The voice who sets the pace for Aussie traders

Lori Calvasina has spent more time in Australian traders', fund managers' and analysts' ears than just about anyone else on Wall Street.

The RBC Capital Markets US equities strategist is all over Bloomberg's radio and television programs, including the popular *Surveillance* podcast, as well as CNBC, Fox Business and other shows out of Wall Street. She starts her days with these interviews in New York, and Australian traders often start theirs by listening to replays or highlights on their morning commutes.

Calvasina has a following for a few reasons: her framework for equity market sell-offs, her bottom-up approach to a high-level S&P 500 target price, and her weekly *Pulse* report, which is not for the fainthearted.

Last week's *Pulse*, which Calvasina says was a shortened summer holiday version, was 86 pages and included about 150 different charts.

She reckons Wall Street's S&P 500 will get to 8150 points in the coming 12 months, or an 11.4 per cent gain, to when she last "froze" her models. That target is the approximation of the median and average of five models – sentiment, valuation/EPS, stocks versus bonds, economy and interest rates – and she said it will be a "non-linear" path to 8150 that may even include what she would call a "garden-variety" sell-off.

"We think of it as our compass," she says of the target. "That target isn't a GPS. It's a statement on the general direction of travel – are we bullish, and how much or why?"

That 8150 says the answer is yes, Calvasina is bullish, and it should be another decent year on Wall Street. "It's higher, but it's not heroic," she says. The market has ripped since she last froze the models and ended last week at 7758 points.

Calvasina debated this 12-month target and its inputs – earnings, inflation, bond yields, interest rates, etc – with Australian clients last week, including some of the big superannuation funds and asset managers on her first trip to Sydney as RBC's top strategist. She did a lunch at the bank's Sydney office on Thursday, armed with an 87-page chart book.

This very detailed approach has made her one of the most influential equities strategists on Wall Street. Some strategists (such as Morgan Stanley's "run it hot" Mike Wilson, perhaps) tell nice stories and find charts to match, while Calvasina is all about her five models and the plethora of charts and analysing them to get the story.

Wall Street equities strategist Lori Calvasina visited Martin Place this week and spoke to Chanticleer about the year ahead. PHOTO: LOUIE DOUVIS

"I think the models are telling us the market has a very, very strong earnings growth backdrop," she says. "And we still have a path higher because of that earnings growth backdrop."

She dives into charts on business capex growth, price-to-earnings valuations, top 10 versus non-top 10 company net income growth, and market performance around midterm elections, pointing out that she and her two colleagues come up with most of the charts. "I prefer to crunch my own data," she says.

An hour with Calvasina in Sydney is exactly like she is on the radio, except with more charts. Everything she says she wants to back up with data, showing she's serious about not just coming up with a catchy narrative for the sake of helping her trading desk sell more stocks.

She says all those early morning TV and radio interviews, which she often does on her way to the office, prepare her well for her client calls that day. They challenge her thinking and her ability to put the charts into words to help make investment decisions.

Calvasina says she wasn't always big into maths and finance. She liked history, political science and debating in high school, was a graduate of the University of Virginia's government and foreign affairs honours program and would prefer to read the news or earnings calls transcripts than novels.

There is zero pretension, which makes her different from other bankers we get to meet from Wall Street.

Investors say her market sell-off framework has proved useful during last year's tariff upheaval and again this year, during the Iran war dip in March.

It seeks to predict how far the market will drop based on the type of sell-off – pullback, growth-scare, recession or interest rate shock, or major crisis – and says it is the culmination of her 25 years in finance and is designed for modern markets. She hopes it calms investors during sell-offs and helps them work out when to buy back into the market.

Calvasina thinks we could get a "garden-variety pullback" this year, which is a 5 per cent to 10 per cent drawdown, but says the risk of anything worse is low. However, she says US Federal Reserve chairman transitions can be tough for the sharemarket, as it has been since Kevin Warsh took the job.

"The S&P 500 was also choppy in the first few months after Warsh's three predecessors moved into their new roles."

ANTHONY MACDONALD