

SARASIN

Six minute strategy

Extraordinary economics and what this means for your portfolio

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1. COVID saw the biggest quarterly fall in GDP ever recorded

Even though the road back to two percent inflation is still long, bonds are starting to offer value

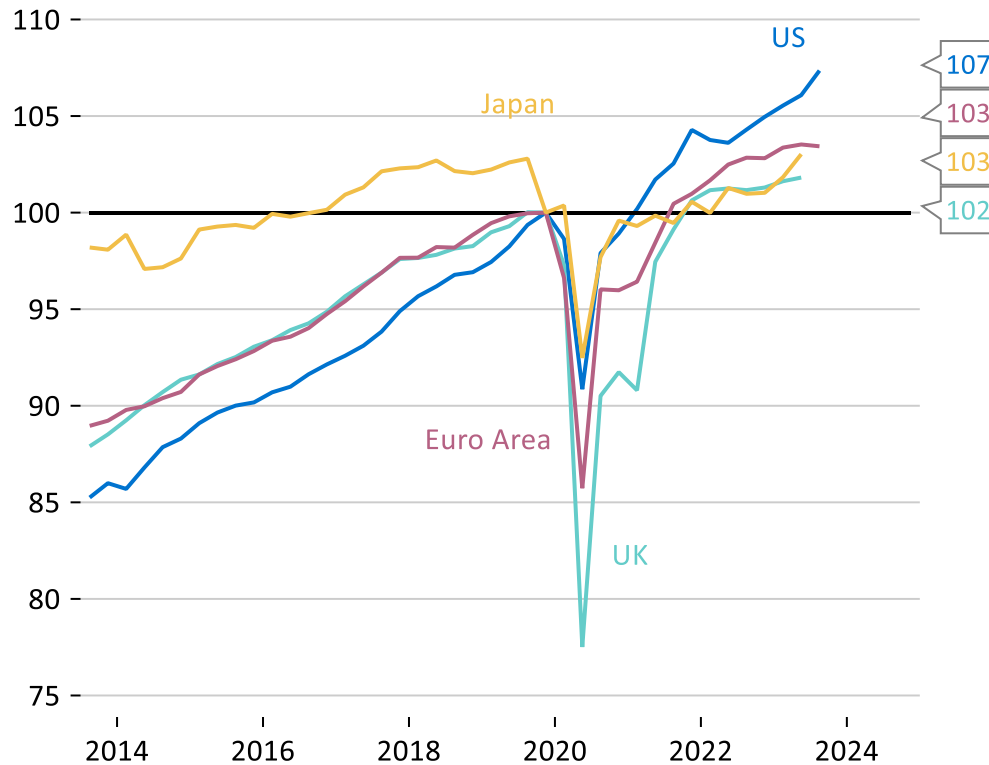


Advanced economy GDP fell markedly



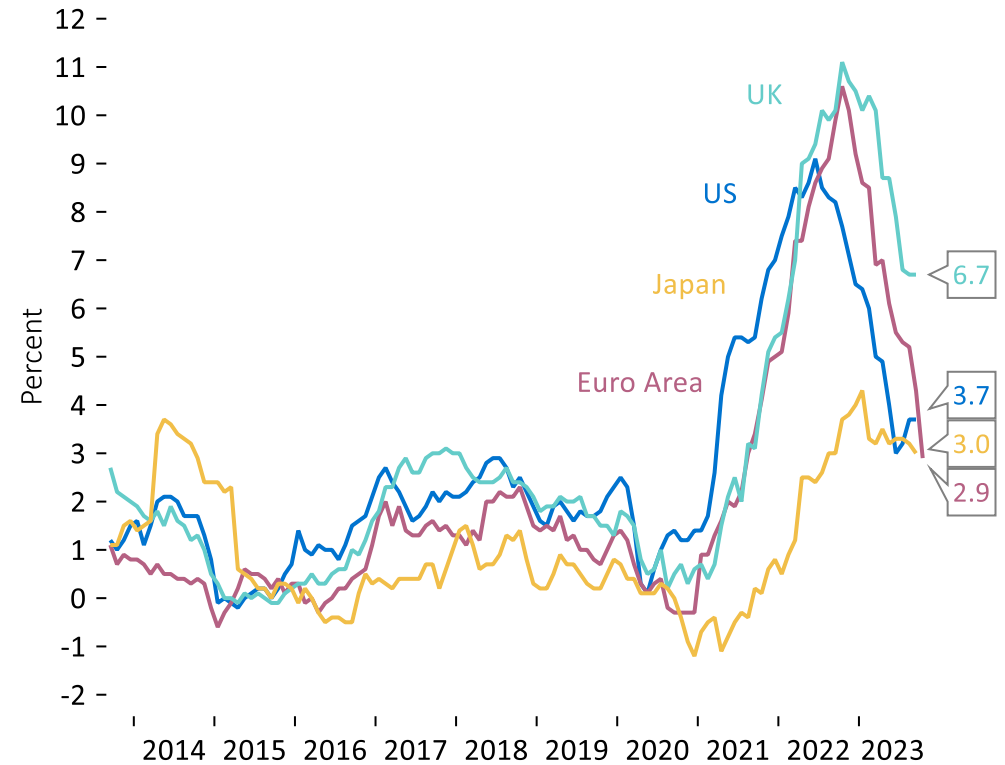
Central banks are slowly winning the inflation battle

Gross Domestic Product (100 in Q4 2019)



Source: Macrobond, 01.11.23

Headline Inflation (CPI)



Source: Macrobond, 01.11.23

Past performance is not a guide to future returns and may not be repeated.

2. 10 years of subdued oil prices – will this now change?

Be prepared for higher oil price rises if conflict widens– protect portfolio downside with insurance or cash

 Typically a wider regional crisis is needed to trigger a prolonged rise in oil prices



Scenarios for current Israel-Hamas war

Scenario	Impact on Oil supply	Oil Price (USD)	Gas Price (% increase)
Base	Minimal	85-95	10%
Adverse	Similar to the Iraq War in 2003 with loss of 3mb/day	100-110	50%
Ugly	Similar to the oil embargo of 1973 with loss of 6-7mb/day	130-150	300%

Source: Sarasin and Partners October 2023

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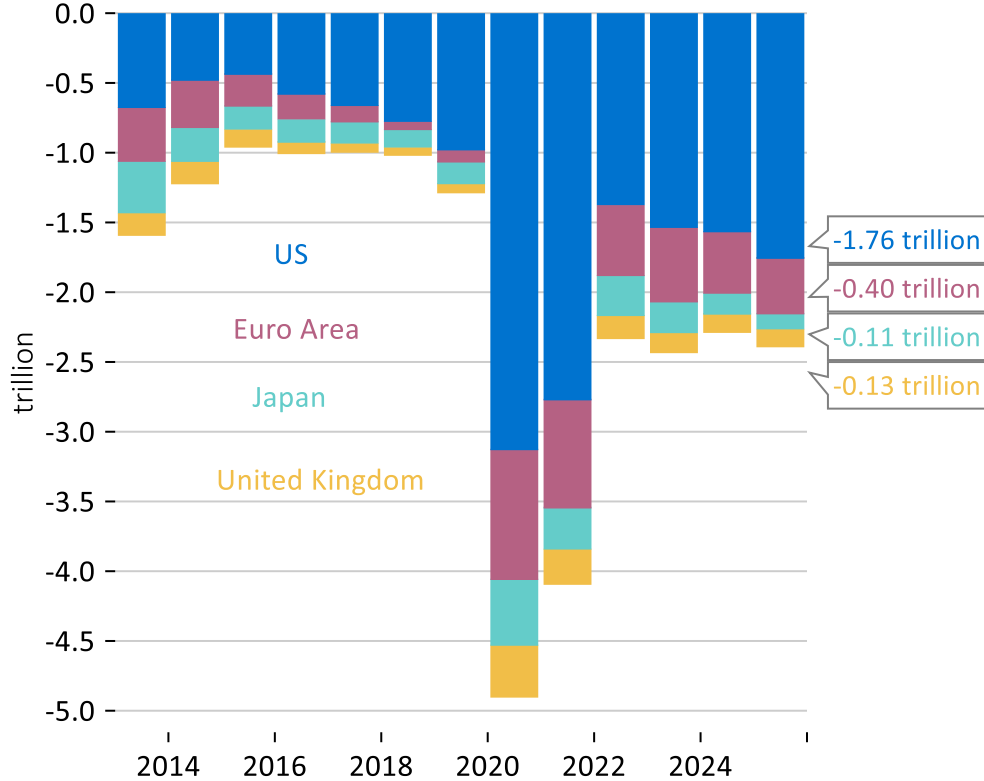
3. A pivot from monetary to fiscal policy as the curtain closes on QE

Massive bond supply from central banks and treasuries may mean yields overshoot...

 Budget deficits still significantly above pre-COVID

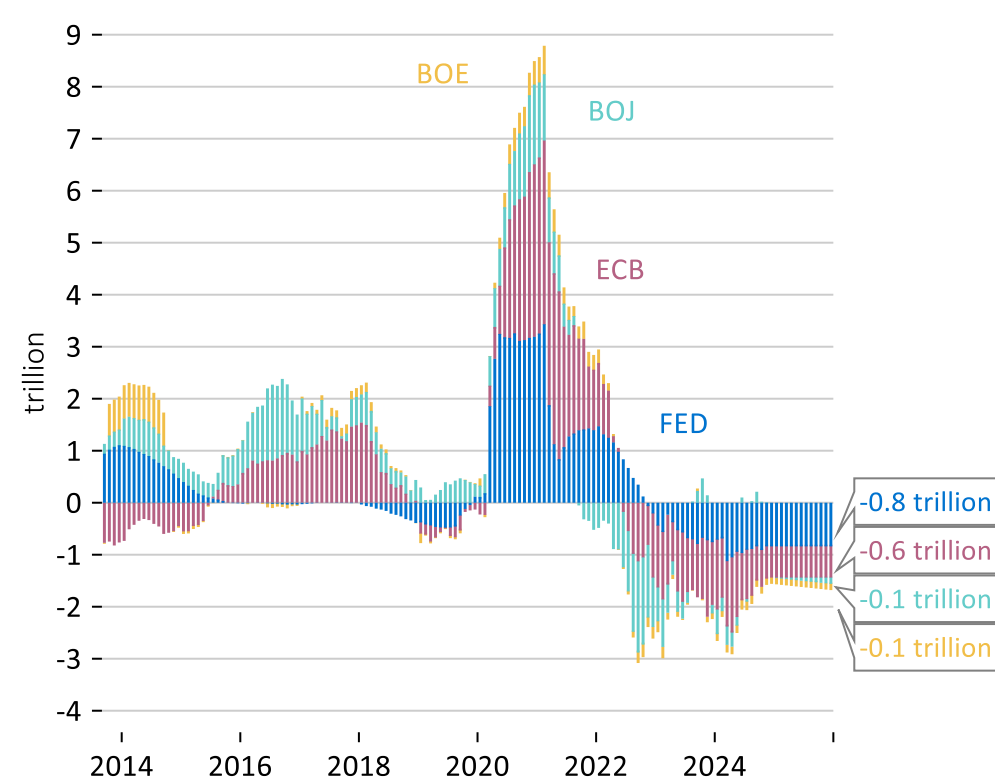
 QE gradually unwinds as central banks shrink balance sheets

Combined budget deficits for Advanced Economies



Source: Macrobond, 01.11.23

Change in central banks balance sheets



Source: Macrobond, 01.11.23

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4. China now at risk of Japanese style deflation

Deflation in parts of the economy argues for further caution on China equities

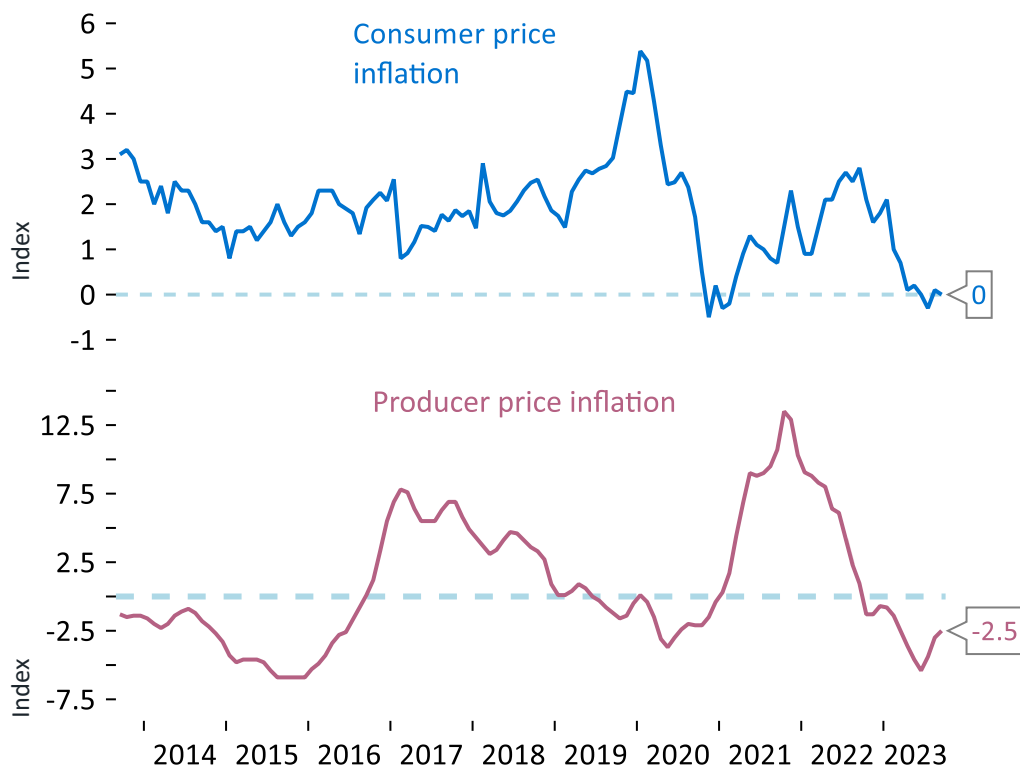


Chinese inflation rates turn decisively negative



Chinese real estate indicators the most negative in 30 years

China inflation measures



Source: Macrobond, 01.11.23

China National Real Estate Climate Index



Source: Macrobond, 01.11.23

Past performance is not a guide to future returns and may not be repeated.

Source: The real-estate climate index is a composite index reflecting the current situation and development trends of the Chinese real estate market.

5. Climate change – rising risks but investment opportunities

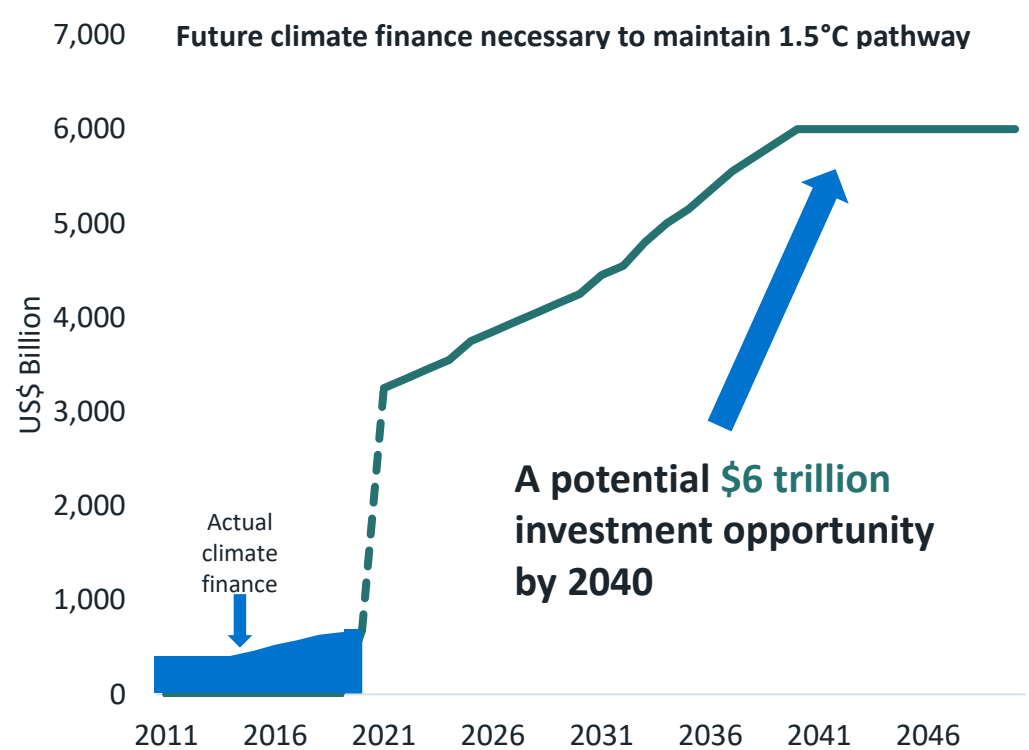
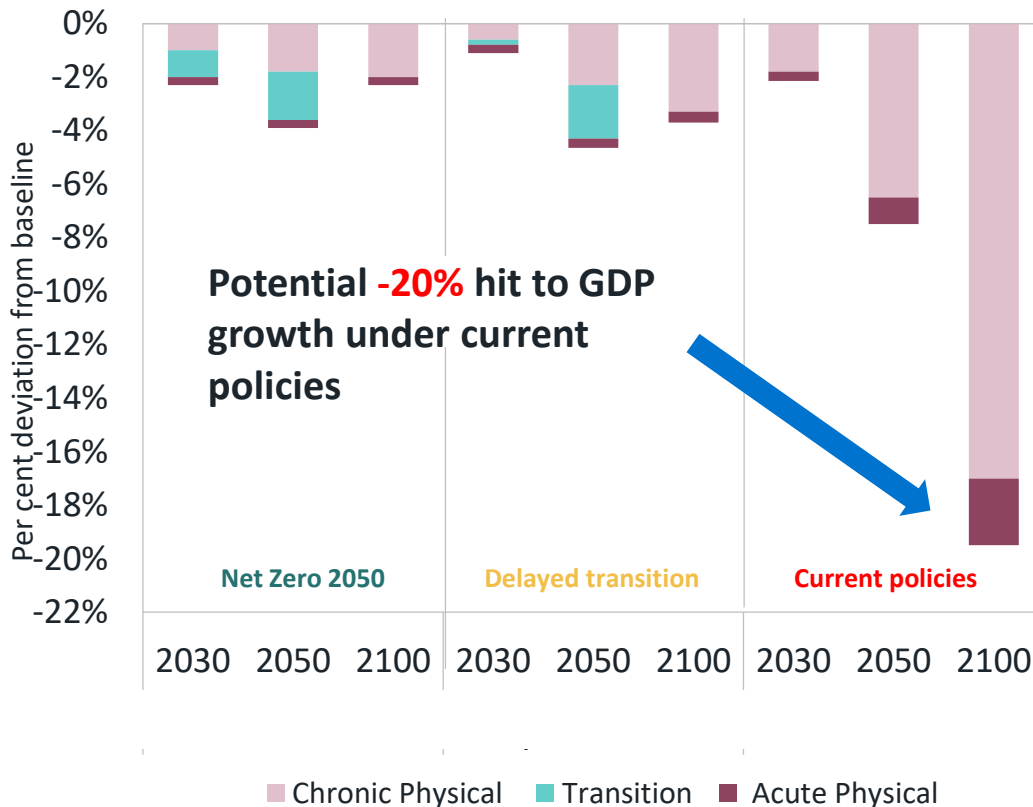
Potential hit to GDP growth, but also historic investment opportunity (electrification, smart buildings, transport & agriculture)



GDP deviation climate risks, feeding through asset valuation



Historic and required investment in climate related finance



Source: NGFS, 2022

Source: Global Landscape of Climate Finance 2021 & IPCC

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