



# Investing for a 2023 recession

## Rising Recession Risks Point to 'Max Cash' Allocation

### AUTHORS:

**David Bowers**

+44(0) 7073 0733

David.Bowers@absolute-strategy.com

**Zahra Ward-Murphy**

+44(0) 7073 0743

Zahra.Ward-Murphy@absolute-strategy.com

**ASR Research Team**

+44(0) 7073 0730

info@absolute-strategy.com

[Asset Allocation Table](#)

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### Markets complacent despite deteriorating outlook

Equities have gained over the past three months, while bond yields are little changed. Yet we have increased conviction that we will see a global recession in 2023, that unemployment will rise, and that earnings will contract by up to 20%.

### We move to 'max underweight' equities; 'max overweight' cash

There's also a growing risk that policymakers overtighten, exposing unsustainable capital structures. We have cut our exposure to equities and trimmed our exposure to real assets. The offset is a significant increase in our allocation to cash.

### Hawkish CBs suggest it is too early to go more overweight bonds

Central banks could keep real yields under upward pressure until year end. But this may set bonds up for a meaningful rally in 2023 as recession bites and negative output gaps re-emerge, causing monetary authorities to pivot.

### RELATED RESEARCH:

[Economic Forecast Update: 3](#)

[Big Problems for the Global](#)

[Economy](#), 6<sup>th</sup> Sep'22

[ASR Investment Committee](#)

[Briefing](#), 1<sup>st</sup> Sep'22

[Funky Correlations & Missing](#)

[Links #8](#), 28<sup>th</sup> Jul'22

[AA Quarterly: Getting More](#)

[Defensive as Recession Risks](#)

[Rise](#), 16<sup>th</sup> Jun'22

### ASR Global Asset Allocation Summary - Current Views and Changes\*

Sep-22		LATEST CHANGE OF VIEW	ASSET ALLOCATION (12 Months)	WEIGHT	
				UNDERWEIGHT	OVERWEIGHT
MAIN ASSET CLASSES	EQUITIES	▼	UNDERWEIGHT		
	CORE FIXED INCOME		OVERWEIGHT		
	EXTENDED FIXED INCOME		UNDERWEIGHT		
	REAL ASSETS	▼	OVERWEIGHT		
	CASH (US T-Bills)	▲	OVERWEIGHT		

\*Changes since 16<sup>th</sup> June 2022

Source: ASR Ltd.