MyStratWeekly
Market views and strategy

Ostrum ASSET MANAGEMENT

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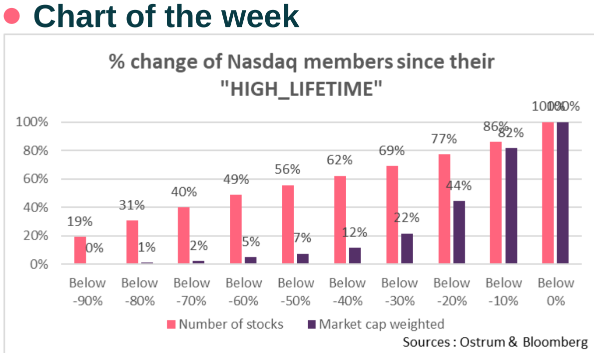
Topic of the week: China 2022: in the “eyes of the Tiger”

- **The “common prosperity” had the immediate effect of a slowdown in activity and distortions in Chinese financial markets in 2021;**
- **The priority for 2022 is sta-bi-li-ty, which should result in pro-growth economic policies and less aggressive regulatory actions except for the real estate sector;**
- **Chinese financial markets should be less volatile in 2022, but real estate risk should continue to weigh on investor sentiment;**
- **The main challenge for China is demographic as it threatens the country's status as a world power;**
- **China is counting on the integration of its rural population in order to expand its middle class and increase its labor productivity.**

Market review: Fed signals ‘game over’

- **Powell signals March hike, QT coming soon;**
- **Extreme volatility in equity markets;**
- **US yields trading wildly amid curve flattening;**
- **High yield under significant widening pressure.**

Chart of the week



More than half of the Nasdaq values, 56% to be precise, have lost 50% or more from their historical highs. However, these values account for only 7% of the market capitalization of the index.

This explains why, despite the very marked correction for a large majority of values, the index held up fairly well in comparison. It remains carried at arm’s length by the few “mega-caps” that have resisted much better.

Nevertheless, the correction of excesses is ongoing and the dispersion of performance is very marked.

Figure of the week

6.2%

Source : Ostrum AM

The current drawdown (drawdown = loss from the previous high) of a Bund portfolio with a 7 to 10-year maturity.
Third worst since Euro launch in 1999.

Stéphane Déo
Head of markets strategy
stephane.deo@ostrum.com

Axel Botte
Global strategist
axel.botte@ostrum.com

Zouhoure Bousbih
Emerging countries strategist
zouhoure.bousbih@ostrum.com

Aline Goupil- Raguénès
Developed countries strategist
aline.goupil-raguenes@ostrum.com

Topic of the week

China 2022 : in the "eyes of Tiger"

Aggressive regulatory actions, introduced in 2021 as part of "common prosperity," led to a slowdown in activity. This poses a dilemma for Xi Jinping, who is about to run for a third term as head of the country. Economic policies have become pro-growth, to prevent the real estate crisis from turning into an economic and financial crisis. However, the major challenge for China is the demographic trap.

2021: a year of agressive policies

China regulates new economic sectors

Regulatory actions undertaken by Chinese regulators aim to rectify a lack or lack of regulation in new industries and sectors. Financial risks were beginning to emerge, but the Covid-19 pandemic had delayed the implementation of new regulations. The Chinese authorities therefore took advantage of the economic upturn in the first half of 2021 to initiate these actions.

Thus, the first sector to be hit hard by these actions was the fintech sector. In November 2020, the Chinese stock regulator cancelled the IPO of Ant Group, the online payment giant, for an unprecedented $34 billion! The development of financial services outside the banking sector is preoccupying the Chinese authorities who fear losing control. Companies that finance themselves online must be better supervised, in order to avoid a financial risk that would threaten the stability of the country's banking-financial and social system.

Throughout 2021, unprecedented regulatory actions were taken against the sector. Hundreds of companies were fined over $3 billion and applications were removed from stores. This was followed by a series of antitrust rules and guidelines applied to e-commerce platforms, social media providers and live streaming services. The regulation framework for the Internet will therefore change, since digitalisation is also at the heart of China's economic development strategy.

However, behind this regulatory repression against the technology sector is a paradigm shift in Chinese economic policy: that of "common prosperity".

"The common prosperity"

The aim of these regulatory actions is also to break down monopolies.

"Being Rich Together" is now the new priority of the Chinese Communist Party which puts an end to "moderate prosperity", the goal of former supreme leader Deng Xiaoping, achieved thanks to market reforms, to the opening up of the Chinese economy, partial reforms implemented over the past forty years.Chinese growth must now be more social and egalitarian. To this end, other regulatory actions have also been carried out in the areas of education (private education), online gambling and real estate.

Soaring prices pushed young Chinese families out of the big cities. Real estate prices are 13.4 times higher than the average annual income in the top 50 Chinese cities. For Beijing, this rate is 36.6 times higher! By comparison, these multiples are in the order of 5 in the United States. The real estate sector consumes a lot of capital, as well as raw materials, and thus widens income inequality by increasing the cost of living.

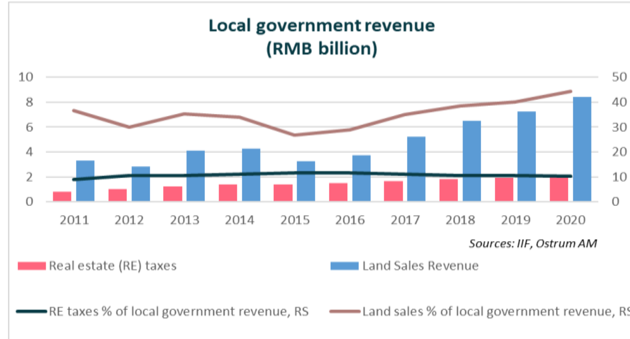
The economic slowdown poses dilemma for Xi Jinping

All these measures to fight income inequality are part of a long-term strategy that aims to make China's growth more balanced and sustainable. However, they create strong distortions on Chinese activity and financial markets, posing a dilemma for Xi Jinping, who is about to run for a third term as head of the country.

The immediat effect of "common prosperity": the economic downturn

The immediate impact of the "common prosperity" objective was a slowdown in Chinese activity over the second half of 2021, exacerbated by the resurgence of a new virus, the slowdown in the housing market and the energy crisis.

Thus, over the last quarter of 2021, GDP growth was 4% year-on-year, compared to 8.1% over the year.



Chinese growth in 2021 thus exceeded the 8% target set by the authorities. However, this figure reflects a catch-up effect compared to 2020 when GDP growth was only 2.3%, penalized by the pandemic. In its January 2022 economic outlook, the International Monetary Fund downgraded its growth forecast for the Chinese economy to 4.8%, or -0.8 ppt from its October 2021 forecast. This is partly due to the slowdown in the real estate sector, as well as the zero tolerance policy for Covid-19, which penalizes household consumption.

The Chinese economy will therefore have to face many challenges in 2022, in particular managing its real estate crisis, so that it does not turn into an economic and financial crisis.

Property market: the main risk for China's growth in 2022

Property market , which has been one of the main drivers of Chinese growth, now poses a risk to the outlook. Regulation actions on the sector are not new. Since 2016, China has tightened its housing policy, because "homes are made for living, not for speculation."
The Chinese property crisis is impacting residential real estate. Its share of China's GDP has doubled over the past 20 years to 14.5% of GDP. It is also the sector most connected to the Chinese economy, as many other sectors are linked to it (steel, cement and furniture supplies). Real estate is also an important source of work, accounting for 20% of jobs in China. This is also 1/3 of Chinese investments.

The slowdown in the sector is mainly a risk to local governments. Real estate accounts for more than half of their income, as shown in the chart below.

Land sales account for 44.3% of their revenues and property taxes 10.4%. These revenues are essential to fund local services, such as health care, education, police, infrastructure, smartening up of the city, and more.

The Minister of Finance made it clear that the collection and use of property taxes will be done by local governments. However, the central government will decide on pilot zones for the implementation of the "property tax reform". The aim of this reform is to create an alternative source of revenue for local governments, in order to reduce their dependence on revenues from the sale of land and to compensate for the resulting loss of revenue.

Regulatory actions targeting the sector are expected to continue in 2022. However, the real estate risk on the Chinese economy seems contained. Indeed, the rate of urbanization is 64.7% in 2021, which is low compared to other advanced countries where this rate is above 80%. Urbanization is expected to continue, as 35.3% of the Chinese population remains rural. Urbanization would allow China to create a broader and more prosperous middle class that would be able to absorb the upcoming tax shock associated with its aging population.

Economic difficulties lead young Chinese to ask themselves the question of a political alternative

The new "common prosperity" paradigm also responds to a different perception of the system by Chinese youth compared to their elders. For the elderly, the Chinese Communist Party is the economic boom that has been accompanied by the improvement of its standard of living and the end of poverty. China has officially lifted nearly 800 million people out of extreme poverty since the introduction of reforms and economic openness forty years ago. For young people, it is censorship, economic stagnation and tax increases. And the young Chinese ask themselves a question: Isn't there an alternative?

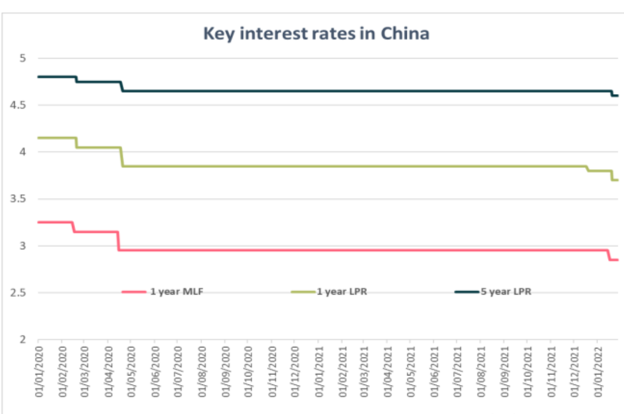
Prority for 2022 is sta-bi-li-ty!

The Chinese authorities have clearly indicated a pro-growth shift in economic policy for 2022. However, given the 5% growth target for 2022, economic stimulus is not expected to be very large. The aim is only to stabilize activity, in order to avoid exacerbating existing macroeconomic imbalances.

A pro-growth shift in economic policies in 2022

Monetary policy had already begun this shift in the second half of 2021. The banks' minimum reserve rate was lowered twice in July and December 2021. The Chinese Central Bank (PBoC) and the regulator have also encouraged banks to grant loans to real estate promoters in order to facilitate mergers and acquisitions in the sector and thus avoid systemic financial risk.

Facing downward pressures on activity at the beginning of the year, the Chinese Central Bank has further relaxed its monetary policy. For the first time since April 2020, the medium-term credit facility rate was lowered by 10 bps to 2.85%. This decision was followed in the same week by the reduction in the key interest rate, the 1-year prime rate at 3.7% versus 3.8% previously, and the 5-year-old at 4.65% versus 4.6%.



However, lowering interest rates is not enough to support credit growth. Indeed, it was weak throughout 2021, reaching 11.5% year-on-year in the fourth quarter. This is largely related to the sharp slowdown in real estate lending, as shown in the chart below.

PBoC should therefore expand its range of tools to better target the real estate sector, as it is difficult to support credit growth in the midst of the real estate crisis.

China's monetary policy is also based on the exchange rate. The aim is to stabilize the yuan exchange rate, particularly vis-à-vis the dollar, in a context of tightening US monetary policy. The yuan is strong. Since its low on May 27, 2020, the yuan has appreciated by 11.5% against the dollar and its basket of currencies (CFETS index). Thus, the minimum reserve rate for foreign currency deposits was raised, in order to curb the appreciation of the yuan. The BOP could allow the yuan to weaken to support Chinese exports. The tighter the Fed gets, the more the BOP will relax its monetary policy, supporting activity.

Fiscal policy should also be accommodative in 2022. Tighter real estate regulations have hurt local government finances. The latter were encouraged to use the funds raised in 2021, thanks to the sale of land and special obligations from local governments to finance infrastructure projects, particularly in the transport and energy sector. This should support investment.

Less aggressive regulatory actions than in 2021, but these will continue in the property sector

Stabilizing activity also means fewer aggressive regulatory actions than those implemented in 2021. However, these actions will continue in the real estate sector, such as the destruction by the property developer Evergrande of 39 buildings in the city of Dhanzhou. The goal is to deleverage the sector, a policy begun in 2018. It is therefore likely that state-supported real estate companies will take control of more financially vulnerable ones, in order to curb systemic risk.

China's main challenge is demographic

Never before has a country been affected by the aging of its population at a stage where its economic development is not sufficiently advanced. This could seriously question China's status and rise as a major world power.

The failure of demographic policy

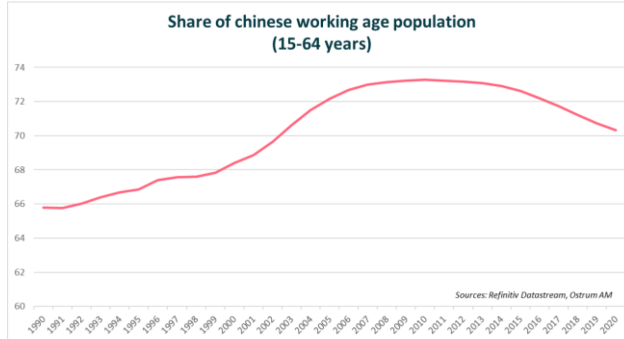
China's population growth stopped in 2021, according to recent national data. It was only 0.03% in 2021, with a population of 1.4126 billion, the slowest growth since the 1960s.

China recorded 10.62 million births in 2021, compared to 12 million the previous year. In 1950, the Chinese population was 551,960 million, or nearly 40% of the current population. Worse, fewer children are born in China today than during the one-child policy implemented in 1979! These recent data confirm the results of the 2020 census, which led the authorities to further relax the birth rate policy by increasing the limit to 3 children. This was in vain, reflecting the failure of China's demographic policy.

There are many obstacles to birth rate in China. The cost of education is high, including university tuition. On the other hand, "one-time" children have grown up and they must both support the financial cost of their child(ren), as well as the financial cost of aging parents receiving low pensions. This also explains the weakness of Chinese consumption in relation to the high saving rate.

Chinese economist Ren Zenping had recently caused an outcry on social media, through urging the Chinese Central Bank to print 2,000 billion yuan (314 billion dollars) to encourage the birth of 50 million babies over the next 10 years! His statements have since been withdrawn…

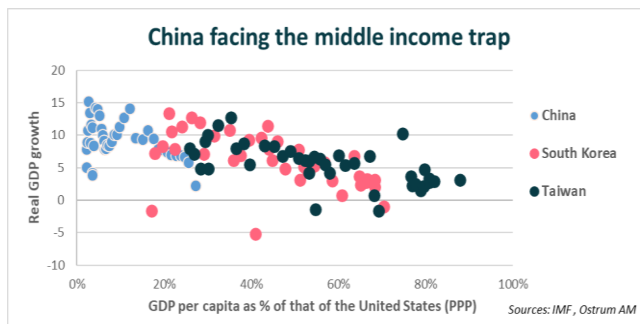
However, the change in population structure is of the greatest concern. The share of the working-age population (excluding migrant workers) continues to decline, which began in 2012, as shown in the graph below.



After peaking in 2010 at 73.2%, the share of the population aged 15-64 declined to 70.3% in 2020. The demographic problems complicate those previously mentioned. An older population means less saving, less investment, less consumption, and therefore less economic growth.

China might be "getting old before getting rich"

China is not alone facing demographic problems, but the pace there is one of the fastest, compounded by its status as a developing economy. "China may be getting old before it is rich", meaning it may fall into the "middle income trap"[1]. The graph below illustrates China's demographic problems.



Compared to South Korea and Taiwan, China has not yet converged as much towards the United States, since its GDP/head represents 27.1% of the US level. South Korea and Taiwan quickly reached high income status, because while China was making its cultural revolution, American engineers were training Taiwanese and South Koreans in the field of new technologies.
Slowing population growth, combined with declining income generation, could make China a less attractive market for investors.

The Chinese government has proposed gradually increasing the retirement age to 65 for men (versus 60) and 60 for women (versus 55). The campaign against income inequality, as part of "common prosperity," has regulated private tutoring to reduce the financial burden on parents. But these measures will probably not be enough to increase

[1] This term generally refers to countries that have experienced rapid growth and thus rapidly reached middle-income economy status, but have failed to move beyond this income range to further catch up with developed countries and reach high-income status. high-income economy. This blockage is also accompanied by a slowdown in growth.

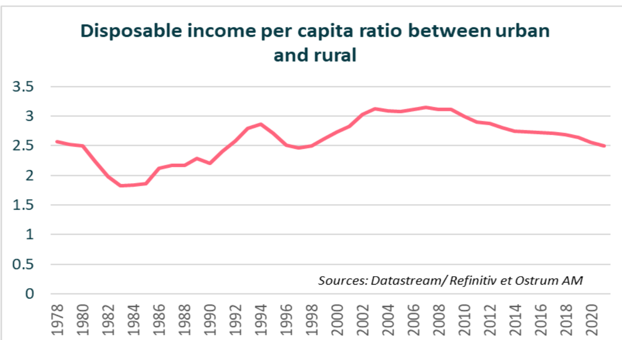
births in China. This is why the authorities are betting on increasing productivity to avoid the demographic trap.

The real challenge for China is education!

In their book "Invisible China," Scott Rozell and Nathalie Hell explore how the large disparity in human capital between rural and urban China is preventing China from moving from a middle-income country to a high-income country.

Urbanization, which has contributed to China's economic development over the past 40 years, has not reduced the income gap between urban and rural, which is still significant.

Thus, the ratio of disposable income per capita of city dwellers to rural dwellers increased between 1978 and 2009, from 2.5 to 3, and then decreased to 2.5 in 2021 (chart below).



This difference in income has an impact on the education of rural youth. For poor families, the cost of school and the temptation to work persist as obstacles to education.

The divide between urban and rural people is also aggravated by the country's internal migration system (Hukou), which links the benefits of migrants to their province of origin. This system still blocks the benefits of urbanization. According to the latest population census, hundreds of millions of people have become urban residents, but 200 million people do not have a local registration, which means they do not qualify for local benefits. This shows the challenge of the authorities to integrate these people, in order to increase labour productivity and avoid falling into the demographic trap.

Markets & Strategy

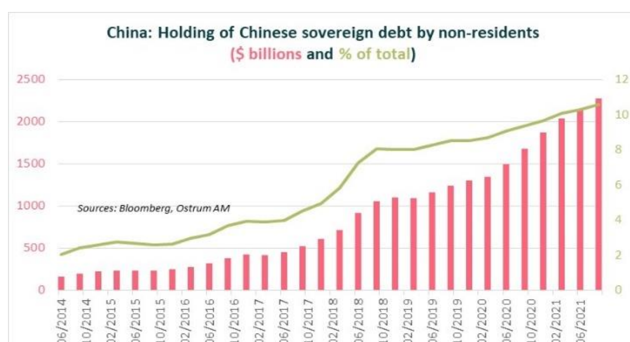
Sta-bi li-ty is the key word for Chinese economy in 2022. What about Chinese financial markets?

Chinese interest rates are expected to be the least volatile in 2022

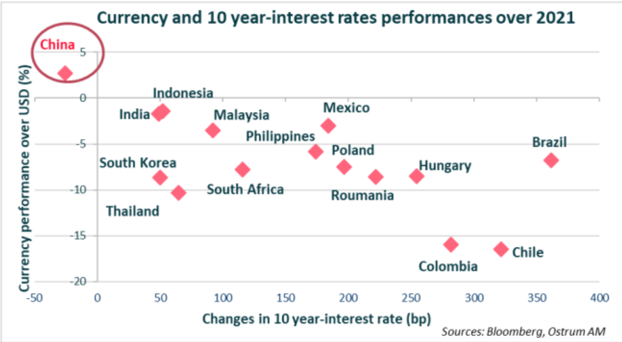
At the beginning of the year, Chinese sovereign bonds were the only ones to have started a rally while the other currency markets suffered a correction, especially in the United States. The consequence is a tightening of the interest rate differential between the US and China. As a result, the 10-year interest rate differential fell below 1% for the first time since May 2019, as shown in the chart below.

The interest rate differential is expected to continue to decline, due to the divergence of monetary policies between China and the US, as can be seen in the chart below which represents investors' expectations through 1-year implicit rates.

We can also note the enthusiasm of international investors for Chinese government bonds. Foreign investors held $2.280 billion in Chinese government bonds in the third quarter of 2021, or 10.6% of the total. This represents a 21% increase over the end of 2020.



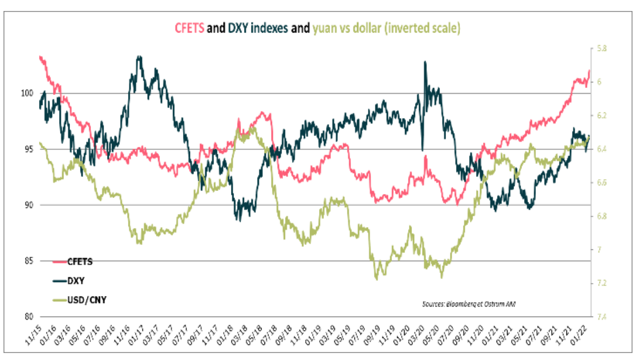
The "safe haven" role of Chinese sovereign bonds, in a context of global monetary tightening, explains their attractiveness. The chart below illustrates the idea by showing the local rate changes and the performance of currencies of several emerging countries against the dollar over 2021.



The yuan and Chinese local rates were the most stable in 2021, despite the sudden change in Chinese economic policy and the rise in US interest rates. The renminbi appreciated by 2.69% against the dollar and the 10-year interest rate rose by 26 bps. Despite its real estate crisis, there were no capital outflows on the Chinese market. Chinese interest rates seem to be isolated from the volatility of other markets, particularly the US, which explains the attractiveness of investors for diversification purposes. The tighter the Fed gets, the more China will relax to support domestic demand.

What about the yuan?

The tightening of the rate differential should, all things considered, penalize the yuan against the US dollar. However, the Chinese currency is the emerging markets currency which has recorded the best performances against the green note since the beginning of the year at more than 3%. The parity of the yuan against the dollar has reached a high since 2018. The yuan has also reached a record high since 2016 compared to its basket of currencies (CFETS index), as shown in the chart below.



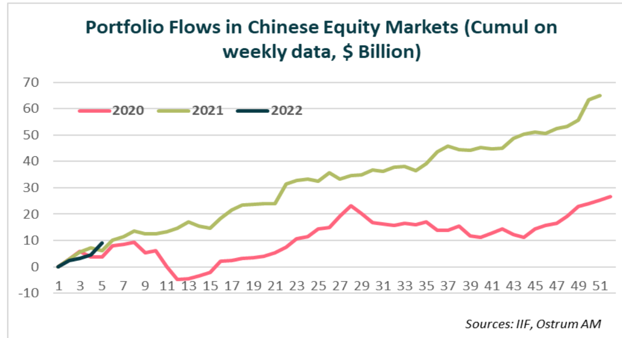
Several factors explain the appreciation of the Chinese currency, despite the strengthening of the dollar:

1/ Positive real rates

This is the main reason for the appreciation of the yuan. The real reference rate (policy rate-inflation rate) in China is positive at 2.85%, compared to the US at -6.75%. Inflation was low in China at 1.5% in December, compared to the 7% acceleration in the US.

2/ Robust flows to equity, fixed income and export markets

We have already mentioned the enthusiasm of international investors for Chinese sovereign bonds. Chinese equity markets also hold a strong attractiveness for investors , despite regulatory actions that have penalized many sectors.



The chart above shows that portfolio flows to China's equity markets nearly doubled in 2021 compared to 2020, reaching $65 billion. Over the first five weeks of 2022. The cumulative portfolio flow is $9 billion. This trend is expected to continue with the recent creation of the Beijing-led SME Exchange to help finance innovation.

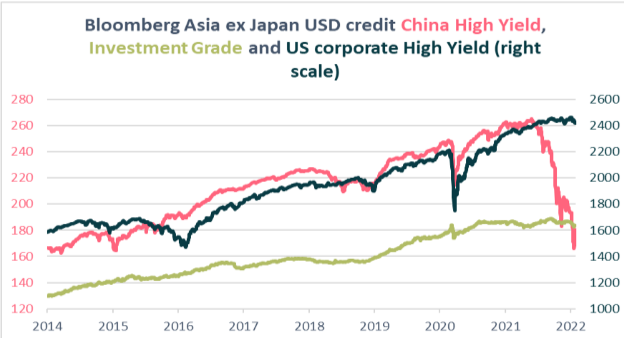
We can also mention the robustness of Chinese exports in 2021. The share of international payments in yuan rose in December 2021 to 2.7% – a record high since 2015 – and surpassed that of the yen! The entry into force, earlier this year, of the Global Regional Economic Partnership, signed in October 2020 with 15 countries around the Pacific, is expected to increase transactions in yuan and promote the internationalization of the Chinese currency.

However, the Chinese government has repeatedly reiterated that it is not comfortable with the appreciation of the yuan against several currencies. The PBoC could allow the Chinese currency to weaken.

Chinese credit market becomes investable

As mentioned in the first part, the deleveraging campaign towards highly indebted property developers is expected to continue in 2022. It's not that negative for the Chinese credit market, because it allows a re-pricing of risk, making the Chinese credit market investable.

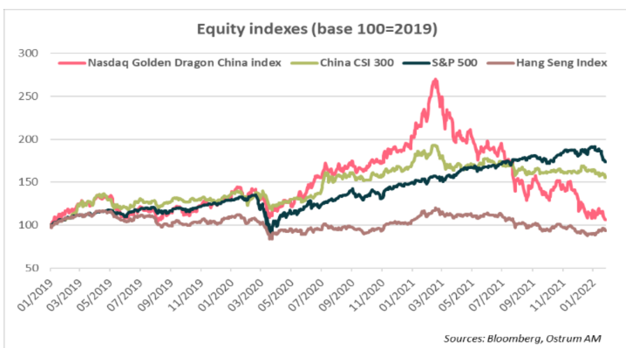
The chart below shows the dramatic drop in the Bloomberg Index for China's dollar "high yield" credit, which has declined by nearly 20% over the past five years. This performance compares to China's "good quality" credit of 3%, as well as US "high yield" credit of 16% (massive Fed support post-pandemic largely explains the performance).



Volatility is expected to remain high in the USD "high yield" segment, even though the Chinese government is encouraging its real estate developers to take control of the most vulnerable private sector in order to avoid systemic risk. In the medium term, the Chinese "high yield" dollar credit market could offer opportunities.

Chinese equity markets: attractive valuations, but expected to remain volatile due to property fears

2021 was a tumultuous year for the offshore stock markets against a backdrop of aggressive regulatory actions, as shown in the chart below. The Nasdaq Golden Dragon China Index, which represents China's US-listed technology equities, has outperformed by almost 180% since early 2019, and then declined by 60% from its February 2020 high.



The positioning of investors and valuations make the Chinese stock markets attractive. In 2021, the Chinese CSI 300 Equity Index, which follows the largest listed equities in China, underperformed the US S&P 500 Equity Index by 31.1% and the European Euro Stoxx Equity Index by 25.6%. However, real estate fears are expected to continue to weigh on Chinese equity markets. Since the beginning of 2022, the CSI 300 index has fallen by 4.3%, while the Hang Seng Index, which is made up of many Chinese technology flagships listed in Hong Kong, has posted a performance of nearly 5%. Chinese equities listed in Hong Kong which very badly performed in 2021 (-14.1%), now appear attractive.

Conclusion

2022 should be a less volatile year, both economically and in the Chinese financial markets. The priority of the Chinese authorities is stability, both economic and financial. To this end, the accommodative nature of economic policies should be strengthened, in order to limit the impact of the real estate slowdown on growth. 2022 is also an important year for Xi Jinping as he prepares to run for a third term as head of the country. China's rapidly aging population is exacerbating current problems, threatening to undermine China's status and rise as a world power. Thus, the authorities should accelerate the integration of the rural population, the "invisible China"», into the economic process, in order to expand its middle class and increase labour productivity so as not to fall into the trap of the middle income". The Chinese tiger will have to jump a wall of obstacles to rise.

Zouhoure Bousbih

Market review

Fed signals 'game over'

Powell insists 'this time is different'

The Fed's decision sparked significant volatility in the markets. The rise in bond yields is accompanied by a sharp appreciation in the US dollar against all currencies, a further flattening of the yield curve, higher equity volatility and wider spreads, in high yield space in particular.

The FOMC statement, arid and succinct compared to December, did not foreshadow the hawkish tone of Jerome Powell's speech during the press conference. Admittedly, the Fed funds remain close to zero and quantitative easing will not end until the beginning of March, but this policy is obviously out of line with an economy that has returned to full employment and whose nominal growth stands at 11.7% over the past year. By most indicators, the US labor market is indeed very tight. This situation exacerbates the supply constraints that emerged when the global economy restarted almost 18 months ago. The Fed has long denied the risk of inflation, banking on its rapid disappearance. It is now at the center of his policy strategy. The withdrawal of monetary stimulus will therefore accelerate. The number and magnitude of future rate hikes is yet to be determined, but central bankers' hunch is clearly restrictive. The gradualism of the past, inconsistent with inflation running above 7%, has been abandoned. Central bankers may have an interest in instilling uncertainty in the monetary sequence in order to restore risk premia. Thus, if a 25bp rise looks like a done deal in March, the probability of a 50bp move is seen at 20% by market participants. The size of the balance sheet is the other monetary lever available to the Fed. The terms of the balance sheet winddown will be discussed at the next two FOMCs before implementation likely from June. While Powell did not seem worried about the flattening of the yield curve given the sound fundamentals of the US banks, the reduction in the balance sheet should however slow, if not reverse, this dynamic. However, asset sales seem to be excluded so that the reduction in the balance sheet will be limited to a fixed amount to be set below the monthly passive amortization of its portfolio. This aspect of the monetary strategy appears much more predictable than the rate trajectory. However, without active sales, MBS holdings will shrink very slowly. The Fed should shed light on this particular aspect of policy later on.

The BoC's monetary policy stance is similar. A first rate increase seems fully priced in in March. The reduction of the BoC's balance sheet will follow quickly thereafter. Inflation is high at 4.8% and the message is clear, a cycle of multiple rate rises is about to begin. In this regard, the high proportion of variable rate mortgages will be worth monitoring, but excessive housing prices leave little room for doubt as concerns the direction of Canadian interest rates.

As regards the current economic situation, the US economy experienced its strongest growth since 1984 in 2021. The US posted annualized growth of 6.9% in the fourth quarter. The rebuilding of inventories added almost 5pp to GDP growth last quarter. Household consumption accelerated despite a limited rebound in spending on durable goods. Despite the virus, consumer demand for services has been strong. Investment in structures remains quite weak, although business investment in equipment and intellectual property is still quite upbeat. The decline in residential investment should be revised up considering the December pickup in new home sales.

On the financial markets, volatility has increased markedly. It is traceable to a combination of international tensions over Ukraine, the extent of the monetary tightening expected from the Fed and a lack of corporate guidance as regards earnings. Companies that benefited from the lockdown measures are now showing a slowdown in growth. Margins are under pressure and capacity utilization is sometimes subpar due to a lack of inputs. US indices showed extreme volatility with 4-5% intraday swings before ending the week on a sharply negative note. The Nasdaq correction (-15% so far in 2022) is very wide so that more than half of the market shows a price decline of 50%. Derivatives activity is intense, especially on equity put options. Furthermore, outflows from US equity funds are partly redeployed into European funds. Flow support and a weaker euro have limited the downside on European stock markets.

In turn, bond yield gyrations are considerable. The T-note moved wildly between 1.70 and 1.90% and curve flattening remains the trend. The long end of the curve is more responsive to equity risk and the geopolitical crisis, while the short end now prices in as much as 5 hikes in Fed fund rates this year. The 2-10 year spread plunged 15bp last week. In the euro area, Bund yields still below the 0% threshold remains less volatile than the T-note yields. Demand for inflation products remains elevated with the success of the 30-year OATei syndication this week. Peripheral spreads surprisingly traded sideways last week as markets wait for the outcome of the Italian Presidential vote. The result of the weekend has triggered a rally on Italian spreads. Greece will exit the surveillance mechanism which will unlock € 1.5 Bn worth of extra funding.

The environment for credit has become more challenging this January. Low primary market activity and ECB support did limit spread widening to 5 bp. In high yield, fund outflows and protection buying on iTraxx Crossover contributed to spread widening (+25 bp). Lastly, high yield fund outflows have been the largest in the US since September 2020.

Axel Botte
Global strategist

Main market indicators

G4 Government Bonds	31-Jan-22	1wk (bp)	1m (bp)	2022 (bp)
EUR Bunds 2y	-0.54%	+12	+8	+8
EUR Bunds 10y	0.02%	+12	+19	+19
EUR Bunds 2s10s	54.7bp	+0	+11	+11
USD Treasuries 2y	1.19%	+22	+46	+46
USD Treasuries 10y	1.79%	+2	+28	+28
USD Treasuries 2s10s	59.6bp	-20	-18	-18
GBP Gilt 10y	1.29%	+17	+32	+32
JPY JGB 10y	0.18%	+4	-9	-7
€ Sovereign Spreads (10y)	**31-Jan-22**	**1wk (bp)**	**1m (bp)**	**2022 (bp)**
France	41.25bp	0	+4	+4
Italy	127.13bp	-12	-8	-8
Spain	72.94bp	0	-1	-1
Inflation Break-evens (10y)	**31-Jan-22**	**1wk (bp)**	**1m (bp)**	**2022 (bp)**
EUR 10y Inflation Swap	2.1%	+14	+0	+0
USD 10y Inflation Swap	2.71%	+3	-6	-6
GBP 10y Inflation Swap	4.35%	+6	+17	+17
EUR Credit Indices	**31-Jan-22**	**1wk (bp)**	**1m (bp)**	**2022 (bp)**
EUR Corporate Credit OAS	106bp	+6	+10	+11
EUR Agencies OAS	52bp	+3	+3	+3
EUR Securitized - Covered OAS	50bp	+3	+3	+4
EUR Pan-European High Yield OAS	353bp	+25	+33	+35
EUR/USD CDS Indices 5y	**31-Jan-22**	**1wk (bp)**	**1m (bp)**	**2022 (bp)**
iTraxx IG	59bp	+2	+11	+11
iTraxx Crossover	287bp	+10	+45	+45
CDX IG	61bp	+1	+12	+12
CDX High Yield	345bp	+8	+53	+53
Emerging Markets	**31-Jan-22**	**1wk (bp)**	**1m (bp)**	**2022 (bp)**
JPM EMBI Global Div. Spread	389bp	+2	+16	+20
Currencies	**31-Jan-22**	**1wk (%)**	**1m (%)**	**2022 (%)**
EUR/USD	$1.121	-1.033	-1.416	-1.4
GBP/USD	$1.345	-0.260	-0.584	-0.6
USD/JPY	JPY 115	-1.179	-0.200	-0.2
Commodity Futures	**31-Jan-22**	**-1wk ($)**	**-1m ($)**	**2022 (%)**
Crude Brent	$91.0	$4.7	$13.2	16.93
Gold	$1 795.6	-$47.5	-$33.6	-1.84
Equity Market Indices	**31-Jan-22**	**-1wk (%)**	**-1m (%)**	**2022 (%)**
S&P 500	4 471	1.38	-6.20	-6.2
EuroStoxx 50	4 179	3.08	-2.77	-2.8
CAC 40	7 004	3.18	-2.09	-2.1
Nikkei 225	27 002	-2.13	-6.22	-6.2
Shanghai Composite	3 361	-4.57	-7.65	-7.6
VIX - Implied Volatility Index	26.83	-10.27	55.81	55.8

Source: Bloomberg, Ostrum AM

Additional notes

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