CIO Office – Chartbook

Outlook Q4/2023 – Fragile

Index

Chart Categories

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CIO Office Outlook Q4 2023

CIO Office Chartbook

"Strong convictions, loosely held."

Paul Saffo

Executive Summary

- Financial markets during the summer period were under the usual seasonal influence of slowly but steadily increasing volatility, culminating in a bond melt-down towards the end of September, which also left its mark in other asset classes
- We continue to overweight money market investments given their still attractive pay-offs. However, we keep an eye on roll-over risk.
- In fixed income we slowly start extending duration risk after having been at the very short-end for several quarters now. We also increase credit quality of our exposure.
- In equities, we move to a cautious underweight, given the fragility of the current environment and an expected pick up in credit spreads.
- We like equity exposure to specific parts of Asia (India, Japan), but also continue to shun others (China)
- It is still too early to move exposure to precious metals up, but we are getting closer

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NPB Investment Committee

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Deputy Head of Asset Management

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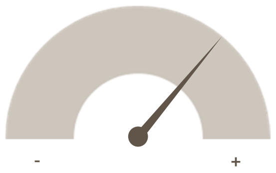
CIO Office Global Scenarios

Geopolitical and macroeconomic assessment

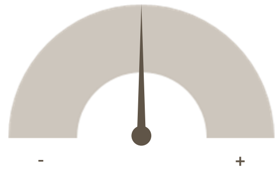
	Base Case	Best Case	Worst Case
Russian War	Gridlock; neither side makes notable progress, war goes on	Ceasefire; peace talks	The US, to reduce its growing debt pile, ceases any financial support to Ukraine/NATO, leaving Russia space for a larger offensive
Energy	Global energy crisis is adverted; but structurally higher prices are a drag on global economic activity	Better infrastructure and faster than expected adoption of alternative sources keep fossil fuel prices low	Rising geopolitical tensions and chronic underinvestment in traditional energy sources cause prices to rise dramatically
(De)Globalisation	Rising protectionism leads to reshuffling of global supply-chain map (re-shoring, friend-shoring)	Globalisation continues unabated	Over-protectionism, trade-tariffs, etc. lead to a clear dampening of global growth prospects
Geopolitics	Sino-US relations remain tense, but the status quo prevails	US and Chinese diplomats find agreements on main friction points; newly found peace in Middle East leads to new era of global prosperity	Sino-US tensions escalate, with China invading Taiwan.
Economy	A recessions seems less avoidable now; global slowdown is orderly though, setting stage for the next growth cycle	Slowdown but no recession; inflation falls back to CBs long-term target level (~2%)	Hard landing, with unemployment quickly rising, forcing CBs to cut rates leading inflation spiralling out of control
Probability	*High*	*Highly unlikely*	*Tail risk; low probability*

NPB Global asset allocation views (6-12m outlook)



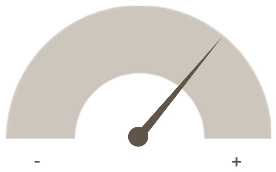
Cash & Money Market Instruments

We remain overweight money market instruments given the attractive risk-return dynamics, but are aware of the roll-over risk



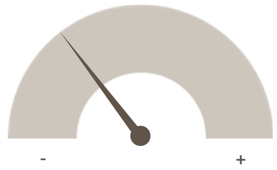
Precious Metals

High real rates are pressuring precious metals, but especially gold continues to deserve its allocation within a portfolio as an ultimate store of value



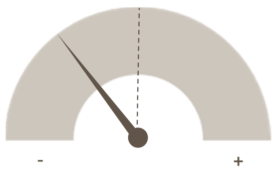
Fixed Income

We remain overweight fixed income, however, start shifting part of the allocation to the longer end of the curve. Simultaneously, we increase credit quality of the allocation meaningfully



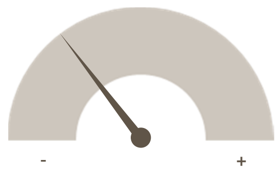
Commodities

Under our (downward) revised base case, it is still a bit too early for broader commodity exposure. However, longer-term risk remain to the upside (inflation, geopolitical turmoil, deglobalisation)



Equities

We move our equity exposure to somewhat underweight; we do not expect an outright "crash", but a too fragile situation combined with an unattractive Equity Risk Premium ("ERP") justifies a lighter exposure



Alternatives & Real Assets

Given illiquidity and probably still elevated valuations, we see no reason to expose ourselves to private markets for now. However, other alternative pockets, such as distressed debt, could be interesting over the months to come.

Current view   Previous view (if different)

NPB Global tactical views (6-12m outlook)

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Equities	View	Commentary
United States		While we move overall equity exposure to underweight, we think many parts of the US markets have corrected enough now to bring valuations in-line with the longer-term mean and move the allocation within the asset class back to neutral.
Europe		Europe may have recently beaten the US in golf, but in terms of stock market performance, our American friends keep the overhand. Europe's valuations are outright cheap, which raises the question: Cheap for a reason?
Switzerland		Given the defensive (healthcare, consumer staples) construction of the Swiss stock market, we move Switzerland to overweight, expecting more resilience during a downturn.
UK		The FTSE-100 has recently failed to move lower on negative news flow and has even started to outperform its global peers. Probably too much bad news has bombed out investors' sentiment, and the risk lies now for further (relative) outperformance.
Japan		Even though Japanese stocks are closing in on their all-time highs of 1989, it seems to us that global investors remain under-allocated to this market. Valuations remain attractive, warranting a continued overweight.
Emerging Markets		The US Dollar continues to be EM's Damocles Sword, however, given the currency's recent strength, we are encouraged by the resilience of emerging markets. Keep entire complex neutral but continue to make regional differentiation (see below).
China		Given structural problems (youth unemployment, real estate woes) in the Chinese economy, we recommend to leave this equity market as an underweight. Extremely negative sentiment, decent valuations and possible state-induced stimulus keep us from downgrading further.
India		Prospects for the country's economy remain bright, currently further strengthened by friend-shoring (e.g., Apple moving production from China to India). It continues to be a pricey stock market; however, investors seem willing to pay that premium.
Asia Ex-Japan		Year-to-date performance across the Asian plain is very mixed this year, but we continue to believe in the long-term prospects of the greater region. Newcomers to global financial markets, such as Indonesia, carry an execution risk, but also port great opportunities.
GCC Countries		The GCC area continues to be one of the growth "hot spots" globally, attracting foreign capital at a breathtaking pace. We continue to be overweight.

Underweight | Neutral | Overweight | ● Previous view (if different)

NPB Global tactical views (6-12m outlook)

Fixed Income	View	Commentary
Government	Overweight	We keep an overweight to government bonds and start actively increasing duration risk within this segment, given a) the recent jump in yields and b) our base-case recession view. However, we simultaneously keep a close eye on deteriorating government fiscal discipline.
Investment Grade	Overweight	We keep an overweight and start increasing duration here too, but with a clear focus on the highest end of the quality spectrum.
High Yield	Underweight (Previous view: Neutral)	Given our economic base case view, we expect credit spreads to start rising meaningfully from here. As we are moving closer to the zone where previous, low-interest environment debt has to be rolled over at the new, higher rates, the risks increase for a further downgrade.
Emerging Markets	Underweight (Previous view: Neutral)	We keep EM debt at a neutral weighing for now, as many EM central banks were ahead of their DM peers during the inflationary cycle. However, we keep a close eye on local currency EM debt as the US Dollar continues to strengthen.
Duration	Overweight	While we believe that global interest rates are in a secular uptrend, we think this cycle is coming to an end, which warrants a duration increase over the months to come.

Currencies	View	Commentary
Swiss Franc	Overweight	Opposing forces are at work in the Swiss Franc. On one side, it seems the SNB may already be done with their hiking cycle, which could be a drag on the currency if other economies continue to hike. On the other hand, the CHF has a "safe haven" status during economic upheaval, which could remain a tailwind for the period we are entering. Keep overweight for now.
Euro	Neutral	We keep a neutral weight on the Euro, but just about. A drop below 1.04 versus the US Dollar would likely trigger a technical "underweight" signal.
US Dollar	Neutral	The logical explanation for recent US Dollar strength is the market's expectation of an increasing interest rate differential, as the Fed will keep a "higher for longer" policy, whilst other major economies, including the Eurozone, may be on the verge of cutting rates. We are slightly worried that something "darker" may lay behind the USD accumulation observed recently.
British Pound	Underweight	Our GBP underweight has worked well over the past quarter, as the Pound gave back approx. 8% versus the US Dollar. From here, the path remains a bit less clear, though the technical pictures allows to keep an underweight for now.

Underweight | Neutral | Overweight | ● Previous view (if different)

Macroeconomic

CIO Office Chartbook

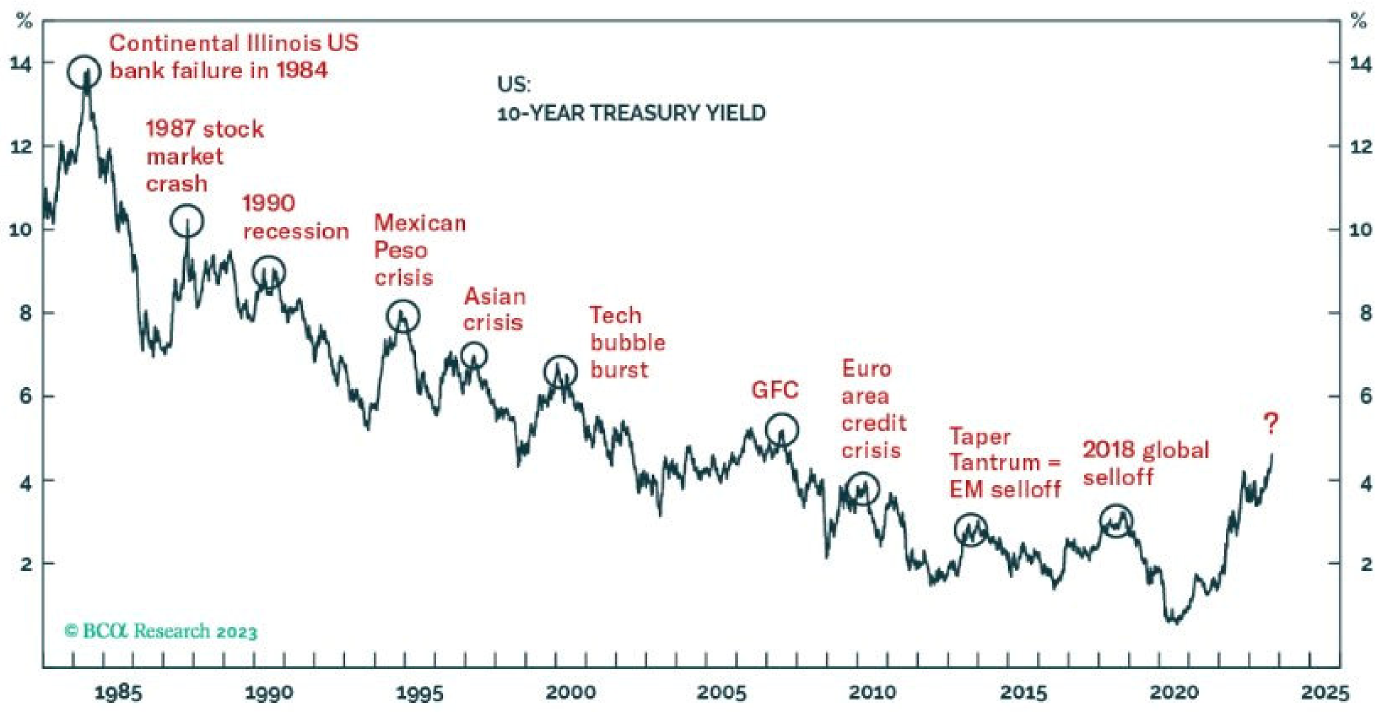
Fragile

Markets on the Brink?

The recent, dramatic move higher in interest rates has pushed markets into a very fragile state.

As our "Chart of the Quarter" shows, such sharp moves have always ended in tears …

A Rise In Bond Yields Typically Ends With A Financial Accident



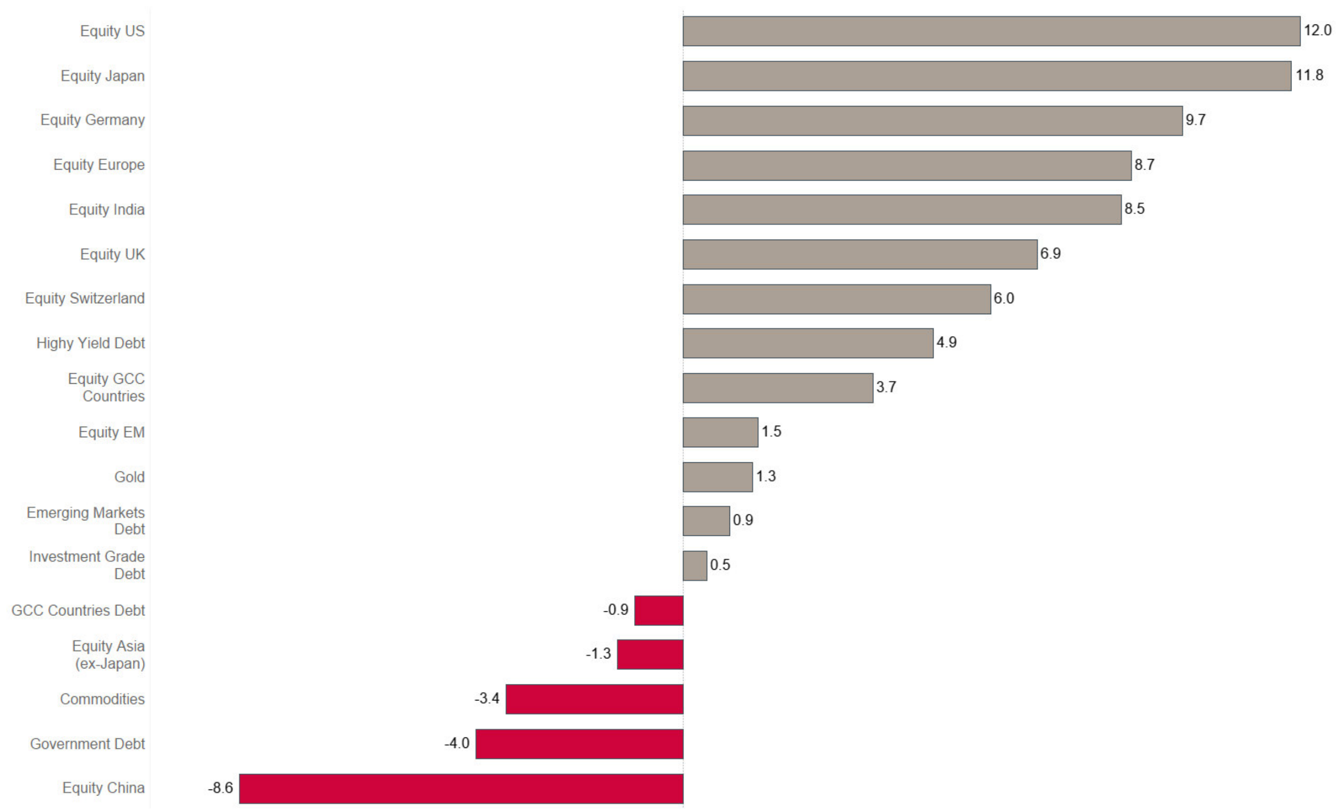
Source: BCA

Asset Classes

Year-to-Date Performance as per 30.09.2023 (in %)

Most equity markets continue to exhibit positive returns, albeit to a lesser extent than at the end of Q2.

Fixed income investments are on the verge of producing negative returns for a third consecutive year.



Source: Bloomberg, NPB Calculations

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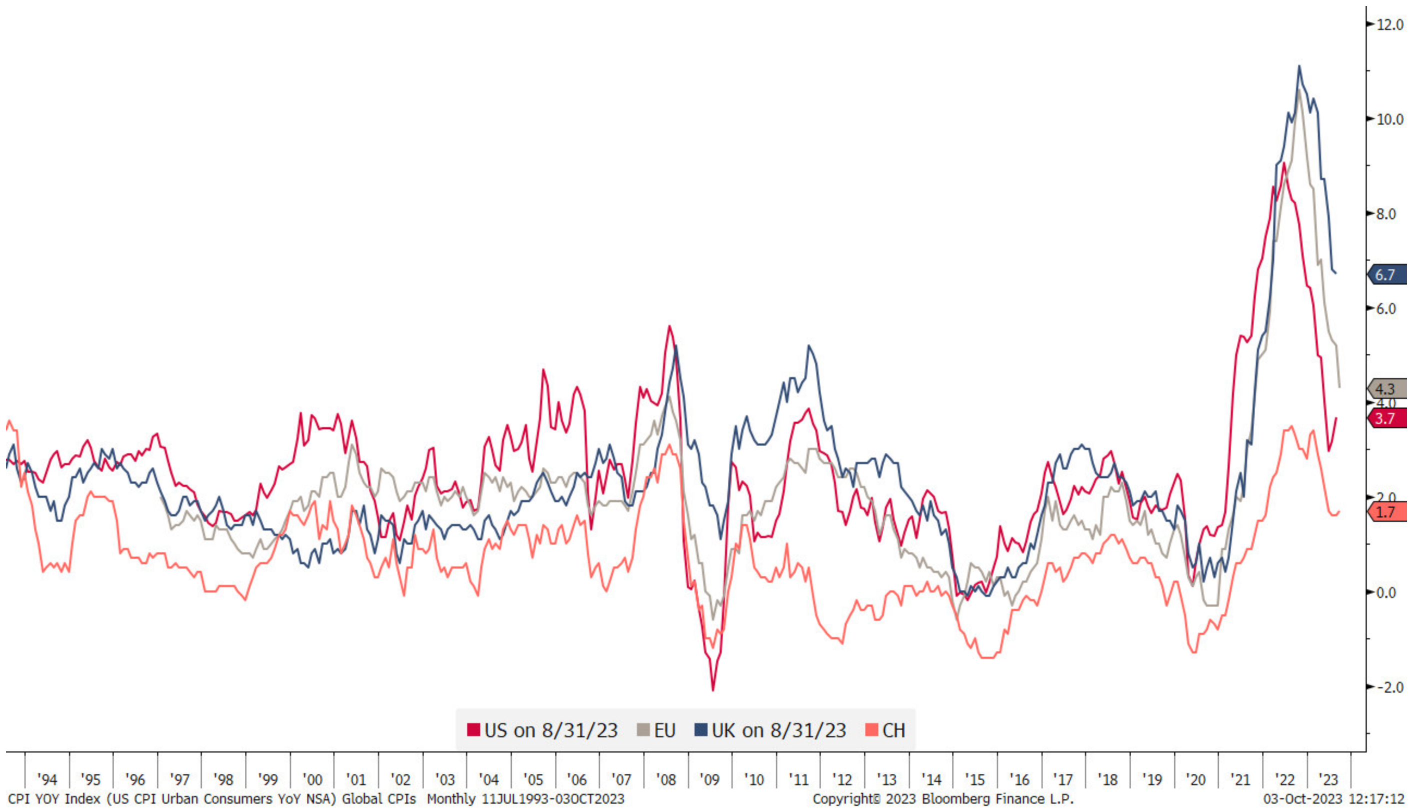
Global Inflation Rates

Will Inflation Fall Further?

Global inflation readings have headed lower, but remain at the upper end of their historic (30-year) norm.

US and Swiss inflation have seen a small reversal higher again at their most recent data releases.



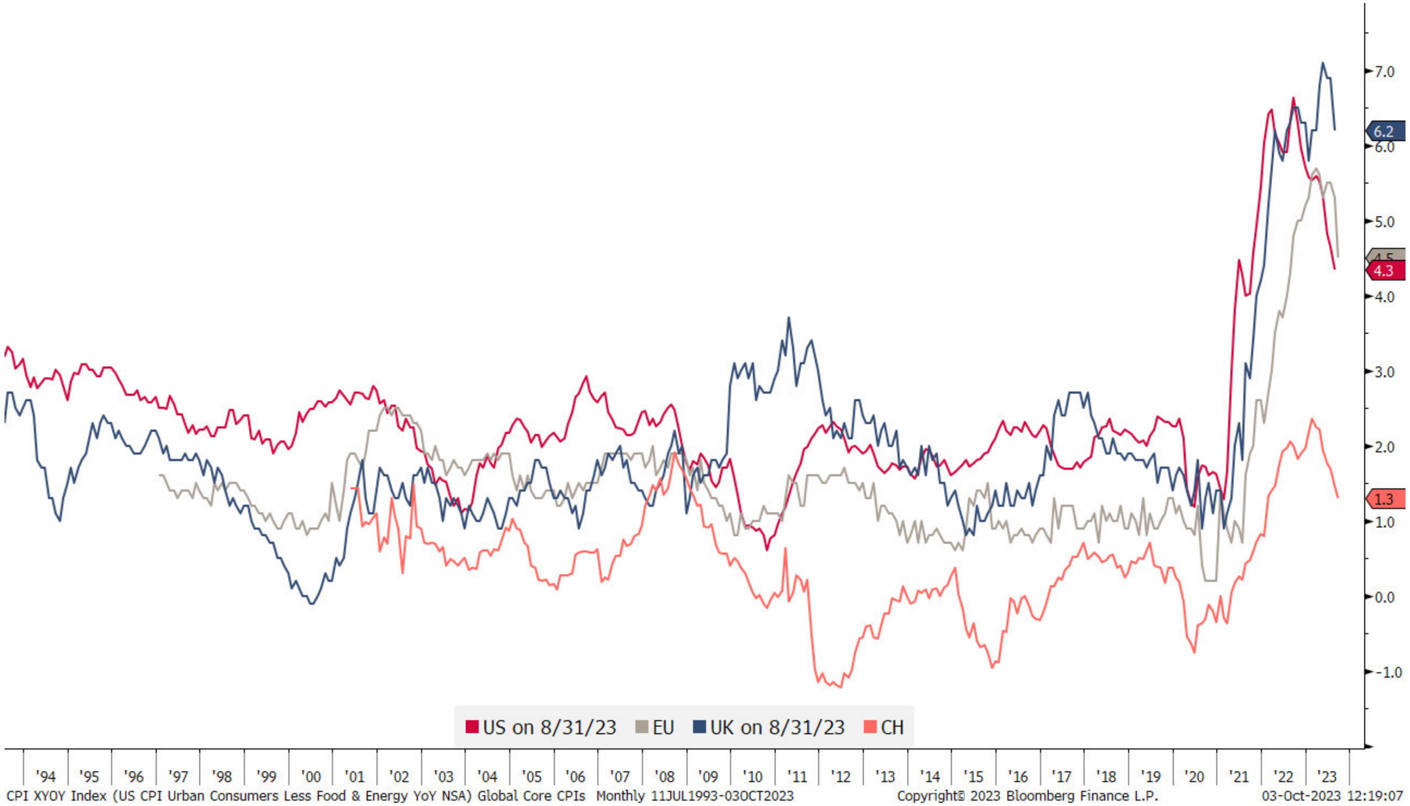
Source: Bloomberg, NPB Calculations

Global Core Inflation Rates

Core Inflation Remains Sticky

Core inflation, as compared to headline inflation on the previous page, has not turned higher yet.

However, it had remained "stickier" during the disinflationary process of the past few months.



Source: Bloomberg, NPB Calculations

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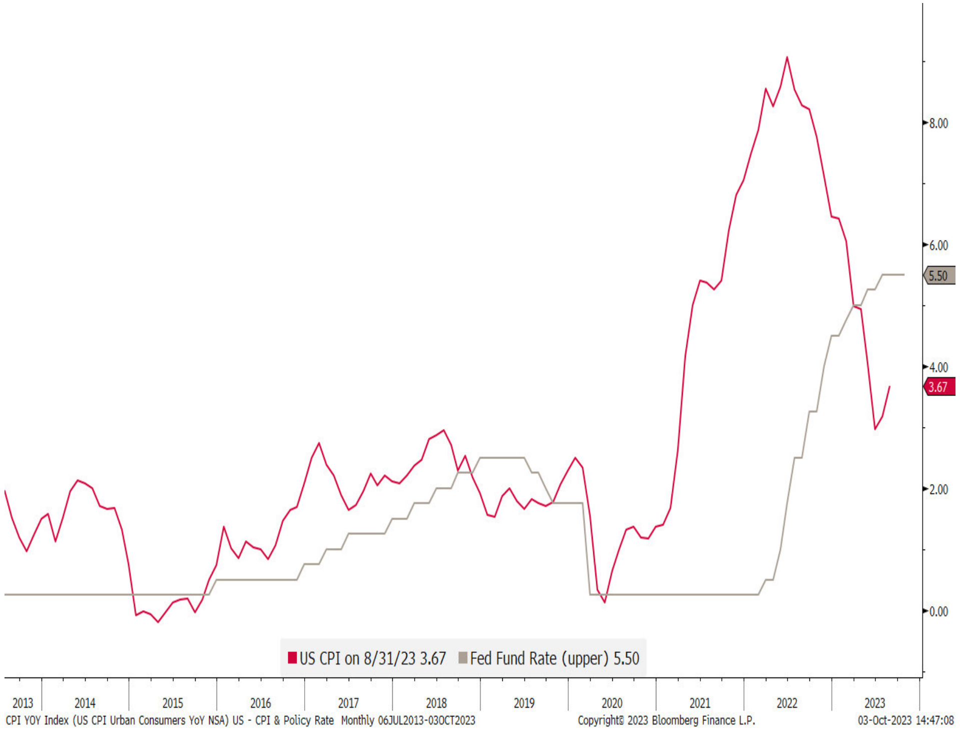
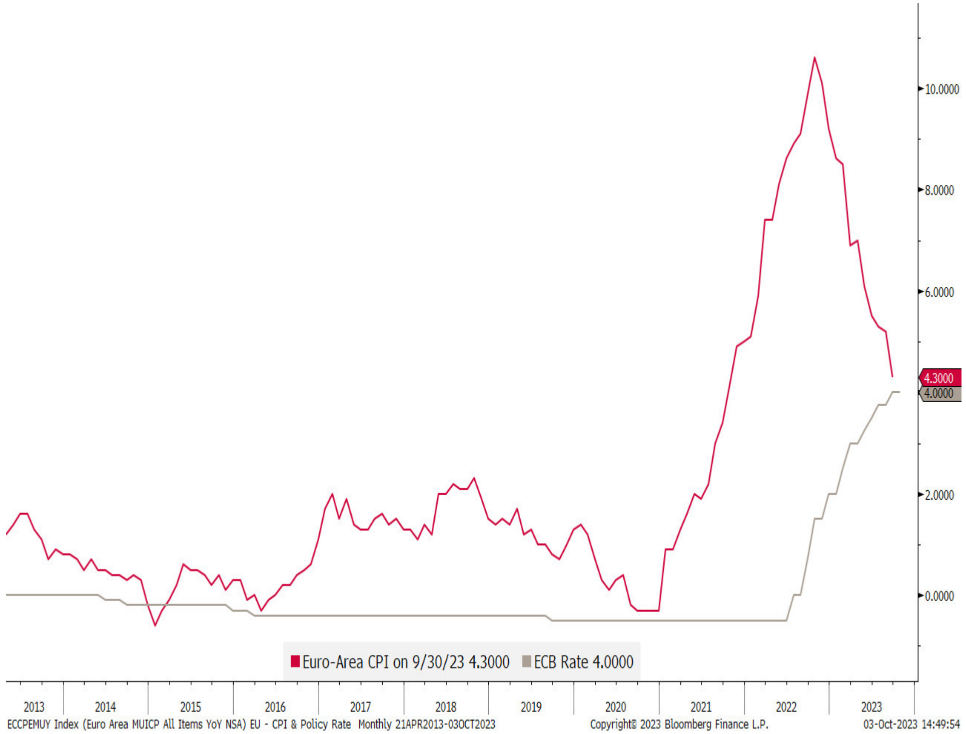
Inflation & Policy Rates

US and Euro-Zone

CPI dropped in Q2 below the policy rate. The recent reacceleration led to the "higher for longer" stance



Under the assumption that the disinflationary trend prevail, the ECB may go on hold now



Source: Bloomberg, NPB Calculations

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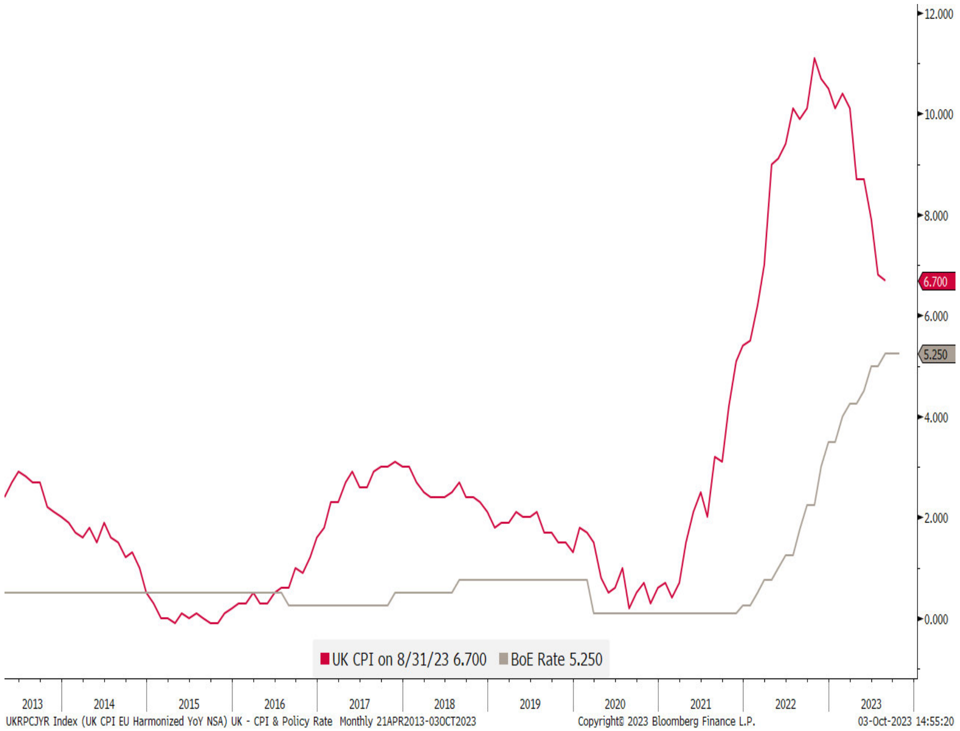
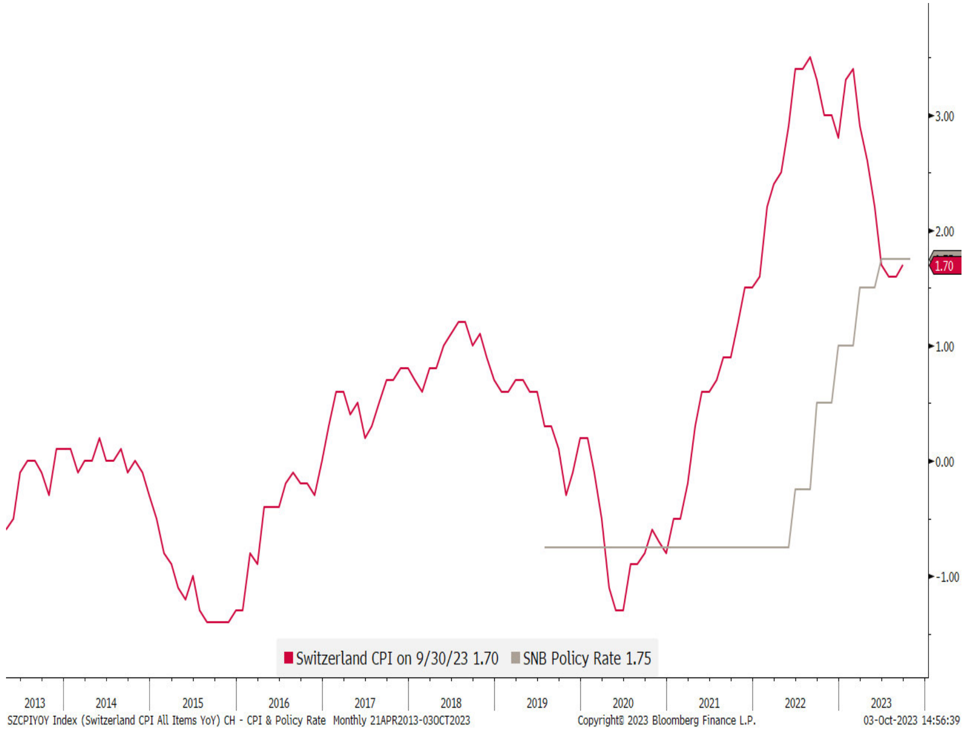
Inflation & Policy Rates

UK and Switzerland

The UK has an inflation problem; solving it seems difficult without killing off the economy entirely



The SNB surprised with a pause decision in September – let's hope the uptick in CPI is just a blip



Source: Bloomberg, NPB Calculations

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Global Inflation Outlook

Economists' Consensus

Economists have adjusted their longer-term inflation expectations somewhat to above the historic norm.

	CPI						
	2019	2020	2021	2022	*2023*	*2024*	*2025*
USA	1.8	1.2	4.7	8.0	*4.1*	*2.7*	*2.3*
Europe	1.4	0.6	2.7	8.9	*6.3*	*2.8*	*2.2*
Switzerland	0.4	-0.7	0.6	2.8	*2.2*	*1.6*	*1.4*
Germany	1.4	0.4	3.2	8.6	*6.1*	*2.9*	*2.1*
UK	1.8	0.9	2.6	9.1	*7.5*	*3.1*	*2.1*
Japan	0.5	0.0	-0.3	2.5	*3.1*	*1.9*	*1.4*
China	2.9	2.5	0.9	2.0	*0.6*	*1.8*	*2.0*
India	3.7	6.6	5.1	6.7	*6.6*	*5.4*	*4.7*
UAE	-1.9	-2.1	-0.1	4.8	*3.2*	*2.3*	*2.2*

Source: Bloomberg, NPB Calculations

Global GDP Outlook

Economists are not too excited

Global growth outlook by polled economists remains rather on the bleak side (ex-India)

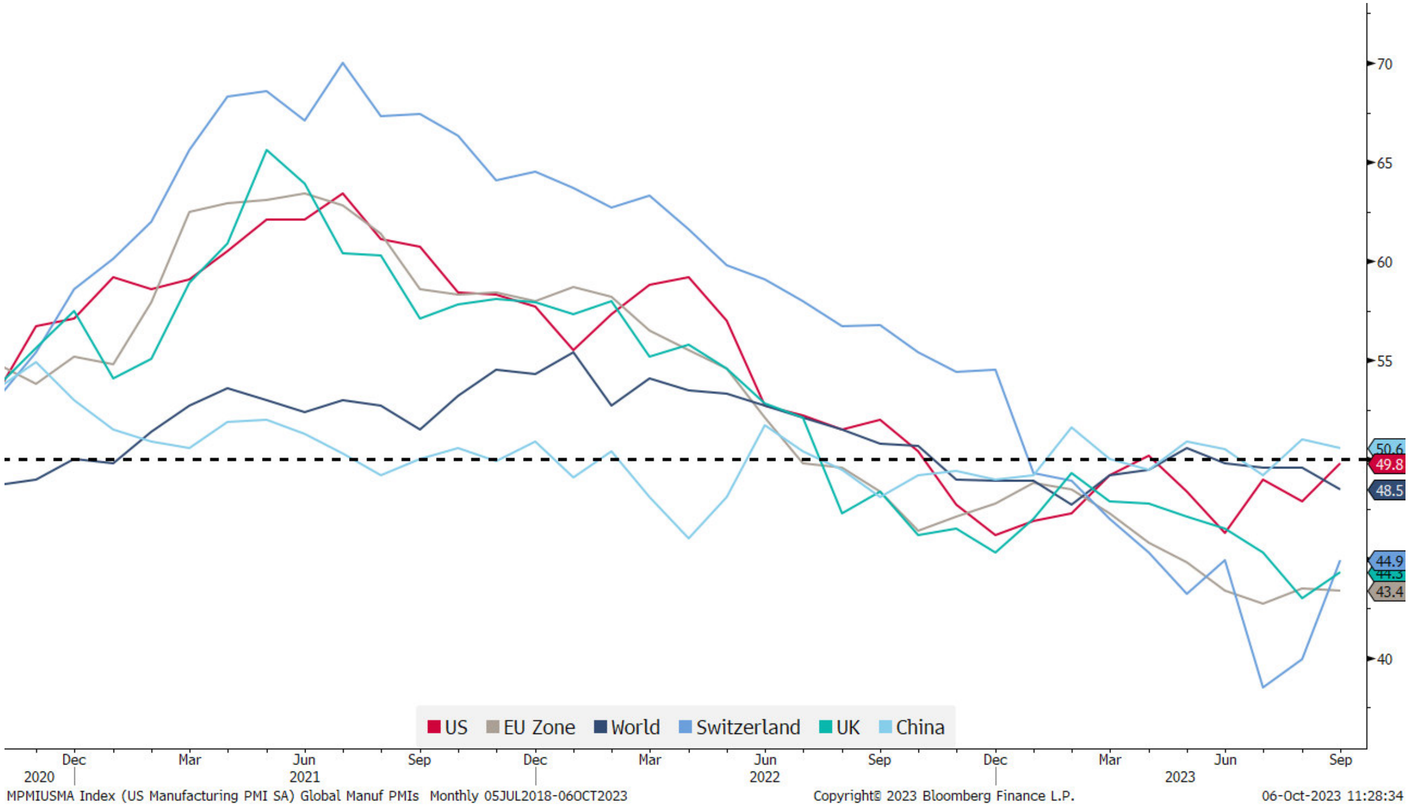
	GDP						
	2019	2020	2021	2022	*2023*	*2024*	*2025*
USA	2.5	-2.2	5.8	1.9	*2.1*	*0.9*	*1.9*
Europe	1.8	-5.6	5.5	3.6	*0.5*	*1.4*	*1.9*
Switzerland	1.2	-2.3	5.5	2.7	*0.8*	*1.3*	*1.6*
Germany	1.1	-3.8	3.2	1.8	*-0.3*	*0.6*	*1.5*
UK	1.7	-10.4	9.6	4.5	*0.4*	*0.4*	*1.5*
Japan	-0.4	-4.3	2.4	1.1	*1.8*	*1.0*	*1.0*
China	6.0	2.2	8.4	3.0	*5.0*	*4.5*	*4.5*
India	6.5	3.9	-5.8	9.1	*7.2*	*6.2*	*6.4*
UAE	1.1	-5.0	4.4	7.9	*2.8*	*3.8*	*3.7*

Source: Bloomberg, NPB Calculations

Global Manufacturing PMIs

Improving but still in contraction

Manufacturing PMIs have been recovering over the past few months, but continue to be in "contraction" zone

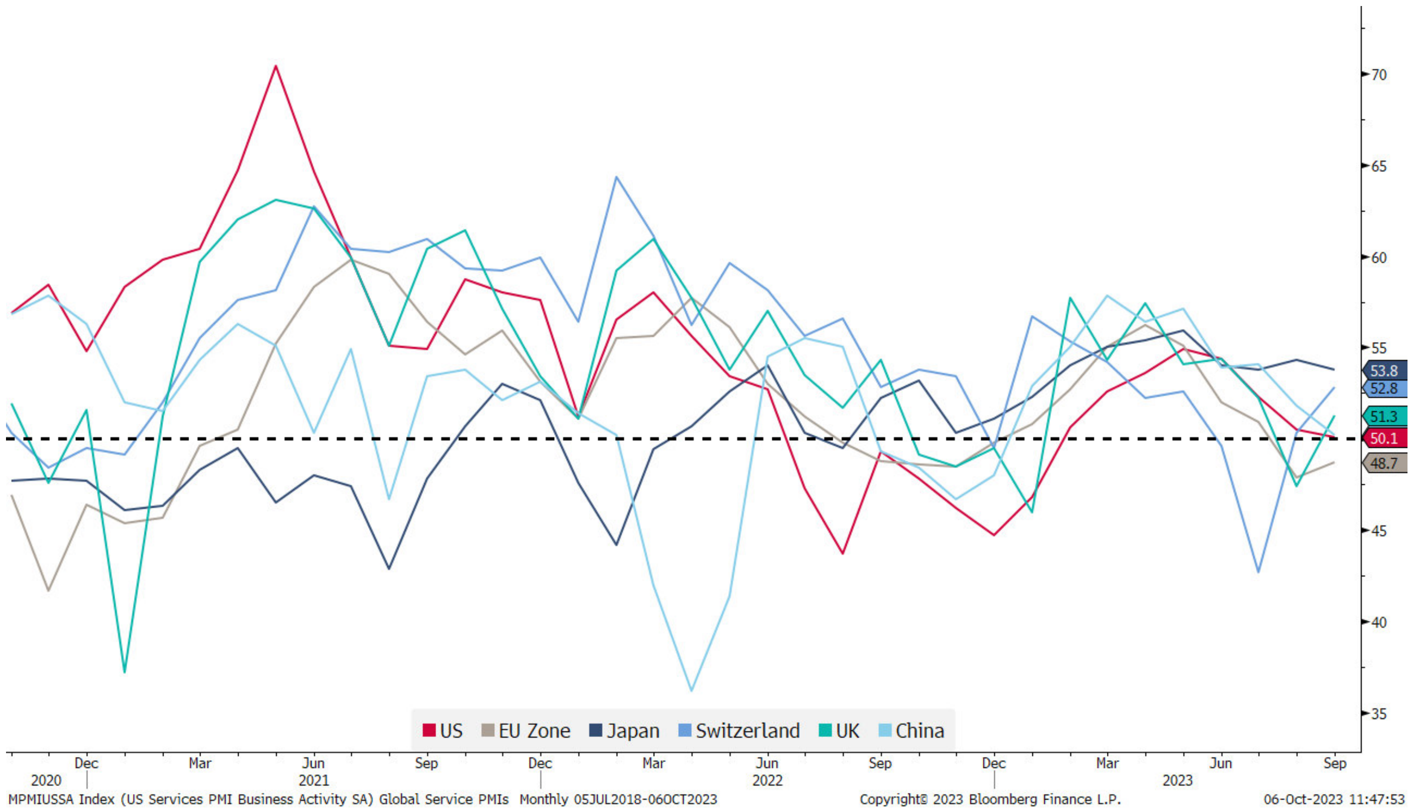


Source: Bloomberg, NPB Calculations

Global Service PMIs

Service PMIs "de-proving"

However, Service PMIs are seemingly trending lower now too, with most of the readings hovering around the neutral '50' level



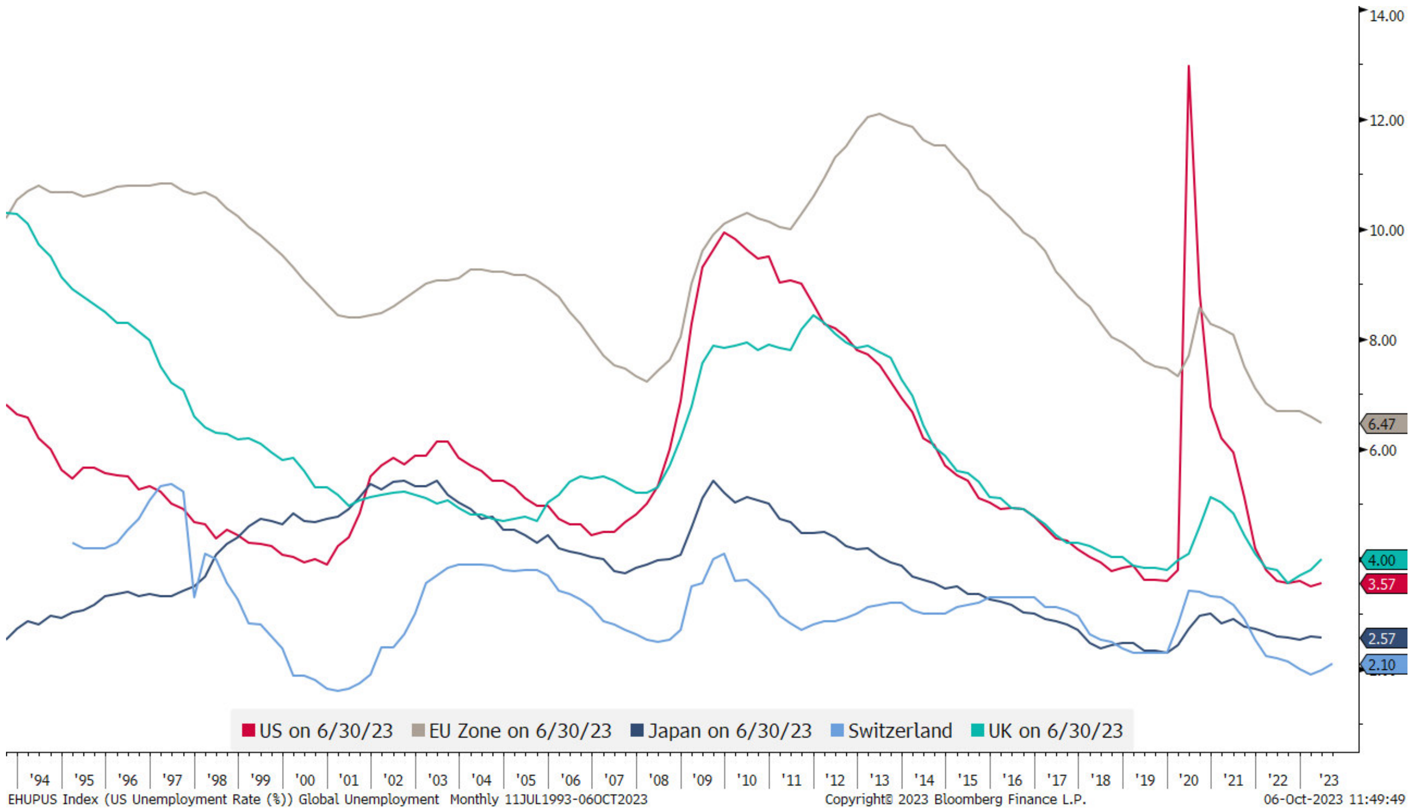
Source: Bloomberg, NPB Calculations

Unemployment Rate (%)

Global

Unemployment has stopped falling and first upticks can be observed in selected countries.

This is a slow process, however, ...



Source: Bloomberg, NPB Calculations

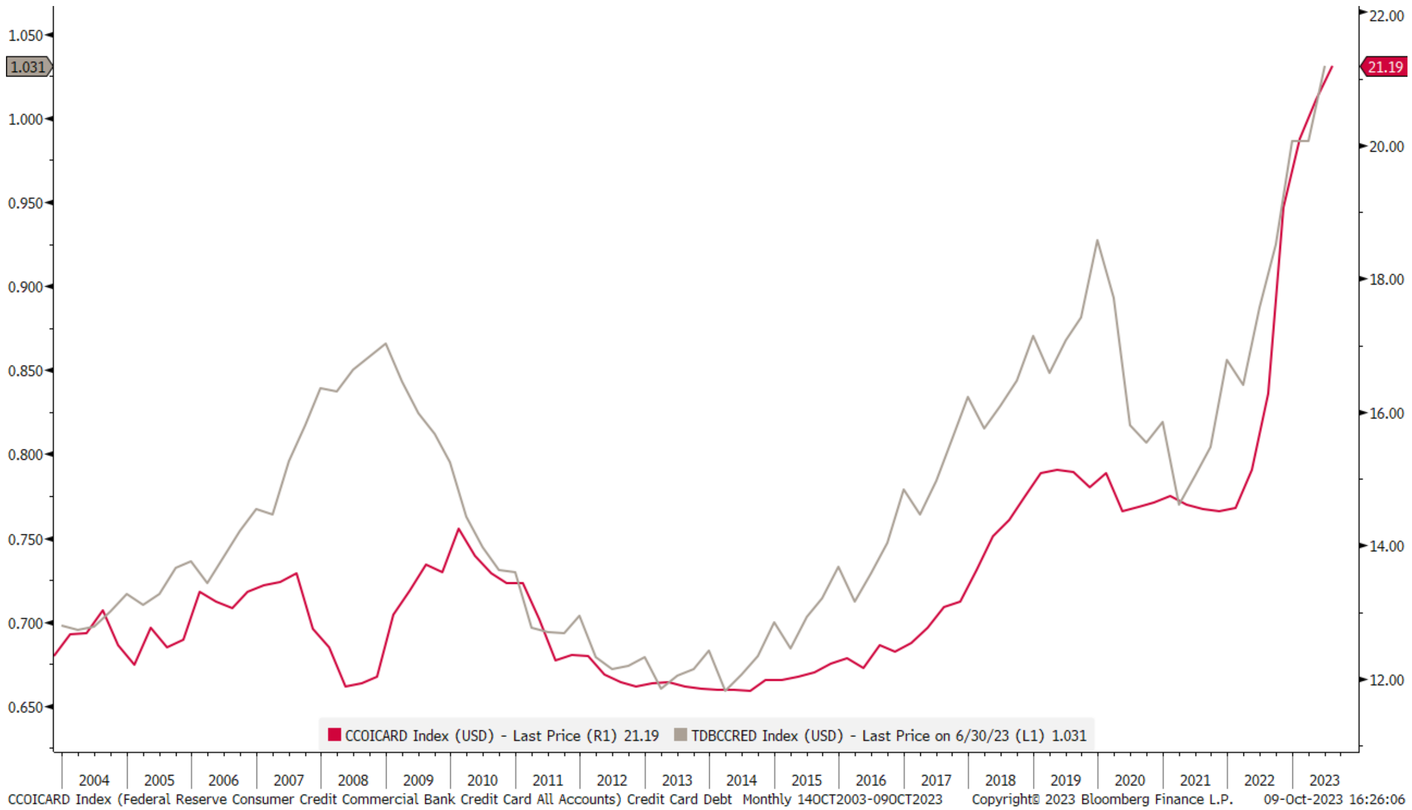
US Consumer

The burden is getting larger

... this comes at a time where the US consumer looks increasingly stretched.

The chart to the right shows total credit card debt (grey line, lhs) and the interest rate (red line, rhs) that is paid on that debt.

The former is USD 1 Trillion and the latter over 20%. Go figure...



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Equity

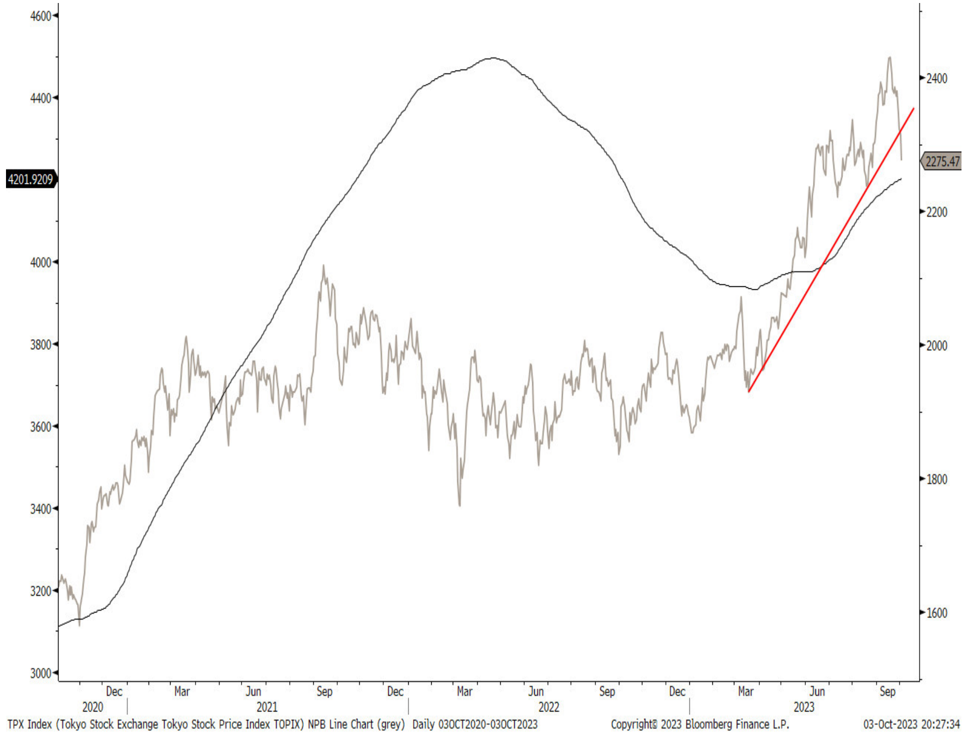
CIO Office Chartbook

Major Equity Markets (1 of 2)

The Trend is Your Friend – but only just so

S&P 500

Topix



Source: Bloomberg, NPB Calculations

Major Equity Markets (2 of 2)

The Trend Is **No Longer** Your Friend

STOXX 600

WORLD Large- and Mid-Cap Index

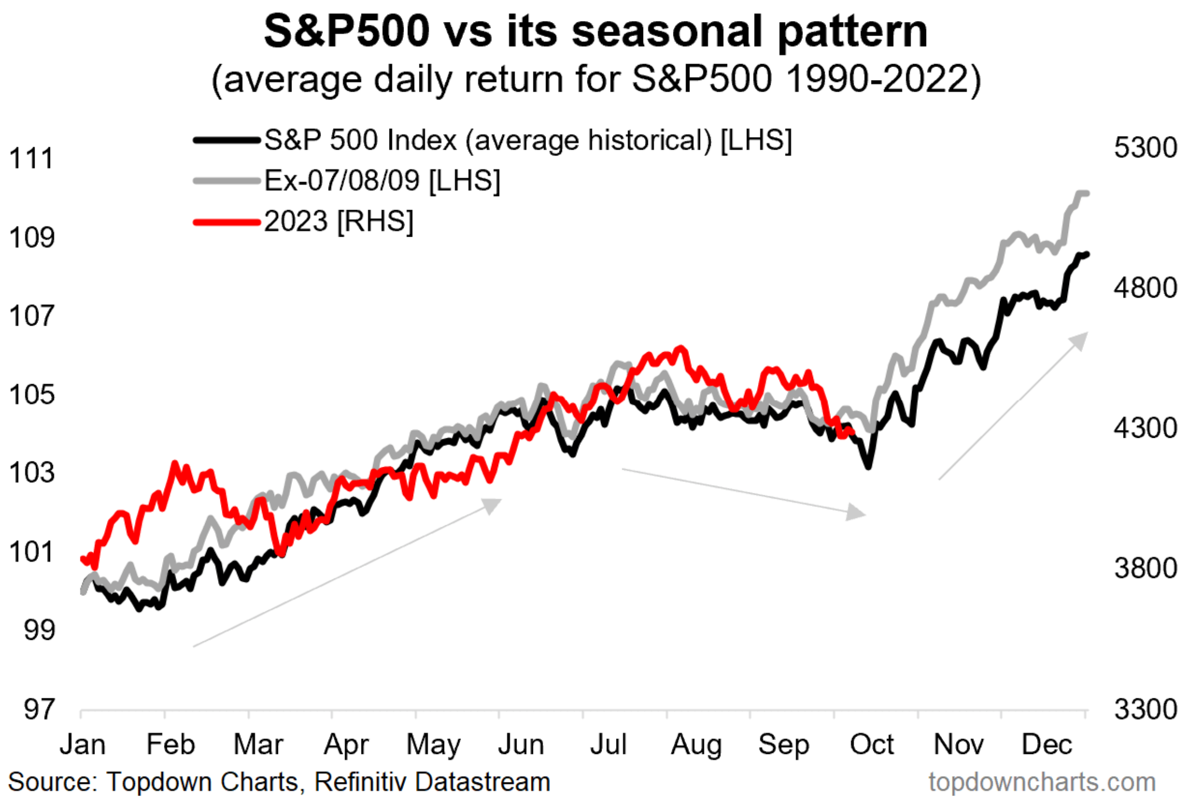
Source: Bloomberg, NPB Calculations

Seasonality – A Positive (1 of 2)

Save by the Bell?

Will the “Halloween Indicator” function this year too?

Seasonality suggest that stocks should turn higher soon.



Source: Bloomberg, NPB Calculations

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Seasonality – A Positive (2 of 2)

VIX Seasonality

The seasonal pick-up in volatility (VIX) we highlighted in our Q3 outlook turned out to work very well.

But now, in line with the "Halloween Indicator" (see previous chart), we are close to the end of that elevated volatility period.

This scenario fits well with the chart on the preceding page

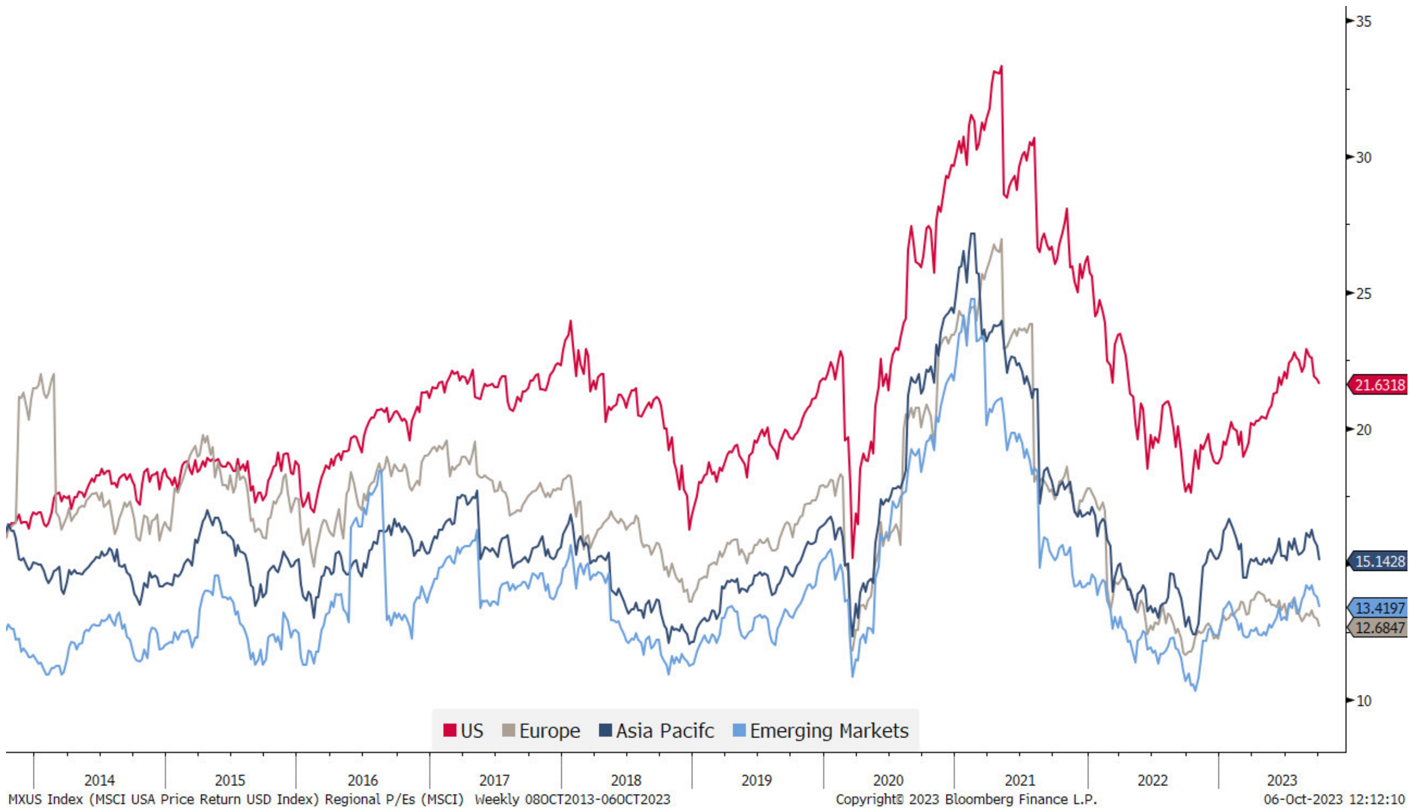
Source: Bloomberg, NPB Calculations

Valuation (1 of 2)

Price/Earnings Ratios

Valuations are starting to normalize, but US stocks continue to trade at a substantial premium.

European stocks are becoming outright cheap. Cheap for a reason though?



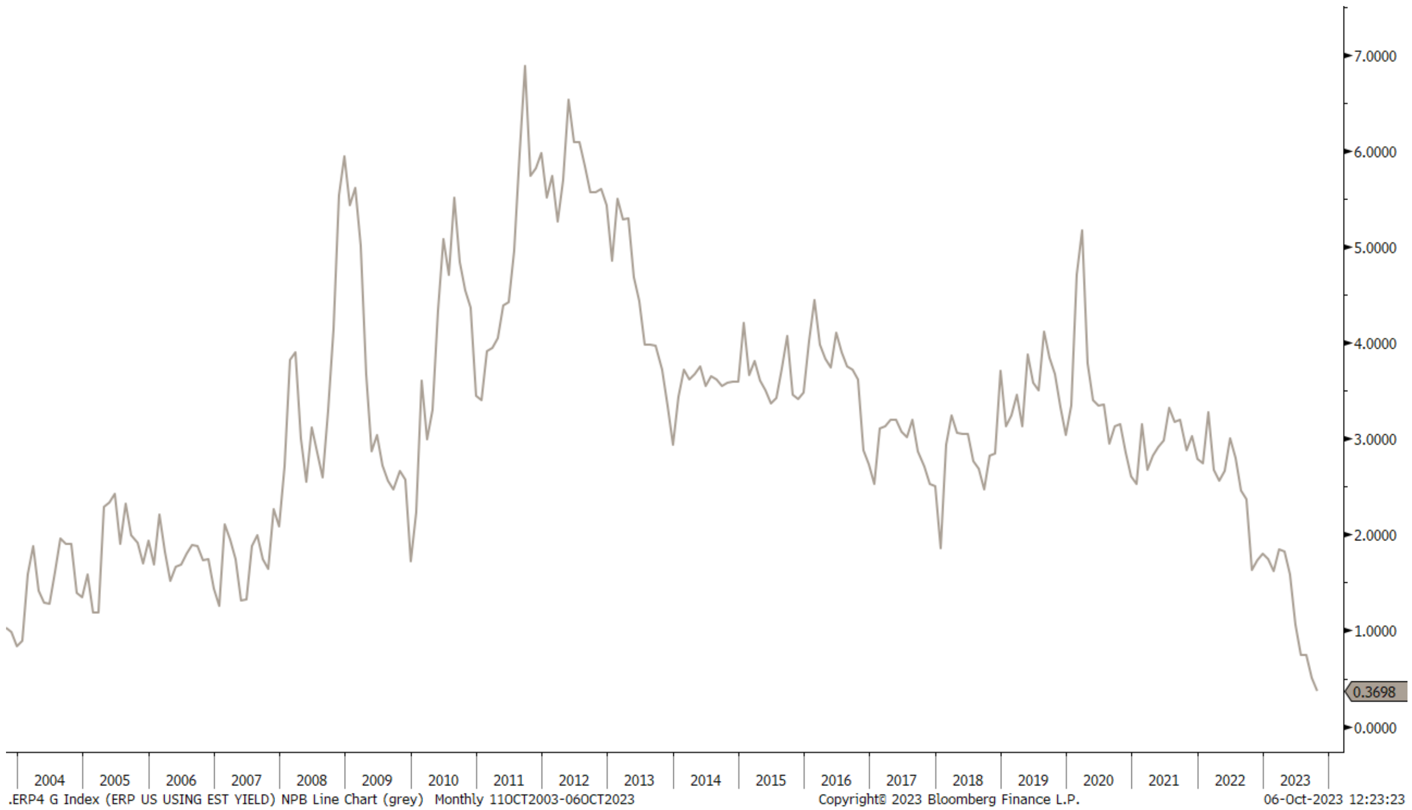
Source: Bloomberg, NPB Calculations

Valuation (2 of 2)

Equity Risk Premium

The EPR has hit its lowest level of the past 20 years, given the relative priciness of the US market and elevated bond yields.

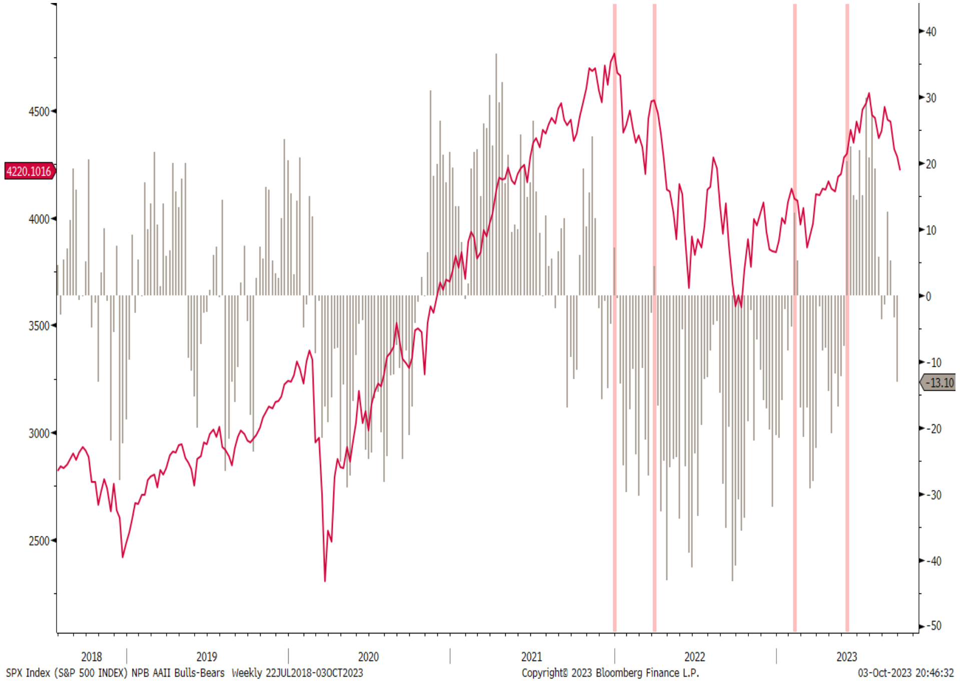
In short, this measure makes stocks look utterly uninteresting



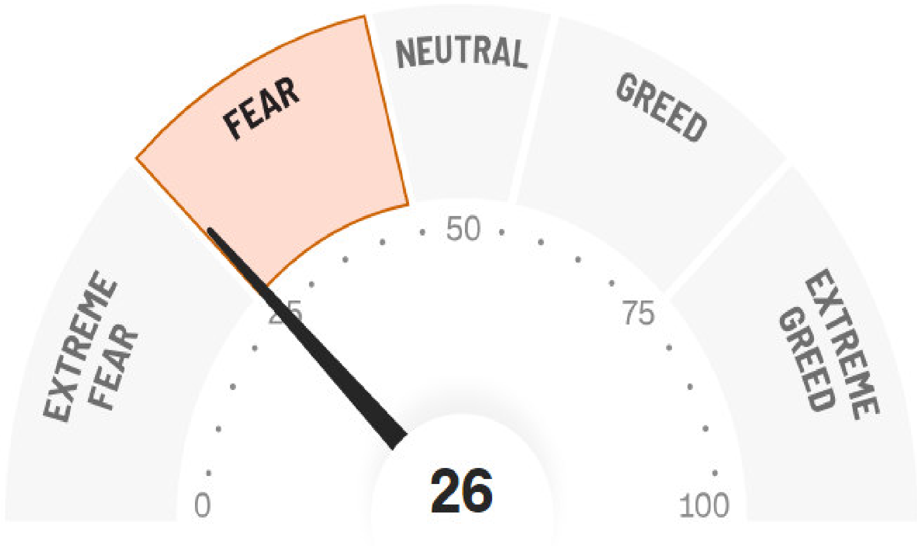
Sentiment

AAII not negative enough yet, but getting there

AAII Survey of Bulls and Bears



CNN Fear & Greed Index

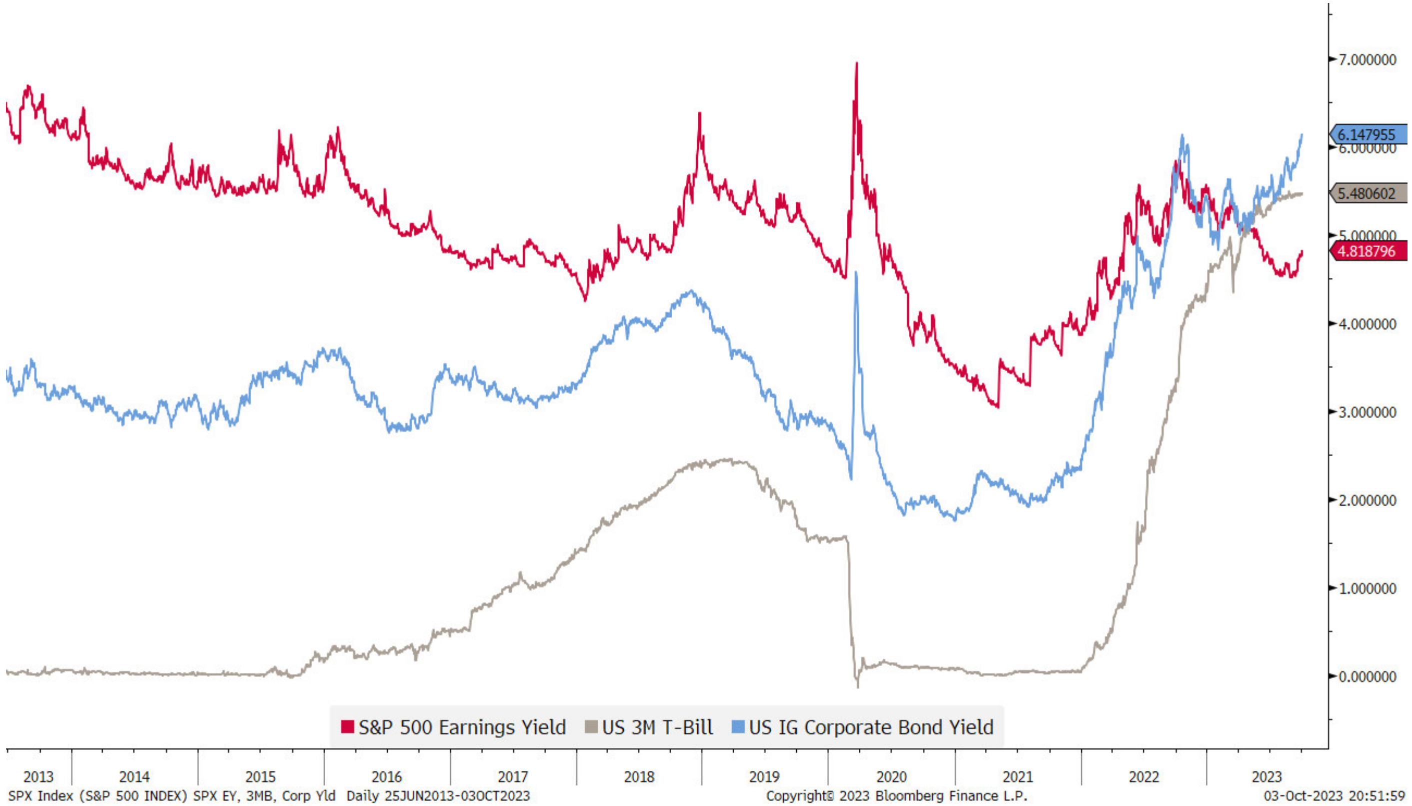


Source: Bloomberg, NPB Calculations, CNN

Asset Class Competition

Yield Comparison Equity, T-Bills and Corporate Bonds

In the quest for attracting investors' money, equities are now at a clear advantage with the lowest yield and highest drawdown risk



Source: Bloomberg, NPB Calculations

Nasdaq vs. 10-Year Yields

Are we there yet?

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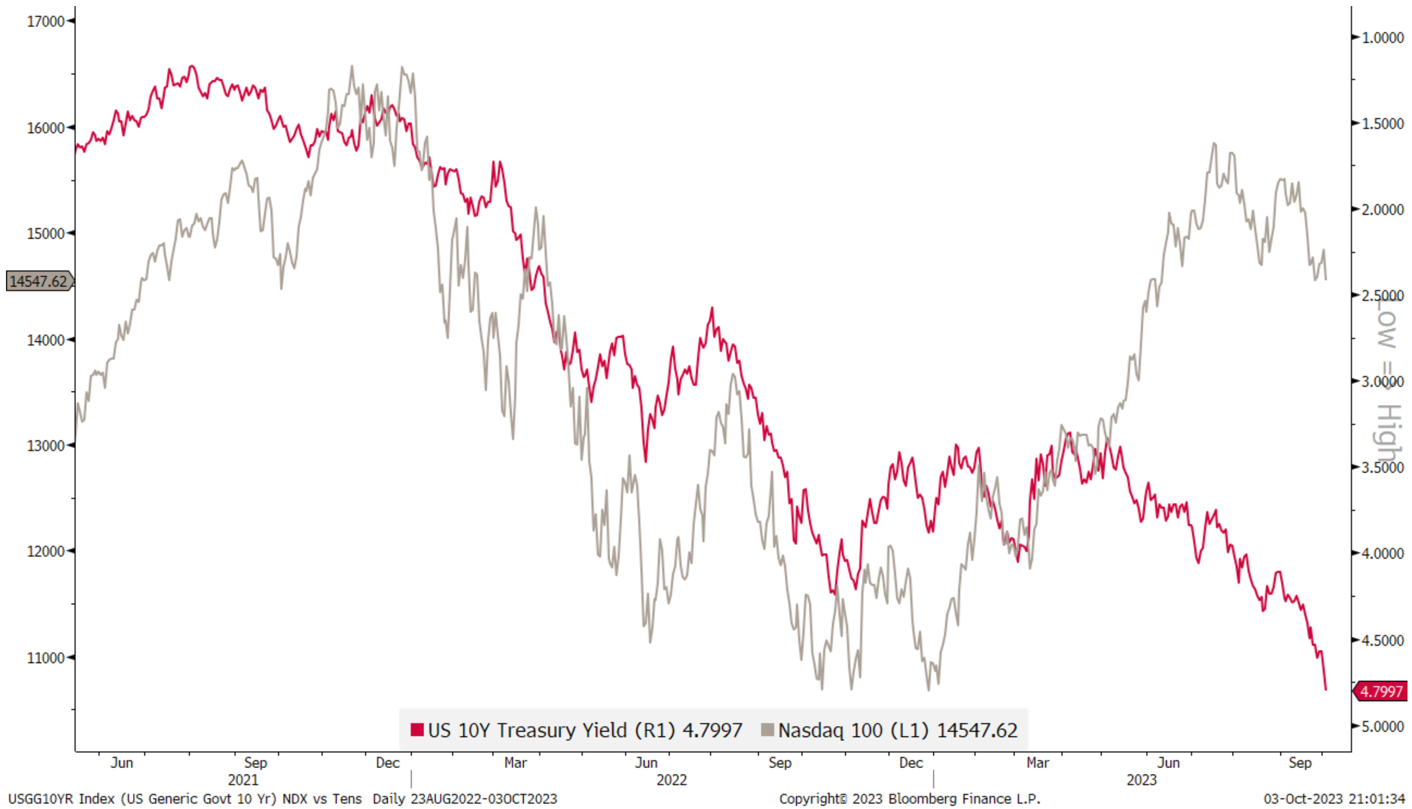
The disconnect between the steep rise in yields (red line, inverted) and the Nasdaq (grey line) seems too large – more downside for longer duration stocks ahead?



Source: Bloomberg, NPB Calculations

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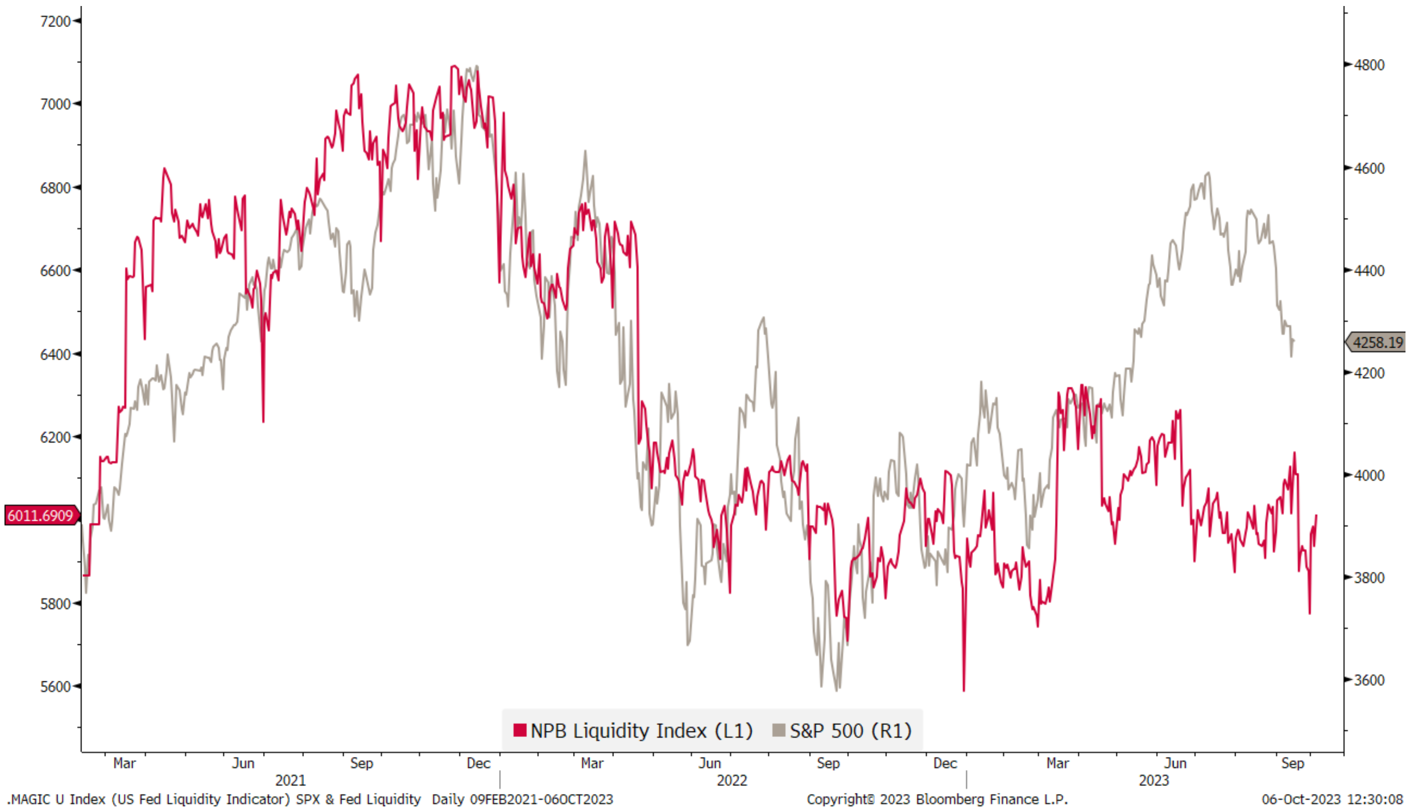
Liquidity

Not quite there yet

Whilst "liquidity" normal refers to central banks inducing or extracting money from the financial system, it is very hard to measure.

Our liquidity indicator (red) however correlates decently with the S&P 500 (grey line).

It continues to suggest more downside for stocks.



Source: Bloomberg, NPB Calculations

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Regional Focus (1 of 2)

US and Europe

US dominance continues

"Cheap" European stocks are apparently still not cheap enough

Source: Bloomberg, NPB Calculations

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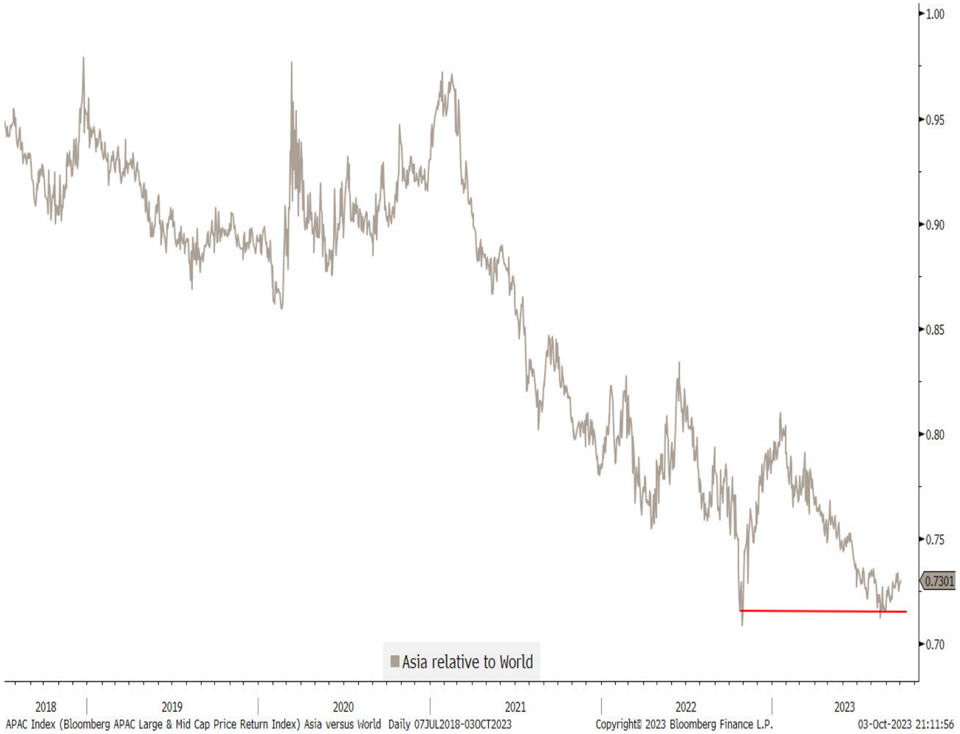
Regional Focus (2 of 2)

Asia and Emerging Markets

Double bottom for Asian stock relative performance or just wishful thinking?



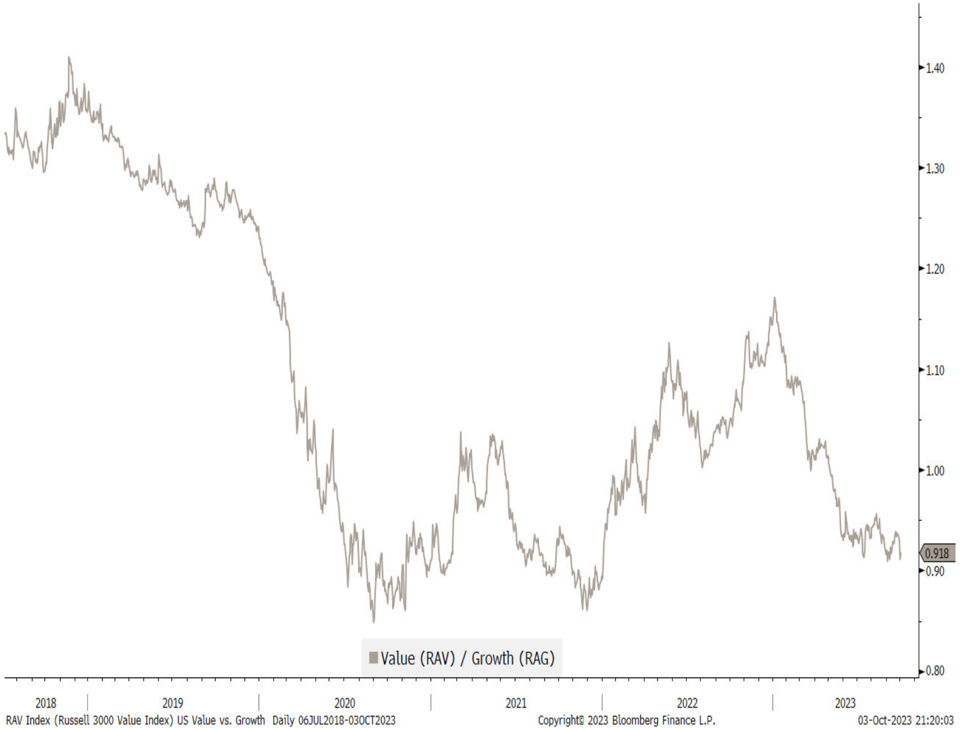
The slight uptick in EM outperformance comes as a mild surprise given the recent Dollar strength

Source: Bloomberg, NPB Calculations

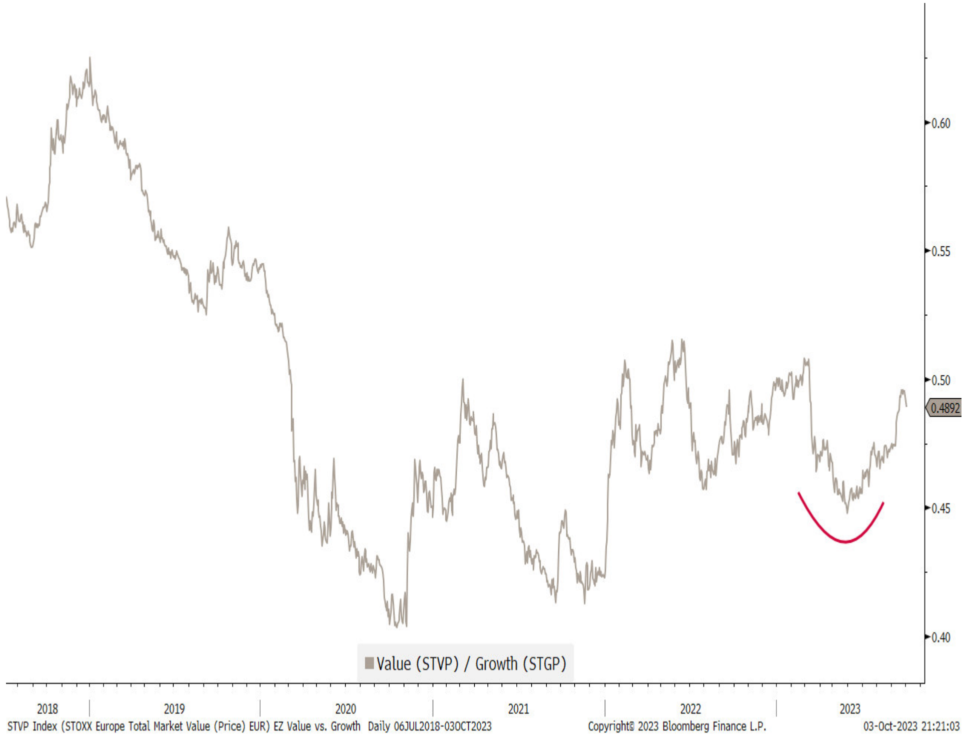
Style Focus

Value in the US and Europe

Why even bother with value stocks in the US?



However, European value seems to work again



Source: Bloomberg, NPB Calculations

Fixed Income

CIO Office Chartbook

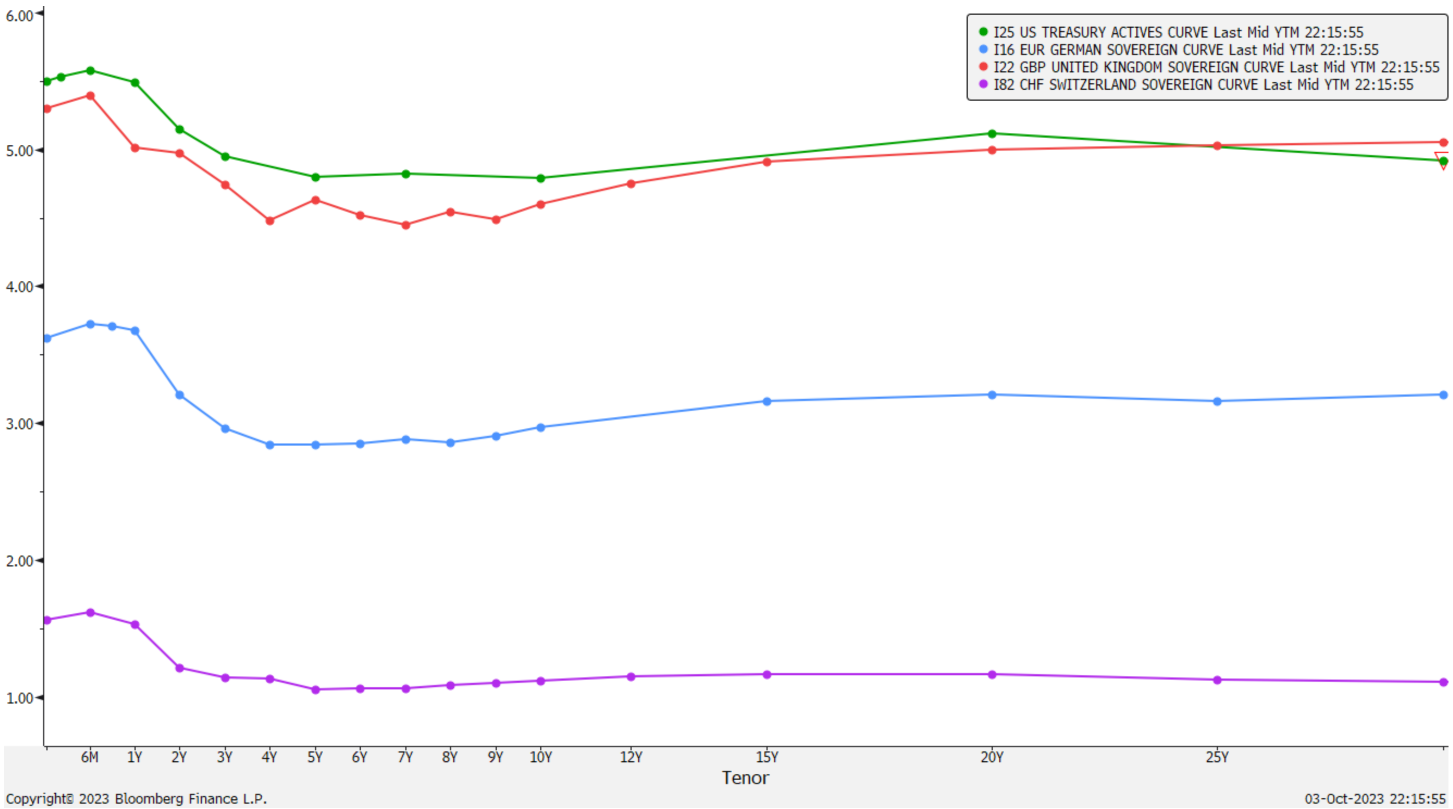
Yield Curves

Short-Duration Bullet Strategy

Yield curves have flattened over the past few weeks, mostly via a lift at the longer end of the term structure (bear steepening).

We start liking longer duration plays again, but keeping a bunch of cash at the short-end is also still rewarding.

In one word: Barbell!



Source: Bloomberg, NPB Calculations

US 10-Year Benchmark Yield

Steam-rolling higher

Since our last chartbook at the beginning of Q3, the US 10-year yield has moved decisively out of its nearly year-long consolidation period and continues to move higher at a formidable pace.

Source: TradingView, NPB Calculations

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US 10-Year Benchmark Yield

It is never different this time

The five most expensive words in investing are: "This time it is different".

After 40-years of lower yields, maybe it is time for that upcycle again?

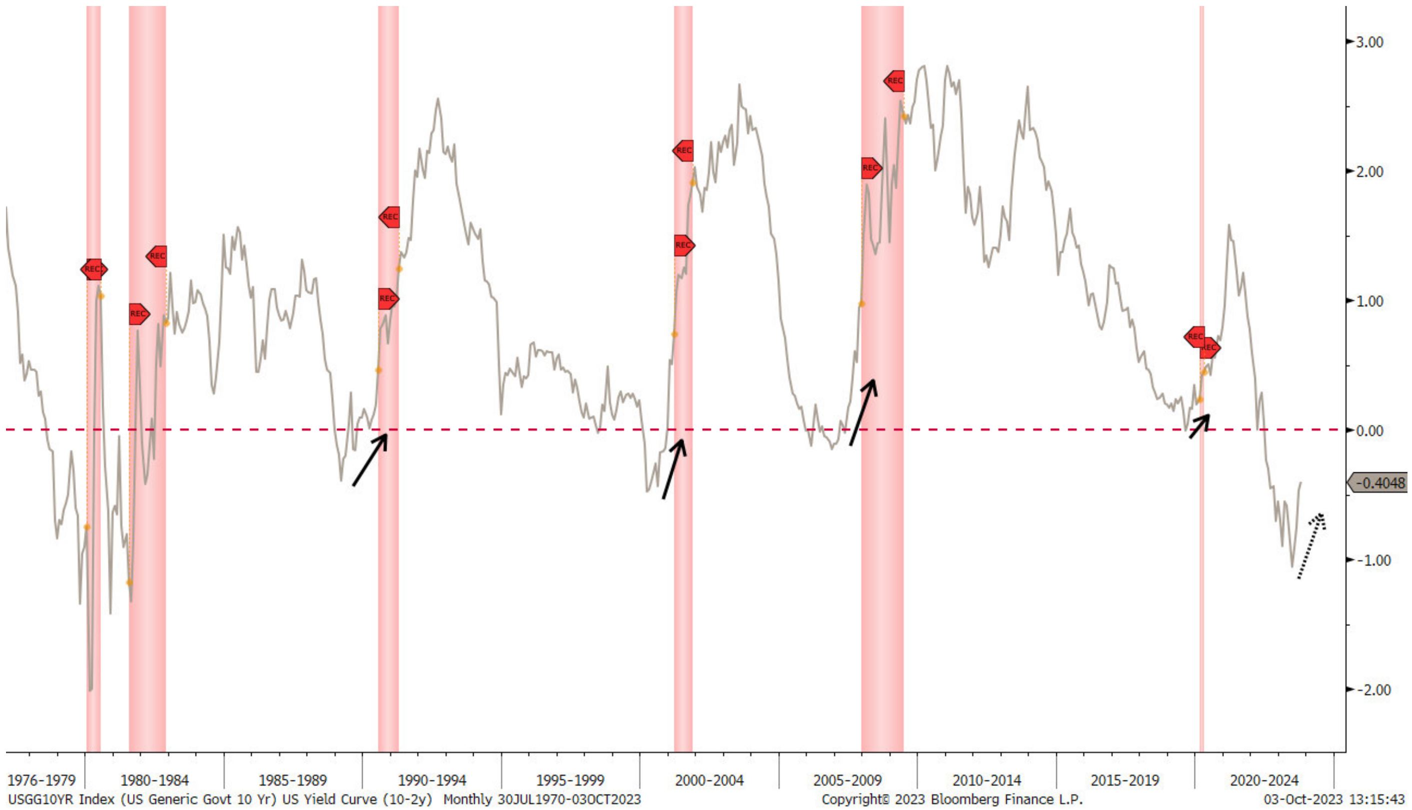
Source: TradingView, NPB Calculations

Lower Yields → Recession

Normalizing has started

An inverted yield curve, where short-term rates (2y) are higher than longer-term (10y) has always led to a recession in the past.

However, the more astute spectator, will observe that recessions (red shaded zones) ensue, once the yield curve normalizes, i.e., steepens again (black arrows)



Source: Bloomberg, NPB Calculations

Lower Yields → Relative Value

More Bang for Your Buck

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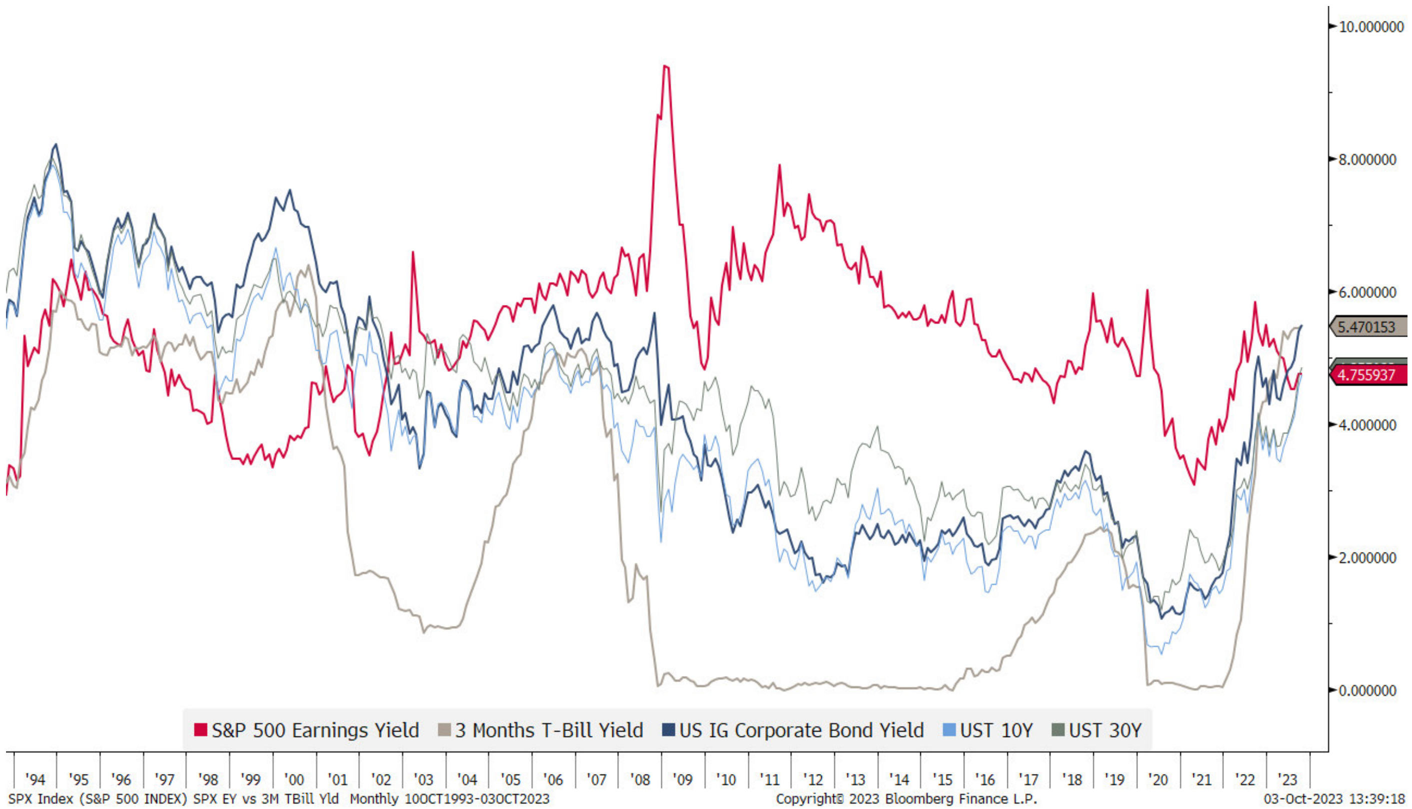
When comparing equity earnings yield (the inverse P/E) to short-term Treasury Bills, 10- and 30-year government bonds and a corporate bond index, stocks have the smallest absolute yield – and this even before adjust for risk…

This could act as support to treasury bonds, especially from institutional investors



Source: Bloomberg, NPB Calculations

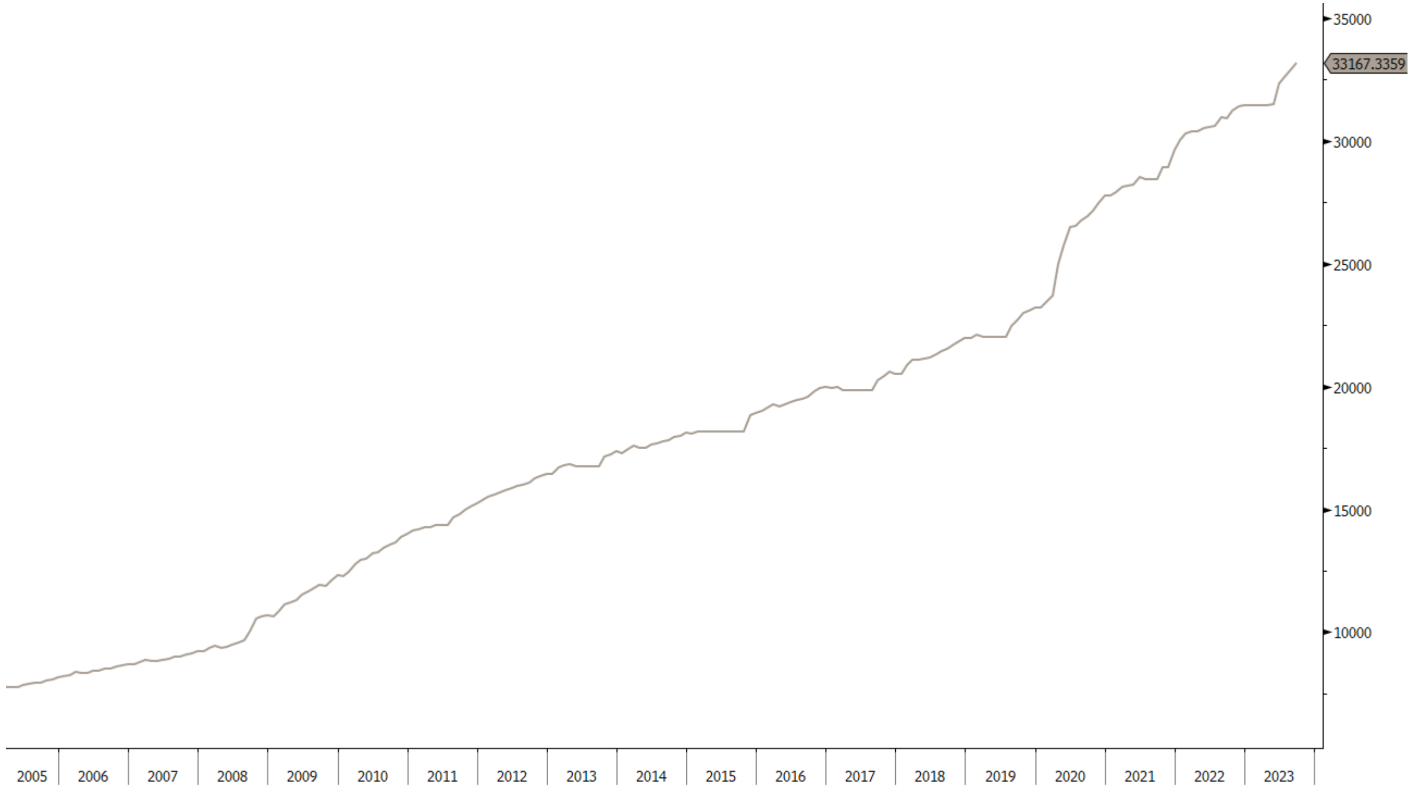
Higher Yields → Oversupply #1

Simply too much at a too high pace

The pace of US Debt is accelerating at a non-healthy level.

It crossed the USD33 Trillion-mark on September 15th and since then has added another $167 billion.

That's $16.7 bn PER DAY over ten (working) days...



PUBLDEBT Index (US Treasury Total Public Debt Outstanding) NPB Line Chart (grey) Monthly 08OCT2003-03OCT2023 Copyright© 2023 Bloomberg Finance L.P. 03-Oct-2023 14:23:10

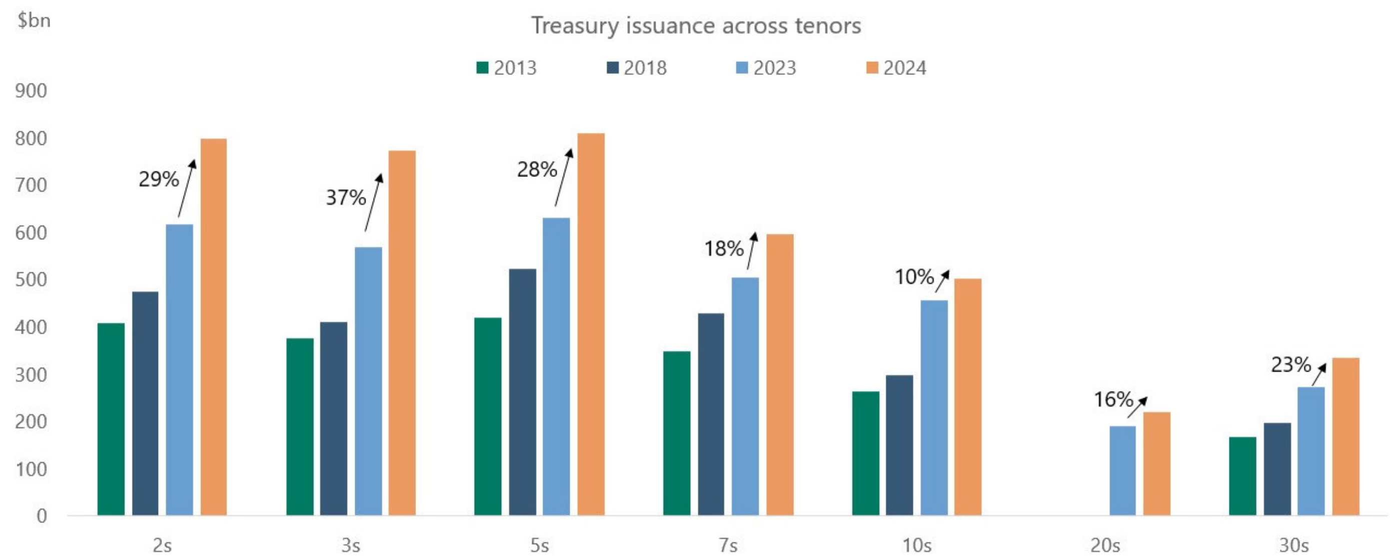
Source: Bloomberg, NPB Calculations

Higher Yields → Oversupply #2

Too much

Given the rising debt seen on the previous side, the Treasury just announced its 2024 issuance calendar.

It foresees at 23% increase across the yield curve ...

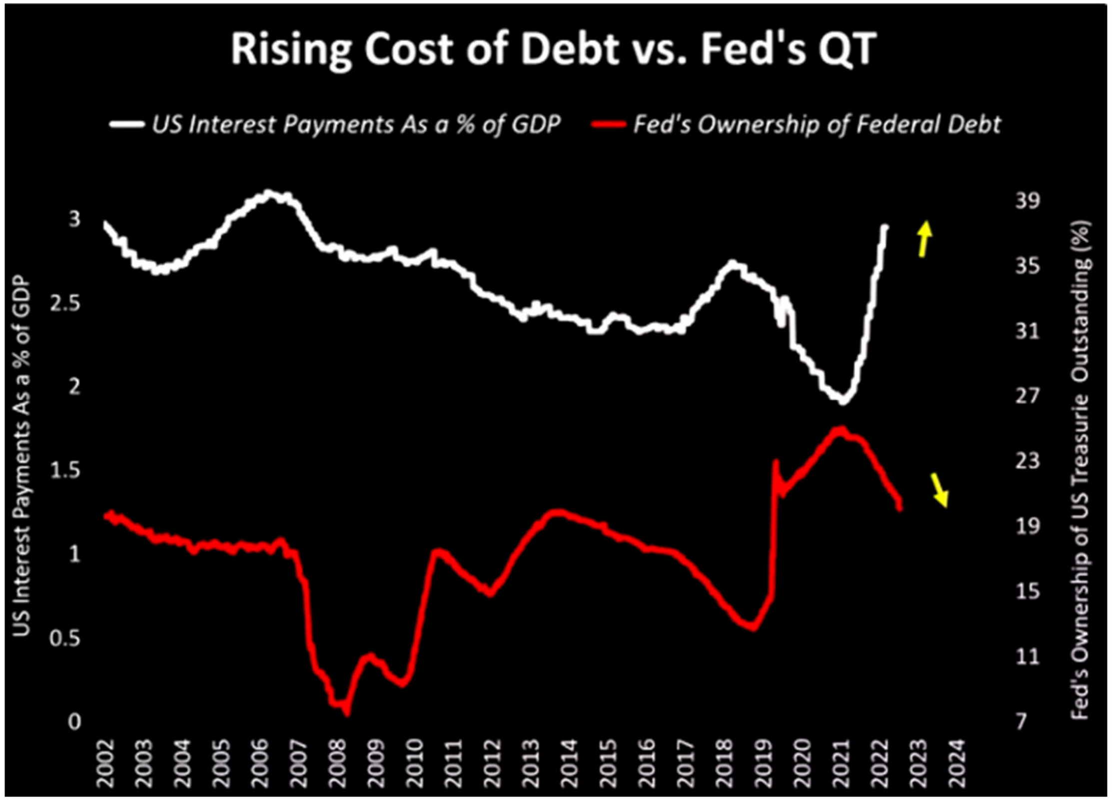


Source: Apollo Global Management

Higher Yields → Buyers' Strike #1

The Fed is shrinking its balance sheet (QT)

The Fed is reducing its holding of US Treasuries under the QT program. Undoubtfully this is adding to upside pressure on yields

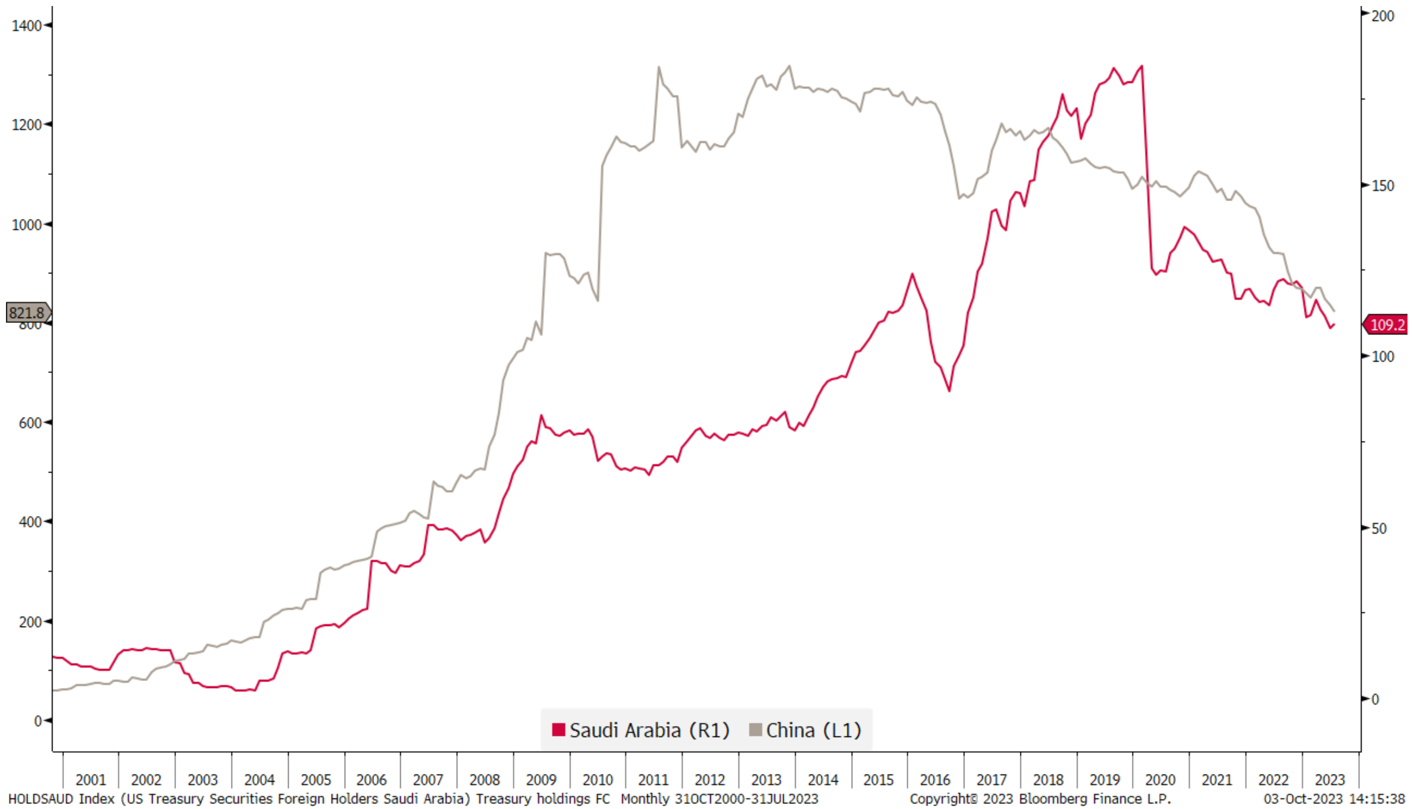


Source: The Market Ear, NPB Calculations

Higher Yields → Buyers' Strike #2

Foreign Buyers are on strike too

If the Fed doesn't buy, why should international banks do so? Or maybe it is the "Russian Experience" of 2022, where that country's foreign reserves got frozen without even a court order or UN resolution, that is giving other countries second thoughts.

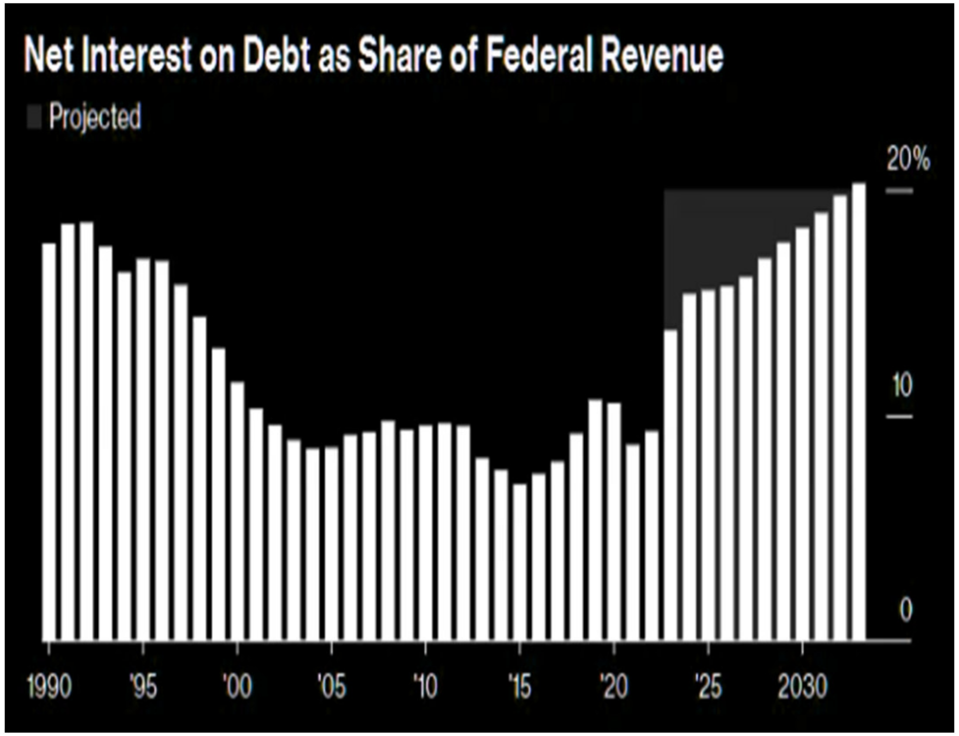


Source: Bloomberg, NPB Calculations

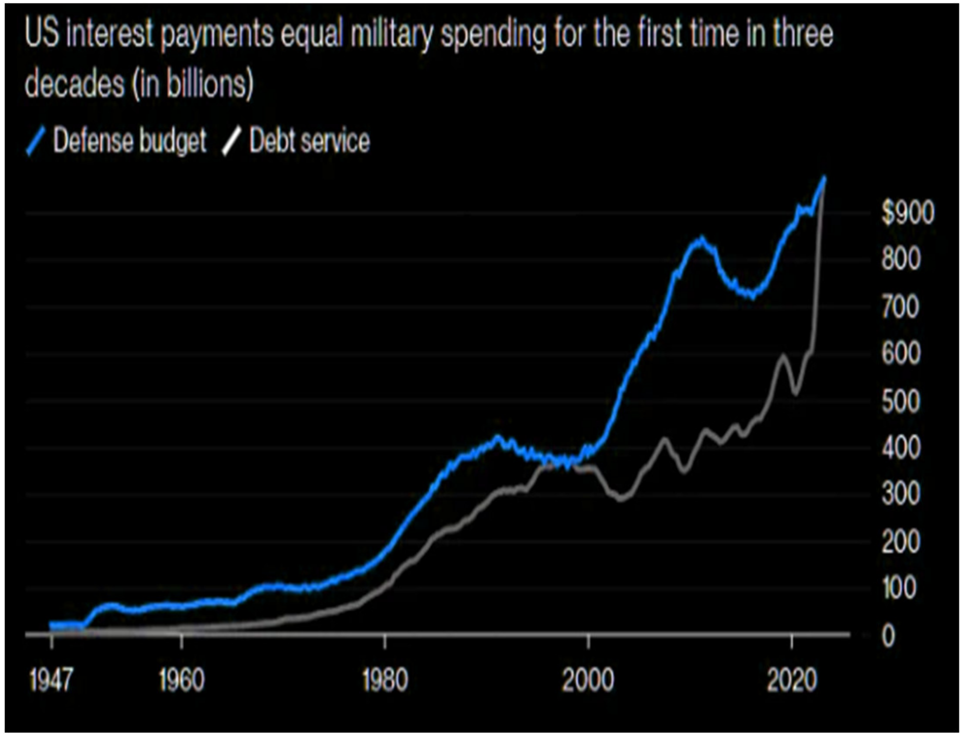
Simply Too Much Debt

This will (eventually) end in tears

Net Interest on Debt as Share of Federal Revenue



Guns & Interest



Source: The Market Ear, NPB Calculations

German 10-Year Bund

No discussion about the trend direction here either

European rates, proxied via the German Bund, are also clearly heading higher.

We may be in a short-term blow-off top moment, as sentiment is getting very negative, but …

Source: Bloomberg, NPB Calculations

German 10-Year Bund

Long-term Picture

... a short-term rally in bonds should probably be rather used for reducing exposure further, as the long-term picture remains for higher rates

Source: Bloomberg, NPB Calculations

European Yield Curve

Proxied via German Curve

As is the case in the US, the bear steepener has started, increasing chances for a full-blown recession in our economic region too.

Source: Bloomberg, NPB Calculations

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FX

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FX Forecasts

Nothing Dramatic Expected

Surprisingly, forecasters have reduced their USD upside targets somewhat

	FX								
	09-2023	Q423	Q124	Q224	Q324	24	25	26	27
EUR/USD	1.06	1.08	1.10	1.11	1.12	1.13	1.15	1.15	1.15
USD/CHF	0.92	0.90	0.90	0.90	0.90	0.90	0.89	0.90	0.91
EUR/CHF	0.97	0.97	0.97	0.98	0.99	1.00	1.00	1.00	1.04
GBP/USD	1.22	1.24	1.25	1.26	1.27	1.30	1.28	1.29	1.30
EUR/GBP	0.87	0.87	0.87	0.87	0.87	0.87	0.89	0.89	0.87
USD/JPY	149.37	144	140	136	132	130	121	120	119
USD/INR	83.04	82.50	82.20	82.15	81.75	81.00	78.90	78.50	78.00
USD/CNH	7.29	7.25	7.20	7.10	7.05	6.90	6.60	6.50	6.50
AUD/USD	0.64	0.65	0.67	0.68	0.69	0.70	0.73	0.70	0.72
USD/CAD	1.36	1.34	1.32	1.30	1.29	1.28	1.27	1.30	1.28
EUR/NOK	11.32	11.30	11.14	11.03	10.86	10.70	10.20	10.53	-
EUR/SEK	11.55	11.70	11.45	11.35	11.38	11.10	10.50	10.90	11.09

Source: Bloomberg, NPB Calculations

US Dollar Index

Careful – The US Dollar Wrecking Ball is Swinging again

The US Dollar has clearly resolved higher out of its consolidation range, taking most observers, including us, by surprise.

Partially responsible for the strength is the “higher for longer” attitude by the Fed, but we fear something “darker” might be lurking out there …

Source: Bloomberg, NPB Calculations

EURO

Drifting Lower

The Euro is technically breaking down versus the US Dollar, with key support at 1.05 just having been taken out.

In our experience, trends are most persistent in the FX space, hence we would not stand in front of this steamroller for now…

Source: Bloomberg, NPB Calculations

Japanese Yen

Everything is Relative...

The USD/JPY rate is sky high ...

... or is it?

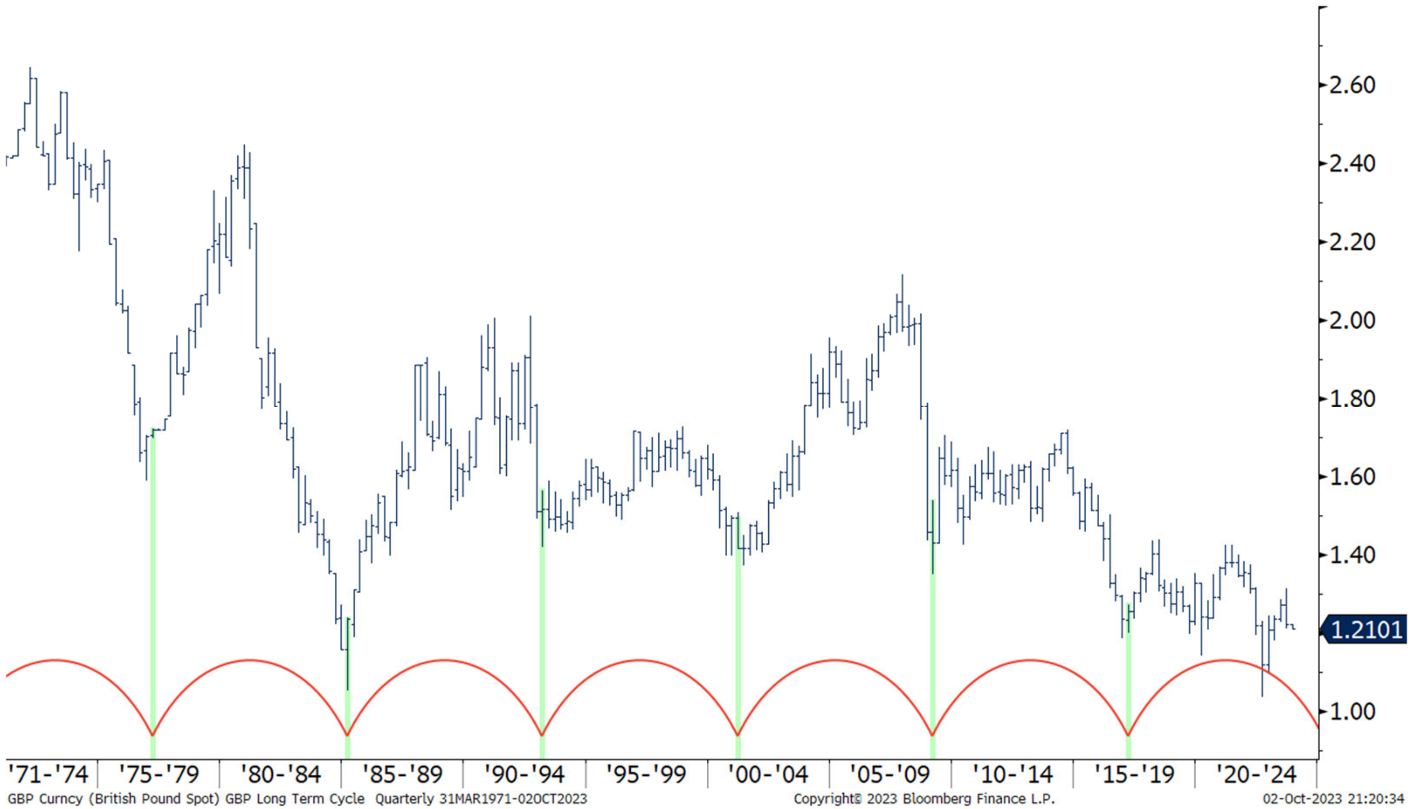
Source: Bloomberg, NPB Calculations

GBP/USD

Long-Term Cycle Chart

As we wrote in our last quarterly issue, the GBP is not due for a bottom in its 8-year cycle until Q1/2025.

Accordingly, pressure has remained on the currency, and we are now 10 big figures from the June top.



Source: Bloomberg, NPB Calculations

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Commodities

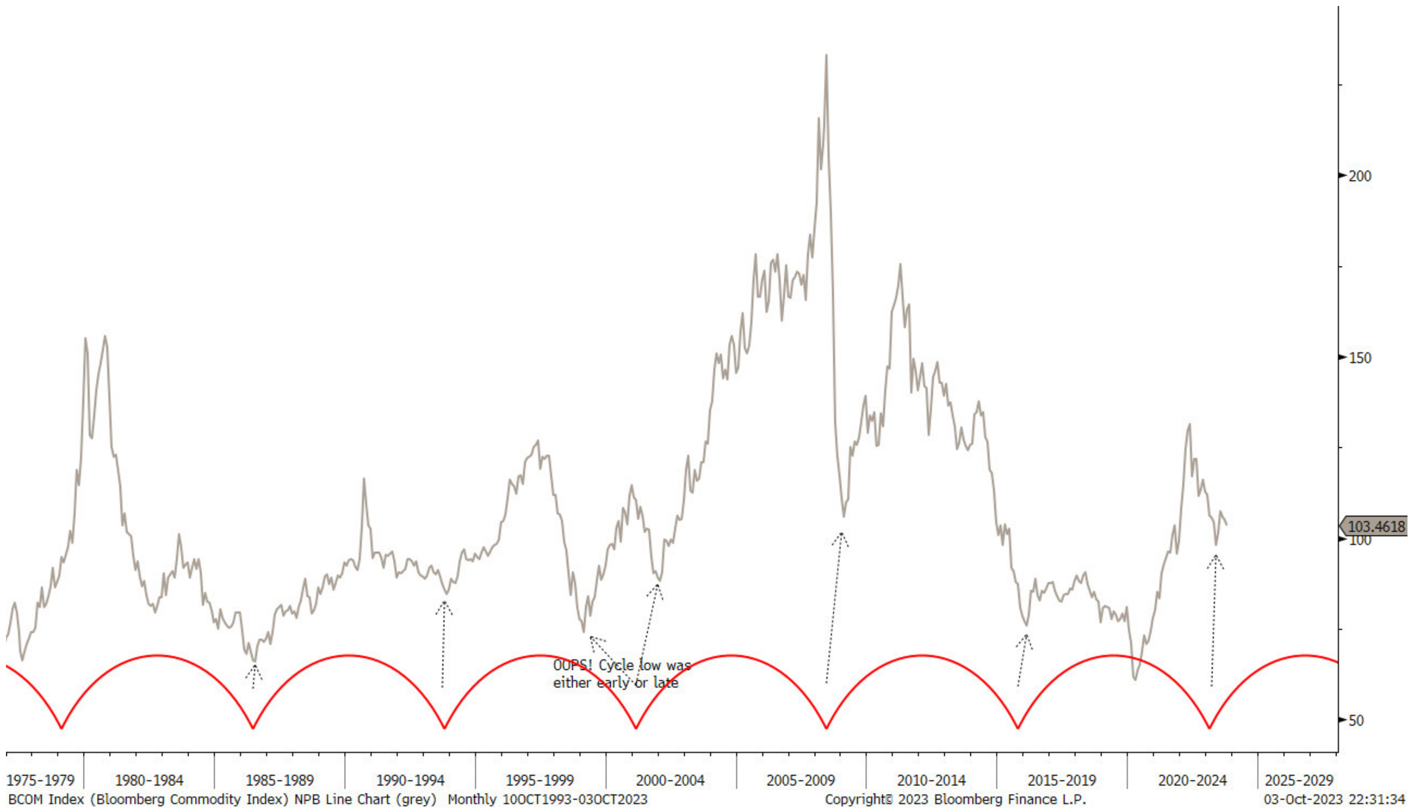
CIO Office Chartbook

Commodities

Super-Cycle or Mini-Cycle

As highlighted back in early July, commodities (BCOM) had retraced quite precisely 50% of the 2020-2022 upmove and was due for a cycle low.

Though the bounce is small so far and mostly lead by energy, we still can say “so far, so good”



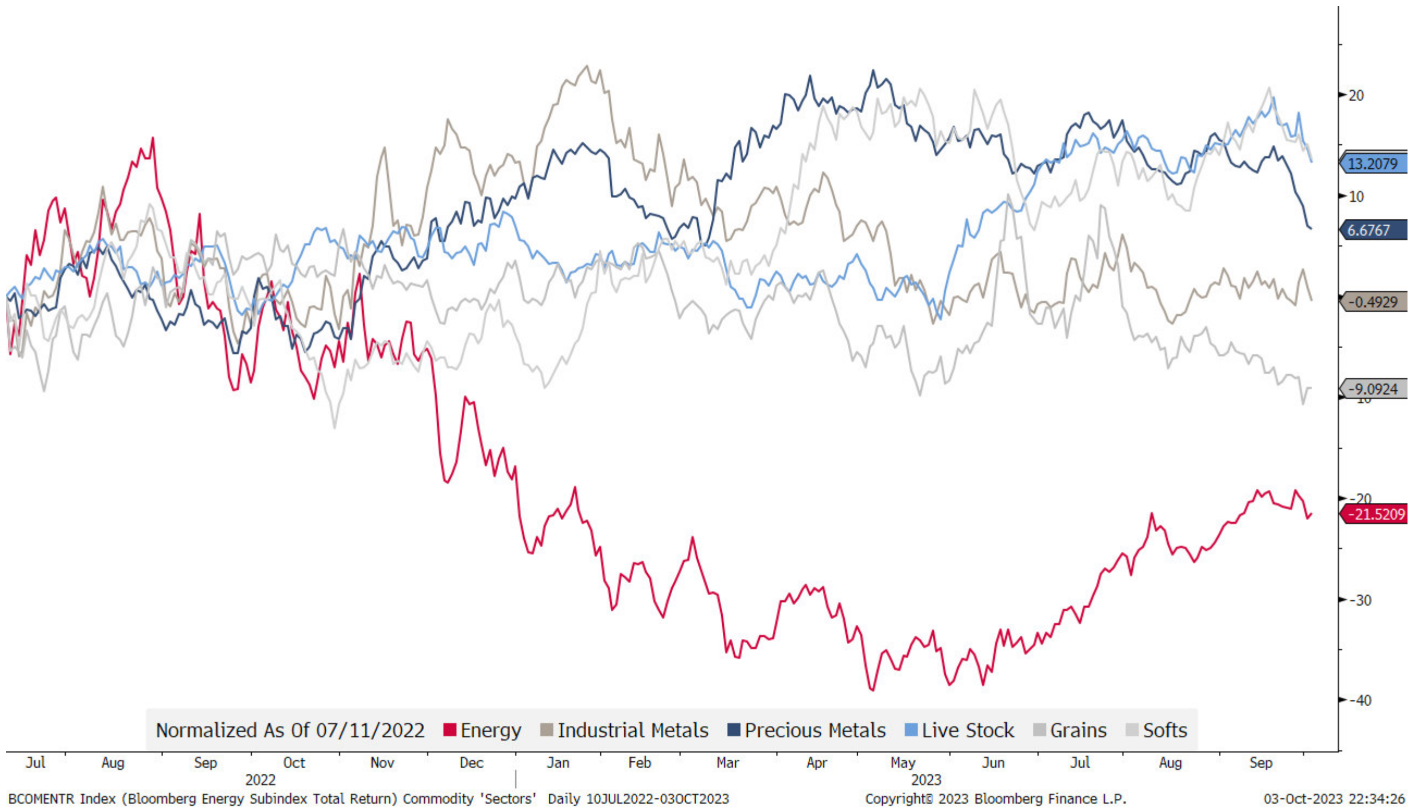
Source: Bloomberg, NPB Calculations

Commodity Sectors

Energy the 'culprit'

Energy commodities were responsible for the commodity correction, but are now leading the advances again.

We continue to see upside risks, as "Winter is coming" ...

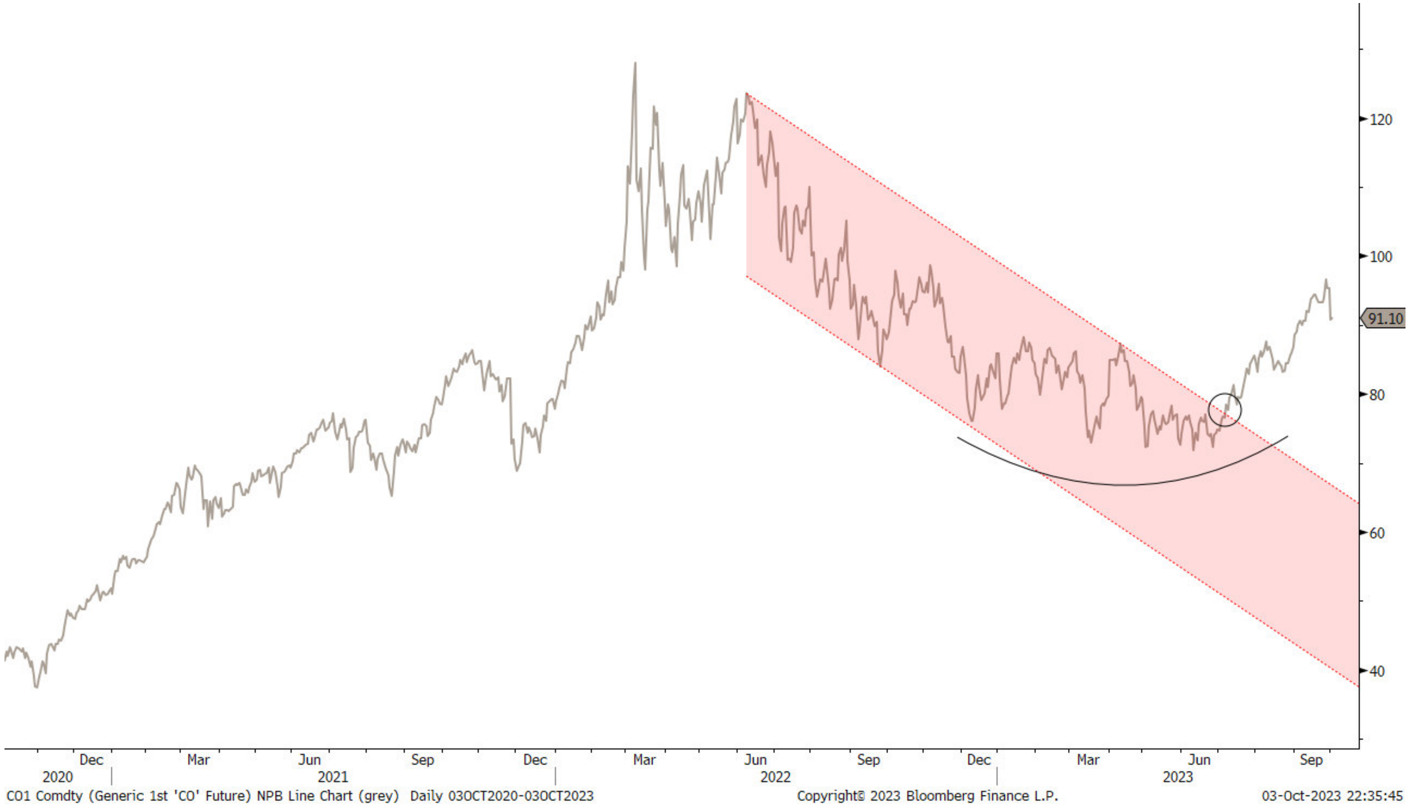


Source: Bloomberg, NPB Calculations

Energy – Oil

ICE Brent Futures

This is the updated chart of the precisely same one we showed in July, suggesting that a break higher in "black gold" may be upon us.

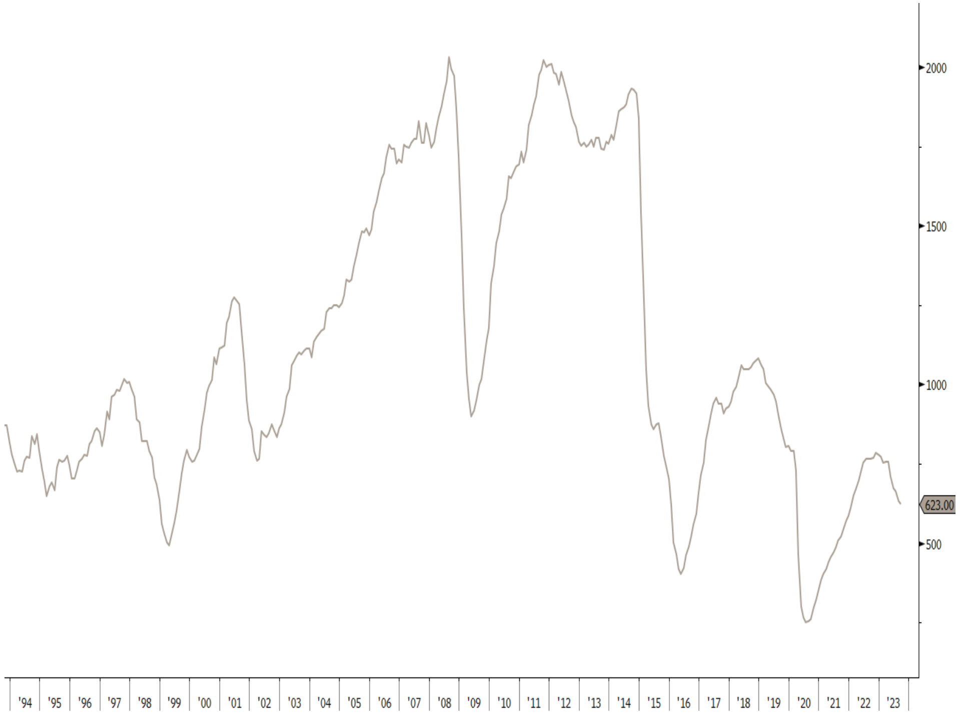


Source: Bloomberg, NPB Calculations

Crude Oil

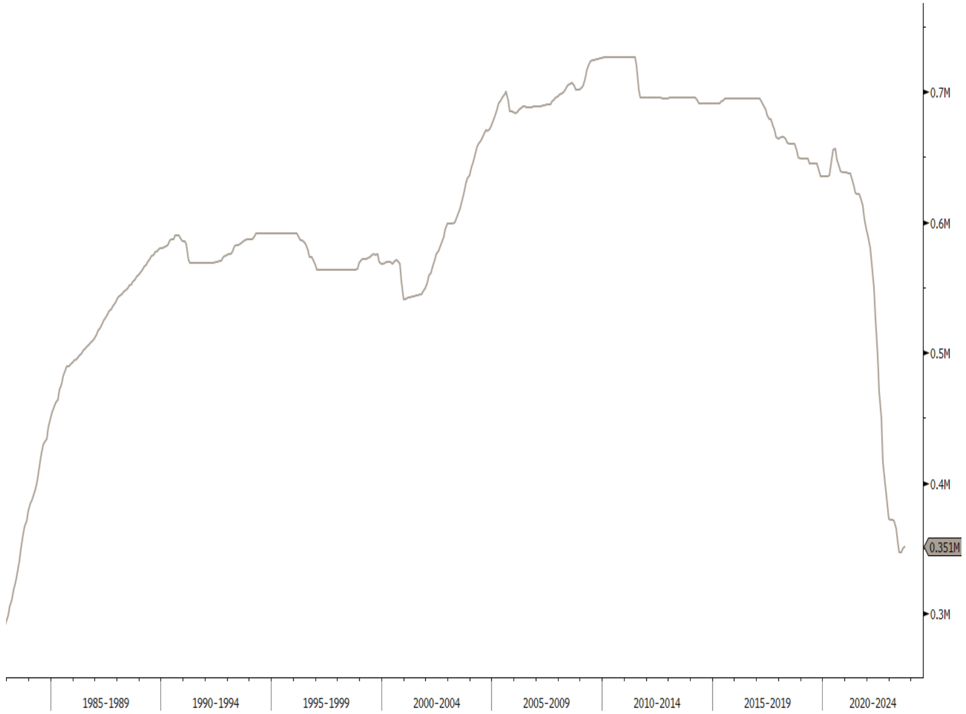
Perfect Storm for Higher Oil Prices

US Oil Rig Count



BAKETOT Index (Baker Hughes United States Oil And Gas Rotary Rig Count Data) NPB Line Chart (grey) Monthly 11OCT1993-04OCT2023 Copyright© 2023 Bloomberg Finance L.P. 04-Oct-2023 08:06:38

Strategic Petroleum Reserve



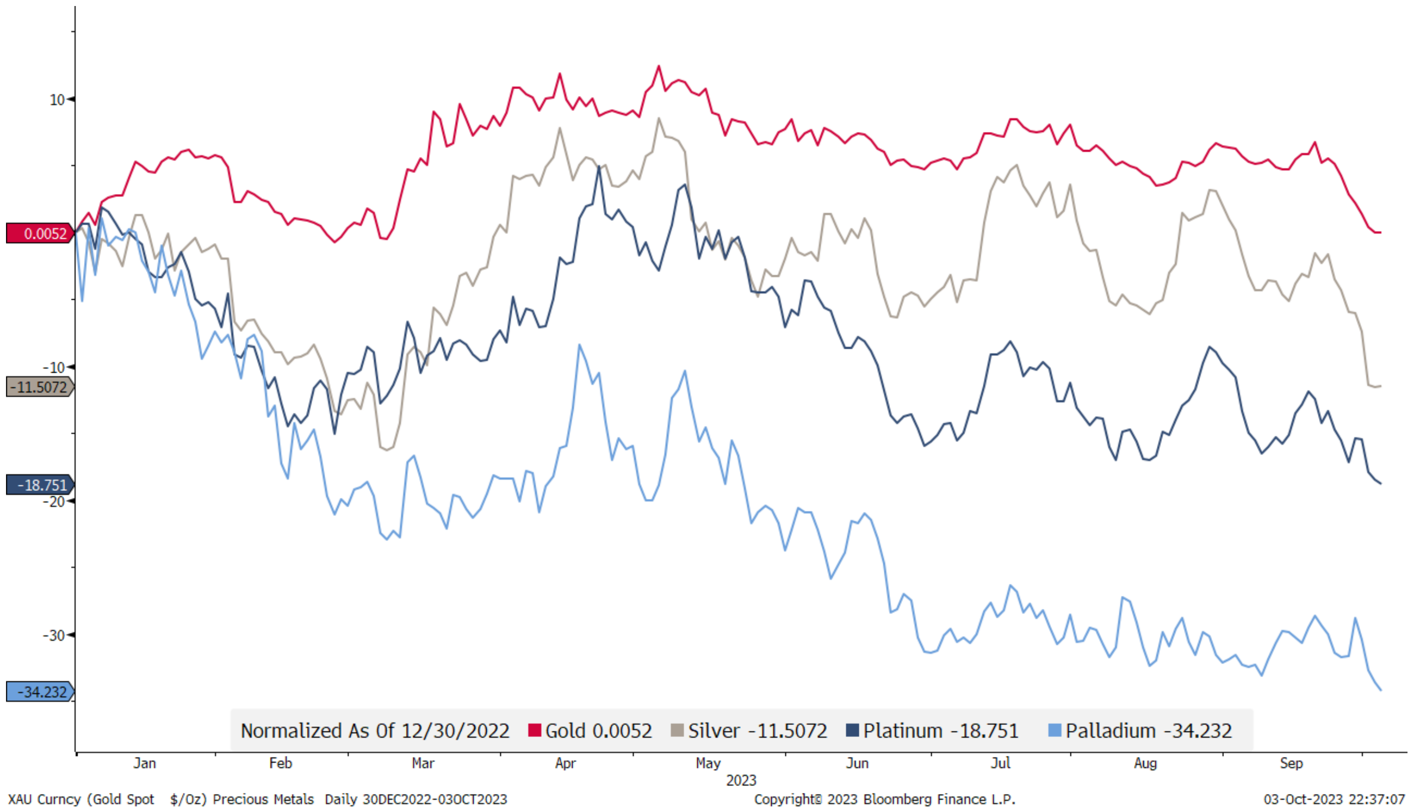
DOESSPR Index (DOE Strategic Petroleum Reserve (SPR) Total Inventory Data) NPB Line Chart (grey) Monthly 11OCT1993-04OCT2023 Copyright© 2023 Bloomberg Finance L.P. 04-Oct-2023 08:05:38

Source: Bloomberg, NPB Calculations

Precious Metals

Not all that shines is Gold

Gold, which still held up back at the beginning of Q3, has now also started joining its fellow precious colleagues in the downturn

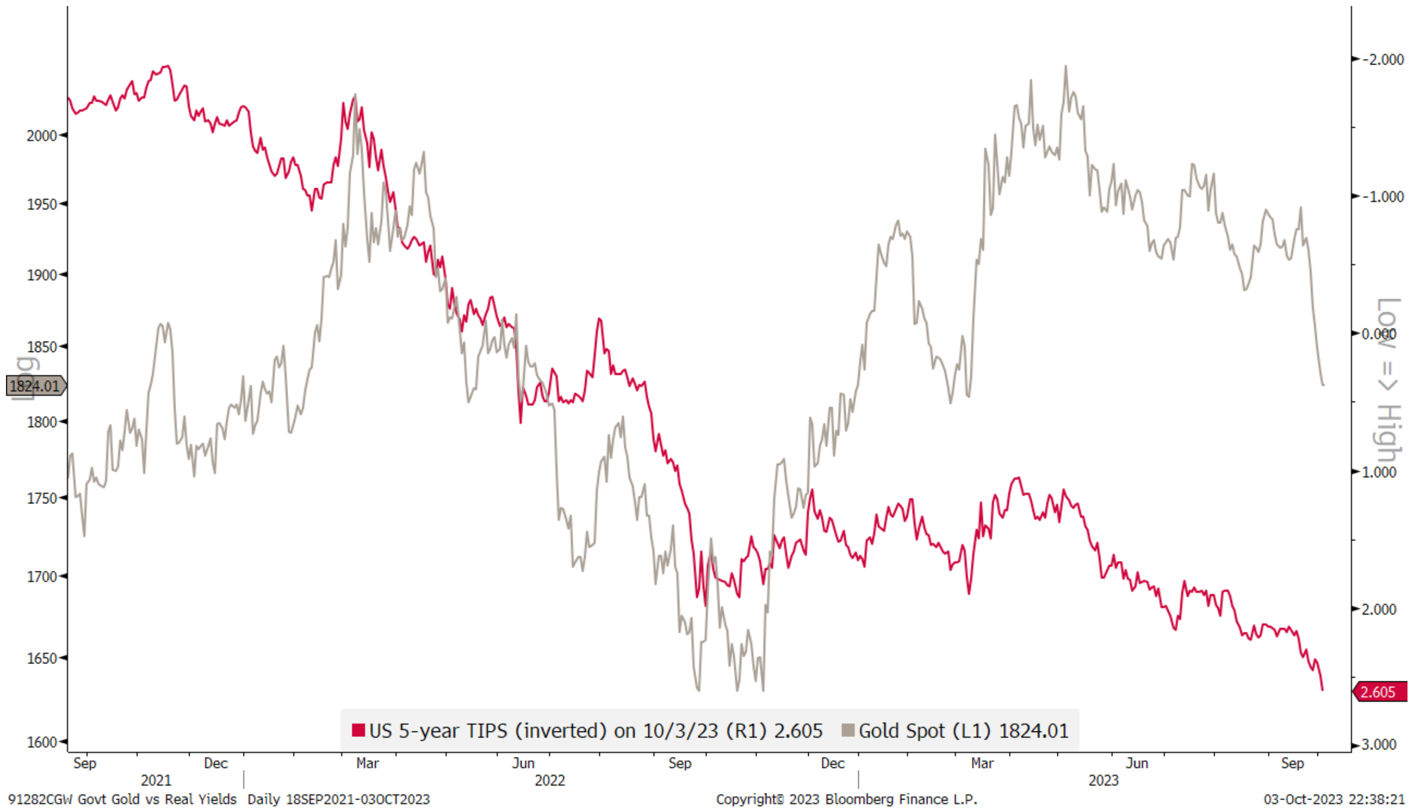


Source: Bloomberg, NPB Calculations

Gold

Gold and Real Rates

Sky-rocketing real yields (red line, inverted) are killing gold, and even more downside may lay ahead, before the next ‘attack’ on the $2,000 level



Source: Bloomberg, NPB Calculations

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Appendix

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Glossary

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Initialism	Term	Explanation
PMI	Purchasing Managers' Index	The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions are expanding, staying the same, or contracting as viewed by purchasing managers. The purpose of the PMI is to provide information about current and future business conditions to company decision-makers, analysts, and investors.
AAII	American Association of Individual Investors	The American Association of Individual Investors (AAII) is an investor education organization. It is a membership-driven nonprofit with local chapters throughout the United States.
CPI	Consumer Price Index	The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending. 1U.S. Bureau of Labor Statistics. "Consumer Price Index."
CNN Fear and Greed Index	CNN Fear and Greed Index	The Fear and Greed Index was developed by CNN Business to measure how emotions influence how much investors are willing to pay for stocks. The index is calculated daily, weekly, monthly, and yearly and is based on the logic that excessive fear will drive share prices down, and too much greed will drive prices up.
PPP	Purchasing Power Parity	A popular macroeconomic analysis metric to compare economic productivity and standards of living between countries is purchasing power parity (PPP). PPP is an economic theory that compares different countries' currencies through a "basket of goods" approach. According to this concept, two currencies are in equilibrium—known as the currencies being at par—when a basket of goods is priced the same in both countries, taking into account the exchange rates.

Source: Investopedia

Glossary

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Initialism	Term	Explanation
Core Inflation	Core Inflation Rate	Core inflation is the change in the costs of goods and services, but it does not include those from the food and energy sectors. This measure of inflation excludes these items because their prices are much more volatile. It is most often calculated using the consumer price index (CPI), which is a measure of prices for goods and services.
Halloween Indicator	Halloween Indicator	The Halloween strategy, Halloween effect, or Halloween indicator is a market timing strategy based on the hypothesis that stocks perform better from Oct. 31 (Halloween) to May 1 than they do from the beginning of May through the end of October.
NPB Liquidity Index	NPB Liquidity Index	Fed Total Assets – (Treasury General Account + Fed Reverse Repo)

Source: Investopedia

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