

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, it e.g. accurately predicted the IT & Great Financial crises with recoveries, notably hit the trough in March 2020, on the day.

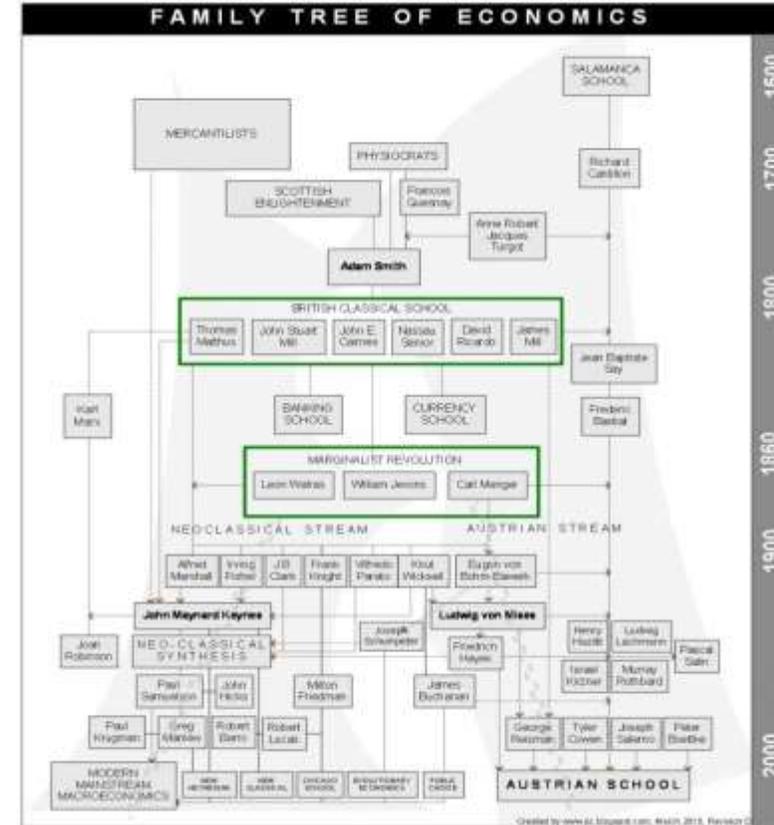
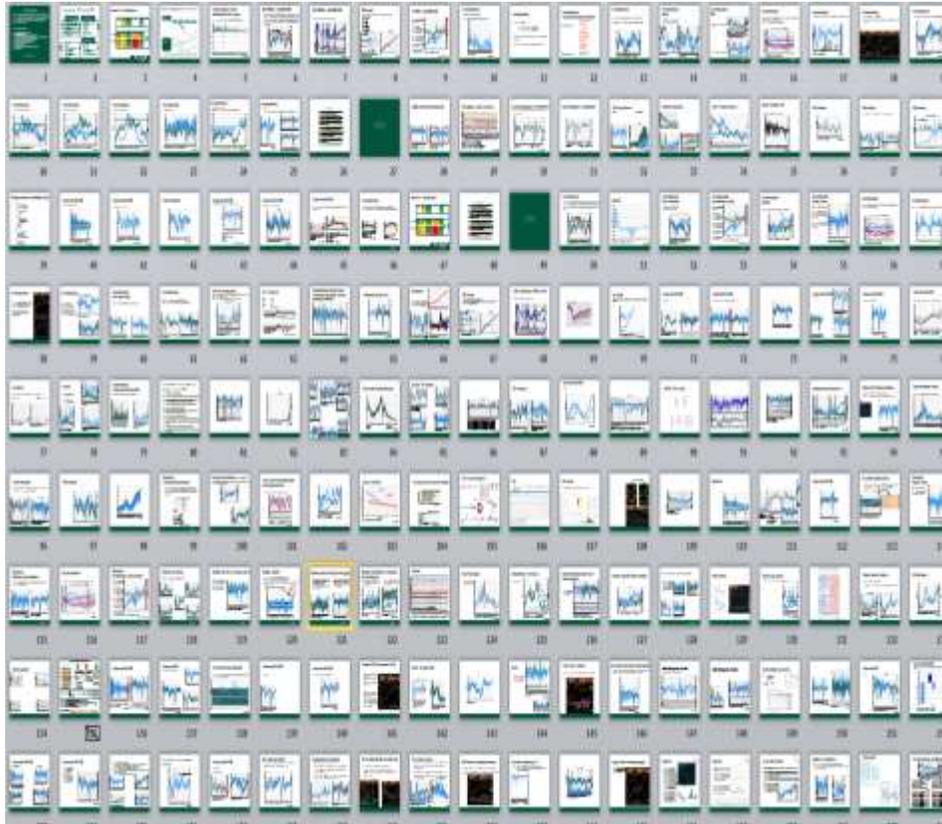
Head of Asset Management

Twitter; @jwthulin



ERIK PENSER BANK

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



Market update, following data and how we positioned our portfolios

Have yields risen so fast they will seriously hurt equities? NO

Is sentiment supportive of equities? YES

Has priced inflation moved up? Short term, YES they did but this has entirely reversed already, it is now the LOWEST since sep-21

Is media nervous about equities? NO

Has risk in the markets risen? NO

Is political risk supportive of equities? YES

Has swap spreads moved gov bond yields? YES

Is financial stress still a concern in Sweden after the political turmoil? YES

Will growth underperform e.g. value? NO

Has global trade a positive outlook? YES

Has growth outlook deteriorated? NO

Are theorems still supportive of equities? YES

Are earnings revisions threatening equities? NO

Are financial conditions still supportive of US equities? YES

Are valuations threatening equities? NO

Has the market made a huge shift in terms of FED pricing? NO

Is the virus threatening our portfolio? NO

Hence, fade the move in equities, partially rotate if opportunities arise – House view is UNCHANGED!

Is the market moves causing us to change strategic asset allocation? NO

The main reason for equity slump in the early parts of the year was yet again the options market as we entered, as predicted negative gamma, this caused gaps on the downside.

Are supply bottlenecks still being resolved? YES

We predict we will move into positive gamma again. HENCE, do not confuse correlation with causation regarding rates and equities!

Is China turning a corner? YES

Rates reacted to swap spreads (and hedging), we think it is important to keep this distinction in mind, otherwise you will turn bearish for all the wrong reasons, especially as swap spreads have turned LOWER!

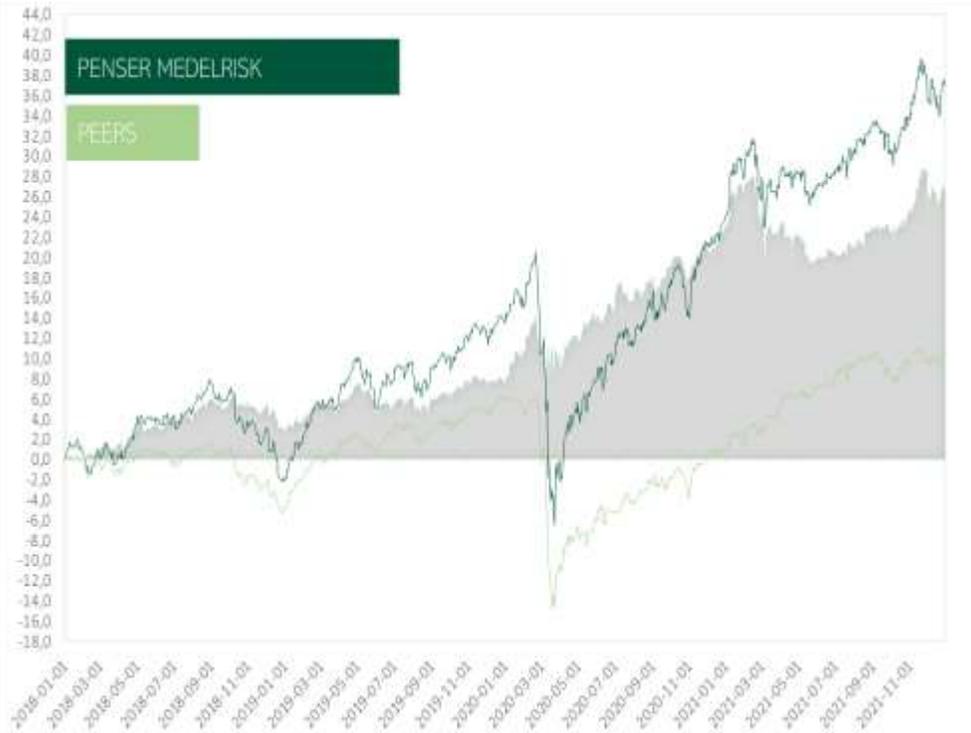


Compared to Swedish and global competitors we keep our outperformance

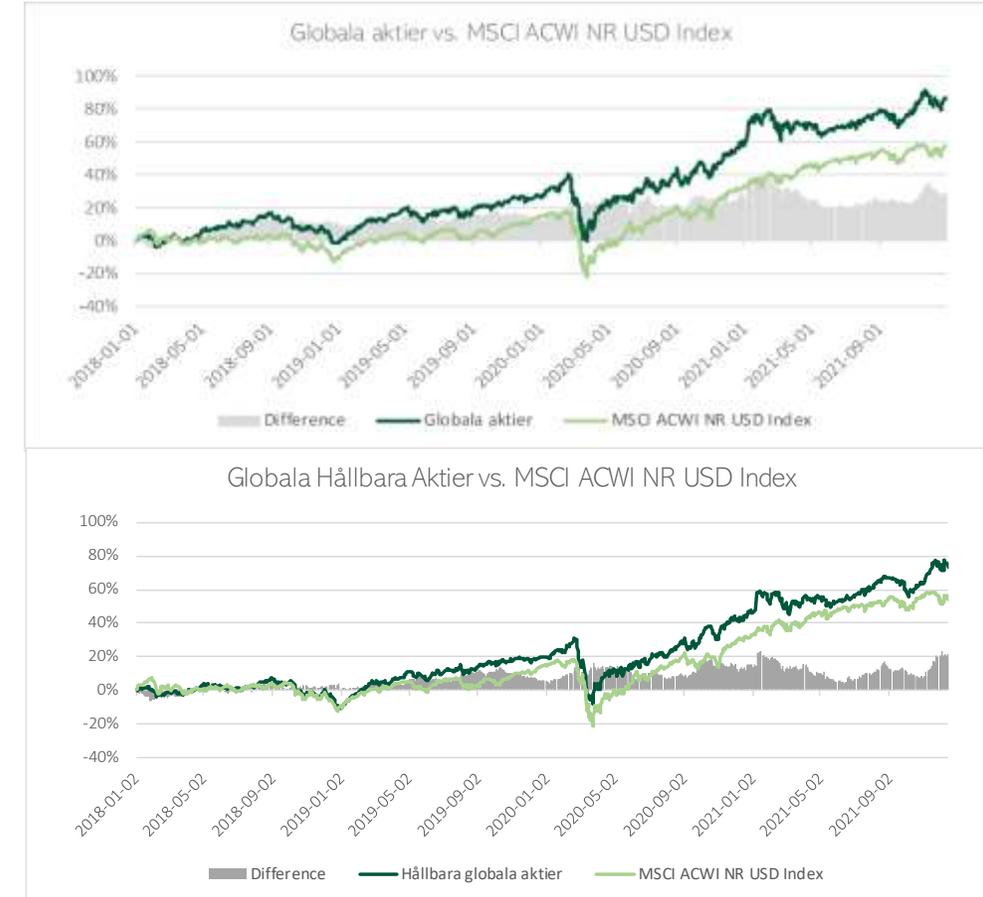
Competitors are defined as all products listed in Sweden, local banks', asset managers' and foreign banks', with an equity share of 45%, an average of the same as Penser Medium Risk's strategic asset allocation.

Global equities compared to ACWI MSCI.

Strategic asset allocation



Tactical asset allocation



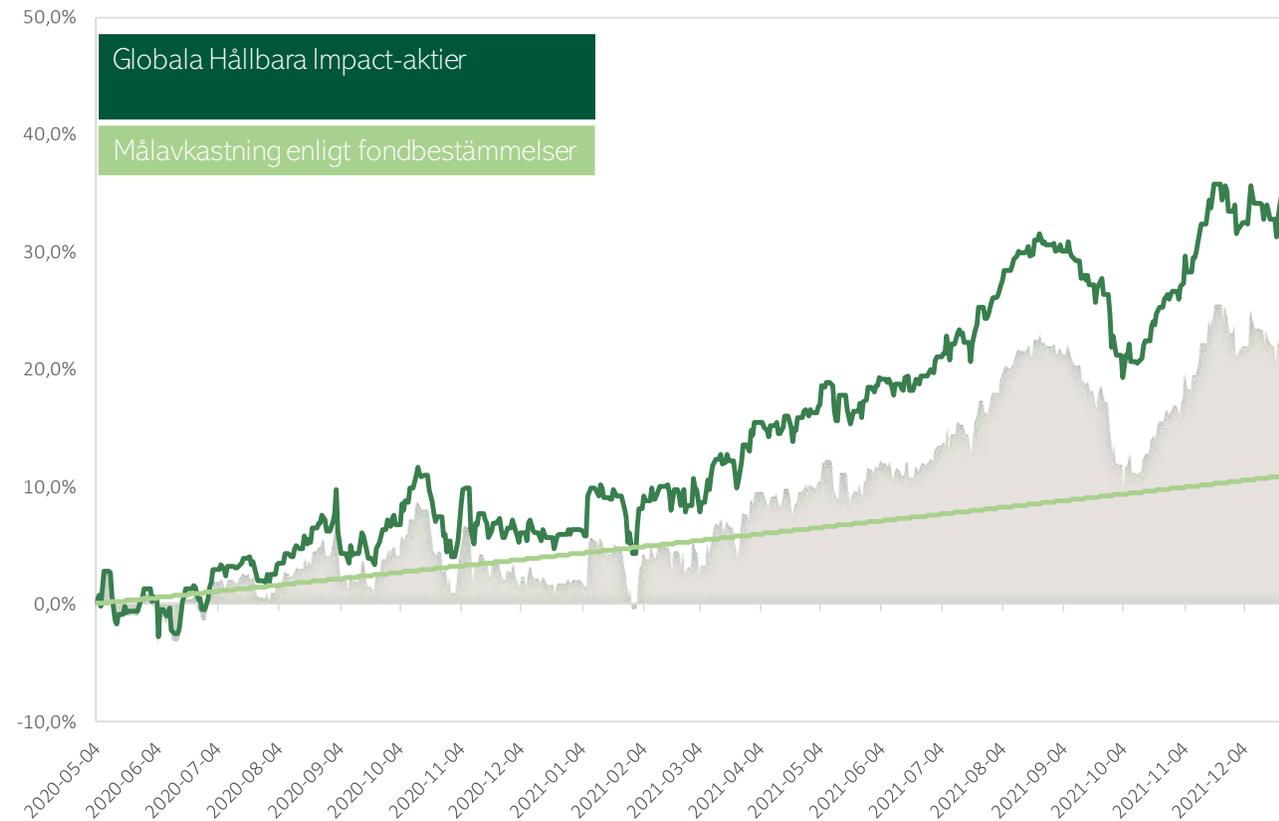
Historisk avkastning är ingen garanti för framtida avkastning. De pengar som placeras i fonden kan både öka och minska i värde och det är inte säkert att du får tillbaka hela det insatta kapitalet. Avkastningen anges i SEK.

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.



Penser Sustainable Impact vs benchmark

Jämförelsen baseras på en målavkastning på 6,5% per år enligt fondbestämmelser. Avkastning sedan 2018-01-01 till 2021-12-29



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Discretionary portfolios – well above targets!

| | DISKRETIONÄRT | YTD | 1Y | 2018-01-01 | TARGET |
|--|-------------------|-------|-------|------------|--------|
| Penser low risk portfolio | PENSER LÅGRISK | 8,05 | 8,41 | 19,36 | 3-5% |
| Penser medium risk portfolio | PENSER MEDELRIK | 11,26 | 11,70 | 37,38 | 5-7% |
| Swedish single equities | SVENSKA AKTIER | 32,22 | 31,63 | 88,3 * | |
| Swedish nano cap single equities | PENSER SELECTION | 35,44 | 37,43 | 118,1 ** | |
| Penser sustainable global equities & rates | PENSER HÅLLBARHET | 20,97 | 21,19 | 63,1 *** | 8-10% |

*2018-11-12, ** Från 2018-09-28, *** Från 2019-01-01

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Funds, beating benchmarks and targets

| FONDER | YTD | 1Y | 2018-01-01 | TARGET |
|--|----------|-----------------------|--------------------------|--------|
| PENSER DYNAMISK ALLOKERING | 12,41 | 12,59 | 34,90 | 5-7% |
| PENSER YIELD | 9,61 | 12,50 | 4,26 | 3-4% |
| | YTD | 2020-05-27 | 2017-06-01 | |
| PENSER SUSTAINABLE IMPACT | 28,33 | I EPB:s regi 35,89 | Ej i EPB:s regi 38,92 | 5-8% |
| Utsläppintensitet (absoluta värden) | | | | |
| | Portfölj | Peers ** | Diff | |
| | 49,21 | 150,61 | -67,3% | |
| Sustainable Impact | | | | |
| | Portfölj | Peers ** | Diff | |
| | 14,7% | 6,1% | 8,6% | |
| % i linje med FN:s globala hållbarhetsmål | | | | |
| | Portfölj | Peers ** | Diff | |
| | 58,8% | 5,9% | 52,9% | |

** iShares MSCI ACWI ETF

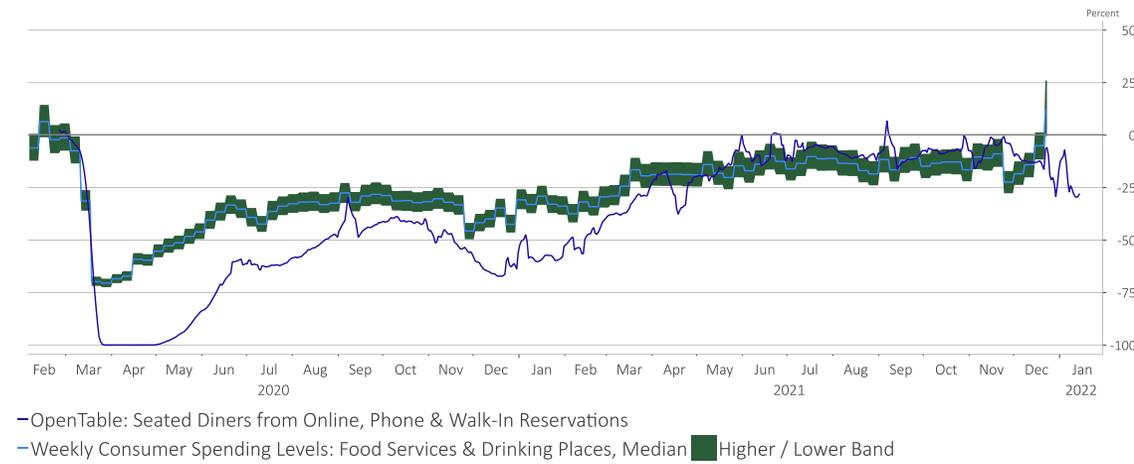
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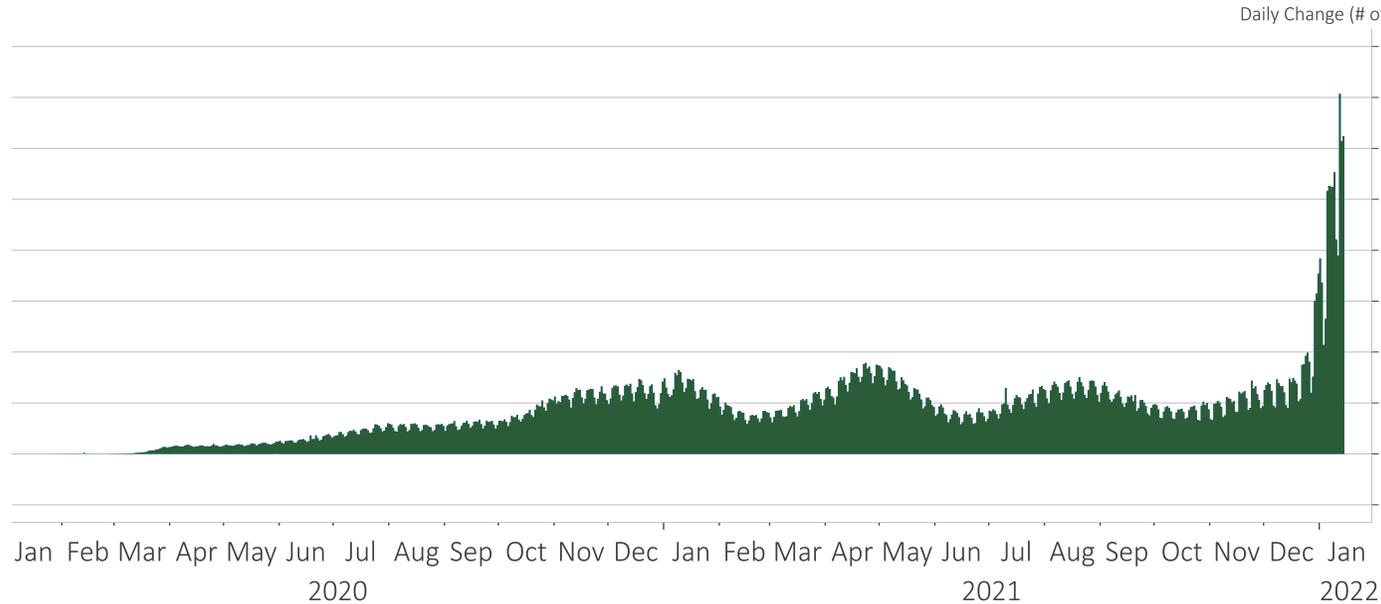
Coronavirus – 4th wave

United States: OpenTable data and Card Transactions
Changes compared to baseline Jan. 2020



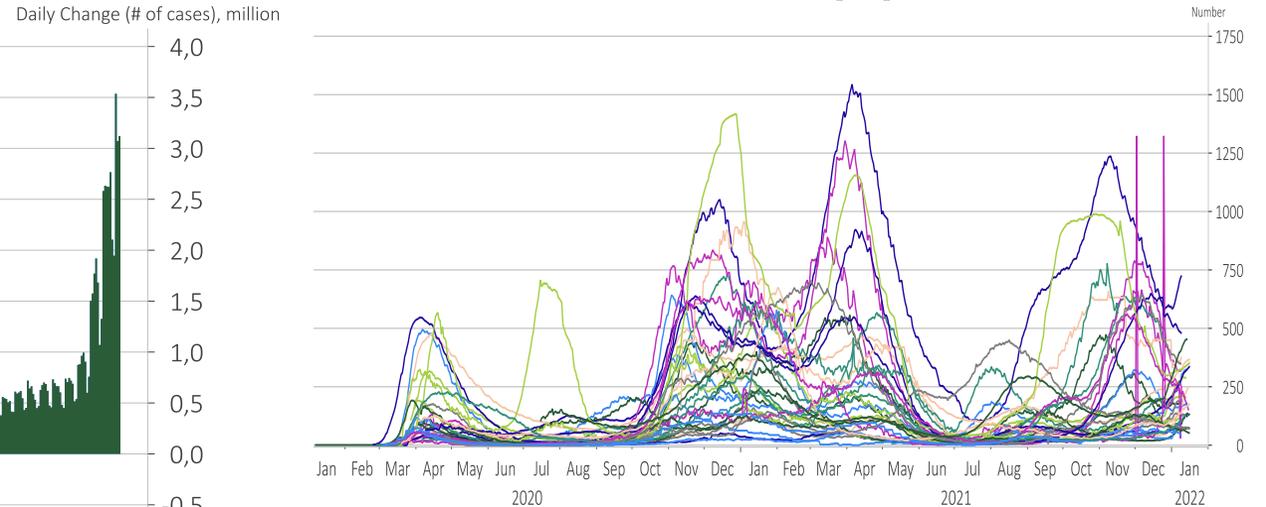
Source: Erik Penser Bank, Macrobond

New COVID-19 cases



China World (ex-China)

Novel Coronavirus (COVID-19), COVID-19 Patients in Hospital per Million



Germany – United States – Slovakia – Slovenia – Sweden – Serbia – Portugal – Poland – Norway – Netherlands
 – Malaysia – Malta – Latvia – Luxembourg – Lithuania – Italy – Iceland – Israel – Ireland – Hungary – Croatia
 – United Kingdom – France – Finland – Spain – Estonia – Denmark – Czech Republic – Cyprus – Switzerland – Canada
 – Bulgaria – Belgium – Austria

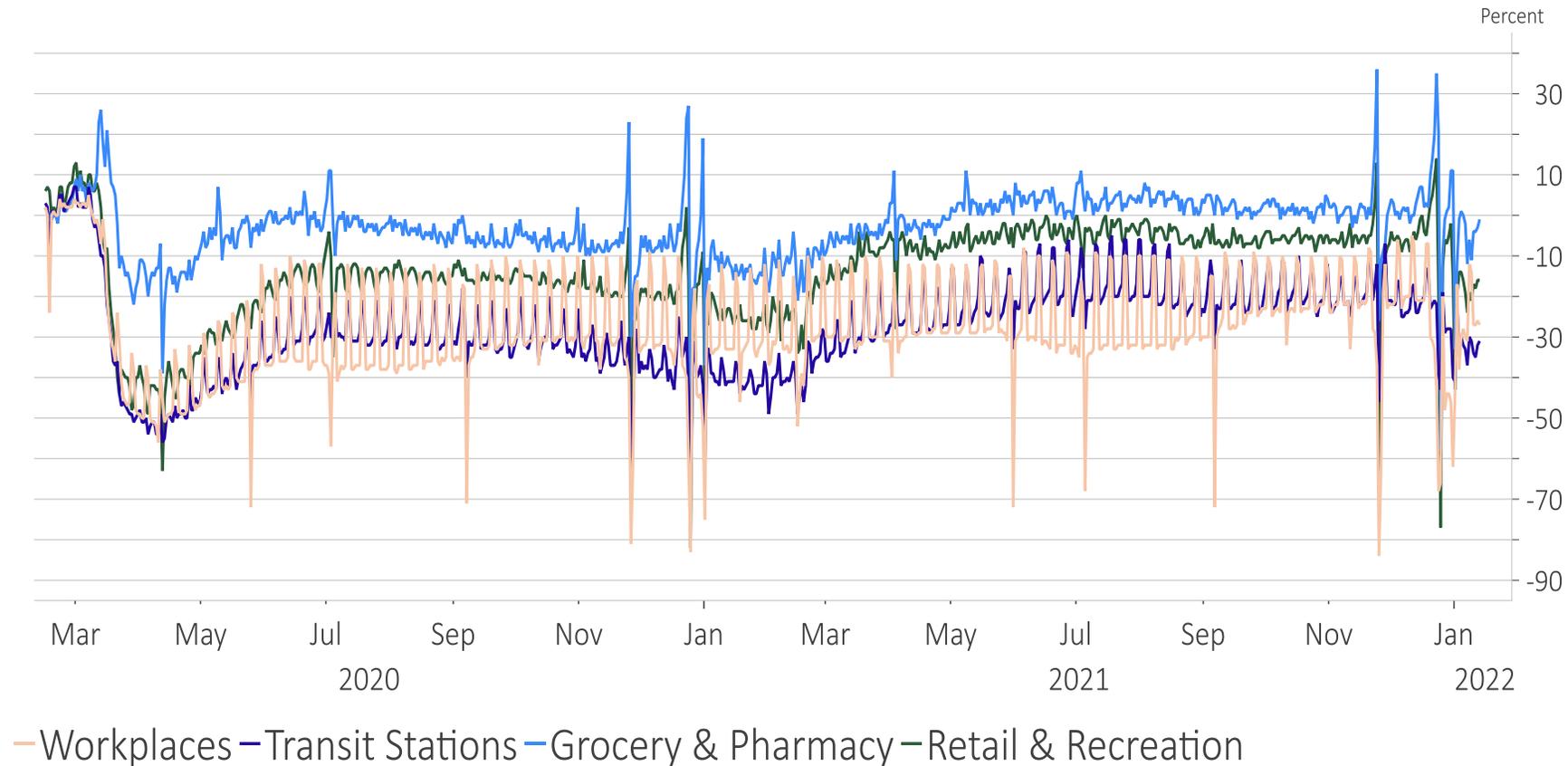
Source: Erik Penser Bank, Macrobond

Source: Erik Penser Bank, Macrobond



Driver of growth: Reopening never slowed during the 3rd wave (why markets ignored the wave), so far same story for the US and 4th wave after initial shock

United States, Mobility, Total Visitors, The Whole Country



Source: Erik Penser Bank, Macrobond



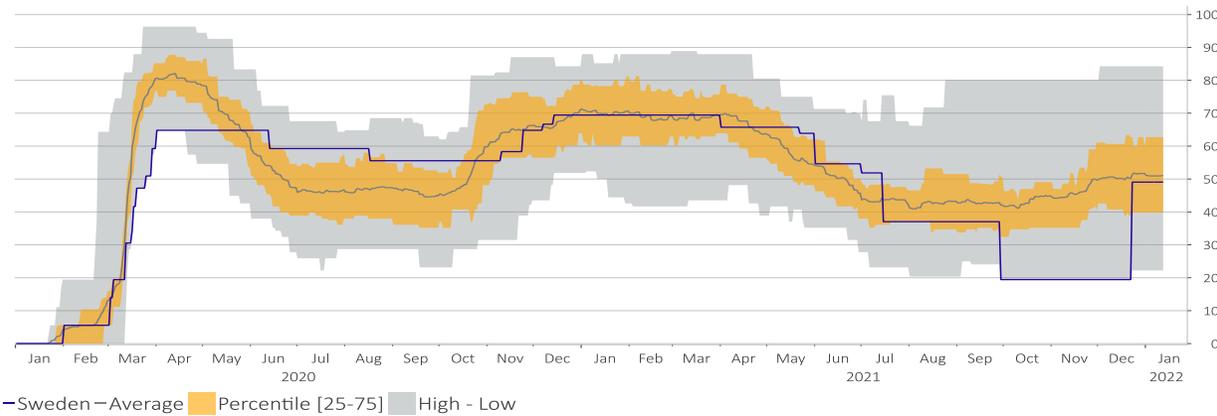
Policy response, 4th wave makes EU to increase stringency

Governments are taking a wide range of measures in response to the COVID-19 outbreak. The Oxford COVID-19 Government Response Tracker (OxCGRT) aims track and compare government responses to the coronavirus outbreak worldwide rigorously and consistently.

The OxCGRT systematically collects information on several different common policy responses governments have taken, scores the stringency of such measures, and aggregates these scores into a common Stringency Index. This is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest).

European Union: Stringency Index

Source: The Oxford COVID-19 Government Response Tracker



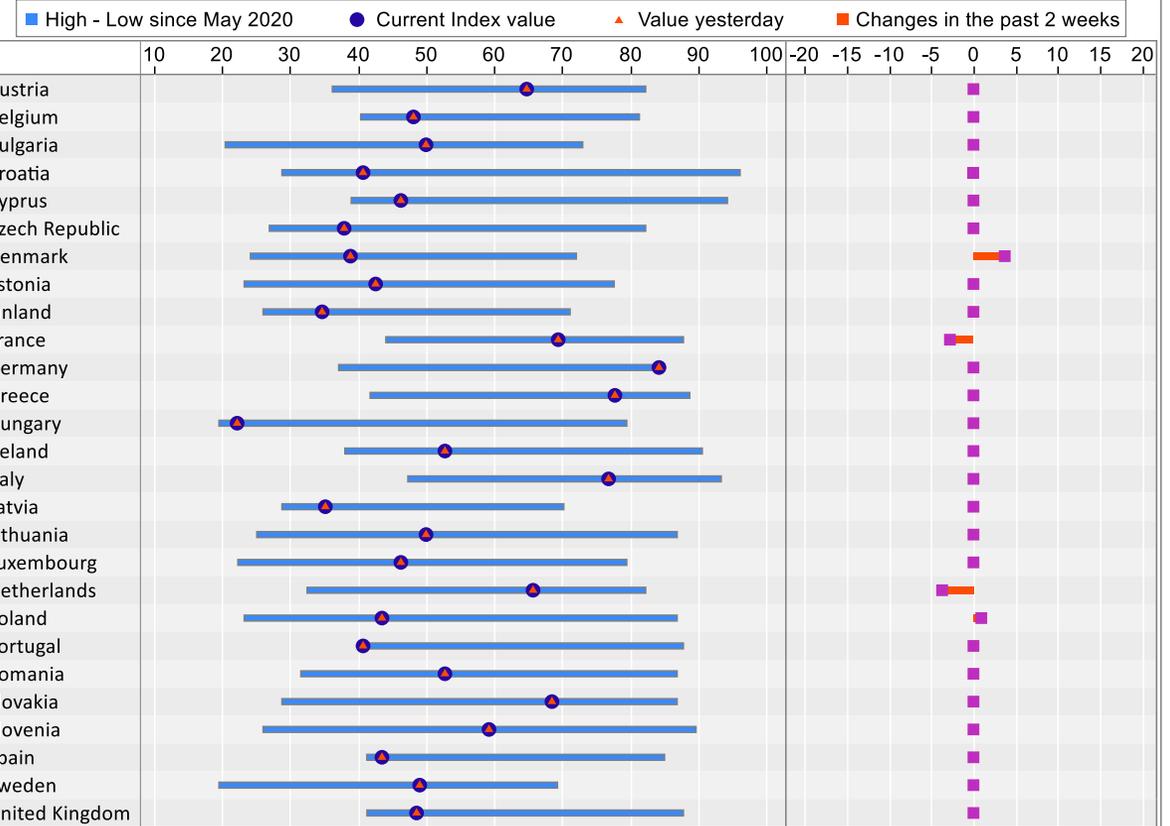
Source: Erik Penser Bank, Macrobond

Lockdown stringency index: US vs. Germany



Source: Erik Penser Bank, Macrobond

European Union + UK : Stringency Index



The Oxford COVID-19 Government Response Tracker

Source: Erik Penser Bank, Macrobond



House view – a summary

Cross-Asset Strategy: We stick to max equity overweight. Global growth is climbing alongside our Supercycle hypothesis. The support from fiscal and monetary policy has changed dramatically but we argue that markets have aligned to a larger extent than fully understood. However, we have now secured profits and rebalanced some US growth strategies. We keep some overlay hedges.

Equity sectors thrash around, and we stay very very agile.

We are now underweight in commodities.

We are underweight in fixed income and alternatives. We have positioned ourselves for rising yields.

We remain pro-risk, global growth is strong and we believe we are in a so called Supercycle!

We are NOT long USD versus benchmark.

2021 predictions were UNCHANGED throughout the entirety of last year.



2022 persisting trends

COVID

After the turmoil in 2020 the pandemic reappears in terms of relative politics and equity flows. As the virus seems to be here for longer than first thought this will be a variable to watch in 2022 and we stick to our relative mobility / re-opening analysis as key even as every new wave distorts growth less and less.

INFLATION

2021 was the year CPI peaked in markets, 2022 will be the year when the roll over will surprise the markets. The word “transitory” will reappear. Despite this USD will strengthen by 5% in 2022.

RATES

Given the peak in CPI rates will have a hard time to sell off, hence they will be stuck after the flattening following FED policy. The basic role of rates in portfolios will be questioned as, if anything, rates will sell off beyond the 2 year market following the Supercycle and in this context will not cause a major setback for growth equities. We expect +50 bps in 10 yr US govt yield.

GROWTH

We are still in a Supercycle and our focus is the US economy that, in serious terms, will out pace Europe. Asia will partly join hands and there will be growth gaps that some smaller open economies can find, e.g. Sweden.

DECARBONIZATION

If CPI does not roll over one variable is decarb. This initial step towards international goals will drive CPI on the upside, but we will focus more on the investment opportunities it creates.

METAVVERSE

Economic growth outside physical world is not new, but 2022 could see an acceleration and this affects positions in late 2021.

US

Mid terms, Republicans will re-enter power positions and the market will tumble ahead of the election just to regain it all and then some after – this is the historical pattern and the markets also enjoy power division more than the current set up. Politics was THE driving force in 2nd half of 2021 and will continue to be so in 2022 (hence come to overshadow CPI, rates etc). Fiscal stimulus will ebb and labour market will continue to improve.

CHINA

Peak regulation will pass and China will take up the race with the speed of the US economy. Left in the dust is Europe, same old pattern... We are not concerned by the orchestrated slow down in growth terms.

SUPPLY BOTTLE NECKS

These will continue to be resolved as is the trend in late 2021, leading to a lot less upward pressure on CPI. Inventories will be rebuilt and provide ample growth.

PROFITS

Earnings will continue to grow but slower as revisions do not accelerate faster and faster anymore, but we enter a more mature stage and the stability in revisions will climb.

EQUITIES

Global equities will rise by 10% but the number hides a lot larger degree of spread between countries / regions and sectors etc.

“BLACK” SWANS (sourced from markets)

Security issues; Taiwan, Ukraine, Covid 5th...6th waves, hard Brexit, crashing EM, Euro crisis, sticky inflation, hard Chinese slowdown...





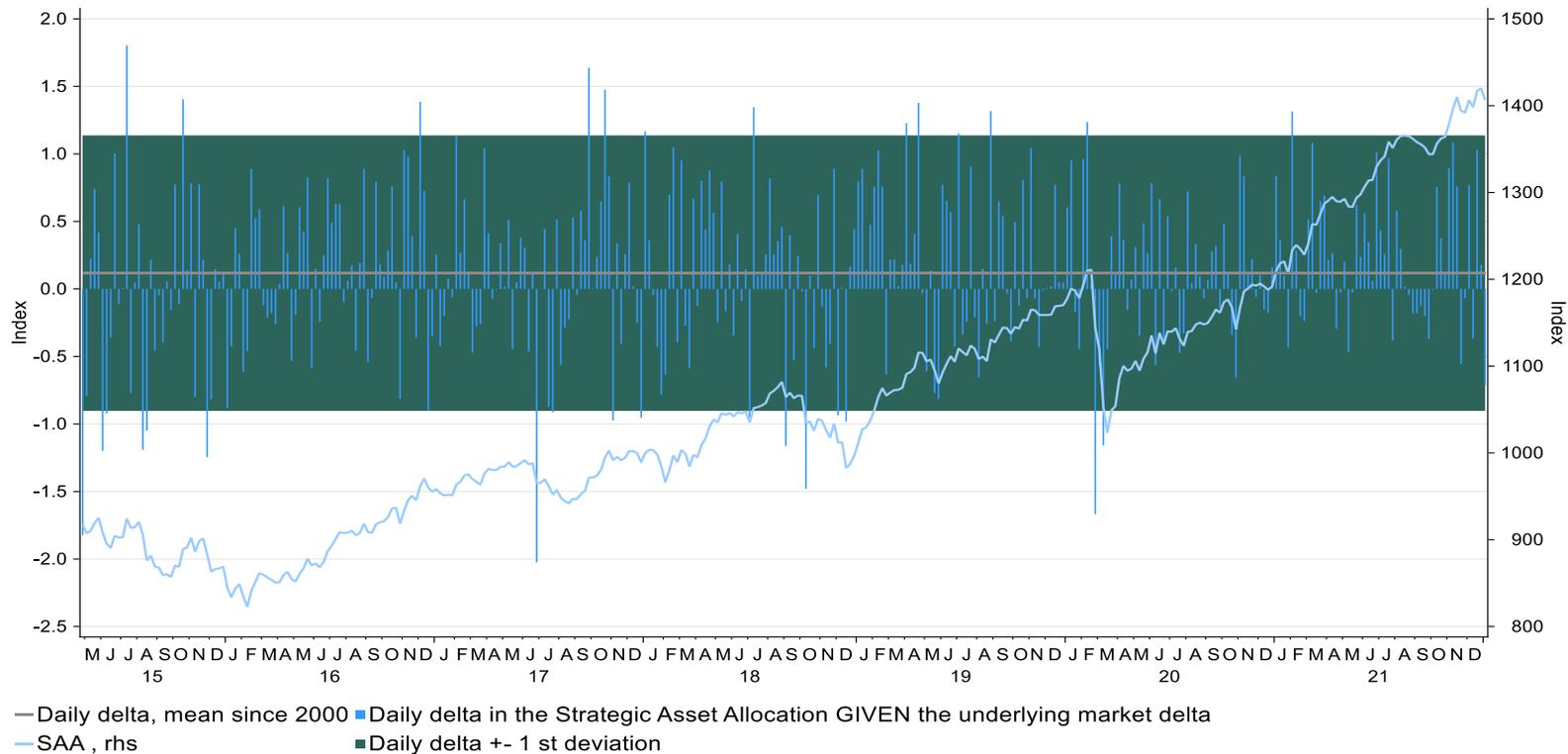
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| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------|------|-------|------|------|------|------|------|
| Världen | 3,8 | 3,6 | 2,8 | -3,2 | 6,5 | 5 | 3,7 |
| Globala Aktier | 22 | -11 | 30 | 5 | 19 | 10 | 10 |
| EM aktier | 34 | -17 | 20 | 0 | -5 | 15 | 10 |
| USA | | | | | | | |
| BNP | 2,3 | 2,9 | 2,3 | -3,4 | 7 | 4,2 | 2,3 |
| Arbetsmarknad | 4,4 | 3,9 | 3,7 | 8,1 | 5,2 | 4 | 3,8 |
| Inflation | 2,1 | 2,5 | 1,8 | 1,2 | 3,8 | 2,7 | 2,2 |
| Räntor (10 år) | 2,41 | 2,69 | 1,92 | 0,92 | 1,5 | 1,5 | 1,75 |
| Eurozonen | | | | | | | |
| BNP | 2,6 | 1,9 | 1,4 | -7 | 3,5 | 3 | 2 |
| Inflation HCIP | 1,5 | 1,8 | 1,2 | 0,3 | 1,5 | 1,2 | 1 |
| Sverige | | | | | | | |
| BNP | 2,8 | 2,1 | 2 | -3,1 | 4,2 | 3,3 | 2,1 |
| Inflation KPIF | 1,8 | 2 | 1,8 | 0,5 | 2,3 | 2,1 | 1,6 |
| Arbetslöshet | 6,7 | 6,3 | 6,8 | 8,3 | 9,5 | 8,5 | 7,5 |
| Bostadspriser | 0,2 | 2,24 | 2 | -2 | 20 | 2 | 3 |
| Börsen | 6 | -9 | 22 | 5 | 28 | 10 | 10 |
| Reporäntan | -0,5 | -0,25 | 0 | 0 | 0 | 0 | 0 |
| Räntor (10 år) | 0,77 | 0,46 | 0,14 | 0,02 | 0,4 | 0,8 | 0,9 |
| IG Räntor | 0,22 | 0,97 | 0,23 | 0,23 | 0,3 | 0,9 | 1 |
| HY Räntor | 5 | 1,9 | 4,5 | 4,5 | 4,7 | 5 | 5 |
| USDSEK | 8,18 | 8,85 | 9,37 | 8,23 | 8,9 | 9,2 | 9,5 |
| Kina | | | | | | | |
| BNP | 6,9 | 6,7 | 6 | 2,3 | 7 | 6 | 5,5 |
| Japan | | | | | | | |
| BNP | 1,7 | 0,6 | 0 | -4,5 | 3 | 2,5 | 1,5 |



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!
- **Our allocation portfolio beat its competitors and our global equity portfolio beat benchmark**



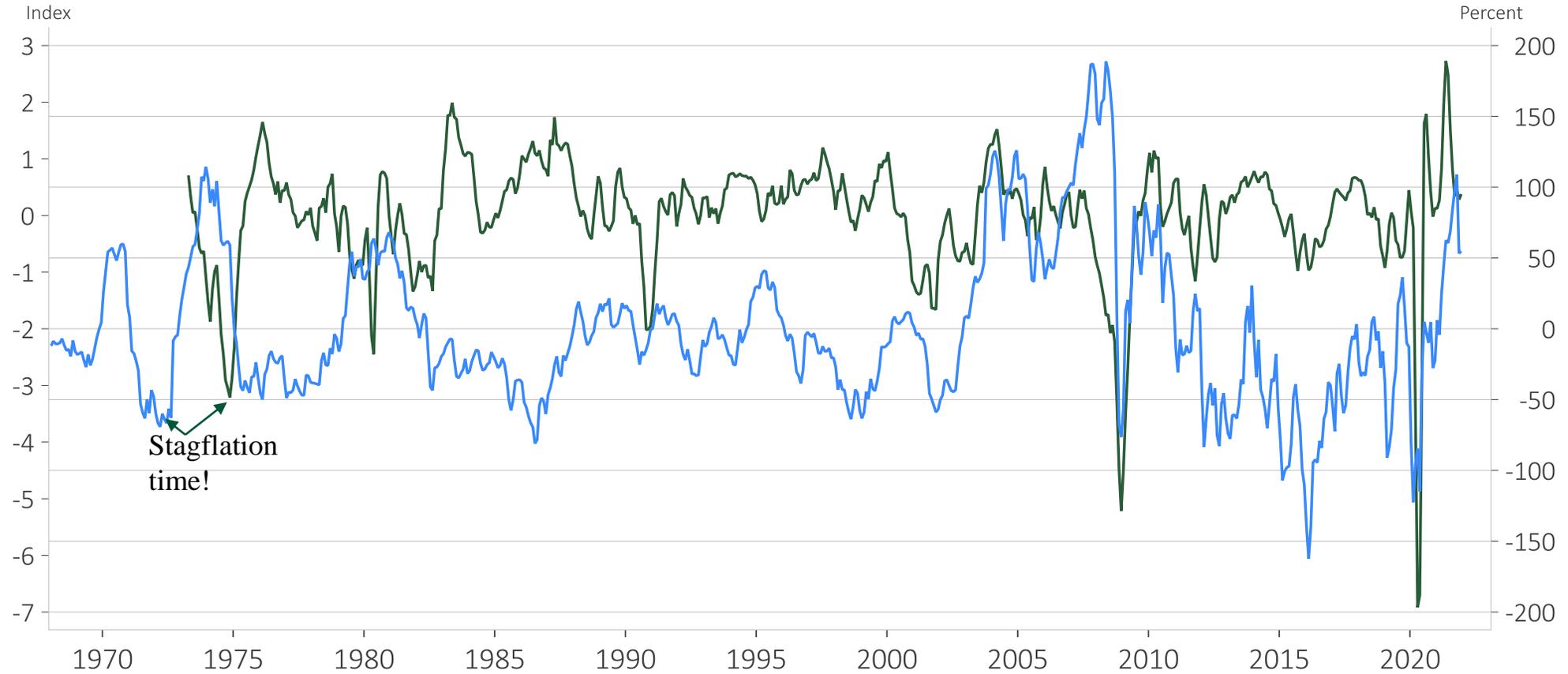
Källa: Erik Penser Bank & Macrobond



Collapsing growth prospects? Absolutely not

”Stagflation”? Absolutely not

World, Leading Indicators

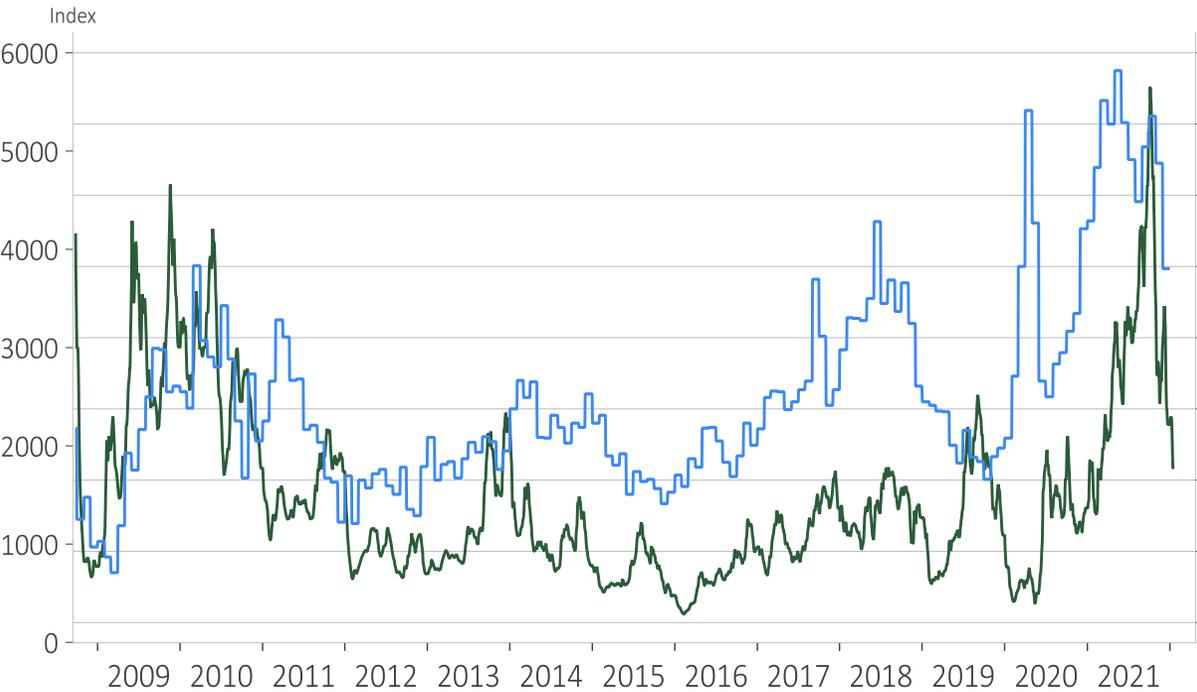
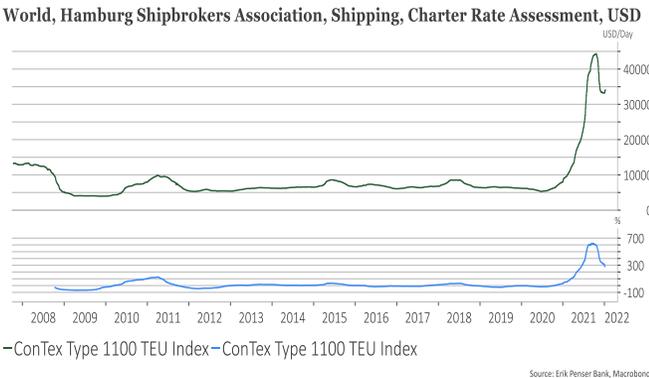


Source: Erik Penser Bank, Macrobond



Global equities, beginning of the end of supply bottlenecks?

YES, we maintain this view since Q4 2021



- US delivery times (net of worsening / improving), rhs
- World, Baltic Exchange, Shipping, Dry Index (BDI), USD, lhs

Source: Erik Penser Bank, Macrobond



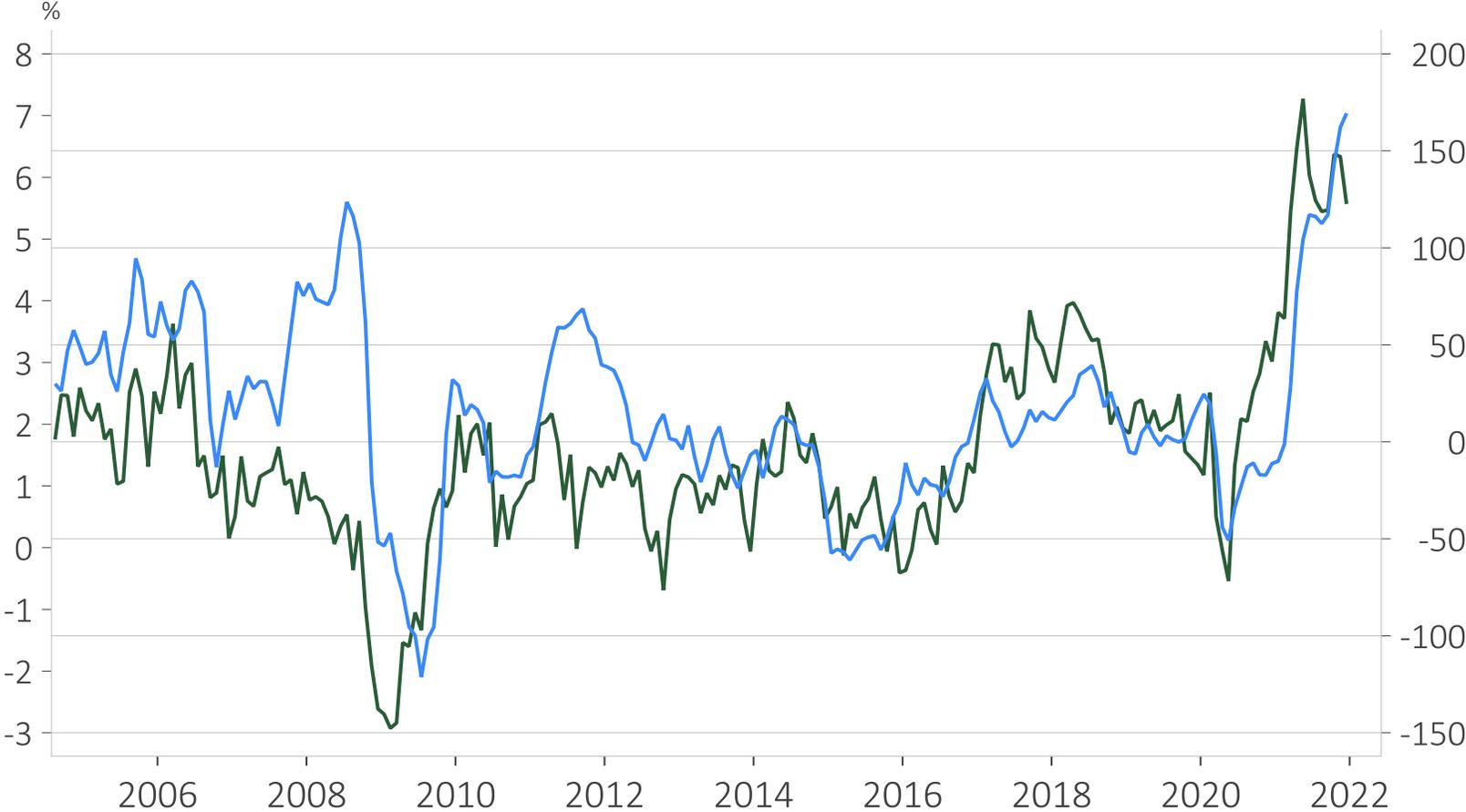
- S&P 500 (Etf), rhs
- United States, Traffic, Ports, Los Angeles, Vessels at Anchor, lhs

Source: Erik Penser Bank, Macrobond



Supply side monitor – we are past the peak!

Supply Issues - EPB monitor

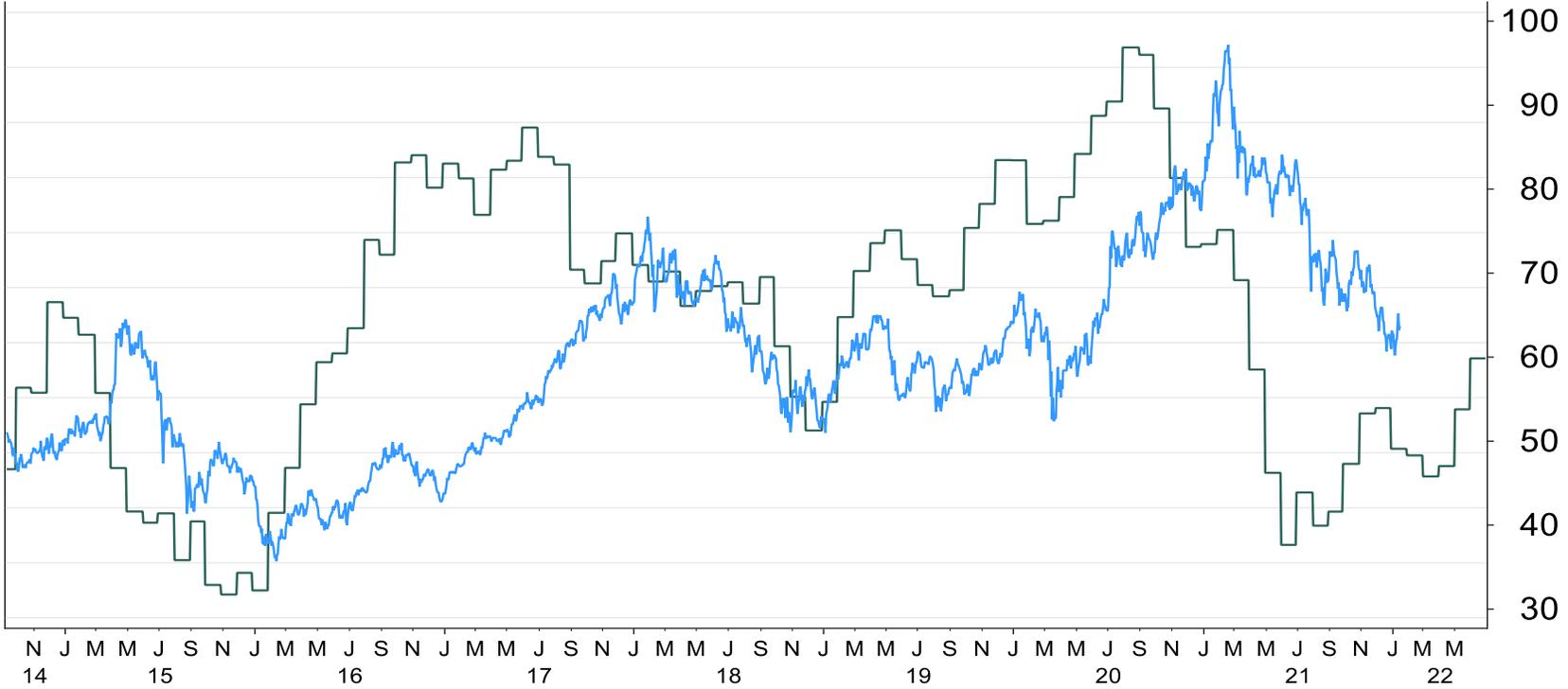


—US, headline CPI, YoY, lhs —EPB monitor of supply concerns, rhs

Source: Erik Penser Bank, Macrobond



Chinese stimulus limiting equities, why we do not have any exposure, but things have turned and we now await the right timing!



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

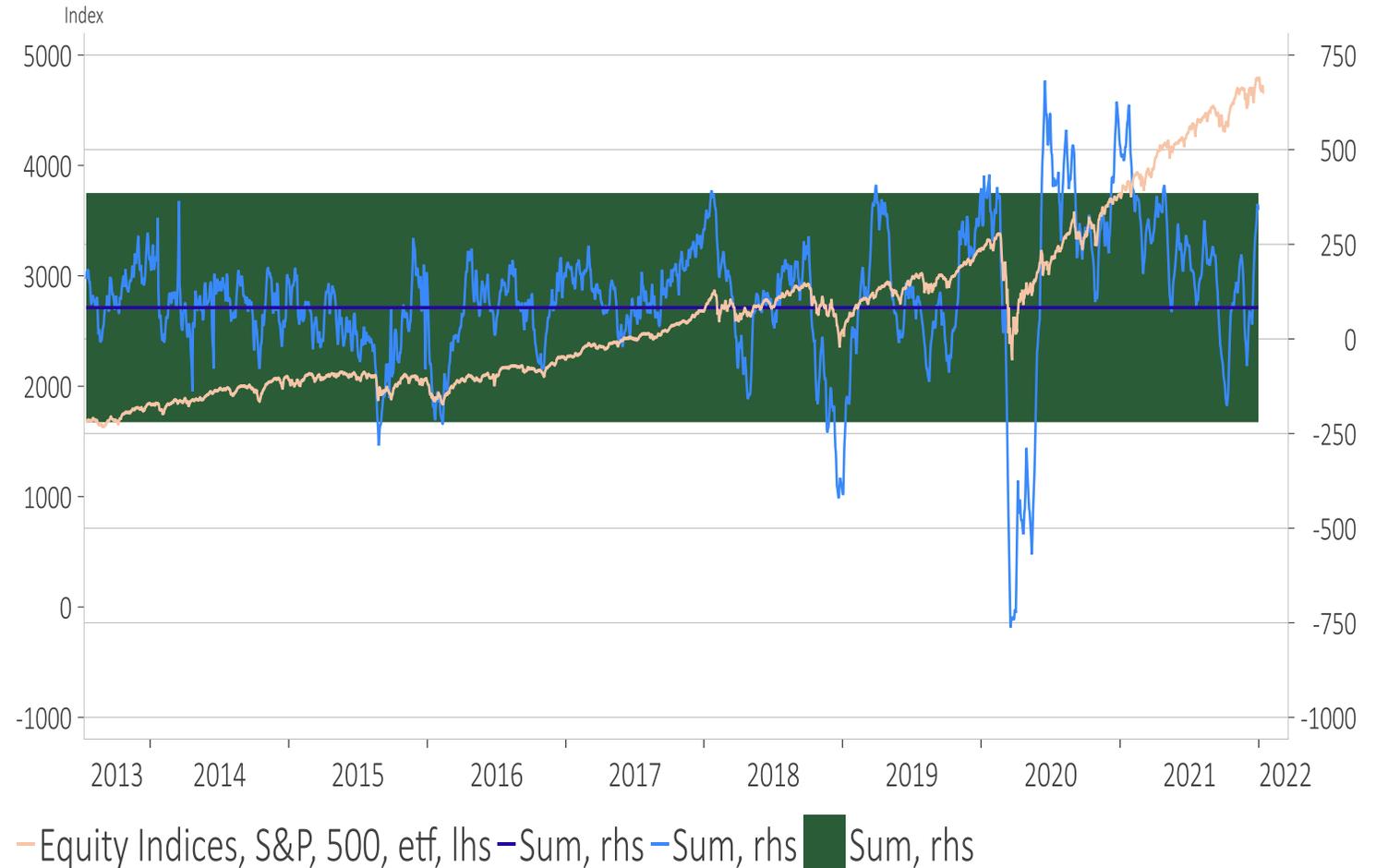
Källa: Erik Penser Bank & Macrobond



Below we combine those sentiment indicators that have the strongest statistical relationship to future equity moves

Sentiment is holding up well.

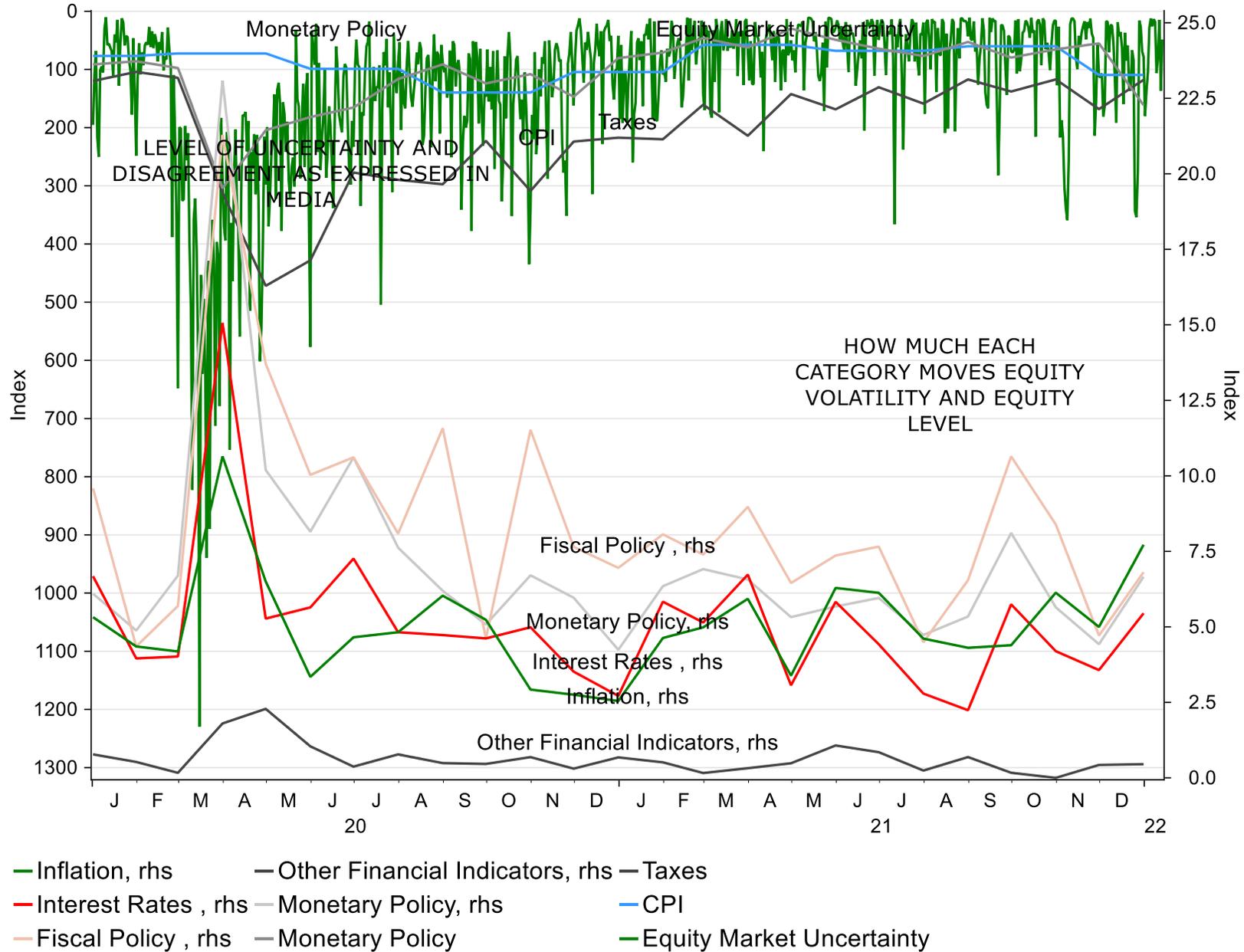
We agree and do not see a risk to equities as such!



Source: Erik Penser Bank, Macrobond



Equity market sentiment
(via media) is calm
and collected.



Source: Erik Penser Bank & Macrobond



Do we see any traces of risk?

No (our risk monitor based on broader market input)

Stress in EM and EU affecting the situation – we had prepared for this as we held 0 exposure to EM and EU in any portfolio. We have introduced hedges and secured profits by rotation, keeping equity allocation at max. **This was hugely profitable!**

As late 2021 risk WAS BACK and flows to equities increased rapidly!

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

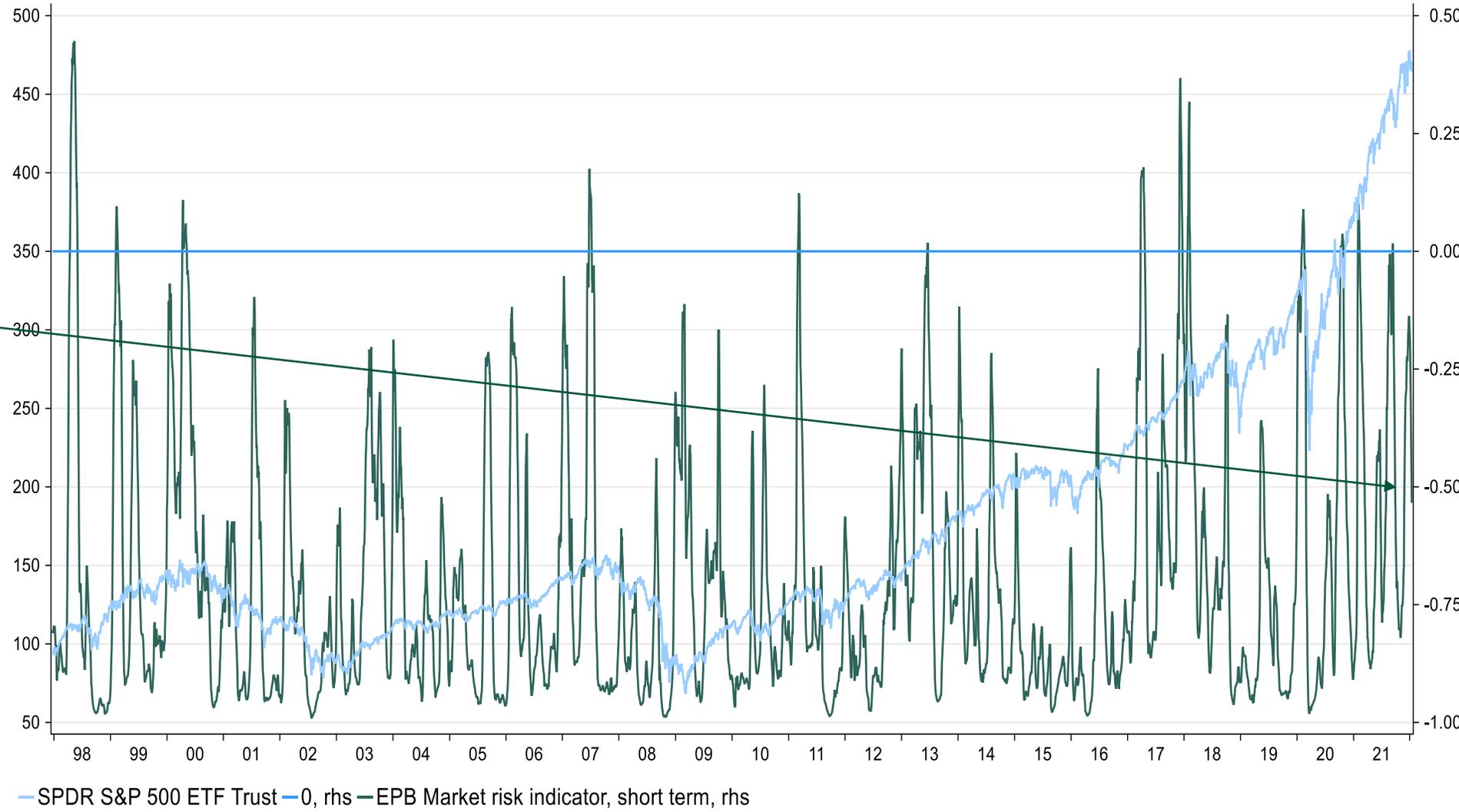
Source: Erik Penser Bank, Macrobond



One of our risk monitors, a great tool to have!

IF we break 0 we have to be ready for a sell off.

**WE ARE SEEING CONTAINED
and falling RISK NOW**



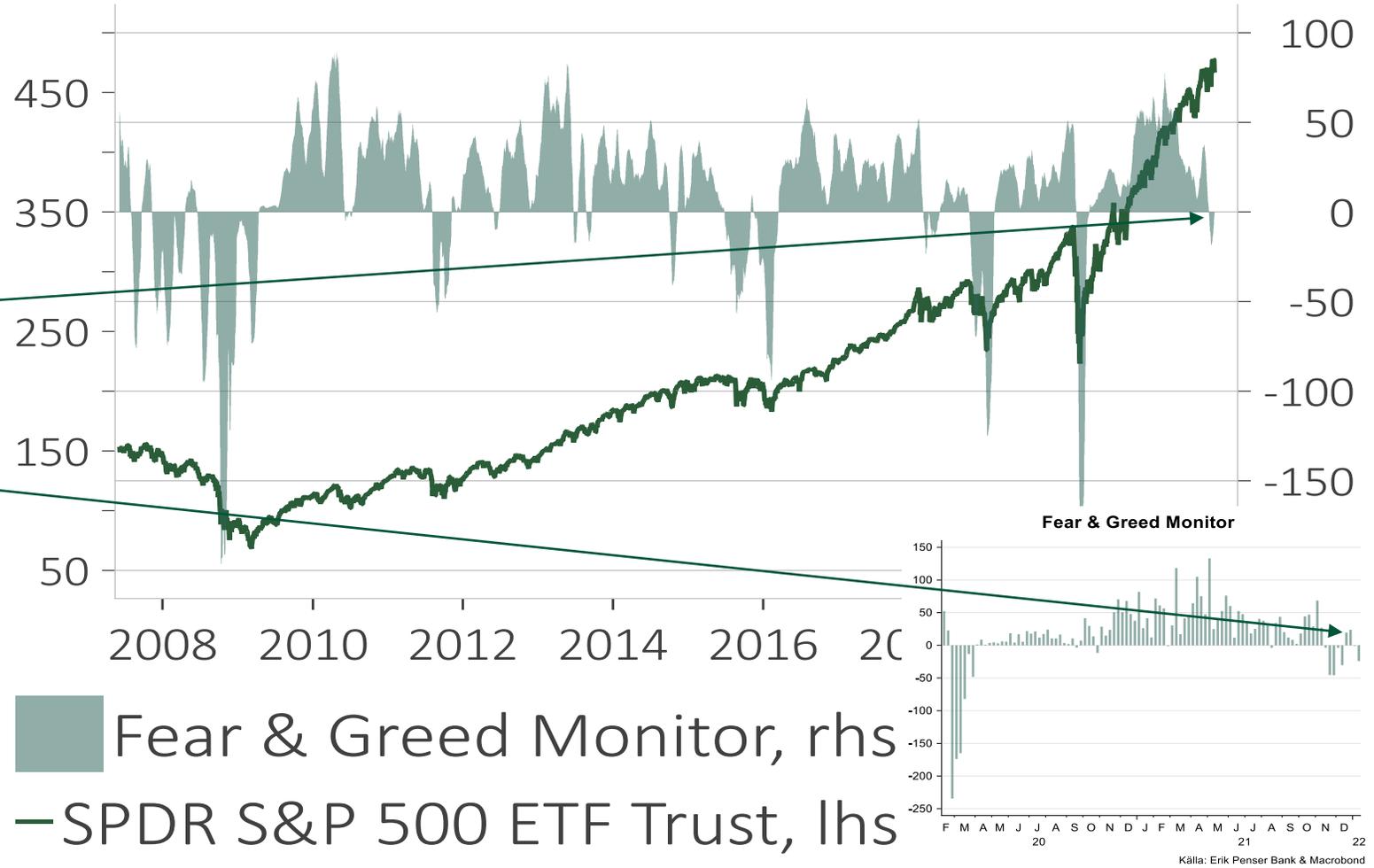
Källa: Erik Penser Bank & Macrobond



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**
- **Why the hedges?**
- **Why did we decrease some of the hedge in w1 2022?**
- **...and why did we buy banks in EU?**

Fear and Greed monitor



Source: Erik Penser Bank, Macrobond

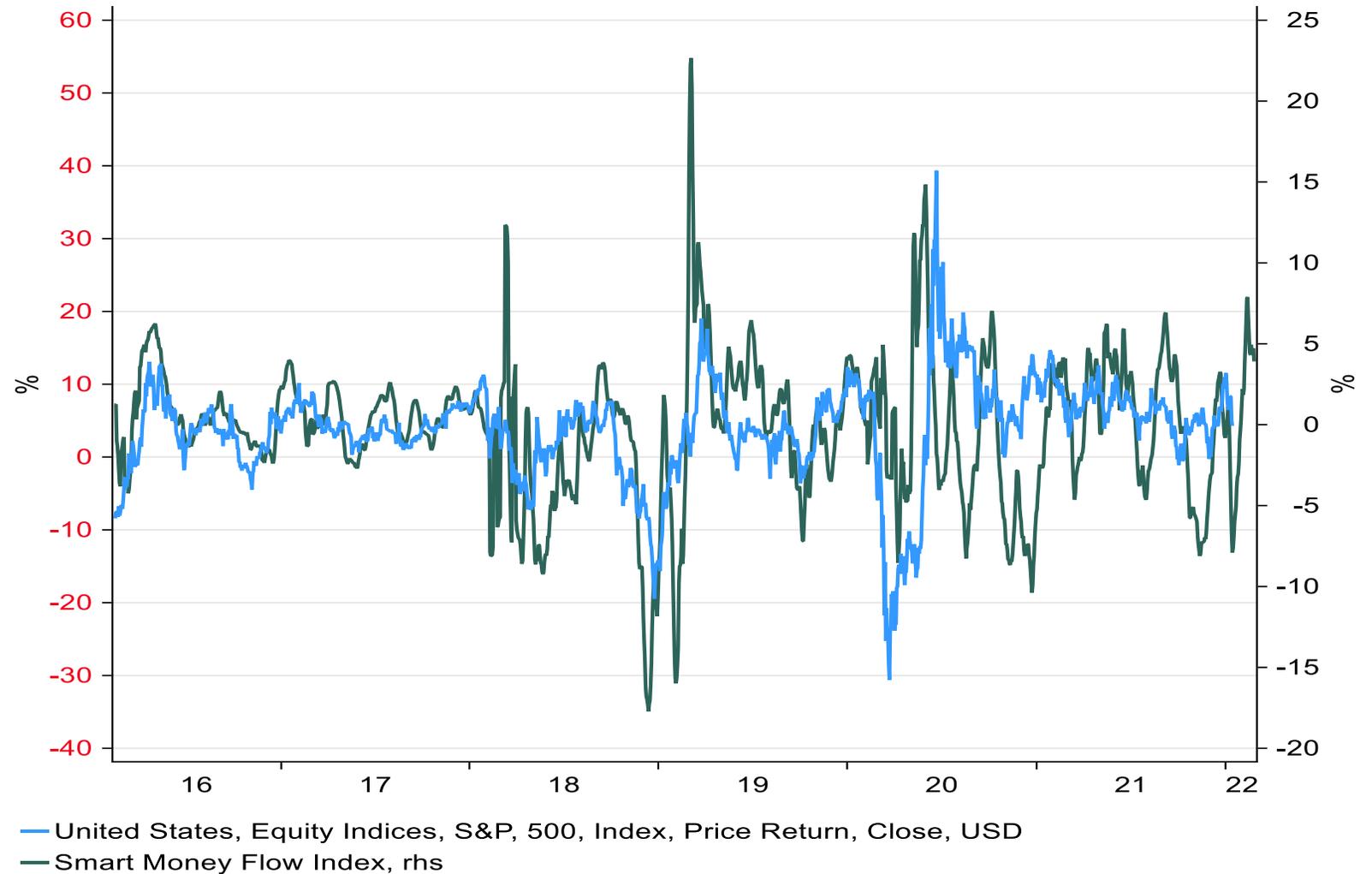


Enough about sentiment and Fear & Greed, what about actual trading?

Signal is clear, institutions / aka smart money, are buying like it is 2020 March / April!

Be wary of sell-side's bearish efforts!

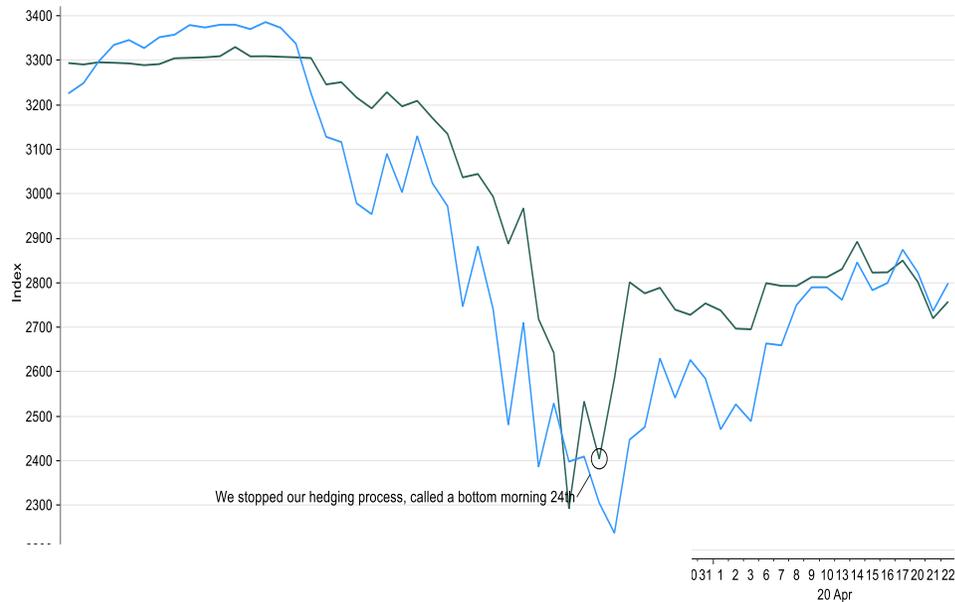
Or, why fight flows...?



Source: Erik Penser Bank & Macrobond



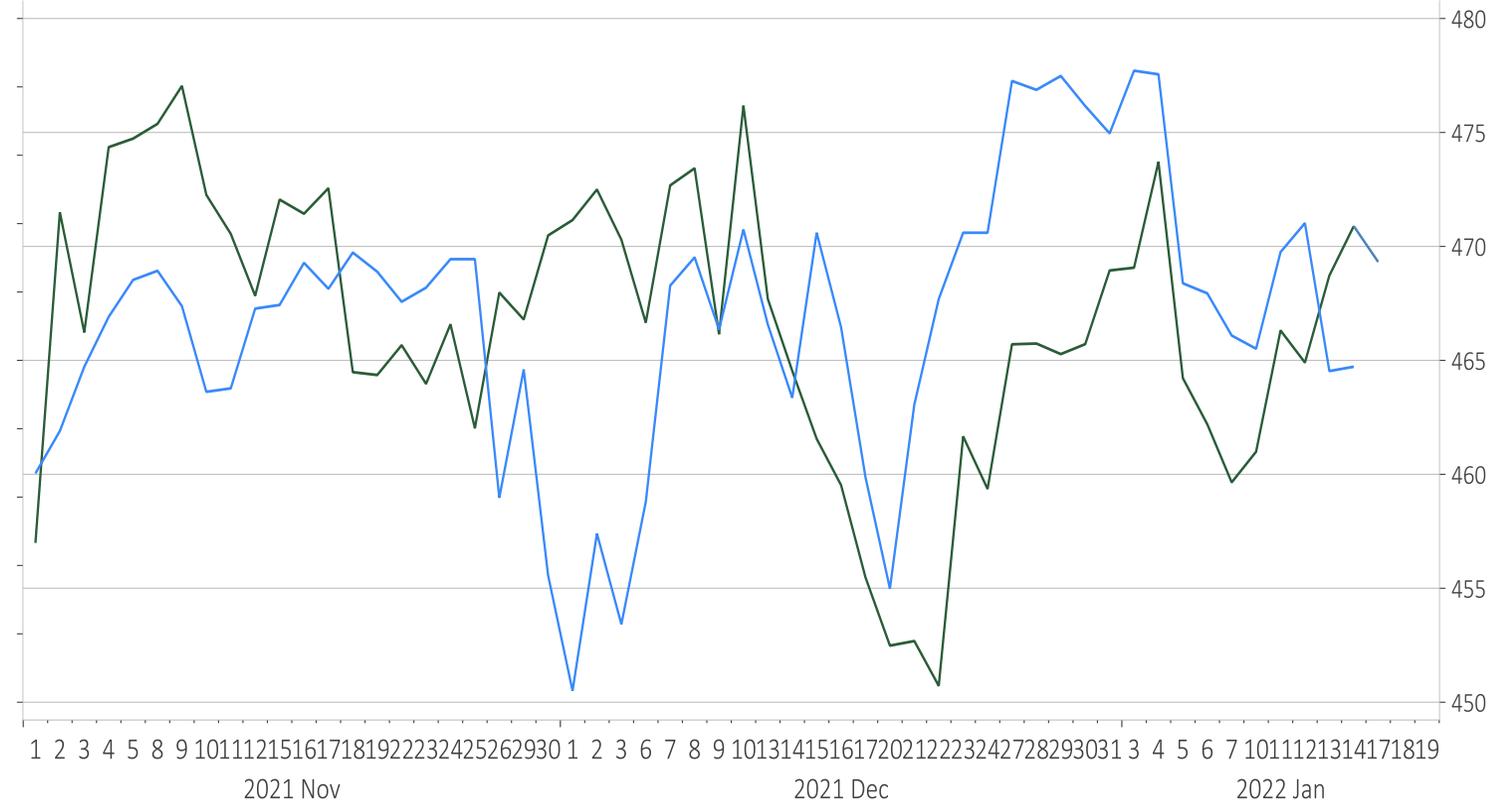
Daily trading model – when to act and when to fade!



—EPBs daily equity indicator, built on FI spreads, vol curve, liquidity pricing, rhs

Källa: Erik Penser Bank &

EPB equity market model based on priced risk in markets, note: this model derives nitty gritty data compared to the other one

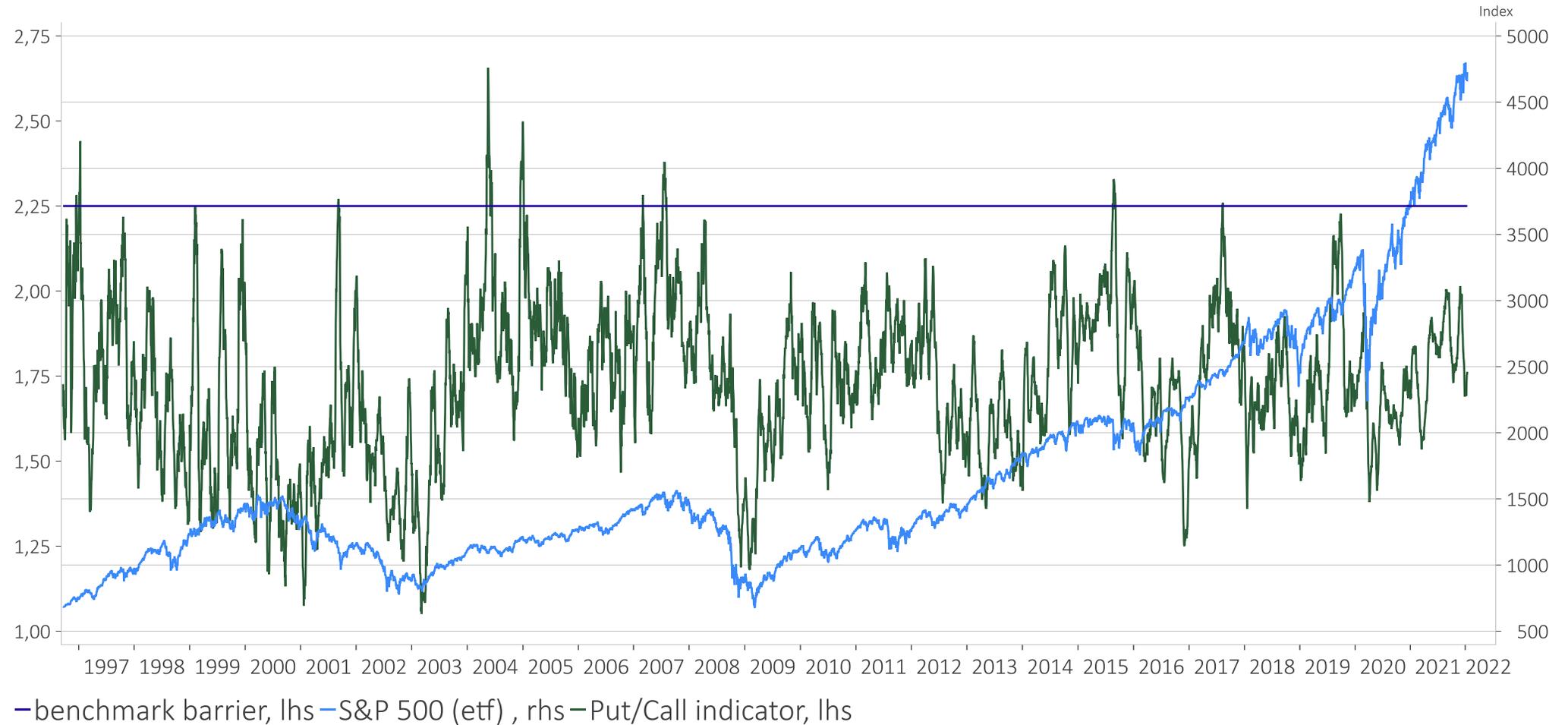


—SPDR S&P 500 ETF Trust, rhs =EPBs daily equity indicator, built on FI spreads, vol curve, liquidity pricing, lhs

Source: Erik Penser Bank, Macrobond



Equity options not signalling any major turning point



Source: Erik Penser Bank, Macrobond



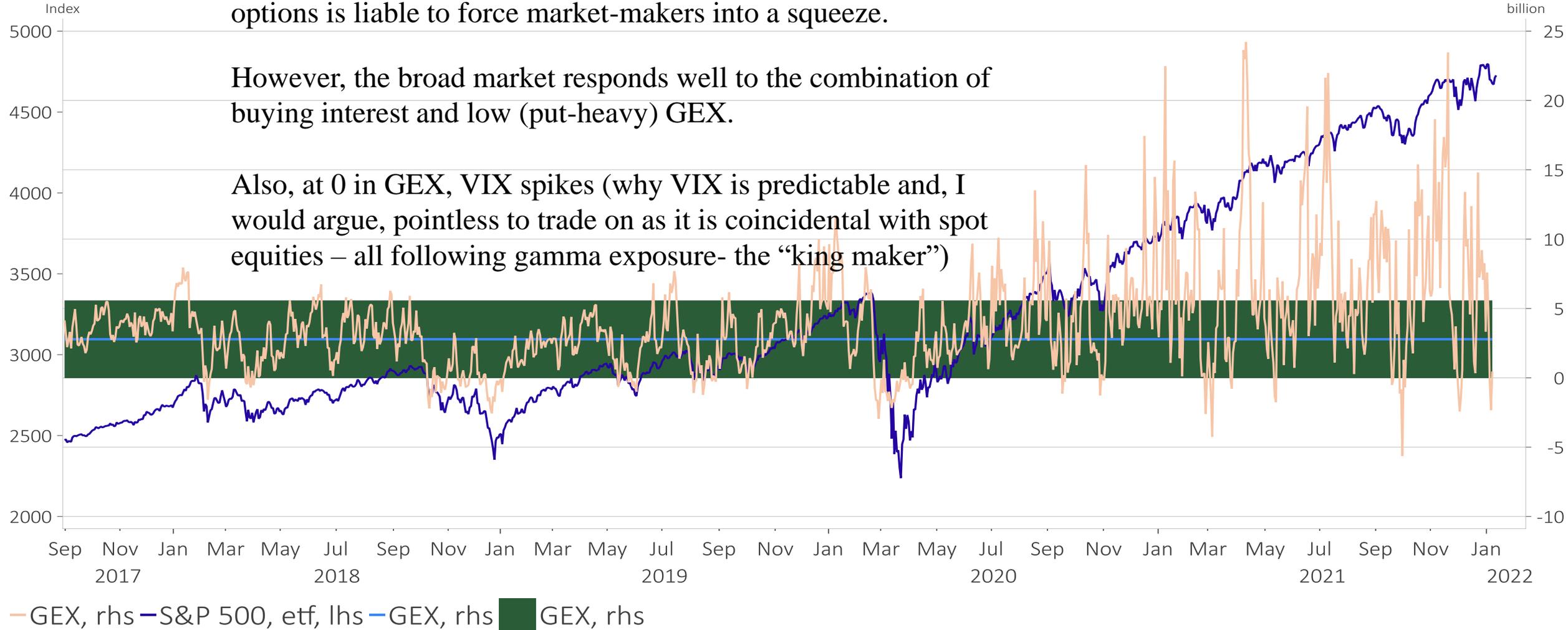
Gamma Exposure was the key in early Jan 22, again...

A low GEX value (in this case -0) means that *the option market is skewed toward put options*, and that the gamma of those put options is liable to force market-makers into a squeeze.

However, the broad market responds well to the combination of buying interest and low (put-heavy) GEX.

Also, at 0 in GEX, VIX spikes (why VIX is predictable and, I would argue, pointless to trade on as it is coincidental with spot equities – all following gamma exposure- the “king maker”)

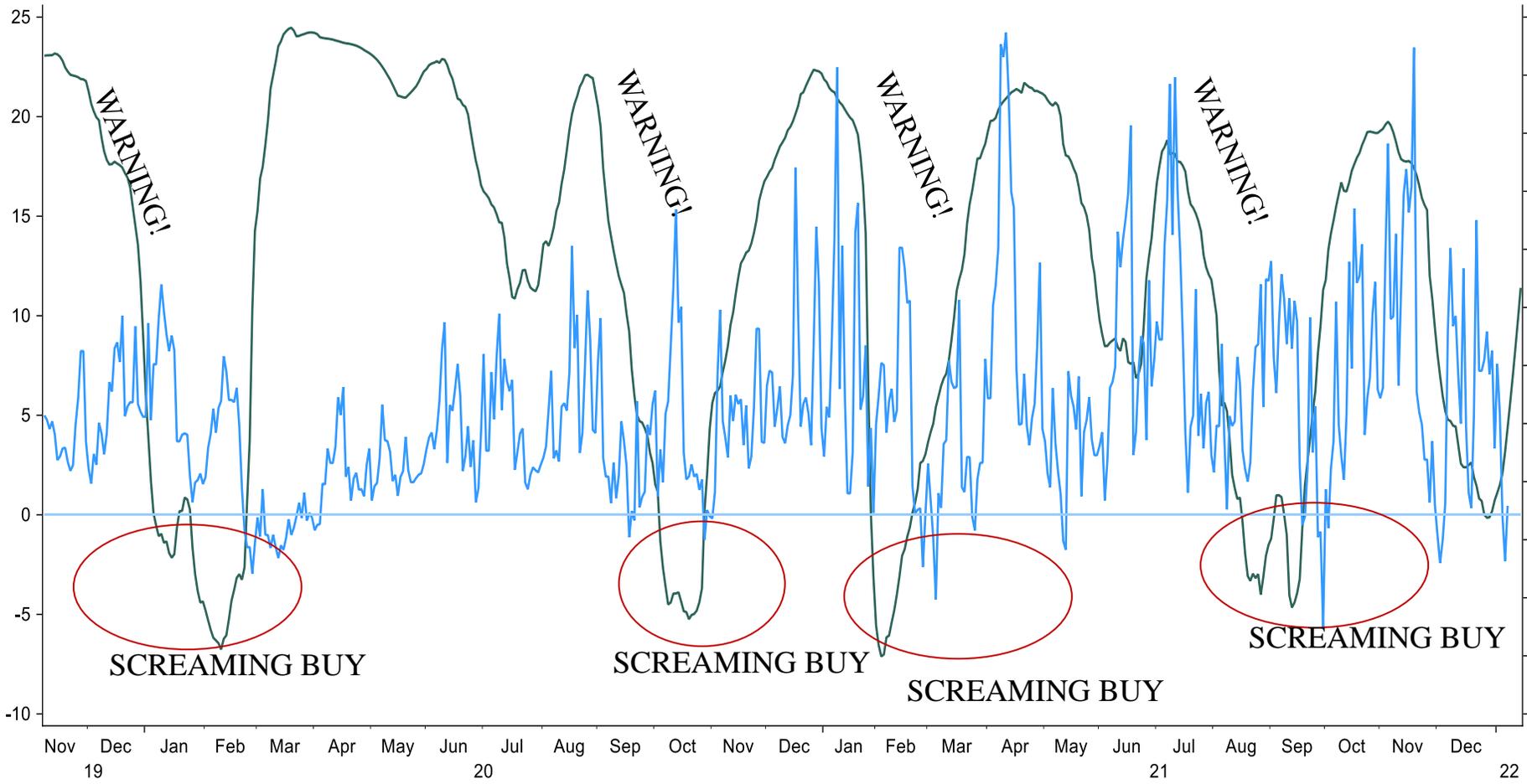
United States



Source: Erik Penser Bank, Macrobond



Let us predict gamma exposure, EPB has a unique indicator for this as it turns down we have acted by hedging equities and securing profits



—0— United States, GEX —EPB Market risk indicator, short term, rhs

Källa: Erik Penser Bank & Macrobond



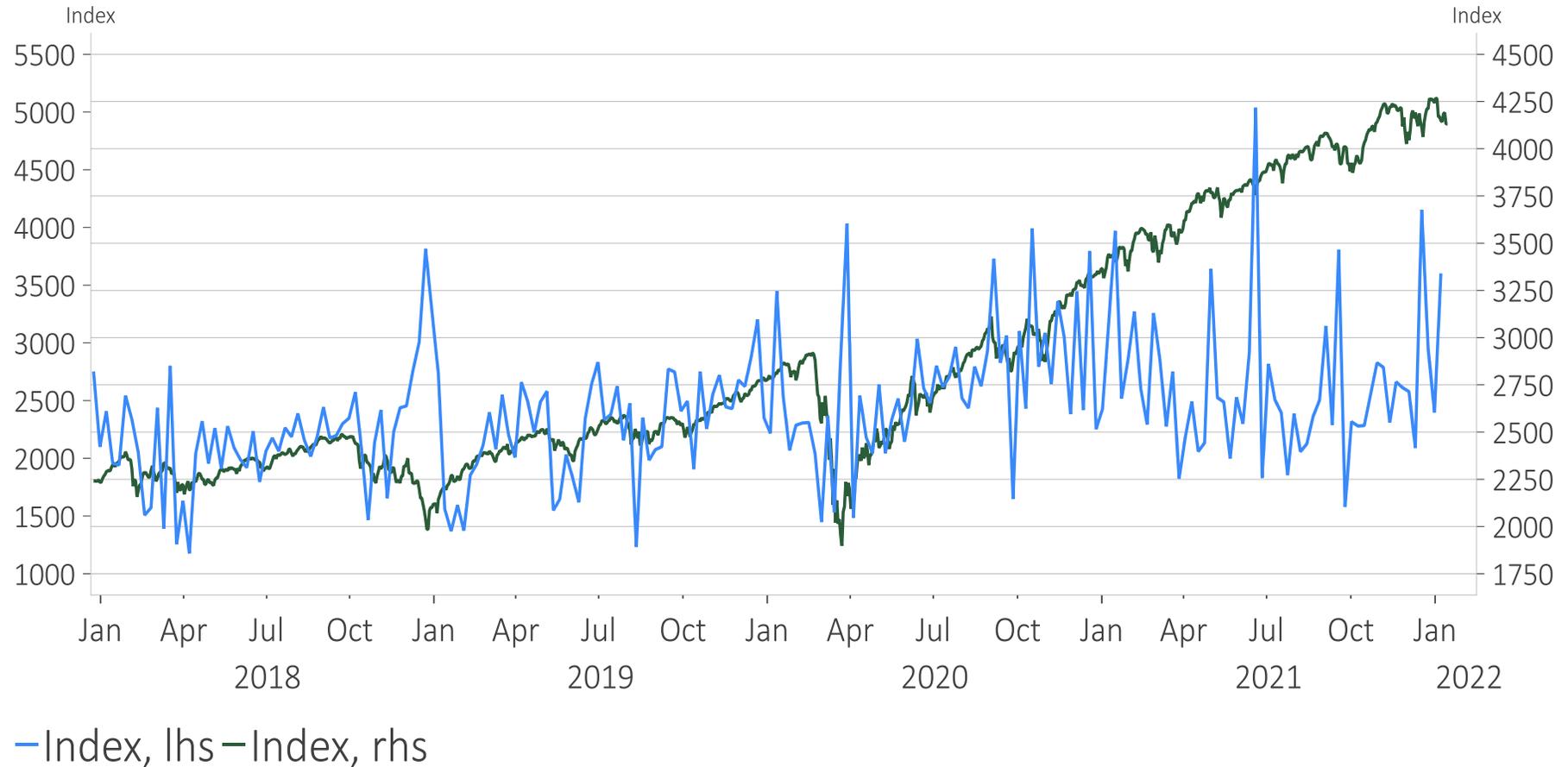
So, what could be the NEXT equity trigger? - flows

MSCI US versus net flows to US equities, sell offs met with inflows

Currently we see a huge pick up in flows!

This will support equities!

US equities and positioning in US equities and what that positions tell us about the level on equity markets



Source: Erik Penser Bank, Macrobond



Daily macro high frequency EPB model vs S&P

Our daily HFQ models indicate continued support for equities...hence, a poor time to sell as you have to chase the market in order to buy again...

The MACRO indicator SAID – buy the dip! 4th time, in a row, post-pandemic break out!

Daily high frequency macro vs S&P

Since March 2020 we have resisted the bearish calls, this has so far always paid off...our bet is that this is the case yet again!

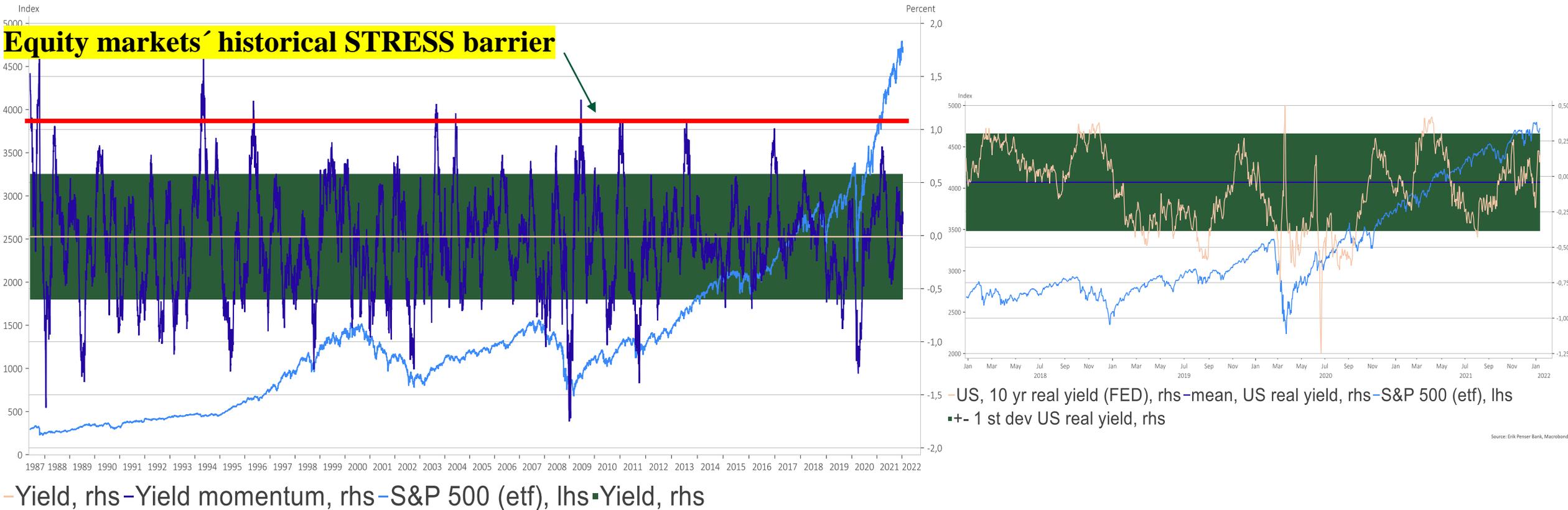


Source: Erik Penser Bank, Macrobond



When will rising yields damper equity prospects?

We keep cool! The yield move happened as we entered negative gamma in options, hence, do not confuse correlation with causation



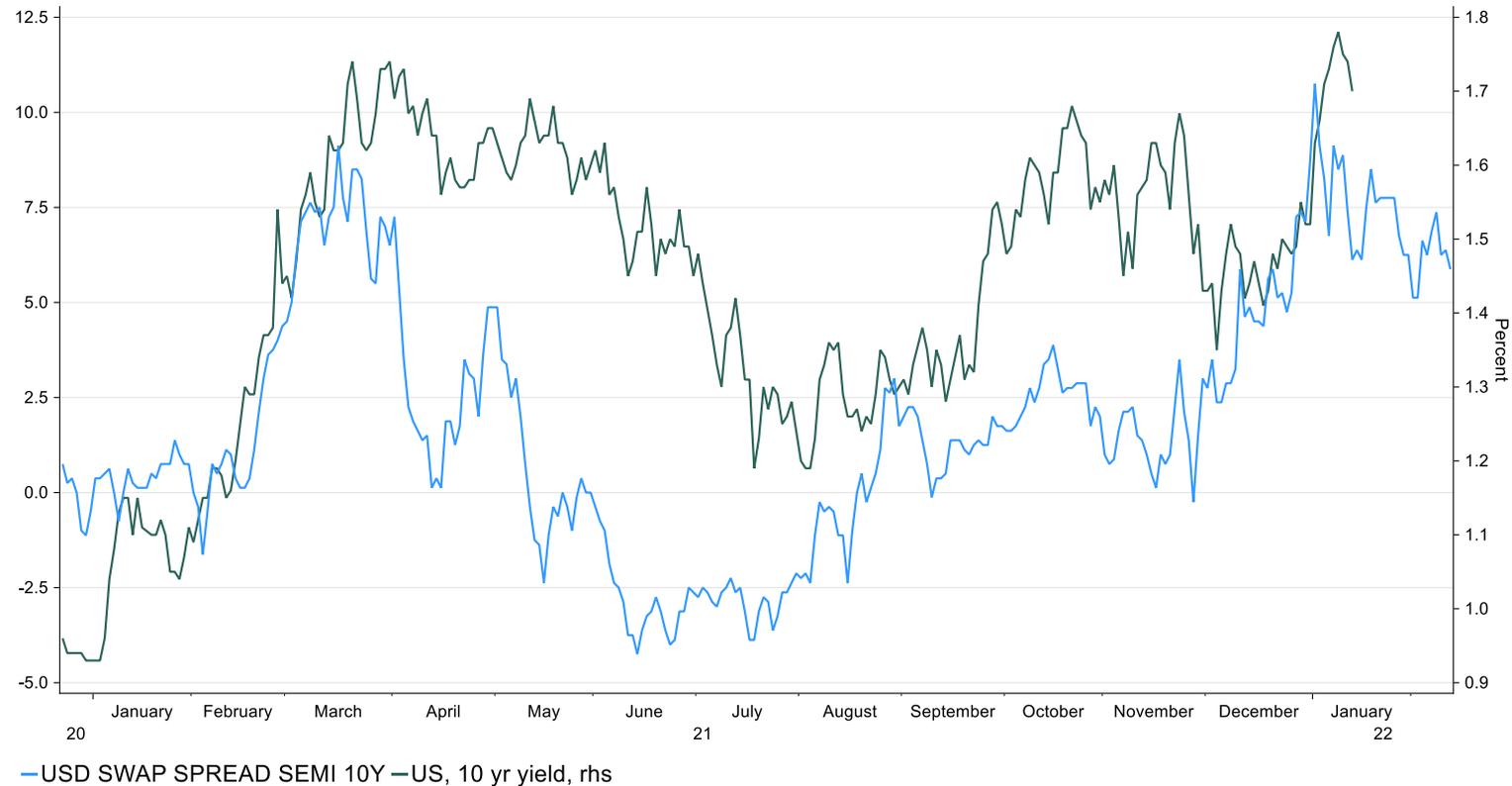
Why did the yield pop up?

Trading in the derivatives market probably explains part of this. The swap spread -- or gap between 10-year U.S. yields and interest-rate swaps -- increased for several days, putting it at the widest for a while.

This, an indicator of bank's hedging activities, usually leads spot rates.

We see a traction building up!!! As such, be wary of value rotation!

Especially as banks are ready to issue more debt...



Källa: Erik Penser Bank & Macrobond



Let us derive a dominant factor!

Political risk is a KEY driver.

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!

We remain max overweigh as chasing politics rarely pays off...our indicator is updated DAILY and market responds to US political news.

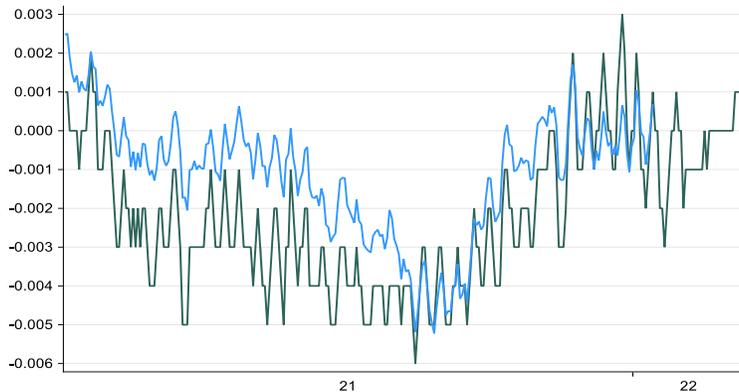
US political risk index vs equities



— Political risk indicator by EPB, rhs — Most likely scenario for political risk
— S&P 500 (etf)

Källa: Erik Penser Bank & Macrobond

US political risk index vs equities



— Political risk indicator by EPB, rhs — Most likely scenario for political risk

Källa: Erik Penser Bank & Macrobond



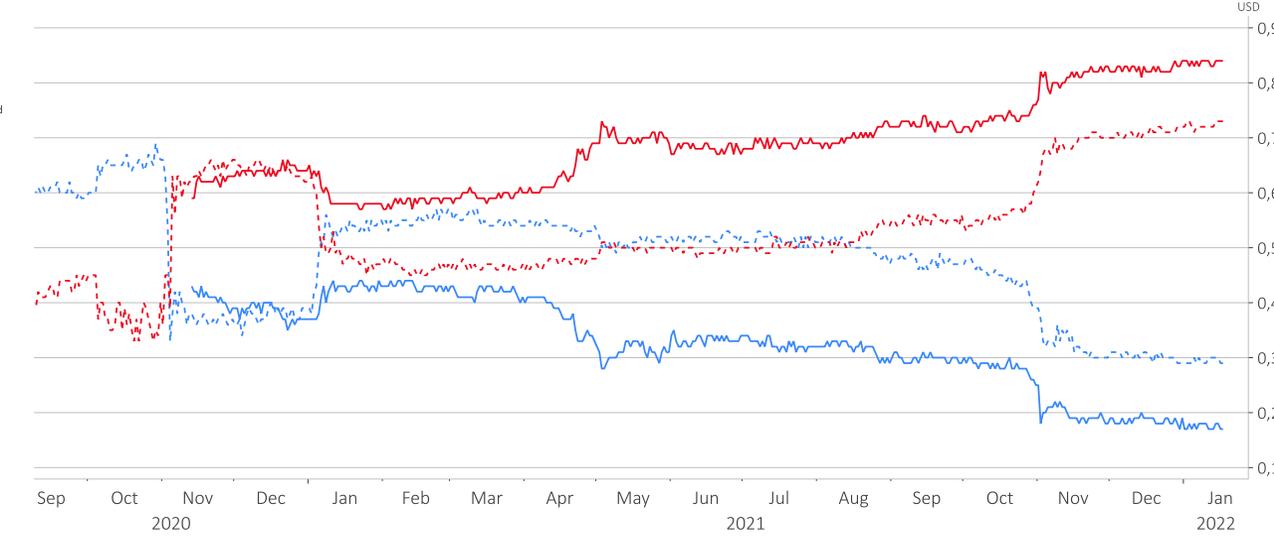
Republicans are back...or did Trump never leave?



—Real Clear Politics Trump Favorable Poll Average —Real Clear Politics Joe Biden Job Approval Polling Data Average
 —Real Clear Politics Joe Biden Favorable Polling Data Average

Source: Erik Penser Bank, Macrobond

House and Senate

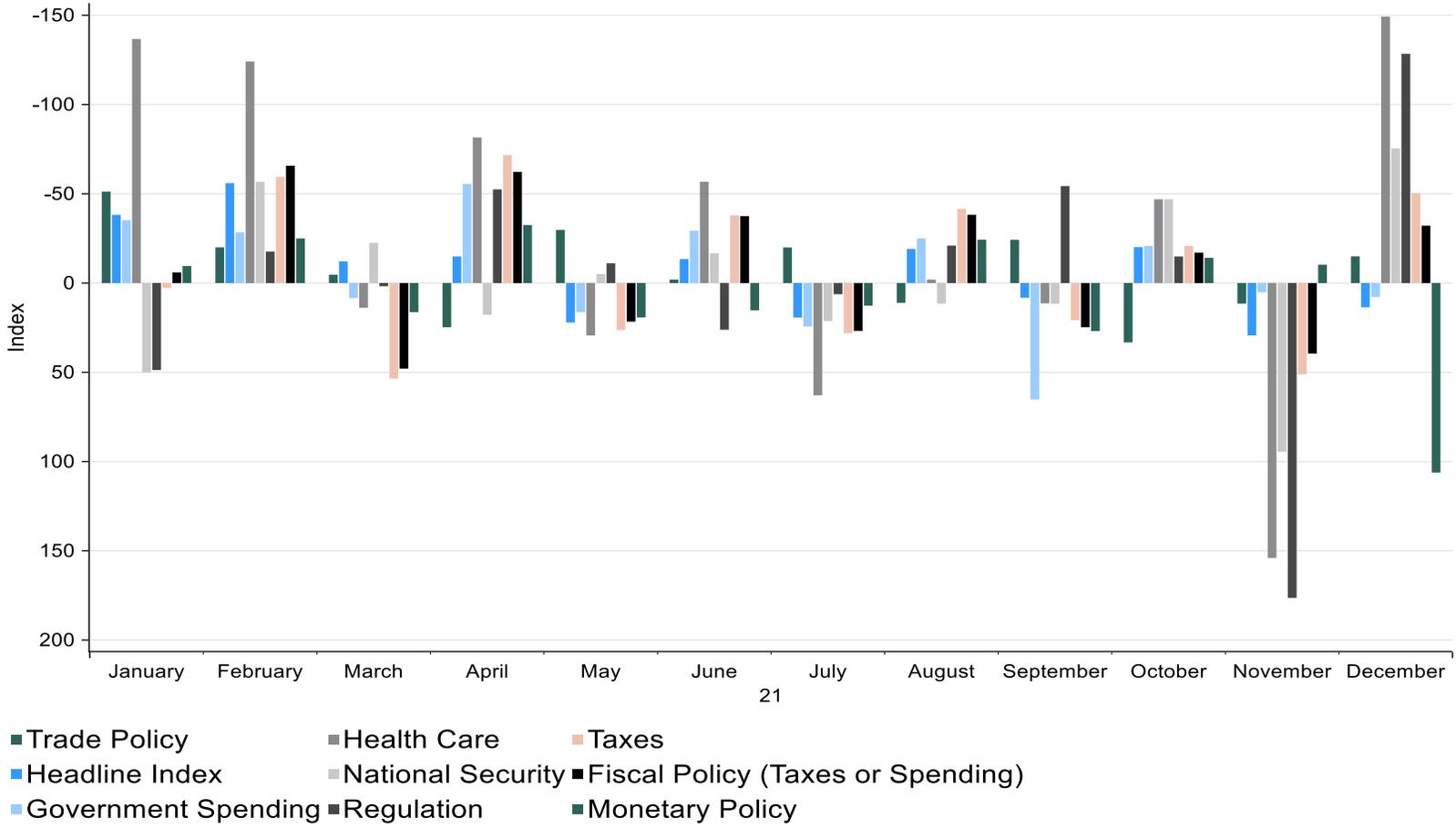


— United States, Political Polls, PredictIt, 2022, Which Party Will Win the House in 2022?, Republican, USD — Democratic — Who Will Control the Senate After 2022?, Republican
 - - Who Will Control the Senate After 2022?, Democratic

Source: Erik Penser Bank, Macrobond



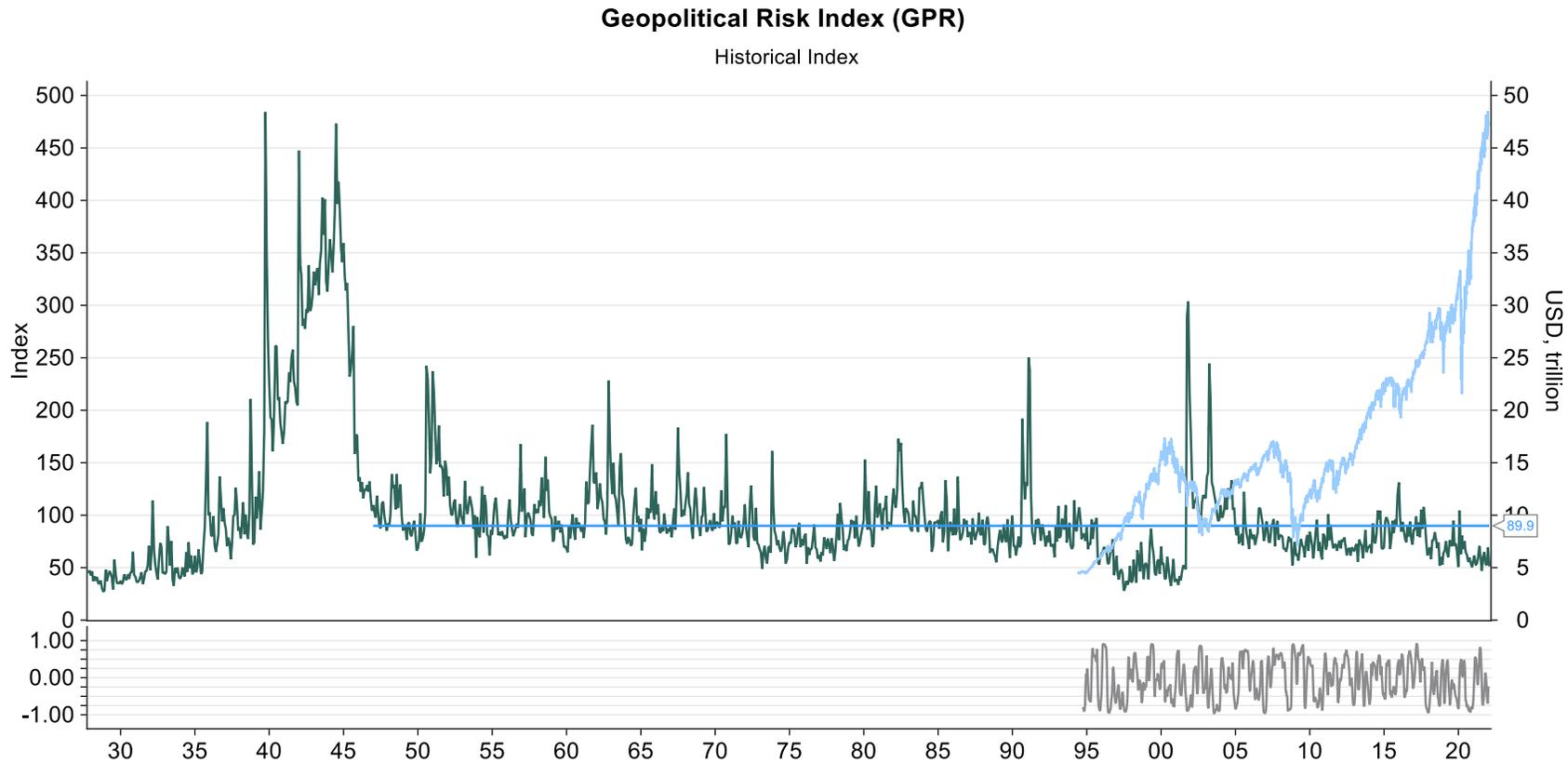
Just not a one issue thing...and bumpy ride in Policy Uncertainties!



Källa: Erik Penser Bank & Macrobond



Geopolitical risk is VERY low!



- United States, Equity Indices, MSCI, IMI (Large, Mid & Small Cap), Index, Initial Market Cap, USD, rhs
- Mean during Cold War [1947-1991]
- World, Boston College, Geopolitical Risks (GPR), GPR Historical Index, Index

Källa: Erik Penser Bank & Macrobond

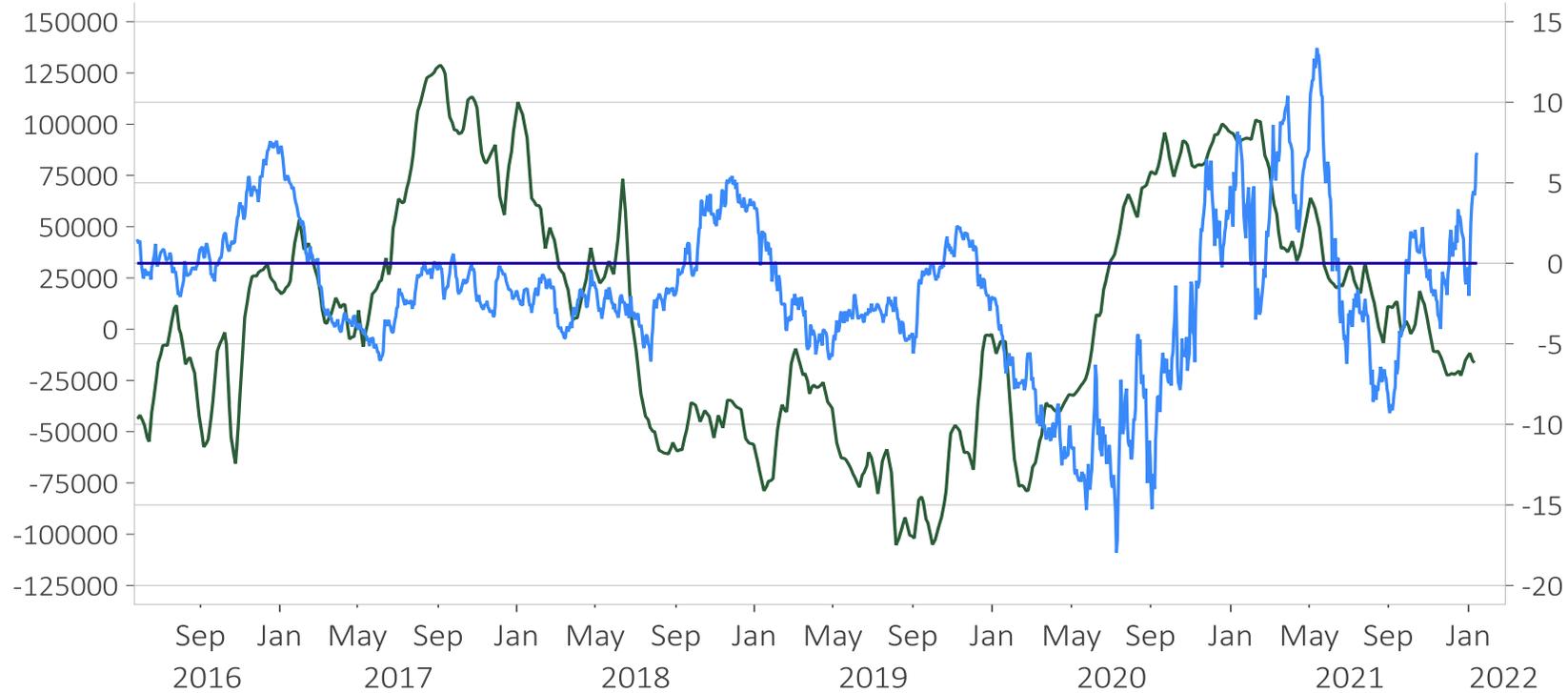


Why still GROWTH?



Reflation trade 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 back to growth but maintain a diversified portfolio.**

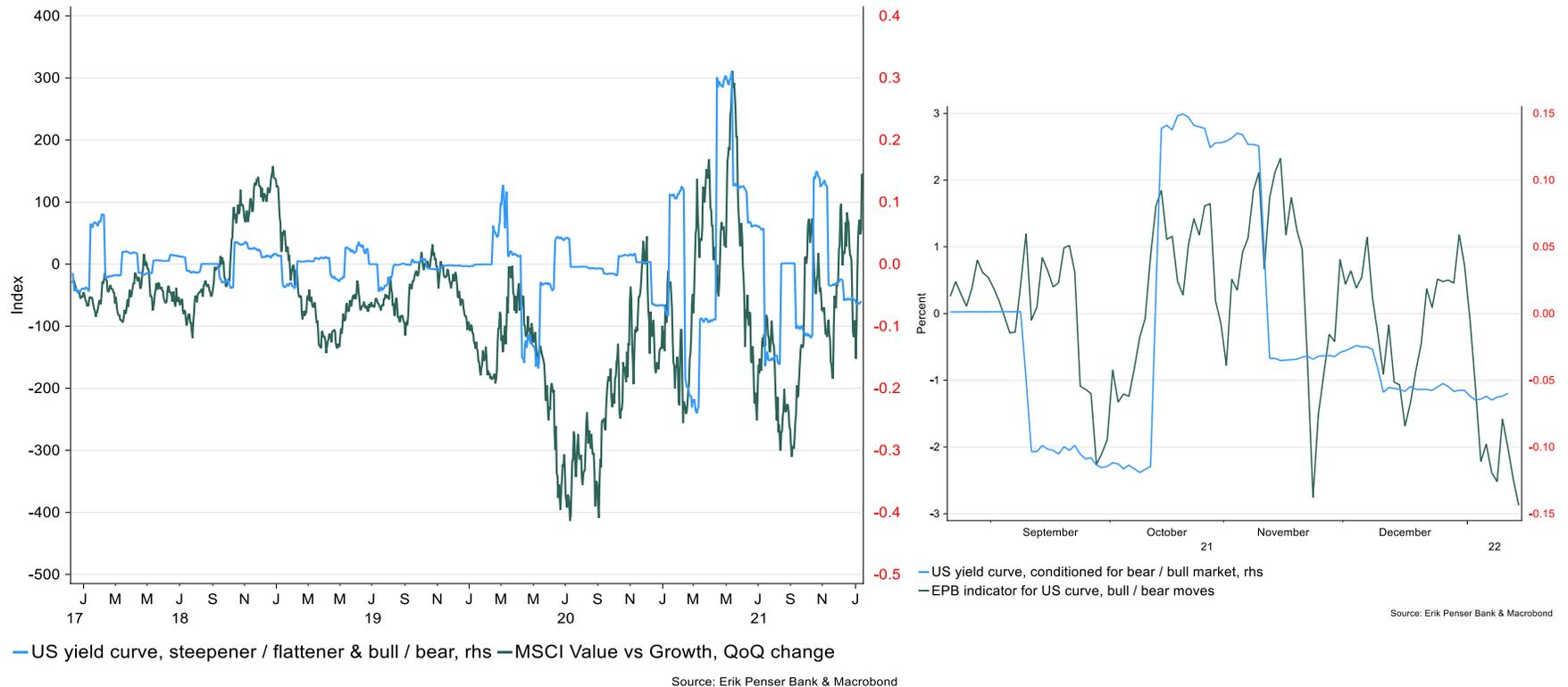


Reflation trade indicator #3 built on FI CURVE conditioned for BULL / BEAR triggered move

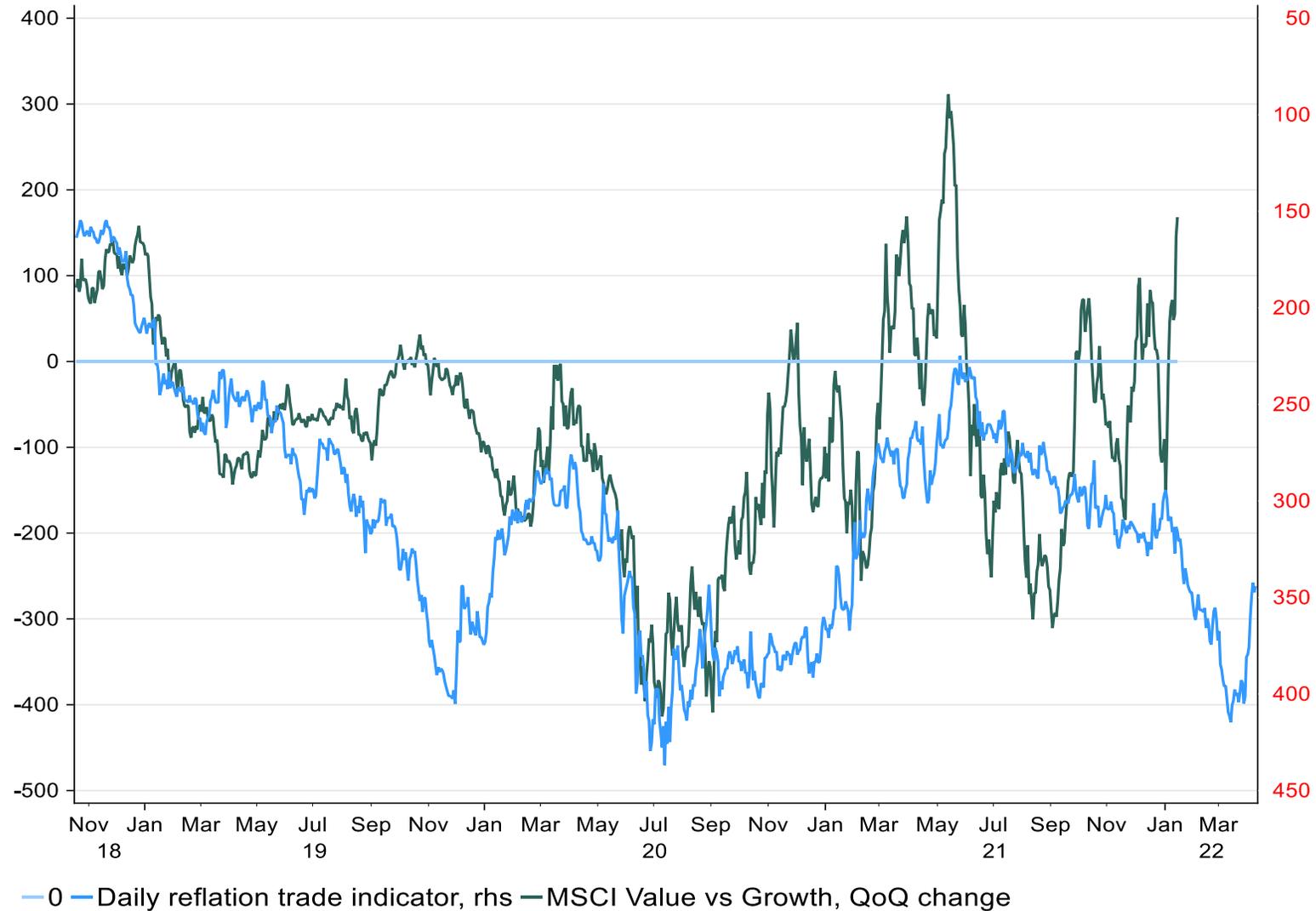
Yield vs Value / Growth

The curve is best in order to predict this trade, but it has to be conditioned as a bull or bear move.

Current BEAR steepener is NOT providing lasting support for Value over Growth, in fact this indicator will increasingly signal Growth



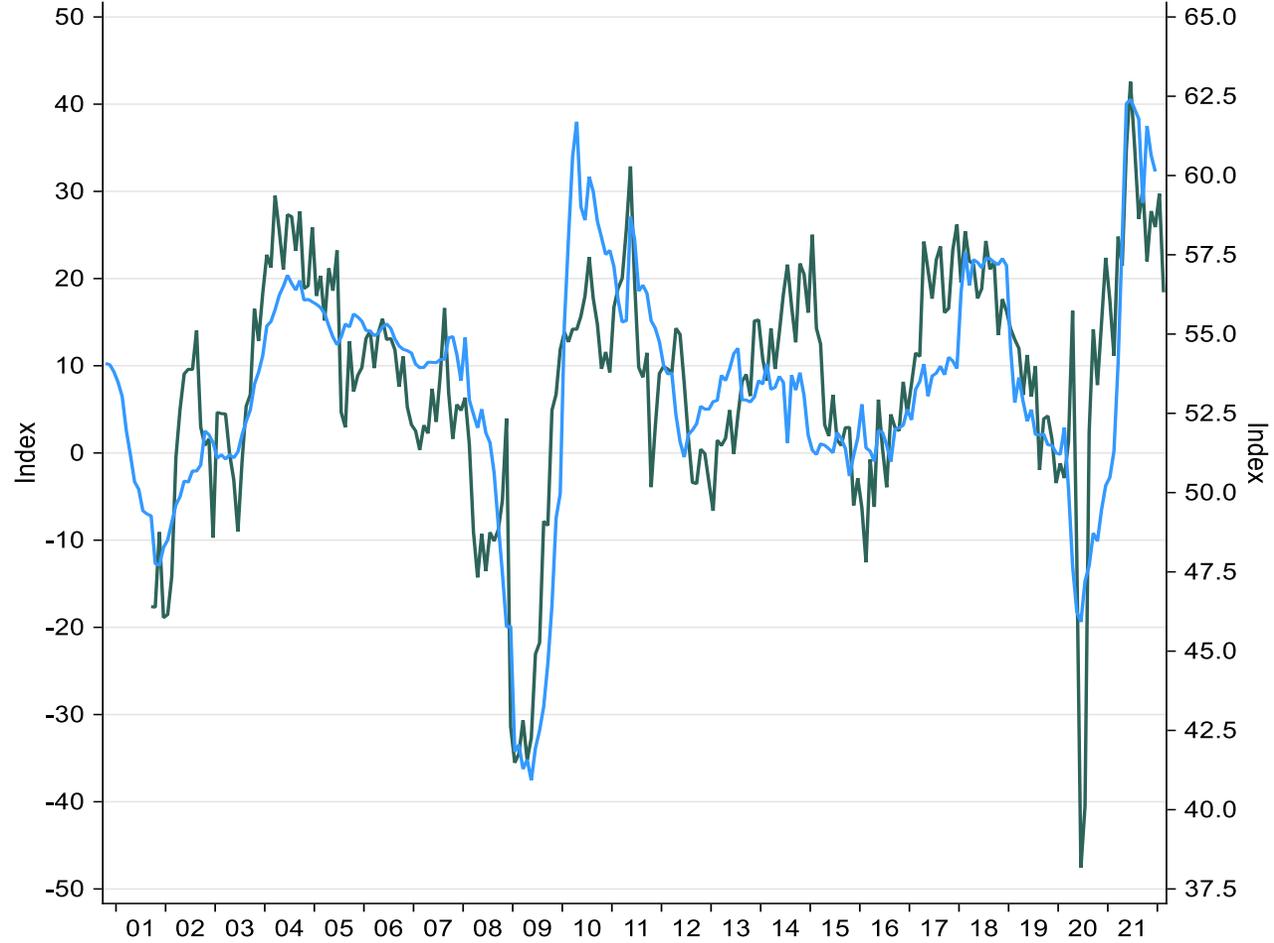
Daily reflation indicator – work in progress



Source: Erik Penser Bank & Macrobond



EPS indicators have peaked – note, this does not imply falling equities

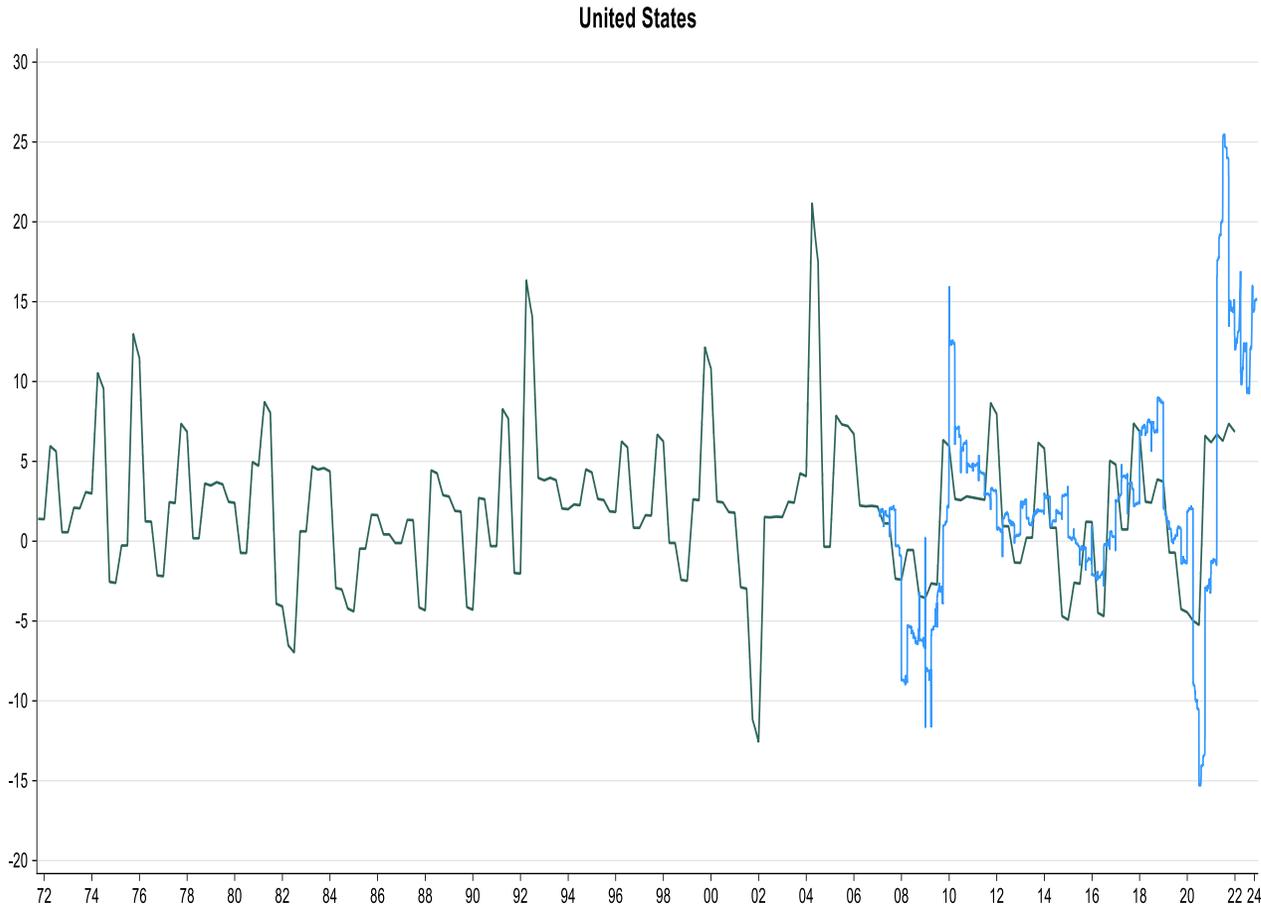


— 12 Months Forward EPS — Model for predicting 12 months forward EPS, rhs

Source: Erik Penser Bank & Macrobond

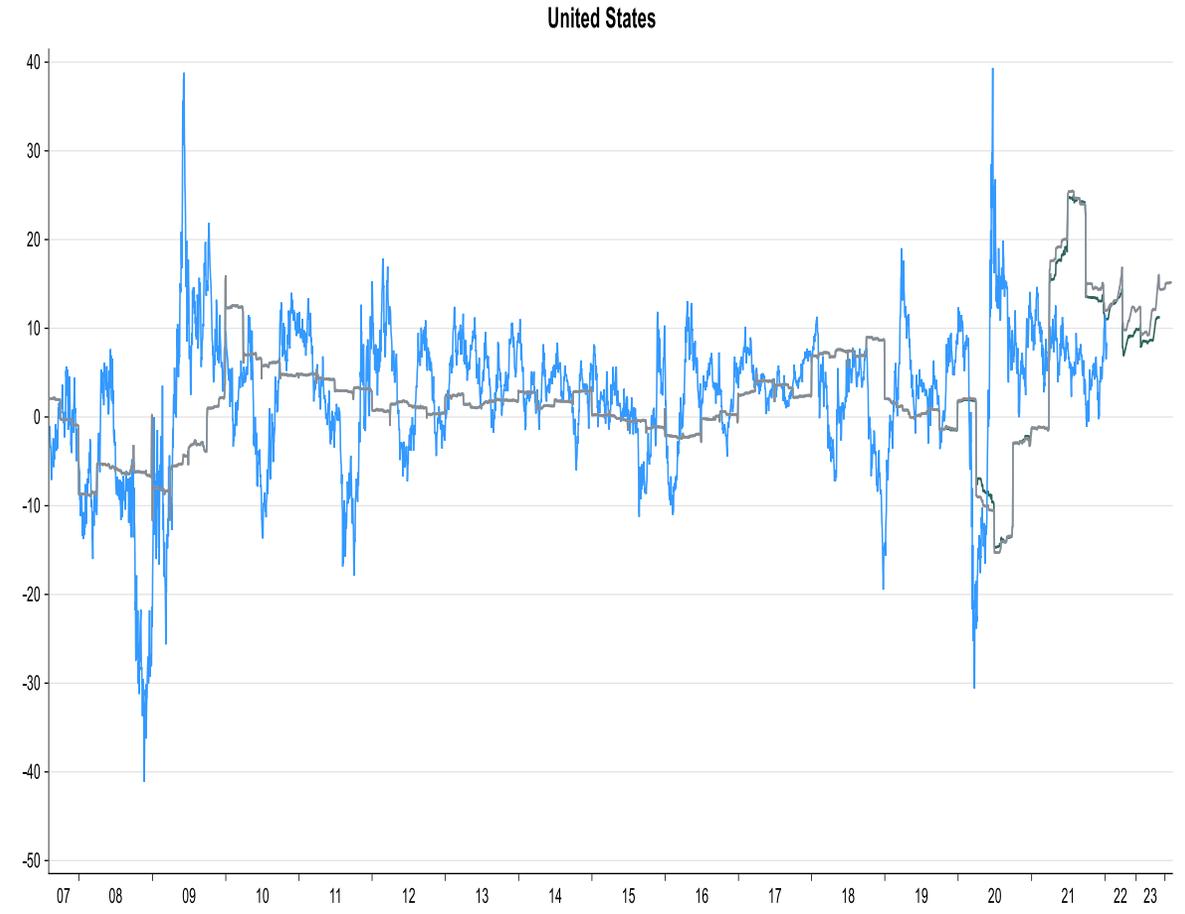


EPS outlook – troughed hard and fast, reacceleration ala Supercycle! Over the past month EPSes have bumped UP!



—usepsjan22 – Corporate Profits After Tax Forecast 12 Month, Federal Reserve Bank of Philadelphia, Livingston Survey, Mean, Estimate, SA, AR, USD

Källa: Erik Penser Bank & Macrobond



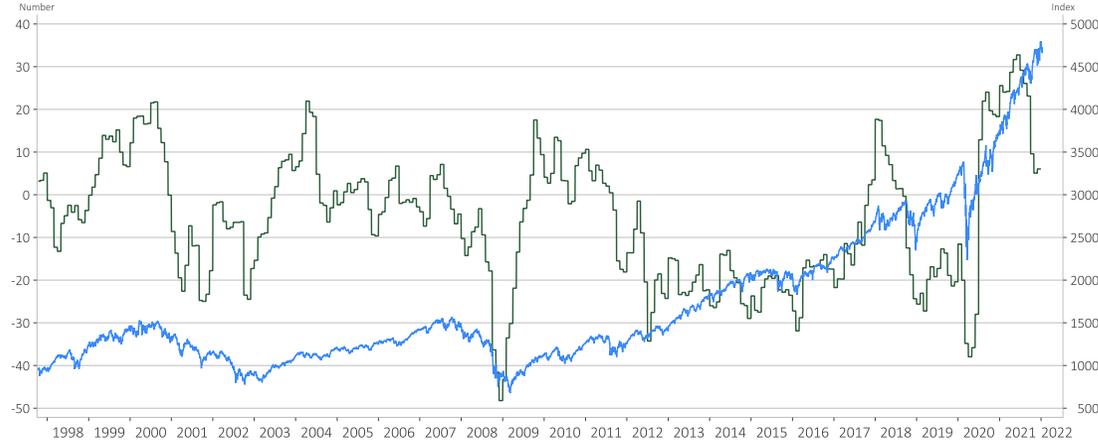
—usepsjan22 —usepsdec21 – S&P 500 etf —usepsoktober2021

Källa: Erik Penser Bank & Macrobond



Do not forget the back drop: Earnings and Price revisions – deep in POSITIVE TERRITORY!

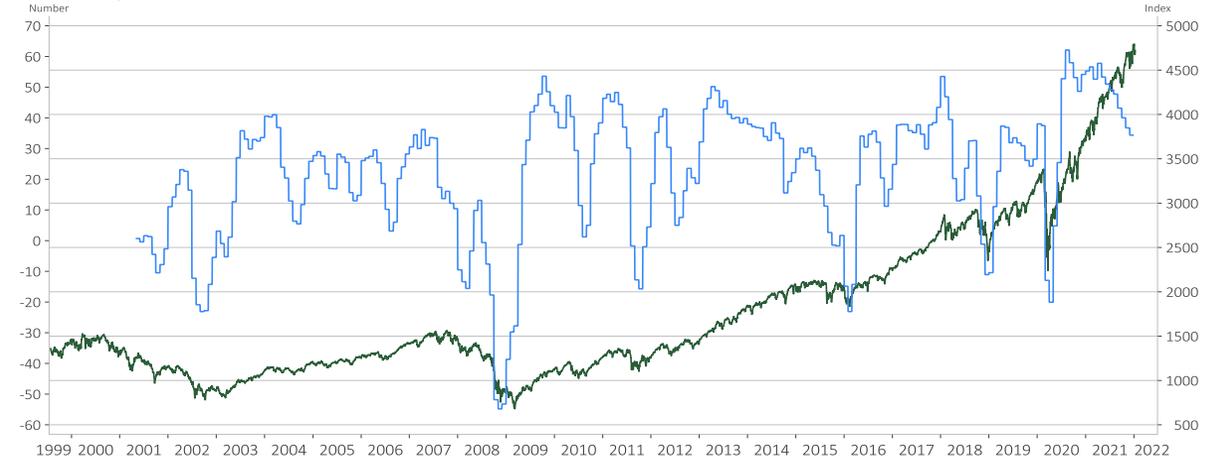
Earnings Estimate Revisions



—S&P Etf, 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

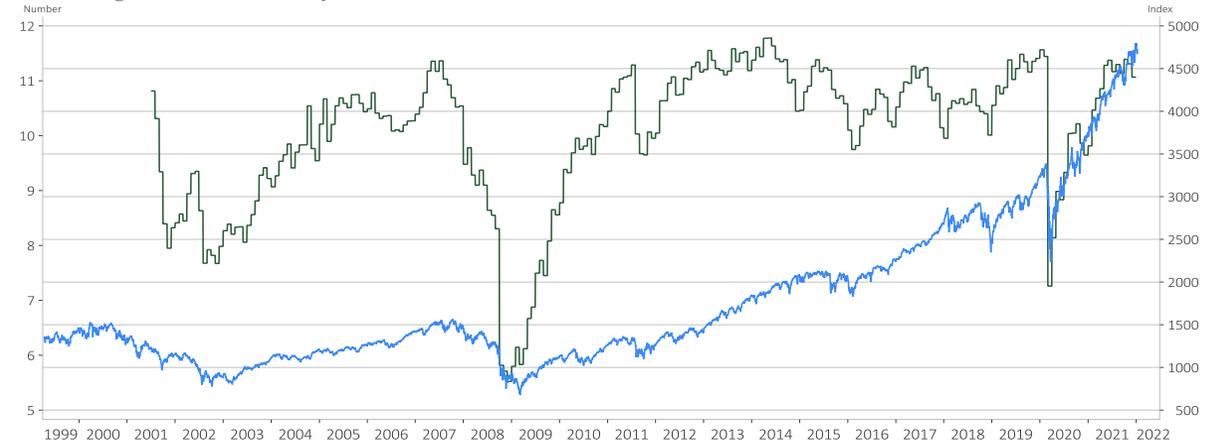
Earnings Estimate Revision Stability



—Earnings Estimate Stability, lhs—S&P Etf, rhs

Source: Erik Penser Bank, Macrobond

Price Target Estimate Stability



—S&P Etf, rhs—Price Target Estimate Stability, lhs

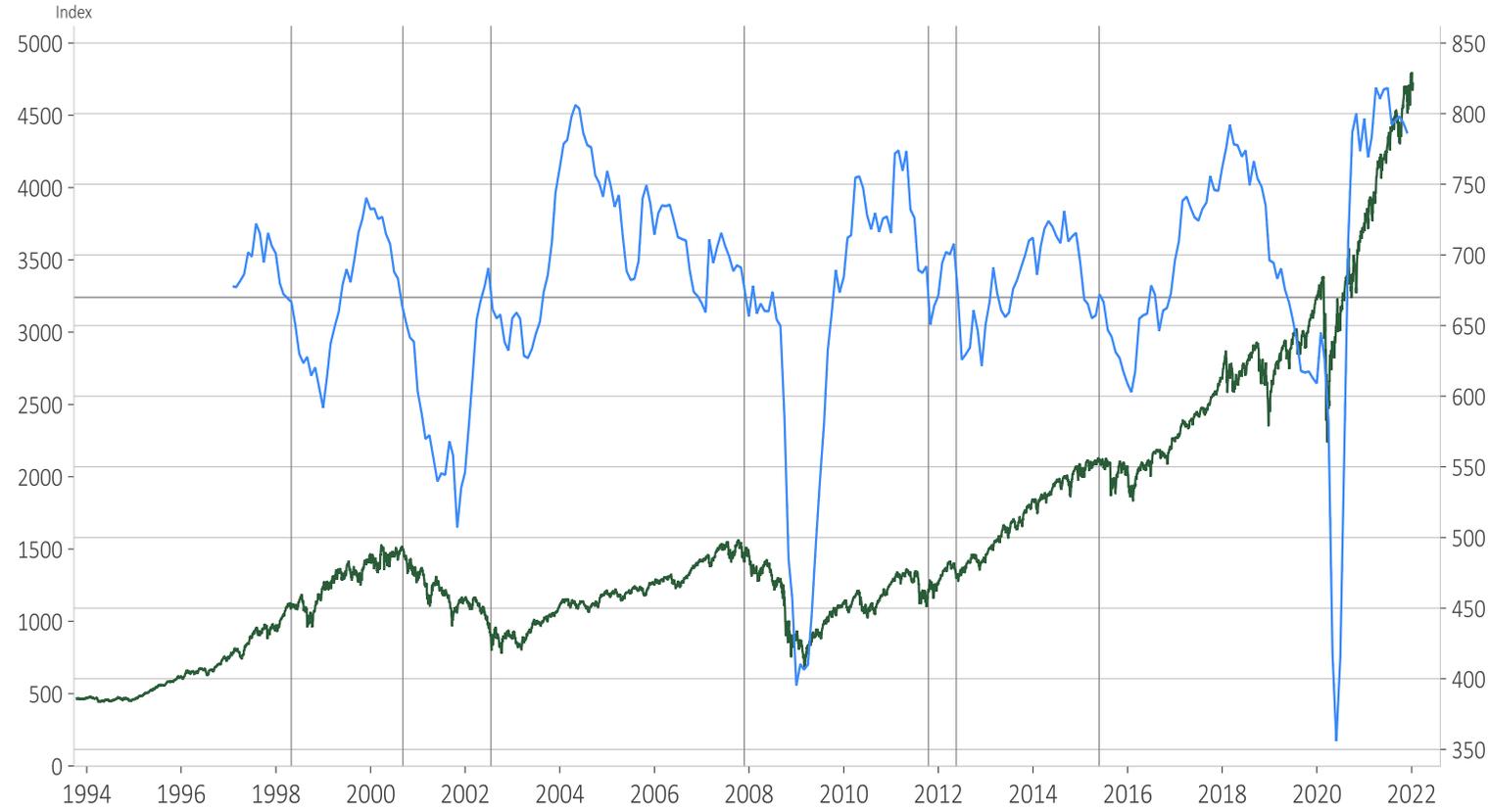
Source: Erik Penser Bank, Macrobond



Timing peak growth to peak equities!

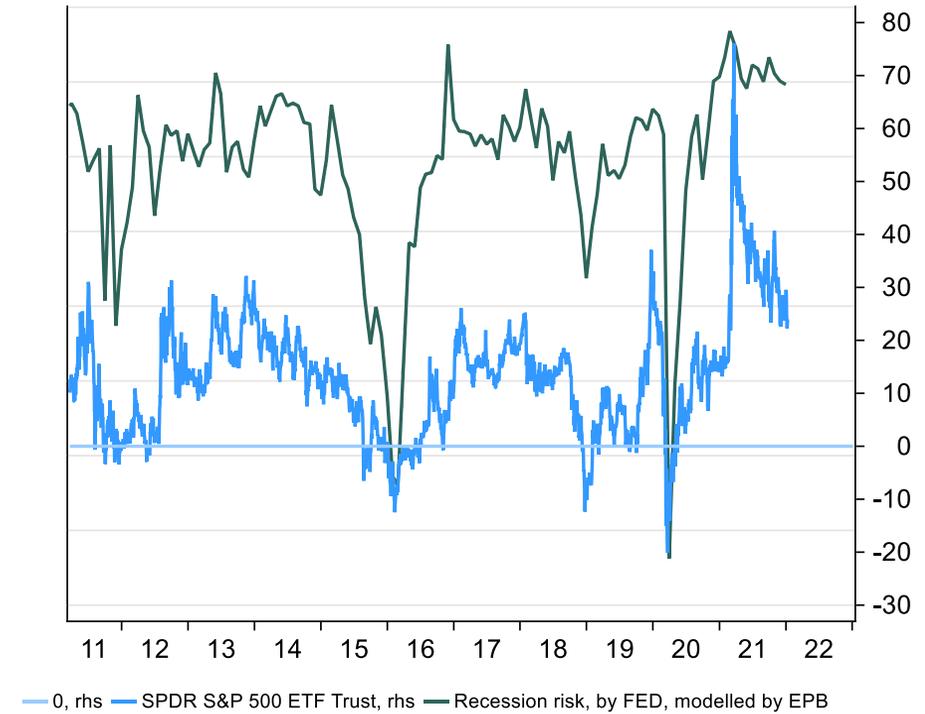
Tip: do not confuse peak growth with weakness!

Growth by old school indicators versus equities



—Sum, rhs—S&P 500, lhs

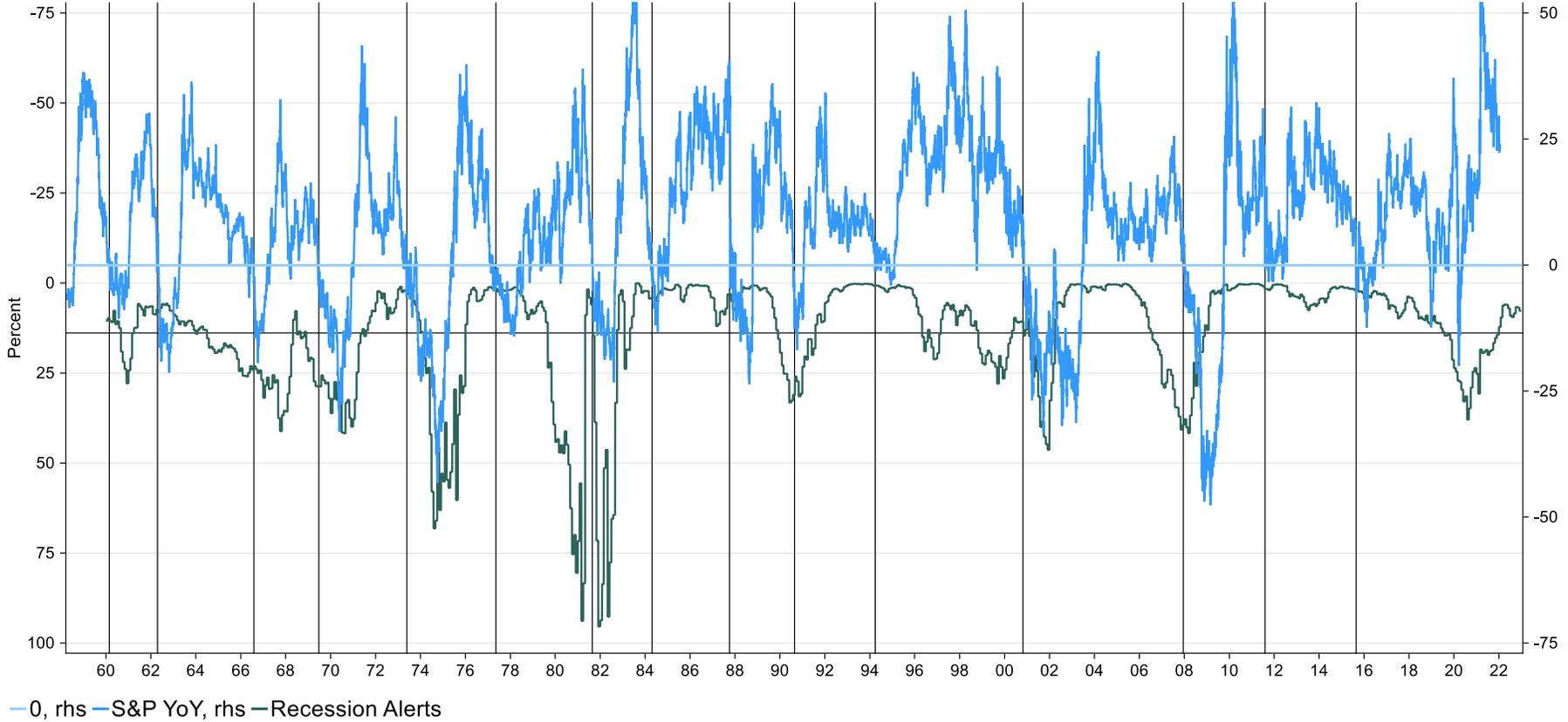
Source: Erik Penser Bank, Macrobond



—0, rhs — SPDR S&P 500 ETF Trust, rhs — Recession risk, by FED, modelled by EPB
Källa: Erik Penser Bank & Macrobond



Business cycle vs equities



Källa: Erik Penser Bank & Macrobond



The world of high frequency GDP models

Do not confuse deceleration with weakness



Production Heat Map, stringency is visible in production, in fact the most since 1st virus wave and (again) why we largely avoid EZ (part fr banks)

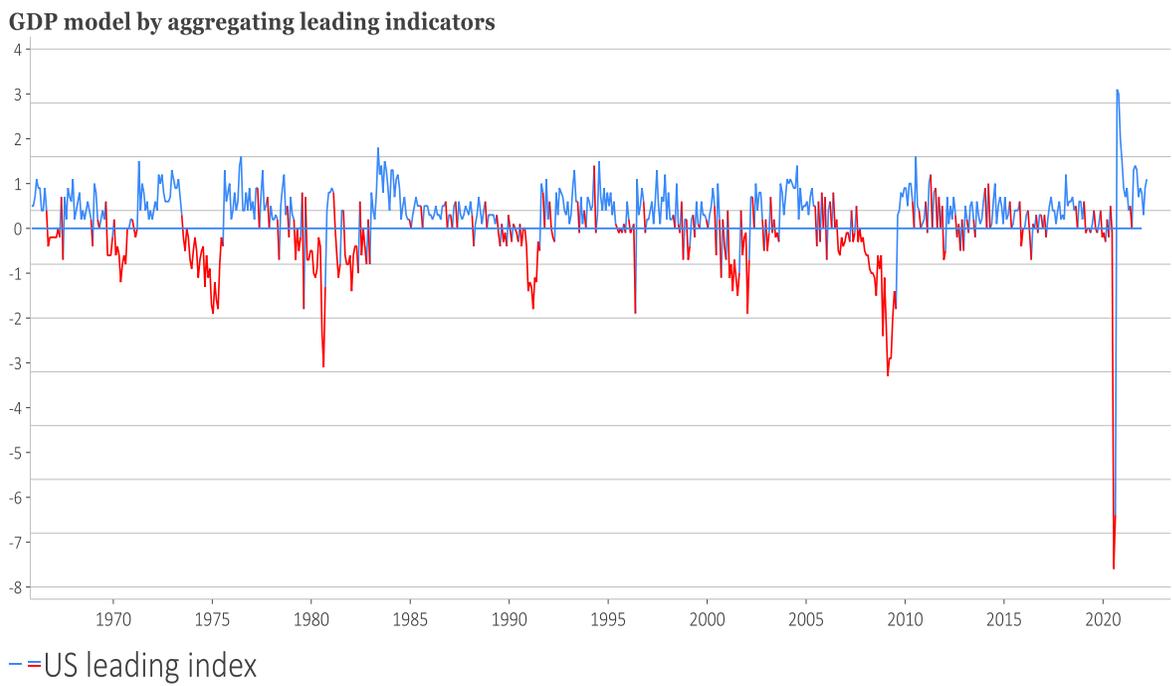
| | Industrial Production, yoy change | | | | | | | | | | | | |
|----------------|-----------------------------------|--------|--------|--------|--------|-------|------|------|------|--------|---------|--------|-------|
| | Last | -.1m | -2m | -3m | -4m | -5m | -6m | -7m | -8m | -9m | -10m | -11m | -12m |
| Australia | n/a | n/a | n/a | 1,52 | 1,52 | 1,52 | 1,33 | 1,33 | 1,33 | -1,39 | -1,39 | -1,39 | -2,28 |
| Austria | n/a | 9,29 | 6,75 | 5,95 | 9,9 | 9,63 | 14,2 | 20,8 | 32,5 | 10,7 | -0,264 | -4,22 | -0,36 |
| Belgium | n/a | 9,05 | 12,5 | 17,7 | 18,8 | 21,7 | 34,3 | 19,7 | 35,3 | 14,4 | 3,58 | 7,19 | -3,8 |
| Canada | n/a | n/a | 7,18 | 5,57 | 7,02 | 6,17 | 9,28 | 11 | 16,4 | 2,35 | -4,49 | -1,71 | -2,47 |
| Chile | n/a | 2,54 | 1,66 | -0,401 | 3,73 | 5,49 | 7,18 | 3,26 | 5,19 | 1,94 | -0,0633 | -0,864 | -4,16 |
| China | 4,3 | 3,8 | 3,5 | 3,1 | 5,3 | 6,4 | 8,3 | 8,8 | 9,8 | 14,1 | 35,1 | 7,3 | 7,3 |
| Czech Republic | n/a | 0,977 | -4,91 | -3,68 | 0,543 | 5,89 | 10,3 | 24,1 | 51,9 | 13,3 | -2,47 | -0,178 | 2,54 |
| Denmark | n/a | 10,3 | 15 | 4,97 | 15,1 | 14,4 | 3,97 | 11,3 | 7,66 | 5,36 | -1,01 | 2,34 | -2,86 |
| Euro Area 19 | n/a | -1,24 | 0,398 | 3,86 | 5,2 | 8,03 | 11,1 | 21,7 | 40,3 | 12,6 | 0,193 | 1,45 | 2,65 |
| Finland | n/a | 5,08 | 5,01 | 6,77 | 3,81 | 3,86 | 4,65 | 7,11 | 2 | -2,38 | 2,82 | -0,090 | -2,05 |
| France | n/a | -0,457 | -0,555 | 0,473 | 3,87 | 4,08 | 7,1 | 20,3 | 43,9 | 14,4 | -6,22 | 0,148 | -2,99 |
| Germany | n/a | -2,33 | -0,924 | -0,317 | 2,05 | 6,17 | 5,77 | 16,7 | 27,8 | 4,66 | -6,38 | -3,8 | 1,1 |
| Greece | n/a | 8,06 | 16,5 | 9,93 | 9,99 | 8,03 | 9,03 | 14,2 | 22,7 | 5,77 | 4,27 | 3,59 | 3,93 |
| Hungary | n/a | 1,3 | -3,05 | -2 | 0,151 | 9,77 | 18,4 | 40 | 60,7 | 15,7 | 3,67 | -2,61 | 3,92 |
| India | n/a | 1,42 | 3,16 | 3,3 | 12 | 11,5 | 13,8 | 27,6 | 134 | 24,2 | -3,2 | -0,582 | 2,16 |
| Ireland | n/a | -29,2 | -10,8 | 25,9 | 32,5 | 21,3 | 17 | 41 | 39,9 | 13,7 | 66,4 | 50 | 69,6 |
| Israel | n/a | 5,65 | 4,18 | 5,85 | 11,9 | 7,48 | 7,44 | 14,4 | 16,1 | -0,306 | 2,33 | 7,42 | |
| Italy | n/a | 6,19 | 2,05 | 4,59 | -0,286 | 7,26 | 13,9 | 21,2 | 78,3 | 38,2 | -0,775 | -2,2 | -1,18 |
| Japan | n/a | 3,72 | -2,57 | -2,29 | 7,13 | 13,3 | 23 | 21,1 | 15,9 | 1,04 | -3,14 | -2,22 | -3,98 |
| Mexico | n/a | 0,725 | 1,63 | 1,75 | 5,04 | 8,48 | 13,7 | 36,6 | 34,8 | 0,479 | -3,92 | -4,81 | -3,41 |
| Netherlands | n/a | 4,4 | 2,98 | 5,89 | 5,62 | 8,59 | 10,2 | 9,34 | 8,8 | 2,09 | -3,12 | -1,17 | 0 |
| New Zealand | n/a | n/a | n/a | -5,78 | -5,78 | -5,78 | 18,6 | 18,6 | 18,6 | 4,07 | 4,07 | 4,07 | 2,07 |
| Norway | n/a | 1,88 | 6,8 | 8,37 | 2,92 | 1,83 | 4,33 | 2,08 | 1,14 | 0,682 | 1,15 | 5,08 | 1,62 |
| Poland | n/a | 15,2 | 9,53 | 9,11 | 10,7 | 12,2 | 18,5 | 29,5 | 44,5 | 15,2 | 4,68 | 5,38 | 6,06 |
| Portugal | n/a | 0,186 | -7,44 | -4,45 | -4,74 | -1,19 | 10,6 | 28,6 | 38,6 | 7,51 | -1,62 | -8,35 | -5,74 |
| Romania | n/a | -1,88 | -4,72 | -3,54 | 0,184 | 5,91 | 12,6 | 30,5 | 64,7 | 14,5 | -1,73 | -0,264 | 1,62 |
| Russia | n/a | 6,91 | 7,35 | 6,9 | 4,6 | 7,14 | 10,3 | 11,7 | 7,08 | 1,61 | -3,56 | -2,15 | 3,82 |
| Slovakia | n/a | 4,33 | -0,924 | -4,97 | 1,2 | 6,9 | 14,2 | 37,6 | 69,8 | 24,6 | 1,06 | -4,73 | 7,47 |
| Slovenia | n/a | 10,1 | 3,35 | 7,57 | 11,3 | 5,27 | 19 | 25,9 | 34,9 | 14,5 | -2,47 | -2,43 | 3,96 |
| South Korea | n/a | 4,39 | -0,184 | 2,29 | 6,69 | 7,97 | 9,86 | 16,2 | 8,69 | 4,46 | 9,57 | 2,31 | 0,898 |
| Spain | n/a | 5,58 | -3,15 | 1,11 | 3,31 | 0,439 | 11,1 | 27,9 | 50,3 | 15,4 | -3,57 | -7,08 | 2,18 |
| Sweden | n/a | 4,65 | 4,48 | 1,7 | 0,707 | 12,5 | 16,5 | 24,3 | 26,2 | 5,89 | 2,23 | 0,711 | 2,06 |
| Switzerland | n/a | n/a | n/a | 8,28 | 8,28 | 8,28 | 16,1 | 16,1 | 16,1 | 4,34 | 4,34 | 4,34 | -2,19 |
| Turkey | n/a | 14,7 | 5,33 | 8,87 | 20,1 | -1,42 | 23,8 | 39,6 | 65,5 | 20,3 | 5,83 | 7,36 | 12,3 |
| United Kingdom | n/a | 0,104 | 0,21 | 1,48 | 3,1 | 3,68 | 8,77 | 22,7 | 29,8 | 3,32 | -3,64 | -4,25 | -3,03 |
| United States | 3,67 | 4,98 | 4,76 | 4,62 | 5,33 | 6,62 | 10,2 | 16,4 | 17,9 | 1,76 | -4,86 | -1,67 | -3,28 |
| Uruguay | n/a | 21,1 | 6,87 | 12,2 | 14 | 18,7 | 19,8 | 22,9 | 24,5 | 3,7 | -0,245 | -3,79 | 0,988 |

Source: Erik Penser Bank, Macrobond

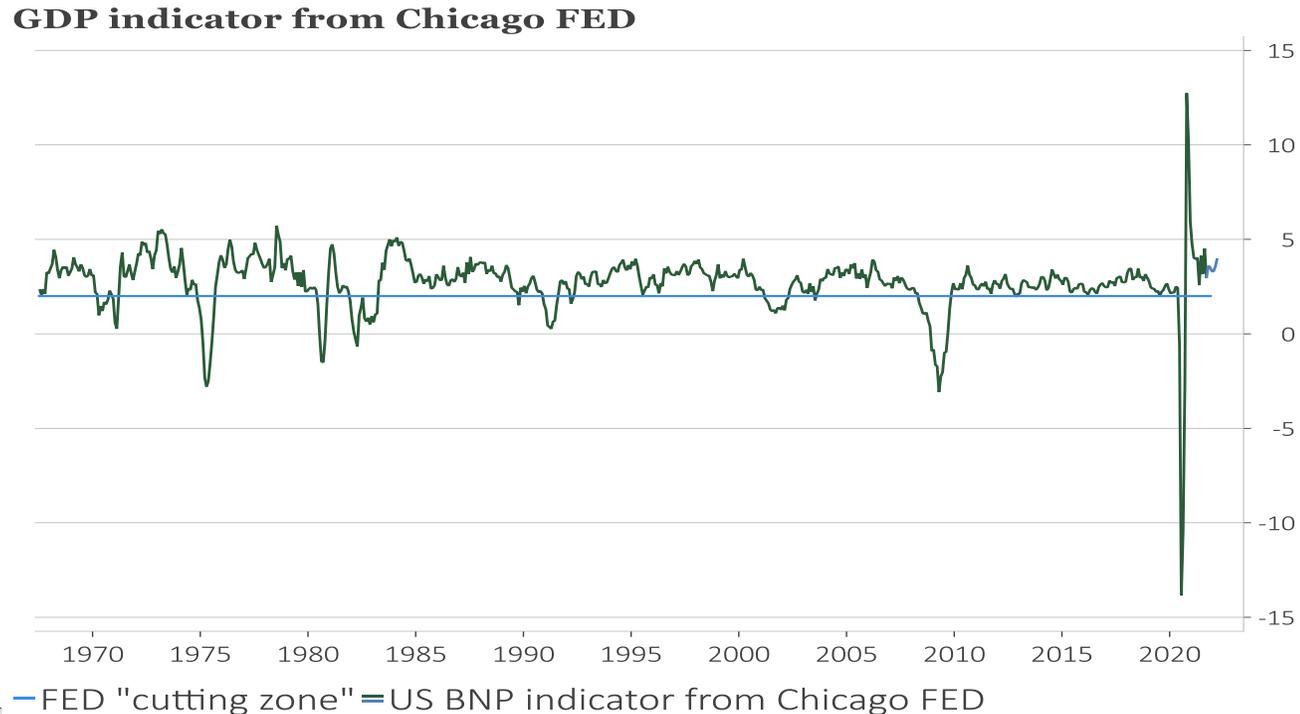


Supercycle! US growth trajectory is impressive!

Supported by roughly 4000 individual US data series!



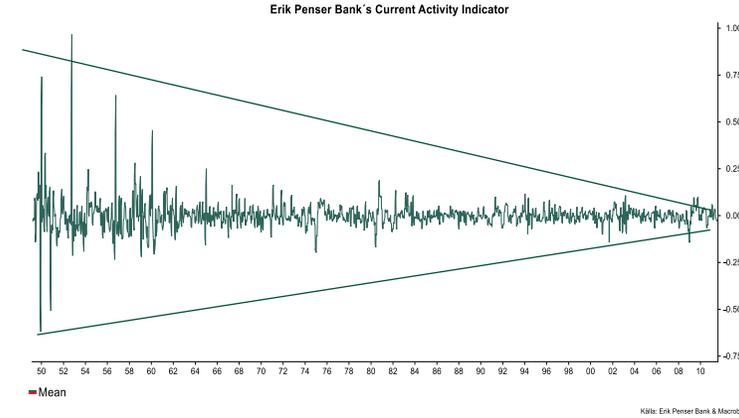
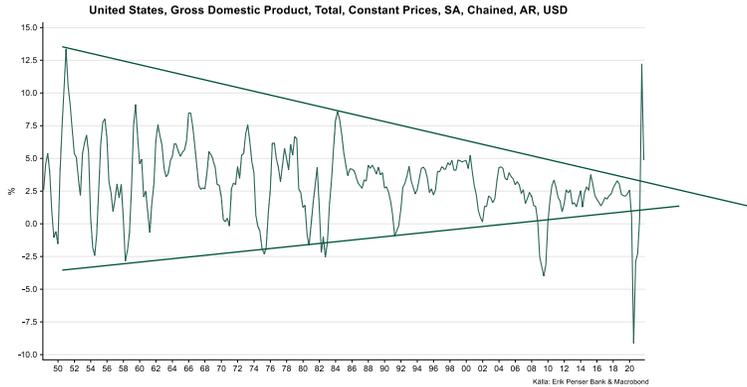
Source: Erik Penser Bank, Macrobond



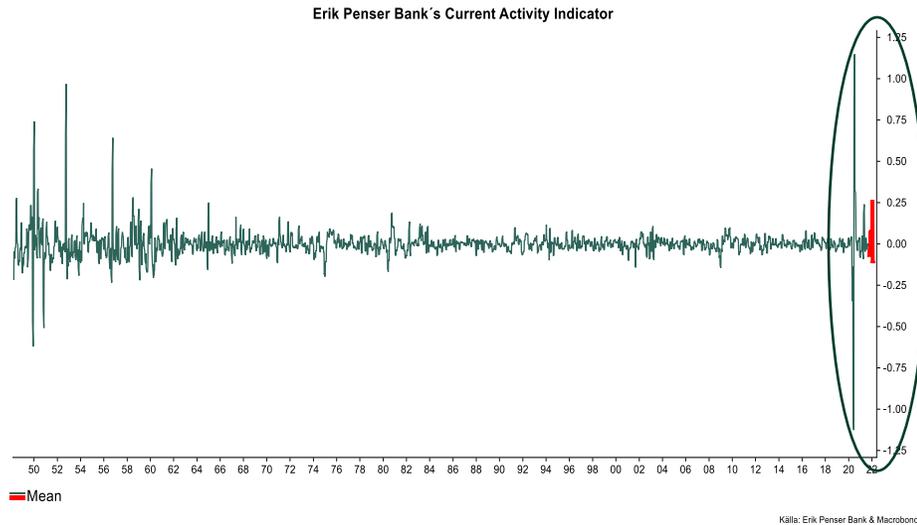
Source: Erik Penser Bank, Macrobond



EPB Current activity indicator – most volatile macro environment – EVER! It is turning UP yet again! Supercycle?



Sharp move on the downside – followed by an equally sharp move on the upside, according to these data:



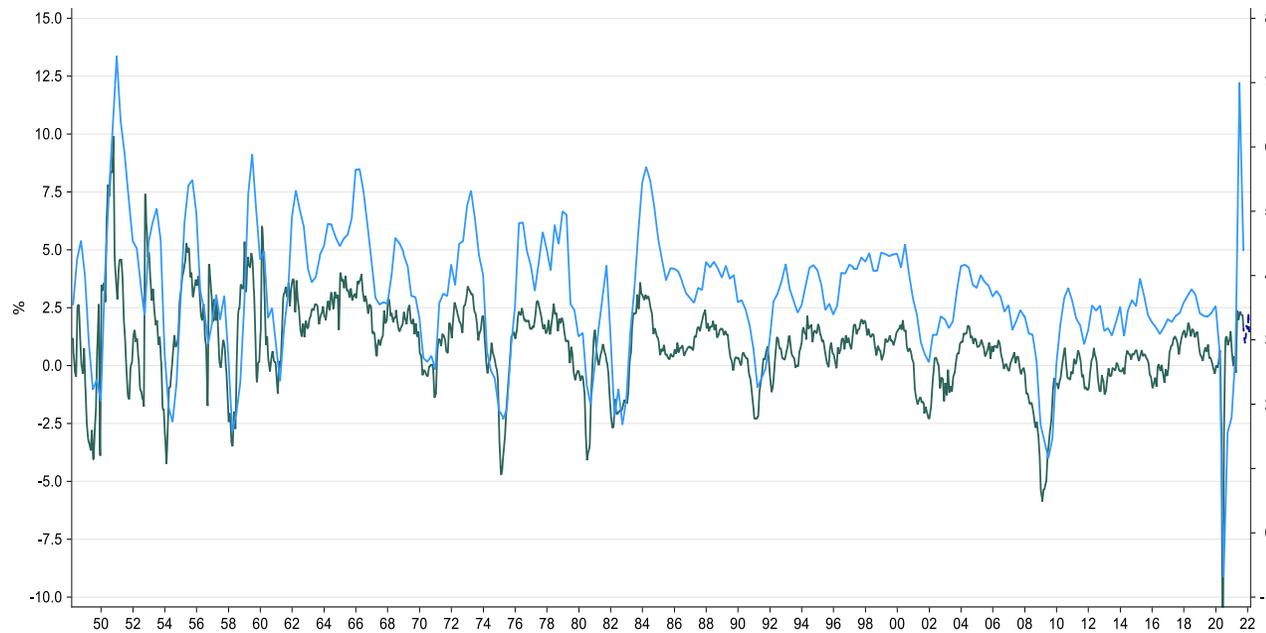
- Real Estate Transactions, Number, Homes, Single Family Sales, SA, AR, NAR, Volume
- Consumer Surveys, University of Michigan, Consumer Sentiment, Business Cycle Indicators, Personal Income & Consumer Attitudes, Consumer Expectations, Index
- Construction Status, Residential, New Privately Owned, Total, SA, AR, U.S. Census Bureau, Starts
- Business Surveys, Federal Reserve Bank of Richmond, Fifth District Survey of Service Sector Activity, Services Revenues Sales, Current, SA
- Domestic Trade, Retail Trade, Real Inventories & Sales, Retail & Food Service Sales, Total, Constant Prices, SA, Index
- Construction Finances, Private, All Forms of Construction, Total, SA, AR, USD, U.S. Census Bureau, Spending
- Expenditure Approach, Personal Consumption Expenditures, Real, Total, Chained, SA, AR, USD
- Business Surveys, Federal Reserve Bank of New York, Business Leaders Survey, Diffusion Indexes for Current Conditions, Business Activity, Index
- Unemployment, National, 16 Years & Over, Rate, SA
- Real Estate Stock, Houses, For Sale, Existing Single Family Homes for Sale, NAR, Available for Sale
- Foreign Trade, Census Bureau, Export, Total, Chained, Constant Prices, SA, USD
- Leading Indicators, Conference Board, Business Cycle Indicators, Fixed Capital Investment, Building Permits for New Private Housing Units
- Foreign Trade, Census Bureau, Import, Total, Chained, Constant Prices, SA, USD
- Domestic Trade, Vehicle Sales & Registrations, Vehicles Sales, Motor Vehicle Unit, Light, Total, SA, AR
- Business Surveys, Federal Reserve Bank of New York, Empire State Manufacturing Survey, Current General Activity, Index
- Income Approach, Total, Disposable Personal Income, Total, Constant Prices, SA, Chained, AR, USD
- Industrial Production, Total, Constant Prices, SA, Index
- Consumer Surveys, Conference Board, Consumer Confidence Index, Total, Total, SA
- Business Surveys, Federal Reserve Bank of Philadelphia, Business Outlook Survey, Manufacturing, Current General Activity, Diffusion
- Industrial Production, Industry Group, Manufacturing, Total (SIC), Constant Prices, SA, Index
- Unemployment, National, Jobless Claims, Initial, Total, SA
- Business Surveys, ISM, Report on Business, Non-Manufacturing, NMI/PMI, Purchasing Managers' Index, SA
- Business Surveys, ISM, Report on Business, Manufacturing, Purchasing Managers' Index, SA
- Business Surveys, NFIB, Small Business Economic Trends, Small Business Optimism Index, SA
- Employment, Payroll, Nonfarm, Payroll, Total, SA
- Leading Indicators, Federal Reserve Bank of Chicago, Midwest Economy Index (MEI), Manufacturing, Index
- Leading Indicators, Federal Reserve Bank of San Francisco, Tech Pulse Index
- Employment, National, Household Survey Employment Adjusted to a Payroll Concept, SA
- Employment, Payroll, Manufacturing, Total, Nonfarm, Payroll (1-Month Span Diffusion Index), SA



Macro and markets in harmony

EPB current activity indicator (synched to Goldman's)

Erik Penser Bank's Current Activity Indicator



—AR==Mean, rhs

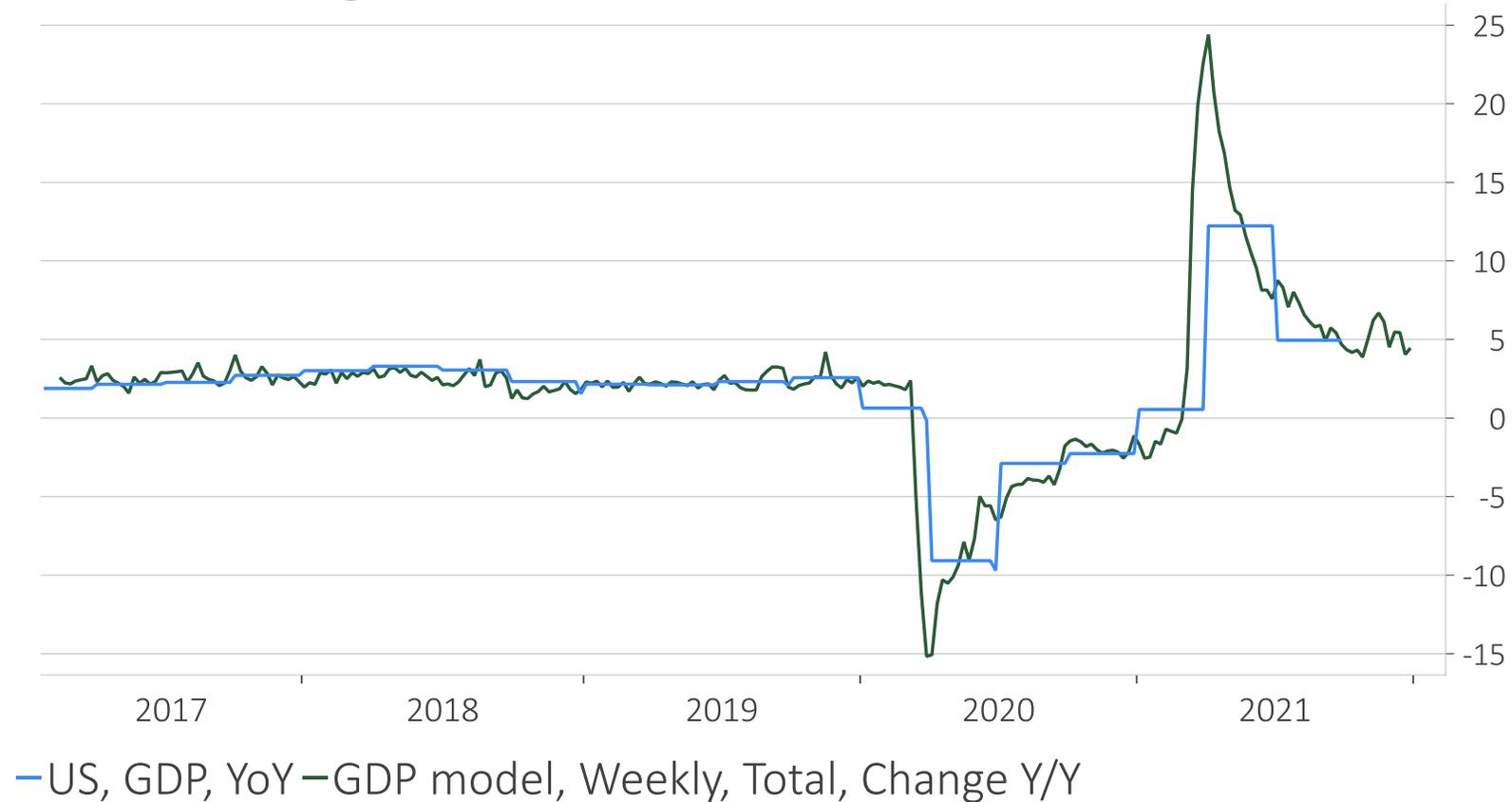
Källa: Erik Penser Bank & Macrobond

- Real Estate Transactions, Number, Homes, Single Family Sales, SA, AR, NAR, Volume
- Consumer Surveys, University of Michigan, Consumer Sentiment, Business Cycle Indicators, Personal Income & Consumer Attitudes, Consumer Expectations, Index
- Construction Status, Residential, New Privately Owned, Total, SA, AR, U.S. Census Bureau, Starts
- Business Surveys, Federal Reserve Bank of Richmond, Fifth District Survey of Service Sector Activity, Services Revenues Sales, Current, SA
- Domestic Trade, Retail Trade, Real Inventories & Sales, Retail & Food Service Sales, Total, Constant Prices, SA, Index
- Construction Finances, Private, All Forms of Construction, Total, SA, AR, USD, U.S. Census Bureau, Spending
- Expenditure Approach, Personal Consumption Expenditures, Real, Total, Chained, SA, AR, USD
- Business Surveys, Federal Reserve Bank of New York, Business Leaders Survey, Diffusion Indexes for Current Conditions, Business Activity, Index
- Unemployment, National, 16 Years & Over, Rate, SA
- Real Estate Stock, Houses, For Sale, Existing Single Family Homes for Sale, NAR, Available for Sale
- Foreign Trade, Census Bureau, Export, Total, Chained, Constant Prices, SA, USD
- Leading Indicators, Conference Board, Business Cycle Indicators, Fixed Capital Investment, Building Permits for New Private Housing Units
- Foreign Trade, Census Bureau, Import, Total, Chained, Constant Prices, SA, USD
- Domestic Trade, Vehicle Sales & Registrations, Vehicles Sales, Motor Vehicle Unit, Light, Total, SA, AR
- Business Surveys, Federal Reserve Bank of New York, Empire State Manufacturing Survey, Current General Activity, Index
- Income Approach, Total, Disposable Personal Income, Total, Constant Prices, SA, Chained, AR, USD
- Industrial Production, Total, Constant Prices, SA, Index
- Consumer Surveys, Conference Board, Consumer Confidence Index, Total, Total, SA
- Business Surveys, Federal Reserve Bank of Philadelphia, Business Outlook Survey, Manufacturing, Current General Activity, Diffusion
- Industrial Production, Industry Group, Manufacturing, Total (SIC), Constant Prices, SA, Index
- Unemployment, National, Jobless Claims, Initial, Total, SA
- Business Surveys, ISM, Report on Business, Non-Manufacturing, NMI/PMI, Purchasing Managers' Index, SA
- Business Surveys, ISM, Report on Business, Manufacturing, Purchasing Managers' Index, SA
- Business Surveys, NFIB, Small Business Economic Trends, Small Business Optimism Index, SA
- Employment, Payroll, Nonfarm, Payroll, Total, SA
- Leading Indicators, Federal Reserve Bank of Chicago, Midwest Economy Index (MEI), Manufacturing, Index
- Leading Indicators, Federal Reserve Bank of San Francisco, Tech Pulse Index
- Employment, National, Household Survey Employment Adjusted to a Payroll Concept, SA
- Employment, Payroll, Manufacturing, Total, Nonfarm, Payroll (1-Month Span Diffusion Index), SA



GDP weekly models – following the peak and refuses to fall back to pre-covid levels (Supercycle)

US, now casting GDP model

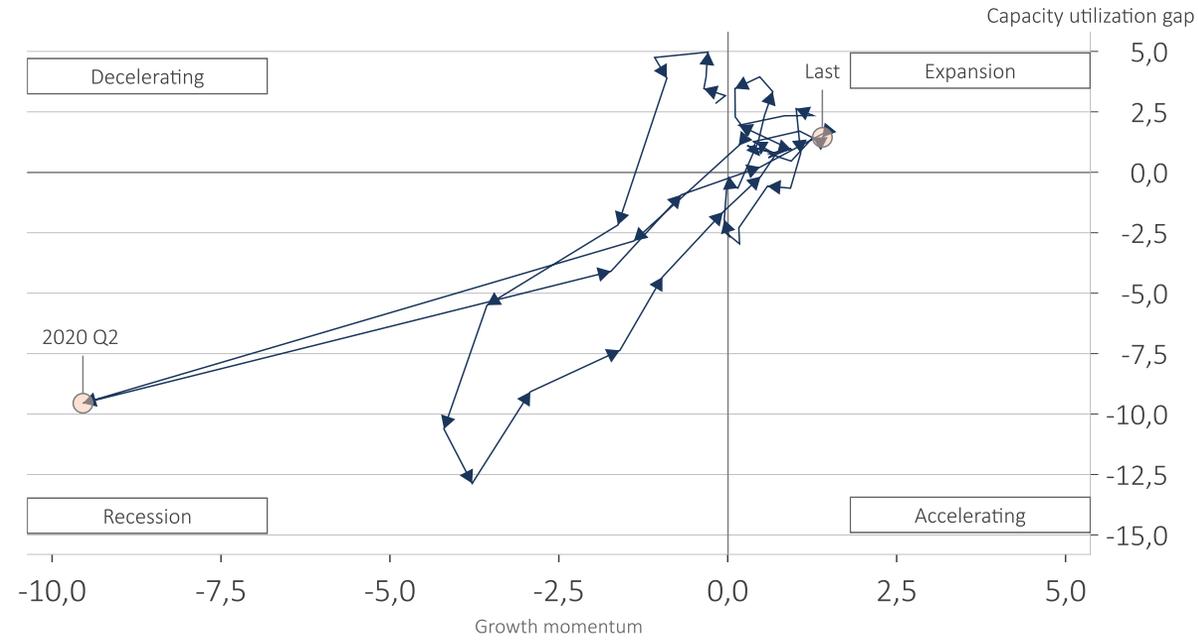


Source: Erik Penser Bank, Macrobond

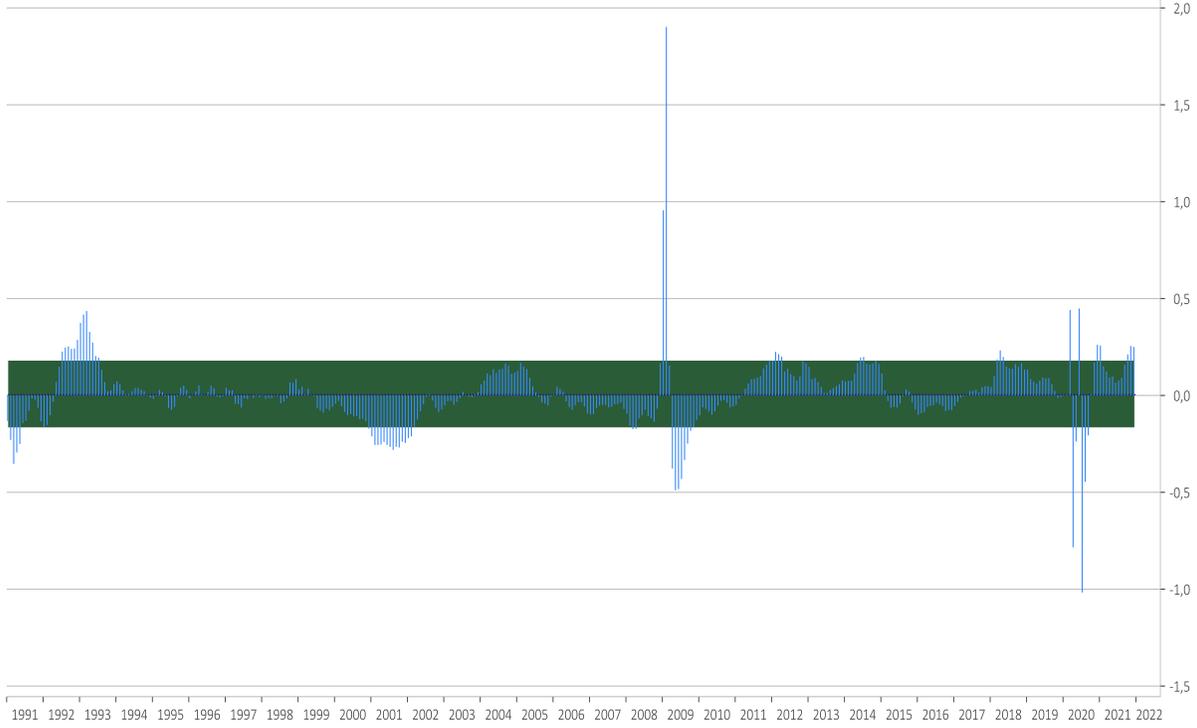


US business cycle clock and relative nowcasts!

Business cycle clock: US economy



Source: Erik Penser Bank, Macrobond



■ US vs EU nowcasts ■ US vs EU nowcasts mean ■ US vs EU nowcasts st dev

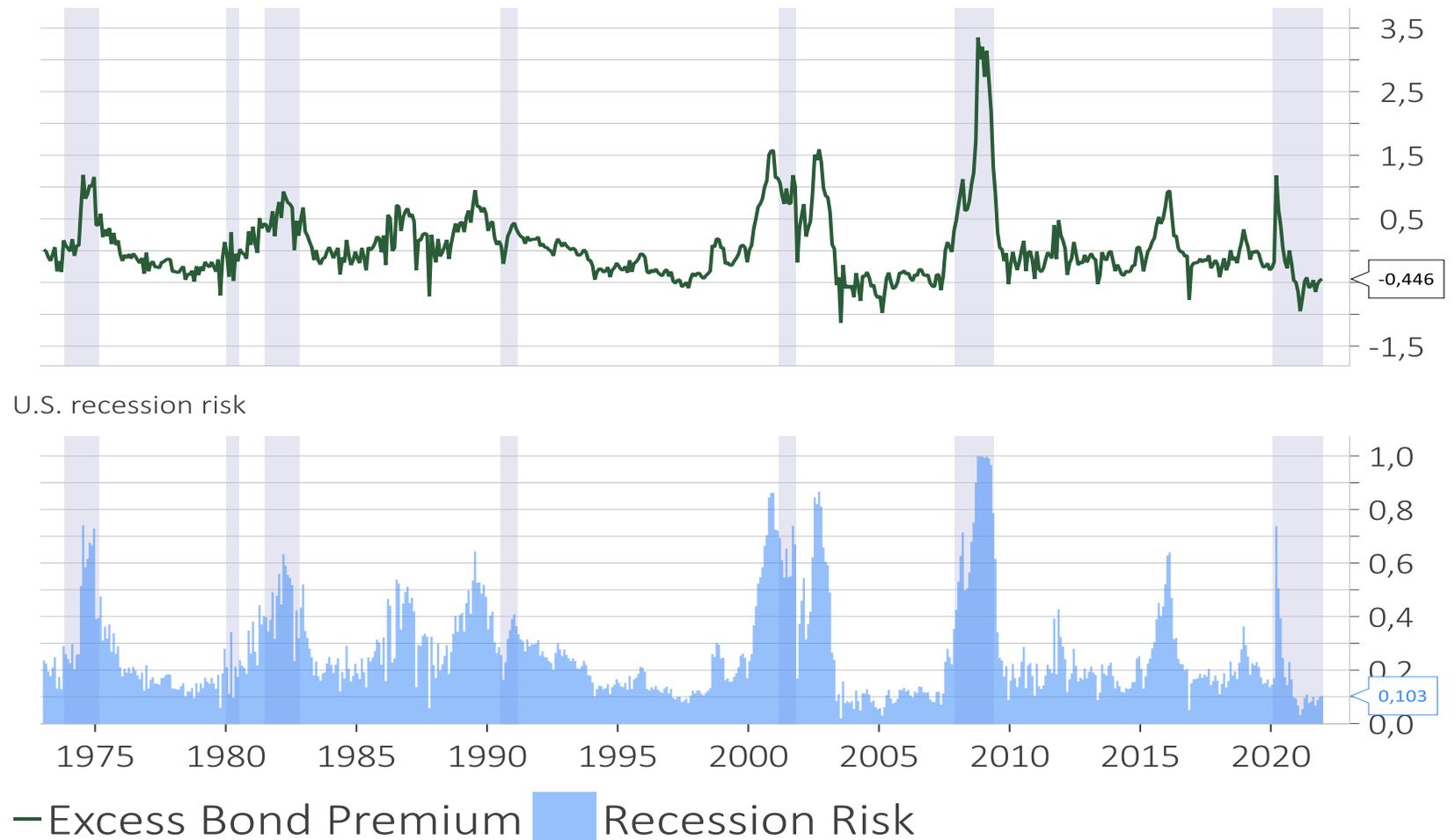
Source: Erik Penser Bank, Macrobond



There is currently NO Recession risk, FED's own model, RATES are NOT a threat to equities / growth

Recession risk in the US is LOW.

Recession risk is now 10.3%.

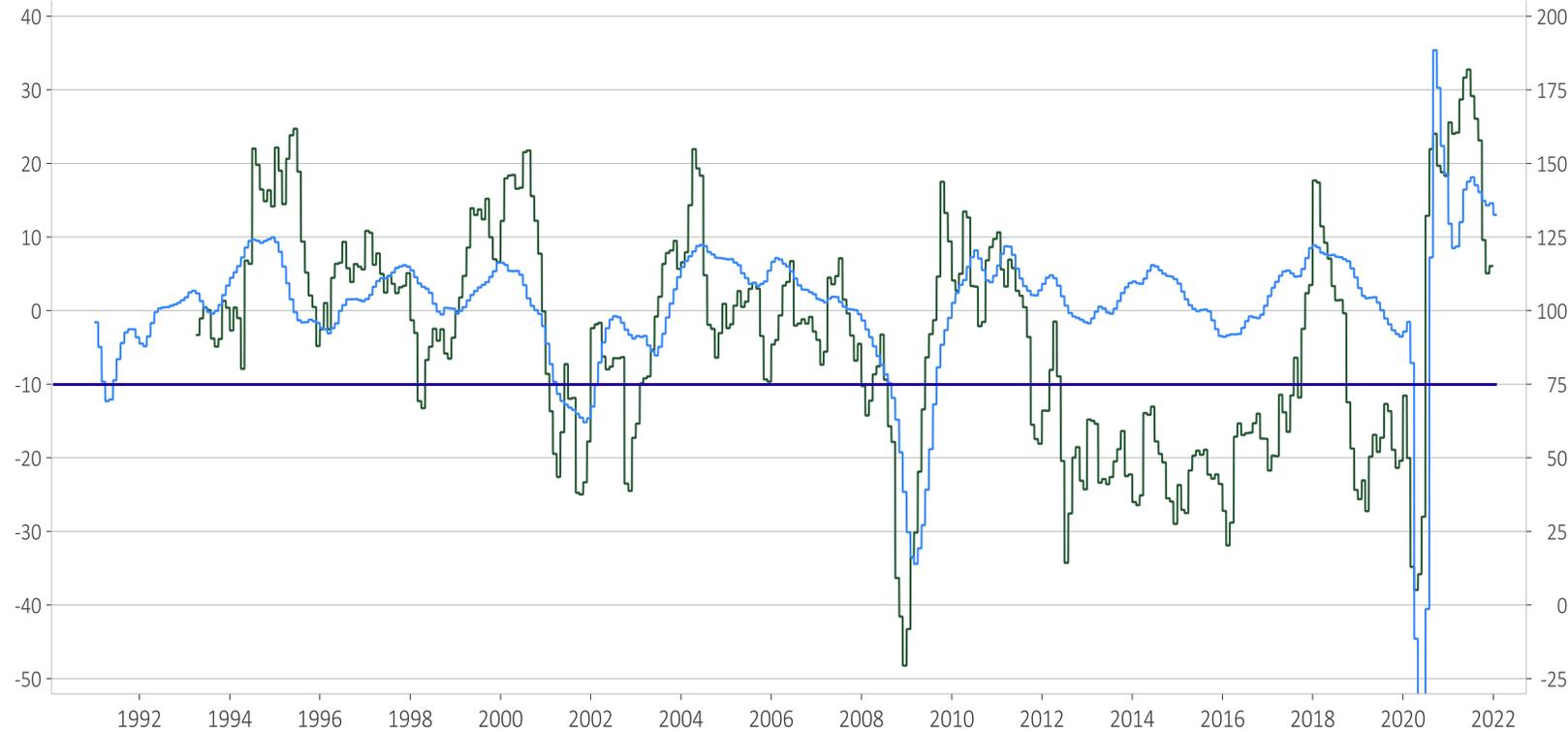


Source: Erik Penser Bank, Macrobond



Hence, given the business cycle earnings will not fall and equities will rise, note how synched macro and markets are!

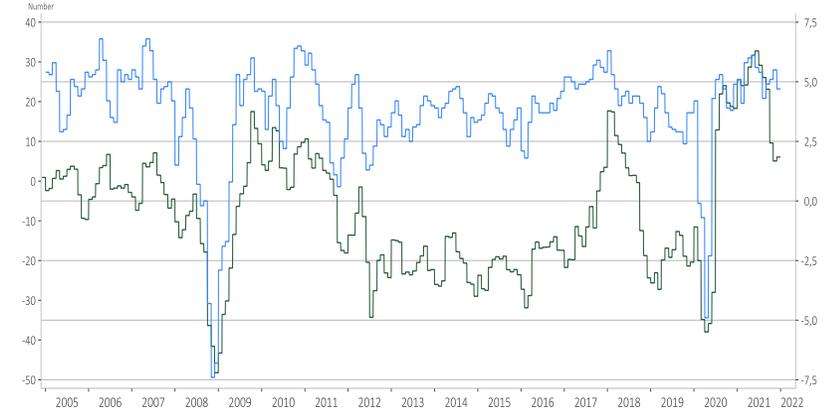
Earnings Estimate Revisions



-10, lhs - US business cycle outlook (nowcast, high frequency), rhs - Earnings Estimate Revisions (100 Days), lhs

Source: Erik Penser Bank, Macrobond

Earnings Estimate Revisions



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

Source: Erik Penser Bank, Macrobond

Earnings Estimate Revisions

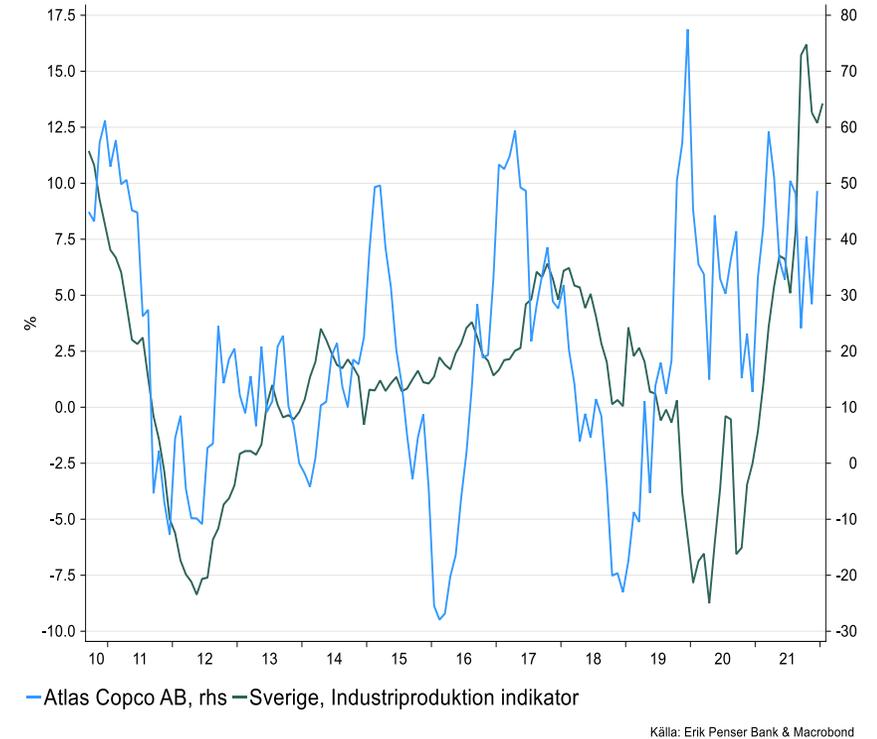
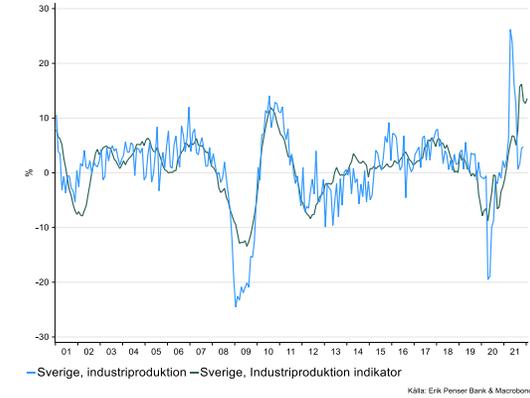
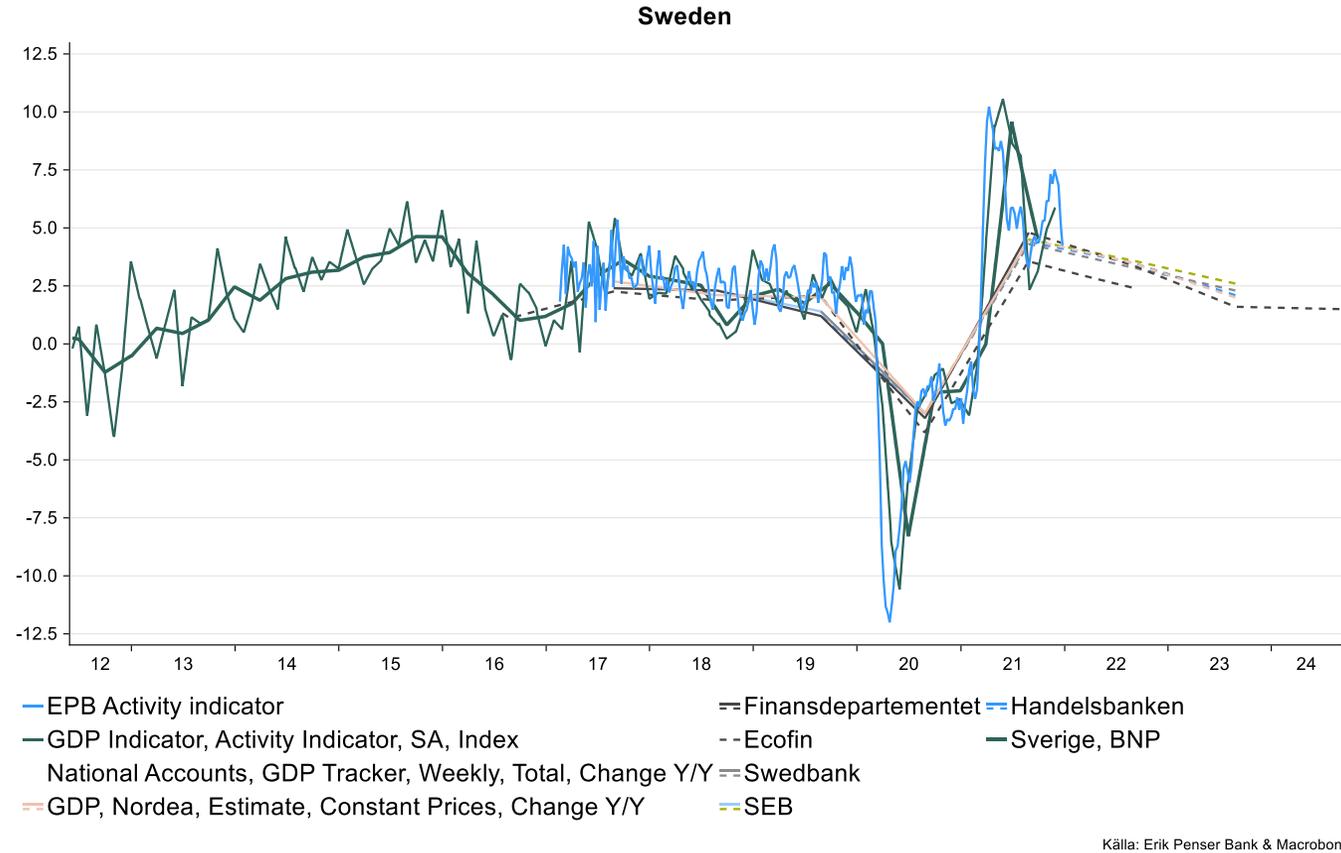


- S&P Etf, rhs - Earnings Estimate Revisions (100 Days), lhs

Source: Erik Penser Bank, Macrobond

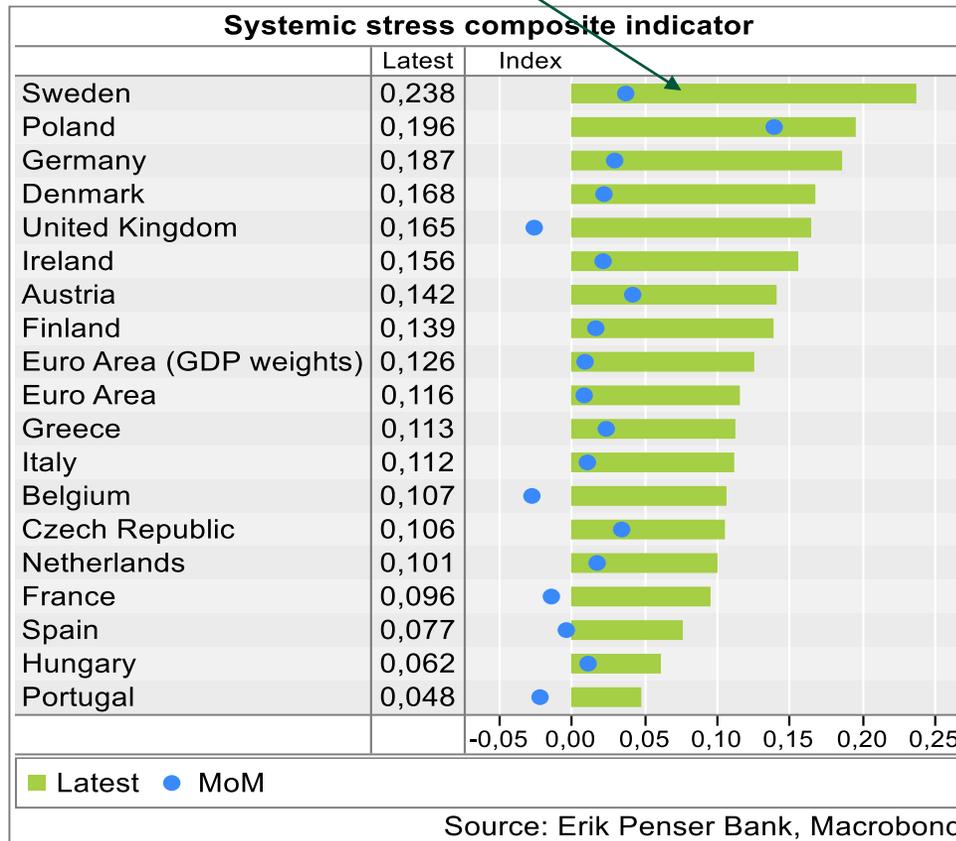


SWE pick up in manufacturing, yes it arrived and we have turned lower yet again...we still like eg Atlas Copco

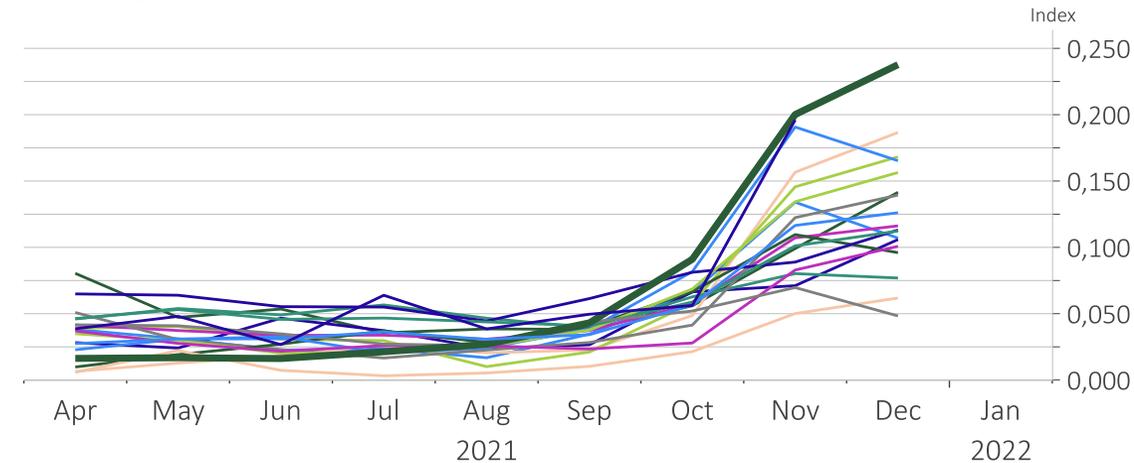


What has held OMX back as it trails the world?

- Swedish political situation has caused stress
- In fact OMX index has not trailed this much since end of 2017
- We know it is fashionable to state that the political turmoil has had no severe consequences, but as an asset and portfolio manager we can not afford the luxury of turning a blind eye to the obvious – as a nation Sweden has a very high and serious financial stress as per official EU data
- We look to short SEK!



Leading Indicators, ECB, Index



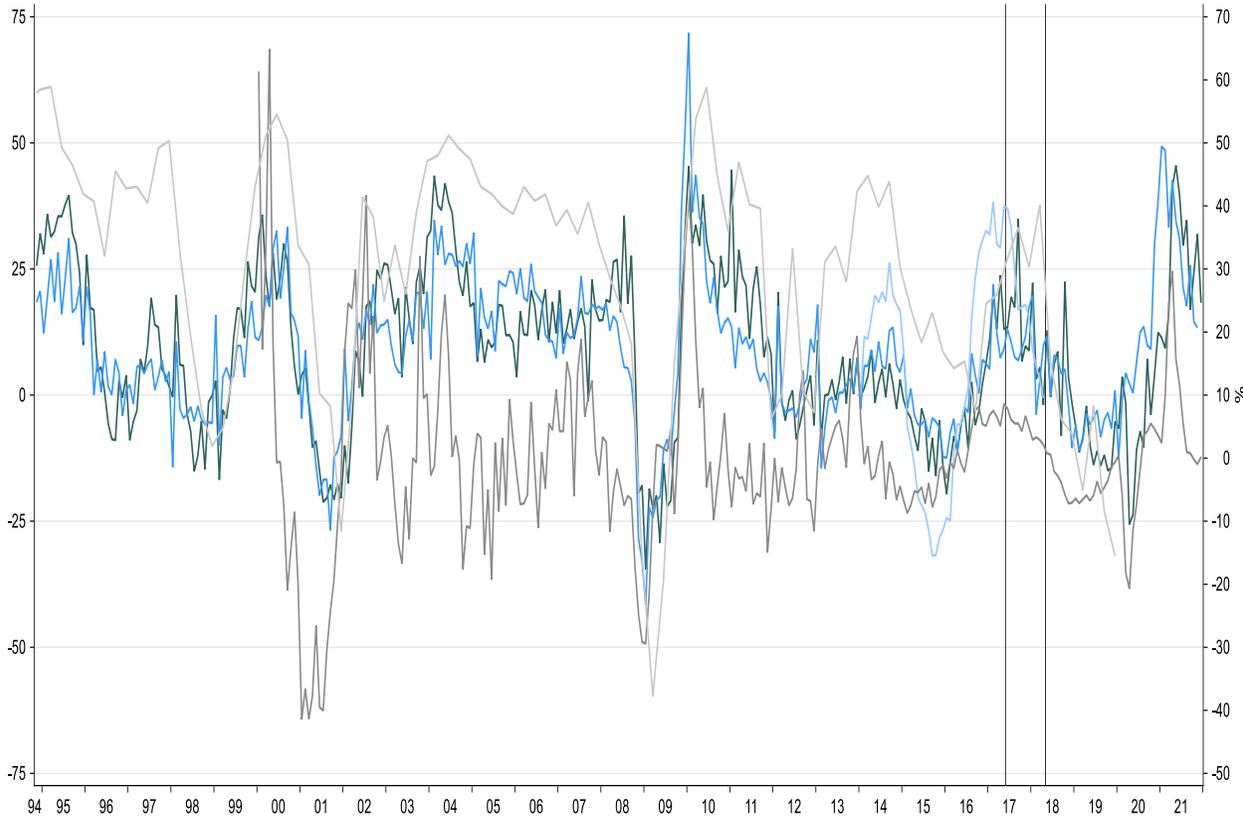
- Poland — Euro Area (GDP weights) — Sweden — Portugal
- Netherlands — Italy — Ireland — Hungary — Greece — United Kingdom
- France — Finland — Euro Area — Spain — Denmark — Germany
- Czech Republic — Belgium — Austria

Source: Erik Penser Bank, Macrobond



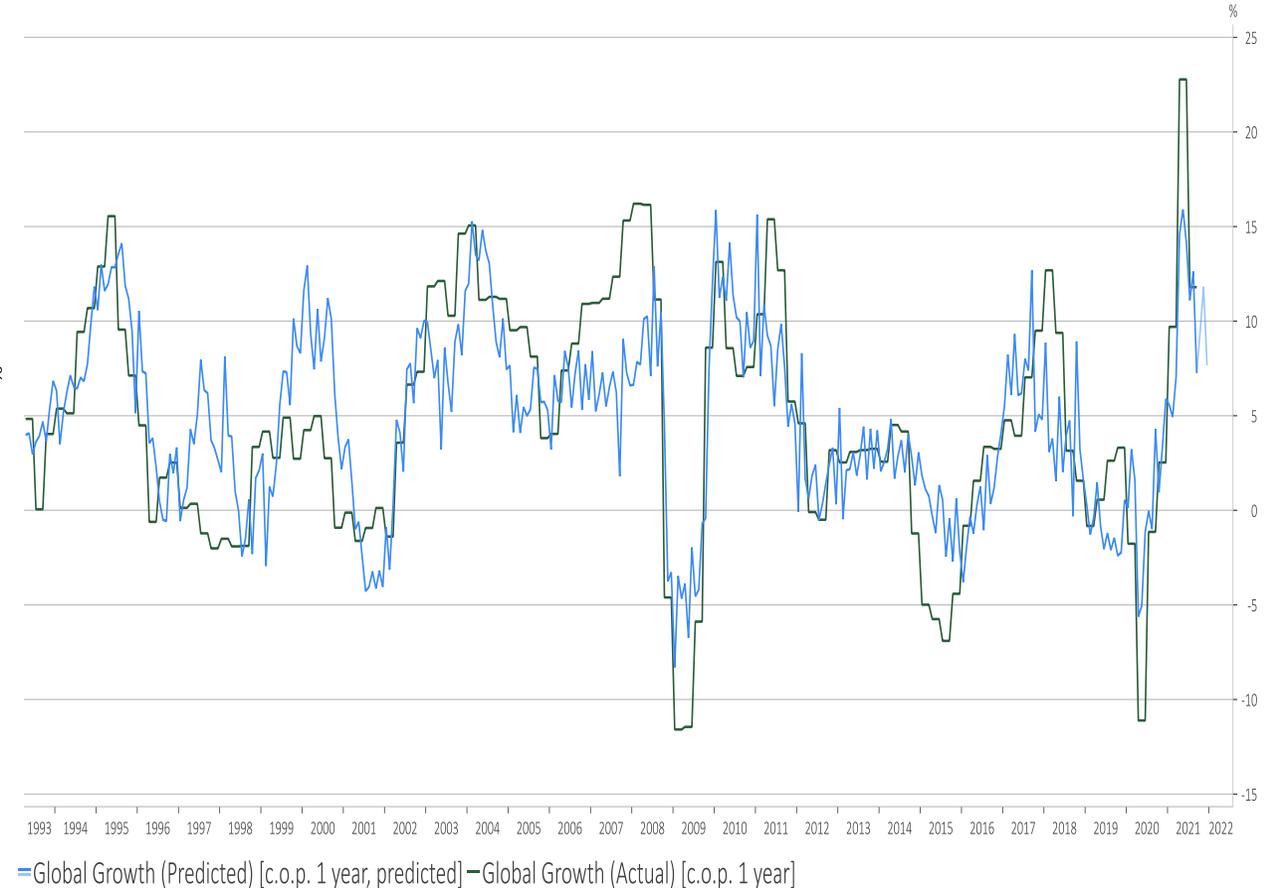
Global trade depicts a solid, and continued growth albeit with the present peak

Using data pinpointed by Bloomberg (version 1)



—World, Foreign Trade Volume in the Next 6 Months, Exports —China, New Export Orders —South Korea, Foreign Trade, Export
—Singapore, Electronics Sector, New Exports, rhs —Taiwan, New Orders, Export, Total, USD

Källa: Erik Penser Bank & Macrobond



Source: Erik Penser Bank, Macrobond

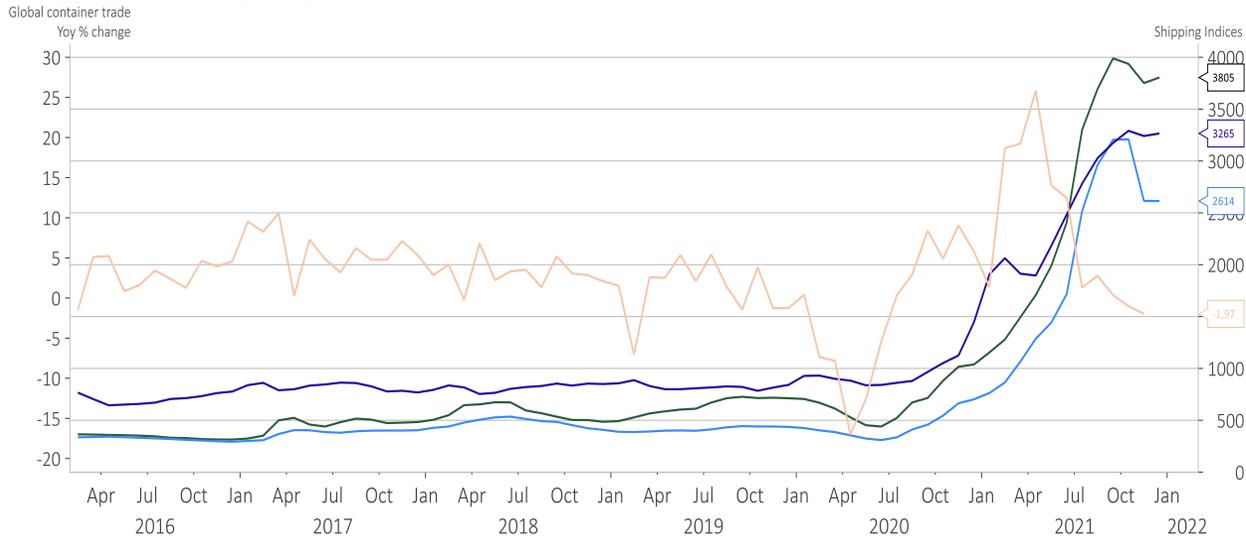


Trade momentum

- Container rates
- Tradewar indicator #2 (as expressed by Bloomberg)

- **POSITIVE OUTLOOK!**

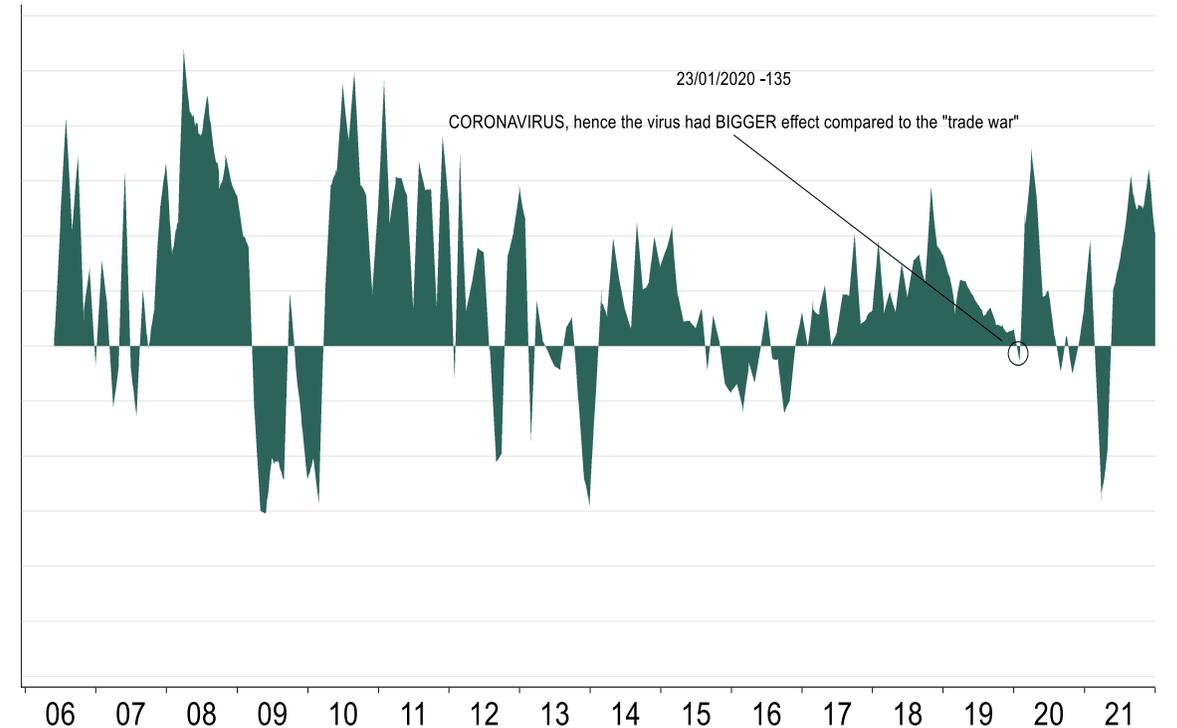
Shipping rates surge as global container trade rises



- World, Container Trades Statistics Ltd, Foreign Trade, Import, lhs
- China, Freight Indicators, China Container Freight Rate, Composite, Index, rhs
- World, Hamburg Shipbrokers Association, Shipping, New ConTex Index, Index, USD, rhs
- World, Harper Petersen, Shipping, Harpex, Index, USD, rhs

Source: Erik Penser Bank, Macrobond

World Trade indikator



Källa: Erik Penser Bank & Macrobond



Don't forget the world of theorems -supporting equities

What can we learn from **Wicksellian spread** (natural rate of interest, R^*)?

What can **Tobin's Q** teach us in terms of the future of equities?

What is the outlook given **Total Factor Productivity**?

What clues can we see in **Modern portfolio** theory given the **Markowitz-efficiency**?

What does the **FED model** imply? (as derived by Greenspan and Powell in their texts)

What theorem derives market liquidity?, **Hui-Heubel** – what conclusion can we make?

Fair Value Trading in FX – what does it tell us?

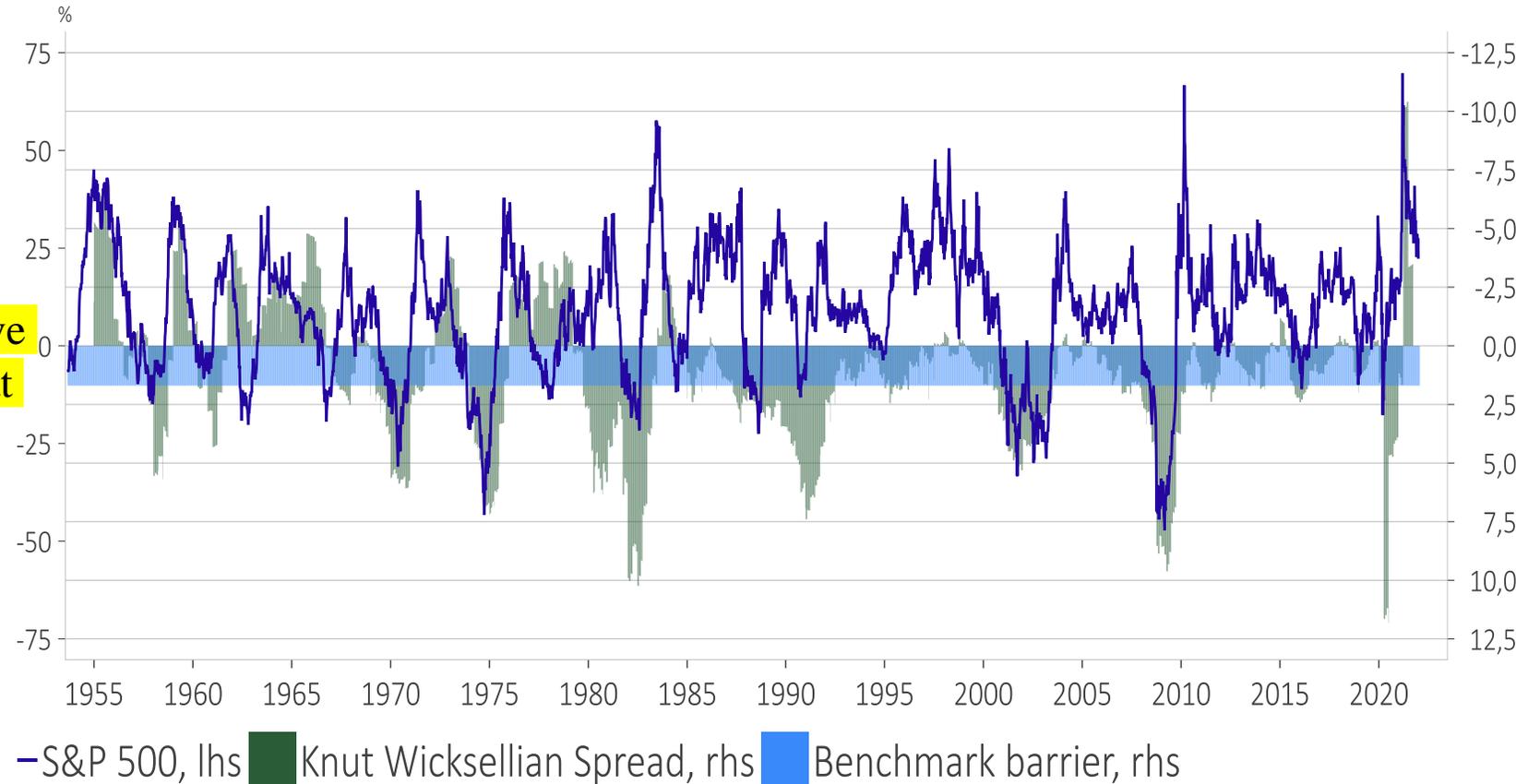
The Fisher Effect – it successfully derived falling yields in 2021, current reading?

Credit Cycle – Minsky / Austrian School



Wicksellian Spread – massive support for the markets and economy

Wicksellian spread versus equities



Source: Erik Penser Bank, Macrobond

Wicksellian Spread

Conclusion: equities are well supported

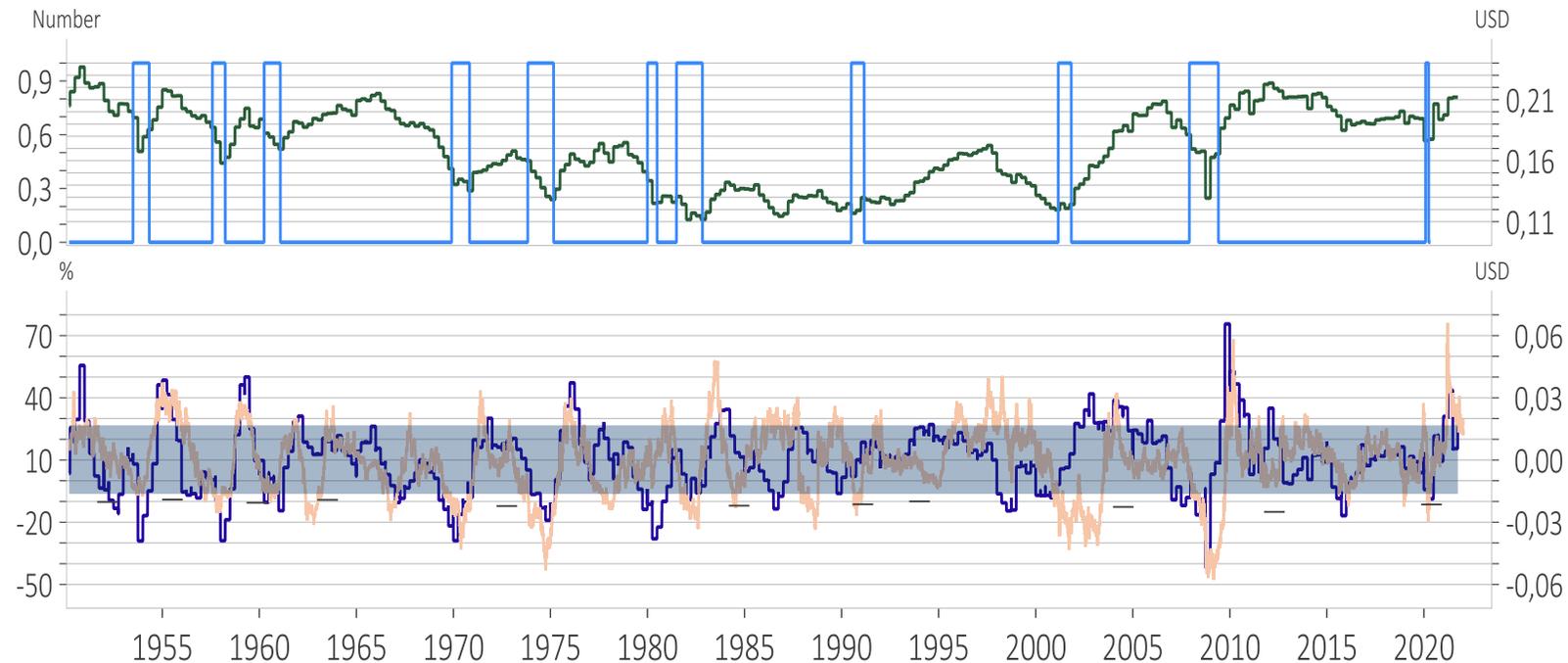
In fact, equities have never fallen into negative YoY growth without a Wicksellian spread that has turned counter-productive.

Hence, bluntly put – it has never paid off being bearish if you are up against Wicksellian spread.



Profitability – 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)



- 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

“Tobin’s Q”

Conclusion: equities are well supported

Hence, underlying corporate structures are supportive and you would have 33% if betting against this...



Why input price pressure can be navigated by corporates!

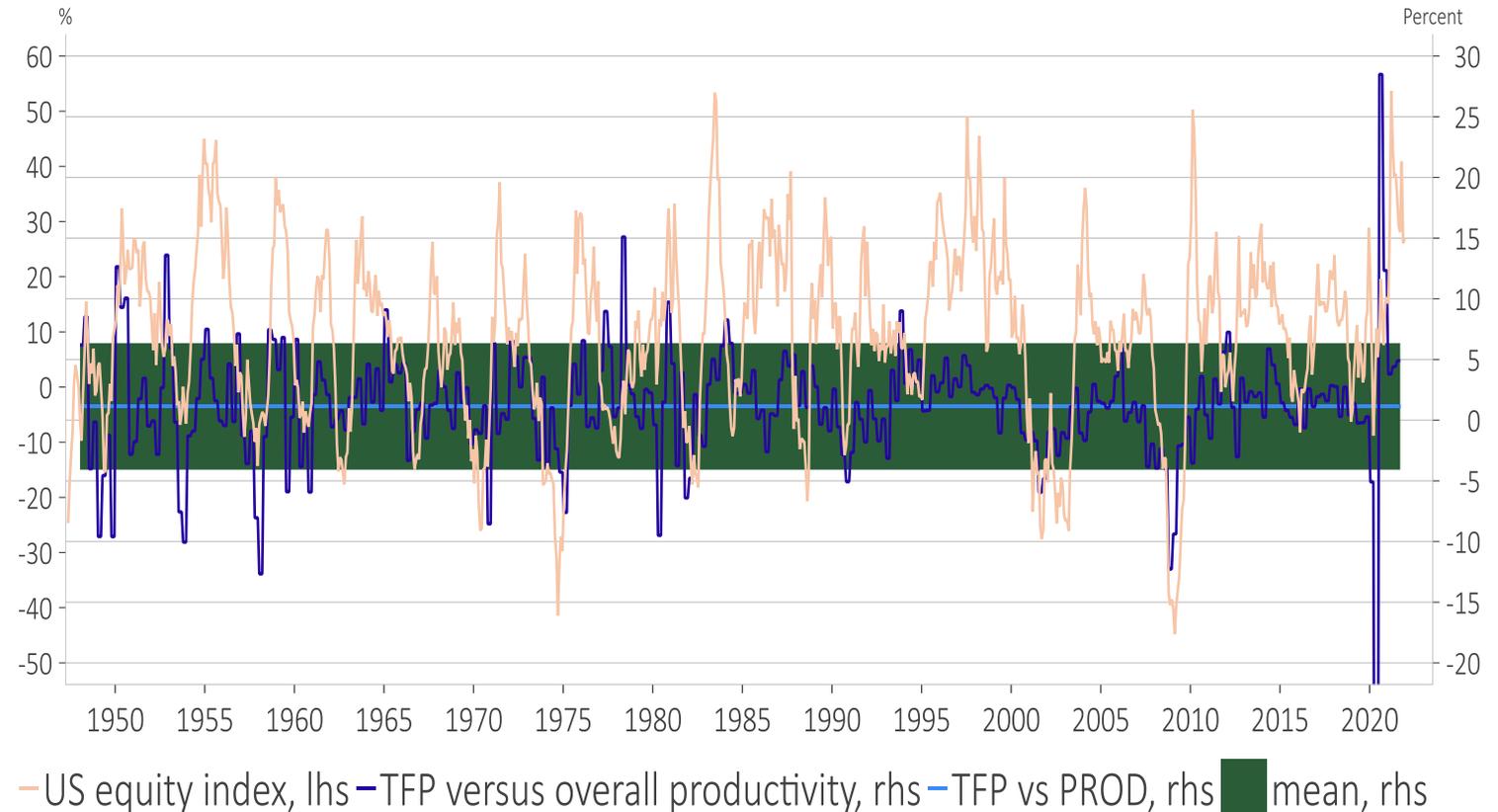
Total Factor Productivity

In plain English – we work smarter, Bloomberg (last Friday) asked when the productivity boom would arrive...it arrived in AUGUST 2020!

Key is in total factor productivity versus other means to create value (TFP aka multifactor productivity)

Conclusion: equities are well supported

Total factor productivity growth vs productivity, compared to equities



Source: Erik Penser Bank, Macrobond



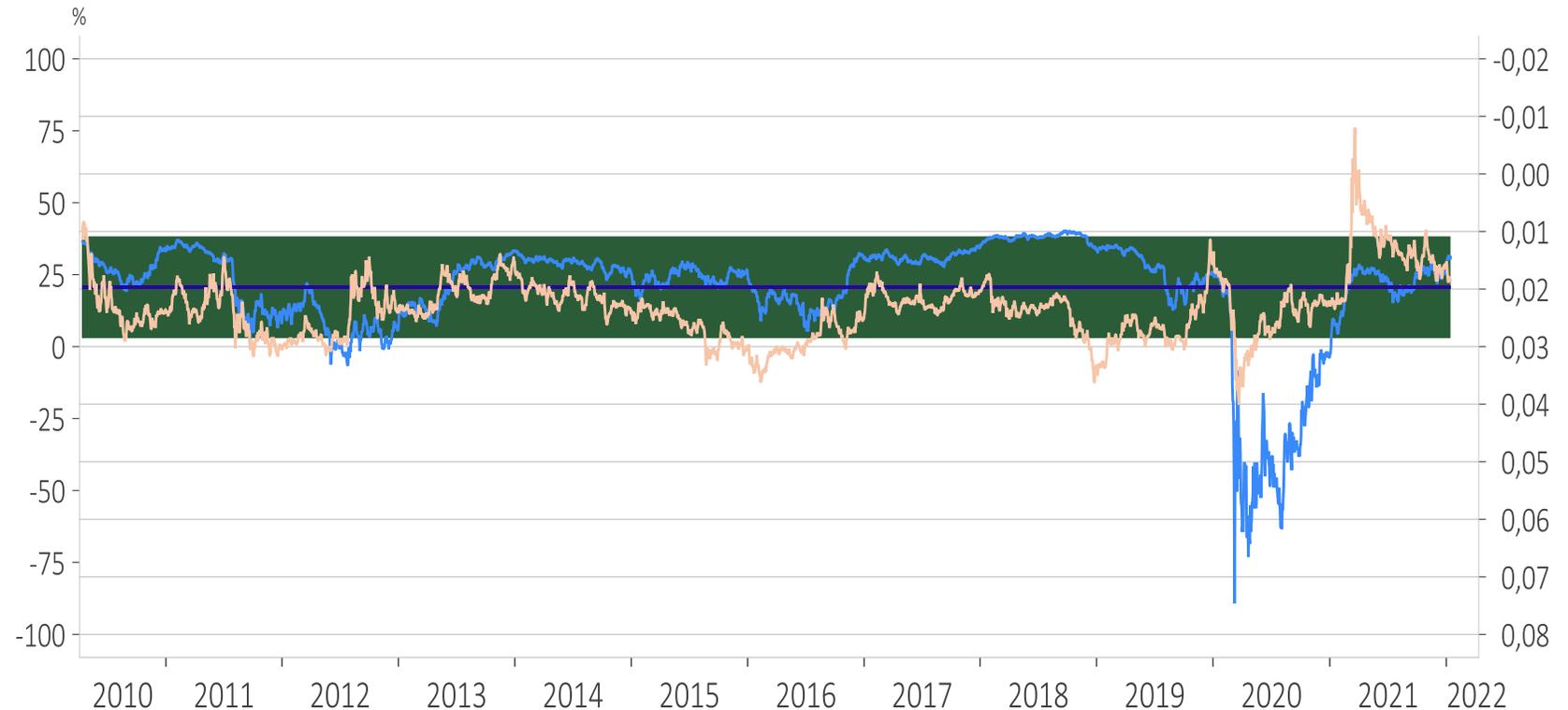
Equity valuation based on P/E and rates

Valuations are on the mean!

FED charimens' valuation model

Conclusion: equities are well supported

Greenspan / Powell valuation argument versus equities



- SPDR S&P 500 ETF Trust, lhs — Average FED valuation model, rhs
- FED valuation model (calcs start after 2009, due to QE etc), rhs ■ +/- 1 st dev, rhs

Source: Erik Penser Bank, Macrobond



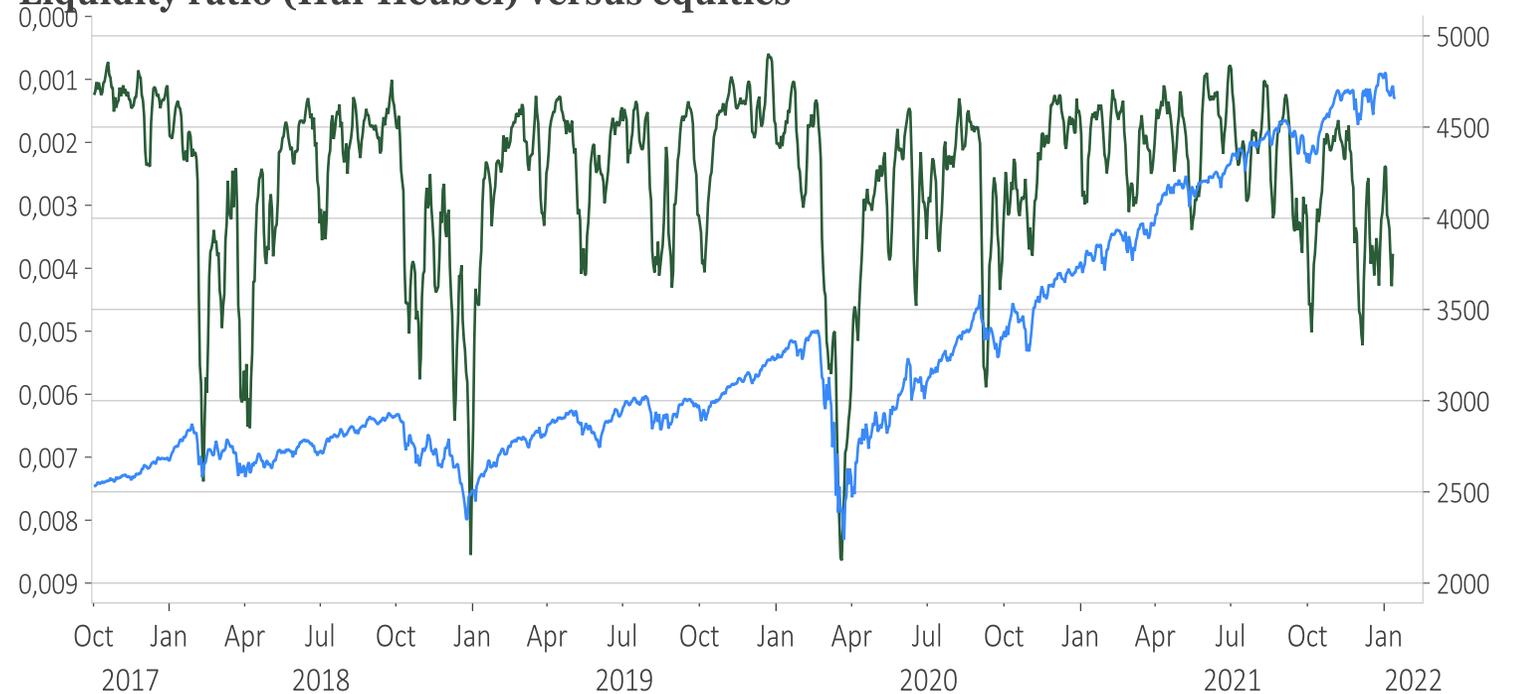
Hui-Heubel Liquidity ratio

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

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: equities are less supported, given SMART money index this might be the next catalyst as gamma is positive yet again!

Liquidity ratio (Hui-Heubel) versus equities



—S&P 500 (ETF), rhs —Hui-Heubel version 2, lhs

Source: Erik Penser Bank, Macrobond



Weekly data, 30 points, relationship between the correlations SEK & OMX and SEK & FI

Fair Value Trading

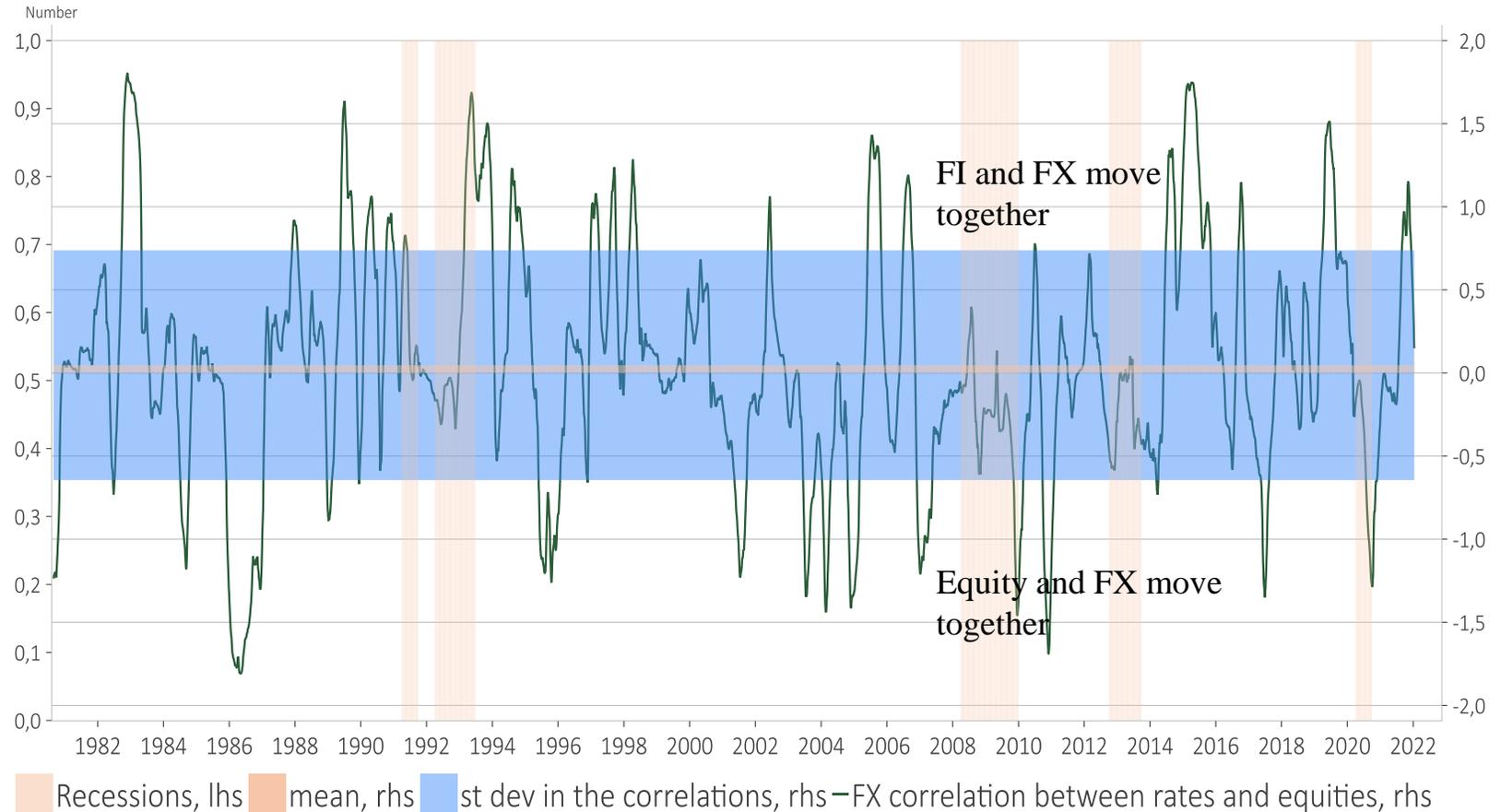
Clearly we are in an environment where SEK and OMX have had a positive correlation.

But, this relationship VERSUS FI is mean reverting, never stable in the long term.

Between x-mas and New Years we were right at the edge of 1 st deviation – hence ready to mean revert.

This is why we have exited our SEK position / view.

Correlation between FX and rates & FX and equities



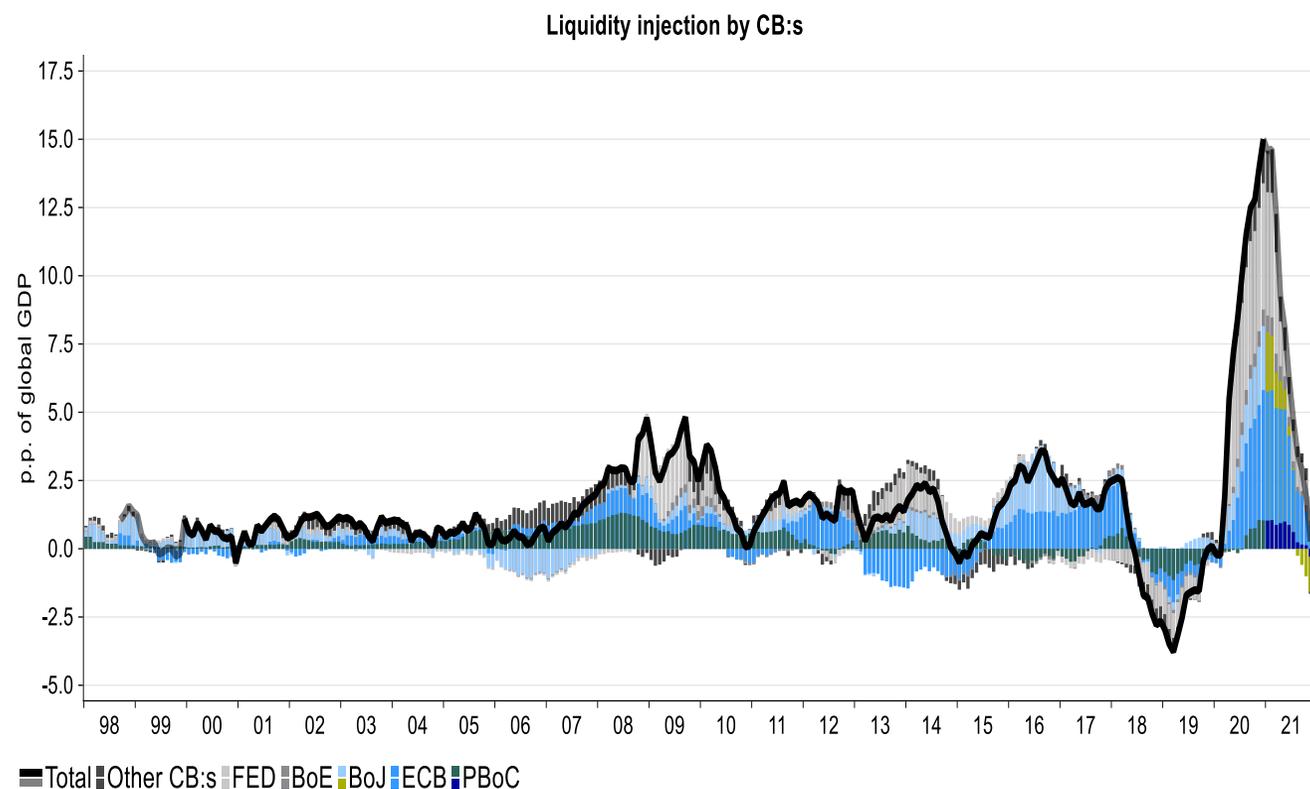
Source: Erik Penser Bank, Macrobond



Stimulus

QE as % of GDP falls, same will happen to debt, making the arithmetic work.

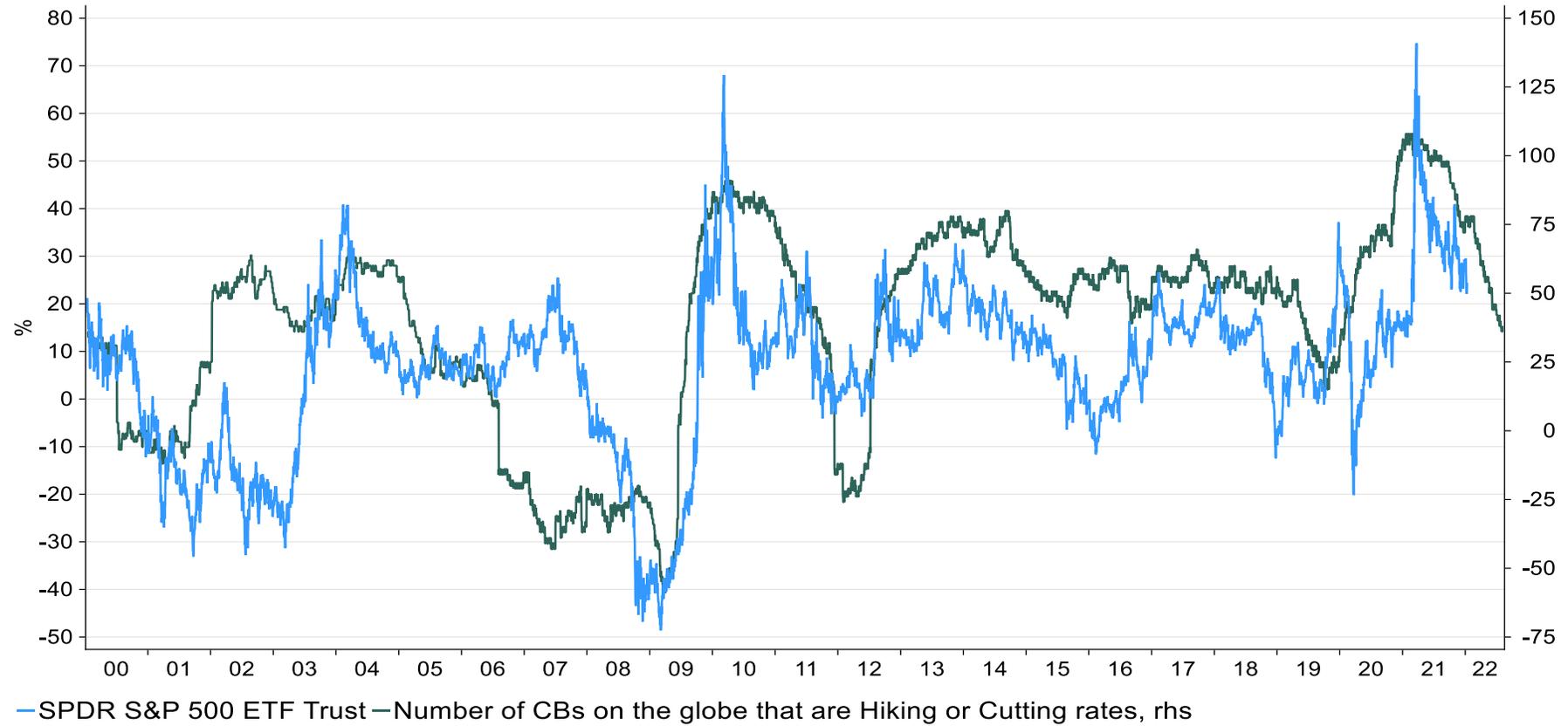
Worth remembering, we are **WAY** past peak stimulus!



Källa: Erik Penser Bank & Macrobond



Stimulus – Policy rates

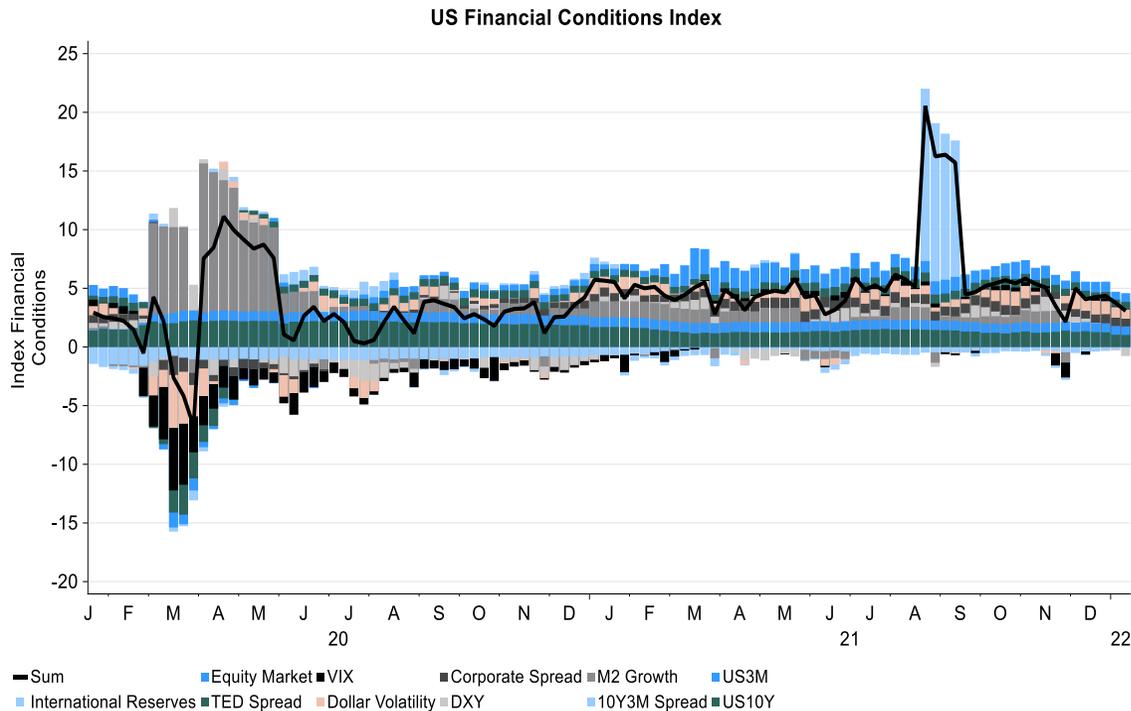


Källa: Erik Penser Bank & Macrobond

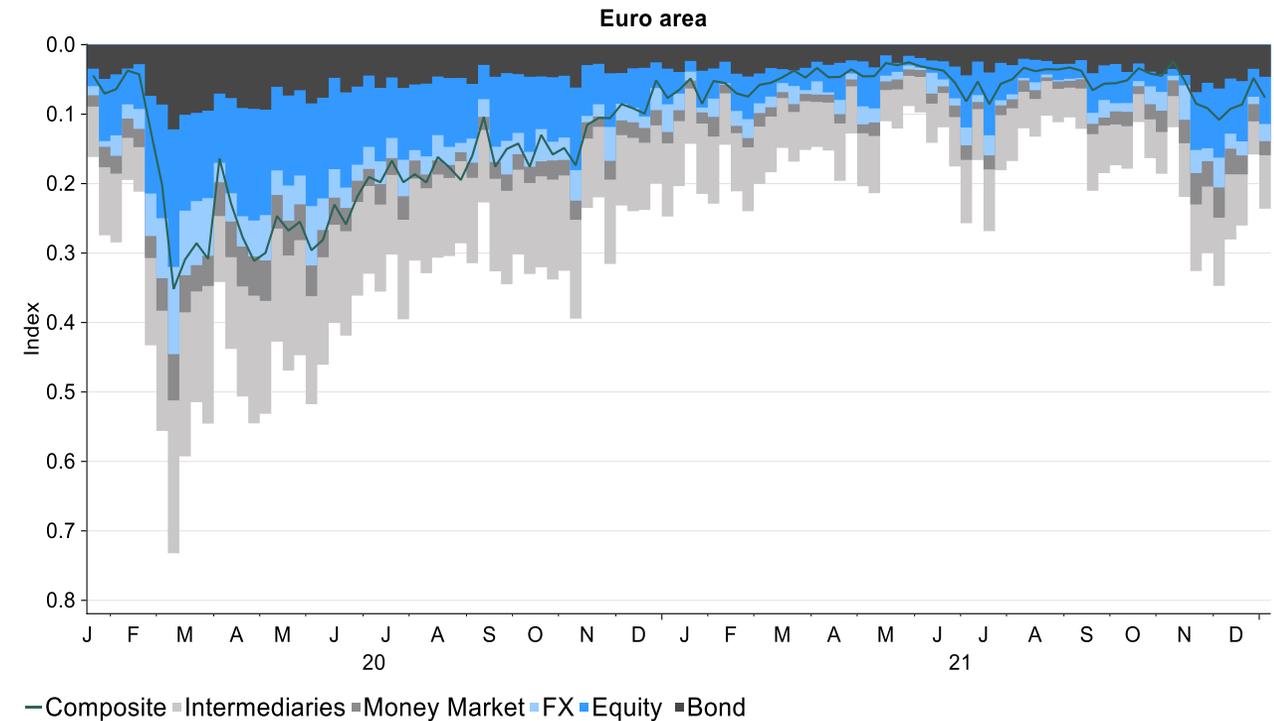


Time to get detailed...US financial conditions / financial stress MUCH better than EZ's!!! This slide continues to be key as stimulus withdraws

These models build on ECB and FED research! **This metric called the 2008 crises in the summer of 2007 and never flinged!**



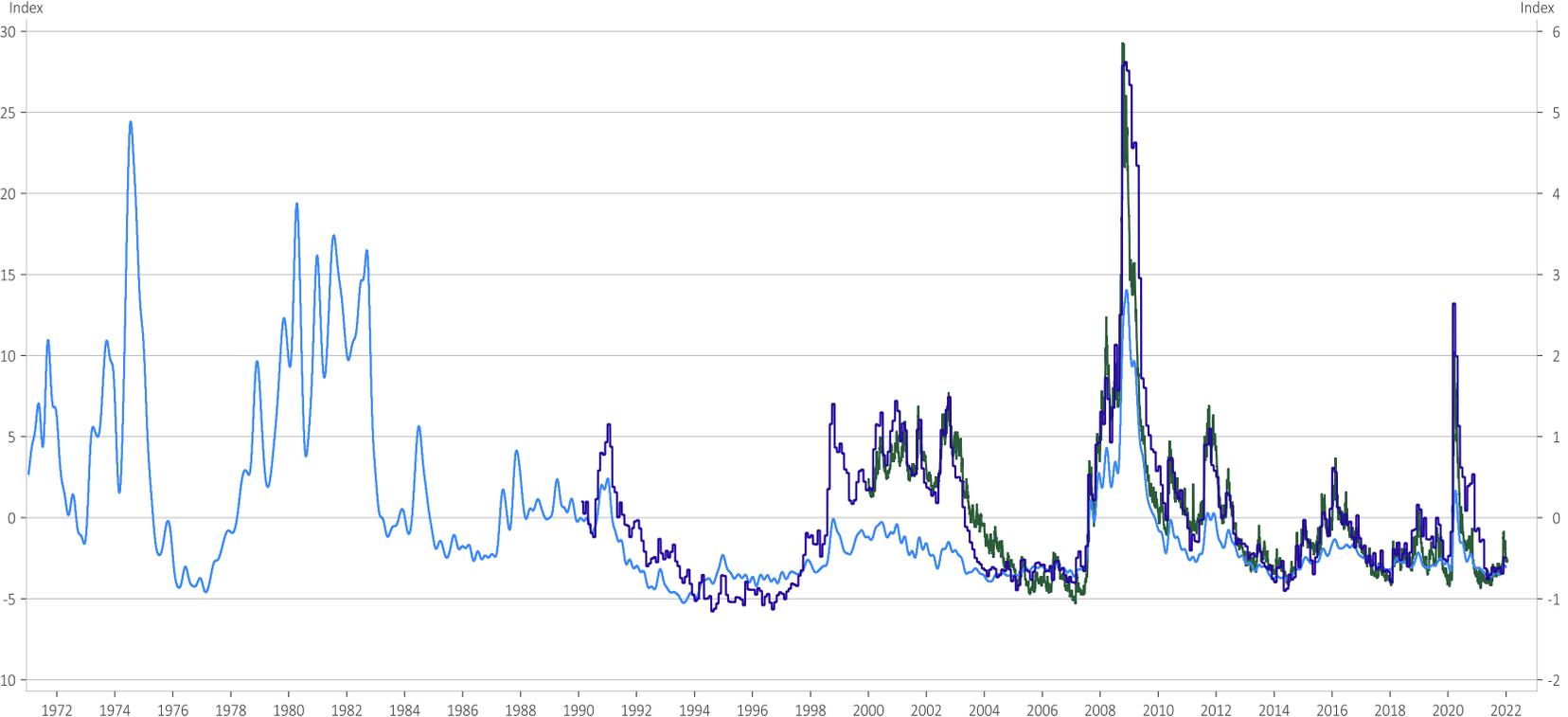
Källa: Erik Penser Bank & Macrobond



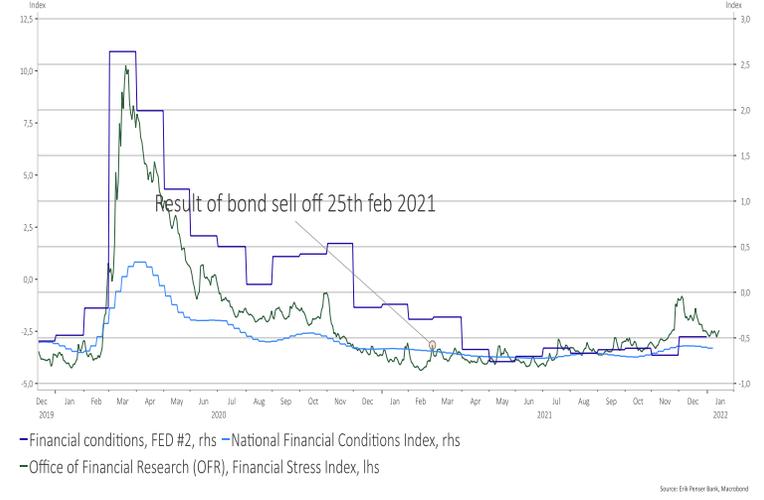
Källa: Erik Penser Bank & Macrobond



Financial conditions, RATES / CPI up = worsening financial conditions? Nope!



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



— Financial conditions, FED #2, rhs — National Financial Conditions Index, rhs
 — Office of Financial Research (OFR), Financial Stress Index, lhs
 Source: Erik Penser Bank, Macrobond

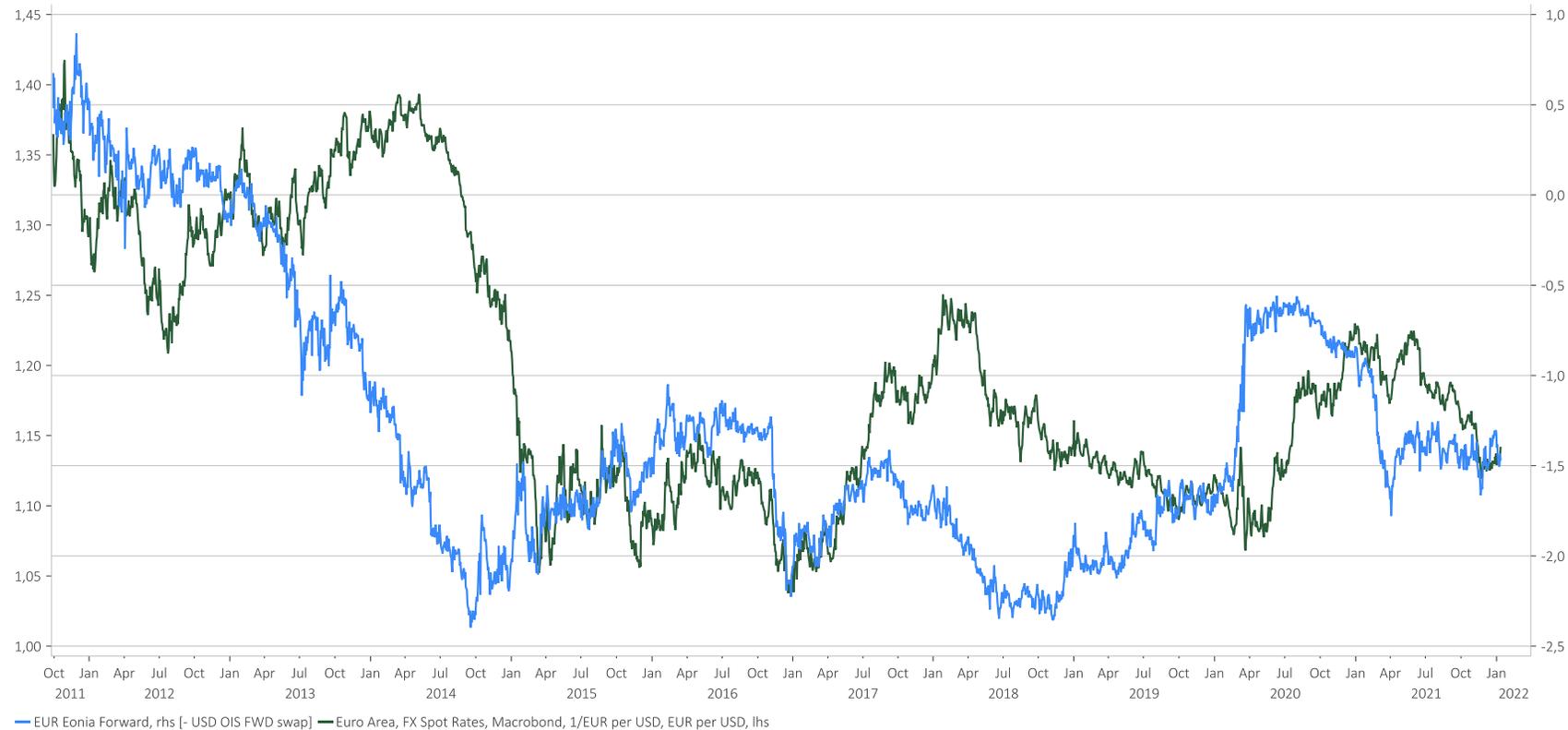
Source: Erik Penser Bank, Macrobond



USD got support from FED

We focus on the 3 year forward 1 year rate, Eonia versus Ois

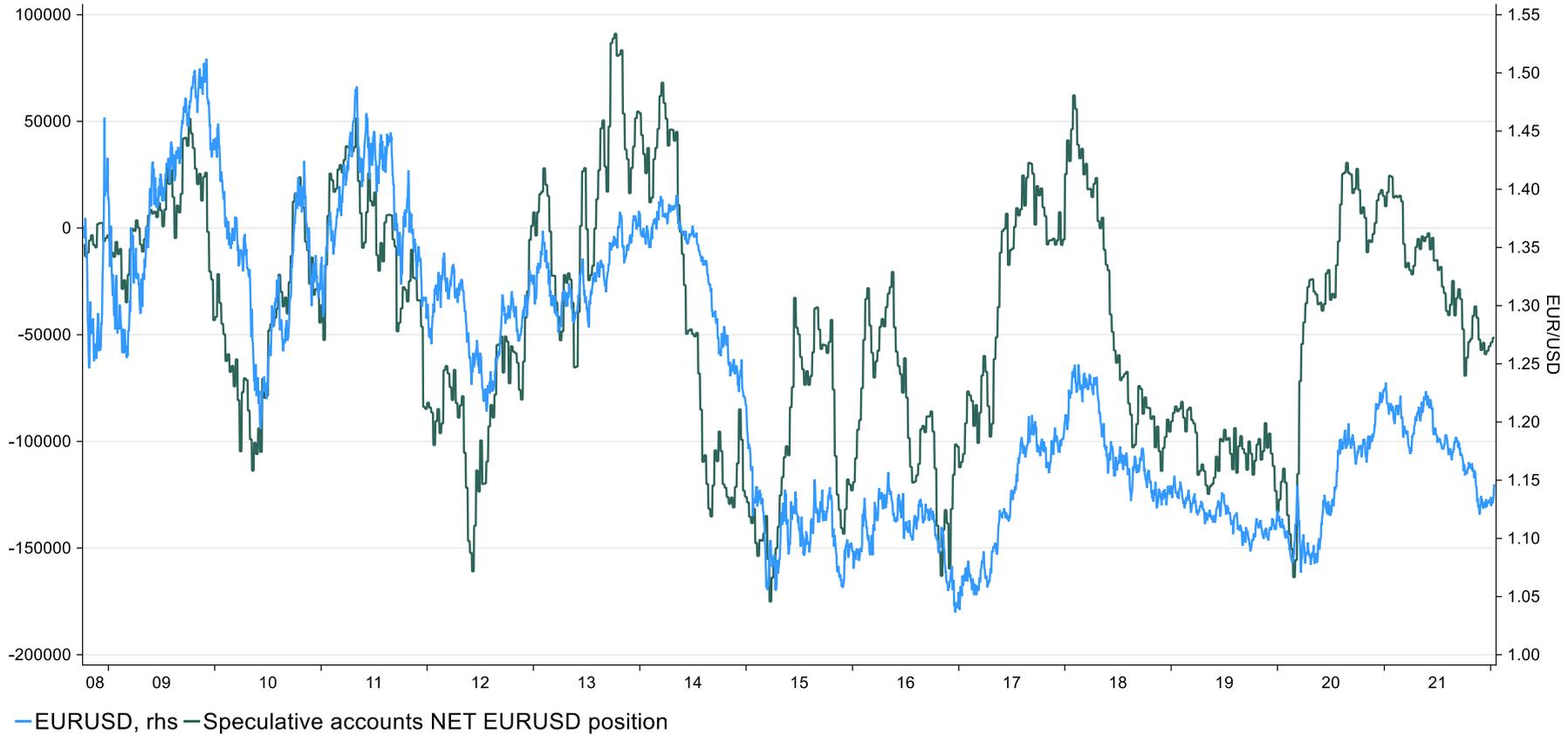
The tide turned against the EUR...the market, given the massive growth expectations “had” to price in an earlier move by FED compared to ECB...an easy trade in 2021, 2022 set to be more flattish



Source: Erik Penser Bank, Macrobond



USD, positioning



Källa: Erik Penser Bank & Macrobond

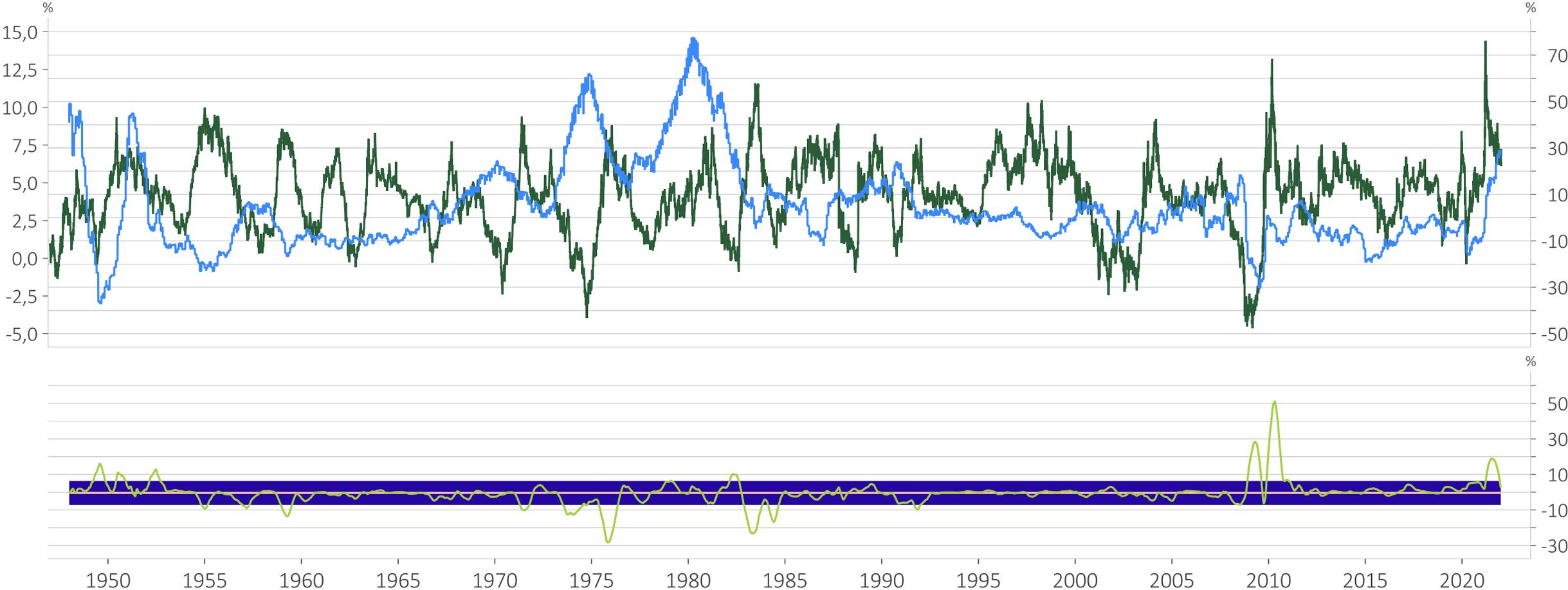


Critical elements of CPI



CPI – what is the ISSUE?

CPI versus equities and the correlation between them



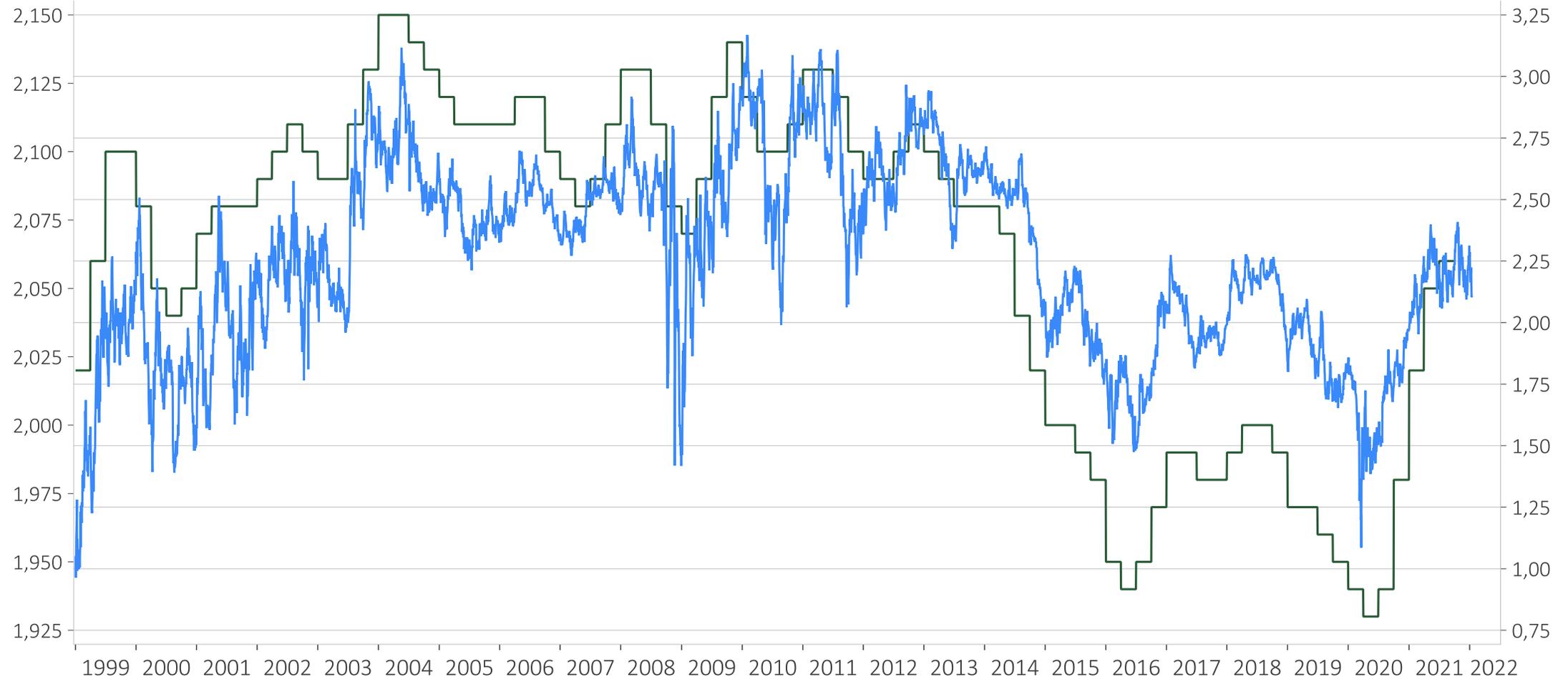
—US, Headline CPI, lhs —US, S&P 500, rhs —Correlation CPI and US Equities —Mean of correlation
■ Correlation mean CPI and US Equities, +/- 1 st dev

Source: Erik Penser Bank, Macrobond



FED's preferred measures (part from PCE of course)

FED's preferred CPI monitor vesus priced inflation in the market



— U.S. 5yr 5yr Forward Breakeven, rhs — US Federal Reserve Common Inflation Expectations (CIE), lhs

Source: Erik Penser Bank, Macrobond



Our daily traded CPI models

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



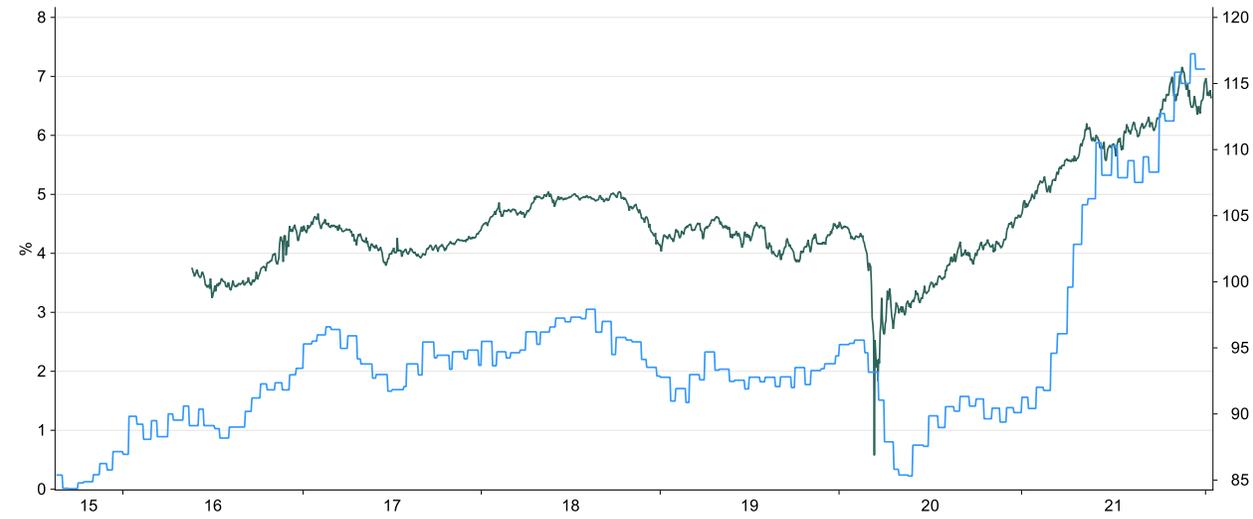
US CPI, peaked peaked...peaked



—Daily inflation tracker, rhs —US, CPI

Source: Erik Penser Bank & Macrobond

Is core-inflation set to reach a new 20-yr high?



—United States, Consumer Price Index, All Urban Consumers, U.S. City Average, All Items, SA, Index —EPBs position, rhs

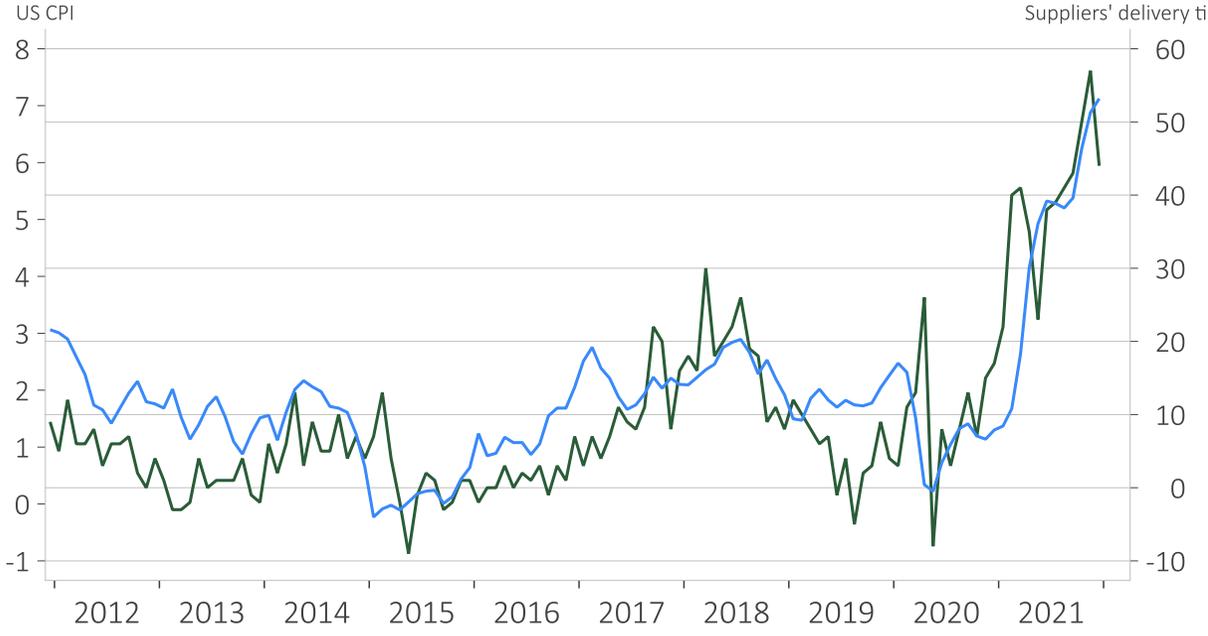
Källa: Erik Penser Bank & Macrobond



Supply and CPI

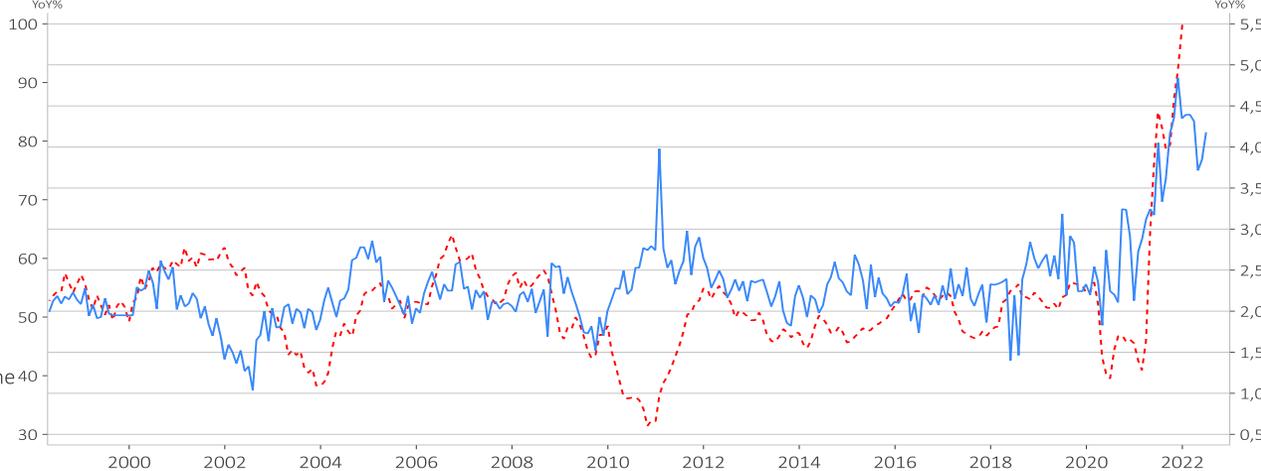
Longer delivery times drive up consumer prices in the US

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

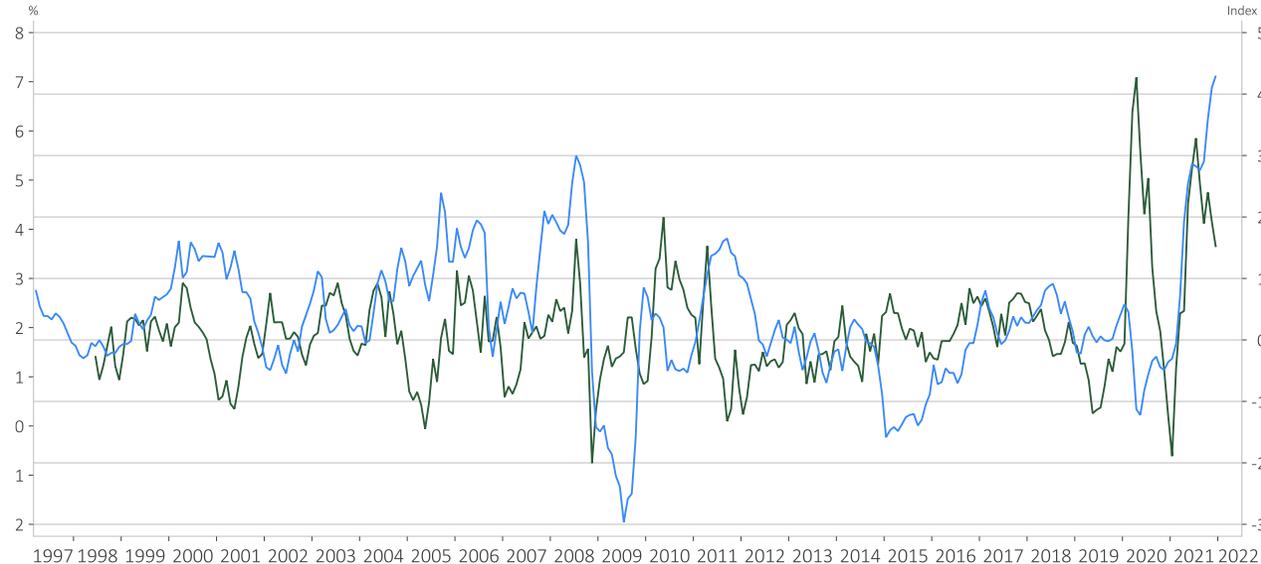


— United States, Consumer Price Index, All Urban Consumers, U.S. City Average, All Items, SA, Index, lhs
 — Business Surveys, Federal Reserve Bank of Kansas, Supplier Delivery Time, Versus a Month Ago, 10th Fed district, rhs
 Source: Erik Penser Bank, Macrobond

Easing Supply Disruptions



— United States, Business Surveys, Creighton University, Mid-American Purchasing Manager Index Survey, ...
 - US Core CPI, rhs
 Source: Erik Penser Bank, Macrobond



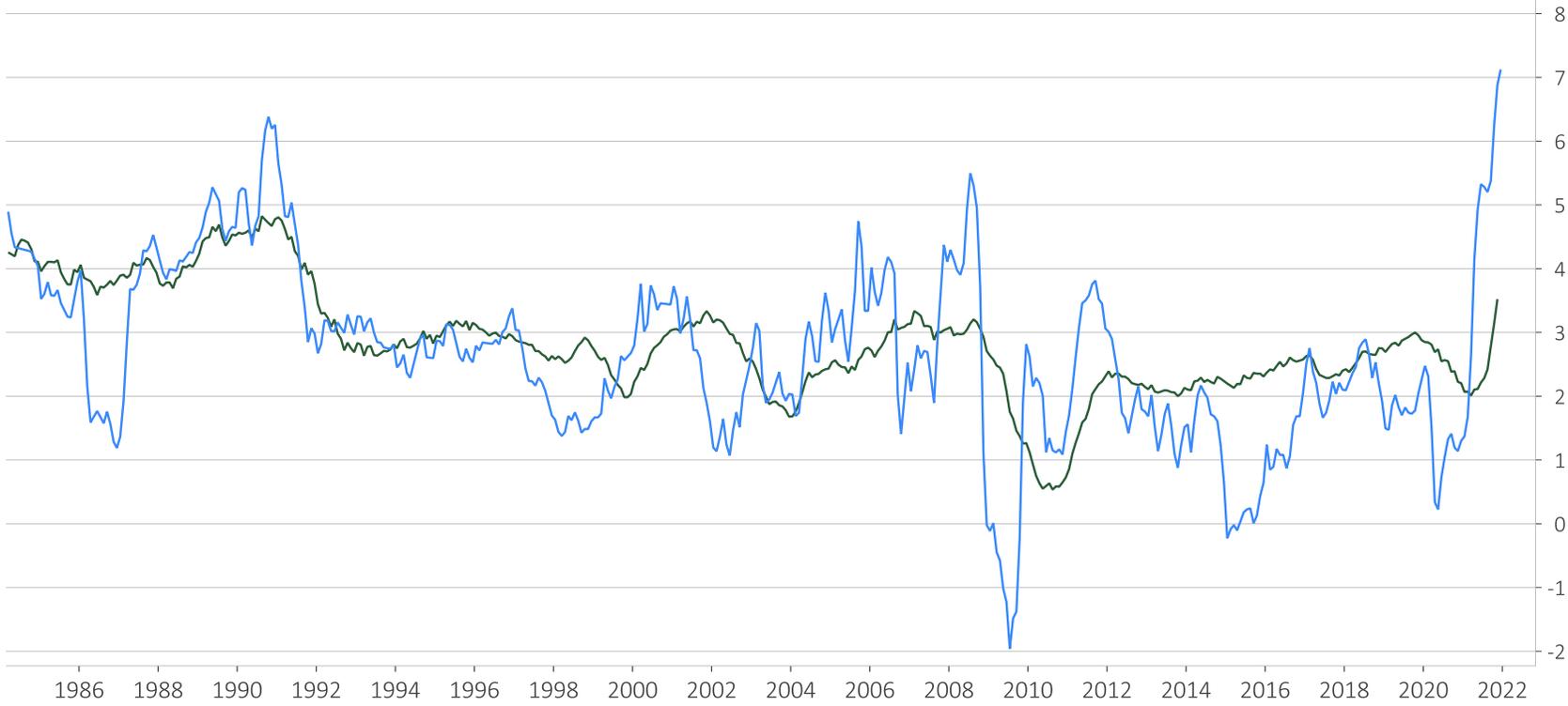
— United States, Consumer Price Index, All Urban Consumers, U.S. City Average, All Items, SA, Index, lhs
 — Global Supply Chain Pressure Index, rhs
 Source: Erik Penser Bank, Macrobond



Transitory...

By omitting outliers (small and large price changes) and focusing on the interior of the distribution of price changes, the median CPI and the 16 percent trimmed-mean CPI can provide a better signal of the underlying inflation trend than the all-items CPI

United States, Consumer Price Index, SA



—All Urban Consumers, U.S. City Average, All Items, Index —Current Median CPI, FRB Cleveland Median, Change Y/Y

Source: Erik Penser Bank, Macrobond

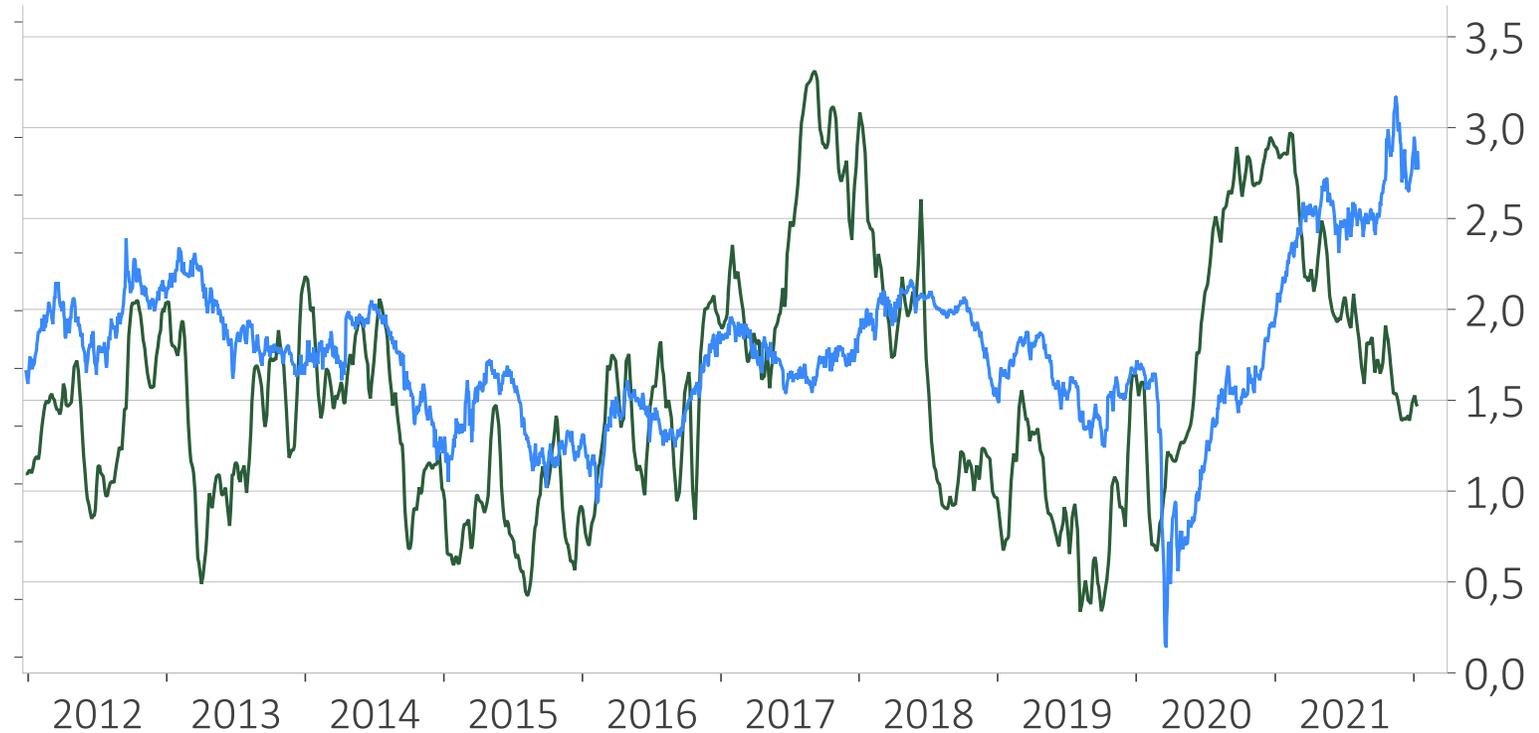


Our reflation trade indicator, priced inflation at a peak? Would seem so...for now at least!

As Powell said: inflation will not become entrenched.

“The word ‘transitory’ has different meanings to different people,” he said. “We tend to use it to mean that it won’t leave a permanent mark in the form of higher inflation.”

BIS has now warned that price trends “could even go into reverse”, the market has listened...and CPI pricing falls.



- Bond market pricing of inflation (5 yr), rhs
- Reflation trade indicator, lhs

Source: Erik Penser Bank, Macrobond

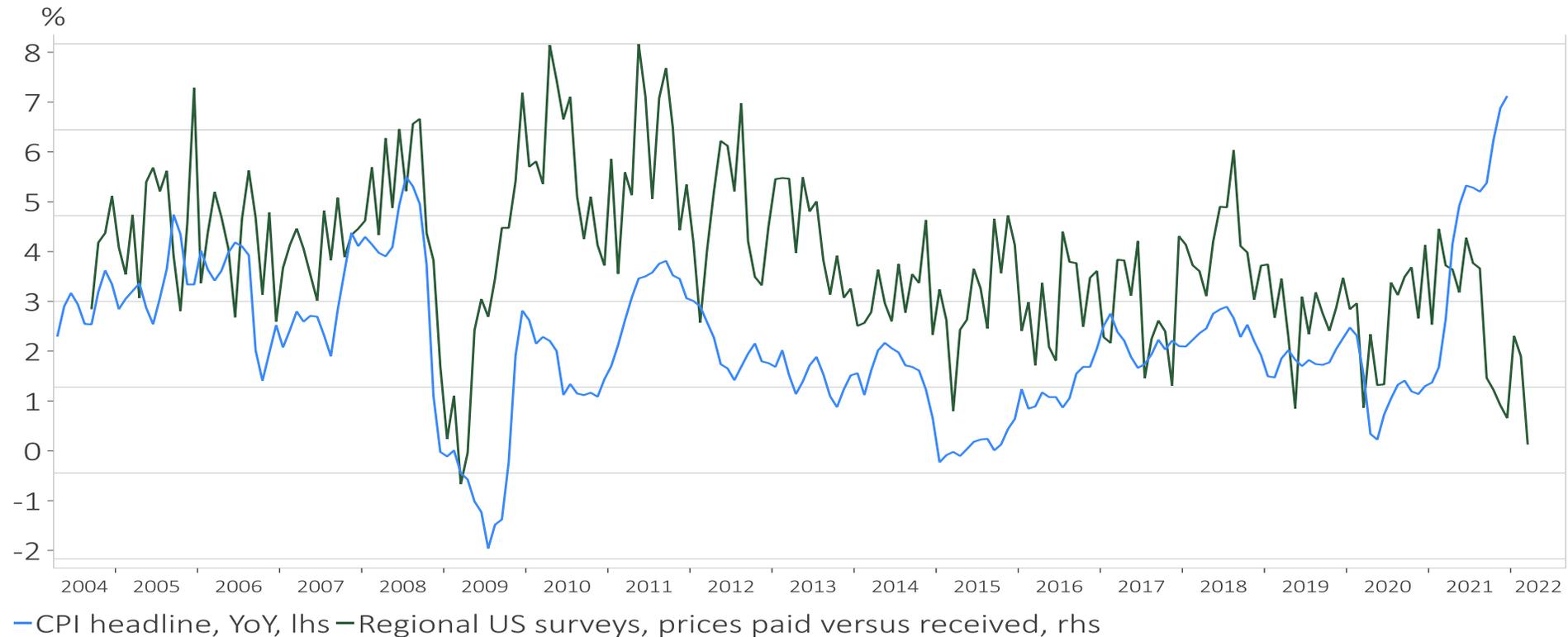


Transitory...

In fact, most FED regions agree and the markets, however as we all know the communication failed: As powell said: inflation will not become entrenched.

“The word ‘transitory’ has different meanings to different people,” he said. “We tend to use it to mean that it won’t leave a permanent mark in the form of higher inflation.”

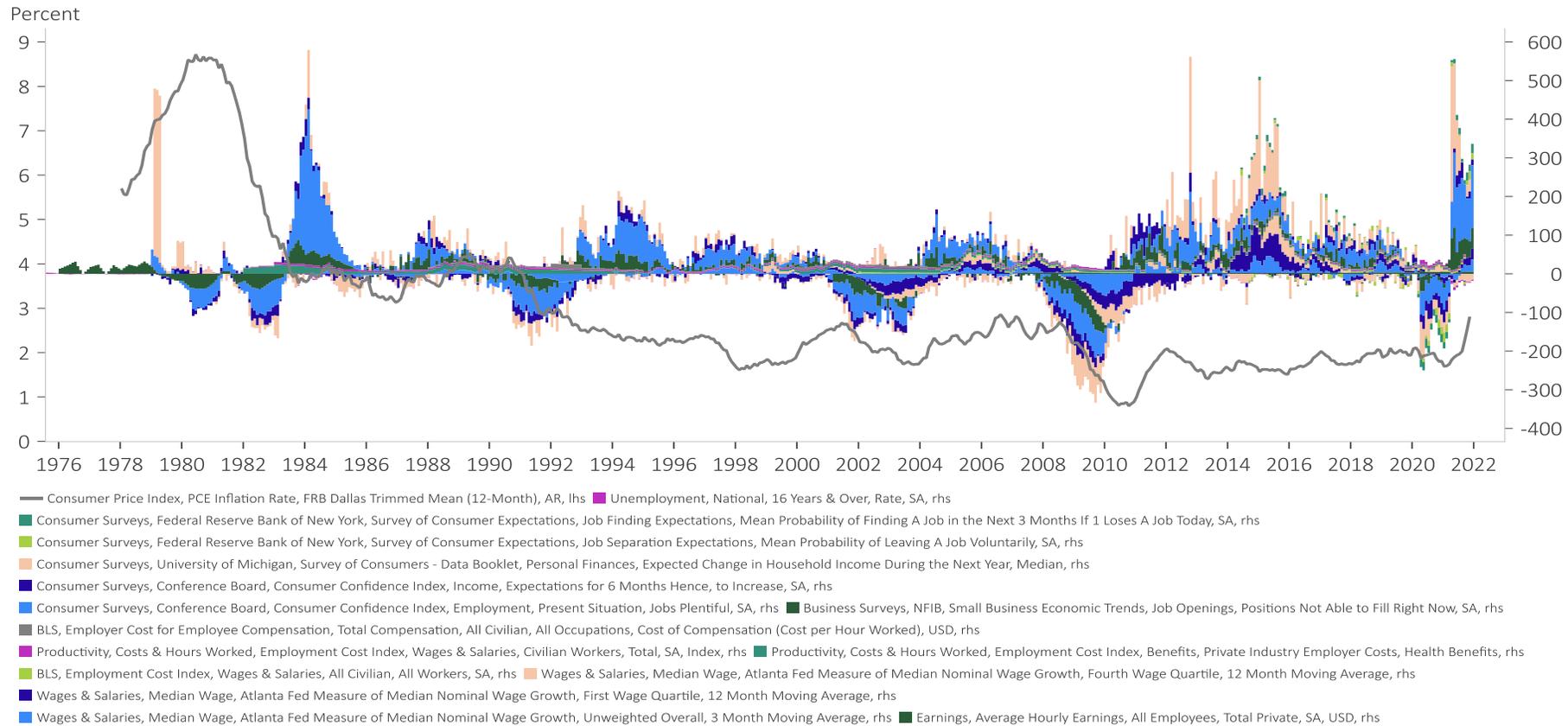
BIS has now warned that price trends “could even go into reverse”, the market has listened...and CPI pricing falls, peak was in October 2021....



Source: Erik Penser Bank, Macrobond



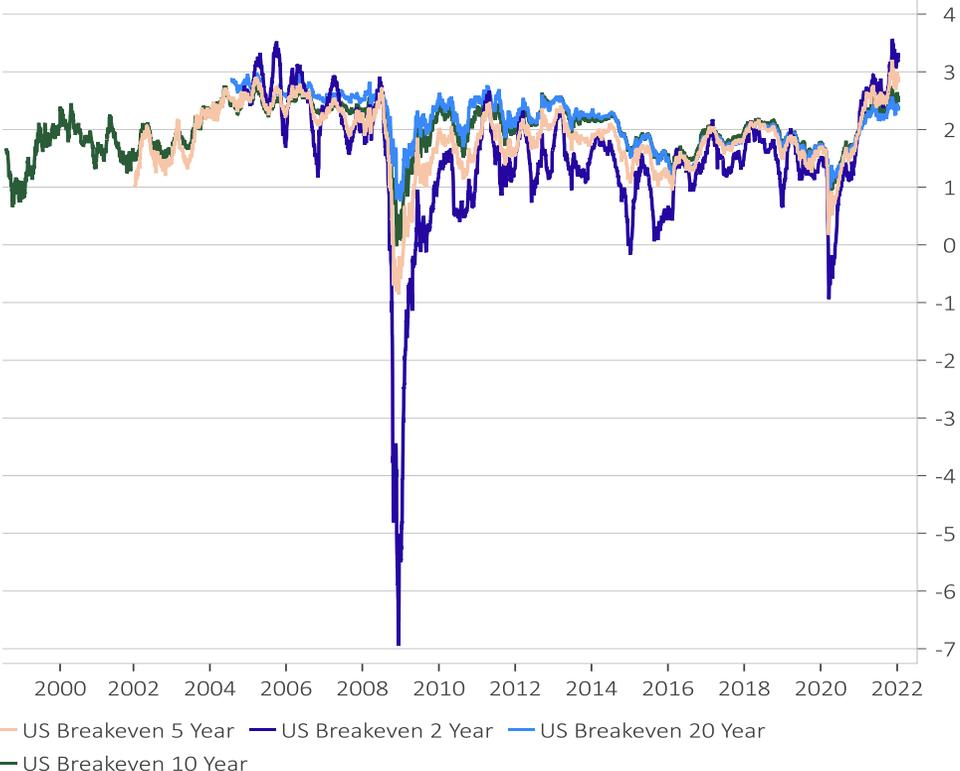
In time we must not confuse "transitory" and rising trend! I.e. good versus bad inflation IF we can overcome demographics and FED remains cool to make sure they fulfill their new mandate, we see 3 hikes in 2022, tilting to 2!



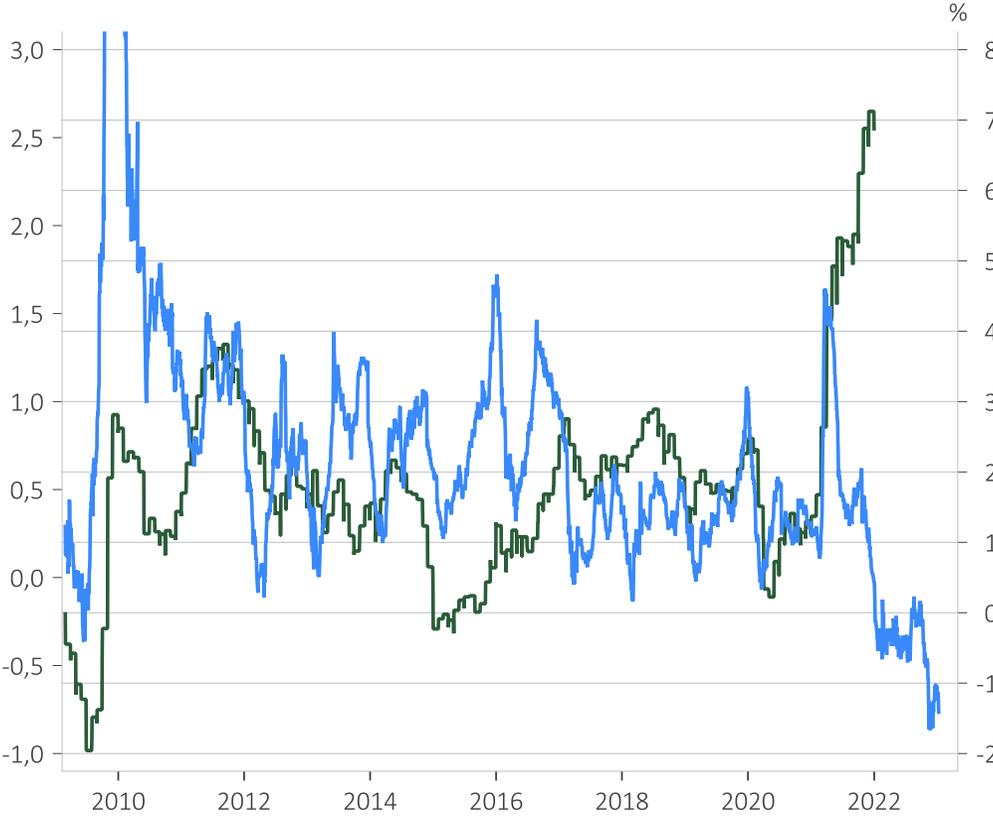
Source: Erik Penser Bank, Macrobond



Inflation breakevens...pointing to LOWER yields...why we can't shake falling CPI



Source: Erik Penser Bank, Macrobond



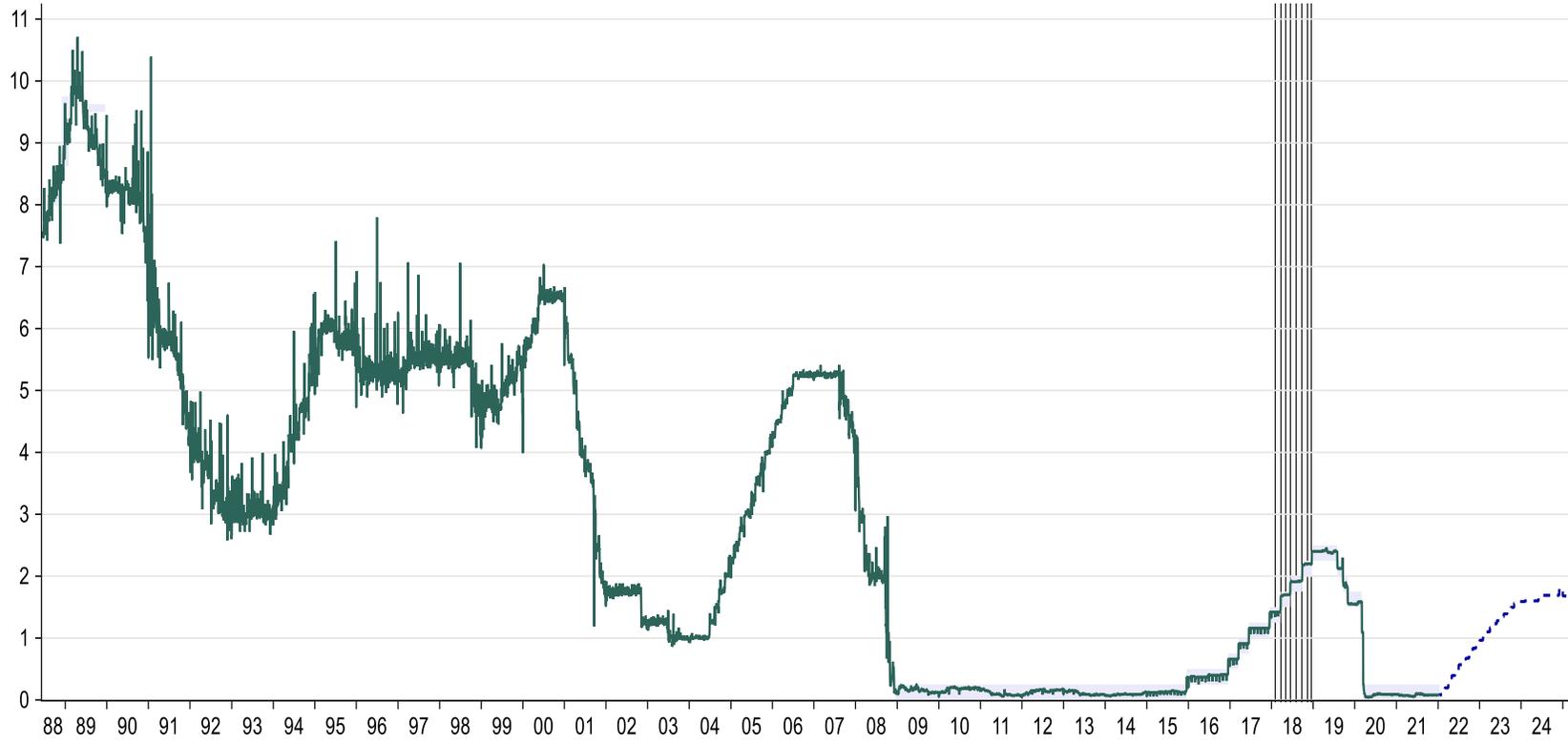
— Inflation model, priced inflation curve, lhs
 — US, CPI headline YoY, rhs

Source: Erik Penser Bank, Macrobond



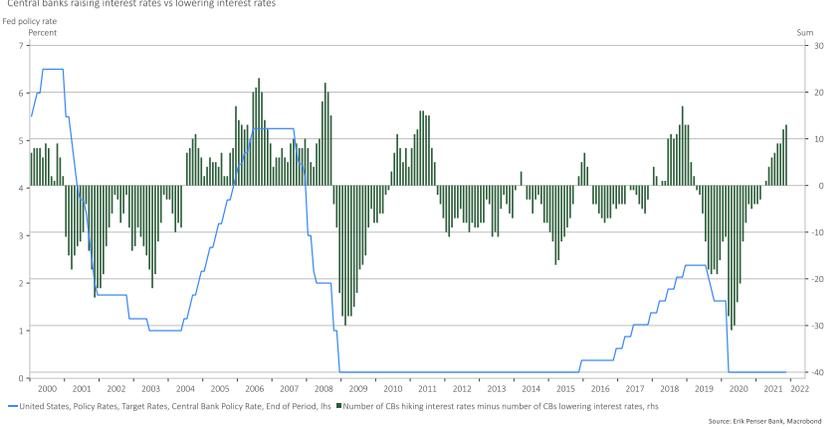
FED Outlook – futures call for almost 3,6 hikes in 2022, but curve is very low given the downside pressure from macro – we see 2,5 hikes in 2022. For once, FED lags RoW...

FED Funds Future Rate
Vertikala linjer = FED möten



==Priced FED rate FED rate, upper and lower range

Global monetary policy cycles vs Fed policy rate



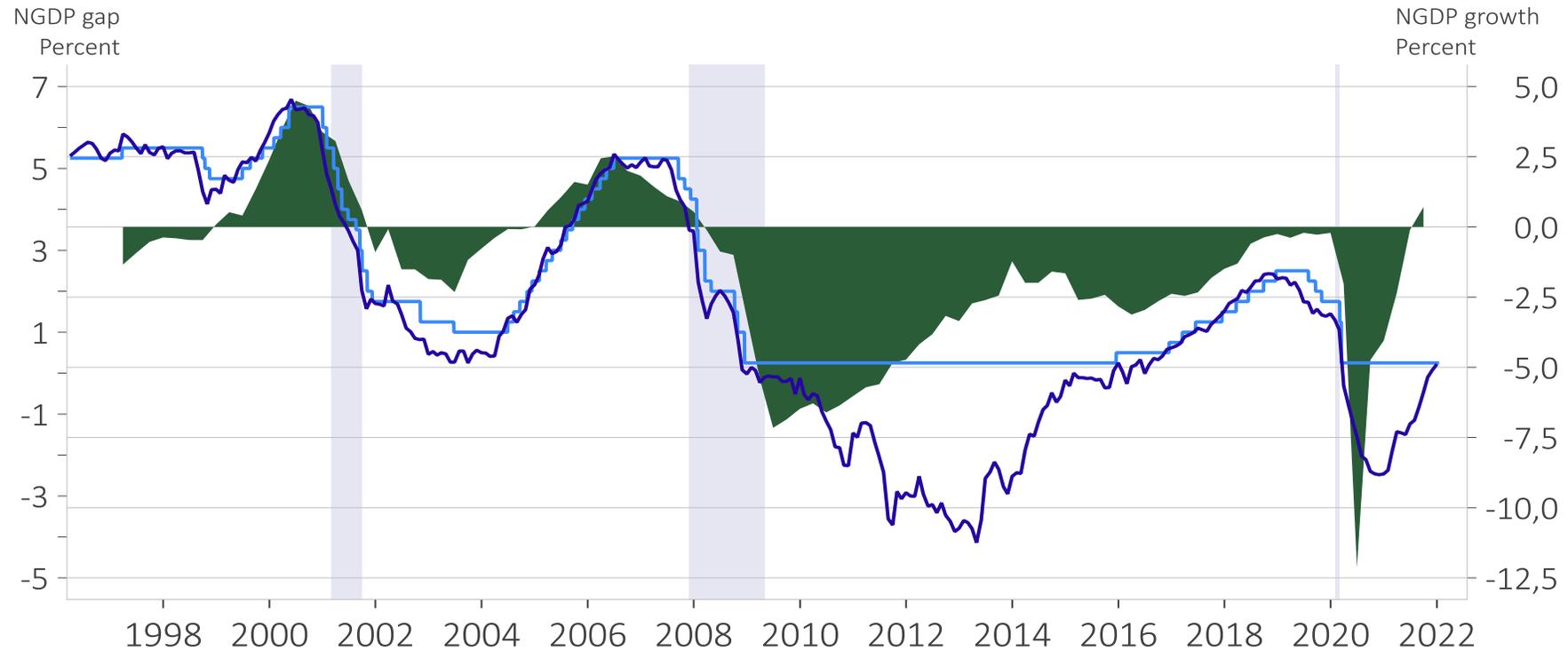
Källa: Erik Penser Bank & Macrobond



Remember the talk “FED should target nominal GDP”?

NGDP growth and Mercatus NGDP gap

Values below zero indicate NGDP below expectations (natural trend) and therefore tight monetary policy



— NZ Shadow Short Rate - US, lhs

— United States, Policy Rates, Target Rates, Federal Funds Target Rate, lhs

■ NGDP gap, rhs

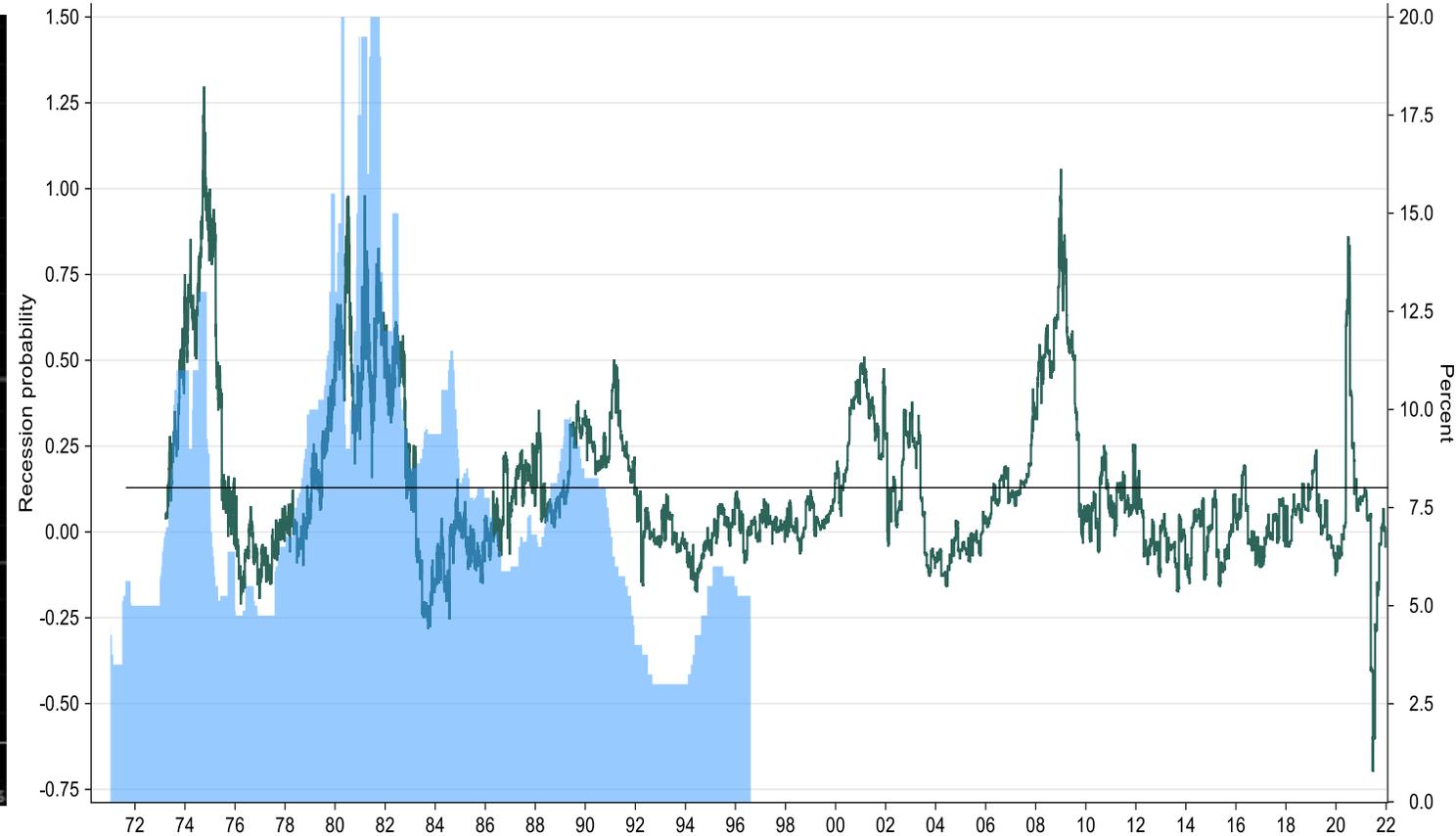
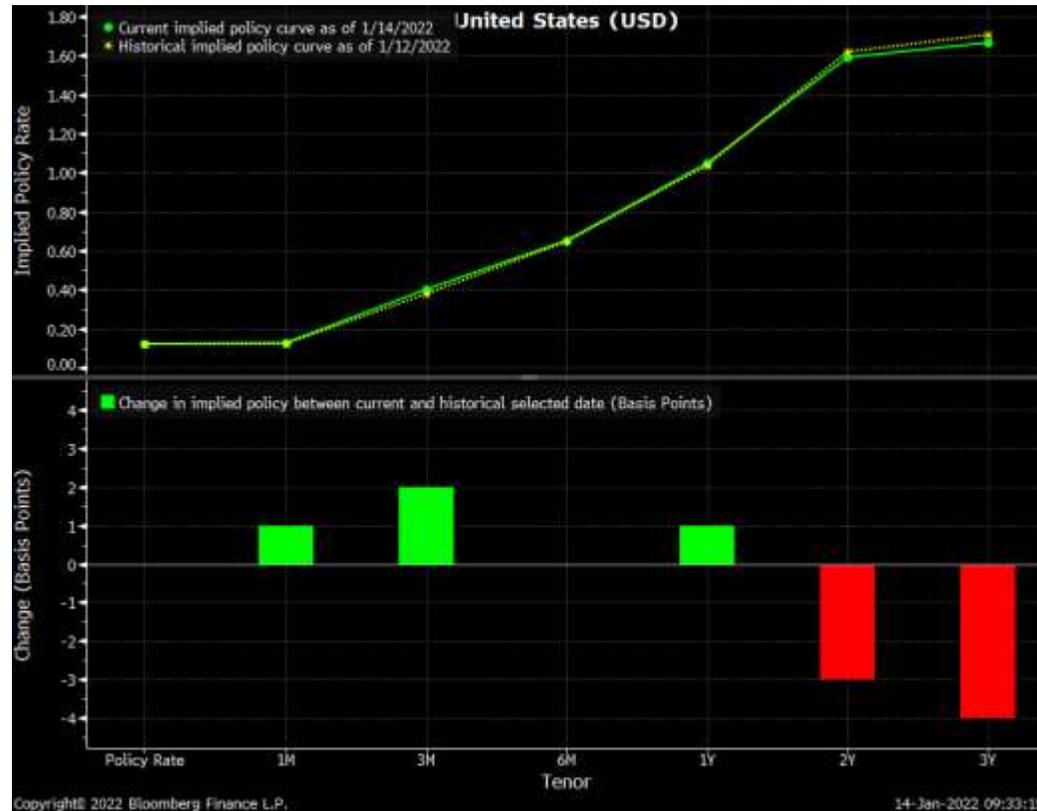
Source: Erik Penser Bank, Macrobond



Over latest FED announcements the futures curve flattened!

Do not confuse talk with market impact!

Erik Penser Banks US recessions monitor



Källa: Erik Penser Bank & Macrobond



Most alerted data

USA

- NY FED activity index
- 19e **Building permits, housing starts**
- 20e Claims, Philly FED activity index
- 21a Leading index

China

- 17e Production, Q4 GDP

Japan

- 17e Core orders
- 18e BoJ policy rate

Eurozone aggregated

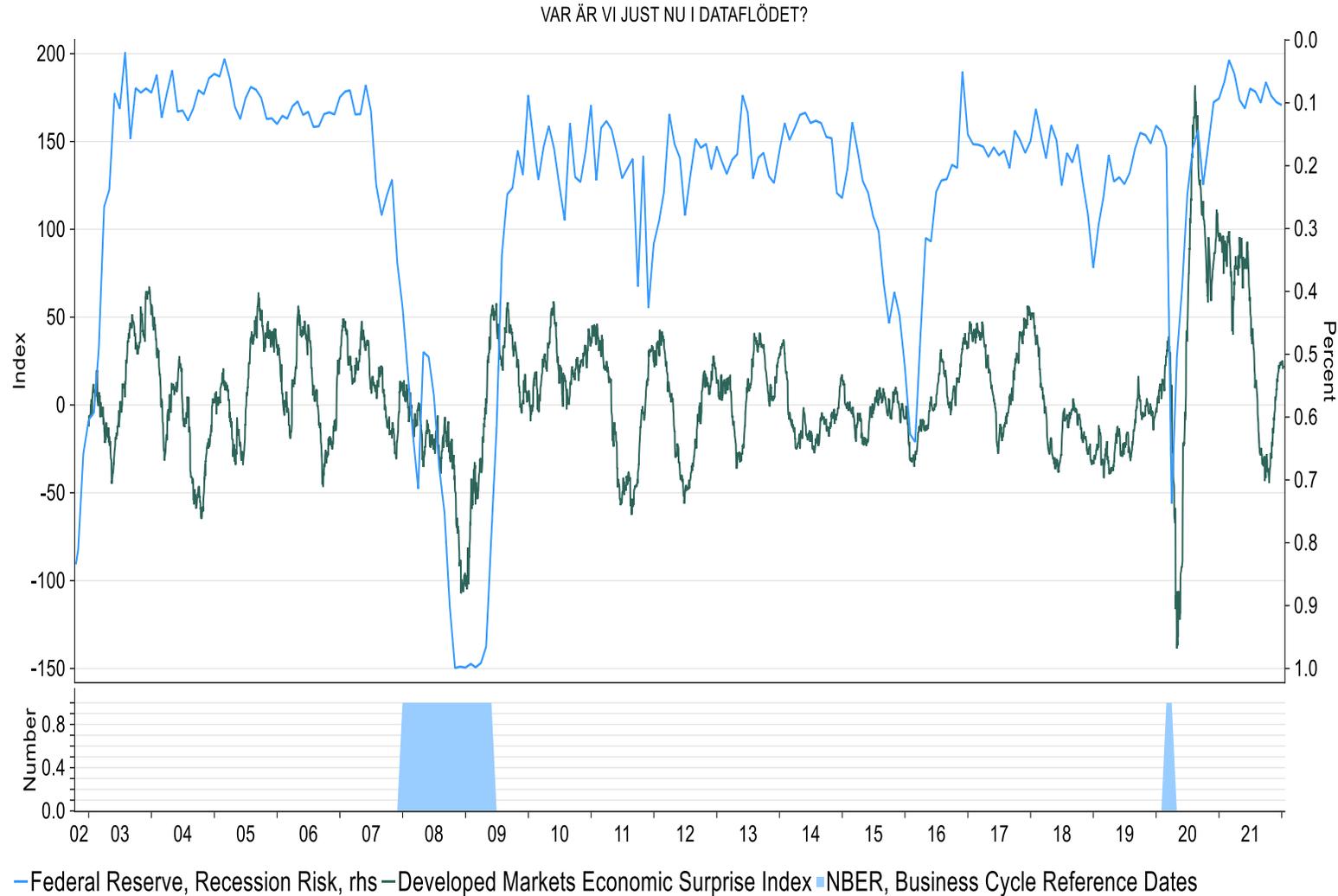
- 18e ZEW

Germany

- 18e ZEW

Sweden

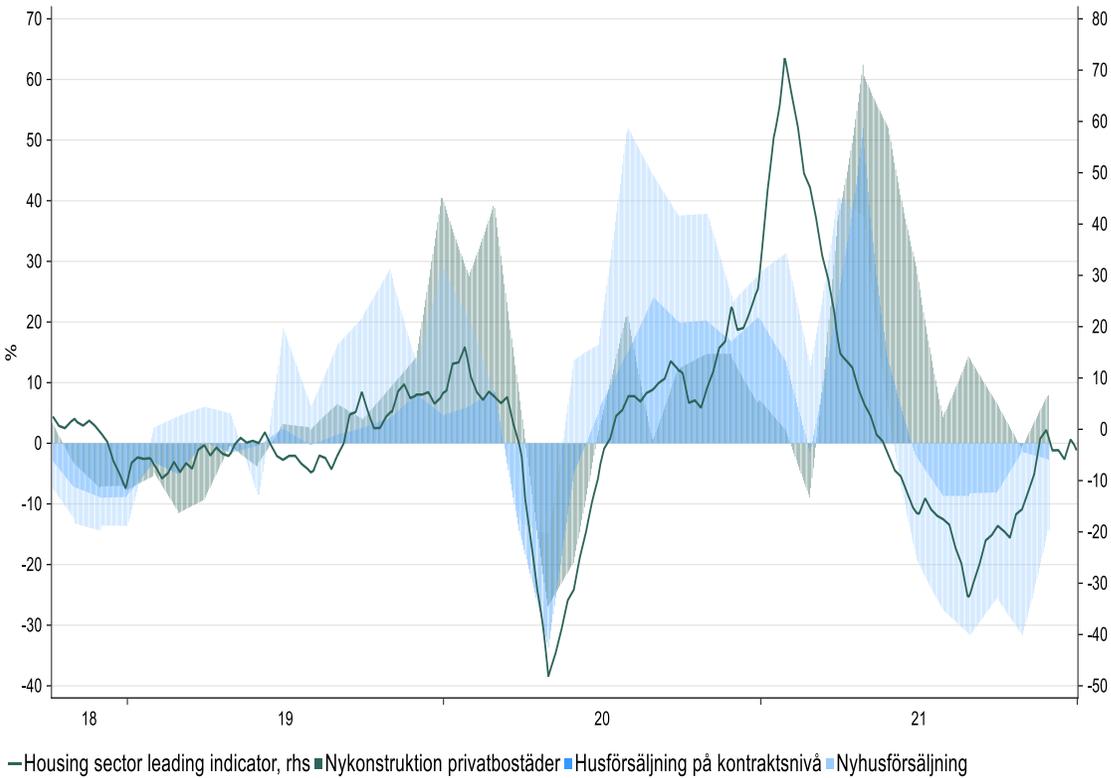
- na



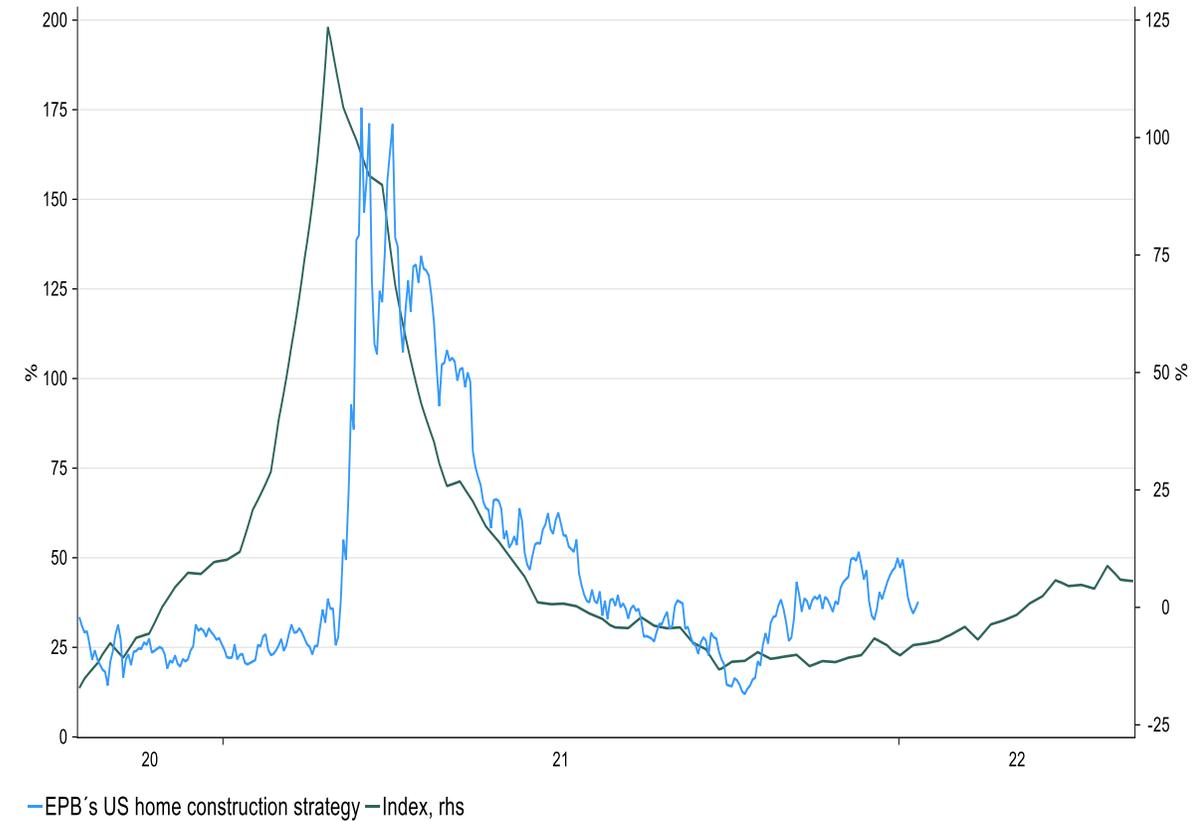
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US`s housing – rebound is already here



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