

Jordy Shore

Global Matters Weekly

4 April 2022

– Alex Harvey, CFA

Covid travel restrictions have now finally been lifted for passengers arriving in the UK. I've been fortunate to travel abroad in recent months including a trip to Jordan, with its rich cultural heritage spanning ancient civilisations and sites sacred to Christianity, Judaism and Islam. One regional constant over the millennia has been the Dead Sea; the world's deepest hypersaline lake. Its shores emerge from a depth of over 300m to mark the lowest land elevation on our planet at 430 metres below sea level¹, although my Altimeter app registered it at 450 metres. This may not be an error as it was striking how far the shore had receded in recent years, down and away from the hotel's original beach. Guests in white dressing gowns needed trainers, not slippers, as they ventured down several terraces to the water's edge for their customary Dead Sea float.

The Dead Sea's surface area has almost halved over the last 90 years. Today it covers a little over 600km², down from 1050km² in 1930, and is 20 miles shorter than it was in 1950². It gets barely 10% of the 160 billion gallons of water needed to maintain its current size. Not so much dead as dying, as are the vibrant ecosystems that it supports. Unsurprisingly it is not nature that is the undoing of this natural yet unusual geological feature. Like many environmental challenges the world faces today, this is of man's own making. Extensive irrigation projects by Israel, Jordan and Syria have seen the River Jordan's once annual flow of 343 billion gallons of fresh water reduce by almost 90%³. It is no coincidence that as Covid becomes a subordinated risk factor, environmental considerations like this - as well as those pertaining to society and governance – are rising rapidly back up the investment agenda.

Beyond the issue of water scarcity, the recent surge in energy, metal and grain prices are once again shining a light on commodity supply chains, energy security and renewables. Following Russia's invasion of Ukraine, the price of Brent crude rocketed through \$100 a barrel and peaked out above \$130 before falling back. Last Thursday's announcement that the US would release an 'unprecedented' amount of oil from America's Strategic Petroleum Reserve – up to 180m barrels over six months – should help keep a lid on prices, notwithstanding any further escalation of geopolitical tensions. With the shares of the global energy and mining companies returning close to 30%⁴ so far this

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year, the ESG 'factor' has undeniably underperformed as heavier industry has profited from the confluence of the release of pent-up post covid demand, supply chain disruption and a war on Europe's eastern flank. Could now be a good time to re-engage with sustainable investing?

After sitting out the initial wave of 'ESG' fund launches, and taking time to consult with clients, Momentum has recently launched its own range of sustainable investment solutions. Working with management teams which we feel exemplify the high standards required of sustainable investors, we invest our clients' capital into strategies where we feel there is an active desire to 'do the right thing' and facilitate change through engagement, in many cases preferring that to outright exclusion. We now count the Momentum GF Global Sustainable Equity Fund, Harmony Sustainable Growth Fund and Momentum Sustainable MPS amongst our available client solutions. Momentum has been a signatory to the United Nation's Principles for Responsible Investment (UN PRI) since their inception in 2006, long before most investment managers signed up, and details of that and our other responsible investing policies can be found on our website.

The Nabataeans were an ancient nomadic Bedouin people who amongst other things built the incredible city of Petra which is found in Southern Jordan today. They were a resourceful people known for their skills in harvesting rainwater through rock hewn aqueducts, and they created a bustling metropolis around this man-made oasis. Irrigation in these parts started thousands of years ago. It is only recently that mankind has overexploited this resource. If we want the Dead Sea not to die, then a concerted effort needs to be made to ensure that the water flowing into it is managed sustainably for future generations. Without water, cities like Petra would never have survived, let alone thrived.

¹https://en.wikipedia.org/wiki/Dead_Sea. ²& ³ [Smithsonian.mag.com](https://www.smithsonianmag.com). ⁴ [Bloomberg Finance L.P.](https://www.bloomberg.com)

The Marketplace

- Global equities increased by +0.3% last week.
- Russian and Ukrainian negotiators will resume remote talks today.
- Brent crude decreased by -13.5% to \$104.39 a barrel on plans for a release of US reserves.
- Gold decreased by -1.7% to \$1925.68 per ounce.

Market Focus

US

- US equities increased by +0.1% last week. Biotech and utilities outperformed while transport and banks underperformed.
- US GDP quarter-on-quarter for Q4 was 6.9% (vs 7.1% expected).
- March nonfarm employment report revealed 455k new jobs (vs 450k expected), initial jobless claims for the week ending 31 March were 202k (vs 197k expected). Unemployment for March was 3.6% (vs 3.7% expected). ISM Manufacturing PMI for March was 57.1 (vs 59 expected).
- US Treasuries fell across all maturities, with the five-year yield rising above the 30-year yield, implying an inversion of the yield curve.

Europe

- European equities increased by +1.5% last week, with utilities and auto parts outperforming, while retail and travel underperformed.
- Emerging Europe rallied by +5.3% last week.
- European CPI year-on-year for March was 7.5% (vs 6.6% expected).
- Germany's unemployment change for March was -18K (vs -20k expected), manufacturing PMI for March was 56.9 (vs 57.6 expected).
- Hungarian PM Viktor Orban won a landslide victory for his fourth consecutive term, overcoming criticism about close ties with Vladimir Putin.

UK

- UK equities increased by +0.8% last week.
- UK GDP quarter-on-quarter for Q4 was 1.3% (vs 1% expected), manufacturing PMI for March came in at 55.2 (vs 55.5 expected).
- The UK will detail plans to broaden its energy sources this week, focusing on nuclear and wind power, as sanctions and the cost-of-living crisis pressure consumers. There will also be an effort to increase solar electricity generation.

Asia/Rest of The World

- The benchmark Global Emerging Markets Index increased by +1.9% last week after Beijing took steps to ease a dispute over US audits.
- Japanese equities fell by 0.8% last week.
- Japan Tankan large manufacturing index for Q1 was 14 (vs 12 expected).
- Chinese equities increased +3.4% last week.
- Chinese manufacturing PMI for March was 49.5 (49.9 expected).
- Australian February retail sales were strong at +1.8% (vs +1% estimate).
- US Secretary of State Tony Blinken said the ruble's rebound is fueled by "a lot of manipulation" by Russian authorities and won't be sustainable.
- Turkey's inflation is predicted to have surged to a 20 year high of +61.5% in March. Real interest rates are at -40%, the world's lowest.

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Asset Class/Region	Currency	Currency returns			
		Week ending 1 April 2022	Month to date	YTD 2022	12 months
Developed Market Equities					
United States	USD	0.1%	-1.2%	-4.4%	14.2%
United Kingdom	GBP	0.8%	-0.4%	5.1%	19.1%
Continental Europe	EUR	1.5%	-0.5%	-7.5%	6.2%
Japan	JPY	-0.8%	-1.2%	-1.3%	1.7%
Asia Pacific (ex Japan)	USD	1.6%	-0.6%	-5.6%	-12.0%
Australia	AUD	1.2%	-0.3%	2.2%	14.2%
Global	USD	0.3%	-1.3%	-5.0%	9.2%
Emerging markets equities					
Emerging Europe	USD	5.3%	-1.0%	-70.8%	-66.8%
Emerging Asia	USD	1.8%	-0.6%	-8.5%	-16.4%
Emerging Latin America	USD	2.8%	2.0%	29.5%	26.8%
BRICs	USD	3.4%	0.1%	-12.3%	-23.4%
China	USD	3.4%	-0.9%	-13.4%	-33.6%
MENA countries	USD	0.9%	0.2%	14.0%	32.1%
South Africa	USD	1.7%	-1.0%	20.8%	8.3%
India	USD	3.5%	0.8%	0.1%	15.9%
Global emerging markets	USD	1.9%	-0.3%	-6.6%	-12.3%
Bonds					
US Treasuries	USD	0.7%	-0.1%	-5.4%	-3.8%
US Treasuries (inflation protected)	USD	-0.7%	-0.7%	-3.7%	3.7%
US Corporate (investment grade)	USD	1.4%	0.0%	-7.8%	-4.9%
US High Yield	USD	0.7%	-0.1%	-5.0%	-1.0%
UK Gilts	GBP	1.1%	0.5%	-7.2%	-5.6%
UK Corporate (investment grade)	GBP	1.0%	0.4%	-6.6%	-5.6%
Euro Government Bonds	EUR	-0.4%	0.3%	-5.6%	-7.0%
Euro Corporate (investment grade)	EUR	0.2%	0.4%	-5.1%	-5.6%
Euro High Yield	EUR	0.5%	0.1%	-4.2%	-2.7%
Japanese Government	JPY	0.3%	0.4%	-1.7%	-1.2%
Australian Government	AUD	-0.4%	-0.2%	-6.5%	-5.8%
Global Government Bonds	USD	0.3%	-0.3%	-6.8%	-7.9%
Global Bonds	USD	1.1%	0.3%	-6.6%	-7.5%
Global Convertible Bonds	USD	0.9%	-0.4%	-7.5%	-10.8%
Emerging Market Bonds	USD	-0.5%	-2.9%	-16.5%	-14.5%

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Asset Class/Region	Currency	Currency returns			
		Week ending 1 April 2022	Month to date	YTD 2022	12 months
Property					
US Property Securities	USD	3.9%	0.5%	-2.4%	24.9%
Australian Property Securities	AUD	0.4%	-0.5%	-7.5%	13.8%
Asia Property Securities	USD	0.8%	-0.2%	0.5%	-9.4%
Global Property Securities	USD	2.7%	0.1%	-2.3%	12.5%
Currencies					
Euro	USD	0.4%	-1.0%	-3.0%	-6.2%
UK Pound Sterling	USD	-0.7%	-0.3%	-3.2%	-5.2%
Japanese Yen	USD	-0.4%	-0.5%	-6.1%	-9.8%
Australian Dollar	USD	-0.4%	-0.4%	2.9%	-1.6%
South African Rand	USD	-1.0%	-1.4%	8.5%	-0.4%
Swiss Franc	USD	0.6%	-0.3%	-1.6%	1.6%
Chinese Yuan	USD	0.1%	-0.2%	-0.1%	3.2%
Commodities & Alternatives					
Commodities	USD	-5.4%	-2.7%	26.5%	59.3%
Agricultural Commodities	USD	-3.4%	-1.7%	16.5%	47.7%
Oil	USD	-13.5%	-8.0%	34.2%	60.9%
Gold	USD	-1.7%	-0.3%	5.3%	11.6%
Hedge funds	USD	0.1%	-0.1%	-1.4%	0.9%

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