MyStratWeekly

Market views and strategy

Ostrum ASSET MANAGEMENT

N° 119 // **June 26, 2023**

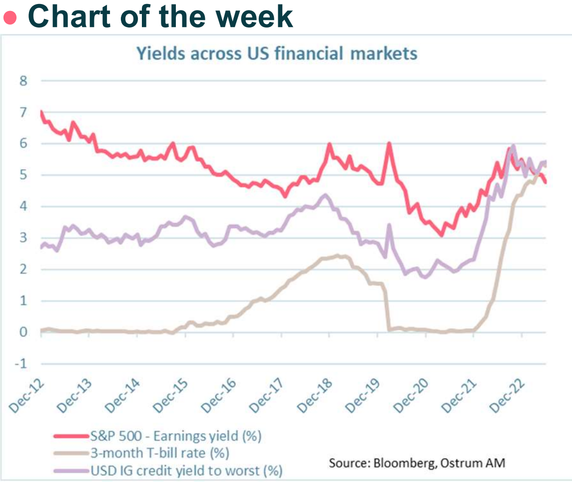
Topic of the week: BoE: tightening enters second round

- **BoE surprised markets with 50-bp hike, policy rates could hit 6% later in 2023;**
- **Monetary response to high inflation has been inefficient as core inflation is accelerating again past 7%;**
- **Wage-price spiral : second-round effects are in full swing in the UK;**
- **Mortgage borrowers face 6% 2-year fixed deal after rate rise;**
- **High rates are here to stay as neutral rates may be as high as 4% at present.**

Market review: Yield curves invert further

- **BoE surprises markets with 50-bp hike;**
- **The 2s10s yield spread below -100 bps in the US;**
- **Modest widening in sovereign and credit spreads;**
- **Profit-taking in equities after disappointing PMIs.**

Chart of the week



Yields on US financial assets are converging around the 5% mark.

The Fed's series of rate increases has obviously raised the interest rate on Treasury bills. Meanwhile, the average yield on corporate debt with an IG rating had moved in advance of rate hikes to slightly more than 5% currently. In turn, the earnings yield on US equities now stands just under 5% due a combination of slowing earnings growth and higher prices.

The key question is now whether investors are being compensated for taking risk. The short answer considering the relative risk of cash, bonds and equities is decidedly no!

Figure of the week

6%

Source : ECB

ECB analysis suggests that a one-degree temperature increase during El Niño historically raised global food prices by more than 6% after one year.

Axel Botte
Head of Market Strategy
axel.botte@ostrum.com

Zouhoure Bousbih
Emerging countries strategist
zouhoure.bousbih@ostrum.com

Aline Goupil- Raguénès
Developed countries strategist
aline.goupil-raguenes@ostrum.com

●Topic of the week

BoE: tightening enters second round

The BoE has surprised markets by raising rates by 50 bps. After a period of stability at a high level, core inflation has resumed rising in response to persistent tensions on wages. BoE rates may rise further to 6% later in 2023. A policy blunder under make-believe forecasts will cause pain for borrowers at a time when the Treasury has no room for maneuver to provide mortgage relief. On our estimates, the neutral rate for the BoE is just under 4%. High rates to strangle inflation are here to stay.

Consistently inconsistent

The Bank of England is one of a kind. Its decision-making process is often hard to apprehend even as the Bank pursues a standard 2% inflation objective. Whilst strategic ambiguity is not necessarily a bad thing in the conduct of monetary policy, BoE central bankers make a particularly heavy use of it. Indeed, BoE Governor Andrew Bailey played markets by skipping a well-advertised rate hike in November 2021 only to raise interest rates a month later with essentially the same set of data at hand.

Moreover, split decisions at the monetary policy committee (MPC) are more frequent than at other Central banks. Since December 2022, two of the nine MPC members have consistently voted to keep rates unchanged as the BoE decided to hike rates steadily.

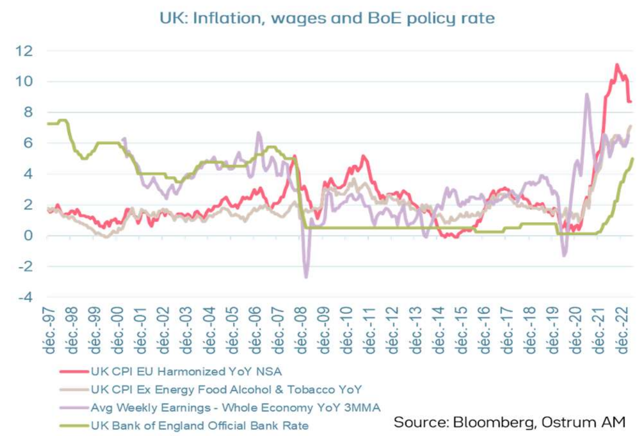
The BoE's belated response to inflation

The BoE has failed to respond to rising inflation in a timely manner. The BoE must now commit to do whatever it takes to bring inflation under control and communicate a credible strategy to do so. UK consumer price increases have been way above target since the summer of 2021. The UK is doing materially worse than other developed nations on inflation. The UK economy is indeed operating above potential output, which remains restrained by the subsequent supply shocks since Covid and the fallout of Brexit.

In November 2022 and February 2023, the Bank's forecasts pointed a prolonged recession in the UK that would create enough of an output gap to ease price pressures. With hindsight, the Bank's forecasts look like reverse-engineering to fit a smooth or 'dovish' hiking cycle.

Forecast errors are commonplace but the failure to recognize upside risks to price developments is a serious mistake. The 2025 inflation forecast published in February was a jaw-dropping 0%! The May revision to 1% inflation two years out is equally dubious.

Disinflation is nowhere to be seen. CPI inflation was flat from a month ago at 8.7%yoy in May after another significant upside surprise relative to consensus. Core inflation stands at a 31-year high of 7.2% reflecting persistent imbalances in the UK labor market. Wage growth hover around 6-7% on an annual basis and show little sign of slowing as the UK unemployment rate remains stuck below 4%. The dreaded second-round effects are indeed in full swing in the UK economy.



The good news is that economic activity has remained much stronger than anticipated by central bankers. Incoming data prompted significant upward revisions to annual GDP growth each year through 2025.

BoE Forecast (May 2023)	2023	Chg from Feb23	2024	Chg from Feb23	2025	Chg from Feb23
Real GDP (yoy%)	0.25	↑ 0.75	0.75	↑ 1.00	0.75	↑ 0.75
CPI (yoy%)	5.00	↑ 1.00	2.25	↑ 0.75	1.00	↑ 1.00
Unemployment (%)	3.75	↓ -0.50	4.00	↓ -0.75	4.50	↓ -0.75

Source: Bloomberg, Ostrum AM

The table shows the May economic forecasts of the BoE and revisions from the February projections.

Hawkish surprise in June

At its meeting on 21 June 2023, the MPC voted by a majority of 7-2 to increase BoE policy rates by 50 bps to 5%. The BoE's decision to lift rates by more than 25 bps was a surprise but it's hard to argue it was not justified by the recent run of data. Two members, Silvana Tenreyro and Swati Dhingra preferred to keep rates unchanged at 4.5%.

There was little pushback from policymakers regarding market expectations for a 6% terminal rate. Further tightening appears likely at the upcoming meetings until next fall. Looking forward, Silvana Tenreyro will be replaced on the MPC from the August meeting. Incoming policymaker Megan Greene will almost certainly be more hawkish than the incumbent which could make it easier to reach enough votes for 50-bp increments.

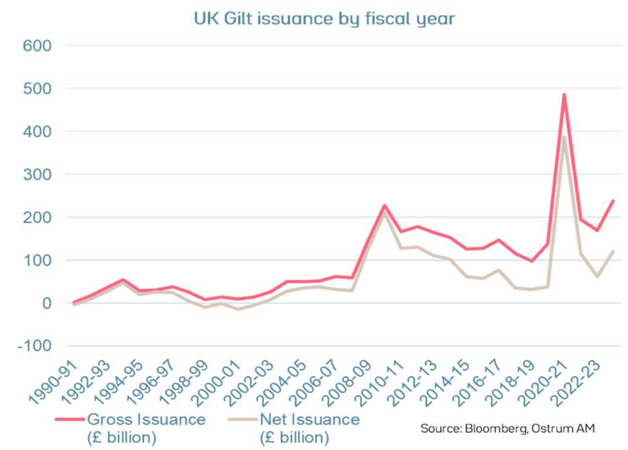
Market pricing of future policy rates has shifted upwards significantly since the previous MPC meeting.

Monetary tightening has obvious consequences for firms and households. Many borrowers coming off variable mortgage rates or having to replace their fixed-rate mortgages are being offered two-year fixed deals over 6%. For a typical household, the average increase in repayments is around £2,500 per annum. Chancellor Jeremy Hunt has ruled out mortgage interest relief as handing out fiscal support to households struggling with the rising cost of mortgages would further stoke inflation. Instead, the chancellor is encouraging mortgage lenders to show forbearance to struggling customers. In keeping with the December 2022 agreement between banks, regulators and the Treasury, lenders are required to support to those struggling to pay their mortgages by amending mortgage loan terms with maturity extensions or switching to temporary interest-only repayment. A repossession pause has been agreed on Friday. It is worth keeping in mind that home repossessions and arrears on mortgage payments remain below pre-pandemic levels.

Quantitative policy: keeping up with Gilt sales despite higher issuance coming.

Once market intervention to shore up pension schemes was terminated in January, the BoE resumed policy tightening by proceeding with outright sales of Gilts held under the Asset Purchase Facility. Last Friday, the BoE announced the sales schedule for the third quarter of 2023. The Bank will continue to proceed with weekly auctions of Gilts evenly across short (3-7 years), medium (7-20 years) and long maturity (20 years +) buckets. £7.11 billion of sales in Q3 will allow the Bank to deliver the MPC's £80 billion target, based on the current market value of APF Gilt holdings. In the second quarter, sales amounted to £9.25 billion.

The Bank monitors closely the impact of its Gilt sales program on market conditions. It is quite important in the context of significant net bond issuance from HM Treasury in 2023. Net issuance is set to double to £120 billion in fiscal year 2023-24 from a year ago. At current quarterly pace, the BoE's Gilt sales thus represent an add-on of around a third of planned net issuance.



Estimating a steady-state policy rate

Gauging the stance of monetary policy requires having some view on the neutral rate, i.e., a level of interest rate that would be neither expansionary nor contractionary for an economy near equilibrium and would leave inflation unchanged. We can refer to investor surveys, academic studies derived from partial or general equilibrium models or extract implied steady-state rate levels from money market instruments. We chose the latter and use an old-fashioned Nelson-Seigel (1987) framework applied to short rate futures market. The parametric approach is flexible enough to interpret its set of parameters as estimates for the asymptotical level of the instantaneous forward interest rate (Beta0), a slope factor (beta1) and a curvature factor (Beta2) located at a maturity inflexion point (Tau1).

Beta0 hence provides an estimate for the long-term BoE policy rate. The estimation, based on prices of SFI futures (Sonia 3-month OIS) as of 21 June 2023, suggests that the steady-state interest rate for the UK is 3.84% at present. The takeaway from the model may be that the BoE is unlikely to set rates below 4% until inflation is back to the 2% objective.

Conclusion

The BoE is in a corner. Make-believe forecasts caused a delayed policy response resulting in a wage-price spiral that now requires decisive action. This could be the 'whatever it takes' moment for the BoE to restore confidence and bring inflation down to 2%. To do so, rates may have to rise to 6%, markedly above our estimate of the neutral rate at 4%.

Axel Botte

Market review

Yield curves invert further

Central banks are stepping up their efforts in the face of inflation, causing profit taking on equities… and an even sharper inversion of the yield curves.

The restrictive monetary stance mentioned in this column last week is becoming even clearer. The Bank of England raised interest rates by 50 bps above market expectations (for a 25-bp hike). The Norges Bank imitated it, thus joining the hawkish turn initiated by the BoC and the RBA then relayed by the Fed and the ECB. These rate hikes further accentuated the degree of inversion in yield curves before weak Eurozone PMIs triggered further long-term bond buying. The low volatility of equities remains an enigma, especially since profit taking was observed across most risky asset markets. European equities are down sharply by 3% over one week, with US and Asian markets losing between 2% and 4%. Profit taking also hit the Nikkei despite the continued depreciation in the yen. The dollar-yen exchange rate cleared the 143 bar and could extend its rally to the last October highs at 150. In general, the U.S. dollar was the safe haven this week even as US markets do not fully price the extent of monetary tightening indicated by the Fed.

In economic terms, the housing sector seems to confirm its recovery in the United States. Homebuilder confidence is up in June at 55 in the NAHB survey. However, existing home sales are only rising modestly at 4.3 million, on an annualized basis, due to the lack of inventories. There is still a significant shortfall of housing in the United States to the tune of 2 to 3 million. However, housing starts rose to more than 1.6 million in May, which is a positive signal for the second half of the year. Residential investment should be a growth factor over the next six months. In the euro area, PMI surveys plunged in June. The composite PMI was down 2.5 points to 50.8. The manufacturing sector is moribund, and this is reflected in most industry surveys in Europe, Asia and the United States. These advanced PMI indices nevertheless seem at odds with the conclusions of INSEE in France or readings from the IFO survey in the case of Germany. In addition, there were upward revisions to first-quarter growth in Spain (+0.1 pp to +0.6%) and the Netherlands (+0.4 pp to -0.3%). In China, economic data remain negative and the PBoC continues to ease monetary policy. The 5-year base rate was lowered by 10 bps to 4.20%. The yuan continues to adjust downwards due to the domestic economic malaise and the weakness of the yen.

The main trend on the global fixed income markets remains the flattening of the yield curves, or rather the extreme inversion of the term structure which is approaching historical levels. The 2-10 year spread in the United States is thus trading below -100 bps even though the bond market has not yet fully integrated the 50 bps of additional tightening announced in the latest dot plot. The German 2-10 year spread is also at extreme levels at -76 bps. However, buybacks of 10-year Bunds following the publication of the PMIs on Friday morning contributed to some modest widening in the 10-30-year spread. The violence of the buyback movement perhaps testifies to the liquidation of steepening positions even if part of these bets had undoubtedly been unwound after the latest policy decisions of the central banks. It is fair to say that the 3.80% and 2.50% thresholds on the T-note and the Bund remain difficult to cross in this context, due to the anchoring of long-term inflation expectations around 2.50%. The BoE's 50-bp hike and the outlook for short rates at 6% were swept away by the release of European PMIs early on Friday. In addition, the slowdown in the BoE’s Gilt sales to £7bn in the third quarter provided further support to the UK market.

Regarding European sovereign debt spreads, the excessively tight levels of the recent weeks have sparked some profit taking. The French OAT is trading at 53 bps against 10-year Bunds and spreads on Italian BTPs climbed back above 160 bps. Only Greek government bonds (126 bps) remain spared by the selling pressure. In turn, swap spreads are widening again. The 2-year German Schatz is trading around 74 bps.

In the credit market, primary activity in the financials segment remains significant. Spreads (161 bps against Bund) widened slightly last week, as market participants are already factoring in half-year-end close and the next blackout period ahead of the earnings season. Insurers are also increasing their buying interest on credit in order to capture yields around 4% on good quality corporate credit. Profit warnings are nevertheless emerging especially in the chemicals sector. The European high yield market is also taking a breather after significant tightening last month. Spreads are still down around 40 bps in June despite the latest round of profit taking. At the same time, protection buying sent the iTraxx Crossover spread to 415 bps.

Equity market weakness was widespread last week with weekly losses ranging from 2% to 4%. The buy signal after the SVB bankruptcy and the ensuing Fed intervention is coming to an end as Central Banks redouble their efforts to rein in stubbornly high inflation. The decline in corporate margins in some sectors needs to be monitored as the earnings season will start soon in July. Even bank stocks fell. In contrast, the US dollar remains the safe haven.

Axel Botte

Main market indicators

G4 Government Bonds	26-Jun-23	1wk (bp)	1m (bp)	2023 (bp)
EUR Bunds 2y	3.12%	-4	+18	+36
EUR Bunds 10y	2.37%	-15	-17	-20
EUR Bunds 2s10s	-76bp	-11	-35	-55
USD Treasuries 2y	4.74%	+2	+18	+31
USD Treasuries 10y	3.73%	-4	-7	-15
USD Treasuries 2s10s	-101.7bp	-6	-25	-46
GBP Gilt 10y	4.32%	-9	+16	+65
JPY JGB 10y	0.36%	-4	-6	-17
€ Sovereign Spreads (10y)	**26-Jun-23**	**1wk (bp)**	**1m (bp)**	**2023 (bp)**
France	53bp	+1	-4	-2
Italy	164bp	+3	-16	-51
Spain	96bp	+4	-9	-13
Inflation Break-evens (10y)	**26-Jun-23**	**1wk (bp)**	**1m (bp)**	**2023 (bp)**
EUR 10y Inflation Swap	2.54%	+1	-2	-1
USD 10y Inflation Swap	2.53%	0	+1	-1
GBP 10y Inflation Swap	3.88%	-2	+7	-2
EUR Credit Indices	**26-Jun-23**	**1wk (bp)**	**1m (bp)**	**2023 (bp)**
EUR Corporate Credit OAS	161bp	+2	-8	-6
EUR Agencies OAS	76bp	+2	-6	-3
EUR Securitized - Covered OAS	86bp	+3	-6	+2
EUR Pan-European High Yield OAS	464bp	+21	-18	-48
EUR/USD CDS Indices 5y	**26-Jun-23**	**1wk (bp)**	**1m (bp)**	**2023 (bp)**
iTraxx IG	79bp	+3	-2	-12
iTraxx Crossover	418bp	+20	-11	-56
CDX IG	72bp	+3	-4	-10
CDX High Yield	463bp	+27	-12	-20
Emerging Markets	**26-Jun-23**	**1wk (bp)**	**1m (bp)**	**2023 (bp)**
JPM EMBI Global Div. Spread	444bp	-1	-40	-8
Currencies	**26-Jun-23**	**1wk (%)**	**1m (%)**	**2023 (%)**
EUR/USD	$1.091	-0.101	1.697	1.9
GBP/USD	$1.273	-0.360	3.111	5.3
USD/JPY	JPY 143	-1.053	-1.980	-8.6
Commodity Futures	**26-Jun-23**	**-1wk ($)**	**-1m ($)**	**2023 (%)**
Crude Brent	$74.2	-$1.9	-$2.8	-11.3
Gold	$1 924.4	-$25.9	-$22.1	5.5
Equity Market Indices	**26-Jun-23**	**-1wk (%)**	**-1m (%)**	**2023 (%)**
S&P 500	4 348	-1.75	3.40	13.3
EuroStoxx 50	4 272	-2.80	-1.52	12.6
CAC 40	7 163	-3.05	-2.13	10.7
Nikkei 225	32 699	-2.01	5.77	25.3
Shanghai Composite	3 154	-3.05	-4.33	2.1
VIX - Implied Volatility Index	13.44	-7.31	-25.13	-38.0

Source: Bloomberg, Ostrum AM

Additional notes

Ostrum Asset Management

Asset management company regulated by AMF under n° GP-18000014 – Limited company with a share capital of 50 938 997 €. Trade register n°525 192 753 Paris – VAT : FR 93 525 192 753 – Registered Office: 43, avenue Pierre Mendès-France, 75013 Paris – www.ostrum.com

This document is intended for professional, in accordance with MIFID. It may not be used for any purpose other than that for which it was conceived and may not be copied, distributed or communicated to third parties, in part or in whole, without the prior written authorization of Ostrum Asset Management.

None of the information contained in this document should be interpreted as having any contractual value. This document is produced purely for the purposes of providing indicative information. This document consists of a presentation created and prepared by Ostrum Asset Management based on sources it considers to be reliable.

Ostrum Asset Management reserves the right to modify the information presented in this document at any time without notice, which under no circumstances constitutes a commitment from Ostrum Asset Management.

The analyses and opinions referenced herein represent the subjective views of the author(s) as referenced, are as of the date shown and are subject to change without prior notice. There can be no assurance that developments will transpire as may be forecasted in this material. This simulation was carried out for indicative purposes, on the basis of hypothetical investments, and does not constitute a contractual agreement from the part of Ostrum Asset Management.

Ostrum Asset Management will not be held responsible for any decision taken or not taken on the basis of the information contained in this document, nor in the use that a third party might make of the information. Figures mentioned refer to previous years. Past performance does not guarantee future results. Any reference to a ranking, a rating or an award provides no guarantee for future performance and is not constant over time. Reference to a ranking and/or an award does not indicate the future performance of the UCITS/AIF or the fund manager.

Under Ostrum Asset Management's social responsibility policy, and in accordance with the treaties signed by the French government, the funds directly managed by Ostrum Asset Management do not invest in any company that manufactures, sells or stocks anti-personnel mines and cluster bombs.

Final version dated 26/06/2023

Natixis Investment Managers

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)

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, Nederlands (Registration number 000050438298). Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. Spain: Natixis Investment Managers International S.A., Sucursal en España, Serrano n°90, 6th Floor, 28006 Madrid, Spain. Sweden: Natixis Investment Managers International, Nordics Filial (Registration number 516412-8372- Swedish Companies Registration Office). Registered office: Covendrum Stockholm City AB, Kungsgatan 9, 111 43 Stockholm, Box 2376, 103 18 Stockholm, 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.

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 (NIM Singapore) having office at 5 Shenton Way, #22-05/06, UIC Building, Singapore 068808 (Company Registration No. 199801044D) to distributors and qualified investors for information purpose only. NIM Singapore is regulated by the Monetary Authority of Singapore under a Capital Markets Services Licence to conduct fund management activities and is an exempt financial adviser. Mirova Division (Business Name Registration No.: 53431077W) and Ostrum Division (Business Name Registration No.: 53463468X) are part of NIM Singapore and are not separate legal entities. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.
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 may decide to terminate its marketing arrangements for this product in accordance with the relevant legislation

www.ostrum.com