



As Goes China, So Goes Emerging Markets

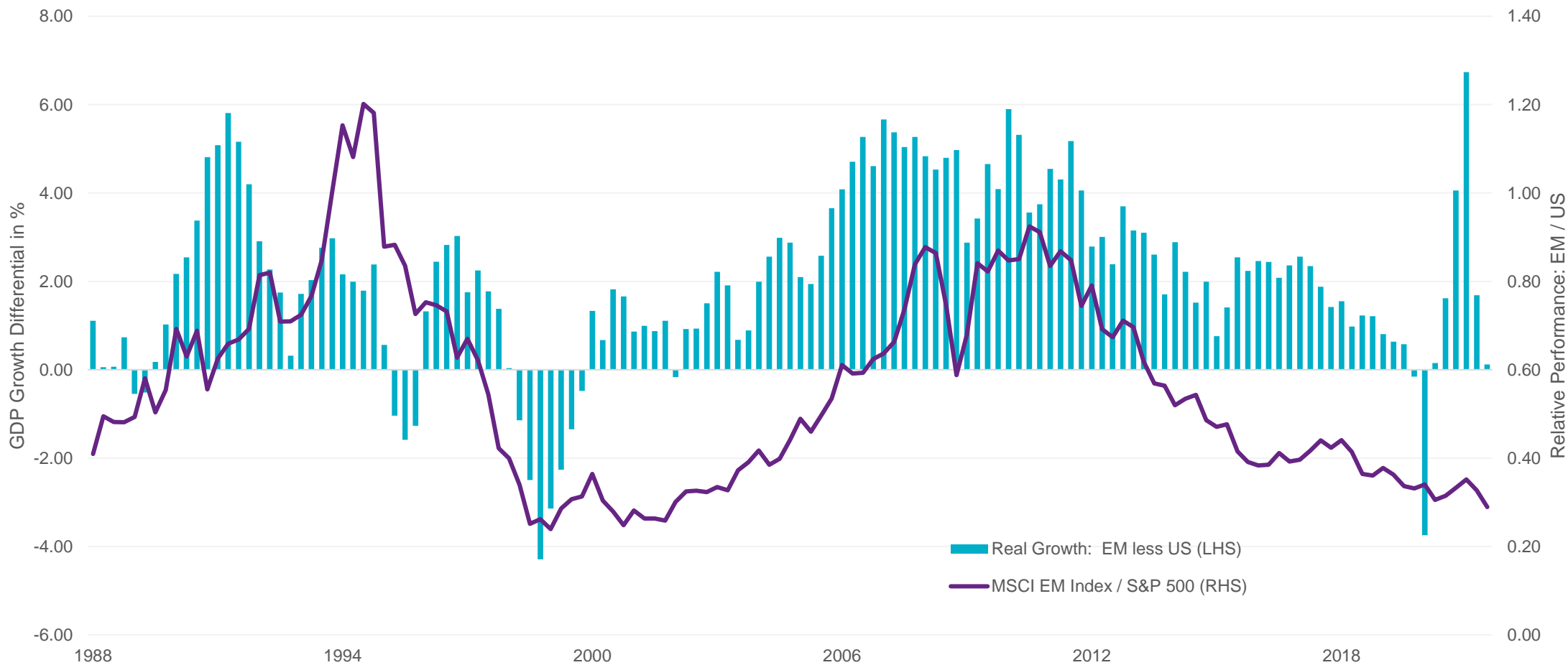
Jack Janasiewicz, CFA[®]
Portfolio Manager and Lead Portfolio Strategist

Natixis IM Solutions

For Emerging Market Equities to perform, the growth differential versus developed markets needs to accelerate.

Increased Risk Demands A Growth Premium

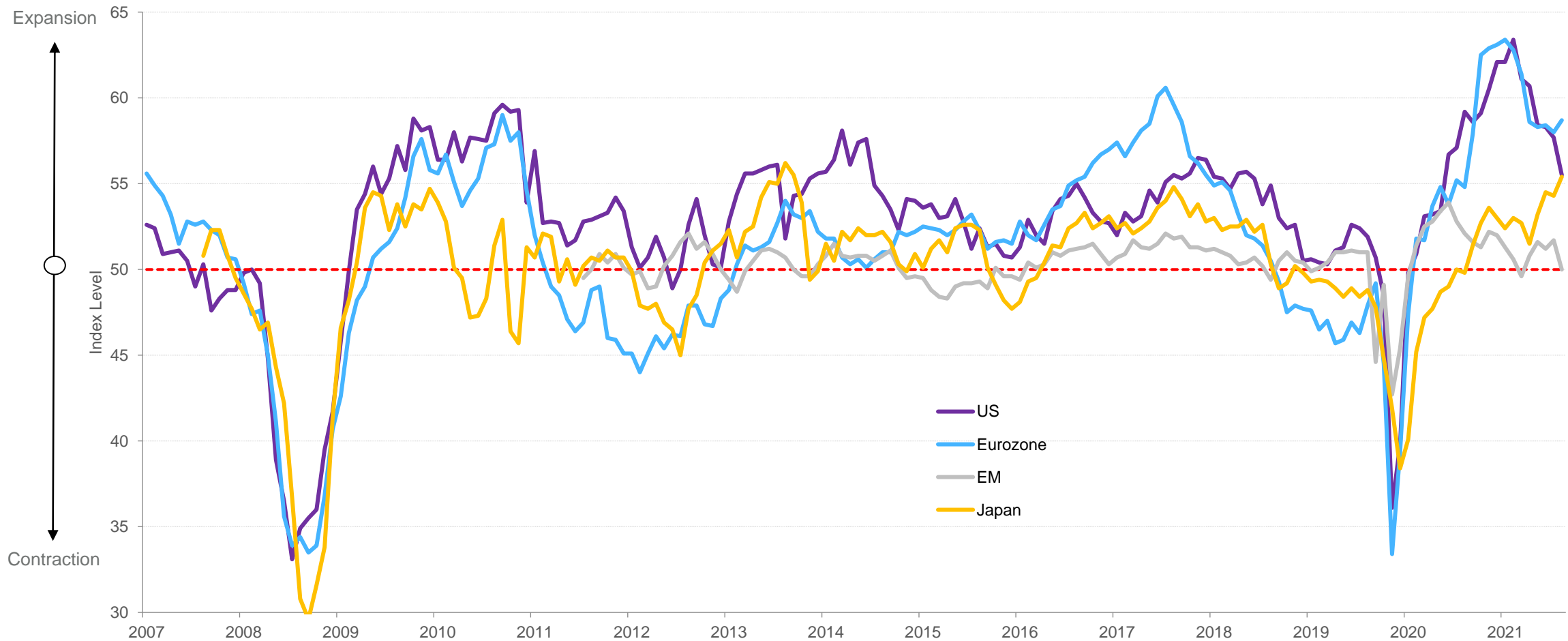
Emerging Markets vs United States: Growth and Returns (3/31/80–9/30/21)



Source: Portfolio Analysis & Consulting. FactSet. MSCI Emerging Markets Index is an unmanaged index that is designed to measure the equity market performance of emerging markets.

Unsynchronized Growth

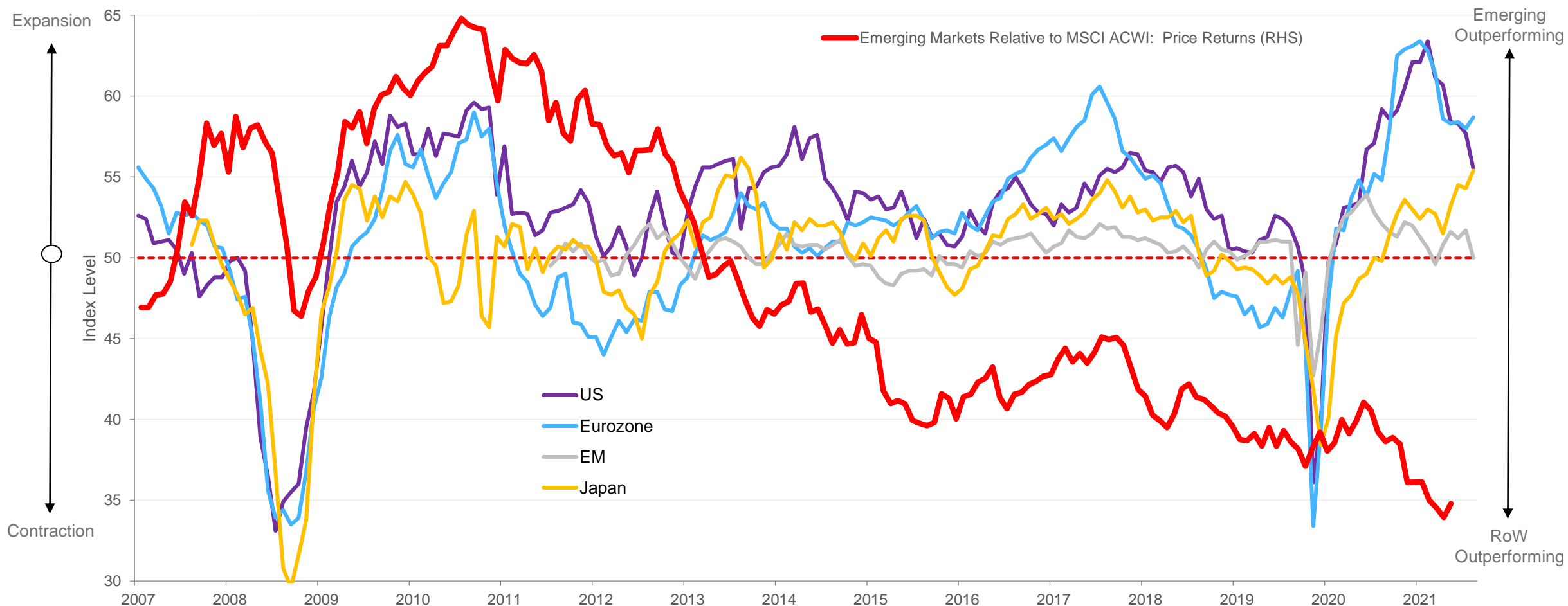
Purchasing Manager's Index: Manufacturing (6/30/07–1/31/22)



Source: Portfolio Analysis & Consulting. Bloomberg.

Recoveries and Synchronized Growth

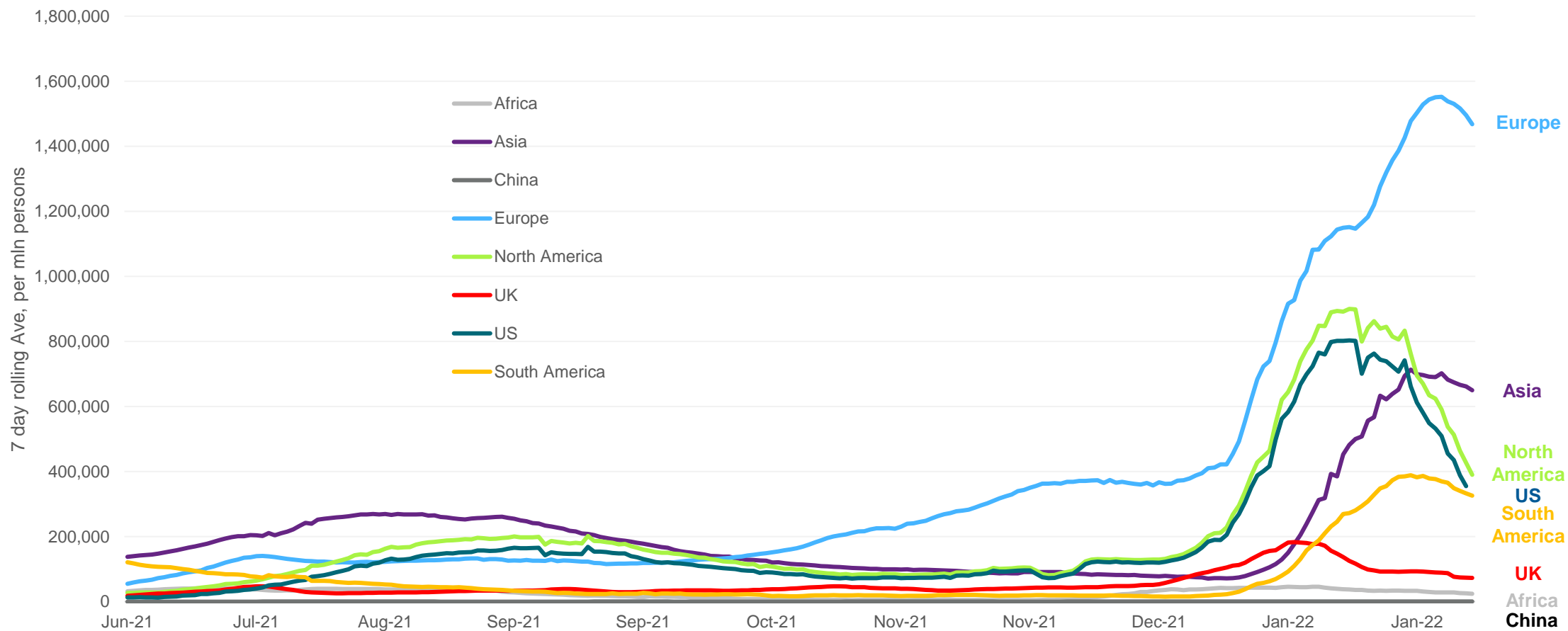
Purchasing Manager's Index: Manufacturing (6/30/07–1/31/22)



Source: Portfolio Analysis & Consulting. Bloomberg. MSCI Emerging Markets Index is an unmanaged index that is designed to measure the equity market performance of emerging markets. The MSCI All Country World Index is a free float-adjusted market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is comprised of stocks from 23 developed countries and 24 emerging markets.

COVID Turning Into an Endemic?

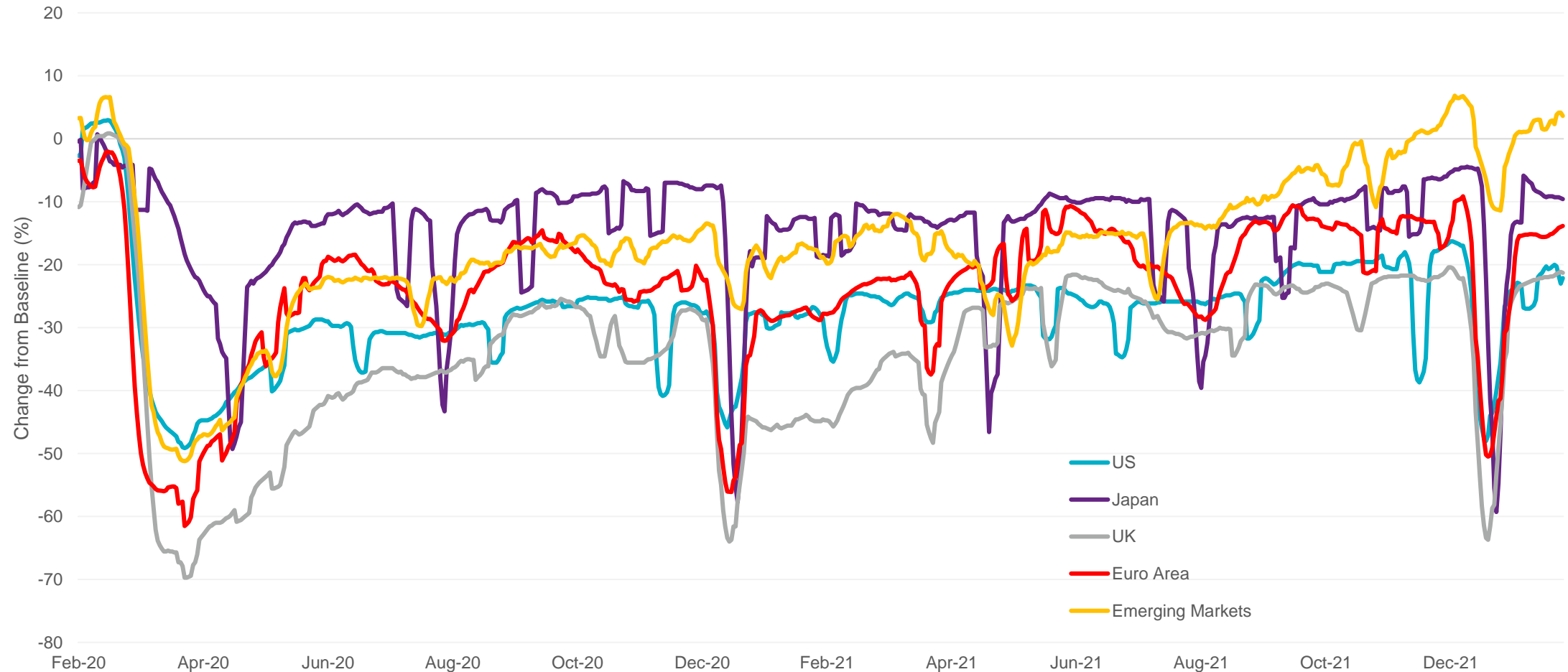
Daily New Confirmed COVID 19 Cases (6/30/21–2/6/22)



Source: Portfolio Analysis & Consulting. Statista.

Mobility In Emerging Markets Continues to Improve

Google Mobility Data: Workplace Patronage (2/15/20–2/5/22)

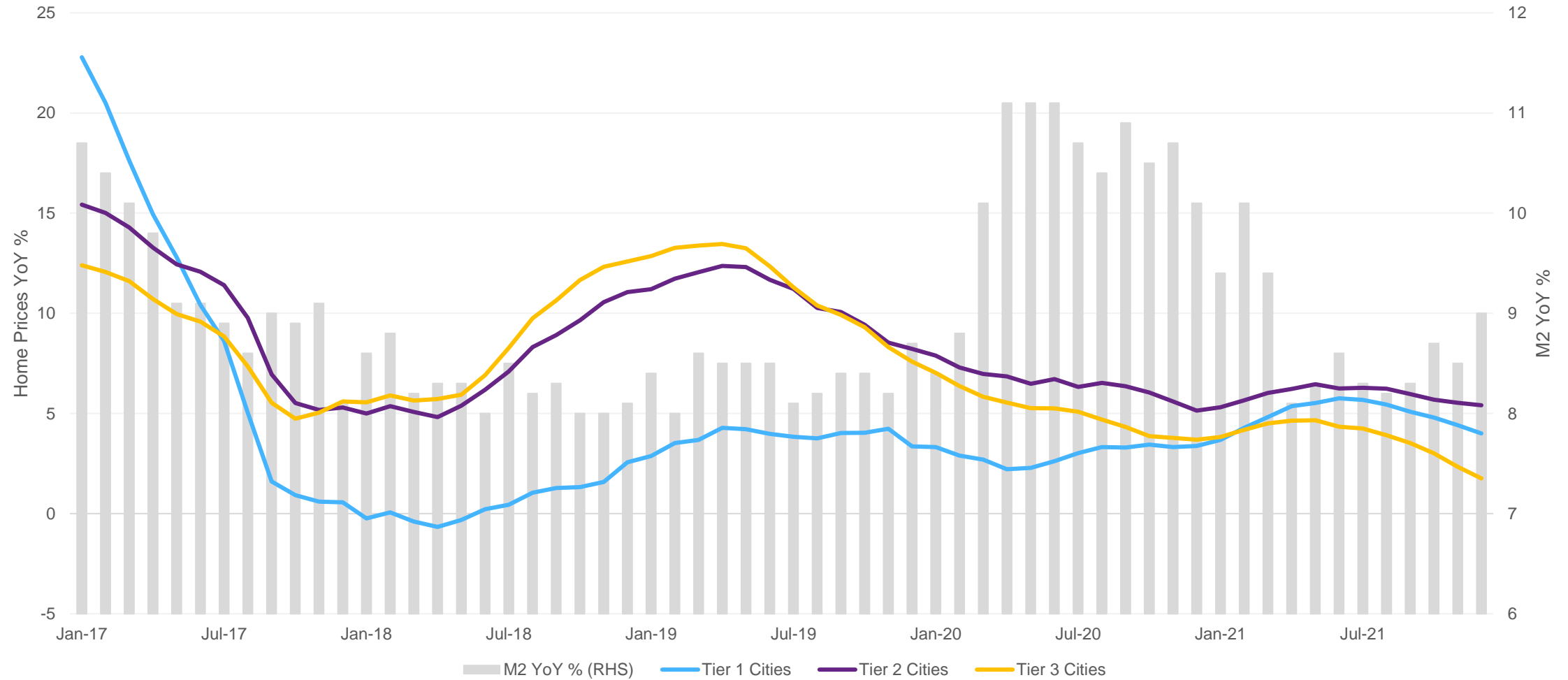


Source: Portfolio Analysis & Consulting. <https://www.google.com/covid19/mobility/>.

Can China save the day?

Cooling Off The Housing Market

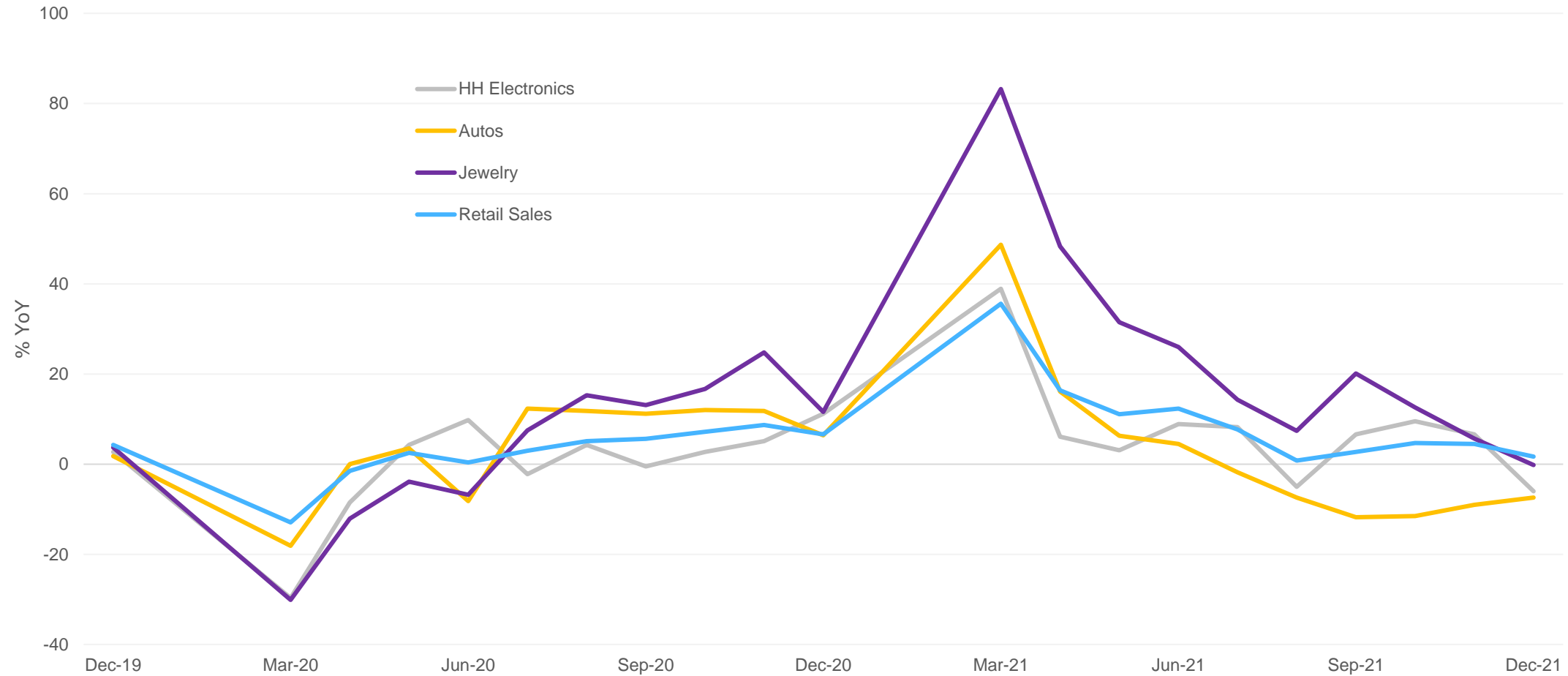
China: Home Prices vs M2 Growth (1/31/17–12/31/21)



Source: Portfolio Analysis & Consulting. Bloomberg.

Stimulus Not Built to Support Consumption

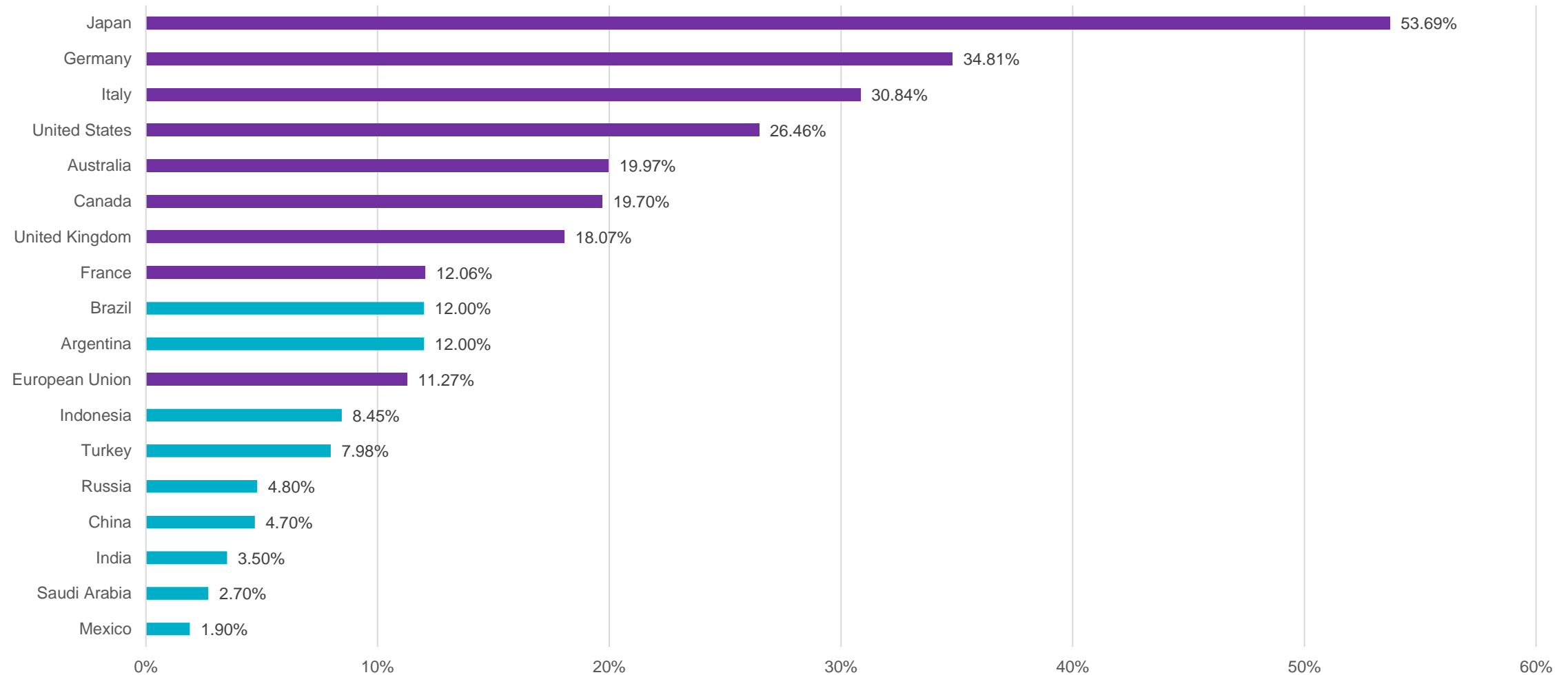
China Retail Sales (12/31/19–12/31/21)



Source: Portfolio Analysis & Consulting. Bloomberg.

China's Growth Lever: Importing Domestic Demand

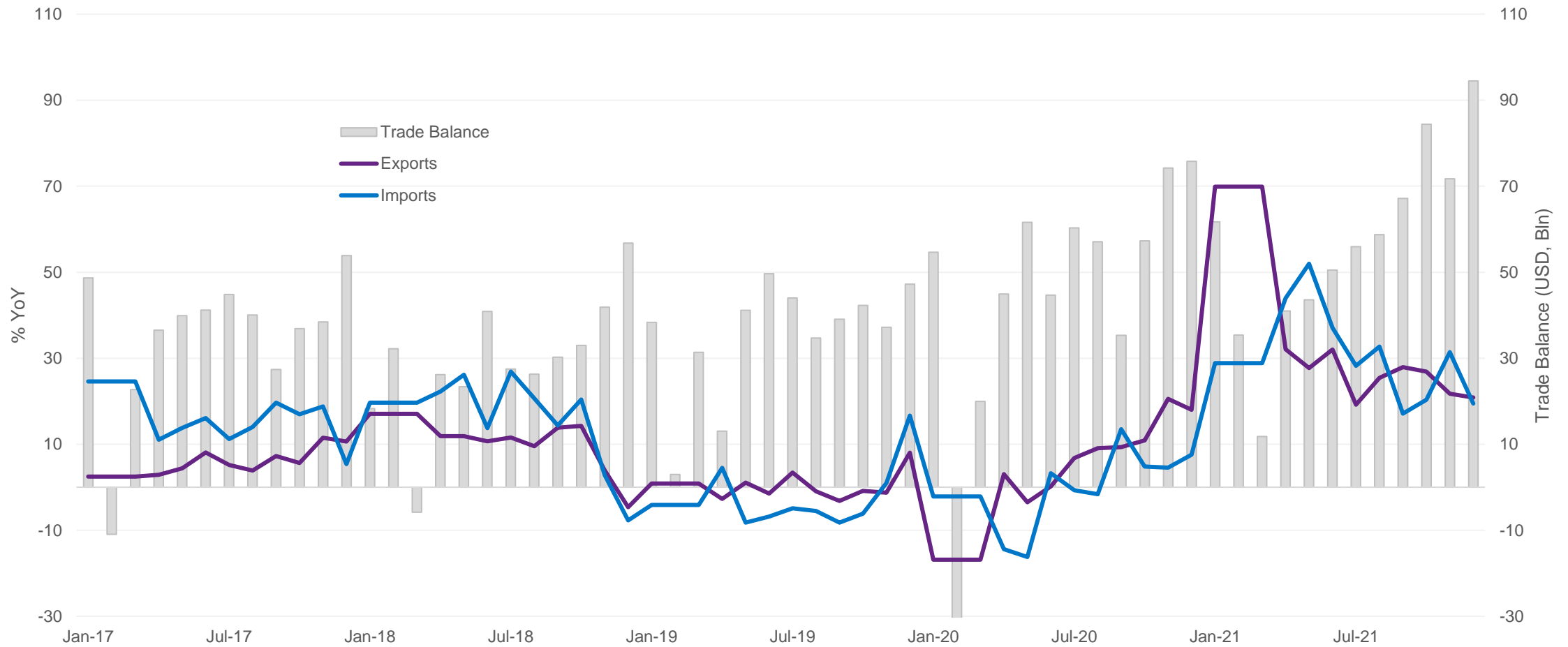
Value of Fiscal Stimulus as a Share of GDP



Source: Portfolio Analysis & Consulting. Statista.

Trade Balance Ballooned

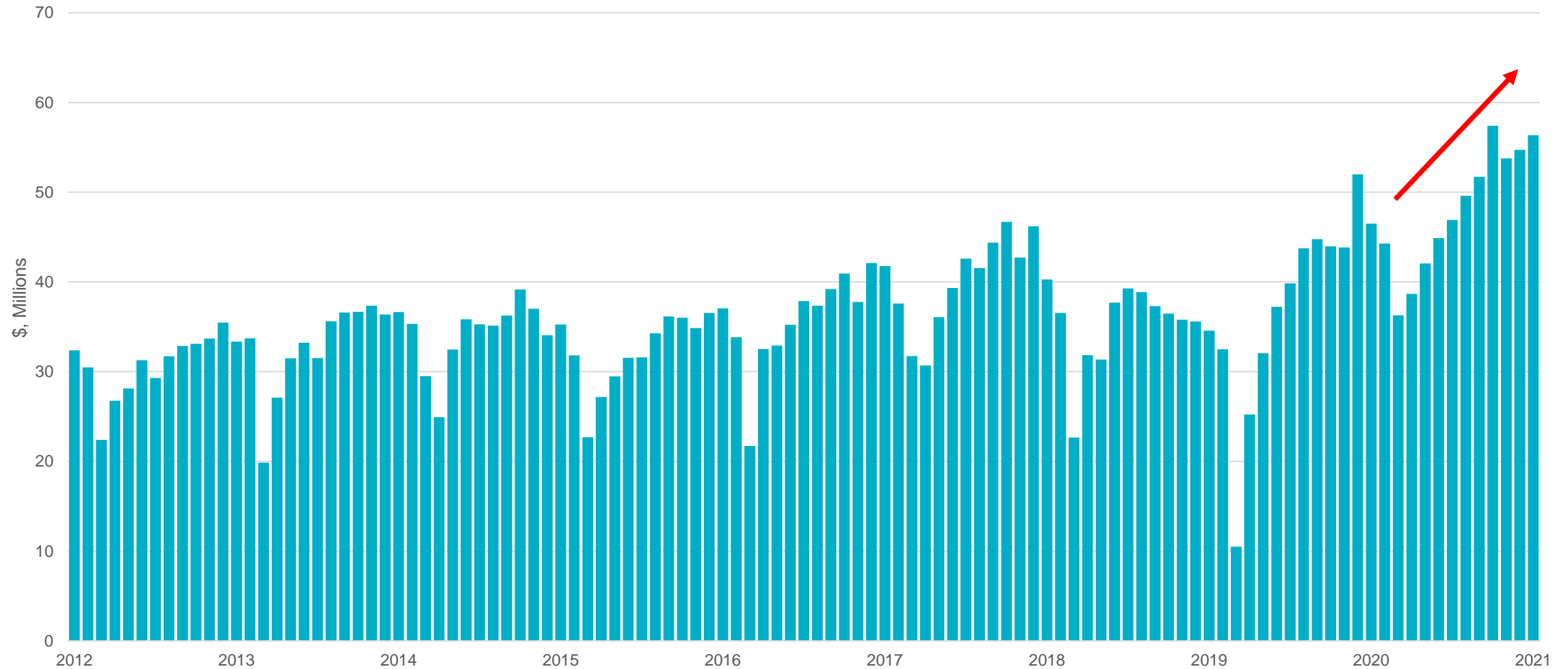
China's Trade Balance (1/31/17–12/31/21)



Source: Portfolio Analysis & Consulting. Bloomberg.

China: Importing US Growth

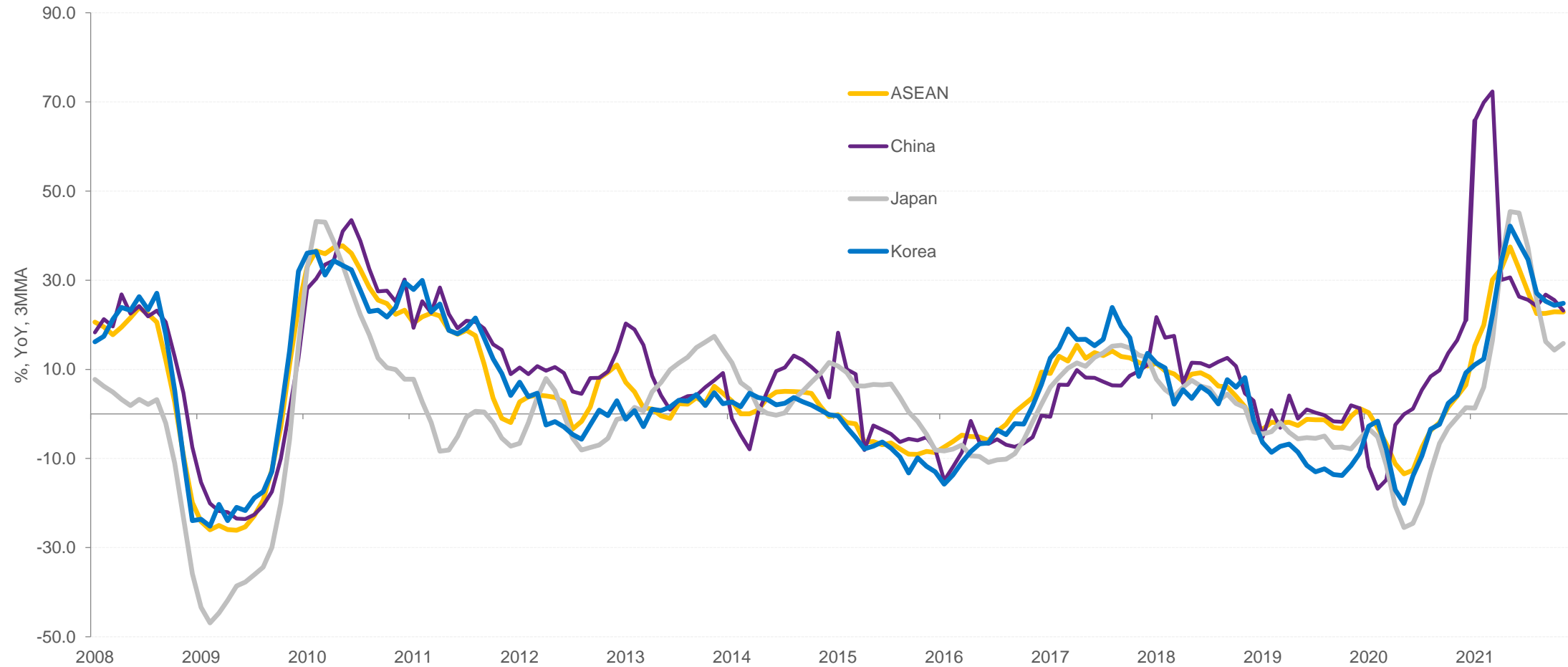
China Exports to US (12/31/12–12/31/21)



Source: Portfolio Analysis & Consulting. Bloomberg.

Asia Has Been a Benefactor of Goods Consumption

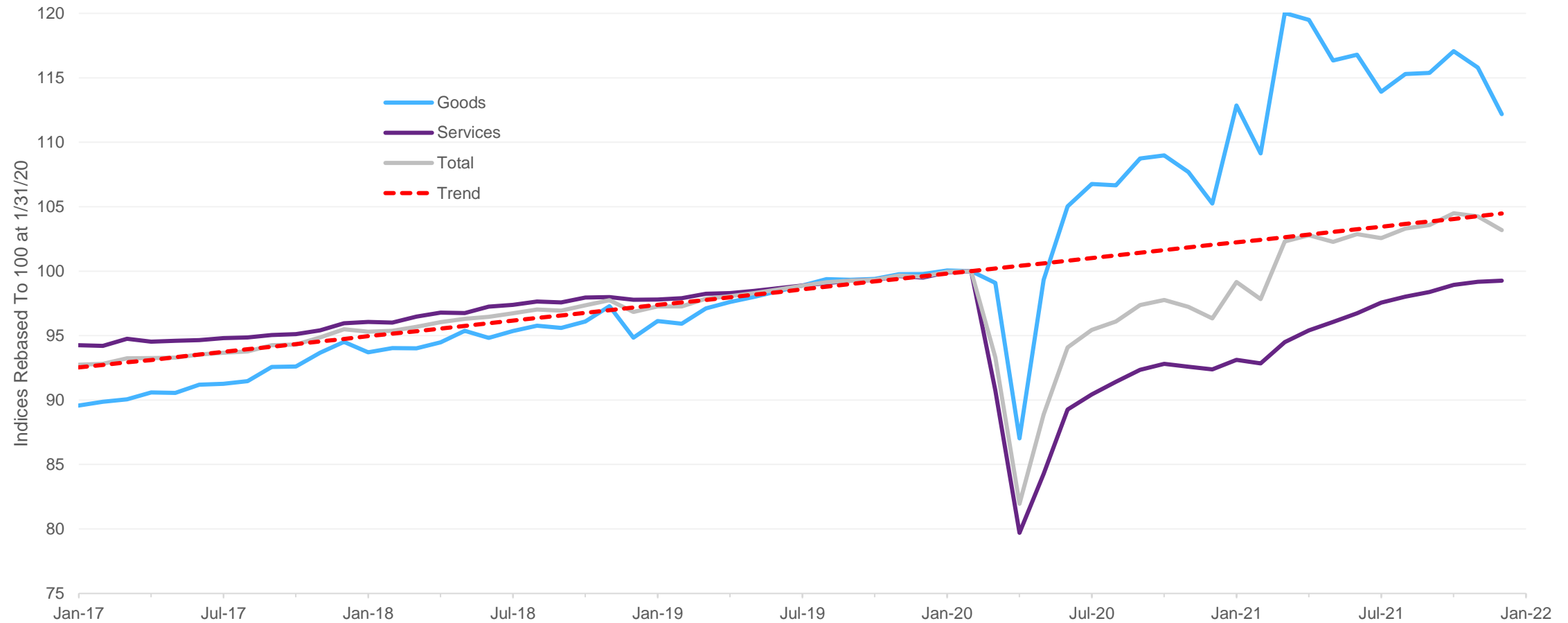
Asian Exports (2/29/08–12/31/21)



Source: Portfolio Analysis & Consulting. Bloomberg.

Shifting From Goods to Service Consumption?

Personal Consumption Expenditures: Goods vs Services (1/31/17–12/31/21)



Source: Natixis IM Solutions. Bloomberg. Trend shown for 1/31/17 to 12/31/19.

Will We See a Pick Up in Fiscal and Monetary Policy Support?

China's Credit Impulse (2/28/14–12/31/21)

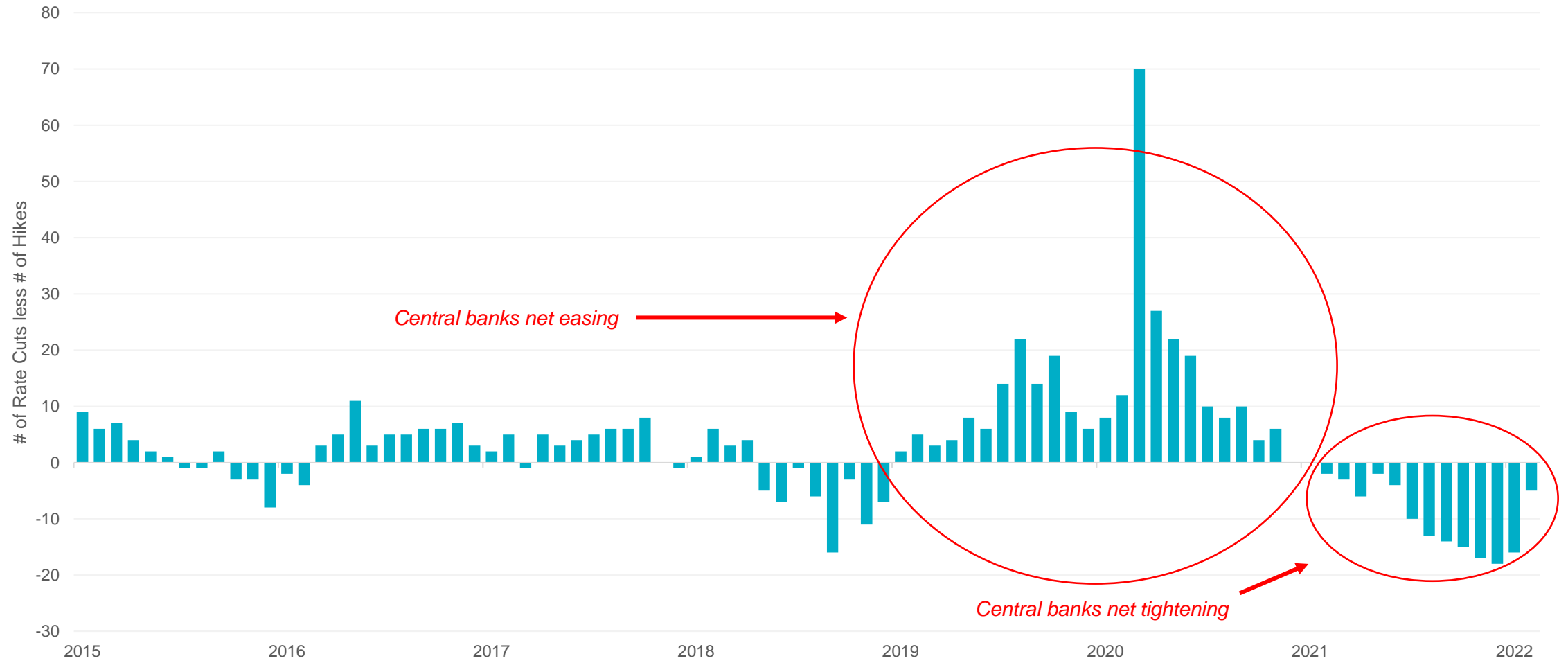


Source: Portfolio Analysis & Consulting. Bloomberg.

Headwinds? A stronger dollar and tightening financial conditions.

Global Central Banks Are In Tightening Mode

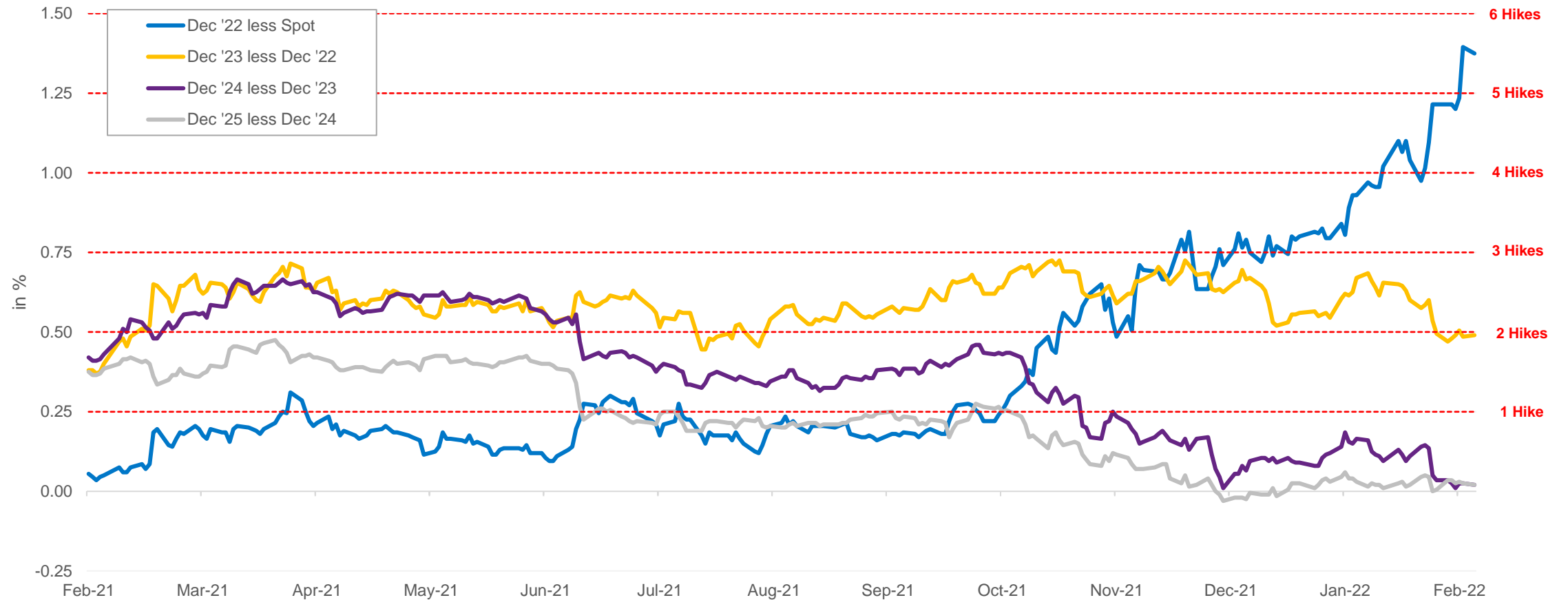
Central Bank Policy Actions (1/31/15–2/3/22)



Source: Portfolio Analysis & Consulting. Bloomberg.

Total Expected Fed Hikes

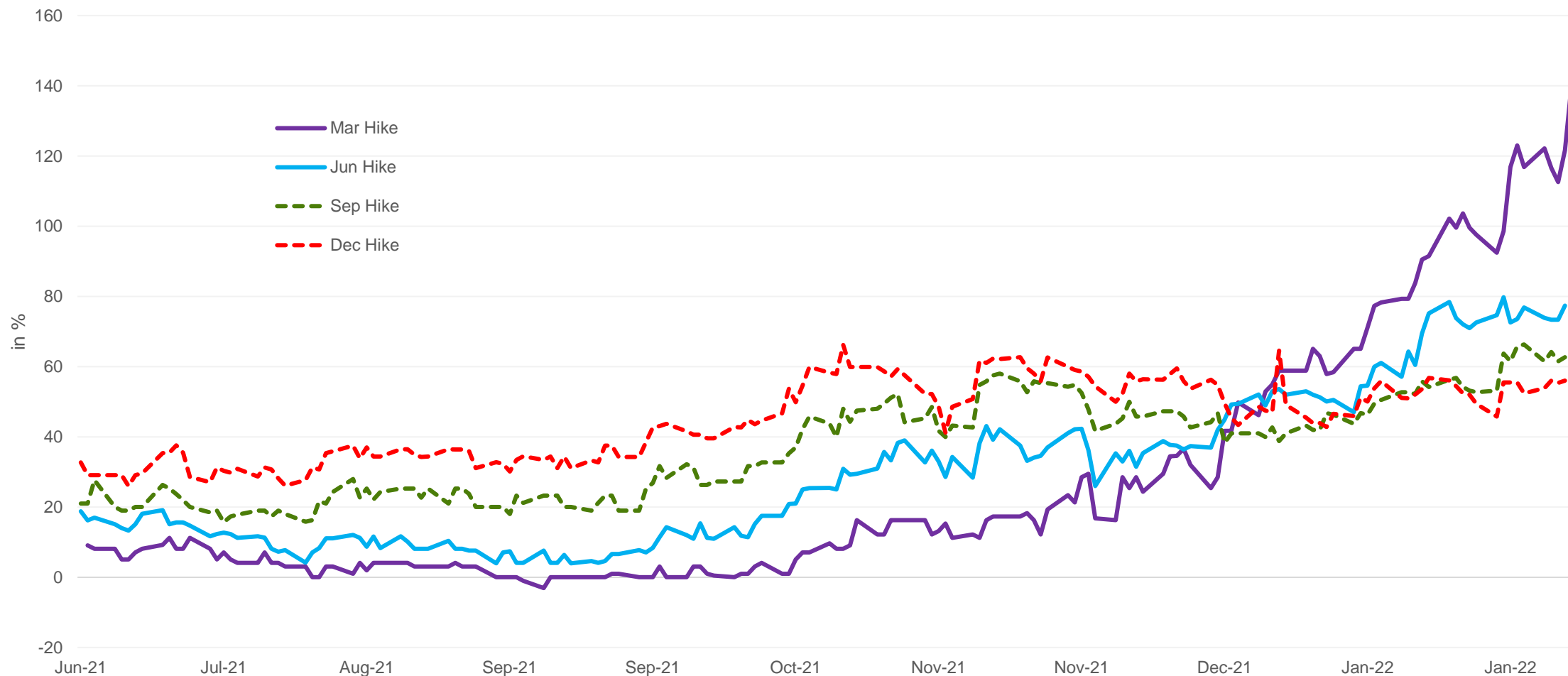
Implied Fed Rate Hikes Using Eurodollar Futures (2/8/21-2/7/22)



Source: Natixis IM Solutions, FactSet.

March Is All But Done...and Then Some

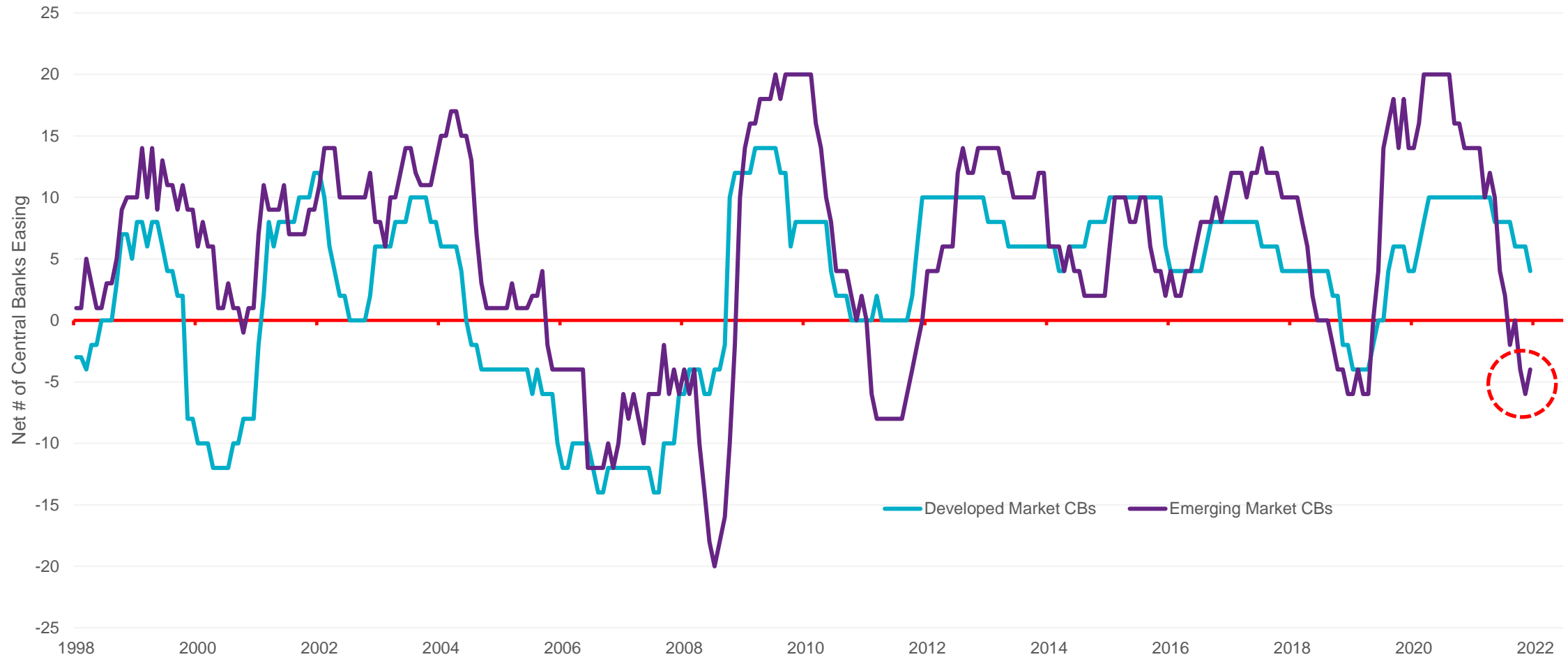
Odds of a Fed Hike by Respective Date (6/30/21–2/7/22)



Source: Portfolio Analysis & Consulting. Bloomberg.

Emerging Market Central Banks Ahead of the Game

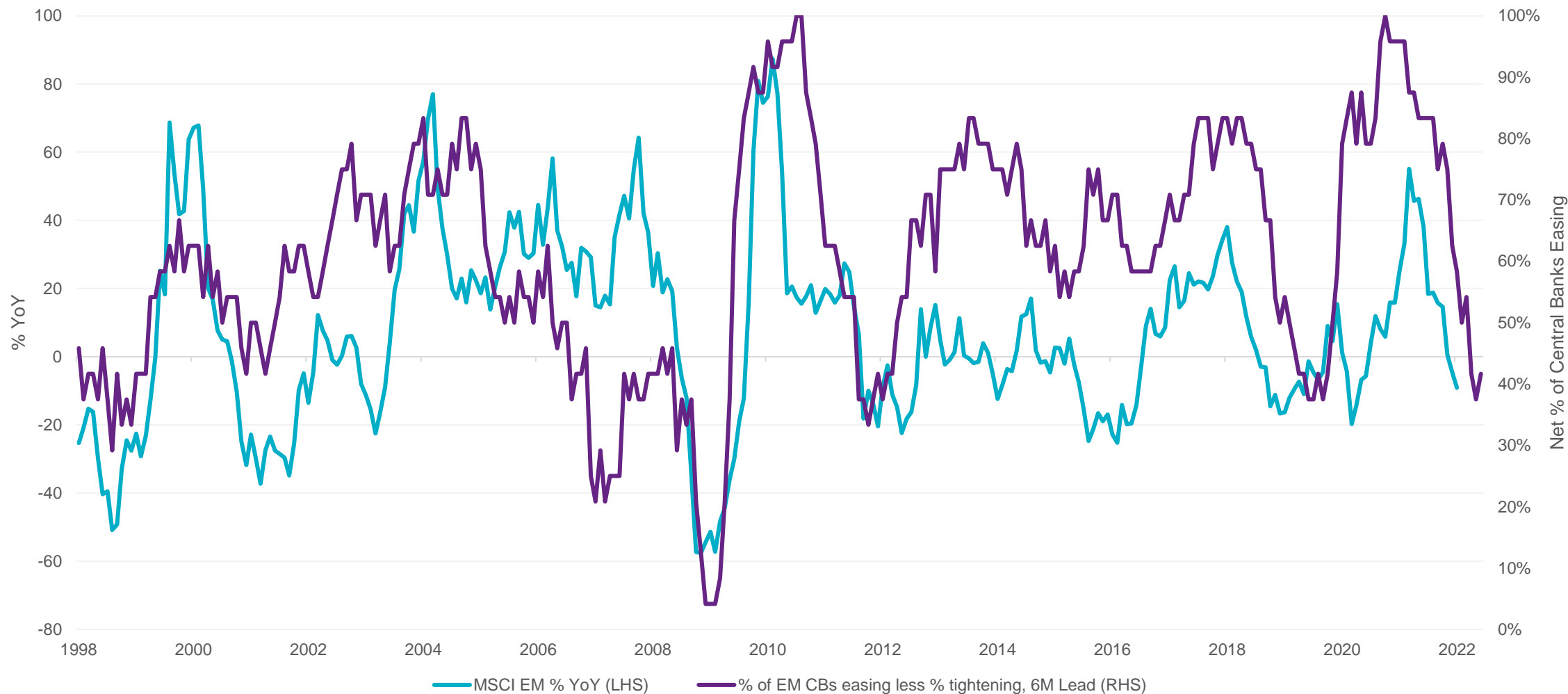
Global Central Bank: Net Easing vs Tightening (1/31/98–12/31/21)



Source: Portfolio Analysis & Consulting. Bloomberg.

CB Actions Leads Emerging Market Equities

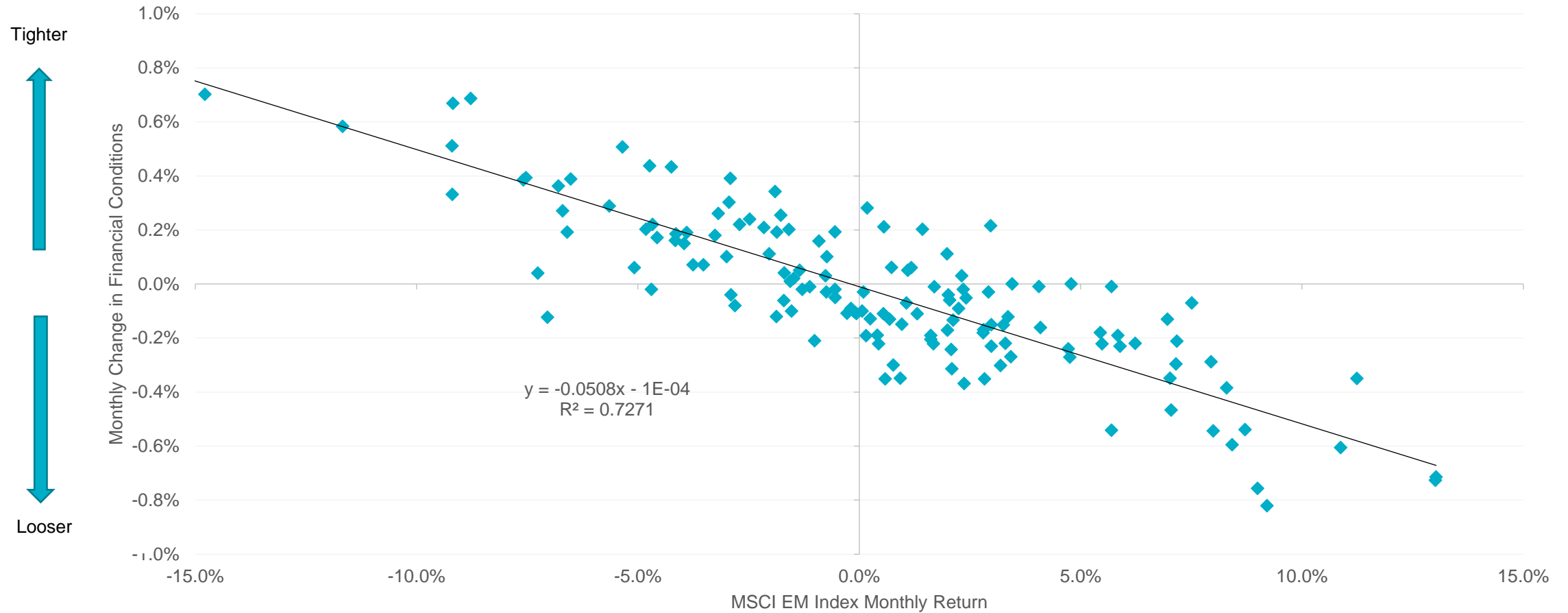
Emerging Market Equity Performance vs Global Monetary Policy (1/31/98–1/31/22)



Source: Portfolio Analysis & Consulting. Bloomberg. MSCI Emerging Markets Index is an unmanaged index that is designed to measure the equity market performance of emerging markets.

Will It Be Enough?

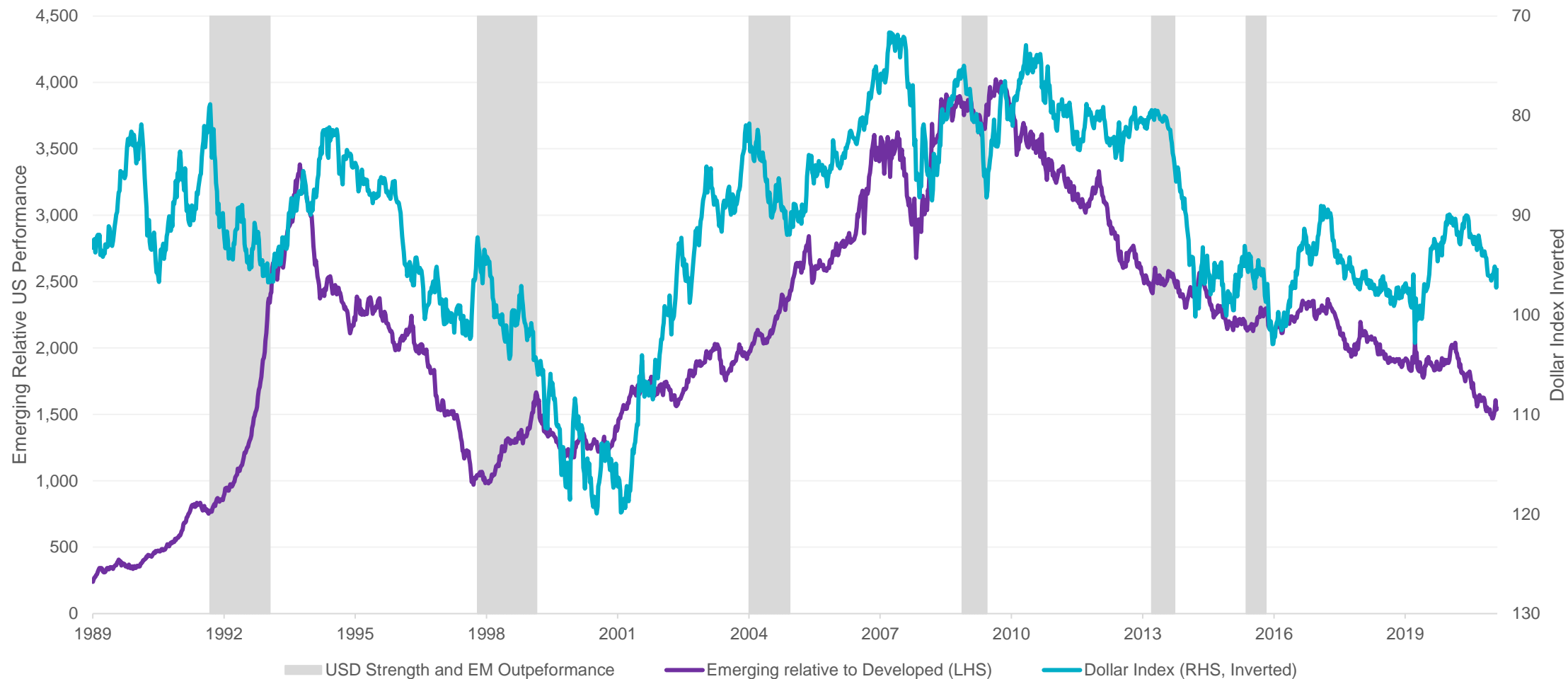
Emerging Market Equity Performance and Financial Conditions (12/31/09–12/31/21)



Source: Portfolio Analysis & Consulting. Bloomberg. MSCI Emerging Markets Index is an unmanaged index that is designed to measure the equity market performance of emerging markets. Goldman Sachs Financial Conditions Index.

Weaker Dollar Would Certainly Help

US Dollar and Emerging vs S&P 500® Performance (12/30/88–2/4/22)

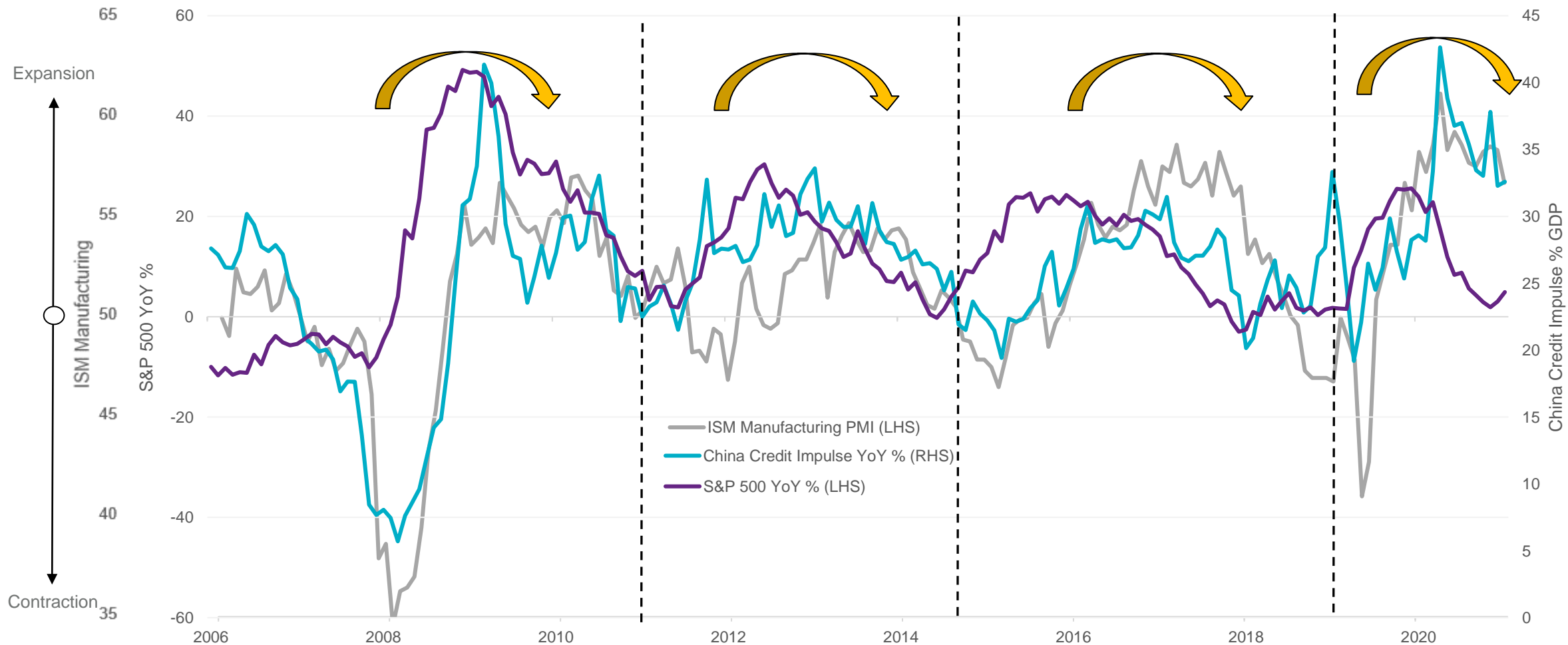


Source: Portfolio Analysis & Consulting. Bloomberg. MSCI Emerging Markets Index is an unmanaged index that is designed to measure the equity market performance of emerging markets. The U.S. Dollar Index (USD[®]) (also sometimes referred to as DXY) is a geometrically-averaged calculation of six currencies weighted against the U.S. dollar.

**Peak Hawkishness.
Peak Fed Fears.
Peak Inflation.
Peak Everything.**

Conditioned to Fade Peak Growth

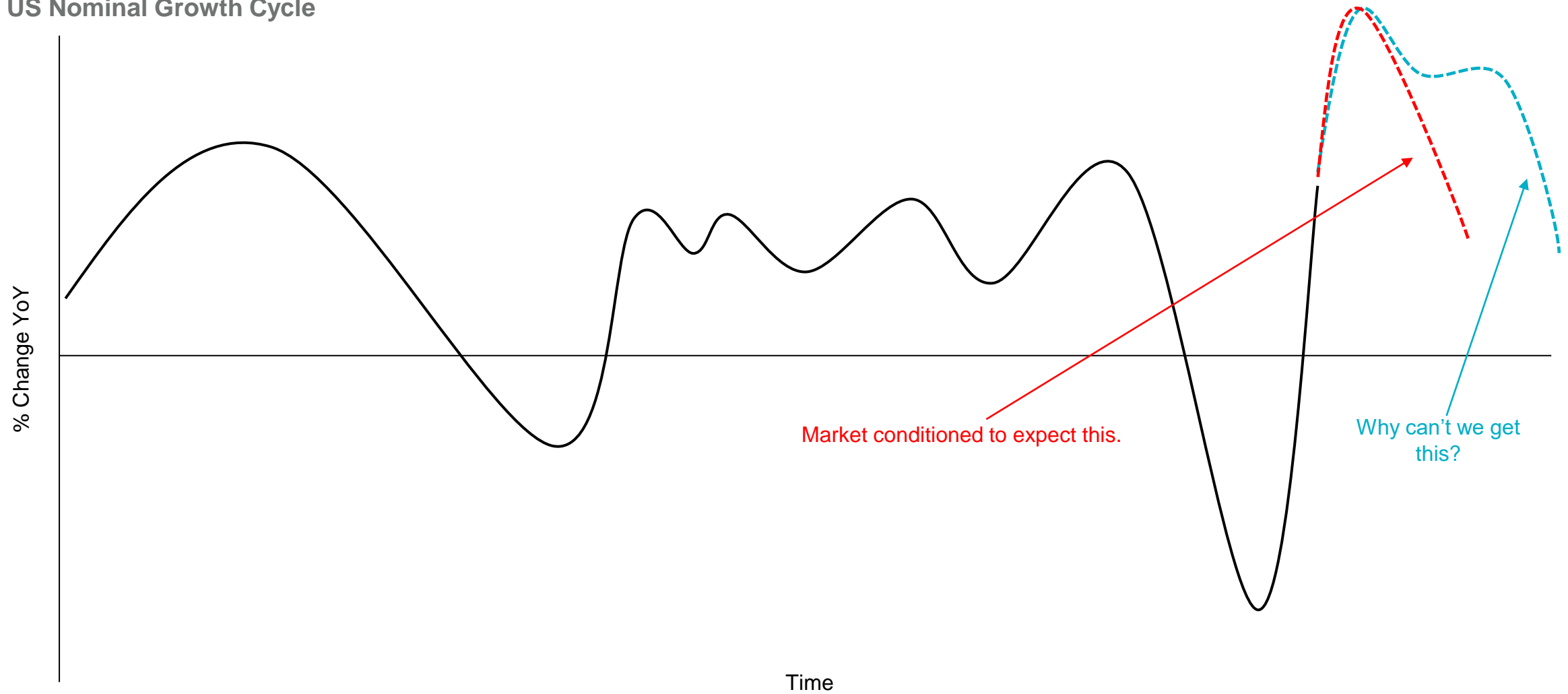
Mini Boom Bust Cycles (12/31/06–12/31/21)



Source: Natixis IM Solutions, Bloomberg.

This Time Is Different: Rate of Change vs Level

US Nominal Growth Cycle



Source: Natixis IM Solutions, FactSet. For illustrative purposes only.

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