MONTHLY *investment* BRIEF

Myths and realities

Large-cap growth stocks are once again driving the market, especially in the US where the “Magnificent Seven”, except for Tesla, dominate S&P 500 gains in 2024. US tech stocks continue to stand out, outperforming the S&P 500 by 7.4% since October 2023. With similar levels of outperformance, European technology stocks are also experiencing a good momentum. This rotation from defensive to technology stocks is accelerating, as investors bet on an environment of low inflation and modest growth. The recent resurgence of large-cap growth and technology stocks is reminiscent of 1999. Back then, these stocks were very expensive and offered unattractive risk/return ratios. Yet they continued to rise, with the Nasdaq 100 climbing 126% between 1 January 1999 and its peak in March 2000. It took a wave of interest rate rises and poor results from leading stocks such as Qualcomm to send the market tumbling.

The parallel with 1999 begs the question of whether we are currently in a similar bubble. A closer look reveals key differences:

The myth of expensive valuations

The current valuations of most technology stocks are far from exuberant. Since the launch of ChatGPT, the S&P500 index has risen by 27% thanks to technology stocks while the same equal-weighted index is up only 11%. If the US tech sector looks expensive, there is certainly room for further price rises. The sector's 12-month forward P/E ratio, now at 28.5, is still a long way from the peak of 48.3 recorded in April 2000. Despite rising bond yields, they remain well below the 6.8% reached in January 2000, making the equity risk premium much more generous than at the height of the tech bubble.

Even if the current rally is supported by only a few stocks, investors are favoring growth stocks which, unlike in 1999, have comfortable profit margins and low debt. These quality companies increase the likelihood that the trend will continue. Positive statements by the management of companies such as Nvidia and Alphabet, along with the strengthening of the "Momentum Factor*" (driven by quality), distinguish the current period from 1999.

The myth of unprofitability

Today, most technology stocks are profitable. Nvidia is a case in point. Its sales have reached USD 61 billion in 2023, double the figure of 2022, with earnings up 9-fold over 1 year to USD 12.3 billion. Attracted by this stellar performance, investors boosted Nvidia's market capitalisation to USD 2,000 billion, an increase of almost 30% in February alone. The picture is similar for Microsoft and Alphabet.

Microsoft has been generating a constant EBITDA margin of 50% for the past five years. Estimated earnings growth of around 15% over the next two years makes the P/E ratio of 35x more appropriate. On this basis, all other things being equal, this ratio would fall to 30x by 2025 and to 26x by 2026.

What's more, Microsoft has USD 81 billion in available cash. With short-term interest rates in the US at 5%, the return on cash is boosting its EPS. This cash offers opportunities for growth through acquisitions should organic growth falter. Finally, considerable market share currently provides high barriers to entry and an ability to adjust prices unrivalled among competitors. In fact, this is the ideal equation (in the short term at least) since it combines price and volume.

The myth of disenchantment

Technology stocks continue to attract inflows. According to a recent survey by JP Morgan which incorporates the strong start of the technology sector in the first two months, 56% of investors believe that the Magnificent Seven will continue to perform well in 2024. This positive sentiment is coupled with strong inflows into US indices. Over the last 5 weeks, the S&P 500 has seen USD 75 billion of inflows, not to mention continued flows into the Nasdaq.

*Source: ODDO BHF AM, comments as of 06/03/2024. * The momentum factor is based on the idea that stocks which have outperformed their peers in recent months tend to continue to outperform in the months ahead, and vice versa. This factor is rooted in human behavioural biases rather than financial or fundamental considerations. A Momentum strategy therefore consists of buying stocks that were top performers recently while avoiding those that have underperformed.*

The daily volume traded on Nvidia is USD 30 billion, or 10 times the total volume traded on the CAC40. Will this trend eventually go out of fashion? The polarization may seem extreme, but for the time being, it is justified by outstanding results accompanied by remarkable market performance.

The myth of a burst linked to a rate hike

Our central scenario does not involve a rise in interest rates likely to cause a sharp fall in technology stocks. In the 1990s, rising interest rates burst the internet bubble. Today, the markets are expecting interest rates to fall over the course of the year, underpinned by stabilized growth and disinflation. Even if growth eventually rekindles inflationary forces, the lagged nature of inflation means that prices could remain contained for most of 2024. This specific environment could easily fuel a new wave of speculative fever in technology stocks, especially given the resurgence of the "Momentum Factor*". The scenario in which the Fed does not cut rates would be much less positive, with growth stronger than expected and inflation more resilient. Is this so unfavorable? Not so much, because the upward revision of growth would lead to a rise in EPS, which would more than offset the rise in long-term interest rates, especially if margins remain at these levels.

The myth of an imminent reversal in earnings

We do not believe an earnings trend reversal will materialize in the short to medium term. To anticipate a rapid turnaround remains challenging though. Take the semiconductors industry for example: companies such as ASML are forecasting earnings growth of 30% over the next 2 to 3 years, driven by a renewal of the next-generation chip infrastructure.

The myth of a rotation towards “Value” sectors

Mean reversion towards Value stocks, driven by profit-taking on high valuations, seems unlikely to us. For such a move to take place, economic growth would need to accelerate, triggered by a rise in industrial output. In the absence of a fiscal stimulus, this is unlikely to happen without a significant recovery in China, which is still grappling with the lingering effects of its Real Estate crisis.

In summary, the current situation differs from that observed in 1999, as the valuations of tech companies - far from being exuberant - are today justified by the strength of their economic fundamentals.

How should investors position themselves?

On Equities, the recommended strategy remains focused on Artificial Intelligence, Luxury Goods and Healthcare.

On Rates, the prospect of disinflation and moderate growth should enable the Fed to cut rates. By 50, 75 or 100bps isn’t really the point. What matters more is initiating the move. In this respect, we are taking full profits on the flattening of the 2/10-year curve and partial profits on the 10/30-year curve. We are buying 5-year bonds and selling 10-year bonds. Finally, we are increasing our duration on the US 10-year government bond. The risk of a 20-30bps rise is offset by the carry. We need to think long-term. At 4.50% on US sovereign yields, we are close to the "fair price" (2% potential growth and 2.50% structural inflation).

On Credit, we are looking at 300bps on High Yield before taking profit. Is it worth taking the risk of a reversal in markets for a potential 50bps tightening? In our view, yes. This is reinforced by the fundamental advantage of credit: carry.

LAURENT DENIZE
Global Co-CIO, ODDO BHF

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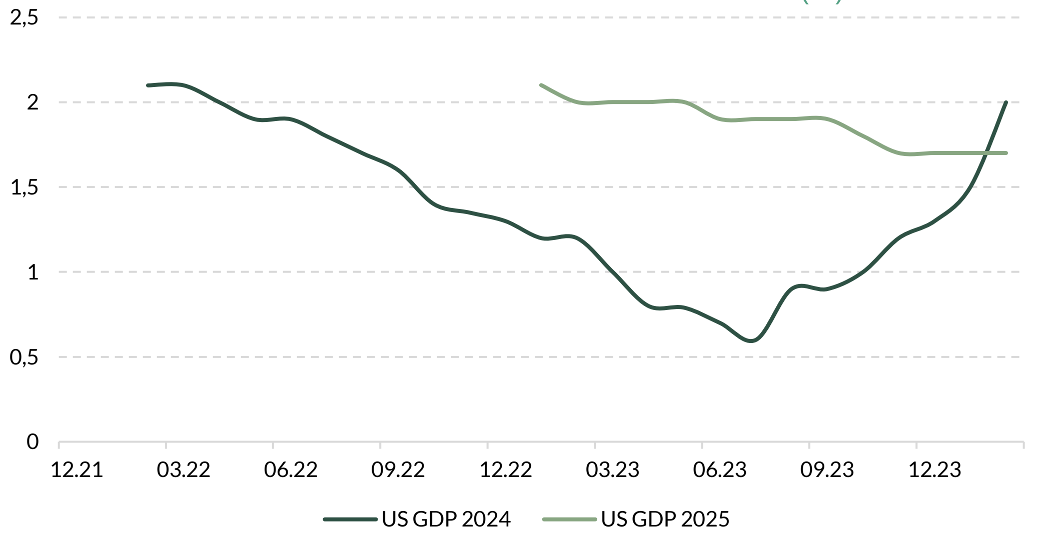
01

MACROECONOMIC *outlook*

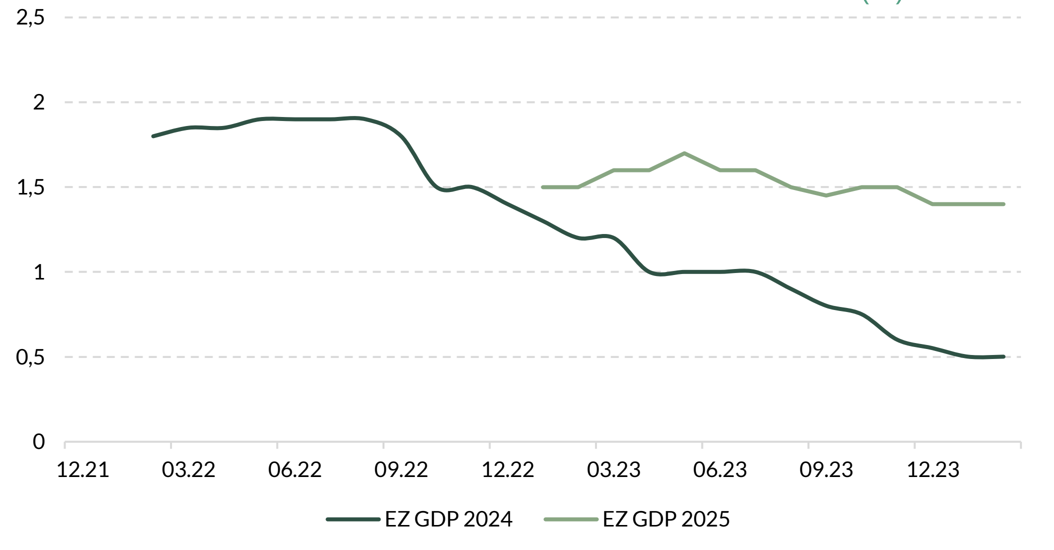
Growth outlook

HOW SUSTAINABLE IS THE GLOBAL GROWTH REBOUND?

US FULL YEAR GDP GROWTH ESTIMATES (%)



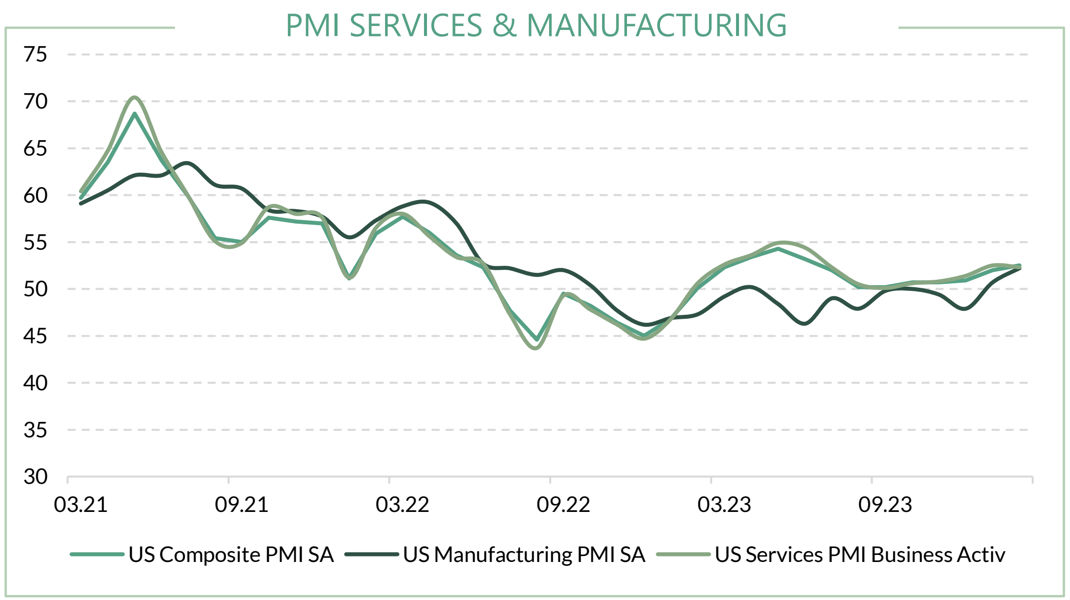
EUROZONE FULL YEAR GDP GROWTH ESTIMATES (%)

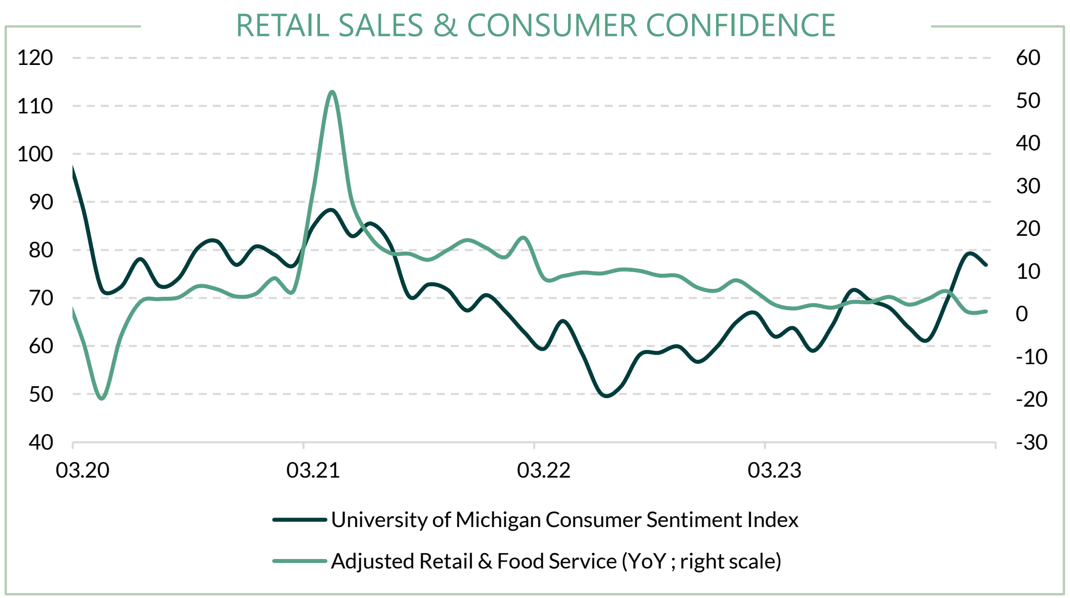


- US 2024 GDP forecasts continue to be upgraded sharply to now 2,1%, while projections for the Eurozone at least stabilized
- Early indicators for global growth suggest that a bit higher growth momentum has been carried into 2024
- However, this acceleration has to be treated with caution as it may also have been influenced by seasonals

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 06/03/2024

USA
STEADY AS SHE GOES

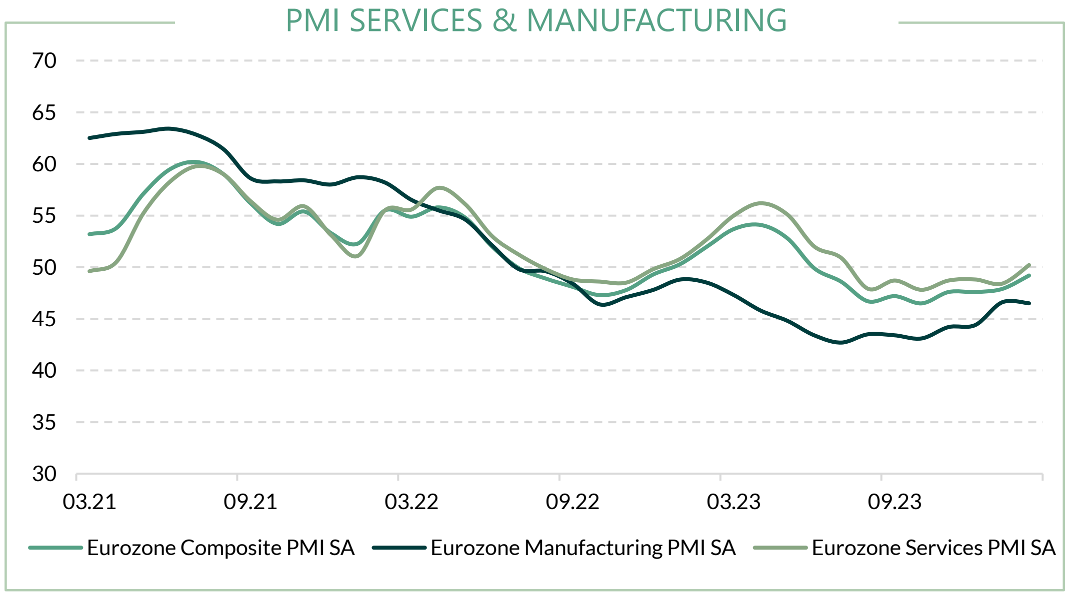


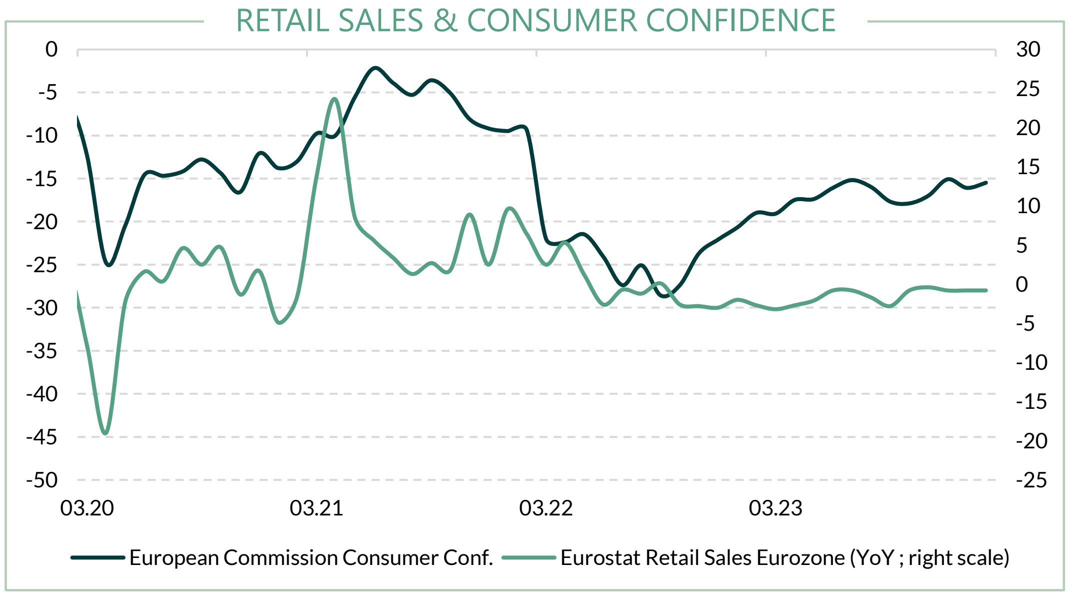


- After a brisk surge in January data, growth has given back a bit of momentum
- ISM manufacturing declined again with weakness for most of the subcategories. Especially, new orders and employment posted noticeable declines
- ISM services also edged lower but remained well above the 50 expansionary level. New orders even increased showing the ongoing resilience of the consumer
- The labor market is still healthy but underlying cracks show that some deceleration from red hot to hot is happening below the surface. The increase in the recent unemployment rate to 3,9% might be a further indication of that cooling
- While the consensus is braced for a soft landing story, the no-landing scenario is gaining a bit of attention, while recession risks are completely priced out. This complacence could pose a risk for markets later in the year

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 06/03/2024

Europe
A SIGN OF LIFE

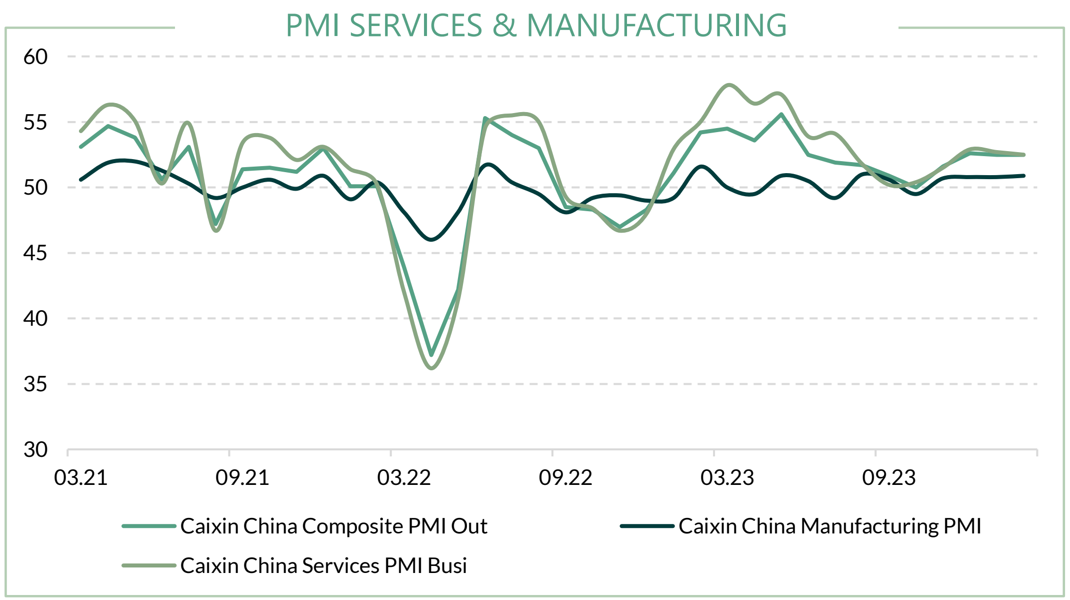


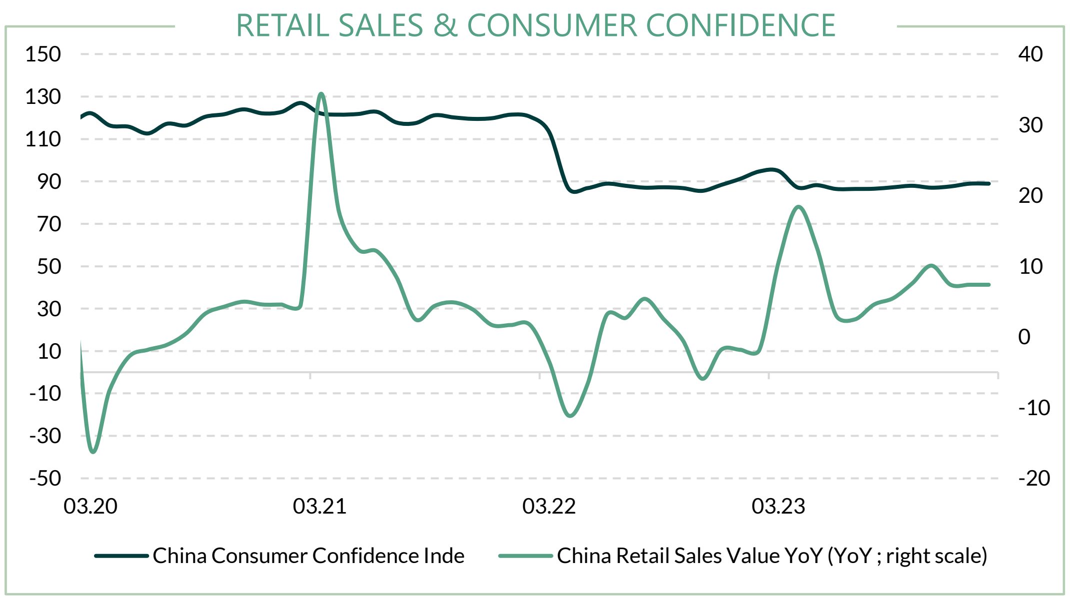


- After a couple of quarters where the economy has mostly stagnated there are tentative signs of an anaemic rebound
- PMI have bottomed out and improved, especially on the service side. Also outlook components have edged up
- Germany remains the drag on Eurozone growth as energy costs and transition are weighing on the larger industrial sector
- While better real disposable income, robust labor markets and some inventory restocking may lift the economy further, it is unlikely that such a rebound is sustainable. Fiscal policy, especially in Germany is restrictive, rate hikes are still working themselves through the economy and main trading partners like China are struggling

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 06/03/2024

China
GLIMMERS OF HOPE



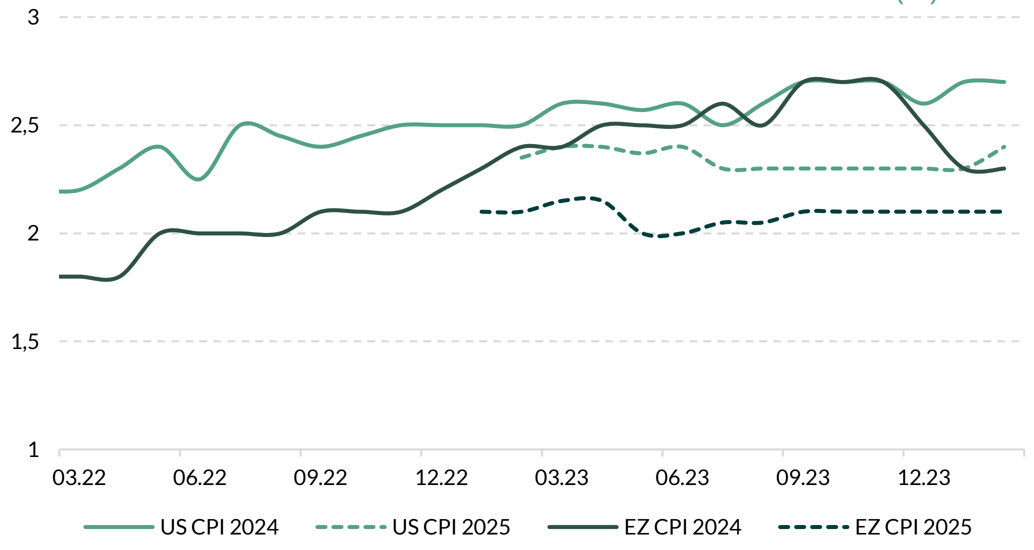


- Authorities are trying to address the structural headwinds from the deflating property bubble by a variety of measures
- Monetary policy has been eased further but with limited impact so far as the economy faces a liquidity trap
- Recent PMI and trading data suggest that the slide has come to a halt
- However, property indicators like residential prices and sales are still in a downward spiral

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 06/03/2024

Inflation expectations ANCHORED

US & EUROZONE: FULL YEAR CPI GROWTH ESTIMATES (%)



YOY CPI ESTIMATES

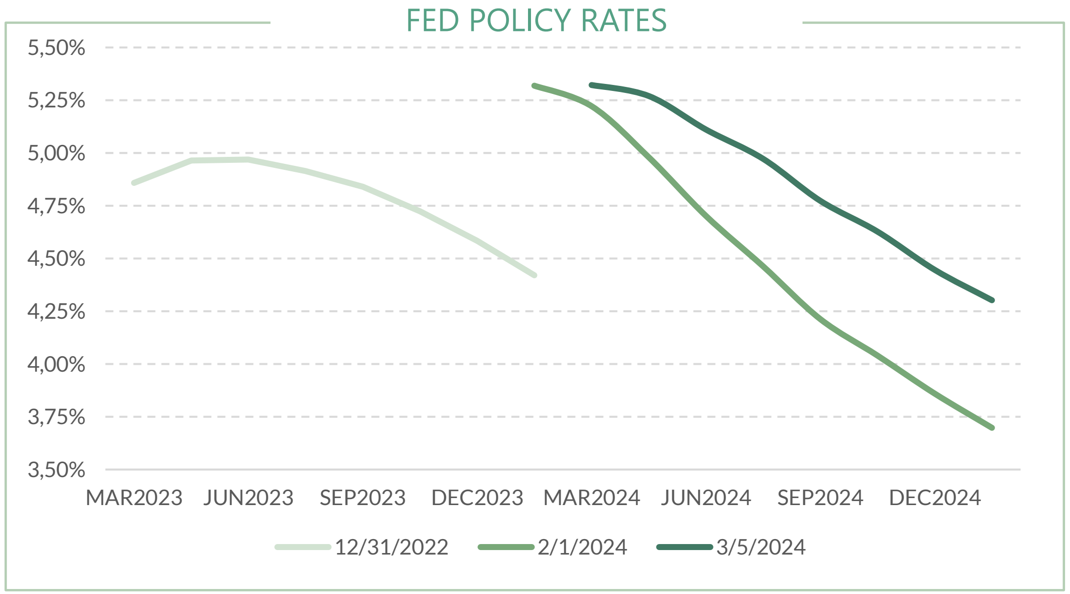
3/6/2024

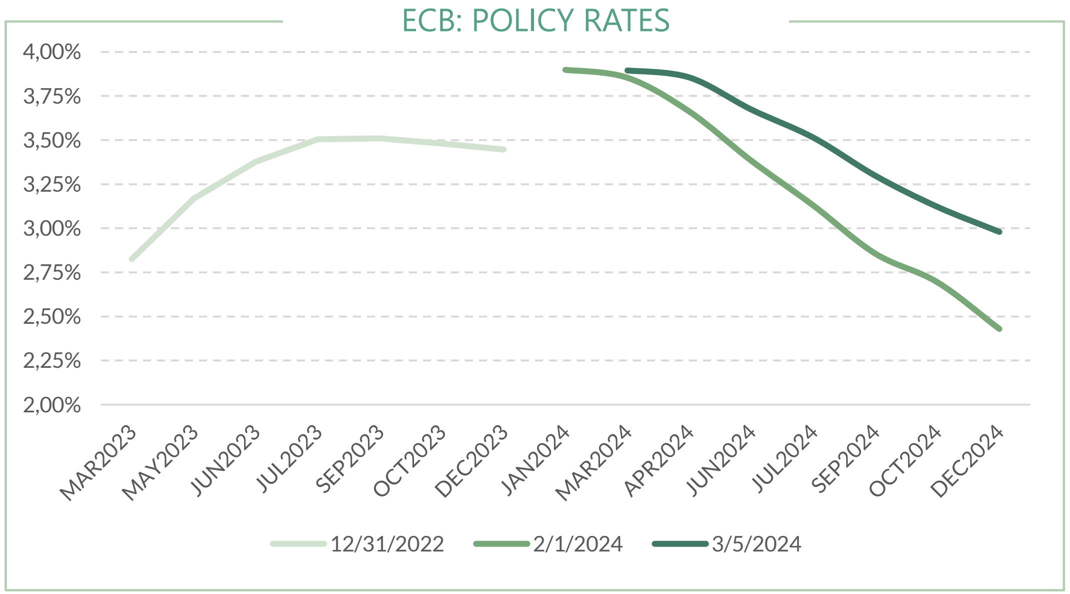
		CPI YoY	Feb-24	Jan-24	1Y trend	5Y average	20Y average
Canada	CACPIYOY Index	Canada		2.9		3.5	2.8
U.S.	CPI YOY Index	U.S.		3.1		2.1	3.2
Brazil	BZPIIPCY Index	Brazil		4.5		2.9	8.0
Mexico	MXCPYOY Index	Mexico		4.9		2.6	6.2
Chile	CNPINSYO Index	Chile				3.0	
Eurozone	ECCPEMUY Index	Eurozone	2.6	2.8		1.8	2.6
Germany	GRCP20YY Index	Germany	2.5	2.9		1.9	2.4
France	FRCPIYOY Index	France	2.9	3.1		1.4	2.1
Italy	ITCPNICY Index	Italy	0.8	0.8		1.6	2.5
Poland	POCPIYOY Index	Poland		3.9		#VALUE!	
Sweden	SWCPYOY Index	Sweden		5.4		2.3	2.4
Switzerland	SZCPIYOY Index	Switzerland	1.2	1.3		0.6	0.8
U.K.	UKRPCJYR Index	U.K.		4.0		2.2	3.1
India	INFUTOTY Index	India		5.1		2.7	7.7
Indonesia	IDCPIY Index	Indonesia	2.8	2.6		1.4	7.2
Malaysia	MACPIYOY Index	Malaysia		1.5		0.9	
Japan	JNCPIYOY Index	Japan		2.2		0.7	0.4
South Korea	KOCPIYOY Index	South Korea	3.1	2.8		1.4	3.1
China	CNCPIYOY Index	China		-0.8		0.7	2.4
Hong Kong	HKCPIY Index	Hong Kong		1.7		0.9	1.7

- Despite some firmer January inflation prints in the US and Eurozone, surveys do not reflect heightened inflation expectations longer-term
- Market based break-even rates are trading at the lower end of the range after the marked decline over the last months

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 06/03/2024

FED & ECB policies
"HIGH FOR LONG" STILL HAS LOW ODDS



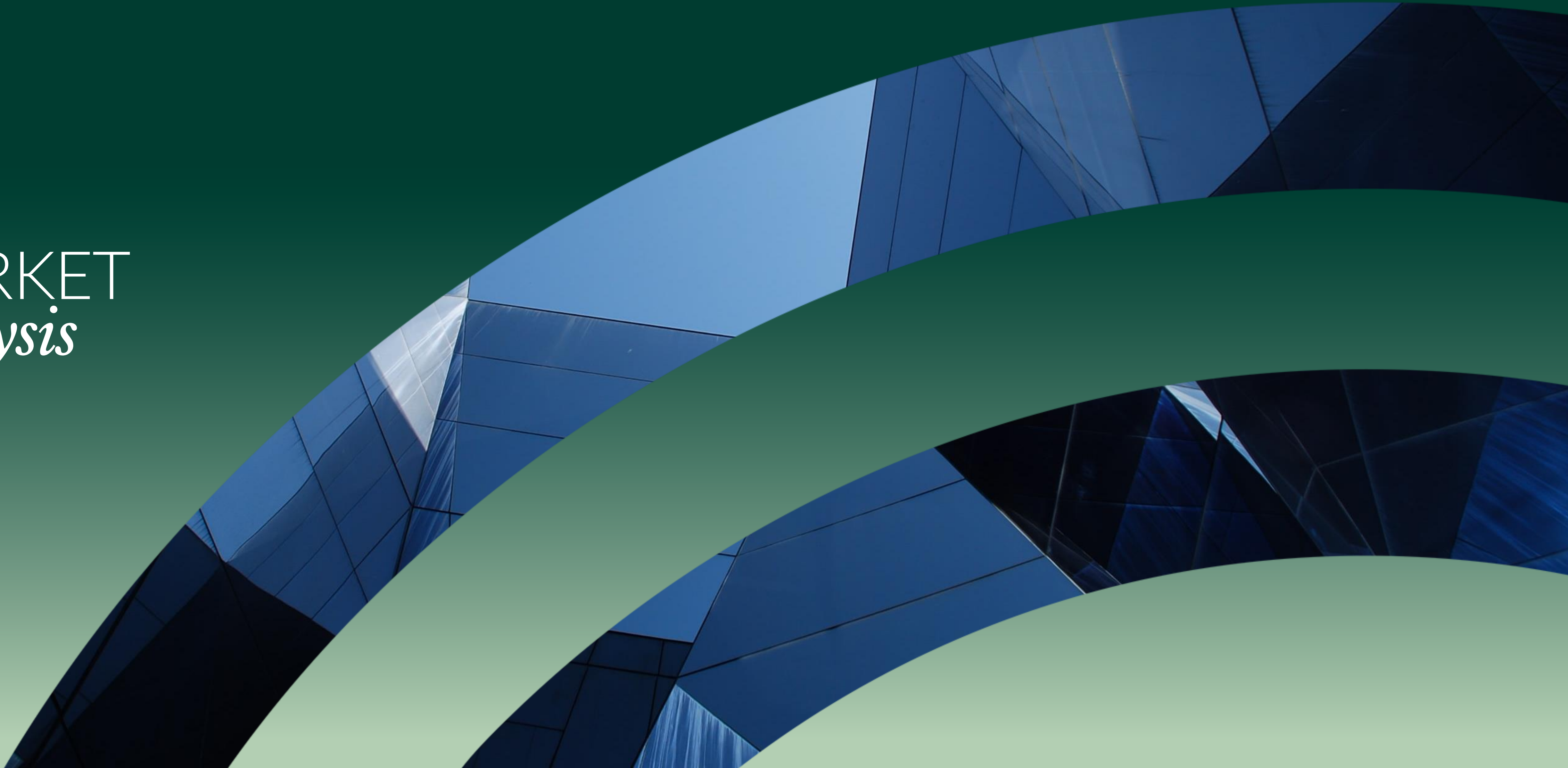


- A hick-up in January inflation data and slightly accelerating economic activity have triggered a broad decline in easing expectations
- Coming from almost 150bp priced-in cuts for 2024 early this year, traders currently expect only a bit more than 3 cuts in the US and 4 in the Eurozone
- Consensus is now for a starting point in June with slightly higher odds for the ECB to kick off the easing cycle instead of the FED
- Given the resilience of the US economy expectations for a no-landing with little or no cuts at all have been voiced
- We still see such an outcome as a low probability scenario given the long lags of monetary policy

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 06/03/2024

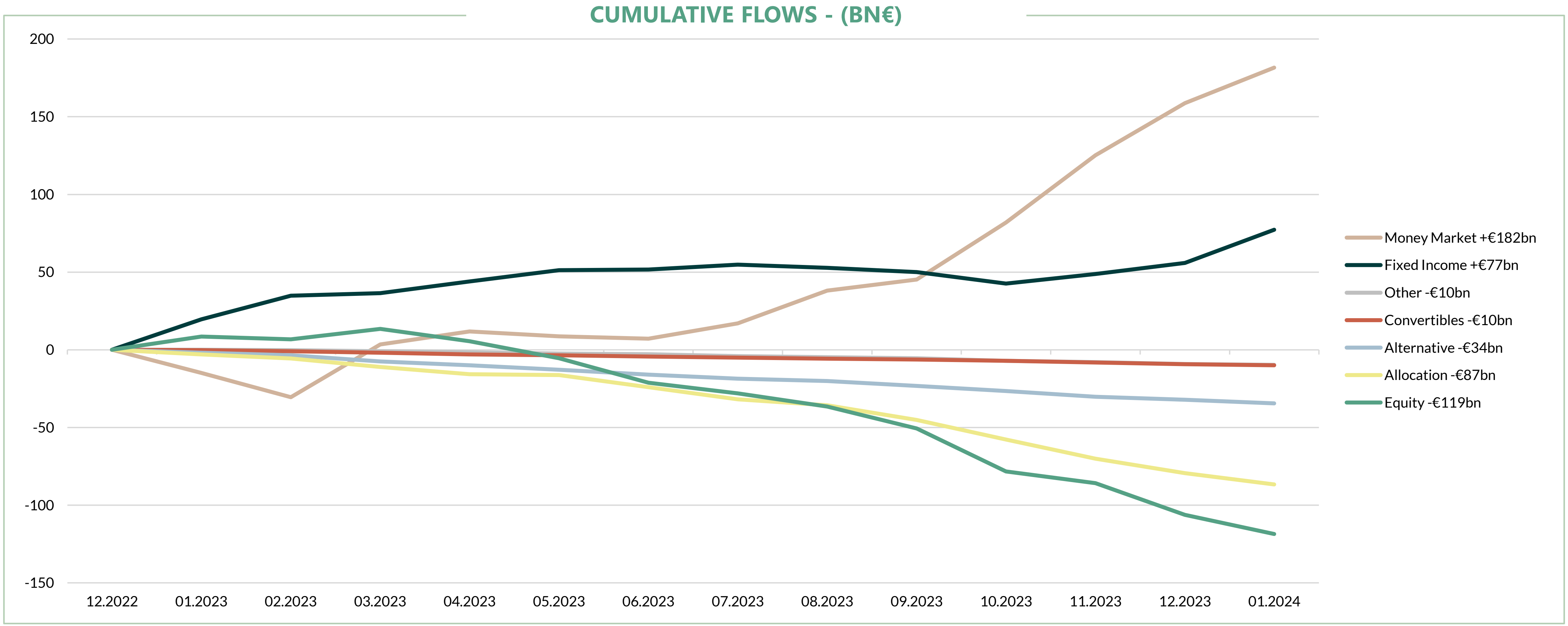
02

MARKET *analysis*



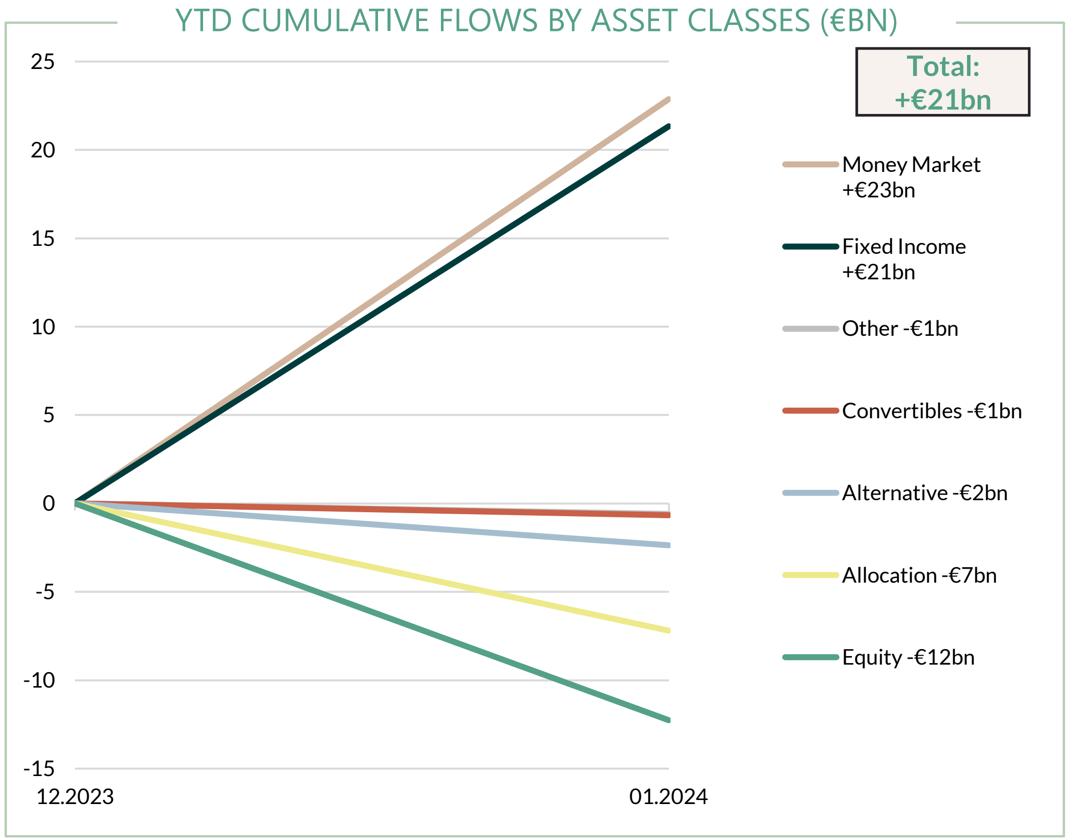
Cumulative mutual fund flows (€bn) since 2023

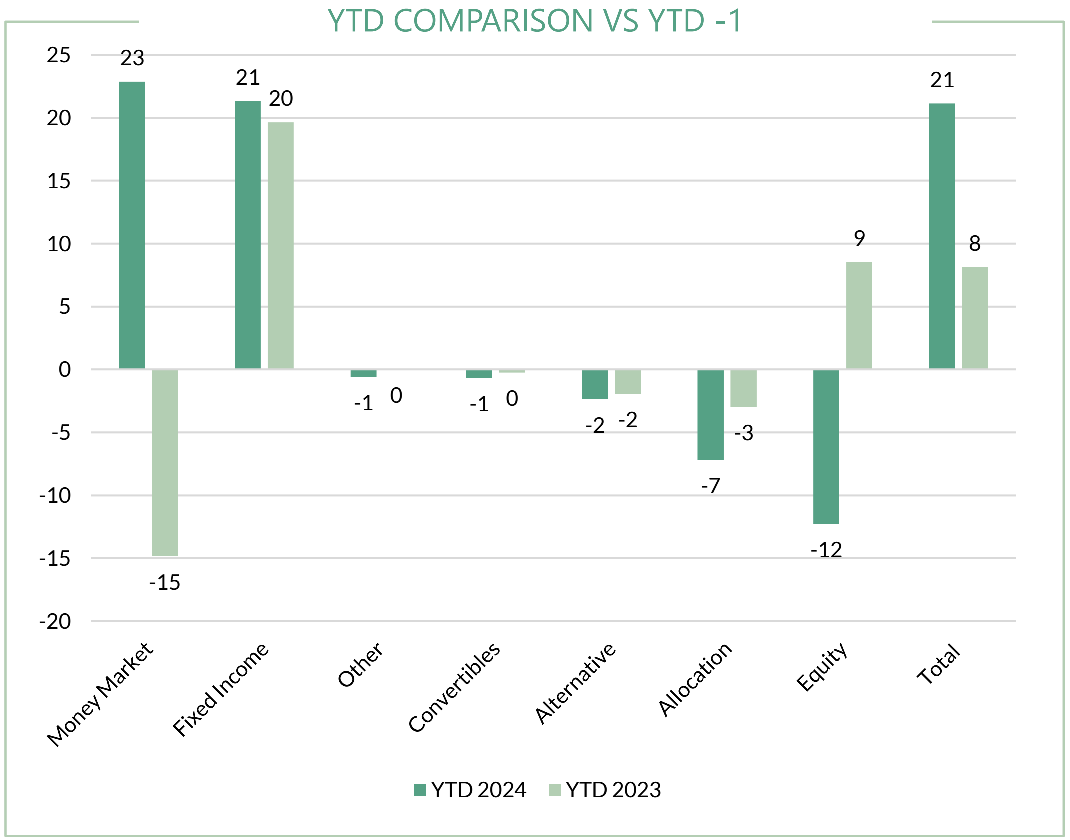
MONEY MARKET AND FIXED INCOME ATTRACTING MOST FLOWS



Source: Morningstar. Data as of 31/01/2024 (Europe OE ex ETF ex MM ex FoF ex Feeder (domiciled, most compr)

2023 European mutual fund flows

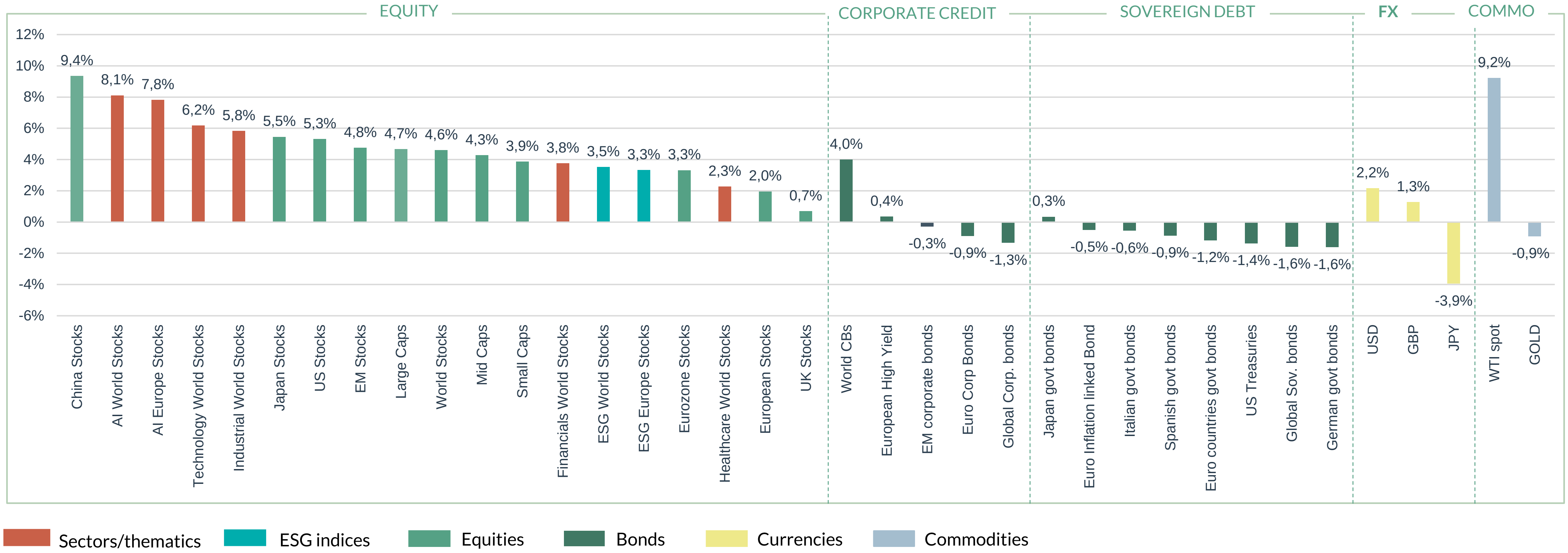




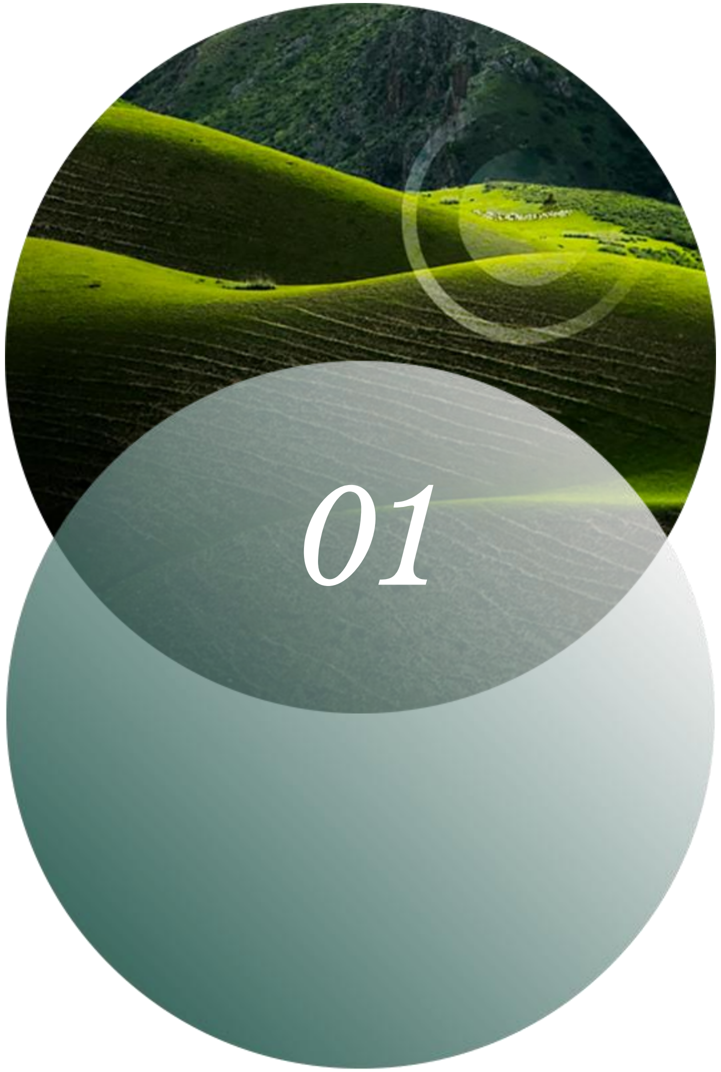
Source : Morningstar. Data as of 31/01/2024 (Europe OE ex ETF ex MM ex FoF ex Feeder (domiciled, most compr)

Year-to-date performances of asset classes

LARGE CAPS AND TECH STOCKS LEADING THE RISK-ON RALLY



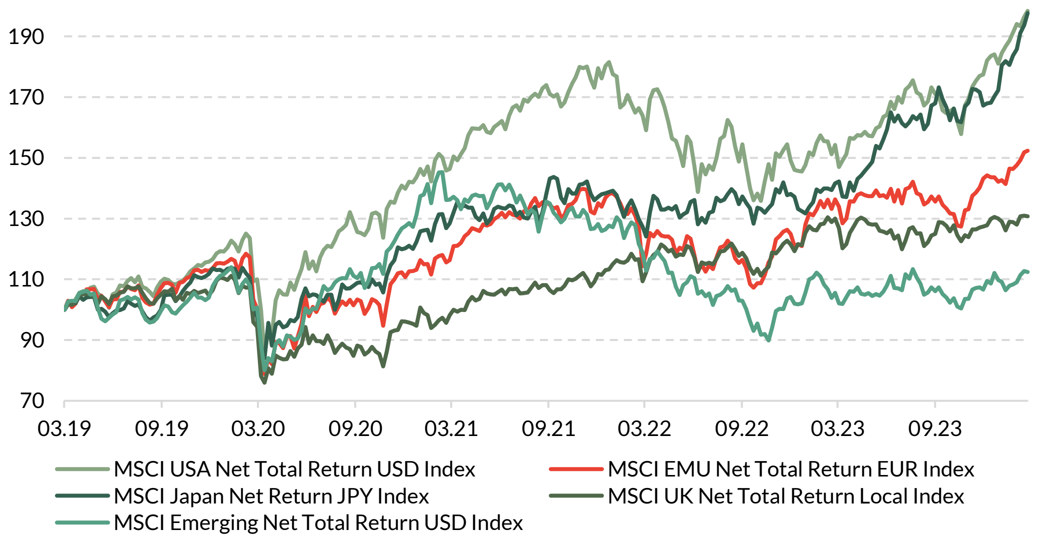
Past performances are not a reliable indicator of future performances and are not constant over time.
Sources: Bloomberg and BoA ML as of 29/02/2024; performances expressed in local currencies



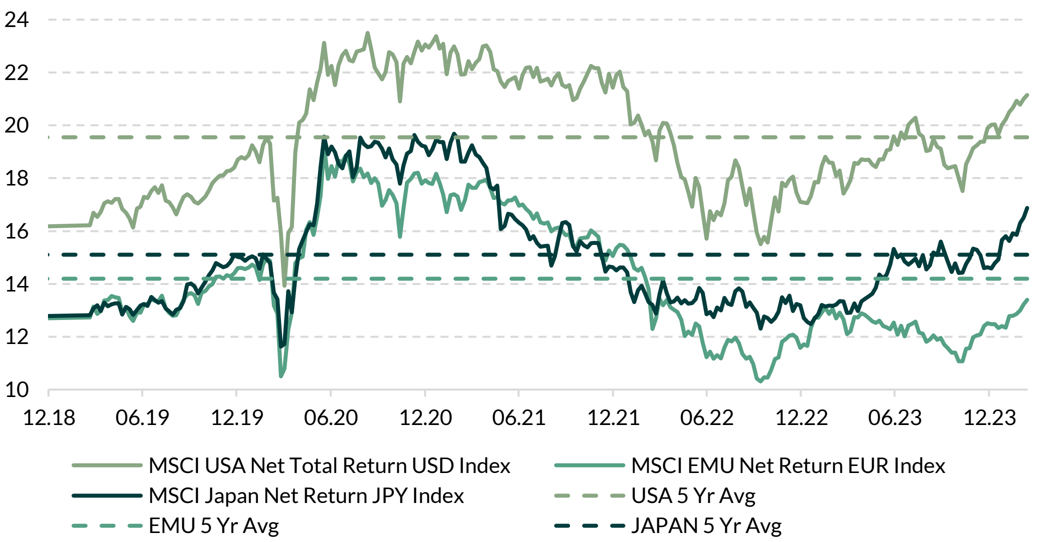
EQUITIES

Equities
KEPT ROARING AHEAD

5-YEAR EQUITY MARKET PERFORMANCE



5-YEAR PRICE/EARNING RATIO



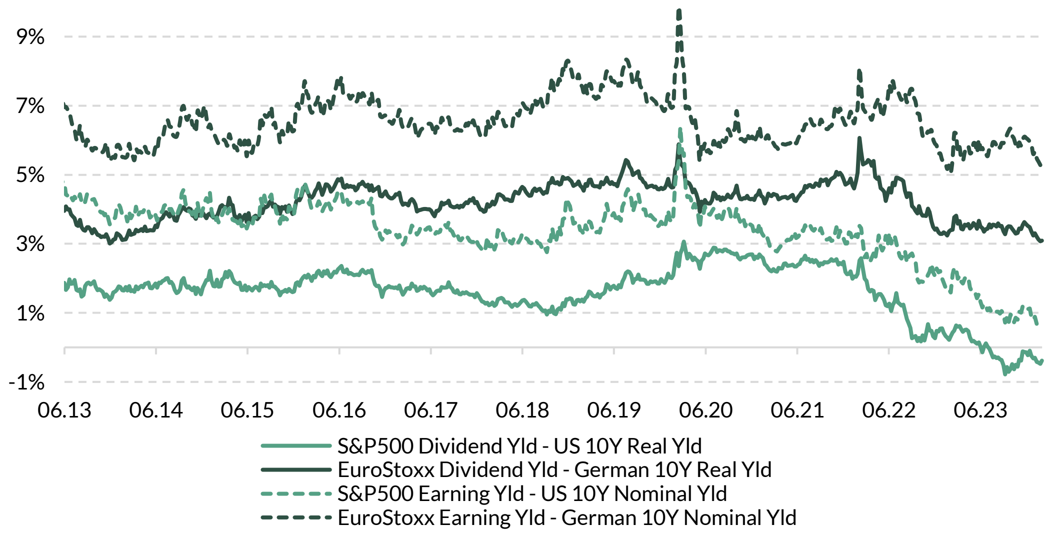
- Many equity indices broke new all-time highs in February (with the S&P500 moving above its highs from 2021 and the Nikkei surpassing a mark set … 34 years ago).
- S&P500, EuroStoxx50 and Nikkei posted similar advances (+5%). The UK and Swiss equity markets barely moved (0% and 1% respectively).
- US small caps eventually joined the rally (Russell 2000 +6%), while the advance was much more tepid in Eurozone and even non-existent in the UK (FTSE 250 losing -2%).
- With stable or slightly negative forward earnings revisions, valuations of developed equities are now significantly higher than historical averages.

Past performances are not a reliable indicator of future performances and are not constant over time
Sources: ODDO BHF AM SAS, Bloomberg | Data as of 06/03/2024

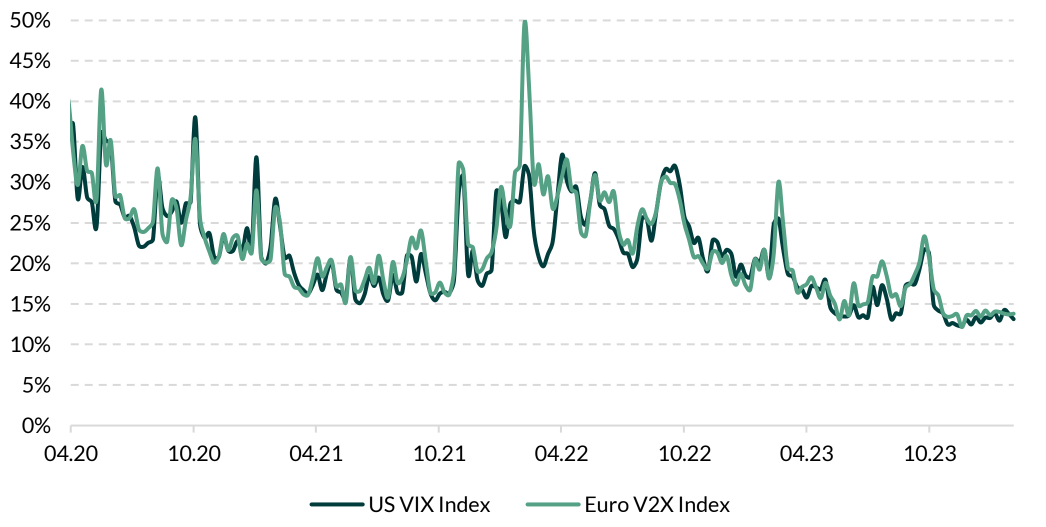
Risk premiums & volatility

LOW VOLATILITIES, DWINDLING PREMIUMS

EQUITY RISK PREMIUMS (NOMINAL AND REAL)



IMPLIED VOLATILITY INDEXES



- With the equity rally running on valuation multiples rerating, and bond yields moving higher, the estimated risk premiums shrank even more.
- Enduring sector and stock dispersion within equity indexes keep overall index volatility at historical lows.

Past performances are not a reliable indicator of future performances and are not constant over time
Sources: ODDO BHF AM SAS, Bloomberg | Data as of 06/03/2024

European equities – sectors overview
CYCLICALS OUTPERFORMING

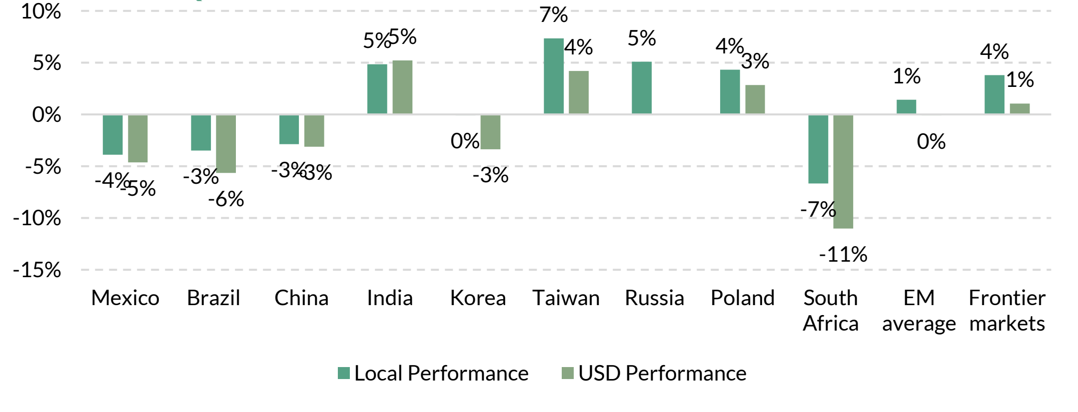
EUROPEAN SECTOR	WEIGHT	PRICE PERFORMANCE		EPS GROWTH		Valuation				
						P/E 12m	Div Yield	FCF Yield	EV/EBITDA	Price/Book
		1m %	YTD %	2023	2024	12m	12m	12m	12m	12m
STOXX Europe 600		2,0%	7,7%	-2%	6%	13,3 x	3,6%	5,4%	8,9 x	1,8 x
Commodities										
Energy	4,2%	-2,2%	-3,3%	-35%	-5%	8,0 x	5,1%	10,3%	3,7 x	1,1 x
Basic Resources	2,3%	-6,9%	-6,8%	-55%	13%	10,3 x	4,4%	6,5%	5,3 x	1,1 x
Cyclicals										
Automobiles & Parts	2,9%	14,8%	14,8%	3%	-4%	6,4 x	4,9%	9,8%	5,5 x	0,8 x
Chemicals	2,6%	2,2%	5,7%	-48%	22%	19,6 x	3,1%	3,5%	9,9 x	2,0 x
Construction & Materials	4,2%	5,4%	12,5%	0%	7%	14,8 x	2,9%	6,6%	8,3 x	2,0 x
Industrial Goods & Services	14,9%	6,0%	14,8%	-6%	8%	17,9 x	2,5%	5,1%	10,3 x	2,9 x
Media	2,0%	3,6%	13,9%	6%	7%	18,7 x	2,5%	5,3%	11,7 x	3,5 x
Technology	8,8%	3,8%	16,9%	36%	8%	27,3 x	1,1%	2,7%	18,4 x	4,5 x
Travel & Leisure	1,5%	2,9%	19,4%	113%	13%	14,0 x	2,0%	6,4%	7,4 x	2,6 x
Consumer Products and Services	6,5%	6,2%	13,1%	3%	9%	24,9 x	1,9%	3,9%	13,9 x	4,2 x
Financials										
Banks	8,8%	3,6%	7,5%	29%	3%	6,6 x	7,6%	-		0,7 x
Insurance	5,4%	3,9%	9,1%	28%	15%	10,1 x	5,7%	6,5%	28,9 x	1,6 x
Financial Services	4,2%	1,6%	10,1%	79%	22%	13,4 x	3,1%	6,0%	8,8 x	1,4 x
Real Estate	1,7%	-6,5%	-0,6%	-12%	3%	14,3 x	4,4%	5,3%	21,1 x	0,8 x
Defensives										
Health Care	15,2%	0,5%	8,0%	0%	9%	17,7 x	2,5%	4,8%	12,5 x	3,4 x
Food Beverage and Tobacco	5,4%	-3,8%	-0,7%	-1%	4%	14,5 x	3,9%	6,2%	10,6 x	2,5 x
Personal Care Drug and Grocery Stores	2,1%	-2,0%	-0,5%	3%	5%	14,4 x	3,7%	6,4%	8,1 x	2,5 x
Retail	1,1%	1,2%	2,9%	6%	16%	15,8 x	3,6%	6,1%	7,7 x	2,7 x
Telecommunications	2,5%	-3,7%	-0,7%	-25%	42%	12,7 x	5,2%	11,6%	6,1 x	1,1 x
Utilities	3,5%	-4,7%	-6,8%	4%	-4%	11,5 x	5,4%	-0,8%	7,5 x	1,4 x

Past performances are not a reliable indicator of future performances and are not constant over time
Sources: ODDO BHF AM SAS, Goldman Sachs, 01/03/2024

Emerging markets

NORTHEAST ASIA OUTPERFORMING STRONGLY IN FEBRUARY

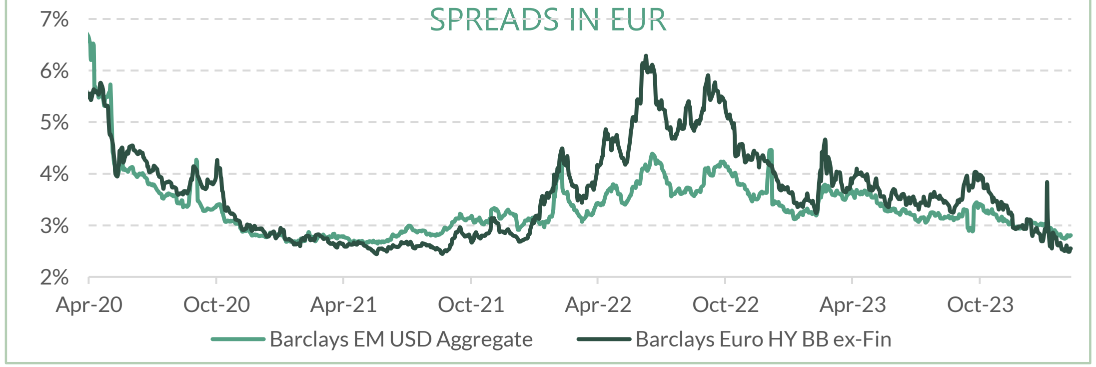
YTD EQUITY PERFORMANCE ON MAJOR EMERGING MARKETS



EPS (INCLUDING LOSSES) GROWTH & PE (LOCAL CURRENCY)

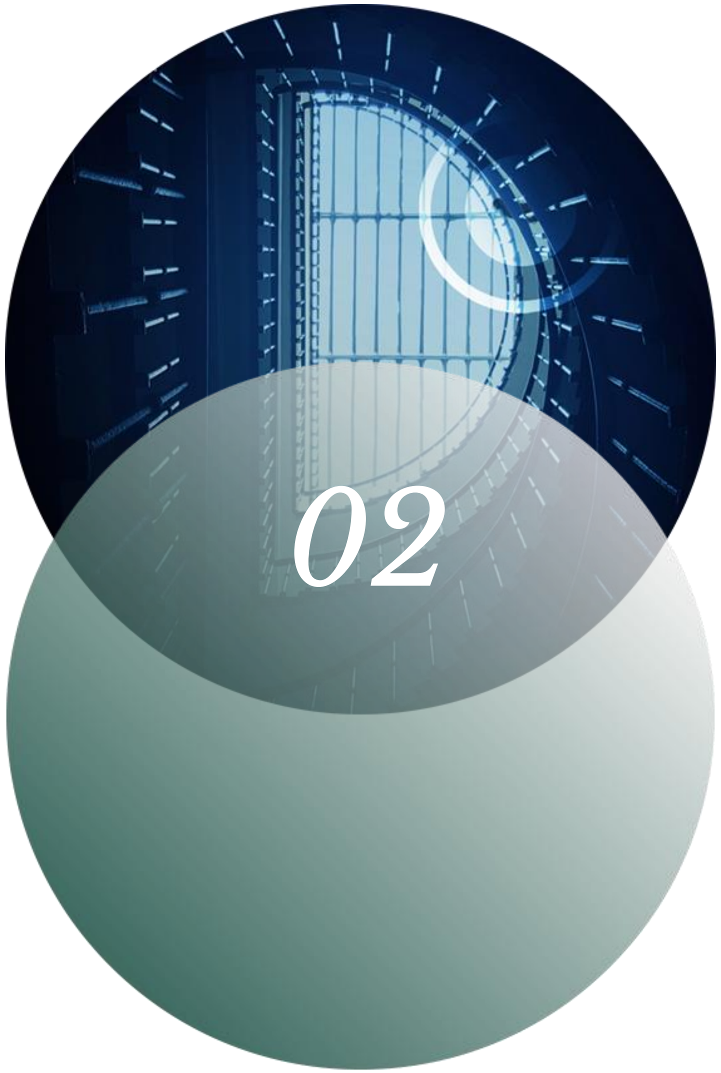
Emerging	Price to Book 12mth fwd	PE 12mth fwd	Dividend Yield (trailing 12m)
MSCI EM	1.6	14.4	2.7%
MSCI CHINA	1.1	10.3	2.8%
MSCI KOREA	1.0	11.6	2.1%
MSCI INDIA	3.6	23.4	1.1%
MSCI INDONESIA	2.3	15.1	3.8%
MSCI PHILIPPINES	1.7	13.8	2.3%
MSCI MALAYSIA	1.3	13.9	4.1%
MOEX Russia Index	*0.5*	*3.0*	*5.7%*
WSE WIG INDEX	1.2	8.1	3.0%
MSCI TURKEY	1.5	5.4	2.5%
MSCI SOUTH AFRICA	1.5	13.5	4.1%
MSCI BRAZIL	1.5	8.0	5.5%
MSCI COLOMBIA	0.9	5.6	10.6%
MSCI MEXICO	2.0	12.9	3.4%

EM DEBT SPREADS VS. BB INDUSTRIAL CORPORATE BOND SPREADS IN EUR



- After months of underperformance Chinese stocks rebounded strongly. Mainland CSI 300 jumped +9%, while HK Hang Seng appreciated by +7%.
- The tech rally also benefited Korea and Taiwan, both posting +6% returns.
- Mexican large-cap index lost -3%, as did the South-African FTSE TOP40 (while the Rand also lost -3% vs USD over the month).

Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 06/03/2024

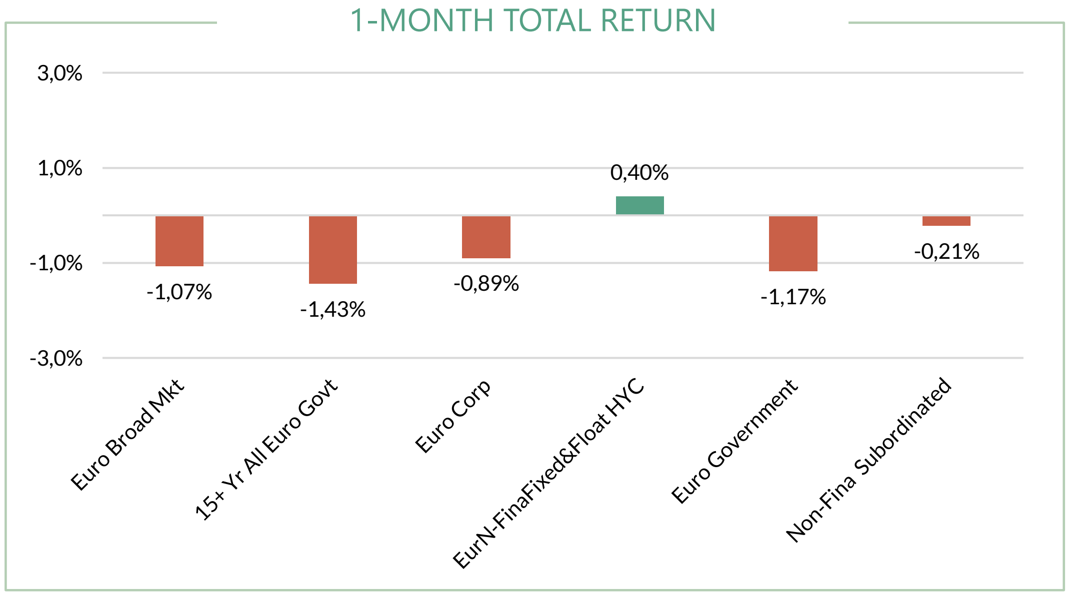


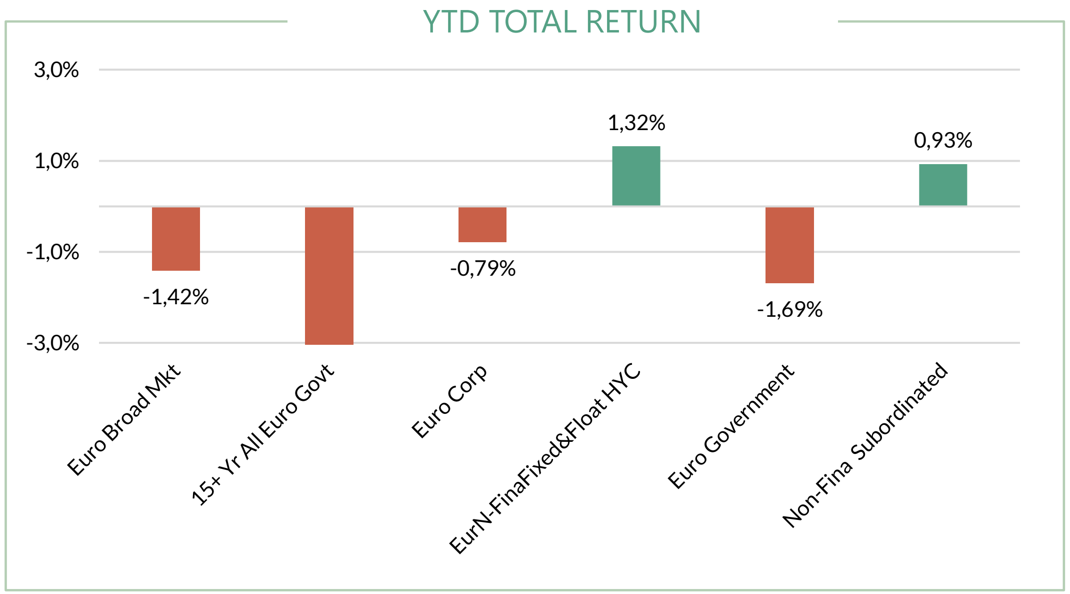
02

FIXED INCOME

Performance fixed income segment

HIGH YIELD AHEAD AGAIN



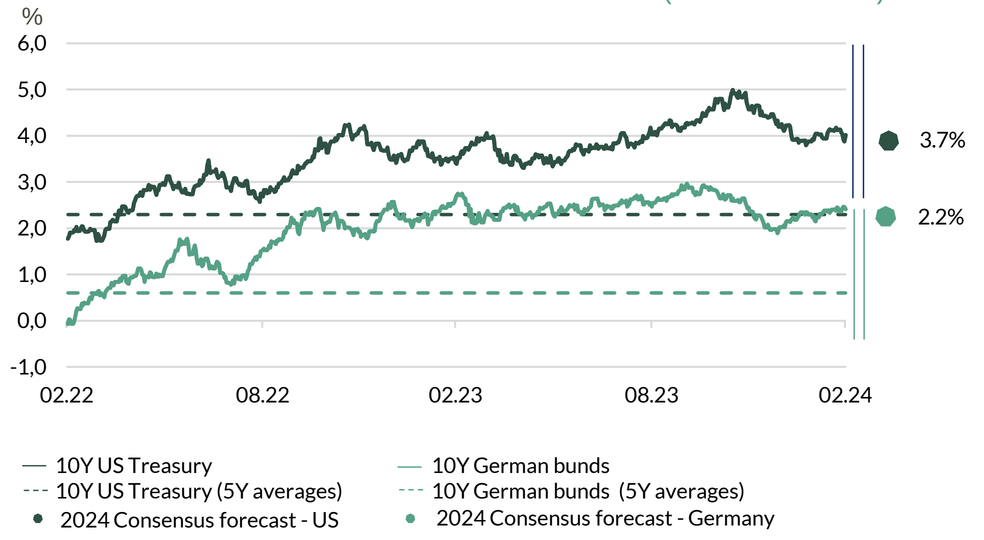


Past performances are not a reliable indicator of future performances and are not constant over time
Source: ODDO BHF AM, Bloomberg, data as of 29/02/2024

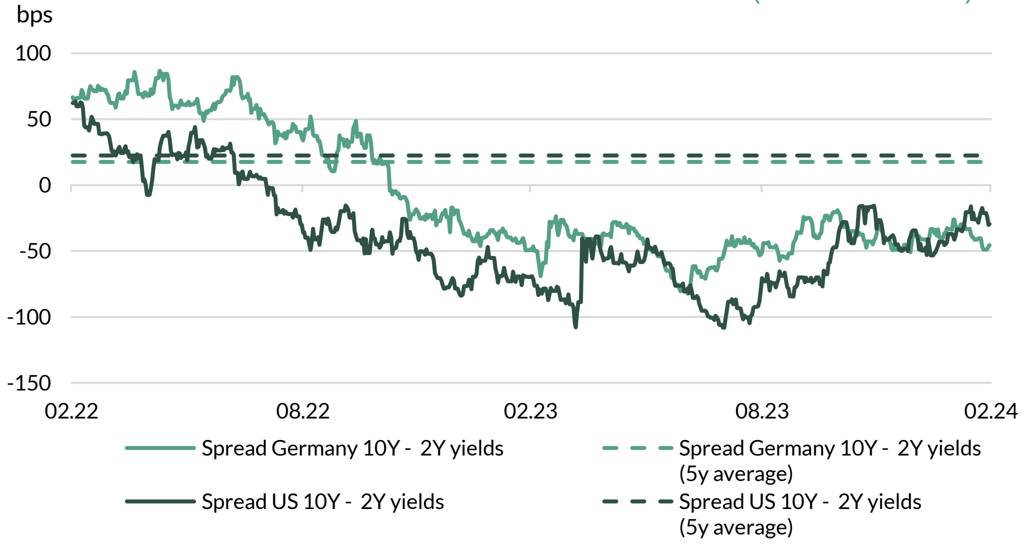
Rates

DOWNTREND RE-ESTABLISHED BUT BREAKOUT NOT IMMINENT

GERMAN & US 10-YEAR BOND YIELDS (OVER 2 YEARS)



GERMAN & US 2 YEAR – 10-YEAR YIELD CURVE (OVER 2 YEARS)

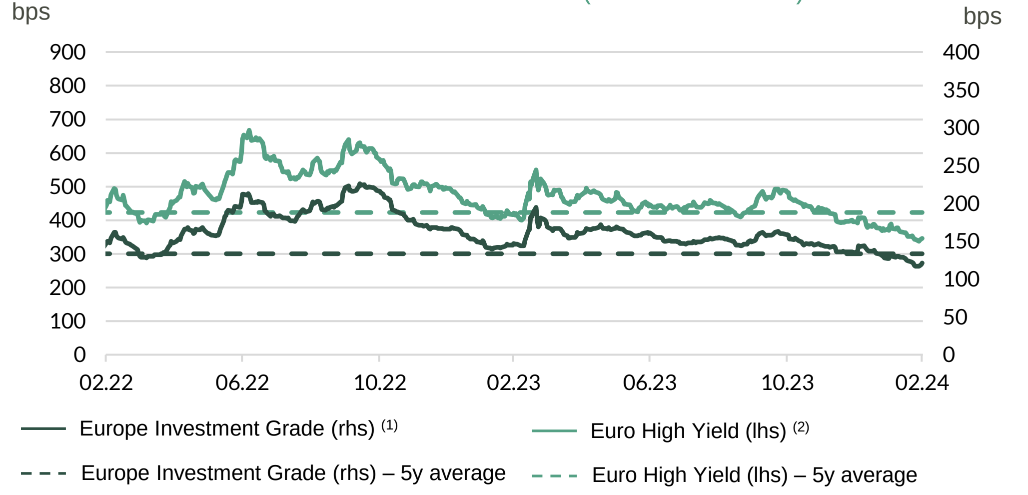


- “high for long” narrative spooked the market before more mixed US data and a slightly dovish ECB reversed the upwards yield move
- Disinflation has further to run albeit with some distortions along the path allowing for cuts as early as June for the ECB and FED
- Data in the US is still strong but set to cool over the next months as the hiking cycle works with a lag and special boosters are fading
- Nevertheless, a yield breakout to the downside does not to appear imminent. A further leg down needs the real start of cutting cycles and/or decidedly weaker economic data

Past performance is not a reliable indicator of future performance and is not constant over time.
Bloomberg Economic Forecast | Sources: ODDO BHF AM SAS, Bloomberg | LHS: Data as of 02/29/2024; RHS: Data as of 02/29/2024

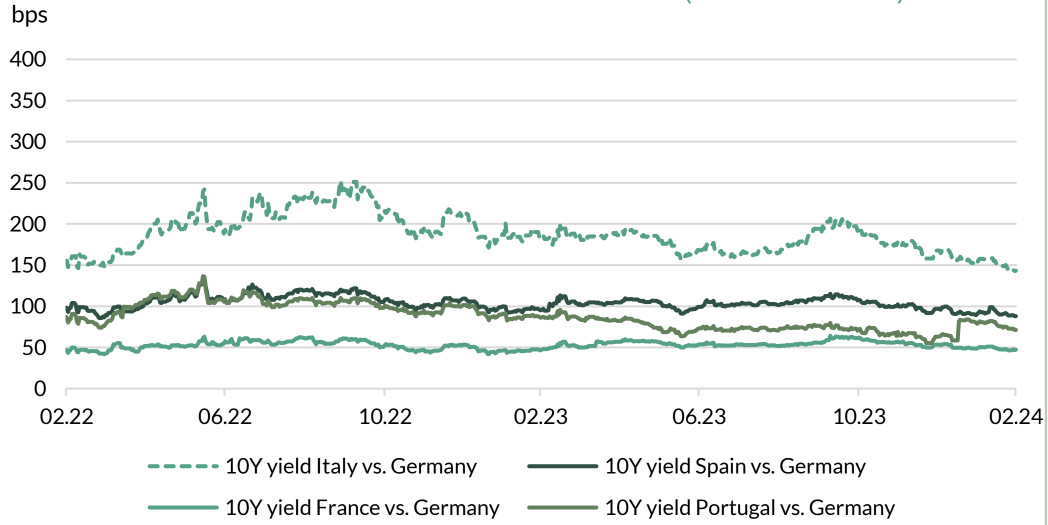
Credit Spreads
CARRY CONTINUES

CREDIT SPREADS IG & HY (OVER 2 YEARS)



(1) BofA Merrill Lynch Euro Corporate Index (ER00)
(2) BofA Merrill Lynch Euro High Yield Non-Fin. Constr. (HE00)

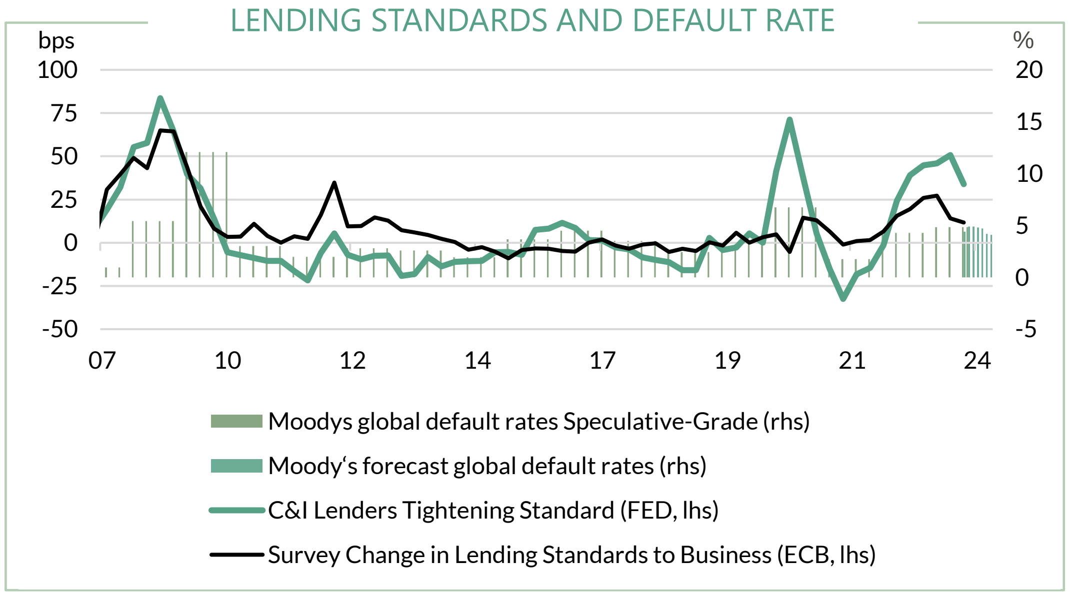
MAIN EUROZONE COUNTRY SPREADS (OVER 2 YEARS)

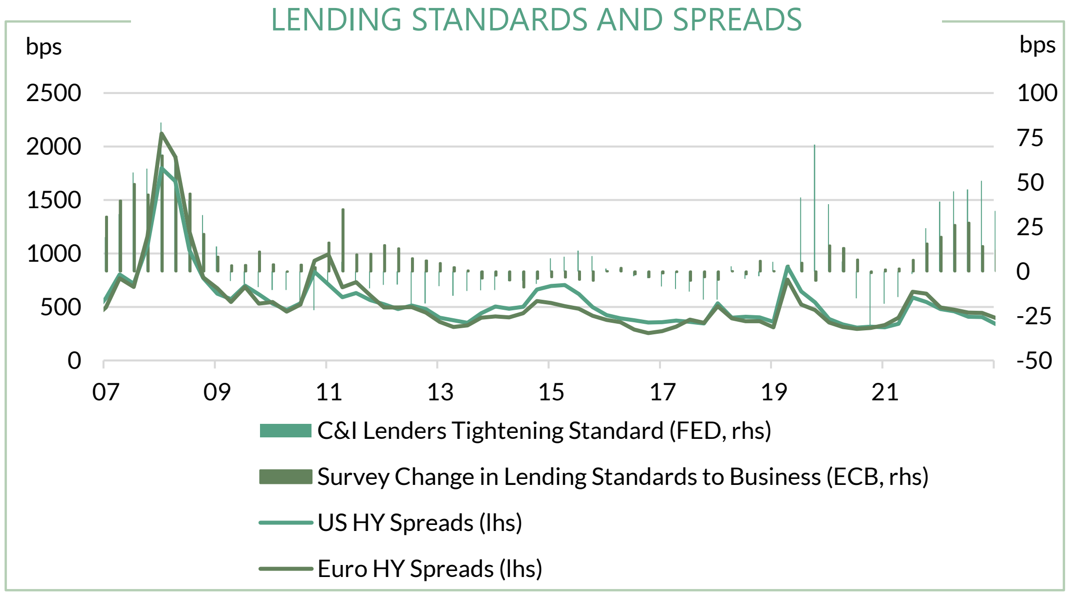


- Credit spreads have been relatively stable despite brisk primary market activities
- As the “soft landing” story is supported for the time being spreads still offer attractive carry features, while further tightening is more difficult to achieve
- Peripheral and sub-sovereign spreads should also continue to benefit from the current risk-on environment, although Italian spreads are starting to look stretched from a historic viewpoint

Past performance is not a reliable indicator of future performance and is not constant over time.
Sources: ODDO BHF AM SAS, Bloomberg │ Data as of 02/29/2024

Financial conditions RELATIVELY EASY





- Market driven financial conditions have again improved since October last year in the US and the Eurozone
- Recent surveys by the FED and ECB on lending availability and credit demand still reflect a restrictive stance with some improvement from the last quarter

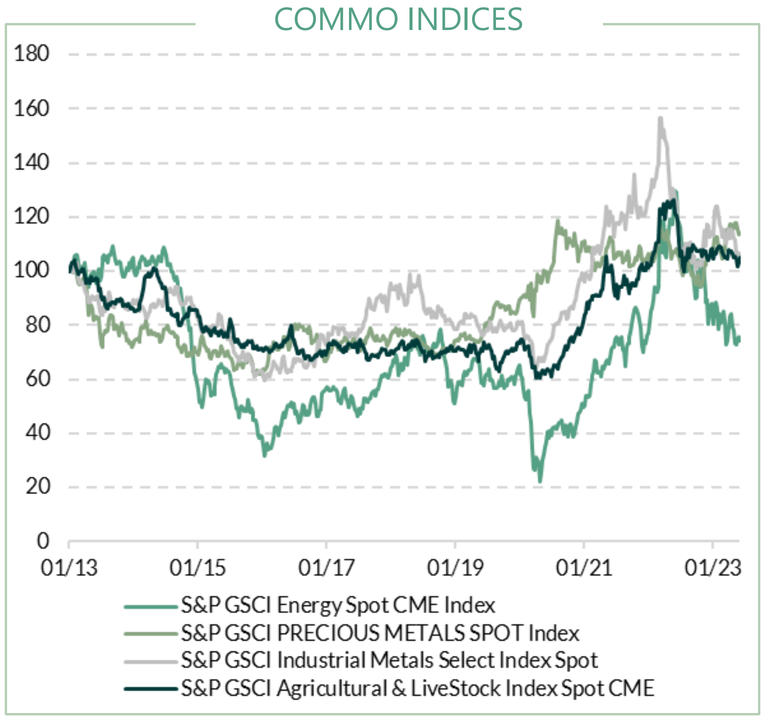
Source: Fed, ECB, Bloomberg | Moody's as of 31/12/2023, Lending Standard & Survey Change as of 12/31/2023, Spreads as of 12/31/2023

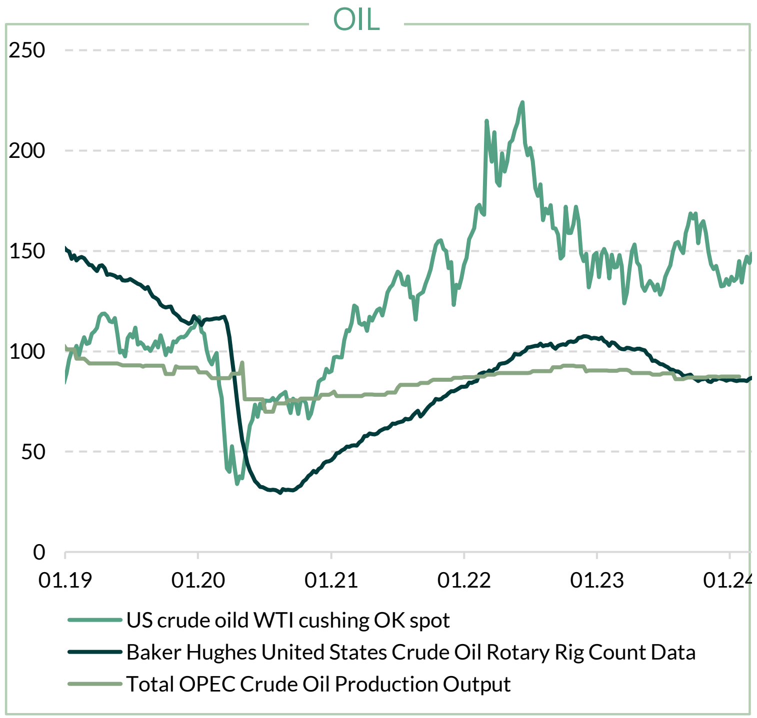
03

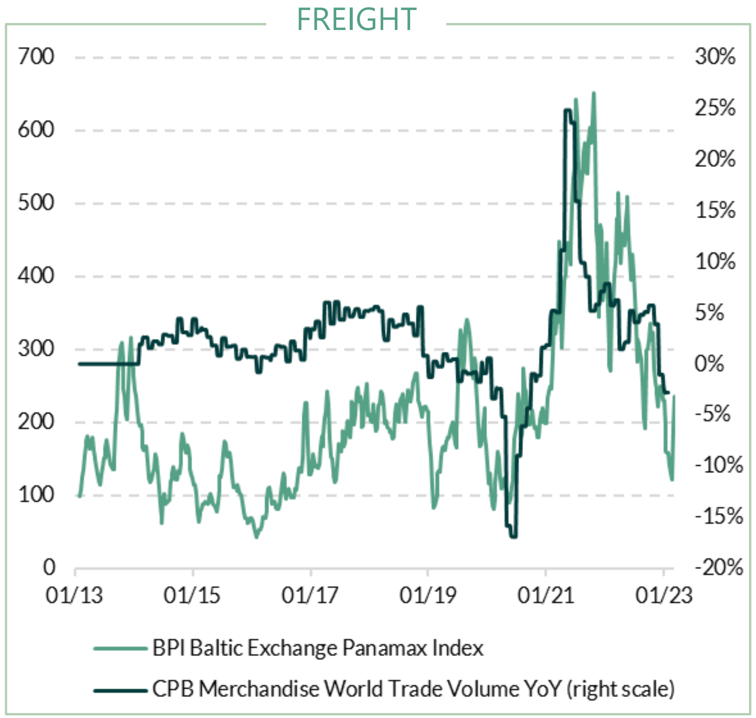
COMMODITIES & CURRENCIES

Commodities

STABLES PRICES



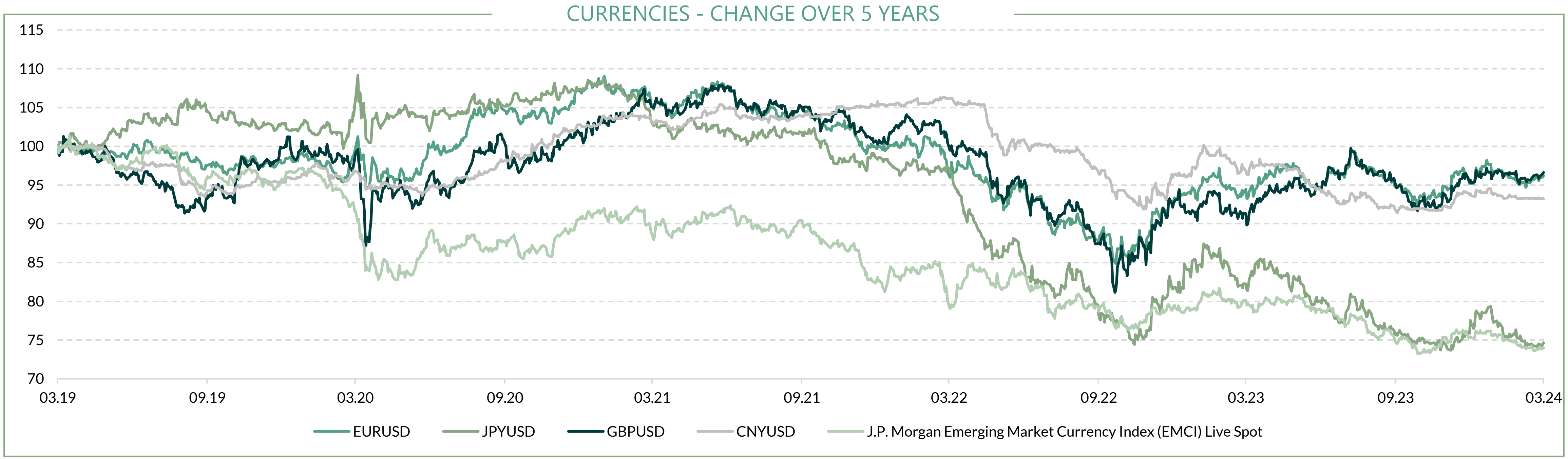




- Most commodities traded slightly down over the month. GSCI Industrial Metals lost -1.3%, Agri products -3.3% and Precious Metals -0.7%
- Energy prices moved somewhat higher (GSCI Energy Spot +1.6%). Gold shows some resilience in an environment of sovereign yields moving up.

Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 02/02/2024

Currencies
CARRY TRADE



- As the US yield curve moved up, most low yielding financing currencies lost some more ground (Japanese Yen -2%, Swiss Franc -3% vs USD).
- Volatility remained quite muted across most currencies.
- As it did during 2023, the Mexican peso fared the best among major emerging currencies, appreciating 1% vs the US dollar.

Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 06/03/2024

03

CURRENT *Convictions*

Scenarios
OUR 6-MONTH VIEW

01 Central scenario

Global GDP growth shows resilience so far but might slow down slightly as PMIs are weakening, especially in the Eurozone. China's GDP growth remains lackluster but might fuel disinflation further. The US economy still holds up very well. Central banks are approaching interest rate cuts while the full impact of the previous rate increases still has to be seen. Corporate earnings are solid so far with exceptions in the Chemical and Real Estate sector.

EUROPE

- Growth expectations deteriorate with weakening PMIs, especially for manufacturing
- Disinflation has accelerated and will continue also for core inflation
- ECB becomes more balanced given the progress on disinflation
- Supply chains are less disrupted

US

- So far, corporate fundamentals and the labor market remain resilient, but economic sentiment is deteriorating
- While disinflation has accelerated, the FED emphasizes its dual mandate of price stability and maximum employment.
- Massive issuance volumes of the US Treasury could absorb liquidity of bond markets.

STRATEGY

- Neutral on equities
- Benefit from carry of short-term High Yield Bonds and longer duration from Investment Grade

OVERWEIGHT

- Short Duration Euro High Yield
- Government Bonds and Investment Grade

UNDERWEIGHT

- US High Yield

70%

02 Alternative scenario #1

Upside scenario

- Less disrupted supply chains and higher real income support global growth, a recession is avoided
- Central banks start to cut rates as there is substantial relief from inflation figures
- Sustainable resolution of the stress in the financial system and no repercussions to the real economy

OVERWEIGHT

- Equities, incl. Emerging Markets
- High Yield
- Sovereigns

UNDERWEIGHT

- Alternative Strategies
- Cash

20%

03 Alternative scenario #2

Leverage crisis, sticky inflation

- A more restrictive credit supply puts pressure on highly levered companies and the overindebted Real Estate sector which could have negative spill overs to the Banking sector, especially in the US.
- Inflation does not fall to the expected extent, stays sticky despite a weaker economic outlook
- Risk of overtightening by central banks
- Market volatility increases

OVERWEIGHT

- Alternative strategies
- Cash

UNDERWEIGHT

- Equities
- Credit

10%

Source: ODDO BHF AM, as of March 6th 2024

Our current convictions
FOR EACH ASSET CLASS

Change from the last GIC meeting

Equities	OVERALL EQUITIES RECOMMENDATION			0		
	Large cap Eurozone			0		
	Mid cap Eurozone			0		
	Small cap Eurozone			0		
	UK			0		
	USA			0		
	Emerging markets			0		
	Japan			0		
	China			0		
Currencies	USD/€ (Direction of the USD)			0		
	YEN/€ (Direction of the YEN)				1	
	GBP/€ (Direction of the GBP)			0		
	CHF/€ (Direction of the CHF)			0		
Commodities	Gold		-1			
	Crude oil			0		

Source: ODDO BHF AM, as of March 6th 2024

Our current convictions
FOR EACH ASSET CLASS

Change from the last GIC meeting

Government bonds	OVERALL GOVERNMENT BONDS				1	
	Core Europe			0		
	Peripheral Europe			0		
	USA				1	
Corporate bonds	OVERALL CORPORATE BONDS			0		
	Investment grade Europe				1	
	Investment grade short duration				1	
	High yield credit short duration				1	←
	High yield Europe			0		
	High Yield USA		-1			
	Emerging markets			0		
Money Market	Developed markets			0		

Source: ODDO BHF AM, as of March 6th 2024

HOW PERFORMANCE IS CALCULATED

Cumulative fund performance is calculated based on dividends reinvested. Annualised performance is determined on an annual, 365-day actuarial basis. A fund's performance relative to its benchmark index is expressed as arithmetic difference. Static indicators are generally calculated on a weekly tick that is taken on Fridays, or failing that, on the day prior to valuation.

VOLATILITY

Volatility is a risk indicator measuring the level of fluctuations observed in a portfolio (or index) over a defined period. It is calculated as annualised standard deviation of absolute returns within a defined period of time.

CREDIT SPREAD (CREDIT PREMIUMS)

The credit spread is the risk premium or the difference between the yields of corporate bonds and that of sovereign bonds with the same characteristics.

INVESTMENT GRADE

Investment-grade bonds are bonds issued by issuers rated between AAA to BBB- by Standard & Poor's or the equivalent.

HIGH YIELD

High-yield bonds are speculative bonds rated lower than BBB- (Standard & Poor's) or the equivalent.

PE (PRICE-EARNINGS RATIO)

A stock's price-earnings ratio is equal to the stock's price divided by the issuing company's earnings per share. It is also called the "earnings multiple". It depends mainly on three factors: the company's forecast earnings growth, the risk associated with these forecasts, and the level of interest rates.

Our latest publications

INVESTMENT STRATEGIES

- Jan. 24 • 2024: Tempering expectations
- Sept. 23 • Hovering flight or losing altitude?
- Jan. 23 • On your marks
- Sept. 22 • Carry on
- Jan. 22 • Make 2022 an opportunity
- Sept.21 • "Breathless?"

MONTHLY INVESTMENT BRIEF

- Feb. 24 • AI: fad or margin effect?
- Dec. 23 • The "60/40" strategy is back
- Nov 23 • Polarisation
- Oct 23 • The rise in bond yields leads to new opportunities for investors
- July 23 • Legitimate questions
- June 23 • Small is beautiful

MARKET VIEWS

- 19/02/24 • France-Germany, the sick couple of Europe
- 19/02/24 • Long-term investors should not fear the US election
- 16/01/24 • Three questions about rate cuts: why, when, by how much?
- 15/12/23 • 2024 outlook for the financial markets
- 13/12/23 • 24 things to know before entering 2024
- 16/11/23 • The global economy: what are the risks for 2024?

VIDEOS

- #FocusOn • ODDO BHF China Domestic Leaders
- Podcast • Investment strategy – September 2022 – Highlights
- #LeadWith • Investment Brief H1 2022
- #FocusOn • ODDO BHF Polaris Fund Range
- #Moments • ODDO BHF Green Planet: the ecological transition, a sustainable investment opportunity
- #TalkWith • Ecological transition: challenges & opportunities

SUSTAINABLE INVESTING

Responsible Investment Policy
Basics of sustainable investing
Sustainable investing – ODDO BHF AM's approach
The ecological transition: a sustainable investment opportunity
Human Capital – a factor of resilience & differentiation
ESG: the key to unlocking opportunities in small caps

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