

# FIXED INCOME ALLOCATION



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

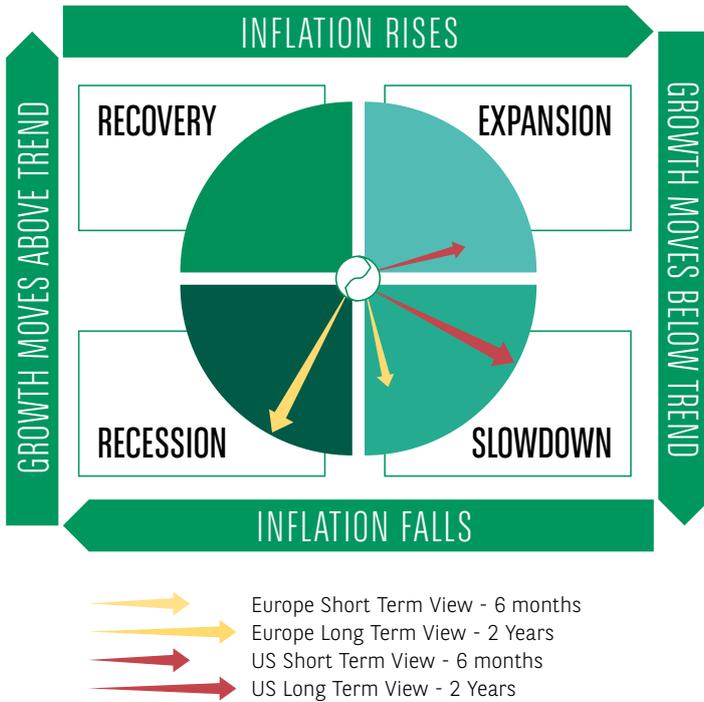


**BNP PARIBAS  
ASSET MANAGEMENT**

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



- We see increasing divergence between countries in our outlook for global growth. Among advanced economies, the US economy is stronger than previously forecast in part due to continued strength in domestic demand.
- While many of the shifts in policy under the incoming US administration are hard to quantify precisely, they are likely to push inflation higher in the near term relative to our baseline forecast.
- Growth in the euro area is likely to increase only modestly in the first quarter. Headwinds include weak momentum, particularly in manufacturing, weak consumer confidence, and persistent negative effects of higher energy prices.

## 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:

- Central banks should continue to loosen monetary policy in all advanced economies except Japan. The timing and extent of rate cuts will remain data-dependent, with the objective of ensuring that underlying inflationary pressures are fully contained.
- We are however more cautious about the likelihood of further rate cuts in the near term in the US, although we do expect a lowering of the Fed funds rate by year end. We still expect the ECB to undertake at least four more rate cuts this year
- We have increased our interest rate risk globally given the more attractive yields on offer in the first weeks of 2025
- We overweight absolute return and flexible strategies to take advantage of fixed income volatility and increasing cross-asset dispersion.
- We underweight both high yield, in particular in Europe, due to the poor outlook for growth and emerging market debt because of the uncertainty about the US monetary cycle. We prefer US mortgage-backed securities instead.

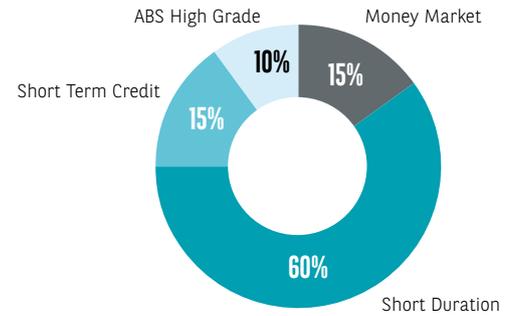
# DEFENSIVE ALLOCATION

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

## STRATEGIES CONSIDERED

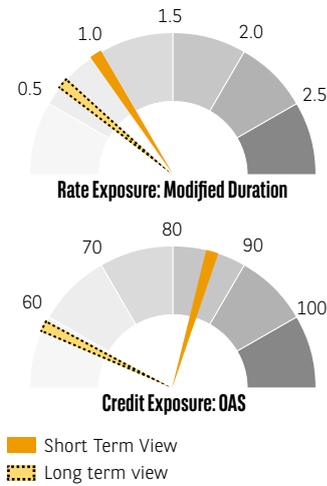
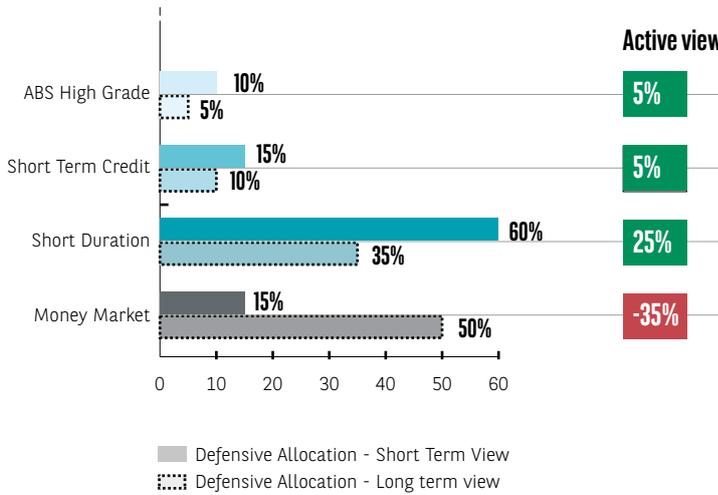
- **Money Market**
- **Short Duration:** Aggregate flexible strategies in long short and long only with a maximum duration of 3.
- **Short Term Credit:** IG & HY active strategies with a maximum duration of 3
- **ABS High Grade:** AAA and Investment Grade ABS in floating rates

### 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
<b>Long term view</b>	1,50	3,37%	0,66	59,37	A	3,66%	0,36%	-0,01%
<b>Short Term View</b>	<b>1,85</b>	<b>3,61%</b>	<b>0,96</b>	<b>85,36</b>	<b>A</b>	<b>4,09%</b>	<b>0,57%</b>	<b>-0,08%</b>

Source: Internal BNPP AM - December 2024  
 Source effective rating: S&P rating  
 SRI: Summary Risk Indicator

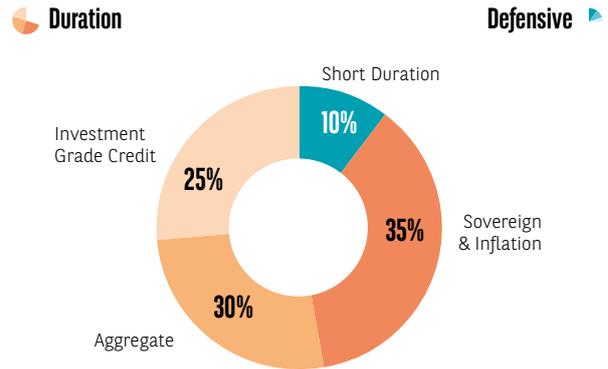
# DURATION ALLOCATION

2<sup>nd</sup> Allocation to increase the duration of your exposition to rates

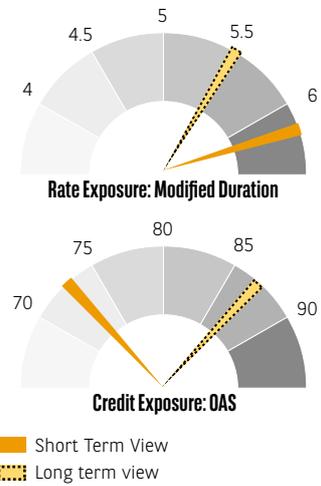
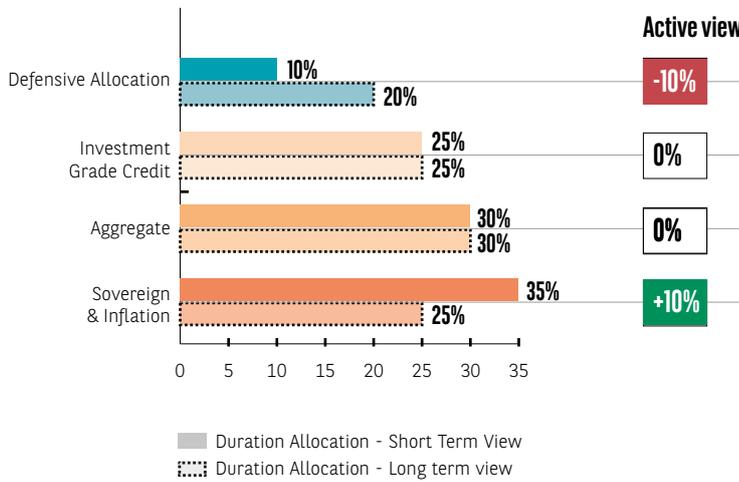
## STRATEGIES CONSIDERED

- **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
<b>Long term view</b>	2,83	4,21%	5,55	87,28	A-	2,45%	4,33%	-2,29%
<b>Short Term View</b>	<b>2,73</b>	<b>3,71%</b>	<b>6,21</b>	<b>73,11</b>	<b>A</b>	<b>1,96%</b>	<b>4,84%</b>	<b>-2,95%</b>

Source: Internal BNPP AM - December 2024

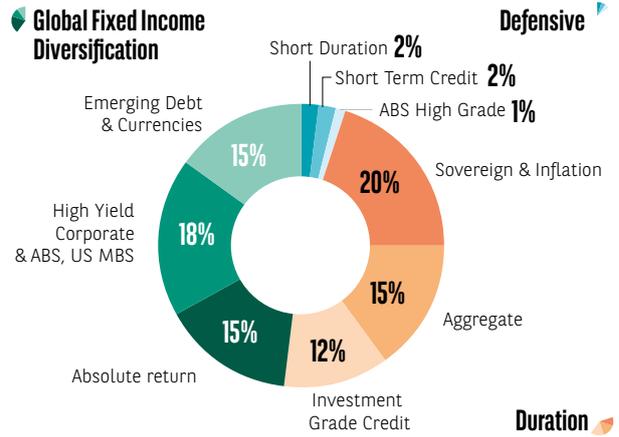
# GLOBAL FIXED INCOME ALLOCATION

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

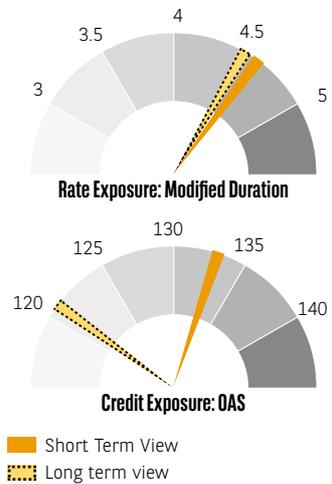
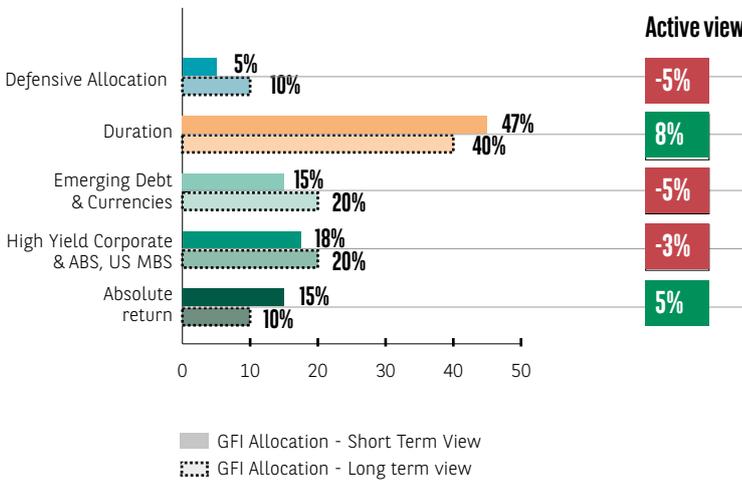
## STRATEGIES CONSIDERED

- **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	4,79%	4,51	133,16	A	4,28%	3,88%	-1,91%
Short Term View	<b>2,66</b>	<b>4,49%</b>	<b>4,69</b>	<b>121,09</b>	<b>A</b>	3,77%	3,94%	-1,98%

Source: Internal BNPP AM - December 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	2,99%	0,19	19	A+	3,45%	0,06%	-
Short Duration	2,00	3,32%	1,02	60	A-	4,28%	0,50%	-0,06%
Short Term Credit	2,00	5,12%	2,01	228	BBB-	6,15%	1,81%	-0,44%
ABS High Grade	2,00	3,98%	0,13	122	AA+	6,36%	0,38%	-0,03%
Sovereign & Inflation	3,00	2,78%	7,84	50	A+	1,30%	5,86%	-4,61%
Aggregate	2,25	3,26%	6,86	48	AA	2,35%	5,14%	-3,88%
Investment Grade Credit	2,40	4,26%	5,22	119	BBB+	6,16%	4,77%	-2,23%
Absolute return	2,00	3,61%	0,00	52	A	3,53%	1,48%	-0,54%
High Yield Corporate & ABS, US MBS	3,00	6,06%	2,90	277	BBB+	7,88%	3,61%	-2,07%
Emerging Debt & Currencies	3,30	7,36%	5,78	171	BBB+	8,57%	6,31%	-3,49%

Source: Internal BNPP AM – December 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](http://www.bnpparibas-am.com)

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

BNP PARIBAS ASSET MANAGEMENT Europe, "the investment management company", is a simplified joint stock company with its registered office at 1 boulevard Haussmann 75009 Paris, France, RCS Paris 319 378 832, registered with the "Autorité des marchés financiers" under number GP 96002.

This material is issued and has been prepared by the investment management company.

This material is produced for information purposes only and does not constitute:

1. an offer to buy nor a solicitation to sell, nor shall it form the basis of or be relied upon in connection with any contract or commitment whatsoever or
2. investment advice.

This material makes reference to certain financial instruments authorised and regulated in their jurisdiction(s) of incorporation.

No action has been taken which would permit the public offering of the financial instrument(s) in any other jurisdiction, except as indicated in the most recent prospectus of the relevant financial instrument(s), or on the website (under heading "our funds"), where such action would be required, in particular, in the United States, to US persons (as such term is defined in Regulation S of the United States Securities Act of 1933). Prior to any subscription in a country in which such financial instrument(s) is/are registered, investors should verify any legal constraints or restrictions there may be in connection with the subscription, purchase, possession or sale of the financial instrument(s).

Investors considering subscribing to the financial instrument(s) should read carefully the most recent prospectus and Key Information Document (KID) and consult the financial instrument(s)' most recent financial reports.

These documents are available in the language of the country in which the financial instrument(s) is authorised for the distribution and/or in English as the case may be, on the following website, under heading "our funds": <https://www.bnpparibas-am.com/>

Opinions included in this material constitute the judgement of the investment management company at the time specified and may be subject to change without notice. The investment management company is not obliged to update or alter the information or opinions contained within this material. Investors should consult their own legal and tax advisors in respect of legal, accounting, domicile and tax advice prior to investing in the financial instrument(s) in order to make an independent determination of the suitability and consequences of an investment therein, if permitted. Please note that different types of investments, if contained within this material, involve varying degrees of risk and there can be no assurance that any specific investment may either be suitable, appropriate or profitable for an investor's investment portfolio.

Given the economic and market risks, there can be no assurance that the financial instrument(s) will achieve its/their investment objectives. Returns may be affected by, amongst other things, investment strategies or objectives of the financial instrument(s) and material market and economic conditions, including interest rates, market terms and general market conditions. The different strategies applied to financial instruments may have a significant effect on the results presented in this material. Past performance is not a guide to future performance and the value of the investments in financial instrument(s) may go down as well as up. Investors may not get back the amount they originally invested.

The performance data, as applicable, reflected in this material, do not take into account the commissions, costs incurred on the issue and redemption and taxes.

You can obtain this by clicking here:

[www.bnpparibas-am.fr/investisseur-professionnel/synthese-des-droits-des-investisseurs](http://www.bnpparibas-am.fr/investisseur-professionnel/synthese-des-droits-des-investisseurs) a summary of investor rights in French. BNP PARIBAS ASSET MANAGEMENT FRANCE may decide to discontinue the marketing of the financial instruments, in the cases covered by the applicable regulations.

"The sustainable investor for a changing world" reflects the objective of BNP PARIBAS ASSET MANAGEMENT France to integrate sustainable development into its activities, although not all funds managed by BNP PARIBAS ASSET MANAGEMENT France fulfil the requirement of either Article 8, for a minimum proportion of sustainable investments, or those of Article 9 under the European Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR). For more information, please see [www.bnpparibas-am.com/en/sustainability](http://www.bnpparibas-am.com/en/sustainability).

# VIEWPOINT



**BNP PARIBAS**  
**ASSET MANAGEMENT**

**The sustainable  
investor for a  
changing world**