



ORIGO
CONSULTING

Active Risk Allocation

April 2022

Independent | Transparent | Disciplined



Status

Inflation is still not under control

Risk overview;

Shortterm Neutral

Mediumterm Negative

☐ Stocks – minor underweight

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

☐ Bonds – large 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 40y high, and still rising
- China CoVID-19 zero tolerance vs omicron B.A2 surge
- Supply disruptions, to continue (food, energy, transport, semi-conductors)
- Russia's Ukraine invasion, to continue

☐ Indicators

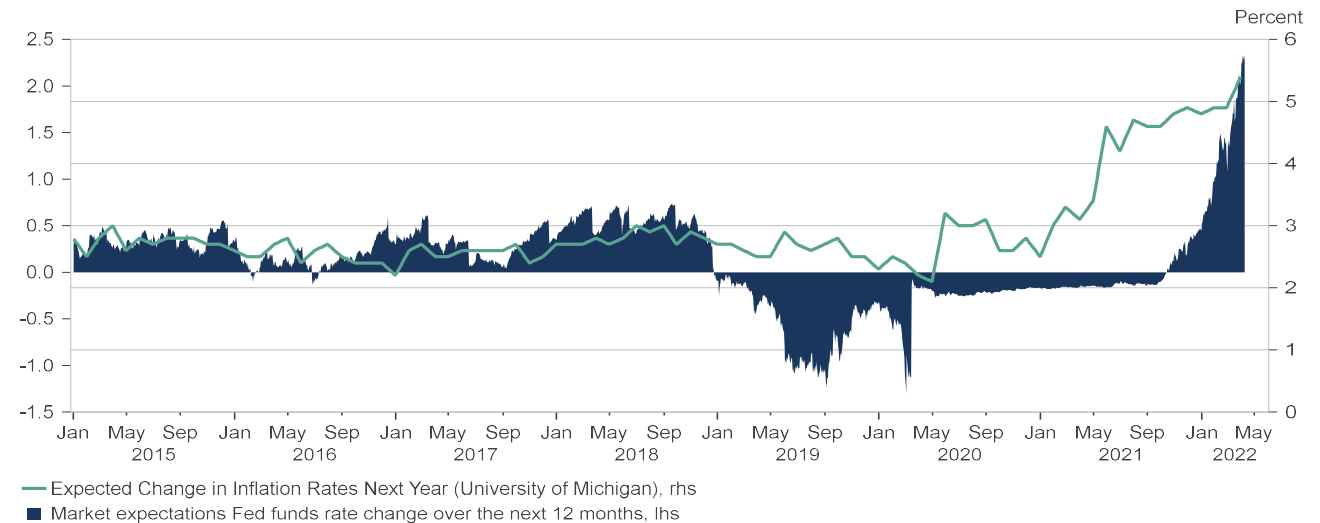
- OPRA: Neutral / Stable (risk gauge for balance risk/risk free)
- OMRI: Neutral / Falling (model volatility gauge)

Macro risk - Inflation

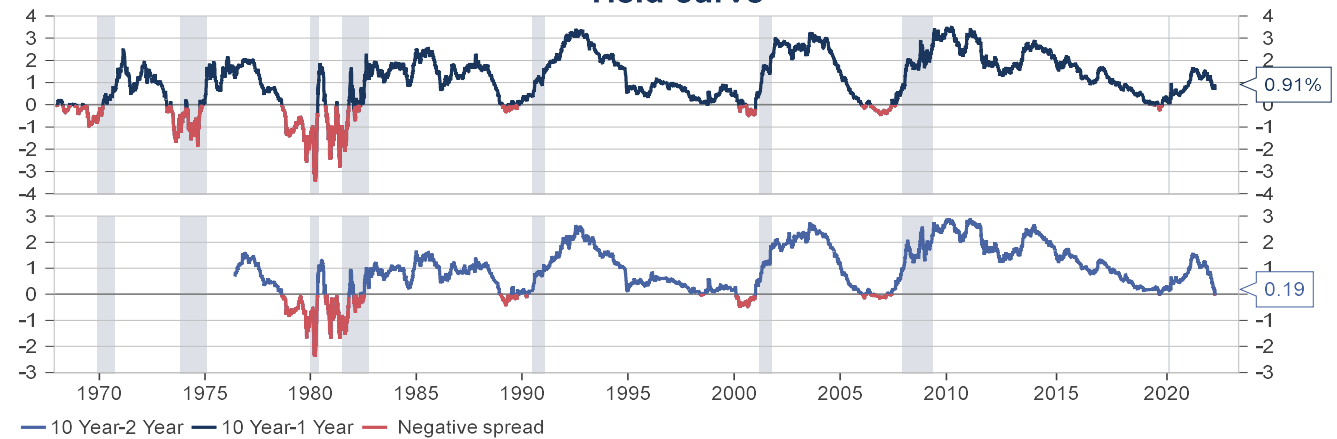
Inflation was soaring heading
into 2022 ..

- + Russia-Ukraine war
- + China CoVID19 zero
tolerance vs Omicron BA2
- + Globalisation in reverse

Markets anticipate higher inflation and interest rates



Yield curve



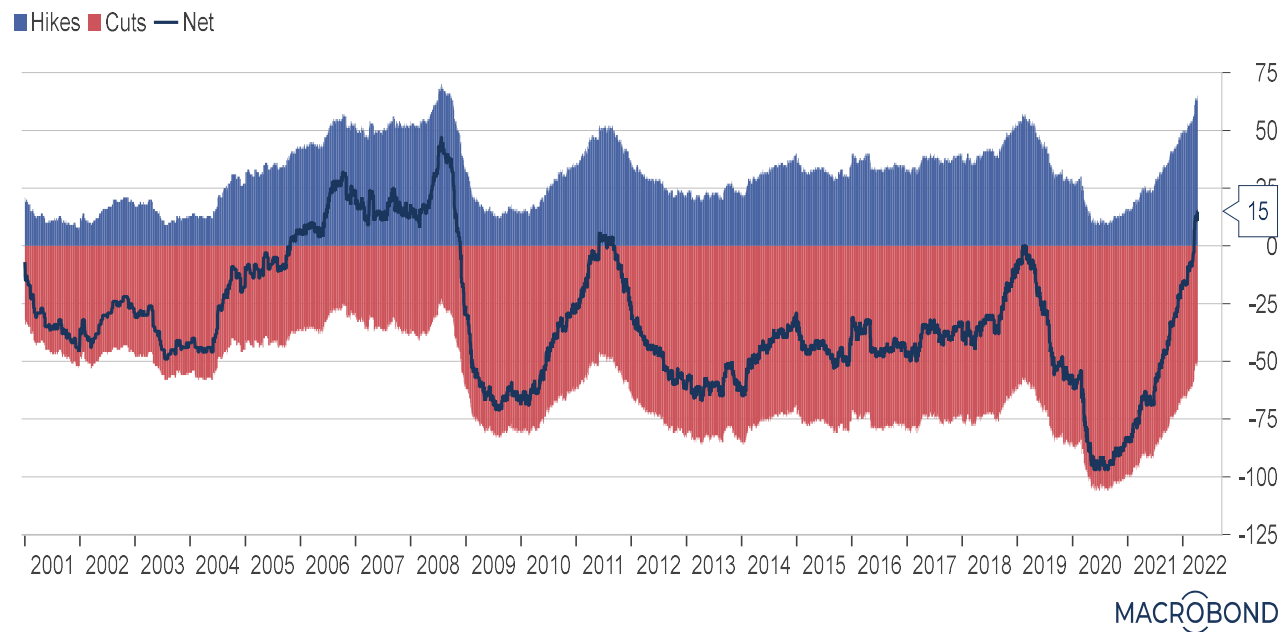
Centralbank watch

Turn of the tide

A massive tightening cycle
is unfolding fast

Central banks tighten monetary policy

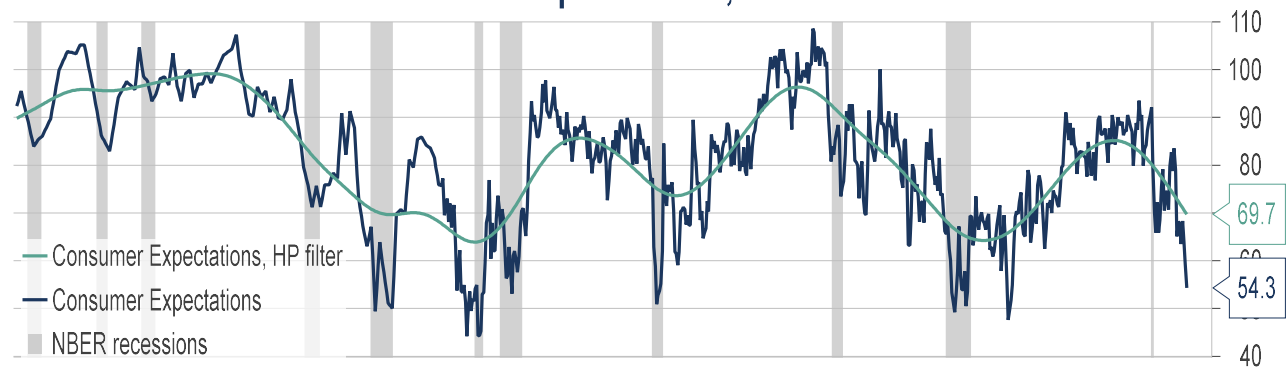
Hikes vs cuts as most recent move (115 Central Banks)



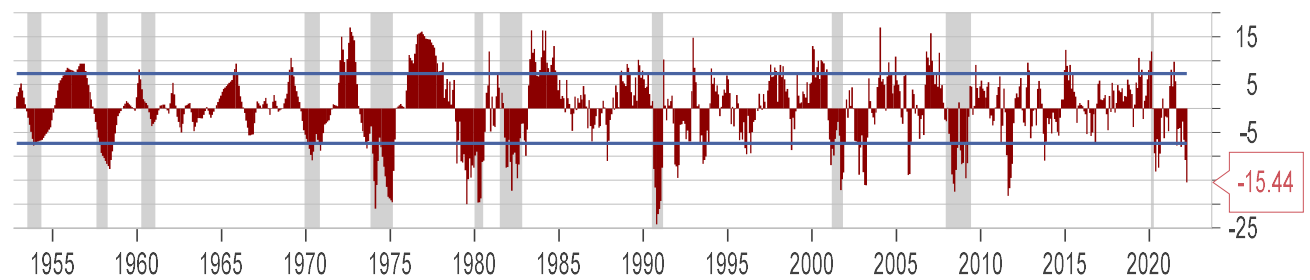
Macro risk - Recession

Not just yet
Consumers wary but
economy still running hot

Economic expectations, United States

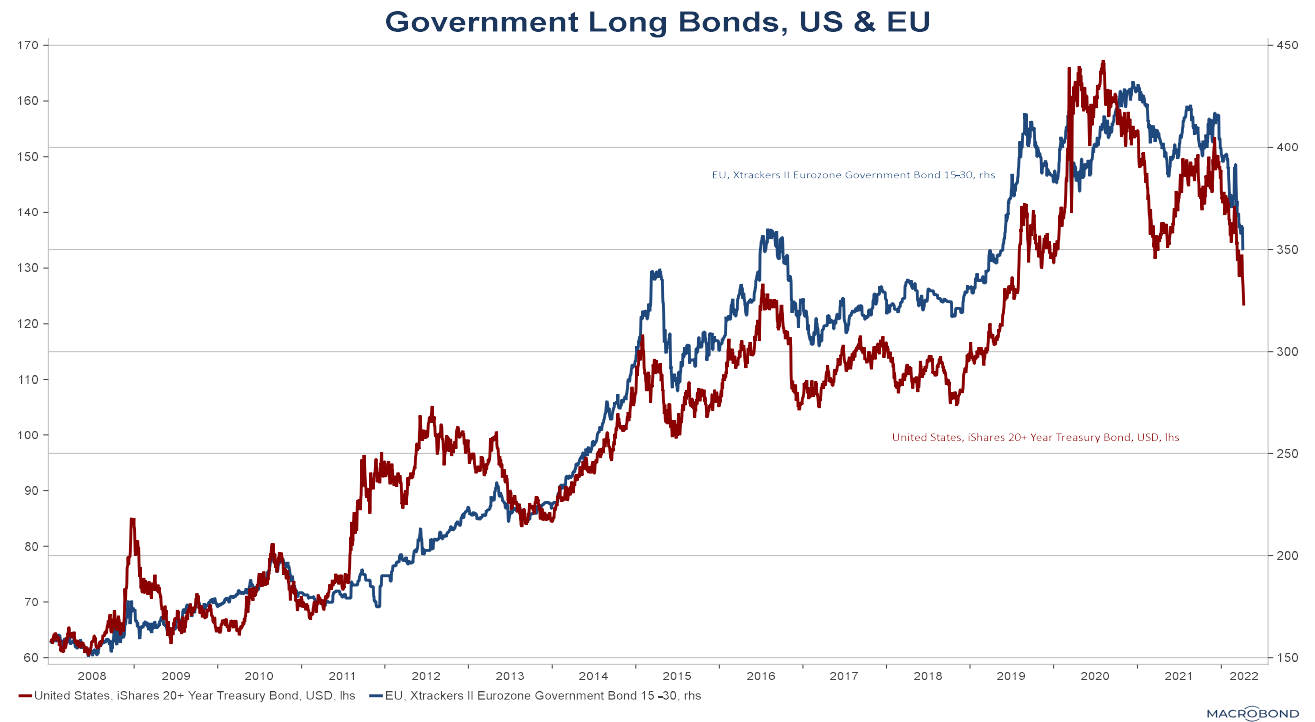


Deviation from l-t trend



Capital markets — It's ALL about Bonds

The epicentre of
inflation
US long bonds -26.34%
from peak



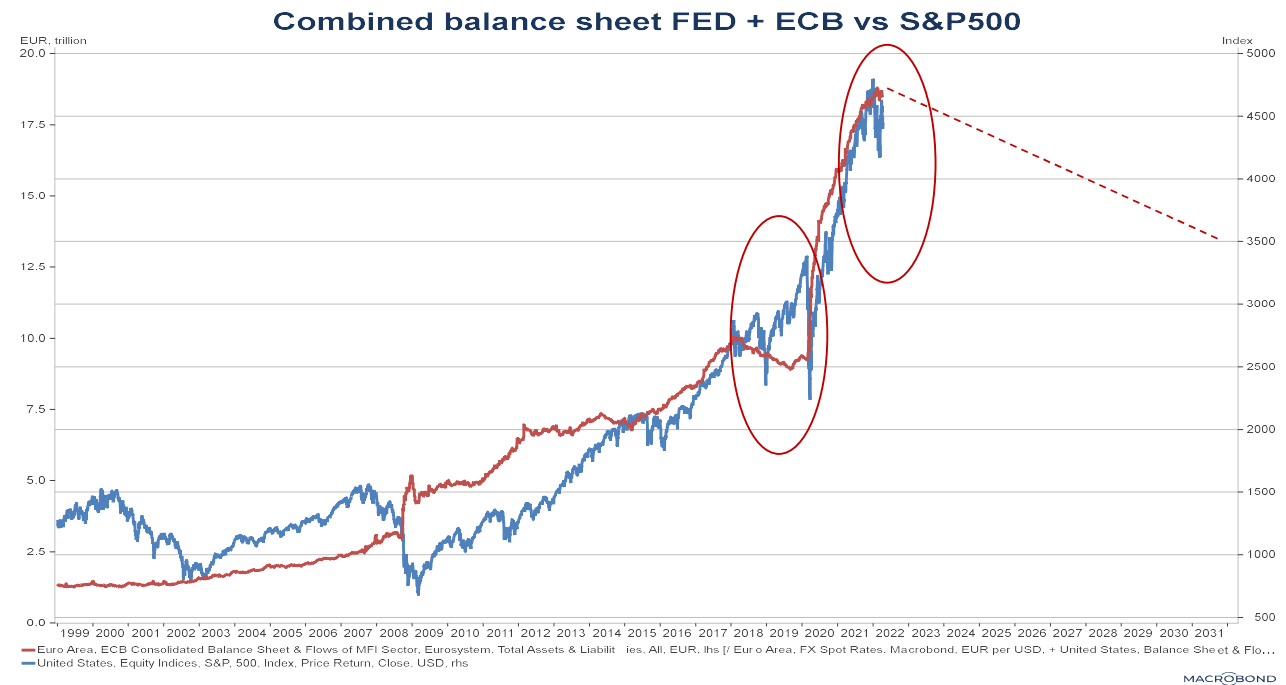


Central banks vs Stockmarkets

We are only getting started

Fed Minutes April; Combined rate hikes + QE reduction of 60-100bn/m – excess of 1 tn USD per year – every year in the next 10 years

So far, stocks sideways under high volatility since 6 months





Investment process

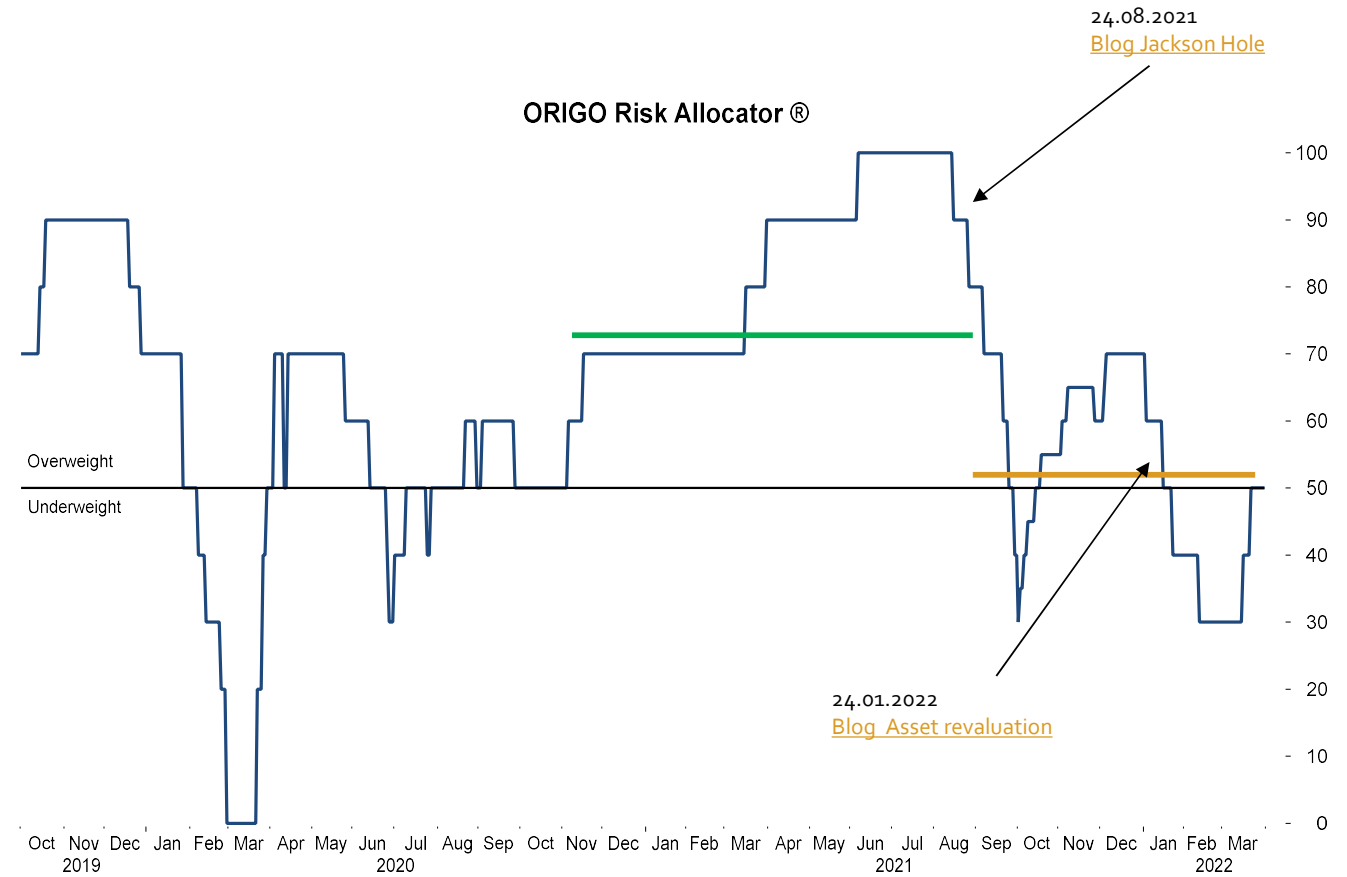
Indicators

Highly sophisticated models
analysing about 150 indicators



OPRA® Origo Portfolio Risk Allocator

Timeline, 2019 -



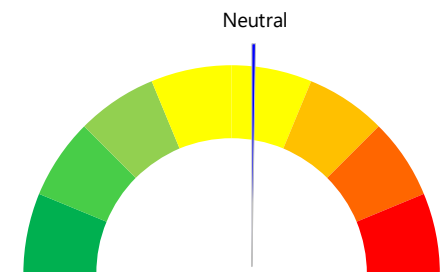
OMRI® Origo Market Risk Indicator

The balance of risk assets



01 April 2022

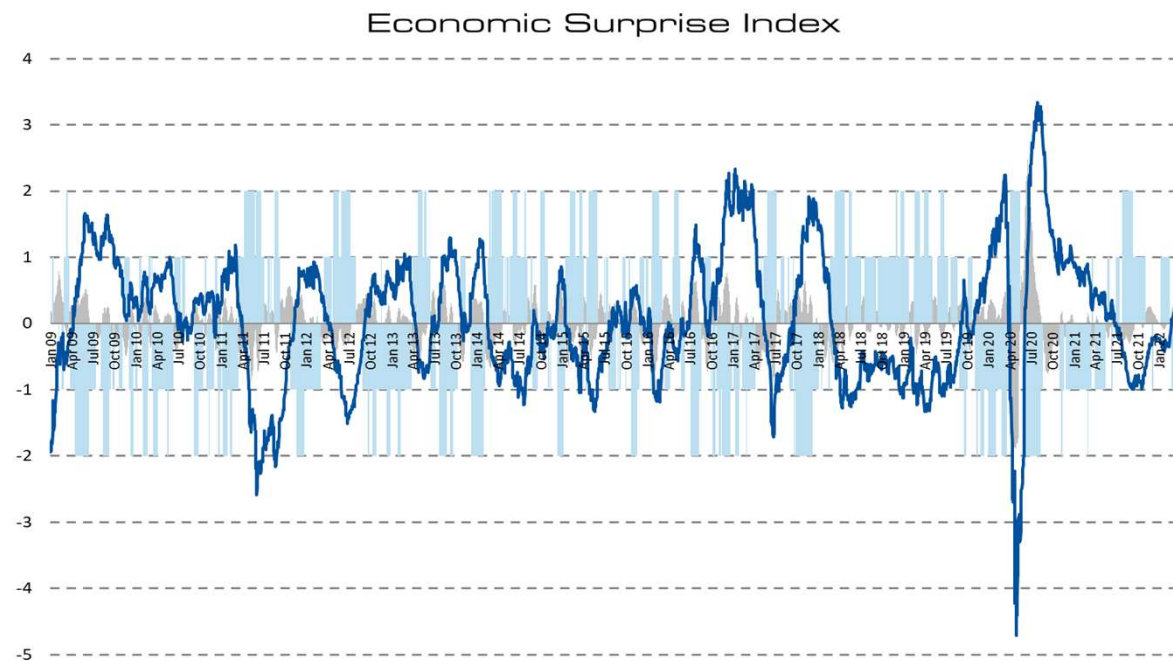
| Indicator | Sentiment | Last update |
|-------------------------|-----------|-------------|
| X-Asset correlation | Neutral | 31 Mar 2022 |
| Economic Surprises | Neutral | 31 Mar 2022 |
| Financial Conditions | Neutral | 01 Apr 2022 |
| Global Financial Stress | Neutral | 31 Mar 2022 |





Fundamentals

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



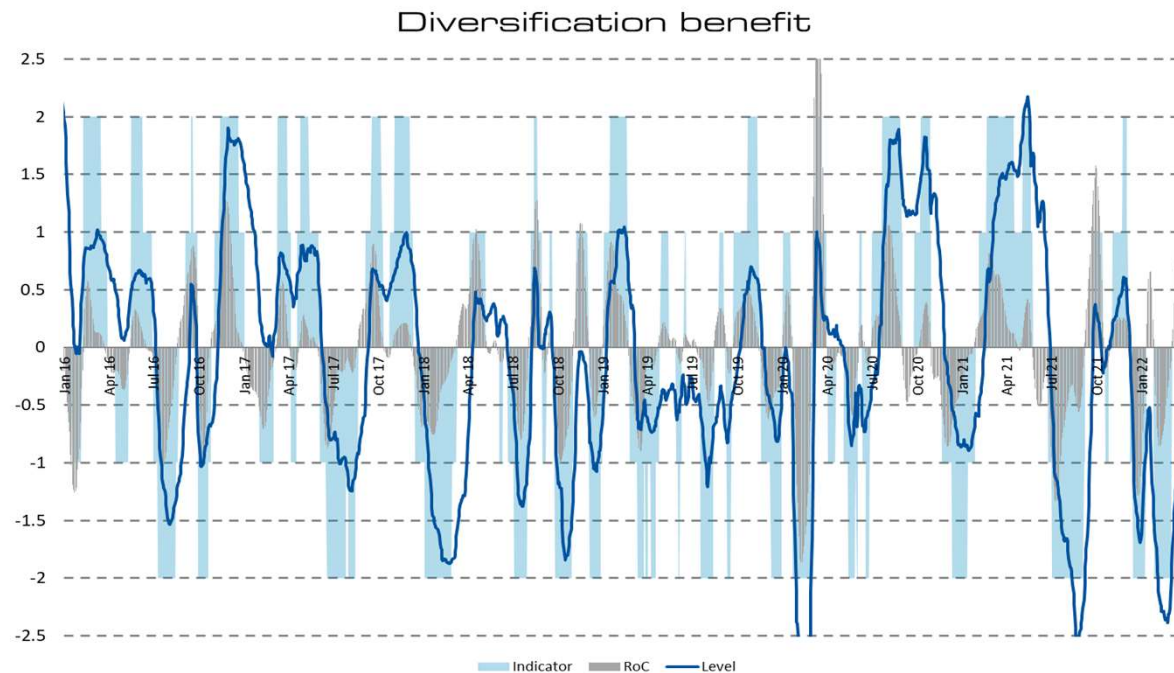
Real activity level is moderating from an above trend level.
Analysts' being overly too optimistic, are behind the curve on reducing expectations.

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



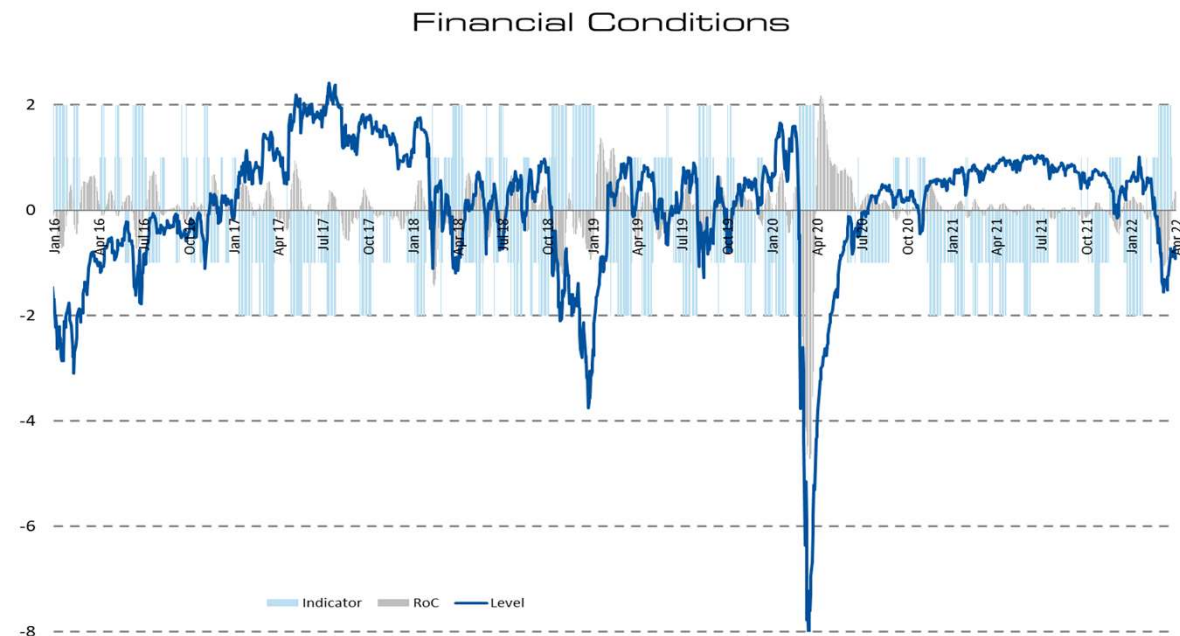
Diversification benefits are improving.

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

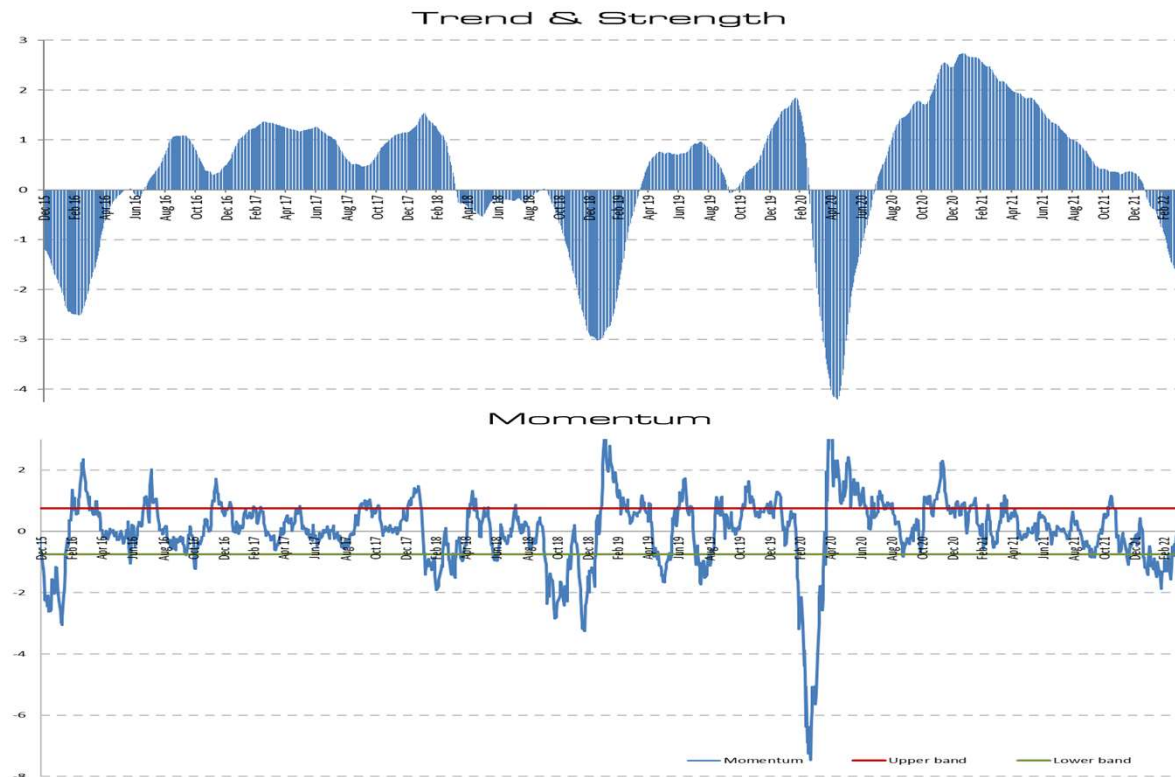


Stress measured in financial markets across all asset classes is improving.

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 short-term scenario has deteriorated from over-sold/reaction to neutral. The medium-term trend is now negative for the first time since Feb 2020.

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

Current status



Macroeconomics

Inflation keep rising and global economic growth moderating, albeit from a high level.
China CoVID19 zero tolerance a risk to global growth.
Risk is for central banks to accelerate tightening of extreme monetary stimulus.



Market Risk and market intelligence

Risk appetite has normalised following Ukraine invasion.
Financial markets reflecting belief central banks has inflation under control and will not push economy into a recession.



Technicals

Investors to balance the scenario of now neutral shortterm risk, but mediumterm increasingly negative scenario.



Volatility and risk budgeting

Portfolio risk is neutral as correlations turn "normal".

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