

Erik Penser Bank house view

Asset Management's positions and analysis

We believe in transparency, this publication is not mere opinions, it is how we have traded and will trade in order to beat our competitors and benchmarks.

This is an investment report, not investment recommendation.

This entirely data driven methodology was founded in late 1990s, developed in the Nordics, London and New York.

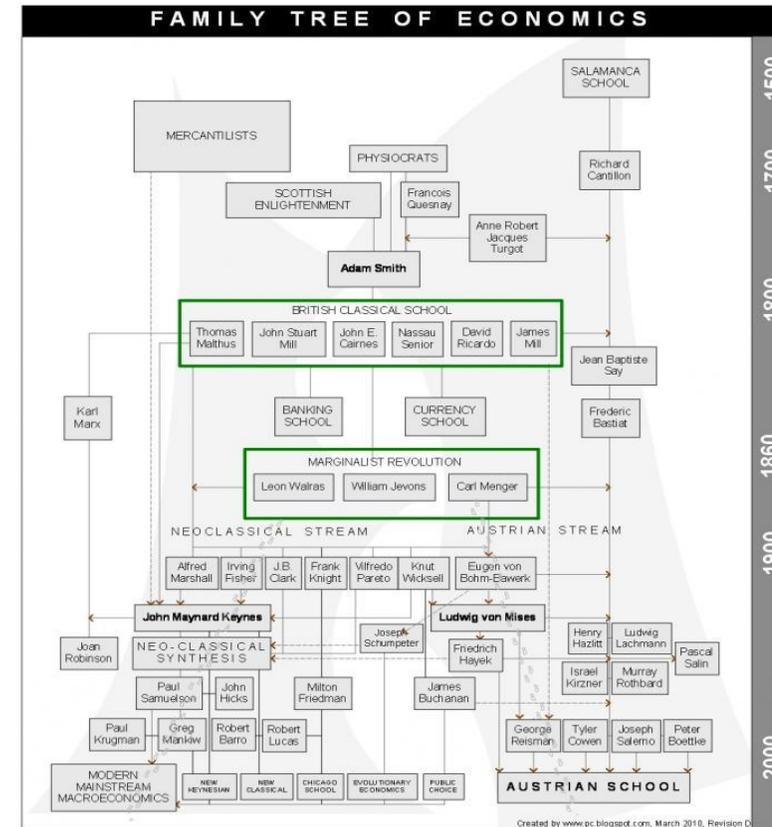
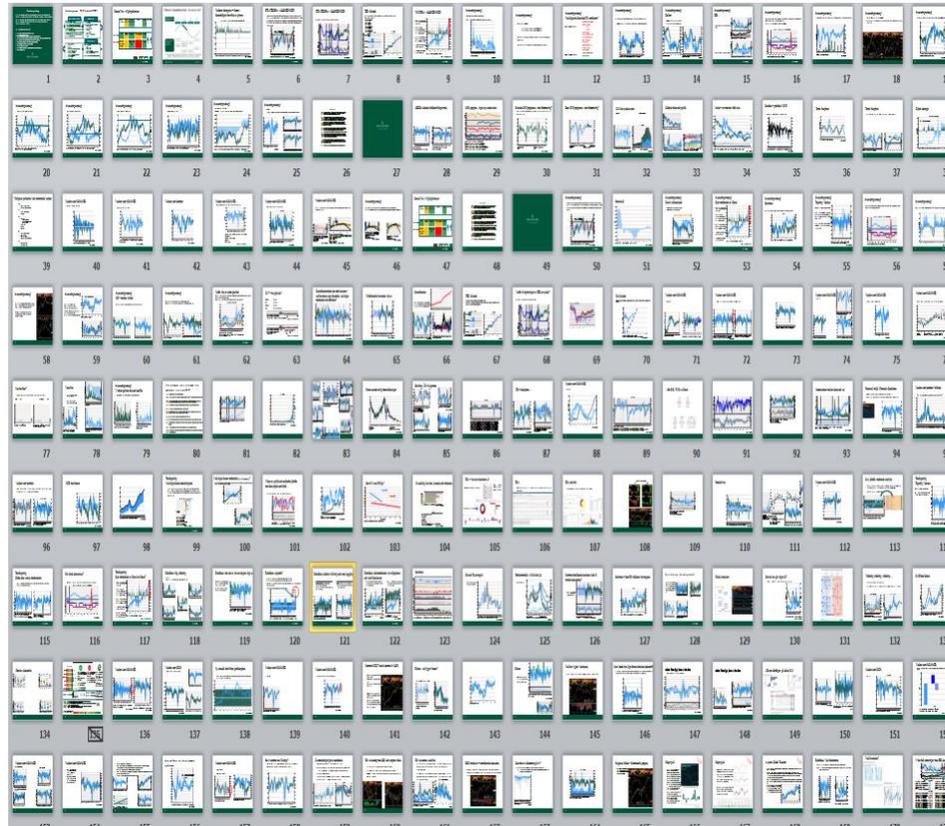
Head of Asset Management

Twitter; @jwthulin



ERIK PENSER BANK

We analyse the world with 1600 models, 28 000 dataseries per week

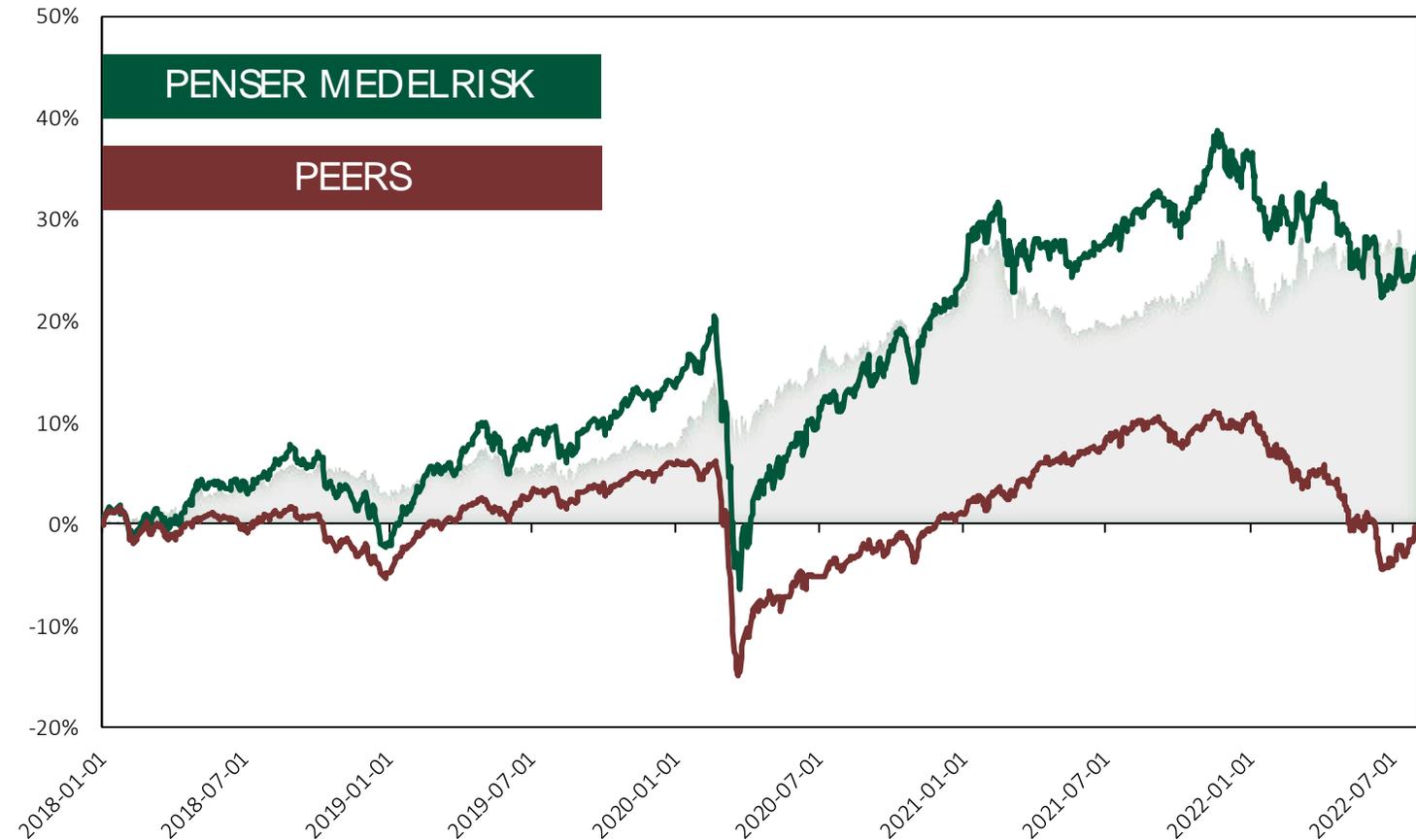


Medium risk portfolio compared to peers (we include our SAA and TAA work)

+7% per annum in excess return (gross of fees)

So, despite our overweight in equities we manage to increase our outperformance compared listed products from our colleagues in the market.

How, using FX and VIX as hedges in equities and allocations to specific strategies that work, relatively, better is of outmost importance.

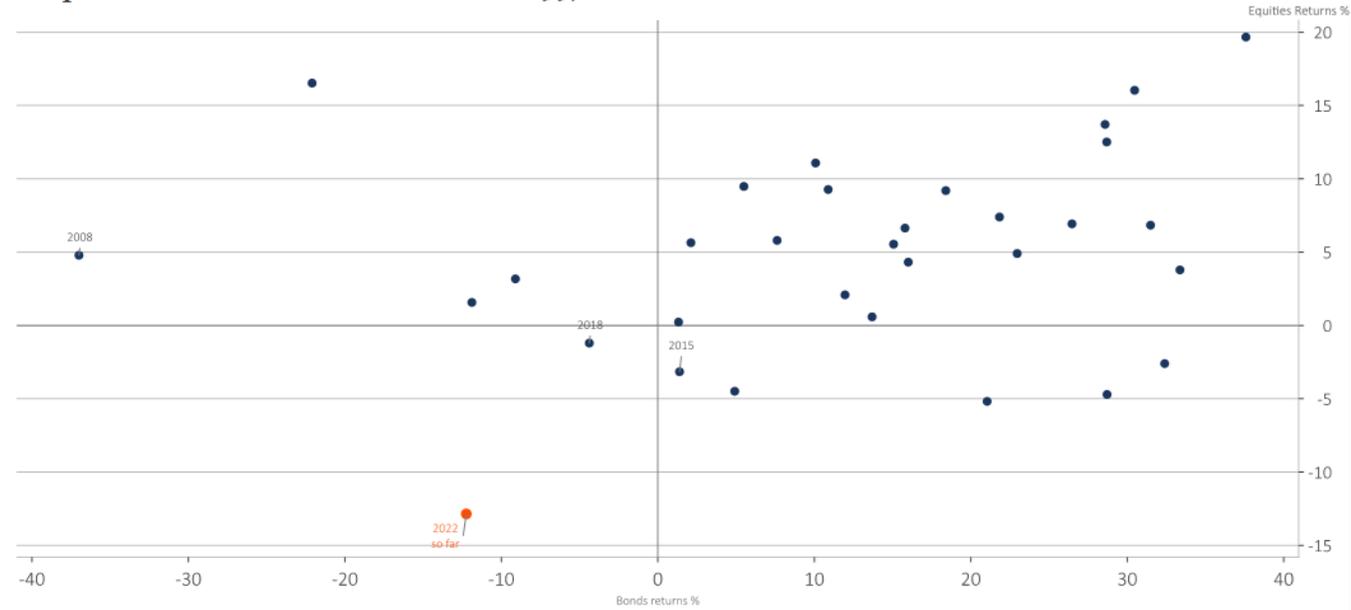


Historisk avkastning är ingen garanti för framtida avkastning. De pengar som placeras i fonden kan både öka och minska i värde och det är inte säkert att du får tillbaka hela det insatta kapitalet. Avkastningen anges i SEK.
Historical returns are no guarantee of future returns. The money invested in the fund can both increase and decrease in value and it is not certain that you will get back the entire invested capital. The return is stated in SEK.



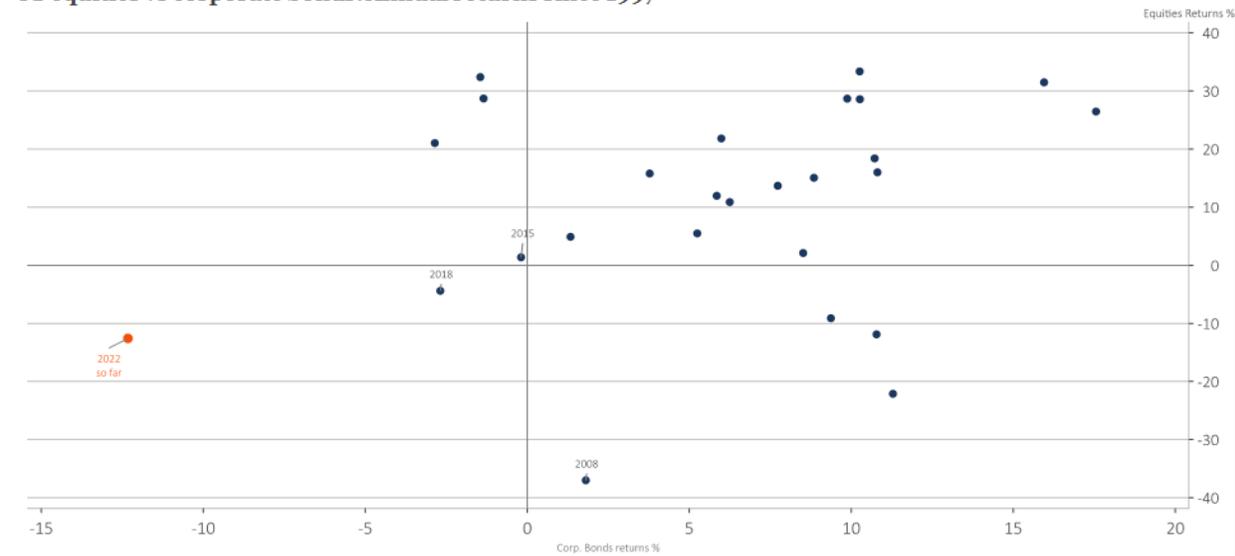
A year where equities and bonds sell off...quite unique!

US equities vs bonds: Annual returns since 1997



Source: Erik Penser Bank, Macrobond

US equities vs corporate bonds: Annual returns since 1997



Source: Erik Penser Bank, Macrobond



Risk Parity: how to handle it

- Our strategy is to be active, use narrow strategies, and hedge
- Our portfolio in the same range beat the indexes, both short term and long term
- Interestingly, to OW rates in 2022 is as bad as OW equities...
- We beat due to alternatives, choice of FX exposure, volatility hedging and short equities hedging and choice of equity strategies



—Bloomberg Global EQ:FI 40:60 Index—Bloomberg Global EQ:FI 60:40 Index

Source: Erik Penser Bank, Macrobond



—Bloomberg Global EQ:FI 40:60 Index—Bloomberg Global EQ:FI 60:40 Index

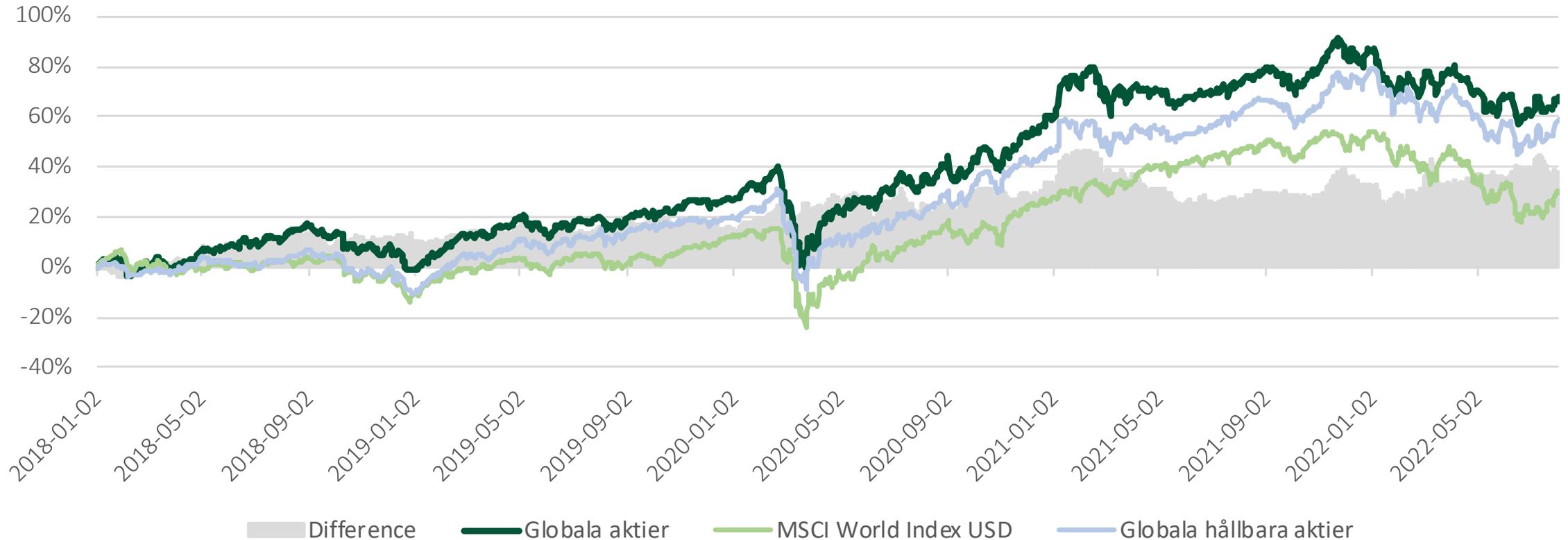
Source: Erik Penser Bank, Macrobond



Equity performance and relative ACWI MSCI USD

+8% Alpha per year (gross of fees)

Globala Aktier, Globala Hållbara Aktier vs. MSCI World Index USD



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The call of peak Federal Reserve hawkishness, peak yields and peak inflation is playing out.

In a confused world we estimate we have risk / reward firmly on our side!
Our calls of no US recession in 2022 and earnings rebound in Q2 are playing out.

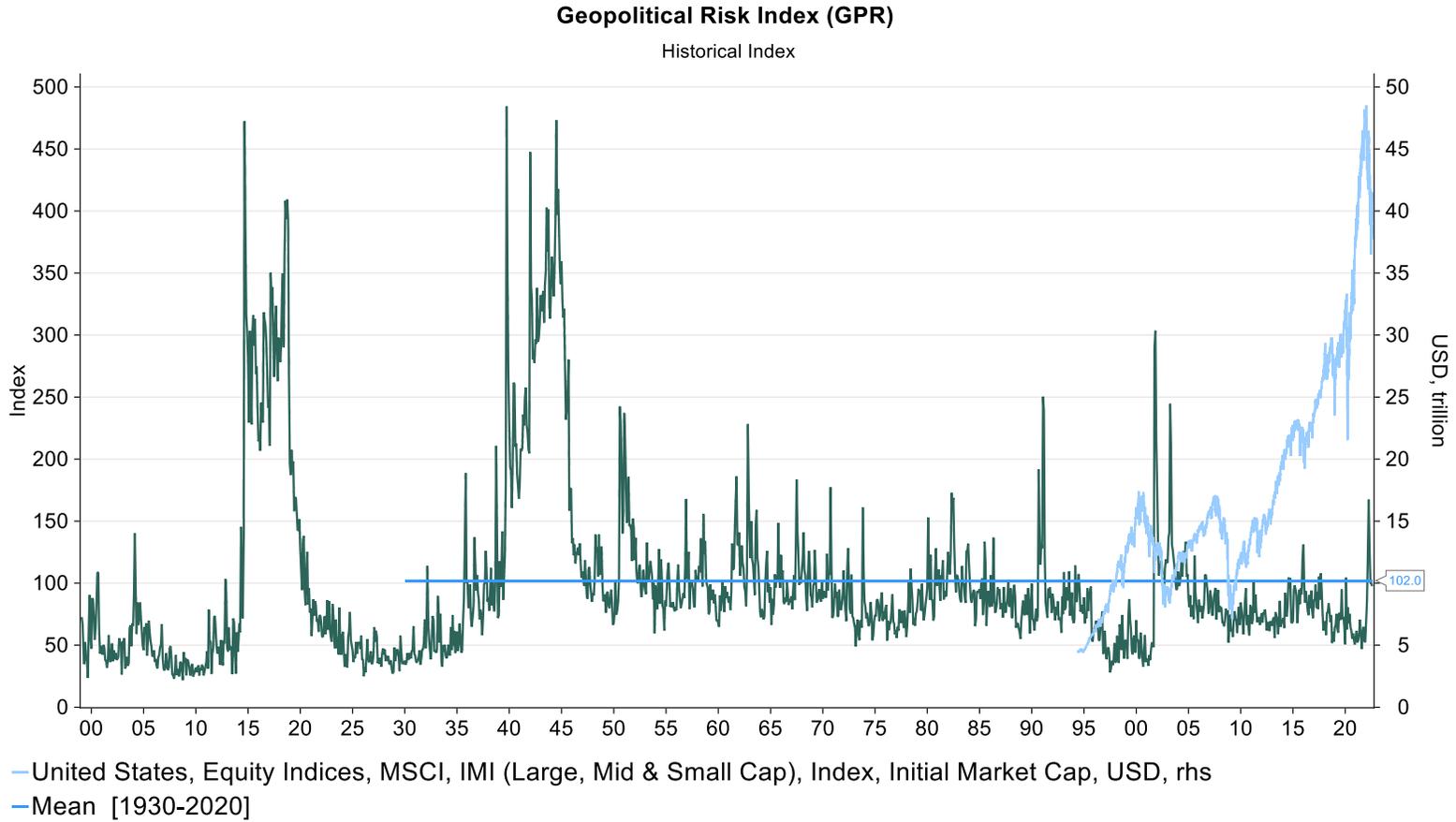


Risks



Geopolitical risk, we watch relationship to equities!

The market NO LONGER trades on geopolitical risk, and has not since late february 2022



— United States, Equity Indices, MSCI, IMI (Large, Mid & Small Cap), Index, Initial Market Cap, USD, rhs
— Mean [1930-2020]

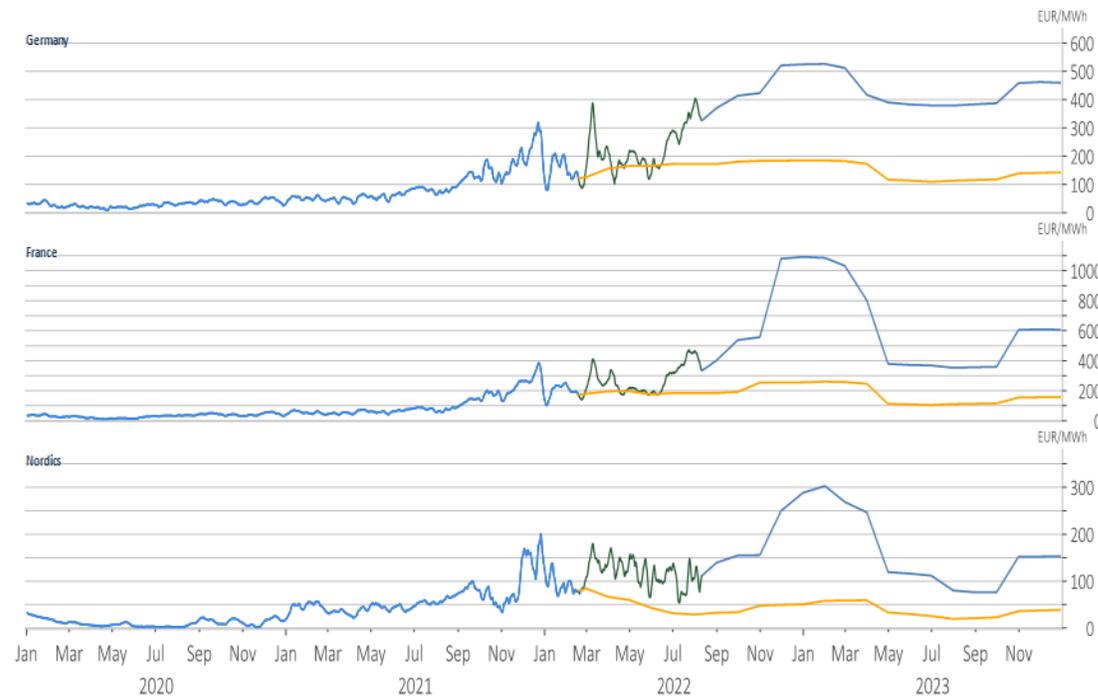
Källa: Erik Penser Bank & Macrobond



Energy risk: winter is coming, we keep very low exposure to EZ equities, we have in fact lowered it even further during the week.

Ukraine war causes electricity price surge across Europe

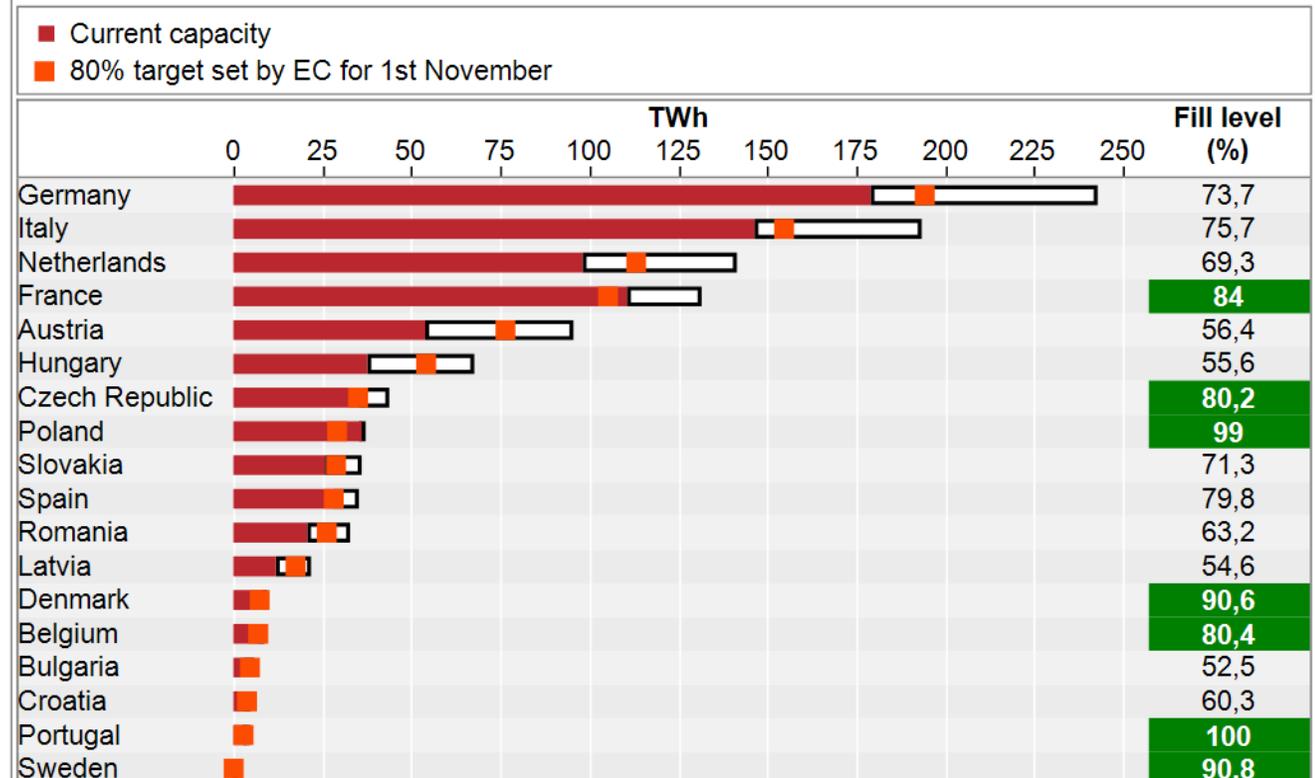
One-week moving average with futures curve faded



= 1 week before Russia's invasion of Ukraine = Today

Source: Erik Penser Bank, Macrobond

Natural gas inventory in Europe



Source: Erik Penser Bank, Macrobond



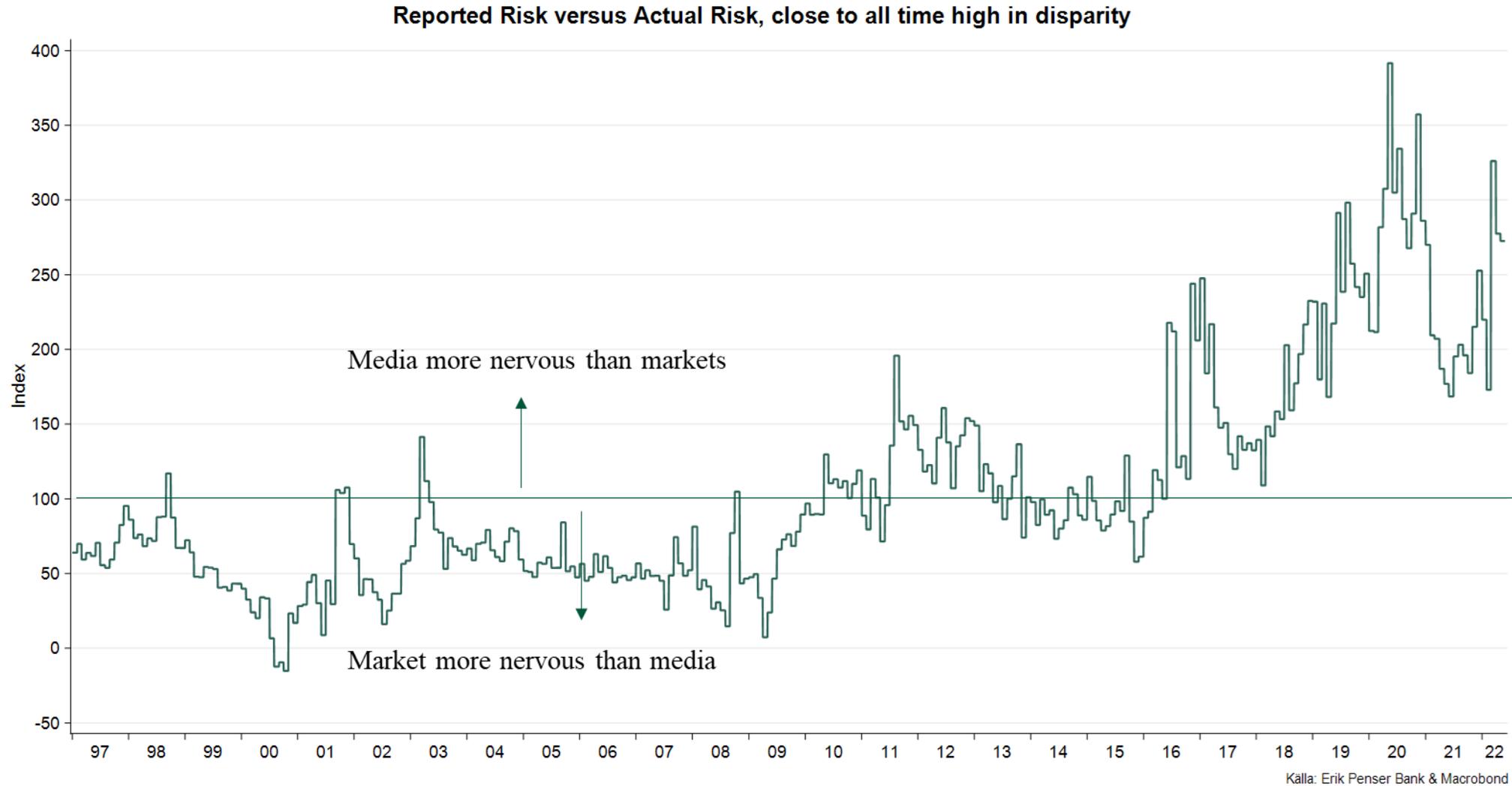
Media risk: sharp contrast between reported risks in media and actual market risk

We talk and write a lot

We price in far less

Right or wrong...

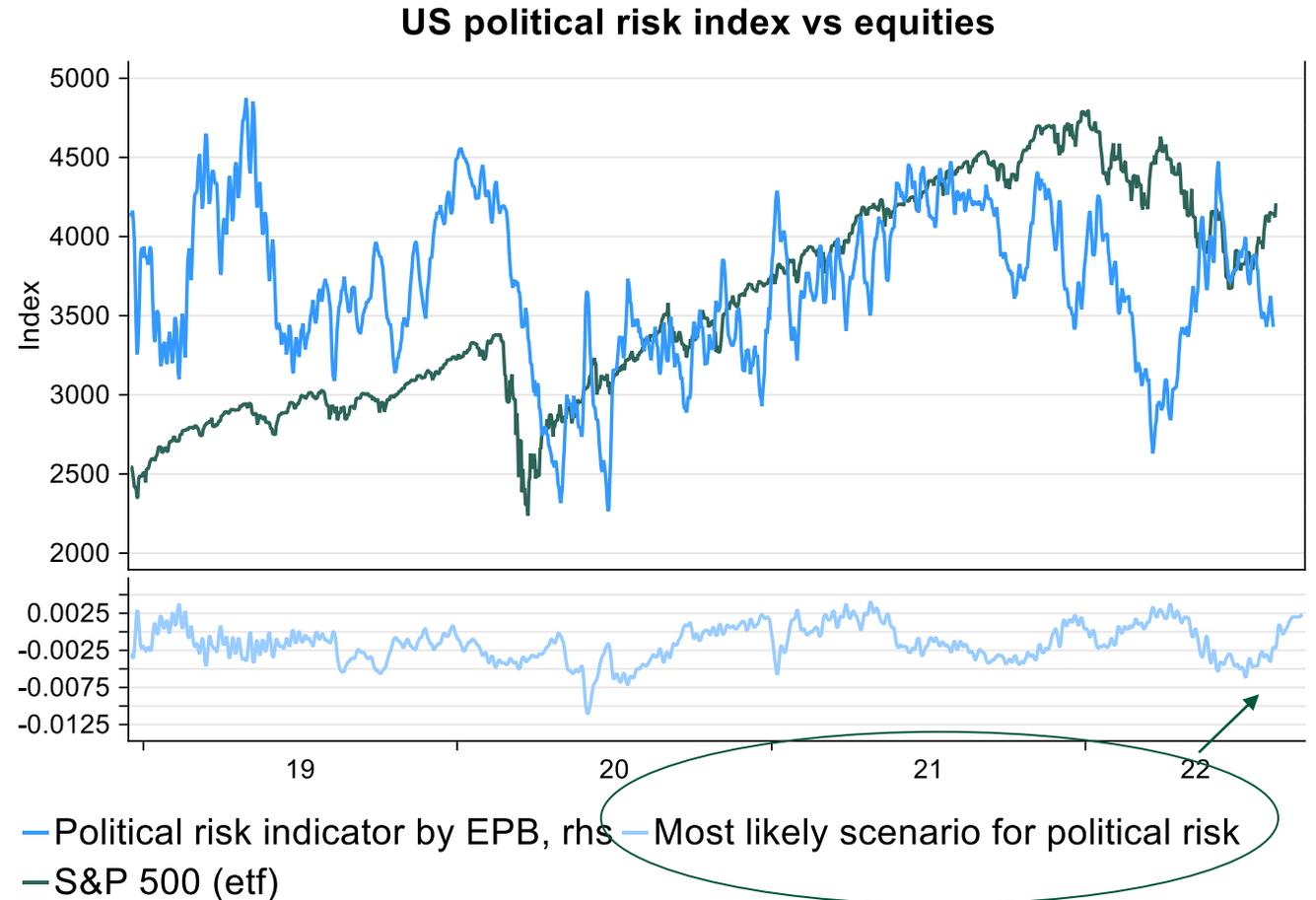
Maybe Churchill was on to something:
Keep calm and carry on...



US political risk: Let us derive a dominant factor!

To the right is Erik Penser Bank's daily US political risk indicator. Sometimes it gets traction, sometimes not...right now we expect POLITICS to return to the driver seat in front of US midterms!

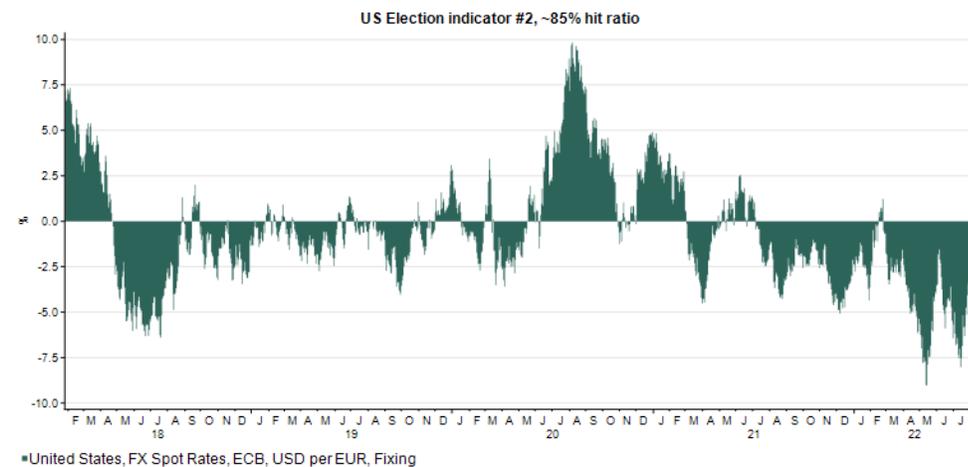
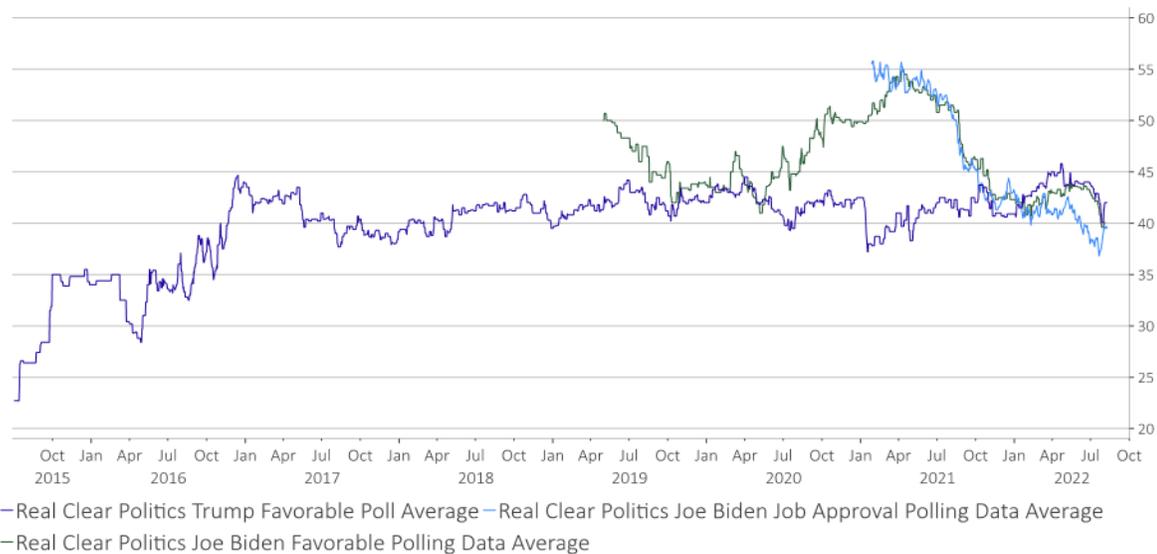
...our indicator is updated DAILY and market responds to US political news.



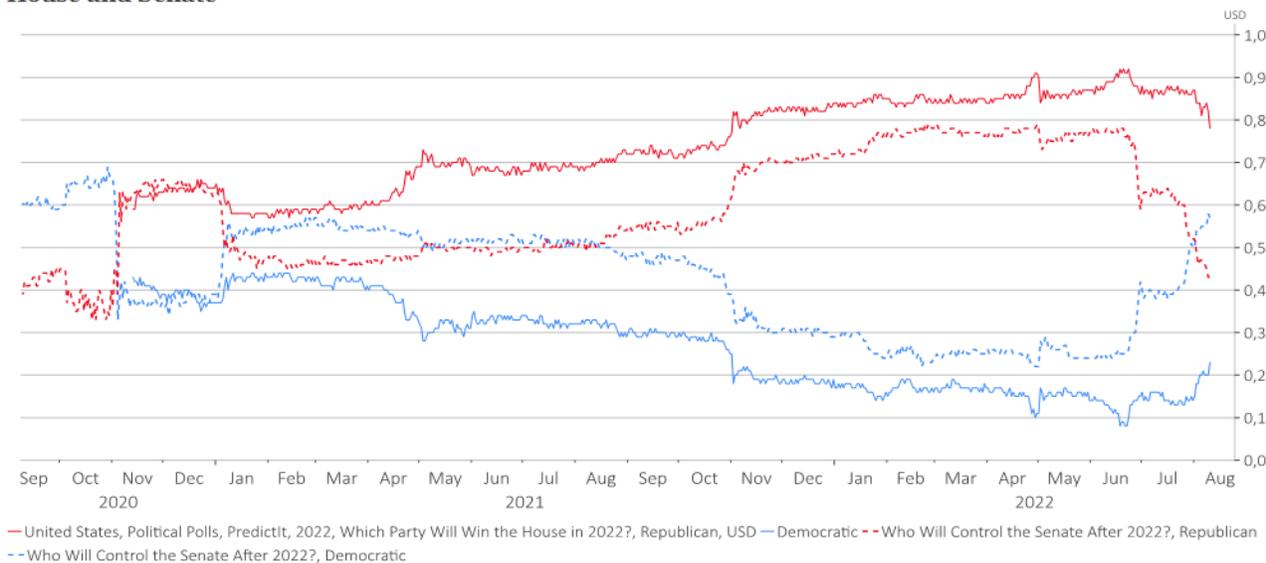
Källa: Erik Penser Bank & Macrobond



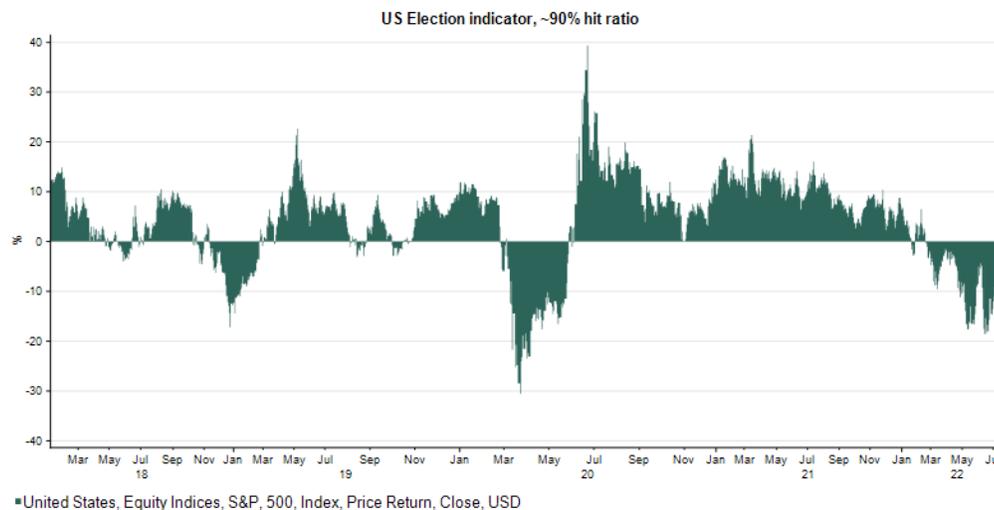
Polls and markets! Pendulum has shifted...



House and Senate

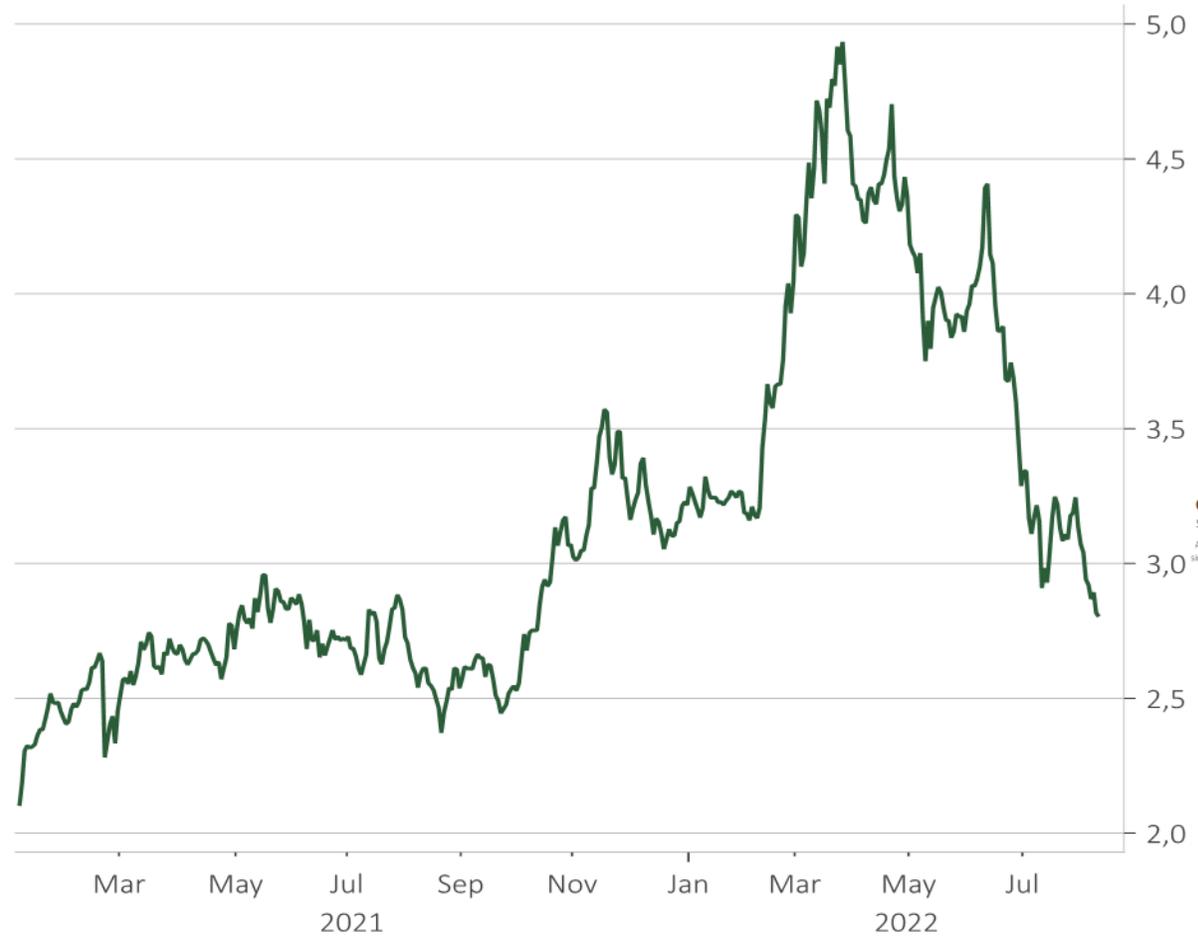


Source: Erik Penser Bank, Macrobond

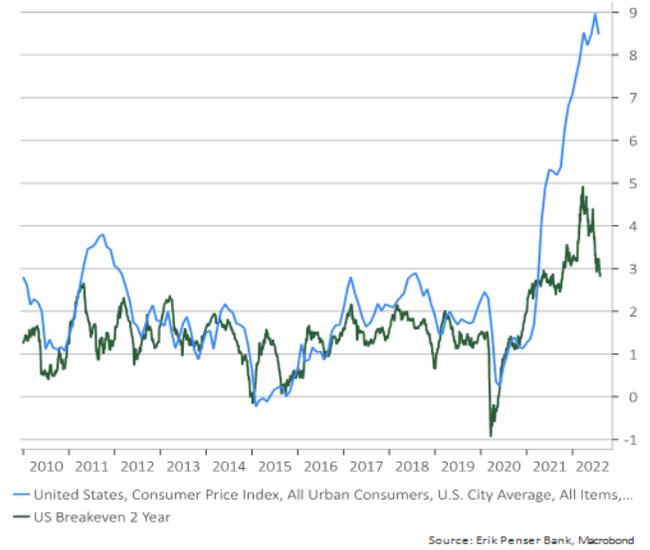


Inflation risk: Priced CPI peaked in March...we stick to this prediction from...March

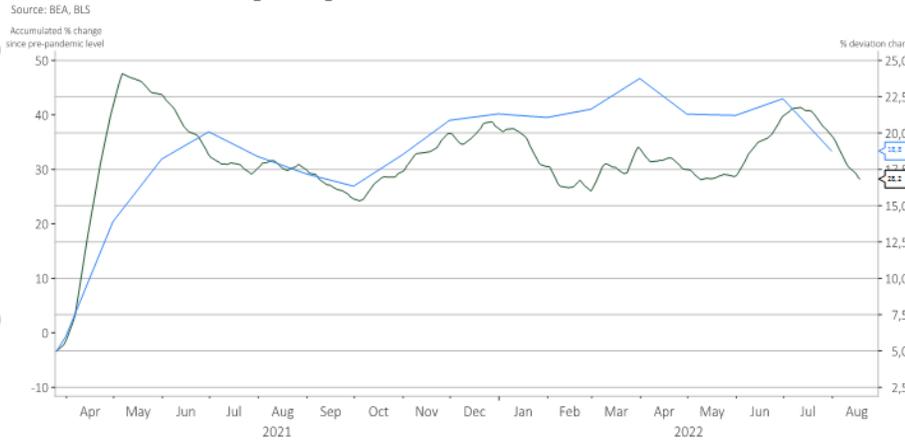
US Breakeven 2 Year



Market CPI peaked in March



Credit card transactions surge at US gas stations



Source: Erik Penser Bank, Macrobond — Inflation in transportation, rhs — Card spending (median level), lhs



Our daily traded CPI models – clear peak following priced inflation

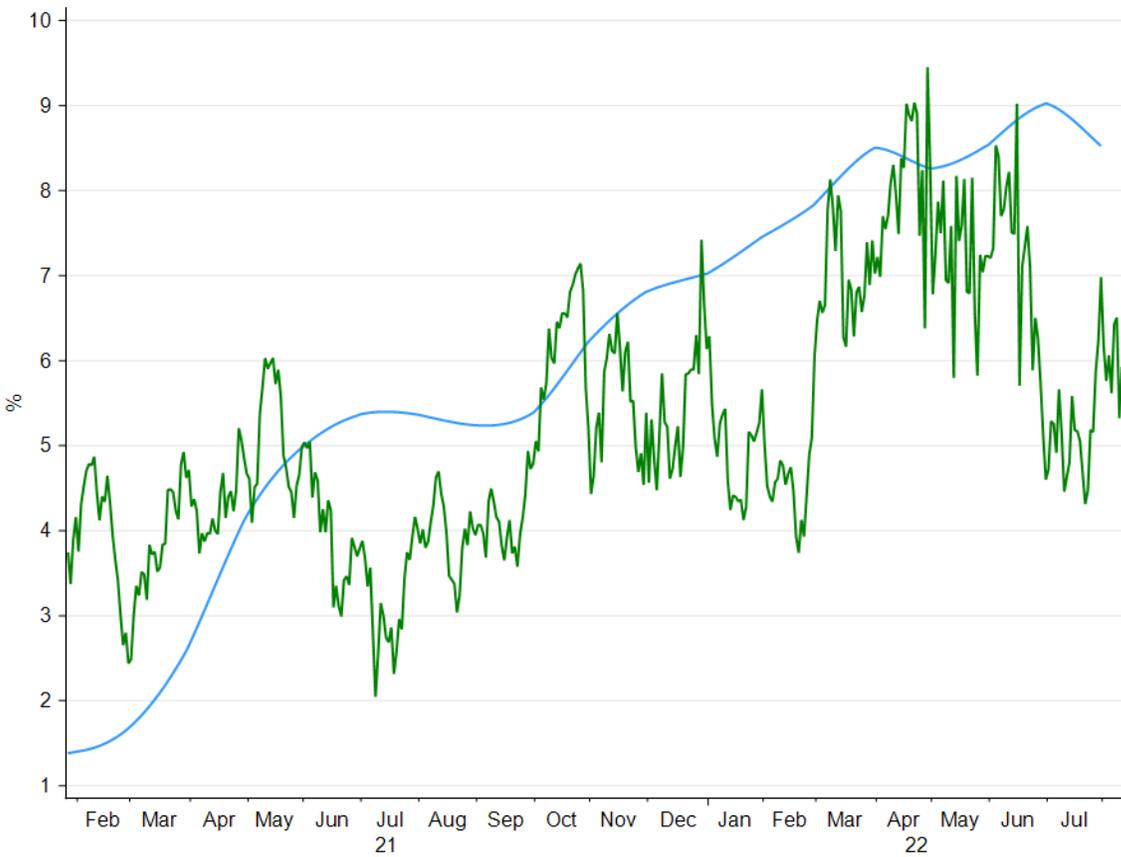
Commodities



—Daily inflation tracker, rhs —US, CPI

Source: Erik Penser Bank & Macrobond

Markets



—USD Inflation Swap Forward 5Y5Y, rhs —US, CPI

Source: Erik Penser Bank & Macrobond



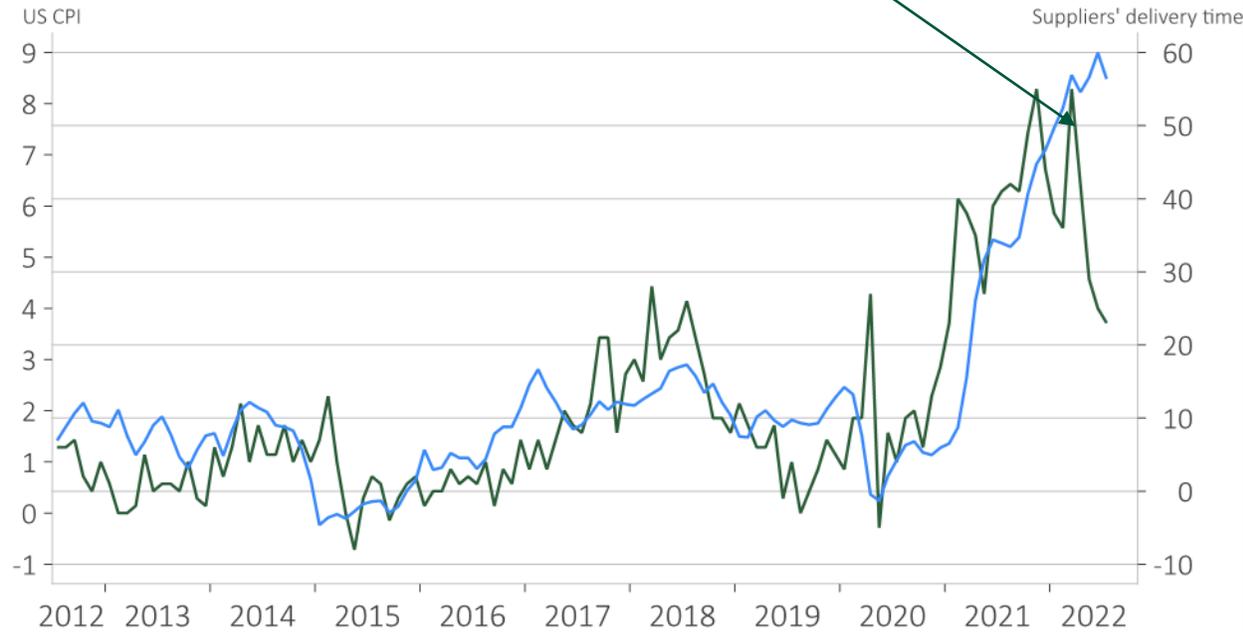
Supply and CPI

Supply bottlenecks – Falling back!

We have stuck by this and as rates performed as bad as equities we kept equity risk in anticipation of sharp bounce that materialised in July, best equity summer for over 2 decades!

Longer delivery times drive up consumer prices in the US

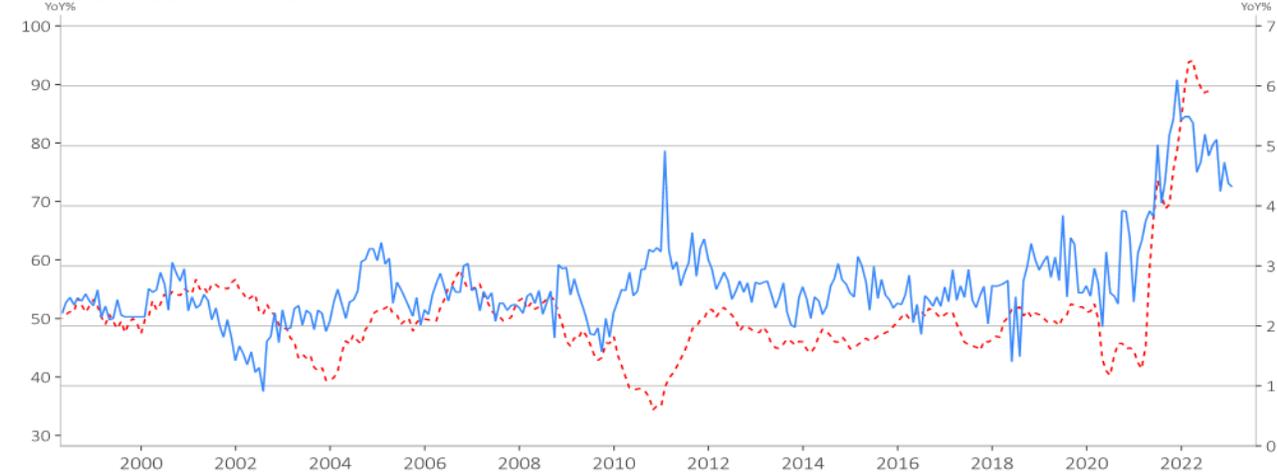
Source: Federal Reserve Bank of Kansas City CPI; US Bureau of Labor Statistics supplier delivery time



— United States, Consumer Price Index, All Urban Consumers, U.S. City Average, All Items, SA, Index, lhs
 — Business Surveys, Federal Reserve Bank of Kansas, Supplier Delivery Time, Versus a Month Ago, 10th Fed district, rhs

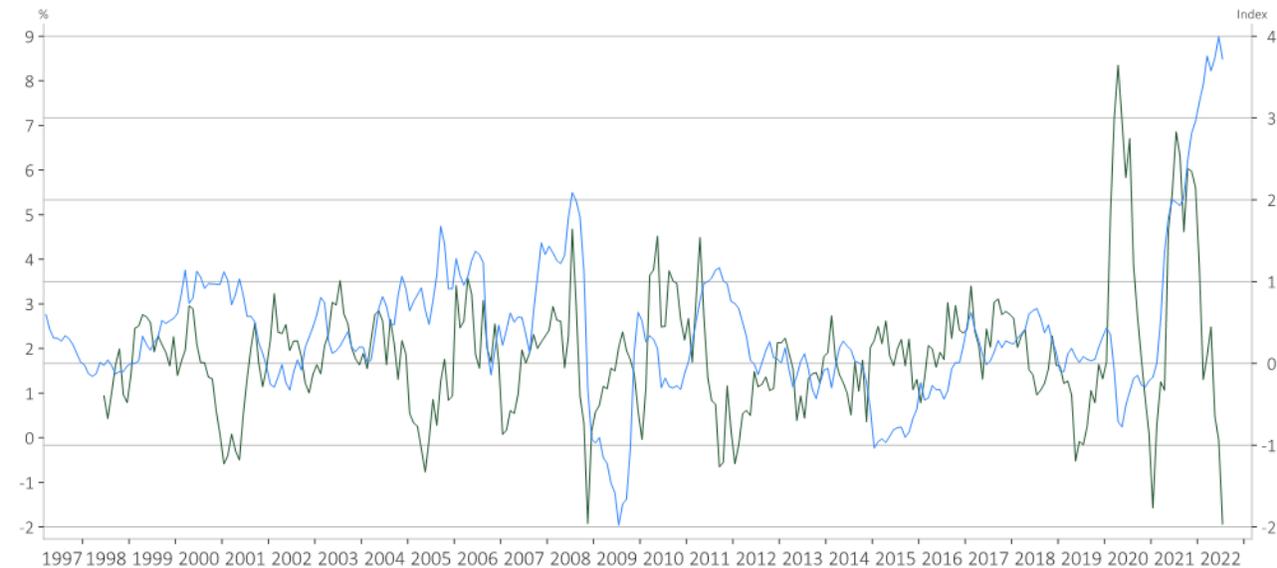
Source: Erik Penser Bank, Macrobond

Easing Supply Disruptions



— United States, Business Surveys, Creighton University, Mid-American Purchasing Manager Index Survey, YoY%
 - - US Core CPI, rhs

Source: Erik Penser Bank, Macrobond

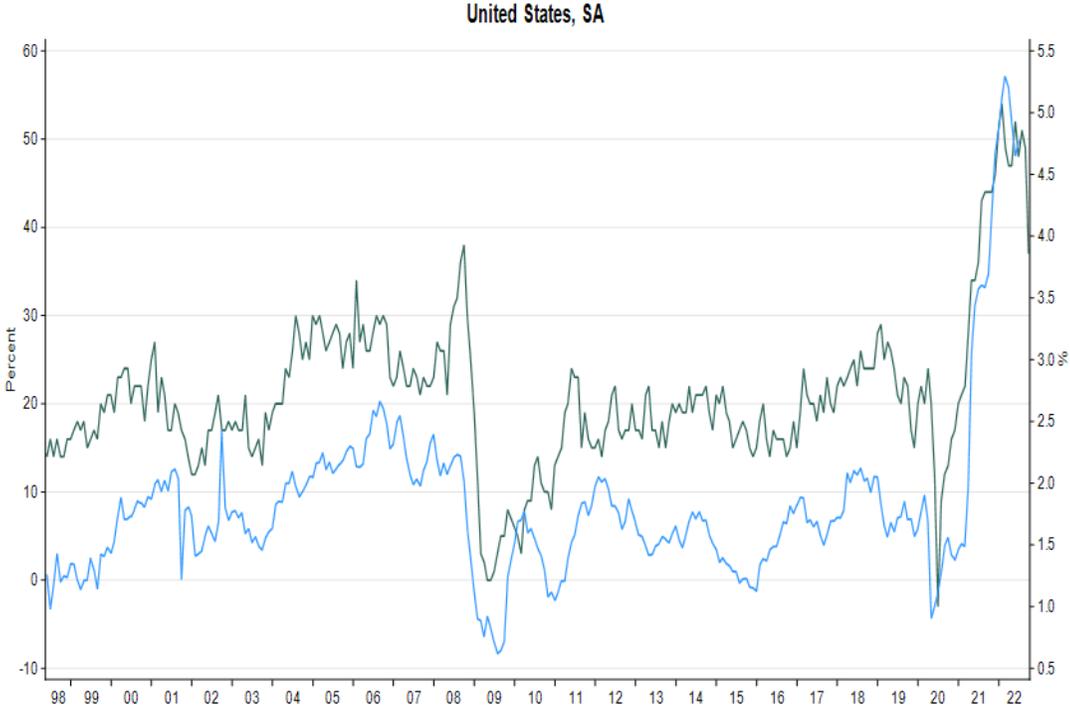


— United States, Consumer Price Index, All Urban Consumers, U.S. City Average, All Items, SA, Index, lhs
 — Global Supply Chain Pressure Index, rhs

Source: Erik Penser Bank, Macrobond

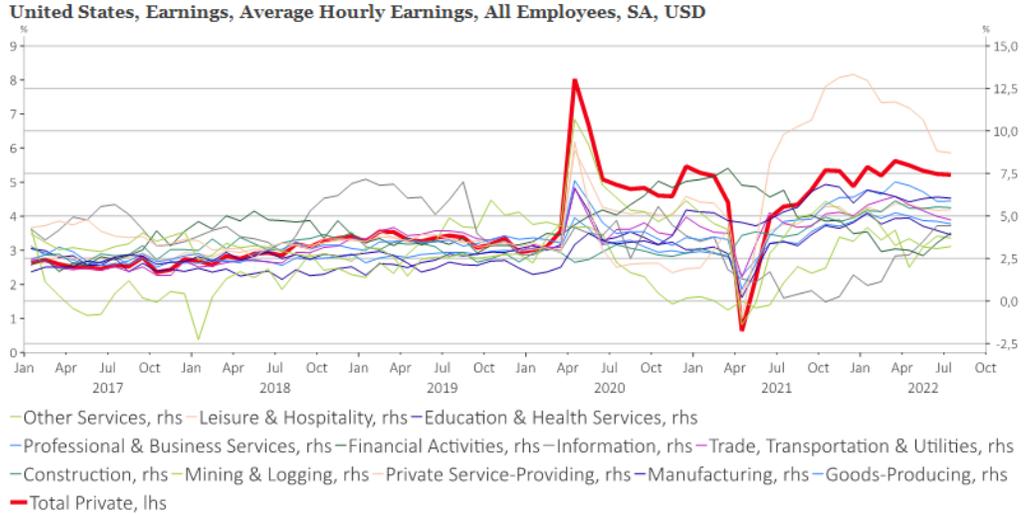


We keep an eye on the wage trend as we saw more and more data indicating peak wage pressure



— Personal Consumption Expenditures, Excluding Food & Energy, Index, rhs
 — Business Surveys, NFIB, Small Business Economic Trends, Price Plans, Next Three Months, Net

Källa: Erik Penser Bank & Macrobond



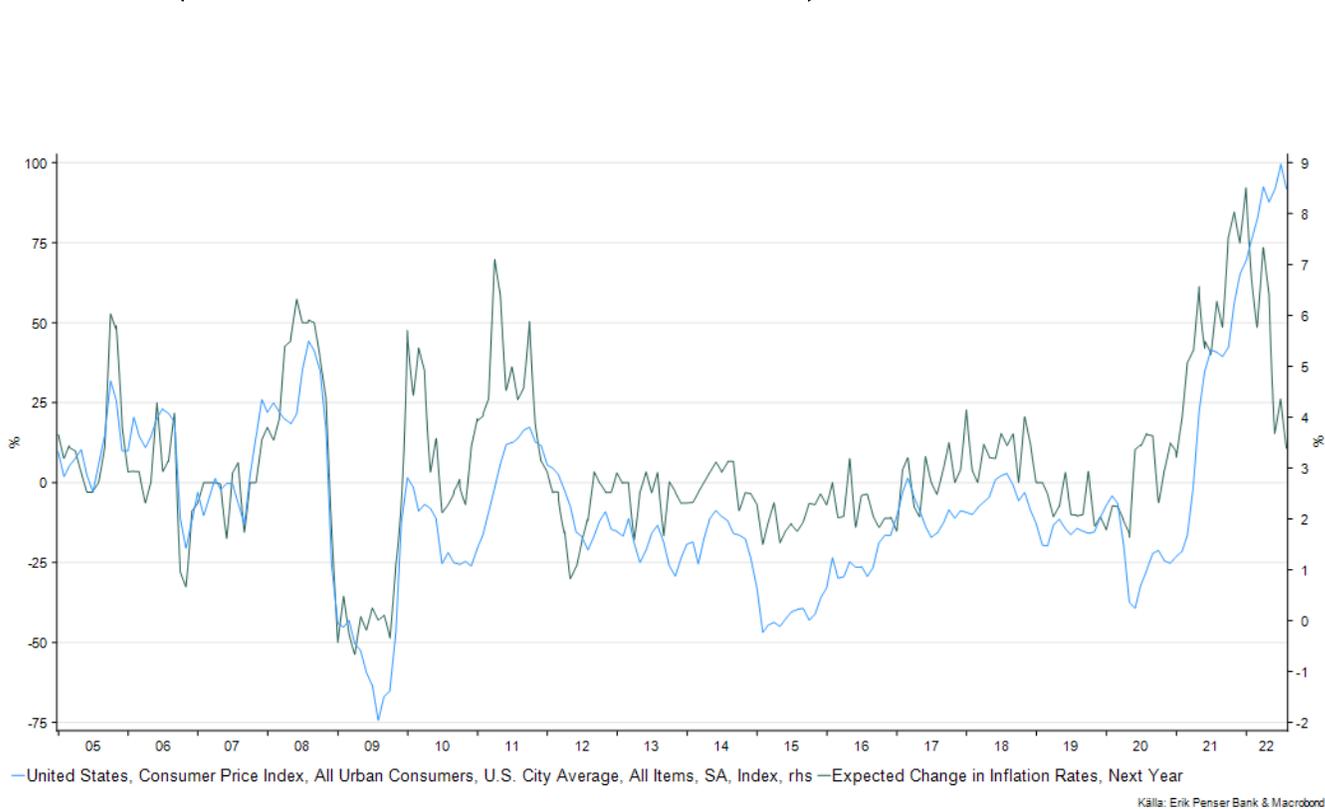
— Other Services, rhs — Leisure & Hospitality, rhs — Education & Health Services, rhs
 — Professional & Business Services, rhs — Financial Activities, rhs — Information, rhs — Trade, Transportation & Utilities, rhs
 — Construction, rhs — Mining & Logging, rhs — Private Service-Providing, rhs — Manufacturing, rhs — Goods-Producing, rhs
 — Total Private, lhs

Source: Erik Penser Bank, Macrobond



What EPSes, inflation expectations and the curve tell us about future of CPI?

Downside – now also traded in FI...equities will wake up...and they have (for now at least 😊)



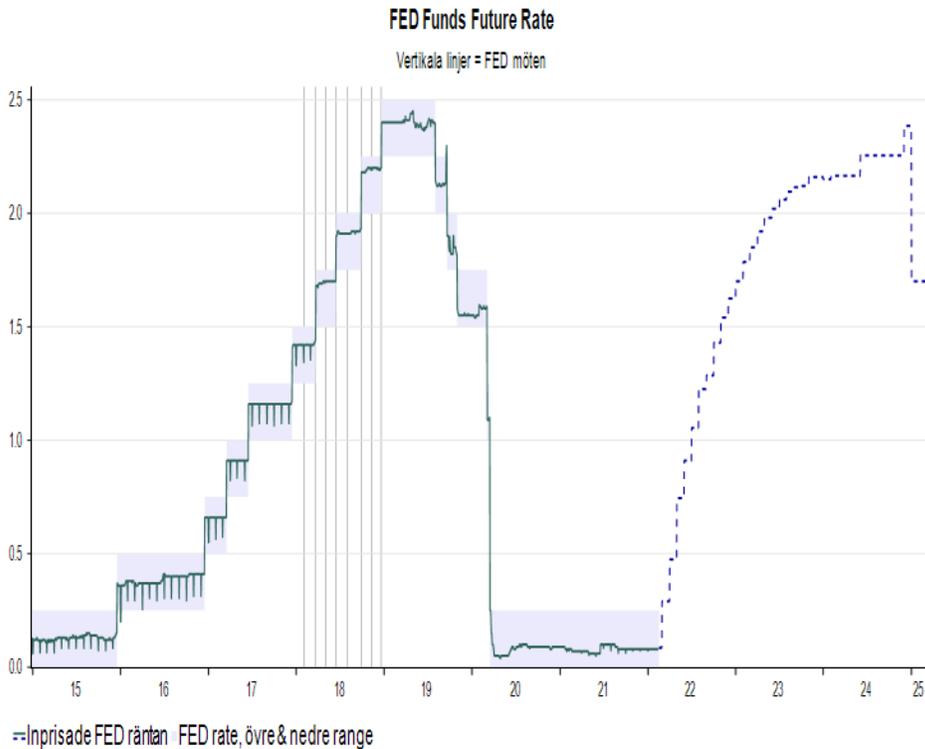
Source: Erik Penser Bank, Macrobond



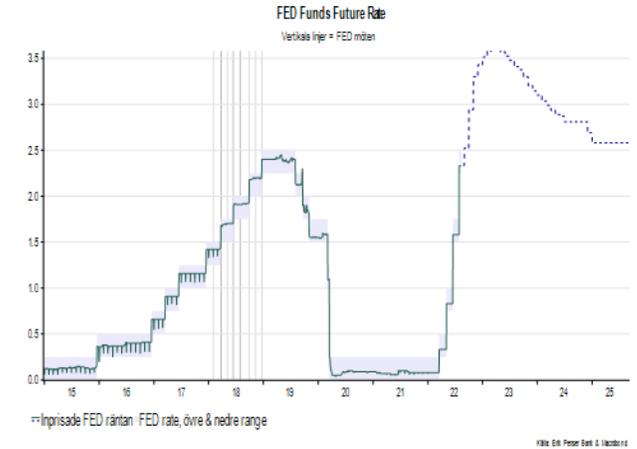
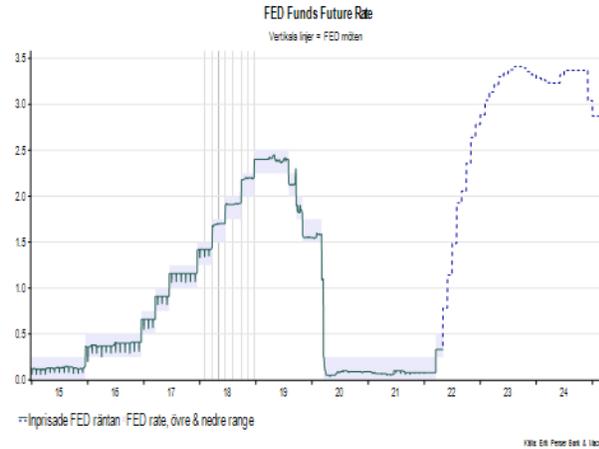
FED Outlook – was obviously overcooked, why we priced CUTS already from the beginning!

After CPI peak and peak hawkishness (March) the curve went DOWN

Before hikes started...

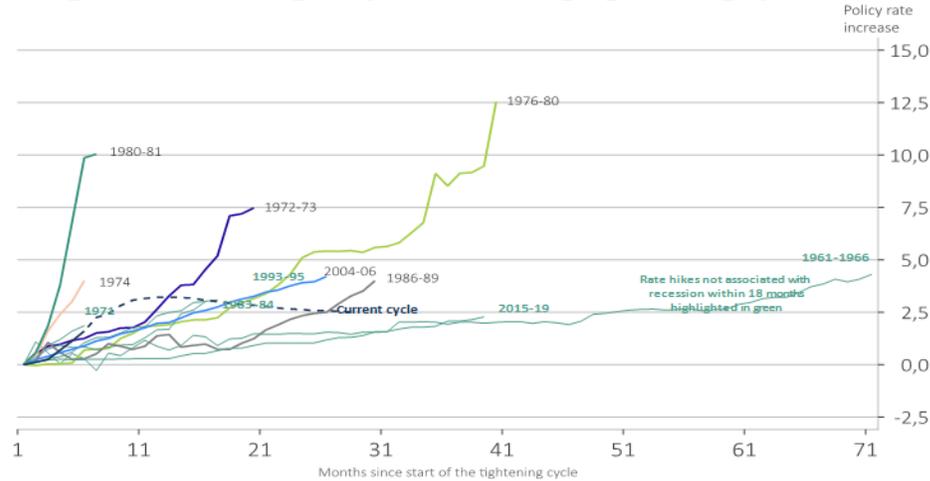


FED day in March and today!



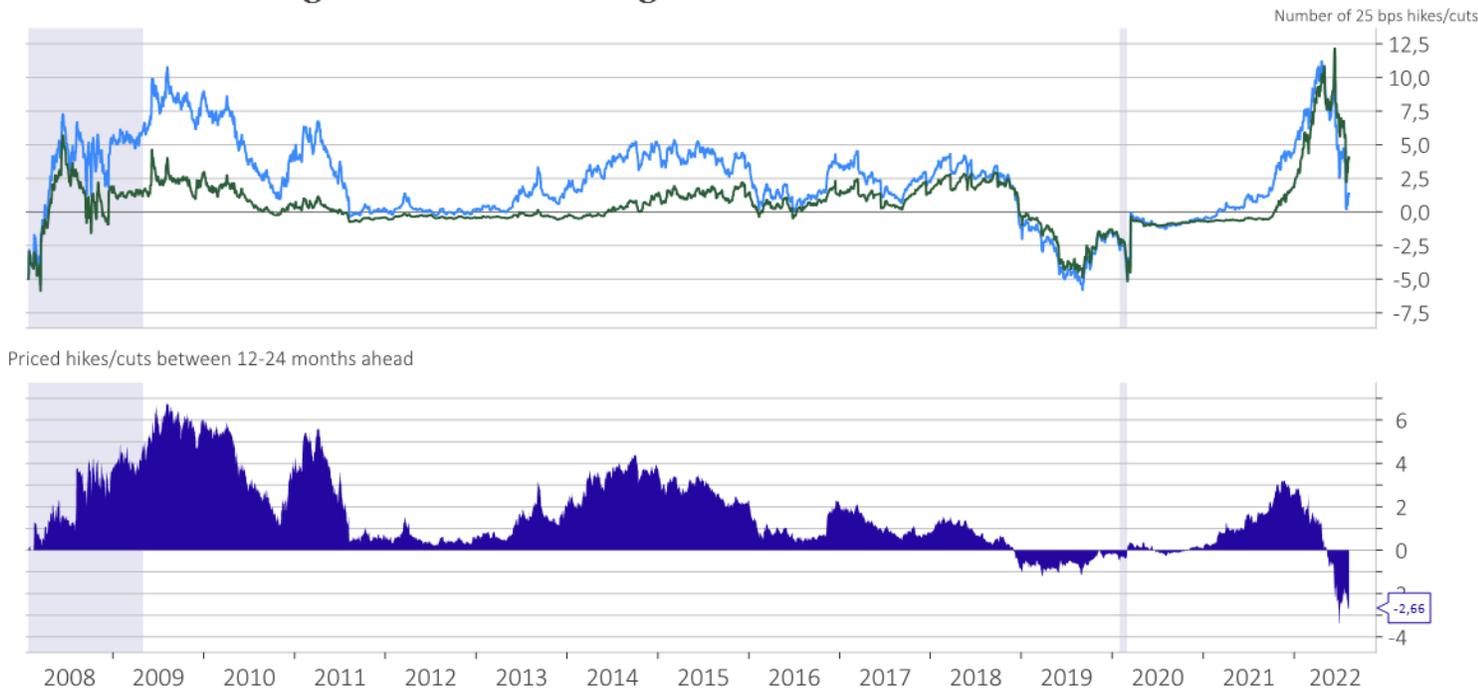
During the summer we sought to repeat the March trade, ie market is too hawkish again and equities will respond – did not last in March, but we move again as risk / reward merits equities

Comparison of Fed policy rates during tightening cycles



Source: Erik Penser Bank, Macrobond

Fed fund futures signal rate cut following 12 months of hikes



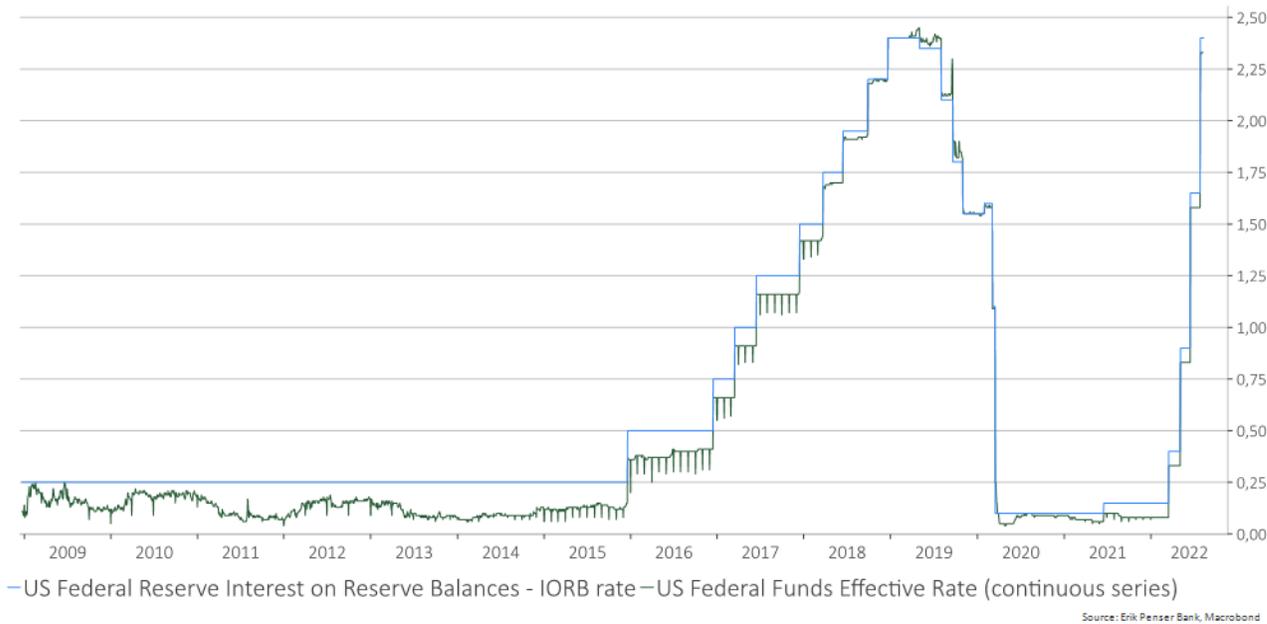
– Priced hikes/cuts next 12 months – Priced hikes/cuts next 24 months
 ■ Priced hikes/cuts between 12-24 months ahead

Source: Erik Penser Bank, Macrobond



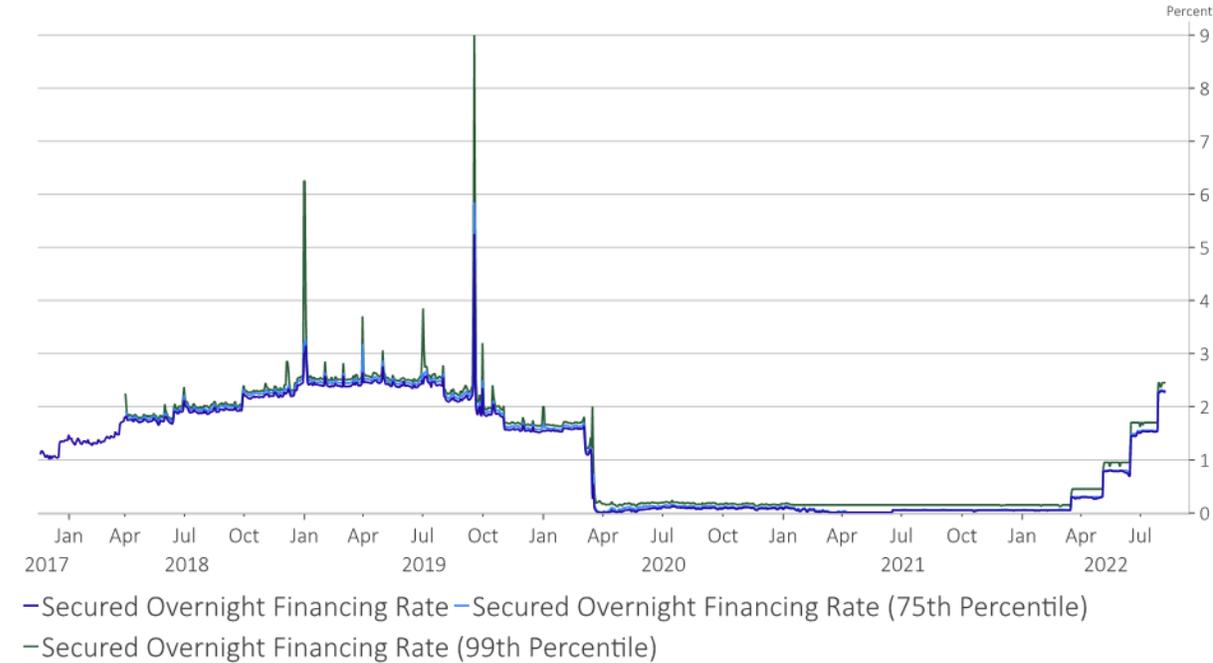
What about balance sheet reduction...

...we need to time the possible stress in the funding market:



Some bank(s) ran the financing gauntlet

Rates paid by median and upper percentiles



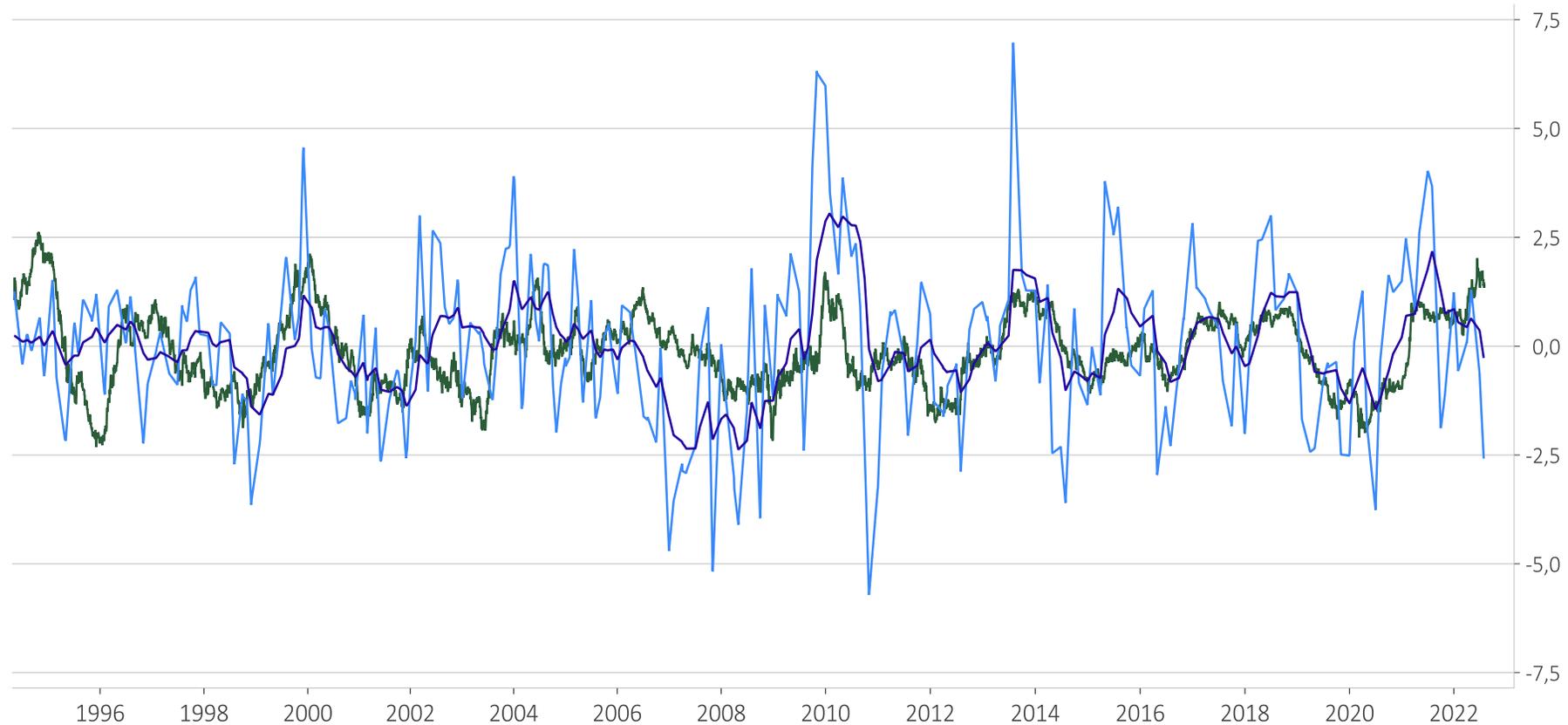
The monetary authority's key benchmark known as the effective fed-funds rate has held mostly steady relative to the rate it pays banks to park cash at the central bank (interest on reserve balances) as the deluge of excess liquidity in the system has reduced market demand for short-term funding. Yet during the last round of so-called quantitative tightening from 2017 to 2019, a drop in reserves caused the rate to drift higher in the Fed's target range -- even breaching it at some point -- and forced policy makers to periodically adjust the tools in its toolkit in order to maintain control.

A possible risk is that bank reserves as a whole could fall more quickly from \$3.3 trillion to below the minimum level needed to keep overnight financing rates from soaring -- as happened in 2019 at the end of the Fed's last QT episode. It's impossible to know for sure what that level is.

To the right is the real crucial aspect, will some / any bank(s) face a closing window for accessing liquidity, as in 2019?



How have FED WORDS / sentiment shifted? Using Natural Language Processing!!! This was our forecast given our model (see further down) – as such we hung onto growth equities

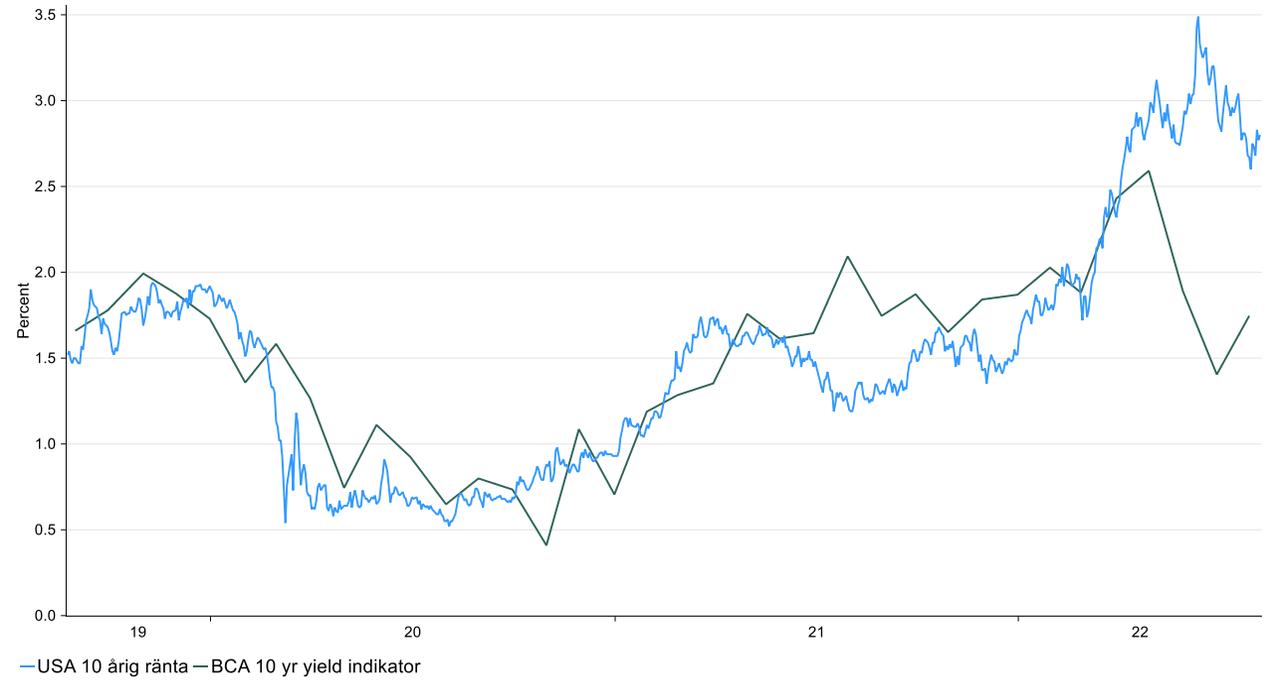


— Fed Minutes Sentiment Score Moving Averag — Fed Meeting Minutes Policy Sentiment
— United States, Government Benchmarks, Federal Reserve, 10 Year, Yield

Source: Erik Penser Bank, Macrobond



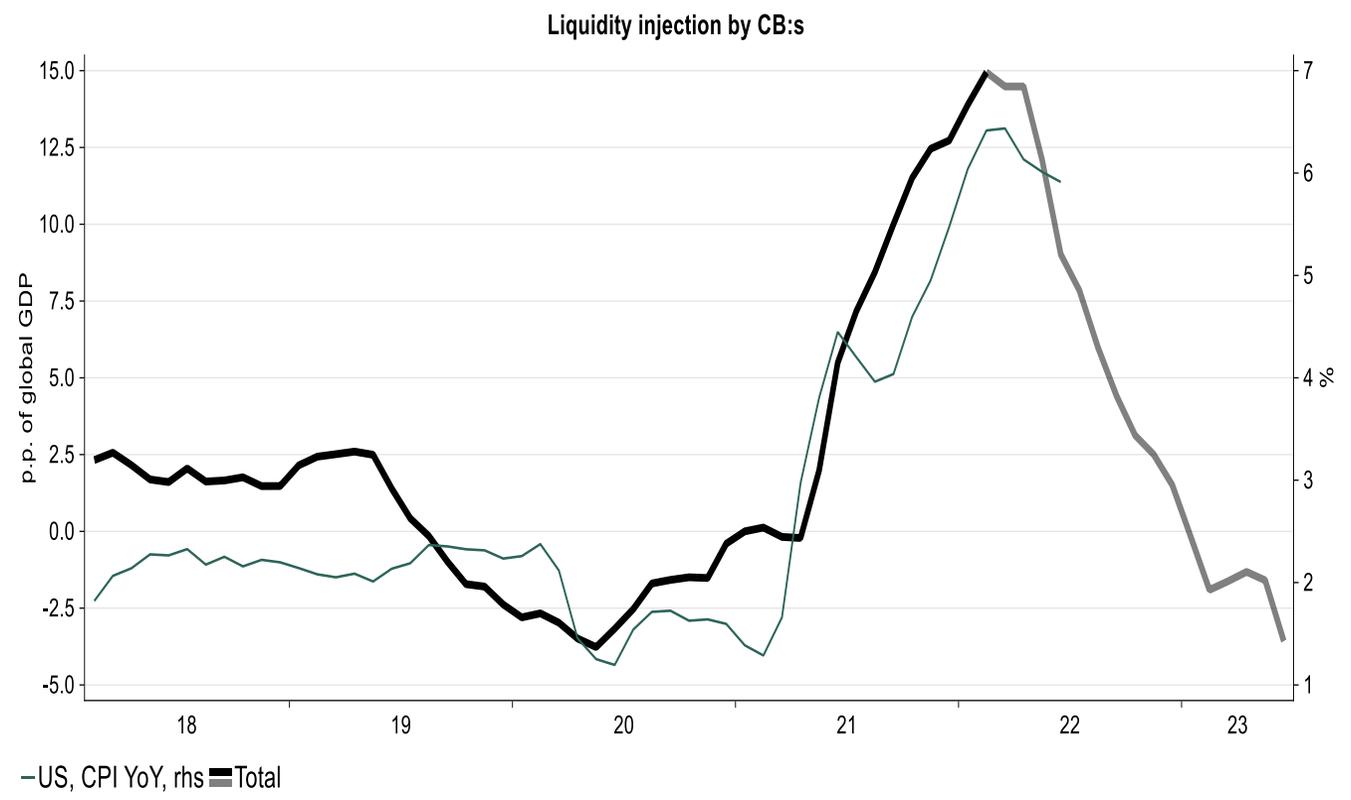
Hence, dovish FED & yields to move lower following macro



Källa: Erik Penser Bank & Macrobond



What we said: Liquidity (balance sheet) policies affecting CPI. Buy more GROWTH!...we have...



Källa: Erik Penser Bank & Macrobond



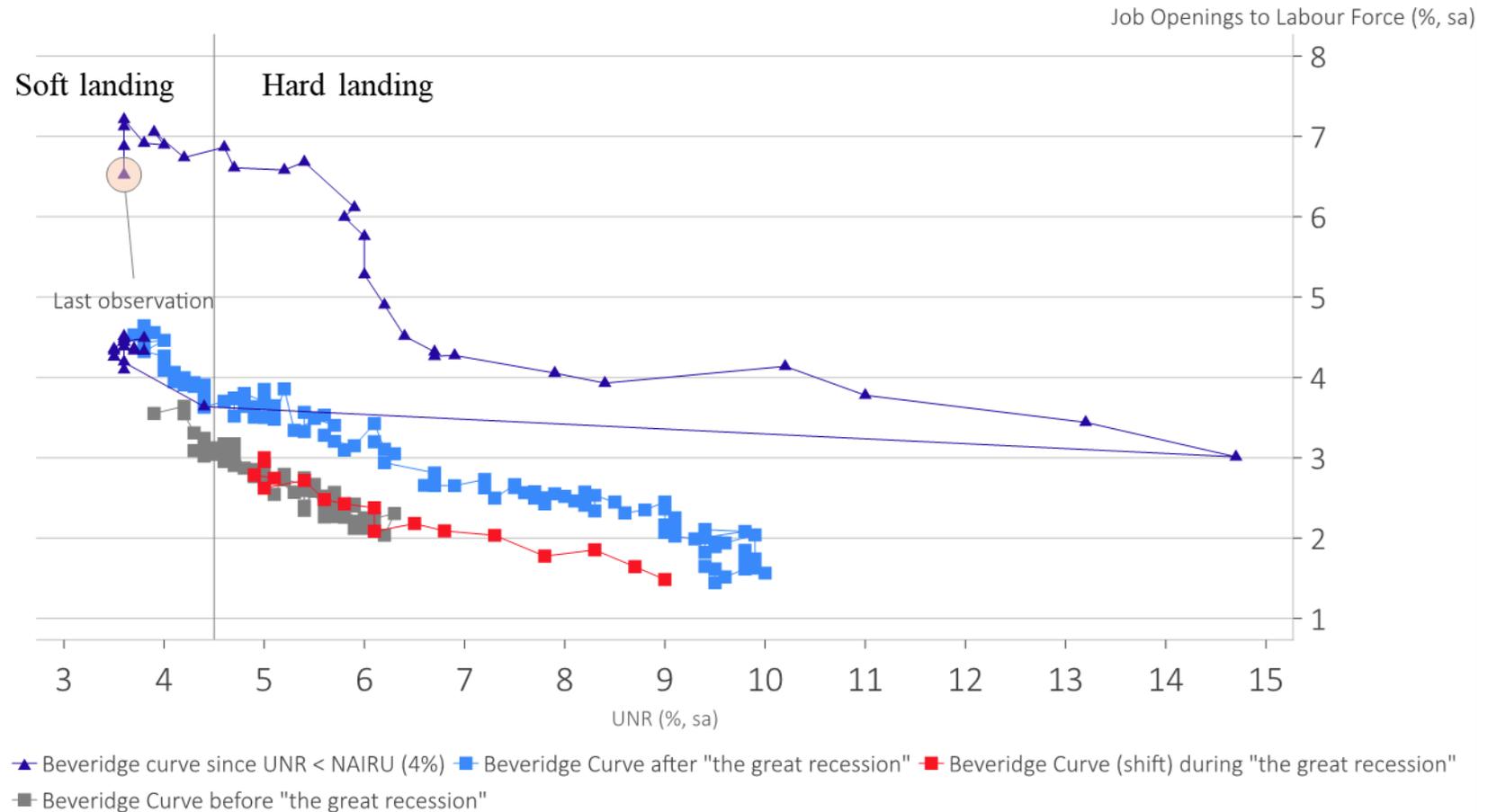
US soft landing risk: how can we track it?

Answer: Beveridge curve, as long as this holds we are in the soft landing camp

During the summer of '22 the market got more and more clues as to how we shall quantify the soft landing.

And, as the soft landing is materializing, in FED's view, the market turned bullish...

The US Beveridge curve



Source: Erik Penser Bank, Macrobond



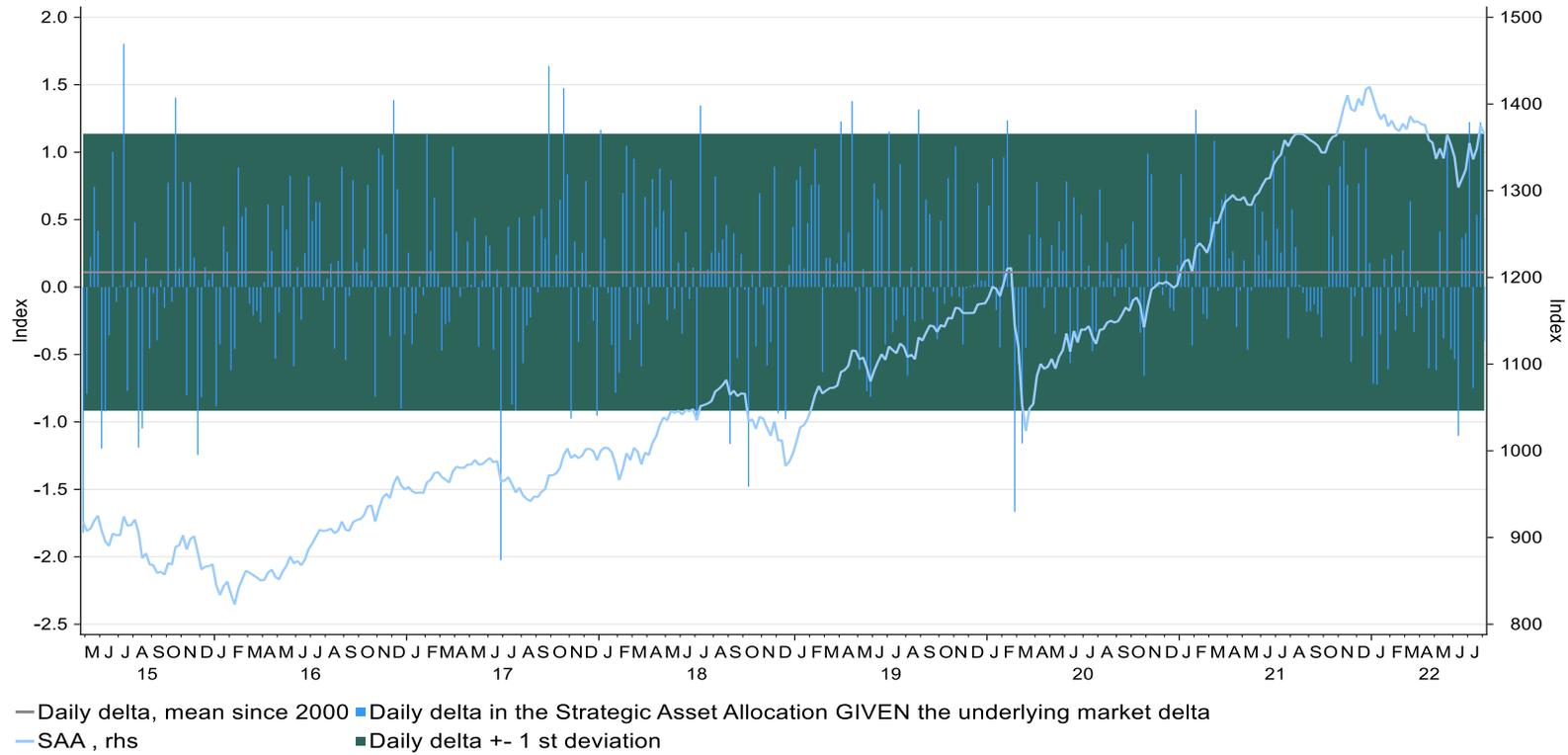
Let us derive Erik Penser Bank's equity overweight

(sounds more aggressive than it really is as global rates have performed neck on neck with equities)



Strategic asset allocation monitor

- Blue bars indicate if the DELTA in the Strategic allocation is TOO large given the market's volatility!
- Point of the model, crash IF and only IF the Strategic Asset Allocation has a volatility that is worse than the market's – as this might open up a downside trend!
- **From data, time to change allocations – increase equities - & we have!**

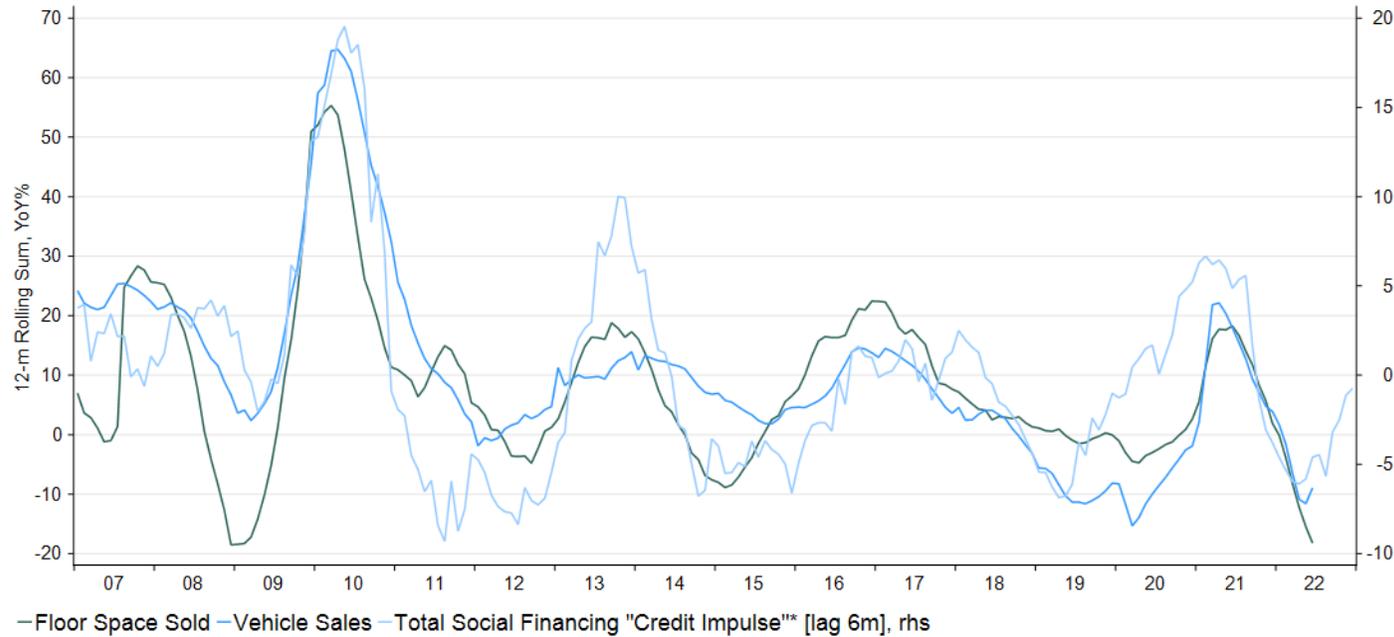


Källa: Erik Penser Bank & Macrobond



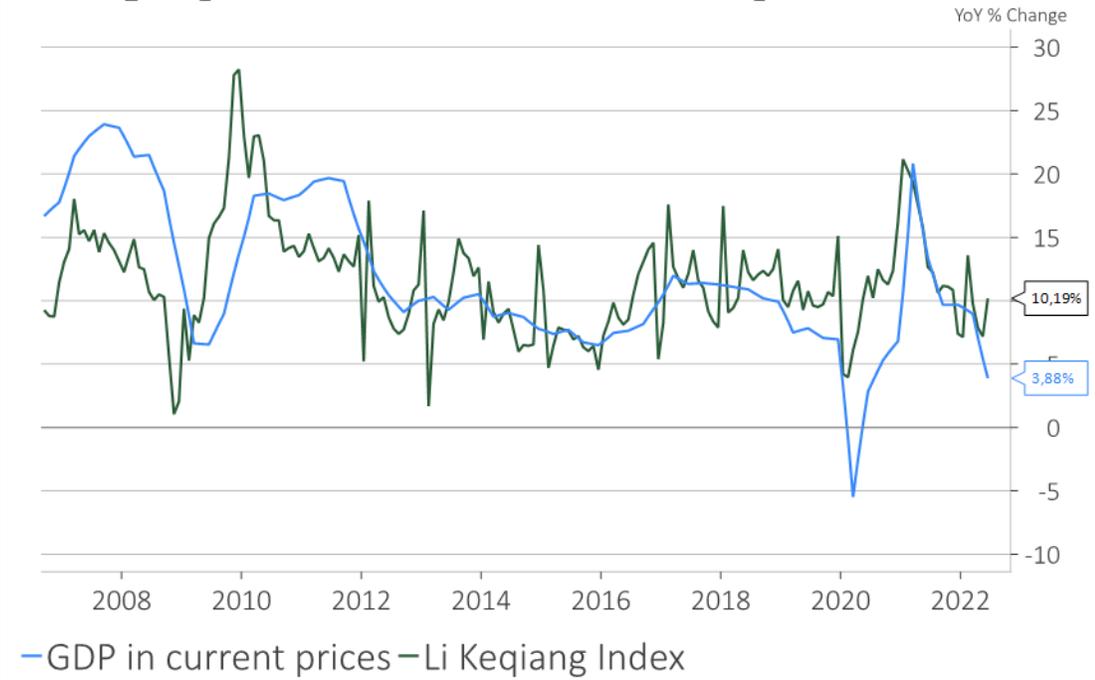
Chinese equity positions, social financing doing its part

Social Financing to lift Major Purchases?



Källa: Erik Penser Bank & Macrobond

Li Keqiang Index as measure of Chinese growth



Source: Erik Penser Bank, Macrobond



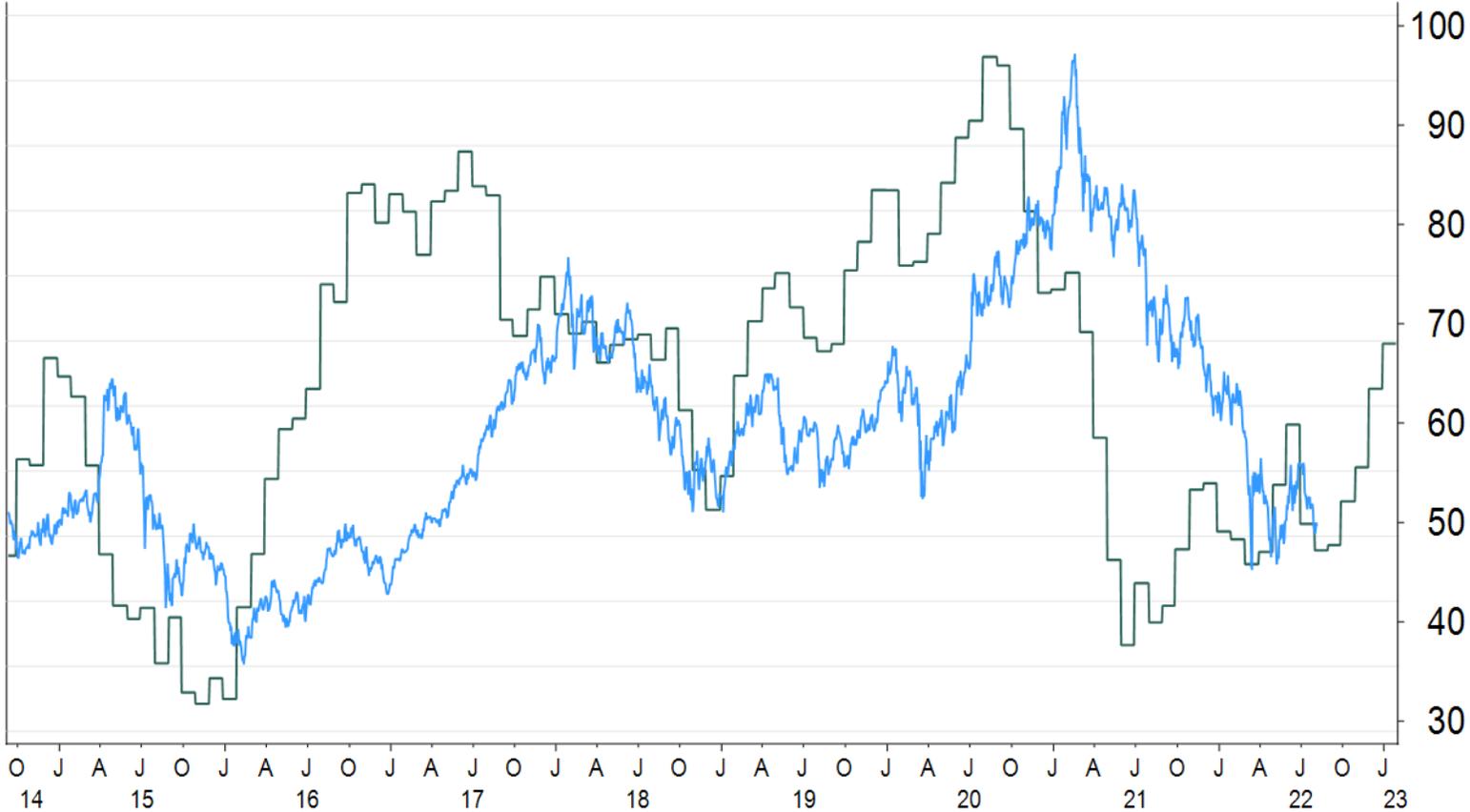
Chinese equity positions, stimulus boosting equities

China SME Confidence Index
Source: Standard Chartered Bank Research

	absolute change											
	-12	-10	-8	-6	-4	-2	0					
Total							2/2022	3/2022	4/2022	5/2022	6/2022	7/2022
Performance Index							53	53,2	49,4	48,5	51,7	52,2
Expectations Index							50,7	53,1	48,7	48	51,8	51,4
Credit Index							55,7	54,8	50,5	49,5	52,3	53
Production							52,6	51,6	49,1	48,1	51	52
New Orders							47,3	51,8	45,1	44,5	51,8	52,2
Employment							49,3	54,6	47,7	45,6	52,6	52,6
Raw Materials Inventories							52,5	53,9	50,6	49,6	51	51,1
Output Prices							52,5	53,9	50,6	49,6	51	51,1
Investment							51	52,9	50,9	51,6	51,9	50,5
Finance							53,4	53,1	52	50,5	52,2	51,1
Profitability							52,2	53,1	49	50,1	51,8	51,5
							52,1	52,3	49,2	49,1	51,9	50,4
							49,4	53,5	46,1	44,5	52,4	51,8

■ Yearly change ■ Monthly change

Source: Erik Penser Bank, Macrobond



-EPB's position, rhs - Erik Penser Banks indicator for the strategy, based on monetary policies

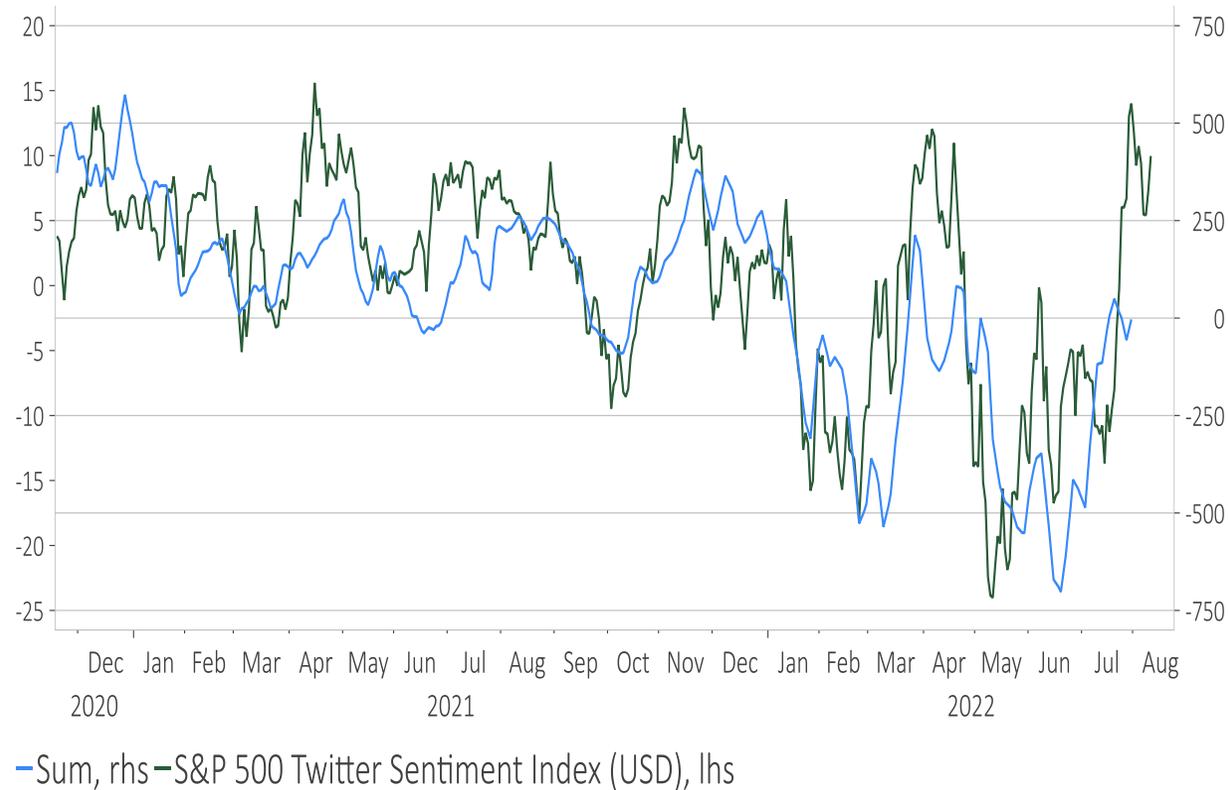
Källa: Erik Penser Bank & Macrobond



US overweight: below we PREDICT sentiment that have the strongest statistical relationship to future US equity moves

Note, investor surveys and investor sentiment LAGS Twitter sentiment.

Twitter sentiment is top 200 companies' performance selected based on 3 years of rolling twitter dictionary, cleaned of spam, weighted by amount of followers, account age, number of tweets per day



Source: Erik Penser Bank, Macrobond



US overweight: risk troughed...so far not making new lows in FX and Rate risk markets (which is positive)!

Right now a positive reading...was a while ago...

EPB market risk indicator, built on priced risk in the markets



- SPDR S&P 500 ETF Trust, lhs —Benchmark barrier where equities sell off, lhs
- EPB Macro Risk Indicator (rate spreads, CDS on corporates, FX vol, FI vol, EM rate spread), rhs

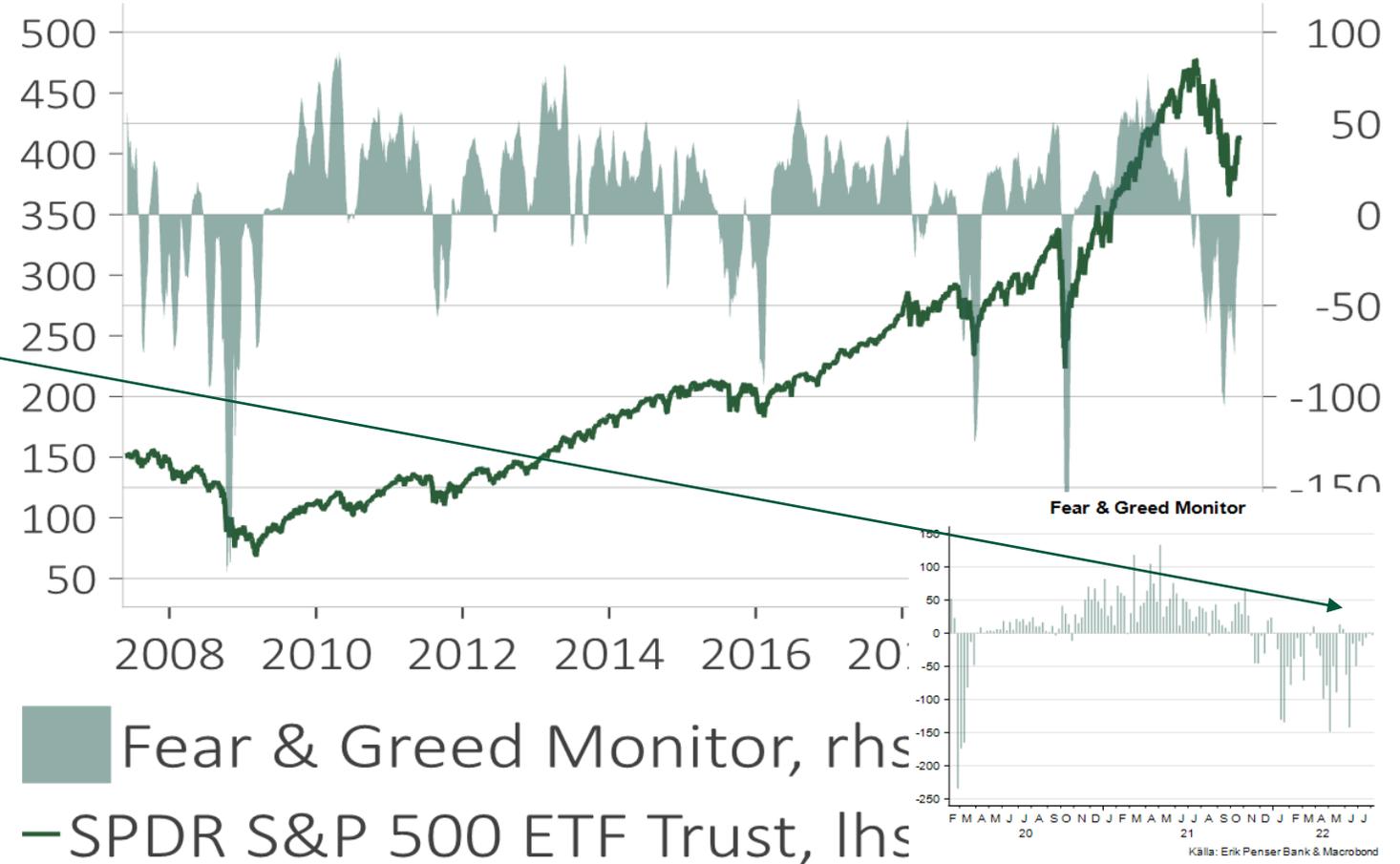
Source: Erik Penser Bank, Macrobond



US overweight: Fear and Greed, our version is a combination of several so called fear and greed monitors

- This monitor catches the stress in Equity markets
- When green bars rise we are in GREED
- When green bars fall we are in FEAR
- **Currently we are in GREED**
- **This is just the 4th week in all of 2022 that we managed to get into greed...**

Fear and Greed monitor



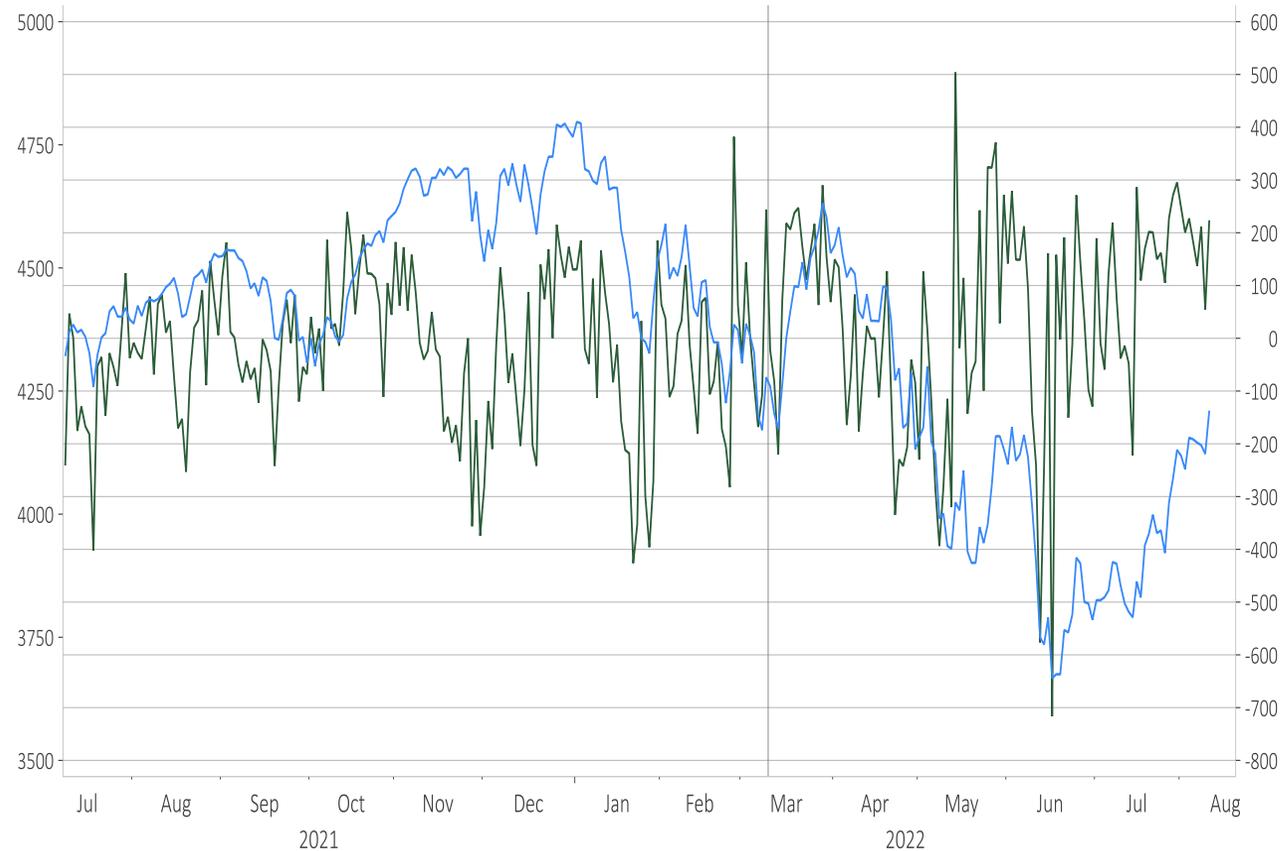
Source: Erik Penser Bank, Macrobond



US overweight: Following an article in Bloomberg for signs in equities

IF we take the variables and throw some additional modelling on them..., then we can extract a leading capability, biggest buy signal since sell offs 2020, 2016, 2015...we stay OW...

- High vs Low
- Advance vs Decline
- Bullish vs Bearish
- Volatility curve



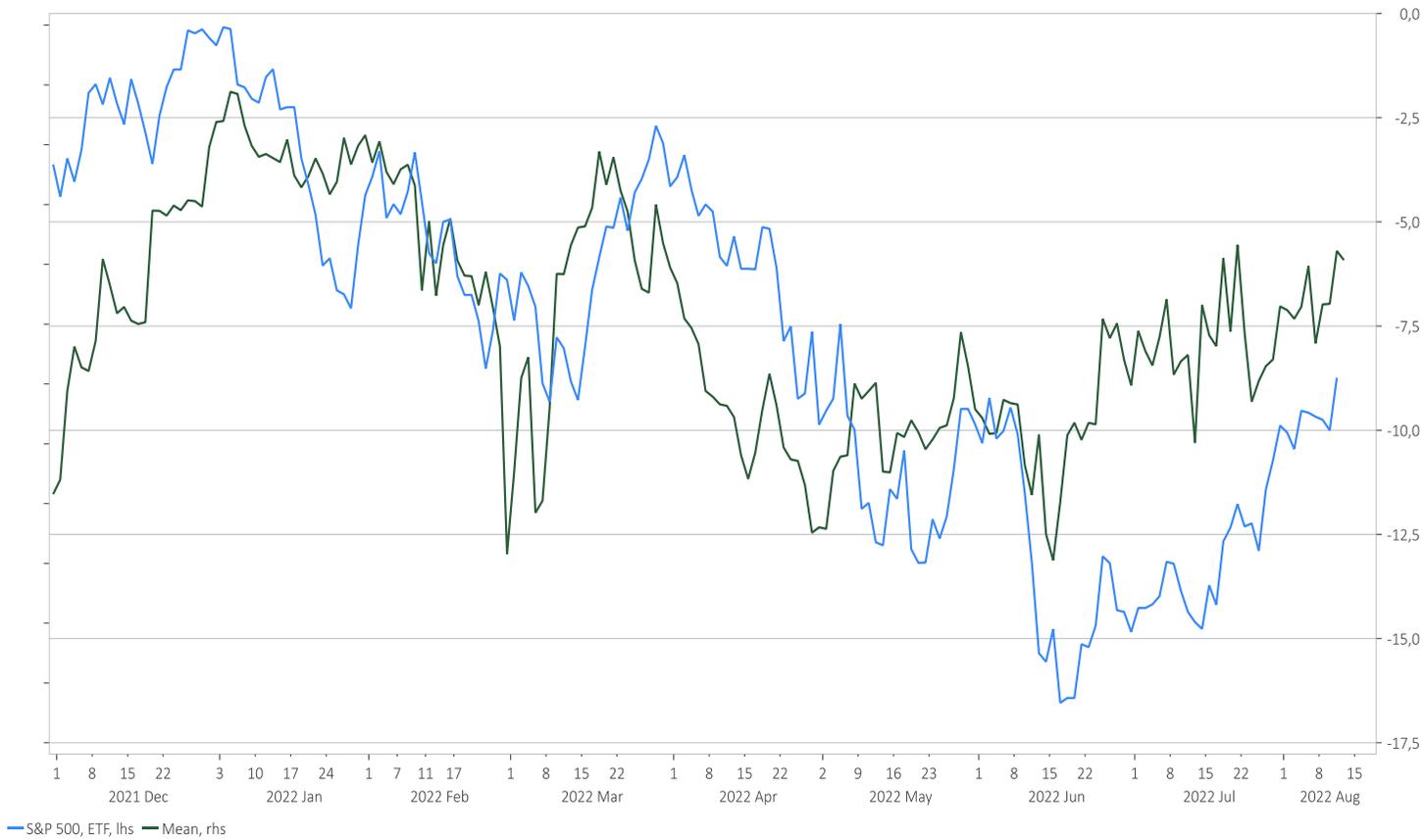
—S&P 500 etf, lhs —Sum of "usual suspects" from Bloomberg, rhs

Source: Erik Penser Bank, Macrobond



US overweight: Daily trading model – when to act and when to fade!

Recent sell off caught in our daily trading model – USD position helped us greatly.
Improved conditions in credit, FX, and vol markets (counterparty risk, USD liquidity, volatility curves),



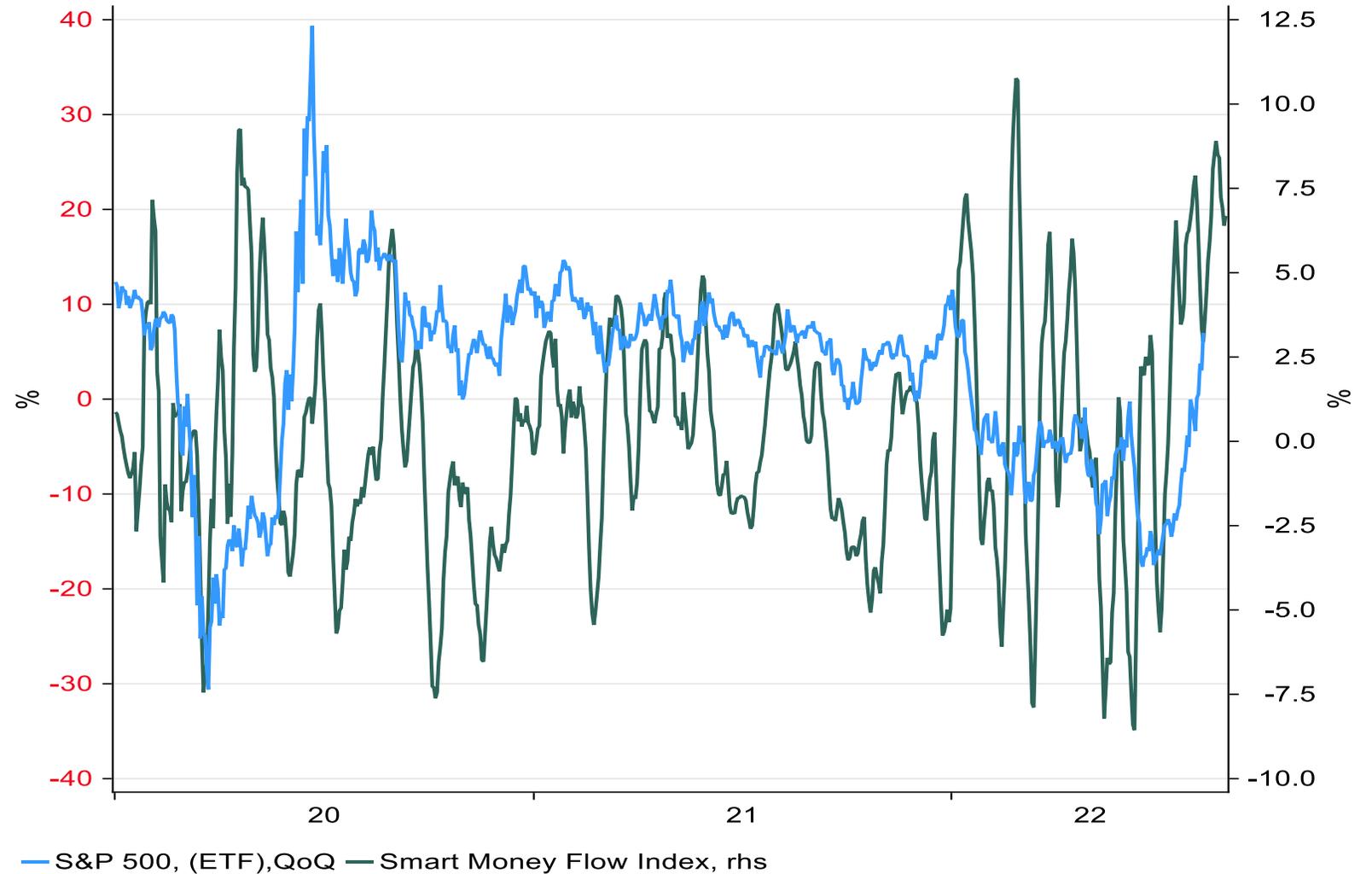
Source: Erik Penser Bank, Macrobond



US overweight: What about actual positioning?

Institutions are BUYERS of the dip.

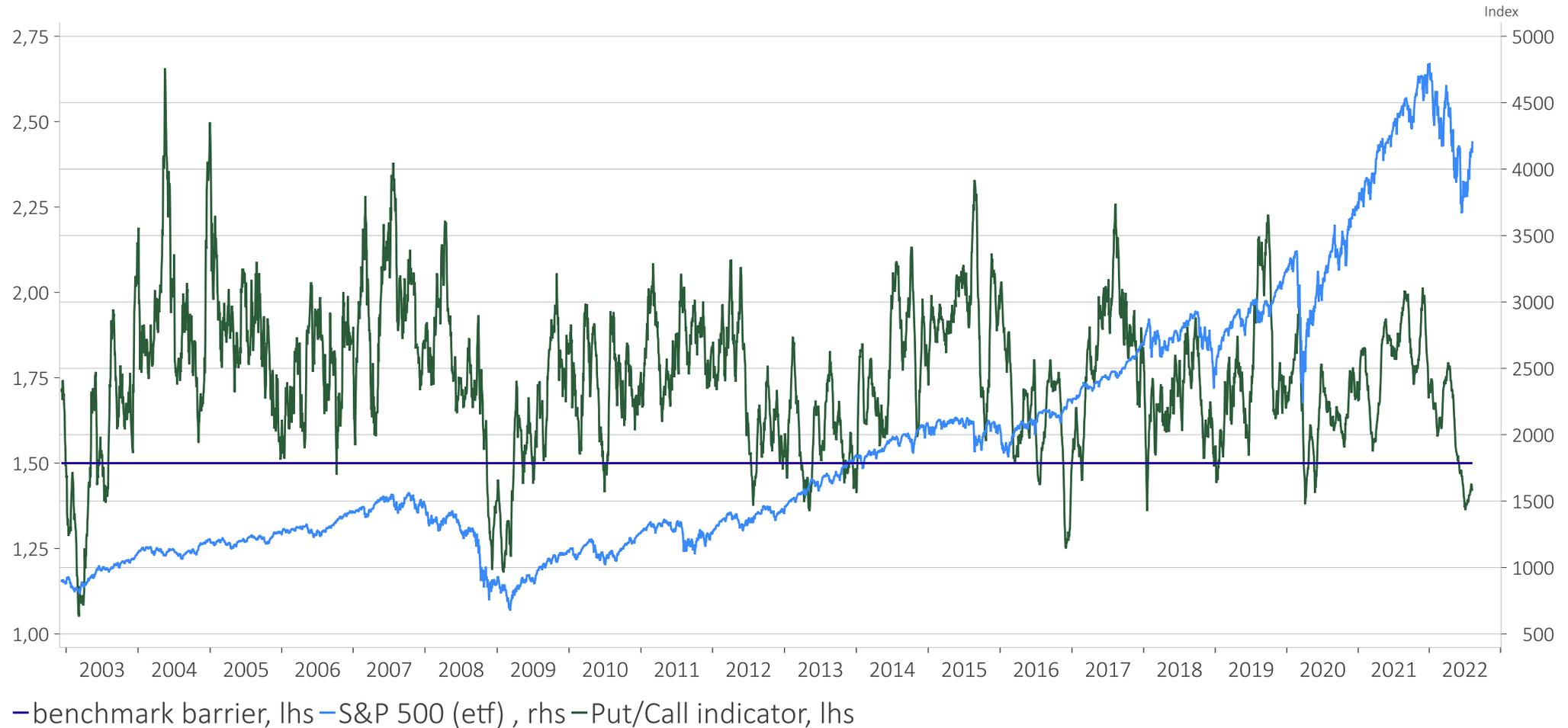
2022 is interesting as we can see increased activity.



Source: Erik Penser Bank & Macrobond



US overweight: Equity options signalling a major turning point

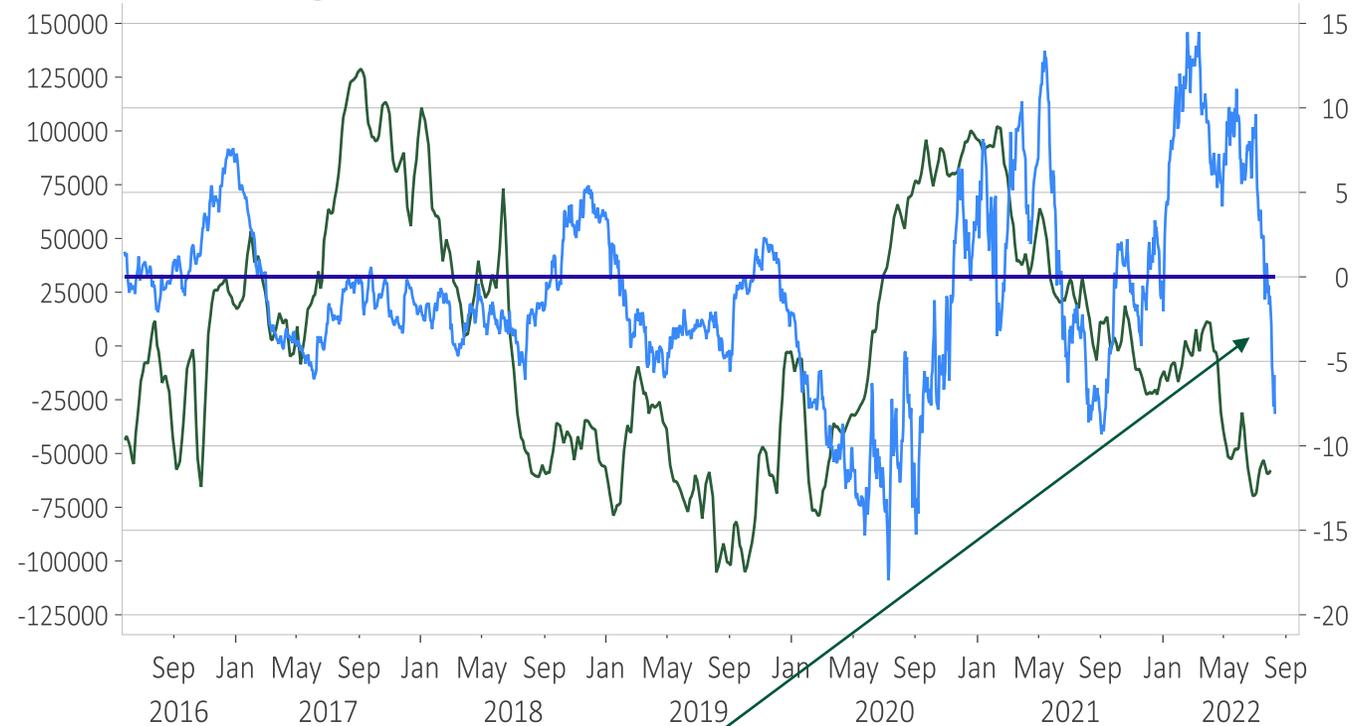


Source: Erik Penser Bank, Macrobond



US overweight: We have (luckely) hung on to growth – below is why and where we stand now: our Reflation indicator #1, built on POSITIONING

Reflation trading indicator



—0, rhs —Value vs Growth (QoQ % difference), rhs —Reflation trade indicator, lhs

Source: Erik Penser Bank, Macrobond

- **We do not guess, we act on facts and data.**
- **Currently we are overweight growth and...finally...getting traction**

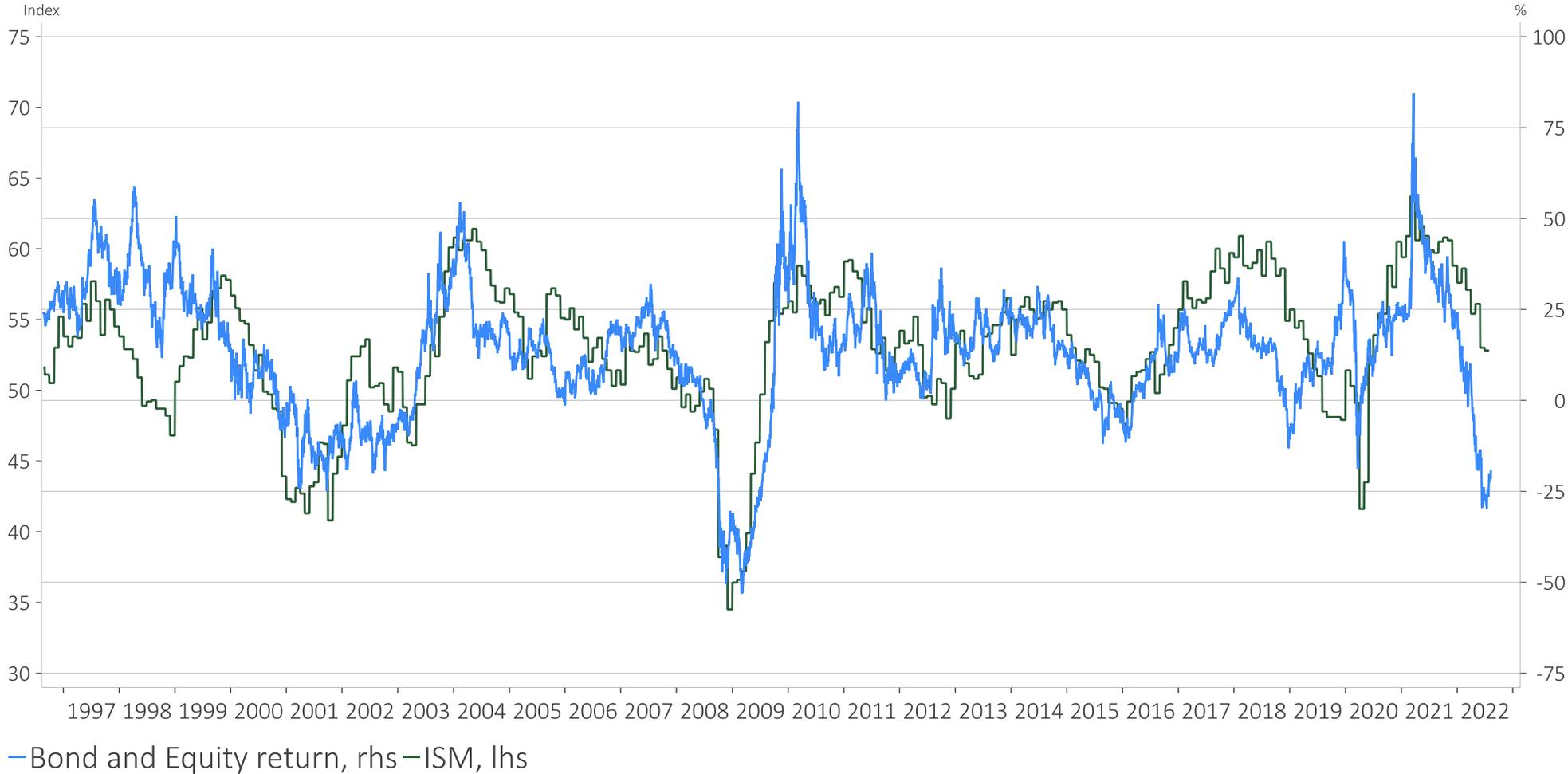


Why equities in the first place?

Given that rates perform as bad and the market priced a recession that will not occur in 2022 (US, EZ is another story but we have very limited exposure outside Asia and US where we find the best growth prospects) we find (& found) risk / reward very constructive, especially in growth stocks.



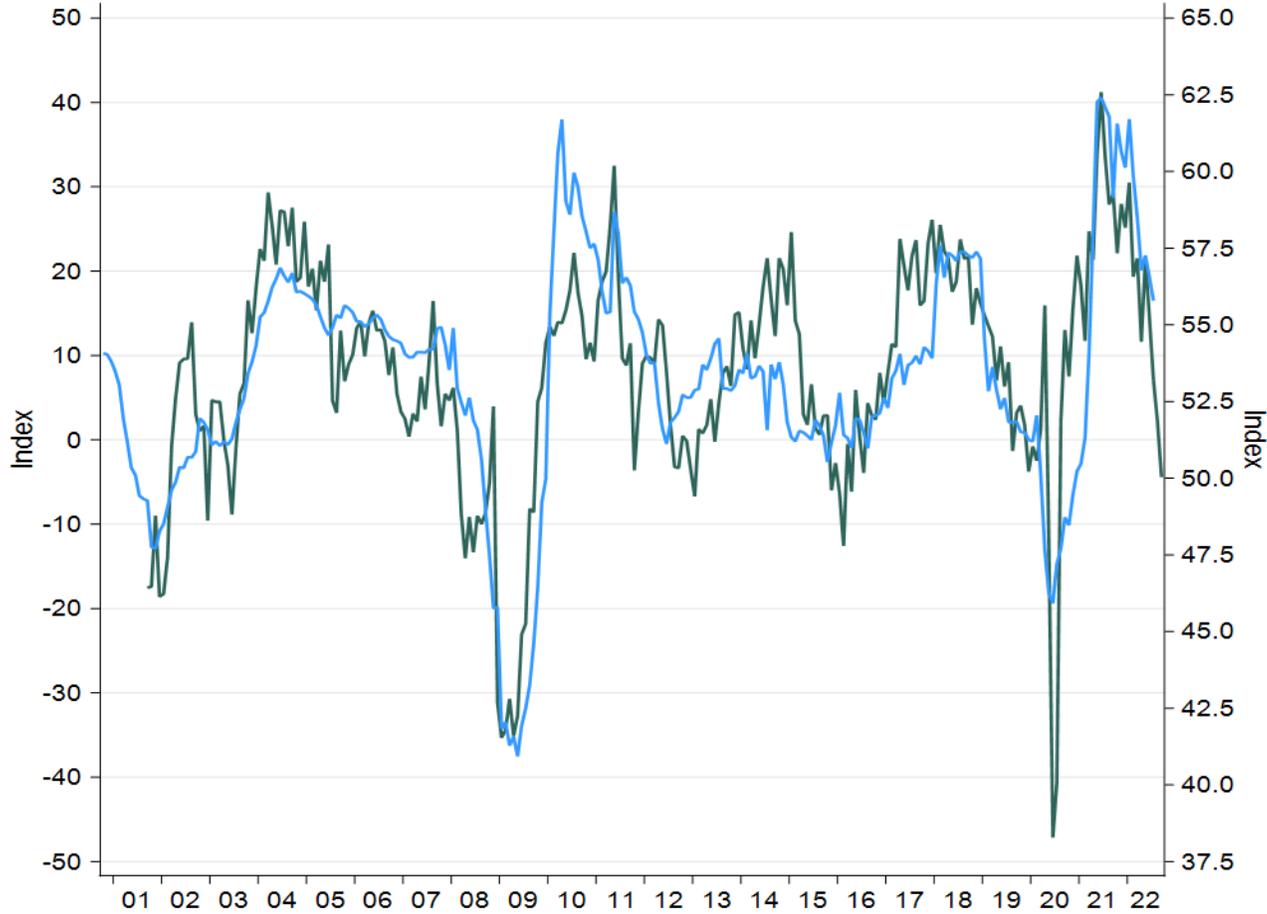
A recession is/was priced in making risk / reward rather straight forward (especially a year when rates return just as bad)



Source: Erik Penser Bank, Macrobond

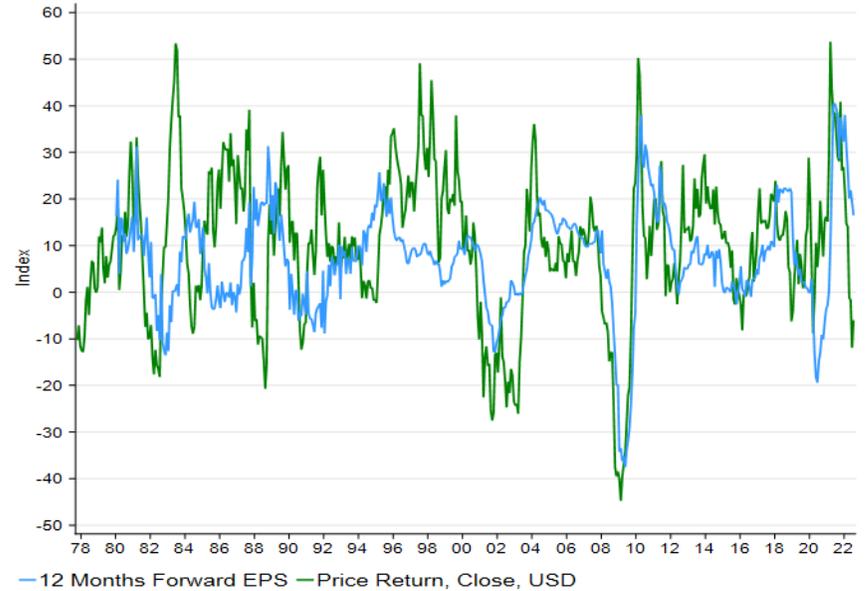


A recession is/was priced in making risk / reward rather straight forward (especially a year when rates return just as bad)



— 12 Months Forward EPS — Model for predicting 12 months forward EPS, rhs

Source: Erik Penser Bank & Macrobond



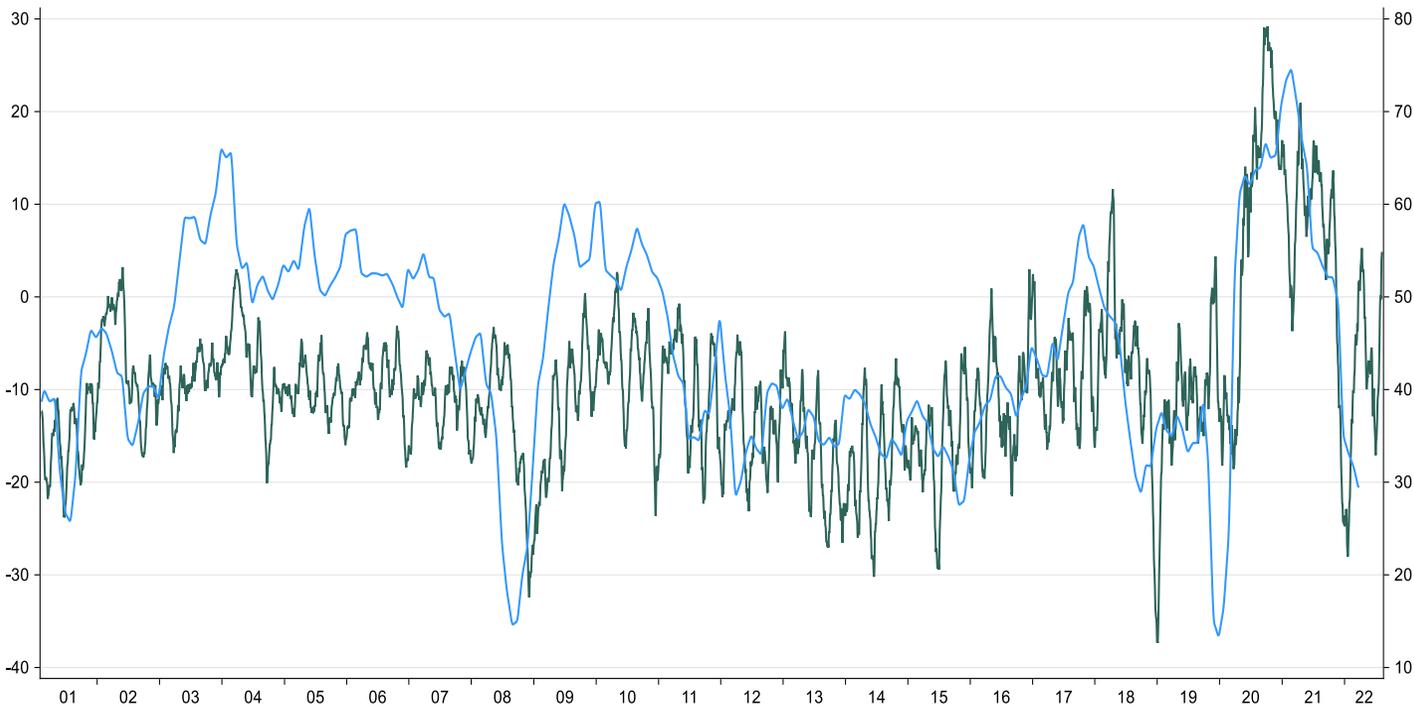
Source: Erik Penser Bank & Macrobond



Earnings, positive Q2 surprises was our forecast

Corporate reporting vs buy/sell analysis – hence we could forecast the upside in earnings... & Q2 confirmed this far out of consensus call

Erik Penser Banks calculates profit outlook which predicts / frontruns earnings surprises & positive surprises – we have traded accordingly!



— World, Developed, Equity Indices, FactSet/Macrobond, Total, Broad Market, Index, Earnings Estimate Revisions (100 Days)
 — Earnings indicator (based on coporates' communication), rhs

Selected relevant security

United States | Table | Export | Settings | Earnings Analysis

Range: Current Season | CQ2 Ending: 5/16/2022 - 8/15/2022 | Periodicity: Quarter

Sector (BICS)	Reported	Sales Surprise	Earnings Surprise
11 All Securities	2502 / 3092	5.99%	3.55%
12 > Materials	133 / 142	2.58%	3.51%
13 > Industrials	320 / 365	1.39%	4.53%
14 > Consumer Staples	85 / 132	3.57%	4.34%
15 > Energy	153 / 165	17.49%	12.71%
16 > Technology	332 / 444	15.43%	1.05%
17 > Consumer Discretionary	248 / 343	2.28%	6.08%
18 > Communications	106 / 120	1.27%	-6.41%
19 > Financials	501 / 683	2.06%	2.41%
20 > Health Care	384 / 448	3.74%	4.43%
21 > Utilities	67 / 68	10.51%	-1.05%
22 > Real Estate	172 / 181	1.94%	2.51%

Historical Analysis

Price Reaction

Historical Trend

Surprises (%)

Day Price Change (%)

Källa: Erik Penser Bank & Macrobond

Source: Bloomberg



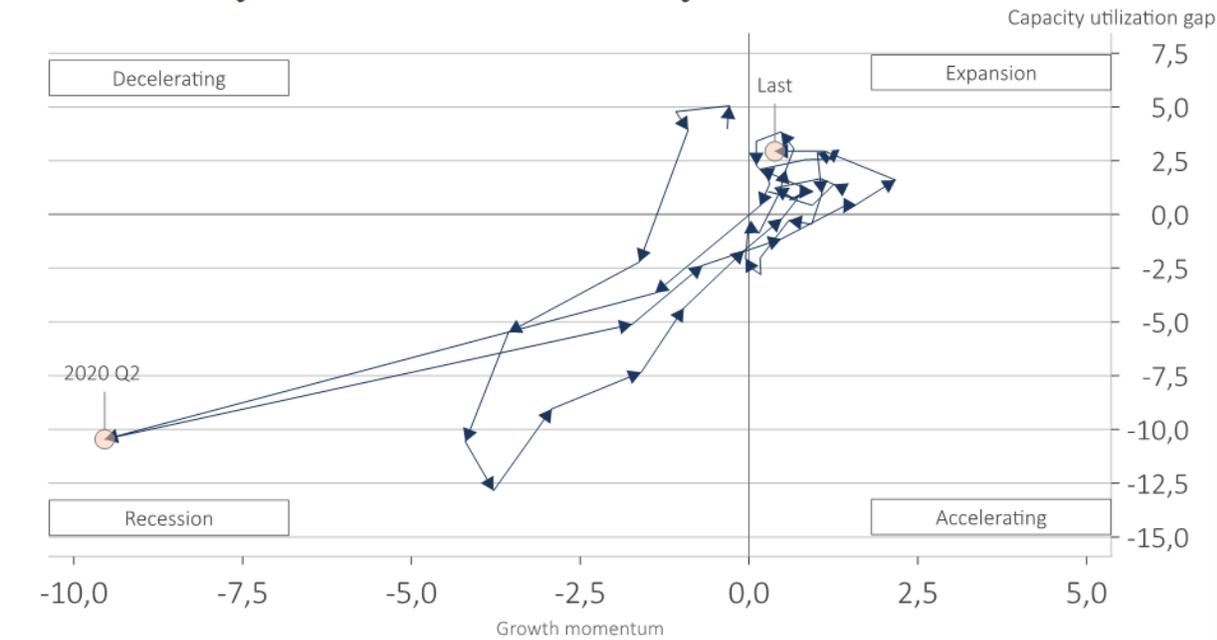
Why no US recession call for 2022?

US business cycle clock and relative nowcasts.

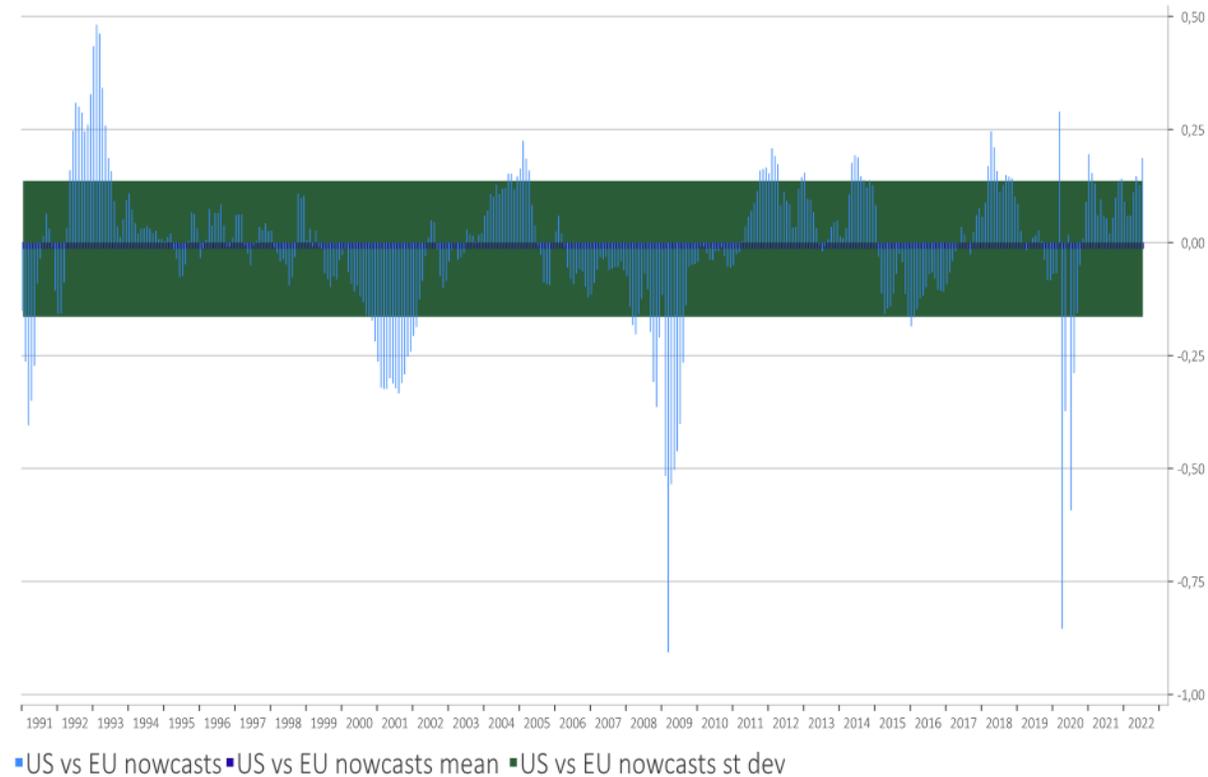
US is growing YoY and QoQ SAAR is not enough for defining recession.

US seriously outperforming EU / EZ

Business cycle clock: US economy



Source: Erik Penser Bank, Macrobond

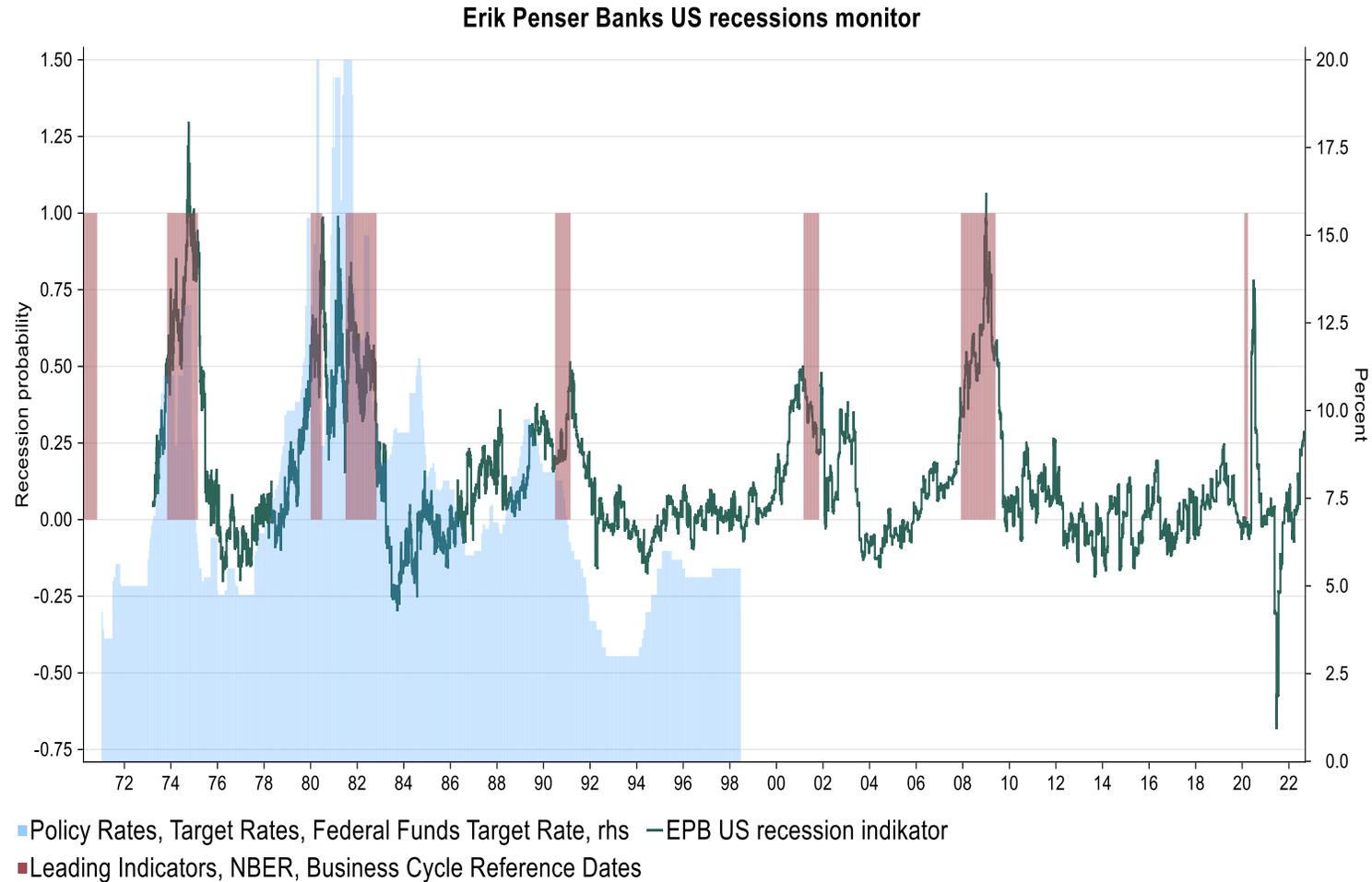


Source: Erik Penser Bank, Macrobond



Why no US recession call for 2022?

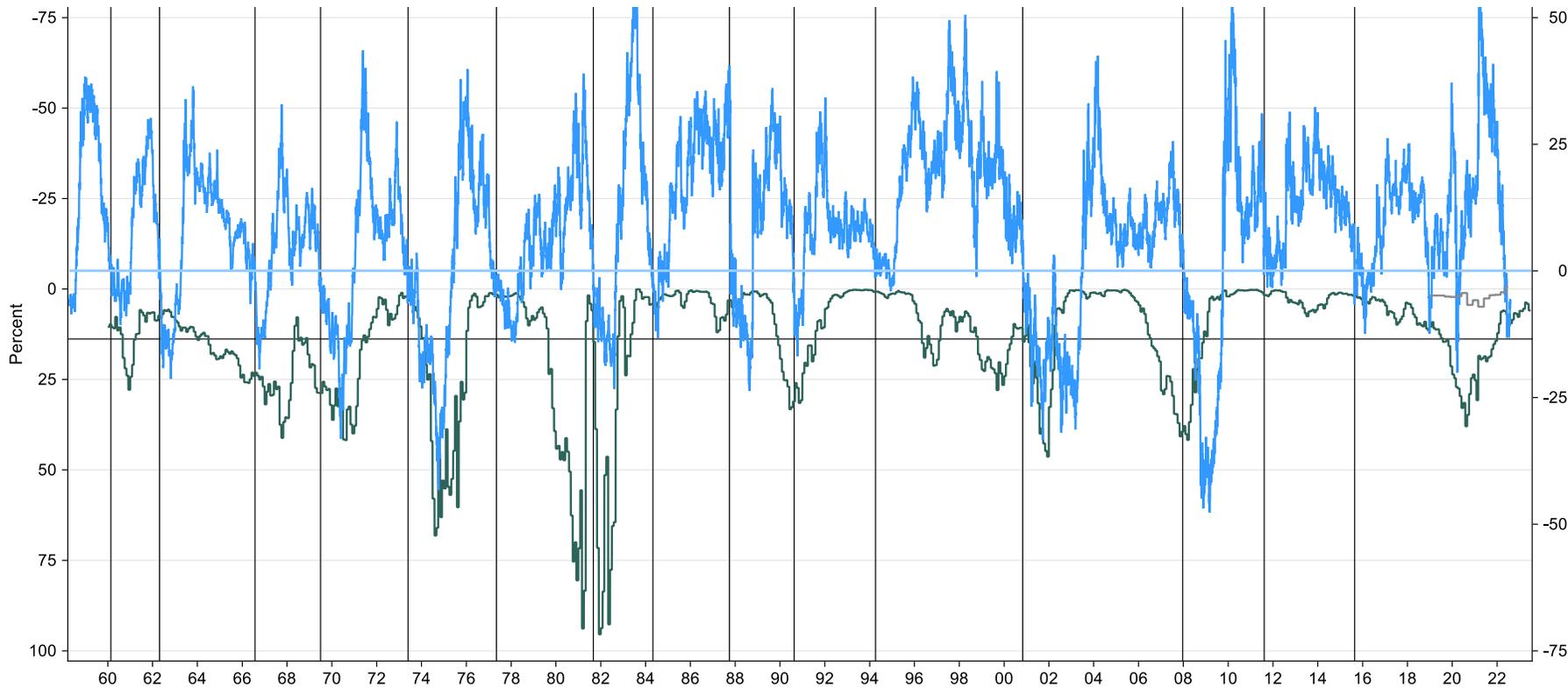
Impact of FED action on recession indicators



Källa: Erik Penser Bank & Macrobond



Why no US recession call for 2022?



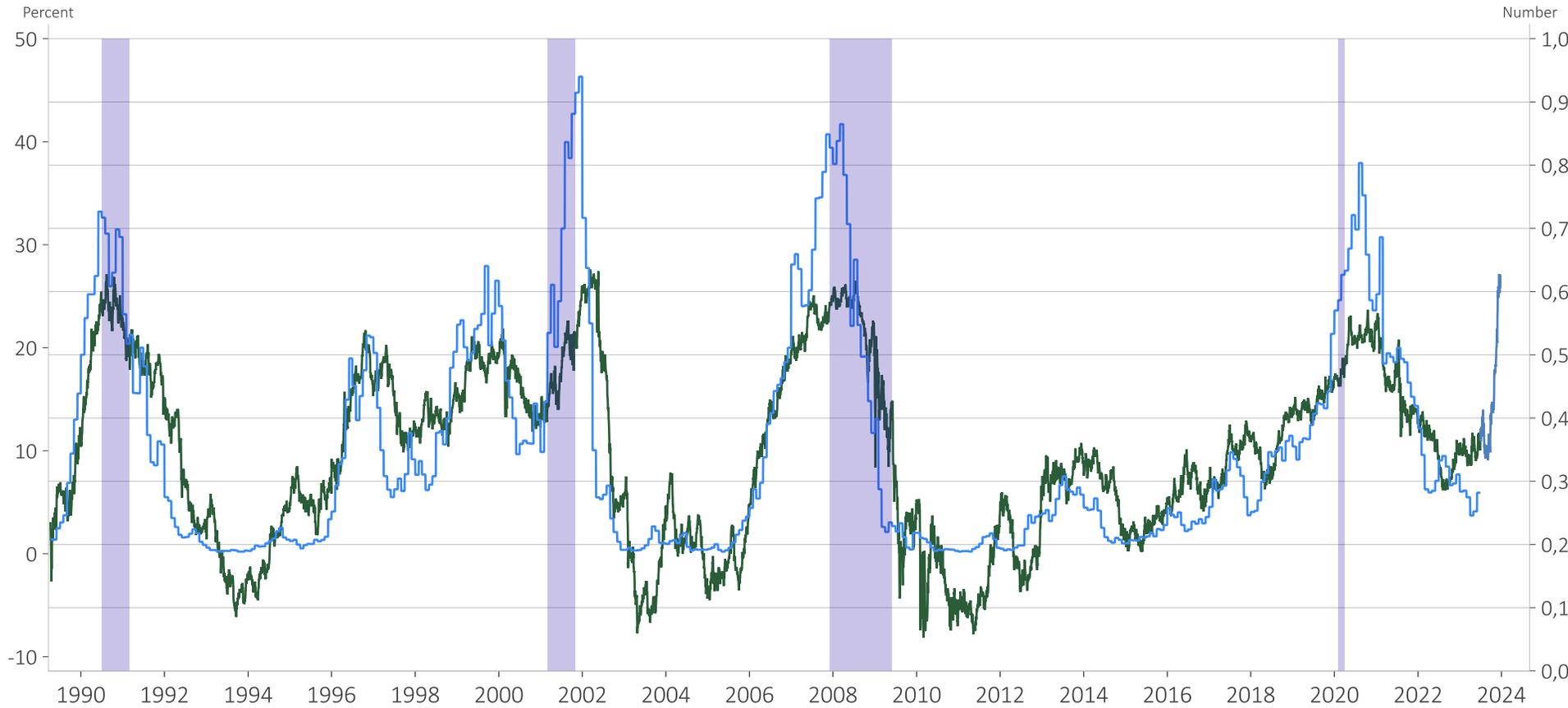
—United States, 2022 GDP Growth (Q4/Q4), Federal Reserve Bank of New York, DSGE Model, Estimate —0, rhs —S&P YoY, rhs —Recession Alerts

Källa: Erik Penser Bank & Macrobond



Let us predict FED probability indicator (predicting the predictor)

To us late 2023 & 2024 is the real challenge!



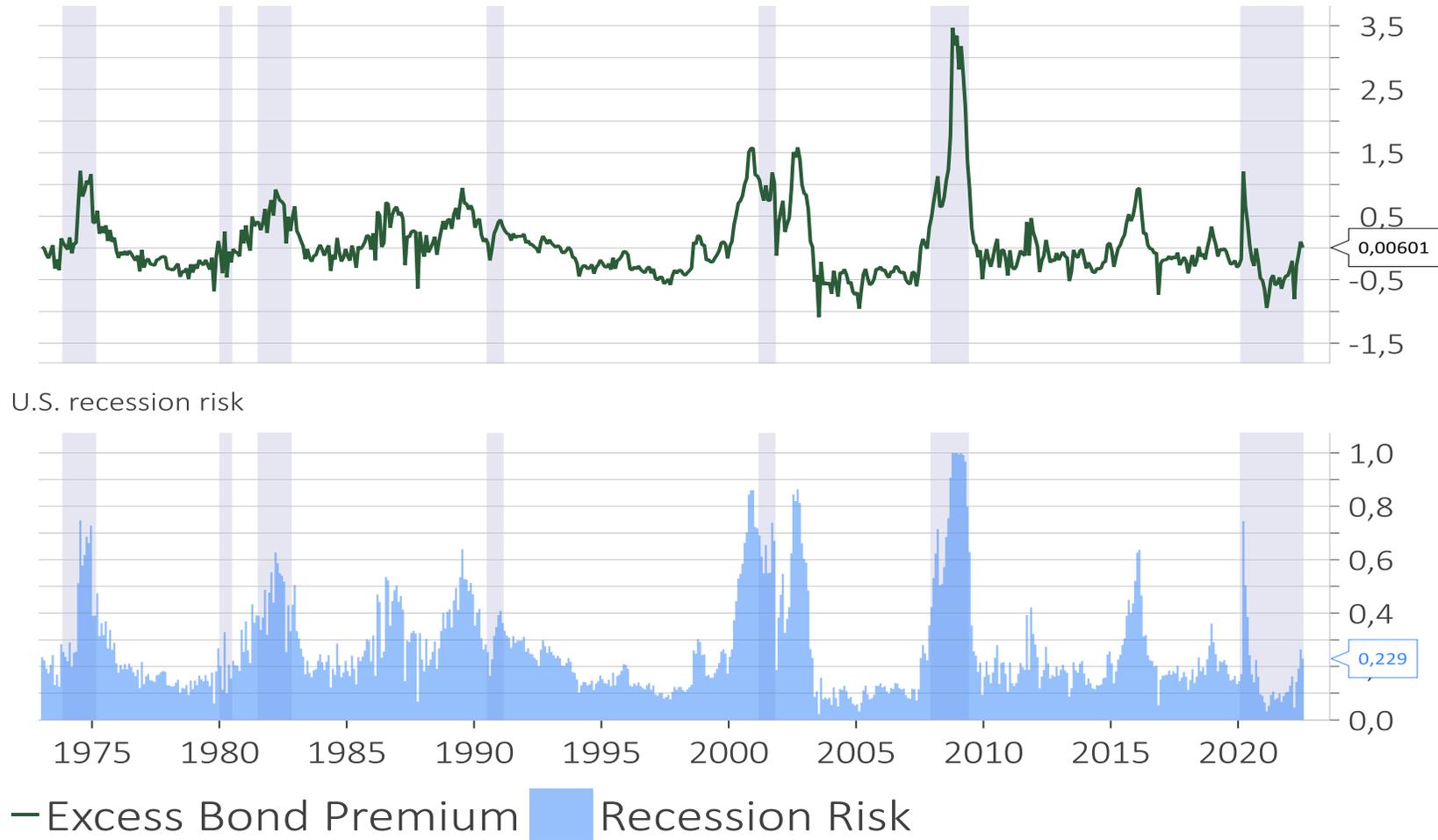
United States, Leading Indicators, NBER, Business Cycle Reference Dates, rhs — Fed, Recession Probability, lhs
= FED recession probability as predicted by Erik Penser Bank, lhs

Source: Erik Penser Bank, Macrobond



Why no US recession call for 2022?

There is currently 23% recession risk next 12 months, **FED's own model built on credit risk**

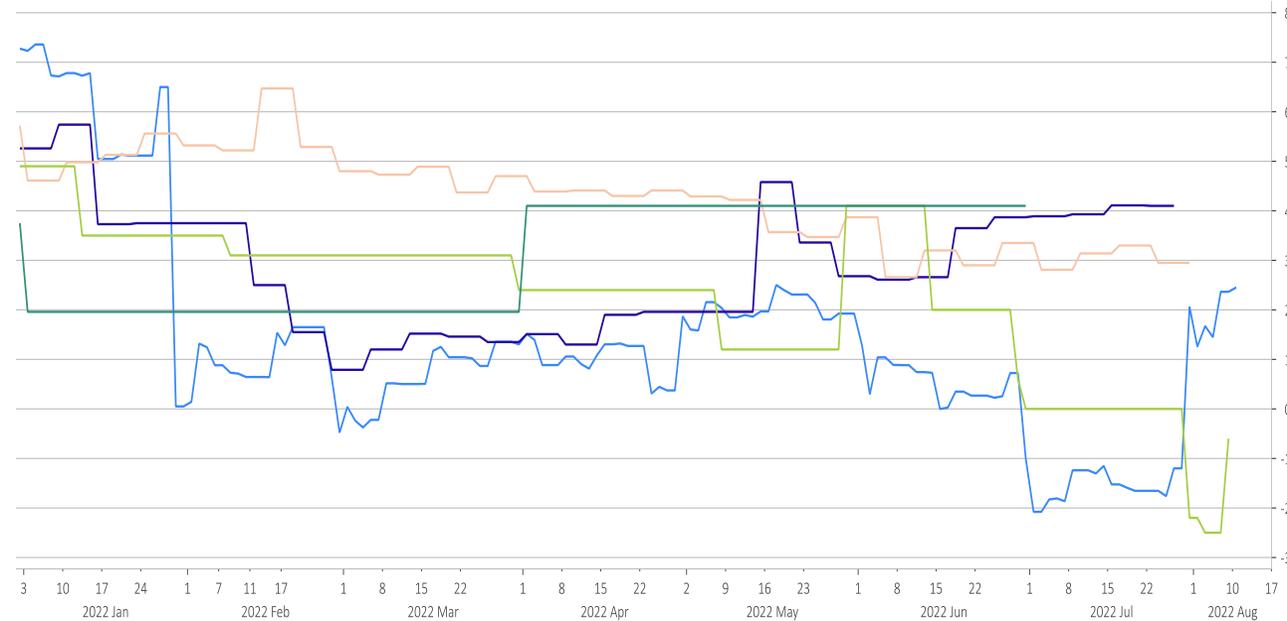


Source: Erik Penser Bank, Macrobond



Why no US recession call for 2022?

Daily updated GDP models on actual GDP data – FED's high frequency models indicate continued growth



- United States, Real GDP Nowcast, Federal Reserve Bank of St. Louis, Real GDP Nowcast, E...
- BE GDP Nowcast -Federal Reserve, Economic Index -Fed GDP Nowcast
- Fed GDP Forecast -New York Nowcast GDP Forecast

Source: Erik Penser Bank, Macrobond

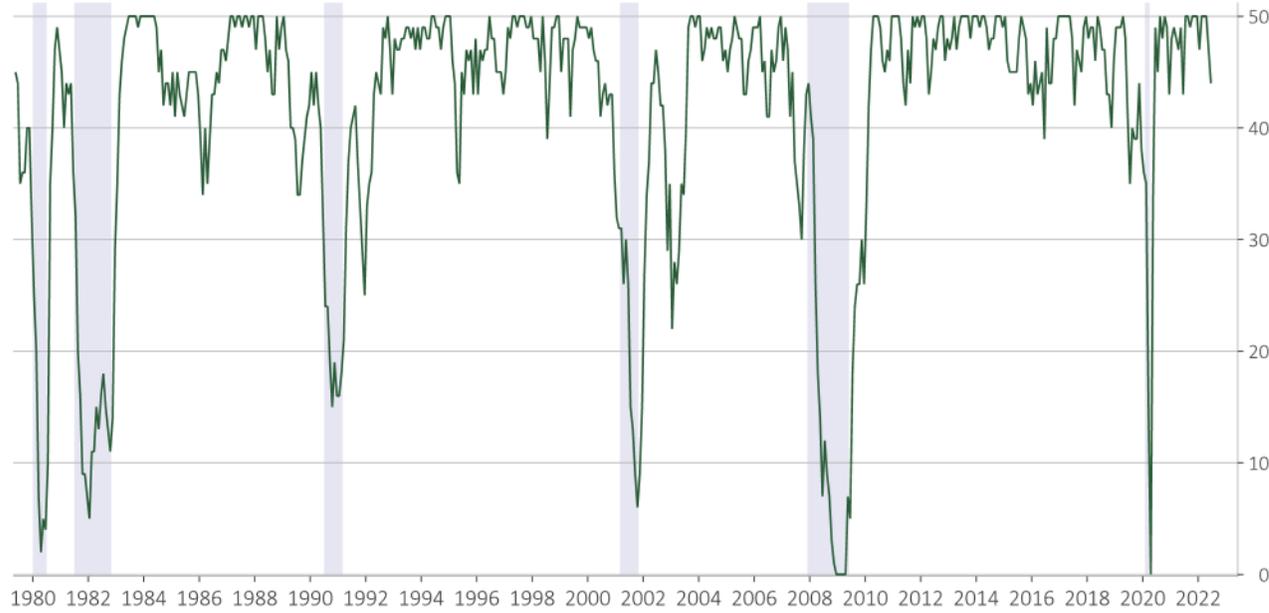


Why no US recession call for 2022?

No state is currently left behind – no sign of recession in any US state

Number of US states with increased economic activity

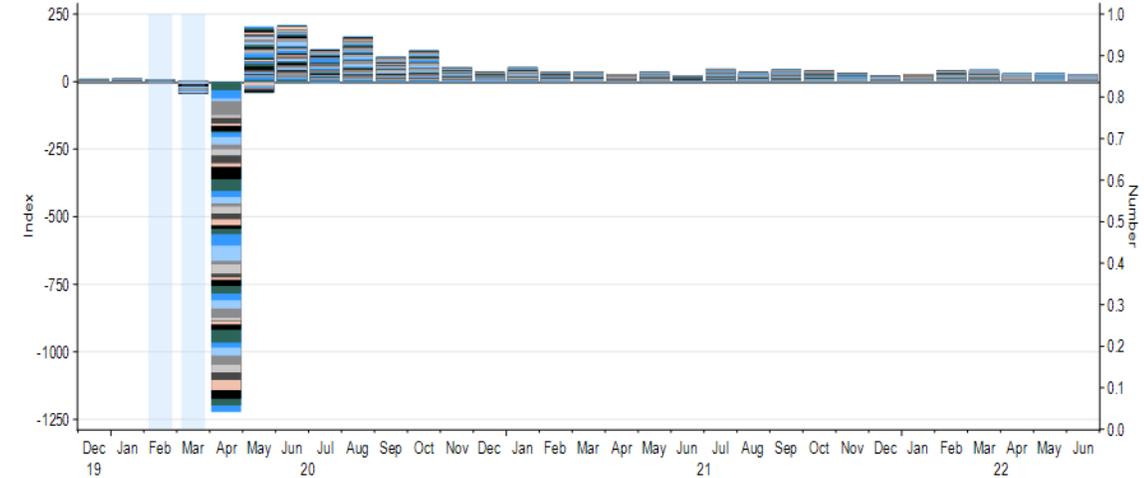
Source: Federal Reserve Bank of Philadelphia coincident index



–Sum

Source: Erik Penser Bank, Macrobond

United States, Leading Indicators



- NBER, Business Cycle Reference Dates, m
- Ohio, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- South Dakota, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Washington, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Montana, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Indiana, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- California, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- New York (State of), Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Pennsylvania, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Maryland, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Hawaii, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Minnesota, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Utah, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Wyoming, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Alaska, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- New Hampshire, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Kentucky, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Delaware, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Tennessee, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Wisconsin, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Nebraska, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Colorado, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Rhode Island, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- North Carolina, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Massachusetts, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Vermont, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Idaho, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Mississippi, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Arizona, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- New Jersey, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Louisiana, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Florida, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Iowa, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- West Virginia, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Nevada, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Connecticut, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- South Carolina, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- North Dakota, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Virginia, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Illinois, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Arkansas, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Oregon, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- New Mexico, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Maine, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Georgia, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Michigan, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Texas, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Alabama, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index
- Kansas, Federal Reserve Bank of Philadelphia, State Concord Indexes, Total, Index

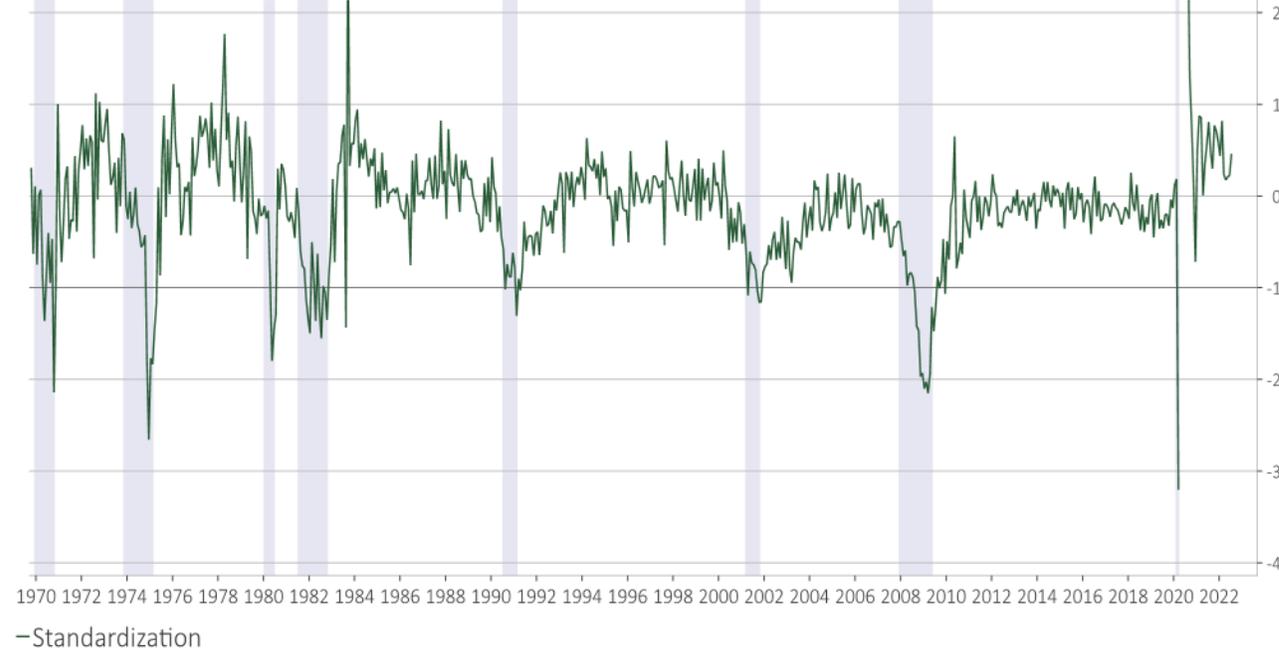
Källa: Erik Penser Bank & Macrobond



Why no US recession call for 2022?

More market observations...we see the slowdown, but no recession as of yet...that is a 2023 / 2024 story! Hence, we fade this story and by being active we utilise rebounds.

NFP as recession indicator

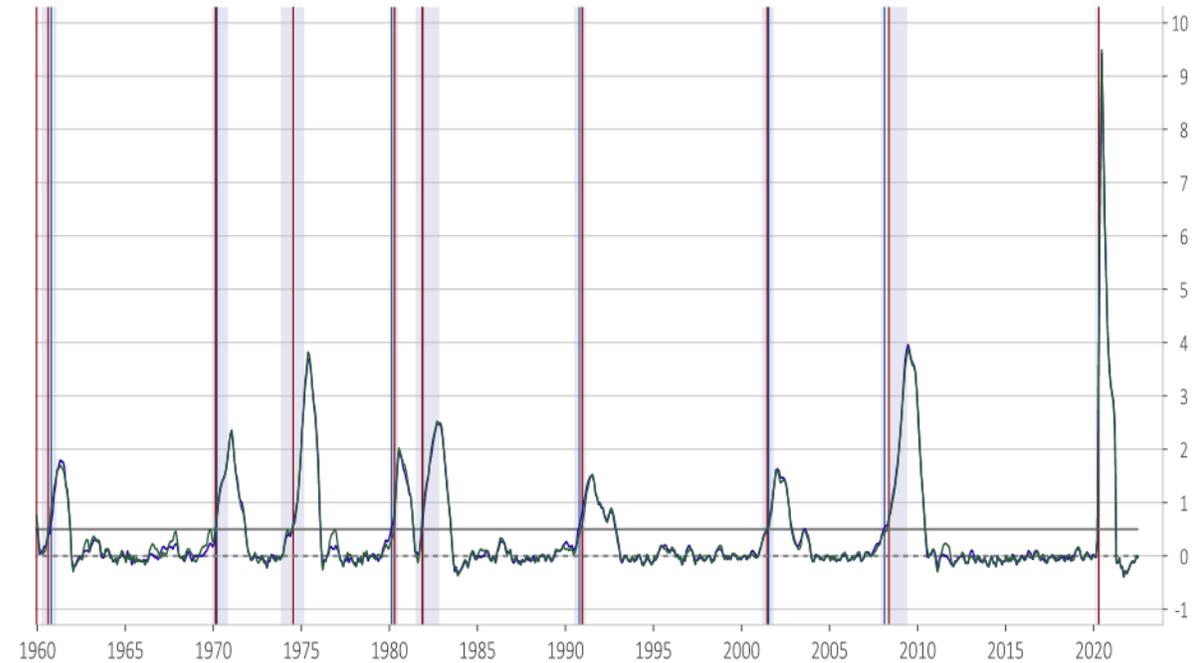


-Standardization

Source: Erik Penser Bank, Macrobond

Sahm Rule coincident indicator shows low risk of recession

Source: Federal Reserve Bank of St. Louis



-Real-Time Sahm Rule Recession Indicator - Current Sahm Rule Recession Indicator ■ Real-Time Sahm > .5

■ Current Sahm > .5

Source: Erik Penser Bank, Macrobond

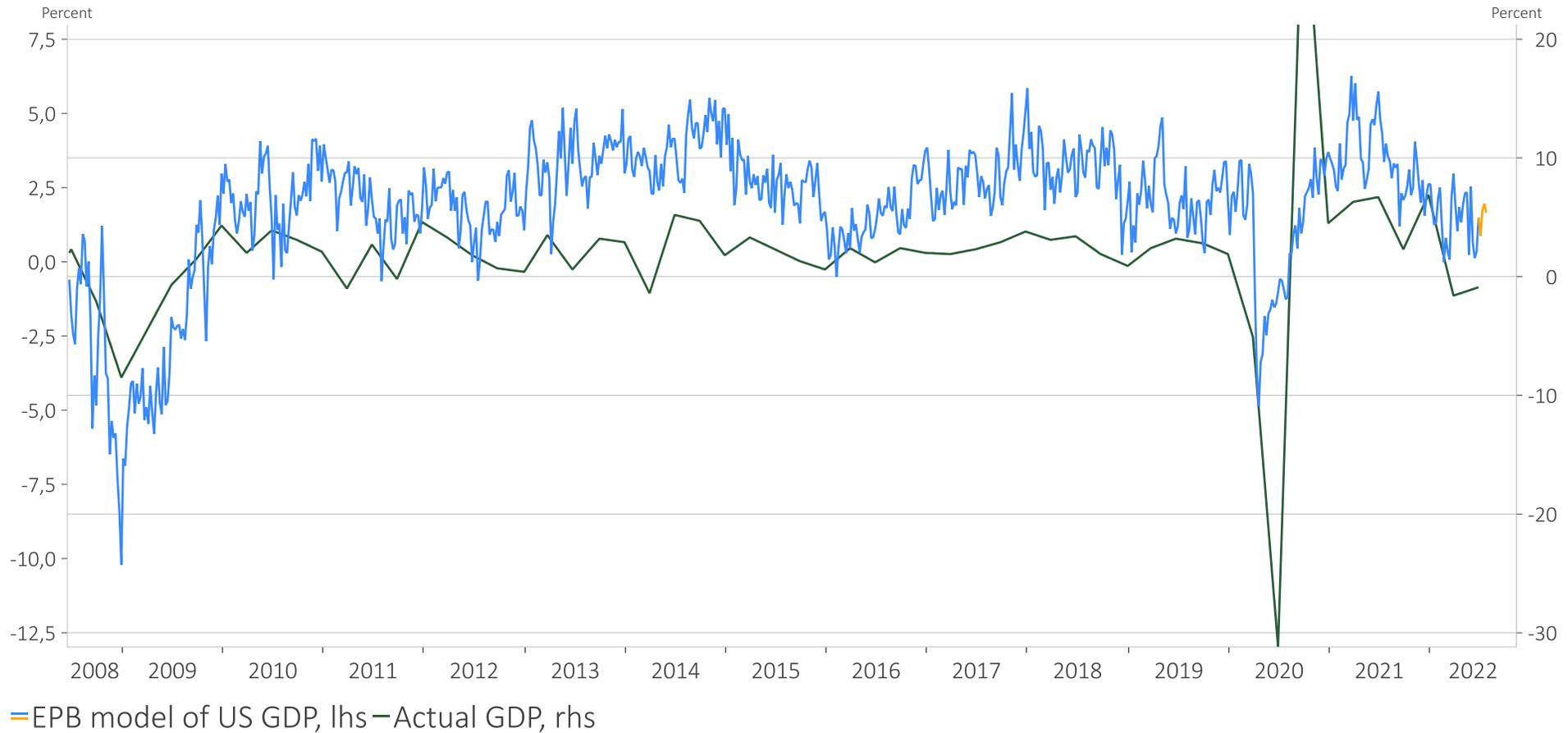


Why no US recession call for 2022?

Weekly data troughed in April 2020

Below is built 217 datavariabes

EPB GDP now model

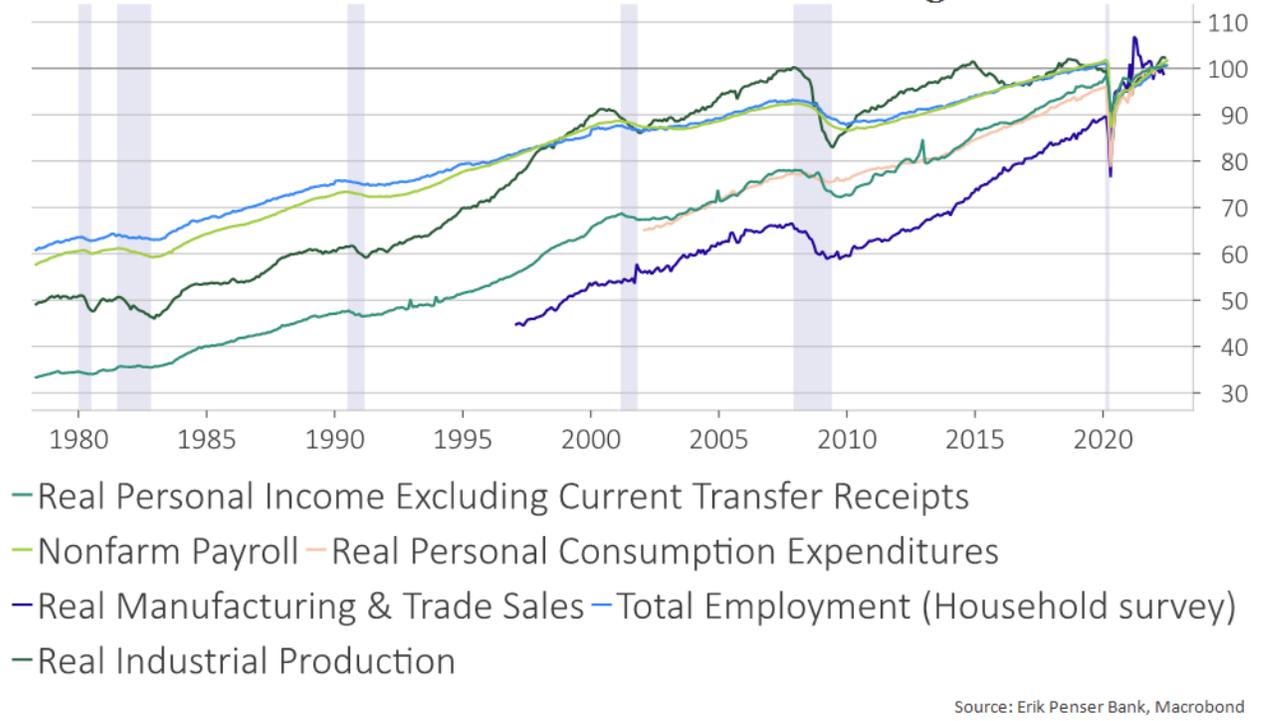


Source: Erik Penser Bank, Macrobond



Why no US recession call for 2022?

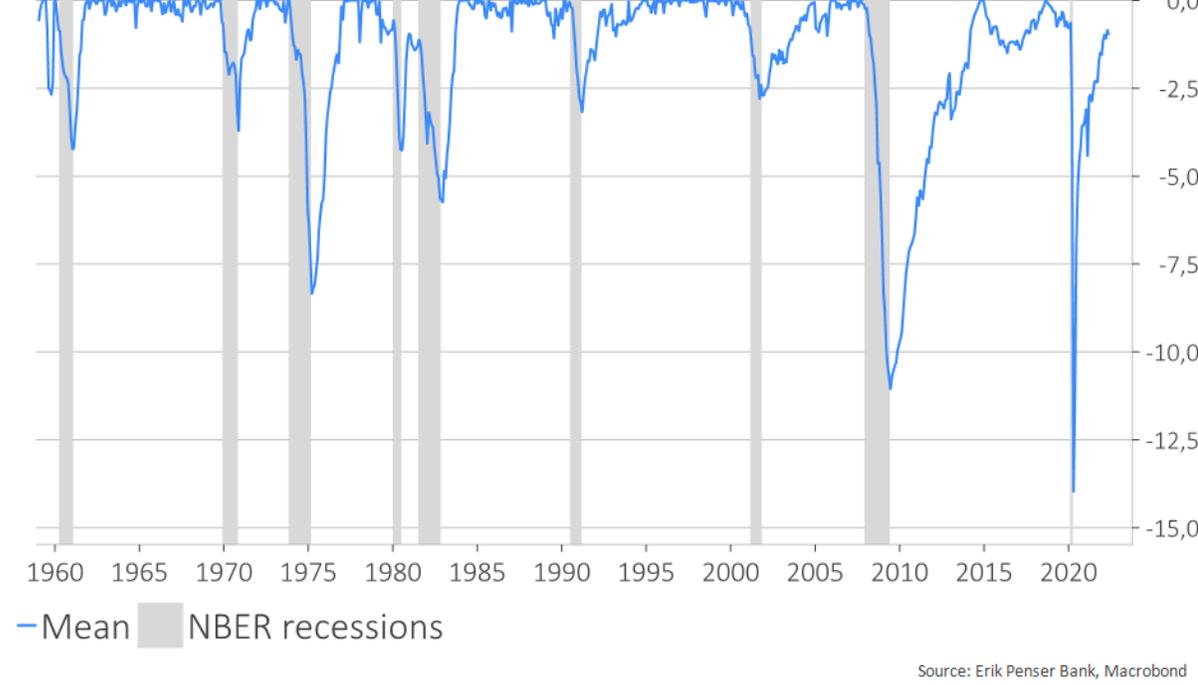
NBER time series that are used for recession dating



Four key U.S. recession indicators tracked by the Conference Board



Four key U.S. recession indicators tracked by the Conference Board



Using the data that defines actual US recession we can see...no recession...

Hence, we are not in a recession and as the market had priced one our strategy was to position ourselves for a rebound – we are currently in a tech bull market!

Also, small caps were set to lead the rebound & they have & fortunately we caught this bounce!



Most alerted data

USA

- 15e NY FED activity index
- 16e Building permits, housing starts, **production**
- 17e **Retail sales, inventories, FOMC minutes**
- 18e Philly FED activity index, claims, existing home sales, leading index

China

- 15e Production, retail sales

Japan

- 15e GDP Q2, production
- 16e Tertiary industry index
- 17e Core orders

Eurozone

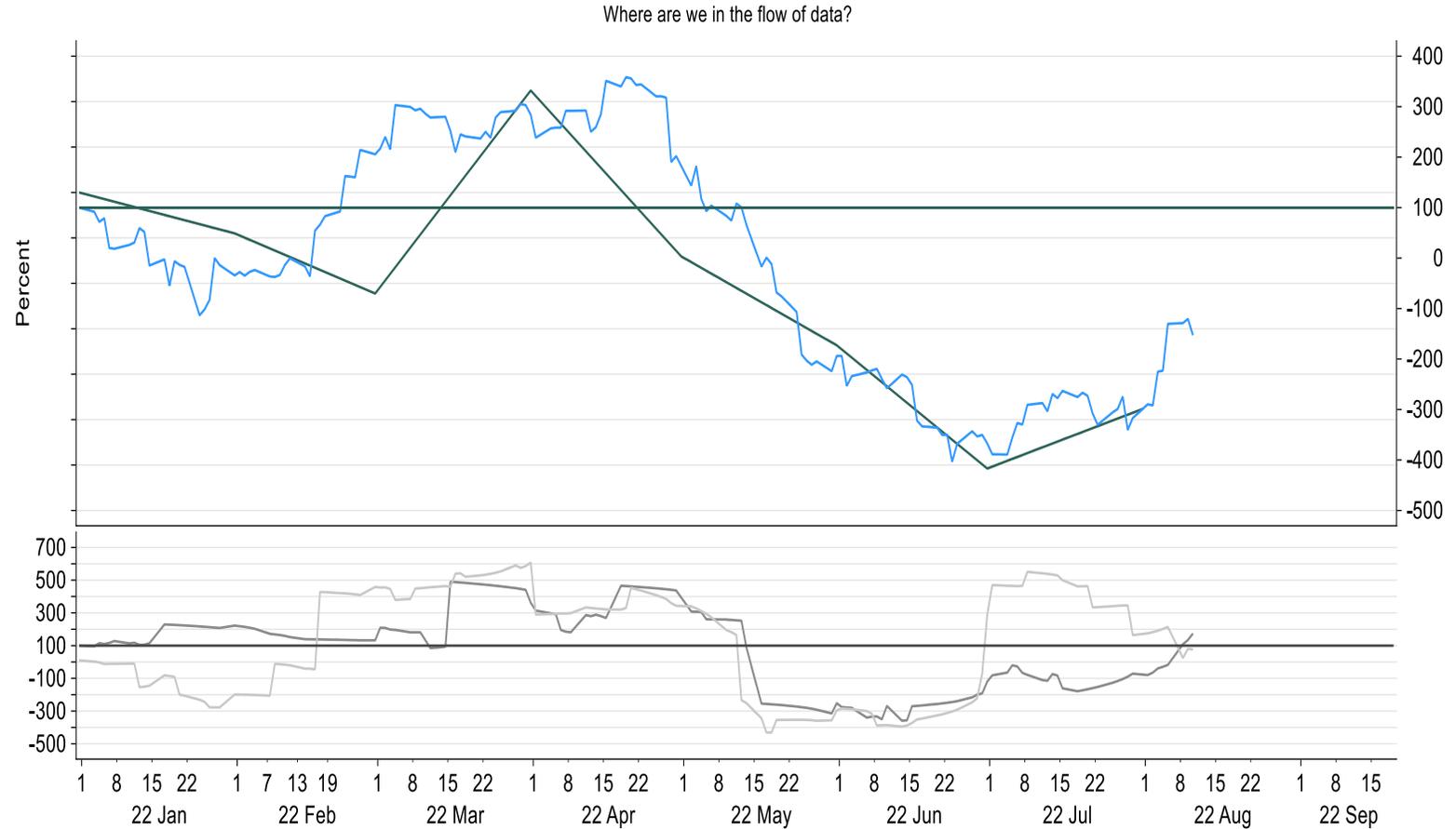
- 16e ZEW
- 17e GDP Q2

Germany

- 16e ZEW

Sweden

- n/a



- 100, rhs
- Economic Surprise - United States, rhs
- Japan, Leading Indicators, Citi, Economic Surprise Index, Index
- United States, Leading Indicators, Federal Reserve, Recession Risk - China, Leading Indicators, Citi, Economic Surprise Index, Index

Källa: Erik Penser Bank & Macrobond

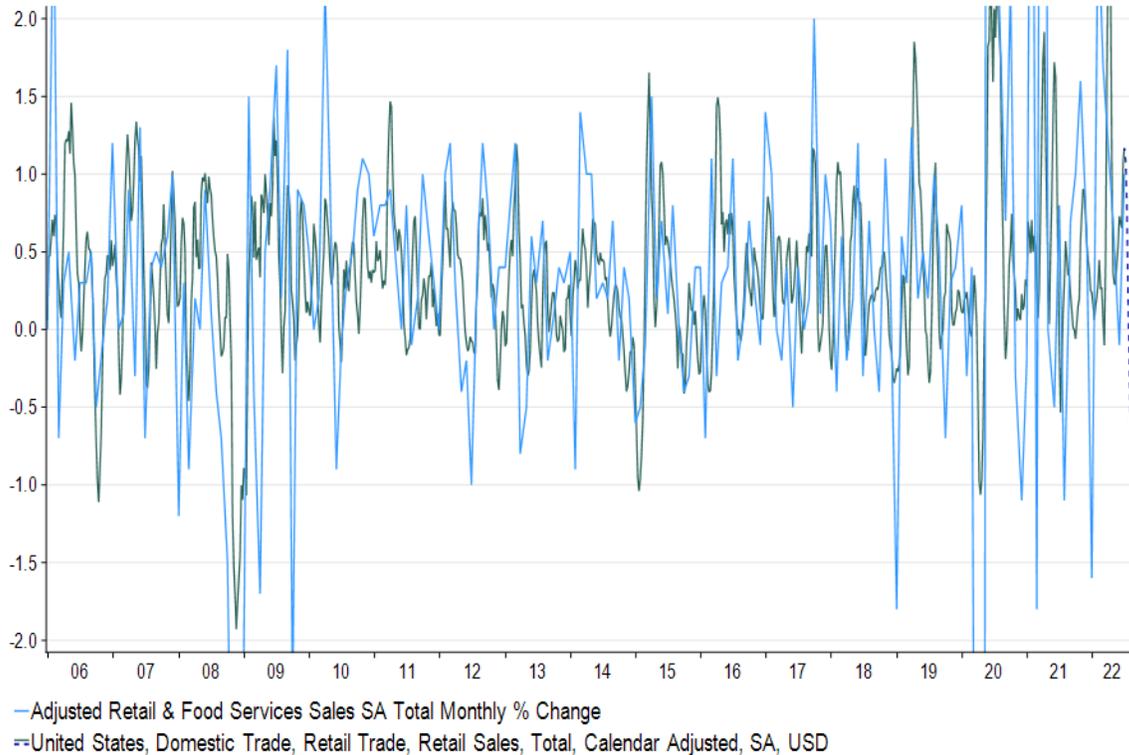


US Retail sales, coming down again (as pump prices fall etc)

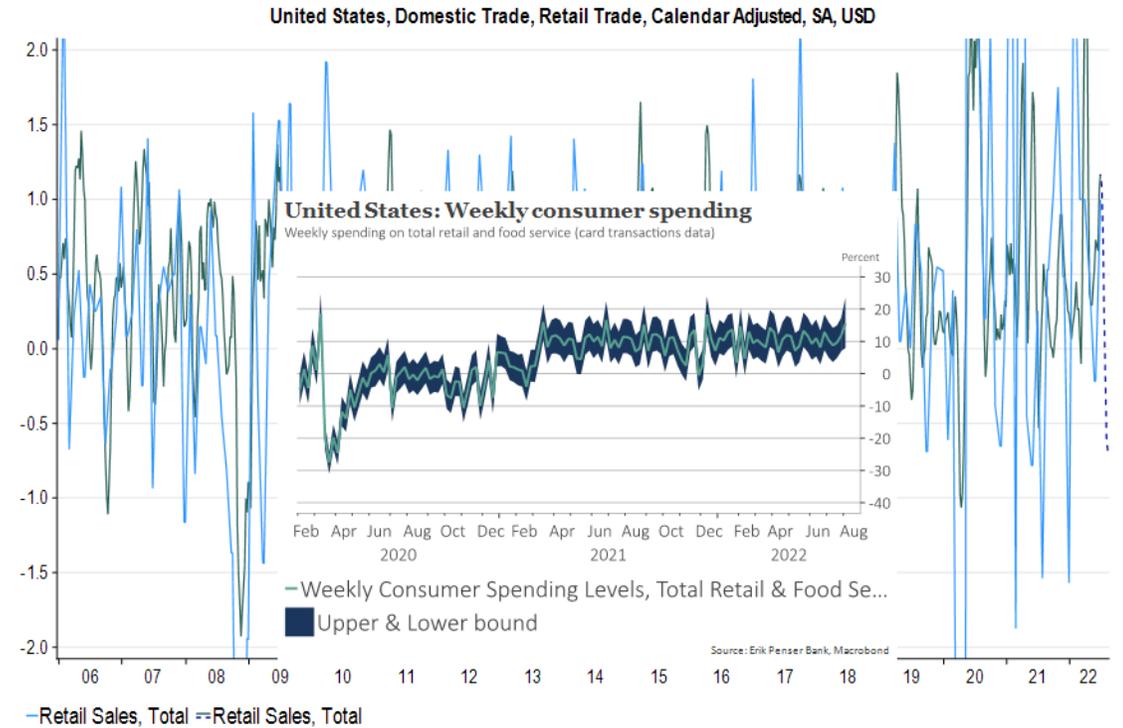
US economy is still growing, just as we have highlighted. This will **still** take some investors by surprise.

BLOOMBERG

MACROBOND



Källa: Erik Penser Bank & Macrobond



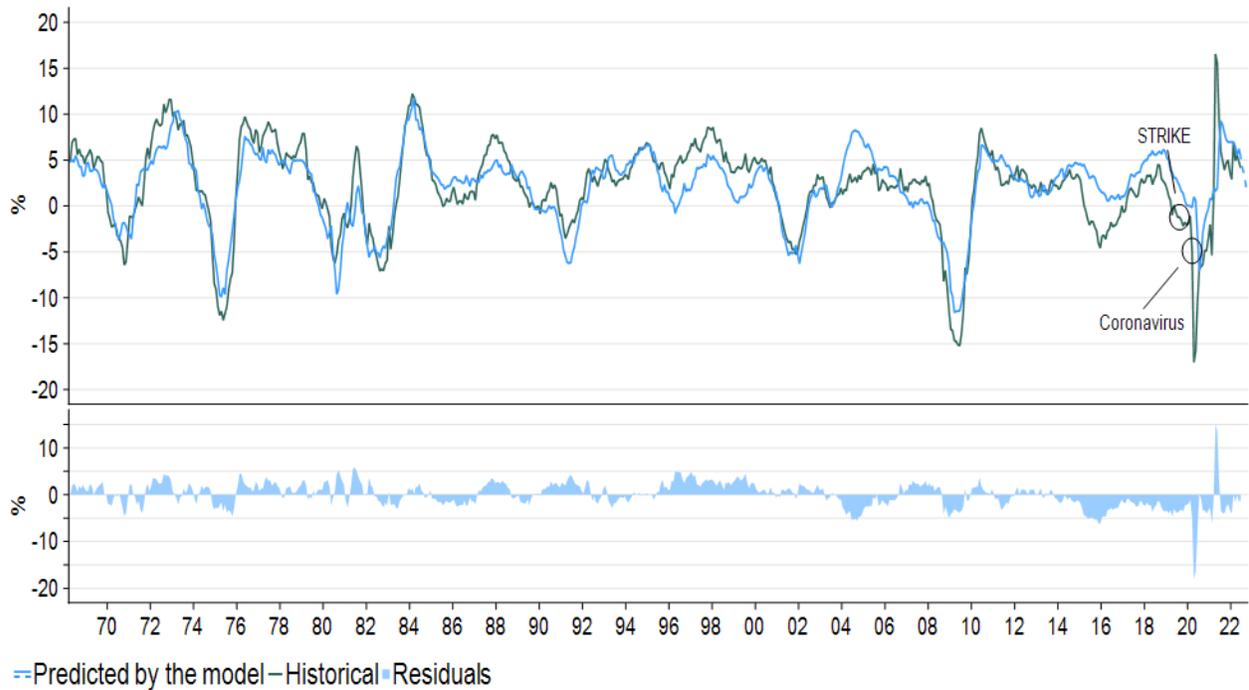
Source: Erik Penser Bank, Macrobond

Källa: Erik Penser Bank & Macrobond

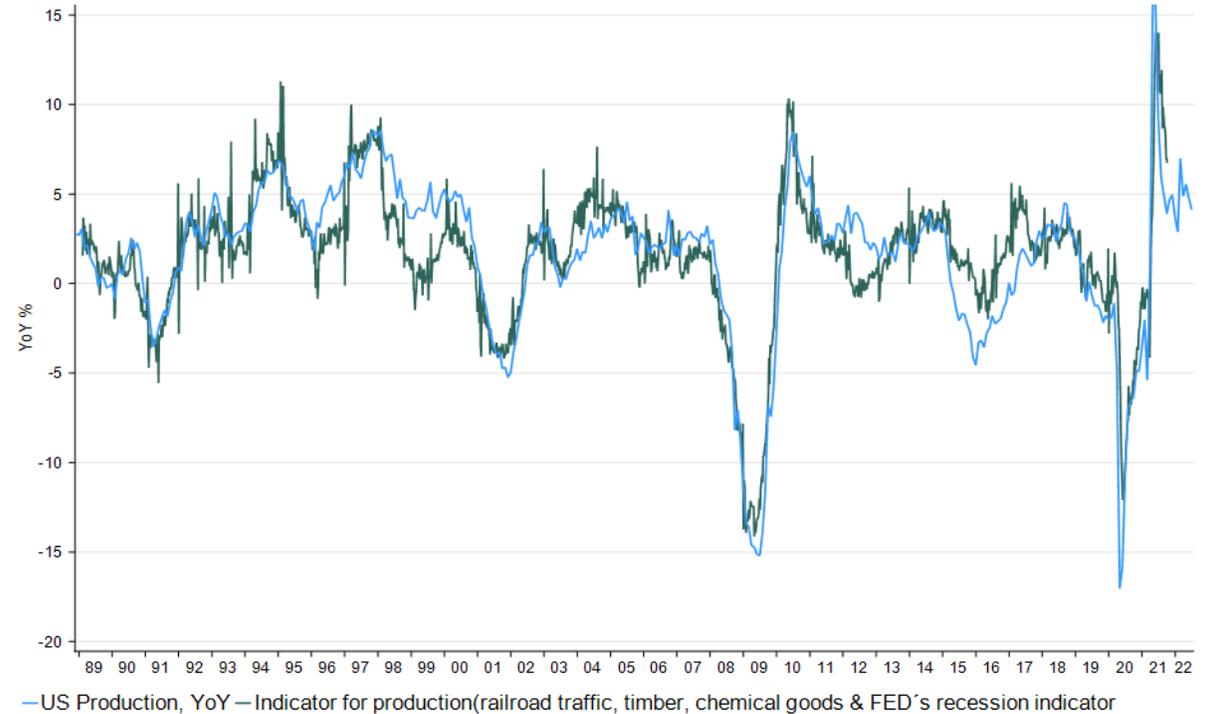


US's production trend troughing!?

Regression model for the US Industrial Production



Källa: Erik Penser Bank & Macrobond



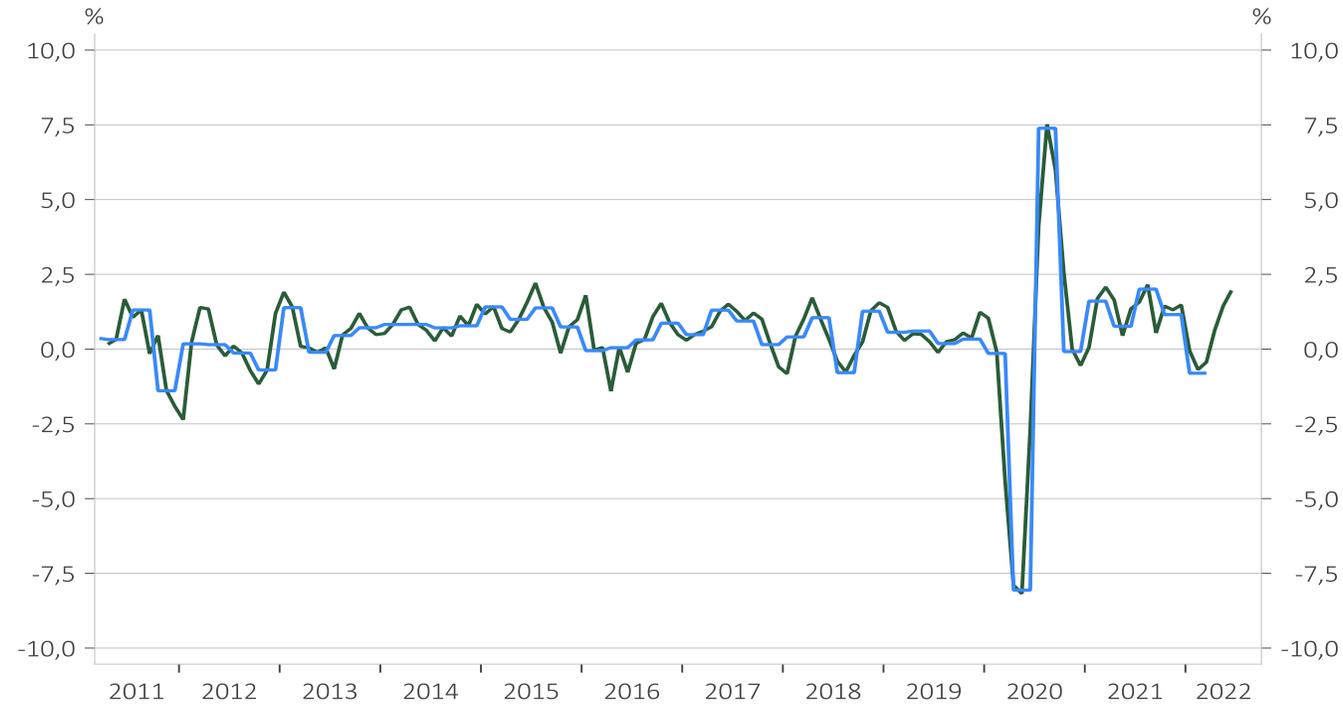
Källa: Erik Penser Bank & Macrobond



Why did we re-enter Swedish equities?

- Cyclical bounce!
- And remember, Swedish OMX stopped trading on Swe cyclical factors and switched to US!

Sweden, SA



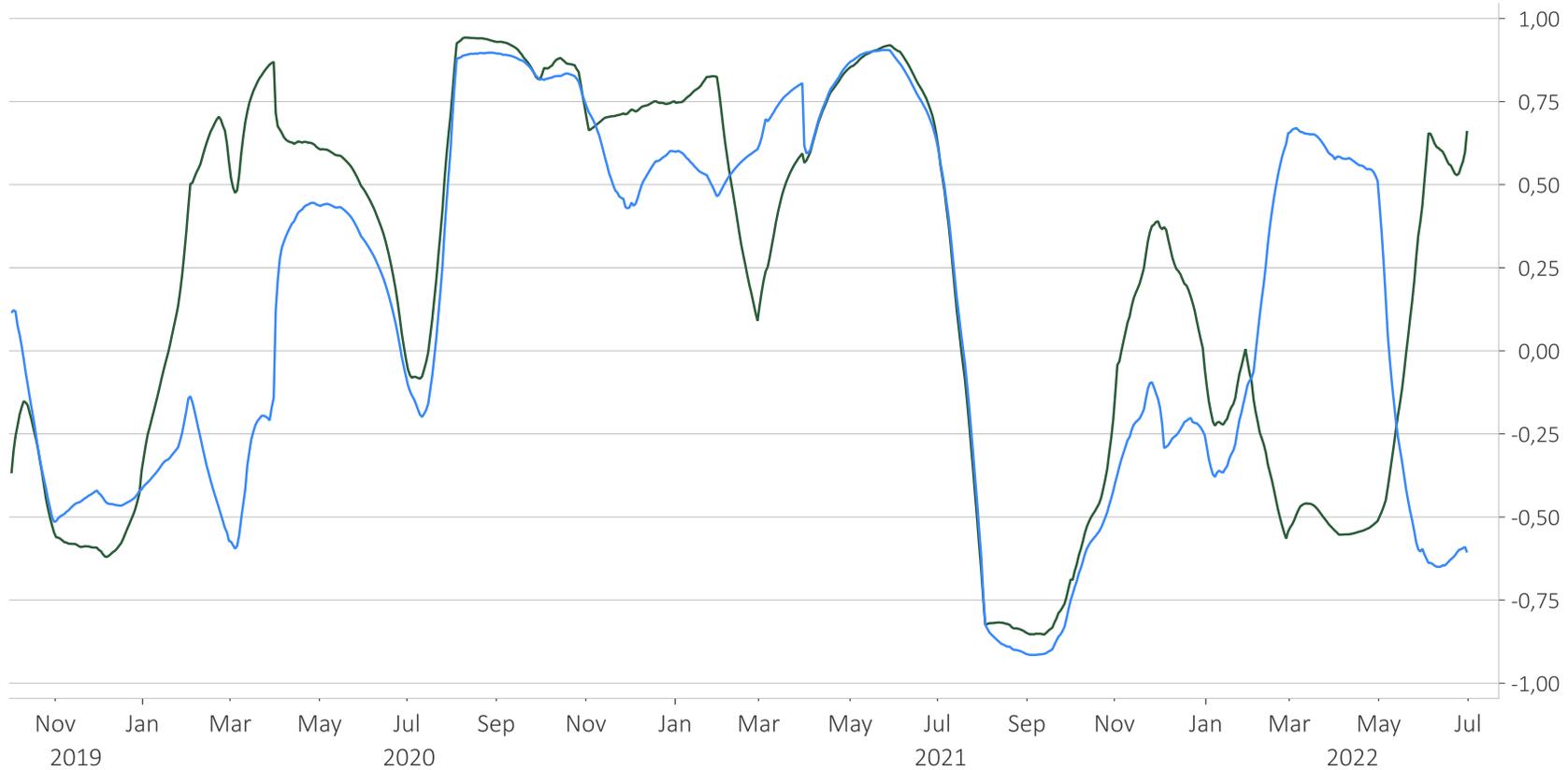
— Gross Domestic Product, Total, Constant Prices, Market Prices, SEK, rhs [c.o.p. 1 qua...
— GDP Indicator, Activity Indicator, Index, lhs [c.o.p. 1 quarter, c.m.a. 1 quarter]

Source: Erik Penser Bank, Macrobond



Sweden

OMX following a new tune...we (again) trade OMX following US developments and not Swedish which dominated in Q1 (and why OMX underperformed much of the world!)



—SWE business cycle vs OMX, correlation —US business cycle vs OMX, correlation

Source: Erik Penser Bank, Macrobond



SWE real estate a reason international investors shy away?



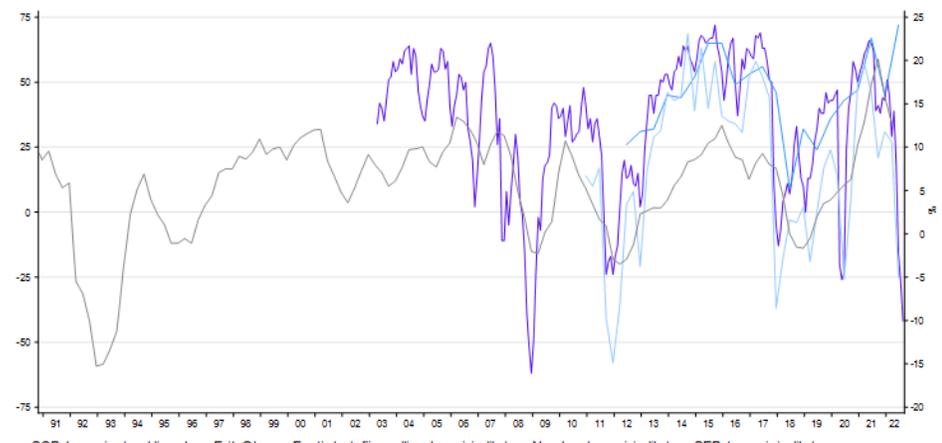
— Real Estate Prices, HPI, Current Prices, Residential, rhs — Sweden, Construction Status, Number, All Buildings, Total, Statistics Sweden (SCB), Permits
Källa: Erik Penser Bank & Macrobond

House price indicators					
Region	House Price-to-Income Ratio	House Price-to-Rent Ratio	Nominal price index (%)	Real price index (%)	Private sector credit growth
Canada	150,5	160,4	20,9	15,0	24,1
New Zealand	149,3	162,6	39,2	28,3	23,7
Portugal	147,1	159,1	20,4	15,0	8,4
Netherlands	146,8	160,5	27,0	19,5	6,2
Czech Republic	146,2	176,1	41,3	24,3	19,6
Austria	140,9	134,0	26,2	17,7	11,3
Germany	138,4	151,0	22,8	14,5	12,0
United States	136,3	139,2	35,1	22,8	9,7
Spain	123,7	132,1	9,6	1,0	8,6
Switzerland	123,4	123,8	14,3	12,4	14,1
United Kingdom	121,7	129,1	18,9	11,3	12,8
Denmark	120,8	132,7	13,4	9,7	4,7
Australia	119,7	141,6	26,1	21,2	22,2
Sweden	117,4	131,6	18,3	11,3	25,3
France	113,2	127,3	12,9	8,1	14,5
Norway	112,0	125,1	19,1	11,5	28,2
Japan	110,8	114,7	12,9	12,5	2,7
Poland	109,3	121,0	21,8	7,9	8,5
South Korea	108,8	113,0	24,2	17,9	21,2
Belgium	107,0	119,1	13,7	4,8	10,7
Finland	99,1	102,6	6,5	2,6	7,4
Italy	94,3	104,2	6,4	0,1	8,4

Source: Erik Penser Bank, Macrobond



— Husprisutveckling, rhs — Förväntad husprisutveckling
Källa: Erik Penser Bank & Macrobond

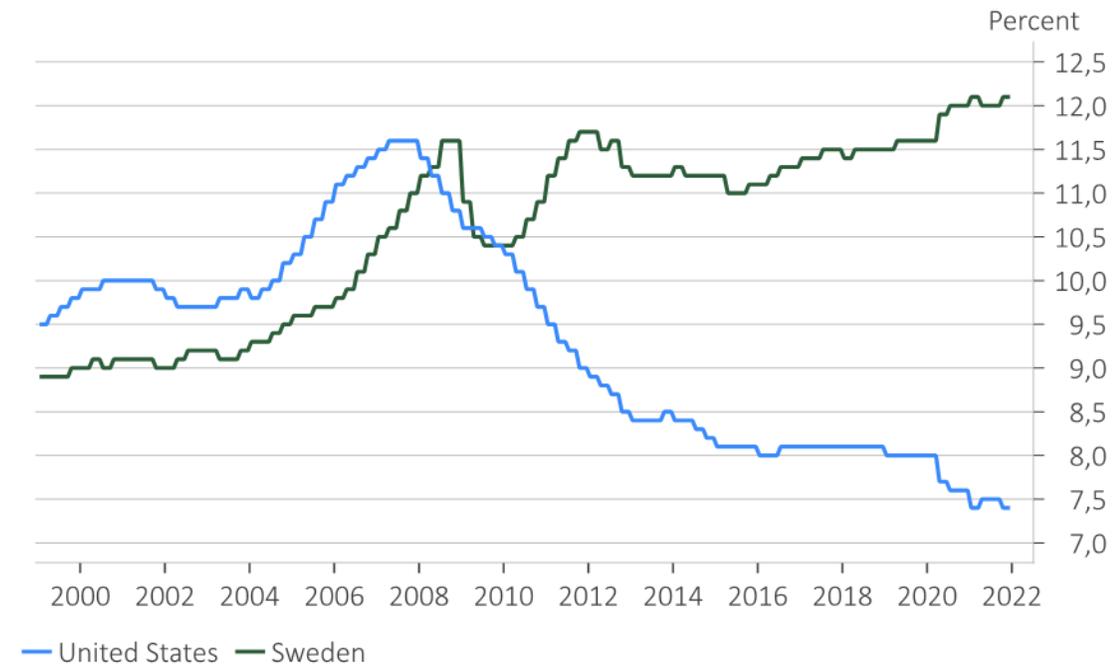


— SCB, husprisutveckling, rhs — Erik Olsson Fastighetsförmedling, husprisindikator — Nordea, husprisindikator — SEB, husprisindikator
Källa: Erik Penser Bank & Macrobond

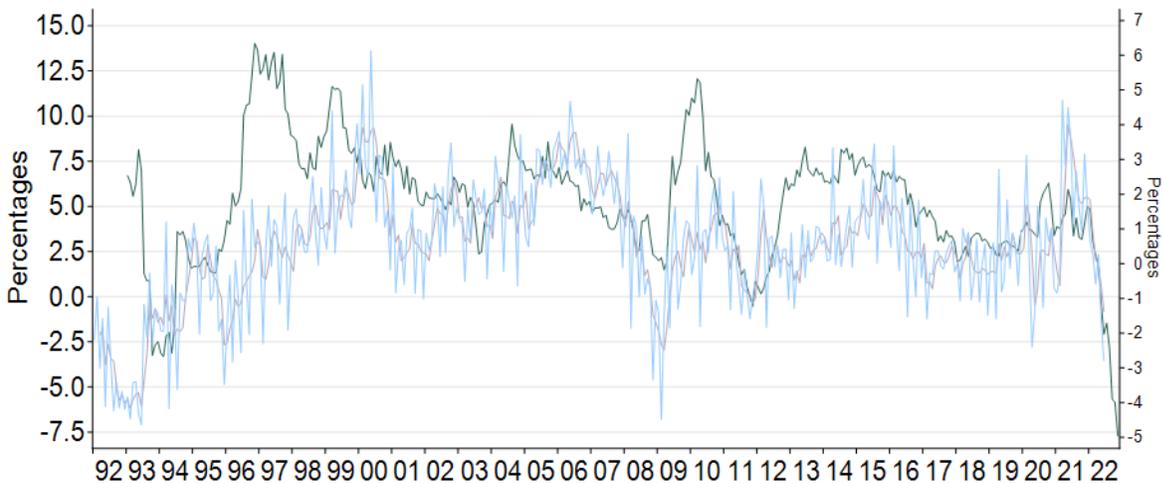


SWE – still short SEK (versus USD, EUR, NOK), but much less so. Pre war we hedged the war risk by having 98% exposure to USD, now we use 55%

Banking Ratios, Debt Service Ratios (DSR), Households & NPISHs, Share of Income



Source: Erik Penser Bank, Macrobond

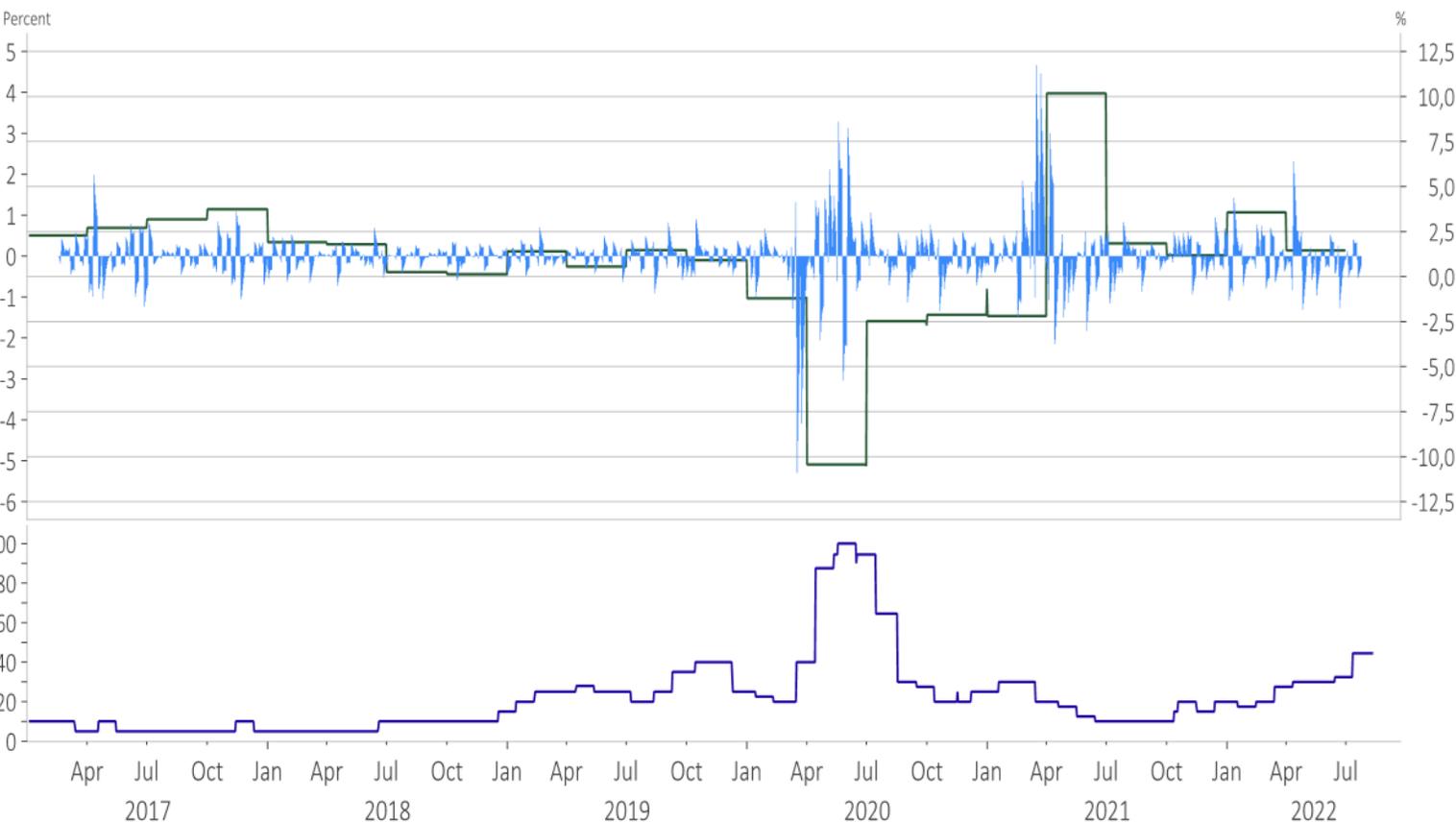


- Sweden, Domestic Trade, Retail Trade, Total except Fuel, Constant Prices ...
- Retail sales volume, change over year ago, 3m moving avg
- Real wages, change over year ago, 3m moving avg, 6m lead, rhs

Källa: Erik Penser Bank & Macrobond



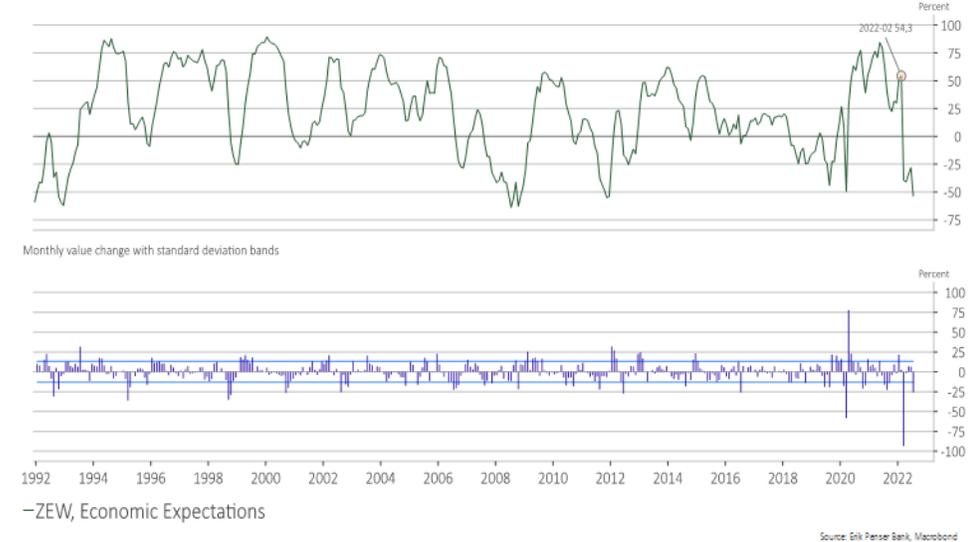
Short term German outlook, recession risk 45%, up from 20% from before the war



- Germany, National Accounts, GDP Tracker, Weekly, Total, Change Y/Y, lhs
- Germany, Gross Domestic Product, Total, Calendar Adjusted (X13 JDemetra+), Constant Prices, SA (X13 JDemetra...)
- Germany Recession Probability Forecast

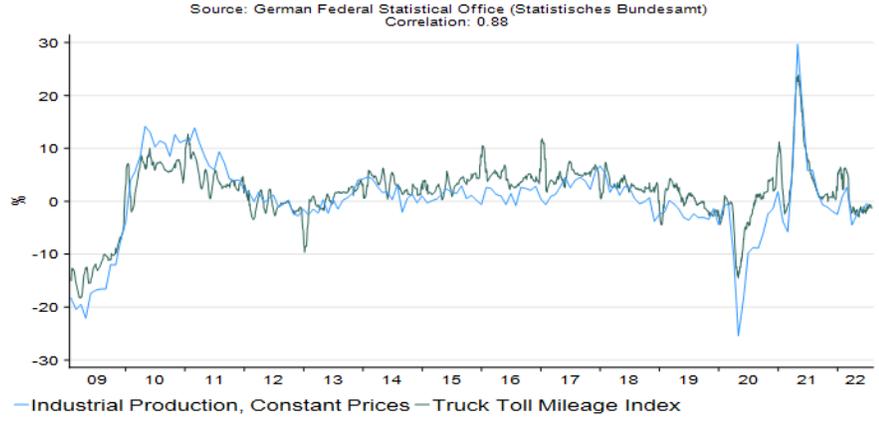
Source: Erik Penser Bank, Macrobond

Germany's economic expectations experience record decline



Source: Erik Penser Bank, Macrobond

Germany: Truck toll mileage index and industrial production



Source: Erik Penser Bank & Macrobond



Global Trade, volumes accelerating

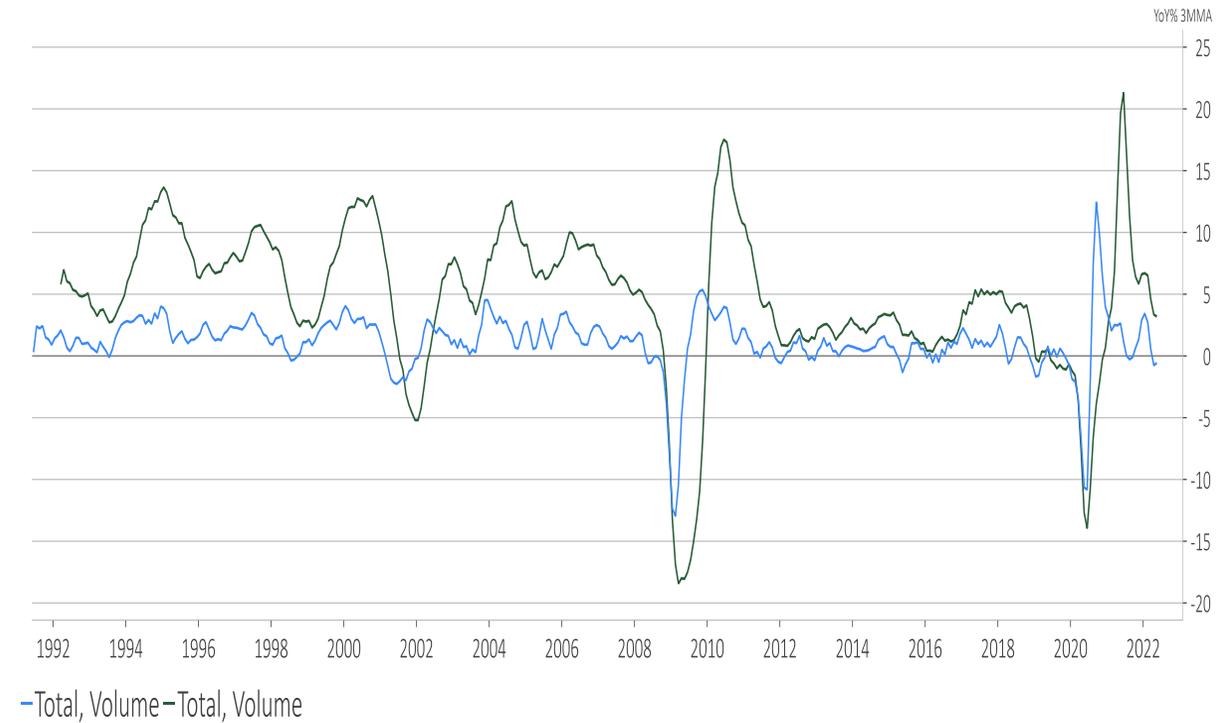
World trade, industrial production and Chinese shipments



Source: Erik Penser Bank, Macrobond

World: Foreign Trade

Source: Netherlands Bureau for Economic Policy Analysis (CPB). Next release: 2022-08-25

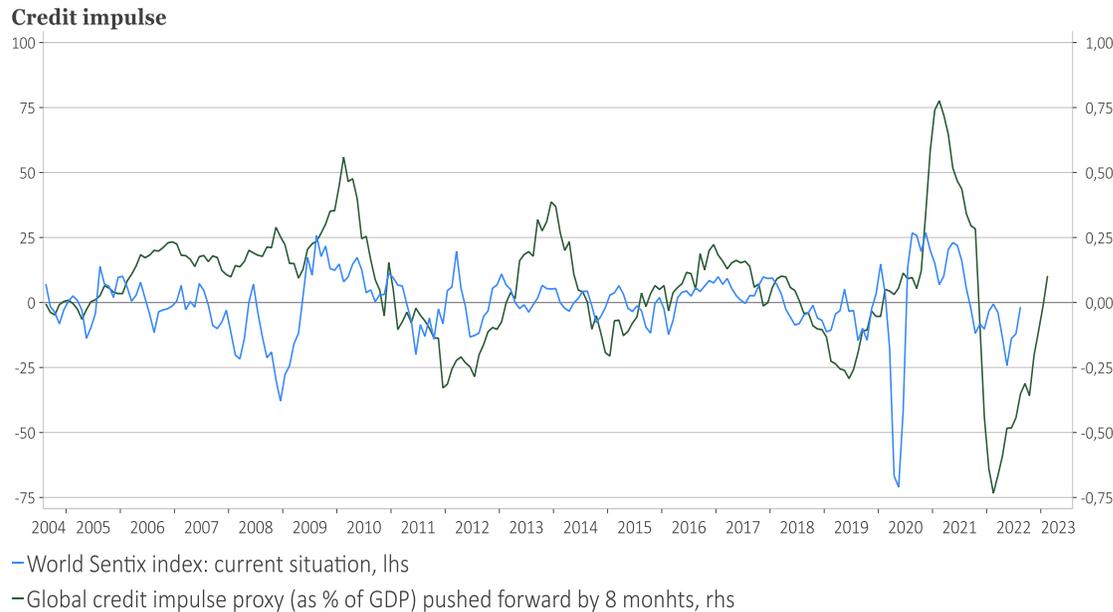


Source: Erik Penser Bank, Macrobond

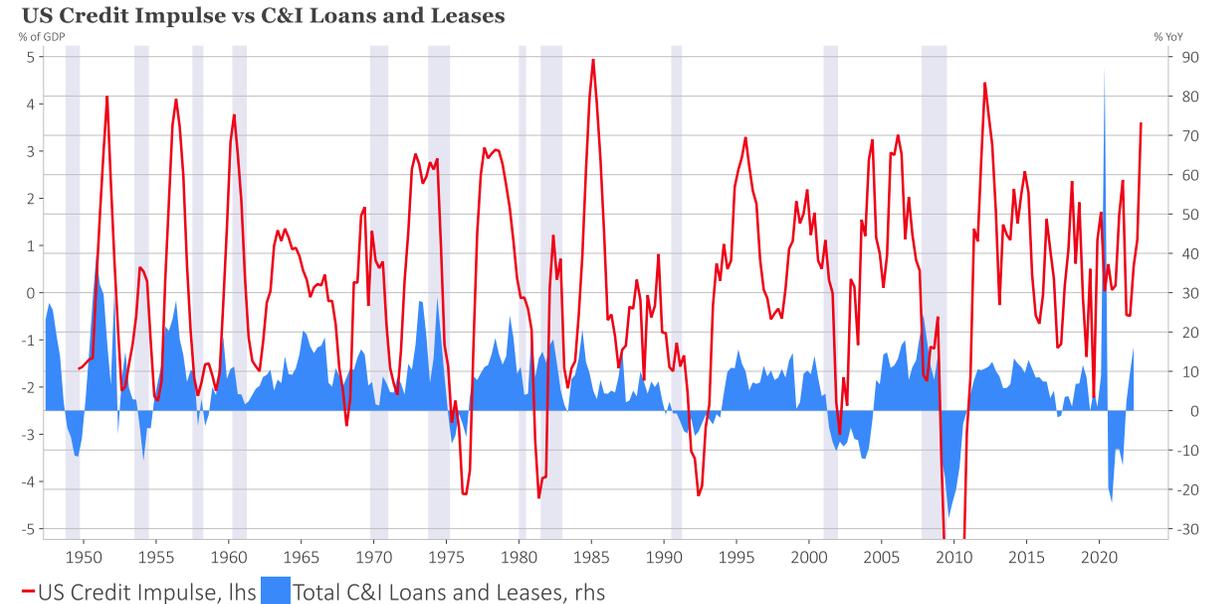


Why no US recession call for 2022?

Credit Impulse indicators...looking good!!! (don't get tricked by old Chinese data, they have changed their liquidity channels)

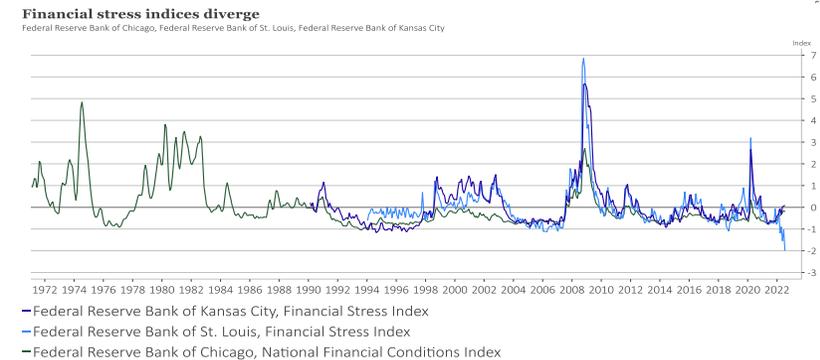


Source: Erik Penser Bank, Macrobond



Source: Erik Penser Bank, Macrobond

Also...there is a lot of talk about Financial Conditions, but these vary, including the ones the FED produces...hence we need to derive exactly what is pushing up or down this expression.



Source: Erik Penser Bank, Macrobond



Appendix, remember “What has held OMX back as it trails the world”

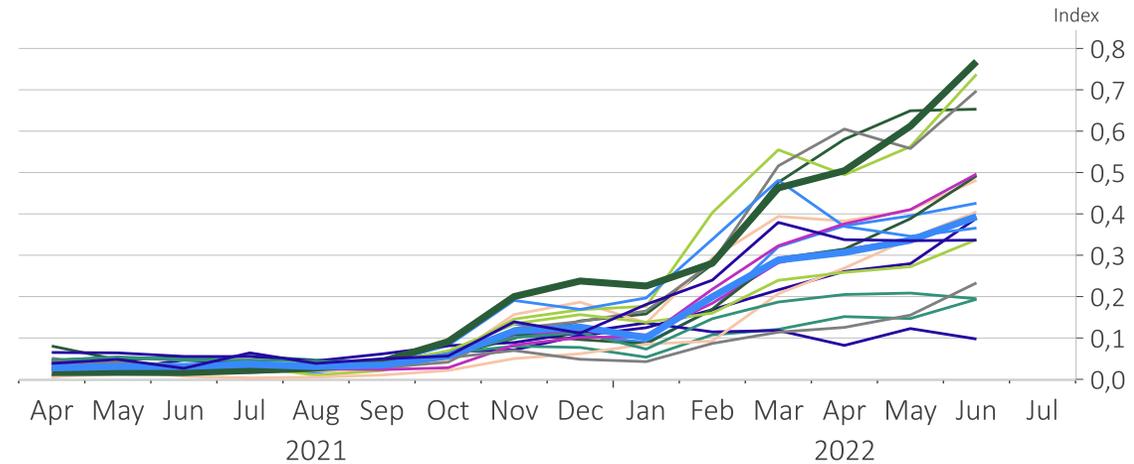
- Swedish political situation has caused stress
- Short SEK!

Systemic stress composite indicator		
	Latest	Index
Sweden	0,825	0,825
Austria	0,669	0,669
Finland	0,668	0,668
Germany	0,568	0,568
Netherlands	0,562	0,562
France	0,556	0,556
Denmark	0,522	0,522
Belgium	0,455	0,455
Euro Area (GDP weights)	0,441	0,441
Euro Area	0,417	0,417
Czech Republic	0,363	0,363
Ireland	0,342	0,342
Poland	0,337	0,337
United Kingdom	0,335	0,335
Hungary	0,318	0,318
Portugal	0,251	0,251
Spain	0,237	0,237
Italy	0,188	0,188
Greece	0,092	0,092

Legend	Value
■ Latest	0,825
● MoM	-0,2

Source: Erik Penser Bank, Macrobond

Leading Indicators, ECB, Index



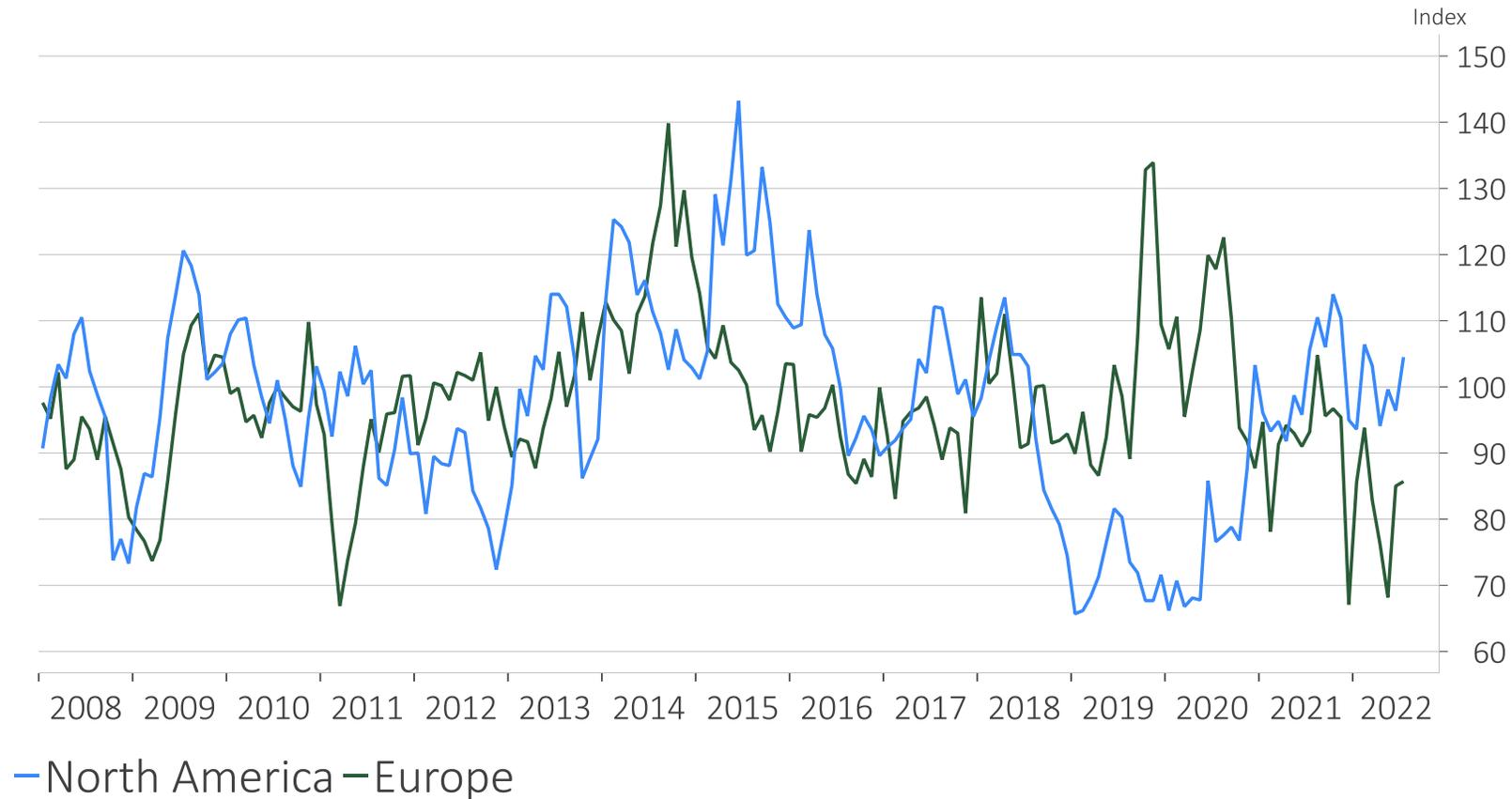
- Poland — Euro Area (GDP weights) — Sweden — Portugal
- Netherlands — Italy — Ireland — Hungary — Greece — United Kingdom
- France — Finland — Euro Area — Spain — Denmark — Germany
- Czech Republic — Belgium — Austria

Source: Erik Penser Bank, Macrobond



Investor confidence, over 100 = increased flows to the region, the buy side has spoken...dump Europe, and increase more to the US

Equity Investor Confidence Index, Total, Index



Source: Erik Penser Bank, Macrobond



EPB Asset Management, diverse range of Houseview publications

Weekly newsletter

ERIK PENSER BANK

Veckobrev
Utsädesvecka 40
9 oktober 2020

Veckobrev

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Monthly houseview

ERIK PENSER BANK

DECEMBER 2019
Erik Penser Banks
Husvy

Husvy

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Weekly houseview and market analysis

Erik Penser Bank Houseview

Asset Managements' positions and analysis

We believe in transparency, this publication is not mere opinions, it is how we have traded and will trade in order to beat our competitors and benchmarks.

This entirely data driven methodology was founded in late 1990s, developed in the Nordics, London and New York, it e.g. accurately predicted the IT & Great Financial crises with recoveries. So far, the political, economic and financial implications of the pandemic outbreak of 2020 were the hardest to catch, fortunately the rebound was one of the easier, we timed it to the day – 24th of March.

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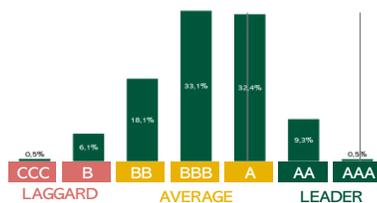
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