

- China and the Global Supply Chains
- Shortages and Inflation

The month of September put several hurdles in the way for global markets, some clear and some more complicated. First out were the issues with China, beginning with Evergrande and volatility in the Chinese real estate market. The impact so far has been isolated and investor consensus is that the Communist Party will work to ring-fence the company to avoid any spread. There remains however some wider concerns related to China, mostly linked to commodities, for one the country is by far the biggest importers of iron ore. Late in the month another issue was surfacing, due to issues with coal supply in China factories have been temporarily shut. The impact from these issues is still not fully known and there can be further impacts on global supply chains. Speaking of which the world is still suffering from global supply issues, some of the more recent news have been issues for textile goods as factories in Vietnam have faced prolonged lockdowns from Covid 19. Costco also recently announced that they will limit the number of certain products a customer can buy, given the past focus on bulk buying this seem distant, but is now a needed requirement to avoid shortage.

Inflation concerns and labor shortage. These points are not uncommon in late stages of a cycle, but when paired with the current unemployment figures and the near zero interest rates we enter somewhat uncharted territory. This is also partially why the Federal Reserve have been cautious on taking to much action. Though the overall inflation has mostly been as expected there have specific spikes during the year in certain products. During the last month some of the more noticeable prices moving have been those related to energy, oil, coal & natural gas. Depending on where in the world you look there are shortages, UK are lacking lorry drivers to deliver fuels, China is seeing supply chain issues with coal and broadly in both Europe and the US there are delivery issues. Often the shortages we see globally have been related to delivery issues rather than low supply. It's clear that some companies have issues in pushing higher costs and limited supply into higher prices for their products, but we are expecting an interesting earnings period and anticipate to hear much more about both inflation and supply chains in the coming months.

With the Q3 earnings season starting we are carefully watching commodity prices as well as labor figures ahead of potentially yet another strong earning season. Though we remain positive, there is an increasing number of potential hurdles for companies.

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Markets – September 2021

Equity indices	Sep 2021	2021
MSCI ADWI	-4.28%	9.79%
MSCI World	-3.69%	14.85%
S&P 500	-4.76%	14.68%
Euro Stoxx 50	-3.53%	13.95%
DAX	-3.63%	11.24%
FTSE 100	-0.47%	9.69%
Nikkei 225	4.85%	7.32%
OMX 30	-3.92%	20.51%
OMXC 25	-4.79%	12.16%

Bond indices	Sep 2021	2021
Global Treasuries	-2.20%	-5.67%
Global High Yield	-1.10%	1.70%

Currencies	Price	Sep 2021
EUR/USD	1.158	-1.94%
EUR/SEK	10.1442	-0.39%
USD/SEK	8.7620	1.60%
USD/DKK	6.4223	1.98%

Interests	Sep 2021
US T-bill 3M	0.036
Euribor 3M	-0.545
Libor Fix 3M	0.082
Stibor Fix 3M	-0.065
Cibor Fix 3M	-0.213

Other	Sep 2021	2021
Gold	-3.12%	-7.45%
Brent Crude Oil	7.58%	51.58%
HFRX Index	-0.38%	3.58%

- Market outlook

Equities

After a smaller setback in September we continue to see equity markets as the most attractive investment. We expect another strong earning season, but with potential risk from both continued supply chain disruption and inflation we also want some clarity of the impact prior to taking action.

Fixed income

The Federal Reserve is expected to start tapering later during the year and we could potentially see rates hikes during next year or 2023. The timeframe remains long and we don't expect any rapid moves. We are well positioned and ready to adapt to any changes to the yield environment.

Alternatives

While we see potential in the current environment for alternatives we are still negative on hedge funds. With the current yield environment and risk for inflation we are open to potential investment in alternatives focused on real assets, especially property investments.

Foreign Exchange

The dollar has strengthened some and we expect to see continued strength as we come closer to both tapering and potential rate hikes in the US. With the uncertainty around any timeframe we do however still tactically hedge currency risks.

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Holding of the Month Invesco Senior Loan Funds

With the current interest environment yield is difficult to achieve, but our exposure to senior loans continue to deliver. The funds which we have in both Europe and US have been able to deliver both in the low yield environment and the recent rising rates.

US: Sep +0.79%, YTD 7.22%
Europe: Sep +0.65%, YTD 7.50%