

# Market Review

Global Market Strategy @ Natixis Investment Managers Solutions

Marketing Communication

## Macroeconomic developments

Incoming economic data continued to slow across countries as businesses and in particular consumers have started to bear the burden of tighter financial conditions. Additional visibility on the state of the economy and especially on the evolution of the war in Ukraine will be needed to determine the extent of the economic slowdown going forward.

Both US PMI surveys – manufacturing and services – dipped closer to the 50-level expansionary threshold. Looking under the hood, the prices paid, and delivery time components of the surveys improved, suggesting that price pressures and supply bottlenecks are receding at last. The latest PCE release, the Fed's preferred price gauge, brought some positive news showing that inflation had been unchanged at 6.3% year-over-year in May and down from 6.6% last March. Similarly, several indicators suggest that the tightness of the labour markets in the US and in the Eurozone might have also started to ease. By looking at the economic data overall, it appears that the Fed, which increased policy rates by 75bp in June to 1.75%, is trying to pilot a soft-landing of the US economy, what should eventually take some pressure off prices. Recession concerns have, however, increased over the last month and markets have begun to price off several basis points hikes from the Fed funds rate during this tightening cycle (i.e., 2022-2023).

Moreover, the ECB's task has only gotten more challenging in June after, on another episode of escalation. The Kremlin halted 60% of the gas supplies to Germany through the Nord Stream 1 pipeline. Germany moved to phase two of its emergency energy plan as a result, getting just one away from mandating the rationing of gas to industrial users, and potentially households as well. Meanwhile, higher inflation in Europe (+8.6% year-over-year in June vs. +8.1% in May) keeps denting consumer confidence, which has fallen to its lowest level since the early stages of the pandemic, and challenging ECB's signalled interest rate path. In fact, the sovereign spread between Italian and German government debt widened considerably, prompting the ECB to announce its intention to deploy an antifragmentation tool. This tool has two purposes: avoid another stress episode on sovereign debt and allow for a more efficient transmission of its desired monetary policy.

China's government is finally becoming more willing to accept Covid cases and has shortened the isolation period for positive cases and adjusted the frequency of Covid tests according to the risk of infection, which is a more flexible policy than one month ago. However, the risk of lockdowns still exists, what is expected to continue to weigh on business sentiment and on banks' loan issuance although overall sentiment is indeed improving.

## Markets' reaction

June was a very negative month for equity markets, especially during the first half of the month, when global bond yields broke to multi-year highs. At its weakest moment, the S&P500 was down over 11.2%, coinciding when the US 10-year yield traded above 3.47%. But, as yields pulled back during the second half of the month, equity markets recovered somewhat but still ended June materially negative. For instance, the S&P 500 and the Nasdaq fell by 8.3% and 8.7%, respectively. European equity markets though, however, did not enjoy that end of month recovery as the geopolitical conflict and the energy-scarcity crisis continued to overshadow the region economic outlook. The FTSE MIB was among the worst performing developed markets after losing over 12.9%, followed by the Dax, which fell 11.2%. More broadly, the MSCI World fell by 8.7%, underperforming the MSCI Emerging Markets, which still lost 6.7%. It is noteworthy though, that China outperformed every other equity index in June and was the only region to end the month and Q2 in positive territory. As such, the CSI 300 jumped 10.4% in June as Covid-19 lockdown measures started to be relaxed and despite the soaring US dollar.

Sovereign bonds followed the same pattern as risk assets in June: down. The combination of persistent inflation fears in Europe, a still robust economy, especially in the US, and increasingly more hawkish central banks made investors wonder the extent to which interest rates would have to rise to curb inflation. At their peak, the US 10-year yield reached 3.47% (up 63bp since the start of the month), the Bund increased to 1.76% (up 64 bp) and OATs to 2.38% (up 74bp), their highest levels since 2018 for US Treasuries and 2014 for the European yields. However, as recession concerns kicked in during the second half of the month, yields came off significantly: the US 10-year yield ended June at 3%, the Bund at 1.34% and OATs at 1.9%.

Credit suffered in line with the broad bond market sell-off, underperforming government bonds as spreads widened markedly. Given the mounting concerns over the economic outlook, high yield credit was particularly hard hit. European markets suffered the most with their IG and HY spaces down 3.6% and 6.8%, while US IG and HY markets held up slightly better, falling 2.8% and 6.7%, respectively.

# Market Review

**Table: Last Month Best and Worst Performers**

Developed Markets Equity - LC		Fixed Income Sectors - LC	
<b>Top 3 Markets in June</b>	<b>Return</b>	<b>Top 3 Markets in June</b>	<b>Return</b>
- Hang Seng	3.0%	- US GOV	-1.6%
- Nikkei 225	-3.1%	- EM Corp IG	-1.9%
- OMX Copenhagen	-3.3%	- EU GOV	-2.3%
<b>Worst 3 Markets in June</b>		<b>Worst 3 Markets in June</b>	
- ISEQ Ireland	-14.1%	- EU HY	-6.8%
- FTSE MIB	-12.9%	- US HY	-6.7%
- ATX Austrian	-12.7%	- EM Sov HC	-6.2%
Emerging Markets Equity - LC		Forex and Commodities - USD	
<b>Top 3 Markets in June</b>	<b>Return</b>	<b>Forex</b>	<b>Return</b>
- CSI 300	10.4%	- DXY Index	2.9%
- Jakarta	-2.7%	- USD/EUR	-2.3%
- KSE-100 Pakistan	-3.6%	- USD/GBP	-3.4%
<b>Worst 3 Markets in June</b>		<b>Commodities</b>	
- KOSPI Index	-13.1%	- Gold	-1.6%
- IBOVESPA	-11.5%	- WTI	-7.8%
- Saudi Arabia Index	-10.7%	- Bitcoin	-41.1%

# Market Review

This material has been provided for information purposes only to investment service providers or other Professional Clients, Qualified or Institutional Investors and, when required by local regulation, only at their written request. This material must not be used with Retail Investors.

To obtain a summary of investor rights in the official language of your jurisdiction, please consult the legal documentation section of the website ([im.natixis.com/intl/intl-fund-documents](http://im.natixis.com/intl/intl-fund-documents))

**In the E.U.:** Provided by Natixis Investment Managers International or one of its branch offices listed below. Natixis Investment Managers International is a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris. Italy: Natixis Investment Managers International Succursale Italiana, Registered office: Via San Clemente 1, 20122 Milan, Italy. Netherlands: Natixis Investment Managers International, Netherlands (Registration number 000050438298). Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. Sweden: Natixis Investment Managers International, Nordics Filial (Registration number 516412-8372- Swedish Companies Registration Office). Registered office: Kungsgatan 48 5tr, Stockholm 111 35, Sweden. Or,

Provided by Natixis Investment Managers S.A. or one of its branch offices listed below. Natixis Investment Managers S.A. is a Luxembourg management company that is authorized by the Commission de Surveillance du Secteur Financier and is incorporated under Luxembourg laws and registered under n. B 115843. Registered office of Natixis Investment Managers S.A.: 2, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. Germany: Natixis Investment Managers S.A., Zweigniederlassung Deutschland (Registration number: HRB 88541). Registered office: Senckenberganlage 21, 60325 Frankfurt am Main. Belgium: Natixis Investment Managers S.A., Belgian Branch, Gare Maritime, Rue Picard 7, Bte 100, 1000 Bruxelles, Belgium. Spain: Natixis Investment Managers, Sucursal en España, Serrano nº90, 6th Floor, 28006 Madrid, Spain.

**In Switzerland:** Provided for information purposes only by Natixis Investment Managers, Switzerland Sàrl, Rue du Vieux Collège 10, 1204 Geneva, Switzerland or its representative office in Zurich, Schweizergasse 6, 8001 Zürich.

**In the British Isles:** Provided by Natixis Investment Managers UK Limited which is authorised and regulated by the UK Financial Conduct Authority (register no. 190258) - registered office: Natixis Investment Managers UK Limited, One Carter Lane, London, EC4V 5ER. When permitted, the distribution of this material is intended to be made to persons as described as follows: in the United Kingdom: this material is intended to be communicated to and/or directed at investment professionals and professional investors only; in Ireland: this material is intended to be communicated to and/or directed at professional investors only; in Guernsey: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Guernsey Financial Services Commission; in Jersey: this material is intended to be communicated to and/or directed at professional investors only; in the Isle of Man: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Isle of Man Financial Services Authority or insurers authorised under section 8 of the Insurance Act 2008.

**In the DIFC:** Provided in and from the DIFC financial district by Natixis Investment Managers Middle East (DIFC Branch) which is regulated by the DFSA. Related financial products or services are only available to persons who have sufficient financial experience and understanding to participate in financial markets within the DIFC, and qualify as Professional Clients or Market Counterparties as defined by the DFSA. No other Person should act upon this material. Registered office: Unit L10-02, Level 10, ICD Brookfield Place, DIFC, PO Box 506752, Dubai, United Arab Emirates

**In Japan:** Provided by Natixis Investment Managers Japan Co., Ltd. Registration No.: Director-General of the Kanto Local Financial Bureau (kinsho) No.425. Content of Business: The Company conducts investment management business, investment advisory and agency business and Type II Financial Instruments Business as a Financial Instruments Business Operator.

**In Taiwan:** Provided by Natixis Investment Managers Securities Investment Consulting (Taipei) Co., Ltd., a Securities Investment Consulting Enterprise regulated by the Financial Supervisory Commission of the R.O.C. Registered address: 34F., No. 68, Sec. 5, Zhongxiao East Road, Xinyi Dist., Taipei City 11065, Taiwan (R.O.C.), license number 2020 FSC SICE No. 025, Tel. +886 2 8789 2788.

**In Singapore:** Provided by Natixis Investment Managers Singapore Limited (company registration no. 199801044D) to distributors and qualified investors for information purpose only.

**In Hong Kong:** Provided by Natixis Investment Managers Hong Kong Limited to professional investors for information purpose only.

**In Australia:** Provided by Natixis Investment Managers Australia Pty Limited (ABN 60 088 786 289) (AFSL No. 246830) and is intended for the general information of financial advisers and wholesale clients only.

**In New Zealand:** This document is intended for the general information of New Zealand wholesale investors only and does not constitute financial advice. This is not a regulated offer for the purposes of the Financial Markets Conduct Act 2013 (FMCA) and is only available to New Zealand investors who have certified that they meet the requirements in the FMCA for wholesale investors. Natixis Investment Managers Australia Pty Limited is not a registered financial service provider in New Zealand.

**In Colombia:** Provided by Natixis Investment Managers International Oficina de Representación (Colombia) to professional clients for informational purposes only as permitted under Decree 2555 of 2010. Any products, services or investments referred to herein are rendered exclusively outside of Colombia. This material does not constitute a public offering in Colombia and is addressed to less than 100 specifically identified investors.

**In Latin America:** Provided by Natixis Investment Managers International.

In Uruguay: Provided by Natixis Investment Managers Uruguay S.A., a duly registered investment advisor, authorised and supervised by the Central Bank of Uruguay. Office: San Lucar 1491, Montevideo, Uruguay, CP 11500. The sale or offer of any units of a fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627.

**In Mexico:** Provided by Natixis IM Mexico, S. de R.L. de C.V., which is not a regulated financial entity, securities intermediary, or an investment manager in terms of the Mexican Securities Market Law (Ley del Mercado de Valores) and is not registered with the Comisión Nacional Bancaria y de Valores (CNBV) or any other Mexican authority. Any products, services or investments referred to herein that require authorization or license are rendered exclusively outside of Mexico. While shares of certain ETFs may be listed in the Sistema Internacional de Cotizaciones (SIC), such listing does not represent a public offering of securities in Mexico, and therefore the accuracy of this information has not been confirmed by the CNBV. Natixis Investment Managers is an entity organized under the laws of France and is not authorized by or registered with the CNBV or any other Mexican authority. Any reference contained herein to "Investment Managers" is made to Natixis Investment Managers and/or any of its investment management subsidiaries, which are also not authorized by or registered with the CNBV or any other Mexican authority.

**In Brazil:** Provided to a specific identified investment professional for information purposes only by Natixis Investment Managers International. This communication cannot be distributed other than to the identified addressee. Further, this communication should not be construed as a public offer of any securities or any related financial instruments. Natixis Investment Managers International is a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris.

The above referenced entities are business development units of Natixis Investment Managers, the holding company of a diverse line-up of specialised investment management and distribution entities worldwide. The investment management subsidiaries of Natixis Investment Managers conduct any regulated activities only in and from the jurisdictions in which they are licensed or authorized. Their services and the products they manage are not available to all investors in all jurisdictions. It is the responsibility of each investment service provider to ensure that the offering or sale of fund shares or third-party investment services to its clients complies with the relevant national law.

The provision of this material and/or reference to specific securities, sectors, or markets within this material does not constitute investment advice, or a recommendation or an offer to buy or to sell any security, or an offer of any regulated financial activity. Investors should consider the investment objectives, risks and expenses of any investment carefully before investing. The analyses, opinions, and certain of the investment themes and processes referenced herein represent the views of the portfolio manager(s) as of the date indicated. These, as well as the portfolio holdings and characteristics shown, are subject to change. There can be no assurance that developments will transpire as may be forecasted in this material. The analyses and opinions expressed by external third parties are independent and does not necessarily reflect those of Natixis Investment Managers. Past performance information presented is not indicative of future performance.

Although Natixis Investment Managers believes the information provided in this material to be reliable, including that from third party sources, it does not guarantee the accuracy, adequacy, or completeness of such information. This material may not be distributed, published, or reproduced, in whole or in part. All amounts shown are expressed in USD unless otherwise indicated.

## NATIXIS INVESTMENT MANAGERS

RCS Paris 453 952 681 - Capital : € 237 087 487 €  
43, Avenue Pierre Mendès-France, 75013 Paris  
[www.im.natixis.com](http://www.im.natixis.com)

## NATIXIS INVESTMENT MANAGERS INTERNATIONAL

Limited company with a share capital of 94 127 658,48 euros  
Trade register n° 329 450 738 Paris Authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009.  
Registered office: 43, avenue Pierre Mendès-France - 75013 Paris  
[www.im.natixis.com](http://www.im.natixis.com)