

End of the year 2022: time for a review and outlook

The end of the year is a good time for assessments. A year ago, our economic and fiscal outlook for 2022 was clearly positive. Growth was indeed expected strong by the consensus, with the end of the reopenings and the expenditure of surplus savings, the decline in inflationary pressures then considered transitory as well as the only progressive normalization of monetary and fiscal policies. However, these outlooks were quickly 'offside' by a combination of shocks involving a sharp slowdown in activity and very high inflation:

- **Russia's invasion of Ukraine has shaken the global environment.** European economies have been particularly hard hit, both by a sharp drop in confidence and the energy crisis. Beyond the immediate impact, this invasion has also disrupted the geopolitical balance with potential future impacts on trade balance.
- **Inflation has been persistent.** The new massive shock on commodity prices has made inflation pressures more sustainable. The central banks have tightened their monetary policy significantly: the Fed, the ECB and the BoE have respectively increased their rates by 450, 250 and 350 basis points and have begun to reduce the size of their balance sheets. These rapid rate rises have raised the risk of financial instability for indebted agents/sectors (e.g. the United Kingdom).
- **Continued zero-COVID policy in China** and a lack of a meaningful plan to support the real estate sector resulted in a sharp slowdown in growth.

This context weighed on all major financial asset classes, which experienced very negative performances. On the equity side, the main indices underwent strong corrections due to the deterioration in activity and the rise in interest rates, strongly penalizing growth values. Emerging equity markets have suffered from the Chinese news, between slower activity and increased commercial and regulatory risk. On the bond side, markets recorded their worst year since the 1980s. The correction was more marked on indices with long duration. In this environment, the dollar appreciated sharply against virtually all currencies due to the interest rate differential, the energy crisis and strong risk aversion (safe haven). Also reflecting this particular context, oil was the other asset with a good performance over the year.

The year 2023 opens with a still complicated economic context, with the expected continuation of the slowdown in developed economies. While inflation could decline rapidly due to positive base effects on energy and goods prices, continued underlying service price pressures will encourage central banks to remain vigilant. This environment remains favourable to an overall cautious allocation in terms of risk, aiming to favour a search for yield on bonds, short maturities or debt of well-rated companies, or the regions/sectors of the most defensive equity markets.

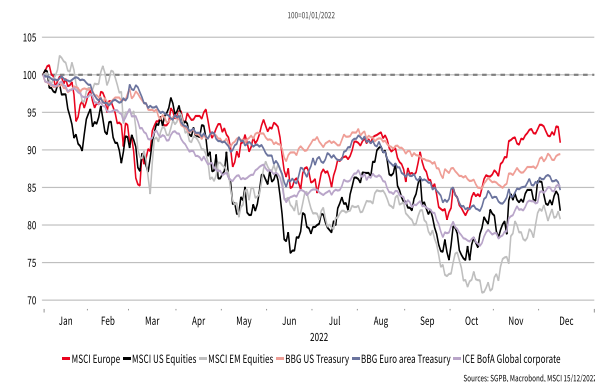
Past performance should not be seen as a guarantee of future returns.

All data taken from Bloomberg and Macrobond on the 16/12/2022, publication achievement date. In accordance with the applicable regulation, we inform the reader that this material is qualified as a marketing document.



A tumultuous year for global stock indices

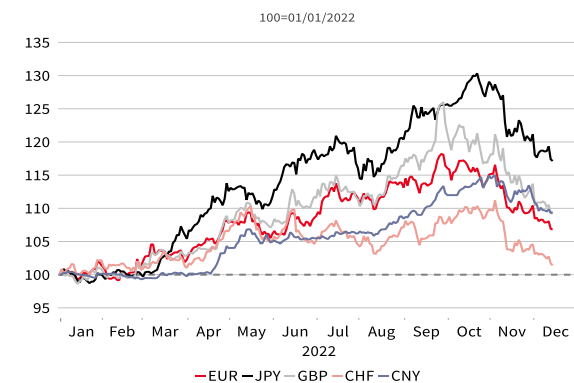
Main financial indices



Sources : SGPB, Macrobond, MSCI, 15/12/2022

The dollar, the big winner in 2022

US dollar against major currencies



Sources : SGPB, Macrobond, 15/12/2022

OUR MACRO COMMENTS

Events of the week



The world's leading central banks raised their key interest rate by 50 basis points on Wednesday. This slowdown in the pace of rate increases was already widely anticipated by the markets. The latter, on the other hand, reacted to comments considered hawkish by central bankers, as well as to the relatively pessimistic forecasts published by the Fed in particular.



The European Parliament voted this week to introduce the world's first border carbon tax. The purpose of this tax on imports from outside the EU is to protect European companies from competitors producing in countries with less restrictive environmental standards than in EU countries. It will enter into force by 2026/2027.

Figures of the week



- Inflation (YoY, November)
- Core inflation (YoY, November)
- Monetary policy decision
- Retail sales (MoM, November)



- ZEW Economic sentiment index (December)
- Monetary policy decision
- S&P composite PMI index (December)



- Unemployment rate (3 months average, October)
- Inflation (YoY, November)
- Core inflation (YoY, November)
- Monetary policy decision
- S&P composite PMI index (December)



- Industrial production (YoY, November)
- Retail sales (YoY, November)

	Actual	Forecast	Previous
	7.1%	7.3%	7.7%
	6%	6.1%	6.3%
	4.5%	4.5%	4%
	-0,6%	-0.2%	1.3%
	-23.6	-25.7	-38.7
	2.5%	2%	1.5%
	48.8	48	47.8
	3.7%	3.7%	3.6%
	10.7%	10.9%	11.1%
	6.3%	6.5%	6.5%
	3.5%	3.5%	3%
	49	48	48.2
	2.2%	3.6%	5%
	-5.9%	-3.6%	-0.5%

Sources : Macrobond, December 16th 2022.

The week ahead

Tuesday



Monetary policy decision



Monetary policy decision

Wednesday



Consumer confidence (December)

Friday



Inflation (November)



Durable goods orders, Personal income and spending (November)

MARKET PERFORMANCES

Interbank rates	Last.	-1W	-3M	YTD	-12M
€STER O/N	1,40	1,40	0,66	-0,59	-0,58
USD SOFR O/N	3,80	3,80	2,27	0,05	0,05
JPY TONAR O/N	-0,07	-0,08	-0,03	-0,02	-0,02
GBP SONIA O/N	2,93	2,93	1,69	0,19	0,05
CHF O/N	0,80	0,80	0,62	-0,71	-0,74

Long term sov. rates	Last.	-1W	-3M	YTD	-12M
10Y OAT	2,41	2,24	2,25	0,20	-0,02
10Y Bund	1,93	1,78	1,70	-0,18	-0,36
10Y BTP	3,85	3,60	3,98	1,17	0,92
10Y JGB	0,25	0,25	0,25	0,07	0,05
10Y Bonos	2,95	2,76	2,84	0,56	0,34
10Y Swiss	1,16	0,98	1,05	-0,13	-0,28
10Y Gilt	3,33	3,05	3,12	1,02	0,73
10Y USTnote	3,49	3,42	3,41	1,52	1,47

Credit & EM	Last.	-1W	-3M	YTD	-12M
EUR Corporate Aaa	2,66	2,58	2,67	0,33	0,24
EUR Corporate Baa	4,07	3,99	3,85	0,66	0,56
GBP Corporate Baa	4,34	4,17	4,19	1,52	1,31
USD Corporate Aaa	4,25	4,21	4,31	2,13	2,18
USD Corporate Baa	5,36	5,36	5,39	2,60	2,63
USD EM aggregate	7,30	7,37	7,26	4,33	4,55

Commodities	Last.	-1W	-3M	YTD	-12M
Brent, USD/BL	82,76	7,0%	-12,5%	4,7%	11,3%
Or, USD/oz	1 807	1,2%	6,5%	-1,2%	1,7%
Copper, USD/metric ton	8 455	1,0%	8,6%	-12,7%	-8,9%
Platinum, USD/oz	1 038	5,6%	15,7%	7,3%	13,9%
Palladium, USD/oz	1 929	4,4%	-8,4%	-2,5%	20,0%
Silver, USD/oz	23,61	5,5%	21,0%	2,3%	8,3%

FX rates	Last.	-1W	-3M	YTD	-12M
EUR/USD	1,06	1,1%	6,6%	-6,0%	-5,4%
EUR/CHF	0,98	-0,3%	2,5%	-5,1%	-5,6%
USD/GBP	0,81	-1,7%	-6,6%	9,2%	6,6%
USD/JPY	134,86	-1,3%	-5,4%	17,1%	18,5%
USD/BRL	5,32	2,0%	2,9%	-4,4%	-7,0%
USD/CNY	6,95	-0,3%	-0,2%	9,4%	9,2%
USD/RUB	64,78	3,0%	7,9%	-13,6%	-12,6%

Equity indices	Last.	-1W	-3M	YTD	-12M
MSCI AC World (USD)	1 079	1,4%	6,4%	-7,0%	-4,9%
Eurostoxx 50	3 975	1,4%	11,4%	-7,5%	-4,4%
Dax 40	14 460	1,4%	11,0%	-9,0%	-6,6%
CAC 40	6 731	1,1%	8,2%	-5,9%	-2,8%
FTSE 100	7 496	0,1%	3,0%	1,5%	4,5%
SMI	11 161	1,4%	3,8%	-13,3%	-10,9%
SP500	3 995	1,6%	1,2%	-16,2%	-15,2%
TOPIX	1 977	1,5%	1,5%	-0,7%	-0,3%
iBovespa	103 746	-4,9%	-6,2%	-1,0%	-3,4%
Hang Seng	19 673	4,6%	4,4%	-15,9%	-16,0%
Sensex 30	62 678	0,4%	3,9%	7,6%	8,5%
CSI 300	3 955	-0,1%	-2,7%	-19,9%	-21,0%

Source: Bloomberg, on December 16th 2022.

-1W = 1-week change, -3M = 3-month change, -12M = 12-month change, YTD = year-to-date change. Equities; total return in local currency. Government bonds = 10-year returns. Figures are rounded.

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