2023

OUTLOOK

Is the worst behind
or ahead of us?

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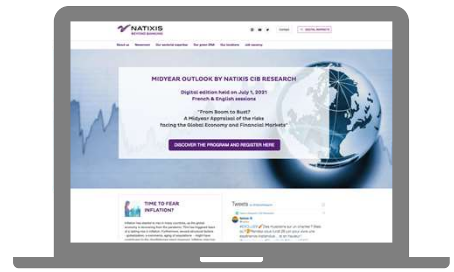

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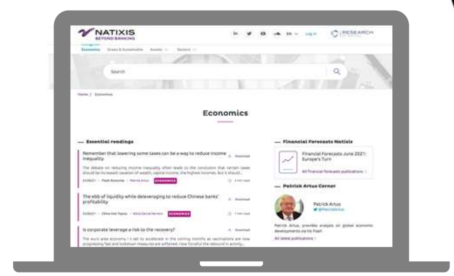

Introduction

Europe and the Energy crisis: is a recession unavoidable?

US 2023 in recession?

Central Banks & Market: pivoting ?

Q&A

INTRODUCTION

Mild Recession ahead

	GDP (YoY)					Inflation (YoY)				
	2021	2022	Chg.	2023	Chg.	2021	2022	Chg.	2023	Chg.
United States	5.9	1.8	↗	0.5	↗	4.7	8.0	→	3.4	↗
Latin America[1]	6.1	3.1	↗	0.4	↘	11.2	14.1	↗	10.0	↗
Brazil	4.6	2.9	↗	0.4	→	10.1	5.2	↘	4.3	→
Mexico	4.8	2.5	↗	0.5	→	7.4	8.3	↘	4.2	↘
United Kingdom	7.4	2.9	→	-0.6	→	2.6	10.0	→	8.4	→
Euro Zone	5.3	3.1	↗	0.3	↘	2.6	8.5	↗	6.3	↗
Germany	2.6	1.4	→	0.1	→	3.2	8.6	→	5.8	↘
France	6.8	2.5	↘	0.5	↘	2.1	6.0	↗	5.0	↗
Italy	6.7	3.8	↗	0.6	↘	1.9	8.7	↗	8.0	↗
Spain	5.5	4.3	↗	0.8	↘	3.0	8.5	↘	5.1	↘
Central Europe[2]	5.5	3.4	→	1.3	↘	4.7	14.7	↗	10.8	↗
China	8.1	3.0	→	4.3	↘	0.9	2.2	↘	2.1	↘
Japan	1.7	1.6	↗	1.1	↘	-0.2	2.3	↗	1.6	↗
Asia excluding China and Japan[3]	5.2	3.9	↘	4.0	↘	2.5	4.7	→	3.1	↗
India	8.1	6.9	→	6.3	↘	5.1	6.7	→	4.8	→
Korea	4.0	2.7	↗	1.9	↘	2.5	5.2	→	3.0	↗
Developed economies	5.5	2.5	↗	0.5	→	3.2	7.0	↗	3.8	↗
Emerging economies	6.3	3.4	↗	3.6	↘	4.3	7.1	↗	5.4	↗
WORLD (PPP)	5.9	2.9	↗	2.1	↘	-	-		-	

(1) Inflation & GDP excluding Venezuela / (2) Poland, Hungary, Czech Republic / (3) Korea, Thailand, Malaysia, Singapore, Hong-Kong, Philippines, India, Taiwan, Vietnam

Europe and the Energy crisis: is a recession unavoidable?

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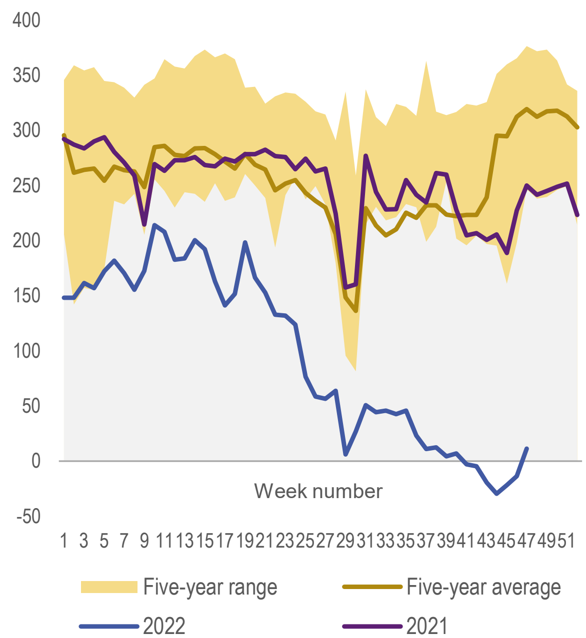
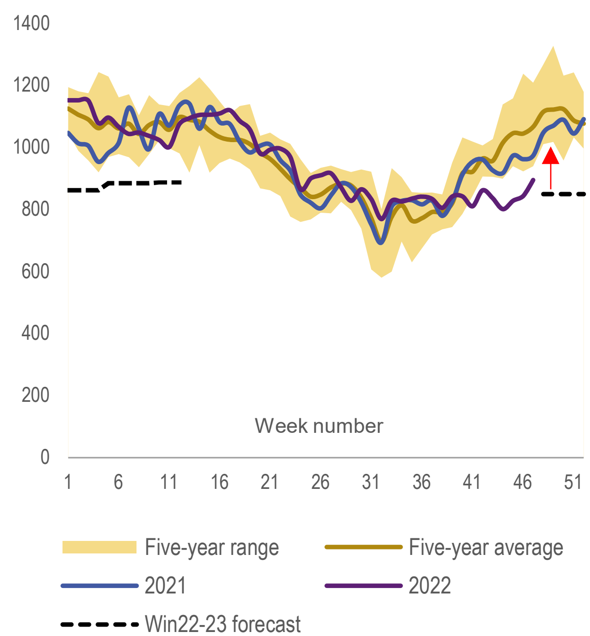
Rebuilding natural gas storage will be far harder in 2023 in the absence of Russian gas.

European gas prices must therefore continue to optimise supply and curtail demand

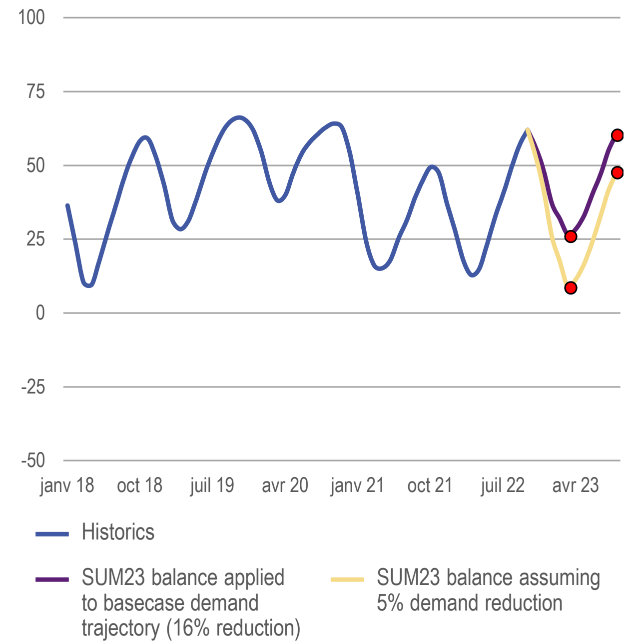
Russian gas inflow to NW Europe, mcm/d



Total gas supply to NW Europe, mcm/d



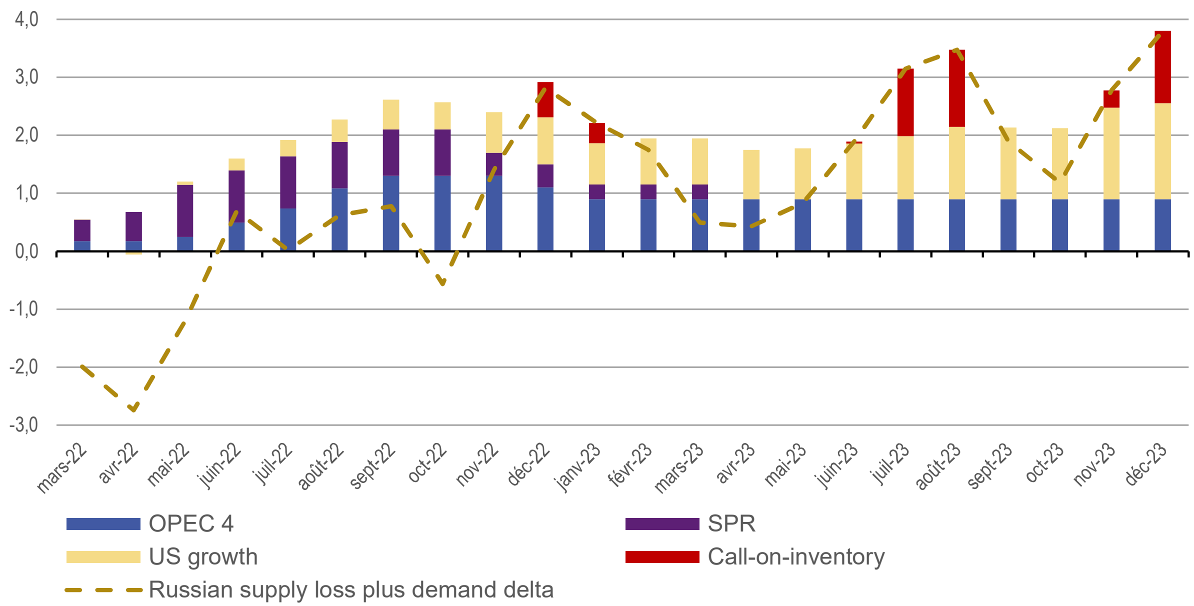
NW Europe gas storage scenarios, bcm



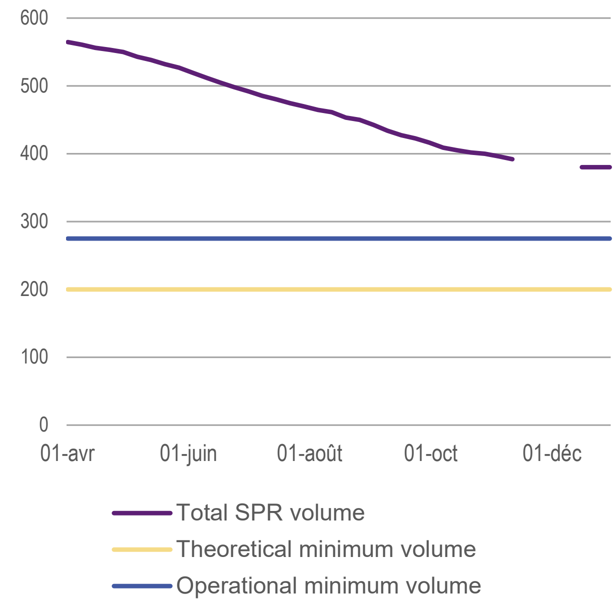
Source: Natixis, Bloomberg

Oil prices forecast to reaccelerate in 2H-23 as seasonal demand strength intersects with a re-opening China and moderate Russian supply losses

Temporal supply – demand balance, base-case scenario, mn b/d



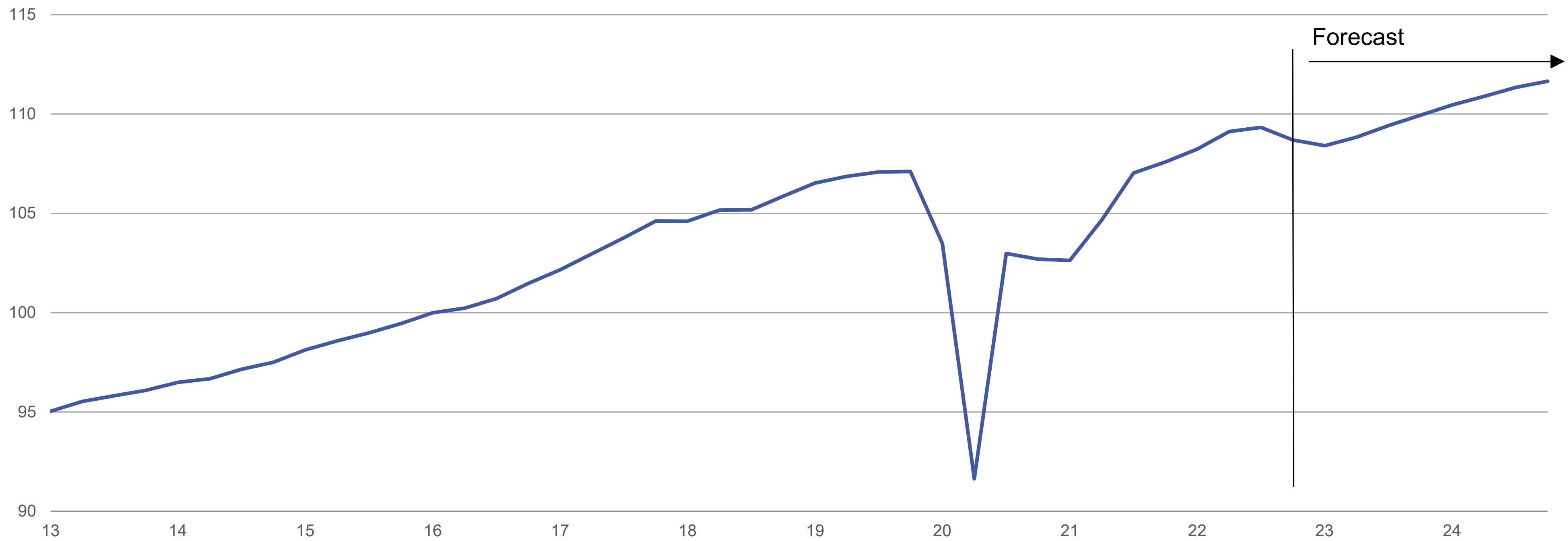
US SPR release dynamics, mn bbl



Source: Natixis, IEA, EIA

Euro area: GDP

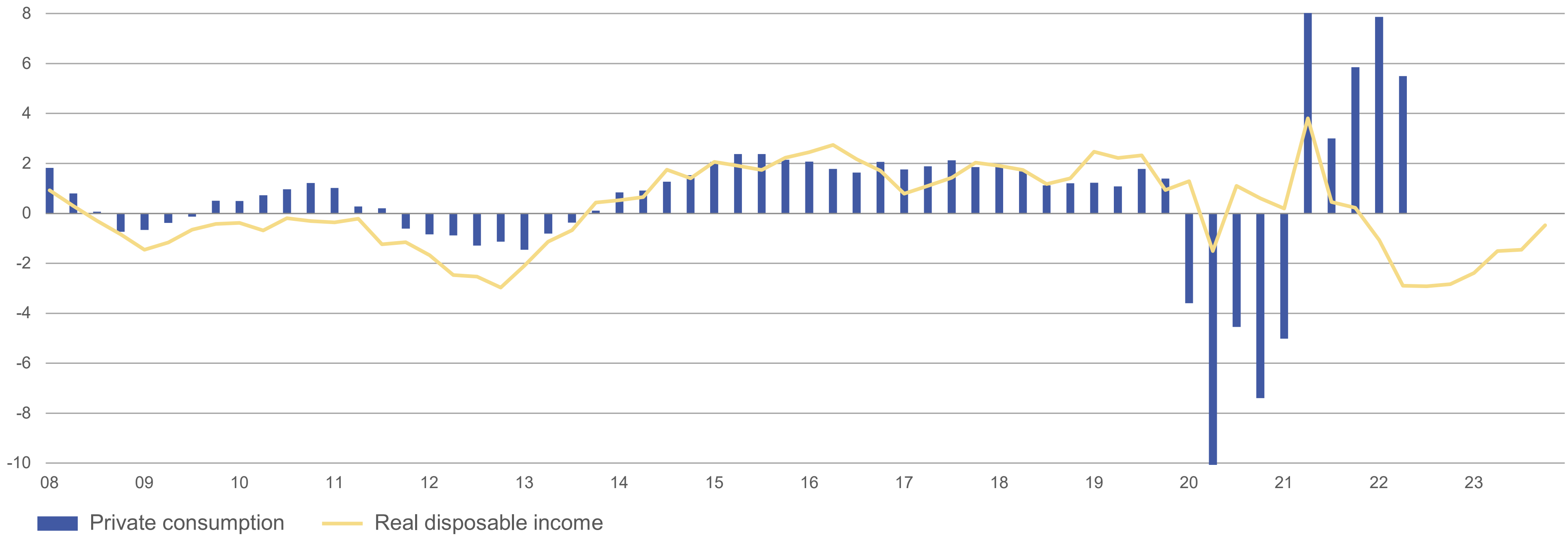
(real, index Q1:08=100)



Source: Datastream, Natixis

Euro area: Household real disposable income and private consumption

(% YoY)



Source: Datastream, Natixis

Euro area headline and core inflation

(% YoY)

Source: Datastream, Natixis

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US 2023 in recession?

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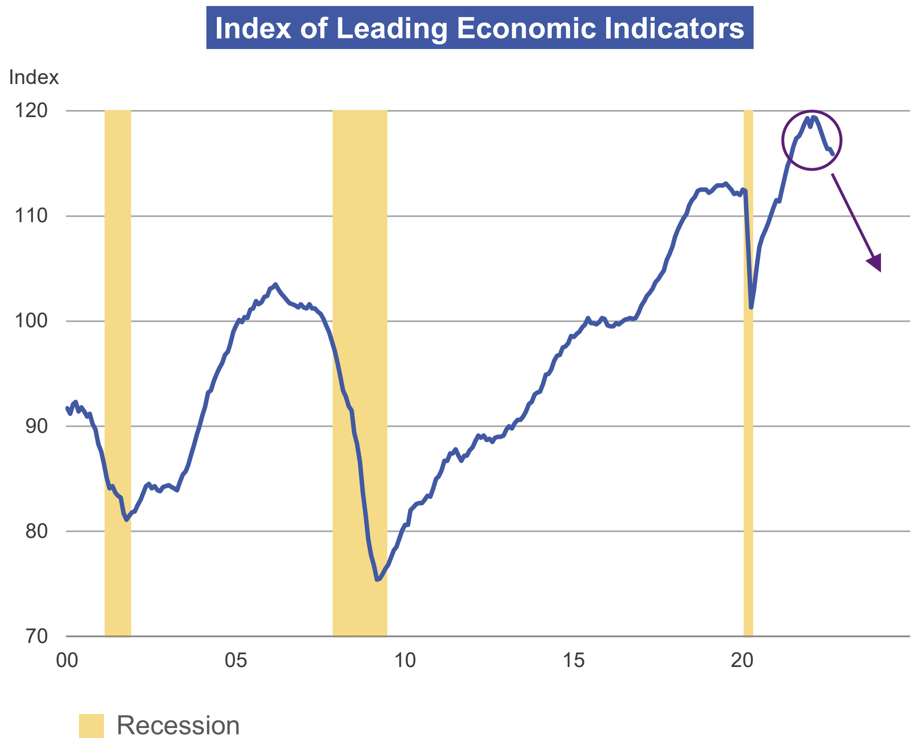
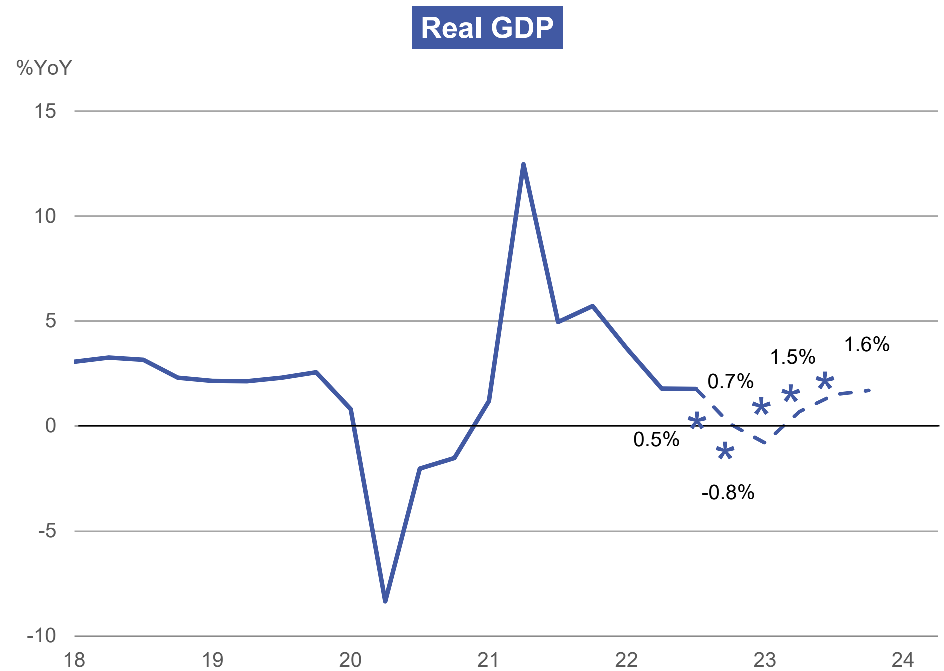
US: Flirting with recession

Leading indicators paint a grim picture ahead, but coincident data releases remain resilient, for now



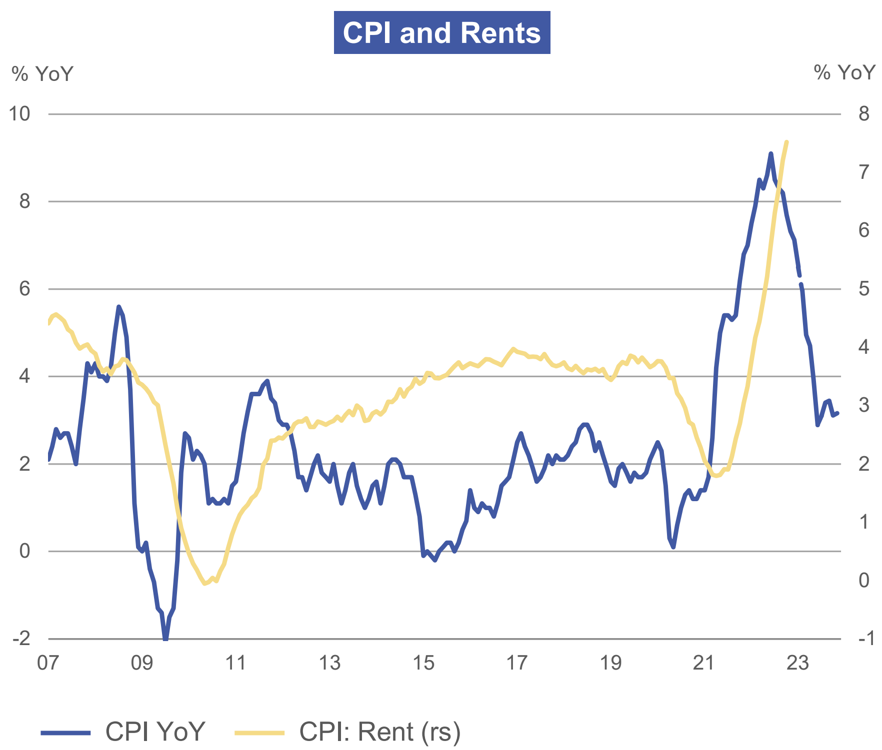
Sources: Natixis, Conference Board



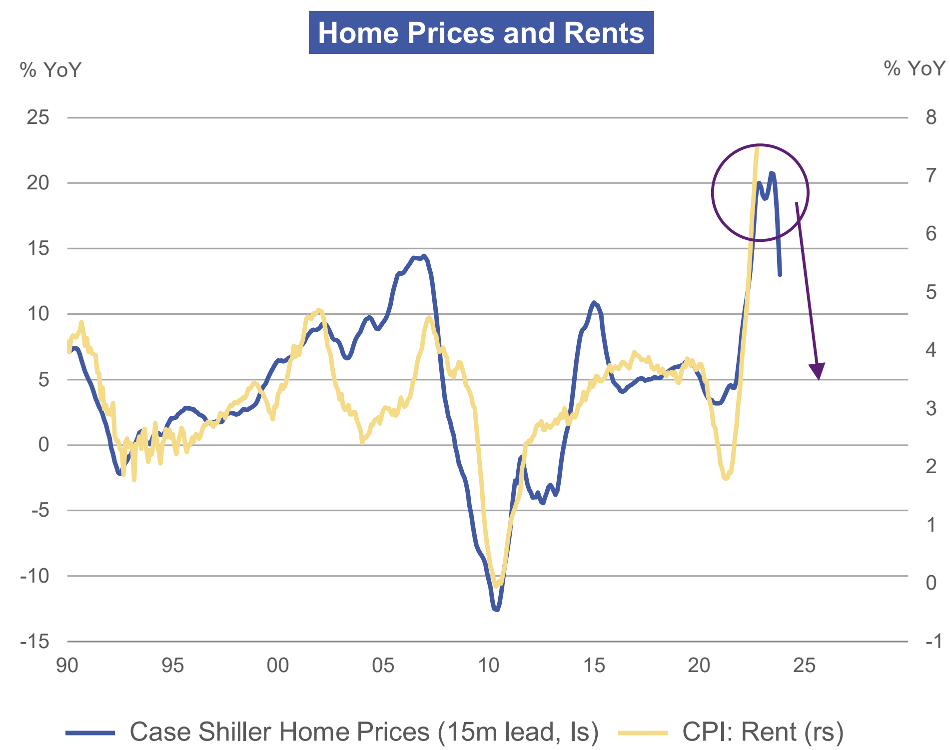
Sources: Natixis, BEA, Atlanta Federal Reserve

US inflation finally started to relent

We expect inflation to moderate markedly in 2023 but to remain above the 2.0% target



Sources: Natixis, S&P, BLS

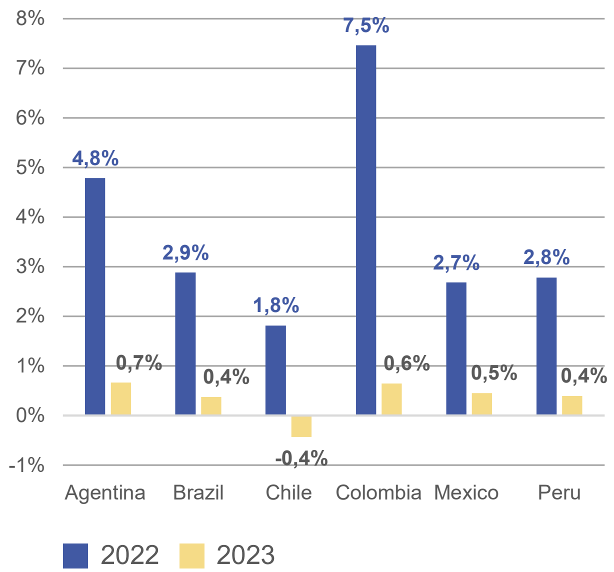


Sources: Natixis, S&P, BLS

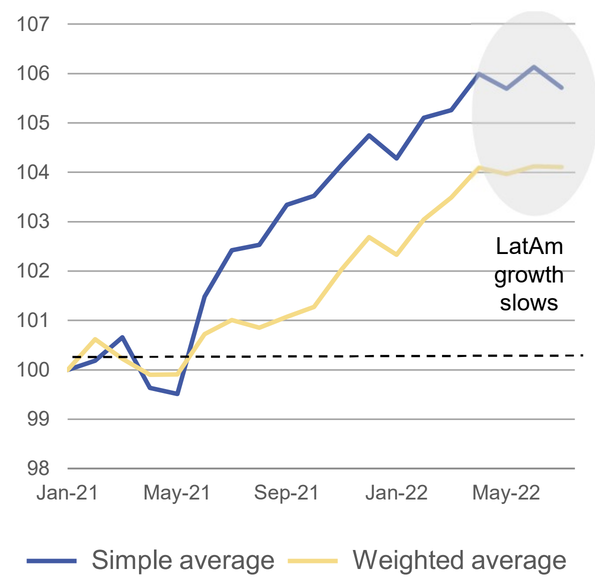
LatAm: In 2022, growth has consistently surprised on the upside

However, we expect a severe slow down in 2023. Inflation is at the highest level in two decades. While inflation will moderate in 2023, it will remain above target.

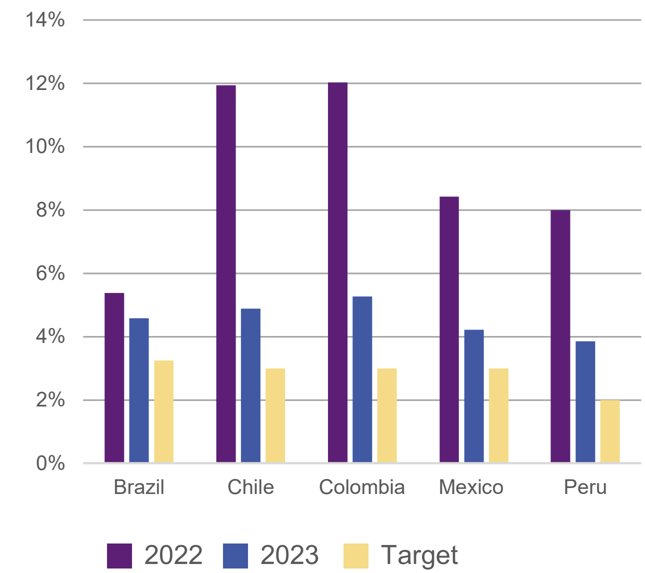
LatAm GDP growth forecasts



LatAm: Monthly GDP Index (Jan '21 = 100)



Latam: Inflation Forecasts vs Target



Sources: Natixis, Haver

Central Banks & Market: pivoting ?

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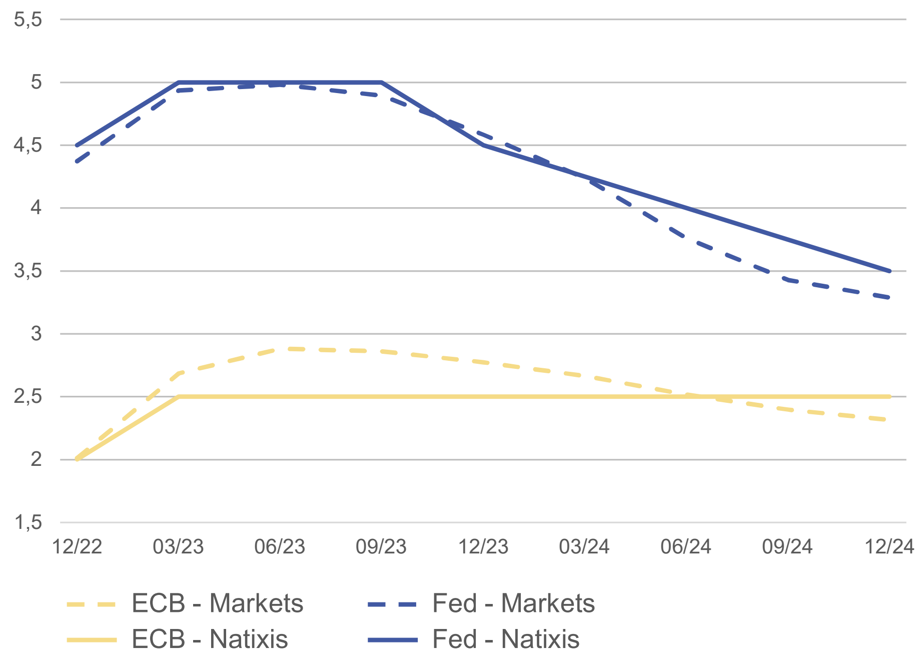
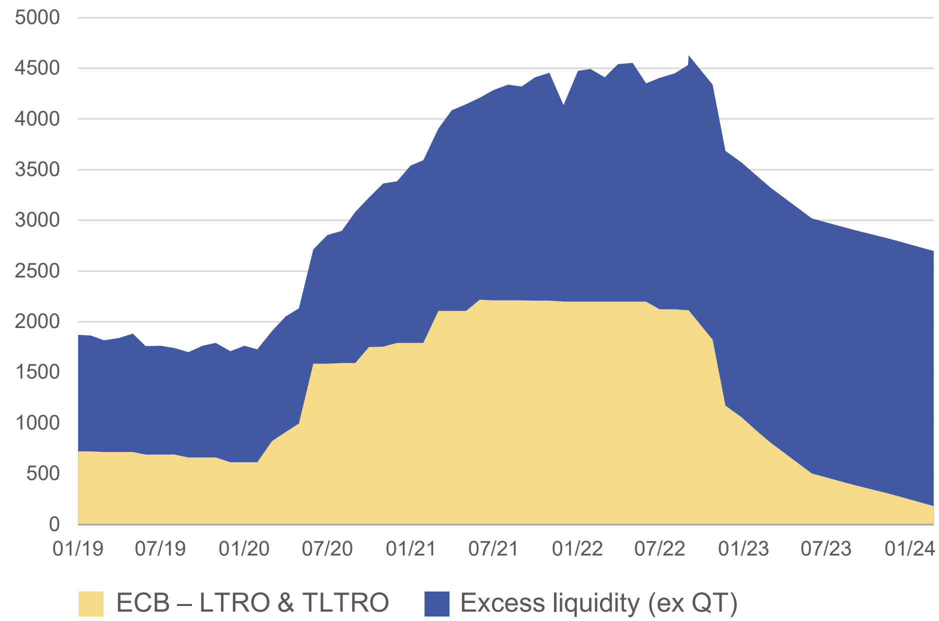
Natixis expectations for the Fed & the ECB

Fed will stop at 5% and will start cutting rates late 2023. Full stop at 2.5% for the ECB but plenty of tightening thanks to TLTROs & QT.

Natixis vs Markets scenarios for the ECB & the Fed



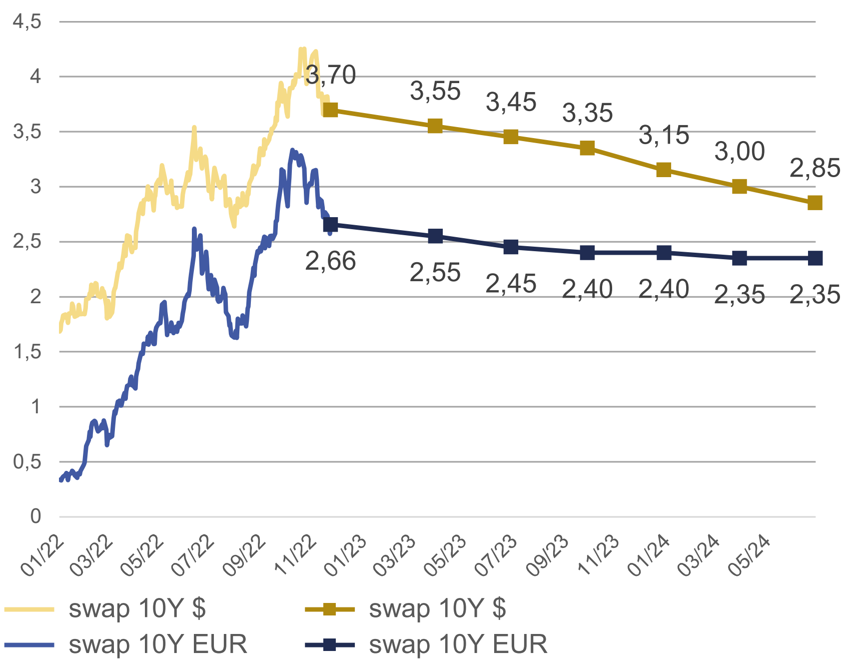
Towards a sizeable decrease in excess liquidity in Europe



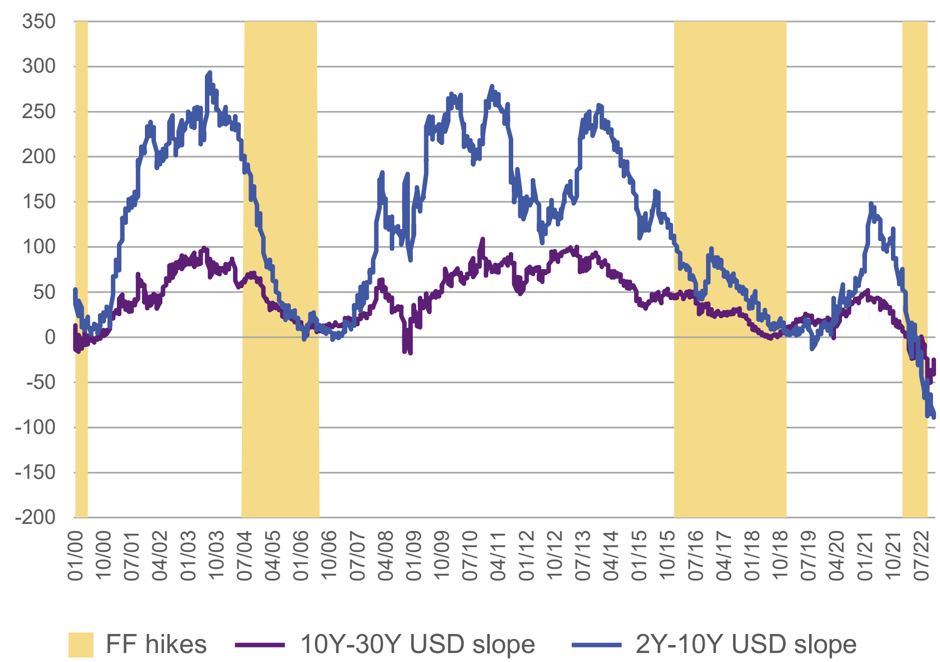
US-Europe convergence & curves re-steepening

US rates will keep dropping ahead of Fed cuts vs. Stability in Europe. Towards a progressive re-steepening of curves. **10Y Bund & 10Y UST at 1.8% & 3% EOY 2023.**

Natixis forecasts for EUR & USD swaps



Historical behaviour of the $ curve & Fed tightening cycle



Sovereign spreads will widen, linkers will underperform nominal bonds

Fed will stop at 5% and will start cutting rates late 2023. Full stop at 2.5% for the ECB

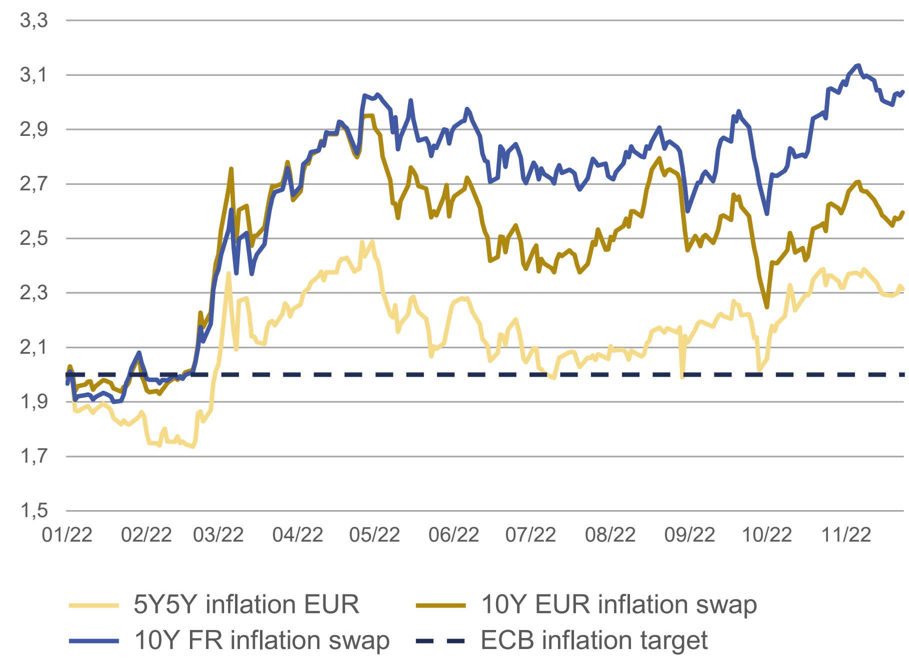
Sovereign spreads will widen marginally next year

Increase in net adjusted supply of bonds with the **QT**

Disappearance of **TLTRO III** operations and banks deleveraging

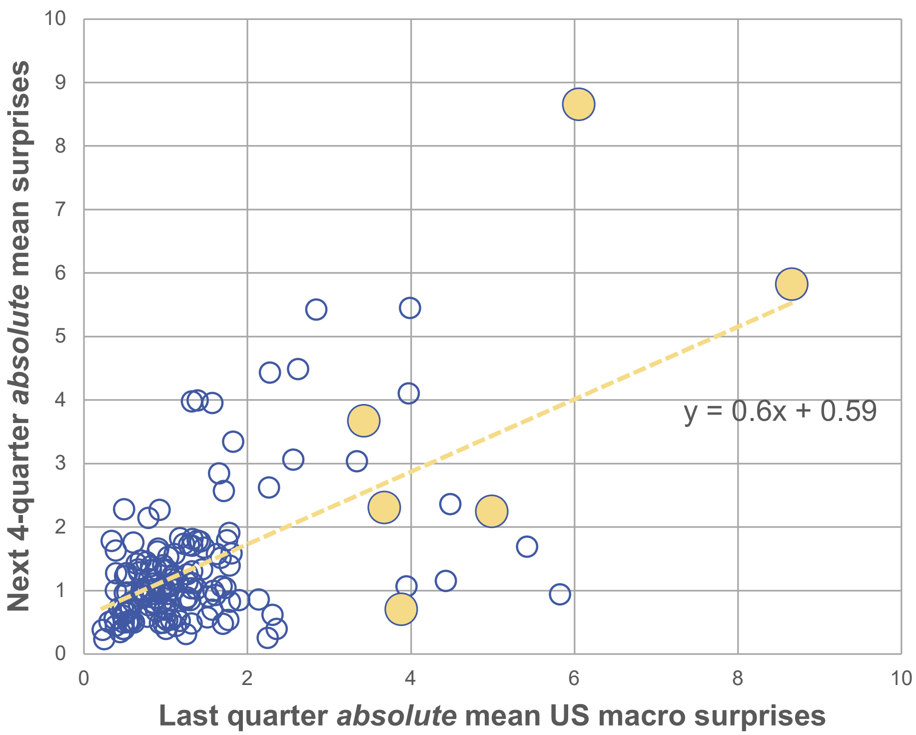
Sovereign spreads 10Y spreads, in bp (end of period)	**11/28/22**	**Mar-23**	**Jun-23**	**Sep-23**	**Dec-23**
OAT - BUND	47	52	55	52	46
BTP - BUND	192	220	240	220	200
BONO - BUND	100	104	111	104	91

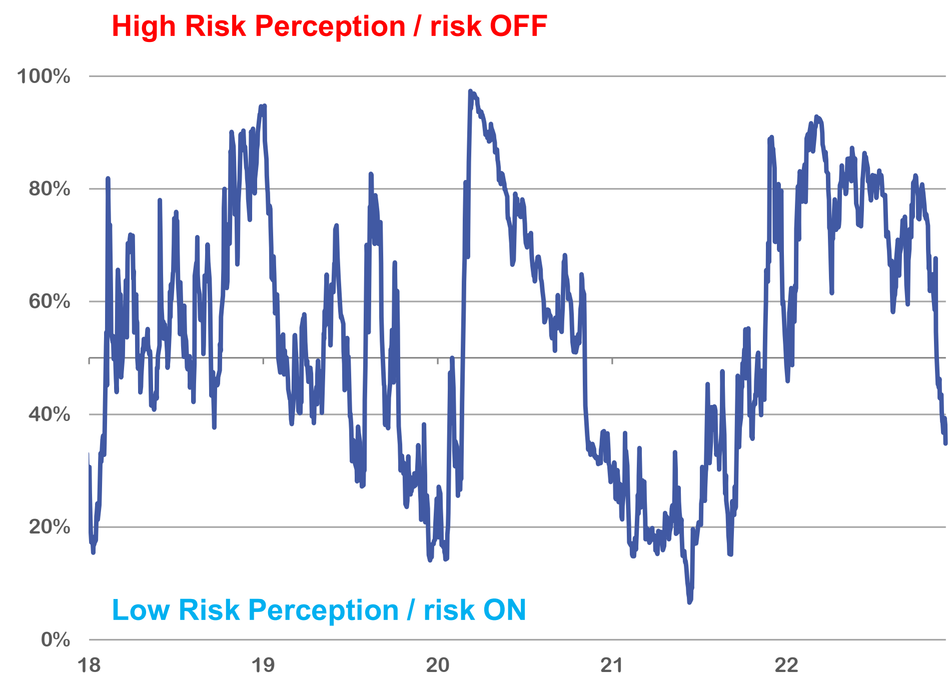
Market-based inflation metrics will converge towards 2%



2023 vs 2022

Macro surprises tend to persist… but risk appetite mean-reverts!

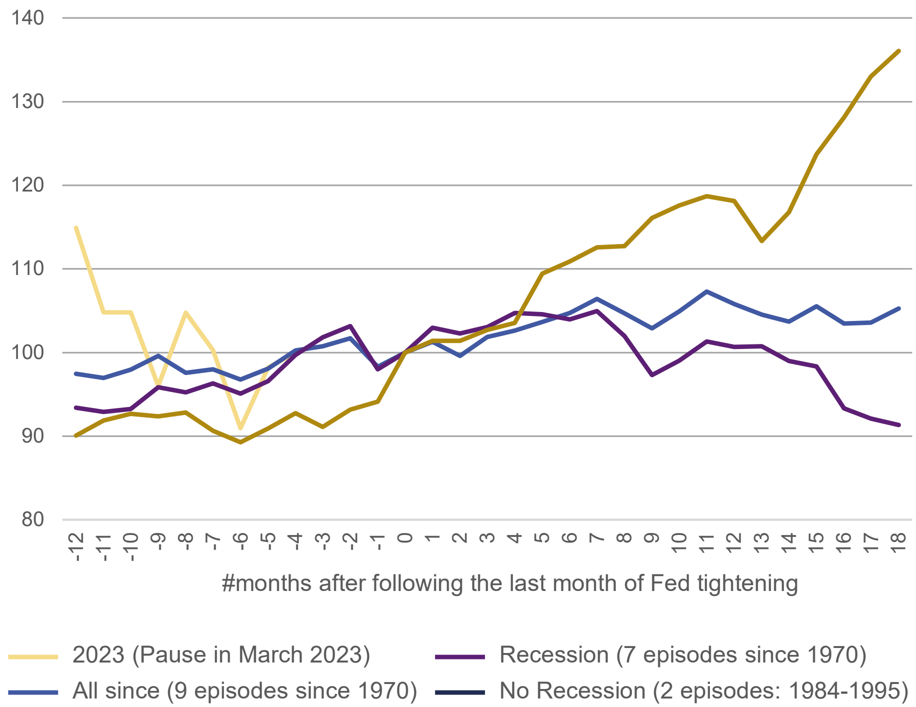




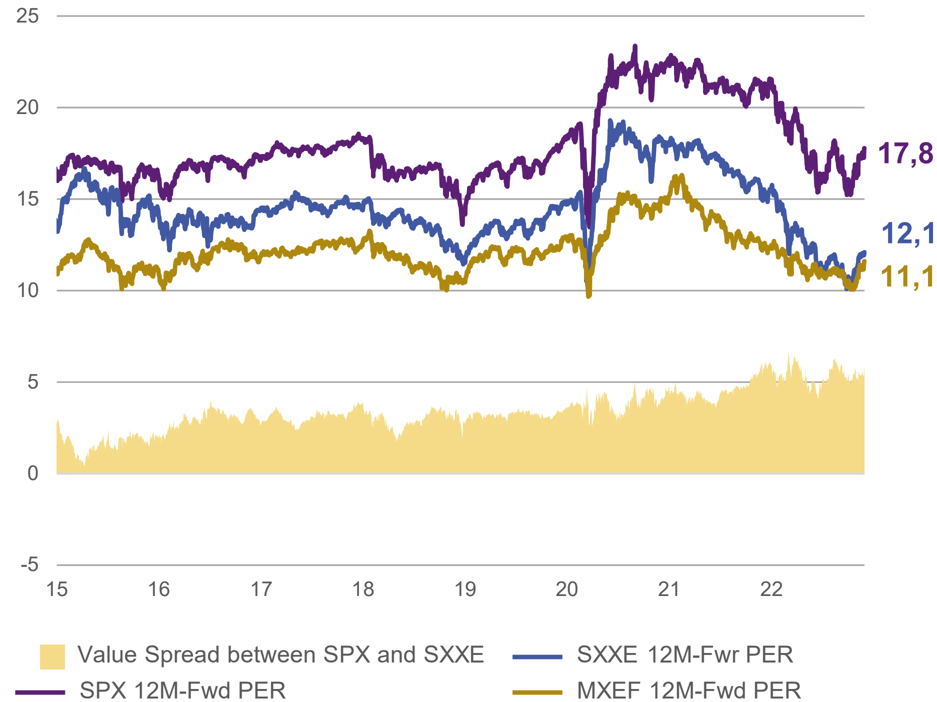
Sources: Natixis; Bloomberg, Fed Survey of Professional Forecasters (SPF), Natixis. Macro surprises are US GDP and US CPI surprises computed as 1-year changes and as 1-year quarterly forecasting errors from the SPF.

Equity markets: recession risk

Recession or not after the Fed's pause? It matters for equities *(S&P500 before/after Fed pauses)*



US equities are cheaper but not cheap, European stocks cheap



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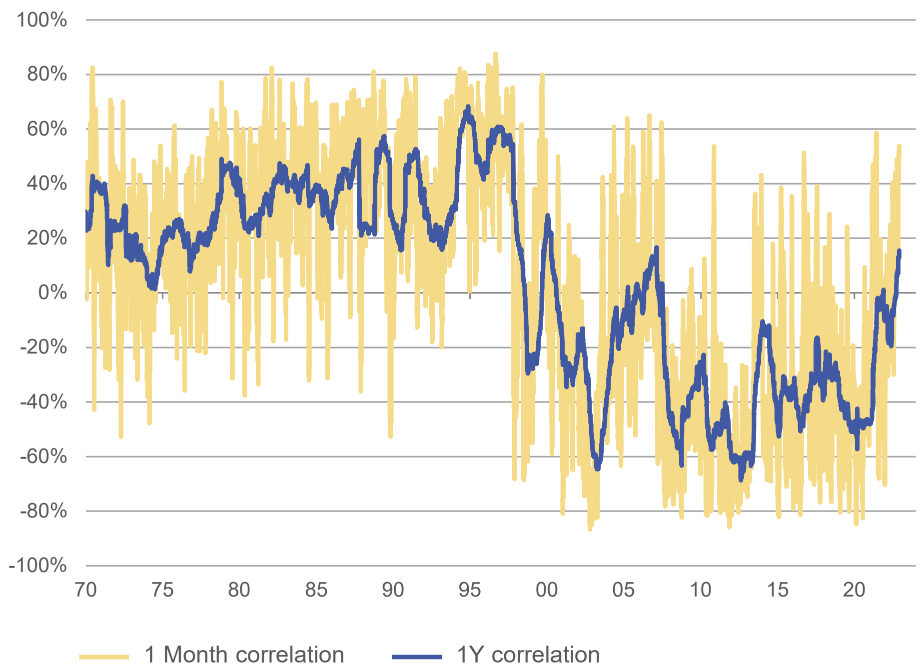
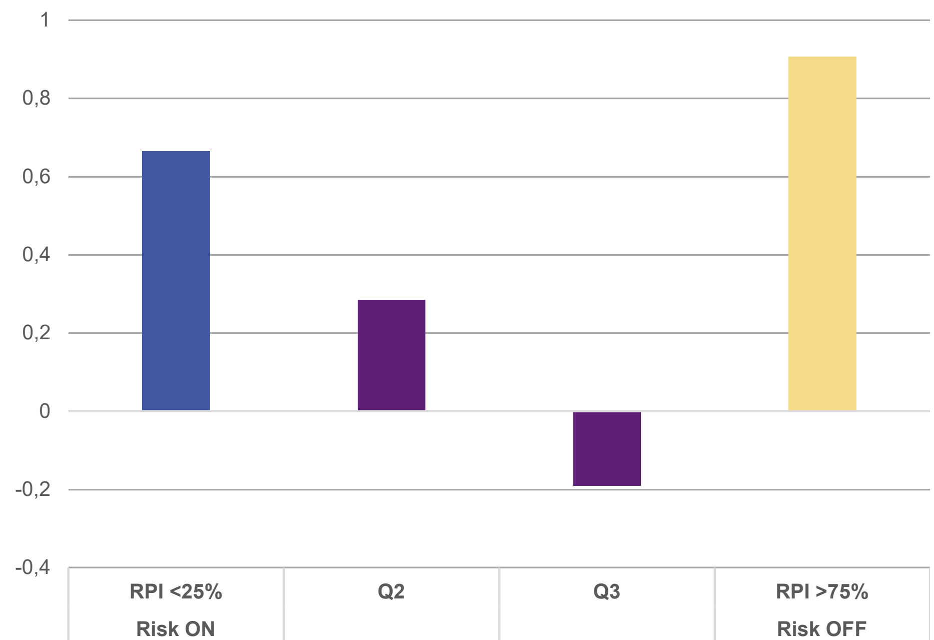
Portfolio diversification in 2023

Equity/Bond correlation still high



Trend-following strategies hedge hectic periods (average returns across market risk regimes)



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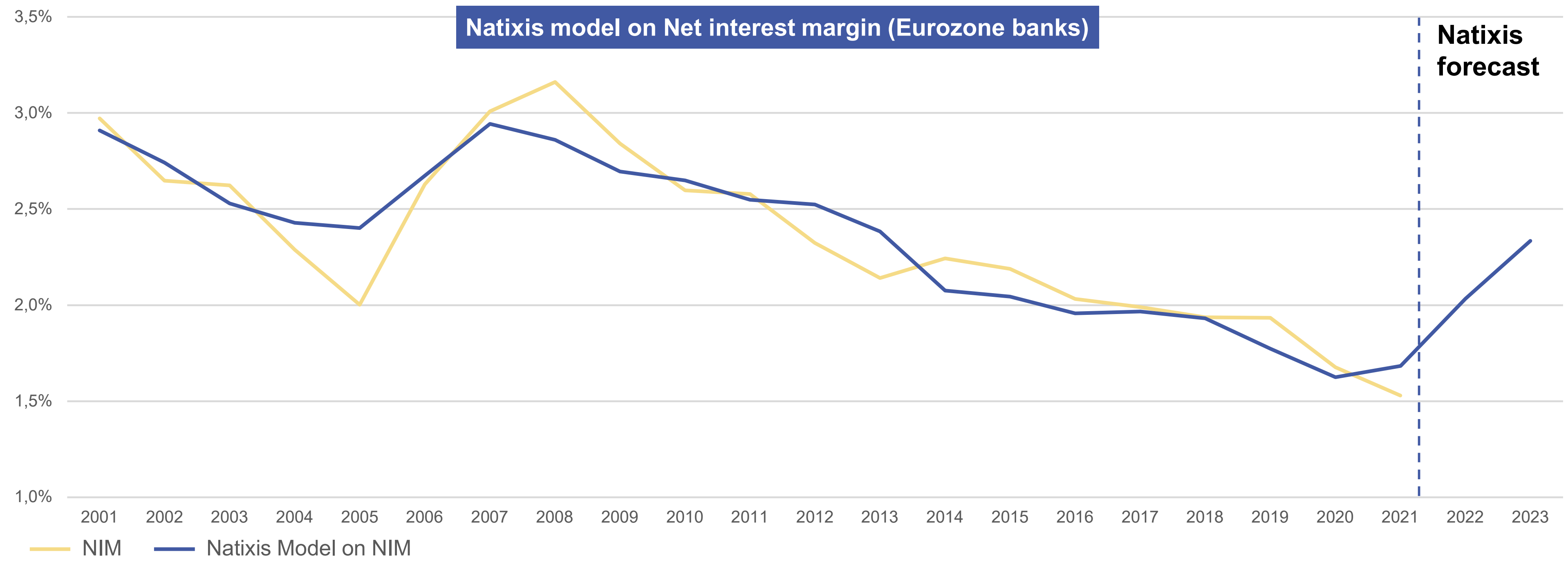
Hike in interest rates would lead to a rise in banks' profitability…



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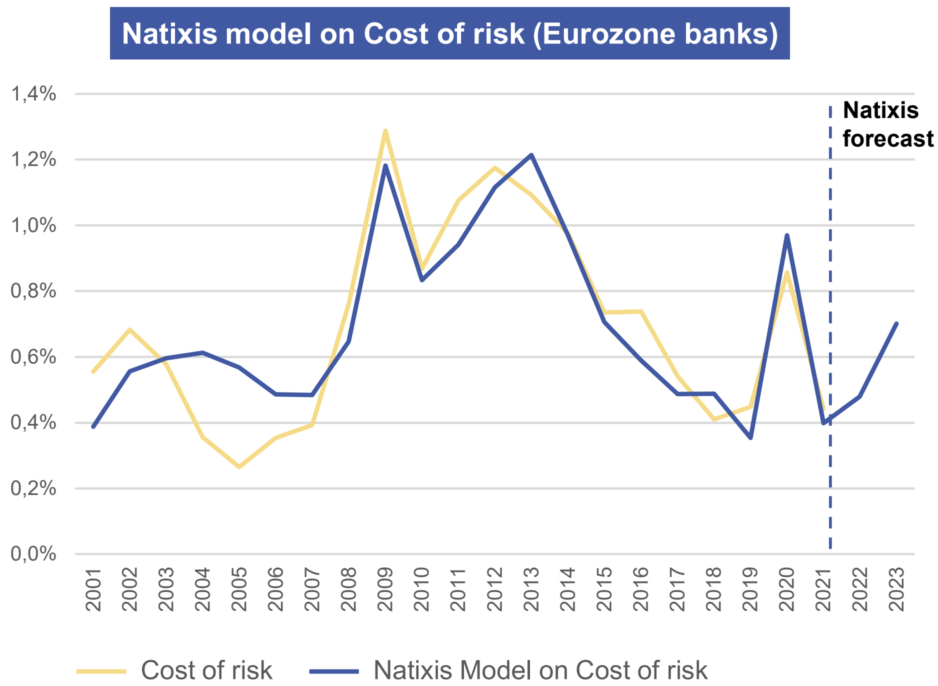
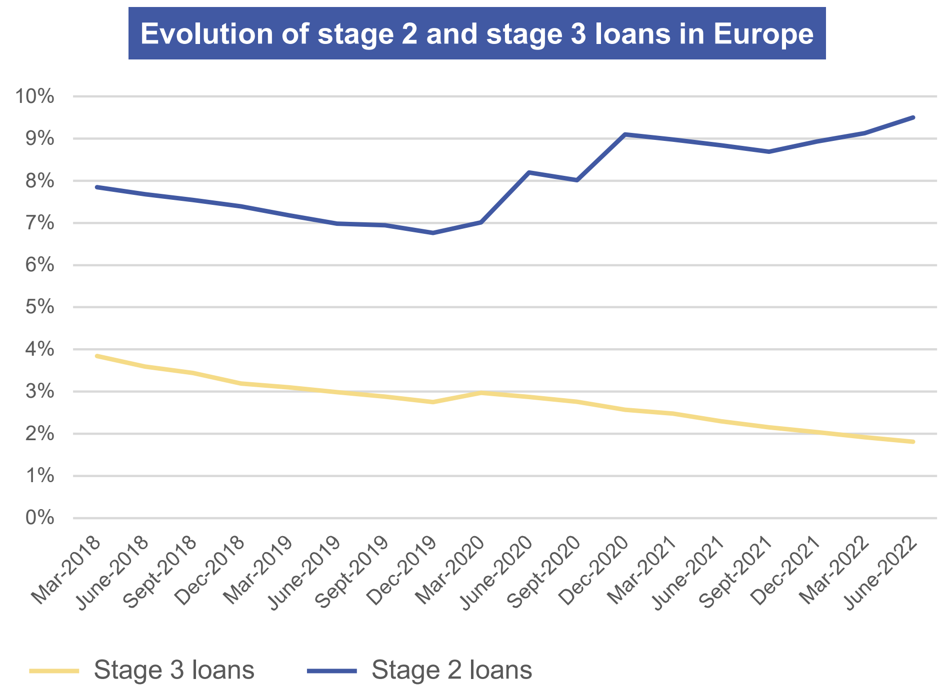
… but overshadowed by higher expected provisions



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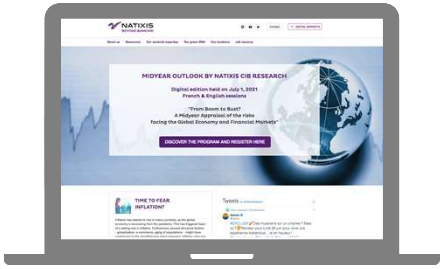

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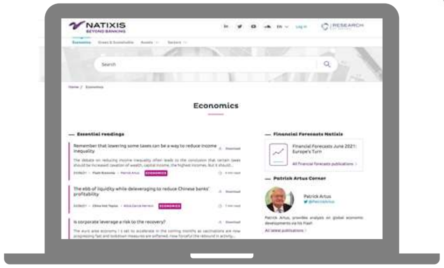

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