IMPERIUM CAPITAL

momentum

Change - it's a constant

Global Matters Weekly

15 August 2022

– **Richard Parfect**

Back in February I gave a sob story of my childhood of how the 1970s and early 80s saw "austerity" hit my household, including my father's industrial clothing factory closing down. Recent developments on the Continent, brings another childhood memory to mind; cold housing. Admittedly, the central heating system, decades past its use by date and an insufficiently insulated house, was not conducive to staying warm. However, an article caught my eye in the Financial Times* this week that showed the average temperature in British homes has risen considerably since the 1970s; even those that actually had central heating in 1971 saw average temperatures rise from circa 14C to 18C today.

What does this tell us? Well probably a variety of things: insulation has improved (but remains broadly sub-standard), meanwhile households have (broadly) become wealthier and can afford to stay warmer (until the current energy crisis at least anyway). However, the most impactful change, has been a change of behaviour. A while ago, I was amazed to hear from someone that they kept their heating over 25C; quite how that is even comfortable frankly escapes me. I suspect their thermostat will be turned down this Wintertime.

Being a grumpy middle-aged father, I am frequently having to turn off lights in abandoned rooms, telling my daughters we aren't a lighthouse, whilst also reminding them that they have perfectly serviceable jumpers to wear. There will certainly be a lot more similar conversations being had in other households. Even more illustrative, German leisure centres have turned off the hot water; whilst in Spain commercial premises are banned from adjusting the thermostat below 27C in the Summer or above 19C in Winter.

We seek to ensure there are investments that benefit from negative scenarios.

Such policies would have been unthinkable a few years ago, despite such significant behavioural change that would have been helpful for the climate emergency that we are now sadly witnessing. Whilst outright rationing may or may not hit the UK's shores (the politicians publicly say not, but I am not so sure), the prices households are going to face this Winter are going to force a change of behaviour, that is tantamount to self-inflicted rationing.

The risk that Russia completely turns off the gas taps is real, and that event alone presents Europe with a huge binary risk for its economy, as German industry in particular will have to play second fiddle to the priorities of keeping the population warm(ish). Even if the war in Ukraine ended and regime change in Russia were to occur in the very near term, there has been a wakeup call to all nations, that unfettered globalisation and a dependence on the kindness of strangers is not a very resilient model (COVID had already shown us that).

Governments, households, and investors alike always need to have an eye on the "what if?" scenario and have something to call upon to at least alleviate the worst effects of things beyond their control. In our portfolios, apart from the obvious activity of diversification, we seek to ensure there are investments that benefit from negative scenarios, whether it be renewable energy trusts, inflation linked infrastructure, or the age old "port in a storm" against the most aggressive of exogenous shocks, gold. For the only thing we can be certain of (other than death and taxes) is change.

Source: Financial Times: "Energy crisis: shiver not at colder houses and warmer clothes" August 6th 2022.

IMPERIUM CAPITAL

momentum

Global Matters Weekly

15 August 2022

The Marketplace

- Global equities returned 3.0% last week, marking the first fourth consecutive weekly advance this year
- Stocks rallied after US data showed signs that inflation, while still elevated on an annualised basis, had started to slow
- Brent crude rose 3.4% last week to $98.15 a barrel
- Gold rose 1.5% last week to $1802.4 per ounce

Market Focus

US

- US equities returned 3.3% last week
- Monthly headline Consumer Price Index saw -0.02% deflation in July - the first time that prices have fallen on a monthly basis since May 2020, l
- ed mainly by a sharp monthly fall in energy prices (-4.6%), which experienced their largest decline since April 2020
- US producer prices fell by 0.5% in July, beneath expectations for a 0.2% rise, and marks the biggest monthly decline since April 2020
- Weekly initial jobless claims for the week ending 6 August came in at 262k (vs. 265k expected)
- Global equity funds saw inflows of $7.1 billion in the week ending 10 August, and US stocks saw inflows of $11 billion, the biggest in eight weeks
- House Speaker Nancy Pelosi's visit to Taiwan has made geopolitics with China 'particularly complicated' as President Joe Biden weighs the future of tariffs on more than $300 billion in Chinese goods
- US nonfarm productivity fell by 4.6% in Q2, in line with expectations, though unit labour cost rose by a faster-than-expected 10.8% (vs. 9.5% expected)

Europe

- European equities returned 1.4% last week
- European natural gas futures rose by 6.86% to €205 per megawatt-hour, which is their highest level since March - German power prices for 2023 rose a further 4.8% to €427 per megawatt-hour
- Euro-area industrial production beat expectations in June, rising 2.4% from a year earlier, compared with an estimated 1%

UK

- UK equities returned 1.0% last week
- The July Royal Institute of Chartered Surveyers House Price Index came in at 63 vs. an estimated 60. The UK housing market came under further pressure from the cost-of-living crisis in July, as sales and buyer demand fell
- UK government departments require a £44 billion cash boost if they are to fully offset the impact of soaring prices, according to the Institute for Fiscal Studies
- The UK economy shrank 0.1% in the second quarter, its first contraction since the pandemic, driven primarily by a decline in household spending

Asia/Rest of The World

- Global emerging market equities returned 1.6% last week
- Japanese equities returned 1.3% last week
- Chinese equities fell 0.01% last week
- The People's Bank of China reported that consumer prices in China will probably remain in a reasonable range and will likely reach its 3% full-year inflation target
- China's consumer price rose 2.7% year-on-year in July (vs 2.9% expected), up from 2.5% in June, recording its strongest growth since July 2020
- Chinese state-owned firms China Life, PetroChina and Sinopec all announced plans to delist from US exchanges
- Russia's economy shed four years of growth in the first full quarter after it invaded Ukraine. Economists forecast Gross Domestic Product will probably shrink 4.7% year on year.

Global Matters Weekly

15 August 2022

Asset Class/Region	Currency	Currency returns			
		Week ending 12 Aug. 2022	Month to date	YTD 2022	12 months
Developed Market Equities					
United States	USD	3.3%	3.7%	-9.6%	-3.0%
United Kingdom	GBP	1.0%	1.2%	6.5%	11.0%
Continental Europe	EUR	1.4%	0.8%	-10.2%	-7.6%
Japan	JPY	1.3%	1.7%	0.4%	3.4%
Asia Pacific (ex Japan)	USD	1.0%	1.8%	-14.1%	-17.5%
Australia	AUD	0.3%	1.3%	-3.5%	-3.5%
Global	USD	3.0%	3.3%	-11.4%	-7.6%
Emerging markets equities					
Emerging Europe	USD	5.3%	5.4%	-75.7%	-76.4%
Emerging Asia	USD	0.6%	1.6%	-16.9%	-20.0%
Emerging Latin America	USD	7.9%	8.8%	12.8%	0.4%
BRICs	USD	1.1%	2.0%	-18.4%	-25.0%
China	USD	-0.1%	0.0%	-19.7%	-29.3%
MENA countries	USD	1.9%	3.0%	6.8%	10.4%
South Africa	USD	6.7%	7.7%	0.0%	-3.7%
India	USD	1.6%	3.0%	-3.5%	2.3%
Global emerging markets	USD	1.6%	2.6%	-15.7%	-18.9%
Bonds					
US Treasuries	USD	-0.1%	-1.0%	-8.3%	-8.6%
US Treasuries (inflation protected)	USD	0.2%	-1.4%	-6.9%	-4.8%
US Corporate (investment grade)	USD	0.6%	-0.3%	-11.9%	-11.9%
US High Yield	USD	0.9%	1.6%	-7.7%	-6.2%
UK Gilts	GBP	-1.2%	-1.9%	-13.9%	-15.8%
UK Corporate (investment grade)	GBP	-0.4%	-1.2%	-12.2%	-14.1%
Euro Government Bonds	EUR	-0.7%	-1.1%	-9.6%	-11.9%
Euro Corporate (investment grade)	EUR	0.0%	-0.5%	-8.2%	-9.8%
Euro High Yield	EUR	0.8%	1.7%	-8.6%	-8.9%
Japanese Government	JPY	0.1%	0.3%	-2.1%	-2.6%
Australian Government	AUD	-1.9%	-2.2%	-9.0%	-11.7%
Global Government Bonds	USD	0.2%	-0.7%	-13.1%	-15.5%
Global Bonds	USD	0.3%	-0.6%	-13.0%	-15.2%
Global Convertible Bonds	USD	1.3%	3.1%	-16.0%	-19.2%
Emerging Market Bonds	USD	0.8%	1.3%	-22.7%	-24.4%

Source: Bloomberg. Past performance is not indicative of future returns

Global Matters Weekly

15 August 2022

Asset Class/Region	Currency	Currency returns			
		Week ending 12 Aug. 2022	Month to date	YTD 2022	12 months
Property					
US Property Securities	USD	5.0%	2.8%	-11.2%	-0.5%
Australian Property Securities	AUD	-1.7%	-2.6%	-18.3%	-9.3%
Asia Property Securities	USD	0.0%	-1.2%	-6.3%	-13.0%
Global Property Securities	USD	3.8%	1.9%	-12.3%	-8.1%
Currencies					
Euro	USD	0.7%	0.6%	-9.9%	-12.6%
UK Pound Sterling	USD	0.4%	-0.3%	-10.4%	-12.2%
Japanese Yen	USD	1.2%	-0.2%	-13.9%	-17.4%
Australian Dollar	USD	2.9%	1.9%	-2.3%	-3.1%
South African Rand	USD	3.7%	2.8%	-1.6%	-8.9%
Swiss Franc	USD	2.2%	1.1%	-3.2%	-2.0%
Chinese Yuan	USD	0.3%	0.0%	-5.7%	-3.9%
Commodities & Alternatives					
Commodities	USD	4.5%	0.7%	25.1%	37.2%
Agricultural Commodities	USD	5.1%	3.4%	10.1%	20.2%
Oil	USD	3.4%	-10.8%	26.2%	37.6%
Gold	USD	1.5%	2.1%	-1.5%	2.9%
Hedge funds	USD	0.5%	0.6%	-3.9%	-3.8%

Source: Bloomberg. Past performance is not indicative of future returns

Important notes

This document is for information purposes only and does not constitute any investment advice. This document is only intended for use by Imperium Capital and their clients. This does not constitute an offer or solicitation to any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient.

Prospective investors should take appropriate advice regarding applicable legal, taxation and exchange control regulations in countries of their citizenship, residence or domicile which may be relevant to the acquisition, holding, transfer, redemption or disposal of any investments herein solicited.

Any opinions expressed herein are those at the date this document is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated. We believe that the information contained is from reliable sources, but we do not guarantee the relevance, accuracy or completeness thereof. Unless otherwise provided under UK law, Momentum GIM does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed.

The value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an investor may incur losses, including a loss of the principal invested. Past performance is not generally indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Under our multi-management arrangements, we selectively appoint underlying sub-investment managers and funds to actively manage underlying asset holdings in the pursuit of achieving mandated performance objectives. Annual investment management fees are payable both to the multimanager and the manager of the underlying assets at rates contained in the offering documents of the relevant portfolios (and may involve performance fees where expressly indicated therein).

Momentum Global Investment Management (Company Registration No. 3733094) has its registered office at The Rex Building, 62 Queen Street, EC4R 1EB

Momentum Global Investment Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom.