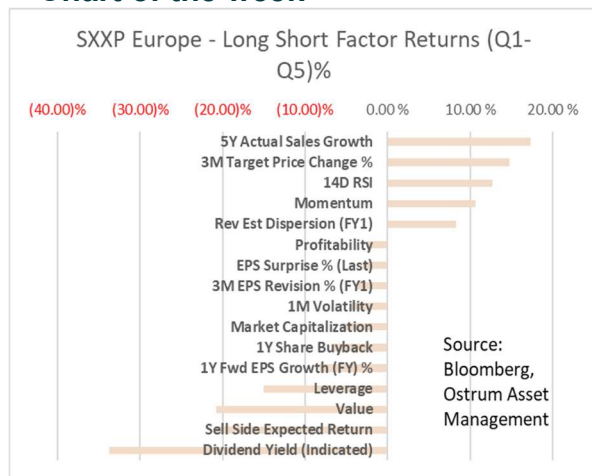


This document is intended for professional clients in accordance with MIFID  
N° 004 // 4 January 2021

## • Market review: Georgia, first peek at 2021

- Equities open higher as vaccination starts
- Dollar drop continues
- Georgia run-off elections already key for Biden in 2021?
- Brexit deal leaves many gray areas

## Chart of the week



Equities have recorded the fastest drawdown ever in March and the fastest recovery thereafter. Digging deeper into equity trends helps to understand the underlying factor driving equity markets. We monitor net returns factor-determined baskets – long the top quintile vs. short the bottom quintile.

In a highly uncertain context, actual sales growth was a winning factor followed by changes in target prices and technical indicators including 14-day RSI. Conversely, dividend yield was a losing indicator as were “value” and leverage. To a lesser extent, market capitalization was also a losing criterion.

## • Figure of the week

**2%**

Source : Ostrum AM

The entire US inflation swap curve has moved back above 2% for the first time since May 2019. Inflation expectations have significantly changed.



**Stéphane Déo**  
Head of markets strategy



**Axel Botte**  
Global strategist



**Zouhoure Bousbih**  
Emerging countries strategist



**Aline Goupil-Raguénès**  
Developed countries strategist

## • Market review

# Georgia, first peek at 2021

**Expansionary monetary policy propped up world equities to new highs. It is now time to consolidate the nascent economic recovery thanks to vaccination whilst dodging political hurdles in the US.**

The year 2020 brought about considerable change in our economies. The human cost of the pandemic is very significant with a global death toll surpassing 1.8mn. The Covid pandemic only accelerated ongoing structural changes in economies. It also revealed the fragility of service economies when transport come to a halt.

The year 2020 nevertheless ended on a positive note. An agreement has been reached between the UK and the European Union which finally puts an end to 4 and a half years of uncertainty. While the agreement leaves many gray areas, tariffs and quotas in goods trade have been avoided. UK exit from the common market will not be frictionless as different regulatory frameworks will result in non-tariff trade barriers. The financial sector situation still must be clarified. Clearing houses located in the UK will continue to be used for the next 18 months but UK banks will lose their passport and will no longer be able to sell financial products in EU countries unless equivalences are awarded on a case by case basis. In parallel, major bilateral (EU-Japan for instance) or multilateral (RCEP) trade agreements were signed last year. These deals have capped a period of 4 years marked by continued trade conflicts initiated by the Trump Administration. In the US, political transition is far from smooth. Yet change in the White House opens new opportunities in terms of fight against climate change and the reaffirmation of a multipolar world. That said, Georgia senate elections will be determinant to gauge the ability of the incoming Biden Administration to roll out its fiscal program. The vote takes place after a 900b fiscal bill was greed in December but Senate Republicans' opposition to increased transfers payments to households is only the first glimpse at partisan battles of 2021, chief among them the debt ceiling debate. The growth profile may be choppy in the first part of the year so that accommodative economic policy remains warranted. The sustainability of the economic recovery in the hardest-hit sectors, most notably transport, will also depend crucially on success of the vaccination effort currently being implemented.

Financial performance in 2020 have been opposite to global economic growth outcome. Risk paid off nicely thanks to continued liquidity injections by central banks. Monetary authorities grew their balance sheets considerably. The ECB

increased asset purchases and lent out unheard amounts to the banking sector. In the US, the Fed swiftly cut rates to 0% and maid support to a broad range of fixed income markets. Quantitative easing programs have mushroomed including in emerging markets.

In equity markets, sectoral rotation have favored online consumption and technology, which is a clear winner in the shift towards work from home. The FANG stock index which comprises big technology names more than doubled in 2020 pulling broad equity benchmarks higher. Extreme concentration of equity performance may however turn out to be a source of fragility going forward. Conversely, sectors linked to transport and leisure plunged last spring leading a collapse in oil demand. At the panic climax, crude oil prices even turned negative due to excess supply and a lack of coordination among OPEC producers. Discipline came back and Brent prices closed the year at \$52 a barrel. Energy underperformed the most last year along with European banks. Restrictions to dividend payments and low interest rates have weighed on bank stocks. Consolidation across the European banking sector is nevertheless underway, most notably in Spain. Furthermore, it's worth noting that equities are again off to a strong start in 2021.

In bond markets, the ECB's market presence contributed to curve flattening in euro bond markets. The yield on 30-year Bund declined by fully 51bp last year to close in negative territory (-0.16%). PEPP buying impacted sovereign spreads significantly as BTP spreads declined to about 115bp at present. Sovereign spreads no longer make economic sense but the outlook for monetary policy suggests the trend for narrower spreads is here to stay. We will be watching bond syndications this January, which may start by an Irish bond deal.

Credit markets also richened despite declining final investor demand. Euro IG spreads reverted to early 2020 levels (92bp) despite supply deluge during the crisis. ECB action spur reach for yield forcing investors into high yield. Compression is indeed a big investment theme. BB-rated bonds offer no more than 2% but corporate cash holdings and economic growth expectations suggest tail events will be avoided.

Lastly, the downtrend in the US dollar is getting traction. The distrust in the greenback is a reason for sharply rising prices of alternatives to the dollar, namely bitcoin and gold. Bitcoin indeed quadrupled in 2020 and Gold gained 24%.

**Axel Botte**  
Global strategist

## ● Main market indicators

<b>G4 Government Bonds</b>	<b>04-Jan-21</b>	<b>-1wk (bp)</b>	<b>-1m (bp)</b>	<b>YTD (bp)</b>
EUR Bunds 2y	-0.72 %	-1	+3	-2
EUR Bunds 10y	-0.59%	-3	-5	-2
EUR Bunds 2s10s	12 bp	-2	-8	-1
USD Treasuries 2y	0.12 %	+0	-3	0
USD Treasuries 10y	0.93 %	+1	-3	+2
USD Treasuries 2s10s	81 bp	+1	0	+2
GBP Gilt 10y	0.19 %	-7	-16	-1
JPY JGB 10y	0.02 %	0	0	+0
<b>€ Sovereign Spreads (10y)</b>	<b>04-Jan-21</b>	<b>-1wk (bp)</b>	<b>-1m (bp)</b>	<b>YTD (bp)</b>
France	23 bp	0	0	+0
Italy	114 bp	+3	-3	+2
Spain	62 bp	+1	-1	+0
<b>Inflation Break-evens (10y)</b>	<b>04-Jan-21</b>	<b>-1wk (bp)</b>	<b>-1m (bp)</b>	<b>YTD (bp)</b>
EUR OATi (9y)	85 bp	0	+16	-
USD TIPS	200 bp	+3	+10	+2
GBP Gilt Index-Linked	302 bp	+1	-14	+2
<b>EUR Credit Indices</b>	<b>04-Jan-21</b>	<b>-1wk (bp)</b>	<b>-1m (bp)</b>	<b>YTD (bp)</b>
EUR Corporate Credit OAS	92 bp	-1	-2	-1
EUR Agencies OAS	41 bp	-1	-1	-3
EUR Securitized - Covered OAS	33 bp	-1	-1	-9
EUR Pan-European High Yield OAS	358 bp	+0	-11	+54
<b>EUR/USD CDS Indices 5y</b>	<b>04-Jan-21</b>	<b>-1wk (bp)</b>	<b>-1m (bp)</b>	<b>YTD (bp)</b>
iTraxx IG	47 bp	-2	+2	-1
iTraxx Crossover	241 bp	-3	+5	0
CDX IG	51 bp	-2	+1	+1
CDX High Yield	295 bp	+2	+2	+1
<b>Emerging Markets</b>	<b>04-Jan-21</b>	<b>-1wk (bp)</b>	<b>-1m (bp)</b>	<b>YTD (bp)</b>
JPM EMBI Global Div. Spread	352 bp	-5	-28	+61
<b>Currencies</b>	<b>04-Jan-21</b>	<b>-1wk (%)</b>	<b>-1m (%)</b>	<b>YTD (%)</b>
EUR/USD	\$1.228	+0.6	+1.3	+0.44
GBP/USD	\$1.359	+1.03	+1.11	-0.45
USD/JPY	¥103.12	+0.71	+1.02	+0.17
<b>Commodity Futures</b>	<b>04-Jan-21</b>	<b>-1wk (\$)</b>	<b>-1m (\$)</b>	<b>YTD (\$)</b>
Crude Brent	\$52.2	\$0.8	\$3.0	\$0.4
Gold	\$1 933.8	\$57.1	\$94.9	\$39.4
<b>Equity Market Indices</b>	<b>04-Jan-21</b>	<b>-1wk (%)</b>	<b>-1m (%)</b>	<b>YTD (%)</b>
S&P 500	3 749	1.24	2.36	-0.19
EuroStoxx 50	3 591	1.36	1.88	1.09
CAC 40	5 629	1.93	0.84	1.39
Nikkei 225	27 258	2.21	3.12	-0.68
Shanghai Composite	3 503	3.13	1.48	0.86
VIX - Implied Volatility Index	23.17	12.12	16.23	6.11

Source: Bloomberg, Ostrum Asset Management

## 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](http://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 04/01/21

### 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, Netherlands (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](http://www.ostrum.com)