

## Oriflex BP Regeling

## Oriflex Wereldwijd

## Stichting Pensioenfonds Atos Origin

Derde Kwartaal 2022

BLACKROCK

## Market Review

## America

In September, the market was once again defined by a backdrop of continually high inflation prints and hawkish central banks driving global sovereign yields higher, as markets moved to reprice the path of global monetary policy. In the United States, nominal yields on the UST 2-yr sold off by 79bps, to close the month at 4.28%. Further out on the curve, the nominal yield on the UST 10-yr sold off to a lesser extent, but a still significant amount, of 64 bps to close the month at 3.83%. US Equities fared poorly, with the S&P500 dropping by -9.2% in September as markets braced for continued monetary policy tightening.

A strong inflation print in September showed strength across both goods and services. Headline CPI rose by 0.12% in August, bringing the YoY gain to 8.3%, lower than what we had seen in July. However, core CPI was the surprise with a monthly increase of 0.57%, bringing the year over year gain to 6.3%, higher than the 5.9% seen last month. The main story was shelter inflation which rose 0.69% this month (after 0.54% in July) with strength coming in both the rental and the owners' equivalent rent categories. Rental inflation is currently running at 6.7% which is the highest in almost 4 decades. Following the strong inflation print, The Fed raised rates by 75bps during the September FOMC meeting, bringing the Fed Funds rate to 3-3.25%. With this latest hike, the Fed has raised rates a total of 300 bps over a 7-month period which is the fastest tightening since 1980s. The Statement of Economic Projections (SEP) that accompanied the rate rise provided details on the projected path ahead. By end of 2022, the Fed estimates the funds rate to be at 4.4% up 100bps from their June projection. This would imply another 75bps in November and 50bps in December. By end of 2023, the estimated Fed funds rate is at 4.6% up from 3.8% projected in June – implying another 25bps of hiking in 2023 before reaching terminal rate. During the press conference, Chair Powell homed in on the "higher for longer" narrative and "will do what it takes" to control inflation. He repeated that there will be some economic pain to businesses and households in the process of lowering inflation but that is needed for bringing inflation down.

## Europe

The "front-loading" of rate hikes continued in Europe in September, with the ECB raising rates by a historic 75bps in the face of persistently high inflation. The ECB committed to raising rates further, but how much and for how long remain key questions facing investors – and will be dependent on incoming data. Downward revisions to its growth forecasts accompanied the policy move, although in contrast with market expectations, a recession is not the Bank's base case. Over the month, German 10-year rates rose from 1.54% to 2.11%. Sovereign spreads ended the month little-changed, with the spread on 10-year French debt unchanged at 61bps, and on 10-year Italian debt rising 5bps to 240bps.

A 'mini budget' announced by UK Chancellor Kwarteng tabled the biggest set of tax cuts in 50 years, at a time when the Bank of England (BoE) is aiming to bring down inflation by curbing activity. This monetary and fiscal discord alarmed markets, sparking an aggressive sell-off in UK assets and a crisis of confidence in the UK bond markets. 5-year UK government bond yields traded above their Italian and Greek counterparts, while 30-year yields breached 5% momentarily, a psychological level and post '08 high. The BoE subsequently intervened to restore stability, temporarily stepping in to buy long-dated bonds and triggering a 100bp rally in 30-year bonds. The purpose of the BoE's move will be "to restore orderly market conditions" with the size dependent on "whatever scale is needed", in increments of £5bn in conventional 20y+ gilts. With purchases set to continue until 14th October, importantly, the BoE will also delay its planned sales of gilts to end-October - an ostensible shift to quantitative easing (QE) rather than the planned move to quantitative tightening (QT).

Italian voters went to the polls in September, electing a right-led coalition government headed by Giorgia Meloni (Brothers of Italy). Brothers of Italy's main economic policy message is for a bigger role for the state, protection of national champions, government ownership of strategic assets and for national interests to be defended above EU interests. Meloni has taken a more fiscally conservative stance recently, warning against excessive fiscal deficits. Pending large Next Generation EU (NGEU) disbursements create a major incentive for the next Italian PM to stick to the rule-book and not clash with the EU, at least in the near term. The key steps to watch are the choice of the finance minister and the new government's first budget law.

Euro area Inflation surprised to the upside in September, rising to 10.0% YoY, up from 9.1% YoY in August. Core inflation also came in strong at 4.8% YoY, as inflation continues to broaden out to food and service prices. Energy inflation also increased on the month, driven in part by higher fuel prices in Germany as household support measures ended, as well as increases in household energy bills across the euro area (with France and Spain the notable exceptions).

European composite PMIs fell to 48.2 in September, down from 48.9 in August and in line with expectations. Manufacturing continues to be the weak spot, with new orders and future output both down significantly on the month. PMIs also confirmed the German economy is headed for recession, if not already there, with the composite falling to 45.9. Indicators also showed that price pressures remain high, with rising energy prices causing a renewed acceleration of input cost inflation in both manufacturing and services. Supply bottle necks continue to improve however, slowly unwinding a major headwind for the manufacturing sector.

## Omvang fonds

Waarde begin van de periode	€48,803,508
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Waarde eind van de periode	€47,679,365
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## Rendement

%	Kwartaal	Jaar tot op heden	3-Jaars Ann.	5-Jaars Ann.	10-Jaars Ann.
Fonds	-3.30%	-24.27%	7.27%	6.33%	9.70%
Benchmark	-5.52%	-20.14%	3.72%	4.44%	7.70%

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## Emerging Markets

September was a negative month for the Emerging Market debt asset class, as global treasury markets sold off on the back of central banks' continuous policy tightening due to persistent inflationary pressures, combined with multiple idiosyncratic events and geopolitical uncertainties in both the developed and emerging markets.

In the US, a hawkish Fed delivered its third consecutive 75bps hike, driven by stronger than expected August US CPI figures, bringing the rate to the range of 3% to 3.25%. The Fed chair Jerome Powell reiterated the commitment to bring down inflation, even with a slower economic growth and softening labour market.

In the UK, the government announced a fiscal easing plan that included multiple tax cuts and increased public spending on energy subsidies with the purpose to stimulate growth and reduce inflation. The larger-than-expected plan raised funding concerns, which caused a substantial sell-off in gilts and Sterling and created elevated levels of volatility that sent the broad asset markets into further turmoil.

Russia announced the mobilisation of 300,000 reservists and the annexation of four regions in Ukraine, followed by President Putin hinting further escalation in the war that may involve the use of nuclear weapons, as Ukrainian forces continued to recover lost grounds in the eastern and southern fronts. This came in conjunction with the sabotage of the Nord Stream pipeline in the Baltic Sea, which added further uncertainty to the heightened geopolitical tensions and placed pressure on Europe's energy crisis.

The global FX market was impacted by an extremely strong USD amidst the US rate hike and global risk sell-off. The climb in the Dollar has put pressure on EM central banks, with increased FX interventions in countries such as China, India, Korea, and Philippines. At the same time, EM central banks continued their tightening cycle, with Hungary frontloading its hiking cycle with a 125bps hike, Colombia and Mexico hiking 100bps and 75bps respectively, and Indonesia and Philippines delivering a 50bps hike.

Following several months of negative flows, the outflows of the broad EM debt asset class (including both hard and local currency bonds) accelerated this month amid elevated market volatilities.

Looking at returns, the JP Morgan EMBI Global Diversified index of US dollar sovereign bonds delivered a total return of -6.36%. Of this, the spread return was -2.56% and Treasury return was -3.90%. In local currency bonds, the JPMorgan GBI-EM Global Diversified index returned -4.87%, of which the FX component was -3.43% and the Rates component was -1.50%. In corporate bonds, the JPMorgan CEMBI Broad Diversified index delivered a total return of -3.83%, of which the spread return was -1.37% and Treasury return was -2.49%.

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## Japan

Japanese Government Bond yields rose mainly via 10yr zone with 10 year yield ending the month 2.5bp higher at 0.245%. The Japanese bond yield also came under upward pressure as bond yields in the U.S. and European markets trended higher on the back of 75bps rate hike by both U.S. and European Central Banks. In addition, Stronger-than-expected price indexes in the U.S. and a large upward revision of policy rate forecasts by members of the FOMC compared to the previous meeting also contributed to the upward trend in yields in overseas bond markets, and domestic bonds also came under upward pressure in yields, especially in the super-long-term sector.

The BOJ continued to conduct unlimited-denomination operations on all business days to keep the yield on 10-year JGBs at 0.25%. At the policy meeting, the BOJ maintained its monetary policy and decided to gradually terminate the Covid financial assistance operation toward March 2023 instead of immediately ending. Against this backdrop, the yen continued to weaken in the dollar-yen market, testing the upper 145-yen level, and the government intervened to buy the yen for the first time in 24 years.

The overall inflation ex-perishable food was +2.8% YoY in August, remained above the central bank's 2% target for a fifth straight month as energy and food prices continued to be high. The unemployment rate remained relatively low at 2.5% in August.

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