Investment Playbook Weekly Update

June 27th – July 01st, 2022

LIGHTHOUSE CANTON



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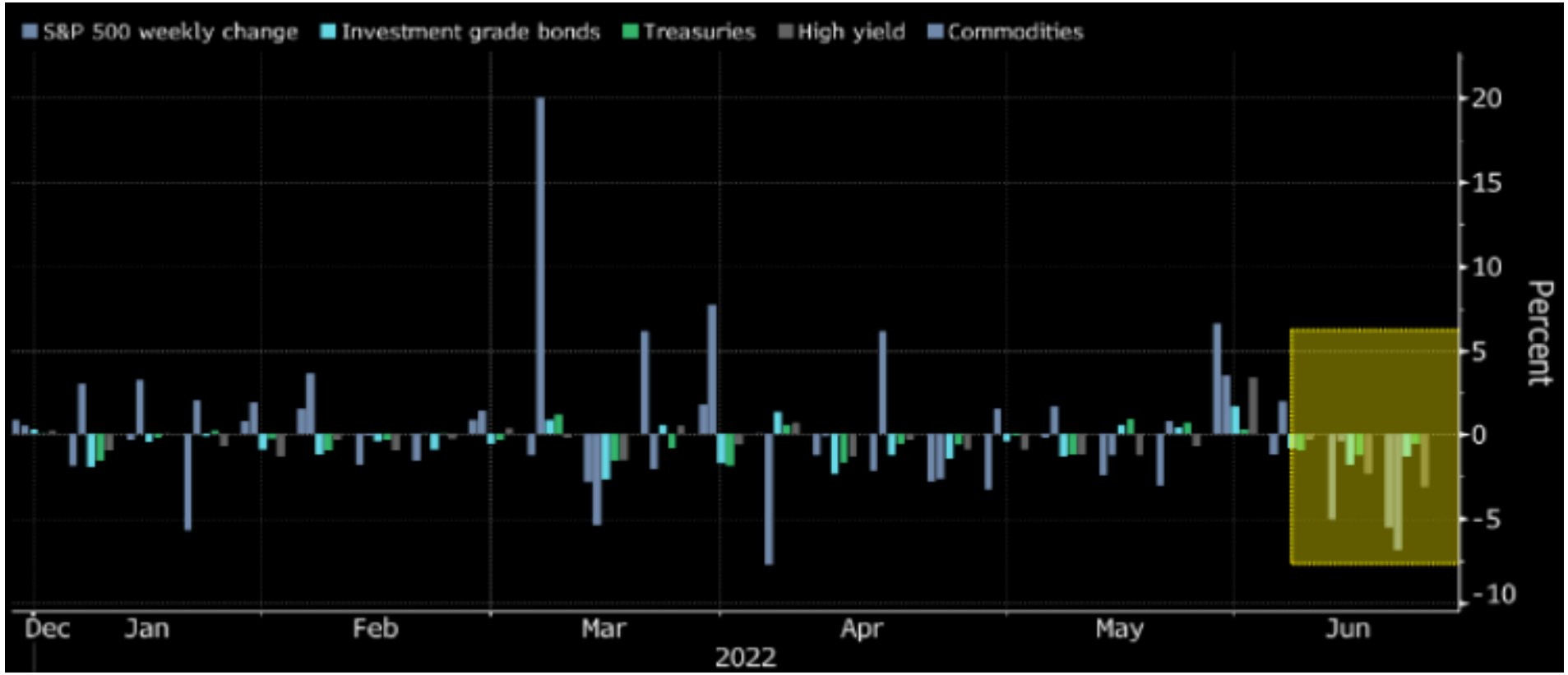
Macro Highlights

1

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Falling in Sync

Major Financial assets post unanimous weekly losses for two weeks in a row



Source: Bloomberg, June 2022

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Global GDP Growth Forecasts: 2022 Slowdown

Economies are impacted across the board

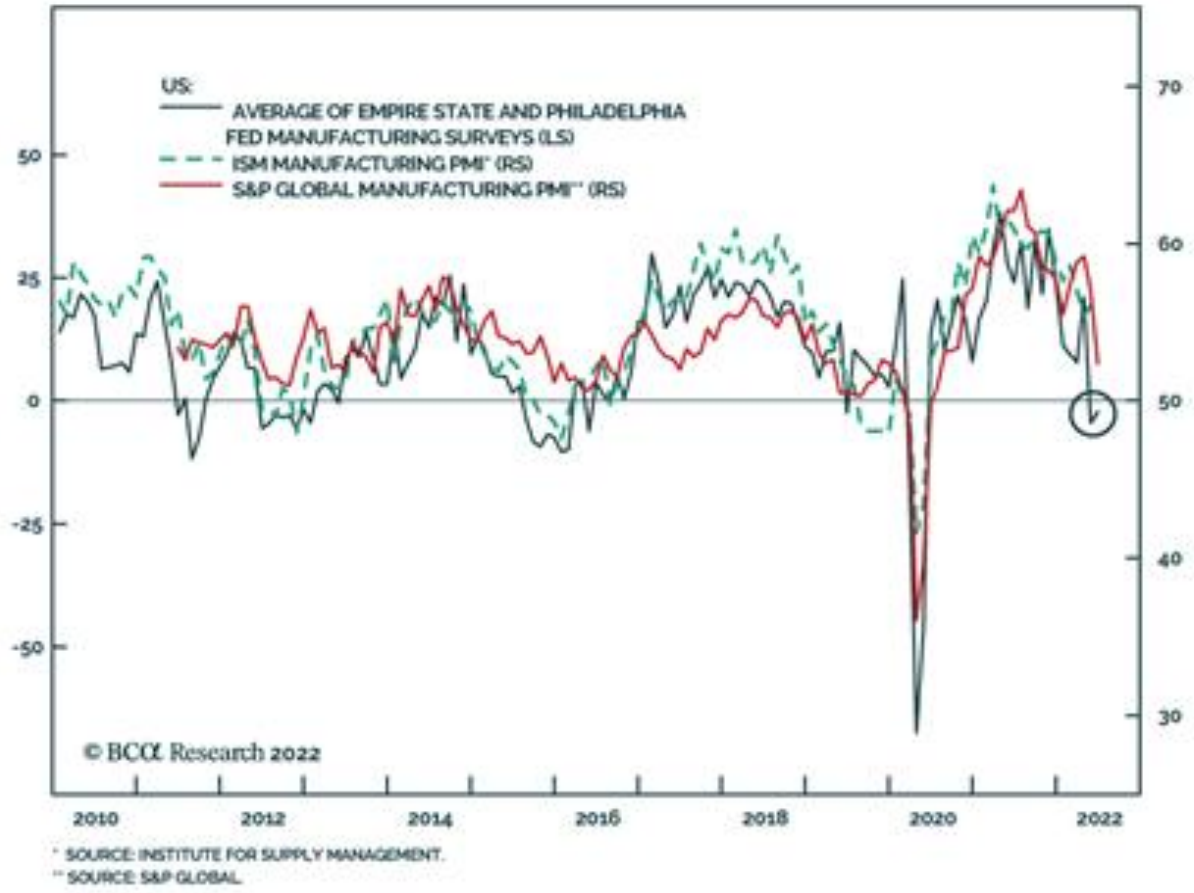
Regions	2022E GDP Growth	
	12/31/21	6/14/22
Global GDP	4.6%	3.1%
>Advanced Economies	4.3%	2.8%
>Emerging Economies	4.9%	3.3%
>U.S.	**4.6%**	**2.8%**
>Canada	4.7%	3.7%
>Euro Area	4.4%	2.6%
>Japan	2.9%	2.2%
>China	5.4%	4.2%

Source: CFRA, Action Economics, June 2022

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Warning Signal For US Economy

Nearly all regional Fed manufacturing surveys contracted in June

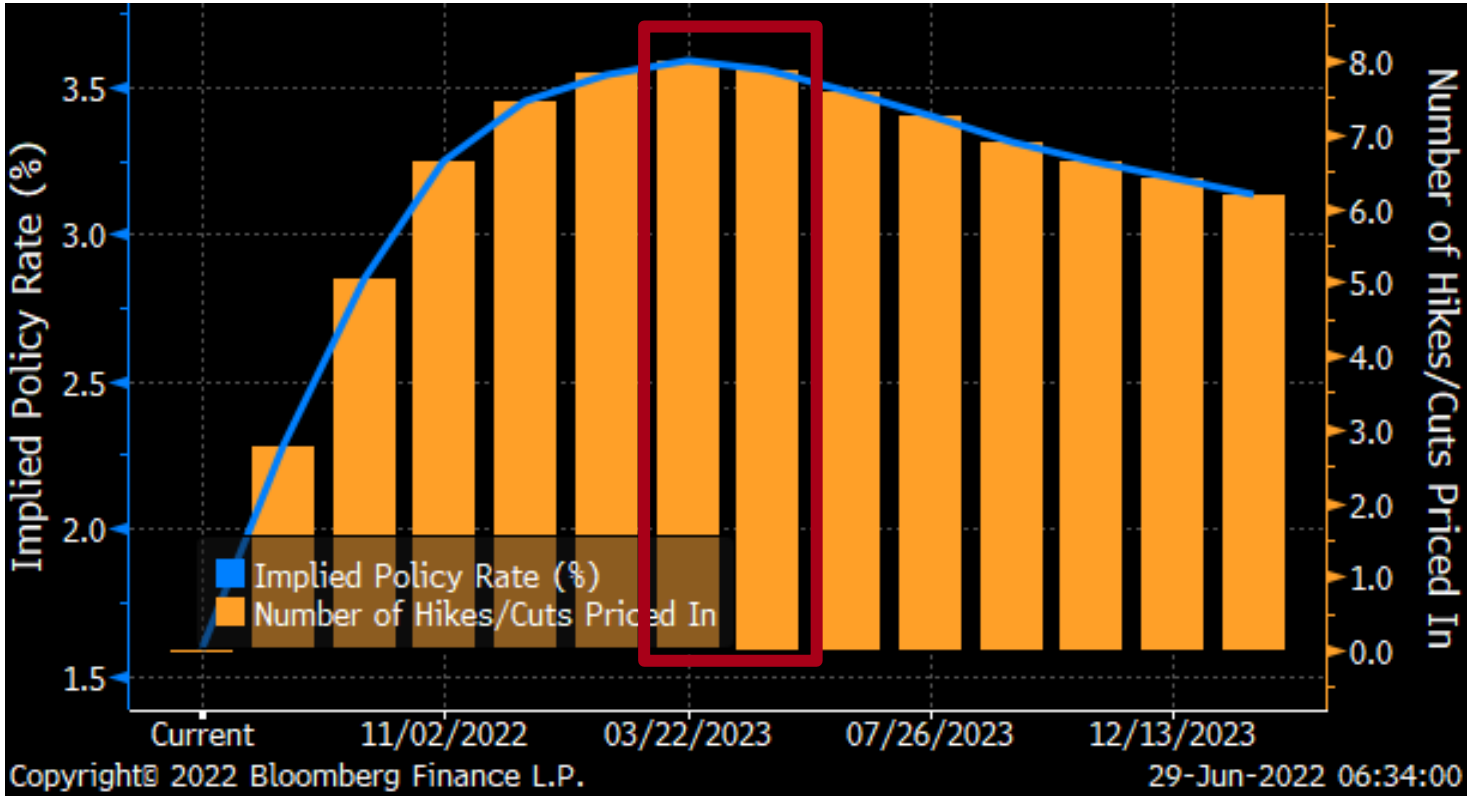


June 2022

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Recession Fears Creeping Up

Markets are expecting the Fed to start cutting rates by 2Q23



Source: Bloomberg, 29 June 2022

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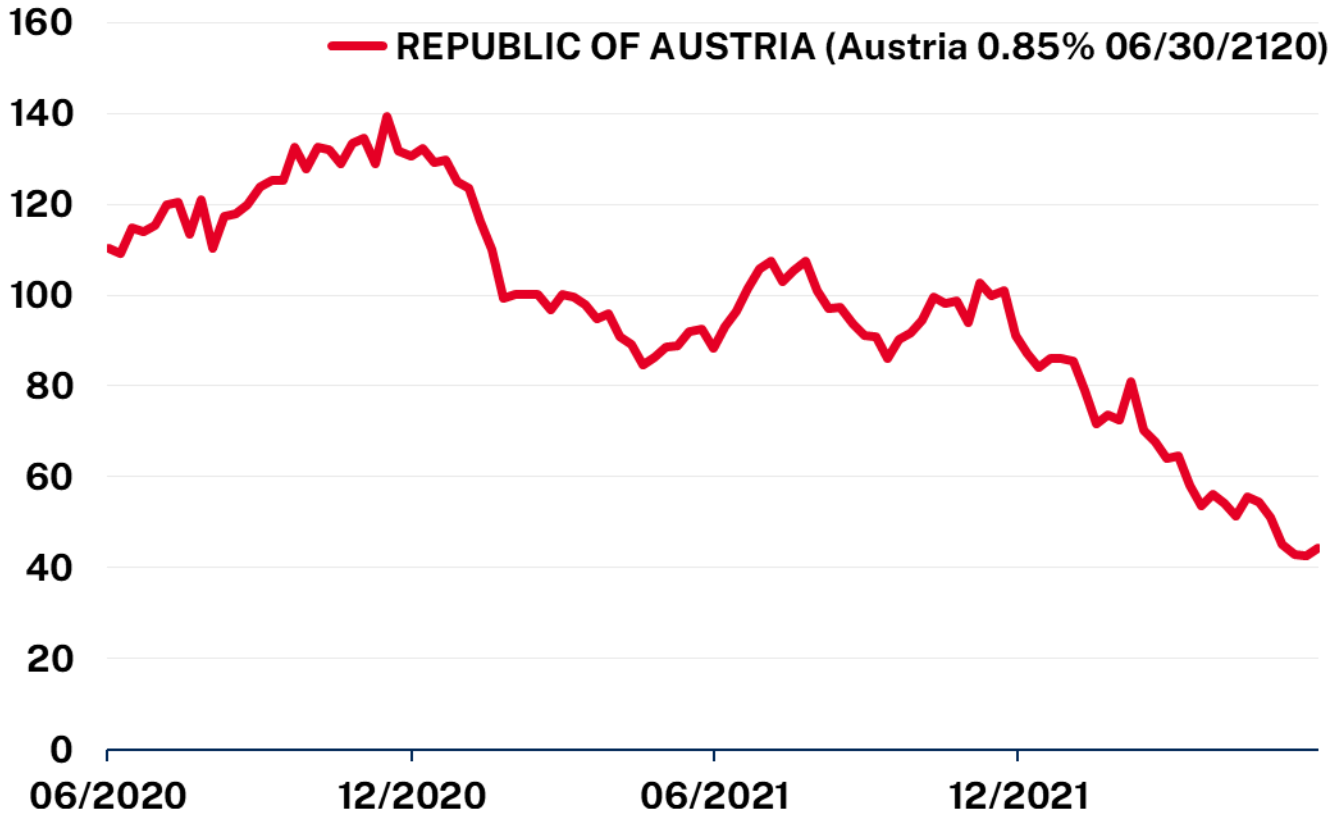
Fixed Income Highlights

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Know Your Fundamentals

Costly mistake to pick a 100-year maturity bond paying 0.85% coupon

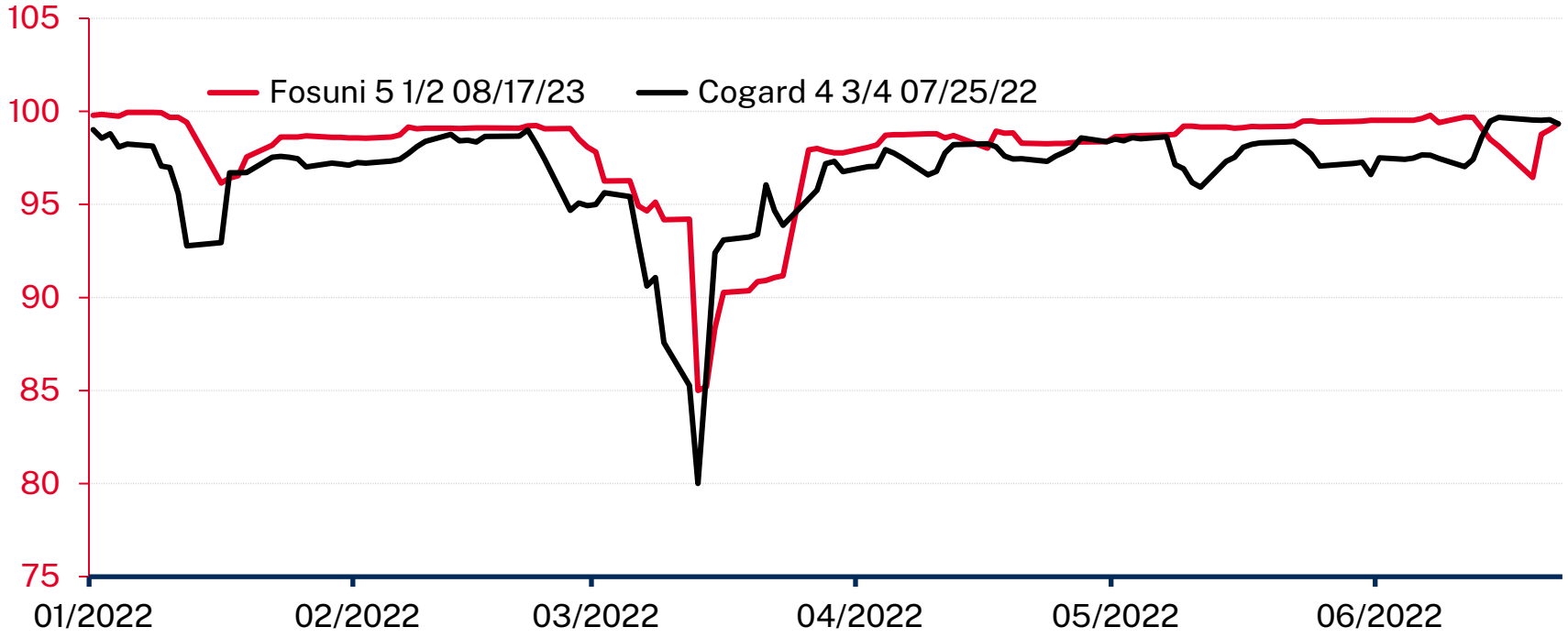


Source: FT.com, Bloomberg , June 2022

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Chinese Companies Downgrades and Buybacks

Moody's put Fosun (Ba3 Negative) on review for downgrade and downgraded Country Garden to HY (Baa3 to Ba1). To boost investor confidence, Fosun made tender offers to fully buy back Fosun 5 ½ 08/17/23 (USD 380 mil) and Fosun 3.3 10/09/22 (EUR 384 mil). Country Garden is also in the process of buying back its last USD bond due in 2022, Cogard 4 ¾ 07/25/22 (USD 272 mil).

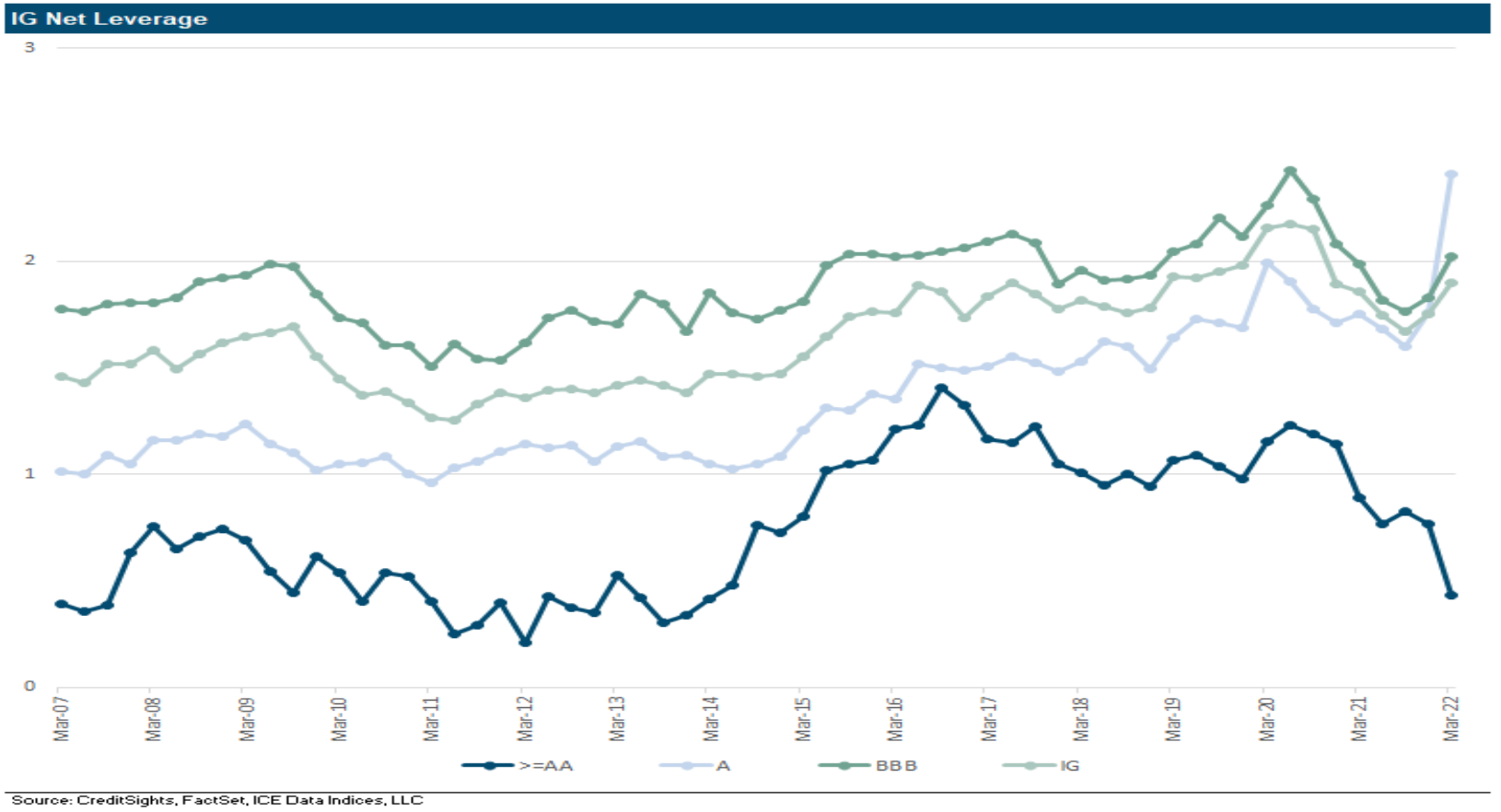


Source: Bloomberg, June 2022

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US Investment Grade Net Leverage

Net borrowing increased over the years taking advantage of the low interest rates

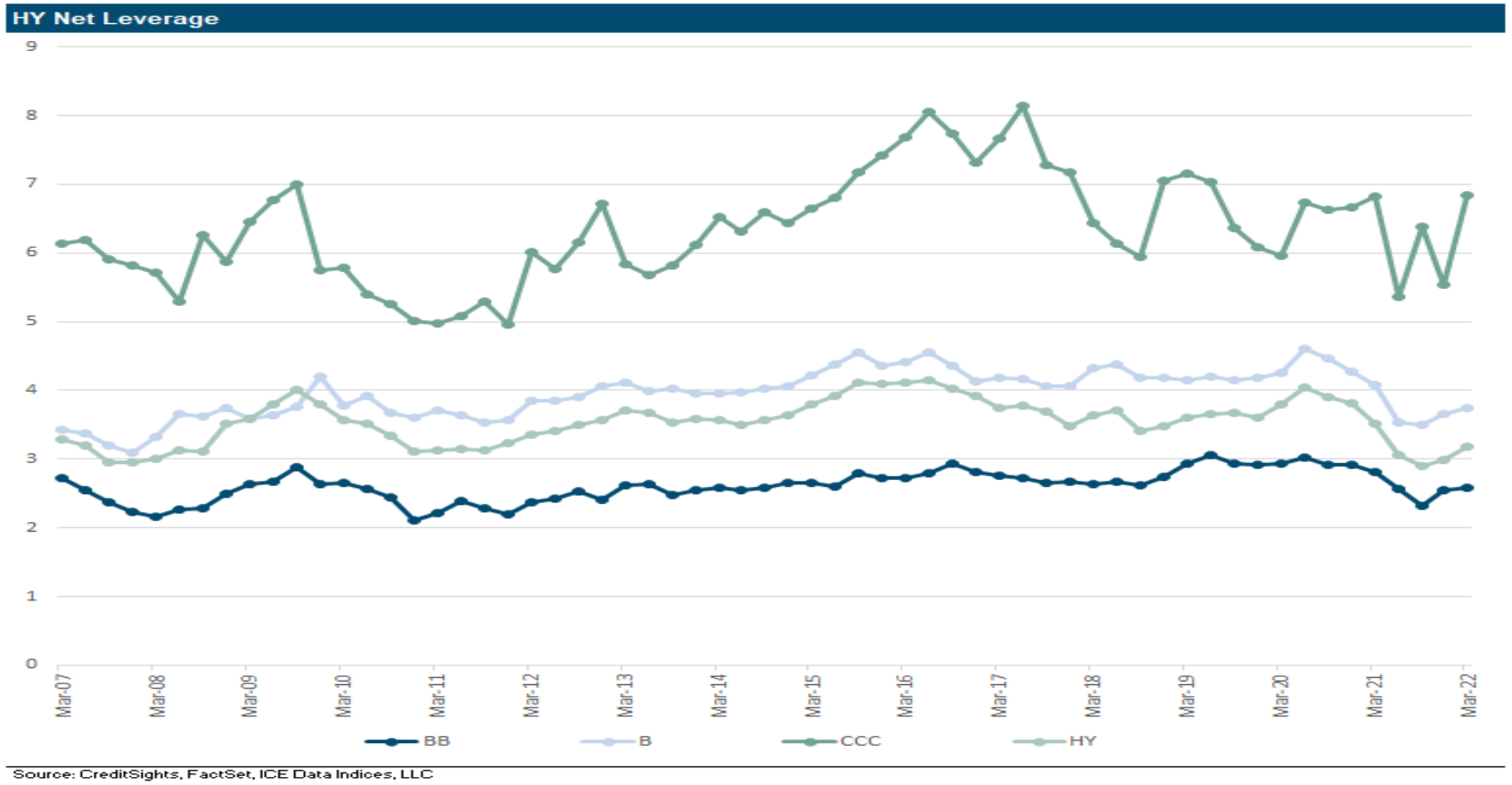


Source: CreditSights , June 2022

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US High Yield Net Leverage

BB is the safest space to be in the high yield universe.



Source: CreditSights, June 2022

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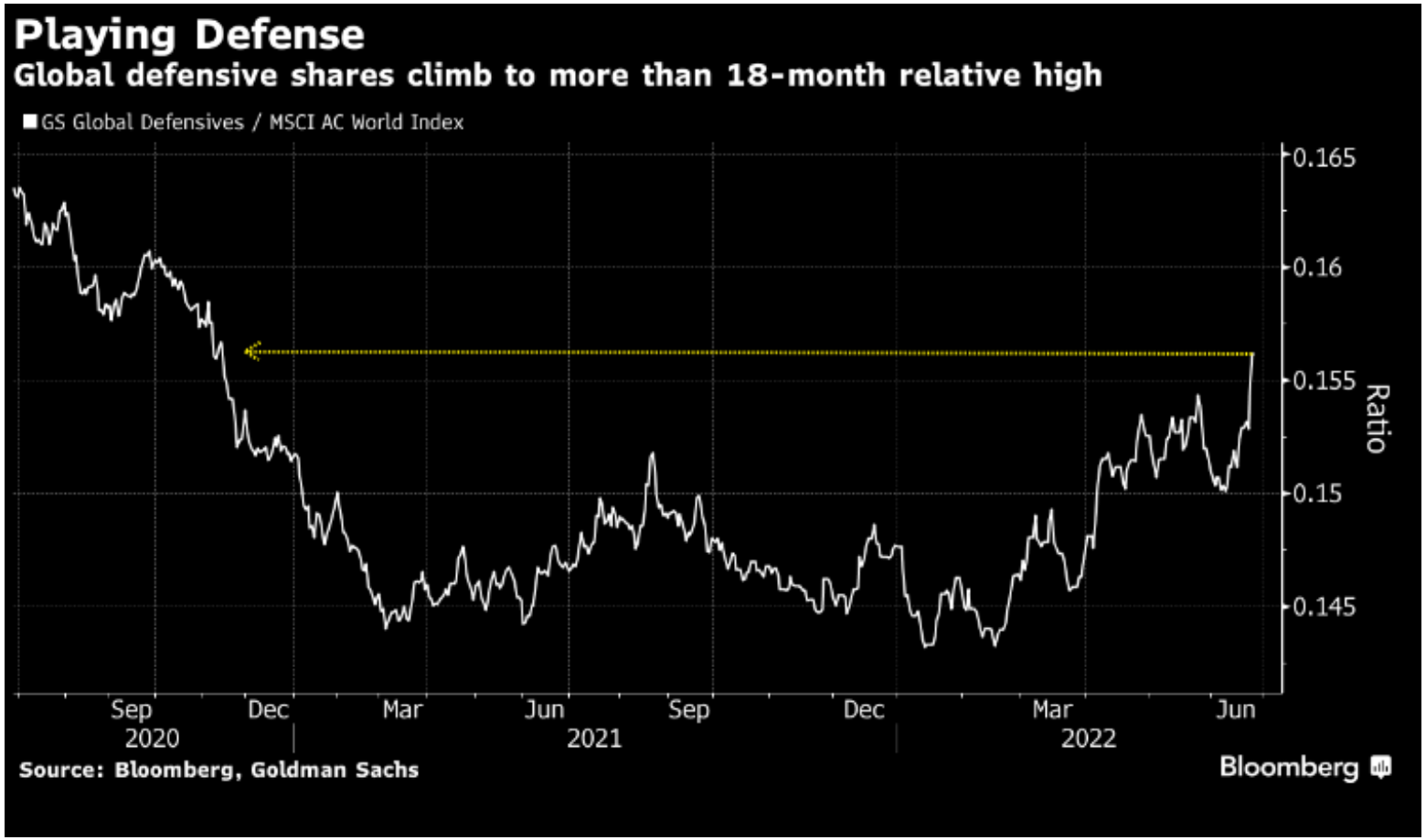
Equities Highlights

3

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Pivot to defensive stocks

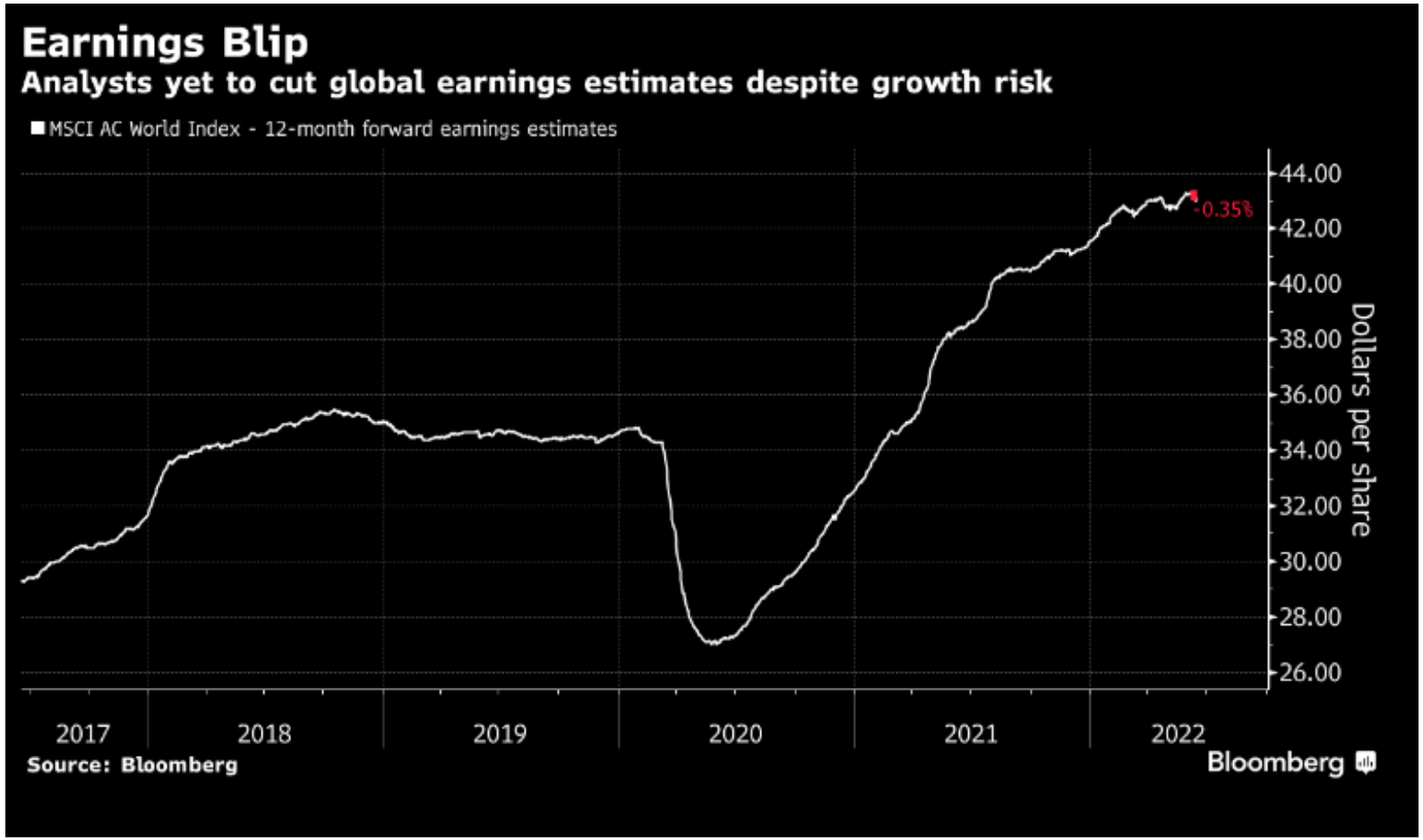
Fears of a global recession are starting to set into the equity markets



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Focus to shift from rate risks to EPS risks

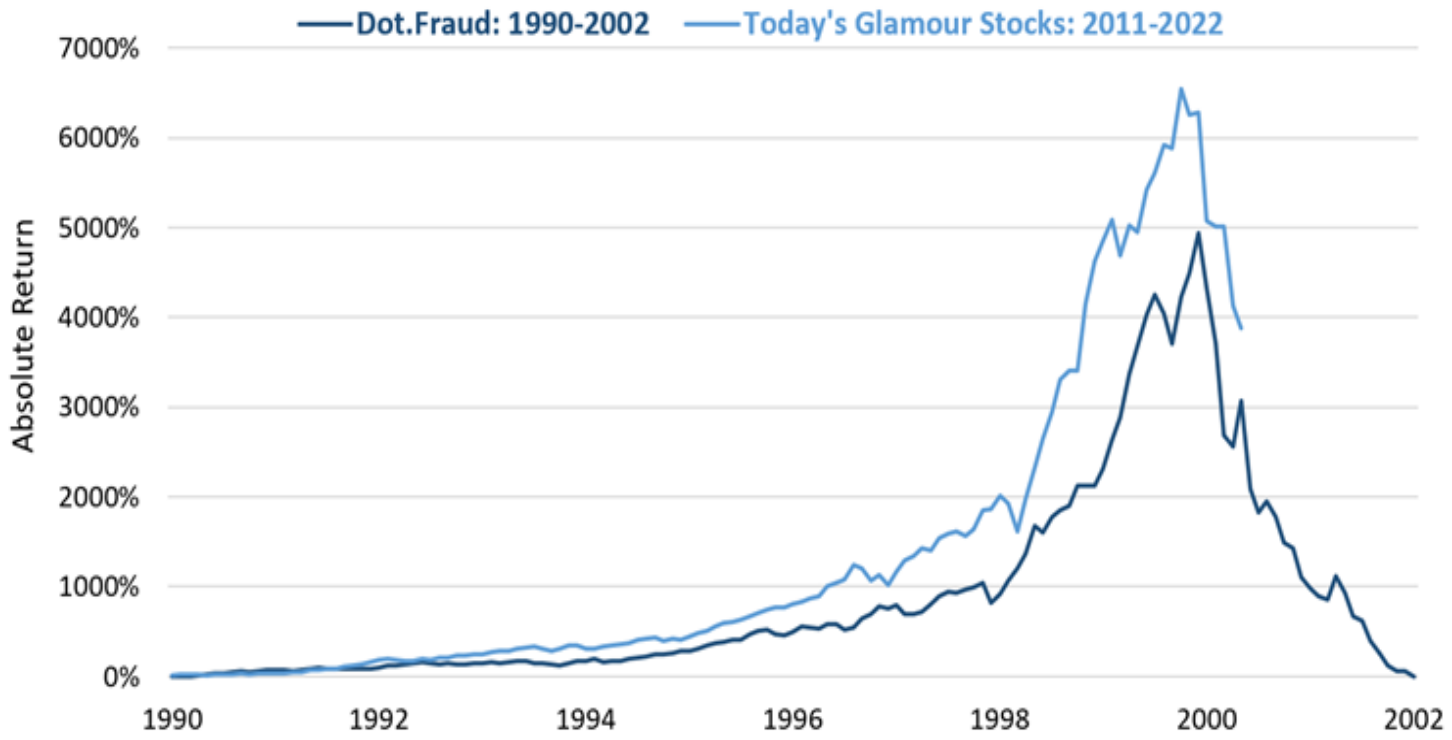
EPS estimates of analysts lag the disappointing global economic indicators



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Deja Vu

Similarities between dot.com bubble and 2022's correction



Dot.Fraud index is composed of 17 fraudulent companies during the dot.com tech bubble.

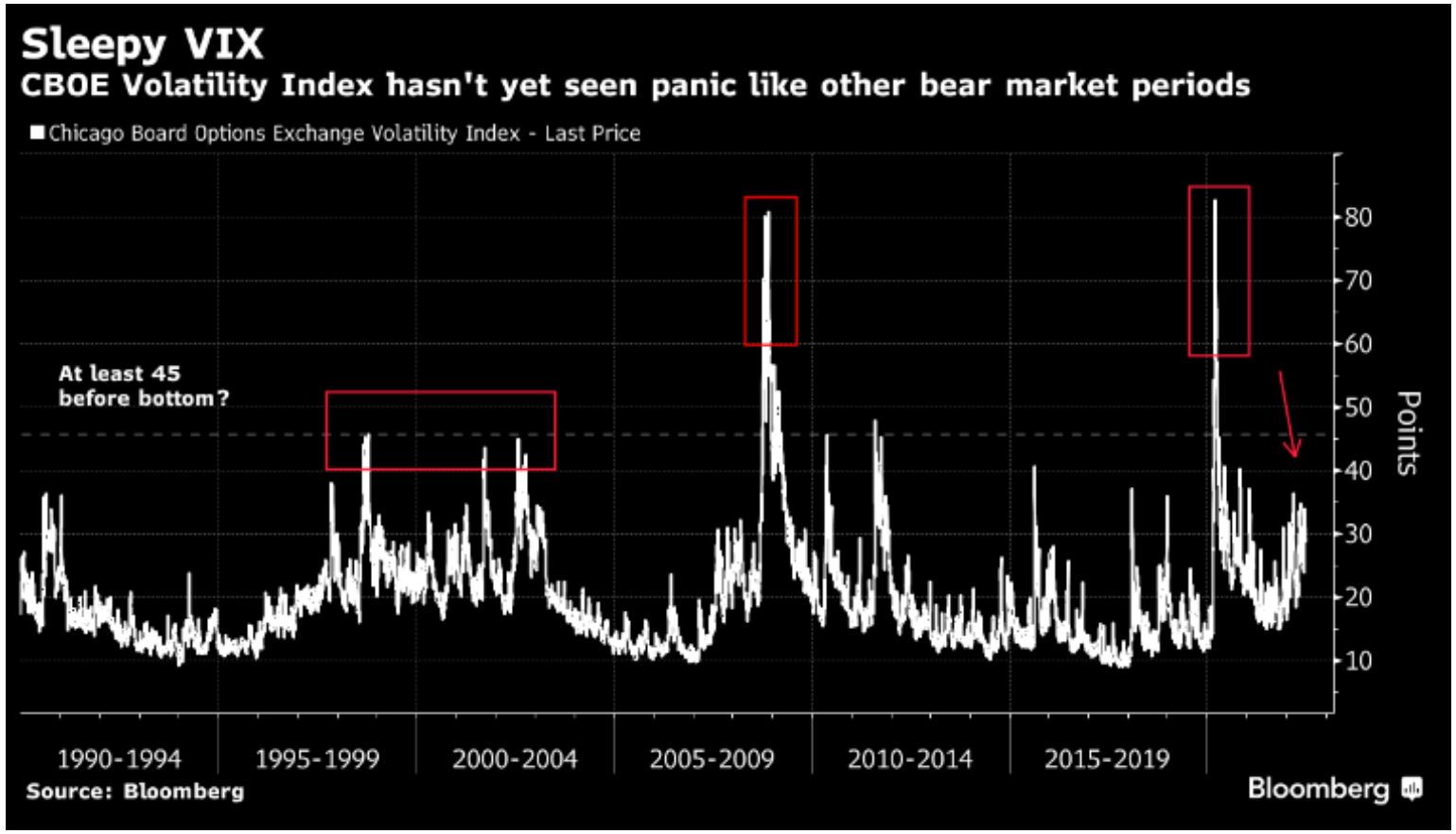
Glamour Stocks index is composed of 51 high growth companies which had both weak accounting standards as well as Price/Sales Ratio above 10x at their 2021's peak

Source: Kailash Research, June 2022

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Fear index at uncharacteristically low levels

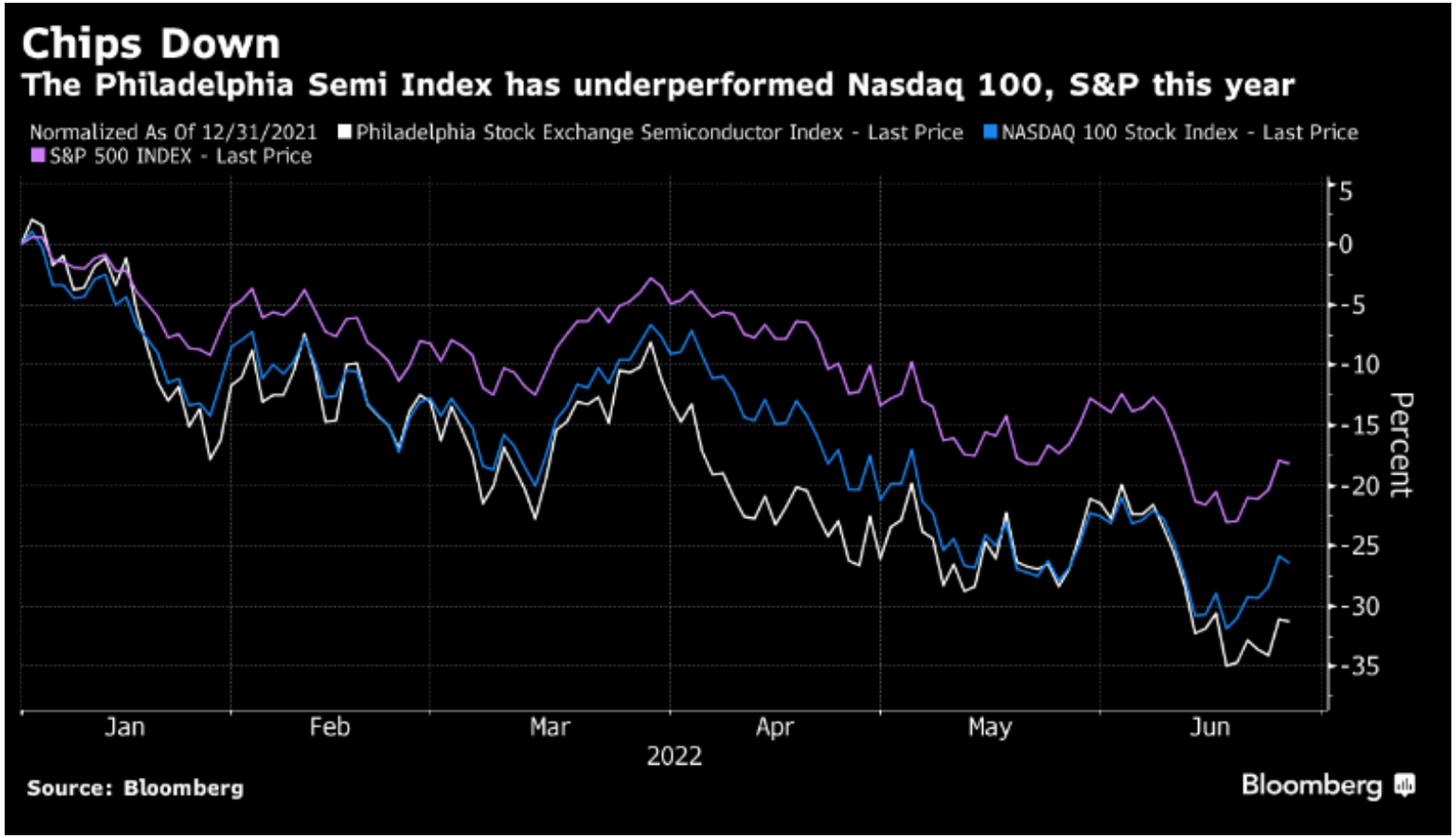
Current reading of 27 is way below the 45 mark that has been breached historically, before the market bottoms out.



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Semiconductor industry – one of the worst hit

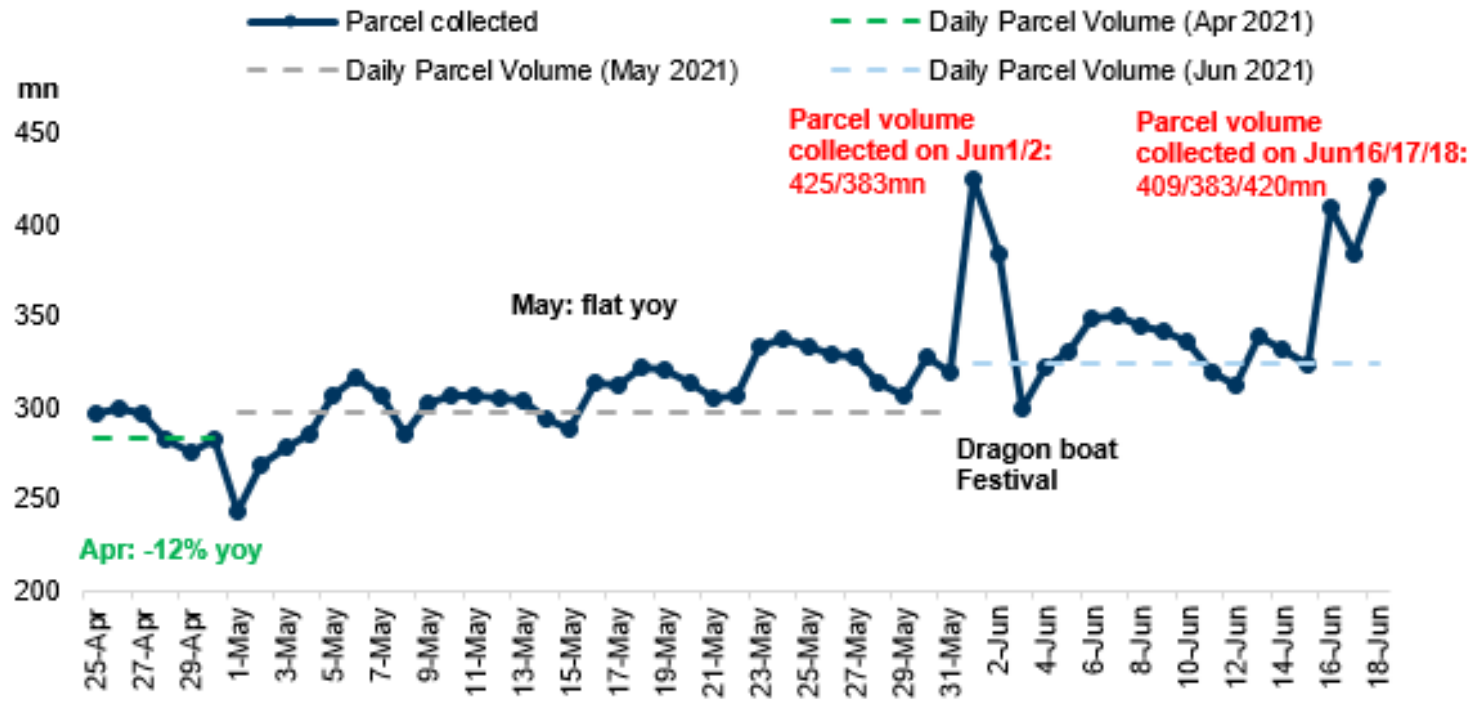
The significant correction in stock prices have resulted in the industry being called the "value" segment of the broader IT industry



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Supportive Results for China's Ecommerce Sector

Online shopping is recovering in June with the Dragon Boat Holiday and the 6·18 (June 18th) Online Shopping Festival.



Source: Goldman Sachs, June 2022

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Equities – Executive Summary

- Last week, **Jerome Powell warned that a US recession is "certainly a possibility"** and that **it'll be "very challenging" to achieve a soft landing.** This week we saw the US GDP growth number supporting that view, with the **GDP contracting 1.6% QoQ,** which was **below market expectations**. Additionally, **core PCE on a QoQ basis came in above expectations, accelerating to 5.2%** compared to the previous reading of 5.1%.

- As mentioned last week, we **continue to be skeptical of the current earnings estimates of the analysts** and expect earnings to miss expectations in the upcoming quarters. We saw this playing out this week, where **Bed bath and Beyond reported a big miss on both the revenue and earnings front**, which resulted in the **stock plunging 23.6%** on Wednesday. We continue to believe that the **bottom for equities, is yet to be reached**.

- The **People's Bank of China pledged to keep monetary policy supportive** to help the nation's economy. It signalled that stimulus would likely focus on **boosting credit rather than lowering interest rates**. The Government also reiterated their aim to achieve **5.5% economic growth** for the year. The CSI 300 index has returned close to 11.5% over the last month, outperforming the S&P 500, which is down 3.9% during the same time period. **We have a "neutral" view on Chinese names as opposed to "avoid".**

Forex, Commodities & Alternatives Highlights

4

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FX, Commodities & Alts – Executive Summary

- The Bank of Japan has renewed its pledge to keep bond yields at zero, sending the yen lower and widening the policy gap with other central banks that have raised interest rates to tame inflation. Speculators are digging in for a battle with the Bank of Japan, as they crank up bets that the global tide of rising inflation will goad the central bank into giving up its effort to keep bond yields close to zero. To defend its yield target, the central bank has so far in June been buying JGBs at a monthly rate of Y20Tn, double the pace seen at the previous peak of bond-buying in 2016, according to Deutsche Bank. The JPY has collapsed to a 25-year low.

- Oil dropped amid recession worries and now trades closer to 100$/barrel (WTI front month at 103.6$). Base metals resumed declines, with copper falling to a 15-month low. Europe must prepare for Russia to completely turn off the natural gas taps this winter, according to IEA chief Fatih Birol. He urged governments to take steps to reduce demand and keep nuclear power stations running.

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