Oriflex BP Regeling
Oriflex Liquiditeiten
Stichting Pensioenfonds Atos Origin
Eerste Kwartaal 2022

BLACKROCK

Investment Review

The Fund overperformed its benchmark over the quarter.

Market Overview

Positive returns were only registered in the energy sector. In response to rising inflation, the European Central Bank (ECB) outlined plans to end bond purchases by the end of September. The ECB President, Christine Lagarde indicated that a first interest rate rise could potentially come this year, noting rates would rise “some time” after asset purchases had concluded.

European inflation came higher than expected. Headline inflation printed at 7.5% in March beating the 6.7%estimate, and up from 5.9% in February, setting a historical record high. Notably, the war in Ukraine is adding pressure, both in terms of inflation, its duration and growth.

As of late, the market has focussed on inflation rather than the slowdown in economic growth. This, combined with hawkish ECB comments, has pushed the market to anticipate more rate hikes in Europe. Over the quarter, the Euro overnight interest swap (OIS) curve increased its probability of tightening in 2022. At the end of March, the Euro overnight index swap (OIS) curve was pricing in the first ECB rate hike in September, with a cumulative 59 basis points (bps) in 2022 and the odds of the first rate rise being announced in July has increased to 50%.

Overall, European money market rates moved higher, with 3, 6 and 12-month Euro Commercial Paper (ECP) levels ending the quarter on 11, 18 and 41 bps higher respectively.

he Bank of England (BoE), the first major developed market (DM) bank to kick off the current hiking cycle, increased its policy rate for the third time to 0.75%. The BoE recognized additional inflation pressures from high energy and commodity prices. It also signalled that it may pause further rate increases, with rates back at pre-pandemic levels. The BoE is willing to live with energy-driven inflation, recognizing that it’s very costly to bring it down.

The BoE provides a glimpse of what other DM central banks may do once they get back to pre-pandemic rate levels and the effect of rate rises on growth become apparent.

The Office for Budget Responsibility (OBR), predicted that UK inflation will peak at 8.7% later this year as rising prices are further exacerbated by the ongoing Russian invasion of Ukraine. It also forecasted that UK inflation would remain above 7% in each quarter from the second quarter of 2022, until the first of quarter of 2023.

UK inflation as measured by the Consumer Price Index (CPI) jumped to a 30-year high of 6.2% in the year to February 2022. Recently, rising inflation has been driven by soaring global prices for energy, petrol, food and durable goods.

Following the rate hikes, the UK money market curve moved higher, with ECP yields ending generally around 78-104 bps higher across the curve.

At the end of March, Sterling Overnight Index Average (SONIA) market was subject to a 25 bps of rate increase at the next BOE meeting in May and a total of 131 bps by the end of 2022.

The Federal Reserve (Fed) is “carefully” unwinding measures it took to cushion the economy from the pandemic shock despite new uncertainties caused by the Russia-Ukraine war. At its last policy meeting, the Fed lifted the range of its federal funds rate target to 0.25-0.50% from the current 0-0.25% range. Fed policymakers believed it’s more appropriate to return interest rates to the 2-3% range due to congressional mandates of 2%inflation and the maximum employment in sight, assuming inflation cools down. The return will likely take place in small steps, but the Fed signalled it could quicken the process depending on the data.

U.S. inflation data for February showed price increases hovering near 40-year highs. The report showed a further rotation back to services spending as the economy, and away from goods spending. The Federal Reserve is slamming the brakes on the economy to deal with supply-driven inflation after raising rates for the first time since the pandemic. The Fed has projected a large and rapid increase in rates over the next two years. The Fed is likely to deliver on its projected rate path this year, but then pause to evaluate the effects on growth.

A rapid labour market recovery and broadening wage and price pressures are forcing the Federal Reserve to pivot monetary policy toward a neutral stance. The war in Ukraine injected further uncertainty for the outlook, but the US should be among the most resilient economies globally, given its energy independence and its lower share of commodity consumption in GDP. More broadly, the business cycle is rapidly maturing. The labour market is tight, and the Fed is on a path to more restrictive monetary policy.

Over the quarter, the U.S. money market curve moved higher, with ECP yields ending generally around 77-160 bps higher across the curve.

Omvang fonds

Waarde begin van de periode	€ 120,671,056
Waarde eind van de periode	€ 118,130,349

Rendement

%	Kwartaal	Jaar tot op heden	3-Jaars Ann.	5-Jaars Ann.	10-Jaars Ann.
Fonds	-0.19%	-0.19%	-0.64%	-0.59%	-0.36%
Benchmark	-0.20%	-0.20%	-0.58%	-0.53%	-0.26%

Outlook

Russia’s invasion of Ukraine is exacting a horrific human toll. In response, nations and governments across the world have come together to cut financial and business ties with Russia. In a drive for energy security, the West is seeking to wean itself off Russian oil and gas, presenting a fresh supply shock in a world shaped by supply, this will only allow inflation to persist, and slow growth, demand for non-Russian fossil fuels in the near term.

Despite the energy shock under a protracted standoff scenario remaining less significant, the shock is still less than half of the 1970s oil supply shock. It will hit consumers and firms, but the economic impact will be smaller than in the past given greater energy efficiency and the U.S. now being a net primary energy exporter. With strong underlying growth momentum prior to the shock because of activity restarting from the pandemic shutdowns, the growth should stay above trend.

Given Europe reliance on Russia for roughly 40% of its gas supplier, stagflation poses a serious risk. With this in mind, it could add between 1-1.5 percentage points to the Euro area’s inflation, and shave up to 3 percentage points off growth, should energy prices return to their mid-March highs.