C.I.A. NETWORK

Investment Strategy Navigator

October 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	+	**Don't throw the EM baby out with the bathwater:** while China remains a tricky stock market short-term due to the Evergrande uncertainty, do not ignore other emerging markets. MSCI EM ex China has outperformed strongly in 2021, with Eastern Europe in focus.
		Sectors	+	**Oils & Gas and banks highlighted.** We like Financials, Health Care, Real Estate, Precious/green metals, Construction Materials, Semiconductors and EU Energy
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 have limited potential to compress further. We stay neutral on eurozone IG corporate bonds.
		High yield	=	We keep a neutral stance on high yield corporate bonds given tight valuations on average. We prefer fallen angels and rising stars as they offer a spread pick up.
		Emerging	+	We stay positive on EM bonds. US yields have stabilised and EM currencies have potential to appreciate.

FOREX	/	EUR/USD	=	We see less upside than previously for the euro and revised our 12-month target to 1.18 (from 1.22). And based on technical factors we adjusted our 3 months target to 1,16 (from 1.18).
		BRICS	=	The general move in emerging market currencies this month has been one of "risk off" in the face of a strengthening dollar, following recent events in China and a pick-up in US treasury yields. This followed a summer which has favored them.
COMMOS	+	Oil	=	We expect Brent prices to trade between $70 -80/b with risks skewed on the upside as demand recovers in Asia and natural gas low inventories before the winter push gas prices sharply higher .
		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 increase will supply will remain tight.
ALTERNATIVES	/		=/+	We have a preference for Macro and Event Driven strategies. Neutral on Relative Value and Long/Short Equity
PRIVATE EQUITY	+	Private Equity	+	Investors should hold a private equity allocation for exposure to excellent long-term returns. Positive recommendation on both growth-oriented and Leveraged Buy Out private equity fund exposure within Alternatives.

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	8.2	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

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

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 accomodative policy is expected to be maintained and should continue to support European equities.

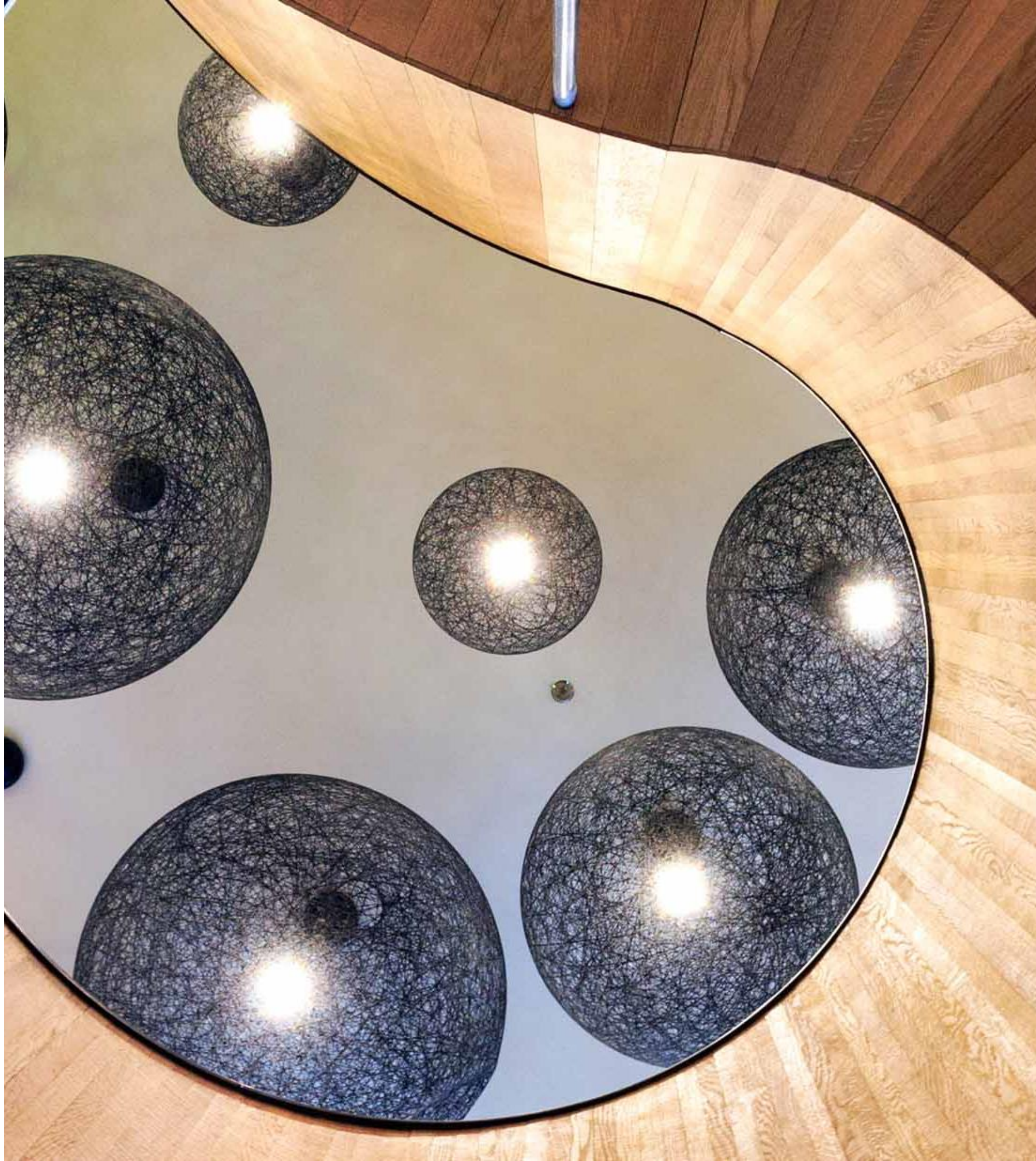
NEGATIVE RISKS

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



Economic growth and inflation

SUSTAINED ECONOMIC GROWTH

Growth rate should be peaking this year in fall behind the Eurozone in the coming months. Growth should stay well above trend thanks to progress on the vaccination and support from monetary and budgetary policy.

- The main driver of growth this last months was the almost full reopening of economies as the vaccination is progressing well : to date, 43% of the world population has received at least one injection of vaccines.
- Stimulus plan in the US and in Eurozone should translate in a high Keynesian multiplier and enable to have economic growth above 5% for coming quarters.
- Regarding the German elections, the most likely coalitions between either SPD-FDP-Greens or CDU/CSU-FDP-Greens should enable a more accommodative budget policy.
- Chinese growth will temporarily slow due the recent regulation measures and energy shortages but the government will probably introduce more stimulus measures. Regulations will help make growth more sustainable.

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	8.2	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

INFLATION TO PEAK AROUND YEAR-END

Inflation should be transitory due to base effects and supply chain constraints. It should peak at year-end. The US are expected to have higher inflation in 2021 and 2022 than Eurozone given the situation in the job market and companies' greater capacity to increase prices.

- Sustained supply chain disruptions, higher energy prices and mismatches between labour demand and supply, are boosting inflation.
- The labour market should be the key driver of inflation in the medium term especially in the US. A large majority of companies were recently worried about the labor shortage (business surveys).
- **Inflation will continue to stay high but should peak at the beginning of next year** and at the latest mid 2022 depending on the regions. Figures should converge around 2% in early 2022 in the eurozone and around end 2022 in the USA. Inflation should also be on a declining trend in other developed markets.

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

US Inflation

Increasing risks for US inflation

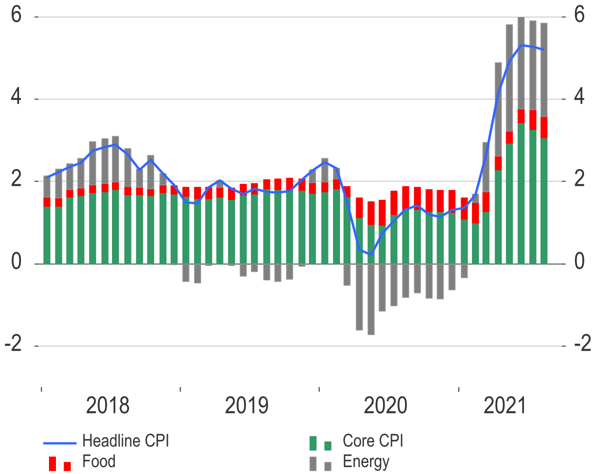
A TEMPORARY SLOWDOWN IN Q3

August CPI inflation was still very high but lower than the previous month and especially compared to the huge increase from April to June. That rise was due to a jump in prices in second-hand cars, transportation services, apparel and leisure services.

- US consumer prices were still rising sharply compared to the same month last year but less than in July. This was explained by the lowzer price pressure from key items like used cars. The base effect was also smaller. The inflation is still high as it reached 5% year over year.
- **September inflation should continue to be lower but it is expected to reaccelerate in Q4.** We expect more price pressures from housing and medical insurance that should come from October on.
- Constraints on supply chains should continue to put pressure on inflation until the end of 2021 or early 2022.

US headline CPI and contributions

Per cent



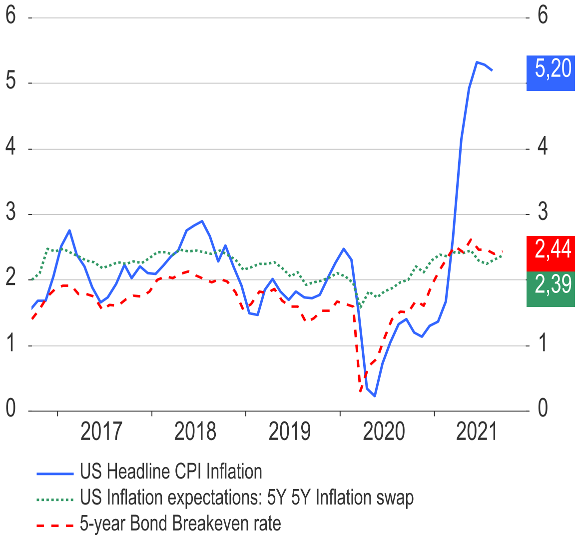
Source: Refinitiv Datastream, août 21

… WITH SIGNIFICANT SHORT-TERM AND MID-TERM UPSIDE RISKS

Due to several short-terms and more structural factors, US inflation risks are rising from coming quarters and years.

- Due to tensions on supply chains throughout the year, the US government has the willingness to relocate some sectors of its economy : medical equipment producers, chip markers. It could lead to rising prices passed on to consumers.
- The excess savings cash (2.5trn$) that should be partially spent, and the Biden's infrastructure plan are other factors that should lead to a potential inflation higher than anticipated.
- The key for medium-term inflation remains the job market. We assume that we will will witness an important come back of workers to the job market (rising participation rate) and that this will limit the upside for wage growth. This is a key assumption, and we need to monitor this trend closely.
- Long-term inflation expectations remain well anchored (see chart).

US inflation & inflation expectations



Source: Refinitiv Datastream, août 21

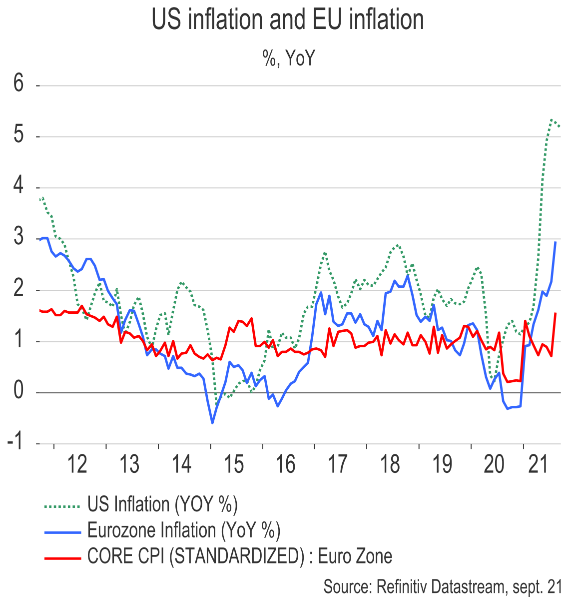
EU Inflation

Temporary rise in inflation with balanced risks

RECENT TREND

After reaching 3% this summer, Eurozone inflation is believed to stay above 2% in the coming months.

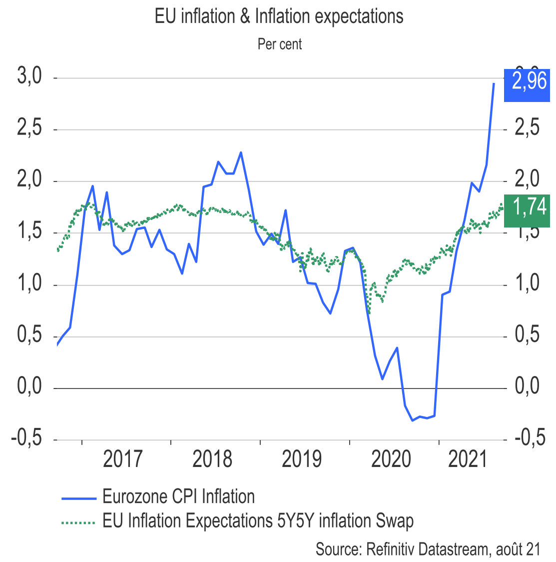
- Headline and core inflation reached 3% and 1.6% yoy in August. Inflation should remain above 2% in late 2021.
- Although they have eased recently, high Eurozone manufacturing price pressures are fueling analysts' concerns that inflation could stay high for longer. It is mainly explained by the base effects, low inventory levels and long supplier delivery times.
- Energy prices and supply chain bottlenecks could continue to increase in Q4 and maintain inflation at high levels.



DEFLATION VS INFLATION – BALANCED RISKS LONG-TERM

In light of recent events, we have revised our inflation expectations slightly in Europe, to 2,4 % in 2021 and 2,1% 2022. We maintain our assumption that current inflation drivers are temporary and will peak by end 2021 and gradually decrease in 2022.

- Inflation is likely to be above trend until the year end due to shortages of microchips, higher energy prices and mismatches in the labor market. Over the mid-term, we need to monitor sustained broad-based increases in wages.
- Overall, the wages increase should be lower than in the US due to the structure of the job market and the higher unemployment rate in Euro economies.
- We see the risks of inflation remaining above 2% for a longer period as being low.
- Inflation expectations have been rising over recent months but are still well below the central bank target (see charts).

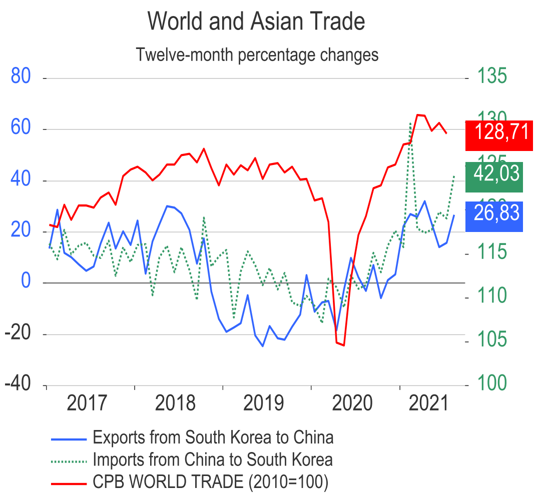


International trade and China : still uncertainties

INTERNATIONAL TRADE : RECENT TREND

Supply-chain constraints should persist until beginning 2022. World trade in volume has stabilized at high levels in developed economies whereas it continues to rise in emerging economies, especially China.

- World demand for industrial goods is still at a high level and suggests that supply-chain constraints could last more. Transport prices are currently at an all-time high and container shortage could worsen due to the year-end holiday season.
- To compare with 2019, export orders for electronics and transport equipment rose by 53.7% and 56.7%. Basic metal, plastic and rubber jumped respectively by 46% and 40%.
- World trade in volume has stabilized at a high level in developed economies whereas it continues to rise in emerging economies especially China.



Source: Refinitiv Datastream, août 21

CHINA : GROWTH SLOWING AND UNCERTAINTIES RISING

Chinese industrial production and exports peaked at the start of the year and are now back to normal. The economic slowdown has however been faster than expected in all sectors during the summer.

- China's economic growth slowed drastically over the summer as regulation measures were introduced and local lockdowns. (Delta variant). Retail sales growth slowed sharply.
- The key reason was the set of new regulations in different sectors such as technology, video games or real estate. This is negative for growth in the short-term but rather positive long-term.
- In Q4, vaccination should accelerate and authorities should support the economy with more accommodative monetary and fiscal policy.
- Evergrande, the world's most indebted real estate developer with more than $300bn liabilities, has defaulted on a domestic bond interest payment. It should be restructured by the government. The systemic risk is rather low.

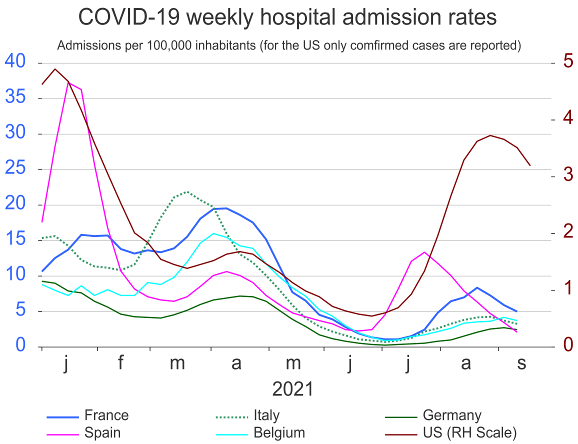
Source: Refinitiv Datastream, Q2 21

The Pandemic

DELTA VARIANT STILL AROUND

Hospitalization and vaccination rates are encouraging and should lead to a more normalized economy in 2022 in developed markets. The situation is more contrasted in some developing economies, especially India.

- On the positive side, the vaccination is progressing well. 43% of the global population has received its first dose. All developed areas have doses as % of population far above 100%. The situation is far more contrasted in BRICS (except China) and notably in India. In developed markets, the daily vaccination rate was around 0.5% in August whereas it is around 0,6% in EM countries.
- On the negative side, the IMF is unsure that a global vaccination rate of 40% will be reached by year-end.
- With the colder weather new infections could rise again but the key is the hospitalization rate (see chart).

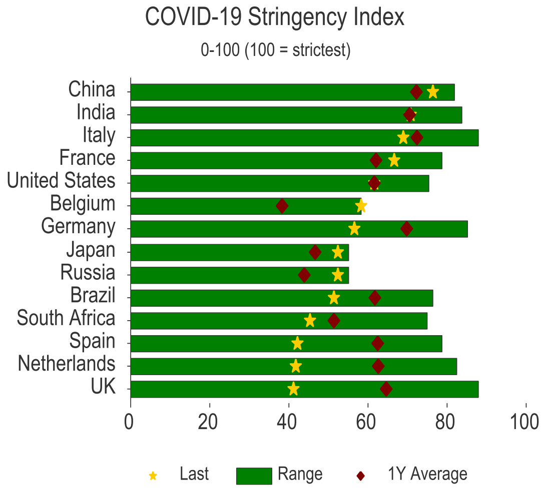


Source: Refinitiv Datastream, CDC for US data

PANDEMIC NUMBERS CONTINUE TO DECLINE

The global Covid-19 pandemic figures continued to decline for the fourth consecutive week, with a decrease of 6% between 16 and 22 September.

- The visits in retail and leisure facilities are back to their pre-pandemic levels in Germany, Italy and very close to normal in France, the US, Japan and the UK.
- There has been a recent dip due to increases in new cases in some areas at the beginning of September. In most countries the Google's mobility index shows an uptrend in leisure footfall thanks to progress on the vaccination side.
- The increase in Covid cases at the beginning of September could be explained by seasonal factors – mainly vacation travelling and the beginning of the school year.



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

03

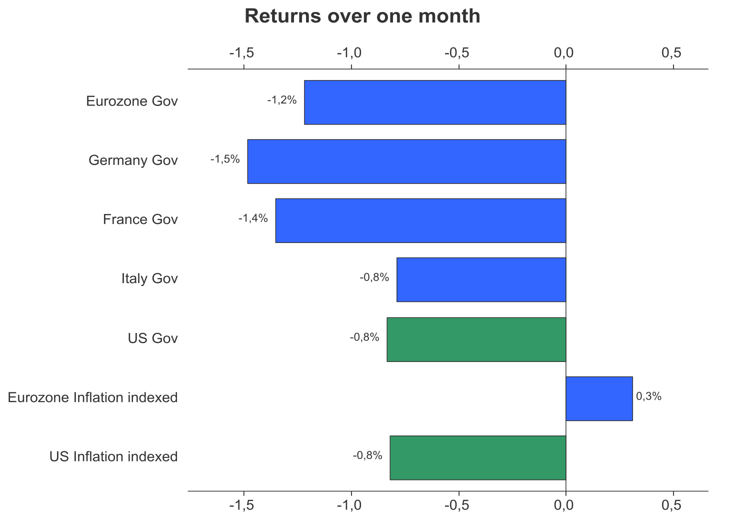
Fixed income

Central Banks
Bond Yields
Government Bonds
Corporate Bonds
Emerging Market Bonds

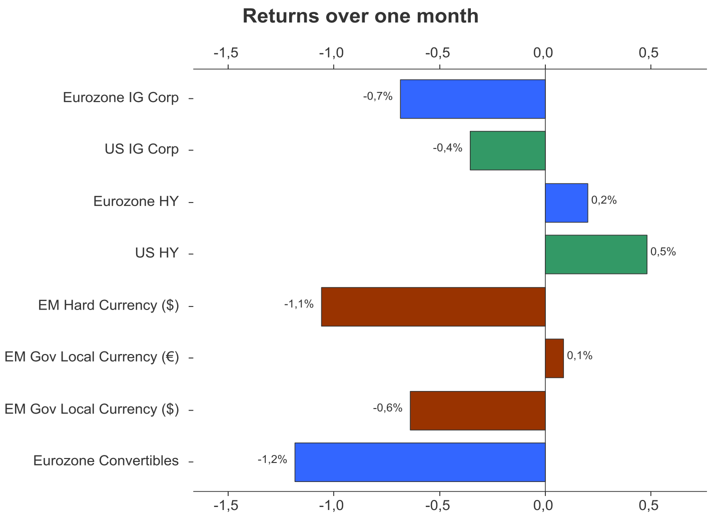
Fixed income at a glance

Bond yields rose in late September as central banks -the US Federal Reserve and the bank of England notably- seem ready to unwind the emergency measures taken during the Covid-19 crisis and envisage a policy normalisation.

In that context, government bonds fell as well as risk assets. High Yield bonds were slightly up thanks to insatiable demand.



Source: Refinitiv Datastream, 27/09/2021 Source: Bloomberg Barclays indices exept Convertibles (Exane)



Source: Refinitiv Datastream, 27/09/2021 Source: Bloomberg Barclays indices exept Convertibles (Exane)

Central Banks

World major central banks are becoming less dovish. The Fed is about to announce its tapering decision and gave its roadmap to rate normalisation. The bank of England could start its hiking cycle already in early 2022 on growing inflation concerns. The ECB remains on of the most dovish central banks and recalibrated its policy.

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 the peripheral debt. Yields are low. Spreads are tight but won't widen significantly with the ECB in control.

Corporate Investment Grade (IG) Bonds

We stay neutral on both US and eurozone IG credit. We expect very low excess returns given the level of spreads. The total return of the asset class will be mainly driven by the direction of Treasury and Bund yields.

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

Evergrande is a small share of the EM bond market. We see recent spread widening in hard currency bonds as an opportunity. As for EM local bonds, a lot of the rise in inflation and expected monetary policy tightening has already been priced into local curves, in our view.

Our position for this month

Evolution of our position from last month

Central banks

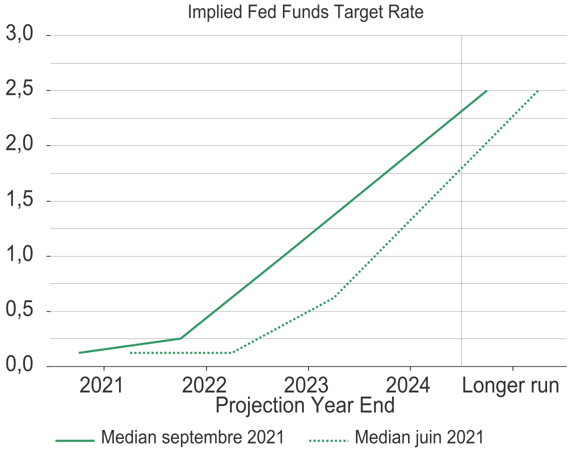
Fed tapering, the final countdown

THE FED

The Fed wants to start tapering soon and at a faster pace than expected, probably to keep its options open should inflation persists. We expect the tapering decision on 3 November and a first rate hike in Q4 2022.

- The Fed signalled its intention to taper "soon" at the September FOMC meeting. Therefore it may use the 3 November meeting to formally announce the tapering with a start date in December.
- The Fed expects the tapering to end in mid-2022. This is a slightly faster pace than expected. That will give the Fed the option to raise rates earlier-than-expected if inflation stay high longer. Hence, we bring forward our assumption for a first rate hike to Q4 2022 rather than early 2023.
- The dot plot (individual rate projections of each Fed members) showed a steeper path than expected. The Committee is equally split on a 2022 hike and see 3 rate hikes in 2023 followed by 3 in 2024 (see chart).

Federal Open Market Committee Projections



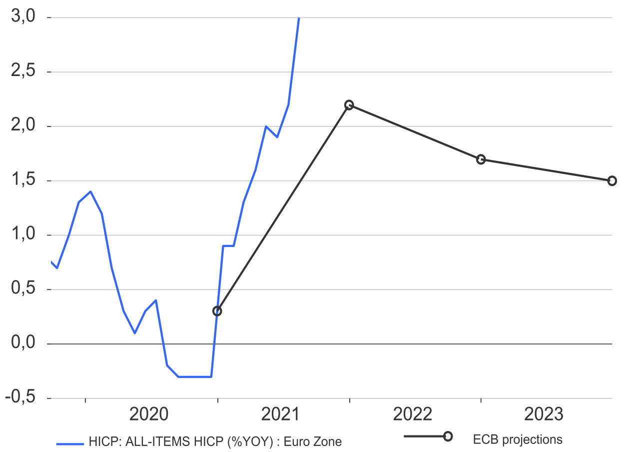
Source: Refinitiv Datastream, N/A

THE ECB

The ECB recalibrated its policy for the next 3 months at the September meeting, by moderately reducing the purchases made with the emergency QE programme. The next key meeting will be in December as the ECB will have to decide whether the emergency support that started during the Covid-19 crisis is still needed.

- The ECB moderately lowered the pace of asset purchases for the pandemic bond buying programme (PEPP) at the September meeting as the economy is rebounding. This is a recalibration for the next 3 months, not a tapering as the ECB has no intention to end the asset purchases.
- More importantly is what will happen to the PEPP after March 2022 (its supposedly end date).
- The ECB may gave hints at the December meeting. We expect the ECB to remain accommodative given that the medium-term inflation target of 2 % is not in sight yet (see chart). In practice, it means that the ECB would end the PEPP programme in March 2022 and compensate by making more purchases via the classic QE (APP) and change the parameters of that programme so that it gains some flexibility, just like the PEPP.

Eurozone inflation and ECB projections



Source: Refinitiv Datastream, août 21

Bond yields and Inflation expectations

Yields edge higher

BOND YIELDS

The bear market restarted in our view following the FOMC meeting. We expect long-term bond yields to keep edging higher. Our 12-month targets for 10-year rates are 2% in the US and 0% in Germany.

- Long-term bond yields started to rise in late September following the FOMC meeting and relief over the Evergrande situation.
- The Fed signalled a faster-than-expected tapering and a faster trajectory of rate hikes.
- US long-term bond yields should rise given the tapering, the roadmap to rate normalisation, decent growth and sticky inflation above the Fed's 2% target. We keep our 2% target for the 10-year yield on a 12-month horizon.
- The German 10-year bond yield is also likely to increase due to the correlation with the US yield (see chart), but to a lower extent as the ECB remains very active. Our target is 0%.

Sovereign yield correlations

Monthly change in ten-year yield, six-month rolling correlation

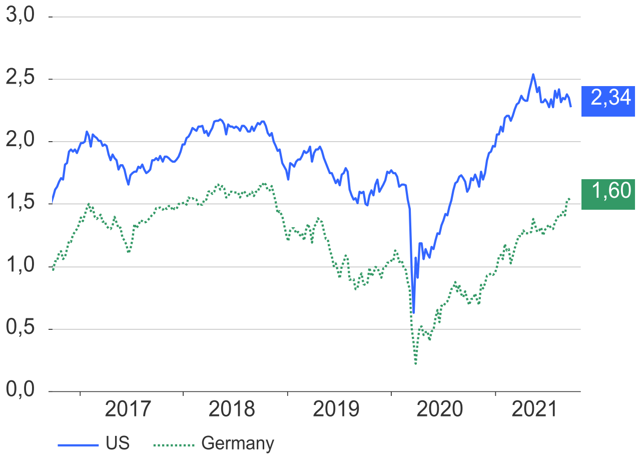
Source: Refinitiv Datastream, 27/12/2021

INFLATION EXPECTATIONS

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

- Inflation expectations have declined month-to-date in the US, while they increased in the eurozone (see chart).
- We think inflation expectations could rise more in the eurozone as inflation could still print higher due to rising energy and agricultural prices.
- In the US, inflation expectations are likely to remain elevated, and could even edge higher on greater wage growth if labour constraints persist.
- Also, the Fed tapering imply that real yields could move higher. Rising real yield would impact negatively inflation-linked bonds.
- We prefer to stay neutral on that asset class. Floating rate notes or funds that actively manage duration are a better way to against inflation and possible rising rates, especially in the US.

10-year breakeven inflation rates



Source: Refinitiv Datastream, 28/09/2021

Government Bonds

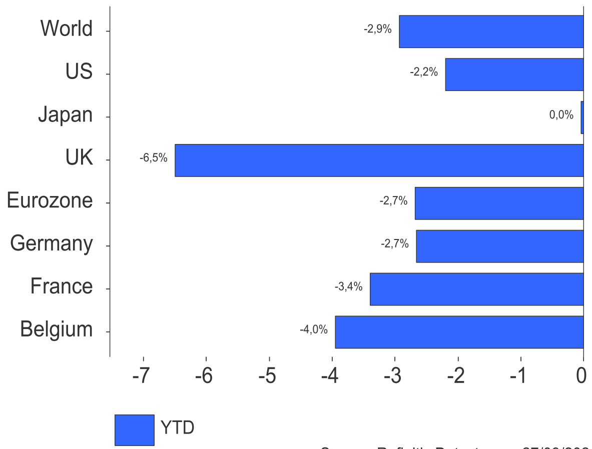
Prefer peripheral bonds relative to core govies

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.

- Long-term bond yields moved higher month-to-date, triggering negative total returns in most markets for sovereign bonds, month-to-date and year-to-date (see chart).
- Despite relatively low yields, US 10- and 20-year bond auctions pulled strong demand and a high participation of foreign investors.
- We expect supply at the long end of the government bond curve to increase in the eurozone.
- 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



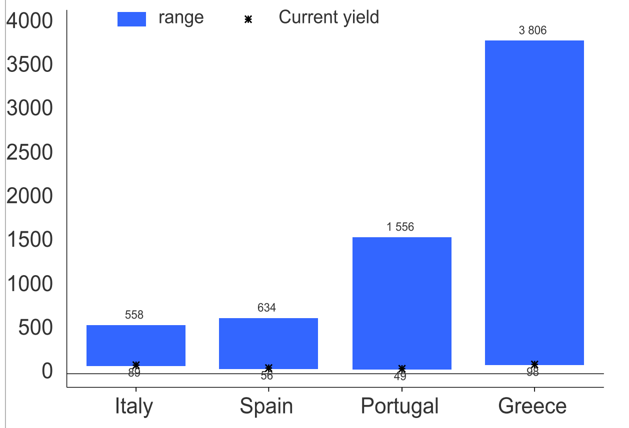
Source: Refinitiv Datastream, 27/09/2021

EUROZONE PERIPHERAL BONDS

We stay neutral on the peripheral debt. Yields are low. Spreads are tight but won't widen significantly with the ECB in control.

- Peripheral spreads tighten in September, sending spreads closer to low historical levels.
- Political uncertainty could weigh on spreads in Q4 2021 and early 2022 but we expect any widening to prove modest. We forecast peripheral spreads to remain close to current, extraordinarily tight levels (see chart) thanks to the ECB.
- The ECB may end the pandemic QE (PEPP) in March but is likely to increase the classic QE (APP) and transfer some of the flexibility of the PEPP to the APP.
- Peripheral bonds are vulnerable to the rise in bund yields as spreads are tight.
- We stay neutral on the peripheral debt. The absolute level of yields is low, as well as spreads but the ECB is in control.

10-year peripheral spreads over the past 10 ans



Source: Refinitiv Datastream, 27/09/2021

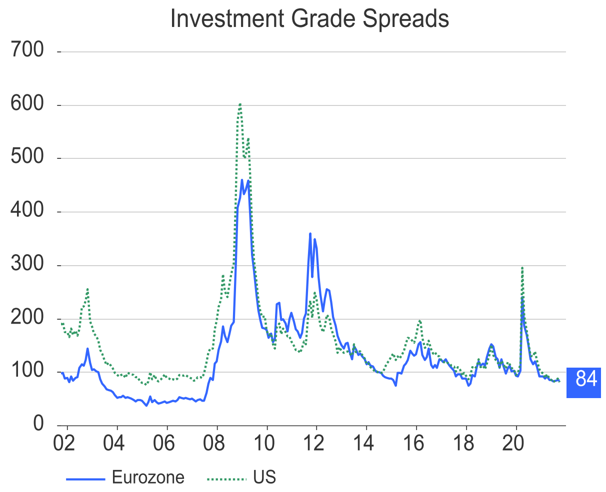
Corporate Bonds

High cash prices means selective opportunities

INVESTMENT GRADE (IG)

We stay neutral on both US and eurozone IG credit. We expect very low excess returns given the level of spreads. The total return of the asset class will be mainly driven by the direction of Treasury and Bund yields.

- As expected, the IG corporate bond market was very active in September (except the week when Evergrande created volatility on markets). Not just traditional issuers came to the market to raise debt, but also new comers.
- Fundamentals have improved as earnings have strengthened in both the US and the eurozone. The decline in credit spreads reflects that (see chart).
- We expect very low excess returns given the level of spreads. The total return of the asset class will be mainly driven by the direction of Treasury and Bund yields.
- In the eurozone, bond scarcity is a technical support for the asset class.
- We stay neutral on both US and eurozone IG credit.

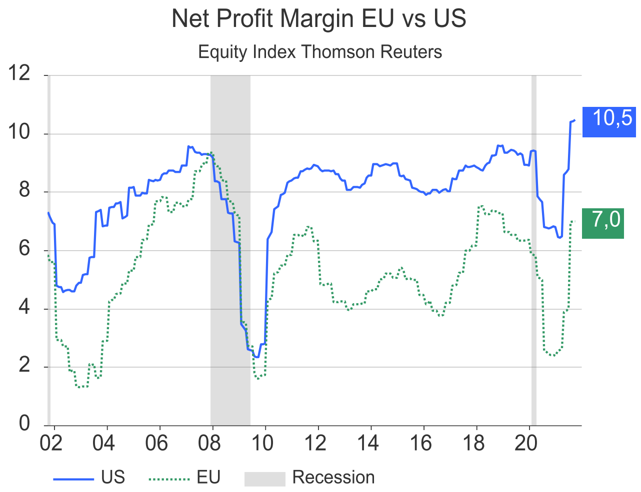


Source: Refinitiv Datastream, 28/09/2021

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.

- HY companies also enjoyed a strong improvement in their fundamentals. Strong earnings, revenues and margins (see chart) allowed companies to reduce their debt and lower their leverage.
- Plus, HY companies could refinance at low cost thanks to easy access to capital markets.
- Consequently, default rates have fallen. Credit rating agencies are now upgrading outlooks and ratings of companies. Rising stars outpace fallen angels. In the past four months, we recorded five rising stars and just one fallen angel in Europe. Rising stars are still trading wide to BBB-.
- We stay neutral on HY bonds given high valuations. About 85% of bonds in the US HY index have a negative real yield.
- We prefer rising stars and fallen angels.



Source: Refinitiv Datastream, 27/09/2021

Emerging Market Bonds

EM bonds are attractive

EM BONDS IN HARD CURRENCY

Evergrande is a small share of the EM bond market. We see recent spread widening as an opportunity and stay positive on the asset class.

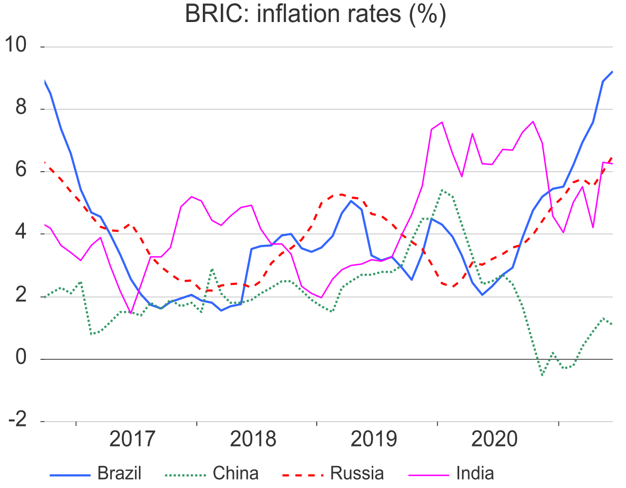
- EM spreads widened month-to-date mainly due to idiosyncratic weakness in some countries such as Turkey and Argentina.
- EM Asia corporates recorded a widening in spreads, albeit lower than other regions. Actually, despite the fall of the Chinese High Yield property developer Evergrande, the spread on EM Chinese corporate bonds was only up 2bps month-to-date. China represents one third of the corporate index.
- Evergrande is a small share of the EM market. So far, there is no sign of contagion as the spread of Chinese IG corporates has not reacted to the widening of HY bonds (see chart).
- EM hard currency bonds are seeing some support from negative US real yields (-0.88%). We stay positive on EM HC bonds.

Source: Refinitiv Datastream, 28/09/2021

EM BONDS IN LOCAL CURRENCY

We stay positive on EM local bonds. A lot of the rise in inflation and expected monetary policy tightening has already been priced into local curves, in our view.

- Many EM countries have started to tighten their monetary policy in the wake of rising inflation pressures (see chart). They have been proactive and changed their monetary policy well in advance of the Fed tapering decision and before any sharp currency depreciation.
- Central banks in Brazil, Hungary, Russia, Peru raised rates in September.
- Turkey is the only exception, having cut its policy rate despite high inflation, on the back of political pressure.
- We forecast inflation to decelerate in the coming years but to remain high (4.5% in 2022 and 3.8% in 2023).
- A lot of the rise in inflation and expected monetary policy tightening has already been priced into local curves in our view.
- We stay positive on EM local bonds.



Source: Refinitiv Datastream, juin 21

04

Forex

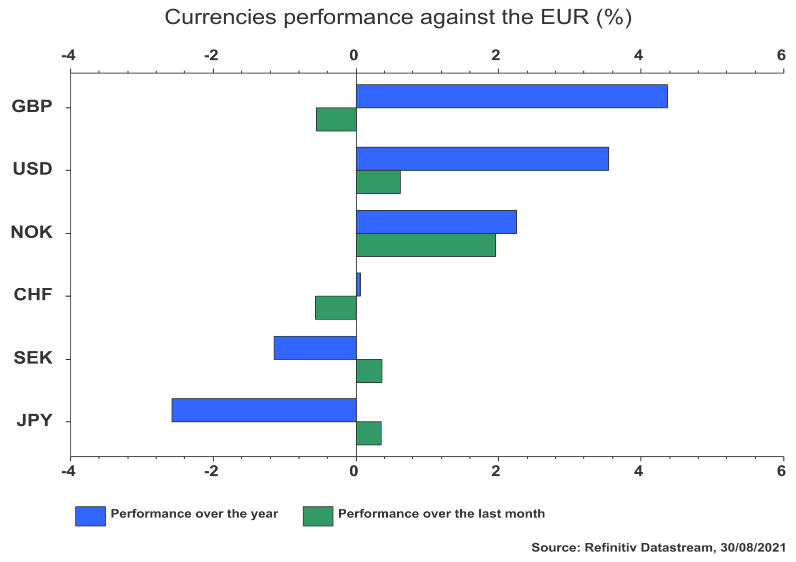
VS EUR
VS USD

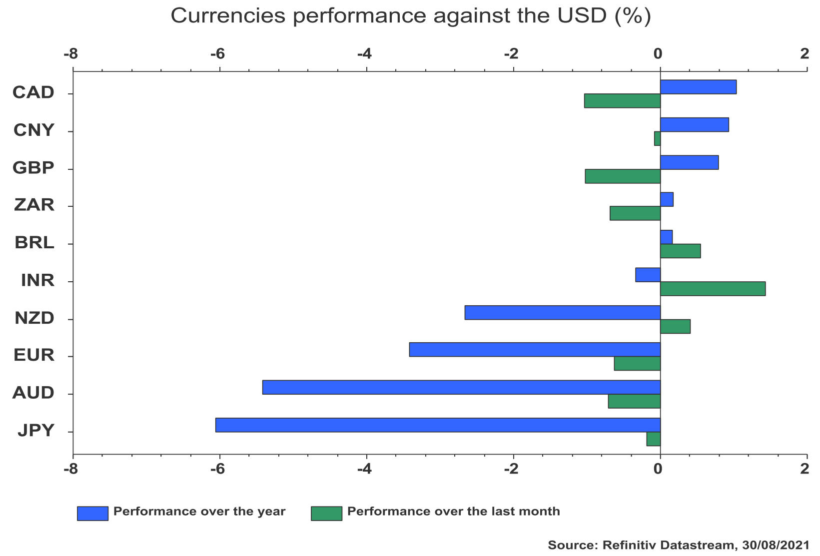
Forex at a glance

- The dollar strengthened throughout September relative to the EUR and broke through the long-term support level of 1,161 on the 29th.

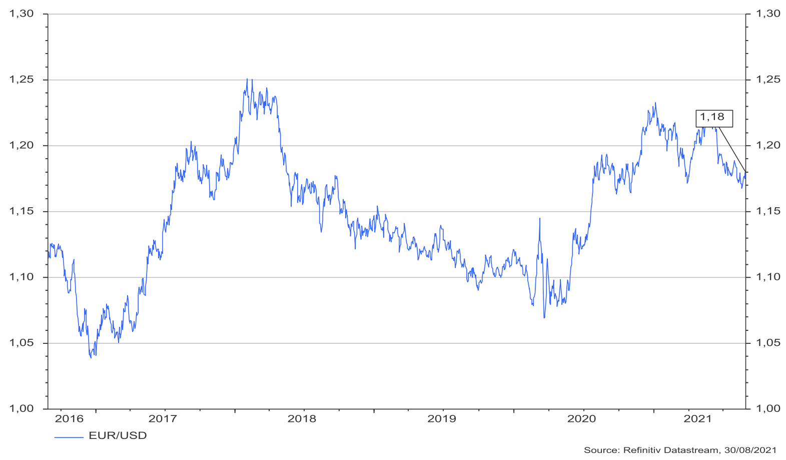
- The USD has been strong over the summer months, as the Fed message has been interpreted as more hawkish relative to the ECB and as new sources of uncertainty came through. We still expect the euro to benefit from an improved economic momentum, however less so than in our previous months, mainly due to an earlier expected rate hike by the FED. In contrast we do not expect a hike by the ECB for the upcoming two months. **Our new 12-month target is 1.18.**

- The general move in emerging market currencies this month has been one of "risk off" in the face of a strengthening dollar, following recent events in China and a pick-up in US treasury yields. This followed a summer which has favored them. This month we take a look at all five BRICS currencies against the dollar.





EUR/USD



	Country	Spot 29/09/2021		Target three months Trend	Target three months Mid	Target twelve months Trend	Target twelve months Mid
Against euro	United States	EUR / USD	1,162	Neutral	1,16	Neutral	1,18
	United Kingdom	EUR / GBP	0,864	Neutral	0,85	Positive	0,84
	Switzerland	EUR / CHF	1,084	Neutral	1,10	Negative	1,12
	Japan	EUR / JPY	130,0	Neutral	129	Neutral	131
	Sweden	EUR / SEK	10,20	Neutral	10,0	Neutral	10,0
	Norway	EUR / NOK	10,15	Positive	9,80	Positive	9,60
Against dollar	Japan	USD / JPY	111,9	Neutral	111	Neutral	111
	Canada	USD / CAD	1,275	Neutral	1,25	Positive	1,24
	Australia	AUD / USD	0,719	Neutral	0,73	Positive	0,76
	New Zealand	NZD / USD	0,687	Neutral	0,70	Positive	0,73
	Brazil	USD / BRL	5,423	Positive	4,90	Positive	4,80
	Russia	USD / RUB	72,78	Positive	70,0	Positive	68,0
	India	USD / INR	74,15	Positive	72,0	Positive	72,0
	China	USD / CNY	6,468	Neutral	6,40	Neutral	6,40

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 29/09/2021	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1,162	Neutral	1,16	Neutral	1,18
	United Kingdom	EUR / GBP	0,864	Neutral	0,85	Positive	0,84
	Japan	EUR / JPY	130,0	Neutral	129	Neutral	131
	Switzerland	EUR / CHF	1,084	Neutral	1,10	Negative	1,12
	Australia	EUR / AUD	1,616	Neutral	1,59	Positive	1,55
	New-Zealand	EUR / NZD	1,690	Neutral	1,66	Positive	1,62
	Canada	EUR / CAD	1,481	Positive	1,45	Neutral	1,46
	Sweden	EUR / SEK	10,20	Neutral	10,00	Neutral	10,00
	Norway	EUR / NOK	10,15	Positive	9,80	Positive	9,60
Asia	China	EUR / CNY	7,513	Neutral	7,42	Neutral	7,55
	India	EUR / INR	86,13	Positive	83,52	Neutral	84,96
Latam	Brazil	EUR / BRL	6,299	Positive	5,68	Positive	5,66
EMEA	Russia	EUR / RUB	84,54	Positive	81,20	Positive	80,24

Source: Refinitiv Datastream, BGL BNP PARIBAS Wealth Management

The USD has been strong and even broke temporarily 1.16 (value of one euro). We still expect the euro to benefit from an improved economic momentum and from increasing risk appetite. We do however see less upside for the euro and revised our 12-month target to 1.18 (from 1.22).

- The USD has been strong over recent months as the Fed message has been interpreted as more hawkish relative to the ECB and as new sources of uncertainty came through. Indeed, rising Covid cases generated fears of further lockdowns especially in regions where the vaccination rates is low. Further, new regulations and the related Evergrande crisis lead to downward revisions for Chinese growth by many market participants. This clearly helped the dollar despite the uncertainties around the US debt ceiling. The EURUSD (value of one euro) fell gradually and even broke temporarily 1.16.

- We still expect the euro to benefit from an improved economic momentum (EU relative to the US) and from increasing risk appetite as more reopening is expected and as growth should accelerate worldwide.

- We do however see less upside for the euro as we revised our outlook for the first Fed rate hike gradually from the third quarter 2023 to the last quarter 2022 (we did that in two steps since June). The interest rate differential is a key driver of the dollar, and this suggest that there is a more limited upside for the euro to rebound against the dollar. Indeed, we expect no rate hike by the ECB over the coming 2 years.

- We also revise a bit our 3-month target to 1.16 as suggested by the technical analysis and given fact that the economic momentum could accelerate only later this year. Our new 12-month target is 1.18.

VS. USD

	Country		Spot 29/09/2021	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1,162	Neutral	1,16	Neutral	1,18
	United Kingdom	GBP / USD	1,343	Neutral	1,36	Positive	1,40
	Japan	USD / JPY	111,9	Neutral	111,00	Neutral	111,00
	Switzerland	USD / CHF	0,933	Neutral	0,95	Neutral	0,95
	Australia	AUD / USD	0,719	Neutral	0,73	Positive	0,76
	New-Zealand	NZD / USD	0,687	Neutral	0,70	Positive	0,73
	Canada	USD / CAD	1,275	Neutral	1,25	Positive	1,24
Asia	China	USD / CNY	6,468	Neutral	6,40	Neutral	6,40
	India	USD / INR	74,15	Positive	72,00	Positive	72,00
Latam	Brazil	USD / BRL	5,423	Positive	4,90	Positive	4,80
	Mexico	USD / MXN	20,44	Positive	19,70	Positive	19,00
EMEA	Russia	USD / RUB	72,78	Positive	70,00	Positive	68,00
	South Africa	USD / ZAR	15,18	Positive	14,50	Neutral	15,00
	USD Index	DXY	94,34	Neutral	93,86	Neutral	92,49

Source: Refinitiv Datastream, BGL BNP PARIBAS Wealth Management

Outlook for emerging currencies versus USD

The general move in emerging market currencies this month has been one of "risk off" in the face of a strengthening dollar, following recent events in China and a pick-up in US treasury yields.

- In Brazil the Central Bank (BCB) has cut rates quite fast, taking the Selic rate to a historic low of 2%, decreasing the attractiveness of the **BRL**, which used to be a carry currency. The latest communications by the BCB took a more hawkish tone and <u>we some upside for the BRL</u>. The upcoming elections represent a big risk.
- The **RUB** looks undervalued. Geopolitical risks have declined recently, and we think we are entering a relatively quieter period for geopolitics<u>. We see upside for the currency.</u>
- 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. <u>We see a moderate upside for the INR to 72 at 3 and at 12 months</u>.
- Medium-term, the **RMB** is well supported by a strong trade performance and strong current account, even in light of a slowdown in economic activity. Stability and common prosperity has emerged as a priority for the Chinese government, aiming at a 5 to 6% annual growth rate. <u>Little upside from here</u>.
- Over the summer, the main event in South Africa were the riots in KwaZulu-Natal and Gauteng regions. The riots have hurt activity, likely shaving off around 0.3% from 2021 growth. The strong recent depreciation is likely due to a combination of disappointing macro postings and a risk off movement. <u>We however see further strengthening potential in the **ZAR**</u>, through continued support by the central bank policy.

05

Equities

Global Equities
Investment Themes
Investment Factors
Sector Allocation
Sector Preferences

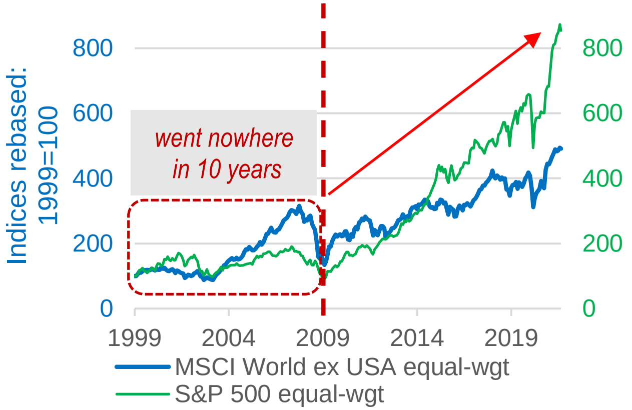
BNP PARIBAS
WEALTH MANAGEMENT

Equities at a glance

Equity markets have survived September well: despite taper fears and the Chinese Evergrande worries, stock markets have been resilient. Our trend-following indicators point to maintaining long equity exposure.

Strong earnings momentum 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.

The average global, US stock still on the rise



US household wealth grew $5.8trn in Q2

Qtr	Year	$ trn	Chg q/q	% q/q
2	2020	118.5	7.9	**7.2%**
4	2020	130.7	7.9	**6.5%**
4	1999	43.3	2.6	**6.4%**
1	2019	110.1	5.8	**5.5%**
4	1998	39.3	2.1	**5.5%**
1	1998	37.2	1.8	**4.9%**
1	2004	53.6	2.5	**4.9%**
2	2021	141.7	5.8	4.3%
4	2004	58.0	2.3	**4.2%**
2	1997	33.9	1.3	**4.1%**

Source: BNP Paribas, US Federal Reserve

Sectors: Like 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 to outperform

Size works in Europe, EM and rallying back in US: Smaller companies continue to outperform in Europe over the year to date, 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: Emerging Market Value

Don't throw the EM baby out with the bathwater: while China remains a tricky stock market short-term due to the Evergrande uncertainty, do not ignore other emerging markets. MSCI EM ex China has outperformed strongly in 2021, with Eastern Europe in focus.

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

Trend-following indicators remain green for equities

TRENDS ARE STRONG, THE WORST MONTH IS PAST

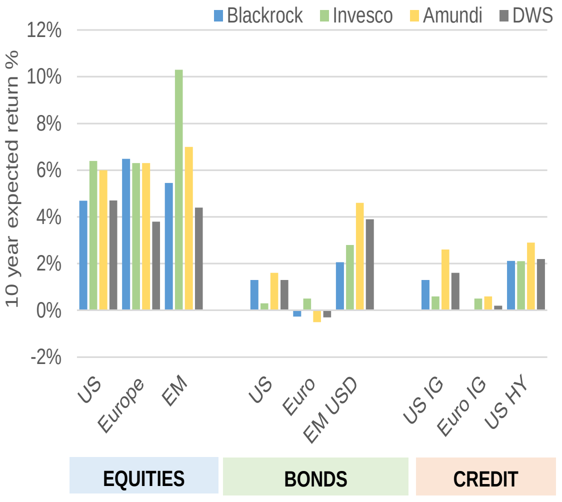
Earnings momentum points higher: earnings revisions post the Q2 earnings season are once again positive, underlining the favourable profit dynamic. Mid/small-cap exposure preferred in Europe, EM: we continue to advocate a bias to mid- and small-cap stocks in Europe, the UK, US and even EM/China.

Trend beats valuation; over 1 year or less: global equities look to have navigated the seasonally tricky month of September without major damage.

Over the last month, US and European equity markets have registered only a minor 0.5%-1.2% pullback, while the Japanese Nikkei 225 index has been the start with a 9% advance post Prime Minister Suga's effective resignation.

Our trend-following models (dual momentum, 200-day moving average) point to maintaining a positive exposure to US, European and Japanese equities for the month ahead, with only Emerging Markets excluded

10-year expected returns point to oversized equity weightings



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

UK EQUITIES COULD BE THE VALUE TRADE OF THE DECADE

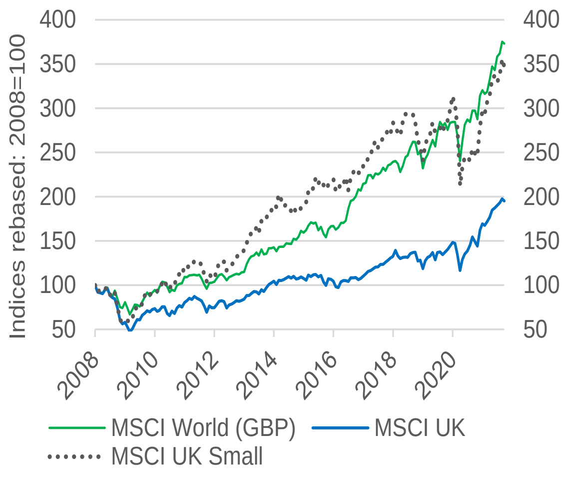
With the final Brexit deal done and the rapid COVID vaccination rate in the United Kingdom, the outlook for UK value is extremely promising, enough for a **"trade of the decade."**.

Latterly, the relatively poor performance of UK large-cap stocks in the form of the FTSE 100 index has been put down to a lack of growth stocks in the UK stock market, for instance in the technology sector. This is objectively difficult to argue with, given the massive difference in sector weightings between the two markets.

Around the globe, value is trading at extremely deep discounts relative to growth. The discounts are wide no matter how we measure valuation.

While we still like emerging markets value stocks, the UK equity market, and UK value stocks in particular, are now even cheaper.

UK mid-/small-caps have peformed very strongly since 2008



Source: Bloomberg

Theme in Focus

Keep the faith with small-cap exposure

ARE CHINESE ISSUES IMPACTING OUR SECTOR ALLOCATION?

China has been enhancing its control on poorly regulated sectors and companies. The country is currently facing numerous other issues, trying to transition to a mature economy. In the mean time, Evergrande is collapsing and the economy is slowing down. What is the impact on our sector allocation?

Western Financials seem to have a very limited exposure to Evergrande and to Chinese real estate. The Fed has asked US banks for more information about this. In the mean time, **Financials profit from the global economic recovery and from rising inflation and yields.** Western REITs are very domestic and should not be hit.

A big slowdown in China would affect global cyclicals/ industrials. This is why we remain careful on Materials, Industrials and Consumer discretionary. They also suffer from rising costs. A contagion of Evergrande to the whole Chinese real estate sector could have a knock on effect on Western building materials/ cement companies.

Impact on sectors of Chinese current events and of the global economic environment.

	Chinese impact	Rising energy prices & yields
Communication Services	=	slight -
Consumer Discretionary	-	slight -
Consumer Staples	=	-
Energy	?	+ +
Financials	=/-	+
Health Care	=/ +	slight -
Industrials	-	slight -
Information Technology	=/ +	-
Materials	-	slight -
Real estate	=	slight -
Utilities	=	-

FACTORS: SMALL-CAPS AND MOMENTUM STILL LEAD

In Europe, small-caps continue to lead in factor terms, while in the US growth/momentum stocks have maintained their lead even during the modest September pullback. Rising bond yields become a headwind for low volatility.

Factors	01 Jan - 24 Sept 2021	31 Aug - 24 Sept 2021
Europe:		
Small-cap	**23.1%**	-0.5%
Quality	**22.9%**	-1.0%
Momentum	**20.4%**	0.0%
Value	**18.8%**	-3.0%
Low Volatility	**17.9%**	-1.5%
US:		
Momentum	**32.6%**	-1.6%
Small-cap	**20.4%**	-1.4%
Value	**17.4%**	-3.3%
Quality	**17.1%**	-2.3%
Low Volatility	**9.7%**	-2.4%

Source: BNP Paribas

Sector Allocation

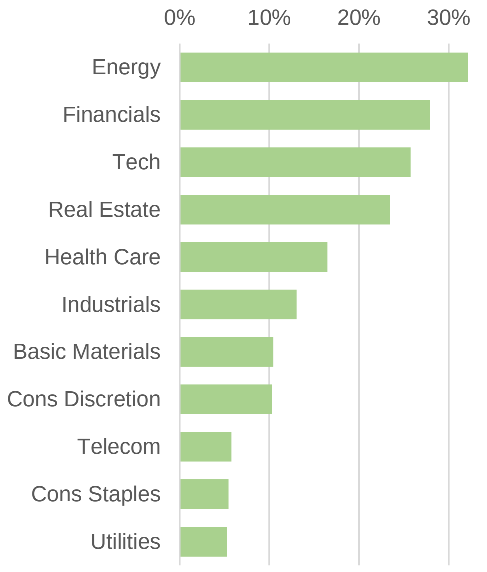
Rising bond yields favour value/ cyclicals

NO CHANGE THIS MONTH ; DON'T BE UNDERWEIGHT FINANCIALS AND ENERGY!

Early Summer, technology and defensives recorded a better performance and conducted some catch up with cyclicals (which had strongly outperformed early this year). However, **after the Fed announced that inflation could be with us longer than expected and tapering could happen relatively fast, bond yields started to rise, favouring now value/ cyclical stocks again.**

- Opposite to what happened early in the Summer, the best sector month to date is **Energy (+10%), the only sector in the black in the US in September!** European Financials and Autos are also gaining ground.
- Several sectors are under pressure due to their correlation with China, mainly materials, industrials, and consumer discretionary whereas more and more companies suffer from rising (energy) costs.
- YTD, our favourite sectors are doing well: Financials (+), Real estate (+) and Health Care (+) are outperforming in the US. Energy (the very cheap European energy sector is kept in '+') and Tech are also doing well. Here, we still like Semis, AI, 5G, Cloud, Cybersecurity.

US sectors: year-to-date performance

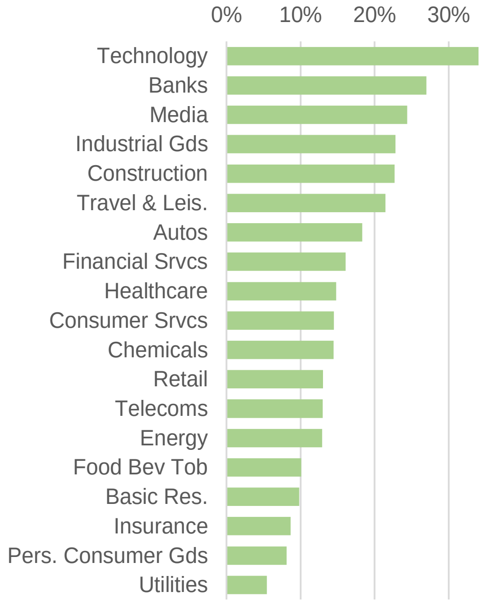


Source: FTSE Russell. Note: performance to 24 September

Diversify and favour the cheapest sectors with good or improving cash flows among cyclicals and defensives. Financials, Health Care, Real Estate, Precious/ 'green' Metals, Construction Materials, Semiconductors and EU Energy look good. On the other hand, avoid Utilities and sub-sectors that are suffering from rising yields and rising costs such as Utilities or Household/ Personal Care (HPC).

- **Sell into Tech Strength:** We continue to recommend rotation out of ultra-long duration US Technology, especially out of those names with disappointing, little or no earnings. **At contrary, Semis (+) still have potential due to the unmet demand and thanks to their pricing power.**
- **We like Health care and Financials as well as European energy due to their current huge cash flow generation, supporting dividends and buy backs.**
- Precious/ 'green' metals (copper, lithium, nickel, etc) are one of the best way to play the American and European (green) plans. In this regard, we also like Construction Materials as long as Evergrande crisis remains contained and does not hurt the whole Chinese real estate sector.

Europe sectors: Tech and Banks in the lead



Source: STOXX. Note: performance to 24 September

Asian Equities view

CHINA STILL OFFERS STRONG DIVERSIFICATION BENEFITS

ASIA COUNTRY PREFERENCE

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

- The headlines from China have been shifted from the broad regulatory tightening to the big property developers' funding pressures. The offshore Chinese markets took the hit, with the Hang Seng China Enterprises Index down 6.4% MTD. Despite the concerns of the contagion risk of the Evergrande debt problems, the onshore A-shares markets remained more resilient with the CSI 300 Index up 1.5% MTD.
- We disagree that the Evergrande crisis is China's "Lehmaan moment" and expect the Chinese authorities would avoid the worst case scenario of disorderly bankruptcy and full liquidation of Evergrande and other large property developers.
- Given the weaker-than-expected economic data plus the ongoing regulatory tightening campaign to achieve the central government's long-term goal of "common prosperity", we expect more selective easing measures in 4Q. In fact, the credit impulse in China has been bottoming out recently.

Focus on China domestic A-shares

NO CONTAGION FROM THE EVERGRANDE CRISIS WAS SEEN IN OTHER ASIAN MARKETS

		1-month (%)	YTD (%)	2020 (%)	Forward PE (x)	Trailing PB (x)	Dividend Yield (%) 2021f	EPS Growth (%) 2021f	EPS Growth (%) 2022f	ROE (%) 2021f
	Asia Ex-Japan	-3.4	-4.1	22.5	14.4	2.0	2.3	39.8	10.2	11.5
North Asia	China	-5.6	-18.0	25.9	13.4	1.9	2.5	16.0	16.3	11.2
North Asia	Hong Kong	-7.9	-3.8	2.1	16.8	1.4	2.8	27.2	14.5	8.1
North Asia	South Korea	-2.4	2.1	34.0	10.6	1.3	2.3	110.5	2.0	13.6
North Asia	Taiwan	-1.5	15.9	28.6	15.2	3.0	2.6	52.9	0.8	19.4
South Asia	India	3.8	29.6	16.8	23.8	4.1	1.1	34.8	17.0	13.5
South Asia	Indonesia	-0.2	-7.7	-9.5	14.6	2.4	2.7	27.1	21.2	14.3
South Asia	Malaysia	-4.8	-8.4	-1.7	14.0	1.6	4.0	109.7	-8.7	10.4
South Asia	Philippines	0.8	-2.2	-9.7	17.4	1.9	1.4	51.4	26.0	7.3
South Asia	Singapore	0.8	9.4	-12.8	15.1	1.4	3.4	47.5	14.2	8.0
South Asia	Thailand	-1.3	7.2	-13.9	19.0	2.3	2.4	59.4	12.7	8.8

Source: Datastream, BNP Paribas (WM) as of 27 Sep 2021

06

Commodities

Oil

Gold

Base Metals

BNP PARIBAS
WEALTH MANAGEMENT

Commodities at a glance

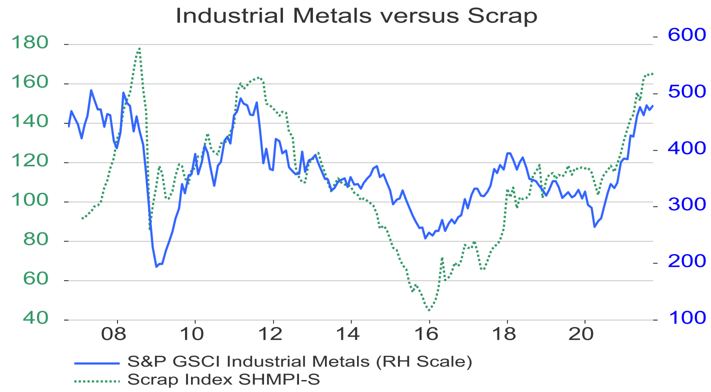
A strong USD and rising bond yields are headwinds for gold. Gold has consolidated in a narrow $1700-1830 range for several months with no clear trend.

Base metals are still in a consolidation phase after their strong advance at the beginning of the year as the Chinese economy is slowing down. Copper prices are around -11% from their May peak but still 20% up YtD.

Oil: supply disruption due to hurricanes in the Golf of Mexico has counterbalanced the lower demand from Asia due to the delta variant outbreak. With demand recovering in Asia, Brent prices reached $80/b on 28/9

BASE METALS

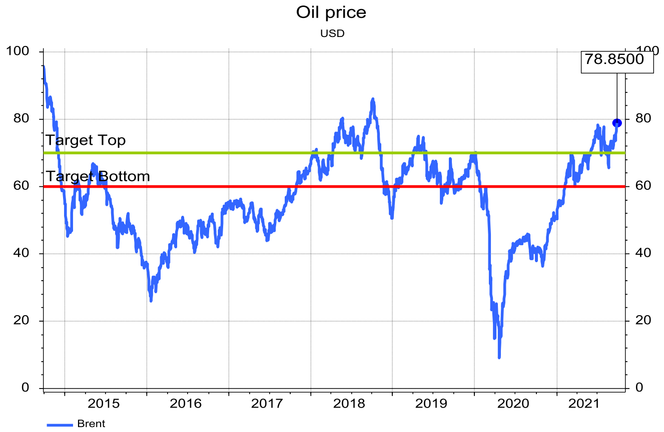
We expect base metals to remain above their rising 200 days moving average and resume their uptrend as soon as the situation improves in China. The medium-term outlook remain bright as demand increase while supply will remain tight.



Source: Refinitiv Datastream, 29/09/2021

OIL

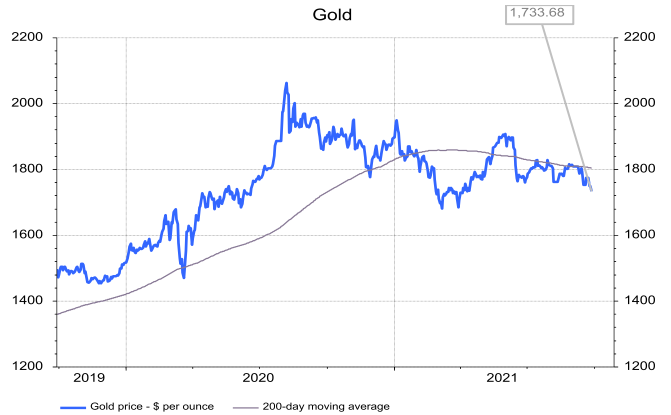
We expect Brent prices to trade between $70 -80/b with risks skewed on the upside as demand recovers in Asia and natural gas low inventories before the winter push gas prices sharply higher



Source: Refinitiv Datastream, 9/27/2021

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

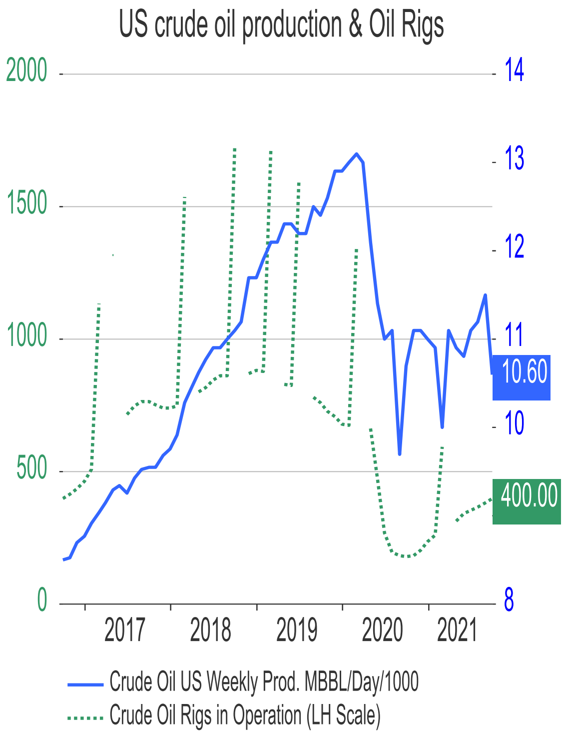
Evolution of our position from last month

Oil

Risks are now on the upside

There is no lack of crude oil in the world but the OPEC+ tight supply management and the disruptions due to hurricanes in the golf of Mexico has pushed Brent prices close to 80$/b. Prices should remain in the $70-80 range in the coming months as demand from Asia goes back to pre-delta-variant levels. The balance of risks are now skewed on the upside.

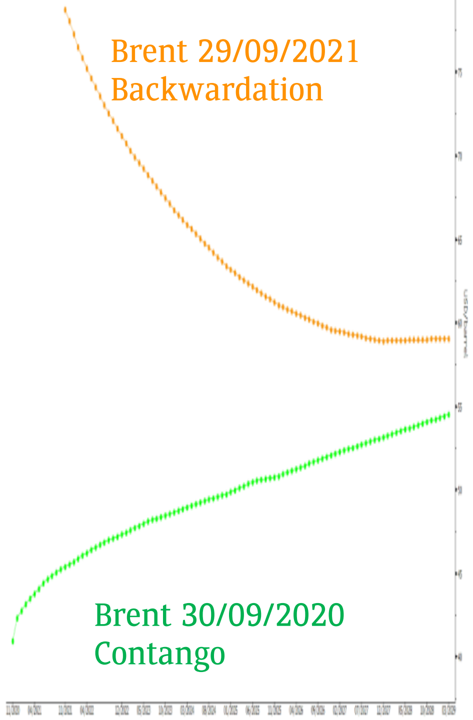
- The OPEC+ will reduce its production cuts by 0,4% mbd per month from August (cuts were at 5,7 mbd in July). Prudent supply management and high discipline within the alliance should limit the prices downside risk.
- The US shale oil production is slowly increasing as capital discipline prevail.
- A cold winter could push natural gas prices to levels that could trigger substitution effects.
- When global demand will be back at pre-pandemic level (delayed by the delta variant to 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 probable return of Iranian exports could ease supply-demand tensions, but a nuclear deal should not be concluded before the spring 2022 and logistical bottlenecks prevent a swift ramp-up.



Source: Refinitiv Datastream, 9/28/2021

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% (29/9). This with our positive outlook for the coming quarters are reasons to invest in "smart roll" products.

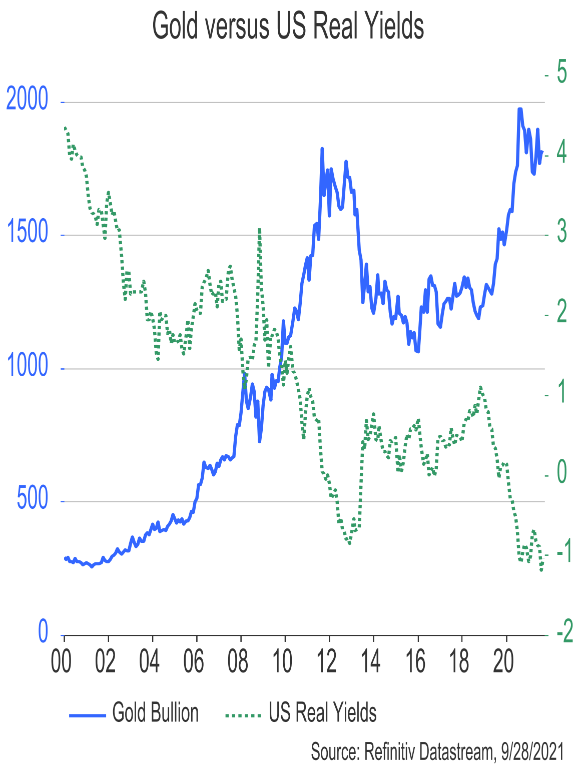
- **Backwardation**: is when the prices for future delivery decline in function of the maturity of the contracts
- **Contango**: is the opposite situation, prices for future delivery increase in function on the maturity of the contracts.
- **Rolling yield**: Commodity funds and ETFs invest via the future 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.



Gold

Real yields are expected to rise moderately and the USD to strengthen, both are headwinds for gold. However, the risk of more sticky inflation is positive for gold. 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.

- Over the summer, when US real bond yields dropped to their historical lows, the ounce did trade $40-50 below its theoretical value implied by real yields. So, it would be logical for gold not react strongly to the ongoing real yields increase. Moreover, we do not expect them to rise a lot.
- Historically, periods with very high debt/GDP ratios were characterized by negative real interest rates.
- Booming energy prices increase the risks of second round effects on inflation, a positive for gold.
- Concerns about government debt loads and the MT effects of unconventional monetary policies on fiat currencies should underpin the precious metal.
- Emerging central banks have restarted their purchase program stopped in 2020
- 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, 9/28/2021

Silver – Platinum - Palladium

Silver, platinum and palladium have corrected heavily, more than gold and base metals. Temporary factors (chip shortages) have affected the automobile industry's demand. Present levels offer good entry points as the outlook remains bright due to the expected demand for industrial usage linked to climate regulations while supply remain tight.

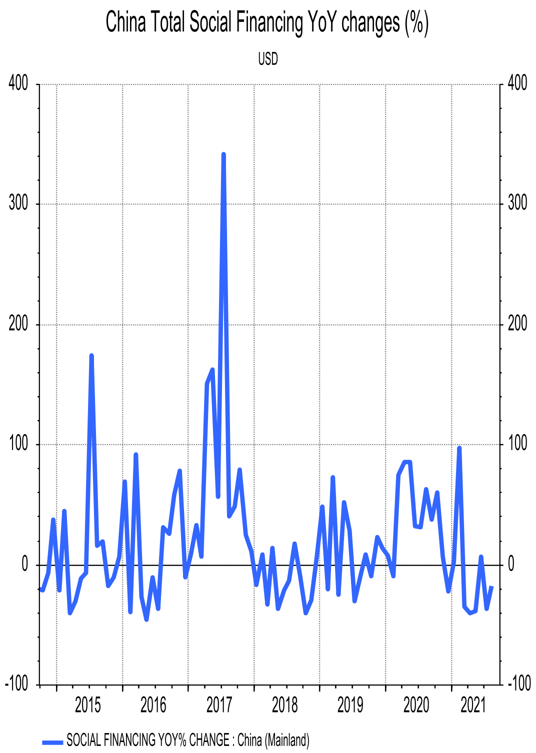
- Silver demand suffered from the Chinese slowdown and platinum and palladium from the supply chains disruptions (semi-conductors) in the automobile sector. These issues are temporary. Present levels offer excellent entry points both for the metals themselves and the related mines
- Supply issues will not be solved any time soon.
- 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 (electrolysers and fuel cells).

Base Metals

Still expecting Supercycles for copper and aluminium

China's metals consumption is expected to remain soft during the winter. Aluminium might be the exception. 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

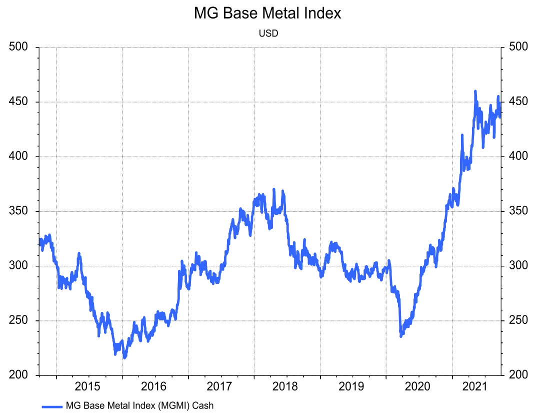
- To make climate change mitigation possible, a huge quantities of metals will be needed to build-out renewable energy capacity, electric vehicles and carbon capture and storage.
- Copper prices are likely to remain on the weak side in Q4 as global chip and container shortages damp demand and Chinese construction activity 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, Aug 21

- Aluminium: the global cyclical upswing has led to a strong price rally over the past year. The supply response is set to be constrained leading to sustained high prices in the years to come. The Chinese authorities have forced old (polluting) smelter capacities to curtail their output while new capacities initially planned to start in 2022 were postponed by about 6-12 months.

Source: Refinitiv Datastream, 9/28/2021



Source: Refinitiv Datastream, 9/28/2021

07

Alternatives UCITS

Alternative Investments

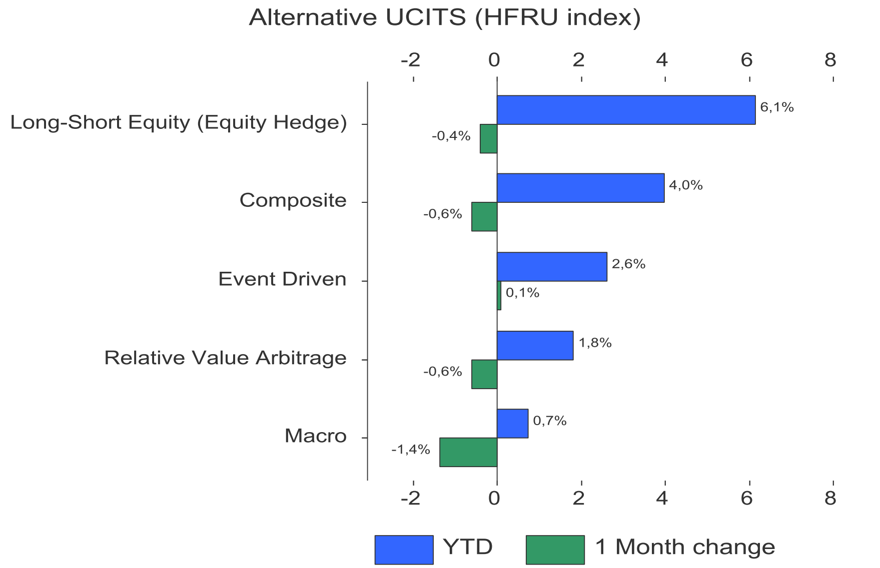
BNP PARIBAS
WEALTH MANAGEMENT

Alternative Investments at a glance

Alternative UCITS strategies keep a strong performance this year with positive performance in all sub-strategies. The best performers were long-short equity and event-driven. Relative value and Macro are lagging.

over the past month, especially for macro as we saw some countertrend movements.

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



Source: Refinitiv Datastream, 28/09/2021

Global Macro

Positive: Fundamental macro traders are best equipped to anticipate those, as seen already through inflation pressures and impact on EMs. Despite the difficulty to trade Central Bank back-stopped economies, macro strategies offer protection from severe downturns. Central bank and government support, and upcoming tapering this year should bring strong macroeconomic trends.

The performances were relatively poor

Event Driven

Positive: Distressed : recovery opportunities remain for few sectors hit by Covid.. Capital market activity will remain strong (M&A, IPOs,...) as borrowing costs remain cheap, and competition was altered by COVID. We favor smaller and European deals over the US going forward.

Long / Short Equity

Neutral. Managers face challenging rotations between growth and value based on (FED tapering expectations and COVID) and have therefore reduced their bets. 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 short squeeze has led to low single short exposure, and therefore fewer alpha opportunities.

Relative Value

Neutral: We see little spread compression potential now after the historical rally and decreasing dispersion between strong and weaker corporate credits.

08

Private Equity

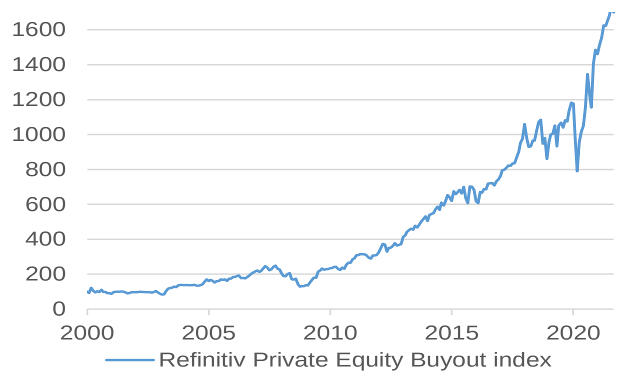
Private Equity

Alternatives: PE

Focus on Private Equity: We believe that investors should hold a private equity allocation for exposure to excellent long-term returns.

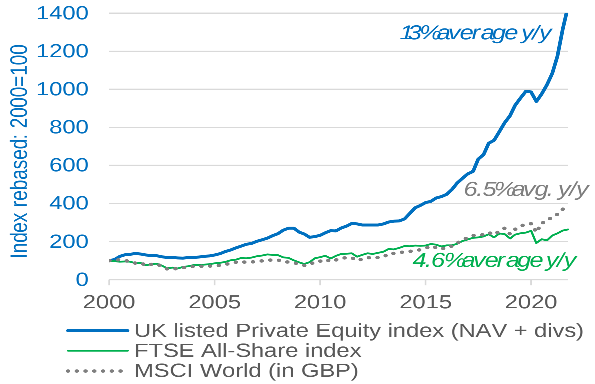
We have a positive recommendation on both growth-oriented and Leveraged Buy Out private equity fund exposure within Alternatives.

US private equity buyout funds have delivered 14% CAGR since 2000



Source: Refinitiv

UK-listed private equity funds: 13% CAGR since 2000



Source: Bloomberg, The AIC

Private equity a strong performer

Private equity is a key alternative asset class to include in a diversified portfolio: private equity funds have historically delivered outstanding long-term returns, 14% CAGR since 2000 in US dollars according to the Refinitiv private equity buyout index.

Access small unlisted growth companies

Growth companies in the technology, health care and sharing economy space are increasingly opting to stay private for longer, and only come to public markets once already huge companies. Thus private equity is now one of the only ways to invest in companies during their early high-growth stage of development.

Ability to back entrepreneurs

Private equity funds have the ability to back entrepreneurs at an early stage, and also to help them with their experience and advice to succeed, usually involved in deciding the strategic direction of the company.

Preferred sectors

Leveraged Buy out funds, global growth funds specialised in technology, healthcare and consumer. Infrastructure funds are also potentially attractive.

Risks: Illiquidity, long term horizon

Clearly, investors must be able to commit investment capital for the long term, typically at least 3 and up to 10 years in order to give PE funds quasi-permanent capital to allow them to invest themselves for the long term.

BNP PARIBAS WEALTH MANAGEMENT
CHIEF INVESTMENT ADVISOR (CIA) NETWORK

Edmund Shing
Chief Investment Officer

ASIA

Prashant BHAYANI
Chief Investment Officer

Grace TAM
Chief Investment Advisor

BELGIUM

Philippe GIJSELS
Chief Investment Advisor

Alain GERARD
Senior Investment Advisor, Equities

Xavier TIMMERMANS
Senior Investment Strategist, PRB

LUXEMBOURG

Guy ERTZ
Chief Investment Advisor

Edouard DESBONNETS
Investment Advisor, Fixed Income

UNITED STATES

Wade BALLIET
Chief Investment Advisor

DISCLAIMER

This marketing document is provided by the Wealth Management business of BNP Paribas, a French public limited company with a capital of € 2,499,597,122, registered office 16 bd des Italiens 75009 Paris - France, registered at RCS Paris under number 662,042,449, authorised in France, under the number 662,042,449, approved in France by the Autorité des Marchés Financiers (AMF). As a marketing document, it has not been produced in accordance with regulatory constraints to ensure the independence of investment research and is not subject to the prior transaction ban. It has not been submitted to the AMF or other market authority. This document is confidential and intended solely for use by BNP Paribas SA, BNP Paribas Wealth Management SA and companies of their Group ('BNP Paribas') and the persons to whom this document is issued. It may not be distributed, published, reproduced or revealed by recipients to other persons or reference to another document without the prior consent of BNP Paribas.

This document is for informational purposes only and does not constitute an offer or solicitation in any State or jurisdiction in which such offer or solicitation is not authorised, or with persons in respect of whom such offer, solicitation or sale is unlawful. It is not, and should under no circumstances be considered as a prospectus. The information provided has been obtained from public or non-public sources that can be considered to be reliable, and although all reasonable precautions have been taken to prepare this document, and, in the event of any reasonable precautions, the accuracy or omission of the document shall not be recognised. BNP Paribas does not certify and guarantees any planned or expected success, profit, return, performance, effect, effect or profit (whether from a legal, regulatory, tax, financial, accounting or other point of view) or the product or investment. Investors should not give excessive confidence in theoretical historical information relating to theoretical historical performance. This document may refer to historical performance; Past performance is not a guide to future performance.

The information contained in this document has been drafted without taking into account your personal situation, including your financial situation, risk profile and investment objectives. Before investing in a product, the investor must fully understand the risks, including any market risk associated with the issuer, the financial merits and the suitability of such products and consult its own legal, tax, financial and accounting advisers before making an investment decision. Any investor must fully understand the characteristics of the transaction and, if not otherwise provided, be financially able to bear the loss of his investment and want to accept such risk. The investor should remember that the value of an investment as well as the income from them may fall as well as rise and that past performance is not a guide to future performance. Any investment in a product described is subject to prior reading and to an understanding of the product documentation, in particular that which describes in detail the rights and duties of the investors and the risks inherent in an investment in that product. In the absence of any written provision, BNP Paribas does not act as an investor's financial adviser for its transactions.

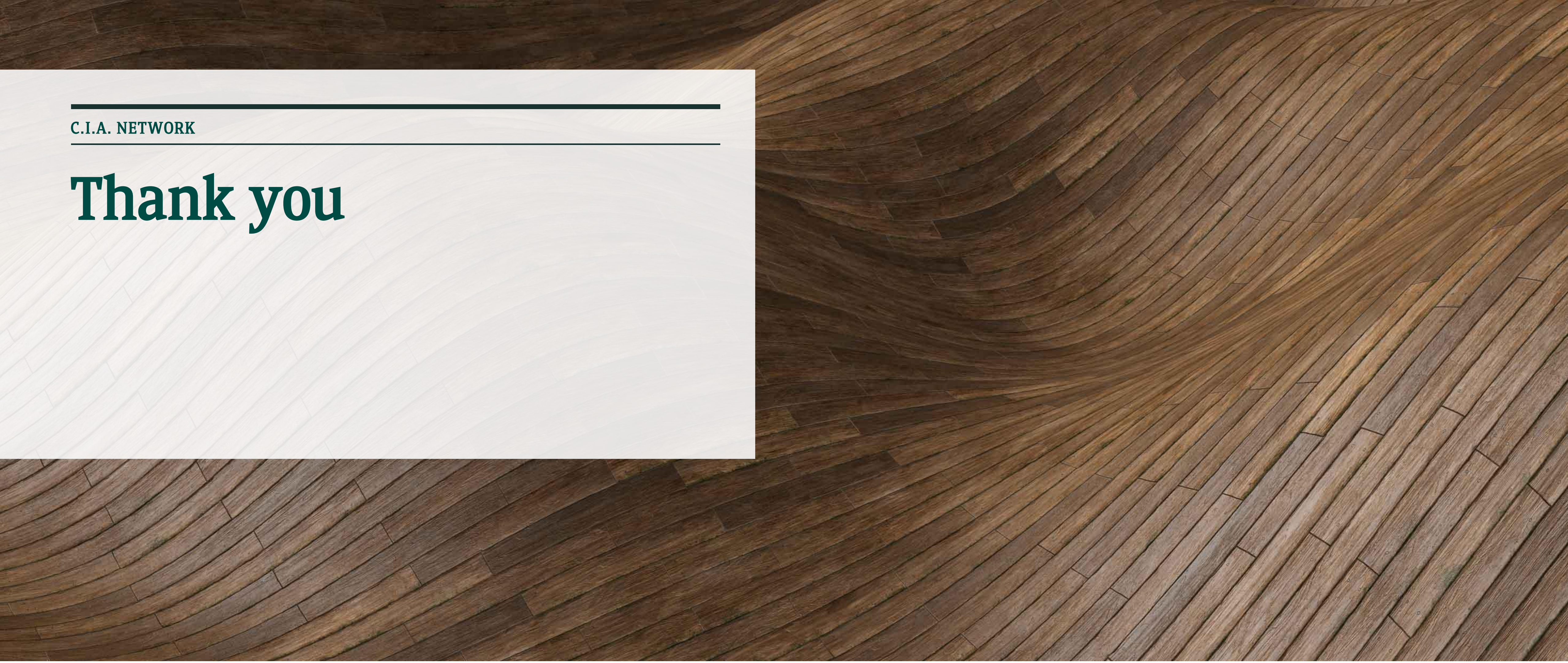
The information, opinions or estimates contained in this document reflect the author's judgement on the day of his drafting; they must not be considered as authority or be substituted by anyone in the exercise of his or her own judgement and subject to change without notice. Neither BNP Paribas nor any BNP Paribas Group entity will be liable for any consequences that may arise from the use of the information, opinions or estimates contained in this document.

As a distributor of the products presented in this document, BNP Paribas may receive distribution fees on which you can obtain further information on specific request. BNP Paribas, its employees or Directors may hold positions in or relationship with their issuers.

By receiving this document you agree to be bound by the above limitations.

C.I.A. NETWORK

Thank you



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world