

# Hidden Exposures

Stock picker or Macro trader?  
Sometimes you're both





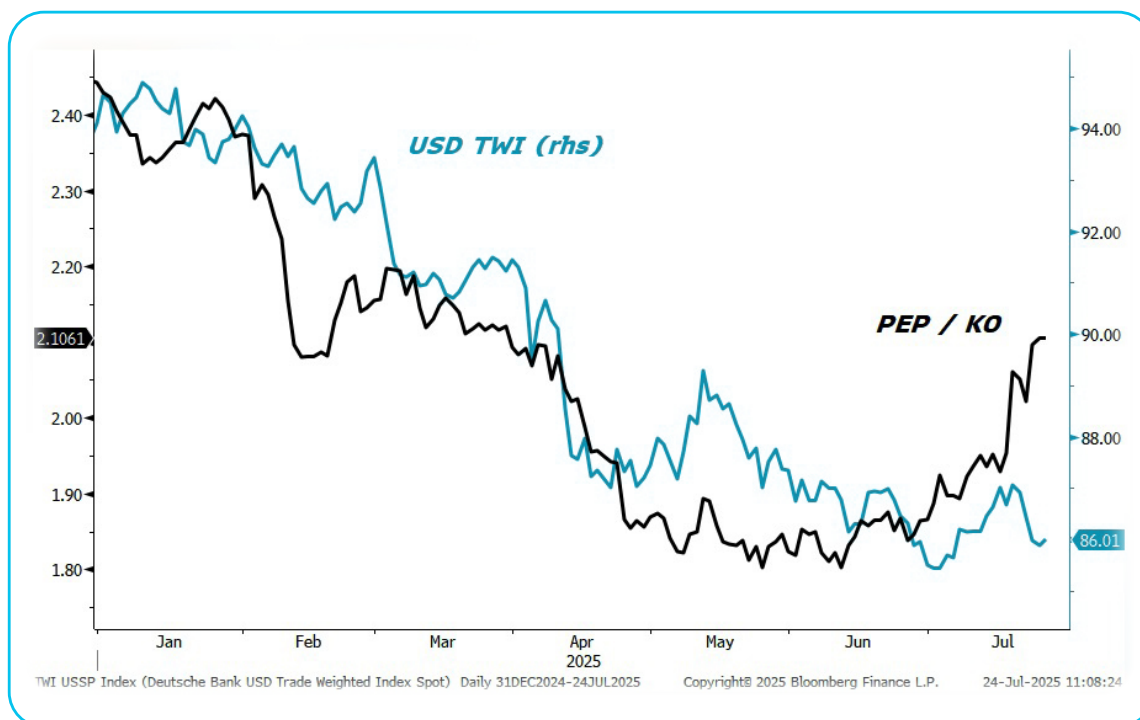
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## I. US Dollar

### Consumer Discretionary – Coca Cola > PepsiCo in a dollar bear market

- Current patterns show PepsiCo has positive exposure to USD TWI; Coca Cola's exposure is negative
- ~60% of Coca Cola revenues are from ex-US vs ~40% for PepsiCo, and much of that is in snacks (Frito-Lay), where pricing power and input costs matter more than FX translation
- KO's cost base is largely USD-denominated, but it earns in local currencies; this effect is likely dampened for PepsiCo with a more diversified portfolio



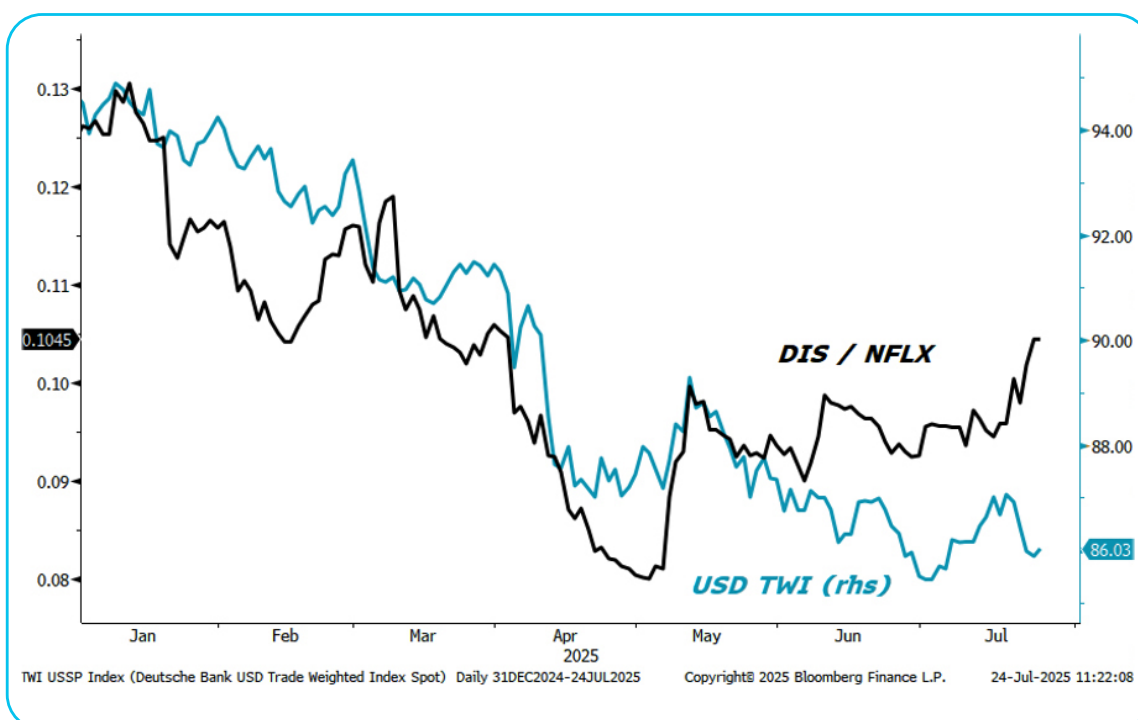


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## Consumer Discretionary – Netflix > Disney in a dollar bear market

- Current patterns show Disney has positive exposure to USD TWI; Netflix exposure is negative
- ~60% of Netflix revenues are from ex-US and subscription based – FX translation is a big deal
- Disney's Parks & Resorts are largely domestic benefiting from a strong US consumer. Studio revenue is global but a lot is dollar denominated





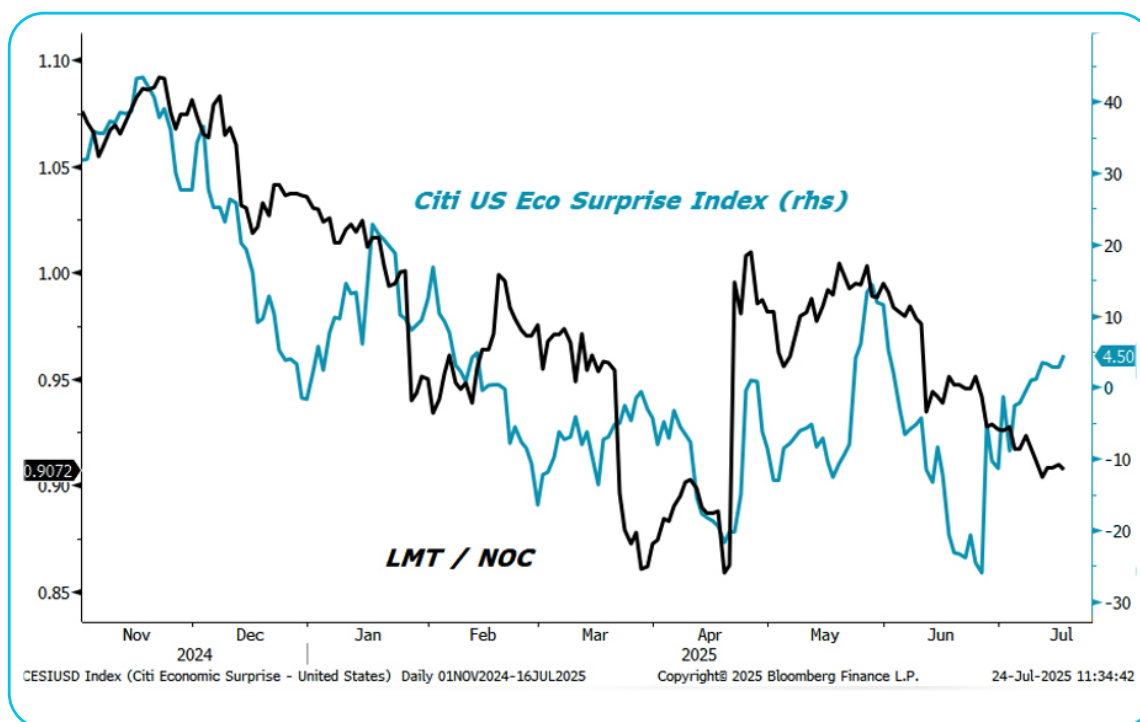
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## II. US Economic Growth

### Industrials – Lockheed Martin > Northrop Grumman if US growth strong

- In a stronger growth regime, investors may rotate into defense names with more US fiscal upside, and LMT fits that story better.
- LMT is heavily skewed to US defense spending vs. Northrop's more diverse portfolio; Stronger data may make it easier to authorise more defense spending.



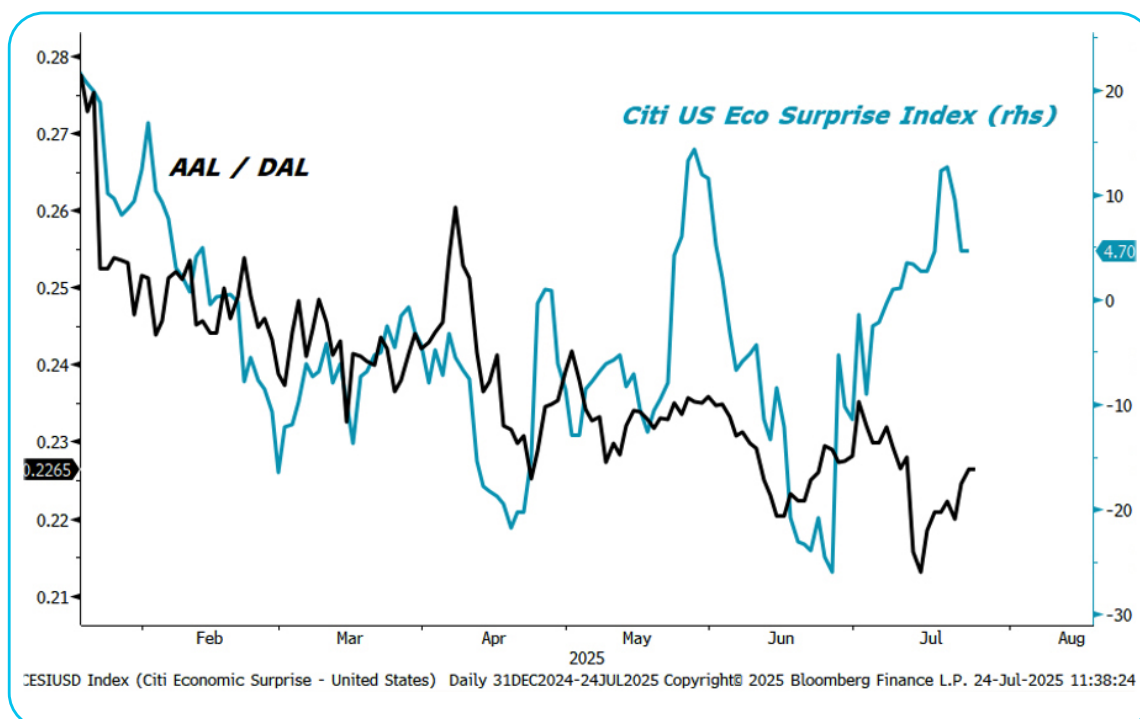


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## Consumer Discretionary – American Airlines > Delta Airlines if US growth strong

- American Airlines skews more domestic, has higher debt levels and lower margins. Hence, more geared to macro upside. It is a higher beta US consumer cyclical
- Delta being more international with a focus on business / premium travel is likely relatively less geared than American in a strong macro tape





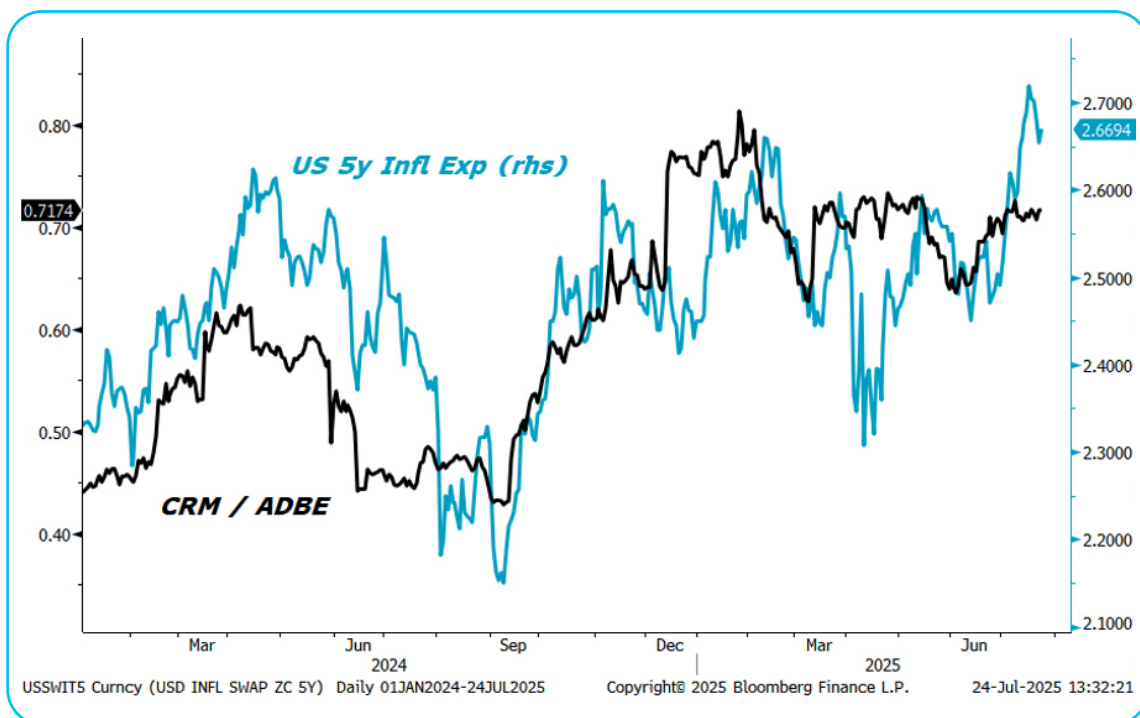
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## III. US 5y Inflation Expectations

### Software – Salesforce > Adobe in an inflation scare

- Current patterns show Salesforce has positive exposure to US inflation expectations; Adobe's exposure is negative.
- The common perception from a fundamental perspective is Adobe has greater pricing power – fewer direct competitors, more captive audience, stickier products, better margins.
- However, since Jan'24 the macro pattern is clear – higher inflation expectations are consistent with CRM outperforming ADBE.



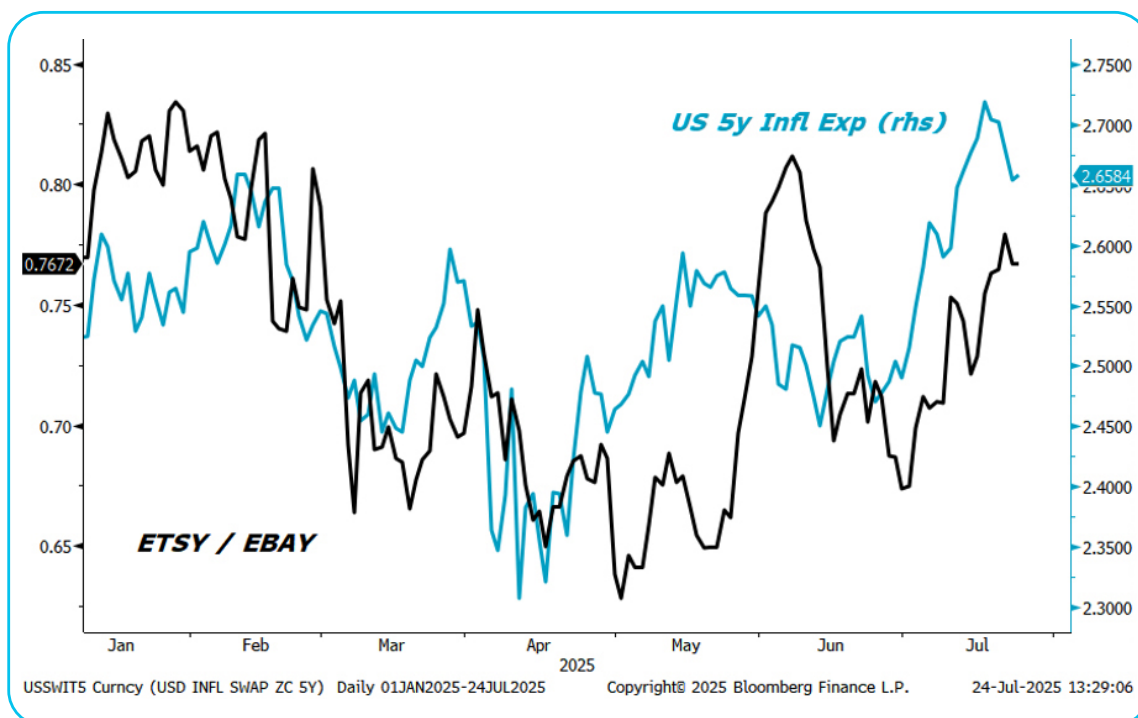


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## Retail – Etsy > Ebay in an inflation scare

- Etsy (eBay) has positive (negative) exposure to US inflation expectations
- Etsy offers unique (often handmade or antique) goods to a niche audience. In contrast, eBay offers commoditised (electronics, second hand) goods to clients who are highly price sensitive given their auction-based pricing model & competitors like Amazon or Mercari
- Bottom-up & top-down analysis is aligned – Etsy outperforms eBay during inflationary periods





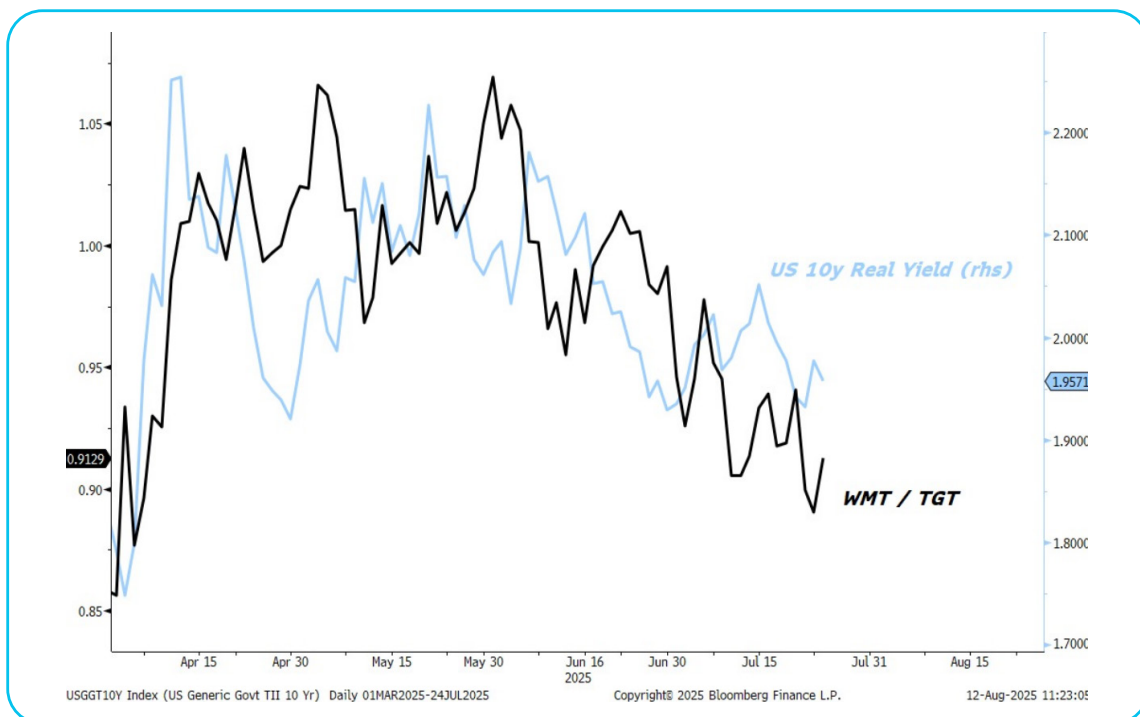
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## IV. US 10yr Real Rates

### Retail – WalMart > Target when real yields rise

- WalMart is indifferent to US real yields; Target has negative exposure
- WalMart's core customer is low income buying of groceries & essentials; Target focuses more on middle/upper income households buying discretionary items
- So do rising yields reflect economic strength & TGT outperform? Or tighter financial conditions so hide in WalMart? Current exposures show when real yields rise, WMT outperforms TGT. Today the emphasis is on WMT's defensive characteristics





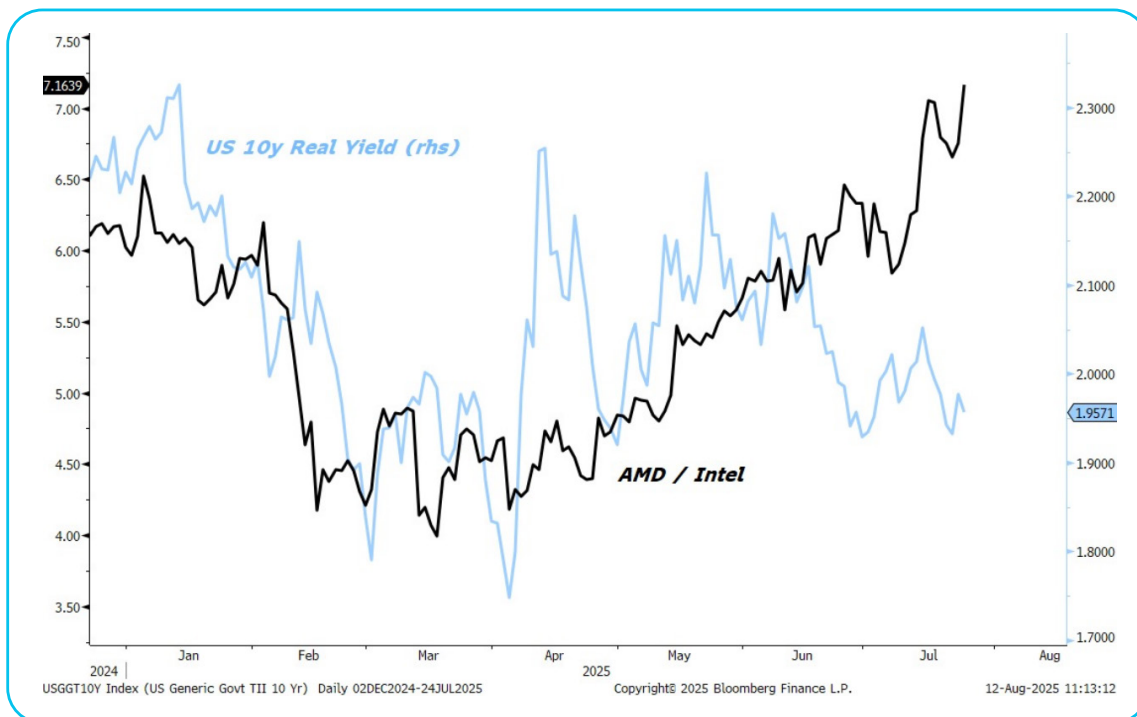


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## Semiconductors – Intel > AMD when real yields rise

- The fundamental story between the two chip makers is clear. Intel is a multi-year restructuring play; AMD is part of the AI growth theme.
- From a macro perspective, Intel is neutral with regards to US real yields, AMD has positive exposure.
- Bottom line – the current regime is one where a strong economy/rising real yields implies health demand for chips & a “risk on” mood in markets, i.e. within Semi's, AMD fares best.





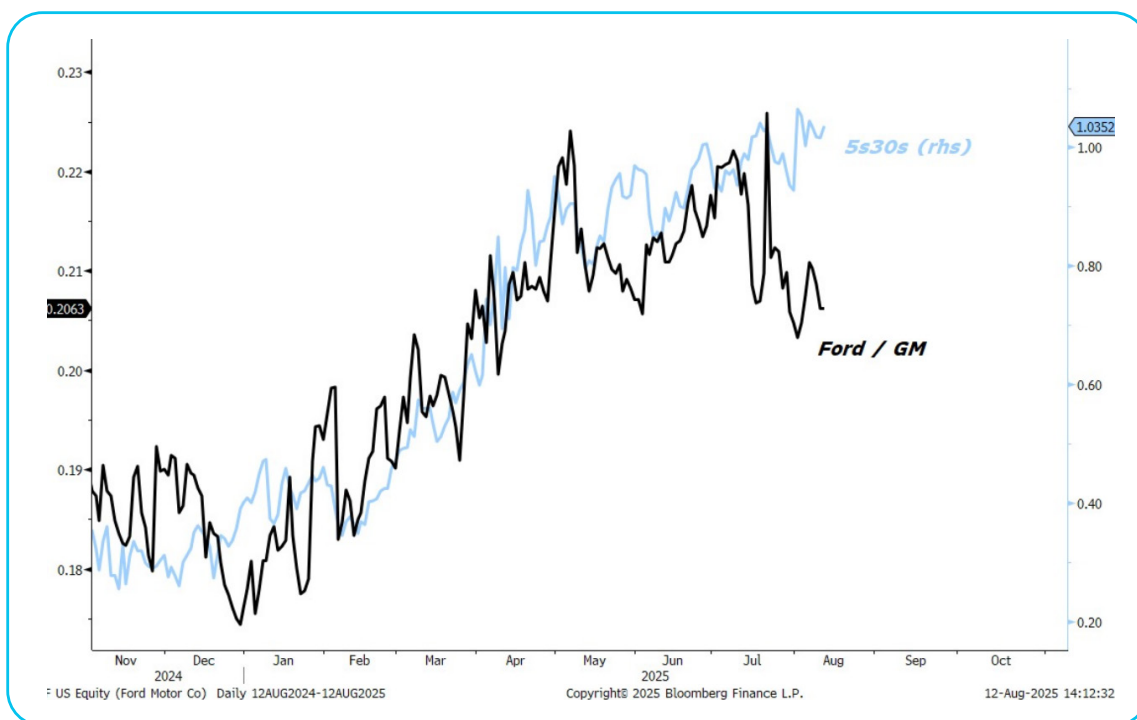
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## V. US Yield Curve

### Autos – Ford > GM if Trump chaos risk premium rises

- Ford exposure to the US yield curve is slightly positive; for GM, exposure is heavily negative.
- That means GM is the auto stock most vulnerable to the Trump chaos premium bear steepening the 5s30s US yield curve.
- GM recently posted poor earnings, thanks mainly to a large hit from tariffs. On Qi, this pattern has been evident since November & Trump won the White House.



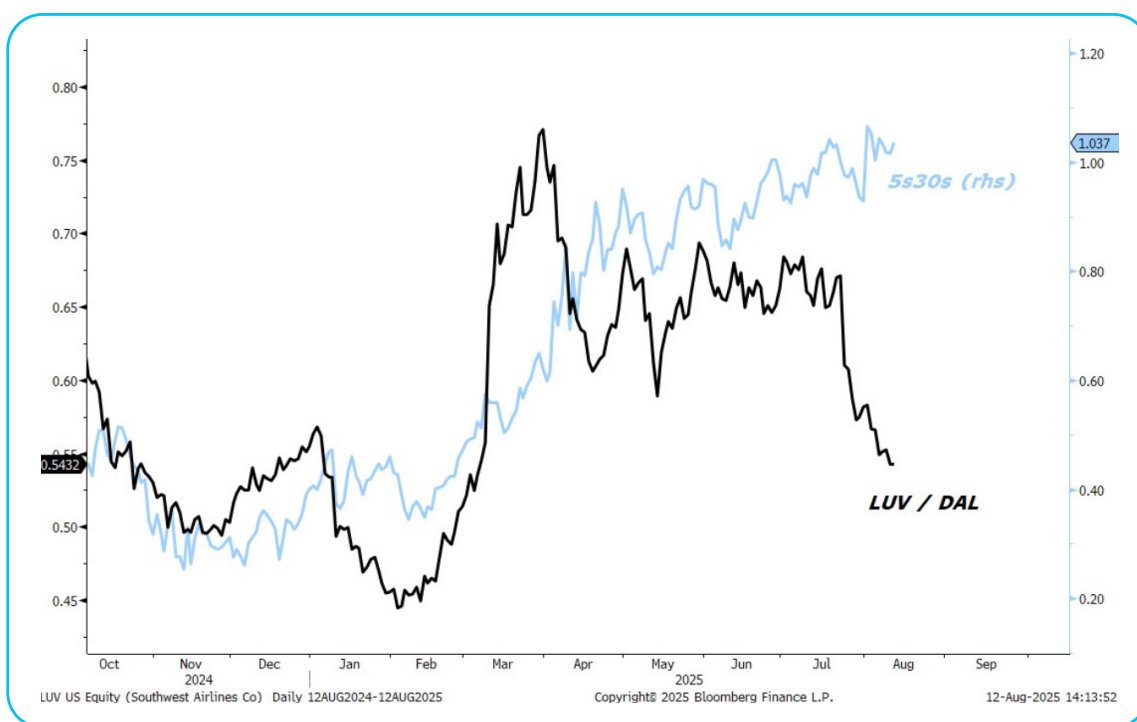


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## Airlines – SouthWest > Delta if healthy domestic US growth expectations

- SouthWest has positive exposure to the US yield curve; Delta has negative exposure
- A steeper US yield curve helps LUV outperform DAL
- SouthWest is more domestic US focused, more of a low cost / leisure-based operator
- Delta is more global in terms of routes & has more corporate clients. It makes sense therefore that LUV o/p's with improved US growth prospects





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