

**SARASIN**  
& PARTNERS

# Sarasin Six Minute Strategy

## *The Great Reflation*

4 December 2020

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If you are a private investor, you should not act or rely on this document but should contact your professional advisor.



# Global inflation indicators higher on vaccine/election news despite surging infection data

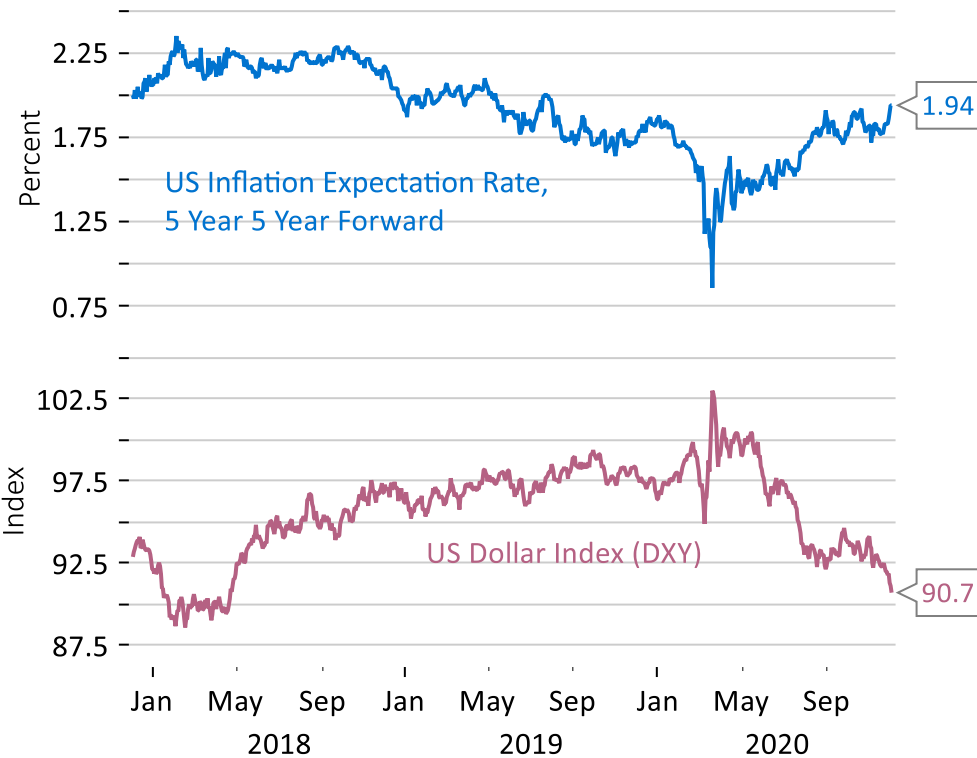


US inflation expectations recovering - Dollar trending lower



Euro break-up risk low – GE business sentiment creeps higher

Inflation Expectations & the Dollar



Source: Macrobond, 04.12.20

Italian Spreads & German Industrial Sentiment



Source: Macrobond, 04.12.20

# Why we are still overweight risk assets:

Global stimulus still continues on an extraordinary scale...

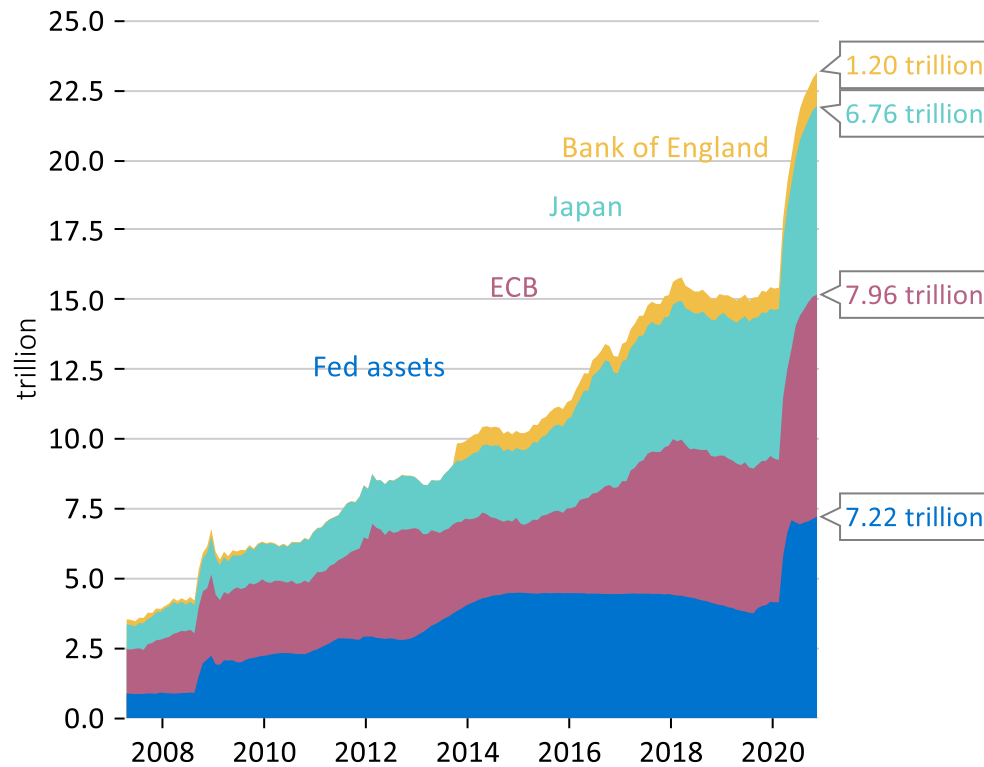


## Major Central banks still ballooning

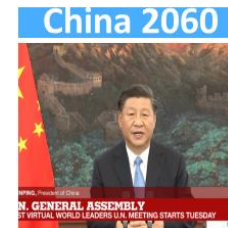


## Global Climate commitments add to massive fiscal spend

Central bank balance sheet (USD, monthly)



Source: Macrobond, 04.12.20



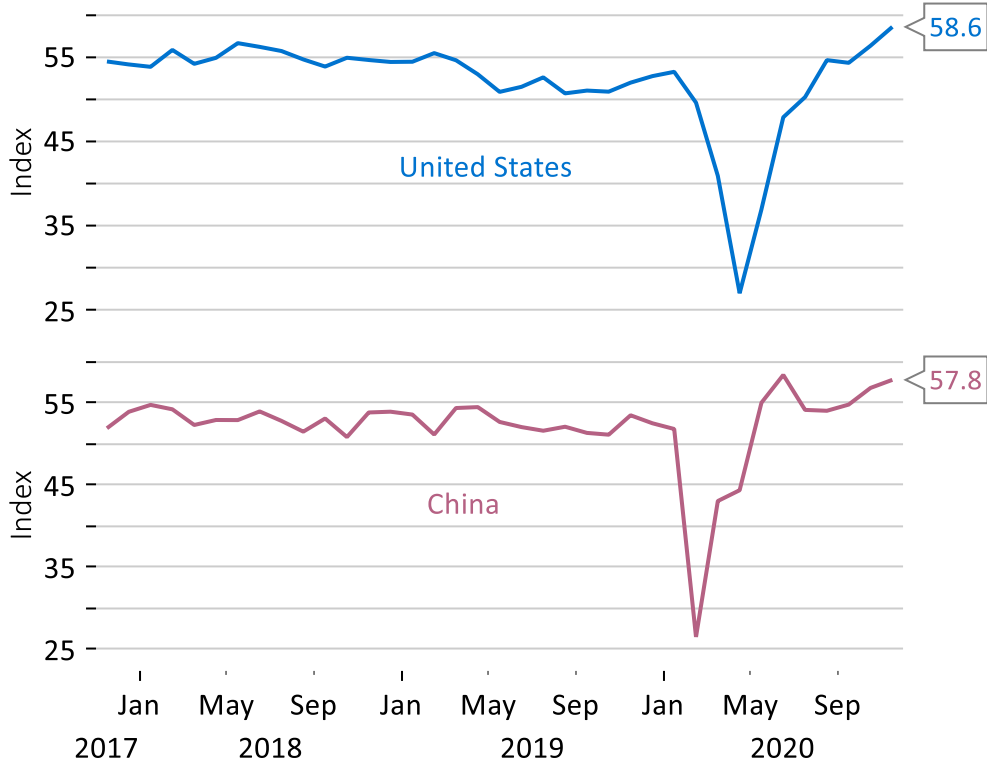
2020 Climate Pledges

# Global recovery hides a big divergence in business sentiment



## Business sentiment recovering strongly

Markit Composite PMI Index

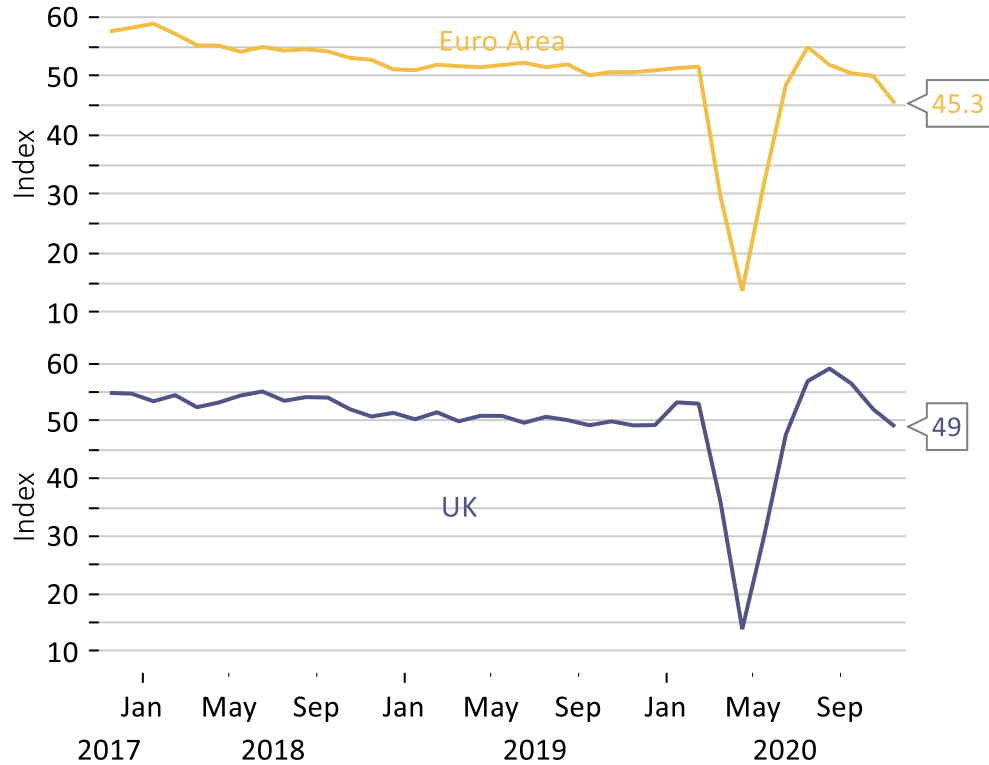


Source: Macrobond, 04.12.20



## 2nd Lockdown damaging business climate in Europe

Markit Composite PMI Index



Source: Macrobond, 04.12.20

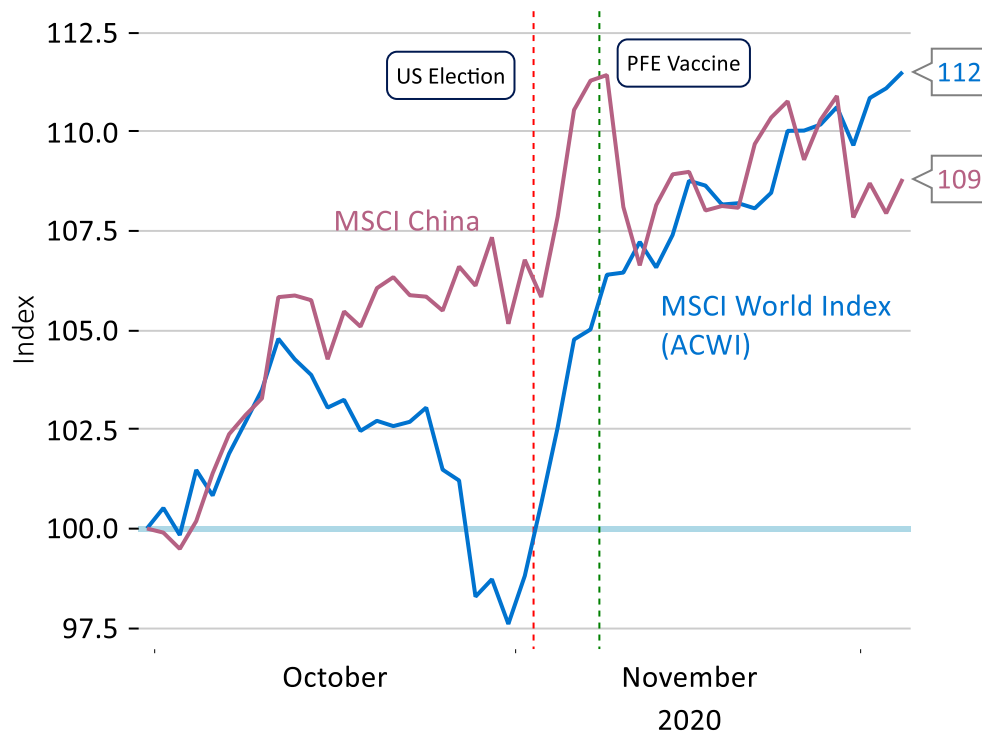
# Market reaction

Election & vaccine drives an extraordinary rally



World index leads China index in Q4

Global Asset Class Returns Q4 2020  
(30/09/2020=100)

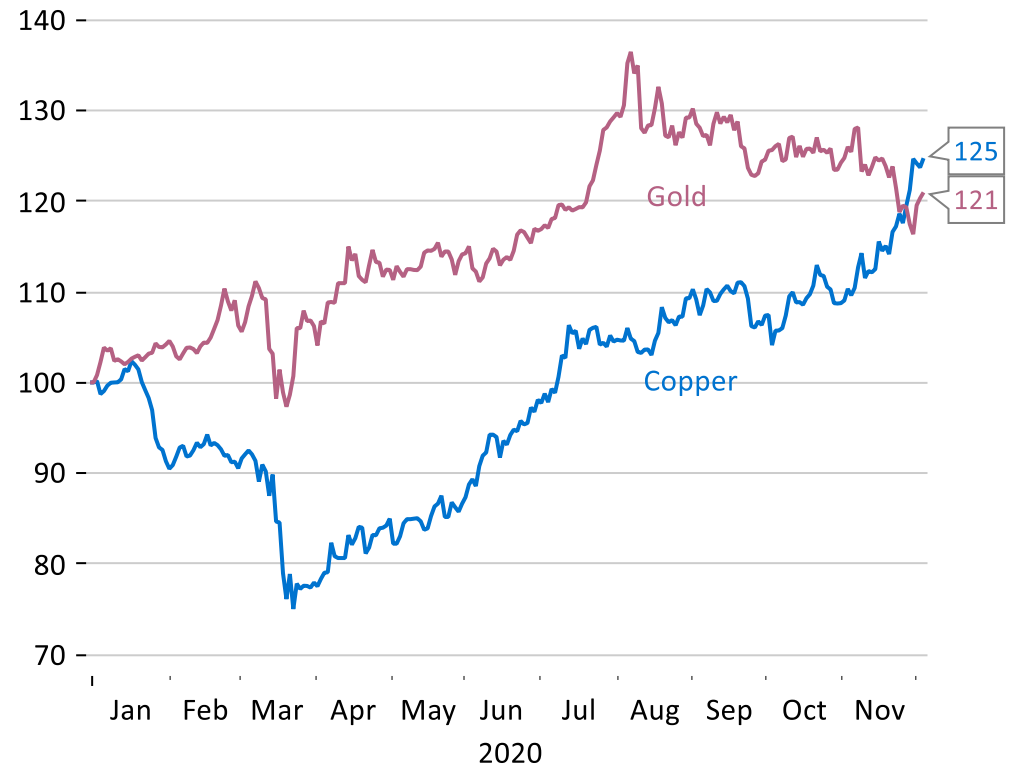


Source: Macrobond, 04.12.20



Copper leads gold in 2020...on global recovery hopes

Gold and Copper returns 2020



Source: Macrobond, 04.12.20

# US & UK Small-cap indices are looking through the current crisis

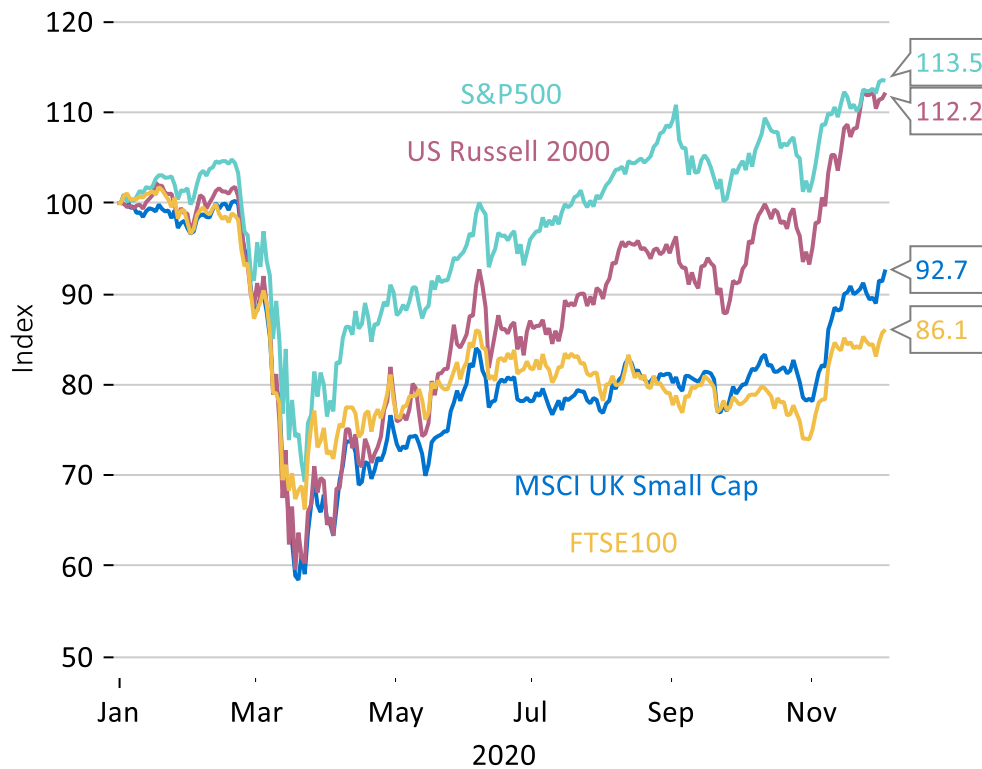


Small cap indices out perform in US & UK for 2020



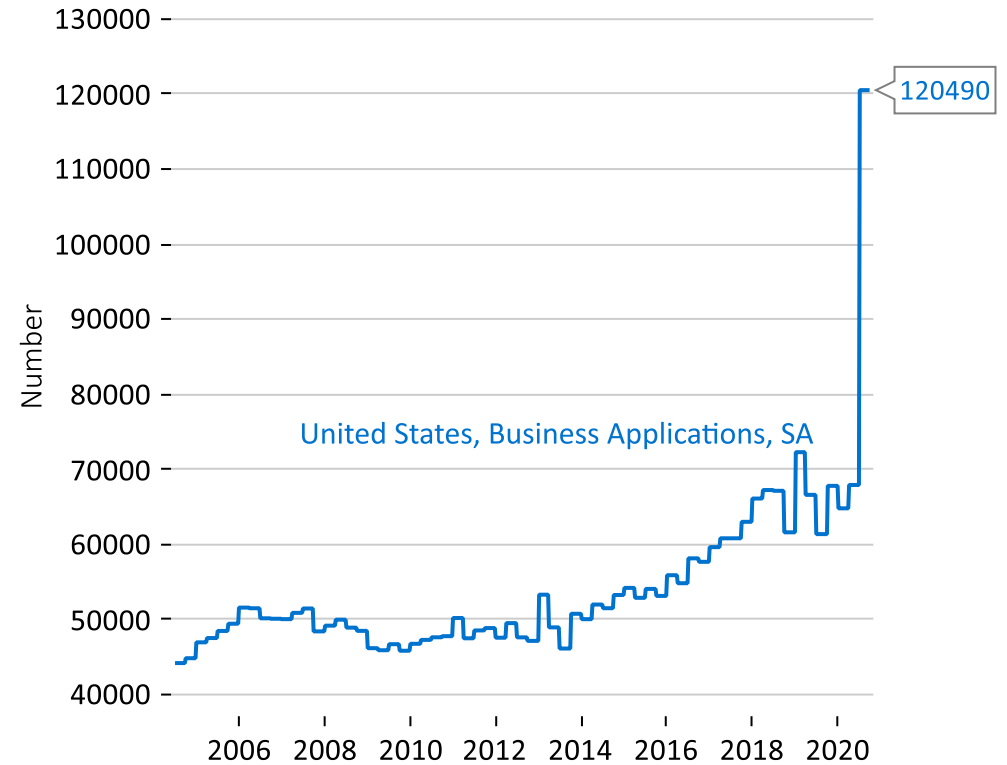
Entrepreneurial spirits have recovered sharply

## US & UK Large/Small-Cap Indices



Source: Macrobond, 04.12.20

## United States, Business Applications, SA



Source: Macrobond, 04.12.20

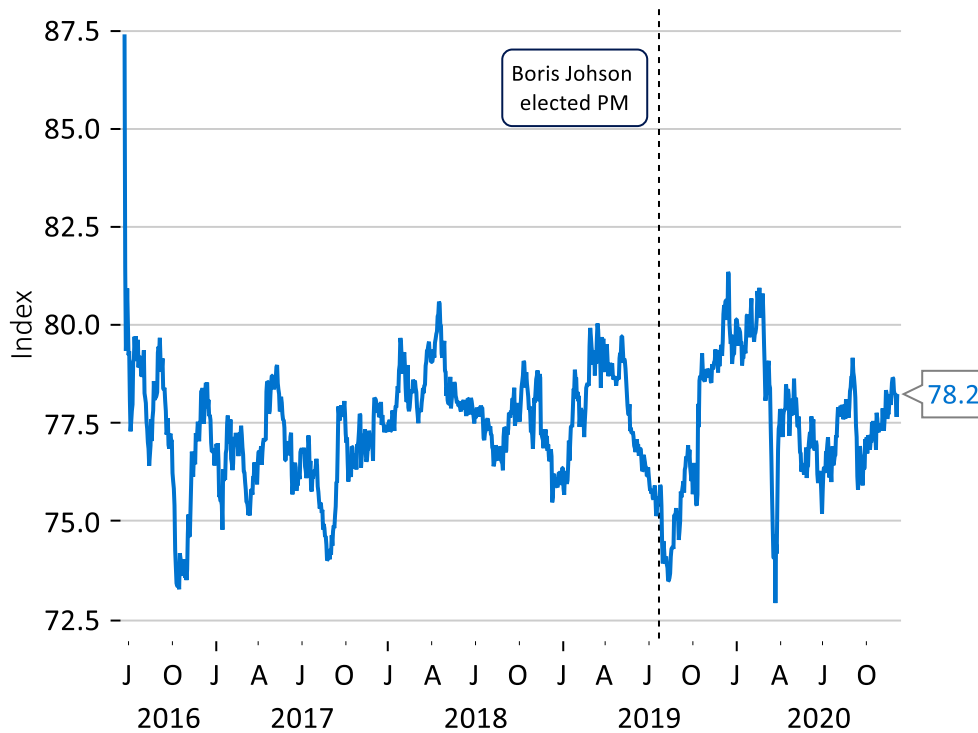
# Inches from a Brexit deal?

Down to the wire...as expected



**Sterling has been a reasonable barometer of 'Deal/No-Deal'**

**Bank of England Sterling index since Brexit Vote**

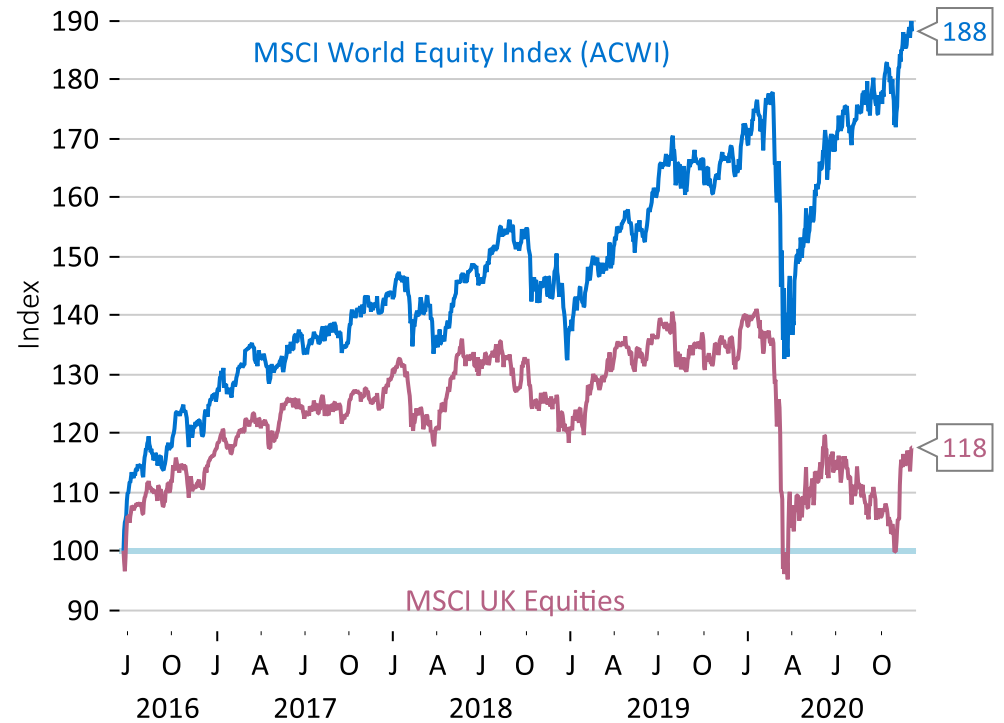


Source: Macrobond, 04.12.20



**An astonishing underperformance of UK assets**

**UK and Global Equity & FX returns since Brexit Vote (23/6/2016)**



Source: Macrobond, 04.12.20

# Important information

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