Monthly review

Macro

"Only fools have no doubts." -Are you sure? -I'm sure! -Georges Courteline

Analysts and economists are finally starting to have plenty of doubts: about corporate earnings, about the evolution of inflation and about the economic consequences (recession, stagflation...?).

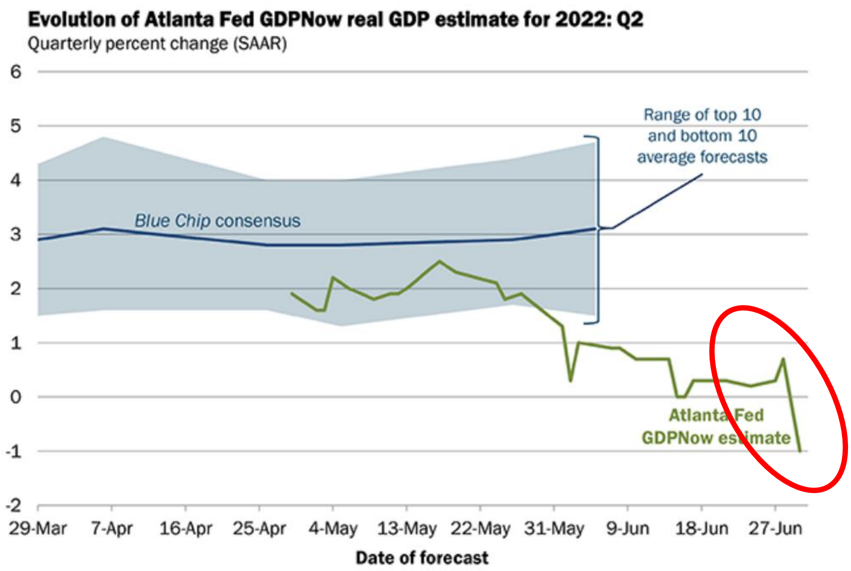
Most commodities, especially base metals, are falling significantly from their recent highs. Wood -58%, Cotton -37%, Flour -27%, Soybeans -20%, Wheat -17%, Copper -24%, Aluminium -37%, Nickel -54%, Steel -42%, Gold -11%, Platinum -23%.

Oil is down only 13% from its high and should remain in a high range around $100. With the Ukrainian conflict, inventories at their lowest level in almost 40 years and producers unable to meet demand. Given these figures the peak is probably behind us.

It remains to be seen whether the clouds that have been gathering for several months now herald a sharp slowdown, a recession or stagflation. Economists are betting on a recession and are now predicting that it will begin in the last quarter of 2022, especially in Europe.

In terms of growth for the past quarter, if we rely on the Atlanta Fed's forecasting model (GDPNow), we can see that the US GDP is expected to fall sharply by -1% compared to -1.5% in the first quarter. This would mean that the US would (already) be in a (technical) recession for the first part of the year. This should be the subject of much ink in the coming weeks.

The Atlanta Fed justifies this violent move by the fact that the recent releases of forecasts for real personal consumption expenditure growth and real gross private domestic investment growth for the second quarter went from 2.7% and -8.1% respectively to 1.7% and -13.2% respectively.



Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.

Outlook

We remain very cautious on the markets and are underinvested. Doubt remains, although we are beginning to like some of the valuations of major international companies. The arrival of a potential recession should not scare us. Indeed, since World War II, this has been a "natural" period in the economic cycle that has seen the S&P 500 rise on average. It's "all about" anticipation. Remember that historically, the worst period for the equity market is the period before the recession, which is the one we are currently in!

Equity markets

Another bad month for the stock markets. The US CPI on June 10 has weighed on the morale of the markets, which tried to recover in May. Over the month, the CAC40 is down 8.22%, the very cyclical DAX -11.38% and the Stoxx600 -7.35%. The SMI -7.20%. In the US, the S&P -7.79%, the Dow Jones -6.22% and the Nasdaq -8.39%. China is waking up under the impulse of its central bank. The CSI300 +9.85% and the Hang Seng +2.65%! The South Korean index plunges 13.35% this month, the example of a country where exports are falling!

According to data going back to 1990, this quarter is expected to be the biggest combined loss for global bonds and stocks.

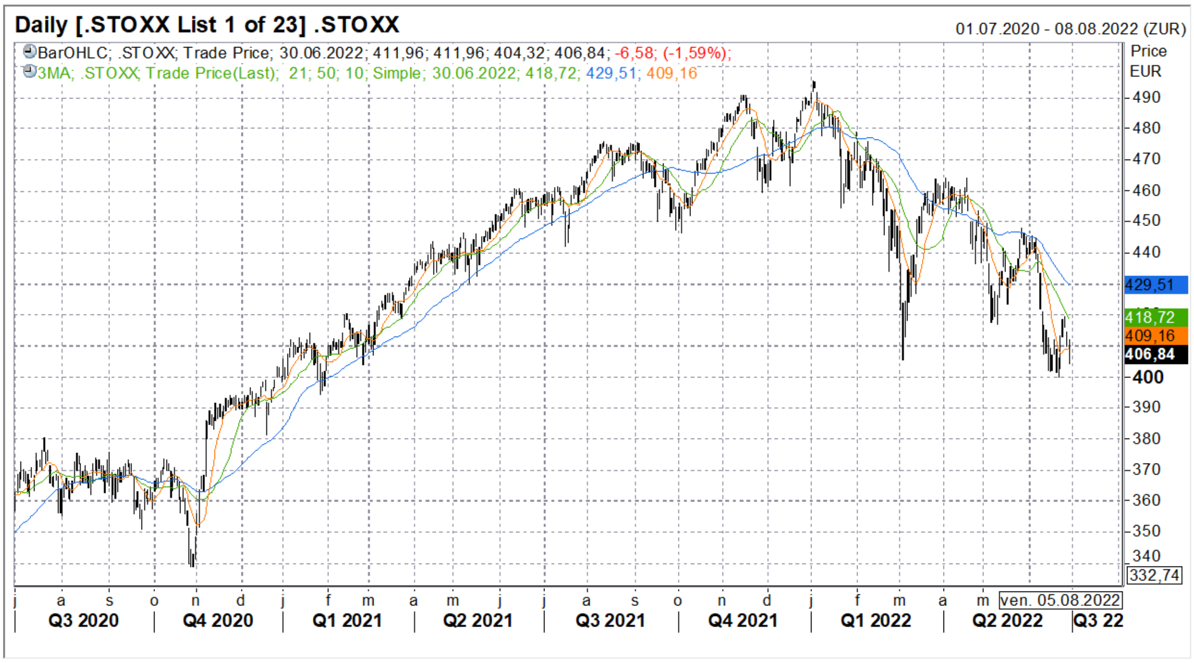
The Stoxx600 is -16.5%, the SMI -16.6%, S&P500 -20.6%, Shanghai Comp -7.1% and MSCI World -21.2%!

Facts:

It should be noted that this June ended with:

- The worst start of the year for the S&P 500 since 1970
- The worst start for the Nasdaq since the creation of the index
- The best quarter for the price of a barrel of oil since ever
- The worst quarter for gold in 5 years and 3rd consecutive quarter of decline
- The best half-year for the dollar since 2010
- The worst start for a 50/50 portfolio (bonds/equities) since 1932
- The energy sector is the only one to be positive since the beginning of the year
- Treasuries had their worst start of the year in their history
- Bitcoin's worst start of the year since the cryptocurrency's inception

Stoxx600 2Y



Nasdaq 100 2Y

Foreign exchange market

EUR USD YTD

Since the beginning of June, the dollar index has resumed its progression. The dollar was back in demand following hawkish comments from the Fed. The euro against the dollar declined due to concerns about the euro zone economy as the euro zone needs a contingency plan if Russia were to cut off natural gas flows to Europe.

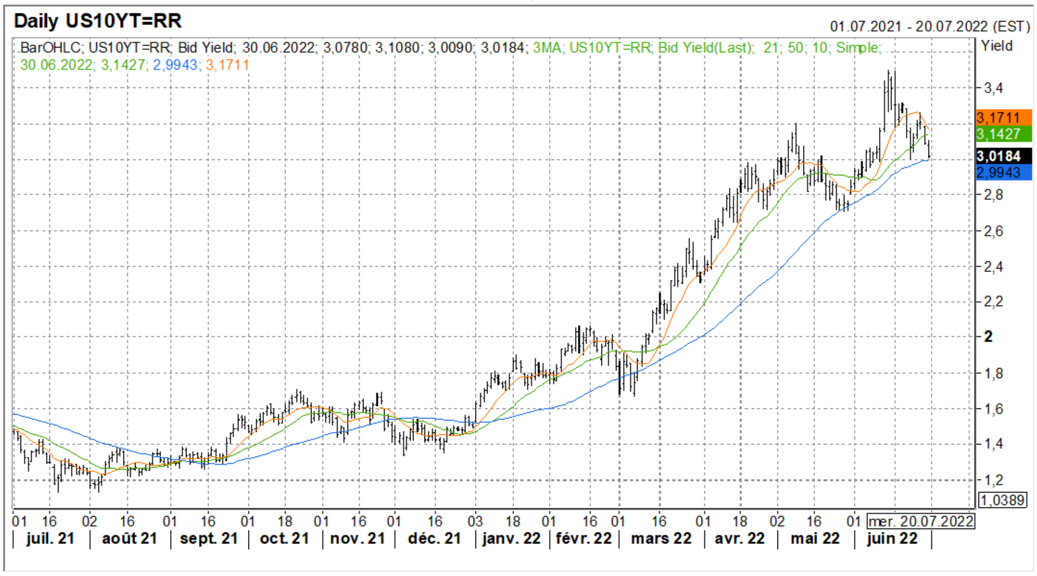
EUR CHF YTD

A major change. Two weeks ago, the SNB surprised traders by raising its key rate by 50 basis points, demonstrating that the bank is ready to follow the restrictive trend of monetary policies. As a result, the interest rate differential with the major currencies that penalized the holding of francs disappeared. At the same time, with higher inflation, the Swiss National Bank is less likely to intervene to prevent a further rise in the franc. On June 29 the EURCHF fell below parity! Even if a rebound occurs in the coming weeks, the downside risk dominates. As a result, a further decline to the 2015 lows cannot be ruled out in the medium term. The next level could be 0.9780!

Bond market

A succession of roller coasters on rates in Europe for the last 15 days with less than 10 sessions. Last week, U.S. Federal Reserve (Fed) Chairman Jerome Powell acknowledged on Wednesday that the strength of inflation had surprised the monetary authorities and warned that 'other surprises' could occur.

US 10y 2Y



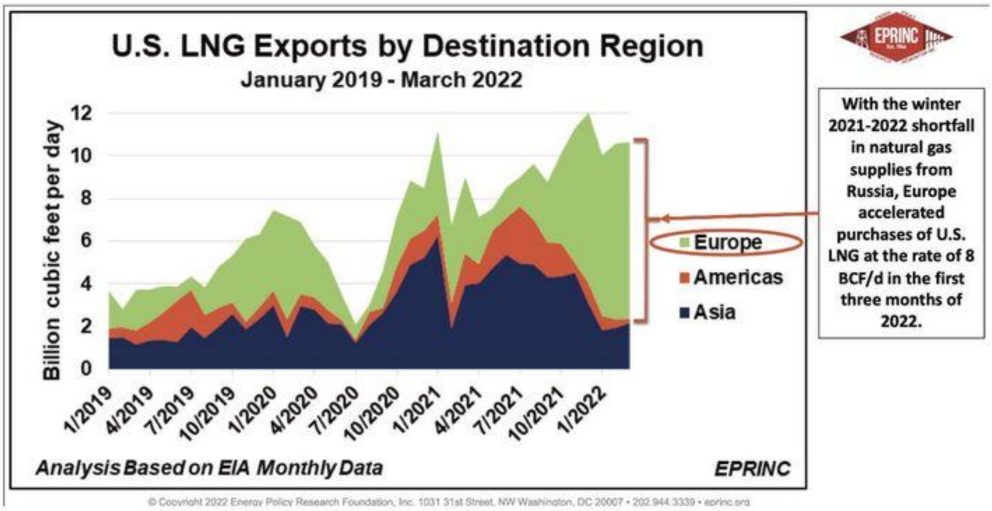
GE 10y 2Y

Commodities

Gold 2Y

The U.S. dollar has approached recent two-decade highs and may have its best quarter in more than five years, making gold more expensive for buyers holding other currencies. Higher bond yields and interest rate hikes by central banks to combat inflation are increasing the opportunity cost of holding bullion, which pays no interest. Going forward, the bias will become increasingly bearish as rate hikes continue to occur and inflation expectations decline.

LNG US Export



The International Energy Agency has warned that Europe should immediately prepare for the complete interruption of Russian gas exports this winter. Brussels is holding a knife with two blades and no handle. We believe that the gas issue may be a risk event that the markets have not yet anticipated!

With the Russian gas pipelines shut down, one-year charter rates for an LNG tanker are close to their highest level in a decade, at $120,000 per day, an increase of more than 50% over last year, according to Clarksons Platou Securities.

Shipowners say Total has been particularly active in finding LNG carriers for lease for three to five years, a longer period than usual.