The bigger picture

A selection of charts and data visualisations from *The Little Book of Data* on major macro and market developments
Multiple systemic shocks
Connections and feedbacks

- Russia Ukraine conflict
  - Pressure on Russia
  - Risk of nuclear escalation
  - Risk of nuclear escalation

- China economic slowdown
  - Post-viral infections – antimicrobial resistance

- Omicron and lockdown risk

- Stagflation risk

- China property crisis

- Energy prices
  - Energy prices

- Supply chain risk

- Market volatility

- Sanctions

- Refugee crisis in Europe

- Environmental cost of conflict

- Damage to ecosystem services

- Resource depletion

- Growing protectionism over food products

- Income inequality

- Growing protectionism over food products

- Growing protectionism over food products

- China economic slowdown

- China property crisis

- China property crisis

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- China property crisis
Spillovers from Russia’s invasion of Ukraine
Energy sector sees multiple impacts

Gas is ‘weaponised’: Russian gas supplied to Europe

Relative energy sector equity performance
Record energy prices in Europe, Asia Pacific and US

Benchmark primary commodity prices, US$

Global coal consumption: Demand rises in India and Europe

Million tonnes

Demand H1 2021  China  US  Rest of World  India  Europe  Demand H1 2022

24 February  Russia invades Ukraine
Guess who’s back?
Food and energy prices drive global inflation surge

Inflation drivers across 88 countries

Per cent
“This time last year, the cheapest pasta in my local supermarket was 29p for 500g. Today it’s 70p. That’s a 141 per cent price increase as it hits the poorest and most vulnerable households.”

Jack Monroe
Food writer and social commentator
Food crisis
Concern over food security

Conflict between two of the world’s major grain exporters, Russia and Ukraine, combined with drought and opportunistic trading, has created dangerous conditions in global food markets. Protectionism has increased while over 920 million people face severe hunger and malnutrition.

Food insecurity, scale of population affected combined with imports impacted
The bigger picture

Per cent of food imports impacted

Size of population affected

Afghanistan

Yemen

Mauritania

Madagascar

Uganda

Sudan

Per cent of population

Afghanistan

Yemen

South Sudan

Central African Republic

Democratic Republic of the Congo

Haiti

Somalia

Ethiopia

Mauritania

Madagascar

Uganda

Sudan

Liberia

Chad

Sierra Leone

Burkina Faso

Lesotho

Niger

Zambia

Mali

Senegal

Mozambique

Malawi

Guinea

Burundi

United Republic of Tanzania
The first battle of the post-carbon world?
Lithium reserves in contested zones

Estimated lithium deposits identified by Ukraine’s geological service, 2022
The rationale for Russia’s invasion of Ukraine has many dimensions. Geologists believe Ukraine has significant undeveloped reserves of lithium, a key input for EV batteries and energy storage. Prices surged over 700 per cent between January 2021 and March 2022. They could rise further due to the drive to net zero.
Growth is stuttering in the engine of the world economy. COVID lockdowns, supply chain issues, drought and worries about the financial sector have hit global investor sentiment towards China.
The faltering Chinese growth engine
Outflows as macro shocks hit sentiment

Foreign portfolio flows into Chinese stocks and bonds

US$ billion

Digital winds blow cold
Crypto collapse highlights risk

Value of Terra

US$

1.25

$0.01

Closing price
May 29, 2022

$1.00

Closing price
May 1, 2022
The failure of Terra, a ‘stable coin’ with an algorithmic peg to the US dollar, was likened to “a classic (bank) run” by Federal Reserve Vice Chair Lael Brainard. The slump wiped more than $1 trillion off the value of the world’s 100 largest cryptocurrencies, testing claims they can be useful for diversification and inflation hedging.
Taming the beast
Rate rises in the latest tightening cycle

Over long time periods, inflation tends to be low apart from times of conflict. With inflation elevated, central banks have aggressively hiked rates in the fastest squeeze since the 1990s.

Policy rate moves
Where can investors hide when inflation surges and central bank support is withdrawn? There have been few safe havens in 2022 as equities and bonds have lost ground. Commodities and real assets have been among the rare bright spots.
## In the red: Life after central bank support?

### Few safe havens in 2022

#### Asset class performance

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*US Treasuries - Worst H1 since 1788
S&P 500 - Worst H1 for over five decades*
Seeking shelter
Risk and reward in unlisted infrastructure

Essential characteristics of select sectors, Q1 2021
Quality infrastructure assets with inflation linkage are highly sought after in stormy times, with some – like renewable energy facilities – generating higher returns than expected in 2022. But past studies show assets with direct market exposure, like airports, can be more volatile than many realise.
Both bond and equity markets have been challenged in 2022. Investors looking to rebuild capital might be interested in past studies showing exceptional performance in post-conflict recoveries. As each conflict is unique, there are no direct comparators.

Real equity returns in key markets during and after World Wars

- **World War 1**
  - 1914-1918

- **Post WW1-recovery**
  - 1919-1928

- **World War 2 and aftermath**
  - 1939-1948

- **Post WW2-recovery**
  - 1949-1959
Real equity returns in key markets during and after World Wars

- World
- World ex-US
- US
- UK
- France
- Germany
- Japan

1914-1918 (World War 1)
1919-1928 (Post WW1-recovery)
1939-1948 (World War 2 and aftermath)
1949-1959

Graph showing the comparison of equity returns in various markets during and after World Wars.
Appendix
Sources and notes

10-11 Multiple systemic shocks Aviva Investors, September 2022.

12-13 Spillovers from Russia’s invasion of Ukraine MSCI World Energy Index, data as of August 2022; ‘Primary commodity price system’, IMF, accessed on September 12, 2022; Macrobond, data as of September 12, 2022; ‘Coal market update - July 2022’, IEA, July 2022.

14-15 Guess who’s back? Philip Barrett, ‘How food and energy are driving the global inflation surge’, IMF Blog, September 12, 2022. Jack Monroe, ‘This time last year, the cheapest pasta in my local supermarket...’, Twitter, February 12, 2022. Available at: https://twitter.com/bootstrapcook/status/1492538940850585606

16-17 Food crisis ‘Food export restrictions hurt millions in least developed countries’, UNCTAD, accessed on September 12, 2022.


20-21 The faltering Chinese growth engine ‘Capital flows tracker’, data as of August 31, 2022. © 2020 Institute of International Finance, Inc. All rights reserved.


24-25 Taming the beast Refinitiv Datastream, Aviva Investors, data as of September 12, 2022.


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