



Variant Perception

Presentation for Macro Voices

July 2017

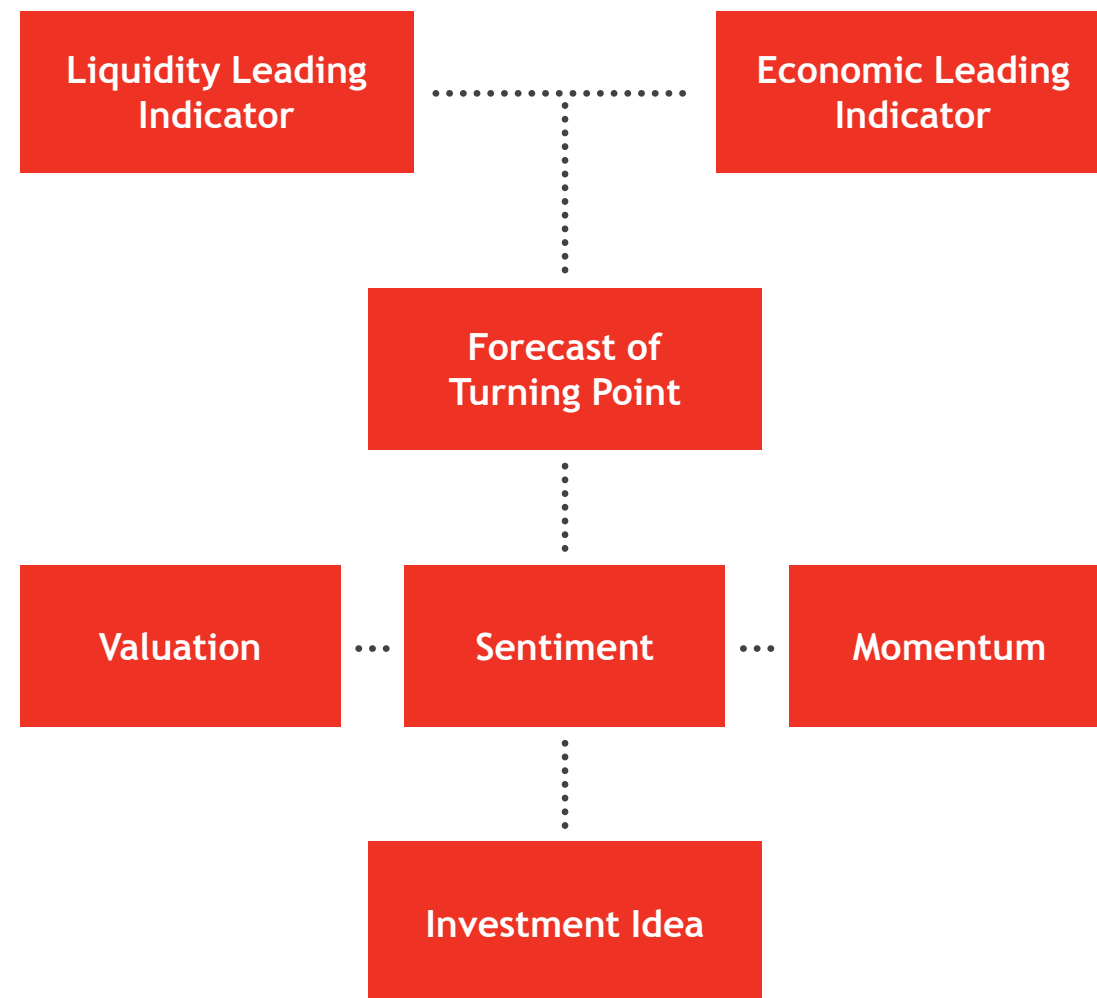
Tian Yang - Head of Research



VARIANTPERCEPTION

DEVELOPING A VARIANT PERCEPTION

Variant Perception's data-driven approach helps decision-makers identify the most asymmetric trades and investments. We've built a framework to identify major turning points and extremes in markets.





3 Key Pillars of Global Macro

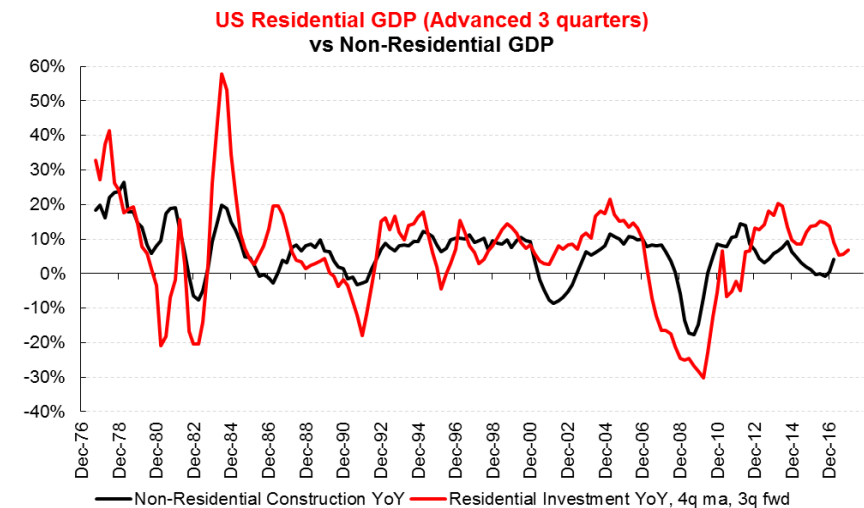
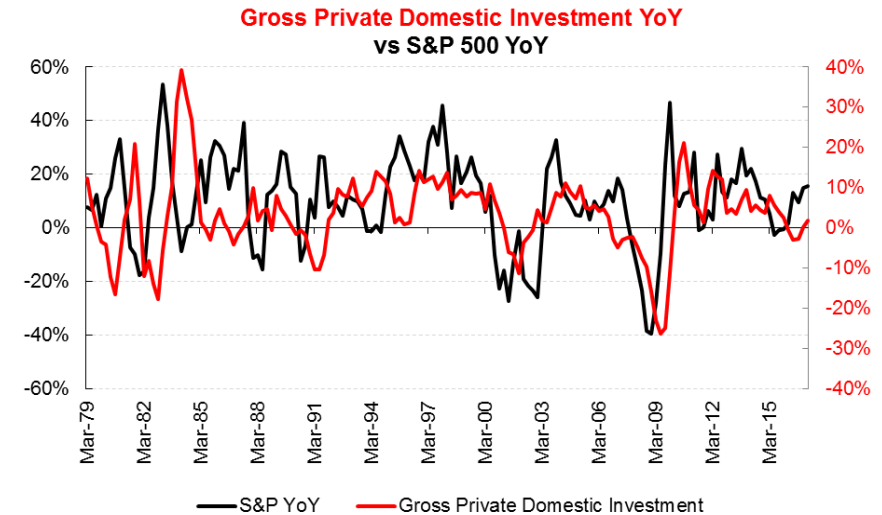
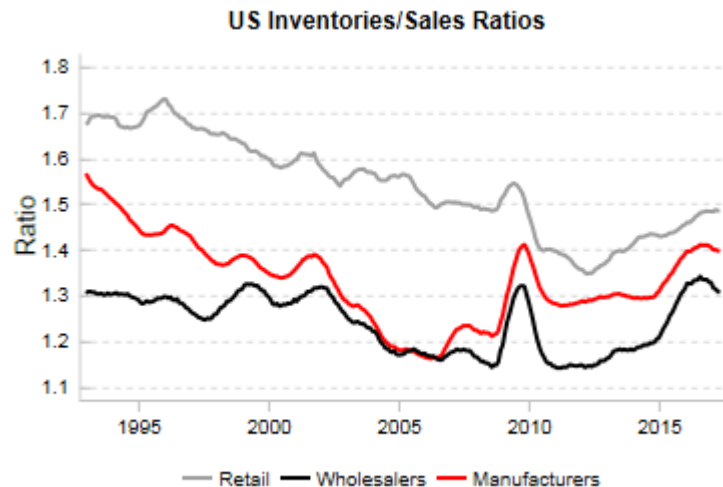
US, China and Global Liquidity



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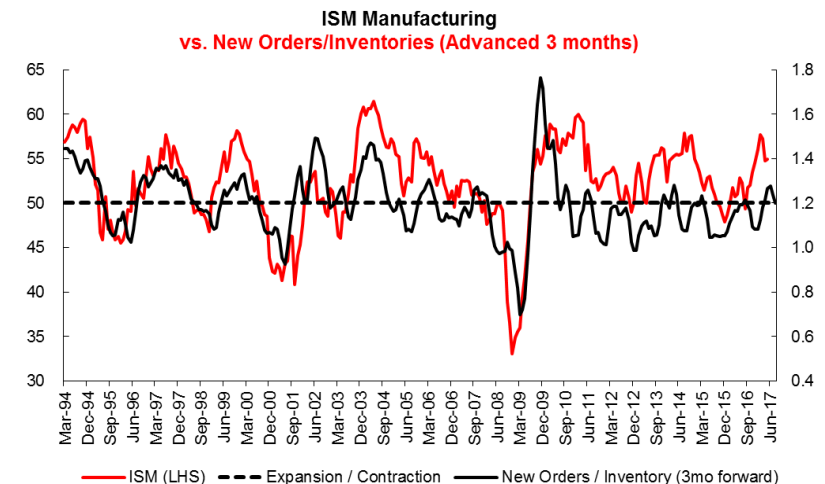
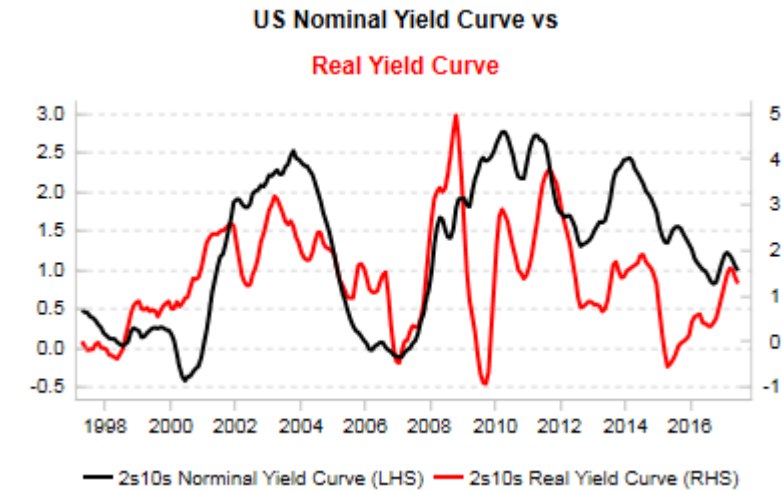
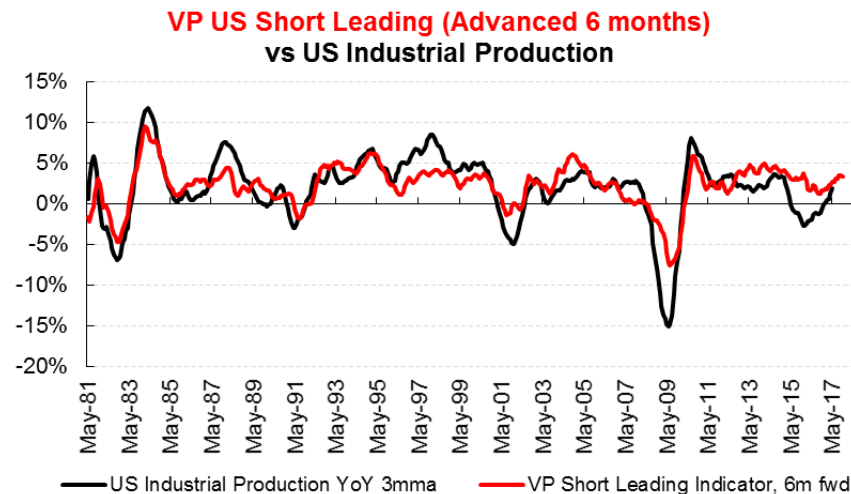
US growth cycle is long in the tooth

US investment and inventory to sales suggest we are in the later stages of the current growth cycle.



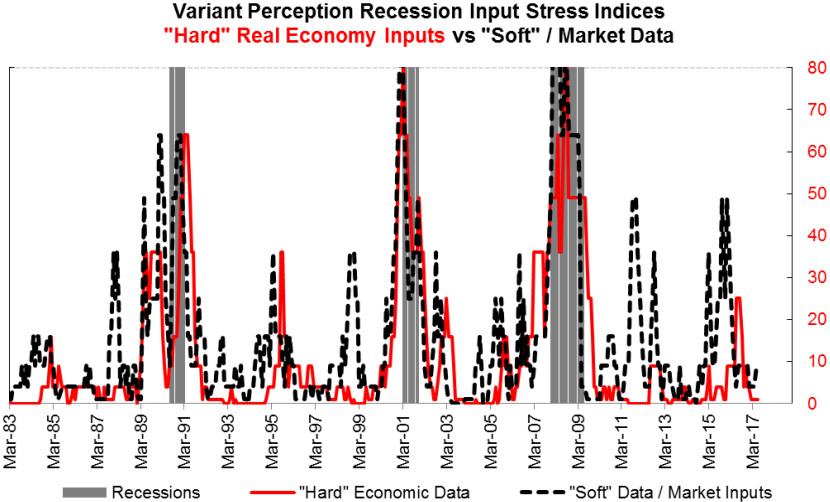
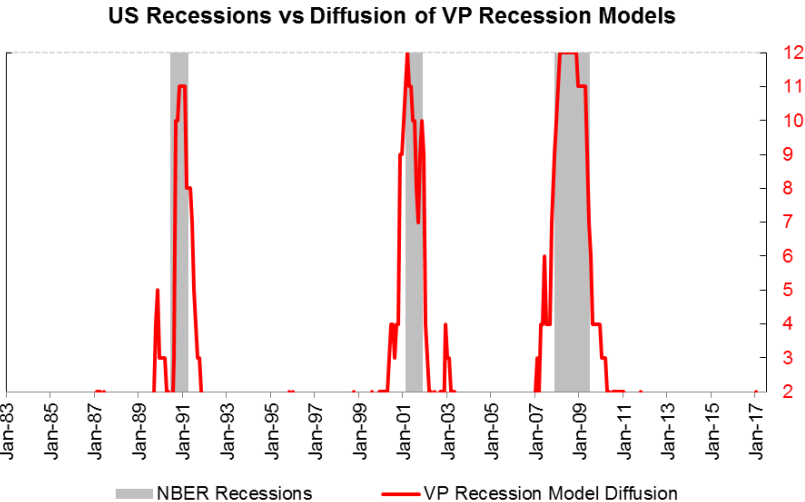
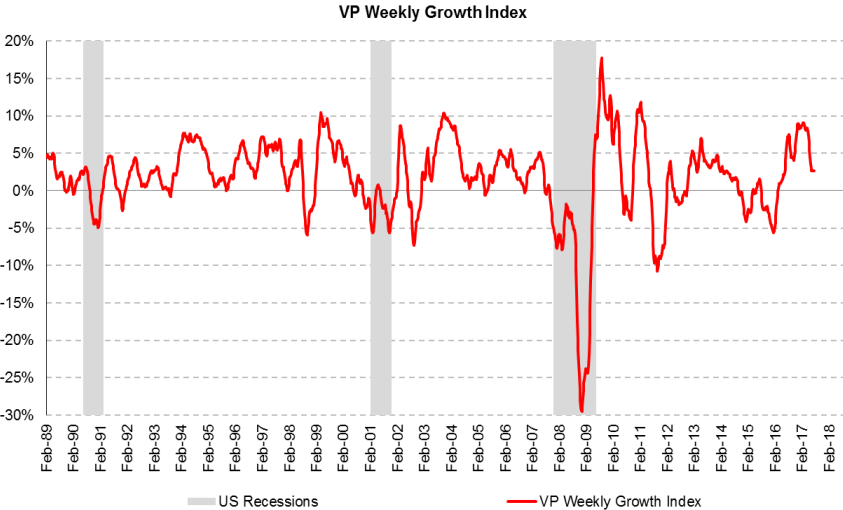
But US LEIs are holding up for now

US LEIs have been boosted by mostly “soft” survey and financial markets data. Hard data has been more mixed.



US recession remains key macro theme

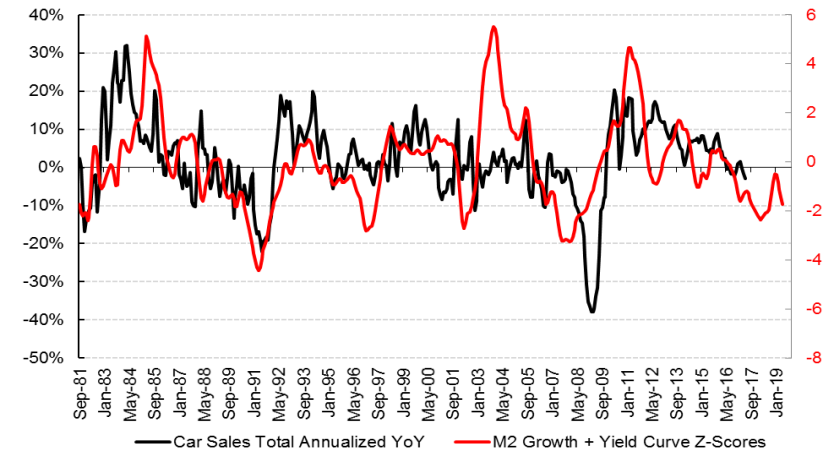
The risk of a US recession in the next 3-4 months remains low for now, but things can change quickly.



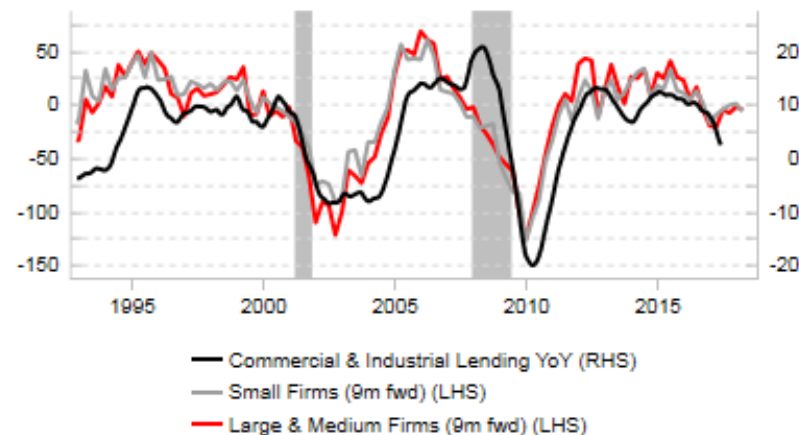
US credit cycle has definitively rolled over

Almost all fundamental leading indicators we track show the US credit cycle is slowing, making fed hikes and rises in real rates a key risk.

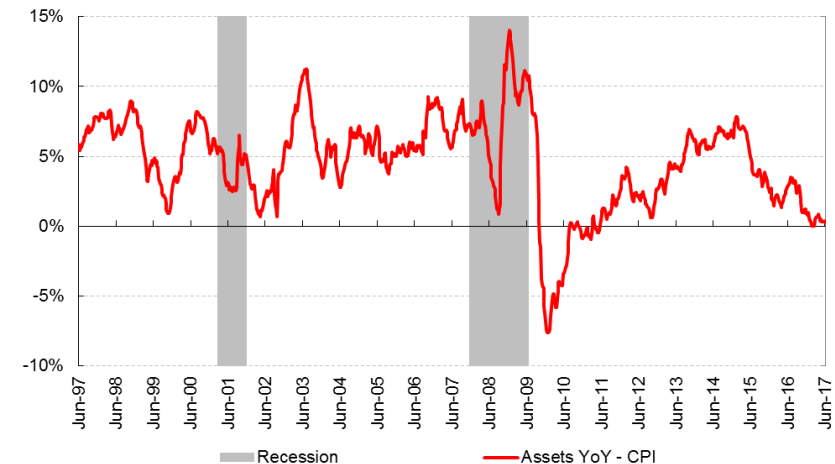
US M1 Growth + Yield Curve Steepening (Advanced 2 Years)
vs Car Sale Total Annualized YoY



US Loan Officer Survey, C&I Loans, Stronger Demand -
Tightening Standards, Advanced 9 Months vs C&I Loans

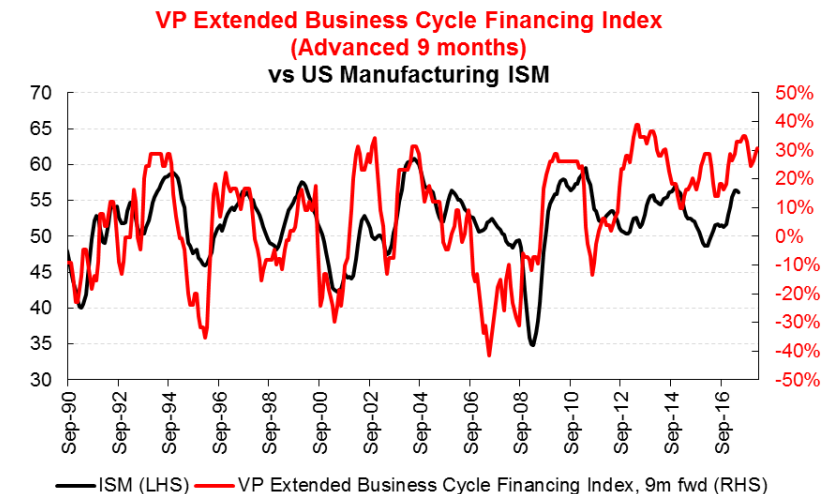
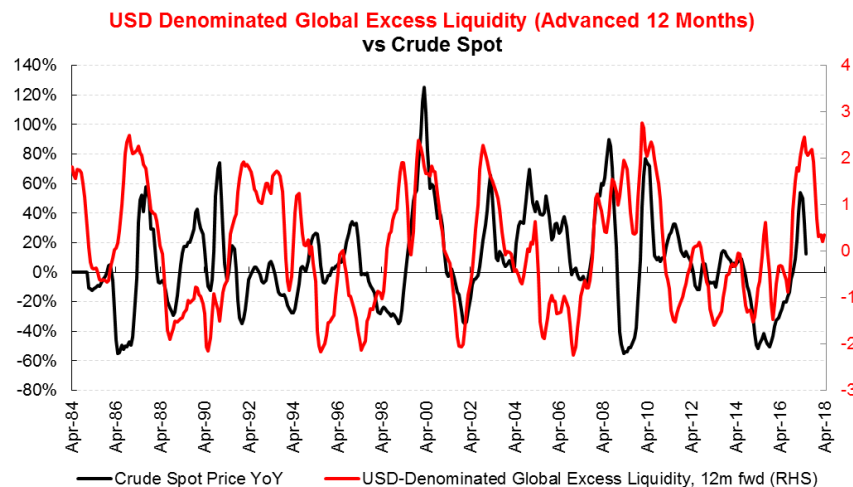
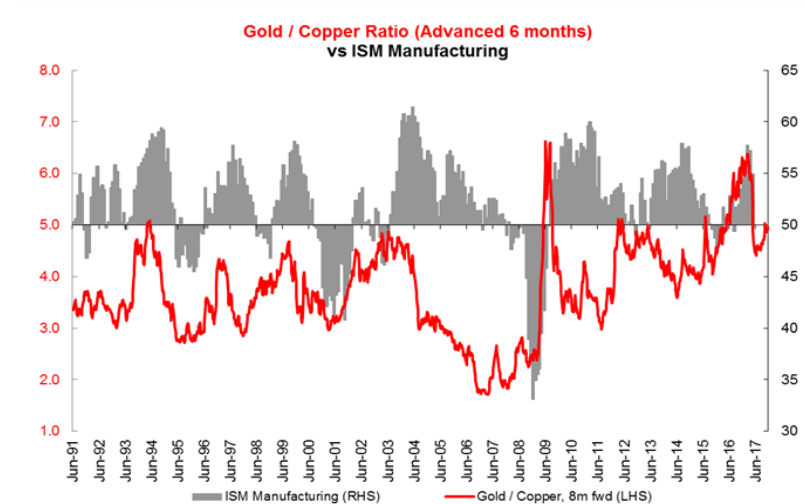


US Commerical Bank Total Assets Deflated by CPI



Global liquidity also deteriorating sharply

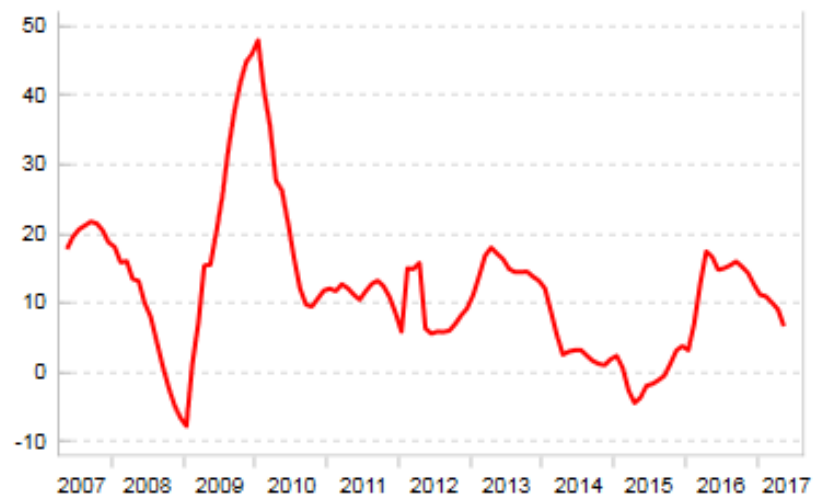
The fall in global excess liquidity is akin to removing the safety net from risk assets, making markets much more vulnerable to shocks.



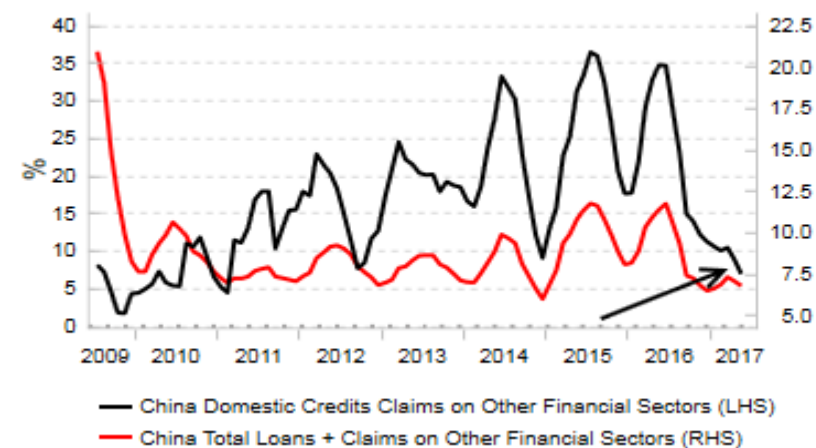
China is also rolling over

Liquidity conditions have tightened dramatically in China and underlying data is weakening, despite headline growth numbers holding up.

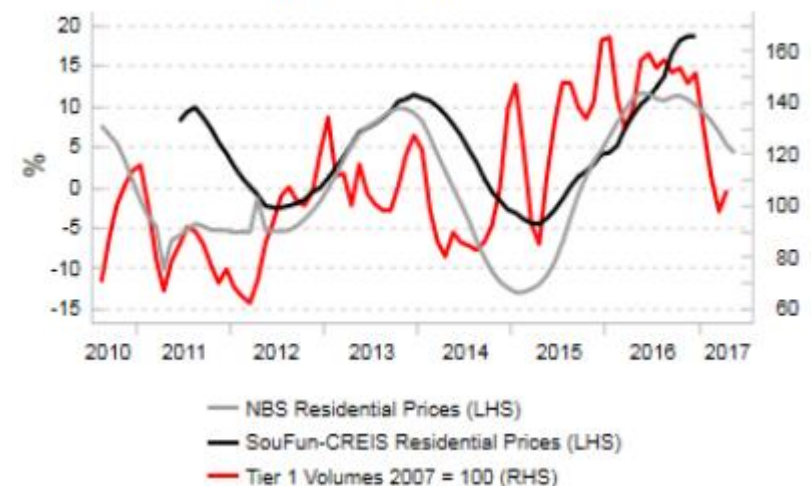
China Physical Economic Activity Indicators



China Broad and Shadow Credit Growth 6m/6m



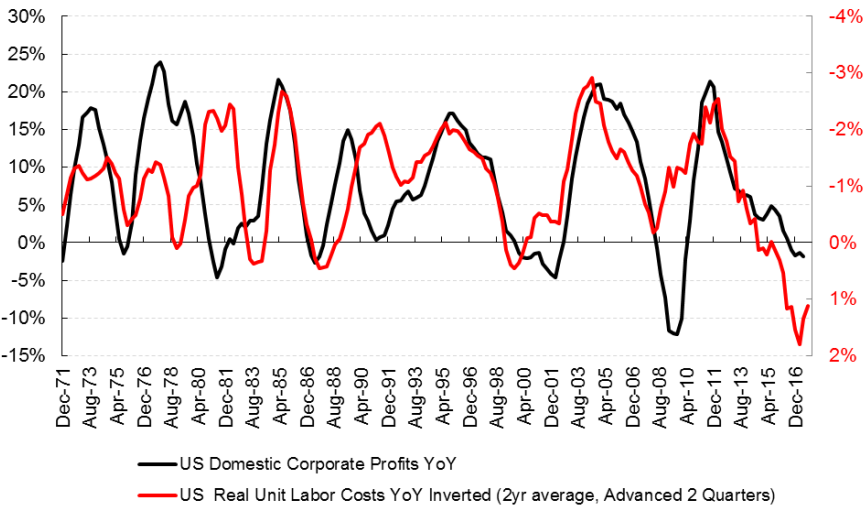
China Real Estate Prices



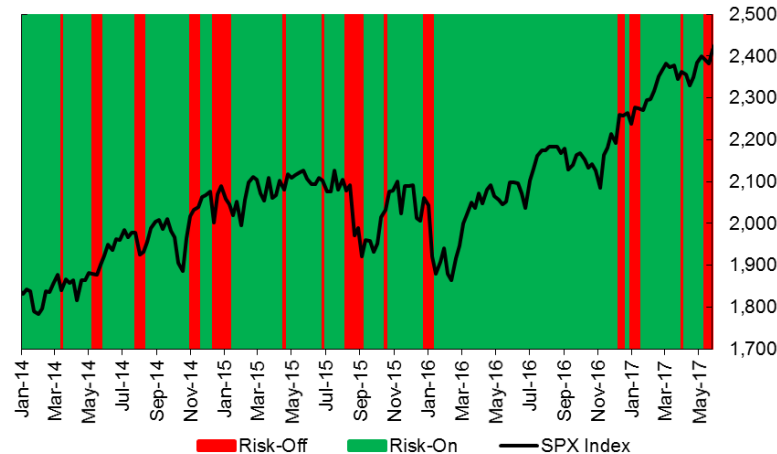
Equities

Caution is warranted, but we are yet to turn outright bearish. Changing market regimes and a weak outlook for profits suggests caution in H2. But without a US recession or outright sell signals, shorts are likely to be difficult too.

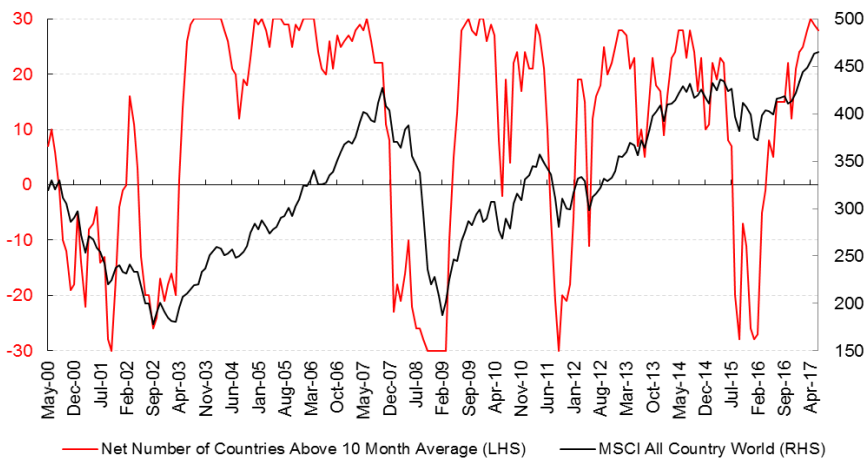
US Real Unit Labor Costs Inverted (Advanced 2 Quarters)
vs US Domestic Corporate Profits NIPA YoY



Market Regime - Intermarket Relationships



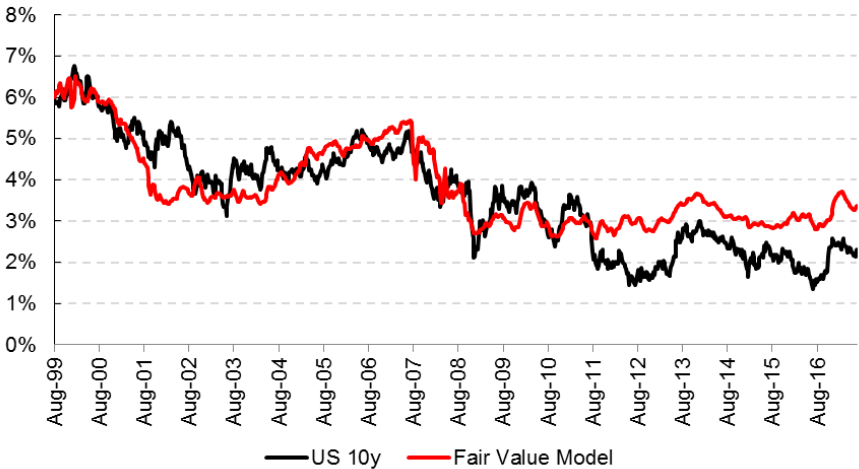
MSCI All Country World vs Diffusion of Major World Equity Markets



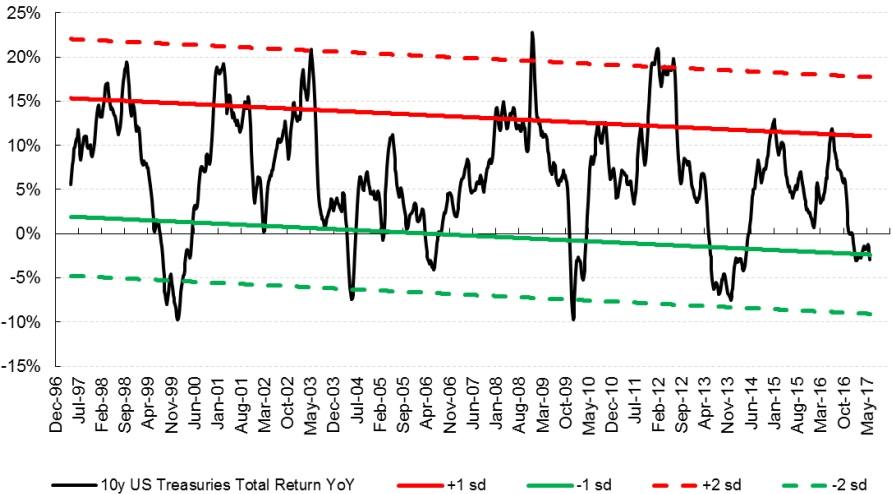
Fixed Income

Conflicting clues likely to continue. Focus on tactical opportunities.

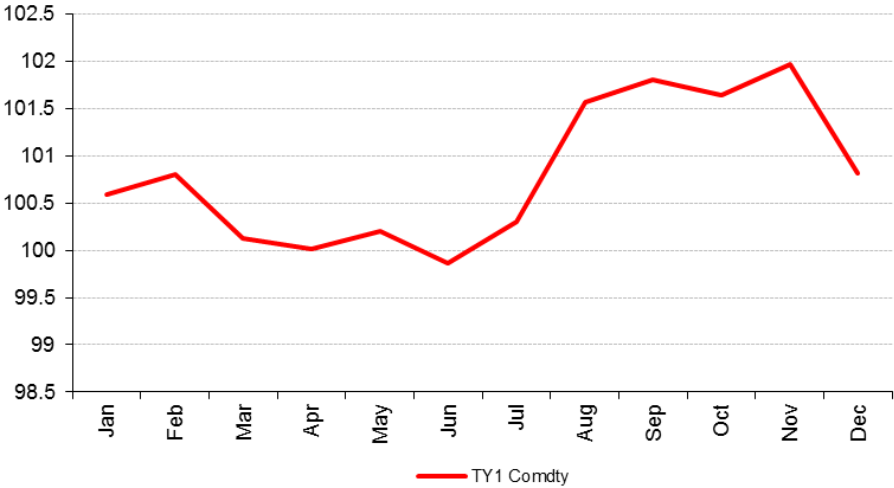
US 10y Yield vs VP Fair Value Model



10y US Treasury Total Return

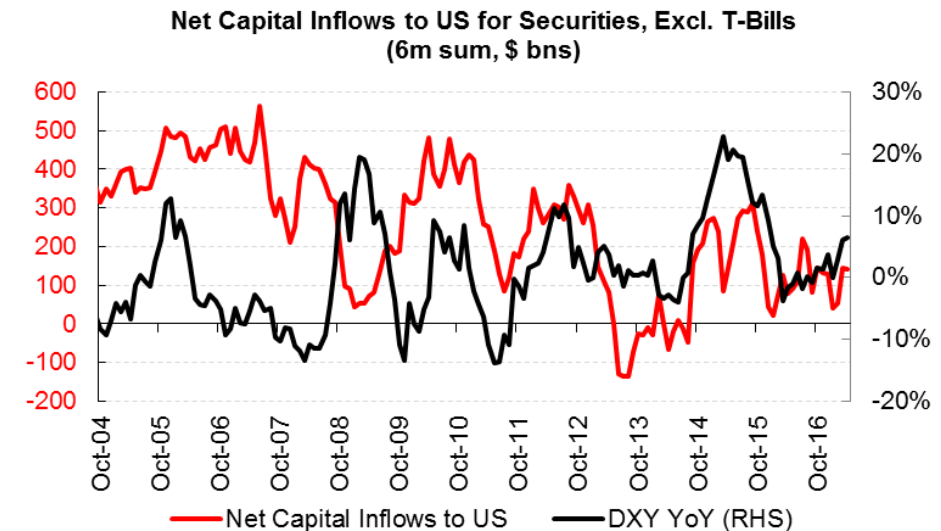
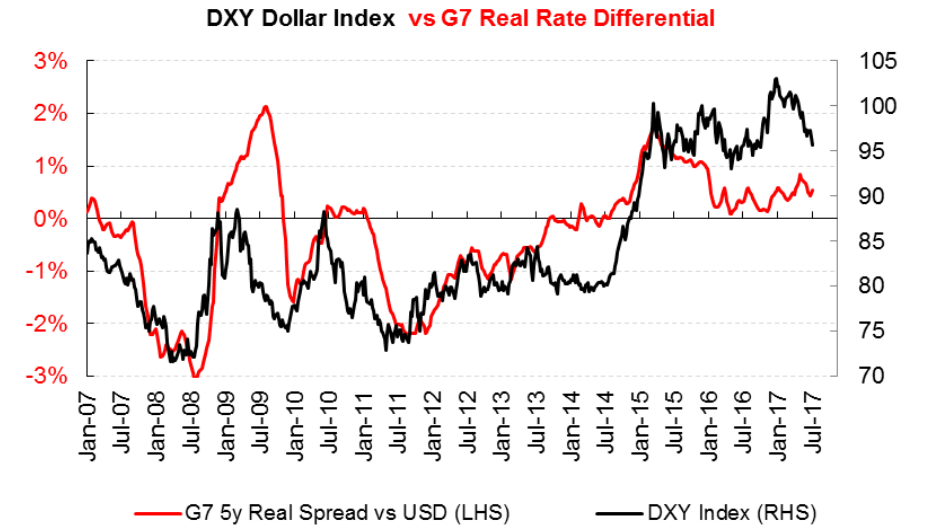
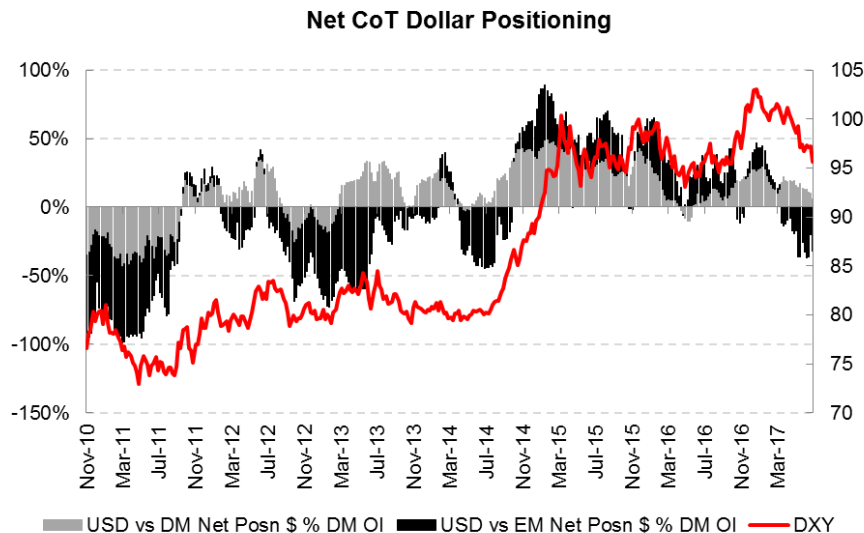


TY1 Comdty Seasonality - Monthly Composite Chart Jan = 100



Dollar

Keep bearish bias for now, but risk-reward not as attractive as beginning of the year. No reason to expect huge inflows into the US.



OUR COMPANY

Variant Perception is a **leading independent investment research provider** that equips money managers, both institutional and individual, with actionable investment advice.

Not satisfied with the state of economic research, we set out to **build our own set of tools** that answered the questions we had about financial markets, asset allocation and asset management.

Our perspectives are often those of outsiders, and that's probably for a reason. We're an eclectic group of people. Our team is a mix of veterans from **Wall Street, NASA** and the **Navy Seals**.



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The most compelling macro themes, every month

Your time is precious – you want an overview of global markets that cuts through the noise and highlights relevant emerging themes. No country-specific analysts here, simply the top themes across geographies and asset classes.



LEADING INDICATOR WATCH

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Want a quick rundown of what our leading indicators are saying? This monthly 'dashboard' highlights our proprietary country and sector-specific leading indicator forecasts, both on the economic and liquidity side.



WEEKLY

Timely trading and positioning updates, weekly

Our Weekly tracks the evolution of our tactical trading and portfolio positioning ideas as they arise. This publication alerts you of any pressing updates to our themes.



THEMATICS

The big stories, the best opportunities

Big themes don't follow a timeline. We're always on the hunt for the next big investment idea – we've covered shale, biotech, Australian housing, China, the euro breakup, and many others before they played out. Thematics often include on the ground due-diligence to complement our top-down analysis.



CONFERENCE CALLS

Connect directly with our Partners

Get direct access to our team of Research Partners with our monthly conference calls, open to all clients. In these 30 minute calls, you'll hear us review our best macro themes and have a chance to ask any pressing questions.



UNDERSTANDING SERIES

White Papers that demystify macro drivers

Key investment philosophies shouldn't be opaque. We've laid out the way we look at the world for our clients, so they can trust and understand our approach.



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