

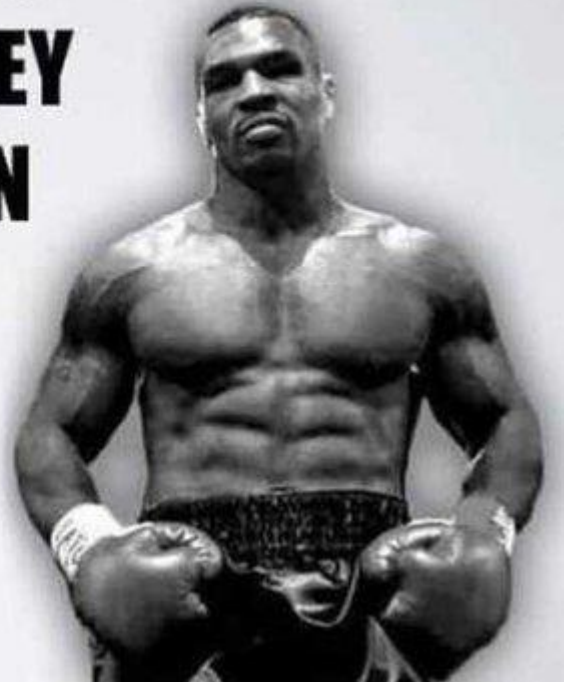
# SaxoStrats SPECIAL EDITION

October 4th, 2023

Steen Jakobsen, CIO

**“EVERYBODY HAS  
A PLAN UNTIL THEY  
GET PUNCHED IN  
THE FACE”**

**- MIKE TYSON**



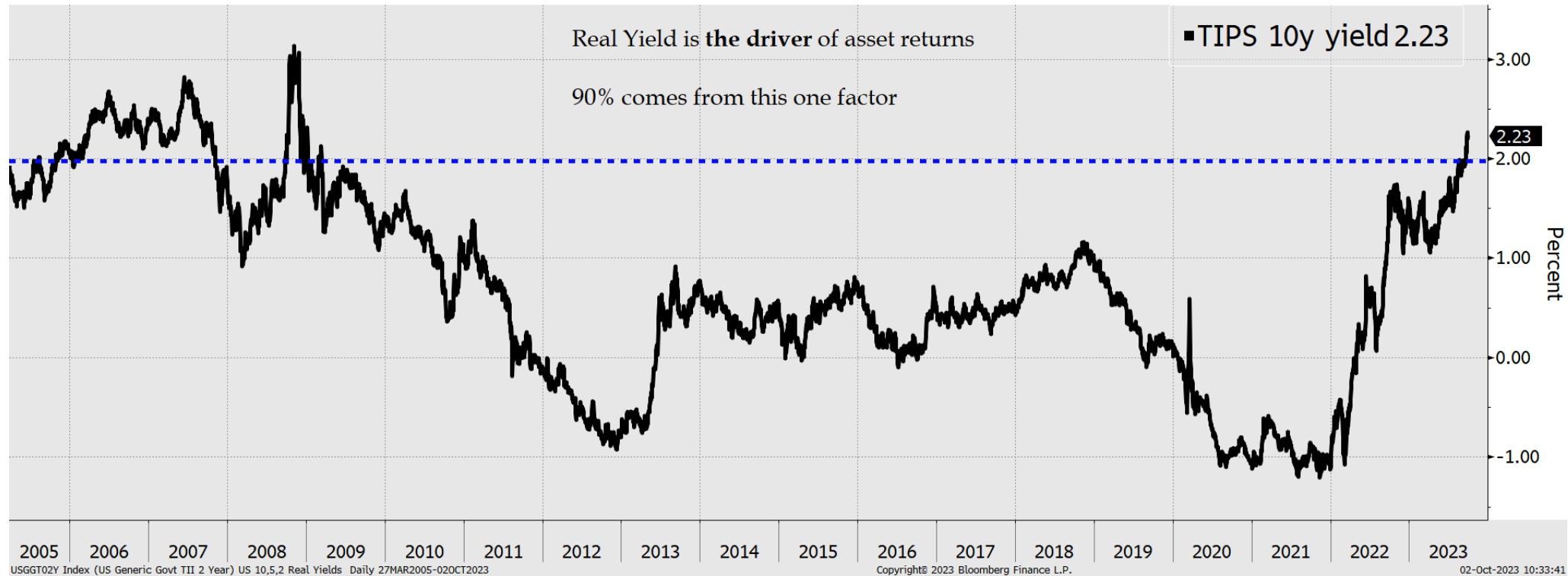
# Yield Panic – Why are we in Crisis Light?

....Key Chart: 513 bps is new resistance, then 666 bps



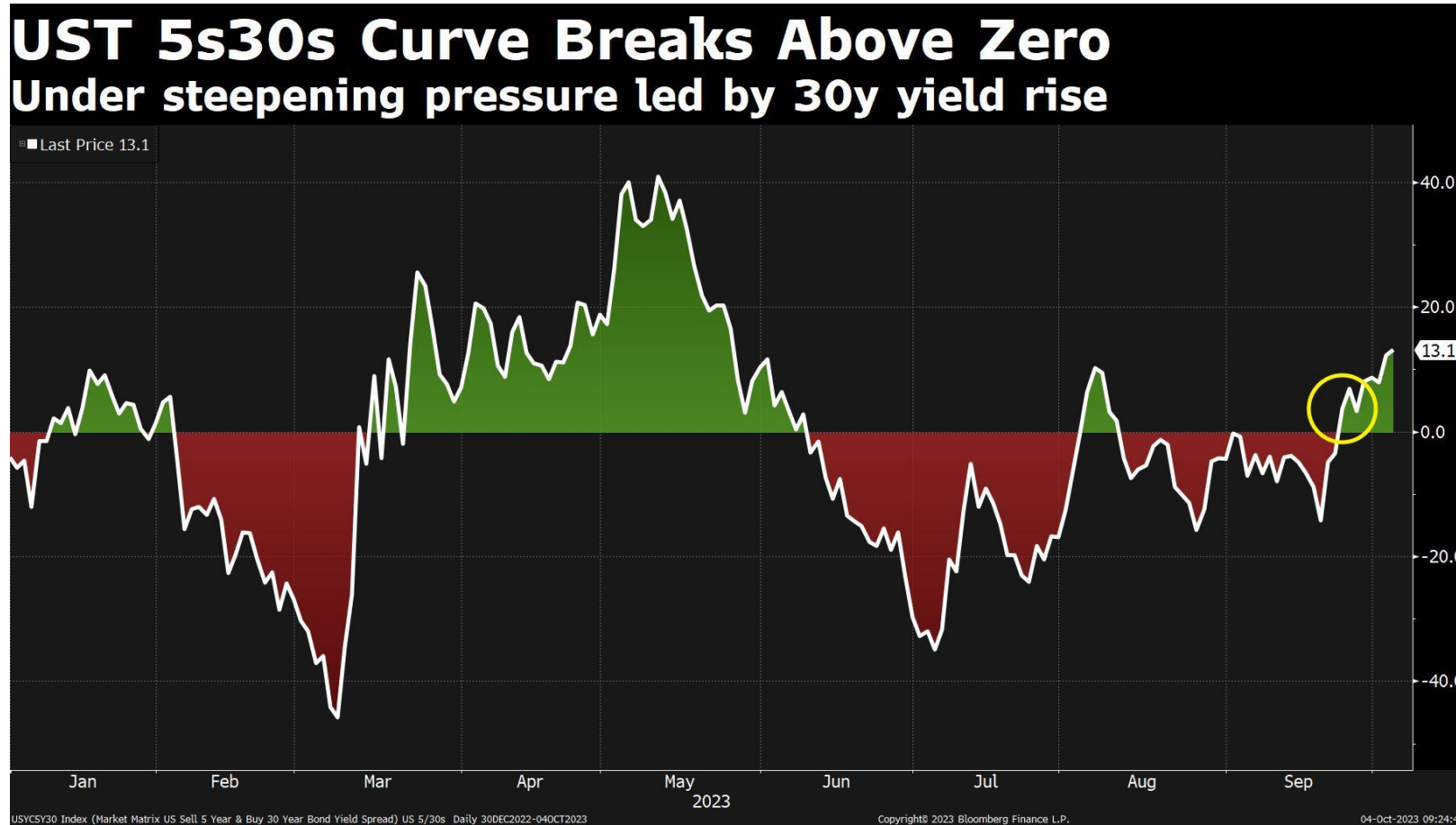
King Dollar\$  
....Simple truth: Real Rates drives \$.....

## US 10-Year Real Yield Breaks 2% Highest level since 2009



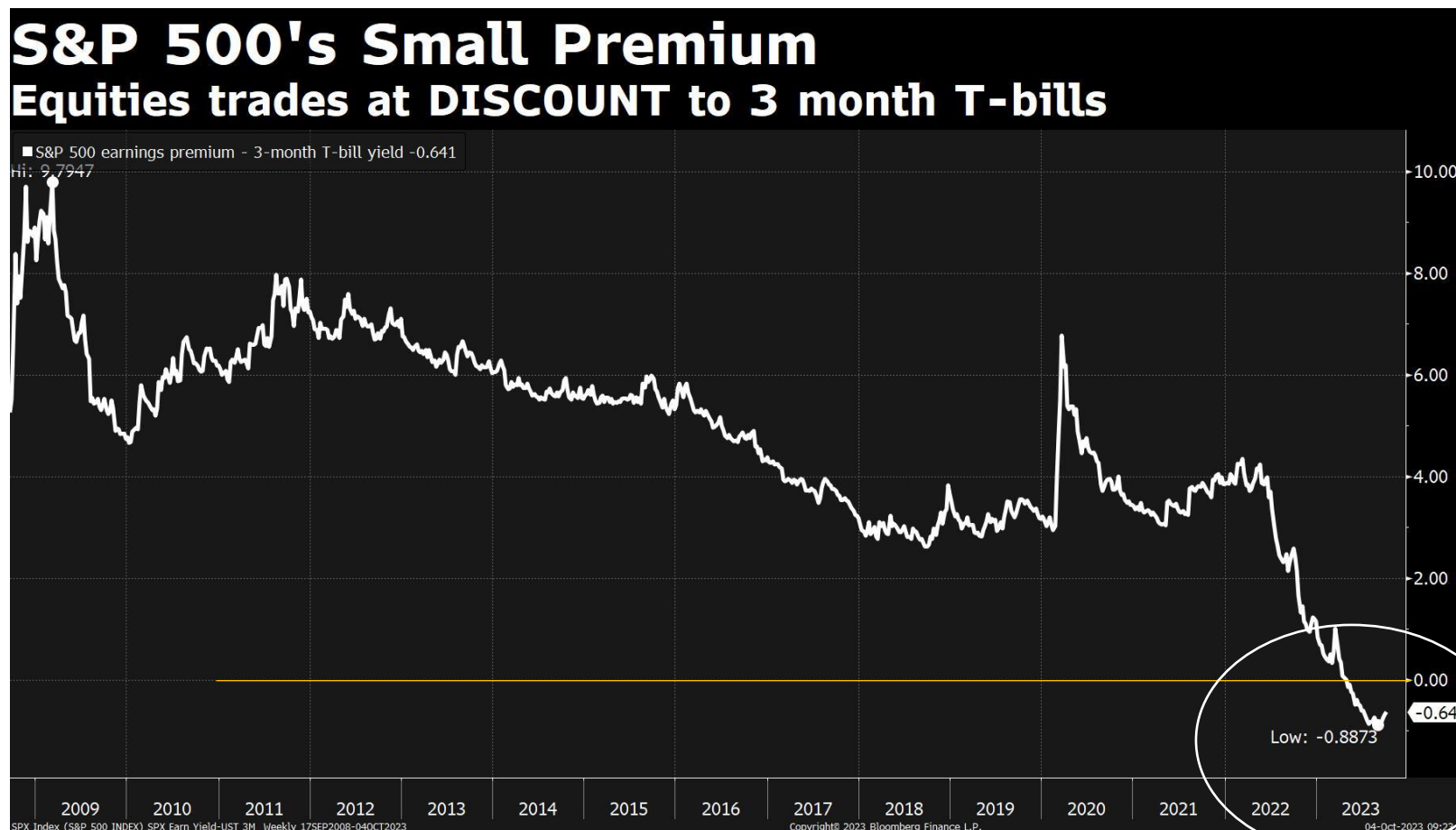
# Yield Panic – Why are we in Crisis Light?

The Yield Curve is Steepening – meaning higher funding cost medium & Long term = Hurts rate sensitive business like Green, ESG and High Growth



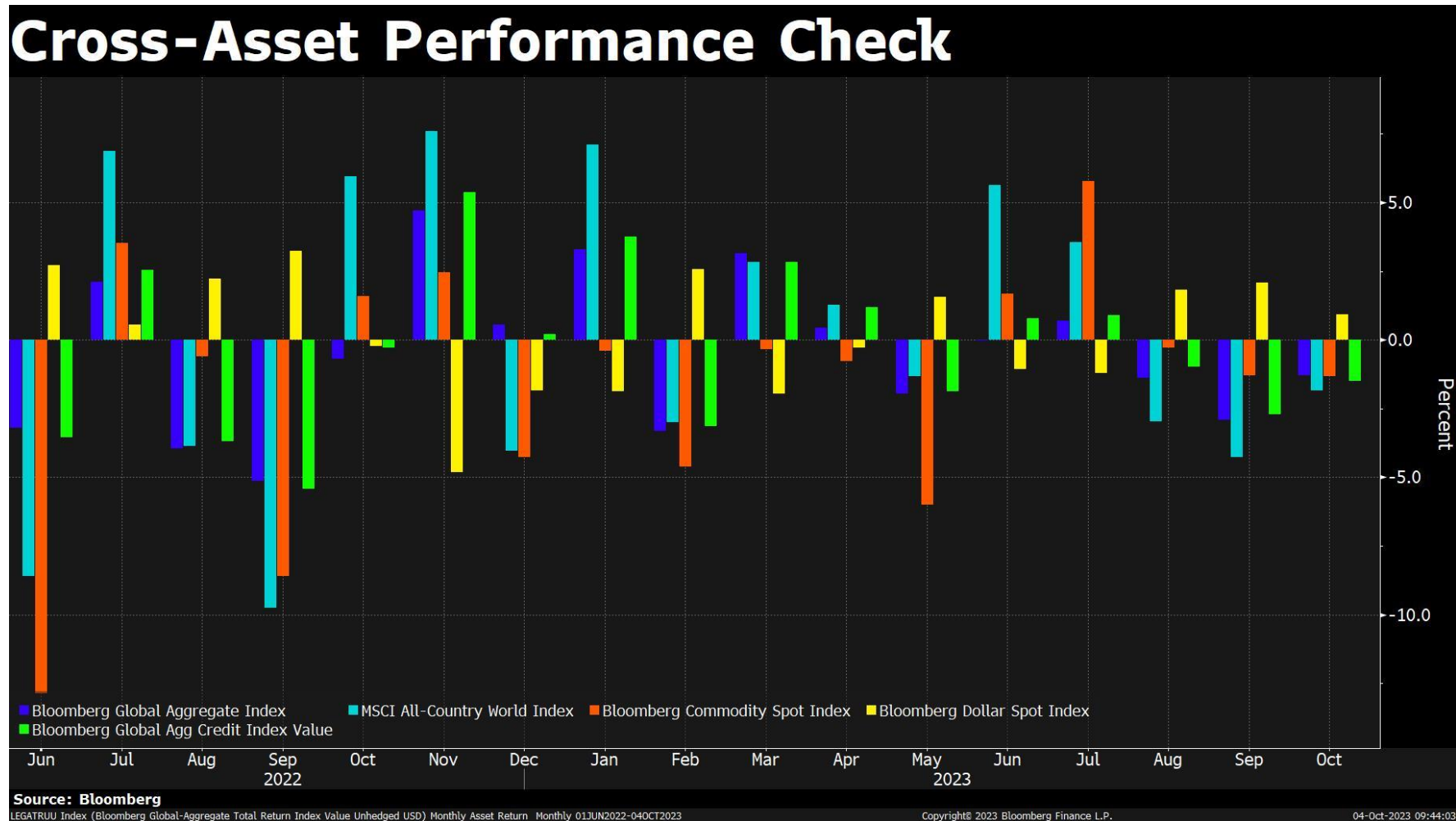
# Yield Panic – Why are we in Crisis Light?

....Critical Chart: Equity trades at 65 bps DISCOUNT to bonds. I.e. From portfolio perspective EQUITY must be underweighted in any portfolio. (Higher risk less expected return)



# King Dollar\$

....Strong \$ "kills" growth in non-US countries & increase commodity prices (Yellow bare= \$)

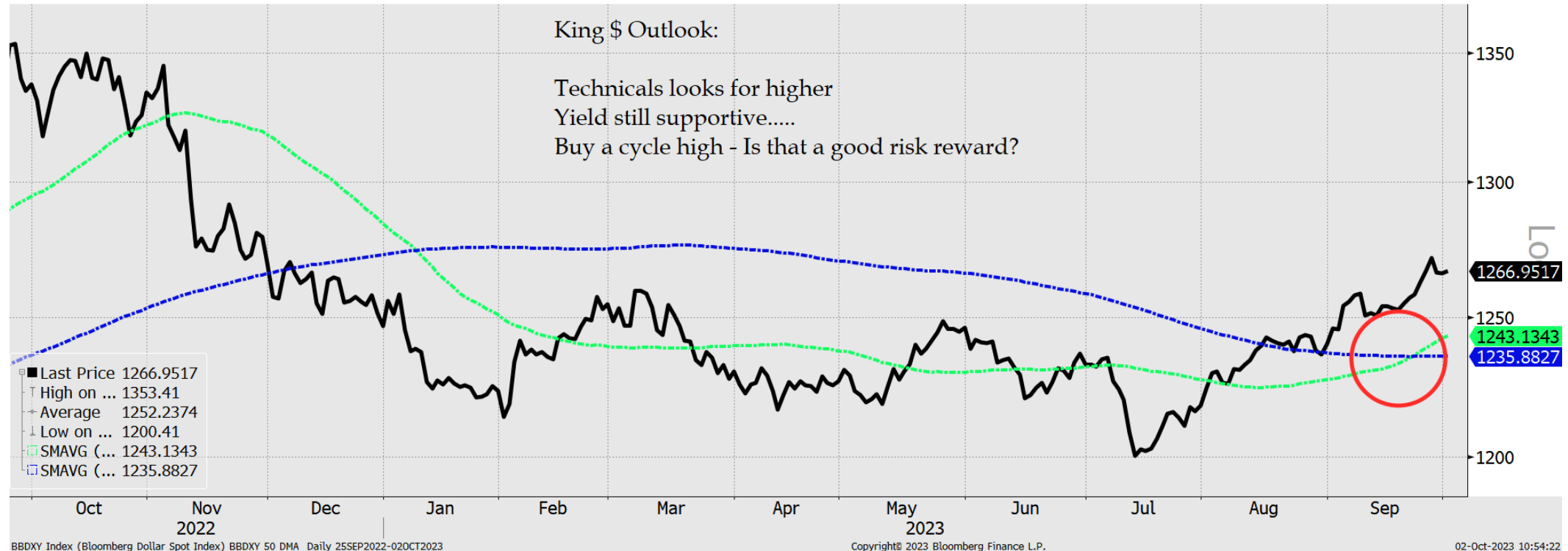




# King Dollar\$

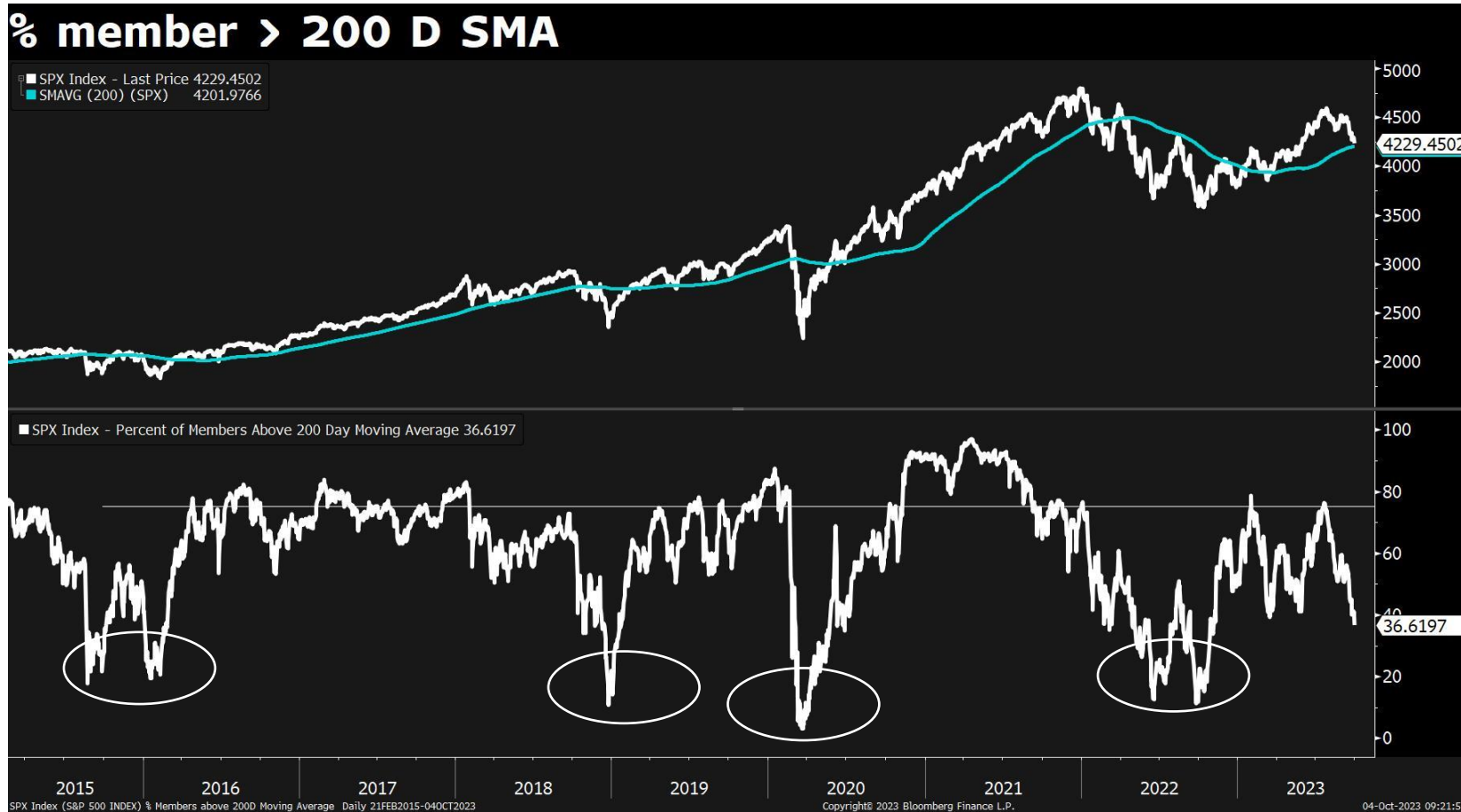
....Dollar will drive policy response from EMG and Europe. (call for lower rates ultimately)

## Bullish Golden Cross BBDXY forms bullish technical signal



# Yield Panic – Why are we in Crisis Light?

....Only 35% of stocks is above 200 SMA – big bottoms happens when below 20%

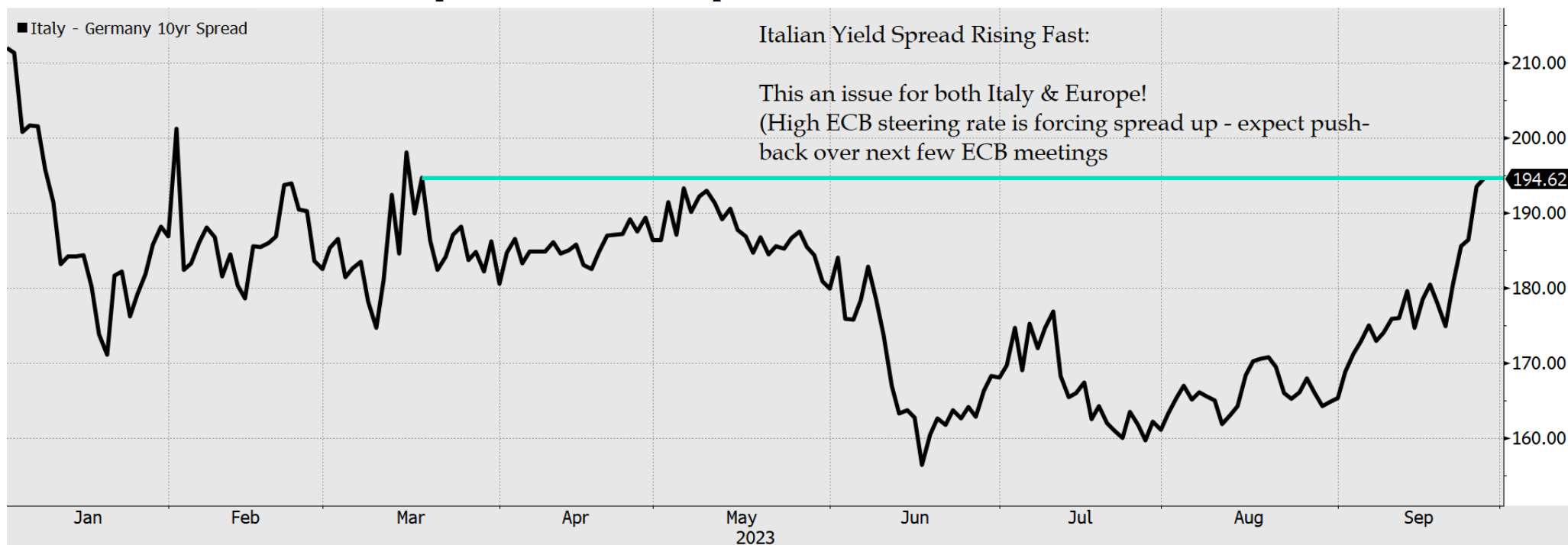




# New Macro Risk Factors

....Italy back is in focus..

## Italy-Germany Spread Highest Since March Widened 30 basis points in September



Source: Bloomberg

.ITGR10YR G Index (Italy - Germany 10yr Spread) Spread Meloni Daily 01JAN2023-27SEP2023

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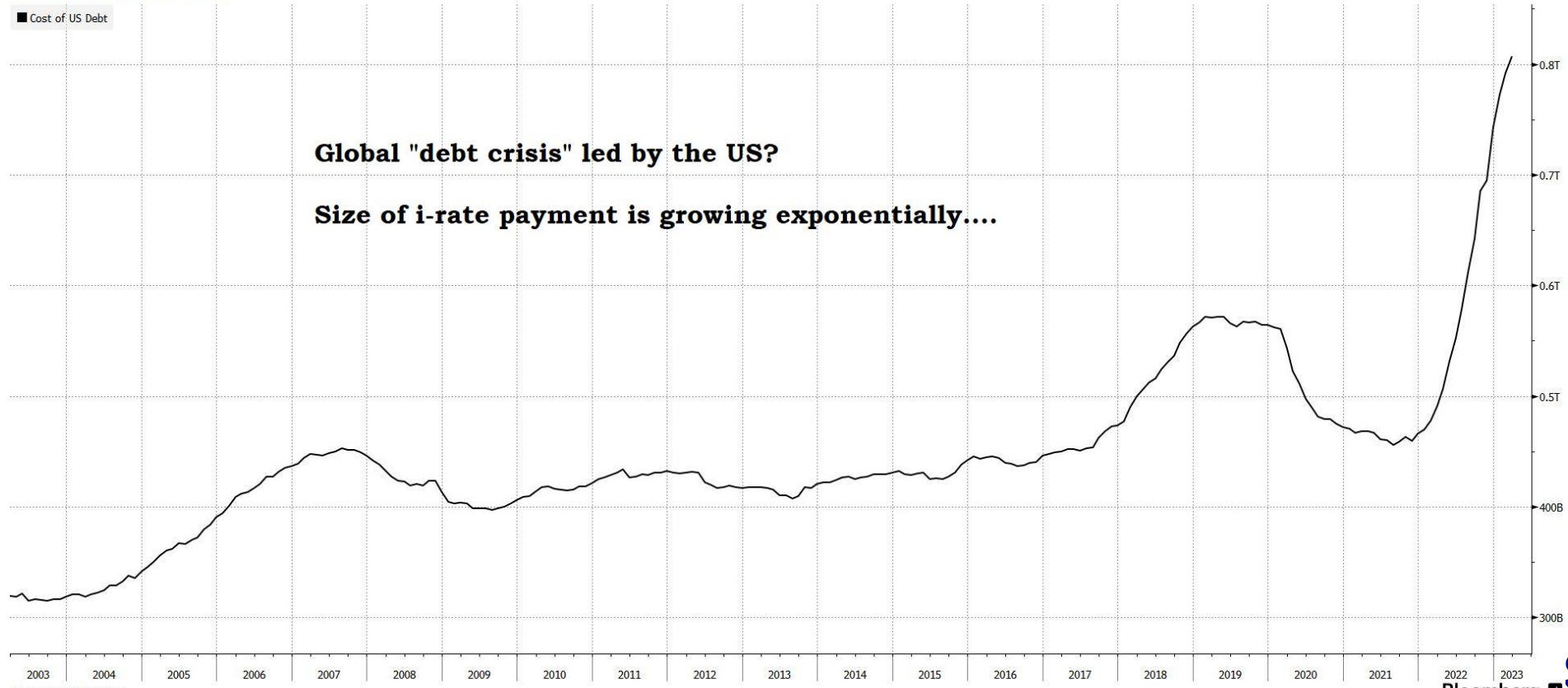
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# Debt Crisis – Early stage?

....TGA, Issuance, growth of fiscal & current account financing....

Cost of US Debt  
Estimated annualized debt payments



Global "debt crisis" led by the US?

Size of i-rate payment is growing exponentially....

Source: Bloomberg

.USDEBT G Index (Cost of US Debt) US Debt Costs Monthly 31MAR2003-31MAR2023

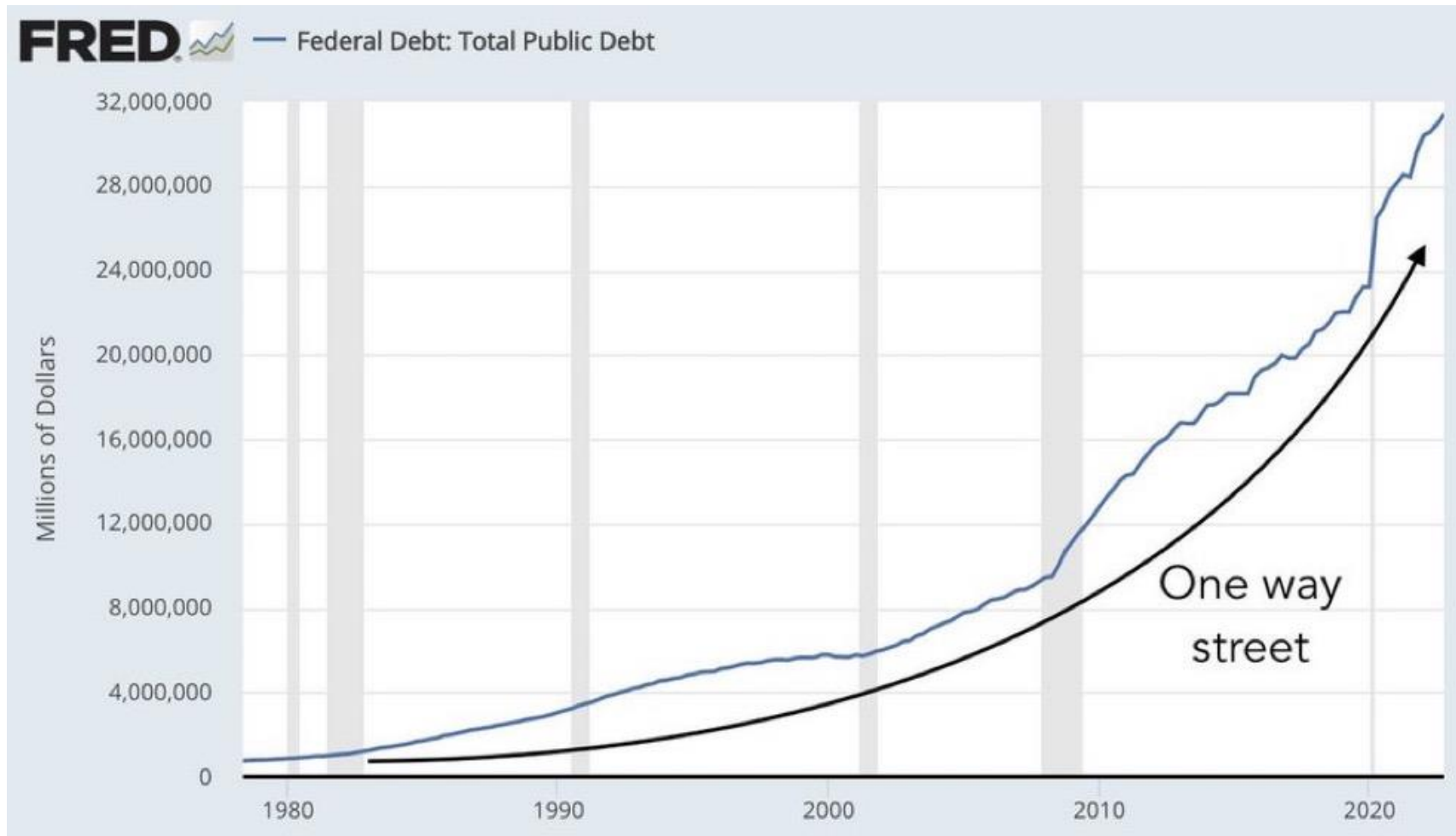
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Bloomberg

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# US Debt (and debt ceiling) – A non-solution



# Yield Panic – Why are we in Crisis Light?

....In less than 2 years we have move from 18 trillion \$ of zero-interest to only 0,4 trillion \$!

## Bloomberg Global Agg Neg Yield Debt value USD



Source: BNYDMVU Index

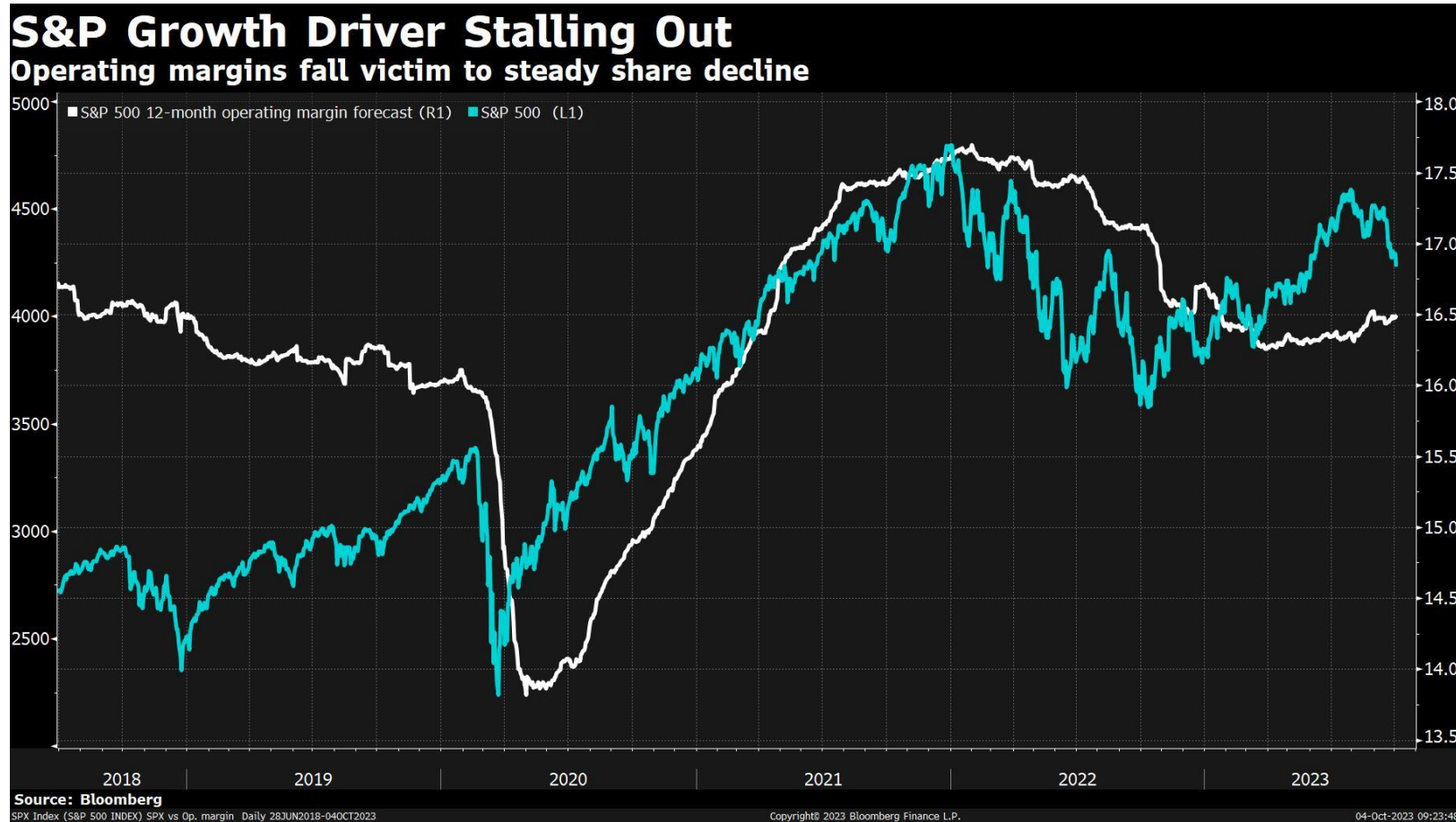
BNYDMVU Index (Bloomberg Global Agg Neg Yielding Debt Market Value USD) negative yield pct total Weekly 01JAN2009-04OCT2023

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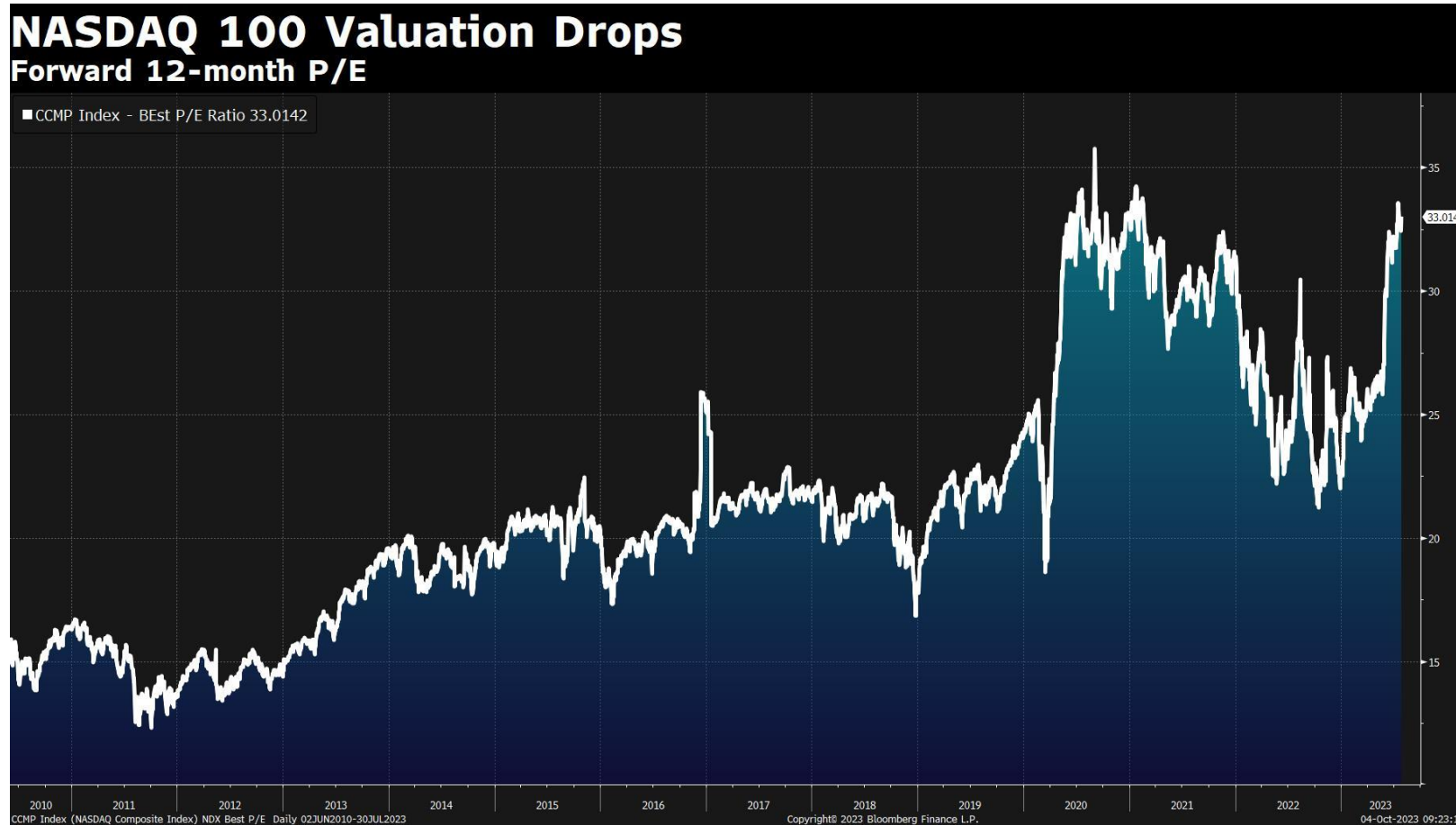
# Yield Panic – Why are we in Crisis Light?

....Operating Earnings not moving up – multiples has: This is unwinding of excess



# Yield Panic – Why are we in Crisis Light?

....Because of Magic Seven we have extreme valuations in Nasdaq.



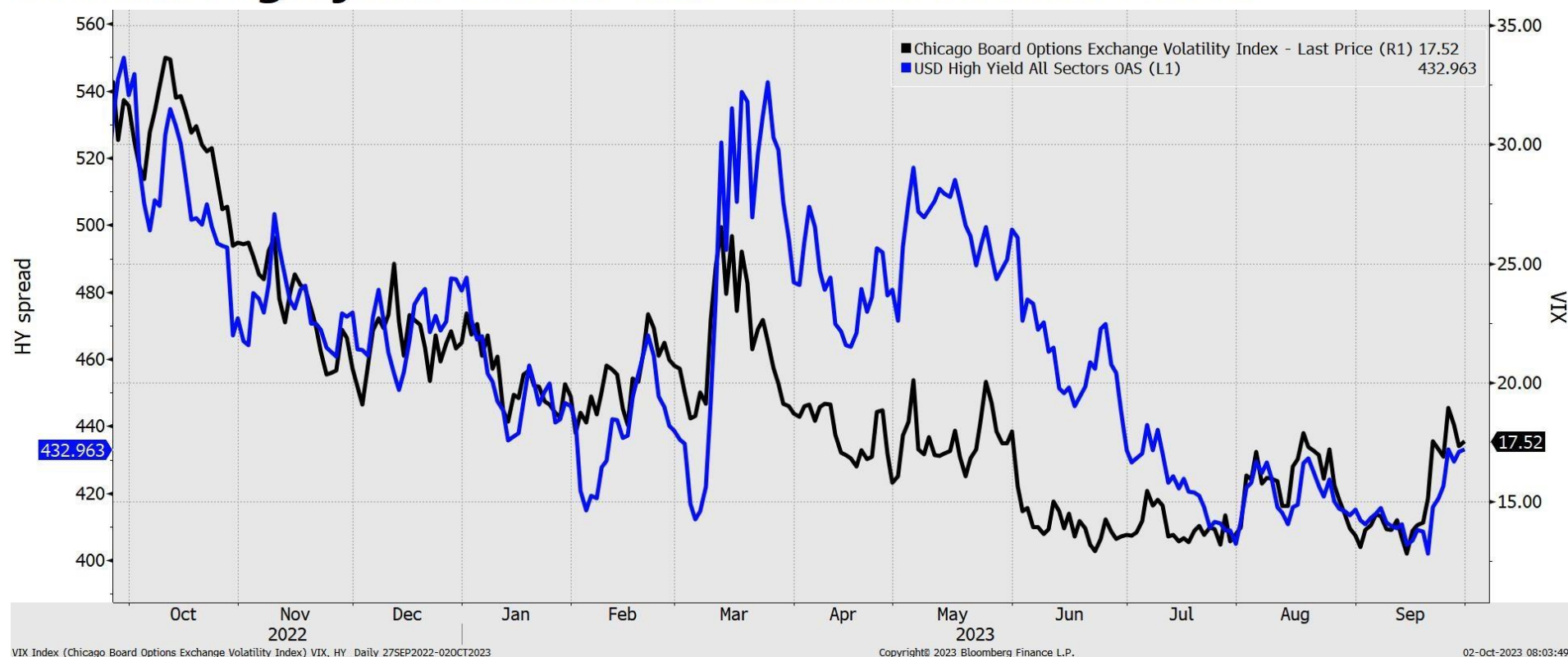


# New Macro Risk Factors

....VIX starting to come alive...

## Risk Indicators

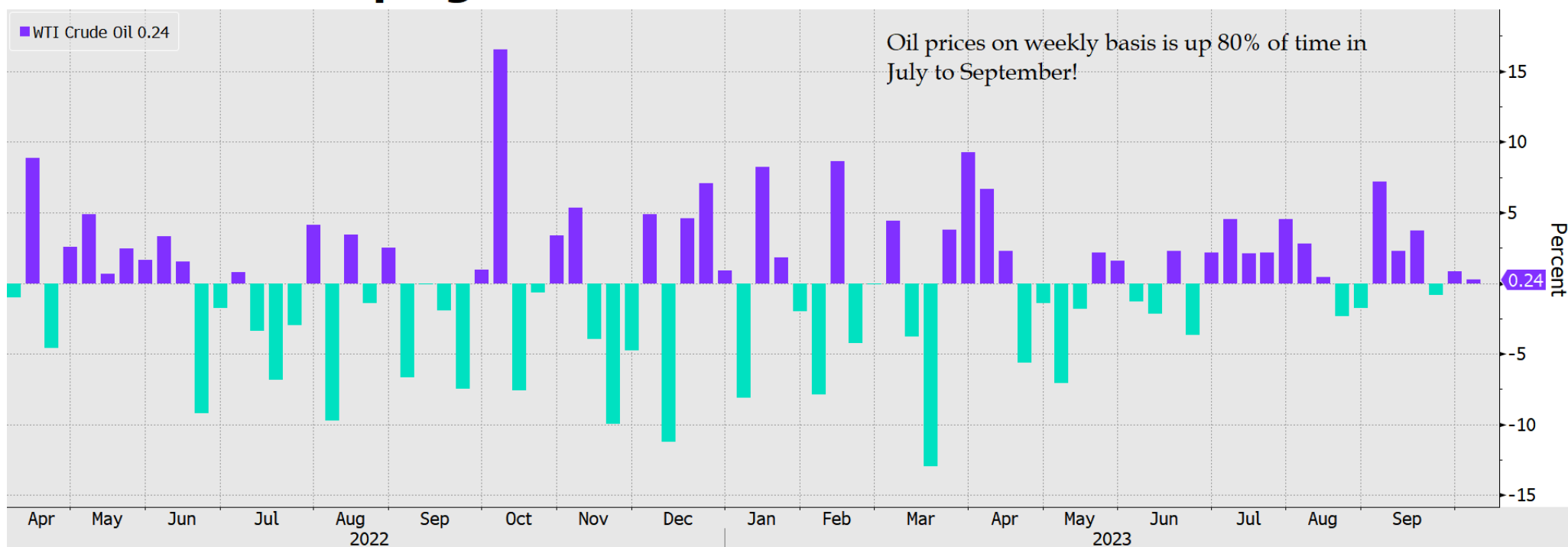
**VIX and high yield reflect risk-off mood across assets**



# New Macro Risk Factors

....Energy is on a tear! Raising headline inflation

## Oil Climbs 12 in 15 last weeks Saudi is not helping



Source: Bloomberg

CL1 Comdty (Generic 1st 'CL' Future) WTI Oil weekly Weekly 06APR2022-02OCT2023

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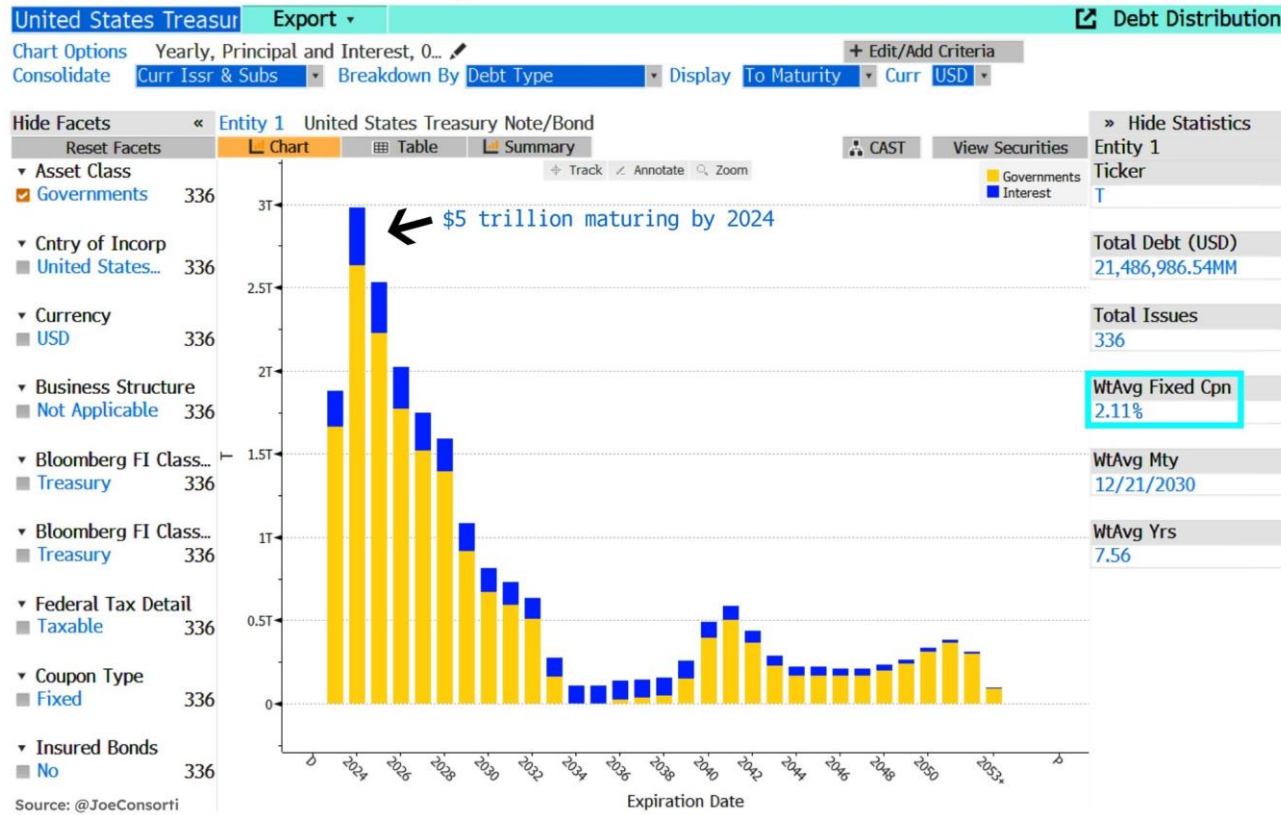
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# Treasury General Account

## Issuance of US Debt is "crowding out" buyers...?

## US Treasury Debt Profile



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### PRESS RELEASES

## Treasury Announces Marketable Borrowing Estimates



May 1, 2023

Sources and Uses Table

**WASHINGTON** -- The U.S. Department of the Treasury today announced its current estimates of privately-held net marketable borrowing<sup>[1]</sup> for the April – June 2023 and July – September 2023 quarters.

- During the April – June 2023 quarter, Treasury expects to borrow \$726 billion in privately-held net marketable debt, assuming an end-of-June cash balance of \$550 billion.<sup>[2]</sup> The borrowing estimate is \$449 billion higher than announced in January 2023, primarily due to the lower beginning-of-quarter cash balance (\$322 billion), and projections of lower receipts and higher outlays (\$117 billion).
- During the July – September 2023 quarter, Treasury expects to borrow \$733 billion in privately-held net marketable debt, assuming an end-of-September cash balance of \$600 billion.<sup>2</sup>

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