

## Can we draw lessons from lessons from the famous "Abenomics"

The yen continues to plummet, France's debt-to-GDP gap with Germany widens further and Zoom goes boom! Each week, the Syz investment team takes you through the last seven days in seven charts.

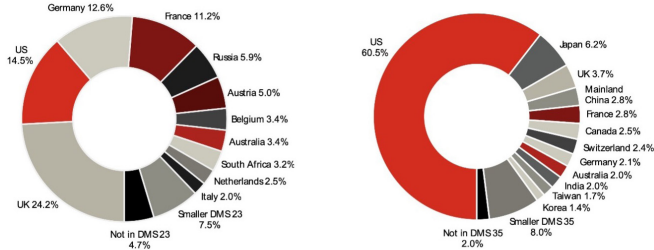
**Charles-Henry Monchau**  
*Chief Investment Officer*

**Chart #1**

**The hyper-power of the US stock market**

The illustration below shows the evolution of the world's main stock markets between 1899 (left chart) and 2024 (right chart). The United States now accounts for over 60% of global market capitalisation. Japan is a distant second with 6.2%. The share of continental Europe and the UK has shrunk considerably.

Figure 2: Relative sizes of world stock markets, end-1899 (left) versus start-2024 (right)



Sources: Elroy Dimson, Paul Marsh and Mike Staunton, DMS Database 2024, data for the right-hand chart from FTSE Russell All-World Index Series Monthly Review, December 2023. Not to be reproduced without express written permission from the authors.

Source: Sam Ro

**Graph #2**

**Zoom goes boom**

During the pandemic and the lockdowns, Zoom had become the darling of Wall Street. Last week, Zoom closed the session at a new all-time low, down 90% from its October 2020 peak.



CREATIVE PLANNING @CharlieBilello

Source: Charlie Bilello

**Chart #3**

**France-Germany, the gap widens**

France's debt-to-GDP has diverged significantly from that of Germany. The Fitch rating agency already downgraded the country's credit rating from AA to AA- last year. The S&P rating agency has just placed France under watch...



Source: Bloomberg, HolgerZ

**Chart #4**

**The price of Abenomics**

As the yen continues to plummet, it may be time to draw some lessons from the famous "Abenomics", the economic policy advocated by Shinzō Abe, Japan's Prime Minister between December 2021 and September 2020.

To curb deflation, the head of government had opened the floodgates with a programme based on three "arrows": fiscal, monetary, and structural reform, known as "Abenomics".

During this period, the Bank of Japan bought more than half the national debt with freshly created yen, as well as a huge quantity of local securities to support its domestic market.

But there was a price to pay: massive currency depreciation. After years of "printing money", the yen is now trading at 155 to the dollar: the yen has weakened by 32% against the dollar since 2021, and by 50% since 2012.

**USD/JPY: How Many Yen Buy \$1**

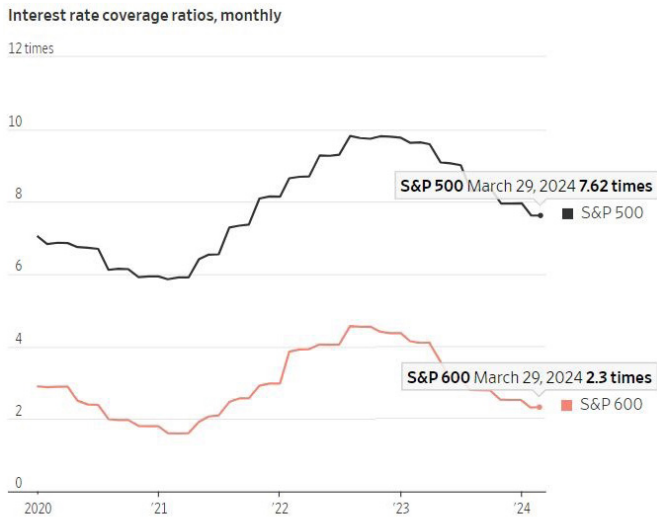


Source: Wolfstreet

**Chart #5**

### Small and mid-caps suffer most from rising rates

Small companies generally devote a much higher percentage of their revenues to debt servicing, making them more sensitive to rising rates. The interest coverage ratio (operating income/interest expense) for S&P 600 small caps is 2.3 times, versus 7.6 times for S&P 500 large caps. With continued high interest rates and rising bond yields, the market is tending to penalise these small and mid-caps even more.

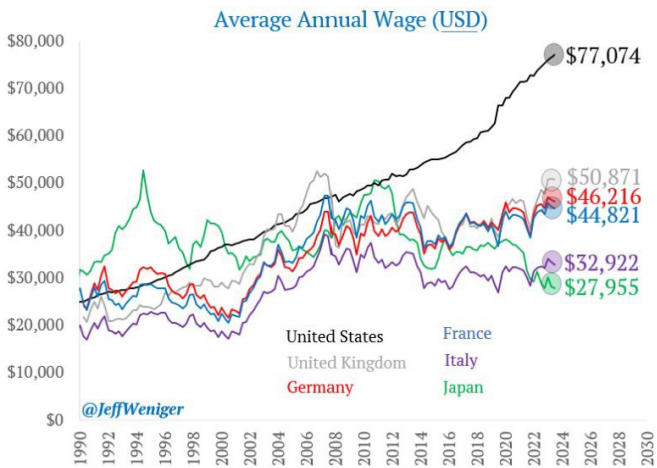


Source: FactSet  
Source: Charlie Bilello, Factset

**Chart #6**

### The wage gap between the US and Europe continues to widen

Could this be a major theme in the years ahead? A massive wage arbitrage has opened up between the US and its competitors. The overwhelming majority of Americans have no idea how much their salaries have risen in relation to those of the Japanese, the French, the British and so on. Will this gap affect the competitiveness of American companies? Will the use of AI help maintain a sufficiently high level of productivity?



Source: Refinitiv, OECD, as of Q2 2024, with currency conversion as of 4/15/2024 exchange rate. File #0688  
Source: Jeff Weniger

**Chart #7**

### Warren Buffett's 4 investment filters

How does Warren Buffett identify the best investment opportunities? He uses these 4 filters:

"Charlie (Munger) and I look for companies that have a) a business we understand; b) favorable long-term economics; c) able and trustworthy management; and d) a sensible price tag."

Simple rules, but not so easy to follow...

## Warren Buffett's Four Filters

**Filter 1: Business Understanding**

"Is the business simple and understandable?"

**Filter 2: Competitive Advantage**

"Does the business have a consistent competitive advantage?"

**Filter 3: Management Quality**

"Is the management rational and candid?"

**Filter 4: Valuation**

"Is the company available at an attractive price?"

Dave Ahern
 @IFB\_podcast

Source: "The Investing for Beginners Podcast"

## For further information

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