A DISCUSSION ON GLOBAL INTERDEPENDENCE

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Last week's Behind the Markets podcast featured Bill Kennedy, Vice Chair of the Global Interdependence Center (GIC) and CEO & CIO of Risk Bridge Advisors, an outsourced chief investment officer (OCIO) firm. We spoke to Kennedy both about the GIC and his world view across the global markets.

The GIC is a non-profit organization based in Philadelphia, established to promote the exchange of a divergent range of views on topics including finance, economics, monetary policies, geopolitics and many other interdependent links for the global economy.

The GIC hosts events around the world to explore these interdependencies and how they may be shifting. While the GIC often takes groups to places like Frankfurt, Madrid, Cuba and Mexico, they have gone virtual for the two dozen programs they have hosted in 2020, with most of their topics discussing the pandemic.

The next program the GIC is hosting is on Thursday, November 5, and will feature Dr. Bruce Gellin, President of Global Immunization at the Sabin Vaccine Institute. For information about this event, you can learn more here.

China has been discussed at past GIC events and is also topical for this week. There was a Chinese Communist Party (CCP) meeting last week that Liqian Ren of WisdomTree commented on. Ren was interested by the Chinese government's lack of a specific economic growth rate target. In the past, China has targeted 6% growth. This communique might be preparing the Chinese for slower growth rates. There also was an emphasis on innovation, and it may symbolize how Chinese technology companies are some of the few in the world that can compete with U.S. technology heavyweights in recent performance.

Turning to Kennedy's macro portfolio views:

- While credit spreads have narrowed, Kennedy sees some opportunities for them to tighten even further when looking ahead to both investment grade and the upper end of the credit spectrum in high yield.
- Given the stress in commercial real estate, Kennedy is monitoring for opportunities in the credit markets.
- Kennedy is looking at a subset of the dividend market—companies that are growing dividends as good income opportunities.
    - He particularly like this in the small capitalization segment of the market, where he sees an eventual return to better economic growth benefiting small caps.
- Given the low 10-year U.S. Treasury yield, Kennedy is holding more cash than he typically would—as he thinks bonds may offer less protection than they historically have at their current yields.

You can listen to the full conversation with Bill Kennedy below.

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DEFINITIONS

Outsourced chief investment officer : A form of investment outsourcing where investment decisions are made for an investor by a third-party professional.

Credit spread : The portion of a bond's yield that compensates investors for taking credit risk.

Investment grade : An investment grade is a rating that signifies a municipal or corporate bond presents a relatively low risk of default.

High Yield : Sometimes referred to as "junk bonds," these securities have a higher risk of default than investment-grade securitie.

Dividend : A portion of corporate profits paid out to shareholders.

Small caps : new or relatively young companies that typically have a market capitalization between $200 million to $2 billion.

10- Year Treasury : a debt obligation of the U.S. government with an original maturity of ten years.