

## Style Box

## Global Matters Weekly

28 February 2022

– Tom Delic

Men's heavyweight boxing is perhaps set for its biggest year this century. Two upcoming bouts could lead to the winners meeting later in the year in a bid to become the undisputed champion of the heavyweight division. When assessing the potential entertainment value for spectators, an often-used phrase is "styles make fights", meaning the blend of the two fighters' boxing styles will ultimately determine how exciting a fight is. This is not too dissimilar to investment styles, where some work better together than others.

The first match-up is between Dillian Whyte, and undefeated fellow Brit, Tyson Fury. Whyte, who has been waiting for a title shot for several years, reminds me of the high dividend yield style, an under-appreciated boxer/style that's been in the wilderness for some time. Unfairly characterised as a slugger that possesses little more than a hard punch, like high dividend yield equities, there's more to Whyte than just the obvious qualities (big dividends). Most recently we have seen defensive qualities and resilience to the style, and it may be Whyte and high dividend equities that cause the most surprises in 2022.

Tyson Fury can be likened to the momentum style of equity investing. At 6 foot 9 inches tall, Fury defies gravity with his slick switch hitting and quick footwork. Just like momentum equities in recent years, he's currently ranked number one and despite at times thinking their time was up (see Fury's 12th round survival vs American Deontay Wilder and MSCI Momentum performance, both in late 2018), they remain the ones to beat.

The second fight sees a re-match between Anthony Joshua and unified heavyweight champion, Oleksandr Usyk. Like the value style, Anthony Joshua is arguably the most well-known of the four heavyweights, becoming a global superstar after his 2017 win against Usyk's fellow Ukrainian, Wladimir Klitschko. Since then, and similarly to value, his stardom has waned, with two defeats, including his most recent one against Usyk. Despite underperformance in recent years, his stature and longer-term consistency (the highest knockout ratio of the

**“Boxing styles will ultimately determine how exciting a fight is. This is not too dissimilar to investment styles, where some work better together than others. “**

four at 85%<sup>1</sup>), means you can never rule out Joshua or value equities, to return to the top of the pile.

If there was one boxer that could be likened to the quality investment style, it may well be Oleksandr Usyk. Like quality equities, Usyk possesses an almost unblemished track record, winning 335 of his 350<sup>2</sup> amateur fights before turning professional. After becoming undisputed cruiserweight champion, he moved up to the heavyweight division and following just two fights at the weight class, went on to defeat Anthony Joshua (our value man) to become a unified heavyweight champion. Quality equities, like Usyk's pure fundamental style, is the most pleasing on the eye and is only second to momentum (Tyson Fury) in the rankings.

As fans, we have the advantage of watching all four fighters over the coming year and the styles should certainly blend well to make for two very entertaining fights. As investors we also have the benefit of blending styles. Using MSCI indices, an equally weighted combination of the high dividend yield, momentum, value and quality styles would have returned 8.8% annualised since 1998, compared to 7.5% for MSCI World<sup>3</sup>. Where the investment styles may differ to our heavyweight fighters is while we expect plenty of volatility in the ring in 2022, the equally weighted style portfolio was less volatile than MSCI World over the period.

2022 has so far been the year of the value and high dividend yield styles but whether they can become champions remains to be seen. We know however that when going the distance, the four styles provide a knockout combination for portfolios. Seconds out!<sup>4</sup>

1. BoxRec

2. The Ring

3. Bloomberg

4. <https://www.dazn.com/en-GB/news/boxing/what-does-seconds-out-mean-in-boxing-explaining-one-of-the-sports-most-confusing-phrases/crrz72o8pwezkk1p4nusovmi>

## The Marketplace

- Global equities fell -0.1% last week
- Last week saw major developments in Ukraine with Russia launching a full-scale invasion of the country. Western governments have moved to place various sanctions on Russia
- Brent crude returned +4.7% over the week to \$97.9 a barrel
- Gold returned -0.5% to \$1889.3 per ounce

## Market Focus

### US

- US equities rose +0.8% last week
- Core PCE increased to +5.2% year-on-year in January, its highest reading since 1983
- Flash PMIs for February came in above expectations with the composite PMI up to 56.0 vs 52.5 expected
- Weekly initial jobless claims for the week ending February 19th fell to 232k (vs 235k expected)
- Continuing claims for the week ending February 12th fell to 1.47m, its lowest since 1970
- New home sales in January fell to an annualised rate of 801k vs 803k expected
- The second estimate of Q4's GDP was revised up from the initial estimate to an annualised +7.0%
- The US Conference Board's consumer confidence indicator fell to a 5-month low in February at 110.5, with consumer expectations for the next six months also declining to 87.5.

### Europe

- European equities returned -1.8% last week pulled down on developments in Ukraine
- Flash PMIs for February came in stronger than expected with the Euro Area composite PMI rising to 55.8 (vs 52.9 expected), its highest in 5 months
- France's composite PMI rose to 57.4 (vs 53.0 expected) and Germany's measure also rose to 56.2 (vs 54.5 expected)
- Germany's Ifo Business Climate Index for February rose to a 5-month high of 98.9 (vs 96.5 expected)
- German Chancellor Scholz announced in a special address to Parliament that Germany would boost defence spending to more than 2% of GDP per annum by 2024 with a €100bn boost this year. Over the last decade, this number has been between +1.1% and +1.5%.

### UK

- UK equities returned +0.2% last week
- The flash PMI for February hit 60.2 vs expectations of 55.3, in its fastest pace of expansion since last June
- Prime Minister Johnson confirmed that all legal Covid-19 restrictions would end in England as part of a transition to "living with Covid".

### Asia/Rest of The World

- The benchmark Global Emerging Markets index returned -4.8% last week. Russian equities, unsurprisingly, fell sharply, down -32.1%
- Japanese equities fell -2.5% over the week
- Chinese equities returned -5.8% last week
- The Reserve Bank of New Zealand hiked its official policy rate by 25bps overnight, taking the Official Cash Rate to +1%
- The Bank of Korea also held their policy rate at +1.25%, in line with expectations
- Overall CPI for Tokyo rose +1.0% year-on-year in February, marking the fastest pace of growth since December 2019
- The PBOC injected 760bn yuan into the financial system via 7-day reverse repos amidst concerns over the Russia-Ukraine conflict – the largest weekly injection since January 2020.

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Asset Class/Region	Currency	Currency returns			
		Week ending 25 Feb. 2022	Month to date	YTD 2022	12 months
<b>Developed Market Equities</b>					
United States	USD	0.8%	-1.0%	-7.9%	15.6%
United Kingdom	GBP	0.2%	1.0%	3.0%	18.9%
Continental Europe	EUR	-1.8%	-3.0%	-8.6%	11.0%
Japan	JPY	-2.5%	0.0%	-5.8%	-0.5%
Asia Pacific (ex Japan)	USD	-4.2%	-0.4%	-5.5%	-15.7%
Australia	AUD	-2.4%	1.1%	-5.1%	6.8%
Global	USD	-0.1%	-0.7%	-7.6%	9.5%
<b>Emerging markets equities</b>					
Emerging Europe	USD	-24.6%	-24.8%	-30.4%	-21.9%
Emerging Asia	USD	-4.6%	-1.4%	-6.1%	-18.4%
Emerging Latin America	USD	0.0%	6.2%	11.7%	11.1%
BRICs	USD	-6.5%	-3.4%	-7.2%	-23.1%
China	USD	-5.8%	-1.7%	-7.0%	-33.6%
MENA countries	USD	-1.4%	0.9%	7.1%	31.5%
South Africa	USD	-2.1%	7.5%	10.4%	4.7%
India	USD	-4.1%	-2.5%	-4.6%	8.3%
Global emerging markets	USD	-4.8%	-1.5%	-4.8%	-13.5%
<b>Bonds</b>					
US Treasuries	USD	-0.3%	-1.5%	-3.2%	-1.9%
US Treasuries (inflation protected)	USD	0.6%	-0.8%	-3.2%	5.6%
US Corporate (investment grade)	USD	-0.5%	-3.0%	-6.2%	-3.2%
US High Yield	USD	0.4%	-1.1%	-3.9%	0.3%
UK Gilts	GBP	-1.3%	-2.7%	-5.7%	-3.5%
UK Corporate (investment grade)	GBP	-1.1%	-3.4%	-5.9%	-4.9%
Euro Government Bonds	EUR	-0.1%	-2.7%	-3.3%	-4.0%
Euro Corporate (investment grade)	EUR	-0.8%	-3.0%	-4.0%	-4.1%
Euro High Yield	EUR	-0.8%	-3.0%	-4.1%	-2.2%
Japanese Government	JPY	0.2%	-1.0%	-1.6%	-0.7%
Australian Government	AUD	0.2%	-1.6%	-3.1%	-2.4%
Global Government Bonds	USD	-0.5%	-1.6%	-3.5%	-6.4%
Global Bonds	USD	-0.7%	-2.0%	-4.2%	-6.7%
Global Convertible Bonds	USD	-1.0%	-0.7%	-6.4%	-13.0%
Emerging Market Bonds	USD	-5.1%	-6.8%	-10.6%	-10.1%

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Asset Class/Region	Currency	Currency returns			
		Week ending 25 Feb. 2022	Month to date	YTD 2022	12 months
<b>Property</b>					
US Property Securities	USD	2.1%	-0.5%	-8.5%	22.9%
Australian Property Securities	AUD	-2.3%	1.3%	-9.6%	16.3%
Asia Property Securities	USD	-4.4%	-1.2%	-0.5%	-12.1%
Global Property Securities	USD	-0.2%	-0.6%	-6.6%	9.7%
<b>Currencies</b>					
Euro	USD	-0.7%	0.8%	-1.3%	-8.0%
UK Pound Sterling	USD	-1.5%	0.0%	-1.1%	-4.8%
Japanese Yen	USD	-0.6%	-0.4%	-0.6%	-8.2%
Australian Dollar	USD	0.6%	3.2%	-0.9%	-8.9%
South African Rand	USD	-0.3%	2.9%	4.9%	-1.5%
Swiss Franc	USD	-0.7%	0.4%	-1.8%	-2.5%
Chinese Yuan	USD	0.1%	0.7%	0.6%	2.2%
<b>Commodities &amp; Alternatives</b>					
Commodities	USD	1.1%	5.5%	14.4%	38.6%
Agricultural Commodities	USD	0.3%	4.0%	7.6%	30.6%
Oil	USD	4.7%	8.8%	25.9%	46.4%
Gold	USD	-0.5%	5.5%	3.3%	6.5%
Hedge funds	USD	-0.9%	-0.3%	-2.1%	-0.2%

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