Monthly Market Brief

June 2024

Our View – Asset Allocation

- **Current international relations are strained, both in terms of trade and geopolitics:** South Korea fired warning shots at North Korean soldiers who crossed the border before retreating, a day after Russian President Putin visited Pyongyang and sealed a partnership deal to deepen security and trade ties. China warned against a possible trade war with the EU (EV imports)
- **On the macro front, the latest inflation figures for the US and Eurozone have reassured bond markets, leading to declining yields over the month.** Despite the Fed signaling only one cut in 2024, the mood among investors is growing more and more upbeat with positive Treasuries return. We stick with the view that continued disinflation in the US and Europe should enable central banks to ease monetary policy even more in 2024
- **Financial market volatility remains** low in spread products and stock markets

▶ **Major conviction: CAUTIOUS ahead of the summer lull and turbulent politics**

1/ Continuing reassuring inflation figures and major central bank rate cuts:

✓ It's worth taking on interest-rate risk through **high quality bonds**, which offer an ample offset to potential equity volatility

✓ **In the US**: Favor **quality credit and Cash** (belly of the curve is expensive now)

✓ **In Europe**: Favor **Capital structure and CrossOver credit (BBB/BB)** on the front part of the curve, which largely con pensate the negative roll down of sovereigns, although French elections could induce spreads widening;

✓ **Emerging market corporate bonds also offer opportunities**

2/ Global economy is normalizing, monetary policy easing has begun and companies are delivering earnings and managing their balance sheet:

✓ We remain globally **positive on the EU and US equity markets** although current valuations and idiosyncratic risks deserve some cautious stance;

✓ Due to the performance concentration on Tech, we recommend to **diversify within US equities**, with Tech growth normalizing now. Improving global growth should benefit to Cyclicals

✓ **Political event risk is back on the fore front**: we still expect concerns about the US elections to start negatively impacting equity markets by late summer while Europe will try to digest the French political crisis

✓ The **closer we get to lower interest rates, the more we'll have to diversify into the emerging markets** (interesting story on commodities, especially industrial metals and Latin America)

✓ **Commodities will continue to be supported** by the sustainability transition, continuing AI development and geopolitical tensions, especially industrial metals. Demand from emerging central banks diversifying their reserves is **supportive for Gold**

✓ Currencies wise, the **US Dollar will maintain its safe haven status** in a context of continuing geopolitical tensions while offering yield advantage versus the other developed countries. The **CHF will continue to benefit** from the political turbulences in Europe

	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%	45.0%	45.0%			●		
Alternatives	13.0%	13.5%	13.5%			●		
Fixed Income	**37.0%**	**37.5%**	**37.5%**					
Government	7.5%	7.0%	6.0%	●	←			
Corporate IG	20.0%	22.0%	23.0%				→	●
Corporate HY	5.5%	4.8%	4.8%		●			
Emerging Markets HC	4.0%	3.8%	3.8%			●		
Equities	**45.0%**	**45.0%**	**45.0%**					
United States	27.0%	26.5%	26.5%		●			
Europe ex CH	6.8%	6.3%	6.3%		●			
Switzerland	4.0%	5.0%	5.0%				●	
Japan	2.3%	1.3%	1.3%		●			
Other Developed Markets	0.0%	0.8%	0.8%				●	
Emerging Markets	5.0%	5.3%	5.3%			●		
Alternatives	**13.0%**	**13.5%**	**13.5%**					
Real Estate	2.0%	1.5%	1.5%		●			
Gold	3.0%	3.0%	3.0%			●		
Hedge Funds	8.0%	9.0%	9.0%				●	

MACRO PICTURE

- **Central Banks –** While the US Federal Reserve and the Bank of England left the main rates unchanged and maintained rate cut prospects for 2024, the European Central Bank and the Swiss National Bank eased their monetary policy in June, the latter to prevent further Swiss franc appreciation in a context of inflation being below the target. The Fed continued to mention reducing inflation as its primary goal and stated that it needs “greater confidence that inflation is moving sustainably toward 2% before cutting”. In Europe, the ECB stressed any further rate reduction would depend on incoming data and reaffirmed that borrowing costs needed to remain high enough to keep a lid on prices. In Switzerland, as rates get closer to the estimate of the natural rate, the SNB is likely to move slower from now

- **Political & Geopolitical risk –** June was marked by the resurgence of political risk in Europe, with the surprise announcement of elections in France and the UK. The risk premium related to geopolitical tensions came in the forefront, with i) increasing tensions between Israel and the Lebanese Hezbollah, ii) South Korea firing warning shots at North Korean soldiers who crossed the border before retreating, a day after Russian President Putin visited Pyongyang and sealed a partnership deal to deepen security and trade ties and iii) China warning against a possible trade war with the EU (EV imports)

- **Global economy** – The global economy continued to show steady momentum although some regions have been slowing. As Europe and China struggle with weak economic activity, the US are showing signs of resilience. The cycle is currently neither too hot nor too cold. Consumers remain the main driver of growth in a context of still elevated services inflation across the West. The IMF is predicting the US economy will expand in 2024 at more than twice the rate of other major developed economies

- **China** – A factory boom helped offset the housing slump and kept economic growth on track. But that strategy faces growing uncertainties as major partners erect new trade barriers that threaten the export engine. The EU followed the US by imposing hefty tariffs on Chinese electric cars. Disinflationary pressures have been continuing

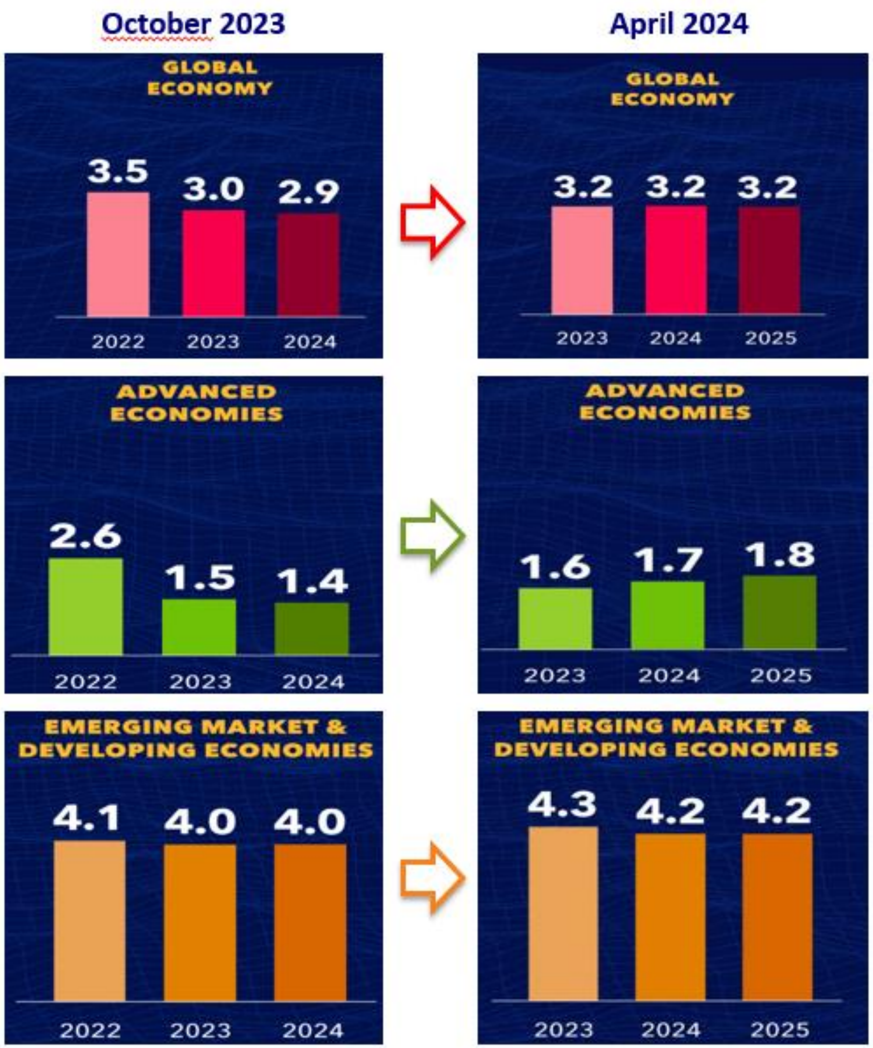
- **United States –** The US economy grew less than expected in Q1 and retail sales are pointing to greater financial strain again among consumers. The labor market remains resilient and wages growth stays elevated after months of decline. Nevertheless, the job market is cooling with the unemployment rate rising to 4% and the increase in total jobs standing at the slowest growth rate since 2021. The disinflationary trend is still progressing with a decrease in core inflation and, for the first time since October 2023, in Services inflation excluding rents. The property sector is suffering as reflected in new home construction and building permits

- **Eurozone –** While rebounding in Q1, growth momentum seems to weaken although consumers have been recouping purchasing power recently. Inflation rose more than expected in May, driven by a one-off effect in Germany (transport prices) but the disinflation trend is still ongoing. French and Italian inflation continued to decelerate. The President Macron’s shock announcement to call snap elections has brought the prospect of a radical change in government in the region’s second-biggest economy.

- **Switzerland –** Swiss inflation held at 1.4% in May, primarily driven by higher prices for domestic services. The projection of the central bank on inflation have been revised down to 1.3% in 2024, before falling to 1.1% and 1.0% for 2025 and 2026. Consumption remains stable in a context of growing employment but industrials are still suffering from a weak demand from the Eurozone

MACRO PICTURE – GLOBAL

IMF Projections



Bloomberg Consensus Forecasts (YoY, %)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Real GDP (YoY%)										
US	2,5	3,0	2,5	-2,2	5,8	1,9	2,5	2,3	1,8	2,0
Eurozone	2,6	1,8	1,6	-6,1	5,9	3,4	0,5	0,7	1,4	1,3
UK	2,7	1,4	1,7	-10,4	9,6	4,5	0,1	0,7	1,2	1,4
JP	1,7	0,7	-0,4	-4,2	2,7	1,0	1,9	0,3	1,1	0,9
CH	1,4	2,9	1,2	-2,3	5,5	2,7	0,8	1,2	1,5	1,6
World	3,8	3,6	2,8	-2,7	6,5	3,5	3,2	3,0	3,0	3,1
CPI (YoY%)										
US	2,1	2,5	1,8	1,2	4,7	8,0	4,1	3,1	2,4	2,3
Eurozone	1,5	1,8	1,2	0,3	2,6	8,4	5,5	2,4	2,1	2,0
UK	2,7	2,5	1,8	0,9	2,6	9,1	7,4	2,6	2,2	2,0
JP	0,5	1,0	0,5	0,0	-0,3	2,5	3,3	2,4	1,9	1,8
CH	0,5	0,9	0,4	-0,7	0,6	2,8	2,2	1,4	1,1	1,0
World	3,3	3,6	3,5	3,2	4,7	8,7	6,8	4,6	3,5	3,2
Unemployment (%)										
US	4,4	3,9	3,7	8,1	5,4	3,6	3,6	4,0	4,1	4,0
Eurozone	9,1	8,2	7,6	8,0	7,8	6,8	6,6	6,5	6,5	6,5
UK	4,4	4,1	3,9	4,6	4,7	3,9	4,0	4,4	4,5	4,7
JP	2,8	2,4	2,4	2,8	2,8	2,6	2,6	2,5	2,4	2,3
CH	3,1	2,5	2,3	3,1	3,0	2,1	2,0	2,3	2,3	2,3

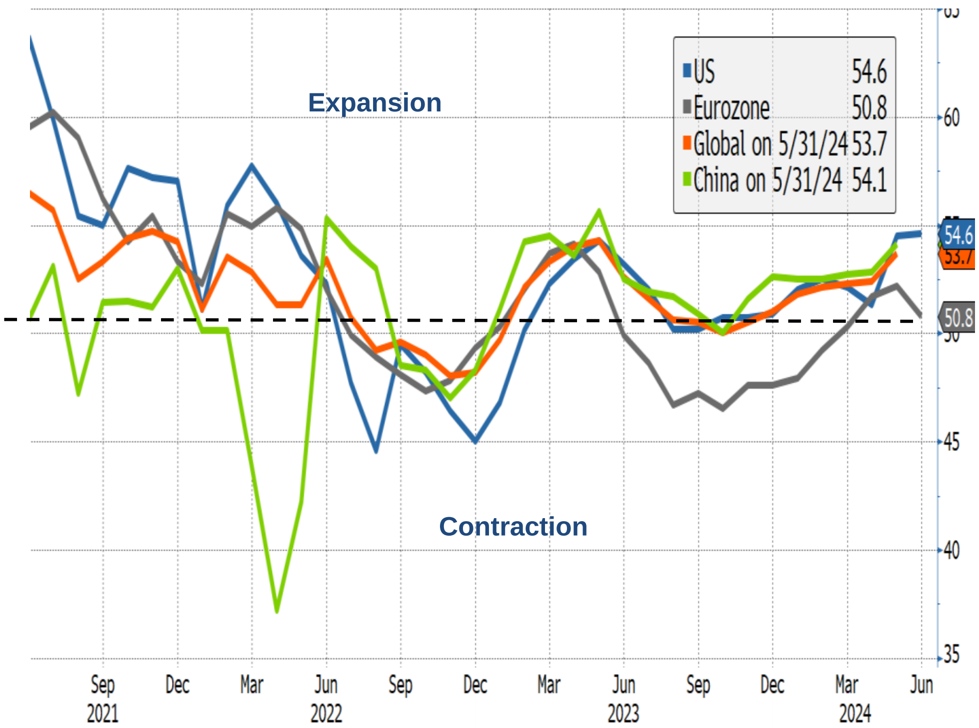
Our View:

*Global growth stabilization around 3%, with a deceleration in the US while the rest of the world is gradually recovering

*While being above the 2% threshold, inflation is expected to decrease

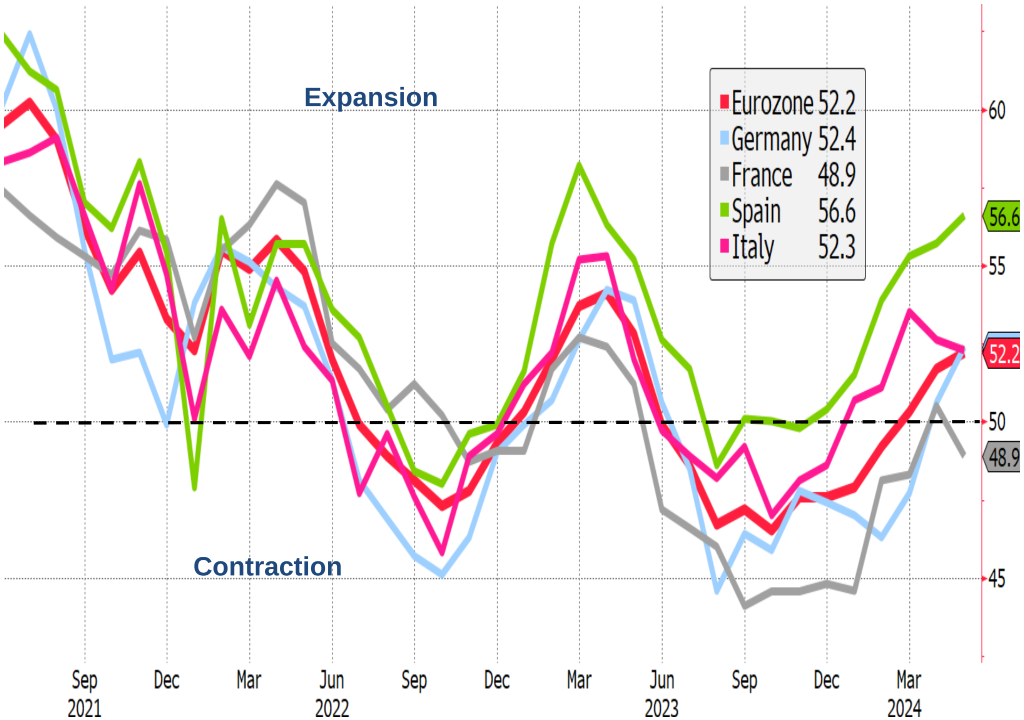
MACRO PICTURE – GLOBAL

Global PMI



Source: Bloomberg

Eurozone PMI



Source: Bloomberg

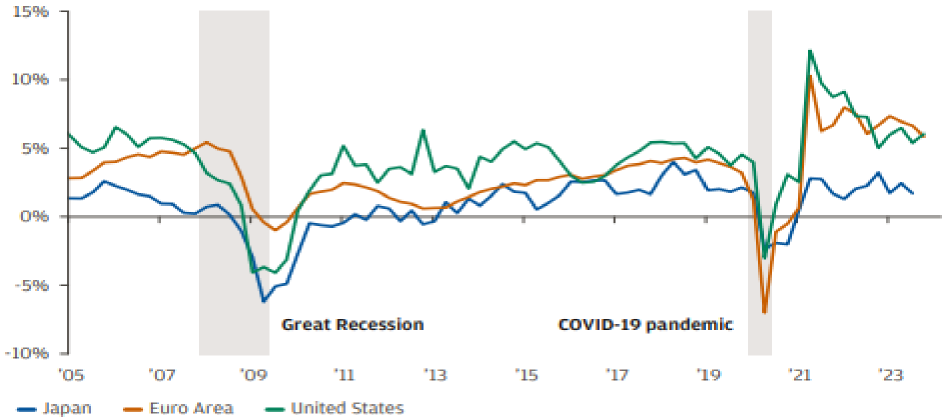
Global growth remains steady while slightly slowing in some regions

The Eurozone’s nascent economic recovery unexpectedly slowed in June, Germany saw a third successive monthly increase while France is suffering. Peripheral countries are the main drivers of expansion

MACRO PICTURE – GLOBAL

Household incomes are growing, financing strong consumption

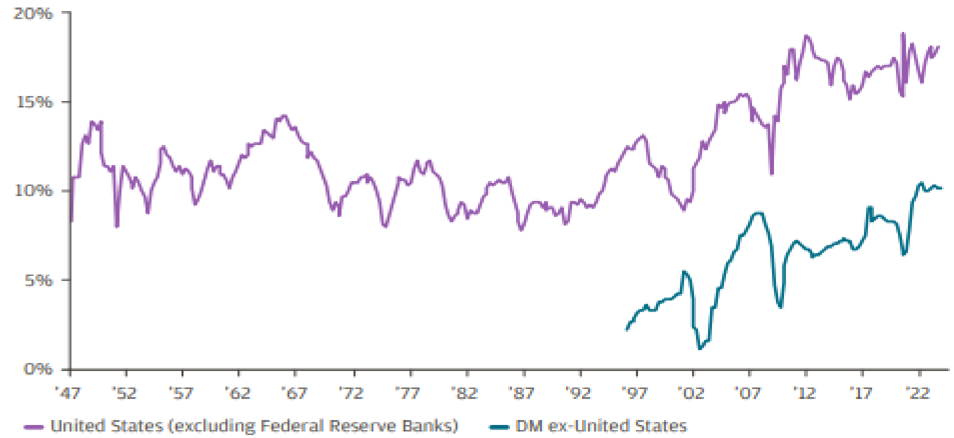
YoY %, total employee compensation growth



Sources: Organisation for Economic Co-operation & Development, NBER, Haver Analytics.

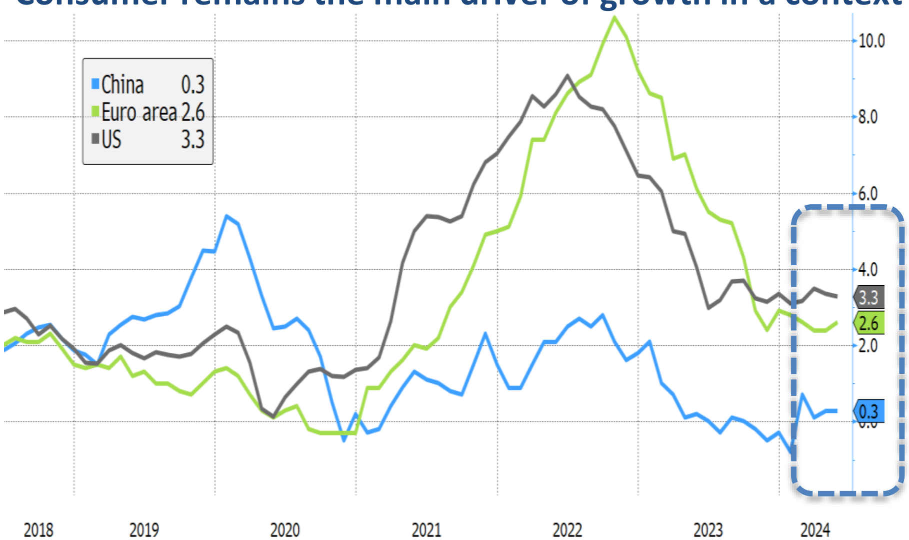
Companies have rarely been better at turning sales into profits

Non-financial corporate profits as a % of sales

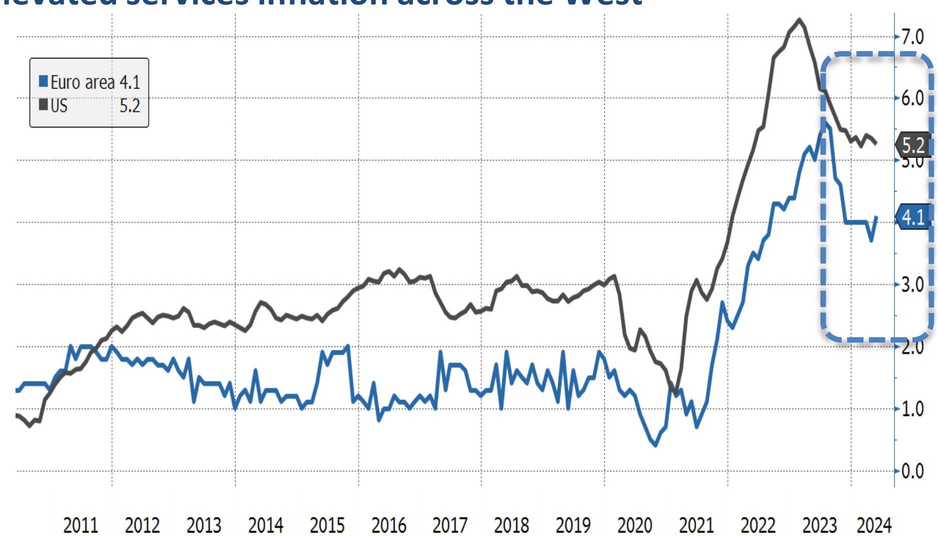


Sources: Federal Reserve Board, MSCI, J.P. Morgan.

Consumer remains the main driver of growth in a context of still elevated services inflation across the West



Source: Bloomberg

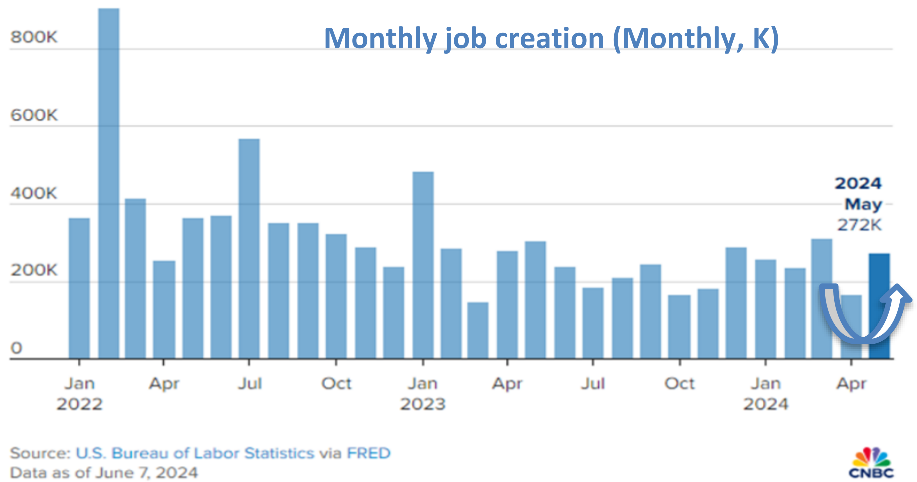


Source: Bloomberg

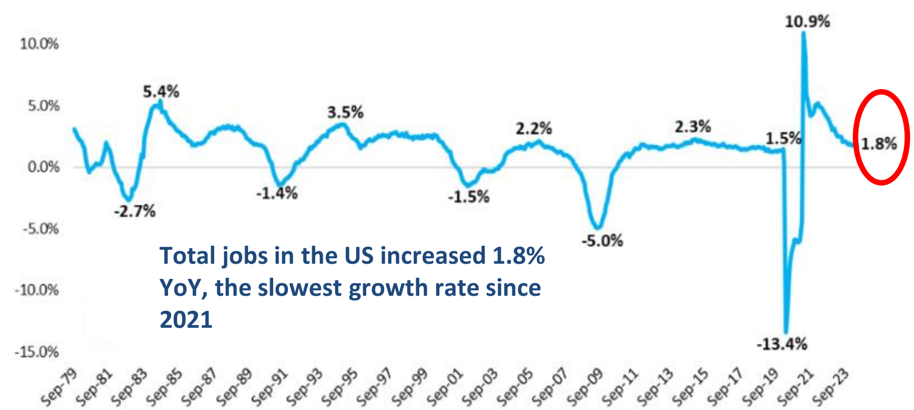
MACRO PICTURE – US ACTIVITY

BANQUE CRAMER

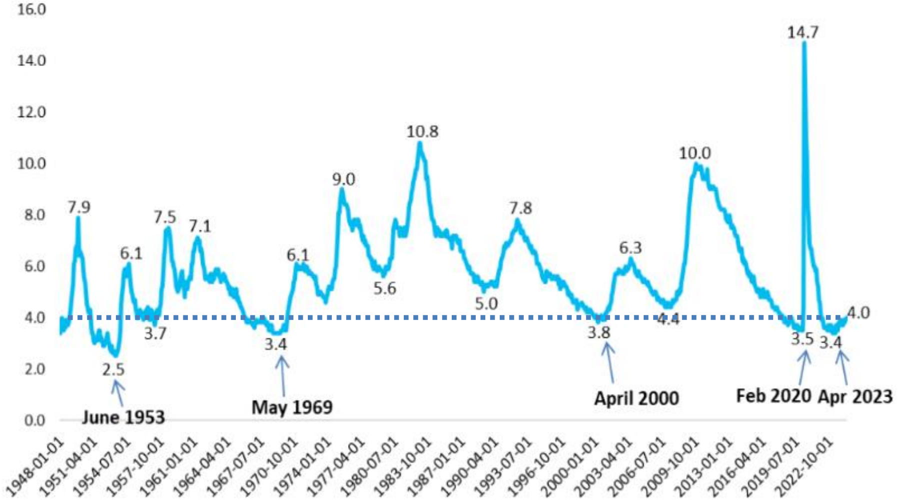
1. The labor market is cooling



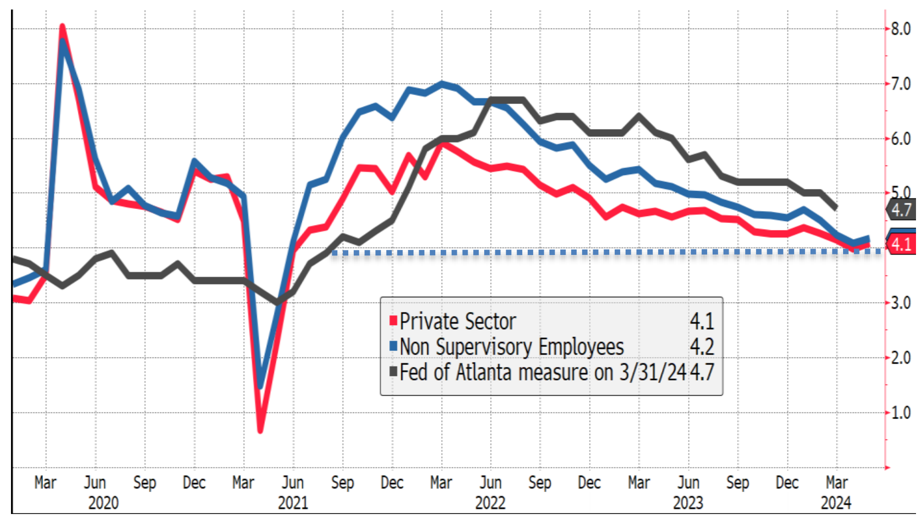
Source: ING



Source: C. Billelo



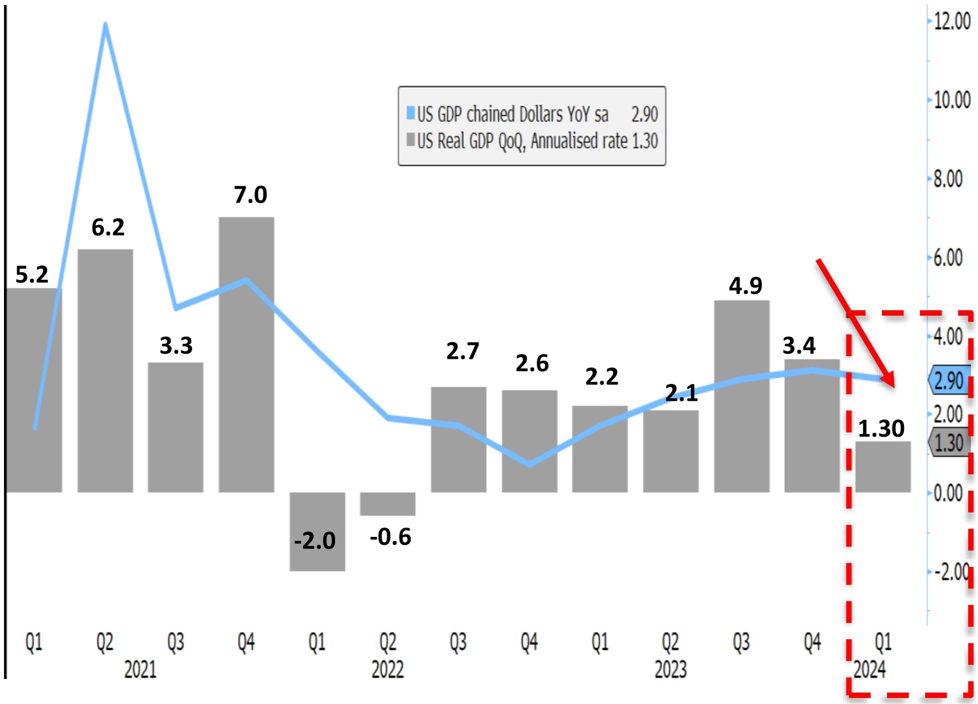
Source: C. Billelo



Source: Bloomberg

MACRO PICTURE – US ACTIVITY

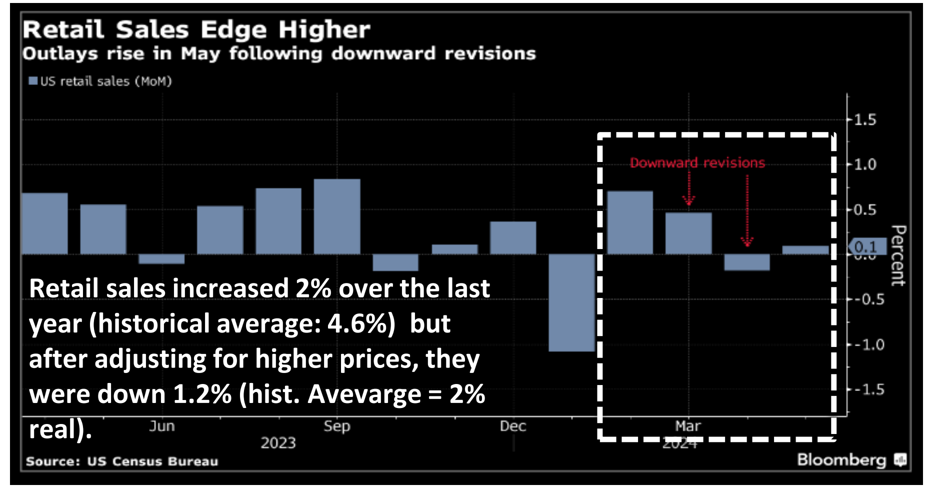
2. A loss of momentum, with Retail Sales pointing to greater financial strain again among consumers



Source: Bloomberg

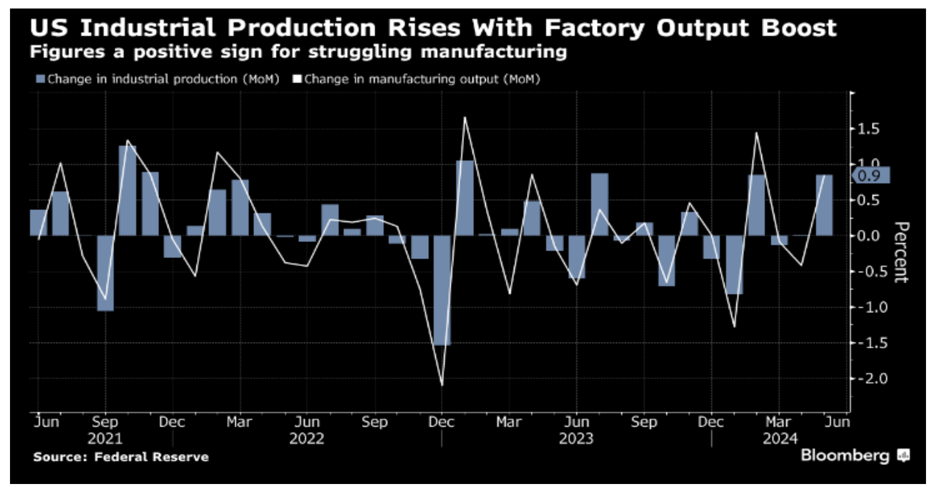
US economic activity grew by 1.3% in Q1, revised down from 1.6%, lowest level since 2022

Retail Sales, Monthly change (%)



Source: Bloomberg

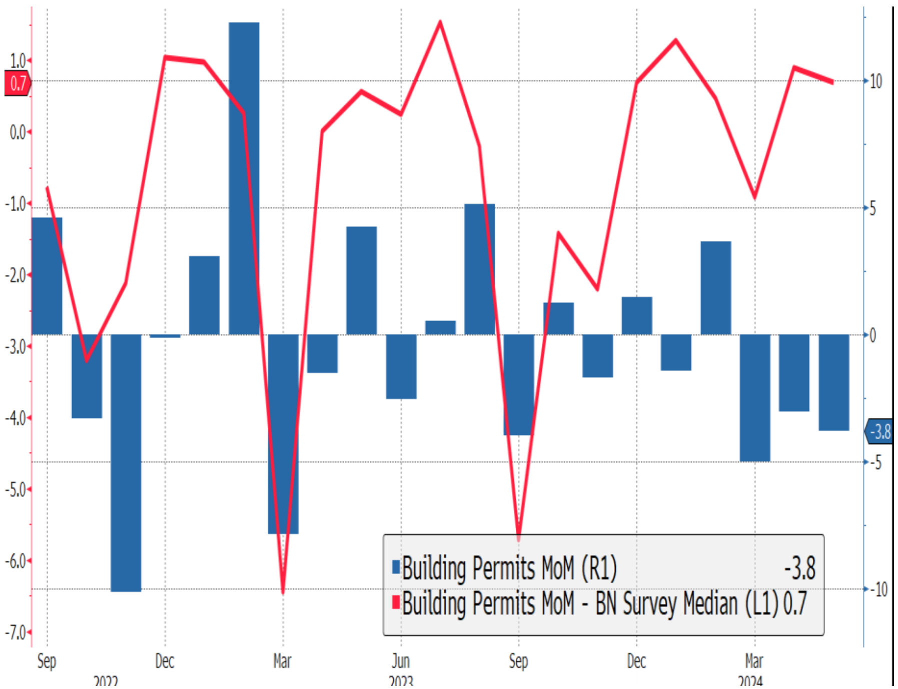
Industrial Production, Monthly change (%)



Source: Bloomberg

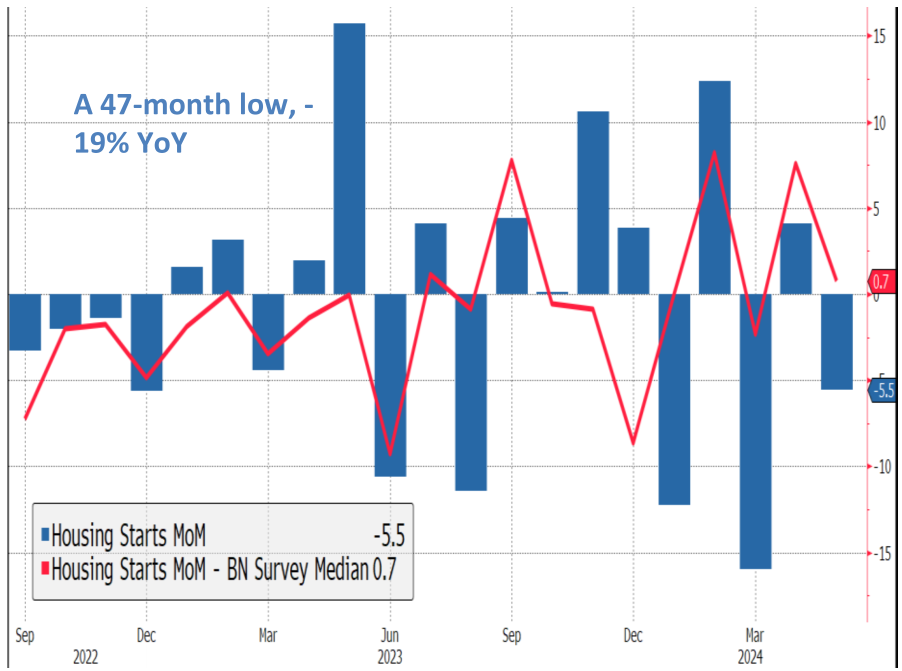
3. New Home construction fell at the slowest pace since June 2020 and residential construction could weigh on economic growth after stabilizing this year

Housing Starts, Monthly change (%)



Source: Bloomberg

Building Permits, Monthly change (%)



Source: Bloomberg

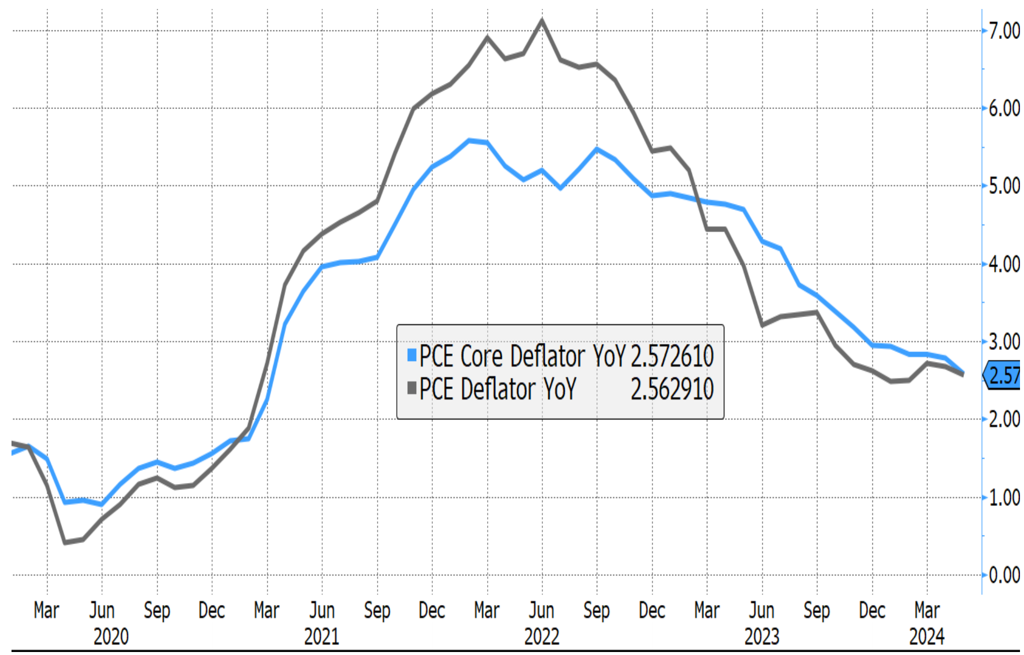
MACRO PICTURE – US INFLATION

1. Inflation came in cooler than expected but still far from the Fed’s target inflation rate of 2%

US CPI (%)

Source: Bilello

US PCE (%)



Source: Bloomberg

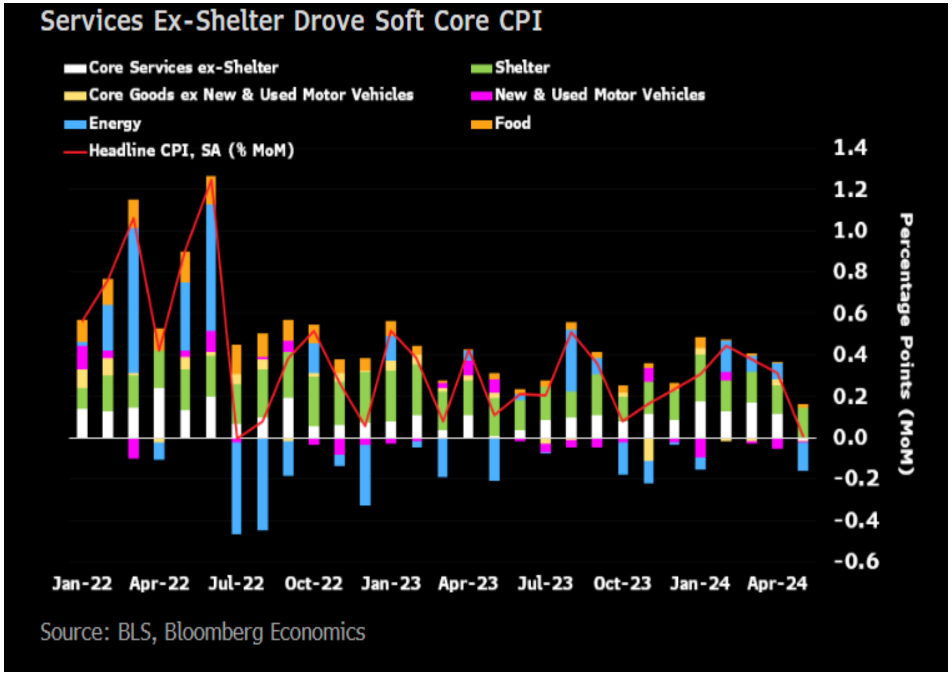
- **Headline (3.3%) and core CPI (3.4%) both came in lower than consensus expectations, with core inflation, which is more important for the rates outlook, hitting its lowest level since April 2021**
- **The US inflation rate is above 3% for 38 consecutive months**

***US PCE data, favorite gauge of the US FED, pointed to a cooling of inflationary pressures**

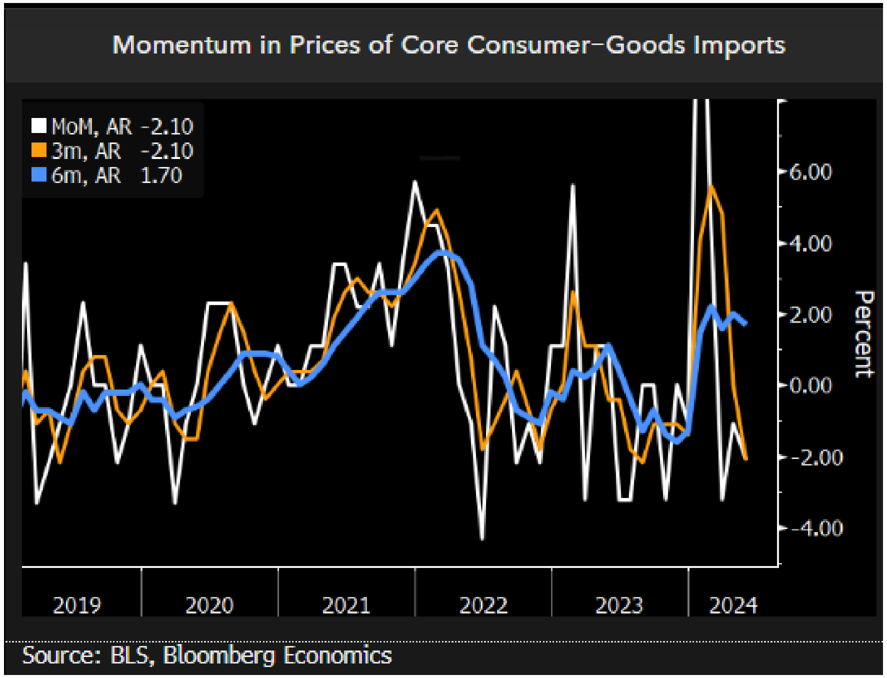
*** Flat on a monthly basis, retreating from a rise of 0.3% in April. In the 12 months to May, the figure also cooled to 2.6% from 2.7%.**

MACRO PICTURE – US INFLATION

2. More progress on US core CPI driven by services prices and import prices confirmed the disinflation trend despite a bumpy road



Source: Bloomberg

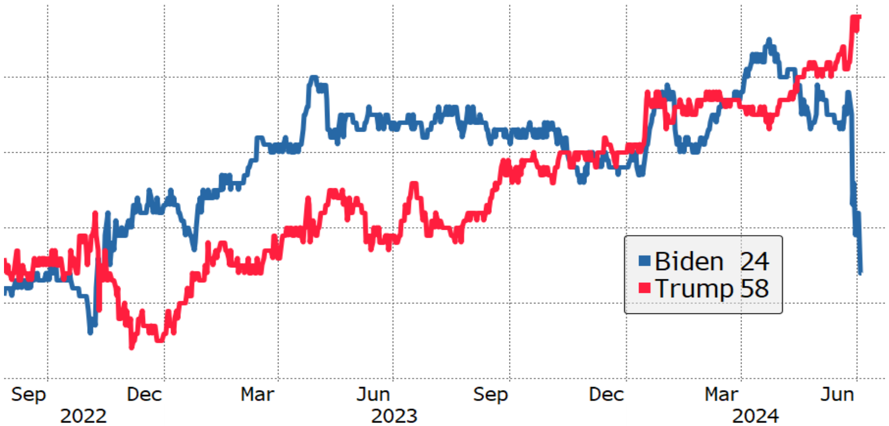


Source: Bloomberg

US – PRESIDENTIAL ELECTIONS

❑ Presidential debate takeaways

- The performance of the President Biden during the debate against the Republican former president Trump has raised question about **the viability of his candidacy.** According to a post-debate CNN poll, 67% of registered voters believed Trump won the debate
- **Election day is still 130 days away.** Pressure was building on Biden to withdraw from the race. Nevertheless, Biden has secured the majority of delegates to validate his nomination. Therefore, **unless he decides to voluntary step aside, the nomination can not be taken away from him**. "I'm not leaving. I'm in this race to the end and we're going to win".
- According to Bloomberg, US Predict 2024 survey shows that the **chance of seeing Biden winning the election in November fell further after the debate**

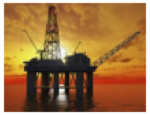


- Initial market reaction was **globally muted**

❑ What about the potential beneficiaries of red or blue wave outcomes?

DEREGULATION, TAX CUTS, TARIFFS ON US IMPORTS

Banks/Financials: weaker regulation and lower capital requirement for banks

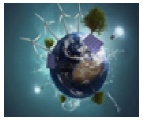


Oil & Gas: US energy dominance through oil and natural gas, domestic drilling and mining will be encouraged and deregulated

Aerospace/Defense: Increase in defense spending

Healthcare: deregulation and market-driven solutions over government intervention, which will promote competition and efficiency

ADDITIONAL FUNDING, SOCIAL SERVICE PROGRAM, GREEN LEADER



Renewable energy & EV: green energy policies, stronger environmental regulations, increased protection of the IRA

Industrials/Homebuilders: immigration will continue to provide a strong labor supply and productivity

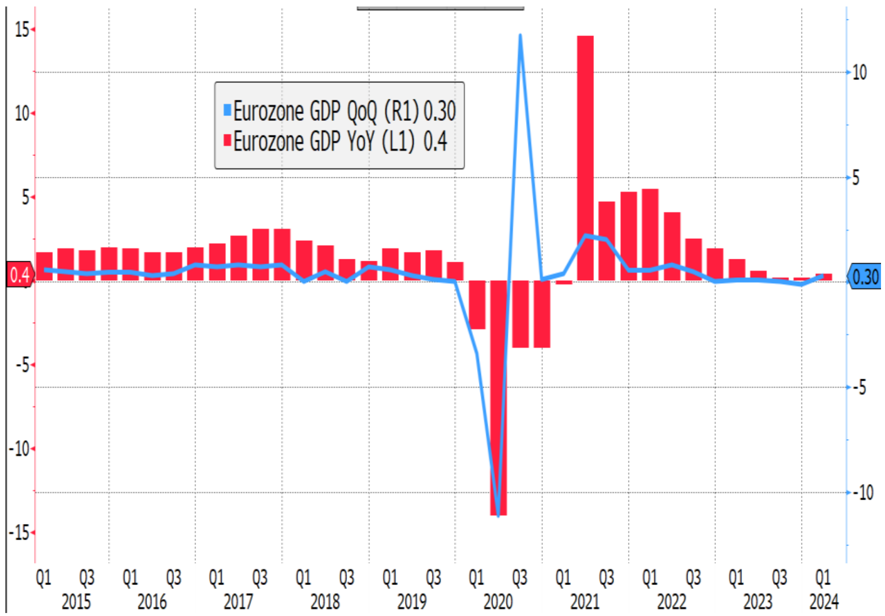
Manufacturing/Technology/Infras: continued stimulus support from IRA and CHIPS act

Telecommunication: expansion of broadband funding (American Broadband Act)

MACRO PICTURE – EUROZONE ACTIVITY

1. While rebounding in Q1, growth momentum seems to weaken

GDP Growth (%)

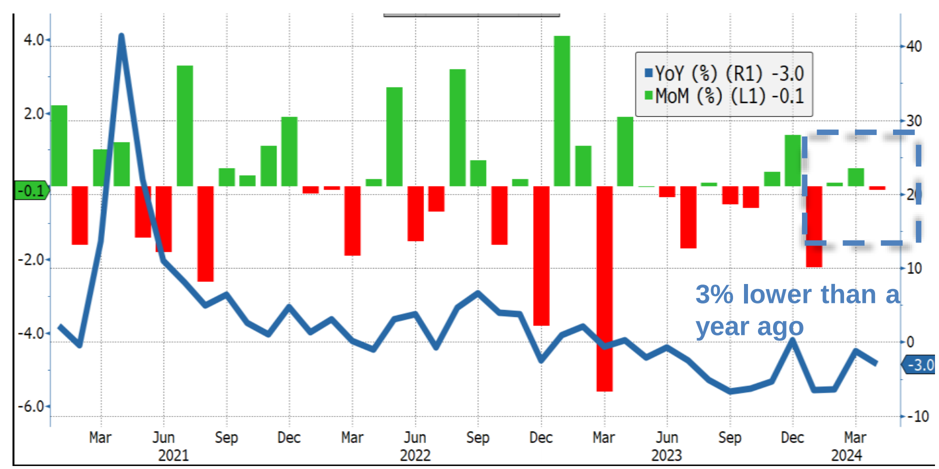


Source: Bloomberg

Retail Sales (%)

Source: Bloomberg

Industrial Production (%)

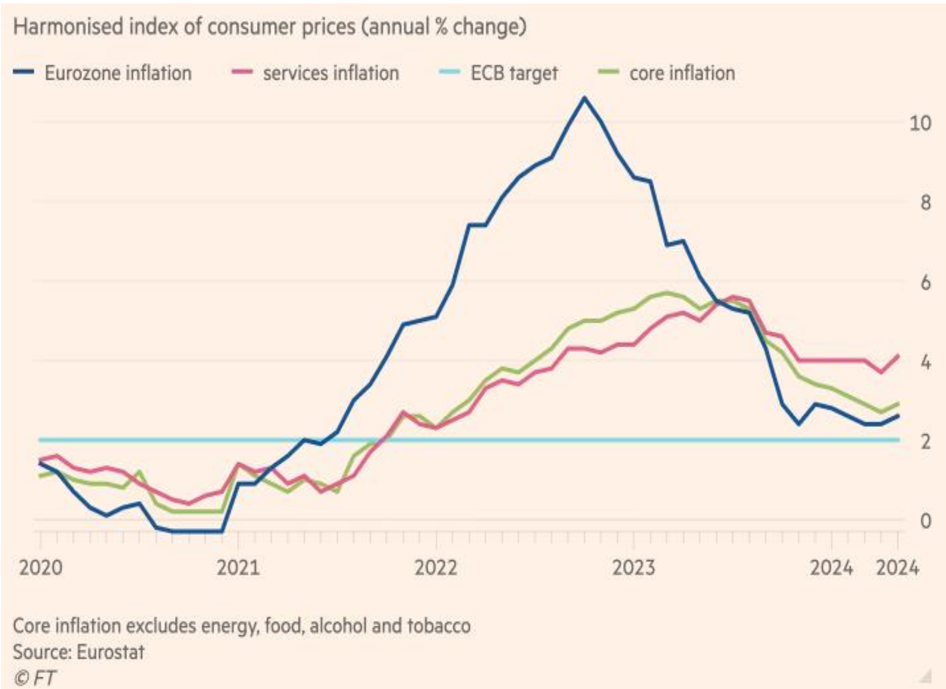


Source: Bloomberg

MACRO PICTURE – EUROZONE INFLATION

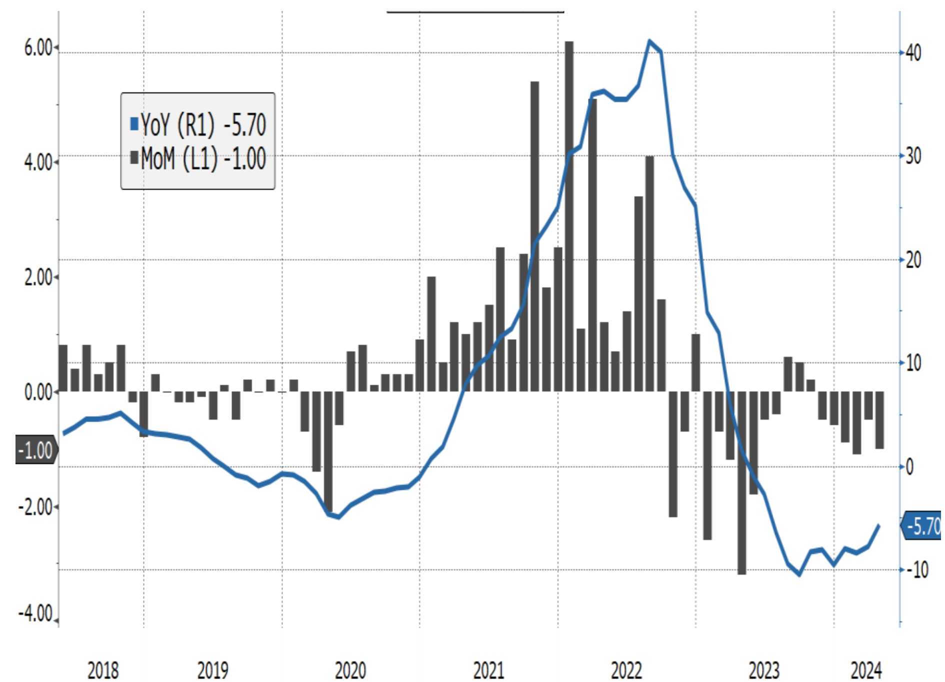
2. The Eurozone inflation rose more than expected in May but disinflationary pressure remains on the PPI front

CPI (%)



Source: FT

PPI (%)



Source: Bloomberg

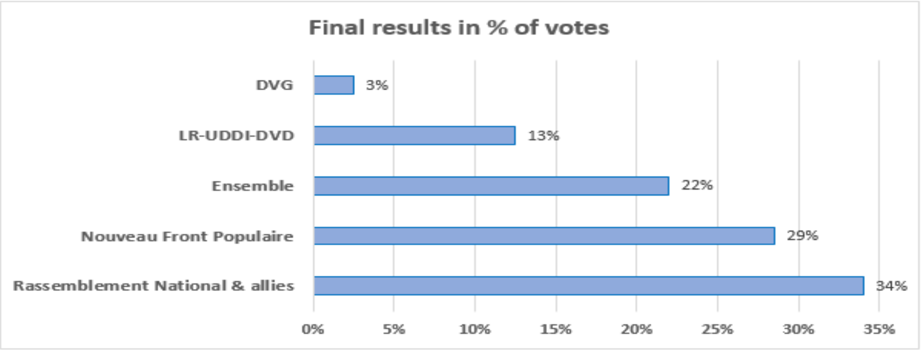
FRANCE – THE SNAP ELECTION

❑ A snap election

- The **dissolution of the French lower house of parliament** and the subsequent legislative elections on June 30th and July 7th are significantly altering the perception of France, **with societal worries taking preference over economic matters**
- In a context of **significant polarization of the French society**, the risk of a «cohabitation» between the incumbent president and a prime minister from so-called extreme right or left has been negatively perceived by the markets, with **French assets under pressure**

❑ What about the results of the first round?

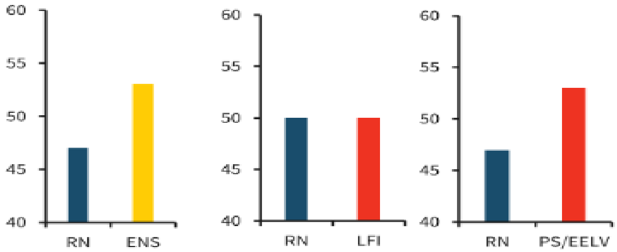
-The **French populist "Rassemblement National (RN)" gained a third of all votes** across 577 constituencies, making it difficult to win an absolute majority. The left-wing alliance "Nouveau Front Populaire (NFP)" came second with 28.5% and centrist parties "Ensemble" earned 21%



- The second round will take place July 7th: opponents of the RN, i.e. Centrists together with the Left-wing alliance, faced a deadline July 3rd evening for **tactically pulling out candidates in constituencies where the RN could win**

❑ Where do we stand?

- The **RN secured first place in 296 seats June 30th**, including 39 outright wins. The party needs **289 seats to achieve an outright majority**
- In 218 constituencies, **in an attempt to reduce the lead of the RN,** the **third-placed candidate withdrew:** 134 candidates for the NFP and 82 candidates for Ensemble
- The **coordinated move by the rival parties makes the outright majority much more difficult to achieve** for the RN
- A **hung parliament remains the most likely outcome** - with 91 three-way contests remaining – and a risk of political paralysis
- According to Ifop/Barclays, here are the **nationwide voting intentions** by second round configuration:



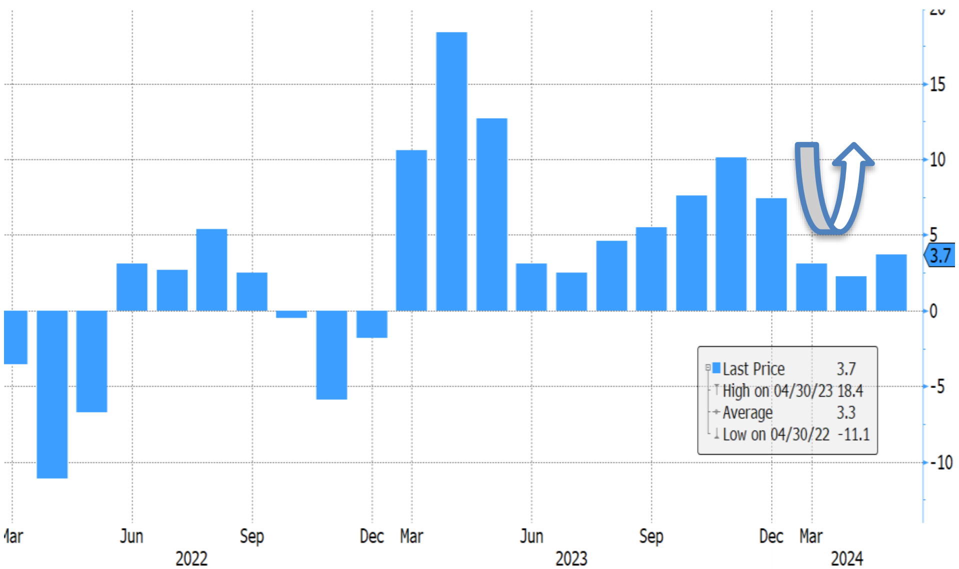
❑ What about the markets?

- **Some financial assets have begun to re-trace** following the first-round results, especially banks
- **Risk premium should stay during a long period of time**. Deteriorated public finances (deficit: 5.5% of GDP in 2023) and the inability to pass reforms will keep French sovereign bonds under pressure, with the looming risk of rating agencies' downgrade. Remember that the European Commission recently suggested to place France under an Excessive Deficit Procedure
- Volatility will offer opportunities to **add exposure to large companies with diversification of revenues abroad** instead of those having a large exposure to France, which could be penalized by the uncertain political outlook

MACRO PICTURE – CHINA

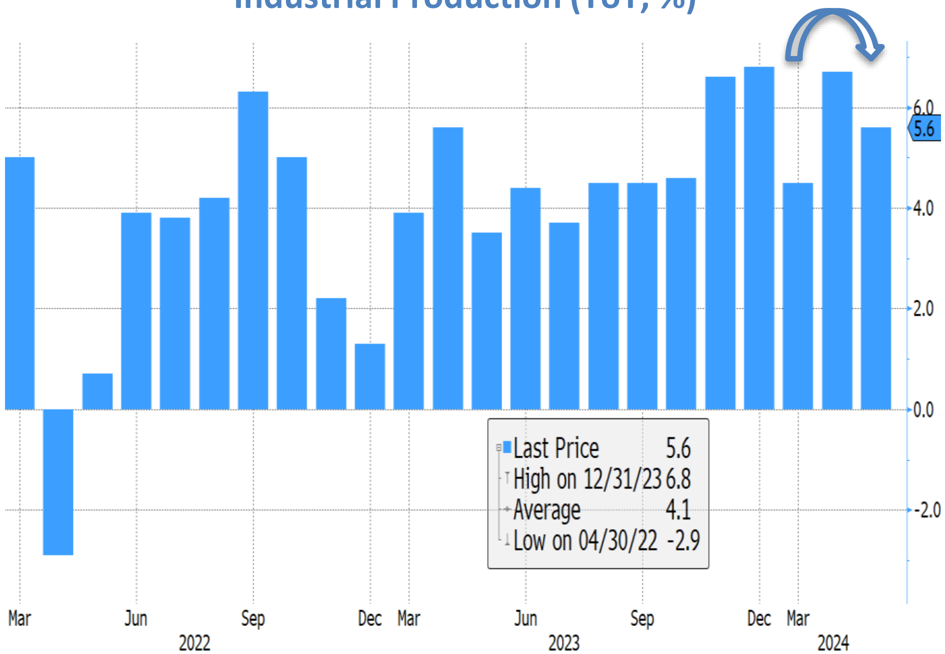
1. China's growth remains highly uneven

Retail Sales (YoY, %)



Source: Bloomberg

Industrial Production (YoY, %)



Source: Bloomberg

*Retail sales rebounded, offering some encouragement
*First acceleration since November
*At 3.7%, the pace remains less than half of the 8% we had before the pandemic, even though social and economic life has largely returned to normal

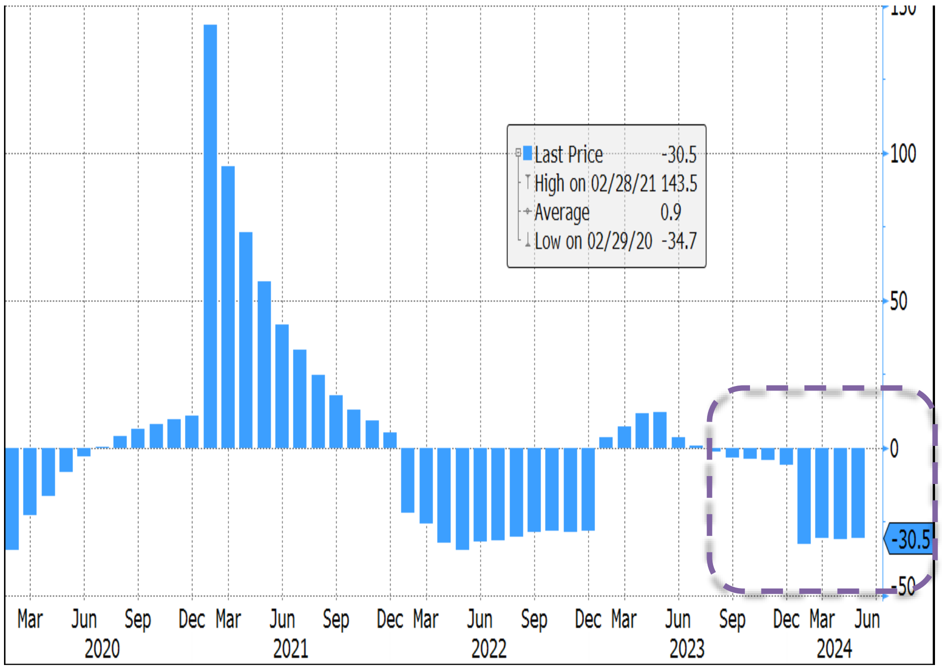
Industrial production continued to recover but less than expected and slowing from April

MACRO PICTURE – CHINA

BANQUE CRAMER

2. Property market and consumer are a drag for the economy

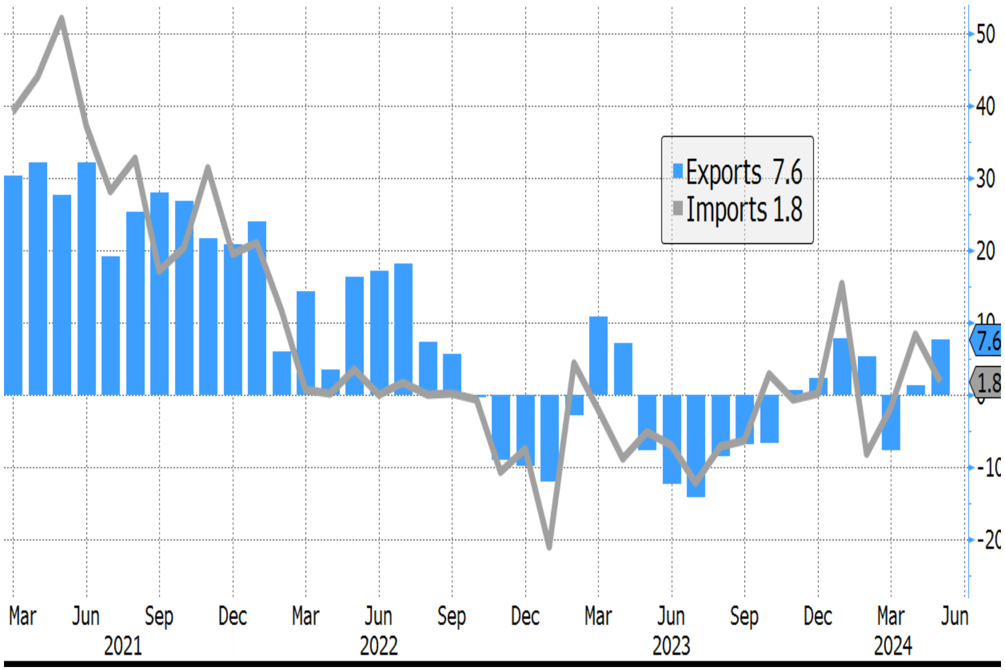
Residential property sales (%)



Property market is a big drag on the economy. Declines in real estate investment and home prices, both gathered pace last month

Source: Investing.com

Imports & Exports (%)



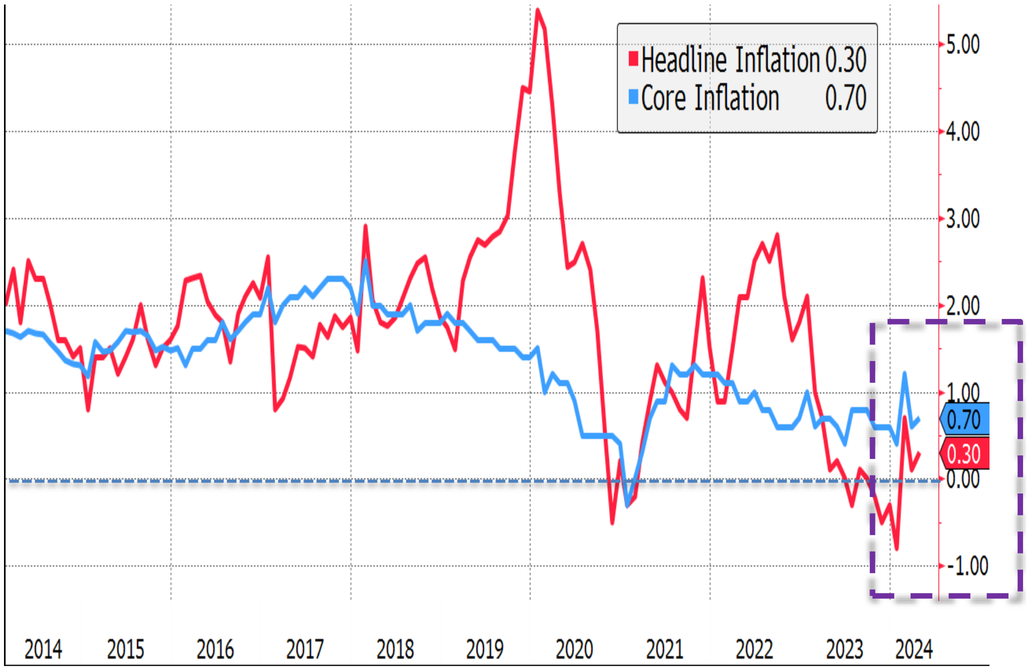
Since households have been reluctant to spend, China has turned to export-led growth instead. A factory boom helped offset the housing slump and kept economic growth on track. But that strategy faces growing uncertainties as major partners erect new trade barriers that threaten the export engine

Source: Bloomberg

MACRO PICTURE – CHINA

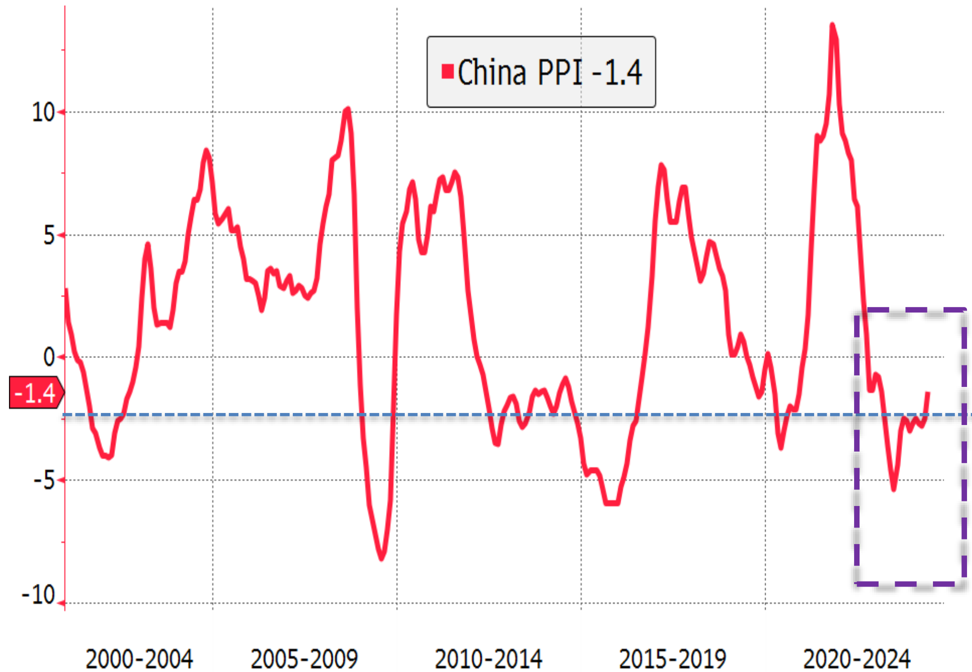
2. China CPI remains weak and the PPI is again well-anchored in negative territory

CPI (%)



Source: Bloomberg

PPI (%)



Source: Bloomberg

***A modest 0.3% YoY in May, meaning that China's overall inflation has been flat**
***CPI have held above zero for a fourth month**

The gauge of manufacturing sector inflation fell by only 1.4% in May, affected by the upward price of some international commodities and the improvement of supply and demand in the domestic industrial products market

FIXED INCOME

BANQUE CRAMER

- **Core sovereign bonds** – Sovereign bonds delivered a positive return in June in both Europe and the US, supported by a move lower in US Treasuries yields over the month, as a modest bull steepener led to outperformance across the belly of the curve (3-7 year yields declined 13bp MoM). The US 10-year yield drifted down by 11bps to 4.40%. In Europe, the German 10-year yield fell by 16bps to 2.50%, with political risk in France and the ECB's rate cut pushing investors to favor the safest asset in the area. The spread in between France and Germany on the 10-year maturities widened by 30bps to establish itself at 80bps. The Bloomberg Global Aggregate index, defined as the benchmark for developed country investment grade bonds,

- **Developed Credit –** The Bloomberg Global Aggregate index, defined as the benchmark for developed country investment grade bonds, hedged in US Dollar rose by +0.87% in June, while the same index hedged in euros gained 1.44%. The decrease in yields offset credit spreads widening over the course of the month. Both Investment Grade and High Yield delivered positive performances. The ICE US High Yield index delivered 0.97% compared to 0.54% for its Euro peer. The ICE indices for the highest-rated companies came at 0.64% and 0.75% for the US and EUR respectively. Swiss corporates outperformed (+1.49%).

- **Emerging Debt –** Bloomberg Emerging debt indices enjoyed positive returns, both in hard (0.50%) and local currency (0.47%), slightly underperforming Developed countries. Local Chinese government bonds have continued to post positive a performance (0.89%). On the corporates front, both high beta (0.85%) and high grade (0.89%) outperformed their US peers

TOTAL RETURN (% - Local Currency)

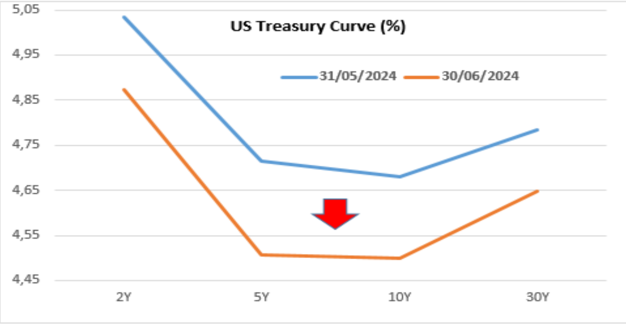
	YtD	Jan	Feb	March	April	May	June
EU Treasuries	-1,95	-0,54	-1,17	1,04	-1,40	-0,15	0,27
US Treasuries	-0,82	-0,18	-1,35	0,60	-2,36	1,49	1,03
USD CASH - 3mths Treasury	2,62	0,42	0,42	0,45	0,42	0,46	0,41
US TIPS	0,92	0,38	-1,06	0,71	-1,60	1,73	0,79
Swiss Govies	1,12	-2,47	0,72	1,54	-0,31	-1,72	3,48
CHF Corporates	1,58	-0,02	0,19	0,55	-0,02	-0,61	1,49
EUR Investment Grade	0,54	0,09	-0,89	1,21	-0,84	0,24	0,75
USD Investment Grade	0,04	0,15	-1,40	1,19	-2,33	1,85	0,64
EUR High Yield	3,13	0,83	0,35	0,44	-0,03	0,96	0,54
USD High Yield	2,62	0,02	0,30	1,19	-1,00	1,13	0,97
USD EM External Sovereign Debt	1,37	-1,39	0,52	1,96	-2,08	1,65	0,77
EM Local Debt	-3,38	-1,20	-0,03	-0,56	-2,26	1,28	-0,62
High Grade EM Corprates	1,37	-0,22	-0,29	0,93	-1,53	1,61	0,89
High Yield EM Corporates	6,07	1,06	0,98	1,65	-0,58	1,98	0,85
EUR Corporate Hybrids	3,47	1,12	-0,21	1,32	0,02	0,71	0,46
EUR Invetsment Grade Contingent Capital	4,25	1,38	0,08	2,27	-0,60	1,52	-0,43
Bloomberg Global Aggregate EUR (Unhedged)	-0,34	0,14	-0,88	0,75	-1,54	-0,22	1,44
Bloomberg Global Aggregate USD (Hedged)	0,46	0,13	-0,69	0,90	-1,61	0,88	0,87
Bloomberg EM USD Sovereign (Unhedged)	2,57	-0,68	0,71	2,33	-1,96	1,70	0,50
Bloomberg EM Local currency Gov	0,15	-0,02	0,32	-0,25	-1,28	0,93	0,47
Local Chinese Government bonds	4,14	1,24	0,77	0,20	0,34	0,62	0,89

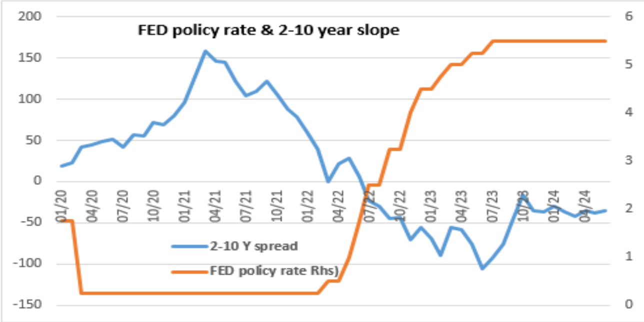
OAS Spread Change (Basis Point)

	YtD	Jan	Feb	March	April	May	June
EUR Investment Grade	-22	-6	-9	-9	-1	-8	11
USD Investment Grade	-9	-2	-2	-7	-3	-3	8
EUR High Yield	-49	-11	-39	6	-8	-21	24
USD High Yield	-21	20	-30	-17	3	2	1
USD EM External Sovereign Debt	-25	15	-30	-15	-6	3	8

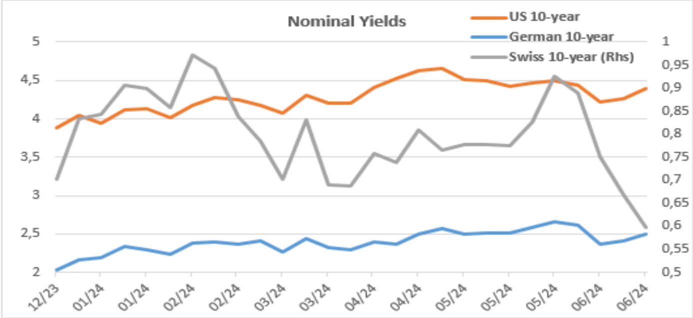
Attractive yields favor quality premium in $ Investment Grade and € CrossOver bonds

US Treasury yields closed the month lower, with an outperformance of the belly of the curve, the 5-year yield drifted down by 21 bps; The 2-10 year slope remained roughly unchanged in the US at -37bps





US 10-year yield drifted down by 10bps, while its Euro peer was down by 16 bps. The Swiss 10-year drifted down by 33bps



Source: BCC, Bloomberg

Spreads widened across the board but remain rich on an historical basis; yield pick-up remains of interest

(Ice Bond Indices (June 30th))	Yield (YTW)			Credit Spread (OAS Spread)		
	31,05,2024	30,06,2024	5-year Average	31,05,2024	30,06,2024	5-year Average
EUR Investment Grade	3,92%	3,80%	1,98%	107	118	131
USD Investment Grade	5,56%	5,52%	3,75%	88	96	125
EUR High Yield	6,41%	6,44%	4,95%	329	353	419
USD High Yield	8,04%	7,94%	6,66%	320	321	423
USD EM Inv. Grade	5,60%	5,48%	3,95%	104	104	168
USD EM High Yield	8,60%	8,40%	8,00%	390	379	563

Source: BCC, Bloomberg

US IG & HY Corporates - Yield to Worst

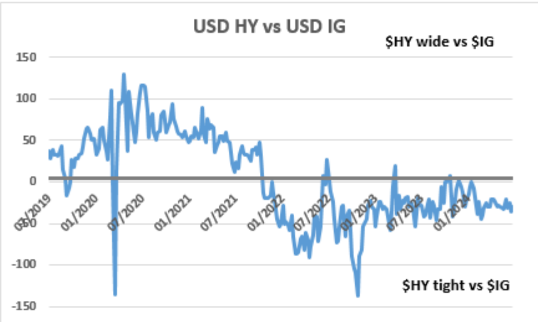
	IG	AAA	AA	A+	A	A-	BBB+	BBB	BBB-	HY	BB+	BB	BB-
3Y	5,40	4,98	5,08	5,22	5,29	5,41	5,47	5,45	5,88	8,16	6,32	6,19	6,44
5Y	5,30	4,82	4,91	5,05	5,13	5,23	5,29	5,37	5,87	7,90	6,28	6,55	6,82
7Y	5,47	4,80	4,90	5,21	5,25	5,40	5,50	5,54	5,96	7,20	6,25	6,31	6,87
10Y	5,54	4,86	5,03	5,26	5,36	5,47	5,64	5,71	5,99	6,93	6,38	6,54	7,30
> 10Y	5,73	5,06	5,34	5,51	5,55	5,61	5,81	5,97	6,51	7,91	6,92	7,07	7,11

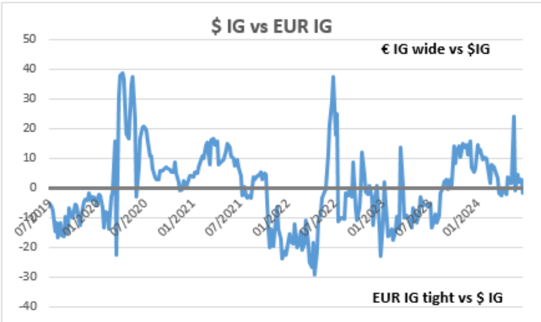
EU IG & HY Corporates - Yield to Worst

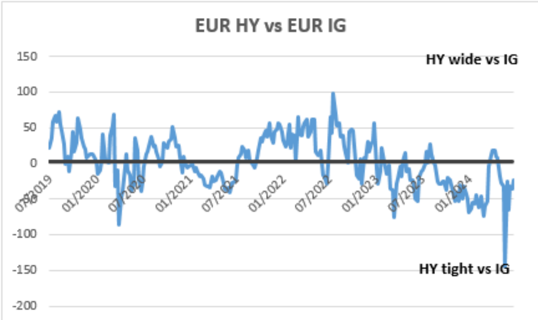
	IG	AAA	AA	A+	A	A-	BBB+	BBB	BBB-	HY	BB+	BB	BB-
3Y	3,76	3,29	3,42	3,58	3,58	3,72	3,77	3,92	4,22	6,56	4,52	5,19	5,27
5Y	3,79	3,18	3,34	3,53	3,63	3,66	3,76	3,98	4,40	6,23	5,24	5,40	5,54
7Y	3,81	3,32	3,36	3,59	3,69	3,74	3,84	4,04	4,35	5,68	5,26	5,52	5,51
10Y	3,88	3,11	3,53	3,71	3,79	3,88	3,94	4,13	4,20	5,27	5,25		
> 10Y	3,90	3,51	3,69	3,71	3,86	3,89	4,12	4,10	4,24	5,81			

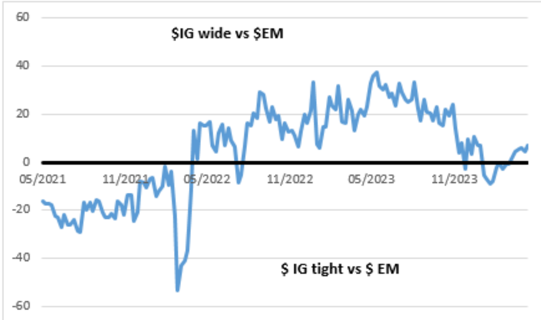
Source: Bloomberg, ICE indices

Based on historical valuations, the picture is neutral on high grade and high beta is globally expensive









Source: BCC, Bloomberg

EQUITIES

- **Global equity markets posted mostly positive performance in June,** mainly driven by the technology sector. For the first time in history, three companies belonging to the S&P500 index have a market capitalisation above the $3 trillion, something close to almost 20% of the index's capitalisation. The Nasdaq 100 posted a return of +6.27%

- **Markets wise, Emerging markets outperformed Developed countries–** The MSCI World in US Dollar registered a positive performance of 2.07%. The S&P 500 was up 3.59% compared with -1.13% for the EuroStoxx 600, with European equities penalised by the political risk and the snap election in France. The Swiss market did not benefit from the SNB rate cut, posting a return -0.04%. Japanese equities ended the month in positive territory (+2.94% for the Nikkei 225). The MSCI Emerging market in US Dollar delivered a positive month (+3.96%). The Chinese index underperformed, posting a return of -2.52%, despite new government measures.

- **European banks significantly underperformed their US peers**, with a return of -6.75% and -0.04% respectively. In the US, large banks have been continuing to outperform the small banks.

- **EMU Small Caps have underperformed their US peers**, with a return of -7.03% and -0.93% respectively. In the US, it is the biggest year-to-date outperformance of Large caps versus Small caps since 1998.

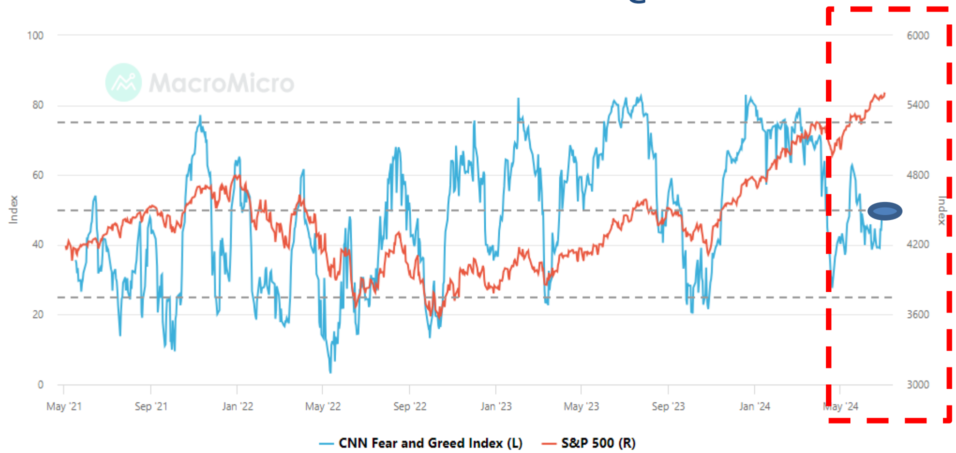
- **Sectors wise, dispersion was considerable –** Technology, Communications and Consumer Discretionary sectors outperformed. Energy, Materials and Utilities posted negative return in June. All the Magnificent 7 posted positive return, with the Mag 7 index drifting up by 9.67%, outperforming the S&P 500, driven by Nvidia (+12.69%), Tesla (+11.12%), Apple (+9.56%), Amazon (+9.53%) and Meta (+8.12%).

TOTAL RETURN (% - Local Currency)

	YtD	Jan	Feb	March	April	May	June
MSCI World (USD)	11,22	1,23	4,28	3,28	-3,67	3,76	2,07
MSCI Emerging (USD)	8,51	-4,64	4,78	2,53	0,43	1,44	3,96
MSCI US (USD)	15,43	1,56	5,37	3,18	-3,92	4,02	3,58
MSCI EMU (EUR)	11,17	2,22	3,34	4,49	-1,76	3,01	-2,44
MSCI Japan (JPY)	23,05	8,47	5,46	4,40	-1,08	-0,51	1,64
MSCI Japan (USD)	9,10	4,62	3,00	3,02	-4,86	0,04	-0,71
Dow Jones	3,85	1,31	2,50	2,21	-4,34	1,04	1,23
S&P 500	14,59	1,68	5,34	3,22	-3,89	4,11	3,59
S&P 500 eq. weighted	4,35	-0,82	4,16	4,46	-4,28	1,48	-0,45
Nasdaq 100	17,23	1,89	5,41	1,23	-4,63	6,39	6,27
EuroStoxx 50	12,03	2,97	5,08	4,38	-1,43	2,39	-1,72
EuroStoxx 600	10,03	1,49	2,00	4,18	-0,01	3,20	-1,13
FTSE 100	7,51	-1,27	0,45	4,84	2,95	1,49	-1,04
SMI	11,19	1,76	0,93	3,96	-1,63	5,91	-0,04
Nikkei 225	17,96	8,44	8,00	3,80	-4,86	-0,92	2,94
CSI 300	2,47	-6,29	9,35	0,61	2,01	-0,06	-2,52
EU Banks	21,27	2,59	0,66	14,97	3,48	5,85	-6,75
US Banks	15,59	1,97	4,25	8,45	-2,09	2,45	-0,04
EMU Small Caps	-1,32	-2,50	-0,39	4,47	-1,21	5,91	-7,03
US Small Cap	2,09	-3,89	5,65	3,58	-6,08	4,31	-0,93
Bloomberg Manificent 7 Total Return	37,40	1,83	12,06	2,66	-2,32	9,49	9,67
S&P 500 ENERGY INDEX	7,39	-0,38	3,18	10,60	-1,54	-2,80	-1,29
S&P 500 INFO TECH INDEX	27,95	3,95	6,31	1,97	-5,64	10,08	9,32
S&P 500 CONS DISCRET IDX	6,14	-3,53	8,71	0,10	-3,75	0,14	4,89
S&P 500 REAL ESTATE IDX	-2,52	-4,74	2,58	1,77	-6,85	3,15	2,01
S&P 500 COMM SVC	24,16	5,02	5,70	4,34	-3,48	5,97	4,80
S&P 500 INDUSTRIALS IDX	7,33	-0,88	7,23	4,41	-2,81	0,45	-0,94
S&P 500 FINANCIALS INDEX	9,30	3,04	4,16	4,77	-3,58	1,71	-0,89
S&P 500 HEALTH CARE IDX	7,25	3,01	3,22	2,38	-4,24	0,96	1,91
S&P 500 UTILITIES INDEX	8,28	-3,01	1,12	6,62	2,31	7,12	-5,51
S&P 500 MATERIALS INDEX	3,12	-3,91	6,46	6,50	-4,34	2,04	-3,03
S&P 500 CONS STAPLES IDX	8,23	1,54	2,32	3,49	-0,13	0,97	-0,18
S&P 500 Banks	15,59	1,97	4,25	8,44	-2,09	2,45	-0,04
DJ US Small Caps Bank	-2,32	-2,72	-1,99	5,79	-4,55	1,68	-0,21

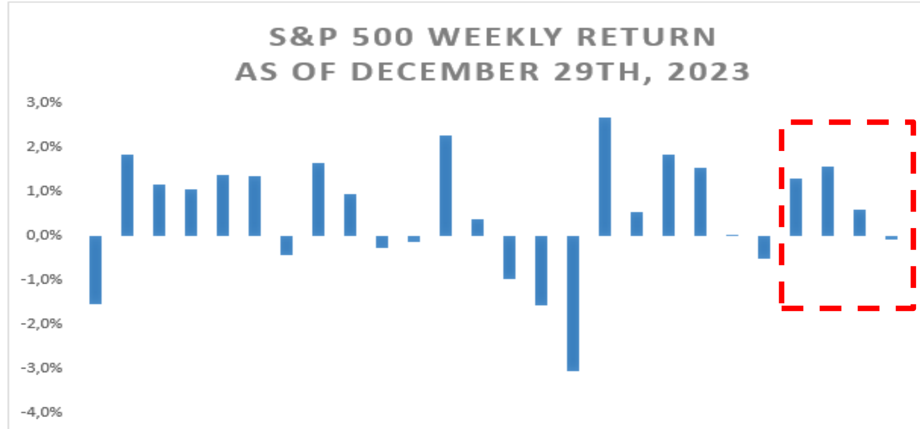
Valuation – Neutral sentiment while global risk pricing is low

CNN Fear & Greed index @ 50

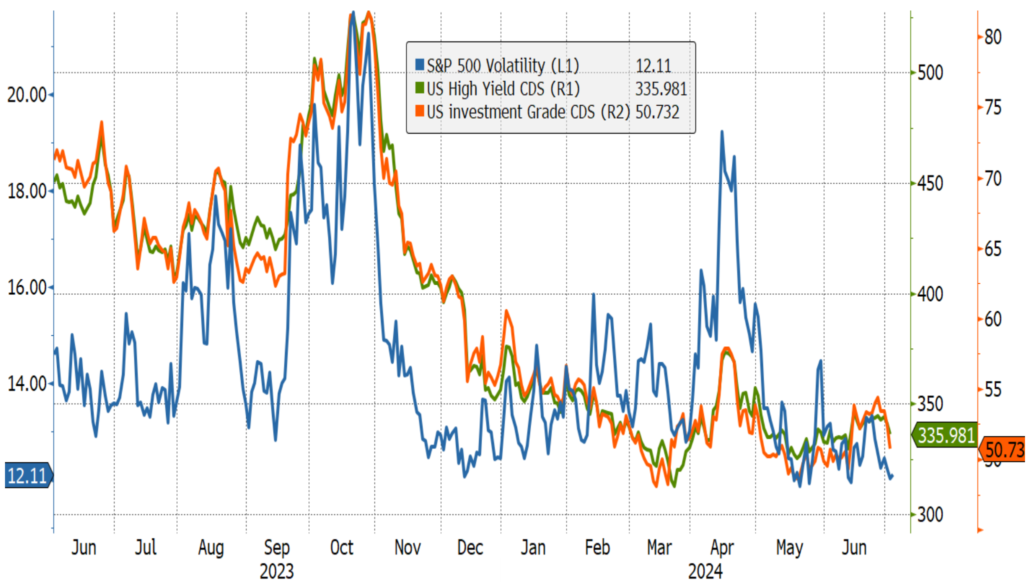


Source: MacroMicro

After three weeks of consecutive positive return, the S&P 500 made its first weekly decline at the end of the month



Source: BCC, Bloomberg



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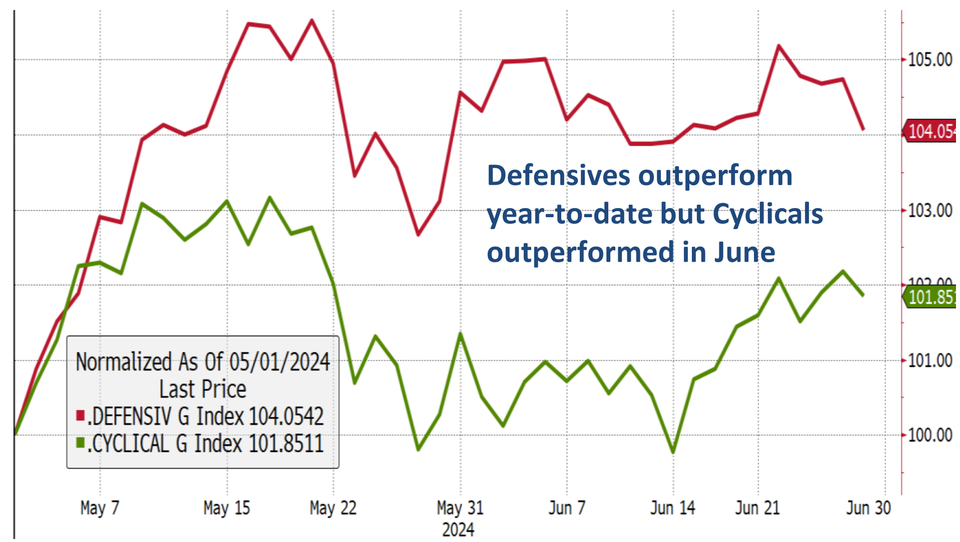

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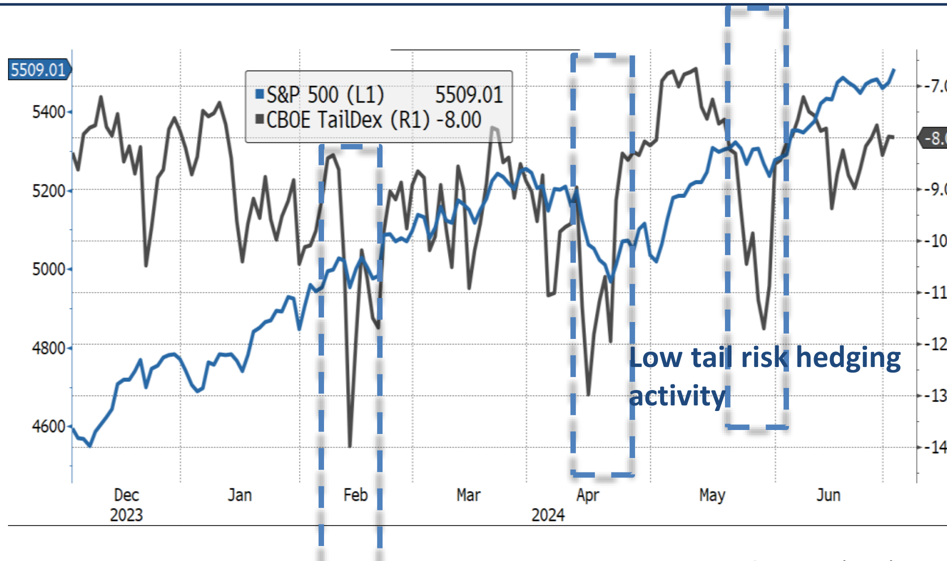

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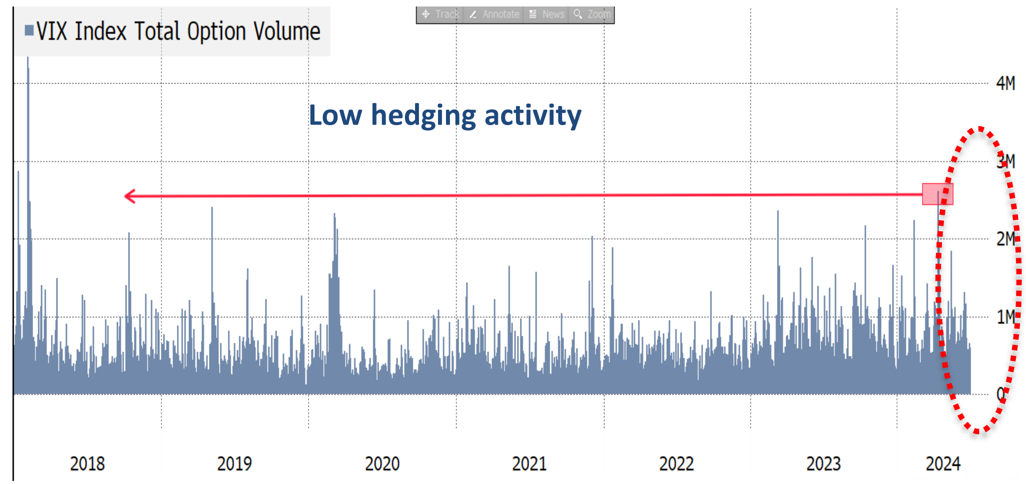

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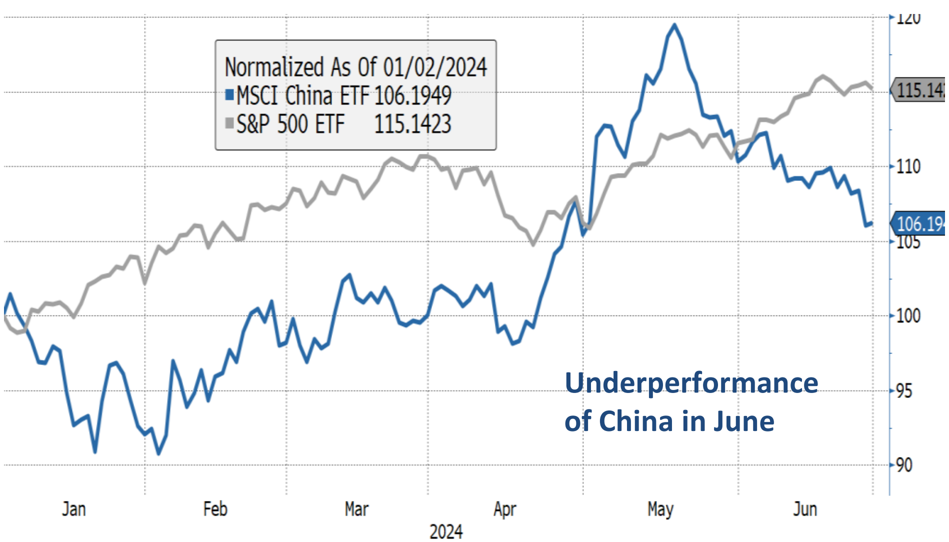

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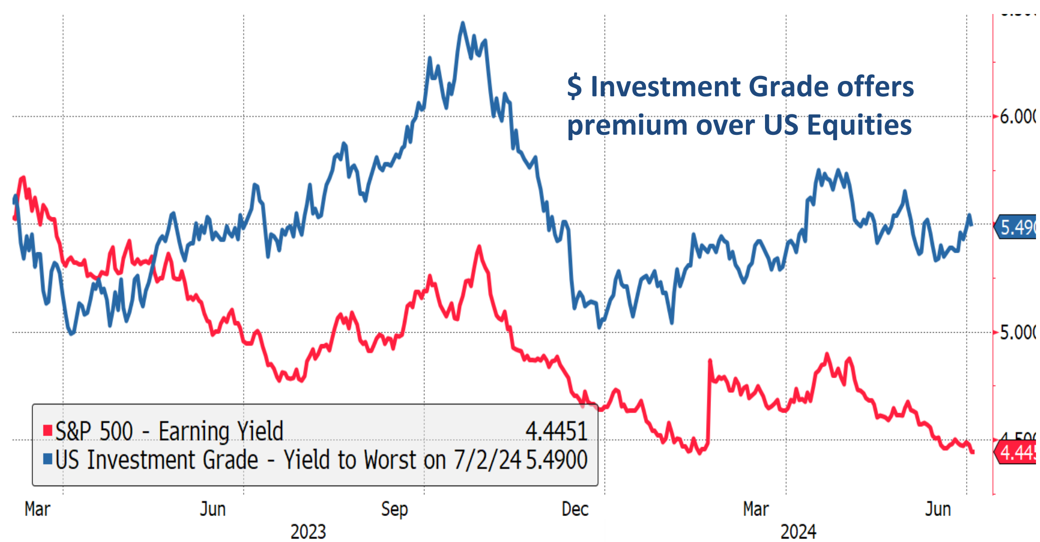


Source: Bloomberg

CURRENCIES & COMMODITIES

- **The US Dollar outperformed its currencies basket (+1.14%).** The single currency fell following the announcement of snap elections in France: -0.94% versus the US Dollar and -1.45% versus the Swiss franc. The Japanese Yen broke 160 for the first time since 1984, establishing a new low against the US Dollar
- **Gold closed the month roughly flat (-0.02%)** while being up 11.9% this year, closing the month at $ 2326 per troy once. Gold sold off following the publication of US services PMI reaching highest level in more than two years and recovered on rate-cut hopes after inflation data
- **Oil rose by 5.91% for the WTI and 5.87% for the Brent.** The outlook is improving for crude oil prices on i) a decrease in US stocks, ii) a rebound in fuel demand and iii) hope of rate cuts from the US Fed. In parallel, the risk premium related to geopolitical tensions came in the forefront, with tensions in between Israel and the Lebanese Hezbollah
- **The euphoria seen on Natural gas calmed down in June.** Substantial storage surplus dampened price support while production levels remain globally robust
- **Global commodities suffered over June, except the energy sector.** Agricultural prices suffered the most, with wheat dropping by 18.4% in June and corn by 11% on improving crop outlook in the northern hemisphere. A difficult month for industrial metals due to continuing worries over China demand. Nickel fell by 12.45%, Steel by 11.43% and Copper by 4.60%

TOTAL RETURN (% - Local Currency)

	YtD	Jan	Feb	March	April	May	June
EUR/USD	-2,71	-2,06	-0,12	-0,14	-1,15	1,71	-0,94
GBP/USD	-0,56	-0,31	-0,50	-0,02	-1,04	2,00	-0,67
EUR/CHF	3,69	0,16	2,56	1,81	0,78	-0,18	-1,45
USD/JPY	14,13	4,28	2,08	0,91	4,26	-0,31	2,22
USD/CHF	6,84	2,46	2,68	1,91	2,00	-1,86	-0,45
DXY	3,59	1,05	0,85	0,32	1,66	-1,46	1,14

TOTAL RETURN (% - Local Currency)

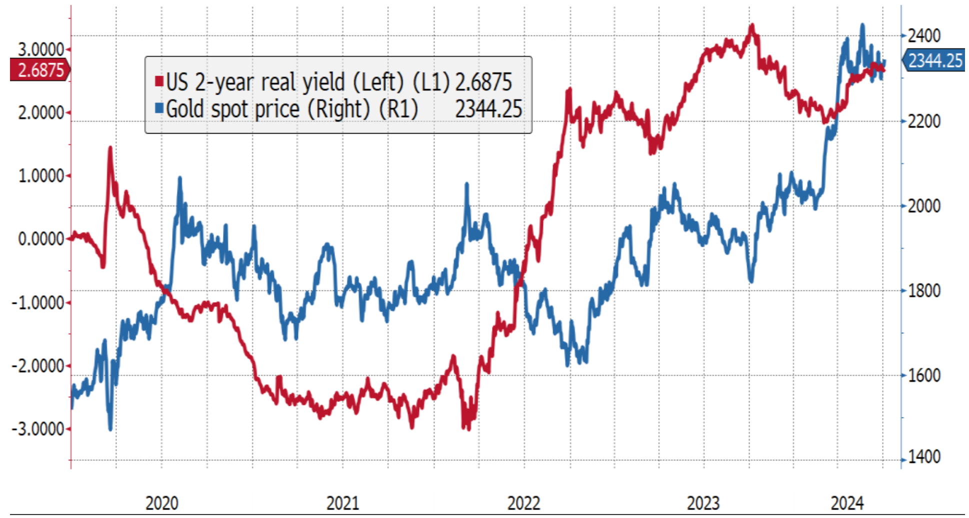
	YtD	Jan	Feb	March	April	May	June
Commodities	3,00	-0,09	-1,89	2,89	1,77	2,33	-1,94
Ind. metals	7,59	-2,37	-0,98	1,34	12,95	3,14	-5,73
Precious metals	12,90	-1,76	-0,98	8,12	2,78	5,74	-1,23
Agriculture	-7,76	-1,51	-4,76	2,09	-1,25	4,08	-6,29
Energy	4,52	2,29	-0,84	2,01	-1,19	-1,37	3,65
WTI	15,11	7,77	3,18	6,27	-2,13	-6,03	5,91
Brent	13,94	7,67	2,34	4,62	0,50	-7,10	5,87
Natural Gas	-2,80	-18,22	-11,43	-5,22	8,38	29,93	0,54
EU gas 1Mth Fwd	17,16	-0,91	-15,38	8,50	10,61	18,32	-1,59
Gold	11,92	-0,94	0,23	9,08	1,55	1,80	-0,02

EM FX return has long been supported by carry

Source: Bloomberg

Gold found some resistance

Source: Bloomberg



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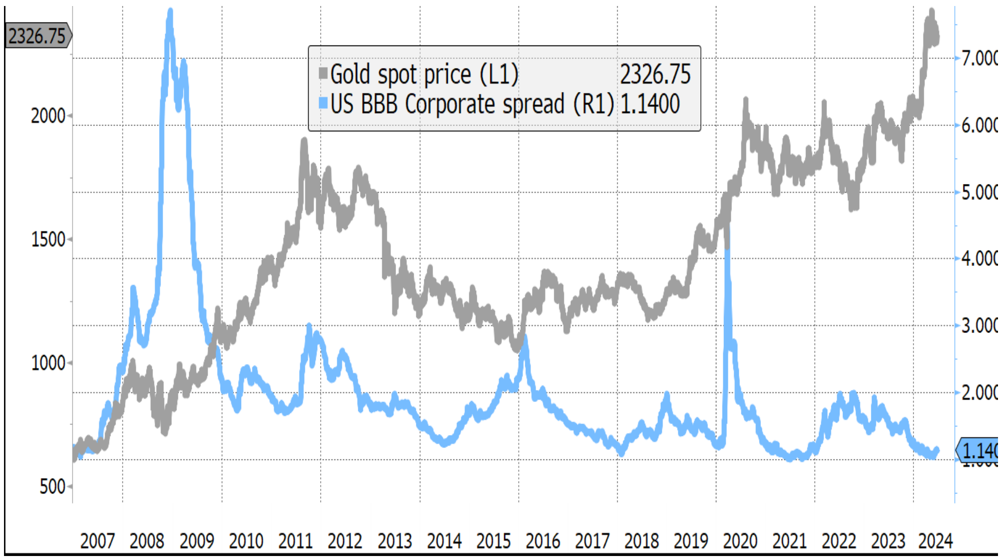

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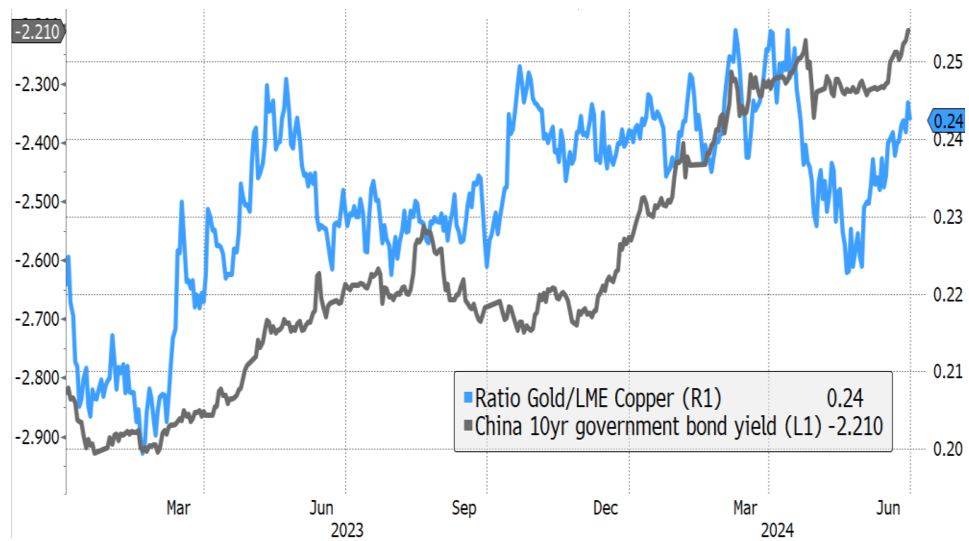

Source: Bloomberg

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