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.

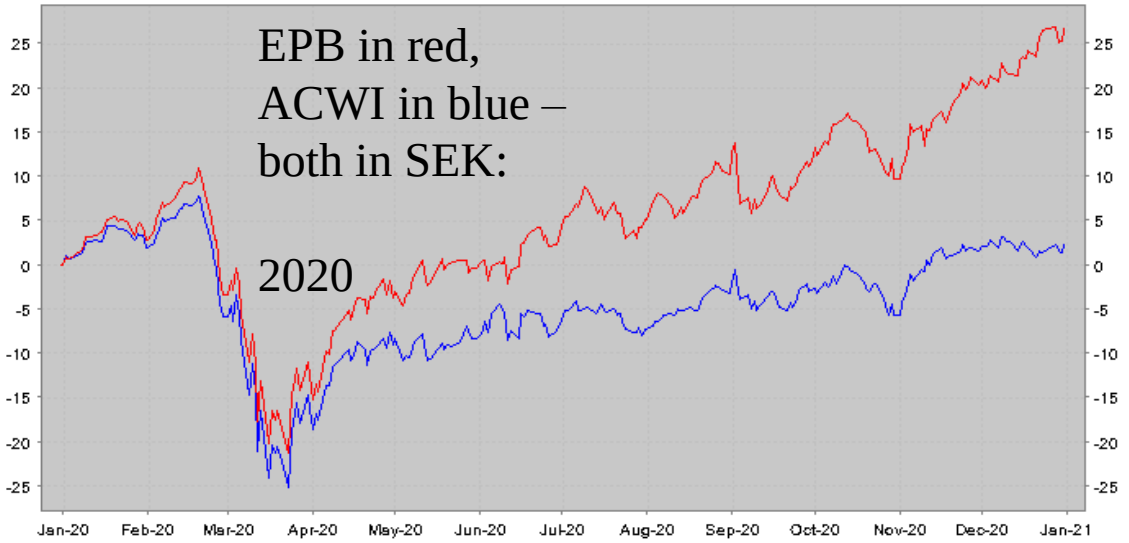
Head of Asset Management

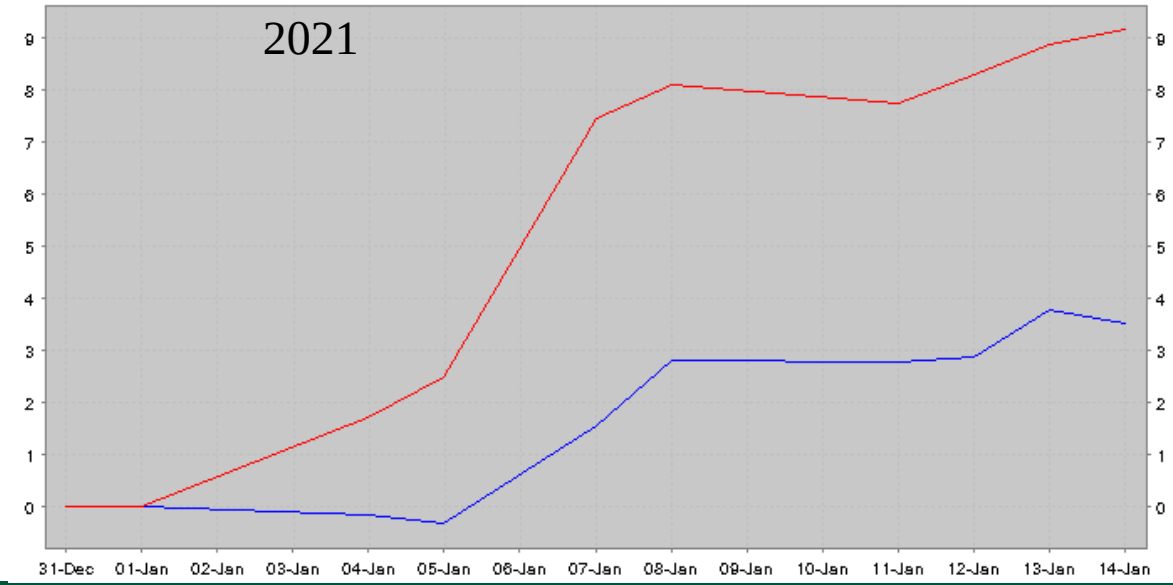
Twitter; @jwthulin

ERIK PENSER BANK

Global equities, outperforming benchmark by +5,6% in 2021
Global equities, total return: +9,2%

- **We take ACTIVE risk, huge deviation from benchmark (ACWI)**
- **We maintain SAME RISK level as benchmark**
- **We have a stable and constant outperformance compared index.**





- Tracking error: **~7%**
- Active weight: **>70%**
- Beta: 1
- Volatility: +0,15% compared benchmark

- 2020 our asset allocation delivered +24,6% in pure alpha

vs Peers as of 30th of Jan 2021

Same mandates, same risk allocations, we compete against Swedish, Nordic and global banks´ listed products.

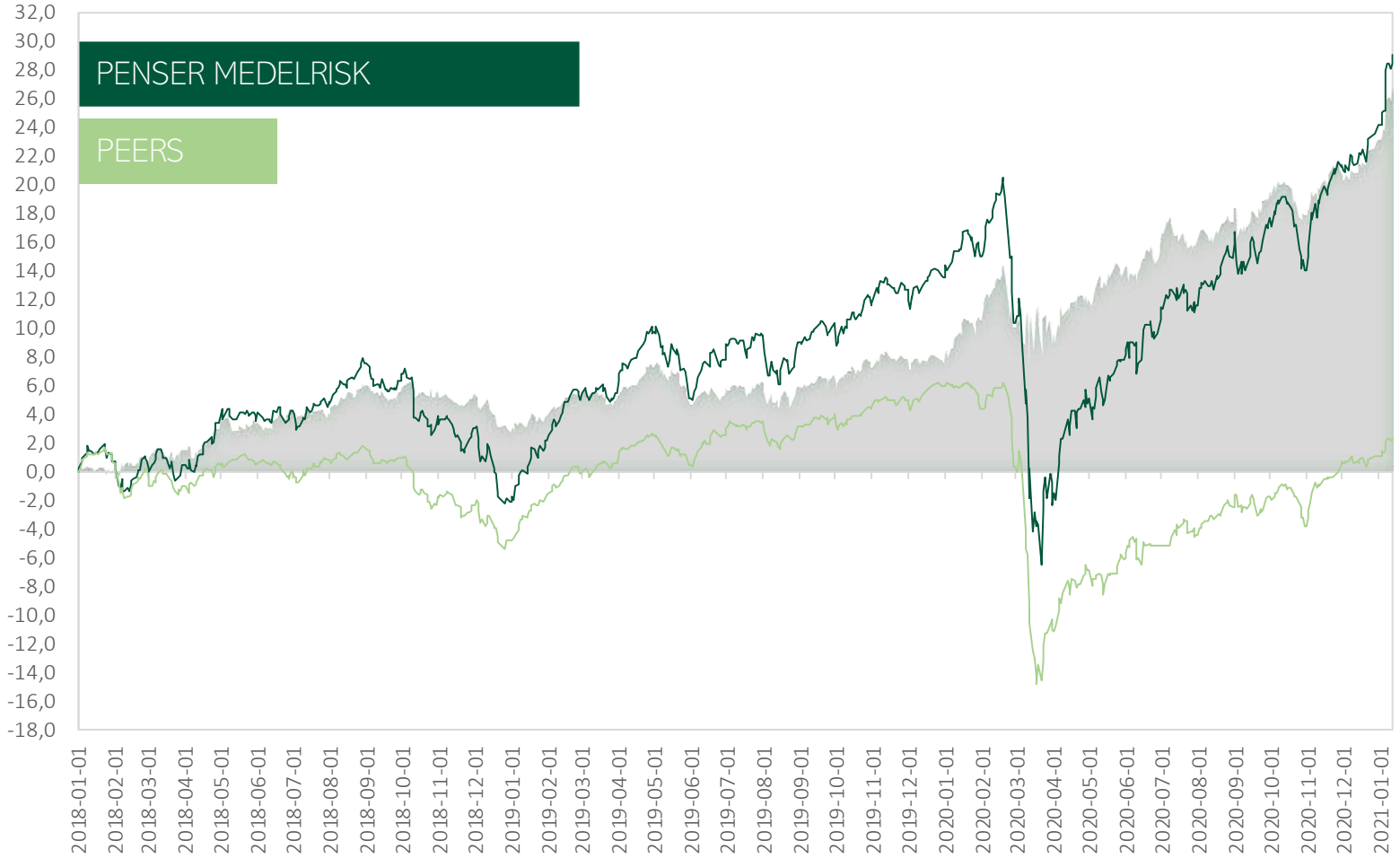
We are the current frontrunner in all risk-categories.

Our medium risk allocation has, from 1/1-18, delivered 3(!!!) years extra return compared competitors, local and global.

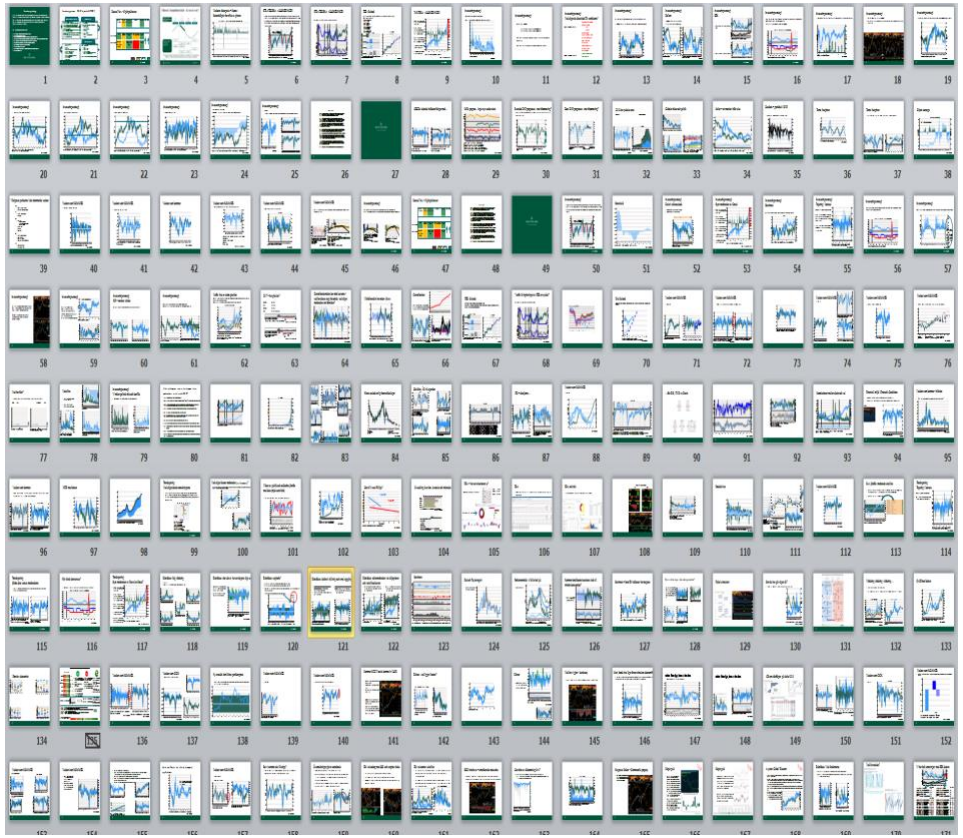
OUR GAP TO THE REST = +26,7%

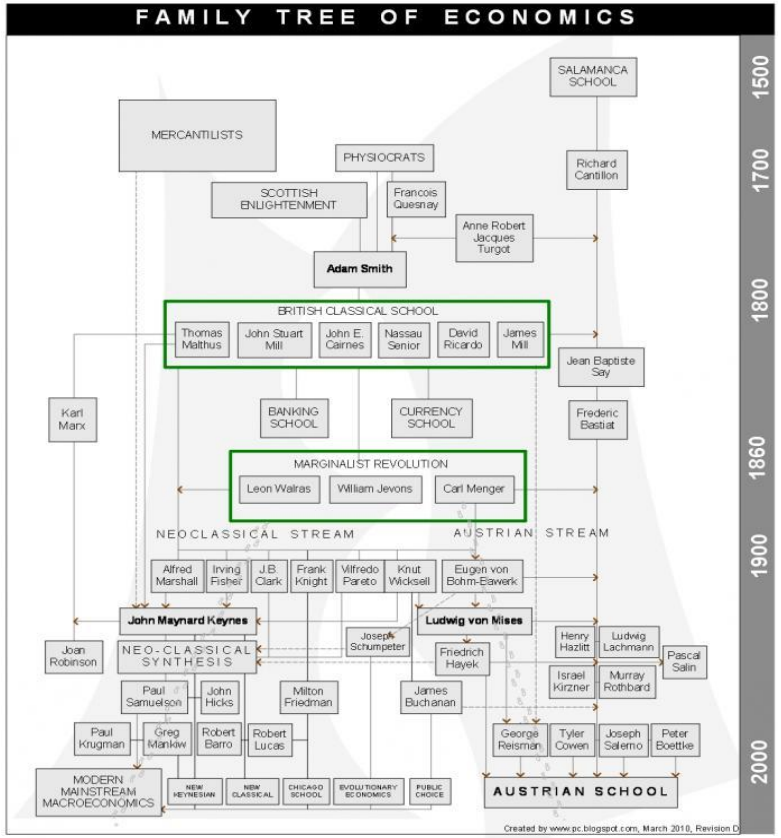
	YTD			1Y			2018-01-01		
	Portfölj	Peers*	Diff	Portfölj	Peers*	Diff	Portfölj	Peers*	Diff
PENSER LÅGRISK *vs Peers*	3,16	1,72	1,44	3,96	1,39	2,57	13,93	13,72	0,21
PENSER MEDELRISK *vs Peers*	5,27	2,90	2,37	12,63	1,70	10,93	29,04	2,32	26,72
PENSER HÅLLBARHET *vs MSCI ACWI Index 70% & Stockholm OMRX Treasury Bill 30%*	6,19	2,97	3,22	22,20	2,59	19,61	54,36	28,80	25,56

Compared Swedish and global competitors we keep our outperformance



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





2021 themes implemented in our portfolios

#1
Global macro will continue its strong recovery, but there are wild differences between countries, regions and sectors – we **implement highly specified risks**
Watch: global trade and who´s leading and who´s falling off the wagon
Watch: capex will recover, huge spread between sectors
Watch: continued stimulus, but not all countries are playing along

Consensus will be behind the curve in the cycle, as it was in 2019 & 2020
TRADE THE RECOVERY / DATA, **not the consensus**

#2
USD will stage a comeback, coming back in line with fundaments as the speculative rally is running out of breath. We keep **short SEK** exposures, added on 30th of Dec (8,20), we carry Aug loss. We are still positioned for **STEEPER US** rate curve, a trade that has returned +8% in 2021 alone.

#3
Equity allocations will continue to rise. We stay **OVERWEIGHT** equities, a position held since we hit the trough on the 24th of March 2020

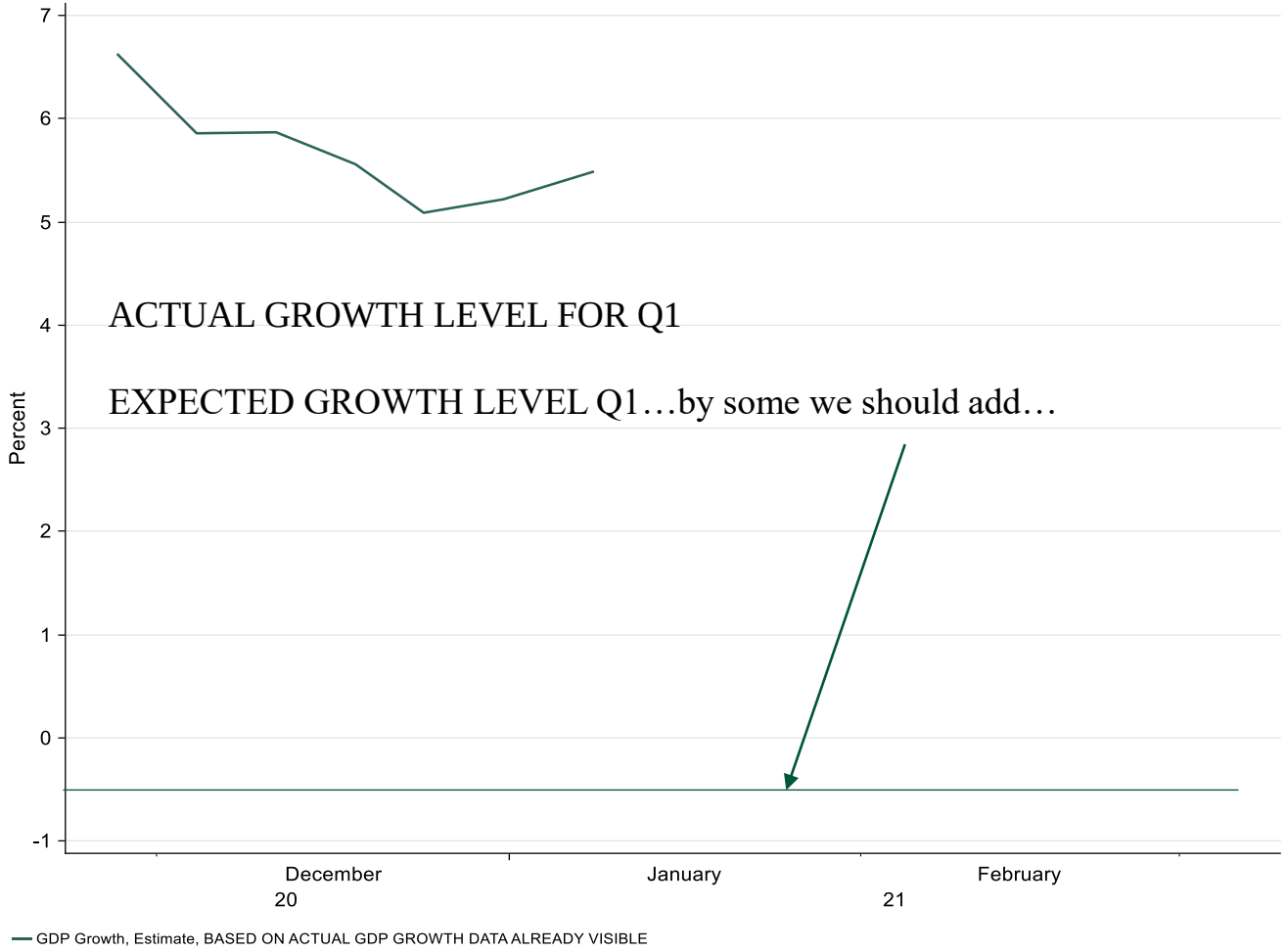
#4
Equity growth will REMAIN tightly linked to macro, joined by the hip, just as in 2020!

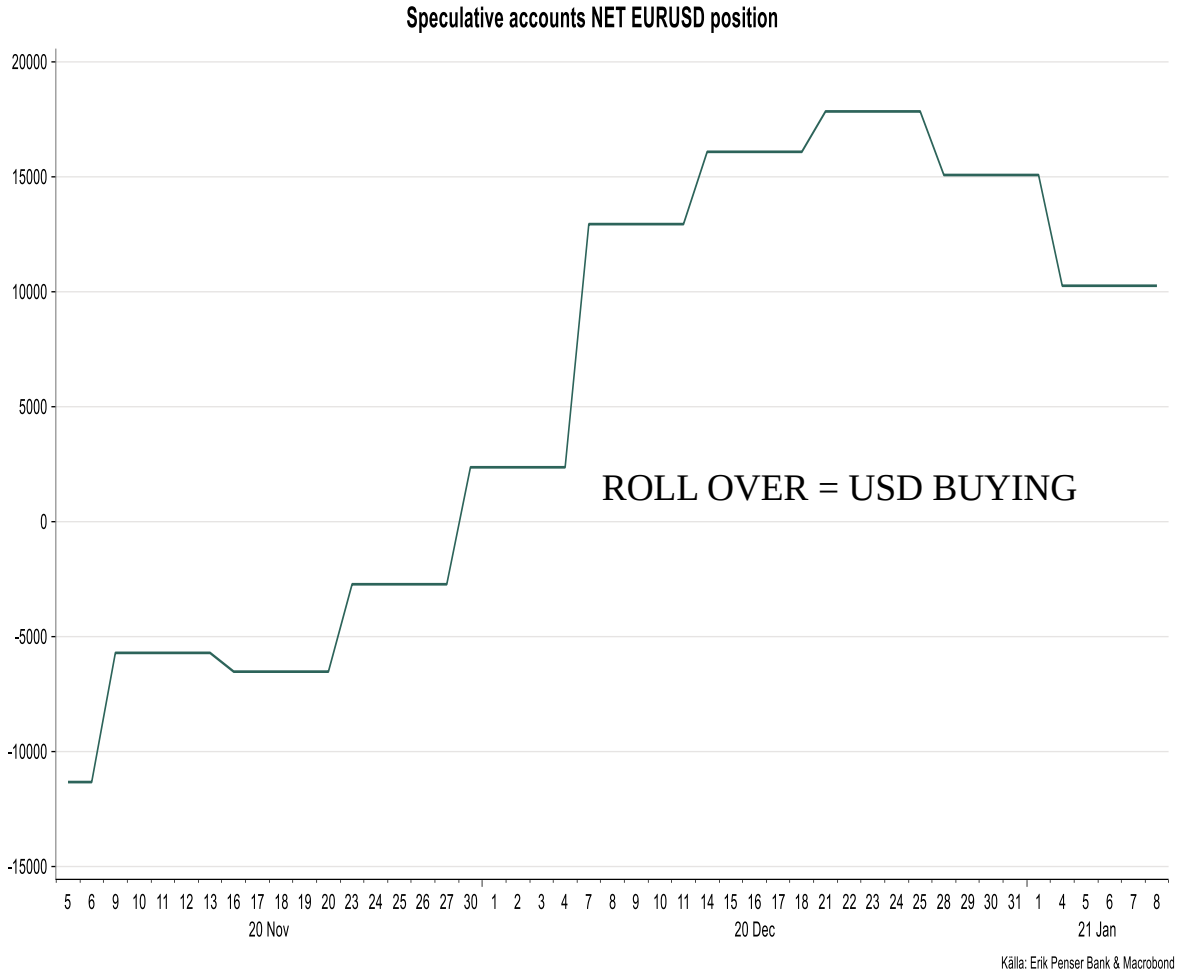
#5
COVID-19 – the appearance of a negative risk premia has not disappeared, and won´t until vaccines have been rolled out

#6
Stimuluses to be maintained - Follow the money and trade in the backwaters of these, let´s assume 1 tr in fiscal stimulus, that = +1.5% GDP growth in 2021, AND +0.5% in 2022.

Sustainability will drive flows and with it regulatory arbitrage, we have aligned our portfolios

The 2 most important time series in the world…in my mind

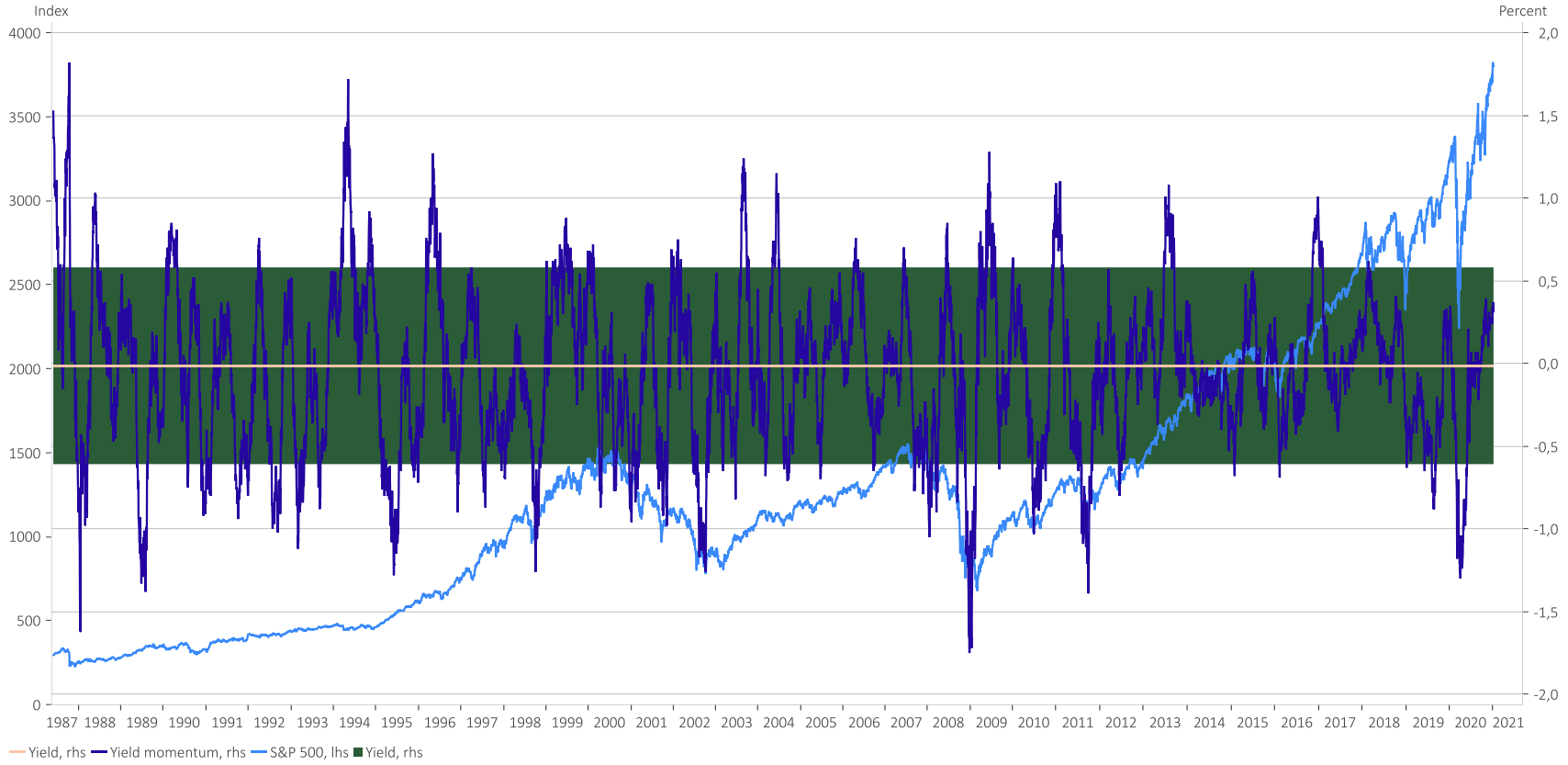




Källa: Erik Penser Bank & Macrobond

Taper Tantrum?
i.e. as yields pop up they could limit equities' autostrada

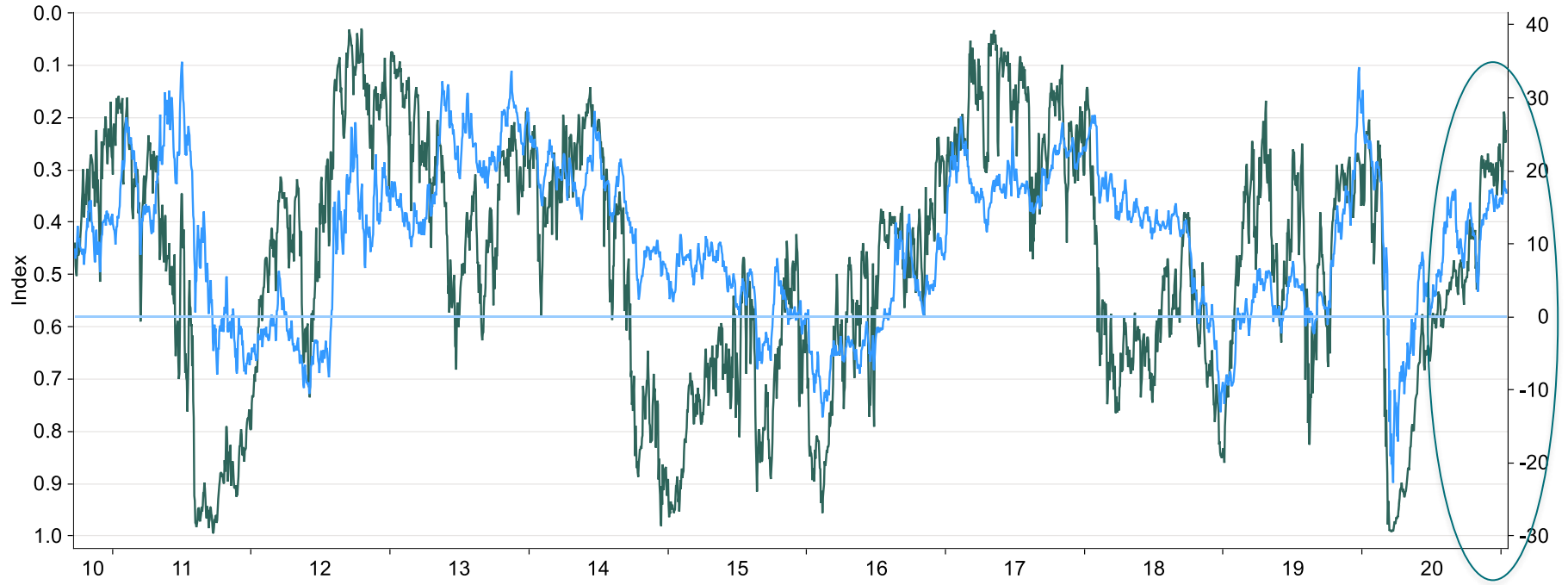
Below we time this…note, the relationship yield vs equities is massively oversimplified, on the next page we illustrate WHEN and IF yields cause stress, volatility etc…this is key. We therefore predict that we will read pages upon pages of the yield vs equities situation, but unless we time and track the implications we might make the wrong mistake and trade poorly. SO FAR THE CLIMB IN YIELDS IS NOT LIMITING EQUITIES!



Source: Erik Penser Bank, Macrobond

Risk monitor based on broader macro input

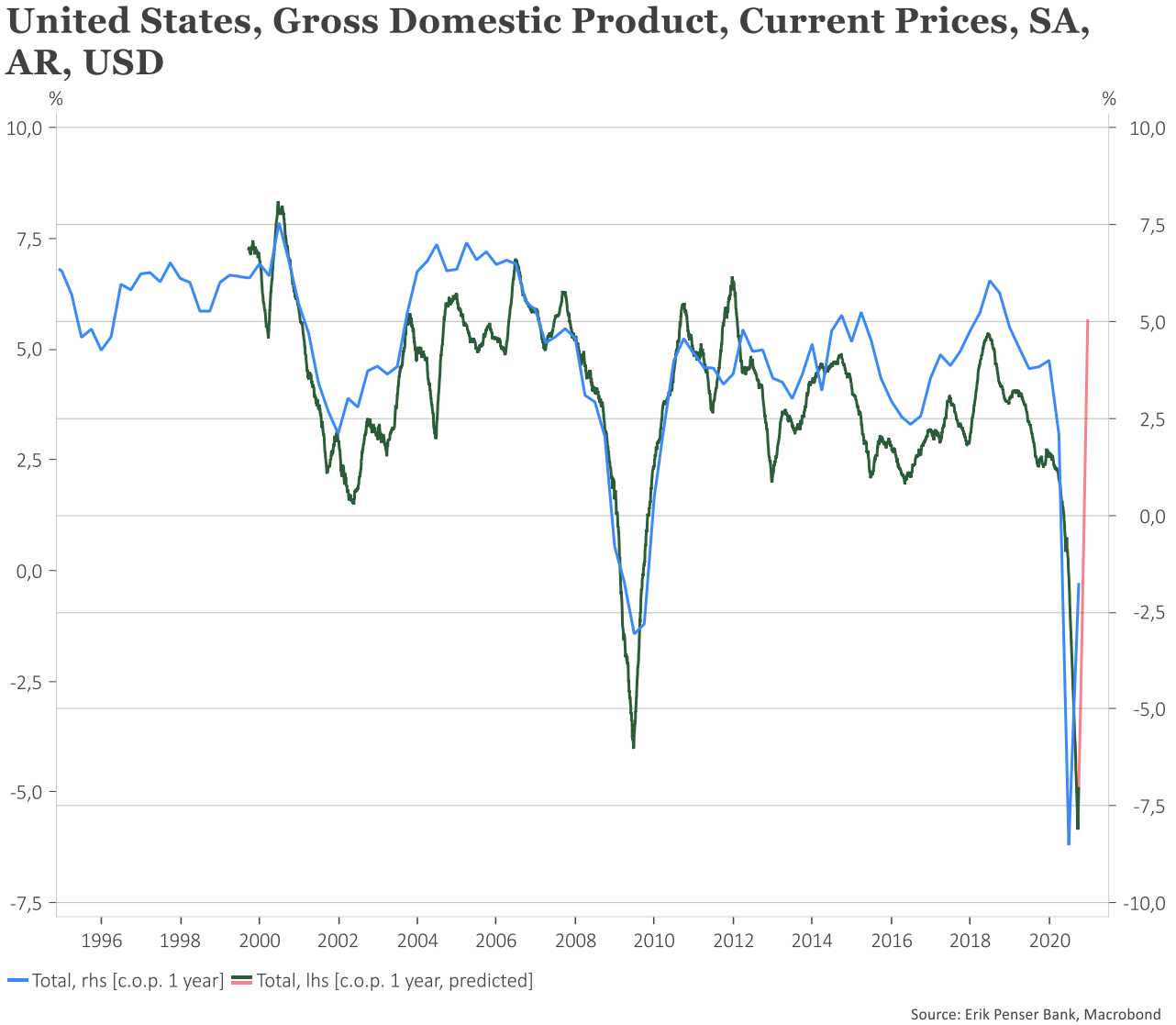
Below risk monitor troughed a week before equities (part of our trough call on the 24th of March).
UNLESS yield momentum impacts broader markets, the economy, it is to be disregarded (part from keeping our US curve steepener, long USD exposures ☺)!



Källa: Erik Penser Bank & Macrobond

US nominal yield to break above 0!

Rising yields are far less concern when and if nominal GDP growths!

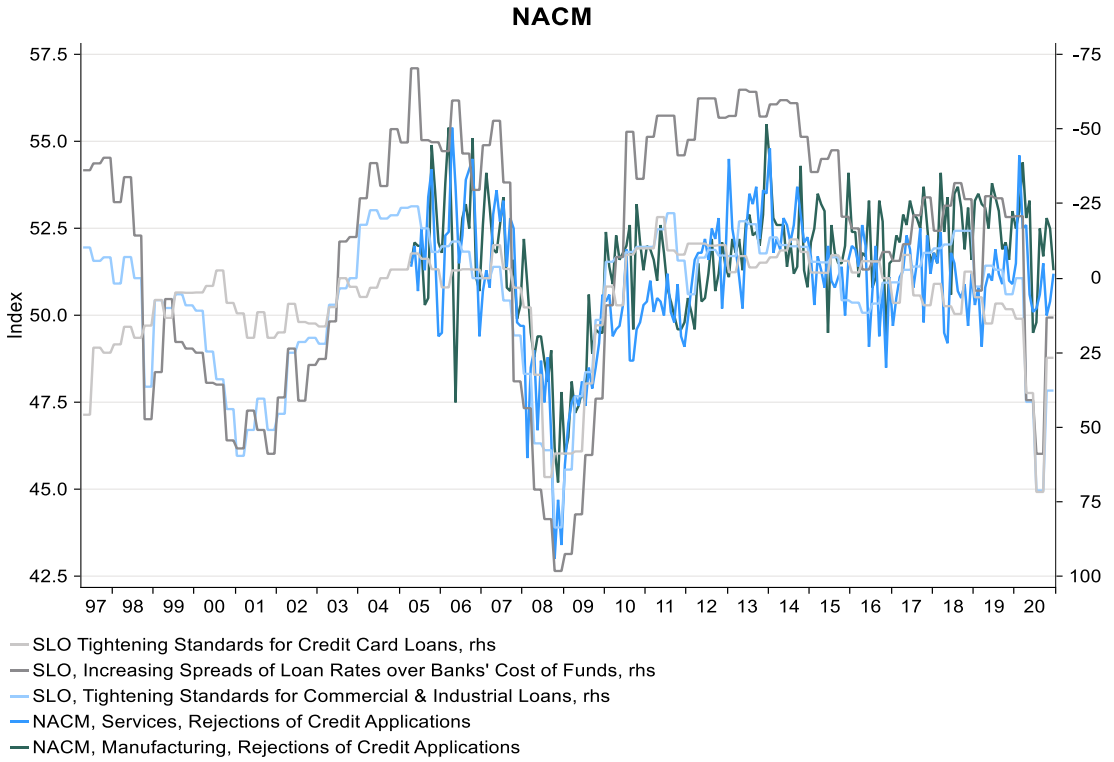


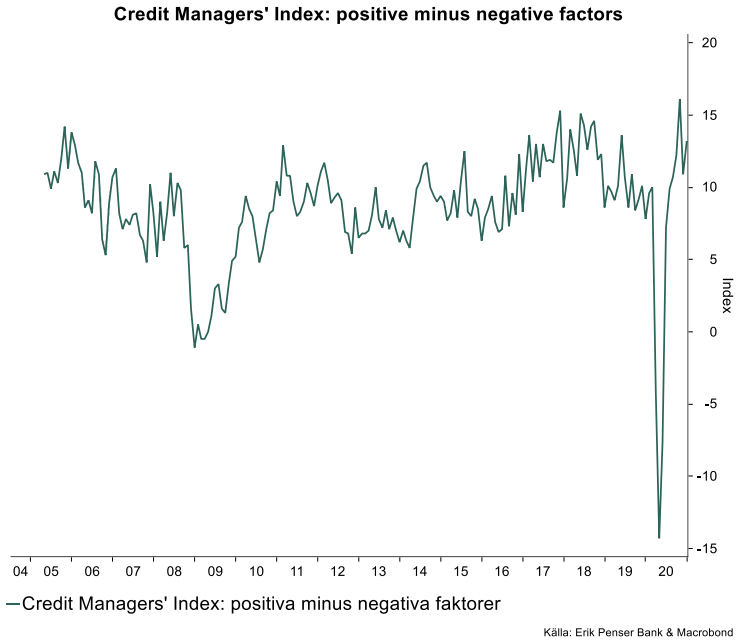
Source: Erik Penser Bank, Macrobond

Reg houseview about CapEx
USD Financing Gap, or is the Policy Tent keeping the rain out?

As we wrote in April: ”so far the policy tent is holding up, as seen in spreads in the market (leading equities), we stick to this view.”

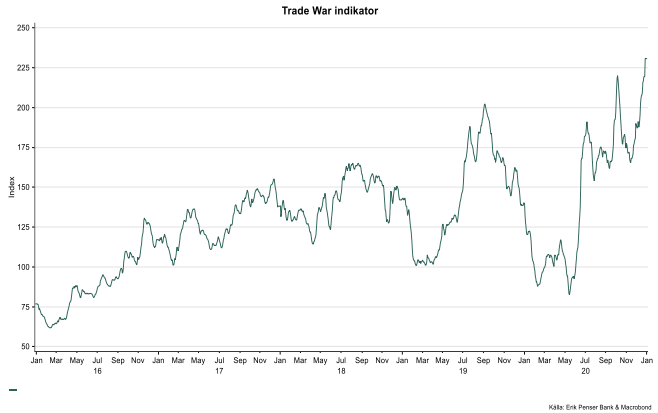
These indicators were also proven right….and VITAL for CapEx



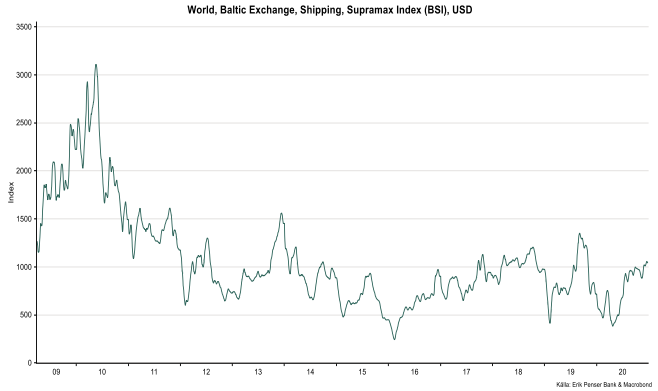


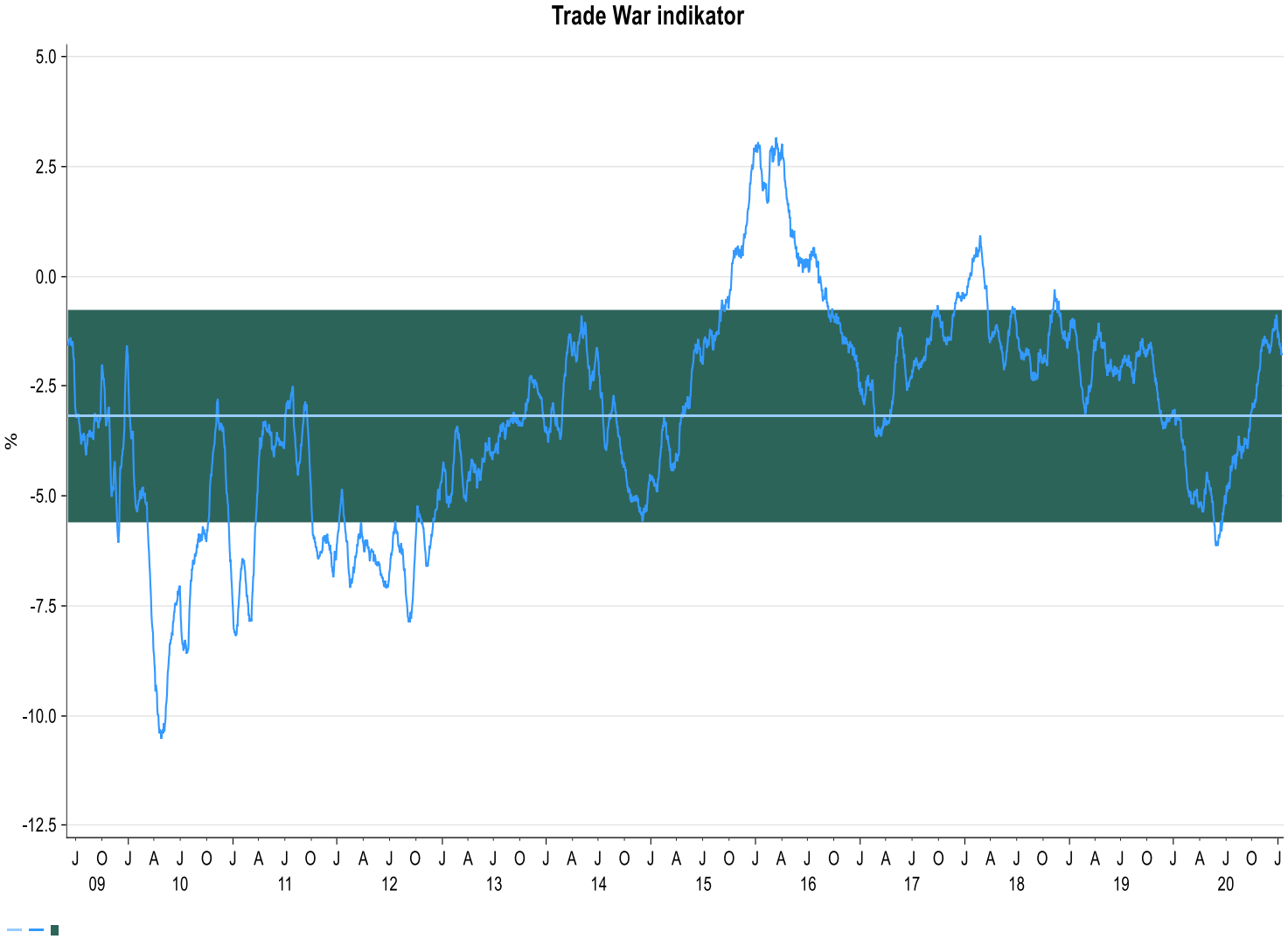
Trade numbers…trade in ”shipping terms”

- Shipping



- Supramax

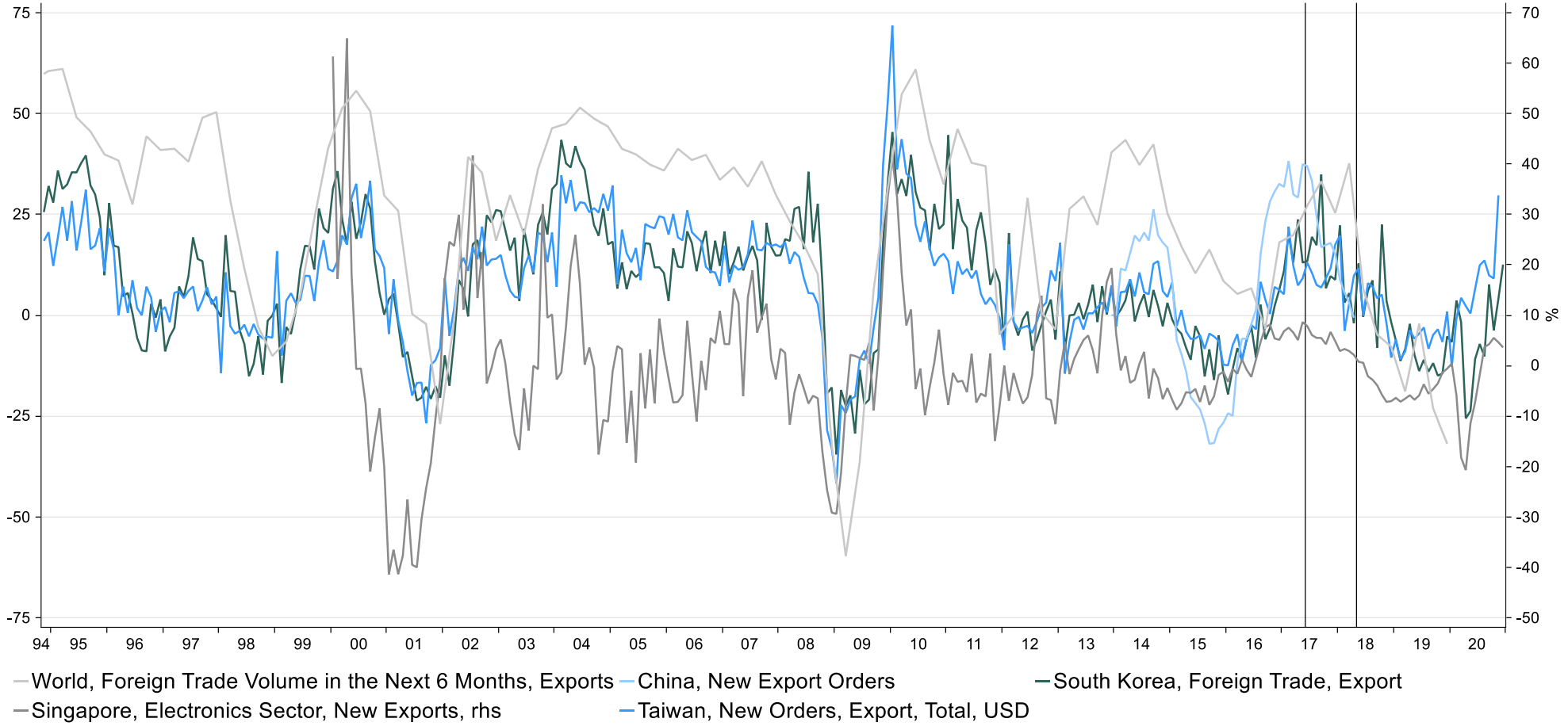




Källa: Erik Penser Bank & Macrobond

Trade War indicator depicts a solid V

Using data pinpointed by Bloomberg (version 1)



Källa: Erik Penser Bank & Macrobond

Macro

We called an equity trough on the 24th of March

We called a V-shaped recovery in April

Both calls stand and have materialised already (obviously not in all data, but, importantly, in the data that matters).

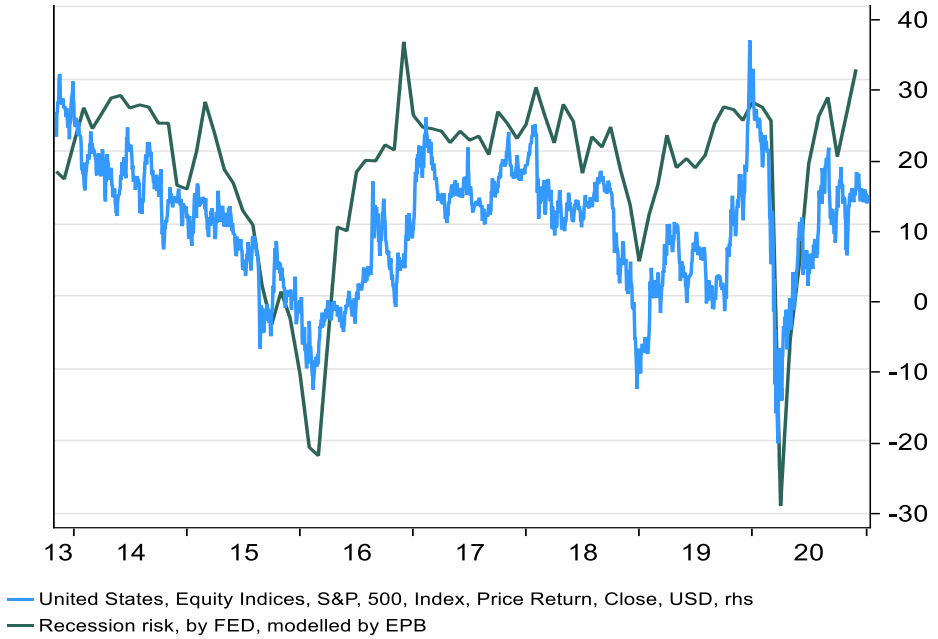
Hence, Erik Penser Bank has been overweight equities from the very bottom in the market (before 24th of March we had hedged and cut some 15% of our equity positions).

We have now seen the fastest EVER recovery from a bear market. We are thrilled that our customers were able to enjoy this (and that ’most’ our competitors missed it).

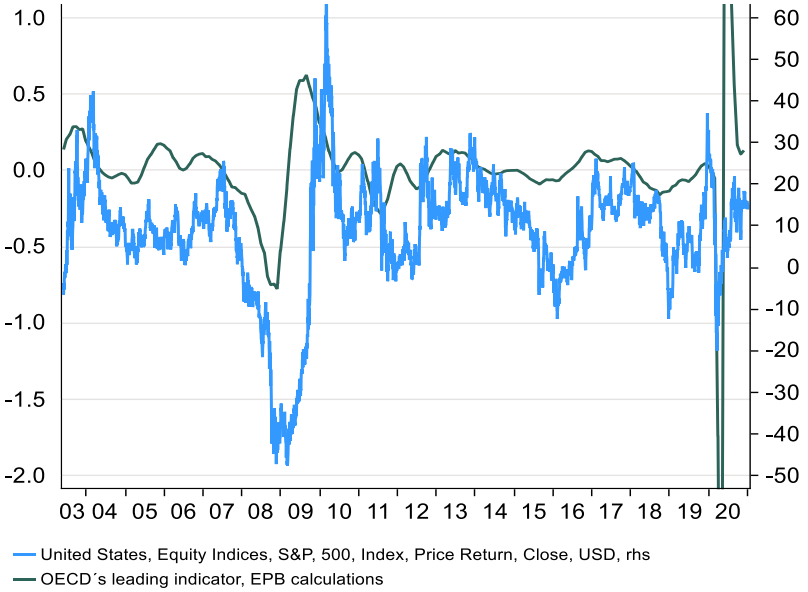
Macro and markets in harmony

V arrived well before summer, we now move into the next phase.
We are still trading the V though as consensus seems behind the curve…as are allocations!

Stark contrast to European and German data



Källa: Erik Penser Bank & Macrobond



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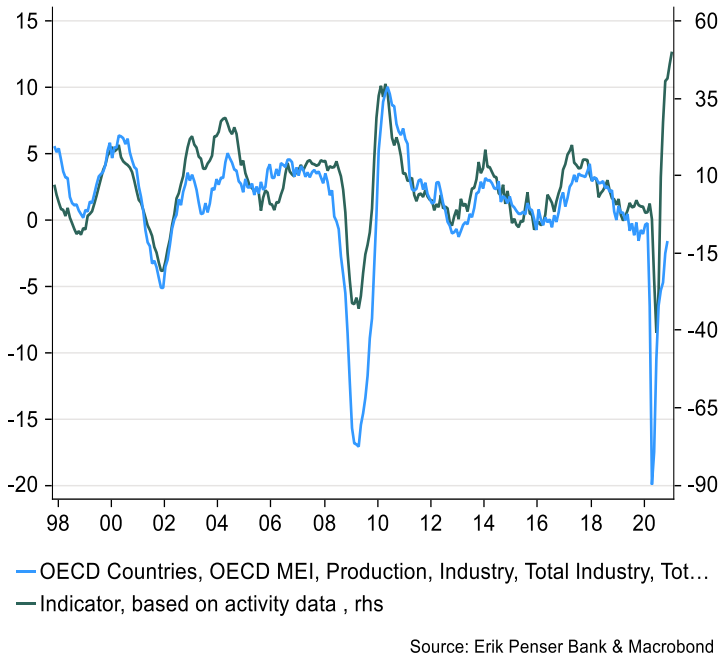
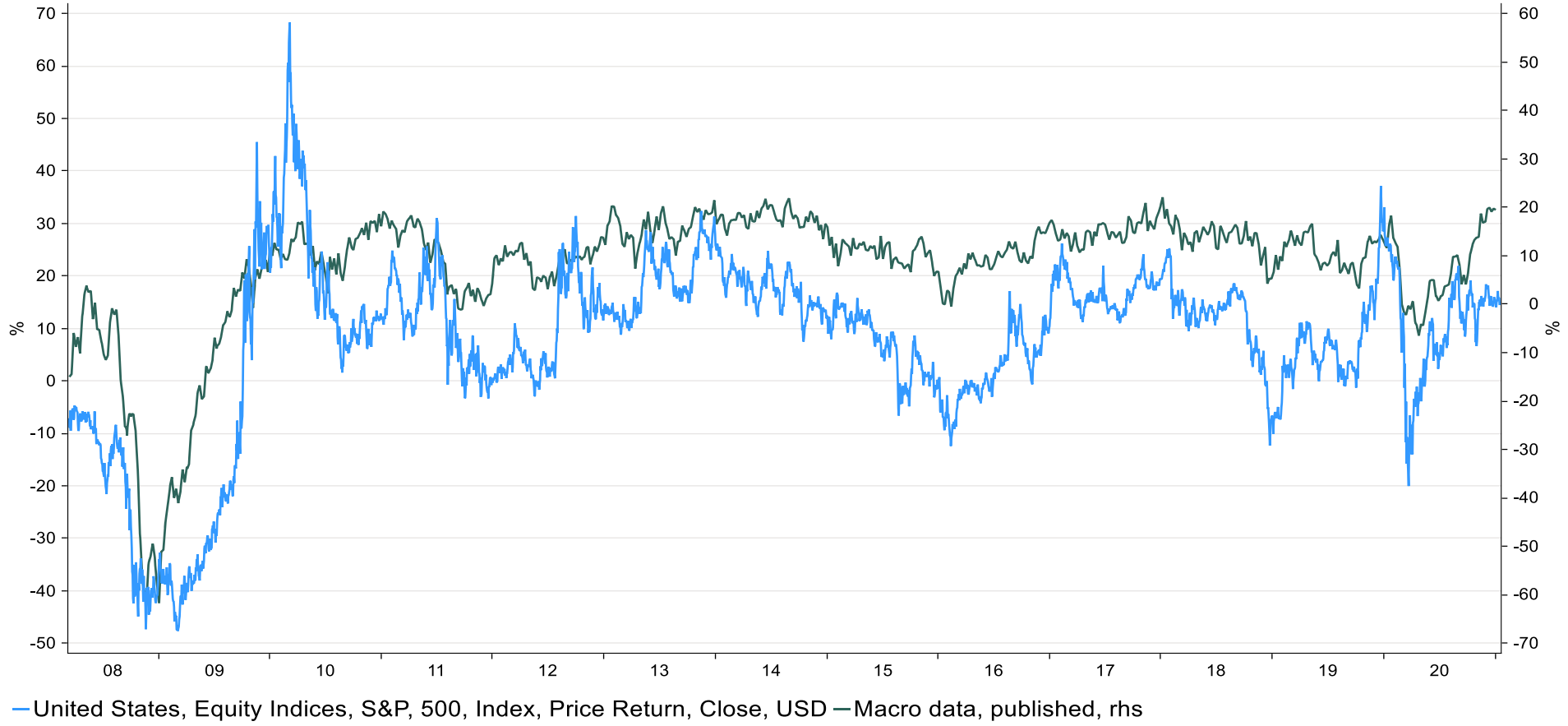


Source: Erik Penser Bank & Macrobond

#4 Macro and markets in harmony

Below is built 217 datavariables and equities follow macro, as always…



Källa: Erik Penser Bank & Macrobond

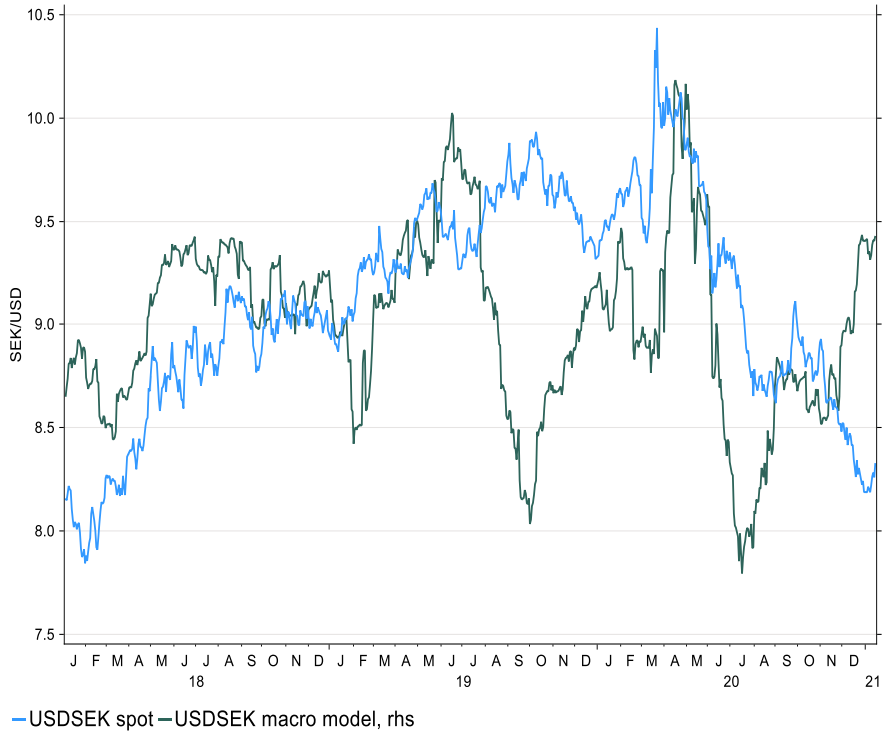
#2 The USD – will turn around!

In these few pages we will derive why we think that is the case…

SEK

Cyclical and rate factors behind the USD sell off are abating.

Spot rates are a factor in our equity analysis.



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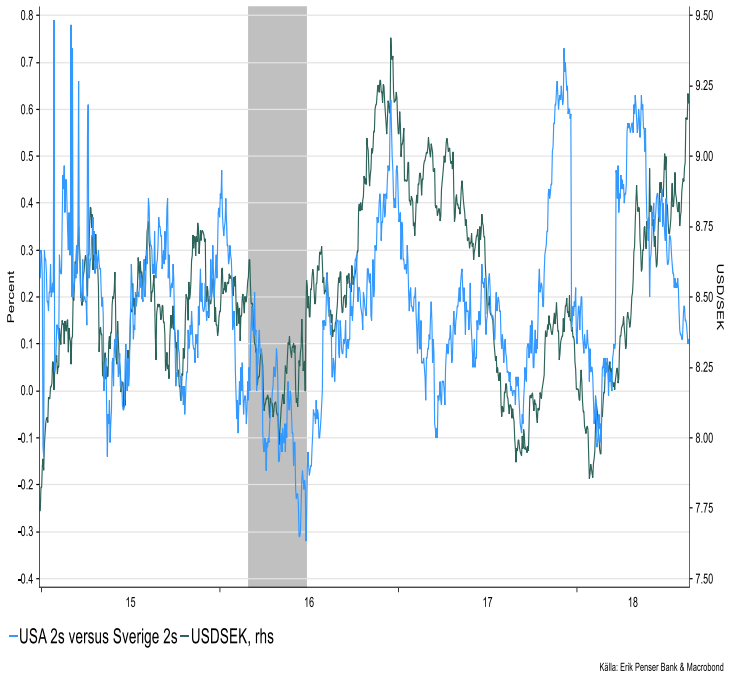

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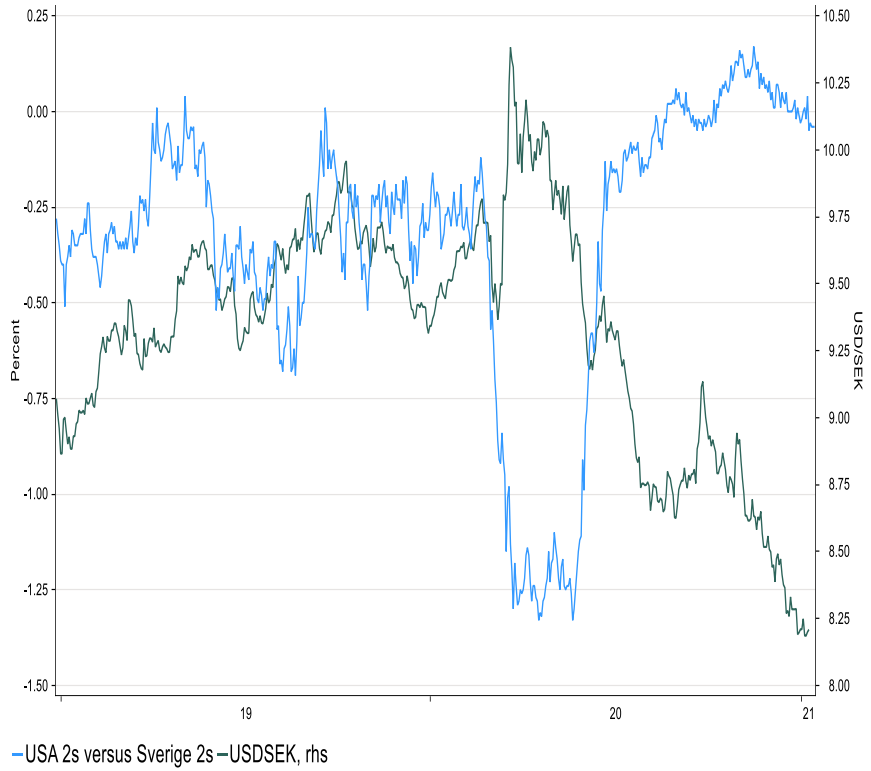


Källa: Erik Penser Bank & Macrobond

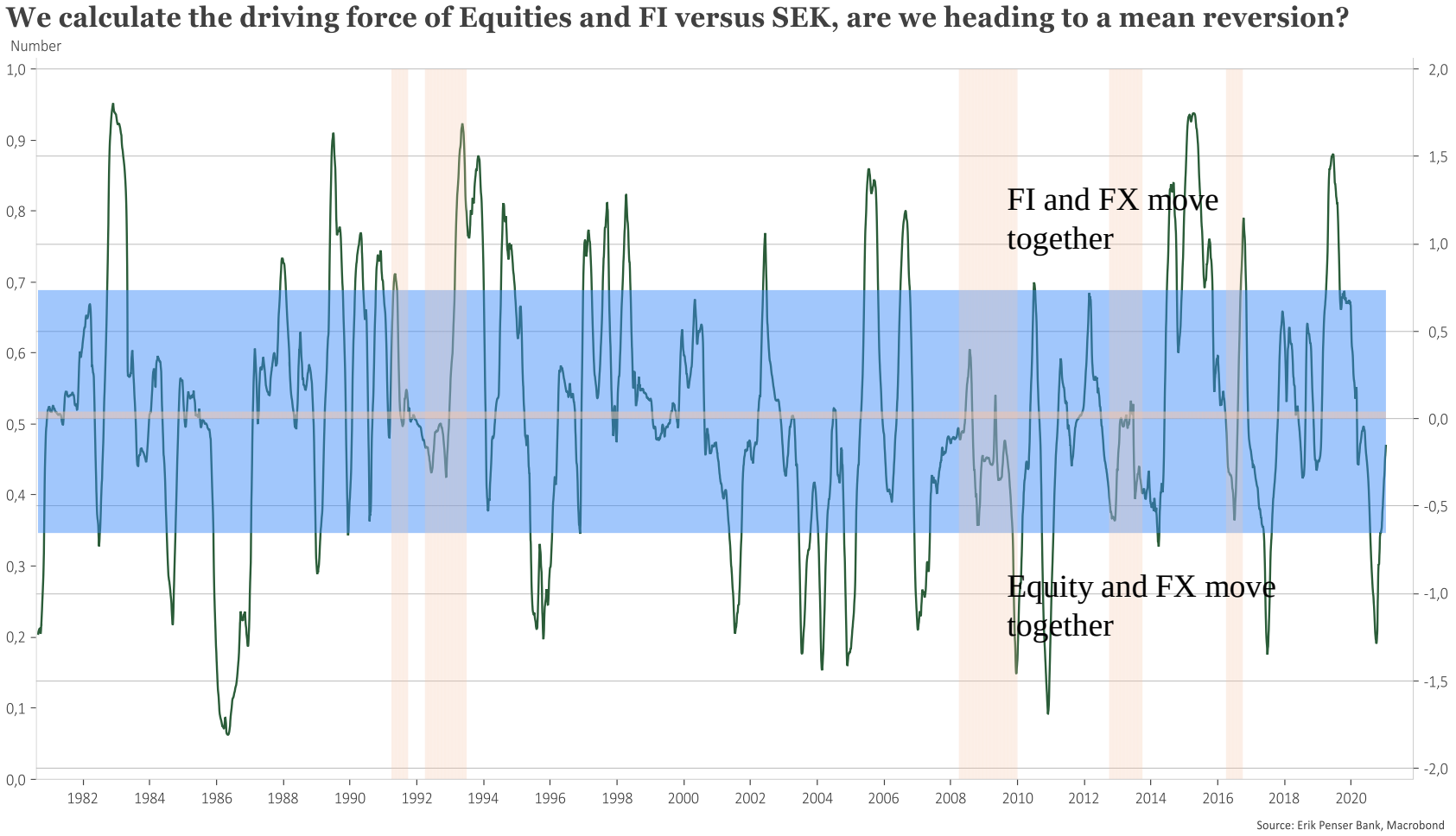
Weekly data, 30 points, relationship between the correlations SEK & OMX and SEK & FI

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.

Currently we were right at the edge of 1 st deviation – hence ready to mean revert.

This is why we rotated out of SEK into USD and EUR between x-mas and New Year.

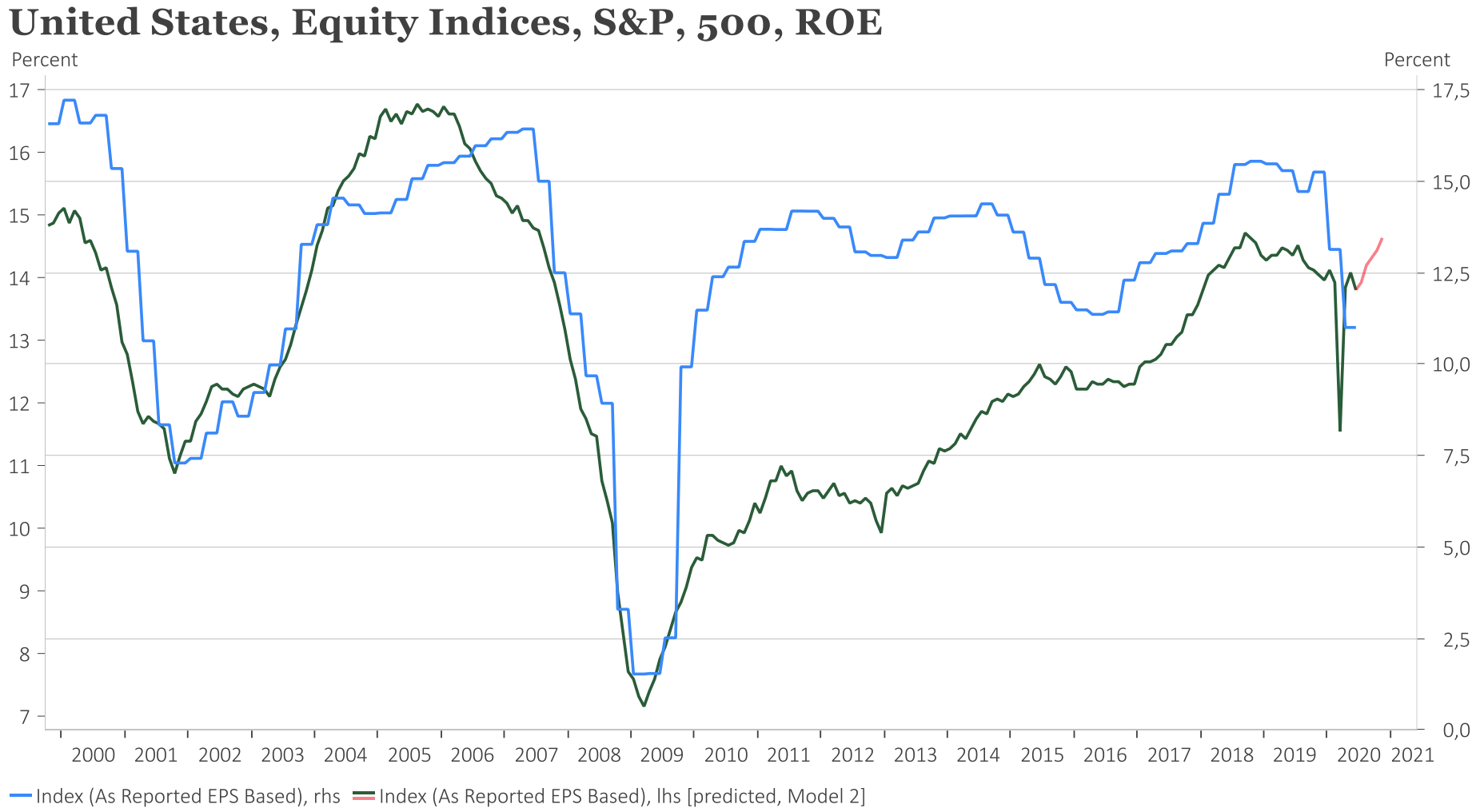


#3
What variables are we monitoring in order to try to stay ahead of the equity market?

Different versions of sentiment
Different Correlations
Valuations put into context of market vol
Specific vol contracts
Cross currency basis
Specific corporate credit spreads
EM rate vol
DM rate vol
FX rate vol
CDS spreads
Puts vs Calls
High / Low
Issuances in different markets
Net debt margin
Time stamps on flows
Rate curve
CPI
Unemployment rate
ISM

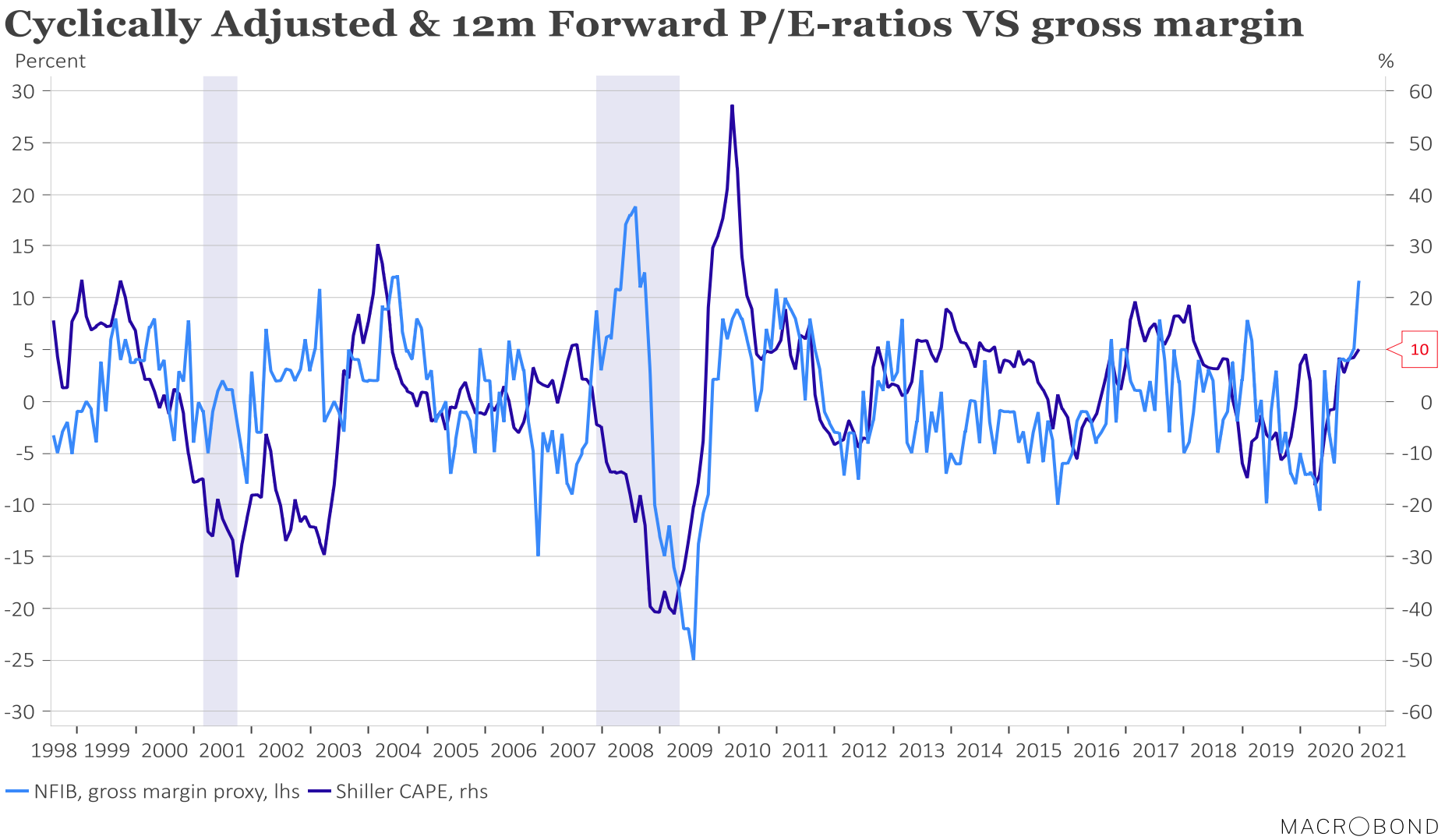
On the following pages we go through some of our monitors built on the above

ROE has troughed



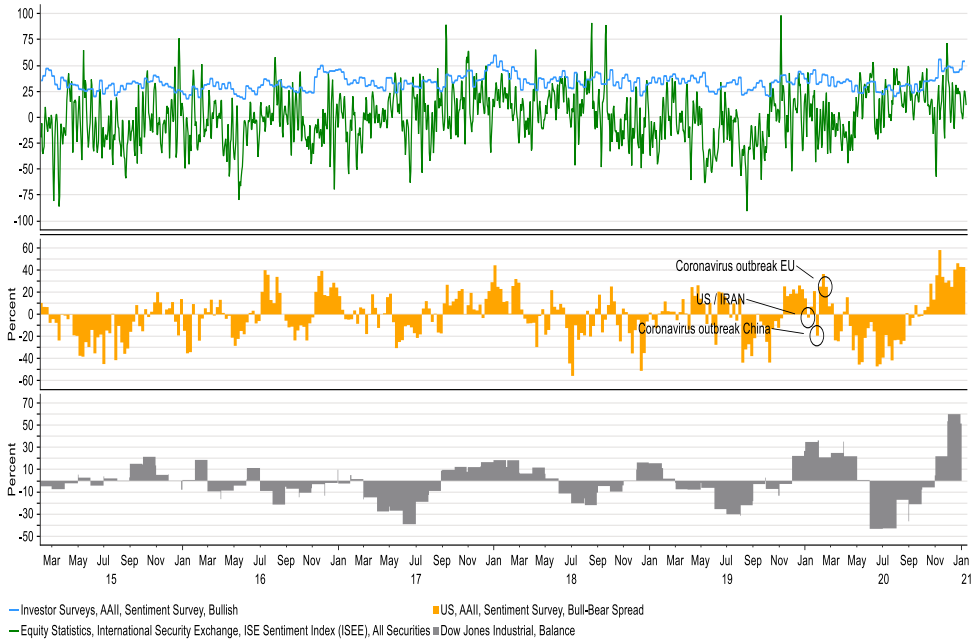
Source: Erik Penser Bank, Macrobond

Gross margin vs P/Es

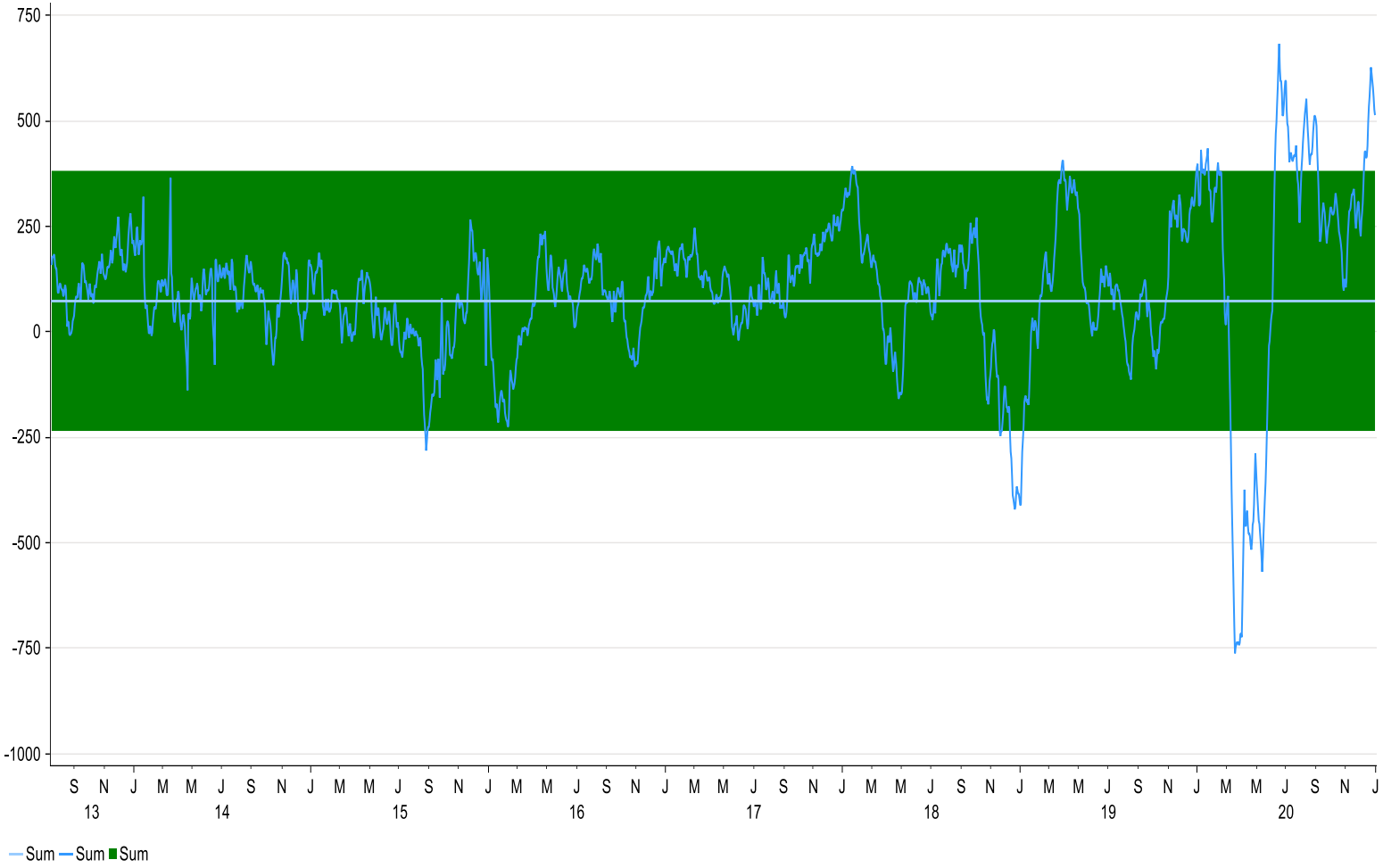


Sentiment

VERY BULLISH on US equities



Source: Erik Penser Bank & Macrobond



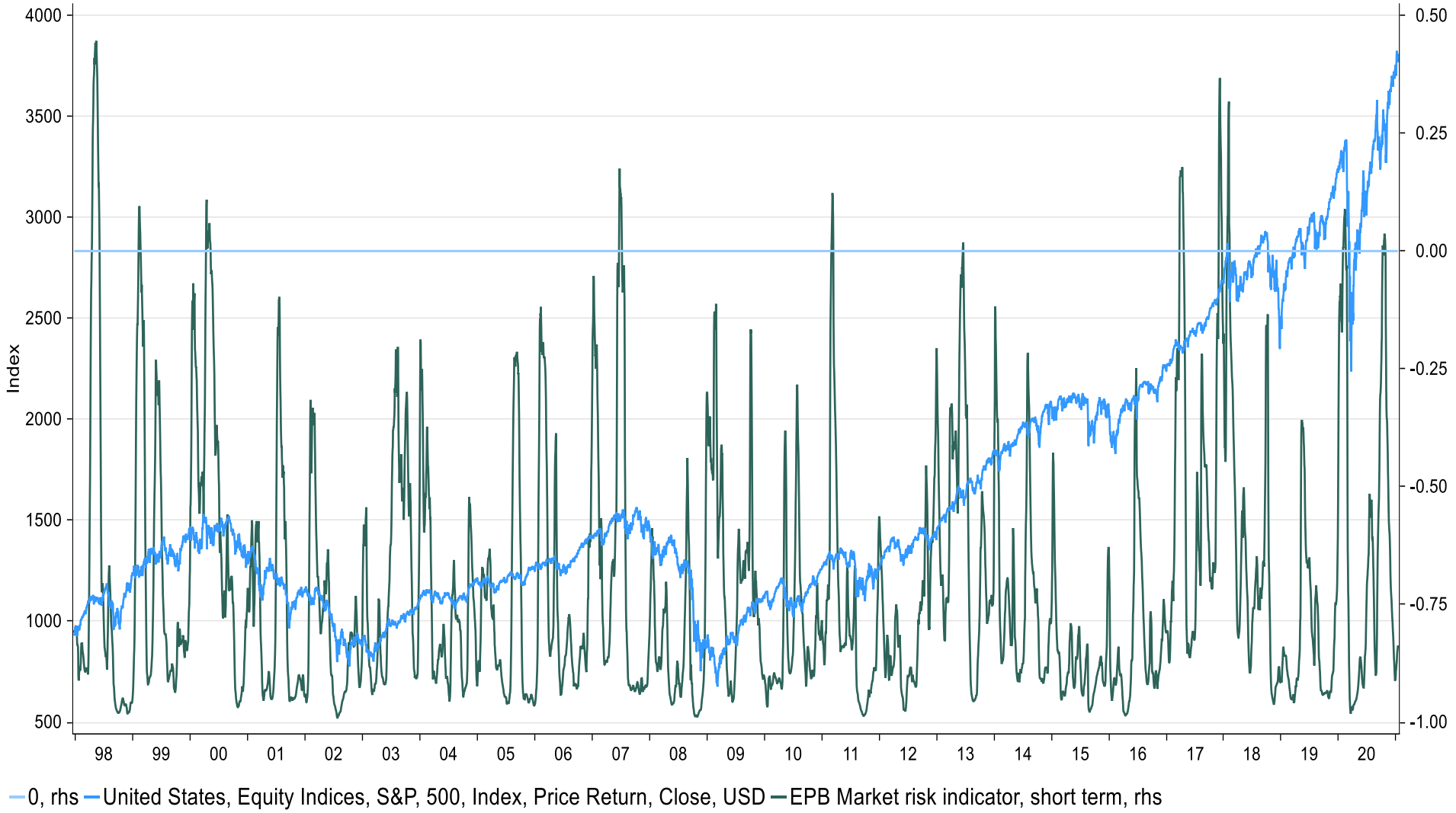
Source: Erik Penser Bank & Macrobond

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

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

A move above -0.5 sets us on high alert…

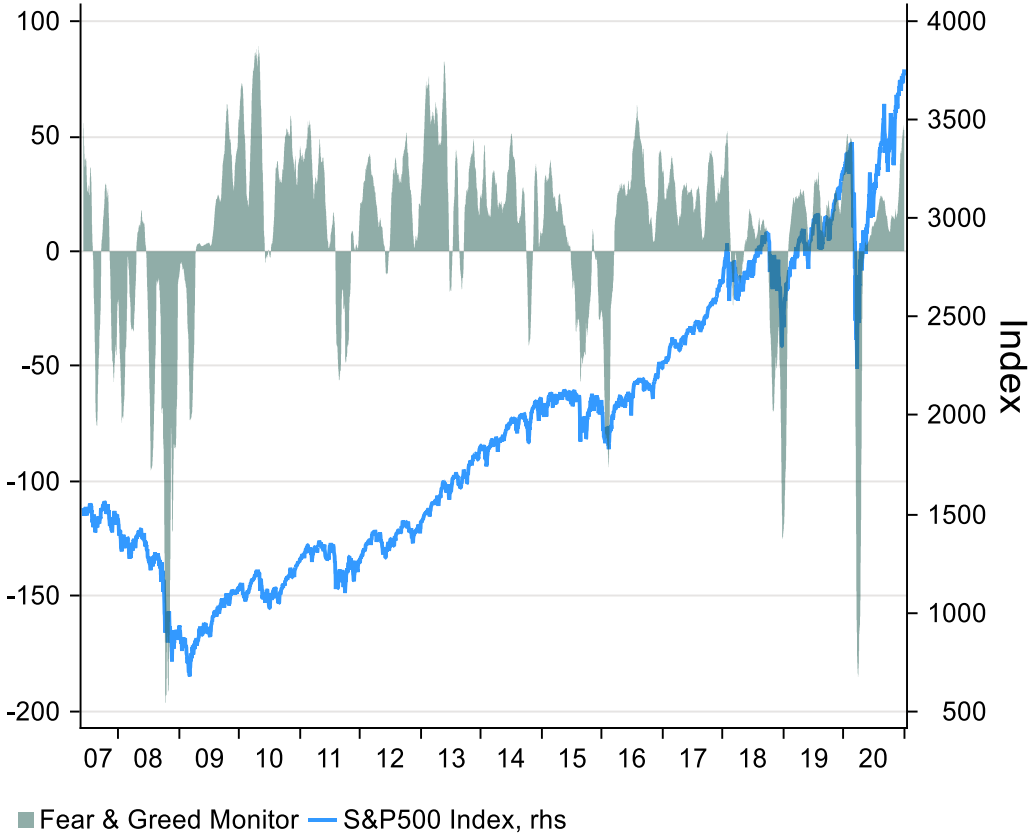
This monitor uses market correlations.



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
- Far right, we stress the calculations…still GREED



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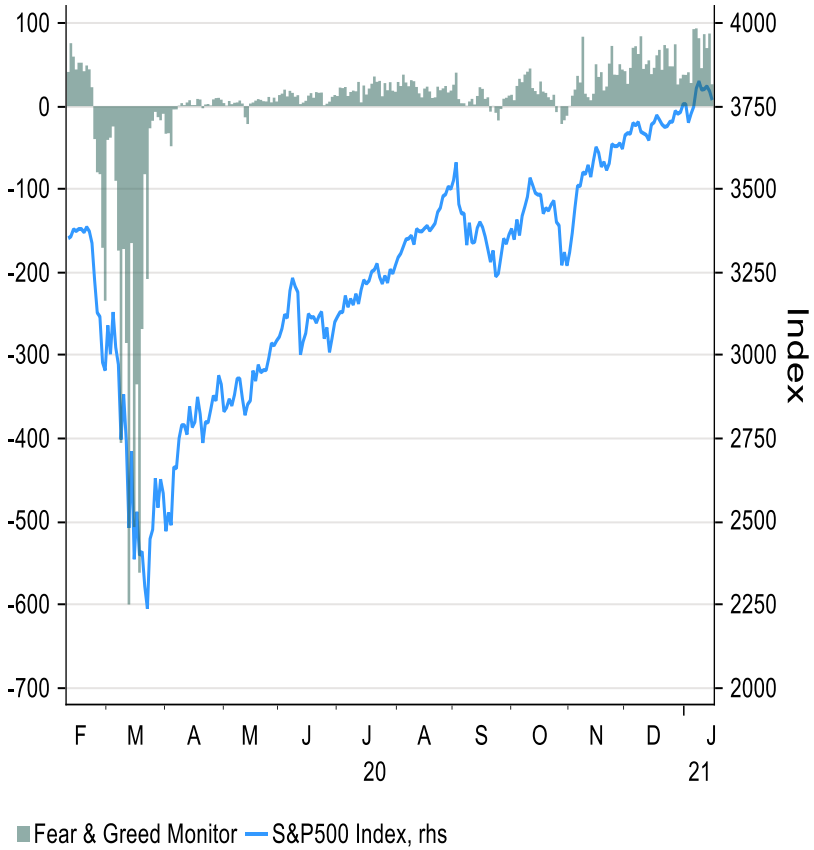
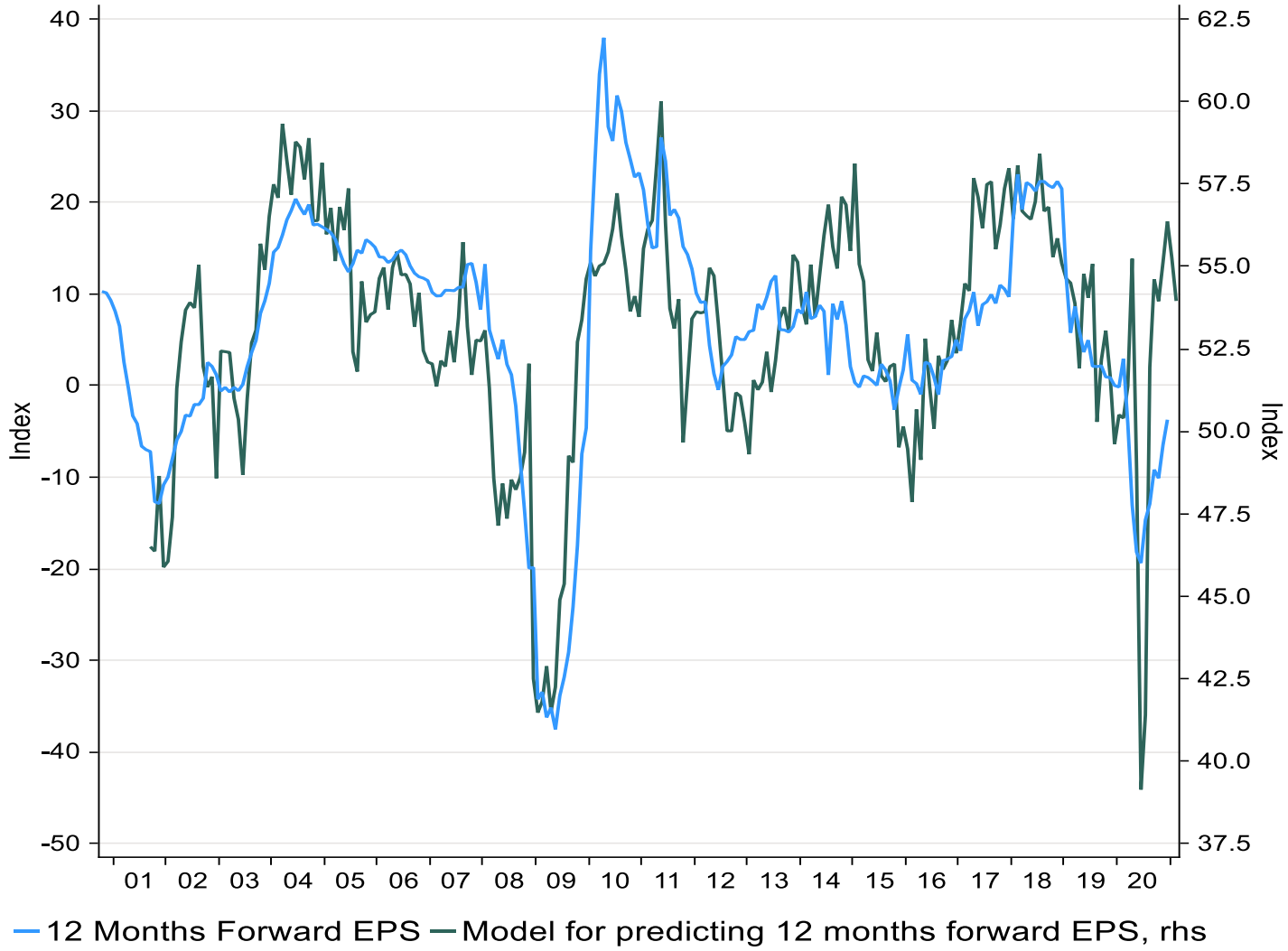


Källa: Erik Penser Bank & Macrobond

EPS indicators have troughed

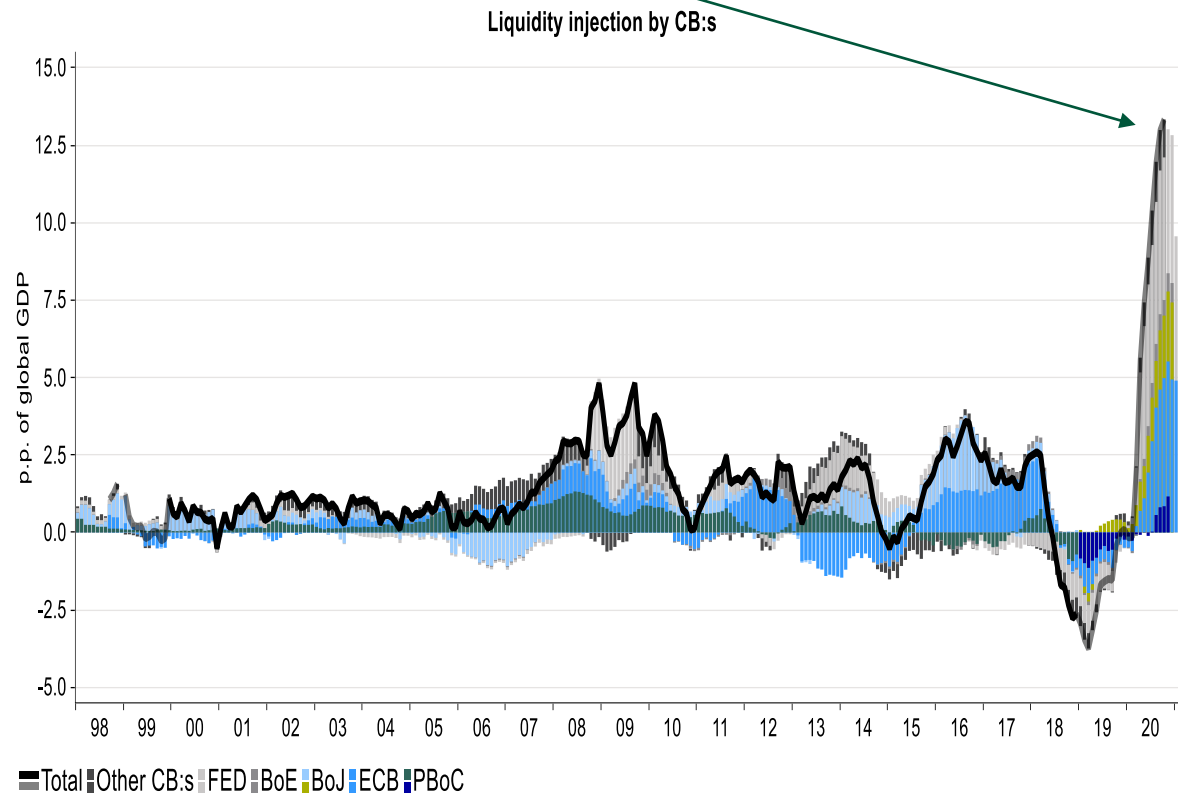


Source: Erik Penser Bank & Macrobond

#6 Stimulus
QE is back! Huuuge numbers…biggest QE EVER

Biggest ever QE by the US as % of GDP!!! Same goes for BoJ, ECB notably lagged but is catching up as the lengthy EU political haggling came to a temporary halt.

IT KEEPS GROWING!!!!



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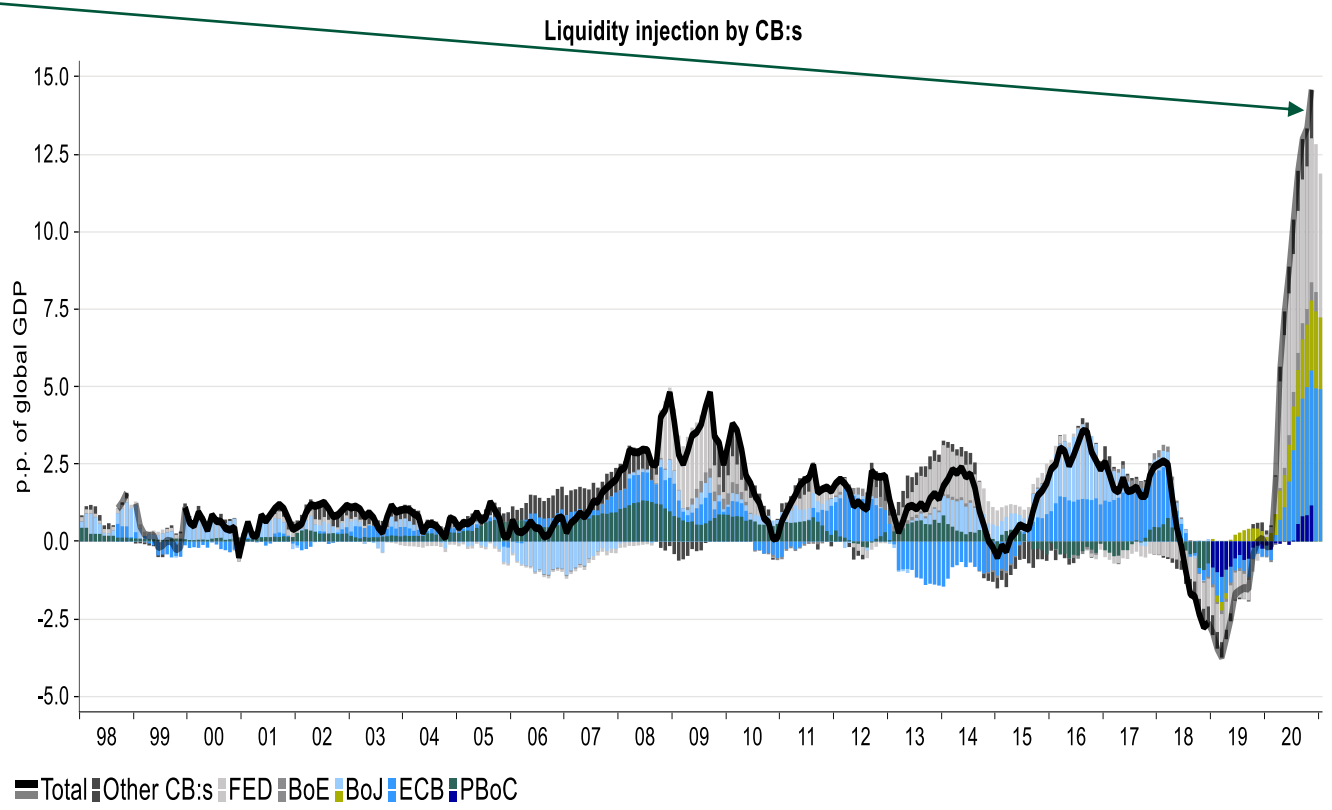
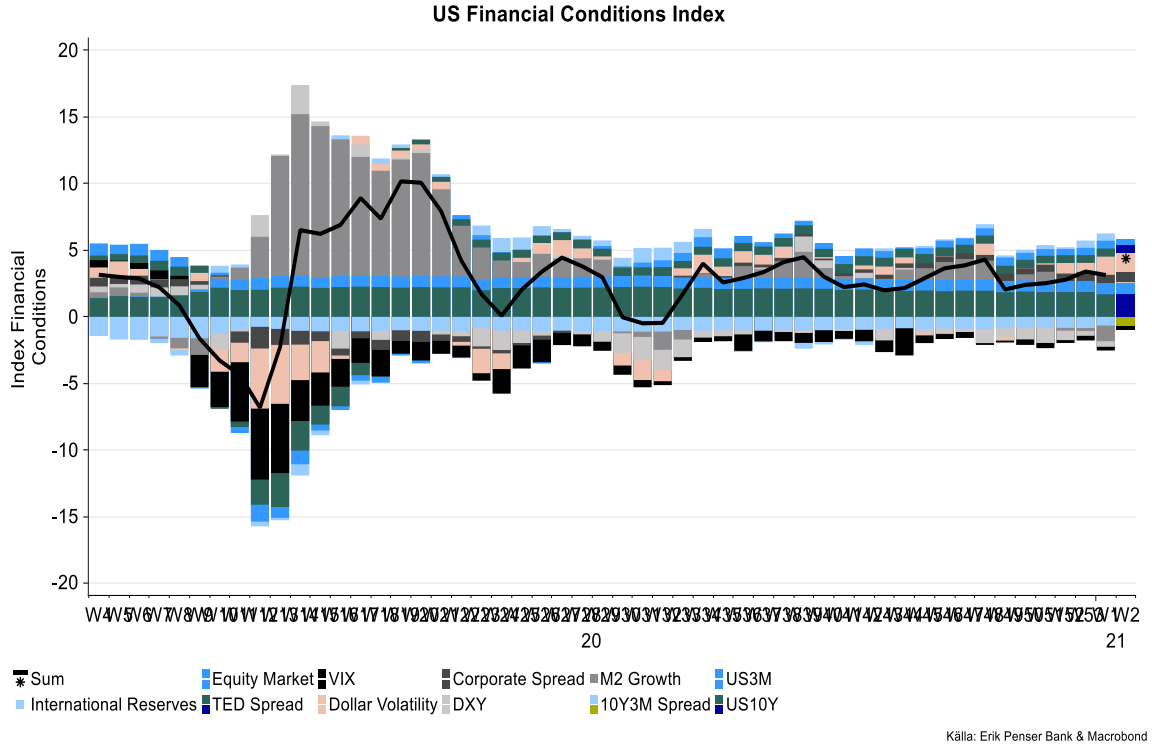


Källa: Erik Penser Bank & Macrobond

Time to get detailed…US financial conditions / financial stress MUCH better than EZ's!!!

This is crucial, we can now measure just how better things are in US markets compared to EZ….and little wonder that flows have and will be directed to the realtive winner, the US

These models build on ECB and FED research!



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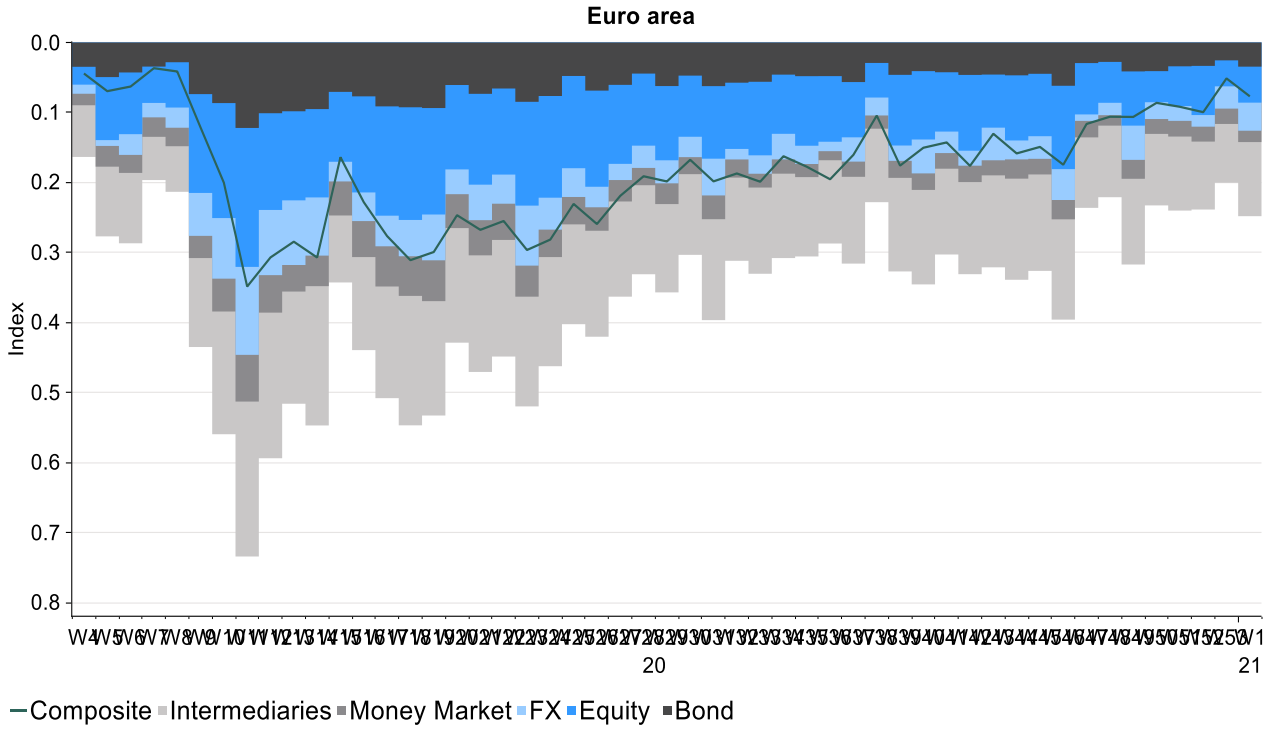
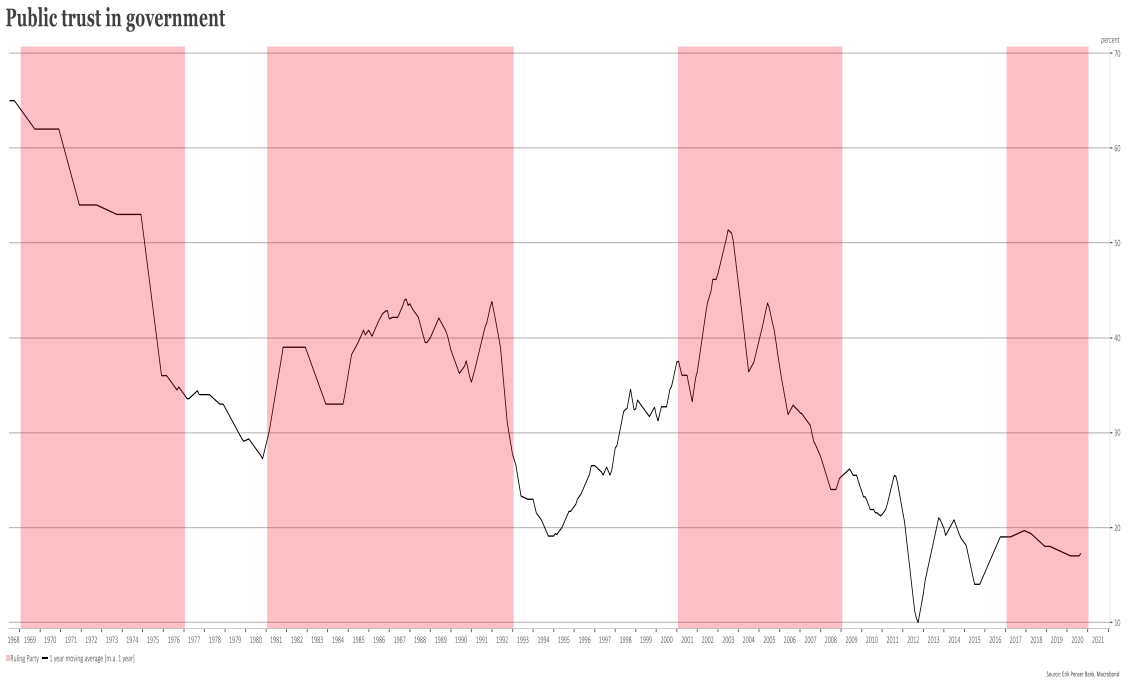


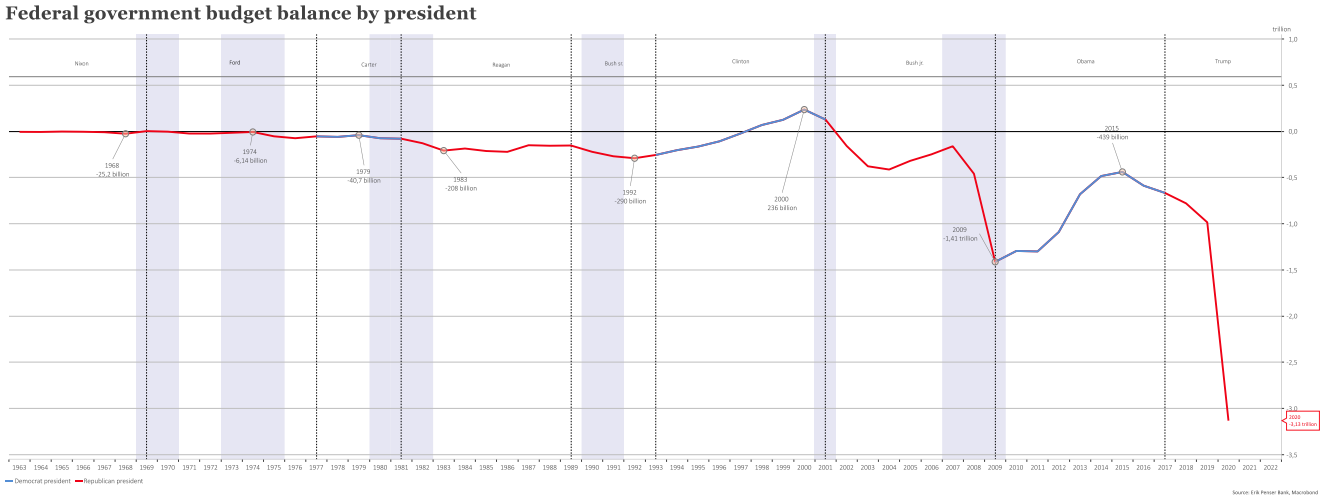
Källa: Erik Penser Bank & Macrobond

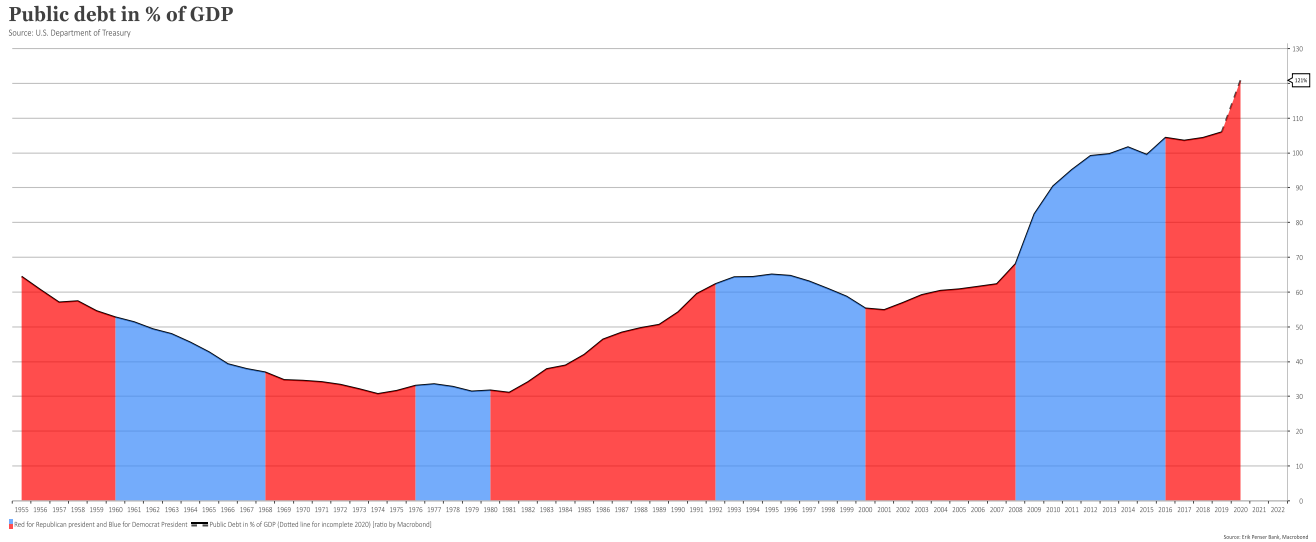
The new president will face many challenges, on top of Covid

Challenges:

Mistrust
Debt





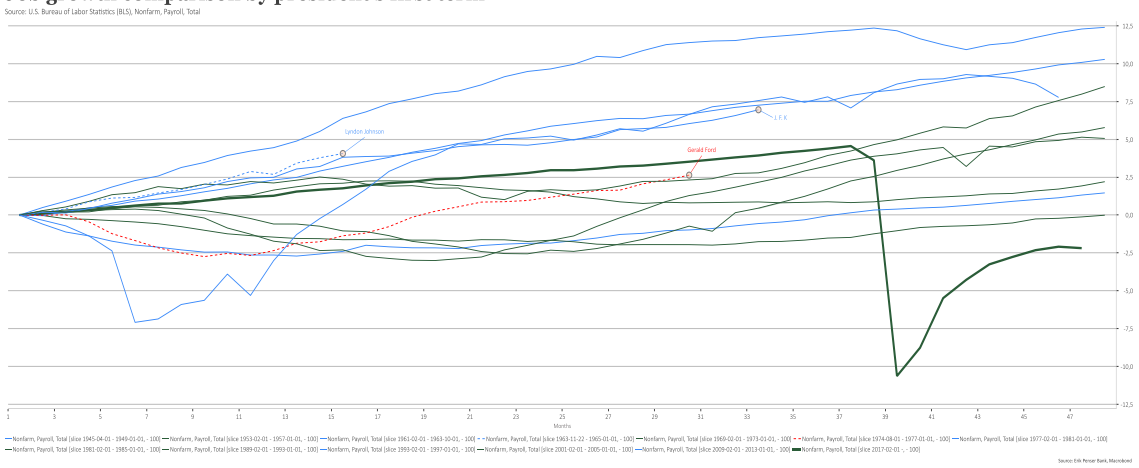


The new president will face many challenges, on top of Covid

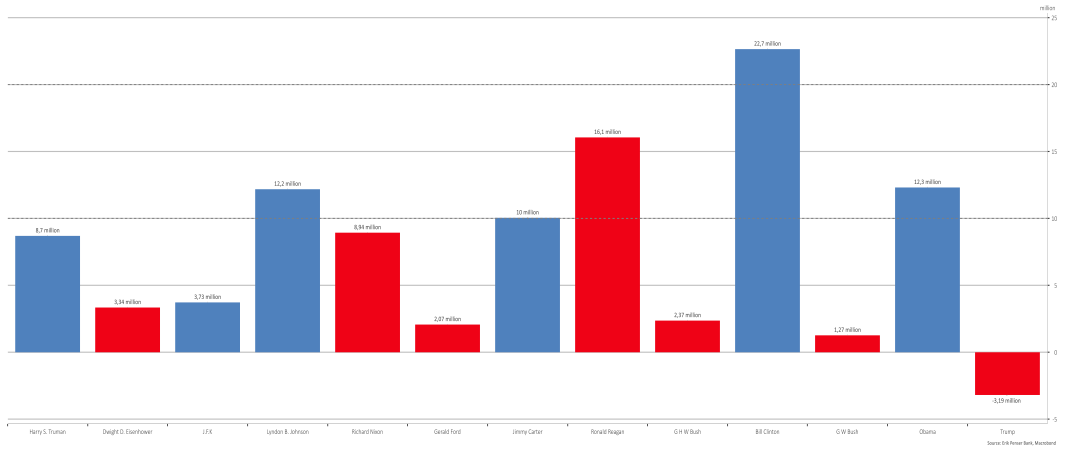
Challenges:

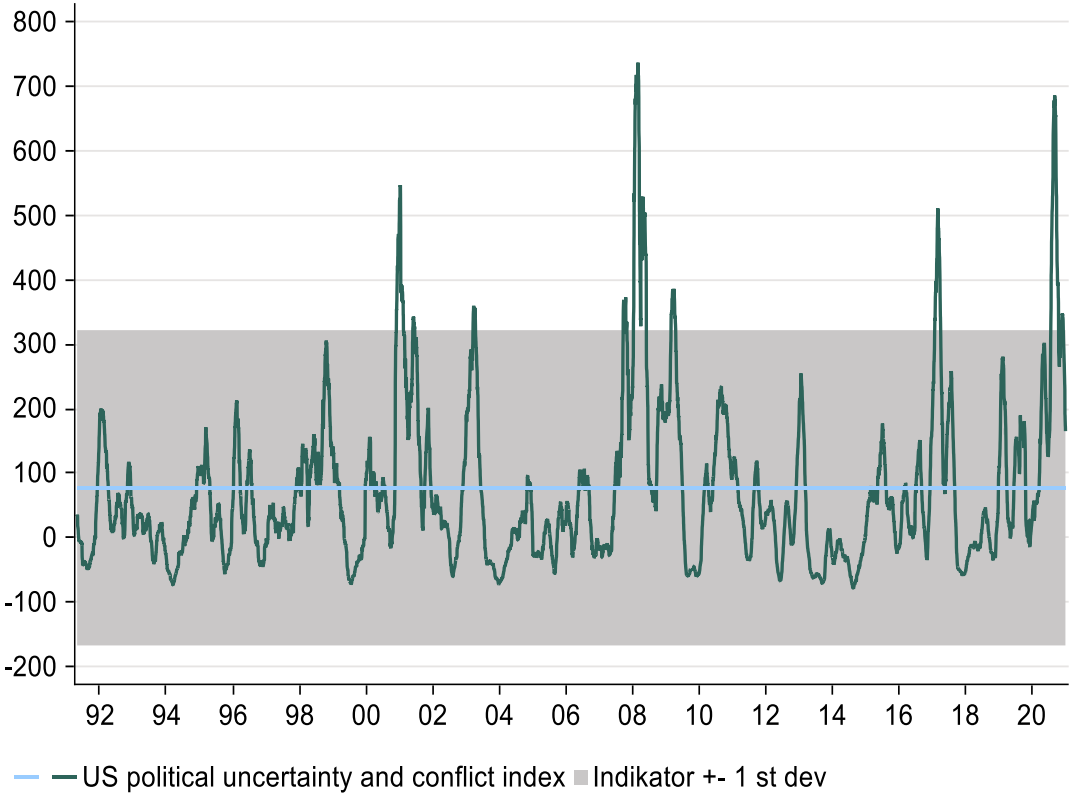
Jobs
Conflict & Uncertainty

Job growth comparison by president's first term



Job growth by president full tenure





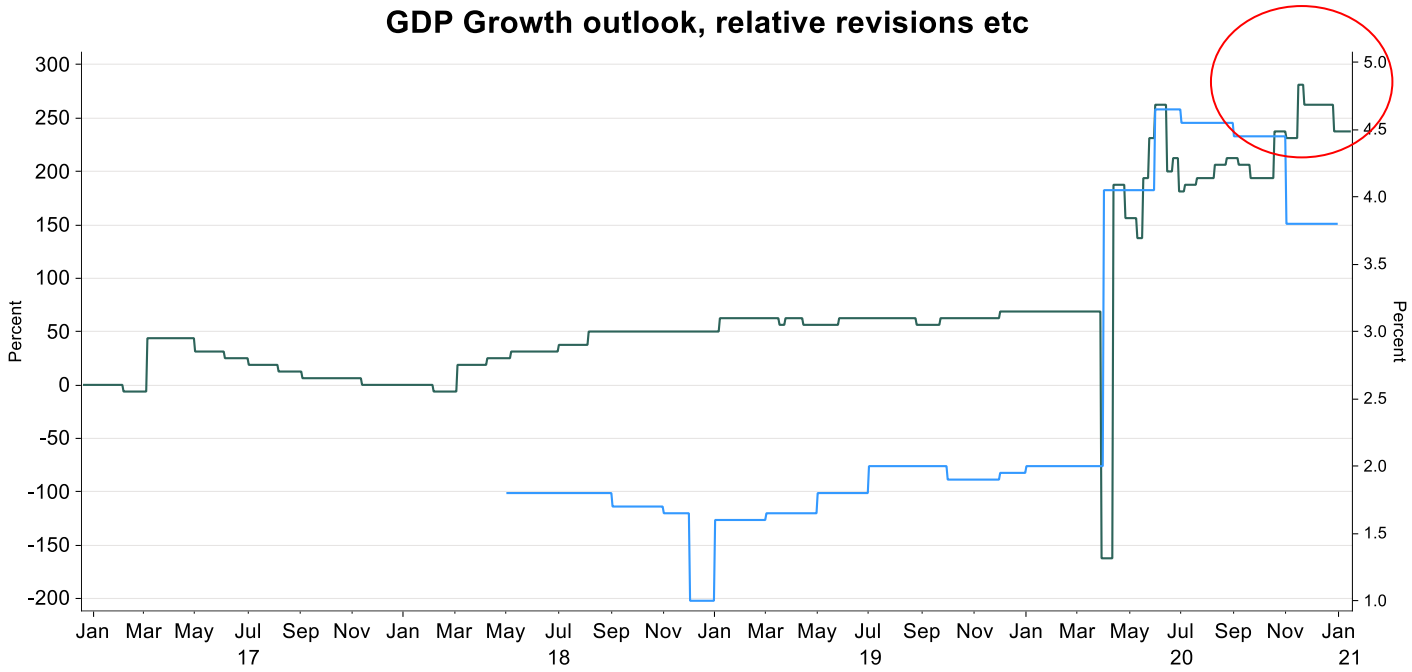
Source: Erik Penser Bank & Macrobond

#1, don’t forget, the US clouds are relatively better than the EZ where the sun doesn´t even rise…

We have avoided Eurozone for some time…IF the right gets more traction we can add 2021 to the trend in 2019 & 2020, avoid Eurozone!!!

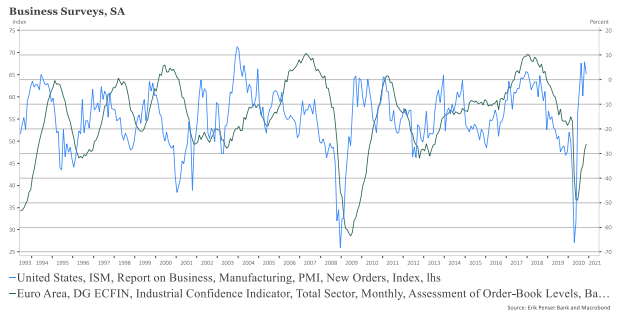
This is spurred by our analysis of Covid, fiscal support and growth momentum.

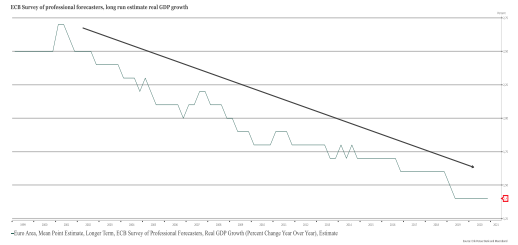
Since we mentioned this growth gap, it has only increased!



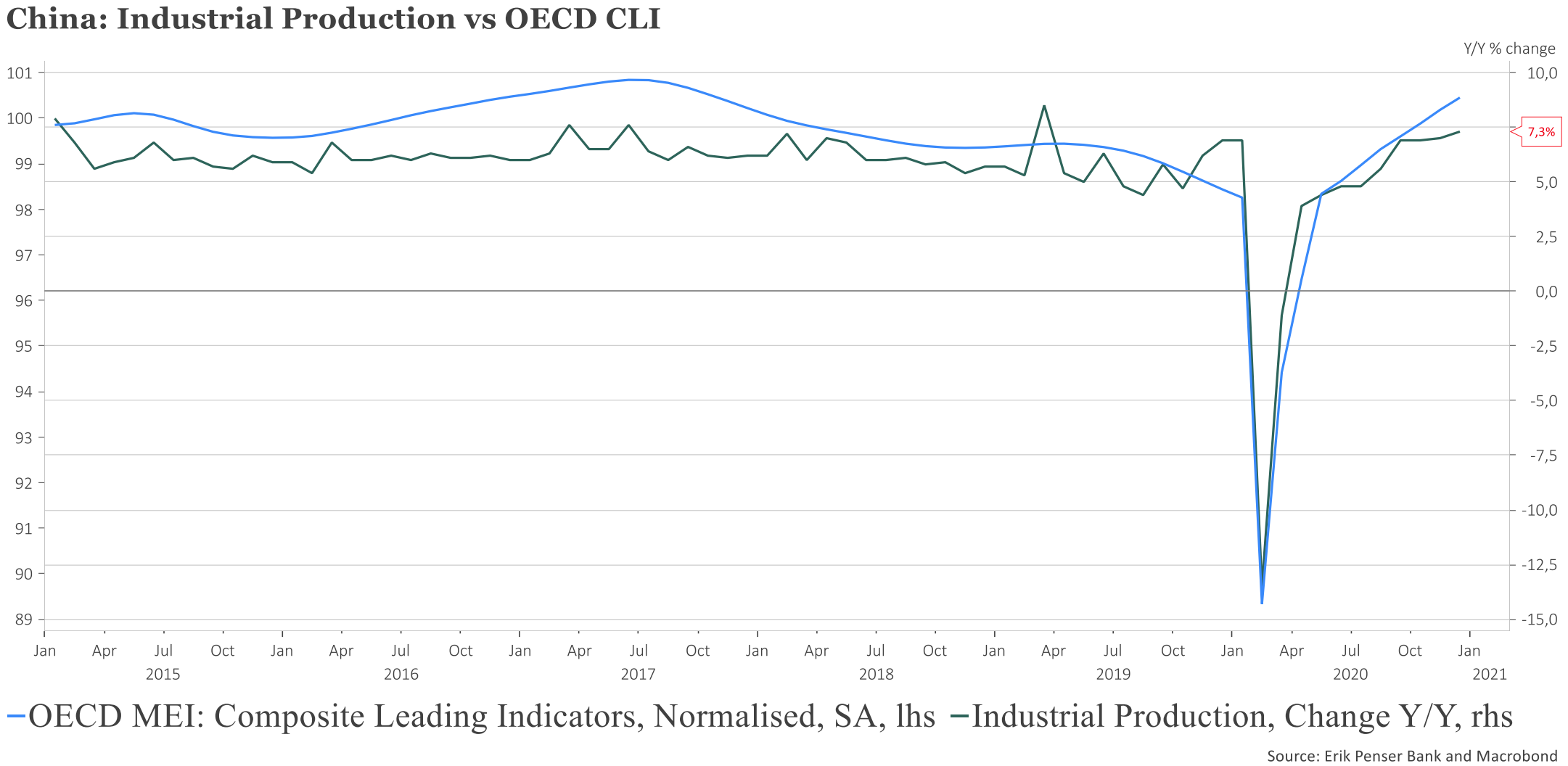
- US 2021 GDP forecast, market participants, rhs
- US GDP growth outlook - EU GDP growth outlook

Källa: Erik Penser Bank & Macrobond





As in the US, production has not peaked yet in China!



Source: Erik Penser Bank and Macrobond

Most alerted data for the week

data is STILL beating consensus!!!

USA
- 21a Building permits, housing starts, claim, Philly FED activity index
- 22a PMI, existing home sales

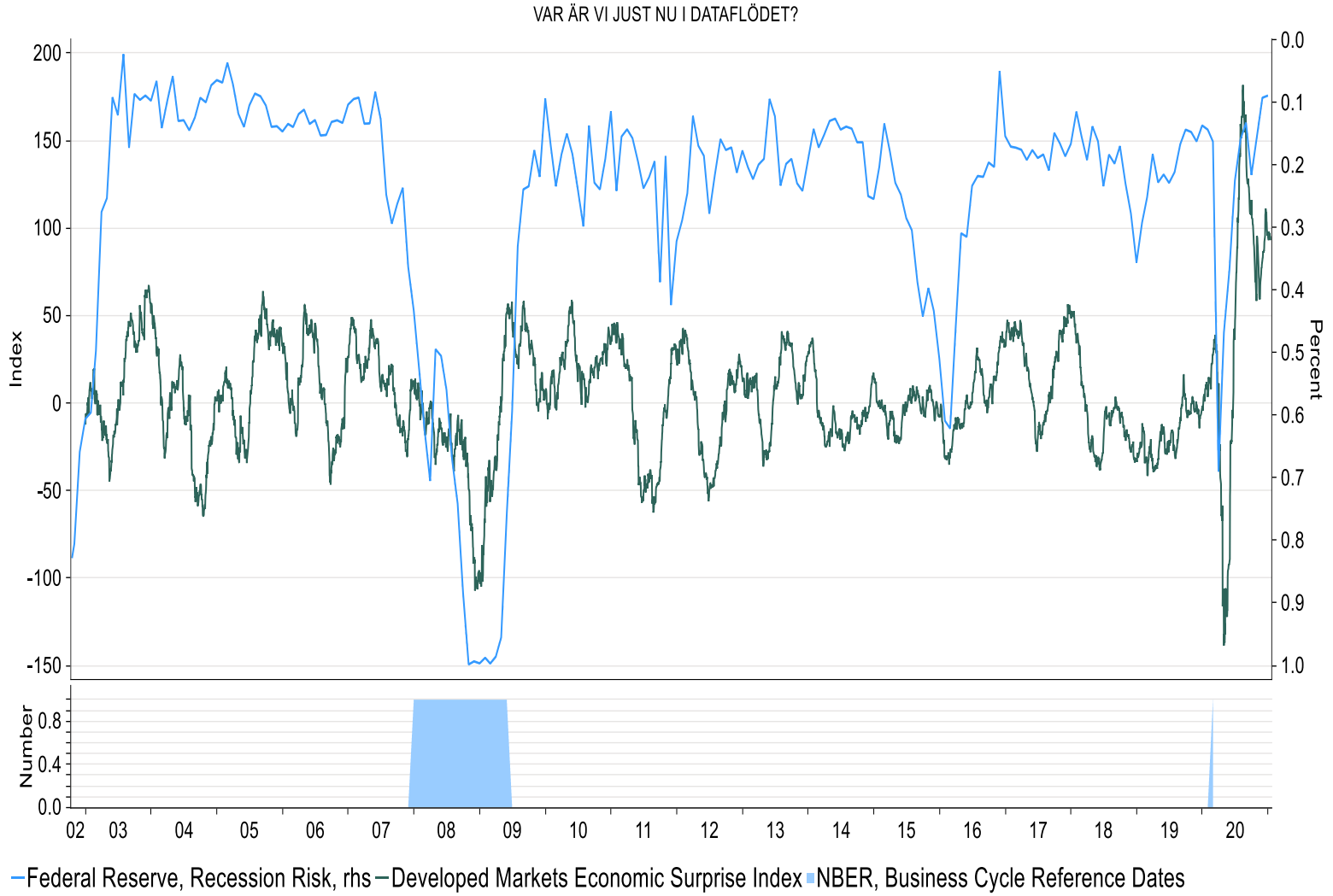
China
- 18e GDP, production, retail sales
- 20e 1 & 5 year loan prime rate

Japan
- 21a Trade balance, BoJ
- 22a Jibun PMI

Eurozone aggregated
- 19e ZEW
- 21a ECB
- 22a PMI

Germany
- 19e CPI, ZEW
- 22a PMI

Sweden
- 22a SCB sales indicator



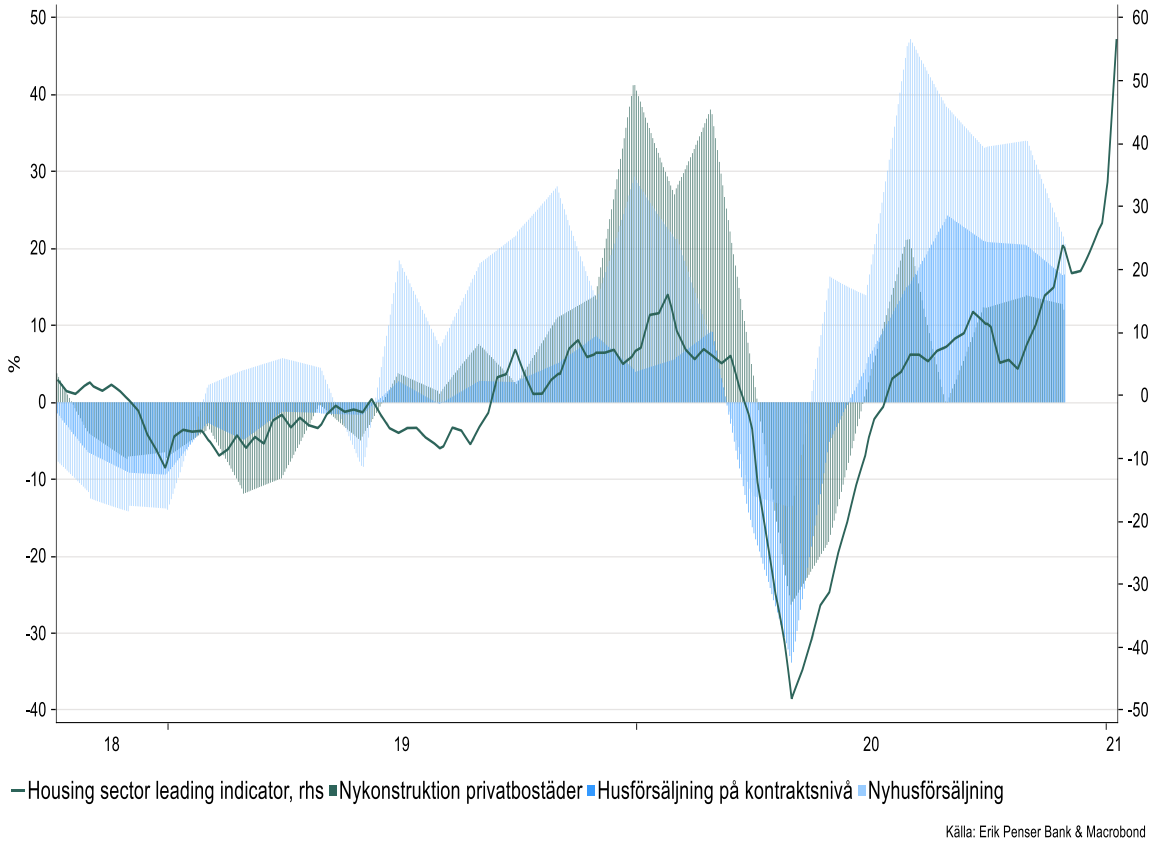
Källa: Erik Penser Bank & Macrobond

US`s housing – rebound is already here

We are STILL long US home builders, the activity troughed in Dec-Jan 2019! This support consumers!

We are also LONG timber!

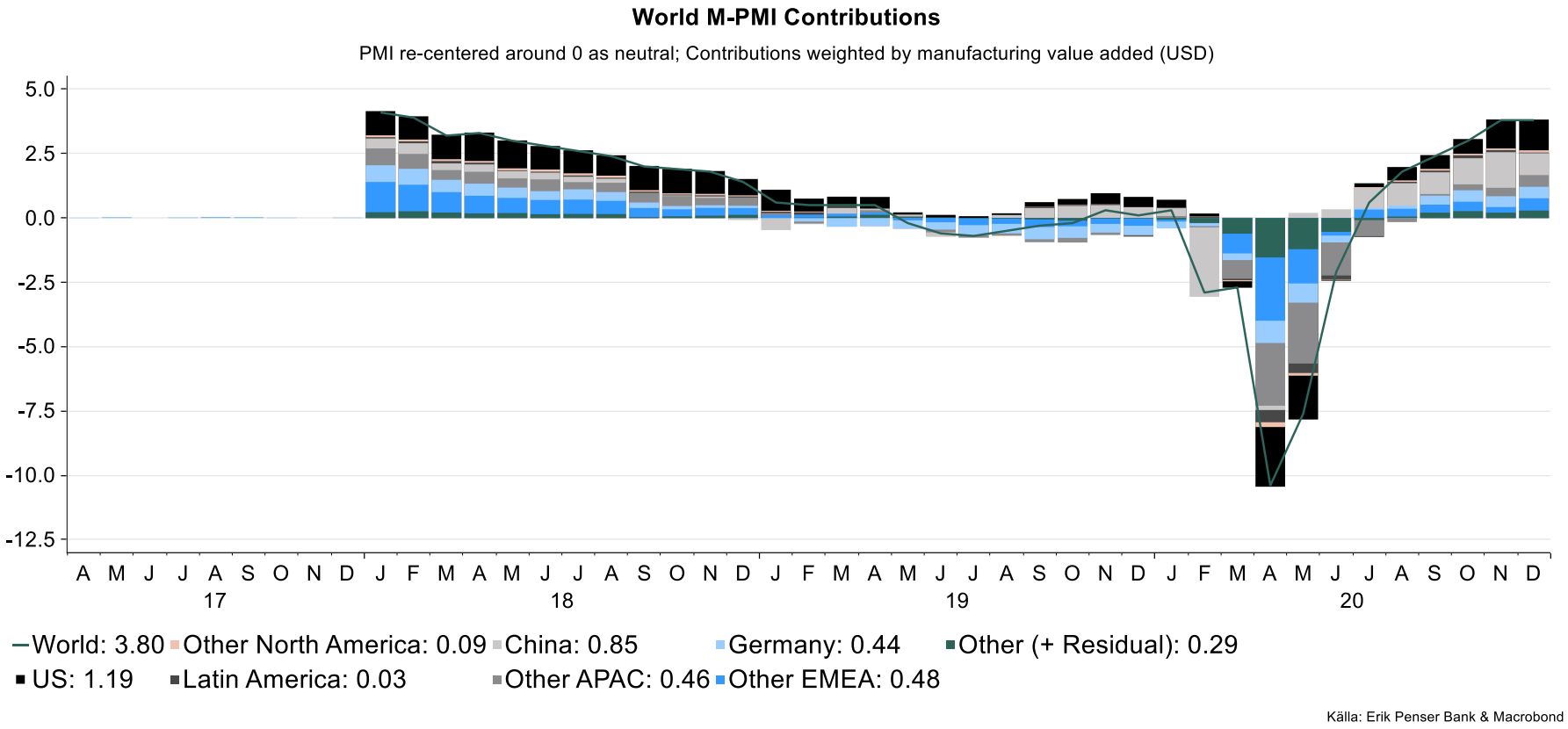
Housing supports the economy – an aspect that has been strangly overlooked by several pundits….!!!



Källa: Erik Penser Bank & Macrobond

PMI, global picture

PMIs lag hard data, but even here the trough has become visible



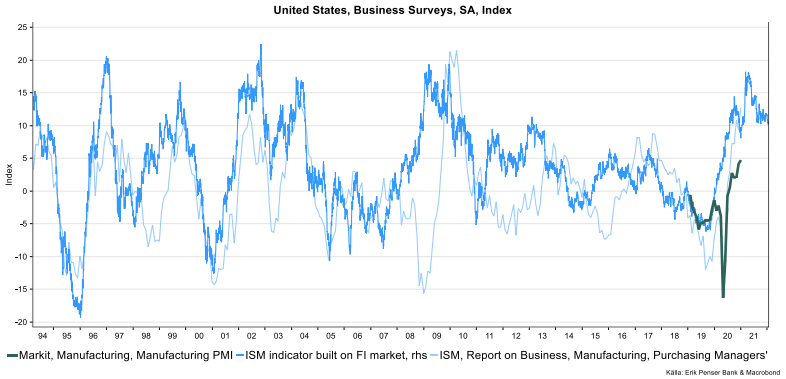
Källa: Erik Penser Bank & Macrobond

US PMI – trough to continue

PMI via HARD data, traffic on railroads, highways, waterways and in the air

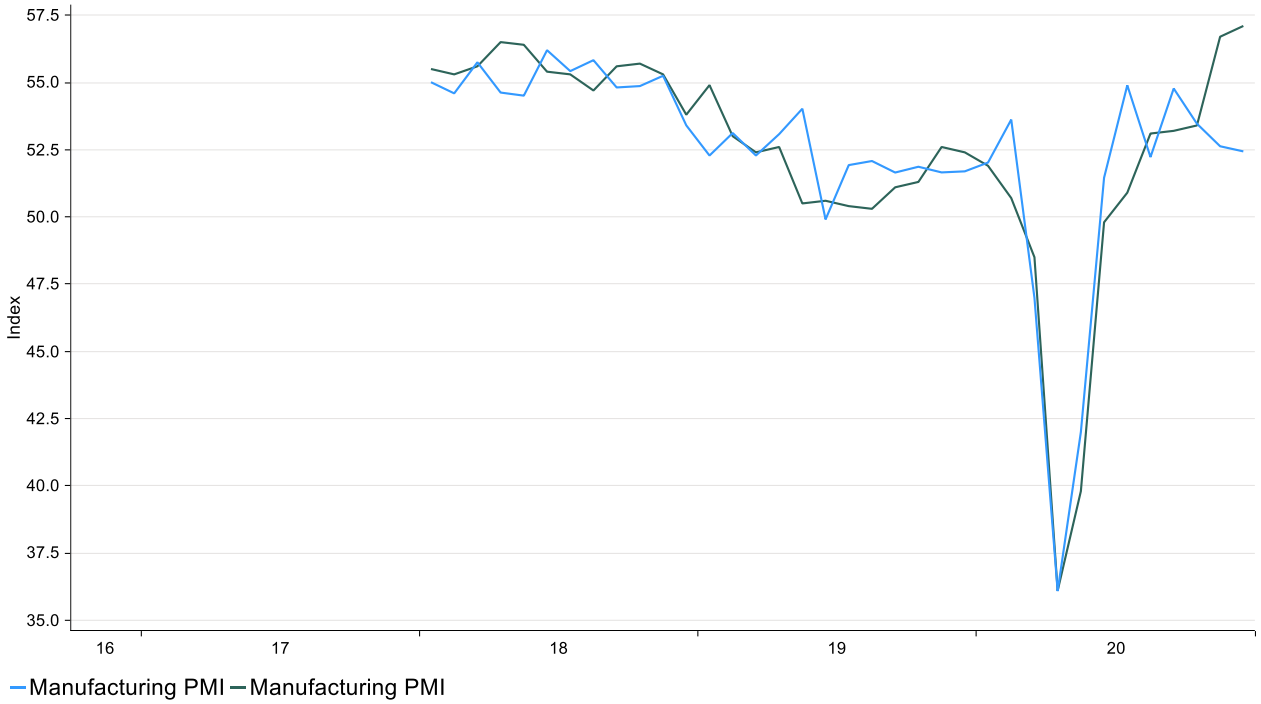
Källa: Erik Penser Bank & Macrobond

PMI via RATE market



Källa: Erik Penser Bank & Macrobond

PMI via earlier released survey data

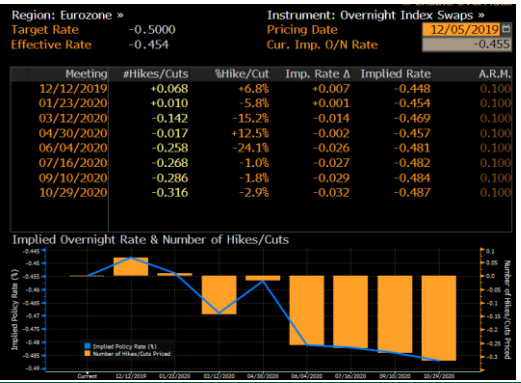


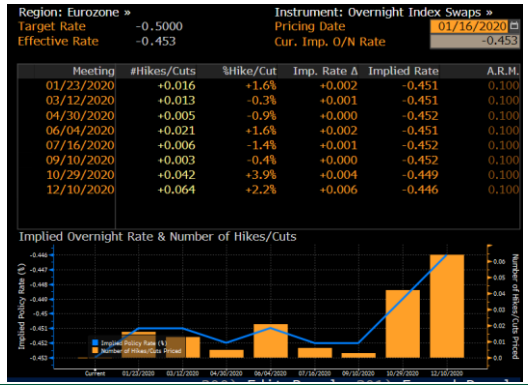
Källa: Erik Penser Bank & Macrobond

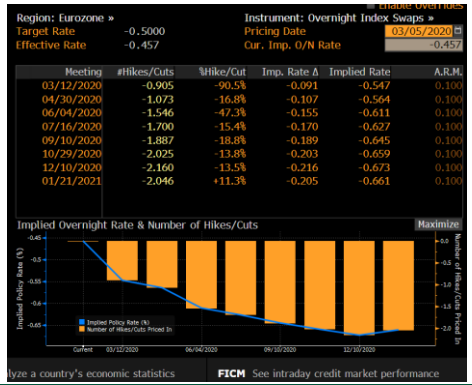
ECB, in contrast to the US the probaility of CUT increases…little surprise given that EZ recovery lags US´s and might double dip

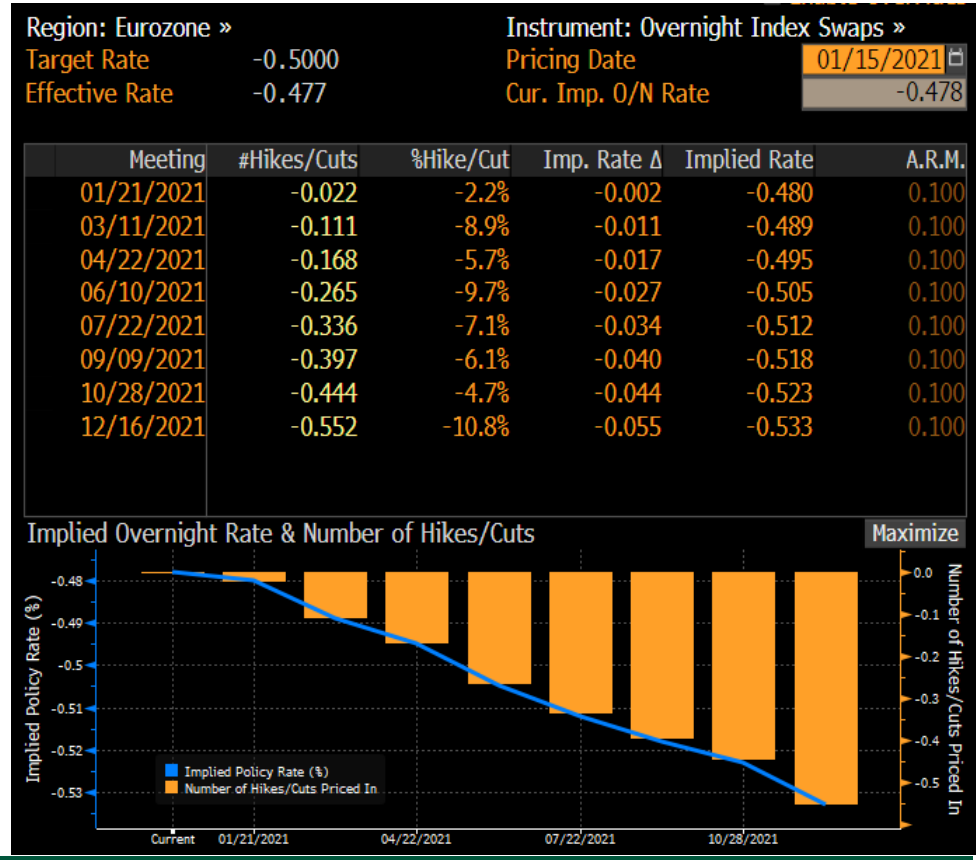
WE STILL DO NOT OWN EZ BROAD EQUITIES

This pricing creates the wedge in the Atlantic spread





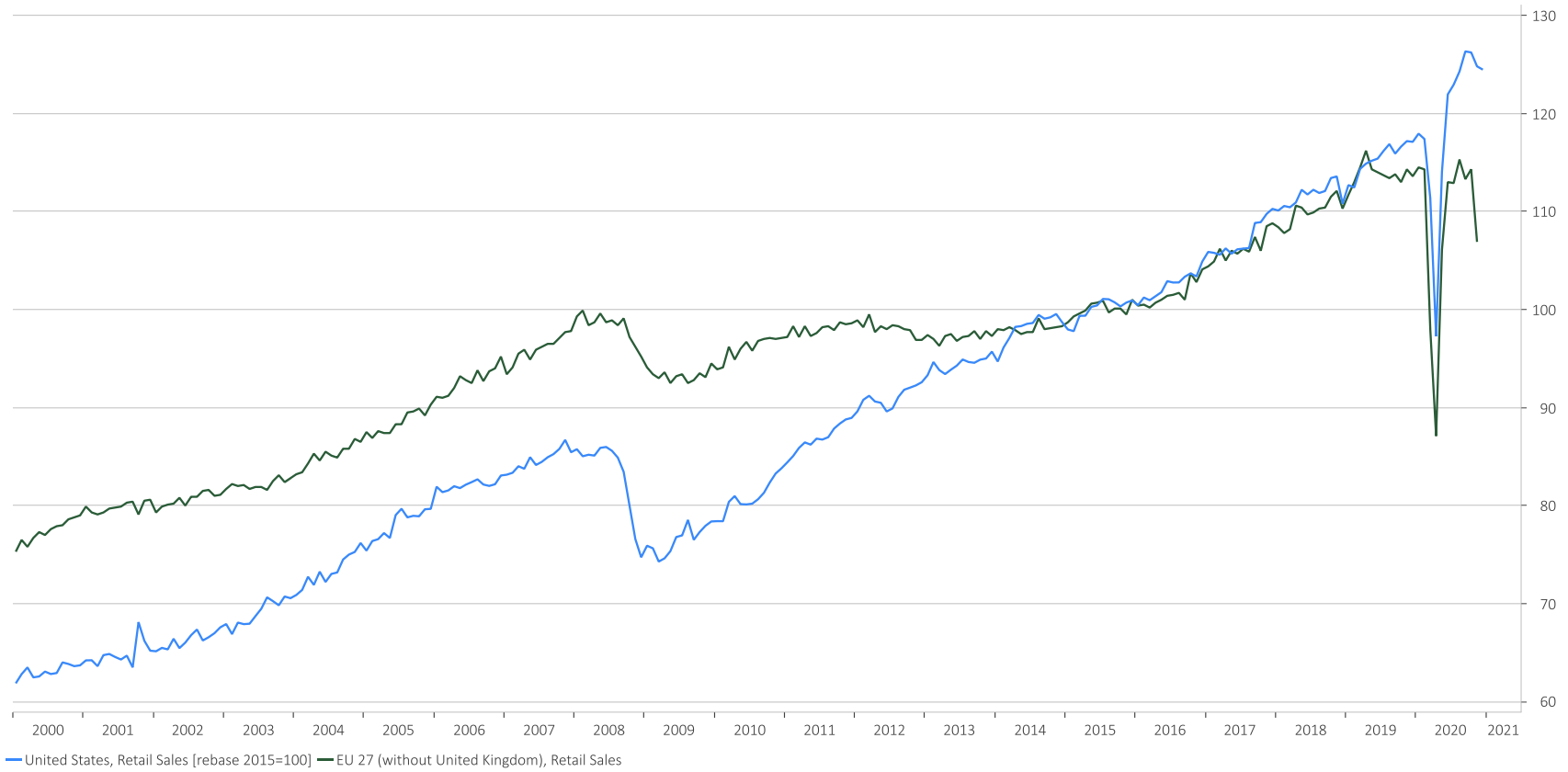




The widening gap US vs EU

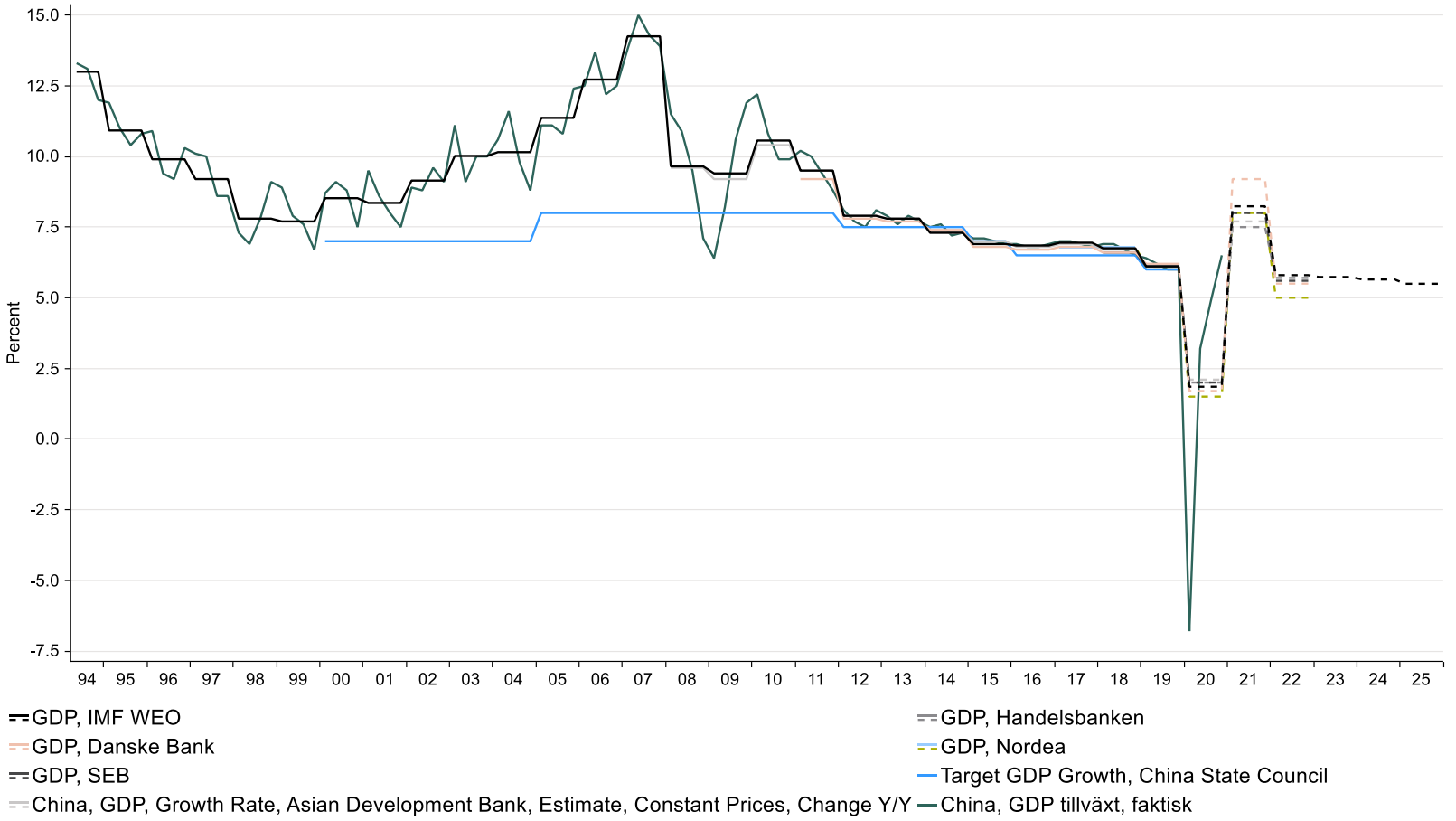
As we have highlighted, US has done a V and has received the market´s praise, EU has not and laggs in equity performance

There is NOTHING in the pipe that will challenge this!



Source: Erik Penser Bank, Macrobond

Chinese outlook – BACK to the predicted path!



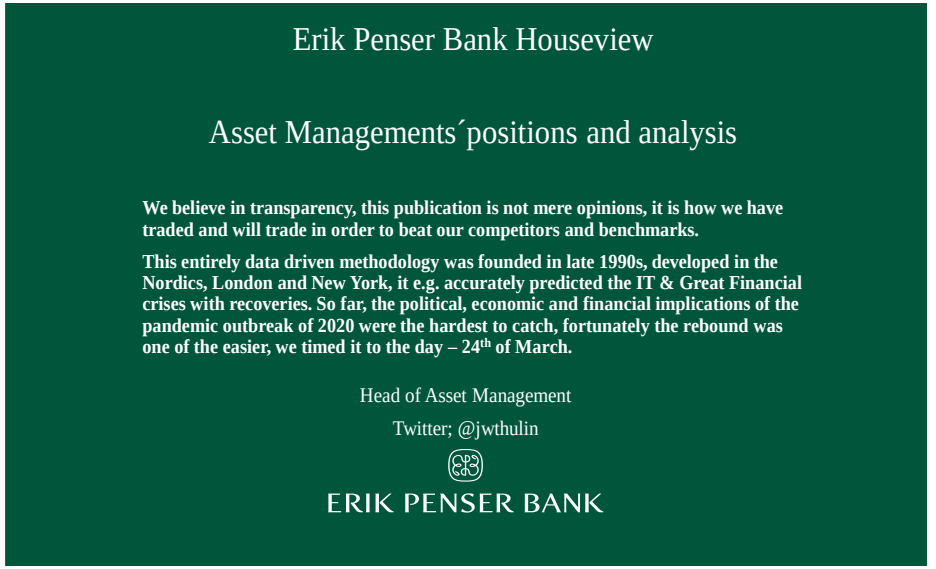
Källa: Erik Penser Bank & Macrobond

EPB Asset Management, diverse range of Houseview publications

Weekly newsletter

Monthly houseview

Weekly houseview and market analysis



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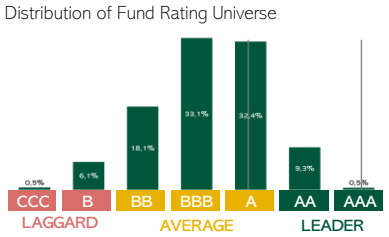
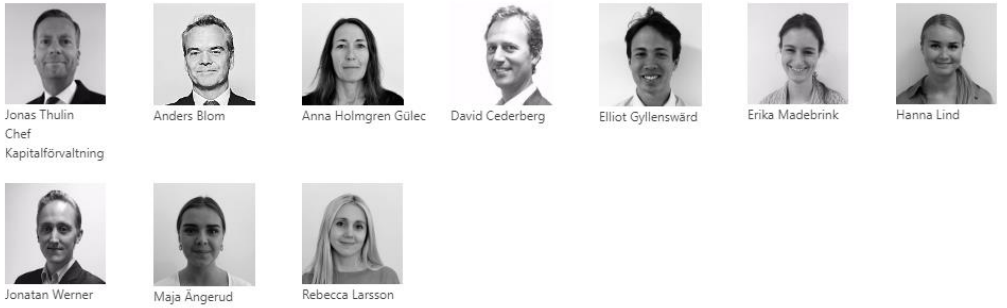
Fund reports:



Team ready for comments:



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