For professional investors only

SwissTreasurer

Economic Outlook & Investment Strategy

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Geneva, 8 December 2023

MARKETING MATERIAL

DECALIA

CONTENT

MACRO OUTLOOK

NEAR TERM RESILIENCE, LESS DIVERGENCES BUT PERSISTENT CHALLENGES

GLOBAL ECONOMY

A SOFT LANDING SCENARIO WITH LESS DIVERGENCES NEXT YEAR BUT STILL MANY DOWNSIDE RISKS

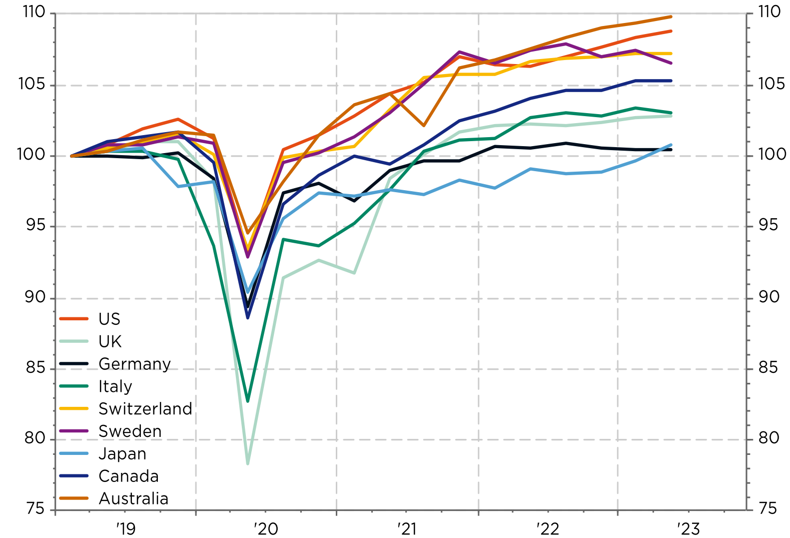
For professional investors only

OECD growth projections (Nov 2023)

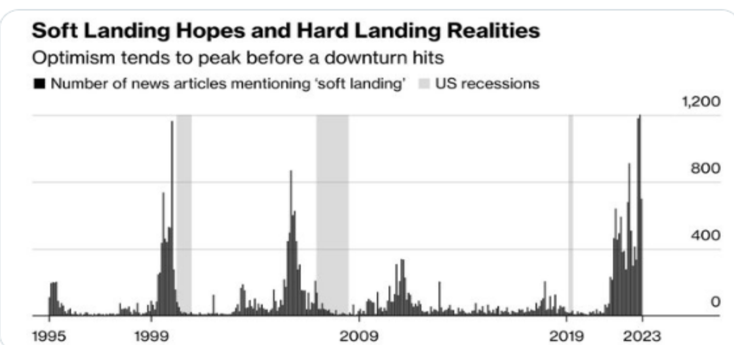
	GDP growth					Average 2013-2019
	2022	2023e	2024e	2025e		
WORLD	3.3	2.9	2.7	3.0		3.4
G20	3.1	3.1	2.8	3.0		3.5
US	2.1	2.4	1.5	1.7	<	2.5
Euro Area	3.5	0.6	0.9	1.5	<	1.9
Japan	1.0	1.8	1.0	1.2	>	0.8
Non-OECD	3.7	4.0	3.8	4.0		4.4
China	3.0	5.2	4.7	4.2	<	6.8
India	7.2	6.3	6.1	6.6		6.8
Brazil	3.0	3.0	1.8	2.0	>	-0.4
World Real Trade	5.2	1.1	2.7	3.3		3.4

Source: OECD Economic Outlook, November 2023

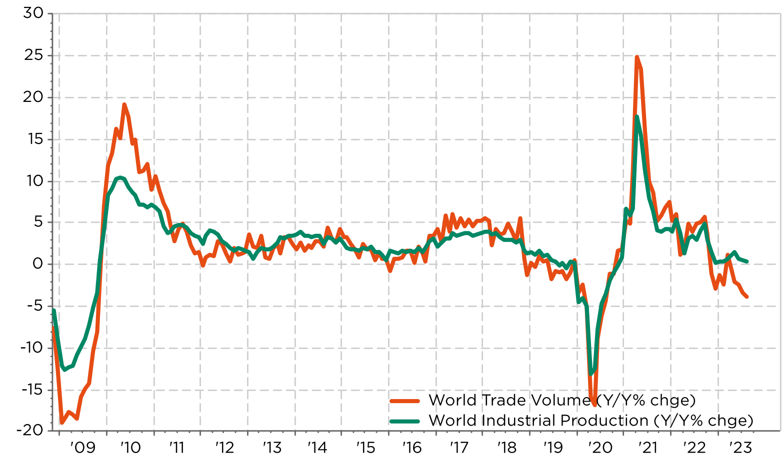
Major DM economies (rebased 100)



Be warry… recessions don't give notice usually



World Trade & Industrial Production



Source: Factset / IMF/ Decalia

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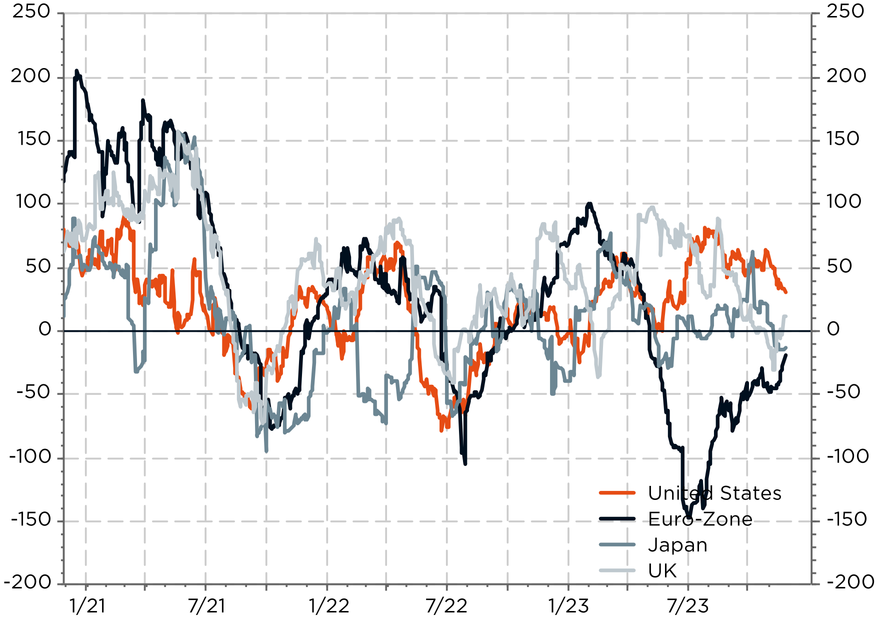
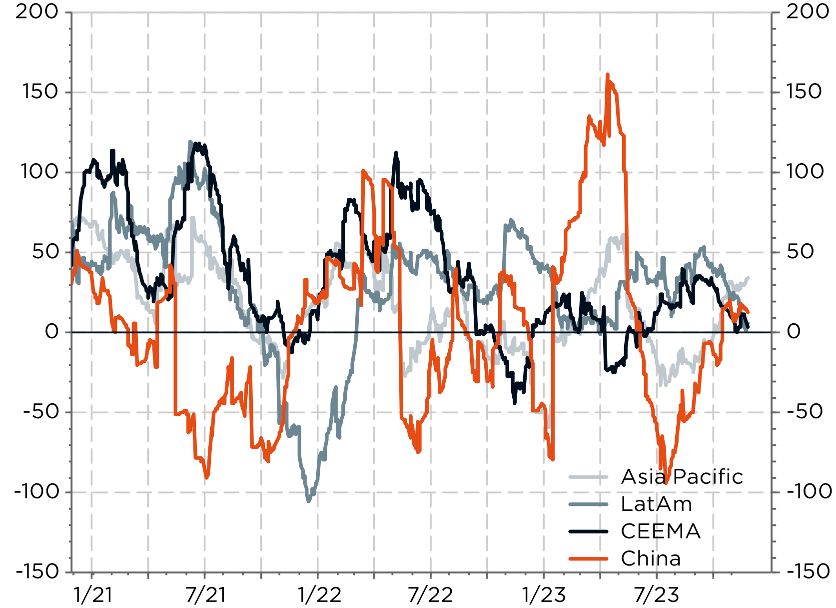
GLOBAL ECONOMIC SURPRISES

NO DISAPPOINTMENT ON GROWTH SO FAR... EXCEPT IN CHINA & EUROZONE

Developed Economies



Emerging Economies



We expect less divergences next year, with non-US growth potentially surprising on the upside

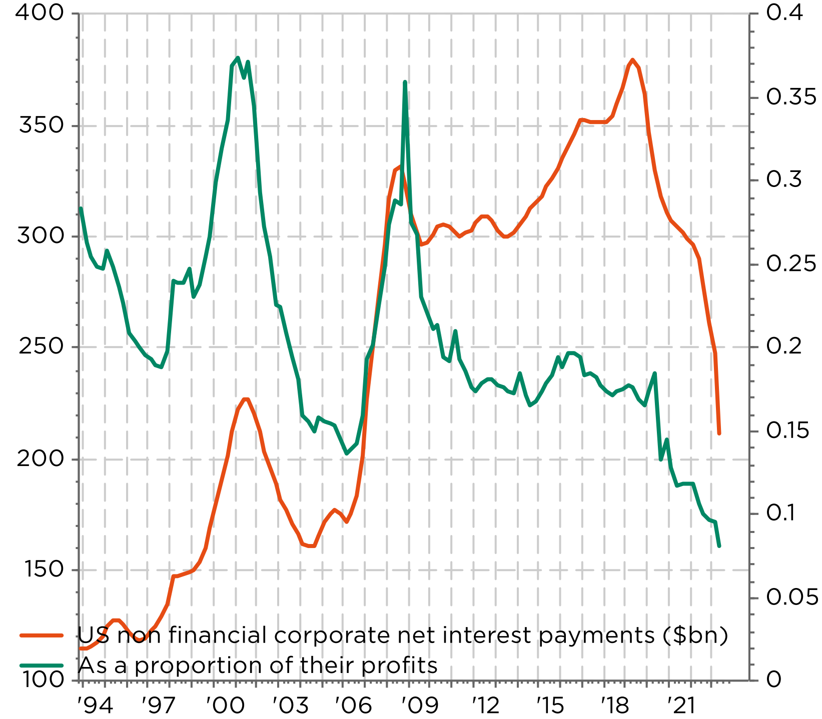
Source: Factset / Decalia

US ECONOMY

WHY MONETARY TIGHTENING HAS NOT YET BITTEN INTO GROWTH?

US M2/GDP: excess money supply hasn't yet been completely soaked

US large cap locked in their financing costs by terming out their debt



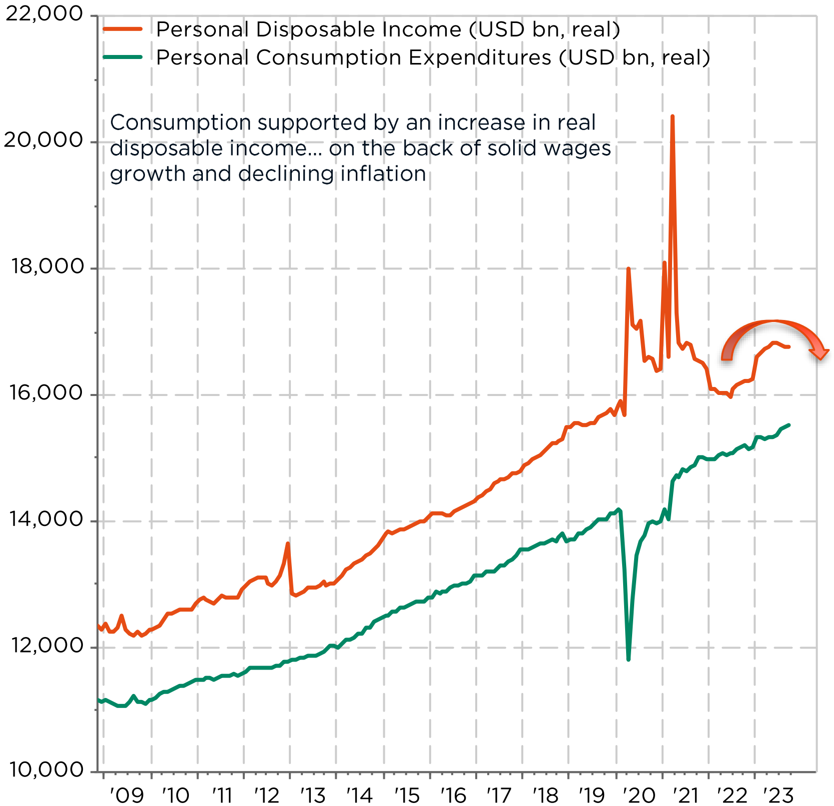
And what if growth has also remained above potential so far (plausible assuming low unemployment rate / tight labor market) ?

Source: Decalia AM

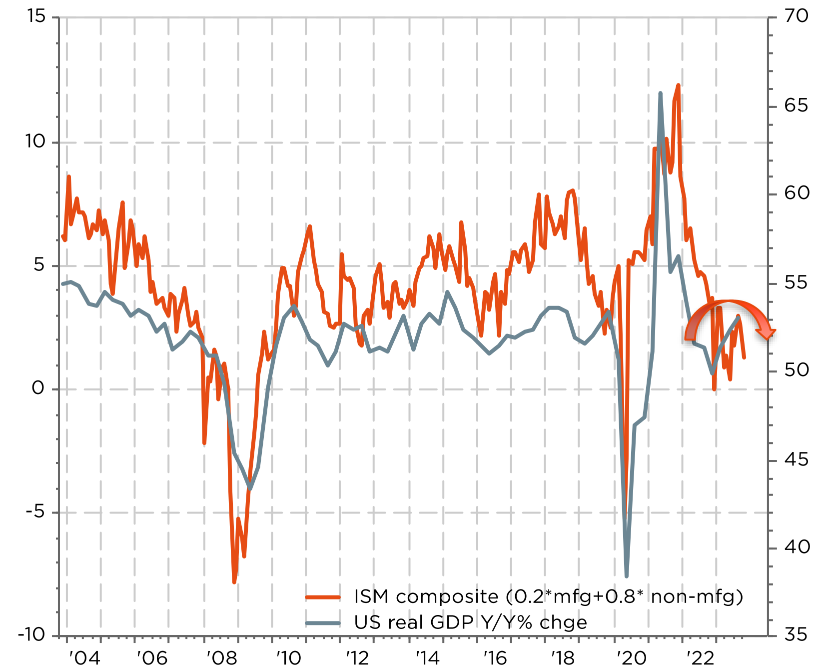
US ECONOMY

MIND THE HEADWINDS NOW

US personal disposable income and consumer spending in real terms



US ISM composite and GDP growth



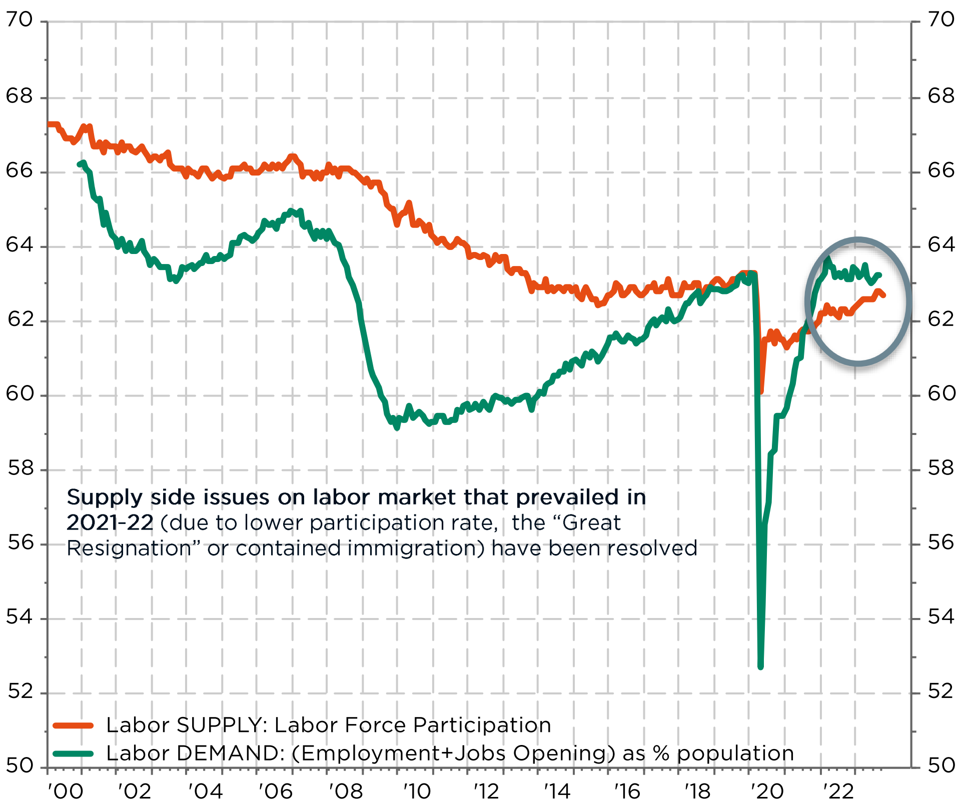
US GDP growth may eventually hit a pothole in Q4 on the back of slower wages growth, resumption of student loans payment or higher borrowing costs (credit card, auto loans, mortgages), ~~higher energy prices and government shutdown~~... among others

Source: Factset / Decalia

US ECONOMY

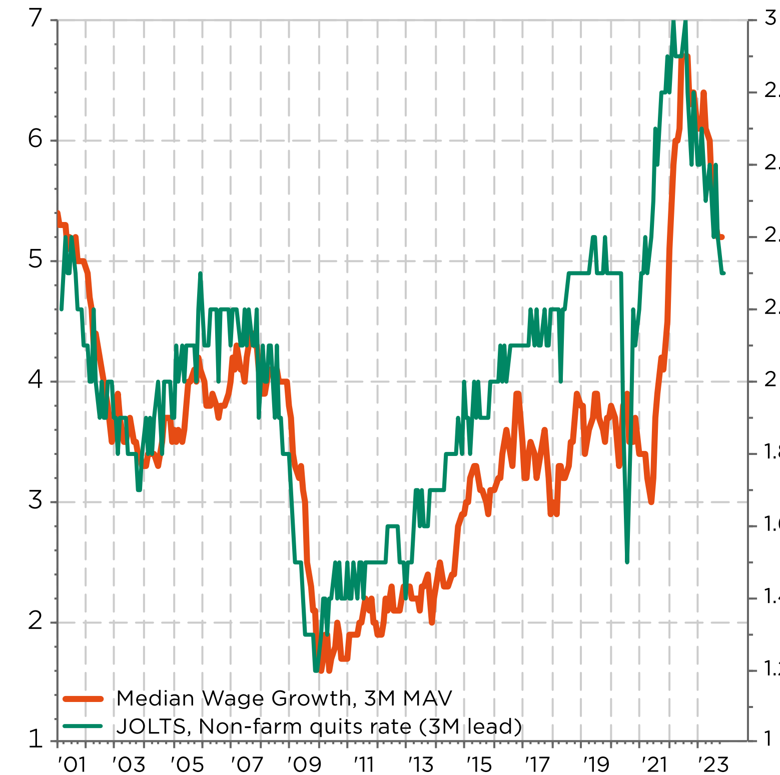
US LABOUR MARKET: NO LONGER SO TIGHT

Jobs supply & demand as % of population



Slowing demand and increasing labor force supply

US median & avg wages growth



As (voluntary) jobs quits rate is declining, expect slower wages growth going forward

The FED may thus pause and wait

Source: Decalia AM / FactSet

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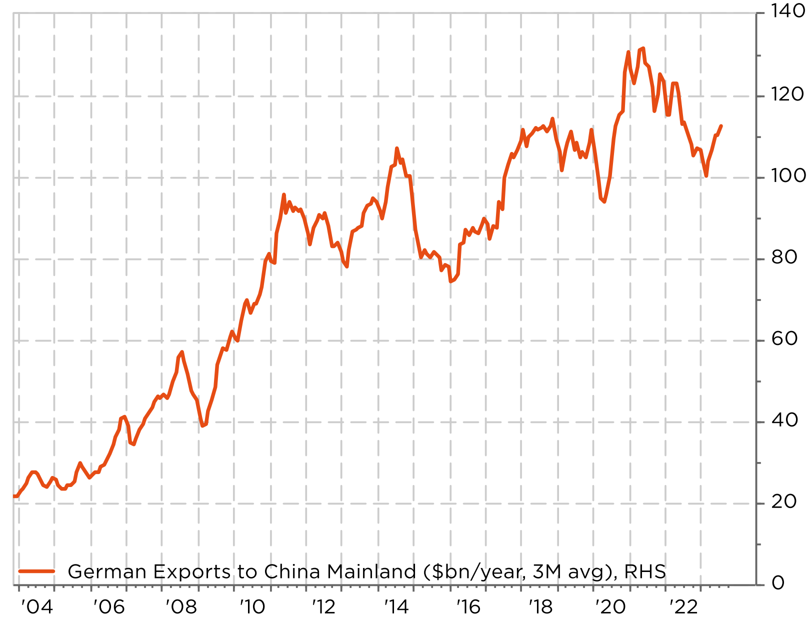
EUROPEAN ECONOMY

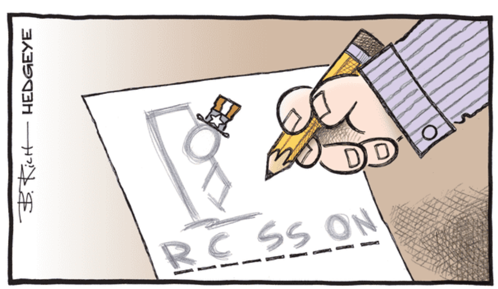
THE UNWELCOME COME-BACK OF THE SICK MAN OF EUROPE

German car production (thousands of units/month)

German exports to China ($bn/year, 3M avg)



- Costs of securing peace, energy & end-market access (China / rest of Europe) have risen

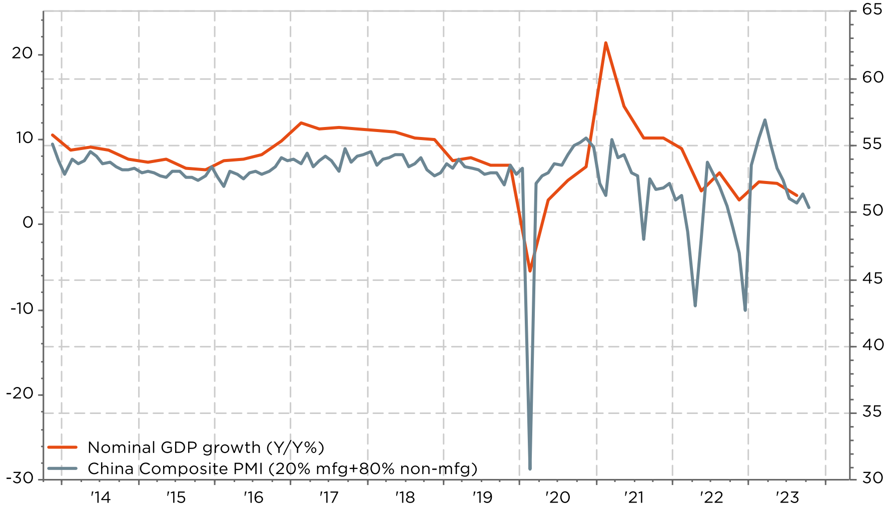


Source: Decalia, FactSet

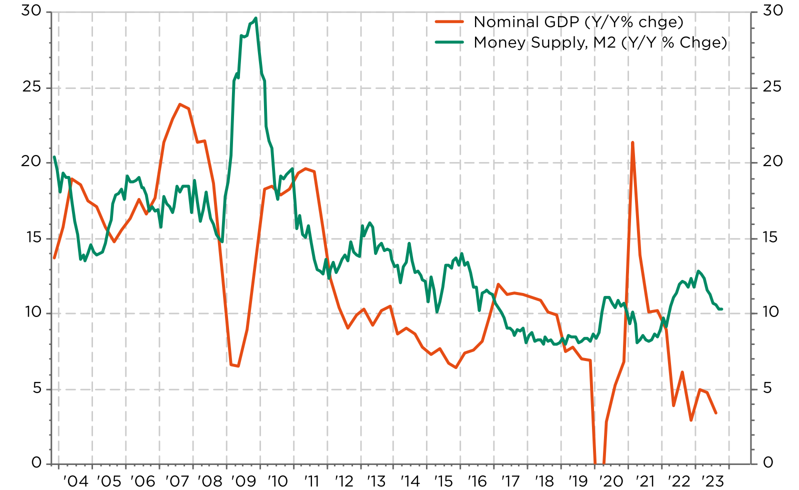
CHINA ECONOMY

DOWNSIDE RISKS PREVAIL FOR NEXT YEAR... AS WELL AS GOVERNMENT SUPPORT

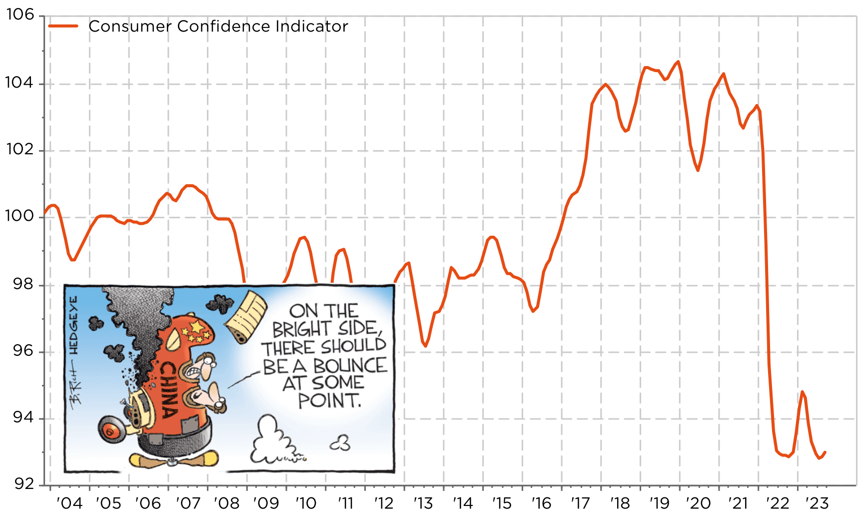
China composite PMI & real GDP



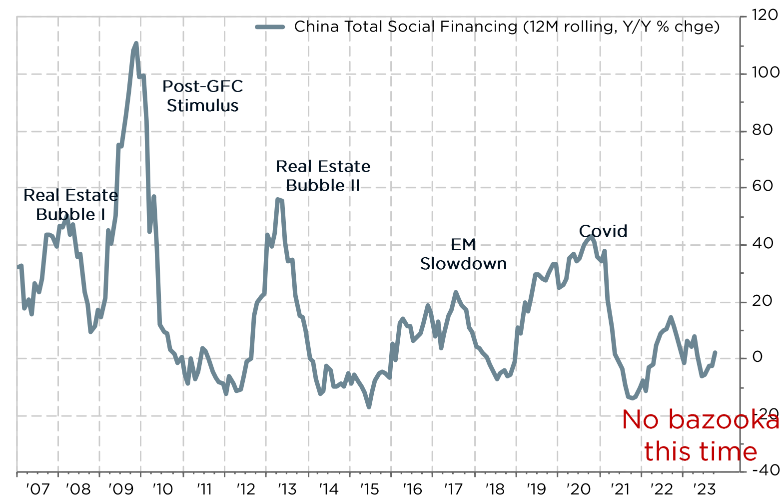
China M2 & nominal GDP growth



China consumer confidence



China Total Social Financing (12M rolling, Y/Y%)

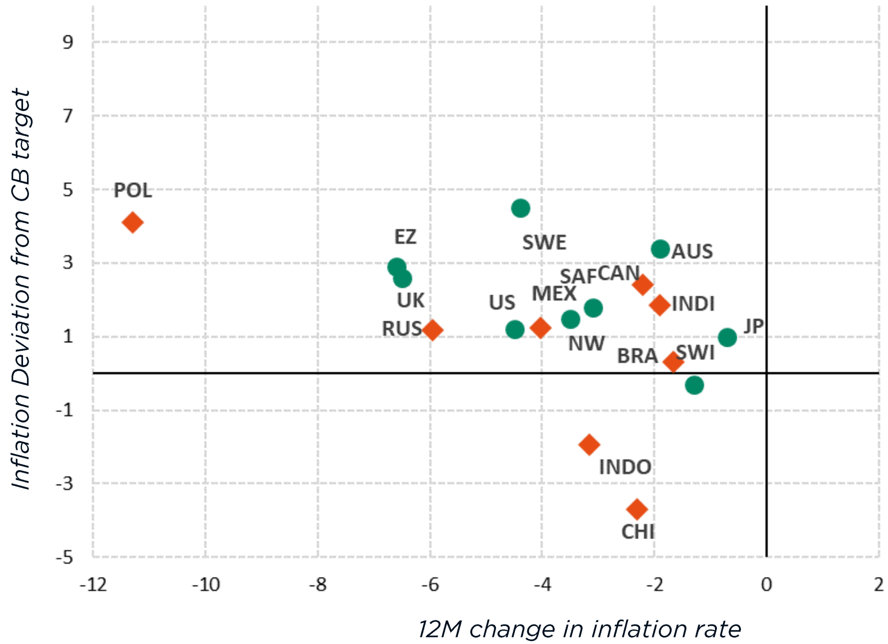


Source: Factset / Decalia AM / JPM

INFLATION MONITOR

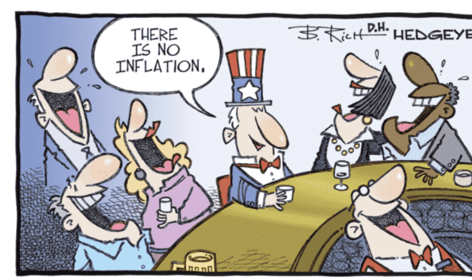
DISINFLATION PROCESS CONTINUES

Inflation level, trend and deviation from central banks target



15.11.2023		CPI Inflation	12M trend	vs. CB target
Developed Economies	US	3.2	-4.5	1.2
	Canada	3.8	-3.1	1.8
	Euro Area	4.9	-6.6	2.9
	UK	4.6	-6.5	2.6
	Japan	3.0	-0.7	1.0
	Australia	5.4	-1.9	3.4
	Norway	4.0	-3.5	1.5
	Switzerland	1.7	-1.3	-0.3
	Sweden	6.5	-4.4	4.5
Emerging Economies	China	-0.2	-2.3	-3.7
	India	4.9	-1.9	1.9
	Indonesia	2.6	-3.2	-1.9
	Brazil	4.8	-1.7	0.3
	Mexico	4.3	-4.0	1.3
	Russia	6.7	-5.9	1.2
	Poland	6.6	-11.3	4.1
	Turkey	61.4	-24.2	56.4
	South Africa	5.4	-2.2	2.4

- Headline inflation has declined everywhere over the last 12M
- Both headline & core inflation remain above central banks target in most economies, except in some EM and Switzerland
- China is flirting with deflation



Source: Bloomberg / Decalia AM

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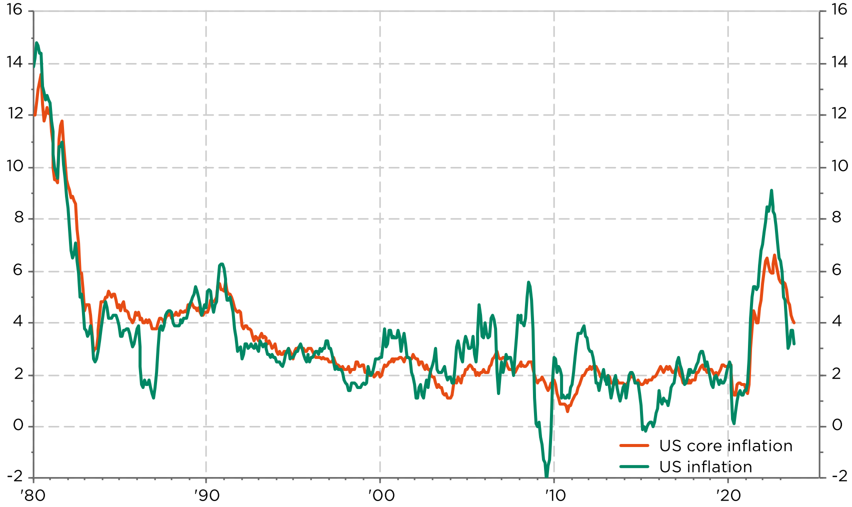
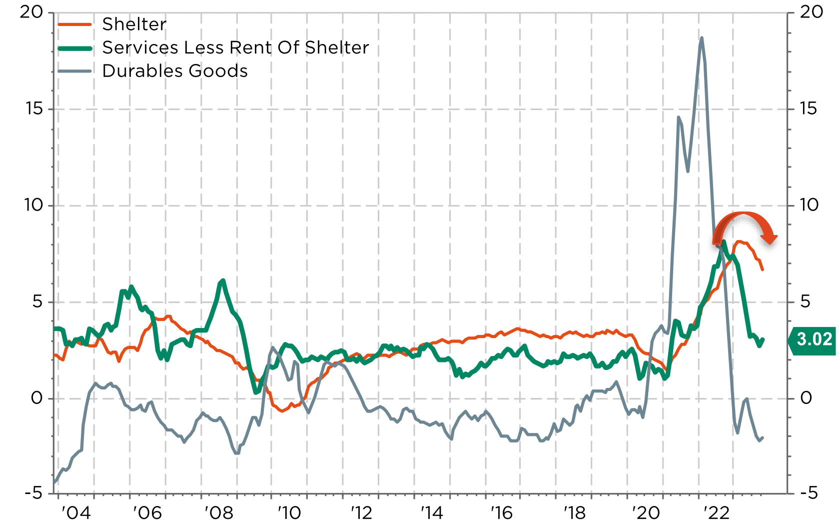
US INFLATION MONITOR

ONGOING DISINFLATION BUT THERE IS STILL A LONG WAY TO GO TILL 2%

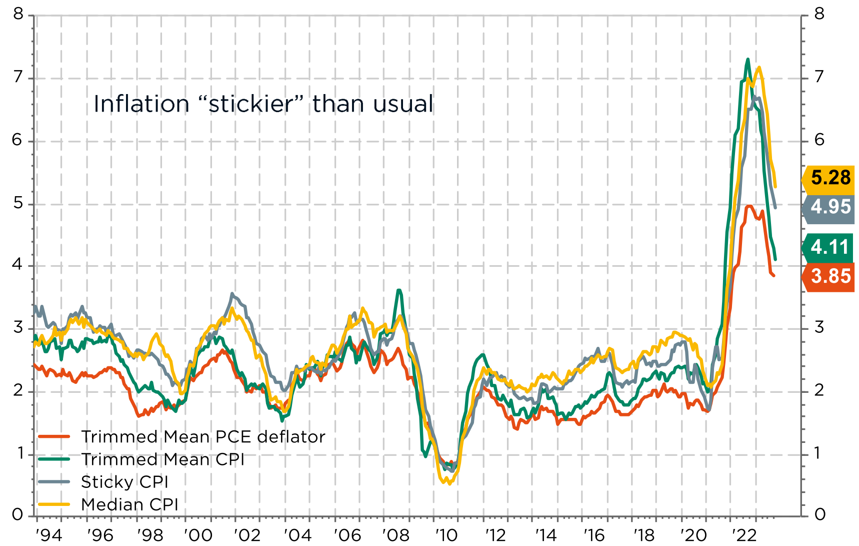
US headline & core inflation have peaked…



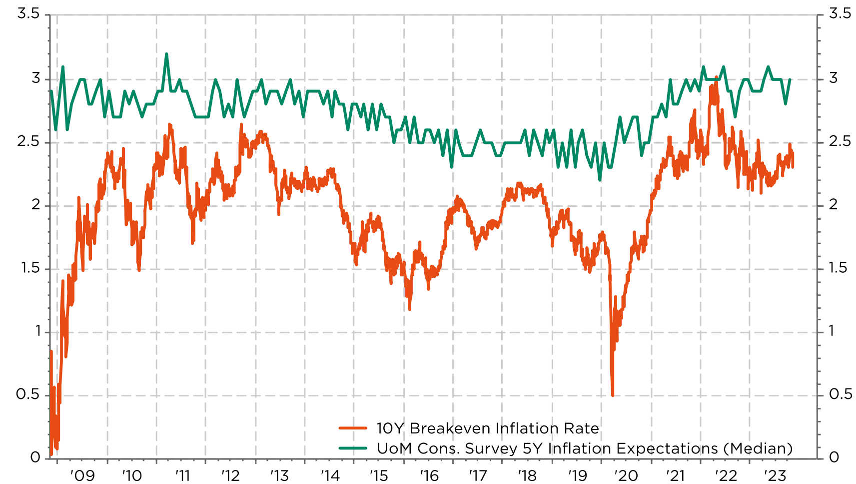
Selected US inflation components



… as well as alternative inflation gauges



US consumers & investors inflation expectations

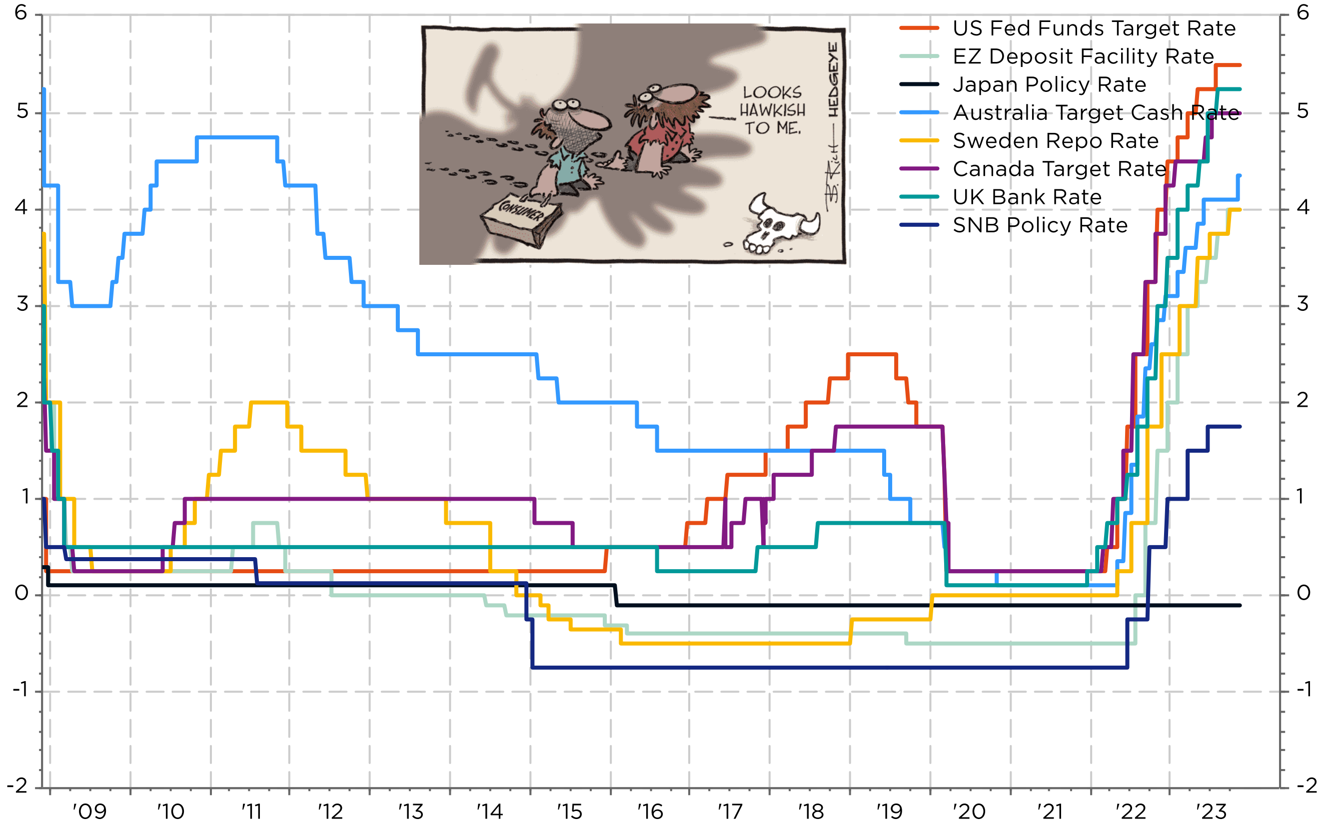


Source: Credit Suisse / Factset / Decalia AM

CENTRAL BANKS

INFLATION FIGHT CLUB

Major DM central banks' target rates



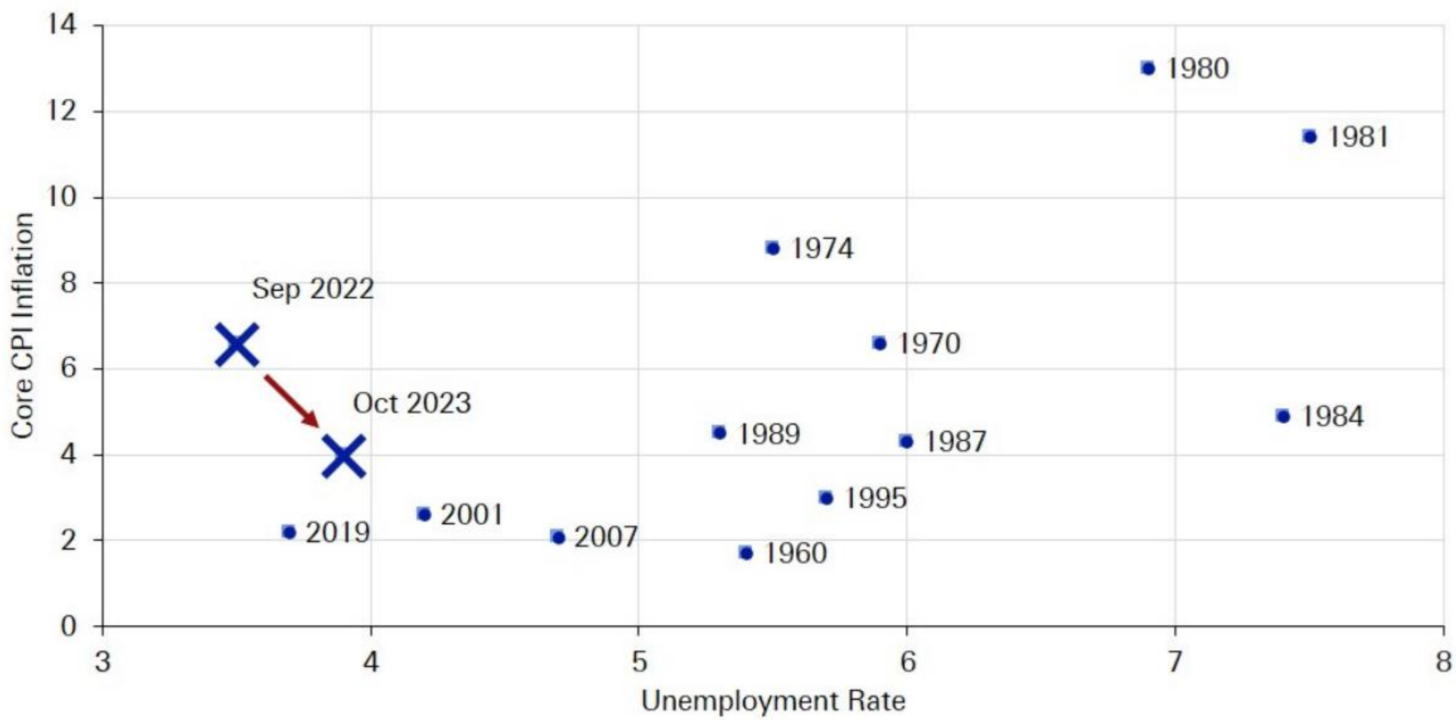
- At or close to the peak… except for the BoJ
- Hawkish hold restrictive bias, remaining data dependent
- It is therefore illusory to expect large or rapid rate cuts… unless there is a severe recession

Source: FactSet / Decalia AM

FED PIVOT IN 2024?

MY FOOT! … OR THERE WILL BE A DRAMA FIRST

Combination of US core CPI & unemployment rate when the Fed has previously begun rate cuts

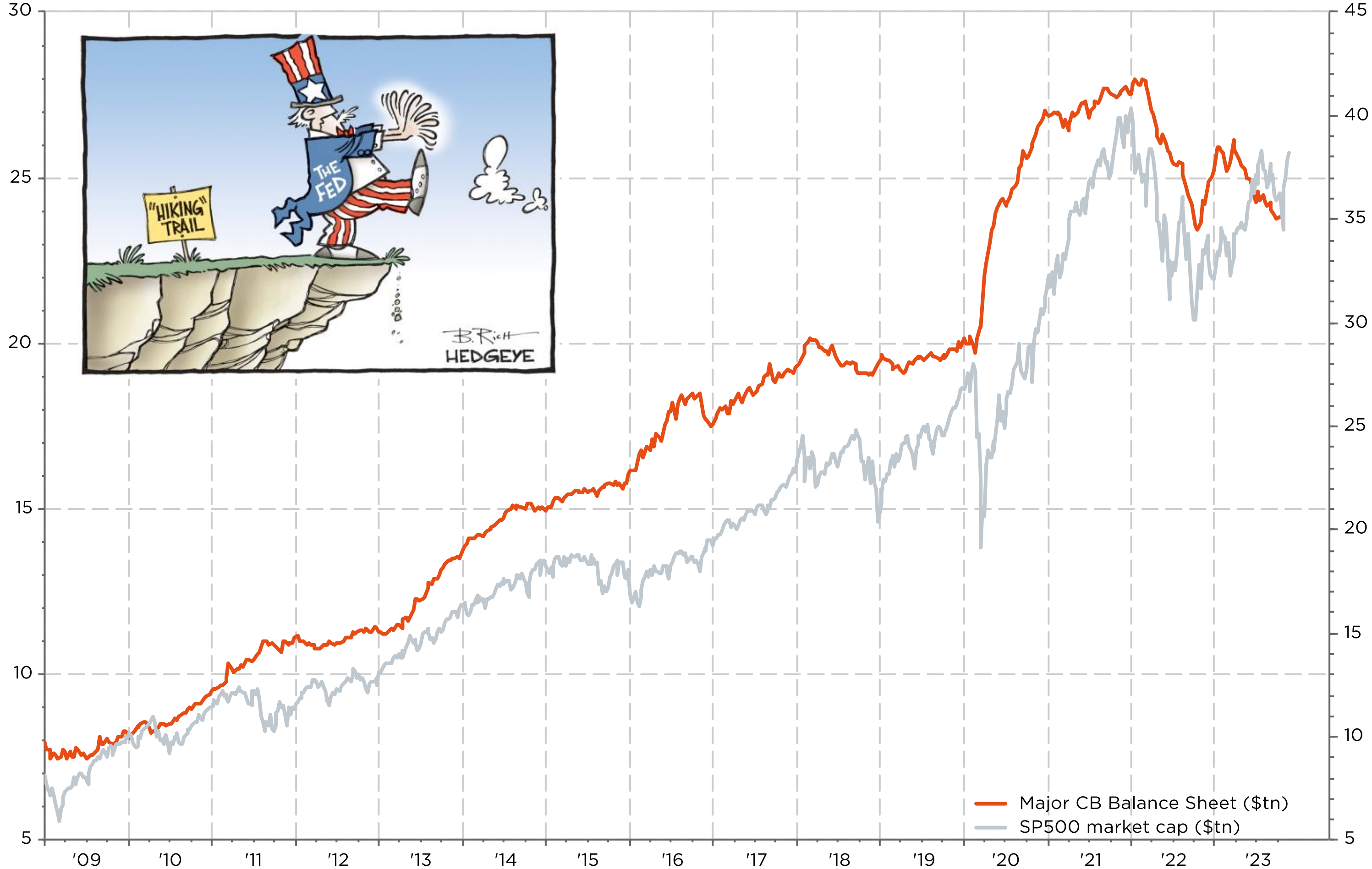


Source: FactSet / Decalia AM

CENTRAL BANKS

QUESTION FOR A CENTRAL BANKER: WHAT'S THE NEUTRAL BALANCE SHEET SIZE? QT MAY CONTINUE EVEN IF FED CUT RATES AT SOME POINT

Excess central banks liquidity from COVID hasn't been yet drained out



Source: Factset / Decalia AM

DECALIA MACRO SCENARIO

MORE OF THE SAME : RESILIENT GROWTH, STICKY INFLATION & HAWKISH CBs

Downside Scenario
15% probability

- China falls into deflation
- Geopolitics
- Spillovers' contagion from a sudden dislocation / a market crash
- Structurally persistent inflation leading to a policy mistake
- Energy/Commodity crisis
- Other unknown unknows

Central Scenario
70% Probability

- Coping with lower but positive growth, sticky but falling inflation & still high policy rates in a more fragmented world
- Growth: so far, so good
  - Soft landing on the back of successful **CBs' tightening and…** lower inflation/energy prices & China re-openings
  - **Even if a recession is inevitable at some point…but timing, duration, and severity remain unclear.**
  - Resilient consumer + capex spending on security (energy & food, defense) & overall re-shoring = no easing in sight
- Inflation still the main concern… over the medium term
  - **Ongoing disinflation process but it will likely stay above target as there is also some structural issues** (Demographics, Deglobalization, Decarbonization)
  - In case of a severe recession, inflation concerns may disappear
- Monet. policy: rates close to peak but no cut in sight
  - End of easy money: **DM central banks now close to peak with increasing risks of policy mistakes as long as growth resists**
- Supportive fiscal policies
  - **Playing against monetary policy as they provide support/tailwinds for overall growth**

Upside Scenario
15% probability

- Reacceleration of global GDP growth
- Central Banks cut rates as inflation falls rapidly to target
- Improving geopolitical backdrop/more international cooperation

GLOBAL ECONOMY

KEY THEMES FOR 2024

More of the same next year

- Is this cycle really different?
- Global economic growth to remain quite resilient next year thanks to solid consumption trend as well as an improvement on the manufacturing sector
- The positive growth surprise may come from non-US economies next year
- As far as China is concerned, downside risks prevail

Risks

- Fine tuning monetary policy adequately
- Alignment of fiscal and monetary policies + rebuilding fiscal buffers
- Structural reforms become key… once again!
- Geopolitics (mind the important elections next year)

INVESTMENT STRATEGY

Soft or Hard landing? Recurrence of inflation? Fiscal deficit risks? Geopolitics? etc...

FOR ONCE TAKE UNCERTAINTY SERIOUSLY...

STAY INVESTED ACROSS THE BOARD!

SOMETHING HAS CHANGED...

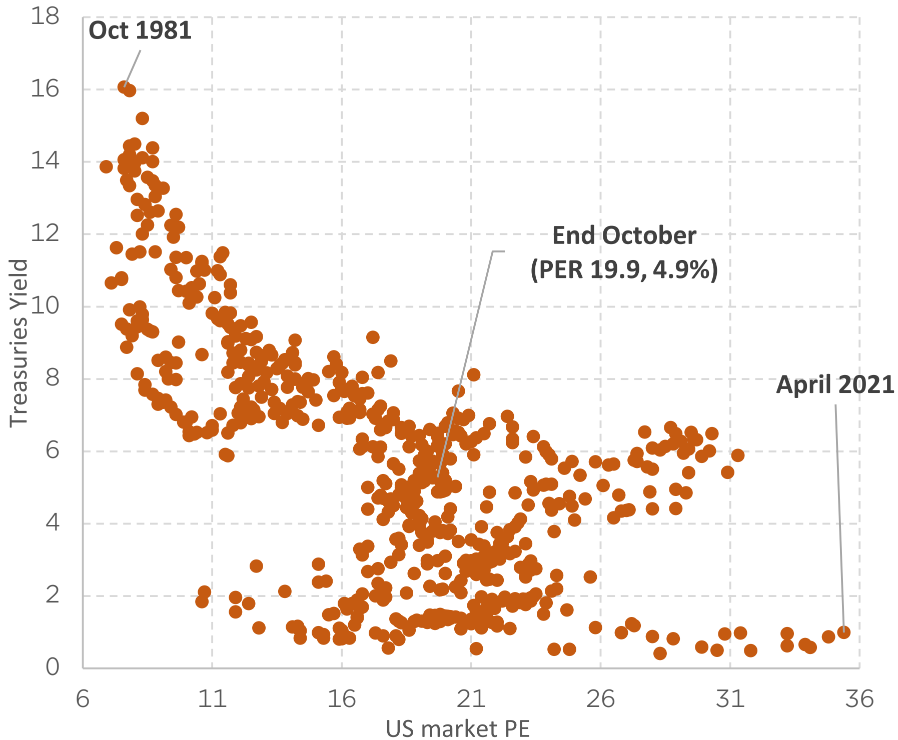
FINANCIAL ASSET PRICES/VALUATIONS DRIVERS BEFORE AND AFTER COVID

BC	AD
Key macro drivers	
Business cycle & Monetary Policy (rates & QE)	Business cycle, Inflation, Monetary Policy (rates & QT) & Fiscal/Budgetary Policy
Geopolitics	
Favorable tailwinds: end of cold war, globalization, China's trade integration (WTO)	Headwinds: fragmentation, rising inequality, political instability (populism), EM's rise – decline of the West
Demographics	
Favorable tailwinds: baby boom, demographic dividend in China, integration of women in labor force	Headwinds: ageing, immigration issues, rising dependency ratio
Debt	
Started from a "low level" with declining rates	At historically "high level" with rising rates
Others	
	"Costly & challenging" energy transition + adverse climatic changes
Fault line The "Great Moderation" led to leverage, excessive risk and thus growing instability	**Joker** Will AI and overall technology save us all?

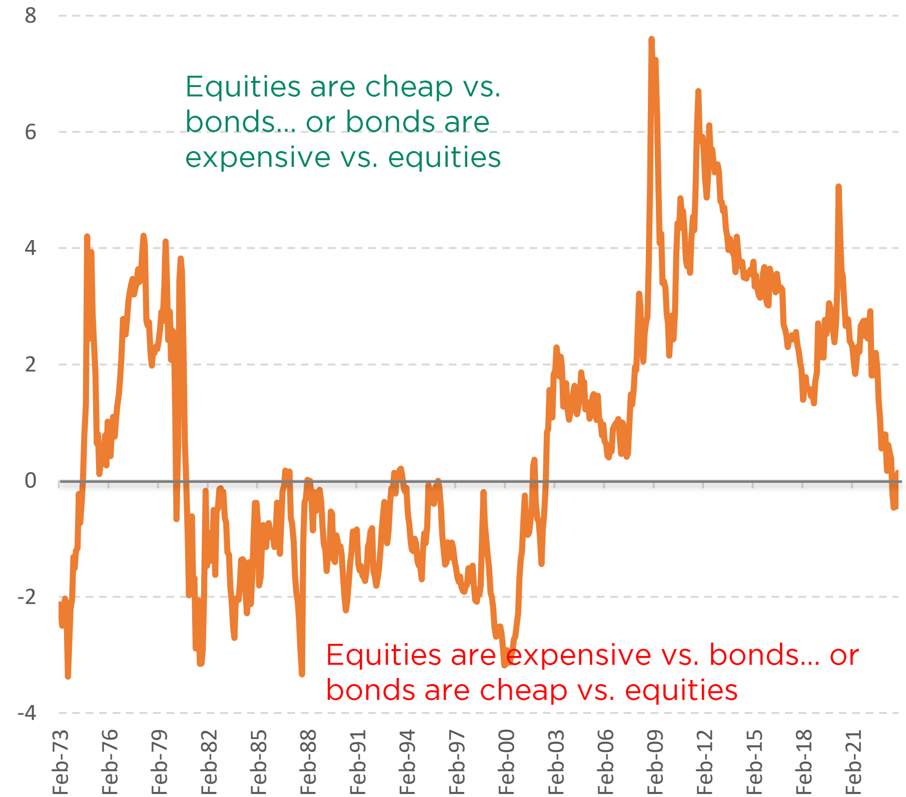
ASSET ALLOCATION

WHEN YOU COME TO A FORK IN THE ROAD, TAKE IT…

US market P/E vs US Treasuries yield

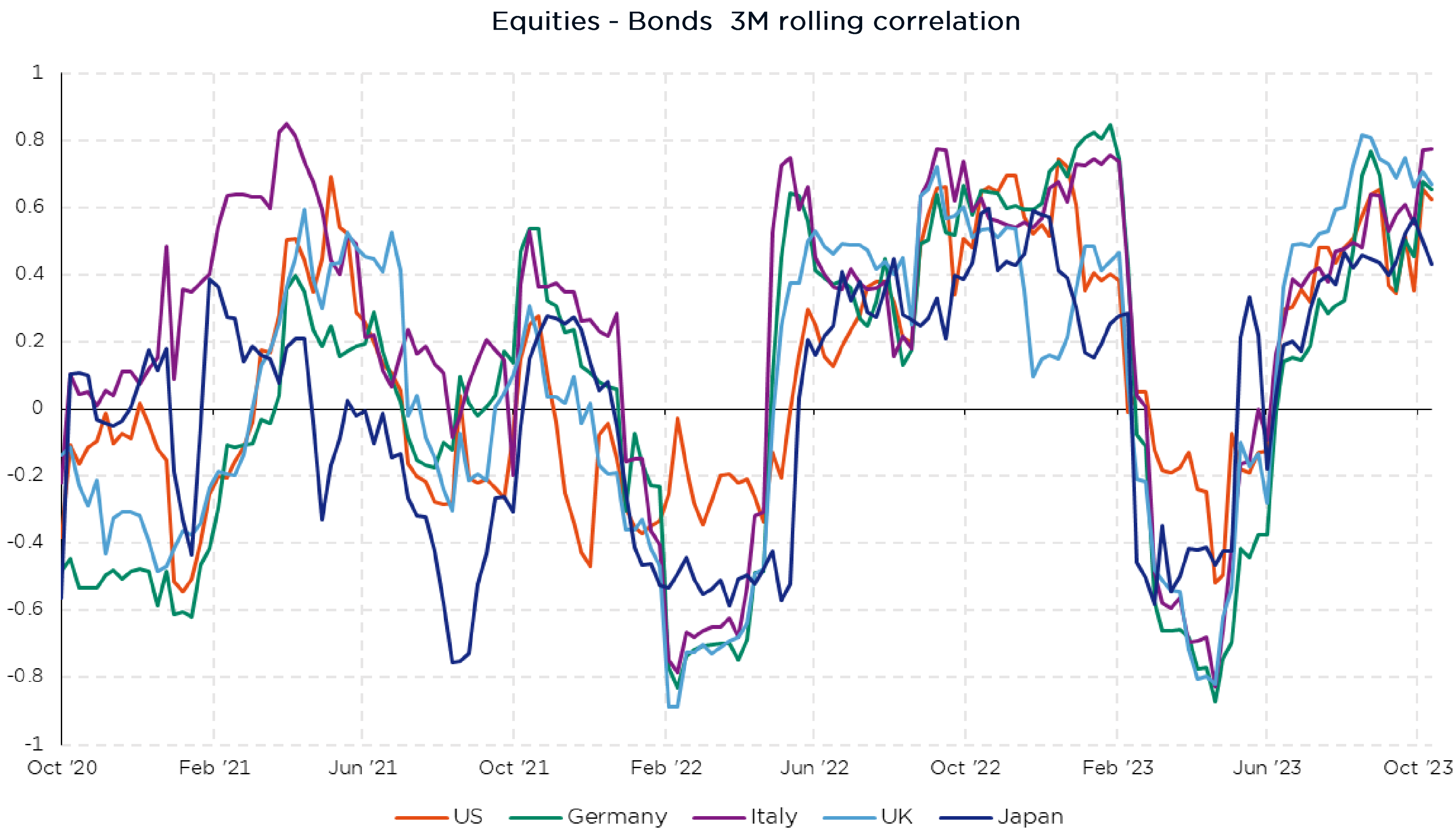


Fed model: Earning's yield – Bond's yield



ASSET ALLOCATION

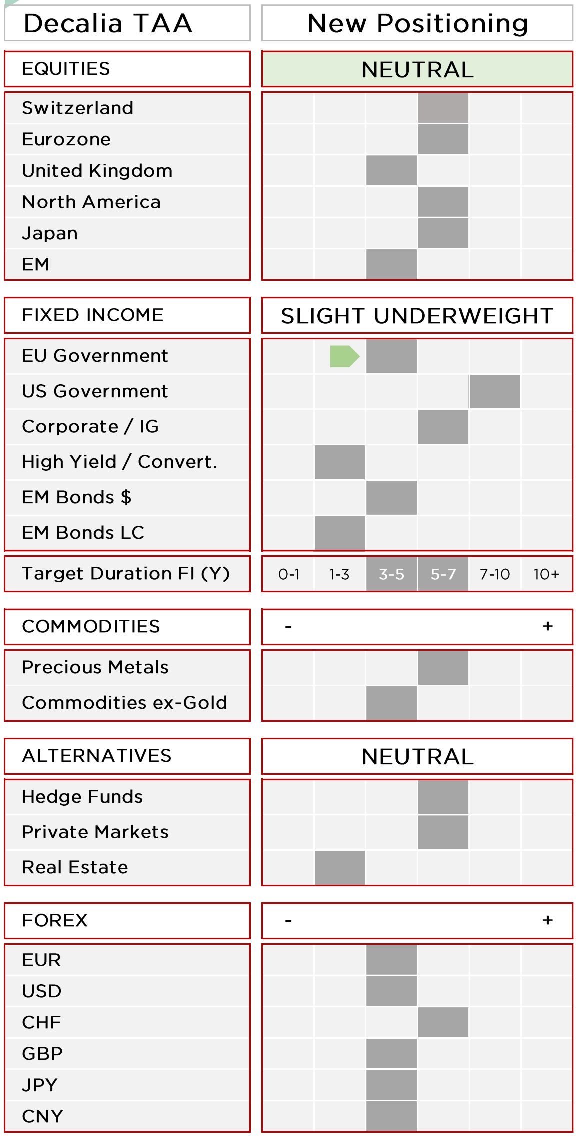
CORRELATIONSS STILL FLYING HIGH



Source: Bloomberg / BofA / Decalia AM

DECALIA CROSS-ASSET POSITIONING

NOV 2023 – UPGRADE EQUITIES TO NEUTRAL ON *SANTA'S GOLDISOCKS*



Source: DECALIA AM

Equity – Upgrade to *Neutral* – Focus remains on high-quality cash-rich plays balanced across regions & sectors with a greater pinch of *undervalued* small & mid caps

- Regions :
  - **Selectively *bullish* Switzerland** – Attractive blend of high-quality cyclical large caps & growthier small & mid cap names
  - **Slight Overweight US** – Core diversified *growth* allocation balanced with selective satellite *value cap* investments
  - **Eurozone** – Inexpensive value in both absolute & relative terms
  - **Slight Underweight UK** due to ongoing fragile macro fundamentals
  - **Slight OW Japan** as macro backdrop & corporate governance further improve while valuation and flows remain supportive
  - **Slight UW EM** – *Higher for longer* rates regime, challenging geopolitical backdrop & demanding valuation (excl. China) remain headwinds
- Sector/Style: Diversified *high-quality stance.* **Brace for style/sectors rotation by rebalancing selectively towards cyclical growth as market breadth stabilizes**

Fixed Income – *Slight Underweight* – Play defense, favoring carry, quality and liquidity

- **Focus on 1-5y Broad IG bucket** – Decent yield for a contained risk
- **Adding to € Govies** as the bar for rate cuts is likely less high there
- **Selective exposure to HY/EM/Sub debt** as backdrop becomes more challenging

Commodities & Gold – *Keep some exposure*

- Cyclical downside risks vs. favorable long term structural trends (climatic & energy transition, lack of investments, geopolitics,…)

Alternatives – *Neutral*

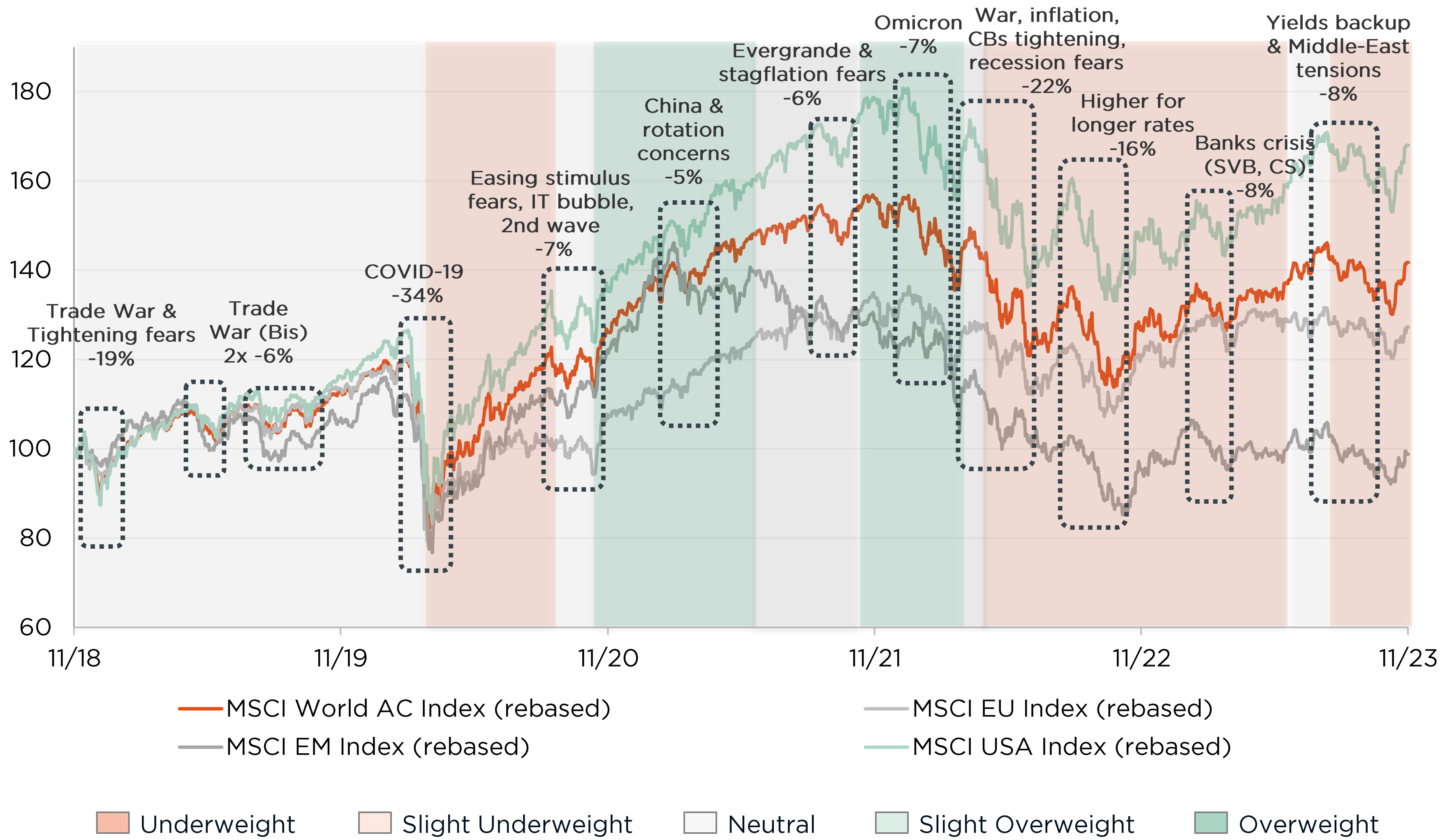
- Favor specialized private markets with real value adding competences vs. more generic, leverage based returns
- **Cautiousness on RE (UW) & slight OW on HFs** (CTA, uncorrelated strategies)

Currencies

- **CHF** – Slight OW supported by strong fundamentals

EQUITY STRATEGY

GLOBAL EQUITY MARKETS PERFORMANCE (5Y) VS. DECALIA TAA POSITIONING

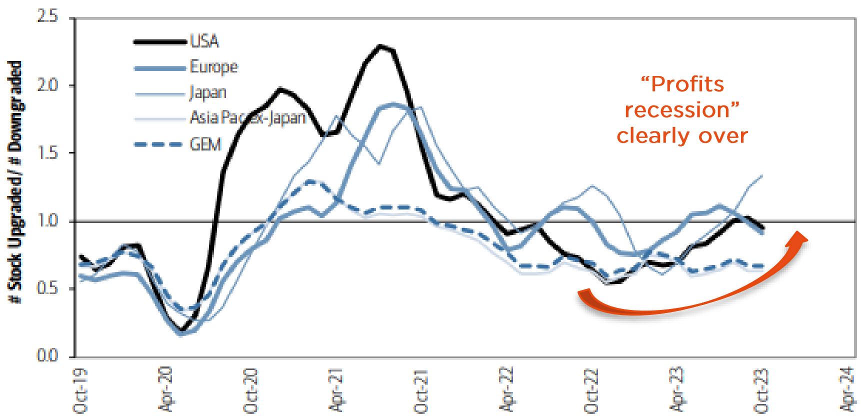


Source: Decalia, Bloomberg

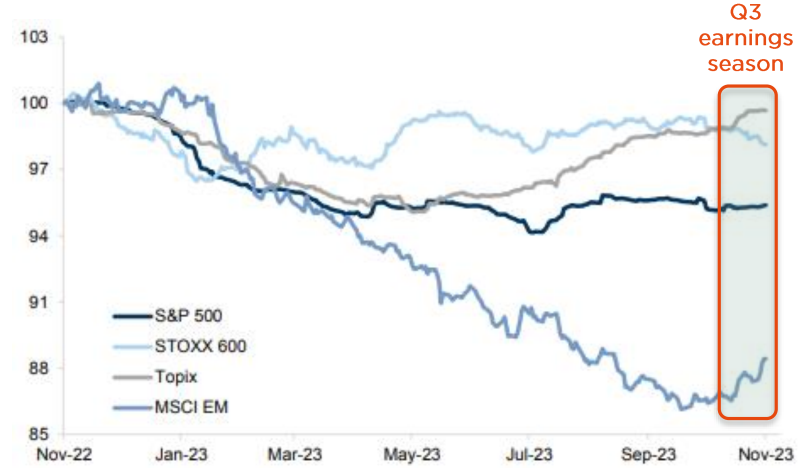
EQUITY STRATEGY

EARNINGS MOMENTUM – NO SIGNS OF WEAKNESS… AHEAD OF 2024 REBOUND

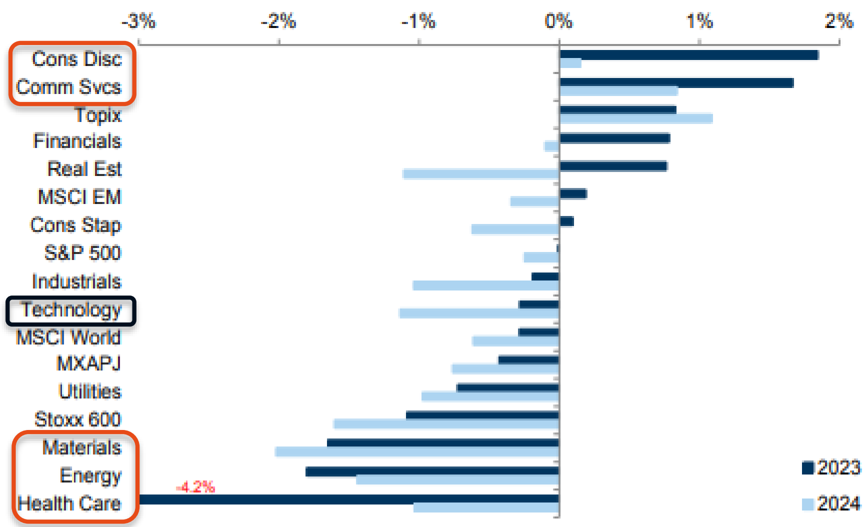
EPS 3M Revision Ratios By Region – Resilient Trends



FY 2023 EPS Revisions Progression (Last 12M)



FY 2023/24 EPS 1M Revision Ratios By Region/Sector



Consensus Index EPS & Sales Expectations

	Sales Growth (%)		EPS Growth (%)		Net Margin (%)	
	2023E	2024E	2023E	2024E	2023E	2024E
S&P 500	3.0	5.0	0.0	11.0	12.3	12.7
STOXX 600	-1.8	2.2	0.0	6.7	10.0	10.1
TOPIX (FY basis)	0.8	2.5	13.5	6.7	5.9	6.3
MSCI AP ex Japan	2.9	8.2	-3.4	17.4	9.5	10.4
MSCI EM	1.8	8.5	-4.7	17.7	9.6	10.4
MSCI AC World	**1.4**	**4.7**	**-0.1**	**10.5**	**10.9**	**11.4**
Energy	-12.7	1.7	-26.4	0.3	9.7	9.3
Materials	-7.1	2.7	-30.7	9.8	8.3	8.9
Industrials	3.3	4.5	0.7	9.6	8.2	8.6
Cons. Discretionary	8.9	6.8	29.8	11.6	7.5	7.8
Cons. Staples	3.8	3.6	1.7	7.8	6.6	6.8
Health Care	4.4	5.6	-13.8	16.5	9.4	10.4
Financials	5.9	4.5	16.4	6.5	20.0	19.2
IT	-1.0	9.3	-5.7	20.2	16.2	17.6
Communication Svs	3.7	5.8	23.2	16.1	13.0	14.4
Utilities	-0.3	-1.4	16.6	8.4	8.3	9.1
Real Estate	4.0	4.5	4.0	5.4	11.9	14.4

Sources: BofAML, Goldman Sachs, Decalia

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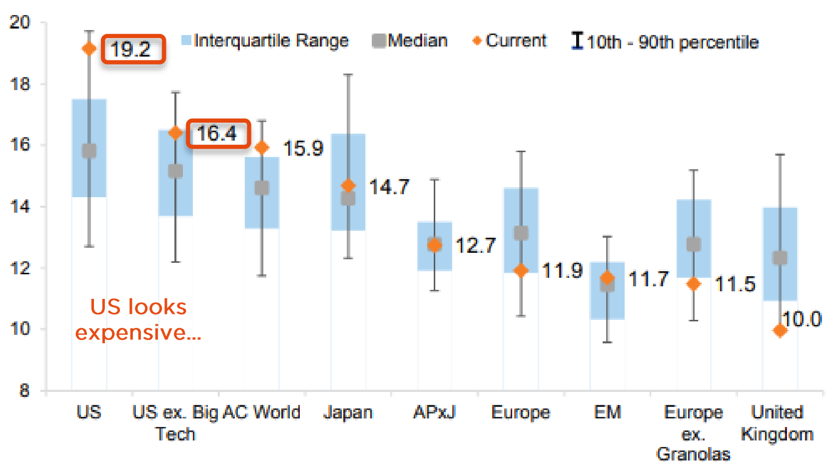
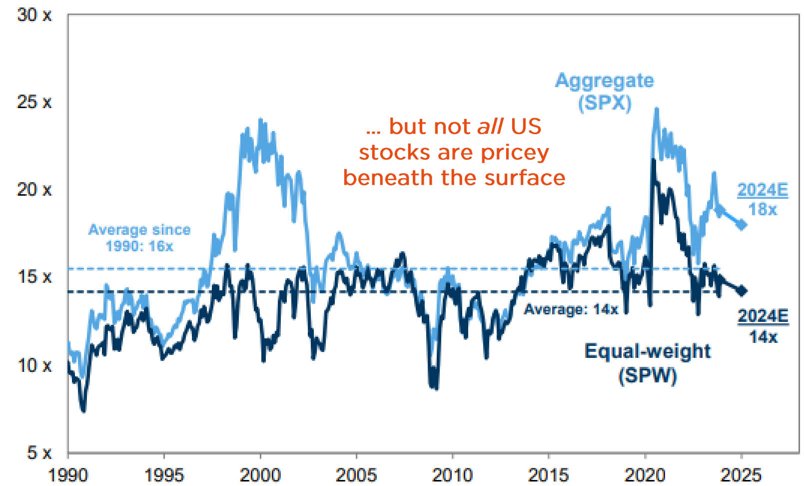
EQUITY STRATEGY

VALUATION – STILL A MIXED BAG… WITH SOME POCKETS OF VALUE

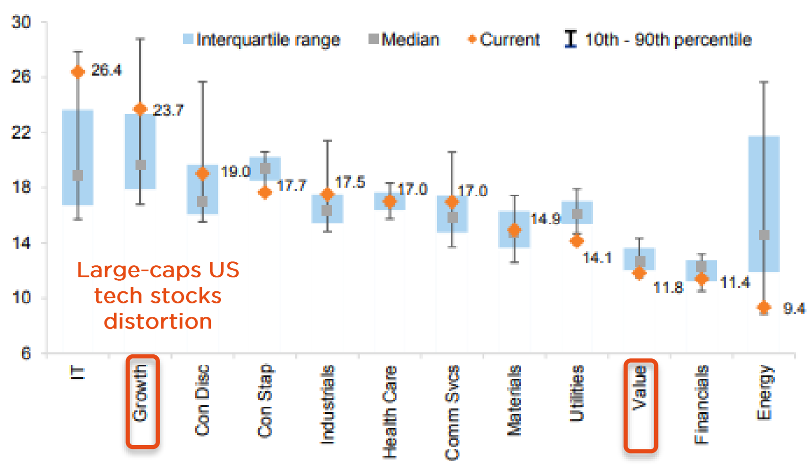
Equity *Regions* 10Y Valuation (12M Fwd P/E)



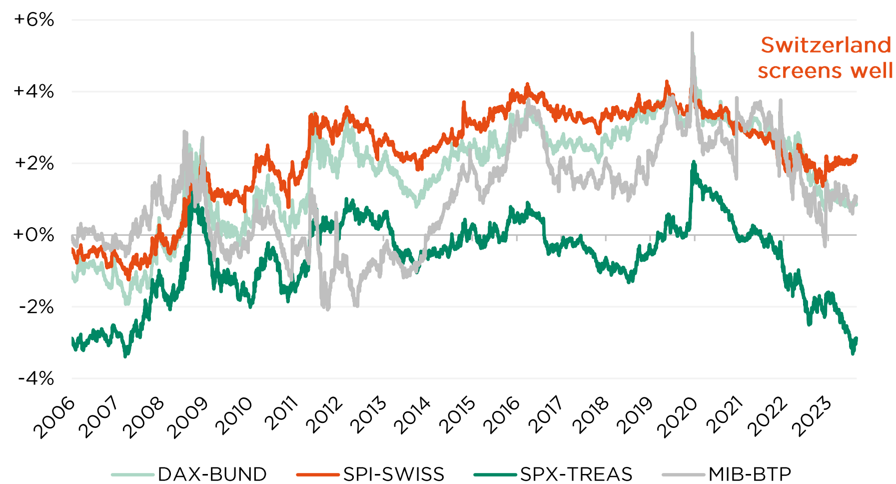
US Valuation (12M Fwd P/E) – Market-Cap vs. Equal-weighted



Equity *Sectors/Factors* 10Y Valuation (12M Fwd P/E)



Dividend Yields Still Offer Relative Value in Some Markets

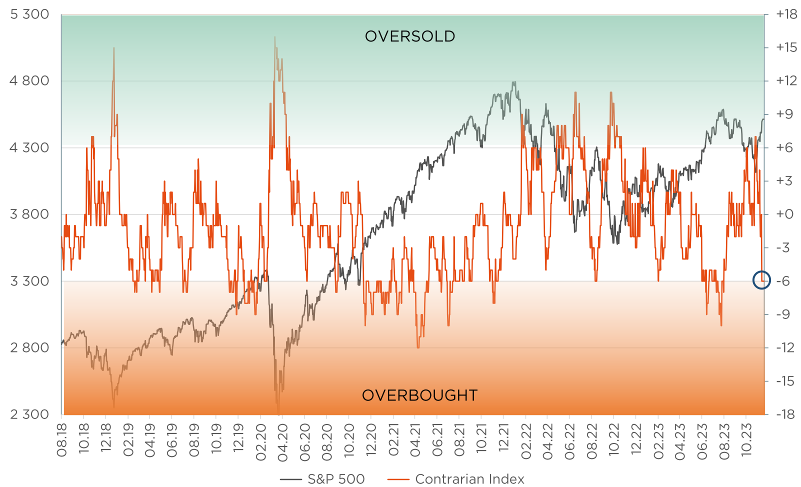


Sources: Goldman Sachs, Bloomberg, Decalia

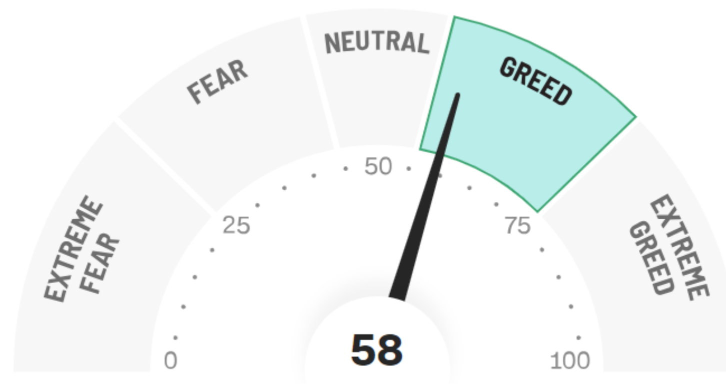
EQUITY STRATEGY

MARKET SENTIMENT – MORE BALANCED APPETITE AFTER RECENT REBOUND

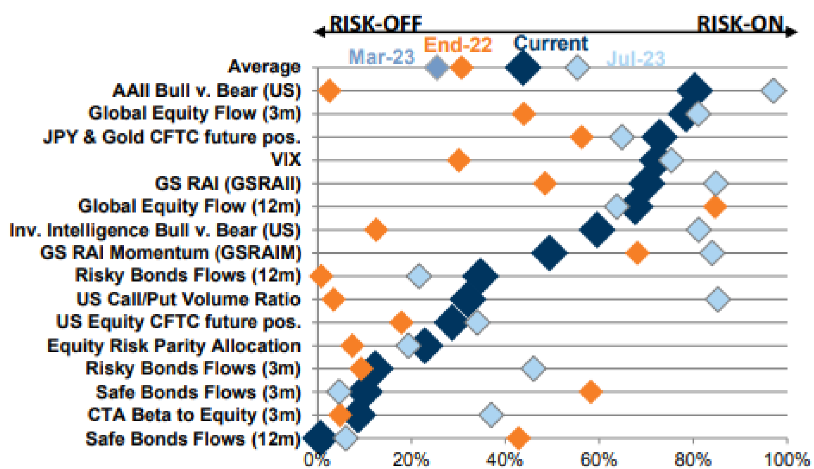
Decalia US 5Y *Contrarian* Indicator



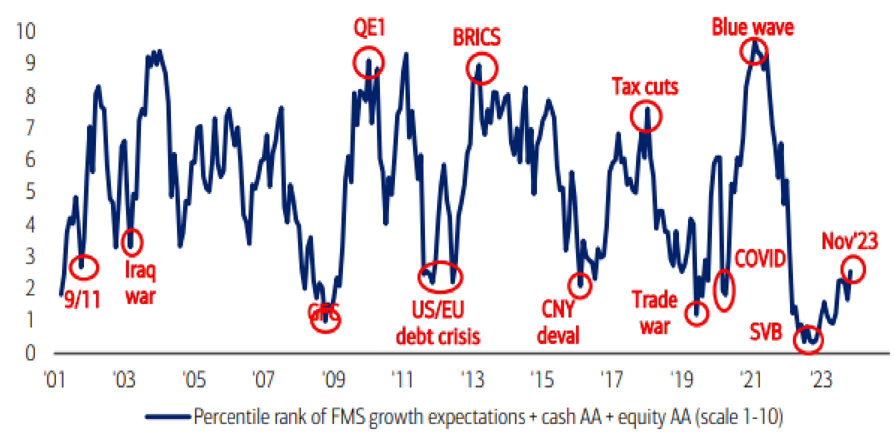
Sentiment – *CNN Fear & Greed* Index



Sentiment – GS Percentile Sentiment Indicators



BofAML Survey – LT Sentiment Still *Bearish*

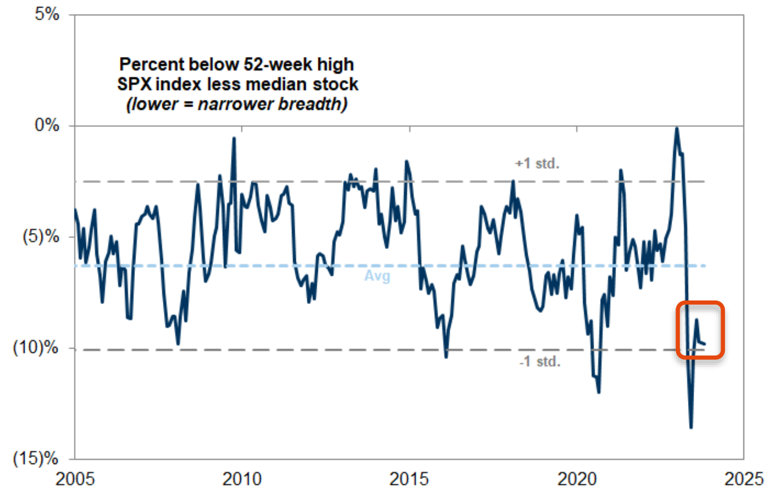


Sources: CNN, Goldman Sachs, BofaML, Bloomberg, Decalia

EQUITY STRATEGY

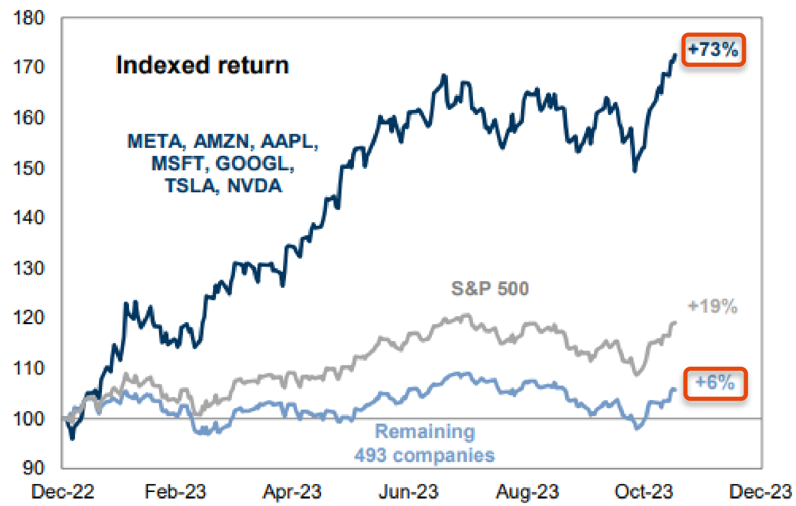
MARKET BREADTH – 2023 A STORY OF TWO TALES FOR EQUITIES

US Equity Market Breadth – Slowly Improving

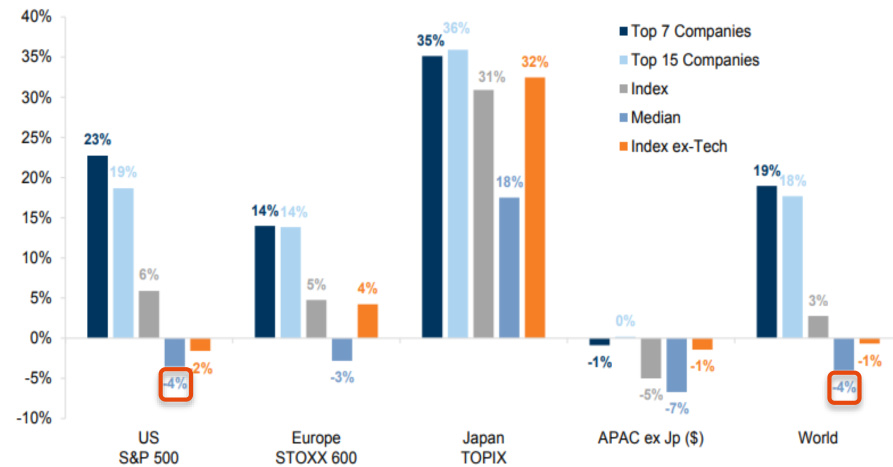


S&P 500 Index Concentration – Still Stretched

Contribution of *Magnificent 7* to US Equity Return YTD



Contribution of *Top Stocks* to Global Equity Returns (LC) Since March 2022

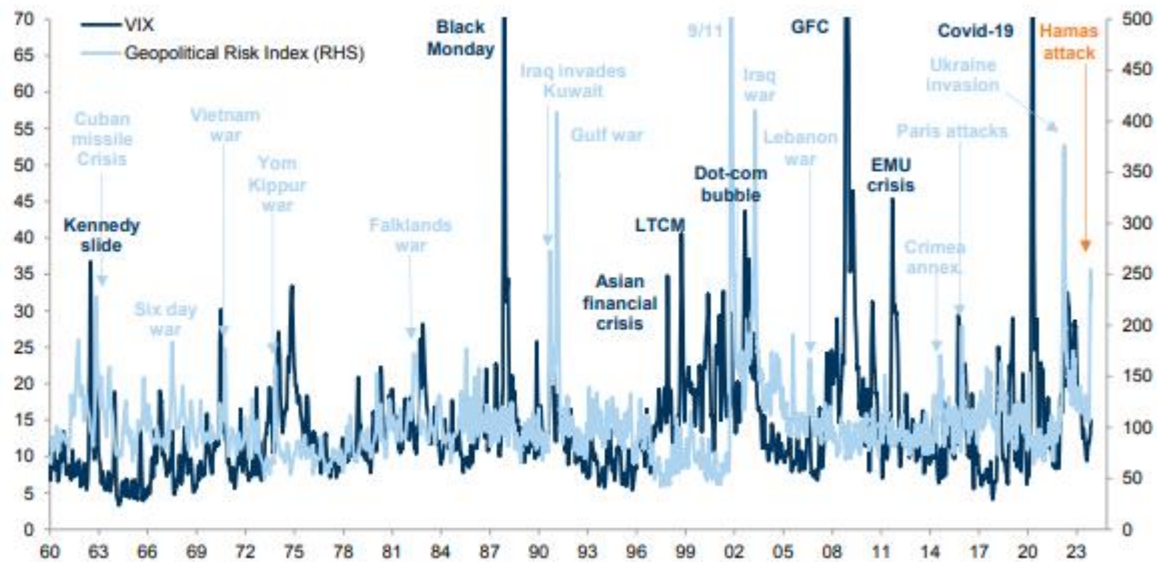


Sources: Goldman Sachs, Decalia

EQUITY STRATEGY

GEOPOLITICAL UNCERTAINTIES – (USUALLY) MORE FEAR THAN PAIN FOR EQUITIES

Geopolitical Risk Index vs. VIX (1M Avg.)



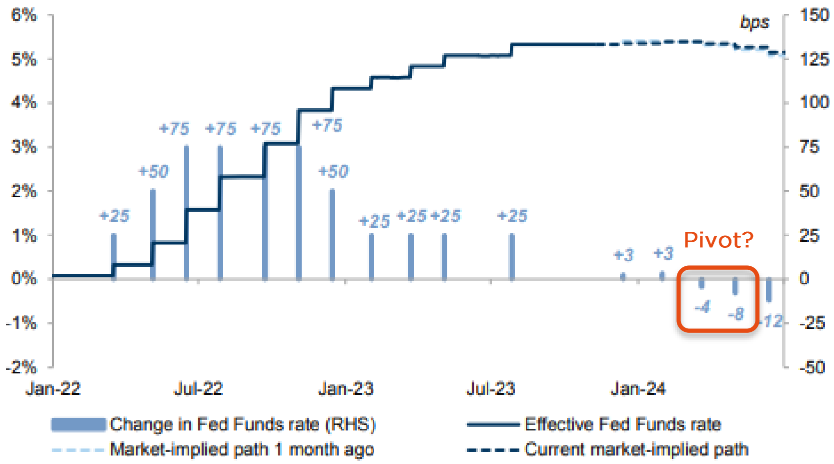
Historical Events – Subsequent 3M Assets Returns

Geopolitical Risk Event	Date	3m Subsequent Return (%)			
		S&P 500	US 10y	Brent	Gold
Apartheid Sanctions	Sep-86	9%	4%	26%	-7%
Invasion of Kuwait	Aug-90	-10%	1%	38%	-1%
Gulf War I	Jan-91	20%	2%	-24%	-8%
9/11 Attacks	Sep-01	4%	0%	-30%	2%
Gulf War II	Mar-03	12%	7%	2%	6%
Madrid Bombings	Mar-04	2%	-6%	1%	-3%
London Bombings	Jul-05	-1%	-2%	5%	12%
Lebanon War	Jun-06	7%	3%	-10%	-6%
Crimea Annexation	Mar-14	5%	3%	6%	-2%
Paris Attacks	Nov-15	-5%	5%	-21%	16%
Ukraine Invasion	Feb-22	-4%	-8%	24%	-5%
Average		**3%**	**1%**	**2%**	**0%**
Median		**4%**	**2%**	**2%**	**-2%**
Hit Ratio		**63.6%**	**63.6%**	**63.6%**	**36.4%**

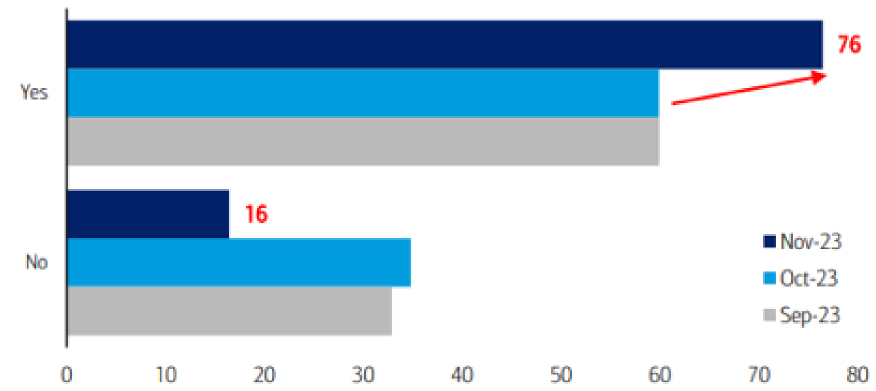
Sources: Goldman Sachs, Jefferies, Decalia

MONETARY POLICY – CENTRAL BANKS' *PEAK HAWKISHNESS* NOW BEHIND US (?)

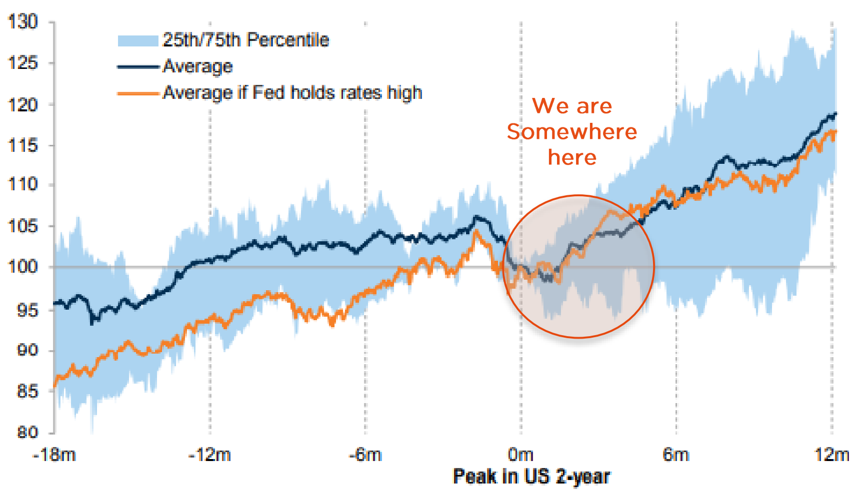
Market-Implied Path Of Fed Fund Rates



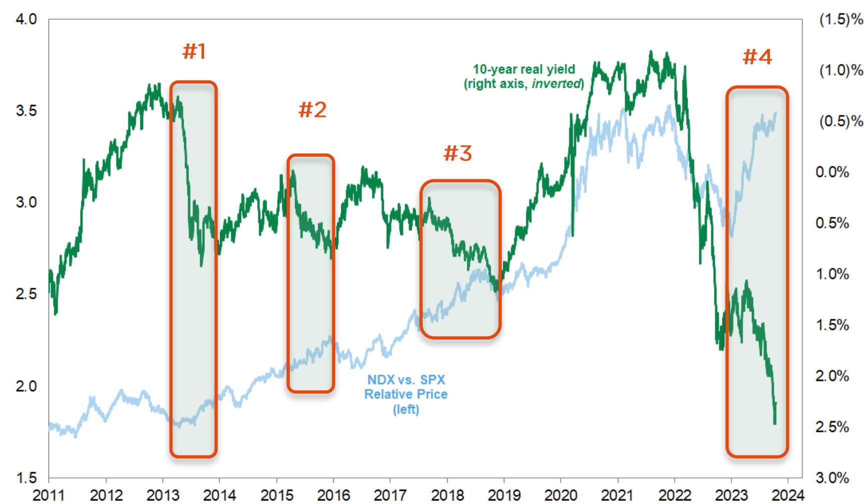
Most Investors Believe the Fed Has Finished Hiking Rates



US Equity Performance Around Peak US 2-Year Yields



US Real Yields vs. Equity Markets Styles – Not Linear



Sources: BofAML, Goldman Sachs, Morgan Stanley

DECALIA CROSS-ASSET POSITIONING

EQUITIES

Neutral

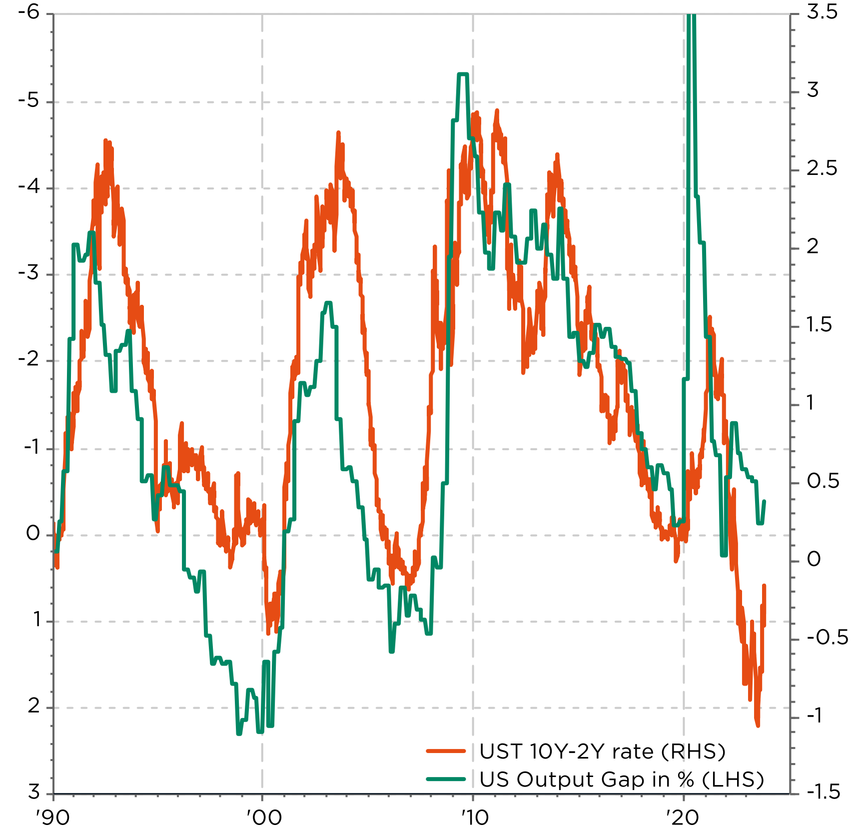
- We adopt **a more constructive tactical view** as peaking rates & bond yields streak a key inflection point providing a near-term **window of opportunity for equities**. However, while today's more benign macro backdrop is undeniably supportive we still need to gain further visibility on next year before turning more bullish.
- Regions : **Core high quality allocations (US & CH) complemented by more *Value* regions (EZ, JP)**
  - **Slight Overweight US** – Monetary policy transition getting priced in by markets. Warming up to *Growth* style (again) through a core allocation of GARP funds/ETFs & high-conviction cash compounders
  - **Slight OW on EZ & Japan** – EZ: Inexpensive in both absolute & relative terms . **Japan:** macro fundamentals and corporates governance are improving, while valuation and flows remain supportive
  - **Selectively bullish Switzerland** – Attractive high quality growth market with superior visibility & greater resilience. Allocation via core selective *blue chips* along with recovering cyclical *mid-cap* leaders
  - **Slight UW EM** – Higher rates, strong USD, challenging macro & geopolitical backdrop & demanding valuations (excl. China) remain headwinds. The disappointing Chinese growth trajectory may last longer.
- Style/Sectors: **"Benchmarked" *high-quality* approach with a gradual rebalancing (towards some laggards)**
  - **Ongoing market rotations** – Diversified approach while **adding selectively to cheap small & mid caps**
  - **Thematic** - Focus on consumer changes & structural growth
  - **Structural GARP** approach (*Growth at a reasonable price*) and global ***Cash Compounders*** strategies

Gundlach model

UST 10y yield = 50% US nominal GDP growth + 50% German 10y rate

UST yield curve and US output gap

An inverted yield curve points to slower growth... which ends often in recession

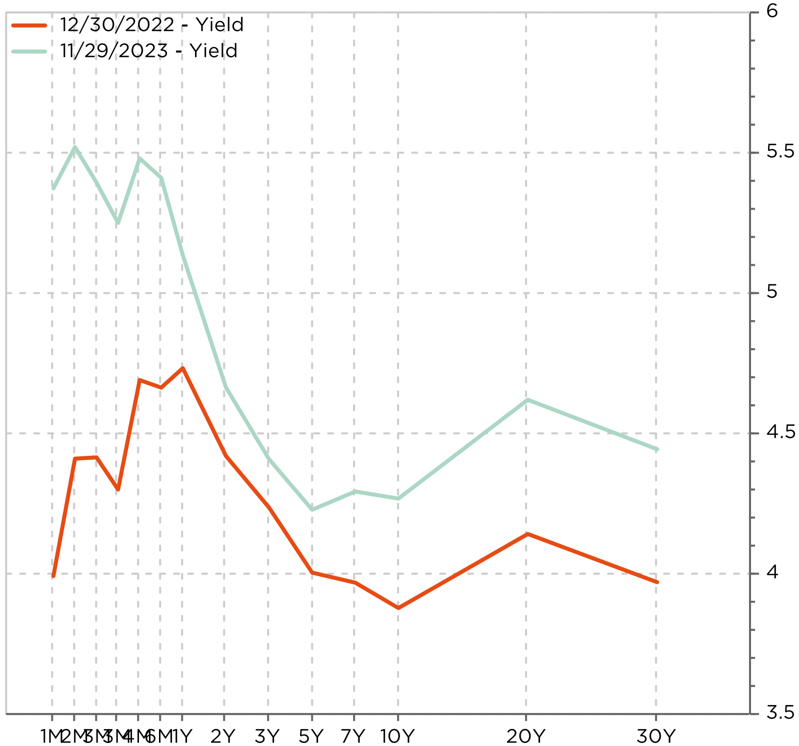


Source: FactSet / Decalia AM / Bloomberg / GS

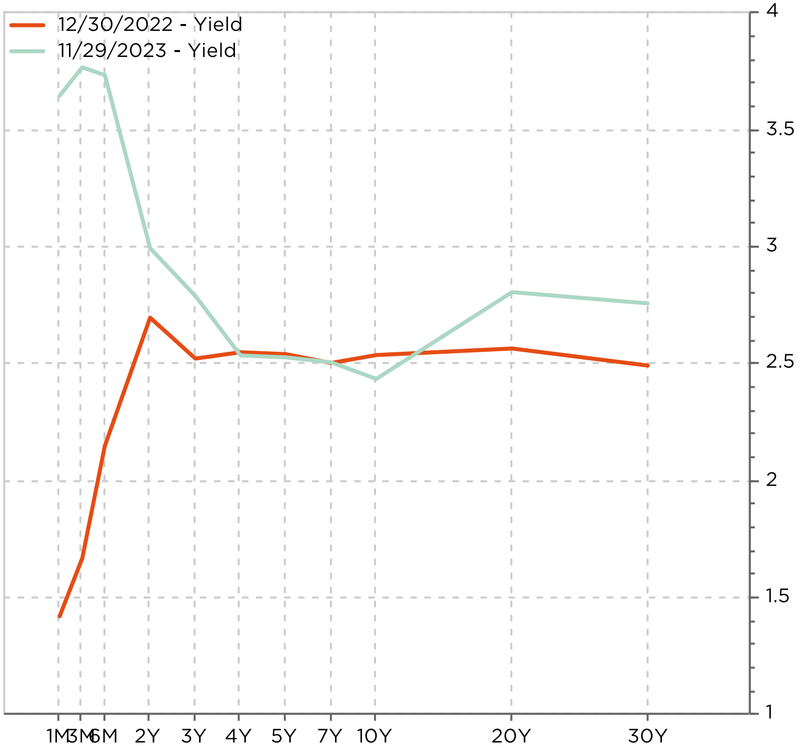
FIXED INCOME STRATEGY

KEY YIELD CURVES

US Yield Curve



German Yield Curve

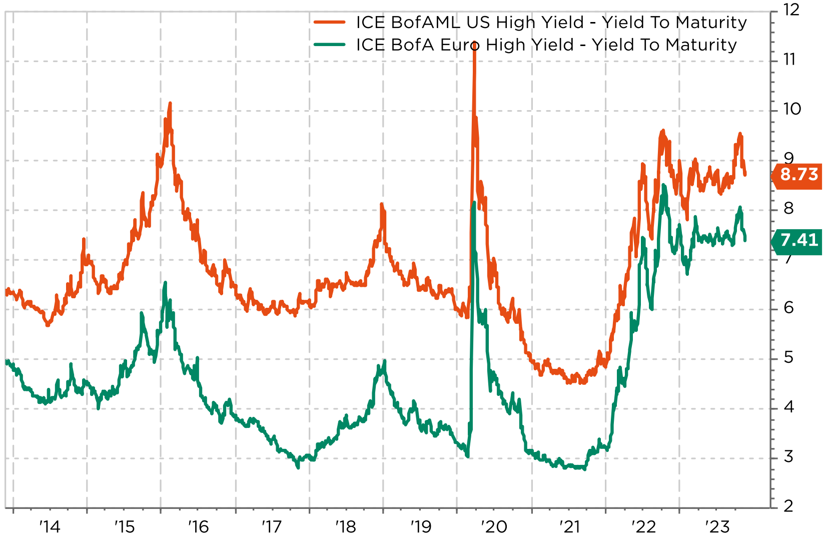


- Yield curves remain inverted in most DM economies
- Still relative value on US 20y tenor

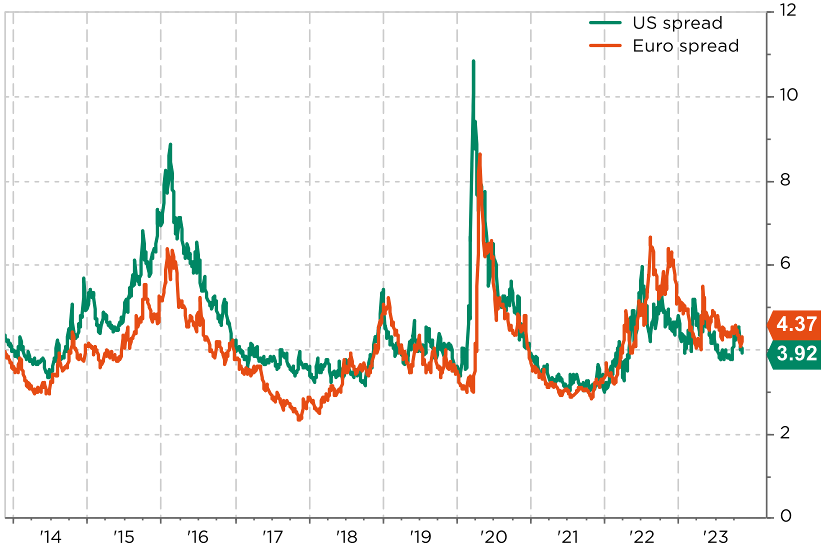
FIXED INCOME STRATEGY

CREDIT SPREADS HAVE TIGHTENED AGAIN LATELY: NOT SO CHEAP ANYMORE

US & EU HY YTM

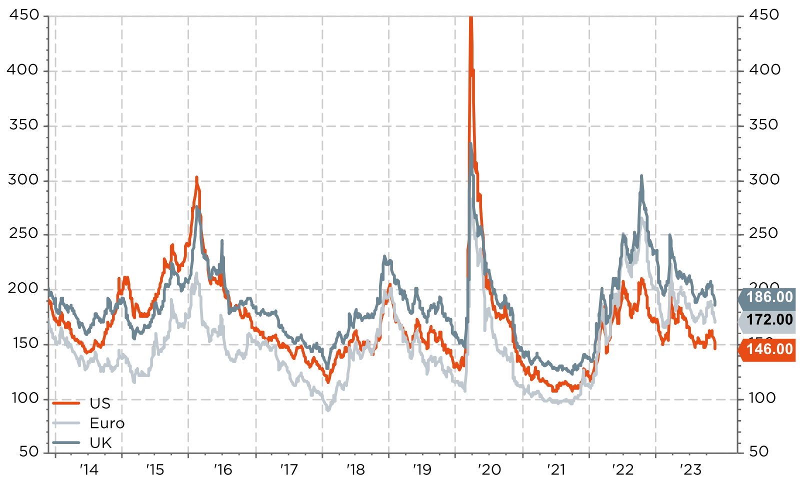


US & EU HY avg spread

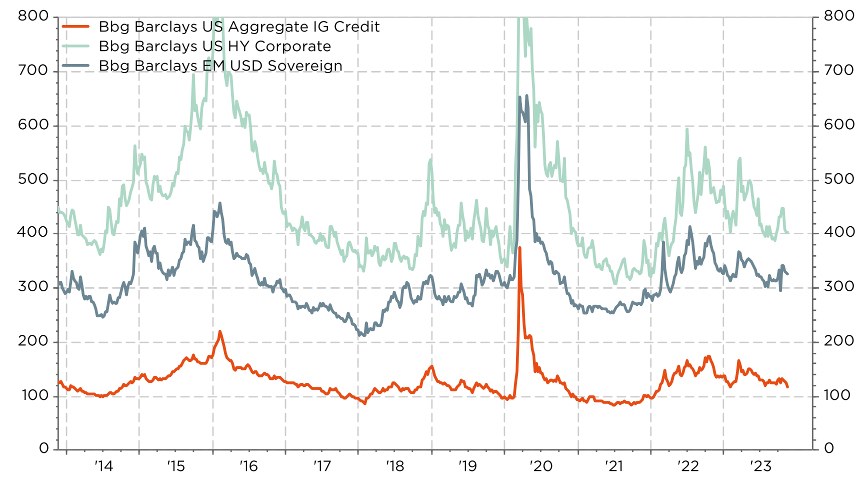


BBB corporate bond spreads

ICE BofA indices, OAS avg spread in bps



EM Debt, US HY & US IG spread



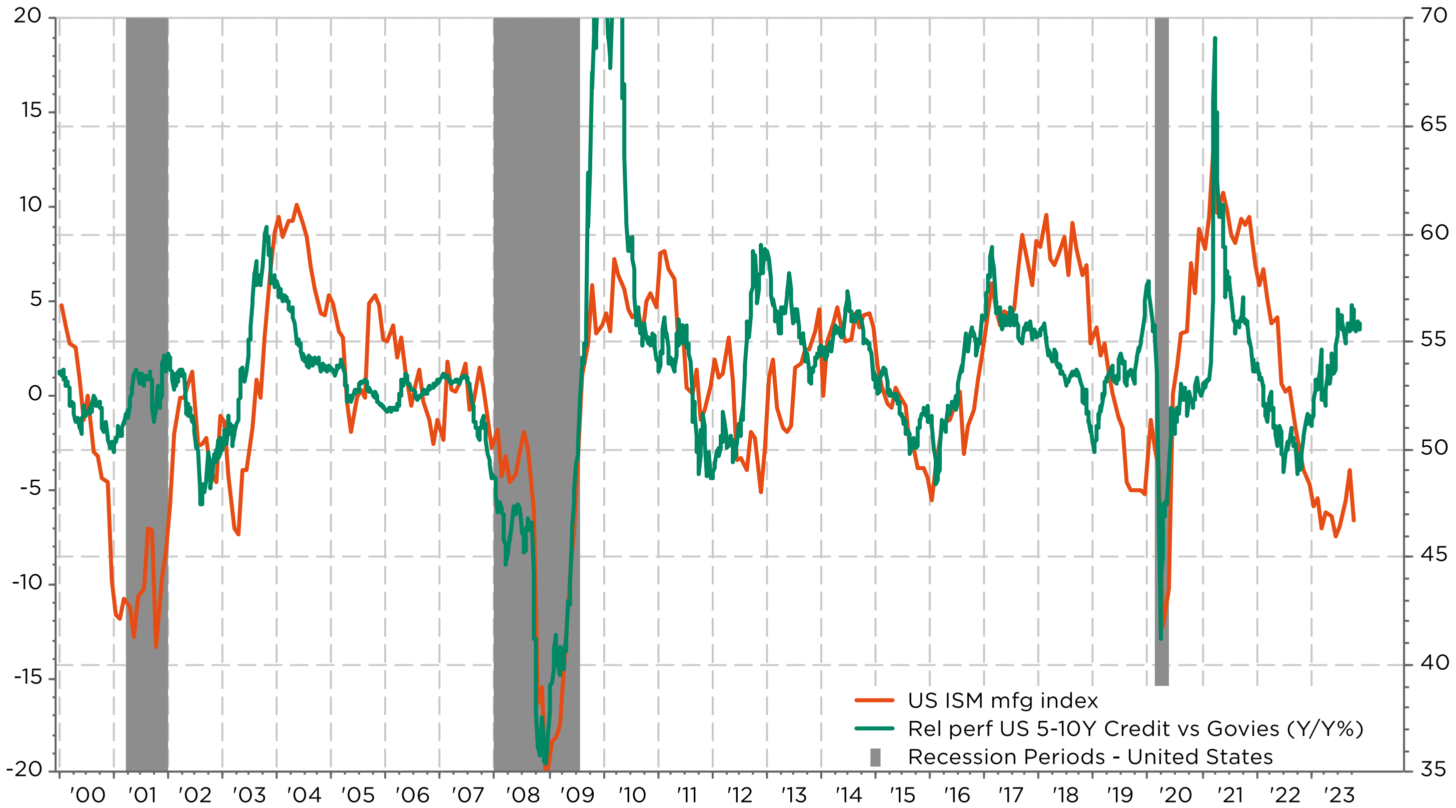
Source: FactSet, Deutsche Bank, Decalia AM

FIXED INCOME STRATEGY

CORPORATE OR SOVEREIGN BONDS?

CREDIT FUNDAMENTALS ARE DETERIORATING BUT FROM A POSITION OF STRENGTH

Focus on 'top' quality when economic and financial conditions become more difficult



- As our baseline scenario remains a soft landing, or a moderate slowdown, the risk is mainly concentrated on the most fragile issuers (speculative debt)

- While credit markets will continue to be impacted by macro developments, expect fundamental risk in credit portfolios to rise slowly

Source: FactSet / DECALIA AM

DECALIA CROSS-ASSET POSITIONING

FIXED INCOME

Slight Underweight

- **Cautious tactically as we still prefer cash overall vs bonds** (higher for longer rates regime on the back or resilient growth & sticky inflation, fiscal risk premium, BoJ YCC shift, supply & demand dynamics, as well as the positive correlation between bonds & equity)
- **Duration: 5 years average through a barbell** (see below)
- **UST 20y & US 30y TIPS (or any convex instruments within govies such also Austria & France 50y or Italy 30y**) for duration exposure**, & €1-5y IG credit for the carry**
  - Govies long bonds may eventually **act as a safe heaven** as recession risks mount and inflation falls back quickly to central banks' target.
  - Favor **UST in govies space (US duration)** but **adding to EZ govies** as the bar for rate cuts is likely less high there (weaker growth, inflation falling more rapidly and debt sustainability issues)
  - **Inflation-linked bonds offer some value too**, especially if inflation remain structurally higher
  - The short-end/belly of yield curve still offers value: slight OW **1-5Y EUR Corp IG (€ credit)**
- **Getting more cautious/selective in credit as liquidity support is removed and growth is slowing**
  - **Maintaining a "up quality" bias** and an opportunistic/selectivity approach
  - **Beware of fallen angels and the most fragile debtors** within HY, Sub/Hybrid or EM debt

FX STRATEGY

FOREX FUNDAMENTALS OVERVIEW AS OF 31/10/23

LEVEL

Developed country

Base Order	Country	2-Year Rate	10Y Rate	Inflation	Current Account	Budget Balance	PMI
1	US	1	1	5	13	11	1
2	Canada	3	5	7	9	6	3
3	Germany	11	11	7	4	7	12
4	France	9	8	9	11	9	11
5	Italy	6	3	2	10	13	8
6	Spain	8	7	6	7	8	7
7	Ietherland	10	9	1	3	4	10
8	UK	2	4	11	12	10	9
9	;witzerlanc	12	12	2	2	3	13
10	Norway	5	6	9	1	1	5
11	Sweden	7	10	13	5	5	6
12	Japan	13	13	4	6	12	2
13	Australia	4	2	12	8	2	4

Emerging country

Base Order	Country	2-Year Rate	10Y Rate	Inflation	Current Account	Budget Balance	PMI
14	Russia	1	2	12	4	6	2
15	Turkey	4	1	13	13	5	11
16	Poland	8	8	11	7	8	13
17	Brazil	2	4	8	12	13	10
18	Mexico	3	5	7	9	4	4
19	;outh Afric	7	3	10	10	10	8
20	Korea	10	9	5	8	2	6
21	Taiwan	13	13	4	2	1	12
22	China	12	12	1	5	9	7
23	Honk Kong	9	10	2	3	11	8
24	India	5	6	9	11	12	1
25	Indonesia	6	7	3	6	6	5
26	Singapore	11	11	6	1	3	3

CHANGE

Developed country

Base Order	Country	2-Year Rate 1Y var	10Y real rate 3 Months var	Inflation 3Y Var	Current Account 1Y var	Budget Balance 1Y var	PMI 3 Months var
1	US	12	2	2	12	5	3
2	Canada	10	5	6	1	11	7
3	Germany	5	8	10	5	1	2
4	France	2	7	9	8	6	11
5	Italy	8	6	2	11	8	4
6	Spain	4	11	11	2	7	12
7	Ietherland	3	9	1	9	10	9
8	UK	6	13	8	13	2	5
9	;witzerlanc	1	10	4	6	3	1
10	Norway	11	12	4	10	9	13
11	Sweden	7	4	13	7	12	10
12	Japan	13	1	7	4	4	6
13	Australia	9	3	12	3	13	8

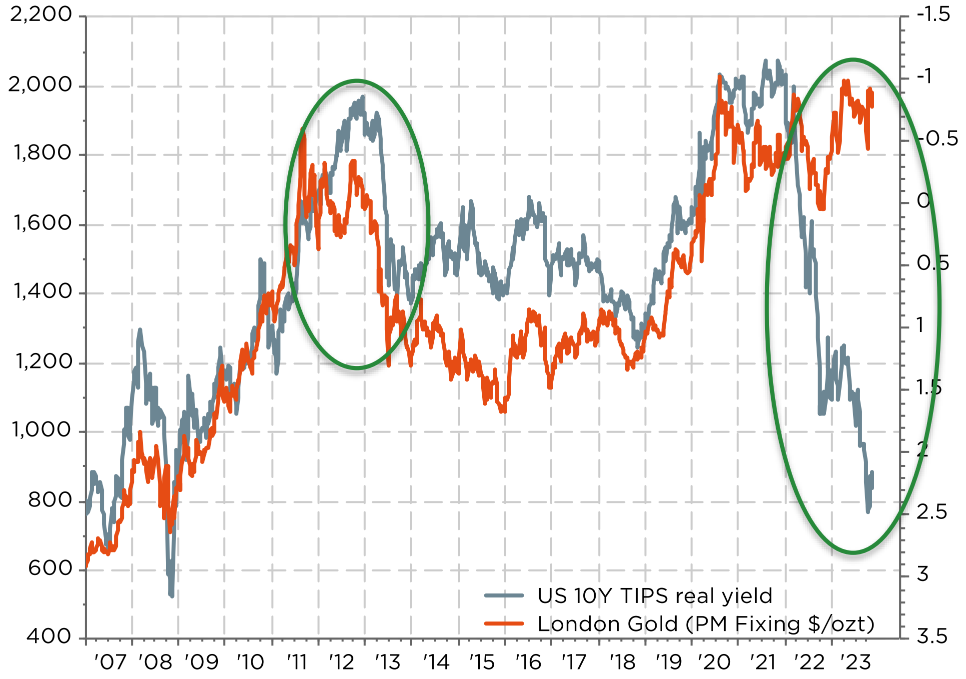
Emerging country

Base Order	Country	2-Year Rate 1Y var	10Y real rate 3 Months var	Inflation 3Y Var	Current Account 1Y var	Budget Balance 1Y var	PMI 3 Months var
14	Russia	7	12	8	10	1	3
15	Turkey	12	1	13	1	2	11
16	Poland	13	9	10	12	3	4
17	Brazil	11	6	4	4	5	5
18	Mexico	4	2	3	2	6	10
19	;outh Afric	7	8	6	13	8	6
20	Korea	3	3	11	11	13	7
21	Taiwan	7	12	9	5	12	1
22	China	2	11	2	8	7	8
23	Honk Kong	10	7	7	7	10	9
24	India	6	10	1	9	9	13
25	Indonesia	5	4	5	6	11	12
26	Singapore	1	5	12	3	4	2

GOLD

MIND THE GAP: SOMETHING BAD IS POTENTIALLY BREWING….

Gold price & US real interest rates: it doesn't smell good !



- Despite higher US rates and a still strong USD, gold price has remained surprisingly resilient this year… Why?
- Correlation between real rates and gold works only in bond bull's market… not in bond's bear market!
- USD has remained strong… by default (lack of alternatives in forex markets)
- Investors remain warry about government debt and/or inflation risks (cf. lack of negative correlation between bonds & equities)

Source: FactSet / Decalia AM / World Council / Candriam

DECALIA CROSS-ASSET POSITIONING

FX & COMMODITIES

- FX
  - **USD upside potential seems now limited** as Fed rates have likely peaked. However, **we don't foresee any significant downside neither…** on the back of resilient US growth, higher rates & US exceptionalism (IA, magnificent 7). We expect a shallow depreciation journey
  - **Slight tactical overweight of CHF**, a defensive currency, supported by strong structural fundamentals and not-so-low real rates in this context
  - **JPY** oscillating with sentiment and expectations about BoJ monetary policy. In the foreseeable future, **it may get stronger if BoJ monetary policy becomes less accommodative**

- Commodities
  - **Slight OW on Gold** – Despite high global real rates headwind (i.e. opportunities cost), gold may benefit from a challenging and uncertain context (mounting sovereign debt, banking woes, recession risks, geopolitics or sticky inflation) and some structural tailwinds (constrained supply, de-dollarization & fx reserves diversification)
  - **Keep an exposure to commodities** despite tactical considerations (mounting global recession risks on the back of restrictive monetary policy) vs. a "structurally" constructive outlook due to the energy transition, geopolitical and climatic risks and supply constraints (lack of investments)

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