



# OUTLOOK 2022

« *A silver lining* »

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19.11.2021



# EQUITY OUTLOOK 2022

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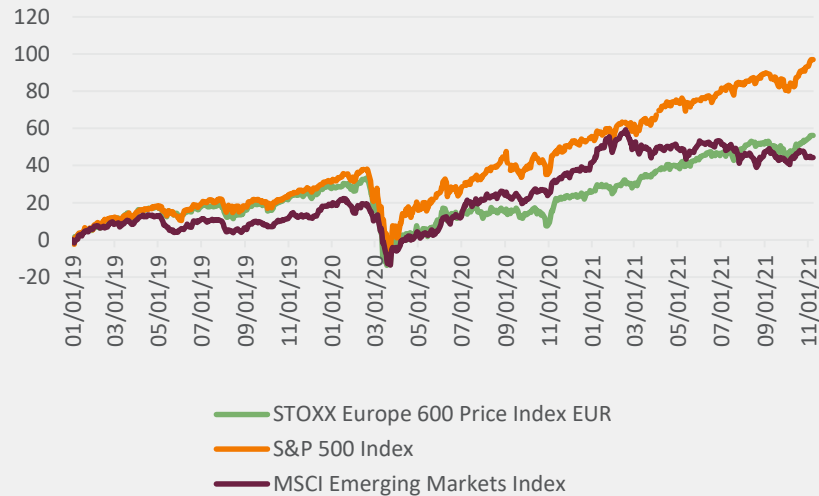
Johan Van Geeteruyen  
*CIO Fundamental Equity DPAM*



# ALL GOOD THINGS COME IN THREES

*A mixed picture – daily infections per 100.000 people*

## *Equity rally*



Source: Seven days averages. Johns Hopkins University, Berenberg – 01/11/2021

Last three years equity markets' tailwinds ...

- Loose monetary policy already started in 2019 but became ultra-loose in 2020 due to covid
- We needed a worldwide crisis to see fiscal policy finally activated
- Loose financial conditions
- Vaccination gaining momentum throughout 2021



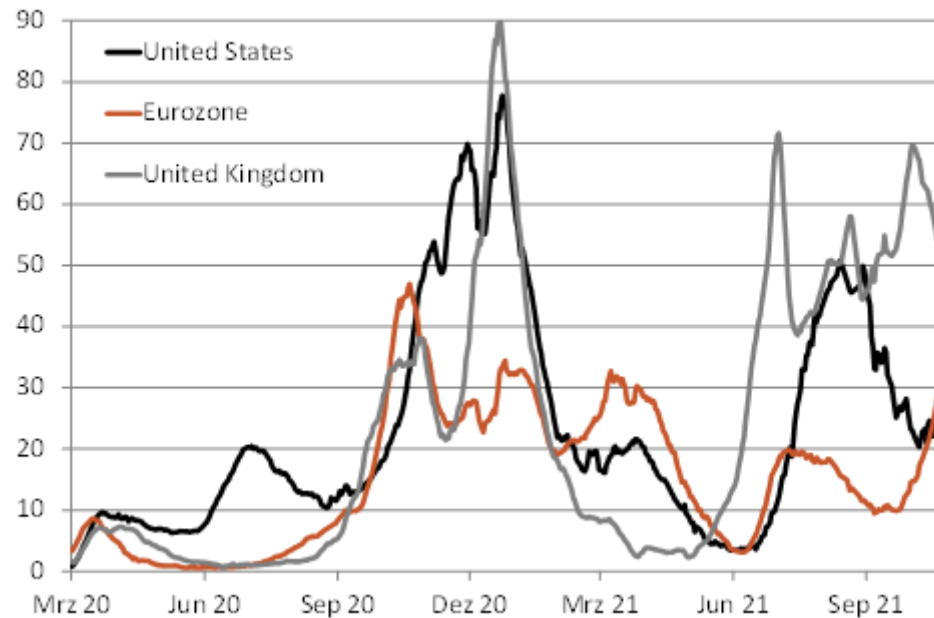
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# A MYRIAD OF CONCERNS APPEARED



# COVID REMAINS AN ISSUE ...

*A mixed picture – daily infections per 100.000 people*



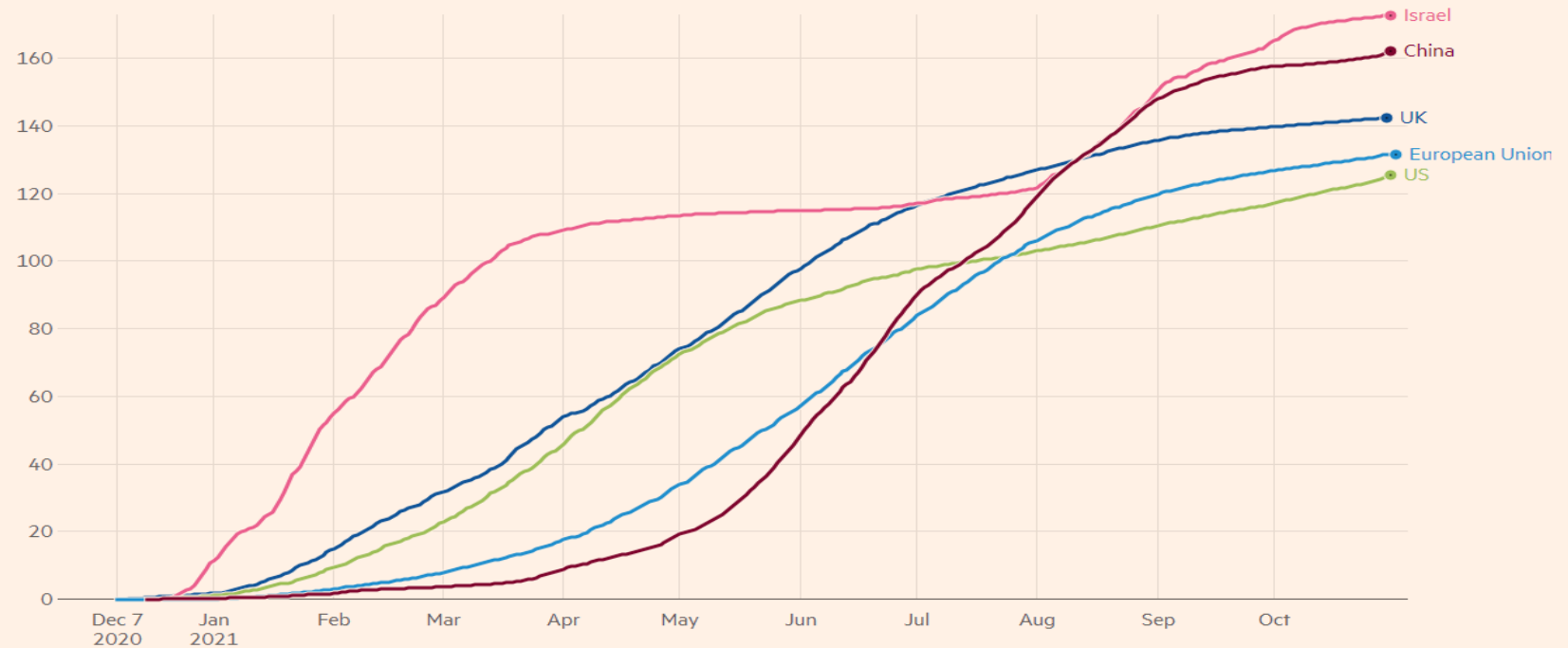
Source: Seven days averages. Johns Hopkins University, Berenberg – 12/11/2021



# BUT **VACCINATION** MOMENTUM STILL POSITIVE ...

Vaccination doses administered in UK, Israel, US, European Union and China

Cumulative doses administered per 100 residents



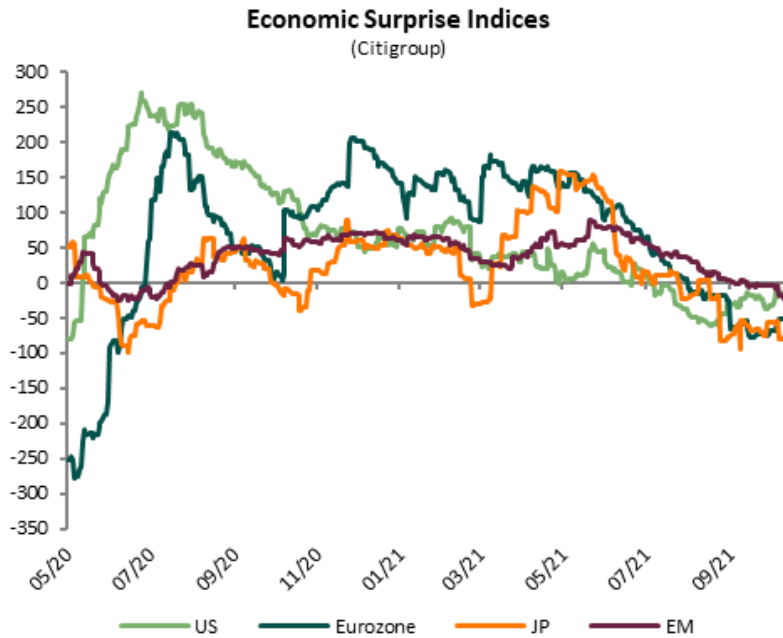
Some daily figures are estimates based on incomplete cumulative data.  
Source: Our World in Data, World Health Organization, national sources, FT research.  
Data updated November 1 2021 6.10pm GMT. Interactive version: [ft.com/covid-vaccine](https://www.ft.com/covid-vaccine)

Source: FT





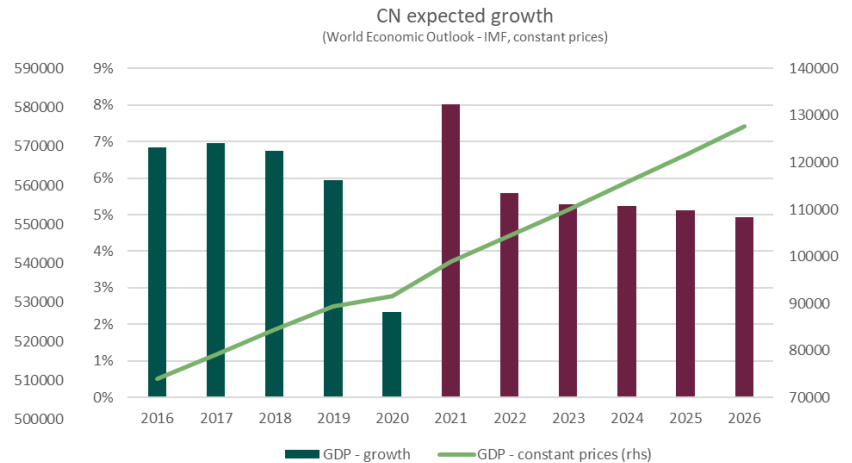
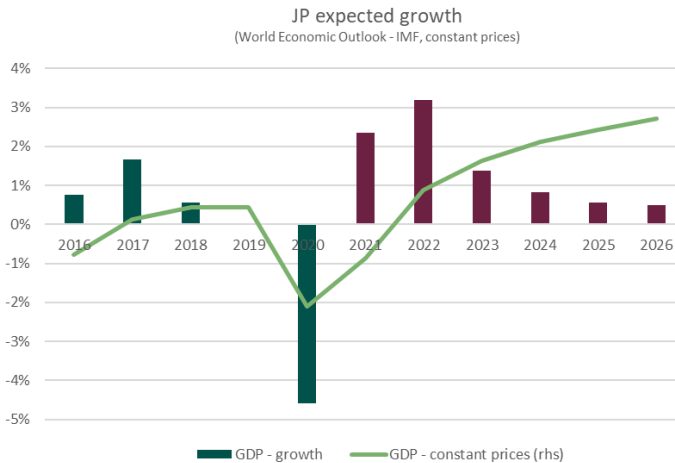
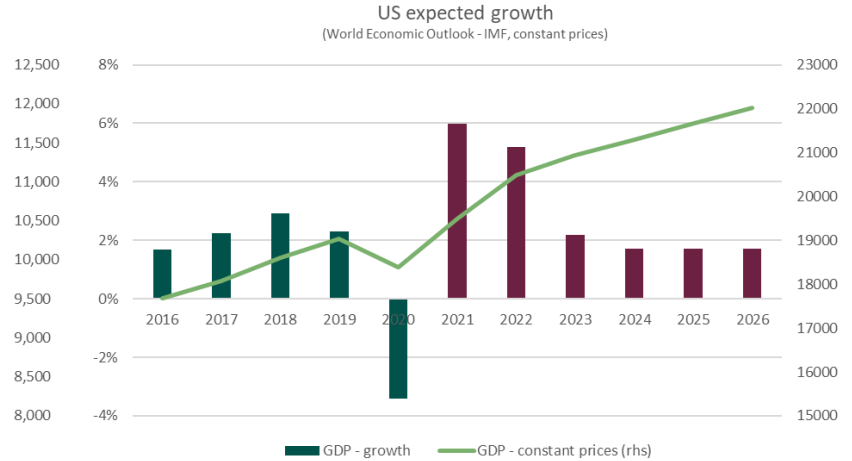
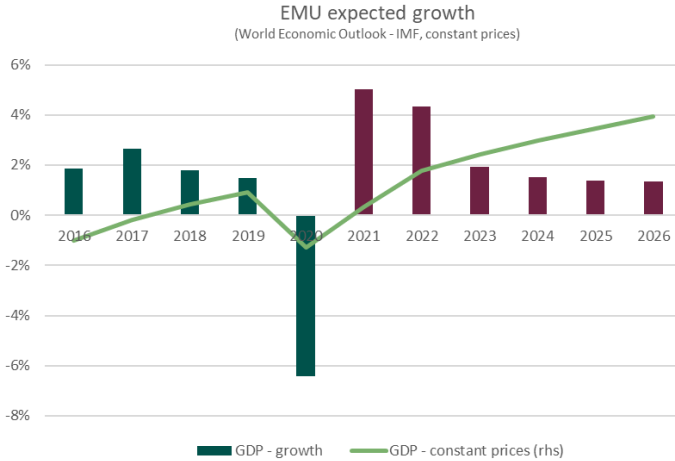
# ECONOMIC INDICATORS HAVE PEAKED ...



Source: Factset, DPAM - 04/11/2021



# BUT **GROWTH** WILL REMAIN ABOVE TREND IN 2022



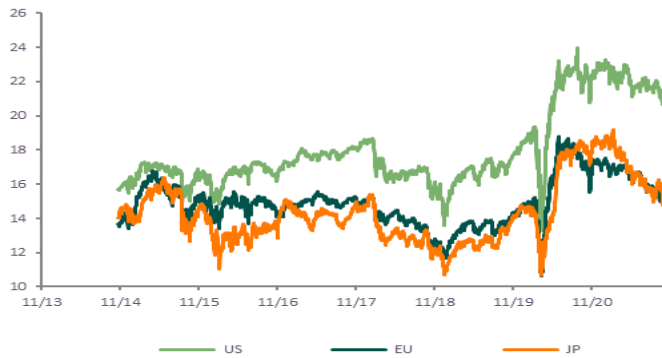
Source: DPAM – 05/11/2021



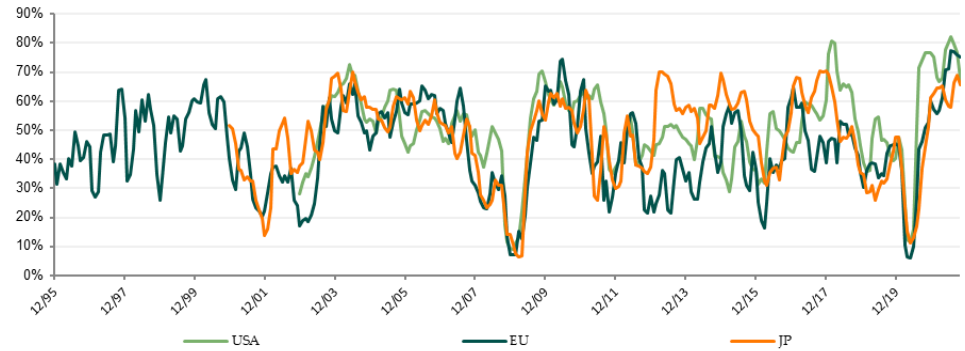


# VALUATIONS NOT CHEAP, ERM PEAKING, ...

PE MSCI US, EU and JP



% 3m ERM that are positive

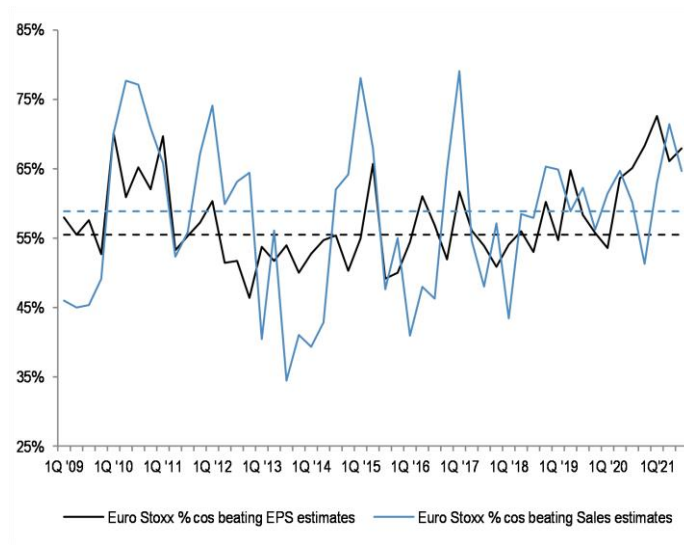


Source: DPAM – 08/11/2021

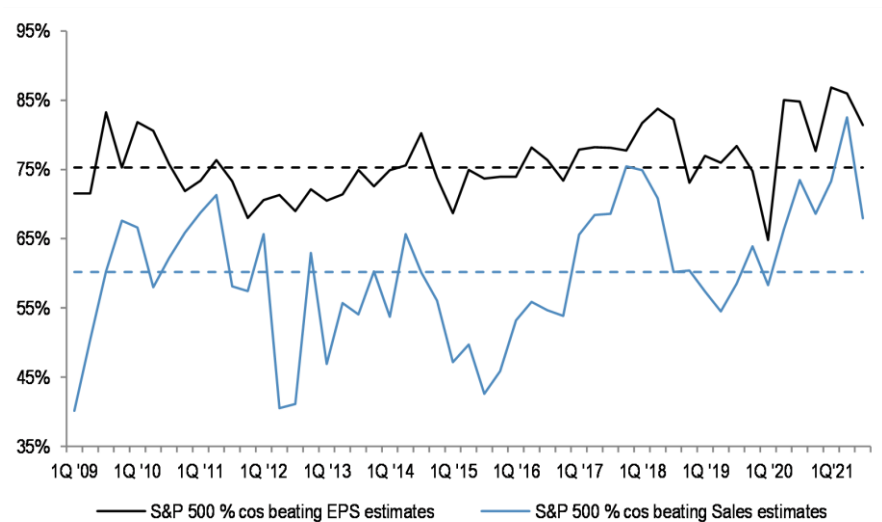


# BUT **Q3 EARNINGS** SURPRISED TO THE UPSIDE ... AGAIN!

**% of EuroStoxx companies beating quarterly EPS & Sales estimates**



**% of S&P 500 companies beating quarterly EPS & Sales estimates**

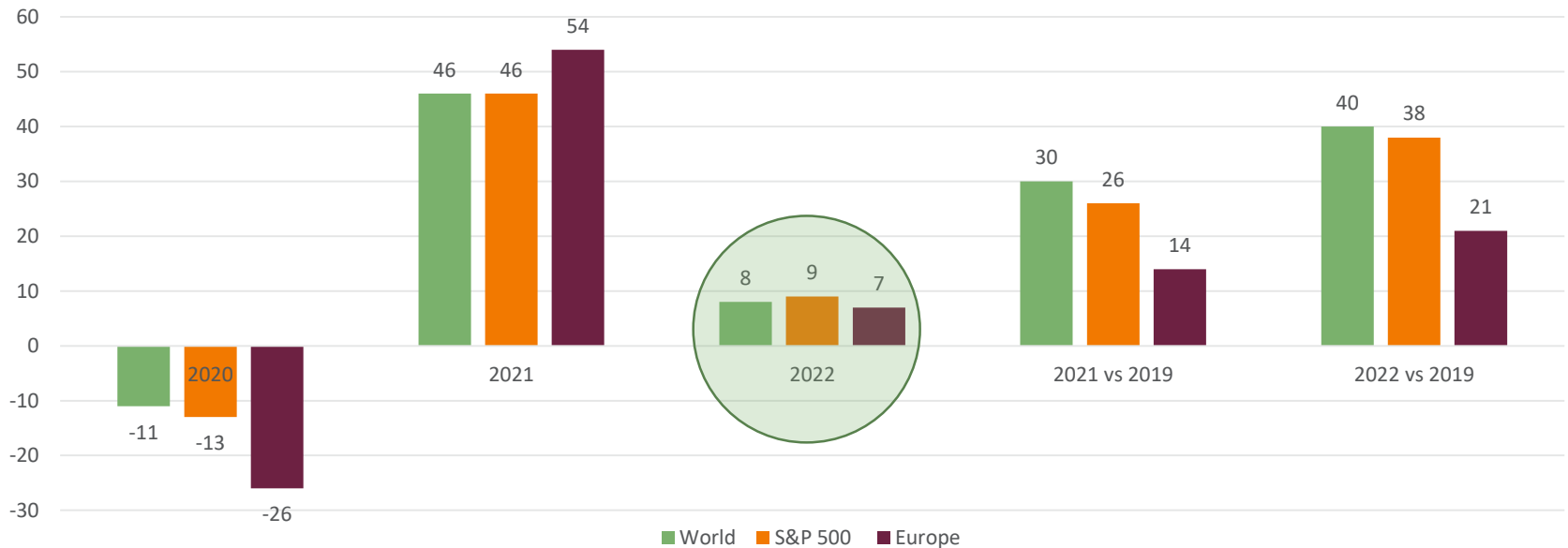


Source: Bloomberg Finance L.P., J.P. Morgan, dotted lines denote median EPS and sales beats – 12/11/2021



# EARNINGS EXPECTATIONS 2022 SEEM TOO LOW ...

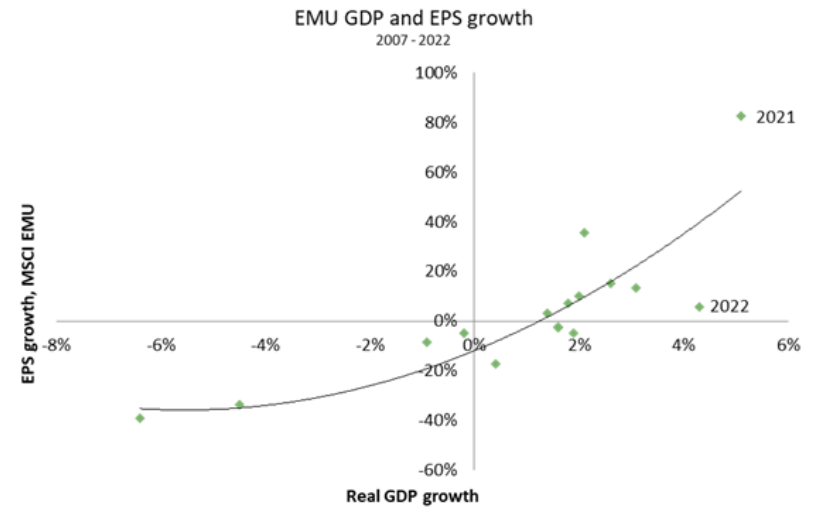
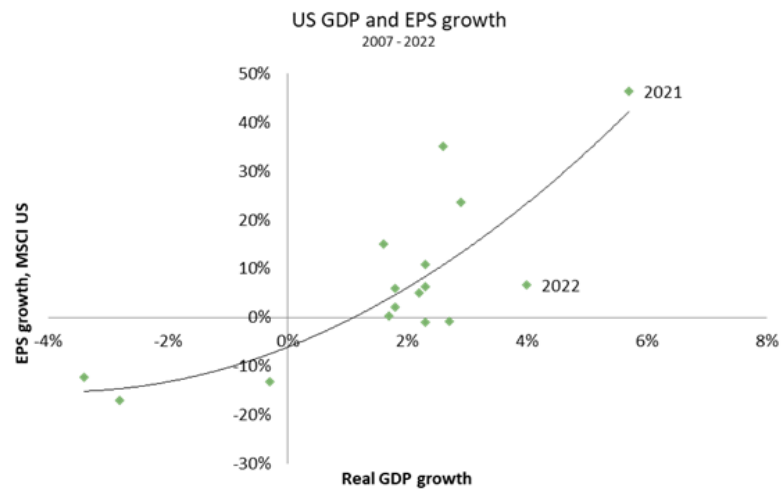
*Consensus EPS growth decelerates to c. 8%*



Source: Factset, DPAM – 04/11/2021



# AMPLE ROOM TO BE REVISED **UPWARDS**



Source: DPAM, Quantitative Equity Strategy, FacSet, Bloomberg. 08/11/2021



# SUPPLY CHAIN SHORTAGES ...

**Inventory Levels: Skew Between "Too High" and "Too Low" Is Now the Lowest Reading In Survey History**



Source: AlphaWise, Morgan Stanley Research. Bars represent the difference between the percentage of respondents who believe inventories are too high vs. Too low, 19/10/2021

**Backlogs and bottlenecks: supply chain turmoil**  
Suppliers' delivery times in the US and EU have slowed considerably — a lower index reflects longer delivery times.  
(Manufacturing PMI, suppliers' delivery times)



Source: IHS Markit – 19/10/2021

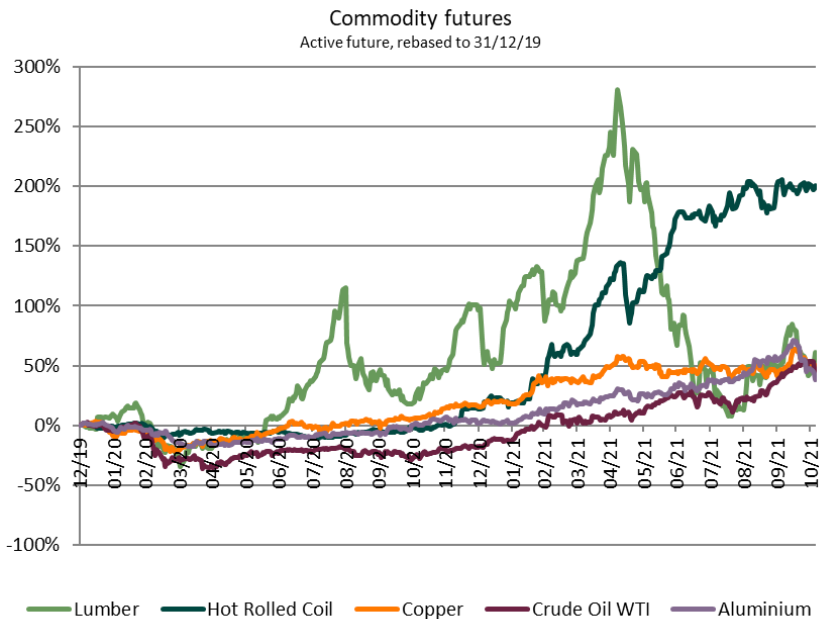
Note – PMIs Purchasing Managers' Index. Readings above 50 indicate faster delivery times, readings at 50 signal no change, and reading below 50 indicate slower.



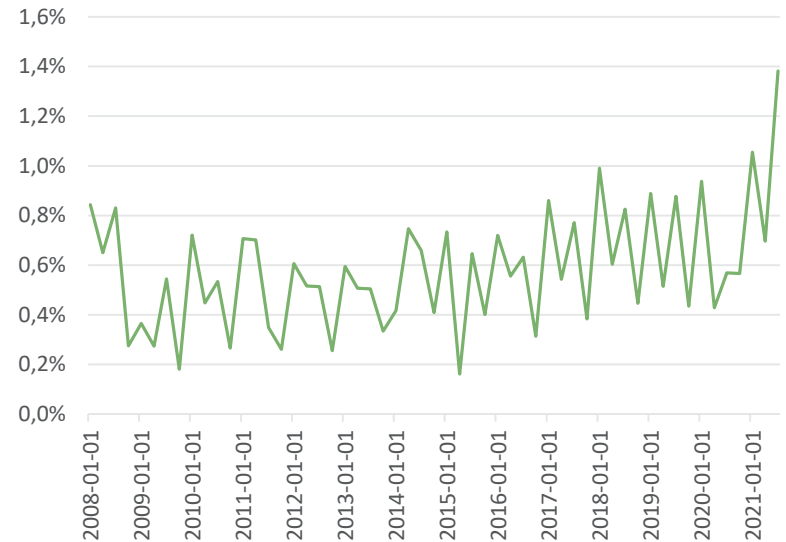
Source: AlphaWise, Morgan Stanley Research – 19/10/2021



# AND RISING INPUT PRICES CREATE A CHALLENGE ...



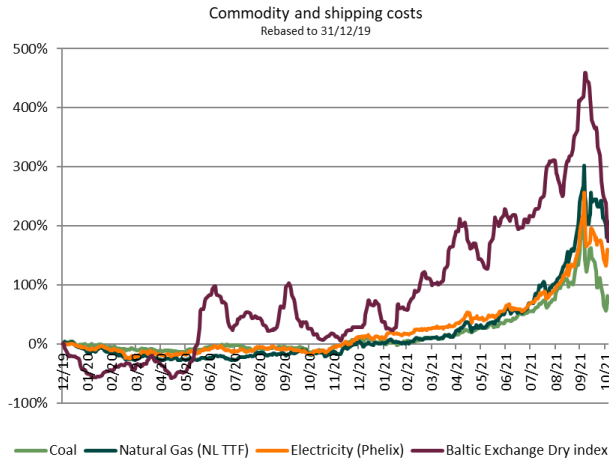
Employment cost index (qoq change)



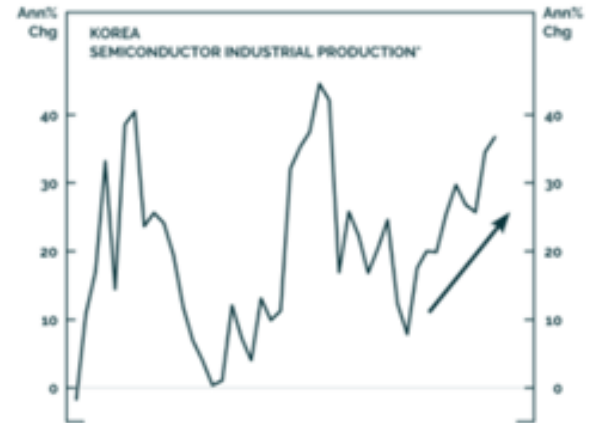
Source: Factset, DPAM – 04/11/2021



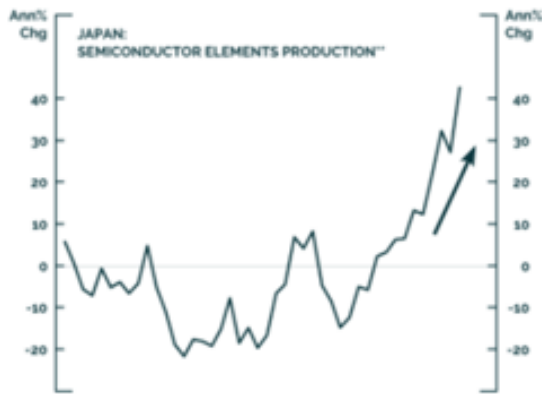
# BUT FIRST SIGNS OF RELIEF SHOWING UP



Source: Factset, DPAM – 04/11/2021



Source : Statistics Korea



Source : METI

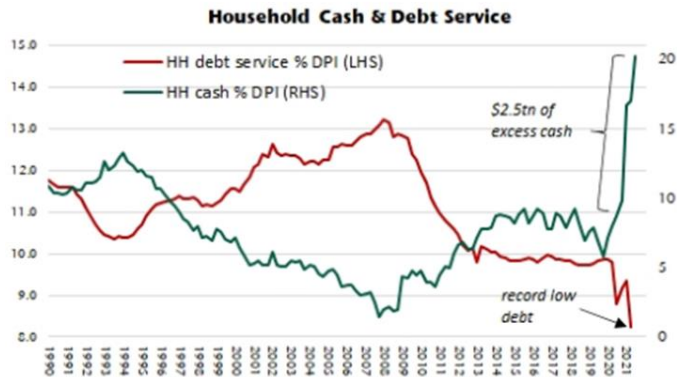


Source : DRAMEXCHANGE



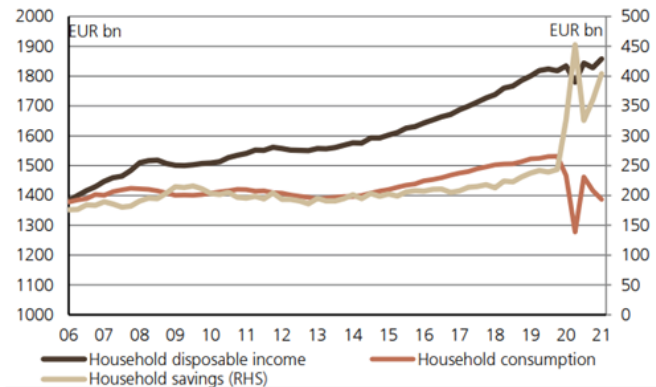


# AND PENT-UP DEMAND STILL IN THE CARDS ...



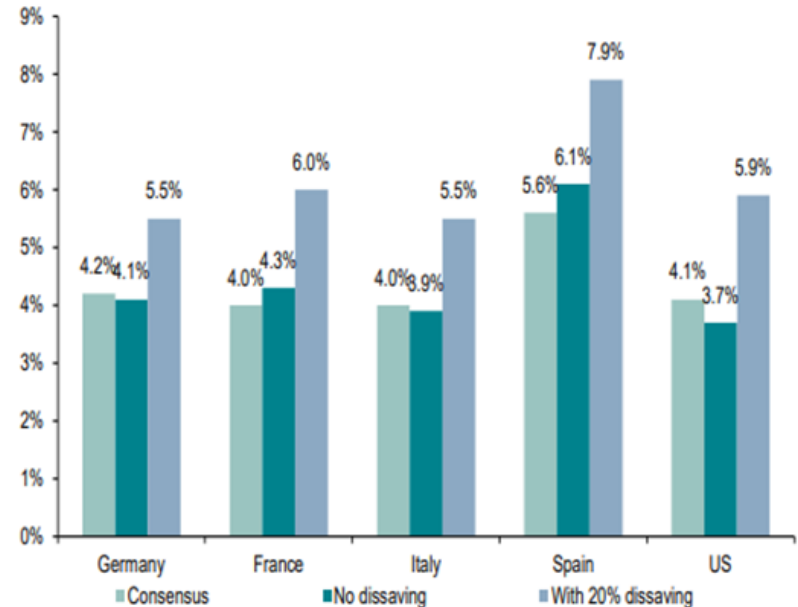
Source: Haver, JEF Economics – 08/11/2021

**Figure 2: Households' disposable income, consumption and savings (€bn)**



Source: Haver, UBS – 08/11/2021

Growth could be stronger than expected if households dissave in 2022

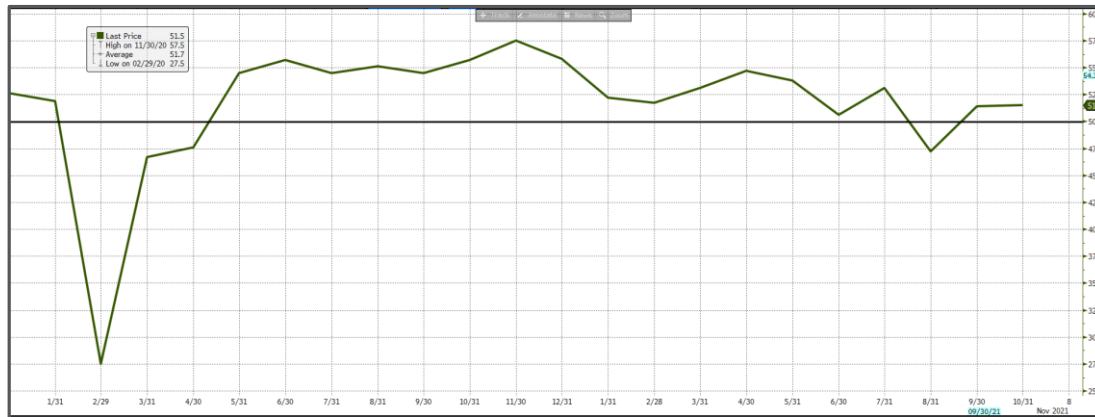


Source: Exane - 04/11/2021



# CHINA DE-RATED DUE TO GROWTH DECELERATION

Caixin China Composite PMI



Source: Bloomberg, DPAM – 01/11/2021

Premium/discount China equity market



Source: Bloomberg, DPAM – 01/11/2021

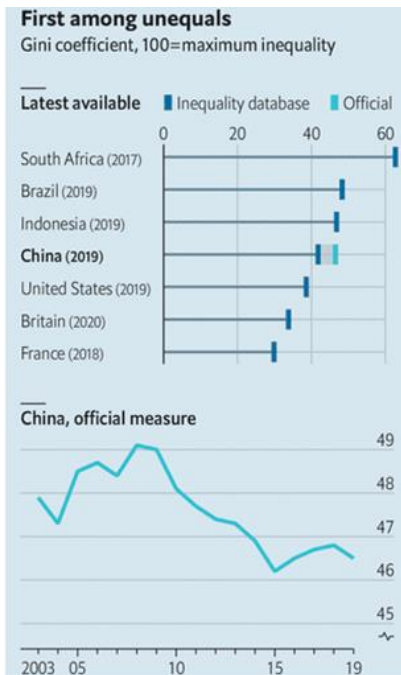
$$(0.66 \times \text{CSI 300} + 0.34 \times \text{HSI}) / \text{MSCI World}$$



# AND REGULATION ...

	What it is about	Event	Timeline	Consequences
<b>Regulation</b>	<b>Data security</b>	Data Security Law (DSL) Personal Information Protection Law (PIPL)	Effective 1 September Coming quarters	On the ability to collect and use consumer data
	<b>Digital content</b>	Draft regulation for promoting honesty among agents of online content producers	January 2022	On the ability to monetise the streaming industry
	<b>Anti-trust</b>	Regulator issuing draft 'forbidding unfair online competition via technical means'	Feedback requested by 15 September	
<b>Governance</b>	<b>Government control</b>	Government takes stake and board seat at Byte Dance	In the coming months, a template for internet firms?	Creating golden shares to give the government power to veto decisions?
<b>Cycle</b>	<b>The economy</b>	Consumer and housing slowdown: tourism, housing, automobile, etc.	The second half	Cyclical headwind on top of regulatory uncertainty

Source: SG Cross Asset Research/Equity Strategy

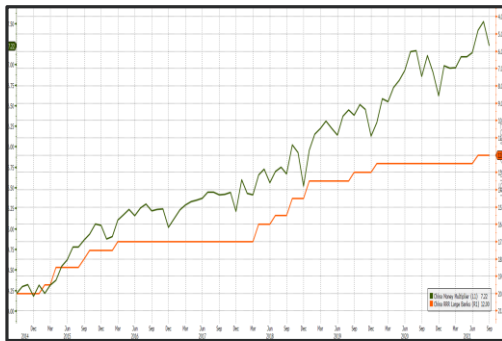


Source: Exane – 04/11/2021



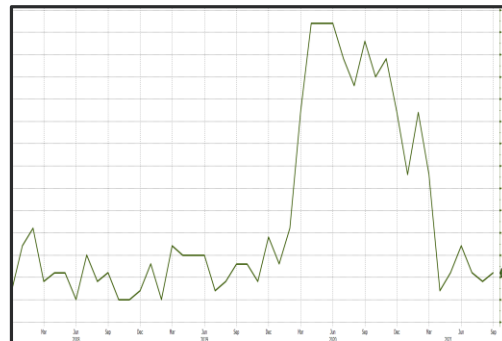
# BUT TIMELY AND SELECTIVE **STIMULI** EXPECTED ...

RRR cuts and Money Multiplier



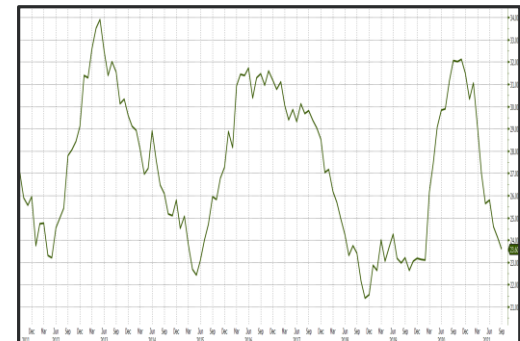
Source: Bloomberg, DPAM – 01/11/2021

China M2



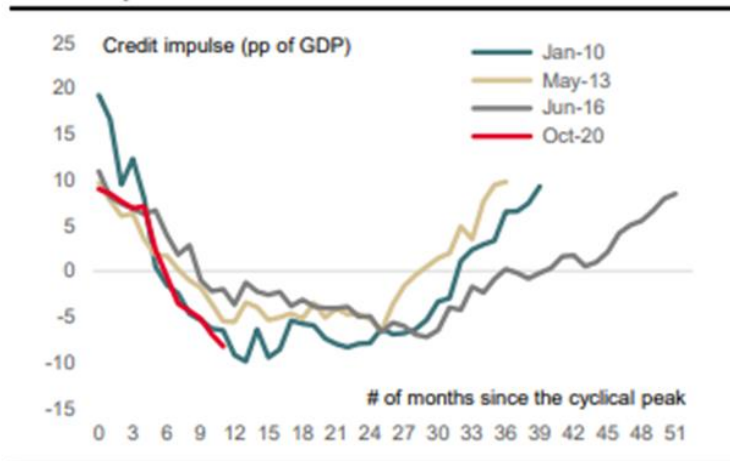
Source: Bloomberg, DPAM – 01/11/2021

China Credit Impulse



Source: Bloomberg, DPAM – 01/11/2021

Credit impulse



Source: UBS – 08/11/2021



# 2

## “NO TIME TO DIE” FOR EQUITY MARKET



- 
- **Growth** will remain above trend
  - No lockdowns expected but **targeted** restrictive **measures**
  - Relative **valuations** have become more attractive
  - HH's improved **wealth** will lift demand in a structurally way
  - Supply **bottlenecks** a.o. push towards more capex
  - Monetary **policy** remains accommodative
  - Fiscal **stimulus** still flowing



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## THEMES WE LIKE ...

- Pricing power – upstream/niche/oligopolies/...
- Technology (automation, digitization, data analytics, ...)
- Transitions – automotive is the new growth sector, prefer OEM's
- Corporate **capex**
- Green **capex**

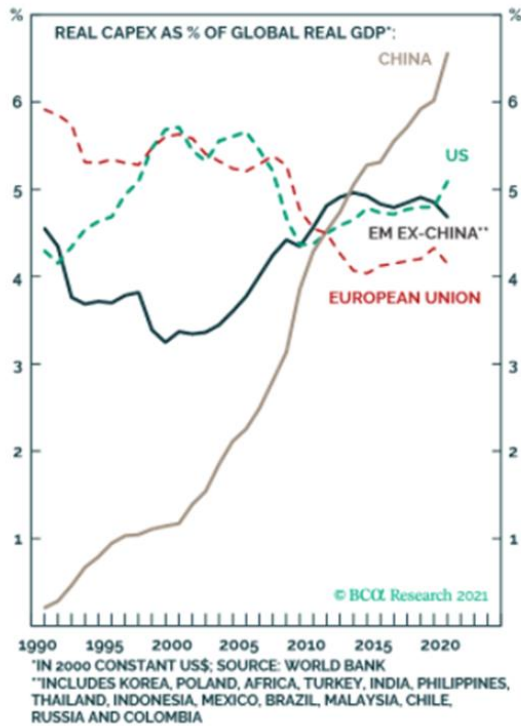




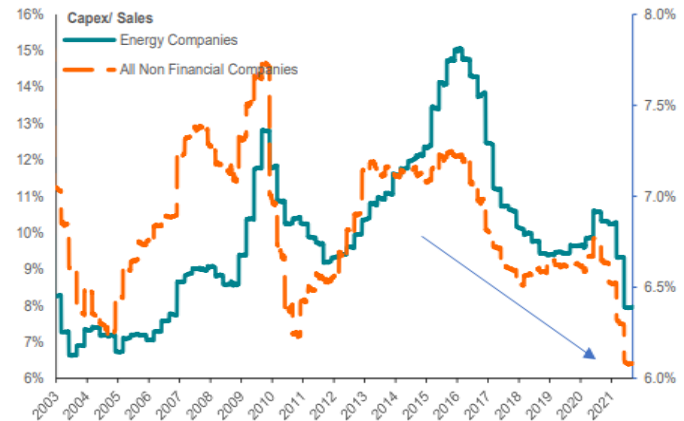
# CAPEX WILL COME FROM TWO ANGLES

## 1. Corporate capex push – underinvestment

Capital Spending As % Of Global GDP

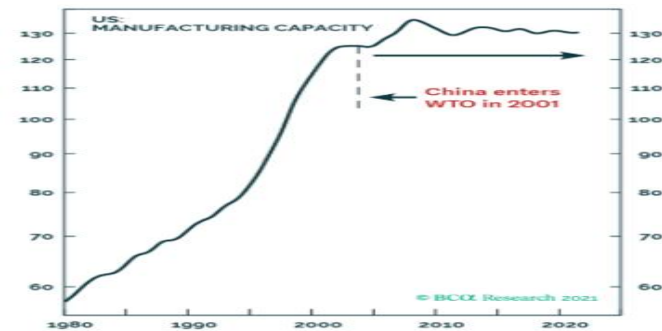


Source: BCA Research – 11/2021



Source: Exane – 04/11/2021

US Manufacturing Capacity Has Not Expanded In The Past Two Decades



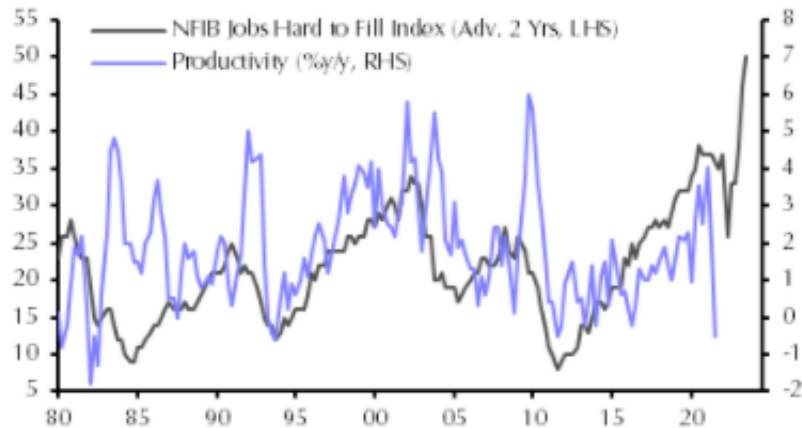
Source: BCA Research – 11/2021



# CAPEX WILL COME FROM TWO ANGLES

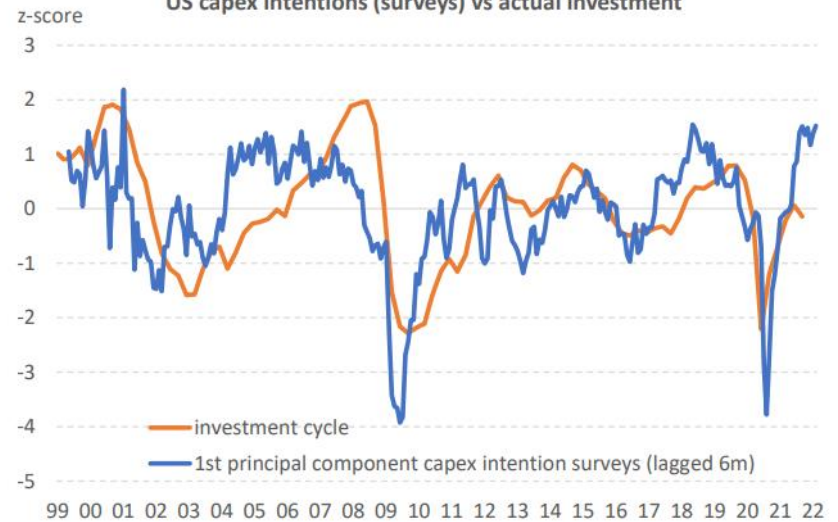
## 1. Corporate capex push – intentions back to high level

NFIB Jobs Hard to Fill & Productivity



Source: Morgan Stanley – 08/11/2021

US capex intentions (surveys) vs actual investment

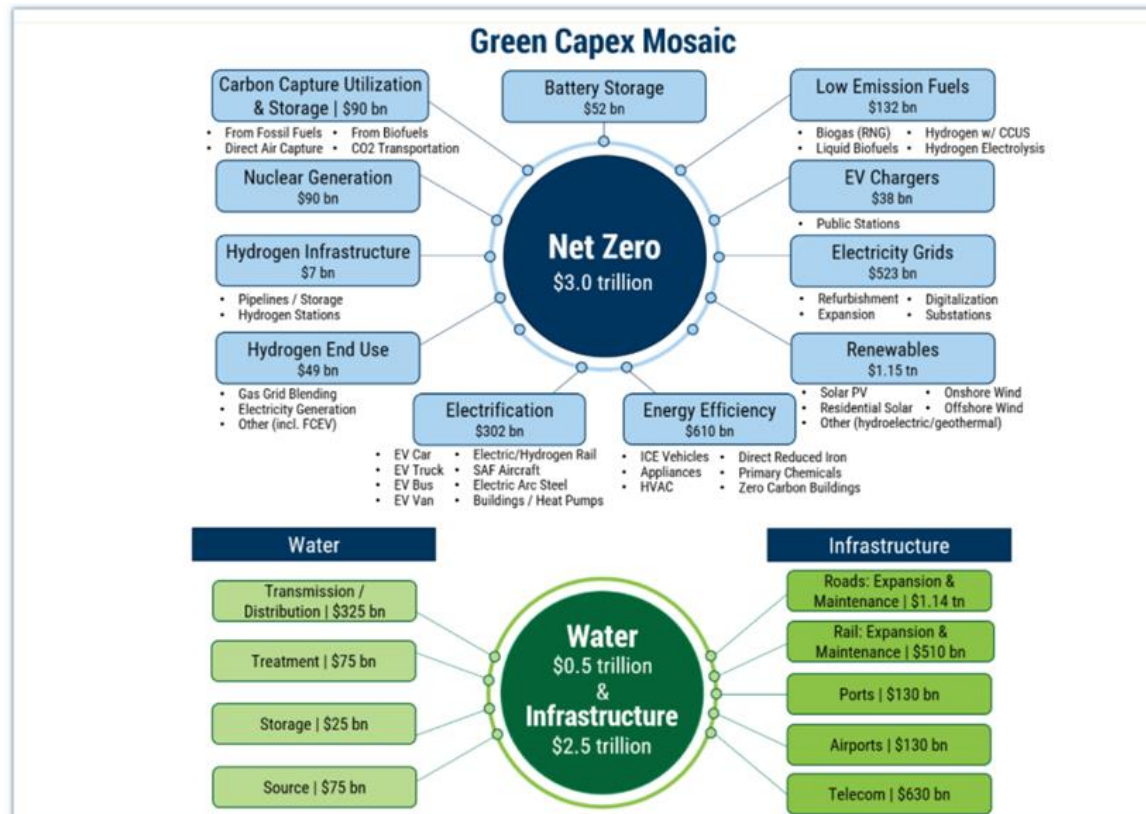


Source: UBS, Haver – 08/11/2021



# CAPEX WILL COME FROM TWO ANGLES

## 2. Green capex push



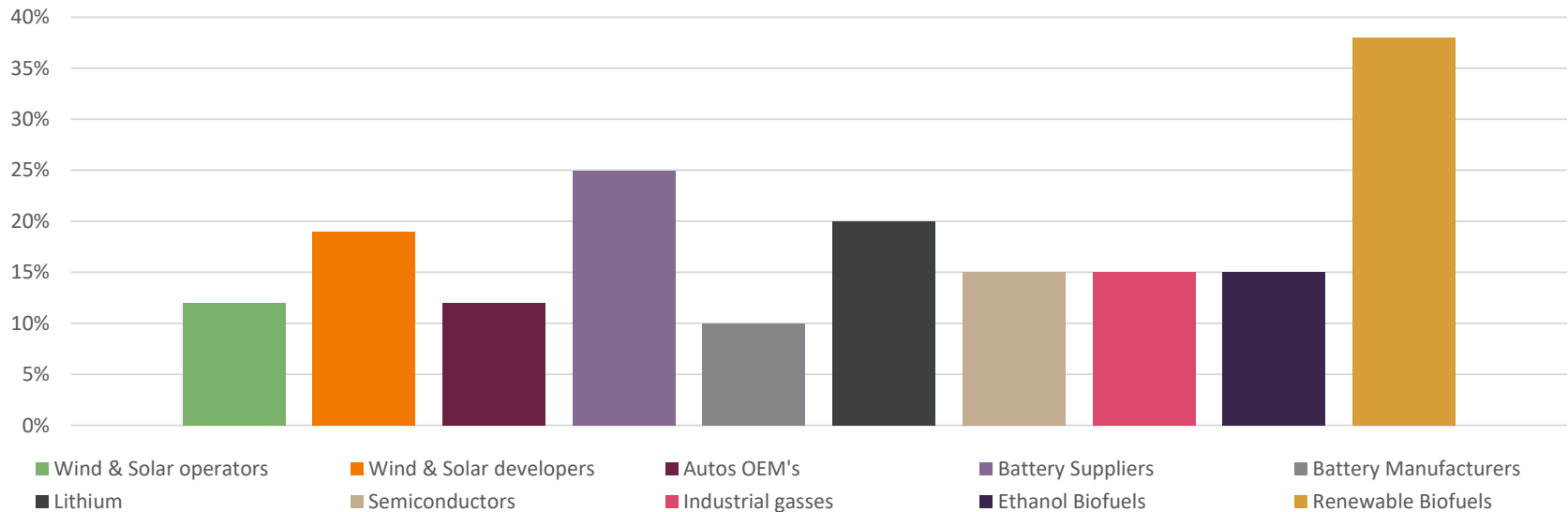
Source: IEA, McKinsey, OECD, Company data, Goldman Sachs Global Investment Research 03/11/2021



# CAPEX WILL COME FROM TWO ANGLES

## 2. Green capex push

*Unlevered Return on Capital Expenditure*



Source: Morgan Stanley – 04/11/2021

***An opportunity exists to generate attractive returns  
on the required 50 tn USD of investment***



THANKS TO YOUR PARTICIPATION TO OUR OUTLOOK 2022: A SILVER LINING, DPAM WILL DONATE THEIR GOODIE-BUDGET TO “THE OCEAN CLEANUP”

*The Ocean Cleanup, a non-profit organization, is developing advanced technologies to rid the world's oceans of plastic.*



**CLEAN UP** what is already polluting our oceans



**INTERCEPT** plastic on its way to the ocean via rivers



**SCIENTIFIC RESEARCH**  
to understand the problem and develop cleanup solutions










© The Ocean Cleanup



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