



Saxo Market Call

Slide deck

Thursday, August 10, 2023

Questions and comments to marketcall@saxobank.com

Disclaimer

The slides here that accompany the podcast will occasionally mention financial instruments that are not tradable for all retail clients, depending on the relevant appropriateness test. Financial instruments mentioned can range from low to high risk, and our thoughts on the market should not be viewed as investment recommendations, but inspiration and information to gain a better understanding of current market dynamics.

Cracks are emerging in the AI cluster...



Source: Saxo

Saxo equity themes performance overview

Sorted on month-to-date return (updated as of 09 Aug 2023)

Theme	1D	1W	MTD	YTD	1Y	5Y
Defence	0.6	2.1	1.2	23.6	29.9	87.0
Nuclear power	0.6	1.4	-0.2	7.4	9.8	120.9
Commodities	1.3	1.3	-1.2	8.7	18.0	103.6
Construction	-0.1	-1.1	-2.4	22.6	28.6	86.8
Travel	-0.2	0.3	-2.4	31.4	30.4	7.4
Logistics	0.0	-0.1	-2.7	17.6	12.2	131.7
Mega Caps	-0.7	-0.6	-2.8	29.3	20.6	136.2
China consumer & technology	0.1	0.0	-2.8	6.6	8.4	96.1
MSCI World (USD)	-0.4	-0.8	-2.8	15.6	10.3	51.1
Transportation infrastructure	0.5	-0.4	-3.1	2.4	0.0	25.8
MSCI EM (USD)	0.5	-1.1	-3.6	7.4	3.6	7.3
Renewable energy	0.7	0.4	-4.3	-12.5	-21.7	217.4
Luxury	0.2	-1.5	-5.1	19.8	24.1	39.6
Cyber security	-0.2	-2.8	-6.0	20.9	0.0	103.1
Semiconductors	-1.1	-3.1	-6.2	37.0	22.4	197.5
Payments	-1.1	-3.0	-6.5	13.6	-6.7	34.2
E-commerce	-0.8	-1.2	-6.5	21.3	2.7	19.0
Green transformation	-0.1	-2.8	-7.0	21.2	-28.2	185.4
Energy storage	0.1	-2.3	-7.4	-0.6	-28.7	374.0
Gaming	-1.2	-3.8	-8.1	19.2	13.5	76.2
New biotech	0.6	-4.3	-8.2	-0.9	-20.6	79.1
Bubble stocks	-2.3	-5.6	-12.5	27.4	-7.3	129.1

Source: Bloomberg and Saxo

Macro Digest: The coming stagflation light

<https://www.home.saxo/content/articles/equities/macro-digest-the-coming-stagflation-light-08082023>

SaxoStrats now call for a stagflation light to begin in Q4 2023, with its major impact in Q1/Q2 2024.

Summary

- The US and global economy are entering a stagflation light period.
- We see a 1/3 chance of the Fed and ECB cutting interest rates this year, and a 2/3 chance of cuts in Q1-Q2 2024.
- We target the S&P 500 at 4,455 in the short term and 4,045-50 in the long term.
- Q3 and Q4 will be hard on corporate earnings as top-line growth comes down while input costs (wages and energy) continue to be elevated. Margin compression is expected. Q3 results in Q4 should be a turning point.
- Modern Monetary Theory (MMT) is the modus operandi of governments and central banks. This needs negative real rates, but the US has positive real rates - a big negative change.
- Emerging markets have started to cut interest rates. EM often leads economic and monetary cycles.
- The US consumer will be severely hit by exhausted savings and extreme cost for doing capital spending.



Equities | 2023-08-08 14:30



Steen Jakobsen
Chief Investment Officer



Latest Ma

Annualised average sector return vs. MSCI World Index (since 1995), %

Schroders

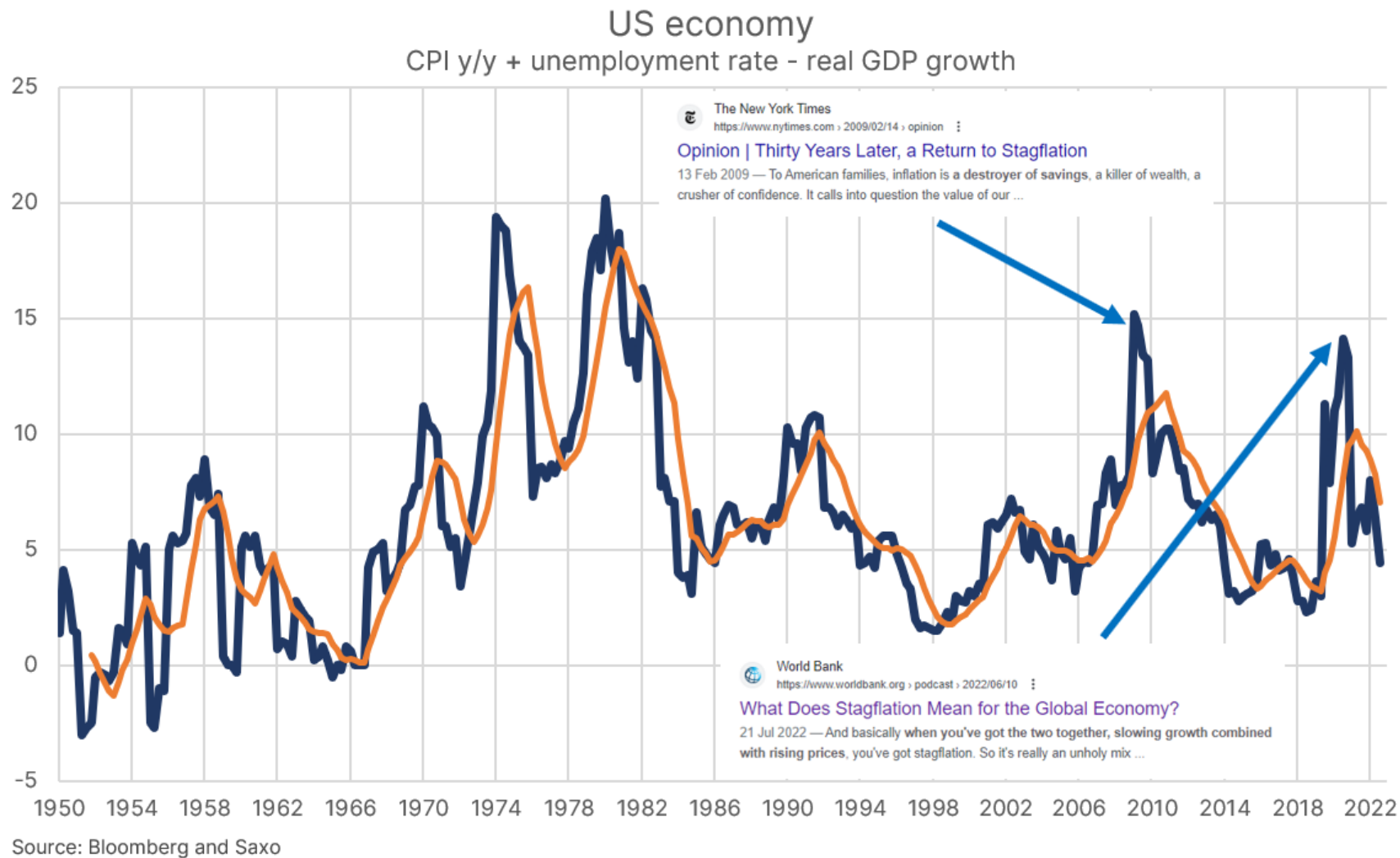
Sector	Beta	Cyclical/defensive	Stagflation
Utilities	0.4	Defensive	16.0
Cons stap	0.7	Defensive	14.2
Real estate	0.8	Defensive	11.8
Energy	1.4	Cyclical	8.4
Health care	0.8	Defensive	6.7
Cons disc	1.2	Cyclical	1.0
Materials	1.1	Cyclical	0.4
Financials	1.1	Cyclical	-0.5
Industrials	1.2	Cyclical	-3.3
Comms Svcs	1.0	Neutral	-3.9
IT	1.1	Cyclical	-6.7

Past performance is not a guide to future performance and may not be repeated.

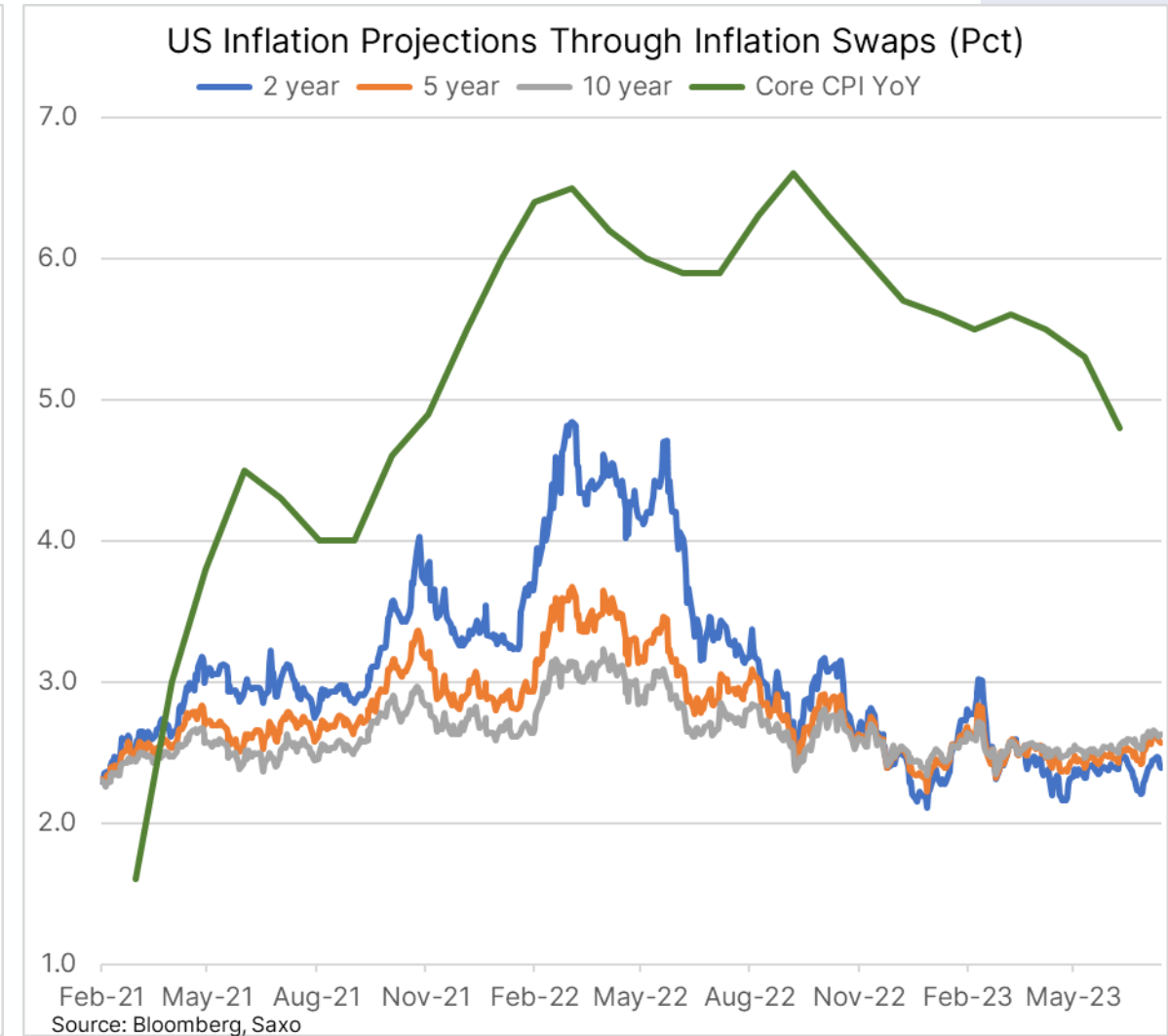
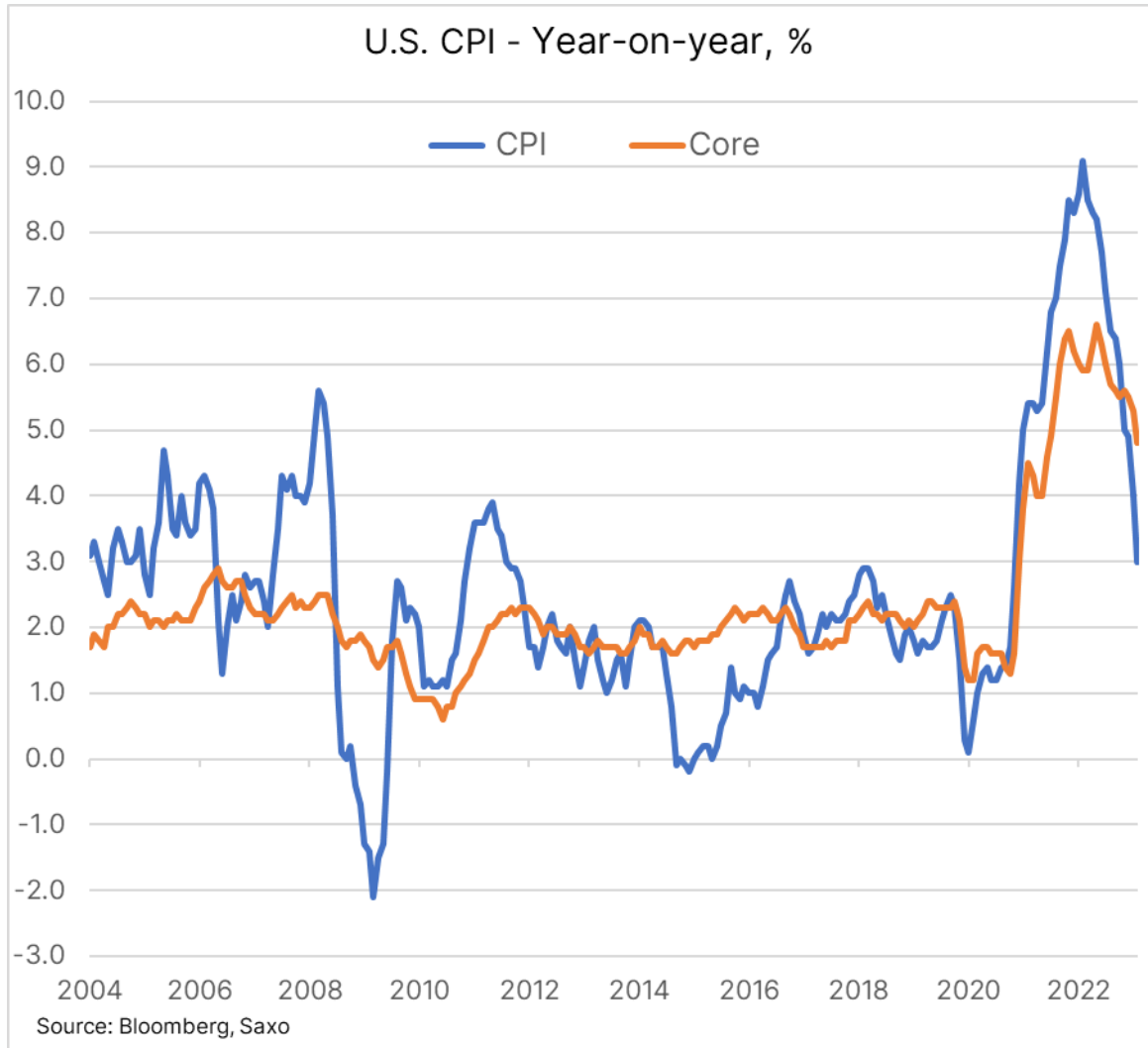
Source: Schroders Economics and Strategic Research Unit. Data from January 1995 to December 2021. Stagflation is calculated as the months where US CPI inflation is above its 10-year average and our Global business cycle Indicator is in the slowdown phase. 604465

Source: Schroders

It is all about the next wave on inflation and growth...



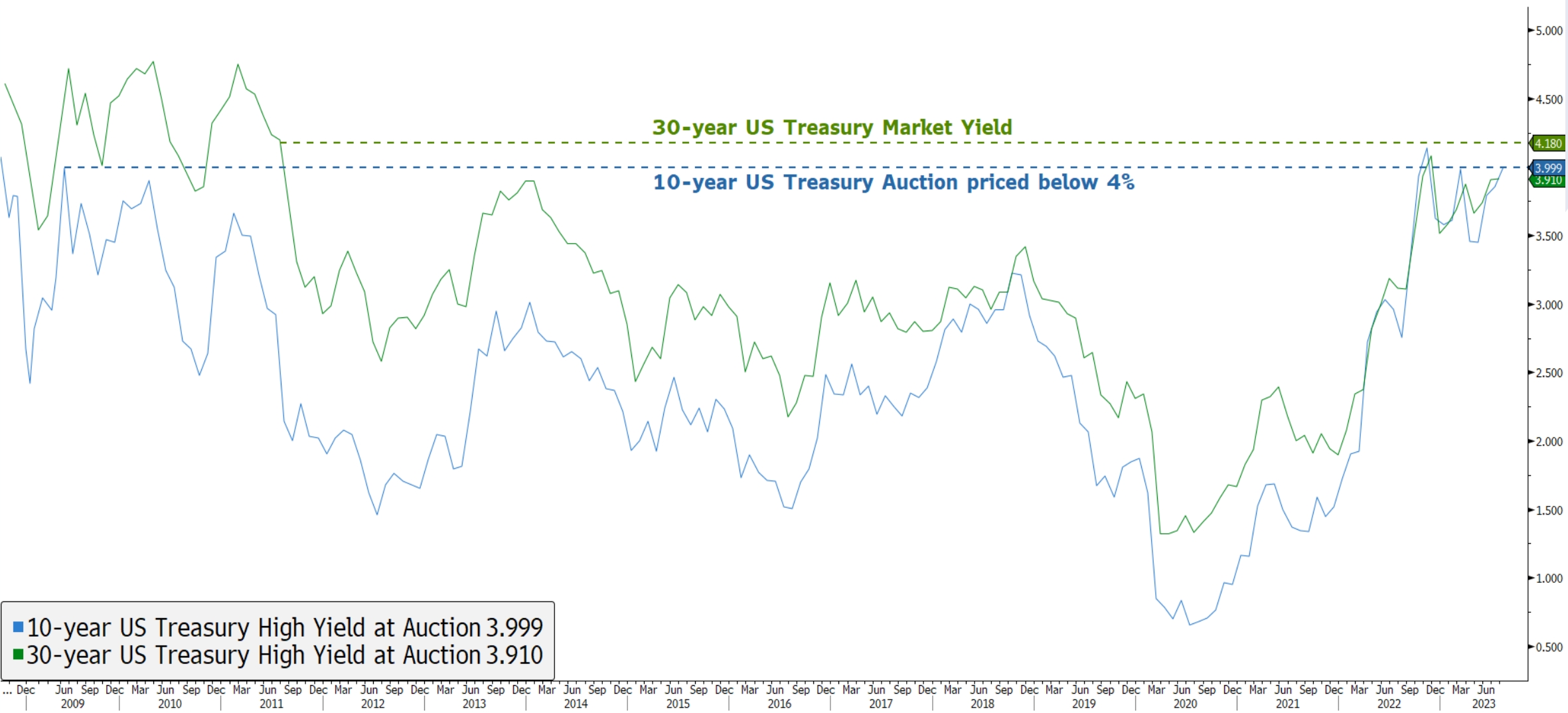
US CPI survey: Headline 3.3% y/y vs 3%, Core: 4.7% vs 4.8%



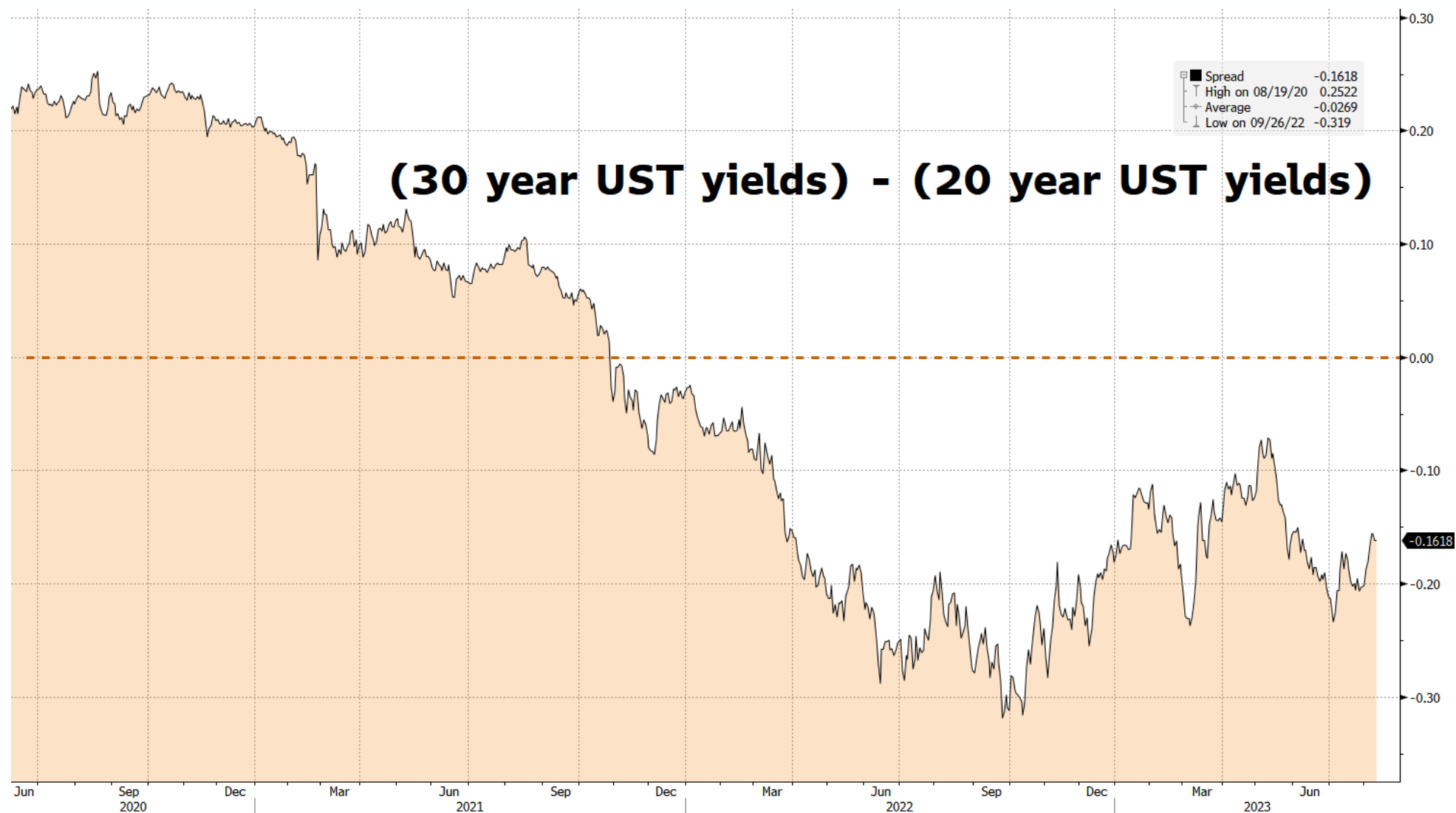
Source: Saxo

Today US CPI numbers and 30-year Treasury auctions might be bullish for Treasuries

30-year US Treasuries might price at the highest yield since 2011 respectively



Strong demand at today's 30-year auction might leak into other maturities



Source: Bloomberg.

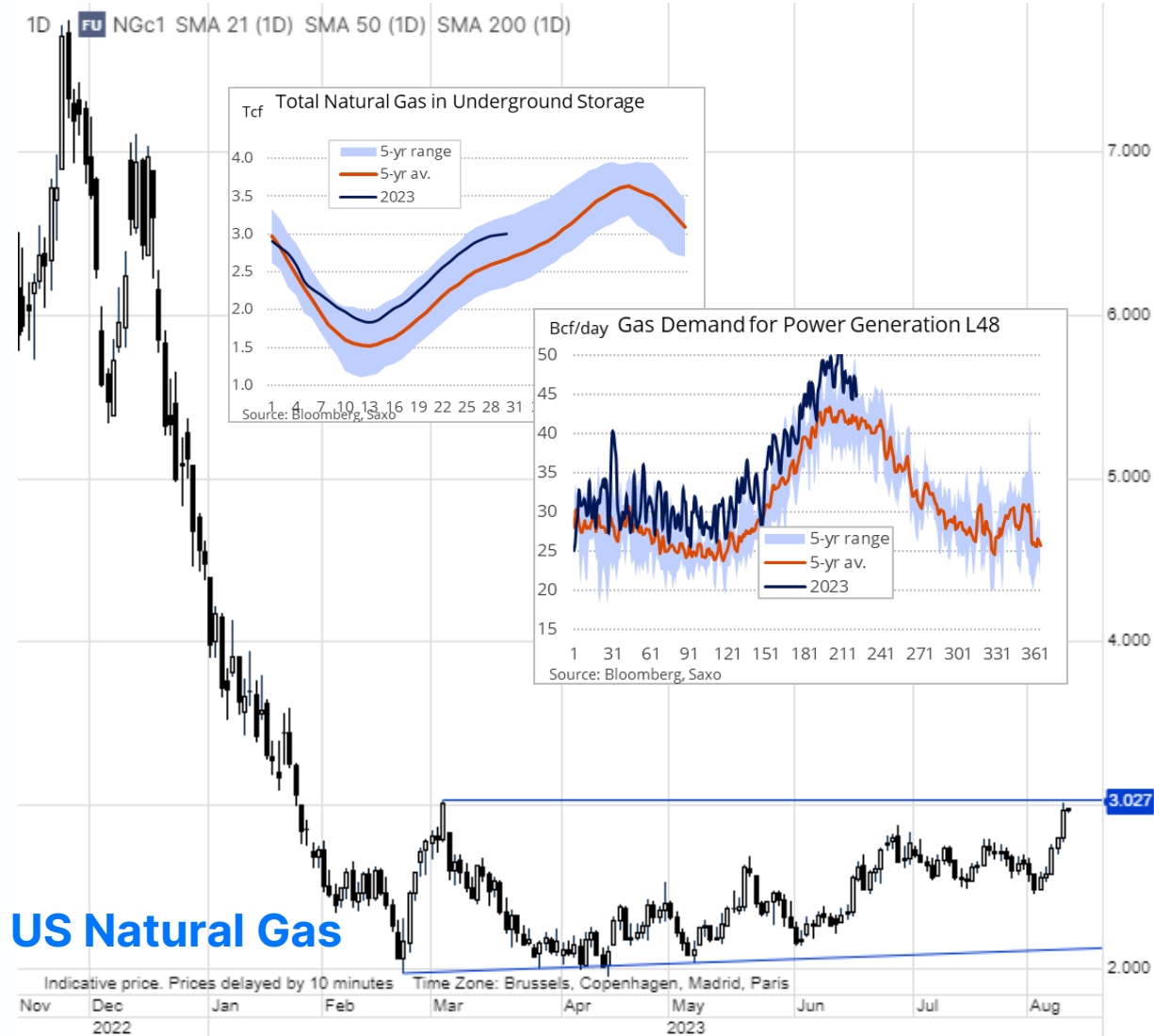
Small downturn + contained rise of unemployment = higher rates

10-year yields remain in an uptrend despite the recent drop in yields

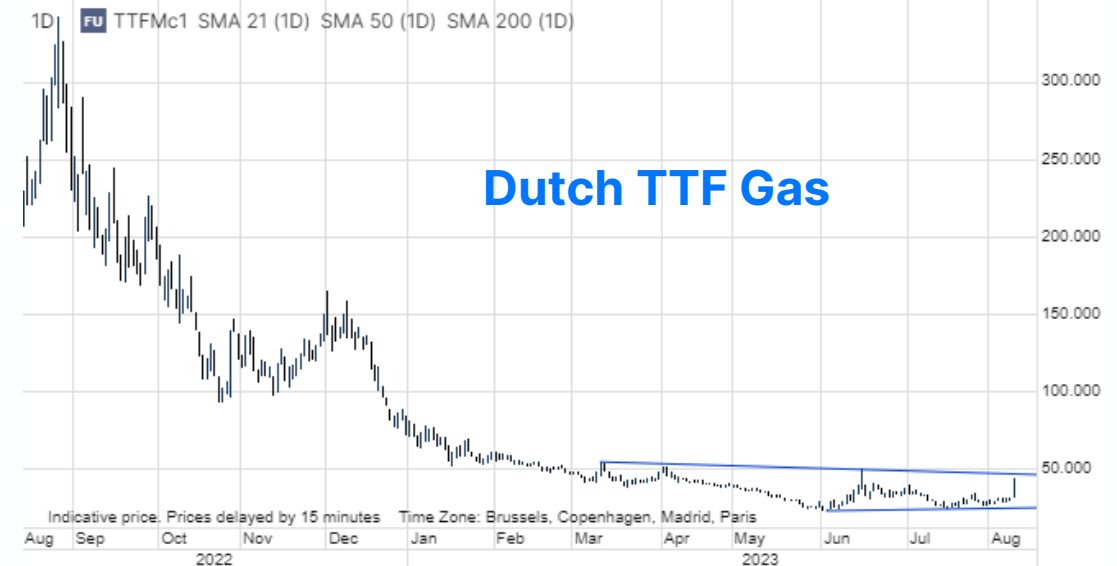


Source: Bloomberg.

US gas nears \$3 on hot weather demand, EU spikes on LNG supply risks



Source: Saxo



Stocks to watch today...

- **Novo Nordisk** – shares down 1% after Q2 earnings showing a beat on Wegovy sales. Stock split 2-for-1 coming on 13 September.
- **Siemens** – shares down 4% on disappointing revenue figures and downbeat outlook on Chinese growth.
- **Disney** – Q3 Disney+ subscriber figures at 146mn missed estimates of 155mn, but 27% price hike on Disney+ was a positive for shareholders sending shares up 2% in aft-mkt.



Source: Saxo

Earnings Watch

Today: KBC Group, Brookfield, **Novo Nordisk**, **Orsted**, **Siemens**, Deutsche Telekom, Allianz, Munich Re, Hapag-Lloyd, RWE, **Antofagasta**, Zurich Insurance, **Alibaba**

Friday: Constellation Software, Wilmar International

Alibaba quarterly financials

In Millions of CNY	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1 Est	2024 Q2 Est	2024 Q3 Est
3 Months Ending	06/30/2022	09/30/2022	12/31/2022	03/31/2023	06/30/2023	09/30/2023	12/31/2023
Market Capitalization	2,016,730.5	1,507,300.9	1,608,901.5	1,814,381.1			
- Cash & Equivalents	692,084.0	685,307.0	746,732.0	770,207.0			
+ Preferred & Other	133,090.0	134,535.0	133,829.0	133,264.0			
+ Total Debt	152,011.0	161,440.0	159,825.0	195,569.0			
Enterprise Value	1,609,747.5	1,117,968.9	1,155,823.5	1,373,007.1			
Revenue, Adj	205,555.0	207,176.0	247,756.0	208,200.0	223,754.5	223,862.4	269,464.3
Growth %, YoY	-0.1	3.2	2.1	2.0	8.9	8.1	8.8
Gross Profit, Adj	75,898.0	75,966.0	97,751.0	69,377.0	83,993.0	83,442.5	106,915.3
Margin %	36.9	36.7	39.5	33.3	37.5	37.3	39.7
EBITDA, Adj	36,101.0	73,573.0	39,202.0	18,408.0	44,767.8	44,250.7	60,264.3
Margin %	17.6	35.5	15.8	8.8	20.0	19.8	22.4
Net Income, Adj	26,726.9	25,313.2	46,137.5	19,122.1	38,425.2	38,604.6	51,822.0
Margin %	13.0	12.2	18.6	9.2	17.2	17.2	19.2
EPS, Adj	10.00	9.55	17.65	7.32	14.15	14.62	19.84
Growth %, YoY	-22.8	40.2	-11.2	-11.9	41.4	53.0	12.4
Cash from Operations	33,869.0	47,112.0	87,370.0	31,401.0			
Capital Expenditures	-11,110.0	-10,957.0	-5,793.0	-6,470.0	-4,566.0	-6,965.0	-10,985.0
Free Cash Flow	22,759.0	36,155.0	81,577.0	24,931.0	38,147.6	11,915.2	50,943.4

Source: Bloomberg

Macro – calendar highlights (all times GMT)

During the day: OPEC's Monthly Oil Market Report

1230 – US Continuing Claims

1230 – US July CPI

1300 – Fed's Daly (non-voting) Speaks on Yahoo Finance

1430 – EIA's Weekly Natural Gas Storage Change

1900 – Fed's Bostic (non-voting) Gives Remarks at Event About Employment

2015 – Fed's Harker (voting) Speaks on Employment

Longer Term Highlights

August 24-26 Fed Jackson Hole Symposium “Structural Shifts in the Global Economy”.

Upcoming Calendar Highlights

THU: Japan July PPI, **US July CPI**, Initial Jobless Claims, OPEC's Monthly Oil Market Report

FRI: UK June Industrial Production, UK 2Q Prel. GDP, **US July PPI**, University of Michigan Sentiment, IEA's Monthly Oil Market Report, USDA's Monthly Agriculture Supply/demand report

Appendix: S&P 500 5-year chart



Appendix: Where do you find the equity theme baskets?

Saxo
TraderGO

TRADING **RESEARCH** ACCOUNT

Overview Hot Topics Quarterly Outlook Forex **Stocks** Commodities Bonds ETFs Crypto Education Trade Signals News Market Analysis Calendar Equities

US 30 Wall Street

34,581.20 USD

D -0.07% M 1.52% Y 35.75%

US Tech 100 NAS

13,674.79 USD

D -0.02% M -2.10% Y 42.48%

US 500

4,206.67 USD

D -0.05% M -0.11% Y 37.68%

Germany 30

15,591.67 EUR

D -0.03% M 2.62% Y 30.62%

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