MONTHLY REVIEW

MACRO

In September, the U.S. services sector accelerated, with its activity index rising from 51.5 to 54.9, marking the strongest growth since February 2023. Service prices (excluding energy) increased by 4.7%, a figure closely monitored by the Federal Reserve, as the unemployment rate dropped to 4.1%, surprising the markets. With a 2.8% growth rate in the third quarter, the U.S. economy is displaying resilience despite high interest rates, prompting the Fed to adopt a cautious stance on any potential rate cuts.

In Europe, the European Central Bank lowered rates by 0.25% in October, while the Eurozone GDP grew by 0.9%, its best performance since early 2023. However, Germany's economy shrank by 0.2%, highlighting some internal weaknesses. Inflation edged up to 2% in October, leading to careful monitoring of price trends and the ECB's scope for further action.

China's economic growth slowed to 4.6% in the third quarter, marking its lowest increase rate this year. However, the manufacturing PMI reached 50.1 in October, indicating a tentative return to factory growth. This slight rebound, alongside recent stimulus measures, suggests potential for improvement.

The latest earnings season shows mixed results: American companies are benefiting from a strong economy, while European firms face more challenges. Each earnings surprise, whether positive or negative, triggers sharp market reactions, reflecting the volatility currently affecting equity markets.

OUTLOOK

We maintain a favorable view on equities, as highlighted in both July and August. However, the approach of the U.S. elections could introduce market volatility, with potential fluctuations depending on the elected candidate. While certain sectors or stocks may be impacted, we believe that the major indices are likely to continue their upward trend through the end of the year.

In the context of rate cuts, we favor high-yield corporate bonds. Despite relatively low credit spreads, these bonds still offer attractive returns. Additionally, many companies are currently well-positioned with strong cash reserves, reinforcing their ability to meet payment obligations.

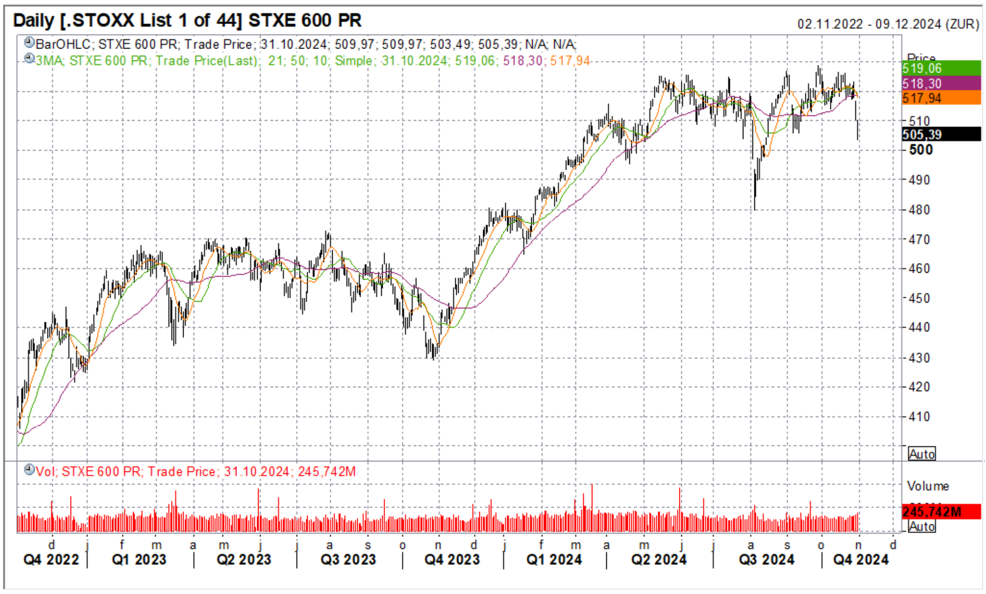
EQUITY MARKETS

In October, sectors experienced notable fluctuations: financials rose by 3.54%, benefiting from strong bank earnings, while the energy sector fell by 4% due to declining oil prices. The healthcare sector declined by 3%, and both materials (-1%) and utilities (-1.8%) were also impacted. In contrast, telecommunications recorded a slight increase of 1.4%.

The October earnings reports revealed significant disparities among stocks. In the U.S., Paycom (+21%) and Entergy (+15%) surpassed expectations, whereas Estée Lauder (-22%), Aptiv (-17%), and MGM Resorts (-11%) disappointed investors. In Europe, BNP Paribas saw a decline of 5% following results that fell short of forecasts, while Société Générale delivered positive surprises with a 10% increase.

October performance: CAC40 -2.95% (YTD -2.56%), SMI -2.43% (YTD 5.88%), Stoxx600 -2.97% (YTD 5.51%), Nasdaq100 0.59% (YTD 18.21%), S&P500 -0.06% (YTD 19.62%), Hang Seng -3.86% (YTD 19.18%),
Topix 0.18% (YTD 13.91%).

Stoxx600 2Y



Nasdaq 100 2Y

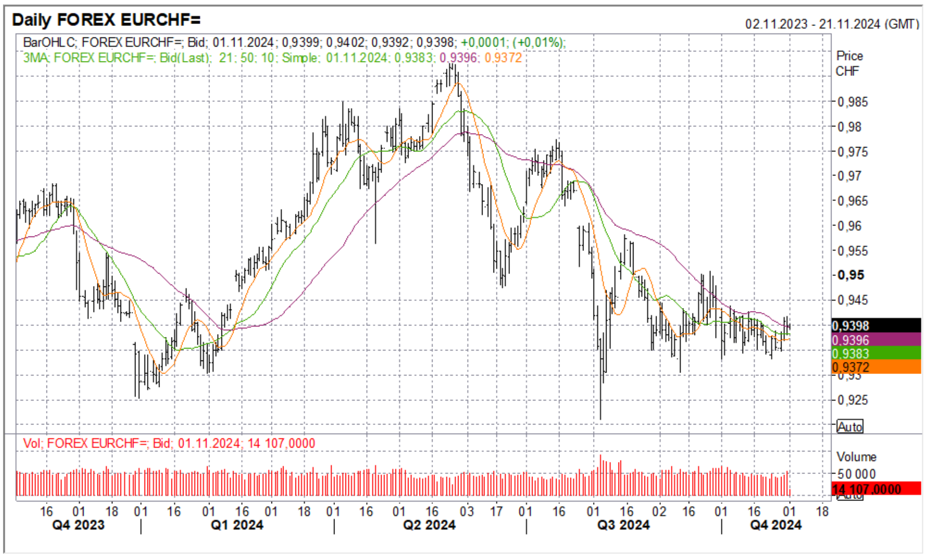
FOREIGN EXCHANGE MARKET

The dollar continued its strong appreciation throughout October. Solid economic data from the United States pushed back expectations for interest rate cuts, bolstering confidence in the U.S. currency. As a result, the dollar gained 2.5% against the euro, highlighting its strength in the foreign exchange market.

EUR USD 1Y

The EUR/CHF exchange rate fluctuated around 0.94 without showing a clear trend. For the euro to strengthen, growth in Europe needs to improve. However, current geopolitical uncertainties are drawing investors towards the Swiss franc. The EUR/CHF pair is likely to continue trading in the range of 0.935 to 0.95 in the coming month. This stability is supported by the lack of clear trends in Europe.

EUR CHF 1Y



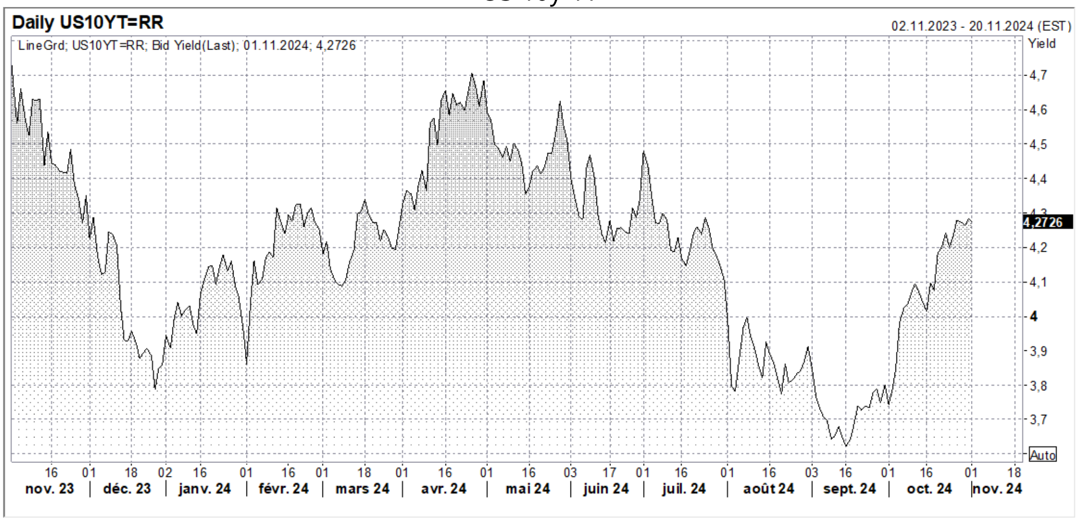
BOND MARKET

The strength of the U.S. economy, coupled with Donald Trump's rising poll numbers—his policies perceived as more inflationary—has led to an increase in U.S. bond yields. In response, markets have adjusted their expectations for monetary policy, now anticipating only five interest rate cuts from the Federal Reserve by the end of 2025, down from eight that were considered at the beginning of the month.

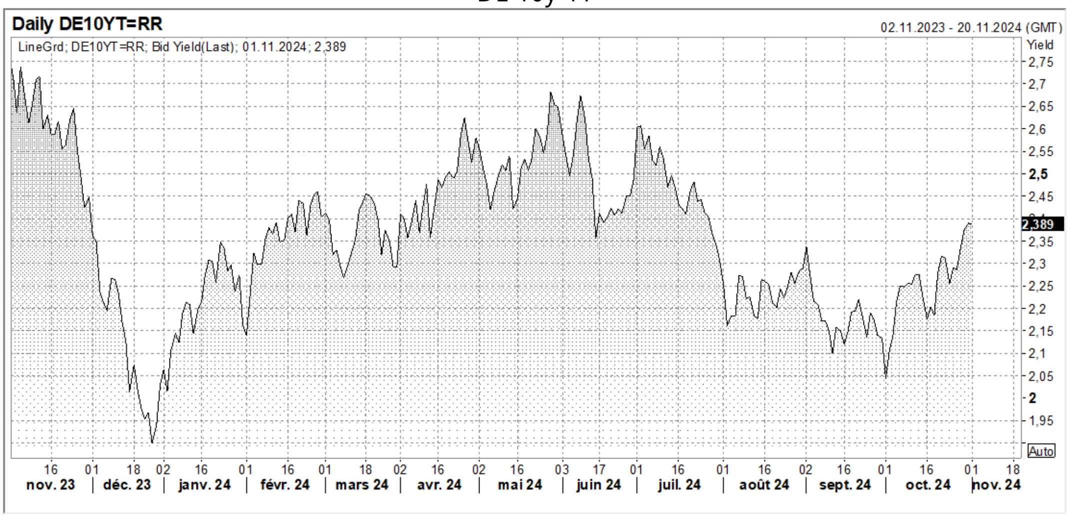
In this context, the yield on 10-year U.S. Treasury bonds rebounded by +55 basis points, reaching a peak of 4.28%, the highest since July. The slope of the U.S. yield curve (the difference between 10-year and 2-year yields) flattened, ending October at +10 basis points.

In Europe, 10-year German bonds also increased by +25 basis points, reaching 2.39%. Meanwhile, the yield spread between 10-year German and French bonds narrowed, decreasing from 80 to 74 basis points.

US 10y 1Y



DE 10y 1Y



COMMODITIES

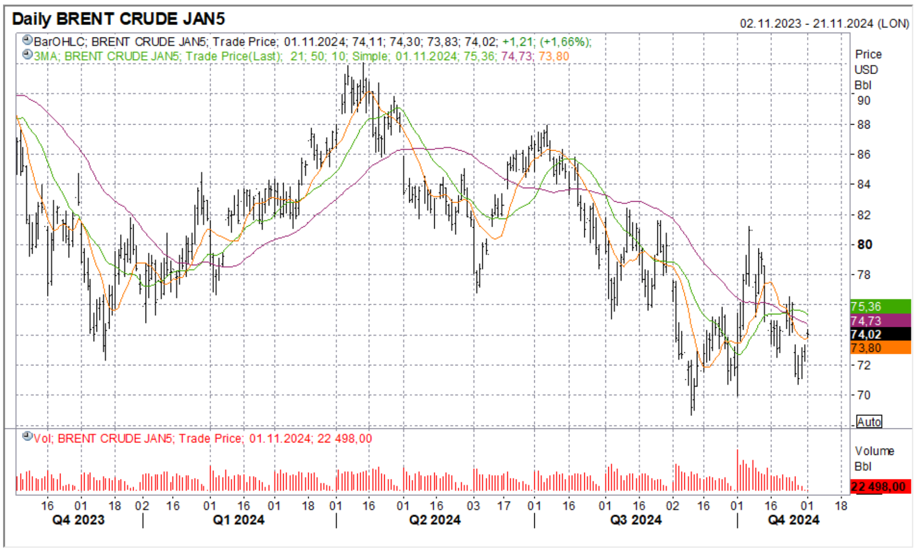
Since August, the precious metal has been consistently setting new records, driven by escalating geopolitical tensions and likely bolstered by purchases from certain central banks. Notably, central banks in emerging markets, particularly those within the BRICS nations, have significantly increased their gold reserves.

Gold 2Y

OPEC has lowered its growth forecasts for oil demand for 2024 and 2025. The cartel now anticipates an increase of 1.9 million barrels per day in 2024 compared to 2023, which is 106,000 barrels fewer than its initial estimate. This marks the third consecutive month that OPEC has revised its forecasts downward, although it still expects demand to rise by 2% this year compared to 2023.

These forecasts remain optimistic, especially in light of the cartel's recent decisions. OPEC has postponed the increase in its production quotas, originally set for October, by two months due to weakening demand. This delay reflects ongoing uncertainty regarding the outlook for global demand.

Brent 1Y



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