MyStratWeekly
Market views and strategy

Ostrum ASSET MANAGEMENT

This document is intended for professional clients in accordance with MIFID
N° 100 // **February 13, 2023**

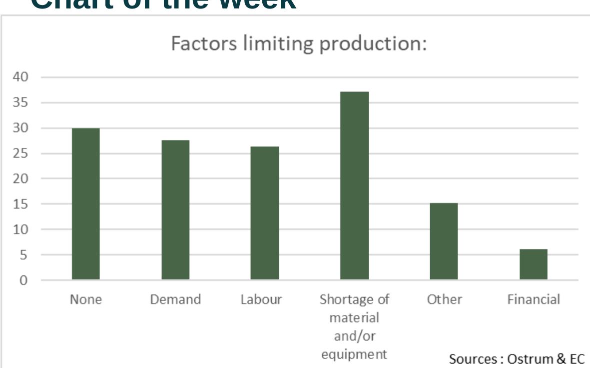
Topic of the week: Overheating?

- **It is now extremely unlikely that Europe will experience two negative quarters, fears of a difficult winter due to the energy crisis are no longer justified;**
- **On the other hand, the very ambitious fiscal stimulus has pushed activity above its potential on both sides of the Atlantic. Paradoxically, the risks of overheating are increasing;**
- **The risk could be that central banks would be forced to do even more and there would be a recession at the end of the year;**
- **Markets were overly pessimistic a few months ago, being almost certain of a recession that never happened. Are they now too complacent, when the second half of the year could prove difficult?**

Market review: Disinflation or disillusion?

- **Powell takes note of job market strength**;
- **T-note yields rebounds to 3.70% area, profit taking in equities;**
- **BoJ: Kazuo Ueda nominated as next governor after Kuroda;**
- **Stability in spreads despite protection buying on iTraxx Crossover**

Chart of the week



Sources : Ostrum & EC

The European Commission's latest quarterly industry survey shows signs of supply problems.

Only 30% of businesses say there are no production-limiting factors. That's one of the lowest in history.

26% who have problems recruiting, one of the highest historical and far above previous cyclical peaks.

37% who still have problems with supply chains, this is the main problem. We had never exceeded 15% before 2020! This is on a totally unusual level, even though it has fallen a bit since the peak of last quarter.

Figure of the week

0.9

Source : Ostrum AM

The European Commission expects growth of 0.9% in the Eurozone this year, without a single quarter of negative growth. That's plausible, although it sounds a tad optimistic.

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

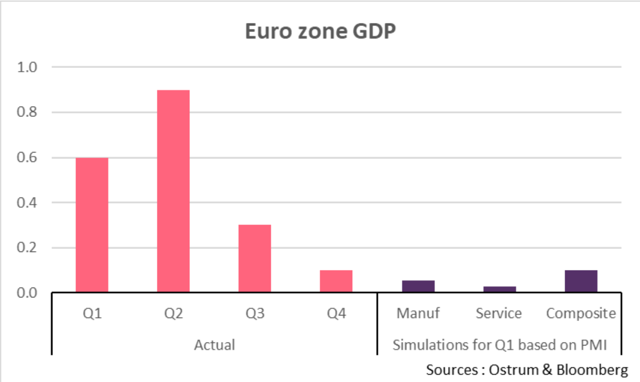
Topic of the week

Overheating?

The recession is dead, long live the recession. It is now extremely unlikely that Europe will experience two negative quarters, fears of a difficult winter due to the energy crisis are no longer justified. On the other hand, the very ambitious fiscal stimulus pushed activity above its potential on both sides of the Atlantic. The risk, then, becomes that of an overheating economy… and a recession later in the year.

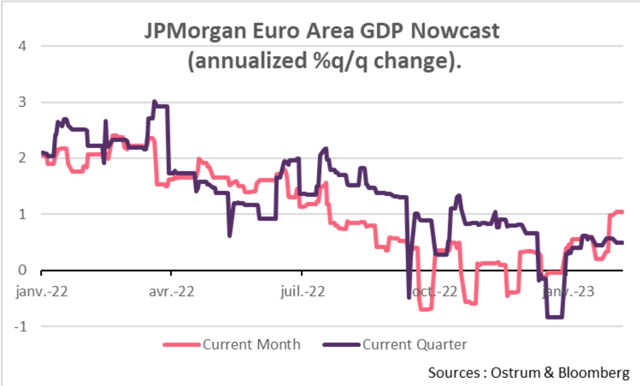
Recession avoided

Preliminary figures for the fourth quarter show a 0.1% increase in the euro area GDP. The surveys available, in particular the PMIs, suggest that growth over the first quarter of this year will be in all probability positive, albeit anemic, as detailed in the chart below.



Similarly, the "nowcast" that takes into account high frequency data to estimate real-time GDP tends to recover very slowly and confirms that Q1 growth could be marginally better than Q4.

This is due to ambitious budget increases but also to the agility of the economy which was able to find substitutes and cushion the energy crisis.

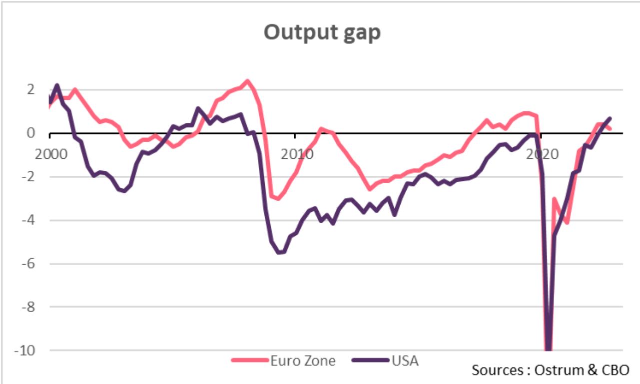


There are two important consequences to these figures:

- On the one hand, the consensus of economists is also rising. For the time being, expectations for the euro area in 2023 have clawed back up from -0.1% at the beginning of the year to +0.1%. They should continue to rise by a few decimals.
- On the other hand, and probably more importantly for risky assets, the probability of the alternative disaster scenario is collapsing. All economists converge on the same view. This has major implications in terms of risk premium, which must therefore decrease with uncertainty, and explains the good performance of risky assets.

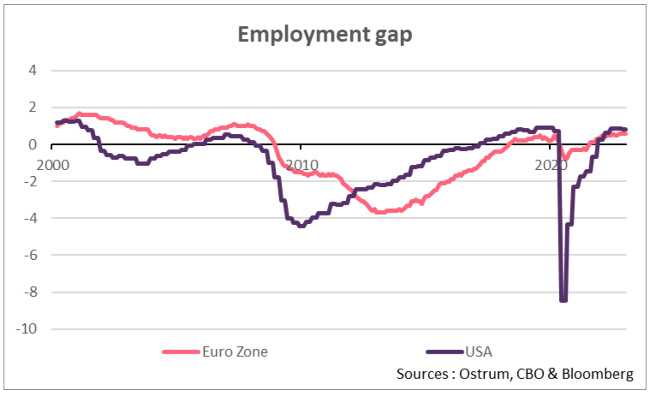
Down but not out?

Fine, but here we are: we remained shortsighted by scrutinizing the short-term developments. One point that is not discussed is the level of the output gap. The output gap, in economists' jargon, measures the difference between potential output and the actual one. On both sides of the Atlantic, it is positive, which means that current production is above potential. This suggests an overexploitation of the production capacities. And of course, a situation that is hardly sustainable over the long term.



Once again, fiscal stimulus policies have done wonders. A little too much, perhaps!

To complete the diagnosis, we can also look at the "employment gap", which is the difference between the equilibrium unemployment rate (i.e. the NAIRU) and the observed one. This metric is of course closely linked to the output gap, as it is an alternative measure of the rate of capacity utilization. The conclusion is similar, with unemployment falling below the NAIRU.



As a result, it is very difficult to envisage growth above potential in 2023 on both sides of the Atlantic. This would increase the output gap even more, thus increasing the pressure on the production capacities, which is unlikely. Potential growth can therefore be seen as a speed limit that is difficult to exceed this year, slightly above 2% for the United States and slightly above 1% for the Eurozone.

The risk in this scenario is that economic momentum remains strong and the economy is showing signs of overheating. Until recently, when the consensus envisaged the possibility of a serious energy crisis, this hypothesis, would have seemed absurd. It is becoming increasingly a plausible scenario.

The markers of a cyclical overheating are already present, for instance:

- Historically low unemployment rates on both sides of the Atlantic.
- Underlying inflation remains high and unwilling to ease.
- Central banks that raise rates above neutral.
- Etc.

This cycle is of course special. If there is overheating, it will come mainly from an excessive budgetary effort that helped avoid the energy crisis. A quick withdrawal of budget support could be an element that would promote a soft landing.

This is a possibility that Christine Lagarde explicitly called for. The ECB's initial statement states that "as the energy crisis becomes less acute, it is important to now start rolling these [budgetary] measures back promptly."

The risk is to go back to a classic cycle. The recent crises have been linked to exogenous events or financial bubbles, going back in time: Ukraine, Covid, sub-prime and sovereign crisis in Europe, dot-com. It is becoming plausible, even probable, that a purely cyclical scenario, "old-fashioned", comes to pass this year with a stronger reaction from central banks.

Here again Christine Lagarde explicitly mentioned this option "Any such measures falling short of these principles [a rapid reduction in fiscal support] are likely to drive up medium-term inflationary pressures, which would call for a stronger monetary policy response". One can't be any clearer.

The expected recession risk for the beginning of this year could in fact be greater in the second half of the year.

What the market says

This view can be compared with market expectations. The very good performance of risk assets overall since the end of September shows that the markets have largely eliminated recession fears. However, the curve remains inverted and other recession markers remain present. The view is therefore more ambiguous than the recent rally would seem at first sight.

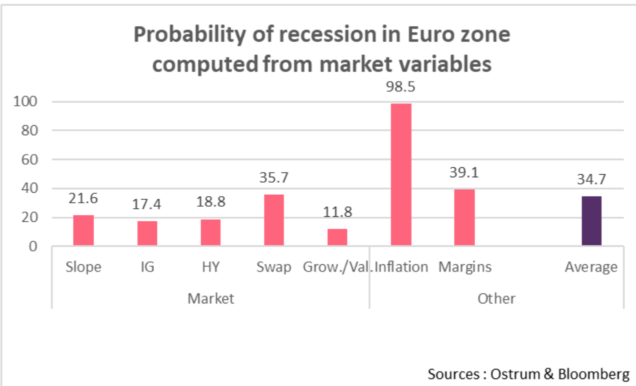
We follow seven markers that have been relevant in the past to predict a future recession. These indicators include five market and two economic variables:

- **Yield curve slope:** an inverted slope is the preferred indicator of markets for forecasting a recession.
- **IG spreads:** a widening of credit spreads is a marker of future stress.
- **HY spreads:** same idea as above.
- **Swap spreads:** again, same idea as above.
- **Growth/value:** an overperformance of growth stocks (or an underperformance of value) also indicates markets' fear that penalizes the most unloved stocks.
- **Inflation:** High inflation is a sign of overheating and therefore of a future recession.
- **Company margins:** a margin peak is also a cyclical peak.

If we use these different variables we can calculate the implicit probability of expected recession. For our dedicated readers, we use a univariate probit model.

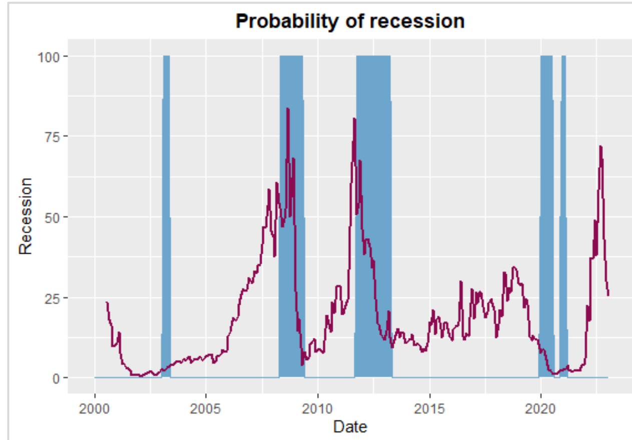
The graph below summarizes the results from that approach. Let's start with inflation: with a totally unusual level of inflation, the model "panics" and predicts a recession with a very high level of confidence. Similarly, the resilience of margins leads the model, albeit in a much smaller proportion, to expect a recession with a high probability. Margin levels are indeed high relative to the long-term average.

On the other hand, pure market data, spreads, swaps, growth/value and curve slope give a much more nuanced message. Admittedly the risk of recession is not ruled out at all but on average the market remains on a more benign forecast. The recent good performance of these risky assets explains those results, worries were lessened.



To complete this approach, we use the five market variables in the same model (this is, therefore, again for the dedicated ones, a multivariate Probit), to summarize all the information. The result is shown on the next graph. Historically, this approach has given a very relevant signal even though market variables have not predicted the impact of Covid at all. And for good reason.

The bottom line is that the market was very concerned in September with a probability of recession of over 70%, one of the highest on record. So, it seems that this was a false signal and an excessive level of pessimism. The correction was very noticeable and the latest figures give only a 25% chances to a recession. So, the risk is not totally ruled out, but it is very moderate.



Conclusion

The debate over a recession this winter seems to have disappeared. It would take, to record a recession, unlikely events: a significantly lower revision of Q4 2022 and a very rapid weakening of Q1 2023 data. The market has taken note, risk assets have rebounded and the implied probability of recession has moved from near historical highs to a very limited level.

Isn't the risk somewhere else? The economy is accumulating signs of overheating, the risk then could be that central banks would be forced to do even more than anticipated and that we would witness a recession at the end of the year. A cyclical movement of the most classic kind that we have not seen in a quarter of a century.

Markets were overly pessimistic a few months ago, almost certain of a recession that never happened. Are they now too complacent, while the second half of the year could prove difficult?

Stéphane Déo

Market review

Disinflation or disillusion?

The Fed hopes for disinflation but robust employment growth, and even the oil price rebound, calls into question the scenario of a pause on rates.

The release of the January US employment report has left its mark. Bond yields rose to around 3.70% on the T-note, Jerome Powell taking note of the risks of persistent wage inflation. The Fed Chairman maintains, however, that the disinflation process has started. For this reason, the US yield curve resumed inverting with the 2s10s spread returning to -80 bps area. Bund yields (2.35%) follows T-note yields on the upside. The reduction in downside risks to economic growth thanks to government transfers is also slowing down the disinflation process in the euro area.

At the same time, any respite on the trend for higher interest rates fuels the rise in growth stocks. The negative correlation between long-term rates and stock prices indeed sparks violent intra-day reversals on equity markets. Realized volatility seems to be much higher than the implied volatility indices, which still suggest some form of complacency on the part of market participants. In turn, credit spreads remain well oriented. Euro swap spreads are benefiting from technical measures by the ECB (extension of the remuneration of government deposits) to mitigate the risk of a shortage of collateral. The outperformance of high yield continues despite some protection buying on the iTraxx Crossover below 400 bps. On the foreign exchange market, the dollar-yen resumed falling after the appointment of Ueda as head of the BoJ to replace Kuroda. The broad dollar measure fluctuates in keeping with changes in Fed rate expectations and investor risk appetite.

On the economic front, the euro area economy appears to have stagnated in the 4th quarter. Governments transfers have reduced the risk of a recession but are now delaying the expected decline in consumer prices. German inflation (9.2% in January) fell due to multiple government measures to cap gas (November), electricity (January) and heating oil (February) prices with, moreover, retroactive effects. The ECB is urging governments to reduce their support given the moderation in energy prices. The German inflation print will lead to an upward revision of inflation in the euro area to about 8.7% in January. In turn, the UK economy avoided contraction (0%q) in the last three months of 2022 despite strikes reducing activity in services. Business investment (+4.8%q) is surprisingly strong. Public spending offset the slowdown in household consumption (+0.1%q). In Japan, the appointment of Kazuo Ueda to the post of governor from April is perceived as favoring a more restrictive policy compared to Masayoshi Amamiya, considered closer to the government. The 4.8%y wage rise in December (including bonuses) is unprecedented in the archipelago for 25 years. Currency adjustments are to be expected from April.

On the financial markets, the uptrend in risky assets seems to be weakening. The complacency of financial market participants can be seen in low demand for downside protection on equities (hence the low asymmetry of implied volatility). Surveys of US individual investors show a sharp improvement in sentiment over the past few weeks… but, empirically, the euphoria tends to foreshadow market corrections. The rebound in equities that are underheld by mutual funds or sold short the most echoes the short covering trades observed in S&P500 futures markets. Managers and leveraged funds have bought back S&P futures for nearly $300 billion in notional amount since the start of the 4th quarter. The US technology stock market performance indicates that the market is reacting favorably to restructuring announcements aimed at restoring corporate profitability, but sensitivity to long-term interest rates may still hold back gains in coming weeks. The decline in aggregate S&P profits hovers around 2% on a year-over-year basis. Apart from tech, the sectors which have seen falling earnings include basic materials and financials. Europe skirts recession but markets have already priced in a sharp recovery, seen in the outperformance of cyclicals and double-digit performances in 2023. The flows testify to a more upbeat view from international investors vis-à-vis the European equity markets.

As concerns the bond market, Jerome Powell took note of the strength of employment and echoed his FOMC colleagues in mentioning a potentially higher terminal rate. The yield on 10-Yr T-notes is back about 3.70% as investors accumulate new short positions on the Treasury futures. That said, the US yield curve remains very inverted and competition from high-yielding T-bills (4.75% at 4 months) seems to be dampening bond inflows somewhat. The outstanding amount of USD money market funds remains elevated at $4.8 trillion after $300 billion in net inflows since October. Last week's Treasury bond auctions drew low demand for 3- and 30-year maturities in particular. Despite money market flows, the 2-10 year spread is still trading near -80 bp, positions betting on the steepening of the yield curve offer negative carry. The January CPI release may further spur curve inversion in the event of an upside surprise, due for example to the rebound in gasoline and used car prices. Russia's decision to cut oil production in March provides support to breakeven inflation rates (Brent at $85). Inflation expectations went up 10 bps last week. Bund yields rose in keeping with US yields but caused little change in sovereign spreads or euro IG credit. High yield continued to outperform despite protection buying on the iTraxx Crossover, which rose above the 400 bp threshold.

Axel Botte
Global strategist

Main market indicators

G4 Government Bonds	13-Feb-23	1wk (bp)	1m (bp)	2022 (bp)
EUR Bunds 2y	2.79%	+17	+20	+3
EUR Bunds 10y	2.39%	+9	+22	-18
EUR Bunds 2s10s	-41.3bp	-8	+2	-21
USD Treasuries 2y	4.55%	+8	+32	+13
USD Treasuries 10y	3.74%	+10	+24	-13
USD Treasuries 2s10s	-81.4bp	+2	-8	-26
GBP Gilt 10y	3.44%	+20	+7	-23
JPY JGB 10y	0.51%	+1	0	+6
€ Sovereign Spreads (10y)	**13-Feb-23**	**1wk (bp)**	**1m (bp)**	**2022 (bp)**
France	45.7bp	+0	-1	-9
Italy	183.82bp	-2	-3	-30
Spain	94.44bp	+2	-5	-14
Inflation Break-evens (10y)	**13-Feb-23**	**1wk (bp)**	**1m (bp)**	**2022 (bp)**
EUR 10y Inflation Swap	2.39%	+6	+9	-16
USD 10y Inflation Swap	2.55%	+9	+15	+3
GBP 10y Inflation Swap	3.76%	+2	+14	-15
EUR Credit Indices	**13-Feb-23**	**1wk (bp)**	**1m (bp)**	**2022 (bp)**
EUR Corporate Credit OAS	142bp	+0	-25	-25
EUR Agencies OAS	70bp	-2	-5	-9
EUR Securitized - Covered OAS	77bp	-4	-2	-7
EUR Pan-European High Yield OAS	428bp	-8	-61	-84
EUR/USD CDS Indices 5y	**13-Feb-23**	**1wk (bp)**	**1m (bp)**	**2022 (bp)**
iTraxx IG	79bp	+4	-1	-12
iTraxx Crossover	409bp	+17	-4	-65
CDX IG	73bp	+3	+2	-9
CDX High Yield	442bp	+18	+16	-42
Emerging Markets	**13-Feb-23**	**1wk (bp)**	**1m (bp)**	**2022 (bp)**
JPM EMBI Global Div. Spread	445bp	+19	-18	-7
Currencies	**13-Feb-23**	**1wk (%)**	**1m (%)**	**2022 (%)**
EUR/USD	$1.069	-0.373	-1.330	-0.2
GBP/USD	$1.210	0.682	-1.031	0.1
USD/JPY	JPY 133	0.053	-3.560	-1.1
Commodity Futures	**13-Feb-23**	**-1wk ($)**	**-1m ($)**	**2022 (%)**
Crude Brent	$85.8	$4.8	$0.3	0.21
Gold	$1 859.4	-$8.0	-$60.8	1.94
Equity Market Indices	**13-Feb-23**	**-1wk (%)**	**-1m (%)**	**2022 (%)**
S&P 500	4 090	-1.11	2.28	6.5
EuroStoxx 50	4 231	0.61	1.93	11.5
CAC 40	7 193	0.79	2.42	11.1
Nikkei 225	27 427	-0.96	5.01	5.1
Shanghai Composite	3 284	1.40	2.78	6.3
VIX - Implied Volatility Index	21.27	9.47	15.91	-1.8

Source: Bloomberg, Ostrum AM

Additional notes

Ostrum Asset Management

Asset management company regulated by AMF under n° GP-18000014 – Limited company with a share capital of 48 518 602 €. Trade register n°525 192 753 Paris – VAT : FR 93 525 192 753 – Registered Office: 43, avenue Pierre Mendès-France, 75013 Paris – www.ostrum.com
This document is intended for professional, in accordance with MIFID. It may not be used for any purpose other than that for which it was conceived and may not be copied, distributed or communicated to third parties, in part or in whole, without the prior written authorization of Ostrum Asset Management.
None of the information contained in this document should be interpreted as having any contractual value. This document is produced purely for the purposes of providing indicative information. This document consists of a presentation created and prepared by Ostrum Asset Management based on sources it considers to be reliable.
Ostrum Asset Management reserves the right to modify the information presented in this document at any time without notice, which under no circumstances constitutes a commitment from Ostrum Asset Management.
The analyses and opinions referenced herein represent the subjective views of the author(s) as referenced, are as of the date shown and are subject to change without prior notice. There can be no assurance that developments will transpire as may be forecasted in this material. This simulation was carried out for indicative purposes, on the basis of hypothetical investments, and does not constitute a contractual agreement from the part of Ostrum Asset Management.
Ostrum Asset Management will not be held responsible for any decision taken or not taken on the basis of the information contained in this document, nor in the use that a third party might make of the information. Figures mentioned refer to previous years. Past performance does not guarantee future results. Any reference to a ranking, a rating or an award provides no guarantee for future performance and is not constant over time. Reference to a ranking and/or an award does not indicate the future performance of the UCITS/AIF or the fund manager.
Under Ostrum Asset Management's social responsibility policy, and in accordance with the treaties signed by the French government, the funds directly managed by Ostrum Asset Management do not invest in any company that manufactures, sells or stocks anti-personnel mines and cluster bombs.
Final version dated 13/02/2023

Natixis Investment Managers

This material has been provided for information purposes only to investment service providers or other Professional Clients, Qualified or Institutional Investors and, when required by local regulation, only at their written request. This material must not be used with Retail Investors.
In the E.U. (outside of the UK and France): Provided by Natixis Investment Managers S.A. or one of its branch offices listed below. Natixis Investment Managers S.A. is a Luxembourg management company that is authorized by the Commission de Surveillance du Secteur Financier and is incorporated under Luxembourg laws and registered under n. B 115843. Registered office of Natixis Investment Managers S.A.: 2, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. Italy: Natixis Investment Managers S.A., Succursale Italiana (Bank of Italy Register of Italian Asset Management Companies no 23458.3). Registered office: Via San Clemente 1, 20122 Milan, Italy. Germany: Natixis Investment Managers S.A., Zweigniederlassung Deutschland (Registration number: HRB 88541). Registered office: Im Trutz Frankfurt 55, Westend Carrée, 7. Floor, Frankfurt am Main 60322, Germany. Netherlands: Natixis Investment Managers, Nederlands (Registration number 50774670). Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. Sweden: Natixis Investment Managers, Nordics Filial (Registration number 516405-9601 - Swedish Companies Registration Office). Registered office: Kungsgatan 48 5tr, Stockholm 111 35, Sweden. Spain: Natixis Investment Managers, Sucursal en España. Serrano n°90, 6th Floor, 28006, Madrid, Spain. Belgium: Natixis Investment Managers S.A., Belgian Branch, Louizalaan 120 Avenue Louise, 1000 Brussel/Bruxelles, Belgium.
In France: Provided by Natixis Investment Managers International – a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris.
In Switzerland: Provided for information purposes only by Natixis Investment Managers, Switzerland Sàrl, Rue du Vieux Collège 10, 1204 Geneva, Switzerland or its representative office in Zurich, Schweizergasse 6, 8001 Zürich.
In the British Isles: Provided by Natixis Investment Managers UK Limited which is authorised and regulated by the UK Financial Conduct Authority (register no. 190258) - registered office: Natixis Investment Managers UK Limited, One Carter Lane, London, EC4V 5ER. When permitted, the distribution of this material is intended to be made to persons as described as follows: in the United Kingdom: this material is intended to be communicated to and/or directed at investment professionals and professional investors only; in Ireland: this material is intended to be communicated to and/or directed at professional investors only; in Guernsey: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Guernsey Financial Services Commission; in Jersey: this material is intended to be communicated to and/or directed at professional investors only; in the Isle of Man: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Isle of Man Financial Services Authority or insurers authorised under section 8 of the Insurance Act 2008.
In the DIFC: Provided in and from the DIFC financial district by Natixis Investment Managers Middle East (DIFC Branch) which is regulated by the DFSA. Related financial products or services are only available to persons who have sufficient financial experience

and understanding to participate in financial markets within the DIFC, and qualify as Professional Clients or Market Counterparties as defined by the DFSA. No other Person should act upon this material. Registered office: Unit L10-02, Level 10 ,ICD Brookfield Place, DIFC, PO Box 506752, Dubai, United Arab Emirates

In Japan: Provided by Natixis Investment Managers Japan Co., Ltd., Registration No.: Director-General of the Kanto Local Financial Bureau (kinsho) No. 425. Content of Business: The Company conducts discretionary asset management business and investment advisory and agency business as a Financial Instruments Business Operator. Registered address: 1-4-5, Roppongi, Minato-ku, Tokyo.

In Taiwan: Provided by Natixis Investment Managers Securities Investment Consulting (Taipei) Co., Ltd., a Securities Investment Consulting Enterprise regulated by the Financial Supervisory Commission of the R.O.C. Registered address: 34F., No. 68, Sec. 5, Zhongxiao East Road, Xinyi Dist., Taipei City 11065, Taiwan (R.O.C.), license number 2020 FSC SICE No. 025, Tel. +886 2 8789 2788.

In Singapore: Provided by Natixis Investment Managers Singapore Limited (company registration no. 199801044D) to distributors and institutional investors for informational purposes only.

In Hong Kong: Provided by Natixis Investment Managers Hong Kong Limited to institutional/ corporate professional investors only.

In Australia: Provided by Natixis Investment Managers Australia Pty Limited (ABN 60 088 786 289) (AFSL No. 246830) and is intended for the general information of financial advisers and wholesale clients only .

In New Zealand: This document is intended for the general information of New Zealand wholesale investors only and does not constitute financial advice. This is not a regulated offer for the purposes of the Financial Markets Conduct Act 2013 (FMCA) and is only available to New Zealand investors who have certified that they meet the requirements in the FMCA for wholesale investors. Natixis Investment Managers Australia Pty Limited is not a registered financial service provider in New Zealand.

In Latin America: Provided by Natixis Investment Managers S.A.

In Uruguay: Provided by Natixis Investment Managers Uruguay S.A., a duly registered investment advisor, authorised and supervised by the Central Bank of Uruguay. Office: San Lucar 1491, Montevideo, Uruguay, CP 11500. The sale or offer of any units of a fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627.

In Colombia: Provided by Natixis Investment Managers S.A. Oficina de Representación (Colombia) to professional clients for informational purposes only as permitted under Decree 2555 of 2010. Any products, services or investments referred to herein are rendered exclusively outside of Colombia. This material does not constitute a public offering in Colombia and is addressed to less than 100 specifically identified investors.

In Mexico Provided by Natixis IM Mexico, S. de R.L. de C.V., which is not a regulated financial entity, securities intermediary, or an investment manager in terms of the Mexican Securities Market Law (Ley del Mercado de Valores) and is not registered with the Comisión Nacional Bancaria y de Valores (CNBV) or any other Mexican authority. Any products, services or investments referred to herein that require authorization or license are rendered exclusively outside of Mexico. While shares of certain ETFs may be listed in the Sistema Internacional de Cotizaciones (SIC), such listing does not represent a public offering of securities in Mexico, and therefore the accuracy of this information has not been confirmed by the CNBV. Natixis Investment Managers is an entity organized under the laws of France and is not authorized by or registered with the CNBV or any other Mexican authority. Any reference contained herein to "Investment Managers" is made to Natixis Investment Managers and/or any of its investment management subsidiaries, which are also not authorized by or registered with the CNBV or any other Mexican authority.

The above referenced entities are business development units of Natixis Investment Managers, the holding company of a diverse line-up of specialised investment management and distribution entities worldwide. The investment management subsidiaries of Natixis Investment Managers conduct any regulated activities only in and from the jurisdictions in which they are licensed or authorized. Their services and the products they manage are not available to all investors in all jurisdictions. It is the responsibility of each investment service provider to ensure that the offering or sale of fund shares or third party investment services to its clients complies with the relevant national law.

The provision of this material and/or reference to specific securities, sectors, or markets within this material does not constitute investment advice, or a recommendation or an offer to buy or to sell any security, or an offer of any regulated financial activity. Investors should consider the investment objectives, risks and expenses of any investment carefully before investing. The analyses, opinions, and certain of the investment themes and processes referenced herein represent the views of the portfolio manager(s) as of the date indicated. These, as well as the portfolio holdings and characteristics shown, are subject to change. There can be no assurance that developments will transpire as may be forecasted in this material. Past performance information presented is not indicative of future performance.

Although Natixis Investment Managers believes the information provided in this material to be reliable, including that from third party sources, it does not guarantee the accuracy, adequacy, or completeness of such information. This material may not be distributed, published, or reproduced, in whole or in part.

All amounts shown are expressed in USD unless otherwise indicated.

www.ostrum.com