WEEKLY BULLETIN

Issue #3 May 2023

Thought of the Week.

Press Release
01 March 2023

FTSE Russell

FTSE Russell announces 2023 Russell US Indexes Reconstitution schedule

On June 26, the Russell 1000, Russell 2000, Russell 3000, and other Russell indexes will get their annual refresh, an event that has historically triggered major market volatility in dozens of impacted stocks.

Russell indexes are important benchmarks for exchange-traded funds and other investment products. Funds with about $10.6 trillion in assets under management track the company's indexes.

This is one of the supporting factors for the recent market dynamics and strength, contradicting worries about the US recession.

The list of stocks added and dropped from the Russell indexes won't be official until reconstitution on June 26, but the company has announced some new IPOs that will be added to the Russell 2000 and Russell 3000 indexes as of 2023:

- Acrivon Therapeutics Inc. (ACRV)
- Mineralys Therapeutics Inc. (MLYS)
- Nextracker (NXT)
- Skyward Specialty Insurance Group (SKWD)
- Scilex Holding Company (SCLX)

The annual reconstitution requires diligent and well-executed risk management strategies. It is one of the most significant drivers of short-term shifts in supply and demand for U.S. equities, often leading to sizable price movements and volatility in individual companies or industry sectors that do not always follow the immediate logic of index rebalancing.

Last Week 's Market Events.

US Economy/Politics

- Biden confident of reaching deal with McCarthy to avoid US debt default – 18th May.
- Amazon Web Services to invest $13 billion in India through 2030 – 18th May.
- Sen Elizabeth Warren presses regulators for answers on First Republic takeover – 18th May.

Europe and UK Economy/Equity

- Brexit benefits Paris as Fintech startups boom in France – 16th May.
- EU pushes forward with post-Brexit forum for EU, UK, financial regulators – 18th May.
- Jimmie Åkesson of the Sweden Democrats discusses Swexit ahead of Brussels – 12th May.

Asia Pacific Economy/Equity

- G7 leaders gather on China's doorstep to seek unified response to Beijing's threat – 19th May.
- Thailand opposition parties start alliance talks after voters reject military rule – 15th May.
- Singapore is the third most trusted market of consumers from central and eastern Europe – 18th May.

Notable News and Quotes.

- The ongoing US debt ceiling negotiation has all the elements of a thrilling action movie – Rambo!
- China new regulator vows to build an iron wall of financial security – 19 May.

Weekly Data Monitor.

Performance

- Weak equities and high yield.
- APAC real estate looks out-of-gas.
- US$ slightly higher for the week.

INDEX	Weekly %	MTD %	YTD %	1YR %	3Y %	5Y %
Global Equity	-0.04	-0.38	8.44	5.99	39.11	38.18
Global Real Estate	-1.28	-4.44	-1.84	-14.39	16.33	18.06
US Real Estate	-1.05	-4.07	-1.69	-12.37	20.95	25.10
APAC Real Estate	-0.95	-3.52	-3.76	-11.00	-7.43	-26.52
Investment Grade	-0.02	-0.79	3.78	3.21	11.05	16.56
High Yield Bonds	-0.90	-1.96	1.44	-4.92	-12.71	-5.41
Global HF Real Estate	0.06	-0.11	0.23	-0.25	9.73	7.44
Global HY ETF	-0.89	-1.60	5.79	-2.73	25.30	16.68
ASIA Real Estate ETF	0.11	-2.30	-2.51	-14.56	-10.49	-0.76
USD Index	0.61	1.83	0.00	1.63	3.66	10.39

Weekly chart:

- Tight bands for the indices this week.
- Brent Crude had a wilder week.
- Weaker European Bonds.

Note: The chart shows normalised weekly highs and lows for the Indicator, BLUE being the LATEST.

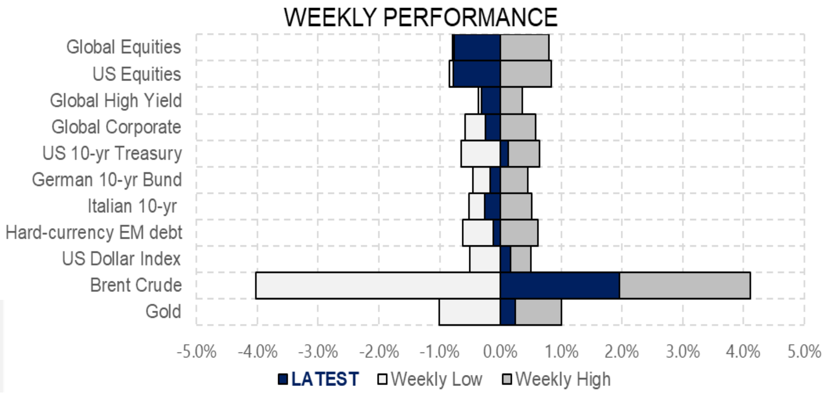
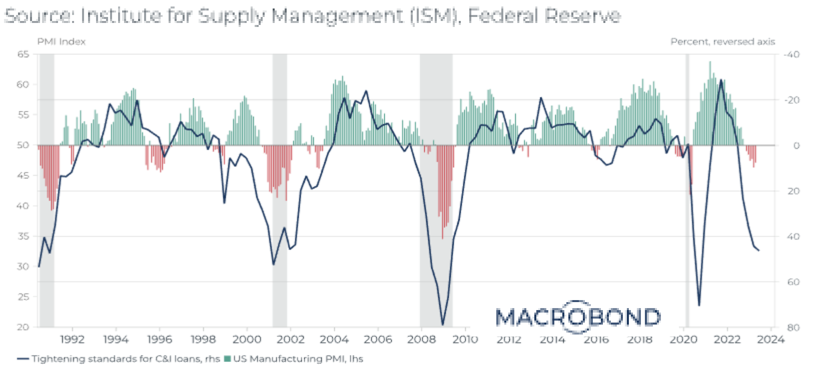


Chart of the Week.

This week's chart is tracking the links between previous credit crunches and downturns in US manufacturing (by MACROBOND).

Through this analysis we look at big businesses and it shows the historic link between tightening loan conditions and manufacturing output (a logical outcome, since companies are unable to obtain normal amounts of financing),



As industrial loan standards tighten, manufacturing contracts.

PMI readings below 50 indicate economic activity is contracting. For the SLOOS series, which tracks Commercial & Industrial (C&I) loans, the inverted axis shows the net percentage of bankers reporting tightening credit standards. (I.e., a negative reading is good news, as it means more loan officers are reporting that standards are easing.)

The simultaneous troughs in previous recessions are clearly visible – as is the tandem move today; PMI has shown contraction for six months.

Since firms rely on credit to produce output, the lack of credit forced firms to raise prices and cut output and employment (many times leading to stagflation). Consistent with this hypothesis, we find a tight relationship between declines in deposits and bank credit, the buildup of unfilled manufacturing orders and inflation, and declines in GDP growth, employment and inflation.

Related research shows that monetary policy affects aggregate supply and not just aggregate demand. The extent to which it does so depends on frictions in the financial system. The credit crunch exhibits a strong impact on small firms and in countries with a lower degree of financial development.