

# Oriflex BP Regeling

## Oriflex Wereldwijd

### Stichting Pensioenfonds Atos Origin

Eerste Kwartaal 2022

# BLACKROCK

## Market Review

### America

In March, the Federal Open Market Committee (FOMC) raised interest rates by 0.25% for the first time since 2018, as it aims to control the historic rise in inflation brought on by pandemic-related supply bottlenecks and recent geopolitical tensions in Europe. In subsequent interviews, the Chair, and other officials, maintained a hawkish stance, keeping options open for a 0.50% rate hike in May. Regarding the Fed's balance sheet, Chair Powell reiterated that the FOMC would begin the runoff process soon and that the process will take around three years.

Labor and inflation data remained strong over the month. Headline CPI increased 0.8% month-over-month, bringing year-over-year to 7.9%, marking the fastest increase since 1982. Our current forecast is for a headline CPI of 4.7% and a core CPI of 4.2% by year-end. US non-farm payrolls increased by 431,000 and prior months were revised higher, with the three-month moving average now at 562,000. The unemployment rate also fell to 3.62%.

On the geopolitical front, the zero-COVID policy exerts pressure on China as they combat an increase in cases leading to disruptions in the global supply chain. As the Russia-Ukraine war continues, so too has the path of uncertainty for global markets. Given the increased Russian sanctions, oil prices climbed throughout the month. Brent Crude surged to its highest level since 2008, ~\$140 a barrel, as countries pledged to limit their dependence on Russian oil. At the end of March, the U.S. announced that they will release a record amount of barrels from the strategic oil reserves. This led to the price of oil to retrace to around \$100 per barrel. Furthermore, given Russia and Ukraine are large contributors to the global supply of crops and fertilizers, a potential escalation in the war could result in further food inflation, and sanctions on further commodities.

In sum, with geopolitical tensions exacerbating supply-side inflation and Central banks hawkish policies to control it, markets are forecasting higher inflation and lower real growth globally for the year.

### Europe

After dropping sharply in February in response to the Russian invasion of Ukraine, yields rose again in March as central banks confirmed their more hawkish stance, in response to soaring inflation. The yield on the 10-year German bund rose from 0.13% at the end of February to 0.55% at the end of March. Market pricing of rate hikes from the ECB rose significantly, with 52bp of hikes now priced by the end of 2022. Sovereign spreads saw some retracement from the February highs however, with the spread on 10-year French and Italian debt falling by 4bp (to 43bp) and 8bp (to 149bp) respectively.

While the ECB kept key interest rates unchanged and reaffirmed the decision to end the pandemic emergency purchase programme (PEPP) in March 2022, in a move that surprise many market commentators, the pace of the monthly net purchase reduction in its asset purchase programme (APP) has been accelerated for the second quarter of this year. Purchases in Q3 will depend on incoming data, and if there are no negative surprises they would expect to end APP in Q3. APP will now amount to €40bn in April, €30bn in May and €20bn in June (compared to the path communicated in December 2021 of €40bn in Q2, €30bn in Q3 and €20bn thereafter). The ECB also decoupled the end of asset purchases from the timing of the first interest rate, now expecting that adjustments to interest rates will happen "some time" rather than "shortly" after the end of net purchases under the APP in an apparent move to increase flexibility. Significantly, the ECB unveiled meaningful changes to the growth and inflation outlook, particularly for 2022 where growth expectations were revised down from 4.6% to 4.2%, and inflation expectations were revised upwards from 1.7% to 3.2%. According to Lagarde, the ECB expects inflation to be close to the 2% target in the long-term in all scenarios.

March PMIs (Purchasing Managers Index) remained in expansionary territory, coming in at 54.5 versus market expectations of 53.8. The service sector continued to benefit from reopening post Covid-19, which offset the weakness related to the invasion of Ukraine. The release also showed however that the invasion of Ukraine led to price pressures rising again, and worsened supply chain related delays. New exports fell for the first time in 21 months and the forward looking 'future output' also fell more significantly than the headline index. The PMIs indicate that so far, the impact of the invasion of Ukraine on Euro Area activity is limited but point to a worsened outlook compared to February.

Inflation prints continued to surprise to the upside, Eurozone inflation coming in at 7.5%. At the country level, German inflation rose to 7.6% YoY in March, up from 5.5% in February, Spain to 9.8% from 7.6%, and France to 5.1% from 4.2%. Rising energy prices remain the main driver behind the increases, although food and commodity prices have also risen significantly in recent months.

## Omvang fonds

Waarde begin van de periode	€ 63,215,798
Waarde eind van de periode	€ 58,392,549

## Rendement

%	Kwartaal	Jaar tot op heden	3-Jaars Ann.	5-Jaars Ann.	10-Jaars Ann.
Fonds	-7.49%	-7.49%	15.46%	11.14%	11.37%
Benchmark	-5.32%	-5.32%	10.69%	8.55%	9.24%

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## Emerging Markets

March was negative month for the asset class, driven by the US Treasury sell-off as investor uncertainty about the global economic outlook and inflationary pressures prevailed. The Russia-Ukraine war continued to dominate the headlines throughout the month with China's renewed lockdowns adding to the uncertainty.

In the US, the Fed delivered its long awaited 25bps interest rate hike and Fed Chair Jerome Powell kept the door open to raise by increments larger than 25bps this year. It is clear that the Fed's main concern is on curbing inflation as Powell expressed the view that the economy was resilient enough to weather the tightening cycle.

In China, renewed COVID lockdowns are creating uncertainties around growth with the latest Omicron surge affecting 28 out of China's 31 provinces. The majority of the latest cases are found in Shanghai where a total lockdown has been imposed on residential areas, transport and non-essential business for period between the end of March and beginning of April.

Despite the uncertainties, EM spreads managed to perform relatively well in March, particularly in the second half of the month as risk sentiment was buoyed by news suggesting that Ukraine and Russia have made significant progress on a ceasefire. From their peak this year, EMBI spreads notably retraced with EM IG spreads trading tighter than where they traded before the Ukraine invasion. Oil and commodity exporters have outperformed and are likely to continue to perform given the elevated commodity prices. In EMFX, the sell-off has been contained in countries near the war zone such as CEE FX and TRY whilst Asian currencies underperformed due to China growth risks.

The market has been closely watching for Russian coupon payments, which were delivered a few days after the expected delivery date due to delays along the payment chain. Both payments were paid in USD. On 31st March, Russia was excluded from all major bond indices with J.P. Morgan pricing Russian bonds at zero.

In LatAm, the Banco Central de Chile surprised on the dovish side, tightening monetary policy by 150bps versus market pricing 200bps. In Colombia, Banrep also surprised on the dovish side and hiked 100bps versus market expectations of 150bps, without accelerating the pace of tightening despite the upside surprises in inflation.

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Fonds	-7.49%	6.84%	15.46%	11.14%	11.37%
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## Japan

Japanese Government Bond yield rose mainly via medium to long-end, and the 10Yr yield ended the month 3 bps higher. JGB yields came under upward pressure as US and European bond yields continued to rise against the backdrop of rising inflation, hawkish results at the Fed and ECB policy meetings, and subsequent statements from FOMC members that suggested aggressive monetary tightening.

Japanese economic data showed a sharp decline in GDP growth in Jul-Sep 2021, followed by a solid recovery in Oct-Dec 2021, and then another downturn in Jan-Mar 2022 due to the spread of the Omicron variant. In the medium term, however, there are no major concerns about exports and capital investment, and production is showing signs of recovery. The overall inflation levels remained weak, hitting modestly higher at +0.6% YoY in February. While energy-related prices have risen, the impact of the reduction in phone bills continued to be a major downward factor. The unemployment rate remained relatively low at 2.7% in February.

BOJ maintained its monetary policy at its policy meeting. Toward the end of the month, BOJ conducted several fixed-yield unlimited buying operation as the yield rose and approached the fixed yield rate of 0.25% while it also increased its regular repurchase operations, and conducted temporary repurchase operations for a wide range of maturities. As a result, long-term yields fell sharply toward the end of the month. BOJ also announced that it would increase its purchases of JGBs in each maturity bucket on its buying schedule for the following quarter.

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