MONTHLY REVIEW

MACRO

After a volatile month in May, the markets experienced a recovery in June. The Federal Reserve took the initiative by keeping its interest rates unchanged, which came as a partial surprise. However, it delivered a firm message regarding the existing restrictions, signaling the possibility of rate hikes and maintaining quantitative tightening. Final rate forecasts were once again revised upwards (from 5.5% to 5.75%), with investors no longer expecting a cut this year. The following week, the European Central Bank also showed its firmness by raising its key interest rates by 25 basis points (to 3.5% for the deposit rate and 4% for refinancing operations), while confirming the reduction of its asset purchase programs.

In US, it seems markets are increasingly hopeful that Goldilocks is back; that the economy can avoid recession with inflation falling back to target. Inflation is priced to fade quickly, allowing central banks to shift their attention to supporting growth. Instead of driving a recession, they will be aiming to prevent one, which would be music to both stock and bond investors’ ears.

Ultimately, what has been observed in recent weeks is that "hard" data (with a delay) remains steady, while "soft" indicators (faster data, such as ISM, PMI) indicate a slowdown, which could create a gap between the central bankers' outlook and the behavior of the economy.

OUTLOOK

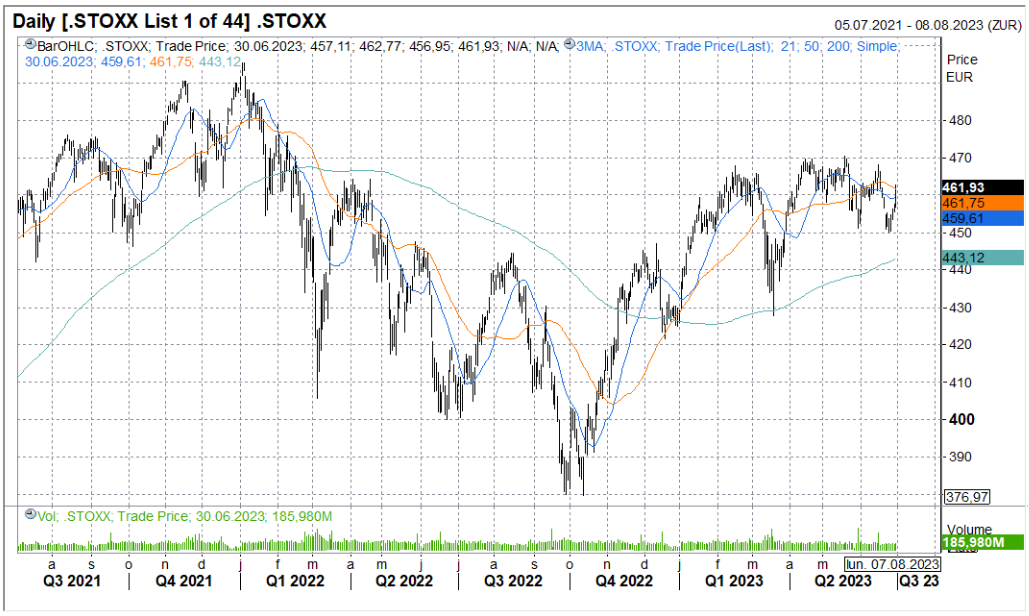
For the remainder of the year, it is crucial to approach the outlook and perspectives with caution, as the persistence of high rates and the determination of central bankers prolong the uncertainty regarding the economic recovery. We will continue to closely monitor economic developments and central bank actions to react proactively.

EQUITY MARKETS

In June, stocks continued their upward march with the same leaders (discretionary consumption, industry, IT, and consumer services). Japan and the US are advancing faster than the rest of the world. As for Switzerland, it is lagging behind (too defensive...). The first six months of the stock market have seen the return of sectors/values that were heavily penalized (mainly due to massive compression of their valuation multiples) in 2022.

Performance as of June 30th: : CAC40 % (YTD %), SMI % (YTD %), Stoxx600 -% (YTD %), Nasdaq % (YTD %), S&P500 % (YTD %), Hang Seng % (YTD –%), Topix % (YTD)

Stoxx600 2Y

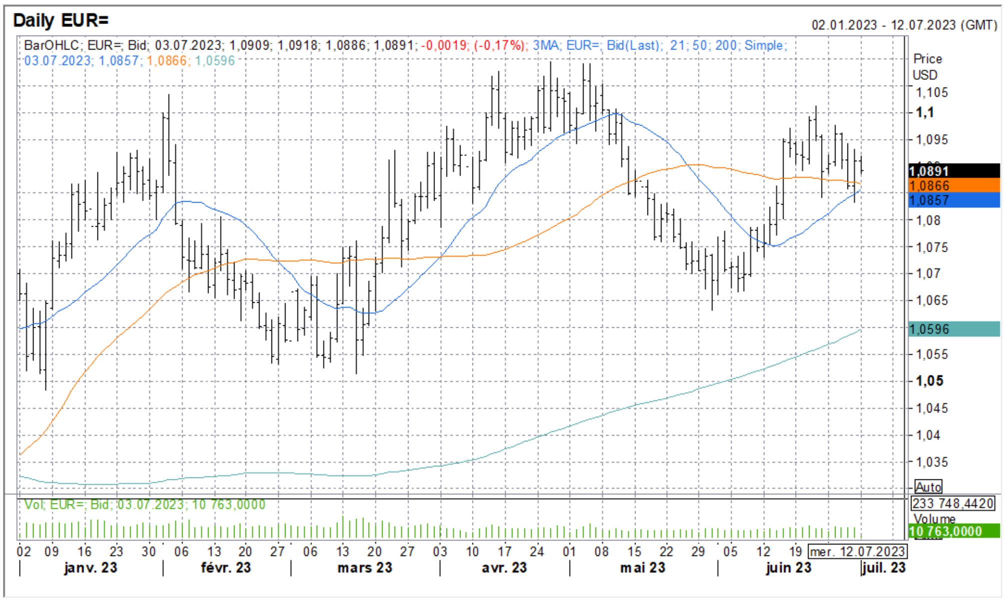


Nasdaq 100 2Y

FOREIGN EXCHANGE MARKET

The firmer tone adopted by the ECB, which is confident about future rate hikes, has allowed the euro to regain strength against the dollar. Inflation in Europe raises additional concerns about further rate increases, reinforcing this trend.

EUR USD YTD



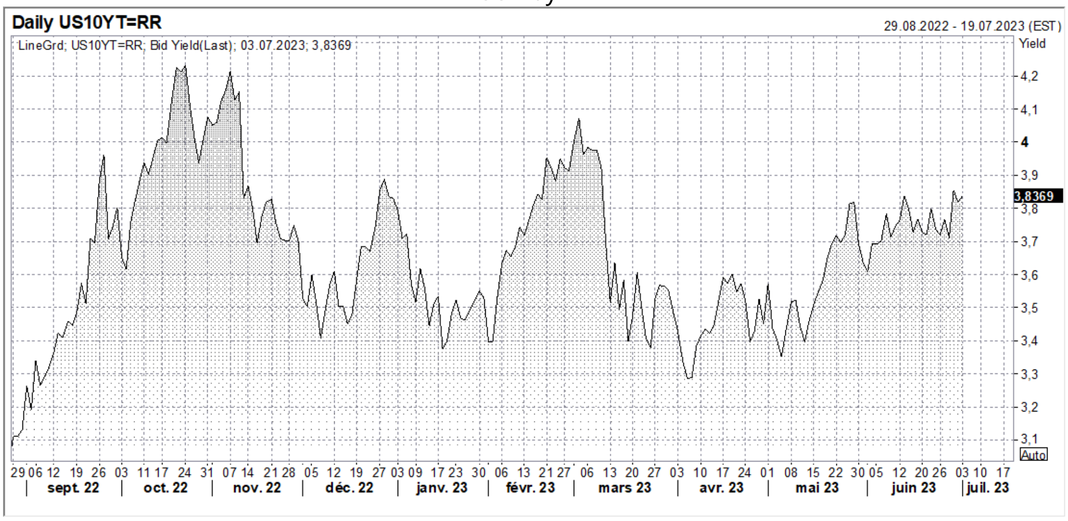
The euro experienced a slight rebound against the Swiss franc after reaching a low point at the end of May. The interest rate differential favors the euro. However, as we have observed, whenever a geopolitical disruption occurs, the Swiss franc gains significant strength.

EUR CHF YTD

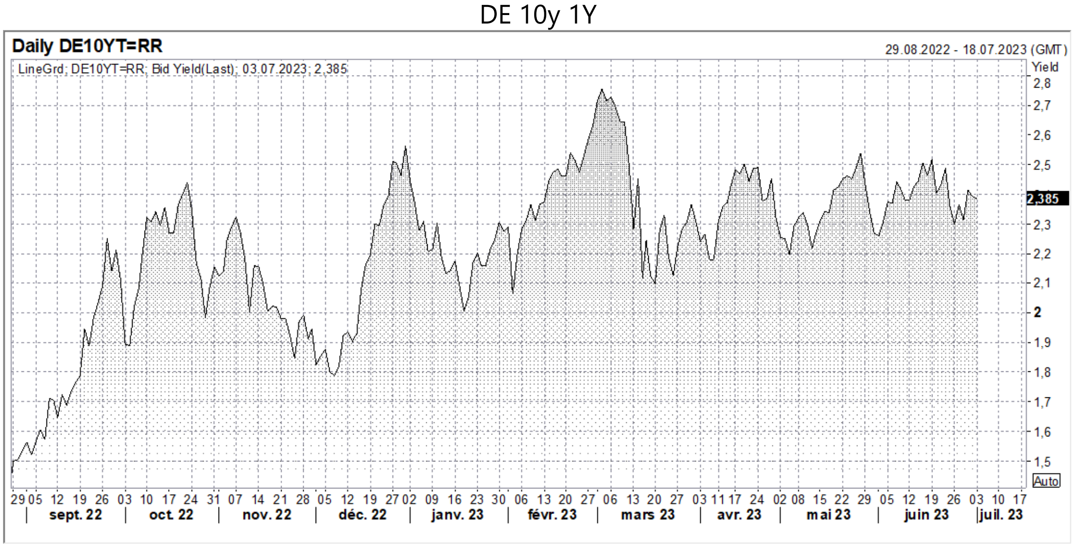
BOND MARKET

Central bankers maintain their determination and remain firmly committed to fighting inflation. Powell and Lagarde have confirmed their willingness to maintain or even increase interest rates to put pressure on inflation. Indeed, the preferred indicators of central banks reveal that underlying inflation remains at elevated levels, far from the set targets. Furthermore, based on our analysis, they particularly want to avoid replicating the scenario observed in the UK, where the fight against inflation was somewhat relaxed before seeing it rebound again. This experience is a source of concern for all central banks. Following these comments, US rates rebounded, with the 10-year bond yield reaching 3.80%.

US 10y 1Y



DE 10y 1Y



COMMODITIES

Gold continues to suffer the consequences of rising bond interest rates, which has a negative impact on its price. During the month of June, it continued to decline, falling from 1,950 to 1,905. Bonds become more attractive due to potentially higher yields, leading investors to favor these assets over gold.

Gold 2Y

The months go by and oil prices continue to fluctuate, oscillating between production cuts and expectations of an economic slowdown. The OPEC's willingness to reduce production reflects a decrease in demand, which strengthens the theory of a slowdown in international trade. The constant variations in the oil market reflect the uncertainties weighing on the global economy and the potential impact on energy demand.

Brent YTD

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