MONTHLY REVIEW

MACRO

Europe is on a knife's edge, facing the difficult task of reducing inflation, supporting economic growth, and preserving financial stability while grappling with the repercussions of the energy crisis triggered by Russia's invasion of Ukraine. Growth has collapsed since the middle of last year as inflation has reduced household real incomes. A full recession was avoided this winter due to a significant drop in energy prices and government aid measures. After the fastest tightening in decades, monetary policy is beginning to lose steam, and risks to the financial sector have materialized.

USA GDP growth in the first quarter falls to 1.1% against the expected 2%, employment is holding up for now, housing sales are declining, debt ceiling negotiations remain suspended against the backdrop of a Biden-Trump political rematch, and the banking sector remains fragile following the Silicon Valley Bank and Signature Bank incidents. First Republic has now fallen into the arms of JP Morgan, making three of the four largest bank failures in the US occurring in the past two months (there are 4200 banks in the US), and credit default swaps (CDS) reach record levels.

China's PMI unexpectedly contracted in April to 49.2 compared to 51.9 in March, with declining export orders at 47.6 compared to 50.4.

OUTLOOK

Superficially, stock market indices are significantly positive, but in detail, only a handful of stocks (8 in the US) or sectors (luxury) are hiding the reality. International geopolitics are particularly grim (return of warships around Taiwan, continued de-dollarization by emerging countries, the endless Ukrainian crisis, worrying US domestic politics).

Leading macroeconomic indicators continue to deteriorate, and inflation remains at levels that prevent central banks from becoming accommodative. This Wednesday, the Fed is expected to raise its benchmark rate by 25 basis points, likely the last hike, but optimists are certain of a significant rate cut before the end of the year. In Europe, credit conditions are plummeting at a faster pace than during the 2008 crisis, and inflation remains at high levels.

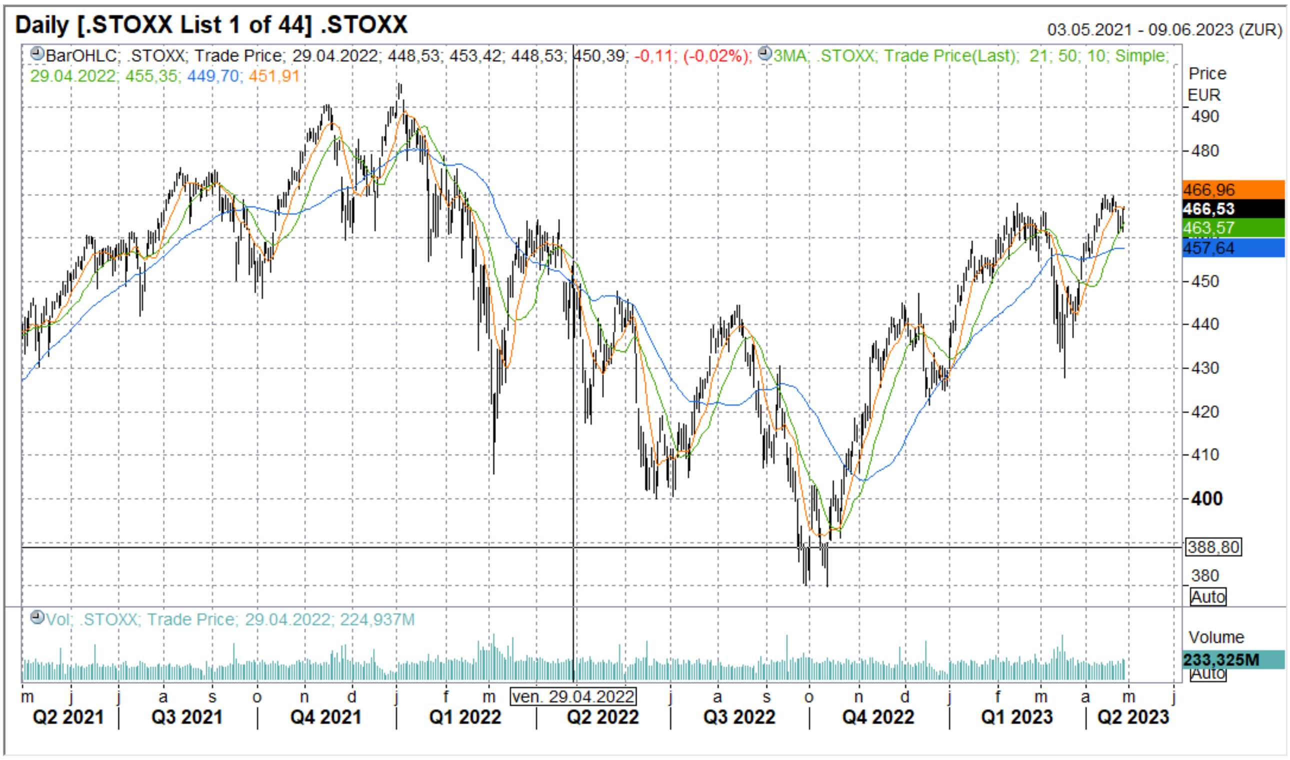
In conclusion, caution remains advised, and we remain underweight on equities.

STOCK MARKETS

The top five weights in the S&P 500, namely Apple, Microsoft, Amazon, Nvidia, and Alphabet, represent only 20% of the index but account for 70% of its performance. In Europe, the luxury and discretionary consumer sectors stand out within the CAC 40, with remarkable performances from Hermès, LVMH, and L'Oréal exceeding 30%, while Kering has made a 20% gain.

Performance in April: CAC 40 +2.39% (YTD 15.72%), SMI +2.98% (YTD 6.6%), Stoxx 600 +1.94% (YTD 9.85%), Nasdaq +0.5% (YTD 21%), S&P 500 +1.5% (YTD 8.59%), Hang Seng -3.15% (YTD -0.7%).

Stoxx600 2Y



Nasdaq 100 2Y

FOREIGN EXCHANGE MARKET

The value of the dollar remained relatively stable during the month of April, hovering around $101.50. Investors are digesting macroeconomic data and eagerly assessing the upcoming US economic data to gauge the Federal Reserve's next policy decision. While the markets seem to be resigned to the fact that the Federal Reserve will proceed with a 25-basis-point increase in May, the recent rise of the euro against the greenback is facing some resistance. The European Central Bank (ECB), and its President Christine Lagarde, in particular, have emphasized that the ECB is far from completing its cycle of rate hikes. It's worth noting that the Swiss franc has appreciated, reaching a two-year high against the dollar at $0.89 for 1 franc. The Swiss franc is benefiting from the market's dovish perception of the Federal Reserve's monetary policy.

US Dollar Index 1Y

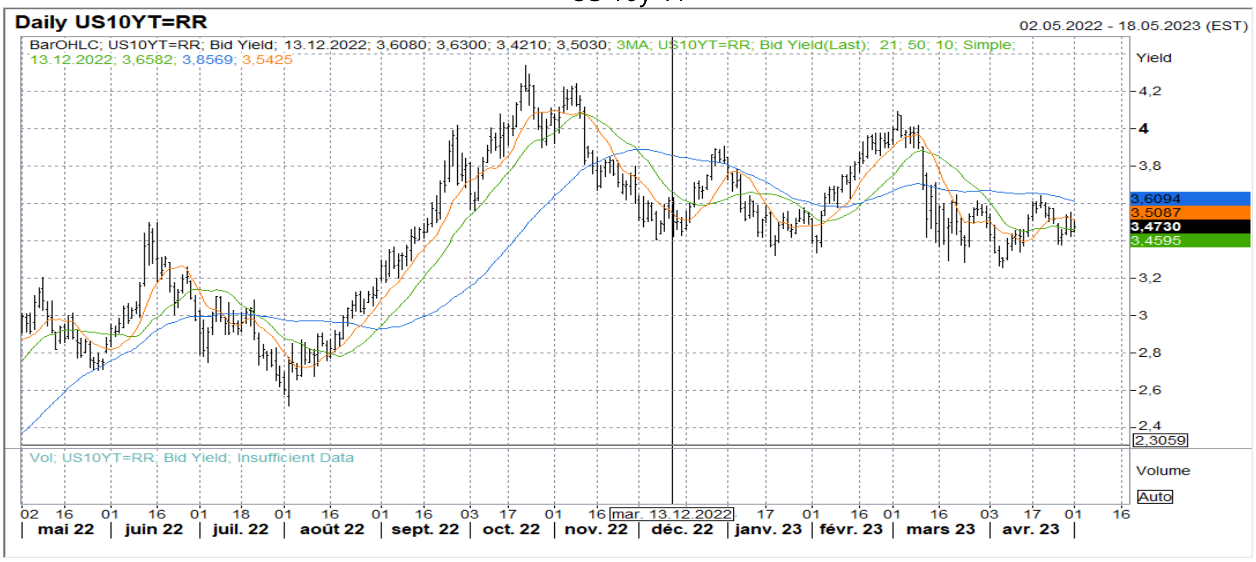
The Swiss franc appreciated by 1.5% against the euro in April. The Swiss currency is strengthening due to the increased risk of recession and uncertainties related to geopolitics.

EUR CHF 1Y

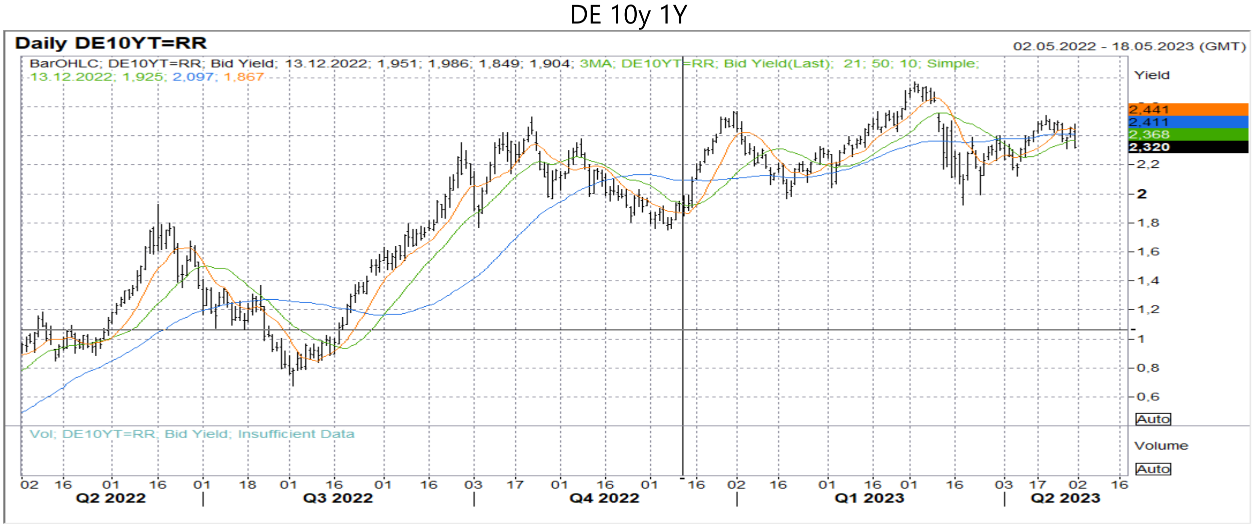
BOND MARKET

In May, the financial markets will focus on central banks, as they hold important meetings regarding interest rates. The Federal Reserve (Fed) in the United States will meet on Wednesday, May 3rd, while the European Central Bank (ECB) will meet on Thursday, May 4th. However, it is crucial to note that the central banks' decisions regarding the coming months are even more significant than those made during these meetings. Stock market investors are particularly attentive to a potential change in tone, especially in the United States where equity markets are anticipating a 75 basis points cut by the end of the year.

US 10y 1Y



DE 10y 1Y



COMMODITIES

The rise in gold prices is linked to the decline of the dollar. The dollar has lost ground against a basket of global currencies since the beginning of the year. This weakness is explained by the market's assumption that interest rates in the United States will be lowered earlier and more forcefully than in most other regions. The consensus does not anticipate any interest rate cuts in the eurozone in 2023, unlike the United States, where several cuts are being considered.

Gold 2Y

The price of oil was disrupted by the decision of OPEC at the beginning of April, jumping from $78 to $87 within a few days. Additionally, the prospect of increased demand from China, the world's largest importer of crude oil but whose consumption has been tempered by anti-Covid-19 measures in recent years, has given a boost to oil. However, since mid-April, prices have been fluctuating again as expectations of weak demand resurface, particularly in the United States.

Brent 2Y

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