

## The week in seven charts

Lundi, 05/16/2022

### S&P 500 down for the 6th consecutive week

Nowhere to hide as inflation soars. Tech stocks and crypto take a beating, while value stocks outperform growth stock. The Syz investment team takes you through the last seven days in seven charts.



**Charles-Henry Monchau**  
Chief Investment officer

#### Chart #1 - S&P 500 down for the 6th consecutive week

Wall Street had another volatile week, with the S&P 500 posting losses for the sixth consecutive week. This is the longest stretch of negative weekly performance since 2008. Investors seem increasingly skeptical about the Fed's ability to achieve a "soft landing" for the economy. At its lowest point on Thursday, the S&P 500 was down nearly 18% from its December 2021 peak, just 2% above the threshold that typically defines a bear market. US stocks rebounded on Friday, helped by a rally in Tesla after Elon Musk tweeted that his deal to buy Twitter - financed in part by the sale of part of his stake in Tesla - was "pending". On Wednesday, US inflation data weighed on investor sentiment. Indeed, the increase in prices for a global basket of goods and services fell slightly from March's pace, but not as much as expected: inflation stood at +8.3% year-on-year against +8.1% expected by the consensus.

S&P weekly change



Source  
Bloomberg

#### Chart #2 - No respite for technology stocks

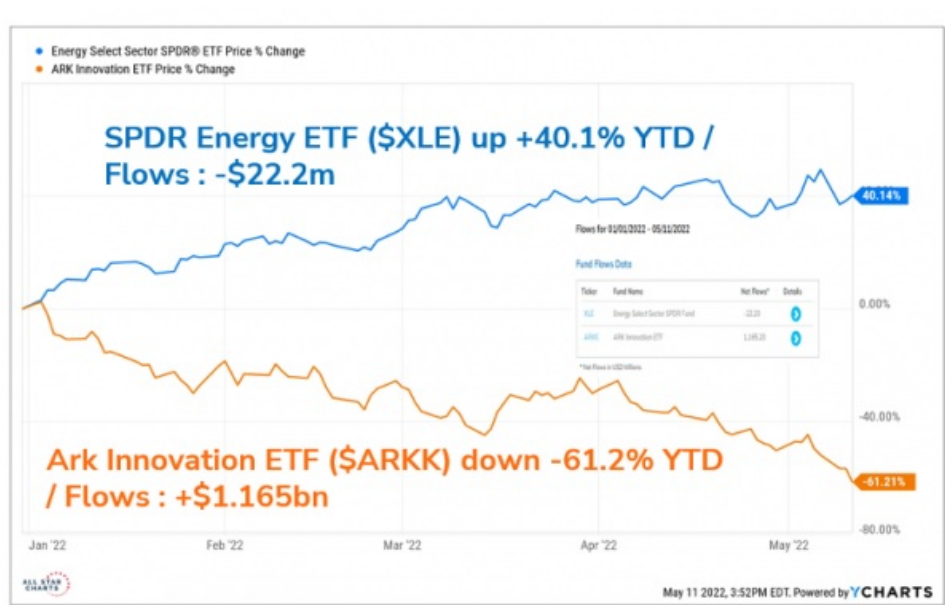
The rout in technology stocks continues: rising bond yields continue to weigh on the Nasdaq's price/earnings ratio. Admittedly, the yield on US Treasury bonds fell back below 3% at the end of the week. But the tightening monetary environment is not favourable to growth stocks in general and technology in particular. And it's not just small and mid-caps that are suffering. Apple stock - an icon of the bull market in the era of quantitative easing - is now in bear territory. Energy giant Saudi Aramco has become the world's largest company by market capitalisation - quite an achievement.



Source  
Bloomberg

### Chart #3 - Fund flows against the market trend

Despite the sharp decline in the Nasdaq, retail investors are still attracted to high-growth, innovation-oriented stocks. The Ark Invest Innovation ETF (ARKK) has become a reference in this segment in 2020-2021. But for several months now, the flagship ETF of the management company founded by Cathie Wood has been falling steadily. ARKK ETF is down 60% year-to-date. However, "small investors" continue to believe in a possible rebound, having injected no less than 1 billion dollars of new money into the fund in 2022. By contrast, largely driven by Russia's war in Ukraine, the US oil stock ETF SPDR Energy (XLE) has risen by 40% since the beginning of the year but has suffered redemptions. From a contrarian point of view, this divergence between performance and fund flows suggests that the energy sector might continue to outperform.



Source  
Ychart

### Chart #4 - Is the outperformance of value stocks just starting?

Since the beginning of the second quarter, the outperformance of the value compared to growth stocks has reached extremes unseen since the late 1990s (+10.5%). This differential was already significant in the first quarter (+8%). By how much can this valuation gap between growth and value stocks close over time?



Source  
 Crescat Capital, Bloomberg

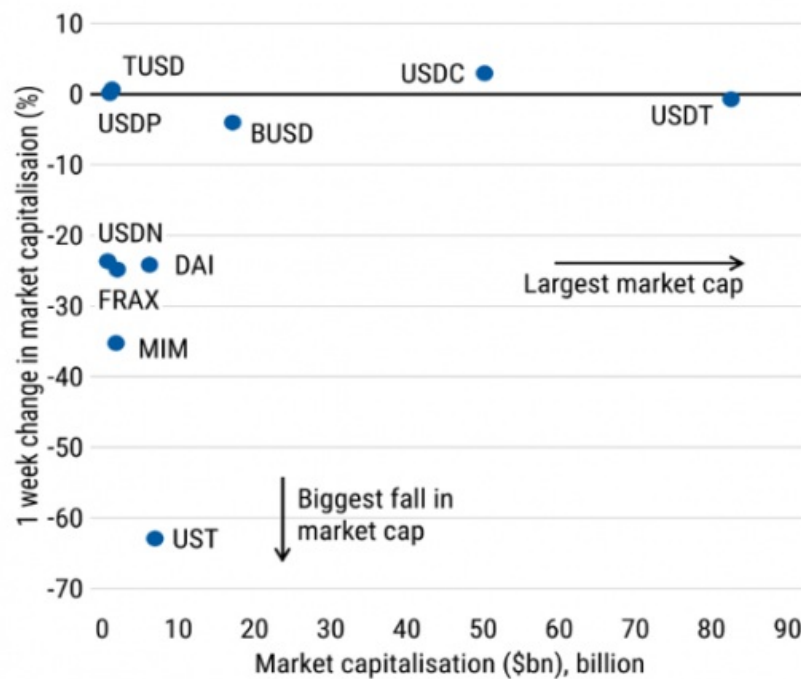
#### Chart #5 - TerraUSD stablecoin triggered a crypto- crash

The general move of asset liquidation which has been in place since November 2021 is affecting the most speculative segments of the market even more. Cryptocurrencies had already suffered a dramatic decline before the start of last week. The downward movement was further accelerated by the fall of a "stablecoin", the TerraUSD (UST). Stablecoins play a very important role in the cryptocurrency ecosystem. In principle, they allow crypto- currency investors to "park" their assets in digital assets that replicate the evolution of "fiat" currencies, i.e. the dollar, the euro, etc. These stablecoins are therefore supposed to be stable because they are backed by "traditional" currencies. The sudden de-anchoring of the TerraUSD last week sent shockwaves through the cryptos as this sudden shock threw all stablecoins into turmoil, including Tether, which accounts for almost half of the capitalisation of this segment. For now, Tether's peg seems to be holding. In fact, it is the stablecoins that are based on algorithms (such as TerraUSD) that have stalled while those based on physical reserves (Tether, USDC, etc.) are holding up - at least for now.

However, these spectacular dips have cast a pall over the whole crypto universe. Bitcoin is now down over 60% from its all-time high in October 2021. The market capitalisation of all cryptos has suffered a decline of \$1.7 trillion from its highs.

The algorithmic stablecoins have lost the most value in the past week

**Exhibit 3: The algorithmic stablecoins have lost the most value in the past week**



Source: Coingecko, Morgan Stanley Research

Source

Coingecko, Morgan Stanley

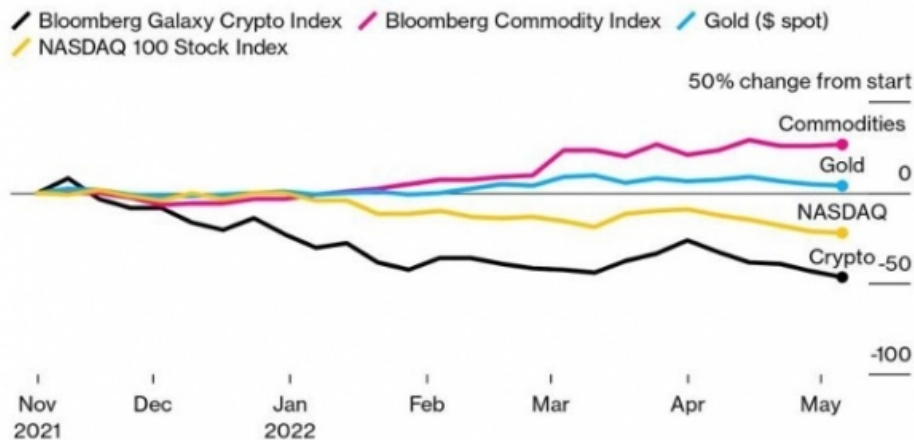
#### Chart #6 - Inflation hedge? there is only one left...

Gold prices continued to fall last week. It traded at its lowest since February and is now down year-to-date. After the fall of the Nasdaq, bitcoin and now gold, it is clear that only one inflation hedge has worked so far: commodities in the broad sense (i.e. energy, agricultural commodities, etc.).

## Nice Inflation Hedge You've Got There

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As necessities get pricier, luxury bets like crypto get cheaper.



Source: Bloomberg

Note: Bloomberg Galaxy Crypto Index is designed to measure the performance of the largest cryptocurrencies traded in USD. Bloomberg Commodity Index is calculated on an excess return basis and reflects commodity futures price movements. NASDAQ-100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ.

Bloomberg

Source

Bloomberg

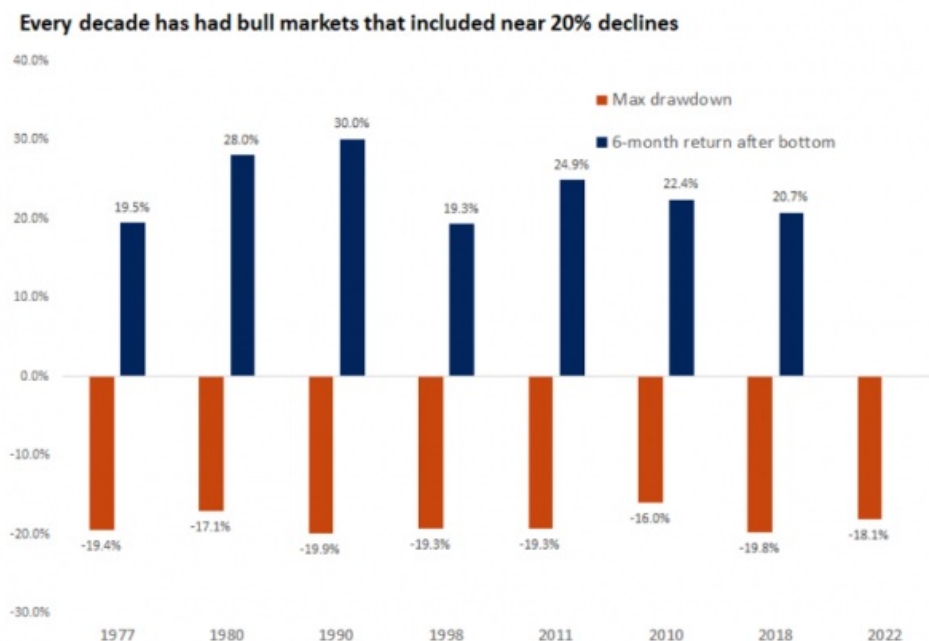
### Chart #7 - Buying opportunities?

Let's try to end on a positive note...

Over the last 50 years, the S&P 500 has been down about 20% several times and then rebounded dramatically - at least when business and economic fundamentals remained strong.

As for bitcoin, it has suffered numerous declines of around 50% and has always recovered...

Every decade has had bull markets that included near 20% declines



Source: FactSet, S&P 500 total returns, Edward Jones. Past performance does not guarantee future results.

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