

# Fathom's Top 10 reads for 2022 Q3

11 October 2022

Linnea Hjelm

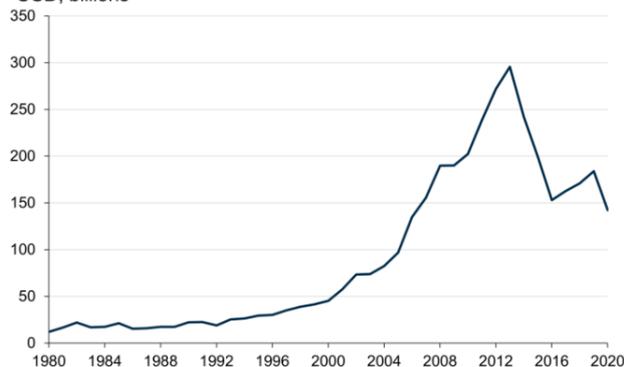


The risks posed by a disorderly transition to net zero, the mountain Liz Truss's government has to climb, how China is targeting its foreign investment, the shocking state of the London rental market — these are just a few of the varied subjects that Fathom's readers have been clicking on in the last few weeks. Here we've put together a recap of Fathom's Top 10 most read research pieces for 2022 Q3, based on the level of engagement from our clients.

## Most read:

### World's major oil producers, annual CapEx\*

USD, billions



\*Combined capital expenditure of nine of the top ten oil firms, by market cap

Source: Refinitiv Datastream / Fathom Consulting

### In Brief: Threat of an uncoordinated green transition

“The world's largest oil companies have been investing less and less over the past decade, with total capital expenditure in 2020 around 50% off its all-time high in 2013...The result is a sustained imbalance between demand and supply, which has kept prices high...Without more coordination and planning the path to net zero risks a chaotic transition, with fossil fuels turned off before there is sufficient clean energy capacity to replace them.”

Kevin Loane, 6 July 2022

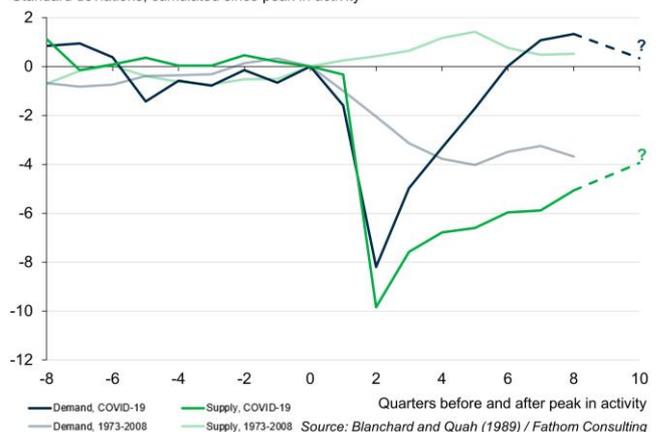
### In Brief: The anatomy of UK recessions

“The sharp contraction in economic activity that took place as the UK economy went into lockdown in March 2020 looks very different from the five UK recessions that preceded it...During the first half of 2020, the UK experienced substantial, simultaneous reductions in both aggregate demand and aggregate supply...Aggregate demand has since recovered rapidly, far outpacing the recovery in supply and almost certainly contributing to the UK's inflationary problem...Data for the first two quarters of this year, which remain subject to revision, suggest the tide may be turning, with demand starting to fall, perhaps taking the UK close to recession.”

Andrew Brigden, 17 August 2022

### UK aggregate demand and supply shocks

Standard deviations, cumulated since peak in activity



Source: Blanchard and Quah (1989) / Fathom Consulting



Blog: London rental market – not a pretty picture

“According to HomeLet, the UK’s largest tenant referencing firm, rents in Greater London were up 10.8% in August versus last year. The ongoing return of people who had previously left the city during the pandemic, as well as multiple cohorts of recent graduates all moving to the city for the first time, have caused demand to skyrocket. Meanwhile, the stock of available properties to rent nationwide has plummeted to 46% below the five-year average, according to Zoopla, as investors sold their properties to benefit from the booming sales market as a result of the stamp duty holiday introduced in July 2020.”

Ellen Ó Frí, 23 September 2022

**UK rents**

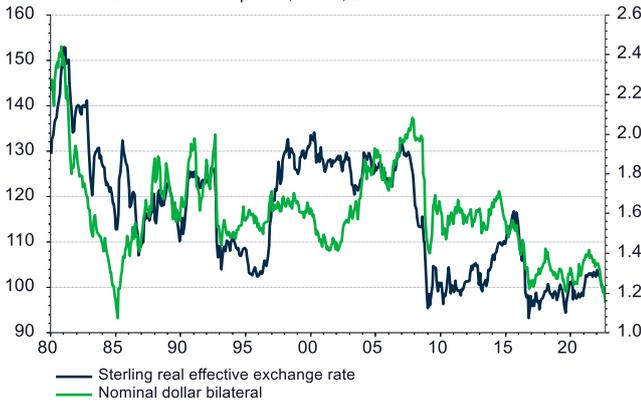
Twelve-month percentage changes



Source: HomeLet Rental Index / Fathom Consulting

**Sterling real effective exchange rate**

Based on relative consumer prices, index, 2010 = 100



Source: Refinitiv Datastream / Fathom Consulting

Viewpoint: Welcome, Prime Minister

“Liz Truss assumes the office of Prime Minister in the aftermath of the biggest economic convulsion the world has ever seen, in the middle of a shooting war in Ukraine, in the teeth of inflation that is heading for high double digits, and with a real economy that is in or approaching a second dip into recession. Beyond these, she faces the long-term problem of the persistent and increasing underperformance of the UK economy relative to its peers. Many in her shoes would run a mile. To succeed, she will need nerves of steel, a healthy dose of good luck, the support of her party and, above all, good advice to help her navigate these exceptionally choppy waters.”

Erik Britton, 8 September 2022

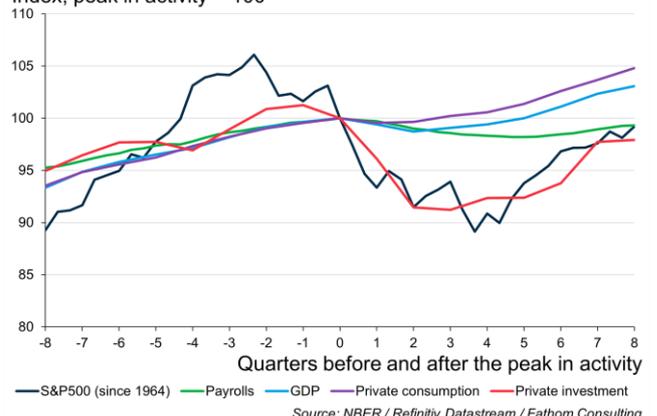
In Brief: Recession spotting

“After two consecutive quarters of falling output, the US is already in recession by one commonly used yardstick. But this rule of thumb is less useful than it was...In search of timelier ways of tracking recessions, our chart shows how several key indicators have behaved, on average, either side of the peaks in economic activity preceding past US recessions identified by the NBER...If the US does enter recession, history suggests we should expect to see a sudden drop in payrolls employment... and a much larger fall in private investment than we saw in Q2.”

Andrew Brigden, 3 August 2022

**Data around US recessions since 1950**

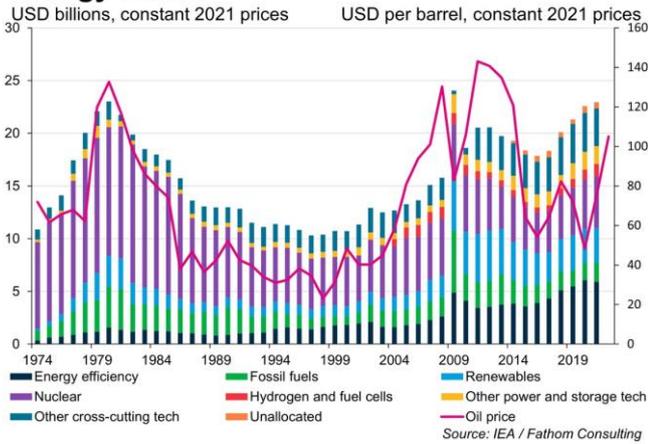
Index, peak in activity = 100



Source: NBER / Refinitiv Datastream / Fathom Consulting



## Energy RD&D



### In Brief: Two cheers for climate research

“The route to net zero is through investment and technological innovation... Energy RD&D spending has risen steadily since the late 1990s, after adjusting for the effects of inflation... since the Paris Agreement of 2015, incentives put in place by governments around the world have driven RD&D spending higher, even as the oil price fell sharply... However, much of the additional spending has been aimed at improving energy efficiency, rather than developing new and cleaner forms of energy – more resources need to be devoted to the latter if net zero targets are to be met.”

Andrew Brigden, 27 July 2022

### Viewpoint: Beware of people bearing gifts

“...if someone is giving you something for free, it is sensible to be cautious about accepting it. There might be more to the gift than meets the eye. The same is true of foreign direct investment. Be careful about accepting inflows of FDI... China’s outward FDI flows are shrinking. But within that general decline, they are becoming much more discriminating: fewer, often smaller, but better deals – better, that is, from the perspective of the PRC. All the more reason to examine them carefully, from the perspective of those on the receiving end.”

Erik Britton, 31 August 2022

### **Augmented China<sup>1</sup> M&A in healthcare/biotech sector**

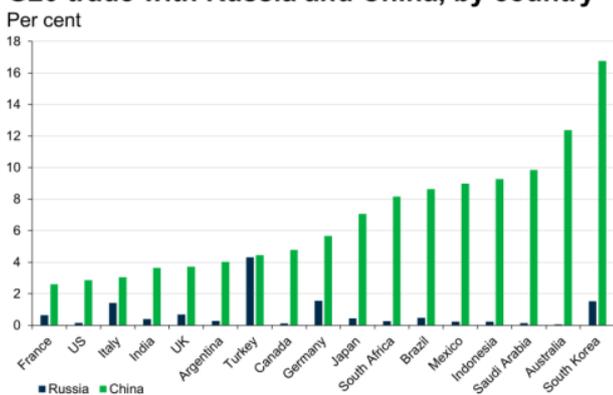
Per cent of M&A activity in all sectors<sup>2</sup>



<sup>1</sup> Augmented China includes acquirors from both China and Hong Kong

<sup>2</sup> Based upon the number of deals and including data up to and including May 2021

### **G20 trade with Russia and China, by country\***



\*Total exports and imports as a share of trade partner's GDP, 2021

Source: Refinitiv Datastream / Fathom Consulting

### In Brief: Ukraine fallout prompts Taiwan rethink

“The economic fallout from Russia’s invasion of Ukraine has brought to the fore a difficult policy question in Western capitals: how to respond if China tries to take Taiwan by force... Russia’s economy accounts for a much smaller share of global GDP and trades far less with the world than China... The damage from similar tit-for-tat sanctions between the West and China would be on another level altogether – and would almost certainly send the global economy spiralling into a deep recession.”

Brian Davidson, 15 September 2022



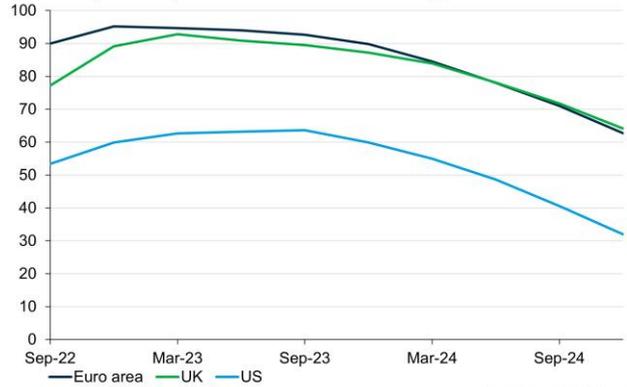
## Global Outlook, Autumn 2022: Spiralling...out of control?

"...we outline below some of the main changes to our forecast since our Summer 2022 Global Outlook...Recession risks have increased, more so in Europe than in other major economies...US inflation has levelled off, and we continue to expect Fed hawkishness to peak within a month or two... In the UK, with a tight labour market, and an untested government set to loosen fiscal policy substantially, the risk of a return to the kind of inflation dynamics seen in the 1970s is higher than in other countries"

Andrew Brigden, 12 September 2022

## Recession risks

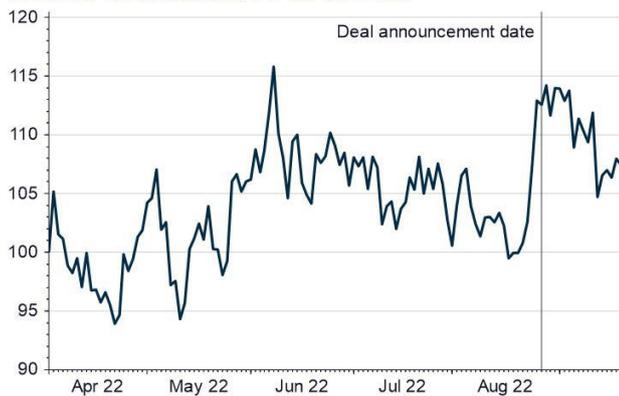
Probability economy smaller than it was in 2022 Q2, per cent



Source: Fathom Consulting

## US-listed Chinese equities

NYSE Arca China Index relative to CSI 300 in USD\*



\*01/04/2022 = 100

Source: Refinitiv Datastream / Fathom Consulting

## In Brief: Uncertainty over Sino-US accounting deal

"In a rare instance of closer US-Sino cooperation, the US and China reached a deal last month to allow US accountants greater access to the audited accounts of US-listed Chinese firms... Shares in the affected firms rallied in the days leading up to the official announcement on 26 August; but that momentum has been short-lived... Those gains have been partially unwound in the weeks since the announcement, as doubts emerged that the deal would be implemented in a way that satisfies both sides."

Linnea Hjelm, 21 September 2022



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