

# Monthly Market Outlook

October 2023



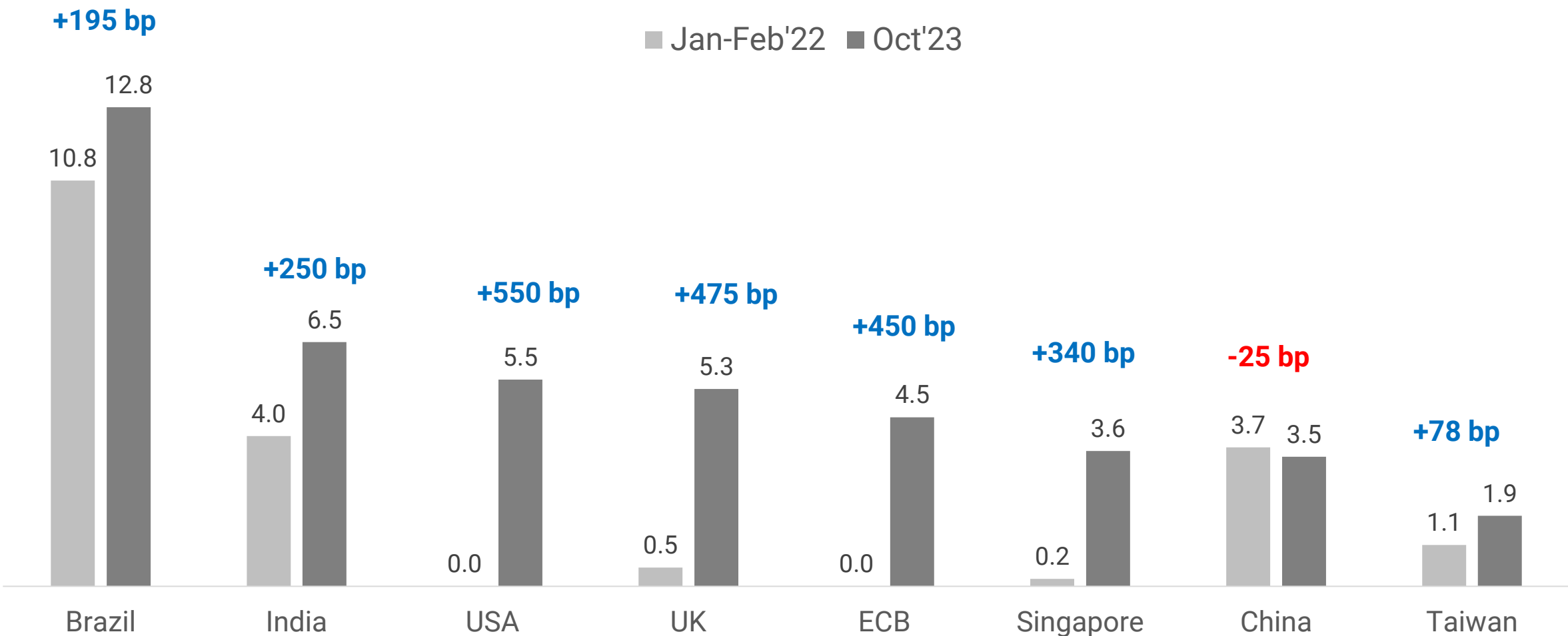


The background image depicts a stylized Earth with a network of glowing blue and yellow lines representing global connectivity, such as internet cables or trade routes. The lines are most dense over the continents, particularly in North America and Europe. A bright light source on the right side of the horizon creates a lens flare effect.

# Global Economy

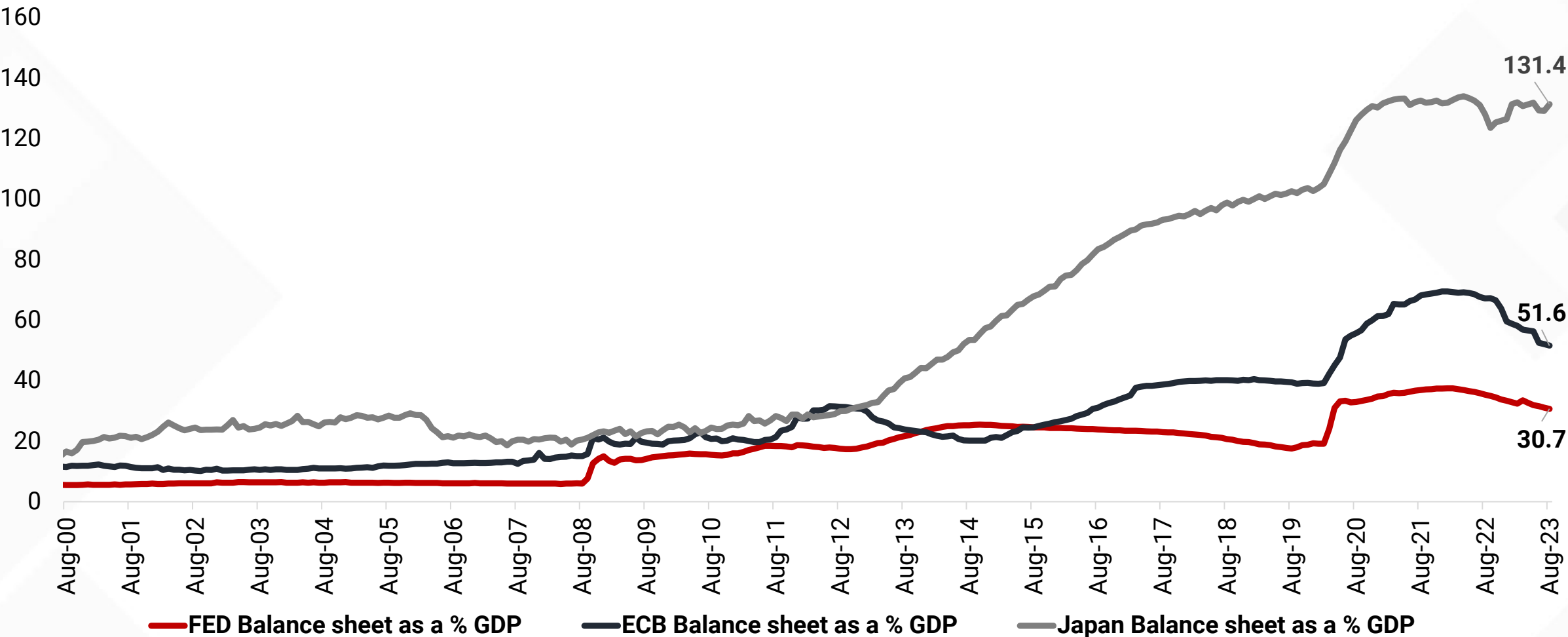
# Global Interest Rates At Multi-year Highs

Global central bank rates (%)



# Central Banks Are Shrinking Balance Sheet Albeit Grudgingly

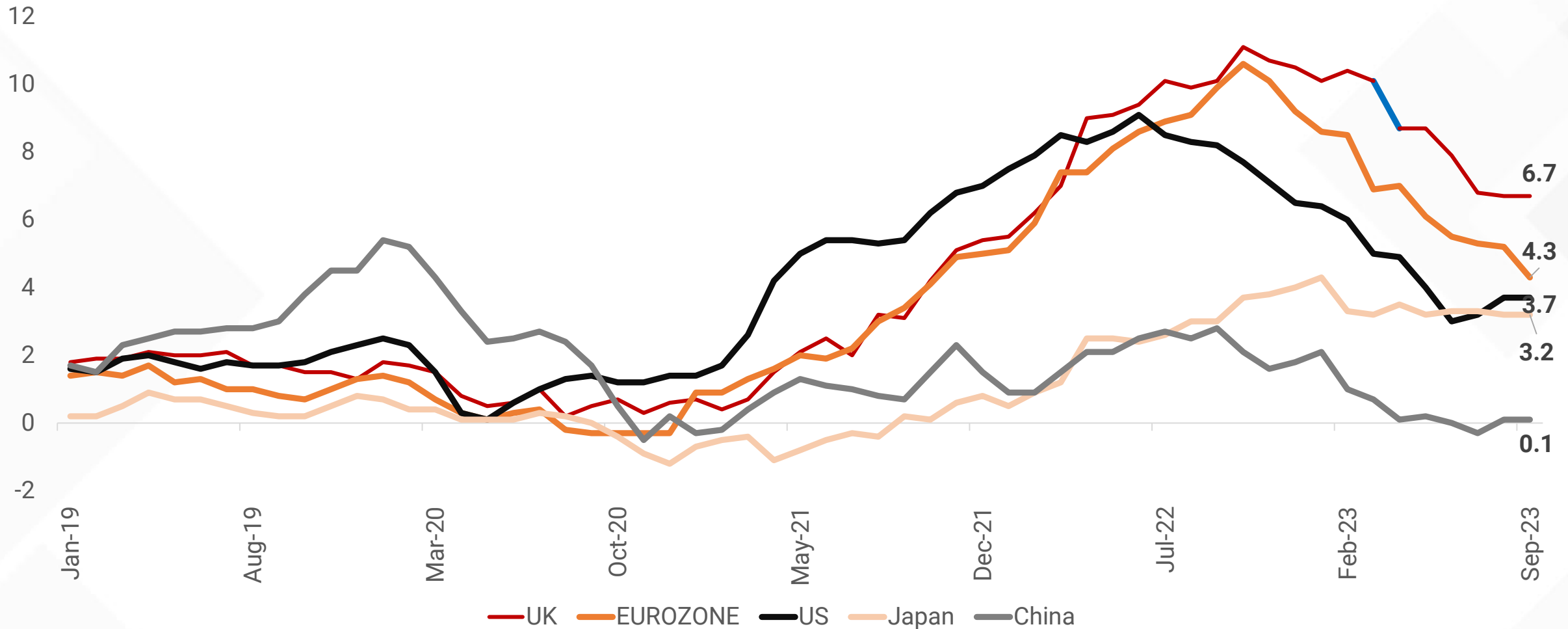
Balance Sheet As a % GDP



Source: Bloomberg, KMAMC Internal

# Inflation Is Showing Signs Of Easing

CPI YoY Change (%)

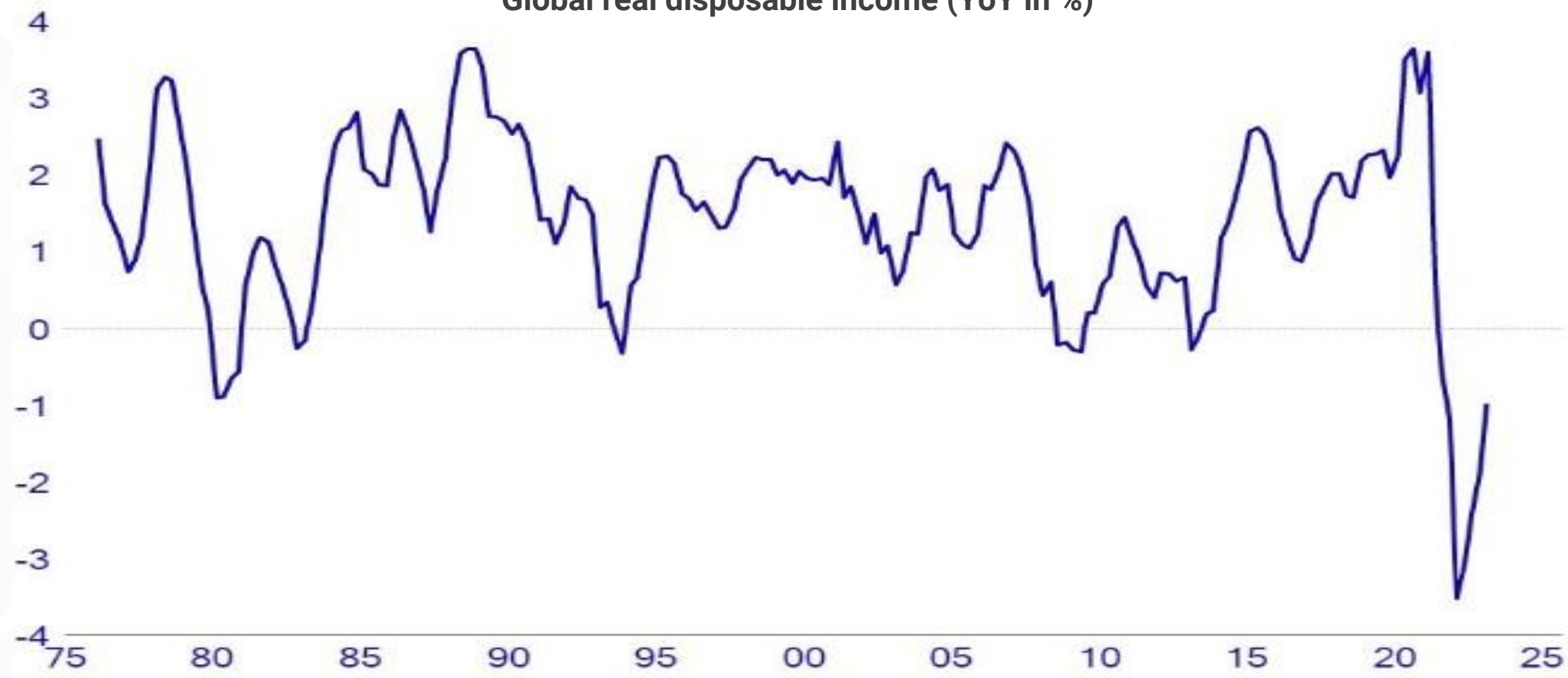




# Households Worldwide Continue To Loose Purchasing Power



Global real disposable income (YoY in %)

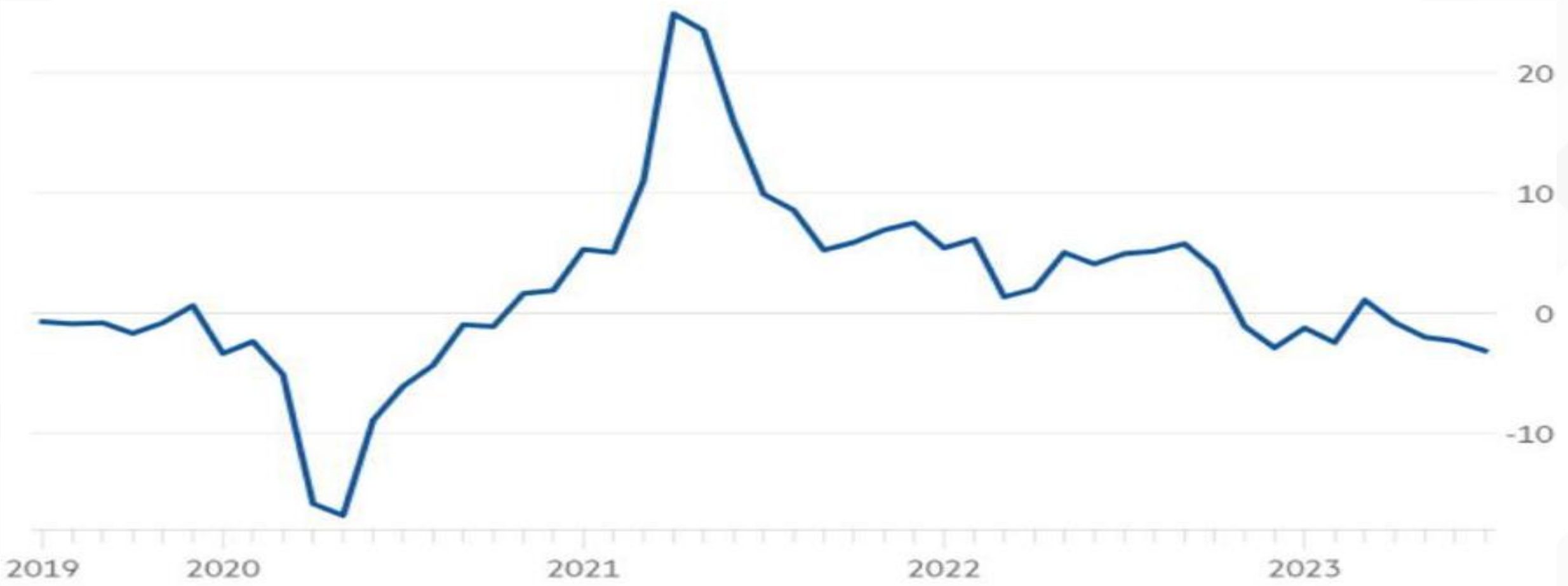


Source: LSEG Data Stream

# Global Trade Declines At Fastest Rate Since Early Pandemic



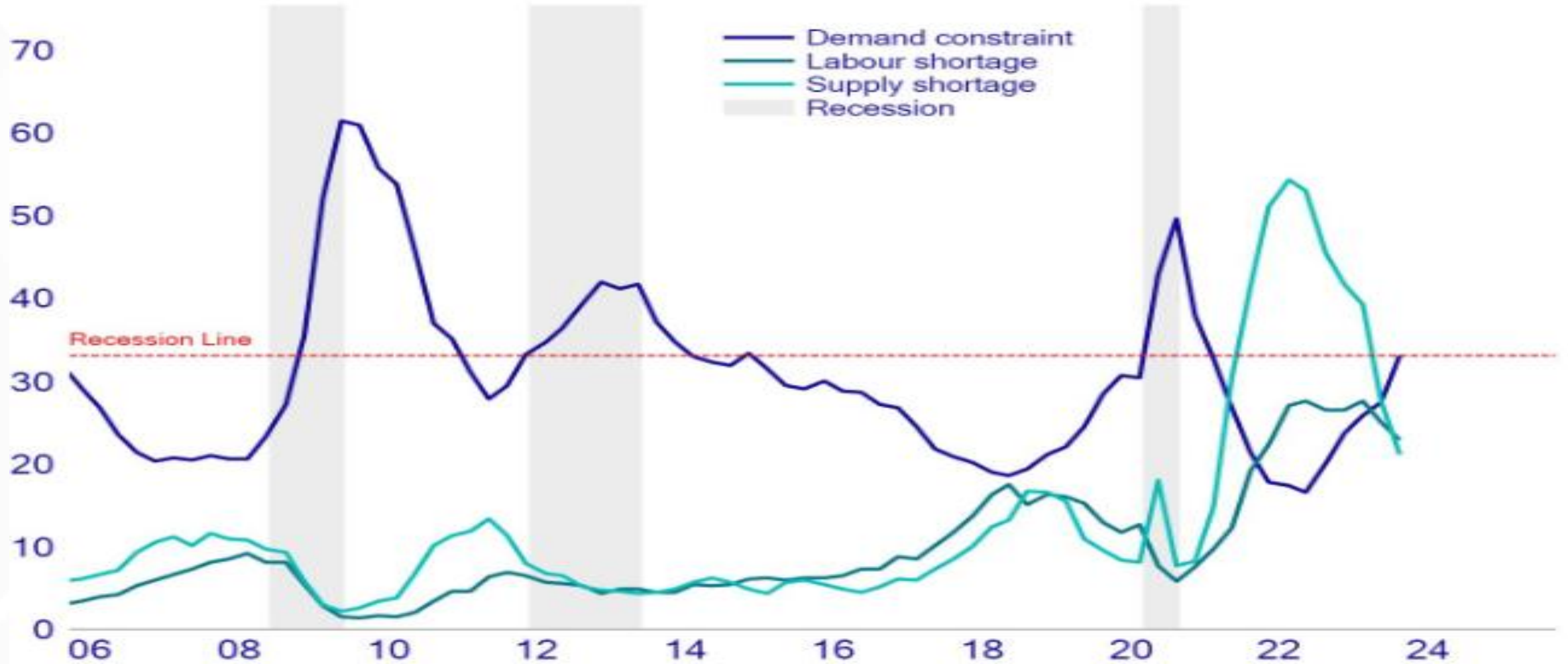
Annual Change in Global trade volumes,%



Source: CPB

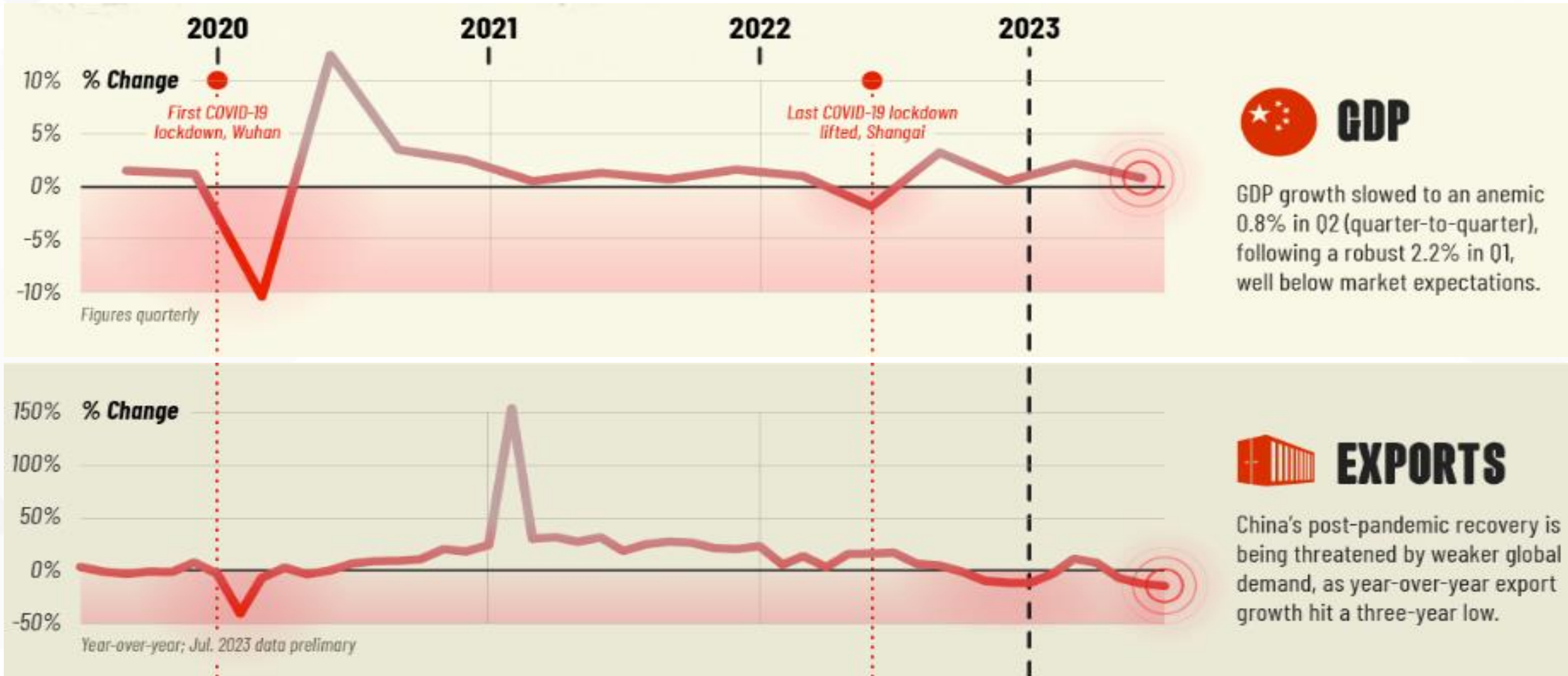
# Eurozone: Heading For Demand Driven Recession

EU commission survey for manufacturing sector (in % of respondents)





# China Slowdown Is A Cause Of Concern



# China Low Inflation, High Unemployment Raise Economic Concerns

**% Change**



**CONSUMER  
PRICE INDEX**

The CPI moved into deflationary territory for the first time since 2021, when lockdowns shut down much of the economy.

**% Rate**

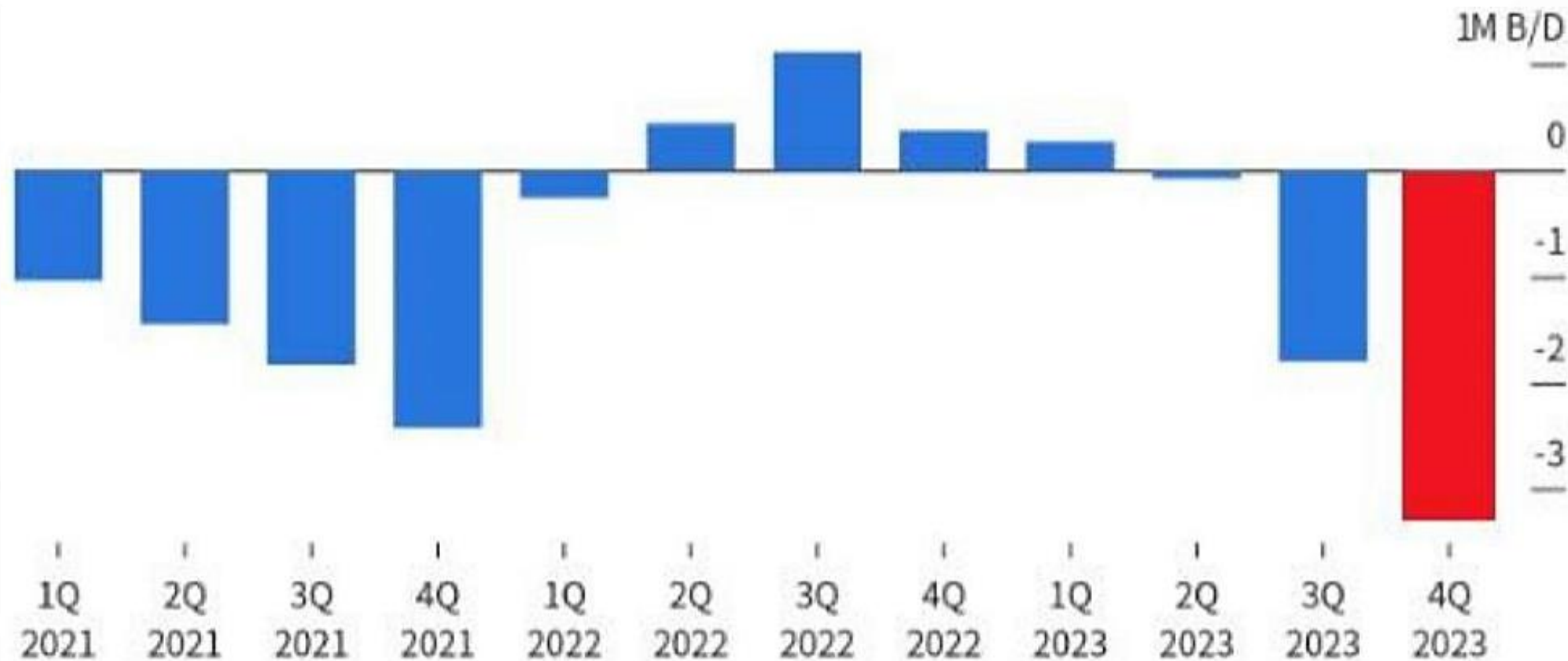


**YOUTH  
UNEMPLOYMENT**

The urban youth unemployment rate was the highest ever recorded in July, leading the National Bureau of Statistics of China to suspend future releases.

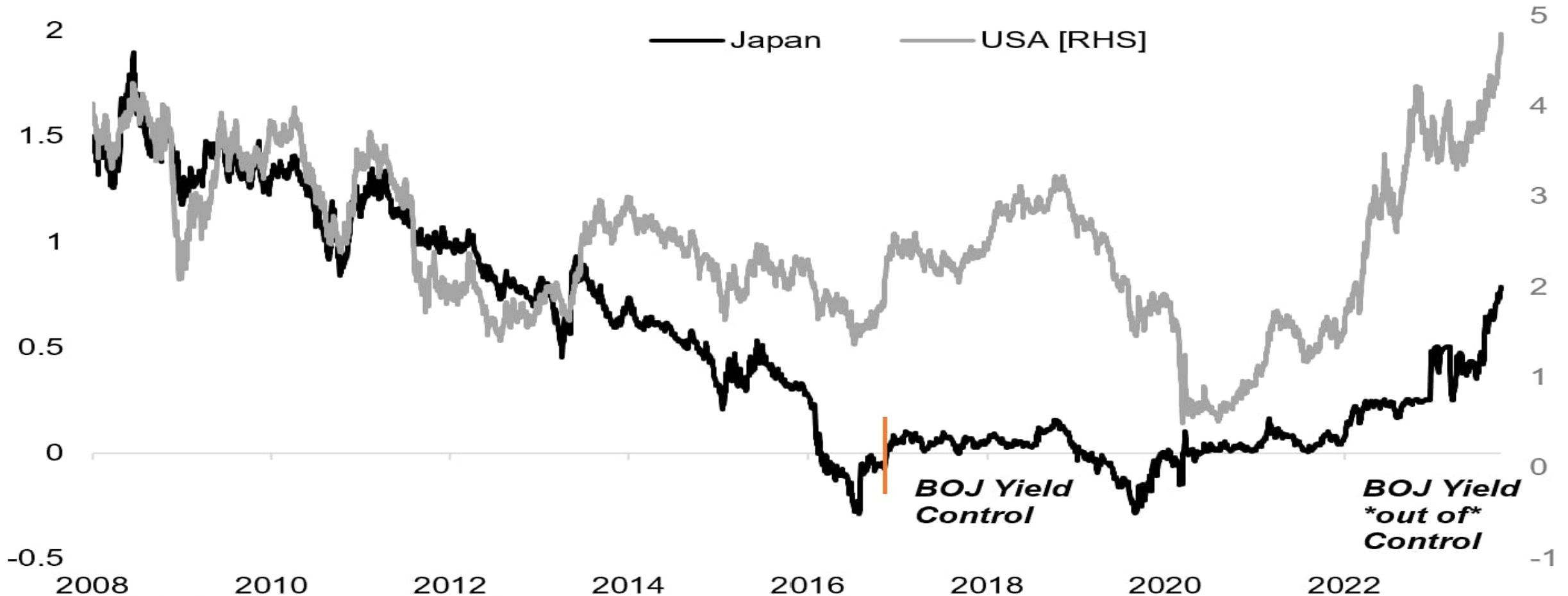
# Will Oil Prices Rise As Supply Shortfall Is A Concern

OPEC Data Indicate a Growing Supply Shortfall



# Will Central Banks Intervene Or Let Yields Spike ?

10-Year Government Bond Yields

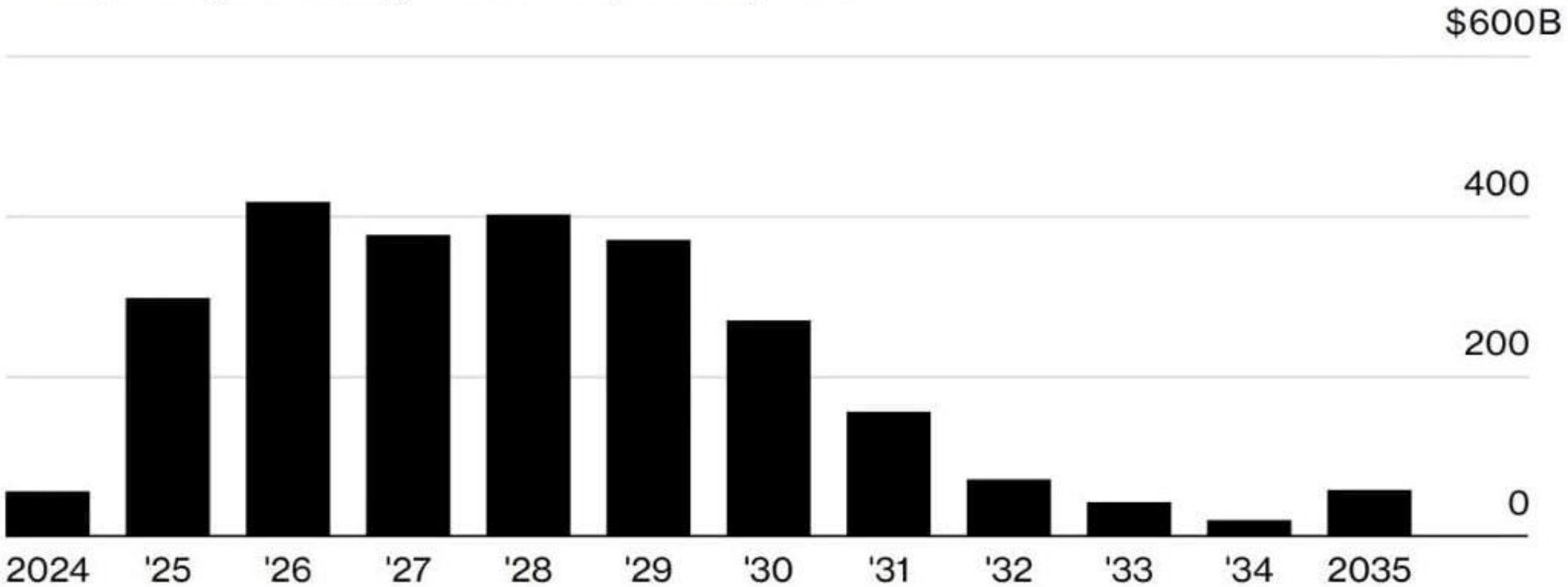




# Will Debt Maturities Be Refinanced At Higher Rates?

Global High-yield Firms Will Need To Refinance Debt Coming Due

■ Bloomberg Global High Yield index, maturity dates



Source: Bloomberg

Stocks Are Falling Like A Recession

Oil Prices Are Rising Like There's No Recession In Sight

Gold Is Falling Like Inflation Is Gone

Interest Rates Are Rising Like We Have 10% Inflation

Commercial Real Estate Is Falling Like Its 2008

Housing Prices Are Rising Like Rates Are Falling

# US Economy

The image is a conceptual representation of the US economy. It features several US dollar bills, including a prominent \$100 bill with the portrait of Benjamin Franklin. A magnifying glass is positioned over the portrait, symbolizing a close look at the financial details. Overlaid on the scene are various stock market data points, including numbers like 132.1, 245.3, 82.5, 61.4, 3.35, 6.35, 8.35, 12, 132.1, 245.3, 82.5, 61.4, 3.35, 6.35, 8.35, 12, and percentages like 9.33%, 6.35%, 4.25%, and 8.35%. These data points are accompanied by red and blue upward and downward arrows, indicating market fluctuations. The overall composition suggests a focus on financial analysis and economic performance.



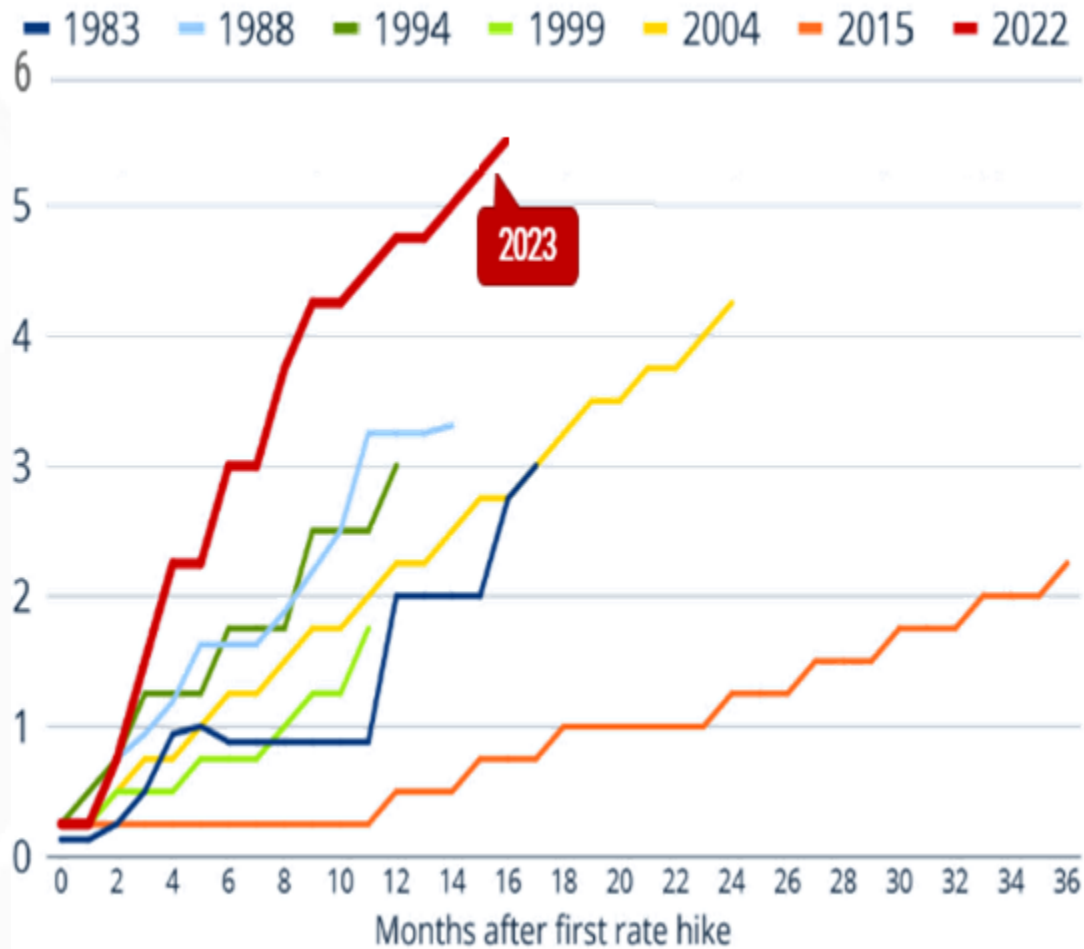
# The Fed Since 2020

Month/Year	Events
March 2020	Inflation wont be a Problem
January 2021	Inflation is “Transitory”
September 2021	Interest rates wont rise until 2024
January 2022	Recession is needed to lower inflation
December 2022	Disinflation has begun
February 2023	A “soft landing” is possible
March 2023	Banking System is “stable”
September 2023	Inflation wont hit 2% until 2025



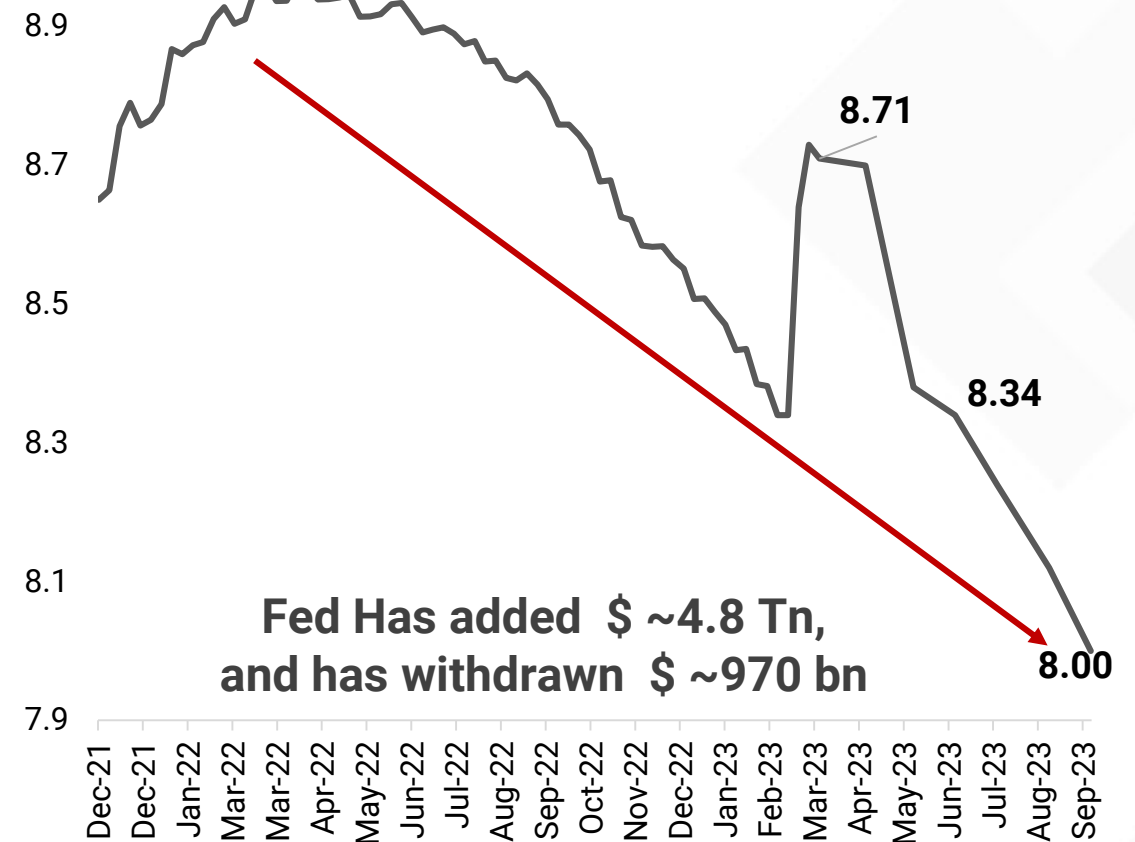
# Fed Maintaining A Very Delicate Balancing

## Rate hikes - Months since first increase



Source: Federal Reserve

## US Federal Reserve – Total Assets



Source: Bloomberg

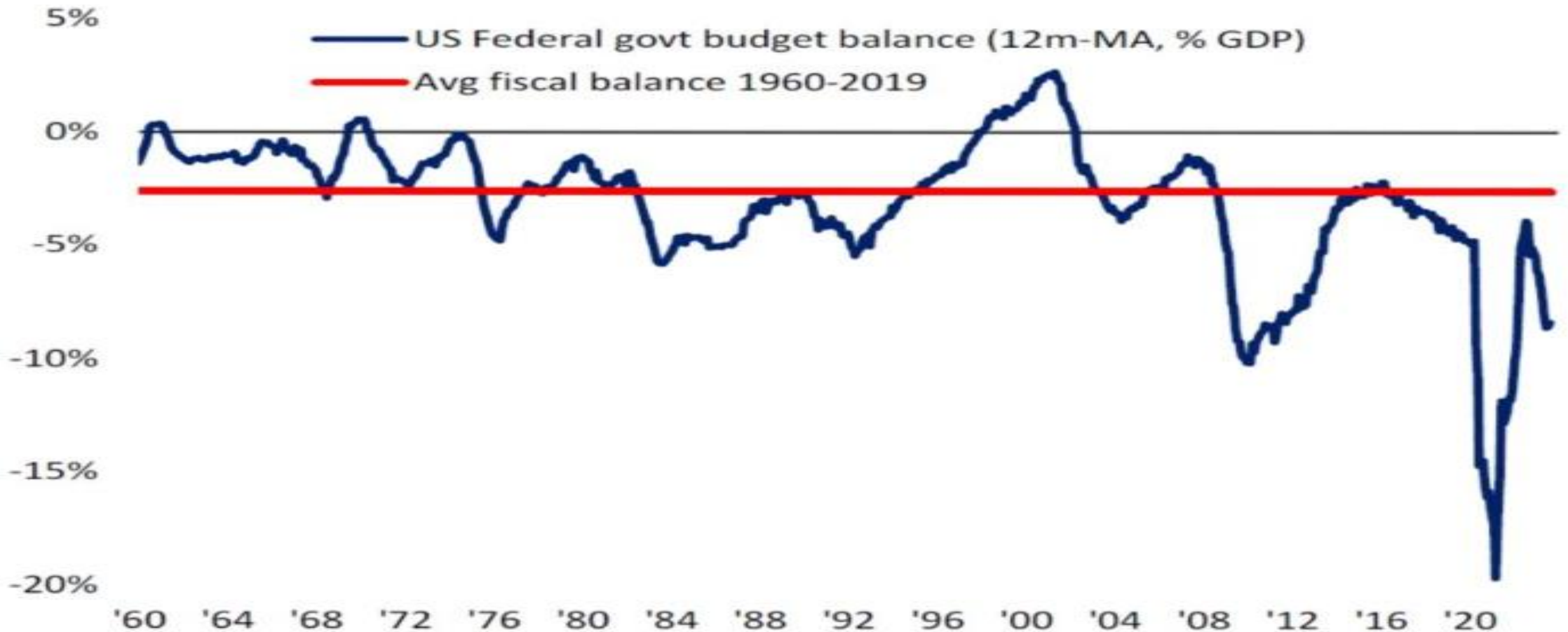
# US Core Inflation Eases, Overall Inflation Rises

Core CPI inflation FELL to 4.3%, in-line with expectations of 4.3%.

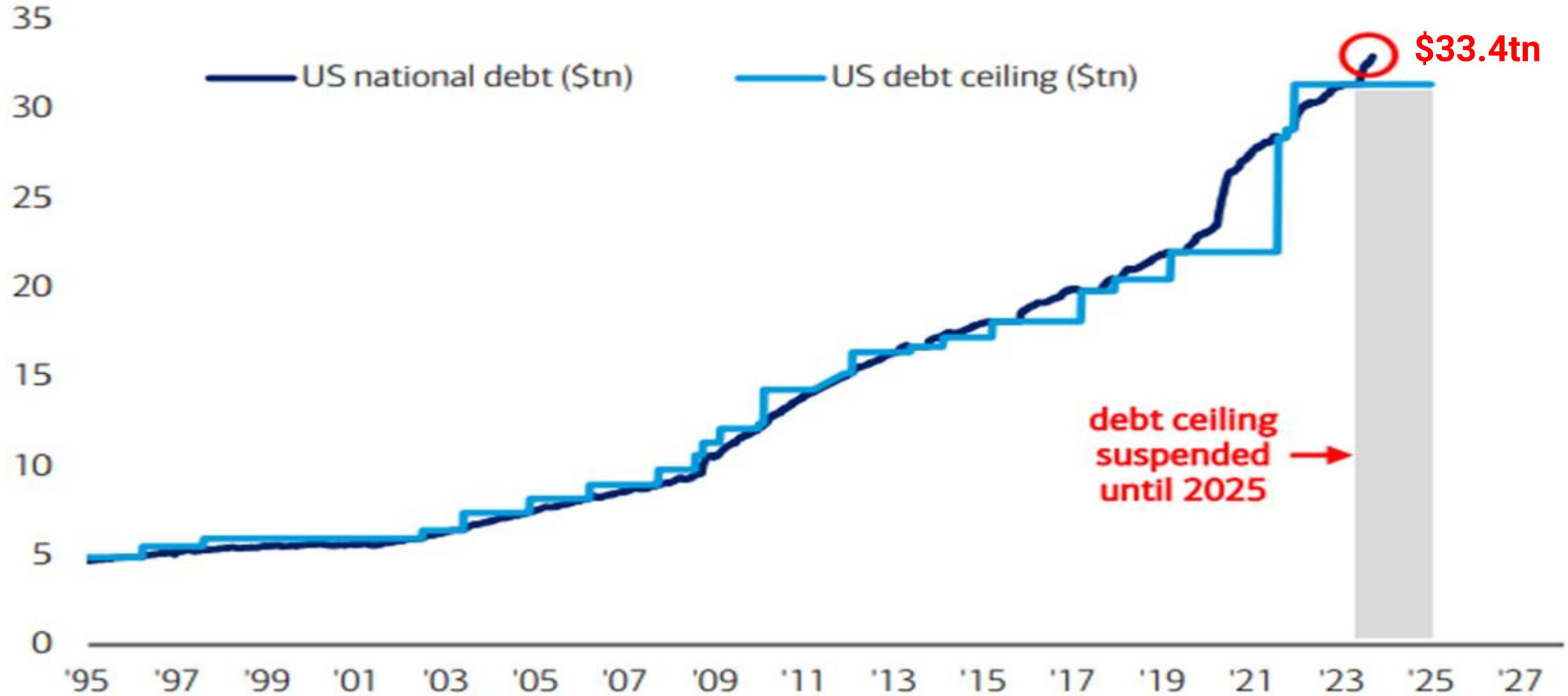


# US Budget Deficit Biggest Outside War/Recession

US Federal Government Budget Balance VS Historical Average Since 1960

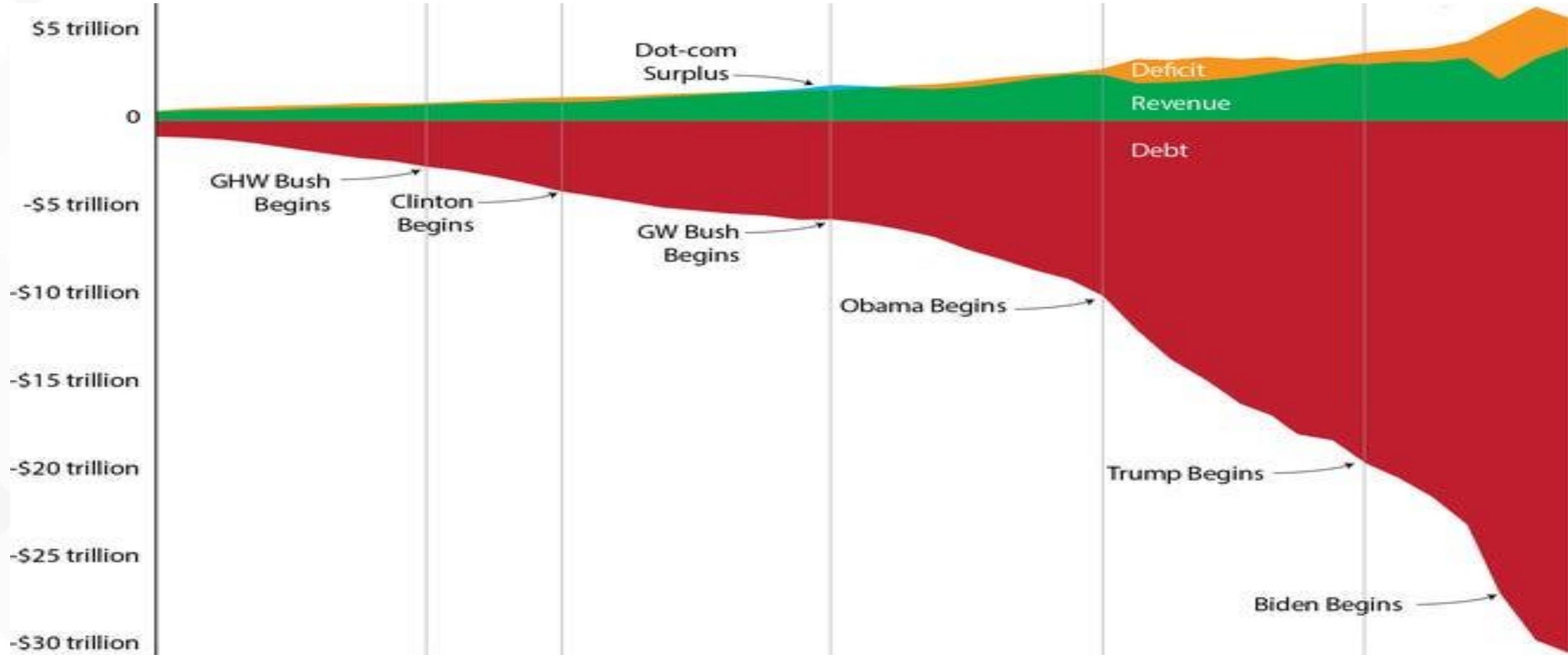


# US Government Debt >\$33.4tn... "Higher-For-Longer"

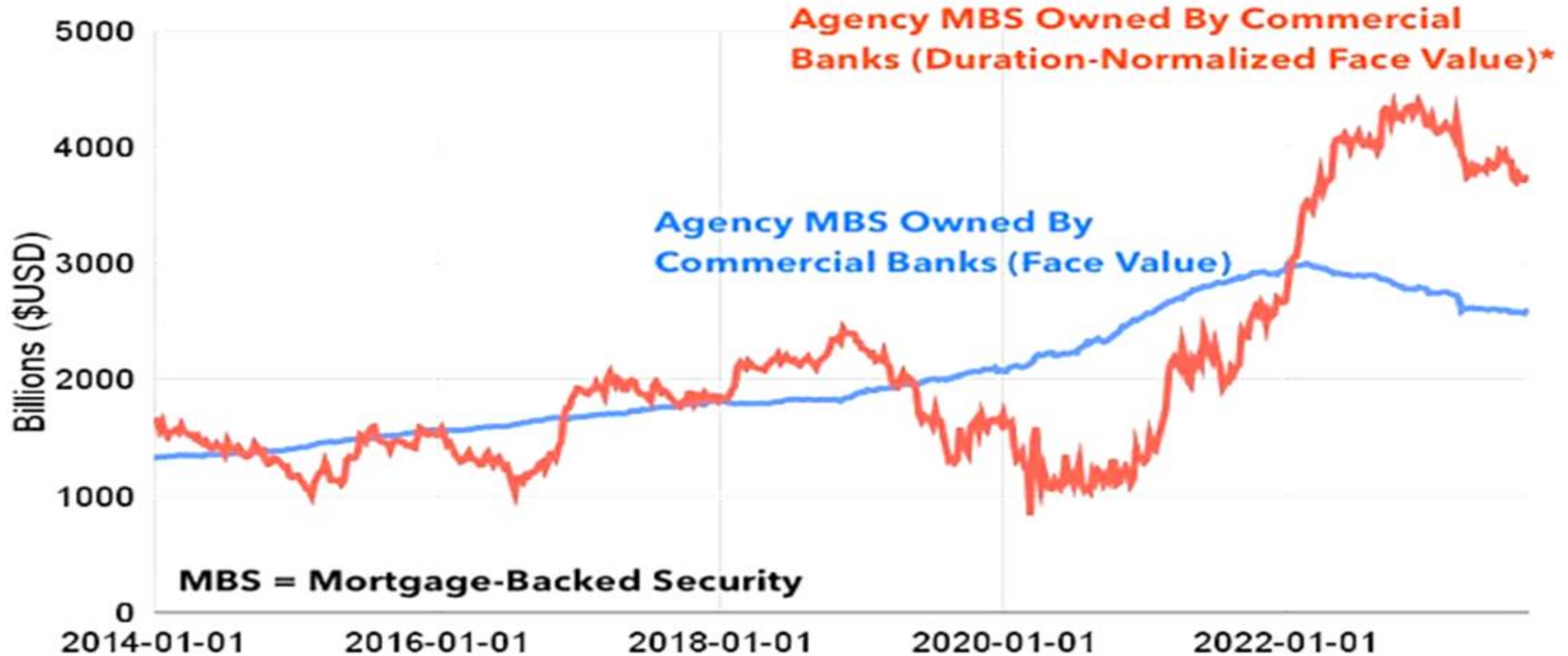




# US Debt Increases At Record Levels



# US Commercial Banks Own Substantially More Duration

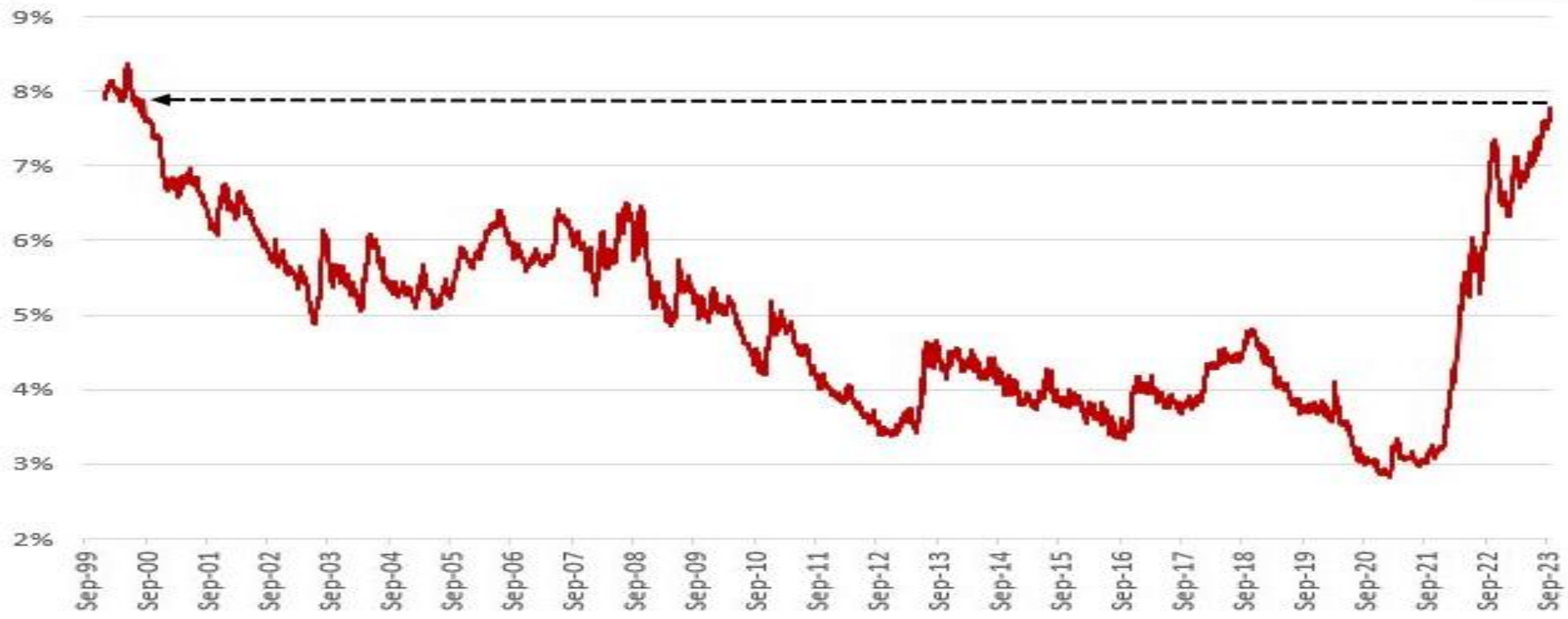


\*Obtained by multiplying agency MBS holdings by coincident duration of S&P U.S MBS index relative to historical average of duration of S&P US . MBS Index

# US 30-Year Mortgage Rates At Highest Since August 2000



US 30-year Fixed-rate Mortgage Reached 7.78%, The Highest Rate Since August 2000

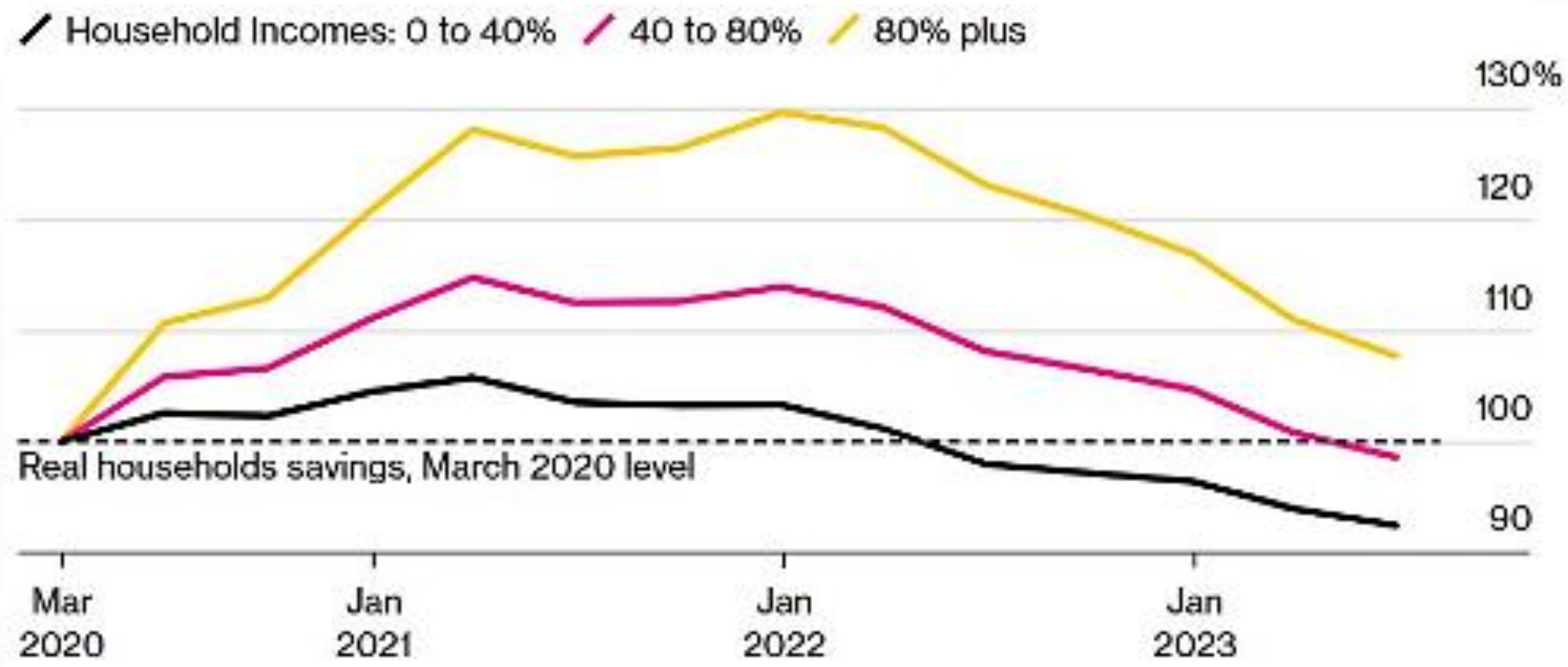


# Personal Interest Payments At Record Highs



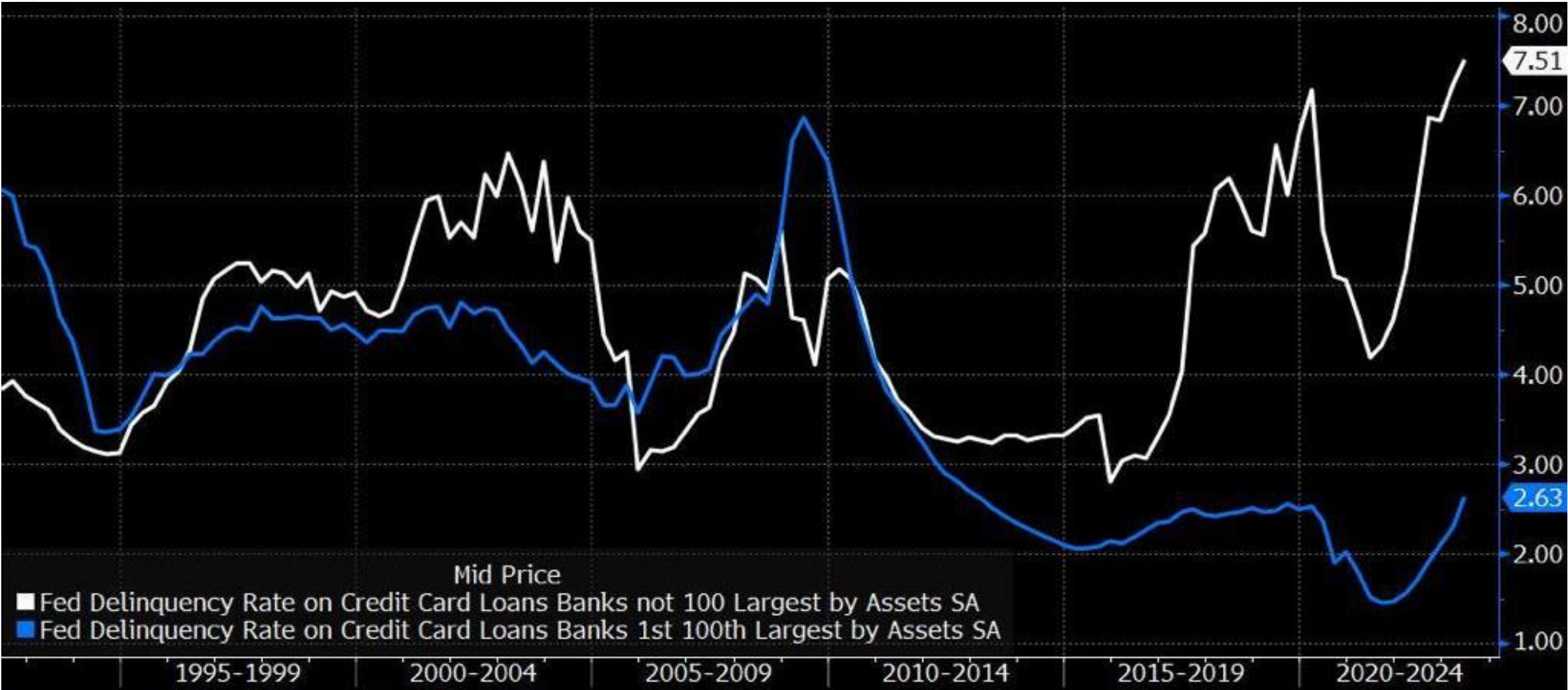


# US Excess Savings Depleted For Bottom 80% Of Households



Source: Federal Reserve, Bloomberg Calculations , Note: March 2020 =100

# Small Bank Credit Card Delinquencies At All Time High



# Nearly Half Of US Young Adults Living With Parents

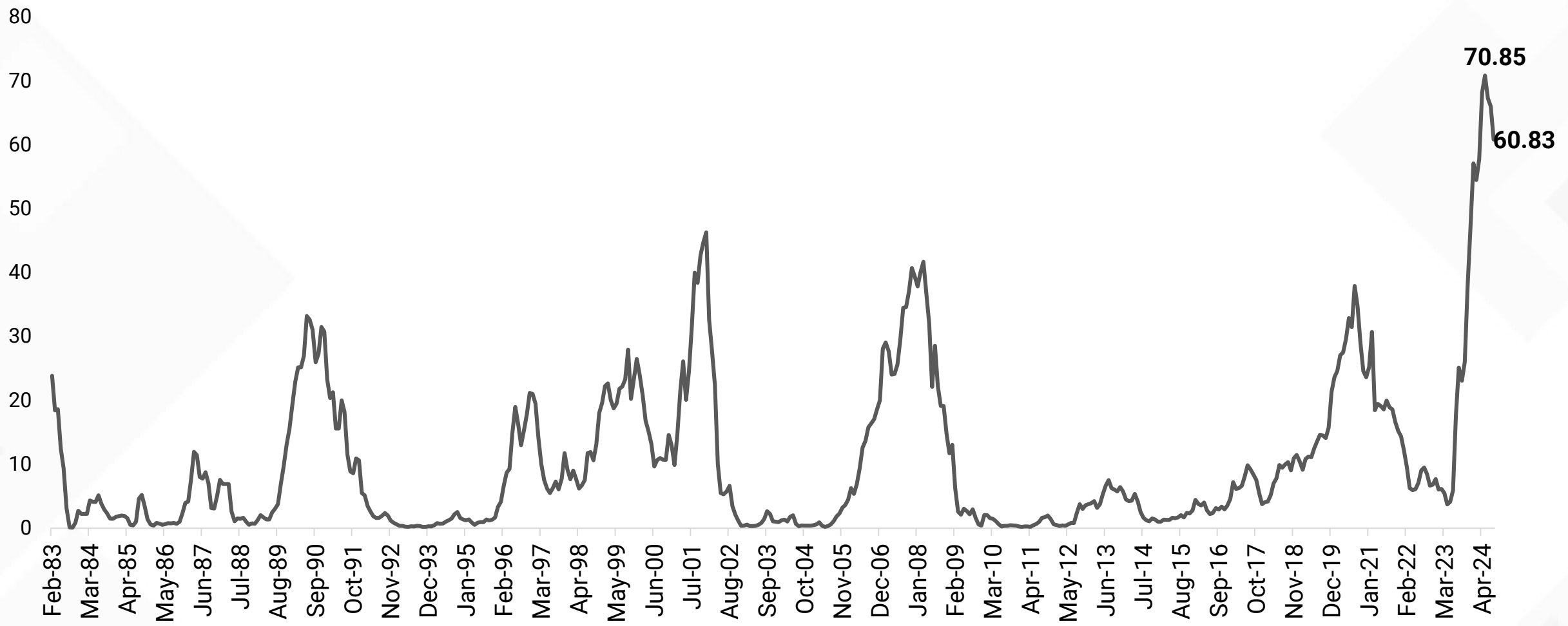
The rate of Living in a Parent's home has not been seen since the end of the Great depression in 1940



# Fed's Recession Fears Near 40-Year High



NY Fed recession gauge



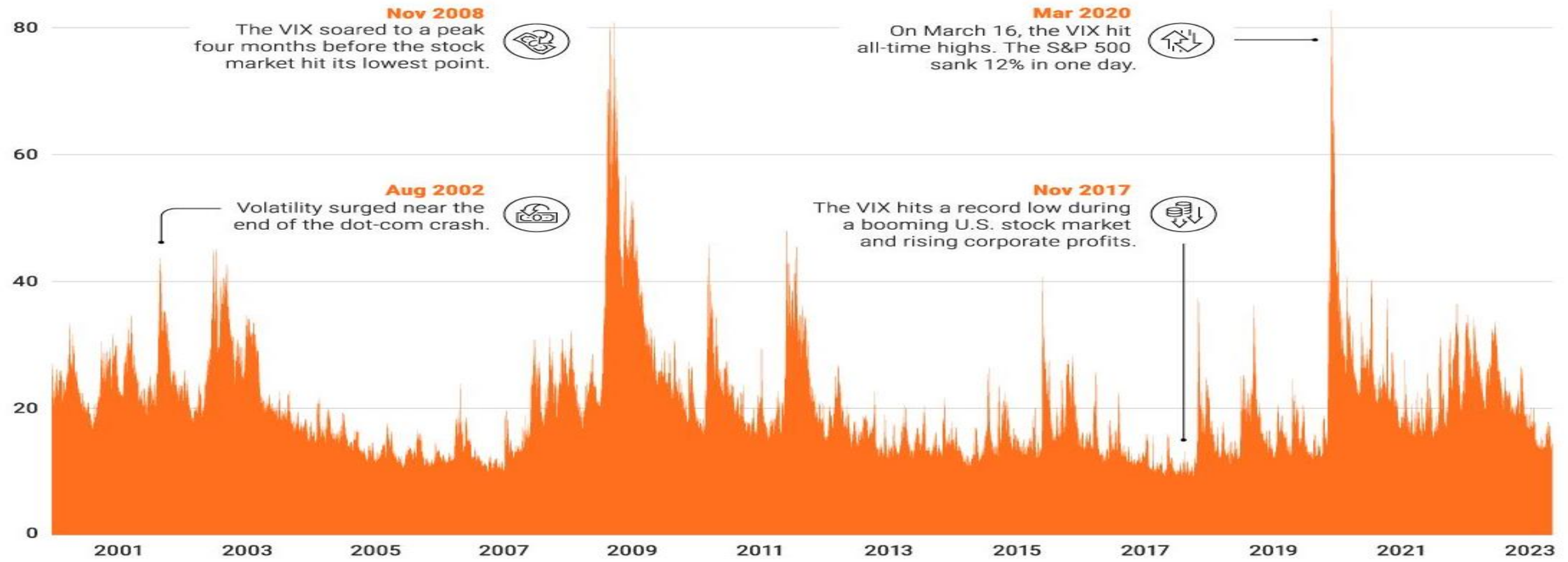
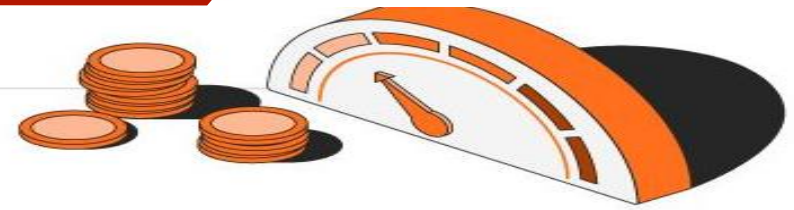
Source: NY Fed / Bloomberg



# Lowest Volatility Since 2020

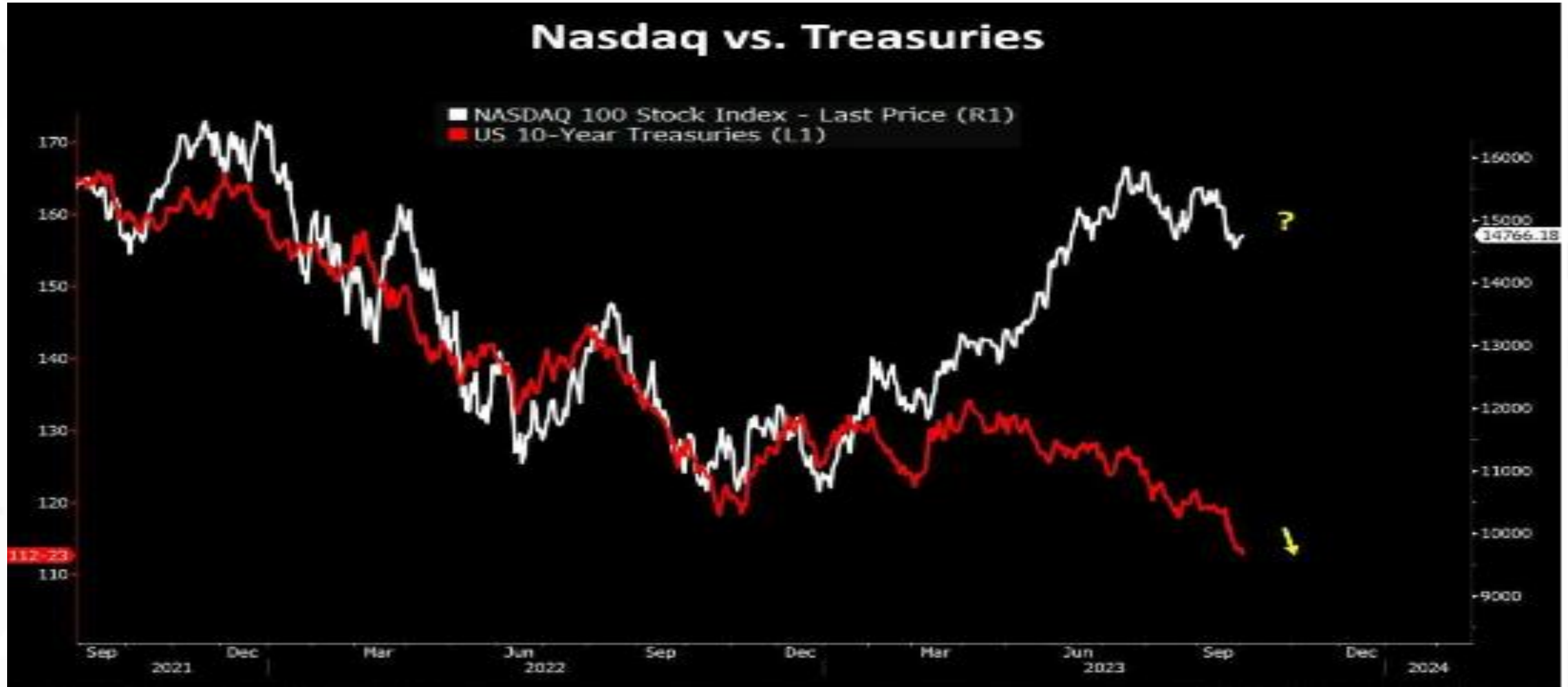
100 **CBOE Volatility Index** 2000-2023

❶ The CBOE Volatility Index (VIX) is a benchmark for U.S. equity volatility.



Source: CBOE, CNN

# Treasuries Fall, Equities Soar At Record Highs



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