

DISCLAIMER

The information contained in this mail and attachments (hereafter the 'documents') is provided for pure information purposes only.

This is a **marketing communication**. This document may not be distributed to retail investors and their use is **exclusively restricted to institutional investors**.

DPAM is the author of the present document. Although this document and its content were prepared with due care and are based on sources and/or third-party data providers which DPAM deems reliable, they are provided 'as is' without any warranty of any kind, either express or implied. Neither DPAM nor its sources and third-party data providers guarantee the correctness, the completeness, reliability, timeliness, availability, merchantability, or fitness for a particular purpose.

This document is illustrative. The provided information herein must be considered as having a general nature and does not, under any circumstances, intend to be tailored to your personal situation. Its content does not represent investment advice, nor does it constitute an offer, solicitation, recommendation or invitation to buy, sell, subscribe to or execute any other transaction with financial instruments including but not limited to shares, bonds and units in collective investment undertakings. This document is not aimed to investors from a jurisdiction where such an offer, solicitation, recommendation or invitation would be illegal.

Neither does this document constitute independent or objective investment research or financial analysis or other form of general recommendation on transaction in financial instruments as referred to under Article 2, 2°, 5 of the law of 25 October 2016 relating to the access to the provision of investment services and the status and supervision of portfolio management companies and investment advisors. The information herein should thus not be considered as independent or objective investment research.

Investing incurs risks. Past performances do not guarantee future results. All opinions and financial estimates in this document are a reflection of the situation at issuance and are subject to amendments without notice. Changed market circumstance may render the opinions and statements in this document incorrect.

Degroof Petercam Asset Management SA/NV | rue Guimard 18, 1040 Brussels, Belgium | RPM/RPR Brussels | TVA BE 0886 223 276 |

© Degroof Petercam Asset Management SA/NV, 2022, all rights reserved. This document may not be reproduced, duplicated, disseminated, stored in an automated data file, disclosed, in whole or in part or distributed to other persons, in any form or by any means whatsoever, without the prior written consent of Degroof Petercam Asset Management ("DPAM"). The user of this document acknowledges and accepts that the content constitutes a copyrighted trade secret and/or proprietary information of substantial value. Having access to this document does not transfer the proprietary rights whatsoever nor does it transfer title and ownership rights. The information in this document, the rights therein and legal protections with respect thereto remain exclusively with DPAM.



A glass sphere sits on a dark, textured rock. The sphere is partially filled with water and reflects the surrounding environment, including a sunset or sunrise sky. A large, semi-transparent green diamond shape is overlaid on the right side of the sphere, containing the text 'MID-YEAR OUTLOOK' and '16.06.2022'.

MID-YEAR OUTLOOK

16.06.2022

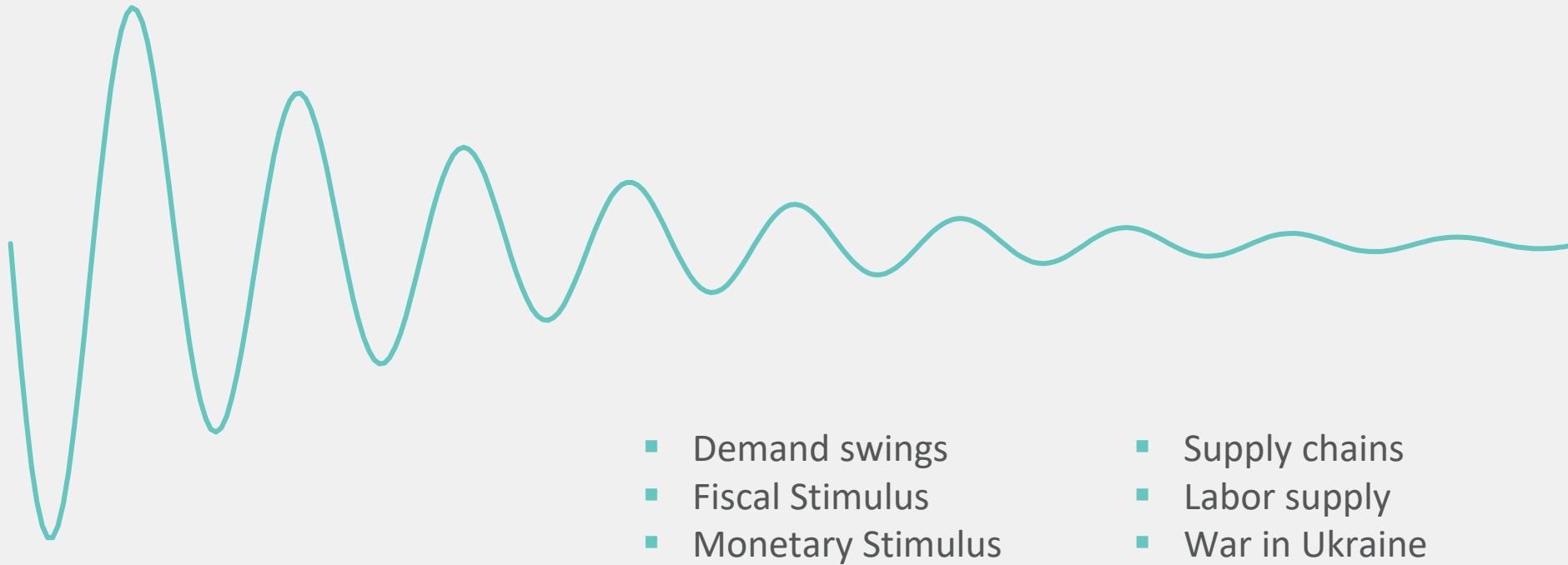


FIXED INCOME MID-YEAR OUTLOOK

Sam Vereecke
CIO Fixed Income DPAM



WILD SWINGS IN ECONOMIC DYNAMICS REMAIN



3 CONSEQUENCES



01

ECONOMIC FORECASTING MORE DIFFICULT

02

INCREASED UNCERTAINTY

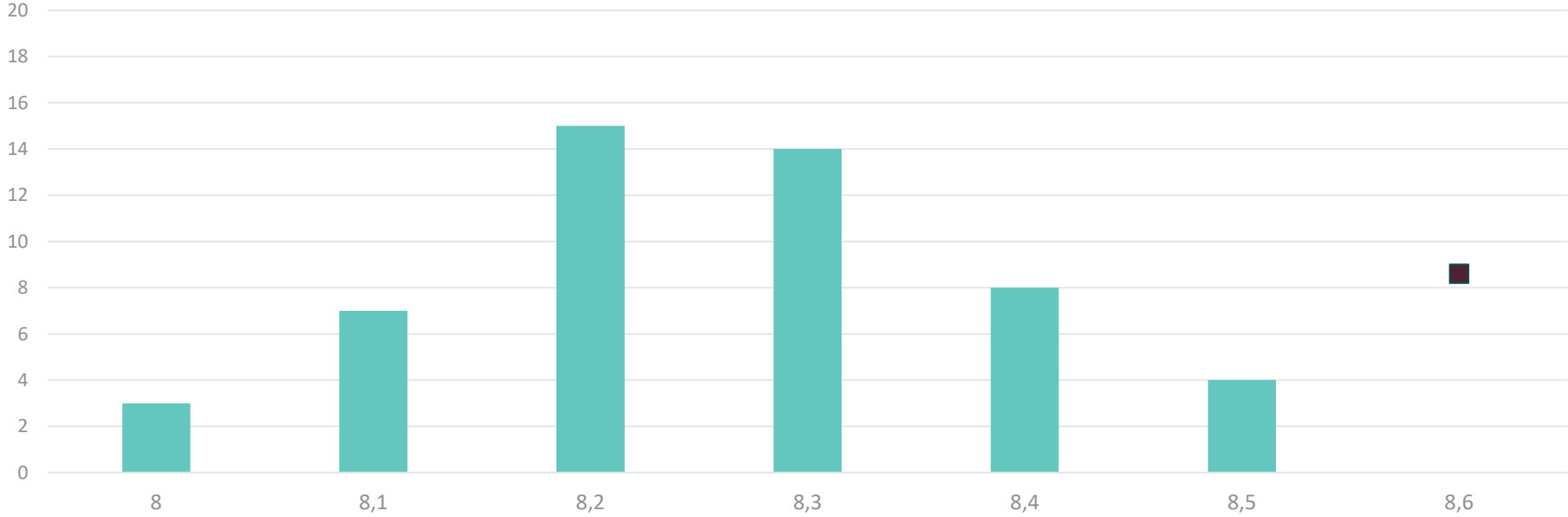
03

LACK OF A CLEAR PRICING FRAMEWORK



FORECASTING: DIFFICULT TO CALIBRATE SHORT-TERM ECONOMIC MODELS

US CPI 10 June 2022 - Bloomberg Estimates



Source: Bloomberg, DPAM, 10 June 2022



FROM OUR **PREVIOUS OUTLOOK** IN DECEMBER...



“

We have a responsibility to explain that there are powerful reasons to believe inflation will fall next year, and that we have to be sufficiently patient so as not to overreact to a temporary increase in inflation.

Philip Lane, ECB

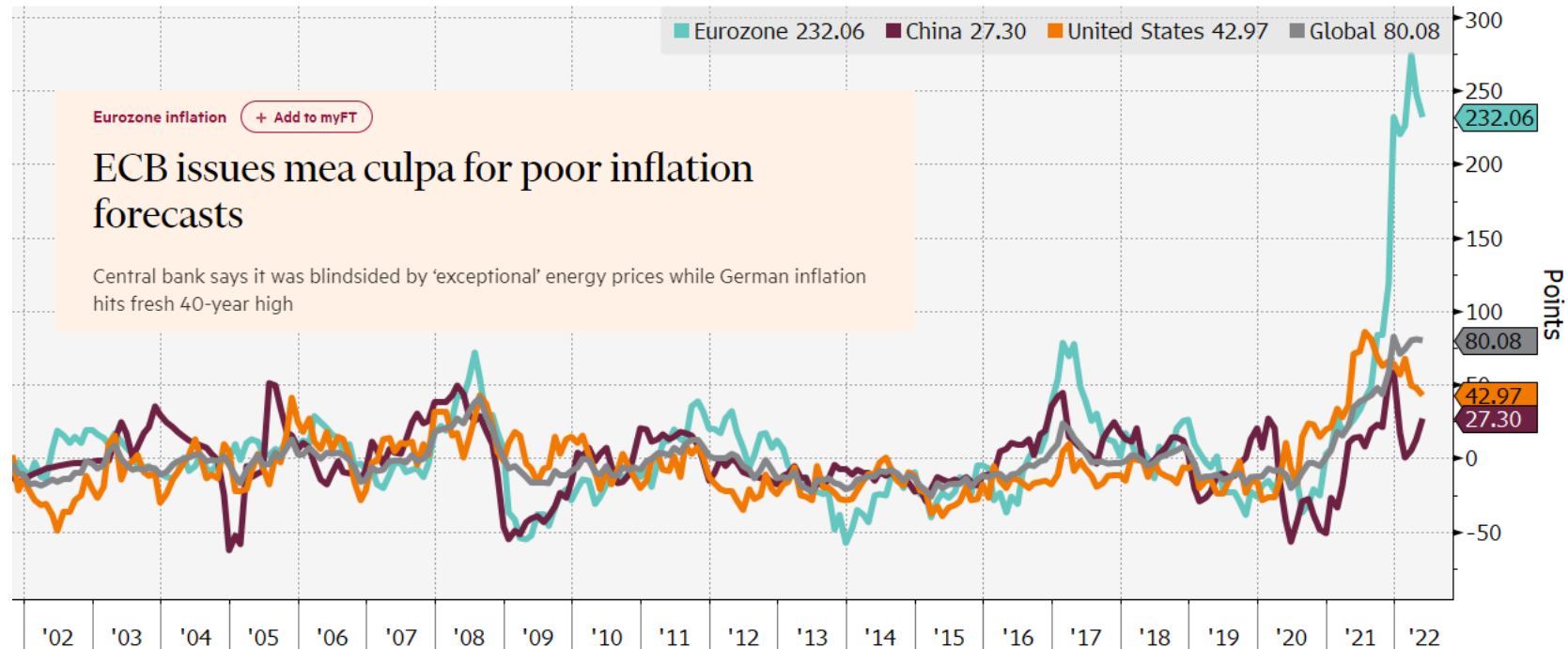
Source: El Pais newspaper – 03/11/2021



INFLATION REVIEW

Global Inflation Surprising

Sticky inflation surprises are causing a (temporary) purchasing power squeeze



Source: Citigroup

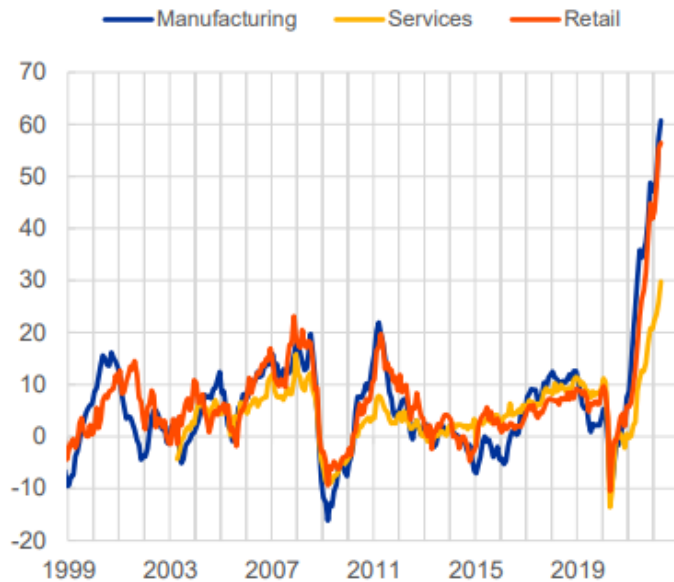
Copyright© 2022 Bloomberg Finance L.P.

Source: DPAM, 06.06.2022



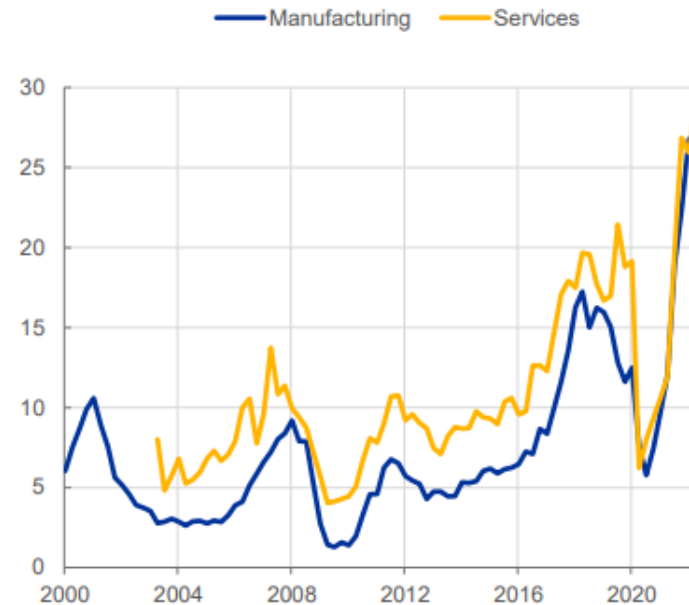
FROM IMPORTED INFLATION TO DOMESTIC INFLATION

**Selling price expectations
three months ahead**
(percentage balances)



Source: European Commission.
Last observation: April 2022.

Limits to production – shortage of labour
(percentage balances)



Source: European Commission.
Last observation: 2022Q2.

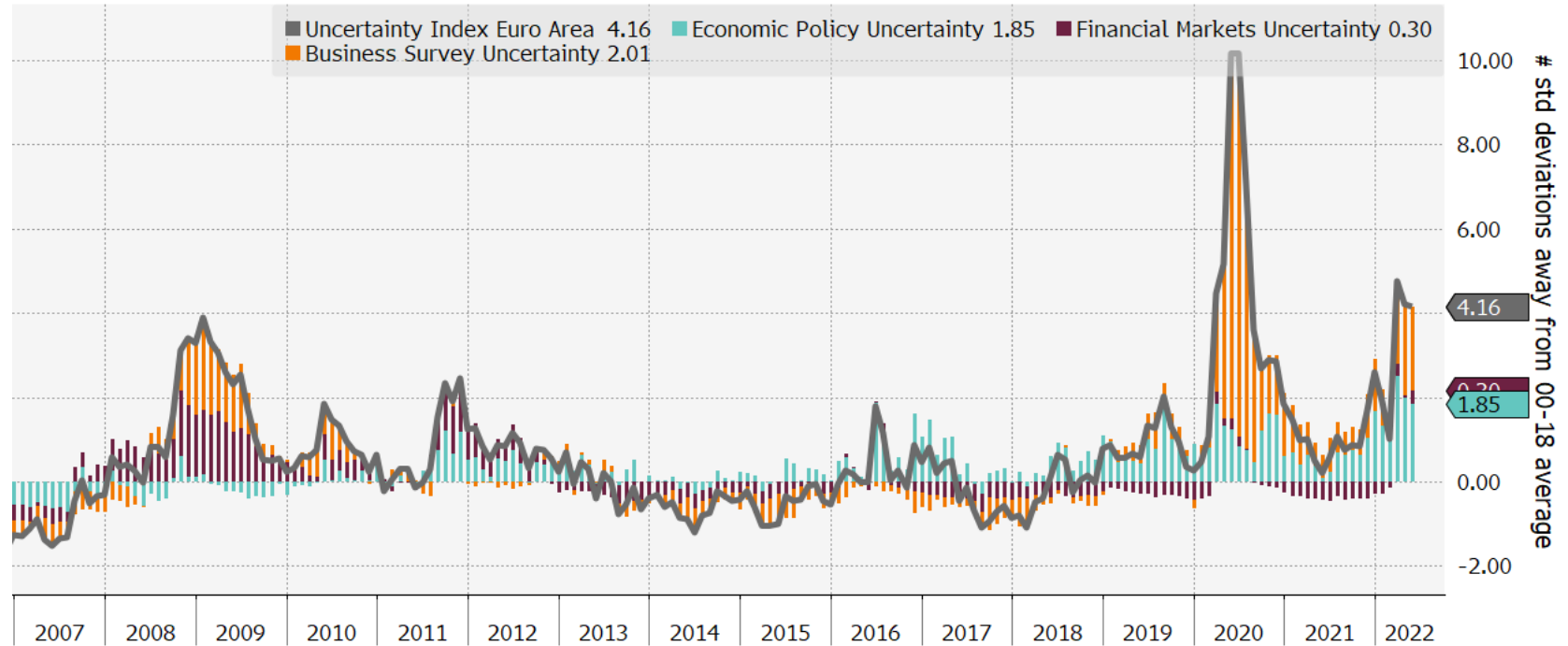
Source: DPAM, ECB 01.06.2022



ELEVATED UNCERTAINTY

Another Peak In Uncertainty?

Sources are different & complex ... global desynchronized growth slowdown



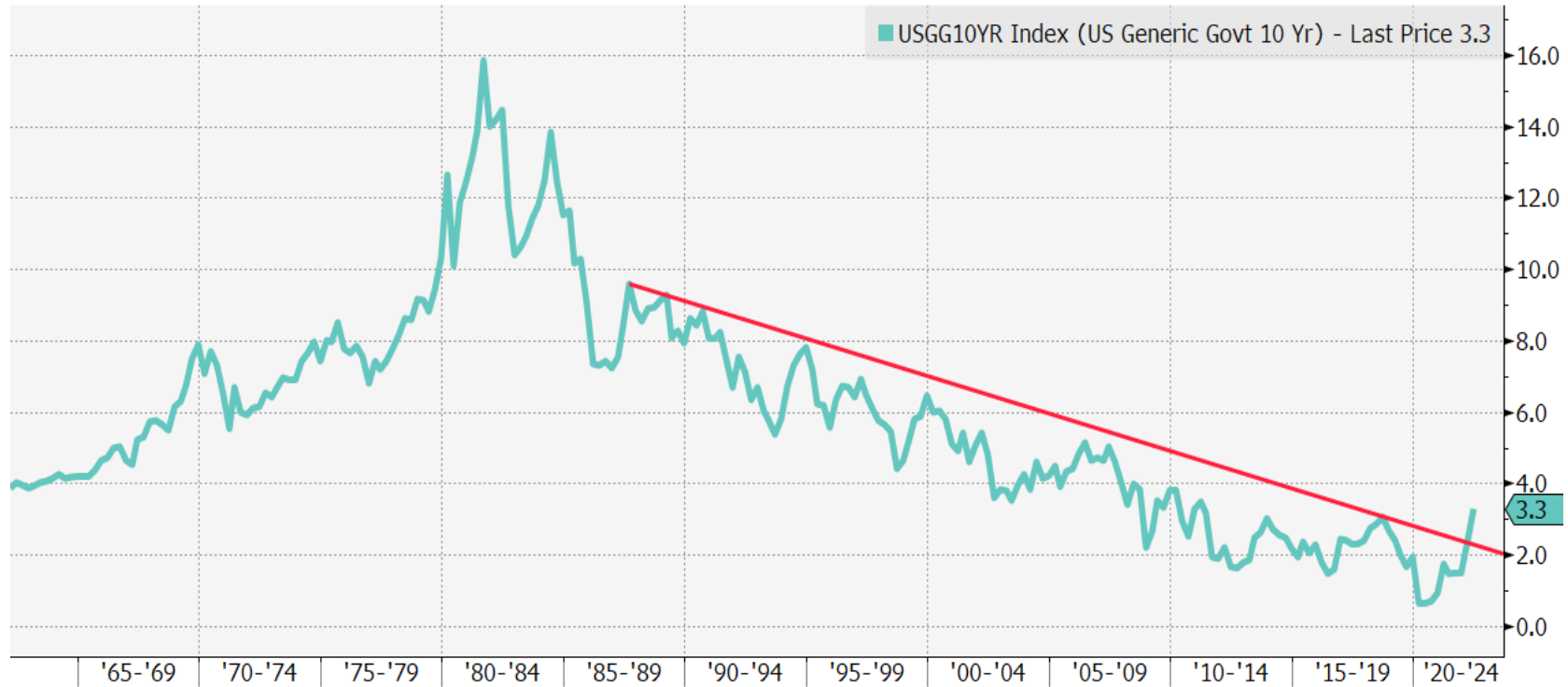
Source: ECB, Bloomberg Intelligence, EC, Bloom Baker & Davies
Copyright© 2022 Bloomberg Finance L.P.

Source: DPAM 06.06.2022



LACK OF PRICING FRAMEWORK

US 10-year Yield History



Source: Bloomberg, DPAM

USGG10YR Index (US Generic Govt 10 Yr) US 10 year yield trend Quarterly 01JAN1961-14JUN2022

Copyright© 2022 Bloomberg Finance L.P.

14-Jun-2022 10:47:48

Source: Bloomberg, DPAM, 14/06/2022



CREDIT

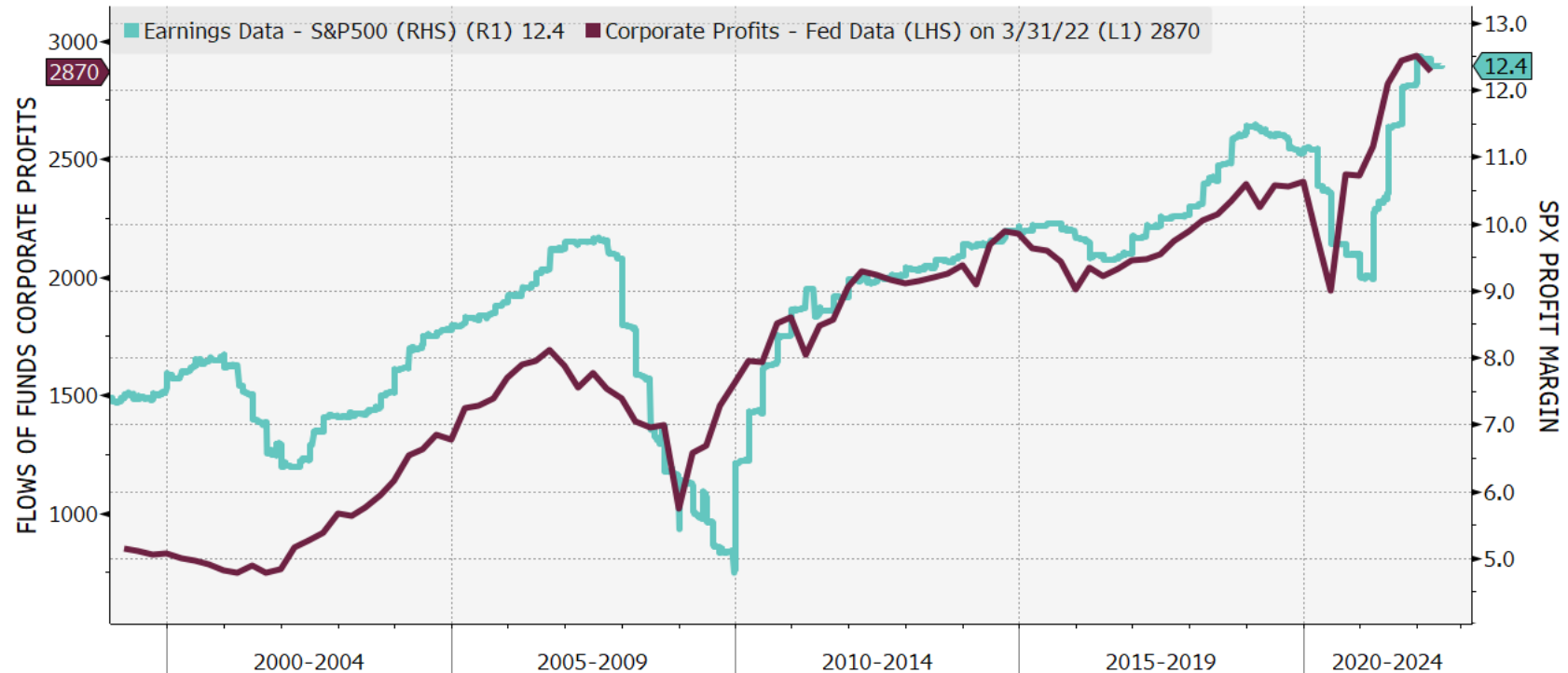


- Outlook corporates deteriorating
- In a challenging environment, we favor quality



CORPORATE PROFITS ROLLING OVER?

All Time High Profit Margin on S&P500 but Flows of Funds Corporate Profits are Softening



Source: Bloomberg, DPAM

MARGINSP G Index (SPX PROFIT MARGIN) PROFIT MARGINS 2 Daily 01JAN1999-30AUG2022

Copyright© 2022 Bloomberg Finance L.P.

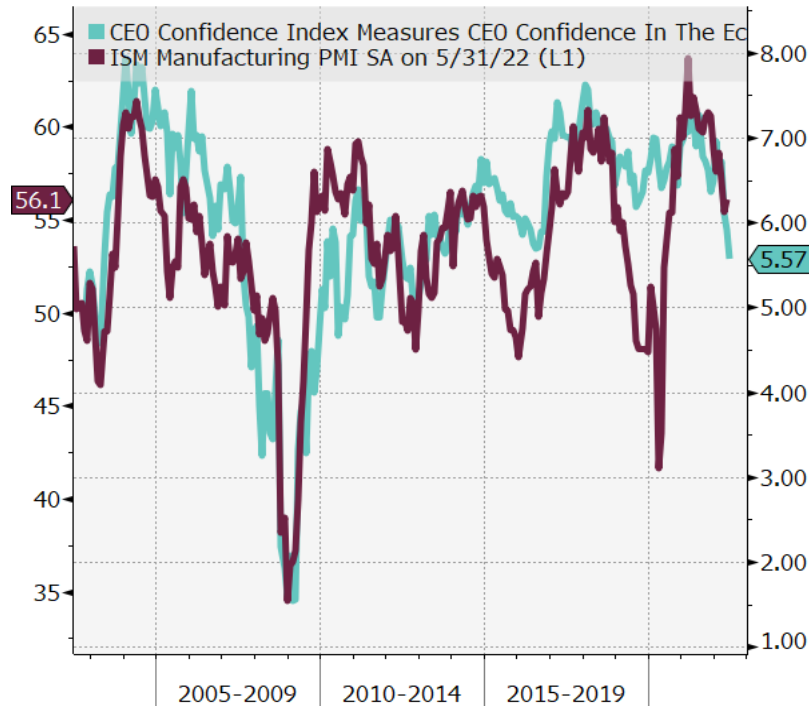
13-Jun-2022 18:59:14

Source: Bloomberg, DPAM, 13/06/2022



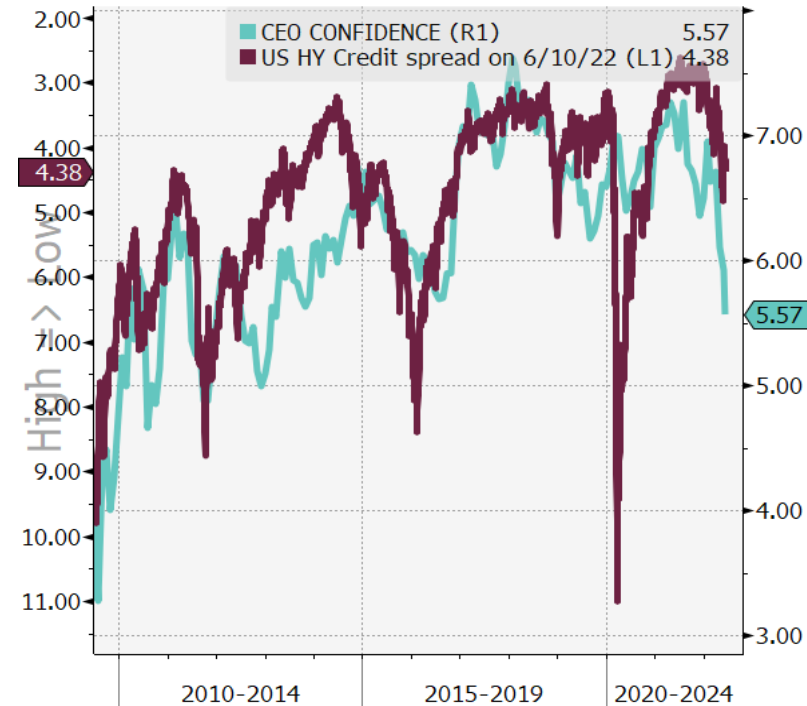
CEO OUTLOOK ERODING ECONOMIC OUTLOOK WORSENING

CEO Confidence Leading PMI
Sometime overshoots



Source: Bloomberg, DPAM
CEOCINDX Index (CEO Confidence Index Measures CEO Confidence In The Economy 1 Year from Now) US CEO CONFIDENC-PMI Monthly 18JUN2002-31
Copyright © 2022 Bloomberg Finance L.P.
13-Jun-2022 19:01:16

CEO Confidence and US High Yield
Declining confidence is bad news for credit spreads



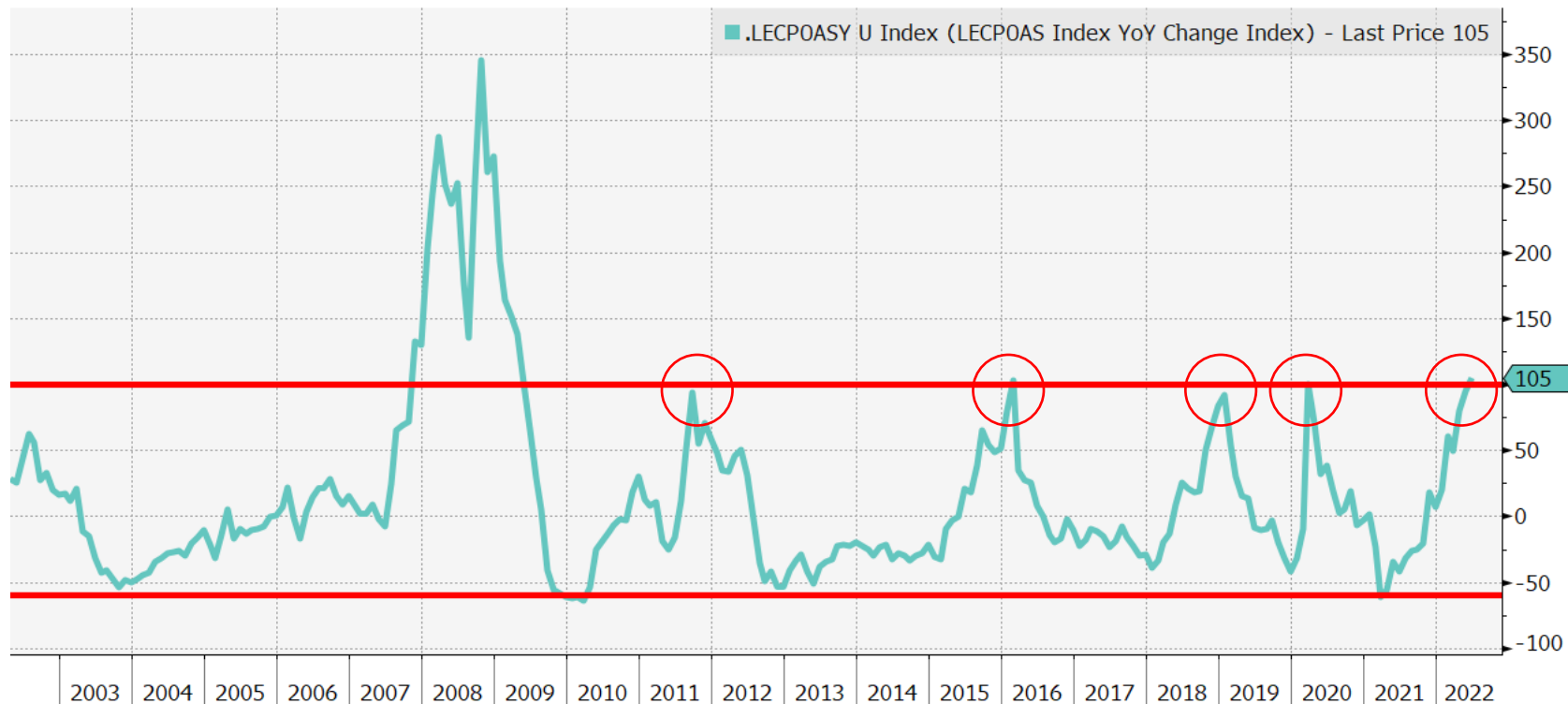
Source: Bloomberg, DPAM
CEOCINDX Index (CEO Confidence Index Measures CEO Confidence In The Economy 1 Year from Now) CEO CONF + us hy spread Daily 30JUN2009-31
Copyright © 2022 Bloomberg Finance L.P.
13-Jun-2022 19:01:16

Source: ECB, Bloomberg, DPAM, 13/06/2022



INVESTMENT GRADE MARKET HAS ALREADY STARTED TO DISCOUNT A **WORSENING CREDIT** ENVIRONMENT

Euro Investment Grade Credit Spread: Year-on-Year Change



Source: Bloomberg, DPAM

.LECPOASY U Index (LECPOAS Index YoY Change Index) IG Credit Spread OAS YoY Monthly 31MAY2001-10JUN2022

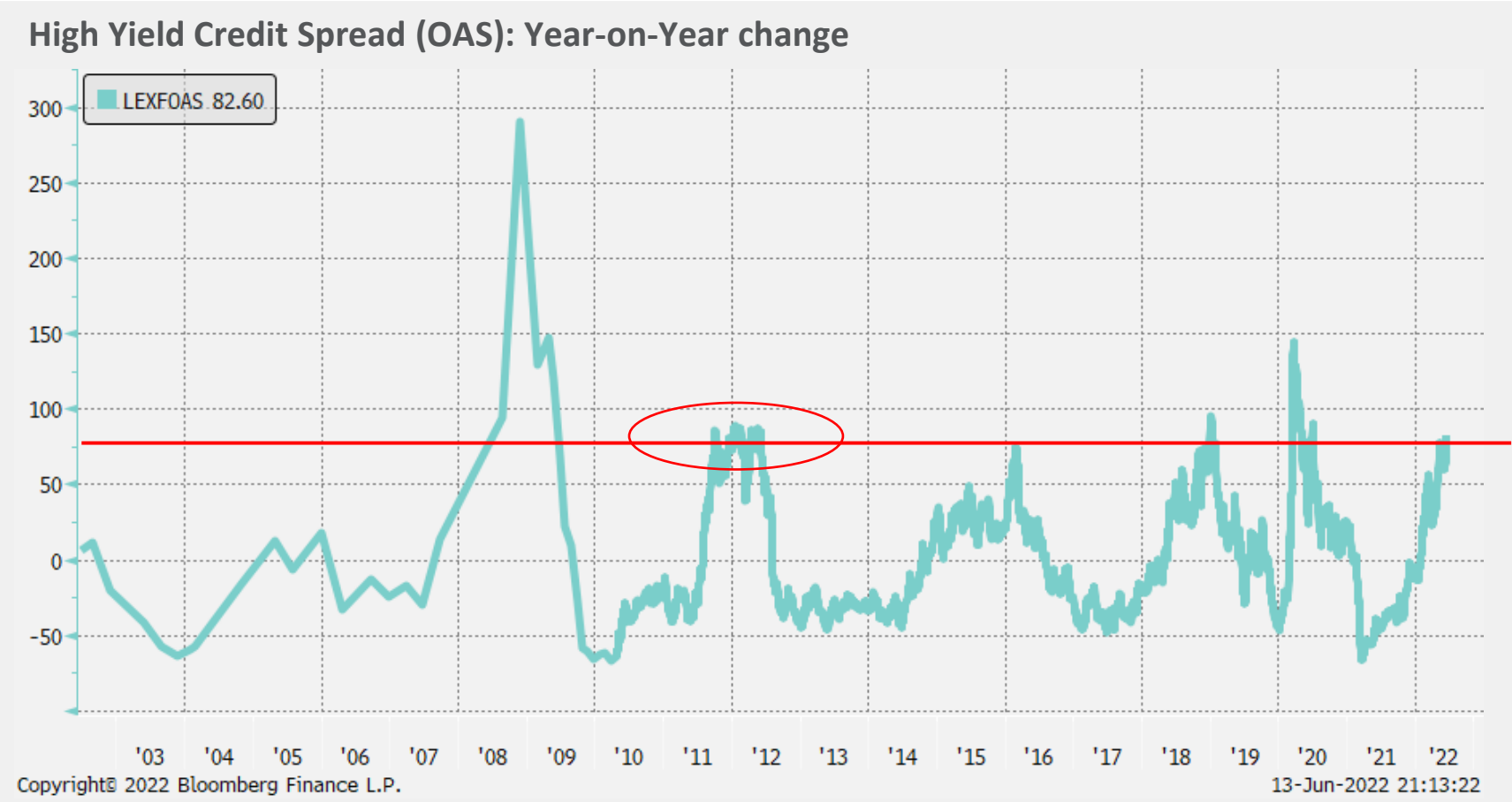
Copyright© 2022 Bloomberg Finance L.P.

13-Jun-2022 19:14:49

Source: Bloomberg, DPAM, 13/06/2022



WHEN **VISIBILITY IS LOW**, HIGH YIELD SPREADS STAY HIGH FOR A PROLONGED PERIOD OF TIME: **FAVOR IG OVER HY**

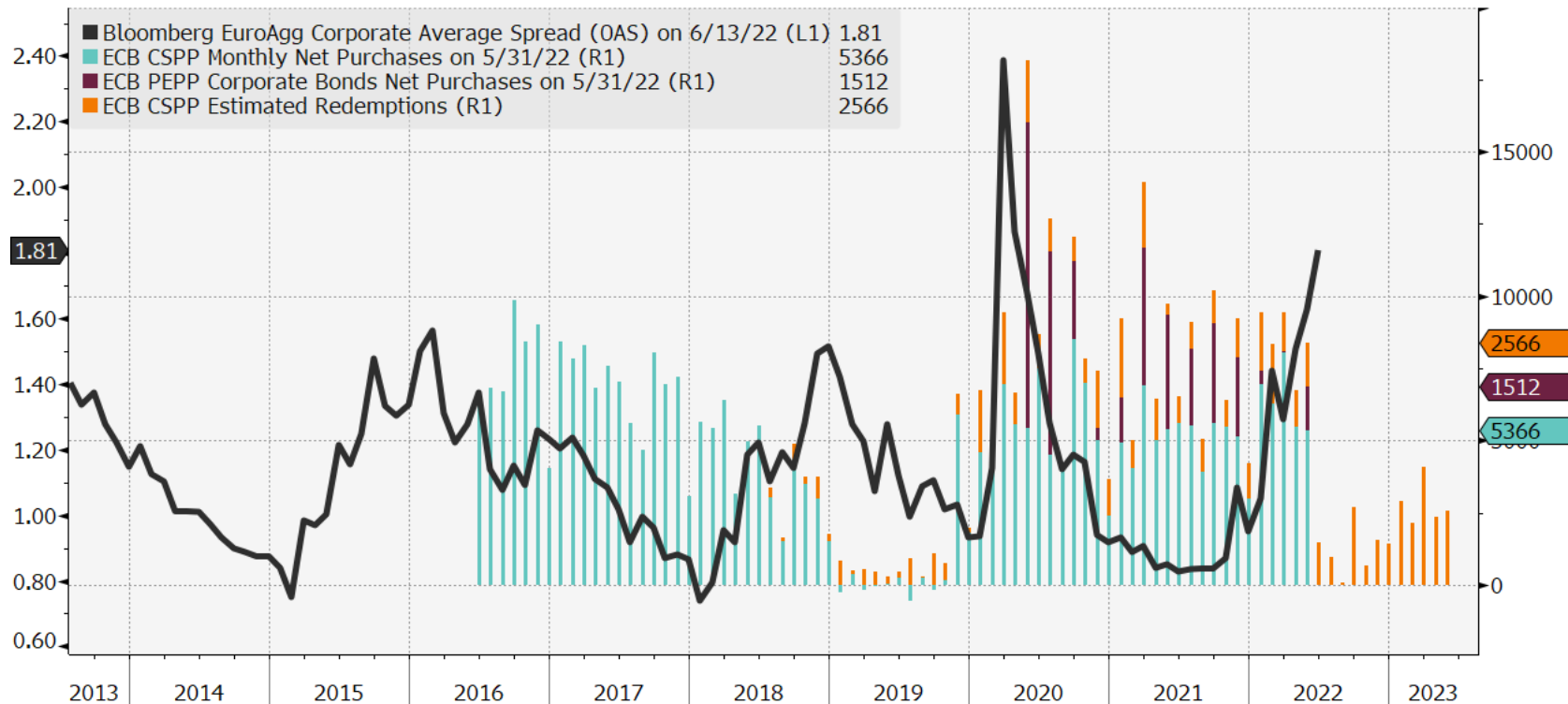


Source: Bloomberg, 13/06/2022



WHILE THE ECB IS ENDING ITS ASSET PURCHASES, **IT WILL CONTINUE WITH REINVESTING** THE PROCEEDS OF REDEMPTION

ECB Purchases versus Corporate Bond Spreads



Source: ECB, Bloomberg, DPAM

LECPOAS Index (Bloomberg EuroAgg Corporate Average OAS) ECB CORPO Program Monthly 30JUN2013-31MAY2023

Copyright© 2022 Bloomberg Finance L.P.

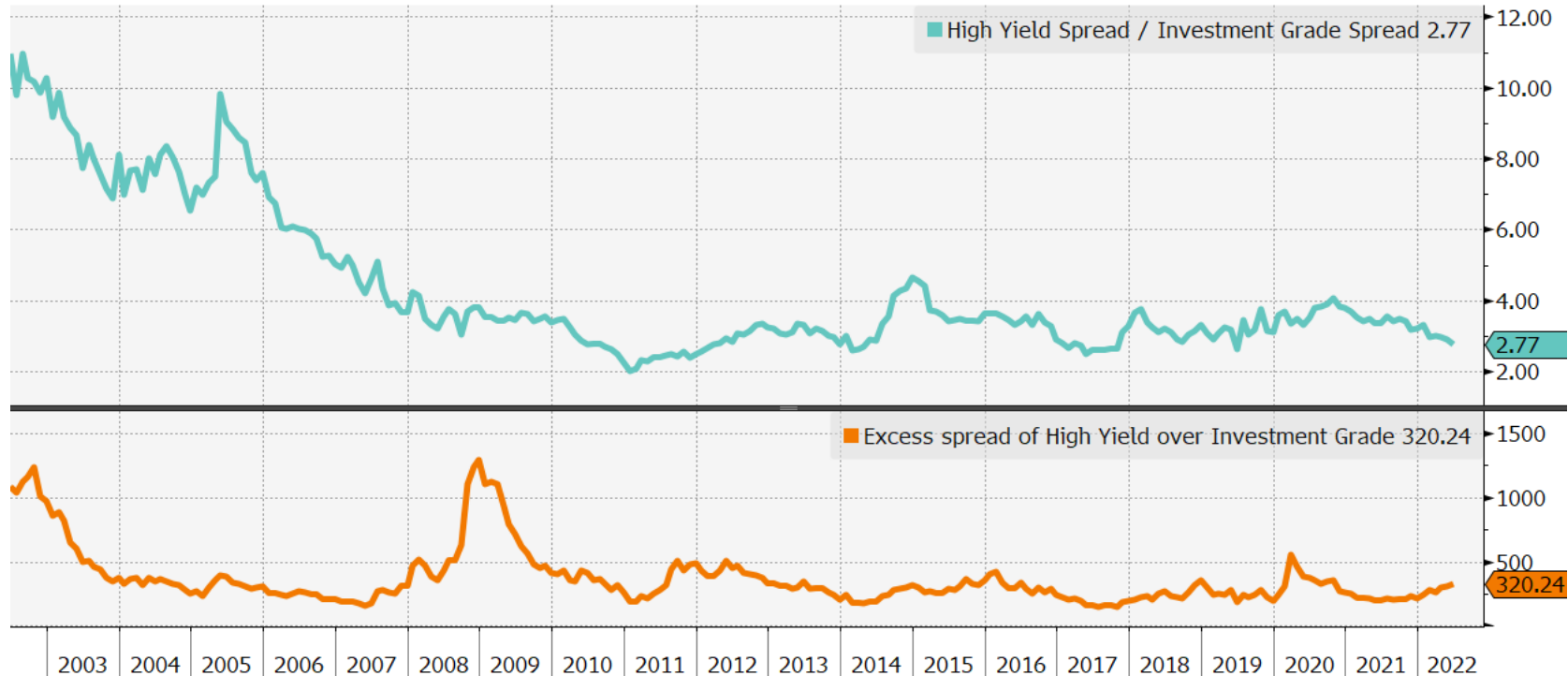
14-Jun-2022 15:34:55

Source: ECB, Bloomberg, DPAM, 14/06/2022



WHEN **VISIBILITY IS LOW**, HIGH YIELD SPREADS STAY HIGH FOR A PROLONGED PERIOD OF TIME: **FAVOR IG OVER HY**

Comparing High Yield and Investment Grade Spreads European Market



Source: Bloomberg, DPAM

LEXFOAS Index (Bloomberg Euro HY 3% Issuer Constraint x Fin Average OAS) HY/IG spreads Monthly 18JUN2002-14JUN2022

Copyright© 2022 Bloomberg Finance L.P.

14-Jun-2022 14:28:43

Source: Bloomberg, DPAM, 14/06/2022





INVESTMENT GRADE

Neutral



HIGH YIELD

Underweight



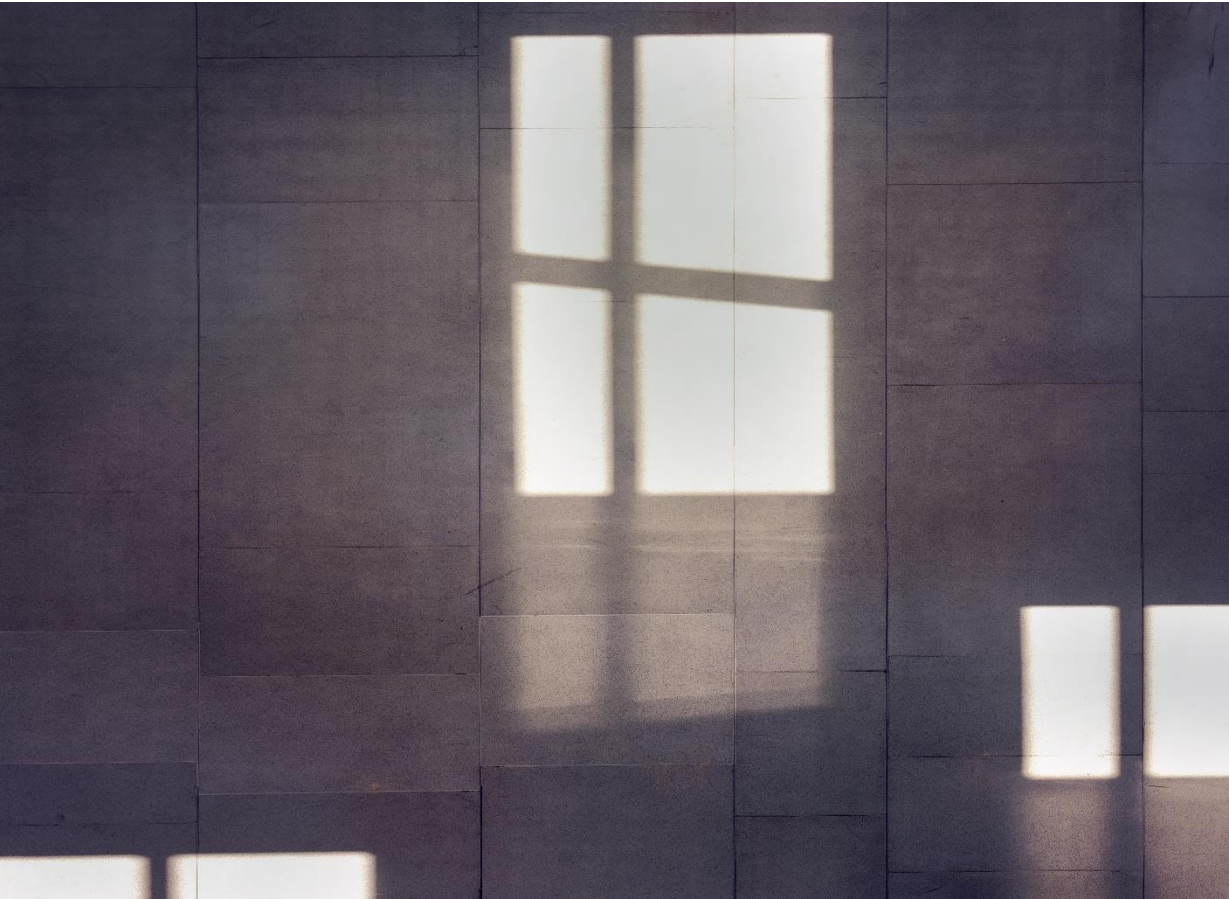
BOTTOM-UP COMPANY SELECTION: **ENGAGEMENT** KEY



- Infrastructure and renewable energy conglomerate
- Use of Chinese Polysilicon in PV panels, with higher risk of human rights abuse
- Internal assessment of credibility and company statements
- Direct C-level conversation to ensure proper human rights due diligence
- Significant importance in analyst recommendations (integration)



CONVERTIBLE BONDS



- Very weak return has created **value opportunities**
- Lower bond floor has increased **expected returns**
- M&A: some issuers could become **targets**
- **New issuers:** companies might choose CB to strengthen their balance sheet



RATES

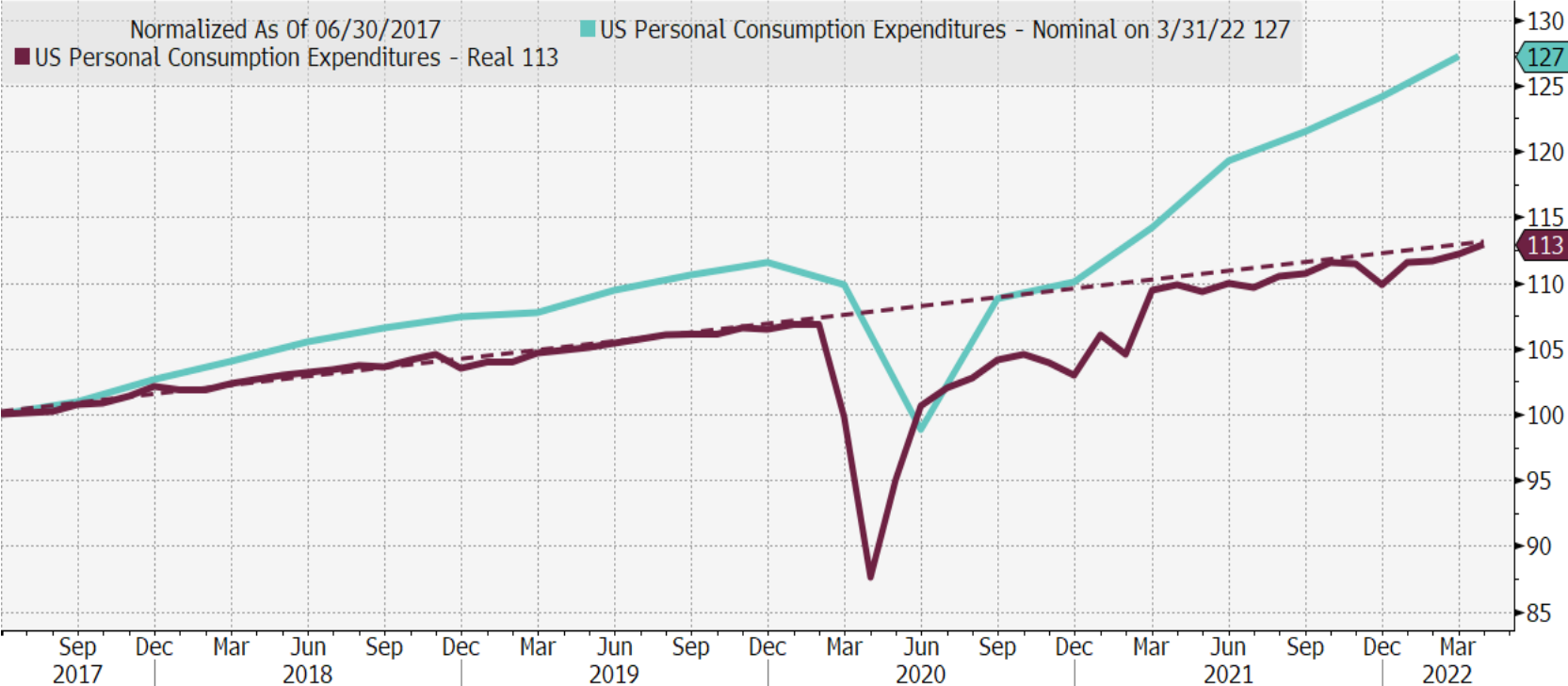


- Taking the uncertainty from the corporate sector
- We add a bleaker picture for the consumer
- Central banks to prioritize inflation over growth
- Will growth come down faster than inflation?



CONSUMER REAL EXPENDITURE: US EXAMPLE

Personal Expenditure: Real versus Nominal



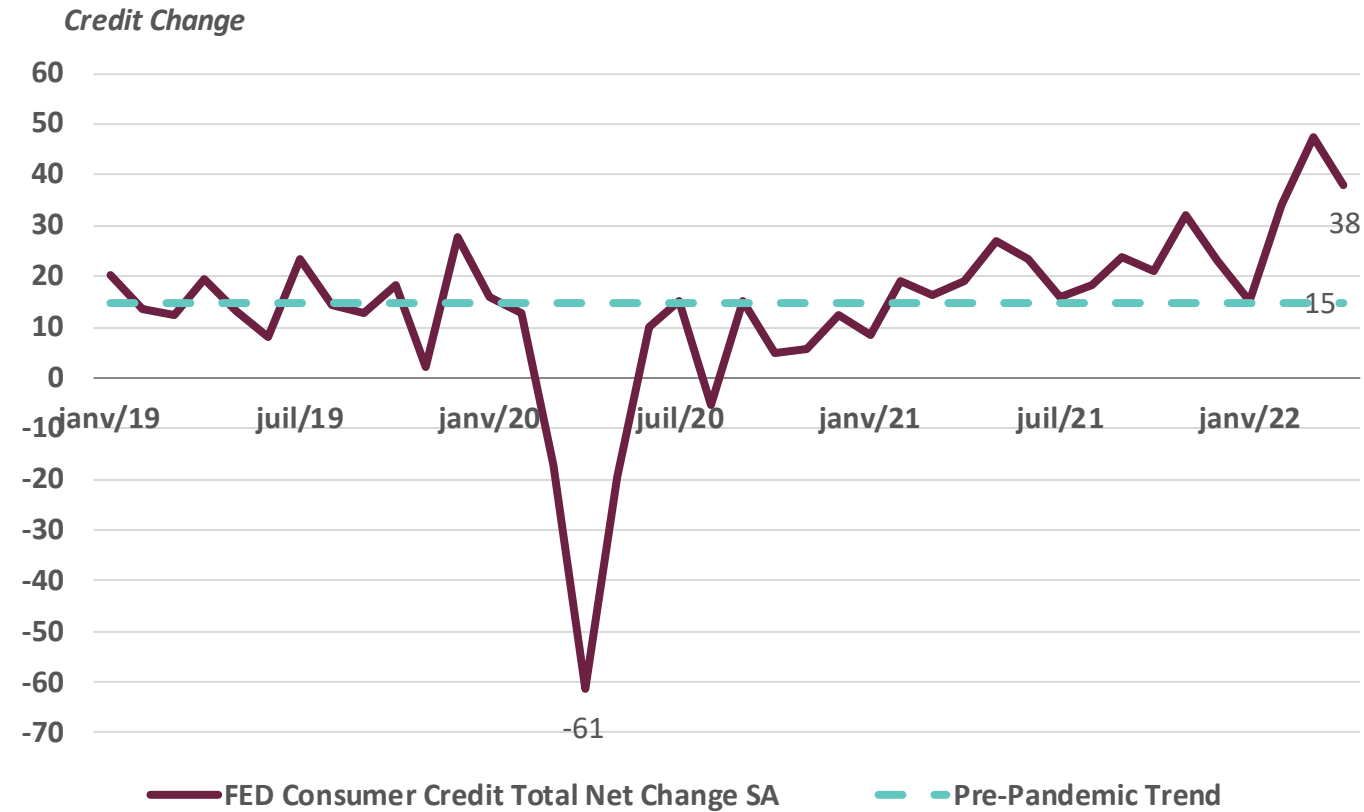
Source: Bloomberg, BEA
 GDP\$PCE Index (US GDP Dollar Level Personal Consumption Expenditures) PCE Real and Nominal Monthly 14JUN2017-13JUN2022
 Copyright © 2022 Bloomberg Finance L.P. 13-Jun-2022 22:04:27

Source: Bloomberg, BEA, 13/06/2022



- US inflation -

US CONSUMER IS RELYING MORE ON CREDIT

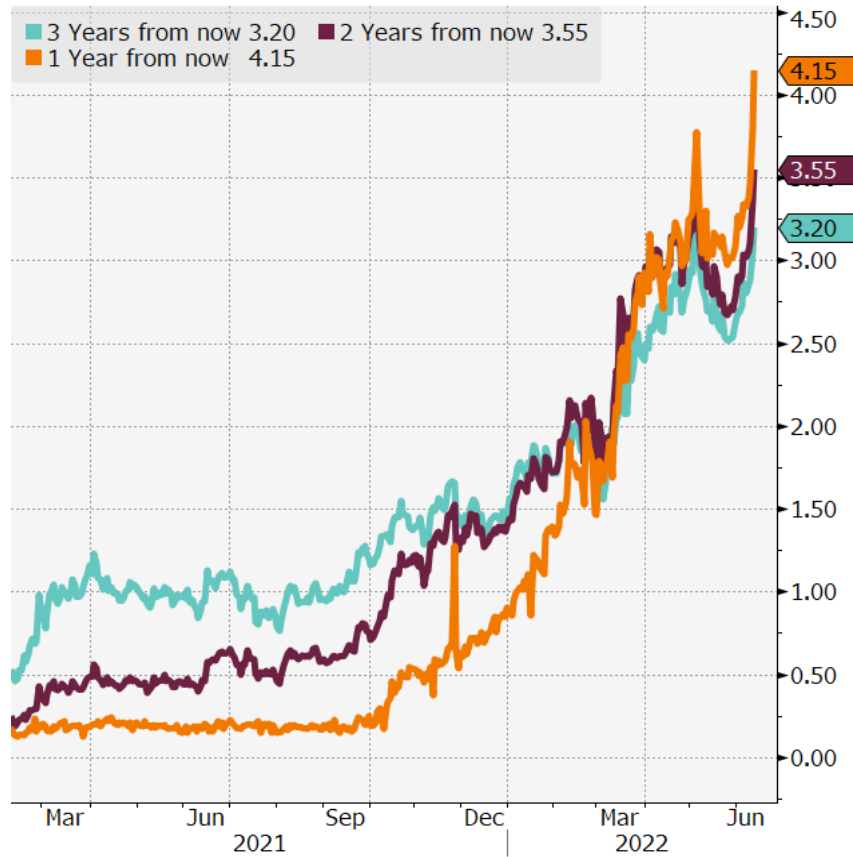


Source: Bloomberg, Federal Reserve, \$bn, DPAM calculations as of 01/06/2022



HIKING EXPECTATIONS – CUTTING IN 2-3YRS?

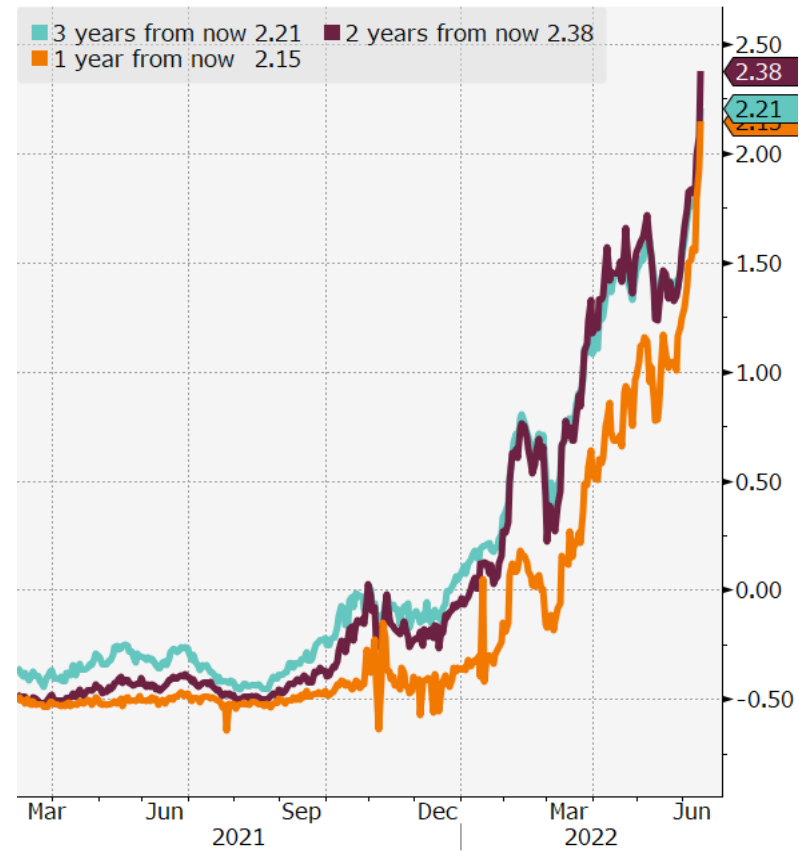
Fed policy rate expectations



Source: Bloomberg

S0490FC 3Y1D BCAL Curncy (USD 5490 Fwd Cash Rate 3Y1D) Fed rate projections Daily 07FEB2021-14JUN2022 Copyright© 2022 Bloomberg Finance L.P. 14-Jun-2022 14:35:07

Eurozone policy rate expectations



Source: Bloomberg

S0514FC 3Y1D BCAL Curncy (EUR S514 Fwd Cash Rate 3Y1D) Euro rate hike expectati Daily 07MAR2021-14JUN2022 Copyright© 2022 Bloomberg Finance L.P. 14-Jun-2022 14:35:22

Source: Bloomberg, 14.06.2022





**EURO AND
GLOBAL RATES**

Underweight



**INFLATION
LINKED**

Overweight but reducing



1

EMERGING MARKET RATES



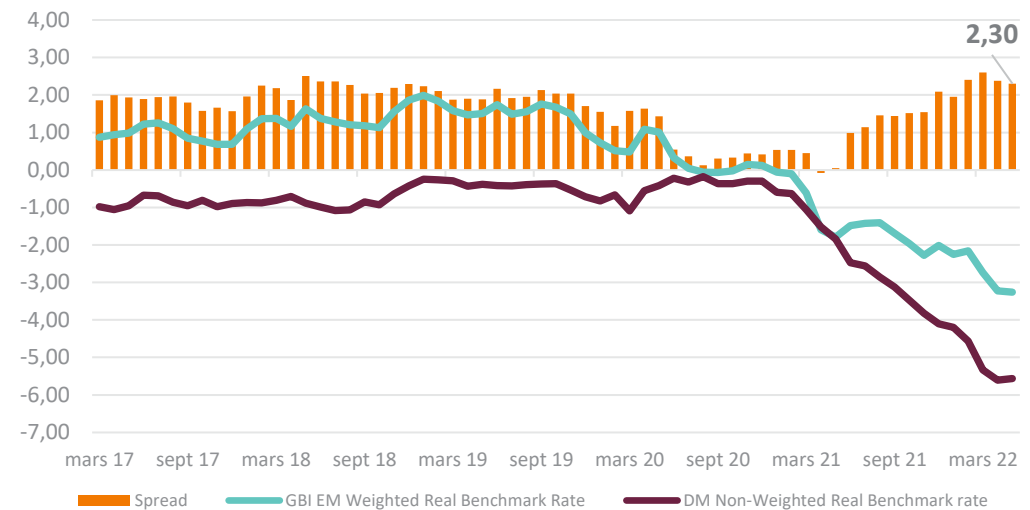
EMERGING MARKETS *LOCAL CURRENCY*



Emerging Markets central banks tightened financial conditions well in advance of developed markets, bringing real benchmark rate differentials back to pre-covid levels;



The tightening cycle, which is close to the end in some countries, combined with stronger commodity prices, has been supportive for emerging markets currencies - especially in EUR terms;



"The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product."



EMERGING MARKETS LOCAL CURRENCY



High carry in combination with an attractive yield buffer and low (foreign investor) positioning, makes emerging markets debt an attractive asset class;



Weaker credits, already facing deficit problems as a result of the health-crisis, are now facing additional stress due to rising food and energy prices and the many subsidies which are needed to help the poor. Some will default.

Broad diversification and a high-quality portfolio are more important than ever

Exclusion of non-free countries makes a difference!

"The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product."





EMERGING RATES

Looking to go
overweight



EMERGING FX

Looking to go
overweight





HEAD OFFICE BELGIUM



degroofpetercam.com



dpamfunds.com



+32 2 287 91 11



Rue Guimard 18,
1040 Brussels, Belgium



DPAM@degroofpetercam.com



publications.dpamfunds.com



[/degroofpetercam](https://twitter.com/degroofpetercam)



[/company/dpam](https://www.linkedin.com/company/dpam)

LOCAL OFFICES



Wiesenhüttenplatz 25,
60329 Frankfurt am Main
+49 69 566 082 531



Corso Europa 15,
20122 Milano
+39 02 12412 4673



Paseo de la Castellana 141,
Planta 19, 28046 Madrid
+34 91 5720 366



Rue Eugène Ruppert 14,
L - 2453 Luxembourg
+352 45 18 581



Rue de Lisbonne 44,
F-75008 Paris
+33 1 73 44 57 60



De Entree 234 unit 5.1,
1101 EE Amsterdam
+31 2 05 73 54 05



Place de l'Université 8,
1205 Geneva
+41 22 929 72 23



Syncicap – 66/F, The Center,
99 Queen's Road Central,
Hong Kong
+852 3842 8200

June 2022

Marketing Communication



DISCLAIMER

The information contained in this mail and attachments (hereafter the 'documents') is provided for pure information purposes only.

This is a **marketing communication**. This document may not be distributed to retail investors and their use is **exclusively restricted to institutional investors**.

DPAM is the author of the present document. Although this document and its content were prepared with due care and are based on sources and/or third-party data providers which DPAM deems reliable, they are provided 'as is' without any warranty of any kind, either express or implied. Neither DPAM nor its sources and third-party data providers guarantee the correctness, the completeness, reliability, timeliness, availability, merchantability, or fitness for a particular purpose.

This document is illustrative. The provided information herein must be considered as having a general nature and does not, under any circumstances, intend to be tailored to your personal situation. Its content does not represent investment advice, nor does it constitute an offer, solicitation, recommendation or invitation to buy, sell, subscribe to or execute any other transaction with financial instruments including but not limited to shares, bonds and units in collective investment undertakings. This document is not aimed to investors from a jurisdiction where such an offer, solicitation, recommendation or invitation would be illegal.

Neither does this document constitute independent or objective investment research or financial analysis or other form of general recommendation on transaction in financial instruments as referred to under Article 2, 2°, 5 of the law of 25 October 2016 relating to the access to the provision of investment services and the status and supervision of portfolio management companies and investment advisors. The information herein should thus not be considered as independent or objective investment research.

Investing incurs risks. Past performances do not guarantee future results. All opinions and financial estimates in this document are a reflection of the situation at issuance and are subject to amendments without notice. Changed market circumstance may render the opinions and statements in this document incorrect.

Degroof Petercam Asset Management SA/NV | rue Guimard 18, 1040 Brussels, Belgium | RPM/RPR Brussels | TVA BE 0886 223 276 |

© Degroof Petercam Asset Management SA/NV, 2022, all rights reserved. This document may not be reproduced, duplicated, disseminated, stored in an automated data file, disclosed, in whole or in part or distributed to other persons, in any form or by any means whatsoever, without the prior written consent of Degroof Petercam Asset Management ("DPAM"). The user of this document acknowledges and accepts that the content constitutes a copyrighted trade secret and/or proprietary information of substantial value. Having access to this document does not transfer the proprietary rights whatsoever nor does it transfer title and ownership rights. The information in this document, the rights therein and legal protections with respect thereto remain exclusively with DPAM.

