Monthly Market Brief

July 2024

Our View – Asset Allocation

- ❑ **Current international relations are still strained**, both in terms of trade and geopolitics (Middle East, Ukraine) and will continue to weigh on sentiment in the short term. US elections are fraught with uncertainty, as are the French next government
- ❑ **On the macro front,** decelerating inflation and lower consumer spending growth are paving the way for further rate cuts in most larger western countries
- ❑ **Stock markets volatility increased in July but** remains low in spread products

▶ **Major conviction: we remain confident in our two major convictions**

1/ Continuing reassuring inflation figures and major central bank rate cuts,
2/ Global economy is normalizing and companies are delivering earnings and managing their balance sheet. A soft landing remains our scenario

▶ **Positioning: ahead of the summer lull and US elections, selectivity should prevail but volatility will offer opportunities**

✓ With rate cuts on the agenda and growth slowing, **the situation is very favorable for credit market carry strategies. Sovereign bonds are by far less attractive**:

i/ Political and economic uncertainties lead us to keep a quality bias, favoring Investment Grade over High Yield bonds, which are not offering compelling entry points
ii/ Favor Investment Grade in the US, despite the tightness of credit spreads (6/7Y bracket), as a good alternative to Cash
iii/ Favor Capital structure - BBB/BB in Europe (front part of the curve)
iv/ Pocket of value in selected local emerging currencies

✓ US elections could induce uncertainties short-term and volatility. Nevertheless, **within equities, performance would likely be more balanced in H2 compared to H1 in a context of rate cuts supporting a larger number of sectors**. We estimate that

i/ Rotation in US stocks would favor Small caps and Value stocks when looking at valuation, and

ii) European stocks are attractively valued (low valuation) and compensate political risk. Switzerland remains a defensive market

✓ The closer we get to lower interest rates, the more we'll have to **diversify into the Emerging Markets**, which are attractively valued and are benefitting from better economic outlook than most of the developed countries

✓ **Keep exposure on Gold**

	SAA	Last TAA	Final TAA	Underweight		Neutral		Overweight
Overall Positioning								
Cash & Equivalents	5.00%	4.00%	4.00%			●		
Fixed Income	37.00%	37.50%	37.50%			●		
Equities	45.00%	45.00%	45.00%			●		
Alternatives	13.00%	13.50%	13.50%			●		
Fixed Income	**37.00%**	**37.50%**	**37.50%**					
Government	7.50%	6.00%	6.00%	●				
Corporate IG	20.00%	23.00%	23.00%					●
Corporate HY	5.50%	4.80%	4.80%		●			
Emerging Markets HC	4.00%	3.75%	3.75%			●		
Equities	**45.00%**	**45.00%**	**45.00%**					
United States	27.00%	27.30%	27.30%		●			
Europe ex CH	6.75%	6.20%	6.20%		●			
Switzerland	4.00%	5.00%	5.00%			●		
Japan	2.25%	1.30%	1.30%		●			
Other Developed Markets	0.00%	0.00%	0.00%				●	
Emerging Markets	5.00%	5.20%	5.20%			●		
Alternatives	**13.00%**	**13.50%**	**13.50%**					
Real Estate	2.00%	1.50%	1.50%		●			
Gold	3.00%	3.00%	3.00%			●		
Hedge Funds	8.00%	9.00%	9.00%				●	

MACRO PICTURE

- **Central Banks –** The European Central Bank left its rate unchanged but was open to a possibility of another move down in September. During the press conference, Ms. Lagarde played down recent high data for services and wages inflation. She underlined tepid lending and growth momentum. The US Federal Reserve held its policy rate steady at 5.25%-5.50% range while signaling the potential for a rate cut in September. It made no change to its quantitative tightening program. It said greater progress has been made in reducing inflation to its 2% target. Fed officials seemed now wary of any risks surrounding the labor market. Chinese central bank cut key interest rates for the first time in one year to boost the economy after disappointing data and no short-term stimulus measures announced during the Communist Party meeting. The Bank of Japan raised interest rates to around 0.25%, the second rate hike this year, and announced a plan to reduce its monthly bond-buying

- **Political & Geopolitical risk –** International relations are still strained, both in terms of trade and geopolitics (Middle East, Ukraine). In the US, political uncertainty came on the forefront with the assassination attempt on candidate Trump and the withdrawal of the current US president Biden from the 2024 presidential race, and the endorsement of Kamala Harris

- **Global economy** – Global growth is losing some momentum. According to IMF growth projections, global economy is poised for a soft landing. Global disinflation is ongoing. Nevertheless, container freight rate increase could me a matter of concern

- **Switzerland –** Inflation fell to 1.3% in June, driven by a decline in core inflation. As rate get closer to the estimate of the natural rate, the SNB seems to be near the end of its easing cycle

- **China** – GDP slowed more than expected in Q2 at 4.7%. Domestic demand has been continuing to weaken as evidence by the weakness of retail sales and industrial production along with the deceleration in investment. While foreign demand is still supporting the Chinese economy, the trade war could weigh. Disinflationary pressures have been continuing

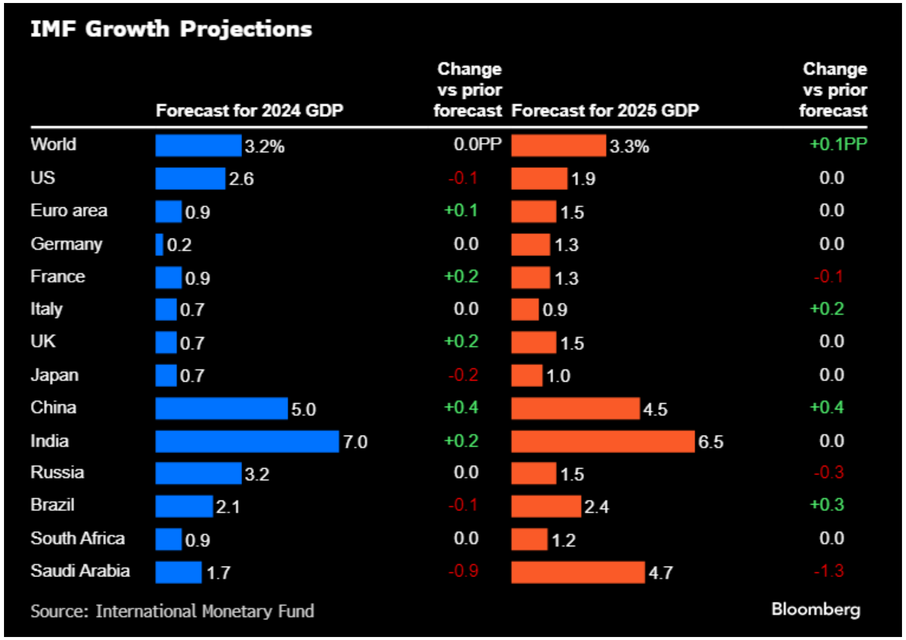
- **United States –** Although US data stayed mixed over the month, the US economy accelerated in Q2 (2.8%) according to the first estimate of the GDP growth for Q2. Inflation came lower than expected for a second month in a row and the labor market is normalizing.

- **Eurozone –** Growth momentum and inflation have been continuing to decelerate. Germany is suffering, largely due to its dependency on China. In France, the second round of the election saw the surprising success of the left alliance, which won a relative majority. The French President postponed a decision on appointing a new prime minister until after the Olympic Games, despite the left alliance finally choosing a candidate

MACRO PICTURE – GLOBAL

BANQUE CRAMER

IMF Projections (July 16, 2024)

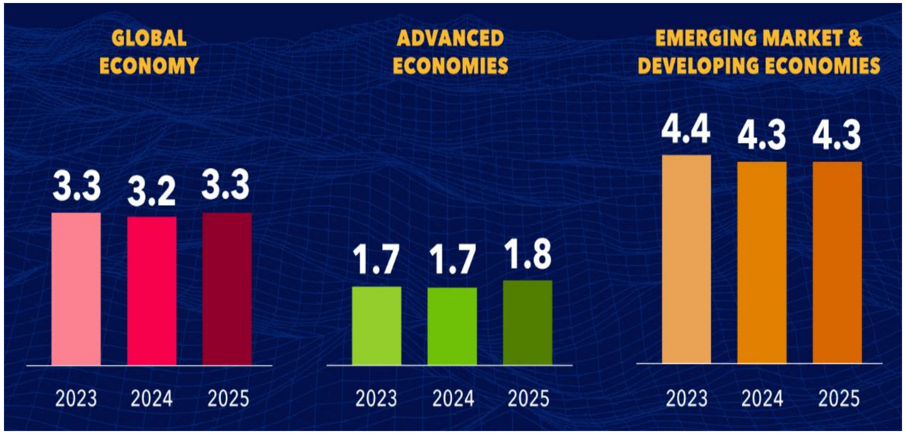


IMF Growth Projections

	Forecast for 2024 GDP	Change vs prior forecast	Forecast for 2025 GDP	Change vs prior forecast
World	3.2%	0.0PP	3.3%	+0.1PP
US	2.6	-0.1	1.9	0.0
Euro area	0.9	+0.1	1.5	0.0
Germany	0.2	0.0	1.3	0.0
France	0.9	+0.2	1.3	-0.1
Italy	0.7	0.0	0.9	+0.2
UK	0.7	+0.2	1.5	0.0
Japan	0.7	-0.2	1.0	0.0
China	5.0	+0.4	4.5	+0.4
India	7.0	+0.2	6.5	0.0
Russia	3.2	0.0	1.5	-0.3
Brazil	2.1	-0.1	2.4	+0.3
South Africa	0.9	0.0	1.2	0.0
Saudi Arabia	1.7	-0.9	4.7	-1.3

Source: International Monetary Fund

Bloomberg



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	1.4
UK	2.7	1.4	1.7	-10.4	9.6	4.5	0.1	0.8	1.3	1.5
JP	1.7	0.7	-0.4	-4.2	2.7	1.0	1.9	0.2	1.2	0.8
CH	1.4	2.9	1.2	-2.3	5.5	2.7	0.8	1.3	1.5	1.5
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	2.3	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	1.3	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	4.2	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	4.6
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	2.2

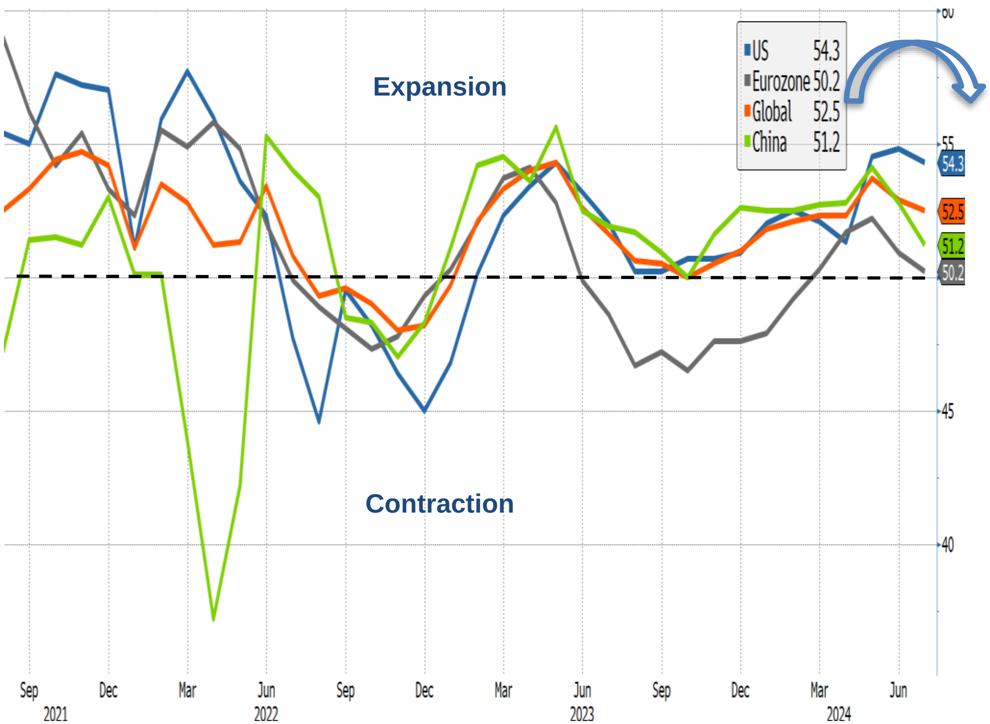
Our View:

*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

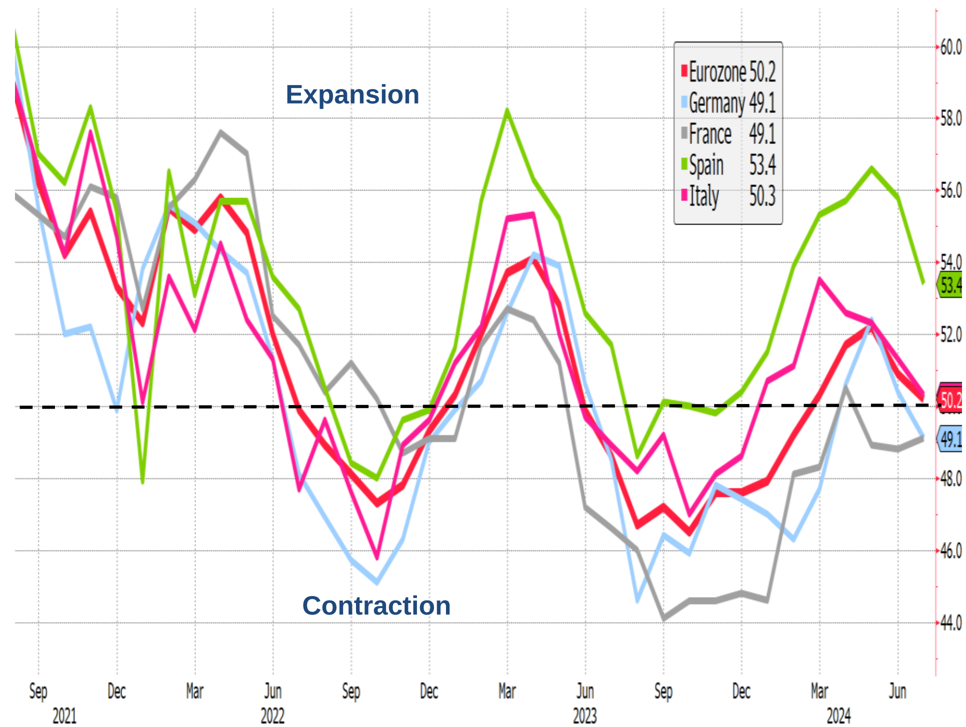
MACRO PICTURE – GLOBAL

Global PMI



Source: Bloomberg

Eurozone PMI

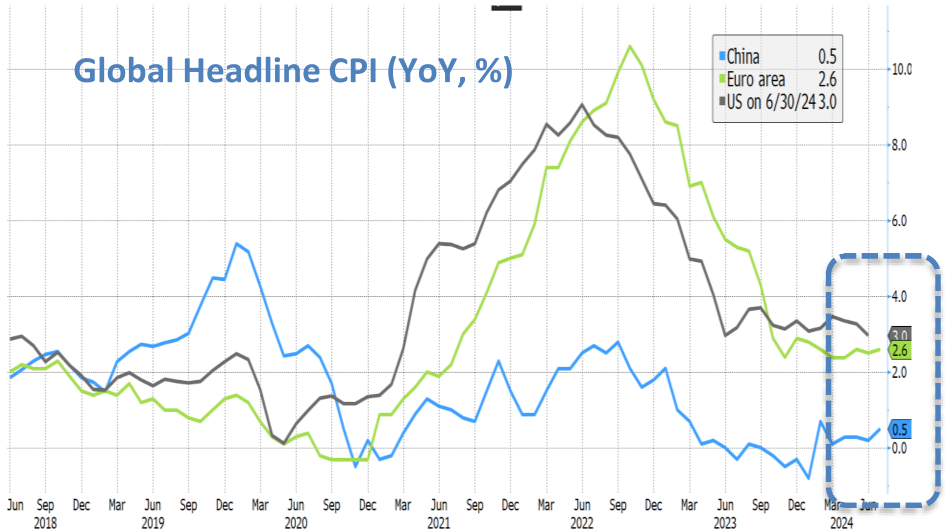


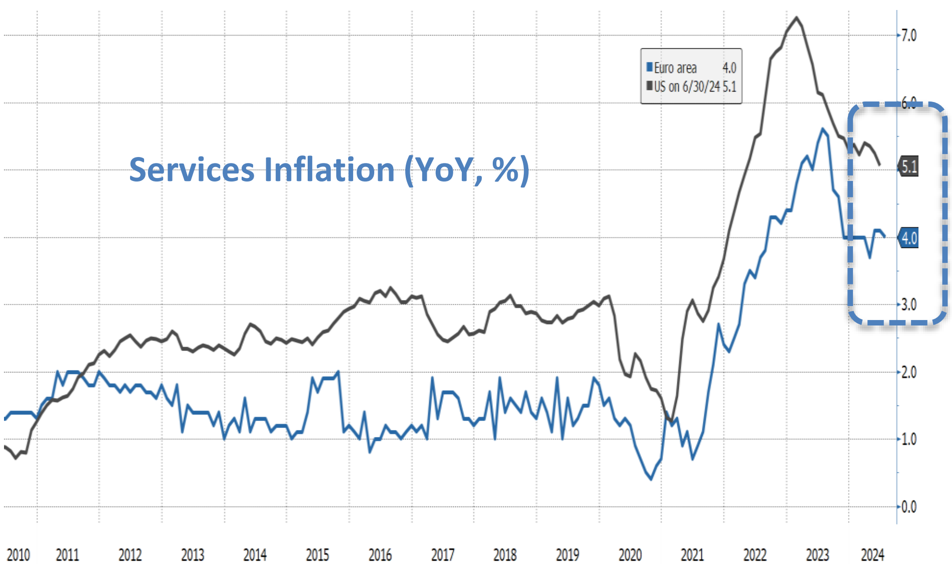
Source: Bloomberg

Global growth remains in expansion area while slowing

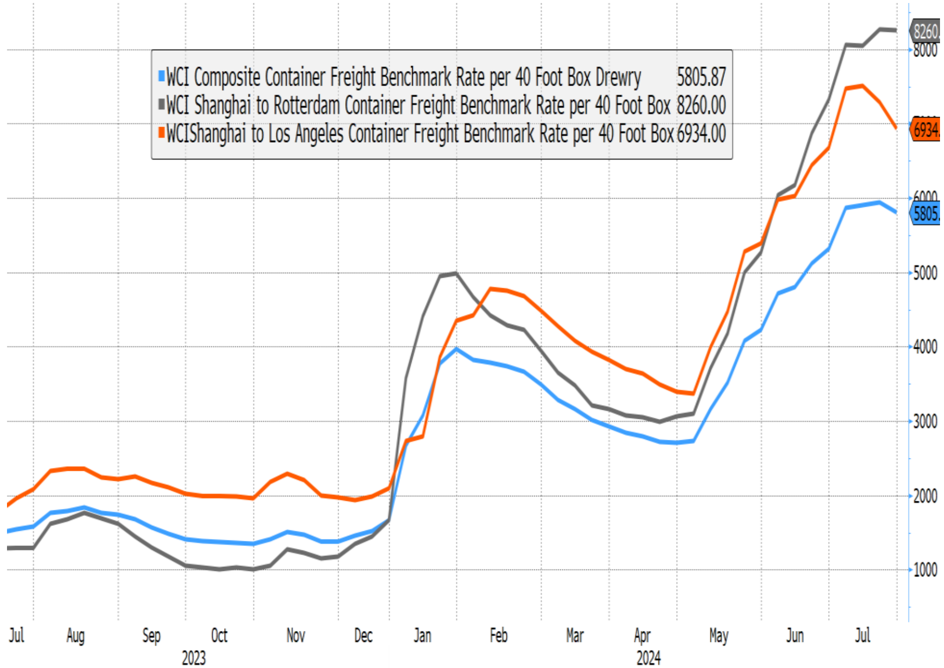
Eurozone manufacturing and services PMIs fell in July. Manufacturing sector remains in contraction (45.8). Services stands at 51.9. Overall demand for the region fell for a second month.

MACRO PICTURE – GLOBAL





Source: Bloomberg



Source: Bloomberg

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

Container freight tensions have to be followed closely

MACRO PICTURE – US ACTIVITY

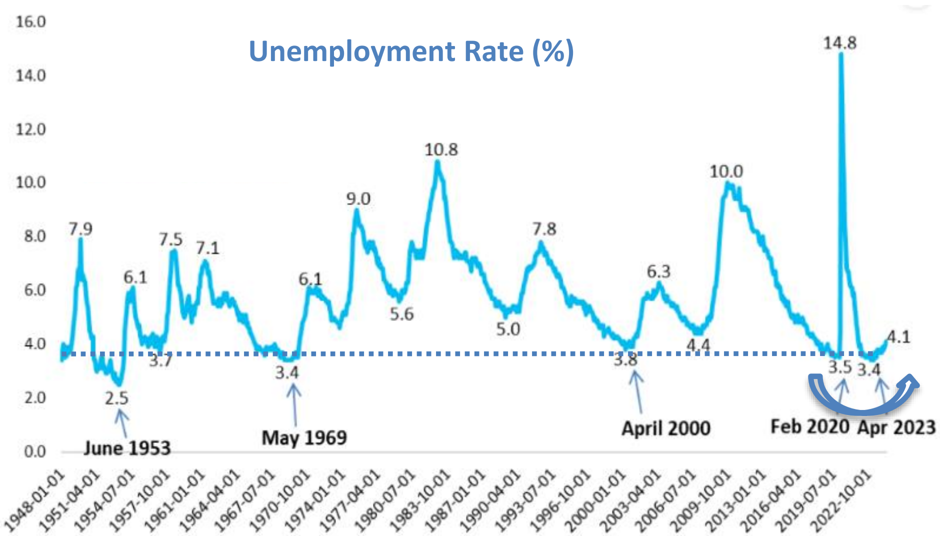
1. While showing resiliency, the labor market is cooling

Monthly job creation (Monthly, K)

US Non-Farm Payroll (YoY % Change)

Source: C. Billelo

Unemployment Rate (%)



Source: C. Billelo

Average Hourly Earnings (YoY % Change)

Source: C. Billelo

MACRO PICTURE – US ACTIVITY

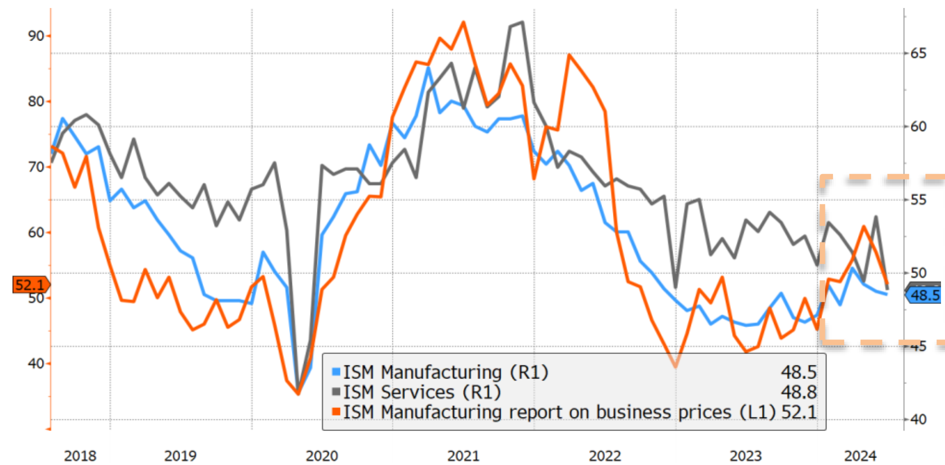
BANQUE CRAMER

2. The US consumer appears still resilient…but real retail sales plunged!

Non - seasonally- adjusted Real Retail sales (% - YoY)

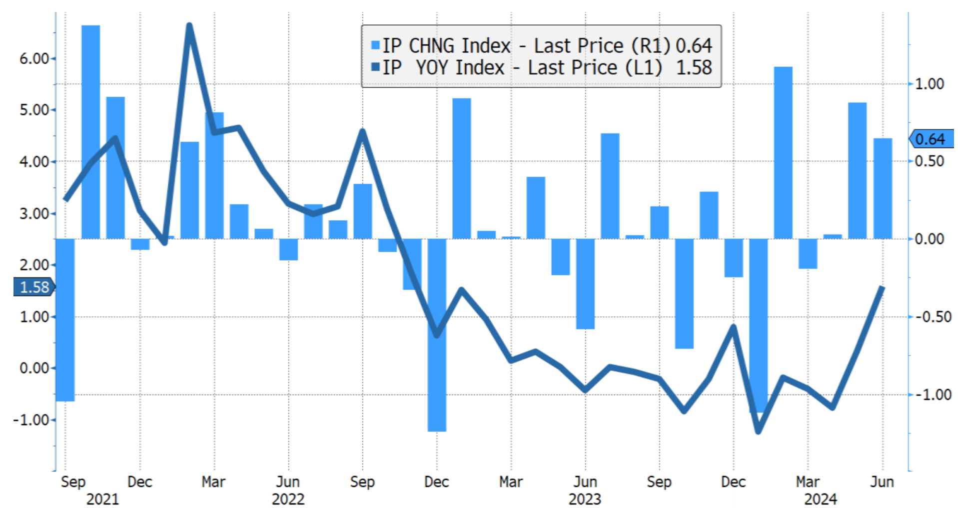
Source: Bloomberg

ISM, Monthly change



Source: Bloomberg

Industrial Production, Monthly change (%)



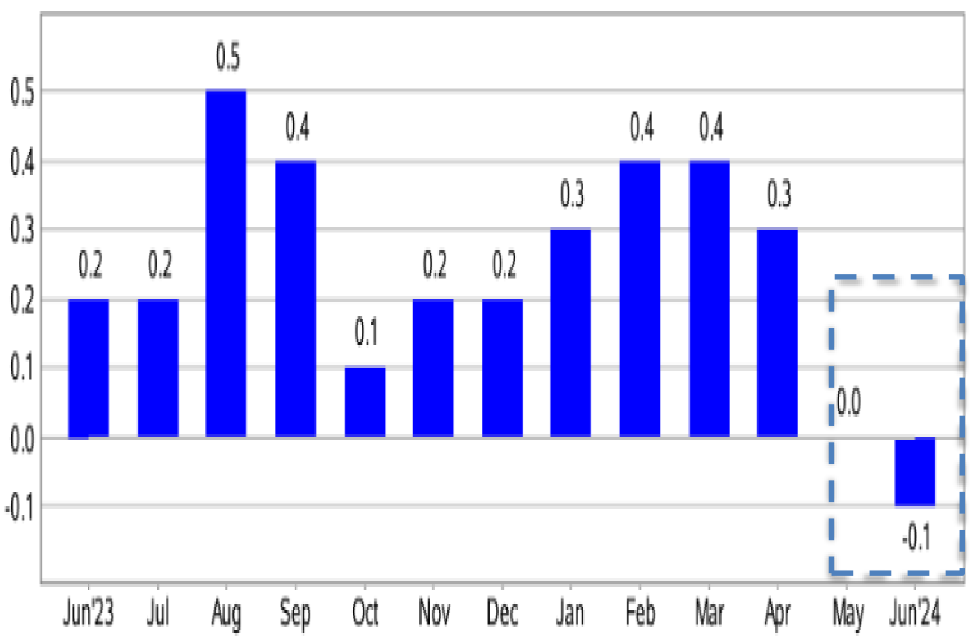
Source: Bloomberg

Although US data stayed mixed over the month, the US economy accelerated in Q2 (2.8%) according to the first estimate of the GDP growth for Q2

MACRO PICTURE – US INFLATION

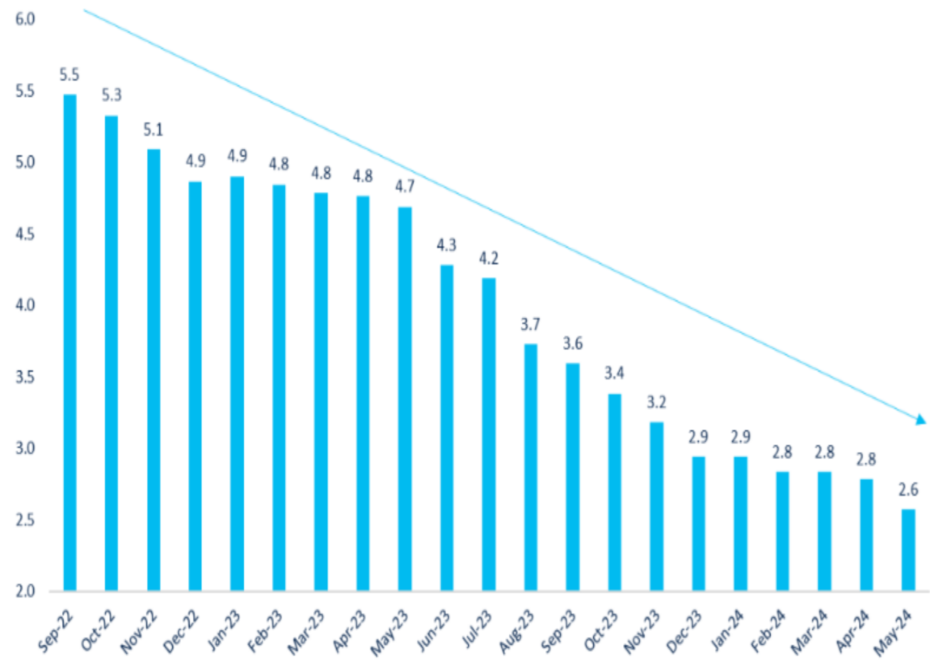
1. The disinflationary trend is still progressing

US Headline CPI (MoM - %)



Source: Bloomberg

US Core PCE (%)

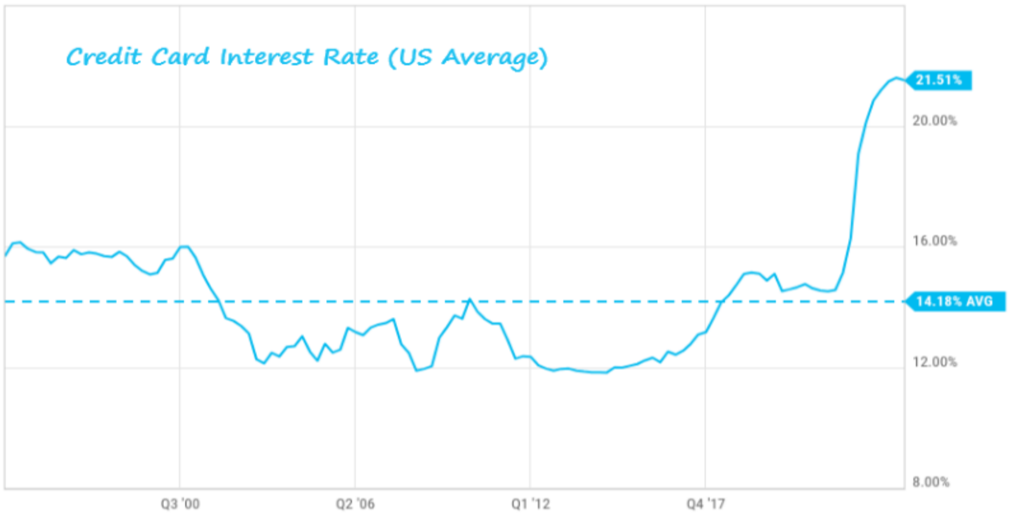


Source: Bloomberg

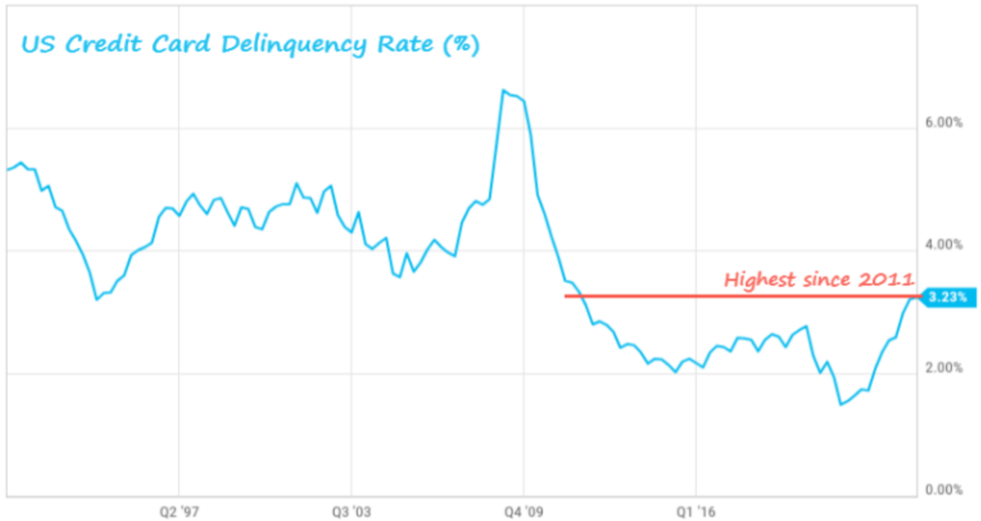
Largest drop since May 2020 (-1.1% annualized)

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

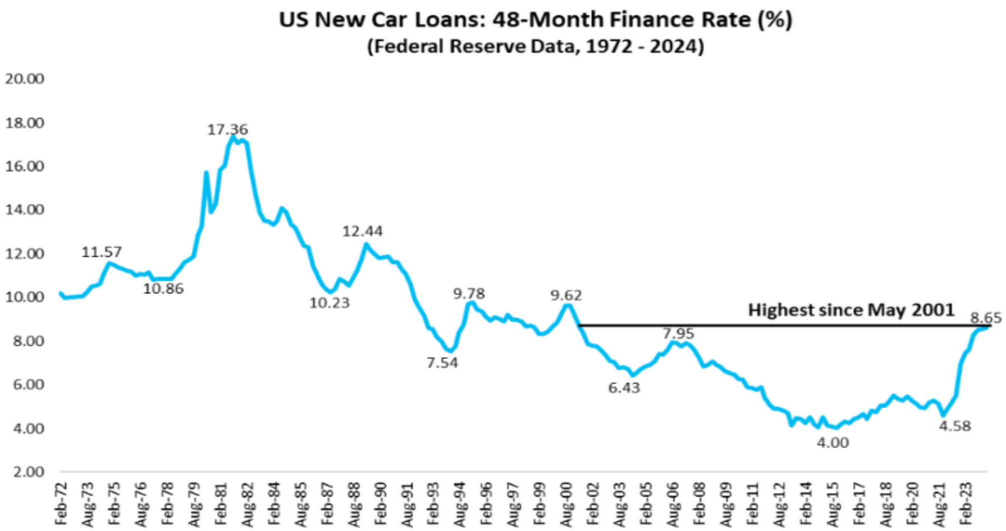
MACRO PICTURE – Other areas of weakness



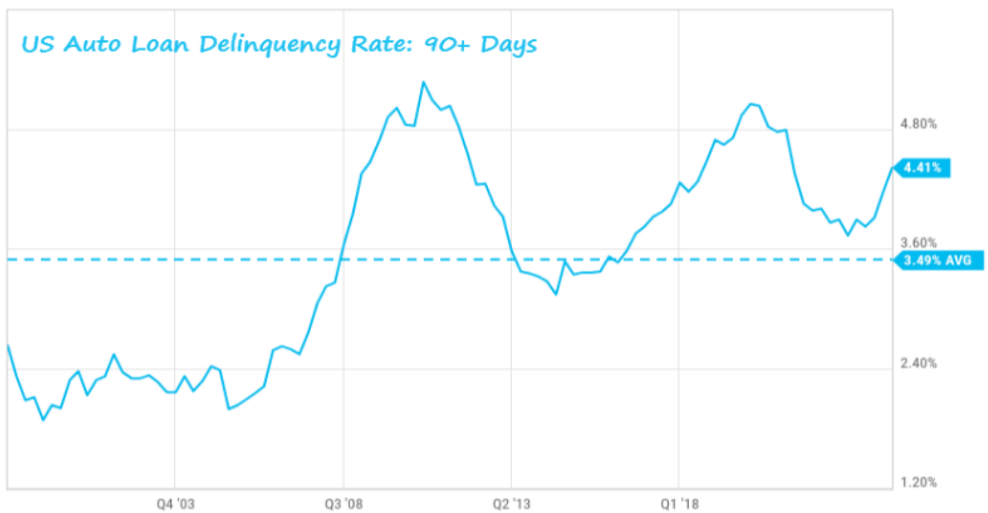
Source: C. Billelo



Source: C. Billelo



Source: C. Billelo

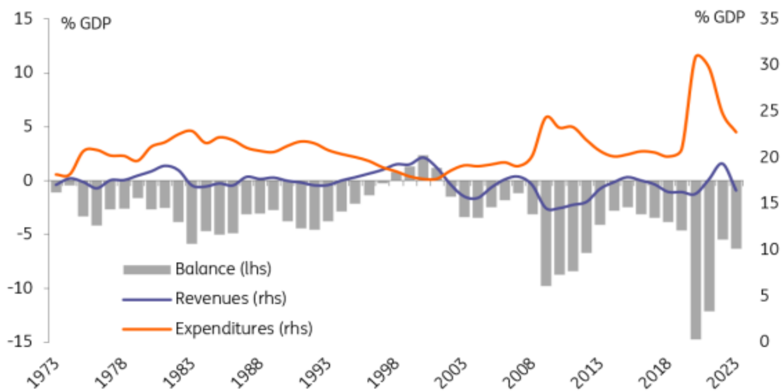


Source: C. Billelo

US – Fiscal sustainability is being questioned (ING Research)

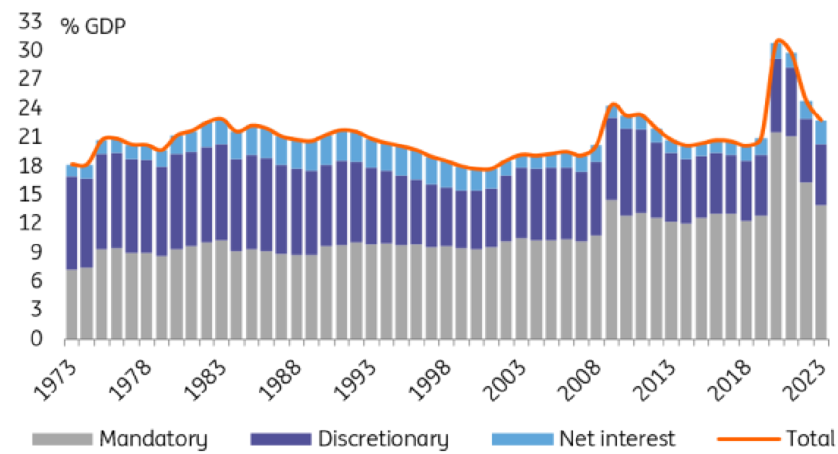
- The **legacy of huge fiscal transfers from the public sector to the private sector during the pandemic** under presidencies of both Trump and Biden has been the **major factor responsible for the deterioration in government finances**

Government revenue, expenditure & budget balance (% of GDP)



Source: Congressional Budget Office, ING

Components of government spending (% of GDP)



Source: Congressional Budget Office, ING

- **Fiscal sustainability is being questioned!!!**

- **Democrats: More taxes and more spending**

- In March 2024 : a **plan to reduce the deficit by a cumulative $3tr over the next 10 years** by "making the wealthy and big corporations pay their fair share and cutting wasteful spending on big pharma, big oil and special interests."
- **End of the Trump's 2017 Tax Cuts and Jobs Act (TCJA) income tax cuts, scheduled for 31 December 2025**, plus implementing tax increases for businesses, high earners and the super-rich – partially offset by more tax credits for some taxpayers.

- **Republicans: More Growth**

- The focus will be on a **"second phase" of tax cuts in addition to an extension of the 2017 TCJA**
- To support US domestic manufacturing and curb foreign competition: **sizeable tax cuts for corporates** paid for by spending cuts/efficiency savings and **tariffs placed on imported goods** (imposition of 10% tariffs on all goods imports with 60% levies on Chinese-made products together with a four-year plan for phasing out Chinese imports of electronics, steel and pharmaceuticals.)
- **"De-regulation"** aimed at promoting growth in relation to environmental, anti-trust and energy.
- **Significant controls on net immigration** involving more enforcement officers

While Trump policy could help to support domestic demand via the stimulus of tax cuts, there are more risks to see an upward trend for inflation relative to Biden's proposals

- **Tariffs and trade barriers will put up business costs**, at least initially,
- **Immigration controls may limit labor supply growth**, posing additional challenges for companies

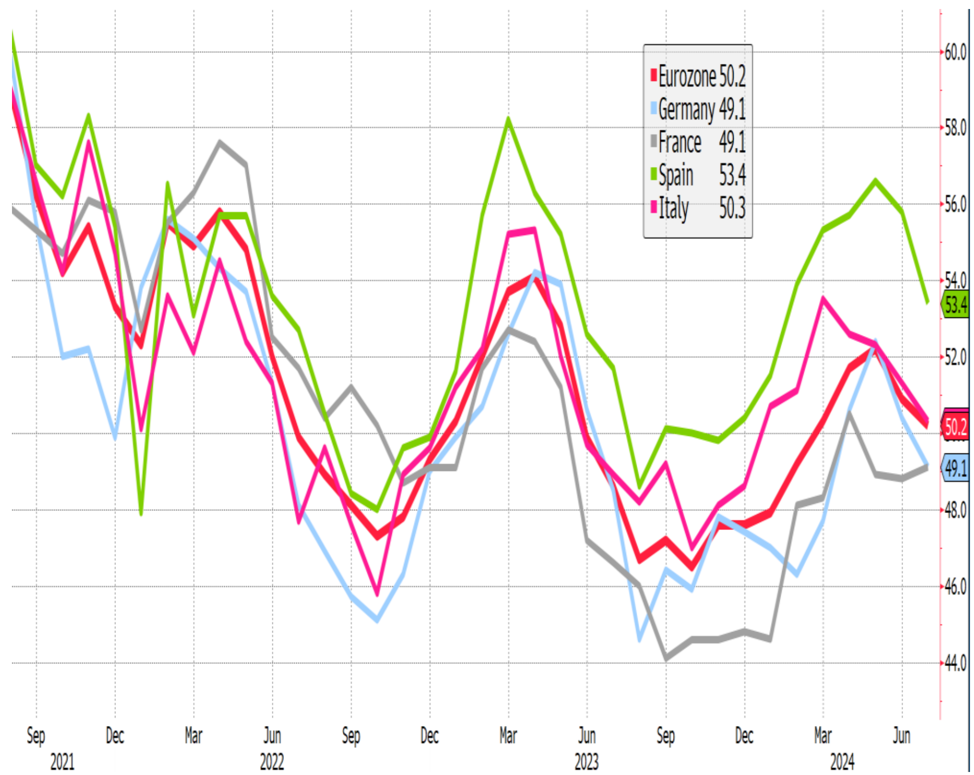
→ This context of **stronger growth and a higher inflation environment is likely to mean monetary policy needs to be kept tighter** than would otherwise be the case under Biden.

1. Growth momentum continues to weaken

Retail Sales (%)

Source: Bloomberg

Eurozone Flash PMI

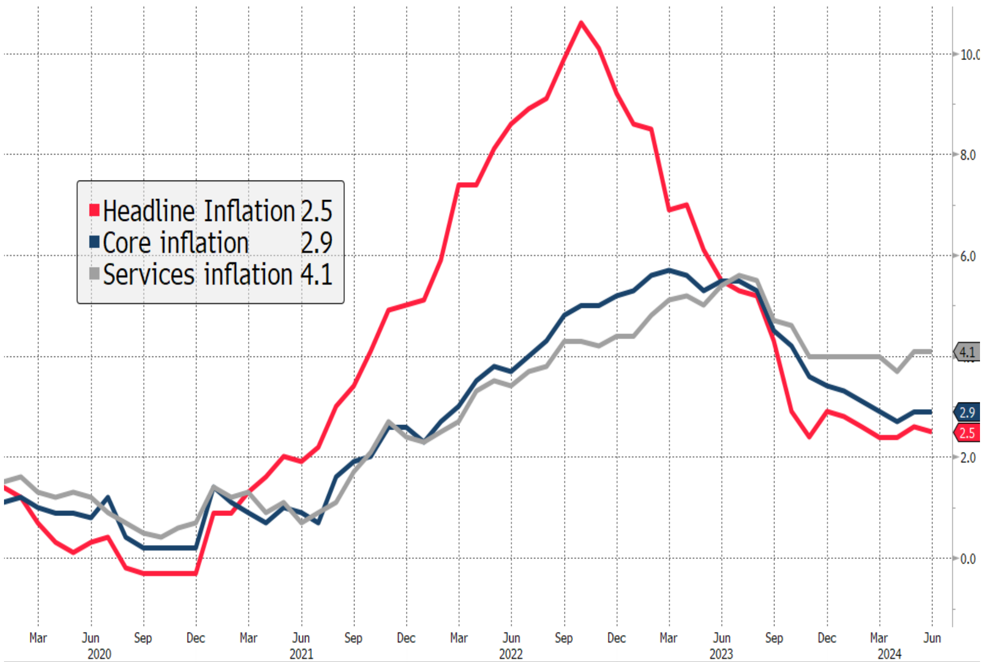


Source: Bloomberg

MACRO PICTURE – EUROZONE INFLATION

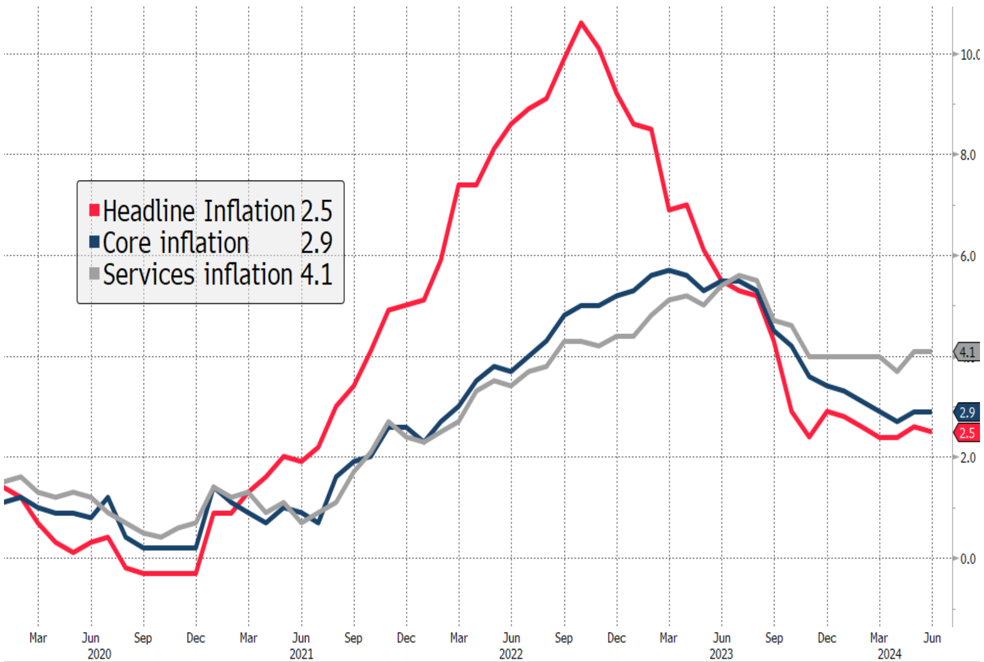
2. Cooling trend in inflation

CPI (%)



Source: Bloomberg

PPI (%)

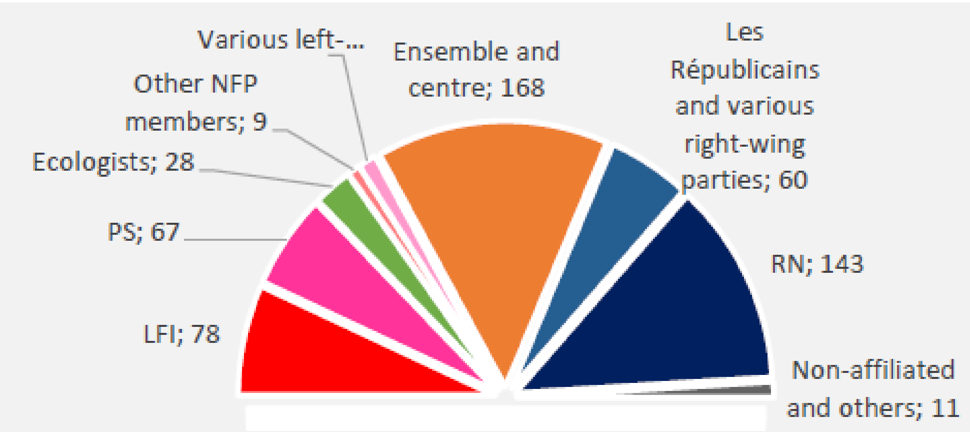


Source: Bloomberg

FRANCE – WHAT ABOUT THE 2nd ROUND?

❑ A three-way split

- The second round of parliamentary elections produced **no clear majority in the National Assembly**



- **France is now ungovernable** with no mandate on either side

❑ Can Macron appoint anyone as prime minister?

- The second round of parliamentary elections produced **no clear majority in the National Assembly**
- Only the French president has the power to appoint a prime minister (Article 8 of the Constitution). He has **no legal obligation to choose someone from the largest group in the "Assemblée Nationale"**, and there is no legal deadline
- On July 16, President Macron accepted the resignation of Prime Minister G. Attal's government. On July 19, the president **Macron-supported candidate has been reelected at the National Assembly**
- The **next big test will come at the end of September**, when the National Assembly votes on the country's budget, which must include spending cuts
- A **caretaker government in charge of day-to-day business has limited powers** compared with a full-fledged government

❑ What are the main risks?

- The **budget's vote** present a significant risk to the Eurozone
- **France's public finances have been under scrutiny long before the elections were announced**: €154bn or 5.5% of the GDP. In May 2024, S&P lowered France's long-term sovereign credit ratings one notch to AA-, citing a deterioration of budgetary position. Moody's and Fitch have also expressed concern that the political uncertainty arising from the elections could **negatively impact France's creditworthiness**

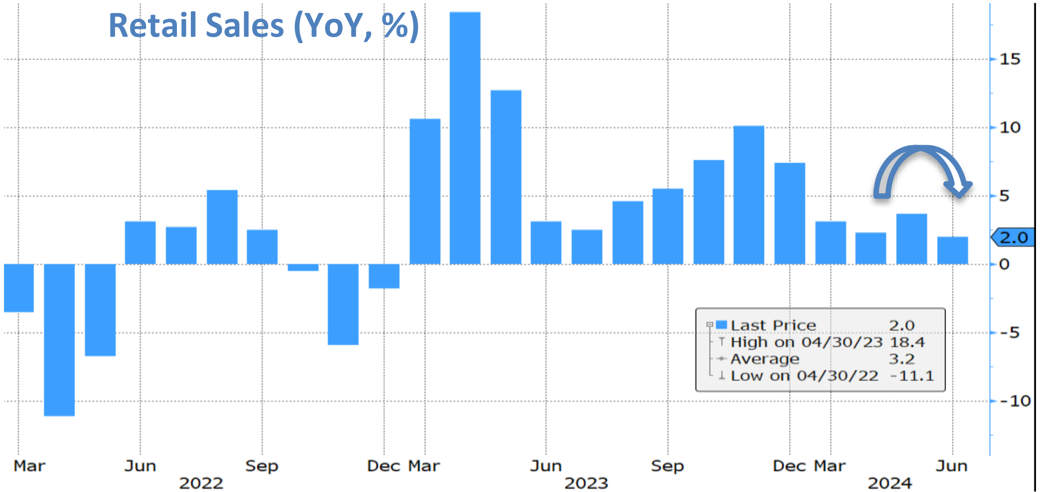
❑ Could the fears spread beyond France?

- France is the second-largest economy in the Eurozone and there is a **potential for a broader instability**.
- According to Schroders, "A less austere French government could undermine the EU's Excessive Deficit Procedure, empowering other governments to also fall foul of the bloc's fiscal rules. This raises the likelihood of higher volatility in markets, and taken to the extreme, a new sovereign debt crisis. The European Commission (EC) will have to stand strong together with the European Central Bank (ECB) to guard against such an outcome." There is a **risk of populist intervention by a new government in savings and mortgage interest rates**
- If France fails to deliver a functional government with fiscal discipline, a **flight to quality will occur with investors selling French bonds and the single currency, pushing rates higher**. If France's problems spread across the continent, **other debt-laden economies could be severely impacted**, especially Italy
- French Bank could continue to suffer from increased funding costs based on wider French credit spreads. **For most French companies, the risks appear minimal but market sentiment can induce volatility**
- **Emerging markets could also be affected** by the developments in Europe in a context of flight to safety and US Dollar buying
- **Gold would shine**

MACRO PICTURE – CHINA

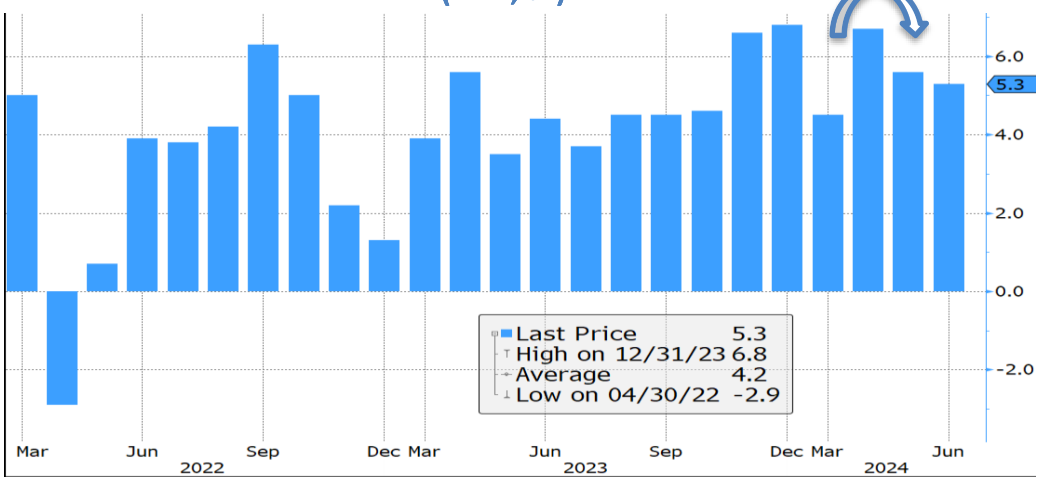
1. Growth remains weak

Retail Sales (YoY, %)



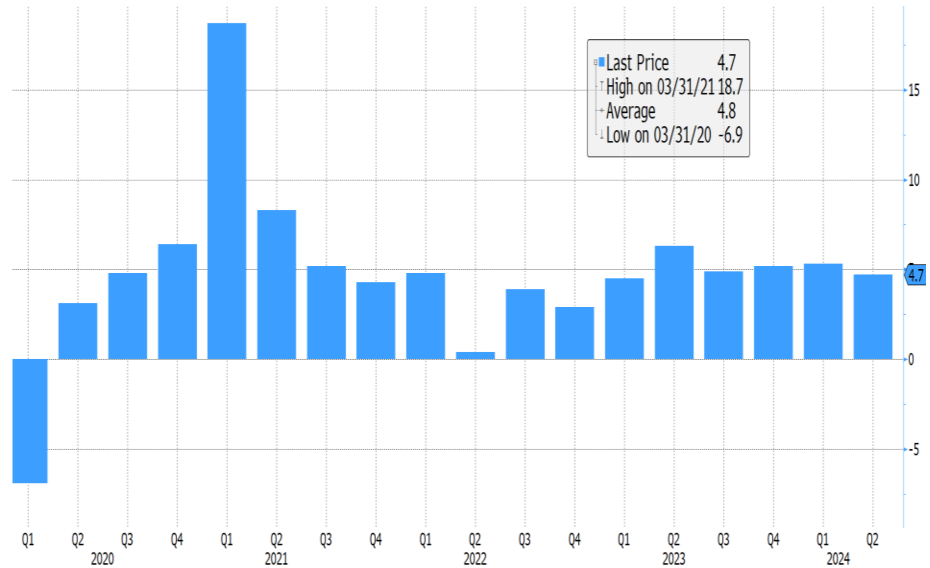
Source: Bloomberg

Industrial Production (YoY, %)



Source: Bloomberg

GDP (YoY, %)



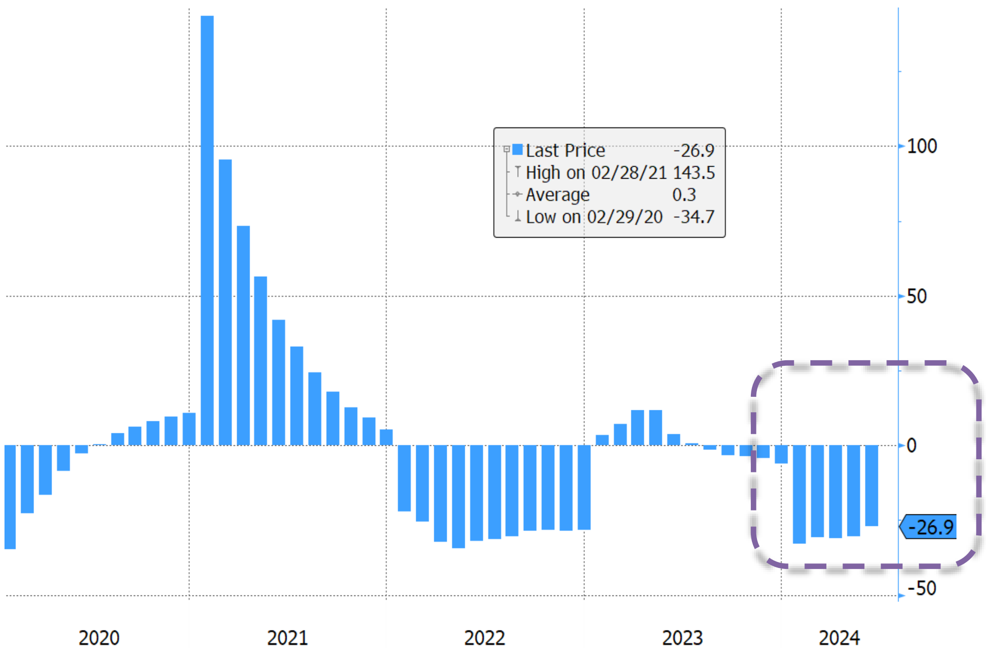
Source: Bloomberg

The Chinese GDP slowed more than expected at +4.7% YoY (+5.1% expected and +5.3% in Q1) in a context of weak domestic demand

MACRO PICTURE – CHINA

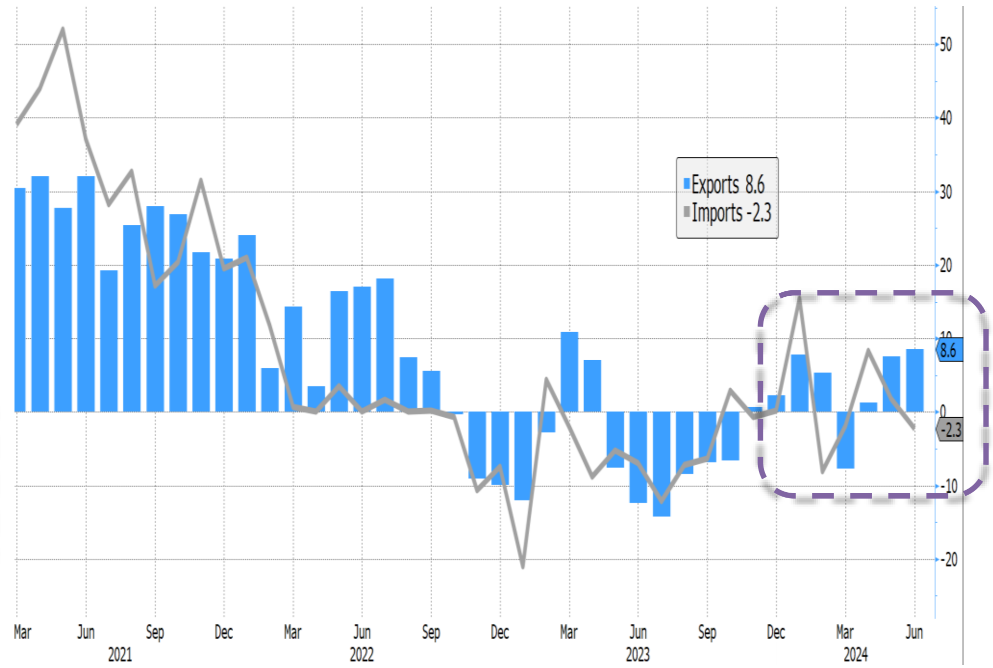
2. Property market and consumer are a drag for the economy

Residential property sales (%)



Property market remains a big drag on the economy

Imports & Exports (%)



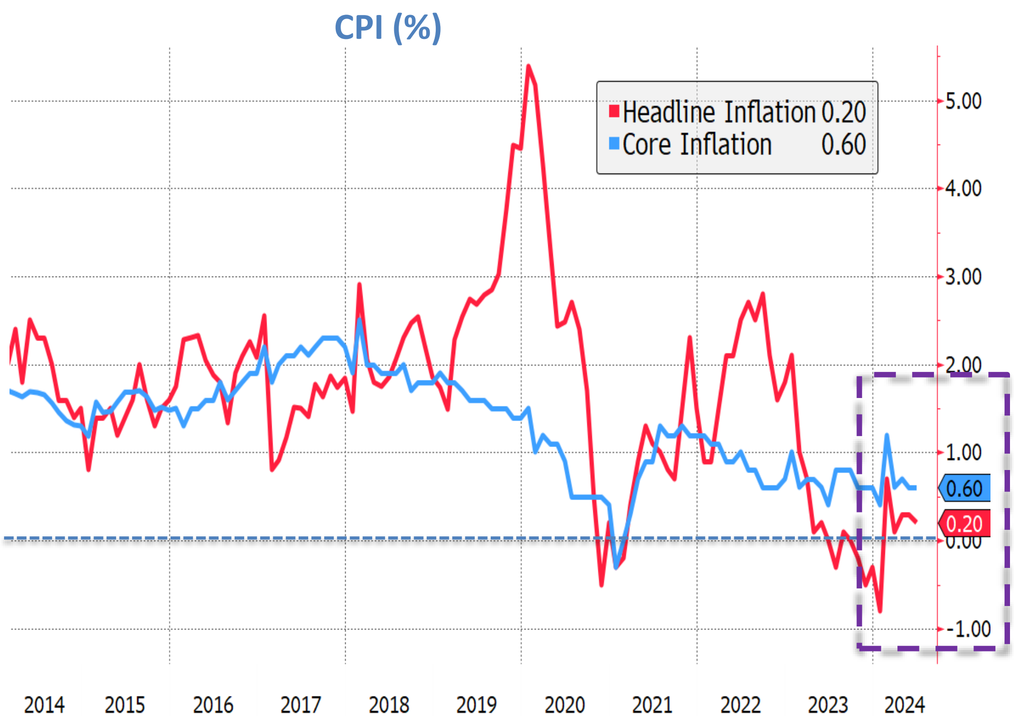
Exports and new-energy related capex are the main drivers

Source: Investing.com

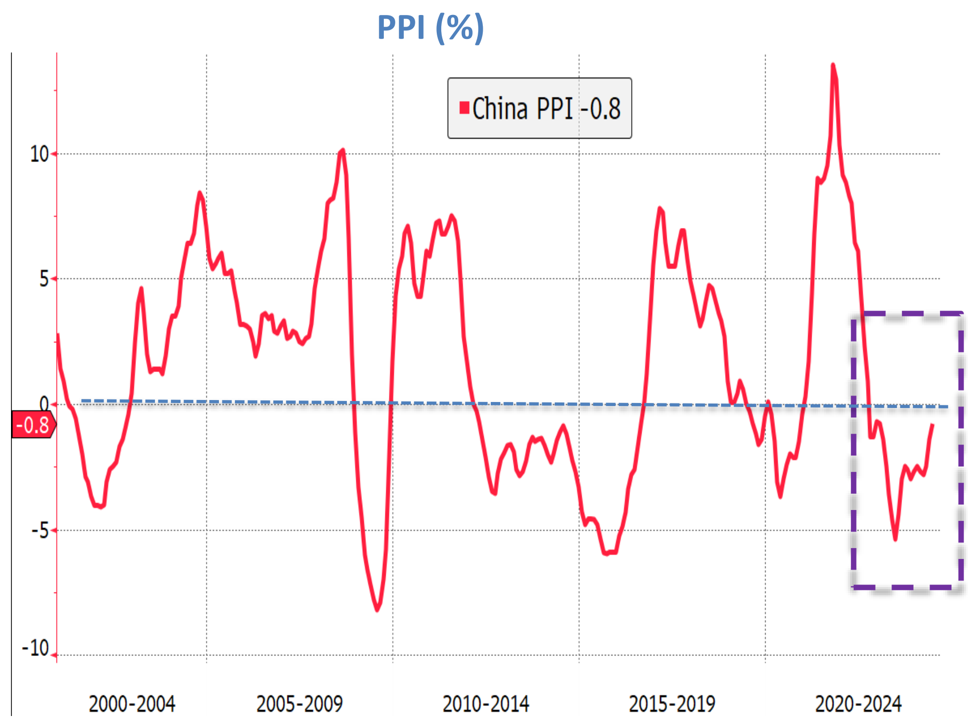
Source: Bloomberg

MACRO PICTURE – CHINA

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



Source: Bloomberg



Source: Bloomberg

A modest 0.2% YoY in June (estimation: +0.4%), meaning that China's overall inflation has been flat
CPI have held above zero for a fifth month

The gauge of manufacturing sector inflation fell by only 0.8% in June

FIXED INCOME

- **Core sovereign bonds** – In a context of confirmation of a disinflationary trend in both Europe and the US, developed sovereign bond yields fell across the curve due to expectations of rate cuts to come in September from most major developed central banks. The spread in between the US 10-year and the US 2-year tenors increased by 14bps. Therefore, according to the ICE indices, all core sovereign bond indices delivered a positive return in July (EU: +2.26%, US: +2.23%, Swiss: +2.76%). The US 10-year yield drifted down by 37bps to 4.03%. In Europe, the German 10-year yield fell by 20bps to 2.30% and the Swiss 10-year benchmark by 15bps to 0.45%. The spread in between France and Germany on the 10-year maturities remained quite stable around 71bps versus 50bps at the end of May, reflecting political risk in France. The Bloomberg Global Aggregate index, defined as the benchmark for developed country investment grade bonds, hedged in US Dollar, rose by 1.9% in July, while the same index hedged in euros gained 1.8%

- **Developed Credit –** Credit spreads widened over July but a decrease in yields helped the ICE credit indices, both Investment Grade and High Yield, to post positive performances in July. Quality investments outperformed the high beta spectrum. The US High Yield index delivered +1.96% compared to +1.25% for its Euro peer. The ICE indices for the highest-rated companies came at +2.36% and +1.71% for the US and EUR respectively. Swiss corporates underperformed (+1.38%). In the US, the Investment Grade curve bull steepened beyond the 3-year maturity, with the 3-year bucket dropping by 37bps. In terms of rating, the A-rated bonds led the decline. The High Yield curve also bull steepened beyond the 5-year maturity with the greatest decrease in yield across the rating spectrum coming from BB-. In the Eurozone, the decrease in sovereign yields led to a parallel shift of the investment grade curve and rating categories experienced quite similar decline in yield, except for the BBB- rated 10-year bucket which underperformed. In High Yield, the BB rated 3-year bucket led the decline in yield as did the BB+ rated 10-year bracket

- **Emerging Debt –** Bloomberg Emerging debt indices enjoyed positive returns, both in hard (1.91%) and local currency (1.52%), underperforming Developed countries. Local Chinese government bonds have continued to post positive a performance (0.93%). On the corporates front, both high beta (1.80%) and high grade (1.69%) underperformed their US peers

TOTAL RETURN (% - Local Currency)

	YtD	Jan	Feb	March	April	May	June	July
EU Treasuries	0.26	-0.54	-1.17	1.04	-1.40	-0.15	0.27	2.26
US Treasuries	1.39	-0.18	-1.35	0.60	-2.36	1.49	1.03	2.23
USD CASH - 3mths Treasury	3.05	0.42	0.42	0.45	0.42	0.46	0.41	0.42
US TIPS	2.75	0.38	-1.06	0.71	-1.60	1.73	0.79	1.81
Swiss Govies	3.91	-2.47	0.72	1.54	-0.31	-1.72	3.48	2.76
CHF Corporates	2.98	-0.02	0.19	0.55	-0.02	-0.61	1.49	1.38
EUR Investment Grade	2.26	0.09	-0.89	1.21	-0.84	0.24	0.75	1.71
USD Investment Grade	2.40	0.15	-1.40	1.19	-2.33	1.85	0.64	2.36
EUR High Yield	4.41	0.83	0.35	0.44	-0.03	0.96	0.54	1.25
USD High Yield	4.63	0.02	0.30	1.19	-1.00	1.13	0.97	1.96
USD EM External Sovereign Debt	3.26	-1.39	0.52	1.96	-2.08	1.65	0.77	1.86
EM Local Debt	-1.45	-1.20	-0.03	-0.56	-2.26	1.28	-0.62	1.99
High Grade EM Corprates	3.08	-0.22	-0.29	0.93	-1.53	1.61	0.89	1.69
High Yield EM Corporates	7.98	1.06	0.98	1.65	-0.58	1.98	0.85	1.80
EUR Corporate Hybrids	4.96	1.12	-0.21	1.32	0.02	0.71	0.46	1.44
EUR Invetsment Grade Contingent Capital	6.56	1.38	0.08	2.27	-0.60	1.52	-0.43	2.22
Bloomberg Global Aggregate EUR (Unhedged)	1.43	0.14	-0.88	0.75	-1.54	-0.22	1.44	1.78
Bloomberg Global Aggregate USD (Hedged)	2.40	0.13	-0.69	0.90	-1.61	0.88	0.87	1.93
Bloomberg EM USD Sovereign (Unhedged)	4.53	-0.68	0.71	2.33	-1.96	1.70	0.50	1.91
Bloomberg EM Local currency Gov	1.67	-0.02	0.32	-0.25	-1.28	0.93	0.47	1.52
Local Chinese Government bonds	5.10	1.24	0.77	0.20	0.34	0.62	0.89	0.93

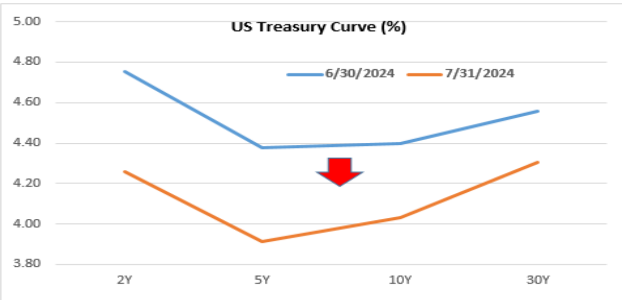
OAS Spread Change (Basis Point)

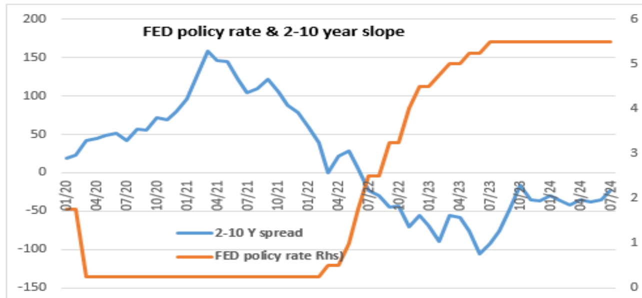
	YtD	Jan	Feb	March	April	May	June	July
EUR Investment Grade	-23	-6	-9	-9	-1	-8	11	-1
USD Investment Grade	-3	-2	-2	-7	-3	-3	8	6
EUR High Yield	-28	-11	-39	6	-8	-21	24	21
USD High Yield	-7	20	-30	-17	3	2	1	14
USD EM External Sovereign Debt	-7	15	-30	-15	-6	3	8	18

Following the recent rally, sovereign bond yields are unattractive; investment grade bonds still offer value but selectivity is key due to very tight spreads

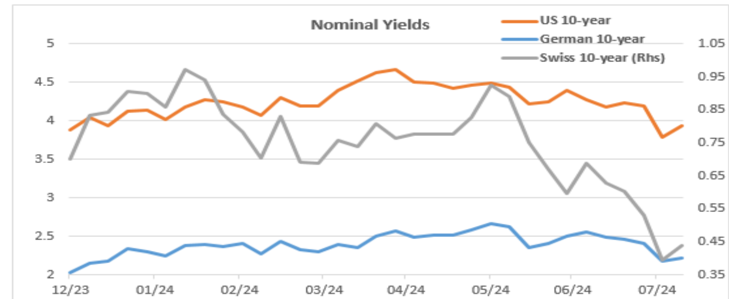
BANQUE CRAMER

US Treasury yields closed the month lower, with an outperformance of the belly of the curve, the 5-year yield drifted down by 46 bps; The 2-10 year slope steepened by 14bps to close the month at -23bps





US 10-year yield drifted down by 37bps, while its Euro peer was down by 20 bps. The Swiss 10-year drifted down by 15bps



Source: BCC, Bloomberg

Spreads globally widened but remain rich on an historical basis; yield drifted down but pick-up remains of interest

(Ice Bond Indices (Julyt 31th))	Yield (YTW)			Credit Spread (OAS Spread)		
	30,06,2024	31,07,2024	5-year Average	30,06,2024	31,07,2024	5-year Average
EUR Investment Grade	3.85%	**3.43%**	2.03%	112	**111**	131
USD Investment Grade	5.58%	**5.12%**	3.79%	94	**100**	125
EUR High Yield	6.41%	**6.25%**	5.01%	339	**360**	419
USD High Yield	8.01%	**7.63%**	6.69%	321	**335**	421
USD EM Inv. Grade	5.54%	**5.13%**	3.99%	102	**115**	166
USD EM High Yield	8.58%	**8.14%**	8.50%	391	**401**	619

Source: BCC, Bloomberg

US IG & HY Corporates - Yield to Worst

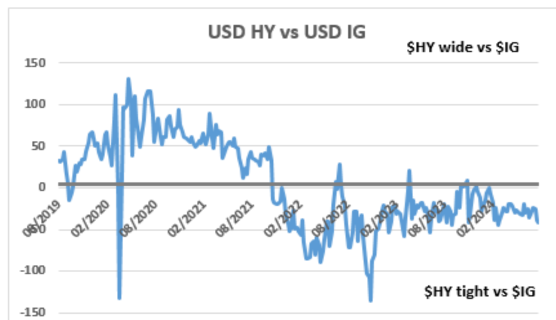
	IG	AAA	AA	A+	A	A-	BBB+	BBB	BBB-	HY	BB+	BB	BB-
3Y	**5.04**	4.62	4.73	4.85	4.92	5.04	5.10	5.10	5.57	**8.00**	6.12	6.09	6.23
5Y	**5.00**	4.47	4.60	4.76	4.82	4.92	4.99	5.06	5.60	**7.63**	6.11	6.32	6.56
7Y	**5.20**	4.56	4.65	4.95	4.99	5.14	5.23	5.27	5.69	**6.94**	6.10	6.10	6.56
10Y	**5.29**	4.60	4.82	5.01	5.10	5.21	5.38	5.46	5.78	**6.78**	6.31	6.47	7.11
> 10Y	**5.58**	4.90	5.19	5.35	5.40	5.45	5.66	5.82	6.38	**7.80**	6.94	7.08	6.98

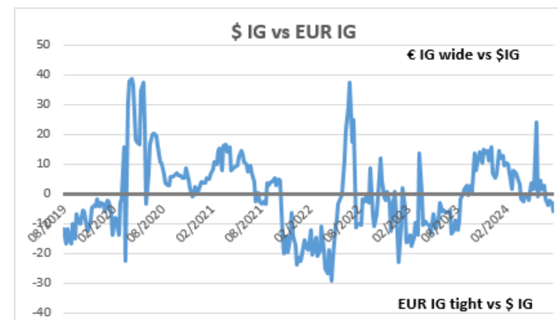
EU IG & HY Corporates - Yield to Worst

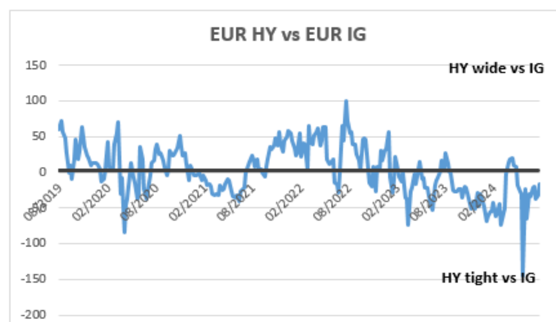
	IG	AAA	AA	A+	A	A-	BBB+	BBB	BBB-	HY	BB+	BB	BB-
3Y	**3.47**	3.04	3.14	3.30	3.31	3.42	3.47	3.62	3.92	**6.39**	4.34	4.87	5.05
5Y	**3.49**	2.92	3.07	3.31	3.32	3.37	3.47	3.67	4.04	**5.89**	5.08	5.14	5.31
7Y	**3.53**	3.06	3.11	3.35	3.44	3.42	3.56	3.79	3.99	**5.52**	5.23	5.39	5.26
10Y	**3.61**	2.96	3.30	3.42	3.49	3.61	3.67	3.84	4.12	**4.91**	4.73		
> 10Y	**3.70**	3.29	3.49	3.52	3.66	3.70	3.90	3.87	3.97	**5.58**			

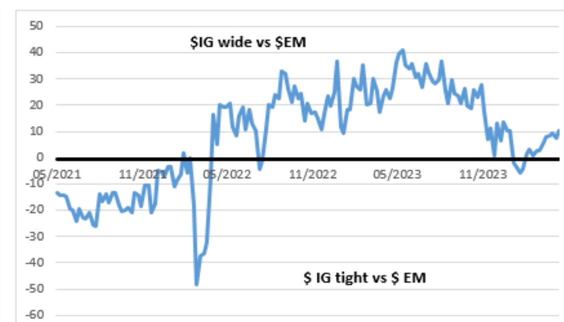
Source: CreditSight

Based on historical valuations, high beta is globally expensive versus quality bonds and investment grade rated emerging corporates are offering some value









Source: BCC, Bloomberg

EQUITIES

- **Global equity markets posted mostly positive performance in July** but some divergence between countries and sectors have been observed
- **Markets wise, Emerging markets underperformed Developed countries –** The MSCI World in US Dollar registered a positive performance of +1.55%. US equities underperformed their euro peers, with the S&P 500 up 0.94% compared with +1.10% for the EuroStoxx 600. The Swiss market posted a return of +2.22%. Japanese equities ended the month in negative territory (-1.33% for the Nikkei 225). The MSCI Emerging market in US Dollar delivered a slightly positive month (+0.23%). The Chinese index underperformed, posting a return of -1.36%, despite rate cuts.
- **European banks underperformed their US peers**, with a return of +2.86% and +4.67% respectively. In the US, large banks (+4.67%) underperformed the small banks (+17.89%).
- **EMU Small Caps have underperformed their US peers**, with a return of +2.06% and +11.11% respectively. Looking at the US market, some rotation seems to have occurred in July, with the Small Caps index (Russell 2000: +11.11%) largely outperforming the Nasdaq (-2.24%).
- **Sectors wise, dispersion was considerable –** Technology (-3.94%) and Communications (-4.10%) significantly underperformed. Real Estate (+8.22%), Utilities (+7.52%), Financials (+6.22%) and Industrials (+6.06%) outperformed. With the exception of Tesla (+10.58%) and Apple (+2.46%), all Magnificent 8 posted negative return (Meta: -5.91%, Amazon: -5.18%, Microsoft: -8.40%, Google: -6.26%, Nvidia: -5.86%, Netflix: -6.72%).

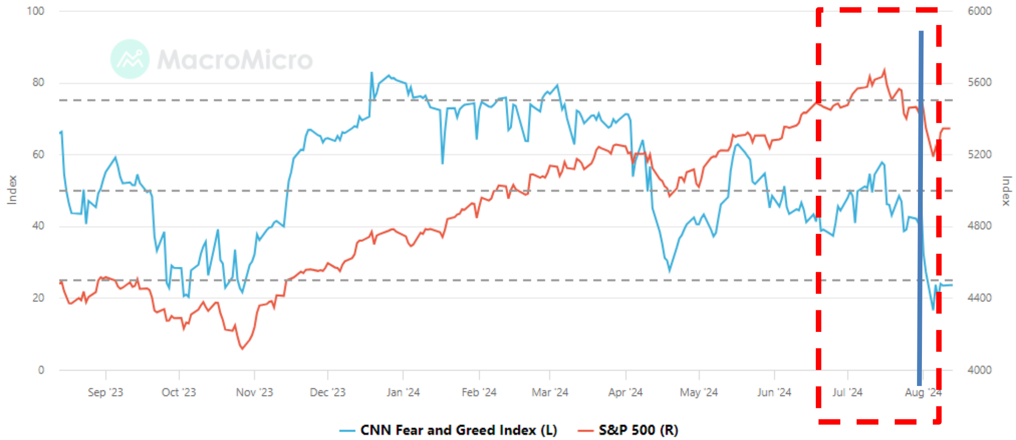
TOTAL RETURN (% - Local Currency)

	YtD	Jan	Feb	March	April	May	June	July
MSCI World (USD)	12.95	1.23	4.28	3.28	-3.67	3.76	2.07	1.55
MSCI Emerging (USD)	8.81	-4.64	4.78	2.53	0.43	1.44	4.00	0.23
MSCI US (USD)	15.42	1.56	5.37	3.18	-3.92	4.02	3.58	0.99
MSCI EMU (EUR)	8.84	2.22	3.34	4.49	-1.76	3.01	-2.44	-0.14
MSCI Japan (JPY)	17.59	8.47	5.46	4.40	-1.08	-0.51	1.65	-1.57
MSCI Japan (USD)	10.94	4.62	3.00	3.02	-4.86	0.04	-0.71	5.76
Dow Jones	8.40	1.31	2.50	2.21	-4.34	1.04	1.23	4.38
S&P 500	15.67	1.68	5.34	3.22	-3.89	4.11	3.59	0.94
S&P 500 eq. weighted	9.88	-0.82	4.16	4.46	-4.28	1.48	-0.45	5.30
Nasdaq 100	14.61	1.89	5.41	1.23	-4.63	6.39	6.27	-2.24
EuroStoxx 50	10.90	2.97	5.08	4.38	-1.43	2.39	-1.72	-1.02
EuroStoxx 600	11.24	1.49	2.00	4.18	-0.01	3.20	-1.13	1.10
FTSE 100	10.20	-1.27	0.45	4.84	2.95	1.49	-1.04	2.50
SMI	13.66	1.76	0.93	3.96	-1.63	5.91	-0.04	2.22
Nikkei 225	16.39	8.44	8.00	3.80	-4.86	-0.92	2.95	-1.33
CSI 300	2.59	-6.29	9.35	0.61	2.01	-0.06	-2.52	0.12
Hang Seng	3.19	-9.16	6.63	0.64	4.97	3.37	-1.10	-1.36
Nifty 50	14.15	0.02	1.33	1.57	0.64	-0.26	6.80	3.45
EU Banks	24.74	2.59	0.66	14.97	3.48	5.85	-6.75	2.86
US Banks	21.00	1.97	4.25	8.45	-2.09	2.45	-0.04	4.67
EMU Small Caps	0.72	-2.50	-0.39	4.47	-1.21	5.91	-7.03	2.06
US Small Cap	13.43	-3.89	5.65	3.58	-6.08	4.31	-0.93	11.11
Bloomberg Manificent 7 Total Return	33.92	1.83	12.06	2.66	-2.32	9.49	9.67	-2.53
S&P 500 ENERGY INDEX	9.64	-0.38	3.18	10.60	-1.54	-2.80	-1.29	2.09
S&P 500 INFO TECH INDEX	23.68	3.95	6.31	1.97	-5.64	10.08	9.32	-3.34
S&P 500 CONS DISCRET IDX	7.11	-3.53	8.71	0.10	-3.75	0.14	4.89	0.92
S&P 500 REAL ESTATE IDX	5.50	-4.74	2.58	1.77	-6.85	3.15	2.01	8.22
S&P 500 COMM SVC	19.06	5.02	5.70	4.34	-3.48	5.97	4.80	-4.10
S&P 500 INDUSTRIALS IDX	13.83	-0.88	7.23	4.41	-2.81	0.45	-0.94	6.06
S&P 500 FINANCIALS INDEX	16.10	3.04	4.16	4.77	-3.58	1.71	-0.89	6.22
S&P 500 HEALTH CARE IDX	10.71	3.01	3.22	2.38	-4.24	0.96	1.91	3.23
S&P 500 UTILITIES INDEX	16.43	-3.01	1.12	6.62	2.31	7.12	-5.51	7.52
S&P 500 MATERIALS INDEX	9.29	-3.91	6.46	6.50	-4.34	2.04	-3.03	5.98
S&P 500 CONS STAPLES IDX	11.07	1.54	2.32	3.49	-0.13	0.97	-0.18	2.62
S&P 500 Banks	20.99	1.97	4.25	8.44	-2.09	2.45	-0.04	4.67
DJ US Small Caps Bank	15.16	-2.72	-1.99	5.79	-4.55	1.68	-0.21	17.89

Resurgence in volatility in July offers room for investment in lagging sectors

BANQUE CRAMER

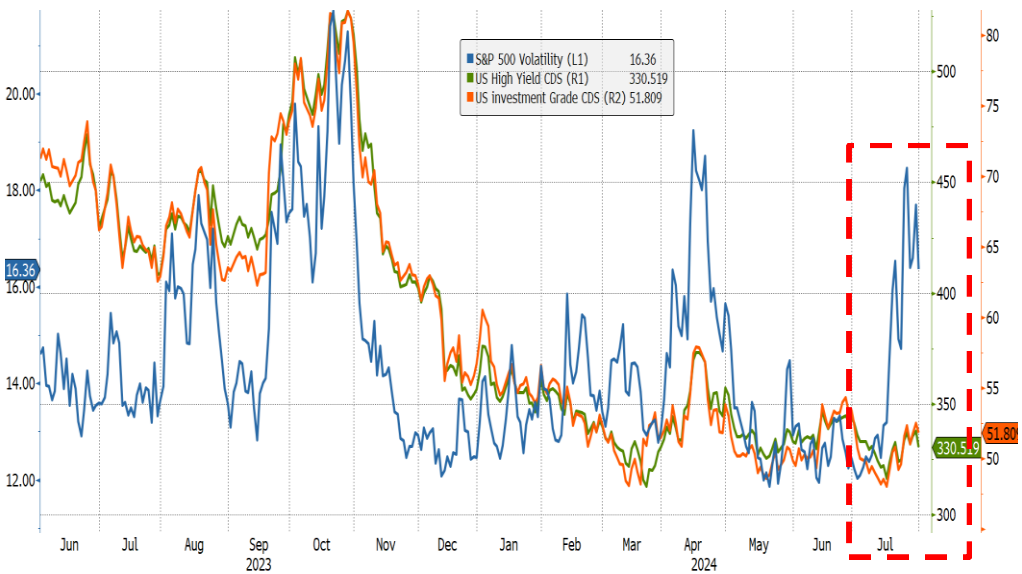
CNN Fear & Greed index @ 46.89 at the end of July



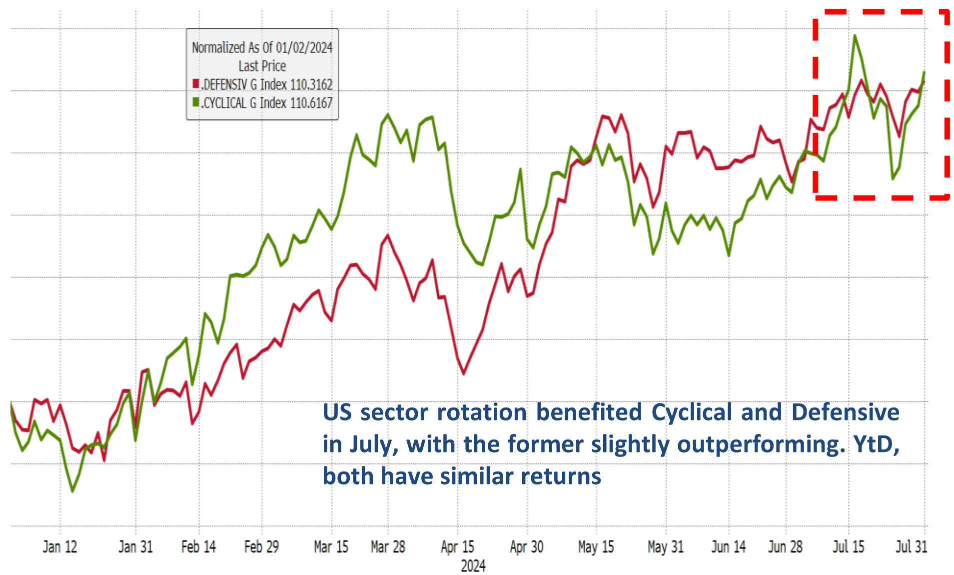
Source: MacroMicro

The significant sell-offs in US Tech stocks weighted on the market

Source: BCC, Bloomberg



Source: Bloomberg



Source: Bloomberg

CURRENCIES & COMMODITIES

- **The US Dollar underperformed its currencies basket (-1.70%).** The single currency appreciated slightly against the US Dollar (+0.74%) while depreciating versus the Swiss franc (-1.45%). The Japanese Yen appreciated versus the US Dollar (+6.73%) after the Bank of Japan increased its policy rate.

- **Gold closed the month significantly higher (+4.96%)**, climbing to $ 2483 per troy once.

- **Oil fell by 6.56% for the WTI and 6.79% for the Brent** amid weak expectations on China

- **Natural gas ended the month 17.84% lower while European Gas drifted up 4.79%.** Bearish outlook amid high production weighed

- **Global commodities suffered over July, except precious metals.** Energy suffered the most (-8.61%) , followed by Industrial Metals (-7.26%) and Agricultural (-6.01%). Aluminum and Iron Ore lost -9.42% and -9.91% respectively. Soybean drifted down by 11.30%, Wheat by 7.38% and Sugar by 6.38%. Cocoa recovered from the past two months negative returns: +10.07%

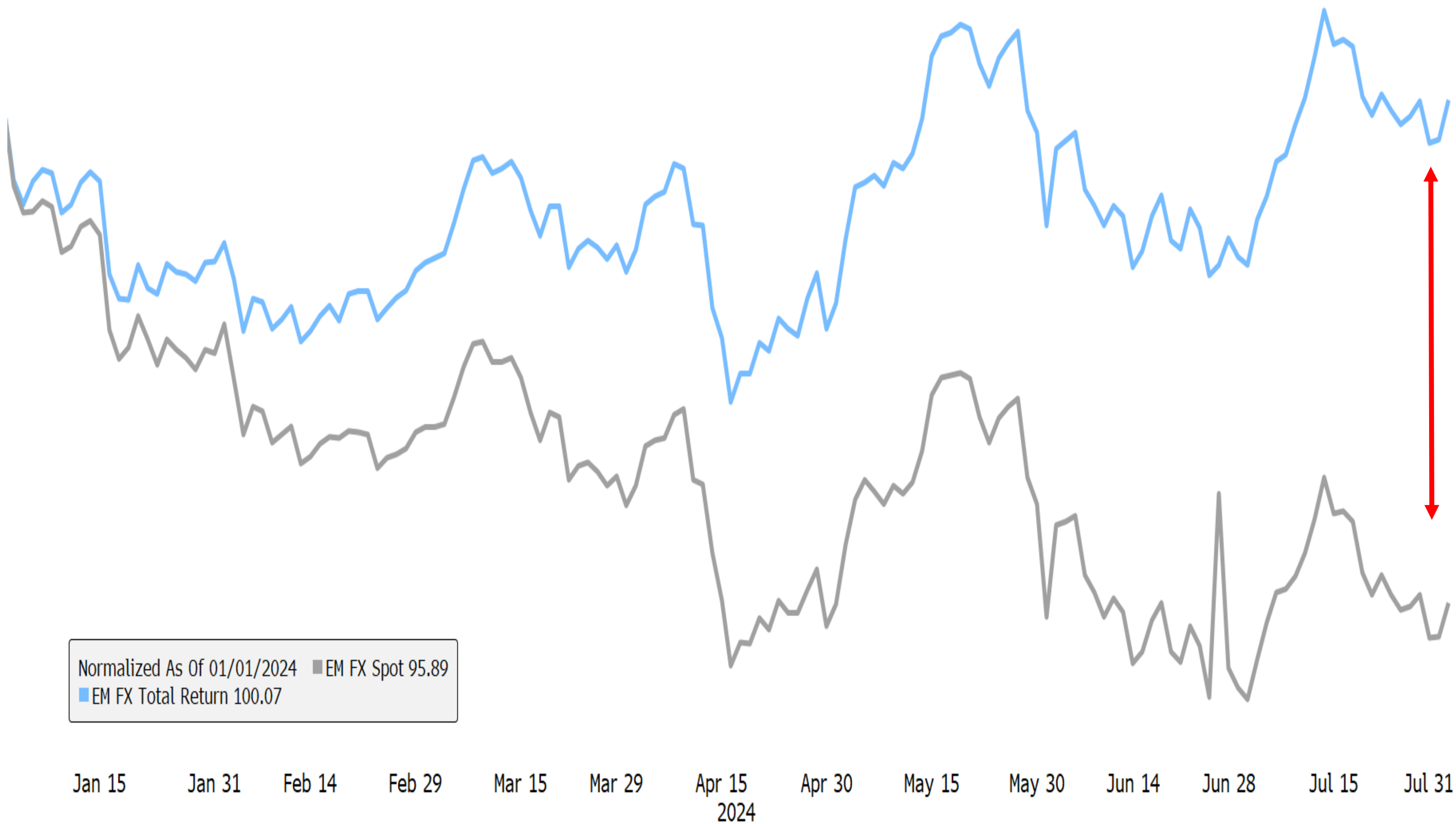
TOTAL RETURN (% - Local Currency)

	YtD	Jan	Feb	March	April	May	June	July
EUR/USD	-1.98	-2.06	-0.12	-0.14	-1.15	1.71	-0.94	0.74
GBP/USD	1.01	-0.31	-0.50	-0.02	-1.04	2.00	-0.67	1.58
EUR/CHF	2.18	0.16	2.56	1.81	0.78	-0.18	-1.45	-1.45
USD/JPY	6.45	4.28	2.08	0.91	4.26	-0.31	2.22	-6.73
USD/CHF	4.44	2.46	2.68	1.91	2.00	-1.86	-0.45	-2.25
DXY	1.82	1.05	0.85	0.32	1.66	-1.46	1.14	-1.70

TOTAL RETURN (% - Local Currency)

	YtD	Jan	Feb	March	April	May	June	July
Commodities	-1.96	-0.09	-1.89	2.89	1.77	2.33	-1.94	-4.81
Ind. metals	-0.22	-2.37	-0.98	1.34	12.95	3.14	-5.73	-7.26
Precious metals	15.35	-1.76	-0.98	8.12	2.78	5.74	-1.23	2.17
Agriculture	-13.30	-1.51	-4.76	2.09	-1.25	4.08	-6.29	-6.01
Energy	-4.48	2.29	-0.84	2.01	-1.19	-1.37	3.65	-8.61
WTI	7.56	7.77	3.18	6.27	-2.13	-6.03	5.91	-6.56
Brent	6.20	7.67	2.34	4.62	0.50	-7.10	5.87	-6.79
Natural Gas	-20.13	-18.22	-11.43	-5.22	8.38	29.93	0.54	-17.84
EU gas 1Mth Fwd	22.77	-0.91	-15.38	8.50	10.61	18.32	-1.59	4.79
Gold	17.48	-0.94	0.23	9.08	1.55	1.80	-0.02	4.96

EM FX return has long been supported by carry



Source: Bloomberg

Gold as a safe-haven; Yen-carry positions liquidation

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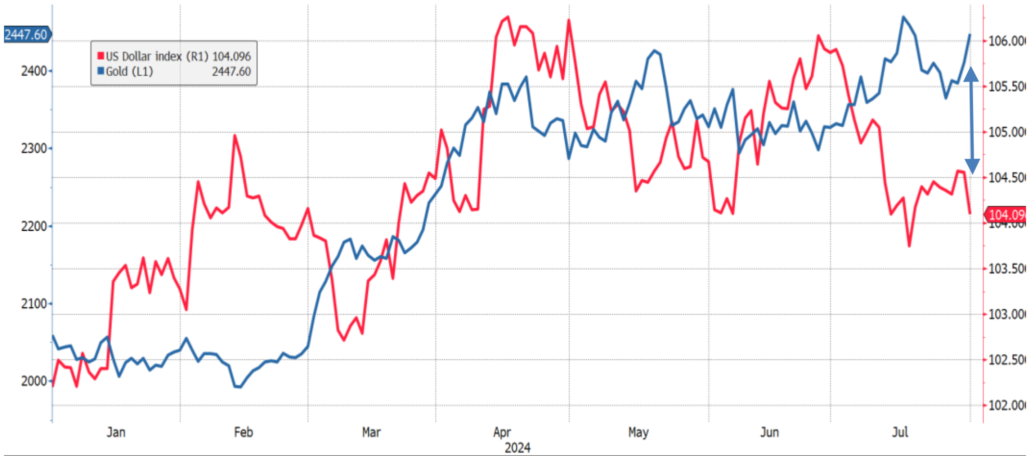

Source: Bloomberg

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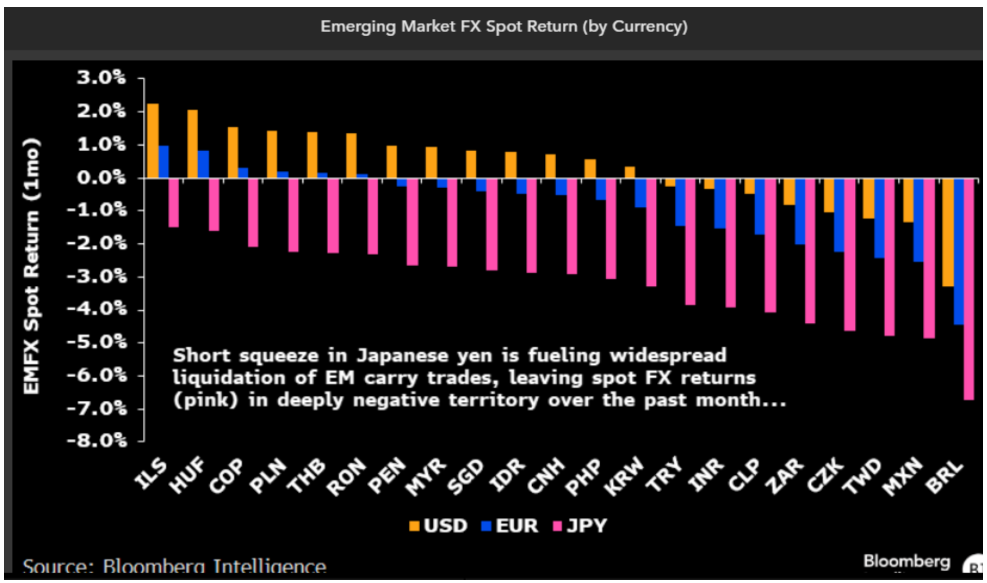
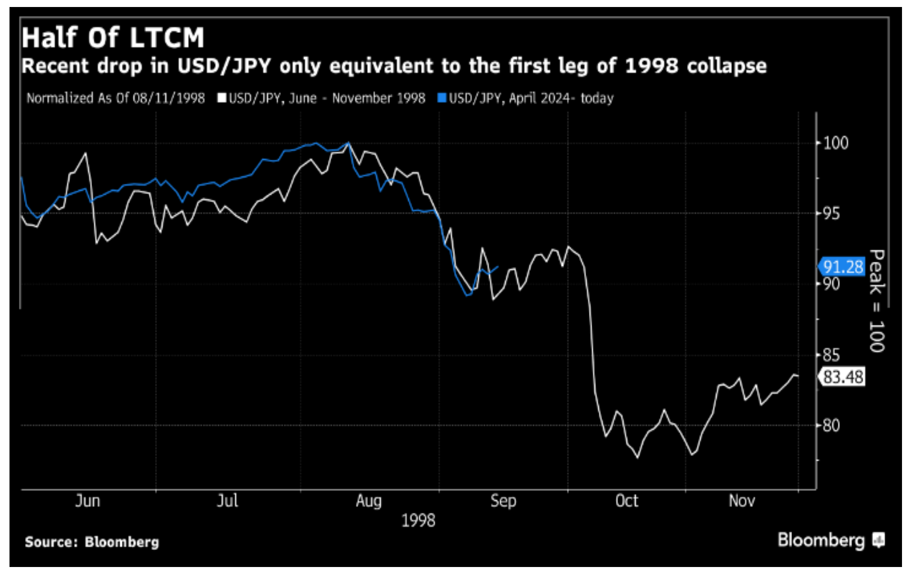


Source: Bloomberg



Source: Bloomberg

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