

The week in seven charts

Chart #7

UK large caps at record high

Read more on p3



UK large caps at record highs despite domestic economic woes

The 60/40 portfolio rising from its ashes, as the US economy continues to show resilience. Meanwhile, inflation-friendly stocks continue to enjoy superior performances. Each week, the Syz investment team takes you through the last seven days in seven charts.

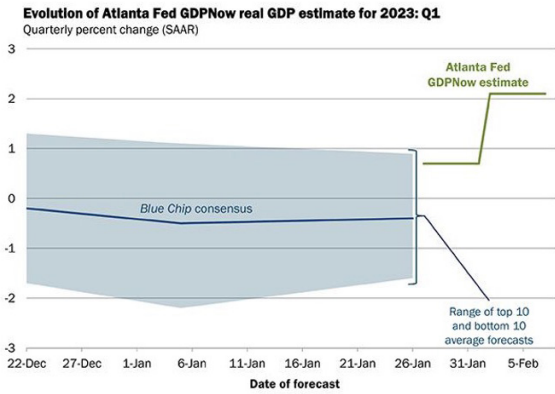
Charles-Henry Monchau

Chief Investment Officer

Chart #1 —

The US economy's ongoing resilience

U.S. macroeconomic data continues to surprise on the upside. The University of Michigan's consumer confidence index rose to 66.4 from 65 expected and 64.0 previously. The Atlanta Fed's GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2023 was 2.1% at the end of this week, up from 0.7% at the beginning of the month.

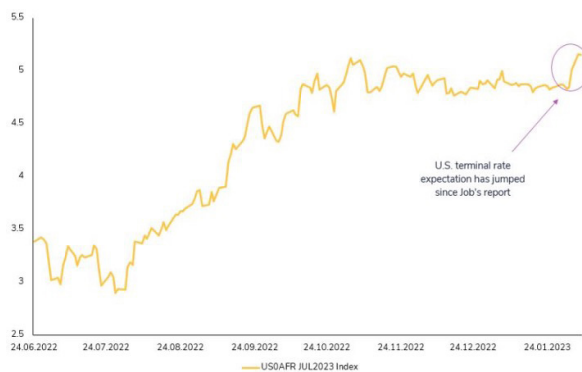


Source: Atlanta Fed

Chart #2 —

A new cycle high for US terminal rate expectation

The market has raised its expectations for the Fed's terminal rate. Investors are now expecting a rate slightly above 5% in July 2023 (one month later than previously expected). The resilience of the US economy (driven by a very strong labor market) is a major reason for the upward revision of expectations for the peak in policy interest rates.



Source: Bank Syz, Bloomberg

Chart #3 —

Rising bond yields weigh on equity market valuations

The S&P 500 and Nasdaq Composite lost 1.1% and 2.4% respectively in the past week, their worst week since December. Statements from Fed officials sent equity markets in opposite directions earlier this week. On Tuesday, stocks had a green session after Fed Chairman Powell reiterated that the disinflation process had begun. A series

of rather hawkish comments from other Fed officials the next day led to profit taking. Equity market valuations seem to remain highly correlated with 10-year US Treasury yields. When the latter rise, valuation multiples contract. And vice versa.



Source: Bloomberg, www.zerohedge.com

Chart #4 —

Speculative stocks took a hit

While speculative stocks had strongly outperformed at the beginning of the year, profit taking was observed during the past week. The Ark Innovation ETF managed by Cathie Wood's team lost nearly 10% with spectacular declines in stocks such as Coinbase, Roku and Robinhood. This is the worst performance of this ETF in 2 months.



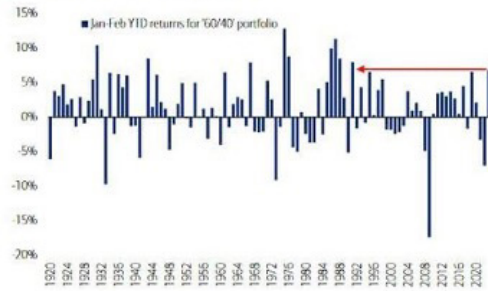
Source: Bloomberg

Chart #5 —

The come-back of the 60-40 portfolio

A portfolio invested 60% in US equities and 40% in US bonds would have experienced a very sharp decline in 2022 due to the concomitant decline of the two asset classes. At the beginning of the year, both the equity and bond markets are up, allowing the 60/40 portfolio to record a 6.8% increase since the beginning of the year, the best start since 1991. On an annualized basis, the performance is 48%.

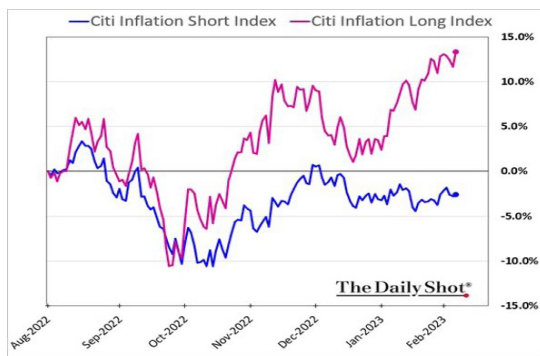
Chart 4: Best start to the year for '60/40' portfolio since 1991
Jan-Feb YTD returns for 60/40 portfolio



Source: HolgerZ, Bloomberg

Chart #6 —
Stocks that benefit from rising inflation continue to outperform

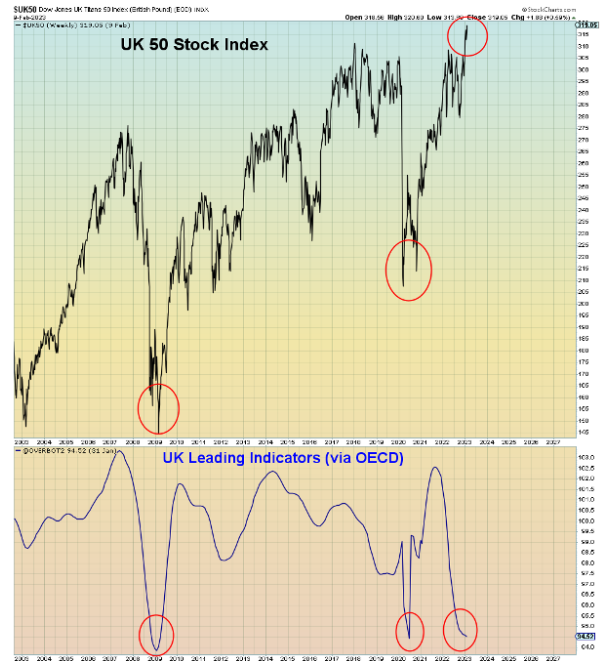
Despite inflation cooling down, companies that benefit from rising prices continue to outperform. Does the market anticipate more persistent price pressures than economists expect?



Source: The Daily Shot

Chart #7 —
UK large caps at record highs despite domestic economic woes

The link between a country's macro-economy and its stock market performance is far from obvious. The United Kingdom is a case in point: while leading indicators for the UK domestic economy are at their lowest, the Dow Jones UK Titans 50 index has reached its highest level ever. Indeed, this index is strongly represented in cyclical stocks that benefit from the demand for raw materials but also from exporting companies for whom the weakness of the pound is a real boon.



Source: Mac10

For further information

Banque Syz SA
Quai des Bergues 1
CH-1201 Geneva
Tel +41 58 799 10 00
syzgroup.com

Charles-Henry Monchau, Chief Investment Officer
charles-henry.monchau@syzgroup.com

This marketing document has been issued by Bank Syz Ltd. It is not intended for distribution to, publication, provision or use by individuals or legal entities that are citizens of or reside in a state, country or jurisdiction in which applicable laws and regulations prohibit its distribution, publication, provision or use. It is not directed to any person or entity to whom it would be illegal to send such marketing material.

This document is intended for informational purposes only and should not be construed as an offer, solicitation or recommendation for the subscription, purchase, sale or safekeeping of any security or financial instrument or for the engagement in any other transaction, as the provision of any investment advice or service, or as a contractual document. Nothing in this document constitutes an investment, legal, tax or accounting advice or a representation that any investment or strategy is suitable or appropriate for an investor's particular and individual circumstances, nor does it constitute a personalized investment advice for any investor.

This document reflects the information, opinions and comments of Bank Syz Ltd. as of the date of its publication, which are subject to change without notice. The opinions and comments of the authors in this document reflect their current views and may not coincide with those of other Syz Group entities or third parties, which may have reached different conclusions. The market valuations, terms and calculations contained herein are estimates only. The information provided comes from sources deemed reliable, but Bank Syz Ltd. does not guarantee its completeness, accuracy, reliability and actuality. Past performance gives no indication of nor guarantees current or future results. Bank Syz Ltd. accepts no liability for any loss arising from the use of this document.