Oriflex BP Regeling
Oriflex Wereldwijd
Stichting Pensioenfonds Atos Origin
Tweede Kwartaal 2022

BLACKROCK

Omvang fonds

Waarde begin van de periode	€58,392,549
Waarde eind van de periode	€48,803,508

Rendement

%	Kwartaal	Jaar tot op heden	3-Jaars Ann.	5-Jaars Ann.	10-Jaars Ann.
Fonds	-15.35%	-21.69%	8.47%	7.04%	10.07%
Benchmark	-10.73%	-15.48%	5.70%	5.64%	8.31%

Market Review

America

The month of June saw a resurgence in volatility after a brief reprieve, as the market's focus toggled between persistently high inflation prints and growing fears around a potential recession. Bond markets witnessed substantial volatility – the US 10Y yield moved higher by 57 bps in the middle of the month, and then fell by 61 bps over the final 2 weeks to close June relatively flat at 3.01%. Equities continued to sell off with the S&P down over 8% on the month and ~20% YTD, making it the worst first half decline since 1970.

With respect to monetary policy, Fed speakers at the beginning of June suggested 50 bp hikes in June and July would create sufficient near-term tightening under the assumption that monthly inflation prints would decelerate. However, a surprisingly strong CPI print released the week prior to the June 15th FOMC meeting forced the Fed to accelerate its hiking path, raising rates by 75 bps. While the committee "does not expect moves of this size to be common," they have raised guidance for the path of hikes for the rest of the year – potentially into restrictive territory in 2022 – and will be looking for compelling evidence that inflation pressures are abating before considering a pause. Importantly, the Summary of Economic Projections revealed an acknowledgment that restoring price stability will require some economic pain, likely in the form of higher unemployment.

Elsewhere on the economic data front, we received a solid jobs report in the form of 390,000 jobs gained in May, albeit a slowdown from the 516,000 gained in April. Unemployment remained little changed at 3.62% for the third month in a row as the pace of recovery continues to slow since the start of the year. Other parts of the economy also showed moderation, namely weak retail sales figures, a decline in housing starts, and weaker PMI data. Additionally, consumer confidence has fallen precipitously over the course of the month as inflation takes its toll on household spending and sentiment.

In the second half of the year, we anticipate additional uncertainty and a challenging investment environment. The Fed has become a single mandate institution aimed at fighting entrenched inflation, even if it's against slower growth with markets highly sensitive to data prints, particularly inflation, and the forward evolution of monetary policy.

Europe

Recession fears took centre stage in June, as economies showed increasing signs of slowing, and expectations for central bank policy tightening continued to increase on the back of broadening inflation risks. While the Eurozone Purchasing Managers Index (PMI) remained above 50 (in expansionary territory), the index fell from 54.8 in May to 51.9 in June, its lowest level since February 2021. Details of the PMI report indicate further weakness ahead, with the output component of the manufacturing PMI falling to 49.3, and the forward-looking new orders component falling 4 points to 44.7, signalling further weakness in manufacturing activity in the months ahead. Companies mentioned several factors for their gloomier outlook, including headwinds from the rising cost of living, concerns over energy and food supply amid the Ukraine war, tightening financial conditions, ongoing supply chain shortages (often linked to China's lockdowns), and a broader diminishing of economic growth prospects.

Despite the weakening growth backdrop, rates continued to move higher given persistently high inflation, led by the front-end of the yield curve. Markets are now pricing 145bp of rate rises from the European Central Bank (ECB) by the end of 2022, and 228bp by the end of 2023. The yield on the 10-year German bund rose sharply in the first half of the month, reaching a high of 1.77%, before retracing somewhat to finish the month at 1.33%.

The ECB meeting on 9th June pre-announced a 25bp hike to interest rates in July. Flexibility was left for subsequent interest rate hikes, with the ECB indicating more substantial hikes (e.g. 50bp) may be warranted if the medium term inflation outlook persists or deteriorates. In response to this more hawkish tone from the central bank, Sovereign spreads rose substantially with the spread on 10-year Italian government debt rising to 242bp amid fears of fragmentation within the Eurozone. This led the ECB Governing Council to convene at an ad hoc meeting on June 15th, committing to flexibility in reinvesting redemptions coming due in the PEPP portfolio, with a view to preserving the functioning of the monetary policy transmission mechanism, and a commitment to a new a new anti-fragmentation instrument. Ultimately, Sovereign spreads stabilised with the spread on 10-year Italian government debt ending the month lower at 193bps.

Headline Euro area inflation (HICP) rose to a new record of 8.65% year-on-year in June, slightly above consensus, with Food and energy once again driving the strength. Core inflation eased slightly however, falling to 3.7% YoY, largely driven by German transport subsidies which will unwind in September.

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Emerging Markets

June was a difficult month for the EM asset class, given a backdrop of heightened inflation concerns, increasing recession fears and EM central bank tightening.

In the US, at the latest FOMC meeting, an increasingly hawkish Fed hiked rates 75 bps to a range of 1.5% to 1.75%, its largest rate hike for a single meeting since 1994. The increase was partially driven by above consensus inflation numbers reported in May's CPI report, which signalled the need for more aggressive hikes. The Fed also published a hawkish set of dots that envision a front-loaded and more pronounced hiking cycle into 2023.

Russia defaulted on its external sovereign bonds for the first time in a century, the culmination of ever-tougher Western sanctions that shut down payment routes to overseas creditors. The country missed a deadline to meet a 30-day grace period on interest payments of $100m on two Eurobonds originally due 27th May. The default is largely symbolic given Russia is unable to borrow internationally and claims it was forced into a technical default due to blocked payments.

In Colombia, Gustavo Petro became the first candidate from the left to become president after winning the presidency in the 2nd round of elections. While his margin of victory was small (just above 50%), the 1st round showed a total rejection of the establish political parties, providing a strong mandate for change.

Earlier this month, OPEC+ agreed to boost output by 648,000 barrels a day in July, or 7% of global demand, and by the same amount in August. That's up from the initial plan to add 432,000 bpd a month over three months until September. The possibility of more oil supply and global growth slowdown fears led to a much-needed drop in oil prices.

A difficult month for EM debt flows, with the asset class experiencing large outflows mainly led by Hard currency funds, although Local Currency funds also experienced notable outflows.

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Japan

The overall inflation ex-perishable food recovered to +2.5% YoY in May as energy and food prices continued to be high, but also the impact of the reduction in phone bills, which had been a major downward factor started to fade. The unemployment rate remained relatively low at 2.6% in May.

The BOJ conducted the fixed-yield JGB-buying money market operation at 0.25% for 10-year for all business days and conducted temporary purchases of JGBs in a wide range of maturities while also increasing the amount of purchases in order to defend the yield curve control. In addition, in response to the malfunctioning of the bond futures market, the Bank announced the unlimited purchase operations on the 7-year CTD bonds for all business days for the time being, as well as the relaxation of requirements for complementary supply in this zone.

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