GENERAL INVESTMENT CLIMATE

The Economy

Hold your horses! While everybody thought we were out of the woods, Omicron is here to tell you otherwise. The newest Covid variant, supposedly originating in South Africa, promises to be more contagious than the feared Delta variant but also less severe. Nevertheless, European countries are increasing social restrictions once again, with the Netherlands completely shutting down for at least a month until the end of January. So far markets don't seem to fear the seasonal doom and gloom. The impact on the economy might all in all indeed be limited. Or so we all hope.

What hasn't been limited is inflation. Worldwide, one stratospheric inflation number after the other is reported. Numbers not seen since the 1970's and beware that inflation measurement now is a bit more relaxed than it was back then.

The latest CPI numbers in Europe's largest economies came in at around 5% with exception of France and Italy whose CPI numbers came in at 2.8% and 3.8% respectively. In the US, CPI came in at 6.8%. Now, producer price indices rose even more drastically. This doesn't necessarily mean these will translate one on one into the consumer price index right away but over time it surely will. Spain's saw a 31.9% rise in its PPI index in November while Germany's rose 19.2% on a year over year basis.

The ECB finds itself in a pickle. Lagarde still holds on to a transitory inflation narrative while promising to keep rates at current low levels in 2022. Germany's new Bundesbank chief Joachim Nagel might be a bit disappointed by that stance. Meanwhile the European gas prices have soared several hundred percentage since the beginning of this year measured by Dutch gas futures. A European energy crisis might unfold. Nuclear energy to the rescue?

Most other central banks are changing their tone since our last quarterly report. The Fed has dropped the word "transitory" and indicates raising rates in 2022.

The Bank of England in turn, surprised markets by hiking 0.25 basis points after previous comments that they wouldn't. With all of this inflation hysteria going on, main bond market curves are flattening, meaning the markets indeed think that inflation is transitory on a long enough time frame.

In China, the Evergrande fiasco and by extension the real estate market fiasco seems to have reached final innings. Evergrande has been declared in default by major rating agencies. The whole Chinese real estate market has been downgraded 127 times among the three big rating agencies this year. While most downgrades were related to riskier developers, not many investment grade Chinese real estate companies are left anymore.

Global demand is still high, and the supply chains are still impacted. Transport companies continue to see record profits due to high transport rates while onshoring or nearshoring projects have been intensified by several companies. But it is not only transport companies that enjoy record profits. The service sector as a whole has picked up from the Covid throughs. Next year will see a record number of dividend distributions because of record profits in 2021. No wonder champagne is getting more expensive as well.

Currency and Money Markets
The spectacular fall of the Turkish lira is the most noteworthy topic in currency markets. The lira trades at 0.08 euro after trading at 5 eurocents earlier in December and coming from 12 eurocent in the beginning of this year. The euro did finally lost some ground against the US dollar and now trades around 1.13.

In the money markets, things are still moving. The US 10-year yield traded at 1,70% for a moment in October and has since lost ground towards 1,5% again. The yield on the Dutch note moved similar in the past months. With the FED communicating rate hikes, the US 2-year moved considerably from 0.20% to 0.70% today.

Stock Markets

Table 1.1 - General

	31/dec/21	30/sep/21 - 3 mnth	30/jun/21 - 6 mnth	31/mrt/21 - 9 mnth	31/dec/20 - 12 mnth
AEX	797,93	3,37%	9,38%	14,01%	27,75%
BEL20	4310,15	3,64%	4,46%	10,53%	19,02%
DAX	15884,86	4,09%	2,28%	5,84%	15,79%
EU50	4298,41	6,18%	5,76%	11,18%	20,99%
DJ	36338,30	7,37%	5,32%	10,18%	18,73%
SP500	4766,18	10,65%	10,91%	19,97%	26,89%
Nasdaq	15644,97	8,28%	7,87%	18,10%	21,39%
EUR/USD	1,13	-2,42%	-4,71%	-3,67%	-7,51%
Euribor 3 months	-0,57	-0,03	-0,02	-0,03	-0,03
NL govt 10 year	-0,03	0,05	0,07	0,21	0,45

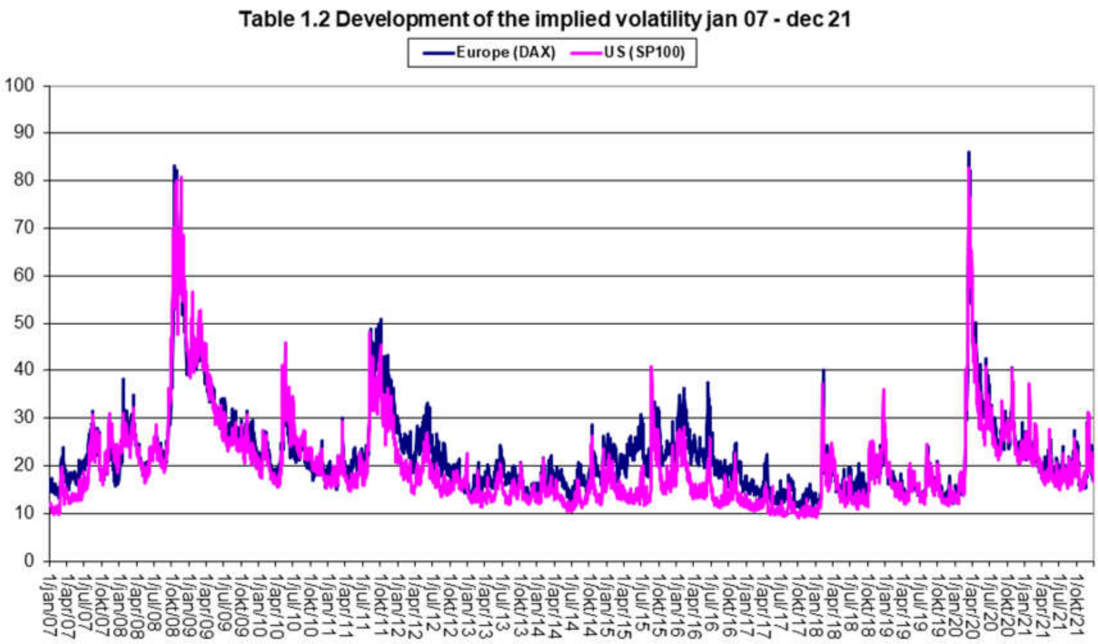
In case you were wondering, yes, we recently could turf another all-time high in the most watched stock market index, the S&P500. Other indexes are generally trading close to all time highs as well. The FTSE 100 recently made new all-time highs, they were only just above levels last seen in February 2020 and thus significantly trailing other major indices. Underlying, many non-profitable companies have continued to take hits. Not everything is going up any more like it was the case at the beginning of this year.

In the meantime, many Chinese companies shun back from a US listing. Major Chinese Uber counterpart Didi even announced a delisting 5 months after the IPO in New York and pursues an Hong Kong listing instead, while forbidding employees to sell shares indefinitely.

SPAC deals have cooled off a bit from their high early this year but there are still a decent number of companies getting listed this way. The most recent example being Italy’s fashion house Zegna that is looking for a New York listing.

Implied Volatility

In mid-December, the market was once again startled by the latest Covid variant, but this panic attack also proved to be short-lived. Meanwhile, the vix is again trading below the magic number 20.



The Long Term

The AEX index is still above the 200-day moving average, but the gap mentioned in previous reports has since closed.