

The final countdown

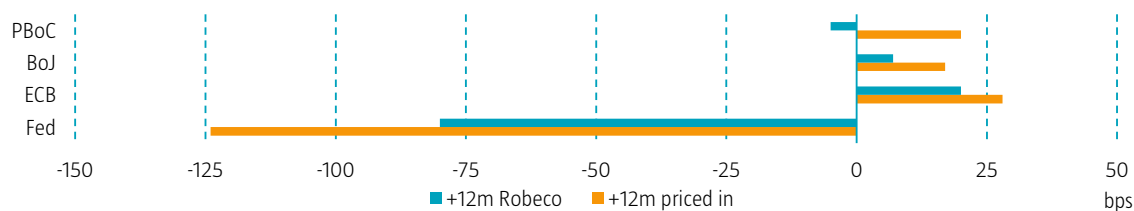
- Fed: final stage
- ECB: one way or another
- PBoC: stable policy rates
- BoJ: prepared to pivot

The Fed and the ECB are closing in on the end of their respective tightening cycles, with an ECB pause still somewhat further away due to stickier core inflation and wage developments in the Eurozone. Looking ahead, we see greater potential for an inflation pullback in the US compared to Europe, which also suggests the Fed will likely move earlier to cut policy rates when the recession finally hits.

The BoJ on the other hand has only just started its tightening cycle, with the countdown to further yield-curve-control changes now really on as Japan finally seems to be exiting its deflation and zero-wage-growth regime of the past decades. Meanwhile, in China, the PBoC continues its easing bias via RRR cuts as price pressures remain subdued in the economy, implying the countdown to a first policy rate hike will last longer than markets think.

Global bond yields have moved lower again after the sell-off in February, as tighter bank lending conditions are seen to have trimmed the need for further policy tightening. We believe a further retreat in yields beckons as the final countdown approaches to a pause in key central bank hiking cycles.

Outlook for central bank policy rates



Source: Bloomberg, Robeco, change 12m ahead, based on money market futures and forwards; 5 April 2023

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Marketing material for professional investors, not for onward distribution



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The Federal Reserve: final stage

- Base case is for the Fed to hike at its May meeting
- Upside risks for Fed funds rate beyond next meeting have come down a lot
- Perspective for US Treasuries beyond the short term is now more constructive

Shifting tail risks

The Fed's monetary policy tightening is starting to have an impact. That much is clear from the recent period of turbulence in US regional banks. What may sound like an obvious conclusion now, wasn't that evident just a couple of weeks ago. In early March the market was still toying with the idea that a six-handle in the fed funds rate would be needed to cool down the US economy sufficiently to tame inflationary pressures.

For the US rates market this is an important shift in perspective. Not because it rules out further hikes – another 25 bps hike in May is our base case – but because it has reduced the upside tail risks for official rates. Hiking on 3 May is not a done deal yet and forward guidance from that meeting will likely be limited, with decisions being steered by data and financial conditions. That is a meaningful change. The Fed will not only try to influence financial conditions to contain inflation, it will also allow these conditions to influence its policy.

The Chicago Fed has developed an index to measure national financial conditions. This index includes a large variety of financial data, including various credit spreads, equity volatility, mortgage rates, house prices and results from the Fed's senior loan officers survey. The Fed would want these conditions to tighten when hiking rates. At the same time the FOMC want this to be a controlled process. Since the Fed started hiking in March 2022, the Chicago Fed index has registered a degree of financial tightening that exceeds that of the 2017 and 1994 hiking cycles. Still, tightening to 1999 or 1986 levels is yet to be reached, while core inflation is higher now than it was back then – and the Fed is worried about its inflation fighting credibility. It is therefore unlikely that the Fed would simply stop hiking at this point. Such a step would probably require further pain in financial markets, leading to tighter financial conditions. This is the reasoning behind our expectation of another 25 bps hike in May. The market is pricing in a circa 40% chance of one 25 bps rate hike in either May or June. This suggests that more hikes could be priced in the shorter term. Still, it would be quite something for the Fed to return to 50 bps hiking steps, or even to raise official rates by more than 50 bps in total from current levels. We thus don't expect a return to early-March levels of front-end rates, or to the degree of yield curve inversion seen back then.

What is priced in for the Fed, versus our expectations

| Fed funds rate (% upper bound) | 5.00 | Jun/23 | Sep/23 | Dec/23 | Mar/24 |
|--|------|--------|--------|--------|--------|
| Change implied by fed funds futures (bps) | | 8 | -44 | -83 | -124 |
| Our probability weighted expectation (bps) | | 25 | 20 | -20 | -80 |
| Our central scenario (bps) | | 25 | 25 | -25 | -75 |
| Fed funds rate (% upper bound) in central scenario | | 5.25 | 5.25 | 4.75 | 4.25 |

Source: Bloomberg, Robeco; 5 April 2023

Looking beyond the summer we expect the effects of tighter credit conditions to become more visible in weaker US economic data. Scenarios with downside tail risks for official rates should then become more prominent, leading to lower front-end rates and steeper curves.

Fed response to renewed banking stress

The Fed basically has two sets of tools at its disposal to steer the availability of and demand for credit: monetary policy tools, and funding and liquidity facilities. During the early phase of Covid-19 the Fed used both sets to their maximum: rates were cut, QE was launched and a range of new liquidity and funding facilities were introduced. In the recent banking stress, the Fed responded by among others launching a new liquidity facility (BTFP), increasing USD swap lines and supporting protection of uninsured depositors of troubled banks. The monetary policy toolbox remained dedicated to reducing inflation. The Fed's response to any renewed banking stress will probably be in line with this initial reaction. Still, if stress continues there should come a point at which a turn in monetary policy becomes unavoidable. Pausing rate hikes should be an easy decision, especially at current higher levels of the fed funds rate. After such a pause, ending its

quantitative tightening would be a logical next step. But the bar to start cutting rates will be higher. At current inflation levels cutting rates would require much weaker jobs data, or much more pain in markets. The table above illustrates that we give rate cuts a low probability in the short term. In the past, at similar rate levels as today, the Fed typically waited two to eight months after the last hike before cutting, with the 1997 pause being as long as 18 months. Still, if needed, even cuts could be justified by pointing to tightening credit conditions as a result of banking stress.

| USTs | Spot yield | 12m Fw | Carry* | Hedged to EUR |
|------|------------|--------|--------|---------------|
| 2yr | 3.86 | 3.21 | 171 | 93 |
| 5yr | 3.41 | 3.19 | 65 | 32 |
| 10yr | 3.35 | 3.32 | 39 | 22 |
| 30yr | 3.59 | 3.55 | 18 | 10 |

* for a 1pd position over 12 months

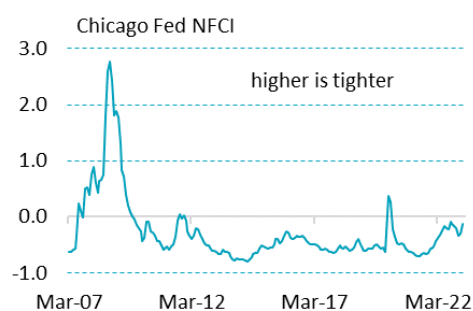
Source: Bloomberg, Robeco; 5 April 2023

Rates market conditions changing

Comparing our views on official rates with market pricing suggests there is some remaining upward risk to rates shorter term. Looking beyond the immediate future we are constructive on the prospects for US government bonds. The increase in clarity on where this Fed tightening cycle ends should support buyers on a correction in yields. In this phase of the cycle we would have a preference for placing overweight positions in 2-year to 5-year maturities. On the curve we advocate building 2-10 steepener positions. While the US Treasuries curve has steepened back in the past weeks, it remains significantly inverted. 2-10s steepeners look more attractively valued than alternatives such as 10-30 or 5-30 steepening trades. Curves behave in a cyclical manner and should steepen back from inversion over time as the market focus shifts from hiking to cutting official rates.

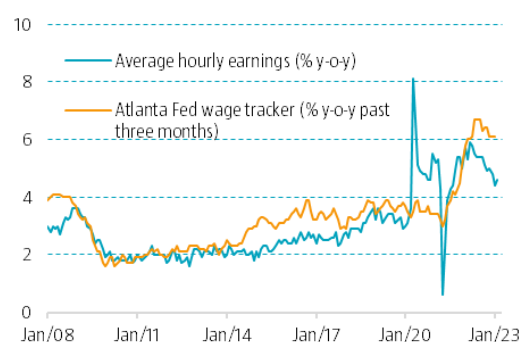
The economic barometer for the US signals a cooling of producer confidence and orders, while labor market data remain resilient. Inflation pressures have been moderating, which is also visible in the pricing of inflation-linked bonds.

Chart 1. Tightening in financial conditions



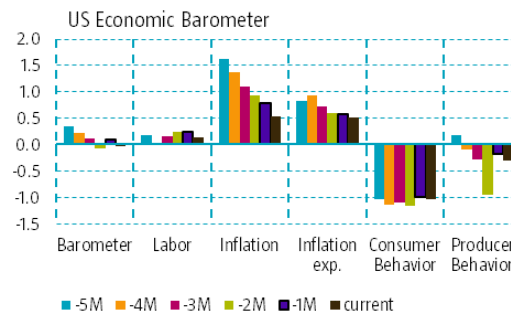
Source: Robeco, Bloomberg; 5 April 2023

Chart 3. Wage metrics turning



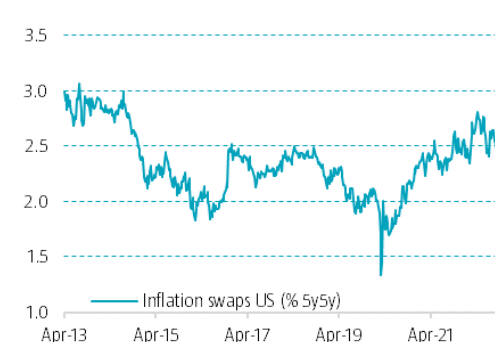
Source: Robeco, Bloomberg; 5 April 2023

Chart 2 Barometer signals slower growth and inflation



Source: Robeco, Bloomberg; 5 April 2023

Chart 4. Forward inflation stable around 2.5%



Source: Robeco, Bloomberg; 5 April 2023

European Central Bank: one way or another

- High core CPI pressuring ECB into tightening credit conditions further, either via hikes or more cautious banks
- Falling headline inflation and weak growth should reinforce expectations of a policy reversal from 2024
- Lower yields and steeper curves beckon over the medium term

Too early to pause

Despite the banking-sector turmoil the ECB delivered the 50 bps hike it had flagged at the March meeting. However, the central bank refrained from giving a clear signal on the pace and timing of any further interest rate increases, with “the elevated level of uncertainty” reinforcing the importance of a “data-dependent approach”. Future policy rate decisions would be determined by “the assessment of the inflation outlook in light of the incoming economic and financial data”. The increased relevance of *financial* data was underlined by the phrase in the policy statement that “the Governing Council is monitoring current market tensions closely and stands ready to respond as necessary to preserve price stability and financial stability in the euro area.”

Clearly, the recent market nervousness around banks has prompted the ECB to turn much more cautious on the direction of travel of future interest rates. Still, the Governing Council retains a clear tightening bias given still-strong core inflation pressures. Indeed, several policymakers, including President Lagarde, have stressed that if the ECB’s economic baseline scenario of 1% GDP growth in 2023 unfolds, there will be “more ground to cover” [on rate hikes].

In our view, further rate increases will likely be smaller than the 50 bps steps of the past three meetings. Moreover, we believe there is an increasing chance that (renewed) signs of economic and financial weakness – including a further tightening of lending standards by banks in the upcoming survey due on 2 May (Chart 1) – will prompt the ECB to pause its hiking cycle before the summer commences. Hence, our central scenario is for just two further 25 bps hikes in the depo rate (to 3.50% in mid-June).

We acknowledge that we could be underestimating how high ECB policy rates could go this year. The same applies to markets, which currently also discount two more 25 bps hikes (see table below). However, we suspect that if the ECB were to hike the depo rate to 4% or higher, this would likely amplify the economic damage and disinflation pressure further out, and hence coincide with increased speculation about a policy reversal in 2024. We note that historically, as confirmed by ECB research, core inflation has tended to lag the evolution of headline inflation pressures – which are set to continue falling sharply over the coming quarters (see Chart 2 on the next page). Separately, we still believe that the depo rate will return to below 2.25% – which marks the upper end of our estimated neutral policy rate range – much sooner than markets currently anticipate (see Chart 3).

| What is priced in for the ECB versus our expectations | | | | | |
|---|------|--------|--------|--------|--------|
| ECB deposit facility rate | 3.00 | Jun-23 | Sep-23 | Dec-23 | Mar-24 |
| Change implied by OIS (bps) | | 39 | 54 | 48 | 27 |
| Our probability-weighted expectation (bps) | | 48 | 55 | 45 | 20 |
| Our central scenario (bps) | | 50 | 50 | 50 | 25 |
| ECB depo rate in central scenario (%) | | 3.50 | 3.50 | 3.50 | 3.25 |

Source: Bloomberg, Robeco; 5 April 2023

| DBR curve | Spot yield | 12m Fwd | Carry* (bp) |
|-----------|------------|---------|-------------|
| 2y | 2.64 | 2.07 | -32 |
| 5y | 2.27 | 2.04 | -15 |
| 10y | 2.27 | 2.21 | -1 |
| 30y | 2.35 | 2.31 | -2 |

* for a 1pd position in cash bonds over 12 months

Source: Bloomberg, Robeco; 5 April 2023

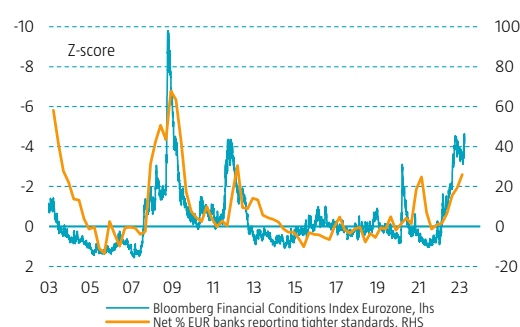
As regards the reinvestment of their QE holdings, the ECB has reiterated that the APP portfolio will decline by EUR 15bln per month on average until the end of Q2 – and that its subsequent pace will be determined over time (i.e. probably in

May). Sustaining gradual *quantitative tightening* (QT) in 2H or slightly accelerating it could make it easier for hawkish ECB governors to stomach a 'terminal' rate below 4%. As concerns the PEPP, we expect the ECB for the time being to continue reinvesting "until at least the end of 2024".

Lower yields and steeper curves beckon over the medium term

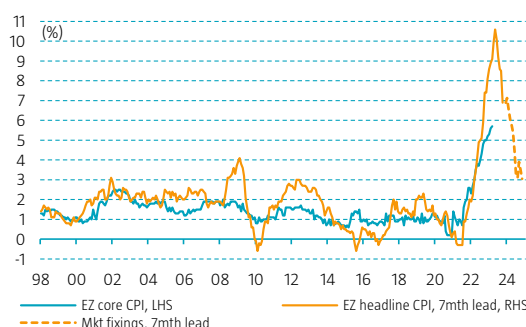
- Since reaching a fresh cycle high in early March, of around 2.75%, the German 10-year Bund yield has retraced noticeably to now trade in the 2.25% area. The yield drop partly reflects some (remaining) flight-to-safety demand in the wake of the recent banking-sector turmoil, as also evident from the net outperformance of Bunds versus swaps. But it is also due to a downward reassessment by financial markets of the amount of forthcoming ECB tightening.
- While markets were flirting with a 'terminal' rate of above 4% in early March, they are now pricing in an ECB depo rate peak in the current cycle of c. 3.5% – in line with our central scenario. As suggested on the previous page, while we acknowledge the possibility the ECB might need to hike rates to well above 3.5% to tame inflation pressures, this would likely coincide with increased speculation about a policy reversal in 2024. Moreover, at around 2.80%, the EUR 5-year OIS rate 5-year forward – assuming term premium and OIS-policy rate wedge adjustments cancel each other out – still exceeds the range of ECB estimates of the long-term 'neutral' depo rate (i.e. 1.5-2.0%). We are not convinced that a looser fiscal policy regime rationalizes such an uplift in the long-term neutral rate.
- While valuations thus hint at being constructive on EUR duration from a medium-term point of view – we target a return to the 1.75% area later in the year or early 2024 – we remain prudent in adding duration – certainly in cash Bunds (as opposed to swaps). This is because we think that, given the elevated near-term core inflation profile, markets will be slow to price in much-lower implied policy rates in the 5 to 10-year part of the curve, despite the subdued growth outlook. Moreover, the prospect of further QT should imply some further underperformance of Bunds versus swaps.
- Curve-wise, our favorite (bullish) strategic position is a 5s30s or 10s30s steepener, especially in swaps, where inversion is still more extreme by historical standards. We also think that 5s30s and 10s30s, as in 2008, might re-steepen somewhat faster than 2s10s – although the latter curve segment should also mean revert over the coming 12-24 months. Note that steepener positions are less vulnerable to a (further) secular rise in the long-term 'neutral' rate than an overweight outright duration position.

Chart 1. Financial conditions index points to more credit tightening



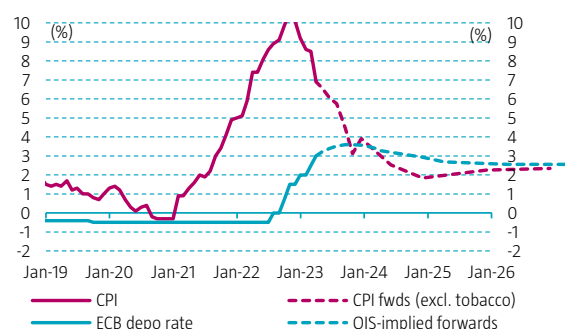
Source: ECB, Robeco; 5 April 2023

Chart 2. Eurozone headline inflation tends to lead core inflation



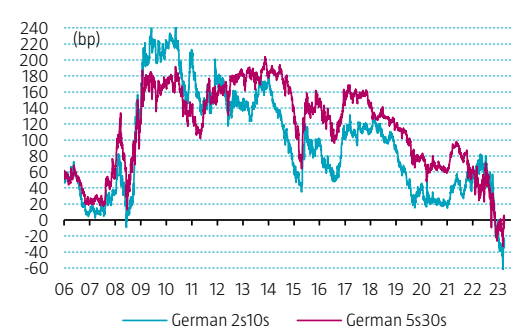
Source: ECB, Robeco; 5 April 2023

Chart 3. ECB policy rate and inflation forwards



Source: ECB, Robeco; 5 April 2023

Chart 4. German 2s10s and 5s30s yield curve



Source: ECB, Robeco; 5 April 2023

People's Bank of China: stable policy rates

- Recent RRR cut confirms it is early to fret about PBoC rate hikes despite economic rebound
- Loose money market conditions have been reversed, though
- Awaiting further yield rise before turning constructive on CGBs again

Premature to fear rate hikes

The consumer-led recovery in China's economic growth is progressing steadily. This mainly benefits the domestic services sector in our opinion, and is less of a boon for exports in developed markets. While the consumer recovery should over time lead to higher services and core inflation, for now, such price pressures remain subdued, as evident from the weak 0.6% YoY prints in February.

Subdued underlying inflation pressures allowed the PBoC to last month announce a 25 bps cut in the required reserve ratio (RRR) of banks with a RRR in excess of 5.0%. This lowers the weighted average RRR across banks to 7.6%, from 7.8%. While the timing of the RRR cut was a bit earlier than we had expected, it was not a surprise given the rhetoric from the Q4 monetary policy report published in February. It stated that policy should provide and enhance "persistent support" to the economy. Notwithstanding the recent liquidity injection from the RRR – Q2/Q3 could well see another one – liquidity conditions in money markets have turned less loose than at the start of the year. Consequently, 7-day repo rate fixings are no longer hovering below the PBoC's reverse repo rate (Chart 1).

Meanwhile, authorities are also still guiding banks and local governments to help consolidate the economic recovery. Indeed, bank loan supply is being steered higher, so as to prevent a strong relapse into negative territory of the credit 'impulse' (Chart 3). Moreover, to help prop up home sales demand, the PBoC and CBIRC at the start of the year unveiled a scheme enabling cities that have experienced declines in new home prices to temporarily scrap minimum mortgage rates for first-time homebuyers. This goes to show that despite the signs of improvement in home sales, mainly evident in secondary rather than primary markets, authorities think economic re-opening is not sufficient to turn property around.

Looking ahead, we expect the PBoC's targeted easing bias to persist for the time being, but key policy rates to remain stable (see Table below). This seems vindicated by the pledge of the recently reappointed PBOC Governor Yi Gang, that current interest rates are "appropriate". As for bond yields, these have eased a bit, in line with the direction of travel of US Treasury yields since early March. But we remain braced for a yield back-up to above 3% in 10-year CGBs, and prefer to be underweight CGBs cross-market against DM government bonds for now.

If such valuations indeed are reached, we would likely become more constructive again on CGBs, for a number of reasons. Firstly, despite efforts to boost lending growth, China's credit 'impulse' could still roll over in the coming months. Secondly, notwithstanding any re-opening-led rebound this year, underlying growth in China is likely to remain weaker than we have been used to, which should help prevent markets from pricing in a pronounced hiking cycle by the PBoC. Thirdly, we remain of the view that the amount of leverage in the economy in general and within the local government sector in particular will require lower policy rates over the coming years.

What is priced in for the PBoC versus our expectations

| | | | | | |
|---|------|--------|--------|--------|--------|
| PBoC 7-day reverse repo (%) | 2.00 | Jun-23 | Sep-23 | Dec-23 | Mar-24 |
| Change implied by forwards (bps) | | 4 | 9 | 15 | 22 |
| Our probability-weighted expectation (bps) | | -1 | 0 | 0 | -5 |
| Our central scenario (bps) | | 0 | 0 | 0 | 0 |
| PBoC 7-day reverse repo in central scenario (%) | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |

Source: Bloomberg, Robeco; 5 April 2023

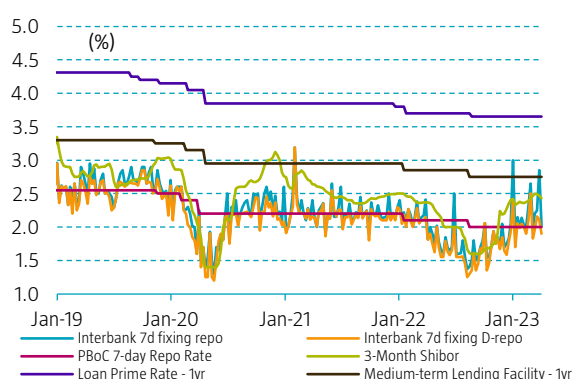
| CGB curve | Spot | 12m Fw |
|-----------|------|--------|
| 2yr | 2.38 | 2.63 |
| 5yr | 2.68 | 2.89 |
| 10yr | 2.86 | 2.95 |

Source: Bloomberg, Robeco; 5 April 2023

Economic barometer: Rebound, no boom just yet

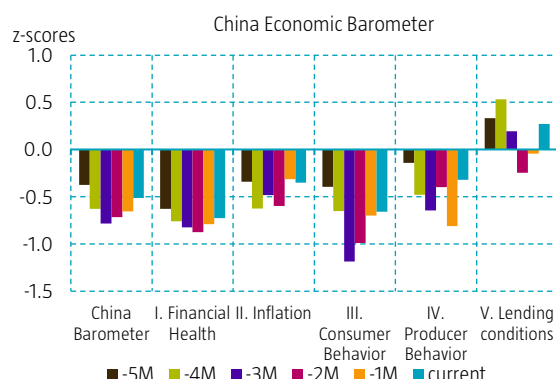
- Our economic barometer for China has been steadily improving in recent months, as one would expect given the economic reopening. The recovery is broad based but led by the 'producer behavior' and 'lending conditions' component. The 'financial health' component has been the slowest to recover, reflecting the earlier, protracted period of economic weakness. Meanwhile, the overall Z score for 'inflation' failed to improve last month due to a relapse in measures of underlying inflation pressures.
- The improvement in the Z score for the 'producer behavior' component has been mainly driven by an acceleration in rail freight traffic and electricity consumption growth, as well as the pick-up in the PMI new orders index to well above 50. The consumer component has also improved noticeably, driven by the bounce in retail sales and home sales. But the renewed slowdown in car sales growth and the very subdued marginal-propensity-to-consume metric (based on household demand deposits relative to savings deposits) exert a significant drag on the 'consumer behavior' Z score. The latter subcomponent's weakness is a timely reminder that not all Chinese consumers are intent on going on a 'revenge' spending spree.
- The Z score for 'lending conditions' (consisting of among others the credit 'impulse' metric, which factors in the flow of credit relative to GDP) and M2 growth are the only ones hovering in positive territory.

Chart 1. Selected policy and money market rates



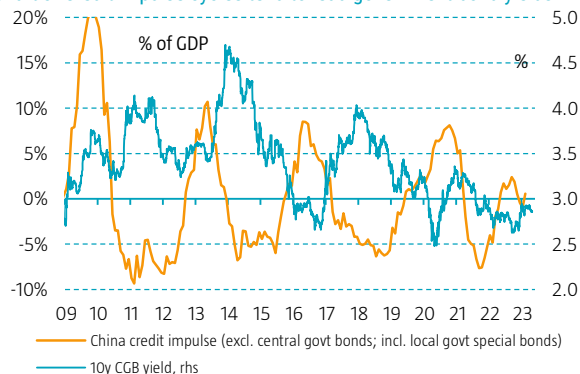
Source: Bloomberg, Robeco; 5 April 2023

Chart 2. Economic Barometer – moving up again



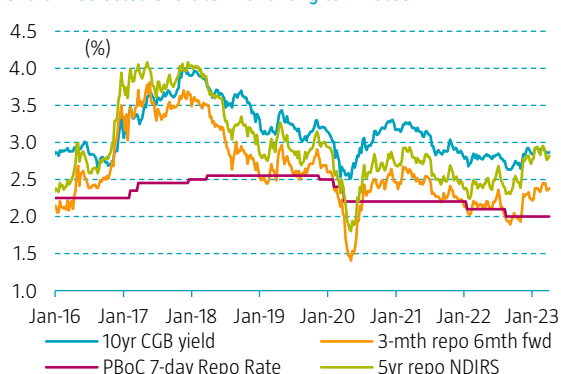
Source: Bloomberg, Robeco; 5 April 2023

Chart 3. Credit impulse cycles tend to lead government bond yields



Source: Bloomberg, Robeco; 5 April 2023

Chart 4. Selected short-term and long-term rates



Source: Bloomberg, Robeco; 5 April 2023

Bank of Japan: prepared to pivot

- Inflation above target
- Wages on the rise
- Further YCC changes on the horizon

Inflation above target

Japanese core CPI inflation – all items, excluding food and energy – came in stronger than expected at +2.1% YoY for February, exceeding the 2% YoY target for the first time since December 1992 (excluding periods affected by consumption tax hikes). Given the incoming BoJ Governor Kazuo Ueda's preference for looking at such clean measures of underlying inflation, we consider this to be an important metric to follow. Indeed, in his July 2022 contribution to the Nikkei Newspapers, he cited Japan's low core inflation as a reason for the BoJ to avoid premature tightening. He discussed that in the US, the Eurozone and the UK, "inflation excluding food and energy, which is highly correlated with the medium- to long-term inflation developments and thus more important for monetary policy (than the headline inflation), exceeds 2% by a large margin" and that "this is a reason why sharp and drastic monetary tightening is underway" in these countries. He then pointed out that in Japan "the underlying inflation excluding food and energy has barely risen, at +0.2% YoY as of May 2022, far from the target of achieving 2% inflation in a sustainable manner" and argued that the BoJ should maintain easing.

There is also more evidence of sticky underlying price pressures in the recent Tankan surveys. First, firms continue to pass through input cost increases even though these have started to slow. Secondly, the labor market continues to tighten, with private employment conditions likely to tighten further especially for large companies. These two factors – an improvement in corporate profit margins due to continuing cost pass-through, and tightness of the labor market – bode well for the sustainability of stronger wage growth, and also suggest that underlying inflation pressures continue to build.

We believe Japan is now experiencing a polarization between acute inflation attributable to higher input costs, and chronic price stagnation in some services prices. There are indeed signs that acute inflation might no longer be accelerating, but it remains to be seen whether recent increases in services prices at the producer level might soon be reflected at the consumer level. That said, the latest Tankan results are suggestive of a (gradual) change in expectations whereby continuing price stagnation might no longer be considered the base case.

Wages on the rise

On 17 March, the Japanese Trade Union Confederation, also known as Rengo, announced the first results of the 2023 Shunto wage talks. These exceeded expectations. The total average wage hike, calculated from the Shunto results of 805 labor unions, was +3.80% YoY (including seniority portion), which was far above the +2.14% YoY rise a year ago. For the 612 labor unions that provide a breakdown of the rise in their base pay, the weighted average base pay increases +2.33% YoY, significantly higher than the previous year's +0.50% YoY.

What is priced in for the BoJ, versus our expectation

| Policy balance rate (%) | -0.10 | Jun-23 | Sep-23 | Dec-23 | Mar-24 |
|---|-------|--------|--------|--------|--------|
| Change implied by futures (bps) | | 14 | 14 | 16 | 17 |
| Our probability-weighted expectation (bps) | | 0 | 0 | 6 | 7 |
| Our central scenario (bps) | | 0 | 0 | 10 | 10 |
| Policy balance rate in central scenario (%) | -0.10 | -0.10 | 0.00 | 0.00 | 0.00 |

Source: Bloomberg, Robeco; 5 April 2023

We have previously referred to the upside risk of headline wage hikes reaching about 3% YoY, as a number of large companies were acceding to their labor unions' demands in full. That said, the results were much stronger than our expectations. We believe the strong outcomes are largely attributable to higher inflation expectations on the part of both households and companies. Labor unions have been demanding high wage increases and management teams recognize these demands and tolerate the wage hikes. While it is still unclear whether this pattern will become entrenched, the results may indicate that the Japanese economy is shifting to a new regime in which higher inflation expectations – even

if it is cost-push inflation – are reflected in wage increases. Additional wage increases may propel services and core inflation further, feeding into higher inflation expectations and fueling wage demands as a result.

Further YCC changes on the horizon

This year's Shunto results are similar to those seen just before deflation took hold in Japan. We consider this to be crucial evidence that Japan is shifting towards a new inflation equilibrium. We expect core inflation to settle between 1% and 2% for the medium term. Such a new inflation equilibrium will not go unnoticed by the BoJ and its incoming governor Ueda. With underlying price pressures continuing to build, especially in services, and with much stronger wage growth, we believe the BoJ is ready to pivot away from its current accommodative monetary policy mix.

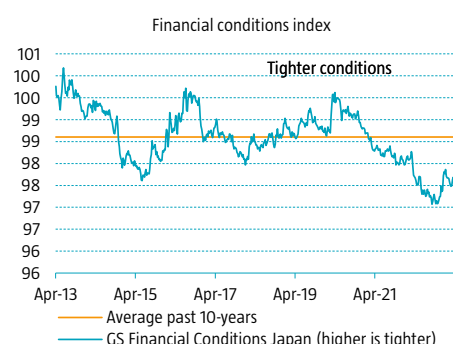
We've written in previous CBWs about the negative side-effects of years of negative interest rates and yield-curve-control (YCC) policy. We think current inflation and wage dynamics will provide a window of opportunity for making changes to the policy mix. From a sequencing perspective we think the BoJ will announce a 'comprehensive assessment' of NIRP and YCC in its April meeting, with the results available in the June meeting. June will then likely see either a widening of the bandwidth from 50 bps to 100 bps, or the BoJ will shift the target from 10yr JGBs towards 5yr JGBs. Either way, the outcome for the 10yr JGB yield will be to trade closely to 1% yield in June. Still, we cannot rule out an April move either. The BoJ is quite sensitive to the role of speculators in the JGB market and as long there is no excessive speculation about an April move (resulting in 10yr JGBs trading well below 50 bps) we can see the BoJ moving in April by widening the bandwidth to 75 or 100 bps. In both scenarios we expect 10s30s to flatten further given the large upward pressure on 10yr JGBs. As JGB yields adjust higher over the course of 2023 relative to other markets, we continue to look for a stronger yen versus other major currencies.

| JGB Curve | Spot yield | 12m Fw | Carry* | Hedged to EUR |
|-----------|------------|--------|--------|---------------|
| 2yr | -0.04 | 0.02 | 1.6 | 3.3 |
| 5yr | 0.15 | 0.28 | 10.0 | 10.7 |
| 10yr | 0.47 | 0.67 | 8.1 | 8.4 |
| 30yr | 1.34 | 1.45 | 8.1 | 8.2 |

* for a 1pd position over 12 months

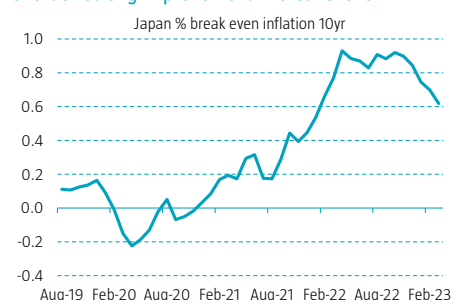
Source: Bloomberg, Robeco; 5 April 2023

Chart 1. Still loose financial conditions



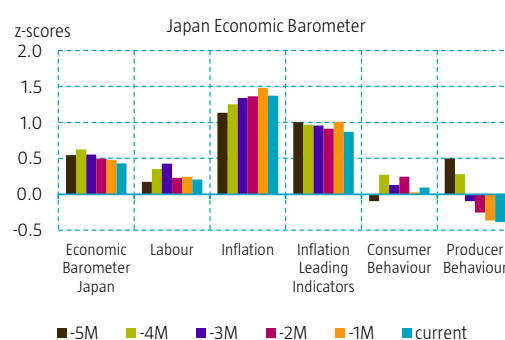
Source: Goldman Sachs, Bloomberg; 5 April 2023

Chart 3. Strong improvement in breakevens



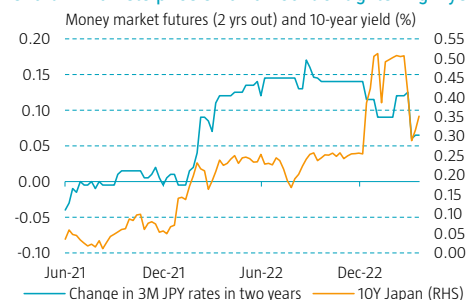
Source: Bloomberg; 5 April 2023

Chart 2. Strong inflation momentum



Source: Robeco, Bloomberg; 5 April 2023

Chart 4. Markets price small amount of tightening 2 years out



Source: Bloomberg; 5 April 2023

Important information

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The Fund may not be offered or sold to the public in Brazil. Accordingly, the Fund has not been nor will be registered with the Brazilian Securities Commission (CVM), nor has it been submitted to the foregoing agency for approval. Documents relating to the Fund, as well as the information contained therein, may not be supplied to the public in Brazil, as the offering of the Fund is not a public offering of securities in Brazil, nor may they be used in connection with any offer for subscription or sale of securities to the public in Brazil.

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The Prospectus relates to a private collective investment scheme which is not subject to any form of domestic regulations by the Autoriti Monetari Brunei Darussalam ("Authority"). The Prospectus is intended for distribution only to specific classes of investors as specified in section 20 of the Securities Market Order, 2013, and must not, therefore, be delivered to, or relied on by, a retail client. The Authority is not responsible for reviewing or verifying any prospectus or other documents in connection with this collective investment scheme. The Authority has not approved the Prospectus or any other associated documents nor taken any steps to verify the information set out in the Prospectus and has no responsibility for it. The units to which the Prospectus relates may be illiquid or subject to restrictions on their resale. Prospective purchasers of the units offered should conduct their own due diligence on the units.

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No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence. Robeco Institutional Asset Management B.V. relies on the international dealer and international adviser exemption in Quebec and has appointed McCarthy Tétrault LLP as its agent for service in Quebec.

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The Management Company is not making any representation with respect to the eligibility of any recipients of the Prospectus to acquire the Shares therein under the laws of South Korea, including but not limited to the Foreign Exchange Transaction Act and Regulations thereunder. The Shares have not been registered under the Financial Investment Services and Capital Markets Act of Korea, and none of the Shares may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in South Korea or to any resident of South Korea except pursuant to applicable laws and regulations of South Korea.

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Generally, no offer or sale of the Shares is permitted in Malaysia unless where a Recognition Exemption or the Prospectus Exemption applies: NO ACTION HAS BEEN, OR WILL BE, TAKEN TO COMPLY WITH MALAYSIAN LAWS FOR MAKING AVAILABLE, OFFERING FOR SUBSCRIPTION OR PURCHASE, OR ISSUING ANY INVITATION TO SUBSCRIBE FOR OR PURCHASE OR SALE OF THE SHARES IN MALAYSIA OR TO PERSONS IN MALAYSIA AS THE SHARES ARE NOT INTENDED BY THE ISSUER TO BE MADE AVAILABLE, OR MADE THE SUBJECT OF ANY OFFER OR INVITATION TO SUBSCRIBE OR PURCHASE, IN MALAYSIA. NEITHER THIS DOCUMENT NOR ANY DOCUMENT OR OTHER MATERIAL IN CONNECTION WITH THE SHARES SHOULD BE DISTRIBUTED, CAUSED TO BE DISTRIBUTED OR CIRCULATED IN MALAYSIA. NO PERSON SHOULD MAKE AVAILABLE OR MAKE ANY INVITATION OR OFFER OR INVITATION TO SELL OR PURCHASE THE SHARES IN MALAYSIA UNLESS SUCH PERSON TAKES THE NECESSARY ACTION TO COMPLY WITH MALAYSIAN LAWS.

Additional information for investors with residence or seat in Mexico

The funds have not been and will not be registered with the National Registry of Securities or maintained by the Mexican National Banking and Securities Commission and, as a result, may not be offered or sold publicly in Mexico. Robeco and any underwriter or purchaser may offer and sell the funds in Mexico on a private placement basis to Institutional and Accredited Investors, pursuant to Article 8 of the Mexican Securities Market Law.

Additional information for investors with residence or seat in Peru

The Superintendencia del Mercado de Valores (SMV) does not exercise any supervision over this Fund and therefore the management of it. The information the Fund provides to its investors and the other services it provides to them are the sole responsibility of the Administrator. This Prospectus is not for public distribution.

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Robeco Institutional Asset Management B.V. is registered and regulated by the Financial Sector Conduct Authority in South Africa.

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Additional information relating to RobecoSAM-branded funds/services

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The Prospectus has not been approved by the Securities and Exchange Commission which takes no responsibility for its contents. No offer to the public to purchase the Shares will be made in Thailand and the Prospectus is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

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Some Funds referred to in this marketing material have been registered with the UAE Securities and Commodities Authority ("the Authority"). Details of all Registered Funds can be found on the Authority's website. The Authority assumes no liability for the accuracy of the information set out in this material/document, nor for the failure of any persons engaged in the investment Fund in performing their duties and responsibilities.

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Robeco is deemed authorized and regulated by the Financial Conduct Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorization, are available on the Financial Conduct Authority's website.

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The sale of the Fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627. The Fund must not be offered or sold to the public in Uruguay, except under circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. The Fund is not and will not be registered with the Financial Services Superintendency of the Central Bank of Uruguay. The Fund corresponds to investment funds that are not investment funds regulated by Uruguayan law 16,774 dated 27 September 1996, as amended.