MONTHLY REVIEW

MACRO

Financial markets are currently moving in an environment heavily shaped by geopolitical tensions. The military escalation between Israel and Iran, with a series of reciprocal strikes and the high-profile intervention of the United States under President Trump, has revived regional uncertainty. While the direct military impact of these actions is difficult to measure, some analysts believe this has immediately restored American strategic credibility in the Middle East. In this context, Israel appears to be the main beneficiary of this show of force, while Saudi Arabia could also benefit from the new regional balance.

On the economic front, expectations of new tariffs continue to disrupt supply chains in the United States. Faced with ongoing uncertainty, companies are increasing their inventories, which adds pressure to logistics. This leads to a temporary rise in activity, particularly through short-term hiring to handle the extra workload. While this dynamic temporarily supports the "Employment" component of PMI indices, the precarious nature of these jobs highlights the lack of a sustainable recovery in the labor market.

Consumption is expected to remain moderate, despite a still robust labor market and rising real wages. On the political front, deregulation may provide limited support, but is unlikely to reverse the ongoing economic slowdown.
Moreover, as shown in the table, it is unusual to see such significant fluctuations in durable goods orders, with a 4% decline in April followed by a 16% rebound the following month. This volatility can be explained by the impact of the trade war, which forces companies to operate in an uncertain environment and to rapidly adjust their orders in order to manage their inventory levels.

Durable Good Orders MoM and US GDP Growth QoQ

	Actual	Previous	Consensus	Forecast
Durable Goods Orders MoM MAY	16.4%	-6.6% ®	8.5%	5.2%
GDP Growth Rate QoQ Final Q1	-0.5%	2.4%	-0.2%	-0.2%

In the euro area, the recovery is showing signs of fatigue. Domestic demand remains weak, a strong euro is holding back exports, and trade-related uncertainties are weighing on investment. The arrival of Friedrich Merz in power in Germany and planned defense spending could have positive effects, but only in the longer term. The ECB, benefiting from contained inflation, retains some flexibility, but confidence remains fragile and trade tensions continue to threaten a sustained recovery

OUTLOOK

After staying invested and optimistic through March and April, and taking advantage of opportunities to adjust equity positions, we now believe that at these market levels it is time to scale back risk. We plan to gradually reduce our equity exposure to return to a neutral stance. US markets, in particular, have returned to levels close to the highs seen in February 2025, which we see as an appropriate point to take profits.

This strategy is based on an assessment of the global context, where several systemic risks persist: uncertainty over tariffs, ongoing geopolitical tensions, fragile supply chains, and rising inventories among companies. In this environment, increasing our cash allocation seems consistent, to preserve flexibility and seize potential opportunities ahead.

EQUITY MARKETS

The United States, which many may have dismissed a bit too quickly, has made a notable comeback. In June, the U.S. market caught up with Europe, driven by a rebound in several strategic sectors. Conversely, the European market experienced a phase of profit-taking.

The semiconductor segment stood out, posting a 12% increase in June, reflecting renewed risk appetite among investors. More broadly, the technology sector rose by 7%, confirming continued interest in growth stocks.

June performance: CAC40 -1.11% (YTD 3.86%), SMI -2.50% (YTD 2.76%), Stoxx600 -1.33% (YTD 6.65%), Nasdaq 6.57% (YTD 5.48%), S&P500 4.96% (YTD 5.50%), Hang Seng 3.36% (YTD 20.00%),
Topix 1.83% (YTD 2.44%).

Stoxx600 2Y

Nasdaq 100 2Y

FOREIGN EXCHANGE MARKET

The US dollar continues to decline, despite still favorable rate differentials. This move is partly explained by a shift in tone from Fed member Michelle Bowman, who has expressed openness to rate cuts. Additionally, easing tensions between Israel and Iran have helped calm geopolitical risks, adding downward pressure on the dollar. We expect a technical correction lower, with a potential move toward 1.15. This level could then attract renewed interest in the euro.

EUR USD 1Y

EUR/CHF remains without clear direction in the short term. Geopolitical developments and European growth should remain the main drivers of this currency pair. The probability of a more significant rate cut by the SNB at its next meeting is increasing, especially after the Swiss franc appreciated due to tensions between Israel and Iran.

EUR CHF 1Y

BOND MARKET

On the monetary front, the FOMC, meeting on June 17 and 18, kept its policy rates unchanged, emphasizing ongoing uncertainties around inflation, particularly linked to tariffs and energy prices. Jerome Powell confirmed a cautious approach, implicitly mentioning the possibility of a policy adjustment by the end of the summer, provided inflationary pressures ease.

At the same time, monetary diversification has accelerated. Norway and Switzerland lowered their interest rates in June, in sharp contrast to the cautious approach of the Federal Reserve, which for now prefers to maintain the status quo. In Switzerland, the Swiss National Bank (SNB) has begun signaling that it may venture into negative interest rate territory to counter the strength of the franc and the signs of deflation observed in May.

Bond markets have seen high volatility in the first half of the year. In Europe, fiscal tensions have pushed yields higher, while in the US, trade policy has reduced the appeal of Treasuries as a safe haven. Since then, credit spreads have narrowed. Going forward, economic divergences between the two regions may persist. The Fed is expected to keep rates between 4.25% and 4.50% this summer, with a first cut possible in September. However, tariffs and fiscal deficits remain sources of inflation risk. In Europe, continued disinflation could allow the ECB to further ease policy.

US 10y 1Y

DE 10y 1Y

COMMODITIES

In a tense geopolitical climate marked by high volatility, gold continues to confirm its status as a safe haven. Central bank purchases are also ongoing this year, supporting demand. This month, gold traded in a range between $3,200 and $3,500.
In the short term, easing market tensions could lead to a drop in gold prices, with a technical level to watch around $3,230. If this level is breached, prices could fall toward $3,100. In the medium and long term, however, we remain positive on gold. More than just a tactical asset, it remains a strategic pillar in a diversified portfolio.

Gold 2Y

Amid heightened tensions between Israel and Iran, the oil market has experienced exceptional volatility in recent weeks. The Israeli offensive and Iranian threats to the Strait of Hormuz—which handles nearly 20% of global oil flows—pushed Brent up nearly 20% to approach $80 a barrel, before falling back to around $67 after a ceasefire was announced. This volatility is partly due to rapid short covering, which amplified the initial rebound, but also reflects extreme investor nervousness about possible supply disruptions.
Despite this spike, the underlying trend remains downward, driven by slowing global growth and weaker demand, especially in China and emerging markets. In the short term, economic fundamentals should continue to weigh on prices, which are expected to fluctuate between $63 and $70 a barrel according to the latest forecasts. However, the market remains highly sensitive to geopolitical developments. A blockage of the Strait of Hormuz or a major attack on Iranian oil infrastructure could trigger a price spike, potentially above $100 a barrel.

Brent 1Y

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