



## **THE BIGGER PICTURE**

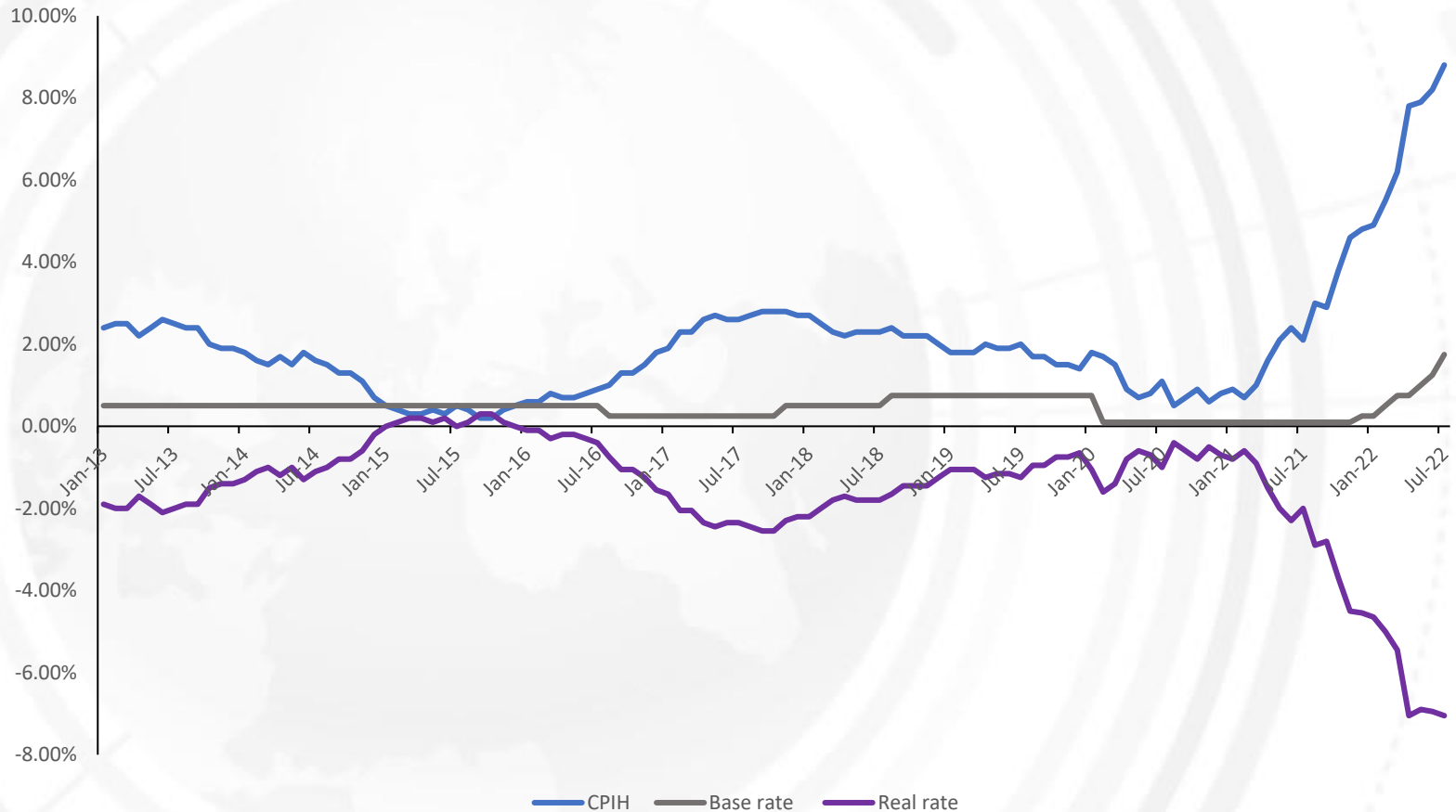
*Key macro dynamics of relevance*

*September 2022*

*Dr Bob Swarup  
Camdor Global Advisors*

# UK real rates remain strongly negative...

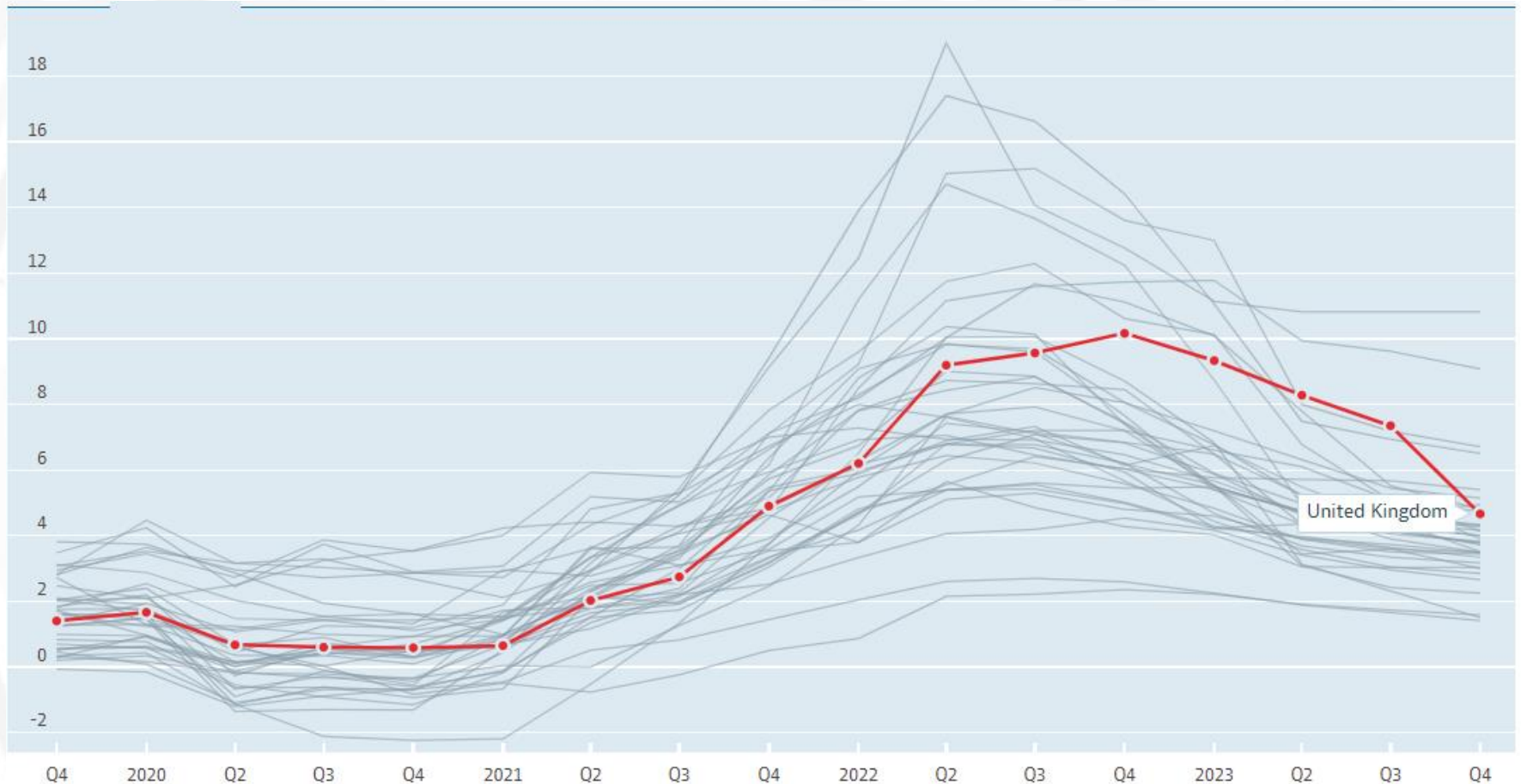
CGA Real Rate Tracker



Source: Camdor Global, ONS

Real rates continued to worsen, with recent rate rises only now beginning to keep apace. The significant frictional drag today is punishing for investments and pension liabilities, with tail risks still in play.

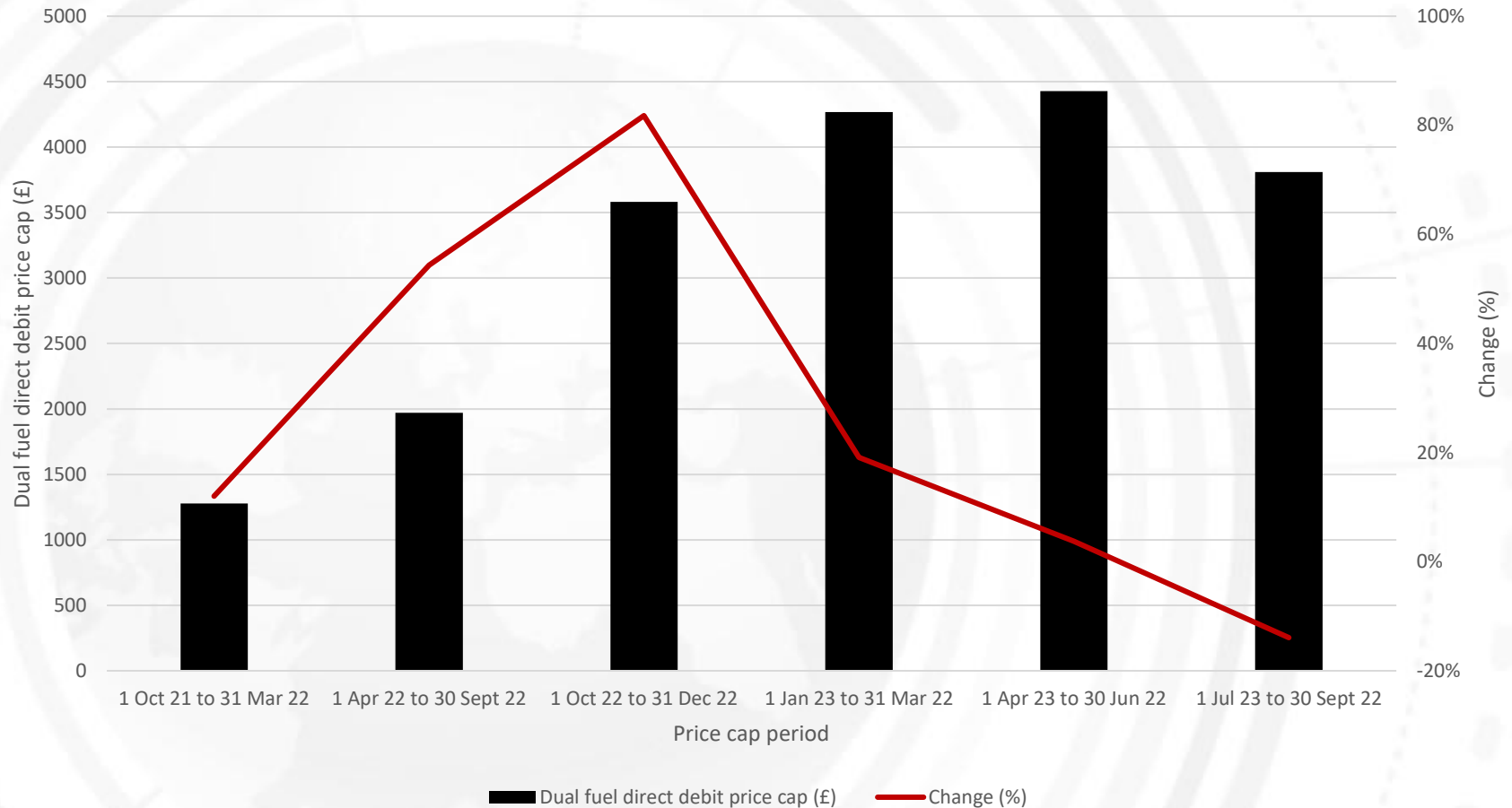
# Forecasts show a peak end 2022...



Source: OECD (2022), Inflation forecast (indicator). doi: 10.1787/598f4aa4-en

Inflation is expected to fall over 2023 but the timeline keeps getting extended. The UK appears middle of the pack but most comparable economies have lower inflation trajectories.

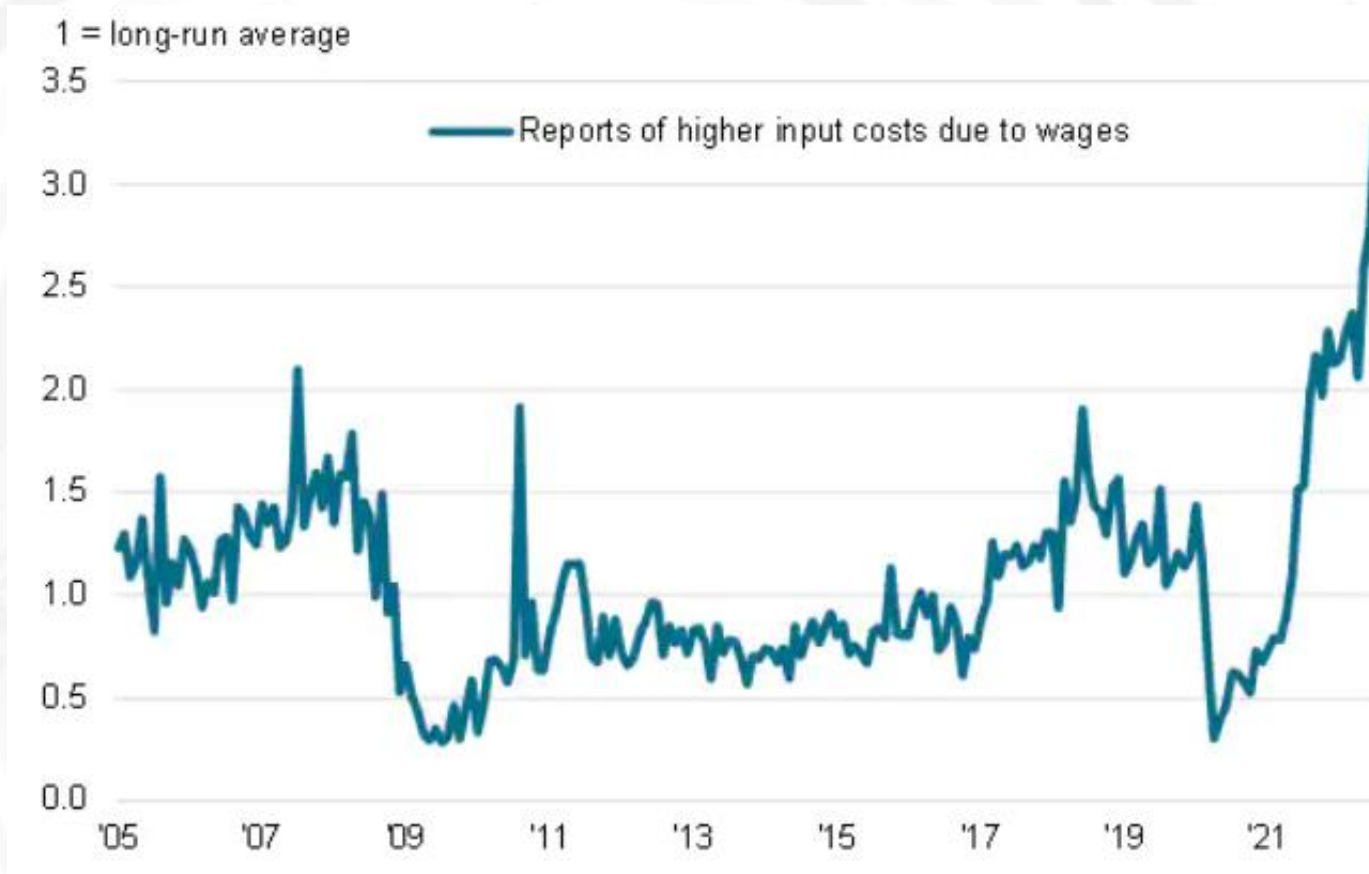
# ...but supply side pressures indicate otherwise



Source: Bank of England

The price cap is expected to rise by 116% by year end and not begin to fall till July 2023. Alongside, there are significant pressures on other parts of the basket, notably food that will take longer to alleviate, given geopolitical and climate induced pressures.

# Globally, wage pressures are rising...



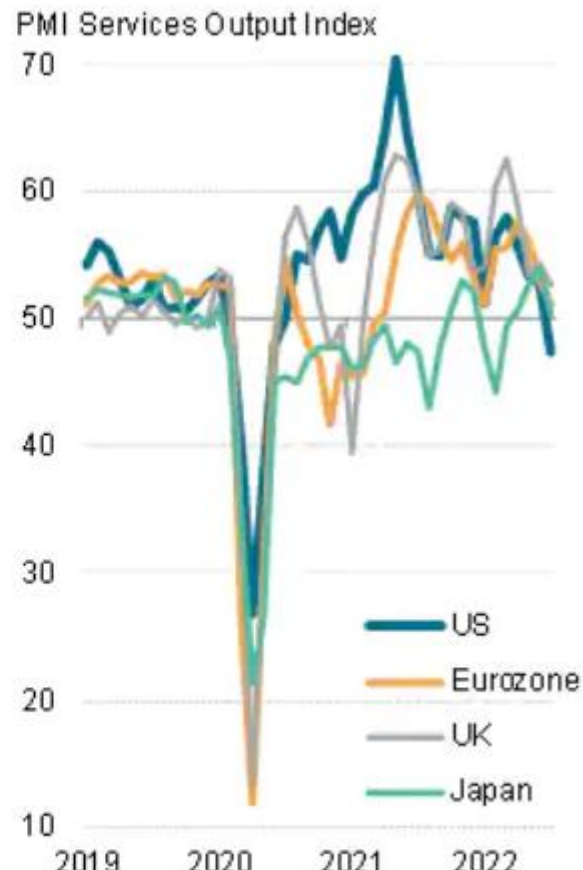
Source: S&P Global

Underlying wage pressures are reported now at the highest since PMI records began and accelerating. This may embolden policymakers to raise rates and tolerate higher employment...

# ...though demand is now falling



Sources: S&P Global, au Jibun Bank, CIPS.



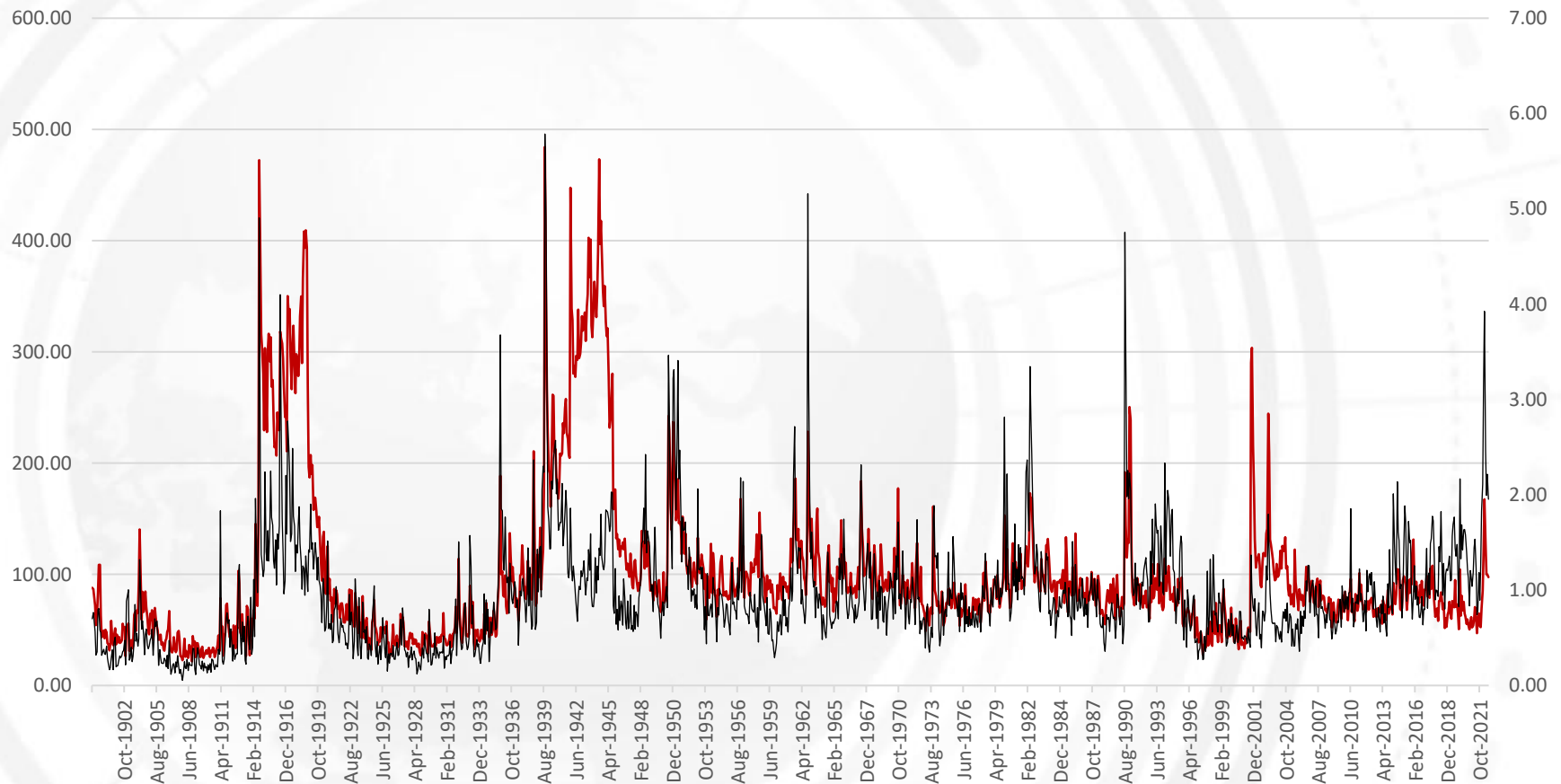
Sources: S&P Global, au Jibun Bank, CIPS.

...but if wages follow demand, then they may be forced prematurely into pausing or even loosening again. Important to note that this is currently a developed world issue.



# Geopolitics is part of the firmament

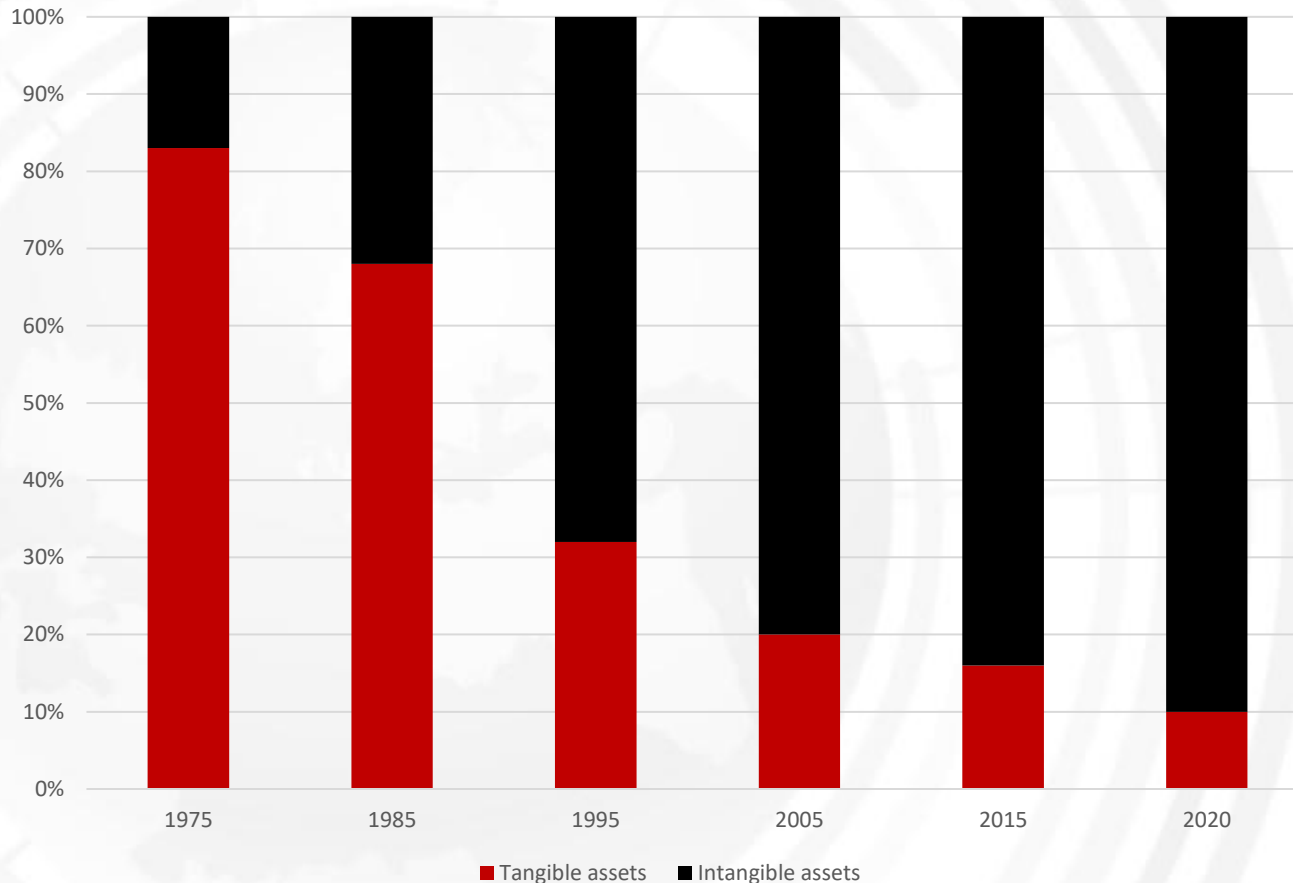
Geopolitical Risk Index vs Threat of War (Historical)



Source: Caldara, Dario and Matteo Iacoviello (2022)

Geopolitical risk indicators are muted from a historical perspective, but leading indicators are elevated, indicating that geopolitical risk is set to rise further going forward.

# An intangible asset bubble?

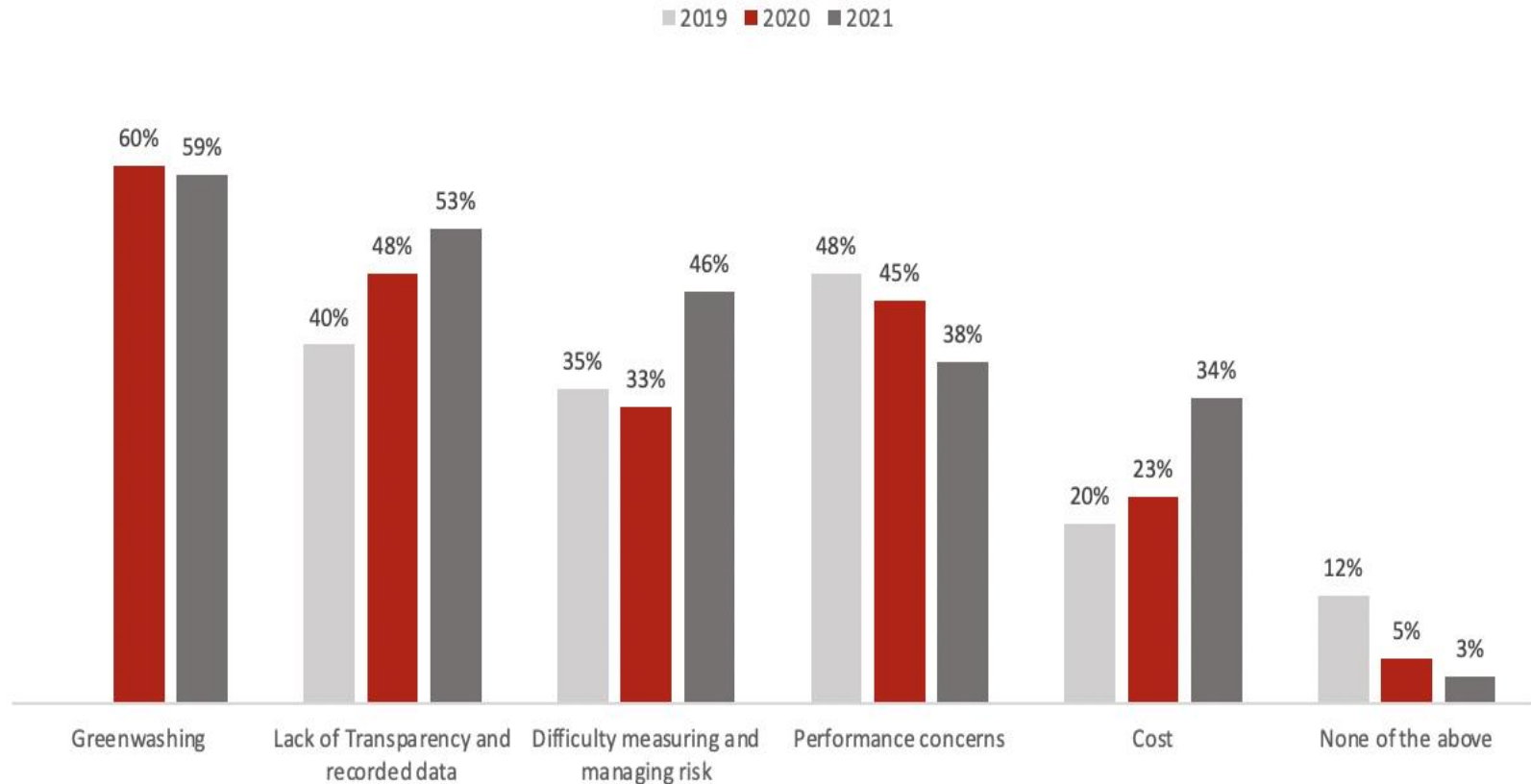


Intangible assets now dominate the S&P 500 balance sheet. This represents the dominance of tech, but also shows that companies are harder to value and more prone to sentiment, implying higher volatility and tail risks.



# Challenges to overcome in ESG

Which, if any, of the following specific factors do you consider a challenge of investing in sustainable investments?



Data source: Schroders

# Looking ahead

- Central banks are facing a regime shift
- Forward guidance is proving problematic while socio-political tensions threaten to erode their independence
- The dollar continues to remain strong, impacting emerging markets, who are also facing additional pressures from rises in food and energy prices
  - An additional source of social instability is the reliance of many of these countries on state subsidies to control prices
- Many pressures are unlikely to subside quickly, given endemic issues and a Russia-Ukraine conflict that is now 6 months old.
  - Victory is likely to be pyrrhic for either side, with the more likely outcome a negotiated settlement or impasse as costs mount.
  - The geopolitical impact is more significant and long-lasting, with clear lines emerging globally between different blocs
- The implication is a lower growth world, where resilience planning is key.
- Infrastructure, ESG related investments and socio-economic stability are likely to attract increased interest but capacity is also limited, which limits returns. Cashflow will command a premium.

The background of the slide is a light gray color with a complex graphic design. On the left side, there is a faint, stylized globe showing the continents. Overlaid on the globe and extending across the top and right are several concentric, semi-transparent circles. On the right side, there is a network diagram consisting of a vertical dashed line with several small circles connected to it by horizontal lines. Two larger circles are also connected to this network by horizontal lines, one above and one below the main vertical line. The overall aesthetic is clean, modern, and technical.

# APPENDIX

# Presenter Bio

**Dr Bob Swarup** is a respected international expert on financial markets, investment strategy, alternatives, ALM and regulation. He is Principal at Camdor Global Advisors, an advisory firm that works with institutions and investors around the world on strategic investment, risk management, ALM and business issues. He also served as Senior Investment Advisor to the Pensions Regulator, advising them on the development of the new regulatory framework for DB schemes from an investment, risk and governance perspective.

Bob was formerly a partner at Pension Corporation, a leading UK-based pension buyout firm, where he ran alternative investments, was Chief Risk Officer and oversaw Thought Leadership.

Bob is a former Senior Visiting Fellow at Cass Business School; on the Advisory Council of the Columbia Committee for Global Thought and on the Editorial Board of the *Journal of Alternative Investments*. He holds a PhD in cosmology from Imperial College London and an MA (Hons) in Natural Sciences from the University of Cambridge. Bob has written extensively on diverse topics, with his work being featured in the Financial Times, Economist, Guardian, CNBC, Bloomberg, Pensions Week and IPE amongst others. He is also the author of the internationally acclaimed bestseller *Money Mania* on two millennia of financial crises and the lessons to learn (Bloomsbury, 2014).

# Contact Us

## **Dr. Bob Swarup**

**T:** +44 (0)2038 979 440

**M:** +44 (0)7801 552755

**E:** [swarup@camdorglobaladvisors.com](mailto:swarup@camdorglobaladvisors.com)

# Disclaimer and Additional Notes

All rights reserved. Any performance information contained herein may be unaudited and estimated. Past performance is not indicative of future results. Although all reasonable efforts have been made to ensure the accuracy of the information herein, neither Camdor Global Advisors nor any other person involved with the research, compilation, editing or printing of this report gives any representation, warranty, indemnity or undertaking (whether express or implied) as to the truthfulness, accuracy or completeness of the information, statements, and opinions given, made or expressed herein, nor is any responsibility accepted for any act or omission made in reliance thereon. The investment products and services of Camdor Global Advisors are only available to eligible counterparties and professional clients. To the extent permitted by law, Camdor Global Advisors does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this report or for any decision based on it. All information herein is subject to change without notice.

Camdor Global Advisors is incorporated as a Private Limited Company in England and Wales No 09507497. Camdor Global Advisors is authorised and regulated by the Financial Conduct Authority in the United Kingdom Firm Reference No 798186. Neither this document nor the information contained herein may be shared with any third party without the consent of Camdor Global Advisors.