

interest rate: $\text{spread} \downarrow$ $\text{int'l spread} \downarrow$ $\text{int'l spread} \uparrow$

exchange rate: 原则: 一个国家的货币升值, 一个国家的货币贬值.

当一国利率下降: 短期内: 资本outflow, 套利 \Rightarrow 货币贬值
 长期内: $\text{int'l} \downarrow$, 投资 \uparrow , 产出 \uparrow , $\text{PPP} \uparrow \Rightarrow$ 货币升值.

\Rightarrow 经济低增长 equity 中买 fixed income
 \Rightarrow 或多买 high yield equity 中买 small cap 和 EMER.

Economic Cycles & Asset Class Returns

Recovery

- Rates still low/falling
- Inflation still low/falling
- YC steepens
- Unemployment high
- Inventories low \Rightarrow Inv/sales ratio 高
- Capex rising
- Profits bottom & rise
- Credit spreads tighten
- IP rising

Mid

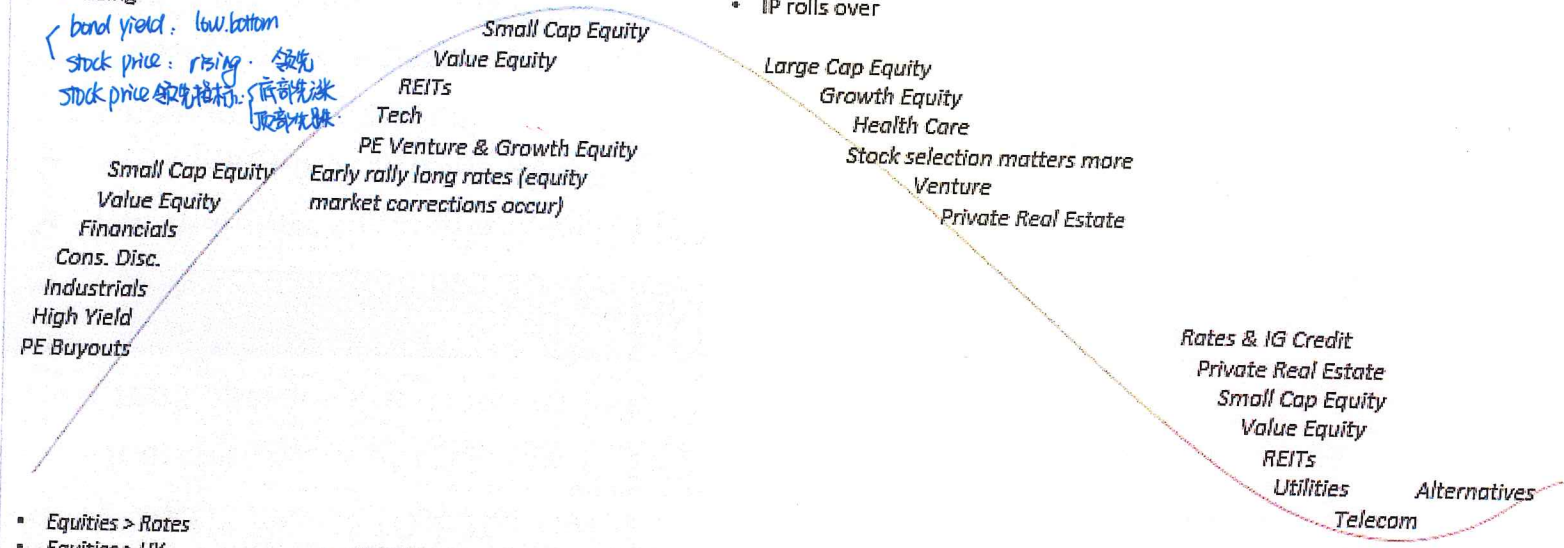
- Rates rise slowly
- Inflation rising
- YC flattens
- Unemployment falling
- Inventories rising
- Capex accelerates
- Profits accelerate
- IP rebounds/peaks

Late

- Rates rising/peak
- Inflation rising
- YC flat or inverted
- Unemployment falling/bottom
- Inventories rising/peak
- Capex rising/peak
- Profits rising/peak
- Credit spreads widen
- IP rolls over

Contraction

- Rates falling
- Inflation falling
- Unemployment rising
- Inventories falling
- Capex falling/bottom
- Profits falling
- IP falling



- Equities > Rates
- Equities > HY
- SC > LC $\text{small cap} > \text{large cap}$
- Value > Growth
- Financials and CD outperform due to low rates
- Publics > Alternatives

- SC > LC
- Value > Growth
- REITs outperform w/ SCV
- Equity market correction
- Early rally long rates
- Financials, Industrials, Materials, Tech outperform

- LC > SC
- Growth > Value
- Rally long rates
- SCV/REITs underperform
- Int'l > US

- Rally long rates
- HY > Equities
- SC > LC
- Value > Growth
- Alternatives > Publics

yield curve: $\text{short term rate} < \text{long term rate}$
 利率比长期高, 先行指标

yield $\text{ST} > \text{LT}$

Asset Class Performance & Inflationary Regimes

Deflationary

Stagflationary

Inflation Between 0% - 5%

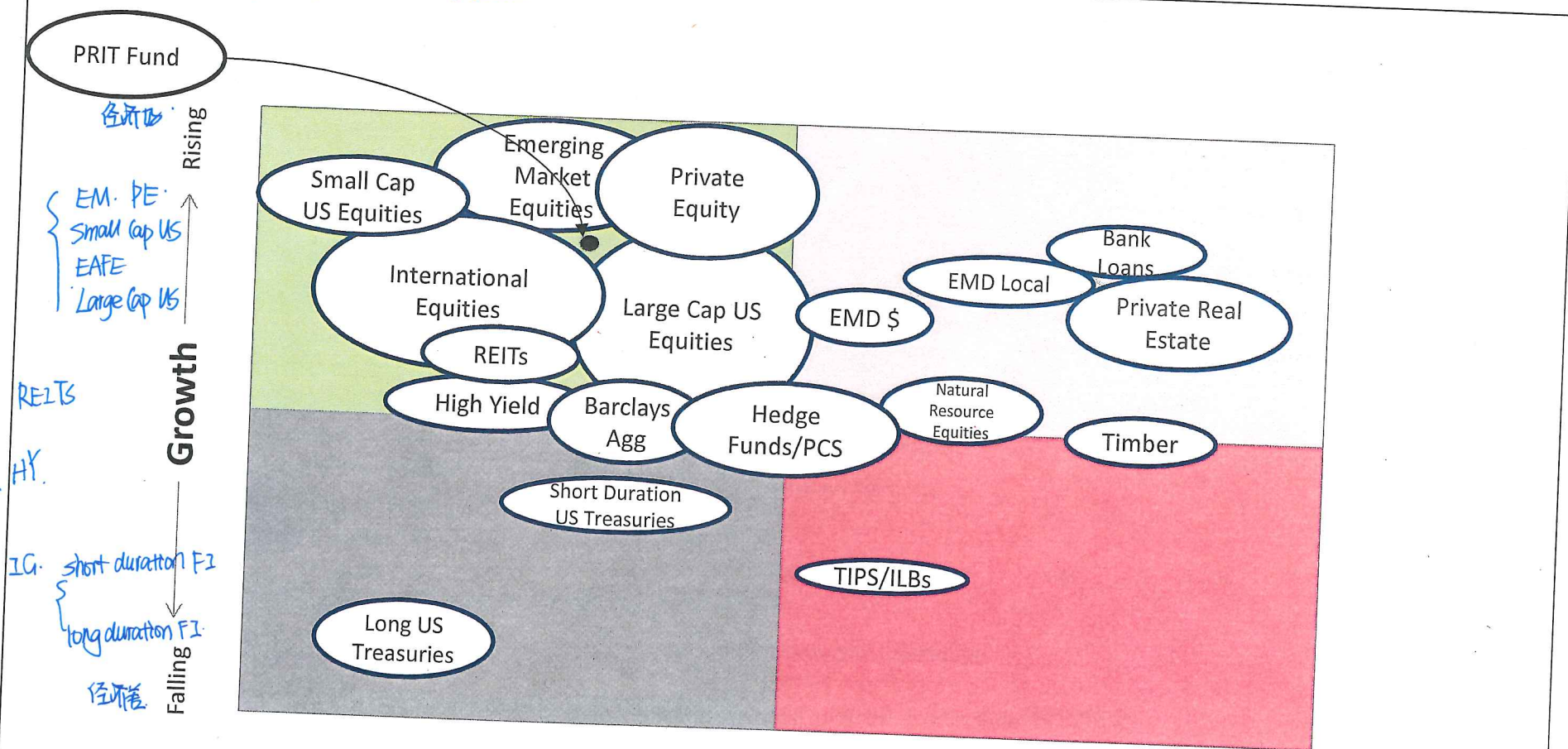
High Inflation (Over 5%) + Growth

If:

port mgt =

经济不好 \Rightarrow 利率 $\downarrow \Rightarrow$ 利率 $\downarrow \Rightarrow$ interest $\downarrow \Rightarrow$ PV bond $\uparrow \Rightarrow$ duration \uparrow
 经济好 \Rightarrow 利率 $\uparrow \Rightarrow$ interest $\uparrow \Rightarrow$ PV bond $\downarrow \Rightarrow$ duration \downarrow

(因为此时对 port 有利, 所以让自己多 expose 一些) 买 bond 时买入短期利率产品

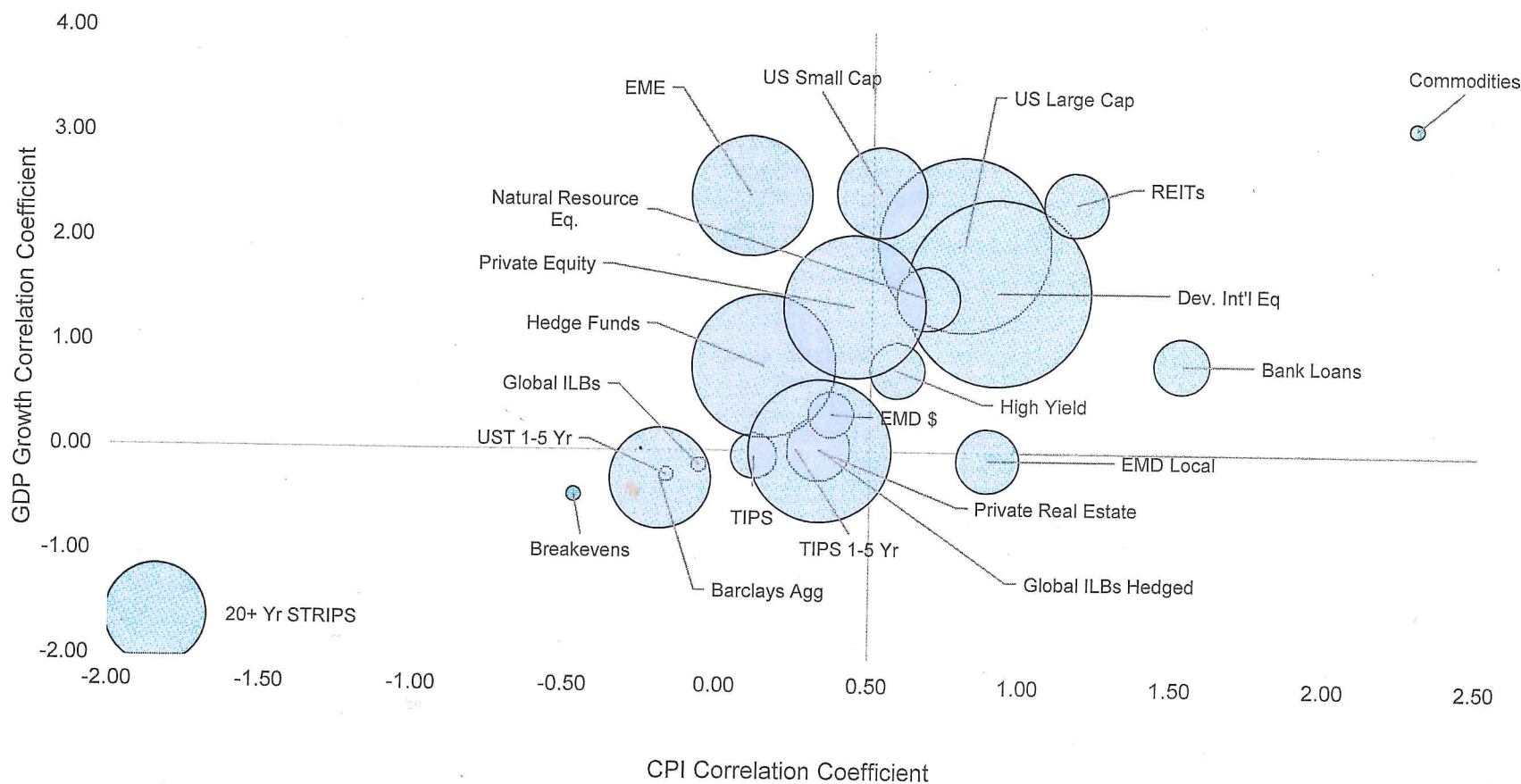


Negative
PENSION RESERVES
INVESTMENT
 MANAGEMENT BOARD



Asset Class Sensitivity to Growth & Inflation

Asset Class Sensitivity to Growth & Inflation



- Quarterly data since 2000.
- Doesn't include stagflationary time periods. Homogeneous time period - narrow distribution of CPI/GDP

