November was full of events likely to influence the state of play in 2022.

In chronological order:

-On the 22nd, and after much hesitation, President Biden decided to give Jay Powell another 4-year term as Fed chairman with Lael Brainard as vice-chair. It was a cautious move: Powell will certainly be confirmed by the Senate and he also has the support of Treasury Secretary Janet Yellen. The president needed to avoid another clash with the Republicans: the $1.7 trillion social and climate section of his budget has still not received Congressional approval and the debt ceiling will inevitably have to be raised by December 15. Powell is a moderate Republican who has earned respect from all sides, apart from radical left-wing Democrats, for his efficient management of the Covid crisis in 2020. However, making economic forecasts for 2022 and 2023 will be difficult: changing the direction of monetary policy amid such serious uncertainties as virus mutations and inflation will require foresight and the ability to convince people. He has certainly learnt how to be patient, if only because he made the mistake of tightening too early in 2018 to curb wage rises, thereby triggering a market sell-off in the fourth quarter. And then he revised the Fed's stance in August 2020 by focusing on the jobs markets and adopting a flexible inflation target of 2%.

- On the 24th, Germany's "traffic light" coalition presented the broad outlines of its program for the next 4 years. The share of ministerial positions was carefully balanced so as to combine often conflicting priorities. The future Chancellor Olaf Scholz (SPD) will probably have Robert Habeck from the Green Party as his vice-chancellor. Another green, Annalena Baerbock will be at the Foreign Office and Christian Lindner (FDP) will become finance minister. Franco-German relations will be reorchestrated, an essential move as France will start its six-month presidency of the Council of the European Union on January 1st.

-On the 26th, stock markets endured a Black Friday after news of a new Covid variant in southern Africa. The CAC 40 plunged 4.75% to 6739.73 and Brent crude slumped 11.5% to $72.72. Government bond yields turned south. On the same day, yields on 10-year US Treasuries fell 13bp to 1.51% and then continued down to 1.44% on November 30. 10-year Bund yields returned to minus 0.35% and to +0.01% on the equivalent French government bond.

-November also saw the euro lose ground. It fell to $1.12/13 against the US dollar, down from $1.1558 on October 31, $1.1580 on September 30 and $1.2216 on December 31 2020. In fact, the euro was back to levels seen on December 31 2019 ($1.123).

There are a number of reasons for this slide, starting with a resurgence of Covid infections across Europe as winter set in.

- As a result, growth forecasts for the last quarter of the year, and the first quarter of 2022, were revised down, reinforcing the chances that the ECB's highly accommodating monetary policy will continue next year. With the Fed about to start tapering, the interest rate differential with the US would remain unfavorable and continue to pull the euro down.
- Add in political tensions in eastern Europe between Poland and Belarus, and Ukraine and Russia.
- There is also a question mark hanging over Germany after the departure of Angela Merkel, seen across the globe as the figure head of European solidity.
- And then Germany's economy is now in a trickier position: the autos sector is facing huge transformational challenges, the sheer weight of industry in GDP means high energy intensity, and growth in its biggest export client, China, is slowing. At the same time, the decision to shun nuclear power and stop using coal by 2030 has left the country increasingly dependent on Russian gas and more expensive renewable energy solutions.

The most important consequence of the euro's depreciation is to make energy more expensive as oil is quoted in US dollars. Oil prices have risen 34% since the beginning of 2021 while the euro has lost 7% against the US dollar. Financial analysts may be delighted to see the advantages of the cheaper euro for Europe's export companies but a country like France imports much more than it exports and will therefore see its terms of trade worsen. **In any case, currency depreciation is always a sign of weakness.**

NAV OF THE FUNDS

						Cumulated Performances				
NAV Date	UCITS	NAV	% 1 Week	%1 Month	%3 Months	%YTD	%1 Year	%2 Years	%3 Years	%5 Years
30/11/2021	HUGAU MONETERME I	120 525,45	-0,01	-0,02	-0,06	**-0,13**	**- 0,13**	**- 0,23**	**- 0,24**	**- 0,31**
30/11/2021	HUGAU OBLI 1-3 I	1 411,00	-0,49	-0,48	-0,70	**1,78**	**2,58**	**1,34**	**3,26**	**3,78**

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SOCIÉTÉ DE GESTION DE PORTEFEUILLE | AGRÉMENT AMF N° GP06 000008 DU 27 JUIN 2006

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