

# Candriam Bonds Global Inflation Short Duration

## Market Overview

In February, central bank boards in developed countries continued to defend that the timing of coming rate cuts anticipated by the market is premature. They were strengthened by still resilient economic data, a global growth that is not slowing (or very little) and a persistent inflation. They will likely wait for more evidence of the inflation decline before starting to cut rates. This communication led to a reduction in the number of rate cuts expected for 2024 and push curves to flatten on both real and nominal rates during the month. Peripheral countries of the eurozone once again outperformed German rates, while American rates posted the worst performance in our universe.

## Portfolio Highlights & Strategy

The fund, as its comparison index, suffered from the rise in rates and generated a negative performance in February. Our overweight in duration is the main contributor to the fund's underperformance, while our strategy of flattening on the American curve contributed positively.

## Outlook

We believe that the decline in realized inflation will continue, helped by restrictive monetary policies and the normalization of post-Covid supply chains. The main area of uncertainty is on a job market that remains tight and persistent wage inflation. The outcomes of the wage negotiations which will take place in the coming weeks throughout Europe will be decisive to have a better idea of the extent to which central banks will be able to soften their monetary policies.

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