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Our take on the economy

2022 so far

What went up

Interest rates

Inflation

Swiss Franc

Commodity prices

What went down

Most equity and bond markets

Digital assets

Purchasing power

Investor's confidence and trade activity

What made the news

Ukraine invasion and economic sanctions

Central banks change in tone

Business health

Resilient

Overall, companies around the world are showing resilience. However, with increasing inflation and interest rates, it's becoming more challenging to grow revenue, preserve margins and finance operations. At the same time, decreasing prices are leading to more interesting valuations: equities are more affordable for investors.

Economic environment

Less conducive

Over the past few months, economies had to adapt to a variety of shocks that came suddenly and that were not expected to last: Higher inflation, war, economic sanctions, and energy and food crises. It's a tough winter ahead in an environment that is less conducive to business.

Interest from investors

Divided

Investors have been on an emotional roller-coaster since the beginning of the year. Their daily life has featured a slew of negative news, plunging asset prices, and a looming recession. Many have repositioned their portfolio more conservatively, taking money off the table and waiting for better days to come.

What it means for investors

1. It's not the time to question your long-term plans, but to brace yourself for further turbulence.

2. Each crisis provide opportunities. Cards are being redistributed between the different asset classes and it's worth repositioning portfolios.

3. With both a challenging economic environment and low interest from investors, keeping an eye on companies' health is the best move right now.

Key risks on our radar

Hang on, businesses!

Can companies continue to post strong earnings as input costs rise and consumers become nervous? Their resilience so far has been one of the last fragile hopes of investors. We are closely monitoring the situation. On the positive side, lower prices and more realistic valuations mean better entry points for investors.

Rising interest rates, what else?

Over the past six months, interest rates have increased abruptly in most countries as a result of central banks attempting to curb inflation. This has been hard for consumers, businesses and governments to digest - nobody likes to borrow money at higher rates. While there's a change this will weigh on the economy as borrowers start looking after their pennies, it could benefit investors who can lend money at higher rates. We see rising rates as a game changer.

Deglobalization, initiated.

The pandemic, the urge for a green world, and the war in Ukraine have cast doubt on the future of globalization. The return to more local economic models would have implications for global trades and ultimately international businesses, so this is a long-term theme that we're keeping our eyes on.

Alpian Ikigai

Inspired by the Japanese concept of Ikigai, Alpian's Ikigai is an intuitive representation of our investment team's current views on the asset classes typically found in investors' portfolios.

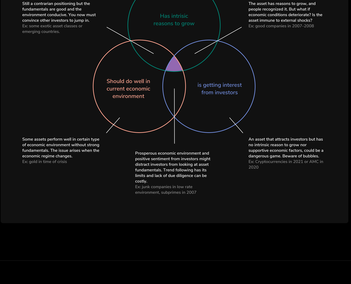
- We believe the asset has intrinsic reasons to grow
- We believe the asset should do well in the current economic environment
- We believe the asset is getting interest from investors
- The asset appears to be in a temporarily unfavourable position

How to read the diagram above?

Alpian's investment team has developed a research framework to help our clients answer this question: "Is it a sound economic decision to buy or sell a particular asset?". Understanding whether or not an asset is likely to grow in value usually means figuring out three things, which can be represented by three overlapping spheres in a Venn diagram:

- Are there intrinsic reasons for the asset to grow?
- Is the external environment conducive to its growth?
- Are other investors likely to be interested in the asset in future?

Our investment team tries to answer these questions periodically for a range of popular asset classes. We visualise our interpretation by placing asset classes in the relevant areas of the diagram. Each one has a specific meaning and suggests a different course of action. You can learn more about these in the legend below or by clicking on this link.



What we do in portfolios

1. Reduce our overall exposure to riskier asset classes such as equities and emerging market debt and favour instruments that offer more protection to investors.

2. Temporarily increase our cash position. The relative appeal of cash versus other assets has increased. With this tactical reserve, we can later seize the opportunities that challenging economic environments offer.

3. Start taking advantage of higher yields as interest rises.

Victor Cianni
Chief Investment Officer

Amandine Soudeille
Investment Analyst

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