

Erik Penser Bank's 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 our strategies we have implemented.

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

Head of Asset Management

Twitter; @jwthulin

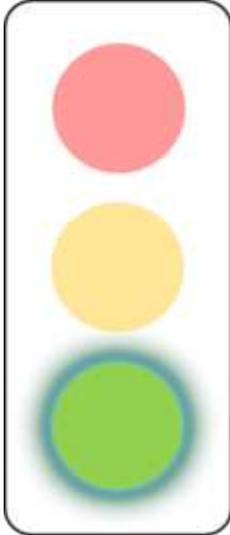


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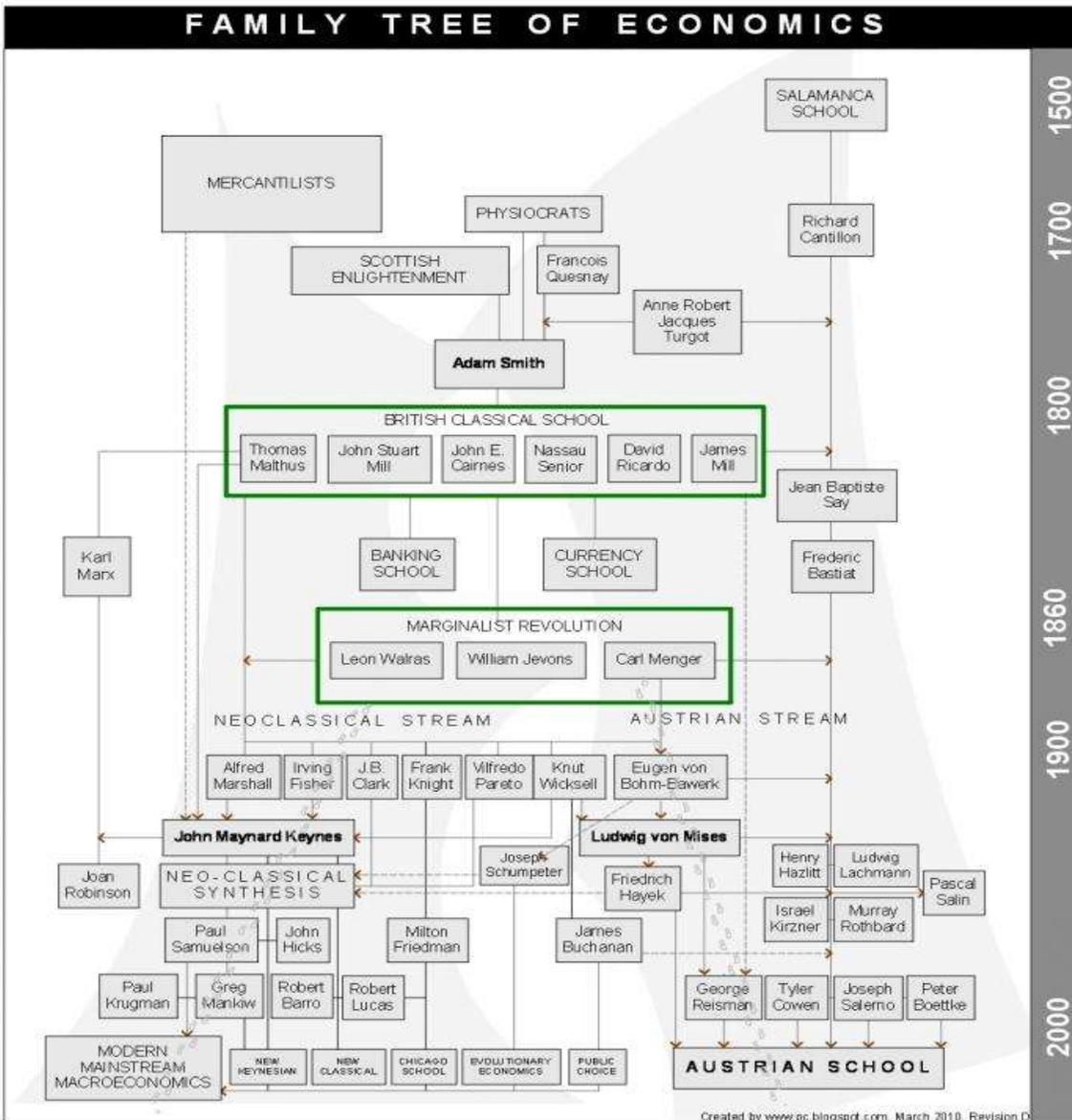
We are an active asset manager with strong academic links

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

Result, currently 90% of our mandates (over min 50 mUSD) are beating their benchmarks, short and long term (gross fees), resulting in a green light



Historical returns are no guarantee of future returns. The money invested can both increase and decrease in value and it is not certain that you will get back the entire invested capital.



Outlook 2023

2023 will see a more “normal” market environment with growing equity markets and lower yields

Blockification to continue with recessions (more and more unlikely) and soft landings mutually existing

We expect a German / EZ recession with 50% risk, risk of US recession is 22% (prev 90&25)

Much of this has of course been priced – hence risk / reward is to follow data...not “consensus”



Outlook, to strategic asset allocation, to regional weights....

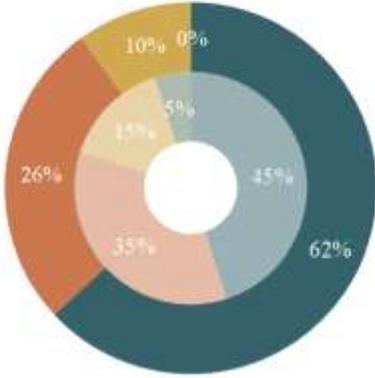
Macro forecasts



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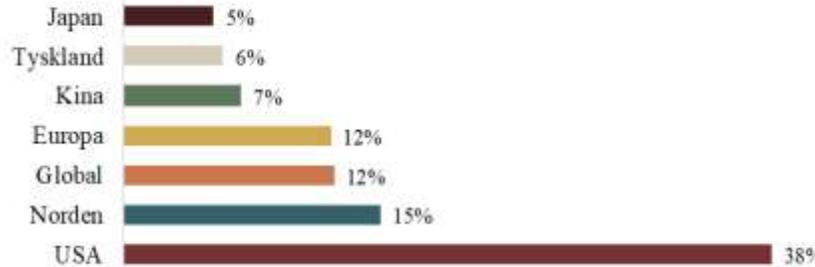
	2017	2018	2019	2020	2021	2022	2023	2024
Världen	3,7	3,6	2,9	-3	6	2,9	2,1	2,9
Globala Aktier	24	-11	27	15	18	-15	8	10
EM aktier	32	-8	8	-3	-2	-20	10	10
USA								
BNP	2,3	2,9	2,3	-2,8	5,9	1,8	0,4	1,3
Arbetsmarknad	4,4	3,9	3,7	8,1	5,4	3,7	4,8	4,8
Inflation	2,1	2,5	1,8	1,2	4,7	8,1	3,8	2,5
Räntor (10 år)	2,4	2,7	1,9	0,9	1,5	4	3	3
Eurozonen								
BNP	2,6	1,8	1,6	-6	5,3	3,2	0,1	1,2
Inflation	1,5	1,8	1,2	0,3	2,6	8,5	5	2
Sverige								
BNP	2,8	2,1	2	-2,3	5	2,8	-0,1	1,5
Inflation KPIF	1,8	2	1,8	0,5	2,3	7,6	5,1	1,8
Arbetslöshet	6,9	6,5	7	8,5	8,8	7,6	8,5	8
Bostadspriser	0,2	2,24	2	5	15	-10	-5	3
Börsen	8	8	22	3	27	-15	10	10
Reporäntan	-0,5	-0,25	0	0	0	2,4	2	2
Räntor (10 år)	0,77	0,46	0,14	0,02	0,22	2,6	2,4	2,3
USDSEK	8,18	8,85	9,37	8,23	9,05	11	9,9	9,2
Kina								
BNP	6,9	6,7	6	2,2	8	3,3	4,9	4,9
Japan								
BNP	1,7	0,7	-0,4	-4,7	1,8	1,5	1,3	1,1

Medium risk asset allocation



- Globala aktier 45% (0-65%)
- Räntor 35% (25-100%)
- Alternativa 15% (0-30%)
- Råvaror 5% (0-10%)

Regional weights in equities



How do we end up with this Outlook?, aside our summary presentation, this presentation goes under the hood...



Derived conclusions in our Outlook 2023

Macro uncertainties will fall
Financial market uncertainties will fall
Political stress will fall
Media stress will fall
We prepare for low growth and high but rapidly falling CPI
Tactical asset allocation remain key
EZ recession is priced, will it materialize?
EZ systematic stress to fall
US Pivot is behind us
SWE real estate will find its trough
SWE manufacturing the only safe(r) bet
SWE consumer in recession even before hikes
Energy crises to linger on
CPI pressure will ease and in US fall rapidly
FED curve will be all about cuts
QT to muddle on
FED has turned more dovish and will continue in this direction
Yields will move lower
Global peak hawkishness is behind us

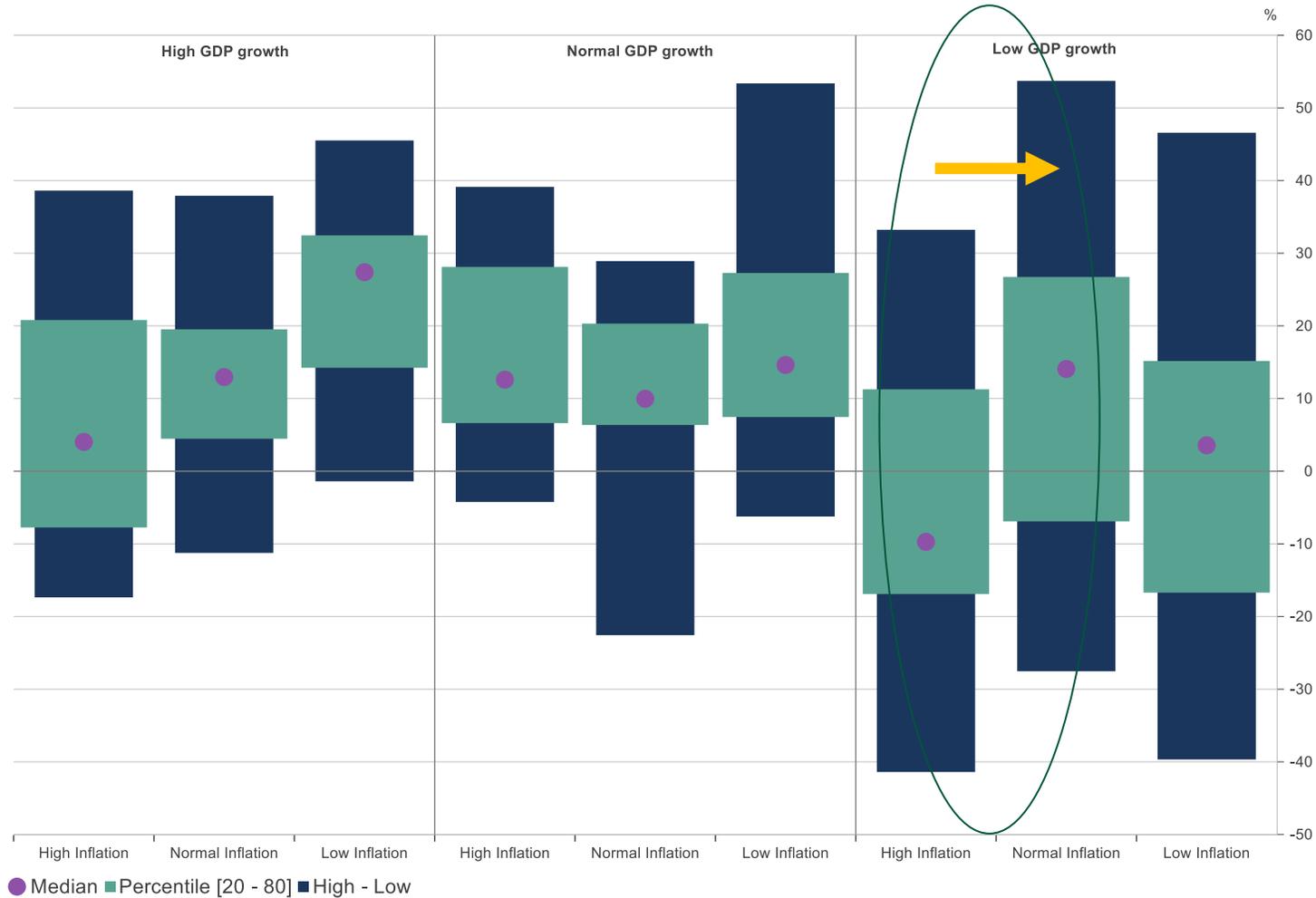
Fewer paradigms will run the markets and we start off with US macro & financial conditions dictating global markets
Financial conditions will be stable and improve slowly
The real effects of the above will materialize
2023 will bring more positive equity days
Chinese equities will make a come back
Growth equities (esp in green tech) will make a come back
Equity and rate volatility to fall
Global market risks will finally ease
Fear and Greed monitors will strive into GREED
Cash allocations will reenter equities
Equity theorems will support equities
Tobin's Q
Factor productivity
Liquidity ratio (Hui-Heubel)
FED valuation model
We forecast a repeat of 1994-1996
Earnings revisions have troughed
Price target revisions have troughed

EPS keeps present macro forecasts
Economic momentum to continue to surprise on the upside
S&P profits will follow national accounting data
Global macro indicators trough
25% recession risk for US
Soft landing in US is main scenario
We see a risk moving into year end 2023 and into 2024 – but FED will meet these with cuts
Fiscal policies will be less of a drag on US GDP
Global credit impulse to continue to grow
USD to weaken, but SEK will also be weak – hence we will reshuffle the FX exposure
We have stayed out of crypto and will stay out of crypto
We see increased flows to equities from behavioral finance
US Output gap to peak
US debt ceiling to be a major issue but no real systematic stress
US will see a shift as debt held by public enter a more normal state vs federal (% of GDP)



Outlook 2023 – a year when OW equities matches the macro context

United States: Equity returns for different growth & inflation regimes



Source: Erik Penser Bank, Macrobond

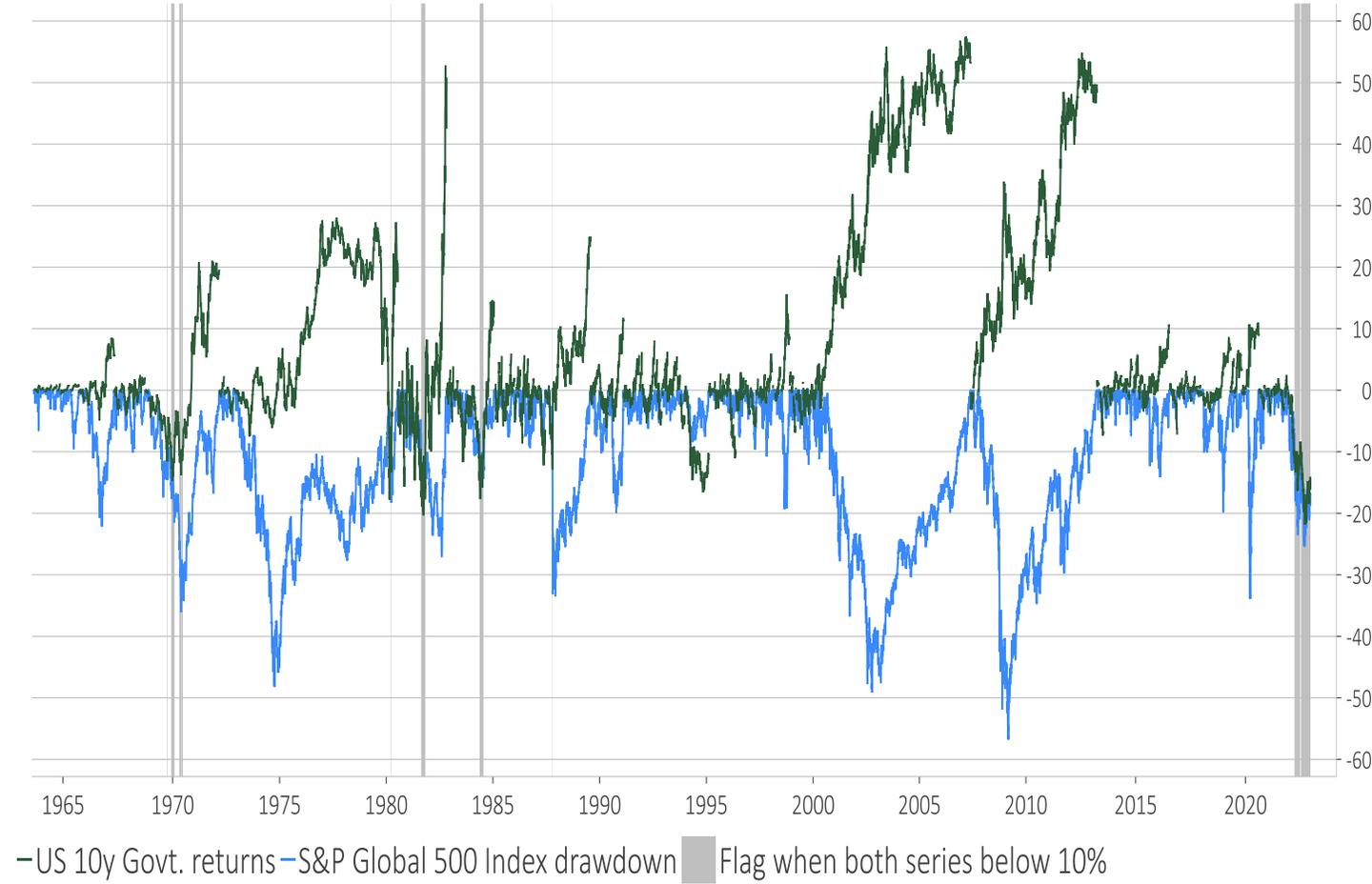


We are coming off 2022 when Tactical Asset Allocation was everything

- Traditional equity / rate portfolios had worst time since 1926
- Our strategy is to be active, use TAA
- Our portfolio in the same range beat the indexes, both short term and long term
- We beat due to alternatives, choice of FX exposure, volatility hedging and short equities hedging and choice of equity strategies
- **This was in fact the epiphany of tactical asset management**

United States equities and bonds performance

Equity index drawdown, and relative performance of the bond market during these periods

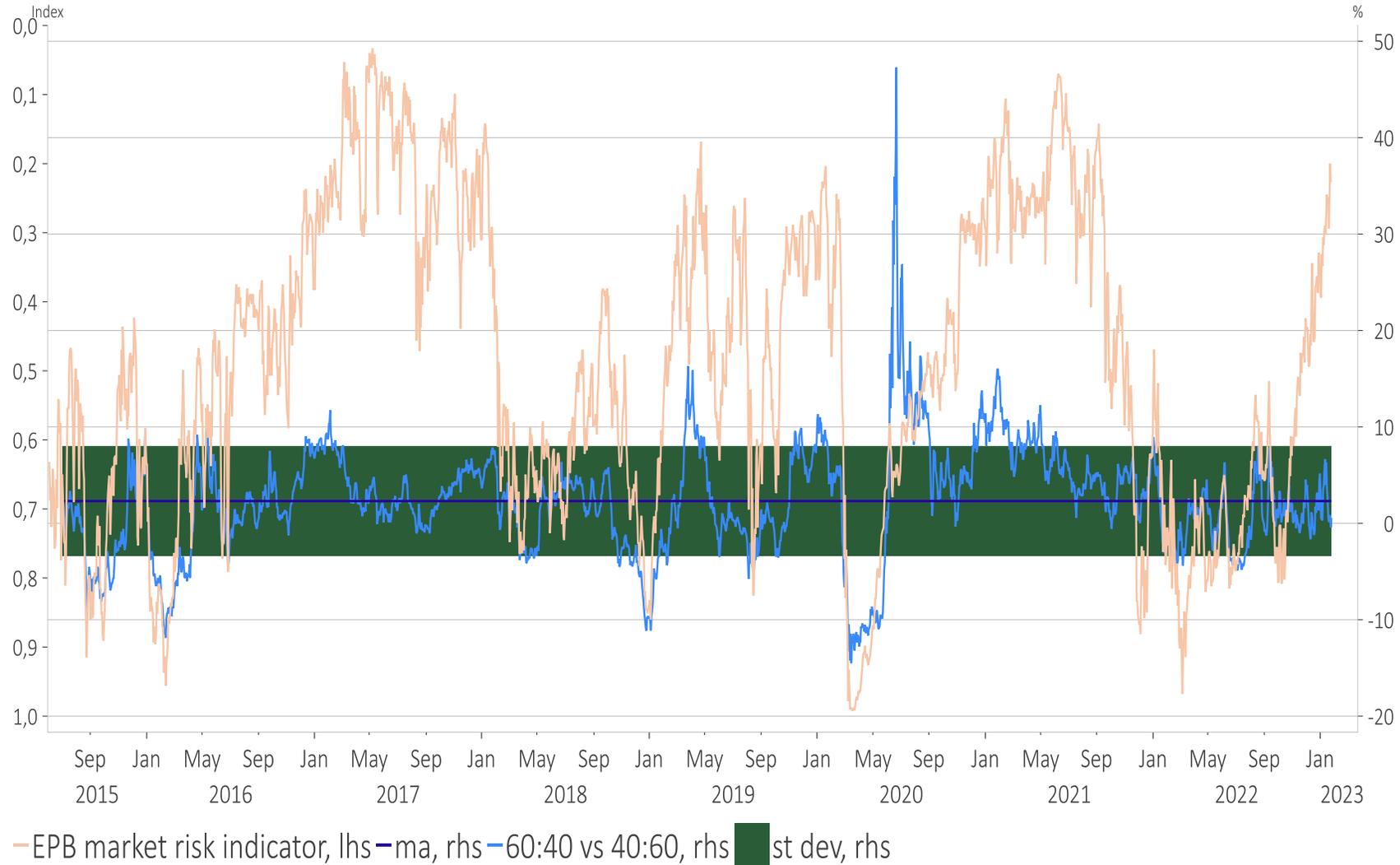


Source: Erik Penser Bank, Macrobond



Outlook 2023 – a year when OW equities matches the macro context

- We time and work with the Strategic asset allocation via a number of analysis
 - Macro
 - Risk
 - Performance
- Below we illustrate how the performance and risk parameters line up
- Current conclusion is to keep equity OW



Source: Erik Penser Bank, Macrobond



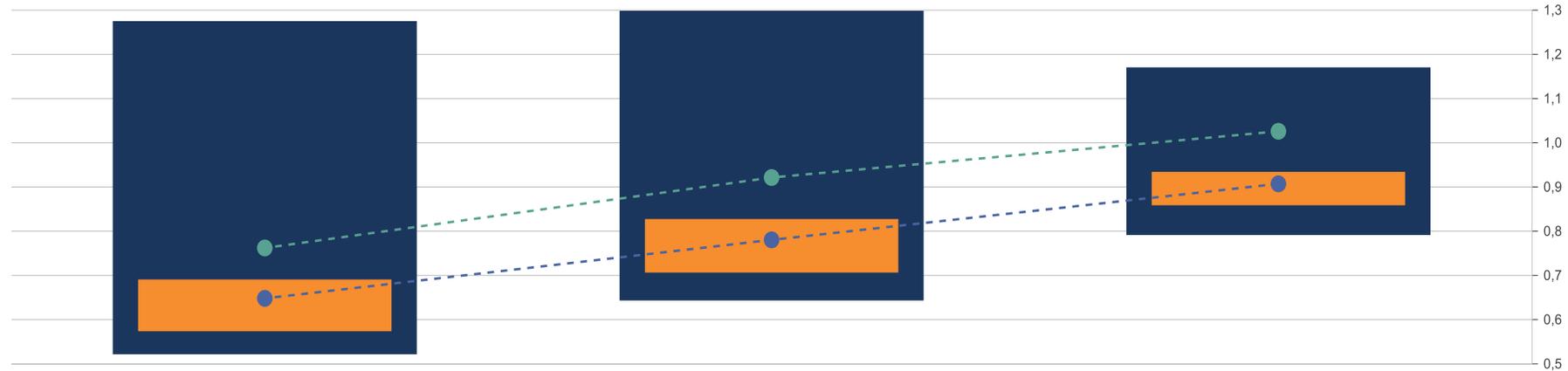
What drives markets?



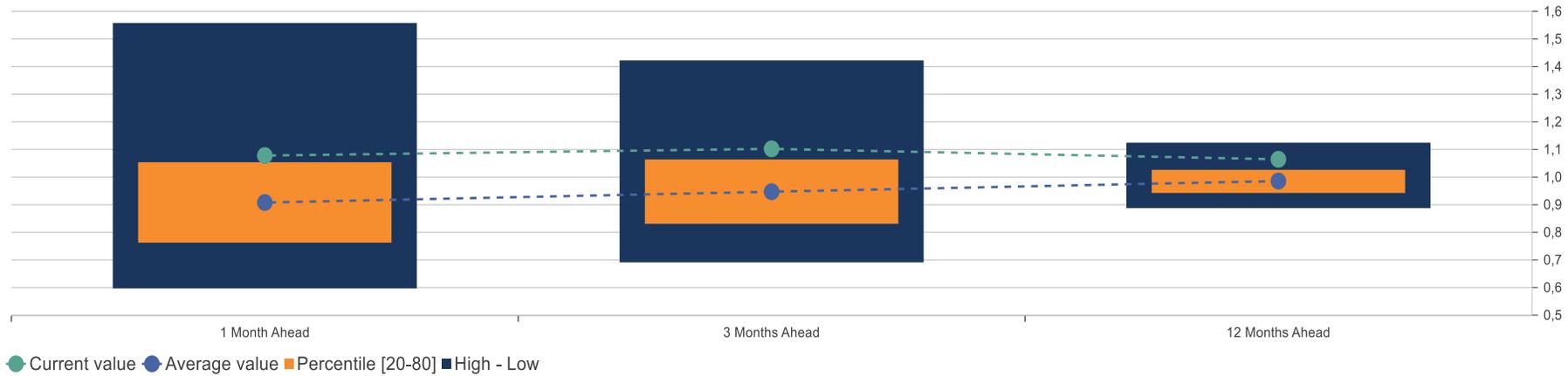
Outlook 2023 – uncertainties will fall

United States: Macro and financial uncertainties

Macro Uncertainty



Financial Uncertainty



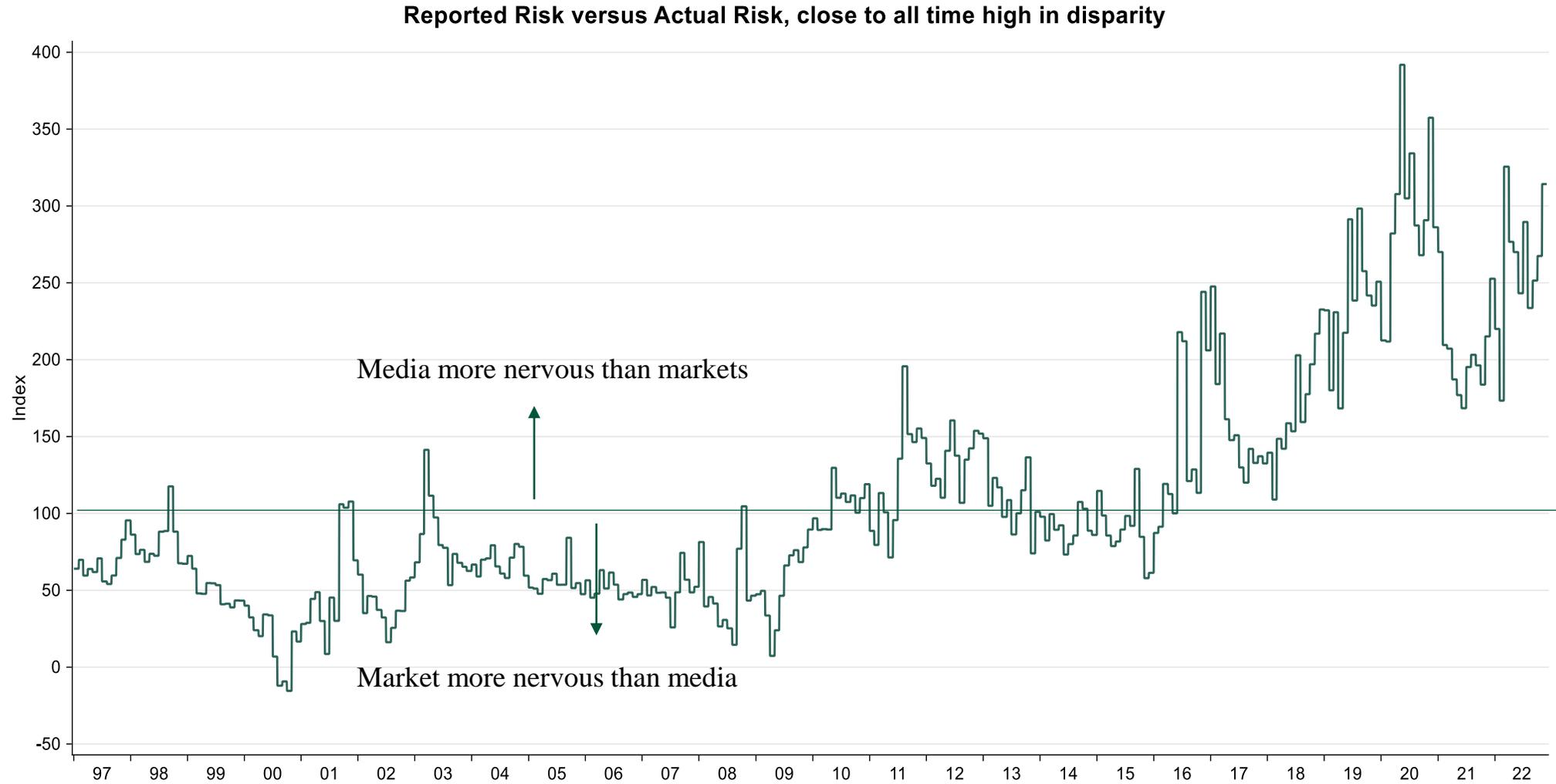
● Current value ● Average value ■ Percentile [20-80] ■ High - Low

Source: Erik Penser Bank, Macrobond



Outlook 2023 – uncertainties will fall

We talk and write a lot
We price in far less
Right or wrong...



Källa: Erik Penser Bank & Macrobond



Outlook 2023: US versus EZ equities, with FX taken into consideration

Regressions on:

Economic surprises (citi)

Inflation surprises (citi)

Economic surprises (bloomberg)

Economic surprises (GS)

Financial conditions

GDP forecasts

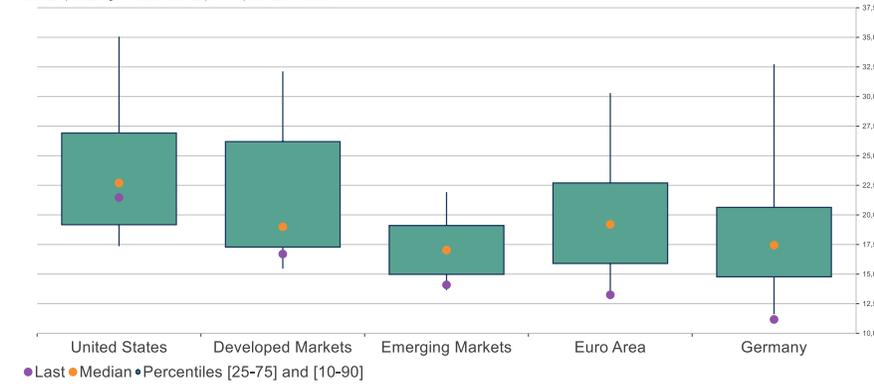
Capital flows

We followed this and shifted to large underweight in US and huge overweight in EU and Nordics!

We started this strategy in November 2022

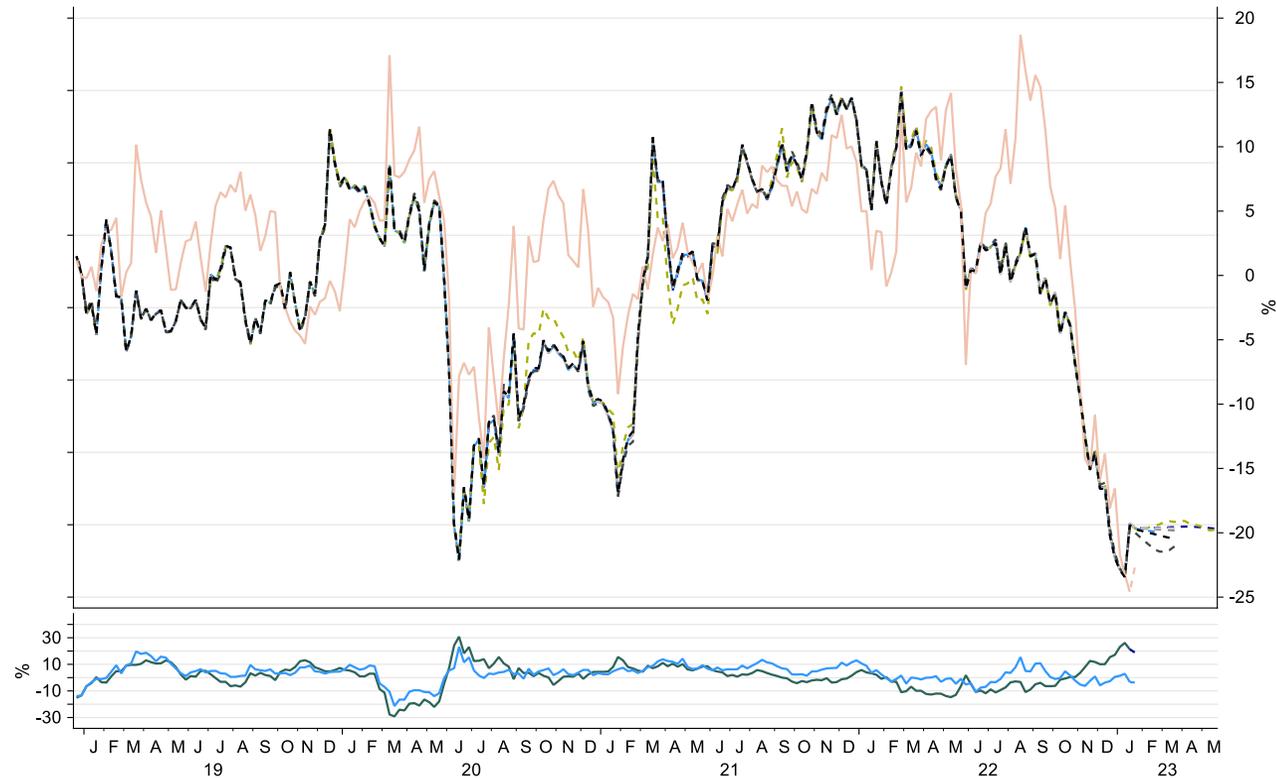
Last 12 months' price-earnings ratios

Data sample starting in 1999, and sorted per the spread Last - Median



Source: Erik Penser Bank, Macrobond

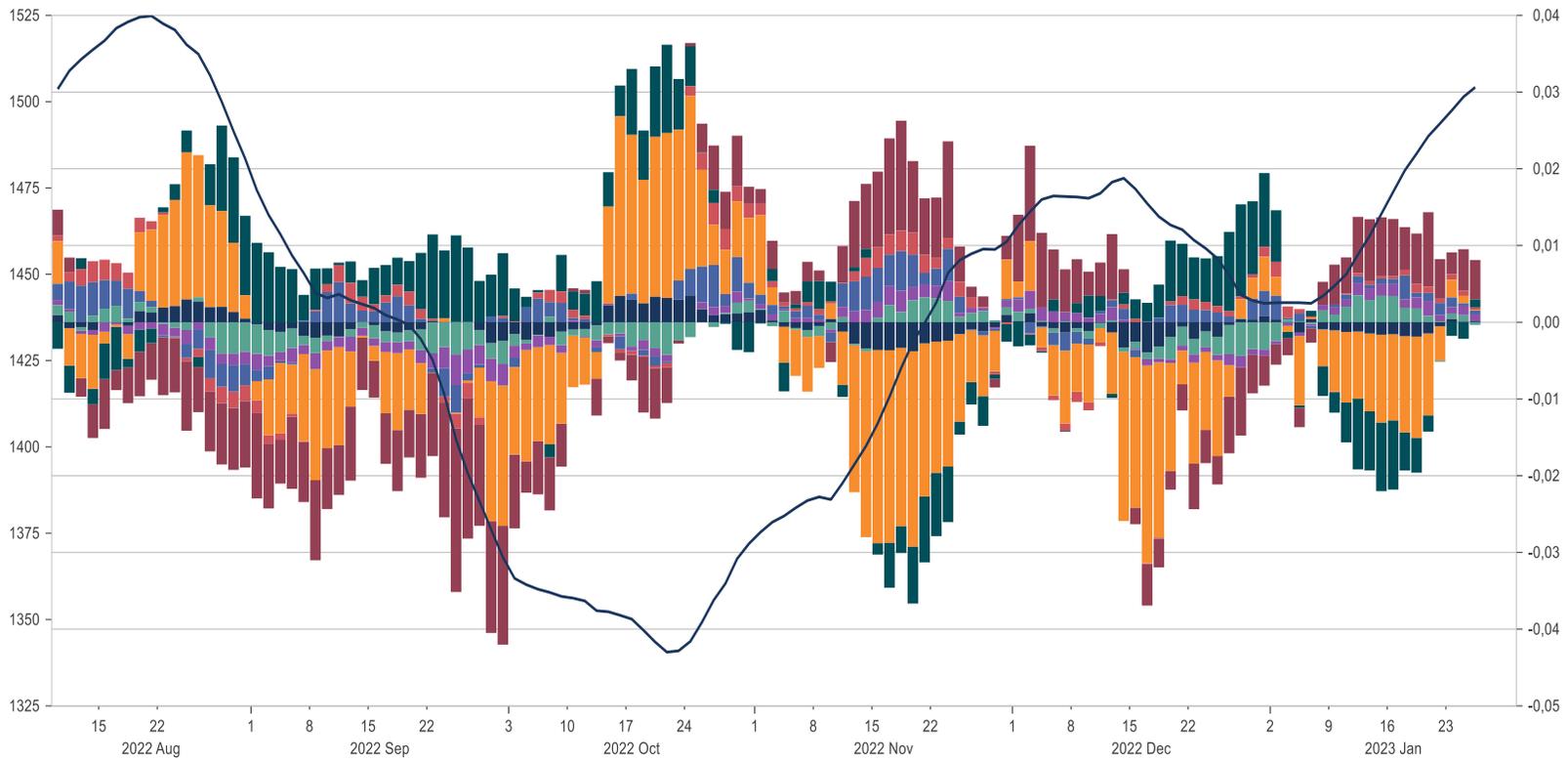
Above 0 = US equities OUTPERFORM



Källa: Erik Penser Bank & Macrobond



Can we calculate why markets move the way they move and hence prepare for it? Yes, to a larger degree than a few years ago...following research by IMF, ECB and BoE. Drivers: FED, growth and inflation, most important is FED!

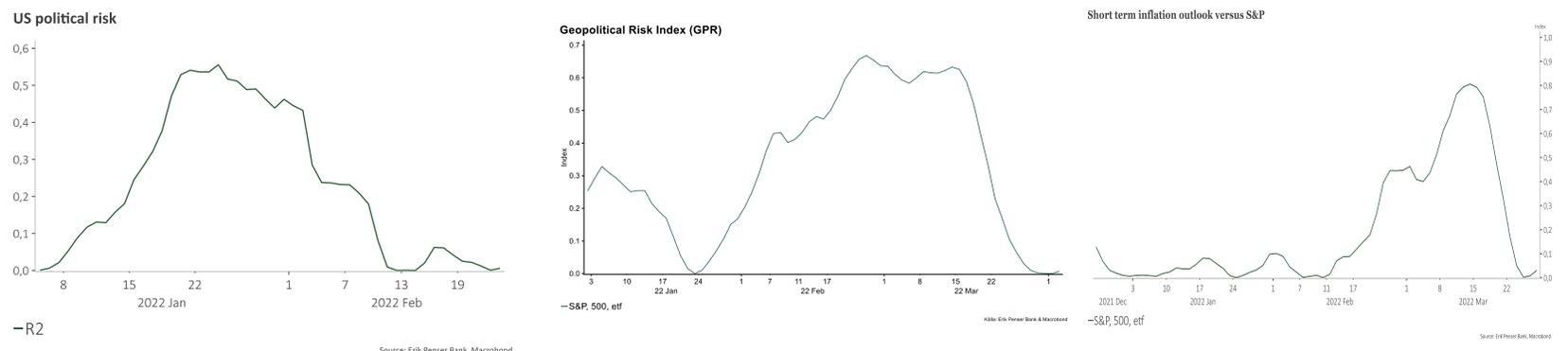


- Global EQ:FI 60:40 Index, lhs
- Decomposition of US 10Y Inflation Swap - Monetary Policy News, rhs
- Decomposition of US Ten year Inflation Swap - Inflation fears, rhs
- Decomposition of US Ten year Inflation Swap - Global factors, rhs
- Decomposition of US 10Y Inflation Swap Economic Activity News, rhs
- Decomposition of US S&P 500 - Global Factors News, rhs
- Decomposition of US S&P 500 - Monetary Policy News, rhs
- Decomposition of US S&P 500 - Inflation Fears News, rhs
- Decomposition of US S&P 500 - Economics Activities News, rhs

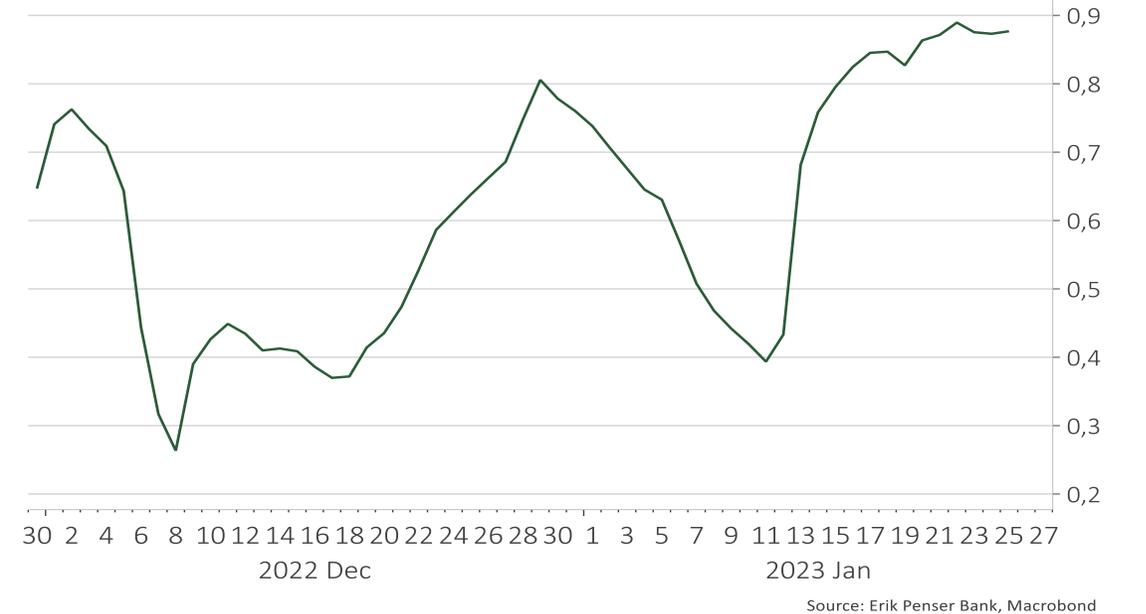
Source: Erik Penser Bank, Macrobond



Another (but equal) angle: moving paradigms in 2022...



Financial conditions & Macro



2023 we focus on Financial Conditions & Macro



Inflation outlook

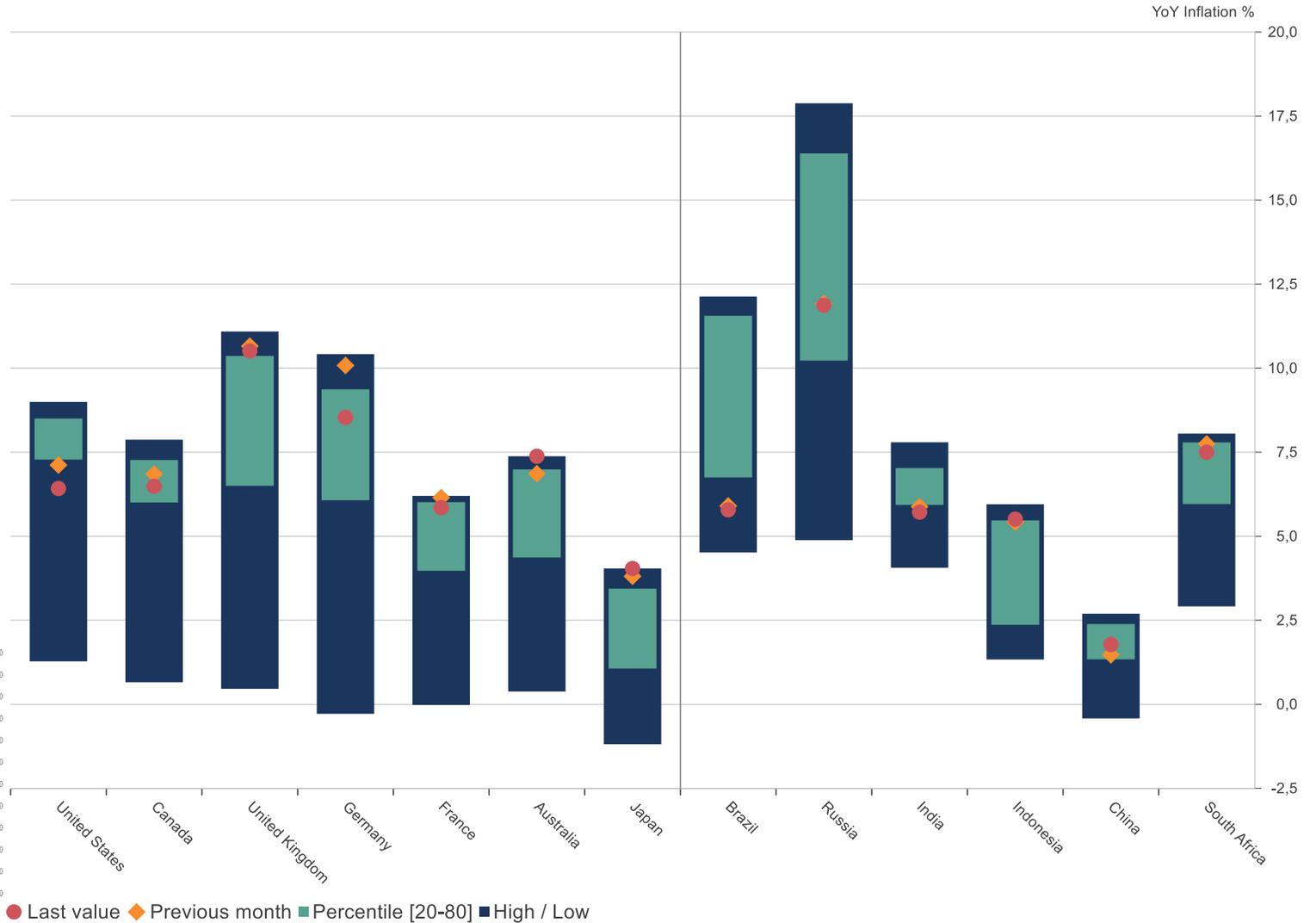
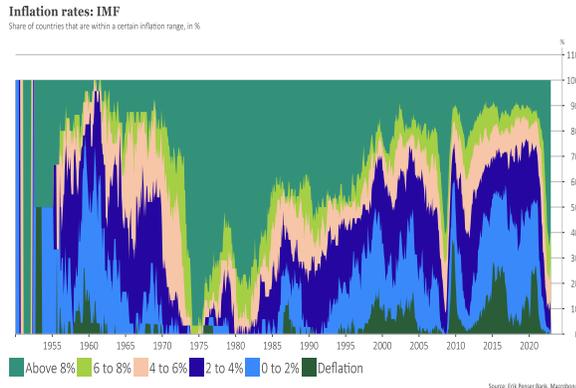


Outlook 2023, Our peak inflation holds firm as disinflation will ROAR

As of JUNE 2022 - all of the below forecasted LOWER CPI:

Priced CPI via Breakeven peaked in March

- Inventories
- FED indicators
- Trimmed means
- OER
- TIPS supply & demand
- Commodities
- 5yr5yr swaptions
- Consumer expectations
- Supply bottle necks
- Port activity
- Shipping activity
- Prices paid vs prices received
- Supply vs demand factors
- International price patters
- US wage pressure
- Price plans vs wage plans
- Consumer expectations
- Breakeven curve
- Price pressure measure



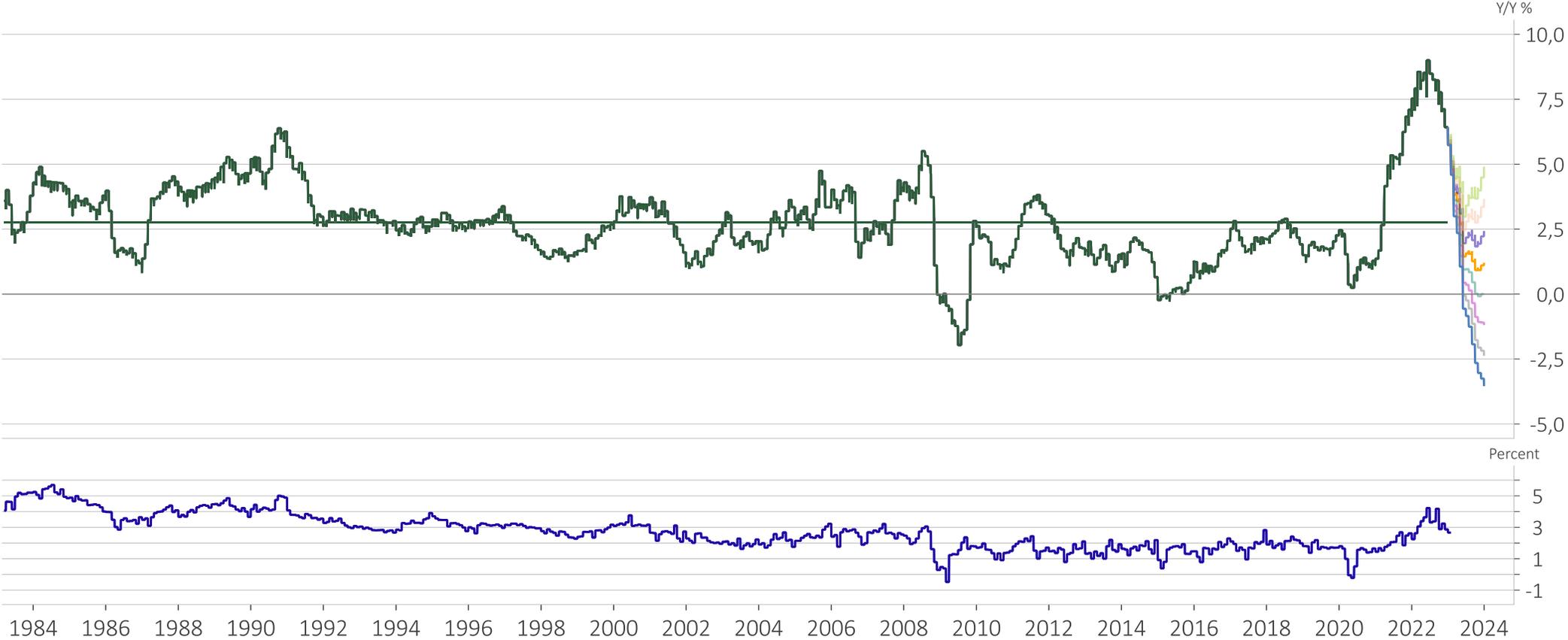
Source: Erik Penser Bank, Macrobond



Outlook 2023, US CPI will reach sub 3%

Remember, as of last October the base effects changed direction! Perhaps no surprise that the Oct CPI print then caused the PIVOT and equity bounce

United States: CPI evolution based on M/M scenarios



- Outcome
- Expected Inflation, Federal Reserve Bank of Cleveland, Estimate, 1 Year
- Expected Inflation, Federal Reserve Bank of Cleveland, Estimate, 1 Year

Source: Erik Penser Bank, Macrobond

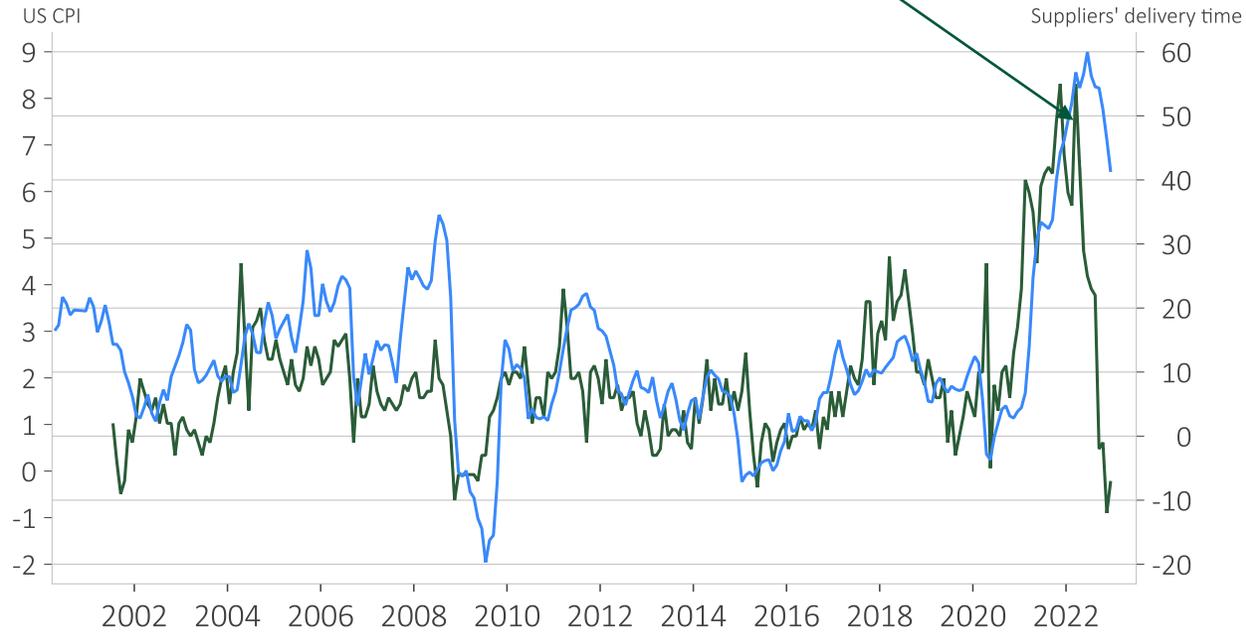


Outlook 2023, Supply and CPI

Supply bottlenecks – Falling back!
 We keep our forecast from 2021!

Longer delivery times drive up consumer prices in the US

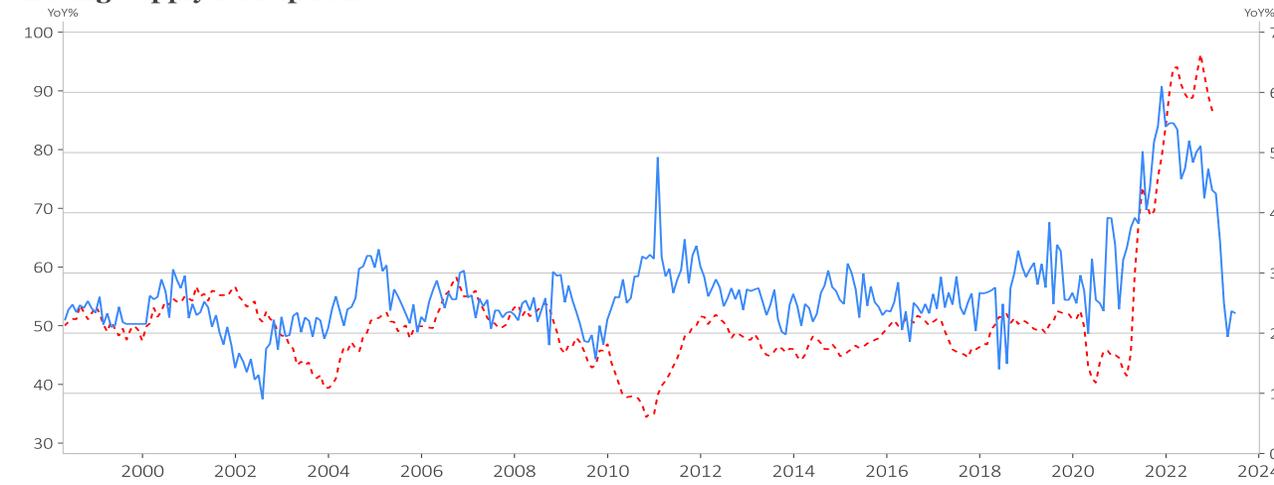
Source: Federal Reserve Bank of Kansas City CPI; US Bureau of Labor Statistics supplier delivery time



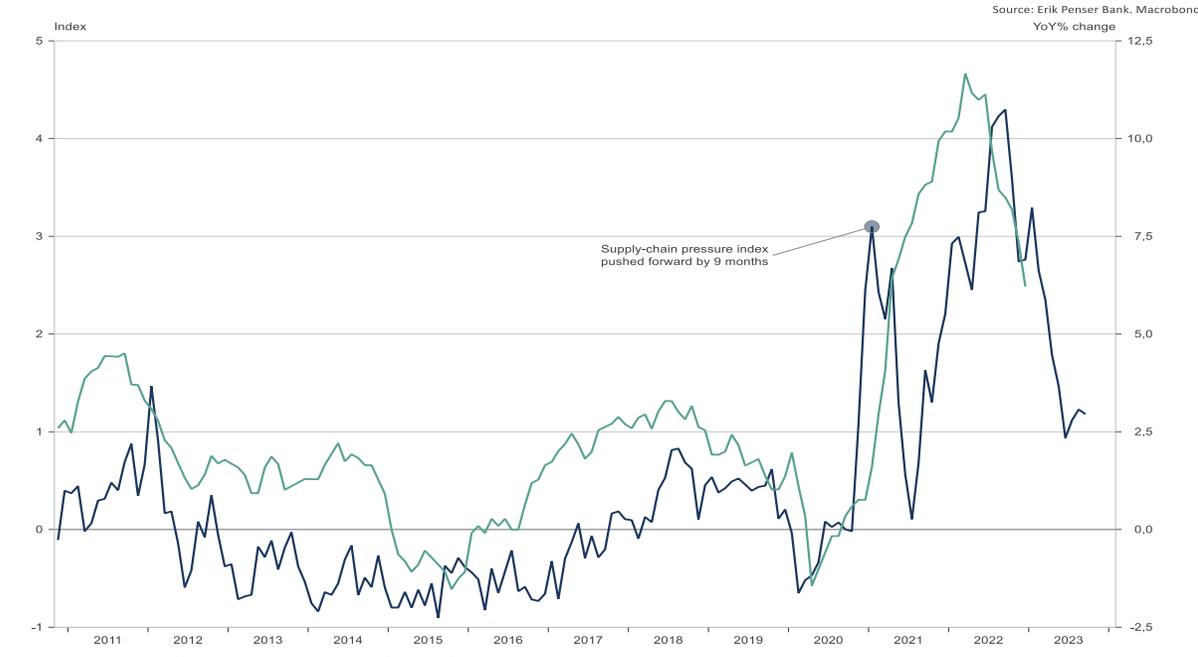
— United States, Consumer Price Index, All Urban Consumers, U.S. City Average, All Items, SA, Index, lhs
 — Business Surveys, Federal Reserve Bank of Kansas, Supplier Delivery Time, Versus a Month Ago, 10th Fed district, rhs

Source: Erik Penser Bank, Macrobond

Easing Supply Disruptions



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



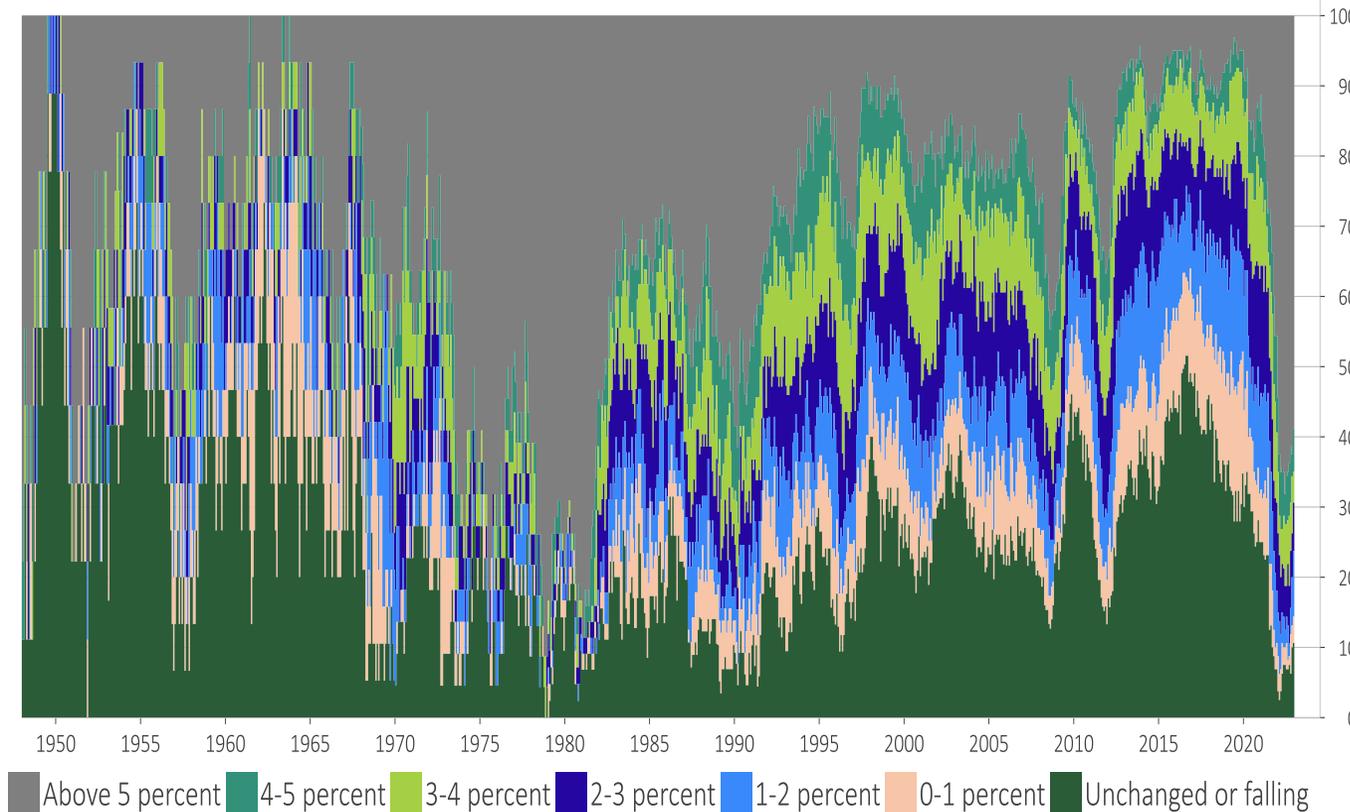
— United States, Producer Price Index, FD-ID, Final Demand, Overall, SA, Index, rhs — Global Supply Chain Pressure Index, lhs

Source: Erik Penser Bank, Macrobond



The March peak in terms of pricing was very well defined, even in CPI (delta analysis)

Distribution of price changes in the CPI basket



■ Above 5 percent
 ■ 4-5 percent
 ■ 3-4 percent
 ■ 2-3 percent
 ■ 1-2 percent
 ■ 0-1 percent
 ■ Unchanged or falling

Source: Erik Penser Bank, Macrobond

United States: Inflation tracker													
Color-coded based on rolling 2 year z-score													
	1/2023	12/2022	11/2022	10/2022	9/2022	8/2022	7/2022	6/2022	5/2022	4/2022	3/2022	2/2022	1/2022
Economic Measures													
PCE Y/Y %			5,5	6,1	6,3	6,3	6,4	7,0	6,5	6,4	6,8	6,4	6,1
Core PCE Y/Y %			4,7	5,0	5,2	4,9	4,7	5,0	4,9	5,0	5,4	5,4	5,2
CPI Y/Y %		6,4	7,1	7,8	8,2	8,2	8,5	9,0	8,5	8,2	8,6	7,9	7,5
Core CPI Y/Y %		5,7	6,0	6,3	6,7	6,3	5,9	5,9	6,0	6,1	6,4	6,4	6,0
PPI Y/Y %		6,2	7,3	8,2	8,5	8,7	9,7	11,1	11,0	11,2	11,7	10,5	10,2
Core PPI Y/Y %		5,5	6,2	6,9	7,2	7,2	7,6	8,3	8,7	9,0	9,7	8,9	8,7
Atlanta Fed Wage Growth		6,1	6,4	6,4	6,3	6,7	6,7	6,7	6,1	6,0	6,0	5,8	5,1
Manheim Used Vehicle Y/Y %	-13,7	-14,9	-14,2	-10,6	-0,1	8,4	12,5	9,7	9,7	14,0	24,8	36,7	44,9
Inflation Expectations													
Expected Inflation, Fed Cleveland, 1 Year	2,7	2,9	3,2	2,9	4,2	3,4	3,3	4,2	3,6	3,4	3,1	2,6	2,2
Expected Inflation, Fed Cleveland, 2 Year	2,5	2,5	2,8	2,6	3,2	2,7	2,7	3,2	2,9	2,7	2,4	2,1	1,9
Break-Even Inflation, 5 Year		2,2	2,3	2,6	2,1	2,6	2,7	2,5	2,9	3,3	3,3	3,1	2,8
Break-Even Inflation, 10 Year		2,2	2,2	2,5	2,1	2,4	2,4	2,2	2,6	2,8	2,8	2,7	2,5
Conference Board, Inflation expectations		6,7	7,1	6,9	6,8	7,0	7,4	7,9	7,5	7,5	7,9	7,1	6,8
Commodities													
GSCI Commodities Y/Y %		26,0	37,4	24,7	23,6	42,2	42,7	45,0	63,8	59,8	64,6	46,9	49,3
GSCI Industrial Metals Y/Y %		-7,6	-3,7	-15,9	-13,2	-10,2	-7,3	-4,7	6,6	17,9	39,9	28,0	32,5
GSCI Softs Y/Y %		-2,0	-0,7	-9,9	-0,2	13,7	12,3	21,7	33,5	36,3	48,3	24,1	38,0
Baltic Dry Index Y/Y %		-31,7	-55,1	-58,4	-65,9	-76,6	-42,4	-33,8	-1,2	-21,3	15,2	21,8	-2,3
Lumber Futures Y/Y %		-67,4	-47,9	-22,0	-32,7	5,4	-15,1	-7,4	-50,1	-30,7	-4,3	34,3	10,5

■ Standard deviations above mean shaded in darker red
 ■ Close to mean
 ■ Standard deviations below mean shaded in darker blue

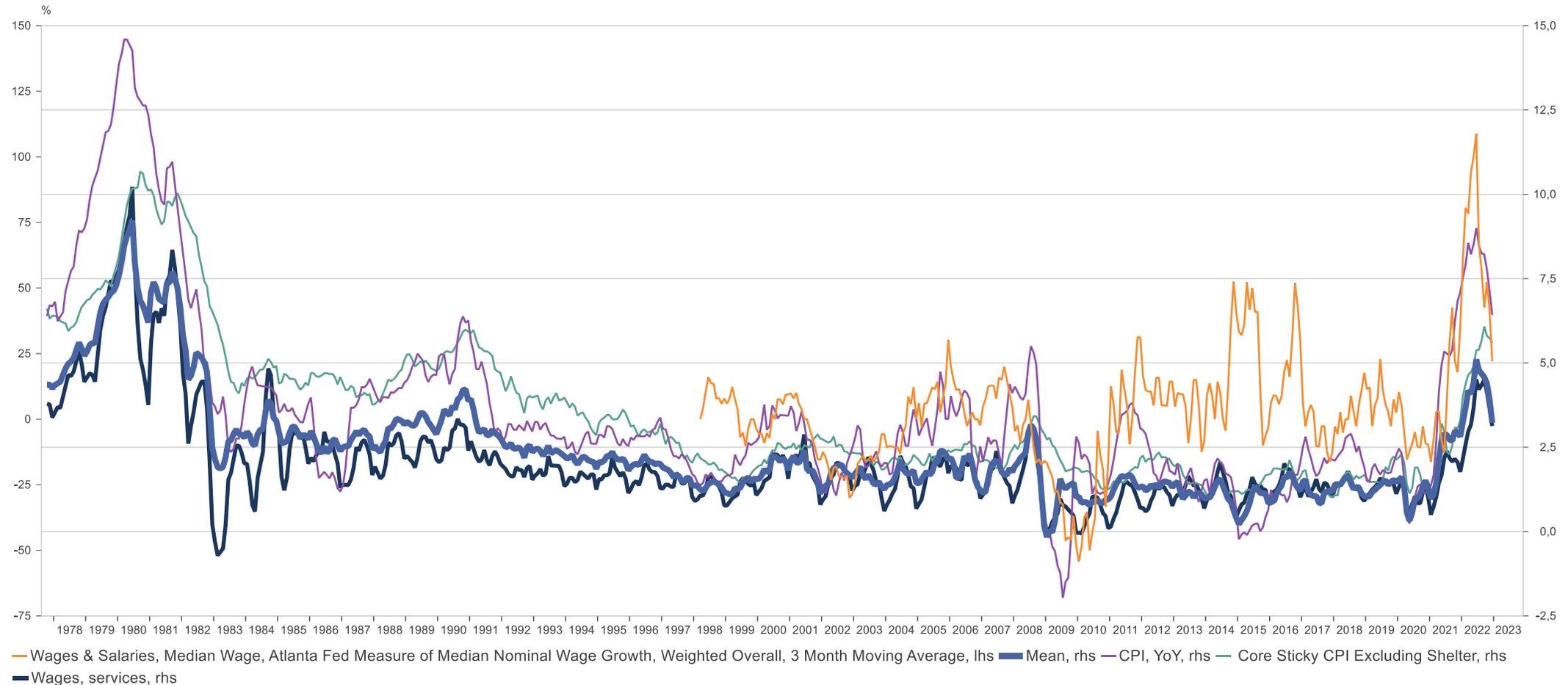
Source: Erik Penser Bank, Macrobond



CPI sticky?

No, as per normal all sectors follow headline

United States

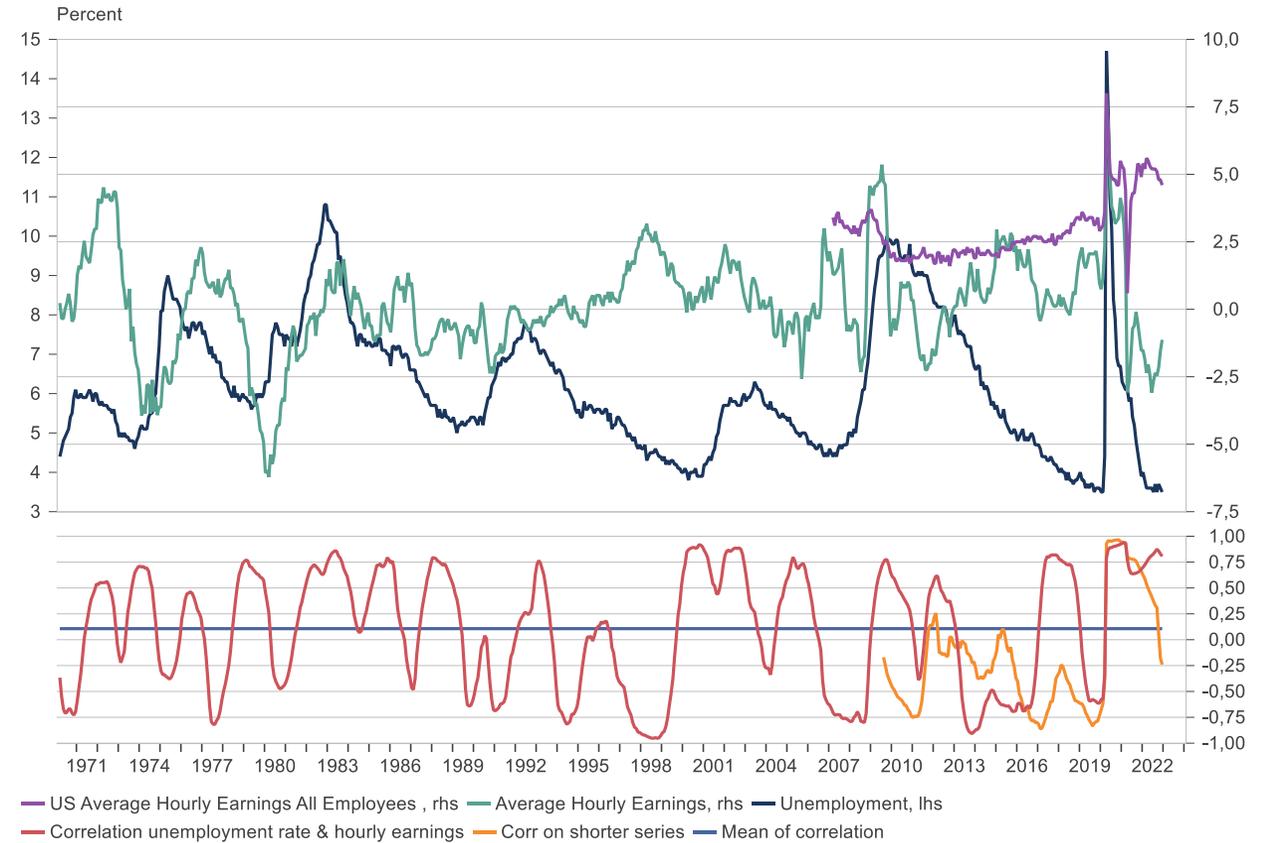
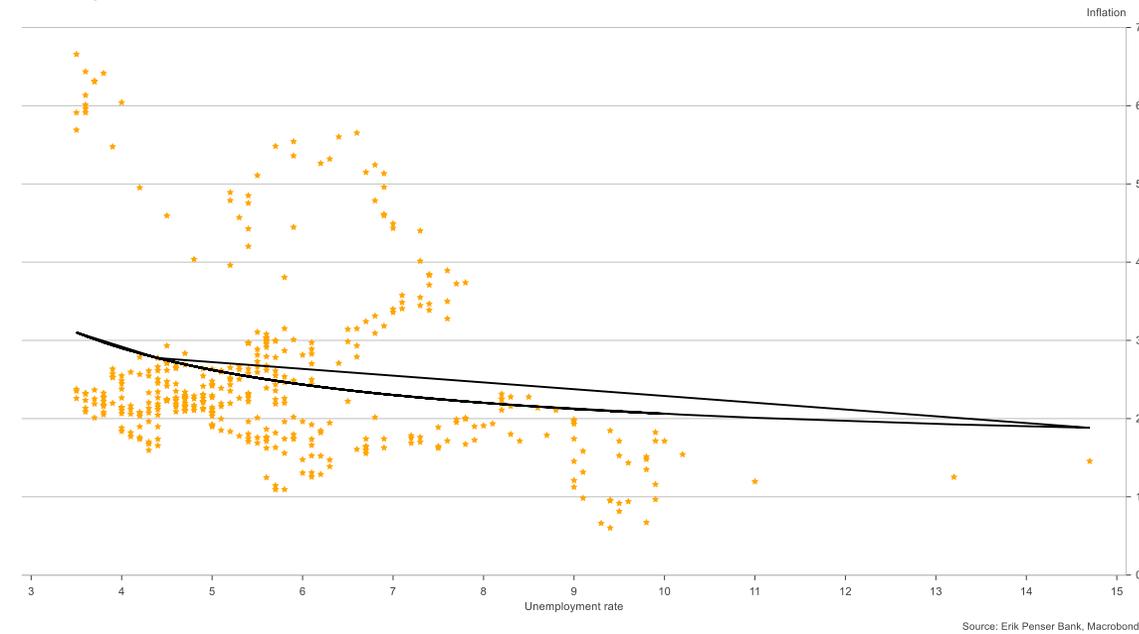


Source: Erik Penser Bank, Macrobond



Phillips curve, not much of a relationship, you can pretty much align it to whatever story you choose

US Phillips curve since 1990

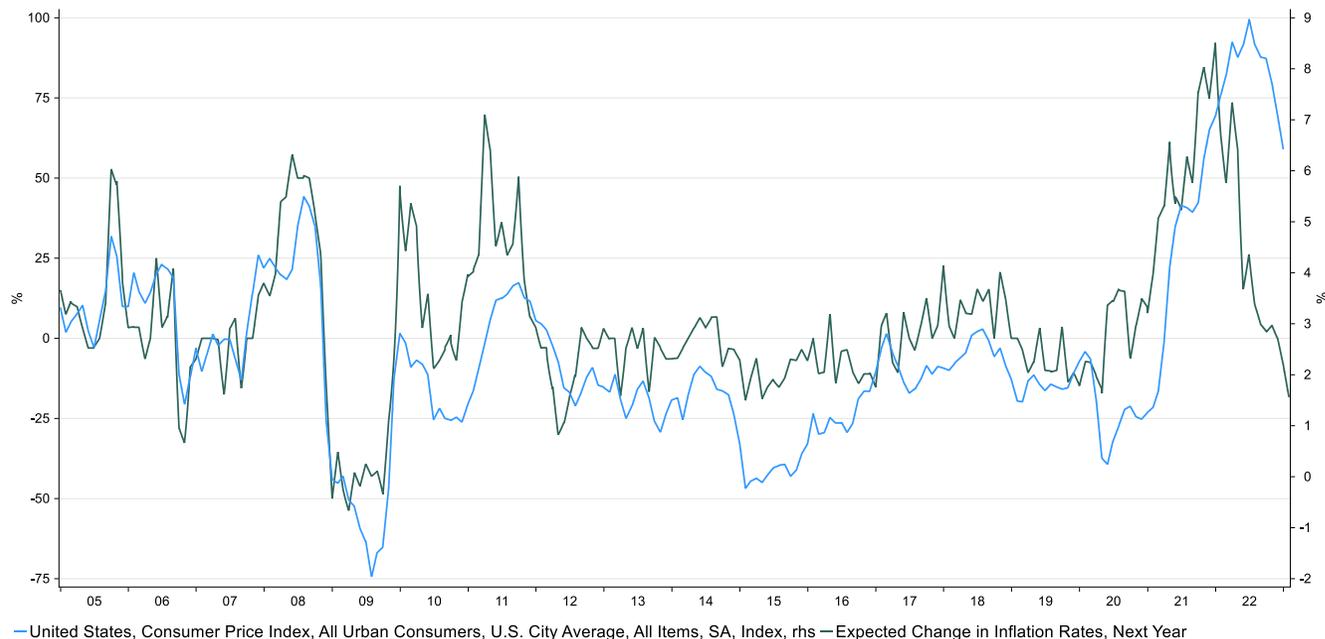


Source: Erik Penser Bank, Macrobond



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

We wrote: "...equities will wake up...this has just started and your patience is entirely depending on you TAA, we are up in global equities since June, as such – we are patient"



Källa: Erik Penser Bank & Macrobond



— CPI level IF we force the rate curve to depict a level — CPI, YoY

Source: Erik Penser Bank, Macrobond



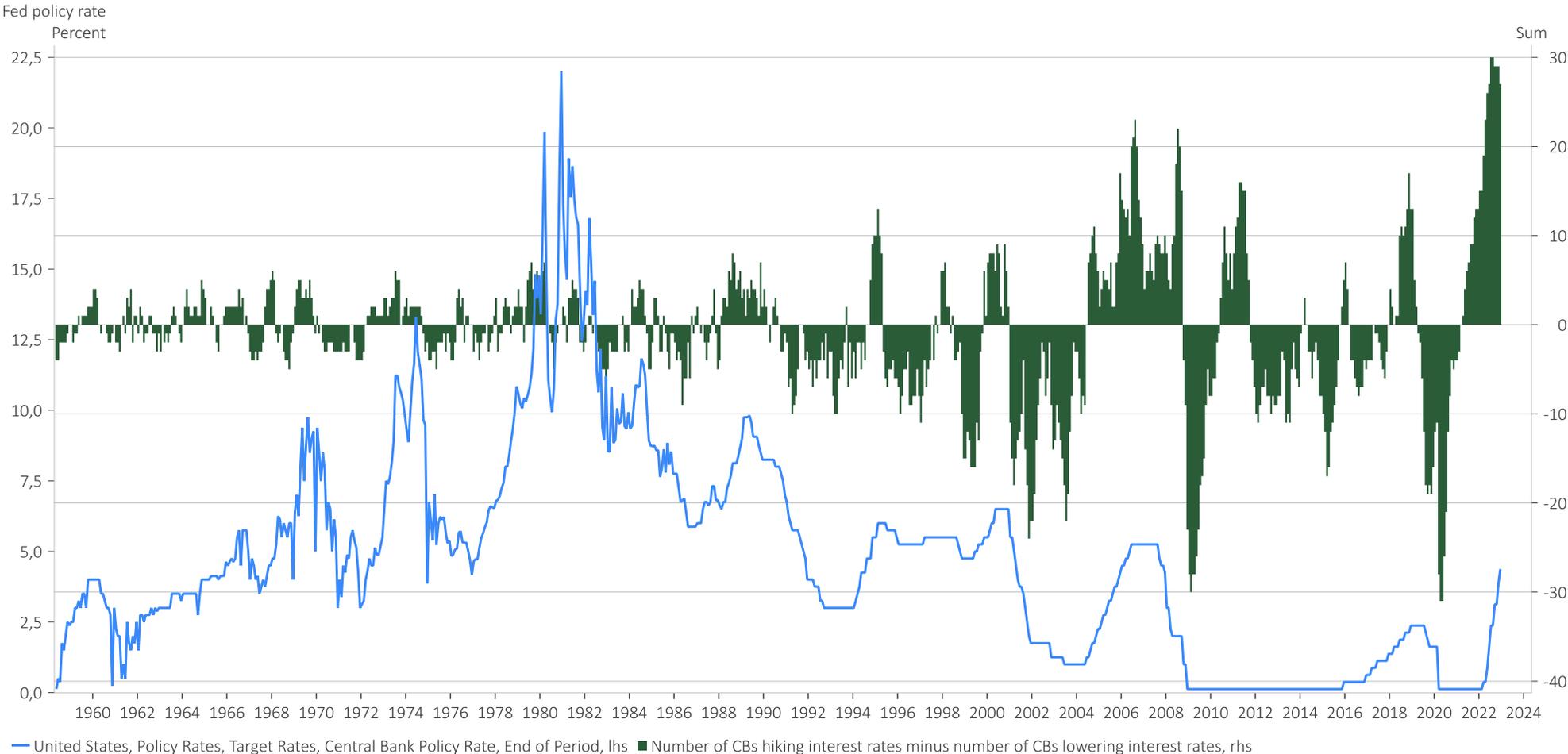
FED outlook (& yields, financial conditions)



Outlook 2023, the year when global peak hawkishness becomes mainstream

Global monetary policy cycles vs Fed policy rate

Central banks raising interest rates vs lowering interest rates



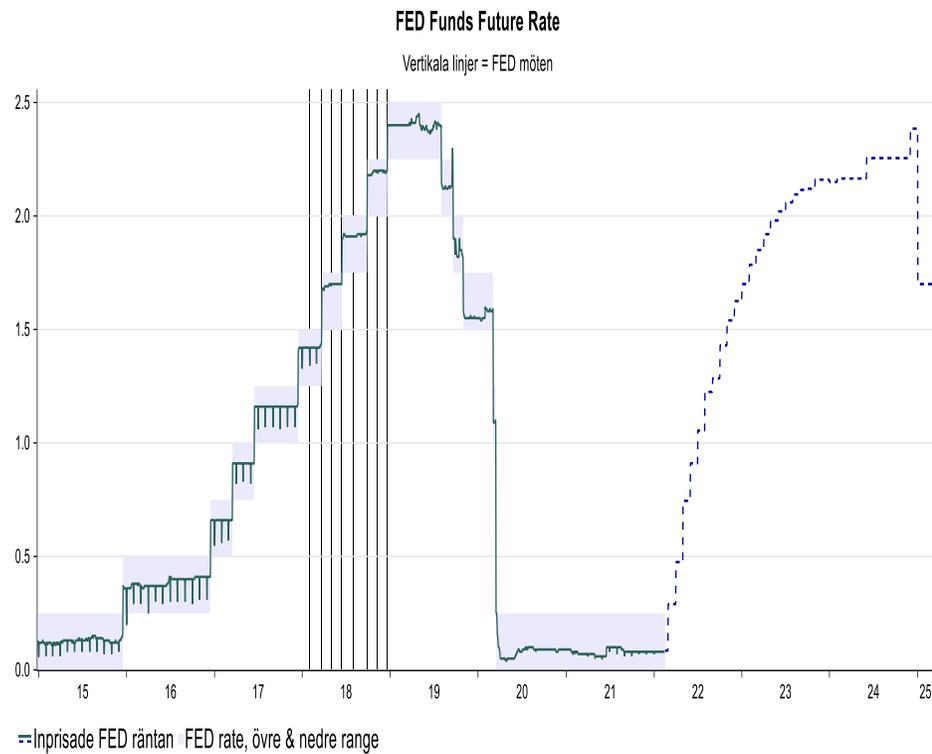
Source: Erik Penser Bank, Macrobond



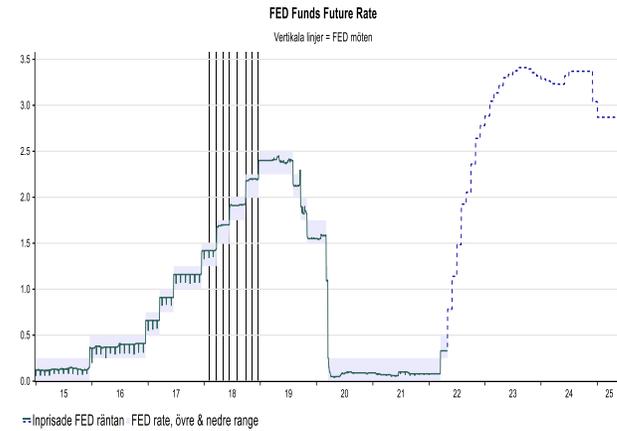
Outlook 2023, FED futures – further hikes but 2023 will see cuts being priced in

Before hikes started...

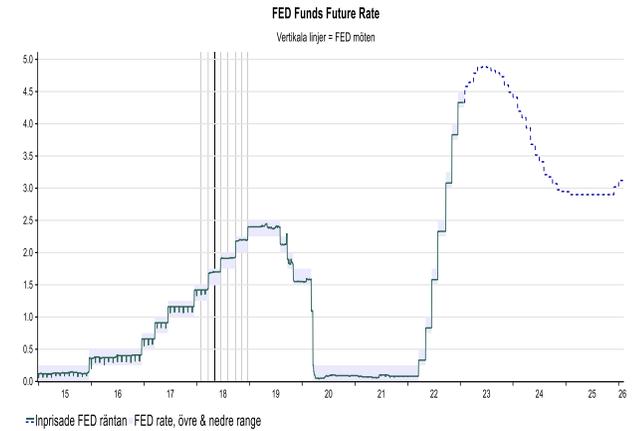
FED day in March and today!



Källa: Erik Penser Bank & Macrobond



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Outlook 2023, FED futures – further hikes but 2023 will see cuts being priced in

Fed Funds: Current Futures Implied Probabilities

Source: CME Group

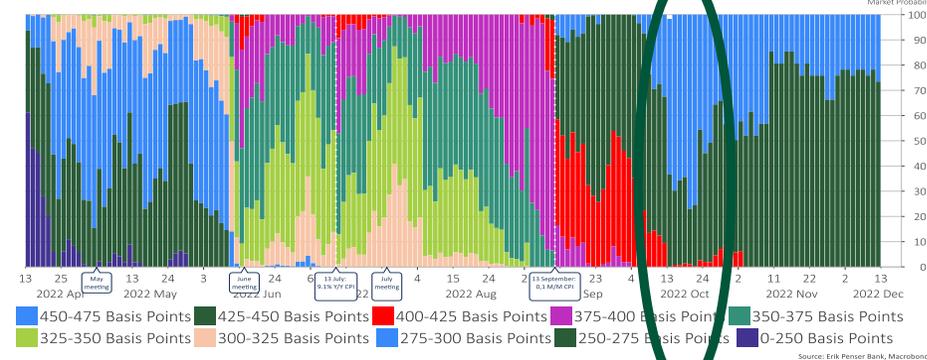
Meeting	Fwd rate	3.25-3.5	3.5-3.75	3.75-4	4-4.25	4.25-4.5	4.5-4.75	4.75-5	5.25-5.5	5.5-5.75	5.75-6	6-6.25
2022-12-14	4,33 %					73,5 %	26,5 %					0,0 %
2023-02-01	4,58 %						96,7 %	3,3 %				0,0 %
2023-03-22	4,65 %						16,8 %	80,5 %				0,0 %
2023-05-03	4,88 %						10,0 %	54,8 %	1,1 %			0,0 %
2023-06-14	4,89 %						9,0 %	50,3 %	4,4 %	0,1 %		0,0 %
2023-07-26	4,83 %					2,0 %	18,2 %	47,2 %	3,4 %	0,1 %		0,0 %
2023-09-20	4,73 %				0,7 %	7,5 %	28,1 %	41,0 %	2,3 %	0,1 %		0,0 %
2023-11-01	4,60 %			0,3 %	3,8 %	16,8 %	33,9 %	31,7 %	1,3 %	0,0 %		0,0 %
2023-12-13	4,41 %		0,3 %	3,2 %	14,6 %	31,0 %	32,0 %	15,6 %	0,2 %	0,0 %		0,0 %

Source: Erik Penser Bank, Macrobond

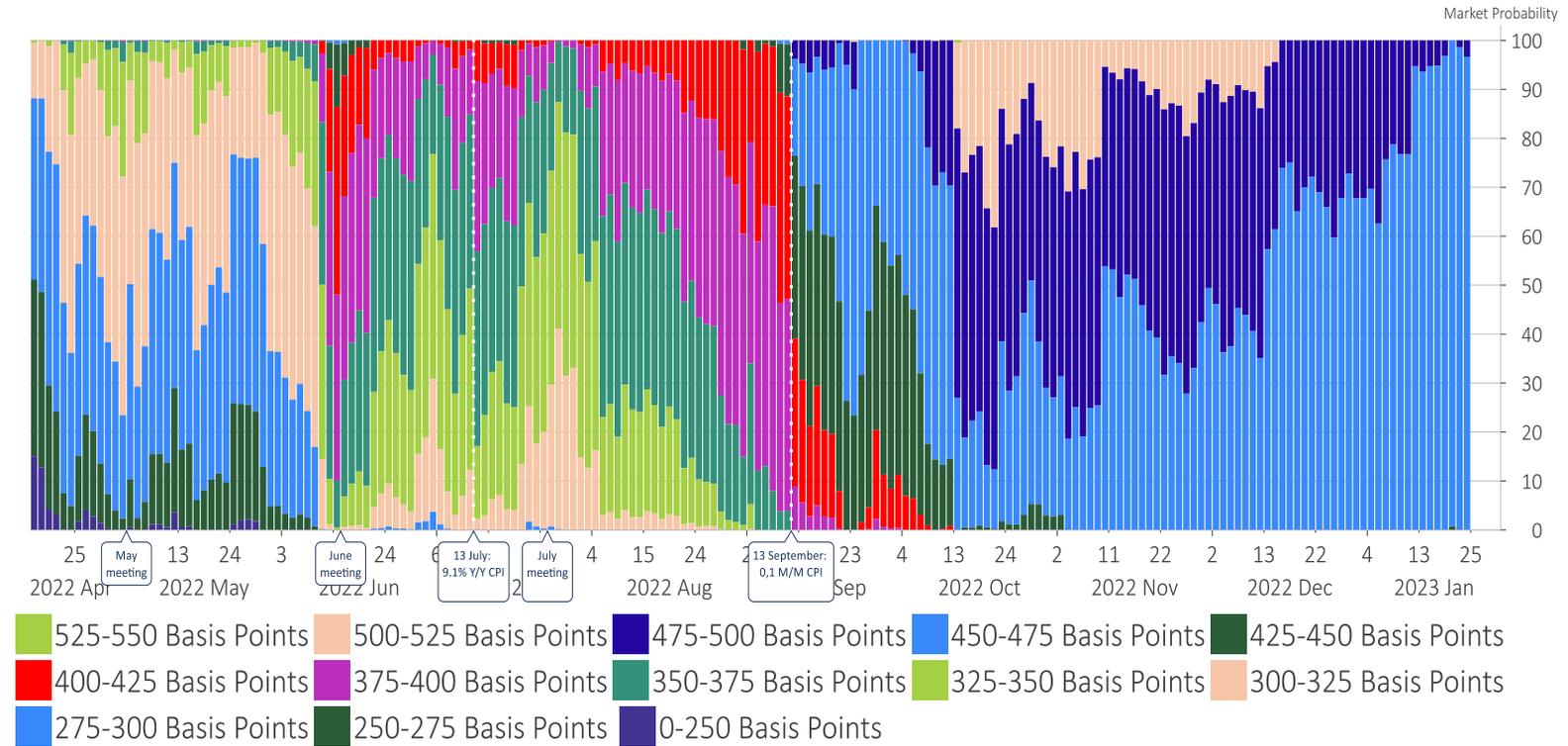


The market pivot has been visible for some time, Oct 13th!

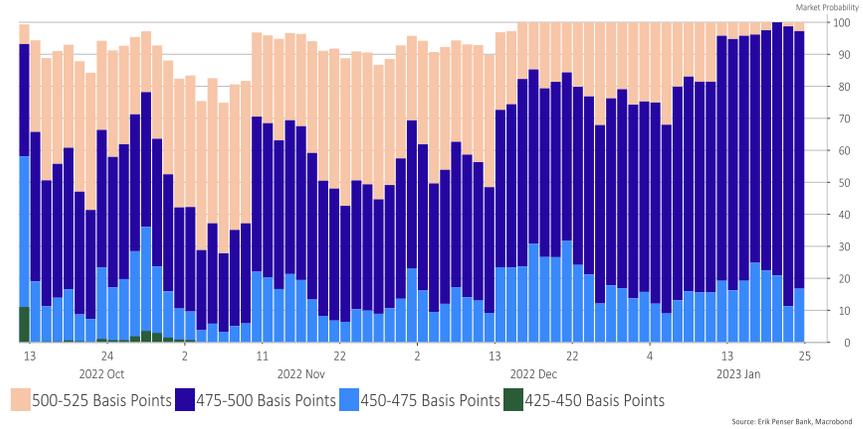
Market expectations for FOMC dec



FEB



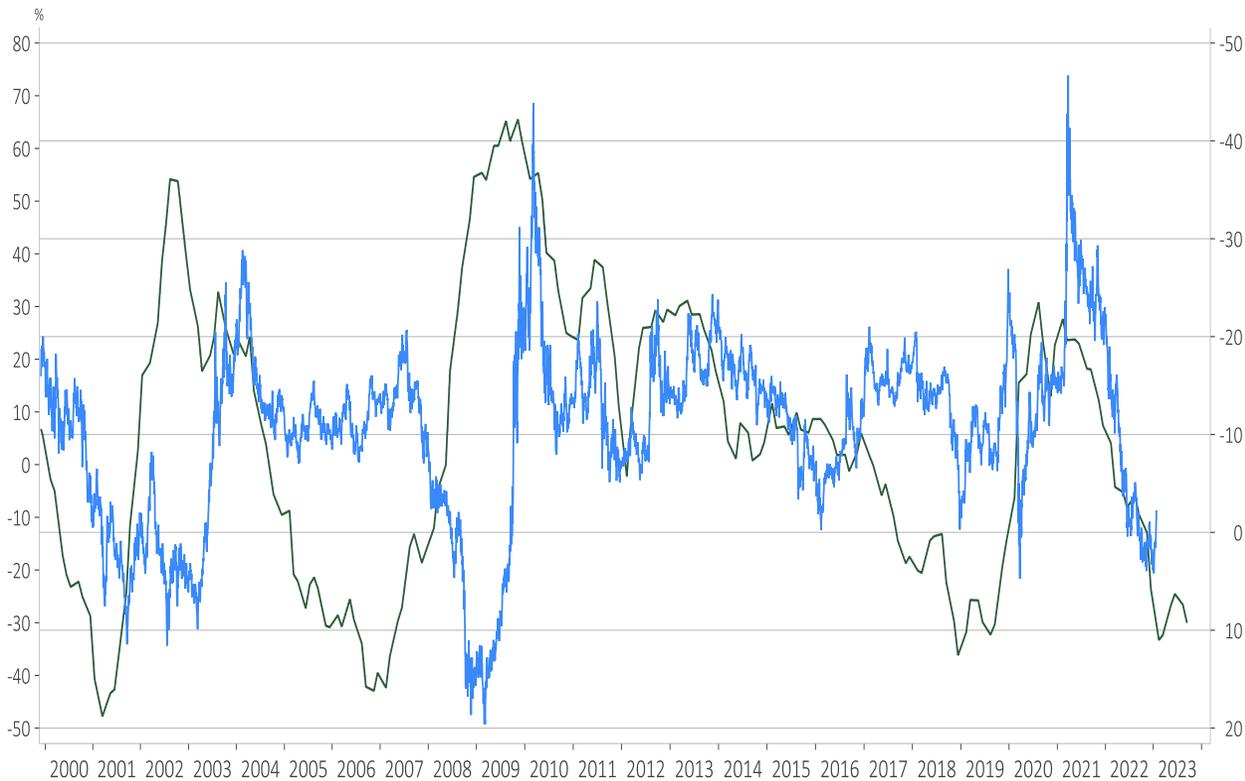
MAR



Source: Erik Penser Bank, Macrobond

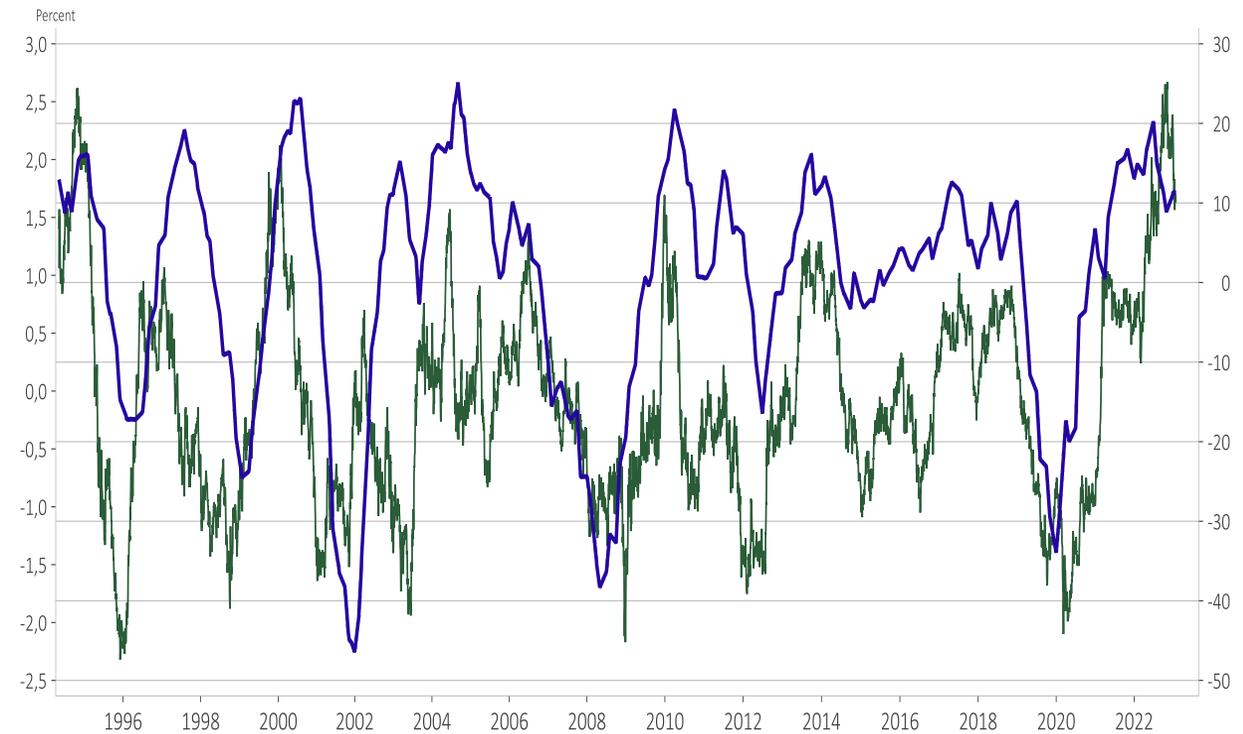


Outlook 2023, we expect the new DOVISH FED path to stick around



—S&P 500 (etf), lhs —Fed Minutes Sentiment Score Moving Averag, rhs

Source: Erik Penser Bank, Macrobond



—Fed Minutes Sentiment Score Moving Averag, rhs

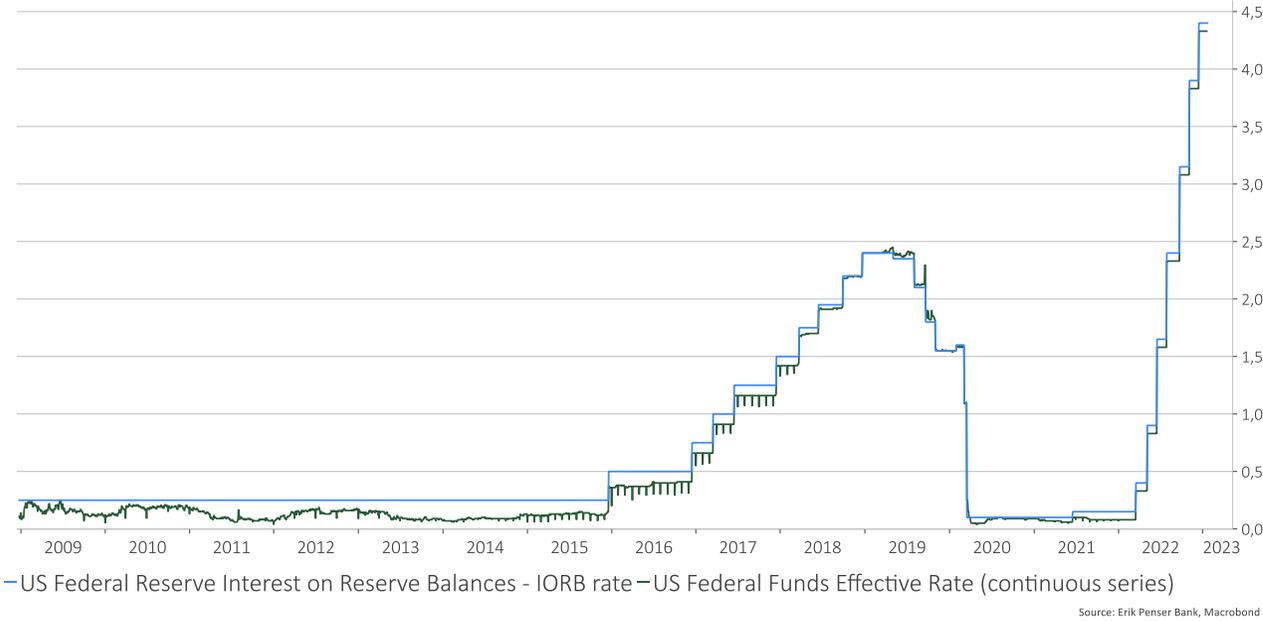
—United States, Government Benchmarks, Federal Reserve, 10 Year, Yield, lhs

Source: Erik Penser Bank, Macrobond



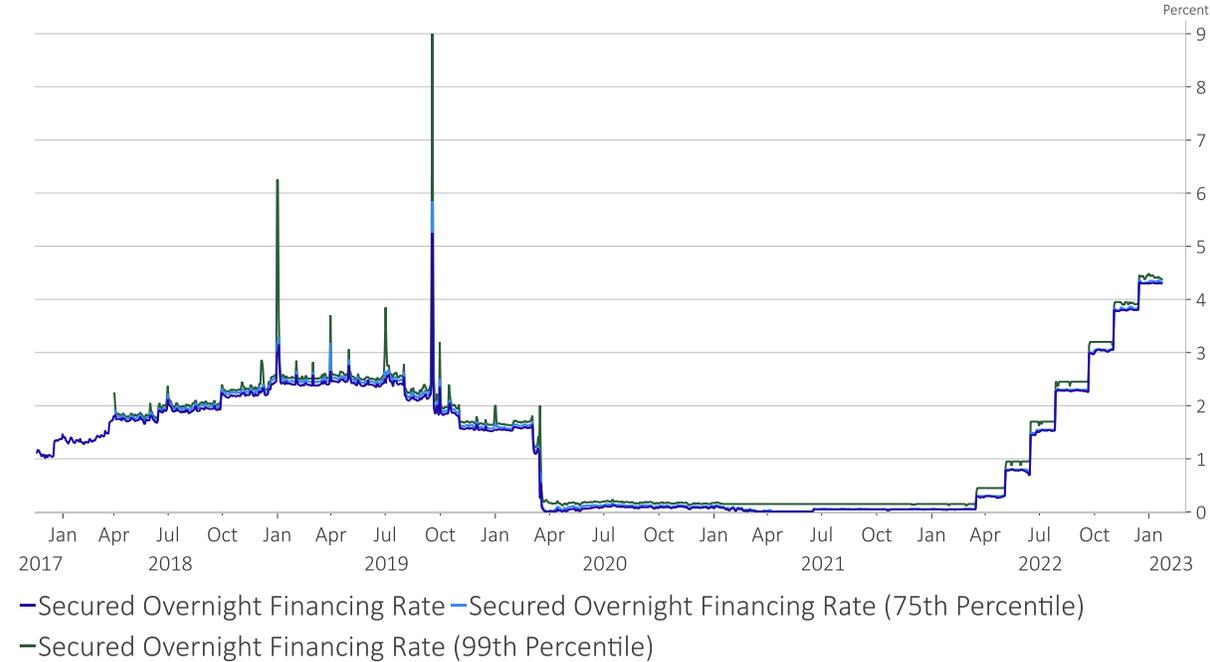
Outlook 2023, QT continues – we expect no problems...

...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



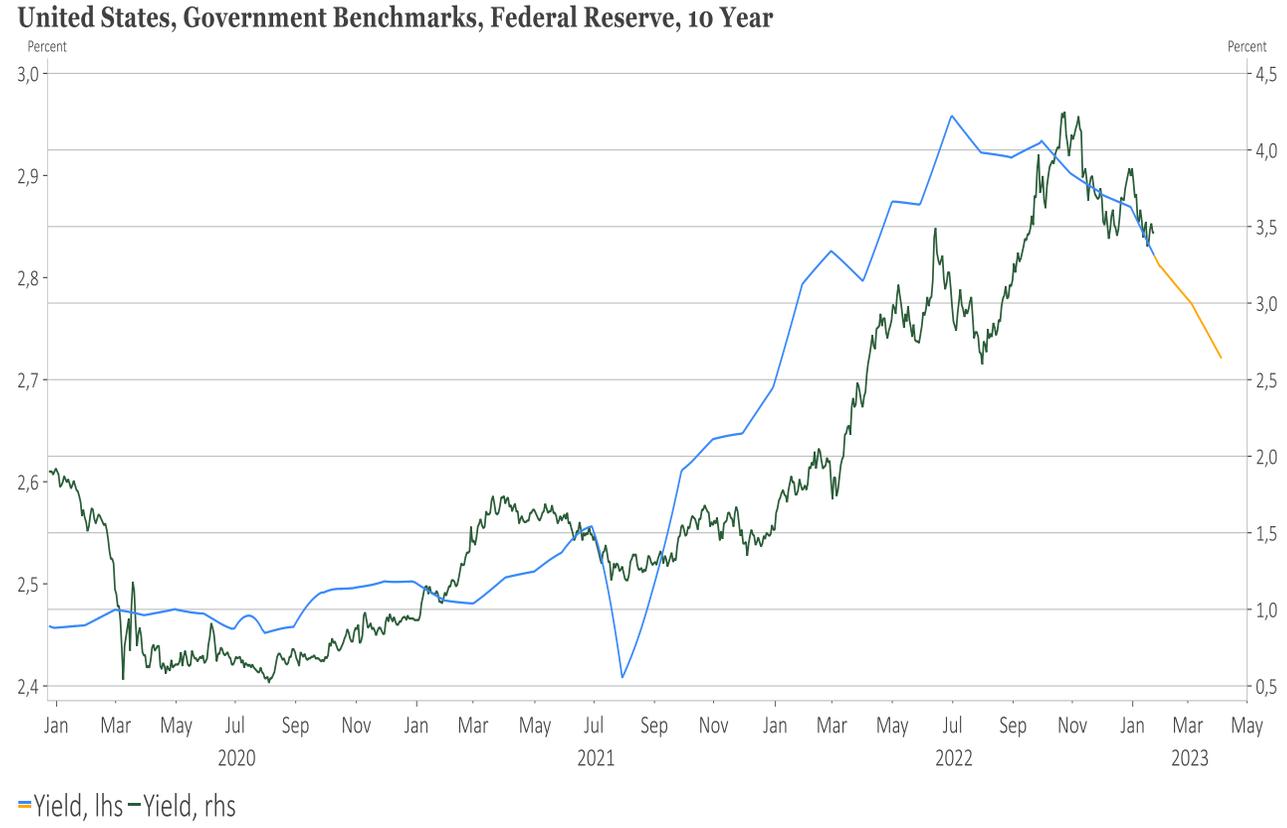
The monetary authority’s key benchmark known as the effective fed-funds rate has held mostly steady relative to the rate it pays banks to park cash at the central bank (interest on reserve balances) as the deluge of excess liquidity in the system has reduced market demand for short-term funding. Yet 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 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.

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



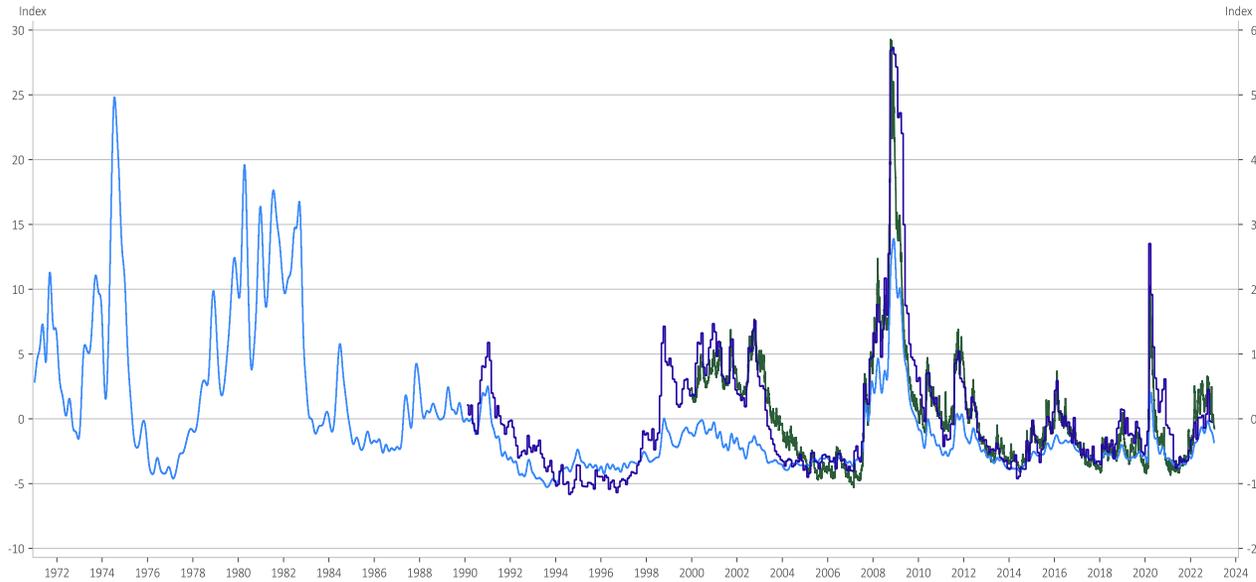
Outlook 2023, lower rates



Source: Erik Penser Bank, Macrobond



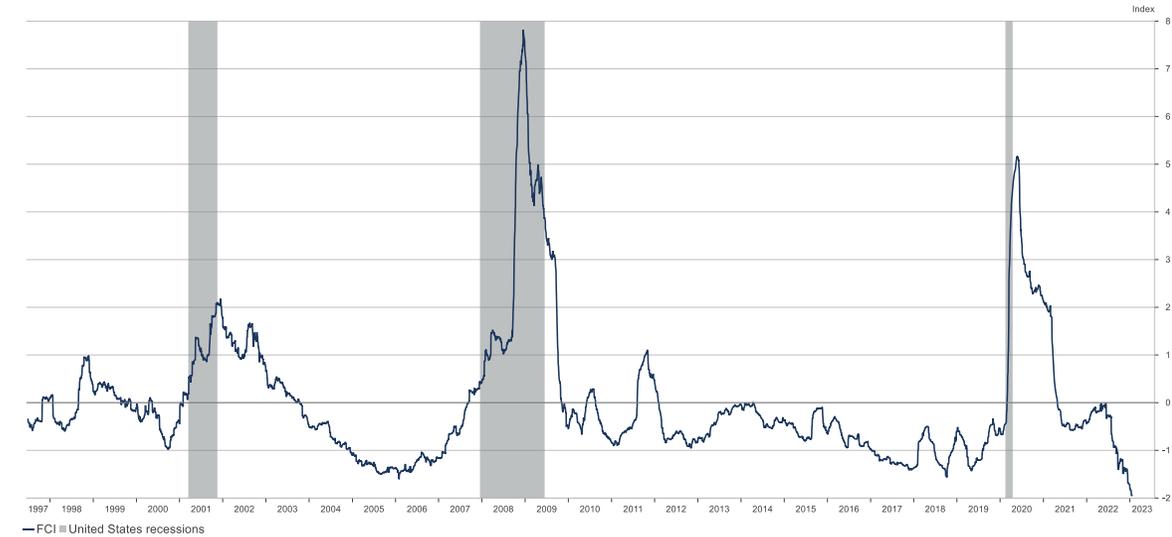
Outlook 2023, Financial conditions to plateau and start coming lower



- Financial conditions, FED #2, rhs
- National Financial Conditions Index, rhs
- Office of Financial Research (OFR), Financial Stress Index, lhs

Source: Erik Penser Bank, Macrobond

United States: Financial Conditions Index



- FCI United States recessions

Source: Erik Penser Bank, Macrobond



Let us derive Erik Penser Bank's equity overweight

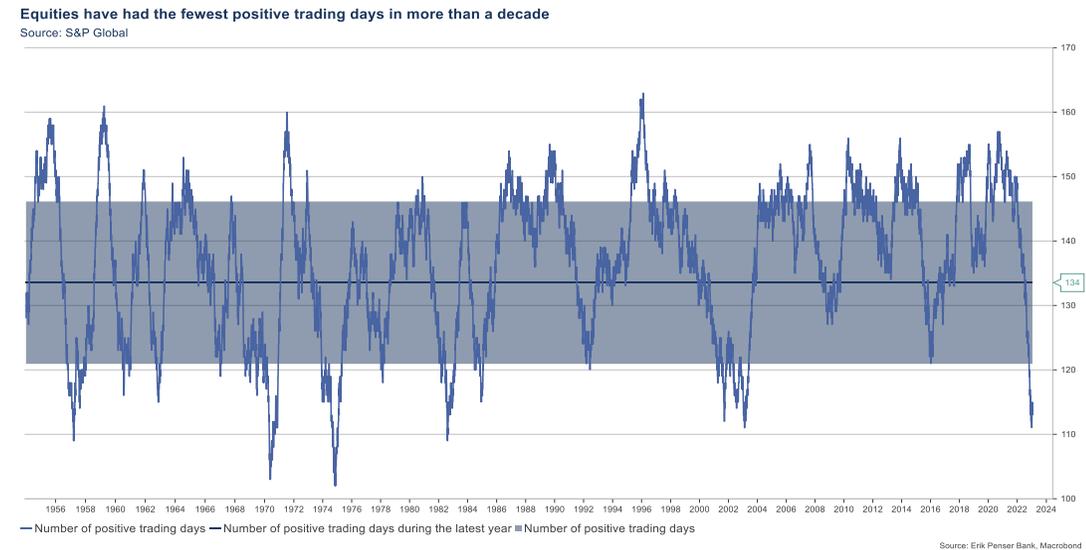
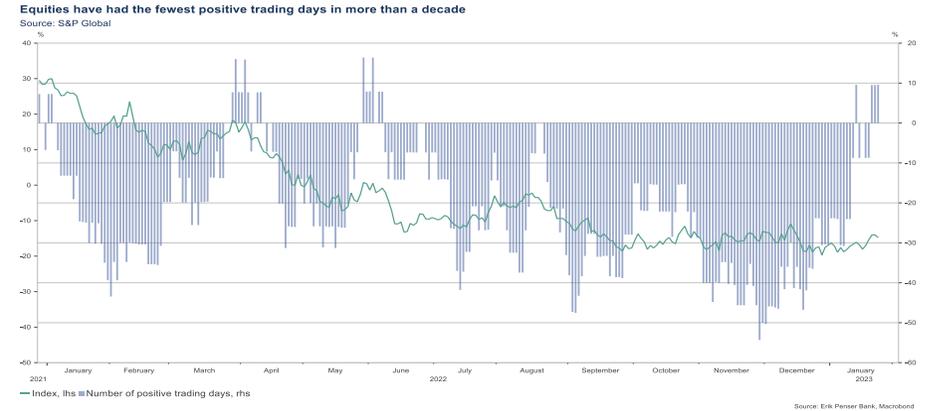
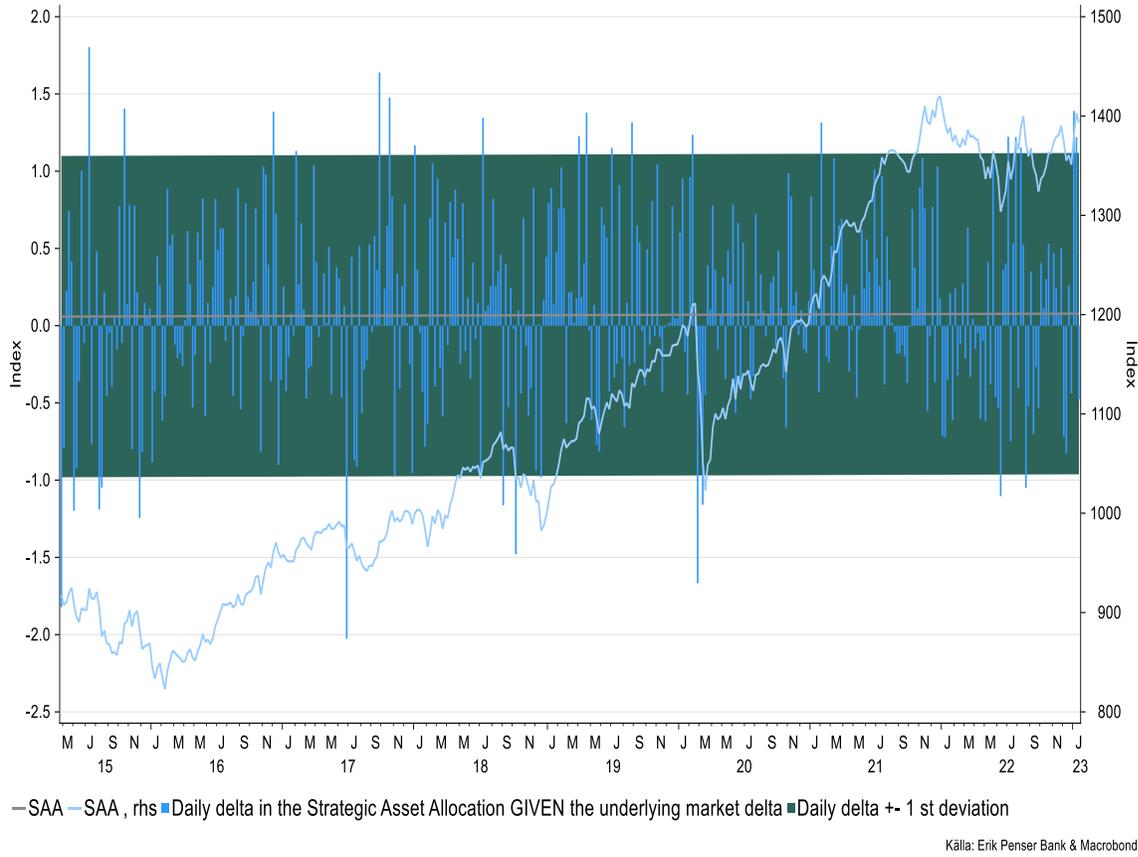


Equity outlook

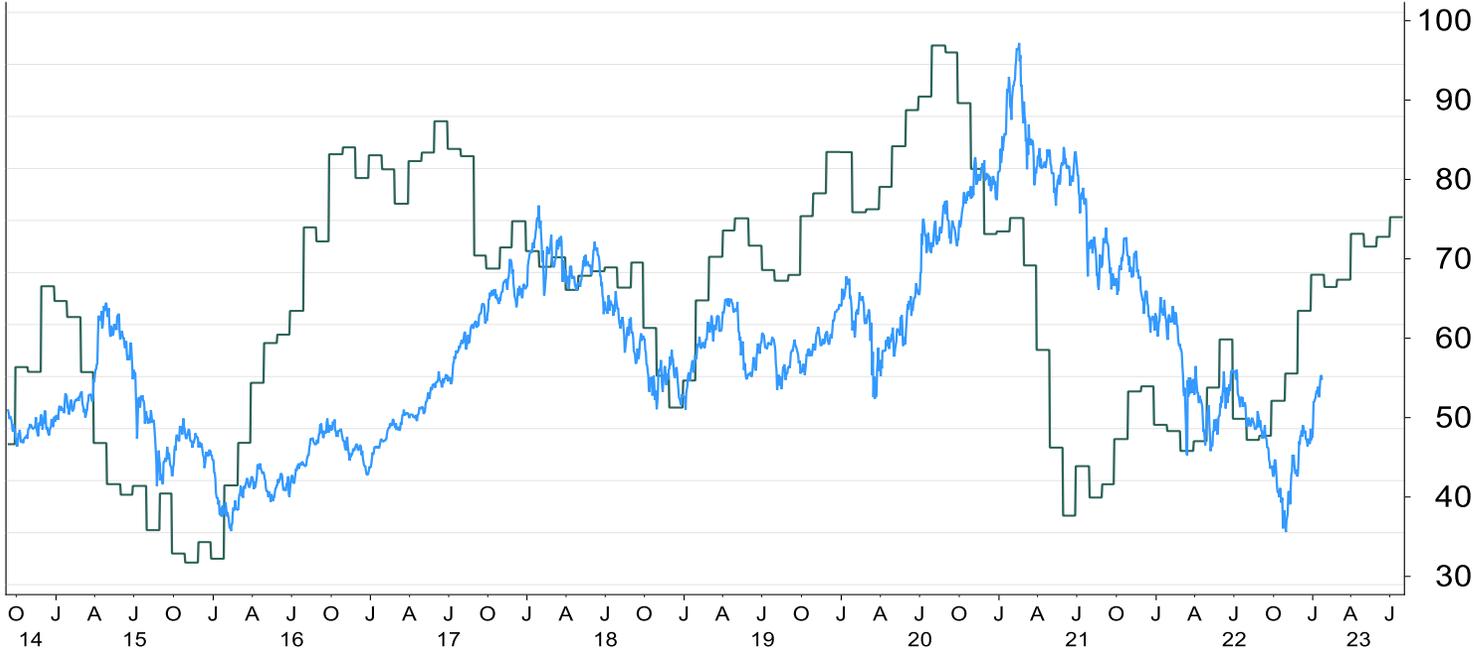


Outlook 2023, SAA stable with OW equities and more positive days

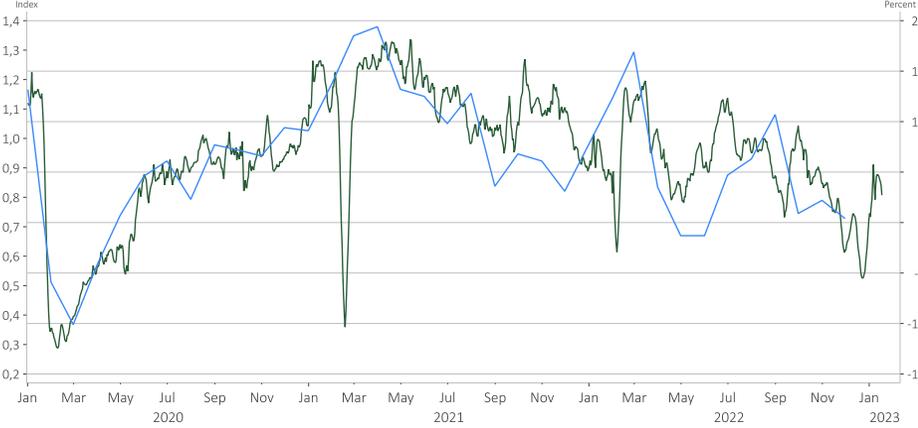
- Blue bars indicate if the DELTA in the Strategic allocation is TOO large given the market's volatility!
- Since 80's markets are better and better handling stress, in fact to keep up with history equity allocations have to rise with more than 5% per annum as strategic weight (last few years the speed has increased)



Outlook 2023, Chinese equities will compete again



China: YiCai Index as leading indicator for the economic activity



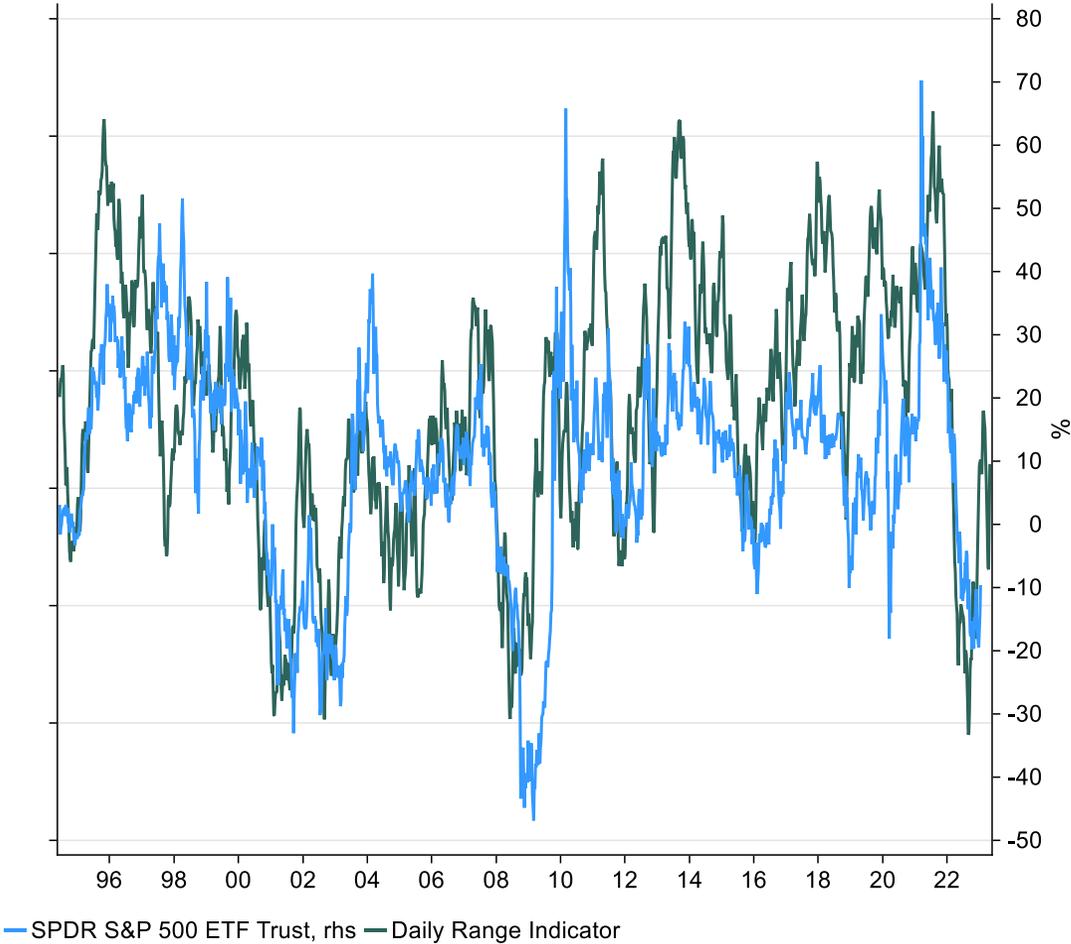
— Electricity Consumption, Change Y/Y, rhs — YiCai Global High Frequency Economic Activity Index, lhs
Source: Erik Penser Bank, Macrobond

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

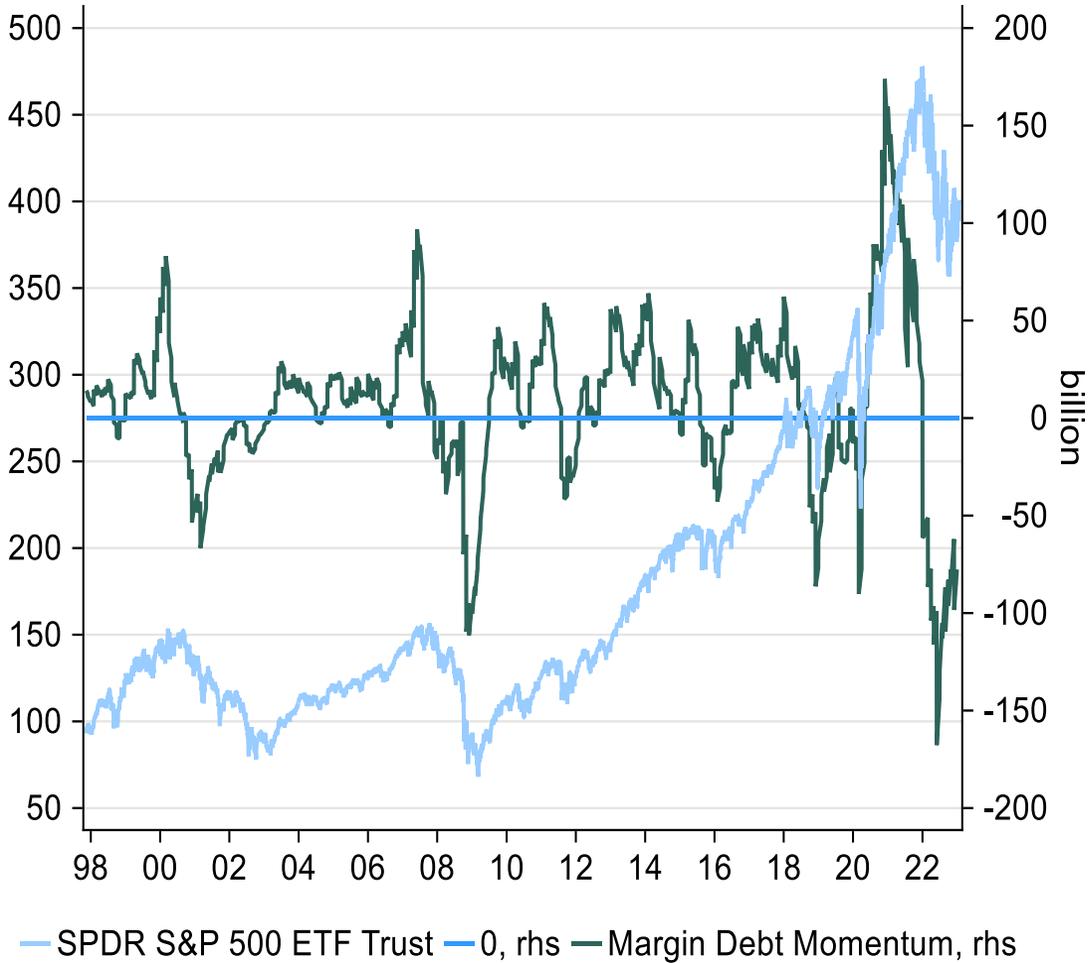
Källa: Erik Penser Bank & Macrobond



Daily Range Indicator & margin debt!



Source: Erik Penser Bank & Macrobond

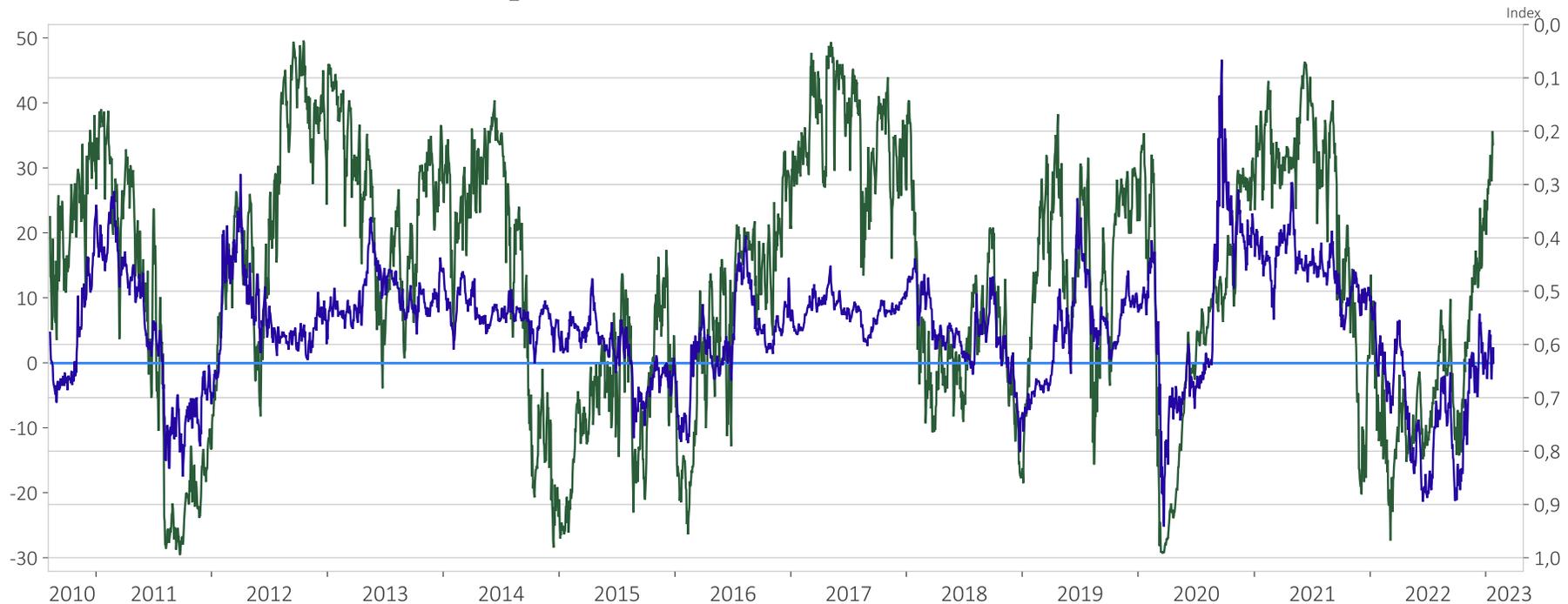


Source: Erik Penser Bank & Macrobond



Outlook 2023, risk troughed!

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



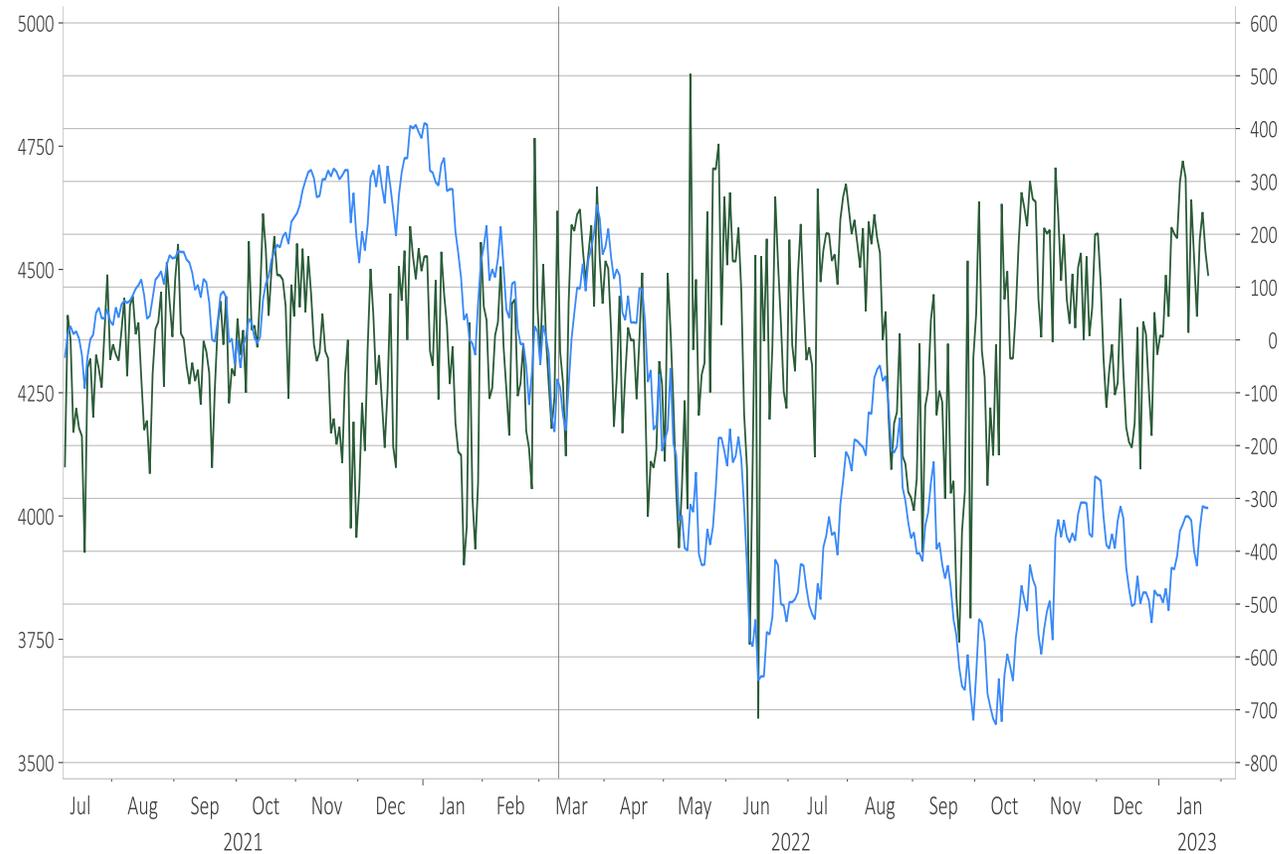
- SPDR S&P 500 ETF Trust, lhs —Benchmark barrier where equities sell off, lhs
- EPB Macro Risk Indicator (rate spreads, CDS on corporates, FX vol, FI vol, EM rate spread), rhs

Source: Erik Penser Bank, Macrobond



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

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



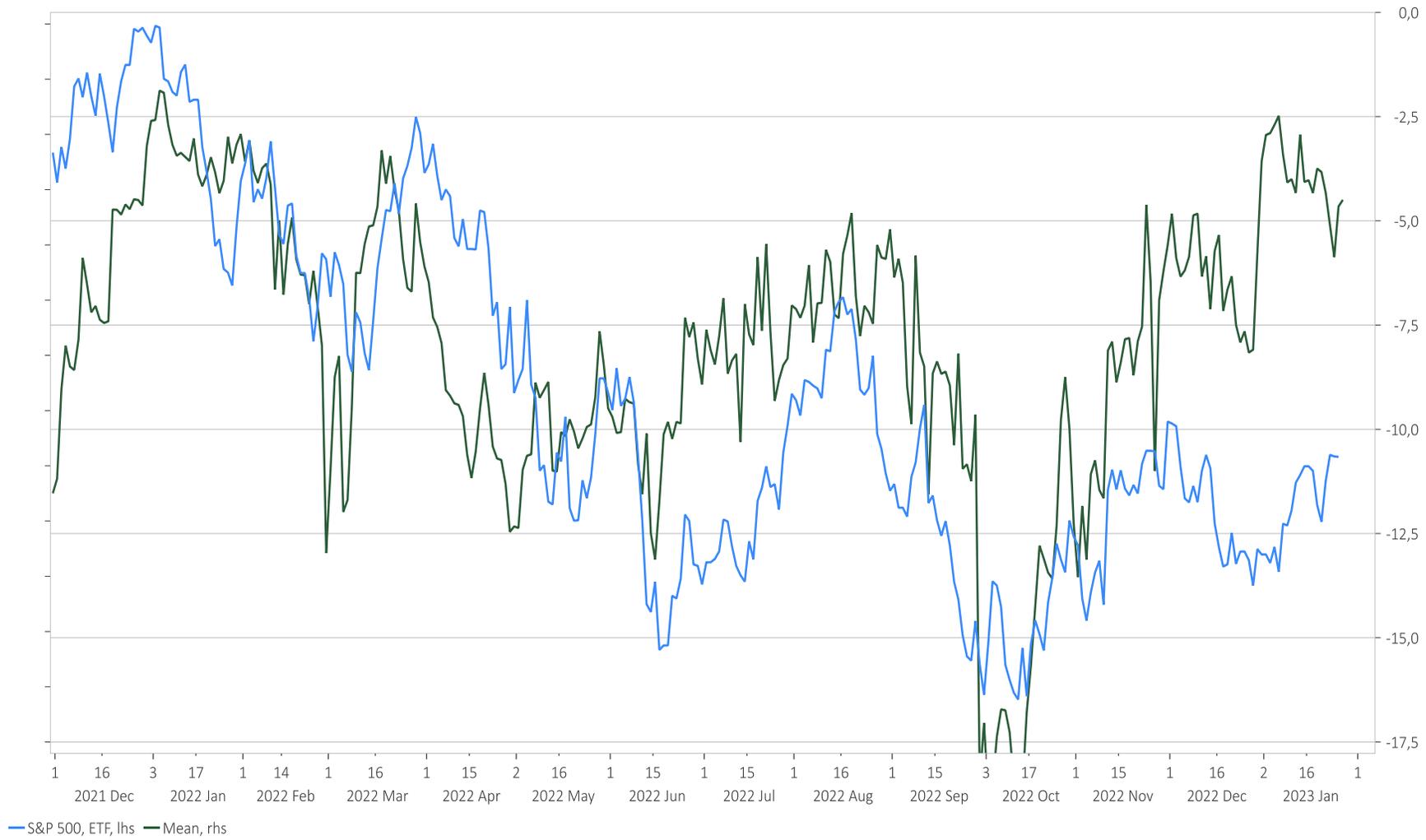
—S&P 500 etf, lhs —Sum of "usual suspects" from Bloomberg, rhs

Source: Erik Penser Bank, Macrobond



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

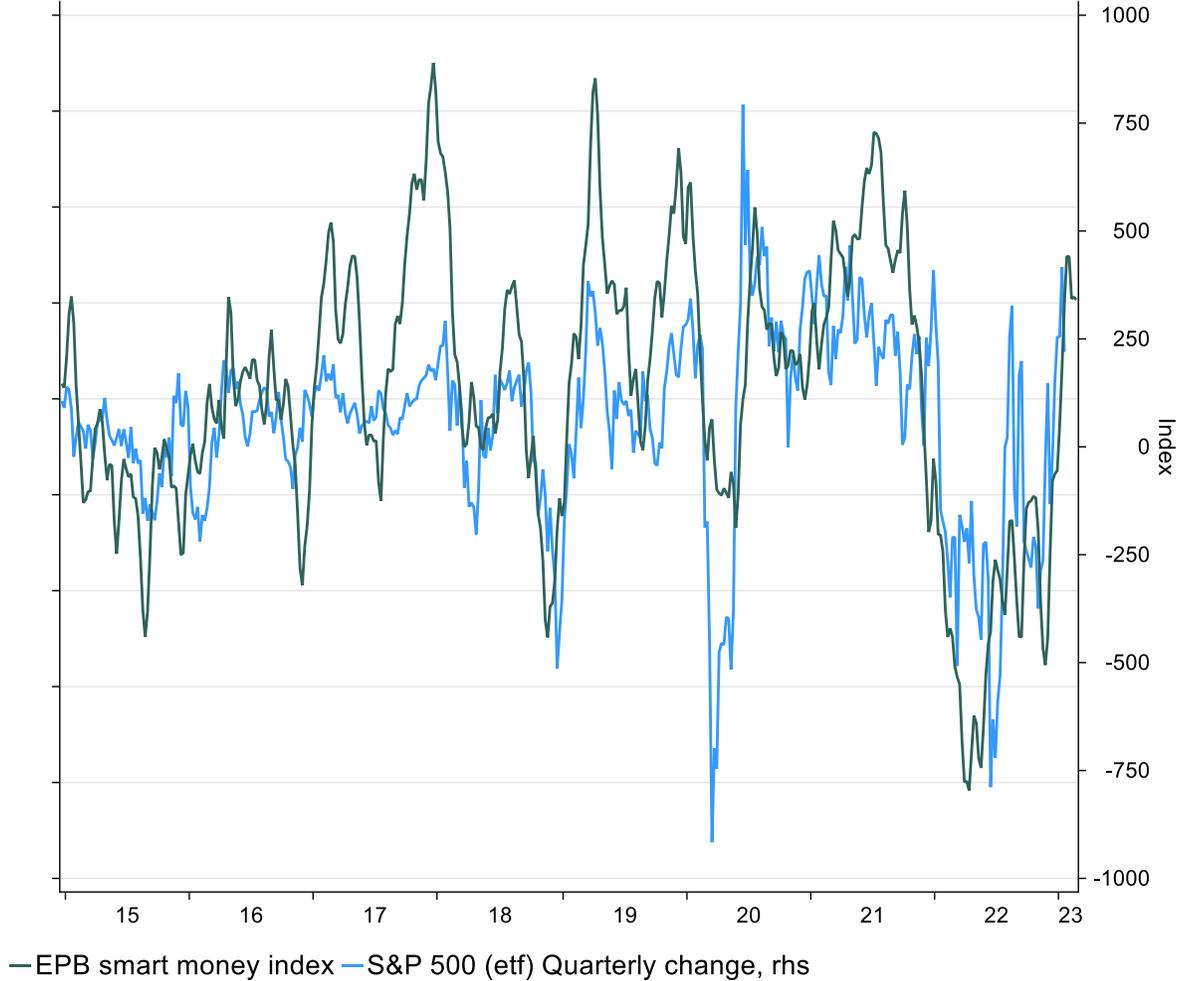
Improved conditions in credit, FX, and vol markets (counterparty risk, USD liquidity, volatility curves),



Source: Erik Penser Bank, Macrobond



EPB's 'smart' money index



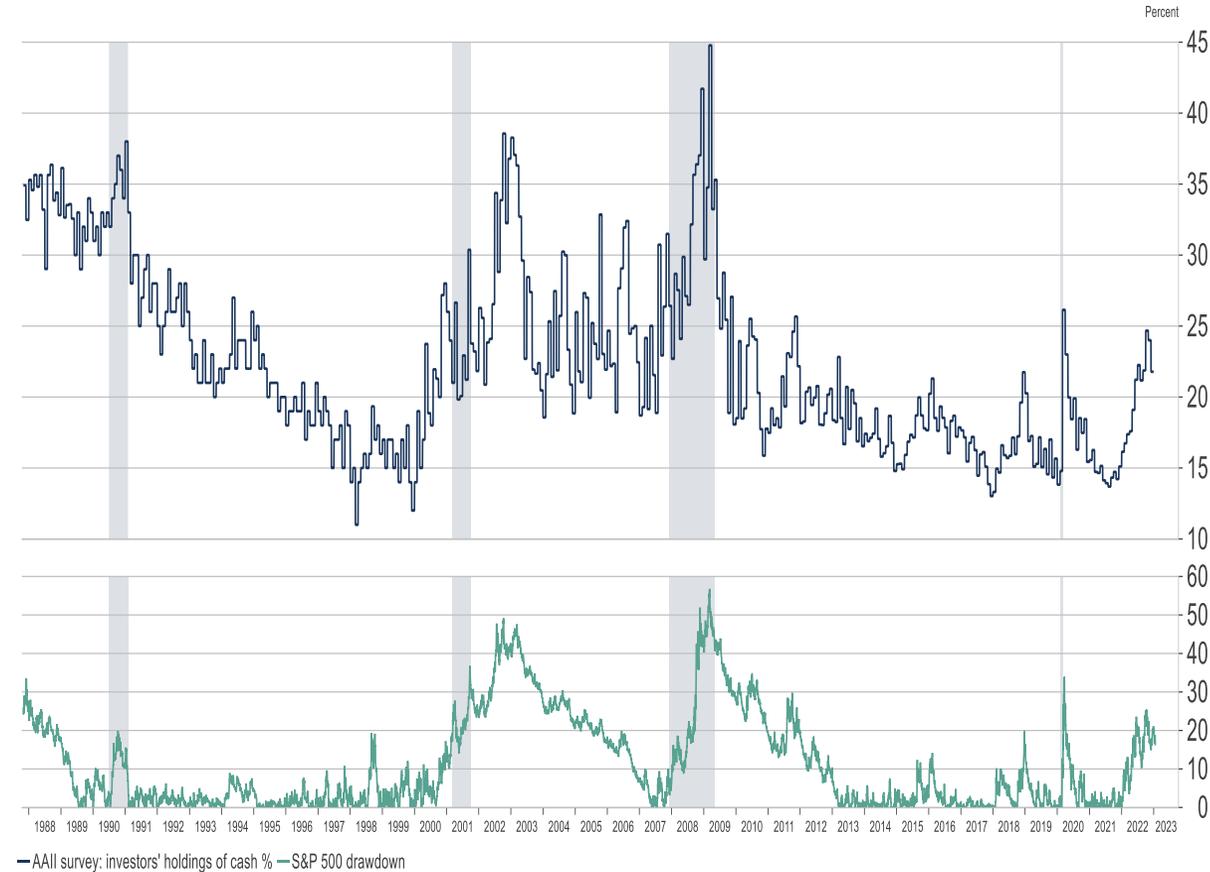
Source: Erik Penser Bank & Macrobond



Outlook 2023, flows to come back

cash holdings vs. equity drawdowns

Source: American Association of Individual Investors (AAII), S&P Global
NBER recessions highlighted in grey



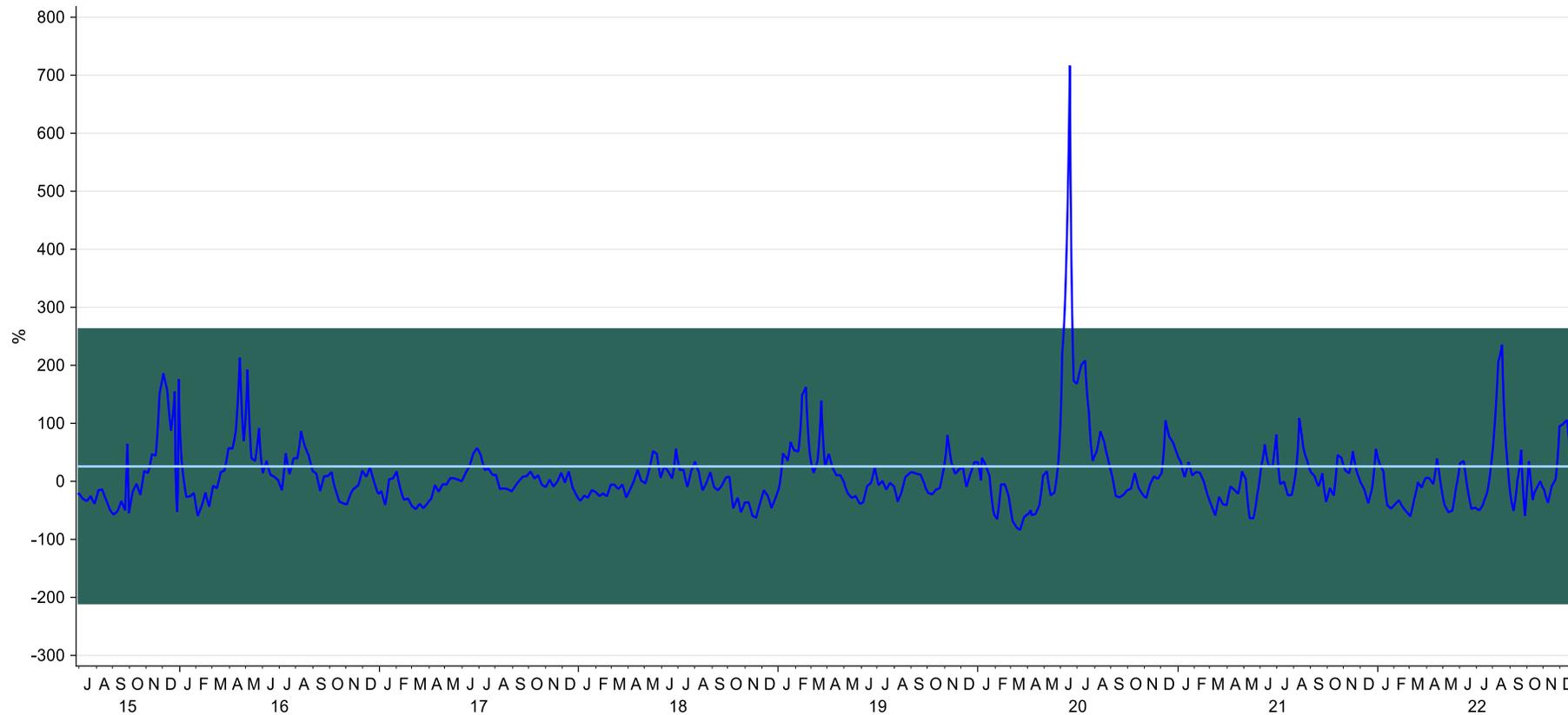
Source: Erik Penser Bank, Macrobond



Who are you? Aka the curse of the retail investor's sentiment...

It has been a while since institutional investors been so much more bullish compared to retail...for the time being we have sided with the professional investment managers.

AS OF THIS WEEK INSTITUTIONS ARE ON THE MOVE AGAIN



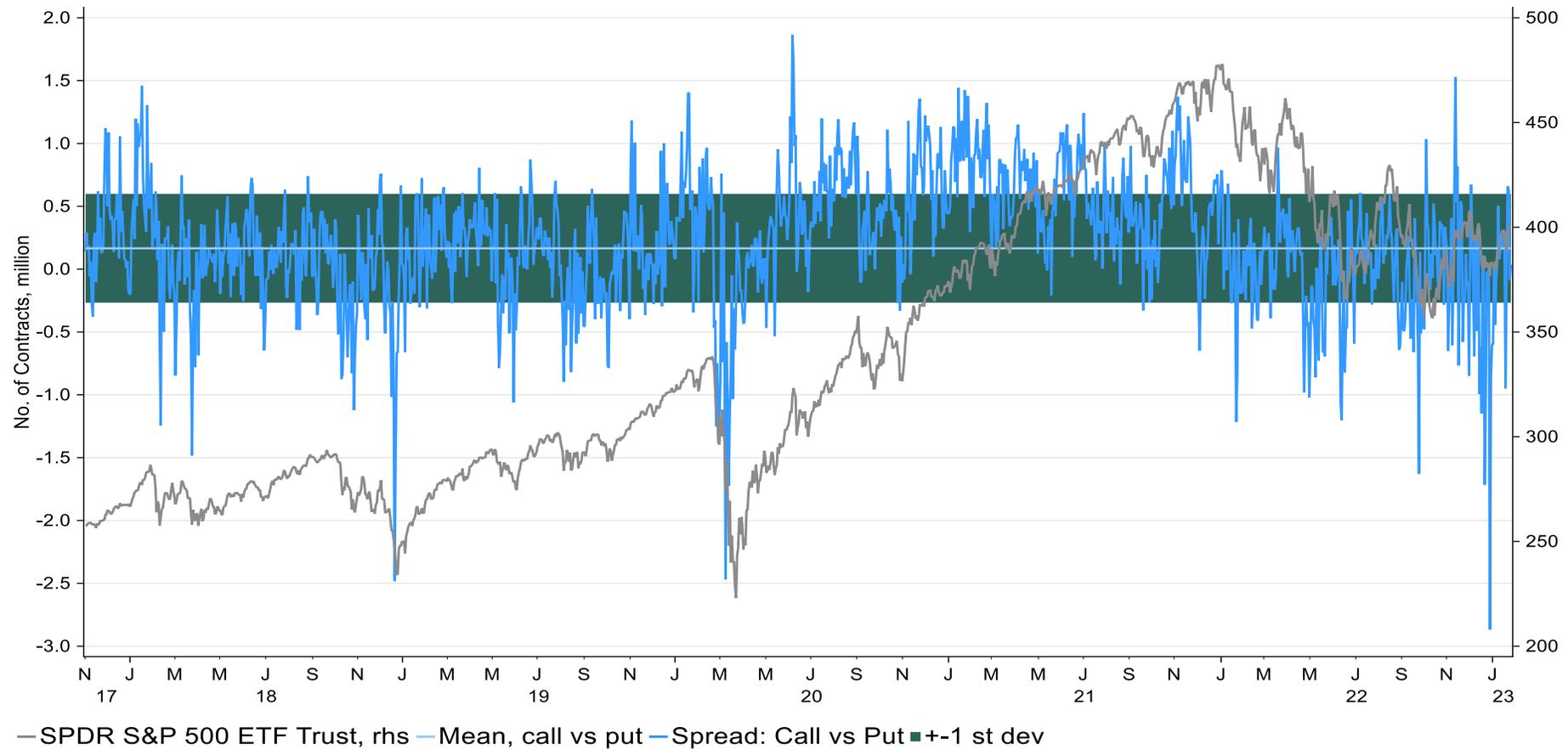
— Mean — Professional Investment Managers vs Retail ■ +/- 1 st dev

Källa: Erik Penser Bank & Macrobond



All option market volume

Calls – Puts.

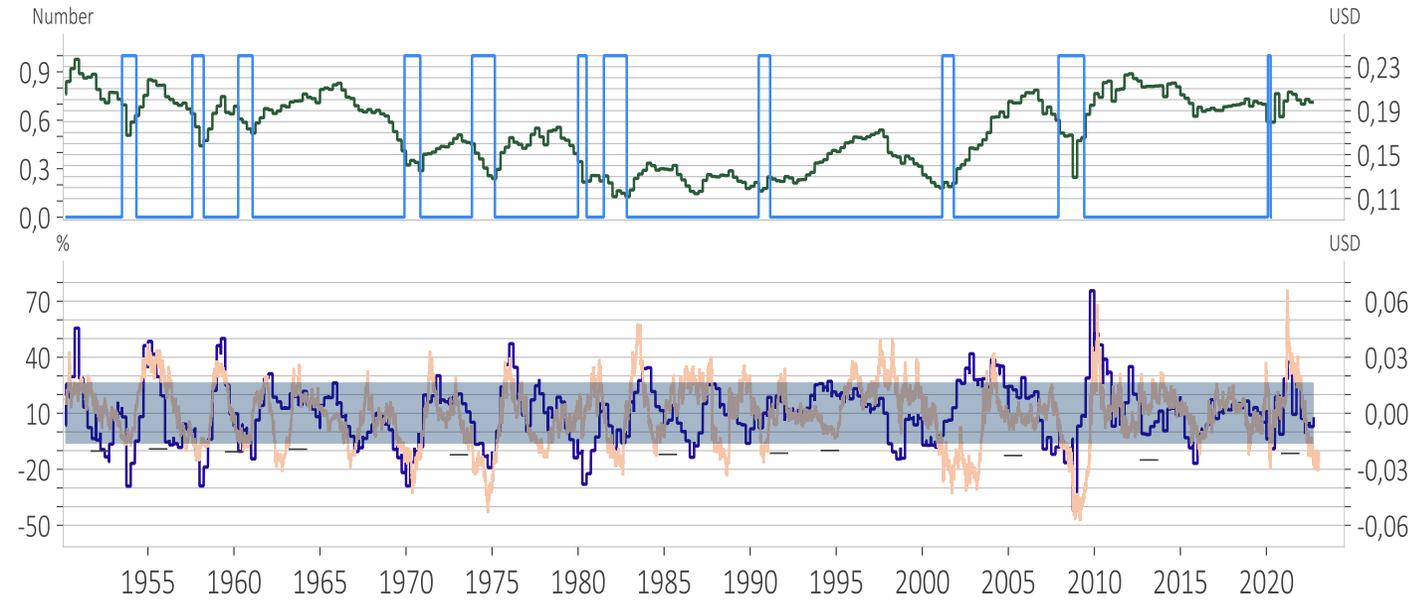


Källa: Erik Penser Bank & Macrobond

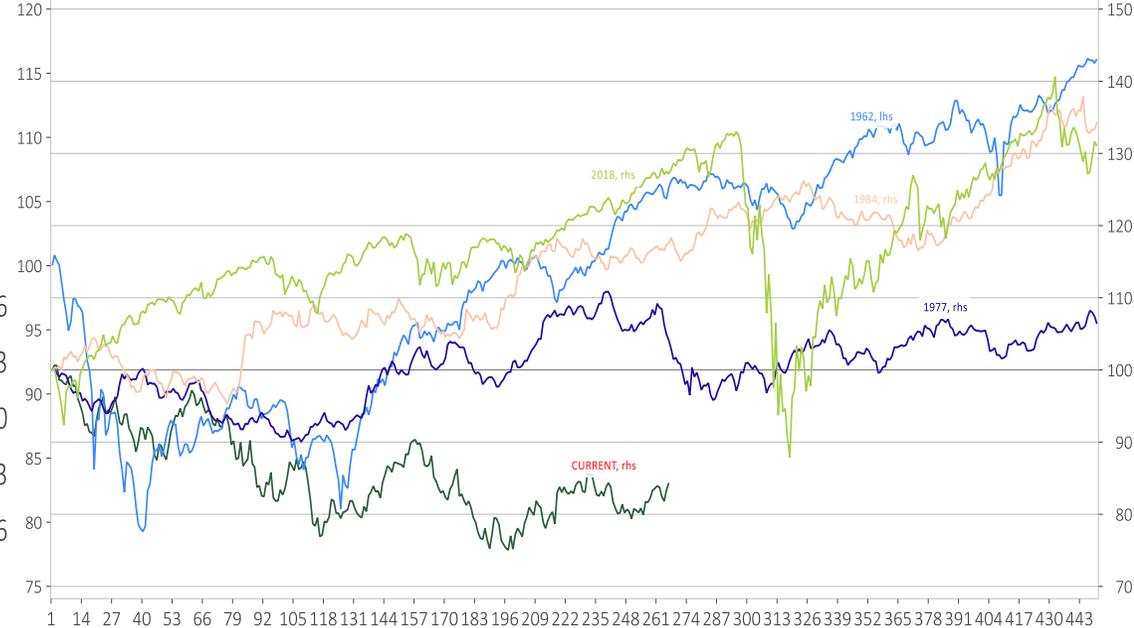


Profitability, Tobin's Q – with a “replacement of capital” angle we can derive an indicator that since 1950 has predicted 67% of equity slumps

Corporate Profits over Value Added by same firms (replacement angle)



Evolution of S&P 500 after sell offs not supported by Tobin's Q



- US Recessions, lhs – Corporate Profits as % of Corporate Value Added, rhs
- Standard Deviations in the ratio, rhs – US equity index (S&P etf), lhs
- Growth in the above ratio, rhs

Source: Erik Penser Bank, Macrobond

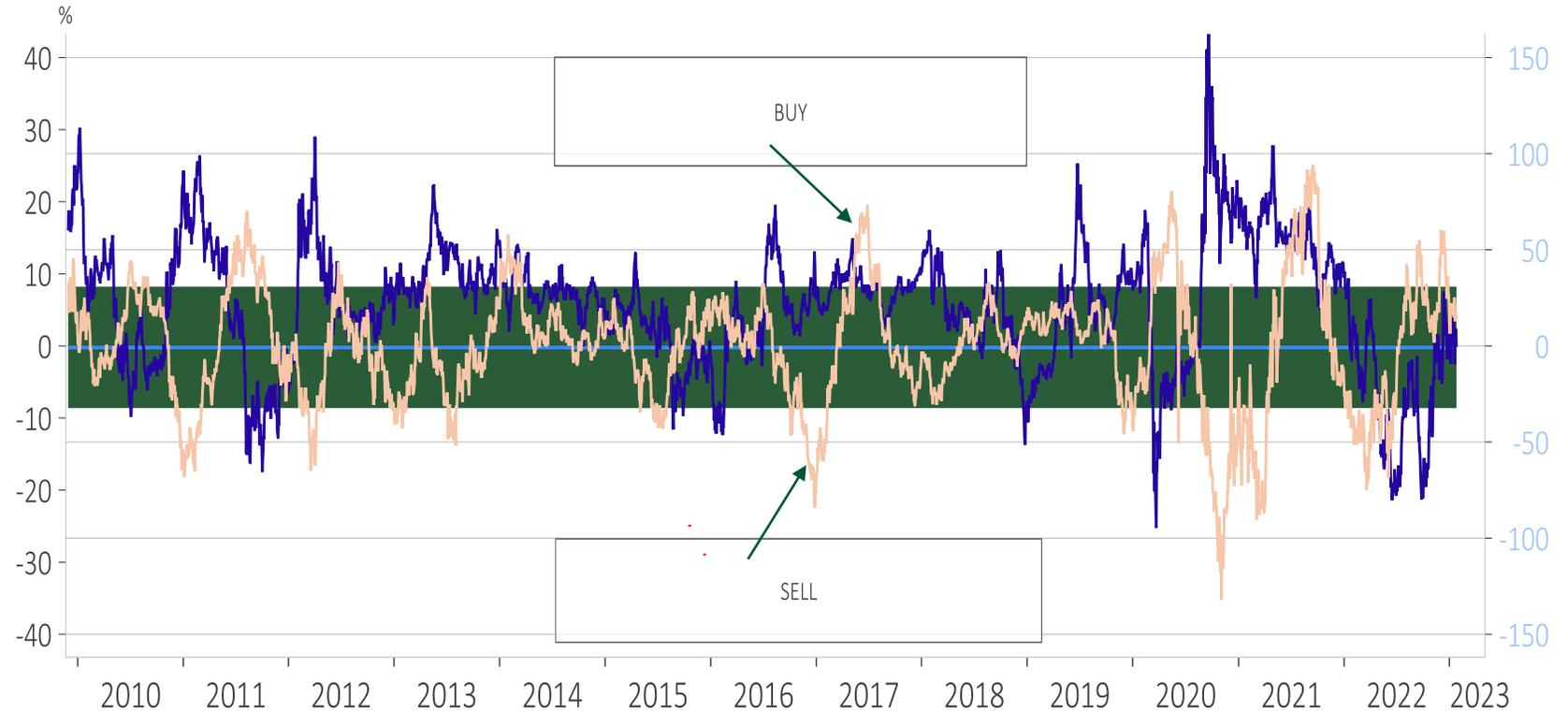


Equity valuation based on P/E and rates

FED charimens' valuation model

Conclusion: equities are supported

Greenspan / Powell valuation argument versus equities



- FED valuation indicator, on momentum, rhs — SPDR S&P 500 ETF Trust, lhs
- mean with st devs, rhs ■ +1 st dev, rhs

Source: Erik Penser Bank, Macrobond



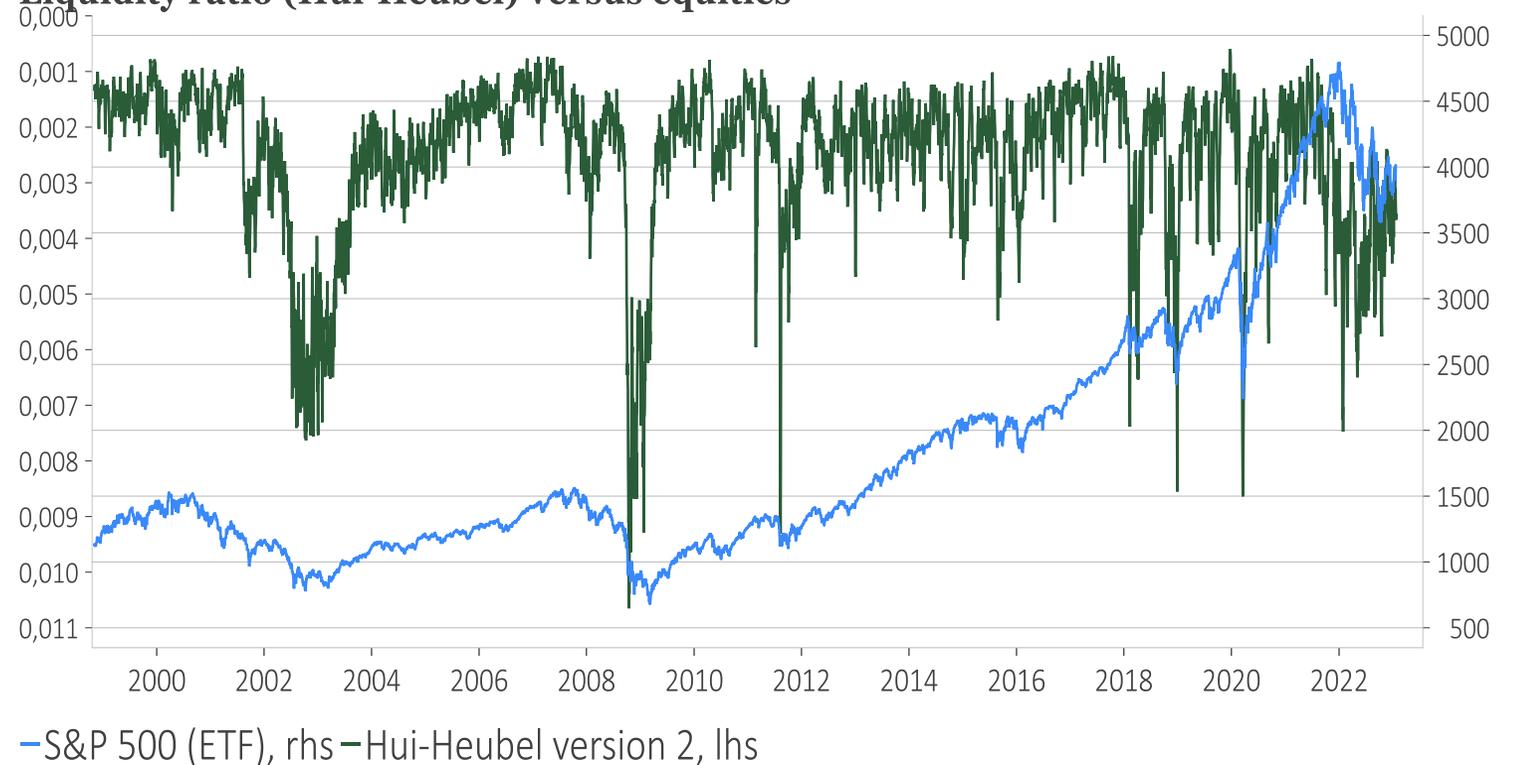
Hui-Heubel Liquidity ratio

$$\frac{(P_{\max} - P_{\min}) / P_{\min}}{V / (S \cdot \bar{P})}$$

V is the average daily volume for a particular futures, SP is the average open interest or amount of outstanding shares over the same period. So V/SP effectively captures turnovers. By its actions the market is demonstrating an enormous propensity to buy!

Conclusion: a proper trough is building

Liquidity ratio (Hui-Heubel) versus equities



Source: Erik Penser Bank, Macrobond

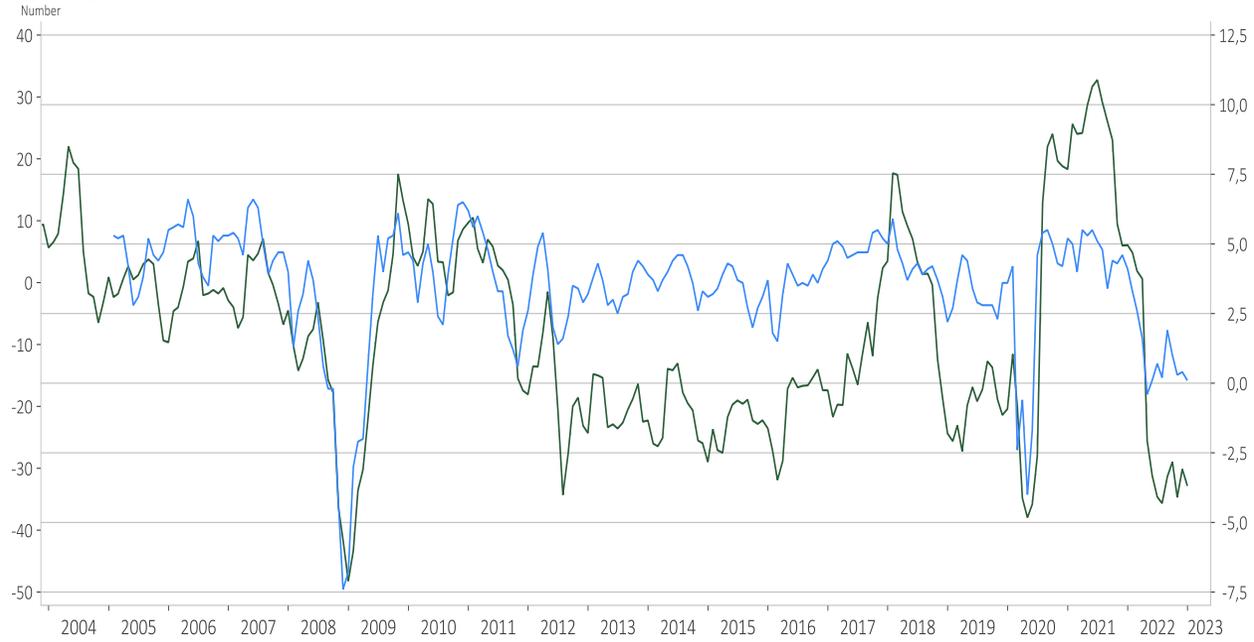


Outlook 2023

Earnings revisions have troughed

Price target revisions have
troughed

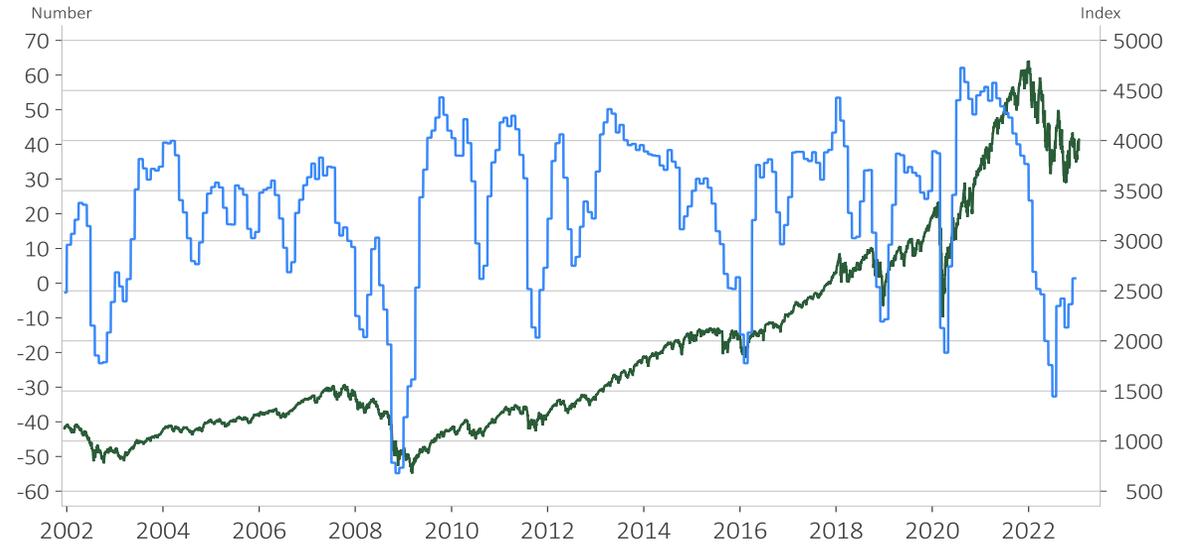
Earnings Estimate Revisions



—Bloomberg Economics Global GDP Tracker, rhs —Earnings Estimate Revisions (100 Days), lhs

Source: Erik Penser Bank, Macrobond

Price target revisions



—Price Target Estimate Revisions (100 Days), lhs —S&P Etf, rhs

Source: Erik Penser Bank, Macrobond

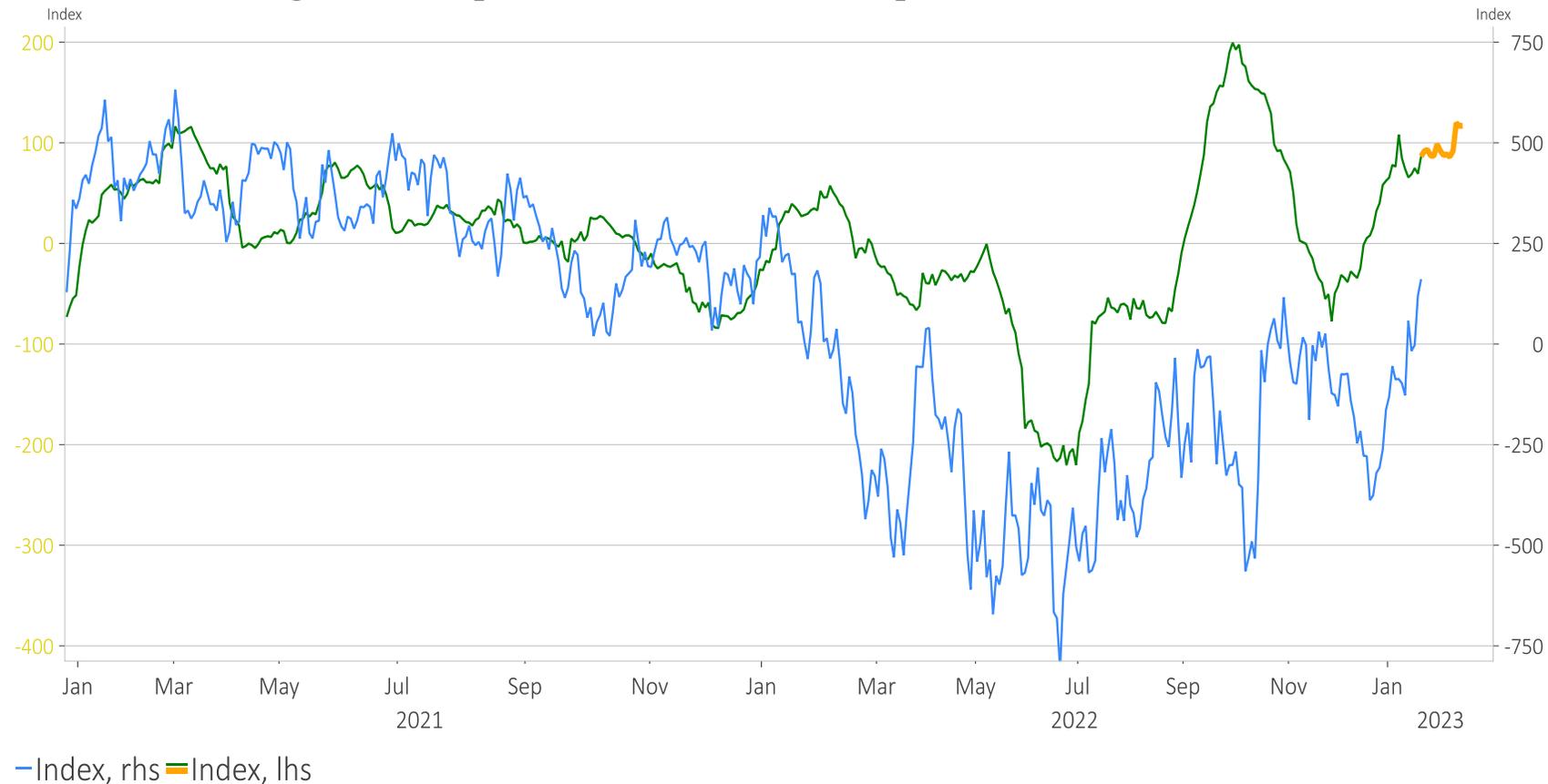


S&P 500 outlook via revisions to earnings, prices and economic surprises

EPB introduced the golden hook when we back in Q3 forecasted the rebound in Q4... so far so good 😊!

Revisions of earnings, price targets and economic surprises speak a clear message – we have a good quarter ahead of us.

S&P 500 via earnings revisions, price revisions, economic surprises



Short term delta in crucial series for the model



— US Data Surprise Index — Profit Outlook Net Index — Price Target Estimate Revisions (100 Days)
— Earnings Estimate Revisions (100 Days)

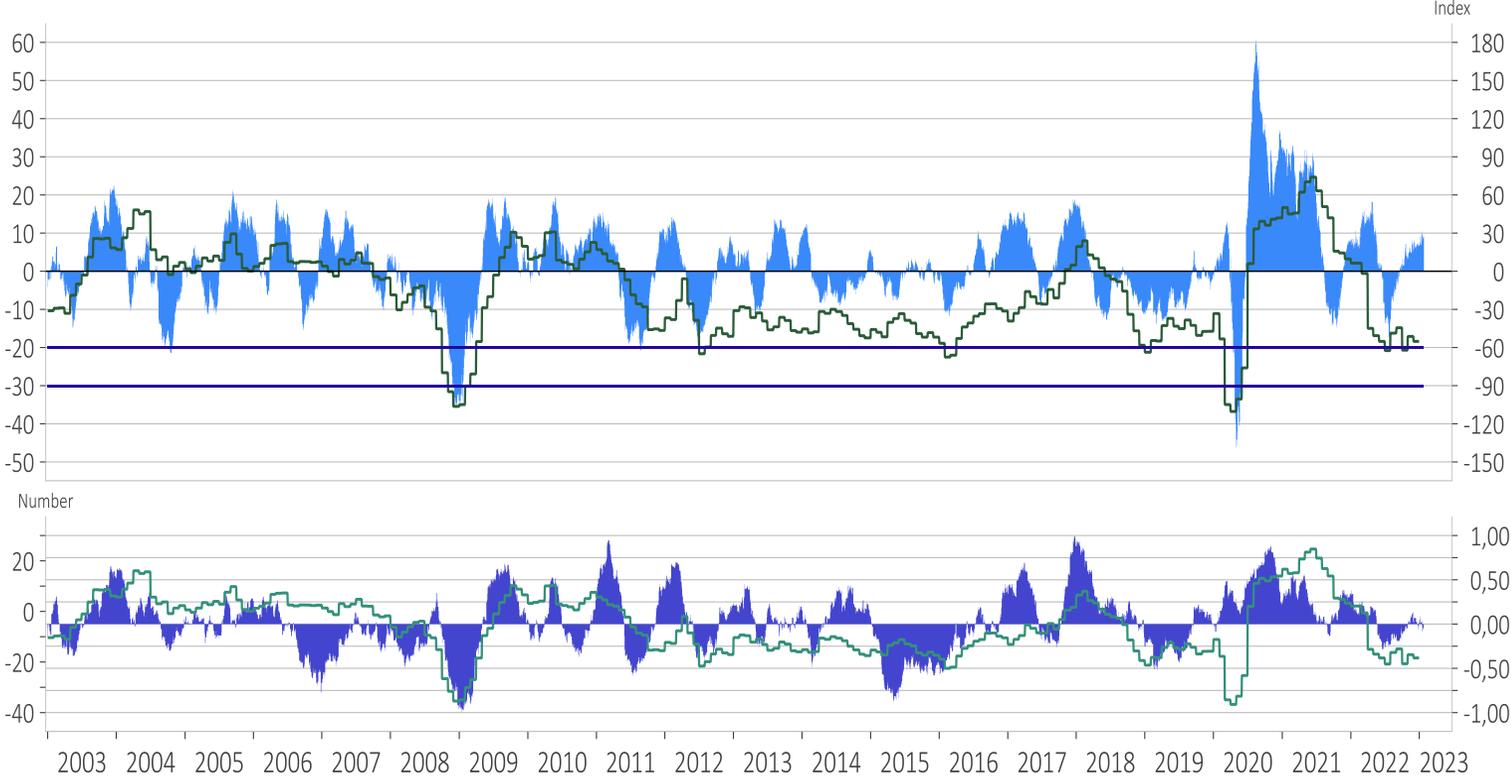
Source: Erik Penser Bank, Macrobond

Source: Erik Penser Bank, Macrobond



Outlook 2023, Positive economic surprises to spread to positive momentum in earnings revisions

Economic surprises versus earnings revisions



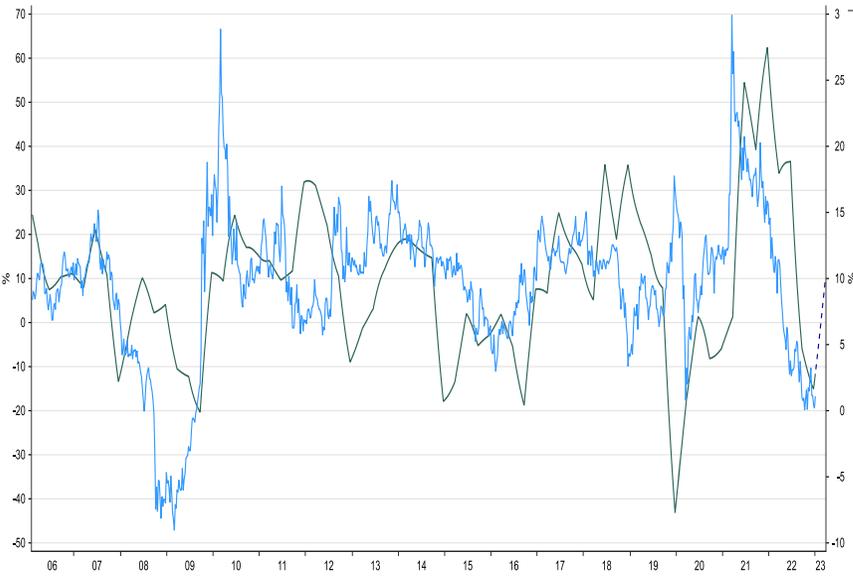
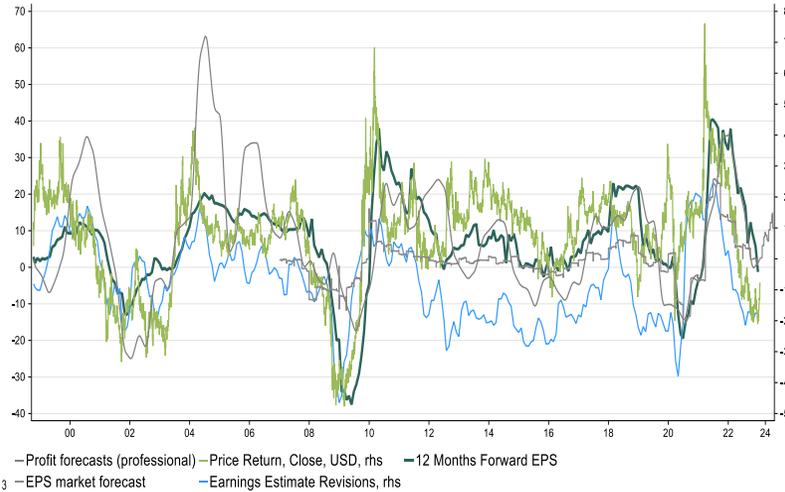
-30, lhs -20, lhs - Earnings Estimate Revisions (100 Days), lhs ■ Citi Economic Surprise Index, rhs
 - World, Developed, Equity Indices, FactSet/Macrobond, Total, Broad Market, Index, Earnings Estimate Revisio...
■ US Surprise Index, rhs

Source: Erik Penser Bank, Macrobond



Outlook 2023, profit forecasts to follow national accounting!

EPS seems to follow real economic profits



S&P 500 (etf) = US S&P level given profit level (fr national accounting), rhs

Källa: Erik Penser Bank & Macrobond

EPS seems to follow real economic profits



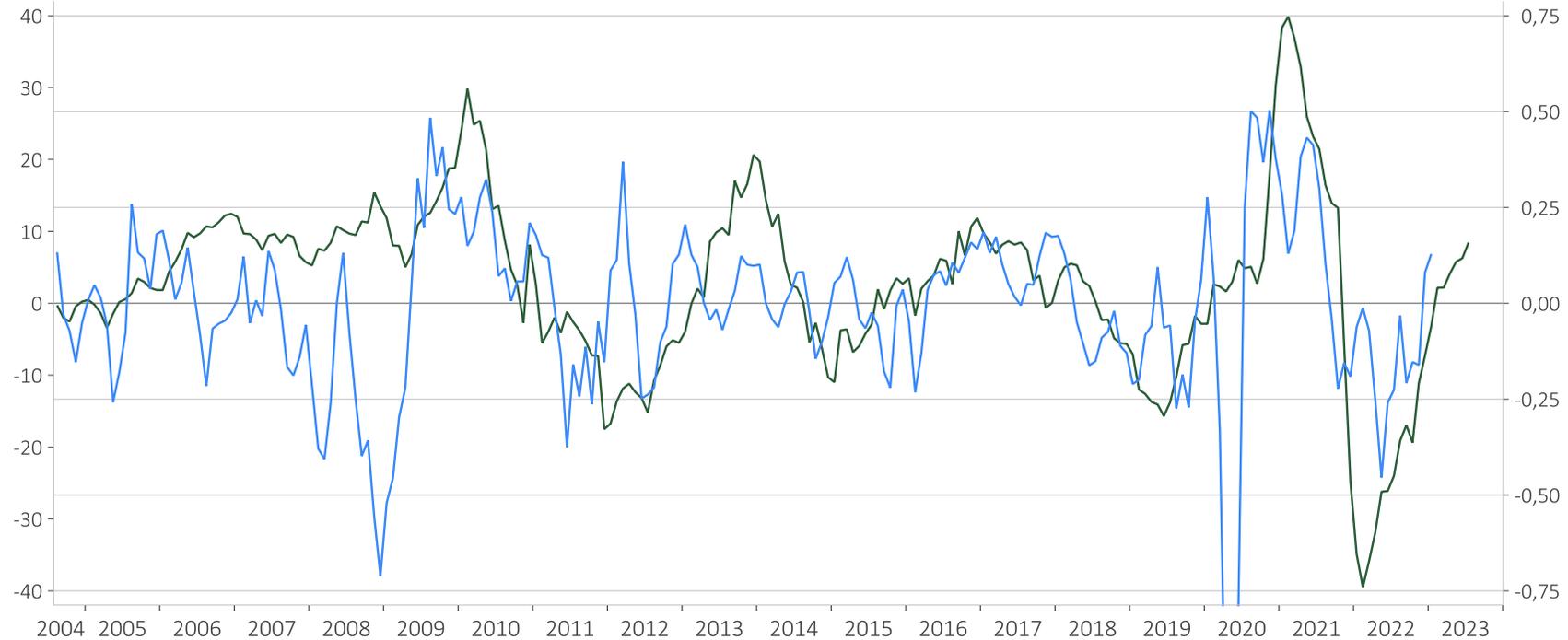
Profit forecasts (professional) – EPS market forecast – United States, Equity Indices, S&P, 500, Index, Price Return, Close, USD, rhs

Källa: Erik Penser Bank & Macrobond



Outlook 2023, credit impulse rebounds, world sentix to follow

Credit impulse



— World Sentix index: current situation, lhs

— Global credit impulse proxy (as % of GDP) pushed forward by 8 months, rhs

Source: Erik Penser Bank, Macrobond



Growth outlook

Currently ranked #8 in forecasting ISM and #10 in GDP (Bloomberg)



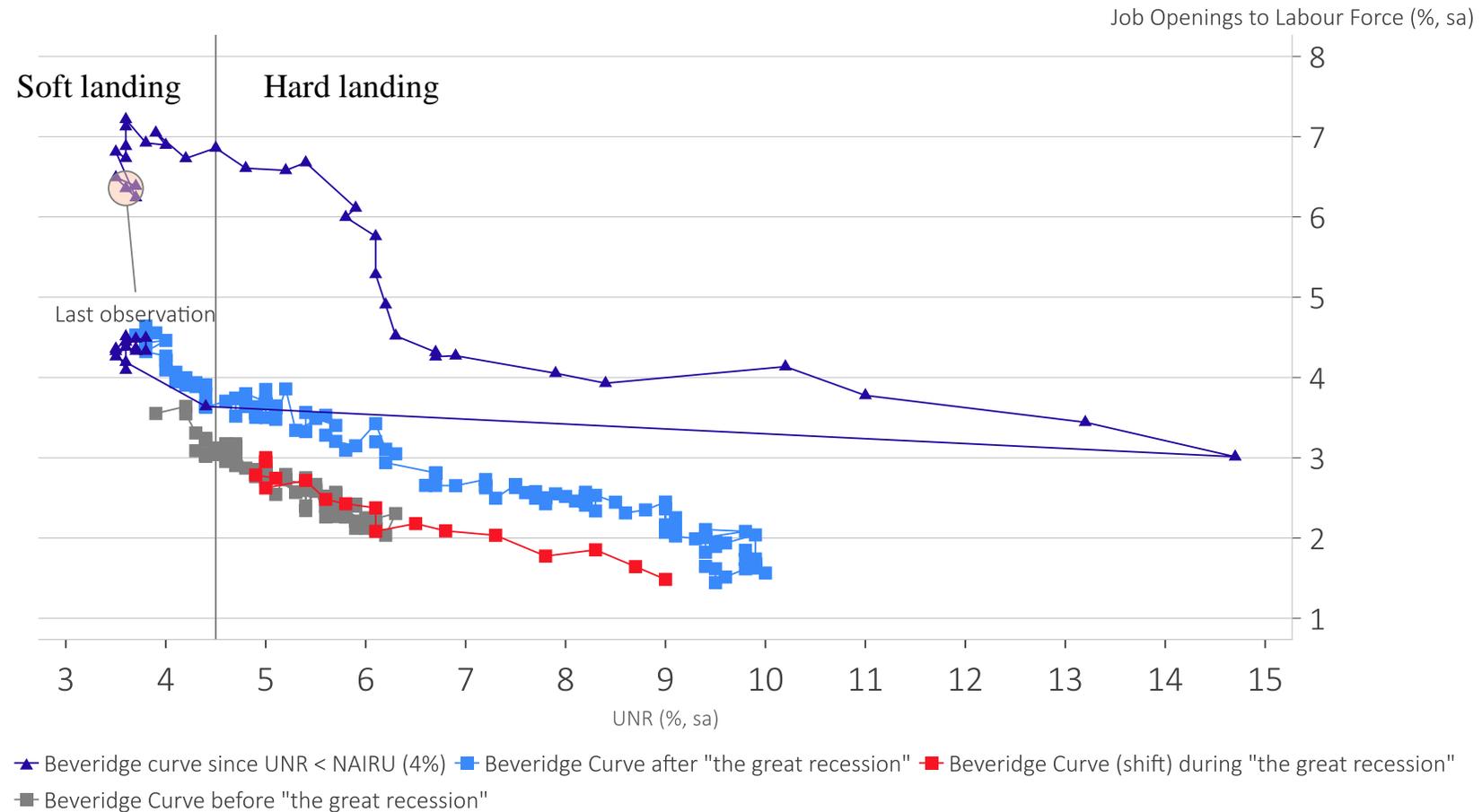
Outlook 2023, we are heading for a soft landing

The US Beveridge curve

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...

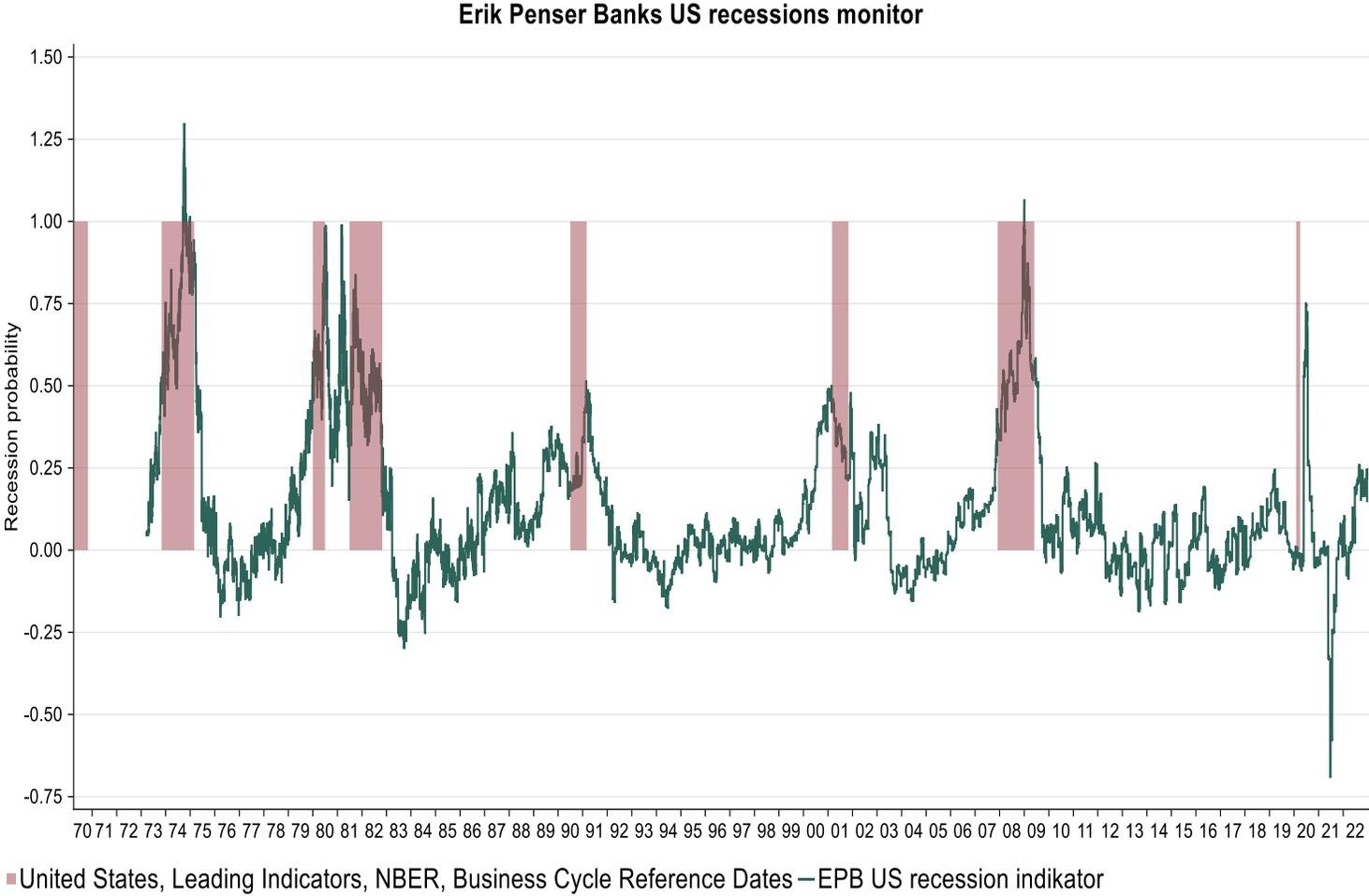
US unemployment rate will worsen a lot faster than wage data! In fact – this has already started!!!



Source: Erik Penser Bank, Macrobond



Outlook 2023, soft landing

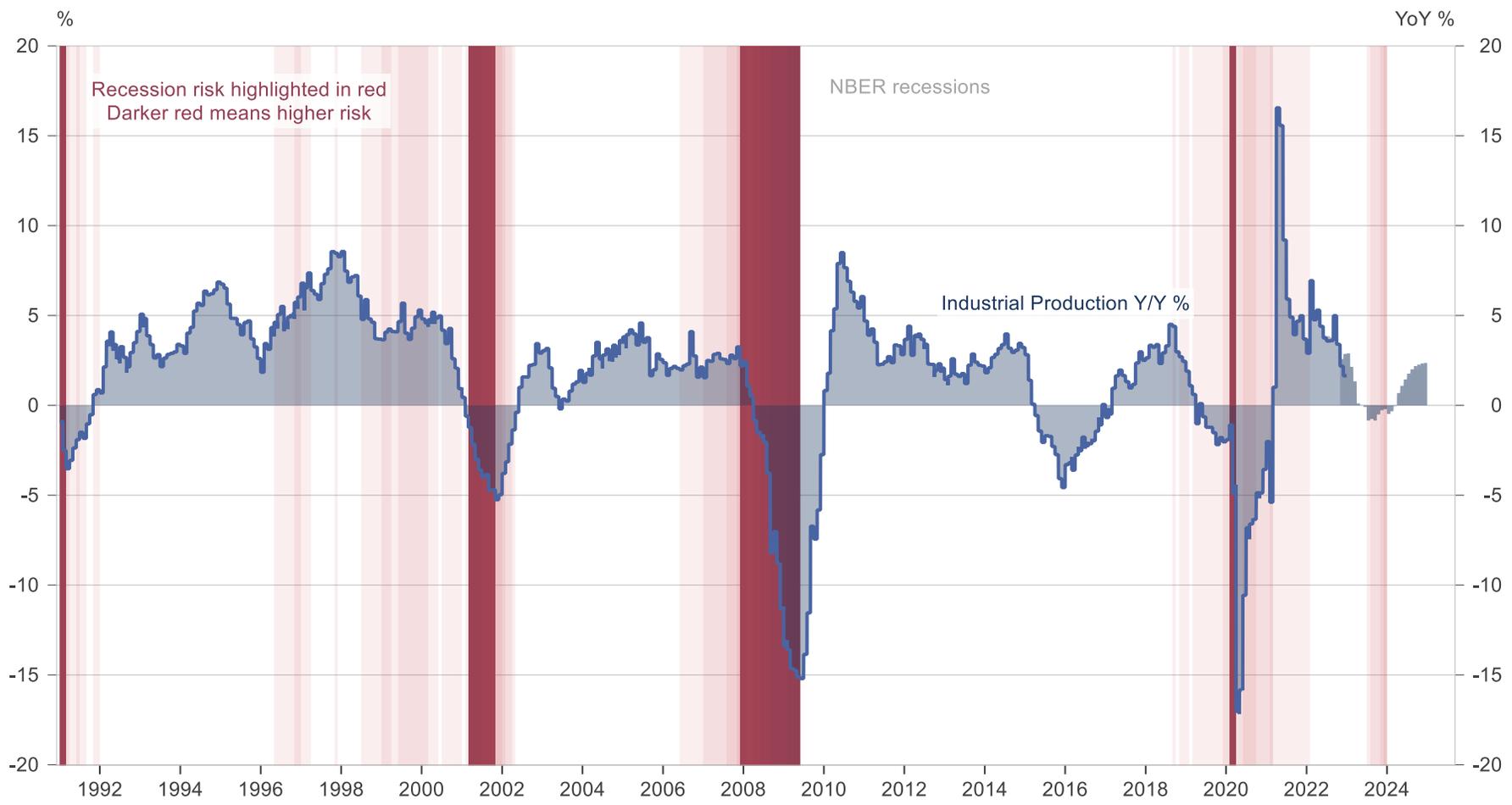


Källa: Erik Penser Bank & Macrobond



Business cycle forecast and recession – why a soft landing is more probable

United States: Industrial production vs recession risk



Source: Erik Penser Bank, Macrobond



Business cycle forecast and recession & equities

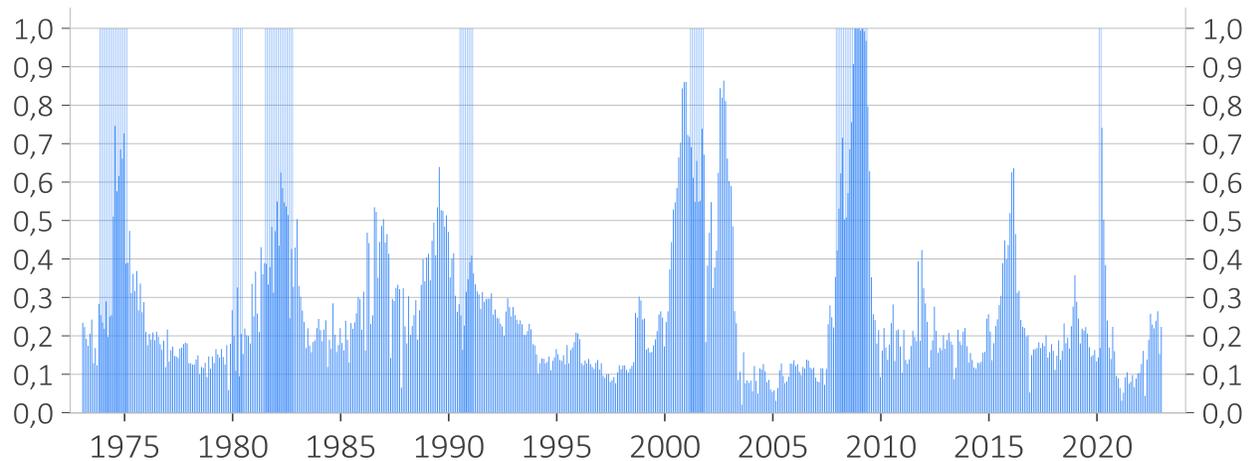
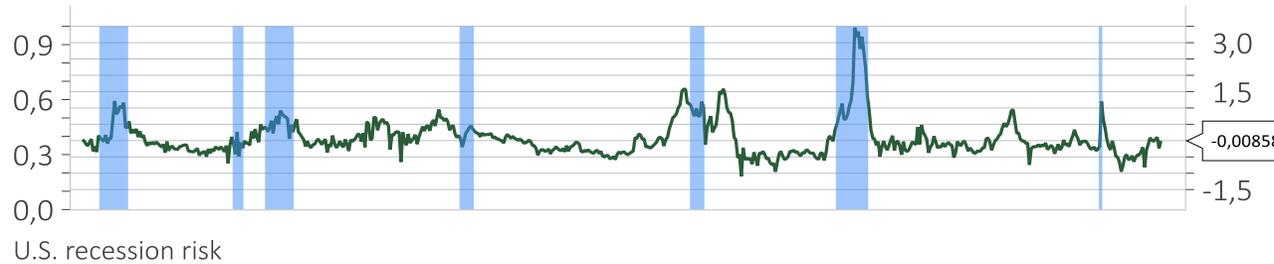


Source: Erik Penser Bank, Macrobond



Why we made no US recession call for 2022 nor for next 3 Qs?

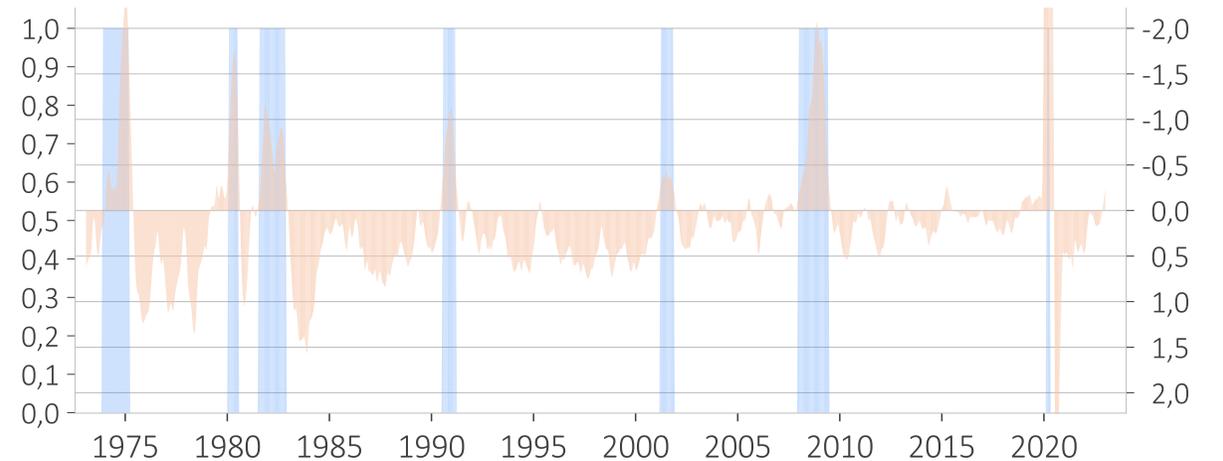
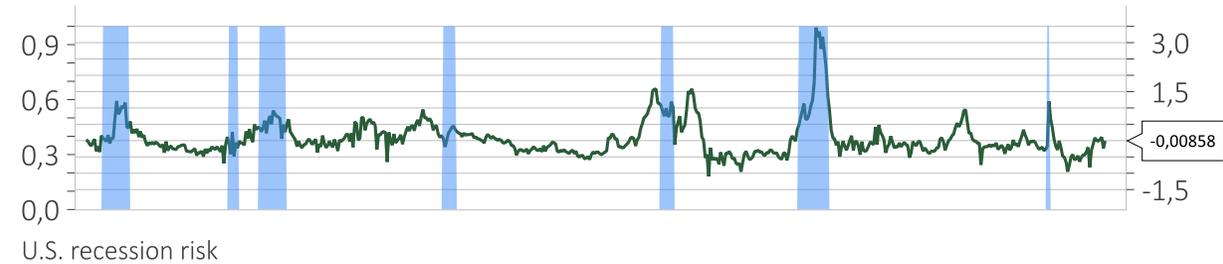
There is currently 22% recession risk next 12 months, **FED's own model built on credit risk**



■ NBER, Business Cycle Reference Dates, lhs — Federal Reserve, Excess Bond Premium, rhs

■ NBER, Business Cycle Reference Dates, lhs ■ Federal Reserve, Recession Risk, rhs

Source: Erik Penser Bank, Macrobond



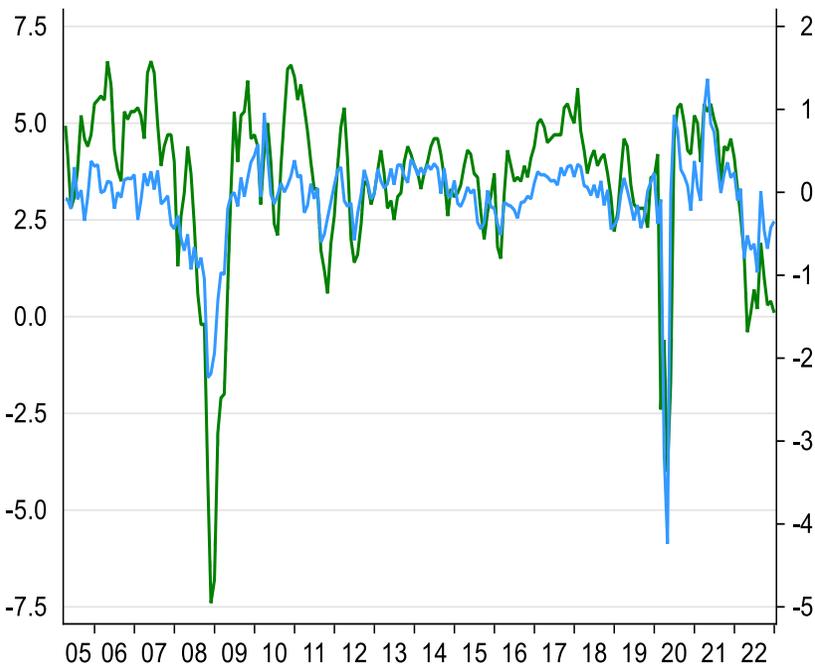
■ NBER, Business Cycle Reference Dates, lhs — Federal Reserve, Excess Bond Premium, rhs

■ NBER, Business Cycle Reference Dates, lhs ■ Sum, rhs

Source: Erik Penser Bank, Macrobond

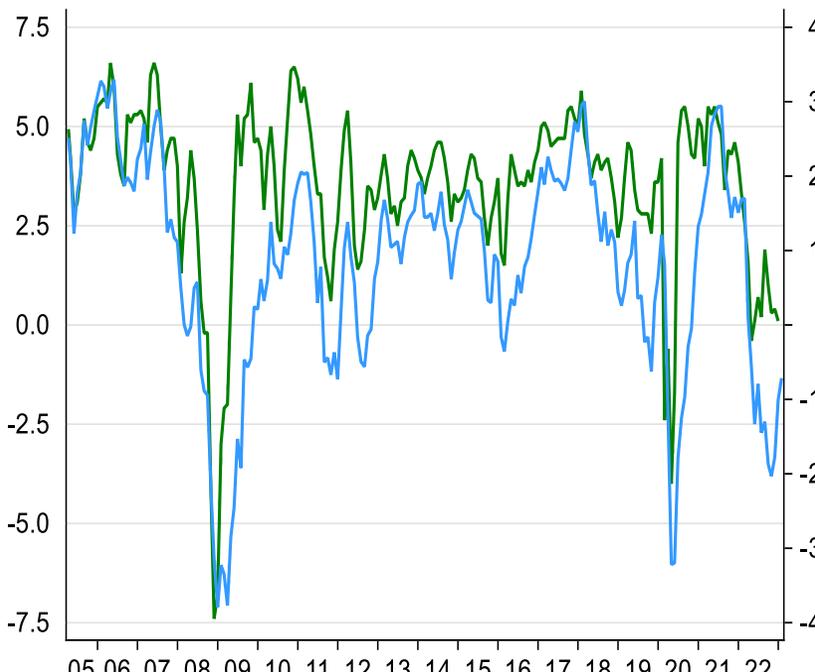


Outlook 2023, growth troughs



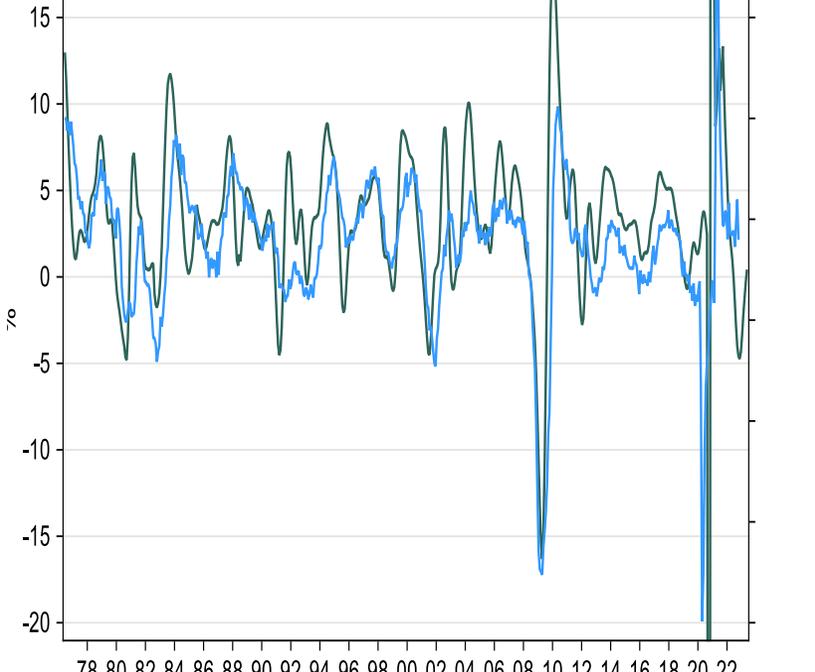
— World, Leading Indicators, Christiane Baumeister, Dimitris Korobilis, Thomas K. Lee, Global...
 — Bloomberg Economics Global GDP Tracker

Källa: Erik Penser Bank & Macrobond



— World, Economic Surveys, Sentix, Economic Indices, Overall Index, Index, rhs
 — Bloomberg Economics Global GDP Tracker

Källa: Erik Penser Bank & Macrobond

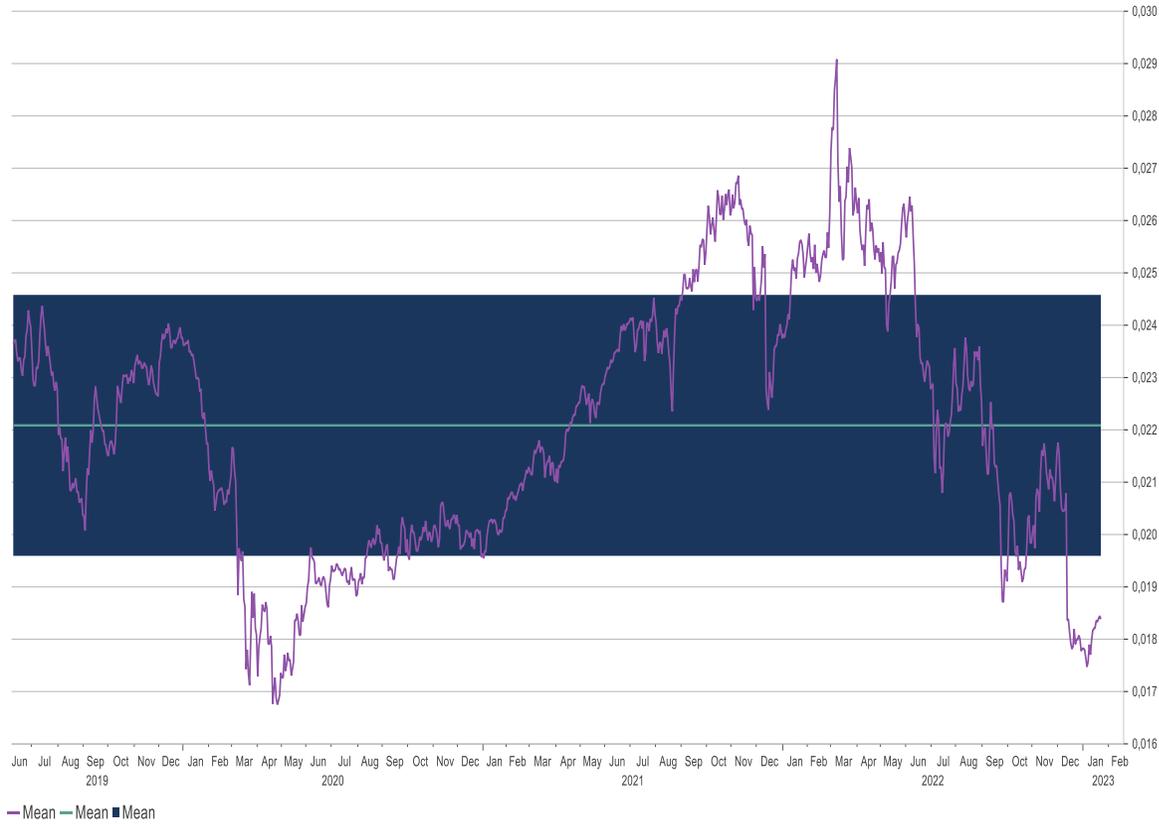


— OECD's industrial production, YoY — Indicator for OECD production, rhs

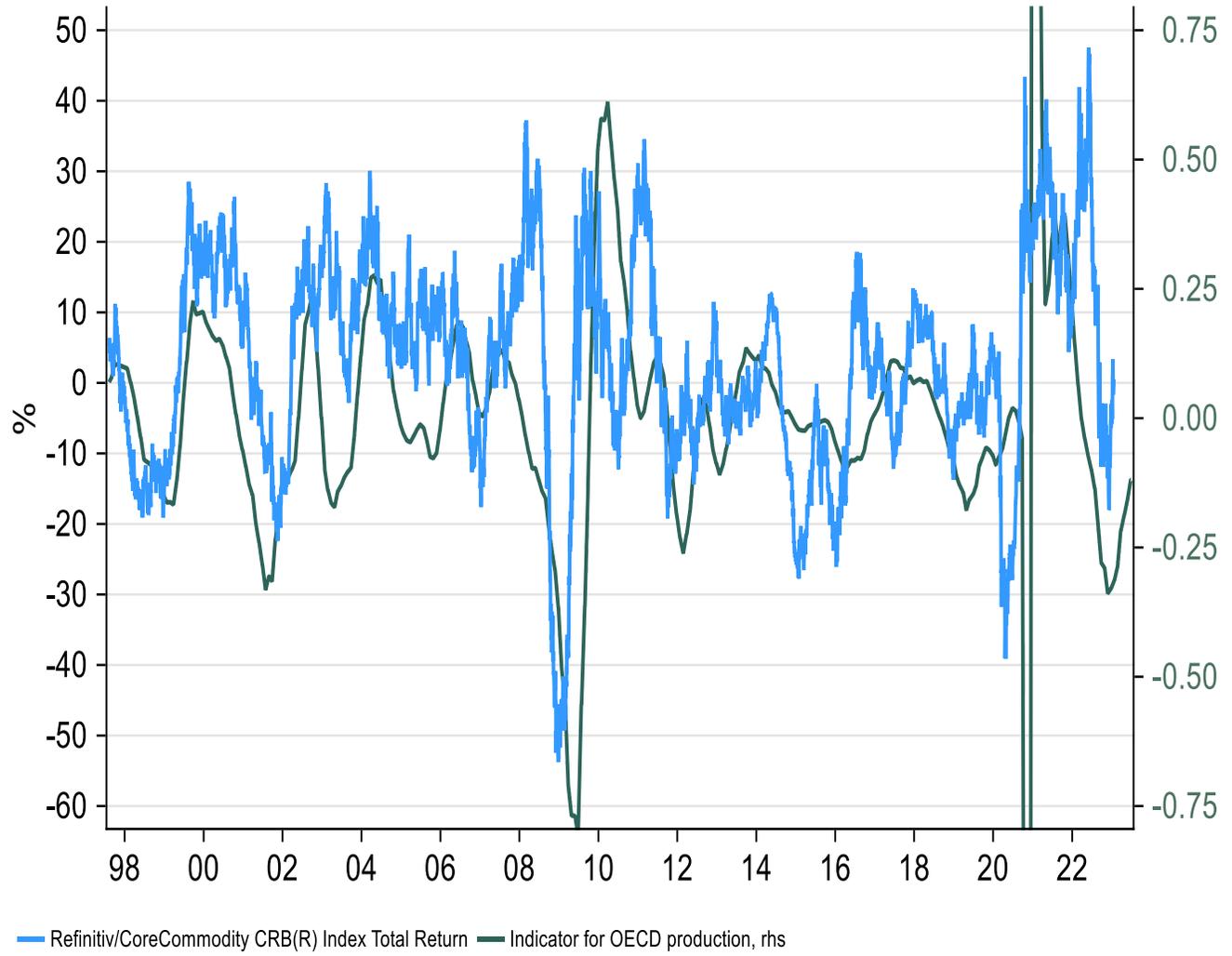
Källa: Erik Penser Bank & Macrobond



How to trade the trough, part from overweight equities?



Source: Erik Penser Bank, Macrobond



Källa: Erik Penser Bank & Macrobond



US & German GDP

Hence, the big question is really if / when we go back to trade the business and earnings cycle? Answer: Nov 2022

GDP Indicator, Weekly, Change Y/Y



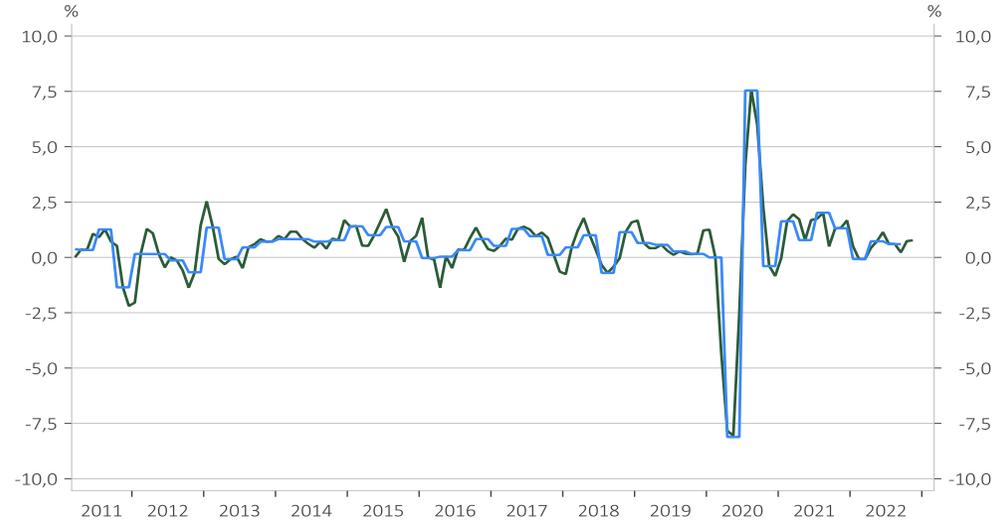
-United States -Germany

Source: Erik Penser Bank, Macrobond



Outlook 2023, GDP weekly models – SWE

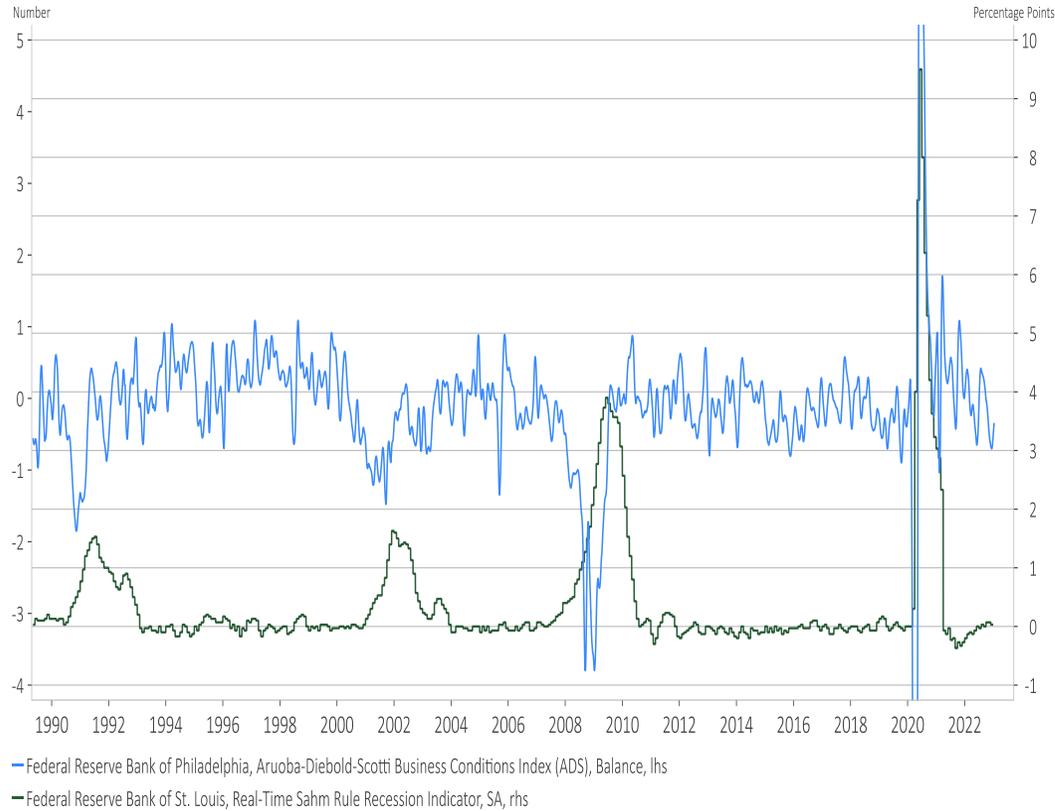
Sweden, SA



Source: Erik Penser Bank, Macrobond



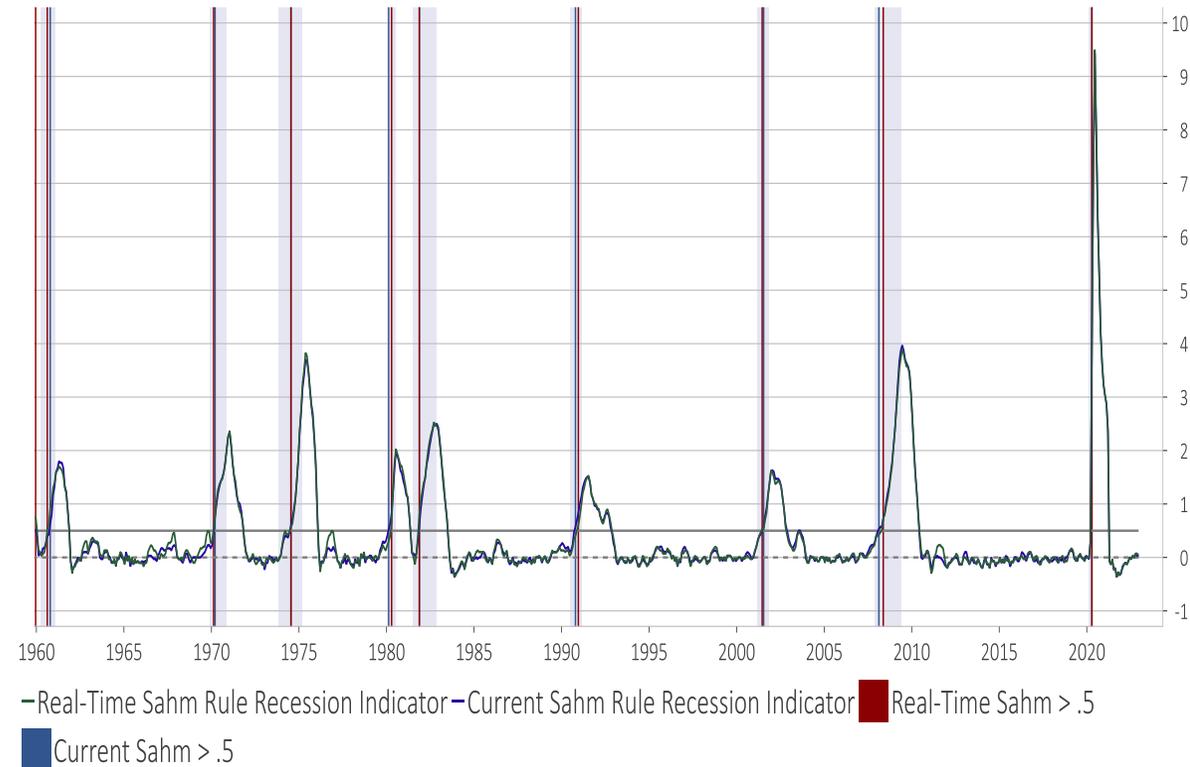
Outlook 2023, business confidence and labour market signal calm



Source: Erik Penser Bank, Macrobond

Sahn Rule coincident indicator shows low risk of recession

Source: Federal Reserve Bank of St. Louis

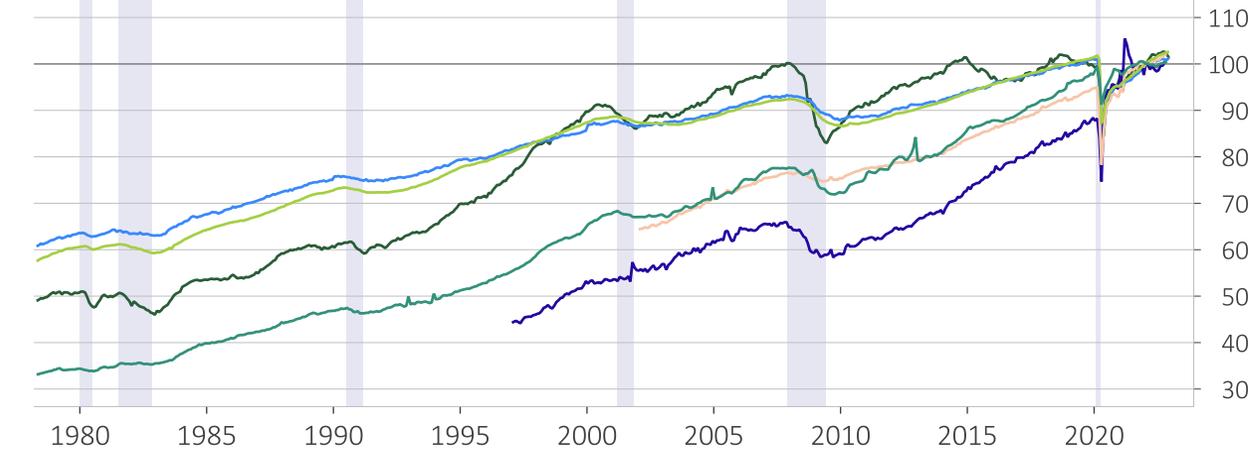


Source: Erik Penser Bank, Macrobond



Outlook 2023, so far recession indicators are very calm

NBER time series that are used for recession dating



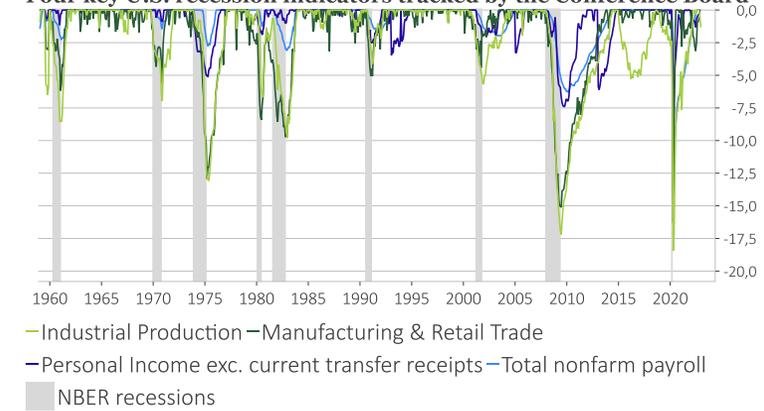
- Real Personal Income Excluding Current Transfer Receipts
- Nonfarm Payroll — Real Personal Consumption Expenditures
- Real Manufacturing & Trade Sales — Total Employment (Household survey)
- Real Industrial Production

Source: Erik Penser Bank, Macrobond

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

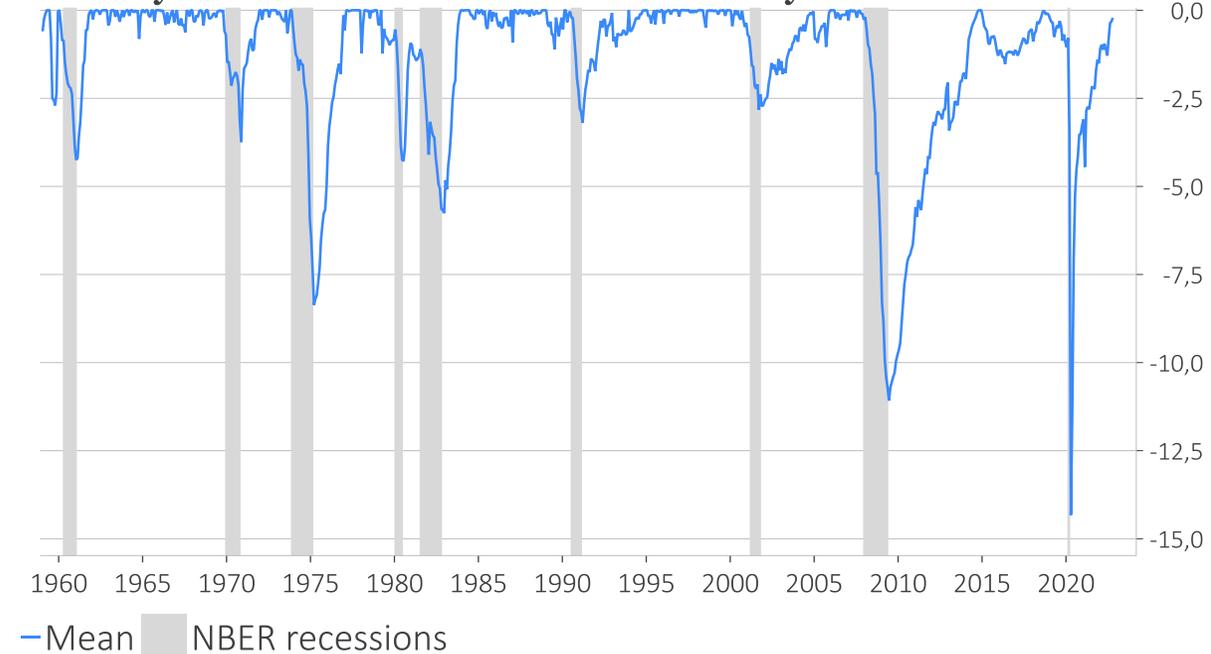
Hence, we are not in a recession and as the market had priced one our strategy was to position ourselves for a rebound – we are currently in a tech bull market!

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



Source: Erik Penser Bank, Macrobond

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



Source: Erik Penser Bank, Macrobond



Most alerted data, forecasts in brackets

USA

- 30e Dallas FED activity index
- 31a ECI, **conference board confidence**, **house prices** (important for shelter part in CPI, the last bastion!)
- 1a ADP, **ISM (48,5, higher than consensus)**, Jolts, **FOMC rate decision (+0,25%, on consensus)**
- 2a Q2 productivity, claims
- 3e **NFP (+175000, lower than consensus)**, **hourly earnings (0,2 MoM, lower than consensus)**, revisions to NFP, **unemployment rate (3,6%, higher than consensus)**, ISM services

China (unknown dates)

- 31a Industrial profits, PMI
- 1a **Caixin PMI**

Japan

- 31a Production, retail sales

Eurozone

- 30e Confidences
- 31a **GDP Q4 (0.0%, higher than consensus)**
- 1a CPI
- 2a **ECB rate decision (+0,5%, on consensus)**

Germany

- 31a **GDP Q4 (-0,1%, higher than consensus)**, CPI

Sweden

- 30e **GDP indicator**
- 1a PMI

Where are we in the flow of data?

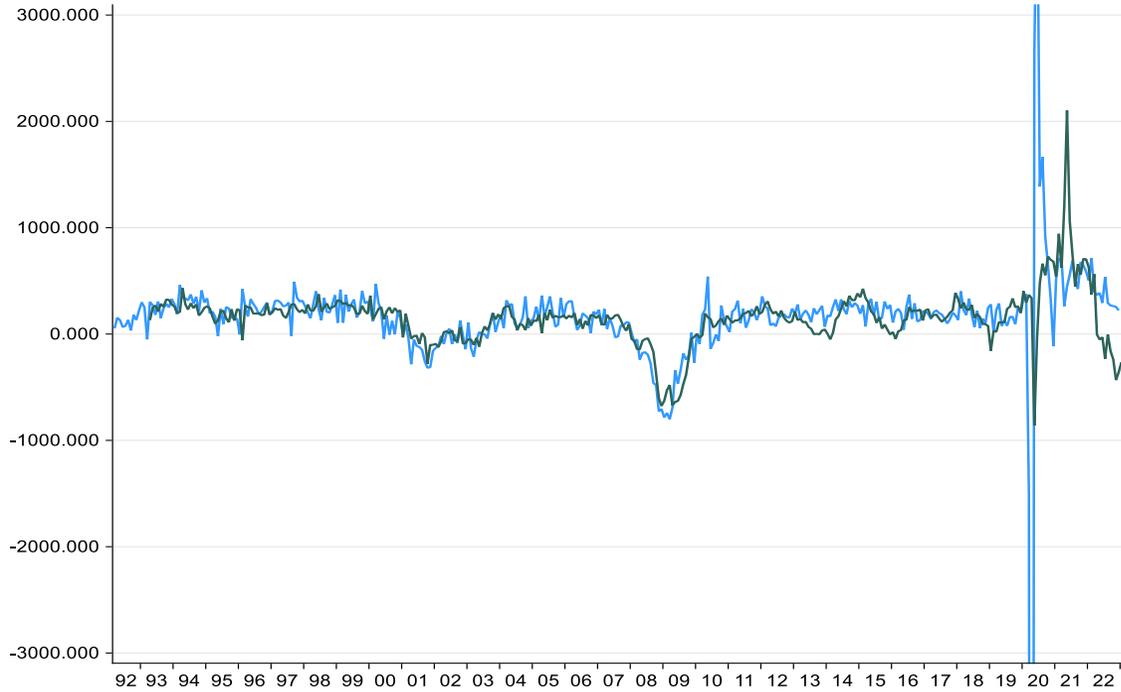


—Sweden, Economic Surprise Index—Economic Surprise - United States, rhs

Källa: Erik Penser Bank & Macrobond

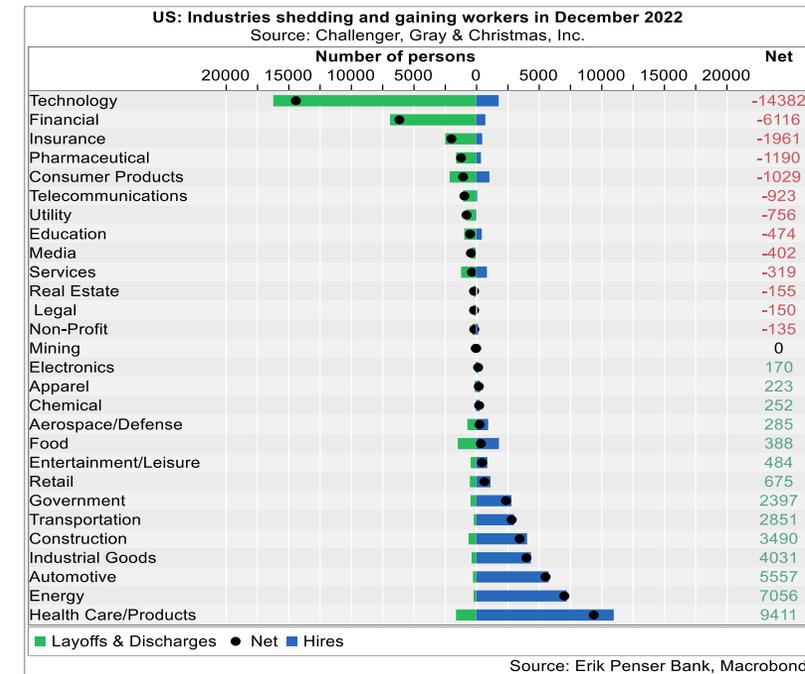
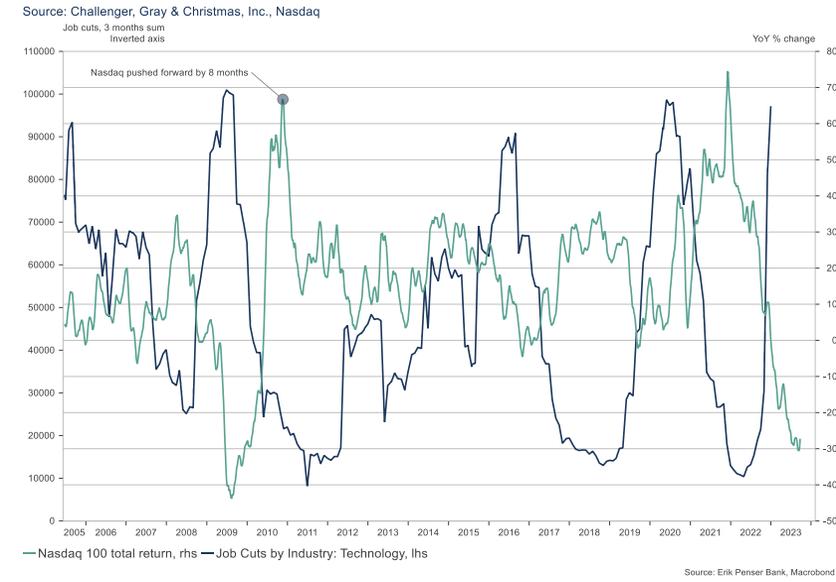


NFP – we forecast +175'



Källa: Erik Penser Bank & Macrobond

US: Job cuts in the technology sector follow Nasdaq declines



NFP – variables of interest

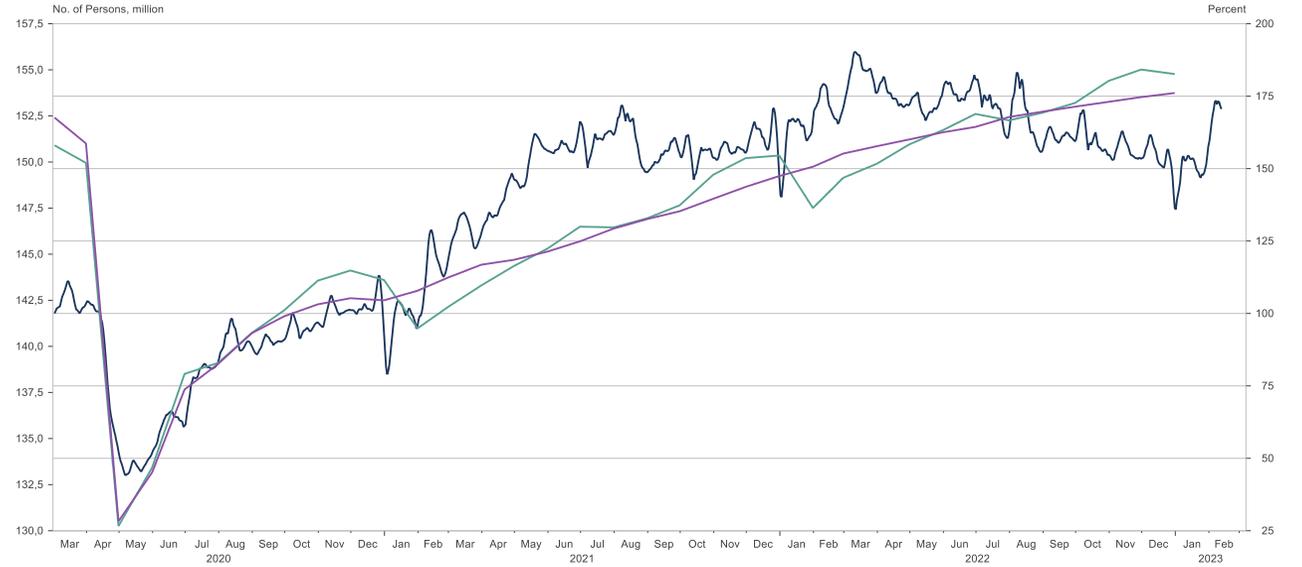


—Ave. Hourly Earnings * Ave. Weekly Hours

Source: Erik Penser Bank & Macrobond

United States: nonfarm payrolls & Indeed Job Posting Indicator

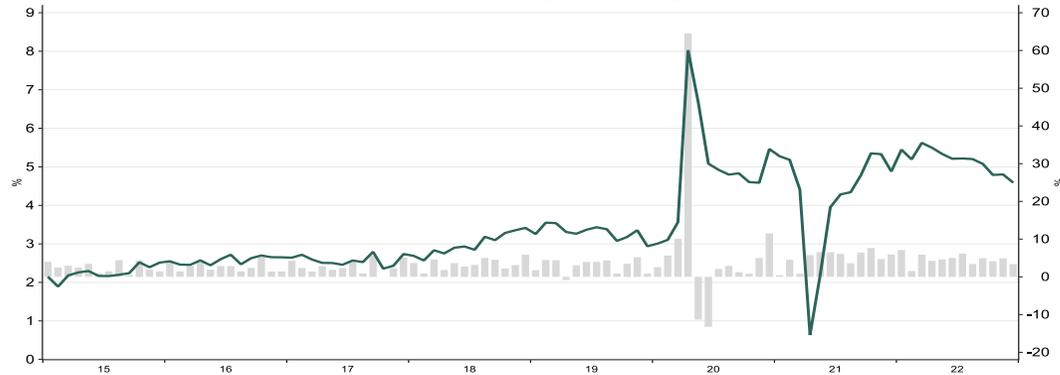
Indeed Indicators measure the percentage change in seasonally-adjusted job postings since February 1, 2020, using a seven-day trailing average. February 1, 2020, is the pre-pandemic baseline



— United States, Employment, Payroll, Nonfarm, Payroll, Total, SA, lhs — Nonfarm payrolls, lhs — New Job Postings - pushed 1 month forward, rhs

Source: Erik Penser Bank, Macrobond

United States, Average Hourly Earnings

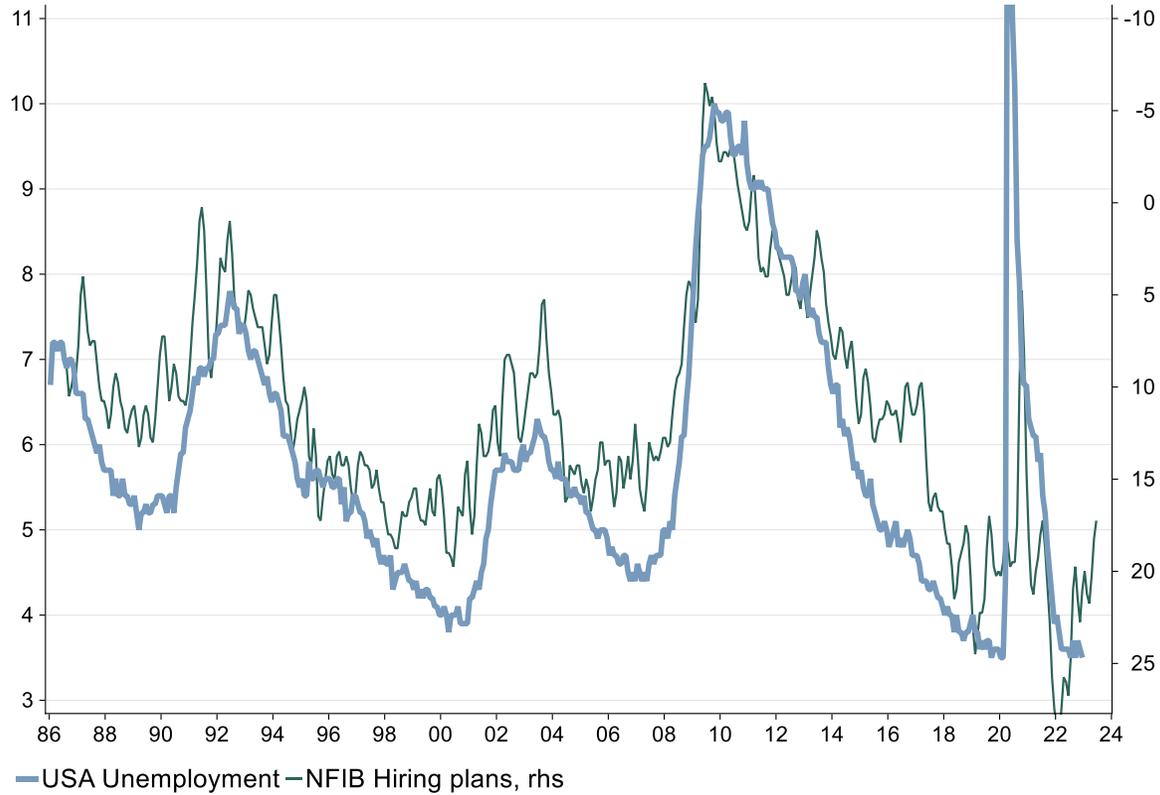


— Total Private (SA) - Total Private (SA), rhs

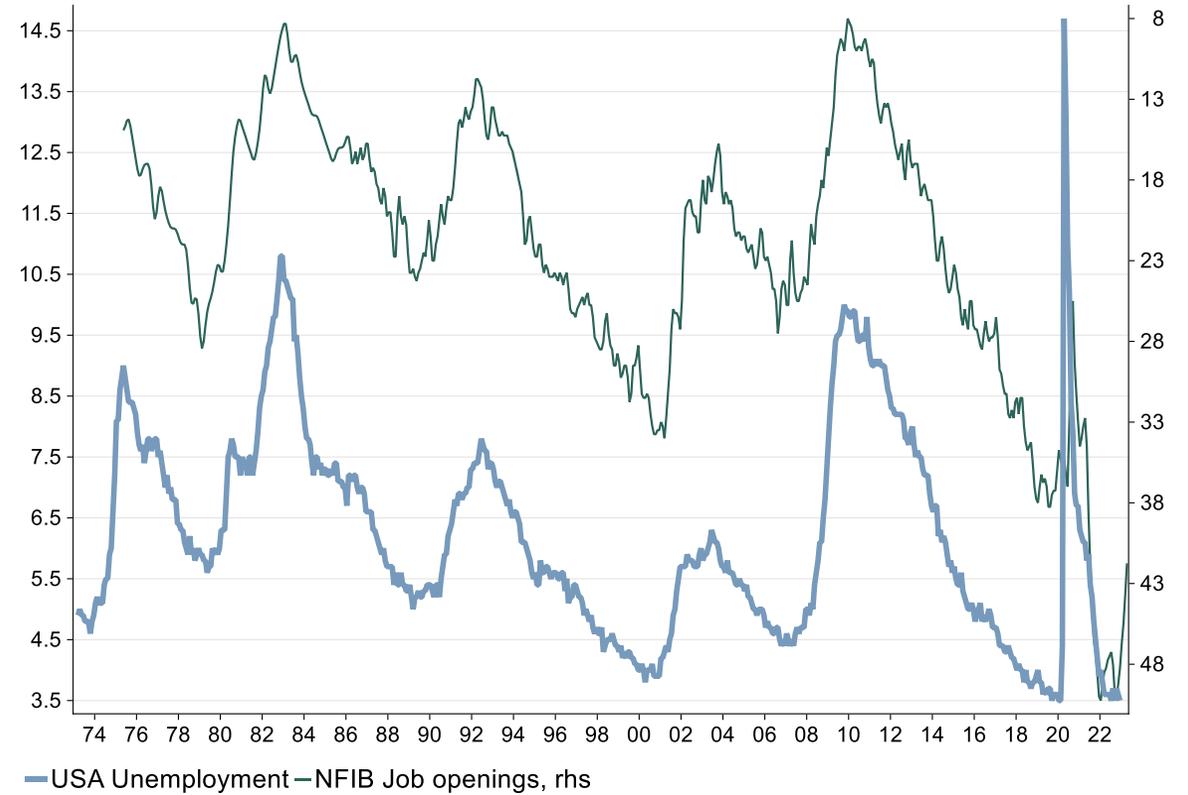
Källa: Erik Penser Bank & Macrobond



Unemployment bound to rise



Källa: Erik Penser Bank & Macrobond

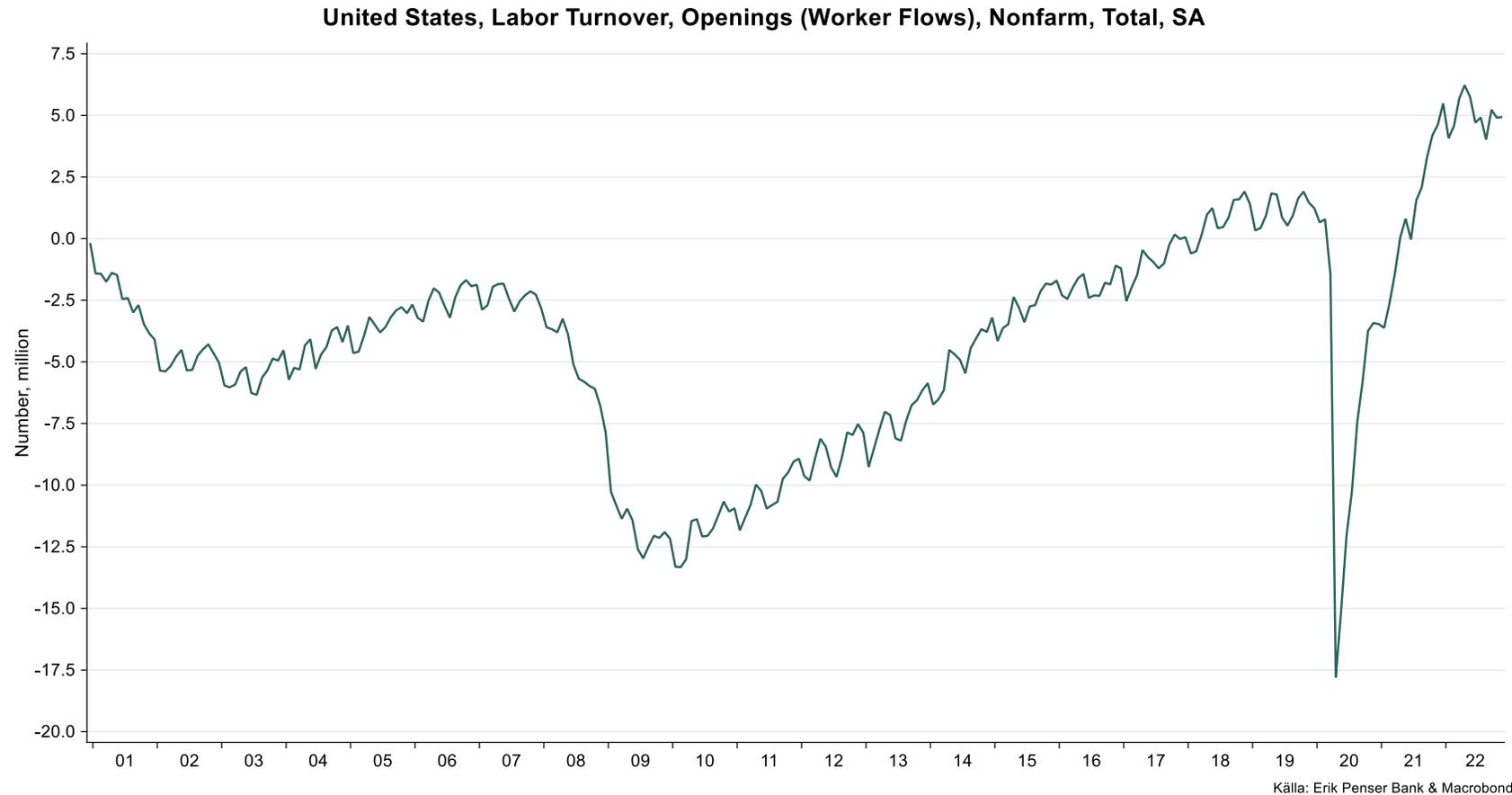


Källa: Erik Penser Bank & Macrobond

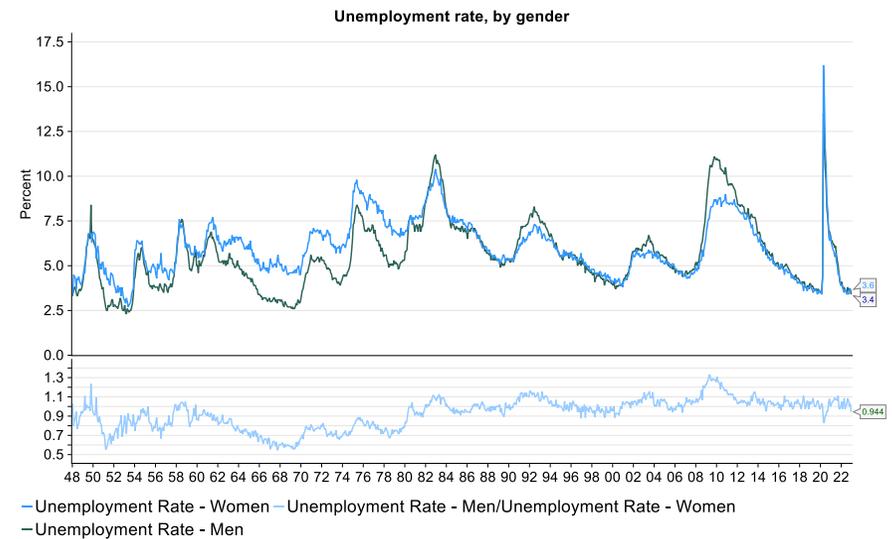
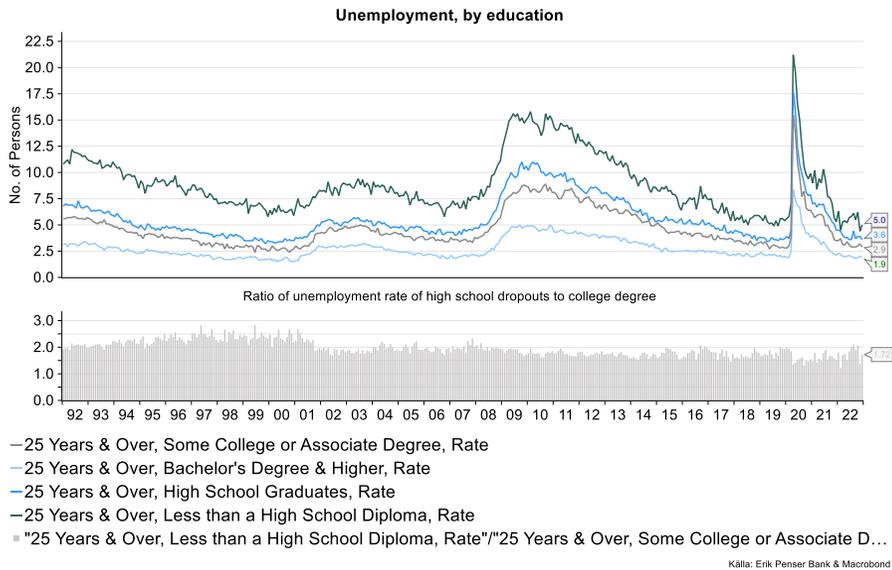
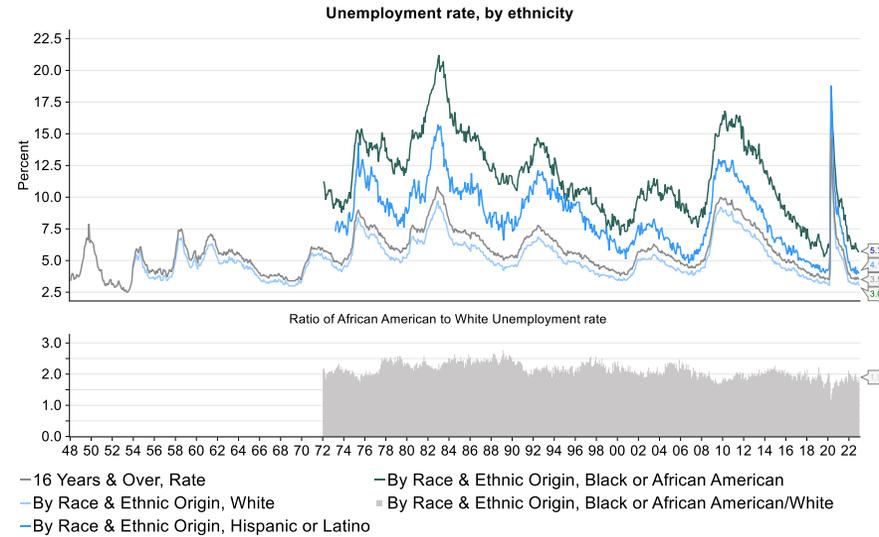


But, less than you think as there are plenty of jobs around...

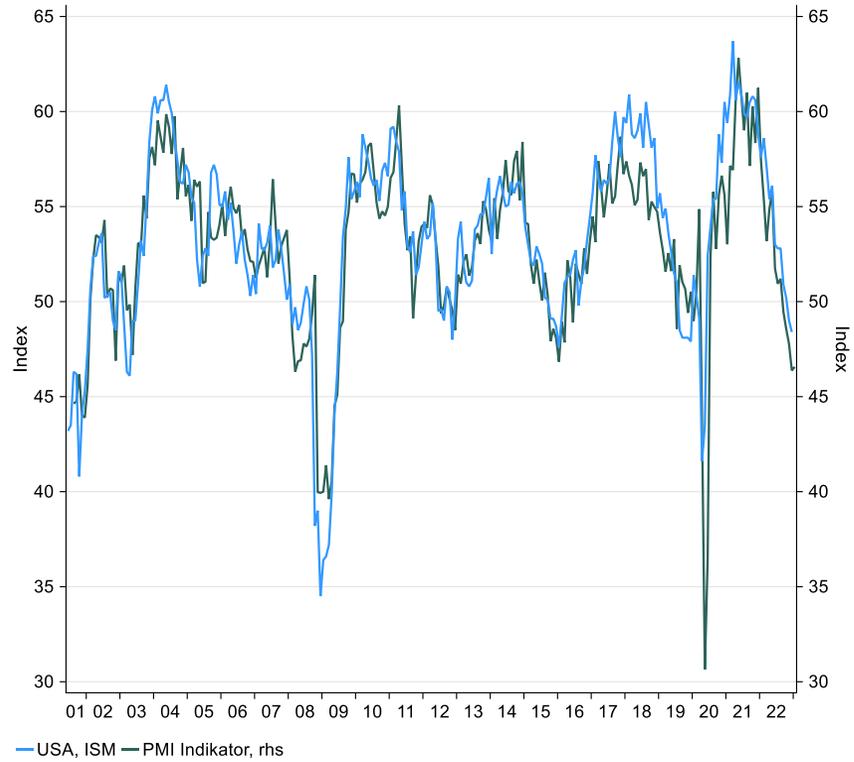
US – more job opportunities than applicants...a unique situation.



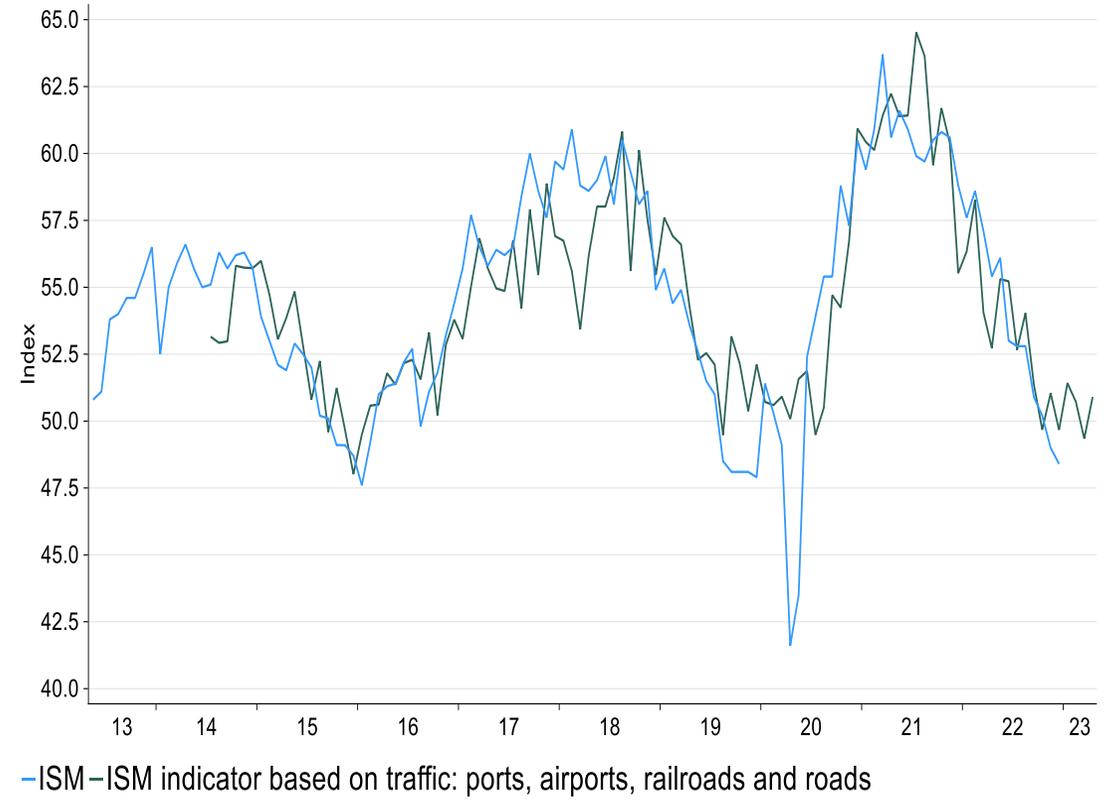
Unemployment rate by race, gender and education



ISM



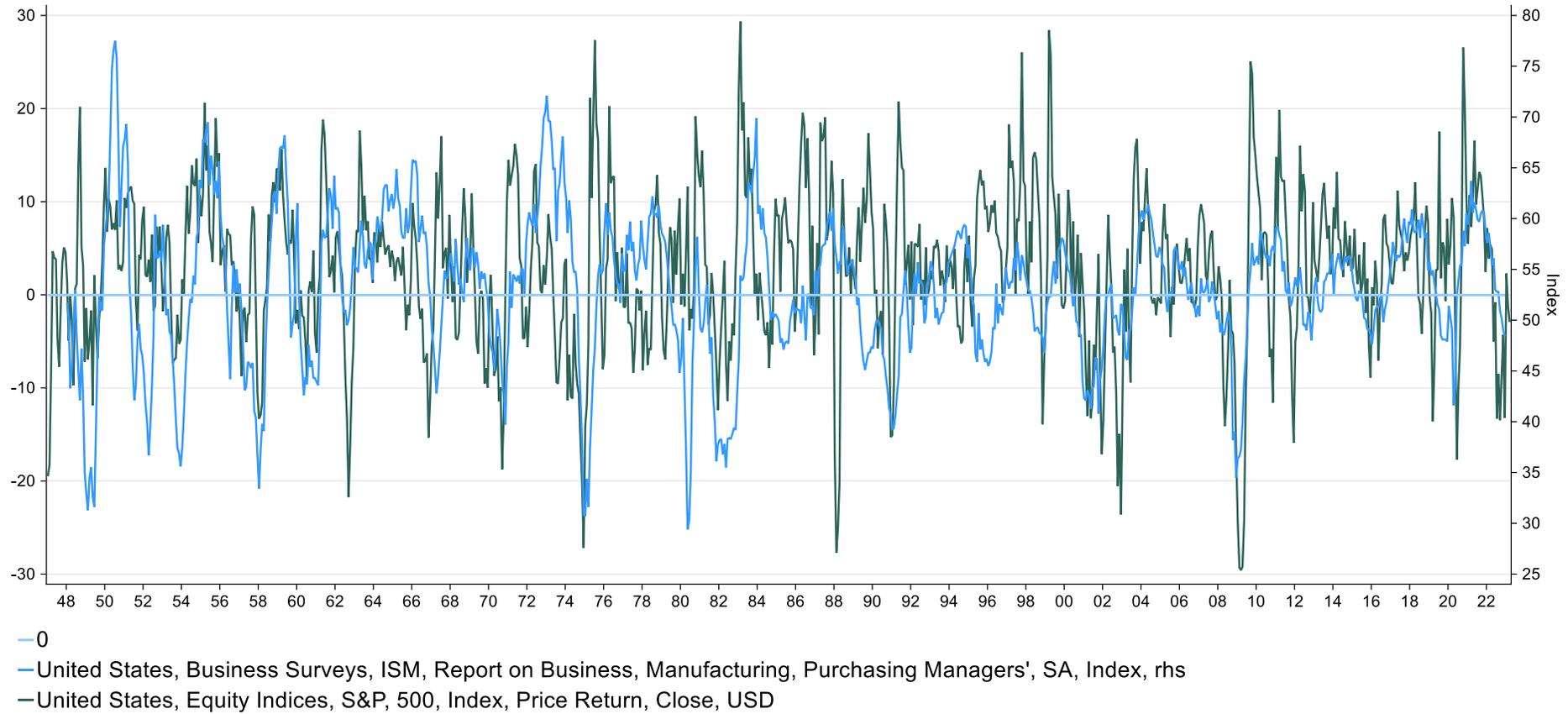
Källa: Erik Penser Bank & Macrobond



Källa: Erik Penser Bank & Macrobond



Equities versus ISM



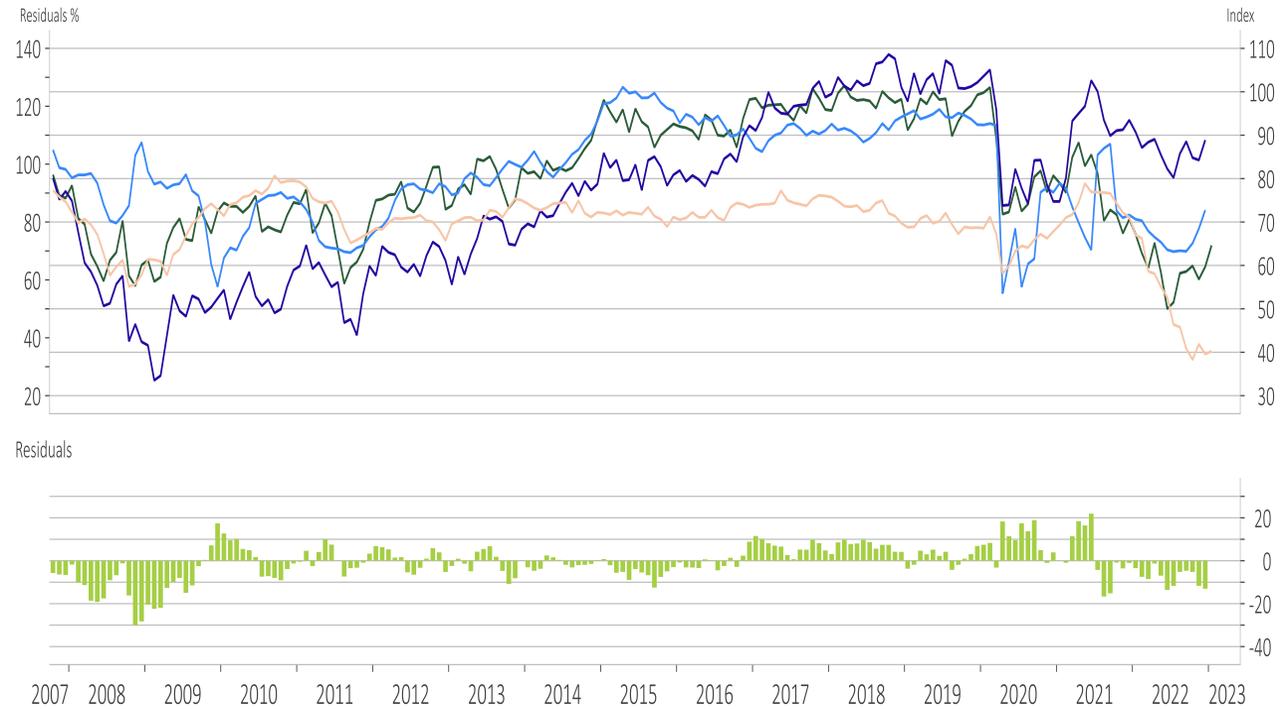
Källa: Erik Penser Bank & Macrobond



US consumer confidence

US & SWE consumer sentiment vs macroeconomic fundamentals

University of Michigan, Conference Board, Swedish National Institute of Economic Research (Konjunkturinstitutet, NIER)



- Sweden, Konjunkturinstitutet (KI), Indicators, The Consumer Confidence Indicator (CCI), rhs
- United States, Conference Board, Consumer Confidence Index, Total, Total, lhs
- Consumer Sentiment [estimated from regression Model], rhs—Consumer Sentiment [historical], rhs

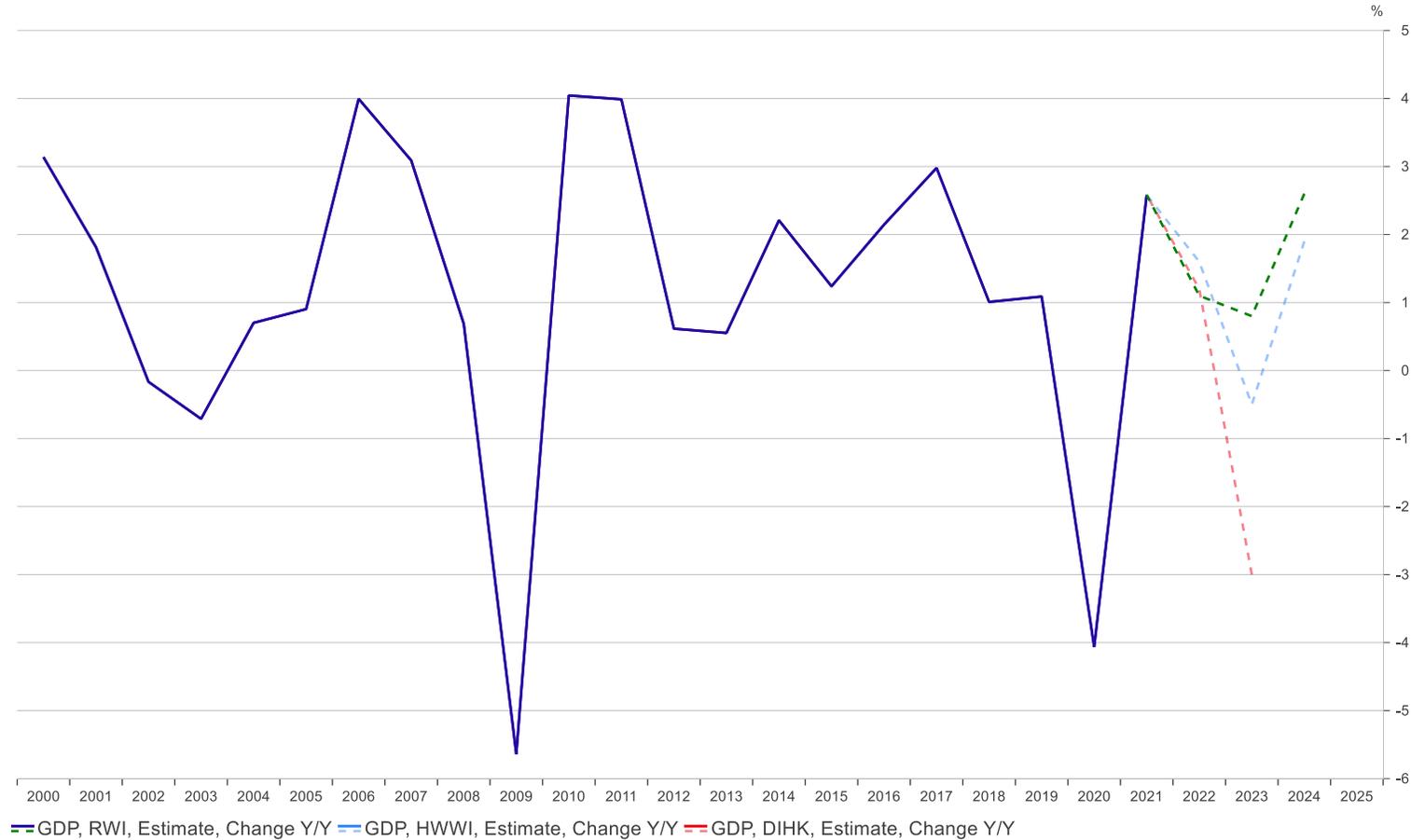
Source: Erik Penser Bank, Macrobond



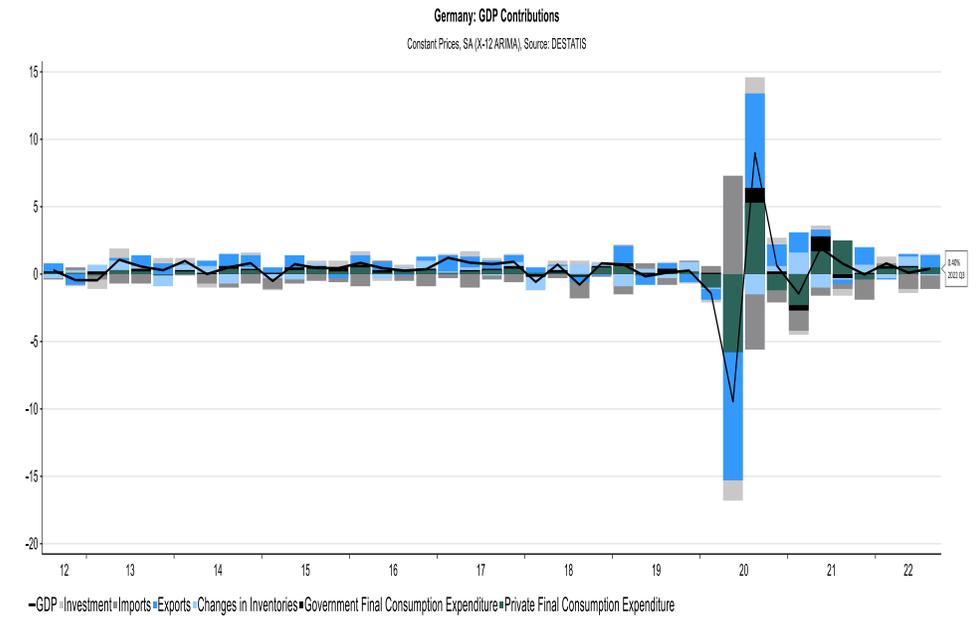
German GDP

Germany: GDP Growth Constant Prices with Forecasts

Forecasting from RWI, HWWI, DIHK



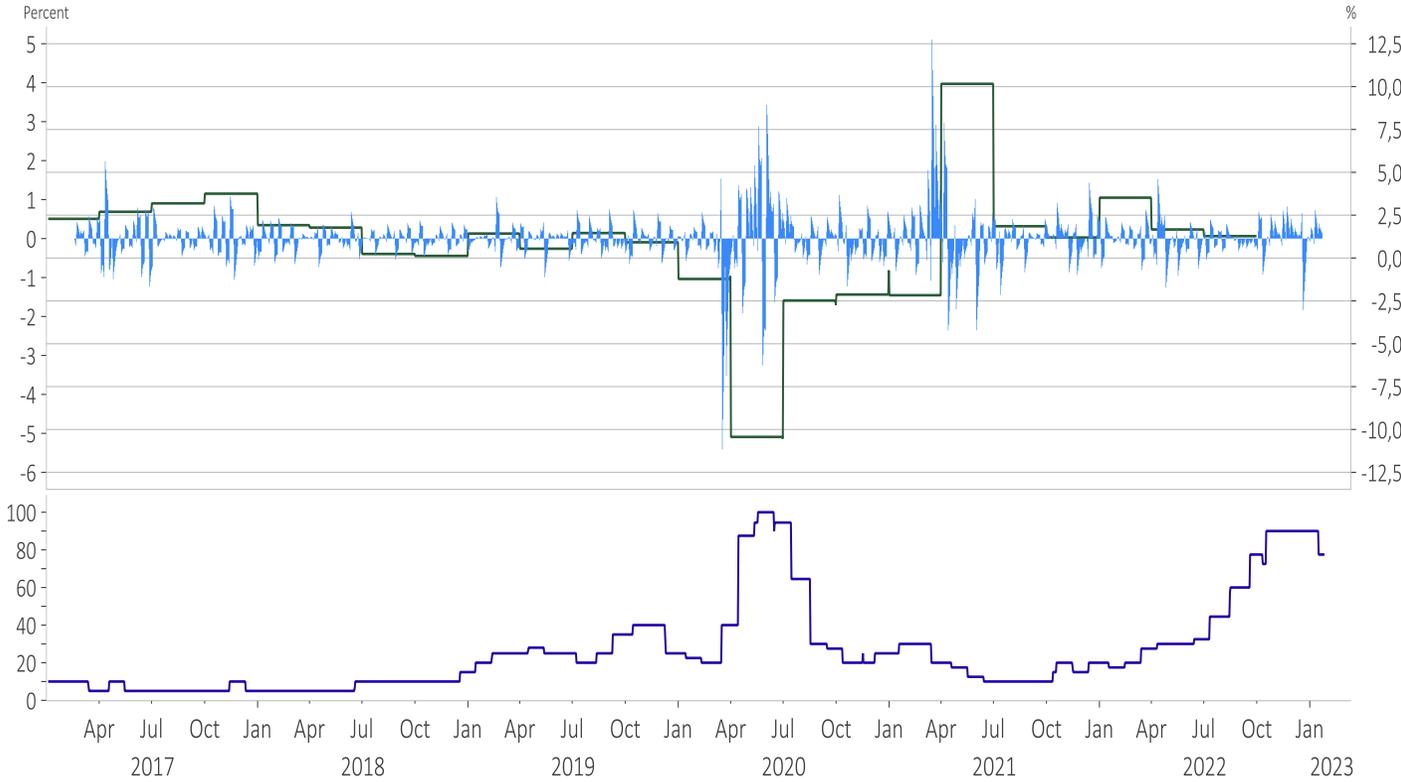
Source: Erik Penser Bank, Macrobond



K&A: Erik Penser Bank & Macrobond



Outlook 2023 – What if Germany doesn't enter recession, we have to stick to EZ equities

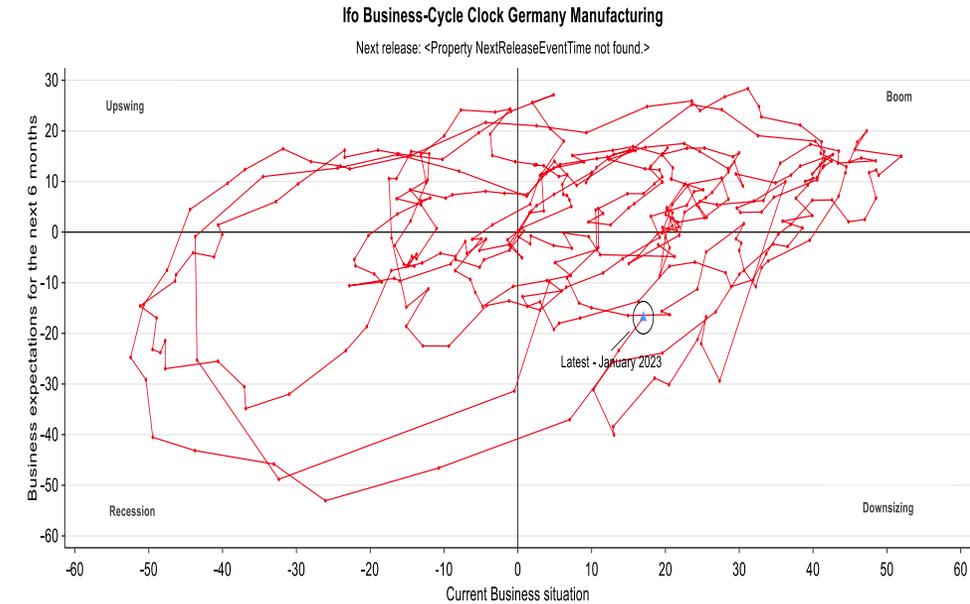


■ Germany, National Accounts, GDP Tracker, Weekly, Total, Change Y/Y, lhs
— Germany, Gross Domestic Product, Total, Calendar Adjusted (X13 JDemetra+), Constant Prices, SA (X13 JDemetra...
— Germany Recession Probability Forecast

Source: Erik Penser Bank, Macrobond



Source: Erik Penser Bank, Macrobond

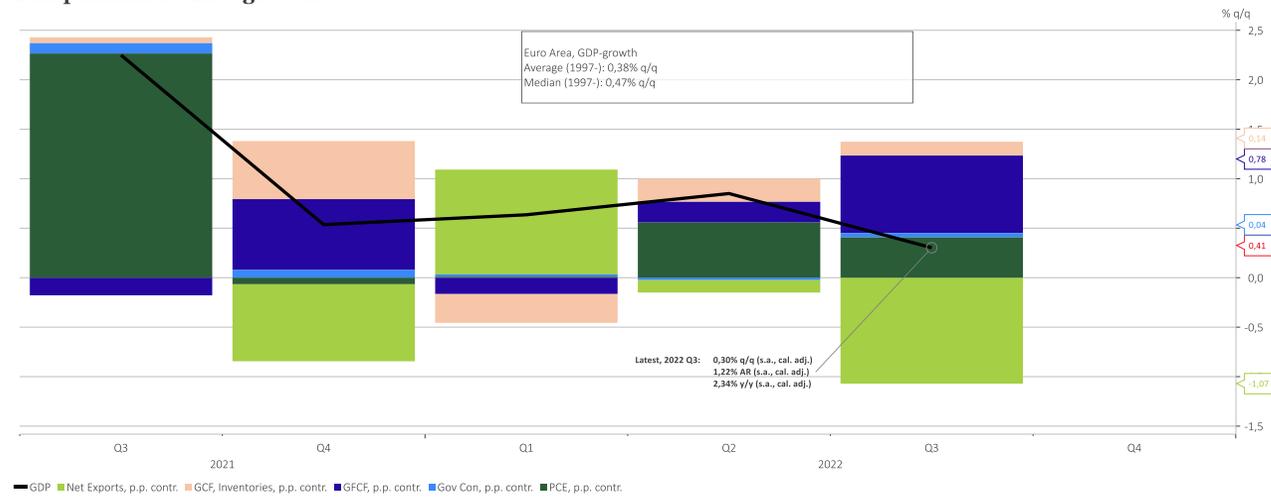


Källa: Erik Penser Bank & Macrobond

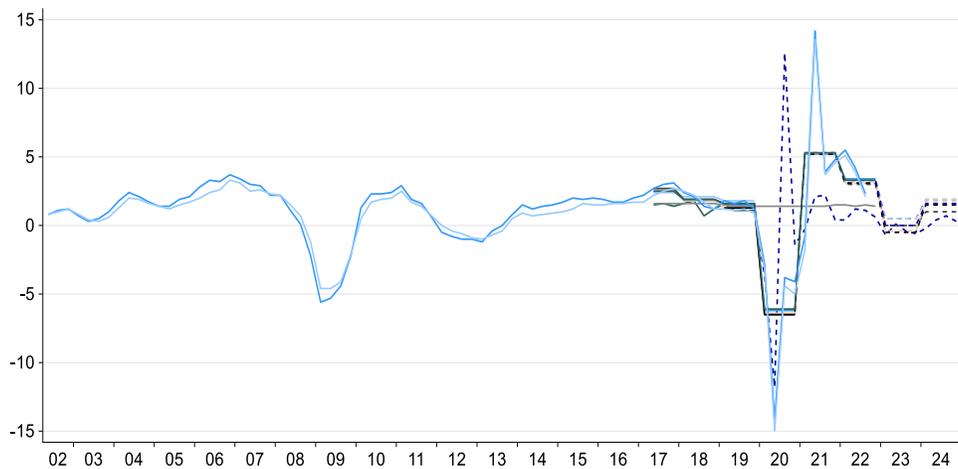


EZ GDP

Composition of GDP-growth



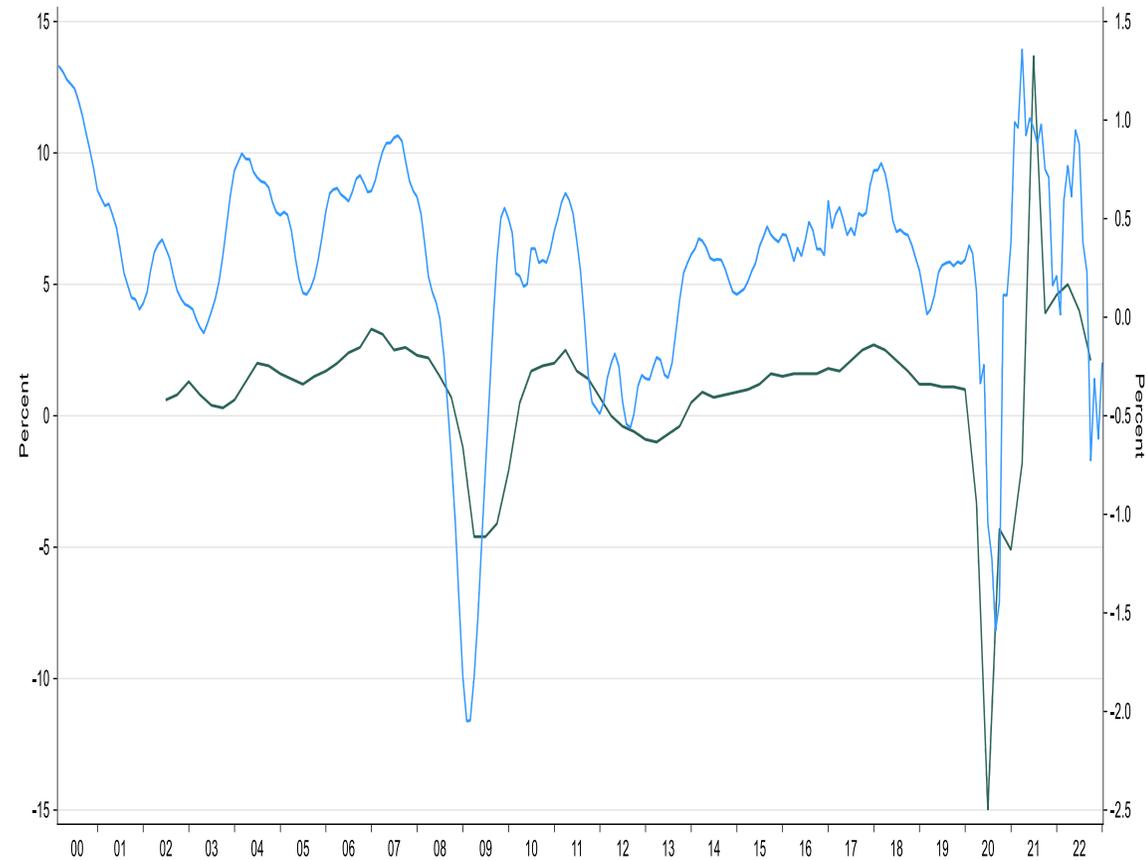
Source: Erik Penser Bank, Macrobond



- Euro Area BNP, Flash Estimate (Unrevised), Constant Prices
- Euro Area, BNP, Calendar Adjusted, SA, Chained, Change Y/Y
- World Bank
- Handelsbanken
- SEB
- Nordea
- IMF WEO
- ECB Survey of Professional Forecasters
- Economist Poll of Forecasters
- ECB Macroeconomic Projections
- Danske Bank

Källa: Erik Penser Bank & Macrobond

Euro Area



- Business Surveys, CEPR, Economic Activity Indicator, EuroCOIN, rhs
- Gross Domestic Product, Gross Domestic Product, Preliminary Flash Estimate (Unrevised), Constant Prices, SA, Chained, Change Y/Y

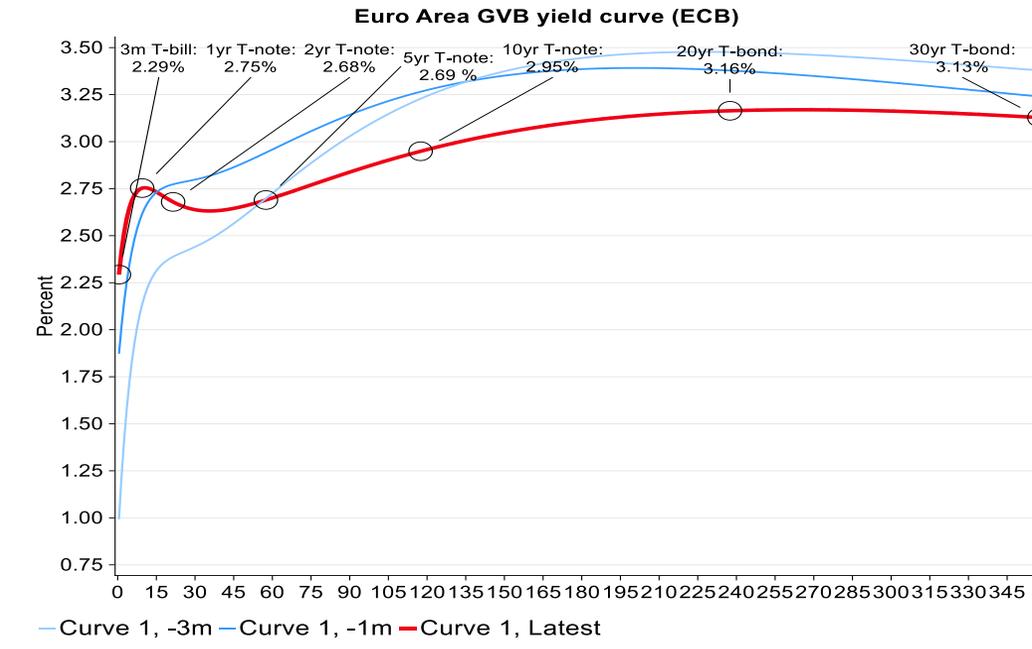
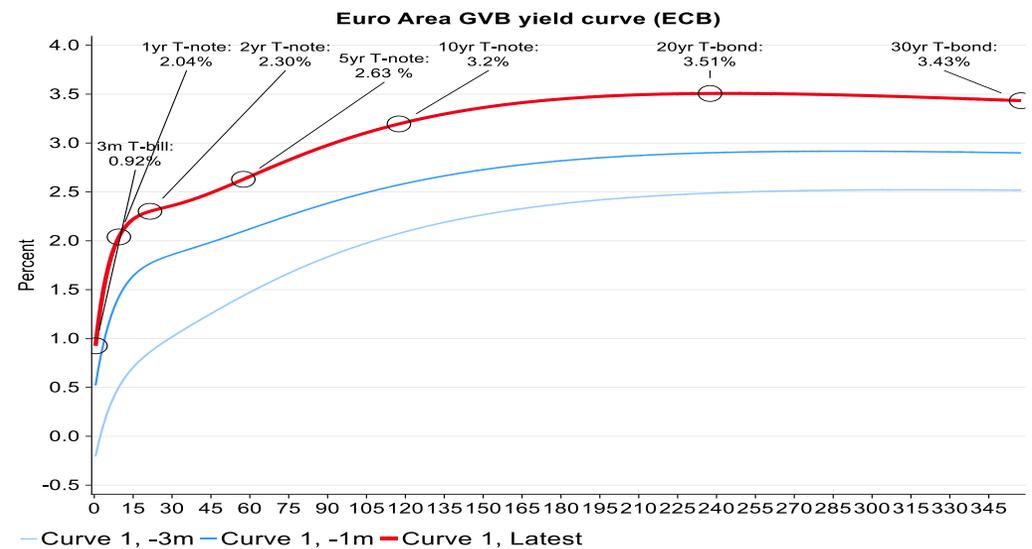
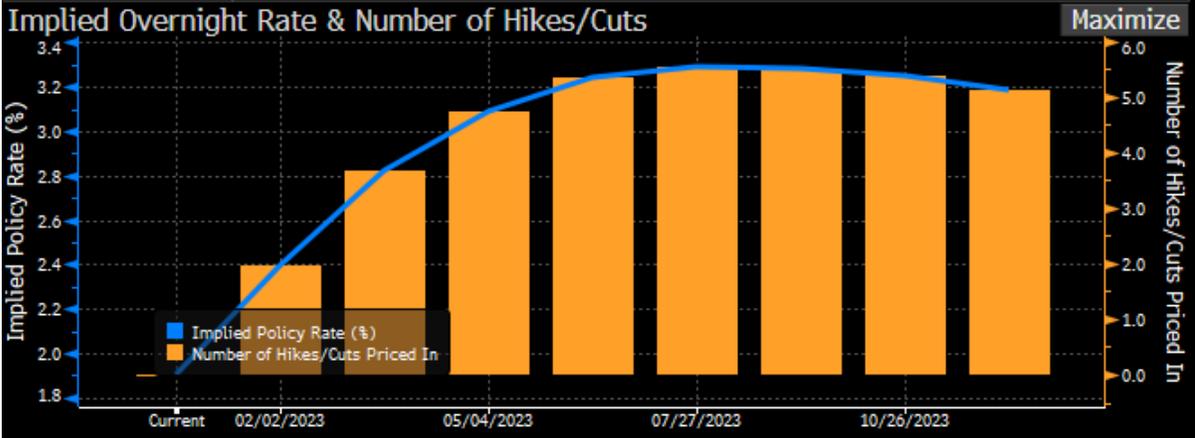
Källa: Erik Penser Bank & Macrobond



ECB curve

Hike in Feb & March, pause then a final push in June...then cuts
The curve has come DOWN since start of the year!

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
02/02/2023	+1.975	+197.5%	+0.494	2.397	0.250
03/16/2023	+3.689	+171.4%	+0.922	2.826	0.250
05/04/2023	+4.747	+105.8%	+1.187	3.090	0.250
06/15/2023	+5.362	+61.5%	+1.340	3.244	0.250
07/27/2023	+5.548	+18.6%	+1.387	3.290	0.250
09/14/2023	+5.528	-2.0%	+1.382	3.285	0.250
10/26/2023	+5.390	-13.7%	+1.348	3.251	0.250
12/14/2023	+5.140	-25.0%	+1.285	3.188	0.250



Källa: Erik Penser Bank & Macrobond

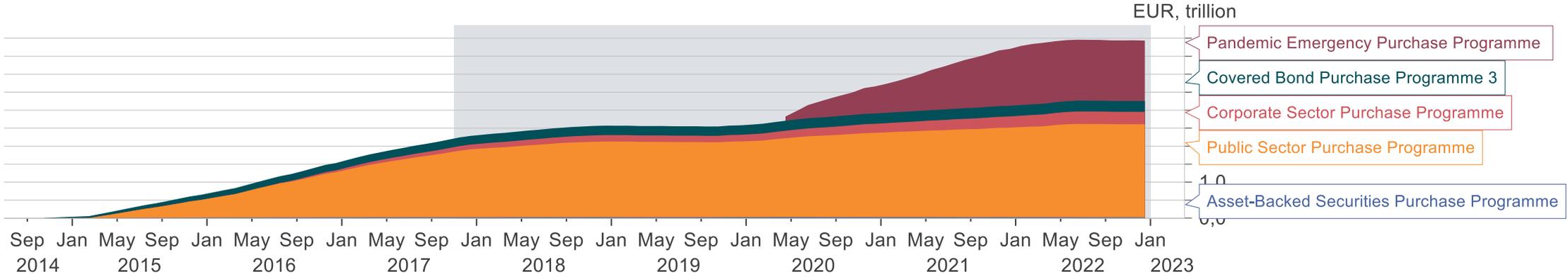
Källa: Erik Penser Bank & Macrobond

ECB: Net Asset Purchases and Holdings

Net Purchases



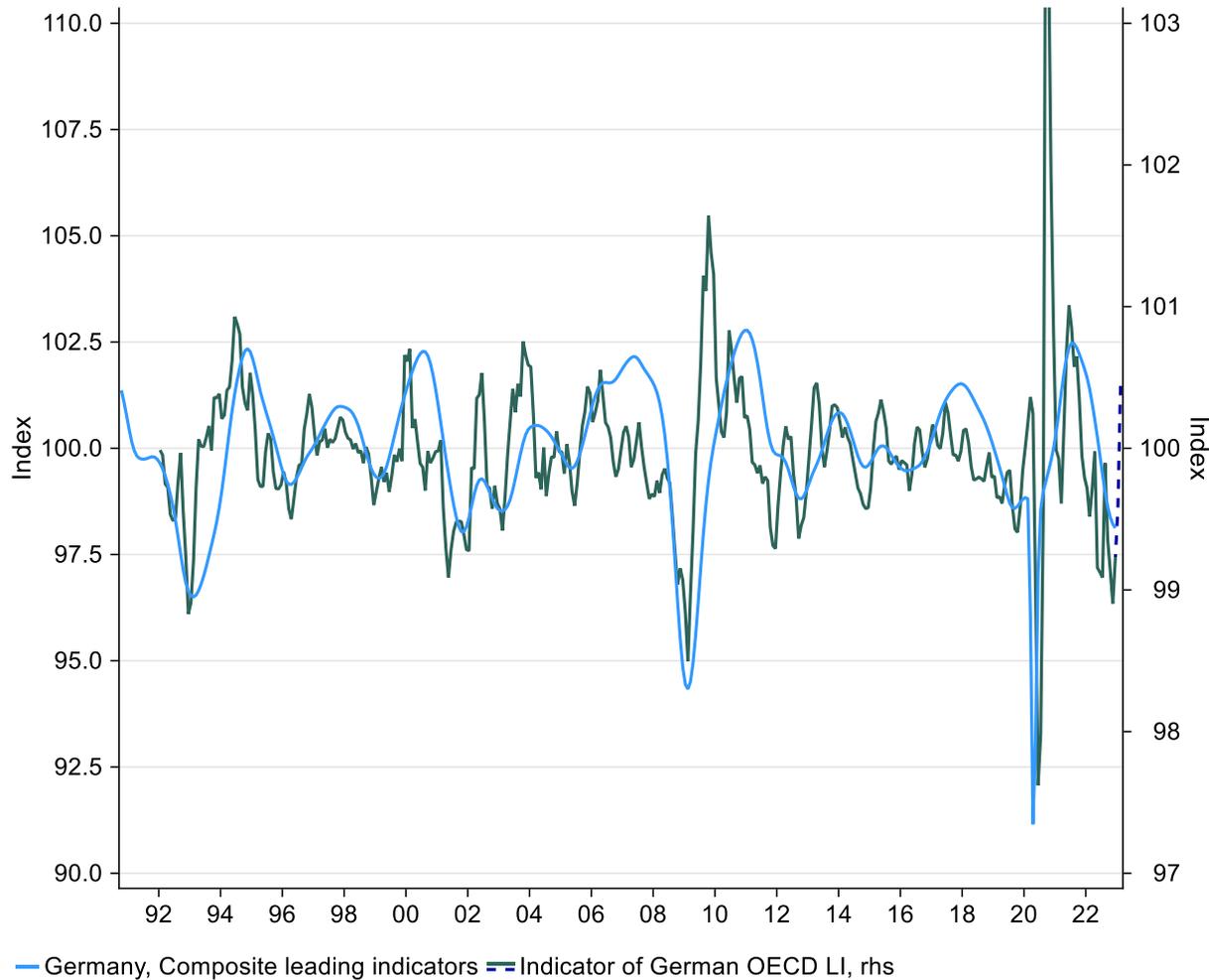
Asset Holdings



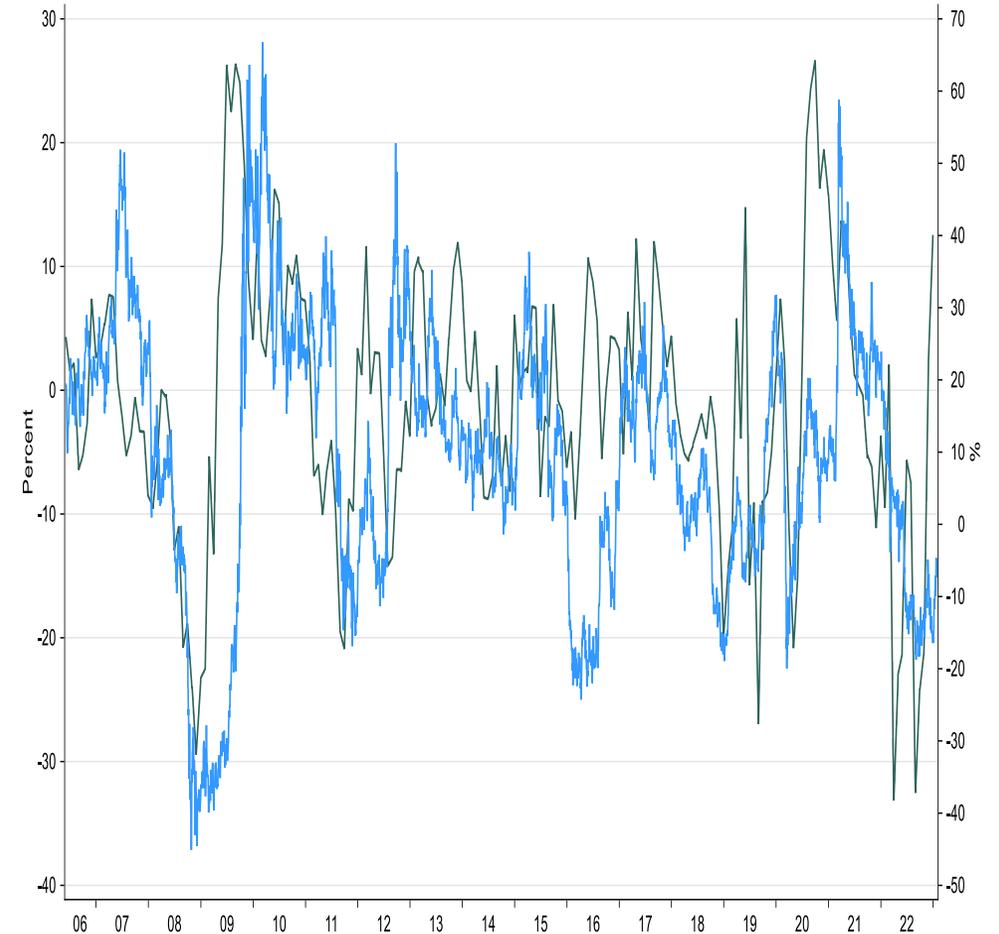
Source: Erik Penser Bank, Macrobond



Why EZ is in the portfolios – we trade on the coming change in official leading indicators



Källa: Erik Penser Bank & Macrobond



Källa: Erik Penser Bank & Macrobond



EPB´s portfolios compared to peers & benchmarks

We have excess returns (gross of fees, but including underlying costs)

	Penser Lågrisk	Index	Peers	Penser Medelrisk	Index	Peers	Globala aktier	Index	Globala Hållbara Aktier	Index	Räntebär ande	Index	Hållbara räntebärande	Index
2023 (YTD)	2,13%	2,09%	2,27%	3,51%	3,26%	3,42%	5,33%	6,25%	5,44%	6,25%	0,90%	1,50%	1,05%	1,50%
2018-01-01	16,48%	11,16%	-7,51%	28,69%	19,48%	1,11%	67,65%	37,09%	62,98%	37,09%	-1,59%	-4,88%	-1,36%	-4,88%
Årlig Avkastning	3,06%	2,11%	-1,53%	5,11%	3,58%	0,22%	10,74%	6,43%	10,13%	6,43%	-0,32%	-0,98%	-0,27%	-0,98%
Årlig Standardavvikelse	5,37%	4,02%		8,20%	6,89%		14,55%	14,72%	13,97%	14,72%	1,60%	1,81%	1,20%	1,81%
Sharpe	0,57	0,53		0,62	0,52		0,74	0,44	0,72	0,44	-0,20	-0,54	-0,22	-0,54

Historisk avkastning är inte någon garanti för framtida avkastning. De pengar du investerar kan både öka och minska i värde och det är inte säkert att du får tillbaka hela det insatta kapitalet.

Avkastningen som visas är innan avgifter så verklig avkastning vill vara något lägre än vad som presenteras.

Historical returns are no guarantee of future returns. The money invested 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 (on a KIX basis SEK has weakened by -9.7% since 1/1-2018).

Lågrisk /A25: 25% aktieindex, 40% ränteindex, 30% Alter index, 5% råvaror

Medelrisk /A45: 45% aktieindex, 25% ränteindex, 25% Alter index, 5% råvaror

Aktier: Världsindex (MSCI Net total return) i USD, Räntor: RXBO Index

Alternativa: RXVX Index

The above with equivalent with underlying costs as are EPB´s. Indexes are rebalanced every 6 months.

List of peers are in the Master

Peers: we take funds with equal neutral weights and mandates as our portfolios, updated quarterly, take their average in order for us to be accountable for both Strategic and Tactical work.

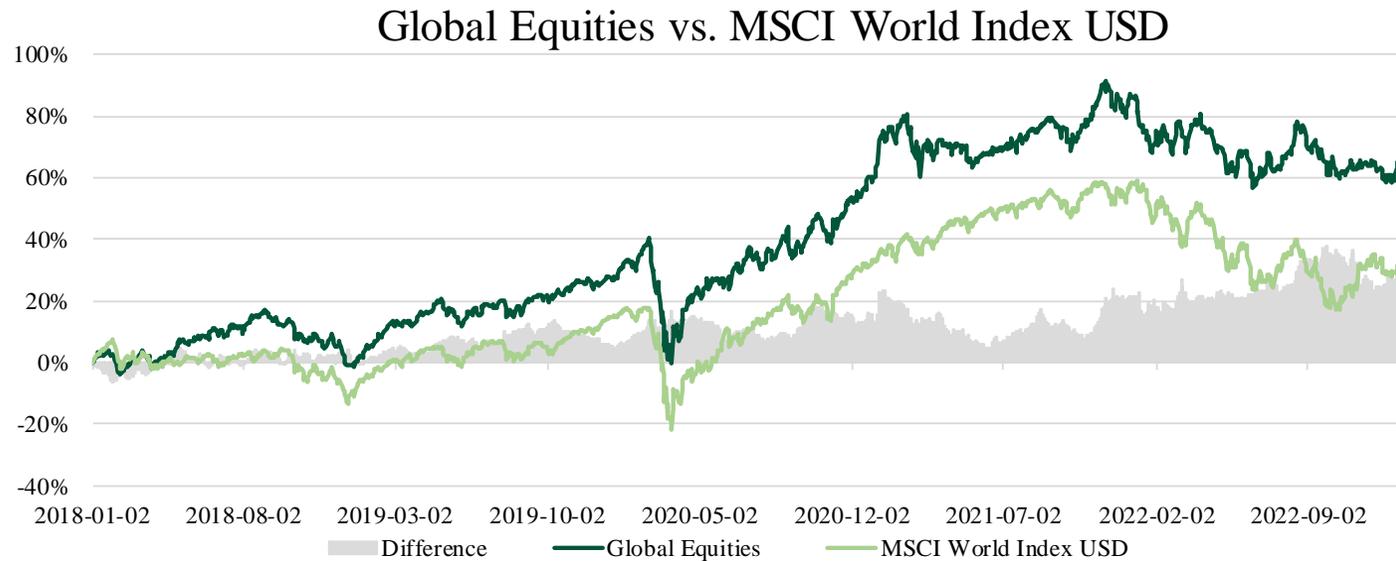
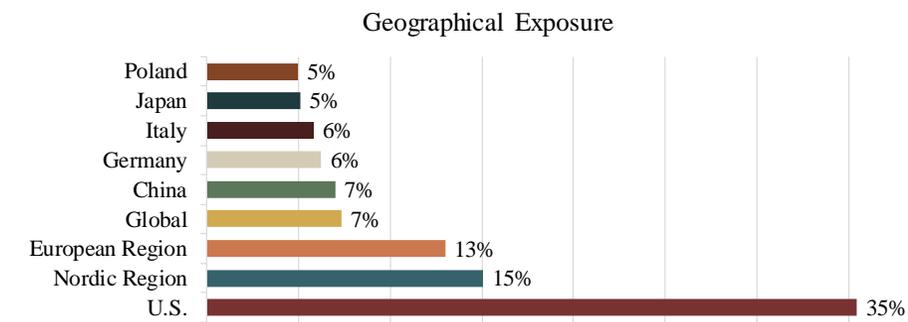


Global equities versus benchmark!

We outperform index by +6% per year (gross fees)

Global Equities as of the 24:th January

	YTD	2018-01-01
Global Equities vs. MSCI World Index USD	5,33% vs 6,25%	67,65% vs 37,09%
Sustainable Global Equities vs. MSCI World Index USD	5,44% vs 6,25%	62,98% vs 37,09%



Top 8 of 18 Strategies	Return since purchase
European Banks BNP Paribas, Banco Santander, Nordea, Deutsche Bank	20,12%
Nordic ESG Novo Nordiska, Investor AB, Atlas Copco AB	9,12%
USA Water Purifying Waters Corp, Danaher Corp, American Water Works CO INC	8,62%
Germany ESG SAP SE, Siemens AG, Infineon Technologies AG, Deutsche Post AG	7,94%
Europe SRI ASML Holding, Schneider Electric SE, L'Oreal SA, Allianz	7,67%
Japan SRI Sony Group Corp, KDDI Corp, Tokyo Electron Ltd	6,56%
Italy Enel SpA, Intesa Sanpaolo SpA, Eni SpA, Stellantis NV	6,35%
USA Biotech Gilead Sciences In, Amgen Inc, Regeneron Pharmaceuticals	5,51%

Historisk avkastning är ingen garanti för framtida avkastning. De pengar som placeras kan både öka och minska i värde och det är inte säkert att du får tillbaka hela det insatta kapitalet. EPBs avkastning anges i SEK, innan avgift men med underliggande kostand. Historical returns are no guarantee of future returns. The money invested can both increase and decrease in value and it is not certain that you will get back the entire invested capital. EPB's return is stated in SEK, gross fees but with underlying costs.



EPB Asset Management, diverse range of Houseview publications

Weekly newsletter

The screenshot shows the 'Veckobrev' (weekly newsletter) from Erik Penser Bank. It features a header with the bank's logo and name, a date (7 August 2020), and a main article titled 'Vi riktar ned fortsatt förväntning under 2020'. Below the article is a line chart showing market performance. At the bottom, there is a table with financial data and contact information for Erik Penser Bank.

Monthly houseview

The screenshot shows the 'Husvy' (monthly houseview) from Erik Penser Bank. It features a header with the bank's logo and name, a date (1 DECEMBER 2020), and a main article titled 'Erik Penser Banks Husvy'. Below the article is a line chart showing market performance. At the bottom, there is a table with financial data and contact information for Erik Penser Bank.

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.

Head of Asset Management
Twitter; @jwthulin

ERIK PENSER BANK

Social media:

You Tube; <https://www.youtube.com/playlist?list=PLFeVXfcmwBAmRK11Xj9AtszG2faERI77>

Instagram; [instagram.com/epbasset/](https://www.instagram.com/epbasset/)

<https://twitter.com/jwthulin>

<https://www.linkedin.com/in/jonas-thulin-93632914/>



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Erik Penser Bank har utarbetat ”Etiska Regler” och ”Riktlinjer för Intressekonflikter”. Dessa syftar till att förebygga och förhindra intressekonflikter mellan avdelningarna inom företaget och bygger på restriktiva kommunikationer (Chinese Walls). Det kan dock föreligga ett uppdragsförhållande eller rådgivningssituation mellan emittent och någon annan avdelning än Analysavdelningen. Erik Penser Bank har utarbetat interna restriktioner för när handel får ske i ett finansiellt instrument som är föremål för Investeringsanalys.

I denna publikation har analytikern redovisat och återgett sin personliga uppfattning om emittent och/eller finansiellt instrument. Analysen har varken grundats på uppdragsförhållande mellan emittent och analytiker eller medfört ersättning från emittent till analytiker. Den eller de som sammanställt denna publikation har inga innehav i de analyserade finansiella instrumenten.

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ERIK PENSER BANK

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