



**ORIGO**  
CONSULTING

# Active Risk Allocation

January 2022

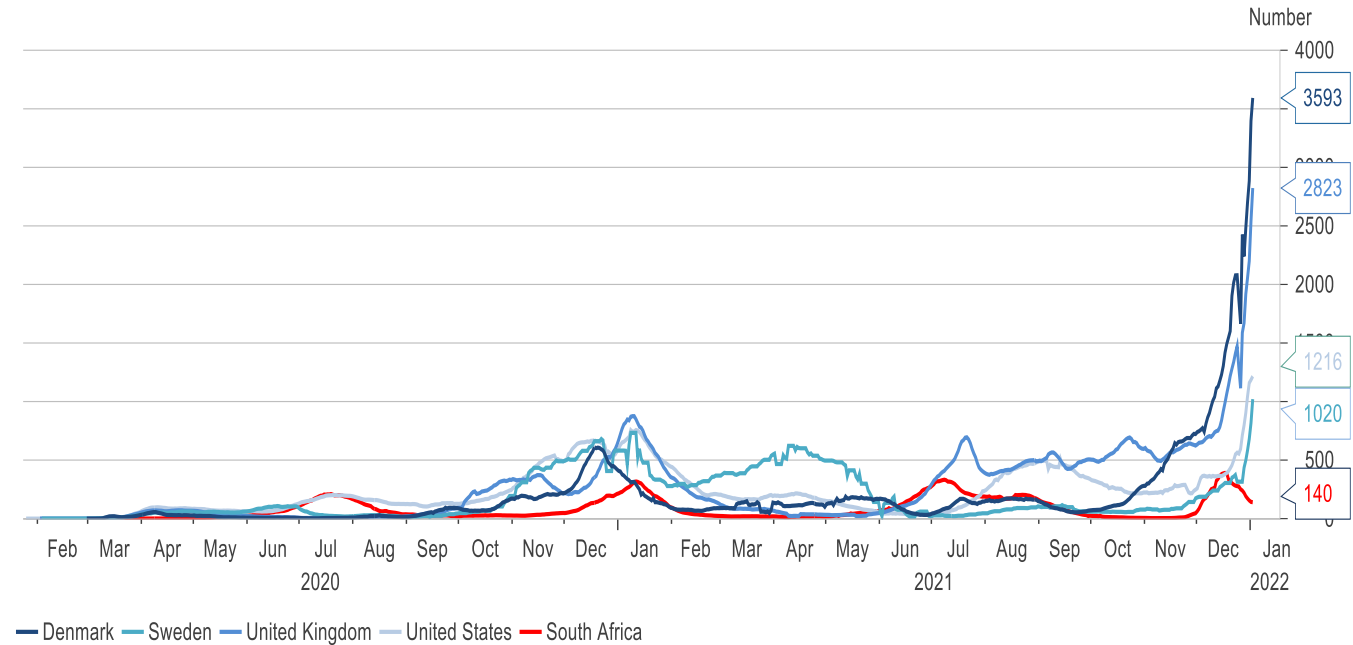


# Covid19

What happens if Covid is over in a month time ?

### Daily new confirmed cases of Covid-19 per million people (7-day moving average)

Source: Our World in Data



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## Status

correlations improve  
- more

stocks technical rebound  
- not completed

### □ Stocks – overweight

- Regional overweight World over GEM
- Preference to low vol factor

### □ Bonds – underweight

- Regional overweight Europe vs US. Duration underweight

### □ Macroeconomics

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

### □ Indicators

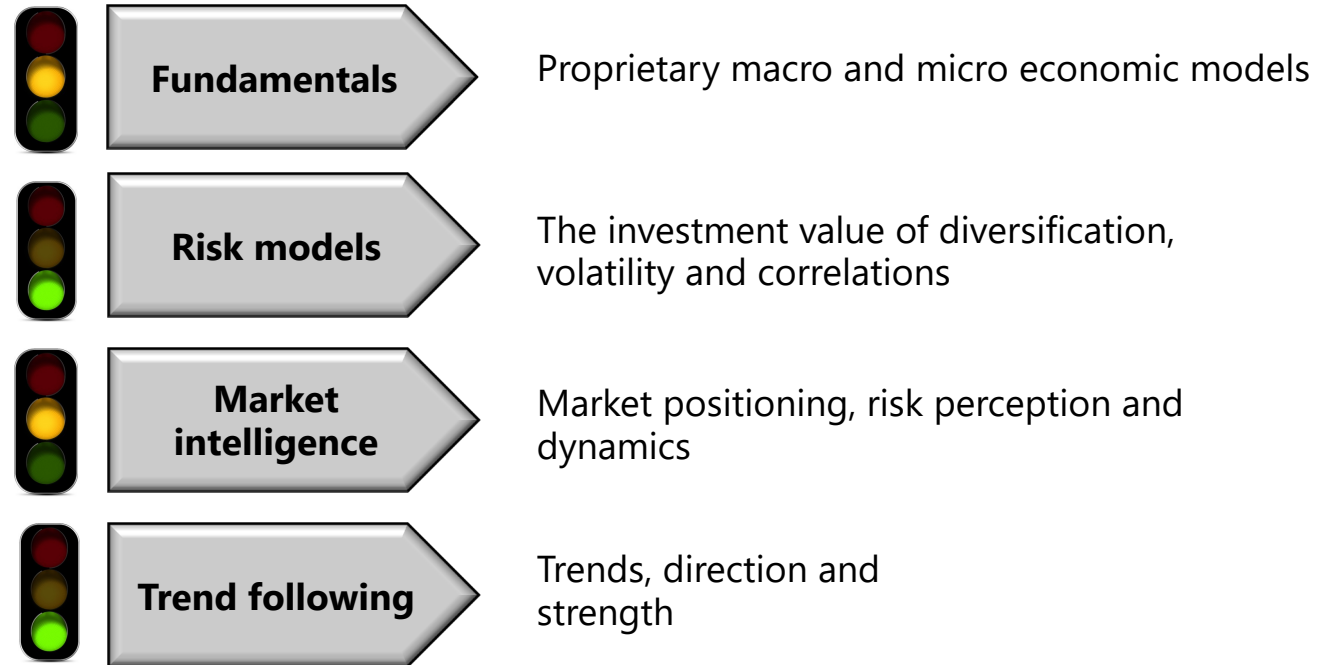
- OPRA: Positive / Stable (risk gauge for balance risk/risk free)
- OMRI: Positive / Fading (model volatility gauge)



Investment  
process

Indicators

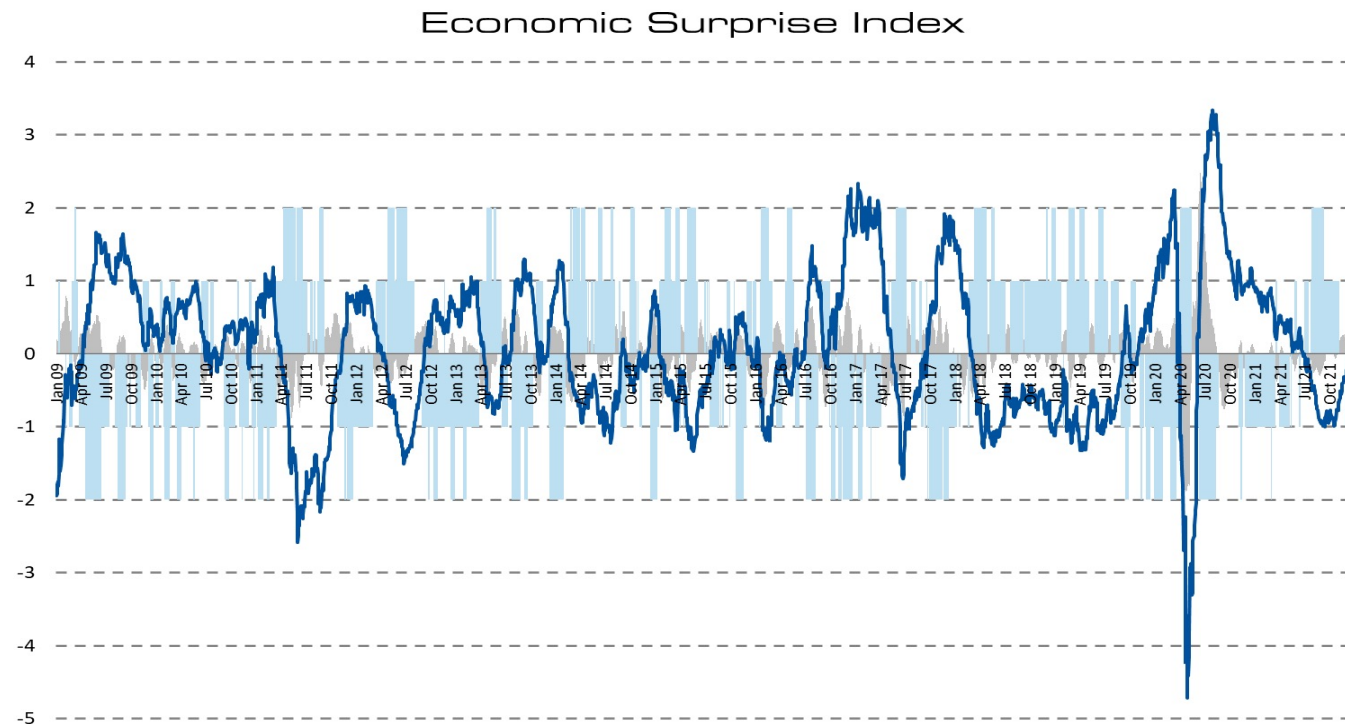
Highly sophisticated models  
analysing about 150 indicators





## Fundamentals

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



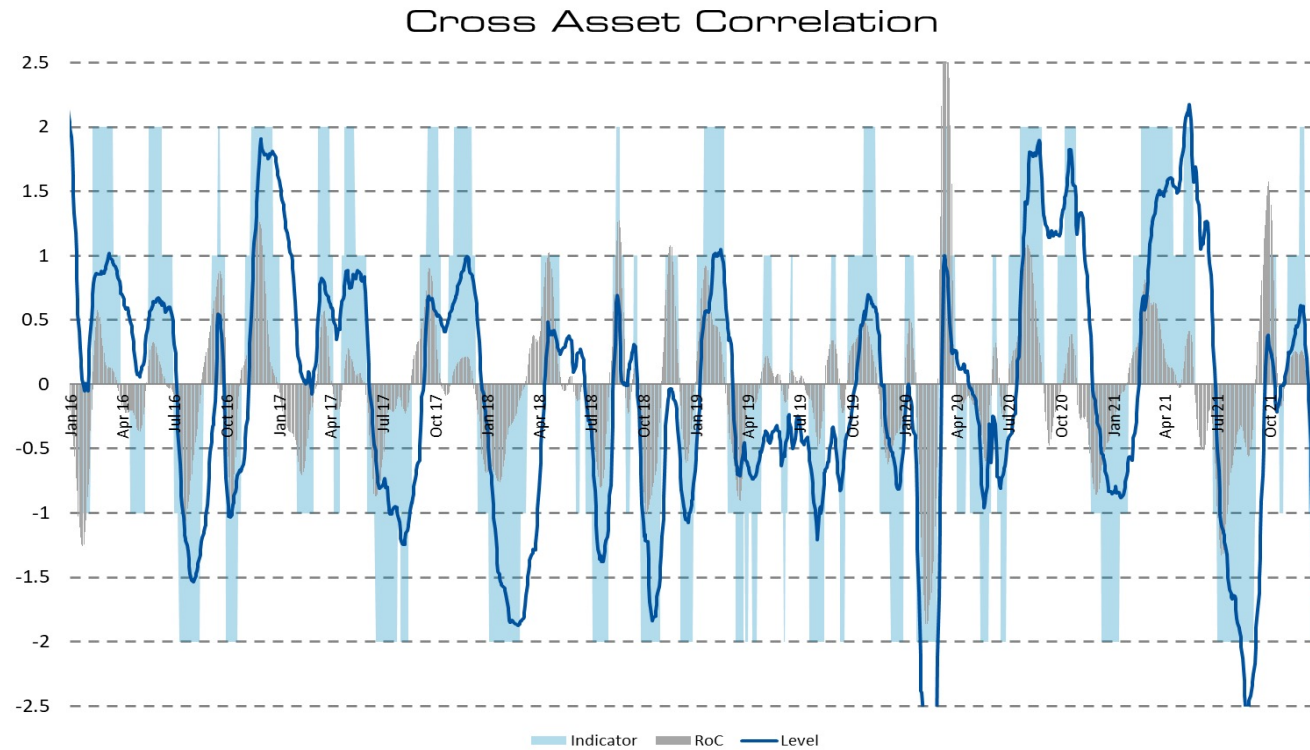
Real activity level continue to moderate on above trend level. A dynamic analyst expectations have now caught up on.

The ESI (above centre) is a powerful indicator of coming stress.



## Volatility and Risk budgeting

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



Diversification benefits are very strong. A big boost to portfolio risk control.

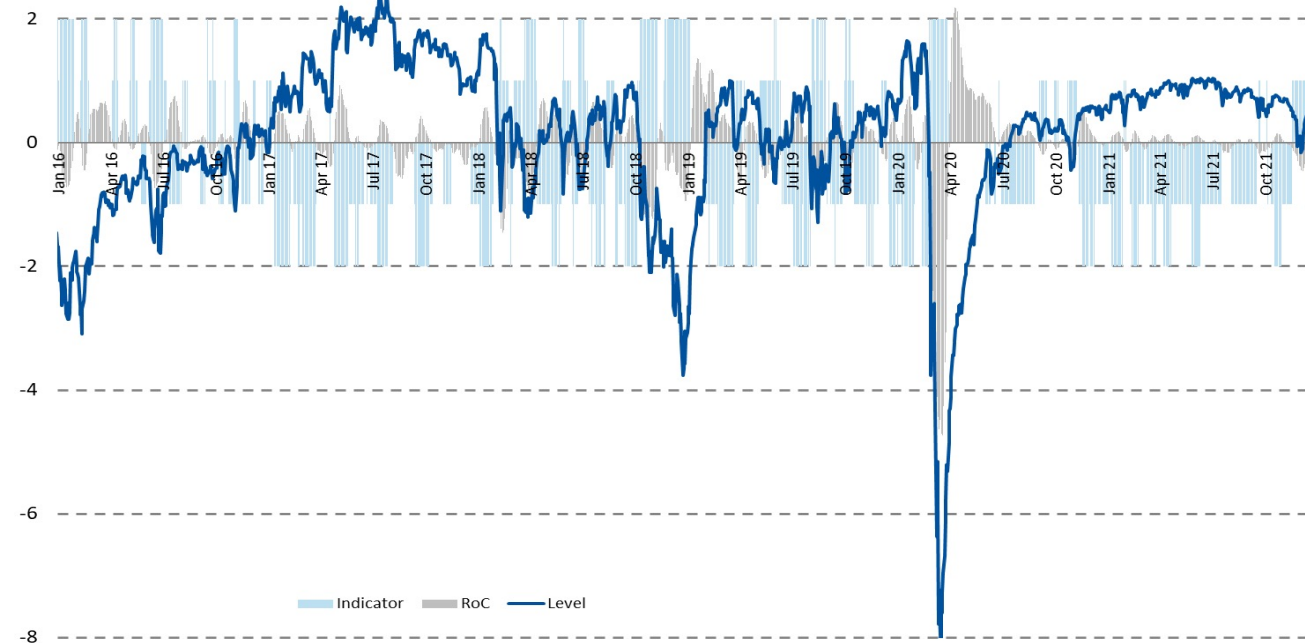
When the diversification risk is increasing, there is not much to be gained from diversifying. Cash should then be meaningfully increased.



## Market intelligence

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

Financial Conditions



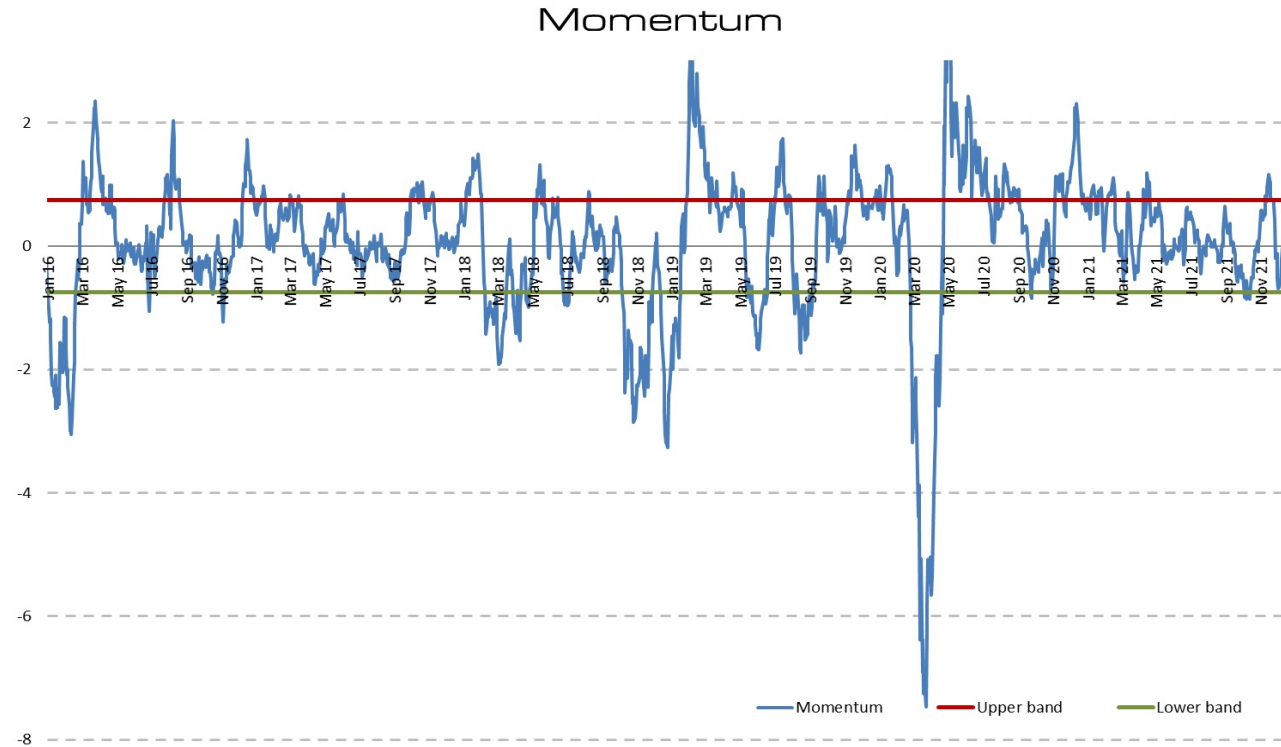
Investor risk willingness again rising from a neutral level.

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 'Christmas stock rally' has more steam.

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





## Current status



### **Macroeconomics**

Global economic growth stabilise. Prices, remain very high, while this is now a consensus focus.

In our view, risk is for central banks to accelerate tightening of extreme monetary stimulus.



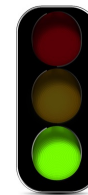
### **Market Risk and market intelligence**

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



### **Technicals**

Medium-term trend strength in risk assets is now neutral. Short-term momentum is stretched and xmas stock rebound seem not completed.



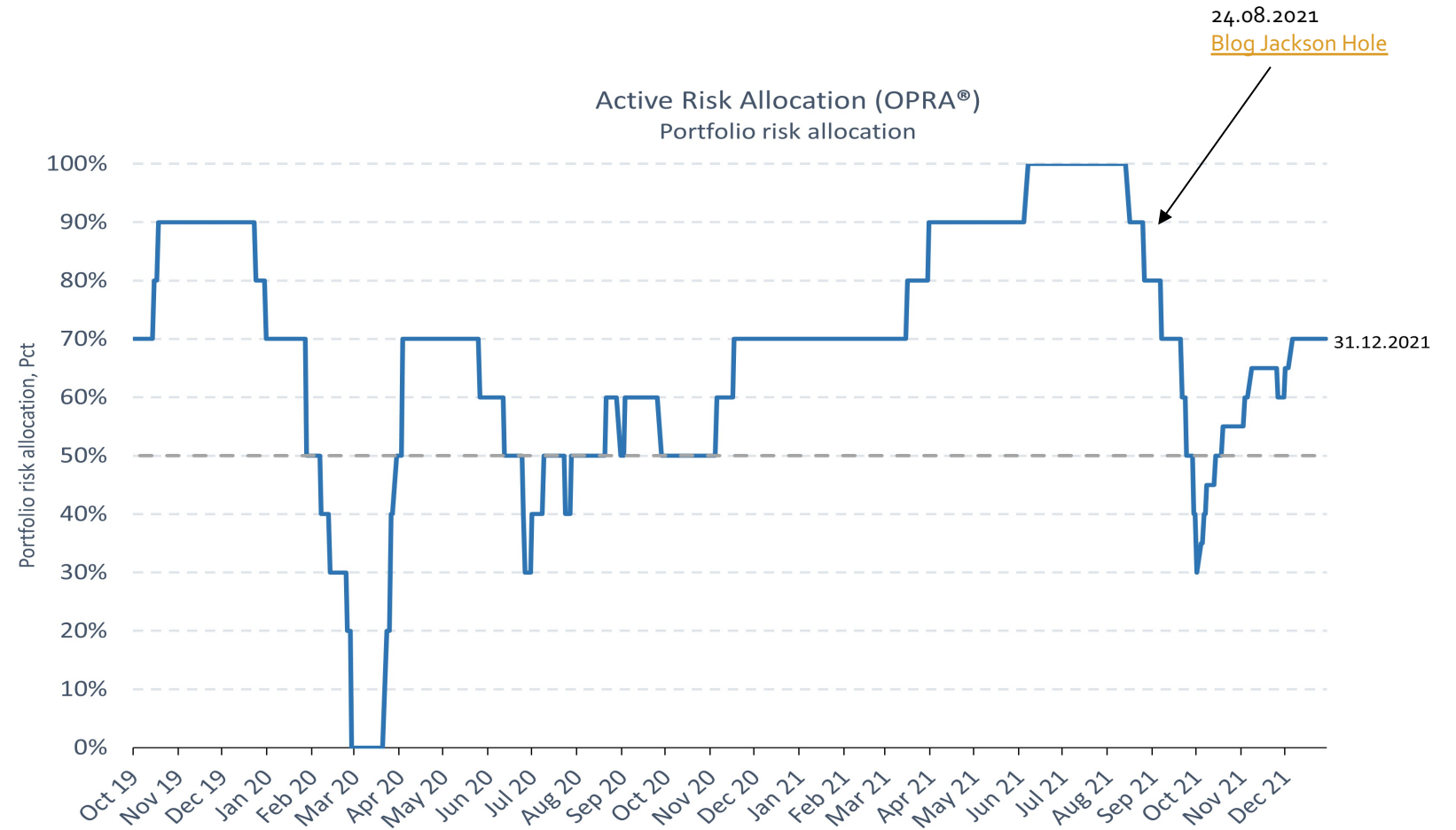
### **Volatility and risk budgeting**

Portfolio risk is positive. Correlations are negative and volatilities low to fading. This means that a traditional portfolio of 60 stocks/40 bonds, should balance if stocks drop bonds should generally rise and so offer protection to capital.



# OPRA® Origo Portfolio Risk Allocator

Timeline, 2019 -



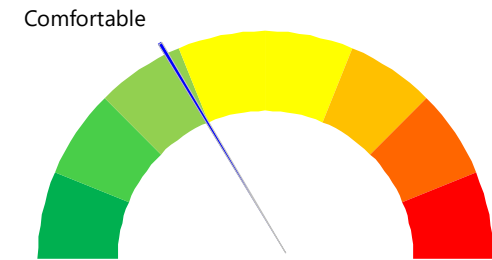


# OMRI<sup>®</sup> Origo Market Risk Indicator

The balance of risk assets

30 December 2021

Indicator	Sentiment	Last update
X-Asset correlation	Feels good	30 Dec 2021
Economic Surprises	Neutral	30 Dec 2021
Financial Conditions	Feels good	30 Dec 2021
Global Financial Stress	Neutral	29 Dec 2021



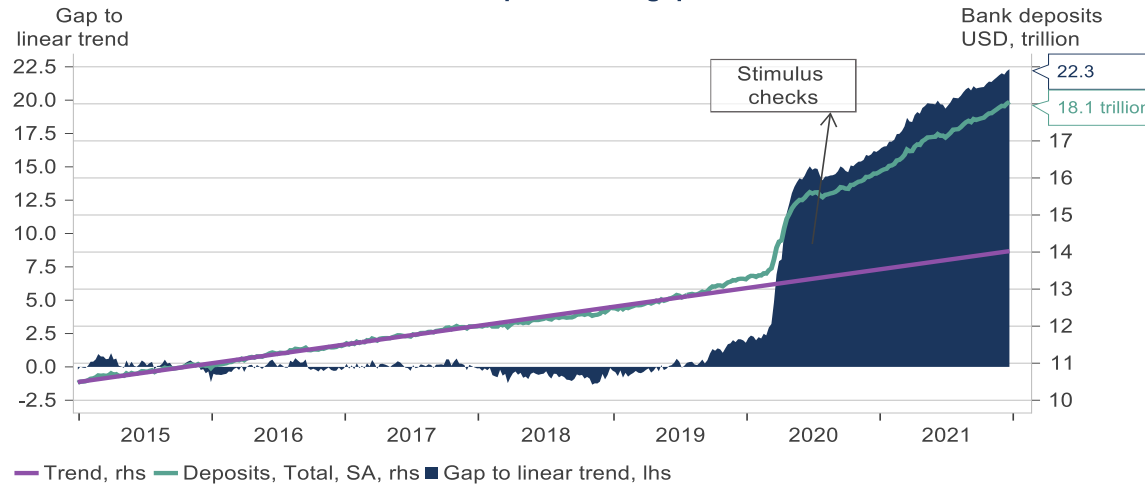


## Central banks & Inflation watch

A balance-act between pent up demand

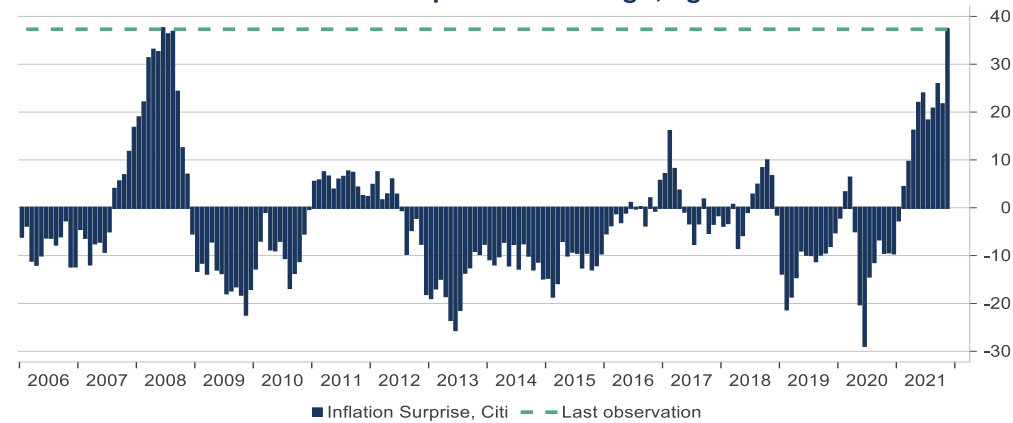
and that central banks now expect inflation higher for longer

### US total bank deposits with gap to linear trend



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### Inflation surprise in new high, again



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