

Regime Change Redux

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Paseman.com/Posts

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Agenda

- *Current Conditions
- New Universes
 - USA, China, Germany
- “20250501” Wisdom of Crowds” Report
 - 1) Where is the economy now?
 - 2) Where is the economy going?
 - 3) How should we prepare?
 - 4) What questions should I ask the group?
- Audience Discussion

Current Conditions

- 20250507 - “I just spoke to my Broker, he said I haven’t lost any money.”
- Indexes
- Currency
- P/E

<https://www.barrons.com/articles/dollar-tumble-1990s-asian-currency-crisis-stocks-taiwan-korea-0748ef21>

20250605

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Silicon Valley Computerized Investing

Bloomberg

Europe stocks stage world-beating rally as trade war backfires



20250605

Sagarika Jaisinghani and Julien Ponthus

Updated Sun, June 1, 2025 at 2:06 PM PDT • 5 min read



588

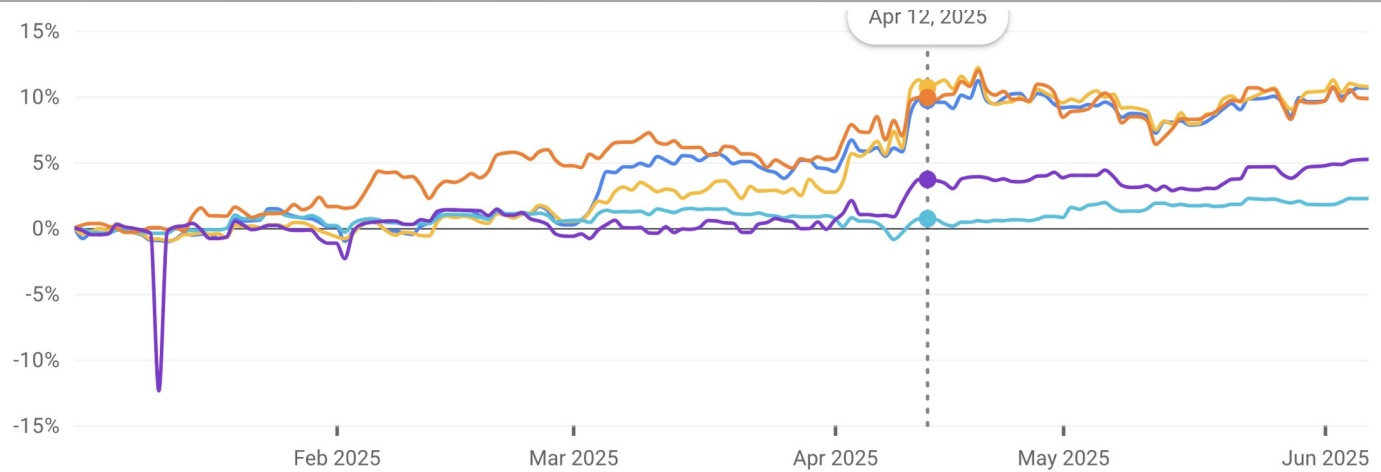
Indexes - YTD



S&P 500	5,939.30	+57.67	↑ 0.98%	
Dow Jones Industri...	42,319.74	-224.48	↓ 0.53%	×
DAX PERFORMAN...	24,323.58	+4,298.92	↑ 21.47%	×
Hang Seng Index	23,906.97	+4,283.65	↑ 21.83%	×
BSE SENSEX	81,442.04	+2,934.63	↑ 3.74%	×

So. European and Chinese stocks are up!
What is boosting them?

Currency - YTD



EUR / USD

1.1357

+0.1006

↑ 9.72%

CHF / USD

1.2189

+0.1175

↑ 10.67%

✕

CNH / USD

0.1373

+0.0010

↑ 0.70%

✕

JPY / USD

0.0070

+0.0006

↑ 9.91%

✕

CAD / USD

0.7212

+0.0256

↑ 3.68%

✕

20250605

US Dollar Index (DX-Y.NYB) ☆ Follow

98.68 -0.06 (-0.07%)

As of 8:05:30 PM EDT. Market Open.



So, Currency swings account for 10% of the 20%
However, least you panic,....

US Dollar Index (DX-Y.NYB)

☆ Follow

98.68 **-0.06 (-0.06%)**

As of 7:57:02 PM EDT. Market Open.

1D 5D 1M 6M YTD 1Y 5Y **All**

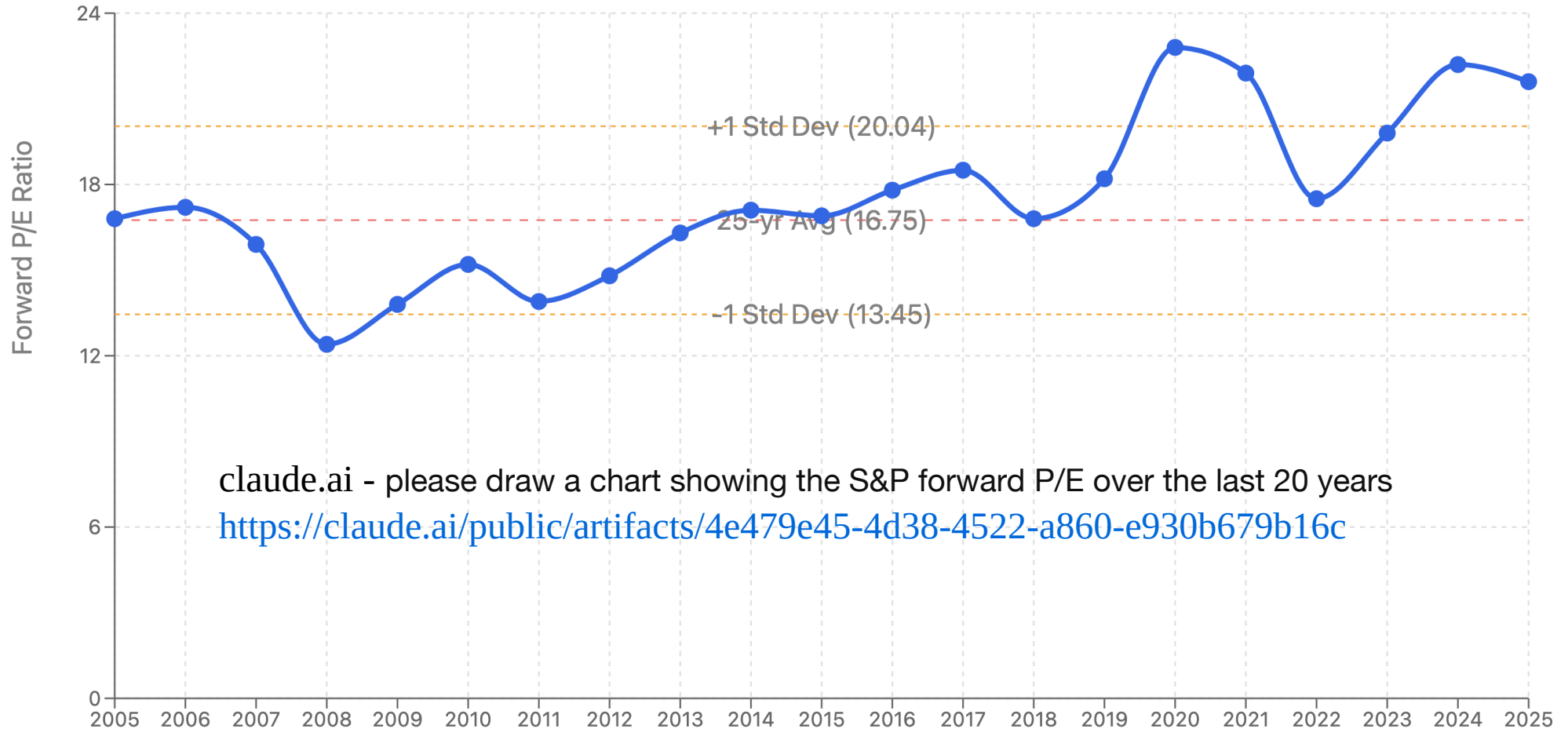
☒ Key Events



Is there an argument to invest in China and Europe based on P/E?

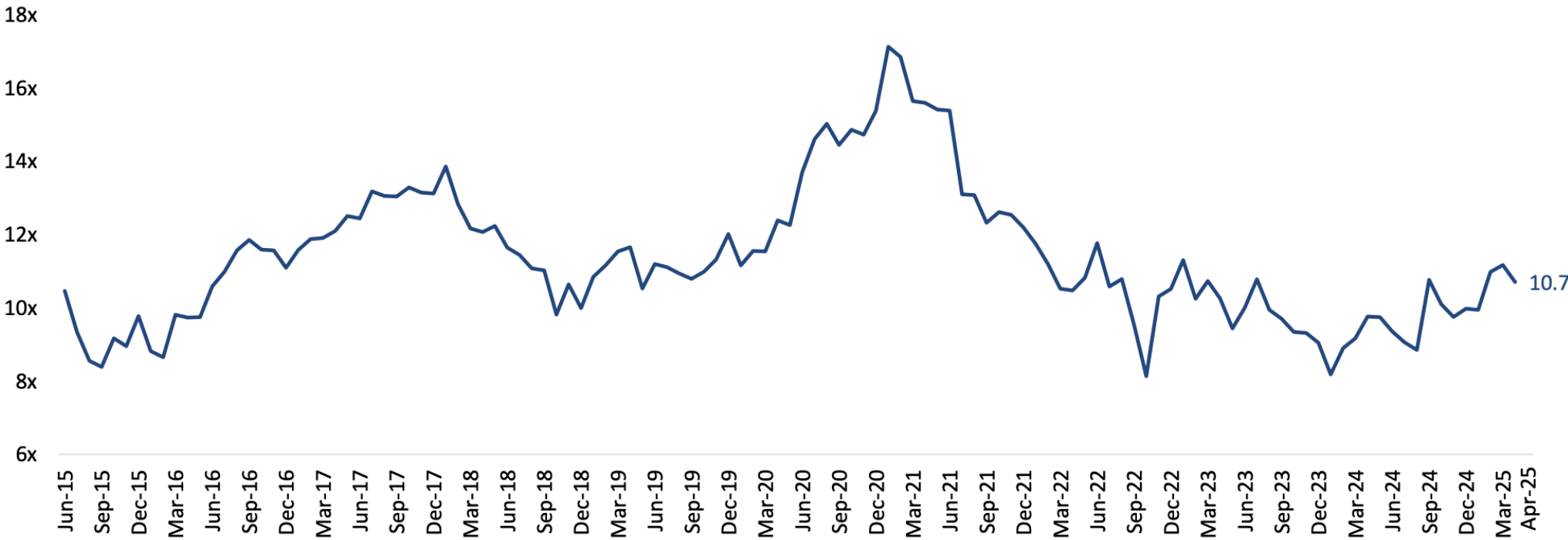
S&P 500 Forward P/E Ratio (2005-2025)

20-Year Historical View with Key Market Events



China Valuations Over 10 Years

MSCI CHINA INDEX FORWARD P/E (12-MONTH)



The P/E Ratio is the share price of a stock as of the report date, divided by the forecasted earnings per share for a 12-month period (FY1) and 24-month period (FY2). There is no guarantee that the composition of the Index will remain unchanged, or that the forecasted earnings of a stock will be realized. Indexes are provided for illustrative use only and are unmanaged. It is not possible to invest directly in an index. Please refer to disclosures for index definitions.

Source: Bloomberg; data as of May 12, 2025



China: BYD 20250527

1. Shares of Chinese electric vehicle maker BYD fell 8.6% on Monday after the company announced major price cuts on 22 electric and hybrid models. The discounts — ranging from 10% to 34% — sparked fears of a renewed price war in China's crowded EV market. The stock slipped another 4% in Hong Kong on Tuesday. Despite the pullback, BYD shares remain up over 50% this year. Meanwhile, the company outsold Tesla in Europe for the first time last month.

Why it matters: BYD's fast-growing global presence and undercutting of Tesla — particularly in Europe — highlight rising competition in the EV sector. While BYD doesn't sell cars in the US, its dominance abroad is reshaping the global market, pressuring American automakers to innovate faster and lower costs. Its investment in AI driving systems and vertical integration (including battery manufacturing) could also set new industry benchmarks.

Source: BYD stock plunges following deep price cuts as EV sales surpass Tesla in Europe [Euronews]

<https://www.barrons.com/articles/byd-nio-xpeng-stock-ev-car-price-60773575>

Matthews takeaways

Weaker Dollar

Germans are spending

Foreign Investors in US - won't Sell, won't add

US Investors diversifying

14x->23x multiple

10% annualized returns in Europe

China: "Diversification hasn't worked"

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Results



Date	0	1	2	3	4	5	CASH?	Port1Rtn	Port2Rtn	Port3Rtn	Port4Rtn	Port5Rtn	Port6Rtn	URtn
2024-09-30 00:00:00	NVDA	META	NFLX	AAPL	AMZN	GOOG	STOCK	1.1346	1.1682	1.1498	1.0955	1.1035	1.0912	1.0912
2024-10-31 00:00:00	NVDA	NFLX	META	AAPL	GOOG	AMZN	STOCK	1.1815	1.2934	1.2365	1.1716	1.162	1.1604	1.1604
2024-11-29 00:00:00	NVDA	NFLX	META	AMZN	AAPL	GOOG	STOCK	1.1478	1.2782	1.2352	1.1869	1.1869	1.204	1.204
2024-12-31 00:00:00	NVDA	NFLX	META	AMZN	GOOG	AAPL	STOCK	1.0262	1.2718	1.304	1.2612	1.2653	1.2587	1.2587
2025-01-31 00:00:00	NFLX	META	AMZN	GOOG	NVDA	AAPL	STOCK	1.0302	1.2549	1.246	1.1679	1.2006	1.2105	1.2105
2025-02-28 00:00:00	NFLX	META	NVDA	AAPL	AMZN	GOOG	STOCK	0.9798	1.1384	1.1139	1.0513	1.0798	1.0905	1.0905
2025-03-31 00:00:00	NFLX	AAPL	META	AMZN	NVDA	GOOG	CASH	1.189	1.2353	1.1595	1.0755	1.1008	1.1135	1.1135
2025-04-30 00:00:00	NFLX	AAPL	META	NVDA	AMZN	GOOG	CASH	1.2684	1.2434	1.2339	1.1919	1.2207	1.2284	1.2284
2025-05-30 00:00:00	NFLX	META	NVDA	AMZN	GOOG	AAPL	STOCK	1.3024	1.299	1.2914	1.2368	1.2526	1.2571	1.2571
2025-06-04 00:00:00	NFLX	META	NVDA	AMZN	GOOG	AAPL	STOCK	1.3024	1.299	1.2914	1.2368	1.2526	1.2571	1.2865

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member count

months back

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Results



Date	0	1	2	3	4	5	CASH?	Port1Rtn	Port2Rtn	Port3Rtn	Port4Rtn	Port5Rtn	Port6Rtn	URtn
2024-09-30 00:00:00	MSTR	APP	PLTR	CEG	NVDA	ARM	STOCK	1.5145	1.6933	1.4614	1.4742	1.4276	1.3639	1.049
2024-10-31 00:00:00	MSTR	APP	PLTR	NVDA	ARM	CEG	STOCK	2.4	3.0249	2.5267	2.2954	2.0496	1.8539	1.1414
2024-11-29 00:00:00	APP	MSTR	PLTR	AXON	SHOP	NVDA	STOCK	2.3079	2.5849	2.389	2.1549	1.9164	1.7447	1.0913
2024-12-31 00:00:00	APP	PLTR	MSTR	AXON	TSLA	AVGO	STOCK	2.6341	2.8848	2.698	2.4164	2.1031	1.8731	1.1449
2025-01-31 00:00:00	APP	MSTR	PLTR	AXON	CEG	TSLA	STOCK	2.3216	2.3717	2.4046	2.1047	1.8168	1.5744	1.13
2025-02-28 00:00:00	APP	PLTR	MSTR	GILD	TMUS	DASH	STOCK	1.8884	2.1432	2.3532	2.0642	1.7848	1.5306	1.0623
2025-03-31 00:00:00	PLTR	APP	MSTR	TMUS	GILD	AXON	CASH	2.6501	2.593	2.9323	2.407	2.0043	1.7299	1.072
2025-04-30 00:00:00	PLTR	MSTR	APP	NFLX	AXON	TTWO	CASH	2.9486	2.7013	3.4629	2.7738	2.3382	1.9614	1.1467
2025-05-30 00:00:00	PLTR	APP	AXON	AVGO	MSTR	ZS	STOCK	2.909	2.764	3.5621	2.8878	2.4266	2.0482	1.1668
2025-06-04 00:00:00	PLTR	APP	AXON	MSTR	ZS	DASH	STOCK	2.909	2.764	3.5621	2.8878	2.4266	2.0482	1.1873

Results

↓ 🔍 ↗

Date	0	1	2	3	4	5	CASH?	Port1Rtn	Port2Rtn	Port3Rtn	Port4Rtn	Port5Rtn	Port6Rtn	URtn
2024-09-30 00:00:00	MPNGY	JD	XIACF	BABA	GELYY	TCEHY	STOCK	1.5055	1.3857	1.5189	1.407	1.436	1.3964	1.3168
2024-10-31 00:00:00	XIACF	MPNGY	GELYY	JD	BYDDY	BABA	STOCK	1.5778	1.337	1.4954	1.3627	1.3728	1.32	1.2852
2024-11-29 00:00:00	XIACF	GELYY	MPNGY	JD	BYDDY	TCEHY	STOCK	1.9372	1.5238	1.6002	1.4096	1.4192	1.3639	1.3075
2024-12-31 00:00:00	XIACF	GELYY	MPNGY	TCEHY	BYDDY	JD	STOCK	2.2571	1.6332	1.6677	1.4531	1.4631	1.4387	1.4254
2025-01-31 00:00:00	XIACF	GELYY	JD	MPNGY	NETTF	BABA	STOCK	2.9452	2.0716	1.9823	1.6938	1.6428	1.6677	1.6532
2025-02-28 00:00:00	XIACF	GELYY	BYDDY	BABA	JD	MPNGY	STOCK	2.7743	1.9644	1.9519	1.6735	1.6209	1.6392	1.6567
2025-03-31 00:00:00	XIACF	BYDDY	BABA	GELYY	TCEHY	JD	CASH	2.8049	1.9152	1.8563	1.598	1.5483	1.528	1.5249
2025-04-30 00:00:00	XIACF	BYDDY	GELYY	BABA	TCEHY	NETTF	CASH	2.8269	1.9616	1.9239	1.6229	1.5764	1.6137	1.5766
2025-05-30 00:00:00	XIACF	BYDDY	NETTF	GELYY	TCEHY	BABA	STOCK	3.0083	2.0826	2.0292	1.7106	1.6593	1.6977	1.6512
2025-06-04 00:00:00	XIACF	GELYY	BYDDY	BABA	NETTF	TCEHY	STOCK	3.0083	2.0826	2.0292	1.7106	1.6593	1.6977	1.7294

universe

DAX

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1,3,6,12

member count

6

months back

12

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Results

Date	0	1	2	3	4	5	CASH?	Port1Rtn	Port2Rtn	Port3Rtn	Port4Rtn	Port5Rtn	Port6Rtn	URtn
2024-09-30 00:00:00	SMNEY	BDRAF	CRZBY	ZLNDY	MTUAY	VONoy	STOCK	1.4104	1.0664	1.083	1.0635	1.0484	1.0373	1.0306
2024-10-31 00:00:00	SMNEY	BDRAF	MTUAY	SAP	CRZBY	DTEGY	STOCK	1.868	1.1685	1.1674	1.1302	1.0728	1.068	1.0242
2024-11-29 00:00:00	SMNEY	RNMBY	MTUAY	SAP	DTEGY	BDRAF	STOCK	1.8066	1.1279	1.1292	1.1127	1.0447	1.0461	1.0099
2024-12-31 00:00:00	SMNEY	RNMBY	ZLNDY	SAP	MTUAY	BDRAF	STOCK	2.0636	1.3399	1.3049	1.2763	1.1745	1.1368	1.0936
2025-01-31 00:00:00	SMNEY	RNMBY	ZLNDY	SAP	CRZBY	DB	STOCK	1.9648	1.5733	1.4427	1.3761	1.2713	1.234	1.1234
2025-02-28 00:00:00	SMNEY	RNMBY	CRZBY	DB	ZLNDY	DTEGY	STOCK	2.0283	1.8449	1.6445	1.5579	1.3962	1.34	1.1474
2025-03-31 00:00:00	RNMBY	SMNEY	DB	CRZBY	DBOEY	DTEGY	CASH	2.3994	2.3046	1.9724	1.8535	1.6309	1.5201	1.2355
2025-04-30 00:00:00	RNMBY	SMNEY	CRZBY	DB	DBOEY	EONGY	CASH	3.0201	2.9042	2.4152	2.1932	1.8714	1.7095	1.2932
2025-05-30 00:00:00	RNMBY	SMNEY	CRZBY	DB	DBOEY	FSNUY	STOCK	2.9531	2.9274	2.4341	2.1969	1.8728	1.7162	1.3037
2025-06-04 00:00:00	RNMBY	SMNEY	CRZBY	DB	FSNUY	CTTAY	STOCK	2.9531	2.9274	2.4341	2.1969	1.8728	1.7162	1.3143

Agenda

- Current Conditions
- New Universes
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- ***“20250501” Wisdom of Crowds**” Report
 - 1) Where is the economy now?
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20250501 Analysis Summary

Below are 3 questions, labeled 1), 2) and 3). Following them are single line answers from a collection of individuals. Please list the question and summarize the responses

Here is what chatGPT said:

- 1) Where is the economy now?** Most participants describe current conditions with words like *slowing, weakening, contracting, or on the verge of recession*. A handful see the economy as merely in a “holding pattern” or “volatile,” while only two label it outright “good/great.” Several note that short-term softness could precede a stronger 2026. In short, the prevailing view is that growth is losing momentum, with caution outweighing optimism.
 - 2) Where is the economy going?** The forward look is even darker. The bulk of answers predict a **recession or stagflation** in the next year, using phrases such as “going into recession,” “shrinking,” “down,” and “continuing to contract.” A smaller group says the outlook is “uncertain” because of policy (e.g., tariffs) or expects growth to resume after 6–12 months. A few colorful outliers warn of “depression” or “chaos,” while one sees sector-specific resilience in AI. Overall, the sentiment tilts clearly toward further deterioration before any rebound.
 - 3) How should we prepare?** Advice clusters around three broad tactics:
 - Defensive positioning & cash management* – Cut discretionary spending, hold more cash, buy short-term or floating-rate T-bills, and own assets insulated from inflation or recession (utilities, consumer staples, dividend payers).
 - Selective/long-term investing* – Keep diversified exposure, keep dollar-cost averaging, focus on “Mag 7” or other high-quality equities, and maintain a long-term perspective without overreacting to volatility.
 - Hedge/extreme protection* – From selling option premium to buying gold (and, tongue-in-cheek, “find a cave”), a minority favor stronger hedges against worst-case scenarios.
- In essence, respondents recommend tightening belts and turning more defensive while staying ready to re-deploy capital when conditions improve.

Question 1: Where is the economy now?

The responses to this question show a range of opinions about the current state of the economy, with most respondents expressing negative or cautious views:

Negative views: Many respondents believe the economy is declining, with descriptions like "slowing," "contracting," "headed down further," "going down the drain," "weakening," and "close to recession."

Cautious/neutral views: Some responses indicate uncertainty or a holding pattern, such as "holding pattern," "at an inflection point," and "going sideways."

Positive views: A few respondents expressed optimism, stating the economy is "good" or "in great shape."

Mixed perspectives: Several participants offered nuanced views, suggesting short-term challenges but long-term potential, like "short term downturn, long term expansion" and "weakening short term but high probability of a strong economy in 2026."

Question 2: Where is the economy going?

The outlook for the future economy skews even more negative:

Recession concerns: Many explicitly mentioned "recession" or contraction, with comments like "going into recession," "shrinking," "down," and "continuing to contract."

Stagflation worries: Several respondents specifically mentioned "stagflation" or some variant like "dis.stag.flation."

Uncertainty: Some responses highlighted uncertainty about the future, particularly mentioning factors like "Trump tariffs" that could influence outcomes.

Timing perspectives: Several respondents provided timeframes, such as "economy will go down for 1 year" and "in 6 months to 1 year we should have growth."

Varied severity: The predicted severity ranged from mild concerns to extreme pessimism, with one particularly dramatic response claiming "we are falling into a depression, followed by the new dark ages, followed by a new ice age!"

Question 3: How should we prepare?

Responses focused primarily on investment strategies and personal financial preparation:

Conservative investments: Many suggested defensive strategies like "short term US Treasuries," "floating rate t-bills," "lower stock exposure," and "be conservative."

Selective investments: Some recommended focusing on specific sectors or approaches, such as "buy mag7 stocks," "dividend stocks like utilities, consumer essentials," and "selling option premium."

Long-term perspective: Several advocated patience and long-term thinking with advice like "take a long perspective," "don't overreact," and "continue to invest and do dollar cost average."

Cash preservation: Some recommended increasing cash reserves with suggestions like "keep enough cash to buy in later" and "tighten belts."

Diverse approaches: A few offered broader advice like "remain invested," "be diversified across the world," and "listen to Warren Buffett."

Extreme preparation: One particularly pessimistic response suggested to "sell everything, buy gold, find a cave, and move into it."

Overall, the sentiment across all three questions leans negative, with most respondents expressing concerns about current economic conditions and expecting challenges ahead, though they differ on the severity and duration of these challenges and how best to prepare for them.

4) What questions should I ask the group?

What confidence level do we attach to our answers?

What are your current financial allocations. For example 60/40

what is your current allocations

2. how worried are you about the economy

Are you bullish, bearish, or sideways.

What risk tolerance is guiding your answers?

how they will allocate their assets

3. are you a never trumper or not.

How your investments are performing now? Are you able to stay level headed during this volatile market

How do you buy and sell in and out of strats. Market order? limit? Do on prelim data? eg)4/29 data vs waiting? Overall what strats are our best investors using?

Have we ever had market conditions similar to the current market?

It depends, you need to know what type of trader you are ?

How are you applying what you learned?

How does the current economic situation compare to the past?

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