



ORIGO
CONSULTING

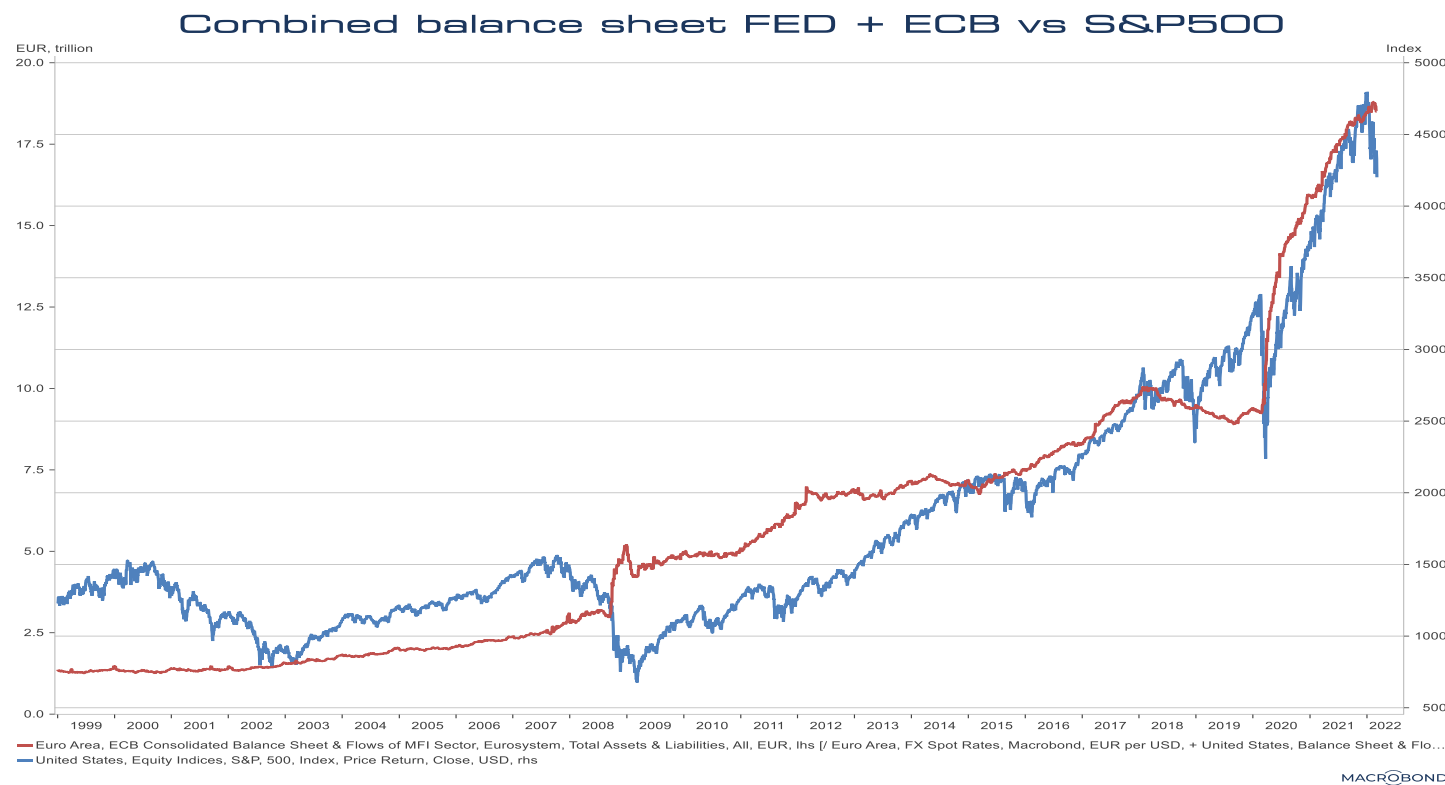
Active Risk Allocation

March 2022

Central banks

What else to watch?

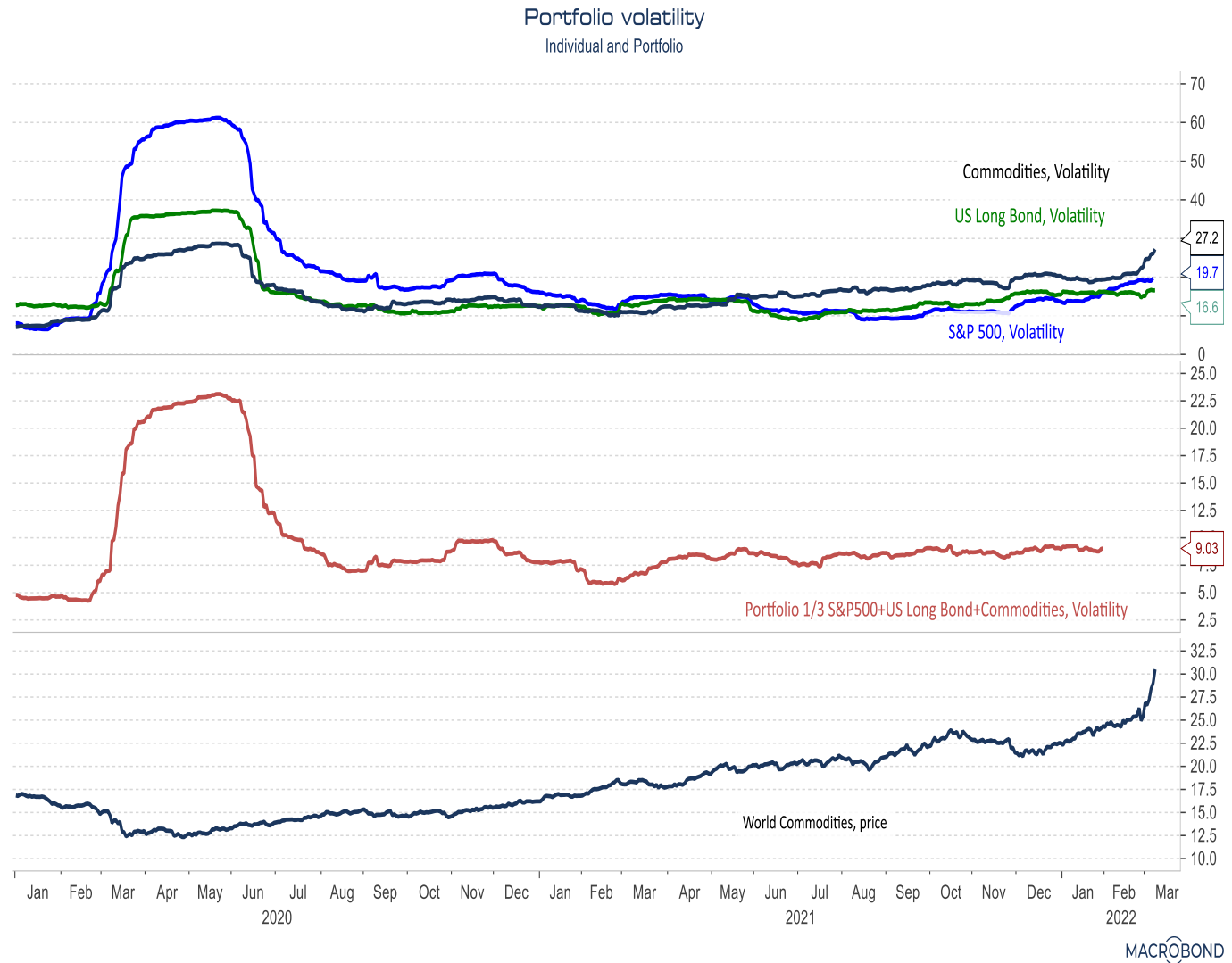
War in Europe will not
halt the tightening of
monetary policy



Risk management

Non-correlated assets become essential as stocks and bonds move in sync

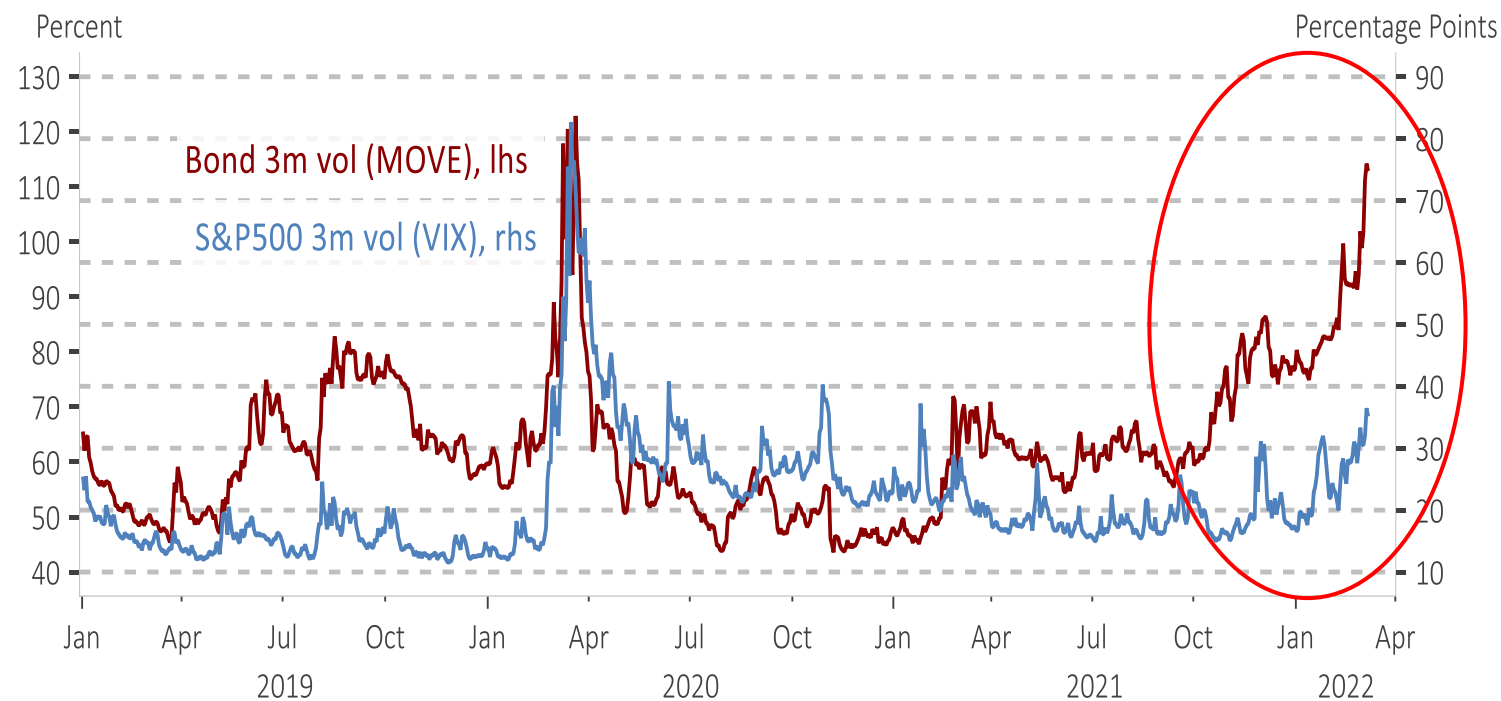
Adding a non-rate sensitive, uncorrelated high risk asset – portfolio risk drop



Volatility cluster

Bonds run point, again

The 3rd spike in a year
Same volatility cluster



MACROBOND



ORIGO
CONSULTING

Active Risk Allocation

Status

Status

Lower growth . Higher inflation

Investors to balance TAA and SAA horizon, just as end-January 2022

Stocks short-term oversold vs monetary tightening + war in Europe

☐ Stocks – minor underweight

- Preference to low vol factor, Defensive sectors (e.g. Defense)

☐ Bonds – underweight (if possible no exposure)

- Regional overweight Europe vs US. Duration underweight

☐ Alternatives – large overweight

- Non-interest rate sensitive, non-directional, uncorrelated assets and strategies

☐ Macroeconomics

- Central bank tapering & inflation 37y high and still rising
- Supply disruptions (food, energy, transport, semi-conductors)
- Biden stimulus package "sand box'ed"?
- CoVID-19 end game and effect
- Russia invasion end game

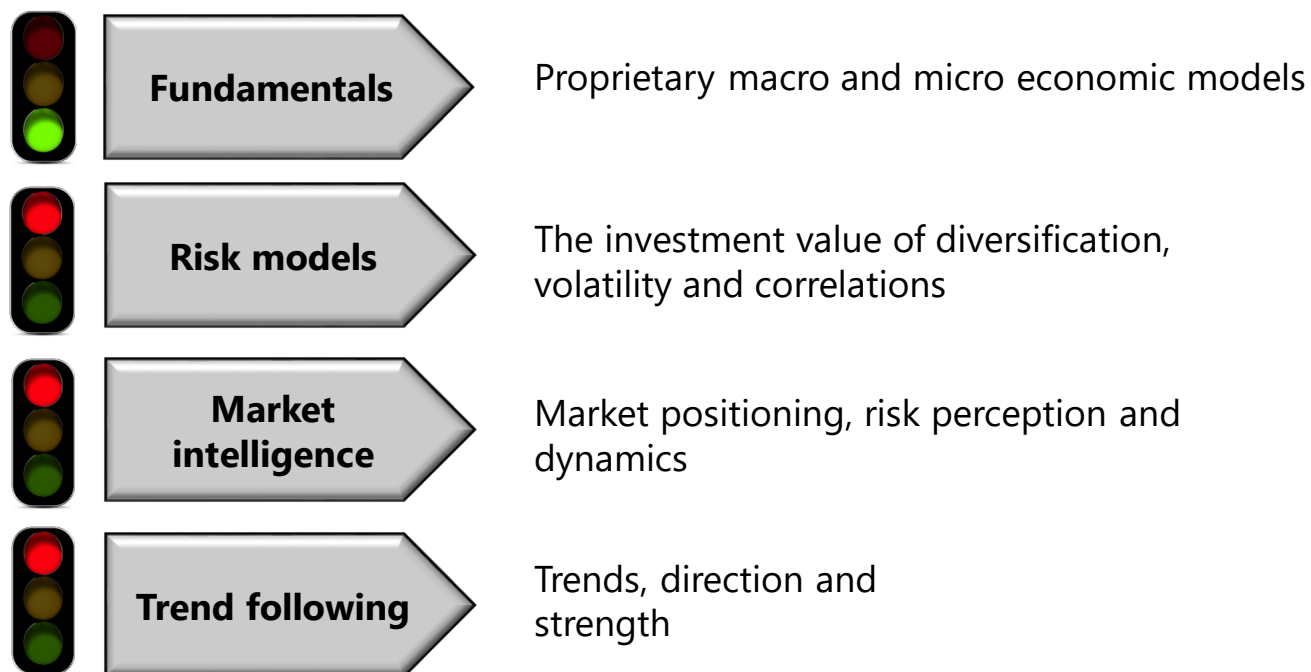
☐ Indicators

- OPRA: Underweight / Fading (risk gauge for balance risk/risk free)
- OMRI: Negative / Top'ish (model volatility gauge)

Investment process

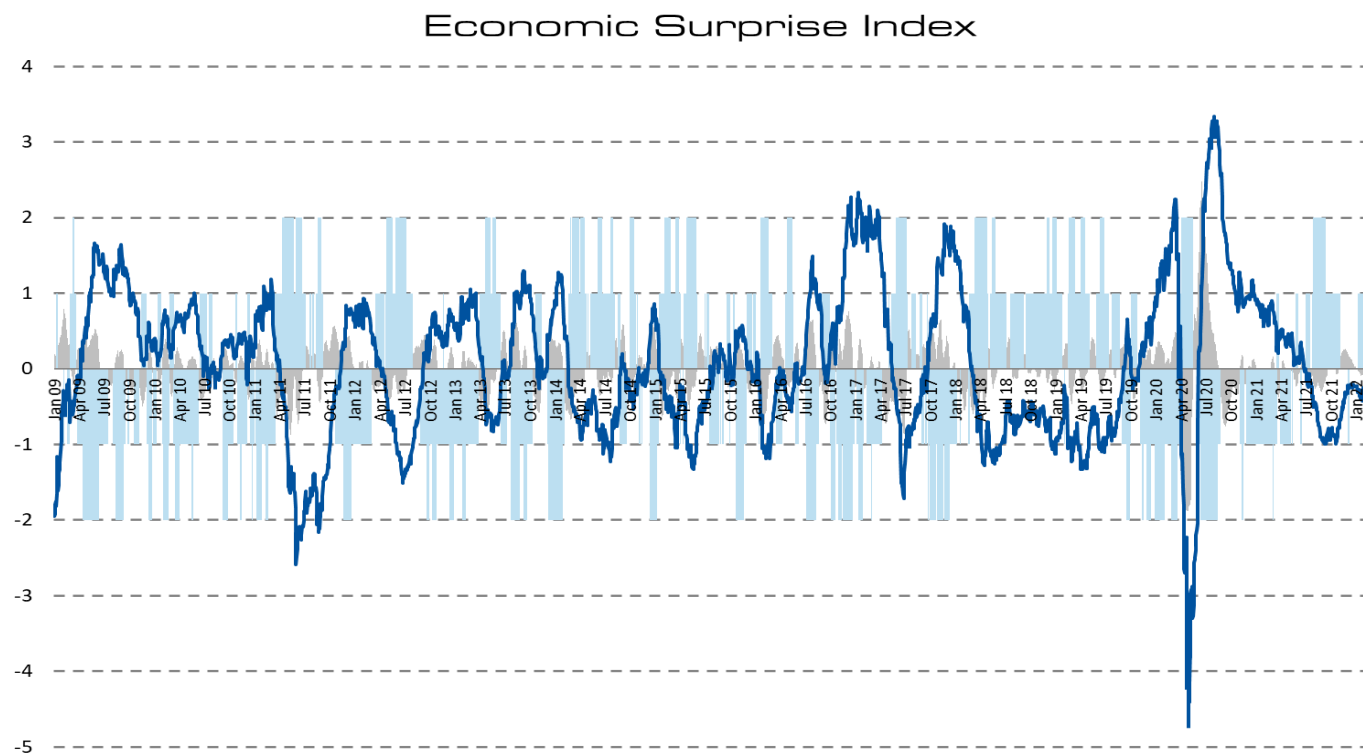
Indicators

Highly sophisticated models
analysing about 150 indicators



Fundamentals

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

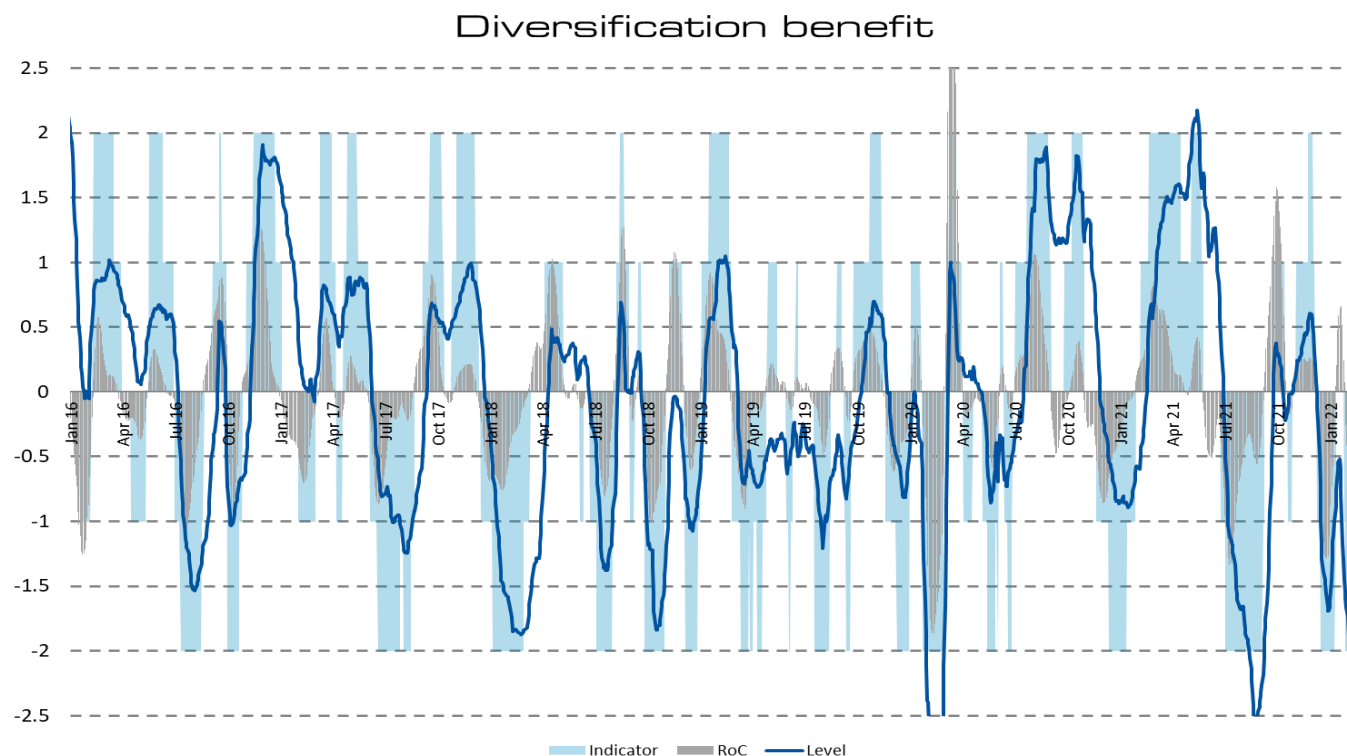


Real activity level is high but moderating from an above trend level.
Analysts' being overly too optimistic, are behind the curve on reducing expectations.

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 not existing. The primary assets stocks and bonds move in synch.

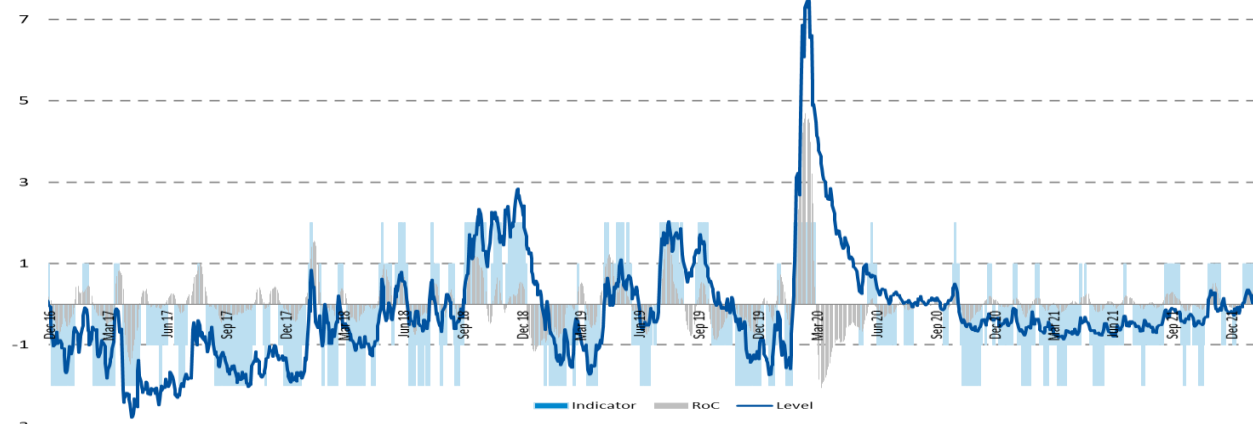
In our experience an indication of a possible regime change.

When the diversification benefit is low, there is not much to be gained from diversifying. Cash and alternatives should then be meaningfully increased.

Market intelligence

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

Global Financial Stress Indicator



Global Financial Stress

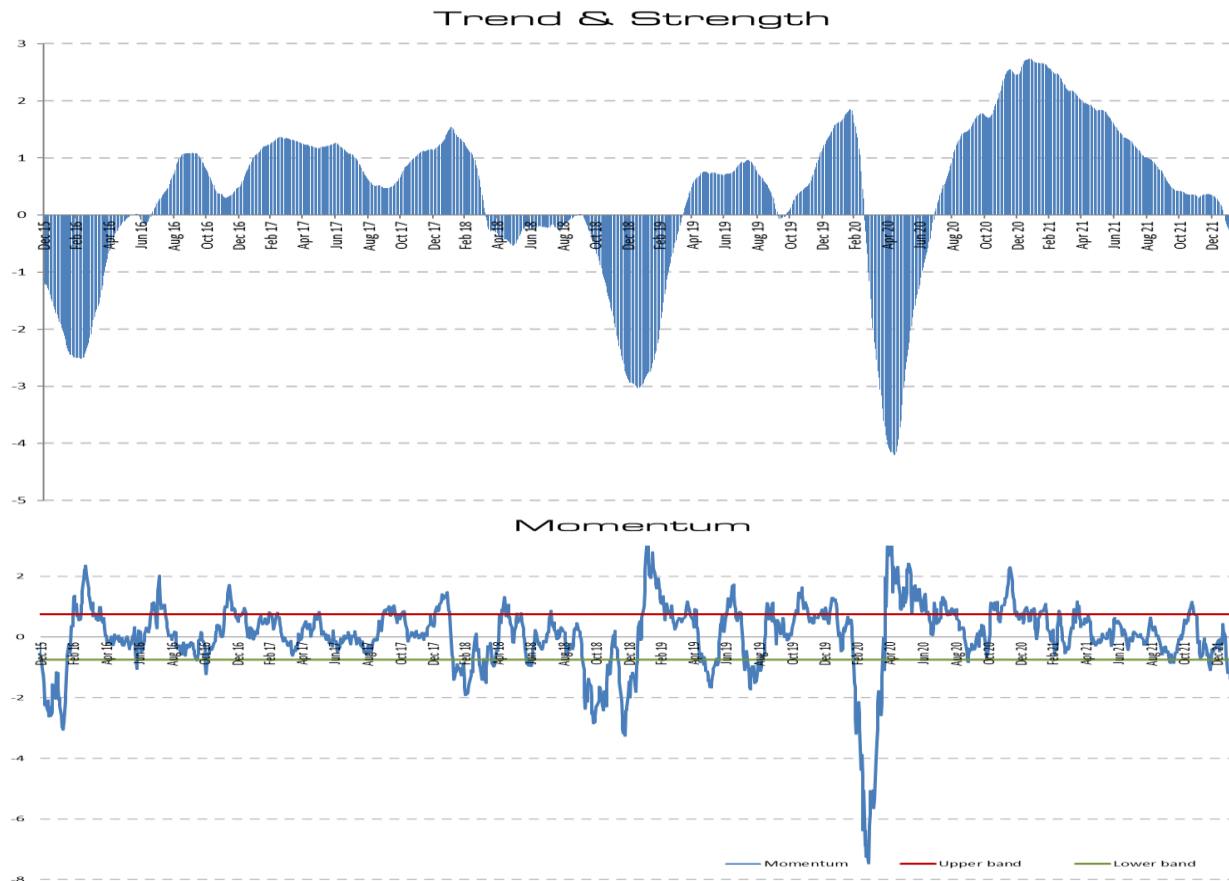


Stress measured in financial markets across all asset classes continue to increase. Level suggest a short-term relief may be in the offering.

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

Technicals

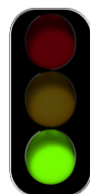
- ☐ Macroeconomic models
- ☐ Volatility and risk budgeting
- ☐ Market intelligence
- ☐ **Technicals and trend following**



The medium-term trend is now negative for the first time since Feb 2020.
 Technical "oversold" momentum is a setup for a short-term dead cat rebound.

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

Current status



Macroeconomics

Global economic growth moderating. CoVID19 end game potentially a boost to developed economies.

Risk is for central banks to accelerate tightening of extreme monetary stimulus.



Market Risk and market intelligence

Risk appetite show high investor stress. Stock investor dynamic now reflect the understanding that Central banks will continue reduce extreme monetary policy.

The rapidness of deterioration is a setup for a short-term improvement.



Technicals

Investors to balance scenario of medium-term trend strength in risk assets is now negative.

Traders will focus on short-term setup for a rebound on too-much-too-fast dynamics. Just as by end Jan 2022.



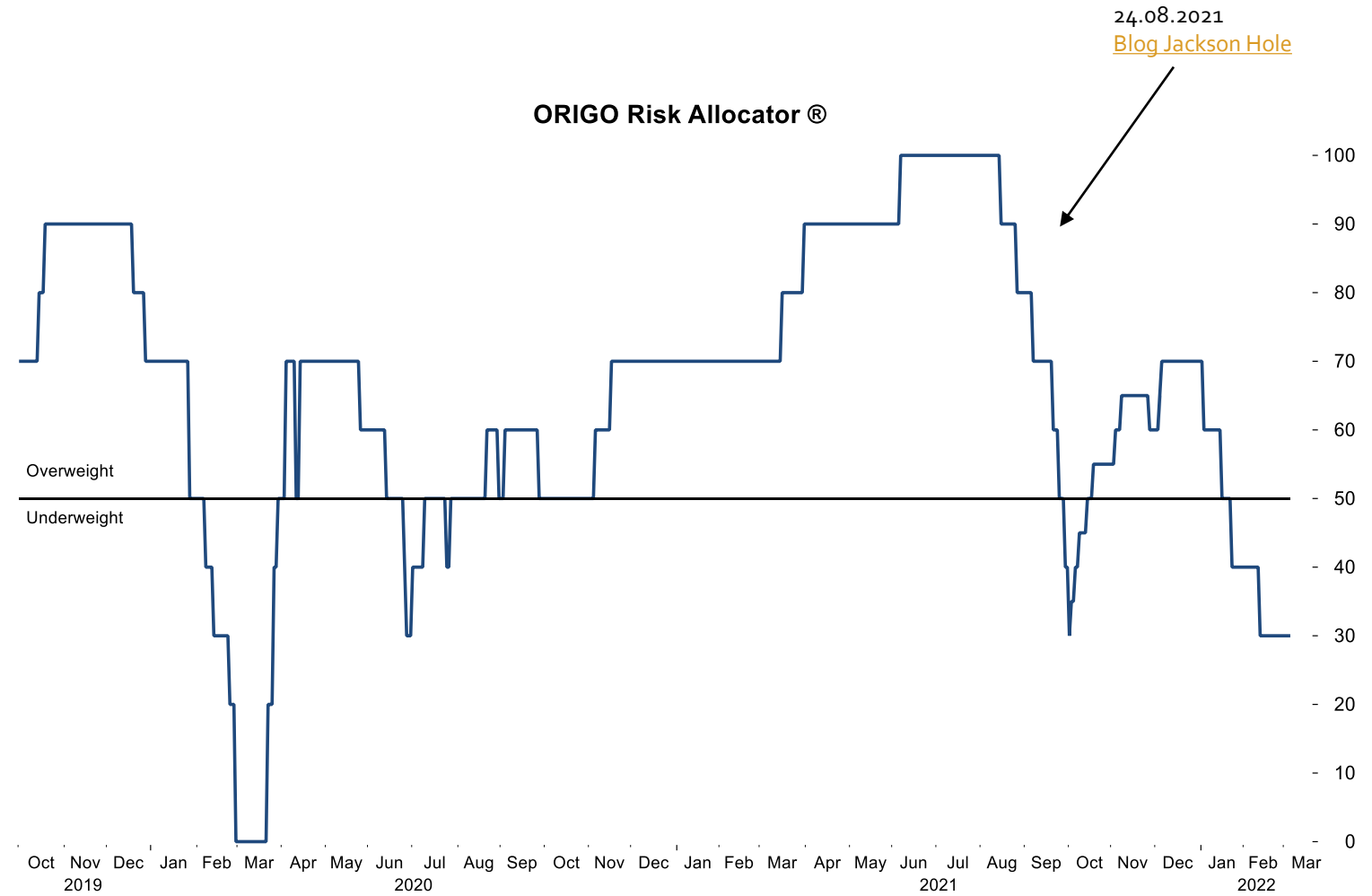
Volatility and risk budgeting

Portfolio risk is negative as correlations are negative and volatility levels now high.

A traditional passive portfolio of 60 stocks/40 bonds will not offer any automatic mitigation for capital protection.

OPRA® Origo Portfolio Risk Allocator

Timeline, 2019 -

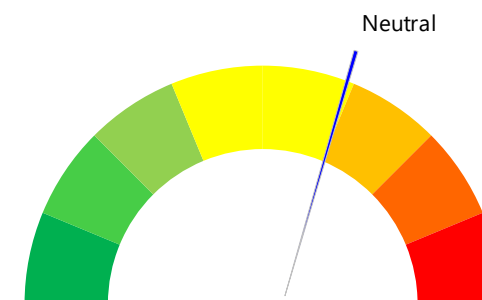


OMRI[®] Origo Market Risk Indicator

The balance of risk assets

04 March 2022

Indicator	Sentiment	Last update
X-Asset correlation	Tense	04 Mar 2022
Economic Surprises	Comfortable	04 Mar 2022
Financial Conditions	Neutral	04 Mar 2022
Global Financial Stress	High risk	01 Mar 2022



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 not 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.