

Candriam Patrimoine Obli-Inter

Market Overview

At the end of last year, the markets saw the victory of central banks in their fight against inflation.

After a general rally in rates, equities and credit in the final months of 2023, financial markets entered a consolidation phase as they scrutinized economic data and central bank reactions more closely. Fixed-income markets therefore remained volatile, against a backdrop of mixed data and balanced central bank rhetoric.

Fundamentals are still better oriented in Europe, where most companies remain focused on debt reduction, while cracks are appearing in the US in sectors such as TMT, and some companies have adopted more equity-friendly attitudes.

Technical data is more favorable in Europe, where we continue to see more rising stars than fallen angels, and where net supply is still negative. In the US, the primary market is much more active, with new issuers coming onto the market to refinance expensive loans and M&A deals.

Against this backdrop, credit spreads have tightened further and are now perfectly priced in the US, at multi-decade levels. In Europe, we continue to find interesting opportunities as spreads remain more attractive overall, but passive flows of maturing funds have made some capital structures very expensive, with credit spreads reaching record levels.

Portfolio Highlights & Strategy Review

Performance I share - month (management data): +0.26% vs +0.36% for Ester, +0.10% for IG QW5A and +0.47% for HY IBOXXMJA .

As a reminder, the fund is 100% Corporate and does not invest in banking or insurance securities.

Short-duration pocket: +0.18%. Core pocket.

Increased investments, particularly in short-term Investment Grade hybrids to take advantage of the carry and early redemption option in the event of refinancing, a source of capital gains.

Opportunistic pocket: +0.08%. Net exposure was +7.4% versus +5% at the end of December. The long credit segment posted a performance of -0.08%, the hedging credit pocket +0.10%. Hedging of 2-year and 5-year German government bonds contributed +0.06%.

Portfolio strategies :

- Purchase of high-yield BB securities with maturities of less than 2028, priced at less than 100% of par, offering protection in the event of a rating downgrade.
- Profit-taking, reduction of the opportunistic pocket on BB high yield securities offering a yield of between 3.5% and 3.9%, lower than the Ester and with limited potential for appreciation after the rally. In favor of securities offering yields of around 4.5%.

Fund Outlook

Central banks have toned down their rhetoric.

The question now is the timing of future rate cuts, in relation to those expected by the markets.

This will be the challenge of 2024.

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