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

BLACKROCK

Market Review

America

The Conference Board Consumer Confidence Index declined moderately during the month from 101.3 in May to 100.4 in June. The Present Situation Index increased to 141.5 points up from 140.8 points in May. The expectations index saw an opposite trend, declining to 73.0 points from 74.9 points in May. The expectations index has remained below 80 for the 5th consecutive month, which typically indicates an impending recession. This month, consumers showed varied reactions. They felt slightly better about the present, mainly due to a rise in positive views on the current job market. However, their opinion on current business conditions declined. On the future outlook, consumers were less negative about the labor market for the second consecutive month, but their expectations for future income and business conditions deteriorated, leading to a lower overall Expectations Index. In June, confidence retreated slightly but stayed within the narrow range seen over the past two years. The ongoing strength in current labor market perceptions continued to balance out future concerns. However, should significant labor market weaknesses emerge, confidence might decline as the year unfolds.

The seasonally adjusted final S&P Global US Services PMI posted at 55.1 in June, up 0.3 from May, representing a 26 month high. In June, the service sector spearheaded economic expansion, marking a 26-month high in business activity growth. This sector has seen consistent growth for 17 months, showcasing a robust recovery from the sluggish pace of late 2023, fueled by a surge in demand. Domestic demand primarily drove the sharpest increase in new work for the service sector in a year. Meanwhile, service export orders, which include spending by non-residents in the U.S., experienced the least decline in five months, indicating a positive shift in the service industry's trajectory. Manufacturing PMI boosted a 3-month high printing at ~51.7 up from 51.3 points in the month of May. The services sector's continued growth was matched by manufacturing output, which increased for the fifth consecutive month in June. However, the pace of factory output growth decelerated, registering as the second slowest in the recent upturn. New order inflows reached a three-month peak, suggesting a slight strengthening in demand, but the overall increase was still less robust than earlier in the year. This was partly due to the export orders growing only marginally.

In May, core CPI decelerated to 0.16% month-over-month from 0.29%, marking the lowest monthly increase since August 2021 and bringing the year-over-year core CPI down to 3.4% from 3.6%. This was notably below the expected 0.3%. The trimmed mean and median CPI also showed a slowdown, hinting at a preliminary core PCE of around 0.1% month-over-month, potentially reducing the year-over-year core PCE to 2.6% from 2.8%. This aligns with the Federal Reserve's direction towards a 2% inflation target, supporting the possibility of a rate cut as early as September. Transportation services saw a significant decrease, contributing to the core CPI's slowdown, with airfares and motor vehicle insurance experiencing notable declines. These sectors are expected to stabilize, with the motor vehicle sector showing signs of past peak gains. However, this trend is more relevant to CPI than core PCE, suggesting a narrowing gap between core CPI and core PCE rates. Service sector stickiness showed potential signs of easing, with a mix of price increases and cuts across various services. The shelter category, however, remained firm with ongoing increases. Core goods inflation remained relatively stable, with a slight uptick in used car prices contrasting with a drop in new car prices. The headline CPI remained unchanged, with energy prices falling and food prices showing a modest increase, driven by dining out costs. Overall, this report reinforces the likelihood of the FOMC adjusting the median dot for 2024 to two cuts from three and supports a slight increase in the core PCE forecast for 2024. These developments reflect the Fed's ongoing efforts to manage inflation towards its target.

Omvang fonds

Waarde begin van de periode	€ 44,478,517
Waarde eind van de periode	€ 44,180,512

Rendement

%	Kwartaal	Jaar tot op heden	3-Jaars Ann.	5-Jaars Ann.	10-Jaars Ann.
Fonds	2.28%	16.74%	5.17%	12.17%	9.53%
Benchmark	3.11%	17.41%	5.76%	9.40%	8.45%

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Market Review

Europe

The ECB cut rates for the first time since 2019 in June, reducing its main interest rate from 4% to 3.75%. Markets had expected this to occur with ECB effectively pre-committing to this action following comments in previous meetings. Rhetoric suggested consecutive cuts would be unlikely with the central bank more likely to wait on incoming inflation and wage data. Markets are broadly in line with between 1 and 2 further cuts expected in 2024.

Rates finished the month lower with 10-year German yields falling to around 2.50%. French election risk was one of the main drivers of European yields with German-French spreads widening materially as investors sought safety in German assets.

The risk-off move was seen in other semi-core and periphery sovereigns as spreads also rose. First round election results saw investors fears recede with probability of a hung parliament increasing, the result of which would reduce the chances of a far left or far right party gaining a majority and implementing spending policies hurting France’s fiscal position.

Headline euro area inflation in June was broadly in line with expectations (2.52%) although core surprised slightly to the upside (2.86%). The latter came from core goods inflation where decline was less than forecasted. This data is unlikely to change the ECB’s overall inflation assessment of gradual disinflation and was in line with ECB projections.

From a growth perspective, forward looking indicators such as Purchasing Manage Index’s (PMI’s) printed below expectations. Softer growth, slightly weaker jobs and price growth will likely add to the ECB’s belief that it should keep normalising rates at a gradual pace. Our own expectations are for the ECB to instruct another 25bp rate cut in September.

UK

Over the month, UK yields trended lower with a curve steepening bias as 2-year yields fell 4bps more than the 10-year, and 9bps more than the 30-year. This trend was driven by a combination of factors such as the French election news, which spurred a flight to safety across developed market government bonds. In the UK, this news came alongside dovish communications from the Bank of England, with markets now pricing in a rate cut for September, despite wage data and CPI prints showing continued resilience.

A similar trend of lower yields and curve steepening was seen across developed market government bonds. In Europe, the European Central Bank’s interest rate cut marked the start of the cutting cycle – the effects of which were compounded by the French election news. In the US, the effects of these events were further spurred by weaker data releases over the month.

Japan

JGB yields declined modestly under 10 year with the curve twist steepening. JGB 10y ended the month 0.03% lower at 1.04%. Toward the end of the month, factors such as the continuing depreciation of Yen acted again as upward pressure on yields. The Bank of Japan decided to maintain its monetary policy at the June decision meeting. It announced that it would announce a plan to reduce the amount of government bond purchases for the next 1-2 years at the next meeting in July. At the press conference, Governor Ueda stated that the reduction would be done in a predictive way with an appropriate amount, and also mentioned that a rate hike at the July meeting is possible. The main opinions at the same meeting showed more hawkish tones among participants, some of whom suggested an early policy interest rate hike. The overall inflation ex-perishable food was +2.5% YoY in May, above the central bank's 2% target as energy prices surged in the month partly due to a raised renewable energy charge. The unemployment rate remained at 2.6% in May.

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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Market Review
Emerging Markets

June was a broadly positive month for Emerging Markets Debt. Volatility was elevated due to elections in key Emerging Market countries, which particularly impacted local currencies.

In the US, the Fed left the federal funds rate unchanged at 5.25-5.50% on their 12 June meeting, although the median committee member called for one 25bps cut by the end of this year. The European central bank (ECB) delivered its first rate cut in this cycle. Rates had been at 4.0% since September 2023, before the 25bps cut this month. The change was signposted in previous meetings by the ECB president, Christine Lagarde, leading to no surprises and a muted market reaction. The ECB declined to commit to a particular rate path and noted that domestic price pressures remain strong.

China economic data releases over the month were mixed against expectations but still showed robust growth. The figures point to a Q2 GDP growth that is expected to be slower than the previous quarter, but still in a stronger growth path than consensus, and consistent with the 5% GDP official growth target. Brazil saw a continuous grinding fear of deteriorating macroeconomics anchors in the context of already negative debt dynamics. As president Lula's popularity waned, the administration has been modifying the fiscal rules and applying pressure on the central bank not to lower the inflation target. Lula's central bank appointees all voted for a rate cut that was seen by many investors as aggressive.

India general election showed the governing party's (BJP) performance surprising to the downside as it lost the parliamentary outright majority it had over recent mandates. This resulted in a coalition government with Modi's party remaining in power, but now in a weaker place, raising questions around the possibility of reforms and the country's fiscal path. Mexico experienced significant moves in rates and currency following the announcement of the presidential election results. The leftwing Morena party remained in power but under the new leadership of Claudia Sheinbaum, which was well anticipated. However, the extent of her win surprised investors who fear constitutional changes to spending rules, and reduced independence of regulatory agencies and supreme court.

In South Africa, the governing party (ANC) fell short of a parliamentary majority for the first time since it took power three decades ago, winning 40.2% of the votes. Despite the initial uncertainty earlier in the month, the lack of majority led to a coalition government of unity, without many disruptive parties. In line with market consensus, Colombia cut base interest rates by 50bps to 11.25%, whilst Hungary and Chile cut 25bps to 7.0% and 5.75%, respectively. Czech Republic cut rates by 50bps to 4.75%, surprising most investors who expected a 25bps cut, but the central bank alluded to a future slowdown in cuts as rates gradually approach their neutral levels.

Looking at returns, the JP Morgan EMBI Global Diversified index of US dollar sovereign bonds delivered a total return of +0.62%. Of this, the spread return was -0.45% and Treasury return was +1.07%. In local currency bonds, the JPMorgan GBI-EM Global Diversified index returned -1.08%, of which the FX component was -1.94% and the rates component was +0.88%. In corporate bonds, the JPMorgan CEMBI Broad Diversified index delivered a total return of +0.93%, of which the spread return was +0.08% and Treasury return was +0.85%.

Omvang fonds

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