



The Rise of Macro Investing

One of the more apparent trends in recent years has been the surge in demand for macro investing approaches. Although this appears to have been borne out of the financial crisis it's been in the making well before 2008. And it's not going away.

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Macro Trends Become More Pervasive

The 2008 financial crisis resulted in a surge in global asset class correlations. In 2008 the CBOE's implied correlation index surged from 40% to 85% as the entire global economy sank into recession. This meant that many micro investment strategies broke down and macro policies and understandings ruled the day. That environment has persisted through much of the last few years, but has waned to some degree in 2012. This has led some to argue that the age of macro is ending almost as quickly as it began. I don't believe this is accurate. In fact, I believe the age of macro has been long in the making and is still quite young.

2 Huge Trends Driving the Growth of Macro Investing

The rise of macro investing is not merely a blip on the radar. Its origin has roots in enormously powerful long-term globalization trends that are currently in the process of changing the way the global investment landscape will look forever. These trends include:

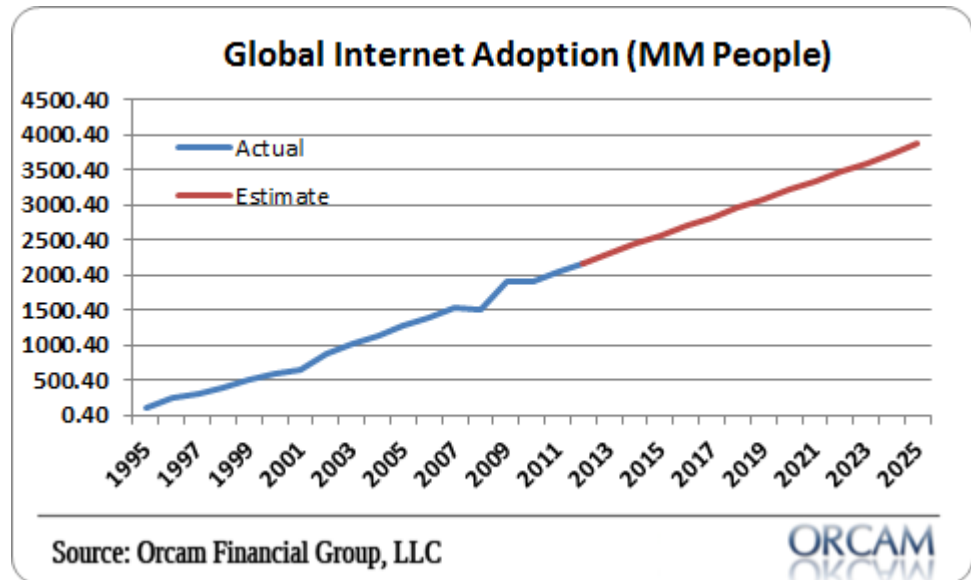
- Technological advancements.
- Convergence of developed & emerging economies.

**Long story short—
The Rise of Macro
Investing is Only
Just beginning....**

Technological Advancements

The world is becoming an increasingly tiny place. And if there is any single trend driving this it is huge advancements in technology. The primary driver of this trend has been the introduction of the computer and the internet which has given corporations and individuals access to efficiencies and new business opportunities.

The growth of the internet has altered the way the world works and this trend is still in its early stages. Today, just 2.3 billion people are internet users in a world of over 7 billion people. That means just 32% of the world is currently accessing the internet.



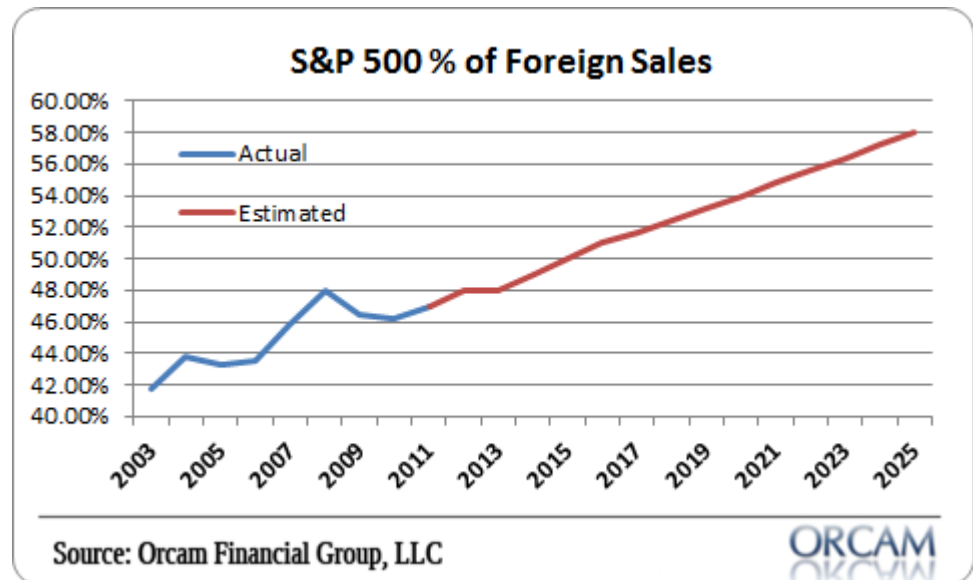
Since 1995 the internet has expanded from a near zero user base to the current levels. As businesses expand and technological advancements continue to reduce the cost of internet access this trend should continue into the foreseeable future. This means businesses will have access to a global customer base as technology makes the world an increasingly tiny place.

This growth in technology is driving huge changes in cultures, business, access to information and interconnectedness as globalization becomes an increasingly important trend in global relations and trade. More importantly, the rate of technological change is so rapid that we are now producing as much in a decade as humans did in the last 2,000 years. This exponential growth means the world is shrinking with every passing second. Growth in technology means the micro world is becoming a macro one.

Convergence of Developed and Emerging Markets

This increasingly tiny world is changing the way different cultures view the world through access to information and a way of life that was once unattainable. Businesses in developed economies, which are becoming increasingly growth starved, are no longer dependent solely on their domestic economy. This, combined with the modernization of emerging markets is creating a convergence in cultures and economies.

S&P 500 corporations are no longer just US companies. They are increasingly global corporations. This is a trend that is becoming



more and more pervasive. 2015 is likely to be the first year where most of the S&P 500's revenues were generated from *foreign* countries. As emerging markets become increasingly developed and developed economies continue to mature we're likely to see this convergence continue. The USA, for instance, currently represents 23% of global GDP, but US corporations are generating 46% of their revenues from abroad. It's not unreasonable to assume that the natural trend for S&P 500 revenues is towards something in the 70-80% range as the global economy slows and corporations reach out to this higher growth revenue source. There is a huge growth opportunity that domestic corporations are still only partially taking advantage of. This means US markets are becoming international markets. In other words, US assets are becoming international assets.

Conclusion

Huge trends in technology and globalization are driving changes in the way macro investing works. The world is becoming increasingly interconnected which will force policy coordination, convergence in economic growth and diversification of corporations. These aren't small or temporary changes.

They are well entrenched developing trends that will continue into the coming decades. This will completely alter the way policy is enacted, correlations between asset classes and the way businesses are impacted by global events, politics and economic growth. The future of investing is going to be increasingly impacted by these massive trends in the macro landscape. Understanding the macro has never been more important than it is today. And it's going to become more important in the decades ahead.

If you ever have questions or comments on Orcam Investment Research or Orcam's other services please contact us directly at info@orcamgroup.com.

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