



Kathryn Rooney Vera  
 Head of Research & Strategy  
 krooney@bulltick.com  
 +1 786.871.3758

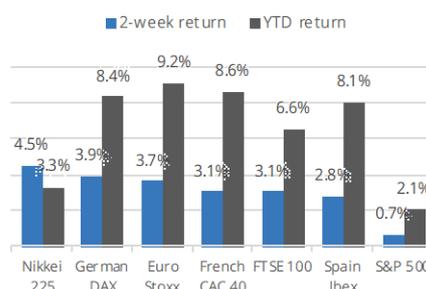
# Global Cross Asset Strategy:

## Potentially Premature Rotation Kicks off the Year

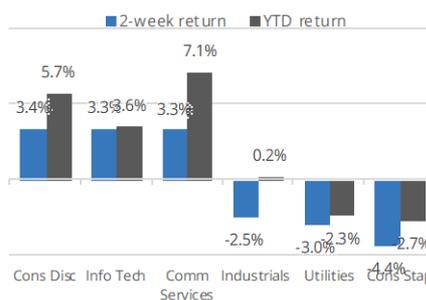
### Equities Strategy:

- Global equities have rallied to kick off the year, led by a rotation to recovery stocks even before the recession occurs.** Leading S&P 500 sectors in the first weeks of 2023 are cyclical communication services, technology, consumer discretionary and more broadly, emerging markets and Europe (see charts). We are skeptical of this seemingly premature rotation given our macroeconomic view of coming recession rather than soft landing, valuations are too high to be attractive, and the Fed is going to keep hiking (and maintain a hawkish tone on February 1 at their next meeting).
- Despite the underperformance so far year-to-date, we prefer holding positions in those more defensive sectors** we recommended in the beginning of 2021 and that outperformed last year. These are the defensives healthcare, staples, utilities, energy. As the economic contraction takes hold, and disinflation speeds up, market chatter will change tunnel vision on inflation to - how deep will this recession be? At this point - we like mean reversion trade: i.e. accumulate sectors that were the worst performers of the year, namely small cap Europe, small cap US, real estate sector US, EM equities.
- Consensus earnings expectations for 2023 of some 7% y/y are too optimistic** in our view and current valuations in benchmark US equity indexes are too elevated to be attractive, in our view.
- EM equities are similarly off to a strong start,** favored by the decline in the USD, China re-opening, and resilient US economic data leading to a rising perception of a "soft landing".

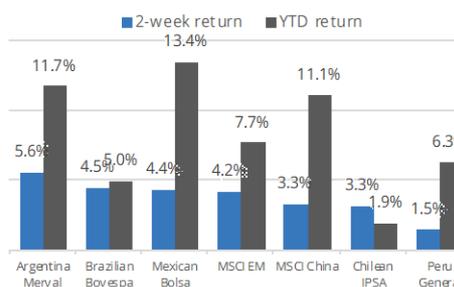
#### Developed Market Equity Returns



#### Select S&P 500 Sectors Returns



#### Emerging Market Equity Returns



| Asset             | Div Yld | Begin 2023 Price | Current Price | Cap Gains  |            | Target 2023 | 2023 Expected |       | Total Returns |       |
|-------------------|---------|------------------|---------------|------------|------------|-------------|---------------|-------|---------------|-------|
|                   |         |                  |               | (LCY, YTD) | (USD, YTD) |             | LCY           | w/Div | USD           | w/Div |
| S&P 500           | 1.7%    | 3,840            | 3,921         | 2.1%       | 2.1%       | 3,995       | 4.1%          | 5.8%  | 4.1%          | 5.8%  |
| Euro Stoxx        | 3.4%    | 3,794            | 4,094         | 7.9%       | 9.2%       | 3,889       | 2.5%          | 6.1%  | 0.5%          | 4.1%  |
| German DAX        | 3.4%    | 13,924           | 14,920        | 7.2%       | 8.4%       | 14,170      | 1.8%          | 5.4%  | -0.2%         | 3.4%  |
| Nikkei 225        | 2.3%    | 26,095           | 26,405        | 1.2%       | 3.3%       | 28,052      | 7.5%          | 9.8%  | 4.4%          | 6.6%  |
| Shanghai Comp     | 2.9%    | 3,089            | 3,240         | 4.9%       | 6.8%       | 3,169       | 2.6%          | 5.4%  | 2.5%          | 5.4%  |
| MSCI India        | 1.3%    | 2,069            | 2,071         | 0.1%       | 1.8%       | 2,136       | 3.3%          | 4.6%  | 6.3%          | 7.6%  |
| MSCIEM            | 3.0%    | 956              | 1,030         | 7.7%       | 7.7%       | 974         | 1.8%          | 5.2%  | 1.8%          | 5.2%  |
| MSCI World        | 2.3%    | 605              | 634           | 4.6%       | 4.6%       | 638         | 5.3%          | 7.7%  | 5.3%          | 7.7%  |
| Mexican Bolsa     | 3.5%    | 48,464           | 53,463        | 10.3%      | 13.4%      | 50,048      | 3.3%          | 7.1%  | 0.7%          | 4.5%  |
| Brazilian Bovespa | 6.6%    | 109,735          | 112,622       | 2.6%       | 5.0%       | 104,031     | -5.2%         | 5.5%  | 0.2%          | 11.5% |
| Colombia COLCAP   | 7.8%    | 1,286            | 1,330         | 3.4%       | 7.2%       | 1,230       | -4.3%         | 4.5%  | -3.3%         | 5.6%  |

Source: Bloomberg, Bulltick. Chart returns are in USD, excluding dividends

As of 01/19/2023



In 2022, the top-performing asset class was commodities followed by Latin America, given the region's close economic ties with energy, industrial metals, and agricultural commodities. Large value was least negative across the investable spectrum we look at (see below) and the worst performer was small cap Europe and real estate. Small cap US and real estate could see a nice turn-around next year if inflation does indeed see a significant deceleration alongside the US economy leading to a less aggressive Fed.

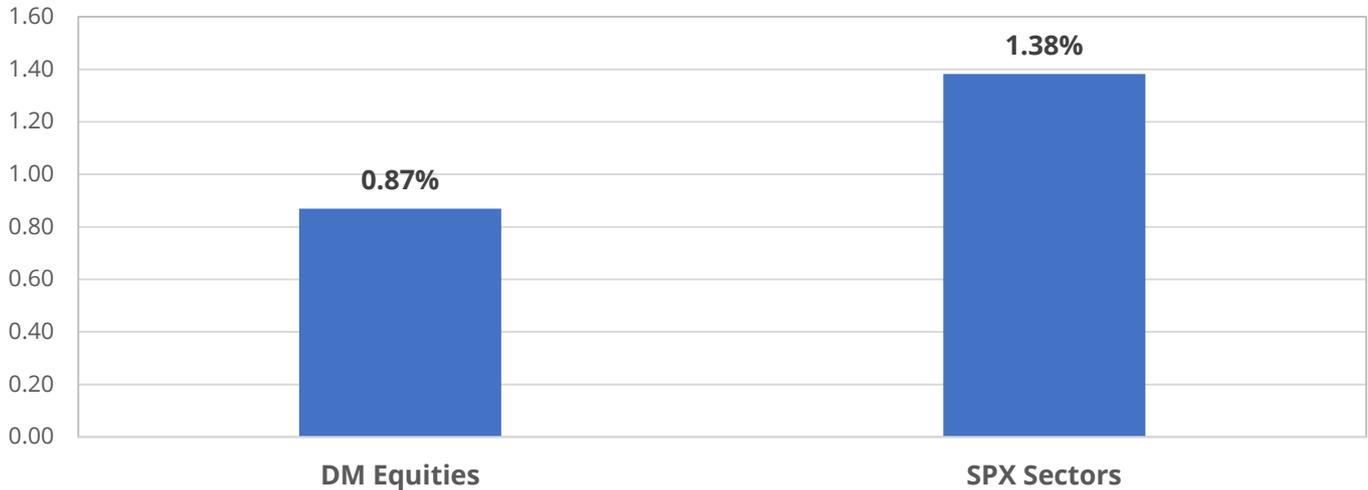
|                     | 2016  | 2017                        | 2018                         | 2019                        | 2020                        | 2021                         | 2022                          |
|---------------------|-------|-----------------------------|------------------------------|-----------------------------|-----------------------------|------------------------------|-------------------------------|
| Latin America       | 32.3% | Emerging Markets<br>37.8%   | US Fixed Income<br>0.0%      | Large Cap<br>31.5%          | Small Cap US<br>19.9%       | Real Estate<br>39.0%         | Commodities<br>16.8%          |
| Small Cap Value     | 31.2% | Small Cap Europe<br>33.5%   | Global Fixed Income<br>-1.2% | Small Cap Europe<br>29.7%   | Emerging Markets<br>18.8%   | Commodities<br>38.5%         | Latin America<br>6.6%         |
| Small Cap US        | 21.3% | Latin America<br>26.3%      | Real Estate<br>-4.0%         | Real Estate<br>28.9%        | Large Cap<br>18.4%          | Small Cap Value<br>30.8%     | Large Value<br>-9.1%          |
| Large Value         | 17.3% | Large Cap Europe<br>24.9%   | Large Cap<br>-4.4%           | Large Value<br>26.5%        | Small Cap Europe<br>13.0%   | Large Cap<br>28.7%           | US Fixed Income<br>-11.1%     |
| Diversified         | 12.3% | Large Cap<br>21.8%          | Latin America<br>-6.9%       | Small Cap US<br>25.5%       | Global Fixed Income<br>9.2% | Large Value<br>25.1%         | Small Cap Value<br>-12.6%     |
| Large Cap           | 11.9% | Diversified<br>17.1%        | Large Value<br>-8.3%         | Large Cap Europe<br>25.1%   | US Fixed Income<br>7.5%     | Large Cap Europe<br>18.4%    | Diversified<br>-12.6%         |
| Emerging Markets    | 11.8% | Small Cap US<br>14.6%       | Diversified<br>-9.1%         | Small Cap Value<br>24.5%    | Large Cap Europe<br>6.1%    | Diversified<br>15.7%         | Large Cap Europe<br>-13.0%    |
| Commodities         | 9.3%  | Large Value<br>13.6%        | Small Cap US<br>-11.0%       | Diversified<br>20.8%        | Diversified<br>6.0%         | Small Cap Europe<br>15.1%    | Global Fixed Income<br>-15.3% |
| Real Estate         | 7.6%  | Small Cap Value<br>11.4%    | Commodities<br>-12.4%        | Emerging Markets<br>18.8%   | Large Value<br>2.8%         | Small Cap US<br>14.8%        | Large Cap<br>-18.7%           |
| US Fixed Income     | 2.6%  | Real Estate<br>9.8%         | Small Cap Value<br>-12.7%    | Latin America<br>13.8%      | Small Cap Value<br>2.5%     | US Fixed Income<br>-1.5%     | Emerging Markets<br>-19.9%    |
| Global Fixed Income | 2.1%  | Global Fixed Income<br>7.4% | Emerging Markets<br>-14.3%   | Commodities<br>9.4%         | Real Estate<br>-5.3%        | Emerging Markets<br>-2.3%    | Small Cap US<br>-21.5%        |
| Small Cap Europe    | 0.2%  | US Fixed Income<br>3.5%     | Large Cap Europe<br>-14.3%   | US Fixed Income<br>8.7%     | Commodities<br>-9.7%        | Global Fixed Income<br>-4.7% | Real Estate<br>-25.9%         |
| Large Cap Europe    | -0.6% | Commodities<br>0.7%         | Small Cap Europe<br>-20.2%   | Global Fixed Income<br>6.8% | Latin America<br>-11.7%     | Latin America<br>-13.5%      | Small Cap Europe<br>-27.3%    |

Sources: Bulltickle, Bloomberg

We re-iterate an analysis we presented last year: Over the past ten years, the intra-index, sector dispersion of monthly returns has been nearly 60% higher than the dispersion seen across the principal DM equity markets in the US, Europe, the UK, and Japan. As a result, beating the market is much more a factor of getting sector calls right than of investing with geographic preferences.



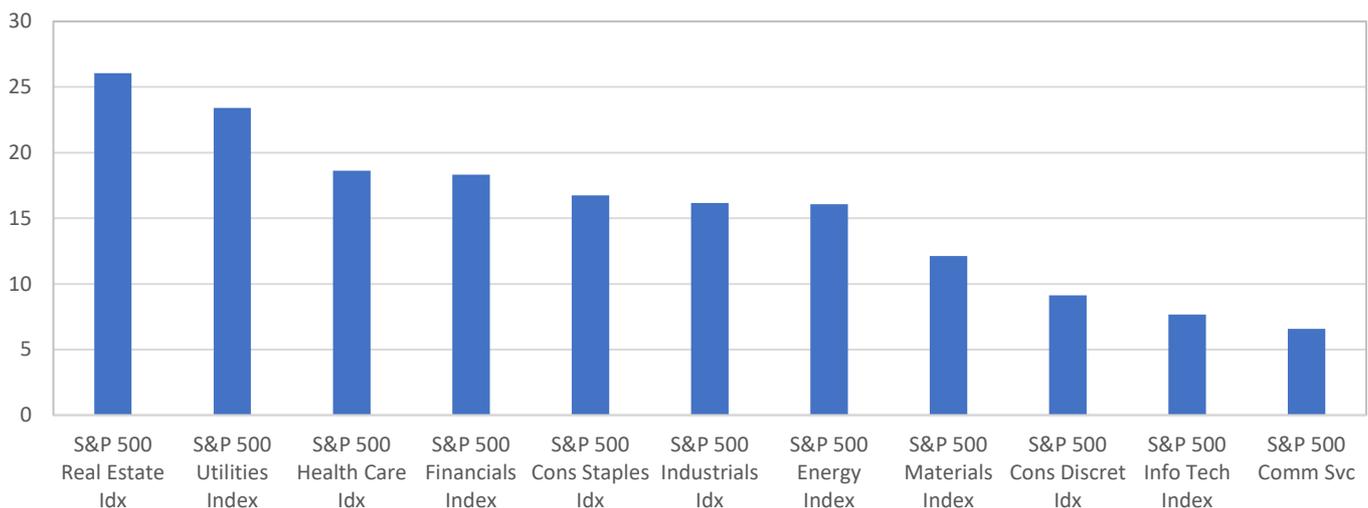
### Average Cross-Asset Standard Deviation of Monthly Returns Over Past 10 Years, %



Sources: Bulltick, Bloomberg

We expect the growth rates of forward-EPS estimates to continue to fall, and substantially. In past instances where this has been the case, Utilities and Health Care, two of our preferred sectors presently, have tended to outperform the broad index.

### Average Sector Returns, 12m following past EPS peaks (since 1996, looking only at peaks which were followed by >10% decline in EPS estimates)



Sources: Bulltick, Bloomberg



## Disclosures

### About Bulltick

Bulltick Capital Markets Holdings, LLC's and its subsidiaries include, among others, Bulltick, LLC, a broker-dealer registered with the U. S. Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority (FINRA), Bulltick Wealth Management, LLC an SEC registered Investment Advisor, Bulltick Insurance Agency, LLC, a Florida licensed insurance agency, and Bulltick Financial Services, LLC (collectively, and together with all other Bulltick controlled entities, "Bulltick"). Bulltick offers a variety of diversified financial products and services with local know how and international expertise. Its client base is comprised of established financial institutions and qualified investors in Latin America, as well as of the international financial community with investment interests in the region. Bulltick is headquartered in the United States, with offices in Miami, Houston, and Bogota.

### Our Research Resources

With Bulltick's vast Latin American in roads, resources, and networks, our research team is strategically positioned to provide value added research on local and regional markets, and industries. We are able to track the pulse of the leading markets in Latin America. We make it our business to know the business of the region so we can help our clients manage volatility with in depth coverage of macroeconomic leading sectors and market moving events. As part of its gathering of data and other sources of intelligence, our Macro Economic Research team obtains information and points of views from various sources, including from other Bulltick affiliated areas and persons such as our asset management area and our execution desks.

## ANALYST CERTIFICATION

The analyst(s) primarily responsible for the preparation of this report hereby certify that all the views expressed herein accurately reflect their personal views only. The analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

## IMPORTANT DISCLOSURES

### Principal/Agency Trading:

Bulltick and its affiliated entities, employees, officers, and directors may deal on a principal and/or agency basis in transactions involving currencies, markets, sectors, and/or securities referred to herein (or related derivatives or other instruments related thereto), including in transactions which may be contrary to any recommendations contained herein.

The Firm's Analysts may interact with sales and trading personnel in the ordinary course of business. Such sales and trading personnel may trade and/or have proprietary positions in the securities (or in related derivatives) that are the subject of this report, and the Firm's interest may conflict with the interests of investors in those instruments.

### Analyst Compensation:



The costs and expenses of research, including the compensation of the analyst(s) that prepared this report, are paid out of the Firm's total revenues, a portion of which are generated by its fixed income division.

## OTHER DISCLAIMERS

The information in this report is subject to change without notice. Neither the information nor any opinion expressed constitutes a solicitation of the purchase or sale of any securities, options, futures, or other derivatives related to such securities, or alternative investments.

Bulltick and its subsidiaries, affiliates, shareholders, directors, officers, employees, and licensors ("The Bulltick Parties") will not be liable (individually, jointly, or severally) to you or any other person as a result of your access, reception, or use of the information contained in this document for indirect, consequential, special, incidental, punitive, or exemplary damages, including, without limitation, lost profits, lost savings, and lost revenues (collectively, the "Excluded Damages"), whether or not characterized in negligence, tort, contract, or other theory of liability. The information contained in this document has been obtained from sources believed to be reliable, although its accuracy and completeness cannot be guaranteed. All opinions, projections and estimates constitute the judgment of the author as of the date of the report and these, plus any other information contained herein, are subject to change without notice. Prices and availability of financial instruments mentioned are also subject to change without notice.

Bulltick and its affiliated companies have not taken any steps to ensure that the recommendations referred to in this report are suitable for any particular investor. The Report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of any financial product. Securities and financial products mentioned in the report are subject to investment risks, including the possible loss of the principal amount invested. The financial instruments mentioned in this document may not be eligible for sale in some countries. The Report is not to be construed as providing investment services in any jurisdiction where the provision of such services would be illegal.

Investing in non US securities or markets, may entail additional risks. Securities of non US issuers may not be registered with and may not be subject to the reporting requirements of the US Securities and Exchange Commission. There may be limited information available on foreign securities or markets. Foreign companies are generally not subject to uniform audit and reporting standards, practices, and requirements comparable to those in the US. Investments in foreign markets may be less liquid and their prices more volatile than those comparable in US. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign market.

The information contained in the report is privileged and confidential and intended solely for the recipients who have been specifically authorized to receive it and it may not be further distributed. Bulltick and its affiliates accept no liability whatsoever for the actions of third parties. Should you receive this message by error you are hereby notified that any disclosure, reproduction, distribution, or use of this message is strictly prohibited.



The Report may provide the addresses of, or contain hyperlinks to, websites, except to the extent to which the Report refers to website material of Bulltick, the Firm takes no responsibility for, and makes no representation or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through the Report or the website of Bulltick shall be at your own risk and Bulltick shall have no liability arising out of, or in connection with, and such reference website.

While any attachments to this report may have been checked for viruses, you should rely on your own anti-virus software and computer security procedures; we therefore disclaim all liability arising out of any viruses or other malware that might exist in any attachment.

The information in this report is subject to change without notice. Neither the information nor any opinion expressed constitutes a solicitation of the purchase or sale of any securities or any options, futures, or other derivatives related to such securities or alternative investments.