January 2023 turns optimistic

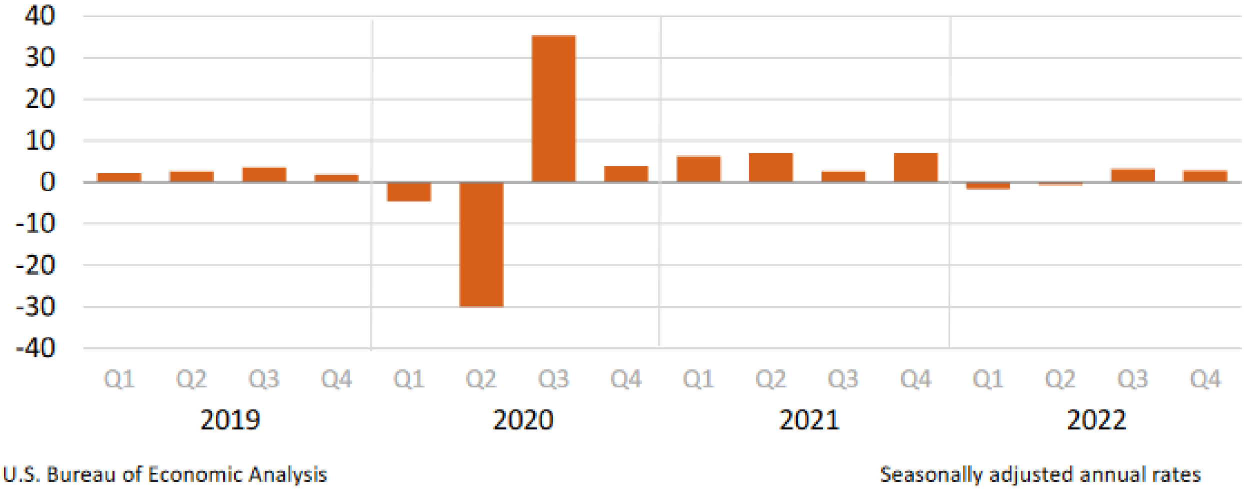
Markets changed tune in the first month of 2023.
Investors want to put last year's traumatic events behind them.

All markets ended January higher. There were strong rises on equity markets everywhere. The Stoxx Europe 600 jumped 6.67%, the S&P 500 6.18% and the tech-heavy Nasdaq soared 10.68%. The Hang Seng surged 10.42%, and the Nikkei 225 gained 4.72%. Bond prices rose, sending yields lower. Return on the BOAML All Maturity Euro Govt is 1.89% over the months while 10-year US Treasury yields were down 36bp, and 28bp on the 10-year Bund. Overall, volatility seemed to have stabilised for some time with the VIX and VTOXX below 20. And spreads on 4-year BBB-rated European corporate bonds continued to contract.

The mood was prompted by some good news.

- **First, on the economy.** In the US, fourth-quarter GDP rose by an annualised 2.9%, providing a 0.9% carry-over for 2023. In the eurozone, it was up 0.1% MoM, or more than expected. Alarming predictions on the combined effect of the energy crisis and the Ukraine war have, for the moment, been put to one side and the 0.5% growth carry-over for 2023 has diminished the risk of recession. Above all, China's reopening after the end of its zero-Covid strategy raises hopes for a fanfare recovery in the global economy in 2023. At the same time, the IMF which has revised up its global economic growth forecasts for 2023 from 2.7% to 2.9% with 1.4% for the US (vs. 1%), 0.7% for the eurozone (0.5%) and 5.2% for China (4.4%).

US Real gross domestic product (GDP) increased at an annual rate of 2.9 percent in the fourth quarter of 2022



Published growth rates of GDP in volume up to 2022Q4
(based on seasonally adjusted* data)

	Percentage change compared with the previous quarter				Percentage change compared with the same quarter of the previous year			
	2022Q1	2022Q2	2022Q3	2022Q4	2022Q1	2022Q2	2022Q3	2022Q4
Euro area 19	0.6	0.9	0.3	**0.1**	5.5	4.3	2.3	**1.9**
Euro area 20	0.6	0.9	0.3	**0.1**	5.5	4.4	2.4	**1.9**

* Growth rates to the previous quarter and to the same quarter of the previous year presented in this table are generally both based on seasonally and calendar adjusted figures since unadjusted data are usually not transmitted for the compilation of GDP flash estimate.
** Percentage change compared with the same quarter of the previous year calculated from calendar adjusted data.
Source dataset: namq_10_gdp

-Second, inflation. The Fed's preferred consumer price deflator indicator fell for the third month in a row. It is now at 5% compared to a peak of 7% in June 2022. In the eurozone, falling consumer price indices in November and December and the introduction of measures to offset rising energy costs pushed up confidence in January.

-Third, earnings growth. As of January 31, Refinitiv said 70% of the 165 S&P 500 companies to have reported had beaten estimates (compared to a long-term mean of 66%). In Europe, 55% of the 40 STOXX600 companies to have reported did better than expected (53%).

However, we should not get too complacent about this apparently rosy scenario. First, contrary to market expectations, short term rates are set to continue rising until the end of the first half and likely to stay high for the full year. Central banks will continue to tighten. Inflation may be falling back but it is still significantly higher than the 2% target.

Looking ahead, we think there are two possible scenarios:

(i) central banks manage to engineer a soft landing, getting inflation back to 2% without sending unemployment massively higher or triggering a recession. In this case, we expect long-term bond yields to rise as growth prospects for 2024 recover even if investors will be attracted to higher yields on fixed income instruments and therefore limit the potential rise.

(ii) inflation starts rising again in the spring as wages increase and China's recovery results in demand outpacing supply in oil, gas and some metals. In this stagflation scenario, benchmark rates would continue rising above levels, so markets would once again fall. Note that neither scenario takes extreme geopolitical uncertainties into account.

After the Fed and ECB meetings, we will be focusing on their analysis of the latest statistics, notably underlying inflation in services and wages.

As our strongest-held conviction concerns short-term rates, we are sticking to our strategy to stay invested in short-term rates - to benefit from €ster recovering- and focused on high-quality issuers.

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
31/01/2023	HUGAU OBLI 1-3 I	1 388,92	0,16	1,44	3,79	**1,44**	**- 1,64**	**0,01**	**- 0,52**	**- 1,02**
31/01/2023	HUGAU MONETERME I	115 167,58	0,045	0,184	0,513	**0,180**	**0,16**	**- 0,02**	**- 0,10**	**- 0,34**

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