

PRESS RELEASE

BNP Paribas Wealth Management presents its five most relevant investment themes for 2023

The five investment themes for 2023 focus on new income sources, strategies to embrace market volatility, responses to the energy crisis, long-term opportunities going beyond the inflation and rates peak, and the energy transition.

“Investors looking for generous and secure yields have access to a large choice of solutions today. The elevated market volatility regime that we are seeing is not about to change. We have entered a new era of structurally higher inflation and greater uncertainty than in previous decades. Inflation and interest rates will decline from current decade highs. Finally, persistently high energy costs will encourage accelerated investment in energy transition and efficiency,” says Edmund Shing, Global Chief Investment Officer, BNP Paribas Wealth Management.

FIVE INVESTMENT THEMES FOR 2023

THEME 1 – Seizing new income opportunities: from TINA to TARA

After years of loose monetary and fiscal policies, bond yields fell to nearly 0% or even below zero and investors had no choice but to invest in equities to find reasonable returns. Those days are now past. The recent dramatic surge in bond yields and the widening of credit spreads have created some new interesting opportunities in the bond segment.

We recommend a cross-asset theme (bonds and equities):

- US government bonds for dollar investors and long-term UK government bonds.
- Investment Grade corporate bonds in the US and in the Eurozone.
- Unconstrained bond funds.
- Equities, with a focus on solid companies that deliver growing dividends.
- Income-focused structured products.

THEME 2 – Embracing market volatility

The year 2022 will rank as one of the highest years in decades for volatility in global bond and foreign exchange markets, given the uncertainty around interest rates and the question of when inflation would peak. In addition, global equities entered a bear market and are experiencing higher volatility amidst mounting fears about the extent of a potential recession.

This environment is creating enhanced opportunities for investing in:

- Cross-asset structured solutions.
- Global macro and trend-following strategies.
- Gold that could shine again as inflation peaks.
- Higher quality companies with raising dividends.

THEME 3 – Investing in a new era

The COVID-19 pandemic, the ensuing economic stimulus and escalating geopolitical tensions have ushered in a new environment of high inflation, largely on the back of a shortage of cheap energy, sharply rising interest rates, and a reversal of globalisation in favour of nearshoring. These shifts are structural in nature and the new economic era require a completely different investing mind-set.

We see investment opportunities in:

- Reuse and recycling of goods and services via investment in circular economy leaders.
- Energy security (energy transportation and storage infrastructure, battery metals, renewable energy generation, hydrogen economy).
- Food security and water efficiency (more effective water irrigation and desalinisation, companies which combat food waste).
- Technology security: cybersecurity, semiconductors, satellites.
- Industrial automation.

THEME 4 – Looking through the inflation and rates peak

Long-term investors should look beyond the peak in inflation and policy rates to the investment opportunities that lower inflation and long-term rates can offer.

This theme focuses on Equities and Fixed Income. Spreads and yields on Investment Grade credit now offer attractive opportunities in:

- Quality stocks with strong cash flow and solid balance sheets which should allow companies to take advantage of easing input costs.
- Luxury brands which can easily raise their prices without lowering their sales volumes.
- Businesses that ramp up Capex both in digitalisation and automation in a bid to adapt to a tightening labour market, and in security to mitigate risks from cybercrime.
- Emerging market equities that could benefit from a weaker dollar in 2023.

THEME 5 – Accelerating energy efficiency

In the context of global warming, tensions with Russia and soaring fossil fuel prices, the race to find alternative solutions to curb energy spending and reduce greenhouse gas emissions is needed.

We prefer equity solutions for this theme (direct lines, funds and trackers) as well as private equity funds investing in energy infrastructure. This theme has several sub-themes, such as insulation, smart control systems for lighting and signalling, renewable energies and technologies that capture or recycle carbon dioxide.

About BNP Paribas Wealth Management

BNP Paribas Wealth Management is a leading global private bank and the largest private bank in the Eurozone with €408 billion worth of assets under management as at September 2022. Present in three hubs in Europe, Asia and the United States, it employs over 6,800 professionals who support

High-Net-Worth, Ultra-High-Net-Worth individuals, entrepreneurs and leading families in protecting, growing and passing on their assets. The bank aims at building a sustainable future by combining its deep expertise and reach with its clients' influence and desire for impact.

<https://wealthmanagement.bnpparibas/en.html>

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