WEEKLY BULLETIN

July 2023: Issue #3

Thought of the Week.

When looking to understand what drives economies and business, it's ultimately all about the numbers, right? 'Wrong' says Robert Shiller, the Yale economist and Nobel laureate who predicted the housing crisis of the late 2000s, arguing that people's actions more often depend on "stories" than hard data and complex formulas.

It seems that it all started with a 1931 book "Only Yesterday" that recounts the events of the previous decade which led to the Great Depression. How people at the time saw the world was a window on collective decision-making processes that no mathematical model could capture. Now, over 50 years later, Shiller's celebrated book Narrative Economics has taken a detailed and analytical look at the stories we tell ourselves about the world, many drawing on deep-rooted collective memories, or interpretations, of past events.

Social media and technology itself have accelerated the narratives transformation into a product with viral qualities. Economics has been slow to recognize the importance and value of narratives and Shiller thinks that needs to change. Rather than assumptions that decision-making is all self-interested processes like maximizing the "utility function" – or what's best for me – there are other powerful forces in play.

Information technology has increased the contagion of narrative and has always played a role, from the invention of the printing press by Gutenberg to 21st Century events helped along by newspapers and speeding communication.

Nowadays we have a new inflexion point in the development in technology with the A.I. engines parsing an enormous amount of data and providing conclusions and solutions that are hard to synthesize by humans. We should be aware that it also perpetuates or accentuates purposefully packaged messages that are outcomes of smartly 'designed' datasets and information.

Last Week 's Notable Events.

US Economy/Politics

- JP Morgan profit surges to record after First Republic deal, Goldman profit tumbles on real estate hits – 17 Jul.
- Regional bank Northern Trust stocks jump 13.4% despite earnings of $1.56 per share, a 16% drop in q/q – 20 Jul.
- Fed banking regulator warns AI could lead to illegal lending practices – 18 Jul.

Europe and UK Economy/Equity

- EU plans €20 billion fund to stock Ukraine's miliary for years – 18 Jul.
- UK inflation rate slides to 7.9% in June, below expectations 8.0% - 19 Jul.
- Turkey emerges as Europe's largest coal power producer in June – 20 Jul.

Asia Pacific Economy/Equity

- ComfortDelgro unit wins six-year contract to operate rail services in Paris – 19 Jul.
- Abu Dhabi and Beijing forge twinning relations to advance sustainable urban development and smart city initiatives.
- CBOC rolled over maturing medium-term policy loans and kept the interest rate unchanged as expected – 17 Jul.

Other News and Quotes.

- Russia takes over Danone (DANOY) and Carlsberg's (CABGY) Russian units handing control over to its closest allies.
- Federal Reserve launched a new instant-payment system that'll be available 24/7/365 - "FedNow"!

Weekly Data Monitor.

Performance

- Across the board reversal from last week
- Global Equity only positive in its class
- US$ moved higher into the week end.

INDEX	Weekly %	MTD %	YTD %	1YR %	3Y %	5Y %
Global Equity	0.25	2.29	16.54	14.55	31.93	47.74
Global Real Estate	-0.77	2.60	4.24	-5.84	14.93	20.35
US Real Estate	-0.51	2.51	6.65	-3.22	22.74	28.60
APAC Real Estate	-0.65	2.29	-3.34	-4.56	-11.90	-17.56
Investment Grade	-0.03	0.96	6.39	6.09	7.17	18.38
High Yield Bonds	-0.38	1.22	2.67	-0.07	-14.54	-4.18
Global HF Real Estate	0.07	0.41	1.04	1.96	7.03	8.53
Global HY ETF	0.81	1.82	9.18	11.94	27.32	23.05
ASIA Real Estate ETF	-0.34	-0.23	-4.92	-13.86	-9.67	0.39
USD Index	1.08	-1.85	-2.43	-5.52	6.19	6.91

Weekly chart:

- Brent Crude higher although US$ strong.
- High Yield enlarged weekly band.
- Gold reversed mostly on US$.

Note: The chart shows normalised weekly highs and lows for the Indicator, BLUE being the LATEST.

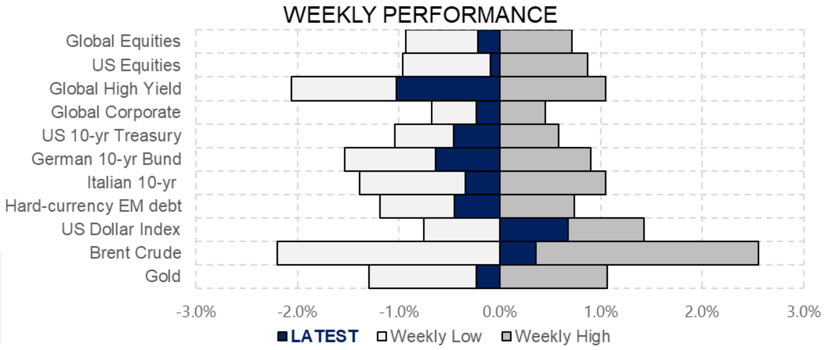
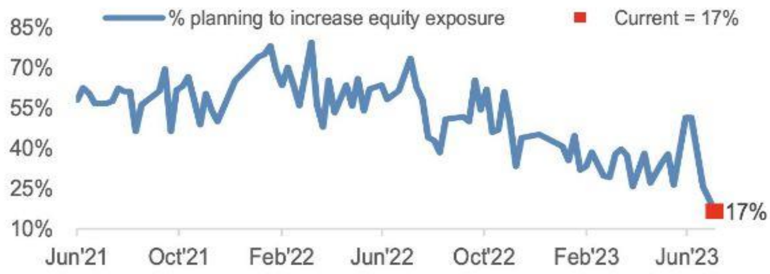


Chart of the Week.

The Chart of the Week comes from J.P. Morgan team and surveys the propensity of the population sample to change their allocations based on perceived risks. The results show that only 17% would increase allocation to equities (risky assets) but the conclusion is not obvious.

There is no characterisation of that 17% of investors, as we do not know the AUM for that respective sample, nor the investment horizon they have or the timing of that allocation.

Figure 2: Are you more likely to increase or decrease equity exposure over the coming days/weeks?



Source: J.P. Morgan.

From market perspective we have divergent information while data is still coming in for an earnings season that has just started. Cyclicality is playing a significant role in the decision process. The seasonal tendency is for higher volatility around this time of the year; climaxing around October. With sentiment cooling down as in the chart, valuations back to expensive levels, and a still very blurry macro, the path higher may not be as smooth or simple as some believe.

We should expect S&P500 to fare between 4100 and 4800 for this year. The main driver of strength for the stock market in 2023 — Big Tech — now faces a major overhead resistance ahead and above. The Big Tech vs S&P500 relative performance line is stalling at resistance and this comes just as we're entering into a historically volatile patch of the year. A catalyst can be inflation and how the Fed perceive its dynamics, but this can swiftly morph into pure risk.

We see two risks ahead. The first would be if durables goods begin to show even sharper deflation, announcing more general price pressures. The second is if service inflation becomes entrenched at current levels—lower than a year ago, but well above a rate consistent with the Fed's target.

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