



ORIGO
CONSULTING

Active Risk Allocation

January 2022

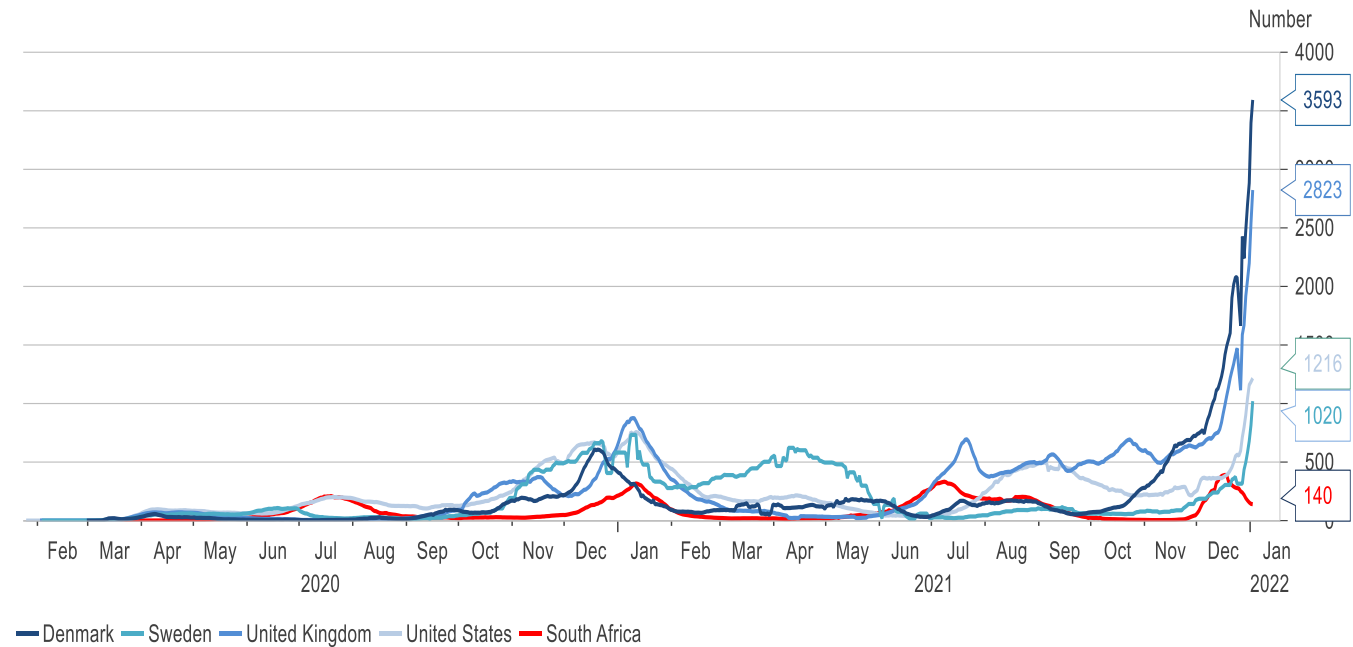


Covid19

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 – 'bYi hfU`

- Regional overweight US over GEM/Europe(Germany underweighted in EU)
- Preference to low vol factor

□ Bonds – underweight

- 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

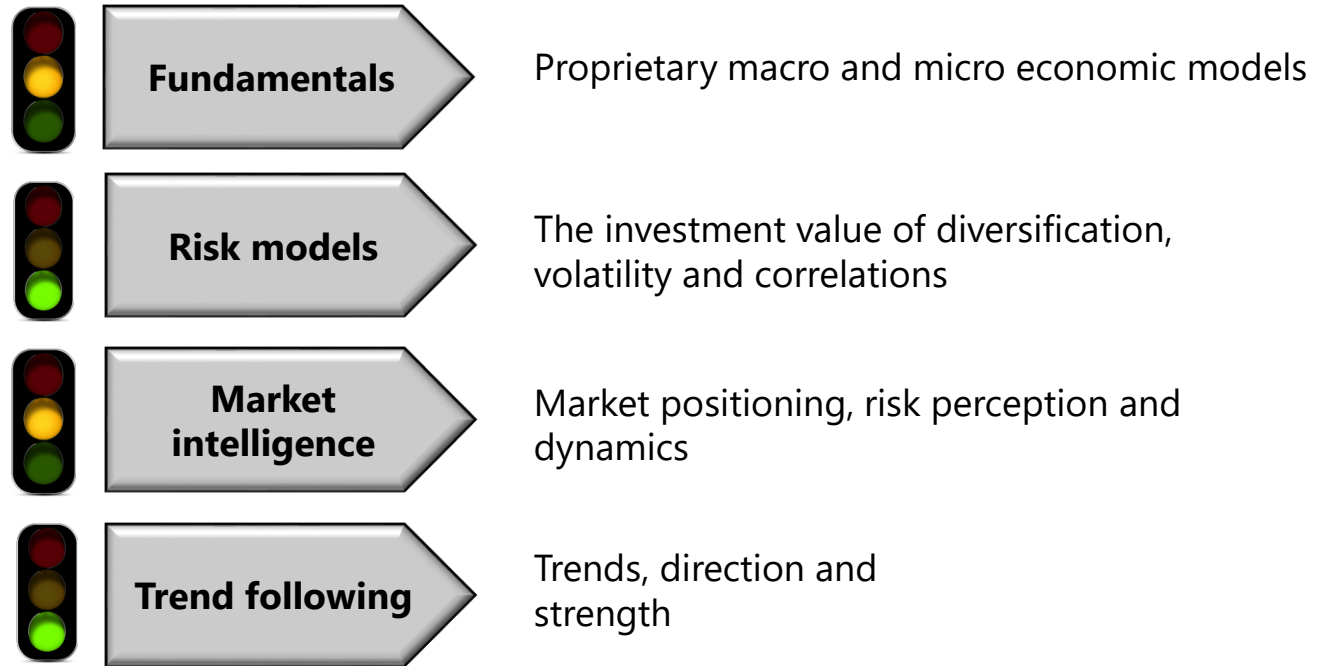
- OPRA: Positive / Stable (risk gauge for balance risk/risk free)
- OMRI: Positive / Fading (model volatility gauge)



Investment
process

Indicators

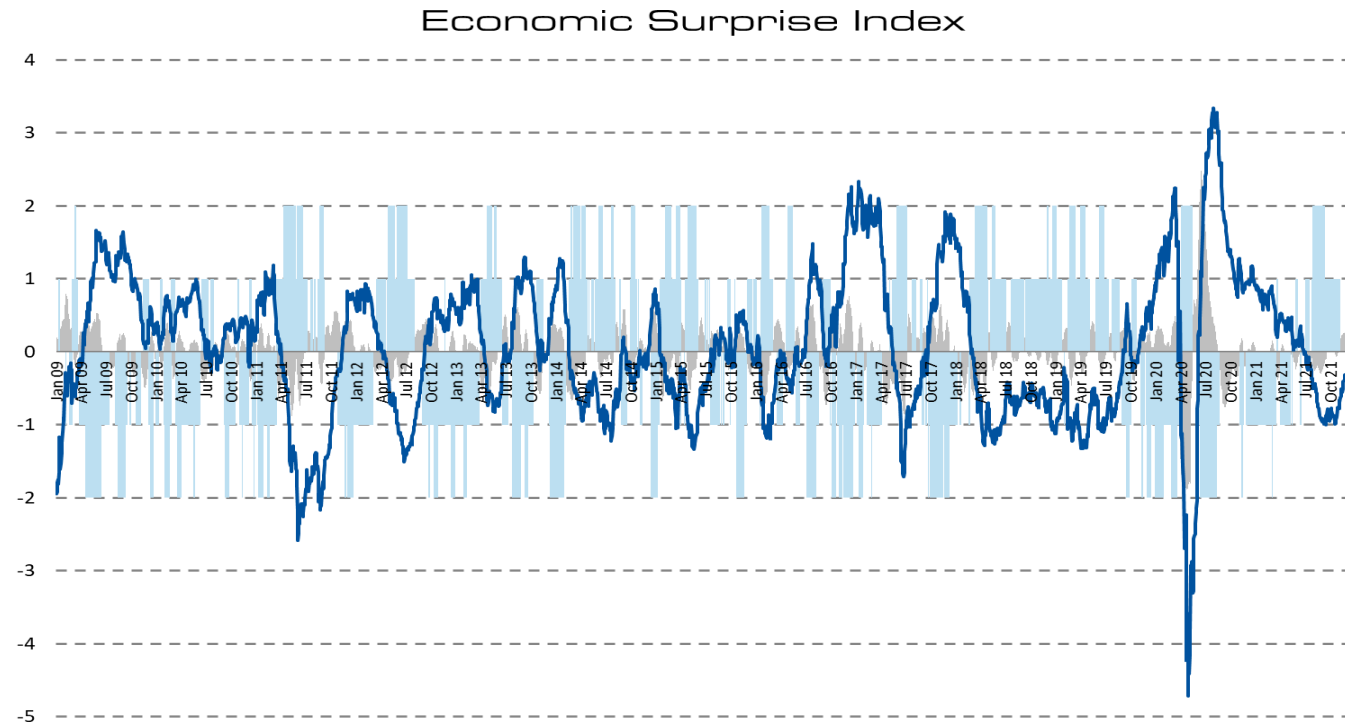
Highly sophisticated models
analysing about 150 indicators





Fundamentals

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



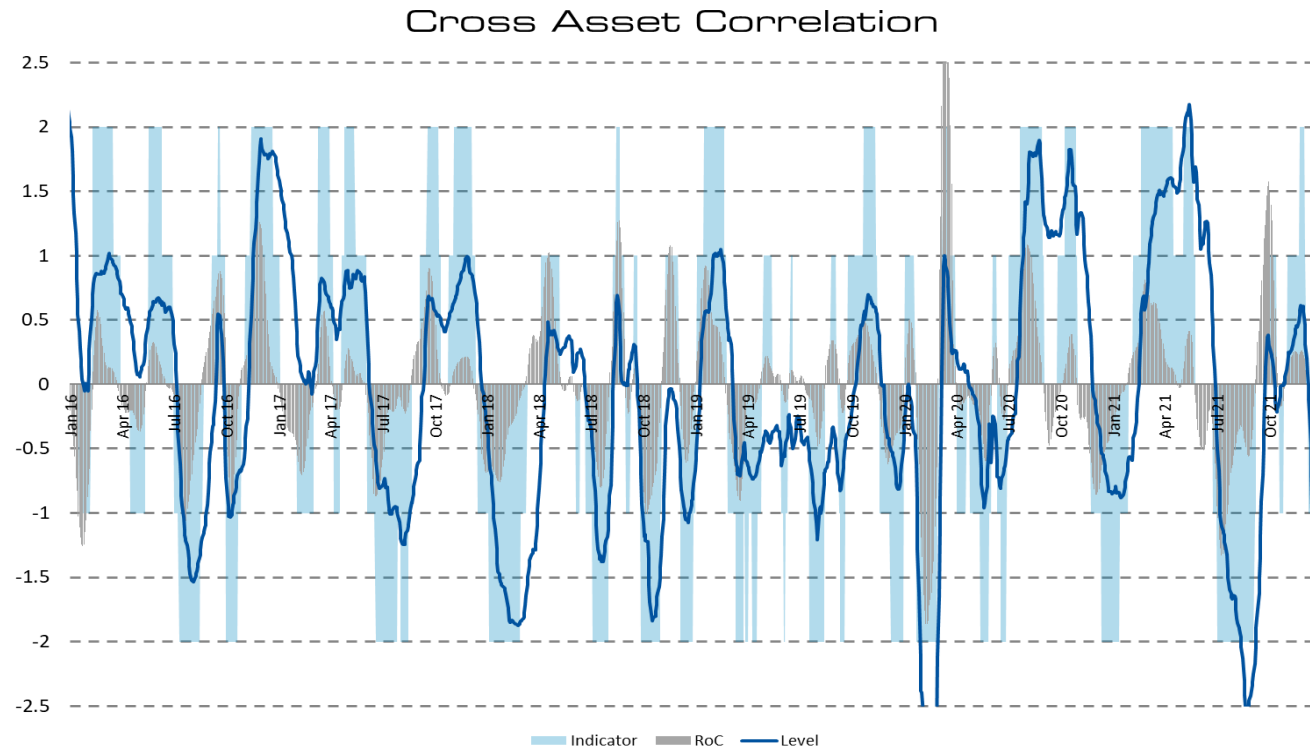
Real activity level continue to moderate on above trend level. A dynamic analyst expectations have now caught up on.

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.

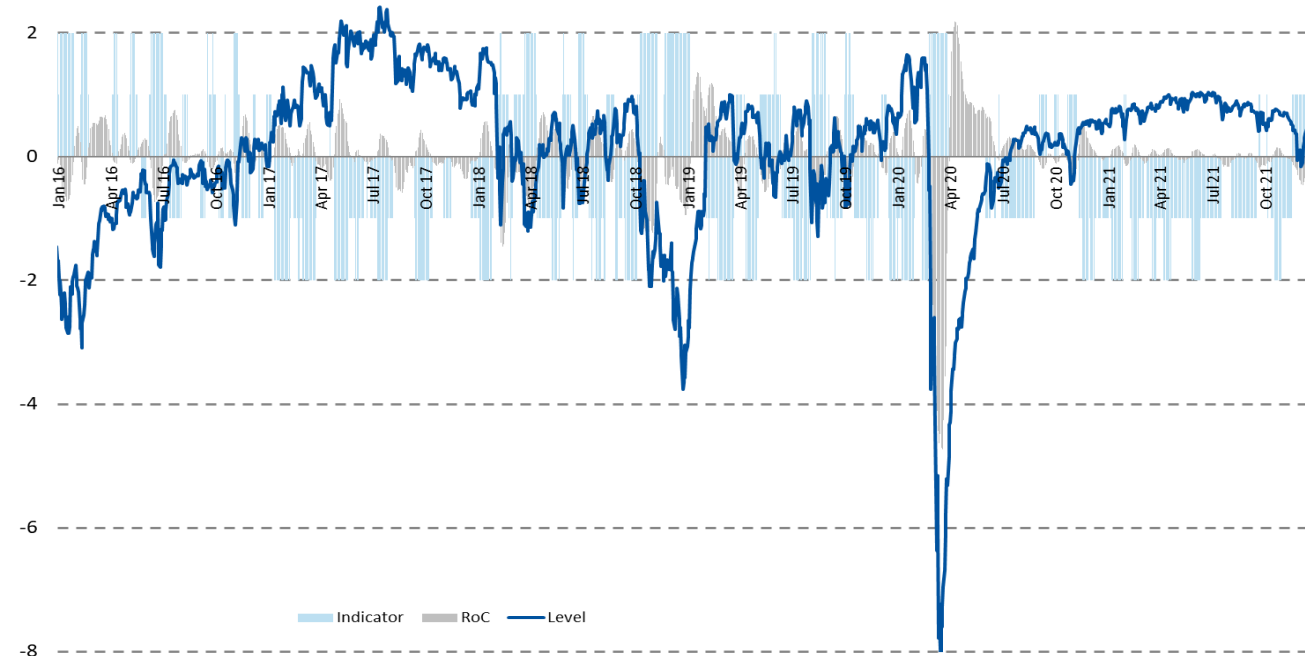
When the diversification risk is increasing, there is not much to be gained from diversifying. Cash should then be meaningfully increased.



Market intelligence

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

Financial Conditions



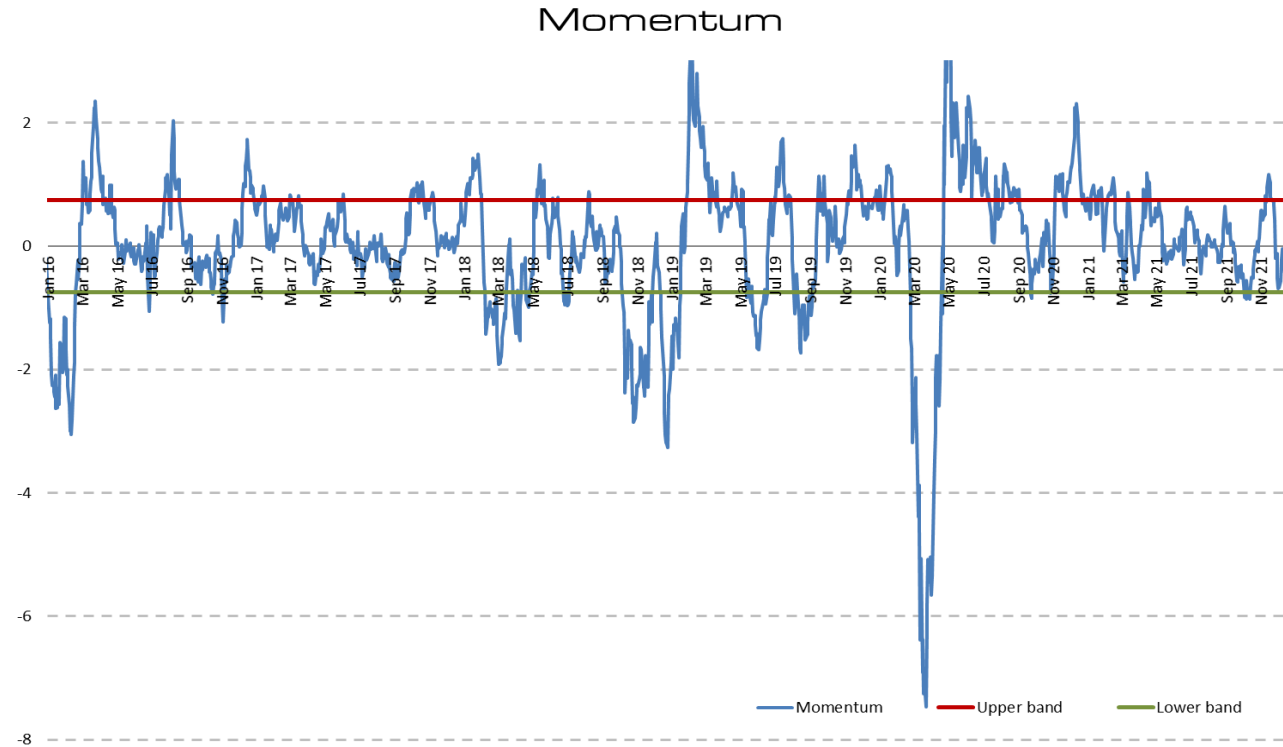
Investor risk willingness again rising from a neutral level.

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 has gone neutral. Short-term momentum is stretched and xmas stock rebound is not completed.



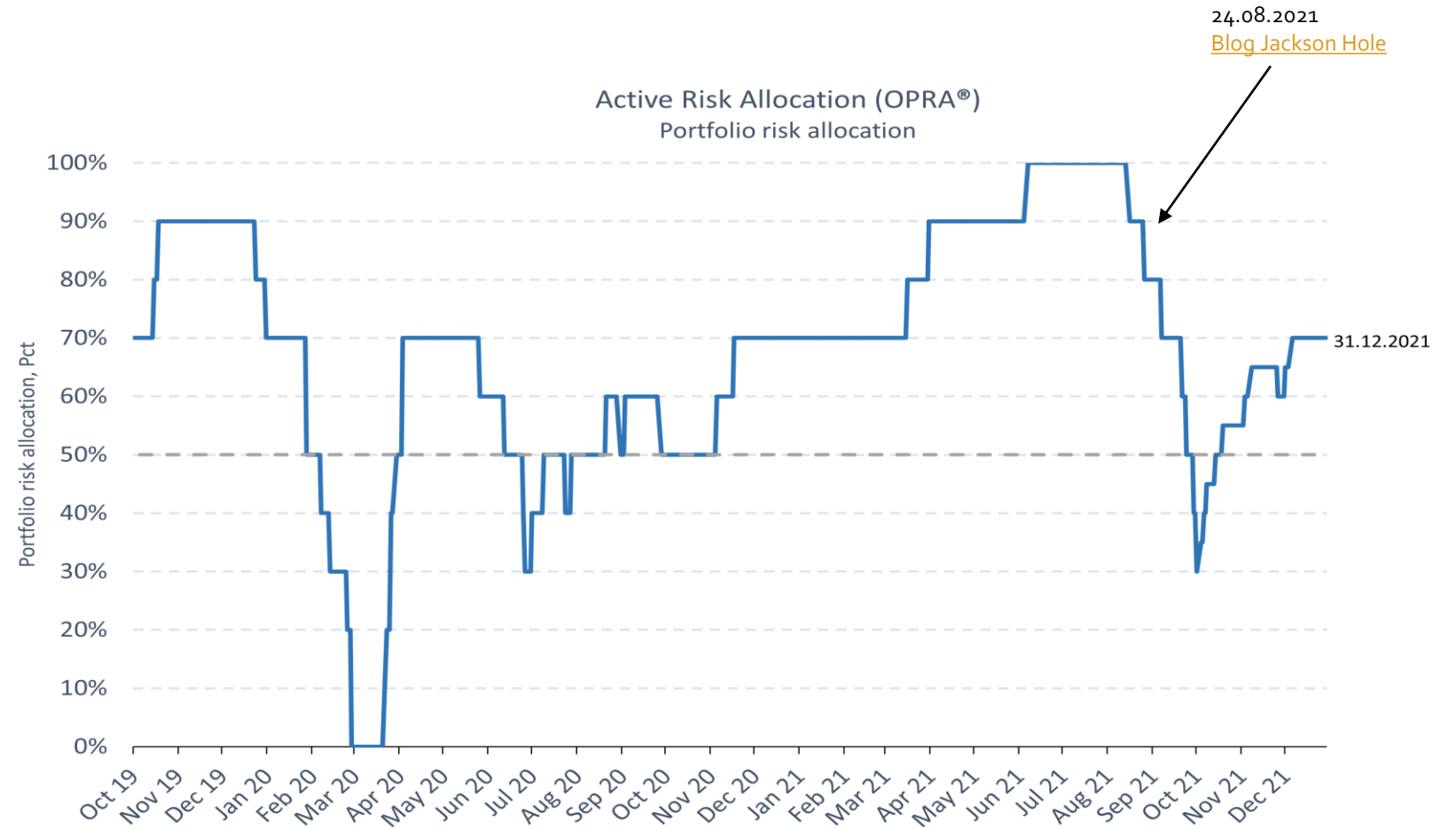
Volatility and risk budgeting

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 -



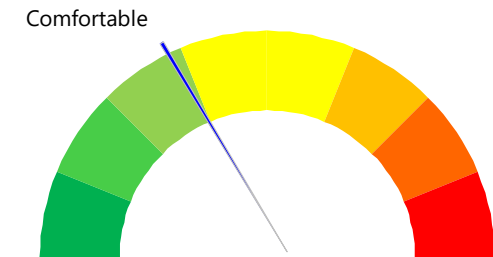


OMRI[®] Origo Market Risk Indicator

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





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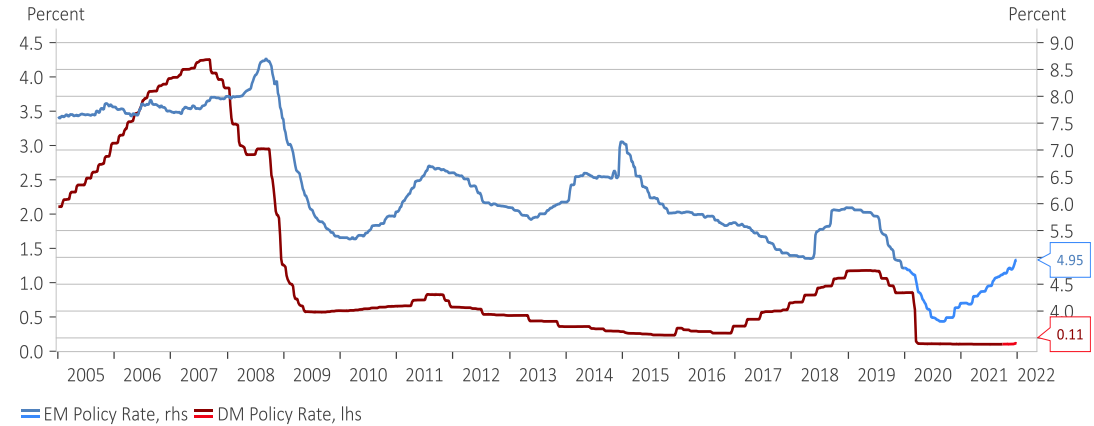


GEM watch

Leading the monetary tightening cycle

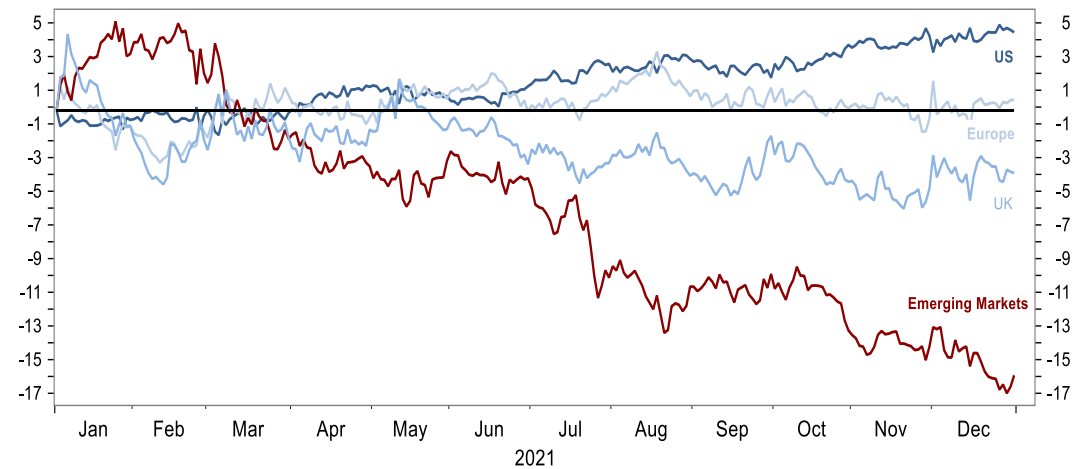
The principal to GEM relative performance

Policy Rates
Weights = Current GDP PPPs



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Regional performance (relative to MSCI World)



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