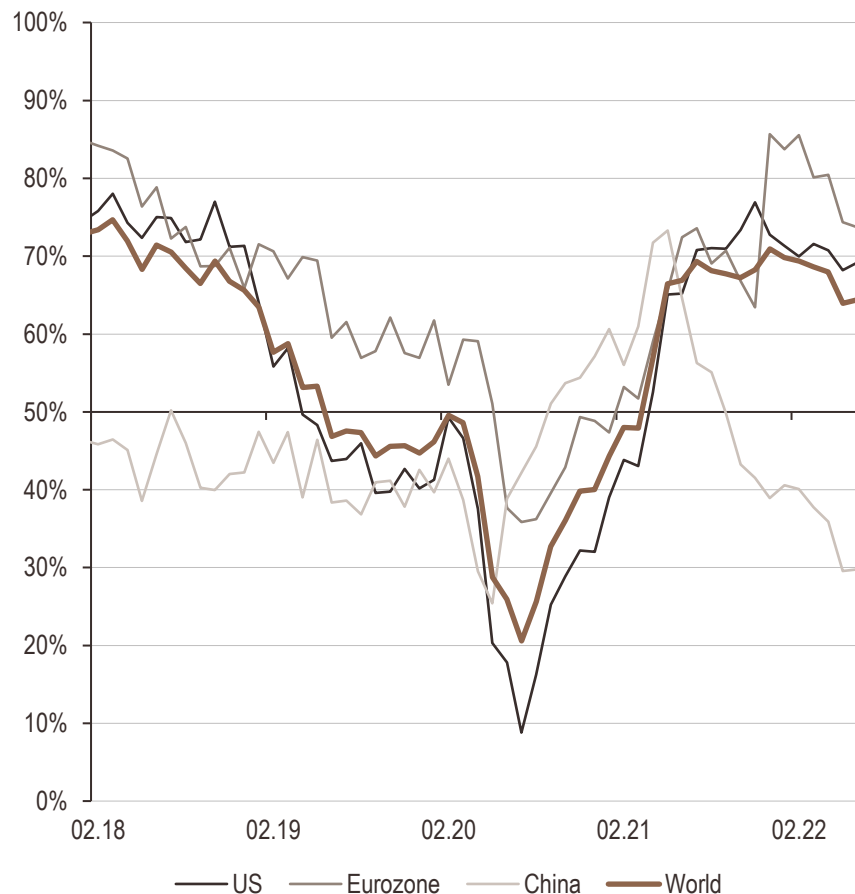
June 2022

# Nowcasters – Systematic LOIM Indicator – Growth

## Growth Nowcasting Indicator – Long Term



## Growth Nowcasting Indicator - Recent Developments

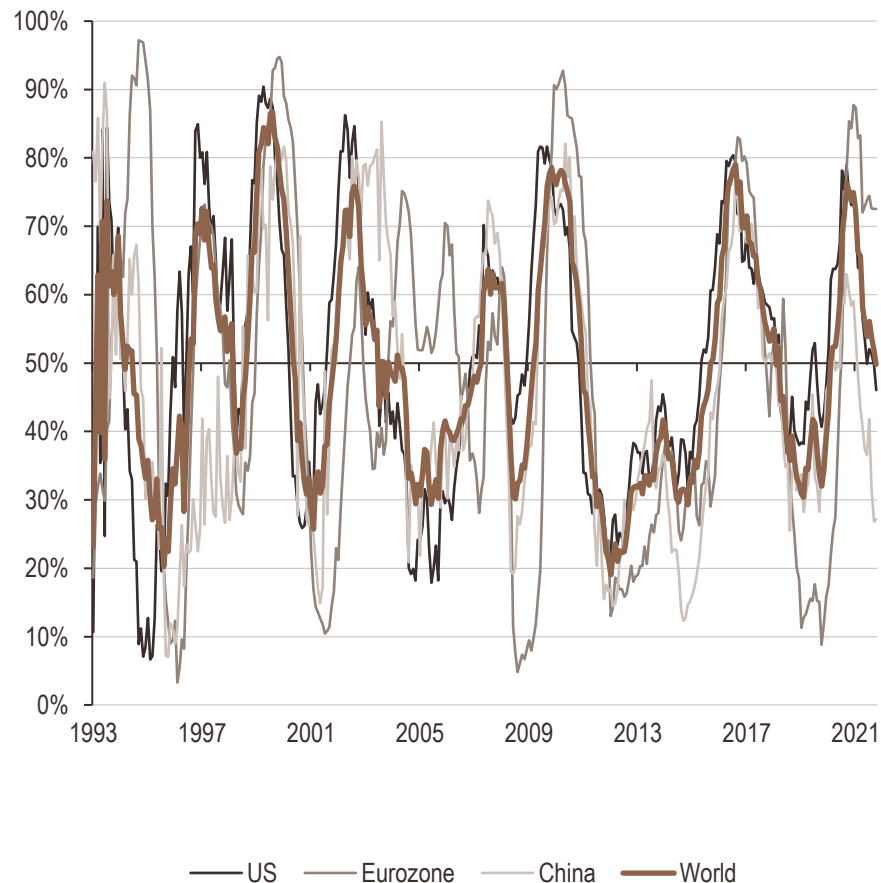


Reading note: LOIM's nowcasting indicators combine economic indicators in a point-in-time fashion to measure the probability of a given macroeconomic risk - growth, inflation surprises, and monetary policy shocks. The nowcaster ranges from 0% (low growth, low inflation surprises and dovish monetary policy) to 100% (high growth, high inflation surprises and hawkish monetary policy).

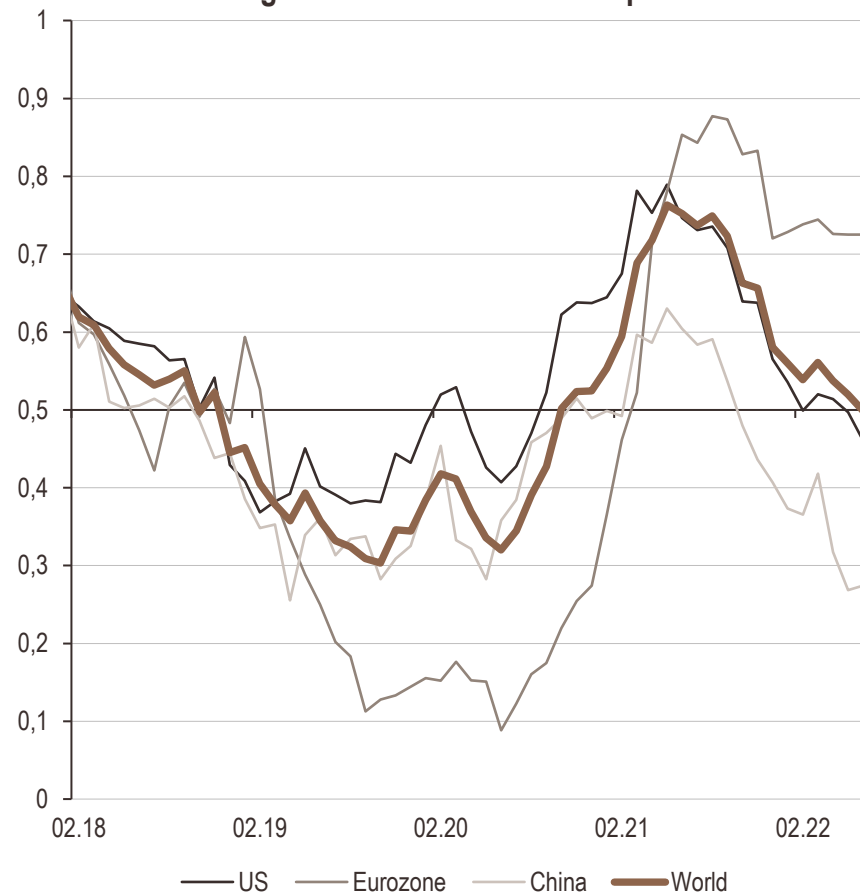
Source : LOIM, Bloomberg.

# Nowcasters – Systematic LOIM Indicator – Inflation Surprises

## Inflation Nowcasting Indicator – Long Term



## Inflation Nowcasting Indicator - Recent Developments

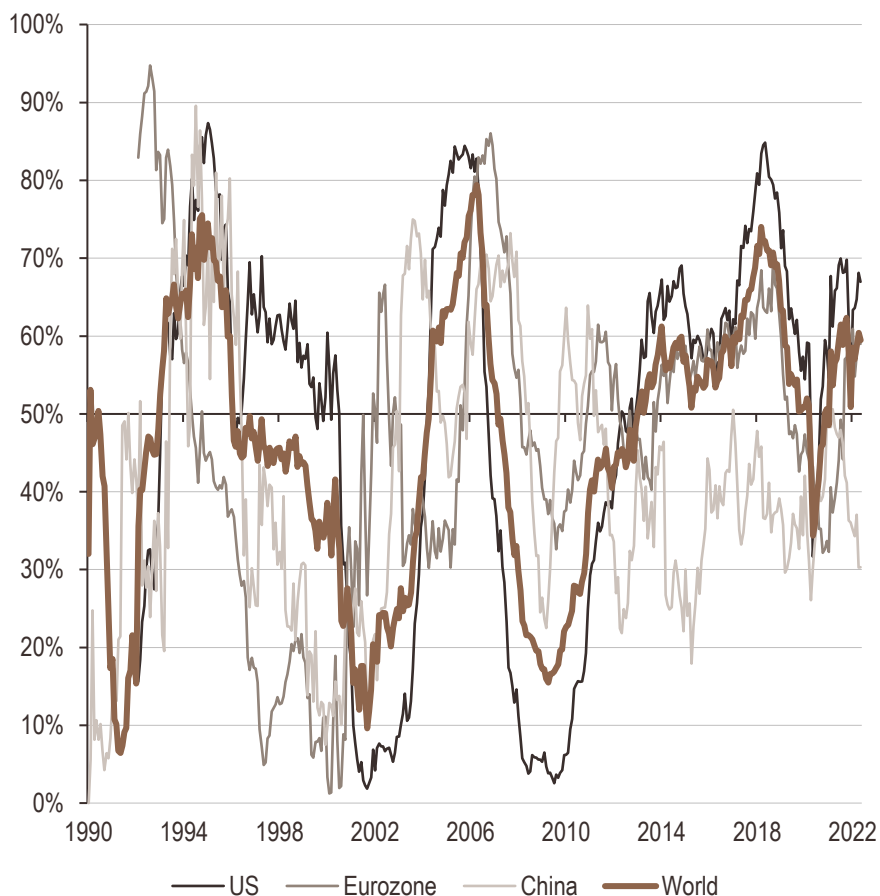


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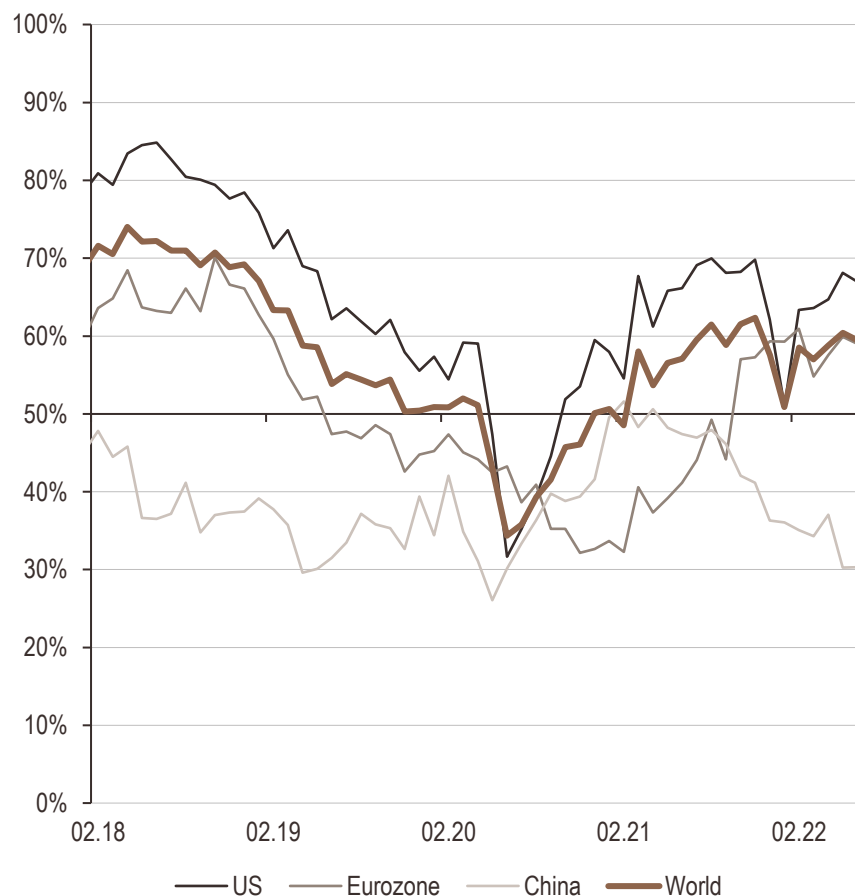
Source : LOIM, Bloomberg.

# Nowcasters – Systematic LOIM Indicator – Monetary Policy Shock

## Monetary Policy Nowcasting Indicator – Long Term



## Monetary Policy Nowcasting Indicator - Recent Developments



Reading note: LOIM's nowcasting indicators combine economic indicators in a point-in-time fashion to measure the probability of a given macroeconomic risk - growth, inflation surprises, and monetary policy shocks. The nowcaster ranges from 0% (low growth, low inflation surprises and dovish monetary policy) to 100% (high growth, high inflation surprises and hawkish monetary policy).

Source : LOIM, Bloomberg.



# Perspectives

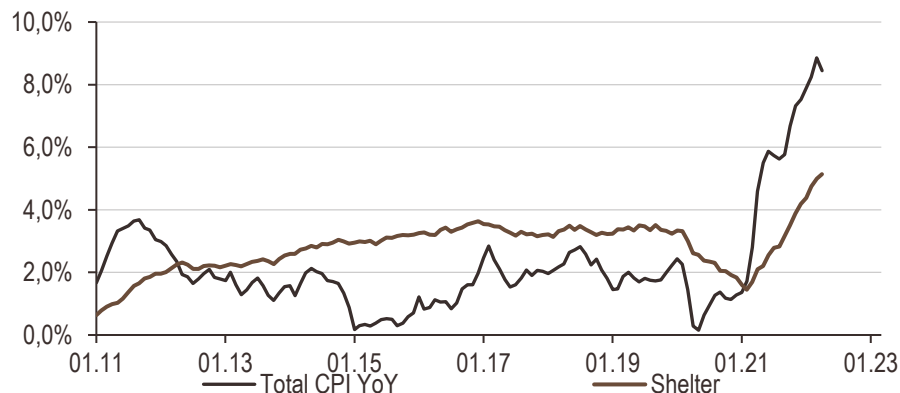
June 2022

# Macro (1)

## Costs are progressing everywhere: cost of living and cost of funding

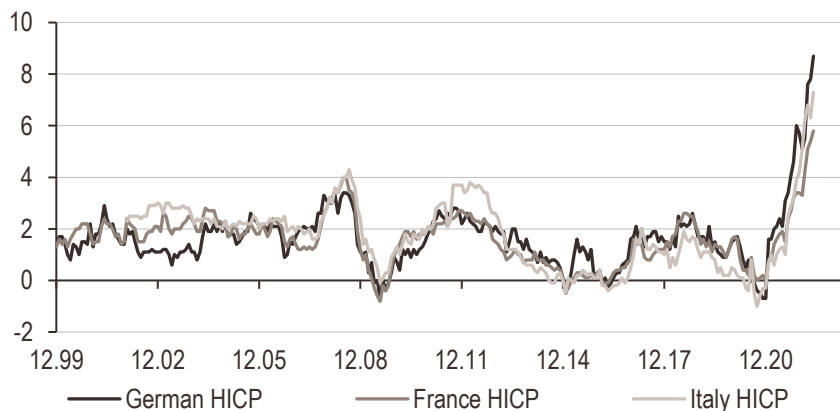
### US Inflation

Total and Shelter Year-over-year variations



### Eurozone Inflation

HICP Data



### 10-year Real Rates

Computed using breakeven rates



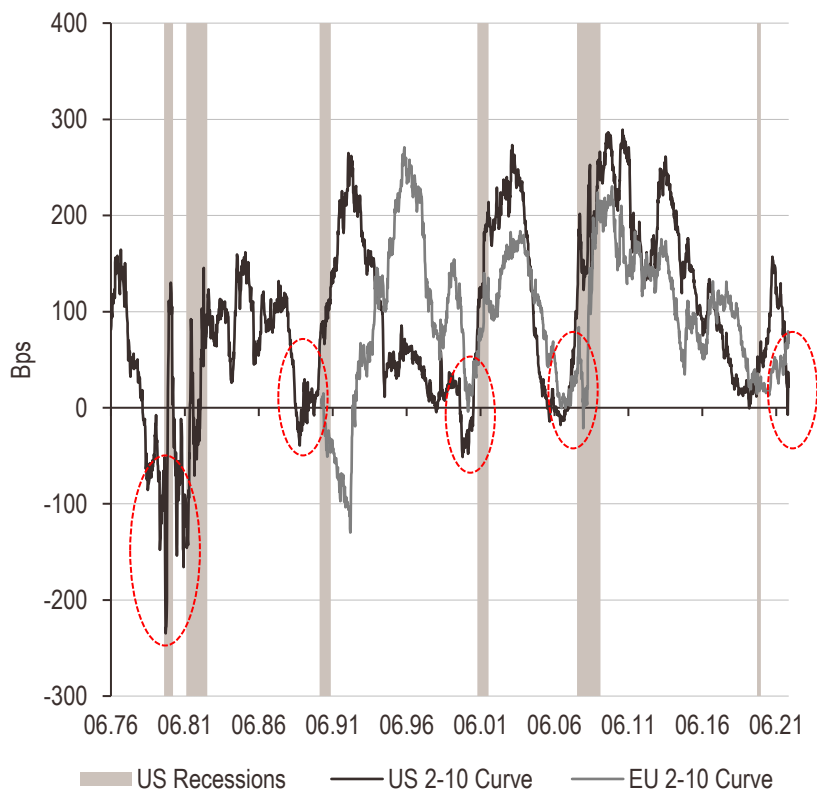
Past performance is not a reliable indicator of future performance.

Data as at 04 May 2022. Source: Lombard Odier

## Macro (2)

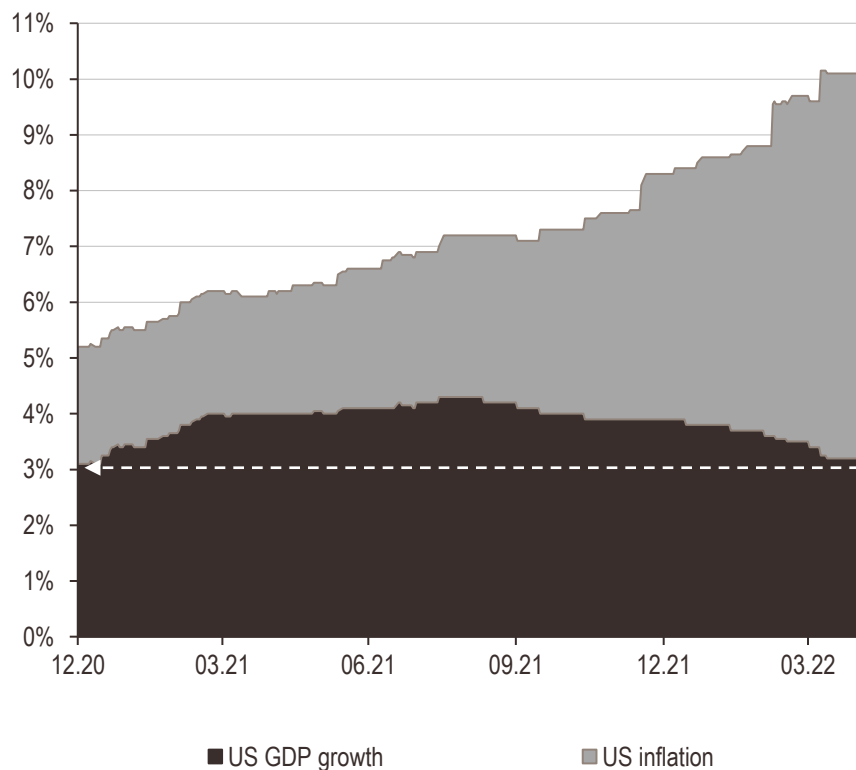
Markets expect this cost shock to create a recession – economists, not so much

### 2-10 Yield Curve Slope vs. Recession Periods



### Expected Inflation and Growth in the US for 2022

Based on a pool of economists



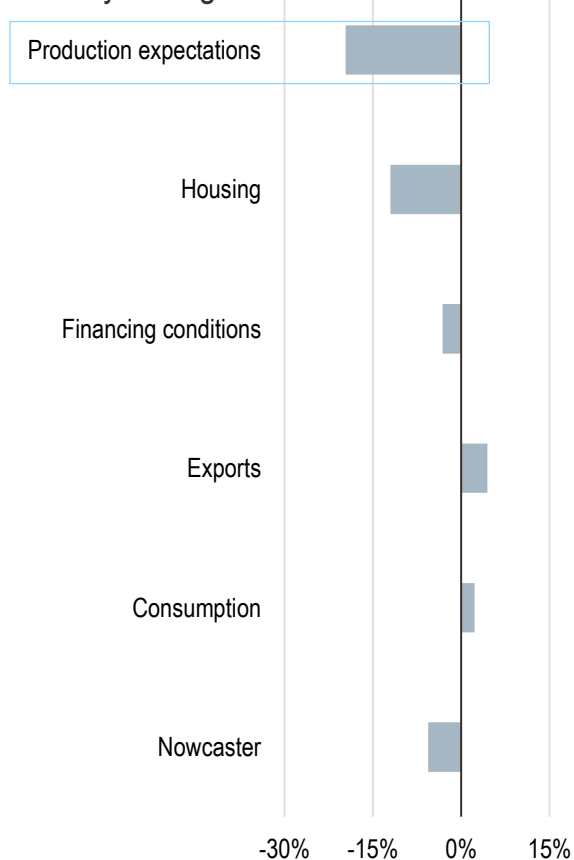
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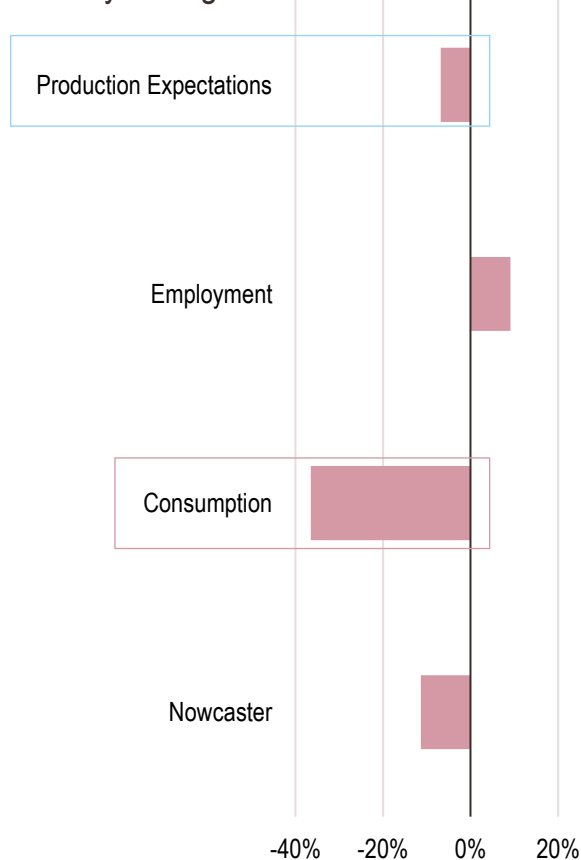
## Macro (3)

Our nowcasting indicators have declined recently

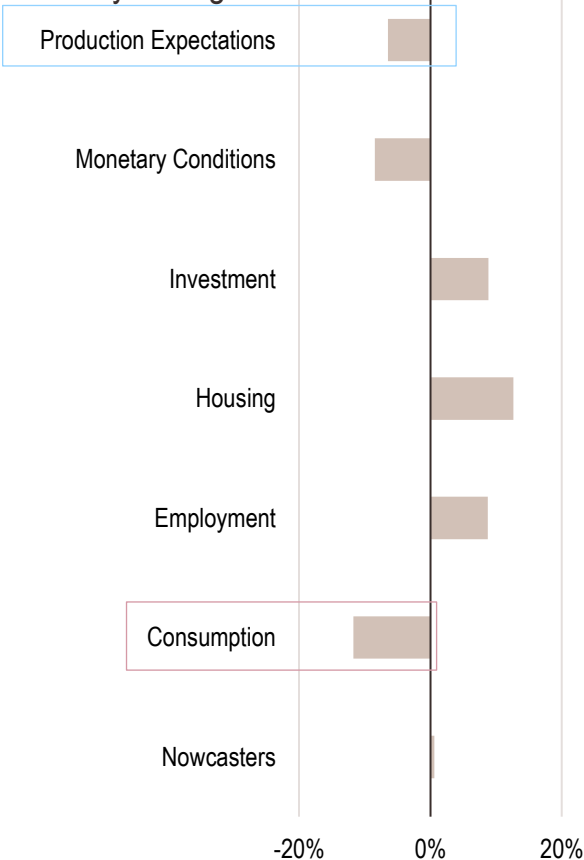
### China Growth Nowcaster Monthly Change



### Eurozone Growth Nowcaster Monthly Change



### US Growth Nowcaster Monthly Change

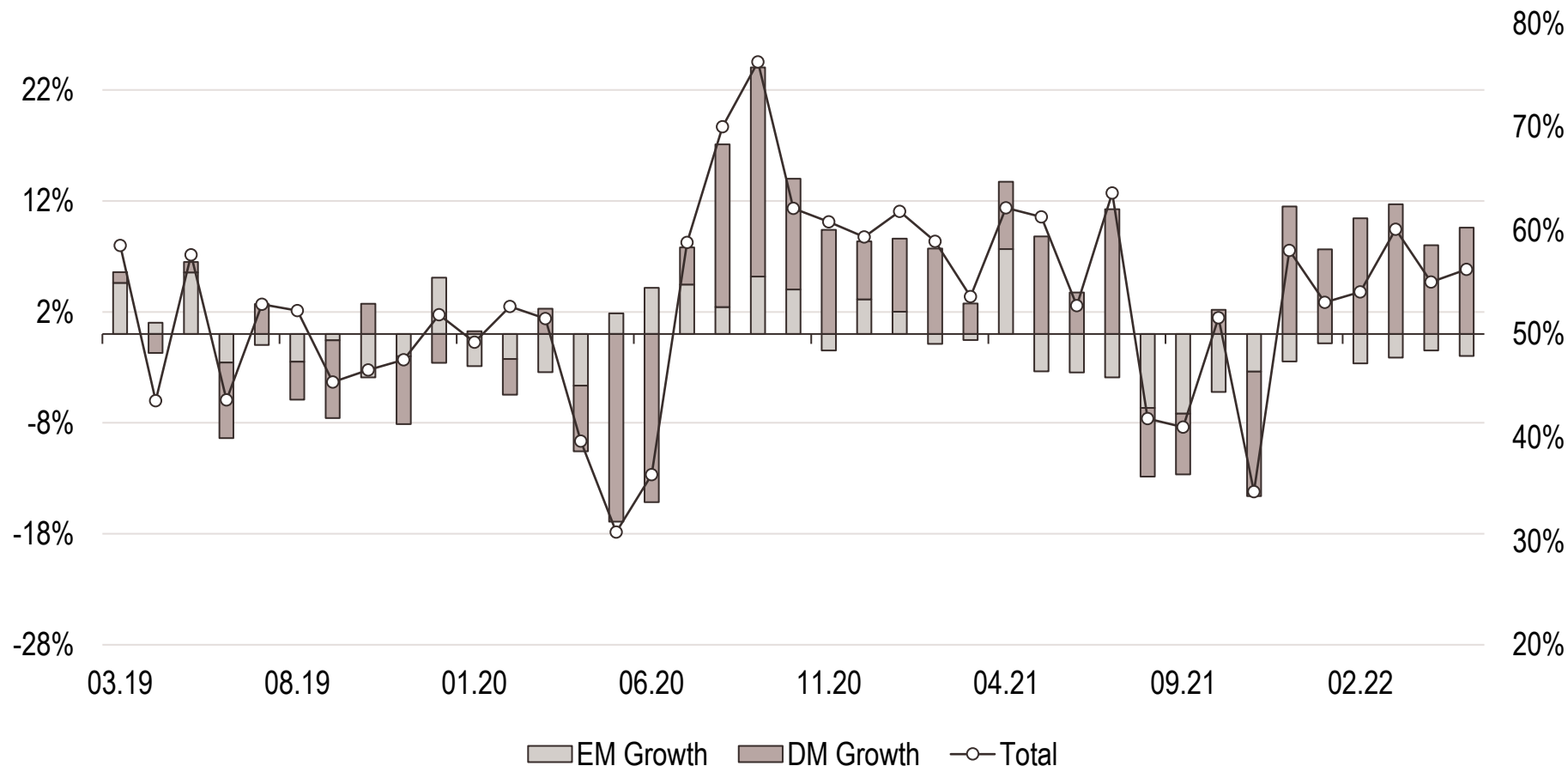


Past performance is not a reliable indicator of future performance.  
Data as at 07 June 2022. Source: Lombard Odier

## Macro (4)

Yet, 60% of the data composing our indicator is still rising

### World Growth Nowcaster – Diffusion Index



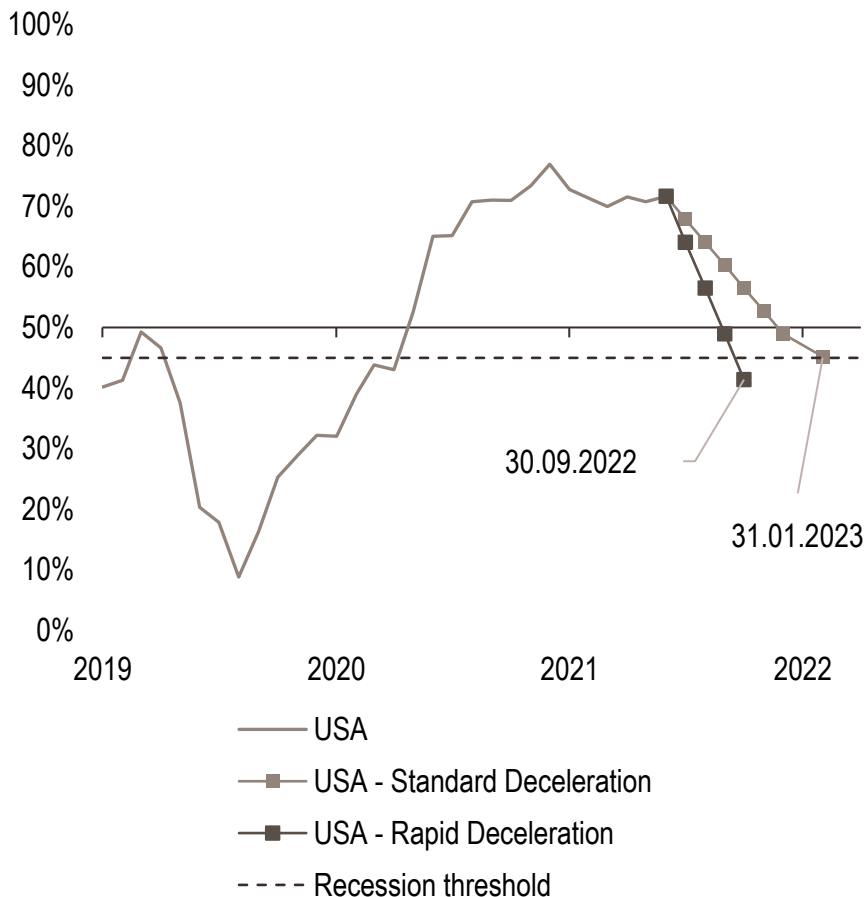
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Data as at 07 June 2022. Source: Lombard Odier

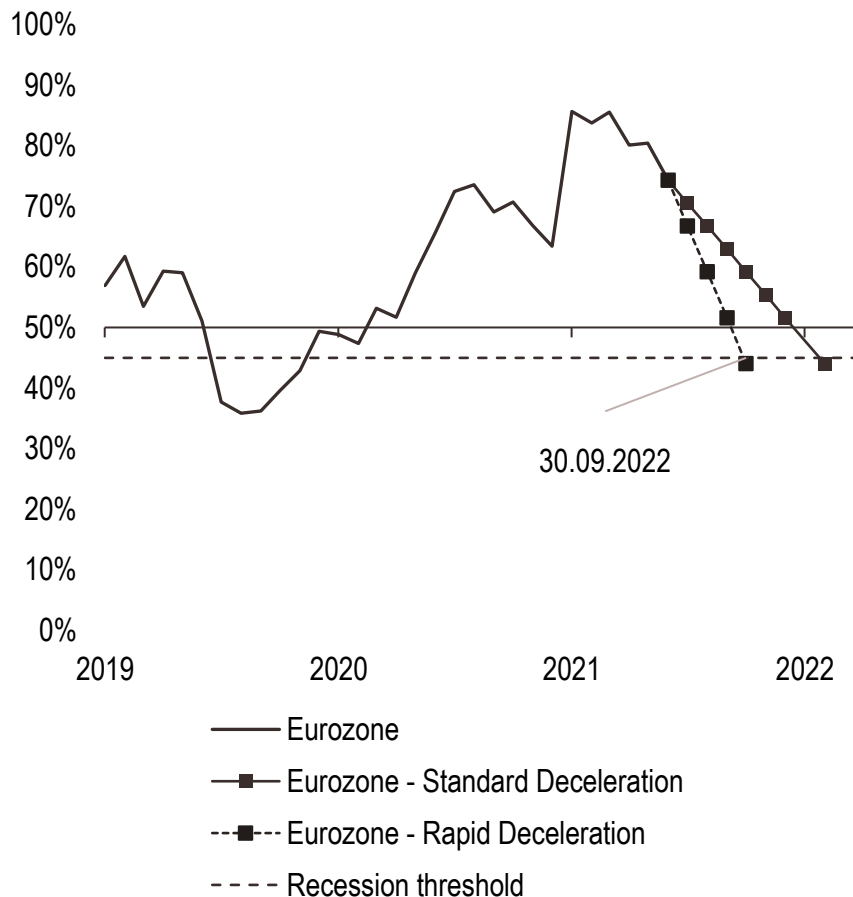
# Macro (5)

## Q4/Q1 the soonest for a recession to happen

### US Growth Nowcaster and scenarios



### Eurozone Growth Nowcaster and scenarios



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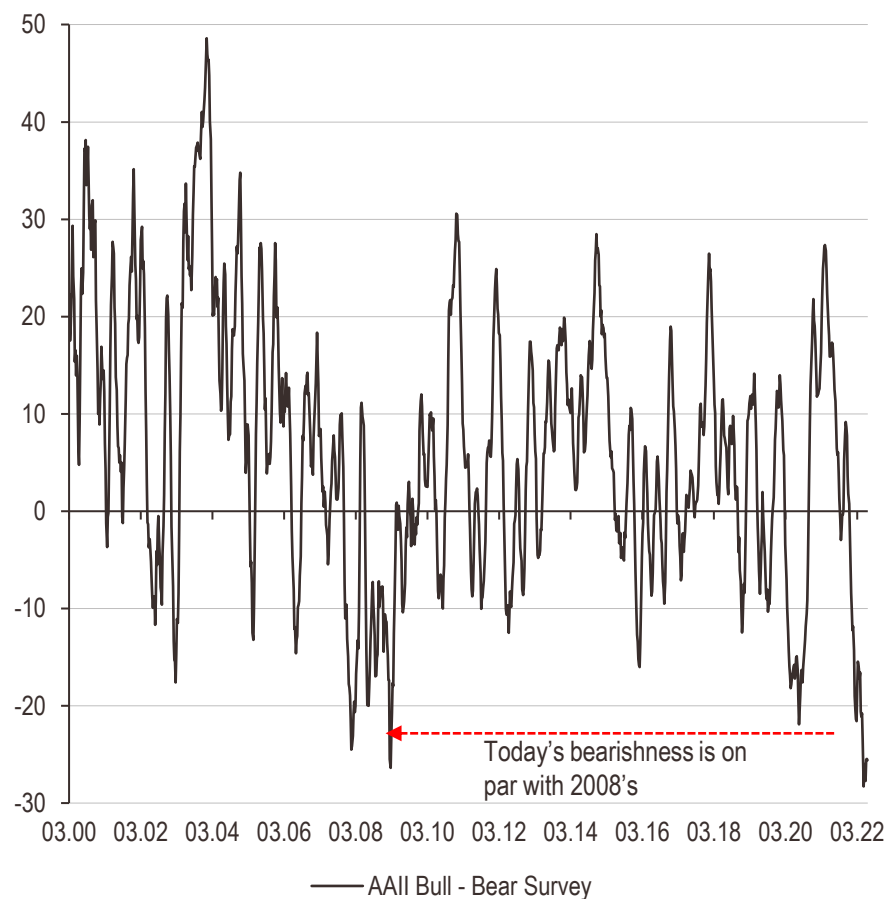
Data as at 07 June 2022. Source: Lombard Odier

# Sentiment (1)

## High market bearishness everywhere

### AAll Bullish - Bearish Survey Spread

A positive reading is indicative of a bullish sentiment



### Value/Growth Correlation

Based on MSCI Data – 3-month Rolling Correlation



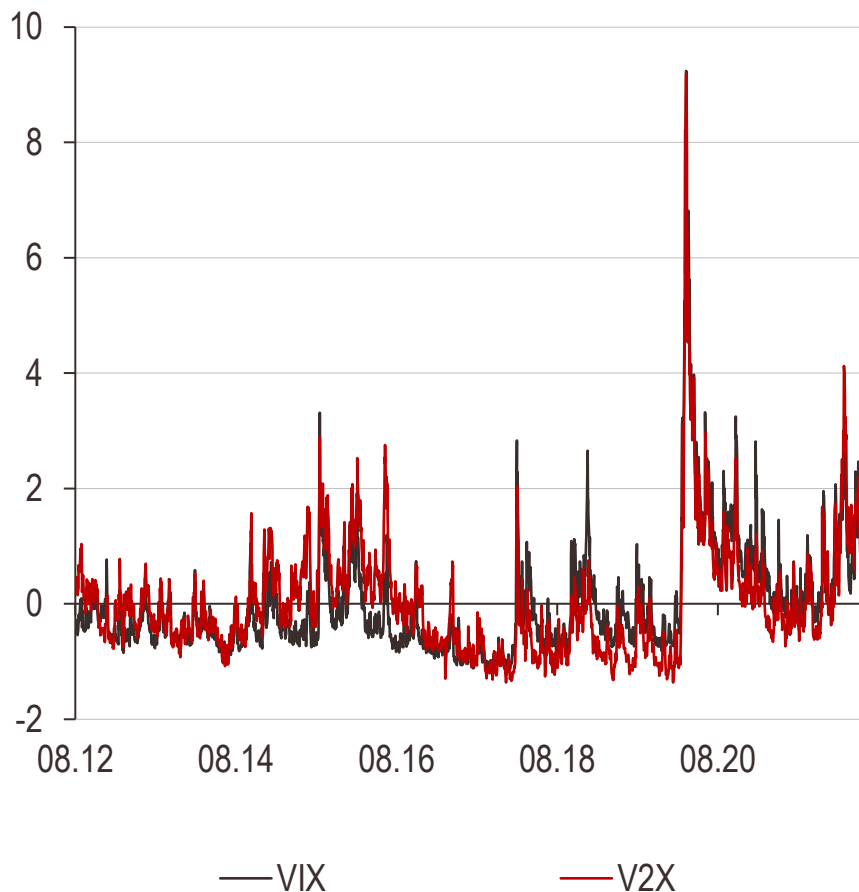
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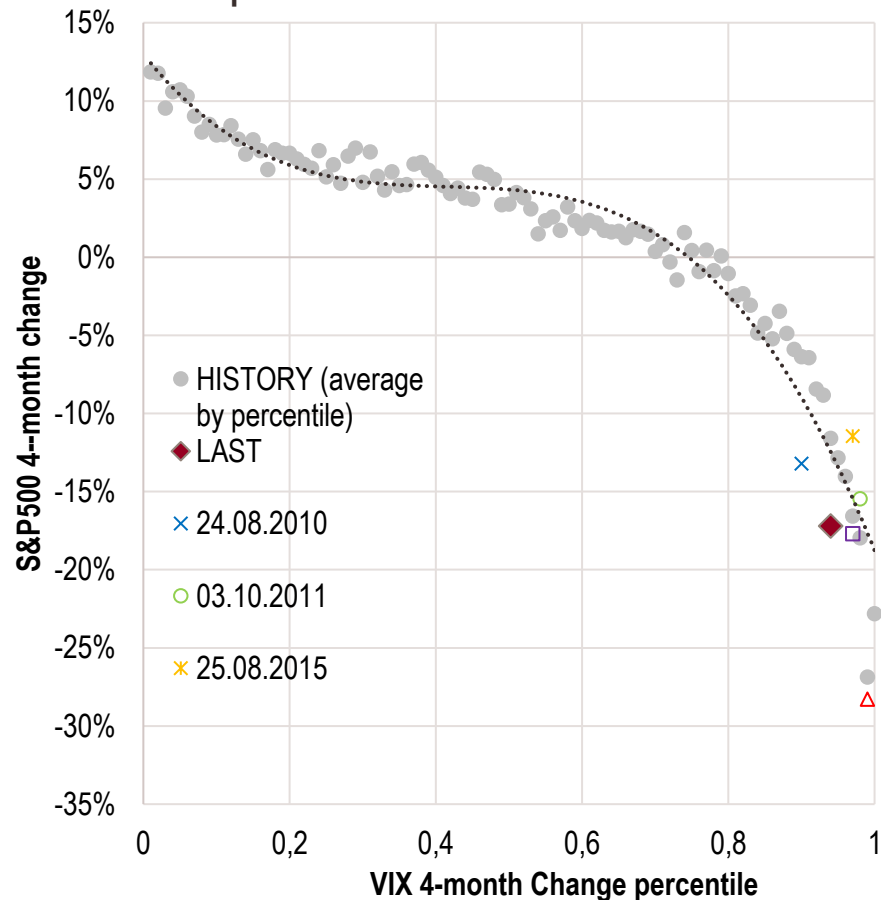
## Sentiment (2)

In May the VIX did not overshoot – equities haven't declined enough

VIX and V2X Indices



VIX vs. S&P500 performance



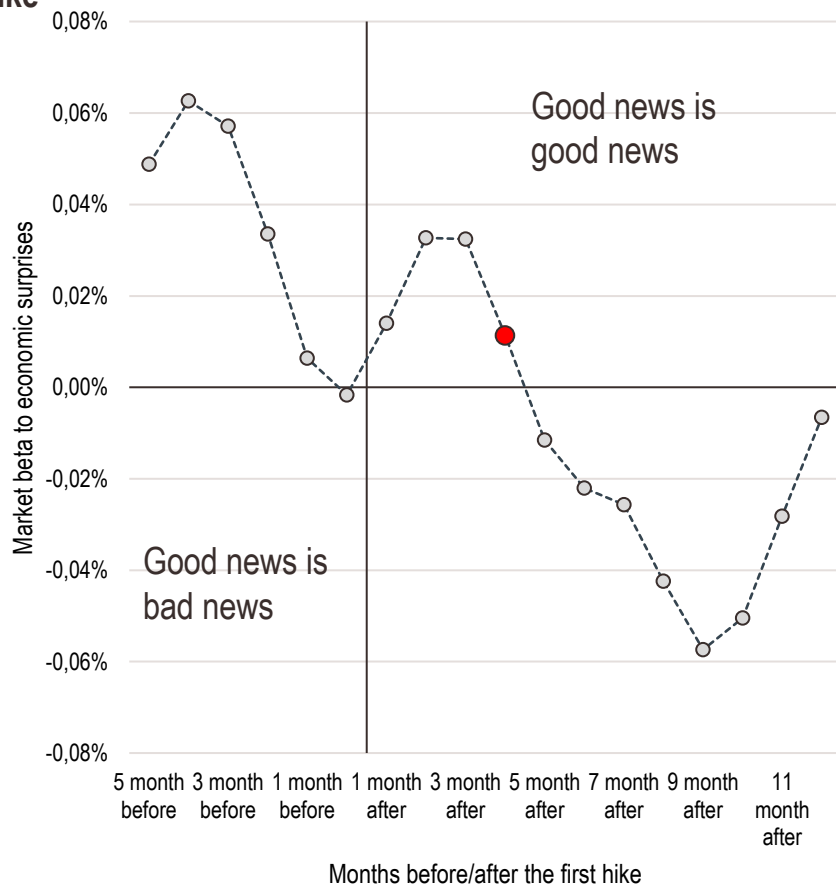
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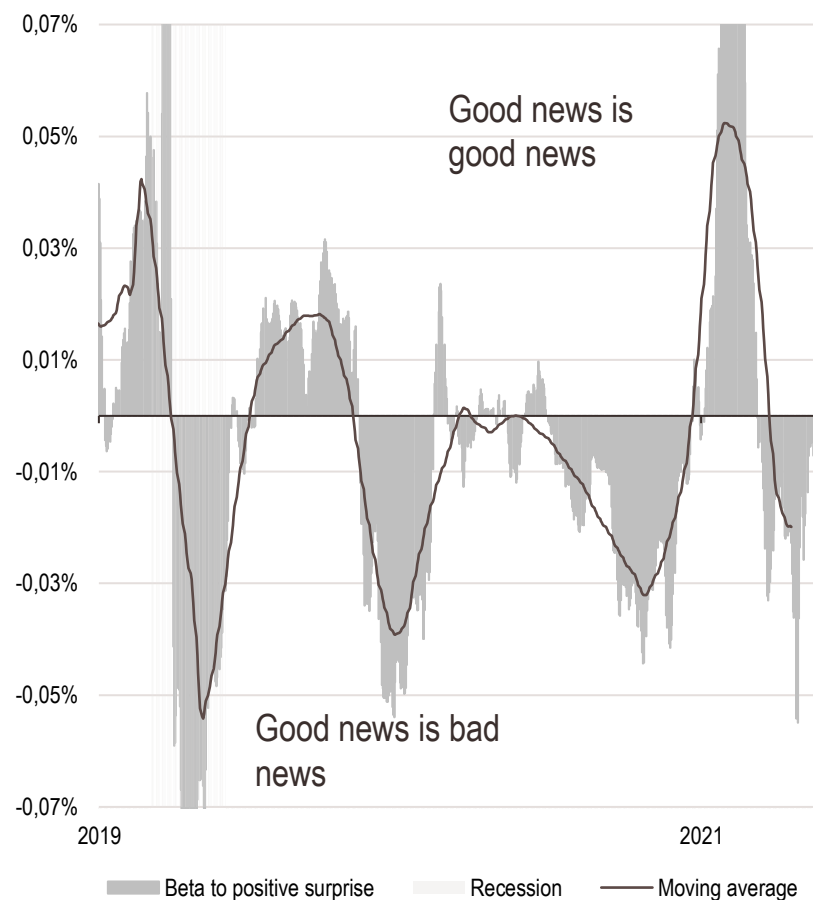
## Sentiment (3)

Good news has started being bad news: the highest short-term risk

Beta of MSCI World to economic surprises – around first hike



Beta of MSCI World to economic surprises – Recent readings



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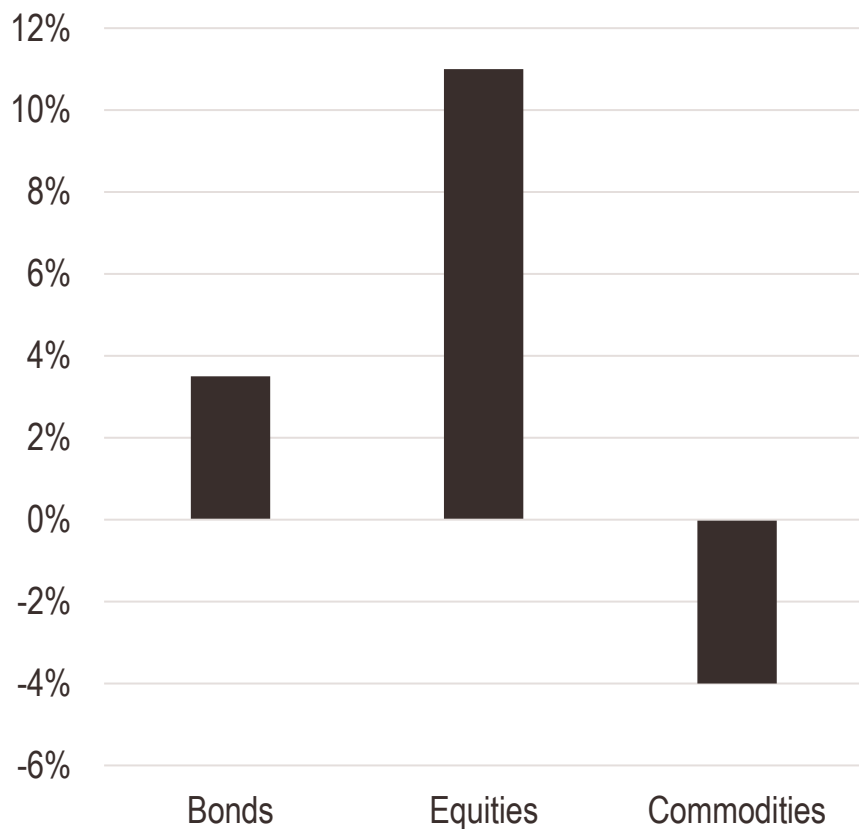
Data as at 07 June 2022. Source: Lombard Odier

# Valuation (1)

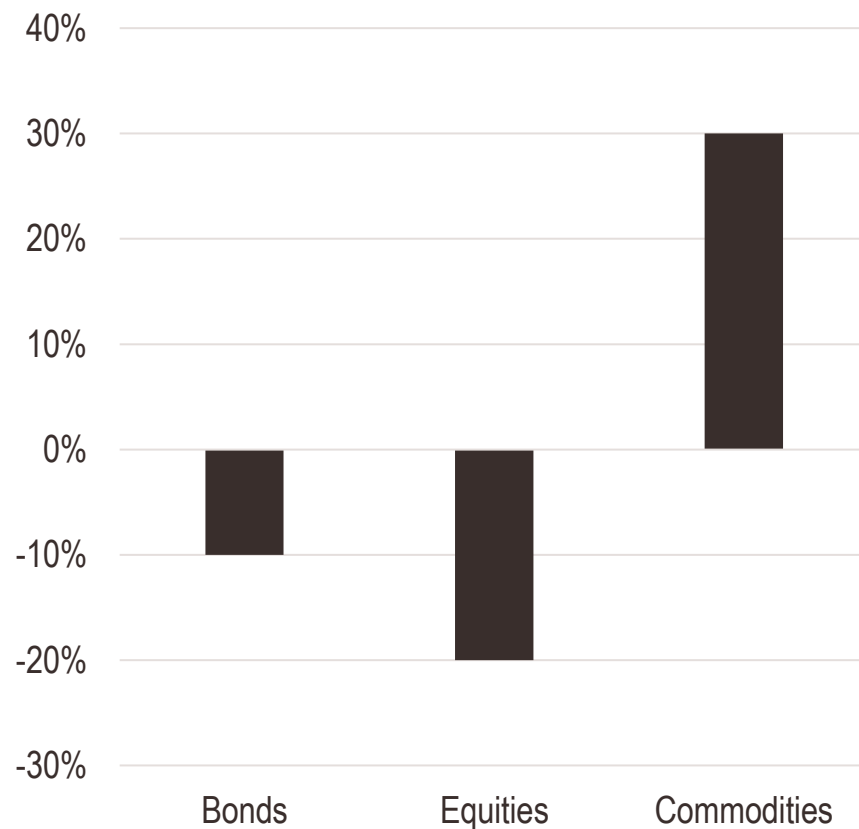
## Is 2022 a change in paradigm?

### Total return performances of key multi asset blocks

2011-2021



2022



Past performance is not a reliable indicator of future performance.

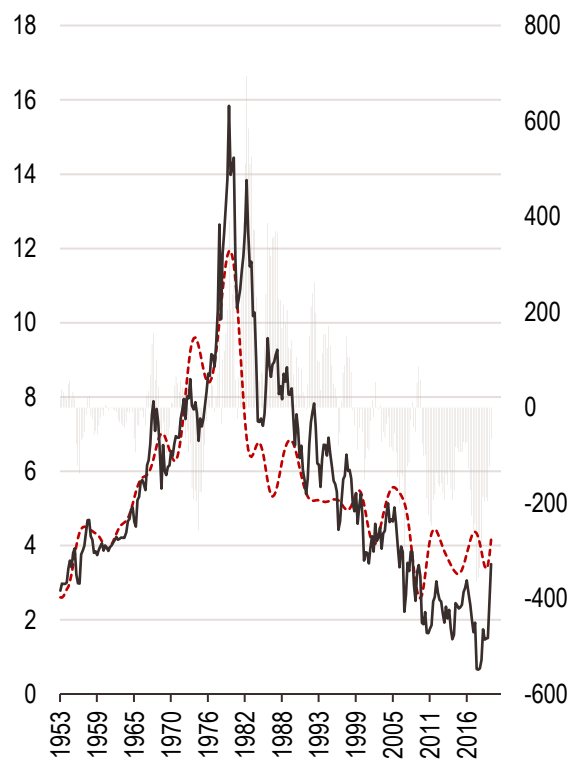
Data as at 07 June 2022. Source: Lombard Odier

# Valuation (2)

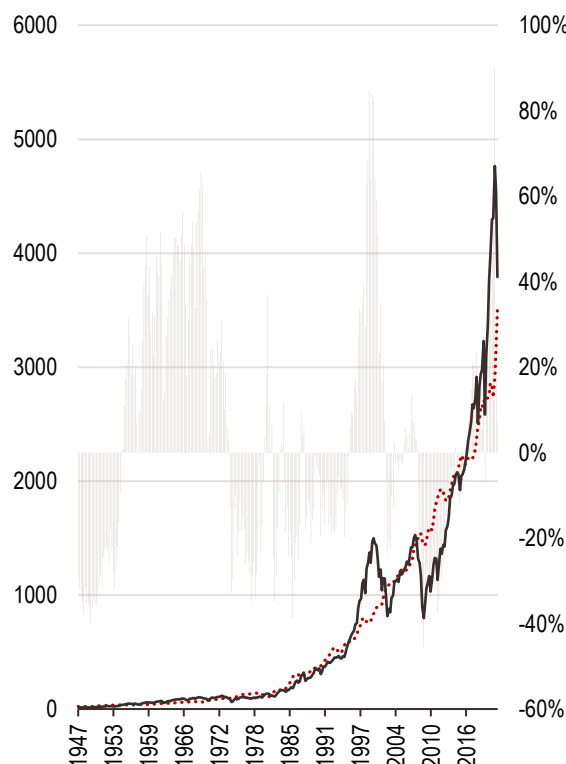
## Not quite: a simple valuations exaggerations cleansing

### Fundamental valuations based on macro fundamentals

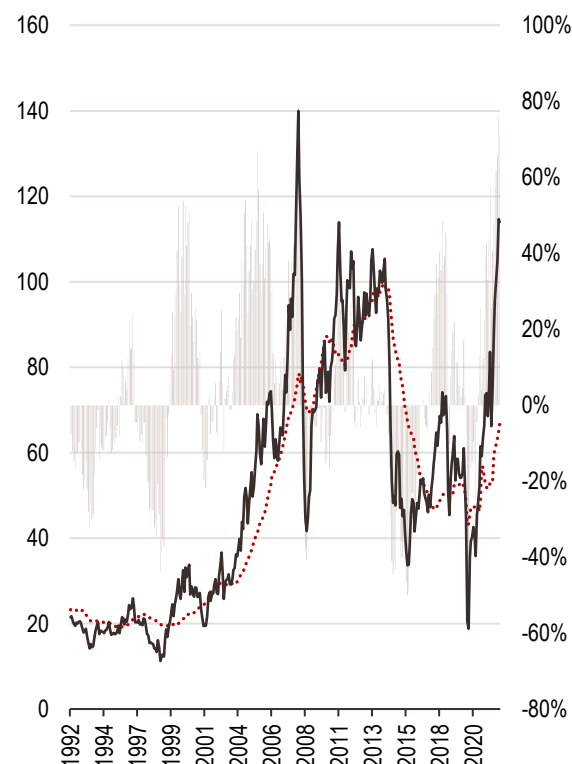
Yields: Inflation and growth || Equities: GDP, inflation and yields. || Oil: costs, demand and inventories



— Spread to fundamental valuation  
 - - - Fundamental Valuation - US 10-year Yield  
 — Market value - US 10-year Yield



— Spread to fundamental valuation  
 . . . Fundamental Valuation - S&P500  
 — Market Value - S&P500



— Spread to fundamental valuation  
 . . . Fundamental Valuation - WTI  
 — Market price - WTI

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Data as at 07 June 2022. Source: Lombard Odier

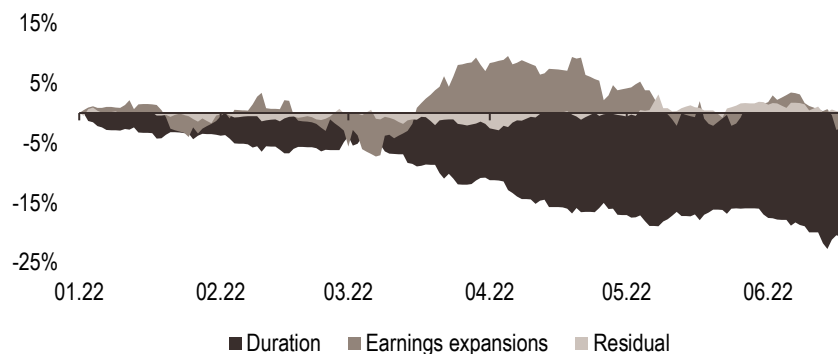
## Valuation (3)

This valuation cleansing reflects a duration effect – Q3 risk lies on the earnings' side

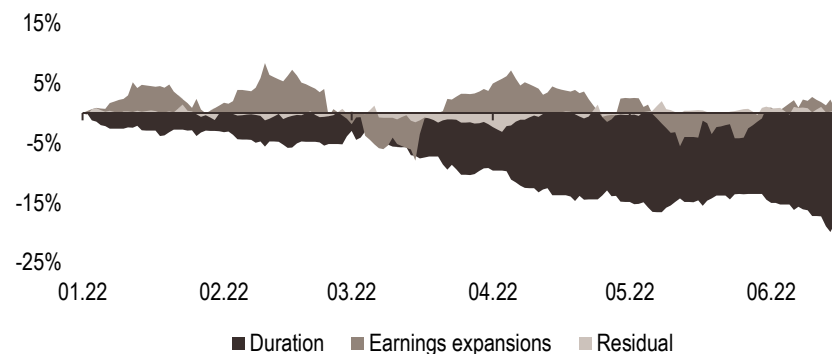
### Year-to-date performance attribution of equity indices

Broken down between duration and earnings growth as risk factors

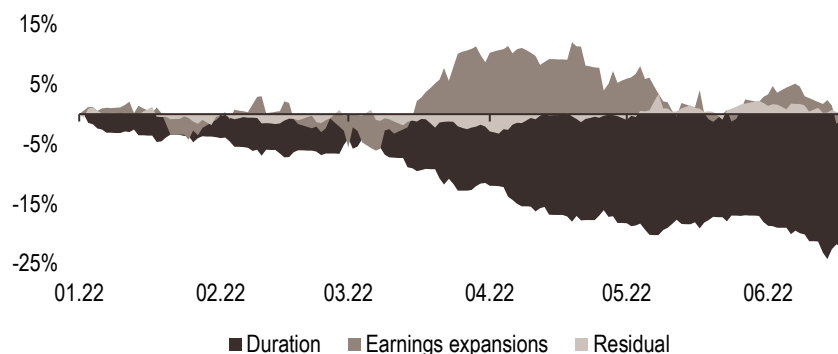
MSCI World



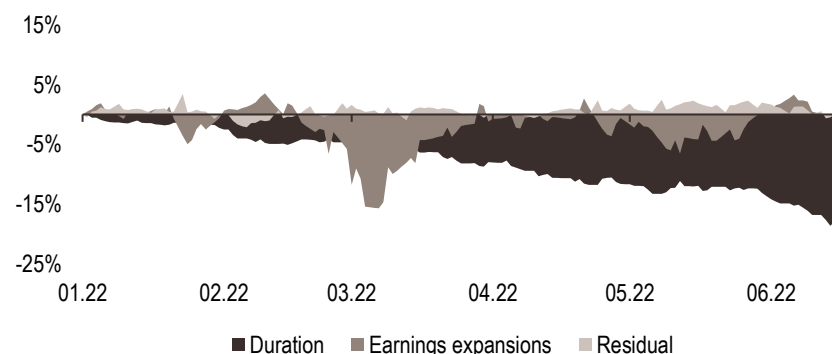
MSCI Emerging



S&P500



Eurostoxx 50



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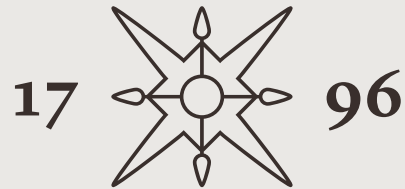
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