
# THE BIGGER PICTURE

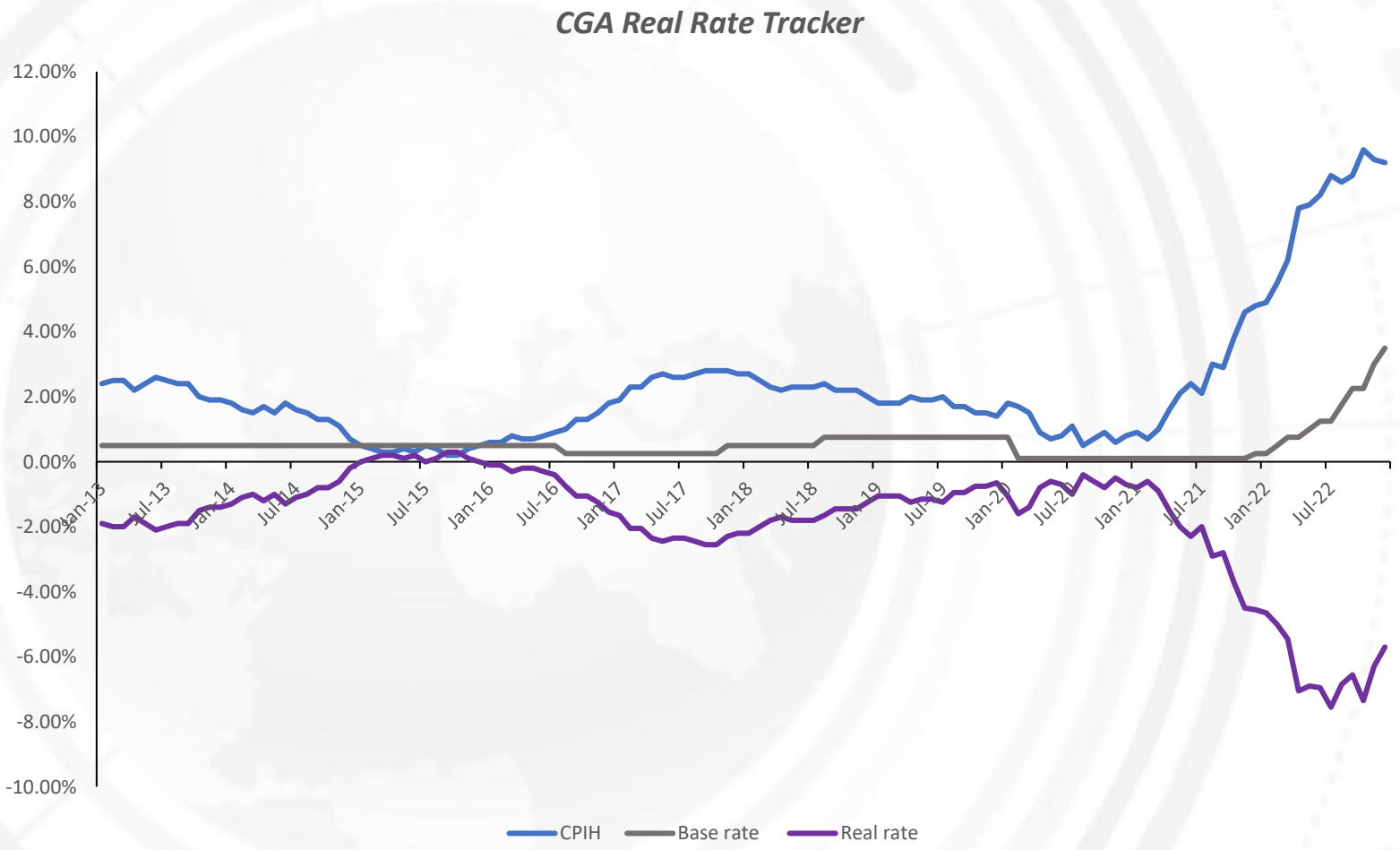
***Key macro dynamics of relevance***

*January 2023*

*Dr Bob Swarup*
*Camdor Global Advisors*

Copyright © 2023 Camdor Global Advisors All rights reserved

# UK real rates appear to be bottoming…



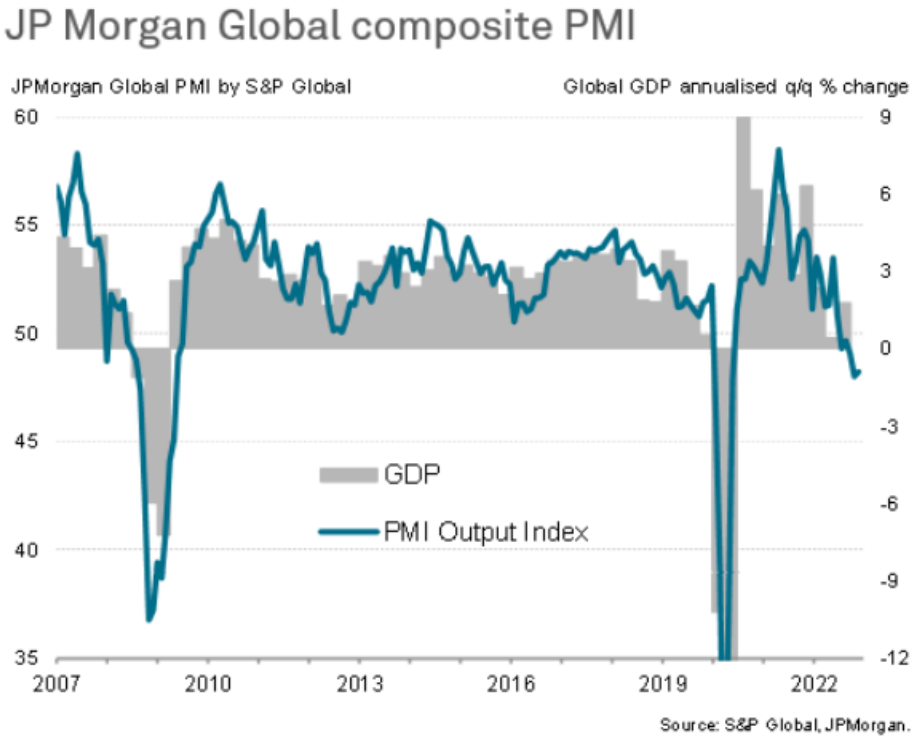

Source: Camdor Global, ONS

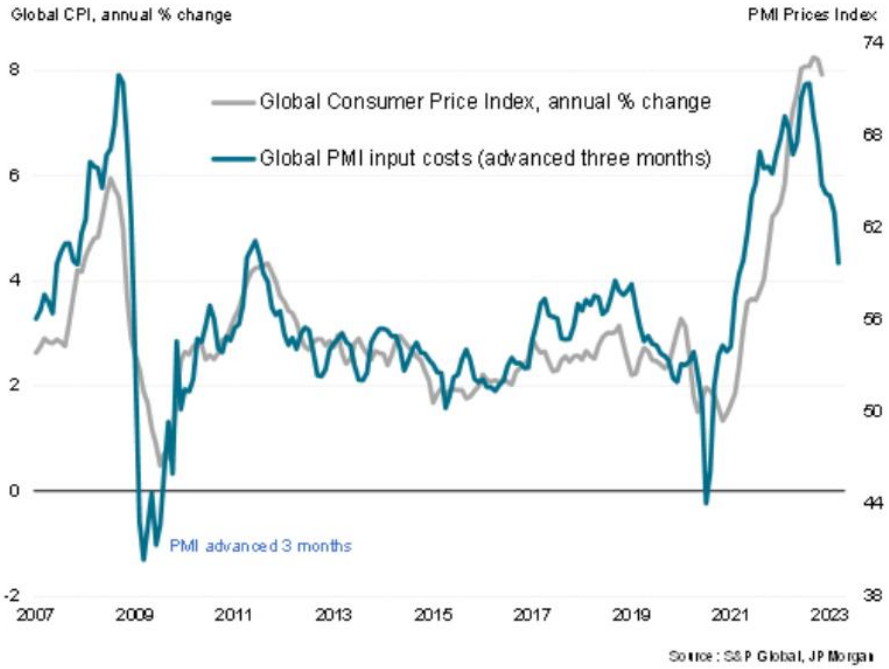
The continued and rapid rise in interest rates is starting to lead to inflation falling and real rates bottoming out. However, there is significant ground to claw back, indicating continued rises in the coming months.



Copyright © 2023 Camdor Global Advisors All rights reserved

# There is good and bad




The latest PMI numbers indicate a fifth straight month of global contraction, but inflation should also fall sharply in the coming months, looking at input costs. The implication is amelioration in Q2 onwards, albeit against the backdrop of a weak economy. Meanwhile, a number of areas, such as corporate bonds and UK equities are showing value.

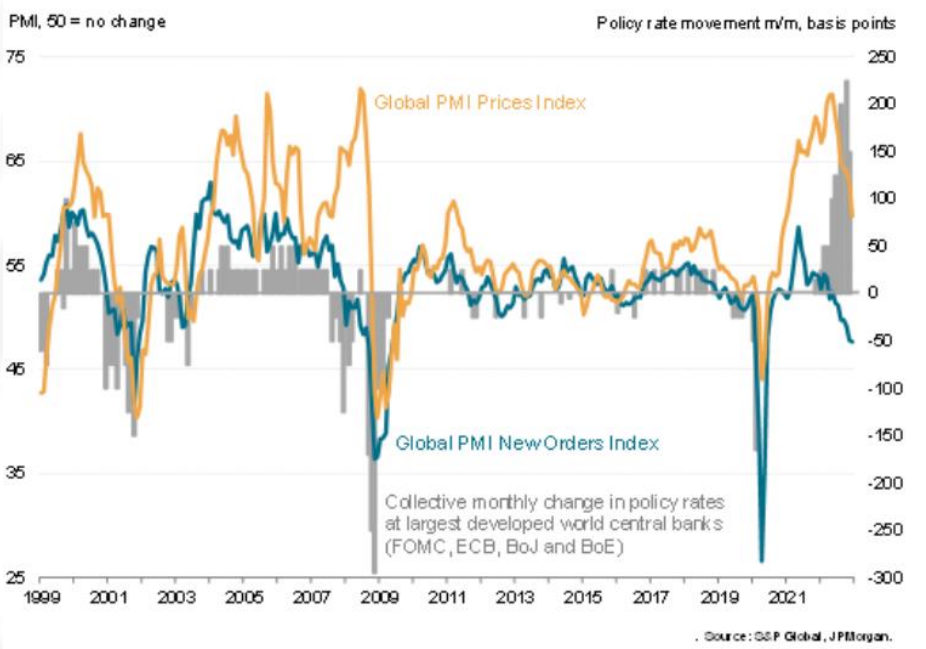

Copyright © 2023 Camdor Global Advisors All rights reserved

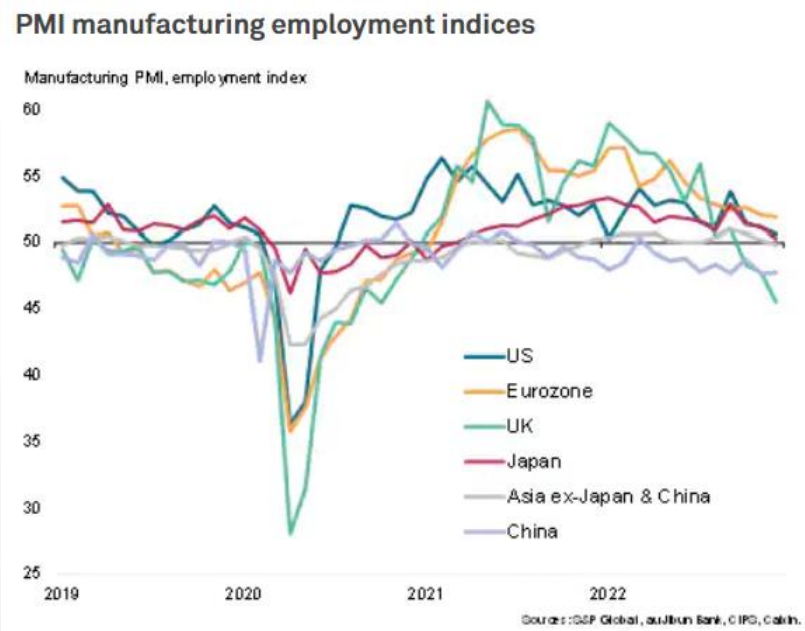
# Markets are looking ahead and show some value…


The year has begun with a strong rally, and future rate expectations are declining, as a) markets believe that the rate cycle will come to an end in 2023, and b) economies have shown a little more resilience in the data than anticipated, e.g. the UK's surprise economic growth (albeit thanks to the World Cup).


Copyright © 2023 Camdor Global Advisors All rights reserved

# …but there are also challenges bubbling up

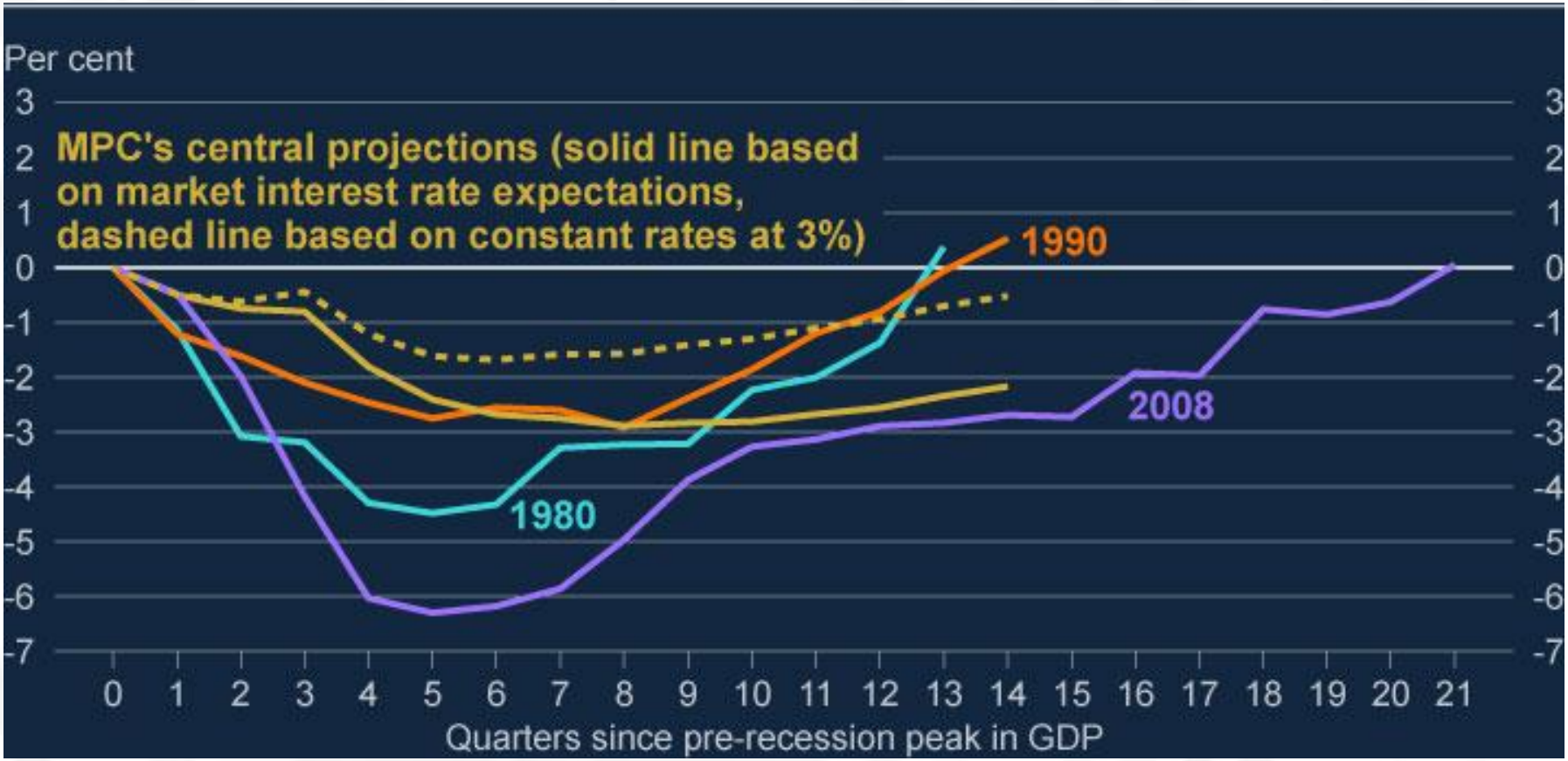



Central banks are continuing to hike into a downturn, putting added pressure. Employment is beginning to stagnate or even contract (e.g. in the UK manufacturing sector) as businesses manage costs and falling demand, but wage inflation and inflationary sentiment still remains high.


Copyright © 2023 Camdor Global Advisors All rights reserved

# The UK's financial turmoil



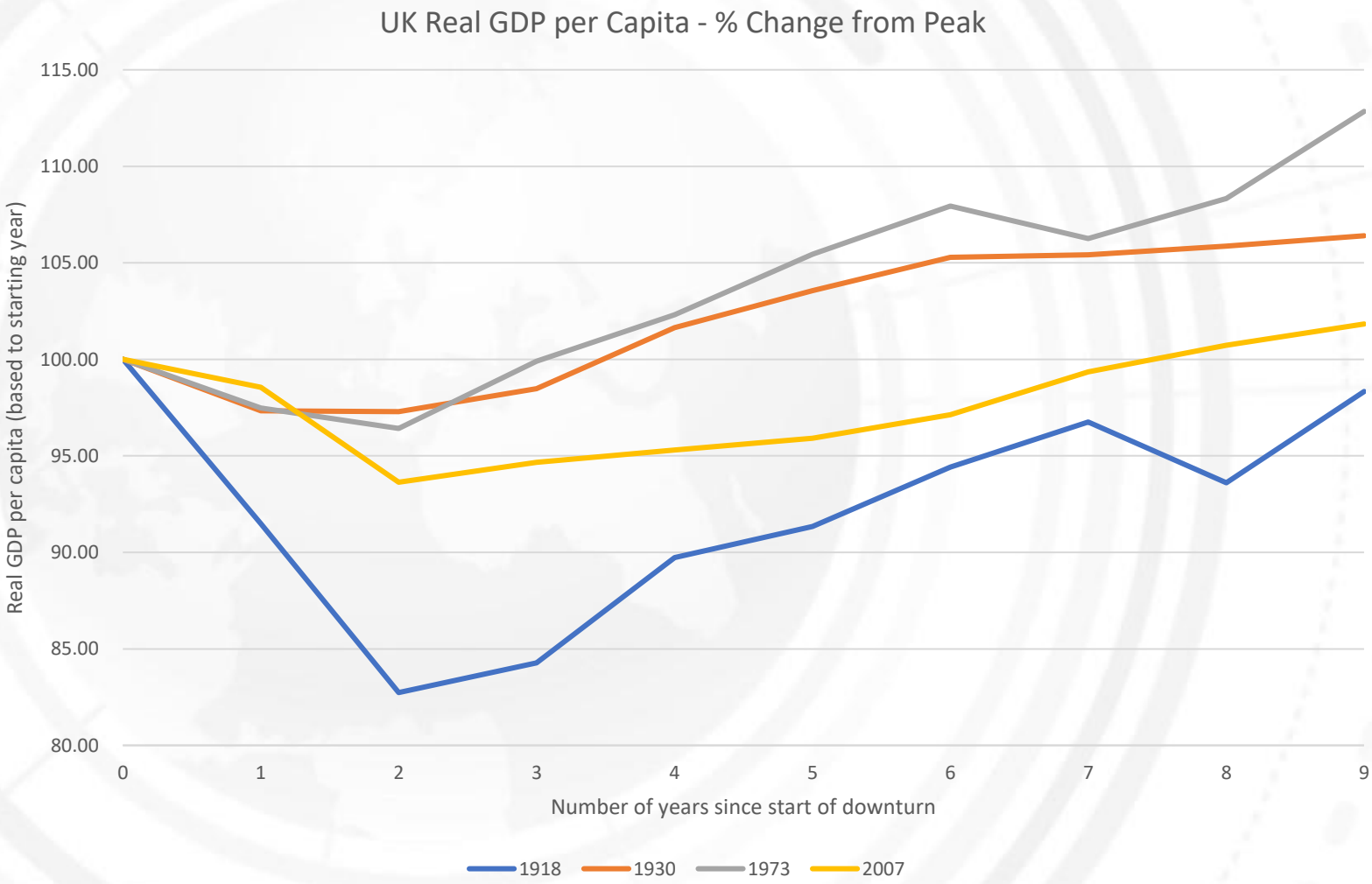

Source: Bank of England

Markets think rates need to go up more but that has to be balanced against a multi-year recession. Given fiscal issues, the UK may potentially encounter a more difficult period of austerity than the period after the 2008 financial crisis in order to stabilize the economy.



Copyright © 2023 Camdor Global Advisors All rights reserved

# The last decade of austerity

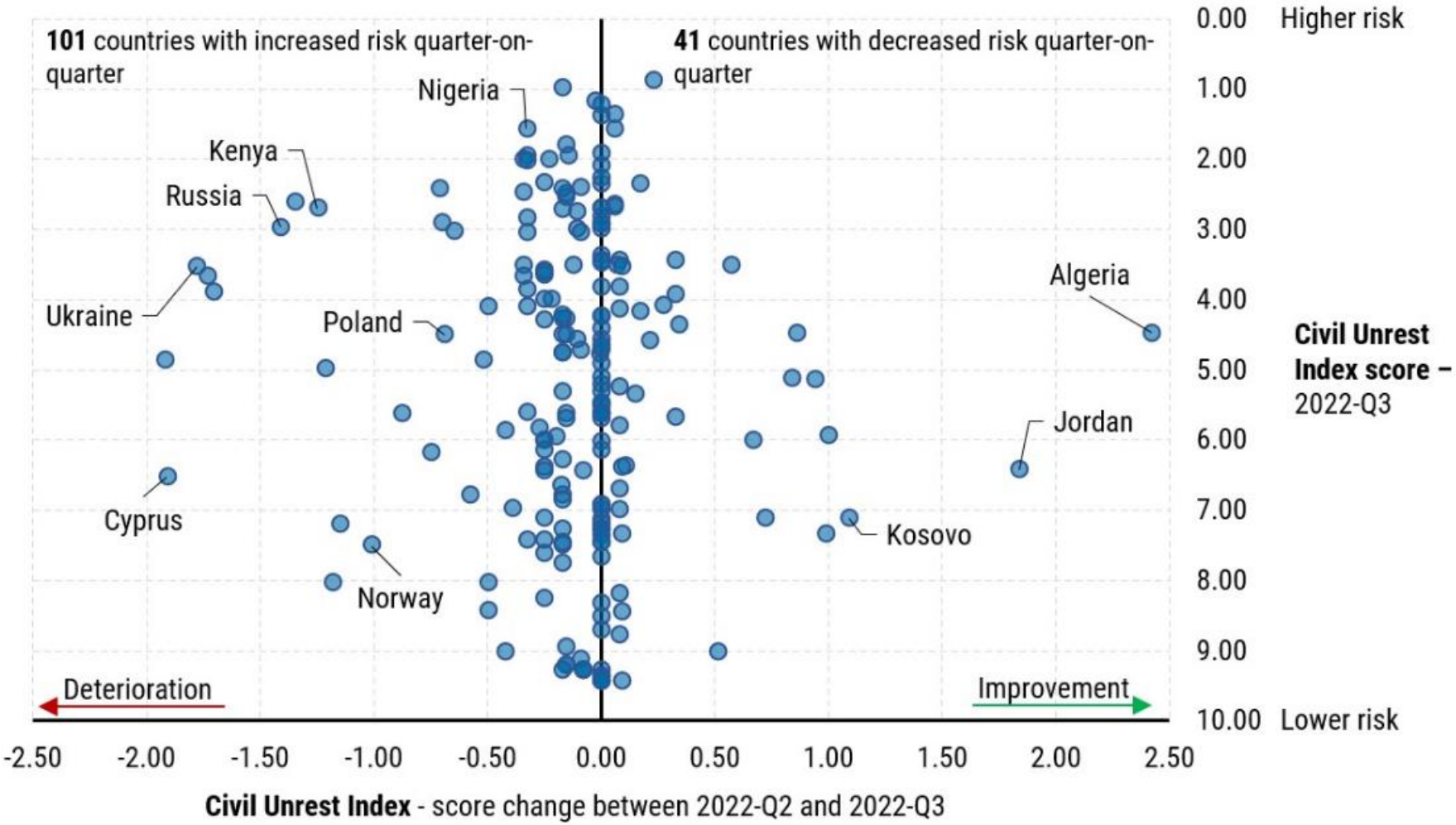



Source: Camdor Global Advisors



Copyright © 2023 Camdor Global Advisors All rights reserved

# But we have more discontent today…

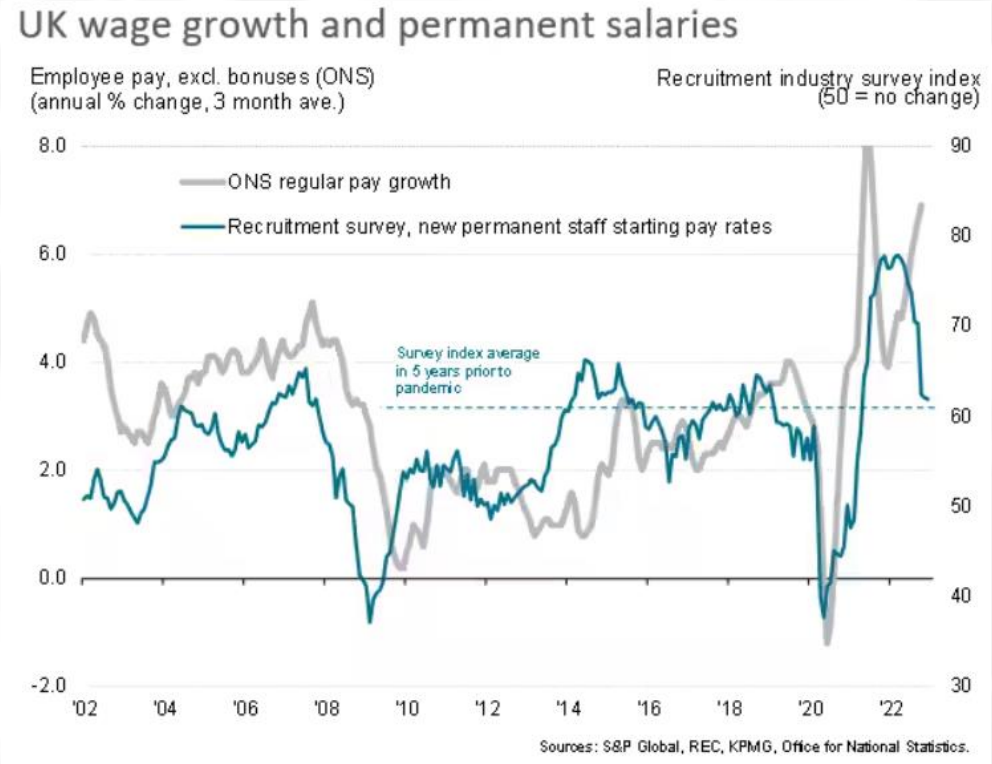


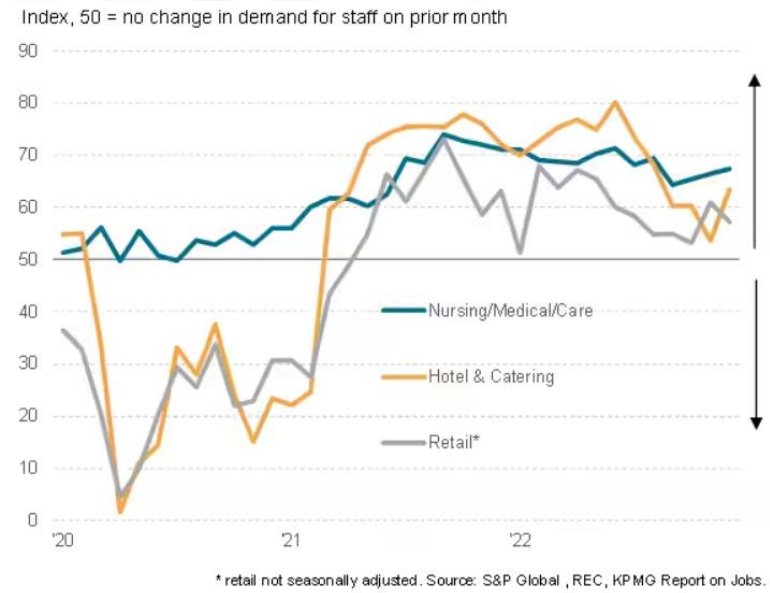

© Verisk Maplecroft 2022

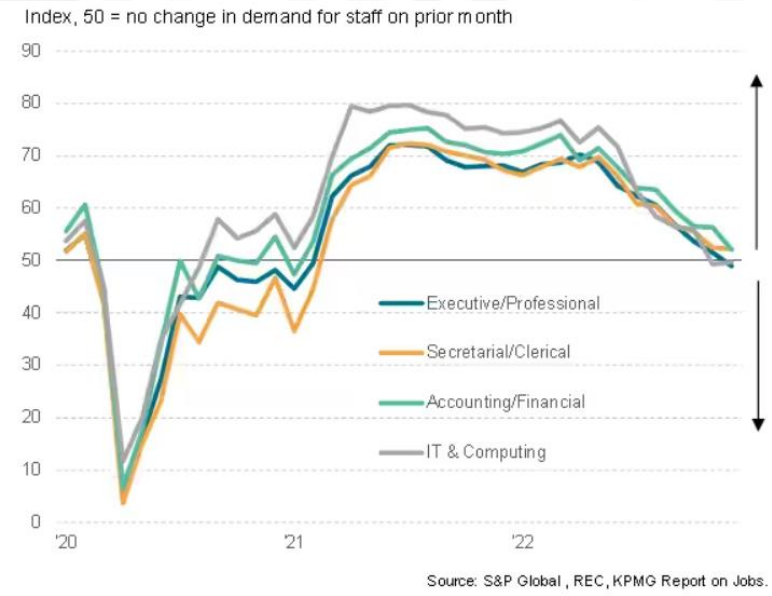


Copyright © 2023 Camdor Global Advisors All rights reserved

# Wages will be a flashpoint in 2023



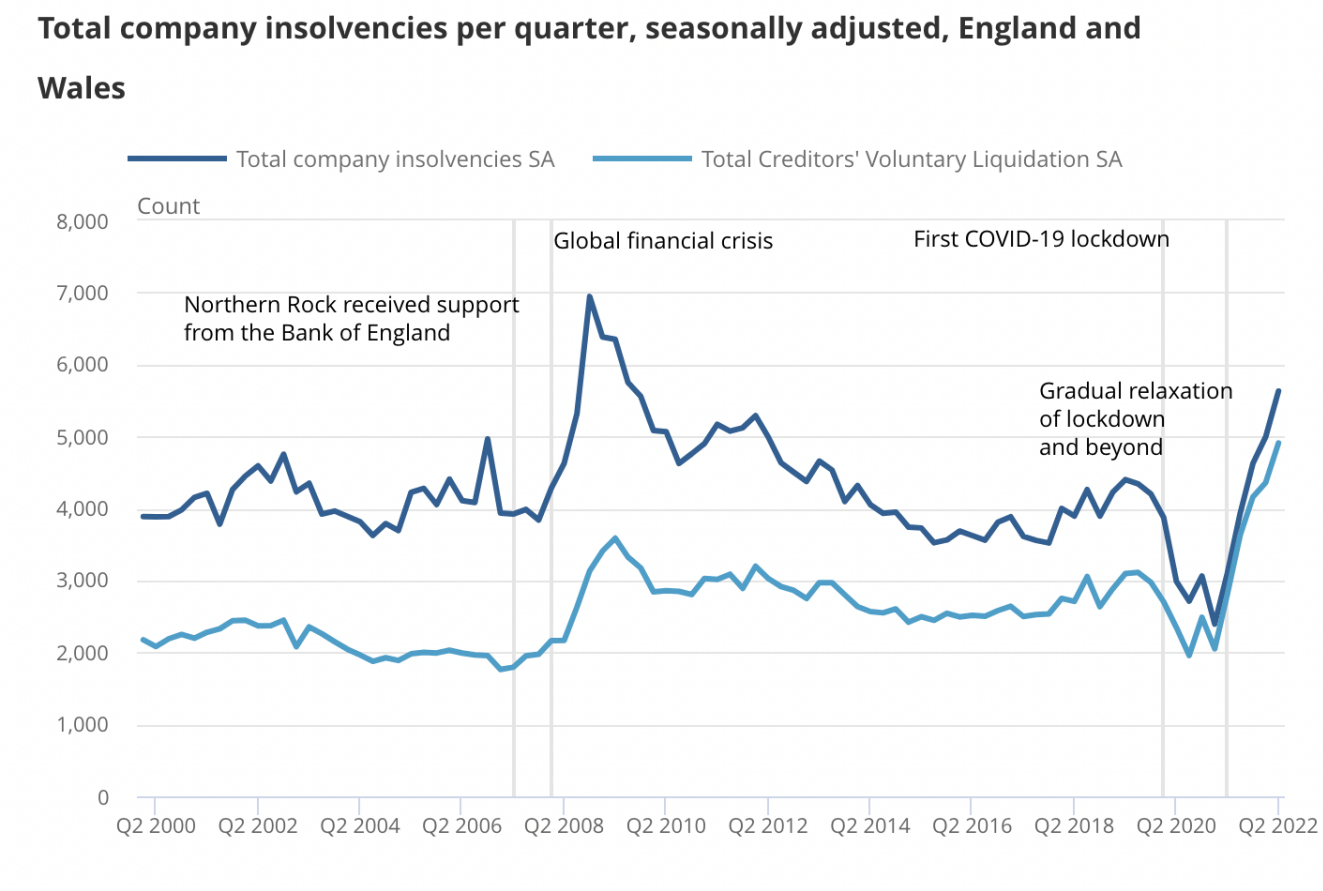




The data is showing mixed signals and divergence, supporting arguments for both employers and employees. Meanwhile, the calls for managing wage inflation are likely to grow stronger.



Copyright © 2023 Camdor Global Advisors All rights reserved

# Businesses are under pressure…




Source: Insolvency Service

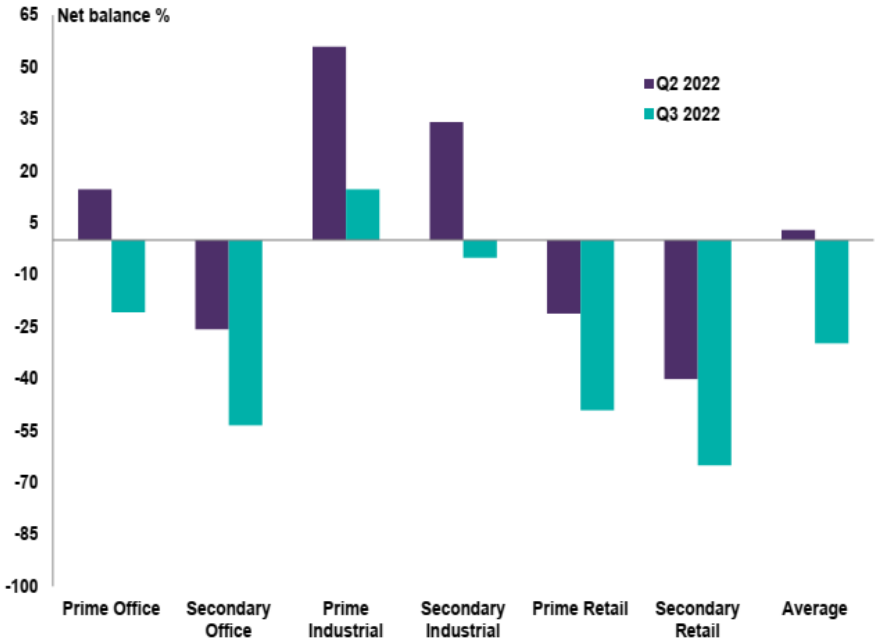
Many are struggling to manage creditors, with company insolvencies in England and Wales reaching their highest quarterly level since Q3 2009 in Q2 2022, driven by Creditors' Voluntary Liquidations.



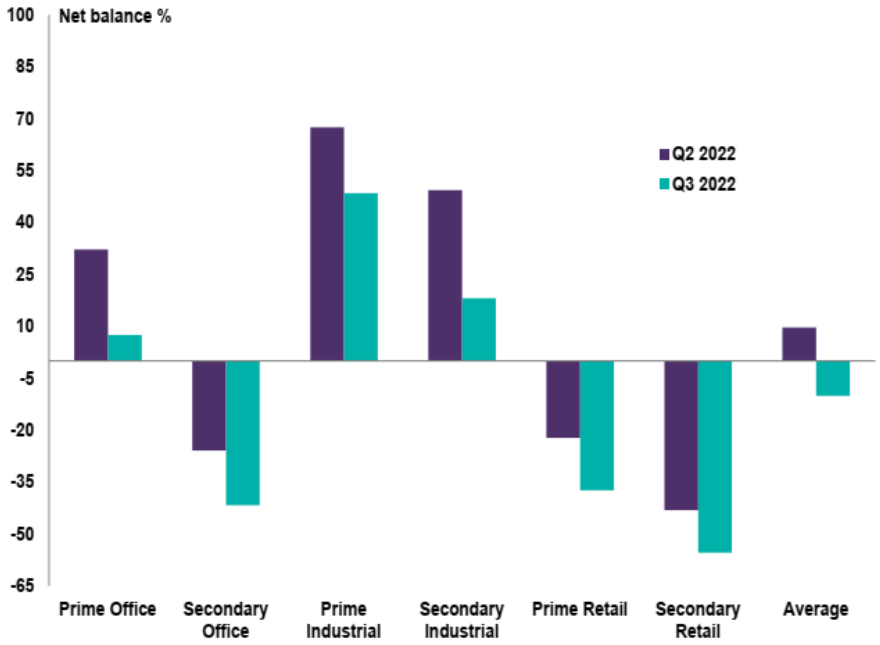
Copyright © 2022 Camdor Global Advisors All rights reserved

# …leading to pressures elsewhere

12-month capital value expectations




12-month rent expectations



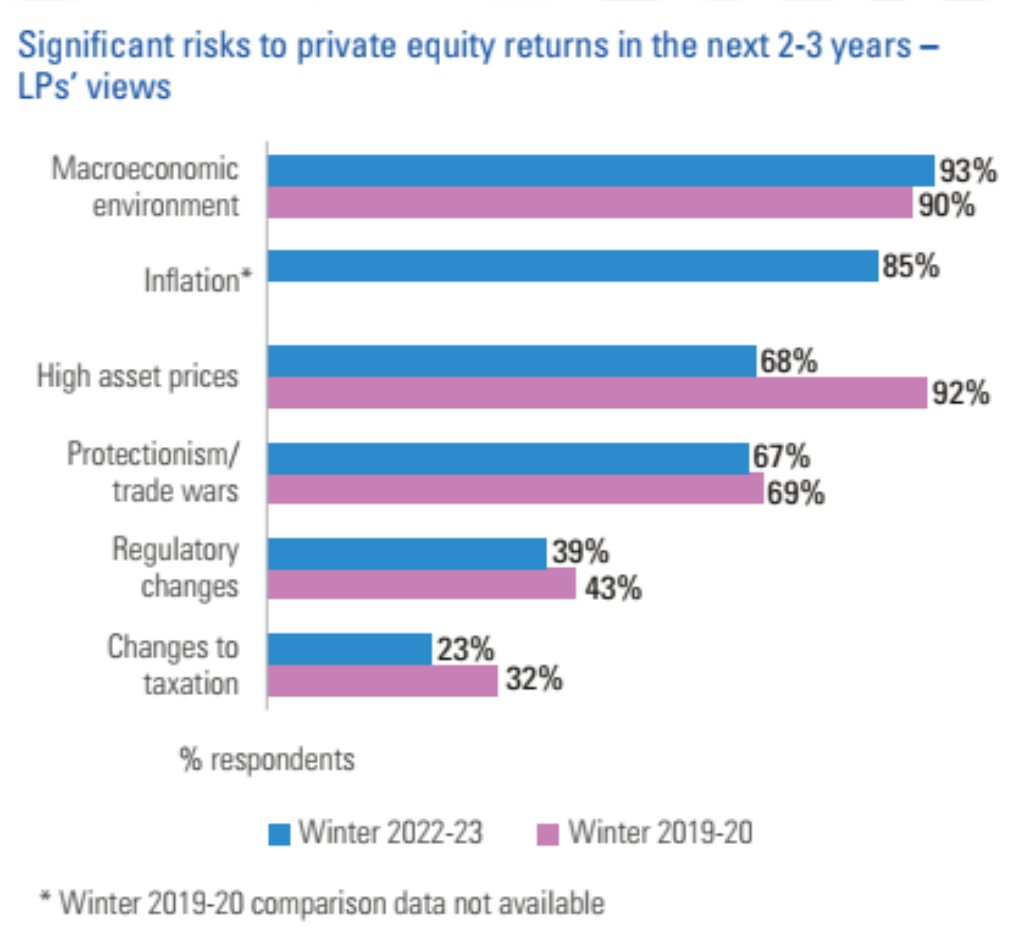

Source: RICS

Commercial property yields have moved sharply upwards, both due to softening occupier demand and rapid rises in rates. Capital values have also decreased in turn, with a fall in capital values of -15% for industrials, -8.0% for retail and -7.4% for offices over the three months to October 2022.



Copyright © 2023 Camdor Global Advisors All rights reserved

# Private assets are not immune to this



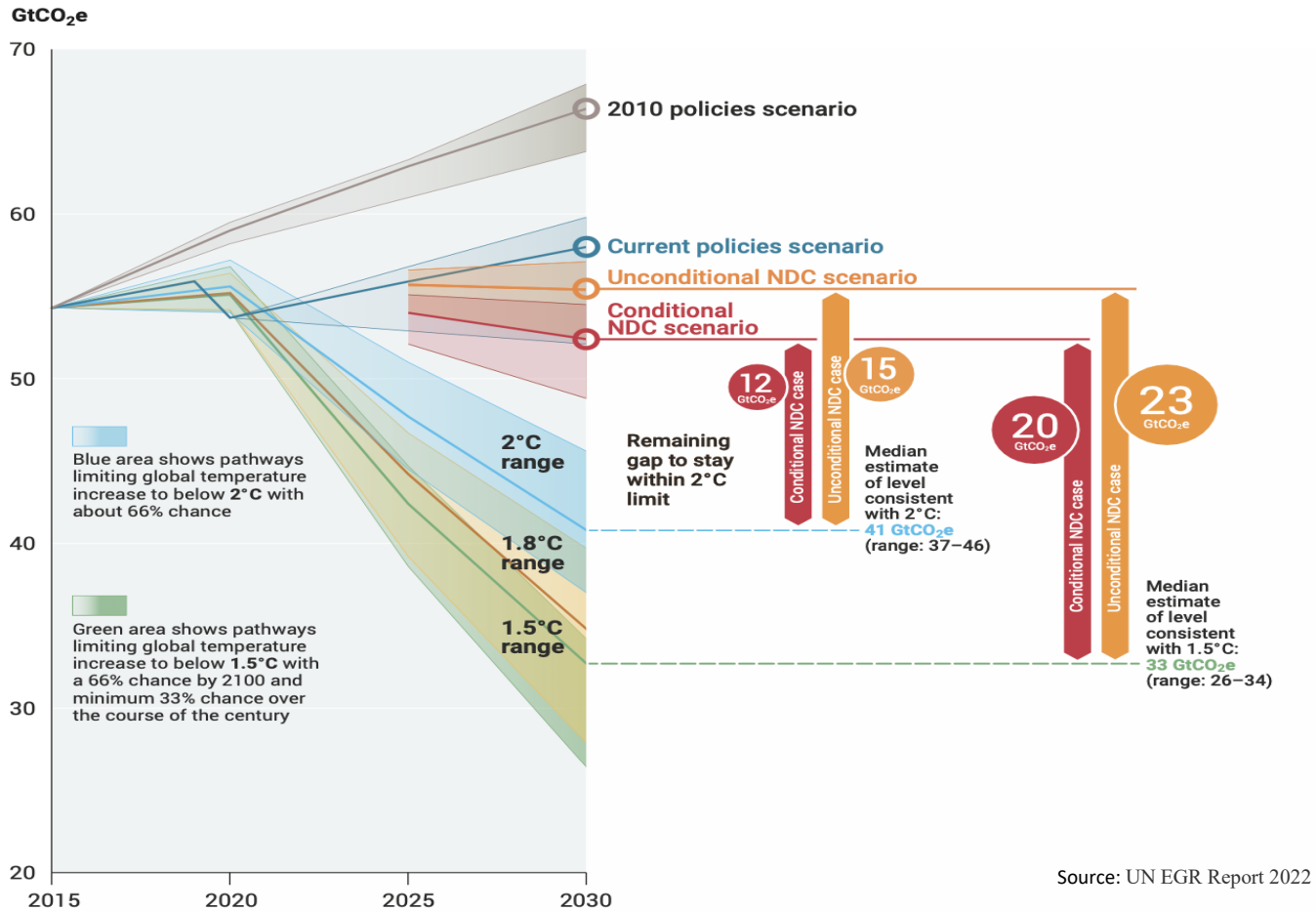

Source: Coller Research Institute



Copyright © 2023 Camdor Global Advisors All rights reserved

# Meanwhile, climate plans are going nowhere

**Figure ES.3** Global GHG emissions under different scenarios and the emissions gap in 2030 (median estimate and tenth to ninetieth percentile range)




Source: UN EGR Report 2022

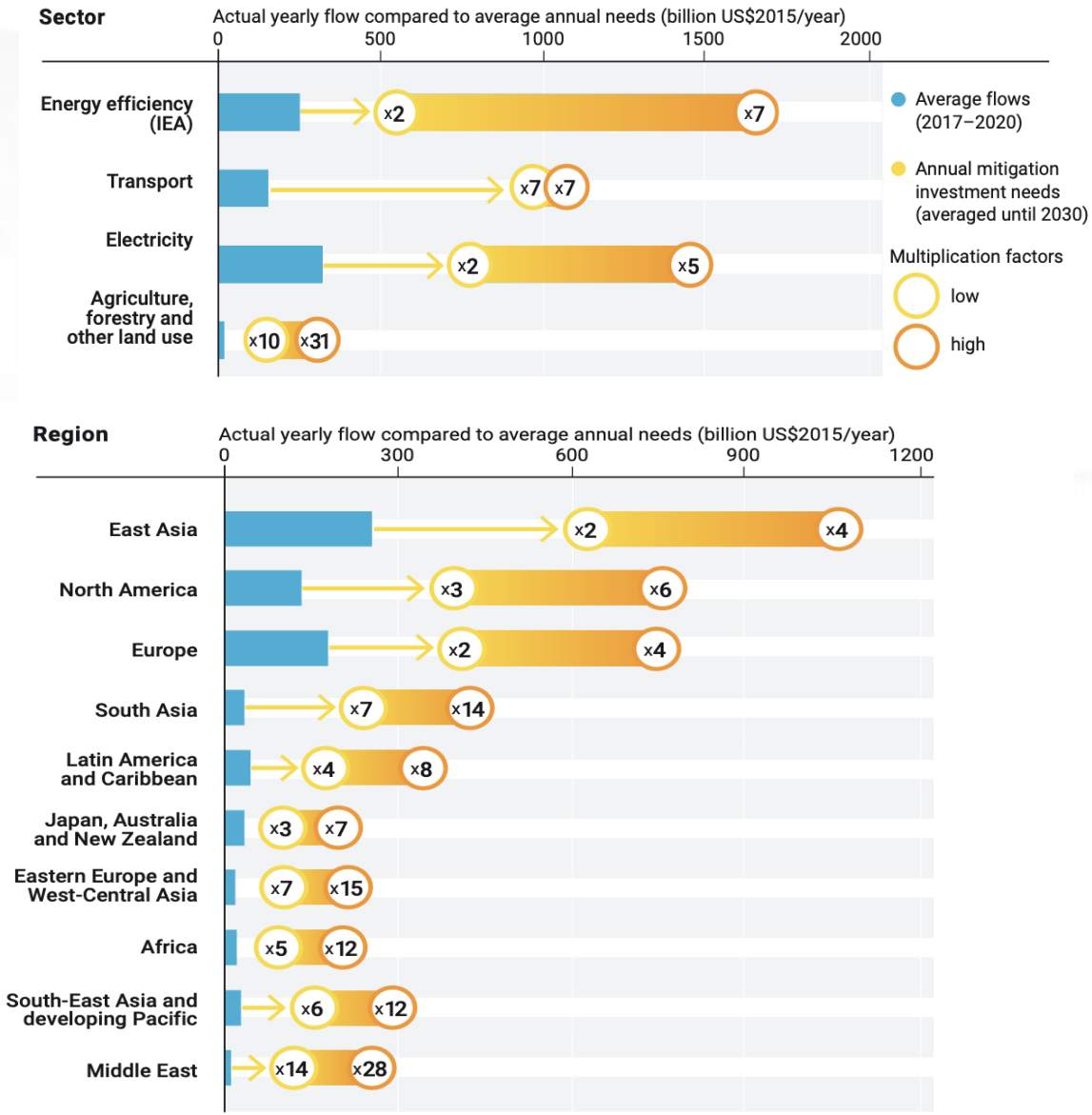
Current government climate policies leave the world on track to reach an average temperature rise of 2.8 degrees Celsius this century.



Copyright © 2023 Camdor Global Advisors All rights reserved

# And significant monies are needed

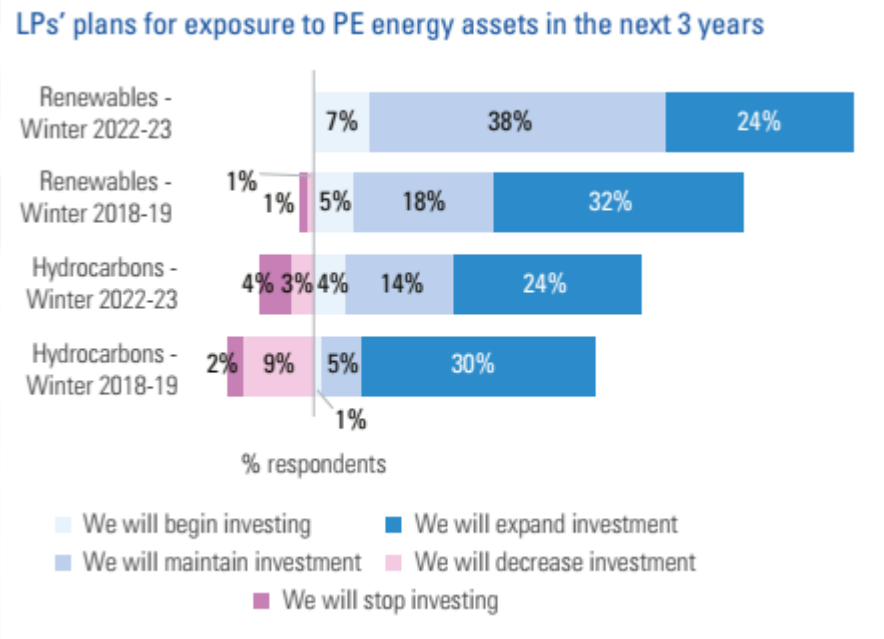
- The financial system must overcome internal and external constraints to become a critical enabler of transformation across all sectors.
- A global transformation to a low-carbon economy is expected to require investments of at least $4-6 trillion a year. This is a relatively small (1.5-2 %) share of total financial assets managed, but significant (20-28 %) in terms of additional annual resources needed.

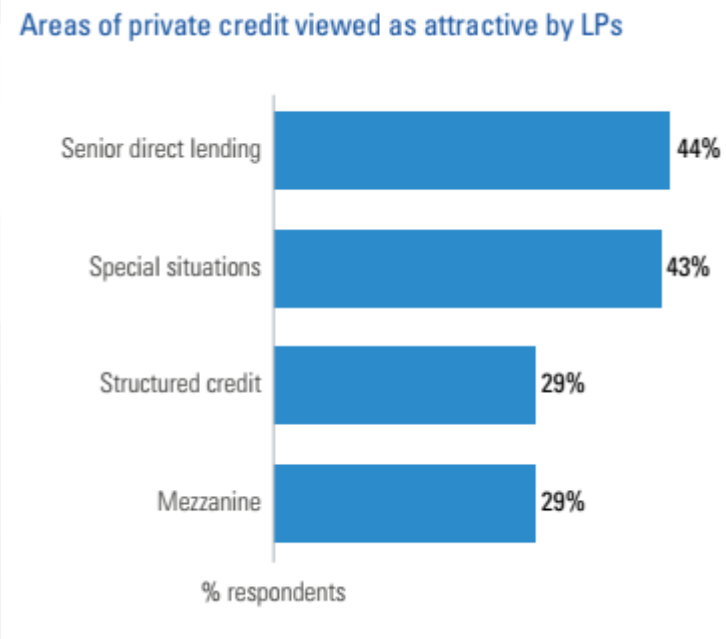




Copyright © 2023 Camdor Global Advisors All rights reserved

# Where are allocations flowing?




Source: Coller Research Institute

- More interest in renewables – and in hydrocarbons.
- Barbelling of risk appetite between protection (senior debt) and distressed value (special situations)
- Some investors have highlighted liquidity shortfalls will lead to reduction in the pace of commitments, indicating both continued stress as well as opportunity.


Copyright © 2023 Camdor Global Advisors All rights reserved

# APPENDIX



Copyright © 2023 Camdor Global Advisors All rights reserved

# 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).


Copyright © 2023 Camdor Global Advisors All rights reserved

# Contact Us

**Dr. Bob Swarup**

T: +44 (0)2038 979 440
M: +44 (0)7801 552755
E: swarup@camdorglobaladvisors.com



Copyright © 2023 Camdor Global Advisors All rights reserved

# 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.


Copyright © 2023 Camdor Global Advisors All rights reserved