



JAY PELOSKY

TPW ADVISORY

"From You, I Get the Story"

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With a nod to The Who, I am excited to launch TPW Advisory, an independent investment advisory boutique. TPW Advisory will provide forward looking, thematic, global multi asset investment advisory services (including ETF based model delivery) to institutions and individuals alike. Learn more at www.pelosky.com & add this email address to your contact list (jaypelosky@pelosky.com). Please reach out to discuss.

One thing that won't change is the Friday Musings which have become a key part of my process over the past few years. Let's dive right in, using the Global Risk Nexus (GRN) to keep us focused on Health, Economics, Politics, Policy & Markets across the Tri Polar World's (TPW) three main regions of Asia, Europe & the Americas.

This past week marks Covid 19's one year anniversary. Forward looking markets require us to think about what life will look like one year ahead. IMO, life will look a lot like pre Covid as China already illustrates (1st in, 1st out).

Today, US cases are peaking as are hospitalizations while J&J informs that its one shot vaccine clinical trials should be complete in coming weeks. It could be a game changer. Pres. Elect Biden has promised 100M doses in his 1st 100 days - given the V poor vaccination rollout that should be doable: US now at 700k shots per day, need to double that to reach herd immunity by late Spring.

My outlook remains for a global economic BOOM this year and next. Continued Central Bank liquidity provisions, the melding of fiscal and monetary policy, vaccines and 10-15% of global GDP in excess savings (US household net worth at ATH) provide support.

Supply - demand imbalances will likely surface as consumer demand comes back on line. The global shortage of semiconductor chips now idling auto plants across the globe is an early example. Inflation fears will rise in the coming quarters - tapering fears are way overdone.

One year ago the 1st Trump impeachment was getting underway; a year later and Trump has become the 1st President in US history to be impeached twice. The US political brand has never been priced this low with 79% of Americans saying the country is falling apart. At the same time, US financial asset prices remain close to ATHs on both an absolute and relative basis.

How this dichotomy plays out is something to ponder - my sense is that the Democrats have room to run for the next few electoral cycles (2022, 2024) as Republicans determine whether it is a party that supports political violence or not. American exceptionalism may be dead but American renewal may not be far behind. Paradoxically, relative US financial asset values are likely to decline.



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Expect the Biden Presidency to go big, especially on domestic policy. The Rescue package introduced yesterday is a good first step in that direction, targeting the inequality issue head on. Much of the domestic policy team worked in the Obama administration & know firsthand the downside of going too small. The Recovery package to come is likely to join Europe in focusing much of its infrastructure program on climate change, the seminal global issue post Covid.

From an investment perspective THE key issue is the break out of Covid Speed beyond health to climate, cyber, genomics, fintech/crypto and innovation/disruption in general.

We have seen the model: abundant, global & low cost financial capital coupled with global intellectual capital laser focused on a single issue, a vaccine, is a game changer, an accelerator. We have passed the 55 mph zone, are now in a 65 mph zone and we are not going back. Global VC investment in Climate Tech is up 3x over the past 4 years but still = only 5% of total invested... early days.

That's good because over the past decade beta has been very generous with a US 60-40 portfolio returning 10% or so pa. That is over - UST are in a bear market and US equity will struggle under the weight of Blg Tech, itself facing the "kryptonite" threat of vaccines & rising rates. Broad US tech (XLK) up 6% past 3M vs SPY +8% and ACWX +16%. (NOTE while this Musings is pretty US centric I remain much more constructive on non US equity). Today's Buy the Rumor, Sell the News action is healthy.

Alpha will come from understanding and positioning across thematics as well as the traditional debate over stocks vs bonds and commodities, countries, sectors, styles and factors. Activist Governments & policy driven markets are a great setup for thematics. Therefore, thematics is where TPW Advisory is focused and where I believe my global macro approach can best add value today.

It's a fast start for TPW Advisory...from Wednesday's 2021 Outlook webinar with our friends at Winston Capital (<https://youtu.be/0c5PmUxpuks>) to today's launch on OhmResearch, Brazil's leading independent research platform with a live webinar at 2 pm EST...join us at <https://streamyard.com/5uv8vakz94>.

Finally, mark your calendars for Jan 25th and a very interesting webinar featuring TPW Advisory and our friends at Gate Advisory in Geneva and RedGate Asset Management in Shanghai... truly a Tri Polar World event - details to follow.