

REZCO

REZCO'S VIEW OF THE WORLD

ROB SPANJAARD : CIO

FEB 2023

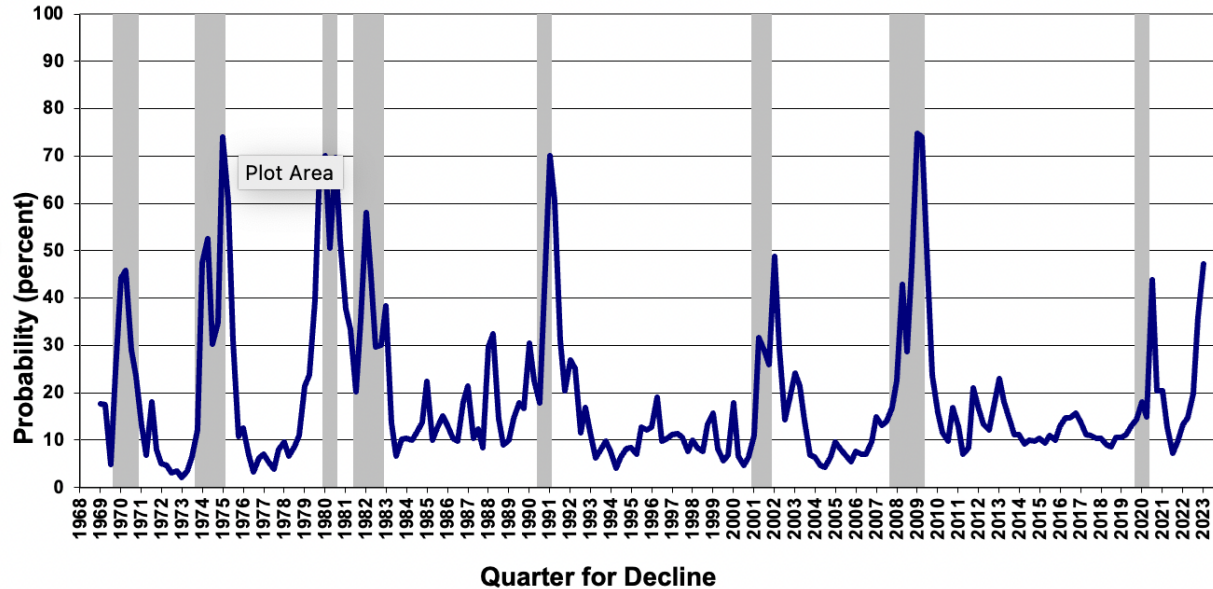


REZCO SCENARIOS FOR 2023

SCENARIO	OPTIMISTIC	BASE	FAT TAIL
	Soft Landing	Normal Recession	Hard Recession or Shock
PROBABILITY	30%	60%	10%
EARNINGS IMPACT	0% to 5%	-10% to -25%	-25% to -45%
DESCRIPTION	Inflation falls to target while wages decelerate, corporates tighten up but profits are stable and balance sheets strengthened	The Fed needs a recession to break inflation, unemployment rises to curb wage increases, services inflation is stickier and requires a recession to cool demand	Something breaks due to: 1) impact of rapidly increased interest rates; or 2) geopolitical shock eg Ukraine and nuclear tensions; or 3) inflation remains sticky

GLOBAL RECESSION IN H2 2023 IS CONSENSUS

The Anxious Index
One-Quarter-Ahead Probability of Decline in Real GDP
Quarterly, 1969:Q1 to 2023:Q1



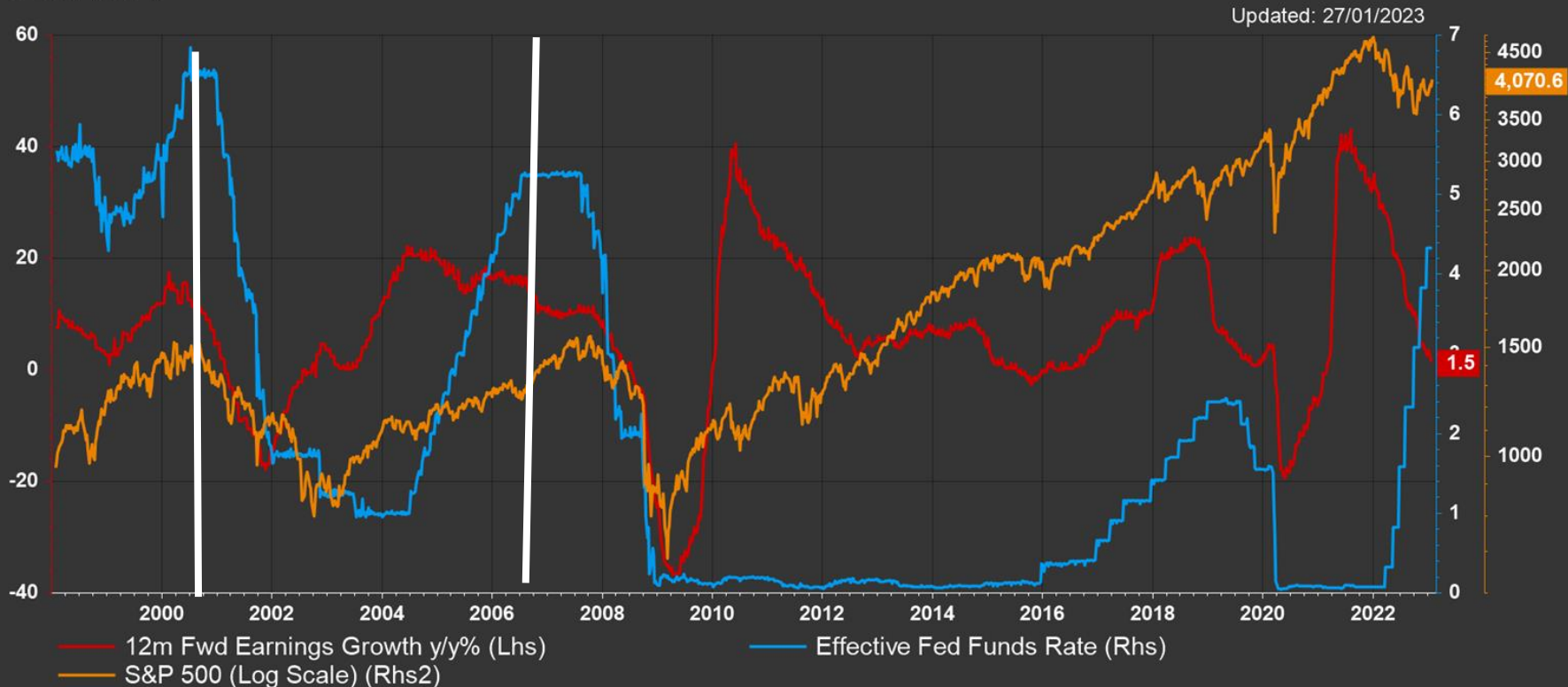
The shading shows the period beginning with each NBER peak and ending with the corresponding trough.

Philadelphia Fed

INTEREST RATES AND MARKETS

The bear/recession only starts after rates pause

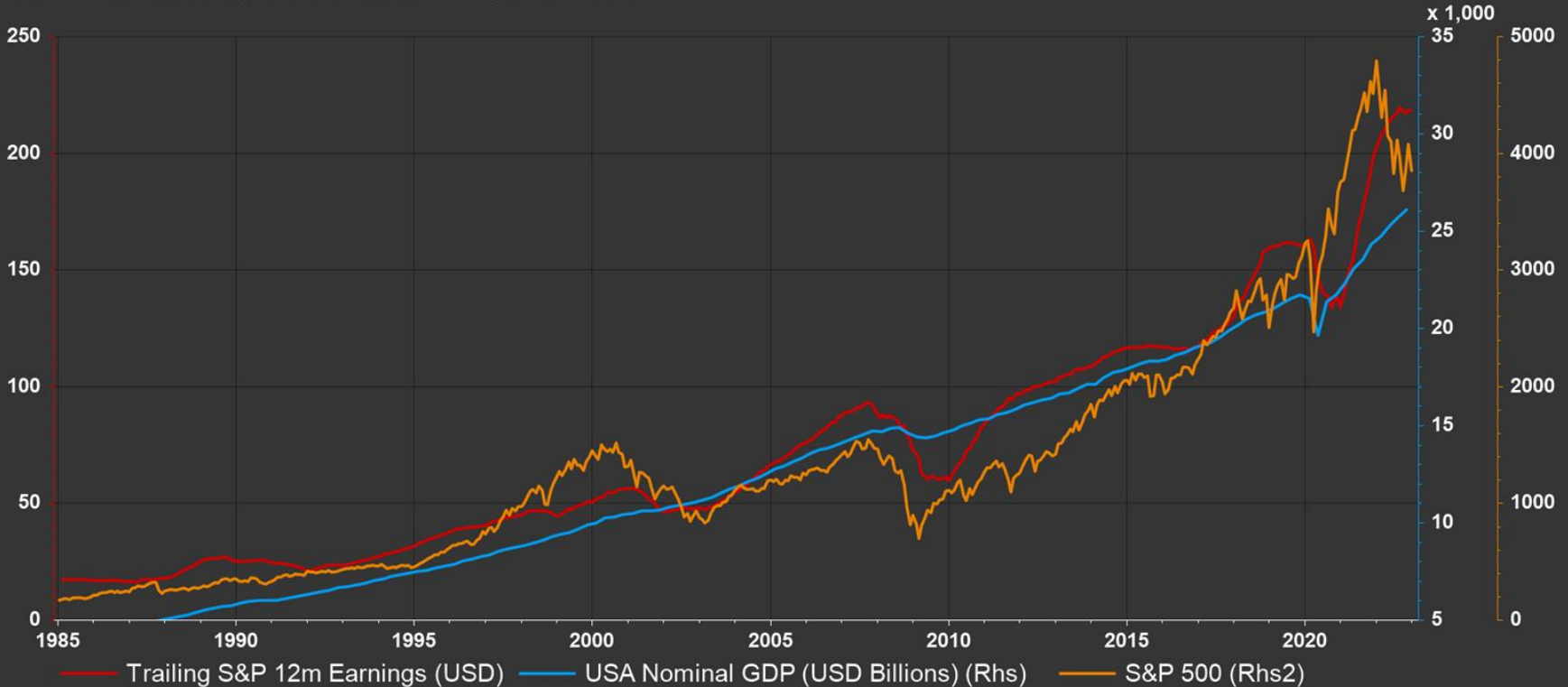
US MARKET



2022 PROBABLY WASN'T THE BEAR MARKET

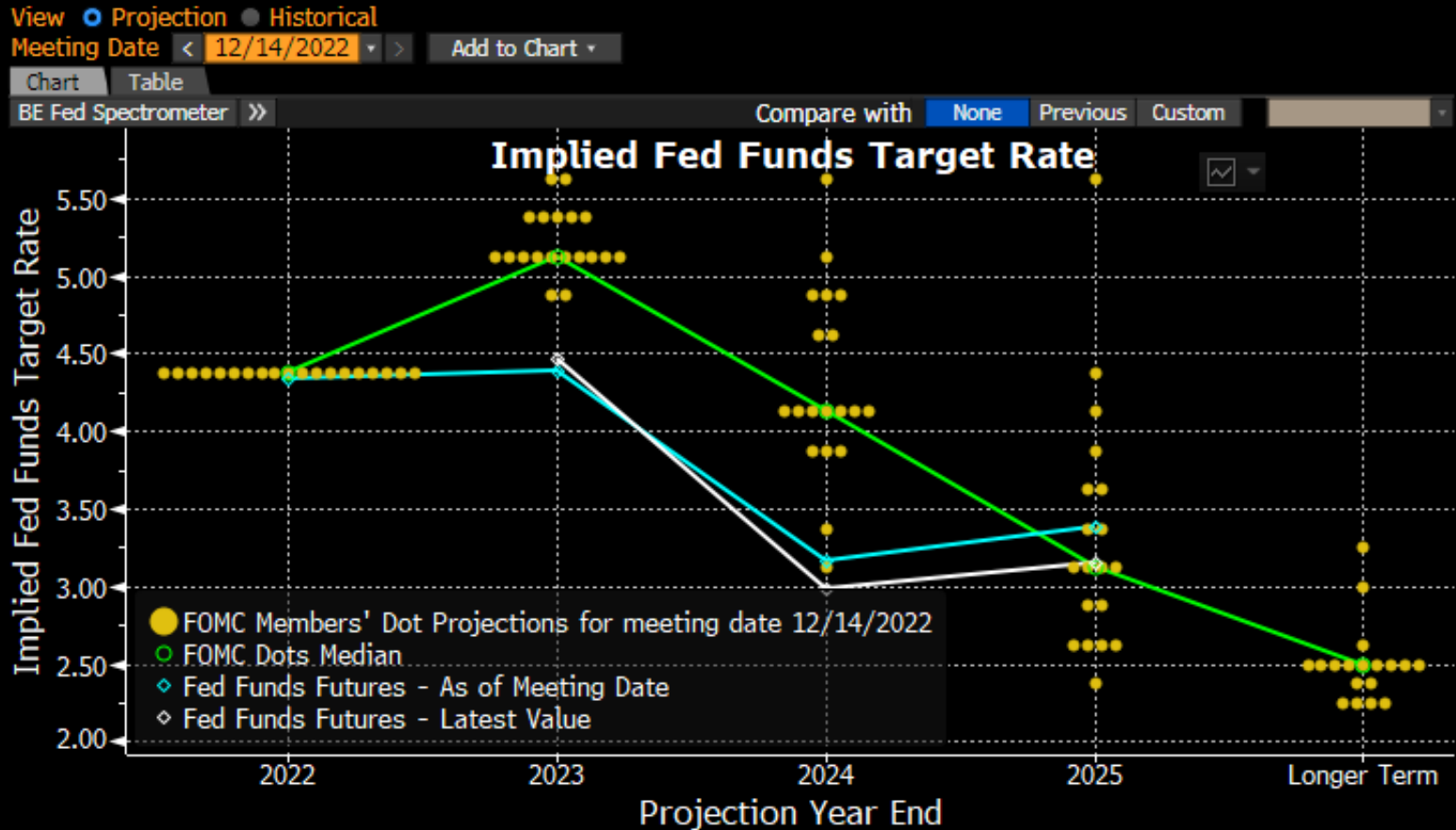
Just correcting the 2021 over-earning

S&P Historical EPS, USA Nominal GDP, & S&P 500



Source: Refinitiv Datastream / Rezco

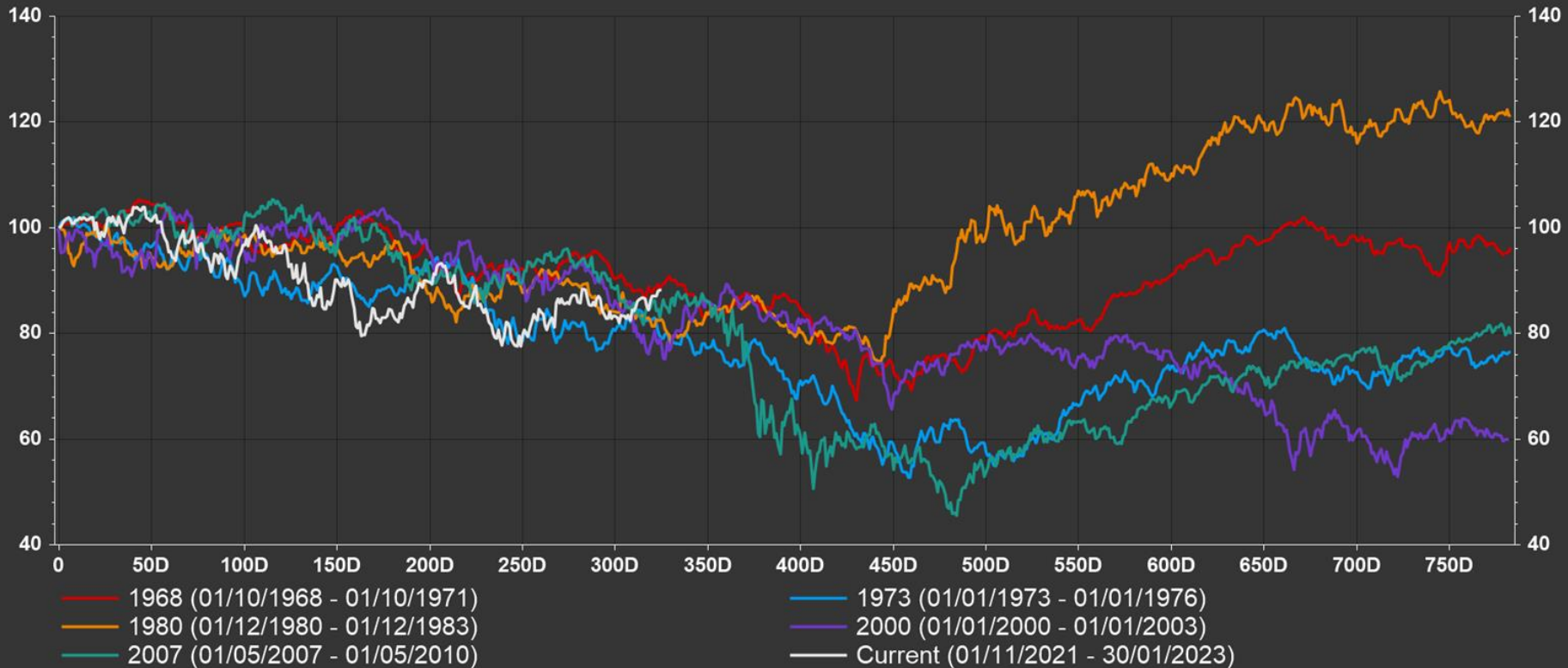
THE MARKET IS BETTING HEAVILY ON A FED PIVOT



S&P - BEAR MARKETS WITH RECESSIONS

BE PATIENT

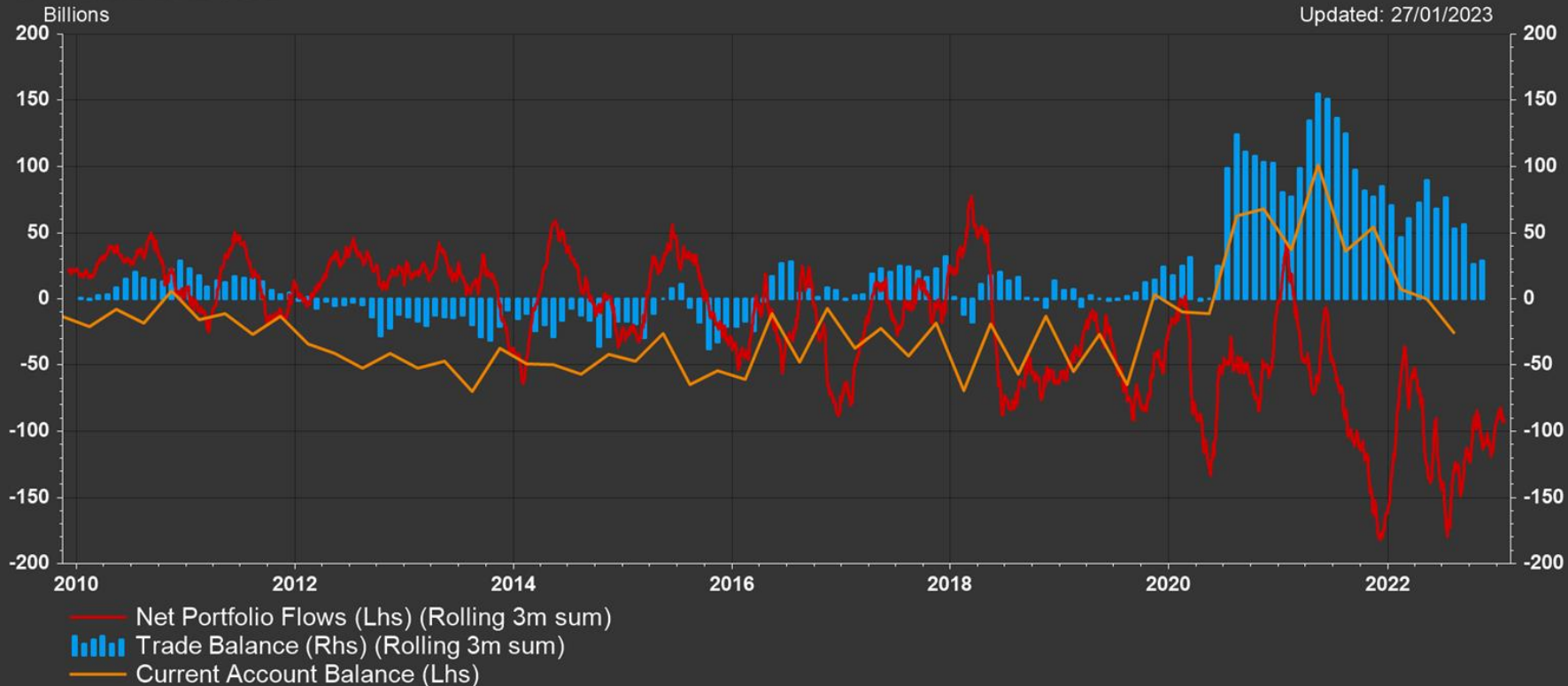
S&P THROUGH RECESSIONS (REBASED)



Source: Refinitiv Datastream / Rezco

ZAR RISKS IN 2023: THE NEED FOR EXTERNAL FINANCING

SA TRADE BALANCE



Source: Refinitiv Datastream / Rezco

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THE FUTURE IS HERE





INVESTMENT TECH WILL BE THE EDGE MAN + CLOUD, BIG DATA & AI

- 1900 - 2000
GLOBAL ACTIVE MANAGERS RULED : MAN
- 2010 - 2021
GLOBAL PASSIVES WIN : MACHINES
- 2022 - MAN + MACHINE WILL WIN

CHES 1996: CAN A MACHINE BEAT THE WORLD CHAMP?



CHES 2022 : THE QUESTION INVERTED : CARLSEN VS NIEMAND: IF YOU BEAT THE WORLD CHAMP YOU MUST HAVE BEEN CHEATING BY USING A COMPUTER



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THANK YOU

