

General Session

Ready for Reflation



Timothy Rudderow

Chief Executive Officer & Chief Investment Officer

Mount Lucas



MT LUCAS

TEXAS ASSOCIATION
OF PUBLIC EMPLOYEES
RETIREMENT SYSTEMS

READY FOR REFLATION?

Mount Lucas Management LP

- 1986 - Co-founded by Frank Vannerson and Tim Rudderow
- 1988 - Created first passive alternative beta benchmark, The MLM Index™
- 1996 – Established flagship Global Macro Strategy, MLM Macro - Peak

Tim Rudderow, CEO & CIO

- B.A. in Mathematics from Rutgers University and
- M.B.A in Management Analysis from Drexel University
- Specialty in design and management of technical trading systems applied to futures, equity, and fixed income markets.
- 39 Years of Macro trading experience

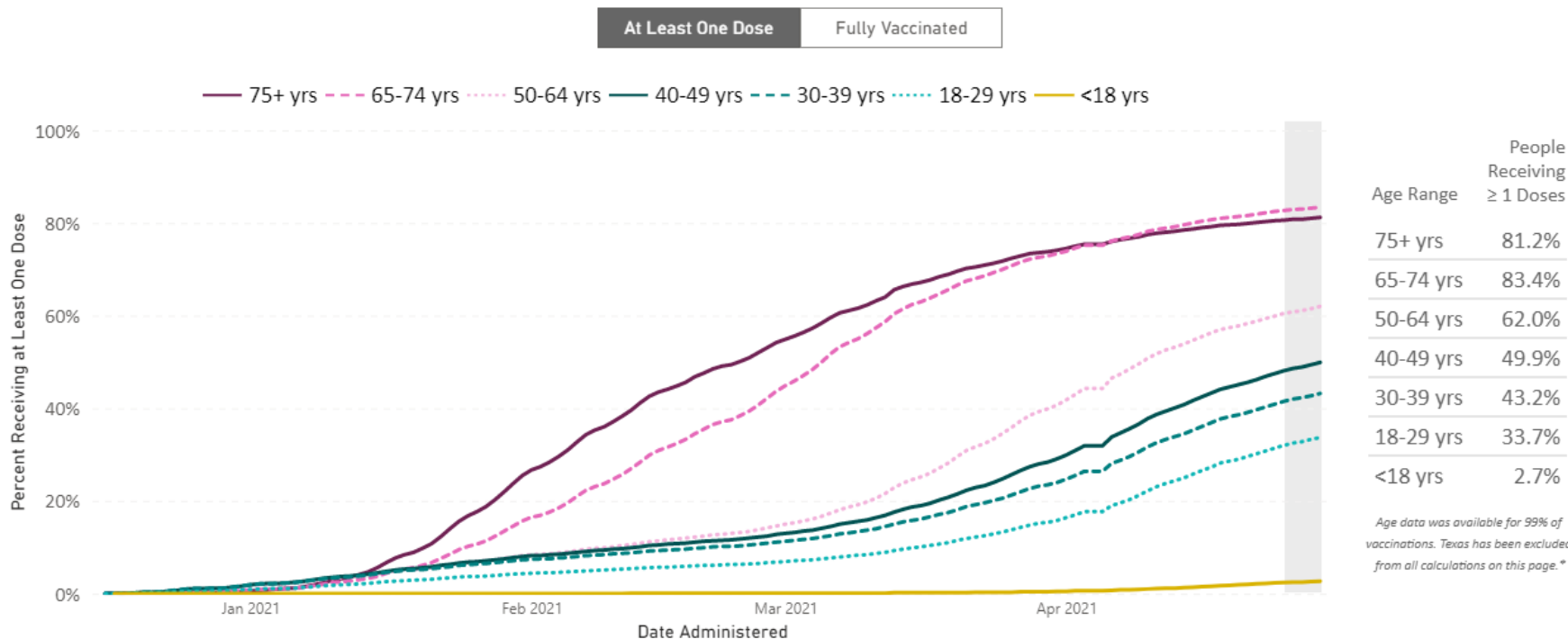




Source: fred.stlouisfed.org

Percent of People Receiving at Least One Dose of any COVID-19 Vaccine by Age Group and Date Administered, United States

December 14, 2020 – April 29, 2021

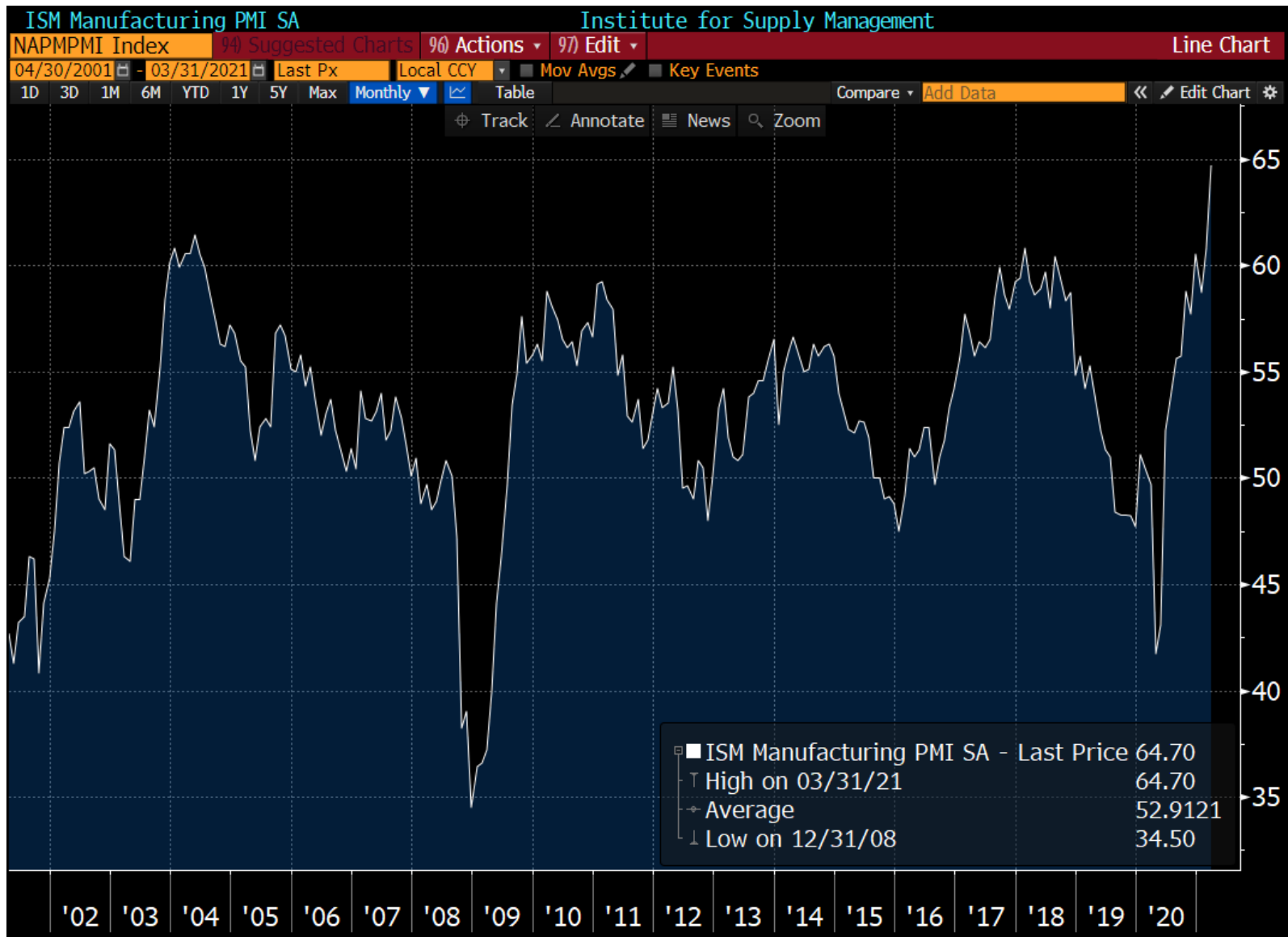


People receiving at least one dose; total count represents the total number of people who received at least one dose of COVID-19 vaccine. Due to the time between vaccine administration and when reported to CDC, vaccinations administered during the last 5 days may not yet be reported. This reporting lag is represented by the gray, shaded box.

Last Updated: April 29, 2021

Data source: VTricks, IIS, Federal Pharmacy Program, Federal Entities Program, U.S. Census Bureau 10-year July 2019 National Population Estimates; Visualization: CDC CPR DEO Situational Awareness Public Health Scientist Team

Source: <https://covid.cdc.gov/covid-data-tracker/#vaccination-demographics-trends>

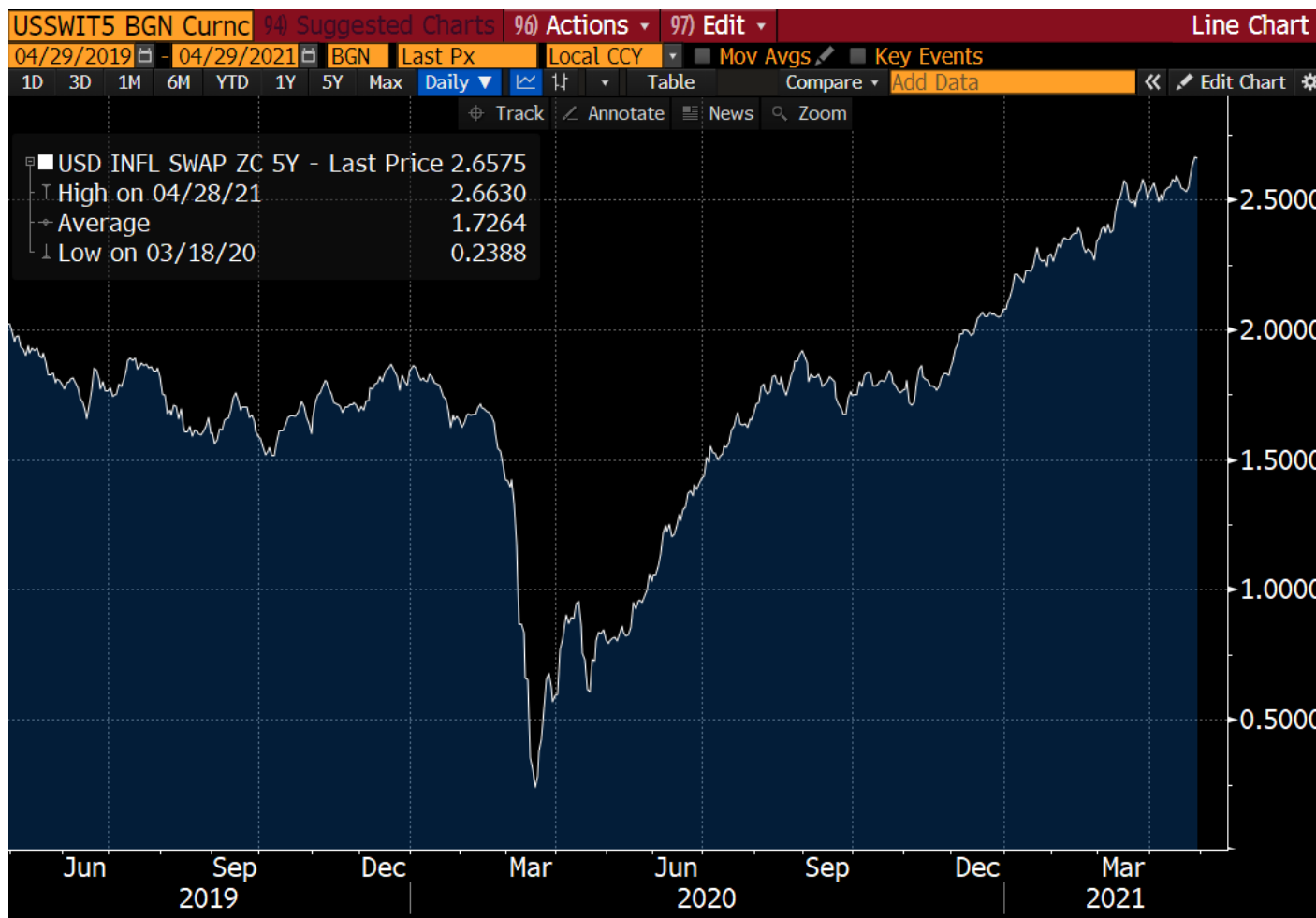


Source: Bloomberg

Possible Outcomes

- Higher than expected growth, both here and abroad
- Rotation into Value Stocks
- Fall in bond prices with rising inflation expectations (tough on “bond-like” stocks)
- Higher commodity prices
- Weaker dollar
- Better bond environment in time

Fall in bond prices with rising inflation expectations (tough on “bond-like” stocks)

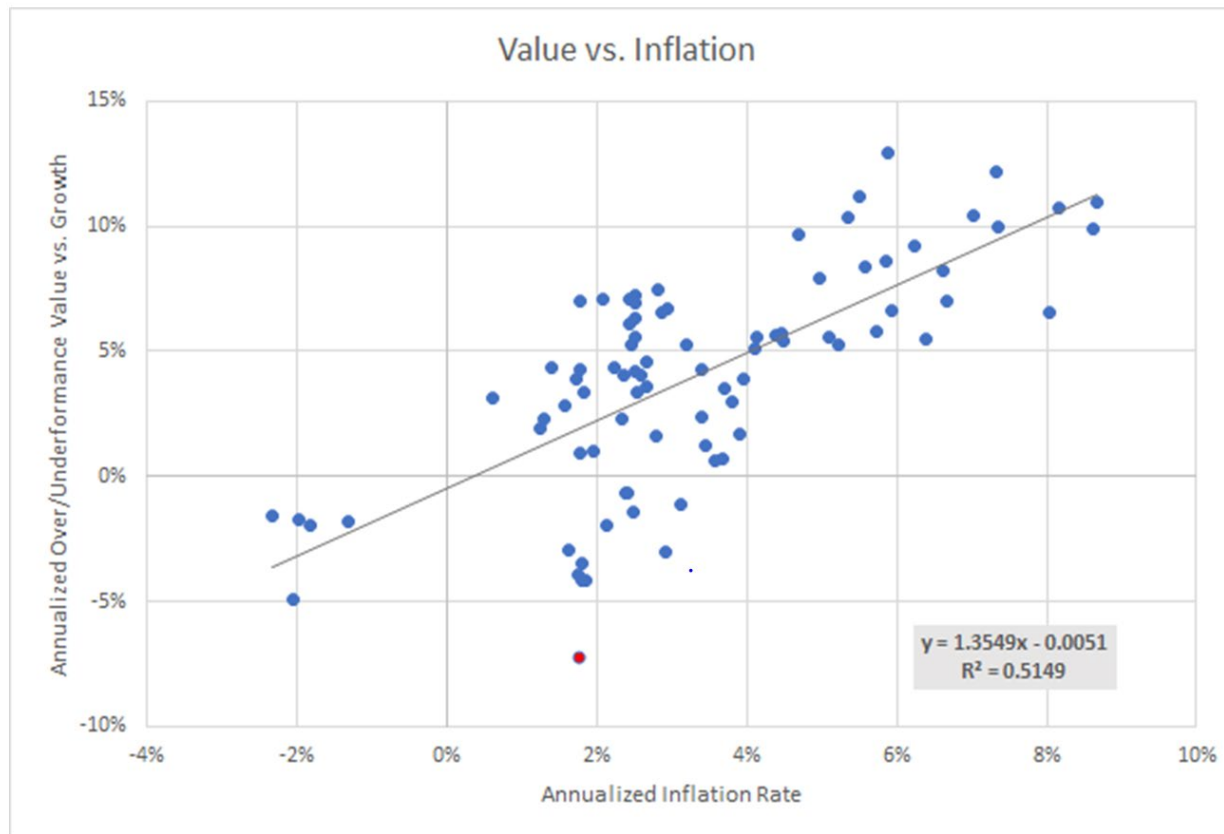


5 Year Inflation Swap

Source: Bloomberg

Value Stocks

- Spread between value and growth at historic highs
- Reflated pricing power favors value stocks



Source: Bureau of Labor Statistics: (<https://www.bls.gov/cpi/tables/supplemental-files/historical-cpi-u-202012.pdf>)

Bonds May Fall in this Cycle

- End of a huge bull market in bonds
- Managed futures is one of the few asset classes that can be short bonds.



Source: Mount Lucas

Commodity Prices are on the Rise

Corn



Source: Mount Lucas

Commodity Prices are on the Rise

Copper



Source: Mount Lucas

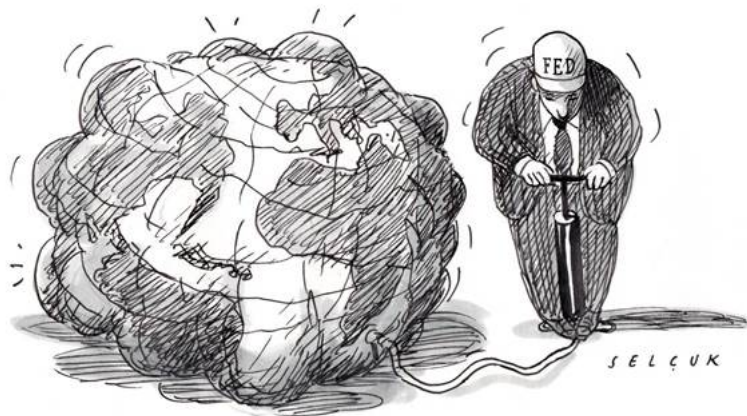
Will the Dollar Weaken?

- Toughest call – certainly the consensus view. Growth outside the US may drive the dollar lower
- Trend recently for weaker dollar



Source: Mount Lucas

REFLATION!



- Next few months of inflation numbers will be hot. Hard to think the reflation trade melts before then
- Strong growth in the cards as pent-up demand meets declining virus
- Growth to value rotation for now
- Strong commodity demand in a low inventory world.
- Better bond world coming

Image source: <https://latest.13d.com/which-markets-are-telling-the-real-truth-regarding-reflation-and-market-expectations-442027442fbd>

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MOUNT LUCAS MANAGEMENT LP

405 South State Street
Newtown, PA 18940

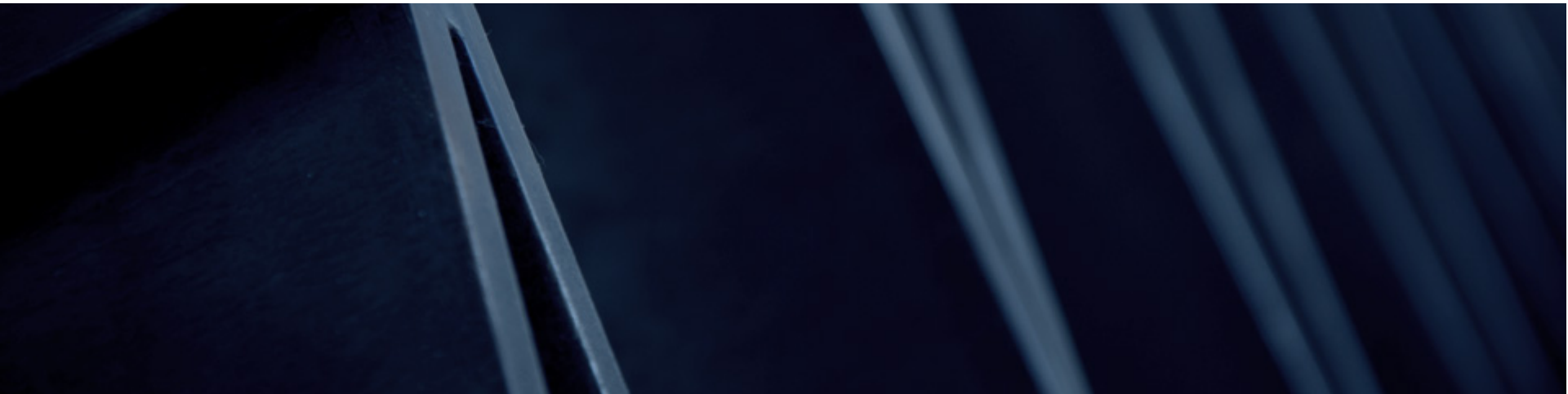
800-545-0071

clientservice@mtlucas.com

www.mtlucas.com

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Questions?





Networking Break

**Return promptly at
10:30 a.m.**