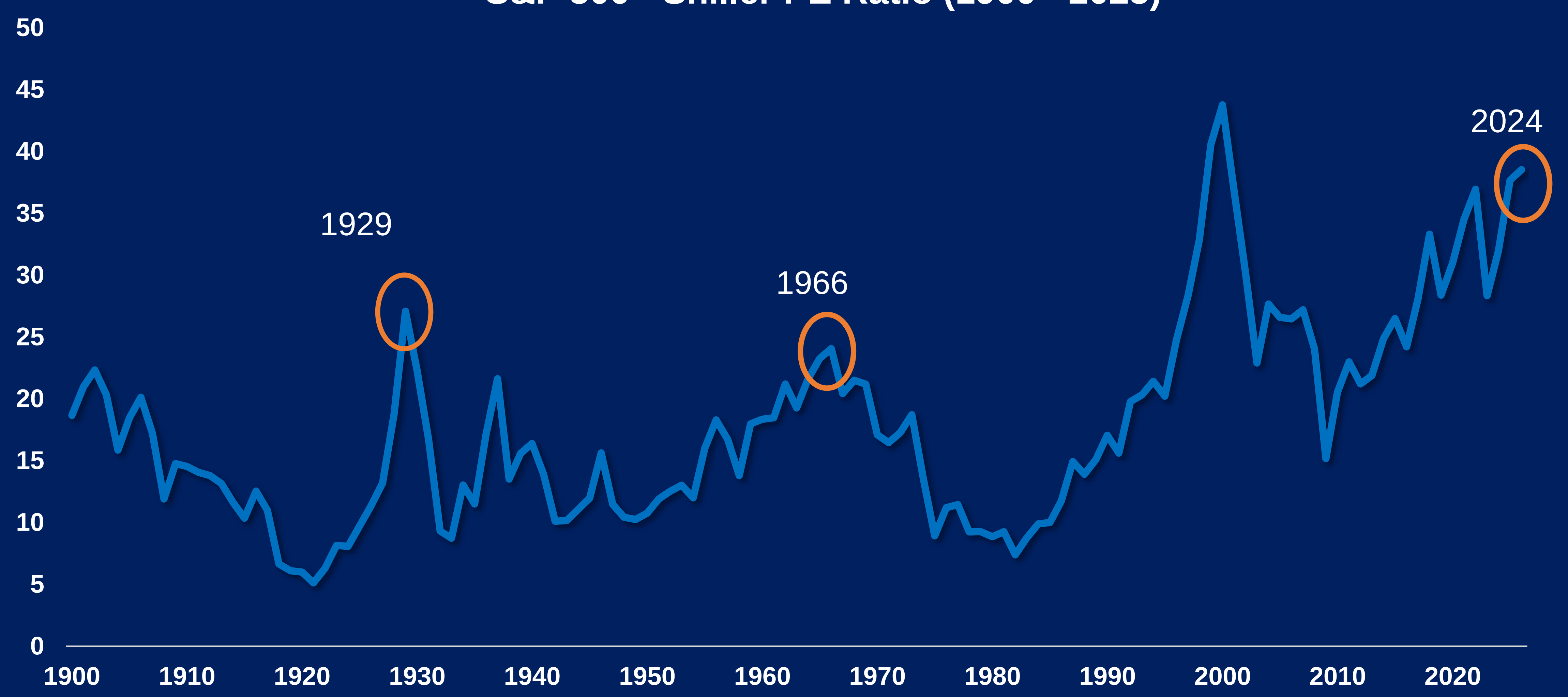
Rubrics Fixed Income Macro View

Sins of the Past

Today's political landscape bears striking similarities to the turbulent politics of the 1930s, while economic challenges echo those of the 1970s. However, the root causes of these issues did not originate in the '30s and '70s but rather in the preceding decades — the 1920s and 1960s. History has shown us that the only way to avoid repeating the sins of the past is to examine those periods and ensure we are not repeating the same mistakes

S&P 500 - Shiller PE Ratio (1900 - 2025)



Source: multpl.com

Lesson 1: Thou Shalt not Ignore Asset Prices -

Excessively loose financial conditions leads to high leverage, rampant speculation and an unstable economy

Lesson 2: Prevention is Better than Cure –

Once a crisis hits there are no easy solutions. Tight monetary policies, as seen in the 1930s, can deepen economic downturns while excessively loose conditions, as in the 1970s, can lead to inflationary crises

Rubrics Fixed Income Macro View

Stability Breeds Instability

The 1920s and 1960s were seen as periods of significant progress, but they were also marked by market excesses. To avoid the economic and political turmoil of those "lost decades," it was crucial to address and prevent the largesse of the preceding decades. History, however, shows that we failed to learn those lessons and as a result the 2010s fostered conditions that allowed the same troubling political and economic patterns to resurface.

	Boom Years			Payback Years		
	Roaring 20s	Swinging 60s	FOMO 10s	1930s	1970s	Avg of 30s & 70s
Stock Market Return	8.8%	7.8%	13.4%	-4.9%	5.2%	0.2%
Shiller CAPE*	32.6	24.1	33.3	4.8	8.3	6.5
Stock Market Volatility	18.1%	13.5%	14.8%	36.5%	17.1%	26.8%
Avg Inflation	0%	1.4%	2.3%	-2.1%	7.1%	3.0%
Gini Coefficient*	49	39	41	37.6	29.8	33.7
Unemployment**	1.9%	3.4%	5.5%	18.3%	8.9%	13.6%
Avg 10 Yr Treasury Yield	3.3%	4.7%	2.4%	2.9%	7.6%	5.3%
Avg Growth Rate	4.2%	4.5%	2.3%	-1.1%	3.2%	1.1%

Source: Bloomberg as at 30/04/25

*High in Boom Years, Low in Payback Years

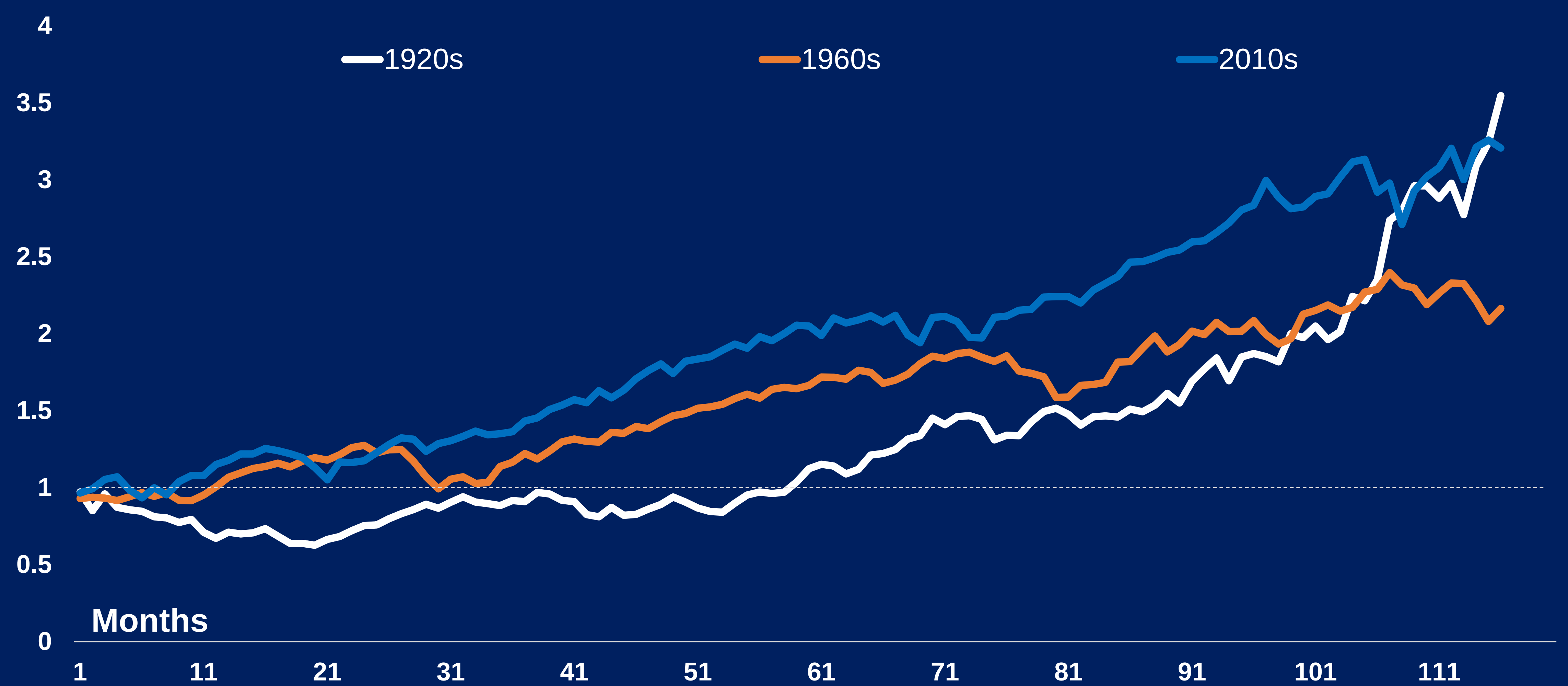
** Low in Boom Years, High in Payback Years

Rubrics Fixed Income Macro View

Stability Breeds Instability

Bullish decades for stock markets .....

Equity Market Performance in Boom Years*

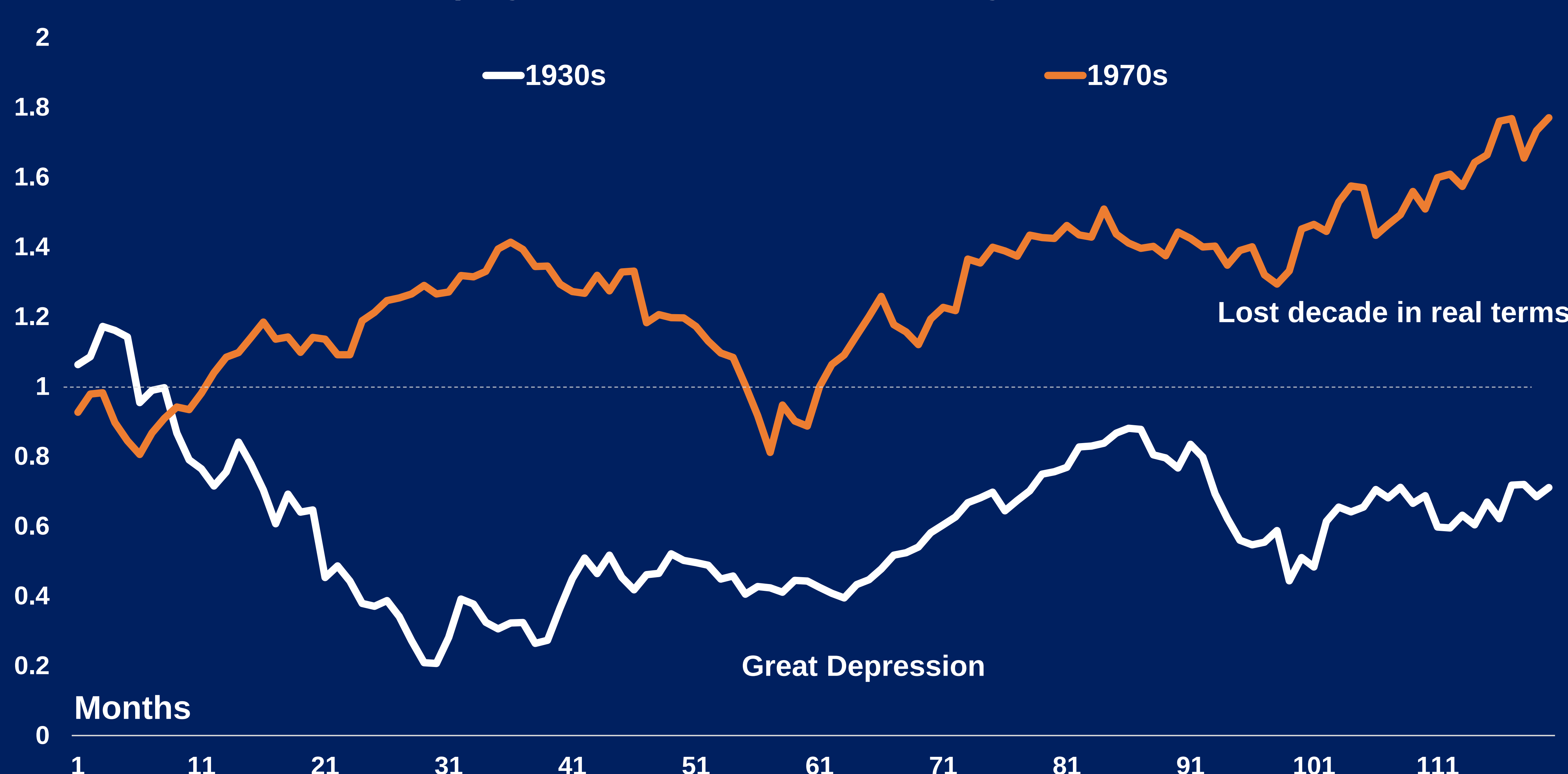


*1920s reflects the performance of the Dow Jones Industrial Avg. Other periods shown reflect the performance of the S&P 500. Data shown excludes the last 4 months of each decade,

Source: Bloomberg as at 30/04/25

......followed by “lost decades” either in real and/or nominal terms

Equity Market Performance in Payback Years



Source: Bloomberg as at 30/04/25

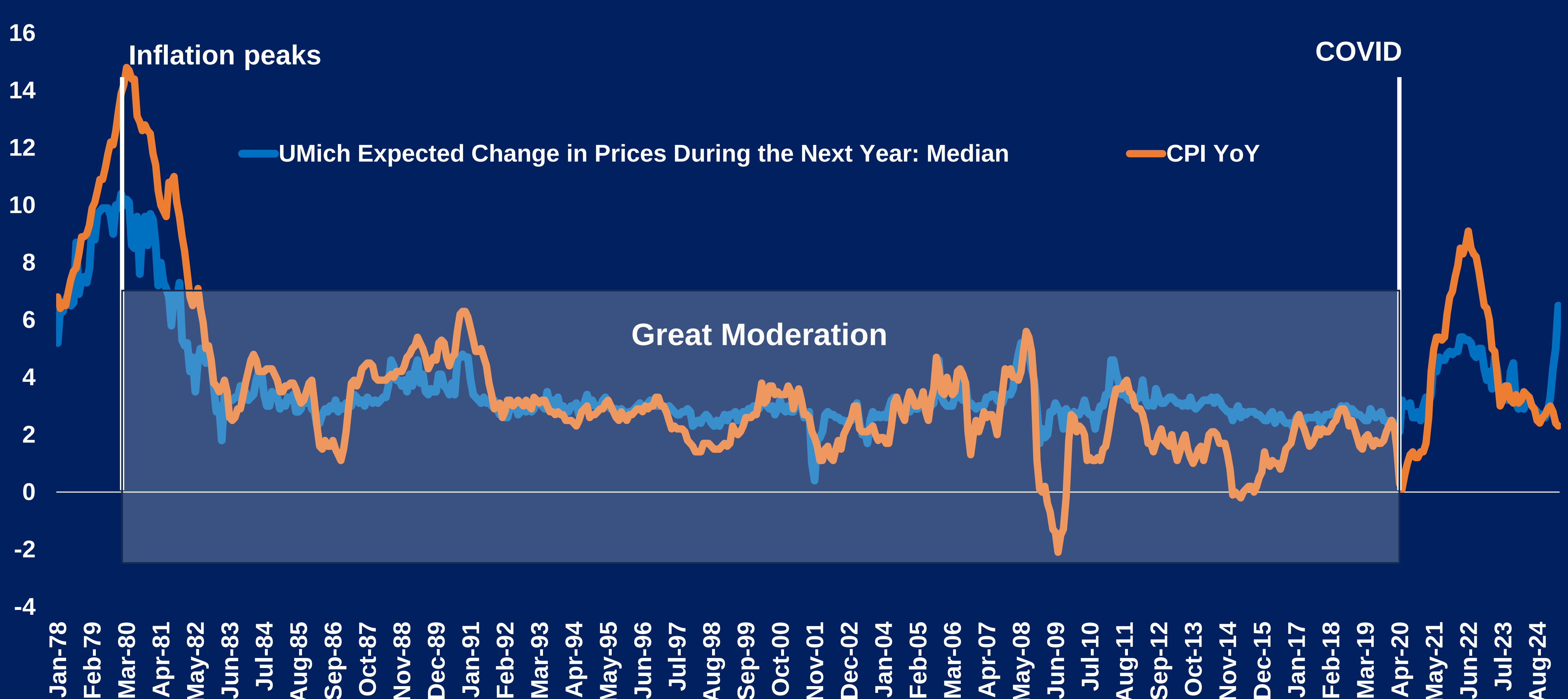
Rubrics Fixed Income Macro View

Today's Problem - Politics of the 30s with the Economics of the 70s

When comparing today's challenges to those of the so-called 'lost decade,' striking parallels emerge. We are witnessing a resurgence of the extreme political polarization reminiscent of the 1930s, alongside inflationary pressures that echo the economic turmoil of the 1970s. Today's 'America First' rhetoric mirrors Lindbergh's isolationist stance of the 1930s, while the current supply-side constraints and growing labour unrest strongly resemble the discontent and economic strain of the 1970s. Today's challenges are considerable, particularly from an economic standpoint:

Headwinds to Prosperity	Impact
De-globalisation	Trade barriers including capital and labour
Aging Demographics	Demographics = economic destiny
Extreme Debt Levels	Debt = future consumption denied
Asset Prices	Wealth effects counter productive
Technology	Potential societal upheaval

Long Term Inflation vs Expectations



Source: Bloomberg as at 30/04/25

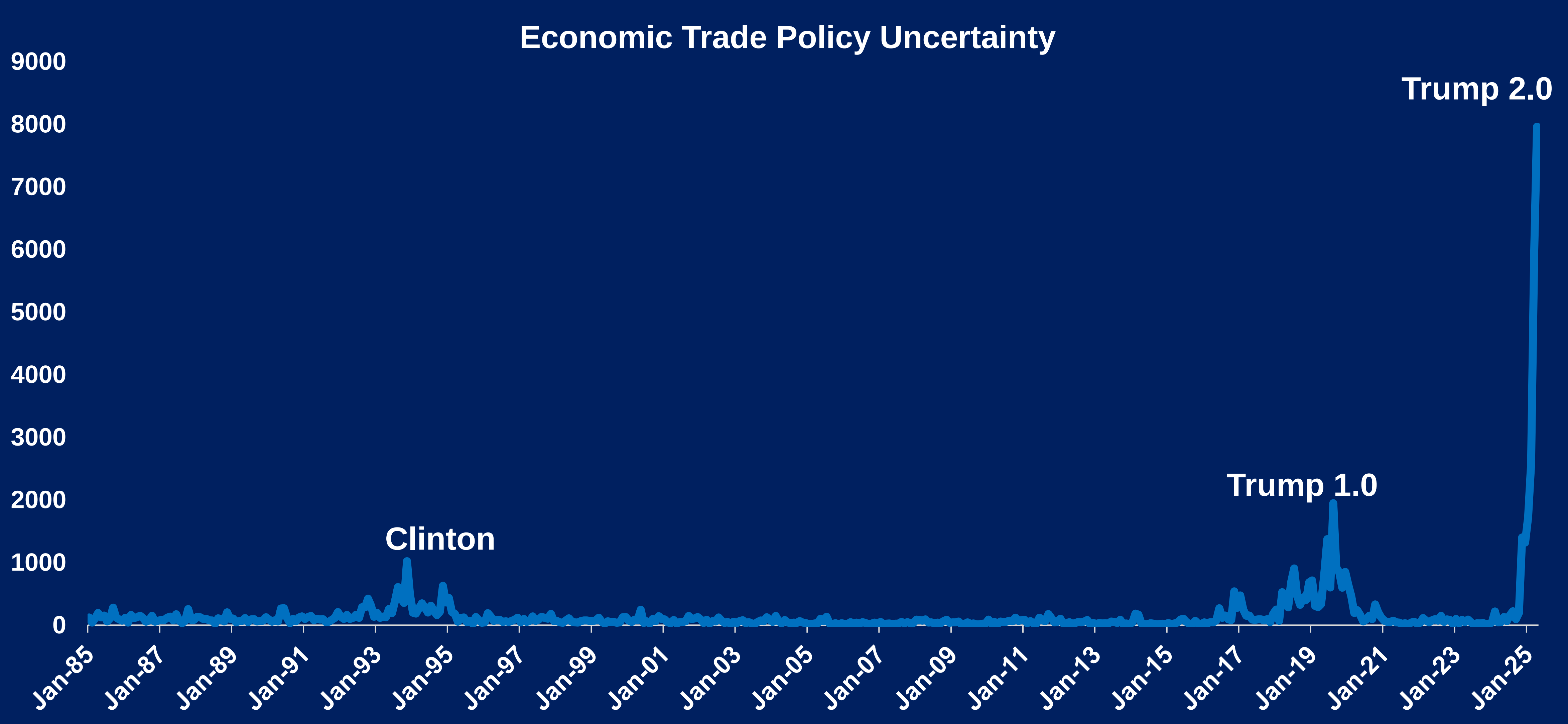
Rubrics Fixed Income Macro View

Economics is a Political Science

History consistently shows that economic and political populism does not succeed. The more we divide ourselves, the more likely we are to choose bad solutions. There is no example in human history where a totalitarian regime has endured due to economic success — these regimes inevitably end in economic collapse. When societies turn away from facts, science, and democracy — as Churchill said, 'Democracy is the worst form of government, except for all the others' — they ultimately lose.

What can we learn from the solutions to the crises of the 1930s and 1970s?

- **The solution to the 1930s crisis was not the New Deal alone, but the post-WWII establishment of liberal democracy and a rules-based international order led by the United States.**
- **The solution to the 1970s crisis was not just Paul Volcker's monetary tightening, but the broader adoption of neoliberal economic policies and the eventual resolution of the Cold War.**



Source: Bloomberg as at 30/04/25

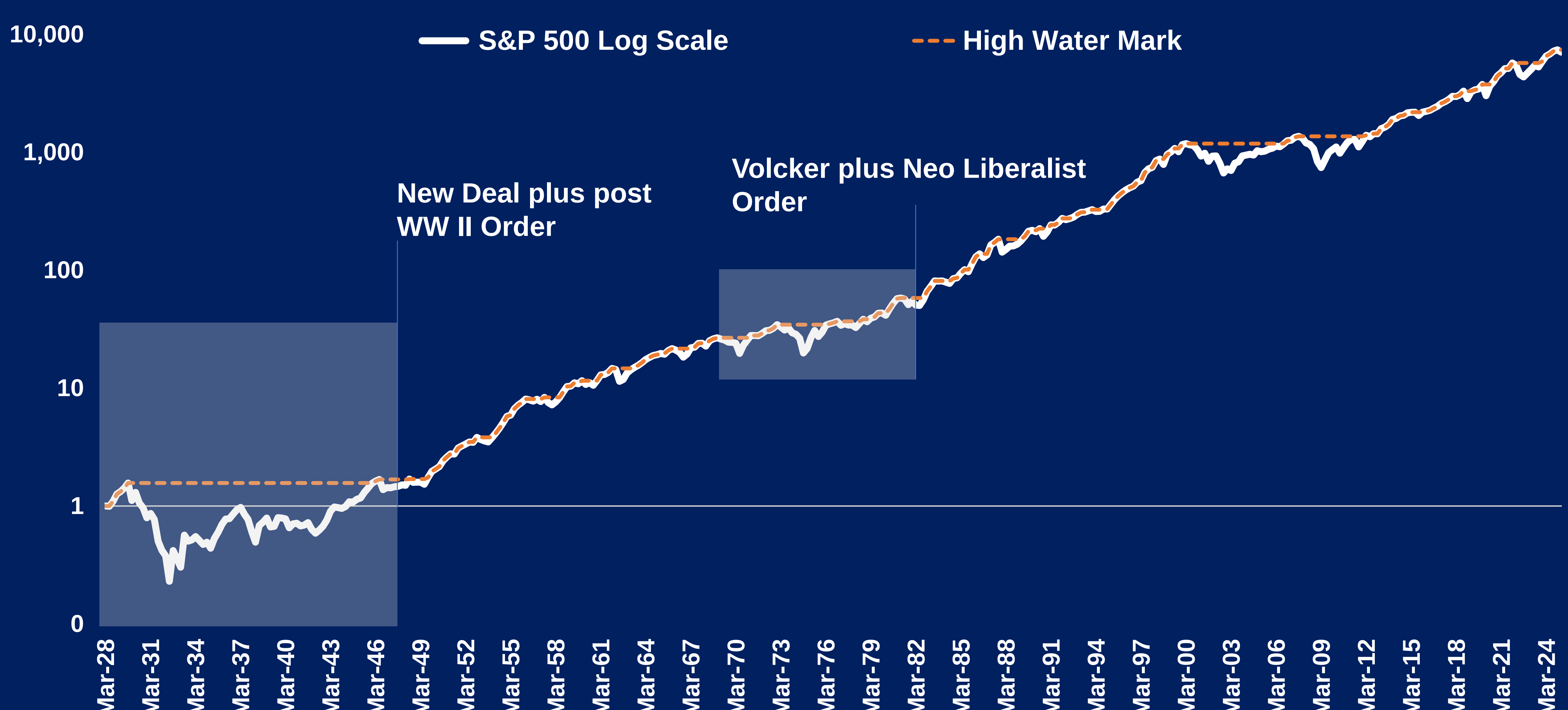
Rubrics Fixed Income Macro View

Economics is a Political Science

Today, we are witnessing the political fallout of from a decade plus of extreme monetary and fiscal stimulus. Across the political spectrum, parties that embraced these 'easy' solutions have seen declining voter support. Just as the post-GFC stock market boom fuelled political disillusionment — much like the aftermath of the 1920s boom — rising inequality cannot be the answer. History teaches us that real political solutions often emerge from crises - only then do we find the space for meaningful economic reform.

Periods of economic growth characterized by an equitable distribution of benefits tend to be more stable and enduring than those marked by significant inequality. The 1920s and 1960s serve as illustrative examples, where rising economic disparity was accompanied by increasing social discontent, ultimately leading to severe economic and political consequences. Despite the clear lessons these episodes offer, similar patterns of inequality and policy missteps were repeated in the aftermath of the Global Financial Crisis (GFC). This raises a critical question: how severe must the next crisis be before meaningful efforts are made to pursue more inclusive and sustainable economic solutions?

S&P 500 (1927 - 2025)



Source: Bloomberg as at 30/04/25 **Past Performance is not Indicative of Future Returns**

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