

The Candriam logo features the word "CANDRIAM" in a bold, blue, sans-serif font. To the right of the text is a blue icon consisting of several curved lines that form a stylized, circular shape, resembling a globe or a network of connections.

**CANDRIAM**

A NEW YORK LIFE INVESTMENTS COMPANY

# Time is of the essence

## Update on Market views

Nadège Dufossé, CFA

Stefan Keller

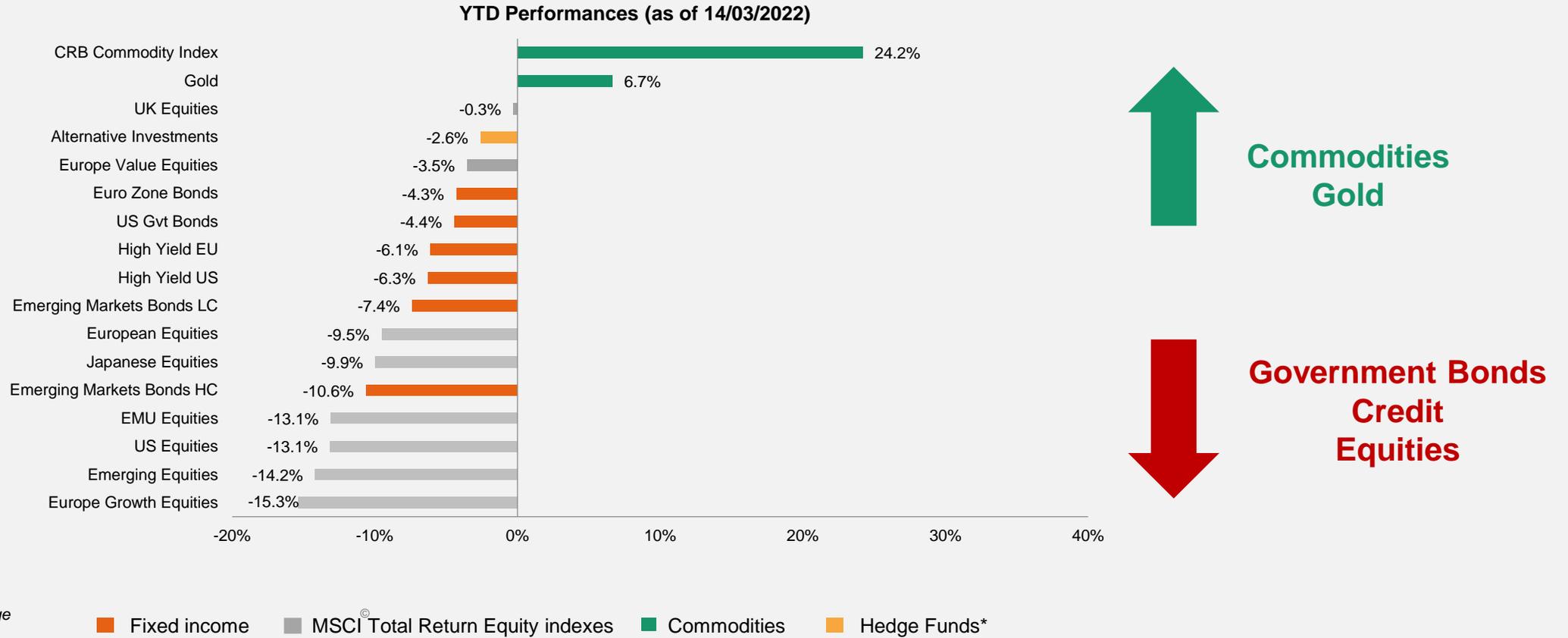
Thibaut Dorlet, CFA

Michel Le Bras

March 2022

# Asset class performances in 2022

## 2022 cross-asset class performances in local currency as of 14<sup>th</sup> of March



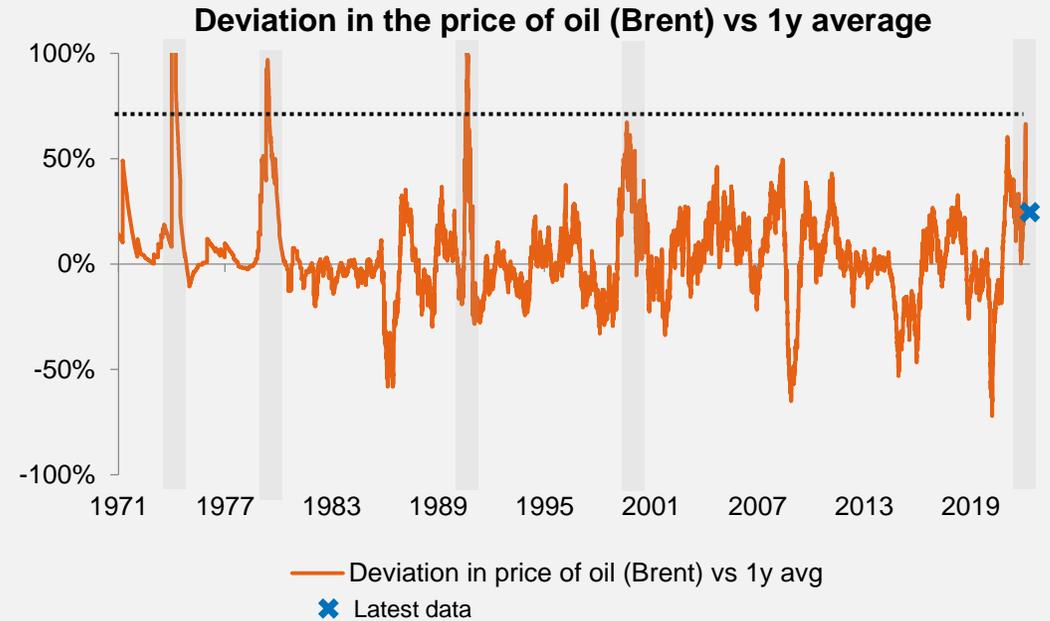
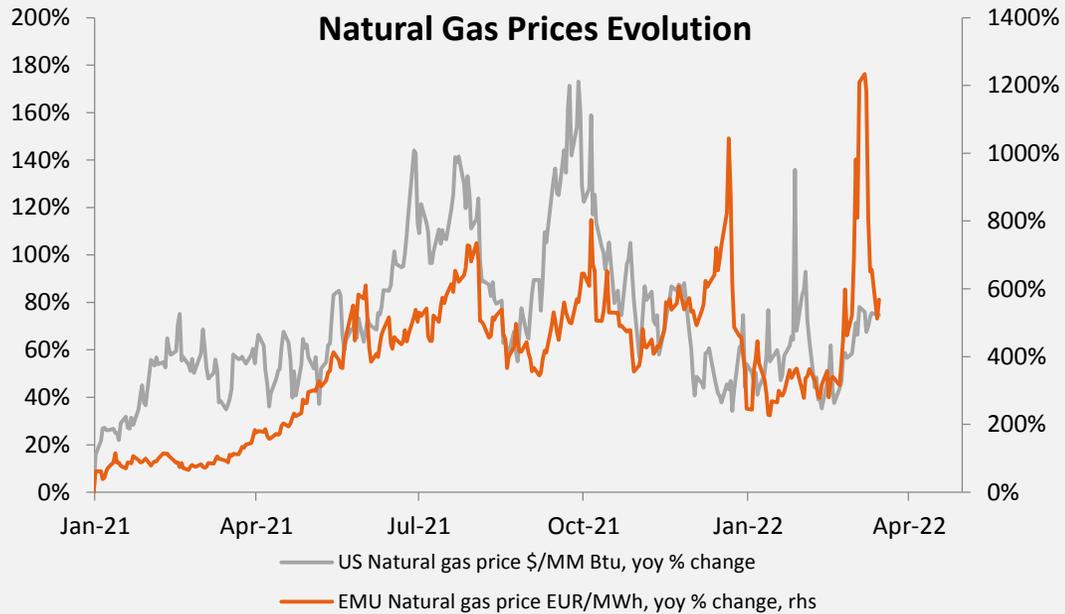
Gvt: Government  
 HC: Hard Currency  
 LC: local currency  
 (\*) Hedge funds = HFRX Global Hedge Fund index

Source: Candriam Multi-Asset Strategy, Bloomberg, data as of 14/03/2022  
 © All rights reserved

Past performance is no guarantee of future results and is not constant over time

Marketing document intended exclusively for Professional and Qualified Investors. All charts are for illustrative purposes only and may not be accurate visual representations. Values may be rounded for convenience

# Energy prices are currently driving markets

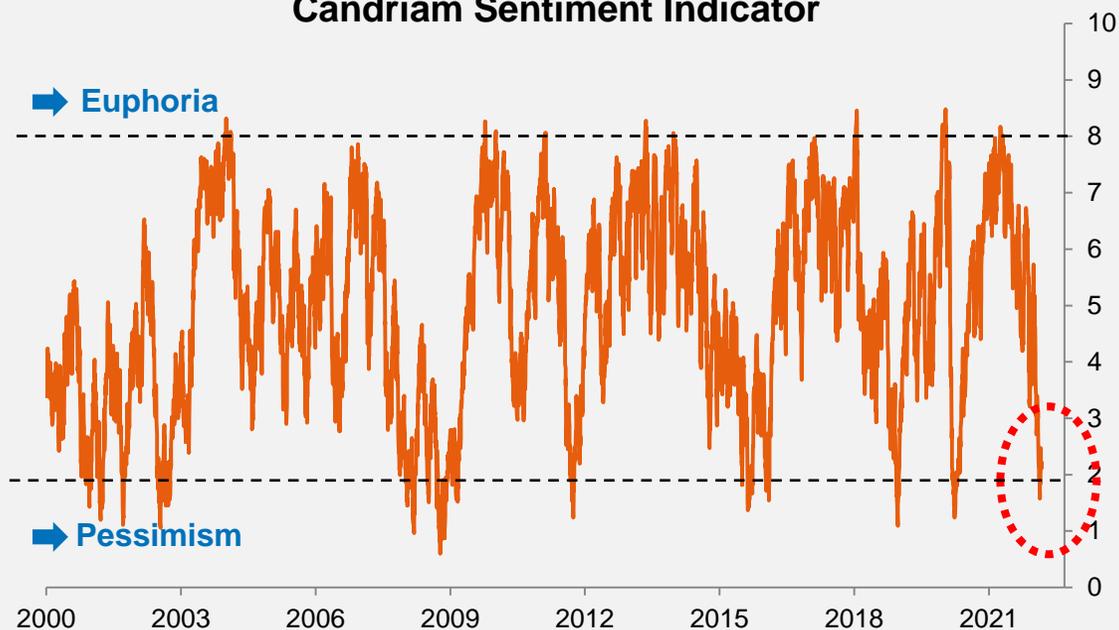


Past performance is no guarantee of future results and is not constant over time

Sources: Bloomberg, Candriam Multi-Asset Strategy

# Sentiment and Volatility have sharply deteriorated

## Candriam Sentiment Indicator



The Candriam Sentiment Indicator is a quantitative proprietary model that aims at assessing sentiment based on quantitative data.

## Crisis Regime – Volatility of European equities (V2X)



The outlooks presented in this document reflect the opinion of CANDRIAM at the date of the present document and are likely to change without prior notice

Source: Bloomberg, Candriam Multi Asset Quantitative Research calculations

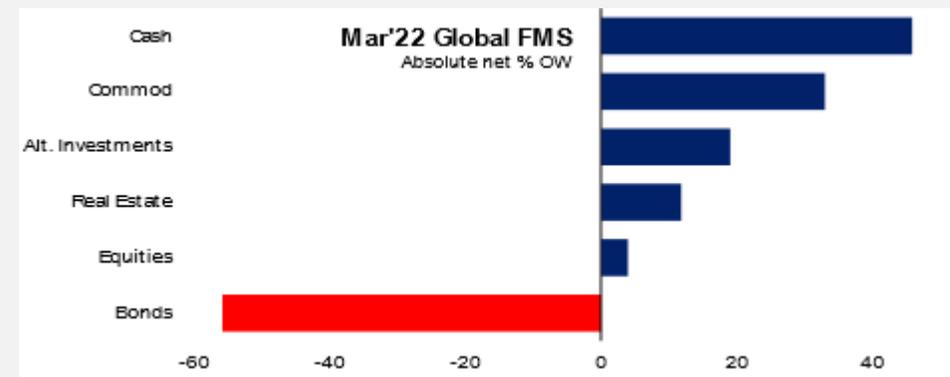
# Investors' positioning is less bearish than their expectations

Investors' positioning on equities Vs. Growth expectations

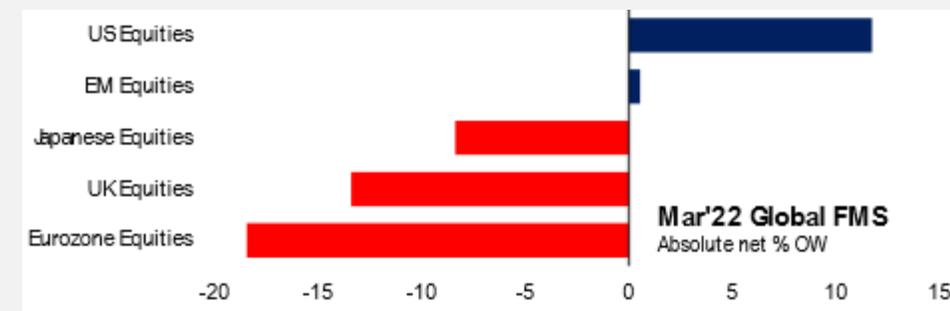


OW: Overweight  
FMS: Fund Manager Survey

Cross-Asset positioning



Equity regional positioning



Source: Bloomberg, Candriam Bofa – Global Fund Manager Survey – March 2022



## How to read the economic environment?

# Economic and inflation surprises likely to shift toward stagflation

We continue to closely monitor the direction of surprises on inflation AND growth

+ Inflation surprise

Stagflation

Reflationary Boom

Reflationary Boom

Stagflation

- > Positive Inflation surprises with negative growth surprises
- > Supportive for real assets and challenging for financial markets

- Eco surprise

- > Growth and inflation surprise on the upside
- > Positive for risky assets

+ Eco surprise

Slowdown or Bust

- > Inflation and growth surprises on the downside
- > Negative for risky assets

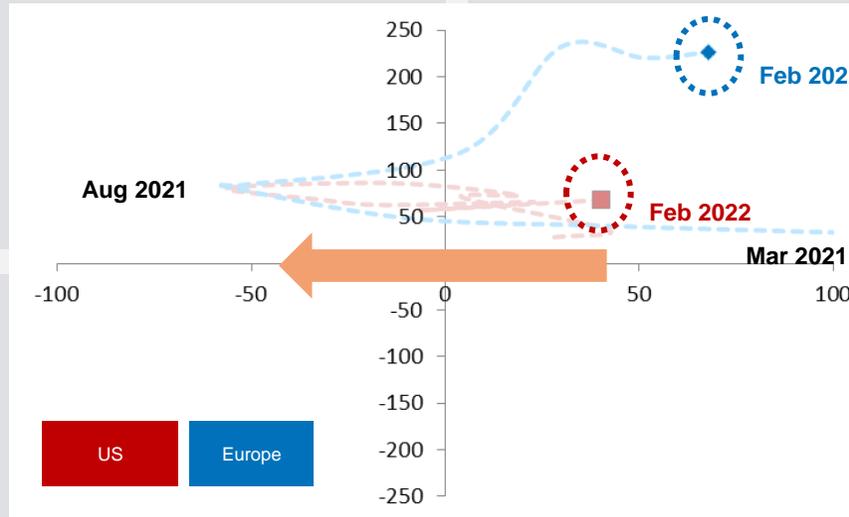
Goldilocks

- > Positive growth surprises with downside inflation surprises
- > Supportive for financial markets overall

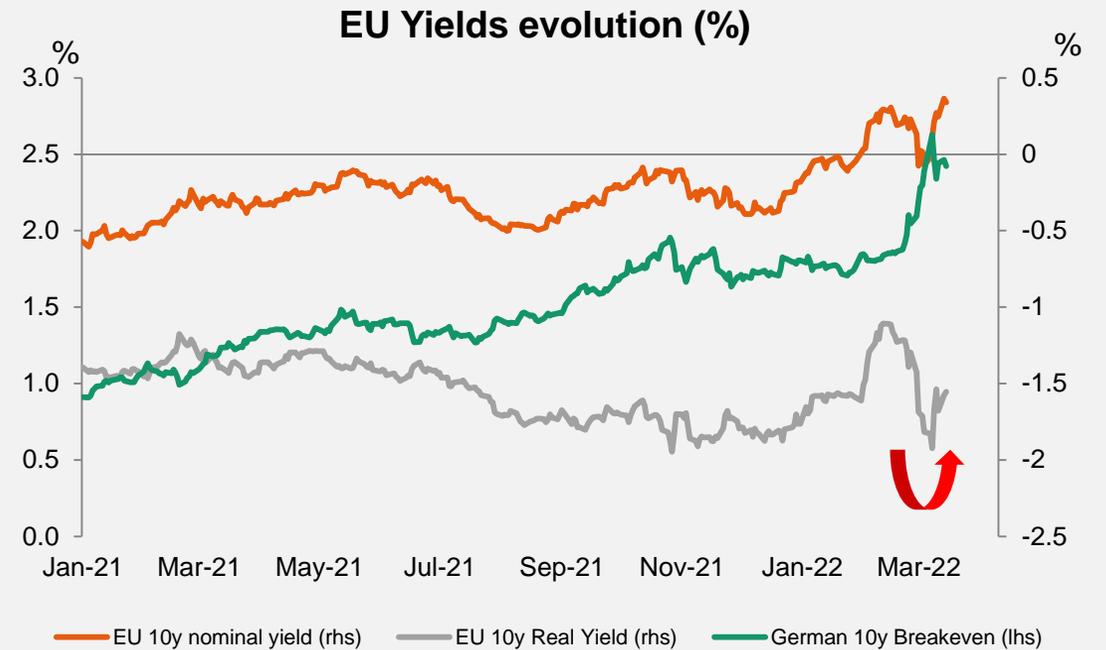
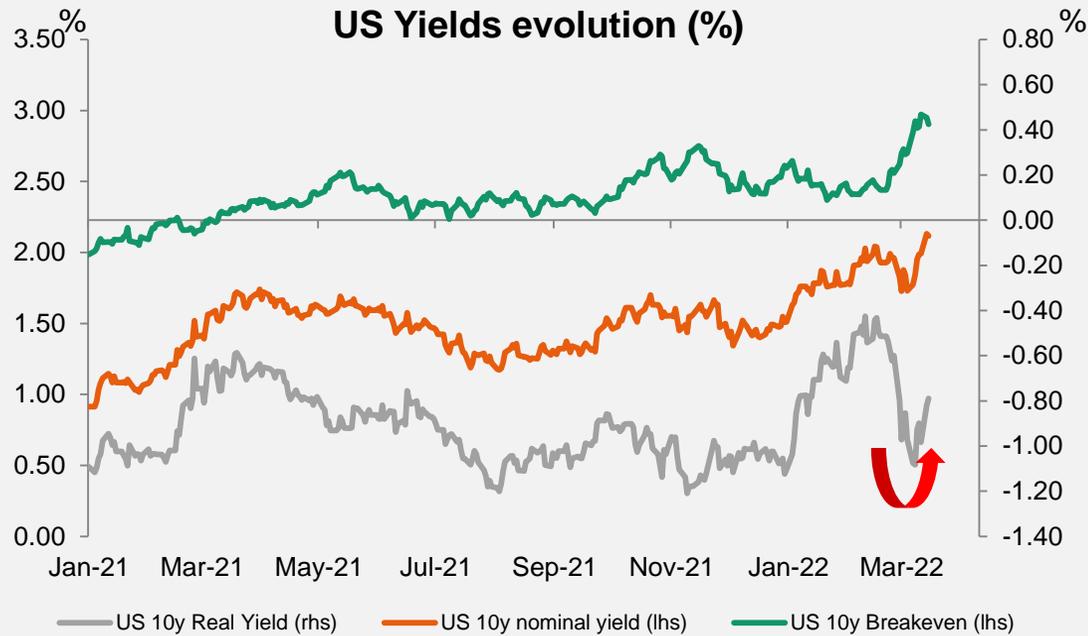
Slowdown or Bust

Goldilocks

- Inflation surprise



# High volatility on the bonds: watch the evolution of real rates

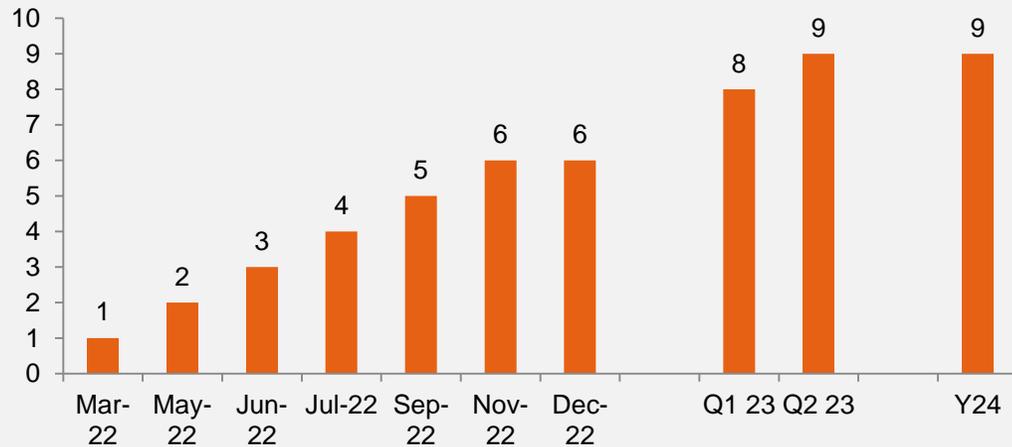


Past performance is no guarantee of future results and is not constant over time

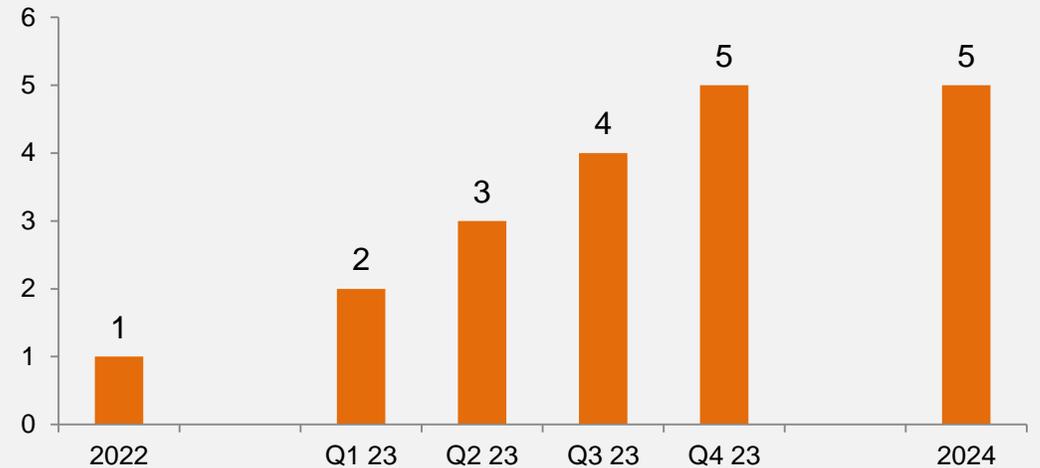
Sources: Bloomberg, Federal Reserve Bank of San Francisco, Candriam Multi-Asset Strategy

# Market expectations on central bank rate hikes (before March FOMC)

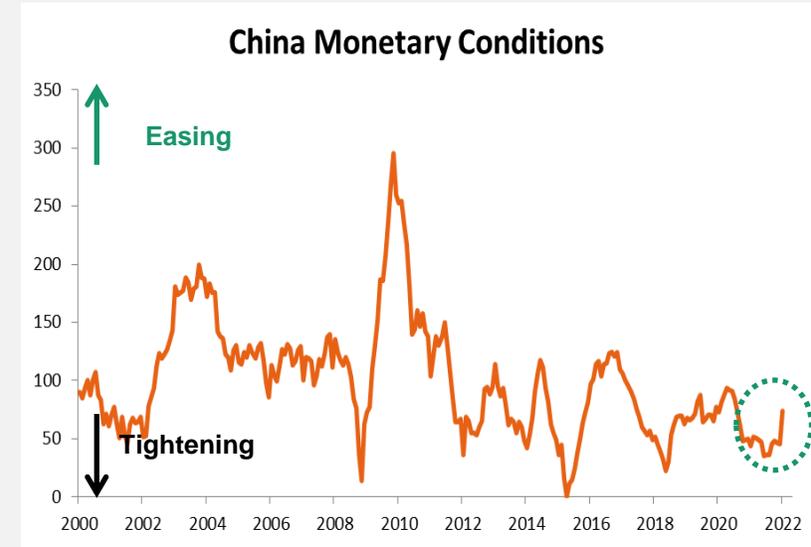
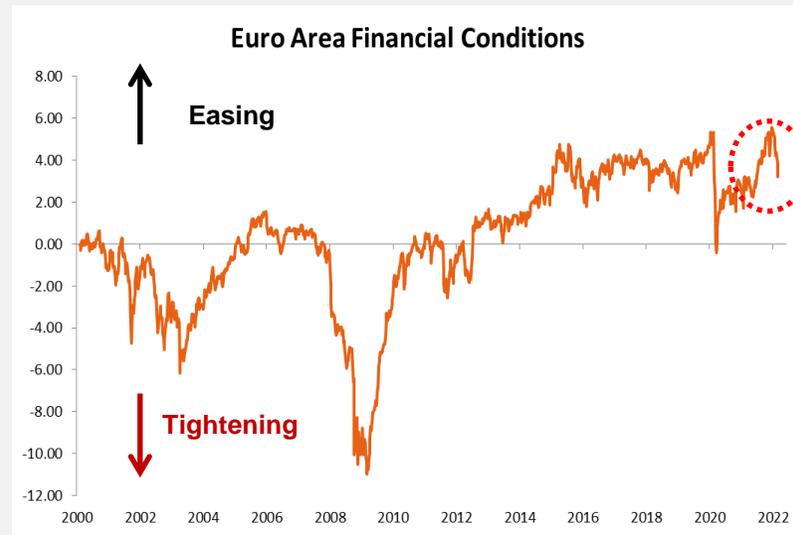
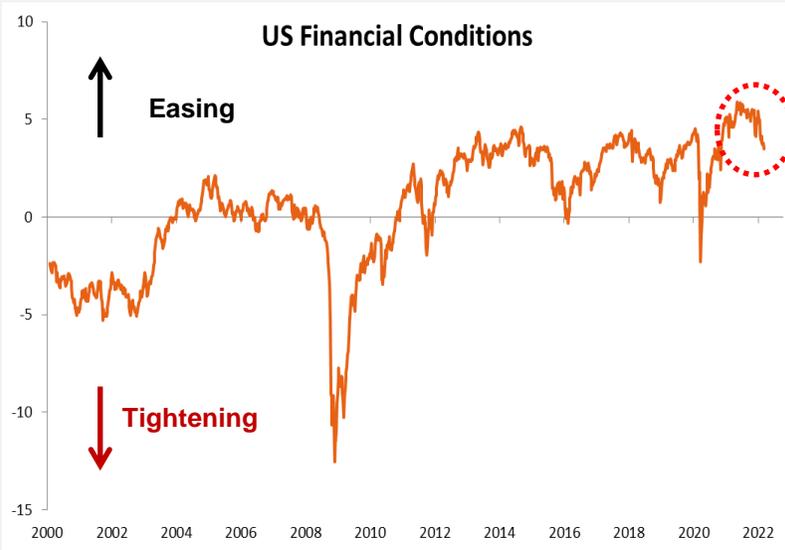
**Fed Funds expectations**  
Number and timing of rate hikes (25 bp)



**European Central Bank rate expectations**  
Number and timing of rate hikes (25 bp)



# The tightening of financial conditions is the main transmission channel

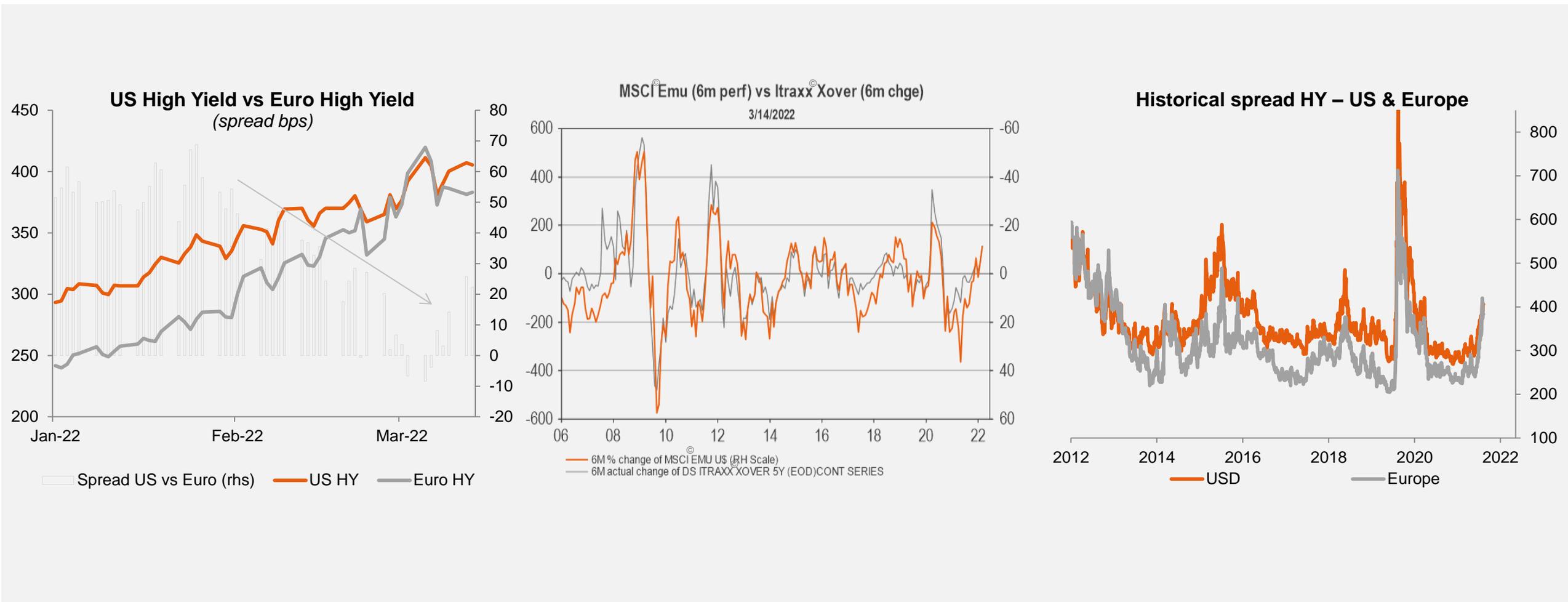


Sources: Bloomberg, Candriam Cross Asset Strategy



**What is priced in for now?**

# Credit markets have priced higher risks and more specifically in Europe

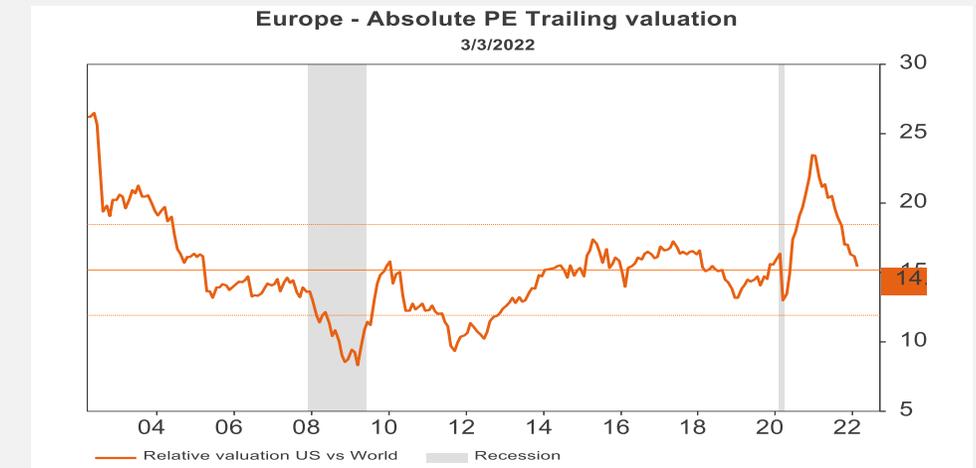
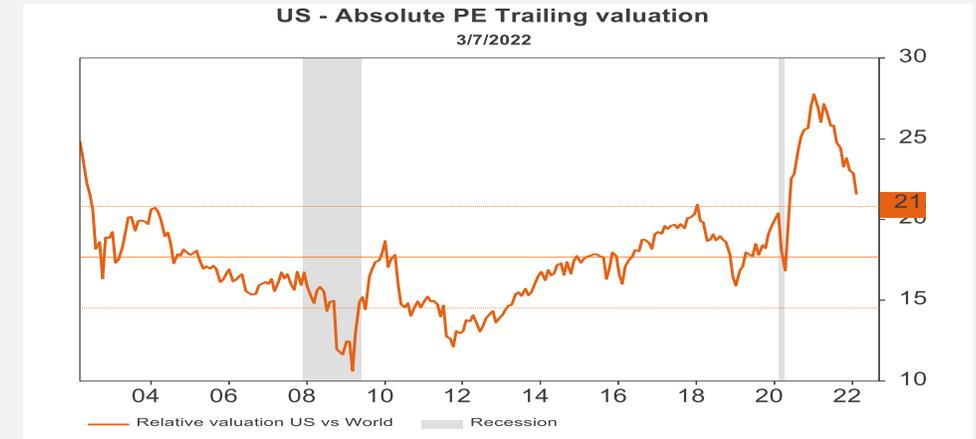
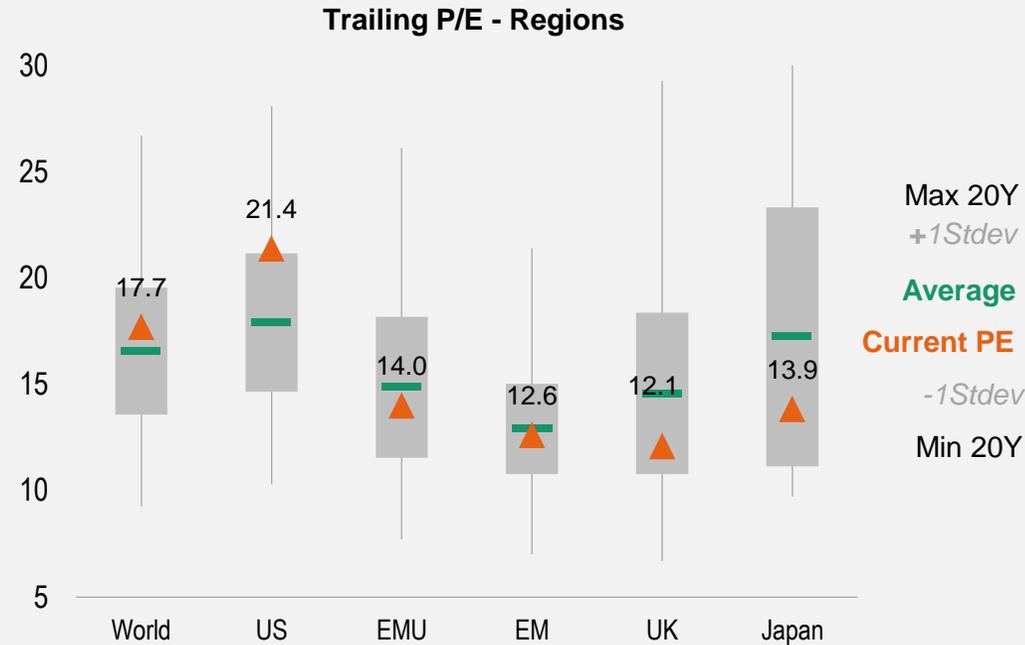


Sources: Datastream, Bloomberg Candriam Multi-Asset Strategy

© All rights reserved Past performance is no guarantee of future results and is not constant over time

The outlooks presented in this document reflect the opinion of CANDRIAM at the date of the present document and are likely to change without prior notice  
Marketing document intended exclusively for Professional and Qualified Investors. All charts are for illustrative purposes only and may not be accurate visual representations. Values may be rounded for convenience

# World ex-US equity valuation not at recession level but well below average

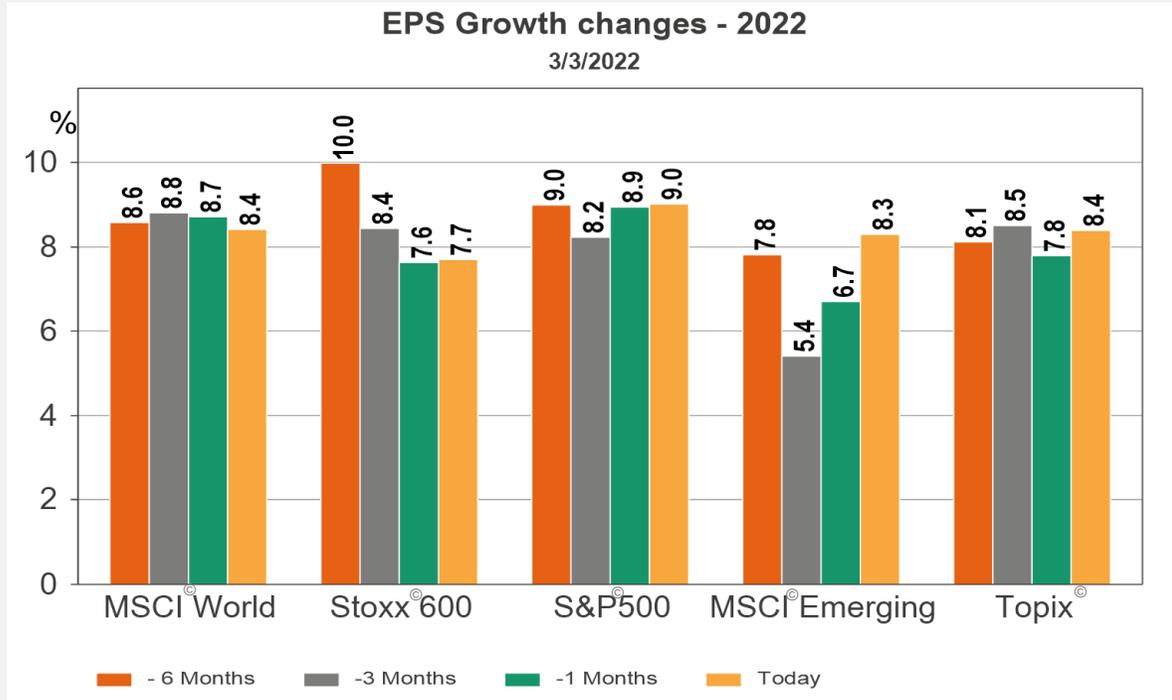


Sources: Datastream, Bloomberg Candriam Multi-Asset Strategy

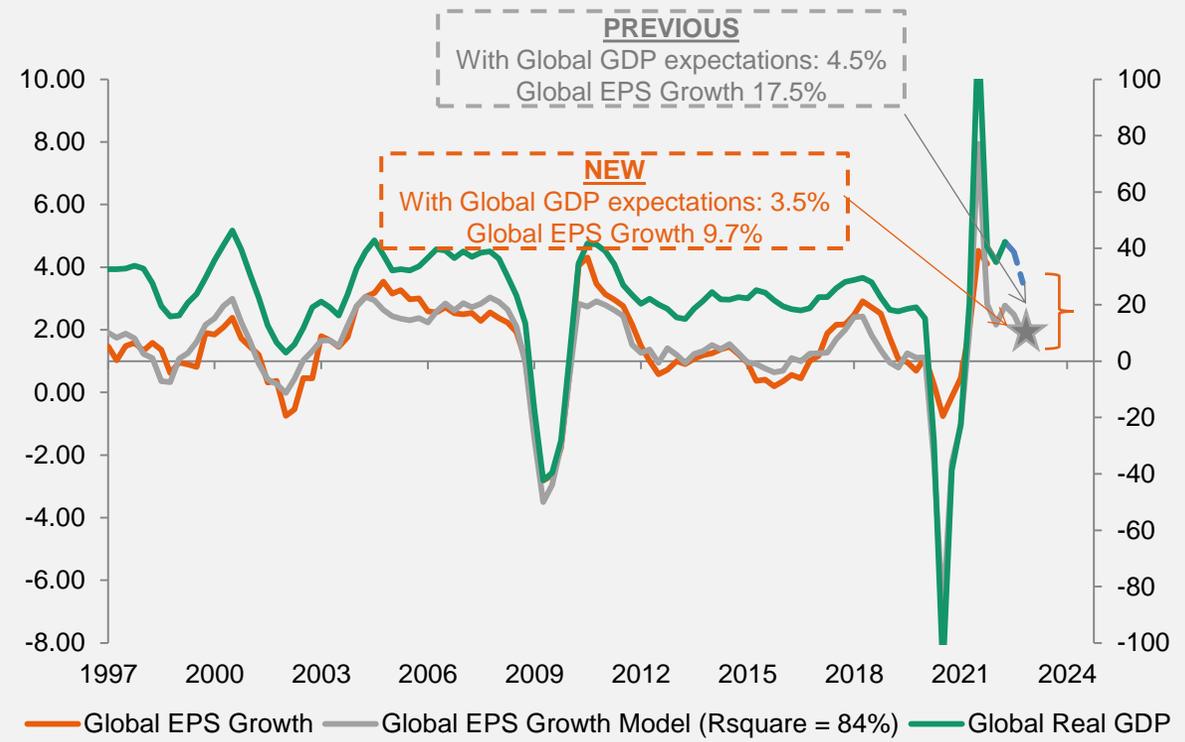
© All rights reserved

# Some cushion in current EPS growth expectations

EPS revisions are rather limited over the last weeks



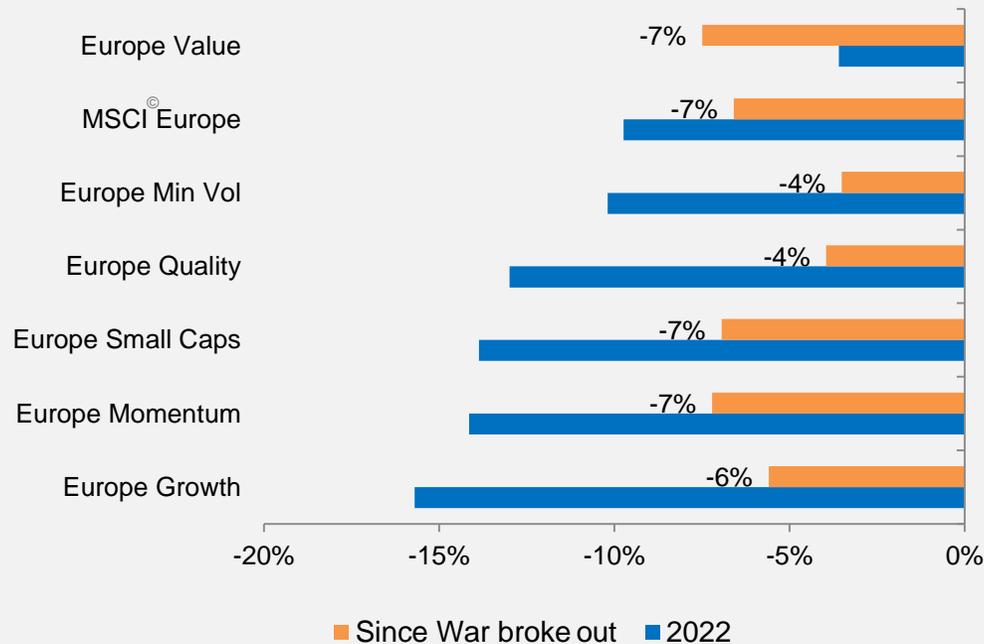
Negative global GDP growth revisions are aligning EPS growth projections with expectations



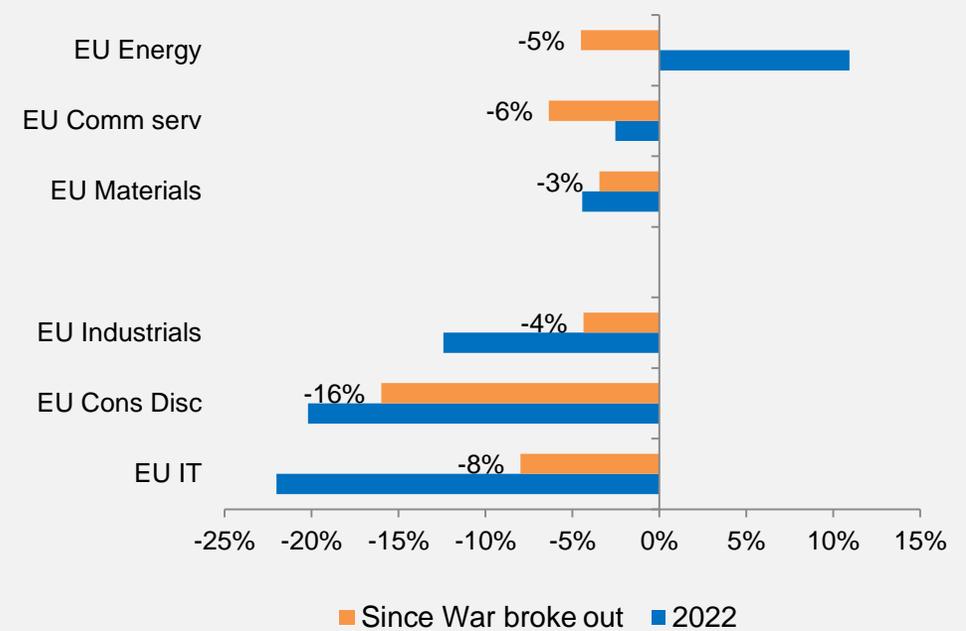
Sources: Datastream, Bloomberg Candriam Multi-Asset Strategy

# What has suffered most in Europe since the war broke out?

European Style Performances



European Sector Performances  
Top 3 / Bottom 3 in 2022

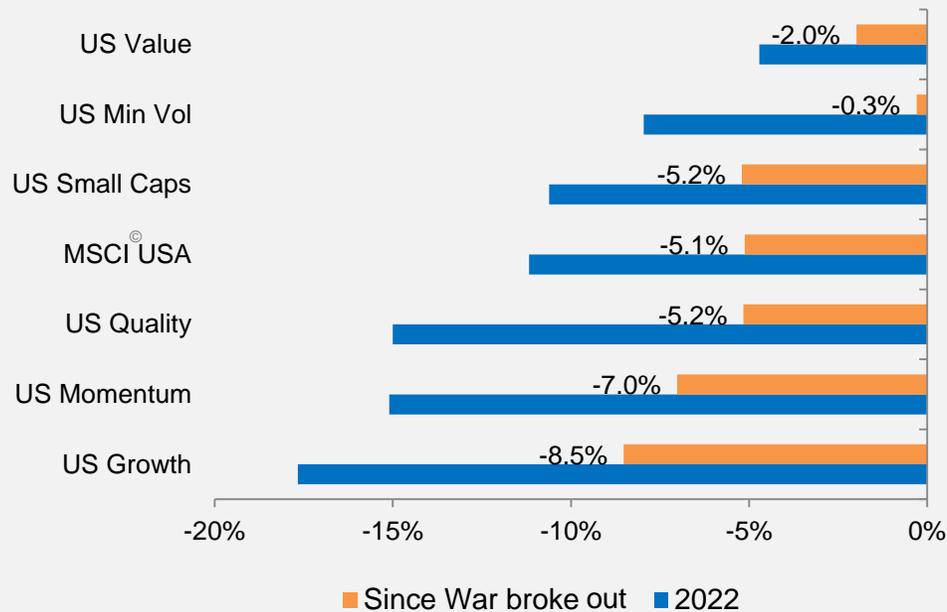


Sources: Datastream, Bloomberg Candriam Multi-Asset Strategy, Data as of 14/03/2022

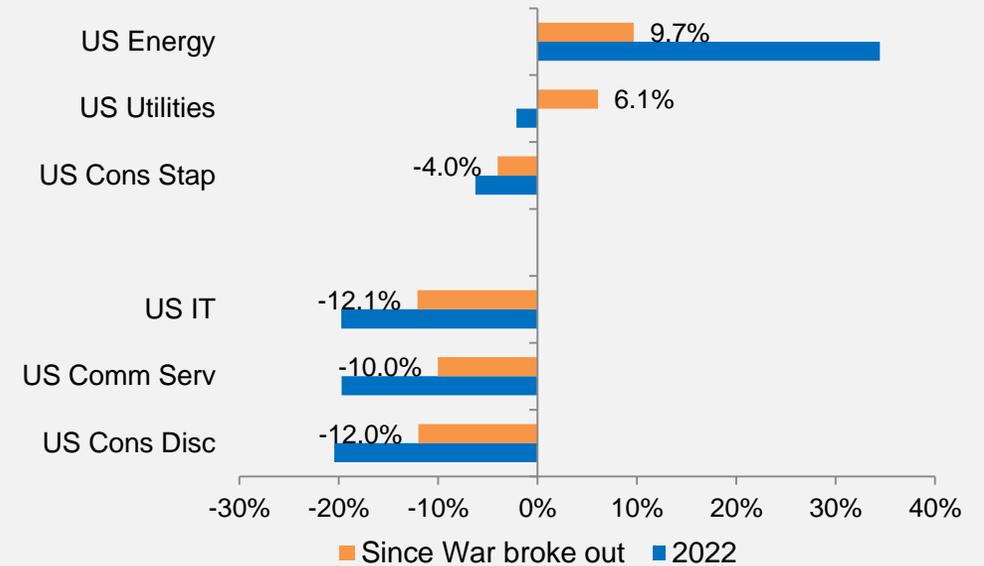
© All rights reserved Past performance is no guarantee of future results and is not constant over time

# The reaction of the US market is quite different

US Style Performances



US Sector Performances  
Top 3 / Bottom 3 - 2022



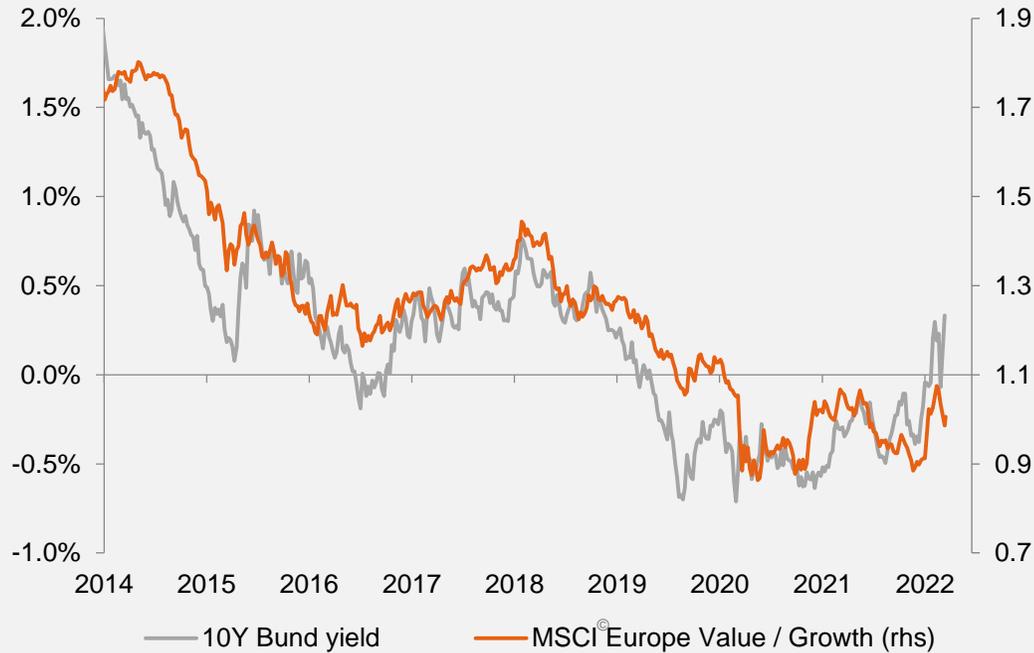
Sources: Datastream, Bloomberg Candriam Multi-Asset Strategy, Data as of 14/03/2022

© All rights reserved Past performance is no guarantee of future results and is not constant over time

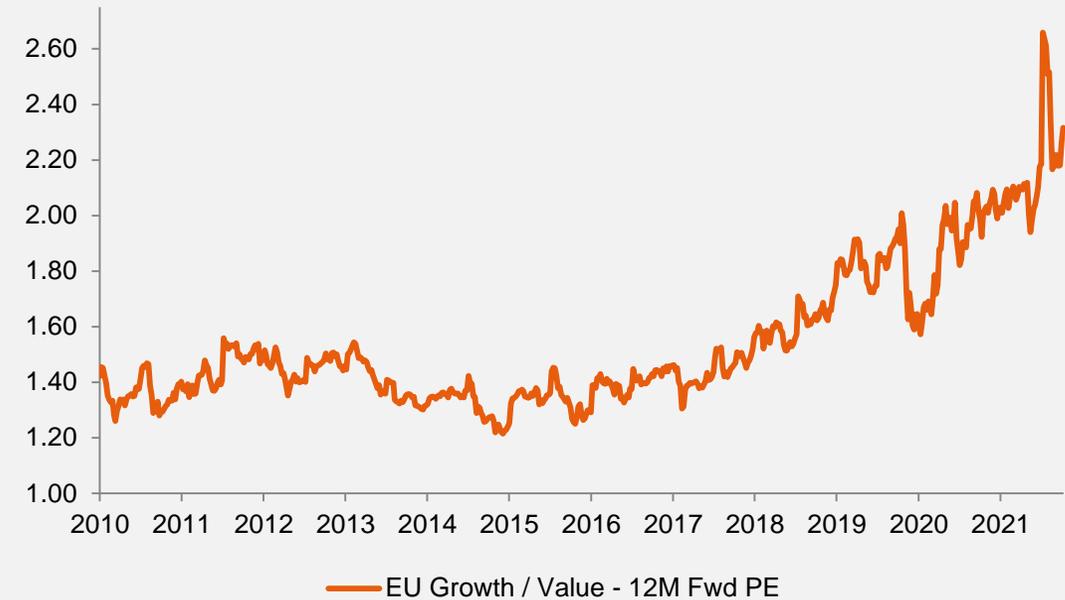
The outlooks presented in this document reflect the opinion of CANDRIAM at the date of the present document and are likely to change without prior notice  
Marketing document intended exclusively for Professional and Qualified Investors. All charts are for illustrative purposes only and may not be accurate visual representations. Values may be rounded for convenience

# The Rotation will likely continue if economic damages are limited

Value / Growth Vs. Bond yields



Growth / Value Valuation



Sources: Datastream, Bloomberg Candriam Multi-Asset Strategy

© All rights reserved Past performance is no guarantee of future results and is not constant over time

The outlooks presented in this document reflect the opinion of CANDRIAM at the date of the present document and are likely to change without prior notice  
 Marketing document intended exclusively for Professional and Qualified Investors. All charts are for illustrative purposes only and may not be accurate visual representations. Values may be rounded for convenience

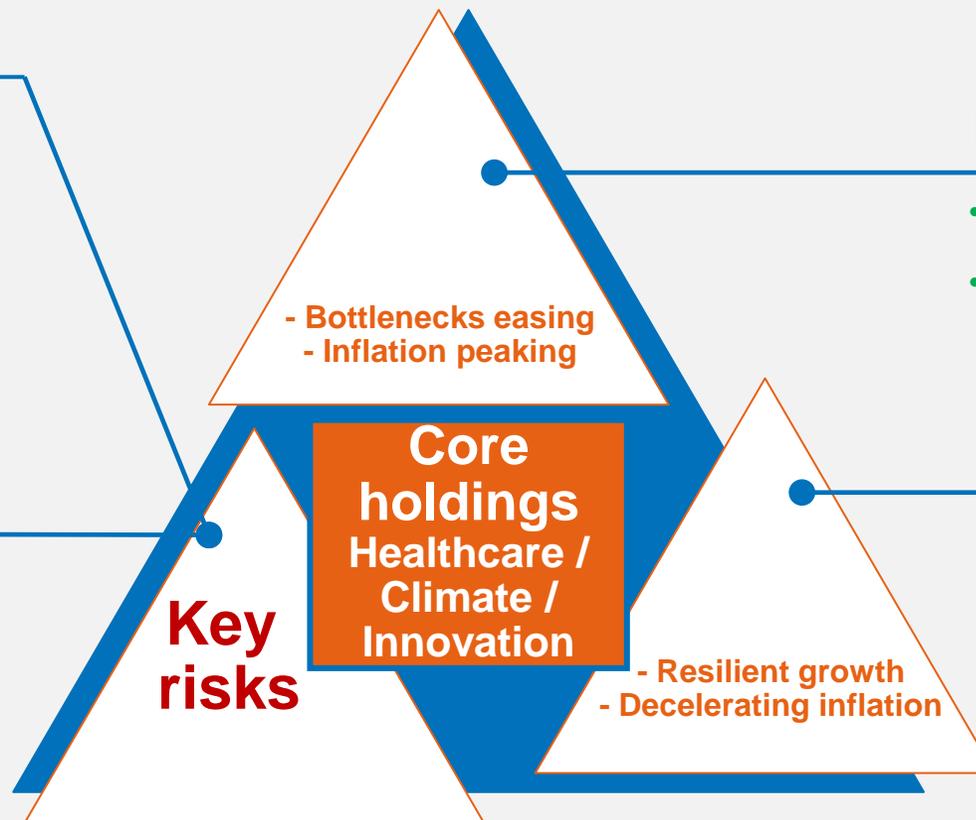
# Shifts in economic and inflationary regimes & the need for a dynamic equity allocation

## Stagflation?

- Buy High Quality / Low Risk
- Add Health Care / Energy
- Sell: Financials

## Slowdown?

- Buy Growth / High Quality / Low Risk
- Add Tech / Health Care / Staples / Utilities
- Sell Value



## Reflationary boom

- Buy Value / Low quality / High Risk
- Buy Financials / Materials / Energy

## Goldilocks

- Buy Low Quality / High Risk
- Keep Financials, Materials
- Add Tech
- Trim Value

\* Exane, 2021, "The Stagflation playbook", based on events compiled since 1950.  
Sources: Candriam Multi-Asset Strategy, Exane

# Key messages



## Markets driven by Geopolitic and surprises on growth AND inflation

Leading to rotations in styles / sectors / regions and arguing for a more balanced approach

Preference for Equities vs Bonds



## Rising yields / bonds volatility Keeping a short duration

Should impact currencies and equities, but in a lesser extent.



## Healthcare / Climate / Innovation

Thematics benefiting from longer term prospects  
Higher Capex / Energy shift

Core portfolio vs. Tactical Opportunities



## Value / exposure to Commodity and Energy stocks

should benefit from inflation surprises & geopolitical risks



## Alternative strategies

Benefit from rising volatility, ability to add return with some decorrelation

Hedging & decorrelation



## Real Assets

Hedge against negative yields & stagflation risk

Source: Candriam Multi-Asset Strategy

The outlooks presented in this document reflect the opinion of CANDRIAM at the date of the present document and are likely to change without prior notice  
Marketing document intended exclusively for Professional and Qualified Investors. All charts are for illustrative purposes only and may not be accurate visual representations. Values may be rounded for convenience

"This marketing communication is provided for information purposes only, it does not constitute an offer to buy or sell financial instruments, nor does it represent an investment recommendation or confirm any kind of transaction, except where expressly agreed. Although Candriam selects carefully the data and sources within this document, errors or omissions cannot be excluded a priori. Candriam cannot be held liable for any direct or indirect losses as a result of the use of this document. The intellectual property rights of Candriam must be respected at all times, contents of this document may not be reproduced without prior written approval.

Warning: Past performance of a given financial instrument or index or an investment service or strategy, or simulations of past performance, or forecasts of future performance does not predict future returns. Gross performances may be impacted by commissions, fees and other expenses. Performances expressed in a currency other than that of the investor's country of residence are subject to exchange rate fluctuations, with a negative or positive impact on gains. If the present document refers to a specific tax treatment, such information depends on the individual situation of each investor and may change. In respect to money market funds, please be aware that an investment in a fund is different from an investment in deposits and that the investment's principal is capable of fluctuation. The fund does not rely on external support for guaranteeing its liquidity or stabilizing its NAV per unit or share. The risk of loss of the principal is borne by the investor. Candriam consistently recommends investors to consult via our website [www.candriam.com](http://www.candriam.com) the key information document, prospectus, and all other relevant information prior to investing in one of our funds, including the net asset value ("NAV") of the funds. Investor rights and complaints procedure, are accessible on Candriam's dedicated regulatory webpages <https://www.candriam.com/en/professional/legal-and-disclaimer-candriam/regulatory-information/>. This information is available either in English or in local languages for each country where the fund's marketing is approved. This is a marketing communication.

Please refer to the prospectus of the fund and to the key information document before making any final investment decision. According to the applicable laws and regulations, Candriam may decide to terminate the arrangements made for the marketing of a relevant fund at any time. Information on sustainability-related aspects: the information on sustainability-related aspects contained in this communication are available on Candriam webpage <https://www.candriam.com/en/professional/market-insights/sfdr/>. The decision to invest in the promoted product should take into account all the characteristics or objectives of the promoted product as described in its prospectus, or in the information documents which are to be disclosed to investors in accordance with the applicable law.

Notice to investors in Switzerland: The information provided herein does not constitute an offer of financial instruments in Switzerland pursuant to the Swiss Financial Services Act ("FinSA") and its implementing ordinance. This is solely an advertisement pursuant to FinSA and its implementing ordinance for financial instruments. Swiss representative: CACEIS (Switzerland) SA, Route de Signy 35, CH-1260 Nyon. The legal documents as well as the latest annual and semi-annual financial reports, if any, of the investment funds may be obtained free of charge from the Swiss representative. Swiss paying agent: CACEIS Bank, Paris, succursale de Nyon/Suisse, Route de Signy, 35, CH-1260 Nyon. Place of performance: Route de Signy 35, CH-1260 Nyon. Place of jurisdiction: Route de Signy 35, CH-1260 Nyon. Specific information for investors in France: the appointed representative and paying agent in France is CACEIS Bank, Luxembourg Branch, sis 1-3, place Valhubert, 75013 Paris, France. The prospectus, the key investor information, the articles of association or as applicable the management rules as well as the annual and semi-annual reports, each in paper form, are made available free of charge at the representative and paying agent in France. Specific information for investors in Spain: Candriam Luxembourg Sucursal en España has its registered office at C/ Pedro Teixeira, 8, Edif. Iberia Mart I, planta 4, 28020 Madrid and is registered with the Comisión Nacional del Mercado de Valores (CNMV) as an European Economic Area management company with a branch. "



CLIENT RELATION  
OFFICES

---

- AMSTERDAM
- DUBAI
- FRANKFURT
- GENEVA
- ZURICH
- MADRID
- MILAN
- NEW YORK

MANAGEMENT  
CENTERS

---

- LUXEMBOURG
- BRUSSELS
- PARIS
- LONDON