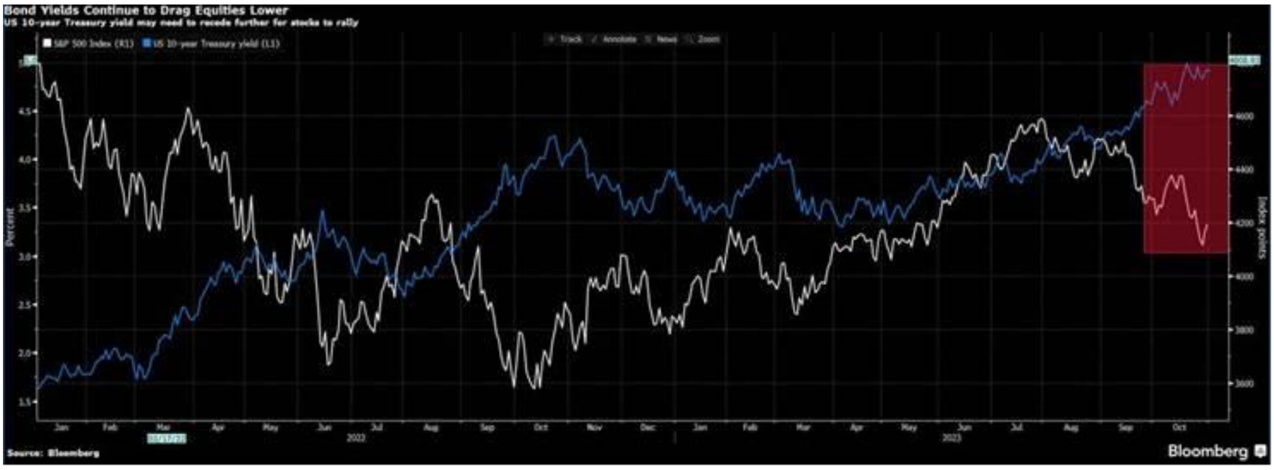
MONTHLY REVIEW

MACRO

The resurgence of geopolitics, following the recent events in the Israeli-Palestinian conflict, has raised concerns in the financial markets. So far, it has not significantly disrupted the markets, but uncertainty persists regarding the conflict's evolution and the potential for escalation.

Investors, however, have been more concerned about economic data trends. In Europe, the rate hikes over the past year have begun to impact growth, leading to mediocre PMI indicators in the last four months. This has prompted the ECB to modify its stance, emphasizing the need to avoid excessive rate hikes. It appears that the ECB's monetary tightening cycle has come to an end. In contrast, the United States continues to operate at full throttle, boasting a 4.9% growth rate in the third quarter. While inflation is decreasing modestly, there is no indication of a rapid rate cut. The Fed maintains its "higher for longer" policy stance. This mixed situation complicates investment decisions. Strong performance in the United States has pushed rates higher, increasing volatility in bond yields.



Third-quarter results have started to be released, revealing less favorable surprises. While quarterly profit growth appears to be recovering (especially in the United States) and profit margins are holding steady, it's worth noting that optimistic evaluations make companies vulnerable to even minor economic weaknesses or negative comments.

OUTLOOK

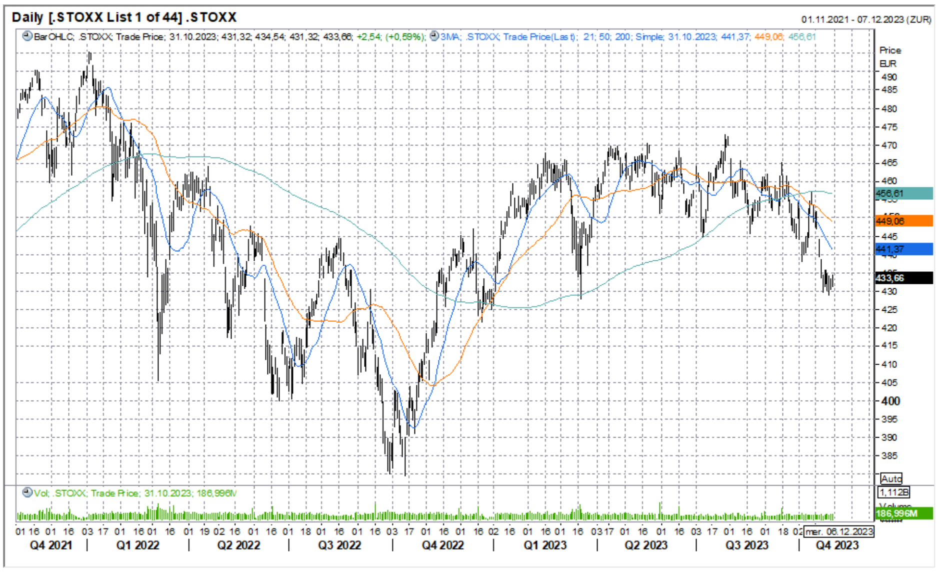
The persistently restrictive tone from central bankers and current geopolitical tensions foreshadow a period of market volatility. Therefore, it may be untimely and premature to consider strengthening positions in stocks at this stage. However, it's important to note that due to the recent market downturn, more and more securities are returning to attractive valuations.

EQUITY MARKETS

Following a challenging September, the specter of a "Red October" looms over stock indices. All major indices are undergoing corrections, indicating a 10% decrease from their peak levels (reached between May and July). Delving beneath the surface of the indices, certain stocks are in even more precarious positions. This is the case for companies like Sanofi (and generally, pharmaceutical firms), Siemens Energy, and Worldline. The release of earnings provided investors with an opportunity to profit from tech stocks, such as Meta and Alphabet, intensifying the downward movements.

Performance in October: CAC40 -3.50% (YTD 6.36%), SMI -5.22% (YTD -3.15%), Stoxx600 -3.68% (YTD 2.06%), Nasdaq -2.78% (YTD 22.78%), S&P500 -2.20% (YTD 9.23%), Hang Seng -3.91% (YTD -13.49%), Topix -3.00% (YTD 19.14%).

Stoxx600 2Y



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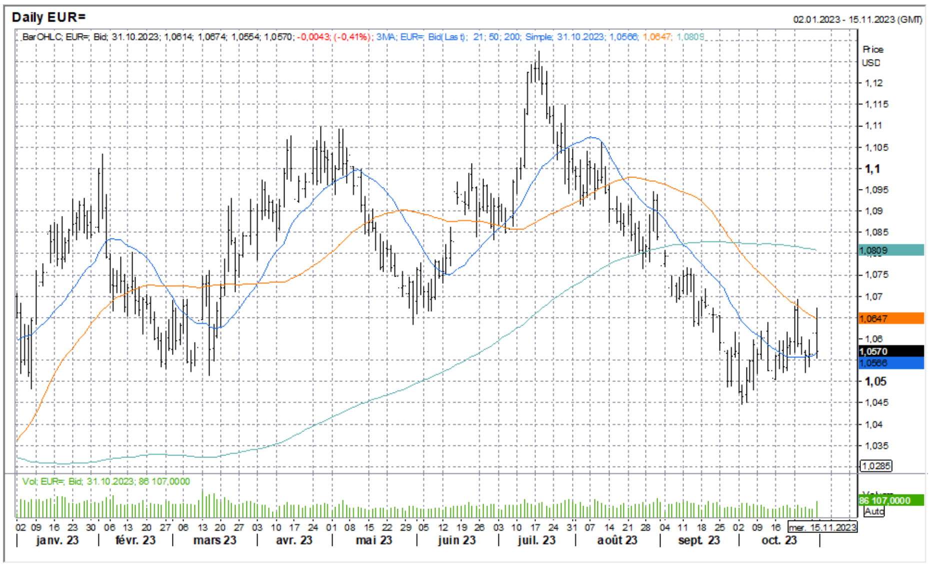
FOREIGN EXCHANGE MARKET

Looking at the month's fluctuations, the euro/dollar pair remained relatively stable. However, recent events have favored the dollar overall. The persistent hawkish positioning of the Fed, especially concerning emerging markets, strengthens the DXY dollar index. Additionally, geopolitical events in this part of the world act as a refuge for the dollar.

Yet, what is often overlooked is the flip side: the U.S. deficit is rapidly expanding, and the Biden administration has no intention of curbing spending, especially with the approaching elections. This dynamic creates a paradox because although the dollar is strengthened by various factors, concerns about the U.S. budget deficit persist behind the scenes.

EUR USD YTD



Amid Middle East tensions, the Swiss franc has played its role as a safe haven to the fullest. Mid-month, the euro/Swiss franc pair dropped to 0.942, reaching its lowest level in a year. In such a geopolitical context, the Swiss franc is expected to continue being a sought-after currency, benefiting from investors' confidence as a safe haven in times of global economic uncertainty.

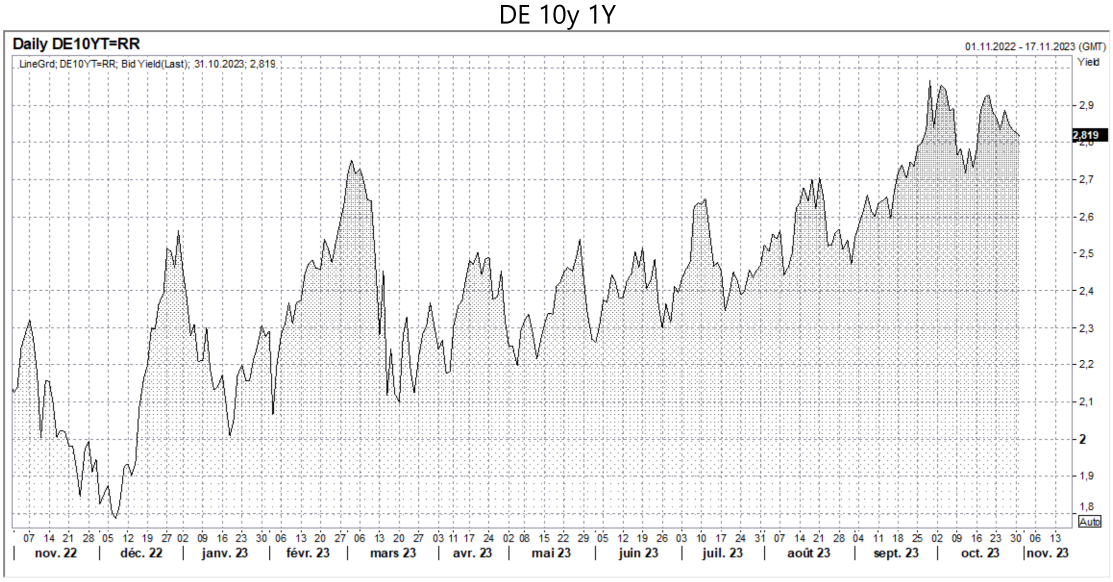
EUR CHF YTD

BOND MARKET

In recent weeks, investors' focus has shifted to interest rate movements, particularly in the United States. Throughout October, the yield on the U.S. 10-year Treasury continued its ascent, reaching the symbolic 5% threshold! The benchmark rate experienced a significant increase, rising from 4.10% to 5% over the months of September and October. This remarkable progression is attributed to the robustness of U.S. economic indicators, showing no signs of slowing down, and a persistently restrictive stance from the U.S. central bank. U.S. consumer spending remains high, as evidenced by the GDP growth, which notably increased by 4.9% over three months! A careful analysis of these data highlights the enduring strength of the U.S. economy.

US 10y 1Y

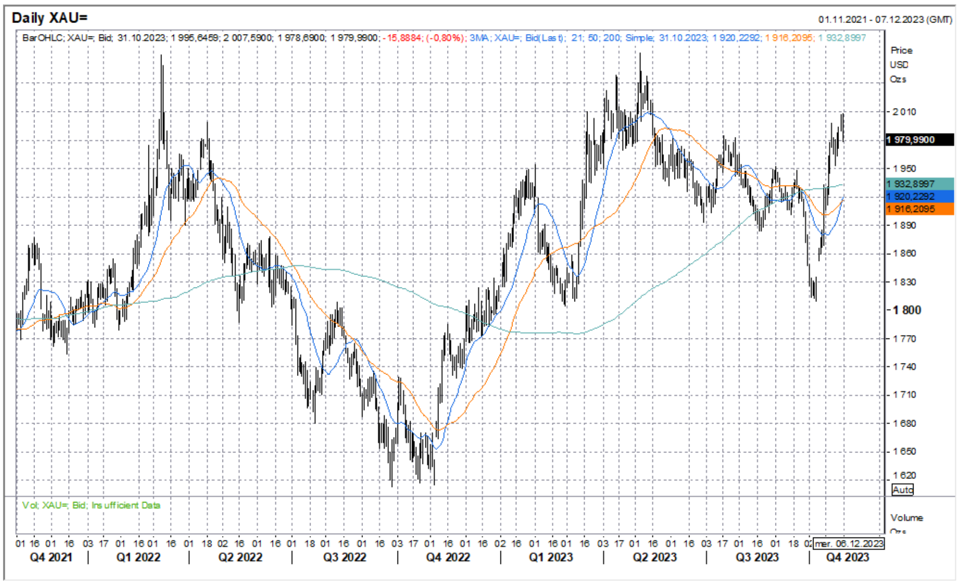
DE 10y 1Y



COMMODITIES

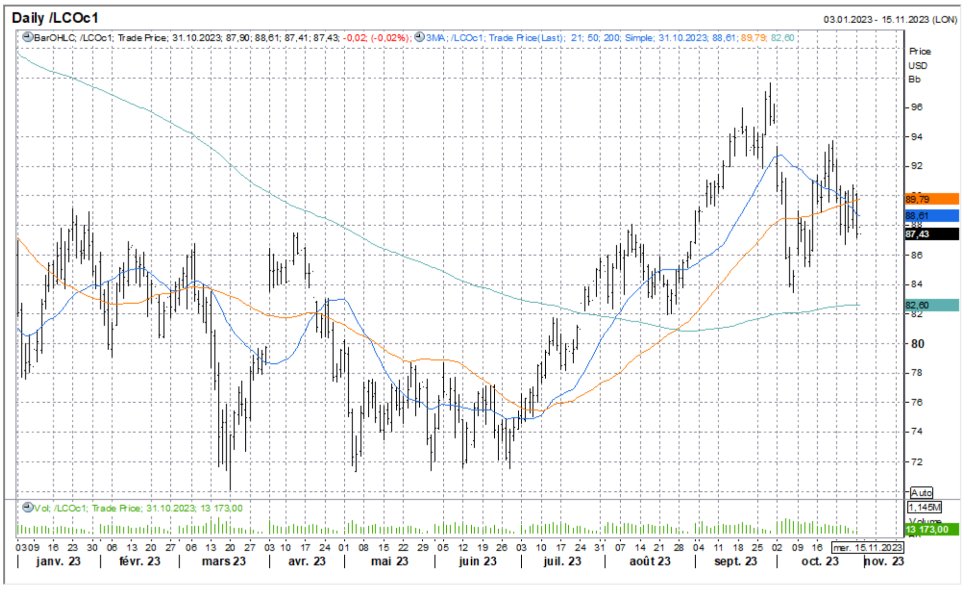
In the face of the Israeli-Palestinian conflict escalation, investors have sought refuge in gold. Over recent months, gold has suffered from rising rates, and at the beginning of October, its price dropped to around $1,800 per ounce. However, following the attacks and the escalation of the conflict that ensued, the price of gold increased by 10%. In the context of uncertainty surrounding the potential escalation of the conflict, gold remains the best asset for protection, offering investors a stable and reliable safe haven.

Gold 2Y



Oil prices have also experienced a sharp increase in response to the geopolitical situation. Initially, oil prices started to decline in early October, dropping to around $80 per barrel, before rebounding due to the conflict escalation. This reaction is due to uncertainty regarding the impact on neighboring Arab countries, which are key global oil producers. Oil markets are sensitive to geopolitical tensions, leading to these price fluctuations in response to recent events in the region.

Brent YTD



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