

Fathom's Top 10 most read for 2022 Q1

3 April 2022

Ellie Hassell

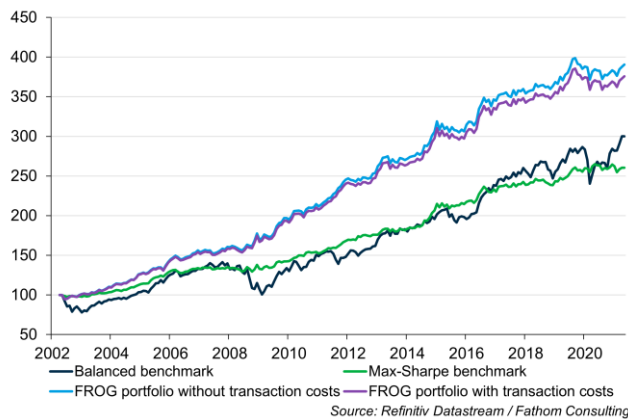


Asset allocation, inflation prospects, early retirement, the invasion of Ukraine – it's an eclectic range of subjects that Fathom's readers have been clicking on in the last few weeks. Here we've put together a recap of Fathom's Top 10 research pieces for 2022 Q1, based on the level of engagement from our clients.

Most read:

Asset allocation with FROG, performance

Indices, 1 April 2002 = 100



Macro FROGcasting and portfolio construction

“Incorporating macro forecasting into the process of building an asset portfolio can be a profitable endeavour... the Fathom Risk-Off Gauge (FROG) provides a probabilistic assessment of whether the market is in a risk-on or -off phase... [and our] FROG-based portfolio outperforms... a balanced, fixed-weight benchmark... by providing the optimiser with more realistic and accurate, regime-dependent estimates of risks and returns.”

Andrea Zazzarelli, Dimos Andronoudis, 3 February 2022

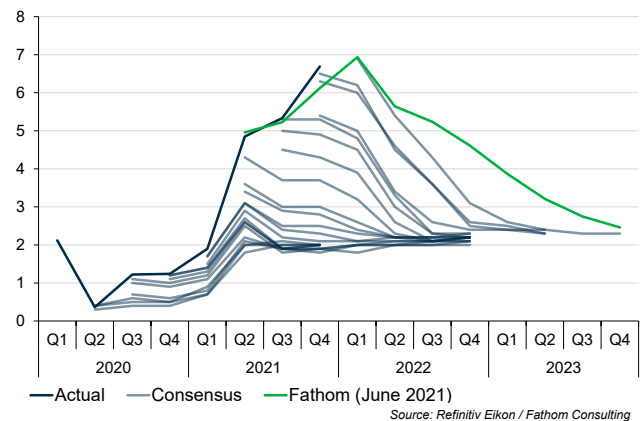
Doubling down on forecast errors

“By March 2021, we judged there to be a one-in-three chance that US inflation would top 5% by the end of the year, and by June it had become our central case... Apparently the rest of our profession was slower to cotton on, doubling down on their forecast errors by repeatedly expecting inflation to fall rapidly back to target.”

Kevin Loane, Andrew Harris, 9 February 2022

US CPI and consensus forecasts

Four-quarter percentage changes





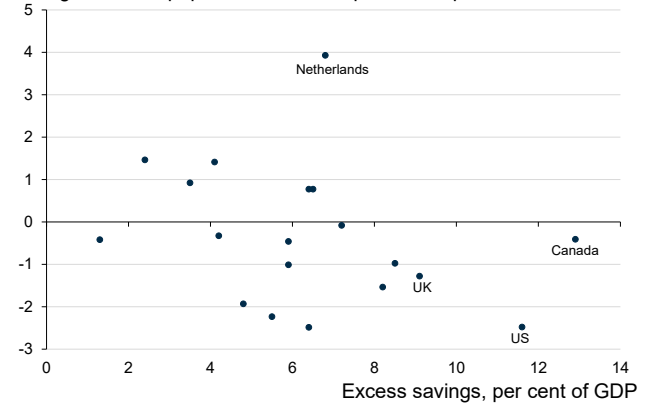
I'll buy some more leisure please

“There is a correlation between excess savings across the major economies and declines in labour force participation; even though some workers will return as savings dwindle, virus fears recede and wages rise, we expect the early retirement element of this so-called ‘big quit’ to have a lasting impact on potential output.”

Kevin Loane, 6 January 2022

Fiscal support and changes in participation

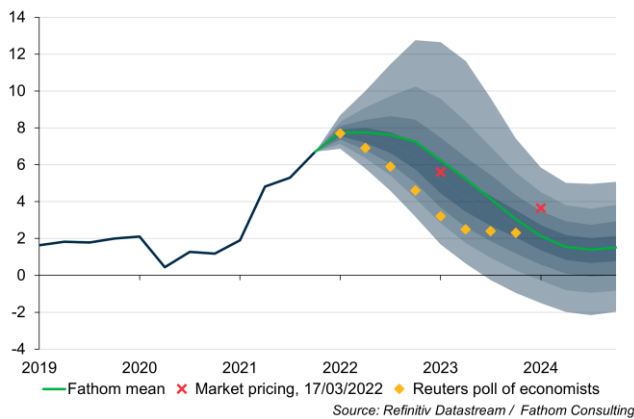
Change in active population since the pandemic, per cent



Source: Refinitiv Datastream / Fathom Consulting

US CPI

Four-quarter percentage changes



Source: Refinitiv Datastream / Fathom Consulting

Fake it till you make it

“Inflation began to rise early last year... policymakers in the developed economies... continue to speak and act as if inflation will fall back largely of its own accord. Investors have bought into the story... But is their confidence justified?”

Andrew Brigden, 21 March 2022

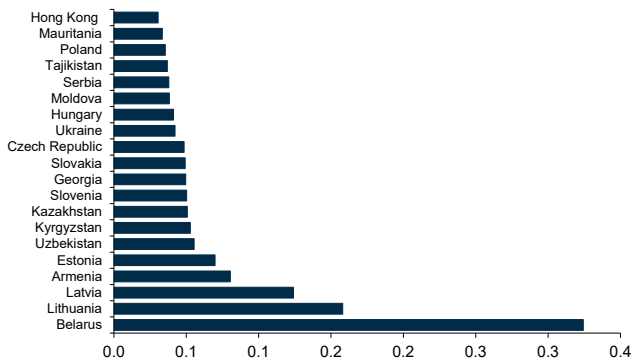
Initial thoughts on today's events in Ukraine

“Fathom’s Global Trade Multipliers suggest the direct impact on most of the rest of the world of a contraction in Russia’s economy through the demand channel would be small... Russia is however a major commodity exporter, and decisions made in Moscow could still have large effects on global energy supply and consequently on global inflation.”

Andrew Harris, 24 February 2022

Russia trade multipliers*

Per cent

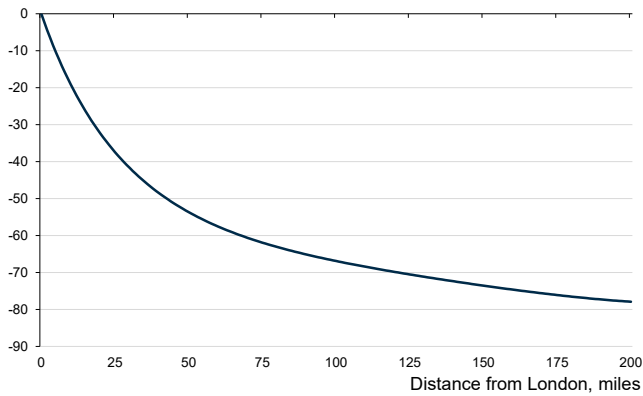


*Chart shows the sensitivity of the 20 most-exposed countries to changes in the size of Russia’s economy through trade linkages alone. For example, we estimate the direct impact of a 10% contraction in Russia’s economy would be to reduce Belarusian GDP by just over 3% Source: Fathom Consulting



Proximity to London and property values in 2019

Impact on property values, per cent



Source: Land Registry / Fathom Consulting

The impact of COVID on UK property prices

“We have constructed price indices for the 9000 or so postcode sectors of England and Wales. In 2019, 50% of that variation could be explained by one variable — the straight-line distance from the centre of each postcode sector to London.”

Andrew Brigden, 3 February 2022

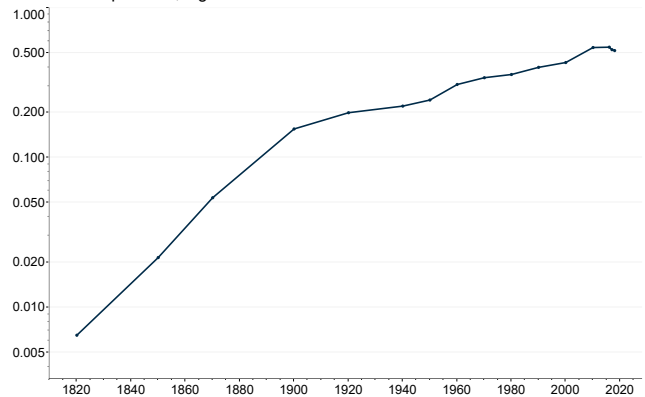
Decomposing CO2 emissions: taxes work!

“Emissions per unit of energy consumed continued to rise until the early part of the 21st century; however there are signs that they have fallen recently, at the same time as new forms of taxation have encouraged a switch to cleaner forms of energy... higher prices encourage behaviour change, eventually.”

Kevin Loane, Andrew Brigden, 19 January 2022

Global emissions per unit of energy consumed

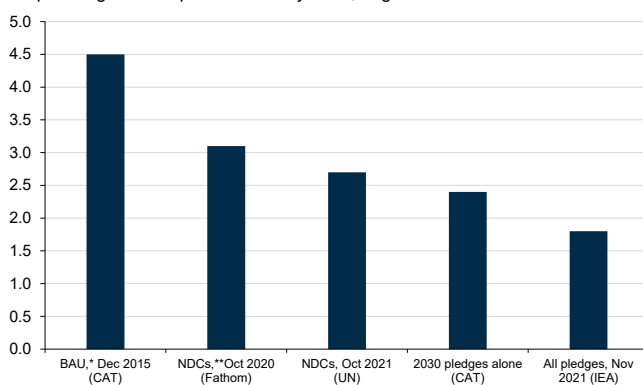
Kilos of CO2 per kWh, log scale



Source: Our World in Data / Fathom Consulting

Moving the needle on climate change

Expected global temperature rise by 2100, degrees celsius



*Business as usual

**Nationally determined contributions

Source: CAT / IEA / UN / Fathom Consulting

Reflections from COP26 — winners and losers

“Assuming that COP26 will encourage greater ambition in the coming years and that pledges will be matched by policy and action, countries most vulnerable to climate change (in particular small island nations) can be considered the biggest winners.”

Brian Davidson, CFA, 19 January 2022



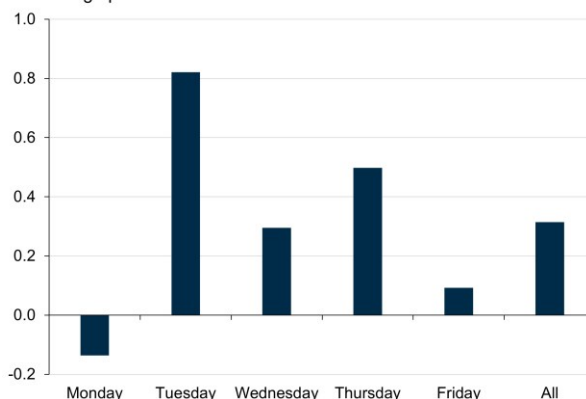
It's official! Mondays suck

"I set out to examine whether the equity markets suffer Monday 'blues'.... [in the US] a daily sample spanning 2 January 2000 to 14 January 2022 confirms that Monday is the only weekday with negative average returns... investors set prices higher on Mondays... such that they extract a premium for having to bear an additional source of risk... For those with an eye to making a good return, Monday is the weekday on which one can identify and grasp opportunities."

Dimos Andronoudis, 21 January 2022

Annualised US weekday returns (2000 - 2022)

Percentage points



Source: Refinitiv Datastream / Fathom consulting

China GDP

Percentage changes



Source: Refinitiv Datastream / Fathom Consulting

China on the road to Japan

"China's economy expanded by an impressive-looking 8.1% in 2021... however quarterly annualised growth averaged just 4%. Fathom's China Momentum Indicator has also slowed sharply... Fathom believes that China is headed towards Japanification — characterised by weak growth, low inflation and low interest rates."

Jonathan Ashworth, 11 February 2022



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