Investment Implications Memo Template

To: Investment Committee
From: Adedeji Bamidele
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Subject: Macroeconomic Trends & Sector Allocation (2025 Outlook)

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1. Executive Summary

This memo summarises key macroeconomic relationships for G7 + BRICS economies (2005–2024) and translates them into actionable investment insights.

Key takeaways:

- GDP growth and unemployment show a strong negative correlation (*Okun's Law*), confirming that economic expansions reduce joblessness.
- The link between inflation and unemployment (*Phillips Curve*) has weakened – inflation is now more sensitive to global trade than domestic labour markets.
- Trade openness has plateaued in advanced economies but continues rising in emerging markets, signalling divergent growth drivers.

Bottom line:

- Favour emerging markets with rising trade integration.
- In recessions (flagged by dashboard), rotate to defensive sectors (healthcare, utilities).
- Monitor inflation shocks via trade flows, not just unemployment.

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2. Analytical Approach

- Data source: World Bank World Development Indicators (2005–2024).
- Countries: G7 (US, Canada, UK, Germany, France, Italy, Japan) + BRICS (Brazil, Russia, India, China, South Africa).

- Indicators: GDP growth, unemployment, inflation, trade openness.
- Methods: Correlation analysis, multiple linear regression, and interactive Tableau dashboard with dynamic filters (recession flag, year range, country selector).

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3. Key Findings

3.1 Correlation Heatmap Insights

- GDP growth vs. unemployment: –0.45 correlation – confirms Okun's Law.
- Inflation vs. unemployment: Near zero Phillips Curve has flattened.
- Trade openness vs. GDP growth: Positive in emerging markets (0.3), near zero in G7 advanced economies are less trade-driven.

3.2 Regression Model (Predicting Inflation)

Predictor	Coefficient	P-value	Interpretation
Intercept	2.1	0.001	Baseline inflation
GDP growth	0.3	0.02	Faster growth adds inflationary pressure
Unemployment	–0.5	0.01	Higher unemployment reduces inflation
Trade Openness	0.1	0.15	Positive but not statistically significant

Model performance: $R^2 = 0.42$, RMSE = 1.8%. Inflation remains difficult to predict – non-domestic factors (energy, supply chains) matter.

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4. Investment Implications

4.1 Regional Allocation

Region	Trend	Implication
G7	Trade openness stagnant	Favour domestic-oriented sectors (financials, consumer staples)
BRICS	Trade openness rising	Overweight exporters, industrials, commodities

4.2 Sector Strategy by Regime

Use the dashboard's Recession Flag filter (`Unemployment > 8.5% and GDP growth < 2%`):

- Recession periods: Defensives (healthcare, utilities) outperform 6–12 months after recession starts.
- Expansion periods: Cyclicals (tech, consumer discretionary) benefit.

4.3 Inflation Hedge

With trade openness gaining influence on inflation, consider:

- Commodity producers when trade growth accelerates.
- Inflation-linked bonds if trade-driven inflation persists.

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5. Dashboard Highlights

The interactive Tableau dashboard allows you to:

- Filter by country to compare G7 vs. BRICS.
- Slide years to see pre- vs. post-2008 dynamics.
- Toggle recession flag to isolate crisis periods.
- Hover over correlation heatmap for exact values.

Public link:
https://public.tableau.com/app/profile/bamidele.adedeji/viz/GlobalEconomicTrendsDashboard_17710085108260/GlobalEconomicTrendsDashboard?publish=yes