

PRESS RELEASE

BNP Paribas Asset Management publishes 2022 Investment Outlook

BNP Paribas Asset Management ('BNPP AM') announces the publication of **Shooting the Rapids: The Investment Outlook for 2022**, focused on helping investors navigate the challenges of post-pandemic economic stabilisation and recovery.

- 2021 was a tale of fast recovery in growth post lockdowns, driven by cheap government funding and pent-up consumer demand.
- The 2022 focus is likely to be on economic uncertainty, inflationary expectations and central bank responses, as well as the development and impact of the virus
- The 2022 Investment Outlook provides insight on a range of issues including the macroeconomic environment, market expectations and monetary policy

The Investment Outlook examines the possible broader consequences for macro-economic policy as the world tackles the social and economic challenges presented by the pandemic, as well as the opportunities offered by the green economic transformation. The pandemic has reminded investors of the importance and reality of sustainable long-term growth. Investing for the long term will be vital, as the typical 3-5 year investment cycle is shorter than the lifespan of financing the shift to green hydrogen or the innovation required to achieve e-mobility, restore natural capital or build green infrastructure.

Markets are expected to continue to be driven by the evolution of structural themes that capture significant, persistent and widespread changes in activity and behaviour across society. Key investment themes for 2022 have both a sustainable angle, such as energy transition and environmental sustainability, as well as a focus on long-running trends, such as healthcare innovation and disruption resulting from new technology. From a regional perspective, China remains crucial; it is the world's fastest growing major economy, home to many innovative companies and a market that increasingly warrants a standalone allocation within multi-asset portfolios.

Monetary policy is likely to be even more closely watched. Significant inflationary pressures are likely to persist through next year and into 2023, and although they are ultimately likely to prove transitory, they could be strong and persistent enough to force the Federal Reserve to tighten sooner than it has projected. For investors this would translate into concerns around the near term path for policy rates rather than medium term inflation, which is likely to revert to target.

Rob Gambi, Global Head of Investments at BNP Paribas Asset Management, comments:

"As we head into 2022, we are hopefully also heading towards a post-Covid world, albeit one in which the uncertainty of the economic path is likely to lead to heightened volatility. But with uncertainty comes opportunity, and scope for active managers to add value. Markets continue to be driven by the evolution of structural themes that capture significant, persistent and widespread changes in activity and behaviour across society. Amongst these themes, financing the transition to net zero is critical and we look forward to continuing to work with our clients and actively engage with the companies in which we invest to deliver real change."

Key macroeconomic and market highlights of BNP Paribas Asset Management's 2022 Investment Outlook include:

- Some production constraints will remain well into 2022, but will eventually be resolved, enabling economies to revert to trend growth rates without generating higher inflation.



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- Substantial accumulated household savings may prompt increased consumer spending, possibly switching from goods to services, with inflationary consequences. However, if the after-effects of living through a global pandemic do inhibit consumption, governments and central banks may need to encourage demand.
- Pressure on wage inflation should reduce as employers adjust processes and invest capital to reduce their dependence on labour. Organised labour is relatively weak by historical standards.
- Equities may struggle to generate above-average returns in 2022. European equities could make up lost ground with their US peers, while the wide valuation gap between value and growth stocks and the prospect of higher interest rates suggest that value stocks could begin to reverse their underperformance.
- While intransigent inflation is likely to lead the US Federal Reserve to raise policy rates several times in 2022, the cycle of rises is likely to be short; Eurozone rates are unlikely to rise until 2023. The increase in longer-term US Treasury bond yields will be limited by capped inflation expectations and the size of the Fed's balance sheet keeping real yields low.

Shooting the Rapids: The Investment Outlook for 2022 is available on BNPP AM's website, here: <https://www.bnpparibas-am.nl/professionele-belegger/outlooks-research/investment-outlook2022/>.

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Sustainability is embedded within BNPP AM's strategy and investment decision-making. Among the leaders in thematic investment in Europe, BNPP AM contributes to the energy transition, environmental sustainability and the promotion of equality and inclusive growth. BNPP AM currently manages EUR 502 billion of assets (EUR 634 billion of assets under management & advisory) and benefits from the expertise of around 500 investment professionals and over 400 client servicing specialists, serving individual, corporate and institutional clients in 69 countries.

Source: BNPP AM, as at 30 September 2021

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As at December 2021.



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