



# All our best wishes for a happy and healthy new year!

2 January 2023

Dear Clients and Partners,

The world economy held up under pressure from the double whammy of inflation and war in 2022. Meanwhile, in spite of the largest bond market crash in modern history, the equity markets faltered but did not fail.

2023 looks set to be a year of disinflation, but investors are unsure whether to expect a recessionary scenario that would put a decisive end to the post-Covid inflationary phase or anticipate a phase of resilience for the world economy that would prevent them from drawing a clear conclusion. In the first scenario, real interest rates should logically fall again – with interest rates decreasing at a faster clip than inflation – while the opposite would be true in the second scenario. These two scenarios are precarious: it would take just a slight divergence in economic stats to affect the likelihood of one or other of them materializing.

The surge in the Covid pandemic in China this winter will be a litmus test in this respect: will investors set their sights on the period after 1Q 2023, when the peak in the epidemic will combine with the end to the zero-Covid policy to drive a recovery in the Chinese economy, or will they home in on the immediate consequences for the rest of the world in terms of supply problems and the effects on demand i.e. drop in commodities prices?

Looking to investment themes, a vacuum has been left by the end to US tech giants' leadership as reflected by a more than 30% drop in the Nasdaq in 2022. Decarbonization of the economy, investment in infrastructure required for electrification and energy efficiency, along with internalization of the environmental costs for economic activities will be the main themes for the decade ahead. The winners and losers among the various business sectors and companies still remain to be seen.

We would like to take this opportunity to invite you to our videoconference on investment strategies for 2023 on Wednesday, January 11 at 10am CET. Click on the link below to register:

As we embark on what is likely to be a very eventful year, our portfolio management teams and all our people here at Dorval Asset Management wish you a very happy new year.

Our exposure rates are as follows:

- Dorval Convictions: our exposure rate is 90%



## DORVAL ASSET MANAGEMENT

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