

# Oriflex BP Regeling

## Oriflex Liquiditeiten

### Stichting Pensioenfonds Atos Origin

Derde Kwartaal 2023

# BLACKROCK

## Investment Review

The Fund underperformed the benchmark this quarter.

## Market Overview

Over the quarter, there was a lot of uncertainty as to both the size of the next European Central bank hike and the terminal rate.

The European Gross domestic product (GDP) prints were revised down, with Q4 2022 and Q1 2023 now at -0.1%. This means that the Euro economy is in technical recession.

Looking forward, survey indicators are pointing to further activity weakness. For instance, the Euro zone Composite Purchasing Managers' Index (PMI) came at 49.9 in June, seating just below the important 50 level, the level that separates expansion from recession. (more details below)

Euro area annual inflation is expected to be 5.5% in June 2023, down from 6.1% in May according to a flash estimate from Eurostat, the statistical office of the European Union.

This has reopened the prospect of Europe being in stagflation with zero or very low growth and high inflation going forward. We believe that the ECB will still have more tightening to do as inflation remains stronger and more sticky than expected.

Christine Lagarde, reiterated recently the ECB intention to hike rate in July but the September hike is less certain and the ECB will be driven by incoming data, particularly around inflation.

At the end of the period, the market was pricing in 21bps of tightening in July, which is 83% chance of 25bps. This is followed by another 16bps for the September meeting, giving a probability of around 50% of 25bps rate hike. The Terminal rate seen by the market stood just below 4% at 3.97%.

European yields moved higher over the quarter, 3m, 6m and 12m euro short-term rate (ESTR) rate rose by 53bps, 50bps and 47bps to 3.59%, 3.73% and 3.83% respectively at the end of June.

## Outlook

The global pandemic sent shockwaves throughout the world, leading to a predictable pattern of widespread economic activity decline, followed by a rebound, and an inflation spike in the post pandemic era. All countries moved somewhat in tandem. However, as things settle down, somewhat diverse patterns in both growth and inflation are becoming apparent across various regions.

The diverse growth dynamics observed are interconnected with the global shocks mentioned earlier. Countries exhibited variations in their responses to these shocks, both in terms of the magnitude and composition of their monetary and fiscal support measures. Moreover, not all countries were equally affected by these global shocks. An illustrative example is the contrasting impact of the energy shock on Europe versus the United States. While both the US and Europe faced significant challenges from the pandemic, Europe experienced a more pronounced impact from the energy shock linked to the Russia Ukraine conflict. This was largely because Europe, being a net energy importer, is more vulnerable to shifts in terms of trade related to energy. Consequently, the energy shock and the associated uncertainty had a more substantial effect on consumption and manufacturing output in Europe compared to the US. In Europe, the growth narrative revolves around a sluggish recovery, although the specific drivers vary among countries. Despite the Euro Area increasing its exports to the US more than to China, the slowdown in Asia is impacting Germany's industrial production and exerting downward pressure on growth dynamics. As previously mentioned, consumer confidence remains subdued, reflecting the accumulation of excess savings driven by precautionary motives, in contrast to the savings depletion observed in the US.

The UK presents a unique case, where a combination of supply shocks (energy, supply chains, workforce disruptions) and the aftermath of Brexit continue to play a significant role. Inflation has become entrenched, and there are expectations that the stagflationary scenario will persist for an extended period.

In contrast to the diversity in growth dynamics, inflation patterns across countries share more similarities

## Omvang fonds

Waarde begin van de periode	€ 112,595,508
Waarde eind van de periode	€ 108,875,425

## Rendement

%	Kwartaal	Jaar tot op heden	3-Jaars Ann.	5-Jaars Ann.	10-Jaars Ann.
Fonds	0.90%	2.20%	0.38%	0.01%	-0.13%
Benchmark	0.83%	2.41%	0.21%	-0.07%	-0.14%

## Outlook (continued)

Most of the disinflation observed across countries stemmed from goods and commenced with the stabilization of energy prices. Service inflation is gradually declining but has proven to be more resistant, hovering between 4% and 6%. Whether focusing on headline or core inflation, the dynamics do not differ significantly.

Economic activity in the Euro Area and the UK has lagged behind that of the US, and inflation has displayed persistence. Inflation is generally moving in a favourable direction across most countries, including the Euro Area. The UK presents a less encouraging inflation outlook, but even in this case, the Bank of England chose to adopt a pause approach. This divergent response is also influencing the monetary policies of central banks, with some advocating for additional rate hikes and a longer hold on rates.