



ORIGO  
CONSULTING

# Active Risk Allocation

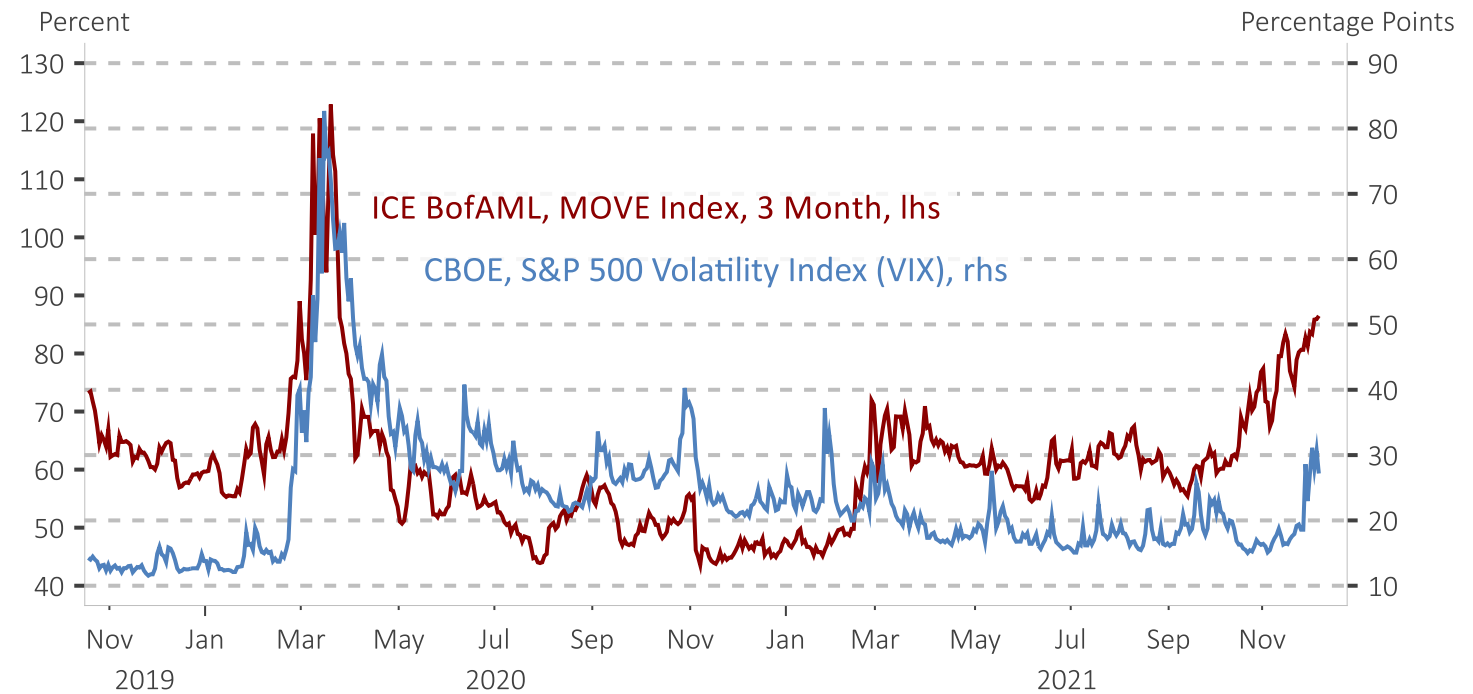
December 2021

## Tug of war

Bonds lead into bYk 'volatility cluster

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 – bYi hfU

- 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)

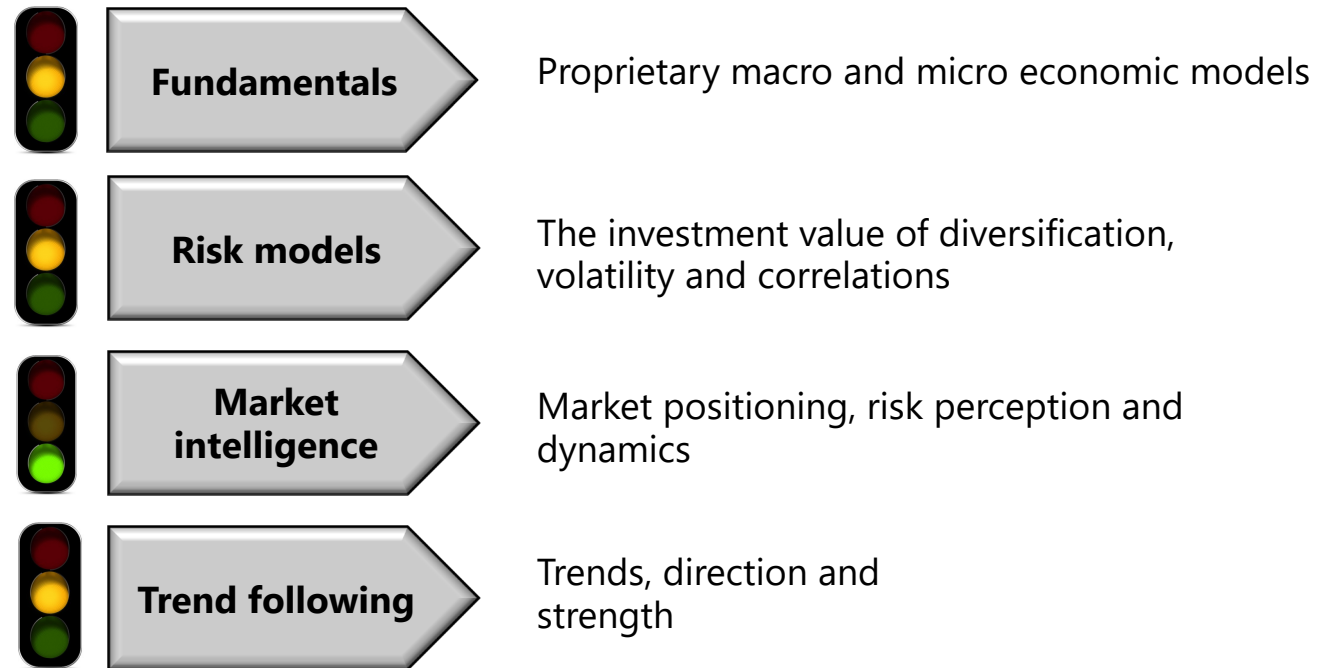
## □ Indicators

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

## Investment process

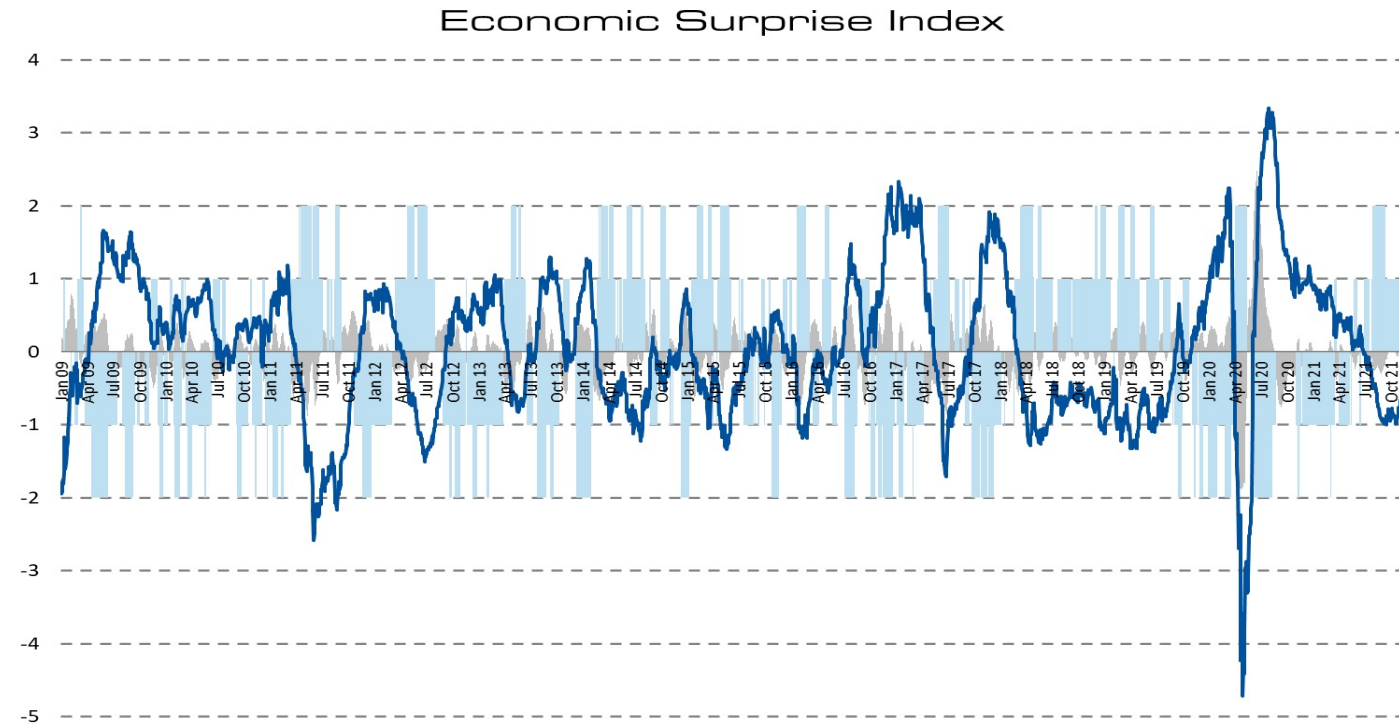
## Indicators

Highly sophisticated models  
analysing about 150 indicators



## Fundamentals

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

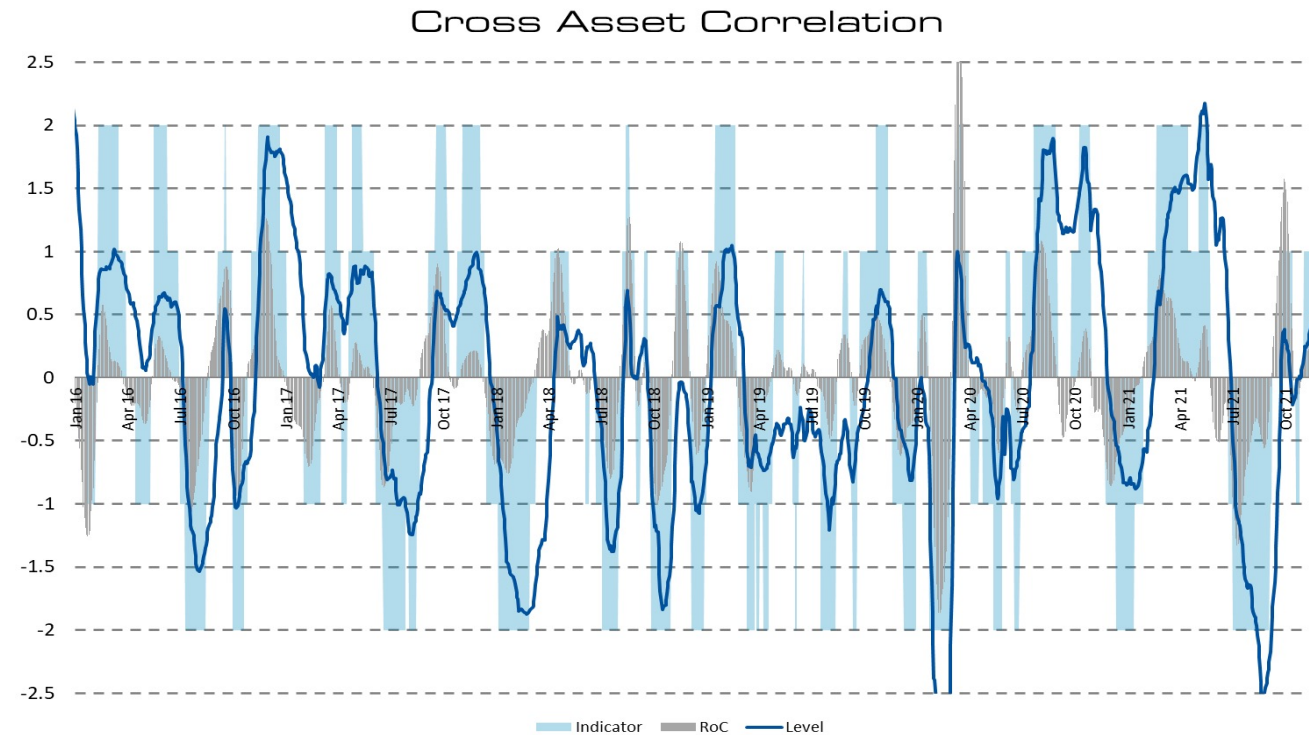


Real activity level continue to moderate and so do forward expectations.

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

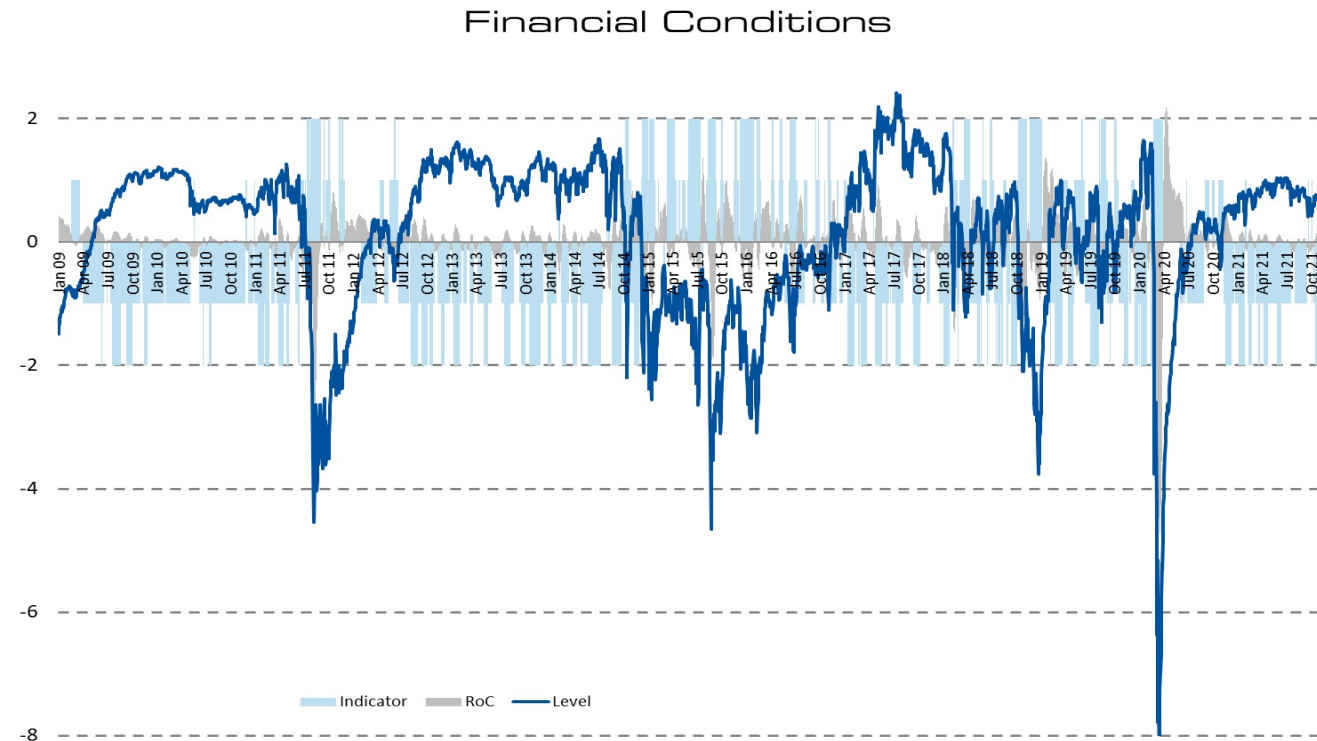


As volatility increases, diversification benefits start to improve.

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



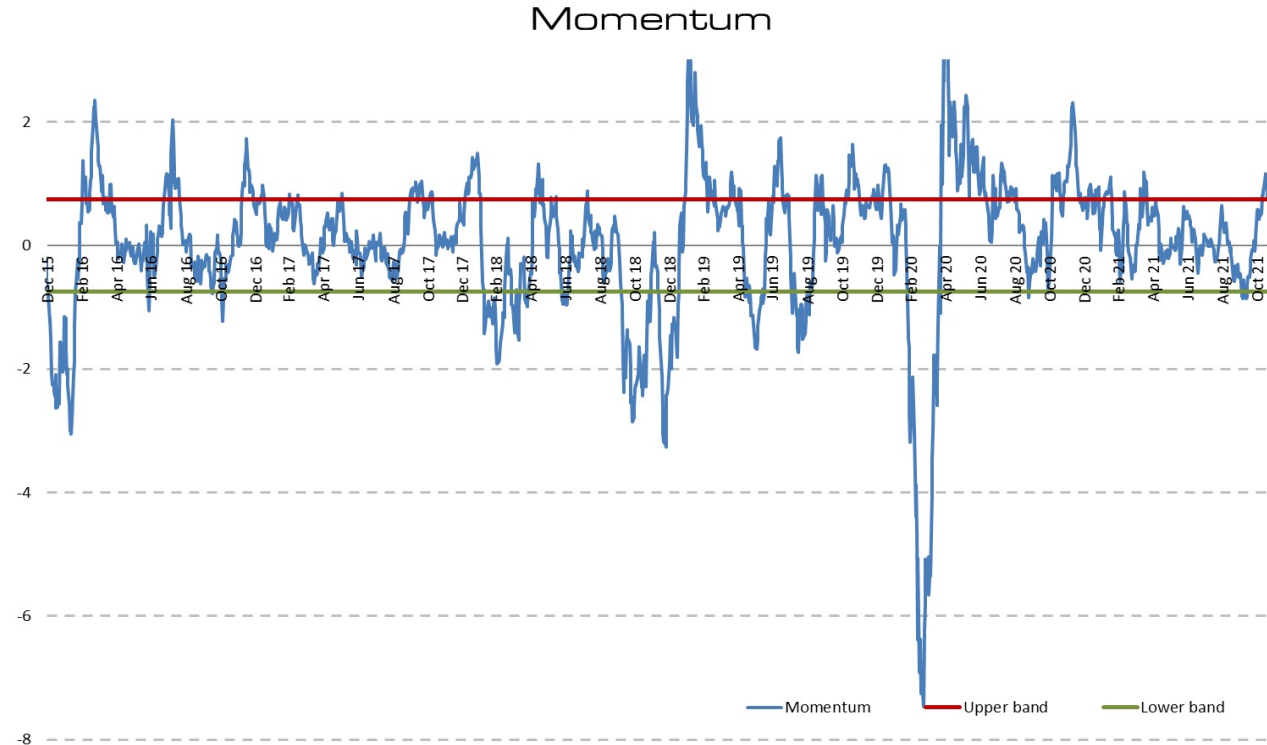
Investor euphoria has finally calmed down.

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.

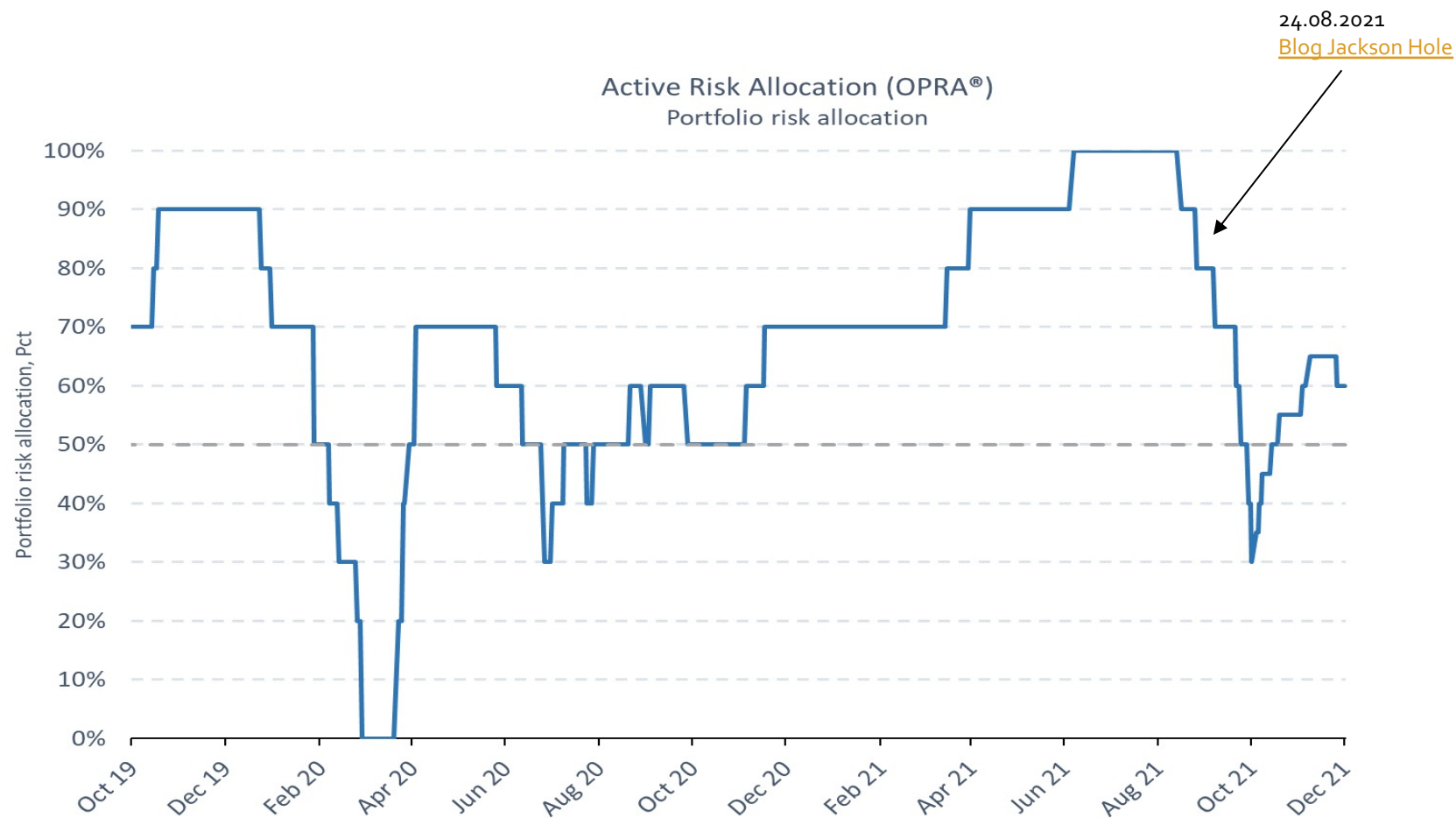
Correlations are neutral reflecting no diversification benefits.

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 -



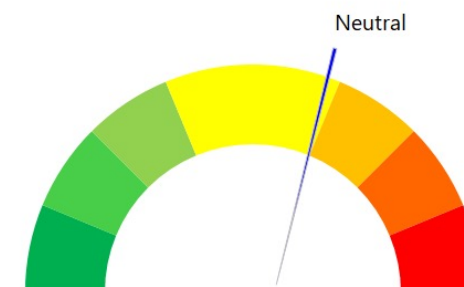
# OMRI® Origo Market Risk Indicator

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





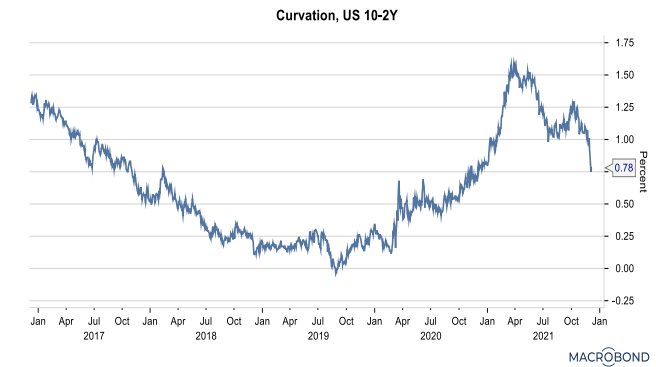
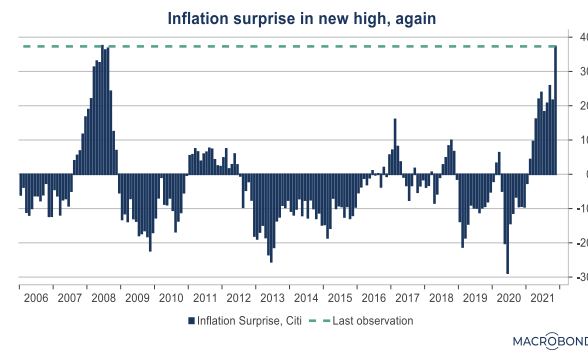
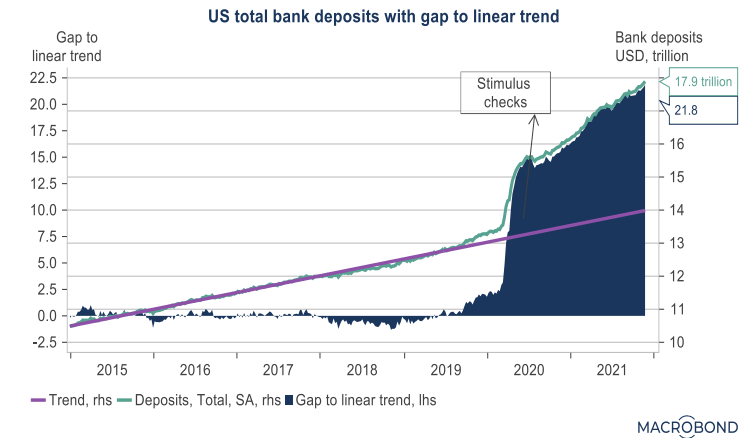
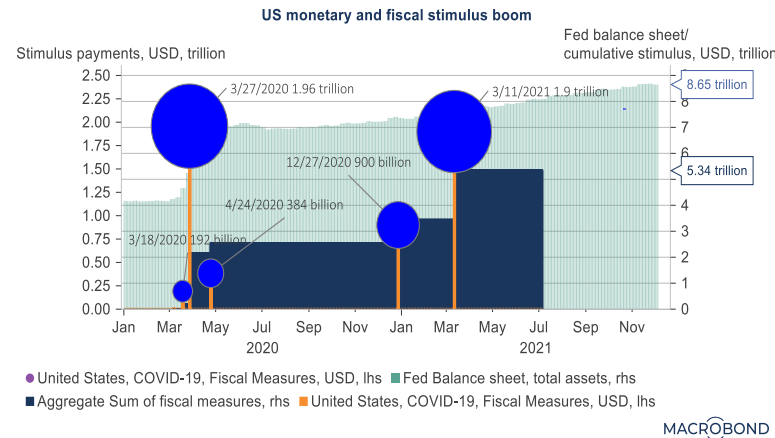
ORIGO  
CONSULTING

## Active Risk Allocation

o

# Central banks & Inflation watch

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



## Disclaimer

This document is informative and confidential and includes information intended for institutional or professional investors. It can only be read by the person to whom it is addressed. The contents of this document may not be reproduced without the prior written permission from Origo Consulting. The information contained herein has been obtained from sources deemed reliable, however the production of this information may contain errors or omissions that have escaped our vigilance and Origo Consulting or its representatives have no responsibility for the information.

Any views or opinions expressed in this presentation are solely those of the author and does necessarily represent those of Origo Consulting. Unless otherwise stated, this presentation is not investment research.

The information is not intended to provide recommendations, and should not be relied upon, for accounting, legal, tax advice or investment purposes. You should consult your tax, legal, accounting or other advisers separately. Nothing in this information summary should be construed as an offer, invitation or general solicitation to invest or to engage in any other transactions.

This presentation should not be considered as a recommendation or an offer to sell financial instruments. The past performance of a product does not represent its future performance and the value of the investments may vary up or down. Investors must make investment decisions based on their financial position and their objectives of investment in light of the regulations which are applicable to them. Origo Consulting can not be held liable for any direct or indirect result of using this document. Origo Consulting can not be held responsible for direct or indirect damages resulting from the use of this document.