2023

OUTLOOK

World outlook: decoupling ahead ?

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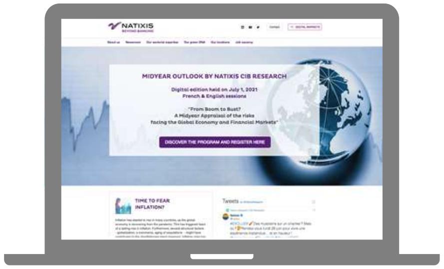

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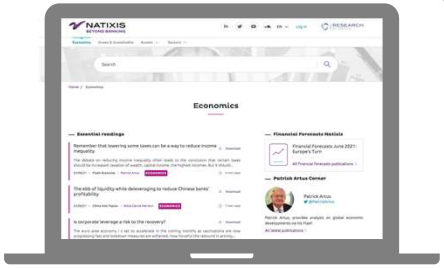

Introduction

Europe and the Energy crisis: is a recession unavoidable?

China: rebound or not?

Real estate: repricing ahead ?

Markets & Asset Allocation: buying the dip or the dead cat bounce?

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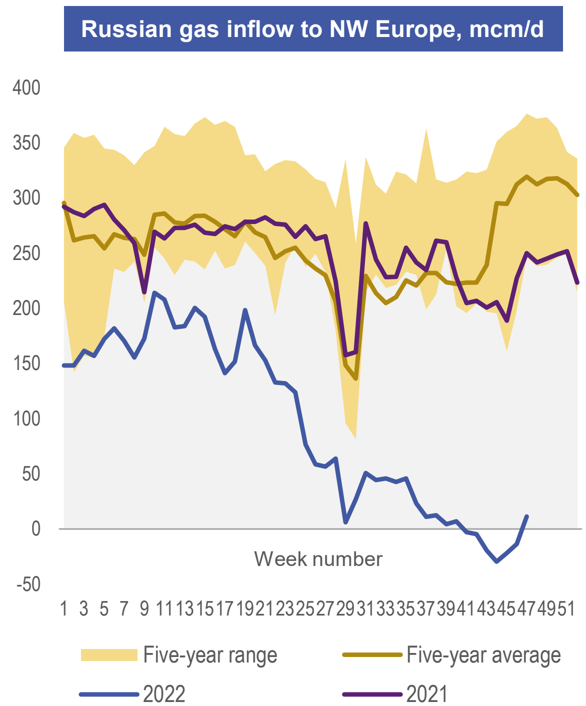
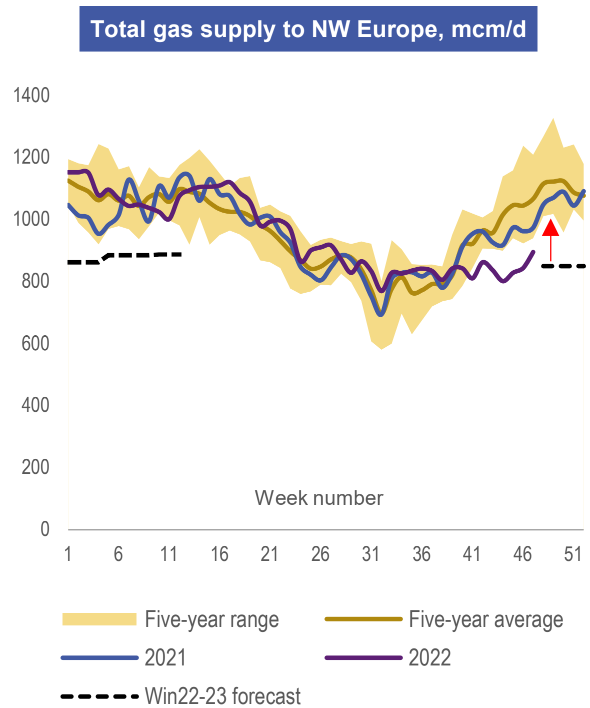
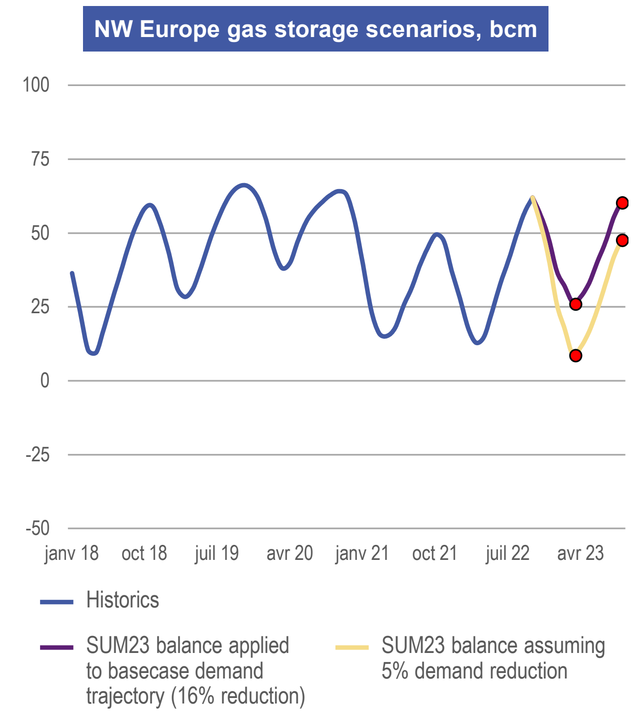
Rebuilding natural gas storage will be far harder in 2023 in the absence of Russian gas.

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



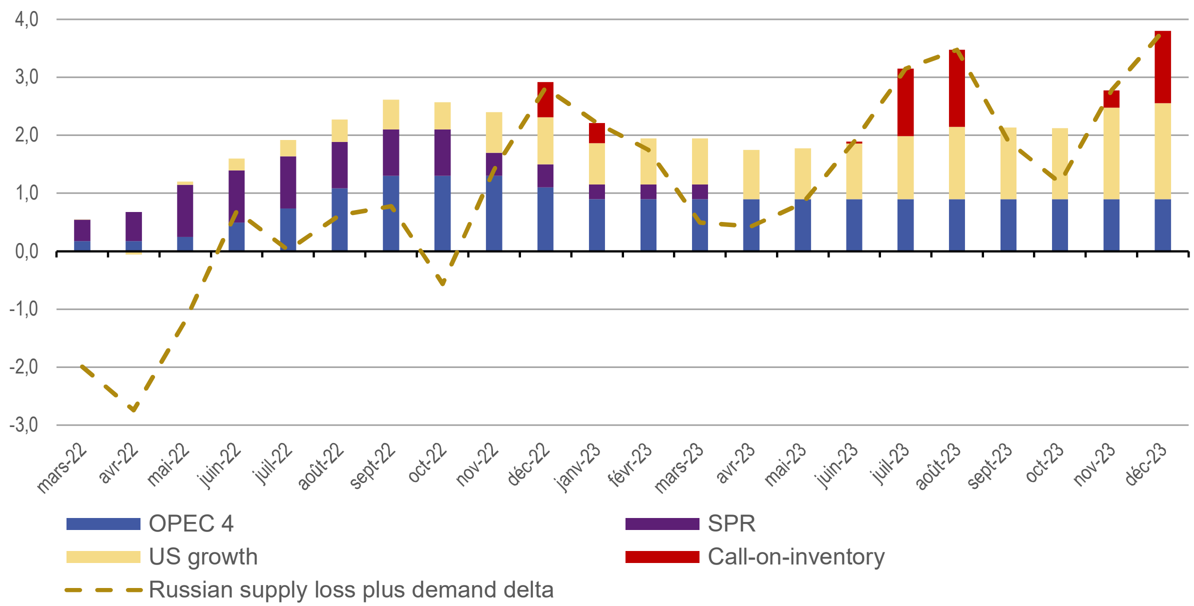




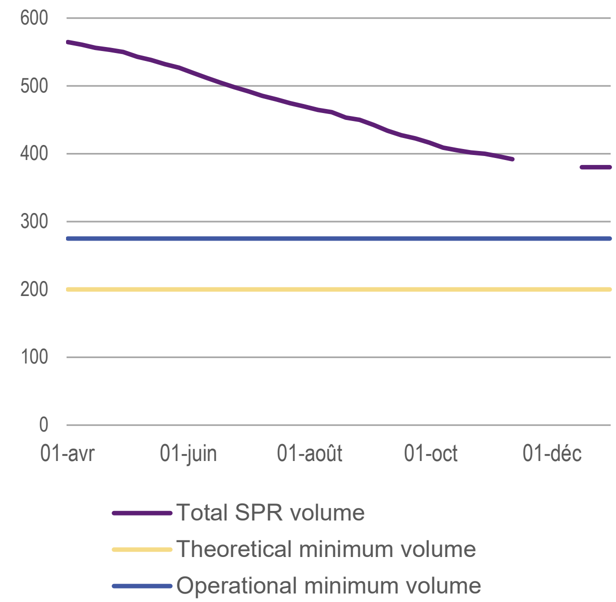
Source: Natixis, Bloomberg

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

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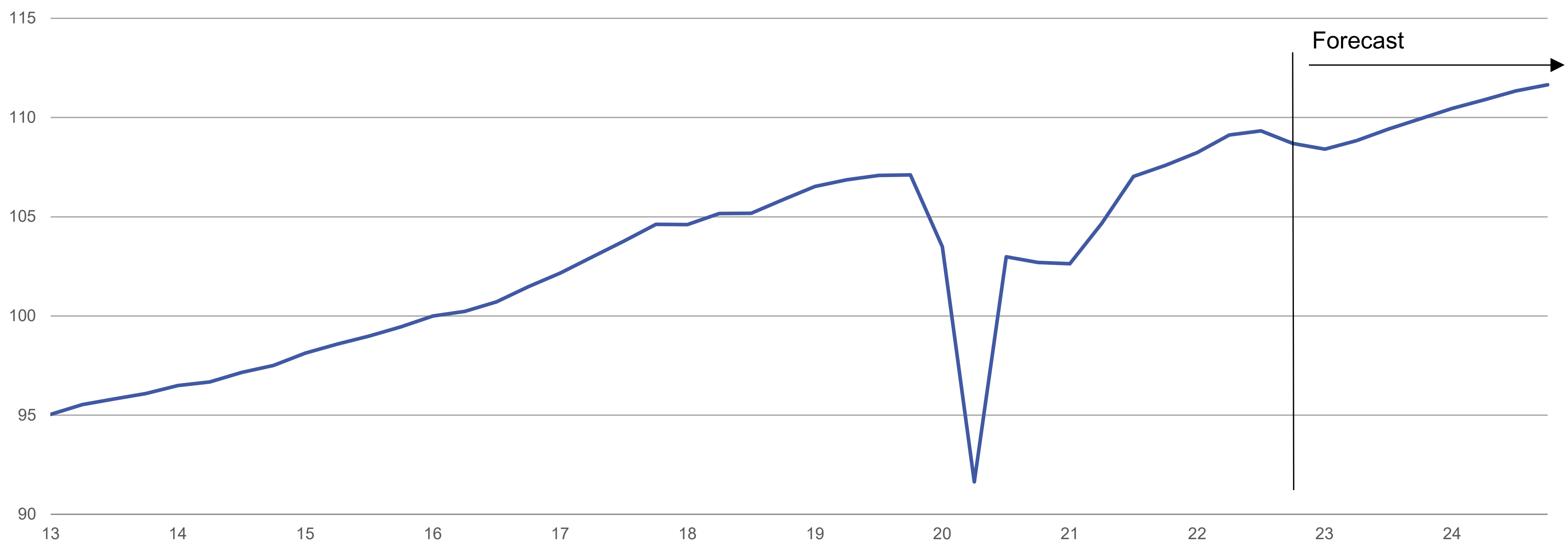
Euro area: GDP

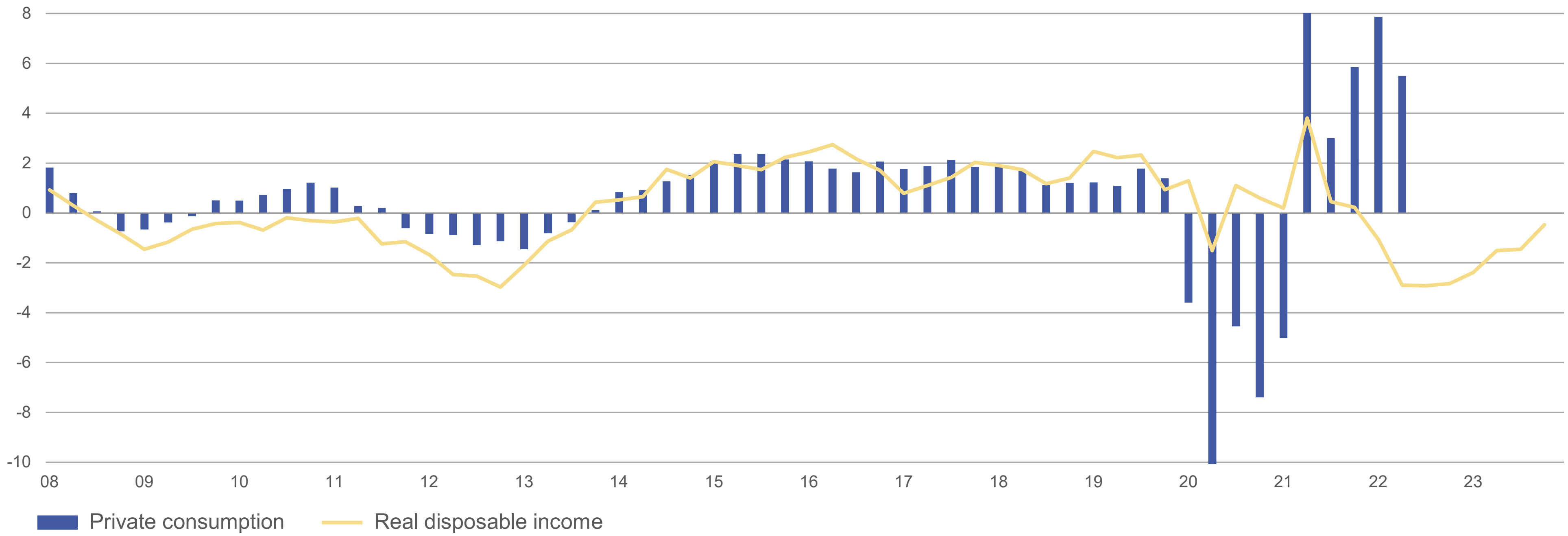
(real, index Q1:08=100)



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

China: rebound or not?

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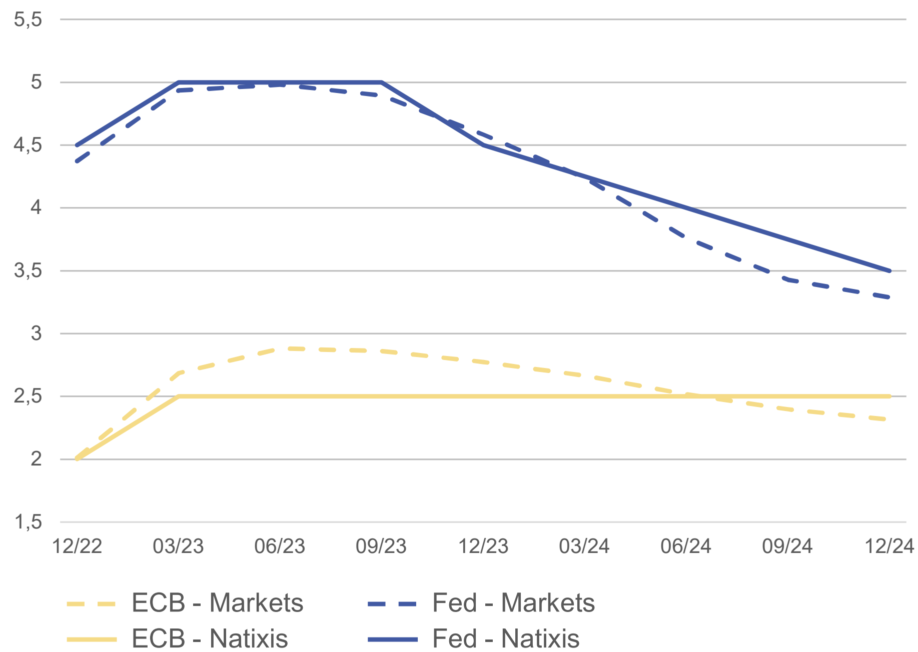
Markets & Asset Allocation: buying the dip or the dead cat bounce?

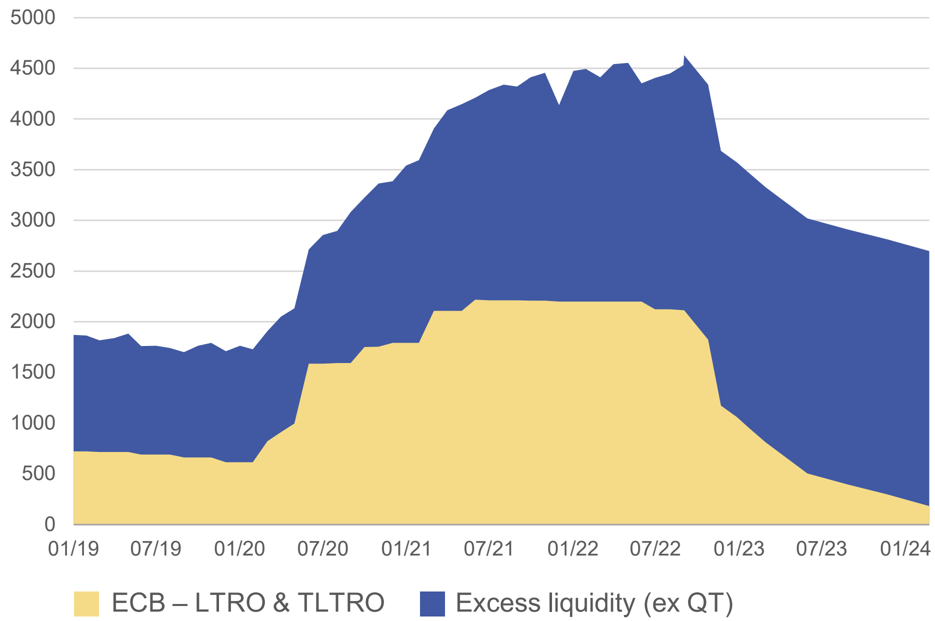
Natixis expectations for the Fed & the ECB

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



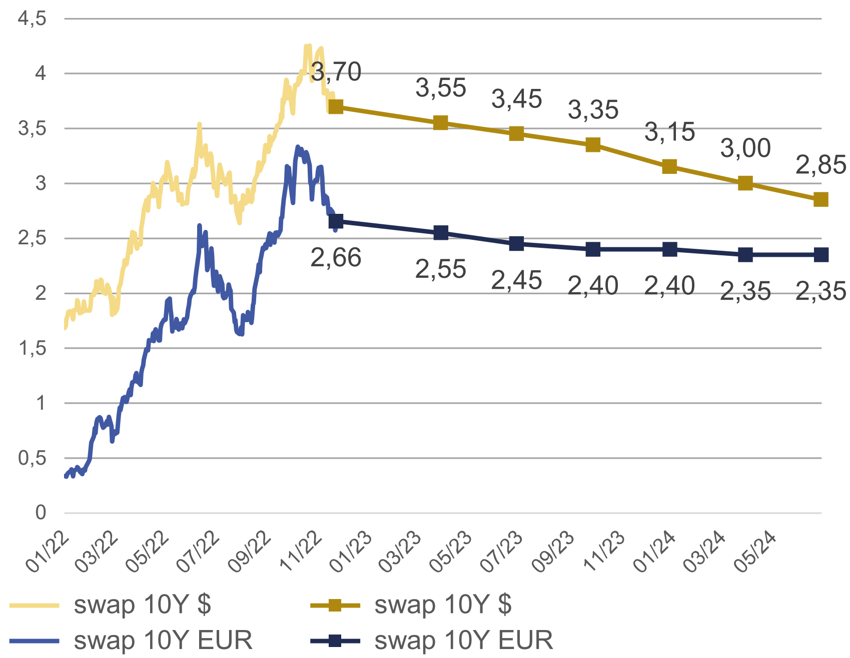
Towards a sizeable decrease in excess liquidity in Europe



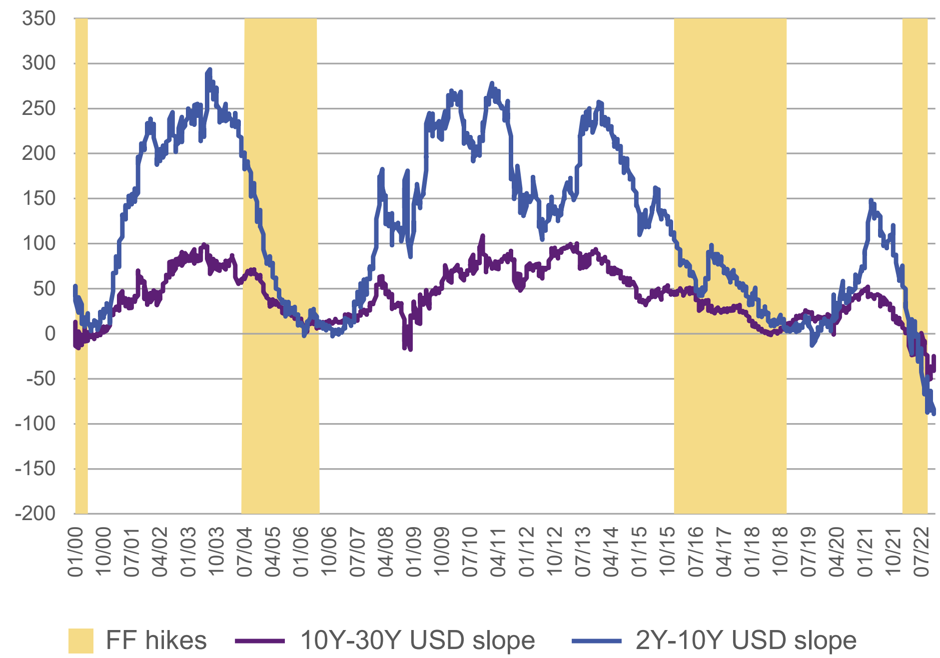
US-Europe convergence & curves re-steepening

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

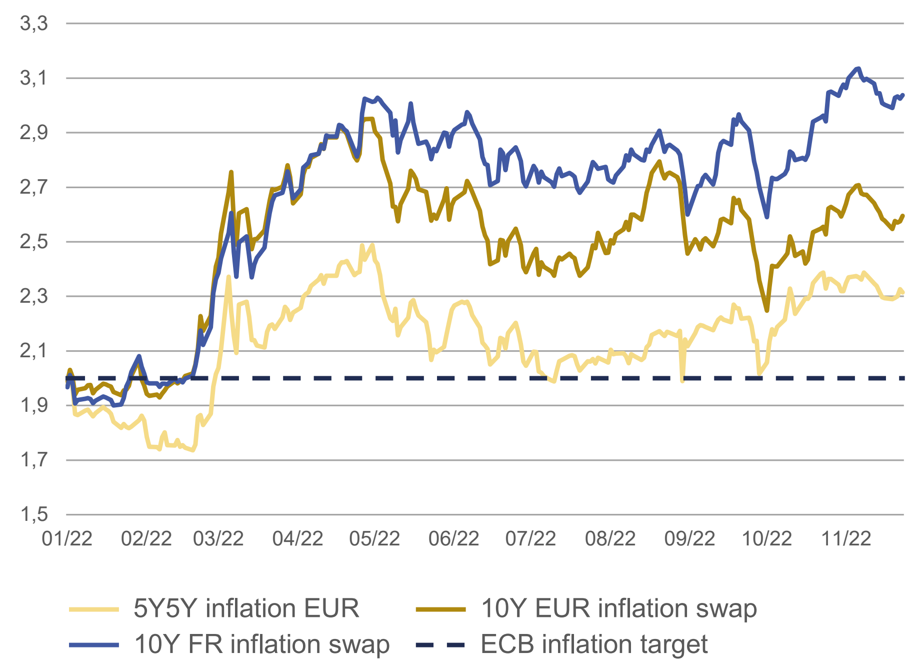
Sovereign spreads will widen marginally next year

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

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

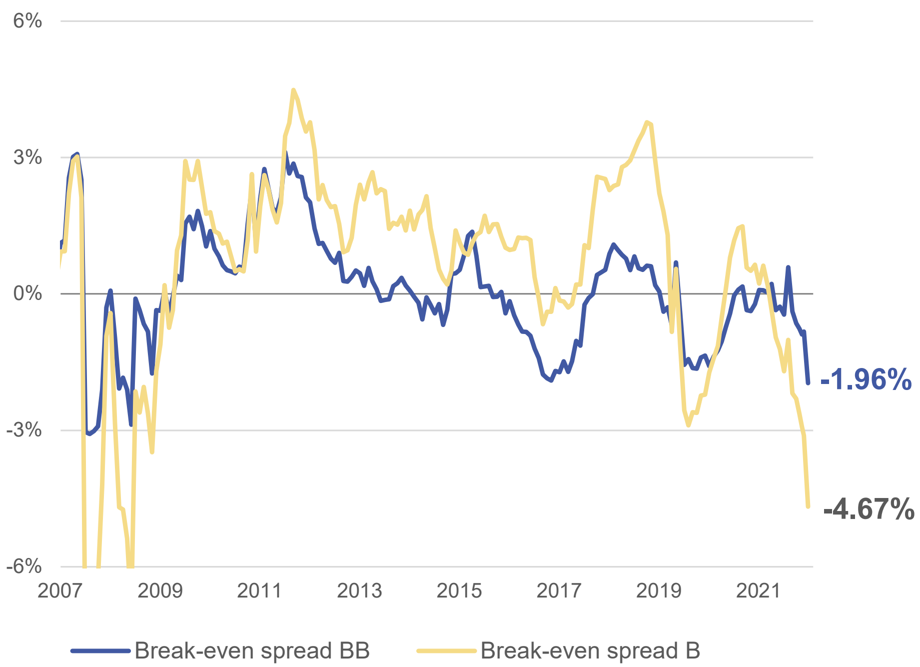
Sovereign spreads 10Y spreads, in bp (end of period)	11/28/22	Mar-23	Jun-23	Sep-23	Dec-23
OAT - BUND	47	52	55	52	46
BTP - BUND	192	220	240	220	200
BONO - BUND	100	104	111	104	91

Market-based inflation metrics will converge towards 2%

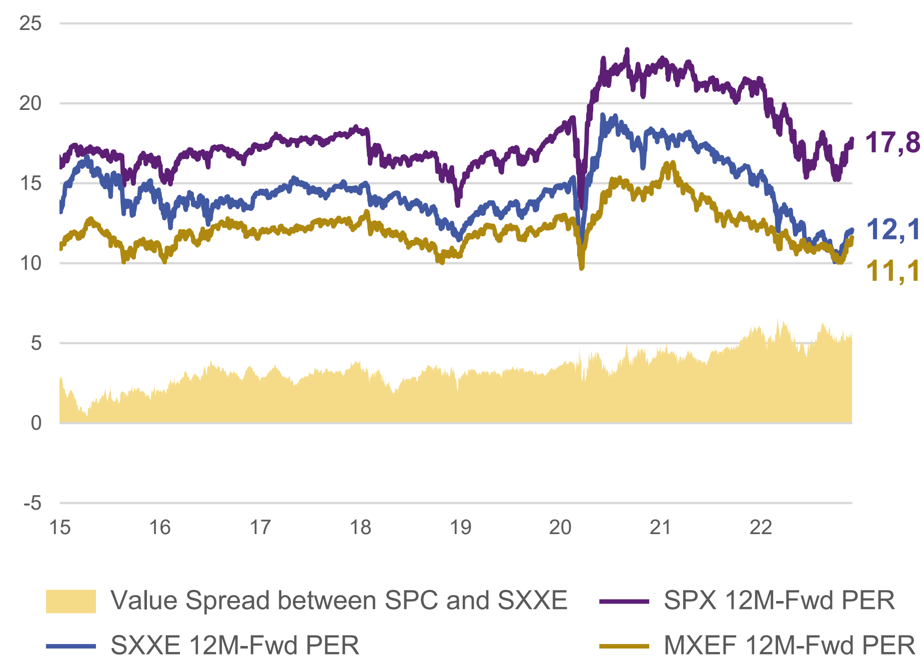


Is it time to buy yet?
Recession risks are not fully priced in

HY valuations tightened too much and seem to not integrate anymore the risk of defaults



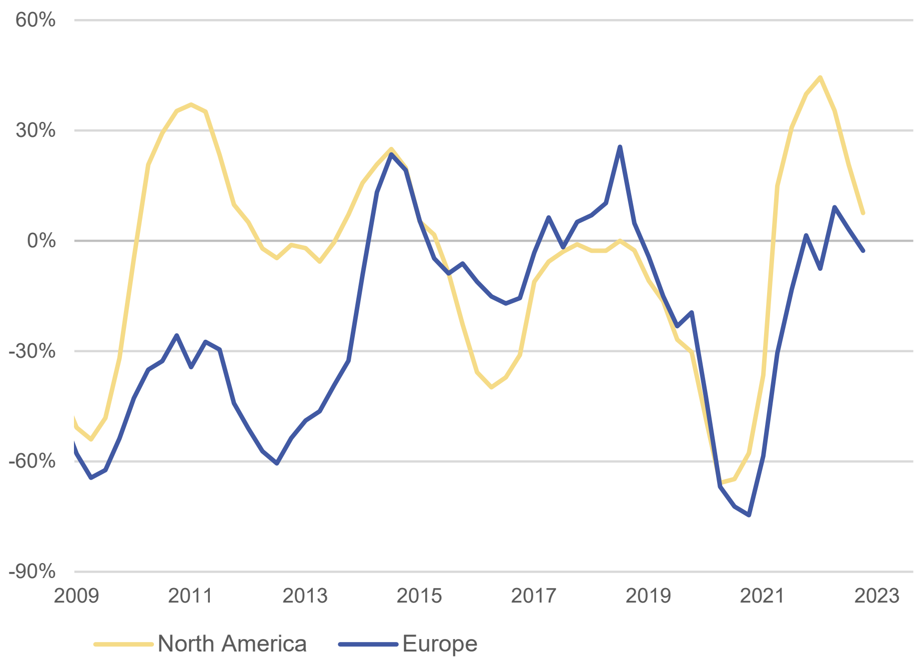
US equities are cheaper but not cheap, European stocks cheap



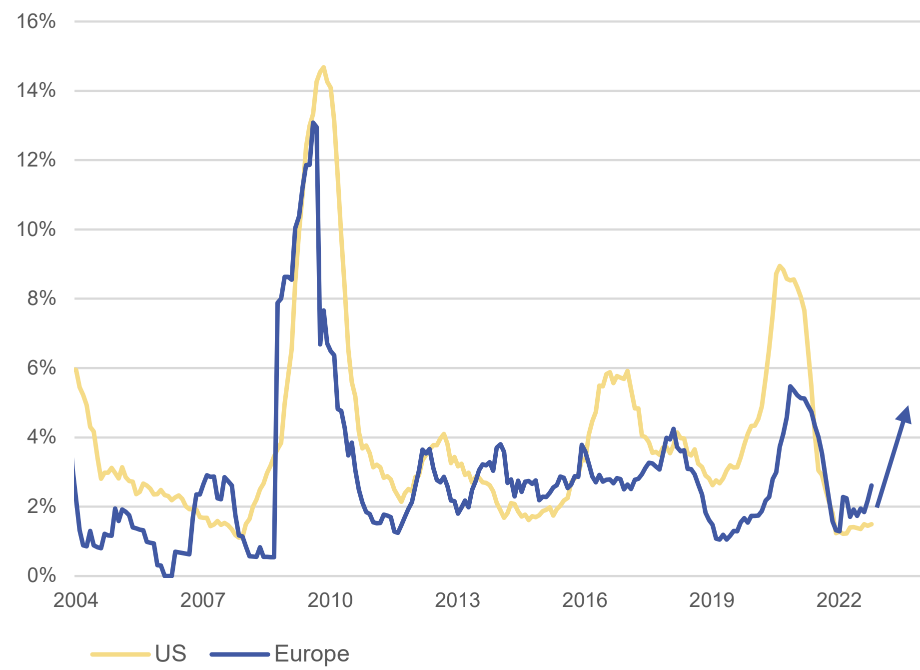
Sources: Natixis; Bloomberg

Is it time to buy yet? Credit quality keeps deteriorating

Rating drift down to negative in Europe and to close to zero in North America



Global HY default rates below the long-term average of 4% but should rise above it in 2023 (to peak at 5,5% in Q3)

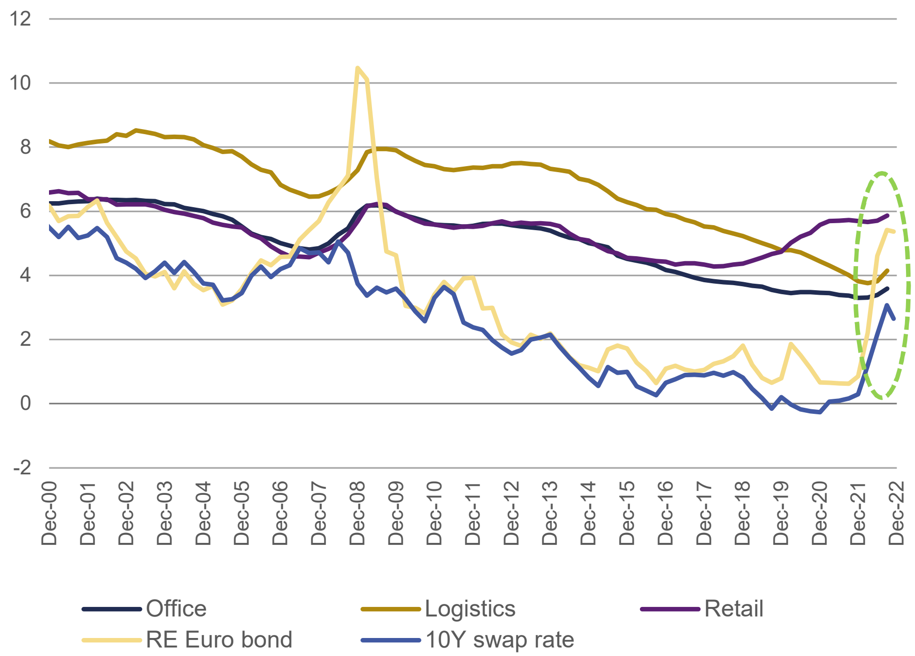


Sources: Natixis, Bloomberg, Moody's, S&P

Real estate: repricing ahead ?

Correction in Real Estate valuations inevitable

Trend in prime yield for Commercial Real Estate in Europe vs 10Y swap rate and RE bonds



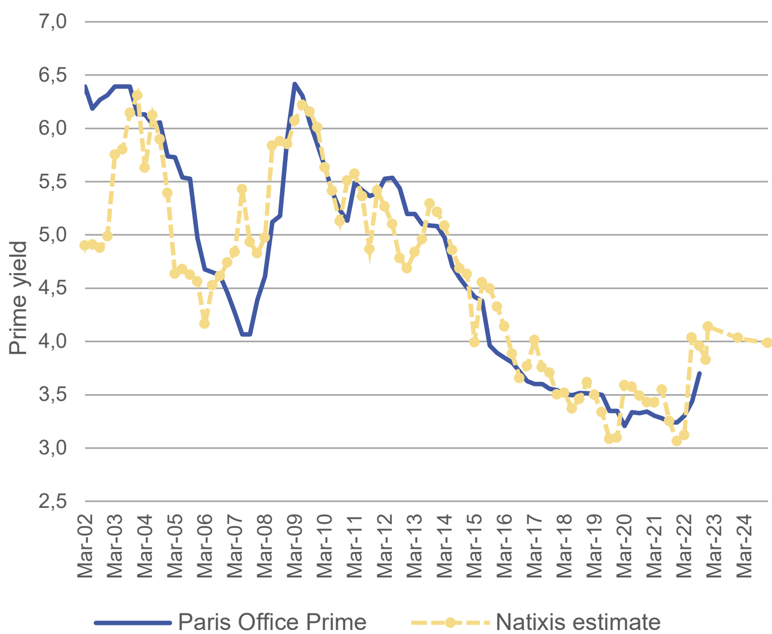
No more premium for illiquidity for European prime Offices

Sources: CBRE, RCA, Natixis Research

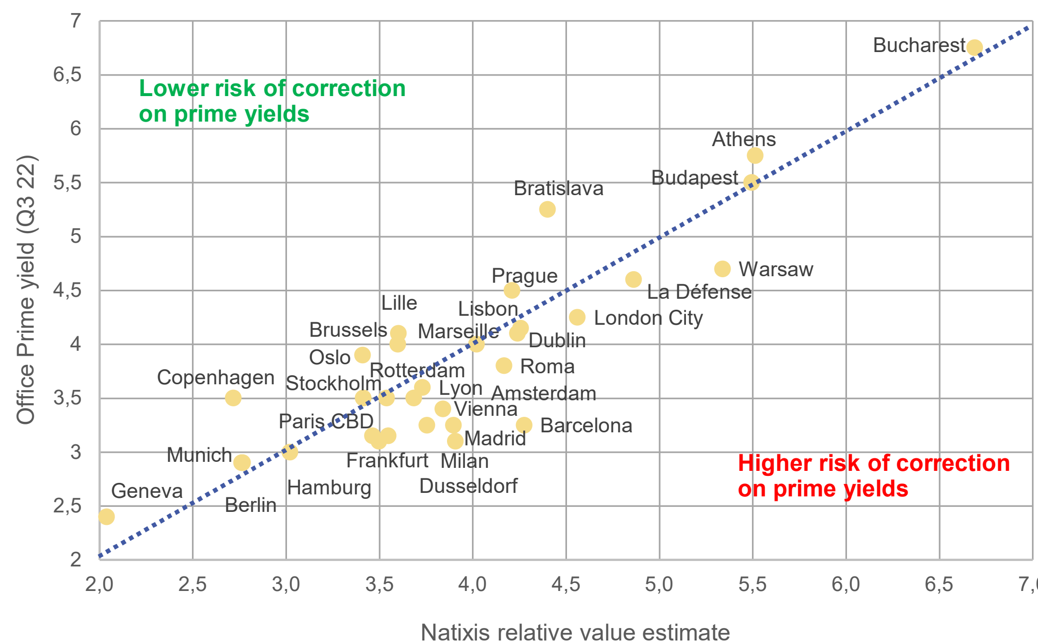
Offices

What fair value for cap rates ?
Which cities more at risk of a correction in Office valuations ?

Natixis model for Paris IDF prime yield in Offices



Italy, Spain, UK, Eastern Europe more at risk of a correction in prime yields



Sources: CBRE, RCA, Natixis Research

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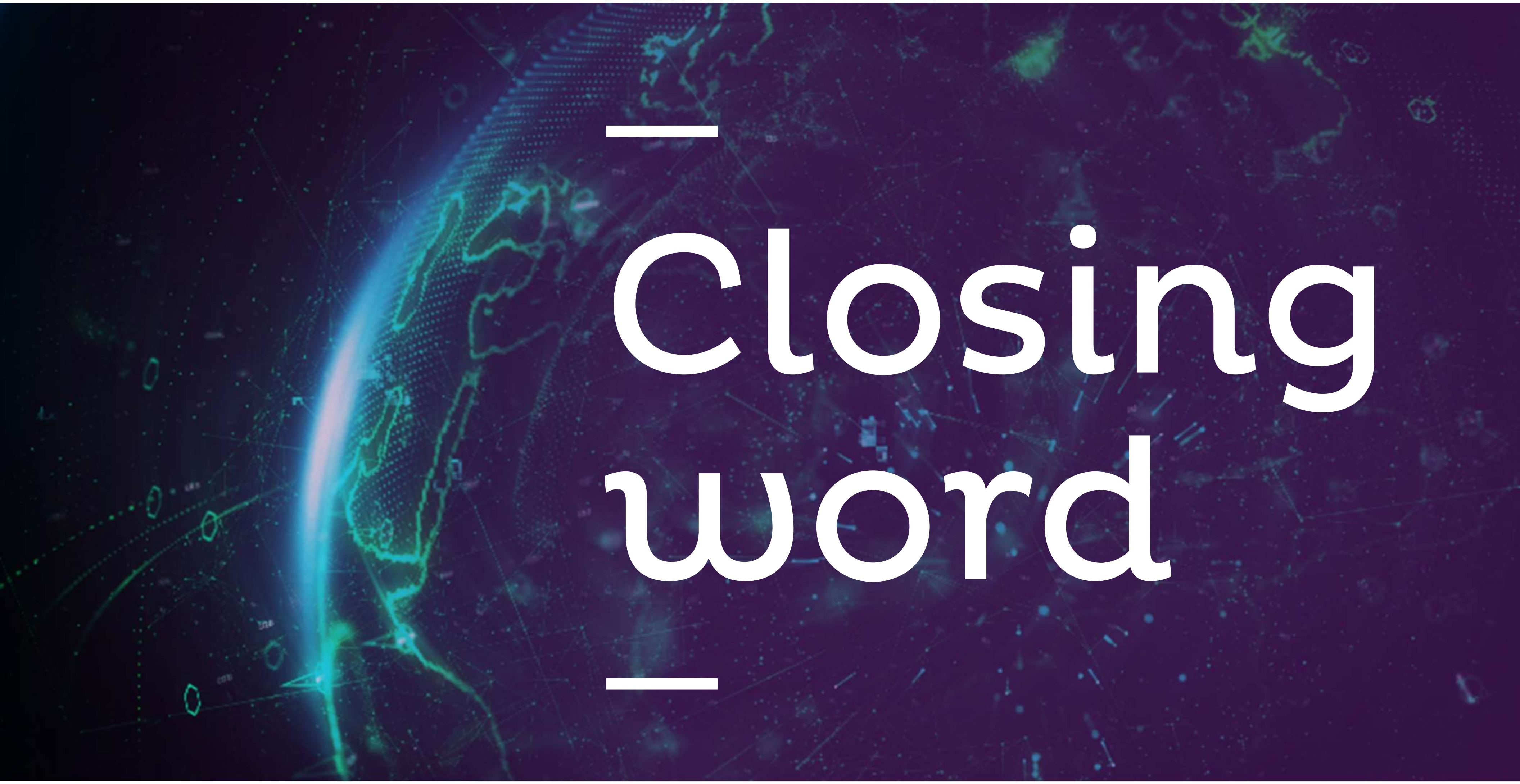

Closing word

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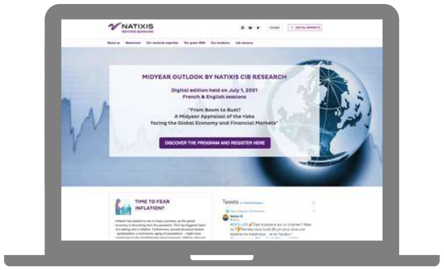

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