



## The Global 2022 report card for equity, currencies and other assets

*The year provided a humbling experience to multi-asset investors who were always bailed out by bonds when equities crashed. The year saw global equities and bonds fall over 10 percent simultaneously, an unprecedented event in the last three decades.*

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Year 2022 was marked by numerous "once-in-a-blue-moon" events — a war between Russia and Ukraine, the biggest conflict in Europe post World War II, consumer price inflation in developed markets at four-to-five-decade-high eclipsing emerging markets, an almost unprecedented pace of synchronised rate hikes by global central banks that decimated the bond markets, currency movements that made the US dollar almost the only winner, and a commodity boom and bust in the same year.

### The Global Equity Markets

This is how the equity markets performed in US dollar terms. The picture isn't pretty.

India was down 4.7 percent in US dollar terms, but was a clear outperformer as we'd predicted at the beginning of the year.

In 2021, it came out of a long period of underperformance, both relative to other markets as well as to its own history, and it was clear that this outperformance would continue for the year.

Sure enough, it ranked Number 10 out of 42 country indices.

Aggregate global markets were down 18.4 percent, the S&P 500 was down 18.1 percent, and the Nasdaq was close to the bottom of the list, with a decline of 32.4 percent.

Many of the outperforming countries were those with a considerable contribution of commodities to their economies and stock indices.

## The other key takeaway

The giant wheel always turns & Recency Bias misleads. Markets that do well in one or two periods or years, often tend to underperform thereafter and vice versa.

The best-performing markets of 2021 like Sri Lanka, Vietnam, Israel, NASDAQ and Taiwan turned out to be the worst-performing markets in 2022. Also, the worst-performing markets of 2021, such as Turkey, Brazil, Chile, and Hong Kong became the best-performing markets of 2022.

This was a point I made when there was a slew of NASDAQ funds at the peak of the market in 2021, but few were willing to listen in those euphoric times.

MAJOR GLOBAL INDICES PERFORMANCE*						
2022 Rank	Indices	Country	Region	2022 (%)	2021 (%)	2021 Rank
1	BIST 100 INDEX	Turkey	Emerging	117.4%	-26.6%	42
2	S&P/CLX IPSA (CLP) TR	Chile	Emerging	22.9%	-14.0%	39
3	BRAZIL IBOVESPA INDEX	Brazil	Emerging	10.1%	-18.1%	41
4	Straits Times Index STI	Singapore	Developed	9.1%	11.3%	25
5	DFM GENERAL INDEX	UAE	Emerging	8.2%	32.1%	5
6	STOCK EXCH OF THAI INDEX	Thailand	Emerging	-0.4%	5.8%	31
7	S&P/BMV IPC	Mexico	Emerging	-1.1%	20.9%	12
8	JAKARTA COMPOSITE INDEX	Indonesia	Emerging	-1.6%	10.7%	26
9	FTSE/JSE AFRICA ALL SHR	South Africa	Emerging	-2.8%	19.1%	16
10	S&P BSE SENSEX INDEX	India	Emerging	-4.7%	20.8%	13
11	OMX COPENHAGEN 20 INDEX	Denmark	Developed	-4.9%	18.8%	17
12	TADAWUL ALL SHARE INDEX	Saudi Arabia	Emerging	-5.1%	33.1%	4
13	S&P/ASX 200 INDEX	Australia	Developed	-5.8%	12.2%	24
14	FTSE Bursa Malaysia KLCI	Malaysia	Emerging	-6.2%	-3.0%	33
15	FTSE 100 INDEX	United Kingdom	Developed	-6.5%	17.4%	19
16	IBEX 35 INDEX	Spain	Developed	-7.3%	2.3%	32
17	S&P/TSX COMPOSITE INDEX	Canada	Developed	-11.9%	26.3%	9
18	CAC 40 INDEX	France	Developed	-12.2%	22.8%	10
19	HANG SENG INDEX	Hong Kong	Developed	-12.6%	-12.3%	38
20	PSEI - PHILIPPINE SE IDX	Philippines	Emerging	-13.7%	-4.5%	36
21	FTSE MIB INDEX	Italy	Developed	-14.2%	16.8%	20
22	OMX HELSINKI 25 INDEX	Finland	Emerging	-14.8%	16.3%	21
23	SWISS MARKET INDEX	Switzerland	Developed	-15.0%	19.5%	15
24	AEX-Index	Netherlands	Developed	-16.7%	21.5%	11
25	BEL 20 INDEX	Belgium	Developed	-16.7%	13.5%	22
26	DAX INDEX	Germany	Developed	-17.0%	6.6%	30
27	S&P 500 INDEX	United States	Developed	-18.1%	28.7%	7
28	S&P/NZX 50 Index Gross	New Zealand	Developed	-18.4%	-5.1%	37
29	All Country World Index	Global	Global	-18.4%	18.5%	18
30	MSCI COLCAP INDEX	Colombia	Emerging	-18.4%	-14.6%	40
31	NIKKEI 225	Japan	Developed	-18.6%	-4.4%	35
32	EGX 30 INDEX	Egypt	Emerging	-18.9%	13.0%	23
33	SHANGHAI SE COMPOSITE	China	Emerging	-19.7%	9.9%	28
34	TA-35 Index	Israel	Developed	-19.7%	36.4%	3
35	WIG 20	Poland	Emerging	-24.1%	7.2%	29
36	OMX STOCKHOLM 30 INDEX	Sweden	Developed	-24.3%	20.1%	14
37	BUDAPEST STOCK EXCH INDX	Hungary	Emerging	-24.4%	10.0%	27
38	TAIWAN TAIEX INDEX	Taiwan	Emerging	-26.9%	28.9%	6
39	KOSPI INDEX	South Korea	Emerging	-28.7%	-3.5%	34
40	NASDAQ-100 INDEX	United States	Developed	-32.4%	27.5%	8
41	HO CHI MINH STOCK INDEX	Vietnam	Emerging	-34.1%	39.0%	2
42	SRI LANKA COLOMBO ALL SH	Sri Lanka	Emerging	-60.3%	70.9%	1

\*As of 30th December 2022;

All returns in US Dollars

Source: Bloomberg



## Global currency moves

Currency and asset market tables make it clear that the smartest investment decision at the beginning of 2022 would've been to keep your money in greenbacks or a US dollar current account!

The US dollar ruled during 2022, appreciating over every major currency. However, it gave up some of its gains in the last quarter as the Euro, and Yen, among others, regained some of their lost gloss.

While the US dollar had its best year since 2015, rising 8.2 percent, the real winners were Latin American currencies (especially, Brazilian and Mexican), which gave a total return (including interest) of 15-19 percent in 2022. Towards the end of the year, the Bank of Japan widened the trading band on the 10-year government bonds, which sparked a huge pent-up rally in the yen, allowing it to cut its losses from as much as 30 percent to just 12 percent on the year.

-The Indian rupee was down 10 percent plus. Not surprising for us as I had been predicting this from the end of 2021, at a time when almost no one else had even focused on currency as a relevant variable. The writing was on the wall as the Reserve Bank of India (RBI) started its rate-hike cycle several quarters after many other emerging markets did. As I had predicted when the rupee was 74-75 to the dollar that 2022 will be when it would crack its range of 73-75.5 where it had been for the last few years. It played out exactly that way.

### 2022 PERFORMANCE OF MAJOR GLOBAL CURRENCIES Vs THE US DOLLAR

Currency Name	Category	Return
Argentine Peso	Emerging	-42.0%
Turkish Lira	Emerging	-28.9%
Colombian Peso	Emerging	-15.9%
Swedish Krona	Developed	-13.2%
Hungarian Forint	Emerging	-13.1%
Japanese Yen	Developed	-12.2%
British Pound	Developed	-10.7%
Indian Rupee	Emerging	-10.2%
Norwegian Krone	Developed	-10.1%
Taiwanese Dollar	Emerging	-9.9%
Indonesian Rupiah	Emerging	-8.5%
Chinese Renminbi	Emerging	-7.9%
Polish Zloty	Emerging	-7.8%
New Zealand Dollar	Developed	-7.0%
Canadian Dollar	Developed	-6.8%
South African Rand	Emerging	-6.5%
Australian Dollar	Developed	-6.2%
South Korean Won	Emerging	-6.1%
Danish Krone	Developed	-5.9%
Euro	Developed	-5.9%
Malaysian Ringgit	Emerging	-5.4%
Czech Koruna	Emerging	-3.0%
Swiss Franc	Developed	-1.3%
Hong Kong Dollar	Developed	-0.1%
Chilean Peso	Emerging	0.1%
Singapore Dollar	Developed	0.7%
Russian Ruble	Emerging	1.3%
Peruvian Sol	Emerging	5.1%
Mexican Peso	Emerging	5.3%
Brazilian Real	Emerging	5.6%





## The All-Asset Picture

These turbulent times provided a humbling experience to multi-asset investors who have always been bailed out by bonds when equities crashed. Overall, the asset markets were a sea a red — almost the only exception being energy and some agricultural commodities.

In 2022, global equities and bonds witnessed a more than 10 percent decline simultaneously, which was unprecedented in the last three decades.

Contrary to conventional wisdom, "cash was not trash" during this latest spurt of high inflation. The 'There Is No Alternative' (to equities/risk assets) or the TINA phenomenon, which was the characteristic of the markets due to years of declining interest rates (till they were even negative in several countries), is now no longer the case, as US treasury yields, the safest investment option out there, have seen dramatic surge, from less than 1 percent to more than 4 percent over the last one year.

Within equities, Latin American stocks held their ground (-1 percent) due to their resource-rich nature and the fact that the central banks of Emerging Markets were ahead of the curve relative to central banks of Developed Markets when it came to the rate-hike cycle.

Meanwhile, European equities wiped out the entire war risk premia and outperformed the US markets by about 1 percentage point by the year end, despite the tremendous rally in the US dollar (+8.2 percent).

Global bonds plunged 16 percent, their worst performance in decades, as inflation rocketed to unexpected levels, real yields (nominal yields minus expected inflation) rose amidst aggressive interest rate increases, and credit spreads widened, along with tepid risk sentiment and drying liquidity. Cash was king.

Looking at commodities, only energy managed to remain in the green for the calendar year, along with a few agricultural commodities.

Both precious and industrial metals gave up all gains after a great first half.

In FX, the theme was marked by a race to the top (in rate hikes) by central banks across the world, as a depreciating currency was bound to add fuel to the inflation fire.

In terms of synchronised bad news across asset classes, 2022 was among the worst years ever. As the wheel turns once again, there should be better days ahead.

	2022	2021
<b>Equities</b>		
S&P 500	-18.2%	28.7%
MSCI ACWI	-18.4%	18.7%
Core MSCI International Developed Markets	-15.0%	13.0%
MSCI Eurozone	-17.3%	13.9%
MSCI Emerging Markets	-20.6%	-3.6%
EM ex-China	-19.6%	8.5%
Bloomberg Latin America Index	-1.3%	-14.9%
MSCI Asia ex-Japan	-21.5%	-6.4%
MSCI China	-22.8%	-21.7%
MSCI India	-8.9%	21.4%
MSCI Frontier and Select EM	-24.4%	24.4%
<b>Bonds</b>		
Bloomberg Global Aggregate	-16.2%	-4.7%
Bloomberg Pan European Aggregate	-18.9%	-2.1%
Bloomberg Global High Yield	-12.7%	1.0%
Bloomberg Pan European High Yield	-11.1%	4.2%
Bloomberg EM USD Aggregate	-15.3%	-1.7%
VanEck EM High Yield ETF	-13.4%	-1.3%

REITs		
Vanguard US REITs ETF	-26.2%	40.5%
Vanguard Global ex-US REITs ETF	-22.9%	5.9%
S&P Global REIT	-23.6%	32.5%
Commodities (Total Return)		
Bloomberg Commodity Index	16.1%	27.1%
Bloomberg Energy Subindex	36.2%	52.1%
Bloomberg Industrial Metals Subindex	-2.4%	30.3%
Bloomberg Precious Metals Subindex	0.1%	-6.1%
Bloomberg Agriculture Subindex	15.6%	26.7%
Bloomberg Livestock Subindex	7.4%	8.6%
Major Currencies (Total Return) vs US Dollar (USD)		
US Dollar <u>Spot</u> Index (DXY)	8.2%	6.4%
JP Morgan EMFX <u>Spot</u> Index	-5.1%	-9.2%
Euro (EUR)	-5.5%	-7.4%
British Pound (GBP)	-8.9%	-0.9%
Japanese Yen (JPY)	-12.3%	-10.4%
Australian Dollar (AUD)	-4.6%	-5.6%
New Zealand Dollar (NZD)	-4.5%	-4.6%
Canadian Dollar (CAD)	-4.5%	0.9%
Swiss Franc (CHF)	-1.4%	-3.7%
Norwegian Krone (NOK)	-8.3%	-2.3%
Swedish Krona (SEK)	-12.3%	-9.2%
Danish Krone (DKK)	-5.5%	-7.3%
Indian Rupee (INR)	-4.7%	3.0%
Chinese Renminbi (CNH)	-5.1%	5.9%
Singapore Dollar (SGD)	2.8%	-1.6%
Taiwanese Dollar (TWD)	-9.1%	2.7%
South Korean Won (KRW)	-4.2%	-8.3%
Mexican Peso (MXN)	15.4%	1.9%
Brazilian Real (BRL)	19.5%	-2.0%
South African Rand (ZAR)	-0.5%	-3.3%

Source: Bloomberg



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