The week in seven charts

Chart #5

IMF revises global growth projections downwards

Read more on page 3

Image source: AdobeStock

IMF adjusts global economic outlook with lower growth projections

US credit card default rate hits a new record high, US inflation slows, but at a sluggish pace and the IMF revises global growth projections downwards. Each week, the Syz investment team takes you through the last seven days in seven charts.

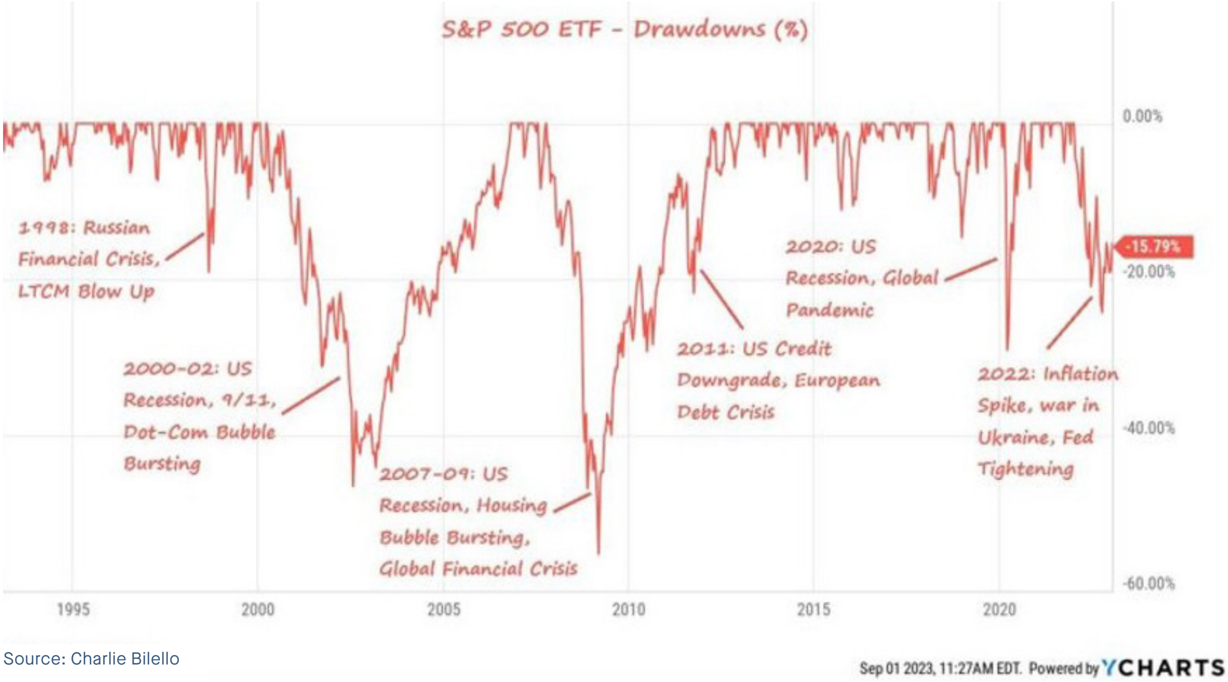
Charles-Henry Monchau

Chief Investment Officer

Chart #1

The S&P 500 has never been a smooth ride

100,000 dollars invested in the S&P 500 index thirty years ago would be worth 1.7 million dollars today. The price to pay for multiplying your capital by 17? Patience and an appetite for risk. US equities have been through a lot over this period: the collapse of the LTCM hedge fund, the bursting of the internet bubble, the great financial crisis of 2008-2009, the European crisis, the covid-19 pandemic and the sharp rise in inflation since 2021. Index declines over the last thirty years have ranged from 5% to over 50%. In hindsight, each of these falls represented an opportunity to strengthen equity positions.



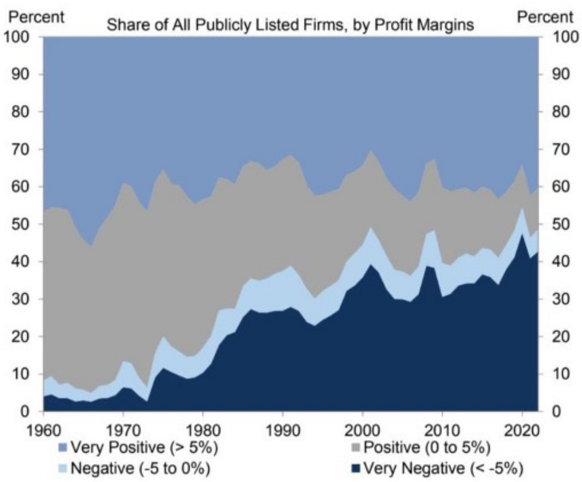
Source: Charlie Bilello

Chart #2

Almost half of US listed companies are unprofitable

While the very largest US technology companies continue to manage record profits, this is not the case for many listed companies. As a study by Goldman Sachs shows, almost 50 per cent of them are posting negative margins - in other words, losses. These companies owe their survival to the regime of very low interest rates and ample liquidity that prevailed for more than a decade. But the restrictive monetary policy that has been in place for the past two years could make the situation much more complicated for many 'zombie' companies.

Percentage of listed US companies with very positive, positive, negative or very negative margins

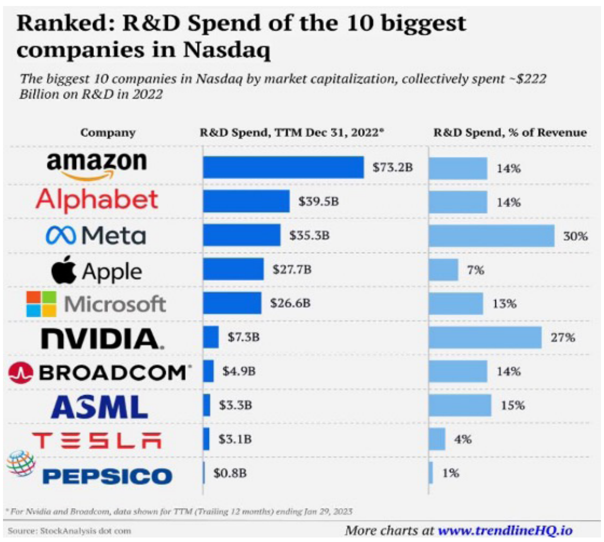


Source: GS, Michel A.Arouet

Chart #3

R&D investment by the 10 largest capitalisations on the Nasdaq

Over the past twelve months, Amazon has spent the most on research and development ($73 billion). Alphabet (39.5 billion) and Meta (35.3 billion) complete the podium. In terms of spending as a percentage of sales, Meta (30%) is in first place, ahead of Nvidia (27%), and well ahead of Amazon and Alphabet (both 14%).

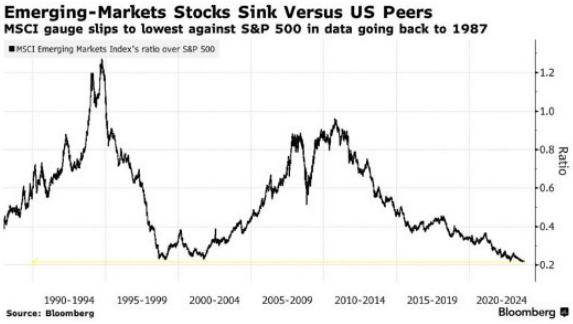


Source: Visual Capitalist, Stockanalysis.dot.com, www.trendlineHQ.io

Chart #4

The relative performance of emerging market equities (vs. US equities) is at its lowest since 1987

While investors continue to pay relatively high valuation multiples for large-cap US technology stocks, this is not the case for emerging markets. The relative performance of the MSCI Emerging Markets versus the S&P 500 is at its lowest for 36 years. The collapse of Chinese equities and the mediocre performance of Asian equities have obviously weighed on the underperformance of the emerging index since the great financial crisis.

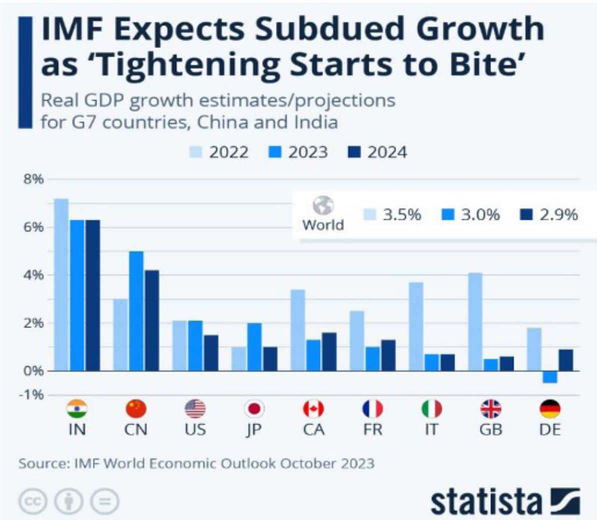


Source: Bloomberg

Chart #5

IMF revises global growth projections downwards

On Tuesday, the International Monetary Fund (IMF) published an update of its growth projections for 2023 and 2024. The IMF has revised its forecasts downwards, due in particular to the negative effects of monetary tightening; global growth should reach 3% in 2023, compared with 3.5% in 2022. In 2024, growth should reach 2.9%.

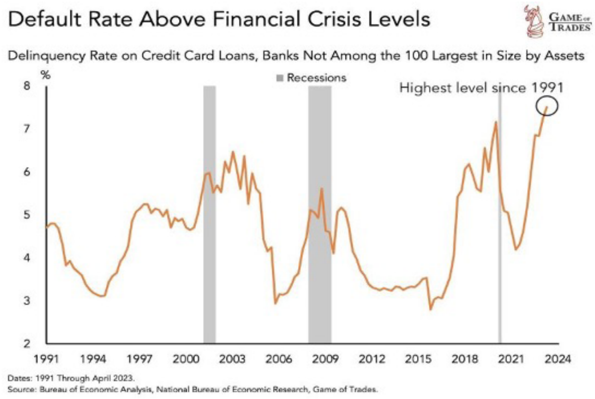


Source: Statista

Chart #6

US credit card default rate hits a new record high

American consumers are once again living well beyond their means. The default rate on credit cards is now 7.5%, the highest level since 1991. This is higher than when the dotcom bubble burst or during the great financial crisis. With lending rates in excess of 20%, many consumers are no longer able to cover their overdrafts. Note that this is the default rate for banks that are not part of the 100 largest American banks.



Source: Game of Trades

Chart #7

US inflation slows, but very slowly

This was the most eagerly awaited macroeconomic figure of the week. US inflation for September continues to slow, but not as much as the market had expected. On a sequential basis, it rose by 0.4%, compared with the 0.3% expected by the consensus. Over a 12-month rolling period, the increase was 3.7% (versus 3.6% expected). Core CPI, which excludes goods such as energy and food from the reference basket, rose by 0.3% sequentially and by 4.1% over 12 months. These data are in line with expectations. The US Federal Reserve is likely to consider these figures sufficient for it not to raise interest rates further. But the inflation rate is still far too high for the Fed's target. It is therefore highly unlikely that there will be any rate cuts in the coming months.

Source: HolgerZ, Bloomberg

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