MONTHLY REVIEW

MACRO

Optimism prevails in financial markets, sustained by strong corporate results and anticipation of interest rate cuts. Jerome Powell's accommodative speeches are seen as a positive signal for investors. Christine Lagarde echoes similar sentiments but keeps the suspense regarding the timing of the much-awaited rate cut. In Europe, the trajectory of rate cuts has become clearer, but in the United States, it remains uncertain for the rest of the year. Notable is the surprising decision by the Swiss National Bank to lower interest rates.

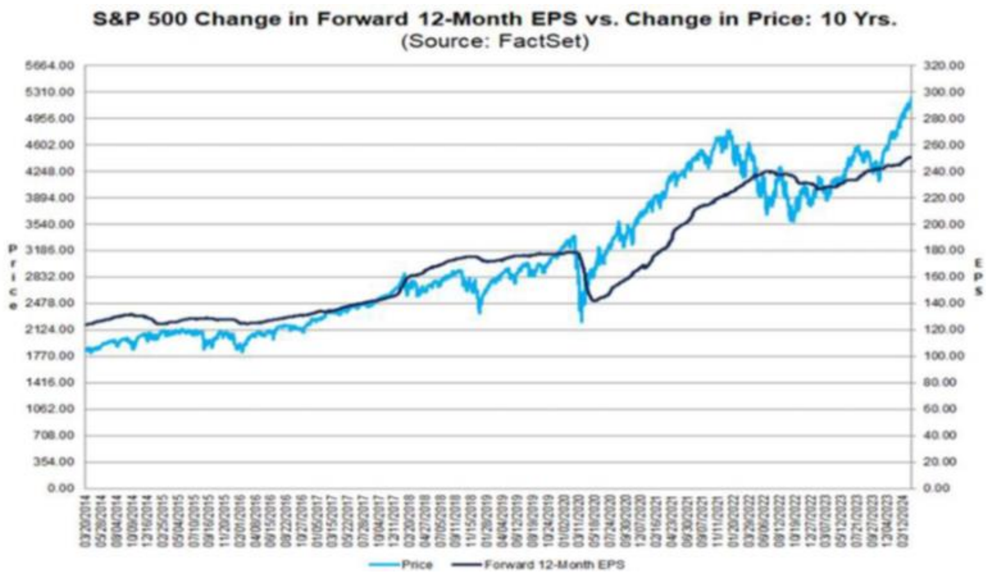
This first quarter has shown us that inflation is no longer a taboo subject, with central banks starting to consider rate cuts. This shift has also been reflected in assets such as gold or currencies, which were closely correlated with rate movements.

Bullish sentiment among fund managers in March reached the highest level since the beginning of 2022, according to a monthly Bank of America survey. Their allocation to stocks and risk appetite are also at multiyear highs, the survey found.

OUTLOOK

The year 2024 has begun on a positive note, following the growth trend observed in 2023. Growth stocks, especially in the semiconductor sector, lead the pack, attracting investor attention. Macroeconomic scenarios are evolving favorably, and risks appear to be diminishing. However, the increasing popularity of stocks could become a limiting factor at some point. Therefore, we anticipate a period of market calm, marked by profit-taking and consolidation, before the start of earnings season. These results will provide crucial insights into the sustainability of the rally before entering the period of rate decisions.

On this graph, it is noteworthy to observe a certain gap between earnings per share expectations (dark blue) and stock market performance (light blue) in the United States.



EQUITY MARKETS

In March, all sectors generally performed well, except for telecommunications, which continue to show mixed results. We observe positive progress in the energy sector, lifted by the rise in oil prices, as well as in the financial sector.

March performance: CAC40 3.42% (YTD 8.78%), SMI 2.06% (YTD 5.32%), Stoxx600 3.03% (YTD 7.03%), Nasdaq 0.64% (YTD 9.11%), S&P500 2.28% (YTD 10.16%), Hang Seng -0.29% (YTD -2.97%), Topix 2.18% (YTD 17.00%).

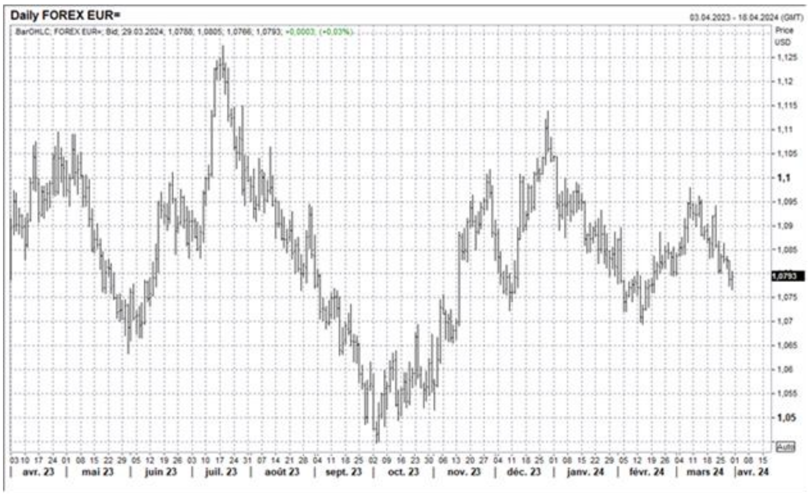
Stoxx600 2Y

Nasdaq 100 2Y

FOREIGN EXCHANGE MARKET

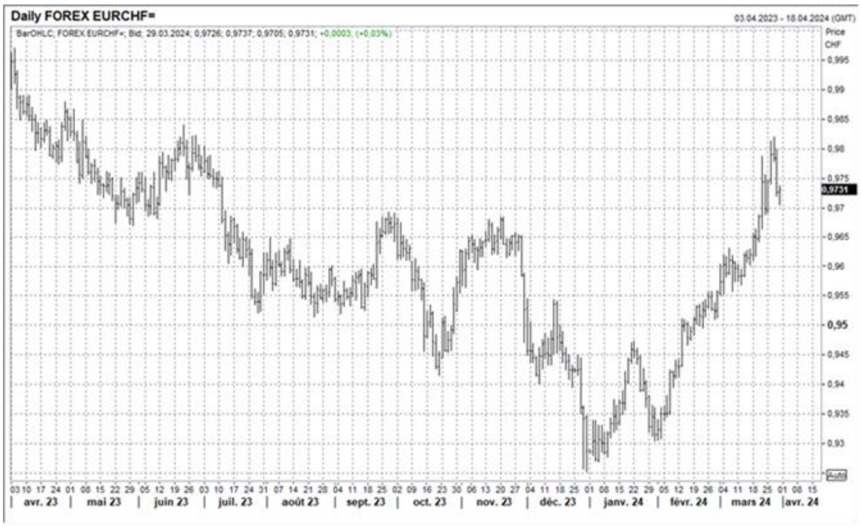
Powell's speech strengthened the dollar. General estimates indicate clearer clarity regarding the trajectory of rates in Europe compared to the United States, which has supported the dollar.

EUR USD 1Y



The recent decision by the Swiss National Bank (SNB) had an immediate impact on the exchange rate, propelling the pair to 0.98, a level comparable to that observed in June 2023. It is worth noting that the euro has been appreciating since February, but the unexpected change in SNB policy is expected to further strengthen the euro unless the European Central Bank (ECB) also lowers its interest rates.

EUR CHF 1Y



BOND MARKET

March was marked by five central bank meetings, but the spotlight was on the Fed and, unusually, the SNB.

The Federal Reserve maintained its rates unchanged last week, citing persistent inflation. According to its updated quarterly projections, the core personal consumption expenditures (PCE) price index is expected to increase at a pace of 2.6% by the end of the year, an upward revision from December's forecasts (2.4%).

Contrary to expectations, the Swiss National Bank (SNB) surprised by reducing its rates by 25 basis points, becoming the first major central bank to do so. Its inflation forecasts were revised downward from December, also reflecting a downward revision of second-round effects. The SNB seems concerned about growth in Switzerland, expecting sluggish GDP growth for 2024 due to weak external demand and the real appreciation of the franc since early 2023.

On its part, the Bank of Japan (BoJ) raised its policy rate for the first time since 2007, ending its negative rate and yield curve control policy in place since 2016. This decision comes as the BoJ observes a stronger linkage between wages and inflation.

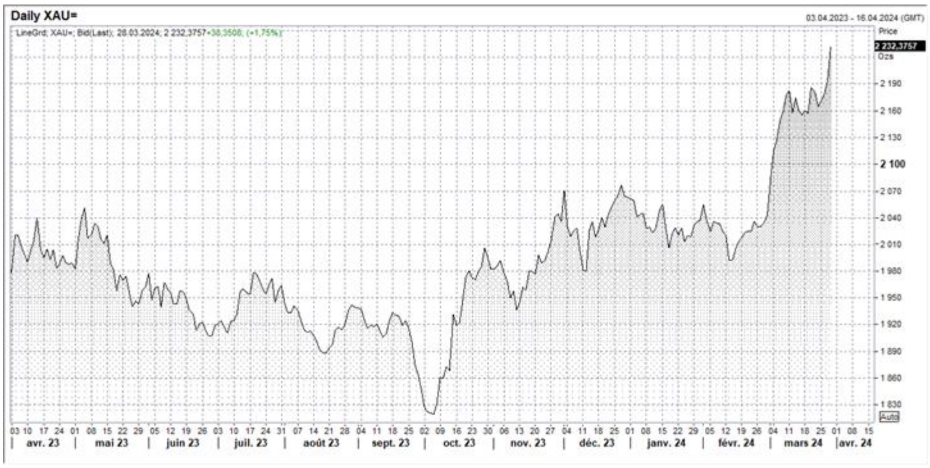
US 10y 1Y

DE 10y 1Y

COMMODITIES

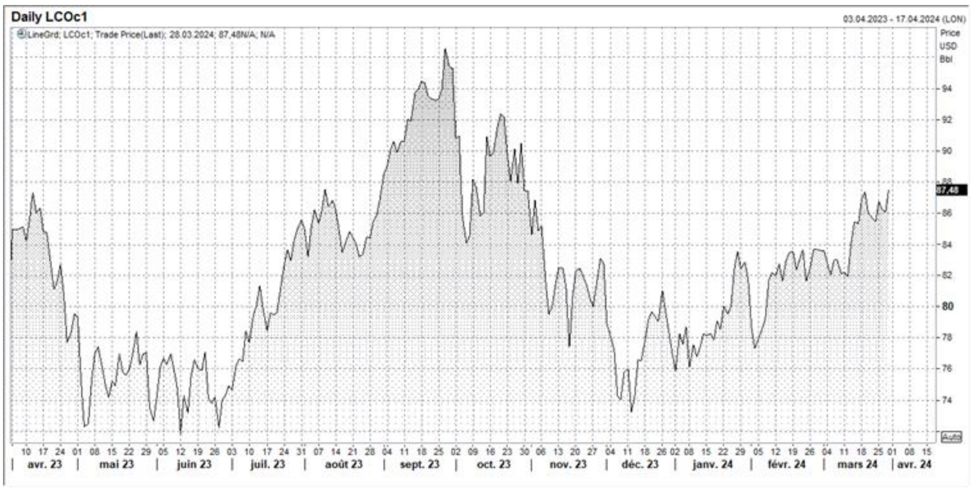
Gold finally broke its consolidation phase that began several months ago, which had a positive impact on its price, as anticipated. Moreover, the correlation between gold and rate movements is starting to fade, suggesting that investors are becoming less sensitive to Fed speeches and considering a normalization of monetary policy.

Gold 2Y



For several weeks, even months, oil has been gradually rising in price. In March, the price of Brent rose from 82 to 87 dollars per barrel. Driven by several factors, including supply shortages, this trend has generated general interest and propelled oil prices to their highest level since late October 2023. This will be interesting to follow for several reasons. First, we are in a major election year worldwide, especially in the United States, where energy prices are a sensitive issue during elections. Secondly, there is the impact of oil prices on inflation, which could again become a major concern. Any increase beyond 90 dollars could begin to pose an inflationary risk.

Brent 1Y



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