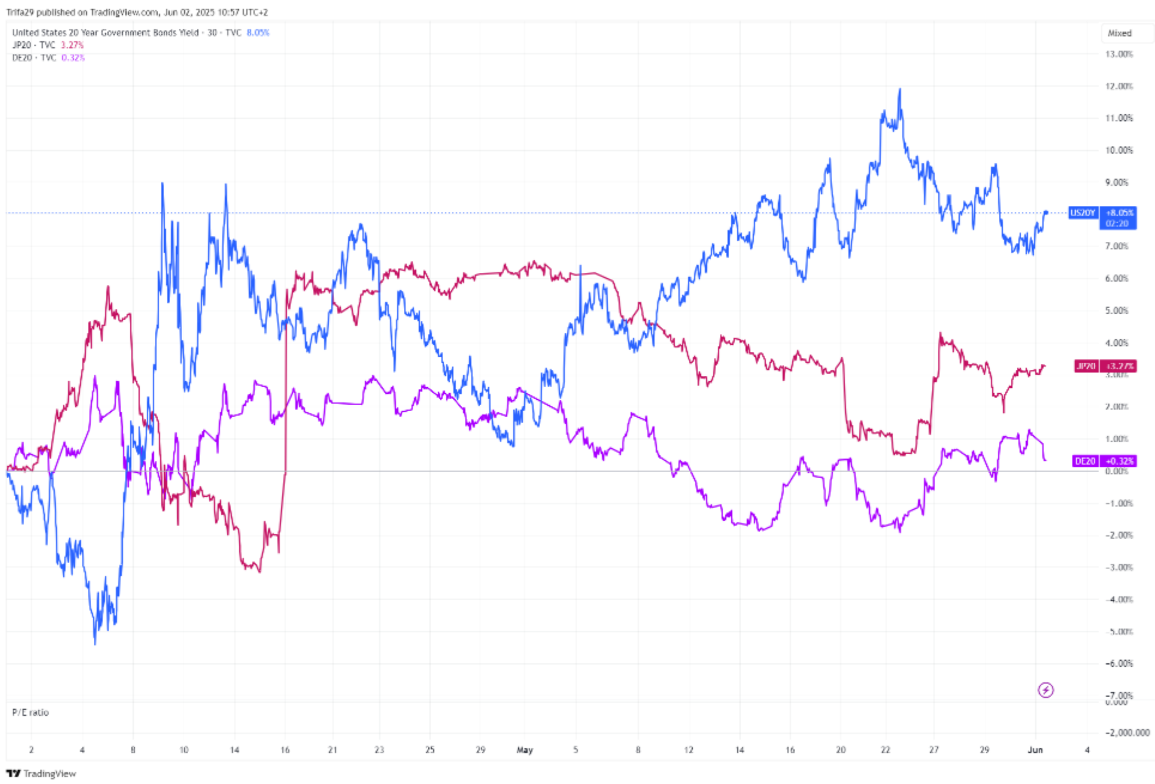
MONTHLY REVIEW

MACRO

May was marked by a calming of trade tensions, particularly following the Trump administration's decision to delay tariff increases in favor of renewed negotiations. The move helped ease pressure on financial markets, but investors' attention quickly shifted to another concern: the rising trend in long-term interest rates.

In the U.S. and Japan, long-term bond yields rose noticeably in recent weeks—by 9% and 4%, respectively. This followed a decline in March and April driven by trade tensions and fears of a possible recession. In May, however, sovereign yields rebounded sharply. The upward movement reflects growing concerns over governments' ability to finance widening budget deficits, especially as inflationary pressures remain high in both countries. In contrast, European yields remained relatively stable, increasing only 1%. This divergence highlights the fact that the Eurozone is less exposed to inflation and is experiencing slower economic growth, which tempers expectations of interest rate hikes.

Trends in Long-Term Yields: U.S., Japan, and Europe



In the U.S., while recent economic indicators have been broadly reassuring, however household inflation expectations have risen significantly. It raises the risk of a scenario where economic stagnation coexists with persistent inflationary pressures.

OUTLOOK

We believe that equity markets are likely to continue the rebound that began in mid-April, moving toward previous highs. That said, this upward trend could be interrupted by sudden corrections triggered by comments or developments related to tariffs. In the short term, we think that any trade agreement—even a partial one—would be welcomed by the markets, as it would signal easing tensions and a gradual return to normal business conditions.

We continue to favor credit and high-yield bonds over government debt, which we consider less attractive at this stage.

EQUITY MARKETS

Equity markets have extended their V-shaped rebound from the early April lows, driven by easing trade tensions and the postponement of tariff hikes. The reversal has been striking, with the S&P 500 gaining 20% in just six weeks. Corporate earnings have generally been strong, providing additional support to market momentum.
Value stocks are currently outperforming growth stocks, reflecting a rotation in investor preferences. European financials continue to deliver solid results, while defense-related names remain in high demand. Meanwhile, U.S. tech stocks have staged a sharp recovery, contributing to the broader rally.

May performance: CAC40 2.08% (YTD 5.03%), SMI 0.91% (YTD 5.40%), Stoxx600 4.02% (YTD 8.09%), Nasdaq 9.56% (YTD -1.02%), S&P500 6.15% (YTD 0.51%), Hang Seng 5.29% (YTD 16.10%),
Topix 5.03% (YTD 0.60%).

Stoxx600 2Y

Nasdaq 100 2Y

FOREIGN EXCHANGE MARKET

The U.S. dollar index (DXY) has remained stable, with a brief rebound attempt in mid-May, driven by the postponement of tariff hikes between China and the United States. However, this upward move was short-lived, as investors continued to hedge against dollar-related risks in an environment where U.S. policy remains unpredictable.

EUR USD 1Y

The EUR/CHF pair remained broadly stable, trading within its usual range of 0.93 to 0.94. The Swiss National Bank (SNB) is scheduled to meet on June 19 to decide on its monetary policy, with a likely cut in the key interest rate to 0%, returning to the level last seen in October 2022.

EUR CHF 1Y

BOND MARKET

We discuss this point in greater detail in the macro outlook at the beginning of the document.

In the bond market, the U.S. 10-year yield rose by 25 basis points in May, while its European counterpart saw a more modest increase of 10 basis points.

US 10y 1Y

DE 10y 1Y

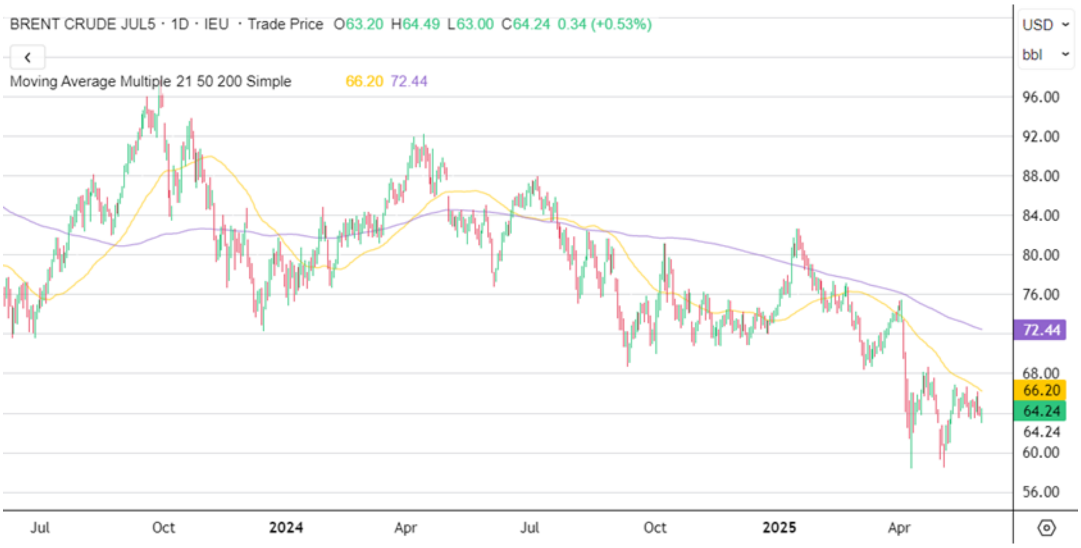
COMMODITIES

Gold is beginning to stabilize around $3,300, fluctuating within a range of $3,200 to $3,400. On one hand, the profound transformation of global trade is boosting demand for gold as a safe-haven asset. On the other hand, announcements of postponed tariff measures and the potential for trade agreements are easing geopolitical tensions, putting downward pressure on an asset that has seen significant gains in recent years. In the medium to long term, the upward trend remains intact, but in the short term, the prospect of trade deals may continue to weigh on prices.

Gold 2Y

Oil prices remain under pressure, weighed down by trade tensions that are disrupting global goods flows and dampening energy demand. In addition, ongoing talks between Iran and the United States are reinforcing the prospects of a gradual return of Iranian supply to the market, further adding to the downward pressure on prices.

Brent 1Y



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