



Exposure rates of the Dorval Asset Management Range – July 22nd, 2022

Dear Clients and Partners,

The worldwide economic slowdown is now established and is accompanied by a decrease in inflationary pressure. In the short term, this could support a stabilization or even an upturn on the equity markets.

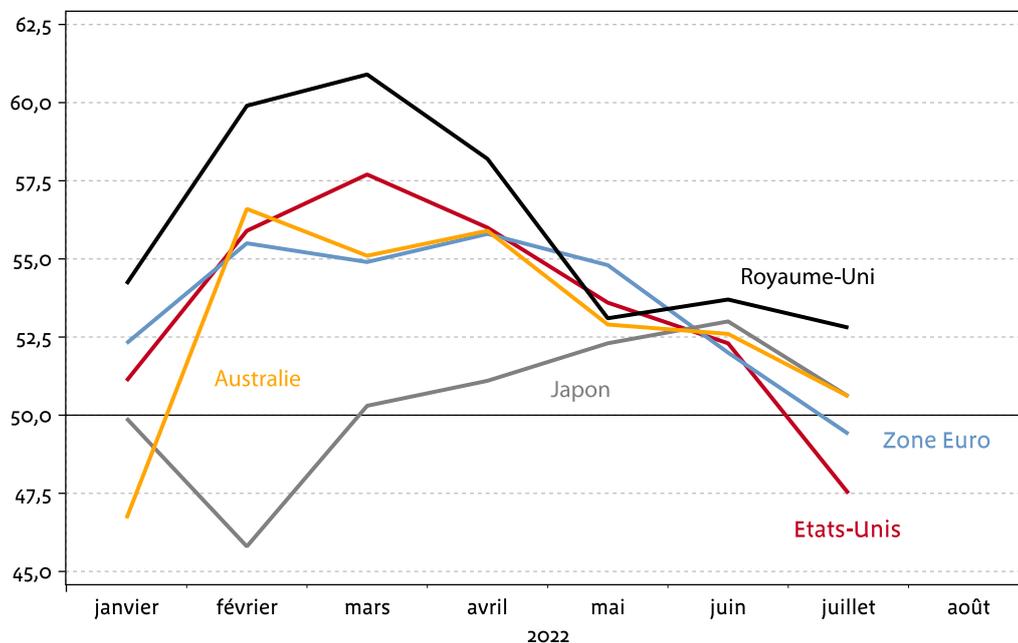
The European Central Bank has just put an end to negative rates in Europe, while the Fed is gearing up to hike interest rates again, but investors are already looking beyond. Signs of an economic slowdown have escalated, with a sharp dip in leading indicators in the US (-0.8% in June after -0.6% in May) and a drop in July's PMI figures (cf. chart 1). Alongside the manufacturing slowdown, the post-Covid boom in the services industry is beginning to tail off in developed countries, which is a crucial dimension for an often overheated labor market, as services account for around 75% of jobs in the economy. Surveys also show a normalization in delivery times and point to price rises losing momentum.

Economic slowdown confirmed in developed markets

PMI composite indices, S&P Global survey with purchasing managers

Le ralentissement économique se confirme dans les pays développés

Indices PMI composite, enquête S&P Global auprès des directeurs d'achat



Dorval Asset Management – 22/07/2022 – Source : Macrobond

- *Australia / Japan / UK / Euro area / US*



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BUT CAMELEON



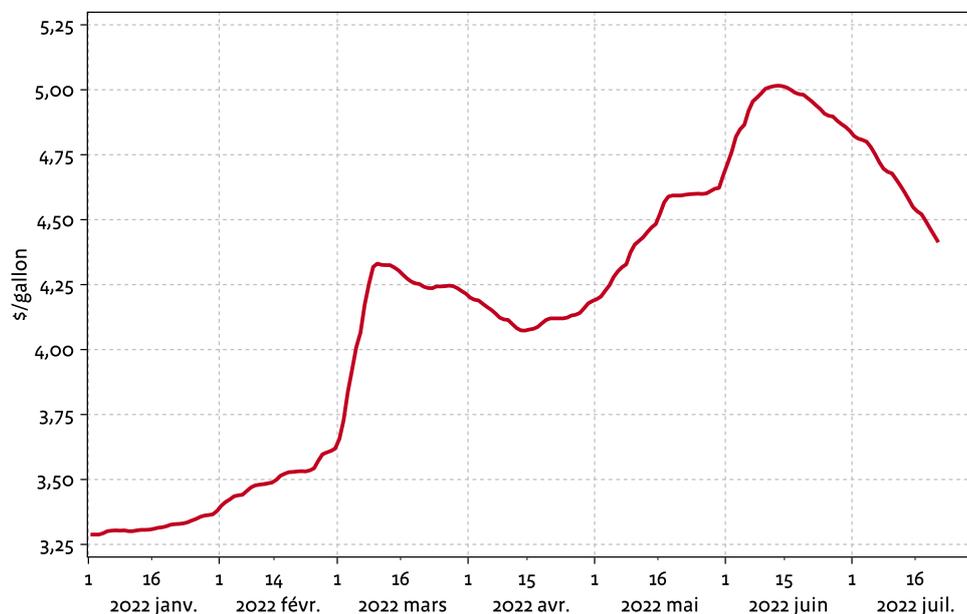
The disinflationary impact of the economic slowdown is fueled by the drop in prices across most commodities, apart from European natural gas of course. Metals prices have recently hit their lowest point of the year, while agricultural commodities prices have fallen back again considerably since the hit from the war in Ukraine. The recent agreement between Russia and Ukraine to resume grain exports could consolidate this trend. Yet the highly symbolic price of fuel is also on a downtrend, with a 12% correction in average gasoline prices in the US (cf. chart 2).

Gasoline prices fall sharply again in US

Average national price of unleaded gasoline

Les prix à la pompe baissent nettement aux Etats-Unis

Prix national moyen de l'essence sans plomb



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Massive uncertainties remain on the pace, duration and extent of the economic slowdown, with an all-out recession in the US becoming less likely if gasoline prices fall back considerably for example. Additionally, China should be able to stage a recovery and prop up the world economy as well as the price for some commodities over the quarters ahead, although this process remains chaotic for now. Looking to Europe, the extent of the slowdown is dependent on fluctuations in deliveries via gas pipelines, which hinge on Russia's persistently unpredictable strategy.

The debate will rage on as to the extent of the current slowdown, but the equity markets could be buoyed by the decrease in inflationary pressure and long-term yields, particularly as investor positioning remains extremely cautious. We have therefore slightly reduced hedging on positions in our flexible funds.





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ASSET MANAGEMENT
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Our exposure rates are as follows:

- **Dorval Convictions:** our exposure rate is 28%.

DORVAL ASSET MANAGEMENT

Public limited company with share capital of €303,025 Paris Trade and Companies Register No. B 391392768 - APE 6630 Z - AMF accreditation no. GP 93-08

Registered office: 1 rue de Gramont - 75002 Paris

Tel +33 1 44 69 90 44 - Fax +33 1 42 94 18 37

www.dorval-am.com

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