Multi-Asset Survey: 2019Q4

12th December 2019

Asset Allocators Abandon Recession Narrative

The Recession that Never Was

What dominates this survey is the unwinding of 2019Q3's Global Recession scare. Asset allocators stared into the abyss at the end of the Summer before deciding that three rate cuts from the Fed, the restarting of QE, and the prospect of a US-China trade deal was a sufficient policy response. Unsurprisingly, the 13% point fall in the Recession probability over the past three months has had major positive knock-on effects on investors' expectations for financial markets in 2020 (see chart MAS 2 on page 3).

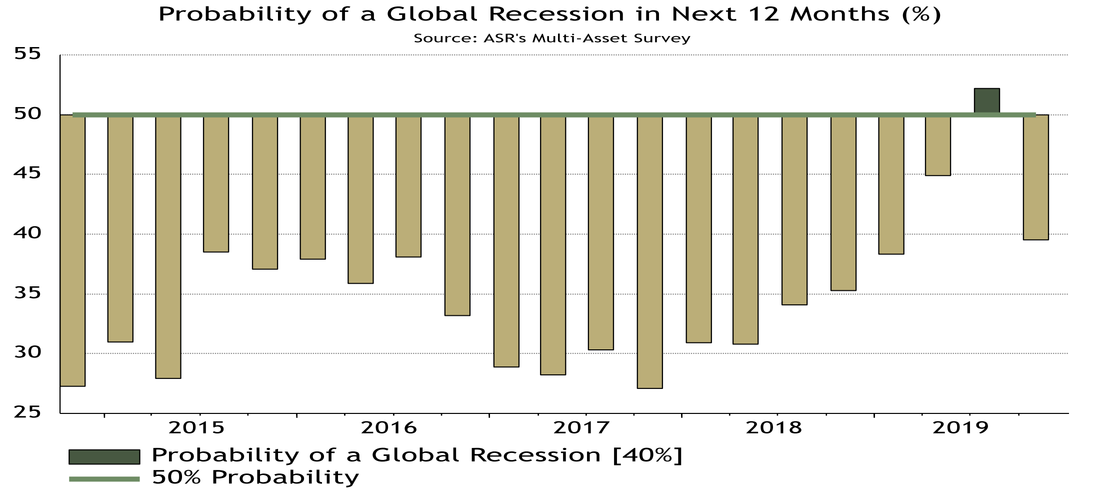
But Little Conviction about a Late-Cycle Extension

However, even though the recession narrative has been dropped, it is not clear what has replaced it. We have moved from a high-conviction to a low-conviction world where the number of strong calls can be listed on the fingers of one hand: (1) don't worry about inflation, especially in Japan and eurozone; (2) worry less about Global recession; (3) expect stocks to beat bonds in 2020; and (4) be prepared for equity volatility to be higher a year from now. The message is simple: without inflation, you won't get a recession – so stay overweight stocks versus bonds. The fifth theme bubbling beneath the surface is dollar weakness, with positive implications for Emerging Market assets.

ASR Cluster Analysis: Less Fragmentation but More Polarisation

Our panel splits into 4 groups this quarter showing there is less fragmentation of views but more polarisation. The largest group expects an extension of the economic cycle, with recession averted but no strong upswing. Meanwhile the size of the most bearish group who expect a recession has also increased. For them the events of the last quarter have not removed risks to the credit markets and earnings growth, and this is the only group that expects bonds to beat equities. We still have a quarter of the panel expecting a strong rebound in the economy and risk assets to beat safe ones. But only 15% of the panel see a risk of inflation returning in the coming year. See p15.

MAS. 1: Implied probability of recession has fallen back below 40%



Source: ASR Ltd. / Datastream from Refinitiv

• **December Survey based on 183 respondents, representing U$4.0 trl of AUM (Fieldwork: 21st Nov - 5th Dec)**

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Asset Allocators Unwind Recession Scare

ASR's Multi-Asset Survey is a survey of probabilities. Every quarter we ask around 200 CIOs, asset allocators, economists and multi-asset strategists about the outlook for financial markets for the next 12 months. However, instead of asking them about they are positioned (as many surveys do), we are trying to map how they see the financial world in terms of probabilities, and then compare those probabilities with how often those events have actually occurred over the past decade.

Highlights from the Survey.

What dominates this survey is the unwinding of September's recession 'scare'

1. **The Macro Environment**. What dominates the survey is the unwinding of September's recession 'scare'. The probability of a Global recession within the next 12 months has dropped 13% points in a single quarter. The probability of higher US unemployment fell 5% points at the same time as the probability of an improvement in the Global business cycle rose by 9% points. These are big shifts in the macro outlook and suggest that investors suddenly took the view that policymakers had done enough to address the growing recession fears.

Inflation expectations remain subdued

2. **Inflation**. Investors remain convinced that inflation is something that they don't have to worry about in 2020. The chances of Japanese or eurozone core inflation exceeding 2% a year from now remains less than 30% (and sub-50% in the US). This is consistent with a backdrop of below-trend GDP growth, and explains investors' ambivalence on whether to back inflation-linked or conventional bonds in 2020.

The probability of US 10-year yields being higher a year from now is up to 55%

More than a quarter of our panel expect the US yield curve to steepen in 2020

3. **Bonds.** With the threat of Global recession off the agenda, asset allocators have become less bullish of fixed income, placing a 55% probability on US 10-year bonds being higher a year from now (up 5% points from the previous quarter) and a 59% probability that Bund yields will be higher in 12-months time. But there is little conviction about where US real yields are headed. At the front end of the curve there has been an abrupt rethink with a 9% point rise in the probability of higher US 2-year rates a year from now. 28% of our respondents still expect a steepening of the US 10s-2s yield curve over the coming year.

The less bearish macro outlook has had a positive impact on the prospects for US corporate credit. But this is more about a removal of downside risks than a ringing endorsement for the asset class

4. **US Credit**. The less bearish macro outlook has had a positive impact on the prospects for US Investment-Grade (IG) credit, with a 7% point swing in favour of the asset class. At the same time there was a 9% point swing in favour of US High Yield over IG. But this is more about a removal of downside risks than a ringing endorsement for the asset class. The probability that next year will see IG beating Treasuries and High Yield outperforming IG is estimated at 53% and 51% respectively. Interestingly it is unusual to see such ambivalence towards High Yield versus IG debt at the same time as strong enthusiasm for Stocks vs Bonds.

Emerging Market assets now back in favour

5. **Emerging Market (EM) Assets.** With recession fears banished (for now) asset allocators have become more enthusiastic towards EM assets. Investors now put a 60% probability on EM hard-currency sovereign bonds outperforming US High Yield in 2020. This is the highest probability recorded since 2017Q3.

When it comes to EM equities, asset allocators think that there is a 57% probability that they will beat their Developed-Market equity peers in 2020

Asset allocators also think that there is a 57% probability that EM equities will trounce their Developed-Market equity peers. 34% of our respondents expect both EM bonds and EM equities to outperform. Just under 30% also believe that the dollar is unlikely to go higher. The swing in sentiment in favour of the business cycle and against USD coupled together with a major unwinding of the negative stance on industrial commodities go a long way to explain the new-found enthusiasm for EM assets.

Big "risk on" move in equity expectations for 2020 as recession narrative is abandoned

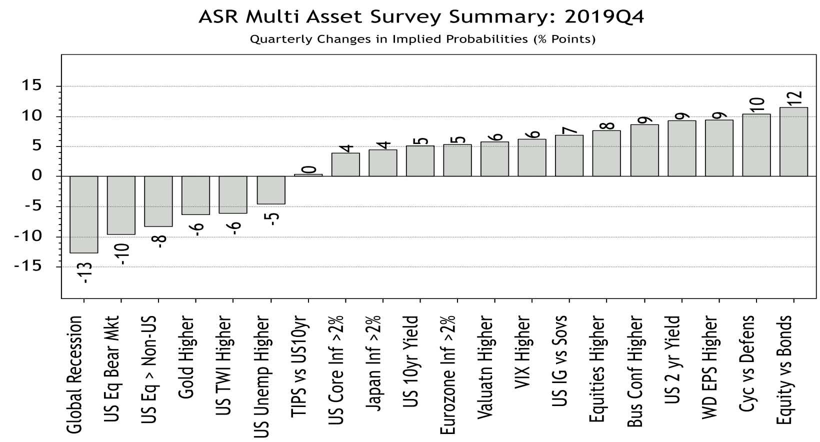
6. **Global Equities.** The abandonment of the recession narrative has generated a predictable swing in favour of equities (+8% points), corporate earnings (+9% points), cyclicals over defensives (+10% points), non-US over US equities (+10% points) , and equities over bonds (+12% points). Asset allocators favour "Value" over "Growth" for 2020: 24% of the panel expect this to happen alongside a pro-cyclical rotation.

Probability of a US bear market in 2020 remains elevated at 44% – but is 10% points down on the quarter. VIX in low teens is seen as unsustainable in 2020

7. **Risk Appetite.** The probability of a US bear market within the next 12 months remains elevated but is 10% points lower than it was three months ago. However, investors remain sceptical that equity volatility (as measured by the CBOE's VIX) can stay in the low teens. Investors place a 70% probability that VIX will be higher a year from now. Intriguingly 30% of those polled expect both VIX and Equities to be higher by the end of 2020.

MAS. 2: How Probabilities have Shifted as Recession Fears Receded

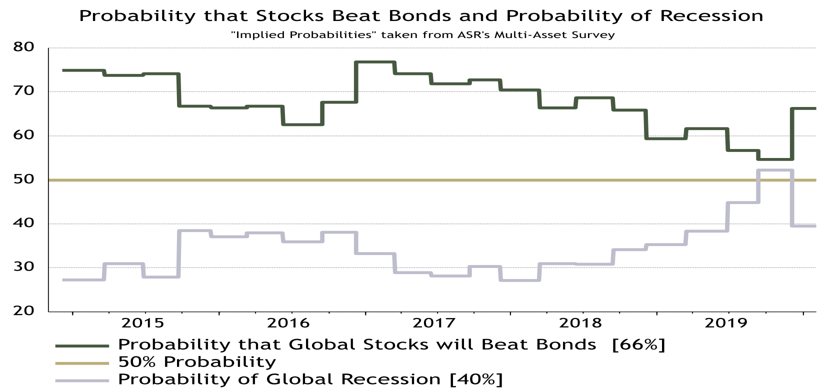
The 13% point fall in the probability of a Global recession has had major positive knock-on effects on investors' expectations for 2020



Source: ASR Ltd. / Datastream from Refinitiv

MAS. 3: Stocks now Expected to Beat Bonds as Recession Risks Fall

The probability of stocks outperforming bonds rises (1) as the probability of a global recession falls (see adjacent chart), and (2) as the probability of a higher US unemployment rate falls (not shown)

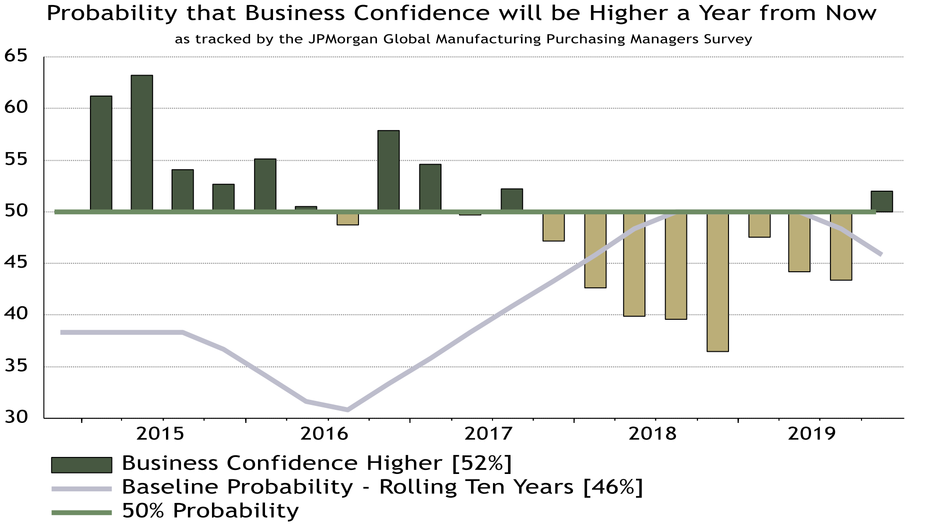


Source: ASR Ltd. / Datastream from Refinitiv

Macro Environment

After 2 years of caution, our panel believes that the worst of the slowdown in the business cycle is behind us, and expect business confidence to be higher a year from now.

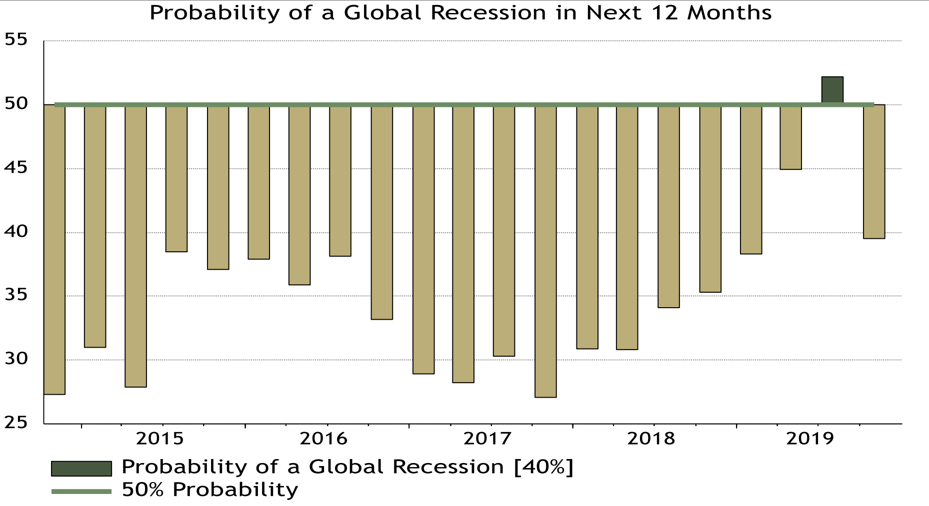
MAS. 4: Probability of Higher Business Confidence a Year from Now



Source: ASR Ltd. / Datastream from Refinitiv

This optimism has fed through into their view of the recession risk. From the Q3 view that a global recession was more likely than not, the panel is now putting the implied probability back below 40%. This change of view has been strongest among the North American panellists.

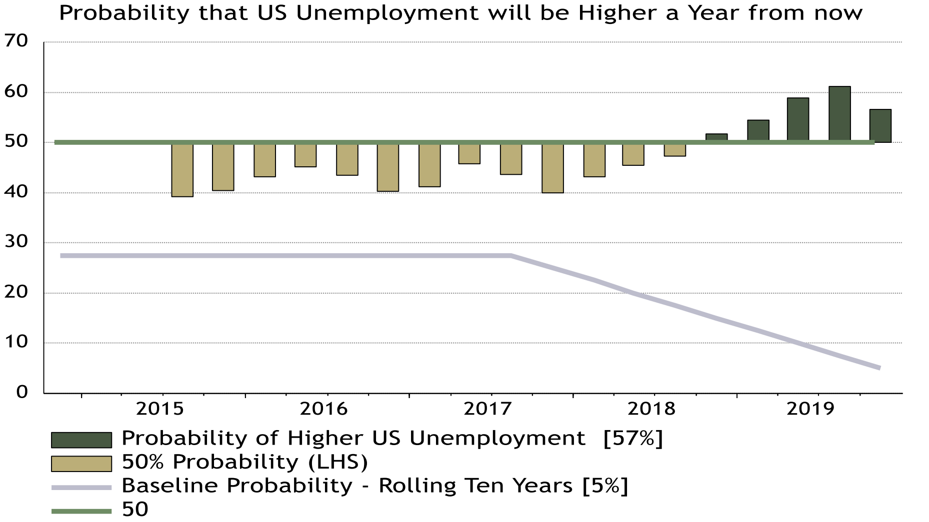
MAS. 5: Probability of a Global Recession in the Next 12 Months



Source: ASR Ltd. / Datastream from Refinitiv

But this optimism has not extended to prospects for jobs. Our panel is still expecting US unemployment to rise in the coming year, although the probability has fallen. Strikingly, our North American panellists, despite expecting rising business confidence, have become the more pessimistic about jobs: over half of them expect the unemployment rate to rise.

MAS. 6: Probability of Higher US Unemployment Rate in 12m Time



Source: ASR Ltd. / Datastream from Refinitiv

Core Inflation

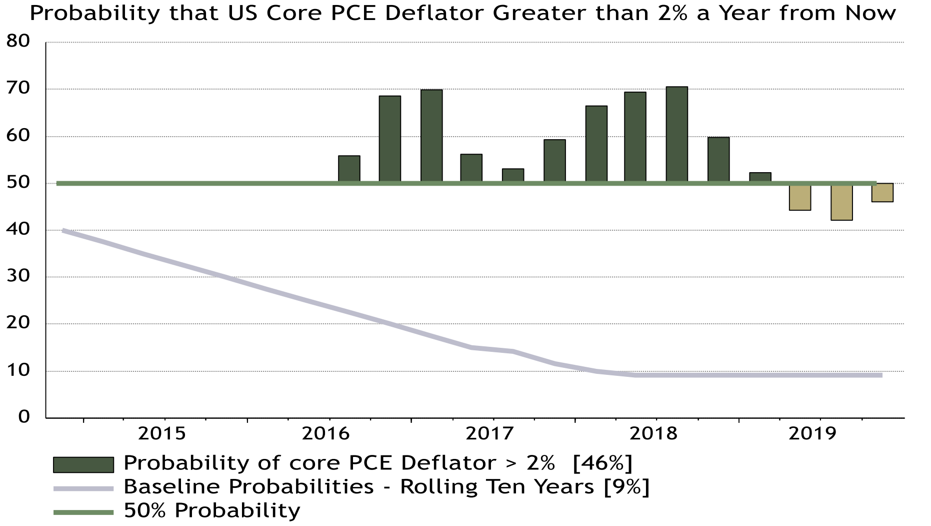
Q3 might have marked a trough in the current inflation cycle, according to our panel. But they do not see inflation as a significant risk, especially if they think US unemployment may be about to rise. So, while they are not as bearish as in Q3, they do not see policy targets being breached.

In the US, the majority of our panel think it unlikely that core PCE deflator will exceed 2%.

Expectations for eurozone inflation remain low, at 29%, but have recovered from a low base.

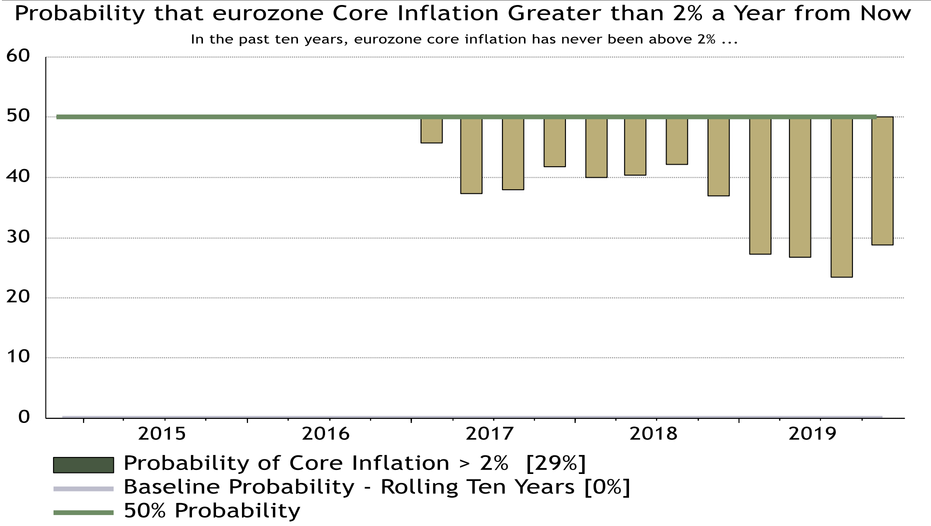
This pattern is true for Japan as well. From just 21%, the probability has risen to 25%. But in effect our panel still see little risk of inflation in Japan.

MAS. 7: Probability that US Core PCE Deflator will Exceed 2%



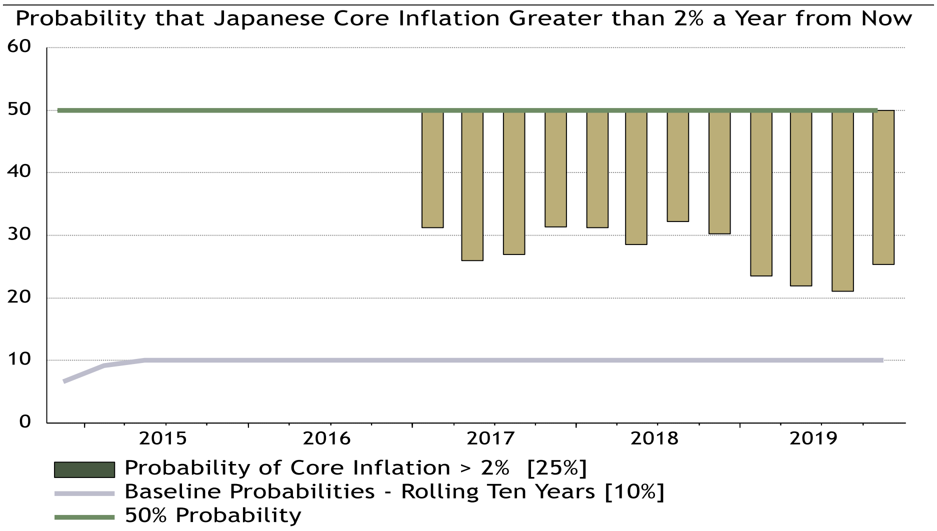
Source: ASR Ltd. / Datastream from Refinitiv

MAS. 8: Probability that eurozone Core CPI will Exceed 2%



Source: ASR Ltd. / Datastream from Refinitiv

MAS. 9: Probability that Japanese core CPI will Exceed 2%



Source: ASR Ltd. / Datastream from Refinitiv

Bond Yields

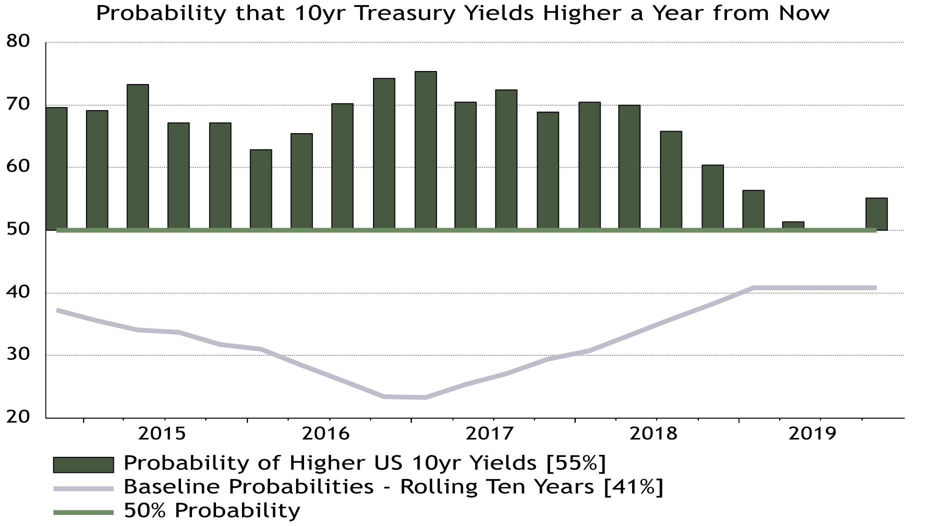
The recent rise in bond yields and falling recession fears has made our panel more concerned about the possibility of higher yields in 2020, especially if the best of the inflation news is behind us.

However the implied probability of higher US Treasury yields at 55% is still historically low – the third lowest reading since we started the survey five years ago.

The panel has also become more concerned about the outlook for Bund yields and now places a 59% chance on them being higher a year from now. The shift in probability is similar to the rise in eurozone inflation probabilities.

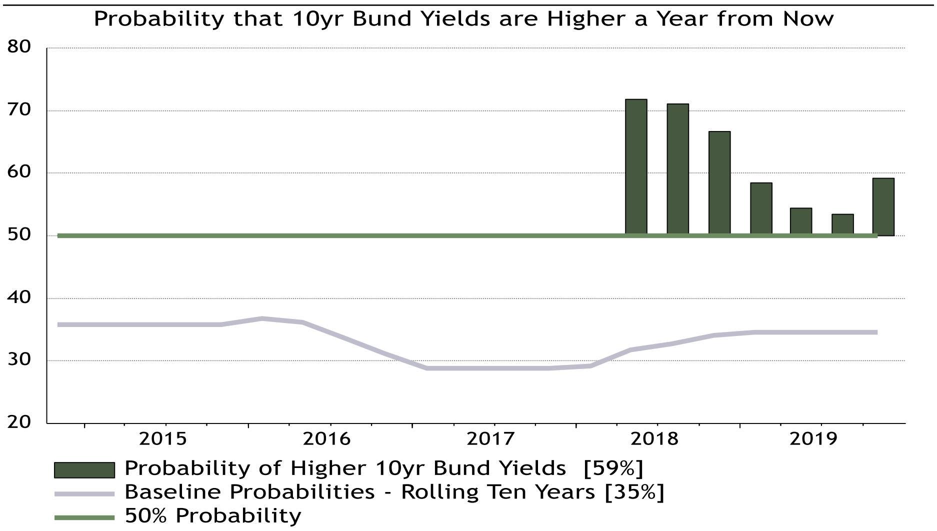
Our panel has barely changed its view of JGB yields.

MAS. 10: Probability of Higher10yr Treasury Yields a Year from Now



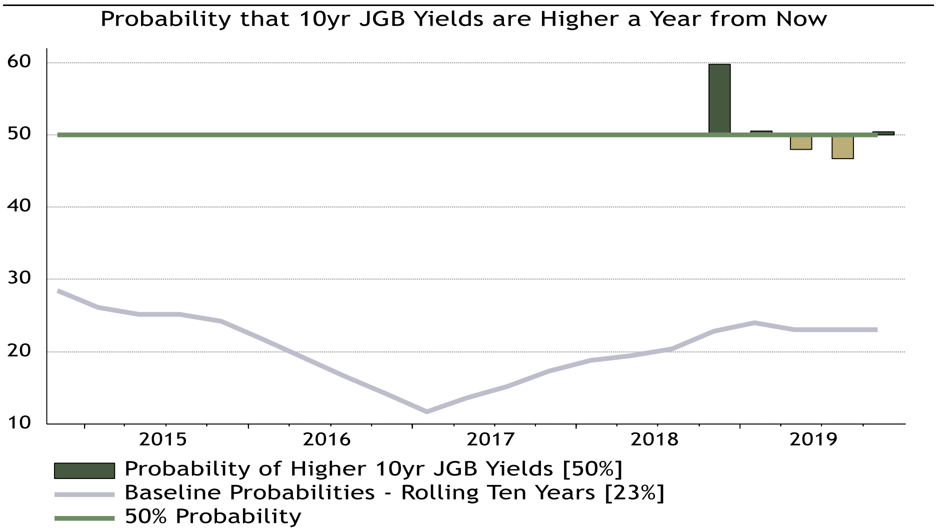
Source: ASR Ltd. / Datastream from Refinitiv

MAS. 11: Probability of Higher10yr Bund Yields a Year from Now



Source: ASR Ltd. / Datastream from Refinitiv

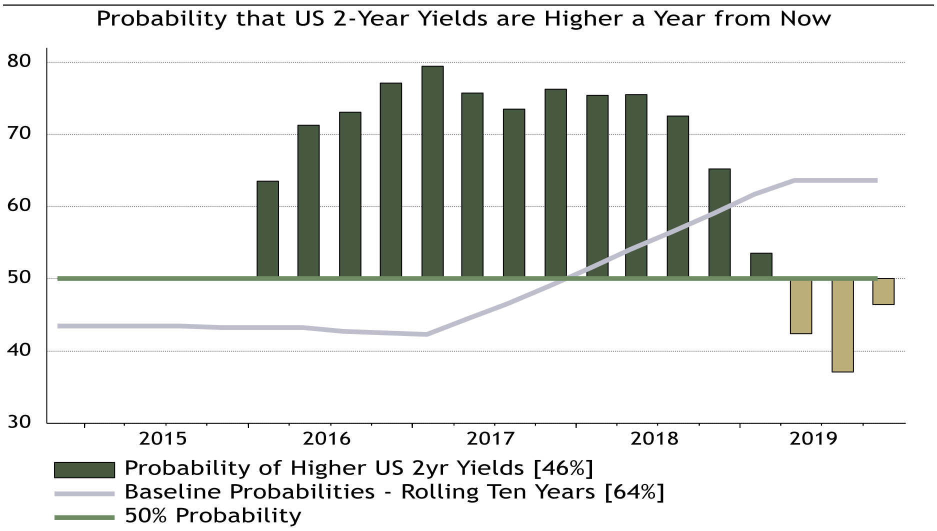
MAS. 12: Probability of Higher10yr JGB Yields a Year from Now



US Short Rates / Real Yields / TIPS

Source: ASR Ltd. / Datastream from Refinitiv

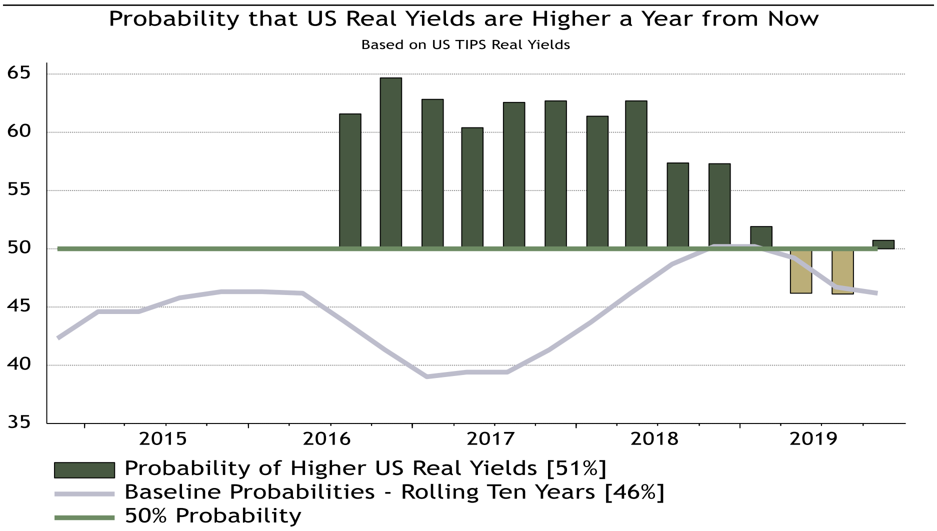
MAS.13: Probability of Higher 2yr Treasury Yields a Year from Now



Quite a significant rethink at the front of the US curve as recession fears abated. They still think that it is more likely that US 2-year yields will be lower rather than higher a year from now.

Source: ASR Ltd. / Datastream from Refinitiv

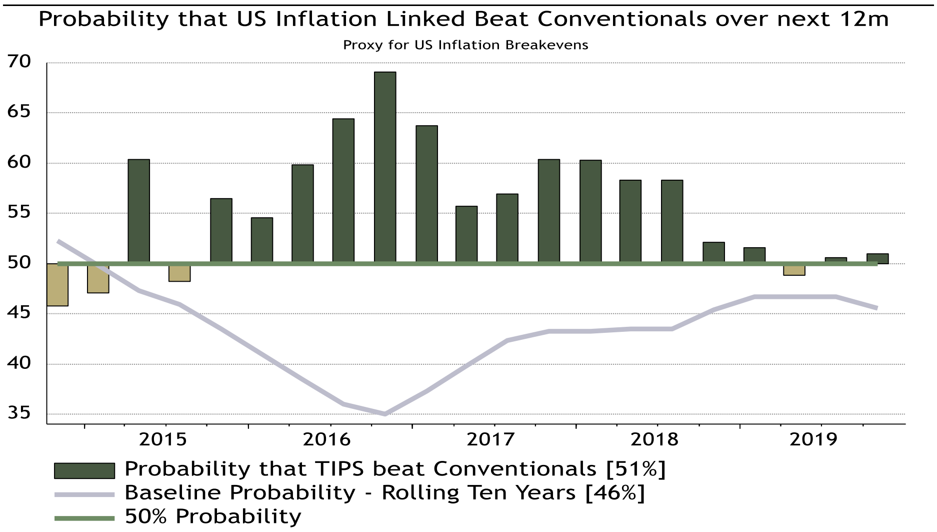
MAS.14: Probability of Higher US Real Yields a Year from Now



As recession fears have eased, so asset allocators are no longer so confident that real yields will decline from current levels. On this question, there is a geographical split in the panel with over half the North American respondents now expecting rising real yields.

Source: ASR Ltd. / Datastream from Refinitiv

MAS.15: Probability that US TIPS Will Beat Conventionals



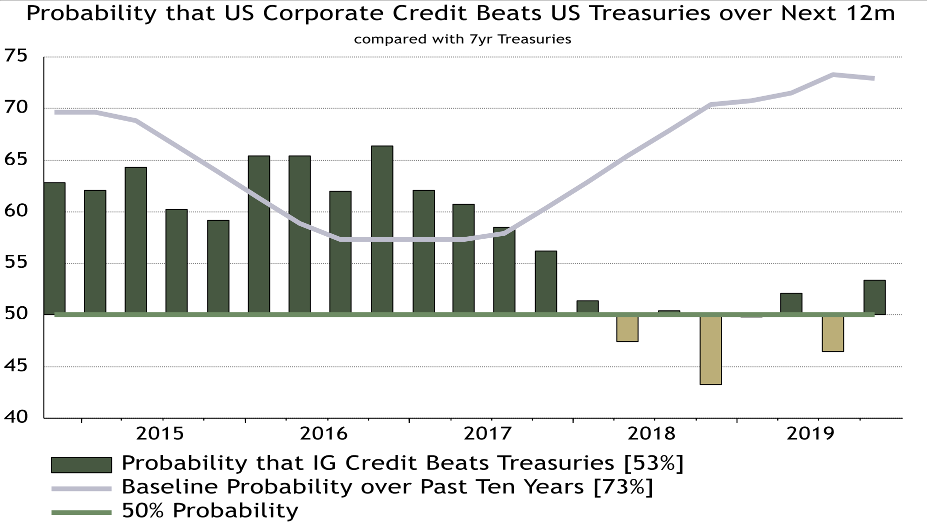
The ambivalence around US inflation-linked TIPS has continued. Our panel has now sat on the fence for a year about whether they will out- or under-perform Conventionals, with 43% of the panel expecting similar returns from both asset classes. This implies no significant change in the outlook for inflation breakevens.

Credit & EM Debt

Expectations of a recovery in business confidence has helped turn our panel back in favour of Credit and riskier bonds. The probability of Investment Grade returns exceeding Treasuries are now back to 53% from 47% last quarter.

Source: ASR Ltd. / Datastream from Refinitiv

MAS.16: Probability that US IG Credit will Beat Treasuries

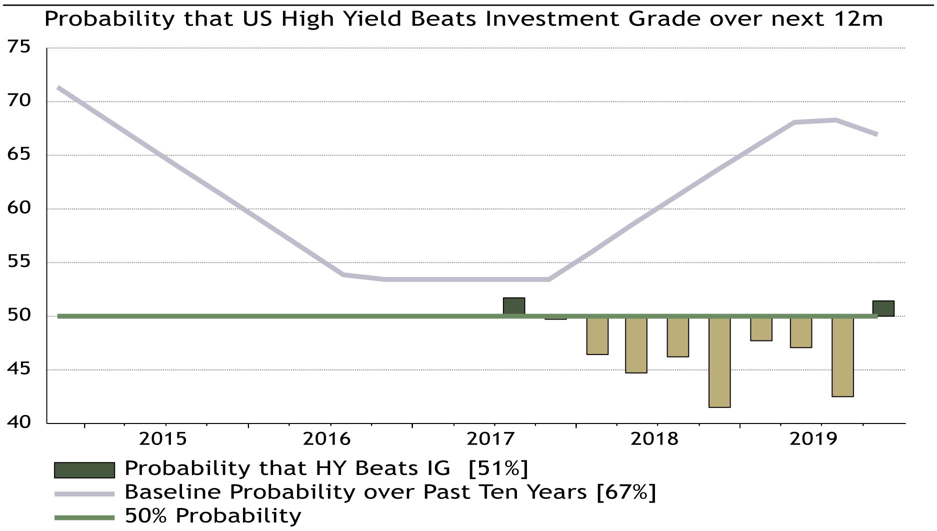


At the same time, the panel has become marginally more optimistic on the High Yield bond market.

This is the first time in two years that High Yield is seen beating IG, but the conviction is low with the probability at just 51%.

Source: ASR Ltd. / Datastream from Refinitiv

MAS.17: Probability that US HY Credit will Beat US IG Credit

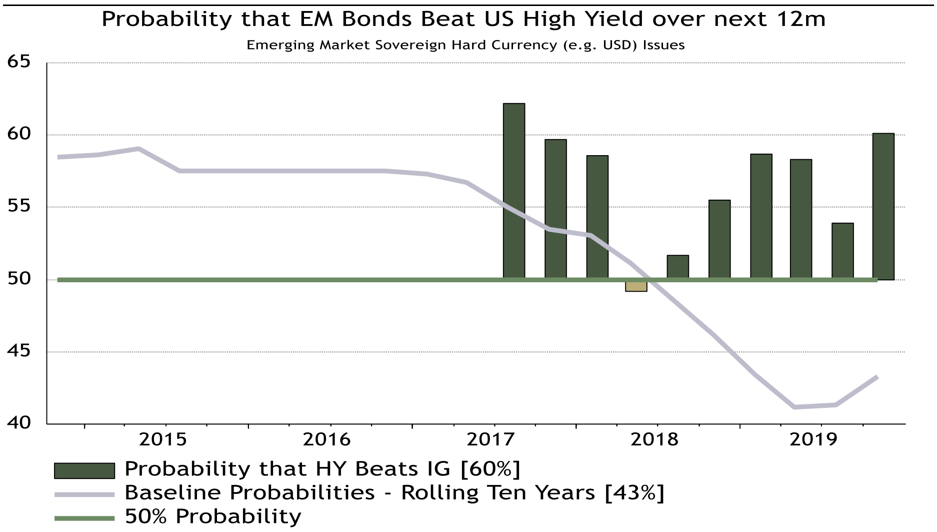


In contrast, the conviction that EM bonds will beat High Yield is strong at 60% - the second highest reading that the survey has recorded.

Our panellists' views on this call are surprisingly independent of their view about High Yield beating IG, which suggests that investors are not viewing EM risks in the same way as High Yield.

Source: ASR Ltd. / Datastream from Refinitiv

MAS.18: Probability that EM Bonds will Beat US High-Yield Credit

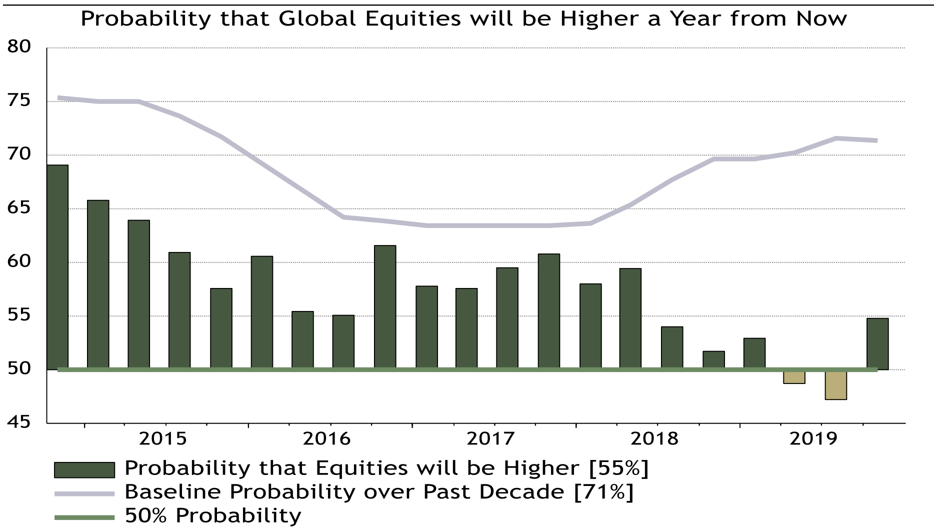


Global Equity Drivers

Our Panel has resumed their positive stance on equities and has an implied probability of 55% that Global equities will be higher in 12 months' time.

Source: ASR Ltd. / Datastream from Refinitiv

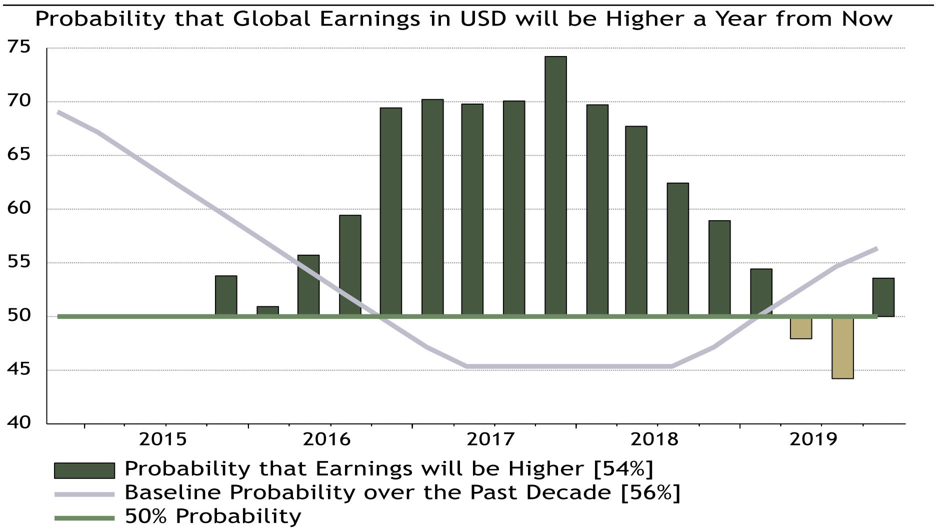
MAS.19: Probability that Global Equities will be Higher in 12m Time



A more constructive view about earnings is at the core of this positive stance. The probability of higher earnings is now put at 54%. With profits' growth currently negative, our panel seems to believe that we are close to the trough.

Source: ASR Ltd. / Datastream from Refinitiv

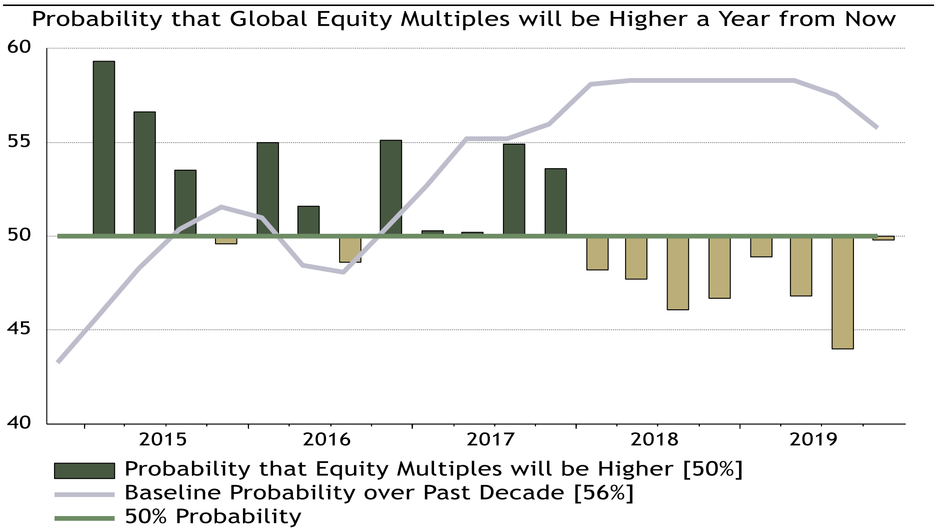
MAS.20: Probability that Global Corporate Earnings will be Higher



The panel does not expect equity markets to be driven by major changes in valuation over the coming year. The probability that the PE ratio will be higher is put at 50%, and most panellists expect the multiple to remain stable.

Source: ASR Ltd. / Datastream from Refinitiv

MAS.21: Probability that Global Equity PEs are Higher in 12m Time

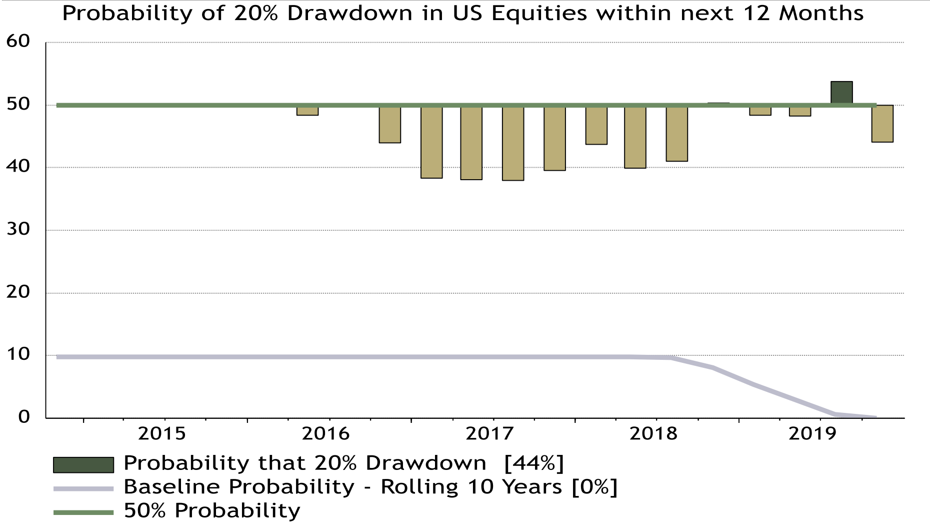


Equity Risk Appetite

The fears of equities derating as earnings fall seem to be behind us. The probability of a bear market has fallen back from 53% in Q3 to 44% in Q4.

Source: ASR Ltd. / Datastream from Refinitiv

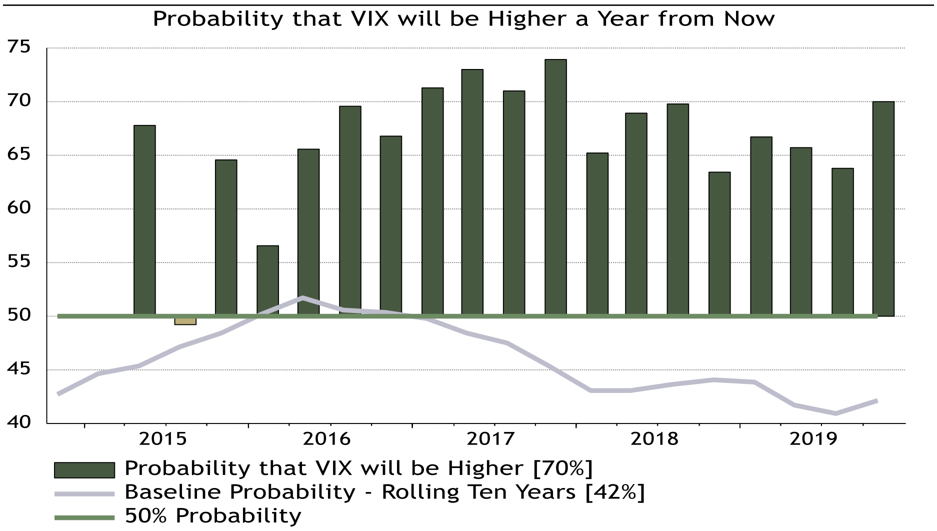
MAS.22: Probability of 20% Drawdown in US Equities in next 12m



Source: ASR Ltd. / Datastream from Refinitiv

MAS.23: Probability that Equity Volatility (VIX) will be Higher …

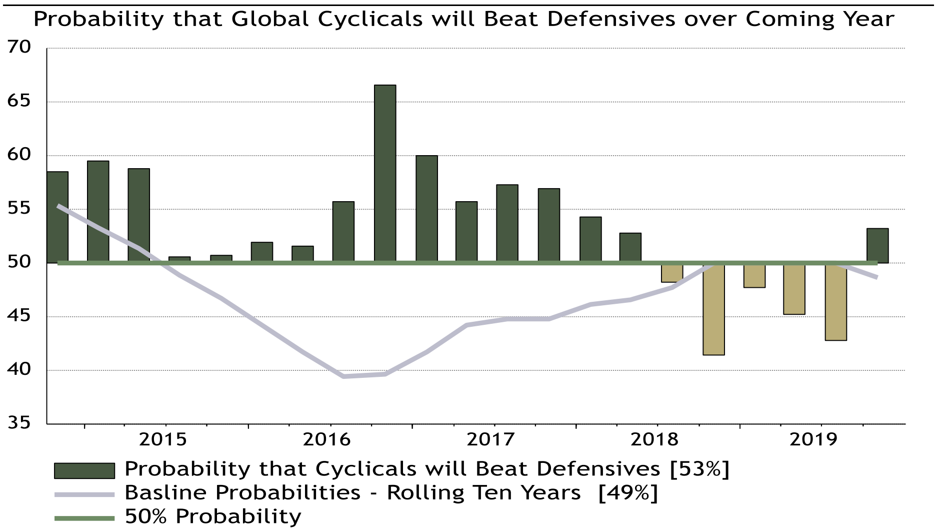
Despite less anxiety about a bear market, investors are still keen to buy into the idea that equity volatility is unsustainably low. They are placing a 70% probability on it being higher a year from now. CBIE's VIX is currently in the low teens.



Source: ASR Ltd. / Datastream from Refinitiv

MAS.24: Probability that Cyclicals will Outperform Defensives …

The panel's view that the business cycle is going to improve may be one of the factors leading them to expect Cyclical stocks to outperform Defensives in 2020.

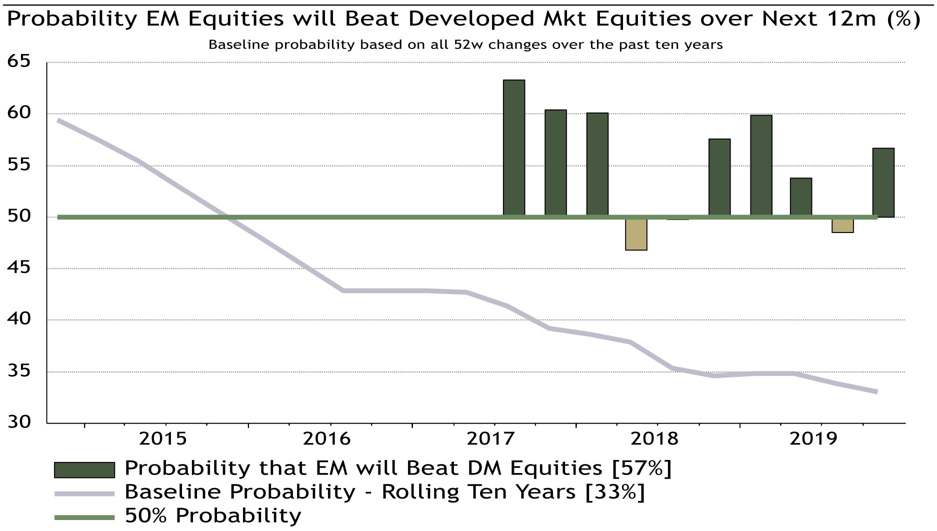


Equity Allocation

Our survey shows that investors are again willing to take risk and are expecting Emerging Market equities (with their high exposure to China, Korea and Taiwan) to beat their Developed Market peers. The implied probability has recovered to 57%, having been down at 48% in Q3.

Source: ASR Ltd. / Datastream from Refinitiv

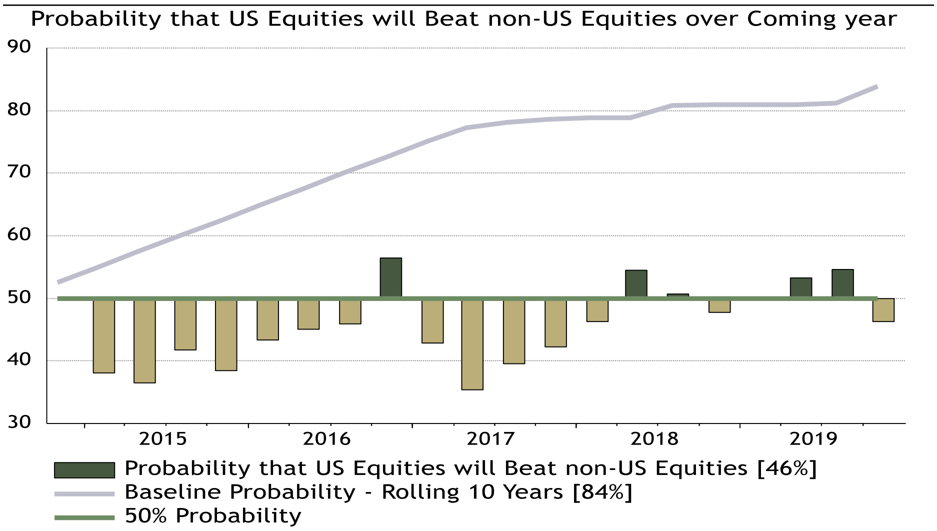
MAS.25: Probability that EM Equities will Beat DM Equities …



Source: ASR Ltd. / Datastream from Refinitiv

More generally, our panel is expecting non-US equities to rebound. The probability of US beating non-US stocks has fallen to 46%.

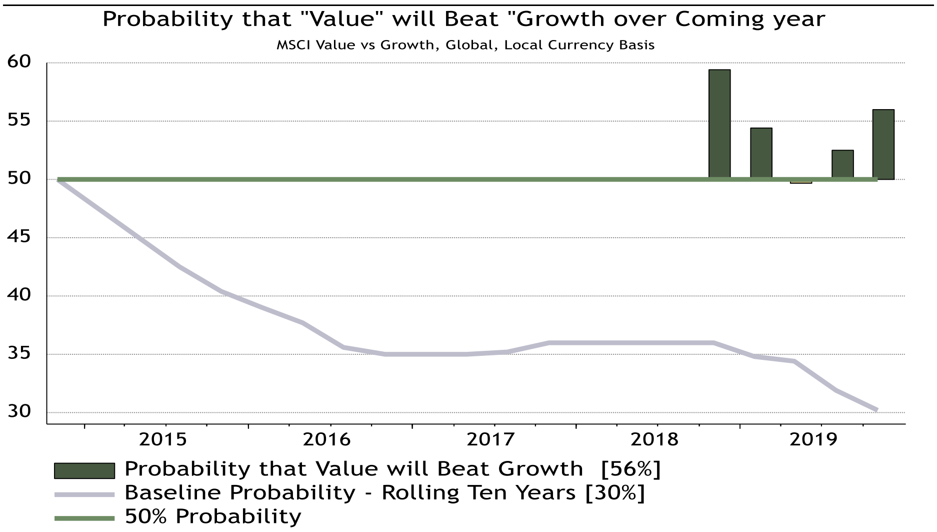
MAS.26: Probability that US Equities will Beat non-US Equities …



Source: ASR Ltd. / Datastream from Refinitiv

The panel is also expecting the Value factor to beat Growth with almost as much conviction as they expect EM to beat DM stocks.

MAS.27: Probability that Global 'Value' will Beat Global 'Growth' …

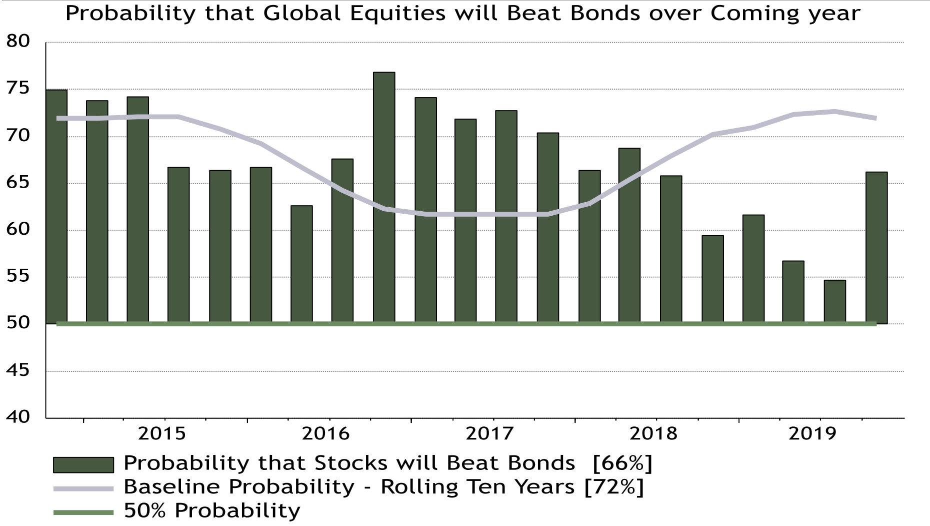


Asset Allocation

Our panel has become significantly more optimistic on Equities beating Bonds in the past quarter. The implied probability is now back at 66%, well above the Q3 probability of 55%.

Source: ASR Ltd. / Datastream from Refinitiv

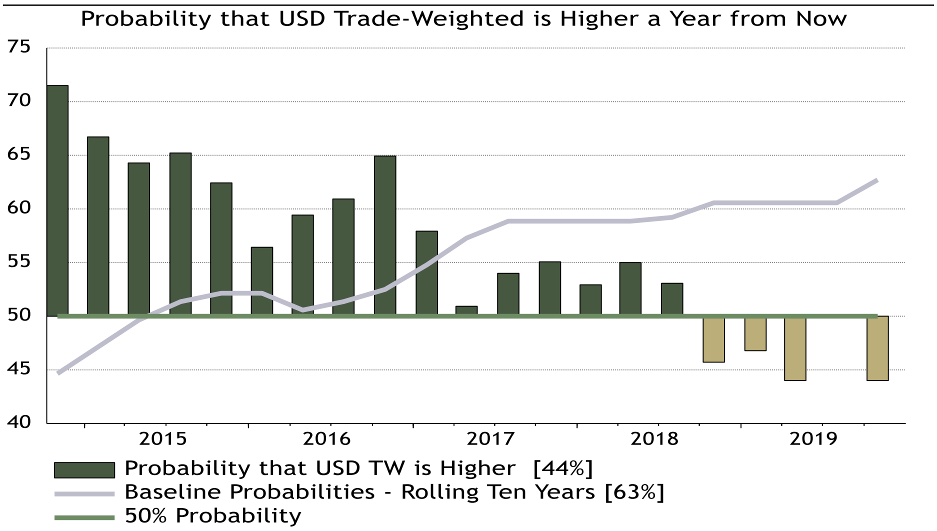
MAS.28: Probability that Global Equities will Beat Global Bonds …



Source: ASR Ltd. / Datastream from Refinitiv

But our panel has not switched their view on the USD. They expect the Trade Weighted Index to fall over the next 12 months. If this happens then it would support EM assets and industrial commodities.

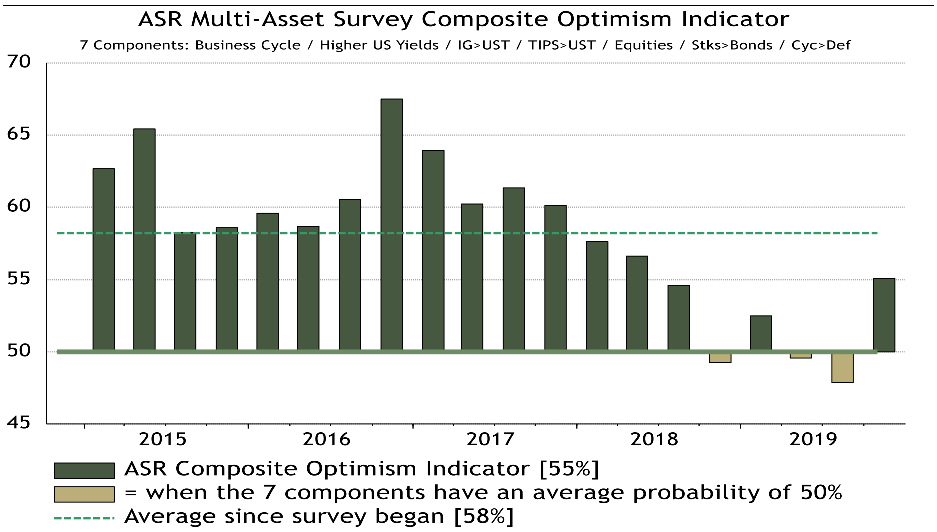
MAS.29: Probability that US Dollar will be Higher a Year from Now



Source: ASR Ltd. / Datastream from Refinitiv

The overall change in confidence of our panel can be see in our Composite Optimisation Indicator (a composite of 7 risk asset views). In 2019Q3 this reached its most negative reading at 48%, but in this survey has rebounded to 55% but is still shy of its long-term average of 58%.

MAS.30: ASR Composite 'Optimism' Indicator (COI)

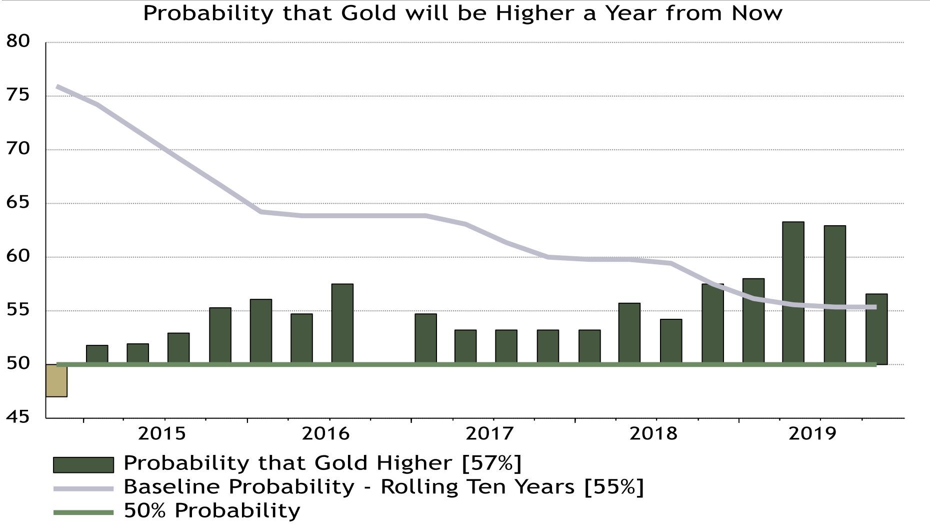


Commodities

As optimism about risk assets has increased among our panel, expectations of rising gold prices have fallen from 63% in Q3 to 57% in Q4. Our panel still expects the Gold price to be higher a year from now, but not as strongly as 3 months ago.

Source: ASR Ltd. / Datastream from Refinitiv

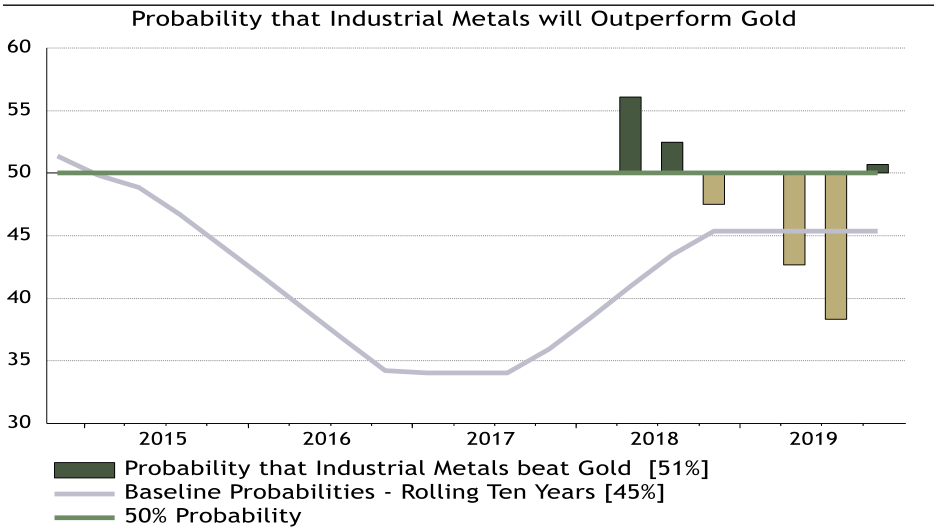
MAS.31: Probability that Gold will be Higher a Year from Now



Asset allocators have also become more confident about other commodities relative to gold. So the probability that Industrial Metals beat Gold is now back to 51% - a major move on the quarter.

Source: ASR Ltd. / Datastream from Refinitiv

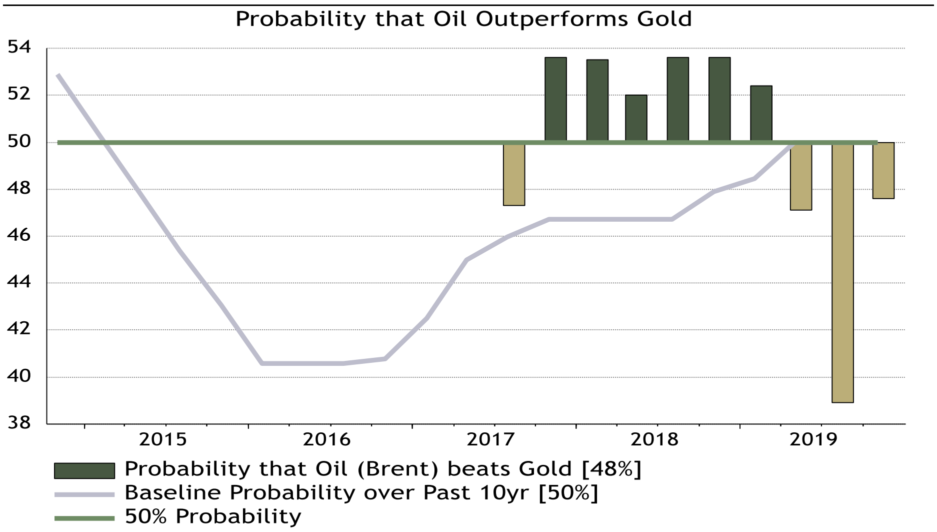
MAS.32: Probability that Industrial Metals will Outperform Gold …



While the probability that Oil beats Gold has jumped from 39% in Q3 to 48% in Q4, our panel still believes that Oil prices will lag Gold over the coming year but this view is no longer held with as much conviction.

Source: ASR Ltd. / Datastream from Refinitiv

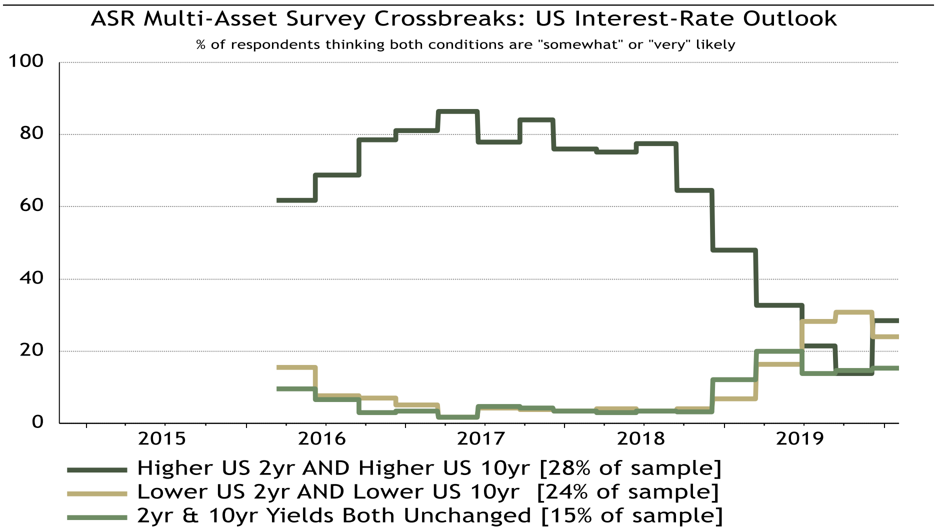
MAS.33: Probability that Oil Outperforms Gold over next 12m



Crossbreak Charts

Source: ASR Ltd. / Datastream from Refinitiv

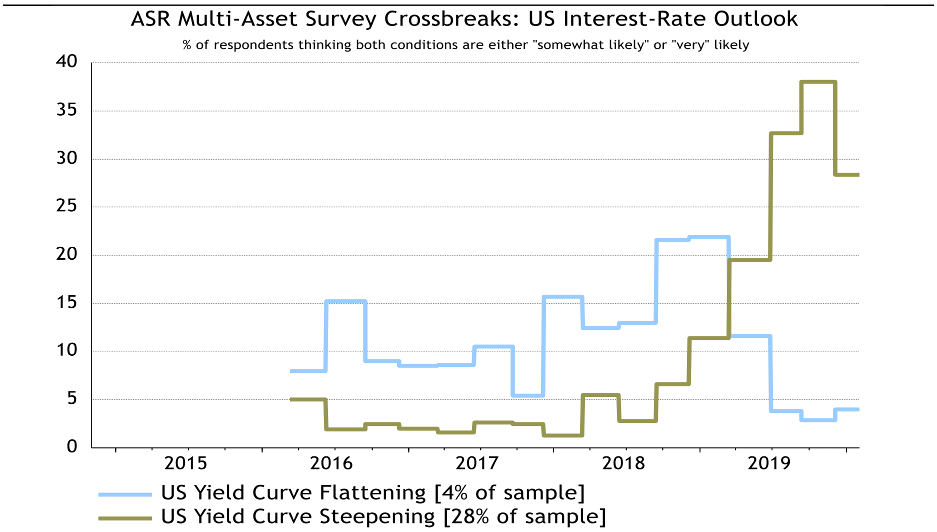
MAS.34: % Respondents with Different Views on US 2y & 10y Yields



28% of the panel are looking for both higher 2yr and higher 10yr US yields … while 24% of respondents are looking for both 2yr and 10yr yields to be lower a year from now.

Source: ASR Ltd. / Datastream from Refinitiv

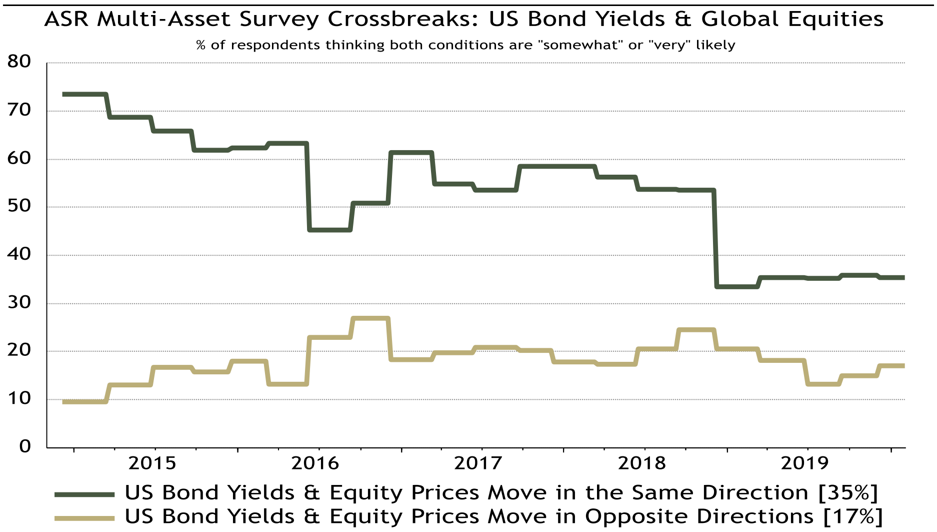
MAS.35: % Respondents Expectating US Yield Curve to Change



28% of the panel expect the US yield curve slope (10s-2s) to steepen over the next 12 months.

Source: ASR Ltd. / Datastream from Refinitiv

MAS.36: Tracking the Relationship Between Stocks & Bonds



No major change in the stock-bond correlations this quarter. 35% still expect US Bond Yields and Global Equity returns to be positively correlated.

Source: ASR Ltd. / Datastream from Refinitiv

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Cluster Analysis: an Extreme Range of Views

Panel splits into 4 groups this quarter showing there is less fragmentation of views but more polarisation

Our regular machine learning analysis of panellists' responses into 'tribes' shows that our panel continues to be fragmented but less so than in Q3. Our unsupervised grouping algorithm sees our panel as best split into 4 groups (MAS. 37). Our algorithm continues to suggest that the optimal division is made by looking first at Activity/Risk Asset views and secondly by the Inflation/Bond Yield views (MAS. 42). We then review the average responses of each group to understand their outlook.

The largest group expects an extension of the economic cycle, with recession averted but no strong upswing

The largest group is the *Extended Cycle,* comprising 31% of the panel, up from 23% (MAS. 38). They believe we have avoided a recession and a significant rise in unemployment but that growth will still be weak: so inflation is not going to return and bond yields are going to stay low. In their view equities are going to rally modestly in line with earnings, but we are not going to see any big rotations between DM and EM, Cyclicals and Defensives or from Growth into Value. Instead they appear to expect a generalised rally in which Equities will beat Bonds.

Meanwhile the size of the most bearish group of panellists who expect a recession has increased

For them the recent rise in bond yields has not removed risks to the credit markets and earnings growth, and this is the only group that expects bonds to beat equities

But our panel also has a number of investors that have not capitulated on the recession call. In fact the proportion of the panel in the *Recession Bear* group has increased from 24% in Q3 to 30% in Q4 (MAS. 39). This group cannot see business confidence recovering and expects a Global recession, that will push unemployment up. This group is as cautious on inflation as the Extended Cycle group and so has a similar view on sovereign bond yields around the globe (MAS. 39). But this groupexpects stress in corporate credit with High Yield and IG underperforming. Equity earnings, multiples and shareprices are expected to fall and the group sees a significant risk that we could have a bear market. Industrial commodities are expected to fall.

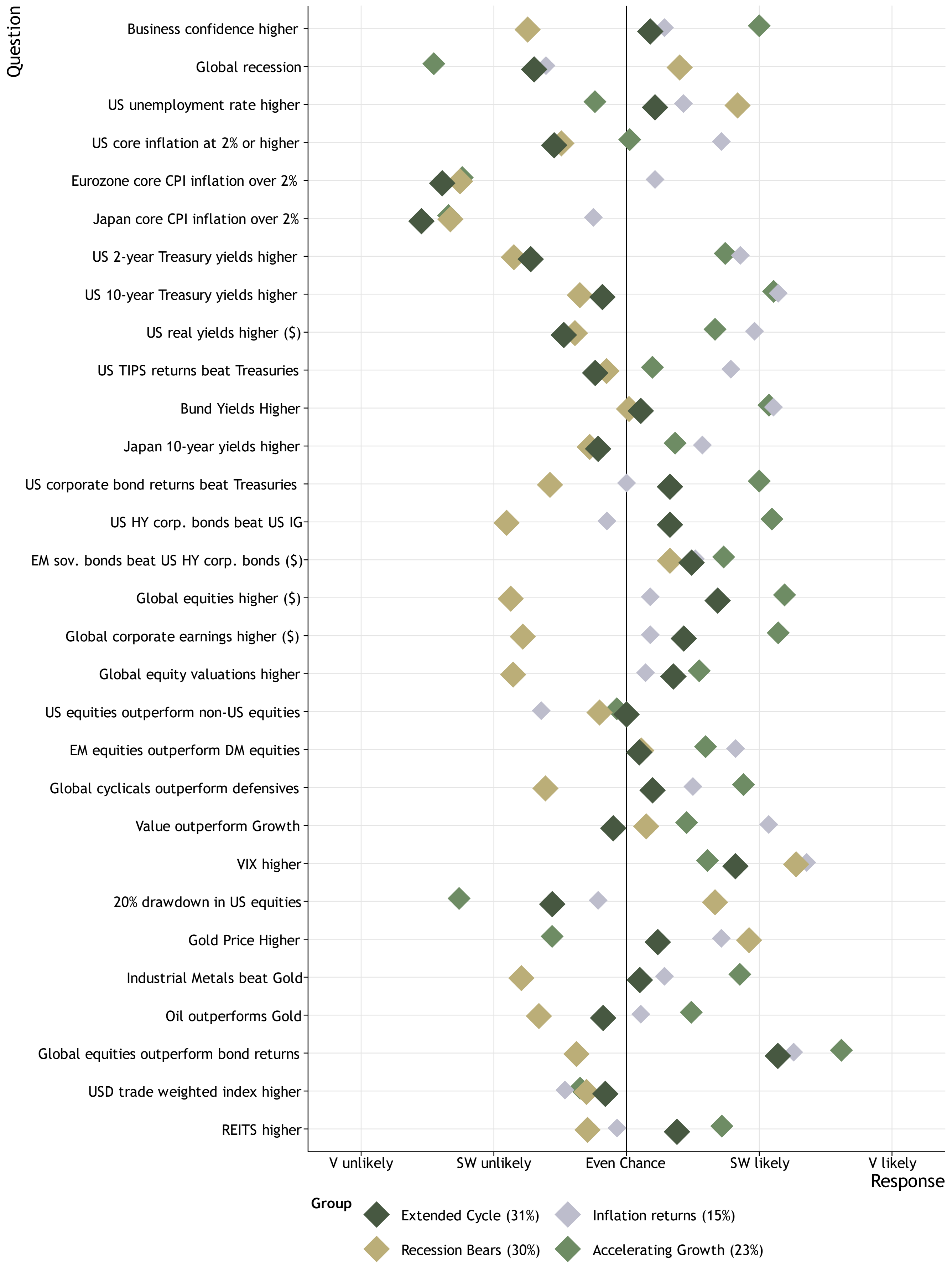
We still have a quarter of the panel expecting a strong rebound in the economy and for risk assets to beat safe ones

Our most bullish group, *Accelerating Growth*, was 23% of the panel, and they have an unequivocally positive view of the outlook for business confidence (MAS. 41). This group is not expecting a Global recession in the next 12 months or unemployment to rise. Despite little inflation the group expects both short and long Treasury yields to rise. And, with an optimistic view on the economy, this group expects equities to rally, led by Cyclicals, Credit to beat Sovereign bonds and Industrial Commodities to beat Gold. The group has little doubt that Equities will beat Bonds.

But only 15% of the panel see risks of inflation returning in the coming year

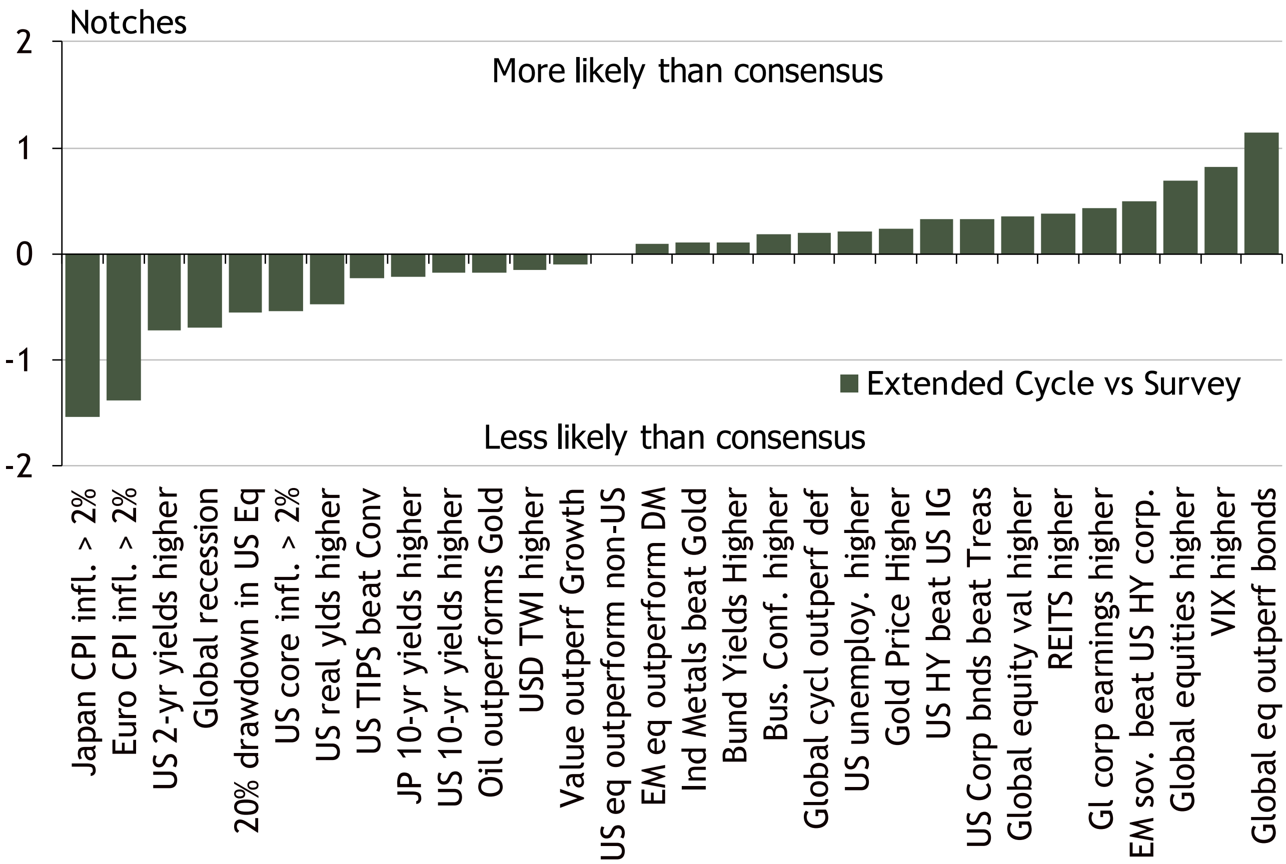
The final group identified by our machine learning analysis expects the return of inflation, but no economic boom (MAS. 40). The *Inflation Returns* group (15% of panel) expects US inflation to hit 2% and even sees an evens chance of Eurozone inflation hitting that threshold. They even see a possibility that Japanese inflation might approach its policy target. So this group expects bonds to sell off, with the exception of TIPS, and higher yields to limit the scope for Equities to rally. Still they strongly prefer Equities to Bonds. With an expectation that Gold and Industrial Commodities will price higher, this is the only group that has a significant preference for the Equity Value factor.

MAS. 37: Average response of the 4 groups identified in our Machine Learning Analysis



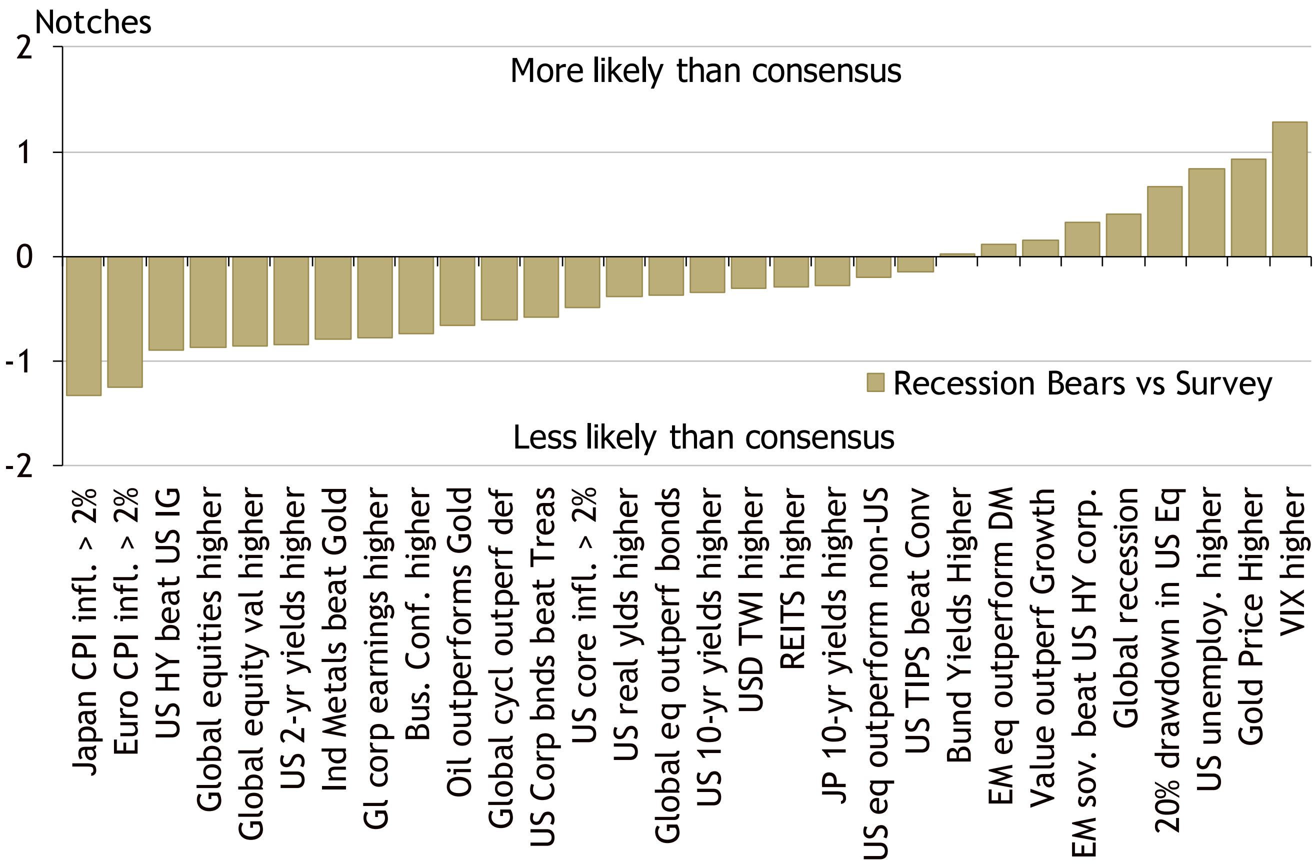
Source: ASR Ltd. / ExtelSurveys

MAS. 38: Comparison of 'Extended Cycle' Group (31%) with Survey



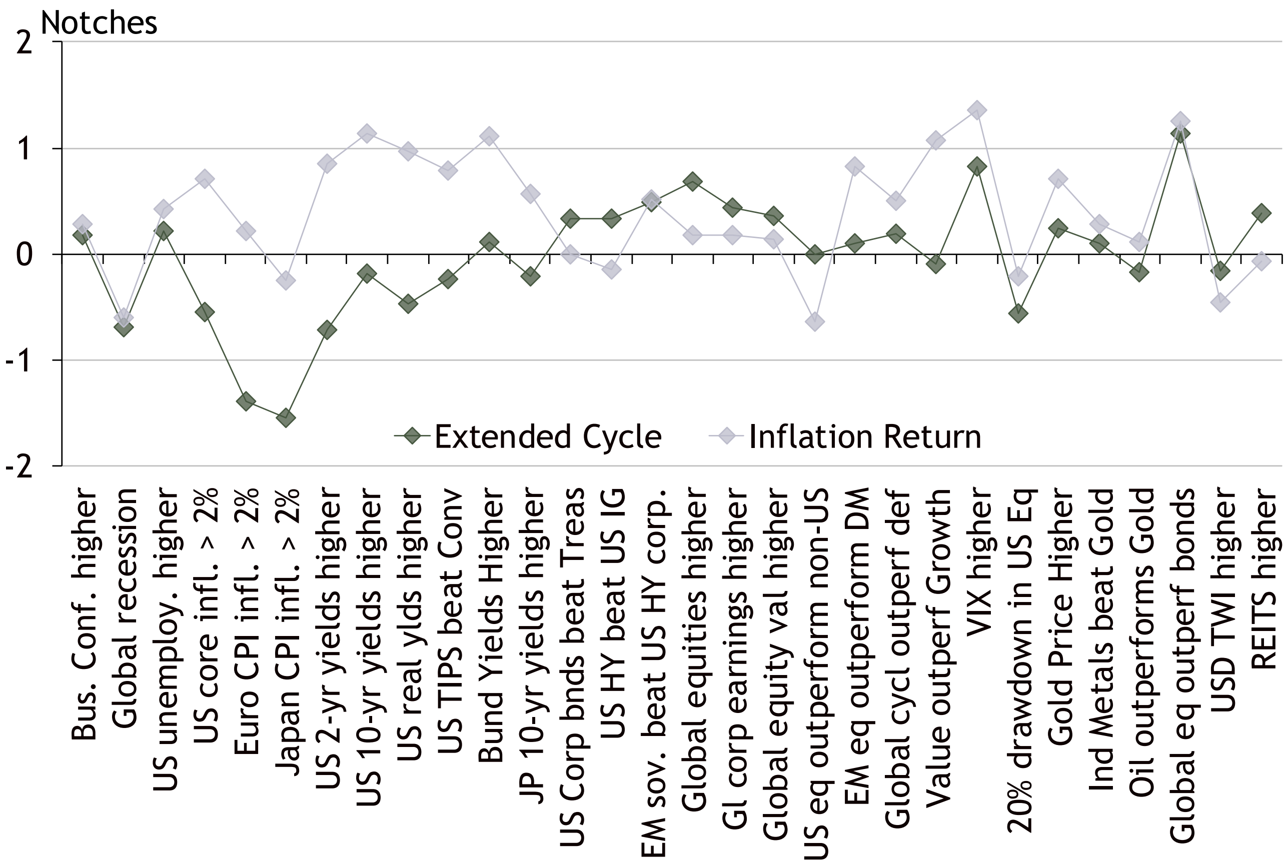
A **Notch** is the difference between each possible answer — Source: ASR Ltd. / ExtelSurveys

MAS. 39: Comparison of 'Recession Bears' (30%) Group with Survey



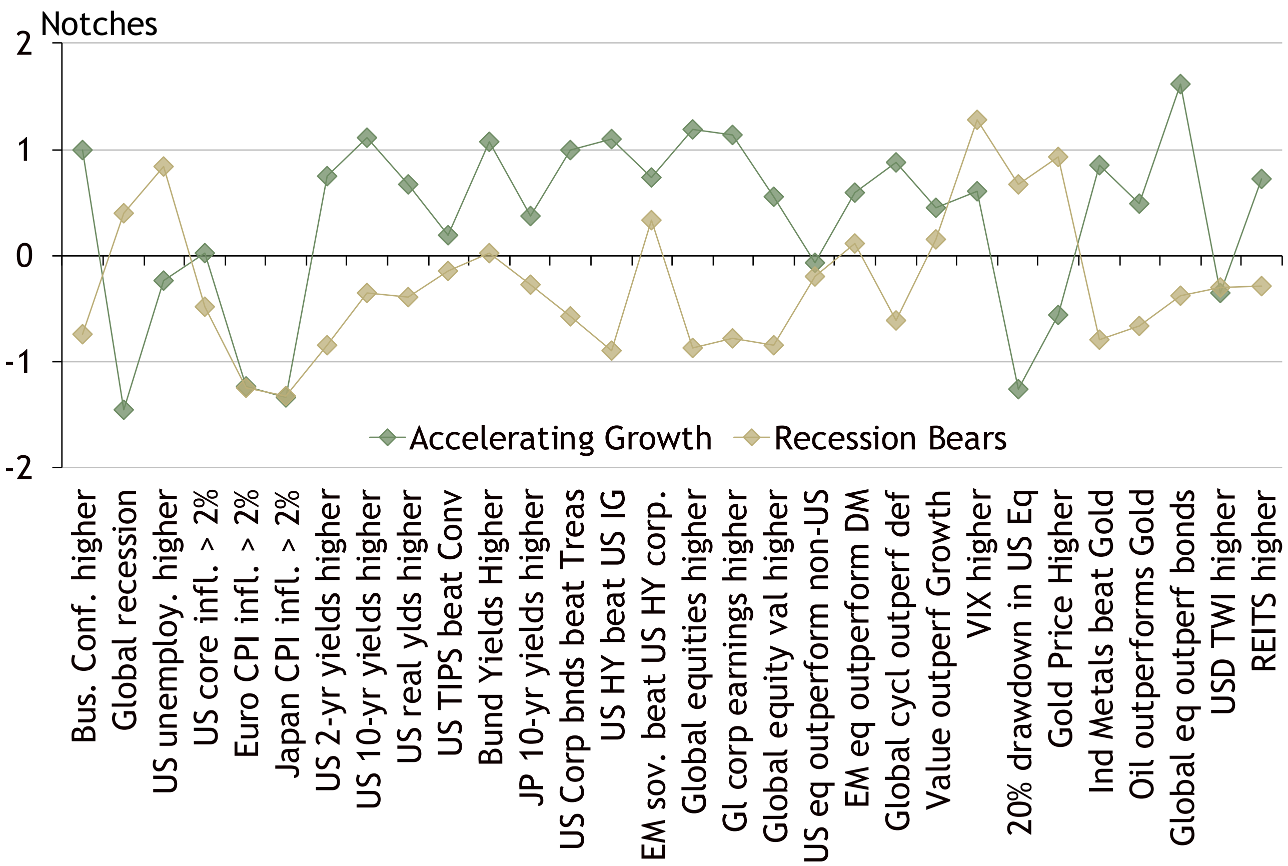
A **Notch** is the difference between each possible answer — Source: ASR Ltd. / ExtelSurveys

MAS. 40 Comparison of Extended Cycle (31%) Group with Inflation Returns (15%) Group



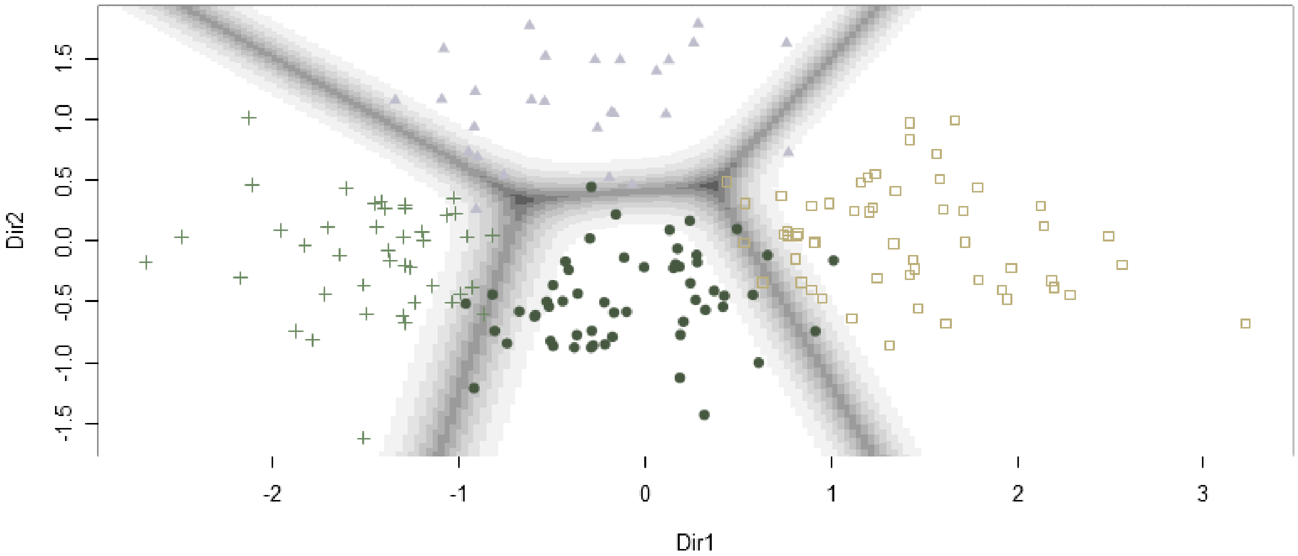
A **Notch** is the difference between each possible answer — Source: ASR Ltd. / ExtelSurveys

MAS. 41 Comparison of 'Recession Bears' (30%) Group with 'Accelerating Growth' (23%) Group



A **Notch** is the difference between each possible answer — Source: ASR Ltd. / ExtelSurveys

MAS. 42: Differentiation of Clusters (First and Second components after PCA transformation)

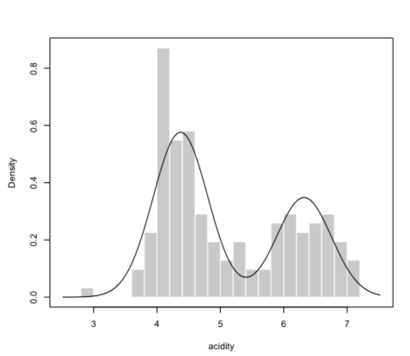


We have applied a [PCA transformation] of the panellists responses, and then plotted the position of each panellist on the first and second principal components (each is a combination of questions). The boundary between each group is also shown on the grid. The horizontal axis is mainly a combination of the Economic activity and risk asset performance questions, while the second component is mainly inflation and bond yield questions. Source: ASR Ltd. / ExtelSurveys

Methology - How we find our groups of similar investors

The basis of this group analysis is that there are only a limited number of generic categories of investors. An investor's answers are the combination of their generic categories' answer and some individual variation (i.e. 'noise'). So we try to classify investors into one of these generic categories.

MAS. 43: Fitting two normal distributions to a dataset



Source: W. Härdle, Fraley & Raftery

Our approach is 'unsupervised': ahead of the analysis we do not know either the number of generic categories, or even their views! However, this is not an insurmountable problem. We can use a Bayesian approach: that is, we create a model of the generic categories and see whether we can get it to fit the data. The parameters of the model (the number of clusters and their means and variances) are then adjusted until the 'most likely' model is found. So, in the example in MAS. 43, the data is the bars, which are modelled by superimposing two normal distributions (each distribution represents a generic type). Increasing the number of distributions might lead to a better fit. However, this runs the risk of over-fitting, and so each extra group increases a penalty factor when calculating the how good a fit the model is.

Transferring this idea to our survey, the bars would be the responses to a question, and so the two distributions in the chart are equivalent to two basic investor categories. Of course our survey has 30 questions with discrete responses which makes the maths more complex in practice but are still possible to solve using the algorithms provided by the `mclust` package in R.

Methodology – What we Mean by 'Implied Probabilities'

- ASR's Multi-Asset Survey is a Survey of Probabilities.
- Every quarter we contact around 200 asset allocators and multi-asset strategists from around the world.
- We ask them "how likely" they think certain financial and economic events are to occur in the next 12 months. All thirty questions are framed with a binary outcome (will 'X' happen or will it not happen?) with a fixed time horizon. Each question offers five options: (1) very likely (2) somewhat likely, (3) even chance, (4) somewhat unlikely, (5) very unlikely.
- We then ascribe notional probabilities to each of the five options. For example, if someone responds "very likely", we apply a 90% probability to their response. If they reply "very unlikely", we apply a 10% probability. If someone says "even chance", then we apply a 50% probability.
- By applying different probabilities to the responses, we can calculate an overall probability. This is more sophisticated than other surveys, which just calculate a "net balance" (e.g. % respondents that are 'optimists' minus % respondents that are 'pessimists'). Our approach captures differences in convictions.
- Small changes in the implied probabilities matter: a 5% point change over a quarter can indicate an important shift. A 10% point change can reflect a profound change in expectations.
- These "implied probabilities" are powerful as they can be used in multiple ways. First, we can compare them with the probabilities that are implied in the market. Secondly, we can compare them with our own views and see where we are most different from the consensus. And thirdly, we can compare them with the historic baseline probability (how often has this event occurred over the past decade).
- For example, an implied probability of 50% may sound like a neutral call, but if the event has only occurred 20% of the time over the past decade, then this 50% probability is in fact a much more aggressive call that it may first appear. It is 'big' relative to the history of the past ten years.

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