The week in seven charts

Chart #2

U.S. debt costs $1 trillion a year in interest

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Image source: iStock

For the first time in history, the cost of US debt exceeds $1 trillion per year.

The cost of US debt now exceeds $1 trillion per year, Gold is close to its all-time high and contrary to popular belief, portfolio diversification is not one of Warren Buffet's principles! Each week, the Syz investment team takes you through the last seven days in seven charts.

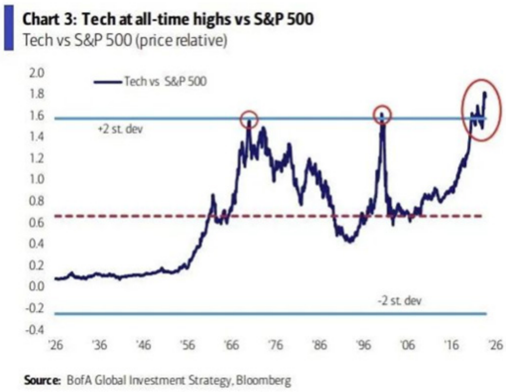
Charles-Henry Monchau
Chief Investment Officer

Chart #1

Nasdaq 100 vs. S&P 500

According to the Bank of America chart below, the Nasdaq has reached an all-time high relative to the S&P 500. The current surge has eclipsed the highs of the Internet bubble of 2000 and the peak reached during the bull market of the 1960s.

The current boom in the technology sector is fuelled by the very optimistic outlook for artificial intelligence. Will AI deliver on all its promises, or will we soon see a 2001-2002-style backlash?



Source: Bank of America

Chart #2

U.S. debt costs $1 trillion a year in interest

For the first time in history, the cost of US debt exceeds $1 TRILLION per year. It now represents 4% of annual US GDP. Annualized interest costs have doubled in 19 months, and are now equivalent to 16.3% of the entire federal budget for fiscal year 2022.

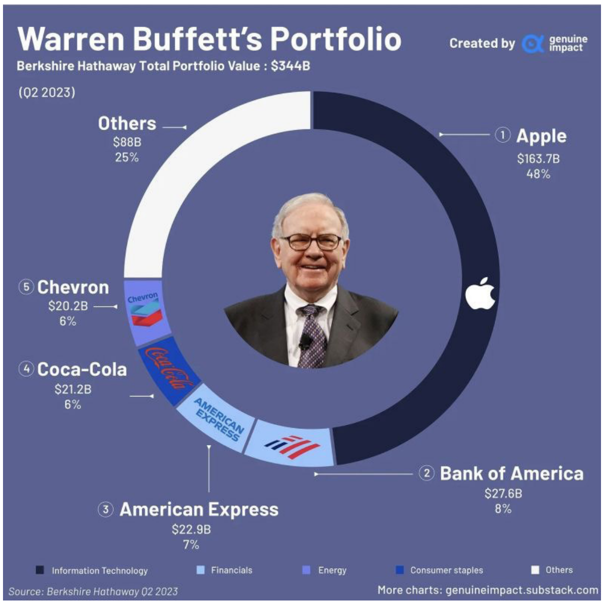
Source: Bloomberg

Chart #3

Portfolio diversification is not one of Warren Buffet's principles

This is how the Oracle of Omaha manages risk. Instead of diversifying portfolios excessively, he takes highly concentrated bets on companies for which his level of conviction and knowledge is very high.

Almost half of Warren Buffett's portfolio consists of Apple (48%), worth $163 billion. The top 5 stocks account for over 75% of the total portfolio.

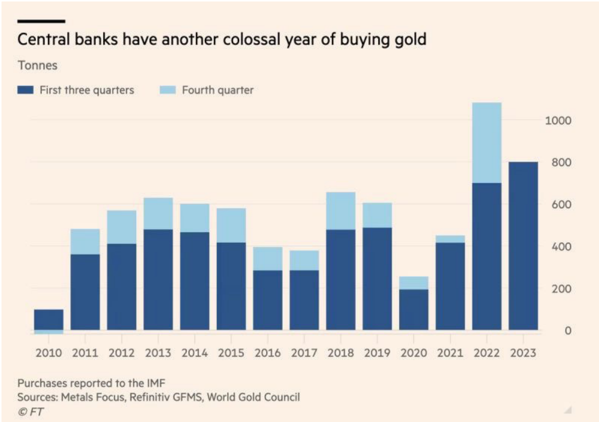


Source: Genuine Impact

Chart #4

Central banks love gold bullion

Gold is close to its all-time high, but there seems to be no stopping the accumulation of the precious metal by central banks. After record purchases in 2022 (almost 1,100 tonnes of gold), figures for the first 3 quarters of this year show that central banks' appetite for the yellow metal is not waning, with already 800 tonnes of gold accumulated in 2023. The 2022 record could well be broken. At whose expense are these purchases being made? Probably US Treasuries...



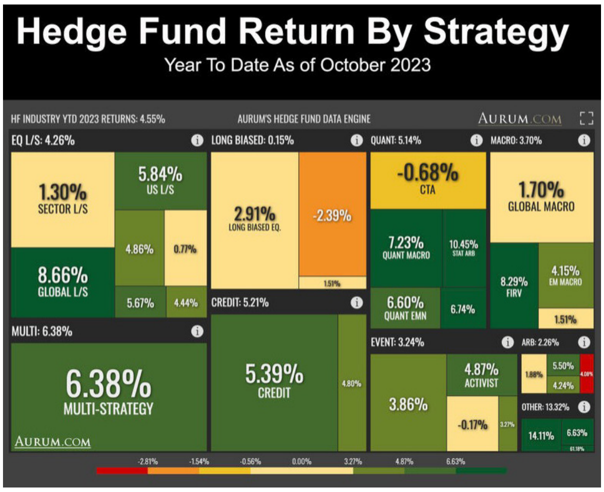
Source: FT

Chart #5

Hedge funds held up well in October

The aggregate hedge fund index recorded a very slight decline in October (-0.2%), and thus held up better than US equities (-2.2%) over the month. However, over 2023, hedge funds are underperforming US large caps by around 5.0% (+4% versus +9.2%). Nevertheless, it's worth noting, that some hedge fund giants are doing very well this year. Citadel is up +13.7%, DE Shaw +9.4% and Millennium +8.3%.

With these exceptions, most major hedge funds continued to underperform equity markets.

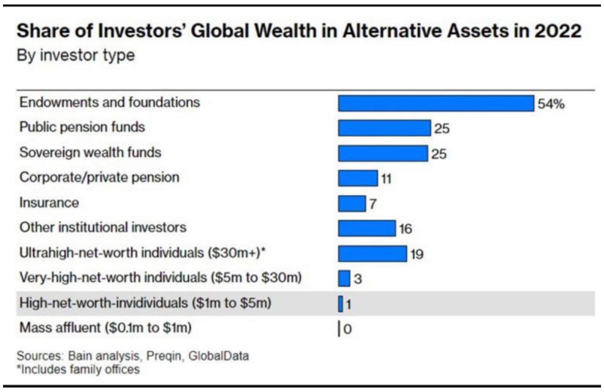


Source: Aurum

Chart #6

Alternative assets remain the preserve of institutional investors

So-called "illiquid" assets (venture capital, real estate, infrastructure, private debt) have until now been the preserve of institutional investors. According to a study by Bain and Prequin, the share of alternative assets in endowments (e.g. university endowments) and foundations is 54%. Pension funds and sovereign wealth funds invest around a quarter of their assets in this type of strategy. Interestingly, the proportion of alternative assets held by private investors remains relatively low. However, it stands at 19% for the ultra-wealthy, the $30 billion-plus category, which also includes family offices. But for individuals with financial assets of between $5 and $30 million, the allocation is just 3%. And this share is close to 0% for individuals with assets of less than $5 million. The big names in alternative investment are betting that private client allocations to alternative investments could rise sharply over the next few years. For Apollo Global Management, Inc, Ares Management Corporation, Blackstone and KKR, the segment with the greatest growth potential is the $1-5 million segment. Indeed, the sharp rise in correlation between equities and bonds could prompt private clients to favour new investment opportunities - including alternative assets.

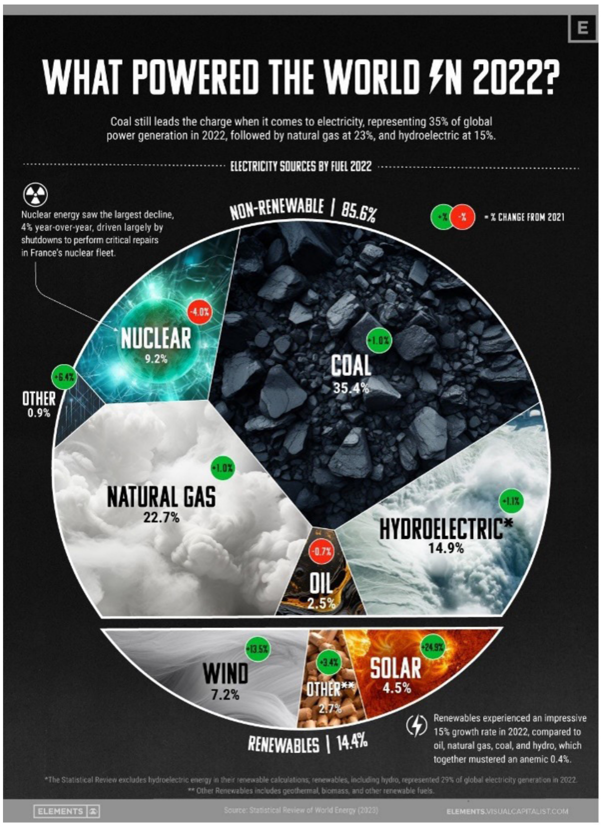


Source: Bain analysis, Prequin

Chart #7

The world's main sources of power

By the end of 2022, coal will still lead the world in electricity generation, with a 35% share. It is followed by natural gas (23%) and hydropower (15%). Excluding the latter, so-called renewable energy sources account for less than 15% of electricity generation.



Source: Elements, Visual Capitalist

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