MONTHLY REVIEW

MACRO

WILL EVERYTHING BE BETTER WITH AI?

May was a turbulent period for the markets, with fluctuations both up and down. Firstly, fueled by enthusiasm for artificial intelligence, the technology sector experienced a spectacular rebound, reminiscent of its performance in 2021. On the other hand, in other sectors, particularly in Europe, investors preferred to take profits due to fears of an economic slowdown.

Indeed, on the macroeconomic front, the data is mixed. Production and manufacturing indicators do not forecast a recovery, and in fact, show a probable slowdown, likely impacted by rising interest rates. Additionally, core PCE inflation in the United States is showing signs of resilience and does not seem to be decreasing as predicted by analysts. However, consumers and the job market remain relatively strong, despite economists' pessimism since the beginning of the year.

In China, the economic restart is also causing disappointment as it is taking longer than anticipated, disappointing not only the financial markets but also the global economy as a whole. Hopes for a quick and vigorous recovery of the Chinese economy are facing unexpected obstacles.

Overall, the market volatility reflects an uncertain environment where investors navigate between optimism related to the technology sectors and concerns about global economic prospects.

OUTLOOK

During this month, we took the opportunity of the decline in certain stocks to enter at levels that we consider fundamentally interesting. However, we remain cautious due to the rise in interest rates, which could impact economic growth. It is essential to navigate skillfully between good and bad news in order to make informed investment decisions.

In this context, the current rates appear attractive to us for the fixed income portion. However, we remain cautious regarding equities. Market volatility and economic uncertainties call for prudence in investment selection.

EQUITY MARKETS

NASDAQ REBOUNDS, HANG SENG DISAPPOINTS

Profound disruptions are shaking economic sectors, with a particular impact on stock indices. In May, it was crucial to invest in technology stocks benefiting from the enthusiasm for artificial intelligence. Nvidia experienced rapid growth, propelling the Nasdaq higher. However, in Europe, the market slowed down, weakened by fears of an economic slowdown. Meanwhile, the Hang Seng continues to decline.

The 6 largest technology companies - Amazon, Apple, Google, Meta, Microsoft, Nvidia - saw an average performance of +45%, which more than compensated for a slight decline in the other 494 members of the S&P since the beginning of the year.

Performance as of May 31st: : CAC40 -3.79% (YTD 9.65%), SMI -1.92% (YTD 4.55%), Stoxx600 -3.24% (YTD 6.32%), Nasdaq +5.92% (YTD 23.59%), S&P500 +0.29% (YTD 8.86%), Hang Seng –8.35% (YTD –7.82%), Topix +2.53% (YTD 12.63)

Stoxx600 2Y

Nasdaq 100 2Y

FOREIGN EXCHANGE MARKET

The US dollar strengthened with the rise in interest rates in the United States, moving from 1.1050 to 1.07 against the euro during the month. The increase in US rates contributed to bolstering the value of the dollar, attracting investors who seek higher returns. At the same time, economic indicators, particularly those related to manufacturing activity in Europe, weighed on the single currency. Disappointing figures in this sector raised concerns about economic growth and may have exerted downward pressure on the euro.

EUR USD YTD

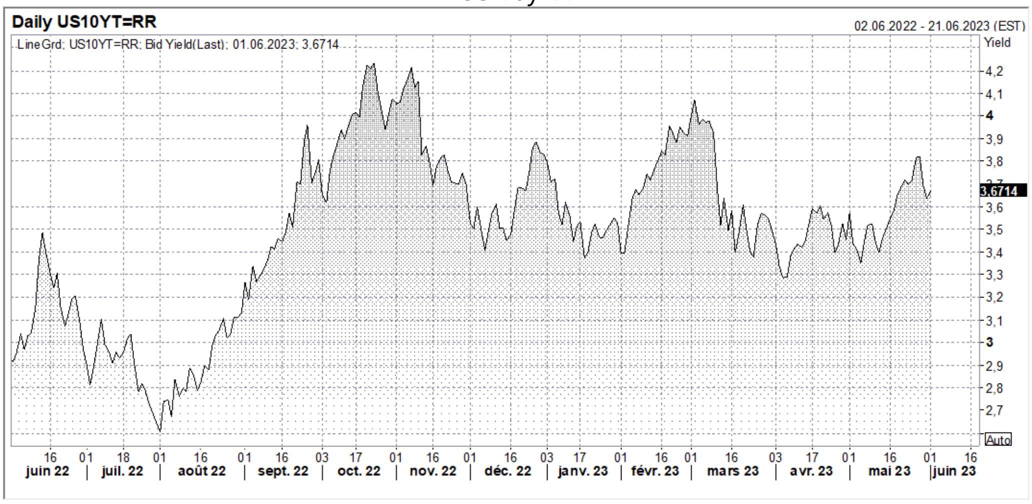
The observation is similar on the EUR/CHF side. Negative news in Europe gave a boost to the Swiss franc. Additionally, the issue of the US debt ceiling created uncertainty in global financial markets. Investors, seeking safety, chose the Swiss franc as an alternative.

EUR CHF YTD

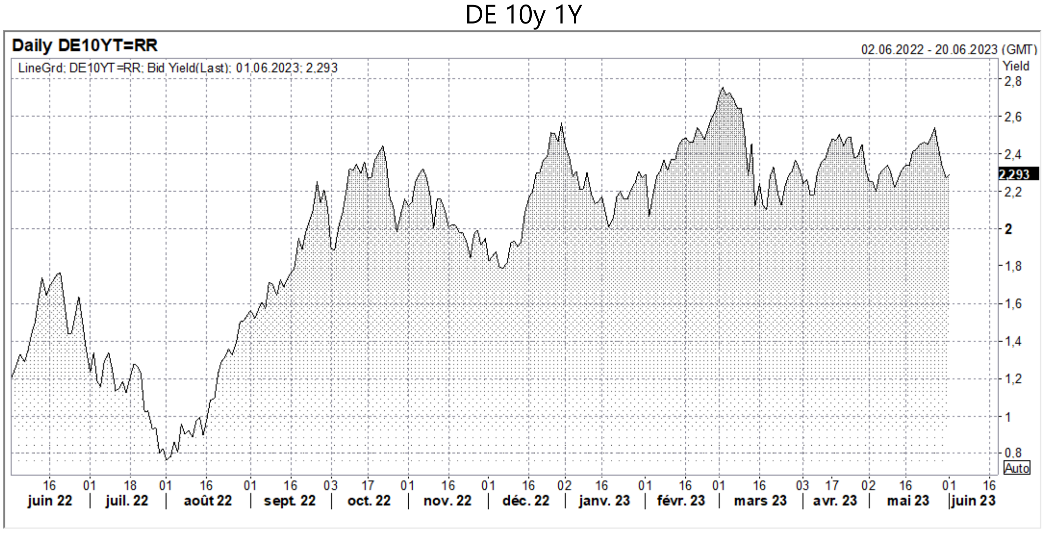
BOND MARKET

We witnessed an increase in interest rates due to the US debt ceiling issue. This situation had an impact on the entire US yield curve. Furthermore, the core PCE inflation rate saw a 0.4% increase compared to the previous month, surpassing expectations of 0.3%. This development does not suggest a rate cut from the Federal Reserve (Fed). On the contrary, the market is starting to consider a potential 0.25% hike in June or July.

US 10y 1Y



DE 10y 1Y



COMMODITIES

As we described in previous months, interest rates and the dollar have a strong impact on the price of gold. With the strengthening of the dollar resulting from the rate increase, the price of gold experienced a decline, dropping from $2,020 to $1,950 per ounce. As long as we remain in this anticipation regarding interest rates, gold will continue to be influenced by rate movements and the value of the dollar.

Gold 2Y

The price of oil had a difficult period in May, primarily due to weak economic indicators anticipating an economic slowdown and consequently a decline in oil demand. Additionally, the restart of the Chinese economy did not go as expected by economists, which also had a negative impact on the price.

Brent

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