

Six minute strategy

Extraordinary economics and what this means for your portfolio

Guy Monson
3 November 2023

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



1. COVID saw the biggest quarterly fall in GDP ever recorded

Even though the road back to two percent inflation is still long, bonds are starting to offer value

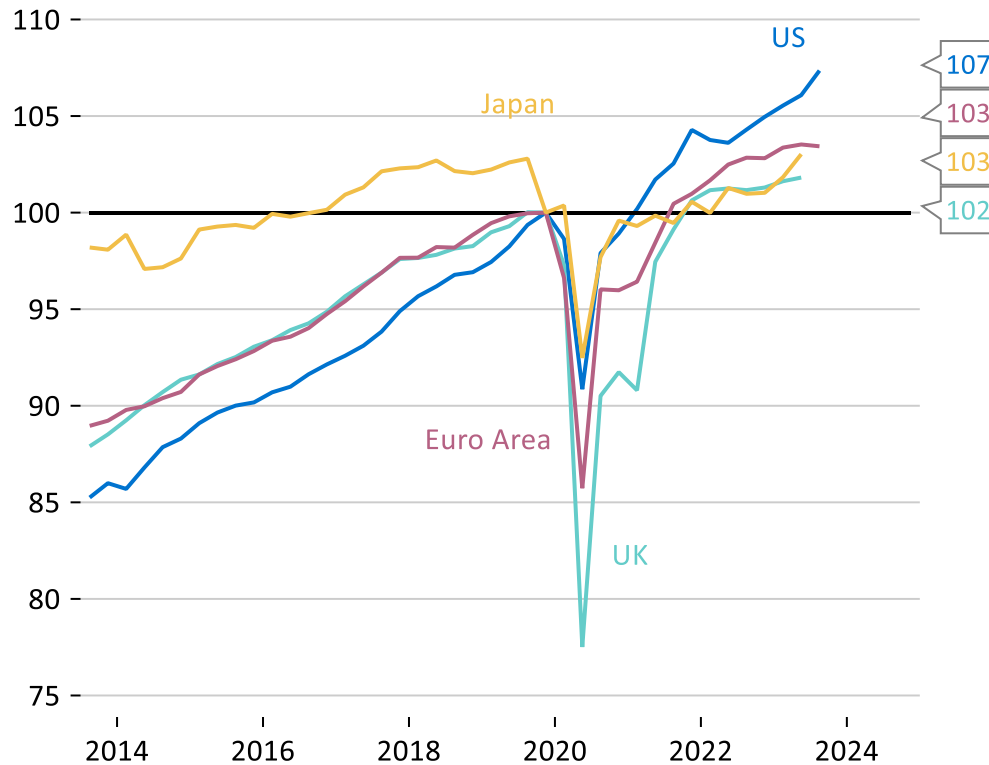


Advanced economy GDP fell markedly



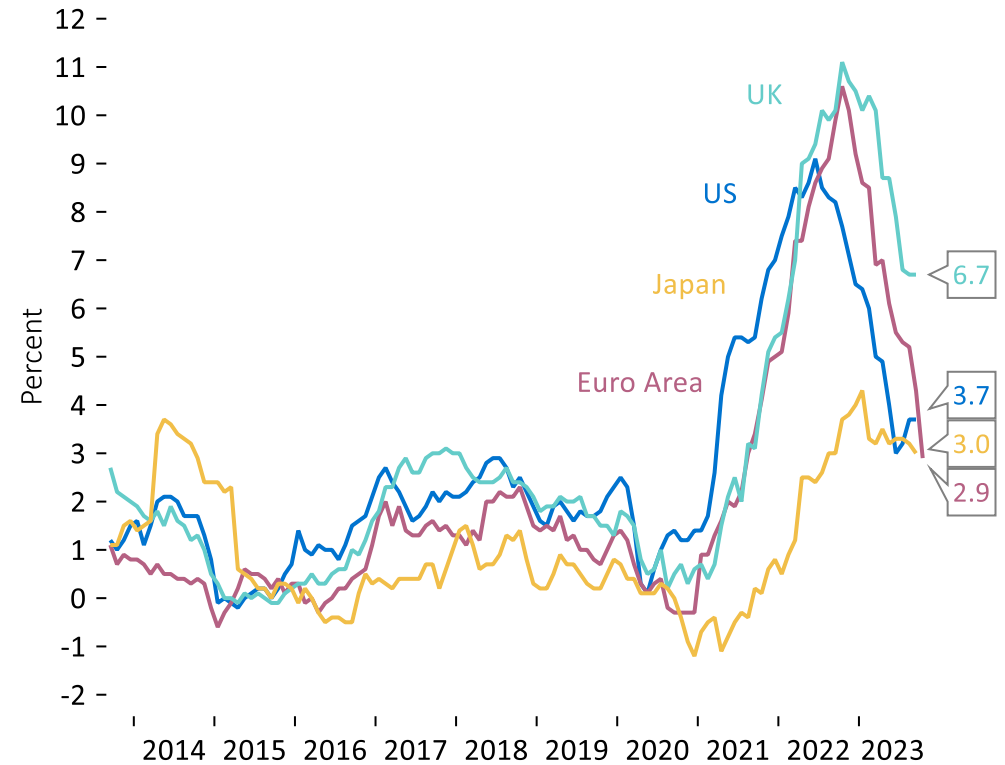
Central banks are slowly winning the inflation battle

Gross Domestic Product (100 in Q4 2019)



Source: Macrobond, 01.11.23

Headline Inflation (CPI)



Source: Macrobond, 01.11.23

Past performance is not a guide to future returns and may not be repeated.

2. 10 years of subdued oil prices – will this now change?

Be prepared for higher oil price rises if conflict widens– protect portfolio downside with insurance or cash

 Typically a wider regional crisis is needed to trigger a prolonged rise in oil prices



Scenarios for current Israel-Hamas war

Scenario	Impact on Oil supply	Oil Price (USD)	Gas Price (% increase)
Base	Minimal	85-95	10%
Adverse	Similar to the Iraq War in 2003 with loss of 3mb/day	100-110	50%
Ugly	Similar to the oil embargo of 1973 with loss of 6-7mb/day	130-150	300%

Source: Sarasin and Partners October 2023

Past performance is not a guide to future returns and may not be repeated.

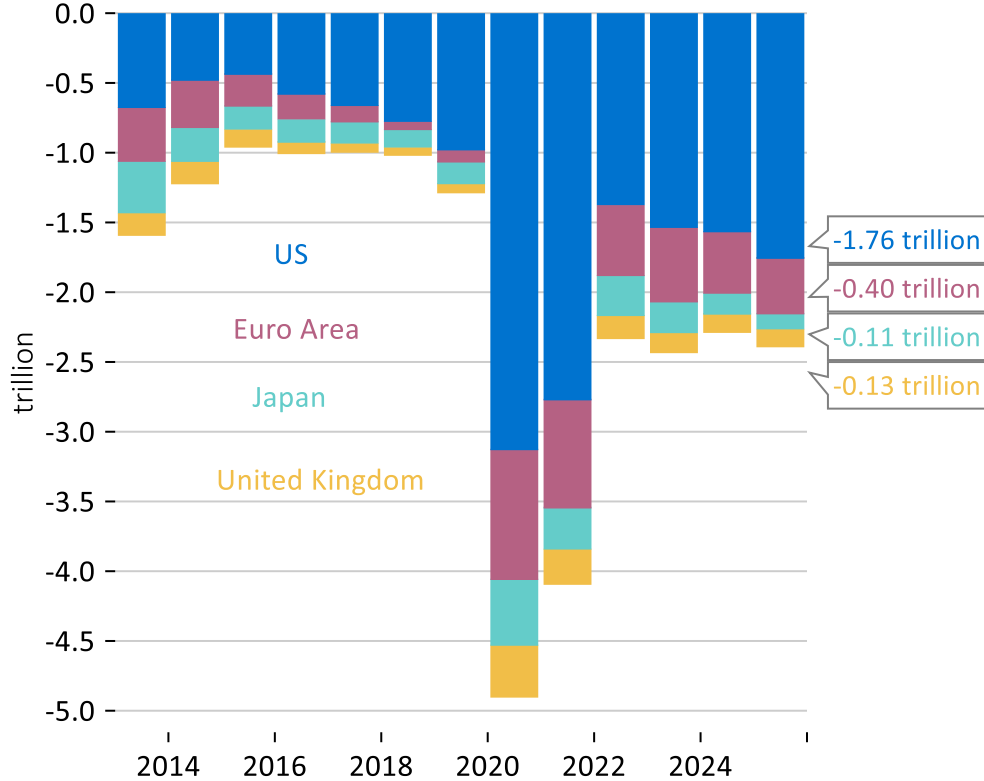
3. A pivot from monetary to fiscal policy as the curtain closes on QE

Massive bond supply from central banks and treasuries may mean yields overshoot...

 Budget deficits still significantly above pre-COVID

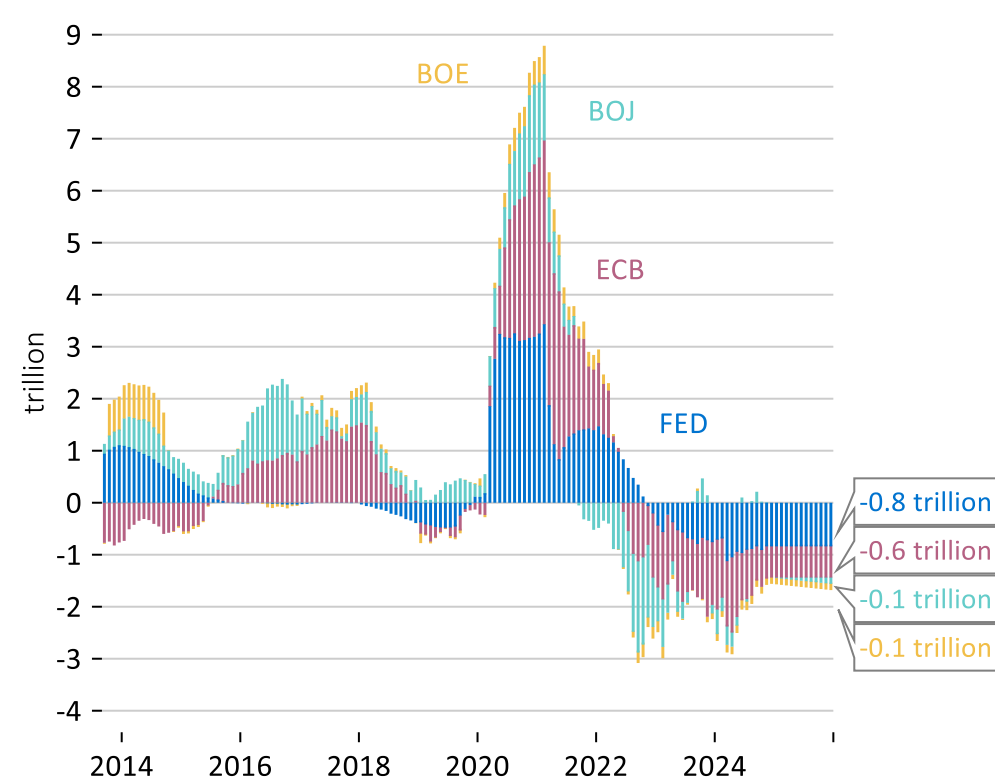
 QE gradually unwinds as central banks shrink balance sheets

Combined budget deficits for Advanced Economies



Source: Macrobond, 01.11.23

Change in central banks balance sheets



Source: Macrobond, 01.11.23

Past performance is not a guide to future returns and may not be repeated.

4. China now at risk of Japanese style deflation

Deflation in parts of the economy argues for further caution on China equities

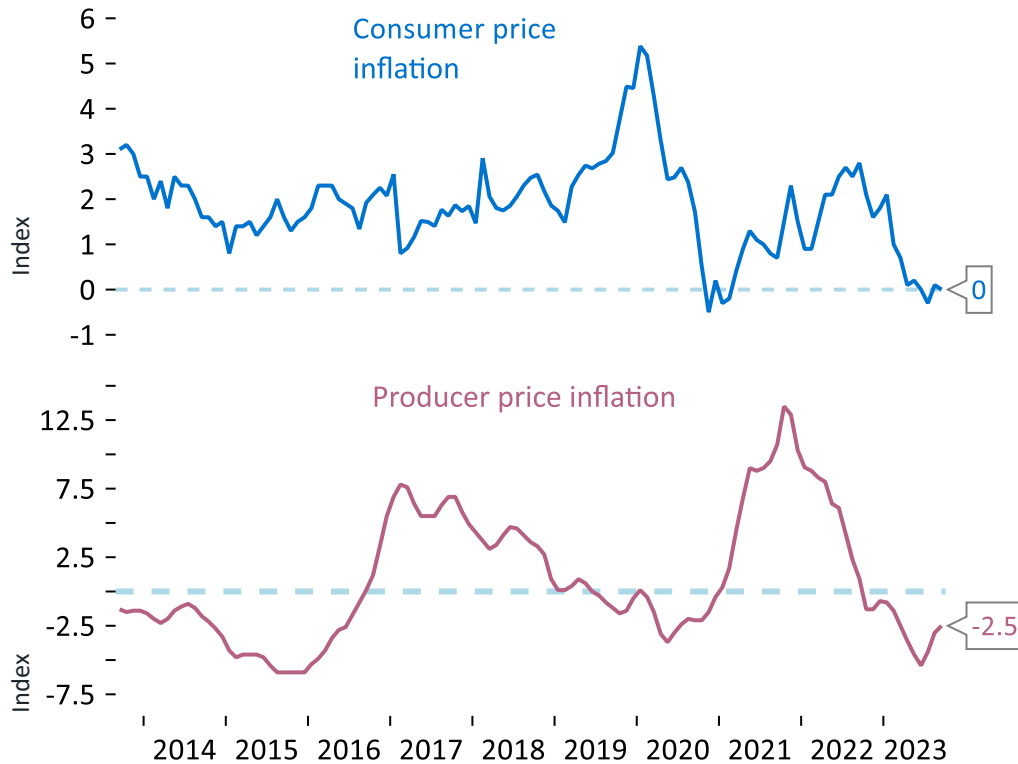


Chinese inflation rates turn decisively negative



Chinese real estate indicators the most negative in 30 years

China inflation measures



Source: Macrobond, 01.11.23

China National Real Estate Climate Index



Source: Macrobond, 01.11.23

Past performance is not a guide to future returns and may not be repeated.

Source: The real-estate climate index is a composite index reflecting the current situation and development trends of the Chinese real estate market.

5. Climate change – rising risks but investment opportunities

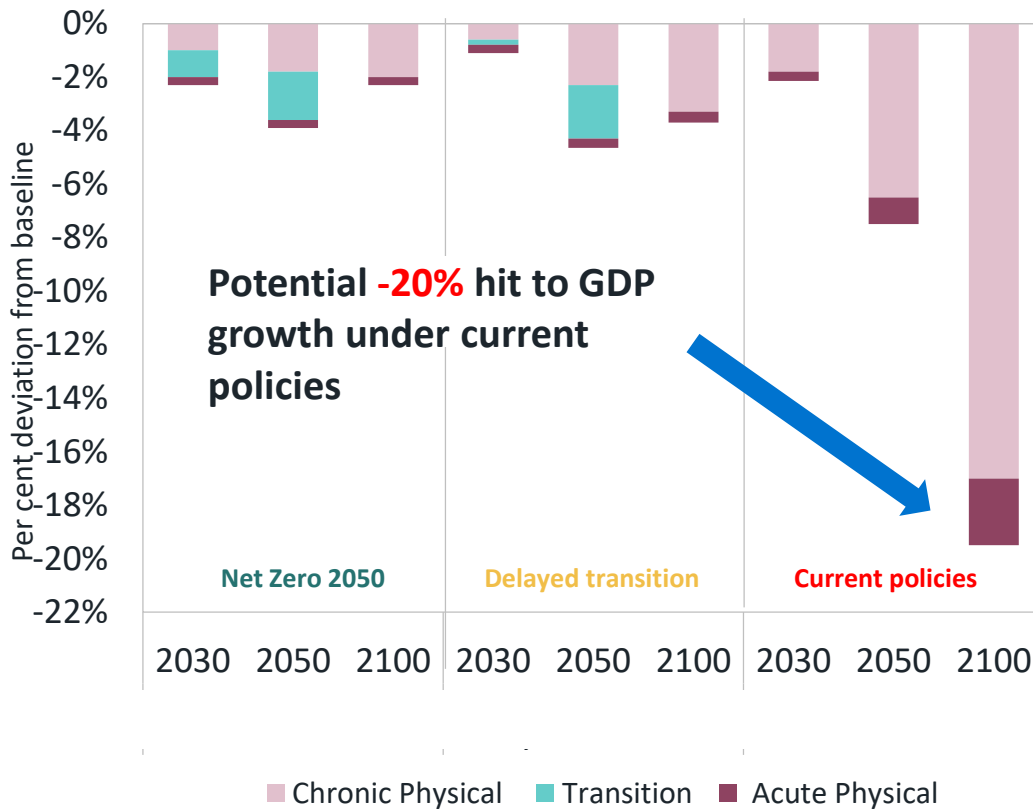
Potential hit to GDP growth, but also historic investment opportunity (electrification, smart buildings, transport & agriculture)



GDP deviation climate risks, feeding through asset valuation

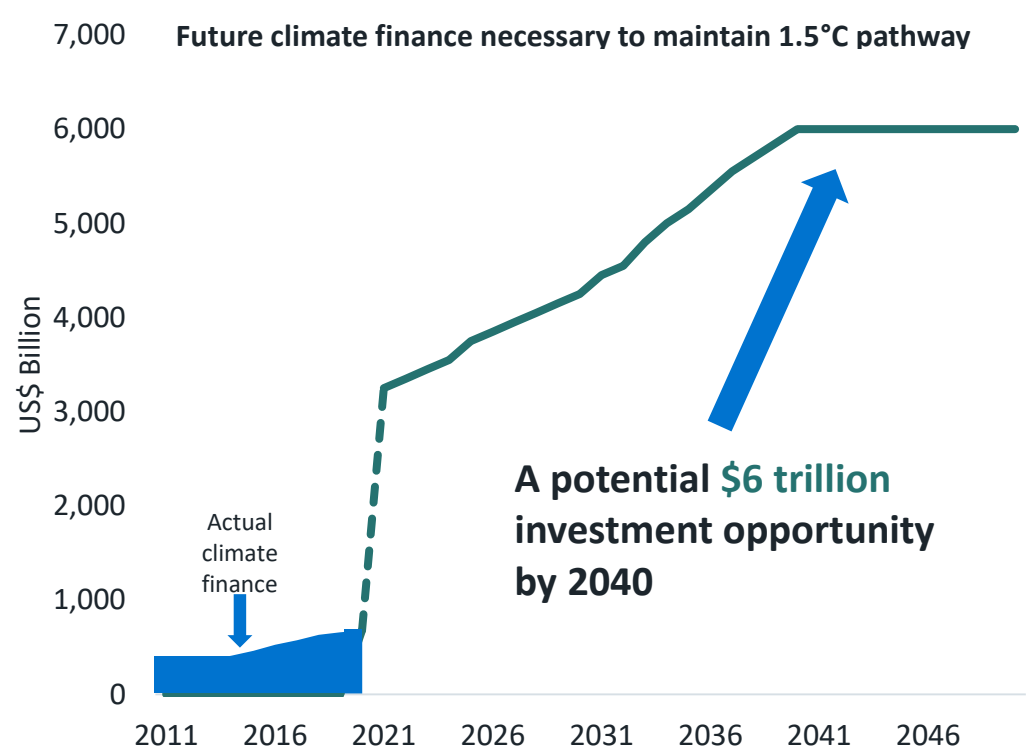


Historic and required investment in climate related finance



Source: NGFS, 2022

Past performance is not a guide to future returns and may not be repeated.



Source: Global Landscape of Climate Finance 2021 & IPCC

Important information

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

This document has been approved by Sarasin & Partners LLP of Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU, a limited liability partnership registered in England & Wales with registered number OC329859 which is authorised and regulated by the Financial Conduct Authority with firm reference number 475111.

It has been prepared solely for information purposes and is not a solicitation, or an offer to buy or sell any security. The information on which the document is based has been obtained from sources that we believe to be reliable, and in good faith, but we have not independently verified such information and no representation or warranty, express or implied, is made as to their accuracy. All expressions of opinion are subject to change without notice.

Please note that the prices of shares and the income from them can fall as well as rise and you may not get back the amount originally invested. This can be as a result of market movements and also of variations in the exchange rates between currencies. **Past performance is not a guide to future returns and may not be repeated.**

Neither Sarasin & Partners LLP nor any other member of the J. Safra Sarasin Holding Ltd group accepts any liability or responsibility whatsoever for any consequential loss of any kind arising out of the use of this document or any part of its contents. The use of this document should not be regarded as a substitute for the exercise by the recipient of his or her own judgment. Sarasin & Partners LLP and/or any person connected with it may act upon or make use of the material referred to herein and/or any of the information upon which it is based, prior to publication of this document. If you are a private investor you should not rely on this document but should contact your professional adviser.

The index data referenced is the property of third-party providers and has been licensed for use by us. Our Third-Party Suppliers accept no liability in connection with its use. See our website for a full copy of the index disclaimers <https://www.sarasinandpartners.com/docs/default-source/regulatory-and-policies/index-disclaimers.pdf>.

Where the data in this document comes partially from third-party sources the accuracy, completeness or correctness of the information contained in this publication is not guaranteed, and third-party data is provided without any warranties of any kind. Sarasin & Partners LLP shall have no liability in connection with third-party data.

© 2023 Sarasin & Partners LLP – all rights reserved. This document can only be distributed or reproduced with permission from Sarasin & Partners LLP.

SARASIN & PARTNERS

Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

T: +44 (0) 20 7038 7000
www.sarasinandpartners.com

