Oriflex BP Regeling
Oriflex Wereldwijd
Stichting Pensioenfonds Atos Origin
Eerste Kwartaal 2024

BLACKROCK

Market Review

America

The Conference Board Consumer Confidence Index decreased slightly over the month of March to 104.7 from 104.8 in February. The Present Situation Index increased to 151.0 from 147.6 in February. The Expectations Index slipped to 73.8 from 76.3 in February. Consumer confidence rose among consumers aged 55 and over but deteriorated for those under 55. Additionally, consumers in the $50,000-$99,999 income group reported lower confidence in March, while confidence improved slightly in all other income groups. Over the past six months, consumer confidence has been largely moving sideways with no real trend to the upside or downside regardless of income or age group. Assessments of the present situation improved over the period driven primarily by positive views of the current employment situation. However, reports showed an uptick in concerns about food and gas prices. Expectations for the next six months declined to the lowest level since October 2023 due to renewed pessimism about future business conditions, labor market conditions, and income expectations. Consumer optimism about family finances also decreased. Sentiment about stock prices over the year ahead showed improvement while the share of consumers expecting an increase in interest rates over the year ahead rose above 50% for the first time since November 2023. Buying plans for autos, homes, and big-ticket items slightly decreased for the next six months. On the services side, consumers reported that they anticipate greater spending on health care, motor vehicle services, and lodging for personal travel, but less on entertainment.

The seasonally adjusted final S&P Global US Composite PMI posted at 52.2 in March, down slightly from last month's 52.5 figure, but still signaling an improvement in business activity at US companies. Flash US Services PMI remained at a 3-month low of 51.7 while Flash Manufacturing PMI rose to 54.9. Although overall expansion reflected a weaker rise in services activity, broad business activity in the US continued to increase over the month as manufacturing production grew at its fastest pace in almost two years. From a demand perspective, new orders rose at a slightly slower pace over the month while the rate of job creation appeared as a new high for 2024. Inflationary pressures showed signs of picking up as input costs rose at their fastest pace in six months, in tandem, firms also increased their selling prices by the largest extent since April 2023.

In March, the US core CPI rose to 0.36%, edging the YoY core CPI down to 3.8%. Used car prices drove the upside surprise, while Owner Equivalent rents and core services ex shelter pulled back to 0.44% and 0.50%, respectively. Core goods ex autos inflation edged up 0.1% MoM for a second consecutive month likely reflecting further post-holiday price normalization in certain goods categories. Core services and shelter inflation slowed to 0.46% and 0.4% MoM, respectively. The headline CPI climbed to 0.44% MoM, with energy prices surging 2.3% MoM over the month, ending a 4-month streak of declines. Food prices were unchanged over the period as food at home prices were flat and food away from home slowed to 0.1% MoM. Overall, caution is advised against over-extrapolation from the report, but the data suggests the Federal Reserve may resist an imminent rate cut.

Omvang fonds

Waarde begin van de periode	€ 40,858,360
Waarde eind van de periode	€ 44,478,517

Rendement

%	Kwartaal	Jaar tot op heden	3-Jaars Ann.	5-Jaars Ann.	10-Jaars Ann.
Fonds	11.05%	20.31%	7.15%	12.12%	9.46%
Benchmark	8.76%	18.48%	6.81%	9.28%	8.61%

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Europe

The ECB kept interest rates unchanged in March although markets expect the first cut to occur in June after inflation and growth forecasts were revised lower. Rhetoric from President Lagarde supported pricing with comments of “we will know a little more in April, but we will know a lot more in June” suggesting the central bank is not in an immediate rush to ease policy. Strong wage growth was cited by hawkish members as reasons to delay rate cuts. Whilst one of the most lagging economic indicators, the trend of quarterly 2023 data demonstrated slowing pressures with latest indeed wage data in the eurozone dropping to a 4-month low (3.7%).

The market expects the ECB to begin cutting interest rates in June with approx. 175bps of easing priced over the next 2 years. European rates enjoyed a better March with central rhetoric and economic data supporting the narrative of a resilient economy, rather than one re-accelerating. Ten-year German bund yields fell by around 12bps to 2.30%, with risk-on sentiment supporting the performance of periphery assets with Italian-German 10-year spread falling to 1.16% at one point during March. One underperformer was France with spreads to Germany increasing after the country’s budget deficit widened to 5.5%, missing the 4.9% forecast. In Europe, fiscal responsibility remains key with interest rate costs in France expected to outweigh spending on national education and military in 2027 based on current estimates.

Forecasts for German growth were reduced given the fall in exports and weaker domestic demand. Although slight improvements are expected from last year, this is a low benchmark with Germany the worst performing major economy (based on growth) in the world during the 4th quarter of 2023. Economists see the combination of underwhelming domestic demand, repercussions of higher energy costs impacting the manufacturing sector alongside tighter fiscal policy as the catalysts for weak growth in 2024.

The latest inflation data was supportive for the ECB to begin cutting rates with French and Italian data coming in below expectations. In France, inflation fell to its lowest level (2.3%) since 2021 with slower annual price rises witnessed across all areas. We await eurozone numbers although initial country readings are supportive for inflation in the region slowing to 2.5%. Service inflation is likely to remain an area of focus for the ECB given the labour-intensive nature of the sector and recent rise in wage growth.

UK

March was a sign of relief for the bond market after the strong rise in rates to start 2024. UK inflation cooled, and gilt yields across the curve trended lower. However, the trend of credit spreads could not be broken, finishing tighter on the month. Another Bank of England (BoE) meeting saw the Monetary Policy Committee (MPC) keep their bank rate on hold for the 5th consecutive time at 5.25%, as expected. Overall economic data for the UK was strong over the month; PMIs continued to show a recession is probably over (following back-to-back quarterly declines), while the fall in inflation also helped show signs of a recovery for the UK economy.

The start of the month saw PMIs continue to trend higher, showing strong signs of economic growth for the UK economy as the composite grew from 52.9 to 53. The first sign of inflation cooling for the month was through the continued decline in wage earnings, now at 6.1%, its lowest recording since December 2022. The unemployment rate remains below 4%, although just above expectations and last month’s rate of 3.8%, now at 3.9%. GDP was mixed, with month-on-month (MoM) growth at 0.2%, while year-on-year (YoY) showed a decline at -0.3%. Inflation reports continue to be the focus, as expectations fell from 3.3% to 3%. Headline inflation also slowed to 3.4% YoY, lower than forecasted and a drop from 4% last month, its lowest report since October 2021. Core inflation fell to 4.5%, its lowest number since early 2022, while headline services inflation remains at 6.1%, not far off the peak of 7.4% in July 2023. The end of the month saw the BoE keep their bank rate unchanged, with all but one member who voted for a cut in agreement with the hold. Given the positive economic data over the month for the UK, gilt yields drifted around 10 basis points lower across the curve as the market starts to rethink an environment of yields higher for longer.

Japan

GB yields rose over 6yr zone with the yield curve bear steepening in the zone. 10yr yield ended the month 0.015% higher at 0.725%.

In Japan, the first result of the spring wage negotiations, or Shunto, turned out to be very strong, leading to heightened expectations on virtuous cycle between wages and prices. Given that, the BoJ announced the exit from negative interest rate policy at the policy meeting, aiming to maintain the policy rate, the uncollateralized overnight call rate, between 0-0.1% by raising the interest rate on current account balances from -0.1% to 0.1%. The BoJ also announced discontinuance of most of their unconventional monetary policies such as YCC(Yield Curve Control), purchase of ETFs and J-REITs, and an inflation overshooting commitment, while maintaining JGB purchases with broadly the same amount as before which is approximately 6 trillion Yen per month.

The overall inflation ex-perishable food was +2.8% YoY in February, above the central bank's 2% target as food prices continued to be high. The unemployment rate rose marginally to 2.6% in February.

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Market Review
Emerging Markets

March was a positive month for Emerging Markets Debt. With the global disinflation story continuing and the Fed remaining in play to cut interest rates by a total of 75bps in 2024, market participants continued to search for yield in the riskier parts of the asset class. In the US, February's headline inflation print came in line with expectations at 2.5%. The Fed held rates in their March FOMC meeting, with the accompanying projections showing that officials still expect to cut interest rates by 75bps in 2024. This will likely entail three rate cuts starting in June. In China, data prints towards the end of the month confirms manufacturing strength in the world's second largest economy. Looking at both the Caixin and NBS surveys, metrics signalled the strongest expansion since the post COVID-reopening in Q1 2023. Both supply and demand accelerated, with overseas demand picking up according to the accompanying commentary with the NBS survey. In Turkey, President Erdoğan's ruling party suffered significant defeats in local elections across the country. The opposition Republic People's party (CHP), led by İmamoğlu, achieved mayoral victories in each of the five biggest Turkish cities. Earlier in the month, the central bank surprised markets by raising interest rates by 5% to 50% with inflation still elevated at 67% in the latest print. Egypt finalised a deal which saw the IMF more than double its bailout to $8bn, unlocking much needed monetary support helping the country avert a worsening economic crisis. Social and economic pressures have compounded since the beginning of the conflict between Israel and Hamas, which has highlighted the economic and geographical importance of the country. In Senegal, Bassirou Diomaye Faye was elected to become the country's youngest ever president after securing 54% of the vote in the country's elections during the month. After being released from prison on March 14, Faye will take office on April 2nd, replacing incumbent President Macky Sall. Mexico implemented its long awaited first interest rate cut, lowering rates by 25bps to 11% as inflation prints came in below expectations for the month of February. This makes it the latest Latin American country to kick off its monetary easing cycle. Elsewhere in the region, Brazil cut rates for the 6th time in a row to 10.75%.

Elsewhere in EM, the MNB in Hungary cut rates by 75bps to 8.25% citing strong disinflation and weak domestic demand; South Africa held rates at 8.25% with a hawkish tone noting that services inflation are starting to follow a global trend of becoming one of the primary sources of inflation; the Bank of Indonesia decided to stay on hold at 6% with a continued preference for FX stability; and Colombia cut rates by an accelerated pace of 50bps to 12.25. Looking at returns, the JP Morgan EMBI Global Diversified index of US dollar sovereign bonds delivered a total return of 2.09%. Of this, the spread return was 1.42% and Treasury return was 0.66%. In local currency bonds, the JPMorgan GBI-EM Global Diversified index returned -0.03%. of which the FX component was 0.06% and the rates component was -0.09%. In corporate bonds, the JPMorgan CEMBI Broad Diversified index delivered a total return of 1.00%, of which the spread return was 0.45% and Treasury return was 0.54%.

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