Weekly Macro Themes
End of Year Special Edition - 2023

"The End of Year Special Edition takes a different format to the usual weekly slide deck, and presents you with highlights, reflections, and some of the best charts of 2023. I sincerely hope you enjoy it!"
-- Callum Thomas, Head of Research and founder of Topdown Charts

A Retrospective on 2023, and Thoughts Going Forward…

1. Charts That Worked: what went right, what helped identify risks and opportunities

2. Charts That Didn't Work: where we got things wrong, what lessons were learned

3. Favourite Charts of 2023: charts that were helpful, interesting, and surprising

4. Charts to Watch in 2024: key macro themes/ideas/risks in the year ahead

5. Honourable Mentions: noteworthy charts which didn't fit in the previous sections

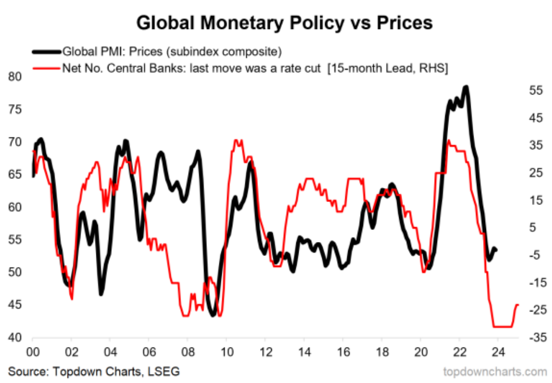
6. People's Choice Charts: turning to our followers for the most popular charts

Section 1. Charts That Worked

First up is a look at some of the charts and calls that worked particularly well during the year.

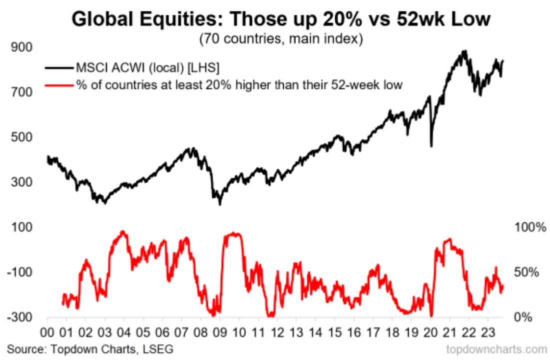
1. One of the key macro themes I had coming into this year was that of ongoing and further disinflation. This was one of the key charts that helped firm up the case for what was still a relatively outside consensus or pushback-receiving call (which interestingly was about the same experience that I had when warning of a surge in inflation into 2022 in the first case). Heading into next year I think this chart remains important as the unthinkable becomes thinkable.

"the central bank tightening indicator points to ongoing disinflation in 2023, with a chance of outright deflation into 2024 (just taking the chart literally)" (10 Feb 2023)



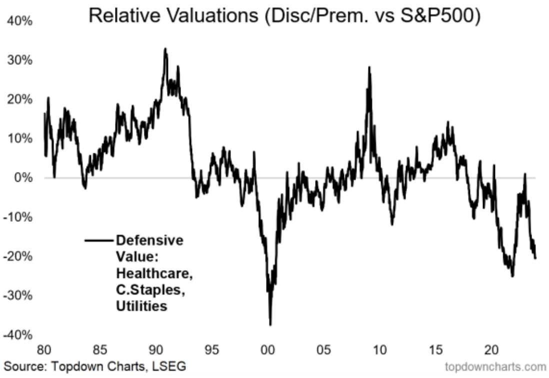
2. This one by itself it was helpful in highlighting the emerging bull-run in equities, despite the myriad macro factors arguably still reinforcing the downside risks. It was this chart along with a few other mostly technical charts that prompted me to lift the outright bearish call on global equities, albeit I did hang on the defensive side of things for much of the year, as outlined in the next section. One takeaway from this is the importance of listening to what price is telling us, as price (and sentiment) often moves faster than fundamentals.

"Checking in on global equities, the recent price action is taking a distinctly optimistic hue with global 52-week new highs starting to push higher from basically zero for much of last year. On a similar note the proportion of countries in a "bull market" (up 20% off the low) has sharply rebounded from oversold levels." (27 Jan 2023)



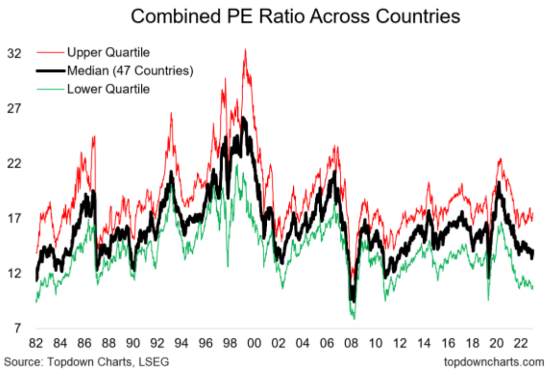
3. On a similar note, I closed out the previous bullish relative-value view on defensive stocks (healthcare, utilities, consumer staples). Indirectly this was also an acknowledgement of the changing market regime from bear in 2022 to bull in 2023. Interestingly, after relative valuations moved to neutral early this year, they are now back and showing up as cheap again – something to ponder headed into 2024.

"the previously compelling relative value picture basically went to neutral – so it no longer makes sense as an undervalued hedge, and then throw in the observation that defensive value relative performance tends to suffer seasonally in H1… all says to me, switch back to neutral." (27 Jan 2023)



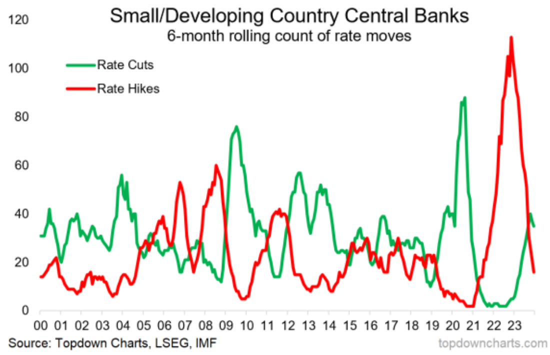
4. The other piece of the puzzle was valuations – while the USA only saw a minor reset in valuations, globally (especially ex-US) there was a material reset. Hence the move from bearish to neutral on global equities early on in the year.

"global (global, not US) valuations did reset materially, and in many respects did get quite cheap, and perhaps even cheap enough to make up for the misbehaving macro. But given the non-universal and non-unanimous nature of the valuation picture, and the misaligned malign macro, I would look at the technical upturn as a trading rally and not something that looks sustainable at this stage" (27 Jan 2022)



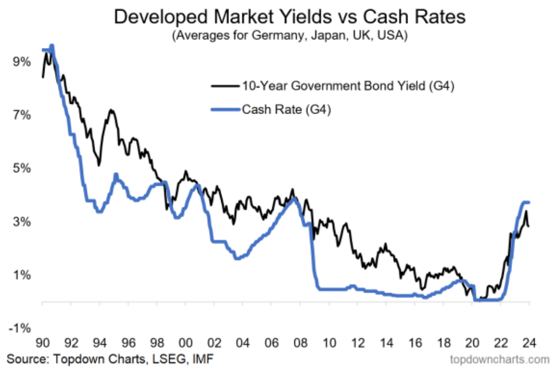
5. Back onto inflation and monetary policy, this chart (one of my favourites) gave an early heads up on the shift away from rate hikes and the generalized pause that took place later in the year.

"Checking in on the smaller/developing country central banks (who are typically more exposed to the ebb and flow of the global growth and inflation tides), things have clearly turned the corner already – with the pace of hikes peaking and a trickle of rate cuts even starting to bubble up. It's probably still too early to start talking about a global pivot to easing given the magnitude of the inflation shock, and the leads/lags and uncertainty around things, but a generalized pause is close." (17 Feb 2023)



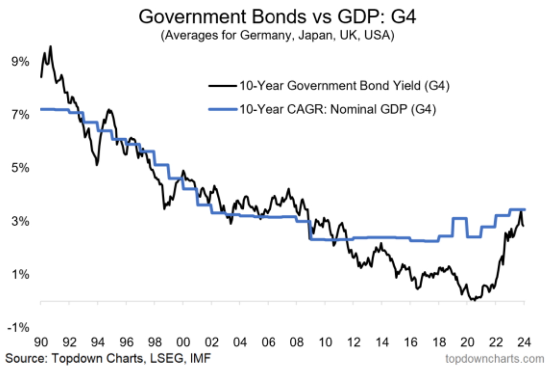
6. And when central banks pause bond markets pounce. Indeed, it was the emerging pause in rate hikes that helped tick the top in government bond yields. As noted, the time to buy bonds is when monetary policy rates pause and ideally peak (and subsequently roll over into eventual rate cuts). But I will note as mentioned in the next section, I was bullish most of the year on government bonds – the evidence became crystal clear in October.

"one potential support would be a peak and turn in policy rates – and it sure looks like we have made an initial peak. As a side note, that chart of bond yields vs policy rates also goes to show the speed and magnitude of monetary tightening." (20 Oct 2023)



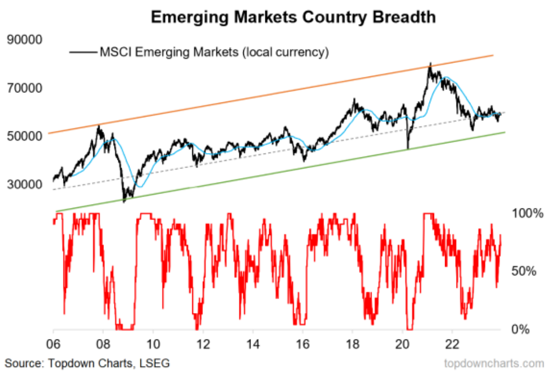
7. And while the charts became clear on the prospect of peak bond yields in October, I did at least manage to make passing reference to the prospect of a push higher in yields earlier in the year. This chart and associated comment captured the risk well (aka higher for longer risk).

"Looking across the large developed economy bond markets, average yields have mostly caught up to and closed the gap against the long-term nominal rate of GDP growth, albeit the risk case there is if the long-term nominal rate of growth stays high then bond yields are likely to anchor higher (meaning perhaps less upside scope for bonds in lieu of a major recession). (17 Feb 2023)



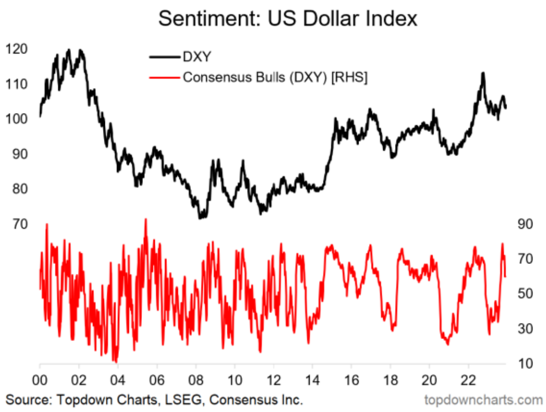
8. Another useful technical chart, this one helped identify the initial bottom in emerging market equities. Ultimately there were confounding factors (such as the US dollar) preventing them from moving higher in 2023, but as things stand it has not negated the signal – and things could well be different for EM equities heading into 2024 (and indeed for EM bonds too).

"emerging markets – it's definitely become the hot topic, and here's why. EM equities have broken higher after a failed breakdown and with strong breadth showing relatively broad participation across countries. Sentiment has also perked up from extreme bearish levels; a classic contrarian bullish signal." (20 Jan 2023)



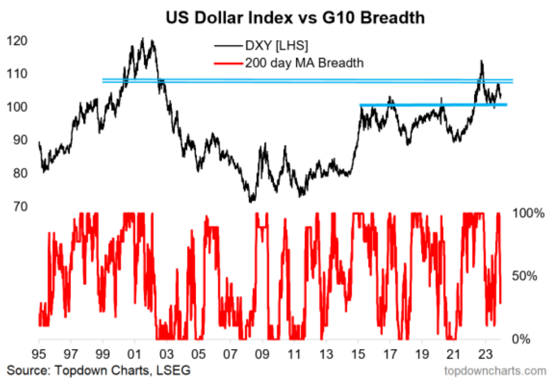
9. Indeed, the rebound in the US dollar came as flagged – sentiment shifted too quickly and too resolutely to full consensus bearish. And then of course as the (what I called a sentiment and technicals driven rally) rebound ran its course sentiment went right on and flipped all the way to back consensus bullish. Like clockwork.

"the rally in the US Dollar is largely, in my view, down to short-term oversold technicals (+ rebounding off a logical support zone) and a too fast too far capitulation in sentiment. With this type of backdrop any excuse will do for a trading rally." (10 Feb 2023)



10. Another key chart for October, aside from the peak in bond yields, the peak in the US dollar was a key bullish catalyst for risk assets and especially emerging market assets following the multi-month decline into the October lows (bizarrely echoing the bigger October low in 2022). Again this was one where the macro/fundamentals helped with the direction, but where the technicals did the heavy lifting on timing – which in hindsight was a key strength in a year of trading ranges, sentiment shifts, and mixed macro.

"DXY has stalled in its rebound off support right around a key overhead resistance point. Breadth has also topped out having reached overbought levels" (27 Oct 2023)

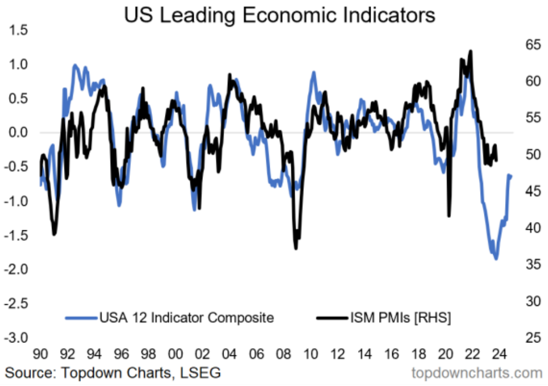


Section 2. Charts That Didn't Work

Of course, it wouldn't be complete without a look at some of the charts that didn't work (or shall we say the ones that worked "less well!").

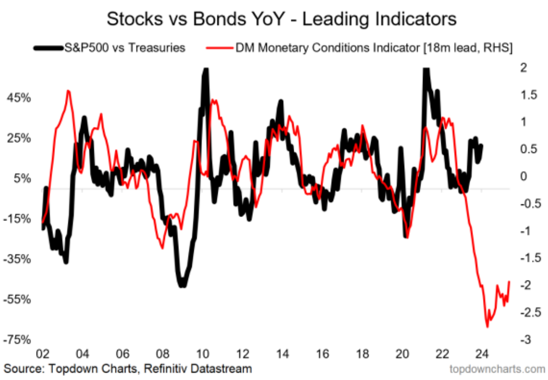
1. No recession, well at least not in the hard data – the PMI did come down, but did not follow the leading indicators to the implied depths of doom.

"it was justified for the Fed to cut rates into the pandemic… and they should have removed the emergency measures shortly after – but again, they opted for the risk of overcooking growth/inflation/risk-taking vs the risk of tightening too early. And one consequence of all this and everything else that's gone on is the various leading indicators for the US economy have now plunged to record lows (high recession risk)." (24 Mar 2023)



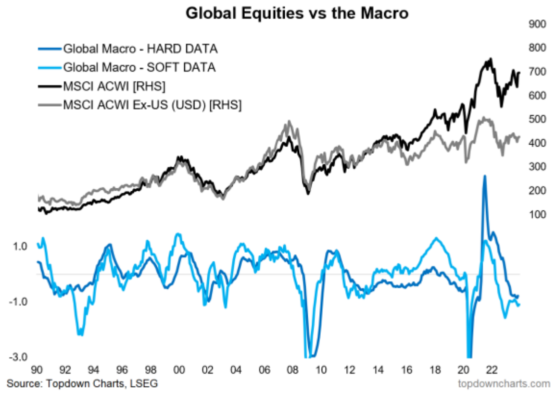
2. And as a result, stocks beat bonds – against my expectations, and against the leading indicators.

"Ultimately, it's going to come down to the economic outlook – if a traditional disinflationary (or even transitory deflationary) recession comes into play (which does seem likely based on the evidence presented in the first topic), then we likely see stocks underperforming treasuries – and that's likely going to be the type of scenario where treasuries turn in positive absolute performance." (10 Feb 2023)



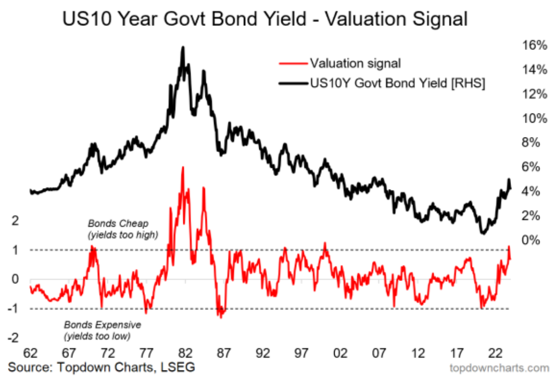
3. Indeed, following on from some of the themes of the best charts section, basically it was a year where if you focused on the macro indicators you probably would have leaned defensive, bonds over stocks; bearish. This is not to say that macro inputs are meaningless – quantitatively we know that over the long-run, through cycles, it pays to take notice of the changing tides of the business cycle. And being evidence-based is better than the alternative. But this year, giving technicals a stronger vote amongst the puzzle pieces was key to navigating the risk of being wrong.

"even if we get a pause in policy tightening, the damage is arguably already done in terms of how that's going to impact the economy (reminder: all leading indicators say recession, and as the chart below shows the soft data is awful, and the hard data is fading fast). So basically, while the technicals look better, the macro is not lining up" (27 Jan 2023)



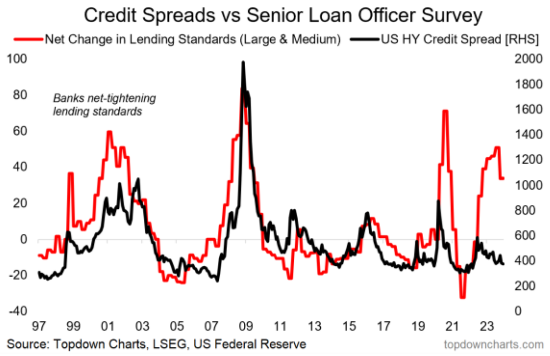
4. This chart was excellent if you used its very strong signal in October, but as I did – focusing on the minor cheap signal earlier in the year was a key part of being *early* on the bond bull run.

"the price action of the past 2 years has brought US 10-year treasury valuations back to cheap levels (on par with what was seen in early-2019, just before bonds had their last bull run)" (10 Feb 2023)



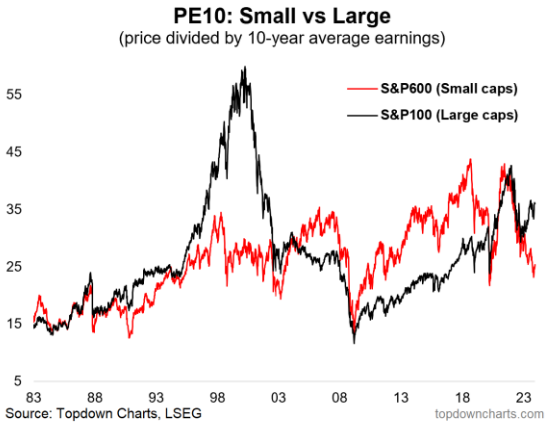
5. This was among a few charts I was tracking since early-2022 which flagged upside risk for credit spreads. That (brief and minor) upside came and went, and much like equities, the market decided to ignore the macro – and with good cause, as no recession came, no widespread credit stress eventuated, and the brief bank bust earlier in the year was rapidly and resolutely ring-fenced by the Fed.

“Meanwhile, banks have been tightening up on lending standards as higher rates put borrowers under pressure, not to mention rising costs and the prospect of weaker growth ahead… this has left us with a significant divergence.” (10 Feb 2023)



6. Small caps were a big disappointment – the absolute and relative value case for small caps became even more compelling as the year went on! This led me to quip later in the year that big tech is basically priced for perfection, while small caps are basically priced for recession. And that raises a point of how 2023 definitely was a year of clear winners and losers (especially winners and losers of rising rates and the very real underlying macro trends impacting traditional industries).

“small caps have the valuation edge with the relative value indicator still extreme cheap, and small cap PE10 ratios below that of their large cap peers, and dropping to levels that look cheap relative to recent years.” (27 Jan 2023)

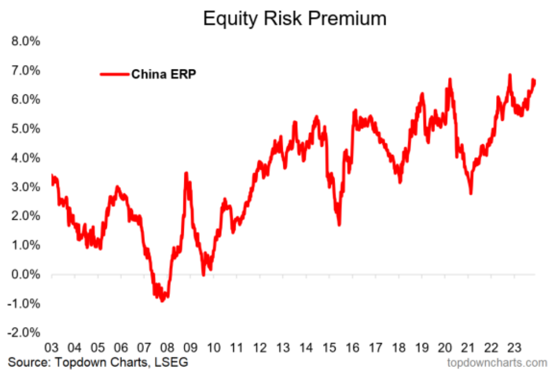


7. Speaking of disappointments, despite what I outlined and highlighted as a textbook case for monetary easing (entrenched disinflation, property deflation/downturn, cyclical downdrafts, weakening global trade), there would be no big bang stimulus from China. There were some stimulus measures, but it was more of a piecemeal and finetuning approach vs the more forceful episodes seen in previous years. It goes to show, sometimes even when you think policy makers *should*, doesn’t mean they *will*.

“The direction of the inflation indicator (disinflation/deflation), sharp deterioration in the economy… opens the door to more forthright monetary easing.” (20 Jan 2023)

8. As such, being a key prospective catalyst for the still very compelling upside case for Chinese equities, it meant a year of patience on this front. As things stand, the value case still makes sense, but we are still awaiting technical confirmation (which is not at all apparent yet – almost the opposite), and still awaiting a macro catalyst.

“The strong technicals and contrarian bullish sentiment picture are set against a backdrop of cheap valuations both on a trailing PE and forward PE ratio basis, and with the equity risk premium still close to record highs. So it looks like a solid value setup, technically primed, and with viable catalysts to drive follow through and further upside.” (20 Jan 2023)

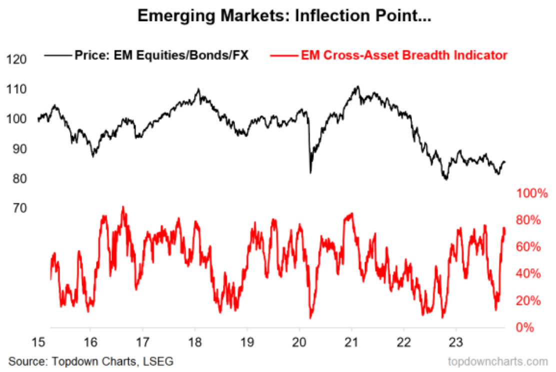


Section 3. My Favourite Charts

These are some of my favourites – either new or interesting, or ones that helped illuminate some of the key developments across macro and markets.

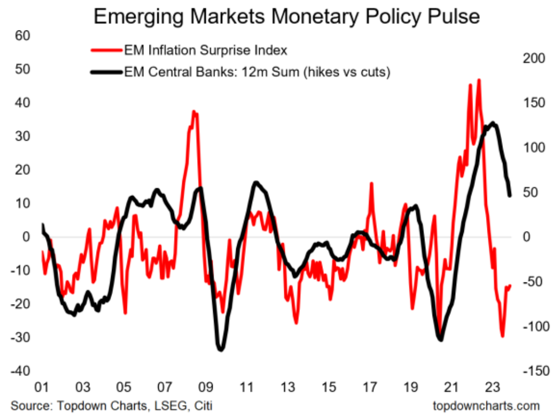
1. This chart combined a set of files and charts into a single picture – showing the price and breadth signal across emerging market assets. It proved useful in highlighting the inflection point that took place in Oct/Nov as markets collectively made up their mind that the Fed was done.

"Emerging Market assets have seen a sharp shift higher off the lows following last week's weak payrolls and FOMC meeting pause – the implication being that EM investors basically reckon the Fed is done. Interestingly this came just as investors began to once again capitulate and give up on EM equities. In these markets, sentiment can shift swift" (10 Nov 2023)



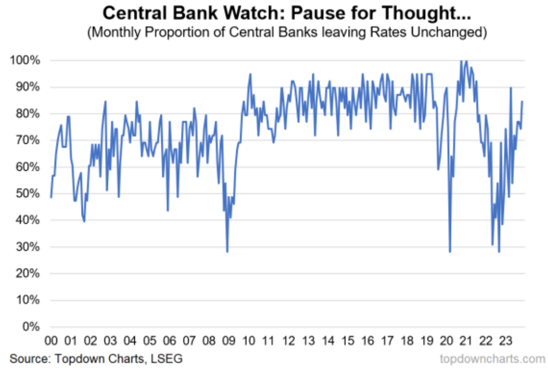
2. Also on EM, the turn down in inflation surprises paved the way for a pivot by EM central banks.

"we now see a peak in the pace of tightening by EM central banks (as inflation is now surprising to the downside) and ultimately a peak in policy rates (which the bond market has already begun to flag with the peak in EM average 10-year yields)." (9 Jun 2023)



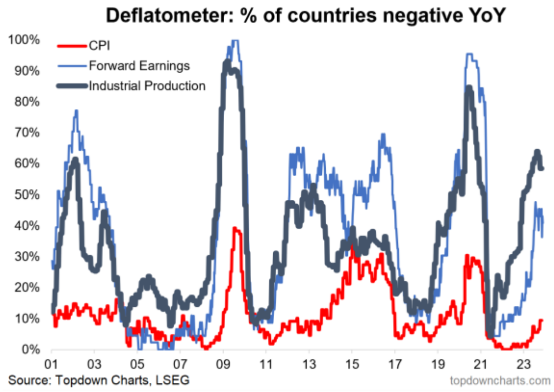
3. Speaking of central banks, this novel chart tracks the monthly proportion of central banks who did nothing (aka paused). After a frenzy of rate hikes in 2022, the trend shifted towards: slow down, wait and see. And only a few months later after that 90% reading, the most important central bank in the world kicked into pause mode.

"Another intriguing development is the proportion of central banks whomst in a given month neither hiked nor cut interest rates… basically "paused", has (at just under 90%) reached the highest level since mid-2021 (which was when the global pivot to hiking began)." (28 Apr 2023)



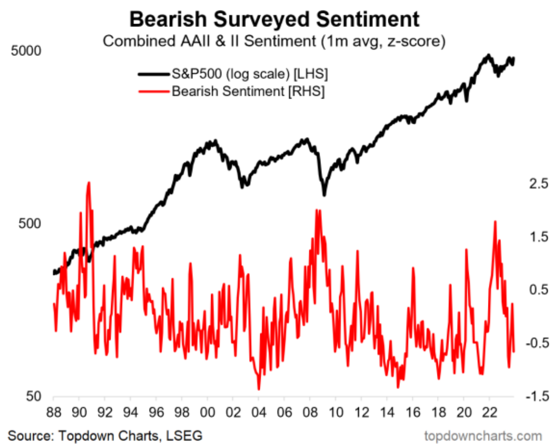
4. If you think I got pushback on *disinflation*, think of the reaction I got when flagging the risk of *deflation* – and then documenting the emerging incidences of technical (YoY) CPI deflation. As to whether this does become a more widespread thing into 2024, that is going to depend on the path of the economy: will the mixedcession soft landing evolve into a normal hard landing (and hence place cyclical deflation risk on the table), or will something else surprise to the upside?

"also of interest is the growing incidence of economic deflation (year over year declines e.g. half of countries seeing industrial production contracting on a YoY basis) – historically weaker growth has lead to an uptick in the incidence of deflation" (10 Feb 2023)



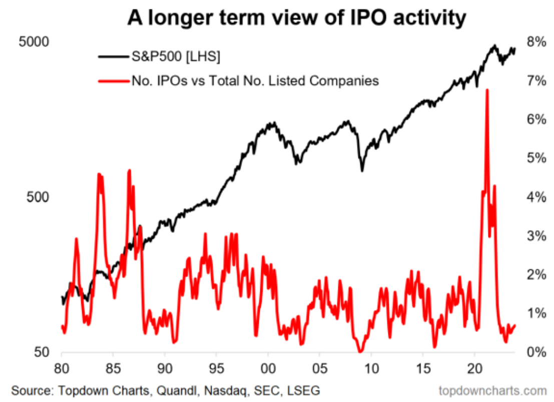
5. This one showed the dramatic shift in sentiment from one of the most bearish readings on record in 2022 to one of the least bearish readings almost a year later. Always, ***always*** pay attention to extremes in market indicators!

"The stall in stocks comes at a time of the year where volatility tends to spike, and seasonal headwinds weigh, but most importantly, it comes just as seemingly everyone turned bullish (indeed that's what the surveys showed) and as just about all the notable bears threw in the towel… it's quite possible that this is it for the echo-bull." (8 Sep 2023)



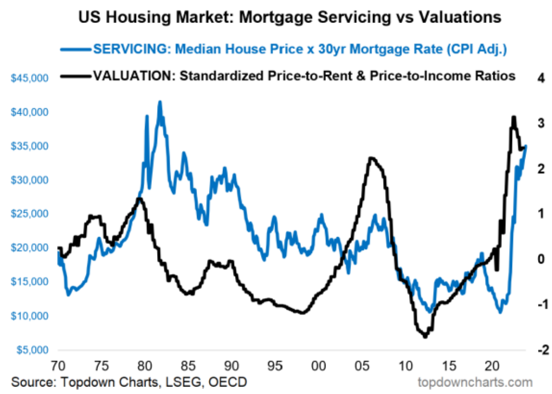
6. Another interesting and novel indicator that helped flag upside risk to stocks early this year.

"an interesting element of the boom-bust cycle is the arrival of a couple of potential positive signs for the stock market outlook: a plunge in the number of IPOs relative to the total number of listed companies (a bottoming signal that worked many times over the decades – with a few key exceptions, but also ideally you need to see the indicator drop and then tick back up), and a surge in the number of IPOs withdrawn. Part of this is just a reflection of the underlying market cycle, partly a reflection of sentiment, and partly an element of reduced supply." (24 Feb 2023)



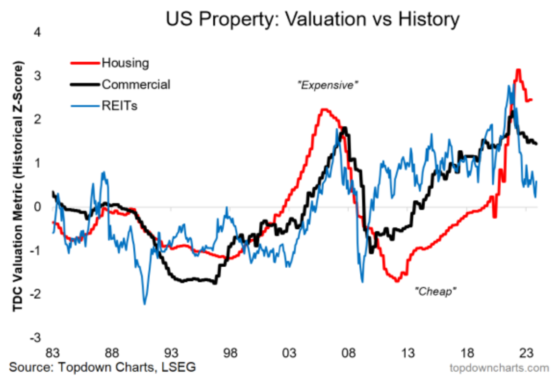
7. This one makes the favourites list because of how extreme it is – arguably it should be one to watch in 2024. It shows how in inflation-adjusted terms the indicative cost of servicing a new loan has surged to one of the highest levels in history, meanwhile the housing market valuation indicators are likewise still at the most expensive levels in history. Something somewhere in this equation is going to have to make an adjustment!

"it's remarkable to note how inflation-adjusted indicative servicing costs for new mortgages is on par with levels seen during the 80's …back when housing market valuations were slightly cheap vs record expensive now. On that note: higher for longer rates will necessitate a meaningful adjustment to housing market valuations. " (17 Feb 2023)



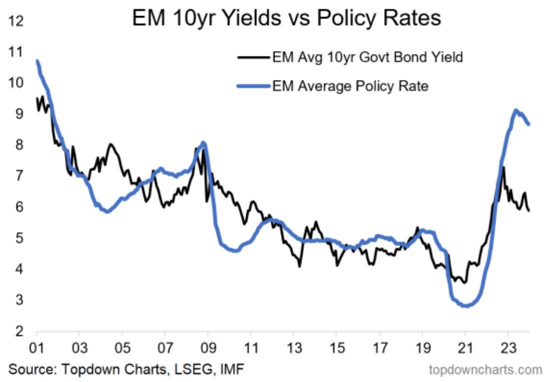
8. Speaking of property market valuations, aside from housing, commercial property also remains extremely expensive vs history. We have since seen a decent adjustment in REIT valuations, but like the previous chart, this one leaves a few open questions in terms of the next steps.

"Commercial property certainly is a concern given where valuations got (likewise for REITs), but it's a similar story for the housing market where valuations have surpassed sub-prime highs." (17 Mar 2023)



9. On the topic of pauses and pivots, EM central banks are on the move, and much like developed markets – the time to buy EM bonds is when rates peak and central banks turn the corner.

“Lastly, with emerging economies in recessionary territory (based on the OECD leading indicators), and following significant front-loading of policy tightening, and waning of global inflationary pressures, EM central banks collectively could be first to pivot or at least pause. This would be a key step for sustained upside in EM sovereign bonds.” (20 Jan 2023)



10. This *table* shows some very interesting historical stats for US stocks and bonds – when trying to predict the future of something it is always helpful and useful context to understand the past. Are you predicting an outlier? Or are you predicting something relatively typical?

“overall bonds beat stocks about 38% of the time; bonds beat stocks 95% of the time when stocks were down, but bonds only beat stocks 14% of the time when stocks were up, and bonds were positive 89% of the time when stocks were also positive. So you can easily be right on bonds and wrong on stocks vs bonds, but the most reliable way to be right on bonds beating stocks is to pick stocks going down rather than bonds going up.” (23 Jun 2023)

Stocks vs Bonds -- Total Return Stats (1871-2022)

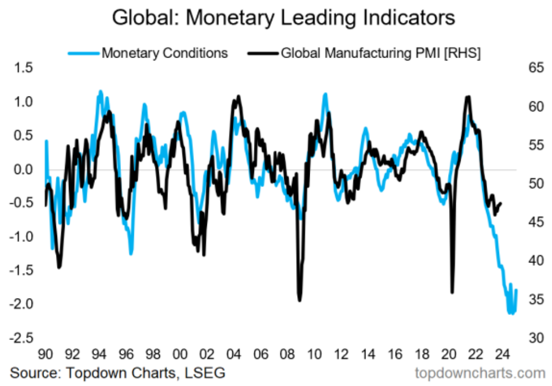
	Propn.%	*Cond. %*
Bonds positive	88%	
Stocks positive	71%	
Stocks beat Bonds	63%	
Stocks down + Bonds up	25%	*86%*
Stocks down + Bonds down	4%	*14%*
Stocks up + Bonds up	63%	*89%*
Stocks up + Bonds down	8%	*11%*
Stocks down, Bonds beat Stocks	28%	*95%*
Stocks up, Bonds beat Stocks	10%	*14%*

Source: Topdown Charts, Shiller, LSEG topdowncharts.com

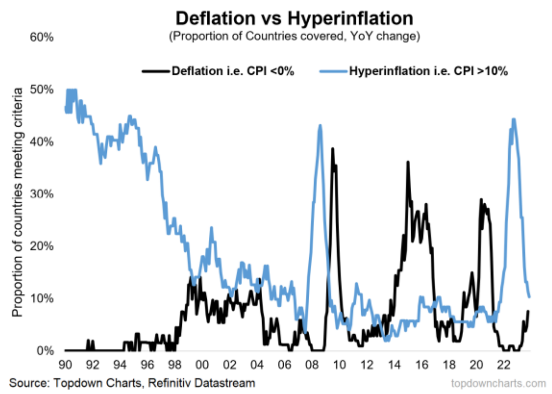
Section 4. Charts to Watch in 2024

As interesting and sometimes amusing as it is to look back, we get paid for looking forward. There are several key clues, trends, and themes that will be critical to keep front of mind as we head into 2024 and into the next phase of the cycle.

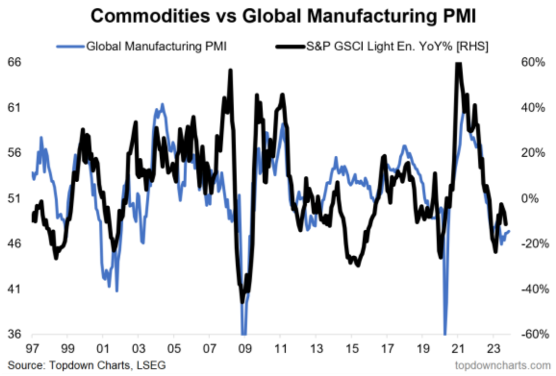
1. The Monetary Wall: Talk of soft landings, mixedcessions, vibecessions, and things of that nature may soon turn to tradcession as looming large monetary headwinds raise the risk of a traditional recession into 2024. Several upside surprises and spots of resilience ended up warding-off recession risk in 2023, but as motivational and inspirational speakers often tell us: *“just because something hasn’t happened for you yet doesn’t mean it won’t”*.



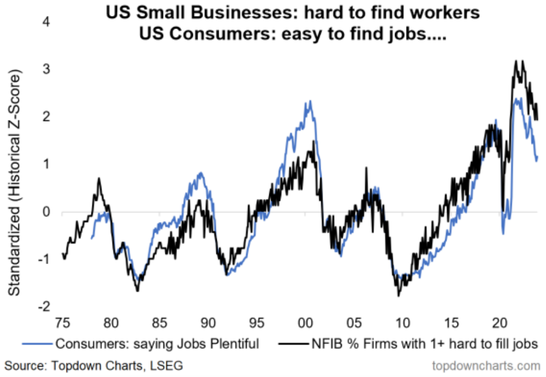
2. Rise of Deflation: Adjacent to that, and along with multiple disinflationary drivers, the impact of base effects, and dissipating demand – raises the prospect of technical deflation risk (i.e. the CPI annual rate of change going negative). And it’s not just a vibe, it’s already happening in pockets of the global economy. Deflation was an unthinkable term earlier this year, but I think by now more people are starting to entertain the idea. It would almost be poetic for a deflation scare to follow the inflation shock and the higher for longer meme.



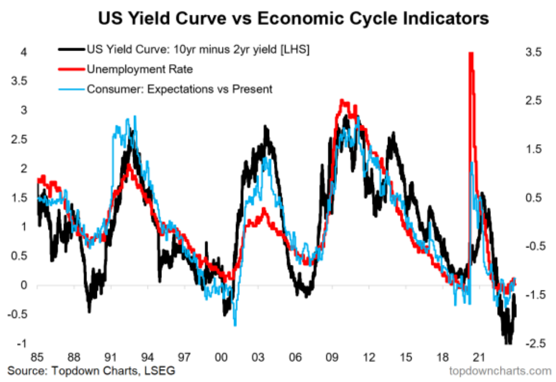
3. Resurgence Risk: Not hedge the previous comments, but we still can't rule-out inflation resurgence risk either. A no-landing rebound in global growth (especially trade and manufacturing – which ***have*** been in recession) would mean commodities up, capacity tight, inflation HFL.



4. The Story Can Change Quickly: But back on the downside risk, and to caution on complacency – while labour markets are still tight, consumer strong, wages growing… note the history on this chart. The jobs market goes up the stairs on the way up, and out the window when things turn.

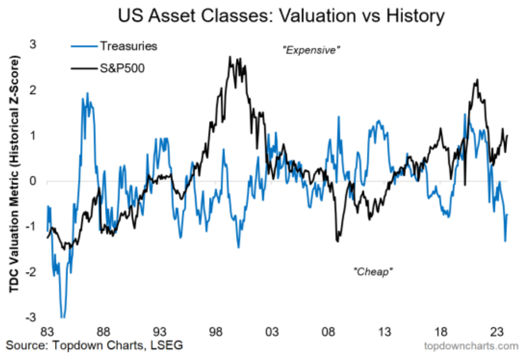


5. Yield Curving: These 3 lines all measure the same thing – the maturity of the business cycle (and turning points). On all 3 counts they say the cycle is long in the tooth, and turning.



6. Bond Bargain: As such, and while things have moved a lot since that brief 5% reading for the US 10-year treasury yield in October, government bond valuations are still cheap, and the macro scenario I outline here is bond bullish. It won't be a straight line, but bonds likely see further upside in the coming year following one of their worst bear markets in recent history.

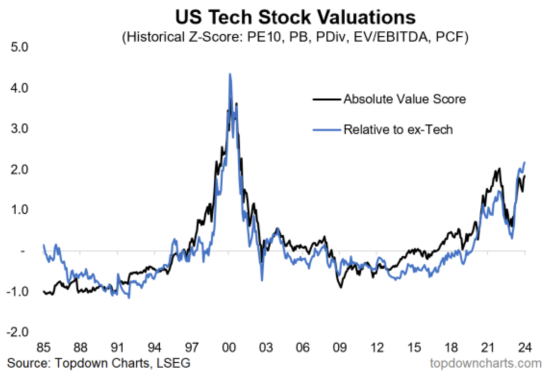
Stocks are a different matter though…



7. Tech Perfection: Tech stock valuations, while still not quite eclipsing the dot-com heights, have returned to 2021 peak levels. They are priced for perfection, and are untested by recession.

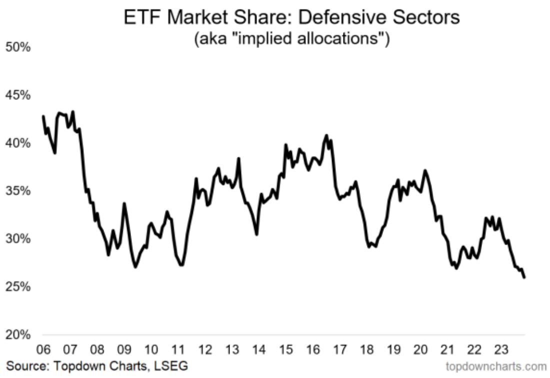
Indeed, big tech saw its big run from 2009 riding a wave of initial outright undervaluation, mostly accommodative monetary policy (including the ZIRP era), and importantly: a prolonged period of time where there were no recessions (albeit a few near misses, and p.s. the pandemic was a boon and a gift for most in the tech sector: delivering acceleration of existing trends, no real downside, and major monetary and fiscal tailwinds).

Maybe AI hype and exponential acceleration does see tech go on to justify these valuations, and maybe therefore these levels end up as a new normal. But if we want to think in terms of probabilities and risk management, keeping one foot out the door is probably a wise approach here.

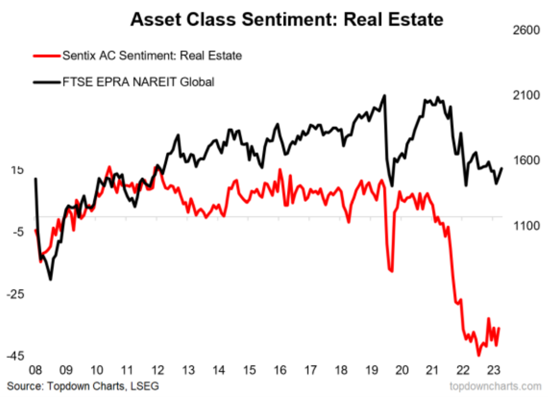


8. The Best and the Worst: Speaking of relative value, if you look at the flipside of big tech (aka US large growth), the best relative value opportunities are small vs large, value vs growth, and global vs US – the chart below basically explains why.

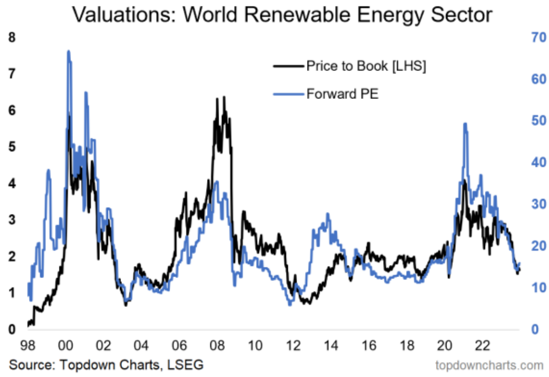
9. Defensive Doom: The roaring rebound in (tech) stocks this year left the boring old defensive sectors behind (healthcare, utilities, staples). As such, investor allocations have dropped to record lows. There is a signal here.



10. Real Estate Realism: There is also a signal here. Investors hate real estate. The downside risks in the rising rates world (+work from home, etc), are well understood, investors are already on board. That means there are a lot of minds that can change if commercial property merely does OK, and hence an upside case can be made.

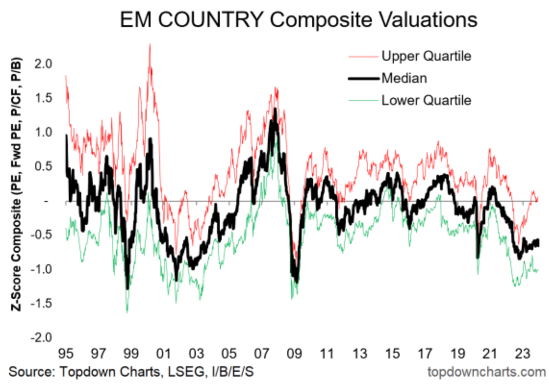


11. Renewables Renewed: We just lived through yet another boom-bust-bubble cycle in renewable energy. Kicked-off by a steady rise of interest in ESG investing, and then the pandemic stimulus measures, along with a brief traditional energy price spike. But monetary tightening, ESG fatigue and falling commodities have taken the steam out: making valuations for the sector attractive again.



12. EM Again: It was every strategist's favourite place to be at the start of 2023. Naturally folk will be sceptical on it turning up again in outlook pieces like this, and maybe there is a sense of once-bitten, twice-shy. But things are different this time. The value story is still there (especially for China and LatAm/Non-Asia EM), however now we also have a peak in the Fed funds rate (possible easing later), a peak in the US dollar, a pivot by EM central banks from rate hikes to rate cuts, lingering pessimism on EM assets, and promising technicals as an inflection point appears to already be in place.

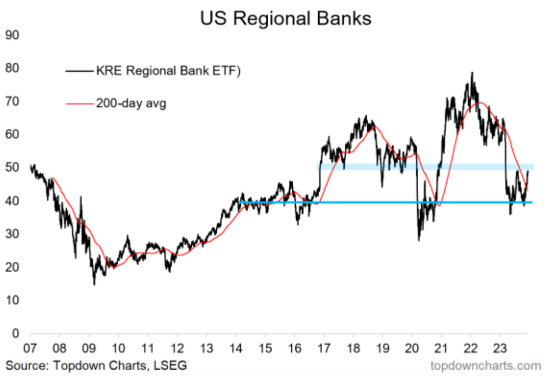
So as far as I'm concerned it definitely deserves a spot in the charts and themes to watch in the year ahead as multiple trends and macro cross currents come to their logical conclusion.



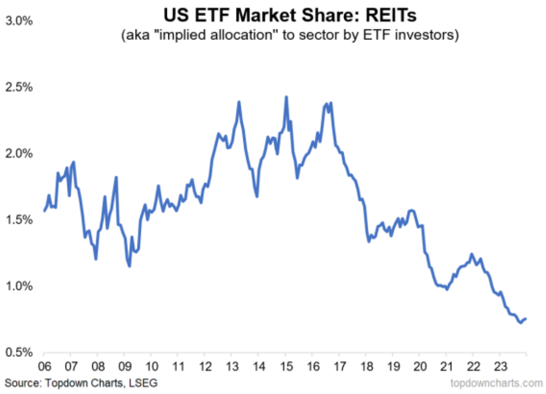
Section 5. Honourable Mentions

These charts were worthy of mention but didn't quite fit into any of the previous categories.

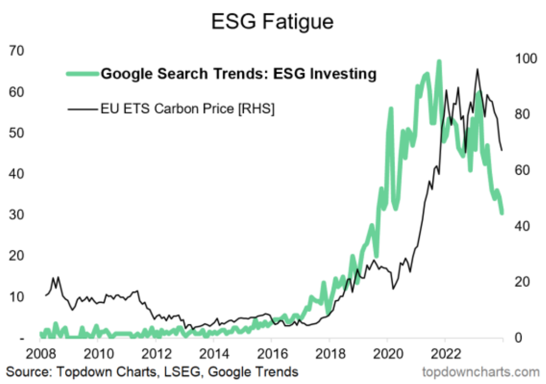
1. Remember the regional bank crisis? Regional bank stocks do, but things are turning up there.



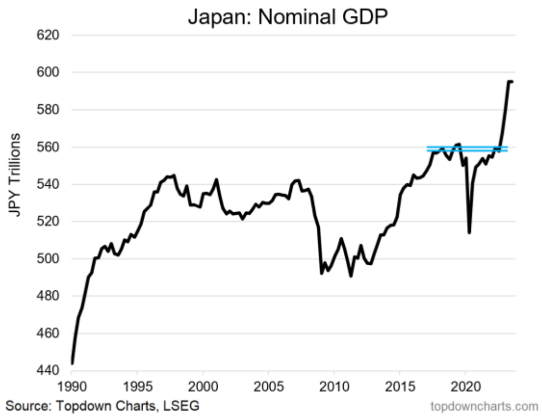
2. Retail hates REITs – implied allocations have fallen to record lows, makes it worth watching.



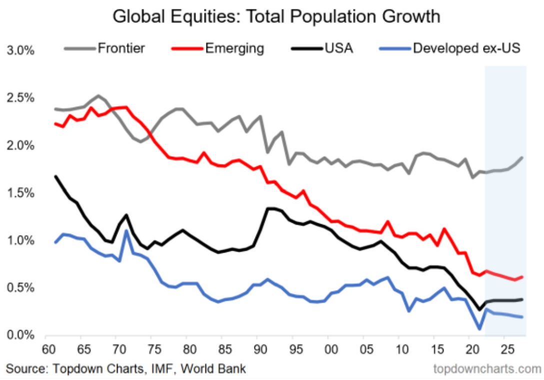
3. Search interest in ESG investing has dropped off significantly as investors become disillusioned (reinforced by disappointing price action, tighter monetary conditions, and somewhat of a backlash against ESG investing in general… +general hype and arguably some miss-selling/greenwashing).



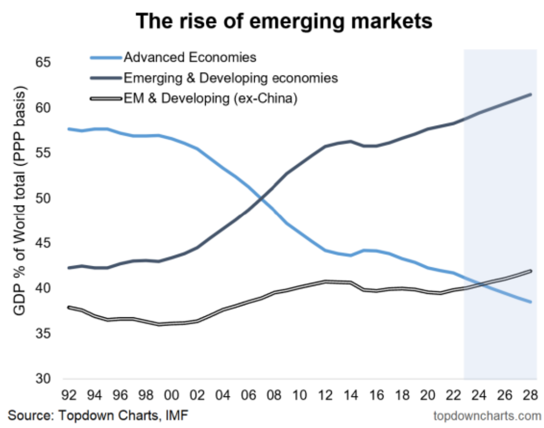
4. Most noticed Japanese equities breakout to new highs, few saw this fundamental breakout.



5. Total population growth trends: highest in the poorest, slowest in the richest, and overall on a slowing trend: this has meaningful implications for investing and (geo)politics. One to have pinned on the wall as important background context.



6. Emerging Markets *including China* eclipsed developed economies over a decade ago, but are only just set to economically out-gun them on an ex-China basis from next year. This is also (and closely interlinked with the previous chart) a key chart for investing and (geo)politics.



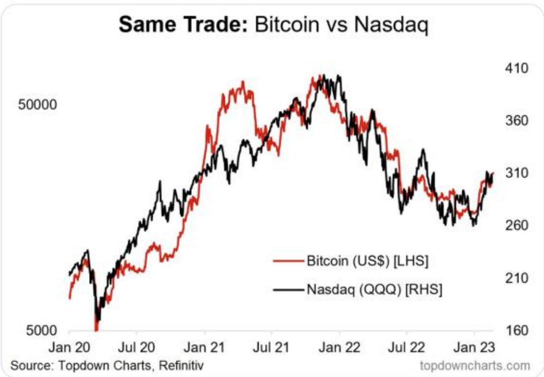
Section 6. People's Choice Charts

In this section I defer to our followers on Twitter (/X) (@topdowncharts) for the most popular charts based on views and engagement.

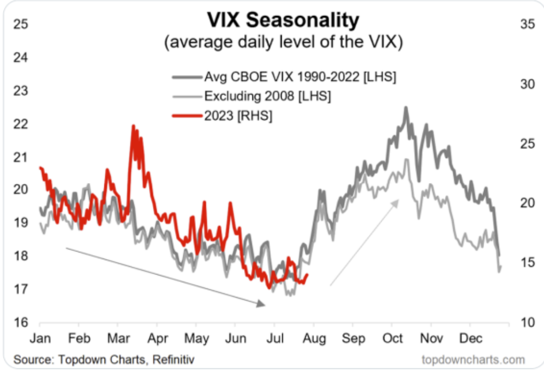
These charts are *not* updated to the latest -- in contrast to those in the previous sections (because it helps explain why folk were so interested in them at the time …as always, just email me if you want to see any of these or others updated, or if you had any questions in general).

1. For a while there this was one of the most widely followed charts. All attention was on whether the market would break through that key down trendline. Folk had plenty to say about this chart – with the original post receiving the most replies of all of my posts of 2023! (27 Jan 2023)

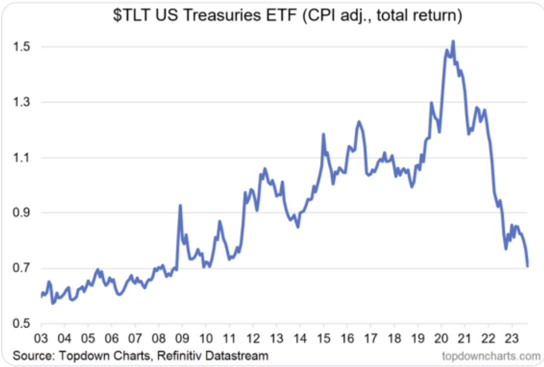
2. This one also stirred up a lot of conversation, partly due to the nature of the content but also some comments around the chart construction. The point is to show how the two are fuelled by similar drivers in terms of speculative mood and liquidity, and while yes the magnitudes are different, the point stands (the trend matters). The turnaround in both of these markets marked a change in mood generally from bear to bull as AI hype became the catalyst to a resurgence in speculative appetite. (20 Feb 2023)



3. Season for volatility – in hindsight this was a very well timed post, marking more or less the exact bottom in the VIX and the multi-month downturn in the stockmarket. (21 Jul 2023)



4. This one speaks for itself! A decade+ of US treasuries returns wiped out – aka what happens when a series of macro shocks combine with expensive starting point valuations. (2 Oct 2023)



5. Japan vs US equities – this one is interesting by itself just for the wow-factor, but also as a case study in booms and busts, a lesson on the importance of country selection, and an example in terms of how fast things can go when the mean reversion finally kicks-in. (29 Aug 2023)

Topdown Charts -- What we do:

We help investors make decisions with confidence: pragmatic evidence-driven investment ideas, risk alerts, and macro insights – delivered in an easy to use format.

Topdown Charts Professional

This is our full service: it's aimed at multi-asset portfolio managers and professional investors requiring top-down input in their process. It's for people who want a consistent flow of ideas to stay informed, get onto ideas, and navigate emerging risks.

The Topdown Charts Professional service includes:

-Regular research reports (see below for a full listing)

-Help with questions and requests (either about the reports or in general)

-Use of the charts (e.g. in your own reports and stakeholder communications)

The Reports

Weekly Macro Themes: Core report, featuring 3-5 ideas/topics each week spanning investment ideas, risk management input, and meaningful macro insights.

Global Cross Asset Market Monitor: Weekly intelligence briefing on shorter term sentiment and technical conditions across global markets and asset classes.

Market Cycle Guidebook: A monthly focus on the medium-longer term factors such as cycle/valuation/monetary, up to date capital market assumptions, and a summary of views across asset classes and TAA positioning guide.

Quarterly Strategy Pack: Slide pack of core views and charts across macro and markets to support discussions and presentations with clients.

Entry-Level Service?

Or as I call it, the entrée service: Try us out – topdowncharts.substack.com

Report by Callum Thomas, Head of Research at Topdown Charts

About Topdown Charts

Topdown Charts provides chart-driven research across a global multi-asset universe. The key offering is the Weekly Macro Themes report which has been designed specifically for multi-asset portfolio managers, active asset allocators, and macro-driven fund managers. The perspective is that of a buyside strategist and the key deliverables of the report are: investment idea generation, top-down global macro insights, risk management input, and asset allocation research.

Research Process and Framework

Research Process

Valuation

Valuation as a common anchor in the thesis
- Identify and develop valuation indicators
- Monitor for extremes (where the best opportunities are found)
- Explore the relative value case (no asset exists in a vacuum)

Cycle

Cycles are a constant across time and markets
- Identify the core cyclical/monetary drivers for the asset class
- Develop and monitor indicators and key data points
- Clarify how asset prices evolve across the cycle

Tactics

Round out the idea with tactical guidance
- Tactical indicators aid in idea generation + implementation
- Apply disciplined and sensible technical analysis techniques
- Look for extremes in sentiment, flows, and positioning

Key Beliefs

- Risk = owning an asset which is overvalued, overowned, overbought and out of time.
- Risk also = underexposed to assets which are undervalued, unloved, oversold, and turning around.
- See things as they are: avoid forecasting, be data-driven yet be unapologetically forward looking.
- Must define/frame key risks and drivers for a given asset class.
- Know what indicators/charts to watch and monitor (and strive for constant innovation/improvement).
- Aim = put the odds in your favour.

Key Objectives and Scope of Research

Really there are 3 key objectives that we aim to deliver: **risk management input** (investors tend to disproportionately punish permanent loss of capital vs rewarding exceptional performance), **idea generation** (but exceptional performance is still critical!), and help our clients **gain perspective** (which not only helps them in managing money, but also communicating with their clients and stakeholders).

Risk Management

- Rule 1 of investing: don't lose money.
- What do we need to be paying attention to?

Idea Generation

- Engage multiple factors to find the best ideas.
- Create unfair advantage for our clients through superior research.

Gain Perspective

- Stay focused on the signal, not the noise.
- Inform our clients with cutting-edge studies.

Investment Universe

Equities
- ❑ Regions/Countries
- ❑ Sectors/Industries
- ❑ Styles/Factors

Alternatives
- ❑ Commodities
- ❑ Currencies
- ❑ REITs, MLPs

Fixed Income
- ❑ Government bonds
- ❑ Corporate credit
- ❑ Inflation linked