Oriflex BP Regeling
Oriflex Wereldwijd
Stichting Pensioenfonds Atos Origin
Vierde Kwartaal 2023

BLACKROCK

Market Review

America

The Conference Board Consumer Confidence Index increased for the month of December to 101.7 from 101.1 in November. The Present Situation Index increased to 148.5 from 136.5 in November. The Expectations Index lept to 85.6 coming in above 80 for the first time in four months. This significant surge reinstates anticipations to the optimistic levels observed in July of the current year. The rise in consumer confidence in December was driven by more favorable assessments of current business conditions and job availability. Additionally, there were less pessimistic outlooks on business, the labor market, and expectations for personal income over the next six months. In December, a resurgence of optimism was evident across all age groups and household income levels, with the most significant improvements observed among individuals aged 35-54 and households earning $125,000 and above. The write-in responses for December highlighted that consumers continue to be primarily concerned about the general increase in prices, while issues like politics, interest rates, and global conflicts saw a decline in significance as top concerns. The perceived likelihood of a U.S. recession in the next 12 months decreased in December to the lowest point seen throughout the year. However, despite this decrease, two-thirds of consumers still maintain the belief that a downturn is possible in 2024. In December, evaluations of the current situation improved, evident in the more positive perspectives on business conditions and employment. However, when respondents were asked to evaluate their present family financial conditions (a factor not factored into the Present Situation Index), the percentage expressing "good" declined slightly, while those indicating "bad" increased modestly. This implies that consumers' assessment of their current finances may present a more restrained outlook, despite the overall perception that conditions are better than the previous month. In December, consumers exhibited a more optimistic outlook on the labor market. The percentage of those considering jobs as "plentiful" increased from 38.6% in November to 40.7%. Conversely, the proportion of individuals perceiving jobs as "hard to get" decreased from 15.6% to 13.2%. These figures suggest a positive shift in consumer sentiments regarding the employment landscape, reflecting a favorable perception of job availability.

The seasonally adjusted final S&P Global US Composite PMI posted at 51 in December, up slightly from the figure seen in November, posting marginally higher than the 50.0 neutral mark for the eleventh successive month. The boost in composite PMI indicates a modest expansion in growth rate and overall business activity. In December, there were differences in how well different industries were doing. Service providers saw their activities grow faster, but manufacturers experienced a decline in production. Although the drop in manufacturing output was small, it happened because there was a quicker decrease in new orders. On the other hand, service sector companies had one of the fastest increases in new business in the last six months. The strong demand from customers was linked to increased spending on advertising, more relaxed financial conditions, and promoting extra services to existing clients. These variations in performance highlight the diverse situations in different industries and show the complexities of economic trends. The service sector was the driving force behind the growth, while manufacturers experienced a further decline in new orders and a renewed decrease in production. At the same time, the pressure on costs intensified due to a rapid increase in input prices, marking the quickest pace since September. Despite companies passing on the higher costs to customers at a strong rate, the overall rate of price increases softened compared to November. December witnessed a renewed increase in hiring among firms, with employment growing at the fastest pace in three months. Consistent with the output trend, job creation was concentrated in the service sector, while manufacturers reduced headcounts for the third consecutive month. . S&P Global Flash US manufacturing was down for the month, printing at 48.2 pts, signaling a sharper deterioration in operating conditions at manufacturing firms.

The November CPI print, released in December, showed that Core CPI rebounded to 0.28% MoM, slowing from 0.23% in October. YoY Core inflation decreased to 4.0% from 4.15%. Mean CPI similarly rebounded to 0.27% from 0.24%, while median CPI jumped to 0.43% mom from 0.32%. Although overall core inflation generally matched expectations, there were some component surprises, both positive and negative. On the downside, core goods excluding automobiles experienced a significant decline of -0.7% month-over-month, marking the most substantial drop since April 2020 during the economic lockdown. This was driven by substantial reductions in household furnishings (-0.7%), apparel (-1.3%), recreation (-0.6%), and education/communication goods (-2.6%). On the positive side, used car prices surged by 1.6% month-over-month, and Owner's Equivalent Rent (OER) rebounded to a 0.5% month-over-month increase. While this occurred, core services excluding shelter accelerate to 0.5% month-over-month, which fell in line with our previous expectations. Following the month’s CPI print, we have taken a marginally more negative outlook on core goods.

Omvang fonds

Waarde begin van de periode	€ 49,013,433
Waarde eind van de periode	€ 40,858,360

Rendement

%	Kwartaal	Jaar tot op heden	3-Jaars Ann.	5-Jaars Ann.	10-Jaars Ann.
Fonds	5.62%	19.40%	5.69%	12.38%	8.40%
Benchmark	6.94%	16.92%	6.11%	10.00%	7.79%

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Market Review

Europe

The ECB kept interest rates unchanged and despite reducing its inflation forecasts for 2023 and 2024, advised pressures remained in the region. Pushing back against the notion of rate cuts in the first quarter of 2024, President Lagarde advised borrowing costs should remain at “sufficiently restrictive levels for as long as necessary”. In addition, there was an adjustment made to the reinvestments of maturing securities in the ECB’s PEPP program, announcing a reduction in reinvestments from July of €7.5bn a month before ending completely at the end of 2024. The tone of the meeting differed from earlier rhetoric from the Fed with chair Jerome Powell striking a much more dovish stance. Advising rate increases were “not the base case anymore” alongside projections from 17 of 19 Fed policy makers seeing rates lower by the end of 2024, bond markets rallied materially in December. Yields fell globally as markets priced additional interest rate cuts in 2024 and lower longer end yields.

In Europe, 170bps of cuts are priced with 10-year Germany now below 2% having reached 3% in October. The anticipated easing was supportive for periphery assets with Italian-Germany 10yr spreads around 20bps tighter to 160bps. Despite the rally, medium term expectations in Europe are still towards the higher end of the perceived neutral range (1.5% - 2.5%) with 5y5y (pricing of ECB rate for 5 years starting in 5 years’ time) around 2.50%.

Forward looking economic data disappointed with euro area sentiment surveys (PMI’s) missing expectations. Although the magnitude of miss was immaterial, the trajectory of data poses risks to consensus expectations of a growth rebound in 2024. This thesis was further supported by German data (Ifo) also disappointing to the downside. Perhaps worrying for the ECB, there was weakness amongst energy-intensive manufacturing firms despite the recent fall in commodity prices. There was a small upward surprise in euro area consumer confidence given falling inflation relative to nominal wage growth however overall, this measure remains subdued.

Eurozone inflation continued to fall with headline 2.4% and core inflation unchanged at 3.6%. Although more volatile components (airfares and clothing & footwear) were the main factors driving core inflation lower, virtually all measures of underlying inflation are decelerating. Whilst risks to higher inflation have diminished, the evolution of the labour market in terms of unemployment and wage growth will play an important role in the future trajectory. The recent public sector wage deal in Germany will embolden ECB hawks, with the agreement for 3 million workers showing positive real wage growth with back loaded components also included.

UK

The final month for 2023 delivered a mix of positive data alongside less positive forecasting by the Bank of England (BoE) all-the-while their Monetary Policy Committee (MPC) maintained their bank rate steady at 5.25%. UK Economic data showed strong retail sales and PMI’s while economic and employment growth slowed alongside the continued cooling of inflation. The BoE marginally reduced their expectations for economic growth to one of stagnation, while business survey indicators of future growth remain more positive. It was a strong month for bonds as global government bond yields fell materially with gilt yields across the curve lower by circa 60 basis points (bps).

The start of the month saw PMI’s back above 50, indicating expansion in construction and services. We witnessed the first slowdown in wages since the start of 2023 with average earning ex-bonus growing at 7.3% down from 7.8%. The unemployment rate remained at 4.2% for the third consecutive month while inflation expectations over the next twelve months dropped to 3.3%. GDP month-on-month (MoM) showed a detraction of -0.3%, year-on-year (YoY) was also lower than expected at 0.3% versus (vs) expectations (exp) of 0.6% and previous of 1.3%. Gilt yields up until this point of the month we’re relatively unchanged to marginally lower ahead of the BoE’s interest rate decision. In a 6-3 vote the MPC left their bank rate unchanged at 5.25% for the third consecutive meeting, in line with expectations. The BoE indicated that the current level of interest rates are sufficiently restrictive and further hikes seem unlikely. This led to a strong rally in UK rates as the market pricing of interest rate cuts moved significantly forward to May 2024, with over 200bps priced in. Finally, inflation showed continued signs of slowing with headline YoY at 3.9% vs exp 4.3% and MoM -0.2% vs exp of 0.2%. Core inflation also slowed, YoY 5.1% vs exp 5.5% and MoM -0.3% vs exp 0.2%.

Japan

JGB yields modestly declined mainly over 6yr to 10yr zone in December, and the 10yr yield ended the month 0.055% lower at 0.615%. U.S. treasury yields continued to decline in December after the rally in November, against the backdrop of the forecast of a large interest rate cut in 2024 shown in the FOMC. JGB yields experienced downward pressure from the rallying U.S. treasury markets. The BOJ maintained its policy at its decision meeting. At the press conference, Governor Ueda said that surprise would be inevitable regarding the policy change. The main opinions stated that the certainty of achieving the inflation target was gradually increasing. The overall inflation ex-perishable food was +2.5% YoY in November and remained above the central bank's 2% target for twentieth straight month as food prices continued to be high. The unemployment rate was unchanged from the previous month at 2.5% in November.

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Emerging Markets

December was a positive month for Emerging Markets Debt, as core rates continued to fall after peaking in October and the macro backdrop remained supportive. In the US, Fed chairman Jerome Powell sent a dovish signal in his press conference, indicating the Fed could be “done” hiking rates. The 2024 outlook provided by the central bank was more dovish than previous outlooks and projections, with most policy markers anticipating rate cuts rates by year end. In China, key interest rates were left unchanged amidst a backdrop of mixed manufacturing data and deflation which has stemmed from the deleveraging of balance sheets on the back of ongoing property sector issues. On a positive note, the People’s Bank of China injected sizable liquidity into the system during the month. The country also resumed high-level military contact with the US, after halting such communications in August 2022. Argentinian President Javier Milei, who was inaugurated on December 10th, unveiled a sweeping set of executive decrees designed to fundamentally alter the state's ability to influence the economy. The package included repealing price fixing rules and protectionist industrial legislation, banning export restrictions, and facilitating land ownership by foreigners. Importantly, the decree proposes allowing transactions in dollars, which would likely increase the economy’s dollarization and could serve as a step toward formal dollarization later in Milei’s term. In Brazil, S&P upgraded the country’s sovereign rating to BB from BB- with a stable outlook. The decision was made following a recently approved tax reform which represents a continuation of pragmatic policy choices that have characterized the last seven years. Although the country has fiscal imbalances, expectations are that progress will be made to address them given the strong external positions and orthodox monetary policy. In Europe, the EU is preparing a potential €20bn in funding for Ukraine in a debt structure that resembles the structure used during the 2020 Covid pandemic which provided emergency, cheap financing to EU countries. This structure sidesteps a potential veto vote from Hungary as it does not require a unanimous backing from member states. Elsewhere in EM, Chile cut rates by 75bps citing better external inflation, expectations for monetary policy easing, particularly in the US, global financial conditions, and domestic inflation that has continued to decline; Colombia cut rates by 25bps in what could be the beginning of a prolonged easing cycle; Hungary’s MNB cut rates by 75bps to 10.75%, as expected by market consensus as the Central Bank expects the strong disinflation to continue in the first quarter of 2024; in the Czech Republic, CNB decided to cut rates by 25bps to 6.75% as the Bank Board expects inflation to fall significantly next year. Looking at returns, the JP Morgan EMBI Global Diversified index of US dollar sovereign bonds delivered a total return of 4.73% (FY 11.09%). Of this, the spread return was 1.27% and Treasury return was 3.42%. In local currency bonds, the JPMorgan GBI-EM Global Diversified index returned 3.21% (12.70%), of which the FX component was 1.17% and the Rates component was 2.04%. In corporate bonds, the JPMorgan CEMBI Broad Diversified index delivered a total return of 3.07% (9.08%), of which the spread return was 0.77% and Treasury return was 2.30%.

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