

FIXED INCOME ALLOCATION



**Global Fixed Income Forecast
& Allocations
Short Term & Long Term Views**

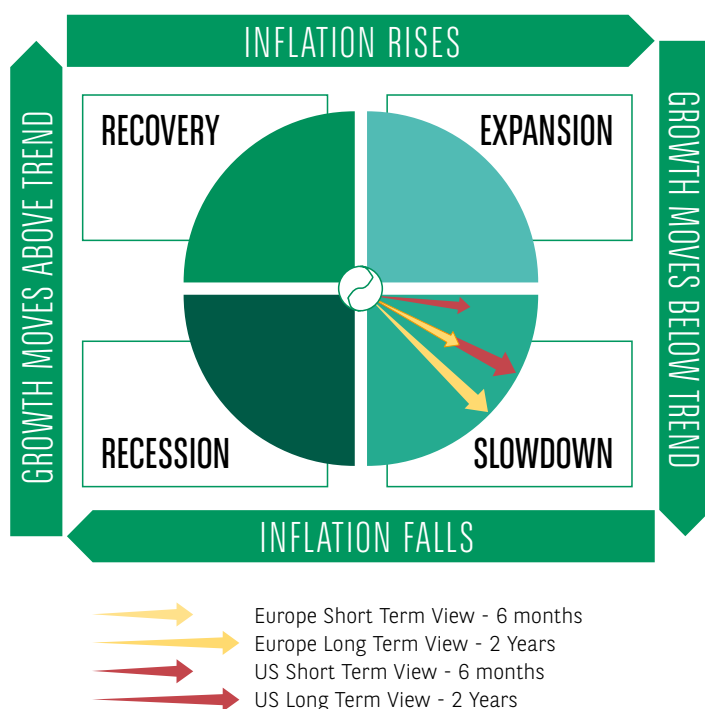


BNP PARIBAS
ASSET MANAGEMENT

The sustainable
investor for a
changing world




In this document, the Global Fixed Income Team at BNP Paribas Asset Management presents you their market outlook and based on it three proposals for allocations to fixed income strategies, with alternatives for short- and long-term investment horizons.

MACRO OUTLOOK



- US GDP growth was mainly supported by the excess savings accumulated during Covid. Financing stimulus and support measure aggravated the US budget deficit. But the savings are now almost all gone, and US economic growth is decelerating back to trend.
- The recovery in the eurozone has lost momentum recently, partly due to weaker external demand. Headwinds from policy-induced tightening in financial conditions and a structural slowdown in Germany are still negatively weighting on the pace of growth.

GFI MARKET FORECAST

| |  |  |  |
|------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Rates | ECB rate | Fed Fund | |
| | ↓ | ↓ | |
| | € 10 years → | \$ 10 years → | |
| | € 2-10 ↑ | \$ 2-10 ↑ | |
| Spreads | € Investment Grade → | \$ Investment Grade → | Emerging Sovereign ↓ |
| | € High Yield ↑ | \$ High Yield ↑ | Emerging Corporate → |
| Currencies | | EUR/USD ↓ | |

Our View for the next 6 months:

- We expect Fed cuts in December 2024 and potentially November after the 50 bps in September. Monetary policy has become data point dependent again. The Fed is extremely sensitive to conditions in the US labour market and is likely to act if unemployment rises significantly.
- We anticipate euro headline and core inflation to further fall at the start of next year and to approach the ECB target in H2 2025.
- Yield curves have steepened during the summer and are pricing classic positive slope in less than 3 months on both sides of the Atlantic.
- We prefer Euro duration to US duration based on the growth divergence and aggressive market pricing on the number of rate cuts from the Fed.
- IG credit fundamentals remain strong, although spreads are starting to look stretched. High yield is more at risk with refinancing at much higher coupons (idiosyncratic risk could be back).

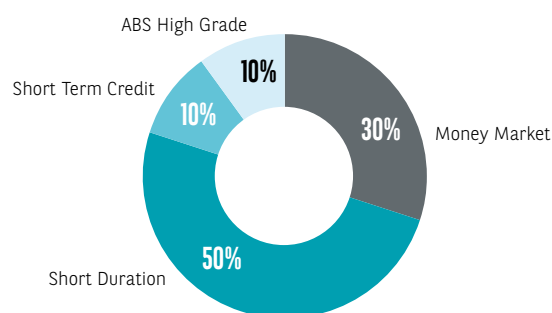
DEFENSIVE ALLOCATION

1st allocation to diversify from a money market portfolio and to protect against erosion due to inflation

STRATEGIES CONSIDERED

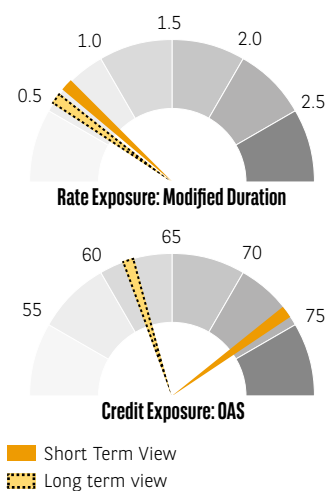
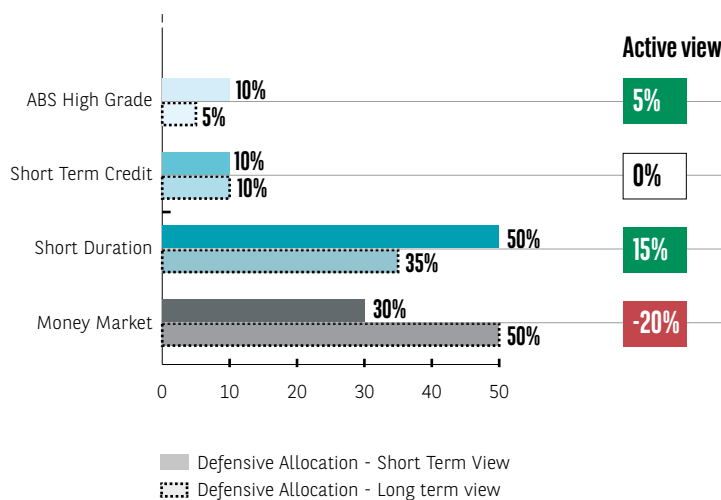
- **Money Market**
- **Short Duration:** Aggregate flexible strategies in long short and long only with a maximum duration of 3.
- **Short Term Credit:** IG & HY active strategies with a maximum duration of 3
- **ABS High Grade:** AAA and Investment Grade ABS in floating rates

Defensive Allocation - Short Term View



Defensive

TACTICAL POSITIONING LINKED TO MARKET OUTLOOK



MAIN INDICATORS

| | SRI | Yield to Maturity | Modified Duration | OAS | Effective Rating | 1 year Return | Annualized 52 weeks Volatility | Maximum Drawdown |
|-----------------|-------------|-------------------|-------------------|--------------|------------------|---------------|--------------------------------|------------------|
| Long term view | 1,50 | 4,21% | 0,57 | 61,93 | A | 3,66% | 0,36% | -0,01% |
| Short Term View | 1,70 | 4,34% | 0,66 | 73,68 | A | 3,89% | 0,43% | -0,04% |

Source: Internal BNPP AM – March 2024

Source effective rating: S&P rating

SRI: Summary Risk Indicator

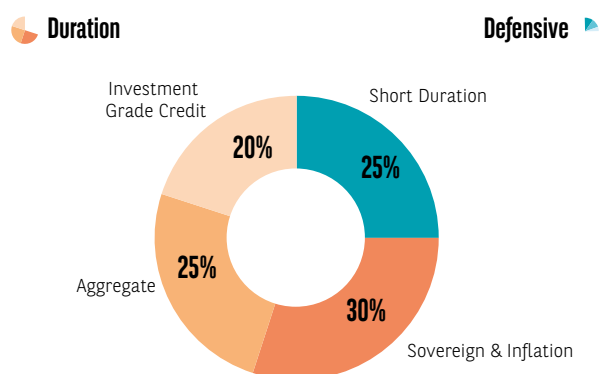
DURATION ALLOCATION

2nd Allocation to increase the duration of your exposition to rates

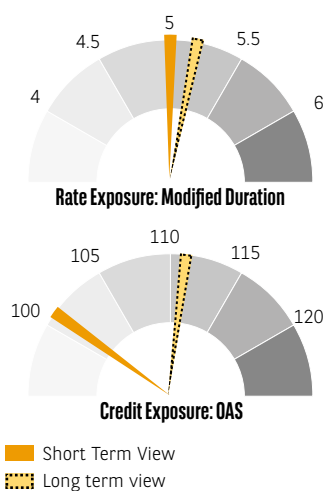
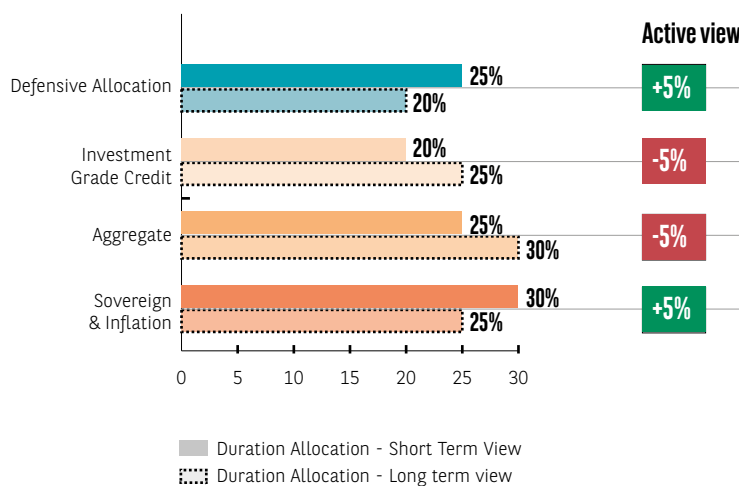
STRATEGIES CONSIDERED

- **Defensive Allocation**
- **Sovereign & Inflation:** Euro & global government bond strategies and inflation-linked
- **Aggregate:** Euro & global aggregate and thematic strategies
- **Investment Grade Credit:** Euro & global IG credit strategies

Duration Allocation - Short Term View



TACTICAL POSITIONING LINKED TO MARKET OUTLOOK



MAIN INDICATORS

| | SRI | Yield to Maturity | Modified Duration | OAS | Effective Rating | 1 year Return | Annualized 52 weeks Volatility | Maximum Drawdown |
|-----------------|-------------|-------------------|-------------------|---------------|------------------|---------------|--------------------------------|------------------|
| Long term view | 2,83 | 4,60% | 5,18 | 111,07 | A- | 2,45% | 4,33% | -2,29% |
| Short Term View | 2,94 | 4,68% | 4,99 | 100,84 | A- | 2,22% | 4,11% | -2,21% |

Source: Internal BNPP AM - Spetember 2024

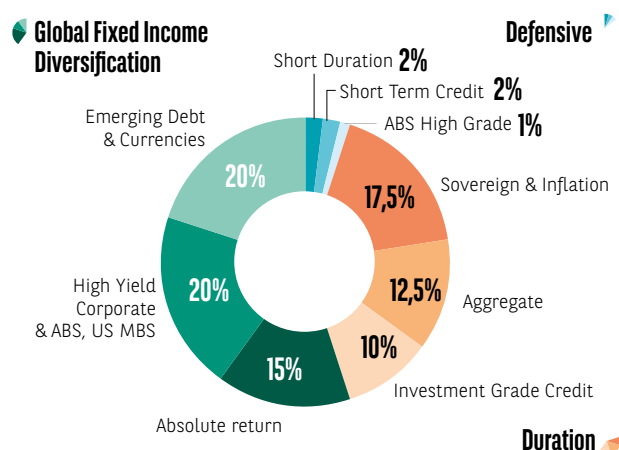
GLOBAL FIXED INCOME ALLOCATION

A diversified fixed income allocation mixing a large range of BNPP AM capabilities

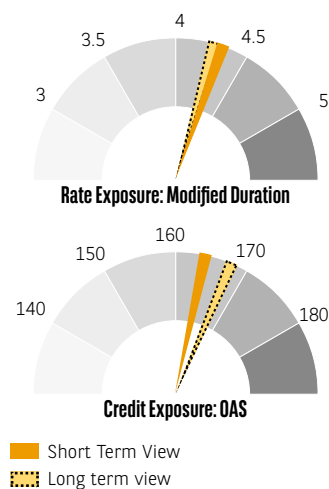
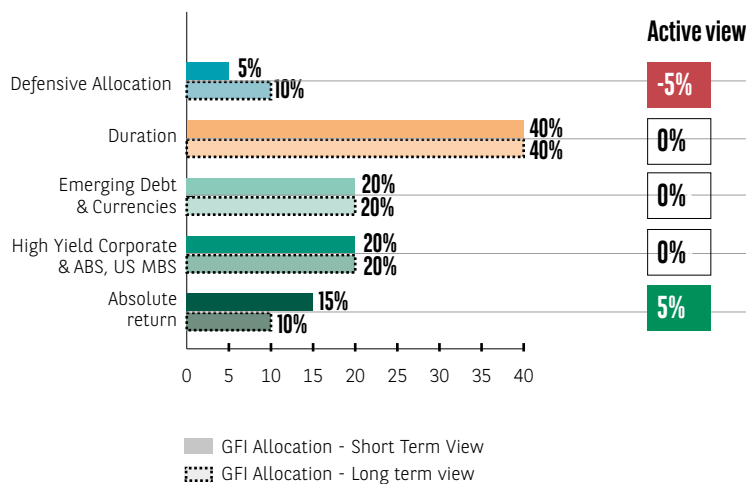
STRATEGIES CONSIDERED

- **Defensive Allocation**
- **Duration Allocation**
- **Absolute Return:** Long short & long only euro and global strategies
- **High Yield Corporate & ABS, US MBS:** Euro & global HY in fixed income and ABS
- **Emerging Debt & Currencies:** Emerging debt both in hard & local currencies and short-term US dollar

Global Fixed Income Allocation - Short Term View



TACTICAL POSITIONING LINKED TO MARKET OUTLOOK



MAIN INDICATORS

| | SRI | Yield to Maturity | Modified Duration | OAS | Effective Rating | 1 year Return | Annualized 52 weeks Volatility | Maximum Drawdown |
|-----------------|-------------|-------------------|-------------------|---------------|------------------|---------------|--------------------------------|------------------|
| Long term view | 2,67 | 5,06% | 4,27 | 166,56 | A | 4,28% | 3,88% | -1,91% |
| Short Term View | 2,71 | 4,99% | 4,31 | 164,39 | A | 4,12% | 3,91% | -1,95% |

Source: Internal BNPP AM - September 2024

APPENDIX : INDICATORS PER STRATEGIES

| Strategies | SRI | Yield to Maturity | Modified Duration | OAS | Effective Rating | 1 year Return | Ann. 52 weeks Volatility | Maximum Draw-down |
|------------------------------------|------|-------------------|-------------------|-----|------------------|---------------|--------------------------|-------------------|
| Money Market | 1,00 | 3,84% | 0,19 | 25 | A+ | 3,45% | 0,06% | - |
| Short Duration | 2,00 | 4,23% | 0,82 | 59 | A- | 4,28% | 0,50% | -0,06% |
| Short Term Credit | 2,00 | 5,51% | 1,85 | 213 | BBB- | 6,15% | 1,81% | -0,44% |
| ABS High Grade | 2,00 | 5,25% | 0,12 | 158 | AA+ | 6,36% | 0,38% | -0,03% |
| Sovereign & Inflation | 3,00 | 2,85% | 7,87 | 59 | A+ | 1,30% | 5,86% | -4,61% |
| Aggregate | 2,25 | 3,42% | 6,21 | 85 | AA | 2,35% | 5,14% | -3,88% |
| Investment Grade Credit | 2,40 | 4,62% | 5,16 | 146 | BBB+ | 6,16% | 4,77% | -2,23% |
| Absolute return | 2,00 | 3,95% | -0,62 | 72 | A | 3,53% | 1,48% | -0,54% |
| High Yield Corporate & ABS, US MBS | 3,00 | 6,38% | 3,02 | 283 | BBB+ | 7,88% | 3,61% | -2,07% |
| Emerging Debt & Currencies | 3,30 | 7,44% | 5,39 | 272 | BBB+ | 8,57% | 6,31% | -3,49% |

Source: Internal BNPP AM – Spetember 2024

For illustrative purpose only, do not constitute any investment recommendation.

Past performances or achievement is not indicative of current or future performance.

For more information on risks, please see the "Investment risks" section of the Fund's prospectus, which is available at www.bnpparibas-am.com

Please contact your BNPP AM Client relationship manager to discuss further about your need of diversification of fixed income investment.

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VIEWPOINT



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