

TINA is too popular

Equity valuations could eclipse dot-com levels

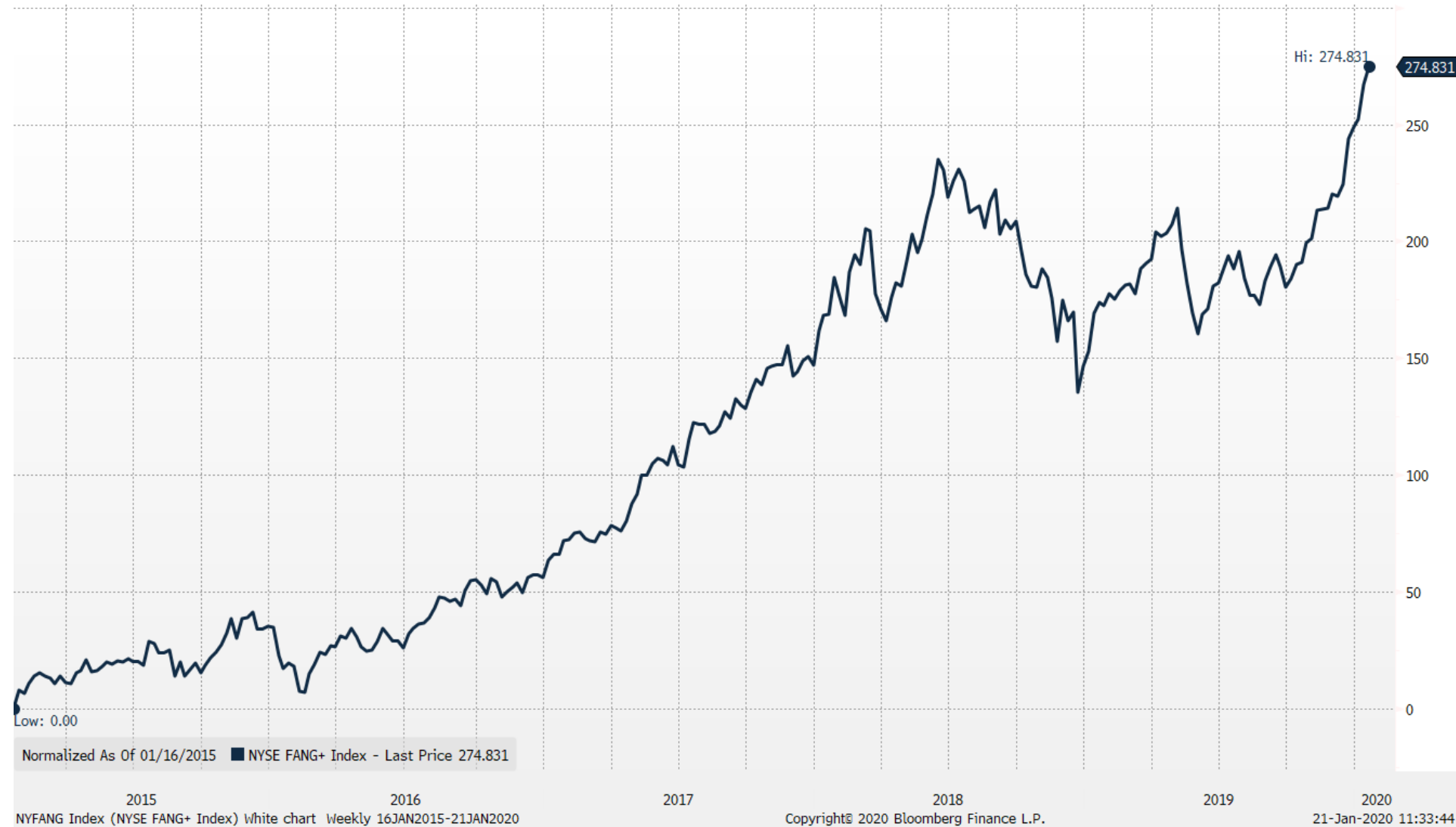
TINA – “There is no alternative” is the dominating narrative in equities



Source: Saxo Group

The FANG+ Index is accelerating in an unhealthy sign

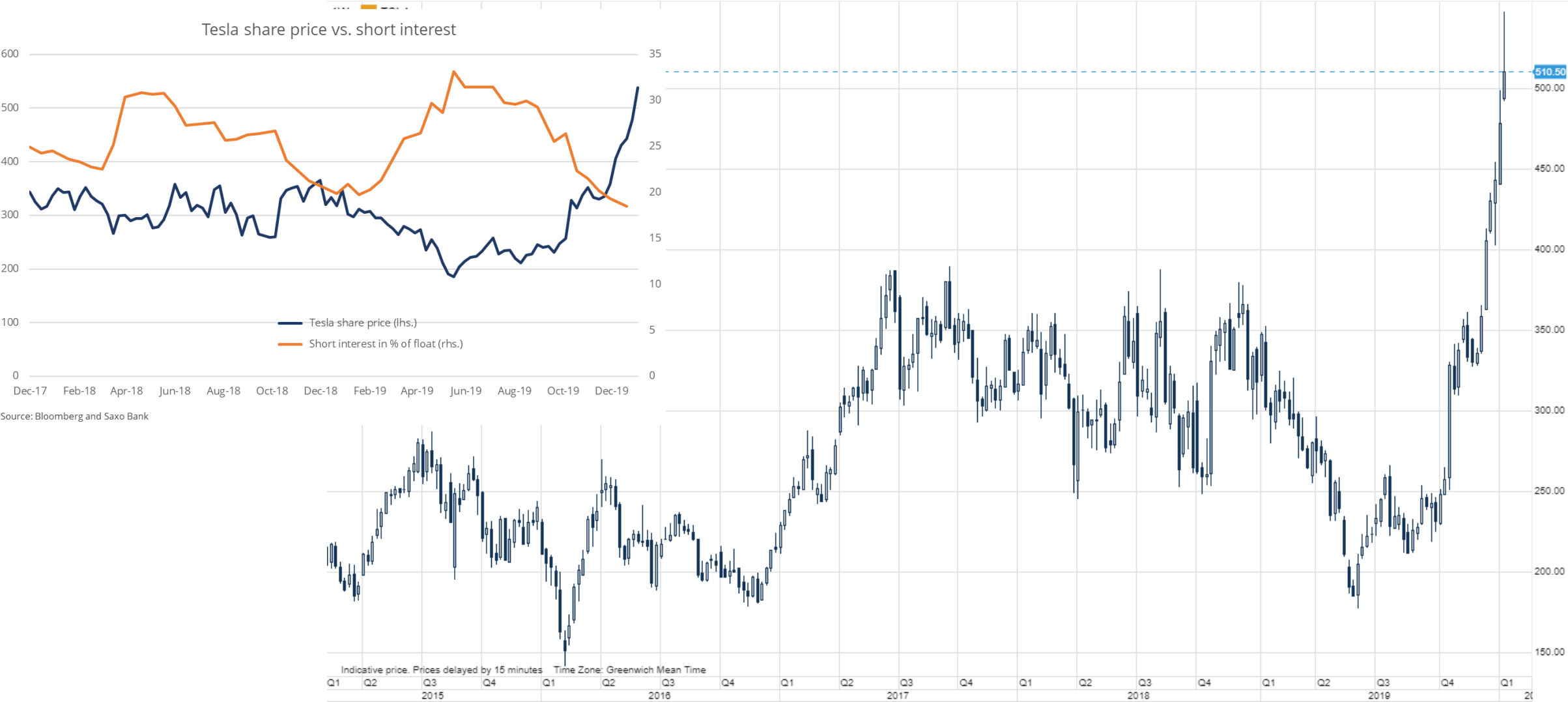
Mimicking the January 2018 run-up before the big volatility crash



Source: Bloomberg

A lot of heavily shorted stocks such as Tesla are experiencing epic short squeezes

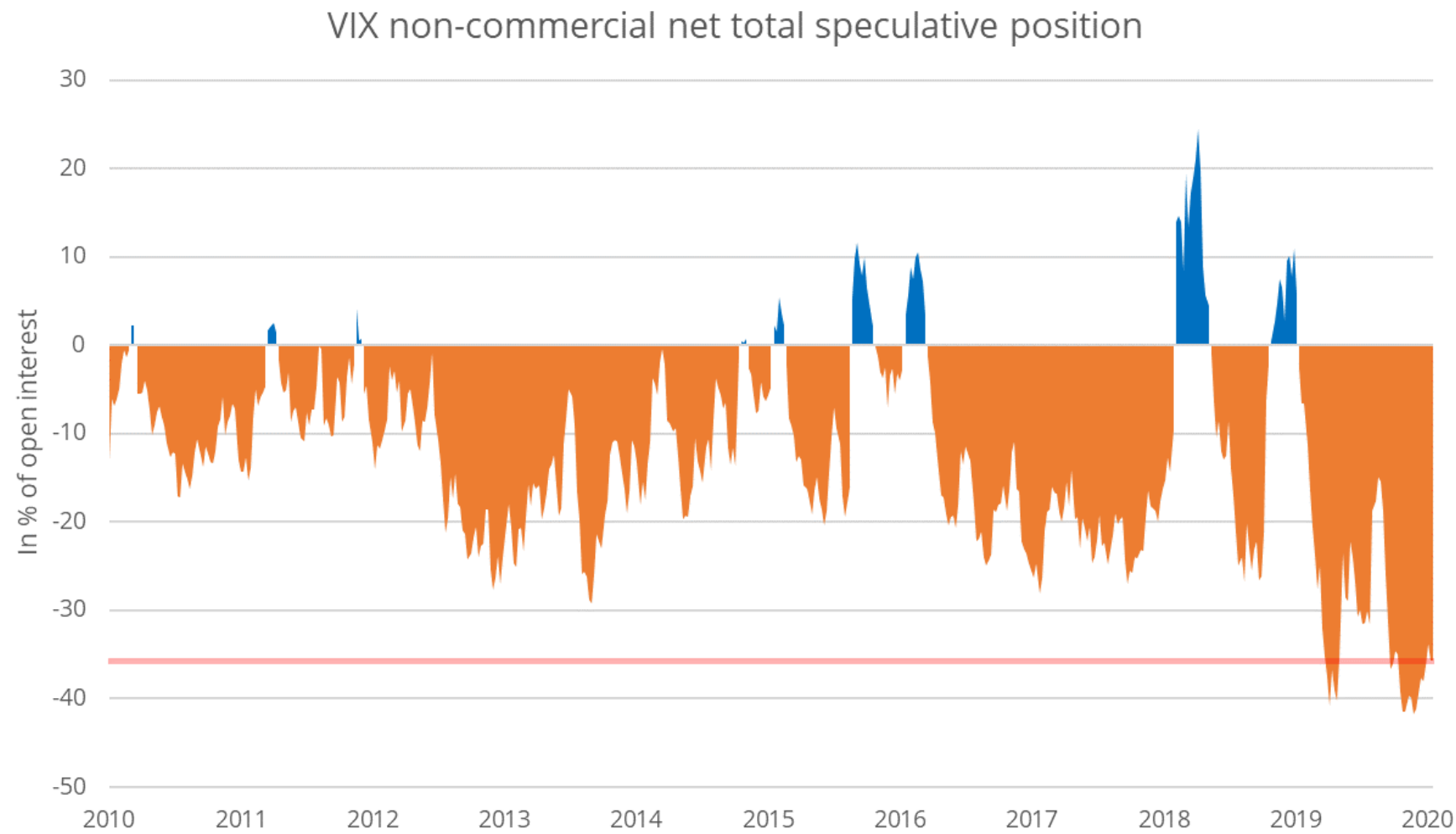
Another classic sign that the market is destabilizing in the short term



Source: Saxo Group

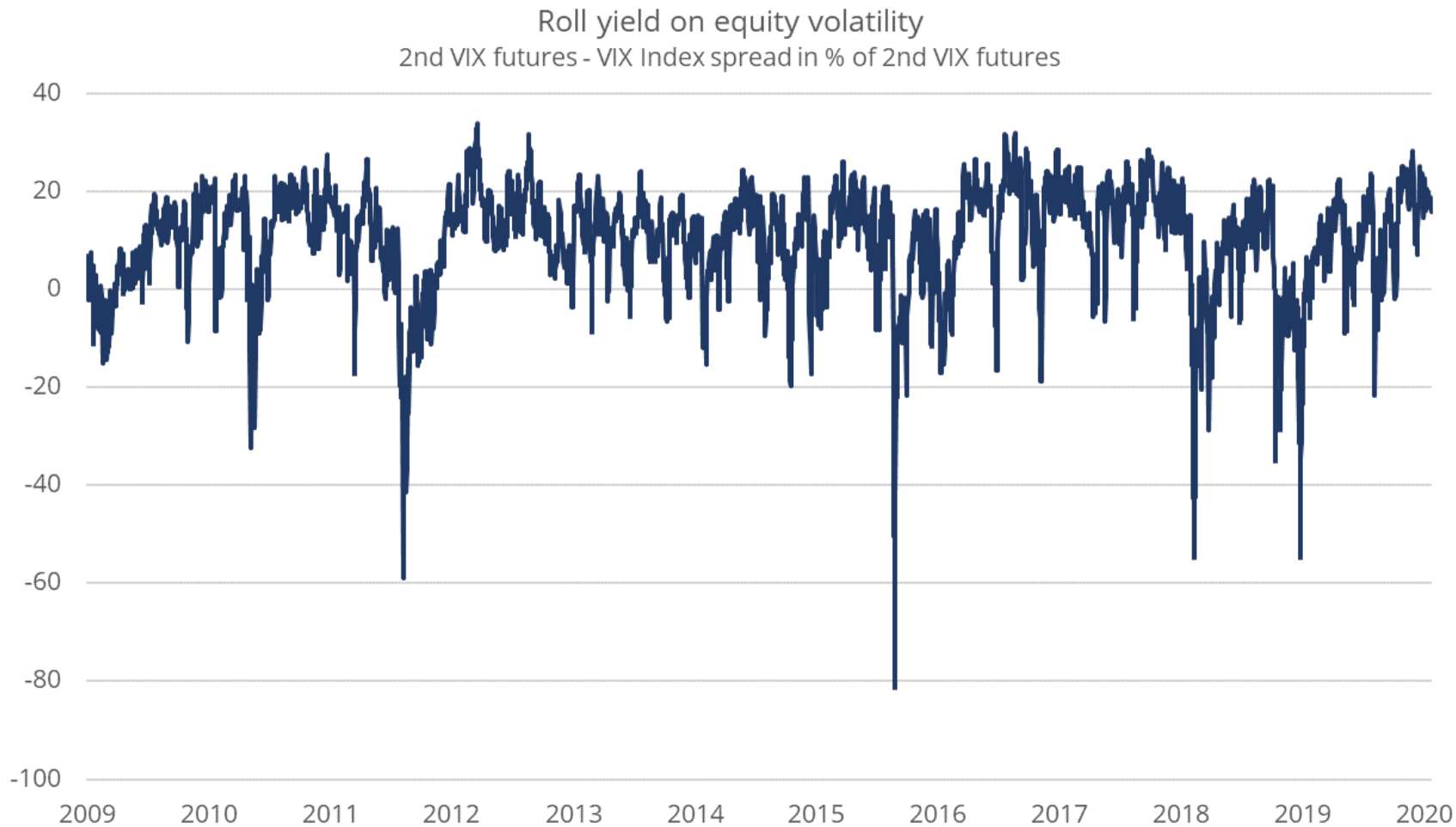
Net short positioning in VIX is getting cut somewhat

Smart money expecting pain ahead?



Forward curve in VIX futures are not sending any distress signals yet...

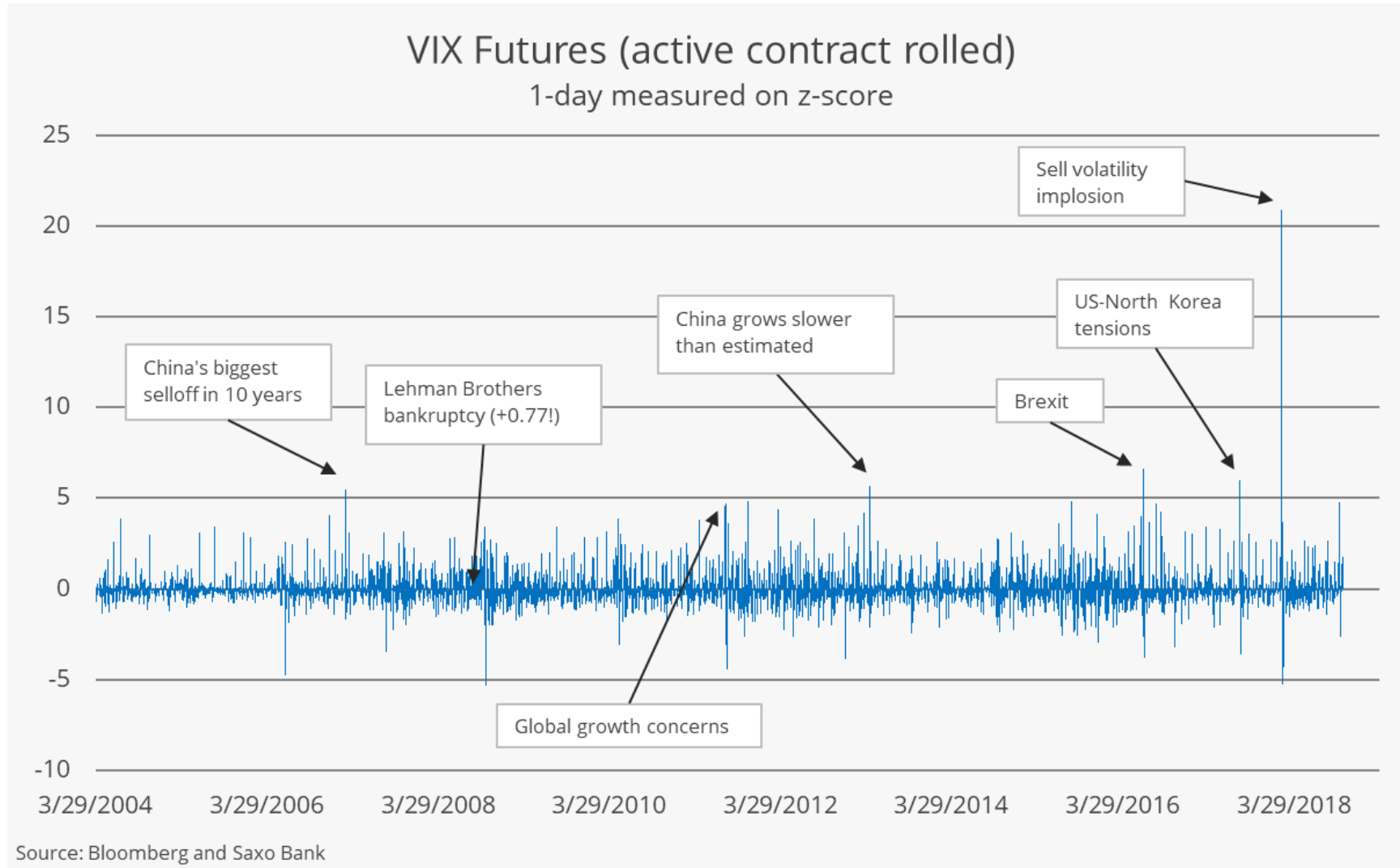
Short VIX futures strategy up 67% since 1 January 2019



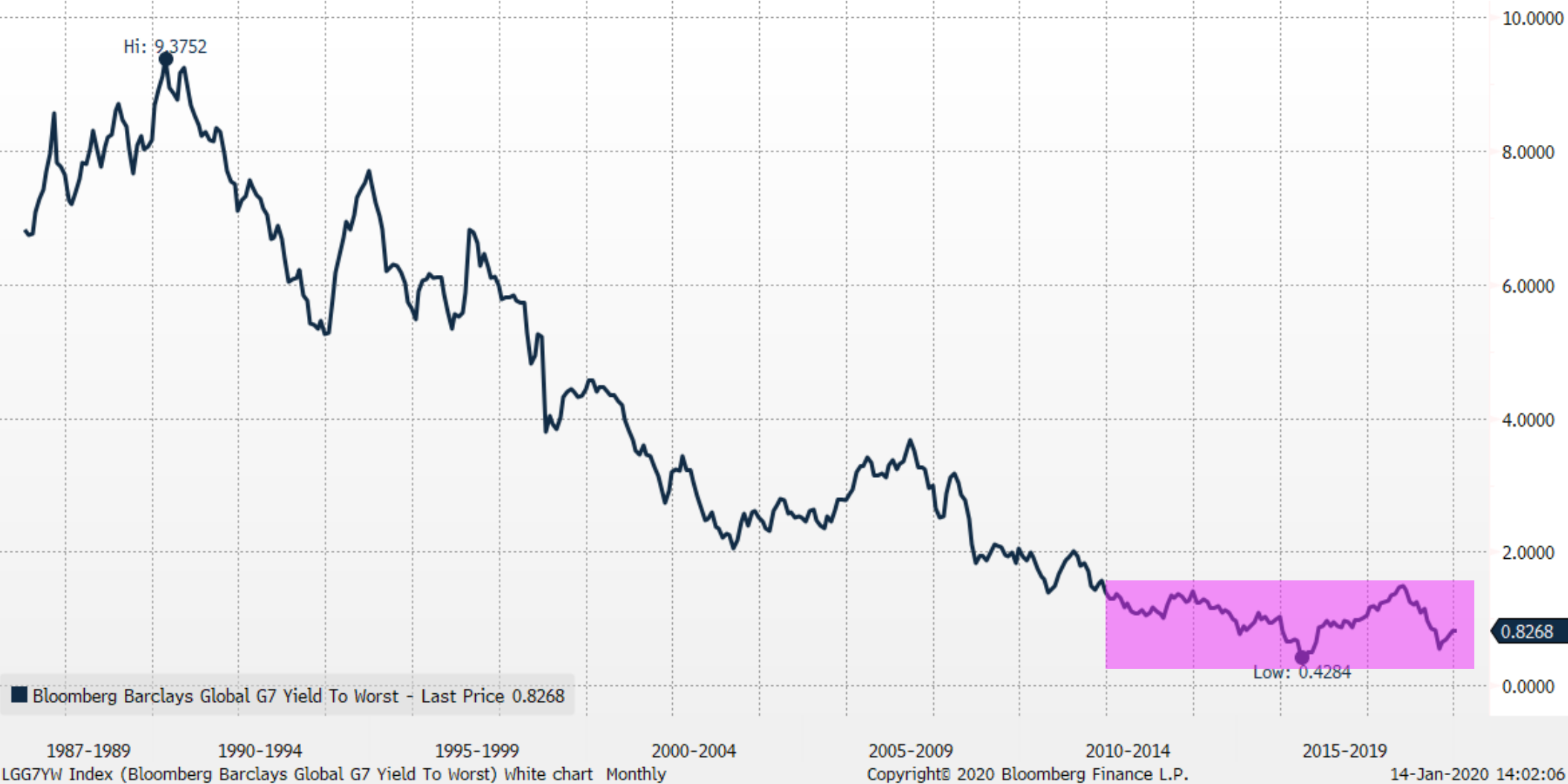
Source: Bloomberg and Saxo Bank

Remember 5 February 2018?

The VIX futures (front month) had a 21 standard deviation move...

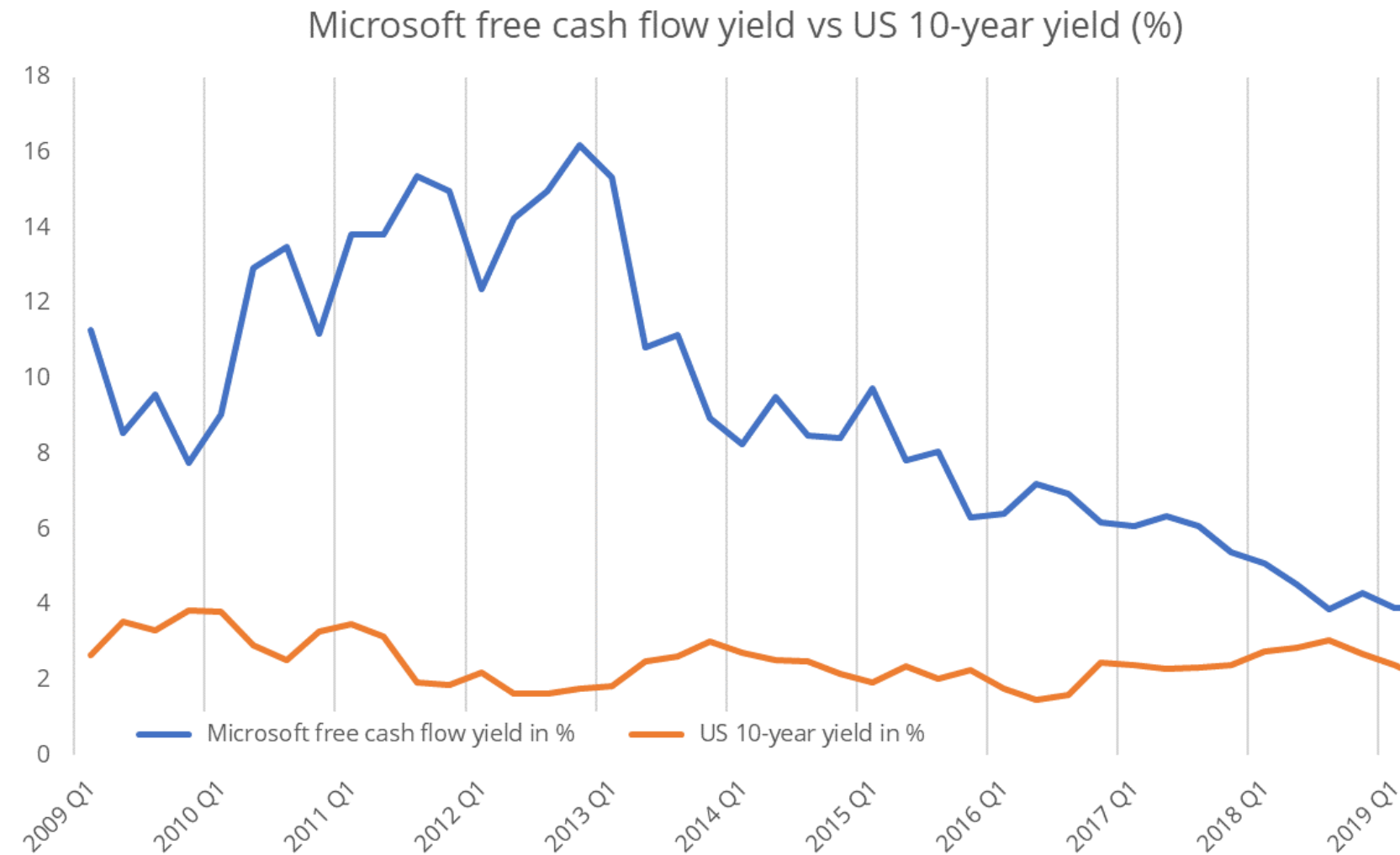


TINA is driven by low global interest rates and anchoring of investor expectations



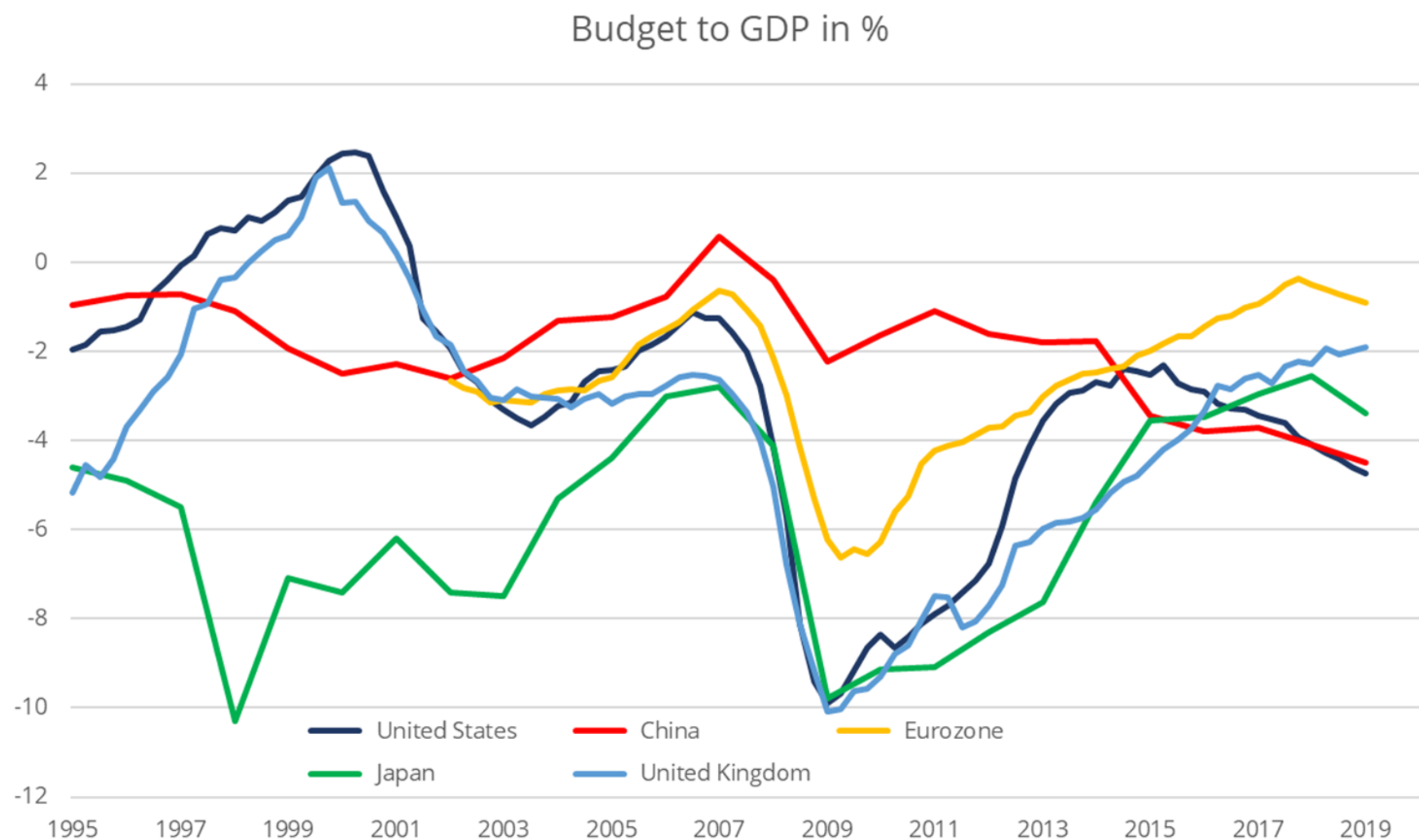
Source: Bloomberg

Technology monopolies and low interest rates



Source: Bloomberg and Saxo Bank

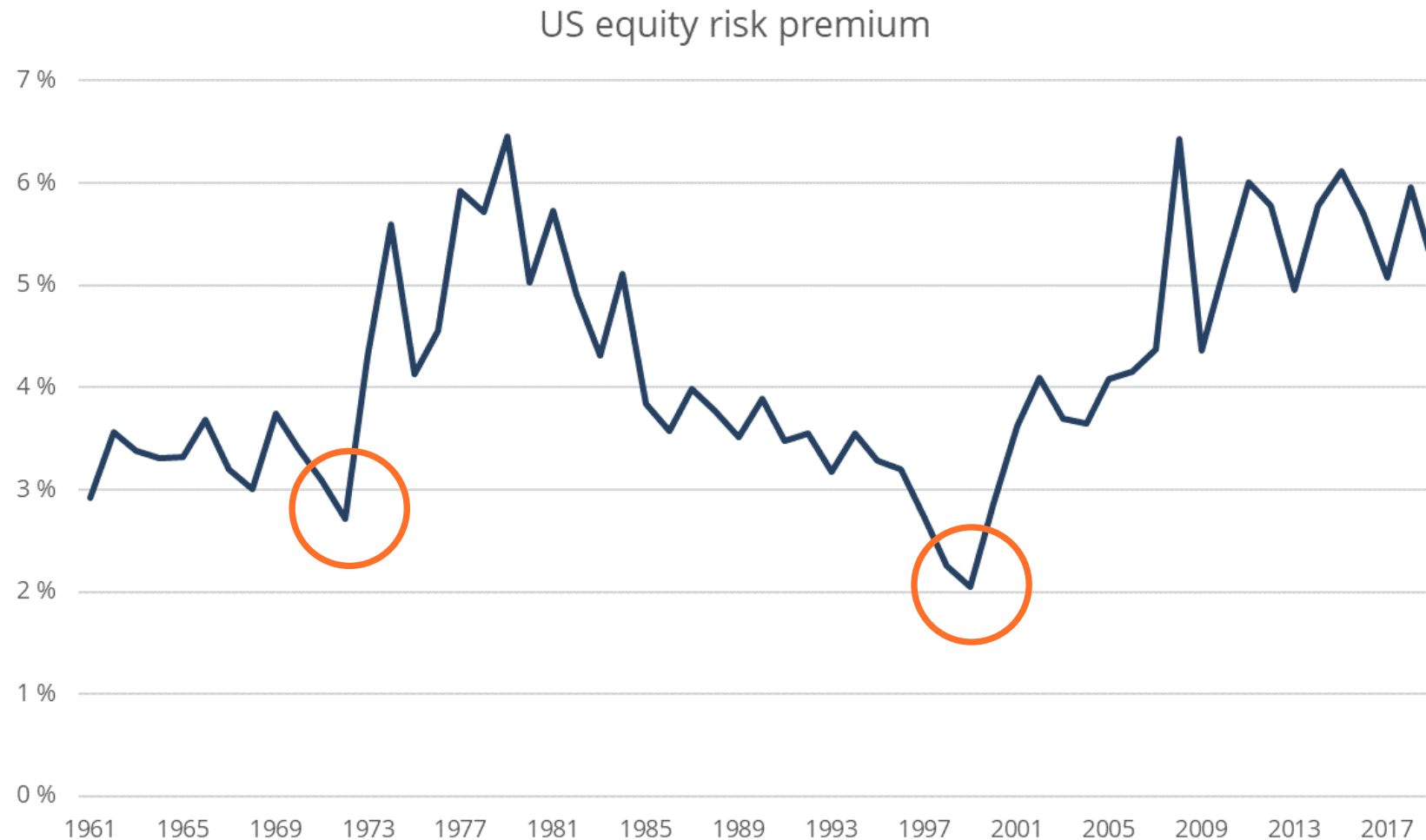
Fiscal impulse will increase in 2020 due to economic slowdown and climate



Source: Bloomberg and Saxo Bank

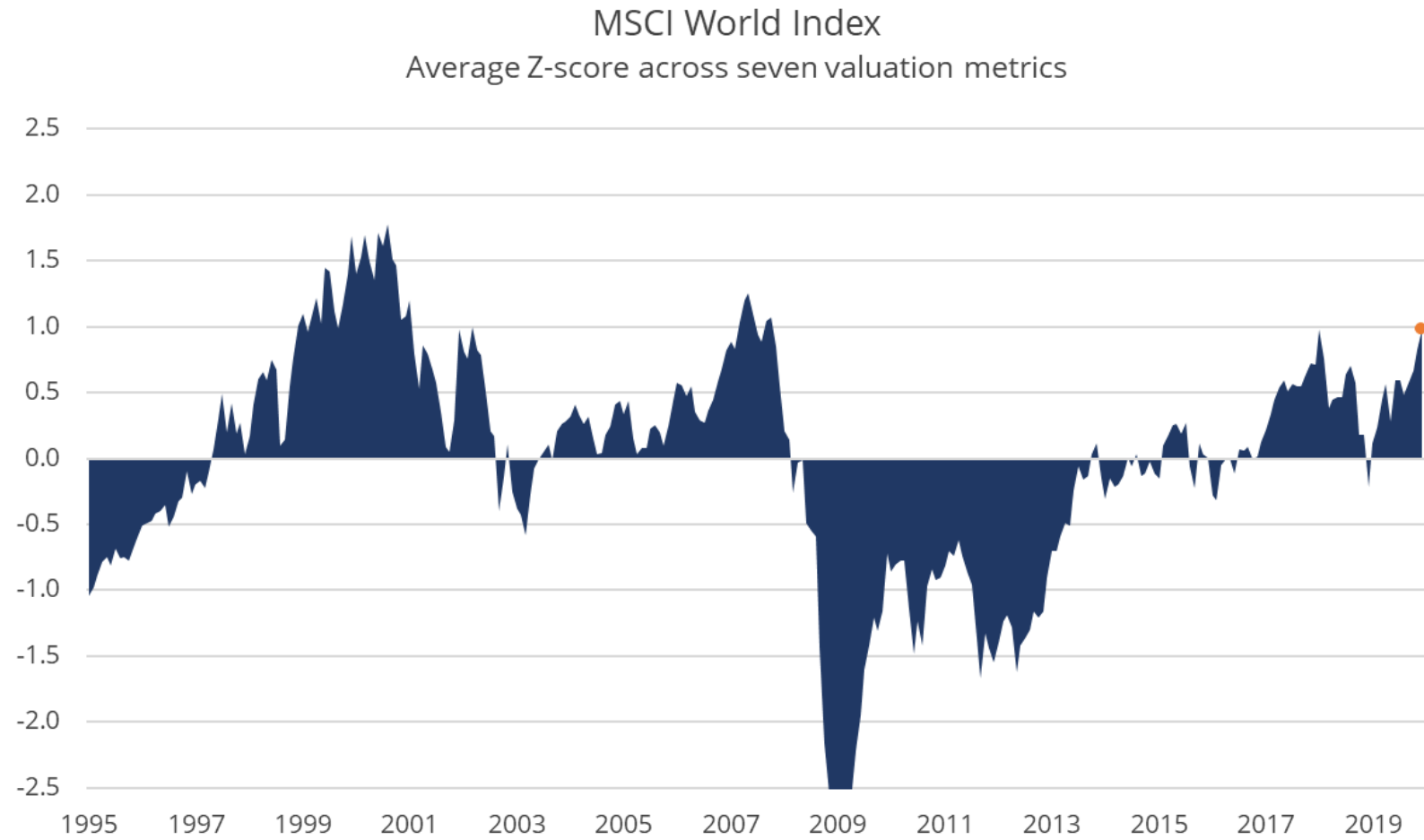
US equity risk premium remains elevated due to low rates

In other words, if rates remains at current levels equities will go much higher



Source: Aswath Damodaran (<http://pages.stern.nyu.edu/~adamodar/>)

Global equity valuations are the highest in 13 years but could go much higher
Inflation and recession is the biggest risk, but recession risk is way down from August



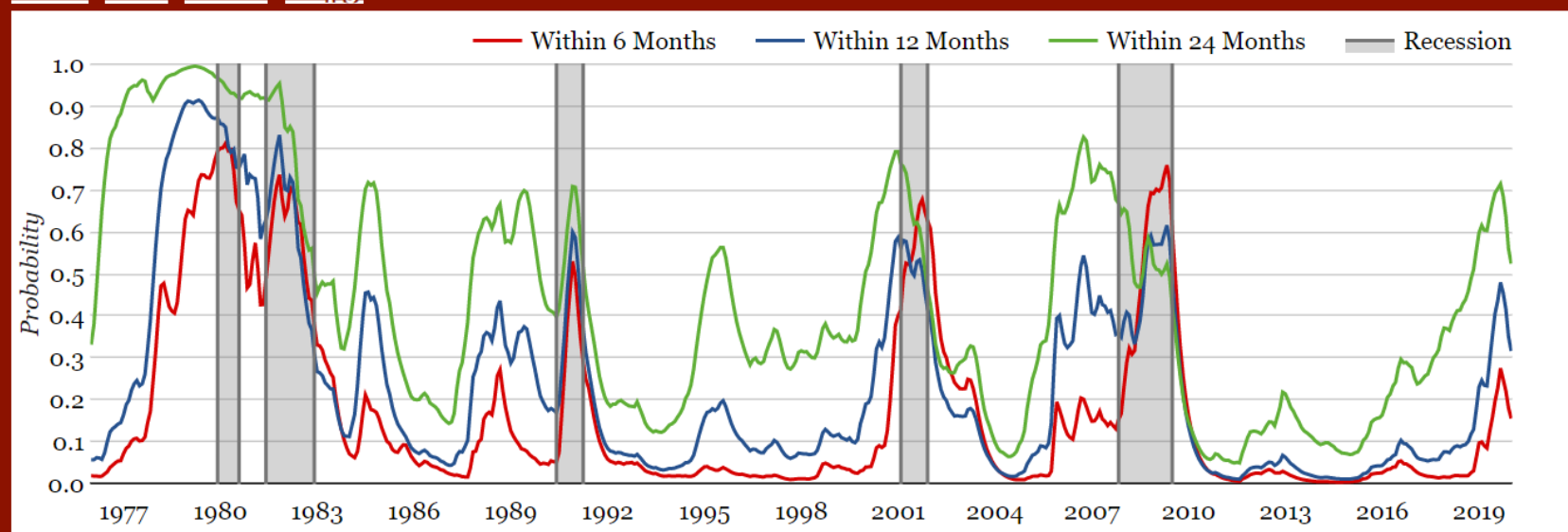
Source: Bloomberg and Saxo Bank

Recession probability peaked in August 2019

But the probability is still 32% for a recession within the next year

Recession Probabilities

[Print](#) [CSV](#) [Excel](#) [Copy](#)



Current values (January 7, 2020):

* Within 6 months: 15.5%

* Within 12 months: 31.6%

* Within 24 months: 52.4%

Source: Terrence Zhang <https://terrencez.com/recession-predictor-chart/>

Inflation is the key thing to watch for in 2020

Could inflation finally be arriving?

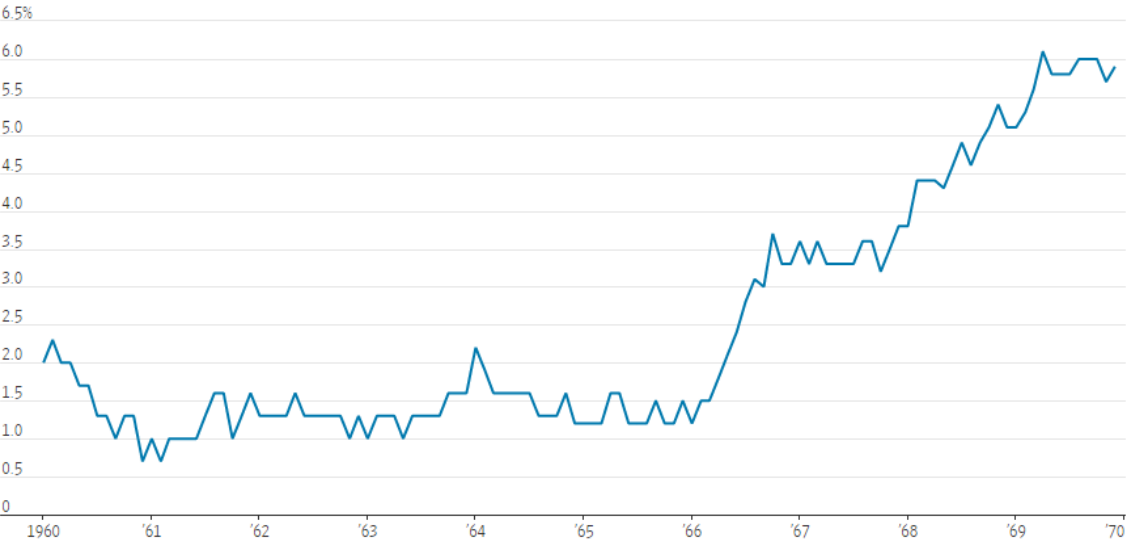
MARKETS | HEARD ON THE STREET

Expect the Unexpected When It Comes to Inflation

Most policy makers and economists forecast inflation will stay low in the year ahead. But predictions don't always come true.

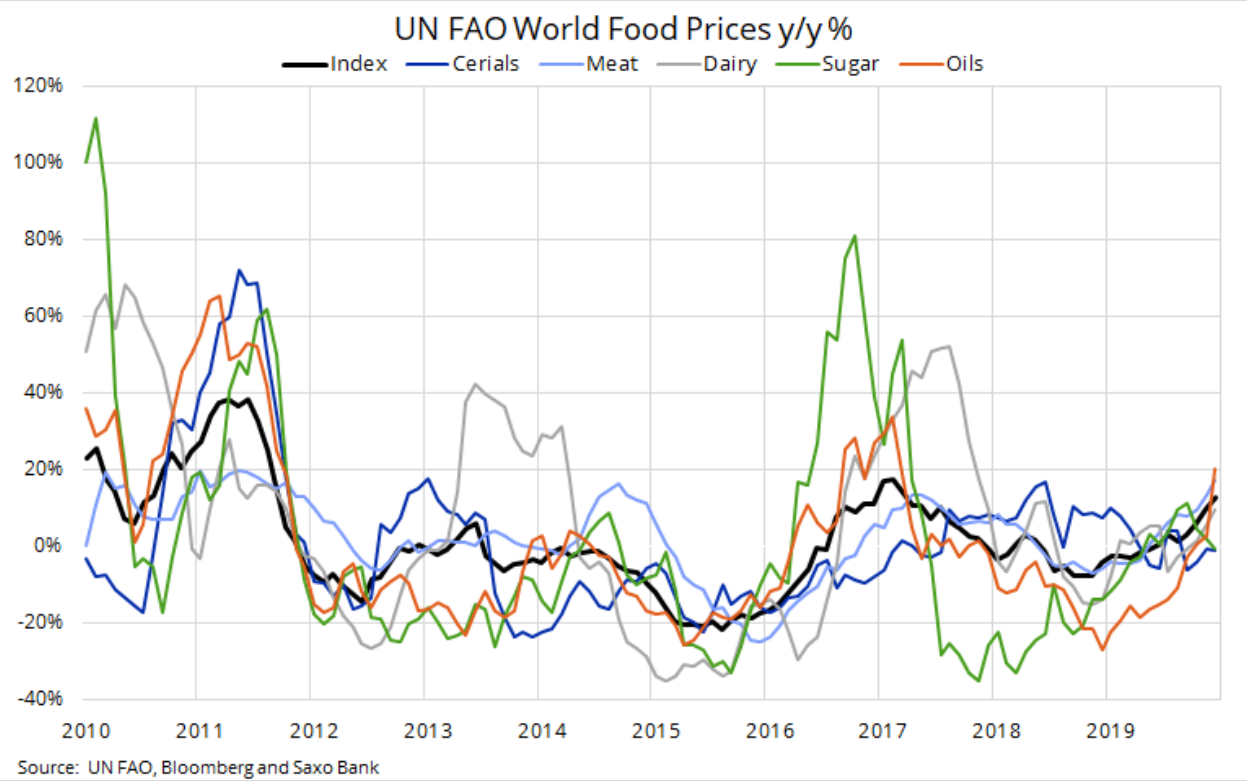
Phase Shift

Change in consumer prices, excluding food and energy items, from a year earlier



Source: Labor Department

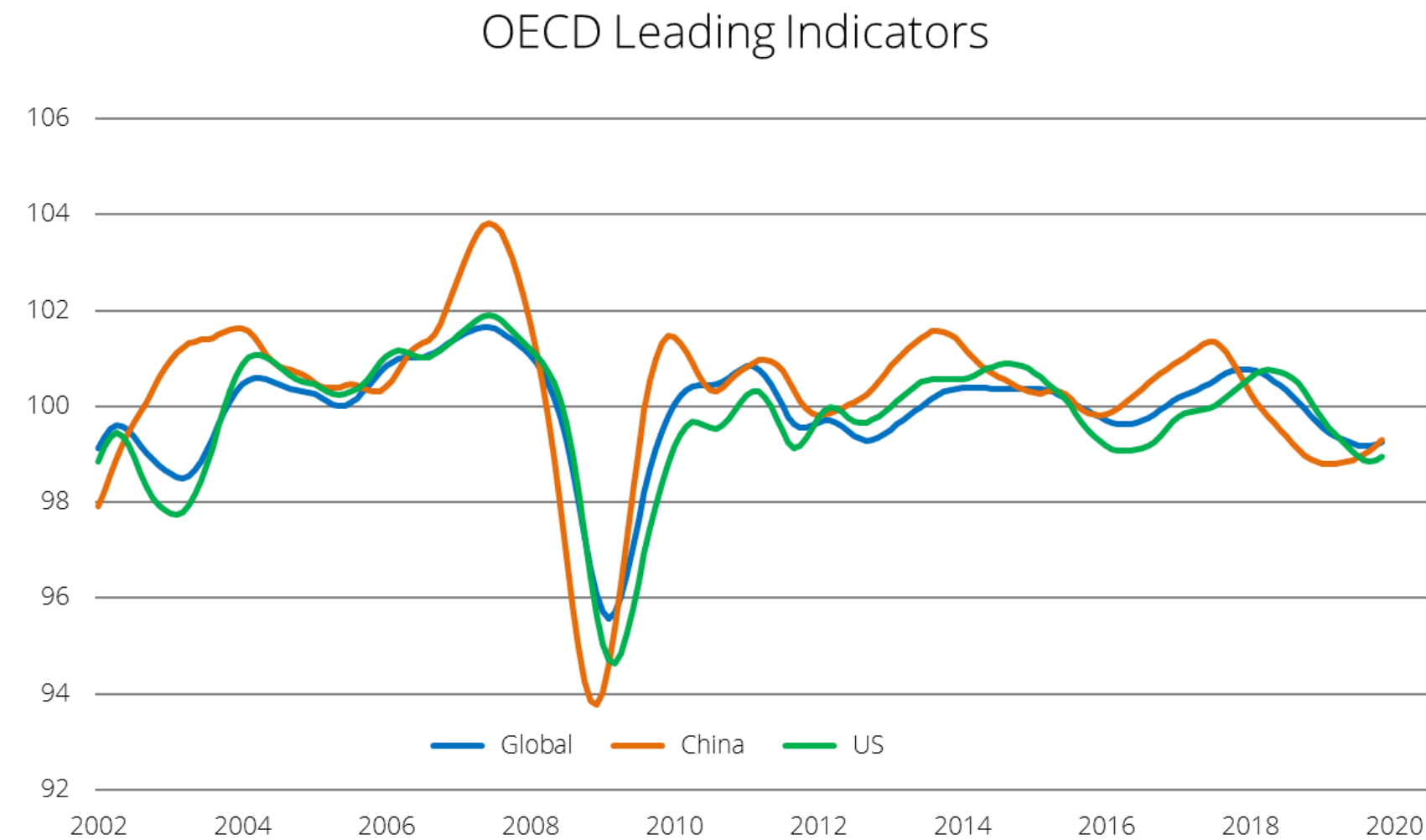
Source: Wall Street Journal



Source: UN FAO, Bloomberg and Saxo Bank

OECD leading indicators suggest growth momentum bottomed in Aug 2019

China is leading the recovery once again



Source: Bloomberg and Saxo Bank

This is what has worked in the past when economy was in recovery phase

Saxo Business Cycle Map

Market	Business cycle			
	Recovery	Expansion	Slowdown	Contraction
Canada	8.5	6.6	-2.5	-2.3
United States	8.2	3.8	-2.2	2.5
Belgium	6.6	5.3	1.1	0.5
Denmark	10.5	12.7	-2.7	-2.9
Finland	9.8	15.3	-4.5	4.3
France	5.4	8.9	-2.6	2.9
Germany	5.1	7.7	0.3	-0.6
Italy	4.0	7.5	-4.6	1.7
Netherlands	11.3	7.9	-0.8	-0.7
Norway	8.4	13.0	2.2	-9.3
Spain	1.8	6.7	-3.0	2.2
Sweden	14.8	10.6	-5.3	5.1
Switzerland	7.2	8.5	-1.5	1.2
United Kingdom	8.4	4.8	-1.0	-0.9
Australia	11.8	4.8	-1.9	0.2
Hong Kong	17.8	3.4	-1.4	1.3
Japan	9.2	7.1	-7.7	-0.1
Singapore	14.6	10.7	-6.2	-4.4
China	16.8	10.1	-12.0	-5.4
South Korea	11.6	7.5	-8.5	11.3
Taiwan	7.7	6.8	-4.0	9.2
India	8.4	11.6	-3.4	2.1
Brazil	14.9	16.3	0.4	5.5
South Africa	13.7	9.0	-5.2	-0.8
Market cap weighted average	9.5	5.6	-3.3	1.3

Region	Recovery	Expansion	Slowdown	Contraction
North America	8.2	3.9	-2.2	2.3
Europe	7.2	7.7	-1.6	0.6
Asia Pacific (Developed)	10.7	5.0	-4.1	0.2
Developed	8.8	4.9	-2.5	1.6
Emerging	14.4	10.1	-8.9	-0.7

Source: Bloomberg, Saxo Bank

* Saxo Business Cycle Map uses OECD's leading indicators which are divided into four phases and then lagged appropriately (by two months) to avoid look-ahead bias. MSCI net total return indices in USD are then used to calculate cumulative returns for each equity market for each business cycle phase. The calculations are based on data since 1973

** Total return indices are available from 1973 except for countries such as Finland (1987), Singapore (1998), China (1993), South Korea (1987), Taiwan (1987), India (1992), Brazil (1998) and South Africa (1992)

*** Table shows mean of total returns minus US Treasuries total returns in USD during the business cycle

Saxo Bank's Business Cycle Map

Sector	Business cycle			
	Recovery	Expansion	Slowdown	Contraction
Consumer Discretionary	7.7	4.8	-3.7	-1.2
Financials	7.5	4.4	-5.7	-4.5
Real Estate	8.7	0.9	-4.2	-2.9
Industrials	5.6	5.5	-5.4	-1.9
Information Technology	12.6	9.1	-3.5	4.0
Materials	6.4	6.0	-6.5	-2.7
Communication Services	3.6	4.2	-4.8	0.2
Cyclical	7.5	5.0	-4.8	-1.3
Consumer Staples	5.5	3.9	-1.4	-1.5
Energy	6.9	6.5	-5.0	-4.1
Health Care	6.6	5.7	-0.3	-1.2
Utilities	-0.9	3.7	-0.5	-4.3
Defensive	4.5	5.0	-1.8	-2.8

Source: Bloomberg, Saxo Bank

* Saxo Bank's Business Cycle Map uses OECD's leading indicators which are divided into four phases and then lagged appropriately (by two months) to avoid look-ahead bias. MSCI total return indices in USD are then used to calculate cumulative returns for each equity market for each business cycle phase. The calculations are based on data since 1995

** Table shows median of total returns minus US Treasury returns in USD during the business cycle

"Climate first, economic growth second" will be the new operating model

WORLD ECONOMY

Inequality and climate change will be at the forefront of developments in 2020, says Saxo Bank's chief economist

PUBLISHED MON, DEC 9 2019 2:46 AM EST



Green stocks are the next mega trend in equities

Equities | 2020-01-09 08:45 | 10 minutes to read



Peter Garnry
Head of Equity Strategy

DealBook / Business & Policy

DEALBOOK

BlackRock Will Put Climate Change at Center of Investment Strategy

In his influential annual letter to chief executives, Larry Fink said his firm would avoid investments in companies that "present a high sustainability-related risk."

Climate Changed

Germany Goes Greener With \$95 Billion Push for Train Over Plane

By [Arne Delfs](#) and [Brian Parkin](#)

January 14, 2020, 12:10 PM GMT+1 Updated on January 14, 2020, 1:11 PM GMT+1



BlackRock's CEO Says It's Time to Tackle Climate Change — Starting With Coal

By [Leslie P. Norton](#) Updated Jan. 14, 2020 6:59 am ET / Original Jan. 14, 2020 6:49 am ET

Green stocks are the next mega trend in equities

Source: <https://bit.ly/379RB4t>



Inspirational list of stocks with exposure to the climate theme

The stocks presented in the table are not investment recommendations either directly or indirectly

Name	Ticker	Theme	Market cap	Revenue	Net income	EV/EBITDA	EV/Sales	YTD (%)	5yr (%)
SolarEdge Technologies	SEDG:xnas	Solar	5,092	937	129	23.8	2.9	10.2	NA
First Solar	FSLR:xnas	Solar	5,641	2,244	144	26.2	2.2	-4.4	11.6
Enphase Energy	ENPH:xnas	Solar	3,855	316	-12	46.8	5.2	20.6	382.4
Xinyi Solar Holdings	00968:xhkg	Solar	6,103	979	238	19.0	5.3	10.1	81.4
Scatec Solar	SSO:xosl	Solar	1,805	142	17	22.4	16.2	5.6	63.7
Vestas Wind Systems	VWS:xkse	Wind	19,505	11,970	807	10.1	1.1	-1.6	27.5
Siemens Gamesa Renewable Energy	SGRE:xmce	Wind	11,574	11,536	158	10.6	0.7	-0.8	31.4
Northland Power	NPI:xtse	Wind	4,197	1,201	215	10.7	7.6	4.3	29.8
Orsted	ORSTED:xcse	Wind	43,858	11,968	2,892	NA	3.6	2.5	62.4
Pattern Energy Group	PEGI:xnas	Wind	2,639	483	142	21.6	12.3	0.4	43.4
Plug Power	PLUG:xnas	Fuel cell	1,222	175	-78	NA	5.7	32.0	202.2
Bloom Energy (**)	BE:xnys	Fuel cell	1,146	742	-242	NA	1.0	30.0	-23.4
PowerCell Sweden	PCELL:xome	Fuel cell	1,015	7	-7	NA	77.4	36.8	362.5
Ceres Power	CWR:xlon	Fuel cell	721	20	-6	NA	12.0	37.4	112.4
Ballard Power Systems	BLDP:xtse	Fuel cell	2,811	97	-27	NA	10.8	67.7	282.2
Tesla	TSLA:xnas	Electric vehicles (carmaker)	92,015	21,461	-976	40.6	2.2	22.0	68.9
NIO	NIO:xnys	Electric vehicles (carmaker)	4,916	749	-1,452	NA	2.7	16.2	-30.4
Panasonic	6752:xtks	Electric vehicles (batteries)	24,652	72,186	2,563	5.5	0.4	8.2	4.3
Albemarle	ALB:xnys	Electric vehicles (lithium)	8,578	3,375	694	11.1	2.6	10.8	7.7
SQM	SQM:xnys	Electric vehicles (lithium)	7,677	2,266	440	NA	3.9	15.0	-24.7
Verbund	VERB:xwbo	Hydro	18,047	3,364	512	14.9	5.8	4.6	9.2
China Yangtze Power	600900:xssc	Hydro	56,666	7,748	3,421	NA	9.7	-2.8	16.8
Meridian Energy	MEZ:xasx	Hydro	9,111	2,341	227	17.0	3.9	4.9	58.9
Cemig	CIGC:xnys	Hydro	5,622	6,131	468	NA	1.5	10.4	6.4
Brookfield Renewable Partners	BEP:xnys	Hydro	14,345	2,982	24	NA	8.9	-0.8	72.0

Cameco	CCO:xtse	Nuclear (uranium)	3,519	1,614	128	13.8	2.8	0.7	-25.9
Uranium Participation	U:xtse	Nuclear (uranium)	418	0	130	NA	NA	-2.5	-18.4
Exelon	EXC:xnas	Nuclear (utility)	45,966	35,985	2,010	8.3	2.5	3.9	6.1
China National Nuclear Power	601985:xssc	Nuclear (utility)	11,133	5,947	717	NA	7.1	0.0	-5.6
EDF	EDF:xpar	Nuclear (utility)	38,808	81,469	1,390	4.5	1.0	13.5	-17.7
Avantium	AVTX:xams	Bioplastic	119	13	-81	NA	1.9	32.1	113.3
Good Natured Products (**)	GDNP:xtsx	Bioplastic	14	4	-2	NA	2.6	-5.6	70.0
Biome Technologies	Not available	Bioplastic	10	12	0	13.1	NA	0.0	-55.8
Waste Management	WM:xnys	Recycling	50,760	14,914	1,925	13.5	3.9	5.0	29.0
Republic Services	RSG:xnys	Recycling	29,827	10,041	1,037	13.0	3.6	4.3	24.8
Suez	SEV:xpar	Recycling	10,304	20,470	396	9.5	1.3	9.1	36.2
Waste Connection	WCN:xtse	Recycling	25,754	4,923	547	17.9	5.3	8.2	20.7
Cleanaway Waste Management	CWY:xasx	Recycling	2,897	1,633	88	11.2	2.4	4.5	14.0
Veolia Environment	VE:xpar	Water	16,301	30,604	519	8.7	1.0	9.2	49.1
Waters Corporation	WAT:xnys	Water	15,438	2,420	594	19.2	6.5	2.5	15.8
American Water Works	AWK:xnys	Water	23,580	3,440	567	18.5	8.9	6.2	43.4
Xylem	XYL:xnys	Water	15,029	5,207	549	20.9	3.1	5.9	18.7
SABESP	SBS:xnys	Water	9,822	4,429	781	NA	2.5	-4.5	36.0
Owens Corning	OC:xnys	Building materials	7,142	7,057	545	7.7	1.4	1.2	36.5
Rockwool	ROCK:xcse	Building materials	4,833	3,155	313	7.9	1.5	-1.8	-9.7
Johnson Controls International	JCI:xnys	Building materials	31,309	23,968	5,674	16.8	1.5	0.7	28.5
Kingspan Group	KGP:xlon	Building materials	11,045	5,164	391	18.7	2.0	1.4	44.4
Universal Display	OLED:xnas	Building materials	10,027	247	59	54.2	19.8	3.3	113.3
Beyond Meat	BYND:xnas	Food (plant-based)	6,713	88	-30	5,409.8	38.5	44.3	NA
ECX Carbon Emissions (***)	EMISSIONSDEC20	Carbon emission	NA	NA	NA	NA	NA	NA	NA

Source: Bloomberg and Saxo Group

* Market capitalization, 12-month rolling revenue and 12-month rolling net income are all measured in USD mn.

** Peter Garmy owns shares in Bloom Energy and Good Natured Products with no intention to sell within the next month

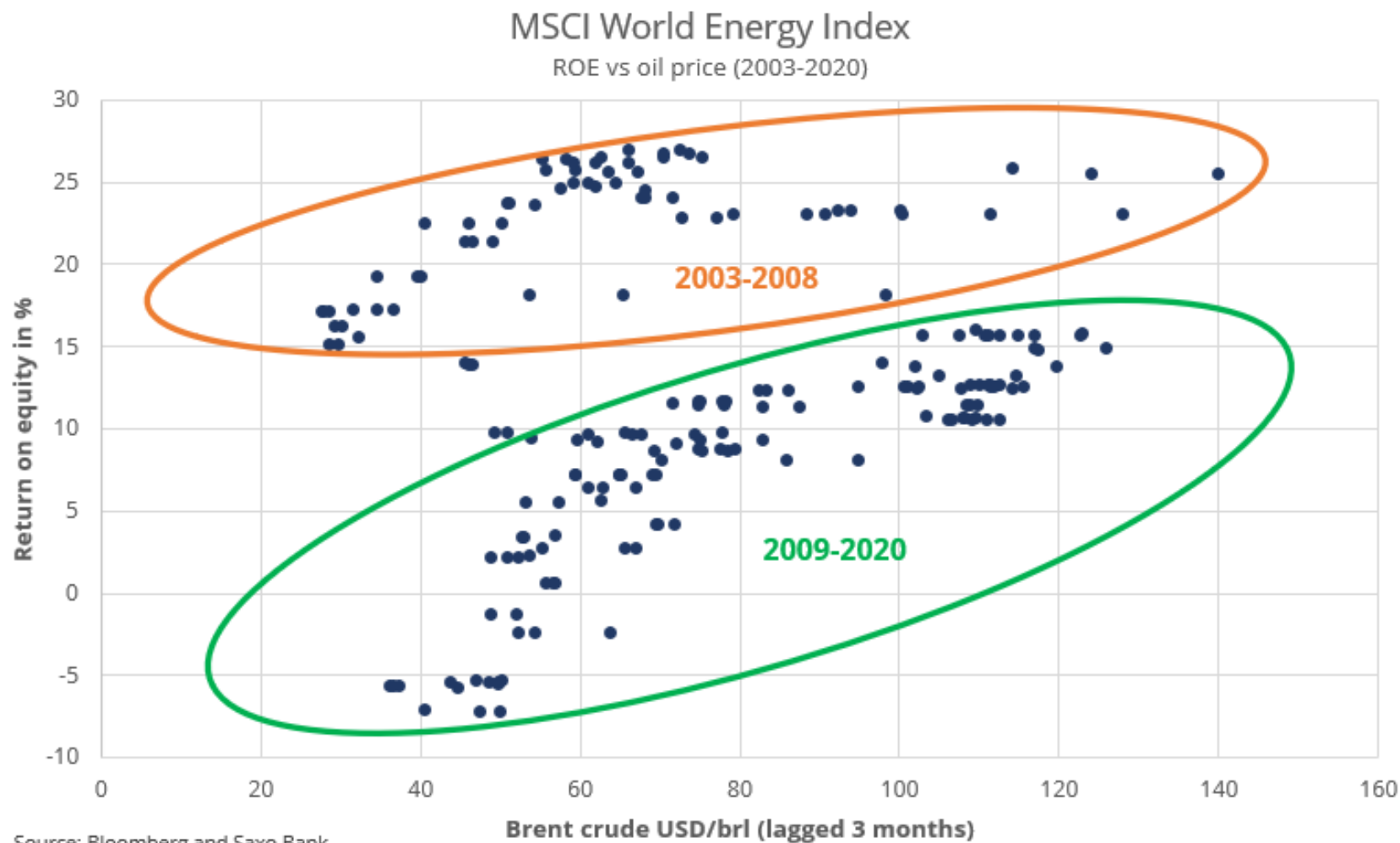
*** ECX Carbon Emissions can be traded through a CFD (expiring every year in December) or a future (Dec-2020 has ticker code CFIZ0)

**** YTD (%) and 5yr (%) is total return year-to-date and the last five years in local currency

Inspirational list not investment recommendations

The oil and gas industry desperately needs higher prices

Source: <https://bit.ly/36g3Nze>



The oil and gas industry desperately needs higher prices

Source: <https://bit.ly/36g3Nze>

Name	Wgt	Market Cap	ROIC/WACC ↓ Ratio	Market Cap	Price:D-1	P/E	Total Return YTD
			<Enter Filter>				
Investable Universe (23)	100.0%	126.86B	1.34	141.85B	1034.14	13.81	0.46
CABOT OIL & GAS CORP	0.7%	6.86B	4.94	6.86B	16.81	9.06	-3.45
SANTOS LTD	1.2%	12.71B	2.70	18.54B	8.88	13.86	8.56
NESTE OYJ	2.8%	29.28B	1.99	26.38B	34.30	33.53	10.57
CALTEX AUSTRALIA LTD	0.6%	5.99B	1.91	8.74B	34.99	27.19	3.06
CONOCOPHILLIPS	6.9%	71.40B	1.84	71.40B	65.07	16.32	0.06
OMV AG	1.7%	17.46B	1.80	15.74B	48.08	8.04	-3.99
OCCIDENTAL PETROLEUM CO...	4.0%	40.94B	1.80	40.94B	45.83	14.27	11.21
EOG RESOURCES INC	4.8%	49.63B	1.73	49.63B	85.31	18.62	2.19
CIMAREX ENERGY CO	0.5%	5.22B	1.70	5.22B	51.28	10.37	-2.31
DEVON ENERGY CORP	1.0%	9.93B	1.63	9.93B	25.85	26.60	-0.46
DIAMONDBACK ENERGY INC	1.4%	14.37B	1.49	14.37B	89.54	15.56	-3.58
ONEOK INC	3.1%	31.88B	1.46	31.88B	77.17	25.68	1.98
INTER PIPELINE LTD	0.7%	7.22B	1.39	9.44B	22.58	16.02	0.18
IMPERIAL OIL LTD	1.9%	19.99B	1.36	26.12B	35.00	10.01	1.89
ENCANA CORP	0.5%	5.16B	1.35	6.74B	5.19	5.16	-14.64
CNOOC LTD	7.4%	76.51B	1.14	594.70B	13.00	8.95	0.31

Source: Bloomberg

Saxo Bank

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FREE TO SHARE

Overweight European equities on China rebound

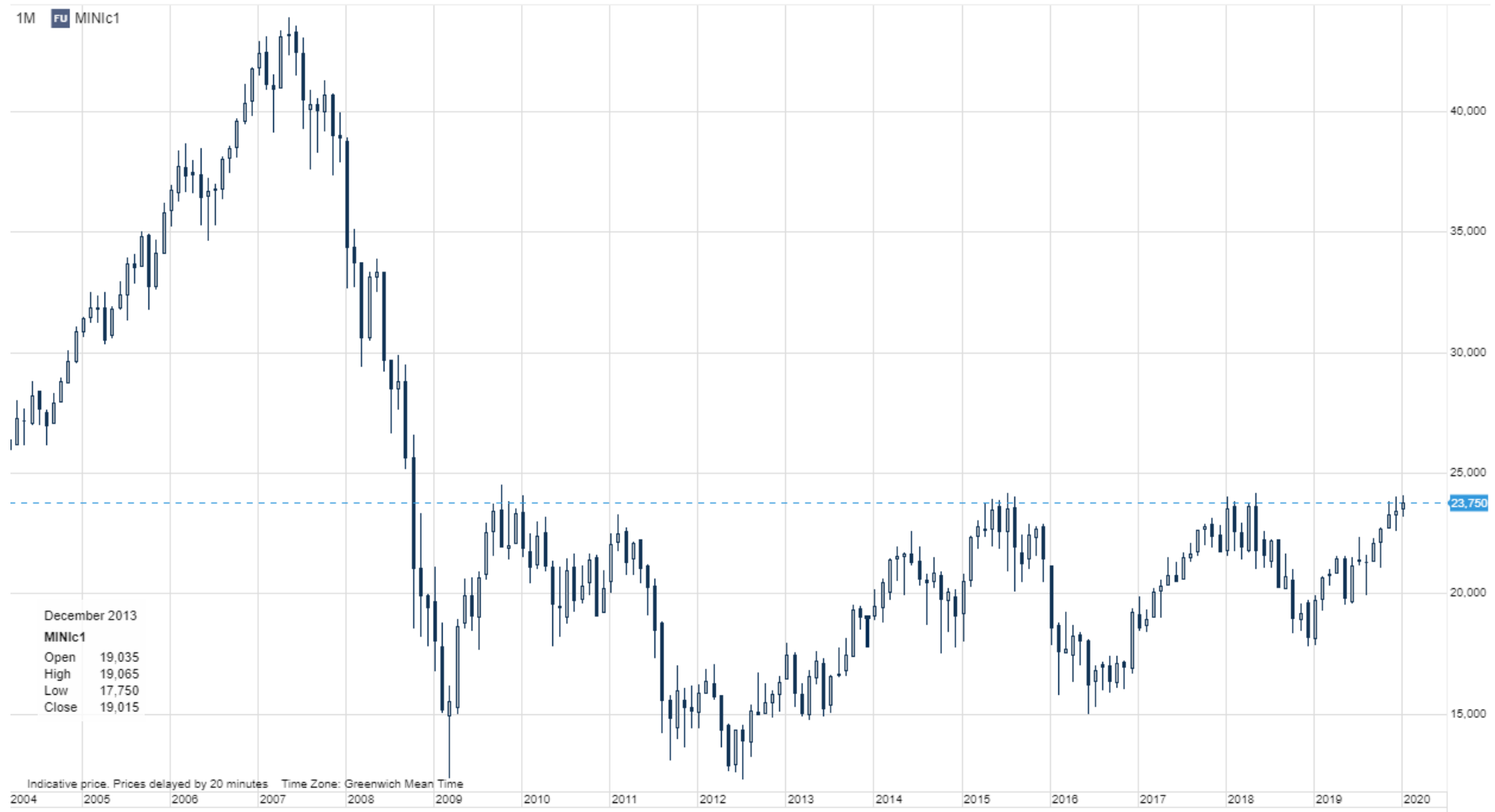
DAX is valued at a 25% discount to global equities



Source: Saxo Group

Italian equities are our big contrarian bet in 2020

ECB tiering, valuation convergence, EU fiscal spending to fuel growth



Source: Saxo Group

Saxo Bank 22

FREE TO SHARE

US election will be key event for certain equity sectors and US-China relationship

Electoral college: how Trump could lose the popular vote and win again


Trump is an unpopular president - but experts say the electoral college system puts him in a good place for a second term



OP 2020: Democrats win a clean sweep in the US 2020 election, driven by women and millennials

John Hardy
Head of FX Strategy

Summary: The 2020 US election puts the Democrats in control of the presidency and both houses of Congress. Big healthcare and pharma stocks collapse 50%.



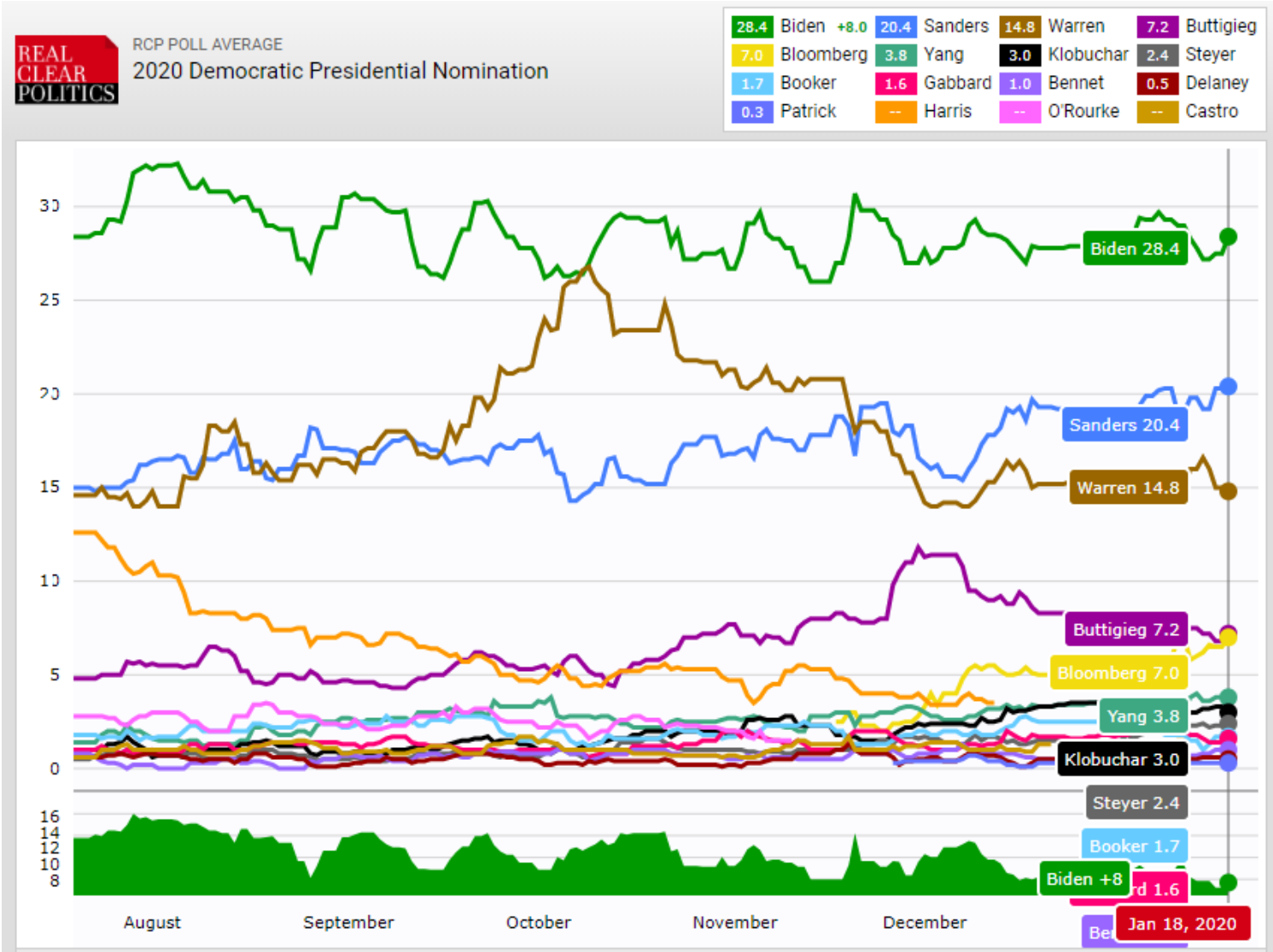
Gabriel Zucman
@gabriel_zucman

Supports a wealth tax:

Sen. Elizabeth Warren	✓
Sen. Bernie Sanders	✓
Billionaire Tom Steyer	✓
Majority of Democrats	✓
Majority of Independents	✓
Majority of Republicans	✓
Larry Summers	✗

4:30 AM · Jan 15, 2020 · [Twitter Web App](#)

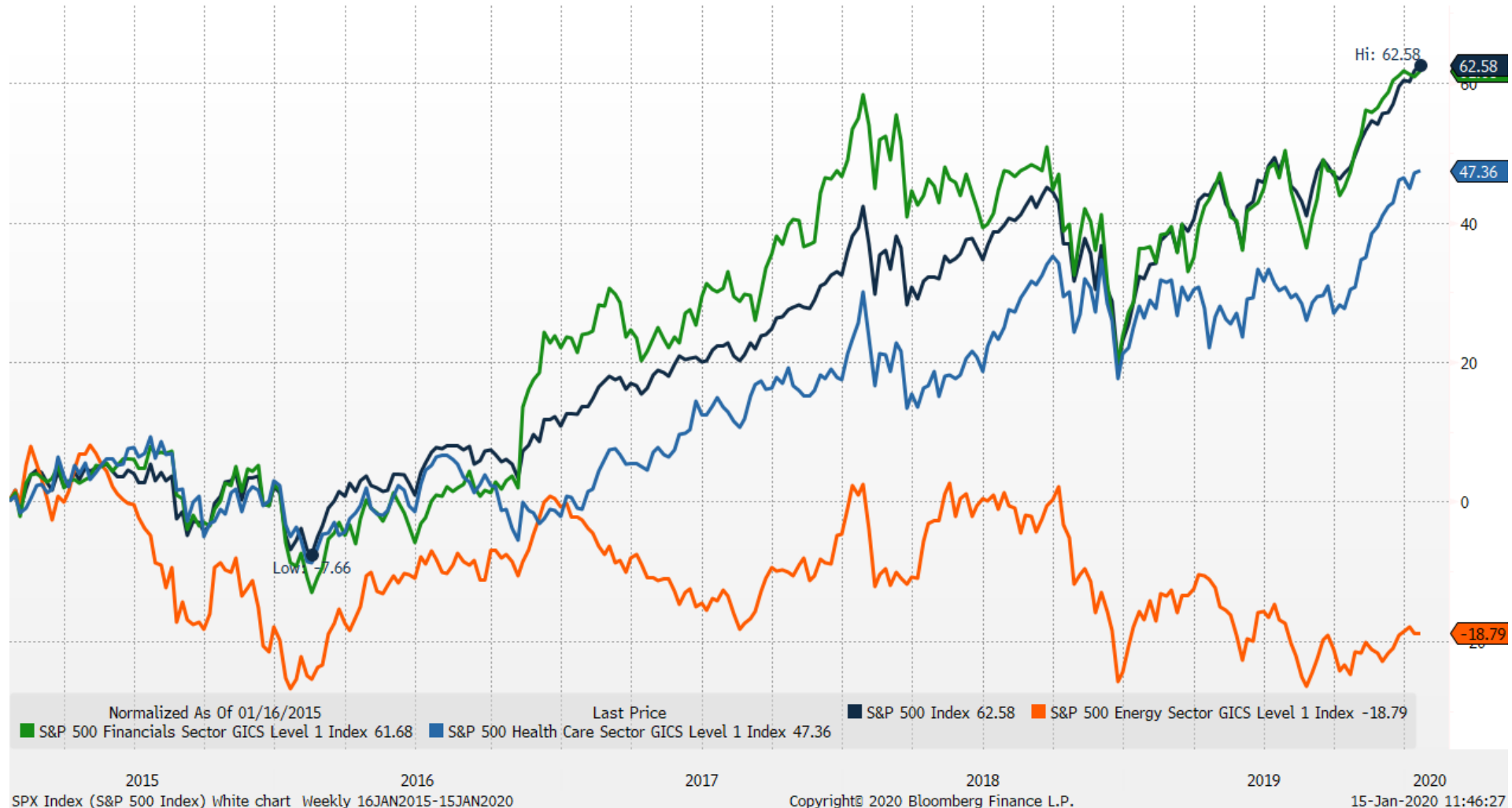
Democratic nomination looks like a fight between Biden, Sanders, Warren, Bloomberg



Source: RealClearPolitics

Financials, energy and health care to underperform on "radical" Democrat presidency

Health care underperformed as Warren rose in polls in 2019



Source: Saxo Group

Disclaimer

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