C.I.A. NETWORK

Investment Strategy Navigator

November 2021

BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

Agenda

01

Introduction

Financial markets at a glance
Economic Outlook & Risks

BNP PARIBAS
WEALTH MANAGEMENT

Financial markets at a glance

EQUITIES	+	Global	+	We like Eurozone, UK, Japan, EM ex China. Cyclical value and improving profitability plus M&A activity are the key attractions in these key stock markets.
		Markets	+	Time for Renewables to shine : COP24 and COP25 both acted as a positive catalyst for clean energy stocks; we expect COP26 to do much the same, after a cooling in renewable energy thematic momentum since February of this year.
		Sectors	+	Cyclical Oil & Gas, Banks, Mining (Basic Resources) highlighted : the **"most"** cyclical values sectors. Since 2005, European cyclical stocks (as defined by STOXX) have posted an average 5.4% return over Q4, versus only 0.9% for defensive stocks.
BONDS	-	Govies	- / =	Our 10-year bond yield targets are 2% in the US and 0% in Germany in one year. We stay negative on long-term bonds. We are neutral on US short-term bonds.
		Invest. Grade	=	We are neutral on US IG corporate bonds. Spreads are tight. We stay neutral on eurozone IG corporate bonds.
		High yield	=	We stay neutral on HY bonds given high valuations. We prefer rising stars and fallen angels. Rising stars are still trading wide to lower IG bonds.
		Emerging	+	We stay positive on EM bonds. The recent spread widening in hard currency bonds is an opportunity.

FOREX	/	EUR/USD	=	Over the month the EURUSD, behaved according to our forecast, from a technical point of view the dollar entered overbought territory under 1.16 (value of one euro). We still expect economic momentum to favor the EUR. The target 12M is 1.18.
		BRICS	=	We remain bullish on Brazilian Real. The Russian currency looks undervalued. In India, strong inflation could lead to further weaken the currency. We see a slightlty weaker CNY.
COMMOS	+	Oil	=	Tight supply management by OPEC+, declining inventories and fears that high natural gas prices will lead to additional demand due to substitution effects.
		Gold	+	The risk of a more persistent inflation is positive for gold and it remains our preferred hedge against economic, financial and geopolitical tail risks.
		Base metals	=	The medium-term outlook remain bright as demand will increase and supply will remain tight.
ALTERNATIVES	/	Alternative UCITS	=/+	We have a preference for Macro and Event Driven strategies. Neutral on Relative Value and Long/Short Equity.

Economic outlook

KEY ECONOMIC VIEWS

Growth

BNP Paribas Forecasts				
GDP Growth %	2020	2021	2022	2023
United States	-3.5	6	5.3	3.3
Japan	-4.7	2.1	2.4	1.6
United Kingdom	-9.8	7	6.3	2.1
Eurozone	-6.7	5	5.2	2.3
Germany	-5.1	2.8	5.3	2.4
France	-8	6.3	4.3	2.1
Italy	-8.9	6.3	5.1	2.8
Emerging				
China	2.3	7.8	5.6	5.4
India*	-7.2	7	11.2	6.2
Brazil	-4.1	5	1.5	2
Russia	-4.5	4.5	3.3	2.6

* Fiscal year

Source: Refinitiv - BNP Paribas - 25/10/2021

Inflation

BNP Paribas Forecasts				
CPI Inflation %	2020	2021	2022	2023
United States	1.2	4.2	2.8	2.4
Japan	0	-0.2	0.3	0.5
United Kingdom	0.9	2.3	3.3	2
Eurozone	0.3	2.4	2.1	1.7
Germany	0.4	3	2.4	1.9
France	0.5	2	1.9	1.6
Italy	-0.1	1.9	2.2	1.4
Emerging				
China	2.5	1.2	2.8	2.5
India*	6.1	5.4	4.5	4.3
Brazil	3.2	7.8	6.3	3.6
Russia	3.4	6	5	4.1

* Fiscal year

Source: Refinitiv - BNP Paribas - 25/10/2021

POSITIVE RISKS (EQUITIES)

1. As long as no vaccine resistant variants become dominant, vaccine rollout and new treatments would accelerate the full reopening of economies. Services stand to profit particularly from such a scenario.
2. The ECB's accommodative policy is expected to be maintained and should continue to support European equities.

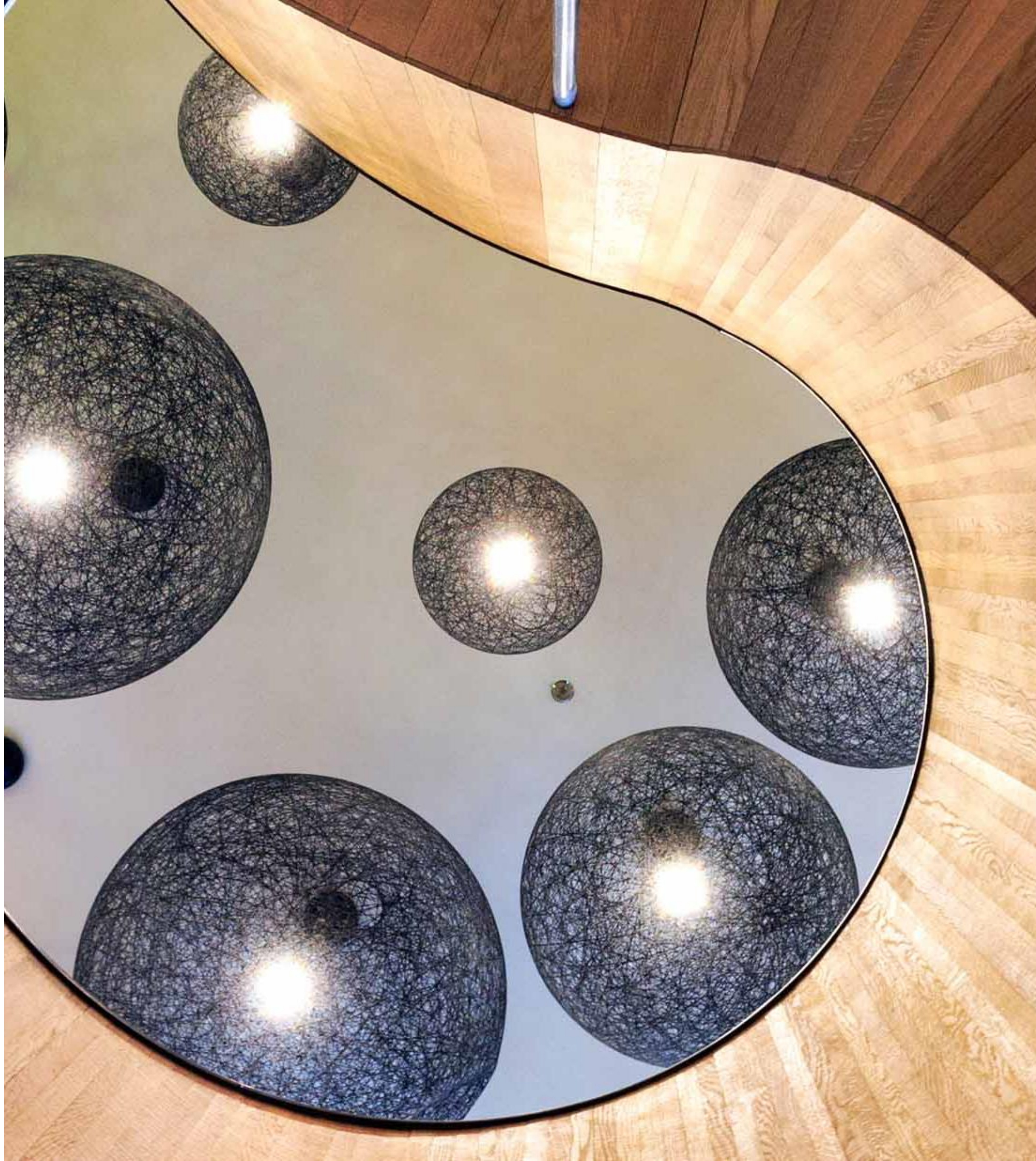
NEGATIVE RISKS

1. Rising bond yields and especially real yields could hinder the effectiveness of current stimulus programs.
2. Political and geopolitical risks remain high and are not expected to come down in the short-term and could materialize as local conflicts and tariffs.
3. Certain COVID-19 variants could turn out to be vaccine- or treatment-resistant, increasing the cost of the pandemic and making it longer.
4. Long term inflation upside risks could materialize in a combination of a retreat in globalization, retiring workforce and a risk of overheating economy.
5. The Evergrande's situation must be monitored even if the systemic risk is low.

02

Global macro

Economic growth and inflation
US inflation
Europe inflation
International trade and China
The pandemic



BNP PARIBAS WEALTH MANAGEMENT

Economic growth and inflation

FOR Q4, GROWTH RISKS SKEWED TO THE DOWNSIDE AND..

Growth rate in Q4 should be affected by the supply bottlenecks in a context of a strong increase in year-end demand. In 2023, growth should stabilize above 3% in the US and above 2% in the Eurozone.

- We can expect more reopening of major economies in 2022. However, zero-Covid policies especially in Asia will continue to affect supply chains at least for H1 2022.
- The US have now surpassed their pre-Covid GDP whereas the three biggest Eurozone economies are still 3.2% and 3.8% below their pre-crisis level.
- Fiscal policy in the USA and in Eurozone should remain accommodative and will sustain the economy for the coming year notably through investments in energy transition. In 2023, growth should stabilize above 3% in the US and above 2% in the Eurozone.
- Chinese growth was below consensus in Q3 (4.9% growth yoy vs 5.2% expected). We expect more policy support to maintain average growth above 5%.

BNP Paribas Forecasts

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* Fiscal year

Source: Refinitiv - BNP Paribas - 25/10/2021

...INFLATION RISKS SKEWED TO THE UPSIDE

Inflation can stay high for longer than anticipated. Over the coming months, key drivers will be base effects and supply chain constraints. Medium-term the key will be the job market evolution. Risks remain low for the Eurozone but need to be monitored closely in the US.

- Companies that have been unwilling or unable to increase prices might do so, higher inflation could weigh on demand but also cause wage increases. This phenomenon is currently present in the USA and much less in Europe, as the structure of both economies are different.
- In a tail-risk scenario provided by IMF in their October outlook, headline inflation in developed economies could go back to trend by early 2024 after peaking at 4.4% by mid-2022.
- We do not see the comparison with the 1970's stagflation for several reasons. First, density trade union has gone down across most developed countries and limits wages spiral inflation. Second, central banks in developed markets have strong credibility in fighting inflation. Thirdly, delivery times is far lower than during 70's.
- The key will be to monitor inflation expectations and job market evolutions.

BNP Paribas Forecasts

CPI Inflation %	2020	2021	2022	2023
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* Fiscal year

Source: Refinitiv - BNP Paribas - 25/10/2021

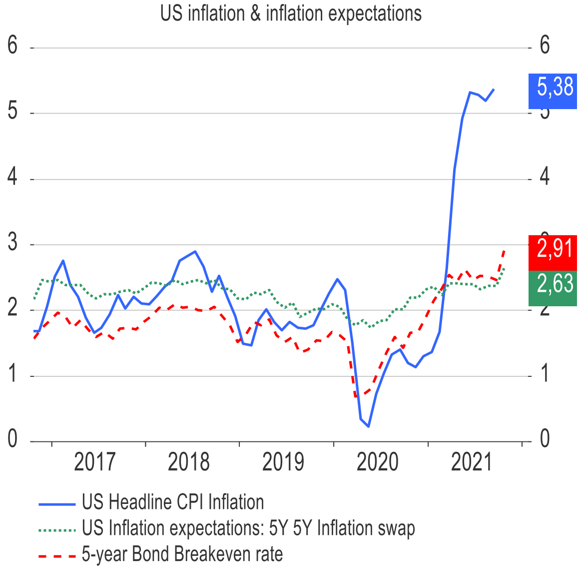
US Inflation and participation rate

Increasing risks for US inflation

WAGES GROWTH COULD PERSIST

In September, headline CPI stands at +0.41% on a month-to-month basis and is at 5.4% yoy. The key long-term driver will be the job market and inflation expectations. We still expect inflation to stabilize and fall gradually over the second half of 2022.

- Unemployment rate has been driven down by an unexpected fall in participation from 5.2% to 4.8%. Job growth in leisure and hospitality remained weak.
- In the US, the latest CFO survey shows that "74% of survey participants report that their companies are having difficulty filling open positions. Among these companies, 82% are increasing starting wages – by an average of 9.8% – in order to fill positions and 33% are implementing or exploring automation.
- The key long-term drivers will be the job market and inflation expectations. We still expect inflation to stabilize and fall gradually over the second half of 2022.

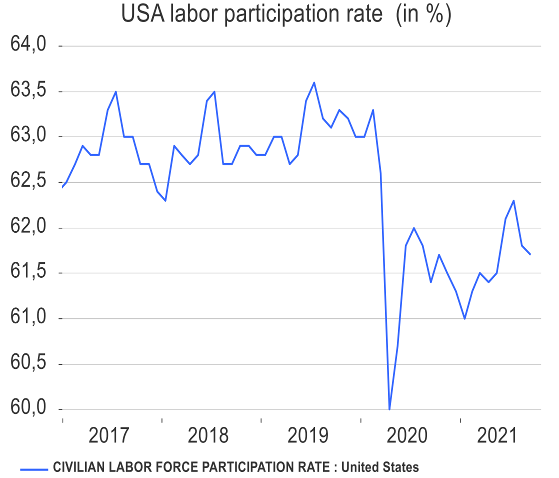


Source: Refinitiv Datastream, sept. 21

EXPLAINED BY THE LOW PARTICIPATION RATE

The participation rate is now lower than before Covid and could be a drag for US growth over coming quarters.

- The 61.6% participation rate is still well below its pre-pandemic levels (see chart).
- The structural reasons have been increased willingness to take early retirement, mismatch between the skills available and those required by employees, workers aiming at better pay and working conditions.
- We expect a gradual rise as unemployment compensations have been stopped, school have reopened, and incentives to work are much higher.



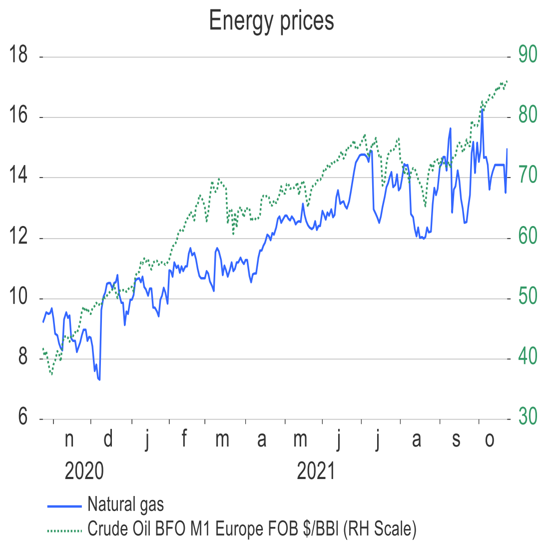
Source: Refinitiv Datastream, sept. 21

International trade, inflation and bottlenecks

ENERGY PRICES

Energy prices have been an issue on the global economy in the last weeks as it translates into inflation and reduces purchasing power for households, while possibly exacerbating geopolitical tensions if sustained. We expect a few more difficult months before seeing a stabilization.

- Global energy prices have skyrocketed in 2021 due to strong spending on goods and unpredictable weather events (flooding, drought, lack of wind) that have limited the supply. Moreover, structural underinvestment since 2014 in fossil fuels is another factor limiting supply.
- Geopolitical factors come into play. In Europe, governments have started taking measures to limit the impact on households consumption : VAT reduction on energy in Spain, "energy check" in France.



Source: Refinitiv Datastream, 25/10/2021

TRANSPORT CONGESTIONS TO REMAIN IN Q4

The supply-chain constraints lead to bottlenecks which translated in higher inflation Higher transportation costs and congestion at ports also played a key role. We expect a gradual improvement from the spring 2022 on.

- Goods demand surged at a double-digit rate in 2021 and the global orders/inventory ratio is near its highest level of the last twenty years.
- Consequences have translated into port backlogs and bad allocation of shipping containers. The Los Angeles port, which is one of the front door for US imports, is qualified by some experts as the world biggest traffic jam. The good news is that they move from a 12h to a 24h/7days a week mode. That should gradually help.
- The Baltic Dry Index, which tracks the cost of transporting dry bulk raw materials, is up 62% since mid-June and 25% in September. To be monitored.
- Air rates are more expensive than freight. However, airports are not congested, and the surplus of planes could help to stabilize world trade and limit goods inflation.

Source: Refinitiv Datastream, 25/10/2021

The Pandemic

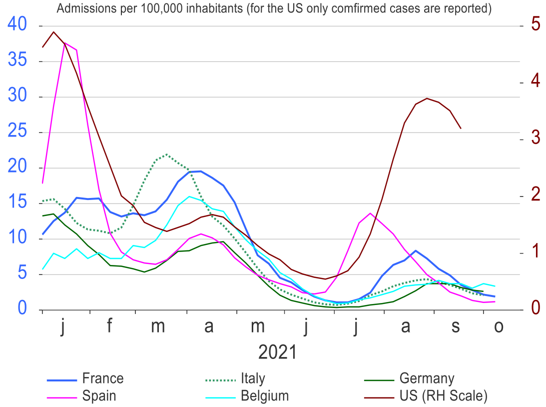
PROGRESS BUT DISPARITIES BETWEEN NORTH AND SOUTH

Hospitalization and vaccination rates are encouraging despite the recent rise in infections. This should lead to more normalization in the economies in 2022 especially in ones.

- The number of new Covid-19 cases around the world dropped below the symbolic level of 3 million in mid-October.
- In term of vaccination rate, there are still substantial disparities between rich nations (70% vaccination rate) and low-income countries, where the situation is far more contrasted.
- The IMF thinks that its target remains possible : 40% of population vaccinated in each country and 70% by the end of H1 2022.
- For year end, the risk of upsurge in Covid cases is likely. For example, the decrease of strict sanitary measures in the UK has led to strong new cases in beginning October. The key will be the hospitalization rates especially in emergency rooms.

COVID-19 weekly hospital admission rates

Admissions per 100,000 inhabitants (for the US only comfirmed cases are reported)



Source: Refinitiv Datastream, CDC for US data

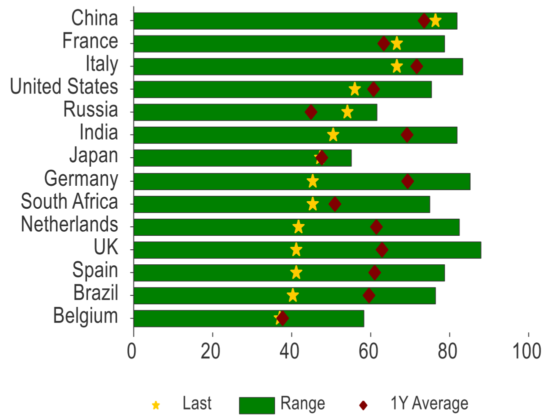
MOBILITY : ALMOST BACK TO PRE-COVID

Mobility is now close to its pre-Crisis level in most countries. A more visible improvement is expected over 2022.

- Retail and recreation footfall barely exceeds pre-pandemic levels in Belgium and Germany. They are still lower in France, Italy, UK and USA.
- New targeted lockdowns should continue around the world with some countries that have made zero policy their leitmotiv. China has recently enforced lockdown in few cities in the North of the country.
- Increase in Covid cases in September was explained by seasonal factors – mainly vacation travelling and the beginning of the school year. Other seasonal factors (colder temperatures, family reunification for Christmas) could lead to new cases increase in Q4.
- A more visible improvement is expected over 2022.

COVID-19 Stringency Index

0-100 (100 = strictest)



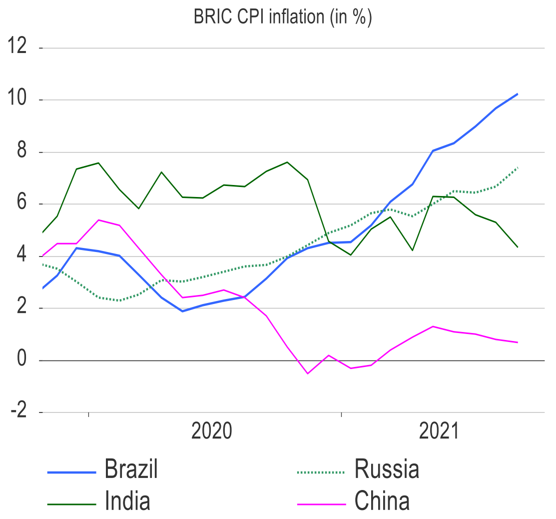
Source: Refinitiv Datastream, Oxford University, Blavatnik School of Government

EM: inflation pressures ex-Asia and slowing growth in China

INFLATION PRESSURE IN EM ECONOMIES EX-ASIA

Persistently high inflation is a downside risk to the economic growth outlook in emerging countries ex-Asia. Central have started to react and we remain confident for the region.

- Emerging economies have faced inflation pressures since the beginning of 2021. Headline inflation has continued to speed up over the summer (except in Asia), due to the rise in food and energy prices and weaker currencies against the USD. Moreover, food price increases have been higher in countries where food insecurity is an issue, putting poorer households under greater stress and fueling a risk of social turmoil.
- As a result, a growing number of central banks in Latin America and Central Europe have started to raise their policy rates.
- In Asia, inflation has remained low (North Asia) or has recently declined (India), enabling central banks to stay accommodative.

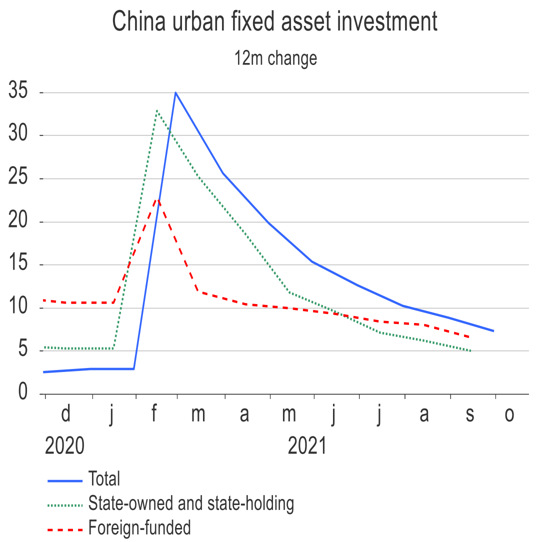


Source: Refinitiv Datastream, sept. 21

SLOWER GROWTH IN CHINA BUT POSITIVE OUTLOOK

The economic growth has reached 4.9% in Q3 on a year-on-year basis below consensus of 5.2%. For 2022, China growth should still be above 5% as we expect more government stimulus.

- Foreign investments and globalization should not be as supportive as before for China as there is a willingness of regional relocations due to supply chain risks.
- Medium-term, Chinese growth should stabilize around 5%.
- China has the willingness to have a more sustainable, more inclusive growth with less financial risks.
- In the short-term, regulation measures can limit growth somewhat, but it should enable more stable long-term growth supported by a strong middle class that should sustain consumption in the future.



Source: Refinitiv Datastream, sept. 21

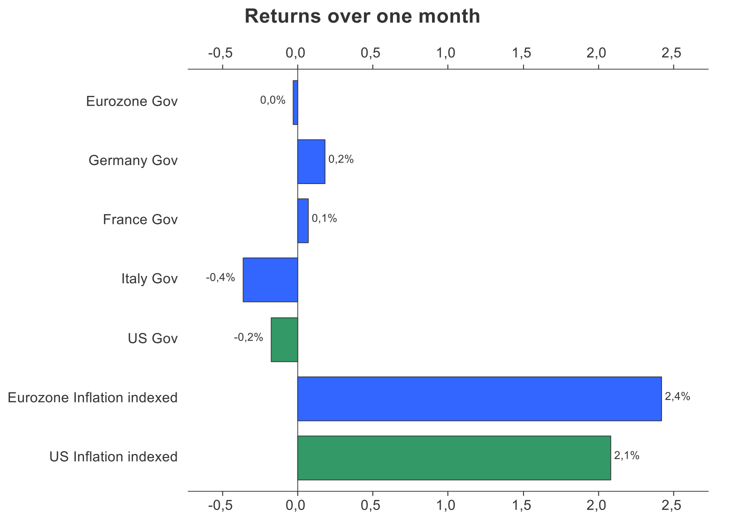
03

Fixed income

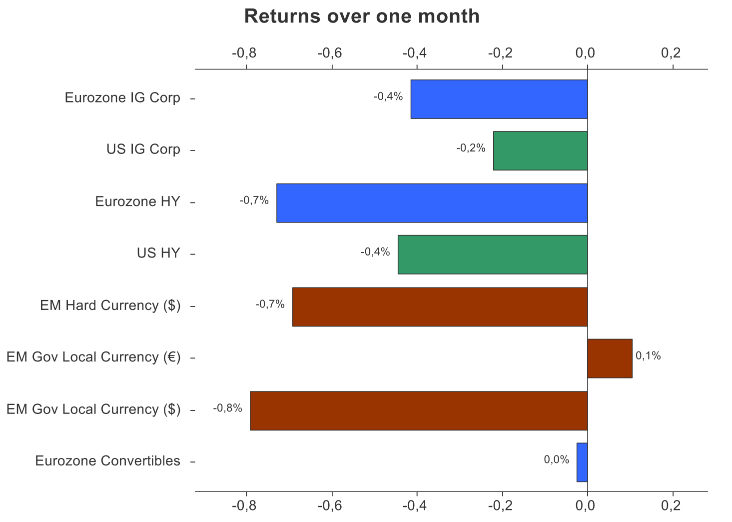
Central Banks
Bond Yields
Government Bonds
Corporate Bonds
Emerging Market Bonds

BNP PARIBAS
WEALTH MANAGEMENT

Fixed income at a glance



Source: Refinitiv Datastream, 27/10/2021 Source: Bloomberg Barclays indices exept Convertibles (Exane)



Source: Refinitiv Datastream, 27/10/2021 Source: Bloomberg Barclays indices exept Convertibles (Exane)

Inflation concerns came back. Inflation expectations have been rising fast while real yields have dropped to very low levels in the US and in Germany.

Yield curves have been flattening as more policy rates have been priced in short-term bond yields.

Markets have been pulling forward expectations for the first policy rate hike in developed markets, especially in the UK where inflation expectations have jumped.

Central Banks

While the Bank of England is on the edge of hiking rates as inflation expectations are at risk of being unanchored, both the Fed and the ECB are likely wait. We forecast a first rate hike in the US in Q4 2022 and we have brought forward our expectation for a ECB deposit rate hike to H2 2023.

Government Bonds

We stay negative on US and German long-term government bonds. Risks are for higher yields in our view. Our 10-year bond yield targets are 2% in the US and 0% in Germany in one year.

We are neutral on US short-term government bonds.

Peripheral bonds

We stay neutral on periphery bonds. Yields are very low. Spreads are tight, stable and do not offer much compression potential in our view. Peripheral bonds are vulnerable to the rise in Bund yields.

Corporate Investment Grade (IG) Bonds

We stay neutral on both US and eurozone IG credit. Spreads are tight. Fundamentals are strong, even though in the short-term macro background has weakened somewhat compared to few months ago due to rising energy prices.

Corporate High Yield (HY) Bonds

We stay neutral on HY bonds given high valuations.

We prefer rising stars and fallen angels. Rising stars are still trading wide to lower IG bonds.

Emerging Market (EM) Bonds

We are positive on EM bonds. The recent spread widening in hard currency bonds is an opportunity. We think that EM currencies have room to appreciate and that the market has already priced in the monetary policy tightening.

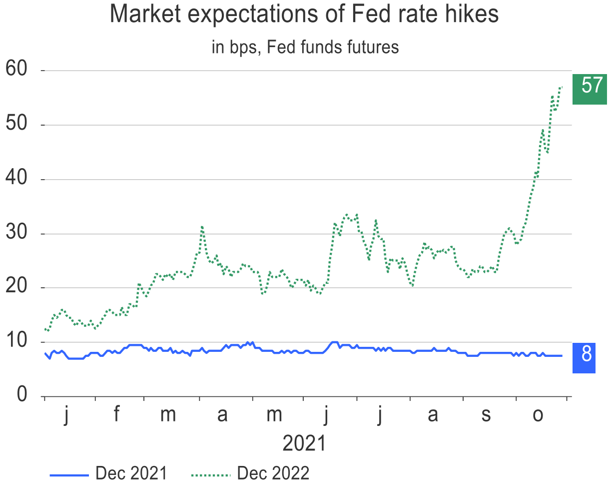
Central banks

Fed tapering, the final countdown

THE FED

Inflation expectations are rising but the Fed is likely to keep its view of "temporary inflation". Its economic projections that will be released in December should confirm that. For us, the Fed sill start tapering at the end of the year and hike rates for the first time in Q4 2022.

- The market has significantly repriced the pace of the Fed tightening cycle. While no rate hike is still expected this year, the market expect two rate hikes by the end of 2022 (see chart) with the first one being priced for September 2022.
- This is not consistent with our expectations that inflation would peak and decline in 2022. Hence, we keep our assumption of a first rate hike in Q4 2022.
- In the meantime, the Fed is likely to announce its tapering decision at the November meeting. The tapering process should last from December to June 2022 i.e. a $17bn monthly reduction in asset purchase every month. The Fed will continue reinvesting matured bonds for the next few years in our view, so its balance sheet will not shrink and financial conditions will remain easy.

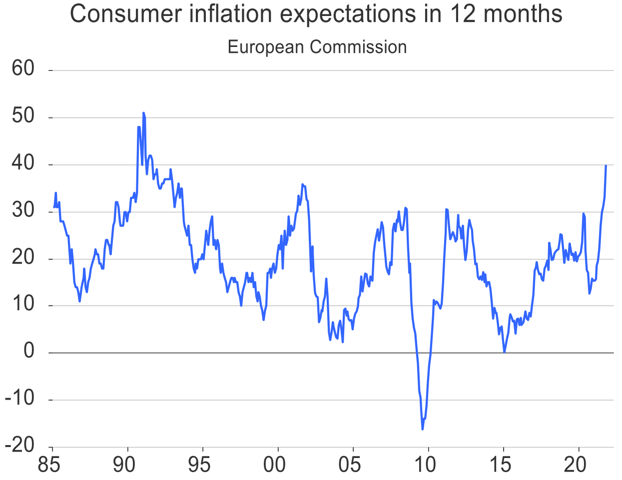


Source: Refinitiv Datastream, 28/10/2021

THE ECB

On account of recent inflation developments, we have brought forward our expectation for a deposit rate hike to H2 2023.

- As President Lagarde said, the main topic of the October ECB meeting was "inflation, inflation, inflation". Indeed, market-based inflation expectations have been rising fast and consumer surveys also point to increased concerns (see chart).
- The ECB still think that inflation is transitory, with a decrease of inflation pressure in the course of 2022, but admitted that the phase of higher inflation could last longer than expected.
- The market has strongly repriced the pace of ECB rate hikes and is currently pricing two rate hikes of the deposit rate in October 2022.
- On account of recent inflation developments, we have brought forward our expectation for a deposit rate hike to H2 2023.
- The December meeting will be important and should formalise the end of the emergency QE programme.



Source: Refinitiv Datastream, oct. 21

Bond yields and Inflation expectations

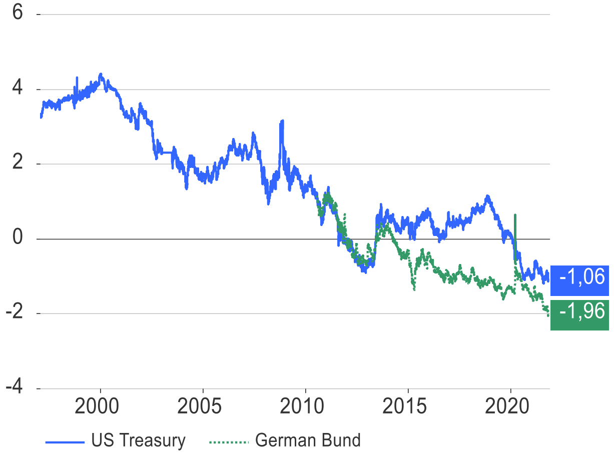
Yields edge higher

BOND YIELDS

Bond yields have been rising and are likely to continue doing so. Our 12-month targets for 10-year rates are 2% in the US and 0% in Germany.

- Long-term bond yields rose a few basis points more month-to-date in the US and Germany. The rise was fully fuelled by breakeven rates as real yields actually declined. The German 10-year real yield hit its lowest level ever.
- The US and German yield curves flattened, as short-term bond yields rose faster than long-term bond yields. Inflation concerns and rising Fed/ECB rate hike expectations have been reflected in the short-end of yield curves.
- We expect long-term bond yields to continue to move higher given inflation worries and central banks' moving away from the Covid-19 emergency measures.
- The flood of liquidity, the obligation for insurers/pension funds to buy safe assets, the ECB and the Bunds scarcity may limit how much bond yields can rise.

Real Yield on 10-Year Government Bonds



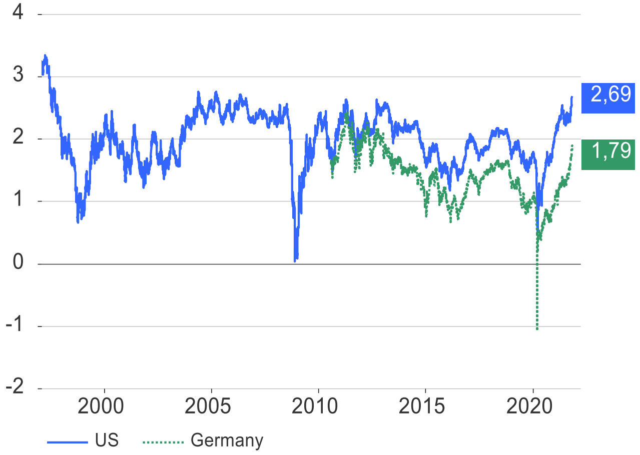
Source: Refinitiv Datastream, 28/10/2021

INFLATION EXPECTATIONS

We are neutral on inflation-linked bonds. We see limited upside for breakevens while risks are for higher real yields.

- The post Covid supply chain bottlenecks, combined with strong demand and rising energy prices have been pushing up inflation concerns.
- Market-based expectations for inflation have risen fast (see chart). They are testing again high levels in the US that they have rarely breached. Investors have rushed on the latest US 5-year Treasury inflation-protected bonds.
- Valuations look rich. We think breakevens rate have little upside potential.
- Hence, the returns of inflation-linked bonds will be very dependant on how real yields evolve. As we expect them to rise, we prefer to keep a neutral view on inflation-linked bonds.
- Funds that actively manage duration or floating rate notes are a better way to protect against inflation and possible rising rates, especially in the US.

10-year breakeven inflation rates



Source: Refinitiv Datastream, 28/10/2021

Government Bonds

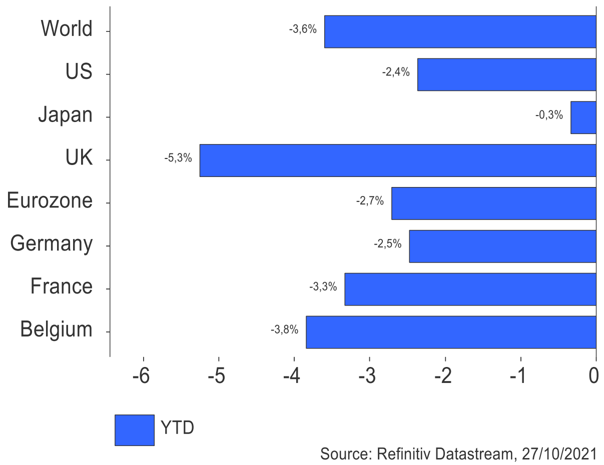
Prefer peripheral bonds relative to core govies

US AND GERMAN GOVIES

We stay negative on US and German long-term government bonds, in line with our view of higher bond yields. We are also negative on short-dated government bonds in Germany and neutral on US counterparts.

- As bond yields have risen again this month, government bonds declined further. Total returns since 1 January are negative in many developed countries (see chart).
- Bonds yields in the US have reached levels that start to be attractive for long term investors such as pensions and insurers. The latest 10- and 30-year auctions recorded robust demand, particularly from international investors. Indeed, US yields once hedged from currency risks remain higher then local yields for international investors.
- On the opposite, core and semi-core yields in the eurozone are barely positive.
- We stay negative on both US and German long-term government bonds. We are neutral on US short-dated government bonds, as an alternative to cash for USD-based investors.

Government Bonds Total Returns



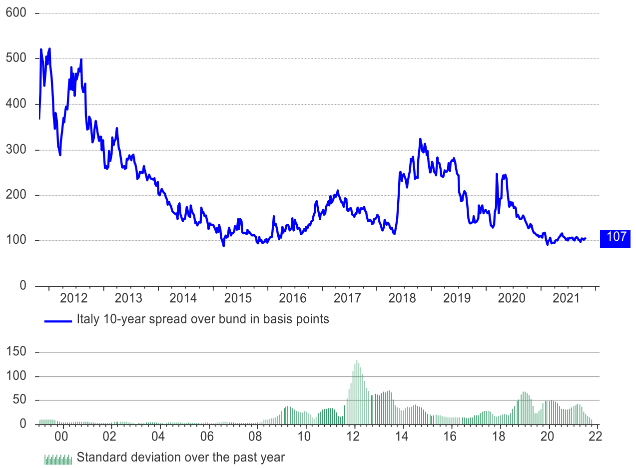
Source: Refinitiv Datastream, 27/10/2021

EUROZONE PERIPHERAL BONDS

We stay neutral on periphery bonds. Yields are very low. Spreads are tight, stable and do not offer much compression potential in our view. Peripheral bonds are vulnerable to the rise in bund yields.

- Spreads tightened somewhat in the euro periphery month-to-date, except in Greece that saw a modest widening.
- Spreads remain compressed on a historical point a view and volatility has declined sharply (see chart), which is the goal of the ECB that wants to prevent any fragmentation in the eurozone.
- Late November, S&P surprisingly upgraded Italy's sovereign outlook to positive, suggesting it could eventually upgrade its rating (currently BBB). S&P cited the Italian government's progress in implementing reforms as well as the ECB support.
- We stay neutral on periphery bonds. Yields are very low. Spreads are tight and stable. In our view, they do not offer much potential to tighten substantially more. Peripheral bonds are vulnerable to the rise in bund yields as spreads are tight.

Italy 10-year government bond spread over bund



Source: Refinitiv Datastream, 27/10/2021

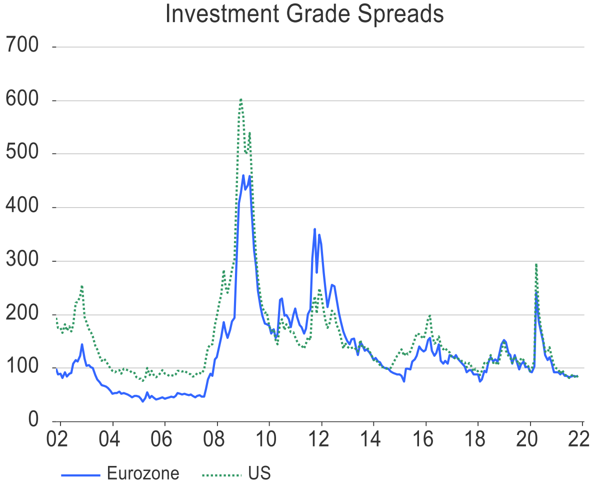
Corporate Bonds

High cash prices means selective opportunities

INVESTMENT GRADE (IG)

We stay neutral on both US and eurozone IG credit. Spreads are tight. Fundamentals are strong but the macro background has weakened somewhat compared to few months ago.

- The Q3 earnings seasons has just started. Expectations were revised downward against the backdrop of supply chain and inflation concerns.
- Fundamentals are strong but the macro background has weakened compared to few months ago, but demand remains strong. About 80% of October's deal in the eurozone quoted tighter than launch. In the US, concessions started to creep higher, albeit from very low historical levels, suggesting slightly weaker demand from investors, as bond yields have been moving higher (remember that the duration on US IG corporate is very long, close to 9 years).
- The asset class is expensive (see chart).
- We stay neutral on both US and eurozone IG credit.

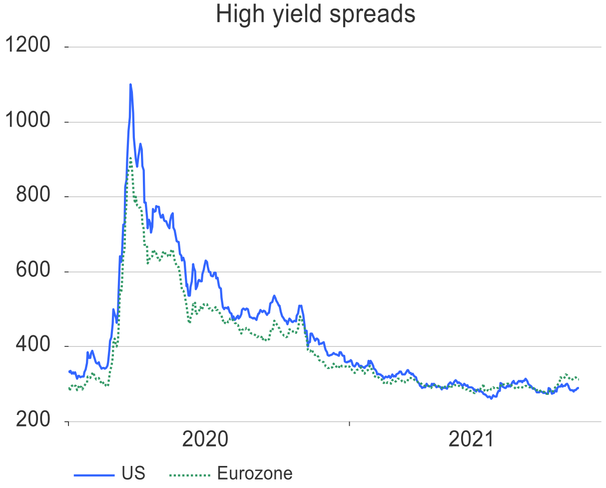


Source: Refinitiv Datastream, 28/10/2021

HIGH YIELD (HY)

We stay neutral on HY bonds given high valuations. We prefer rising stars and fallen angels. Rising stars are still trading wide to lower IG bonds.

- US and eurozone HY bonds' excess return have diverged lately. Credit spreads widened 19bps month-to-date in the eurozone and declined 4bps in the US (see chart). The US outperformance is due to the higher weight of oil/energy companies in the US index relative to the eurozone index.
- US energy companies rushed to refinance, benefitting from surging crude prices and robust demand.
- The default rate continued to decline as issuers have been able to refinance at low cost and push out maturities.
- Volatility may rise in 2022, offering selective opportunities. On an asset class level, valuations are tight and we stay neutral on both eurozone and US HY bonds.
- We find value in rising stars and fallen angels.



Source: Refinitiv Datastream, 28/10/2021

Emerging Market Bonds

EM bonds are attractive

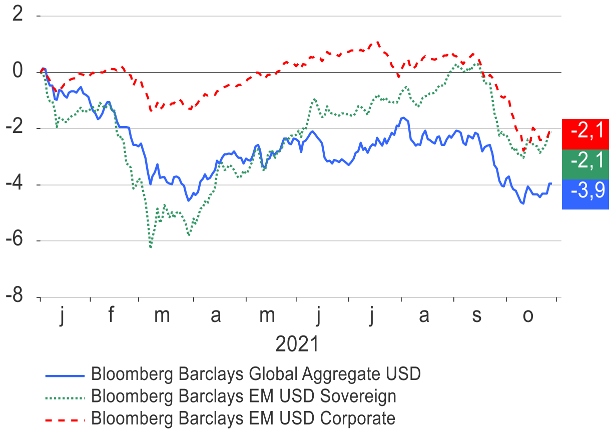
EM BONDS IN HARD CURRENCY

We stay positive on EM HC bonds. The recent spread widening is an opportunity. EM hard currency bonds are seeing some support from negative US real yields and the rise in Treasury yields is likely to be limited.

- EM sovereign bonds stabilised month-to-date after the drop in October. Spreads tightened but the asset class posted slightly positive return as Treasury yields rose only marginally.
- EM corporate bonds continued to be under pressure month-to-date because of Chinese corporate bonds, which represent the main weight of the index (close to one third).
- Credit spreads tightened marginally in the past few days. The Chinese bank reassured markets with liquidity injection and Evergrande paid a coupon in USD. Hence, fears of contagion receded.
- EM corporate fundamentals are sound and have been improving. The rating trend has been improving as well.
- We stay positive on EM HC bonds.

YTD returns of EM HC bonds vs Global bonds

in %



Source: Refinitiv Datastream, 28/10/2021

EM BONDS IN LOCAL CURRENCY

We stay positive on EM local bonds. We think that EM currencies have room to appreciate against both the euro and the dollar and that the market has already priced in the monetary policy tightening.

- EM central banks keep being very active and rise policy rates, in contrast to central banks in the developed world. Hence, the difference between EM real policy rate and the US one increased.
- EM currencies slightly appreciated against the euro but were flat against the dollar. The strong underperformance of the Brazilian real and the Turkish Lira, both facing high inflation, weighted on the index. Looking forward, our targets suggest room for EM currency appreciation against both the euro and the dollar. EM currencies are cheap (see chart).
- On the rates side, several EM central hiked policy rates in the wake of higher inflation, with the notable exception of Turkey, which cut rates despite a 20% rate of inflation. We believe that the EM rate cycle is already priced in.
- We stay positive on EM local bonds.

Emerging Market Currency index

(JP Morgan)

Source: Refinitiv Datastream, 28/10/2021

04

Forex

VS EUR

VS USD

Forex at a glance

High energy prices, inflation concerns, and interest rate differentials have been the main drivers on FX markets in October. We adjusted our emerging markets target rates to better represent current conditions :

Based on inflation concerns, political uncertainty and a weak central bank we shifted to a less bullish outlook on the BRL, while still seeing long-term strengthening based on interest rate differentials and lower uncertainty.

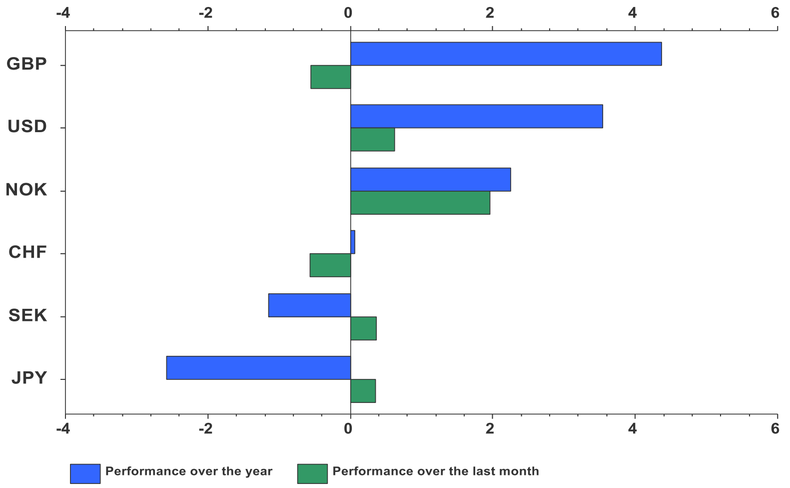
We expect a stronger than previously anticipated Russian currency based on high energy prices over the coming months.

In India, a worsening current account and a dovish stance from the central bank point towards a weaker rupee, in an environment of higher energy prices and inflation rates.

We adjusted our outlook and see a slightly weaker Chinese currency driven by slowing growth, and a rate differential that is shifting in favor of the USD.

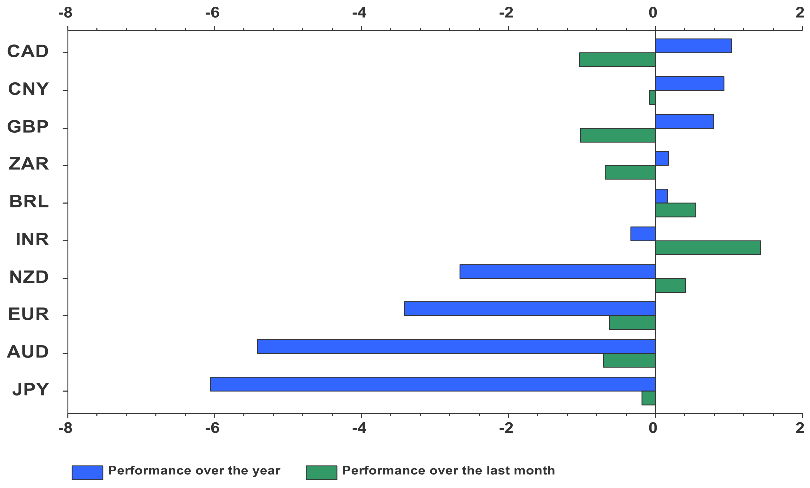
Finally, we adapt our NOK target, after our previous target has been reached, and maintain our bullish scenario.

Currencies performance against the EUR (%)



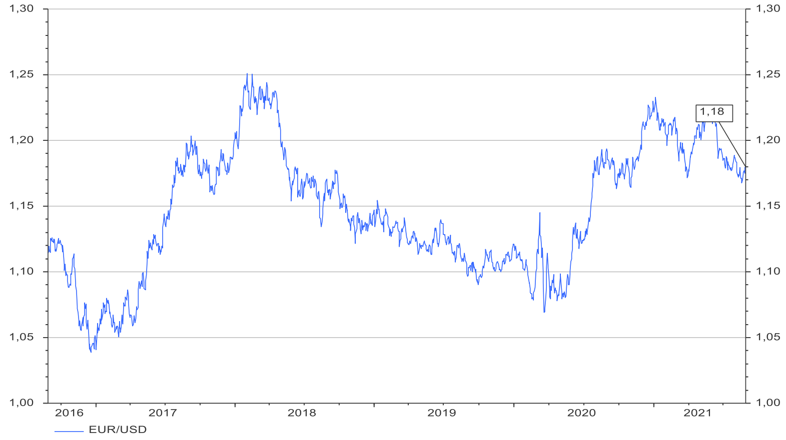
Source: Refinitiv Datastream, 30/08/2021

Currencies performance against the USD (%)



Source: Refinitiv Datastream, 30/08/2021

EUR/USD



Source: Refinitiv Datastream, 30/08/2021

	Country	Spot	27/10/2021	Target three months Trend	Target three months Mid	Target twelve months Trend	Target twelve months Mid
Against euro	United States	EUR / USD	1,159	Neutral	1,16	Neutral	1,18
	United Kingdom	EUR / GBP	0,842	Neutral	0,85	Neutral	0,84
	Switzerland	EUR / CHF	1,067	Negative	1,10	Negative	1,12
	Japan	EUR / JPY	132,5	Positive	129	Neutral	131
	Sweden	EUR / SEK	9,98	Neutral	10,0	Neutral	10,0
	Norway	EUR / NOK	9,69	Neutral	9,75	Neutral	9,60
Against dollar	Japan	USD / JPY	114,3	Positive	111	Positive	111
	Canada	USD / CAD	1,238	Neutral	1,25	Neutral	1,24
	Australia	AUD / USD	0,751	Negative	0,73	Neutral	0,76
	New Zealand	NZD / USD	0,717	Negative	0,70	Neutral	0,73
	Brazil	USD / BRL	5,575	Neutral	5,50	Positive	5,25
	Russia	USD / RUB	69,61	Positive	68,0	Positive	68,0
	India	USD / INR	74,96	Neutral	76,0	Negative	78,0
	China	USD / CNY	6,381	Neutral	6,50	Neutral	6,50

Source: Refinitiv Datastream, BGL BNP PARIBAS Wealth Management

Our position for this month

Evolution of our position from last month

VS. EUR

Outlook for currencies versus EUR

	Country		Spot 27/10/2021	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1,159	Neutral	1,16	Neutral	1,18
	United Kingdom	EUR / GBP	0,842	Neutral	0,85	Neutral	0,84
	Japan	EUR / JPY	132,5	Positive	129	Neutral	131
	Switzerland	EUR / CHF	1,067	Negative	1,10	Negative	1,12
	Australia	EUR / AUD	1,543	Negative	1,59	Neutral	1,55
	New-Zealand	EUR / NZD	1,618	Negative	1,66	Neutral	1,62
	Canada	EUR / CAD	1,435	Neutral	1,45	Neutral	1,46
	Sweden	EUR / SEK	9,98	Neutral	10,00	Neutral	10,00
	Norway	EUR / NOK	9,69	Neutral	9,75	Neutral	9,60
Asia	China	EUR / CNY	7,399	Neutral	7,54	Negative	7,67
	India	EUR / INR	86,91	Neutral	88,16	Negative	92,04
Latam	Brazil	EUR / BRL	6,464	Neutral	6,38	Positive	6,20
EMEA	Russia	EUR / RUB	80,71	Positive	78,88	Neutral	80,24

Source: Refinitiv Datastream, BGL BNP PARIBAS Wealth Management

Over the month the EURUSD, behaved according to our forecast, from a technical point of view the dollar entered overbought territory under 1.16 (value of one euro). We still expect economic momentum to favor the EUR.

- The Eurozone's economic recovery is ongoing, growth in the EU is expected to be well above trend with risks linked to supply shocks and high energy prices, especially natural gas, that could put a dent in growth figures. Inflation figures have not peaked yet as main drivers described in the macro section are still active, as well as a strong base effects. Inflation risks are lower in Europe relative to the US.
- The USD gained in September and October against EUR, mainly driven by Chinese tensions. The US trade balance has strongly deteriorated in 2021, as consumer spending patterns shifted from home services to imported goods. The broad basic balance in the US remains firmly negative, due to investor appetite for foreign debt.
- A medium-term risk for the EURUSD pair lies in asymmetric inflation. If inflation in the US turns systemic the euro could strengthen significantly, as strong wage inflation in the EU is unlikely.
- In Switzerland, we still believe that FX intervention will remain the SNB's main FX tool. We see slight weakening of the franc to 1,10 and 1,12 on a 3- and 12-month horizon.
- Driven by stronger than expected changes in energy prices, the NOK has broken our previous 3M target mid-October. Some of the NOK strengthening is be attributed to the hawkish central bank tone and rate hikes. Our short-term technical analysis also points to further strengthening of the currency. Hence, we slightly adjust our 3-month target to 9,75

VS. USD

Updated Outlook for emerging currencies versus USD

	Country		Spot 27/10/2021	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1,159	Neutral	1,16	Neutral	1,18
	United Kingdom	GBP / USD	1,379	Neutral	1,36	Neutral	1,40
	Japan	USD / JPY	114,3	Positive	111,00	Positive	111,00
	Switzerland	USD / CHF	0,920	Negative	0,95	Negative	0,95
	Australia	AUD / USD	0,751	Negative	0,73	Neutral	0,76
	New-Zealand	NZD / USD	0,717	Negative	0,70	Neutral	0,73
	Canada	USD / CAD	1,238	Neutral	1,25	Neutral	1,24
Asia	China	USD / CNY	6,381	Neutral	6,50	Neutral	6,50
	India	USD / INR	74,96	Neutral	76,00	Negative	78,00
Latam	Brazil	USD / BRL	5,575	Neutral	5,50	Positive	5,25
	Mexico	USD / MXN	20,18	Positive	19,70	Positive	19,00
EMEA	Russia	USD / RUB	69,61	Positive	68,00	Positive	68,00
	South Africa	USD / ZAR	14,84	Neutral	15,00	Neutral	15,00
	USD Index	DXY	93,95	Neutral	93,86	Neutral	92,49

Source: Refinitiv Datastream, BGL BNP PARIBAS Wealth Management

Following recent adjustments in our central bank outlook, we reviewed our outlook for emerging currencies and adjusted the real, ruble, rupee and renminbi , especially considering recent energy price movements.

- The Brazilian Real has weakened against the USD recently. Driven by high inflation which could proves hard to manage for the central bank. In addition, high political uncertainty and upcoming elections have also played a role. We decided to adjust our 3M and 12M price targets to 5.5 and 5.25 respectively (up from 4.9 and 4.8). We remain bullish long term as the interest differential should favor the real
- The Russian currency looks undervalued and positioning in the RUB does not look crowded either. As a result, we expect the currency to appreciate from here. Also positive are very high energy prices that could stay high for some months. Geopolitical risks have shifted away from Russia. As a result, we adjust our USDRUB outlook from 70 to 68 at a 3-month horizon and maintain our 68 target at a 12-month horizon.
- The Indian rupee has been supported by a narrowing trade deficit, but in our view a gradual lifting of restrictions and higher energy prices are likely to weigh on the current account again. While central bank's strong reserve position should counterbalance some of this weakness, seasonal patterns could exacerbate a softer external balance as the economy reopens. In addition, strong inflation and a dovish monetary policy stance should further weaken the currency. We adjust our 3- and 12-month targets to 76 and 78, respectively.
- Against a backdrop of weakening growth outlook and increasing tensions with the US, we decided to shift our 3- and 12-month CNY targets to 6,5. In addition rate hikes are priced in 2022 in the US but not in China, further comforting us in this adjustment.

05

Equities

Global Equities
Investment Themes
Investment Factors
Sector Allocation
Sector Preferences

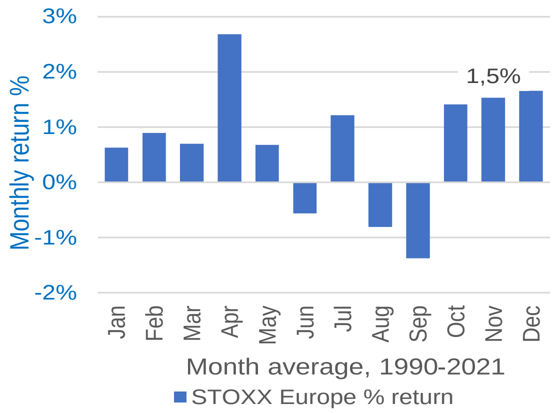
BNP PARIBAS
WEALTH MANAGEMENT

Equities at a glance

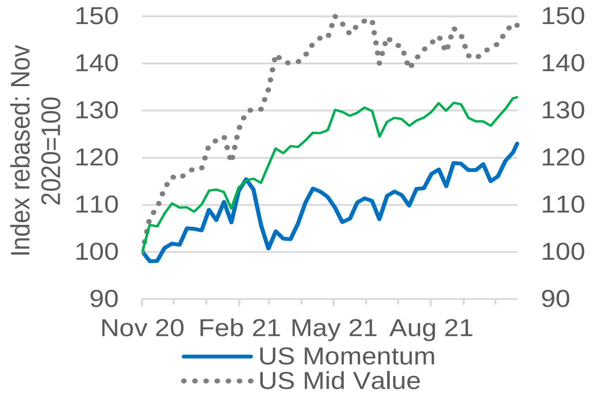
Equity markets progressed over October: a 3% gain in the US over the last month and modest gains in Europe, combined with a surprising 6% bounce in the Hong Kong Hang Seng index fit with typical bullish Q4 seasonality..

Strong earnings momentum on the back of a bullish Q3 result season, allied with rising buybacks, negative real yields and boosted M&A activity are key drivers for stocks. The huge levels of cash savings still on the sidelines underline the potential firepower that could still flow into stock markets in Q4 2021.

November is a strong seasonal month



Momentum moves, but still lags Value



Source: BNP Paribas, Bloomberg

Sectors: Stay with Cyclical Oil & Gas, Banks

Favour cyclicals over defensives, Oil & Gas and Banks highlighted: The sharp and durable rally in natural gas and crude oil prices is a boon to Europe Oil & Gas majors and US Oil Exploration & Production. Steeper yield curves, dividends + buybacks boost Banks.

Factors: Small/Mid-Cap outperforms

Size works in Europe, EM and rallying back in US: Smaller companies continue to outperform in Europe over the year to date (+23%), benefiting from stronger earnings outlooks and the prospect of economies gradually reopening. The MSCI EM Smallcap index (mid-cap in reality) benefits from its bias to Taiwan, S. Korea and India.

Theme: Time for Renewables to Shine

COP26 a catalyst for renewable energy theme: COP24 and COP25 both acted as a positive catalyst for clean energy stocks; we expect COP26 to do much the same, after a cooling in renewable energy thematic momentum since February of this year. .

Regional Allocation: UK, Japan over Nasdaq

Prefer Eurozone, UK, Japan, EM ex China: Cyclical value and improving profitability plus M&A activity are the key attractions in these key stock markets.

In the US, while we maintain a Neutral recommendation, there could be good reasons to favour US small-cap value exposure over Q4 2021, on the back of strong domestic consumption and strong new order momentum.

Risks

US Federal Reserve over-tightening of monetary policy is a key risk for equities, although we expect the Fed to taper only gently. The risk of contagion in China from a potential Evergrande default is the most evident near-term concern.

Global Equities view

We focus on cyclical value

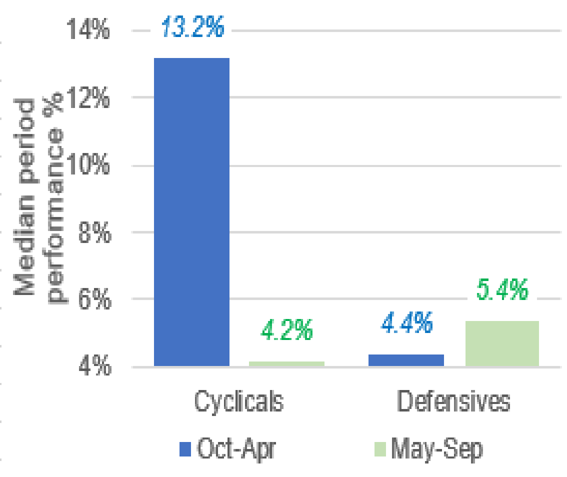
KEEP THE FOCUS ON CYCLICAL VALUE

Inflation expectation beneficiaries: Banks, Life Insurance, Oil & Gas, cyclical value stocks have started to outperform on the back of rising inflation expectations – a trend we expect to continue. Favour financials, oil & gas sectors.

Value stocks tend to outperform when inflation expectations are rising, as these rising expectations usually reflect higher nominal growth in the economy, which tends to boost the growth and profitability of more cyclical sectors and stocks.

Inflation is set to remain higher for longer: guess what? With the surge in inflation rates driven by a whole host of factors, including supply chain disruptions, surging food and energy prices and rising wages as employment recovers, inflation expectations are unsurprisingly on their way higher.

Cyclicals have a huge skew towards the October-April period of the year



Note: Average monthly returns for Europe indices
Source: BNP Paribas.

COP26 COULD BE A TRIGGER FOR RENEWABLE ENERGY STOCKS

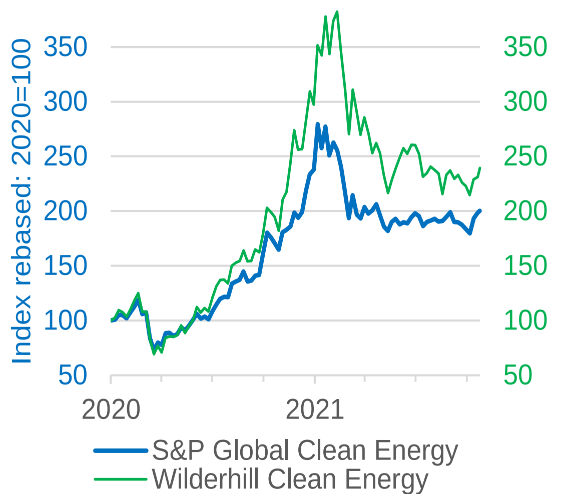
With the final Brexit deal done and the rapid COVID vaccination rate in the United Kingdom, the outlook for UK value is extremely promising, enough for a **"trade** of the decade**."**.

The COP 26 conference begins in Glasgow on 31 October. The two previous COP conferences in 2018 and 2019 resulted in strong performance for renewable energy stocks.

After a relatively sharp pullback in solar, wind energy and hydrogen-related stocks since February oil this year, valuations have become far less stratospheric.

Not only should solar panel and wind power equipment makers benefit, but so should the related commodities such as silver, tin, copper and rare earth metals. I would focus on investment in energy storage systems, be it via industrial batteries, hydroelectric dams or other solutions.

Global clean energy indices stabilise, and now threaten to break out



Source: Bloomberg

Sector Allocation

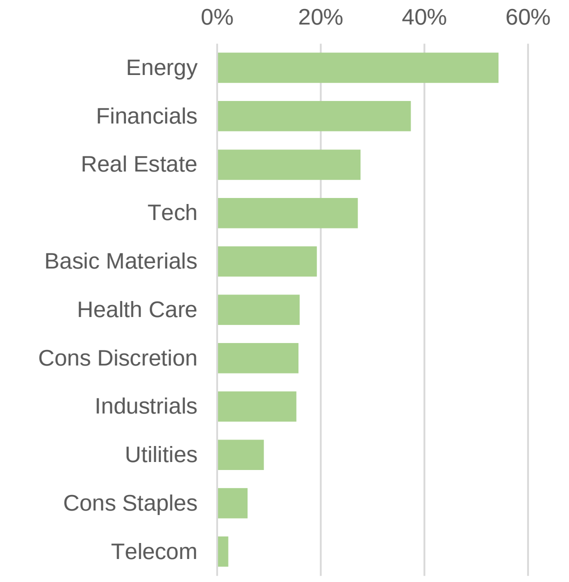
Rising bond yields favour value/ cyclicals

STAY WITH RATE-SENSITIVES; DON'T BE UNDERWEIGHT FINANCIALS AND ENERGY!

Rate-sensitive Energy and Financials sectors continue to lead the way higher as US long-term rates rise, driven up by inflation breakevens now as high as 2.6%. Strong Q34 earnings results and positive earnings revisions should provide further fuel for continued upwards momentum in these sectors.

- US growth v value: In the US, for example, growth has beaten value by a distance over the last few years since 2014, as long-term inflation expectations fell from around 3% to as low as 1.5% in mid-2020.
- But today, with US CPI inflation rates running at over 5%, inflation expectations are increasing, currently at 2.2%. The more that these expectations rise, the greater the chance that US value stocks will outperform growth, as happened in the early 2000s. With the CPI implied cost of shelter component lagging actual house price growth by about 18 months, US inflation is set to remain high for some time to come

US sectors: year-to-date performance

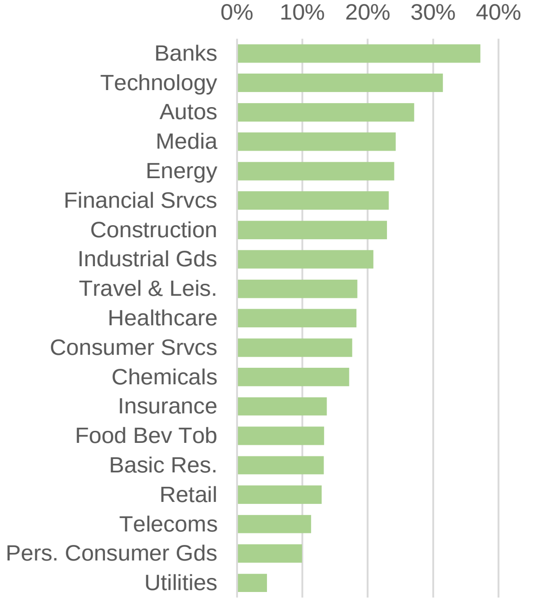


Source: FTSE Russell. Note: performance to 27 October

Since 2005, European cyclical stocks (as defined by STOXX) have posted an average 5.4% return over Q4, versus only 0.9% for defensive stocks. This cyclical outperformance tends to continue at the beginning of the following year as well, up until the end of April.

- The three sectors that I think typify cyclical value in Europe today are the Oil & Gas, Mining (Basic Resources) and Banks sectors.
- Since 1992, the European Oil & Gas sector has posted a 3.2% average gain over Q4, while Banks have done better at 4.5% on average, and Miners best of all at 5.5%. Over the full October-April 7-month period, Miners have posted an average gain of over 14%.
- Within Oil & Gas, favour natural gas exposure: while crude oil prices have almost doubled since November last year (from around $37/barrel to $76-79 now), it is natural gas prices in Europe that have really exploded in bitcoin-like fashion.

Europe sectors: Tech and Banks in the lead



Source: STOXX. Note: performance to 27 October

Asian Equities view

Revisit India on a Market Pullback

INDIA BEST PERFORMING MAJOR MARKET IN WORLD TAKING PROFIT

ASIA COUNTRY PREFERENCE

+	=	–
COUNTRY		
China, Taiwan Singapore South Korea Indonesia	Thailand Malaysia Philippines India (-)	-

- We have decided to take profits on India largely due to the extremely strong price action, moving from Overweight to Neutral. The Sensex has appreciated circa 60% since the upgrade in end May 2019, 52% last 12 months, and 29% year-to-date as of October 28th. It is the best performing major equity market in the world in 2021. It trades at a record 60% premium to Asia stocks and near 100% valuation premium to China equities. The Sensex 30 Index trades at a 26x current year earnings and 22x next year earnings. Furthermore, higher energy prices and higher inflation will lead to RBI rate hikes as we are seeing globally.
- Why should India trade at a premium and it has historically?: India long-term fundamentals remain strong. (1) Improving business landscape under PM Modi, (2) Young population – demographics key to growth in an aging world, (3) Lower levels of debt compared to other major countries, (4) Large and growing domestic market, and (5) Strong culture of high return on equity with company returns. Two of the top 3 wealthiest people in all of Asia are located in India currently reflecting the massive domestic growth catch-up potential. We would revisit the case on a market pullback. India also provides diversification potential from China with lower correlation.
- China equities have rebounded strongly during the month with MSCI China up nearly 5% as of October 28th. Moderate loosening of mortgage lending constraints and realisation that Evergrande is not Lehman aided performance. Furthermore, the technology sector rallied with no new major negative newsflow and valuations becoming more attractive.

ASIAN EQUITIES STRONG IN OCTOBER

		1-month (%)	YTD (%)	2020 (%)	Forward PE (x)	Trailing PB (x)	Dividend Yield (%) 2021f	EPS Growth (%) 2021f	EPS Growth (%) 2022f	ROE (%) 2021f
	Asia Ex-Japan	2.6	-2.5	22.5	14.4	2.0	2.3	39.5	9.4	11.6
North Asia	China	4.2	-14.2	25.9	13.6	2.0	2.5	14.8	15.9	11.3
North Asia	Hong Kong	1.3	-0.9	2.1	16.1	1.3	2.8	24.3	15.8	7.9
North Asia	South Korea	-1.9	-2.2	34.0	10.4	1.3	2.4	111.7	-0.9	13.8
North Asia	Taiwan	1.4	14.7	28.6	14.4	2.9	2.7	56.3	0.2	19.7
South Asia	India	2.6	30.9	16.8	24.4	4.3	1.0	34.6	17.9	13.6
South Asia	Indonesia	7.5	3.2	-9.5	16.1	2.8	2.4	29.3	20.6	14.3
South Asia	Malaysia	2.5	-5.5	-1.7	14.8	1.7	3.9	106.8	-10.6	10.2
South Asia	Philippines	5.1	2.5	-9.7	18.1	2.0	1.3	50.7	26.8	6.9
South Asia	Singapore	4.2	13.9	-12.8	15.5	1.5	3.4	47.2	14.5	8.0
South Asia	Thailand	1.1	6.5	-13.9	18.9	2.3	2.6	59.2	13.3	9.0

Source: Datastream, BNP Paribas (WM) as of 28 Oct 2021

06

Commodities

Oil

Gold

Base Metals

Commodities at a glance

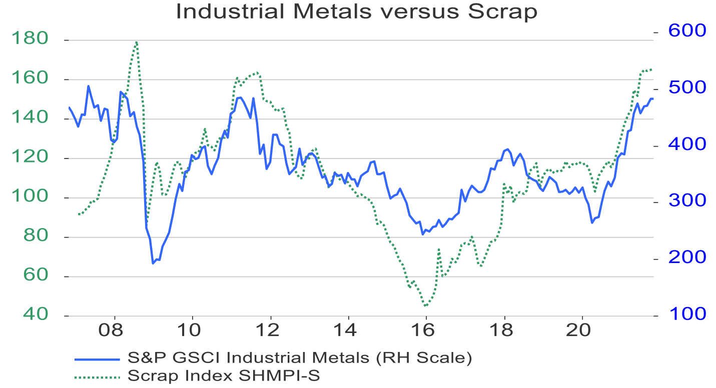
Gold recovered 4% since its low end of September and is testing the $1800 level despite higher bond yields and a stronger dollar.

The Bloomberg Base metals Spot index rose 16% in October before giving back 60% of its gains. Aluminum plunged from a 13-year high as China stepped up measures to ease a power crunch. Copper also retreated but is still up 25% ytd (as of 27/10)

Oil: the Brent barrel rose 33% from its August low of $65 to its top at $86 on Oct 26.

BASE METALS

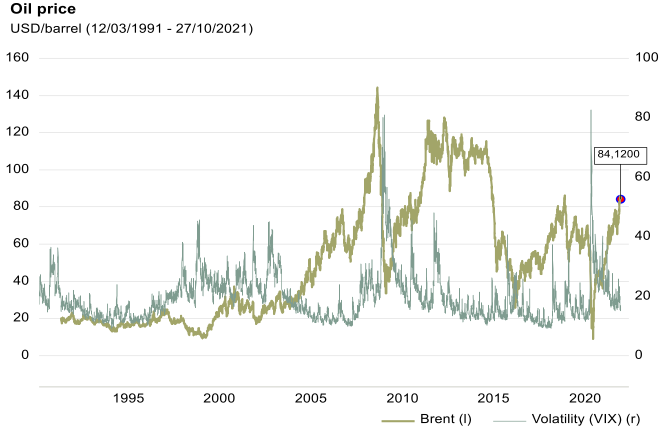
The Chinese economic slowdown and the energy crunch should weigh on base metal demand during the winter. But the medium-term outlook remain bright as demand is expected to increase significantly while supply will remain tight.



Source: Refinitiv Datastream, 27/10/2021

OIL

Low inventories, tight supply management by the OPEC+, rising demand as economies reopen together with the threat of a switch from natural gas to oil should keep brent prices around $80 in the coming months.



GOLD

The risk of a more persistent inflation is positive for gold. Energy prices could be the catalyst. Gold remains our preferred hedge against economic, financial et geopolitical tail risks.

Source: Refinitiv Datastream

Our position for this month

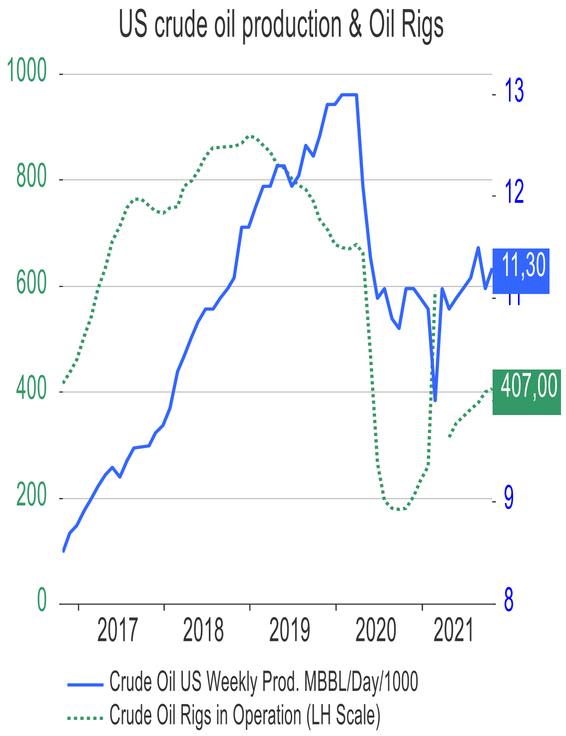
Evolution of our position from last month

Oil

Risks remain skewed on the upside

Tight supply management by OPEC+, declining inventories and fears that high natural gas prices will lead to additional demand due to substitution effects have pushed Brent prices up tp $85/barrel. Risks remain skewed on the upside during the winter.

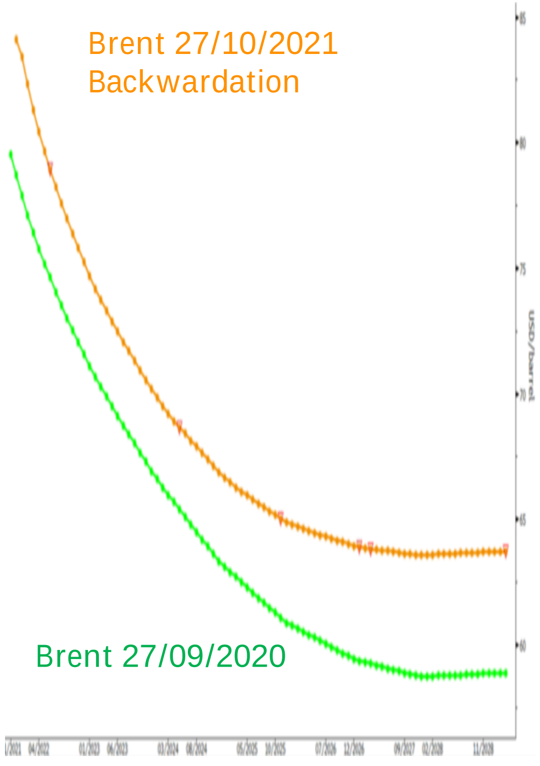
- The OPEC+ is reducing its production cuts by 0,4% mbd per month since August (cuts were at 5,7 mbd in July). Prudent supply management and high discipline within the alliance should limit the price downside risk.
- Iran and EU will restart Nuclear Talks in November, But a deal should not be concluded before the spring and logistical bottlenecks prevent a swift ramp-up of Iranian exports..
- The US shale oil production is increasing but slowly as capital discipline prevail.
- A cold winter could push natural gas prices to levels that trigger substitution effects.
- When global demand will be back at pre-pandemic level (delayed by the delta variant to mid-2022) and all idled barrels back on the market, there will be little excess capacities left due to the low level of investment decisions made since the 2014 downturn. From there, if demand continues to increase prices could reach $90-100/b. A growing number of analysts are expecting that the global oil supply will peak earlier than the global demand



Source: Refinitiv Datastream, 27/10/2021

The term structure of the Brent futures remain in strong backwardation, a sign that there is no supply glut. The futures one-year rolling yield is now at 9.5% (27/9). This with our price outlook plead to remain invested in "smart roll" products.

- Backwardation: is when the prices for future delivery decline in function of the maturity of the contracts
- Contango: is the opposite situation, prices for future delivery increase in function on the maturity of the contracts.
- Rolling yield: Commodity funds and ETFs invest via the future market and as they do not want to take delivery of the commodities, they "roll the contracts" i.e. sell the contracts about to mature to buy new ones with a longer maturity. If they buy at a cheaper price, they make a gain when the contract arrives close to maturity (everything else unchanged), they have a positive rolling yield. In a contango situation, the rolling yield is negative.
- Final commodity users are usually ready to pay a higher price for immediate delivery. When supply is constrained and demand increases, the backwardation tend to increase. Inversely, excess supply tends to lead to contango.



Source: Bloomberg

Gold

Rising inflation concerns are positive for gold despite a strong dollar and rising bond yields. Real yields should rise moderately while remaining negative. For next year we expect gold to trade in the $1800-2000 range as supply and demand outlook remain favorable. Gold is our preferred hedge against economic, financial and geopolitical tail risks.

- Booming energy prices and supply chain disruptions increase the risks of second round effects on inflation. Stagflation fears are good for gold as it is the only asset class to perform well in such environment.
- Historically, periods with very high debt/GDP ratios were characterized by negative real interest rates. They are still very negative, and we do not expect them to increase a lot.
- Concerns about government and private debt loads and bloated fiscal balance sheets should lift the long-term price floor for gold.
- Emerging central banks have restarted their purchase program stopped in 2020 but not (yet) at 2018-2019 levels
- Bullion ETFs continue to show a net outflows bias as risk appetite remain elevated
- Gold mines supply hardly grows as new projects are just compensating the productivity decline of old mines.
- Technical signal: bullish above $1830/oz

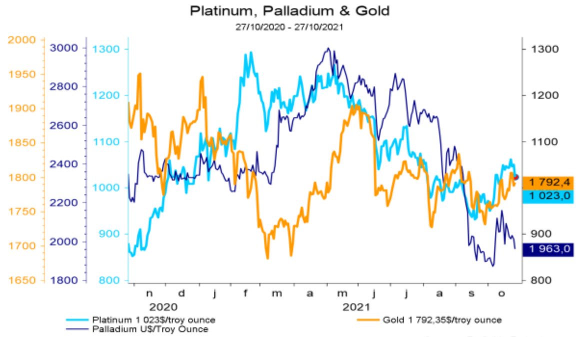
Source: Refinitiv Datastream, 27/10/2021

Silver – Platinum - Palladium

Silver, platinum and palladium have rebounded in October. Palladium demand remain affected by the disruptions in the automobile industry (chip shortages). The outlook remains bright due to the expected demand for industrial usage linked climate related investments and regulations while supply remain tight.

- Silver demand suffered from the Chinese slowdown and platinum and palladium from the supply chains disruptions (semi-conductors) in the automobile sector. Things have started to improve. Soon or later supply issues will come back.
- Silver is used for solar panels and connectors, palladium for autocatalytic converters (rising demand due to stricter emission standards and carbon taxes), while platinum is increasingly becoming a substitute for palladium in the automotive industry and should play a key role in the hydrogen economy (electrolyzers and fuel cells).

Source: Refinitiv Datastream



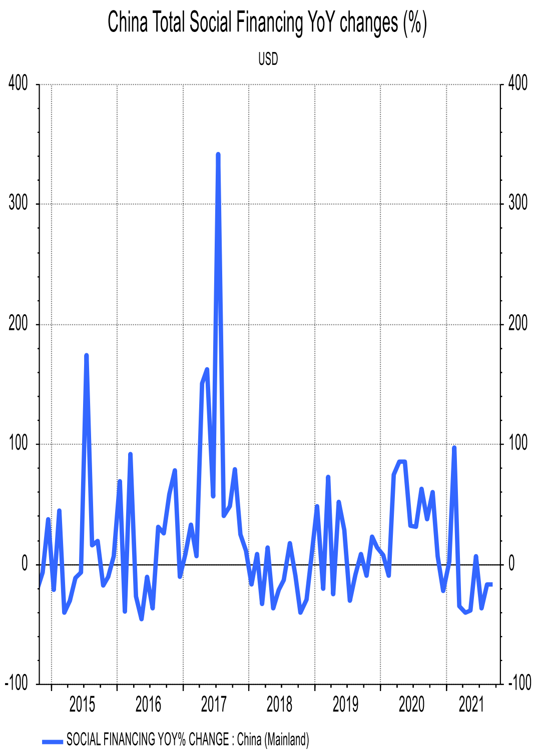
Source: Refinitiv Datastream

Base Metals

Still expecting supercycles for copper and aluminum

China's metals consumption is expected to remain soft during the winter. There could be a strong recovery from the spring on the back of a probable China policy easing in early 2022, a moderation of energy supply constraints and major automotive & manufacturing goods re-stocking in Europe and USA

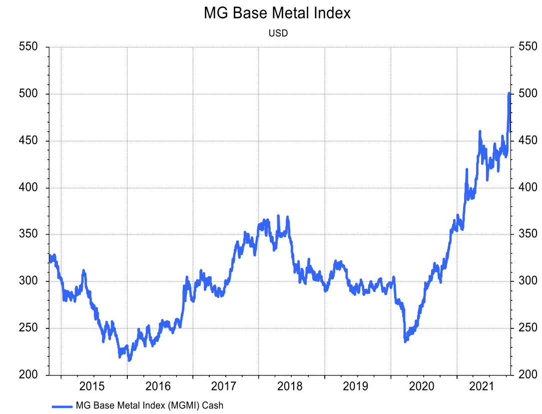
- To make climate change mitigation possible, a huge quantities of metals will be needed to build-out renewable energy capacity, electric vehicles and carbon capture and storage.
- We still believe in a supercycle for copper, but short-term weaknesses are possible as global chip and container shortages damp demand and Chinese construction activity should remain weak.
- The start of 2022 should see a major restocking cycle begin in Europe and US as manufactured goods inventories are at around 30-year low. A recovery in China is also expected in the spring.
- The next 3 months could provide a buy opportunity to play the supercycle driven by copper intensive decarbonization related investments.



Source: Refinitiv Datastream, sept. 21

- Aluminum: after a 60% rally from Jan 1 to Oct 18 (a 13-year high), aluminum plunged 11% (27/10) as China stepped up measures to ease a power crunch that throttled metals supply. China's coal price cap could lead to more downside for aluminum. Chinese growth has weakened due to electricity shortages, repeated Covid-19 outbreaks and turmoil in the property sector. Even so, the aluminum market is likely to remain tight in the months ahead as the global energy crunch rolls on and smelters come under pressure to reduce their carbon footprint.

Source: Refinitiv Datastream, 27/10/2021



Source: Refinitiv Datastream, 27/10/2021

07

Alternatives UCITS

Alternative Investments

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WEALTH MANAGEMENT

Alternative Investments at a glance

Under adverse conditions for risk assets, alternative UCITS managed to perform quite well over recent weeks despite increased intra-month volatility and dispersion among strategies around the Evergrande situation in China.

The performances were particularly strong for Long-Short Equity and macro as we saw some countertrend movements.

<u>We have a preference for Macro and Event Driven strategies. Neutral on Relative Value and Long/Short Equity.</u>

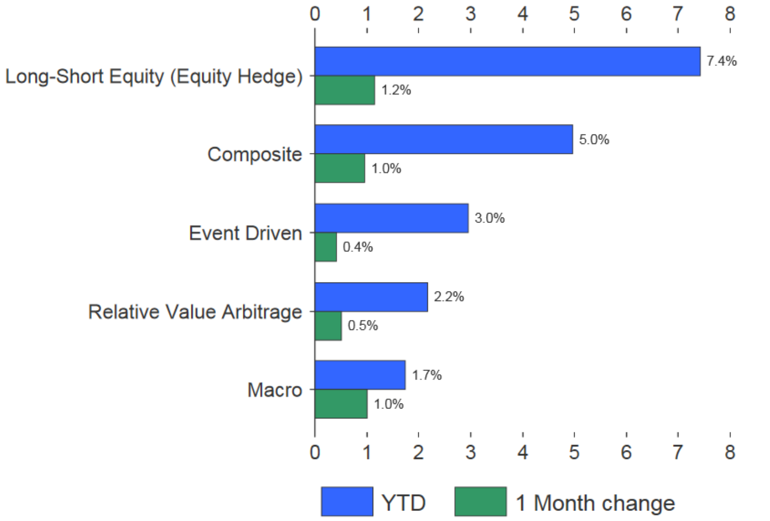
Global Macro

Positive: Favorable conditions for Macro based on expectations for continued volatility of monetary and fiscal policy globally. Fundamental macro traders are best equipped to anticipate those, as seen already through inflation pressures and impact on EMs. After the difficulty to trade Central Bank back-stopped economies, macro strategies may take advantage of upcoming tapering.

Event Driven

Positive: Since the start of Q3, the investable universe has expanded with record number of deals and spread levels have widened, We favor smaller and European deals over the US going forward. The correction in SPACs appears to be abating, with improved conditions and transparency offered to managers on new IPOs.

Alternative UCITS (HFRU index)



Source: Refinitiv Datastream, 27/10/2021

Long / Short Equity

Neutral. Managers face challenging rotations between growth and value based on FED tapering expectations and COVID evolution. Momentum which was hedge funds' ally when it centered on growth stocks, is now unstable at best between growth and value. The recent retail investor induced losses and has led to low exposure, and therefore fewer opportunities.

Neutral: Little spread compression potential now after historical rally and decreasing dispersion between strong and weaker corporate credits. Convertible bond arbitrage could benefit after some bond became less expensive. This is true especially if equity volatility was to rise.

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