Monthly Market Brief

May 2024

MACRO PICTURE

- **Central Banks –** With major activity indicators strengthening and steady inflation, FOMC communication have pivoted, with Fed President J. Powell declaring that rates are likely to stay high for longer. Specifically, he noted that data "have not given us greater confidence and instead indicate that it is likely to take longer than expected to achieve that confidence", and that "it is appropriate to allow restrictive policy further time to work and let the data and evolving outlook guide us". Fed Vice Chair Williams acknowledged that rate hikes were not out of the question if this becomes warranted by the data flow. On the ECB front, a first cut in June has been well telegraphed during the press conference and C. Lagarde highlighted the ECB's independence vis-à-vis the US FED. Governing council member Centeno, one of the most dovish ECB member, said the ECB could cut by more than 100basis points by 2024.

- **Geopolitical risk –** Iran made a direct strike on Israel with over 300 drones and missiles, the vast majority of them being intercepted outside the country's borders. The chances of an immediate escalation in fighting between the two countries have been limited by a moderate response from Israel a few day after. In Asia, Taiwan reported Chinese military incursions near the island.

- **Switzerland –** The inflation unexpectedly eased in March at 1% YoY and the decline was broad-based. SNB President T. Jordan said he sees "very little risk" that price gains will rebound past the 2% upper end of the SNB's target range. The SNB returned to a quarterly profit because of the weakness of the franc, with a gain of CHF58.8bn in Q1. The institutions seems to prioritize rebuilding capital over delivering dividends (they have been canceled for two years after a record loss in 2022 emptied its payout reserve). Swiss watch exports declined by 16% in march

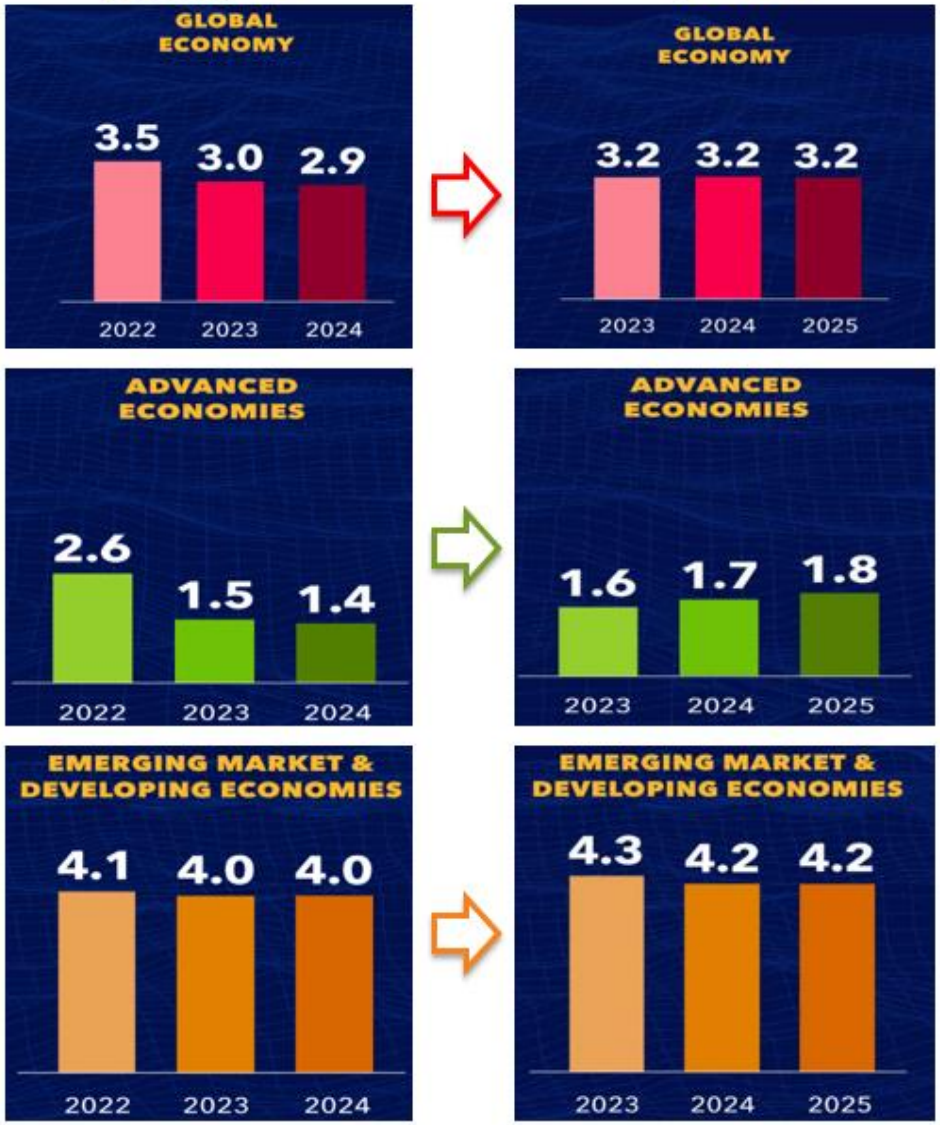
- **China –** China's first quarter beat estimates but march data showed growth faltering. January and February were the main contributors to growth, with public investment being the main driver. Consumer demand remains anemic and investment in property continued to contract. Some doubts remain about China growth in the next quarters

- **United States –** Each month can surprise! After a series of solid macro figures in March (labor market was solid, manufacturing activity was back in expansionary territory, consumer demand remained firm), the first estimate of the US GDP growth was considerably lower than expected in Q1 at 1.6% annualized rate, well below analysts' expectations of a 2.5% rise, driven by lower consumer and government spending, as well as wider trade deficit, amid a pick-up in inflation (3.7% in the core PCE price index, driven higher by service-sector). Slower growth and faster inflation: stagflation risk is back on the forefront and the first rate cut from the FED is now priced in December.

- **Eurozone –** The Eurozone has avoided a recession in 2023 and is slowly getting out of its slump as shown by the April PMI, with a composite index at 51.4. The services sector is the main driver of the acceleration while the manufacturing sector continues to signal declining output. Services inflation accelerated again but not to the degree seen at the beginning of the year. Moreover, Eurozone GDP grew by 0.3% from the previous three months, with Germany, France , Italy and Spain all exceeded expectations. The disinflation trend is well in place, supporting a move of the ECB in June. Consumer confidence improved slightly, according to the preliminary report of the European Commission, while remaining well below the long-term average

MACRO PICTURE – GLOBAL

October 2023 April 2024



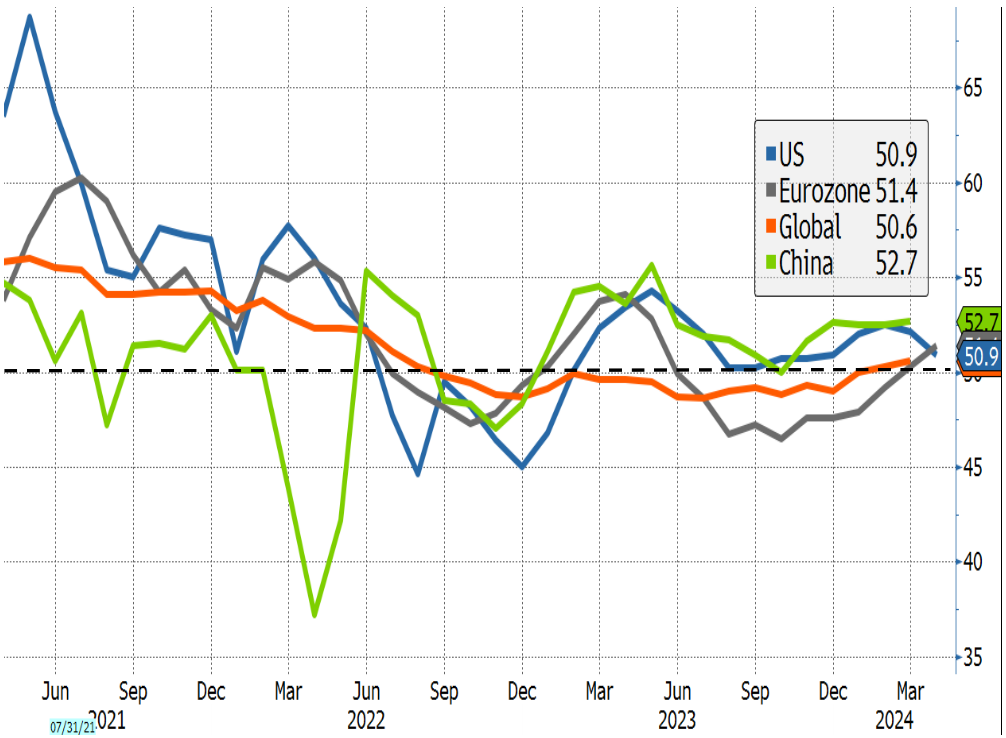
IMF – « Global recovery is steady but slow and differs by region »

- ❑ **IMF raised its forecast for global economic growth this year**
- ❑ **The baseline forecast is for the world economy to continue growing at 3.2% during 2024 and 2025, at the same pace as in 2023**
- ❑ **A slight acceleration for advanced economies will be offset by a modest slowdown in emerging market and developing economies**
- ❑ **The forecast for global growth five years from now—at 3.1%—is at its lowest in decades**
- ❑ **Global inflation is forecast to decline steadily, from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies**
- ❑ **Core inflation is generally projected to decline more gradually**

MACRO PICTURE – GLOBAL

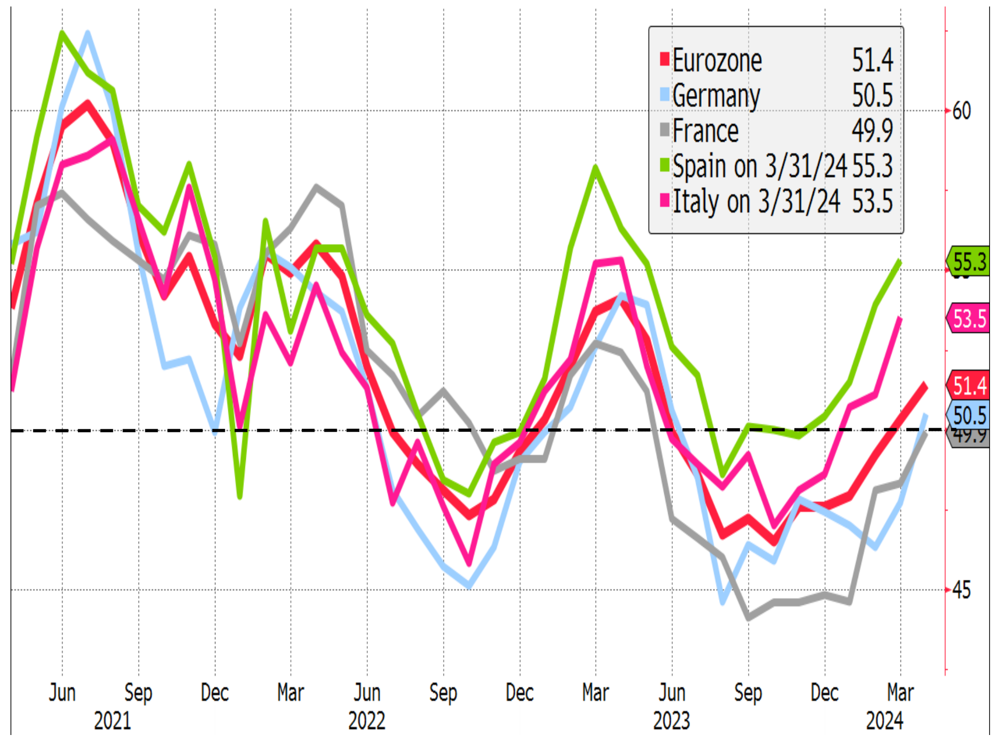
BANQUE CRAMER

Global PMI



Source: Bloomberg

Eurozone PMI



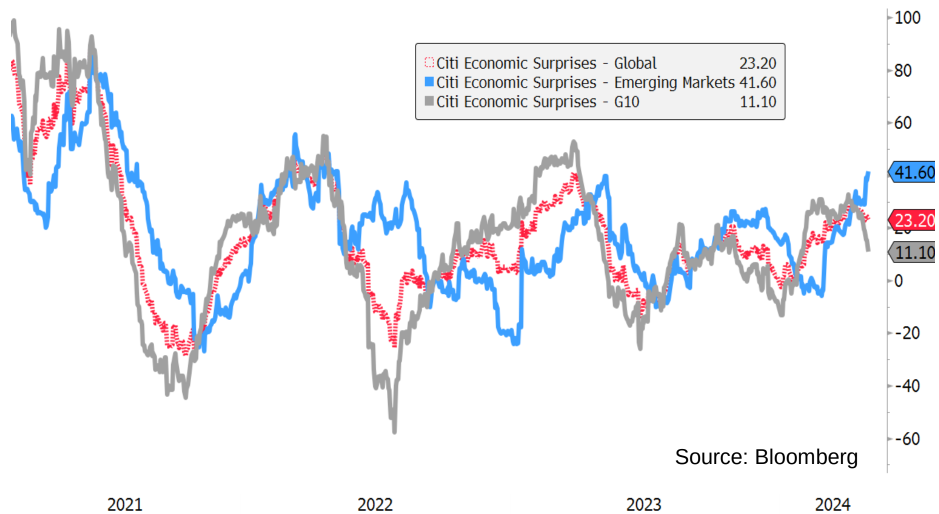
Source: Bloomberg

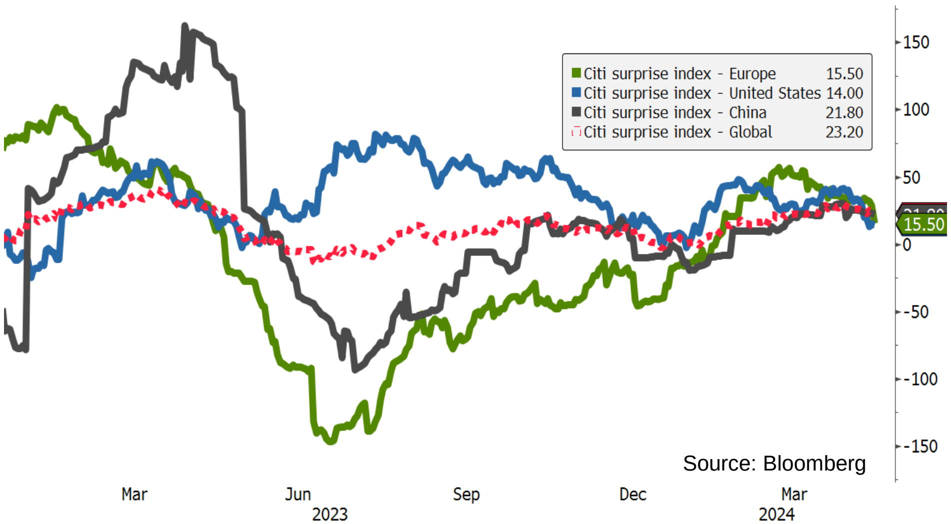
Global PMI are in expansionary territory

Within the Eurozone, the southern countries are still very dynamic

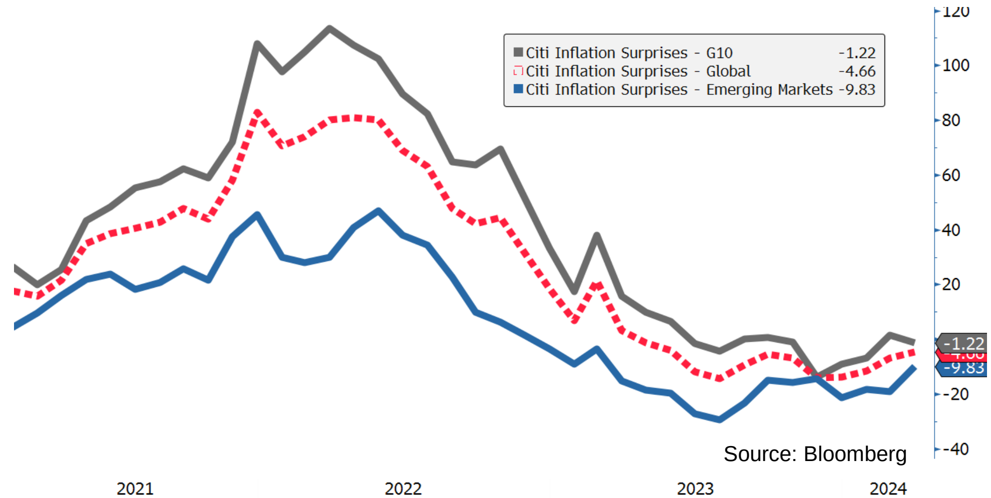
MACRO PICTURE – GLOBAL

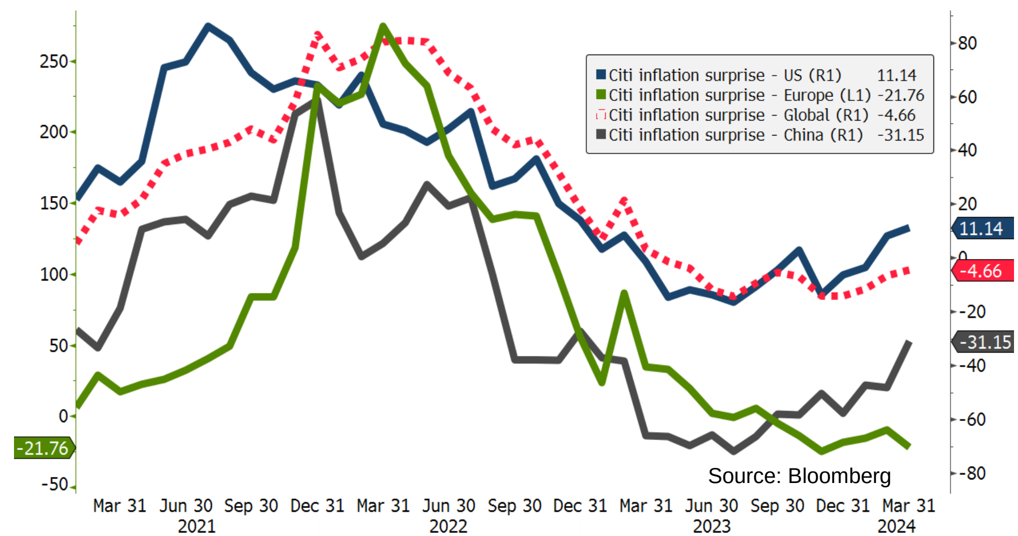
Global economy is showing favorable signs





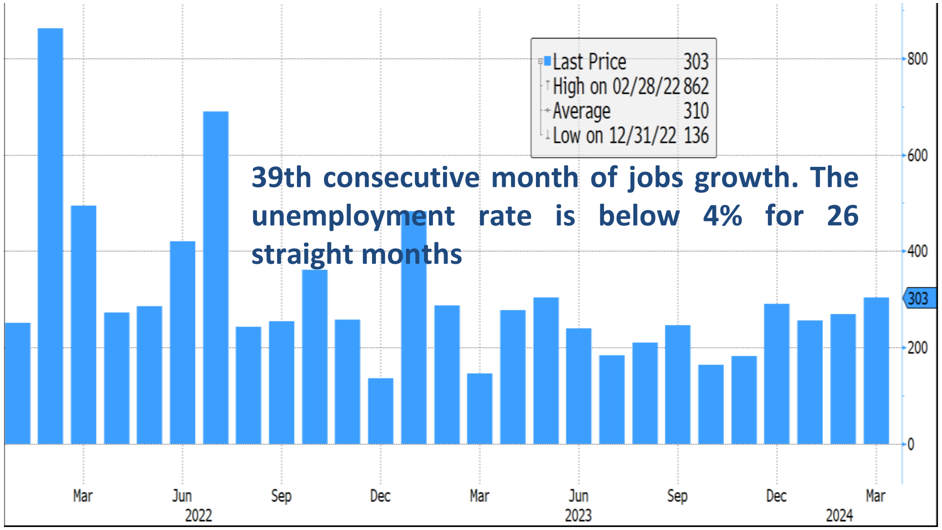
Inflation surprises remain well contained, except in the US





MACRO PICTURE – US ACTIVITY

1. The labor market remains strong



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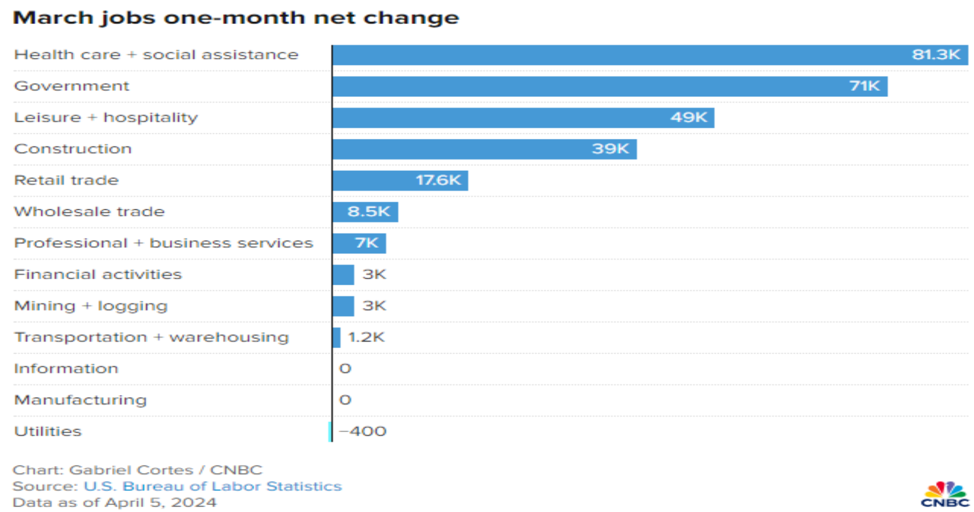

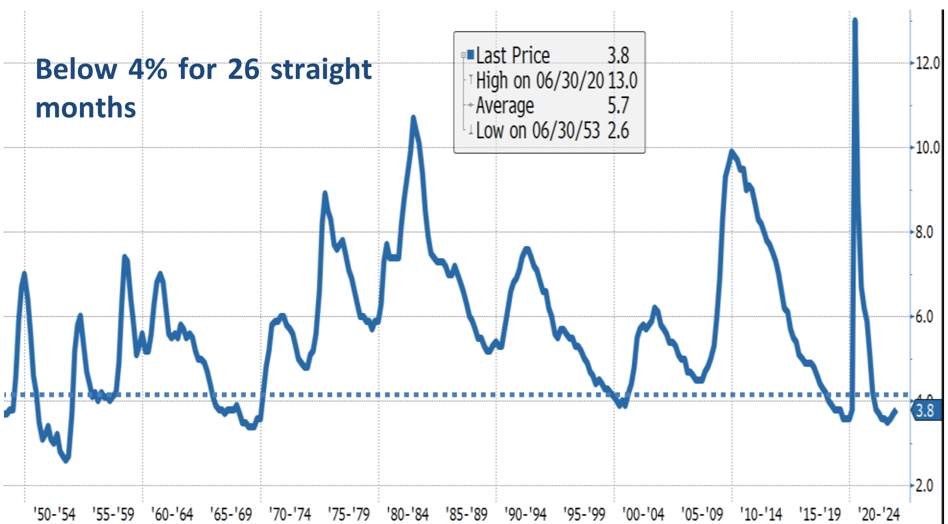

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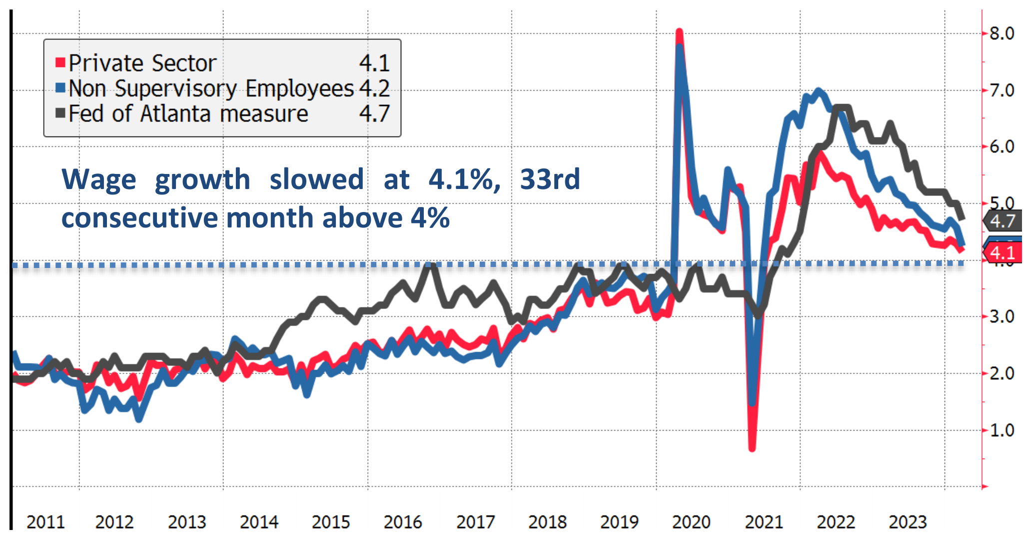
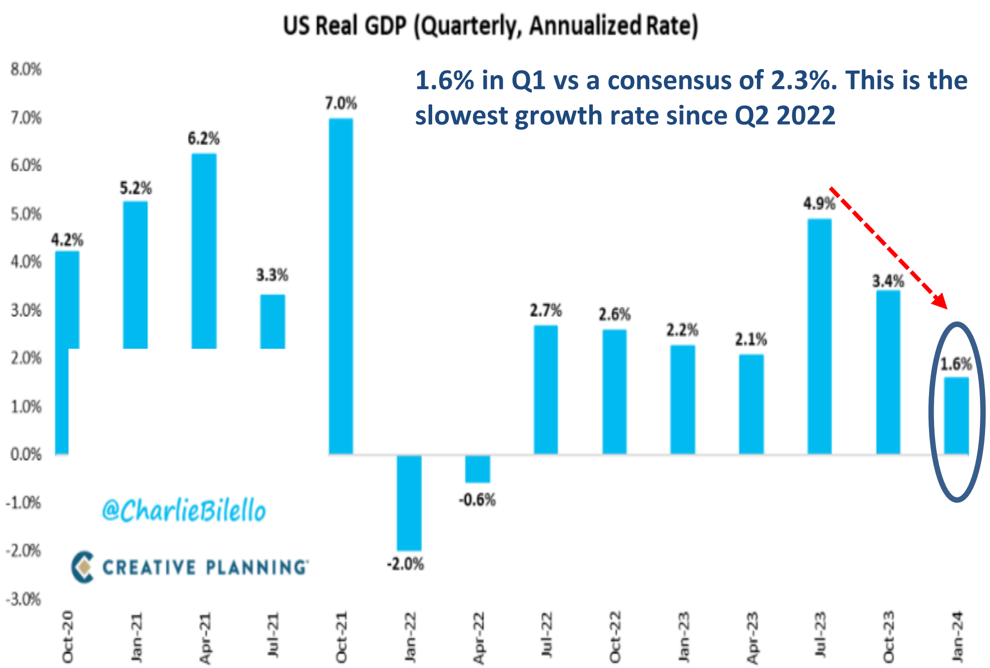


Source: Bloomberg

MACRO PICTURE – US ACTIVITY

2. US economy seems to be growing less than expected

US economy is in expansion for 48 months

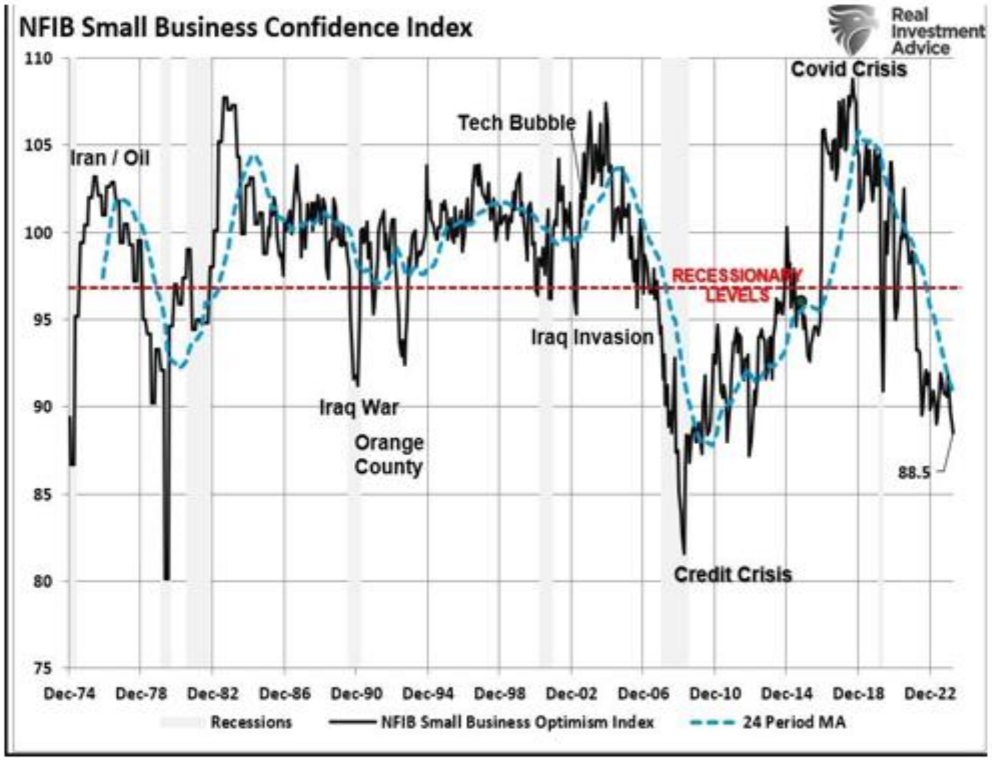


Source: C. Bilello

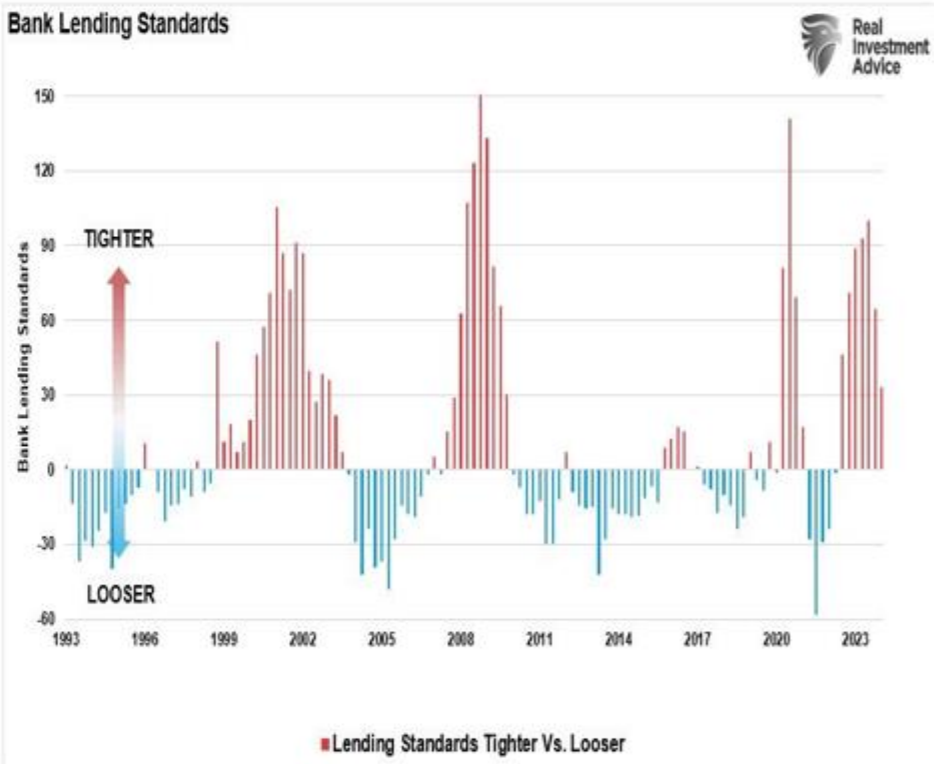
U.S. Economic Expansions (1949 - 2024)			
US Expansion Period	# Months	Cumulative Real GDP (%)	Annualized Real GDP (%)
Apr 2020 to Mar 2024	48	20%	4.6%
Jun 2009 to Feb 2020	128	29%	2.4%
Nov 2001 to Dec 2007	73	17%	2.6%
Mar 1991 to Mar 2001	120	42%	3.5%
Nov 1982 to Jul 1990	92	38%	4.3%
Jul 1980 to Jul 1981	12	2%	2.5%
Mar 1975 to Jan 1980	58	20%	3.8%
Nov 1970 to Nov 1973	36	12%	3.9%
Feb 1961 to Dec 1969	106	52%	4.9%
Apr 1958 to Apr 1960	24	11%	5.6%
May 1954 to Aug 1957	39	12%	3.7%
Oct 1949 to Jul 1953	45	24%	5.8%
Average (1949 - 2020)	**67**	**23.6%**	**3.9%**

Source: C. Bilello

3. Small businesses (c. 50% of the economy) have been continuing to suffer



Source: Real Investment Advice

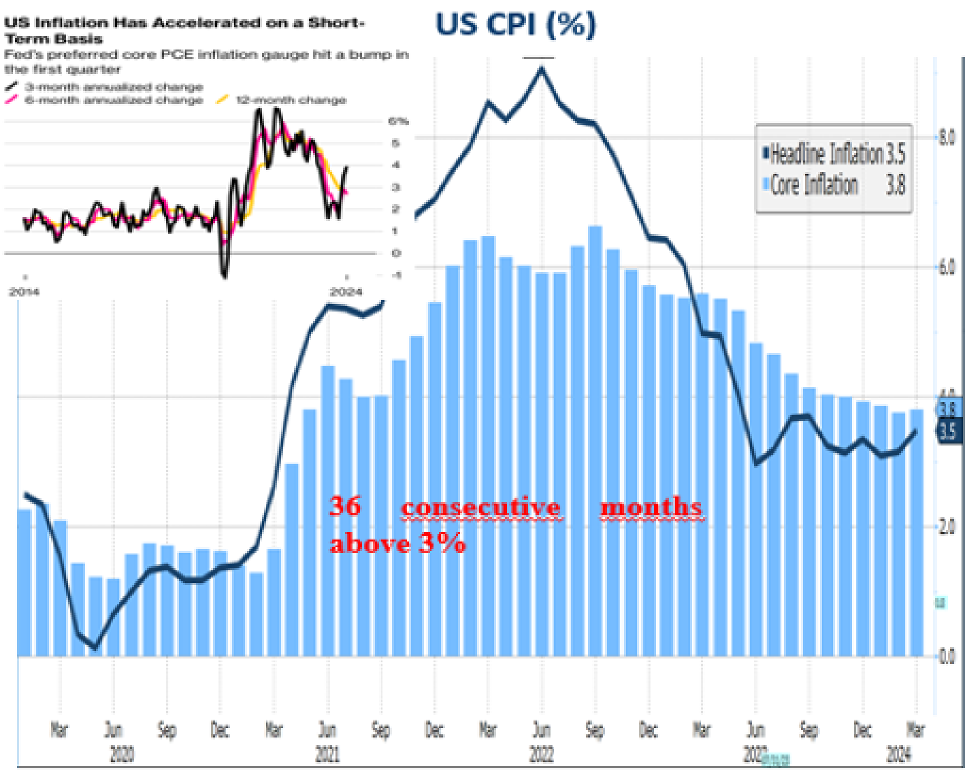


Source: Real Investment Advice

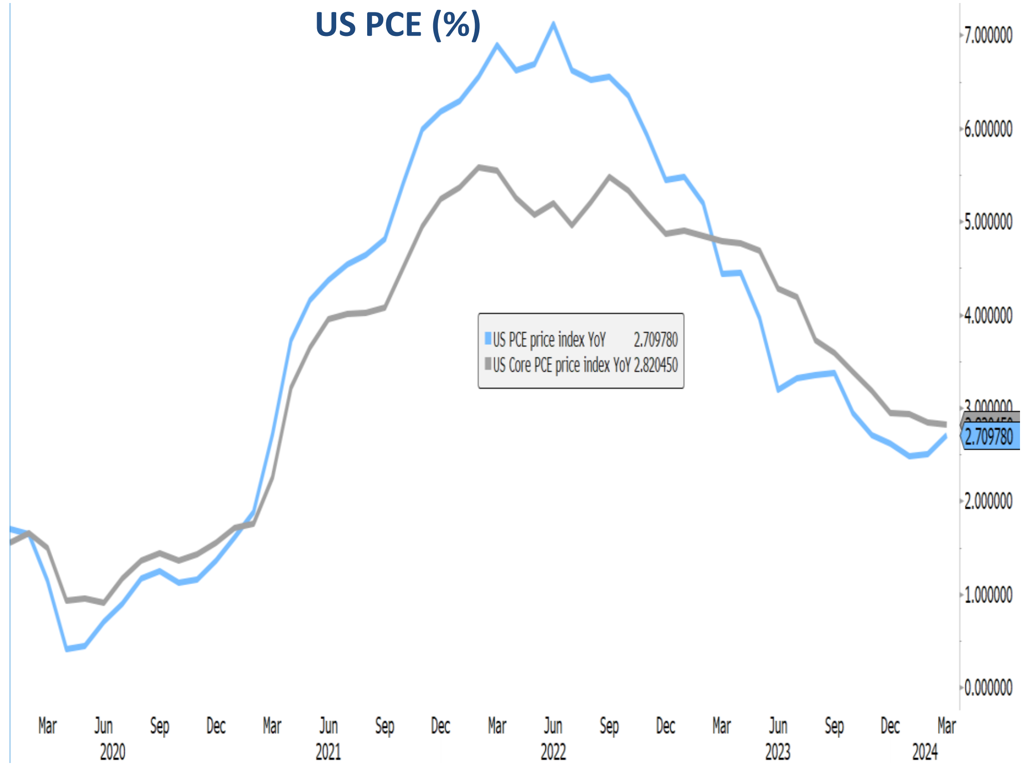
Roughly 60% of all companies in the U.S. have less than 10 employees. US Small-business sentiment decreased to lowest level in more than 11 years in March, amid rising concerns about inflation and sale expectations. It was the 27th straight month the index was below the 50-year average of 98. The index stands at levels historically associated with an economy in recession

As the economy slows and interest rates rise, small business owners turn to their local banks for operating loans. But higher rates and tighter lending standards make access to capital even more difficult.
In the report, the percentage of business owners planning capital expenditures over the 3-6 months dropped to the lowest level since the pandemic-driven shutdown

1. Inflation came in hotter than expected, challenging the sustainability of the disinflation trend



Source: Bloomberg



Source: Bloomberg

***Overall US CPI moved up to 3.5% YoY in March from 3.2% in February and 3.09% in January. This is the 3rd consecutive month of rising inflation**

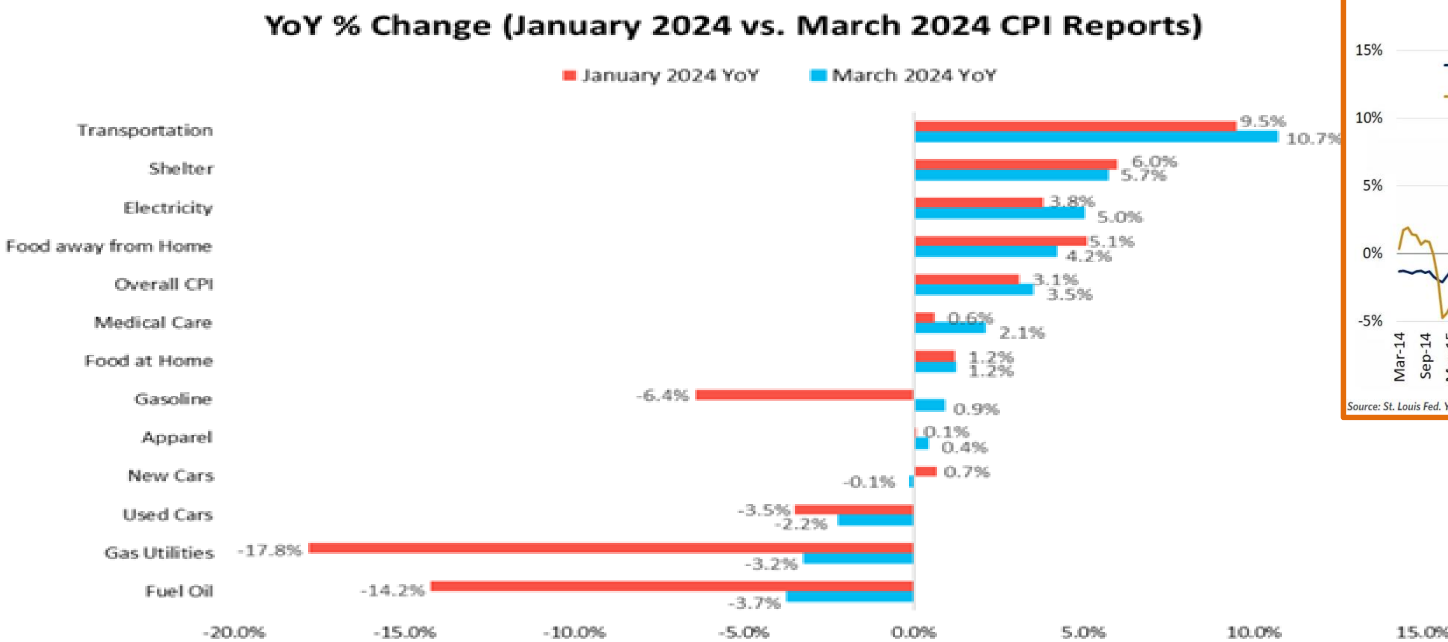
***Core CPI moved up to 3.80% YoY from 3.76% in February, the first uptick in core inflation since March 2023**

***Core PCE remained at 2.8% in March, above expectations of an decline of 2.7%**

***Overall PCE rose to 2.7% versus 2.6% expected: it is the highest reading since October 2023**

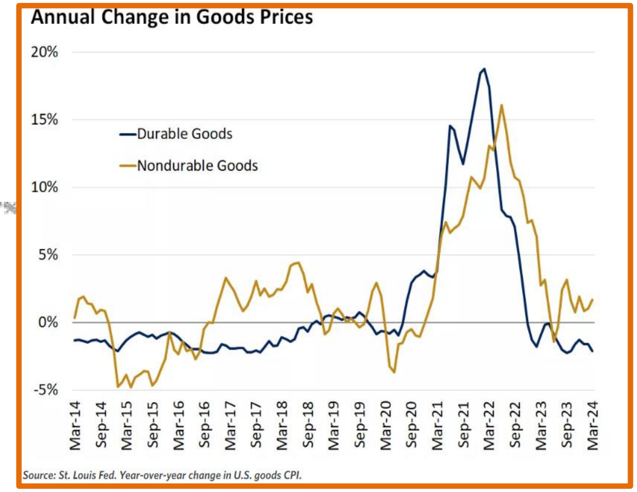
MACRO PICTURE – US INFLATION

2. Sticky prices in parts of the services sector reflect a healthy consumer demand backdrop



	Fuel Oil	Gas Utilities	Used Cars	New Cars	Apparel	Gasoline	Food at Home	Medical Care	Overall CPI	Food away from Home	Electricity	Shelter	Transportation
January 2024 YoY	-14.2%	-17.8%	-3.5%	0.7%	0.1%	-6.4%	1.2%	0.6%	3.1%	5.1%	3.8%	6.0%	9.5%
March 2024 YoY	-3.7%	-3.2%	-2.2%	-0.1%	0.4%	0.9%	1.2%	2.1%	3.5%	4.2%	5.0%	5.7%	10.7%

Source: C. Bilello



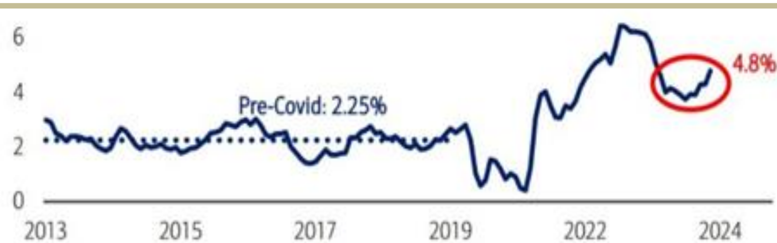
Source: Saint Louis Fed

***Transport prices rose by +10.7% year-on-year and housing by +5.7%**

***SuperCore (ex food, energy & housing) index rose by 0.65% sequentially and 4.77% YoY, the highest in 11 months**

***Moderating goods prices continue to help the overall inflation picture**

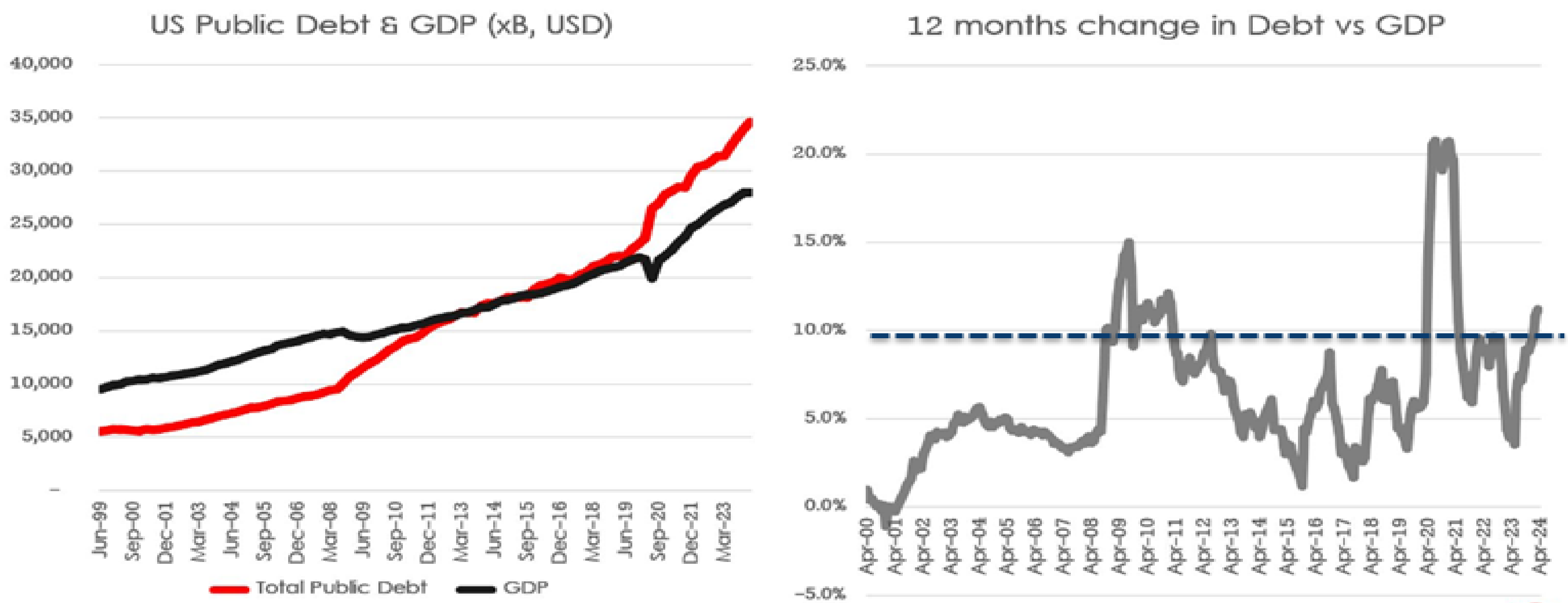
Supercore inflation is rising fast



MACRO PICTURE – DEBT SPIRAL

1. US debt is growing annually at over 10% of GDP

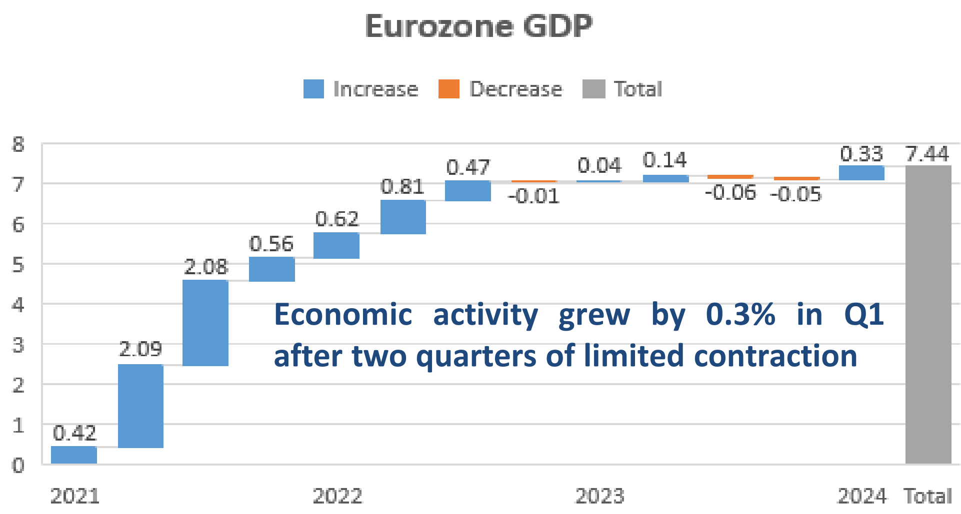
US Debt is increasing at unsustainable levels



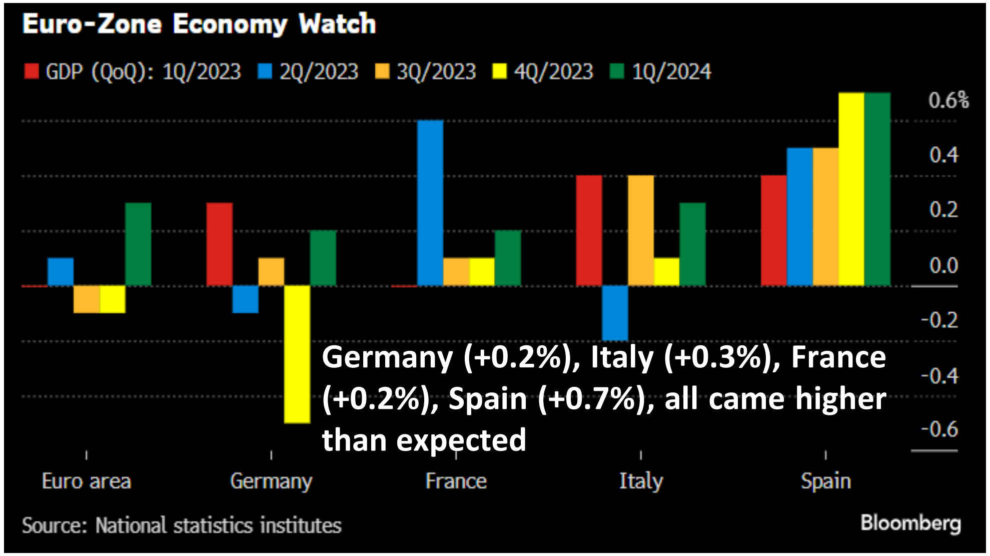
Source: External Research

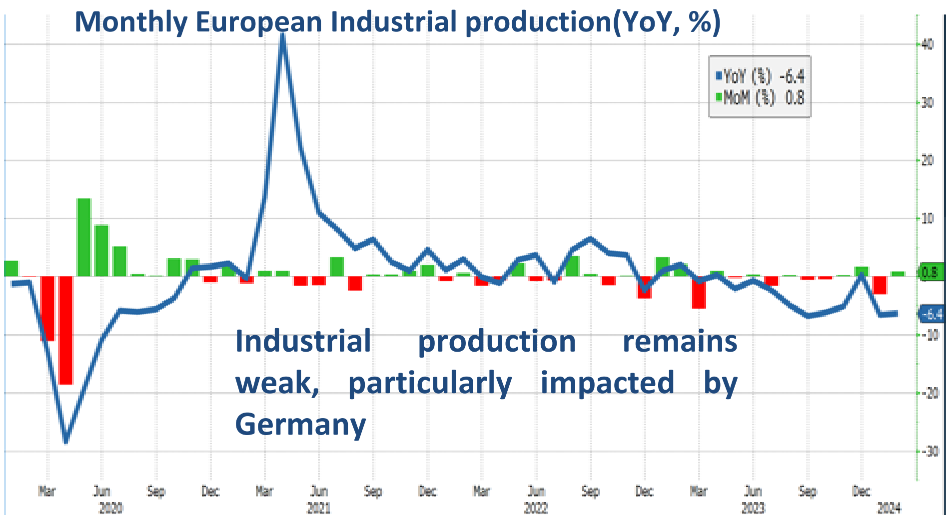
This level was only seen during the pandemic and during the Global Financial Crisis. In absolute terms, US debt increased over $3tr in the last 12 months and the US need to finance this debt at relatively high interest rates when compared with the previous jumps in debt increases.
This increased in debt is also coinciding with a period where the US needs to refinance a significant part of its debt and with many traditional international investors keeping their cash close to home. IMF sounds alarm on ballooning US national debt: «something will have to give»

MACRO PICTURE – EUROZONE ACTIVITY

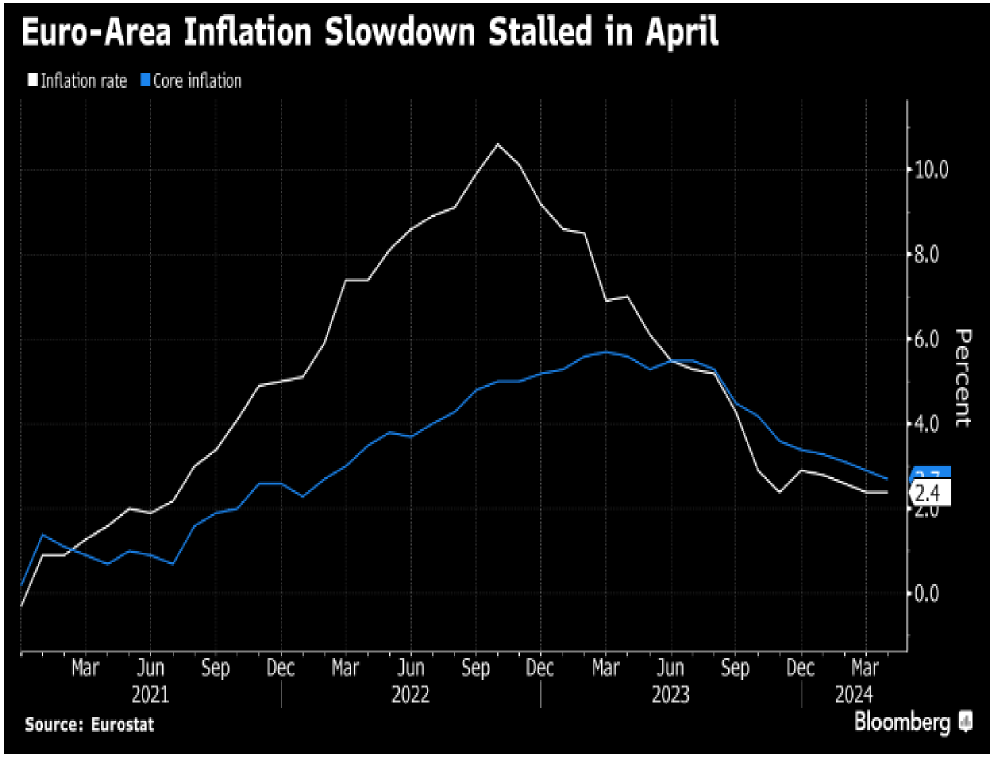


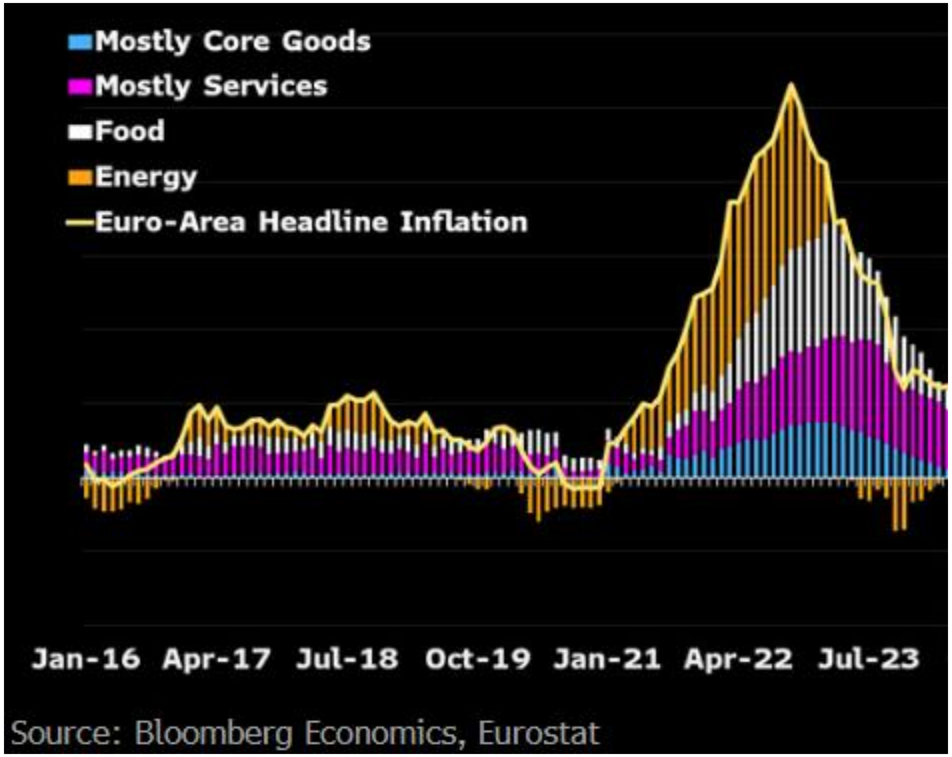
Source: Bloomberg





MACRO PICTURE – EUROZONE INFLATION





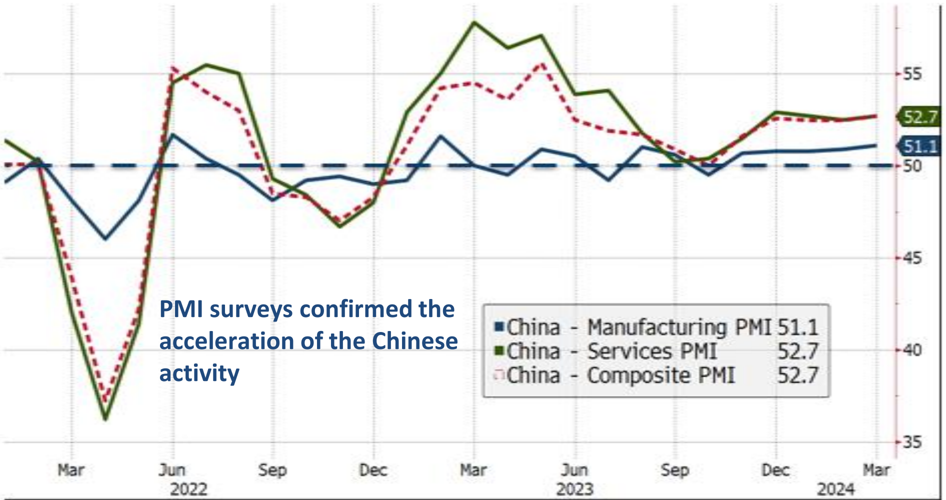
Headline inflation remained stable at 2.4% in April. All items, except energy, fell. Core inflation dropped in April at 2.7%, its lowest level since February 2022, with services inflation moderating the most.

Services price inflation dropped to 3.7% in April. Energy prices drifted up, reflecting increases in fuel costs and utility bills

MACRO PICTURE – CHINA

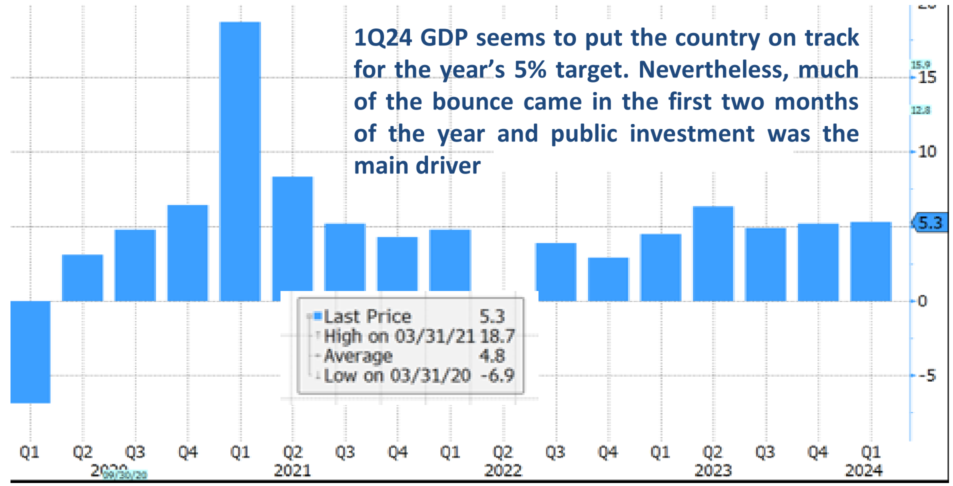
BANQUE CRAMER

Chinese PMI



Source: Bloomberg

Chinese GDP



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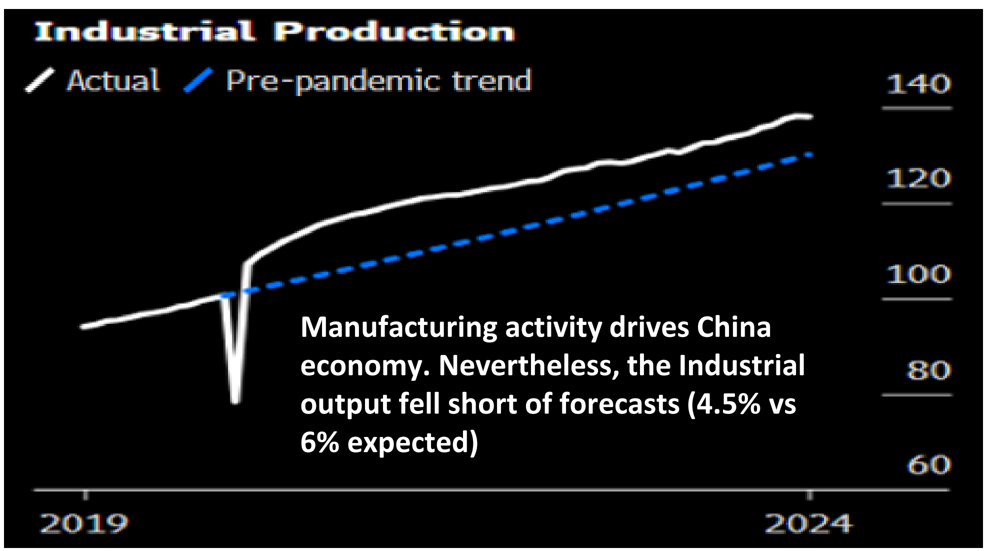

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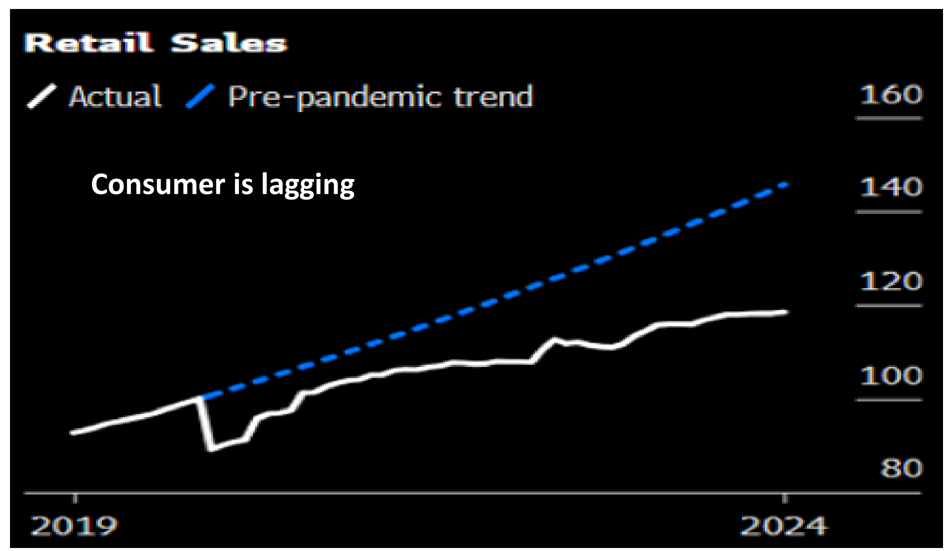
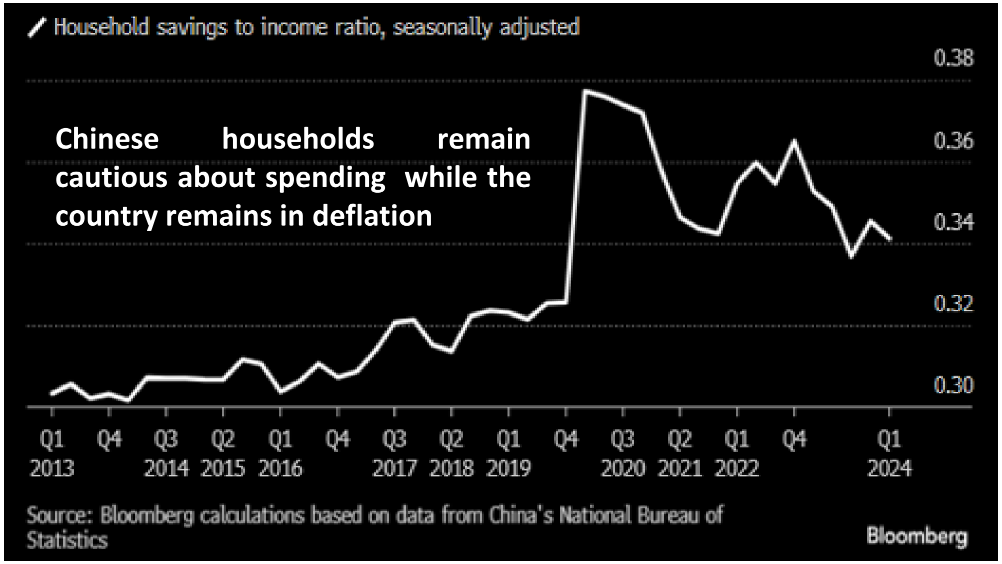
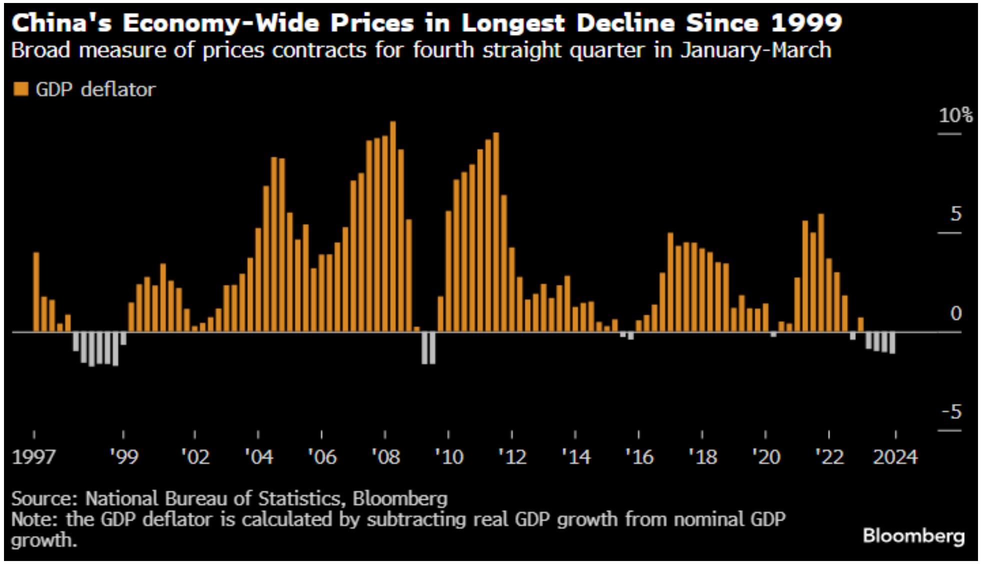
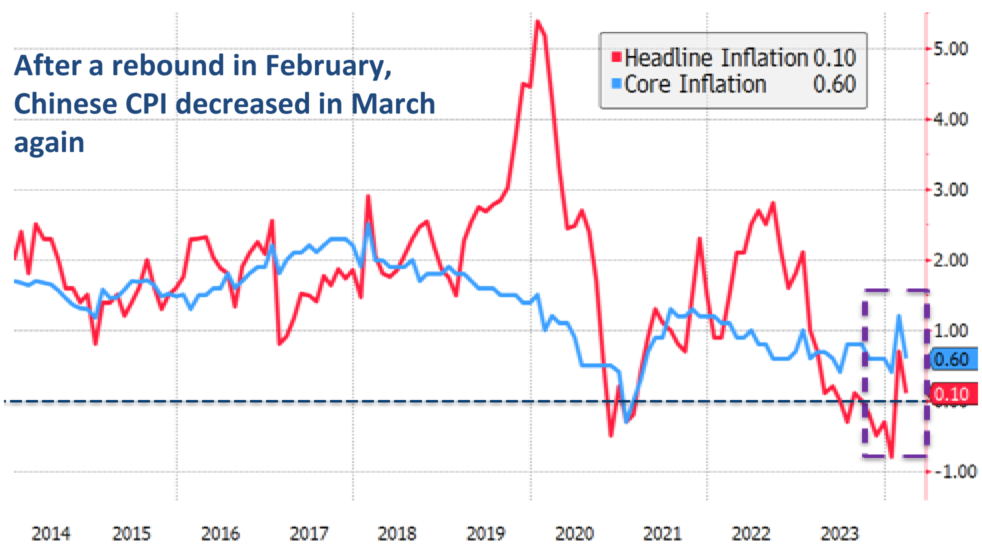


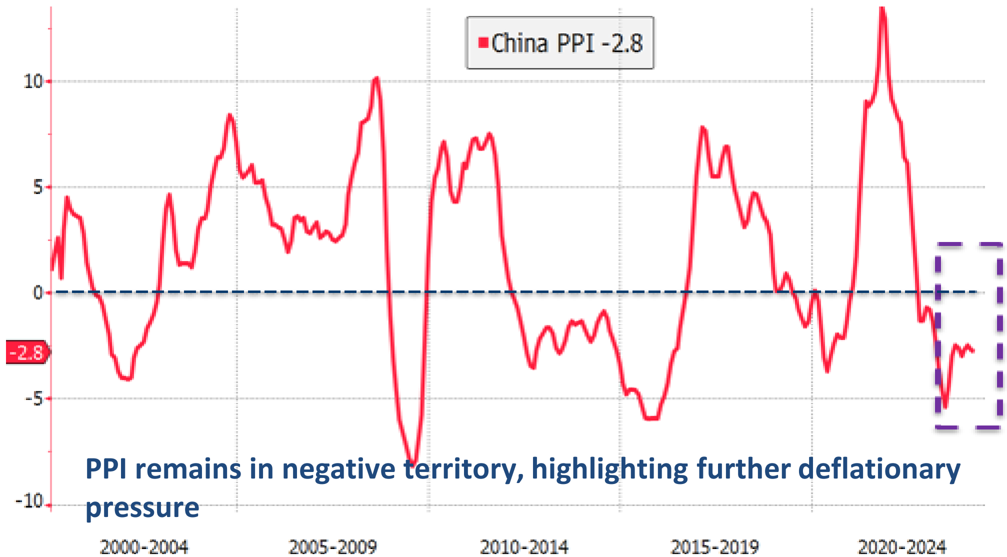
Source: Bloomberg

MACRO PICTURE – CHINA









Source: Bloomberg

Source: Bloomberg

FIXED INCOME

- **A divergence in between the Fed and the ECB –** A series of disappointing inflation data has pushed the US central bank to reassess its prospects for rate cuts, with now only one 25 basis points (bps) cut priced in December 2024, down from expectations of 6-7 cuts at the start of the year. At the same time, the release of a GDP weaker than expected revived fears of stagflation in the US. While monetary easing remains the central scenario for the European Central Bank, market participants are now discounting two full rate cuts of 25bps this year, with the first one in June

- **Core sovereign bonds** – While markets has revised down their scenario for policy easing in 2024, bond markets delivered a negative performance in April in both US and Europe. From 4.20% at the beginning of the month, the US Treasury 10-year yield drifted up to reach 4.73% on April 25th, a level not seen since October 2023, and closed the month at 4.67%. Their Euro peers followed by sympathy, with the German 10-year closing the month at 2.59% from 2.30% at the beginning of April. According to ICE BofA indices, Government bonds posted negative returns across the board, with the US underperforming. The longer in terms of maturity, the lower the total return in April. While Cash is outperforming, worth highlighting the outperformance of inflation-linked bonds versus nominal bonds. The Bloomberg Global Aggregate indices (quality bonds in developed countries) hedged in US Dollar fell by -1.6% in April, while the index hedged in Euros lost -1.5%

- **Developed Credit –** Except the ICE Euro High Yield index and the Non-financial subordinated debt, all indices posted negative return in April. The ICE Euro Investment Grade index outperformed its USD peer: -0.82% and -2.33% respectively. On the high beta front, the ICE Euro denominated High Yield index outperformed its US peer: -0.03% and -1% respectively. Among capital structures, non-financial debt outperformed: +0.02% versus -0.60% for Euro denominated Contingent Capital debt. In the Investment Grade spectrum, duration has been the main detractor. Looking at spreads, US CCC rated index widened by 64bps compared to 2bps of widening for the BBs and 12bps tightening for the single Bs. Euro high Yield tightened on all the rating spectrum. April continued the trend for triple digit issuance and duration remained in high demand by investors

- **Emerging Debt –** Except the local Chinese government debt, the asset class posted negative total return, both on hard and local currency, with the main detractors being the strong US Dollar and the downward revision for policy easing in the US

TOTAL RETURN (% - Local Currency)

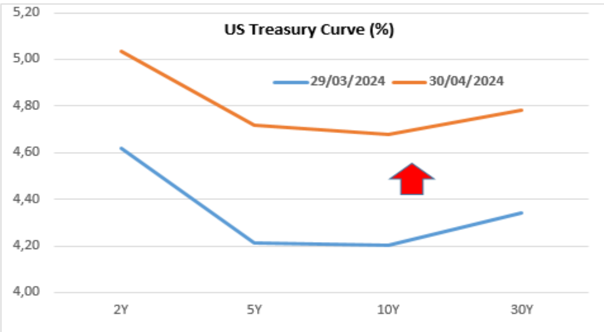
	YtD	Jan	Feb	March	April
EU Treasuries	-2,07	-0,54	-1,17	1,04	-1,40
US Treasuries	-3,28	-0,18	-1,35	0,60	-2,36
USD CASH - 3mths Treasury	1,72	0,42	0,42	0,45	0,42
US TIPS	-1,58	0,38	-1,06	0,71	-1,60
Swiss Govies	-0,57	-2,47	0,72	1,54	-0,31
CHF Corporates	0,70	-0,02	0,19	0,55	-0,02
EUR Investment Grade	-0,44	0,09	-0,89	1,21	-0,84
USD Investment Grade	-2,41	0,15	-1,40	1,19	-2,33
EUR High Yield	1,60	0,83	0,35	0,44	-0,03
USD High Yield	0,49	0,02	0,30	1,19	-1,00
USD EM External Sovereign Debt	-1,04	-1,39	0,52	1,96	-2,08
EM Local Debt	-4,00	-1,20	-0,03	-0,56	-2,26
High Grade EM Corprates	-1,12	-0,22	-0,29	0,93	-1,53
High Yield EM Corporates	3,13	1,06	0,98	1,65	-0,58
EUR Corporate Hybrids	2,27	1,12	-0,21	1,32	0,02
EUR Invetsment Grade Contingent Capital	3,13	1,38	0,08	2,27	-0,60
Bloomberg Global Aggregate EUR (Unhedged)	-1,54	0,14	-0,88	0,75	-1,54
Bloomberg Global Aggregate USD (Hedged)	-1,27	0,13	-0,69	0,90	-1,61
Bloomberg EM USD Sovereign (Unhedged)	0,36	-0,68	0,71	2,33	-1,96
Bloomberg EM Local currency Gov	-1,23	-0,02	0,32	-0,25	-1,28
Local Chinese Government bonds	2,58	1,24	0,77	0,20	0,34

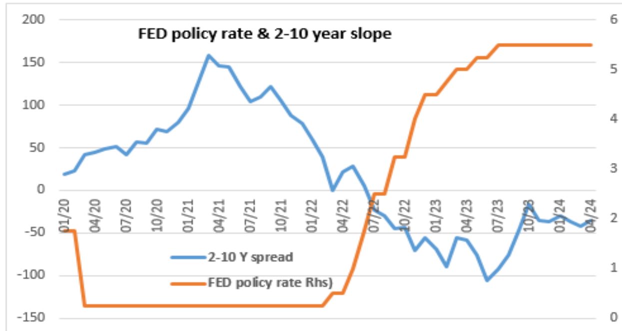
OAS Spread Change (Basis Point)

	YtD	Jan	Feb	March	April
EUR Investment Grade	-25	-6	-9	-9	-1
USD Investment Grade	-14	-2	-2	-7	-3
EUR High Yield	-52	-11	-39	6	-8
USD High Yield	-24	20	-30	-17	3
USD EM External Sovereign Debt	-36	15	-30	-15	-6

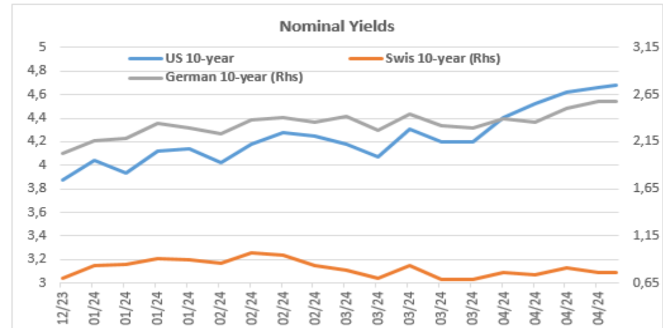
Attractive yields favor quality premium in CrossOver bonds

US Treasury yields closed the month higher, with an underperformance of the long part of the curve; The 2-10 year slope steepened by 6bps in the US.





US 10-year yield drifted up by 48 bps, its Euro peer by 29bps. The Swiss 10-year increased by 8bps



Source: BCC, Bloomberg

Spreads have continued to tighten across the complex, still trading below their 5-year average.

(Ice Bond Indices (April 30th))	Yield (YTW)			Credit Spread (OAS Spread)		
	31,03,2024	30,04,2024	5-year Average	31,03,2024	30,04,2024	5-year Average
EUR Investment Grade	3,67%	**3,92%**	1,87%	121	**112**	131
USD Investment Grade	5,36%	**5,77%**	3,68%	100	**93**	127
EUR High Yield	6,40%	**6,58%**	4,85%	358	**350**	421
USD High Yield	7,75%	**8,20%**	6,61%	315	**318**	426
USD EM Inv. Grade	5,44%	**5,79%**	3,89%	113	**106**	170
USD EM High Yield	8,67%	**8,94%**	8,42%	424	**408**	625

Source: BCC, Bloomberg

US IG & HY Corporates - Yield to Worst

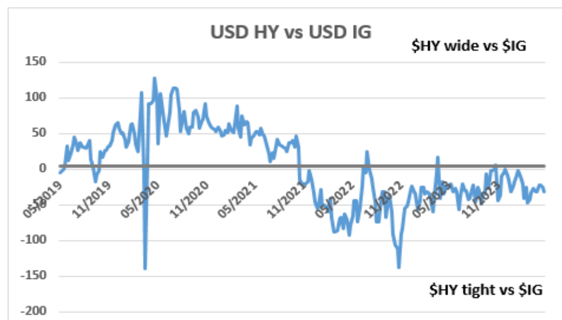
	IG	AAA	AA	A+	A	A-	BBB+	BBB	BBB-	HY	BB+	BB	BB-
3Y	**5,60**	5,16	5,27	5,43	5,48	5,60	5,68	5,65	6,15	**8,39**	6,53	6,58	6,71
5Y	**5,55**	5,29	5,13	5,32	5,37	5,48	5,57	5,62	6,10	**8,06**	6,57	6,56	7,1
7Y	**5,69**	5,04	5,11	5,42	5,44	5,62	5,71	5,75	6,20	**7,40**	6,45	6,57	7,16
10Y	**5,74**	5,09	5,24	5,46	5,56	5,68	5,83	5,91	6,20	**7,31**	6,65	6,87	7,84
> 10Y	**5,87**	5,19	5,47	5,64	5,67	5,73	5,93	6,12	6,71	**7,97**	6,87	7,46	7,35

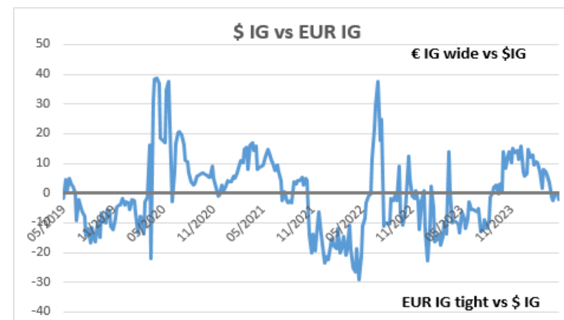
EU IG & HY Corporates - Yield to Worst

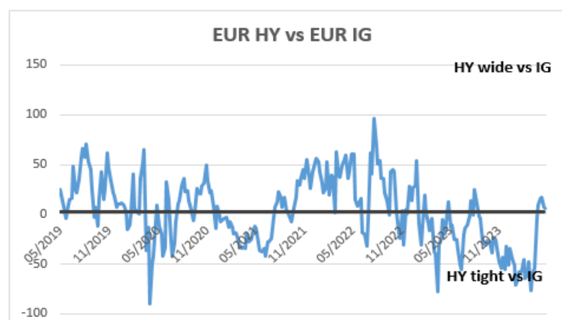
	IG	AAA	AA	A+	A	A-	BBB+	BBB	BBB-	HY	BB+	BB	BB-
3Y	**3,88**	3,42	3,50	3,70	3,69	3,81	3,87	4,04	4,39	**6,87**	4,65	5,32	5,61
5Y	**33,81**	3,19	3,37	3,59	3,67	3,66	3,78	4,07	4,39	**6,18**	5,20	5,45	5,63
7Y	**3,79**	3,29	3,31	3,58	3,65	3,72	3,78	4,08	4,34	**5,73**	5,43	5,64	5,54
10Y	**3,84**	2,95	3,46	3,71	3,76	3,82	3,90	4,12	4,13	**5,88**	5,67	5,55	5,4
> 10Y	**3,79**	3,20	3,59	3,59	3,80	3,71	4,01	4,06	4,22	**6,24**			

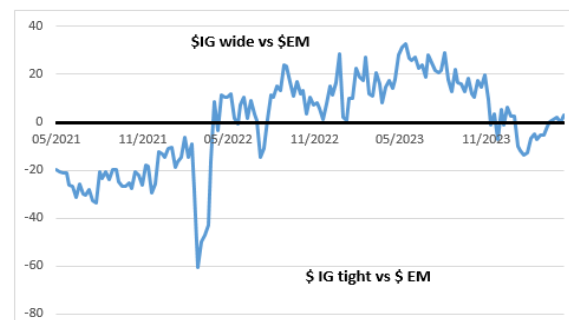
Source: Bloomberg, ICE indices

Based on historical valuations, the picture is more neutral. On the high beta spectrum, EUR High Yield deserves more attention









Source: BCC, Bloomberg

When will the FED cut rates?

- The FED increased its key rates 11 times starting in March 2022 but has not made a change since July, when the range was set at 5.25% to 5.5%

- Ahead of the Federal Reserve Open Market Committee on May 1st, market participants now see only one full 25bps cut for all of 202, well below the roughly six quarter-point cuts they expected at the start of the year. The FOMC will update its rate forecasts at the June 11-12 meeting, penciled in three cuts for this year at their March gathering. With no update of their quarterly rate projection on May 1st, guidance is key for market observers.

- Market participants are expecting a notably more hawkish tone from Fed Chair J. Powell. Why? Inflation has consistently surprised on the upside since the beginning of the year. March prints and the first quarter employment cost index suggest disinflation has stalled. Moreover, there are some signs of waning economic momentum, as seen in the recent first-quarter GDP print, raising fears of stagflation. The data will be revised two times in the coming months!!

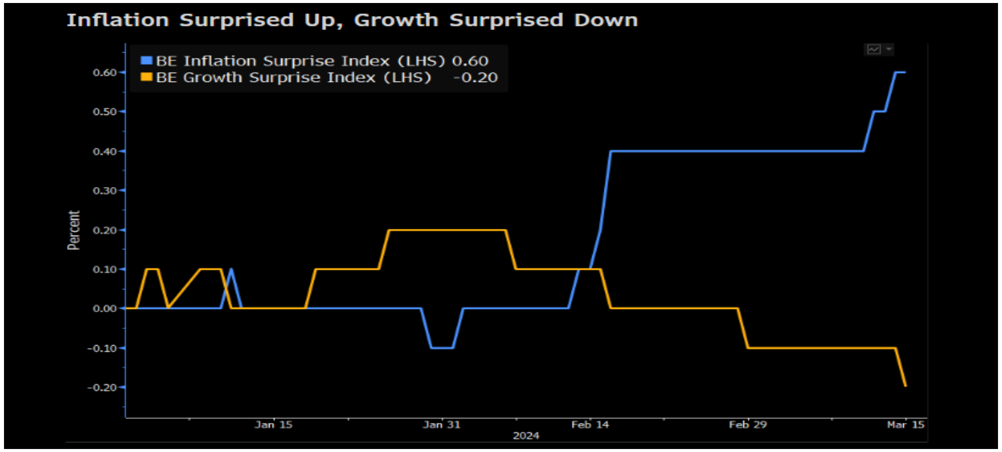
- On May 1st, the FED added a sentence to the policy statement, explicitly noting that it has not seen further progress toward its inflation target. J. Powell made clear during the press conference that the Fed is not considering rate hike at this time: The debate is just when rate cuts are coming, not if!!!

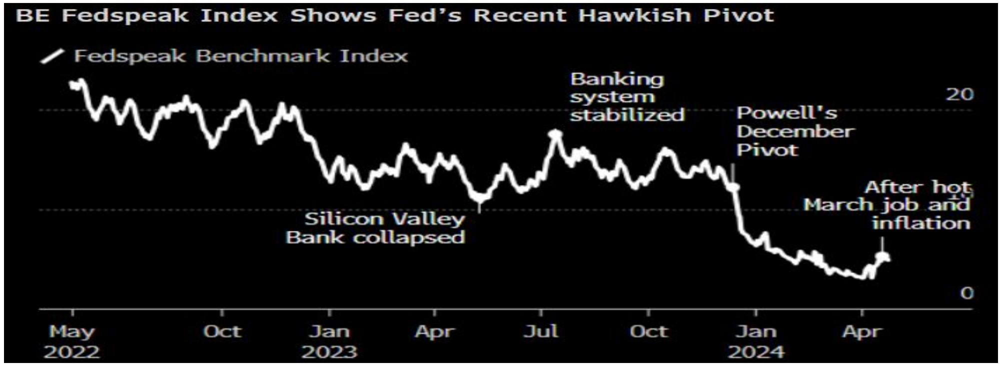
- Forecasts from the major Wall Street banks on the first rate cut are all over the place:

- JPMorgan and Goldman Sachs expect the first cut in July, while Wells Fargo is betting on September.
- Bank of America does not expect the first cut until December.
- Some Fed policymakers, meanwhile, have even floated the possibility of a rate hike, instead of a cut, such as Williams.

- We estimate the first cut to take place in the second half of the year, likely in September

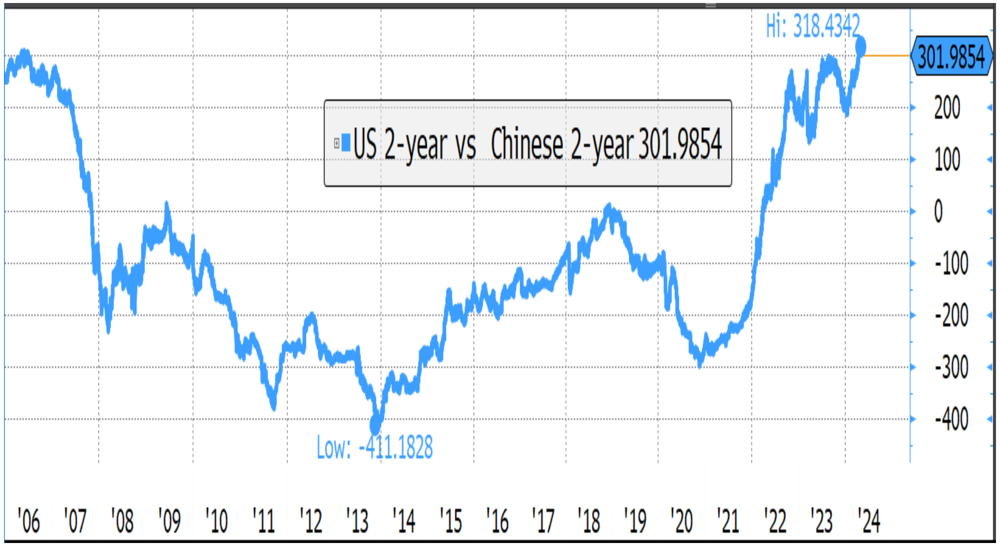
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate
05/01/2024	-0.003	-0.3%	-0.001	5.329
06/12/2024	-0.092	-8.9%	-0.023	5.307
07/31/2024	-0.254	-16.2%	-0.064	5.266
09/18/2024	-0.582	-32.8%	-0.145	5.185
11/07/2024	-0.806	-22.4%	-0.201	5.129
12/18/2024	-1.209	-40.3%	-0.302	5.028
01/29/2025	-1.481	-27.2%	-0.370	4.960

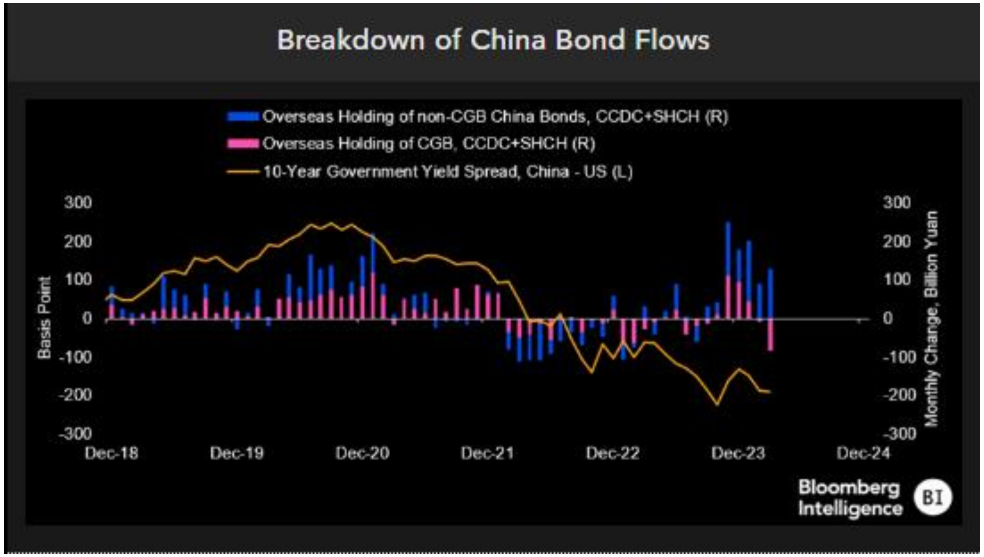


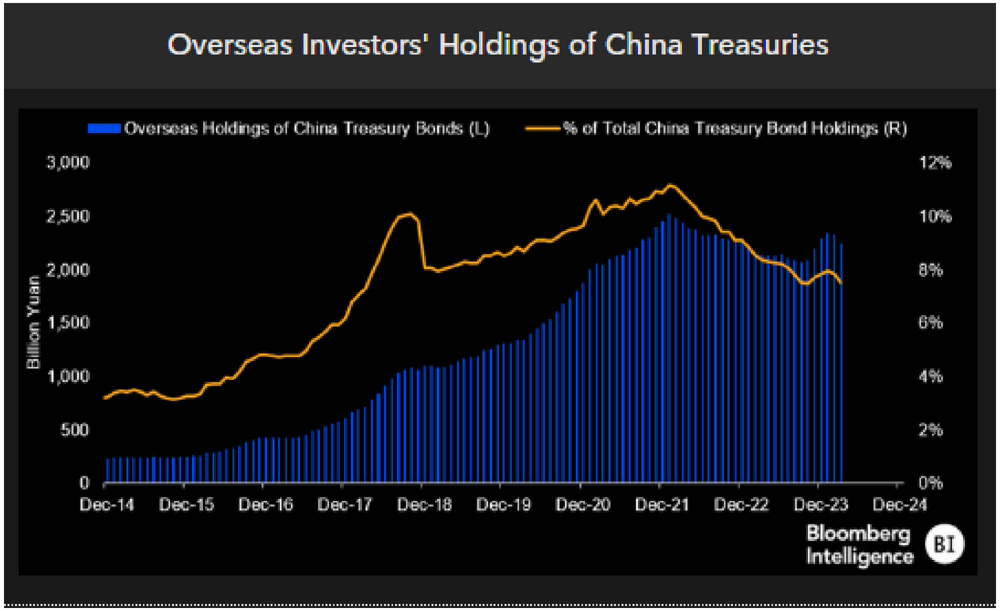


Source: Bloomberg

China – A relentless Chinese bond rally







- **We observe a low correlation with their worldwide peer**
- **The spread between the US 2-year Treasury and its Chinese peer is trading at its widest since 2006. China's government bonds have been posting positive returns, as per the ICE BofA index: +2.95% YtD and +1% MtD**
- **China outperformance is driven by i/ a differing economic cycle, with the central bank looking to ease policy rates to support growth (the threat of deflation fuelled bets on further policy easing), ii/ safe haven demand as a sell-off in local stocks bolstered the attraction for fixed-income assets**
- **In addition to the different policy cycle, Chinese bonds have also become less correlated as overseas investors exit the market due to the fears of growing geopolitical tensions: foreign ownership of government bonds fell to 7.5% at the end of March, near the lowest level since 2018**

Source: Bloomberg, ICE indices

EQUITIES

- **The sharp rise in bond core yields, mainly due to concerns about a return of inflationary risks in the US, pushed equity markets down**, despite a rather reassuring earnings seasons when looking at profitability, which nevertheless helped the markets to recover part of their losses in the last two weeks of the month

- **The equity markets sold off in April –** The MSCI World in US Dollar registered a negative return of -3.67% in April. The US indices underperformed Europe, with the S&P 500 posted a negative return of -3.9% versus -0.01% for the EuroStoxx 600. The S&P 500 declined by more 5% since its top of March 2024. The Swiss index was down 1.63%. Japan was down 4.86% despite a further fall in the Japanese Yen over the course of the month. At the opposite, the MSCI Emerging Markets posted slightly positive return (+0.43%), outperforming its developed markets peers. The Chinese index registered a positive return of 2.01%, buoyed by further government support. Among Financials, European banks outperformed again their US peers, as did EMU Small caps

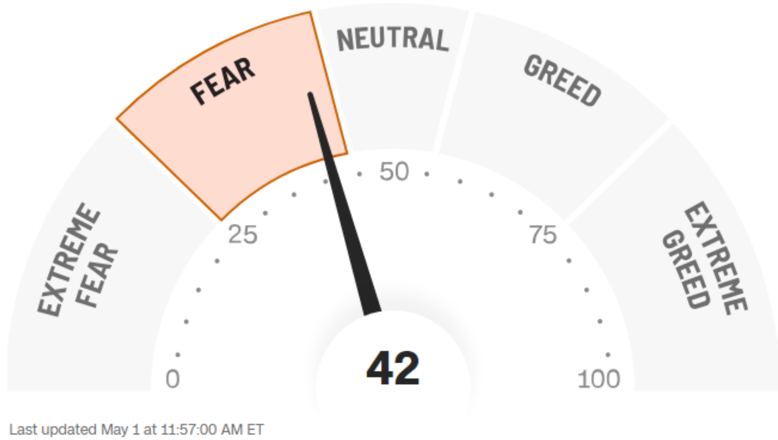
- **Sectors wise, returns are negative across the board in the US –** Consumer staples and Energy outperformed Tech, Healthcare and Property sectors. Magnificent 7 stocks declined in April. Tesla reported a 9% drop in revenues, its biggest decline since 2012, a 55% drop in net income and gross margins of 17.4% (from 29.1% two years ago). Nevertheless, Tesla posted a positive return of 4.6%. At the opposite, Meta published earnings up 138% over the prior year but posted a negative return of -12.5%. They report a 27% increase in revenues, a 117% increase in net income and an operating margins of 38%. Among the cash generating machines, Google posted a positive return of 4.7%, Microsoft a negative one of -8.30% and Apple ended the month flat. Netflix lost more than 10% while its revenues hit a record$9.4bn in Q1 24 (up 14.8% YoY) and net income surged to a record $2.33bn, up 79% YoY.

TOTAL RETURN (% - Local Currency)

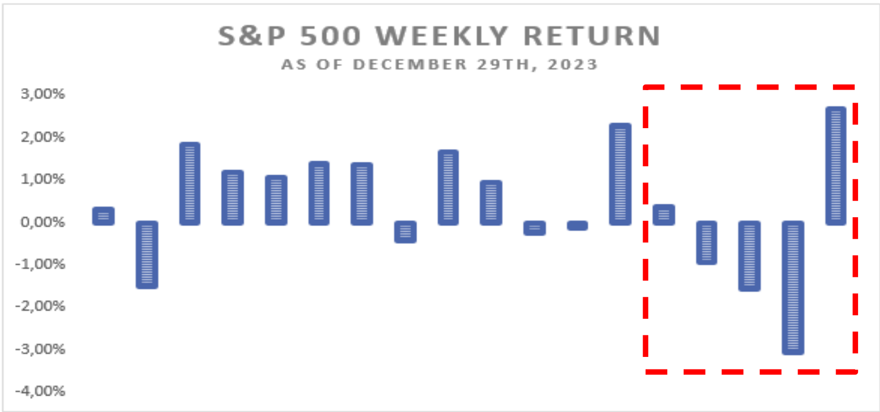
	YtD	Jan	Feb	March	April
MSCI World (USD)	5,01	1,23	4,28	3,27	-3,67
MSCI Emerging (USD)	2,89	-4,64	4,78	2,53	0,43
MSCI US (USD)	7,14	1,56	5,37	3,18	-3,92
MSCI EMU (EUR)	10,61	2,22	3,34	4,49	-1,76
MSCI Japan (JPY)	21,53	8,47	5,46	4,27	-1,08
MSCI Japan (USD)	9,84	4,62	3,00	3,02	-4,86
Dow Jones	1,53	1,31	2,50	2,21	-4,34
S&P 500	6,25	1,68	5,34	3,22	-3,89
S&P 500 eq. weighted	3,29	-0,82	4,16	4,46	-4,28
Nasdaq 100	3,69	1,89	5,41	1,23	-4,63
EuroStoxx 50	11,33	2,97	5,08	4,38	-1,43
EuroStoxx 600	7,84	1,49	2,00	4,18	-0,01
FTSE 100	7,05	-1,27	0,45	4,84	2,95
SMI	5,03	1,76	0,93	3,96	-1,63
Nikkei 225	15,59	8,44	8,00	3,74	-4,86
CSI 300	5,18	-6,29	9,35	0,61	2,01
EU Banks	22,87	2,59	0,66	14,97	3,48
US Banks	12,87	1,97	4,25	8,45	-2,09
EMU Small Caps	0,22	-2,50	-0,39	4,47	-1,21
US Small Cap	-1,22	-3,89	5,65	3,58	-6,08
Bloomberg Manificent 7 Total Return	14,42	1,83	12,06	2,66	-2,32
S&P 500 ENERGY INDEX	11,93	-0,38	3,18	10,60	-1,54
S&P 500 INFO TECH INDEX	6,33	3,95	6,31	1,97	-5,64
S&P 500 CONS DISCRET IDX	1,05	-3,53	8,71	0,10	-3,75
S&P 500 REAL ESTATE IDX	-7,36	-4,74	2,58	1,77	-6,85
S&P 500 COMM SVC	11,79	5,02	5,70	4,34	-3,48
S&P 500 INDUSTRIALS IDX	7,85	-0,88	7,23	4,41	-2,81
S&P 500 FINANCIALS INDEX	8,42	3,04	4,16	4,77	-3,58
S&P 500 HEALTH CARE IDX	4,23	3,01	3,22	2,38	-4,24
S&P 500 UTILITIES INDEX	6,98	-3,01	1,12	6,62	2,31
S&P 500 MATERIALS INDEX	4,21	-3,91	6,46	6,50	-4,34
S&P 500 CONS STAPLES IDX	7,38	1,54	2,32	3,49	-0,13
S&P 500 Banks	12,87	1,97	4,25	8,44	-2,09
DJ US Small Caps Bank	-3,73	-2,72	-1,99	5,79	-4,55

Valuation – Cooling sentiment

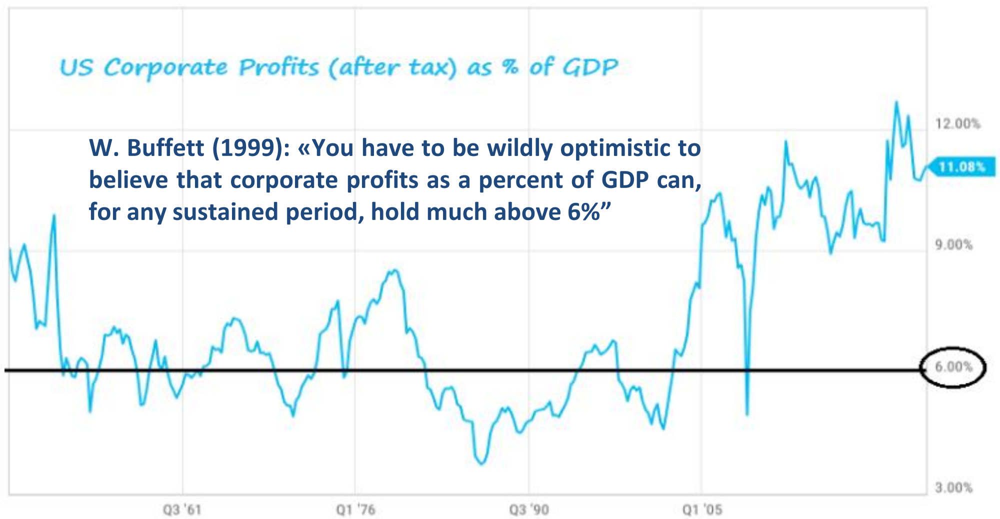
CNN Fear & Greed index



Softer weekly trend in April

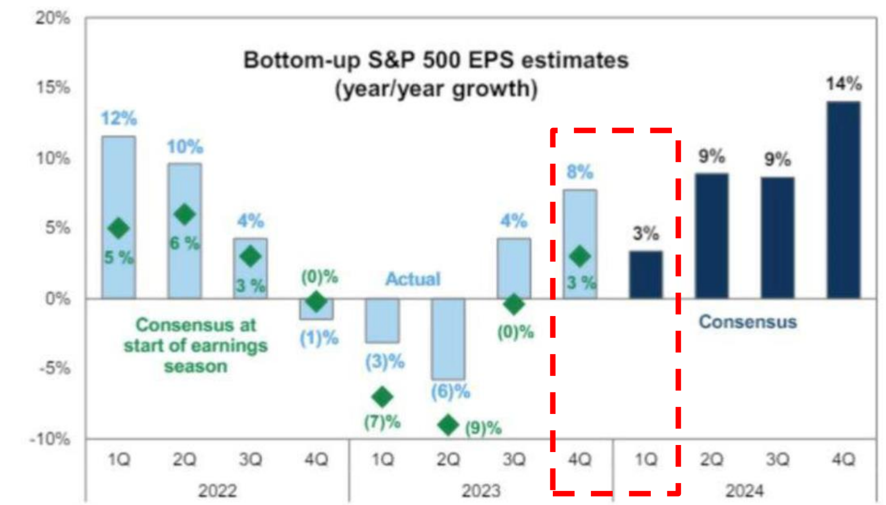


Source: BCC, Bloomberg



W. Buffett (1999): «You have to be wildly optimistic to believe that corporate profits as a percent of GDP can, for any sustained period, hold much above 6%"

Source: C. Bilello



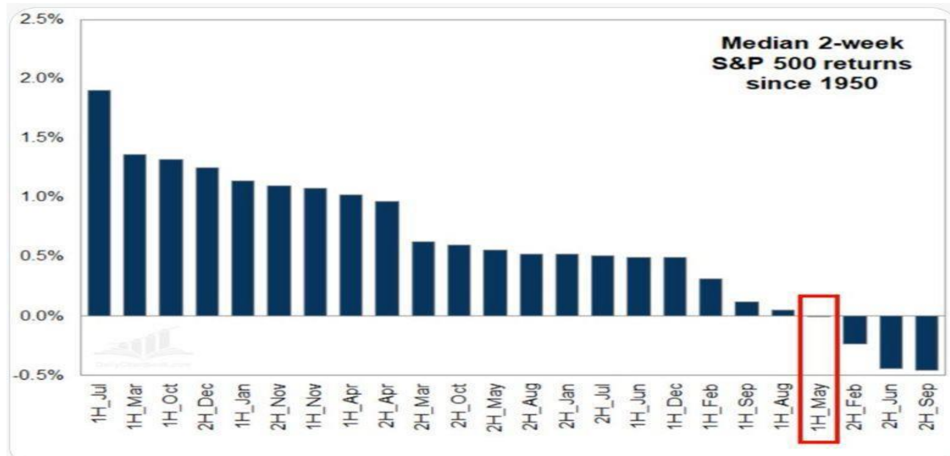
Source: FactSet, Goldman Sachs Global Investment Research

Source: Bloomberg

Source: BofA

In general, emerging markets need either a dramatic lessening of geopolitical tensions or a sharp rally in commodity prices, even a combination of both, to provide the catalyst for a rally. A rally in commodity prices is the most likely development and some countries will offer investors tremendous risk/reward opportunities

« historically, the first two weeks of May represent the fourth wors two-week period of the year »



Source: Goldman Sachs

$ Investment Grade offers premium over US Equities

Source: BCC, Bloomberg

CURRENCIES & COMMODITIES

- **The US Dollar outperformed its currencies basket (+1.66%).** The US currency has continued to rise against most currencies, supported by the “higher for longer” rhetoric from J. Powell. +4.26% versus the Japanese Yen, + 2% versus the Swiss franc and +1.15% against the single currency. **Emerging market currencies posted their worst month since January**

- **Gold rose in April** (+1.7%) to close the month at $2’286 from $ 2’241 at the beginning of April. The precious metal reached a new high at $ 2’431 before receding on fears that the Fed remains somewhat hawkish following higher inflation/lower GDP prints.

- **Oil was less juicy than expected by Wall Street a couple of weeks ago (-2.13% for the WTI and 0.50% for the Brent). Indeed,** Wall Street was warning about a crude oil price rally to $100 per barrel. But rising US crude inventories, concerns over the China’s economic outlook and uncertainty about the Fed’s monetary policy weighed on oil.

- **Natural gas posted its first monthly gain since October**, as “traders bet on a slowdown in the US production ahead of the high-demand summer cooling season” (source: Market Watch). According to the chief executive officer at Houston-based clean-energy-technology firm Verde Green Fuels, “After a mild winter, U.S. natural-gas inventories in storage are more than 30% above their five-year seasonal average”. The European gas price rebound too, with investors fearing that further supply disruption triggered even more market volatility as the focus turns now to building stockpiles for the next winter

- **Industrial metals outperformed**, posting double digit returns, their biggest month since late 2022, supported by signs China’s economy was finally gaining some momentum and that the government was prepared to take some measures to ease a years-long crisis for its metals-intensive property sector

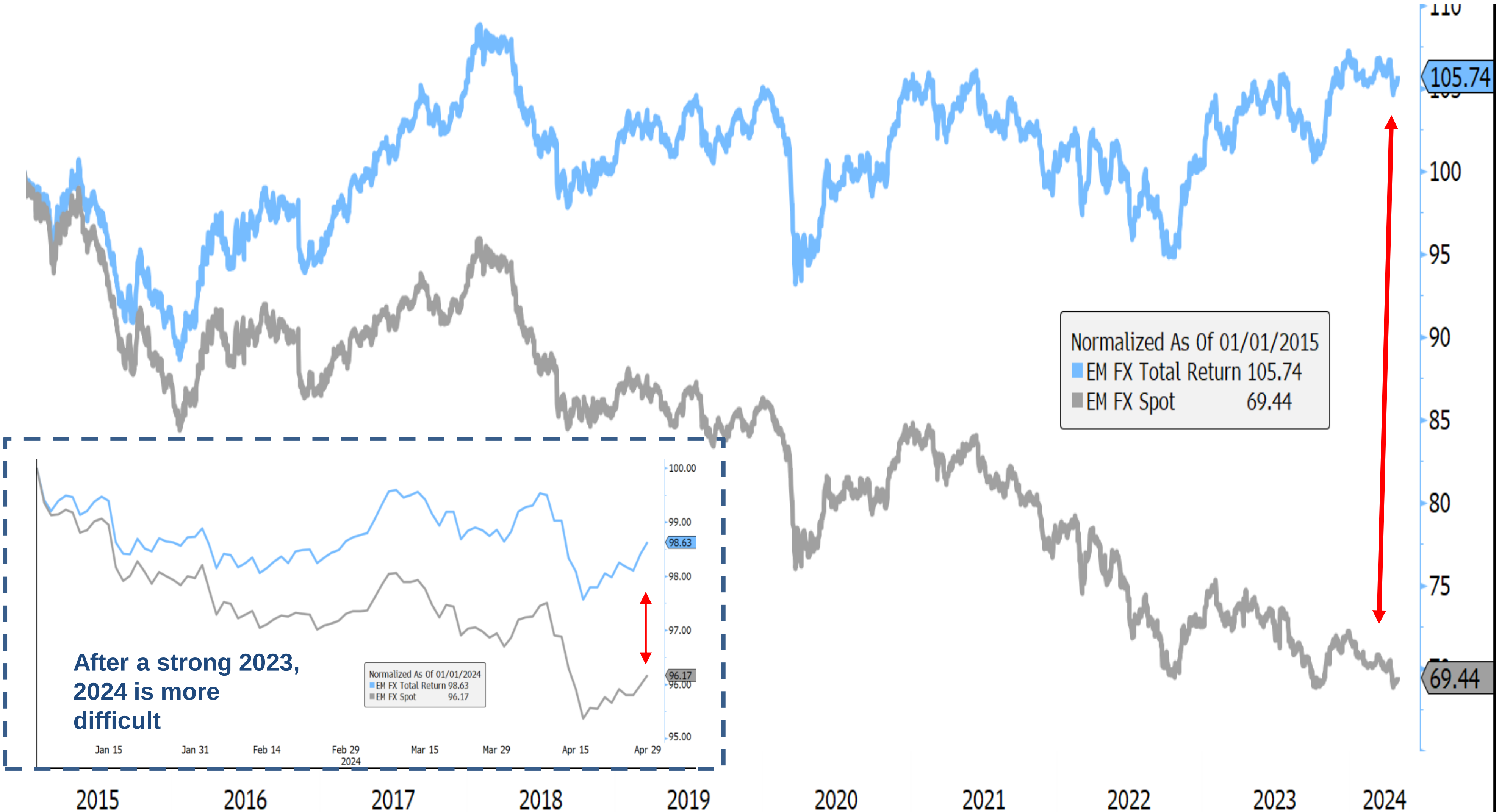
TOTAL RETURN (% - Local Currency)

	YtD	Jan	Feb	March	April
EUR/USD	-3,43	-2,06	-0,12	-0,14	-1,15
GBP/USD	-1,85	-0,31	-0,50	-0,02	-1,04
EUR/CHF	5,41	0,16	2,56	1,81	0,78
USD/JPY	12,00	4,28	2,08	0,91	4,26
USD/CHF	9,36	2,46	2,68	1,91	2,00
DXY	3,93	1,05	0,85	0,32	1,66

TOTAL RETURN (% - Local Currency)

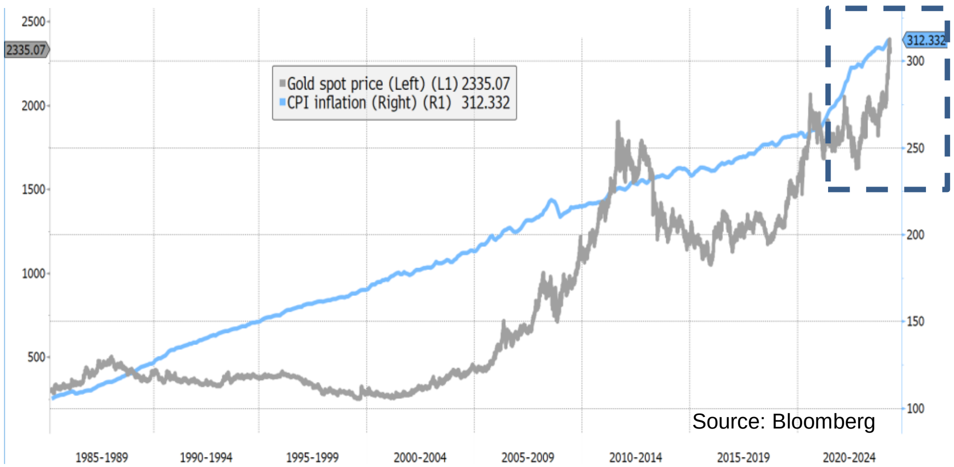
	YtD	Jan	Feb	March	April
Commodities	2,64	-0,09	-1,89	2,89	1,77
Ind. metals	10,66	-2,37	-0,98	1,34	12,95
Precious metals	8,10	-1,76	-0,98	8,12	2,78
Agriculture	-5,43	-1,51	-4,76	2,09	-1,25
Energy	2,24	2,29	-0,84	2,01	-1,19
WTI	15,66	7,77	3,18	6,27	-2,13
Brent	15,85	7,67	2,34	4,62	0,50
Natural Gas	-25,59	-18,22	-11,43	-5,22	8,38
EU gas 1Mth Fwd	0,62	-0,91	-15,38	8,50	10,61
Gold	9,98	-0,94	0,23	9,08	1,55

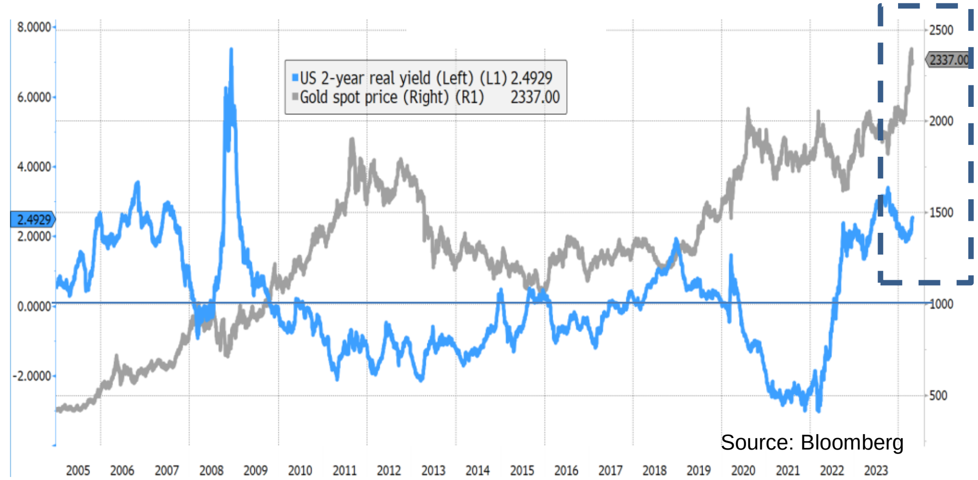
EM FX return has long been supported by carry



Source: Bloomberg

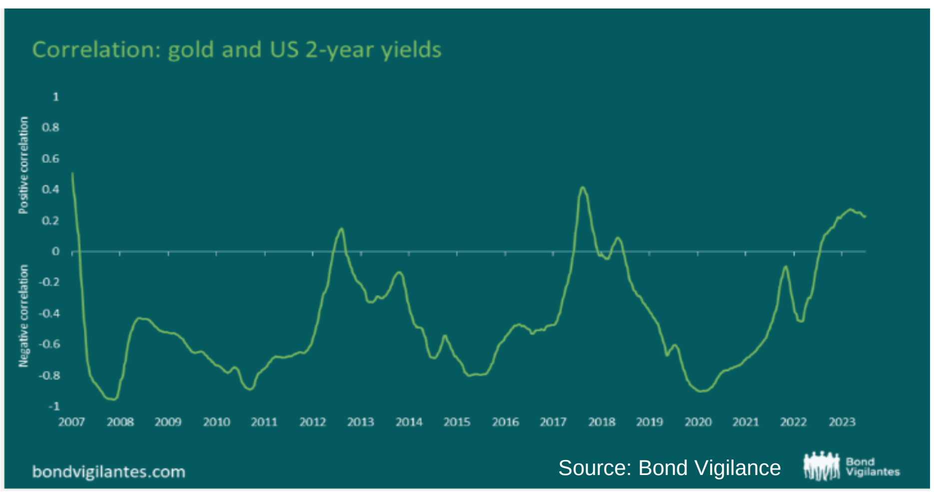
GOLD – Why is gold going up? (1)



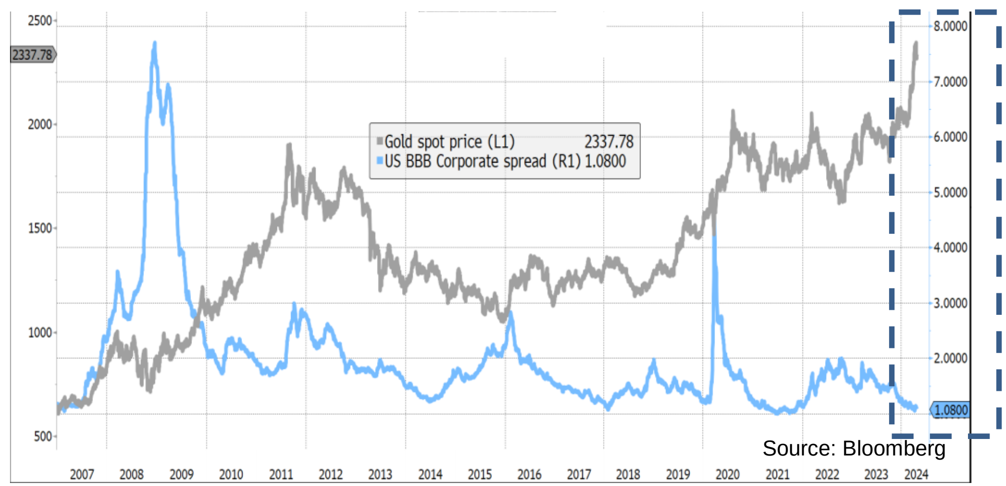


Over the long term, gold has protected investors against the pernicious effects of inflation and remains a powerful diversifier within an investment portfolio

When real yields are negative, investors seek alternative store of value. Conversely, when they are positive, the opportunity cost to hold gold increases, leading to a downward pressure on gold price. This time, it seems to be different

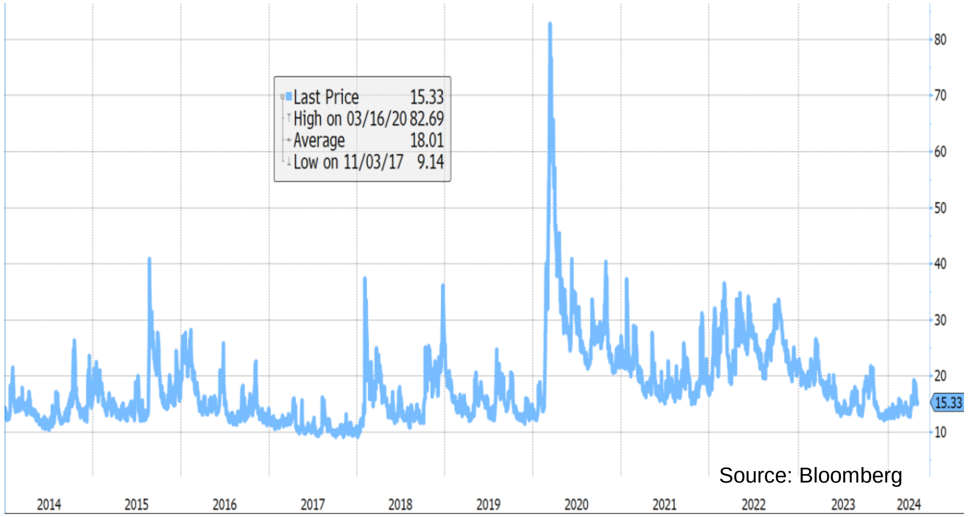


Correlation is most of the time negative in between gold and US 2-year real rates

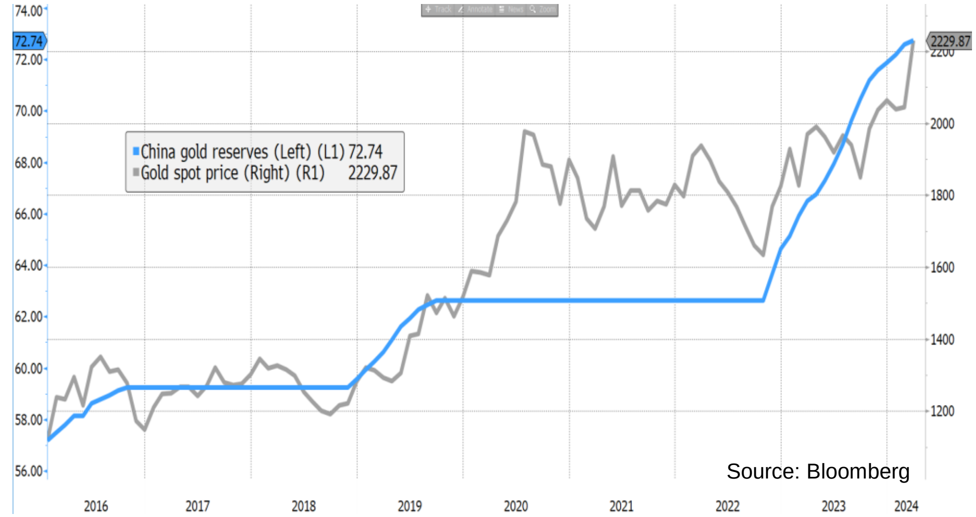


So why Gold is going up? Global instability? Geopolitical concerns? Challenging fiscal backdrop? US BBB corporate spreads are trading at their all time lows

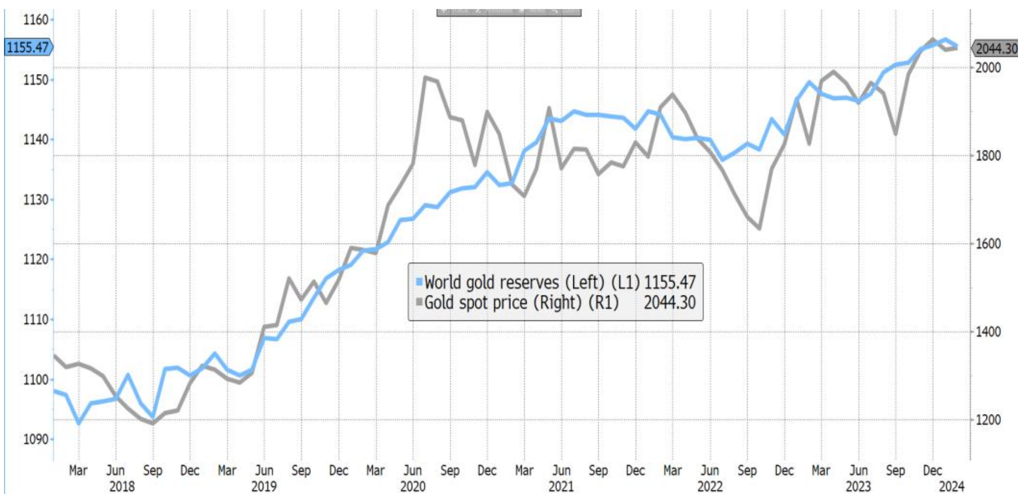
GOLD – Why is gold going up? (2)



And, as shown by the volatility index, equity volatility is low



While reducing its US Treasury reserves for some years, China has been bolstering its gold reserve



And China is not alone in doing so

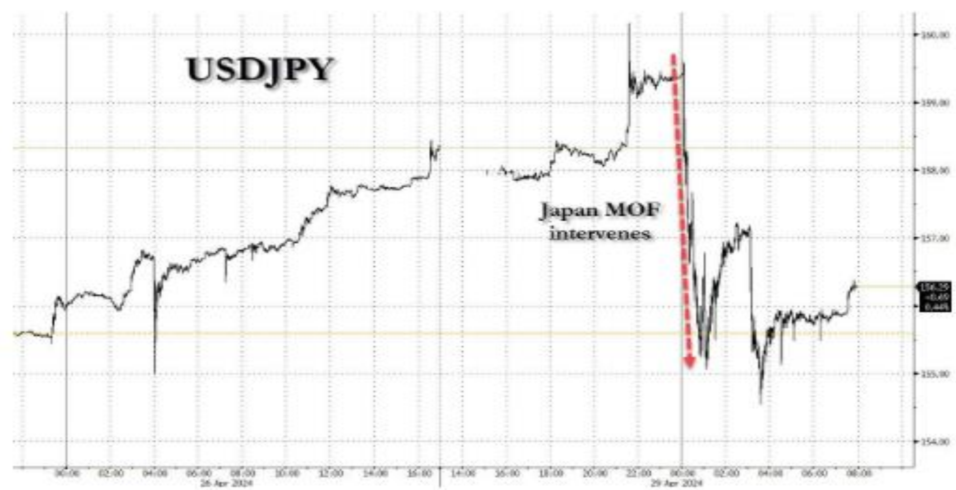
- **Gold has climbed around 13% this year, hitting a record earlier in April, despite the timeline for FED cuts being pushed back**
- **The Gold price is influenced by a multitude of factors, and one cannot point to any one single issue: central banks' purchases, robust demand from Asian markets and elevated geopolitical tensions from Ukraine to the Middle East and Taiwan**
- **For the time being, it does not seem evident that gold is currently being bought for its safe-haven appeal when looking at other risky assets ' valuation**
- **Thus, where would the gold price be if the Fed starts cutting rates and the geopolitics worsen? Likely higher**

YEN – Bound to stay under pressure over the medium-term

BOJ kept rate on hold around zero; it highlighted that inflation was on track to durably hit 2% in coming years

"Currency rates is not a target of monetary policy to directly control," he said.

"But currency volatility could be an important factor in impacting the economy and prices. If the impact on underlying inflation becomes too big to ignore, it may be a reason to adjust monetary policy."



For the first time since late 2022, Japan's Finance Ministry sold US Dollar reserves and bought the Japanese currency

The JPY crashed, tumbling to April 1990 lows against the US Dollar and hit a record low against the single currency

- ❑ **MoF/BoJ have no choice but to intervene. It is not about the macro anymore!! It is becoming a kind of game in between speculators and Japenese officials: short Yen for carry reasons**
- ❑ **The best solution would be a 25bps rate hike by the BoJ, which would be seen as a signal send to the markets that the officials are concerned about ongoing currency weakness**
- ❑ **Why are investors not convince by FX intervention?**
- **A JPY weakness is not so bad for the Japanese economy as seen in i/ the boom of the tourism sector, ii/ increasing exporter competitiveness and soaring profit margins on the Nikkei.**
- **Imported items are most costly but Japan's core CPI is below 2% and has been decelerating in recent months**
- ❑ **The only thing which could really put a break to the yen weakness is lower US yields/weak US macro, which is unlikely until the election**

Market scenario & Positioning

Our View – Asset Allocation

- Volatility in the markets has been driven by a trifecta of recent data and news over March: 1/ a repricing of Fed rate cuts to adjust to the new "higher for longer" interest-rate regime, 2/ geopolitical tensions have been rising, especially in Middle East and Taiwan and 3/ the S&P 500 first-quarter earnings season is underway with outlooks softer than expected

- With US Treasury yields moving higher and US stock market indexes moving lower, the magnitude of the pullback has been contained. Has the tone in equities really shifted? Corrections in the 5%-10% range are typical in any given year. Can we experience a deeper or more prolonged bear-market environment? We do not see this as a high probability outcome. Bear markets tend to usually occur when an economy is or about to enter in a recession or when the central bank is hiking rate: we see neither of those conditions in place today

- We highlighted last month that the current environment was ripe for some consolidation, even some profit taking, arguing the equity risk premium was leaving no room for disappointment over consensus expectations of disinflation. The scenario occurred but the safe haven asset was not the US Treasuries but Gold, which reached new highs, before receding on geopolitical ease

- While duration and magnitude of any correction is often difficult to predict, period of volatility should be considered as a good opportunity to rebalance, diversify and add quality investments at better prices ahead of a potential recovery period partly driven by lower rates to come

- With global economy activity showing favourable signs but the short-term outlook for the markets having deteriorated, market participants are currently reassessing monetary and geopolitical risks. Thus, we neutralised our Gold exposure on increasing geopolitical risk

- The US equities still have more potential than other markets owing to 1/ re-shoring, which is supporting growth, businesses and employment, 2/ AI which is increasing business productivity more than in other countries and 3/ increased military spending worldwide which should benefit them. The Swiss equity market remains a defensive exposure

- Thus, we took advantage of market volatility to sell our Reverse Convertible, which was trading far out of the money, and reinvest part of the proceed in an ETF invested on the S&P 500, keeping our overall equity exposure to neutral. We favour Investment Grade corporate bonds' exposure and highlight a preference for selected capital structures. CrossOver bonds offer attractive risk/reward

	SAA	Last TAA	New TAA	Underweight	Neutral	Overweight
Overall Positioning						
Cash & Equivalents	5.0%	4.0%	4.0%		●	
Fixed Income	37.0%	37.5%	37.5%		●	
Equities	45.0%	46.0%	45.0%		●	
Alternatives	13.0%	12.5%	13.5%		●	
Fixed Income	**37.0%**	**37.5%**	**37.5%**			
Government	7.5%	7.0%	7.0%	●		
Corporate IG	20.0%	22.0%	22.0%			●
Corporate HY	5.5%	4.75%	4.75%	●		
Emerging Markets HC	4.0%	3.75%	3.75%		●	
Equities	**45.0%**	**46.0%**	**45.0%**			
United States	27.0%	27.5%	26.5%	●	←	
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Emerging Markets	5.0%	5.25%	5.25%		●	
Alternatives	**13.0%**	**12.5%**	**13.5%**			
Real Estate	2.0%	1.5%	1.5%	●		
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