

# THERE IS A STRONG ARGUMENT FOR A CONTINUATION OF THE BULL MARKET IN EQUITIES



# FOUR SCENARIOS FOR THE POTENTIAL IMPACT ON GLOBAL GROWTH

- ✓ Downside Scenario: Omicron transmits faster than its predecessor, Delta. This results in first-quarter global growth slowing to a 2% quarter-on-quarter annual rate, or roughly 2.5 percentage points below Goldman's current forecast.
- ✓ Severe Downside: Both the disease severity and immunity against hospitalizations are substantially worse than for Delta. Global economic growth takes a more substantial hit, while "the inflation impact is again ambiguous".
- ✓ False Alarm: Omicron spreads slower than Delta and has no significant effect on global growth and inflation; and
- ✓ **Upside: Omicron is slightly more transmissible, but causes much less severe disease. In this speculative "normalization" scenario, a net reduction in disease burden leaves global growth higher than Goldman's baseline. Inflation is likely lower as the rebalancing of demand, and the recovery in goods and labour supply accelerate.**

NEW COVID  
VARIANT IS  
UNLIKELY TO HAVE  
ANYTHING LIKE  
THE SAME IMPACT  
AS COVID IN EARLY  
2020

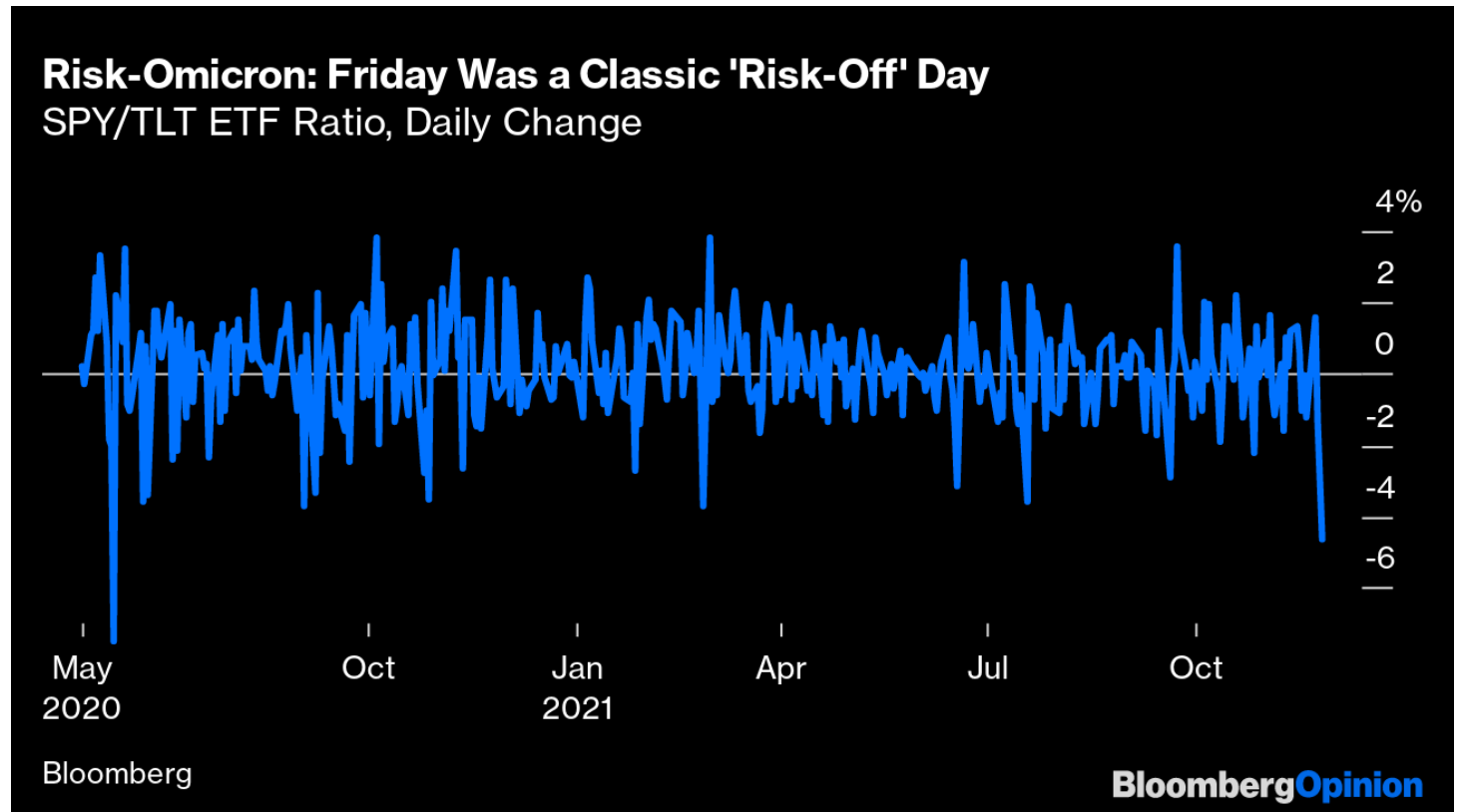
## We Are More Prepared Than The First Wave



- ✓ Although slightly more transmissible, the new variant is unlikely to have the same impact as when COVID first emerged.

RISK-OFF DAY  
WHERE ASSETS  
MOVE ACCORDING  
TO PERCEPTION OF  
GROWTH

## Knee Jerk Reaction To Omicron Variant



- ✓ Original reaction to Omicron was predictable.
- ✓ Sell off was on low holiday volume.

SOUTH AFRICAN  
RAND IS ALSO  
RECOVERING  
SHOWING THAT  
RISKS HAVE BEEN  
ADEQUATELY  
PRICED

## SA Rand Has Already Started To Recover

### Contagion Hits the Rand

South Africa's currency showed signs of recovery in early trading



- ✓ The South African Rand has already started to recover from its dip possibly suggesting an overreaction to the new variant.

## Employment Has Fully Recovered.

NUMBER OF  
PEOPLE SIGNING  
ON FOR  
UNEMPLOYMENT  
INSURANCE HIT ITS  
LOWEST LEVEL  
SINCE 1969. THIS  
WILL NORMALIZE  
INFLATION

### **A 52-Year Low**

**The fewest Americans claimed unemployment insurance since 1969**

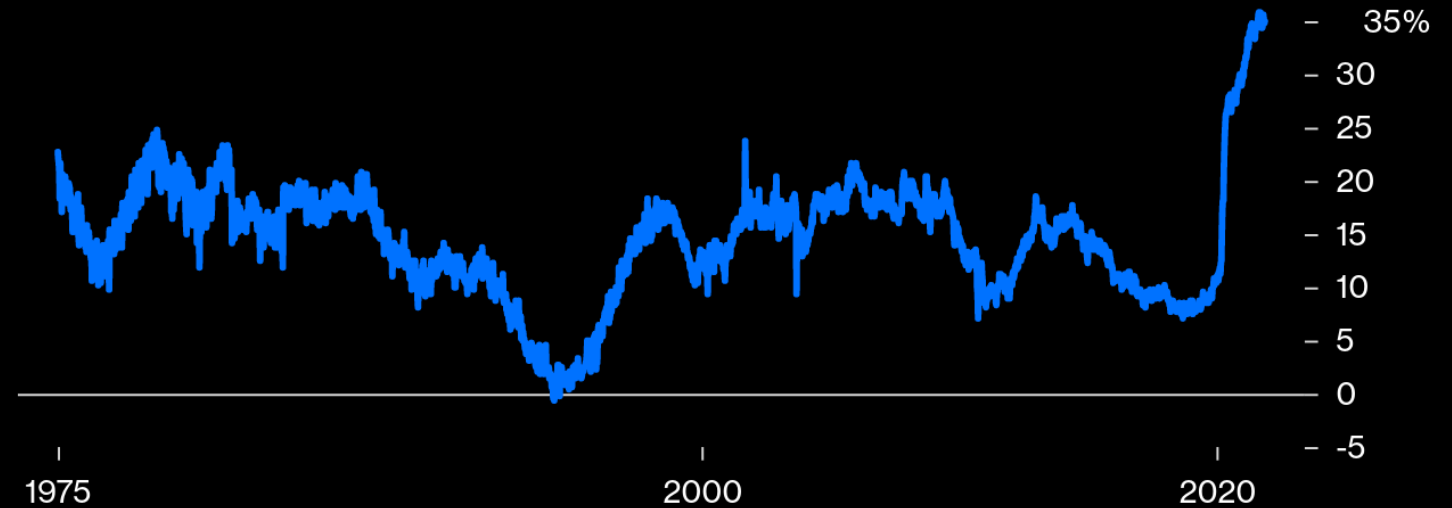


- ✓ Unemployment claims have returned to pre-pandemic levels.
- ✓ An improvement in the labor market should relieve supply chain bottlenecks.

CASH IN THE BANK  
HAS NEVER  
GROWN THIS FAST  
BEFORE. LEFT IN  
BANK ACCOUNTS  
AS “DRY POWDER.”

## Consumers Have Cash

**Americans' Cash in the Bank Has Never Grown This Fast Before**  
Two-year percentage growth in U.S. commercial banks' deposits



Federal Reserve, Bloomberg

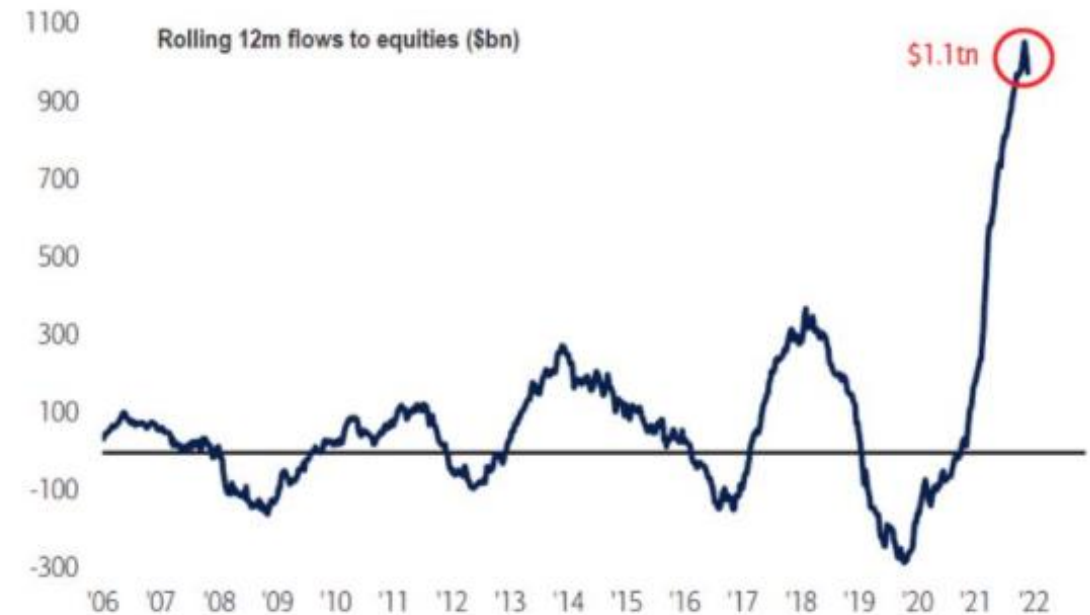
**Bloomberg**Opinion

- ✓ The COVID pandemic forced people to save.
- ✓ Consumer spending is driving the recovery.

EQUITY FUNDS  
HAVE TAKEN IN  
MORE CASH THIS  
YEAR THAN IN THE  
PREVIOUS TWO  
DECADES  
COMBINED.

## Equity Inflows Are Still Increasing.

**Chart 6: Inflow to equities exceeds combined inflow of past 19 years**  
Rolling 12m flows to equities (\$bn)



Source: BofA Global Investment Strategy, EPFR

BofA GLOBAL RESEARCH

- ✓ Investors are putting their confidence in equities.
- ✓ Strong performance of equities vs other asset classes is causing rising investments.

INFLATION IS STILL  
BEING DRIVEN  
PRIMARILY BY  
THOSE GOODS  
AND SERVICES  
THAT ARE MOST  
SENSITIVE TO THE  
PANDEMIC

## Inflation Is Specific To Pandemic Sensitive Areas Of The Economy

### **Inflation's Still About Covid: PCE**

**San Francisco Fed shows covid-sensitive sectors are driving inflation**



- ✓ Headline inflation numbers continue to rise.
- ✓ Looking into the numbers we see the driving force is pandemic sensitive areas.
- ✓ Returning employees will bring costs down.

# INFLOWS INTO ETF'S IN OCTOBER AMOUNTED TO \$76.9 BILLION, MAKING IT THE THIRD-LARGEST INFLOW MONTH IN 2021

- ✓ The nearly 30% gain from September is primarily from a rebound in U.S. equity investing, which jumped from \$25.5 billion worth of inflows in September to \$51.2 billion last month, according to ETF.com data provider FactSet.
- ✓ The iShares Core S&P 500 ETF (IVV) was a zero-to-hero leader, going from having the largest outflow in September at almost \$3.1 billion to gaining a whopping \$9.1 billion in October.
- ✓ Other broad funds that appeared in the month's top 10 include the SPDR S&P 500 ETF Trust (SPY), the Vanguard S&P 500 ETF (VOO) and the Vanguard Total Stock Market ETF (VTI), which gained a combined \$10.2 billion.
- ✓ Fixed income funds saw the largest outflows on the month, as investors retook risk-on positions and feared that inflation would cut further into bottom-scraping yields.

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