



ORIGO
CONSULTING

Active Risk Allocation

December 2021



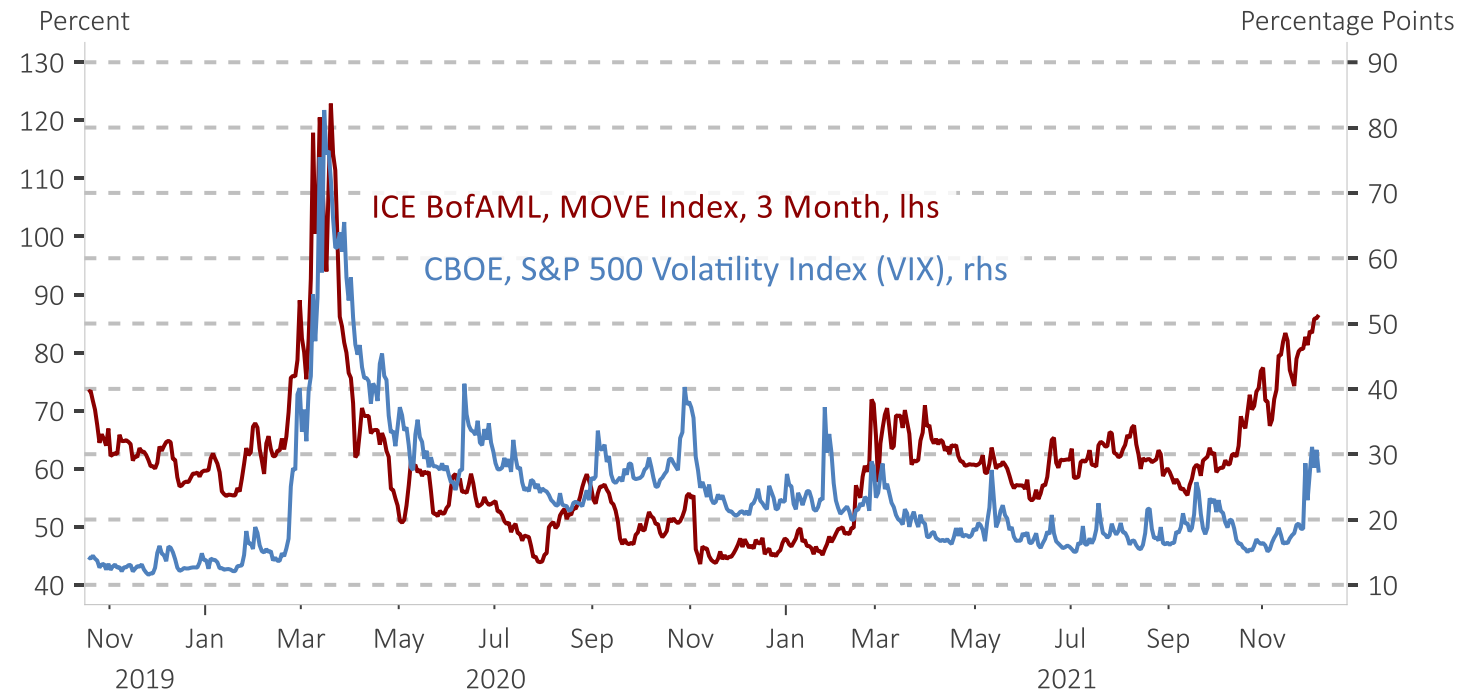
Tug of war

Bonds lead into volatility cluster

correlations improve

stocks set for a technical rebound

Volatility; stocks, bonds, forex, oil, crypto's





Focus on Fed —
not omicron,
yet

□ Stocks – neutral

- Regional overweight US over GEM/Europe(Germany underweighted in EU)
- Sector removal of cyclicals last month was timely. Preference to low vol factor

□ Bonds – neutral (upweighted)

- Regional overweight Europe vs US. Duration underweight. Poor credit overweight

□ Macroeconomics

- Central bank tapering & Inflation. Higher than expected inflation
- Supply disruptions (food, energy, shelter, semi-fabricata)
- Biden stimulus package(s)

□ Indicators

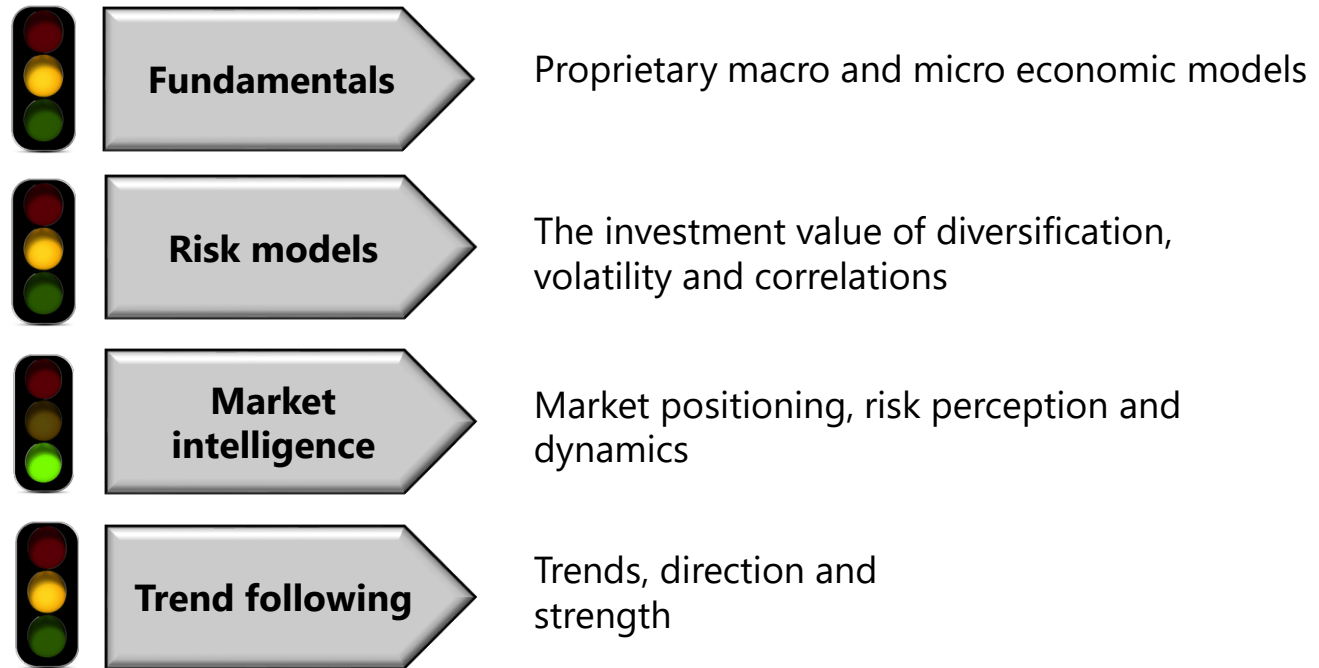
- OPRA: Neutral / Stable (risk gauge for balance risk/risk free)
- OMRI: Neutral / Fading (model volatility gauge)



Investment
process

Indicators

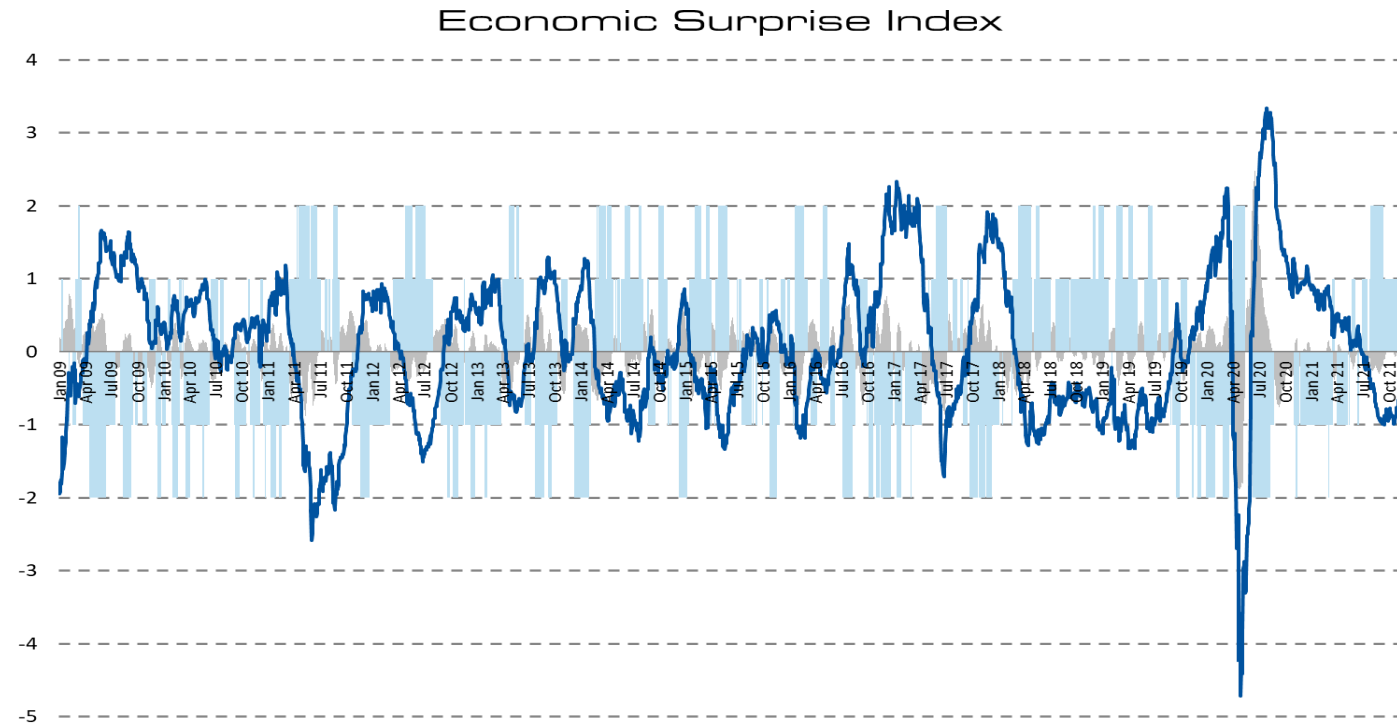
Highly sophisticated models
analysing about 150 indicators





Fundamentals

- Macroeconomic models
- Volatility and risk budgeting
- Market intelligence
- Technicals and trend following



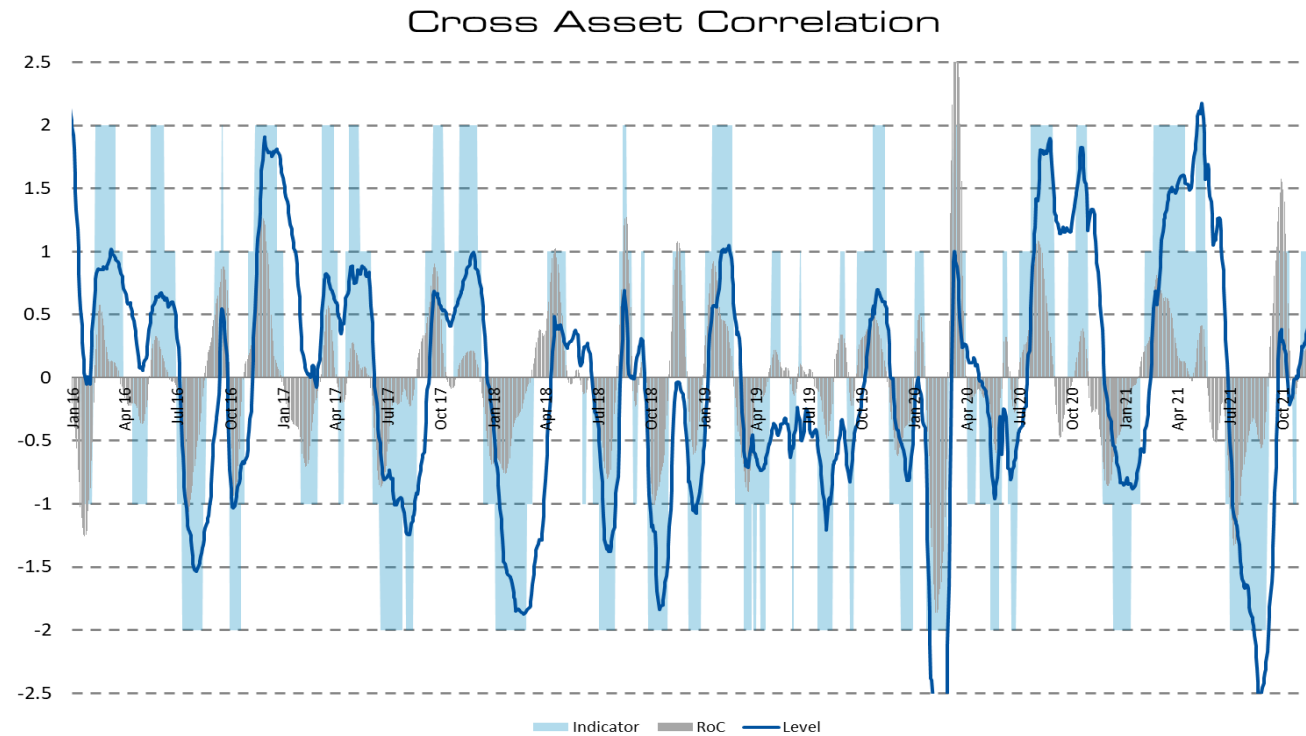
Real activity level continue to moderate and so do forward expectations.

The ESI (above centre) is a powerful indicator of coming stress. Economic analyst' has fully discounted economic recovery in developed countries by year-end 2021.



Volatility and Risk budgeting

- Macroeconomic models
- **Volatility and risk budgeting**
- Market intelligence
- Technicals and trend following



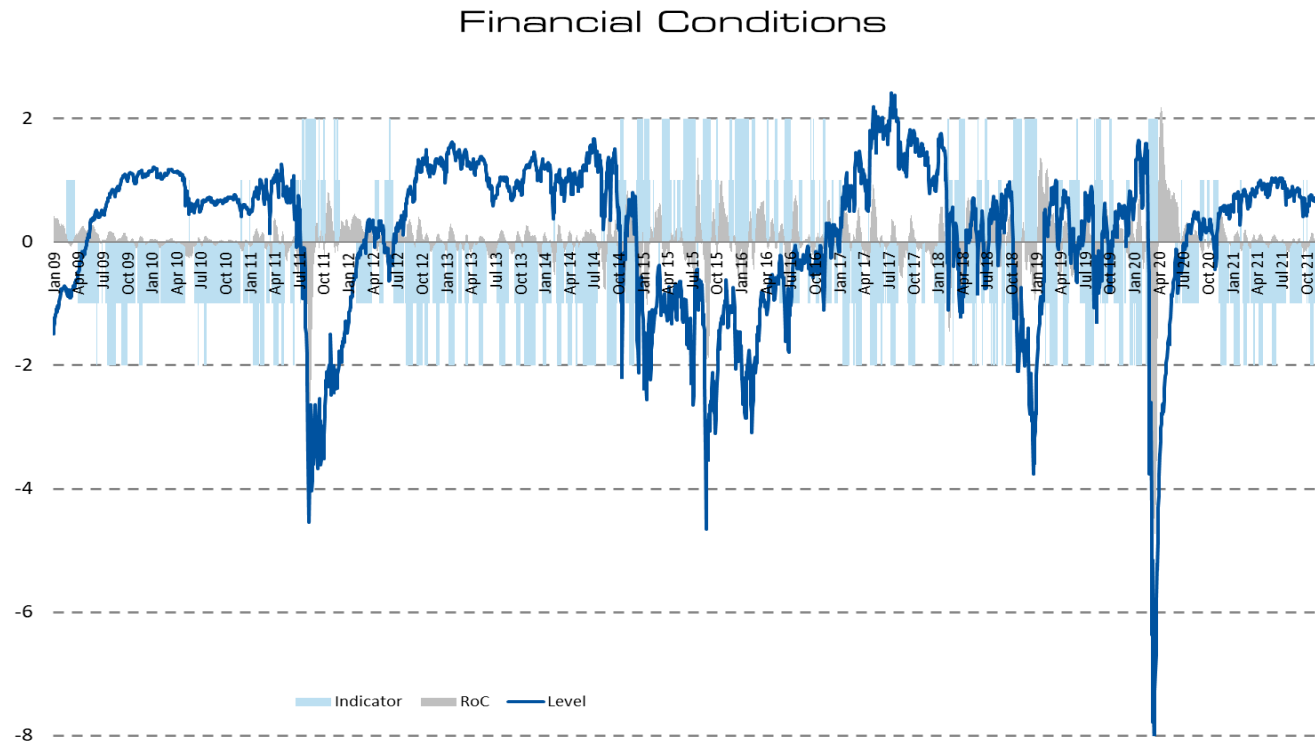
As volatility increases, diversification benefits start to improve.

When the diversification risk is increasing, there is not much to be gained from diversifying. Cash should then be meaningfully increased.



Market intelligence

- Macroeconomic models
- Volatility and risk budgeting
- Market intelligence**
- Technicals and trend following



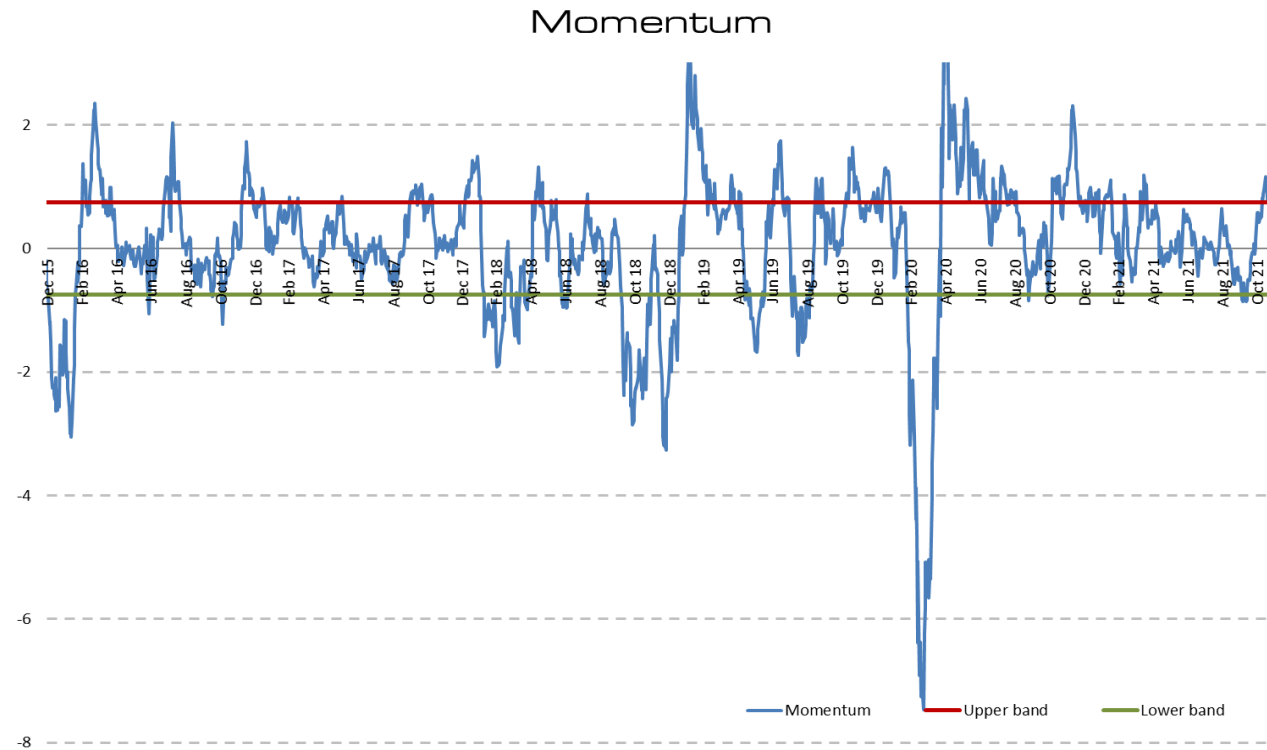
Investor euphoria has finally calmed down.

A measure of global cross market measure of risk, hedging demand(volume, skew) and investor flows in the financial system.



Technicals

- Macroeconomic models
- Volatility and risk budgeting
- Market intelligence
- **Technicals and trend following**



The medium-term trend continue to fade.
Short-term 'oversold' momentum is a set-up for a Christmas stock rally.

Trend strength in the various market is an expression of the tenacity of the currently existing trend.



Current status

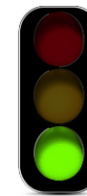


Macroeconomics

Global economic growth continue to moderate.

Prices, continue to surprise to the upside.

Central banks will continue to tighten extreme monetary conditions stealth and accelerate QE taper.



Market Risk and market intelligence

Risk appetite has improved from euphoric levels.

Stock investor dynamic still reflects belief that central banks to remain extremely accommodative for eternity.



Technicals

Medium-term trend strength in risk assets has gone neutral.

Short-term momentum is stretched and stocks due for a rebound.



Volatility and risk budgeting

Portfolio risk is neutral and stable.

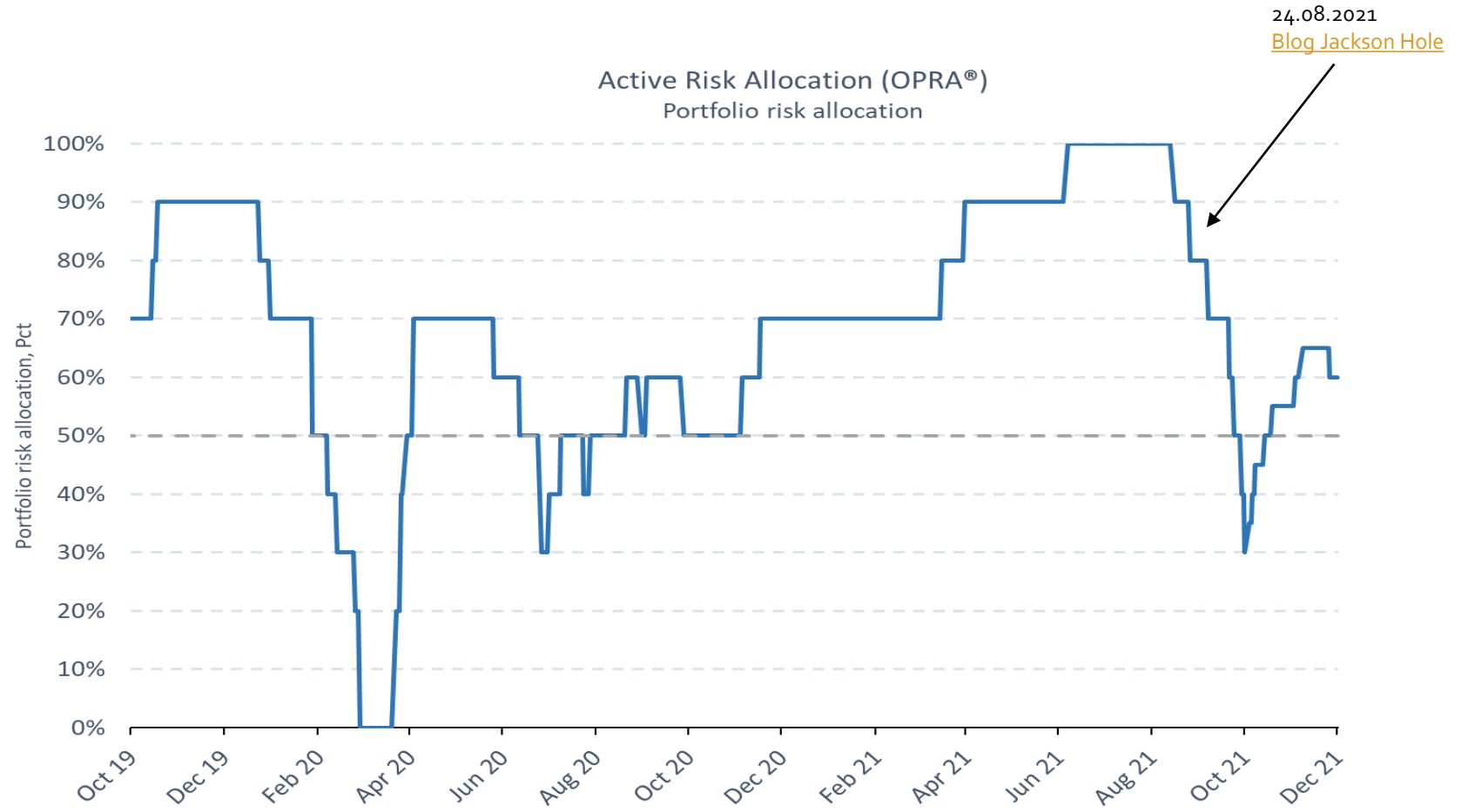
Correlations are neutral reflecting no diversification benefits.

This means that a traditional portfolio of 60 stocks/40 bonds, should fi. stocks drop so may bonds and not protect capital



OPRA®

Timeline, 2019 -





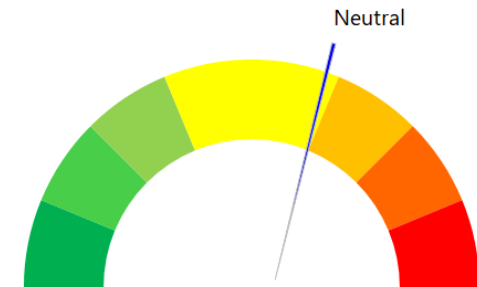
OMRI[®] Origo Market Risk Indicator

The balance of risk assets

Market Risk Indicator

06 December 2021

Indicator	Sentiment	Last update
X-Asset correlation	Tense	03 Dec 2021
Economic Surprises	Tense	03 Dec 2021
Financial Conditions	Tense	06 Dec 2021
Global Financial Stress	Comfortable	03 Dec 2021

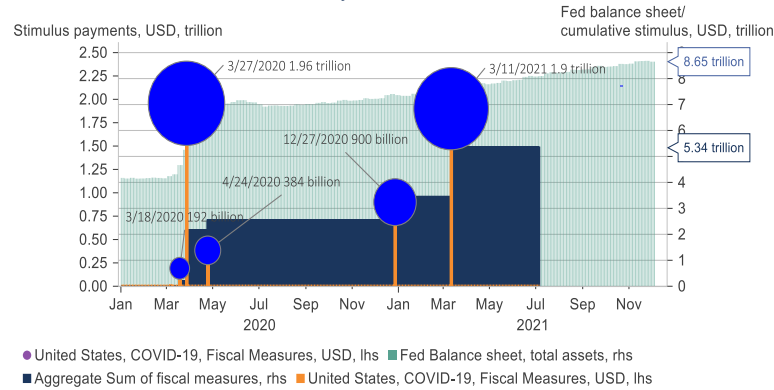




Central banks & Inflation watch

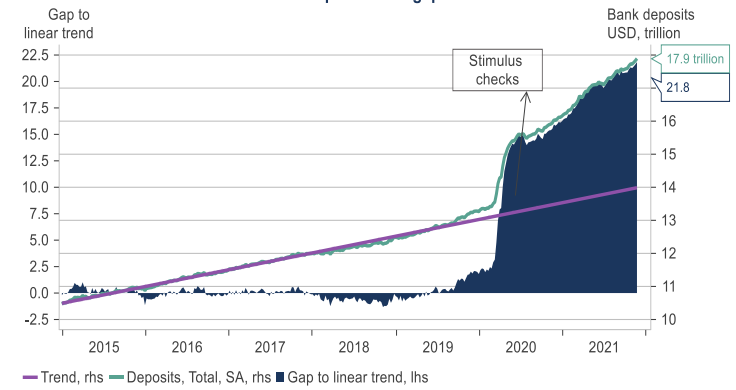
Central bank rhetoric has changed .. now expects inflation to stay higher for longer

US monetary and fiscal stimulus boom



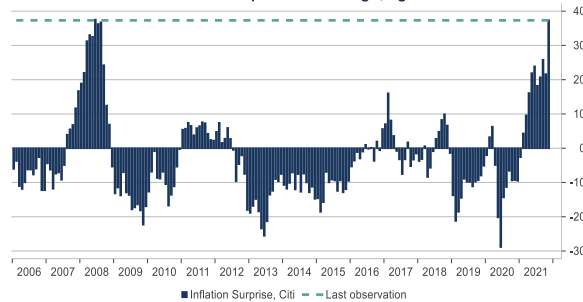
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US total bank deposits with gap to linear trend



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Inflation surprise in new high, again



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Curvation, US 10-2Y



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