



# Variant Perception

and Macro Voices

April 2018

Simon White - Managing Editor

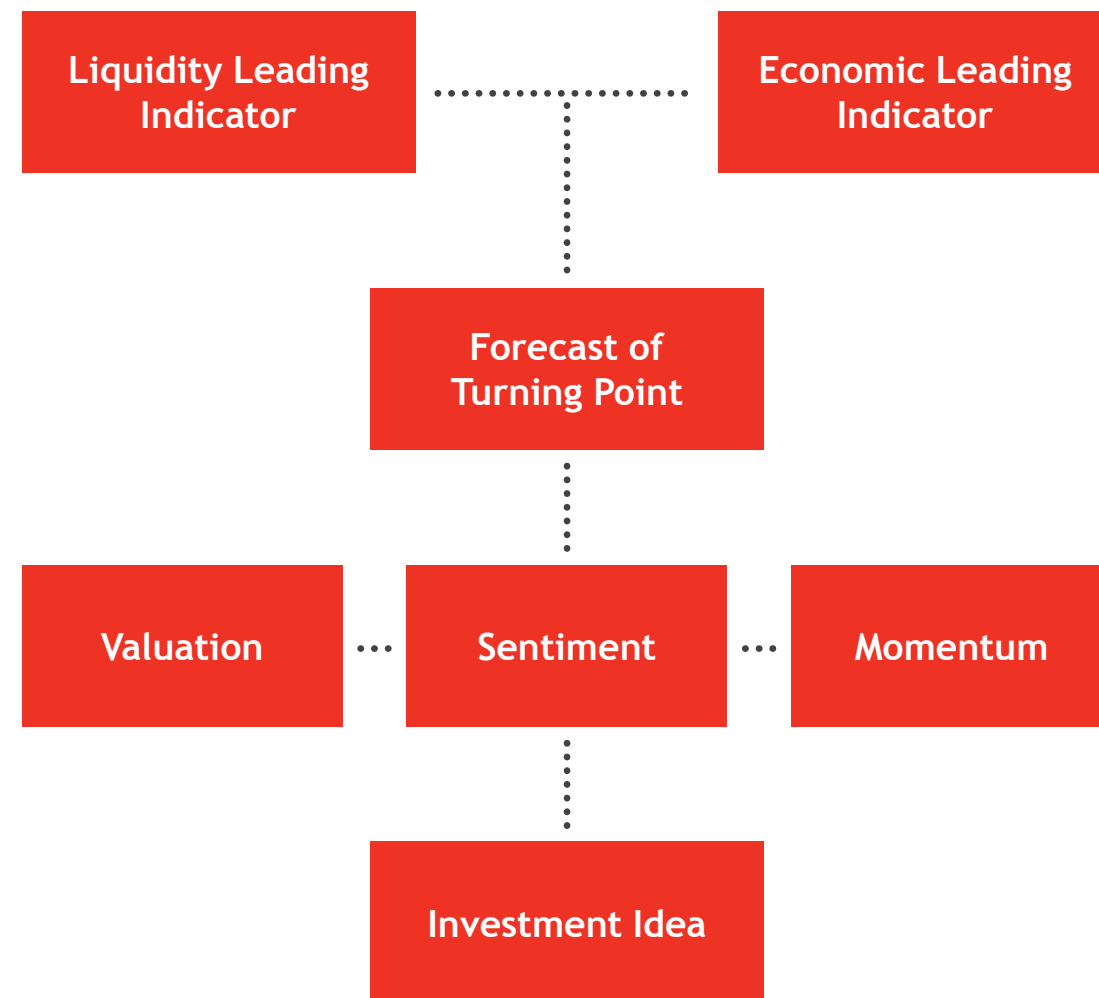


VARIANTPERCEPTION



# 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.







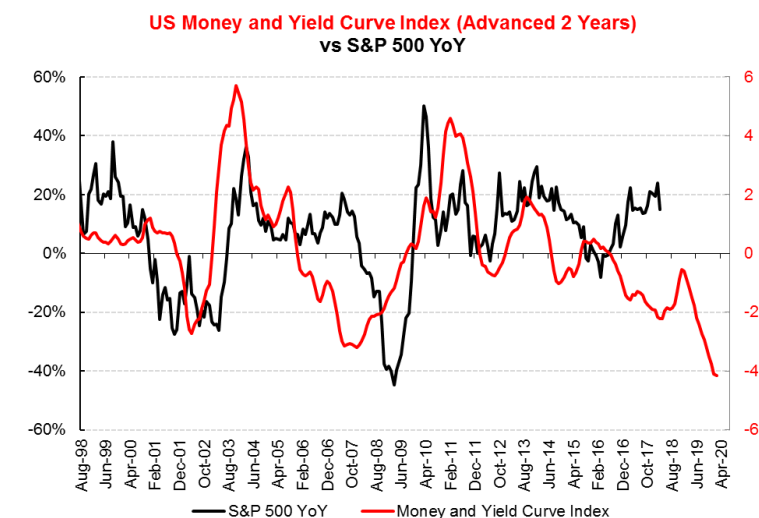
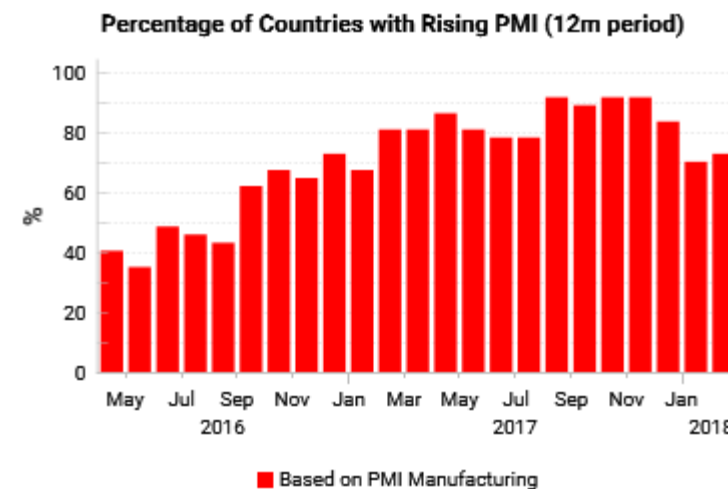
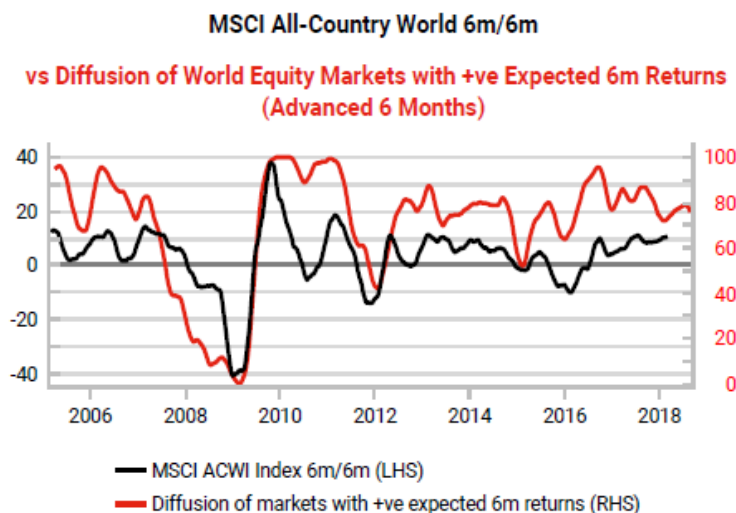
# 3 Key Themes

Equities, the USD and the Yield Curve



# Global overview

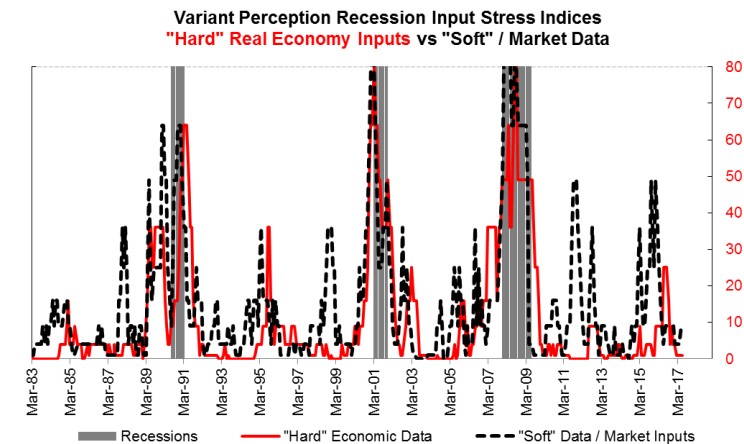
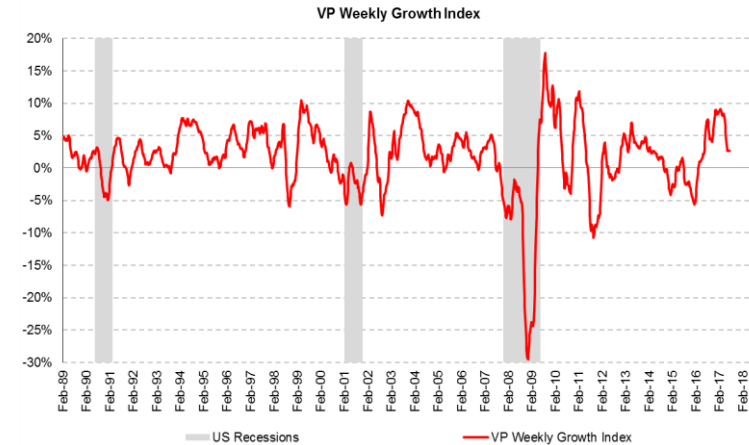
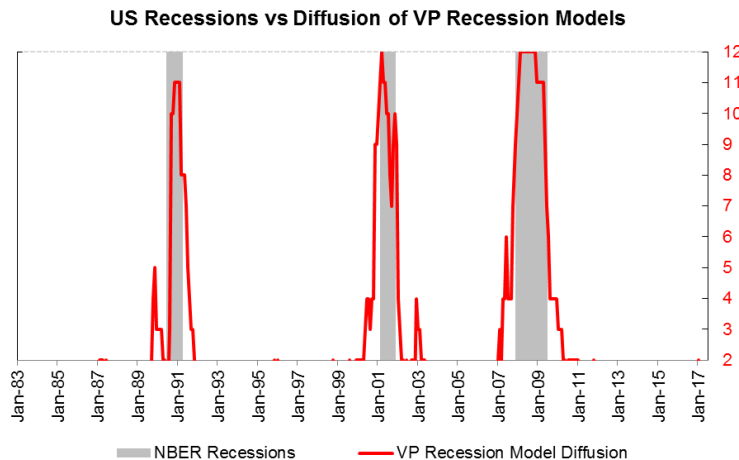
Shorter-term our leading indicators are still positive, but the environment is soon likely to become more challenging.





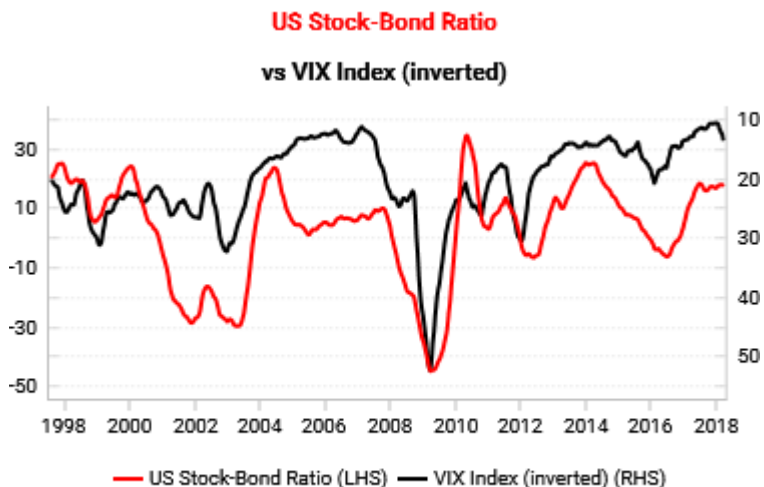
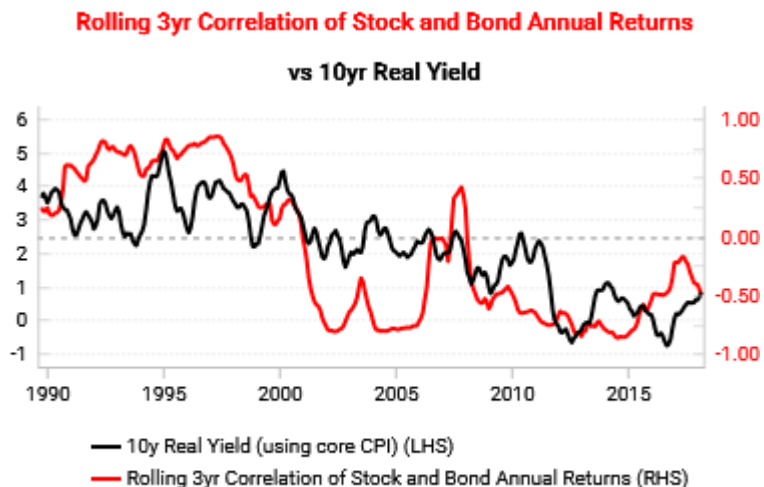
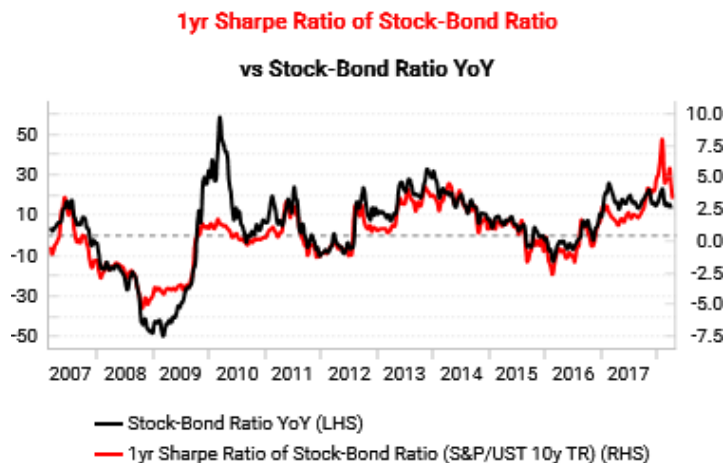
# US recession remains key macro theme

Old cycles die quickly. That is why it's more important than ever to be alert for a recession. The risk of a US recession over the next 3-4 months remains low for now, but that can change quickly.



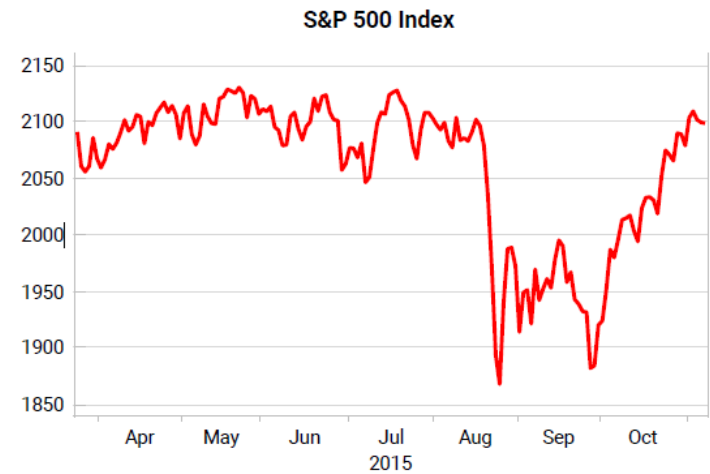
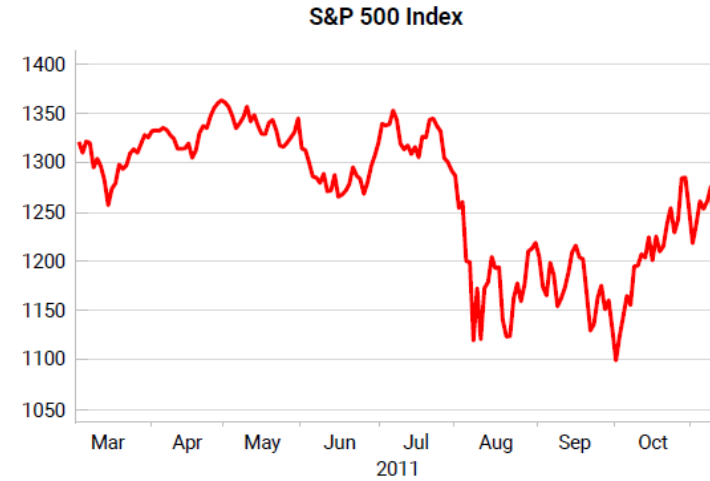
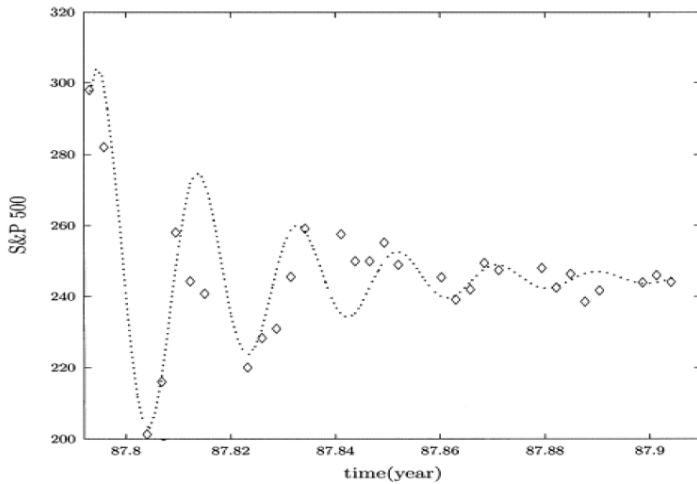
# The ratio to watch

The interplay between stocks and bonds is the key relationship to watch. The stock-bond ratio is now biased lower.



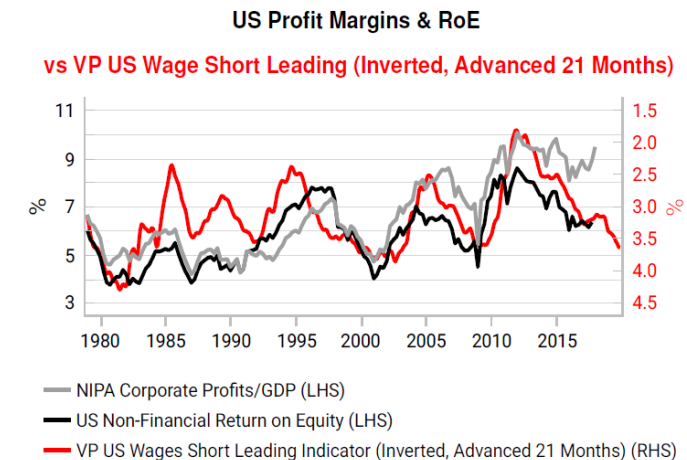
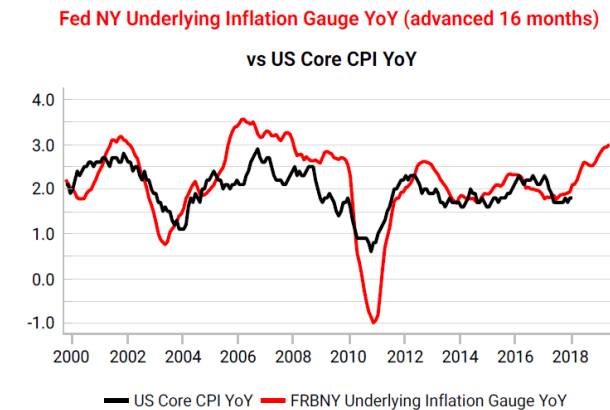
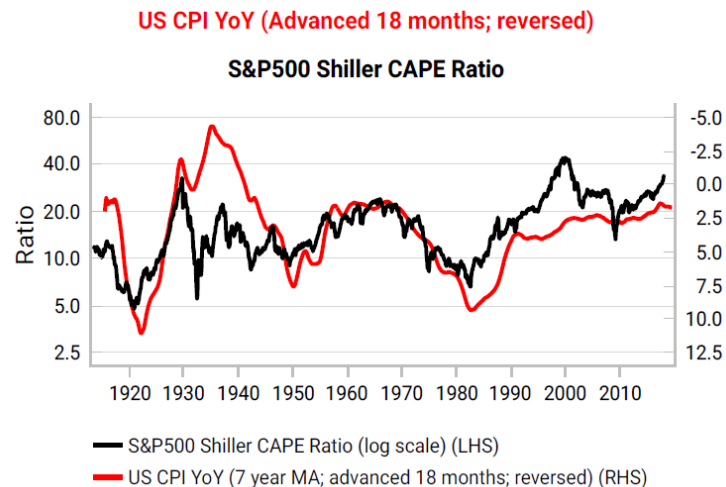
# Post-crash dynamics

Stocks are displaying “harmonic oscillation”, and another re-test of the February lows is likely.



# Fundamental stock supports wavering

Many of the fundamental supports for stocks look vulnerable, including corporate profitability and P/E multiples.

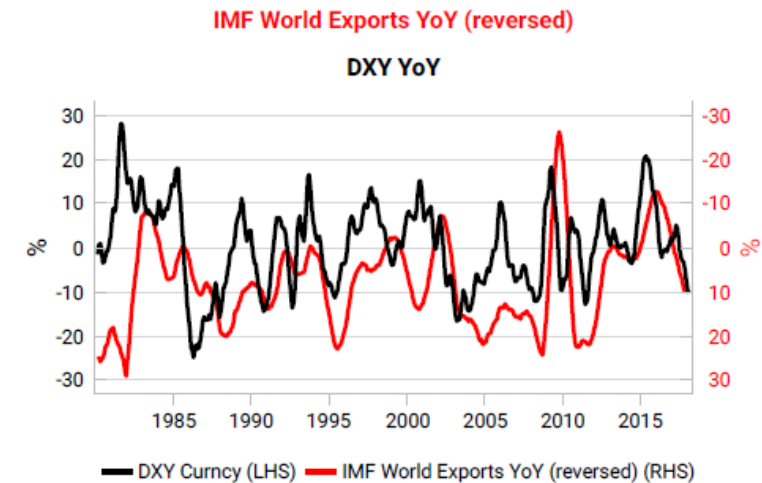
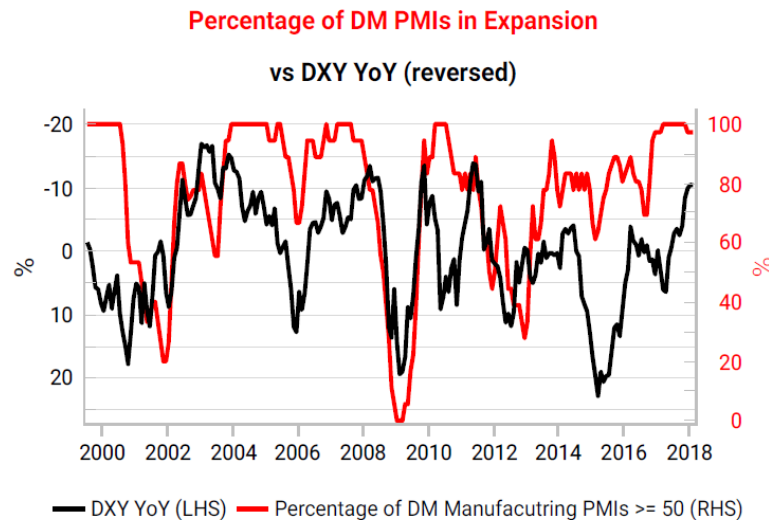
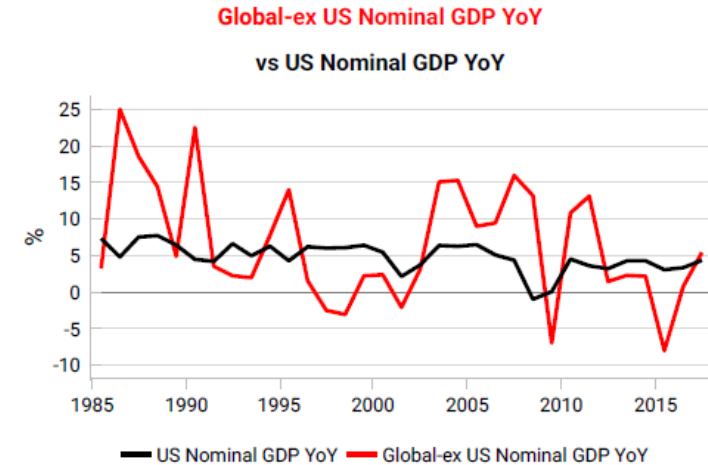




# USD: a two-sided price

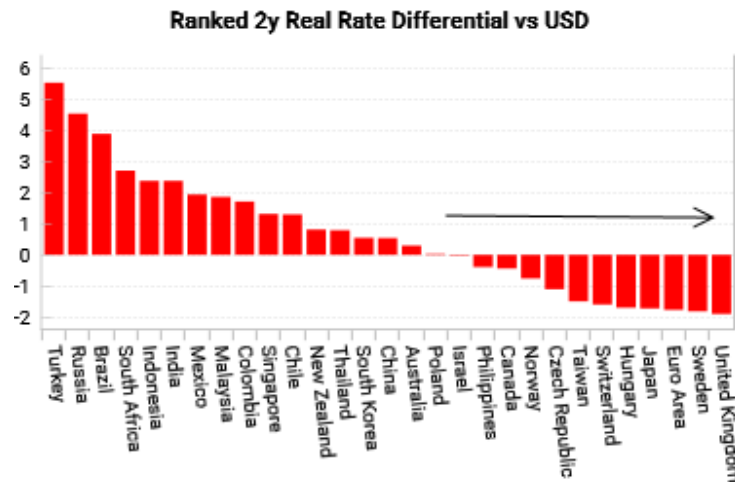
The USD's performance is related to the US's performance relative to the rest of the world.

Trade tensions could be the catalyst for a stronger USD.

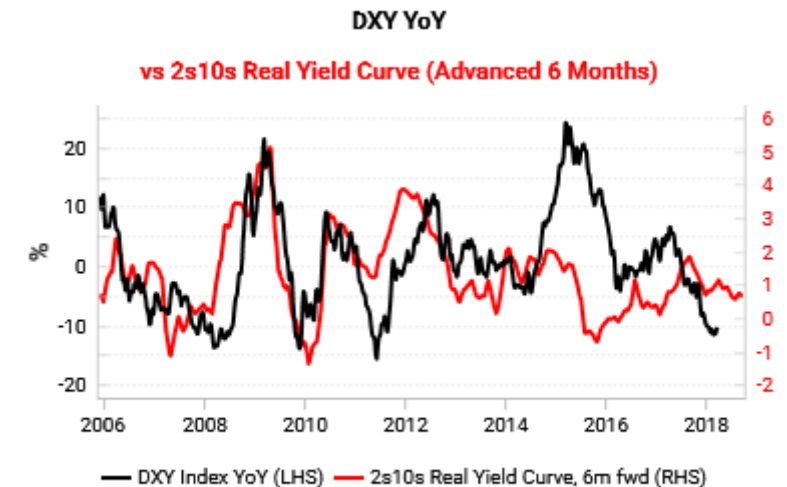
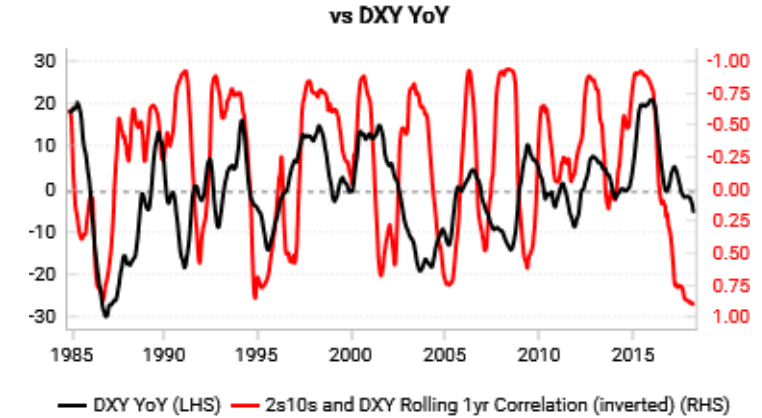


# Medium-term USD drivers

Real-rate differentials continue to favour the dollar.  
Moreover, the real yield curve points to a higher USD.

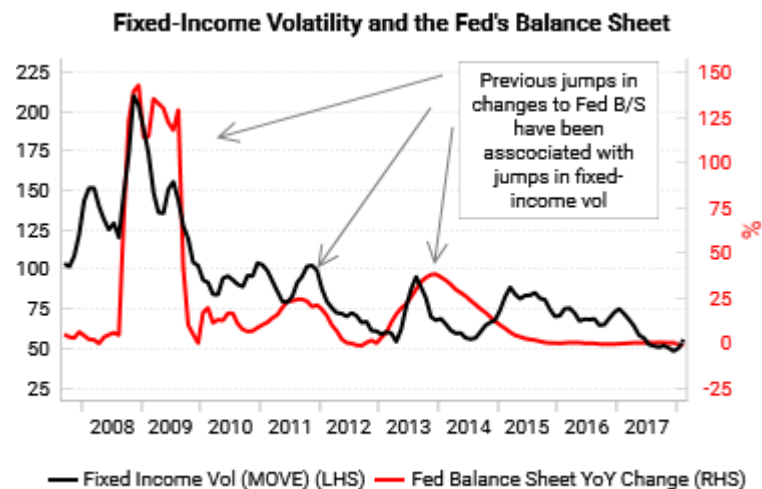
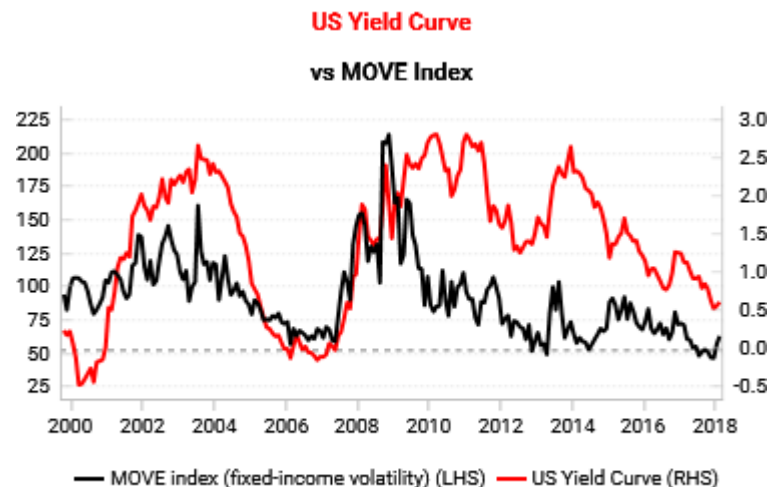


US 2s10s Yield Curve and DXY Correlation (1y rolling, inverted)



# US yield curve biased steeper

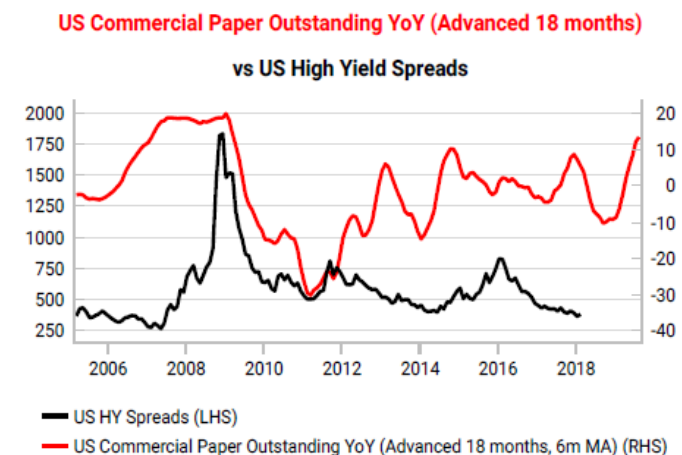
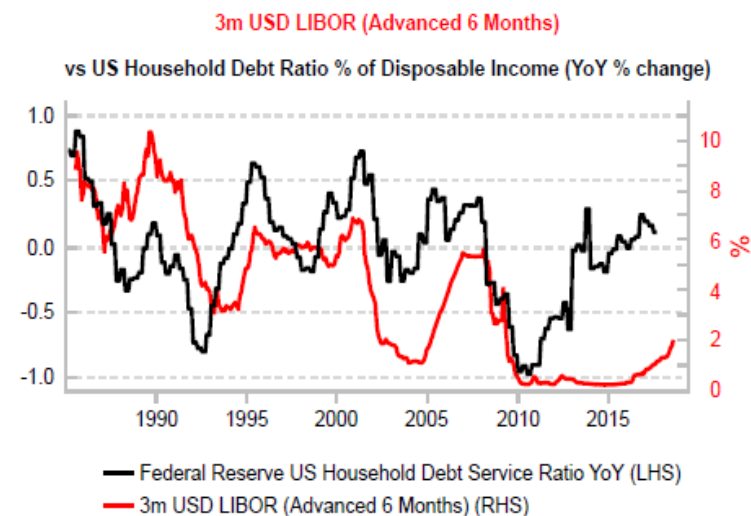
We see the US yield curve (2s10s) with a steepening bias in 2018.





# Higher LIBOR-OIS here to stay

LIBOR-OIS is highly unlikely to return to its late 2017 levels. LIBOR is linked to trillions of USD of loans and its rise over and above OIS will have chronic (rather than acute) effects across the economy.



# OUR COMPANY

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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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**Sean Link**

Head of Sales

✉ [sean@variantperception.com](mailto:sean@variantperception.com)

☎ +1 (704) 926 1116

**Denise Hearn**

Head of Sales EMEA

✉ [denise@variantperception.com](mailto:denise@variantperception.com)

☎ +44 (0) 207 648 4606

**CONTACT US**

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