

15th March, 2023

Pulse Webinar

Media noise or hard numbers?

Nathan Sweeney, Deputy CIO of Multi-Asset
The Marlborough Group

novia
global



Agenda:

- Inflation - what caused it and why is it falling
- Recession ahead - expected but not guaranteed
- Silicon Valley Bank - what happened
- Market reaction - how markets have performed

Investors' Concerns

Inflation is high, interest rates are rising, we are headed for a recession, and banks are collapsing



Source: Marlborough Multi-Asset Team, Google 2023

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Inflation is falling -
what caused it and why is it falling

Supply chain disruption was a key factor behind inflation

Costs are falling as supply chains normalise



Source: Marlborough Multi-Asset Team, Visual Capitalist

Gas prices have fallen from their peak

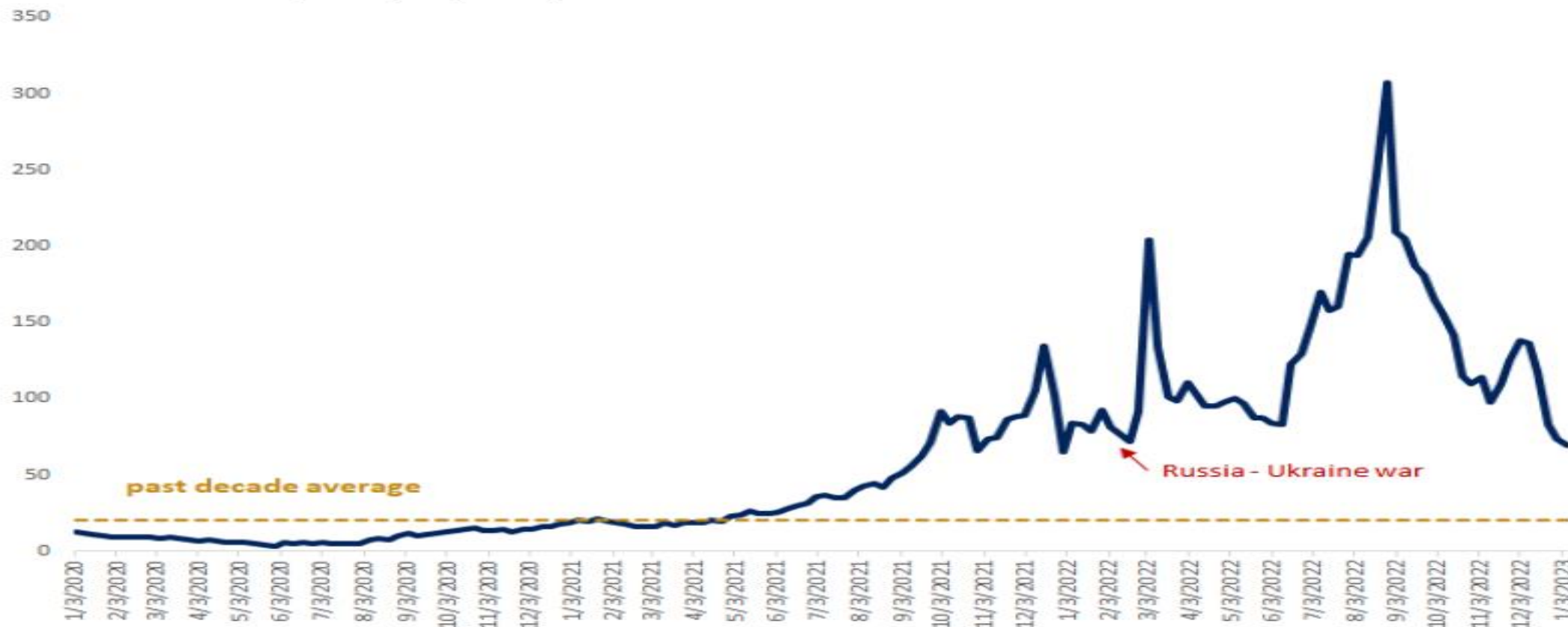
Gas has fallen nearly 80% since its high last year

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European nat gas prices trending in the right direction helped by weather

Dutch TTF forward prices (EUR/ MWh)



Source: Marlborough Multi-Asset Team, Bloomberg

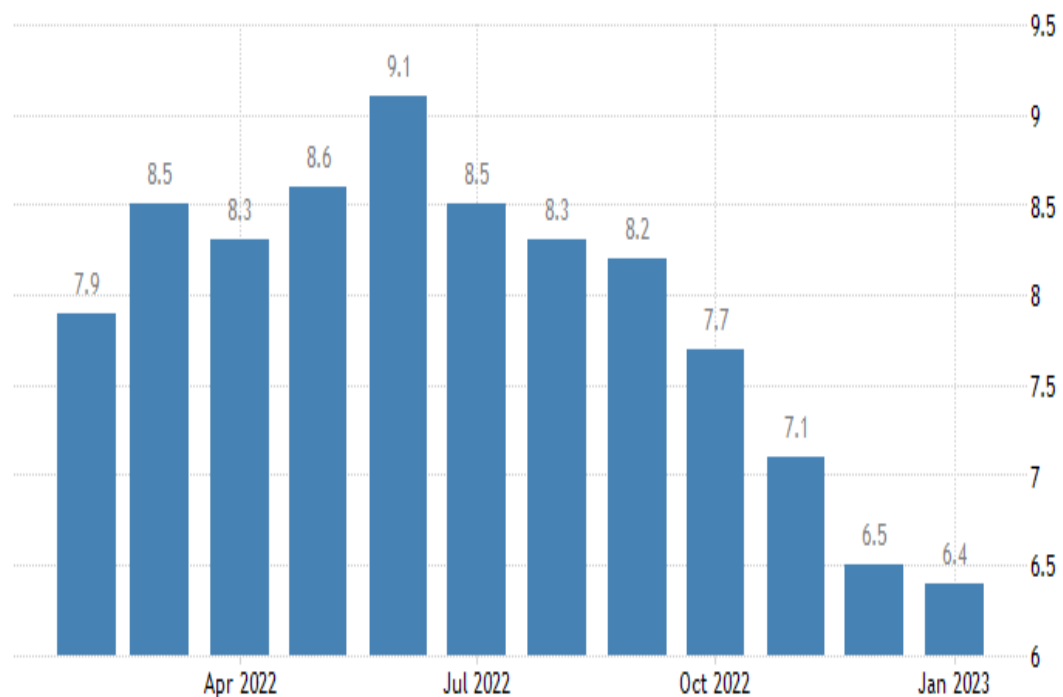
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Feeding through into lower inflation

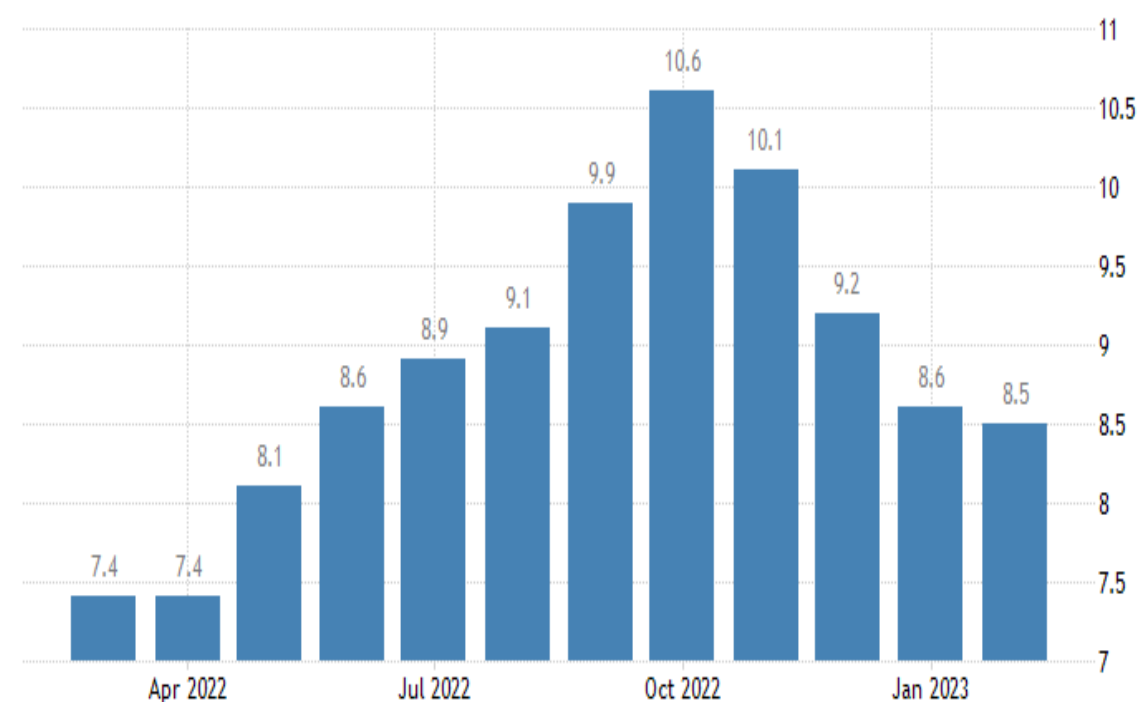
Inflation has been falling for several months in the US and Europe

US Inflation



TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

European Inflation



TRADINGECONOMICS.COM | EUROSTAT

Source: Marlborough Multi-Asset Team, Trading Economics 2023

Recession ahead - expected but not guaranteed

Rate hikes increase recession risk

One of the most widely anticipated recessions in history

%, probability of a recession in the next 12 months



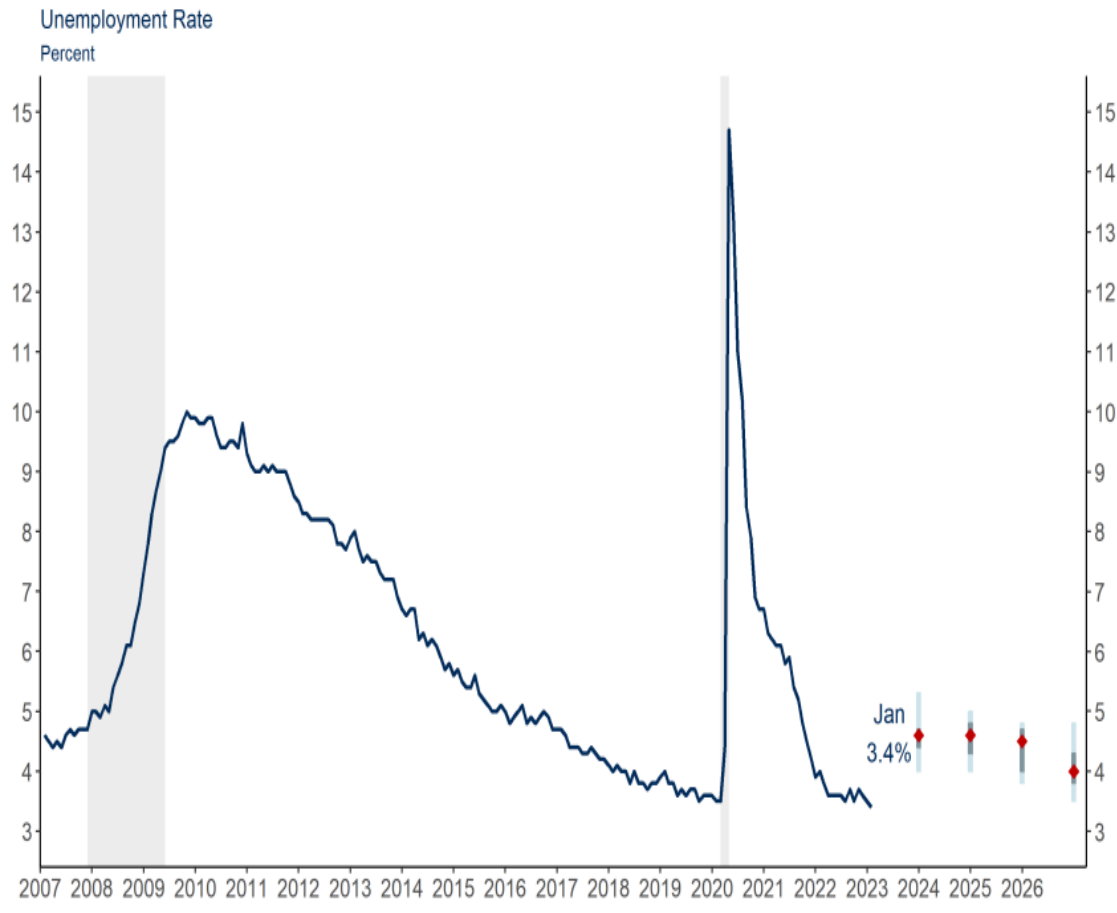
Source: Marlborough Multi-Asset Team, BoAML

Unemployment is low and not signalling a recession

These headlines might make you think differently

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Estimated number of global job cuts in the largest layoffs by U.S. tech companies since 2020



Source: Layoffs.fyi

Source: Marlborough Multi-Asset Team, Federal Reserve Bank of Richmond, Layoff

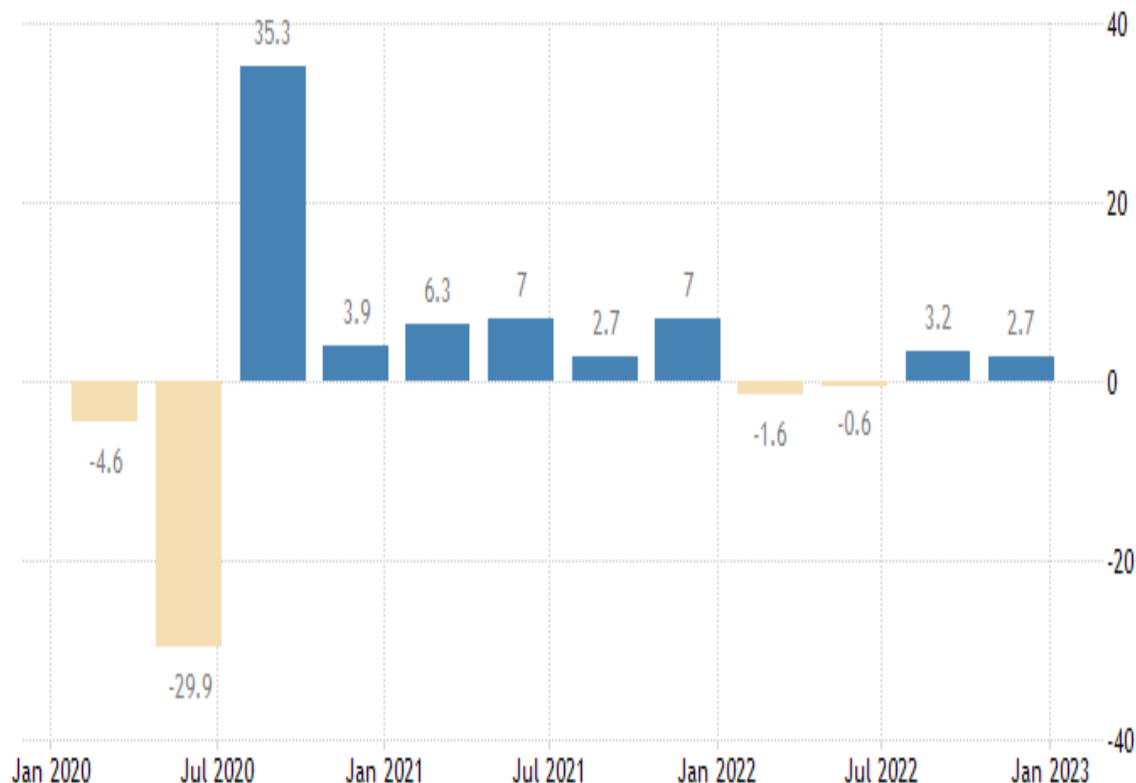
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This reduces the potential for a recession

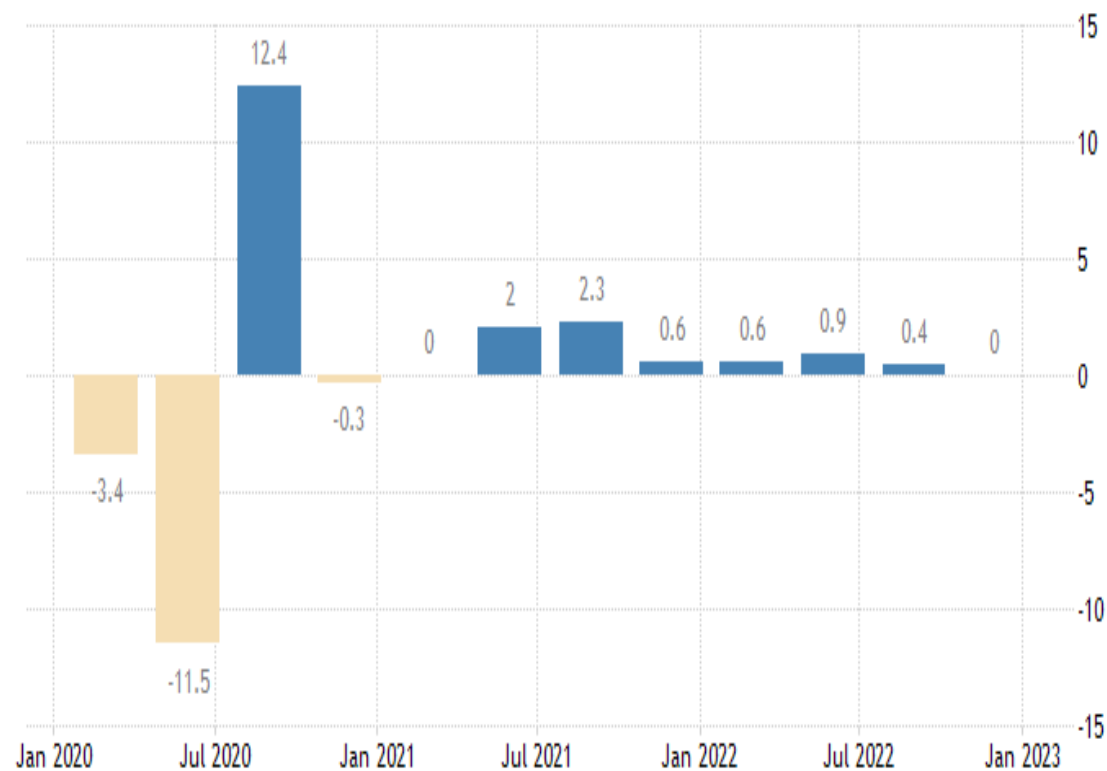
However, every region will be different

US Growth



TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

European Growth



TRADINGECONOMICS.COM | EUROSTAT

Source: Marlborough Multi-Asset Team, Trading Economics

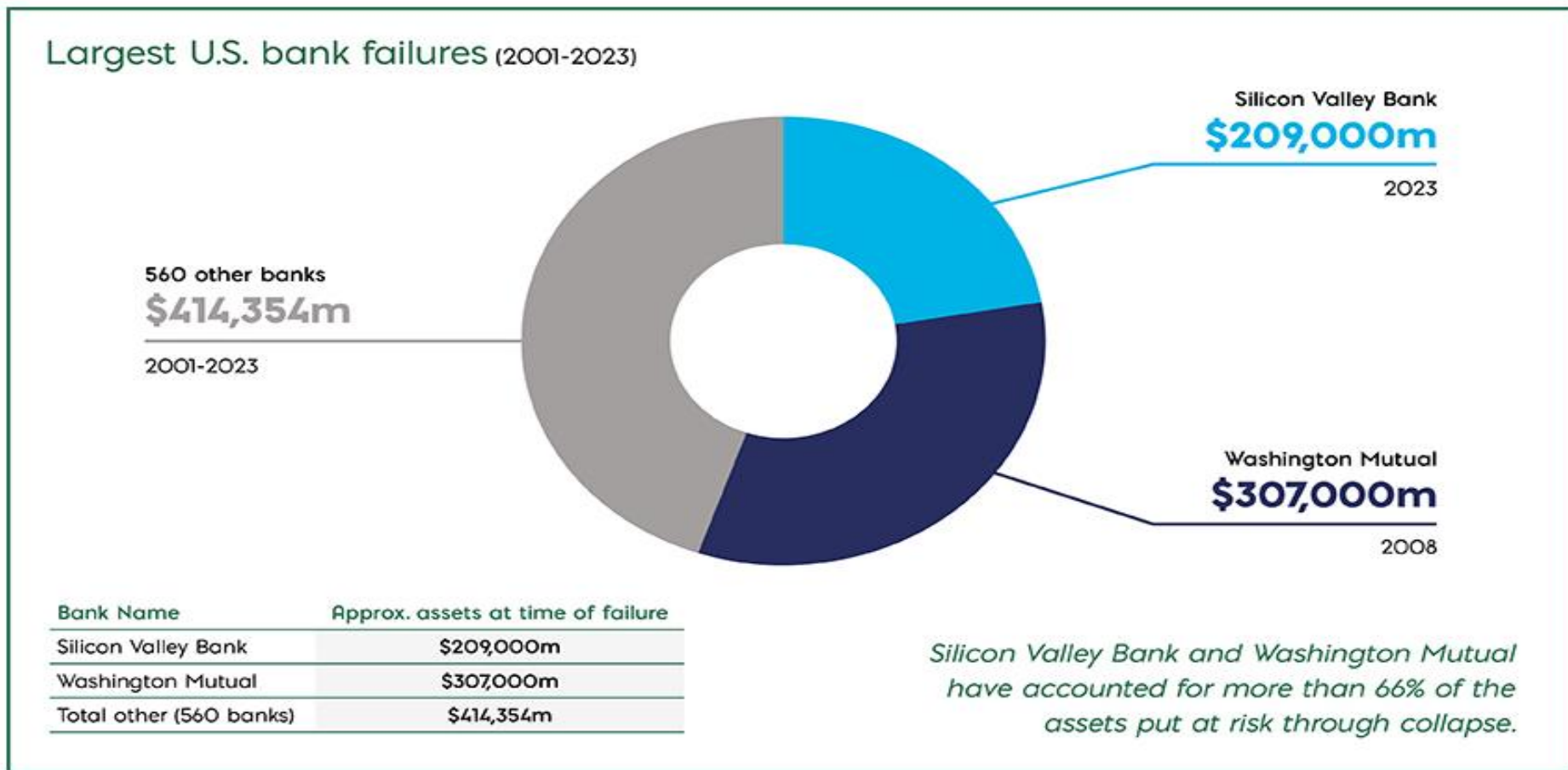
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Silicon Valley Bank – what went wrong

SVB is the second-largest bank failure of all time

There have been 562 bank failures since 2000



Source: Marlborough Multi-Asset Team, FDIC Bank Failures 2001 through 2023. Data as at 13/03/2023

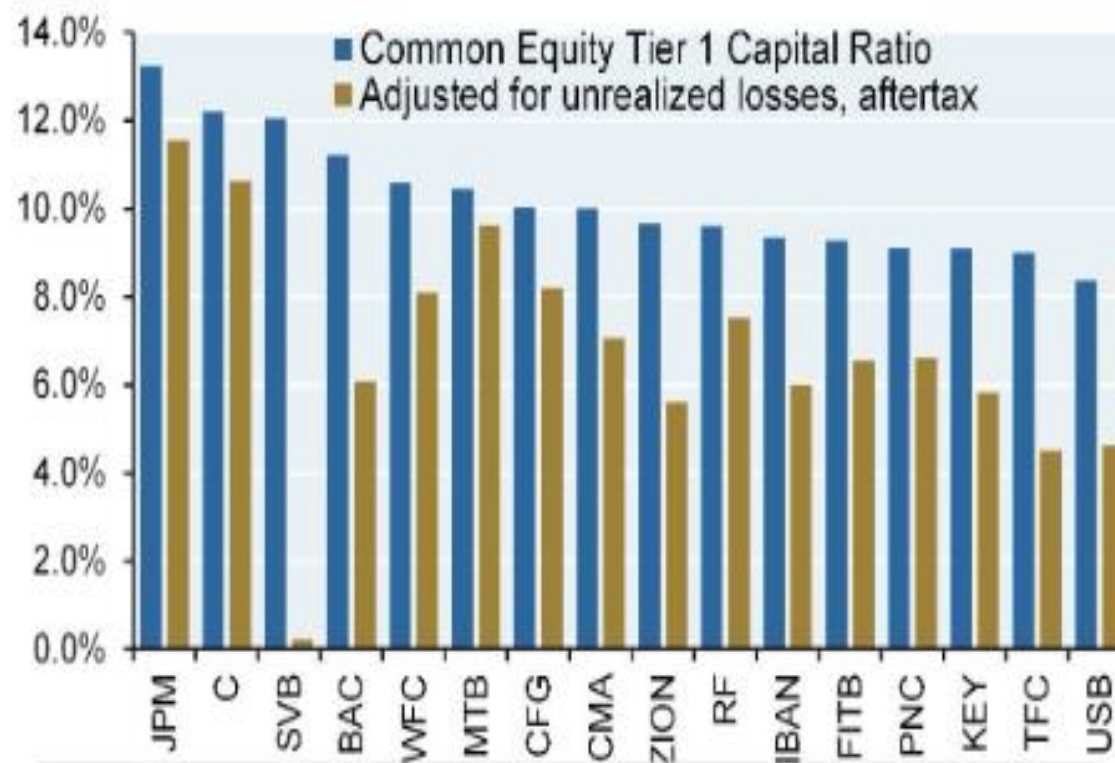
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They lost money on bond investments

Regulators have rescued the bank to ensure all depositors can access their accounts.

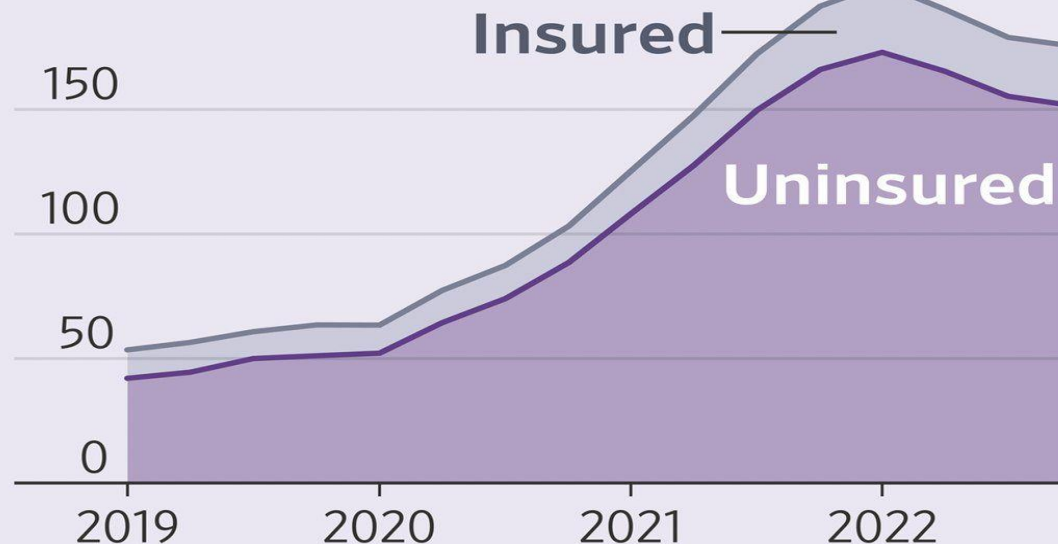
Impact of unrealized securities losses on capital ratios

Percent



Silicon Valley Bank's deposits

\$200 billion

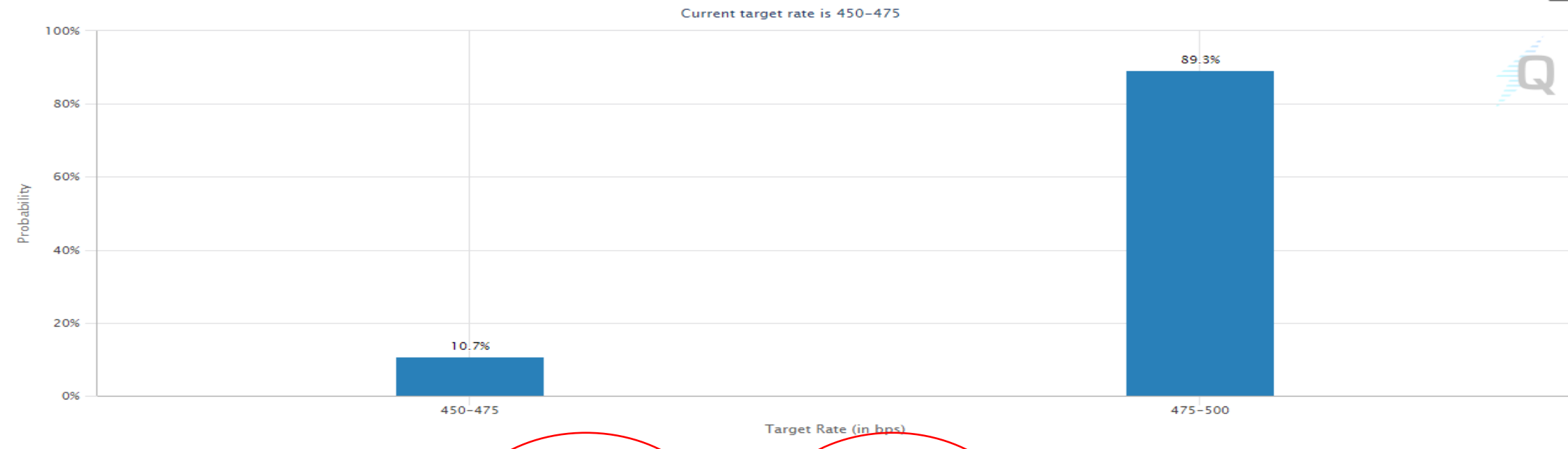


Source: Marlborough Multi-Asset Team, JPM, Bloomberg HolgerZ

This event may lead to fewer rate hikes in 2023

Interest rates are expected to rise slower, if at all.

TARGET RATE PROBABILITIES FOR 22 MAR 2023 FED MEETING



| TARGET RATE (BPS) | PROBABILITY(%) | | | |
|-------------------|----------------|----------------------|----------------------|------------------------|
| | NOW * | 1 DAY 10 MAR 2023 | 1 WEEK 6 MAR 2023 | 1 MONTH 13 FEB 2023 |
| 450-475 (Current) | 10.7% | 0.0% | 0.0% | 0.0% |
| 475-500 | 89.3% | 59.8% | 68.6% | 90.8% |
| 500-525 | 0.0% | 40.2% | 31.4% | 9.2% |

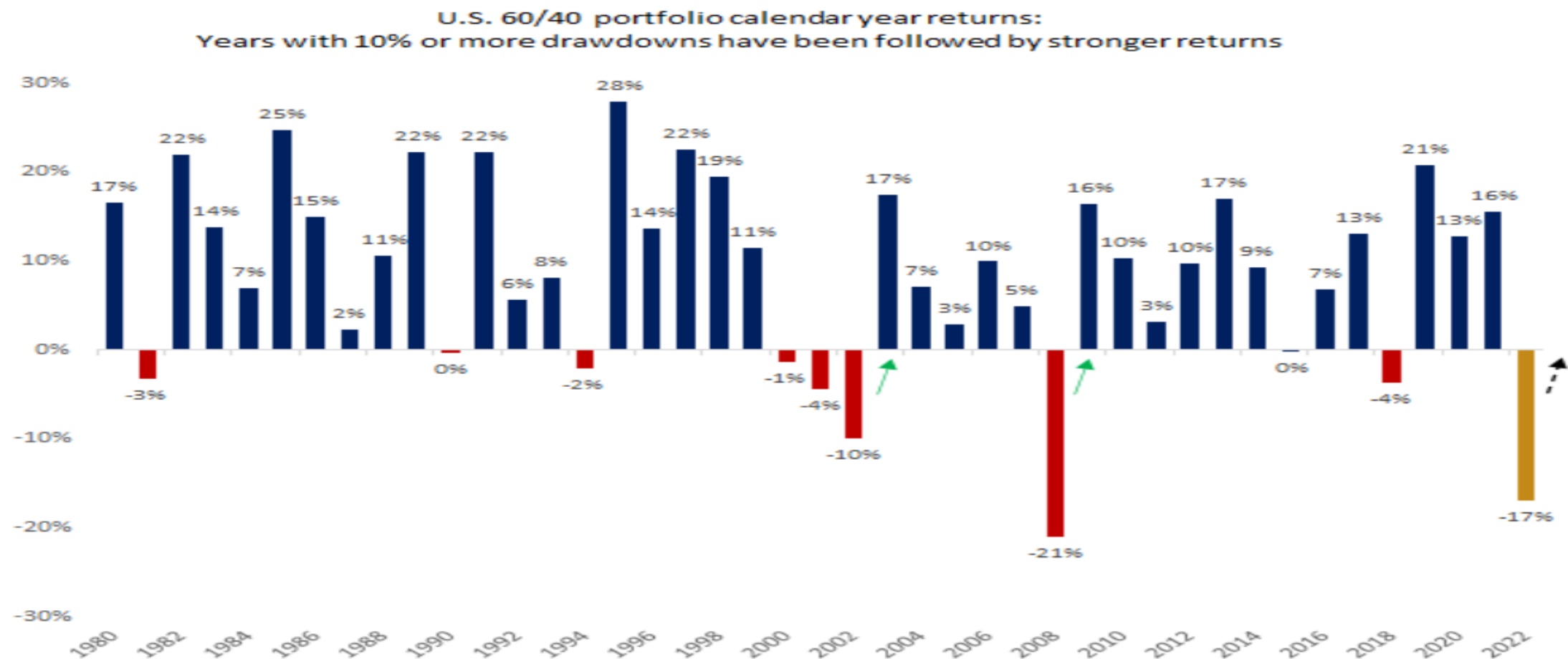
* Data as of 13 Mar 2023 09:09:46 CT

Source: Marlborough Multi-Asset Team, CME Group

Market Reaction – how markets have performed

Lagging markets tend to lead

Expecting a better outcome in 2023



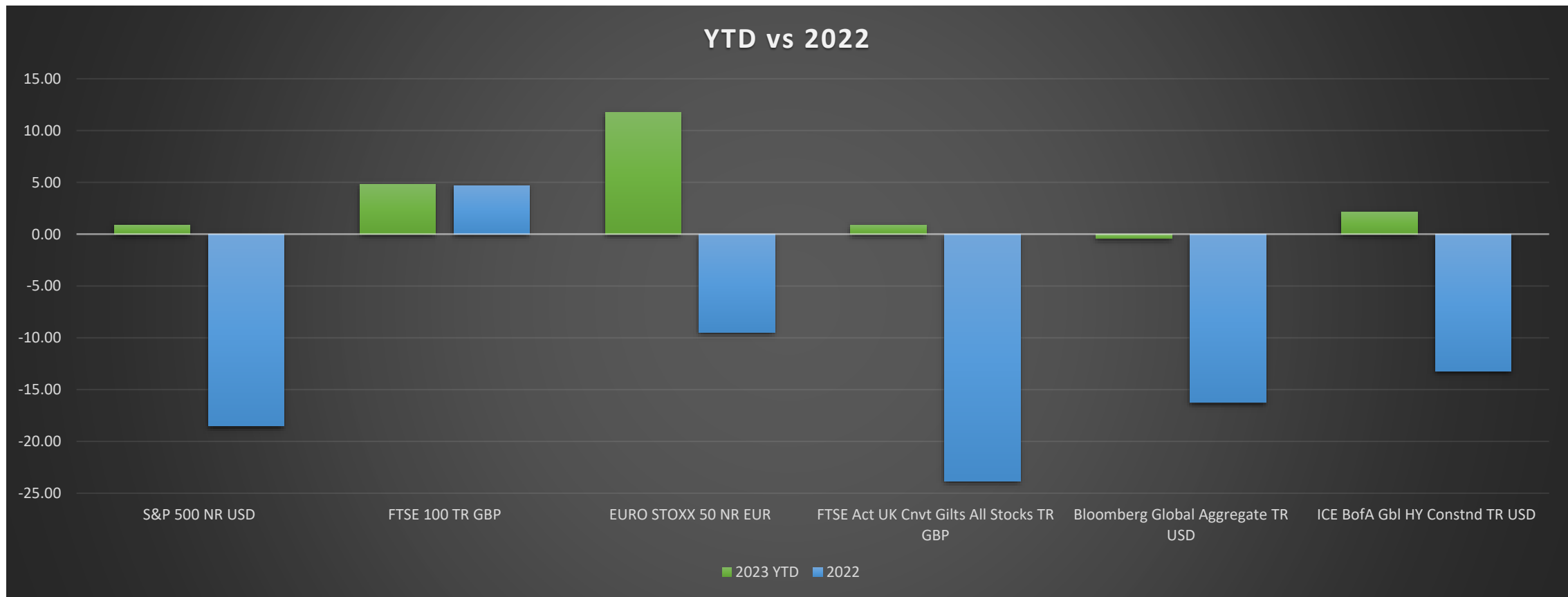
Source: Marlborough Multi-Asset Team, Edward Jones

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Sign of things to come

Could year-to-date moves provide clues as to what will perform in 2023?



Source: Marlborough Multi-Asset Team, Morningstar to the 10th of March 2023.

Bull markets follow bear markets

Bull markets last longer and compensate for bear markets

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Bull vs. Bear markets

'Since 1950, the average bear market has returned -34% and lasted about 13 months, while the average bull market has returned +167% and lasted nearly four years.'

Edward Jones



Average
bear market

-34%

~ 13 months

~ 4 years

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Average
bull market



+167%

For illustrative purposes only.

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