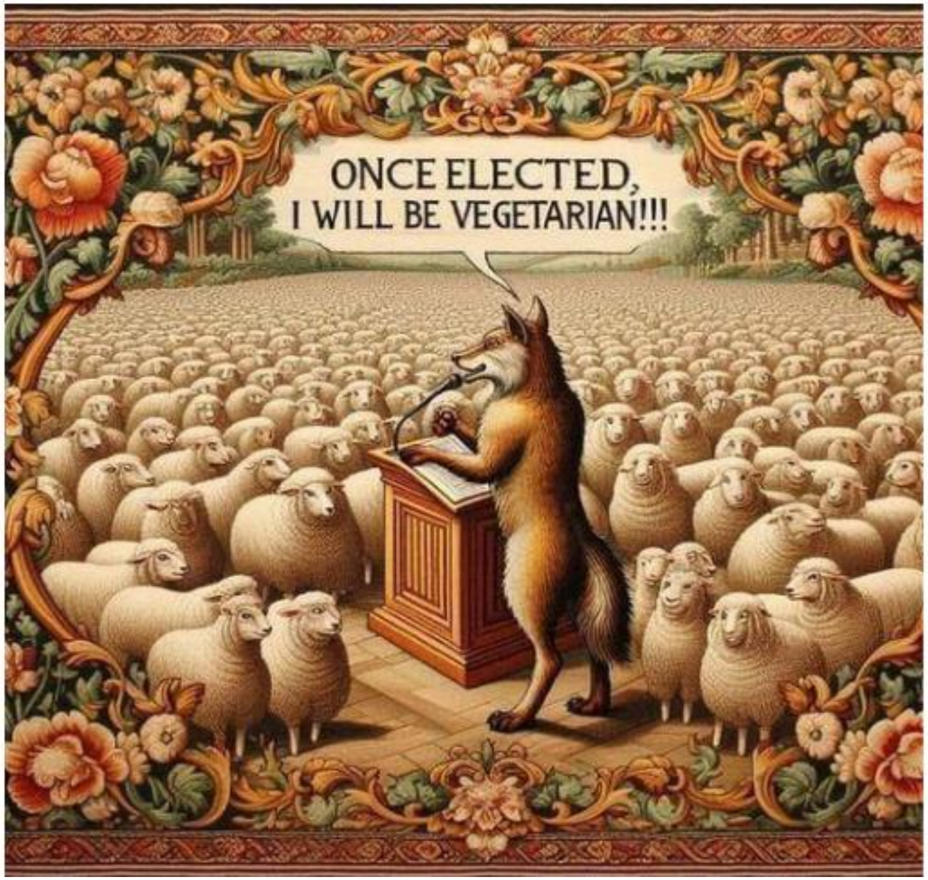

WEISSHORN
ASSET MANAGEMENT SA

Investment Committee Q2



1. Market highlights

- Economic activity is, as expected, slowing down but a **global recession should be avoided**.
- **Inflation** continues to move towards the Central Banks' target. A reacceleration cannot be ruled out, but this scenario is not the favored one.
- The slow contraction in **inflation is weighing on household savings** and the labor market.
- The US and European commercial Real Estate market remains under pressure, while residential **Real Estate is becoming increasingly unaffordable** on both sides of the Atlantic.
- Most of developed countries **Central Banks** started to **ease** their **monetary policy**. The FED remains muted for the moment.
- 2024 **FED rate cut expectations** fell from seven to two during the first half of the year. Despite this, investors continued to accumulate risky assets.
- The **geopolitical context** remains tense but stable. The human disaster continues on the battlefields of Ukraine and Gaza.
- Citizens called to the polls tend to **vote for the extremes** (of left and right). Is democracy being rethought?
- Since July 1st Viktor Orbán is taking the presidency of EU for 6 months.

1. Market highlights

- The U.S. presidential elections will be the finishing touch to an eventful election year. **Trump leads the polls** after his debate with President Biden.

- The **Trade War** between the West and China is in full swing. The biggest losers in the new tariffs are Consumers.

- **Company earnings** continue to perform well, even if there are signs of waning demand.

- The most crowded bet "Large Cap Tech" continued to drive equity markets in Q2.

- **Valuations** in some sectors are at high levels. A derating cannot be ruled out, but these companies' **balance sheets** remain **healthy** and **cash flow generation** is on track.

- The slightest **disappointment in guidance** is unforgiving. Consumer Discretionary companies such as Nike, Walgreen Boots Alliance and Stellantis have paid the price.

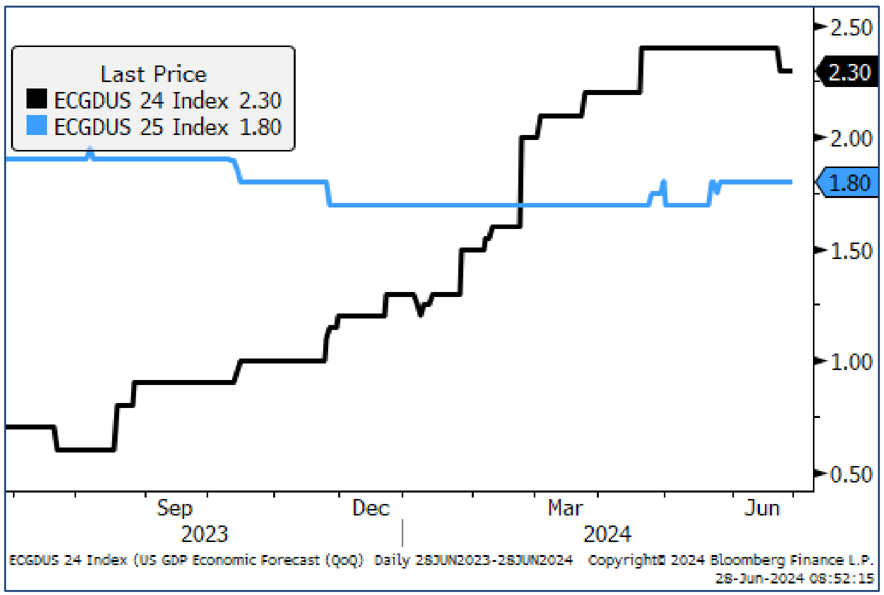
- Some **Commodities**, such as Gold and Copper, **reached all-time highs** before suffering profit-taking setbacks. The Commodities secular bull market is setting in.

2.1 Economic : GDP Forecast

- The US economy continues to **expand**, albeit **at a slower pace**. The annualized growth rate for the first quarter of this year was 1.4%, a sharp decline from the 3.4% recorded in the fourth quarter of 2023. Despite this slowdown, economic growth is expected to continue for at least one more quarter.

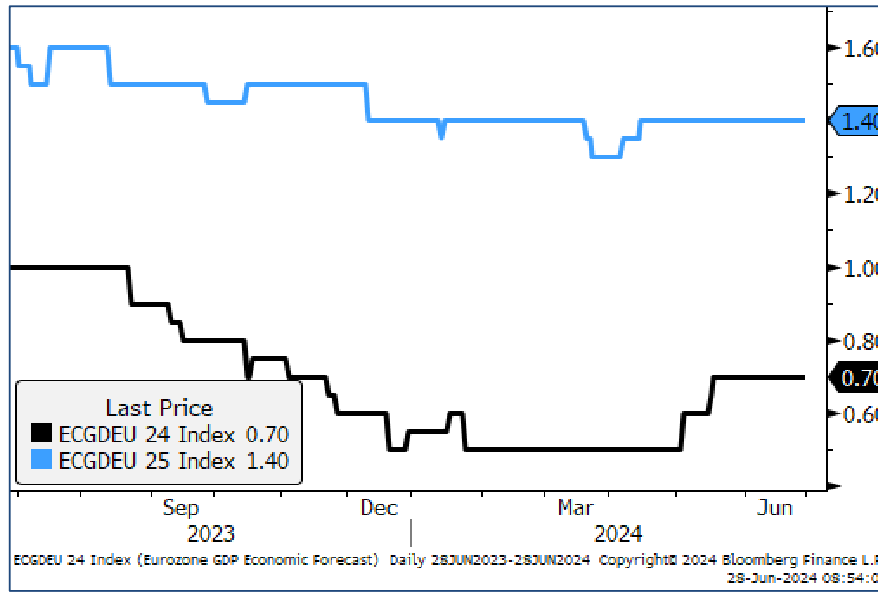
- In Europe, expectations for 2024 have been revised slightly upwards following better-than-expected economic data. For 2025, expectations remain unchanged at 1.4%.

US GDP Forecast



Source: Bloomberg

EU GDP Forecast

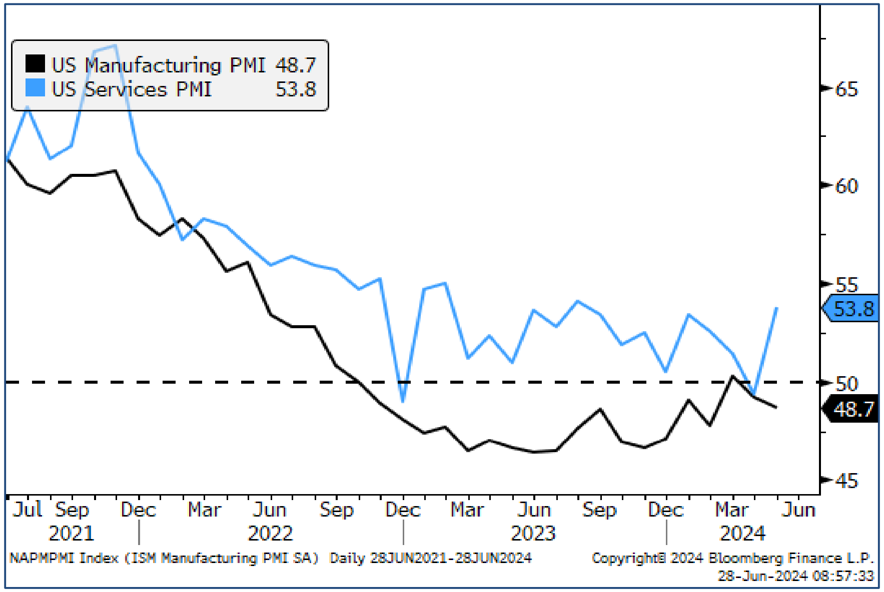


Source: Bloomberg

2.1 Economic : PMI

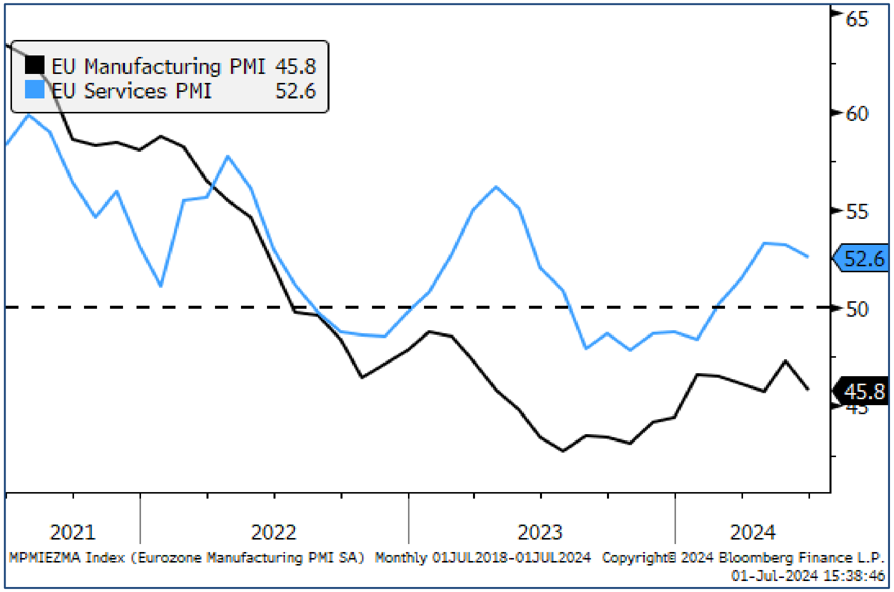
- After the release of the ISM Manufacturing, which unexpectedly fell to 48.7 in May from 50.3 in March, **the data indicates a further contraction in manufacturing activity**. This decline is attributed to weaker demand, stable production, and slowing prices. Europe's manufacturing PMI are still in contraction territory but should recover now that the ECB has started to ease its monetary policy.
- The ISM Services in the US rose to 53.8 in May, reaching its highest level in nine months. This figure indicates a rebound in activity in the services sector following the first contraction recorded since December 2022. Both in Europe and US **services PMI remain strong** and could continue to put pressure on inflation and Central Banks.

US PMI



Source: Bloomberg

EU PMI



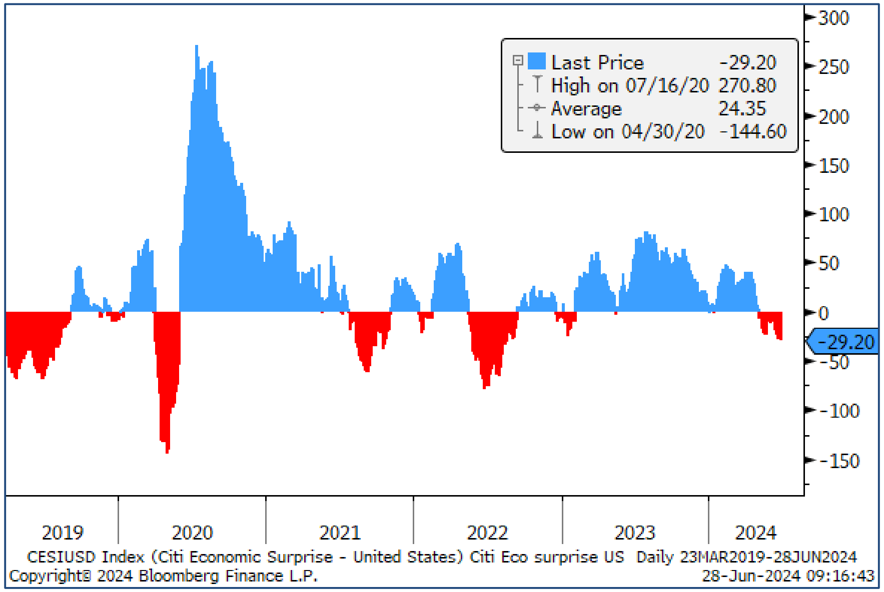
Source: Bloomberg

2.1 Economic : Citi Economic Surprise

- In the US, economic data has been coming out below analysts' expectations on average for several weeks now. This could mean that the US economy is finally slowing down, and that the Fed could finally be starting its easing cycle.

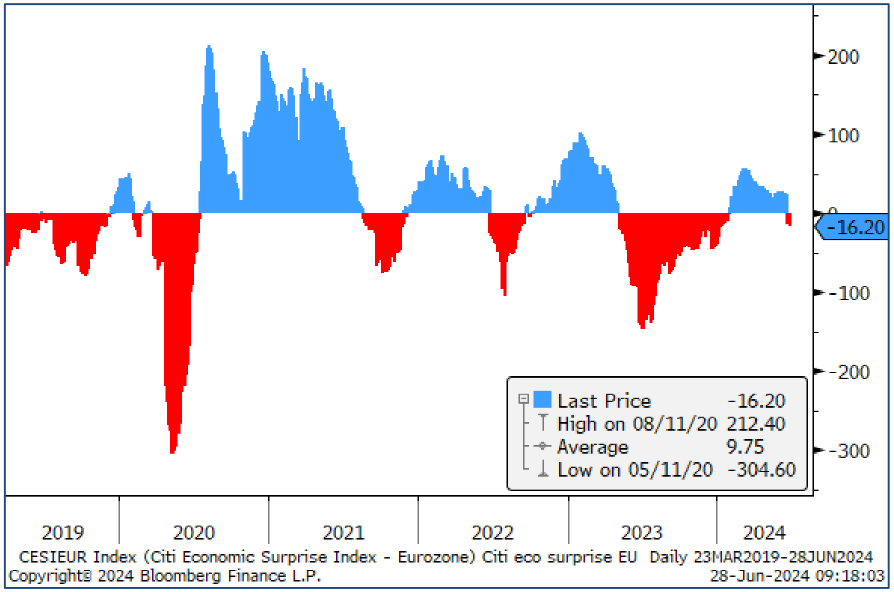
- In Europe, the trend has also been reversing for some time. However, the ECB has already begun its easing cycle and, although it will take time, we should see an improvement in macro data in the future.

Citi US Economic Surprise



Source: Bloomberg

Citi EU Economic Surprise



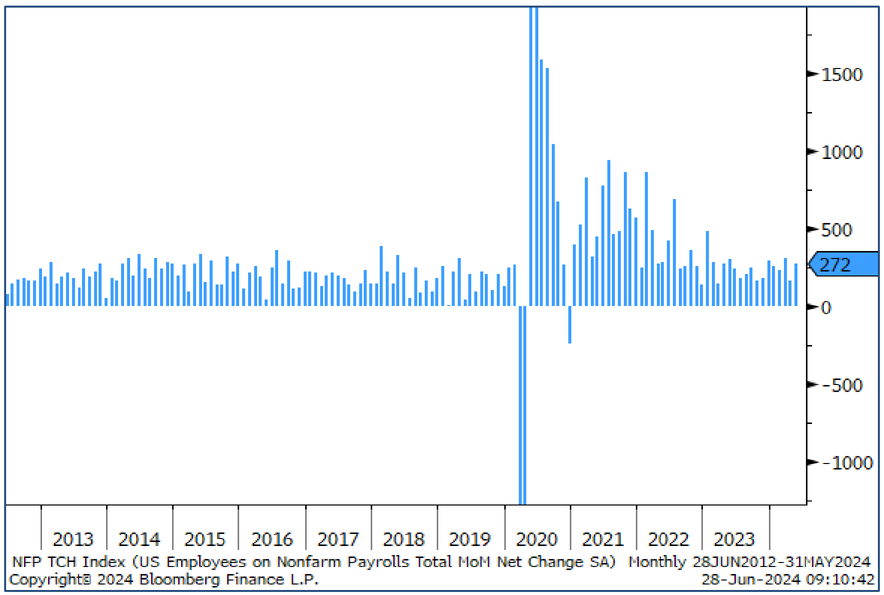
Source: Bloomberg

2.1 Economic : Labor Market

- The **labor market also remains very strong**. The US economy created 272'000 jobs in May, significantly exceeding the 165'000 added in April and far surpassing the forecast of 185'000.

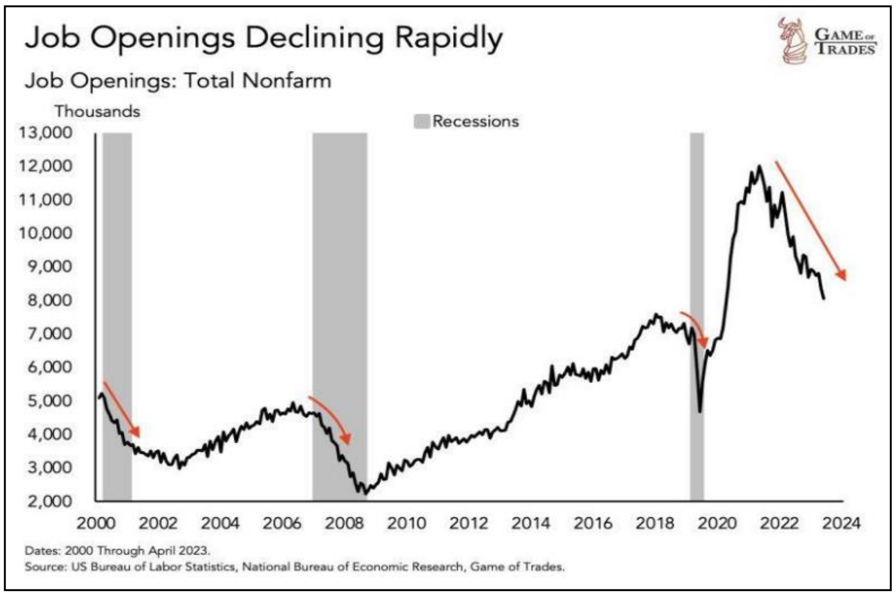
- Job openings have moved down by over 4 million from their peak to the lowest levels since February 2021. This is a sign that the labor market is cooling off.

Change in Nonfarm Payrolls



Source: Bloomberg

Job Openings



Source: US Bureau of Labor Statistics

2.1 Economic : Labor Market

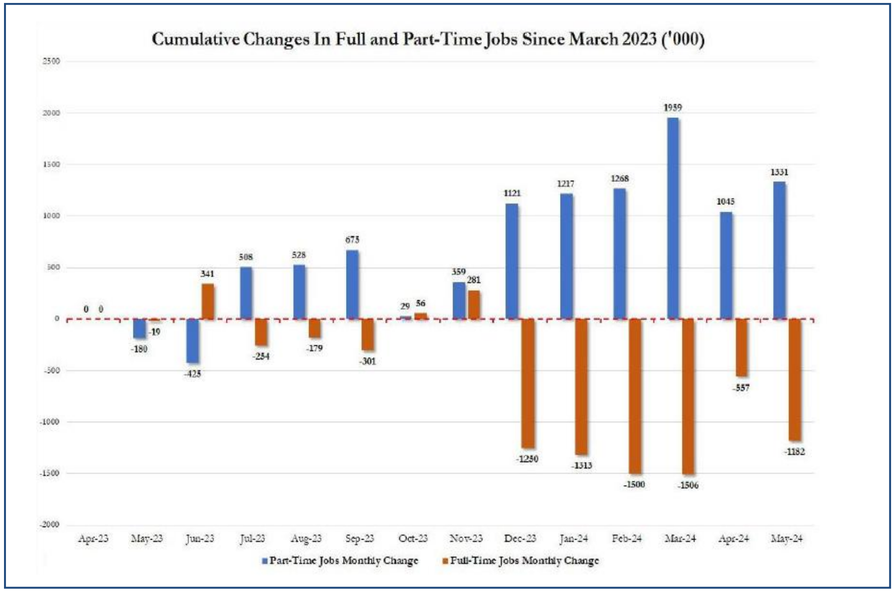
- Labor market remains robust, with an unemployment rate rising slightly to 4%. However, **these figures are not as positive as they may seem**. In May, the number of **full-time jobs plummeted** by 625'000, bringing the total to 133.1 million, the lowest since February 2023. Meanwhile, **part-time jobs increased** by 286'000, reaching a record high of 28 million.

- Participation rate is still well below its pre-pandemic level. Many people have left the workforce and do not intend to come back. Yet it is difficult for some people to find full time jobs. This demonstrates that the **labor market is weaker** than what unemployment says.

US Participation rate

Source: Bloomberg

Full vs Part time Jobs



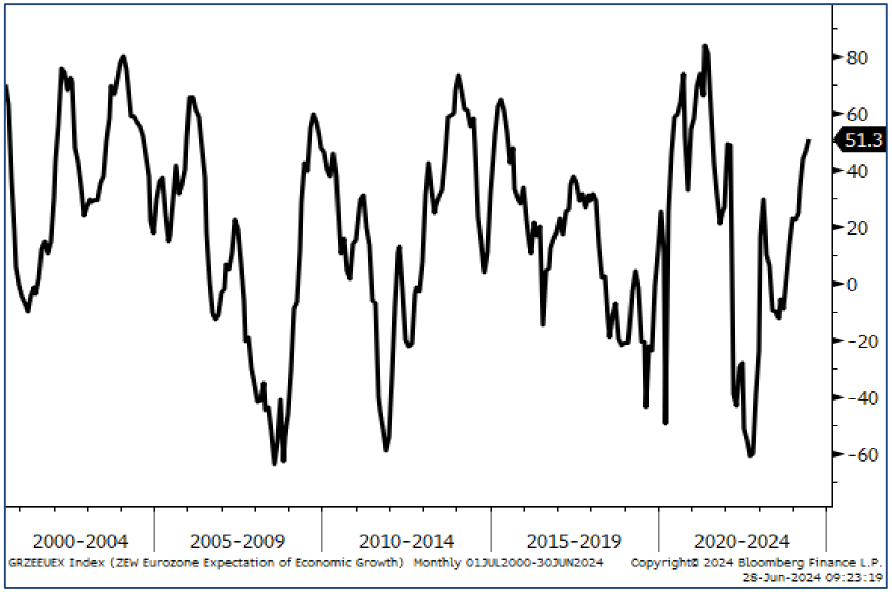
Source: US Bureau of Labor Statistics

2.1 Economic : Labor Market & Growth Europe

- In Europe, with **unemployment at just 6.4%,** the job market remains strong and reached new lows this quarter. That said, we need to keep a close eye on wage growth to avoid falling into a vicious circle of wage increases that would push inflation back up.

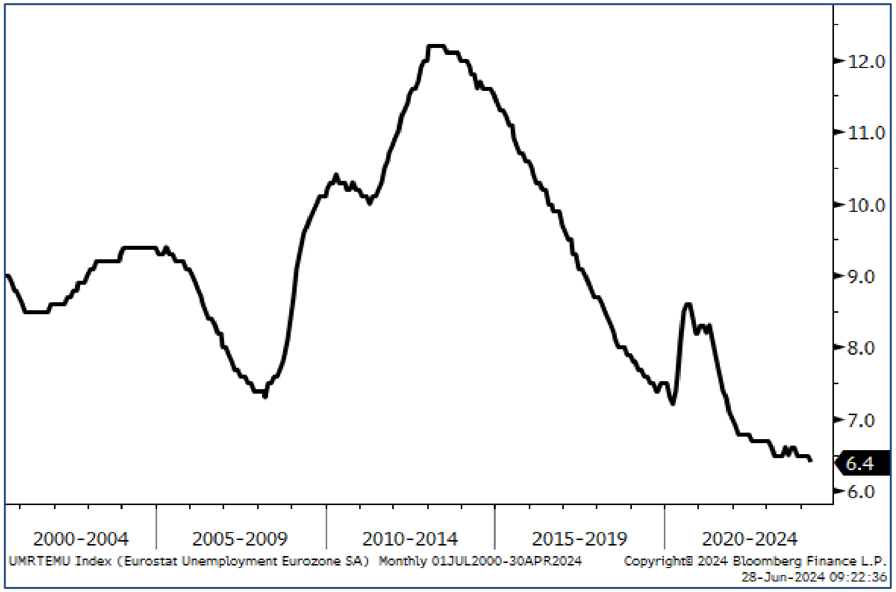
- **Growth expectations have** also **improved** to levels not seen since the post-Covid recovery. This contradicts manufacturing PMIs, but as the manufacturing sector represent only 15% of GDP this is not representative. Hence, we could still see signs of renewed growth in the near future.

ZEW Expectation of Growth



Source: Bloomberg

EU Unemployment



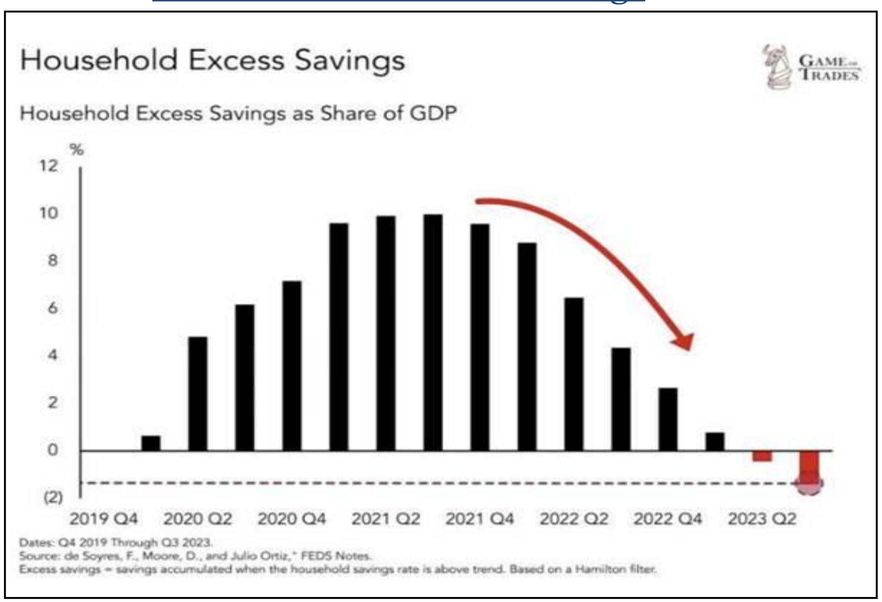
Source: Bloomberg

2.1 Economic : Household Savings

- The **excess savings are at their lowest level** in 16 months, as households have largely depleted the additional savings accumulated during the Covid period.

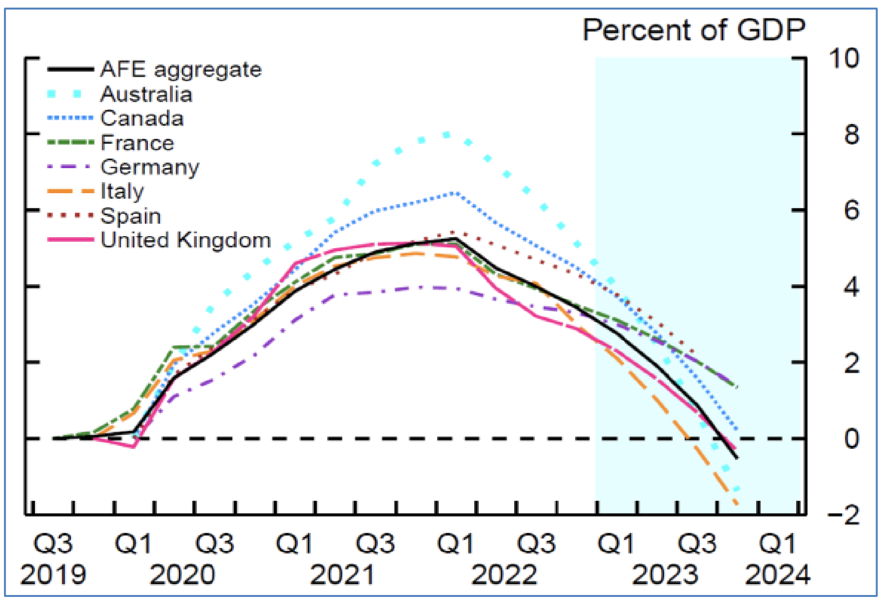
- In Europe, too, reserves are almost all exhausted. Some countries, such as Germany and France, still have a little margin, but the era of free money and state aid is coming to an end. The depletion of these savings should therefore soon be reflected in consumption.

US Household Excess Savings



Source: FEDS Notes

EU Household Excess Savings



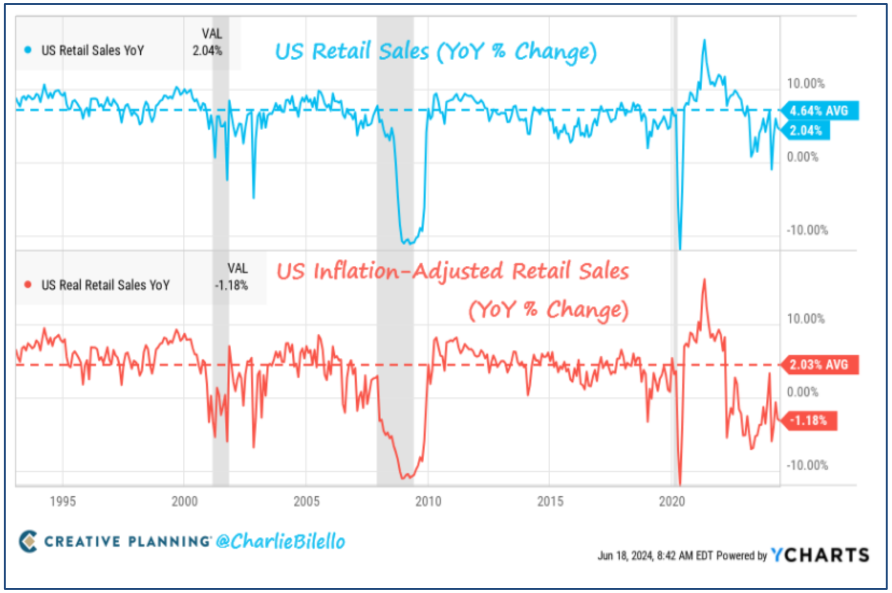
Source: Haver Analytics

2.1 Economic : Retail Sales and Wage

- In the US, sales growth has already been negative in real terms for several months running. **The growth in consumption is therefore simply due to higher prices**, and not to an increase in volume demand.

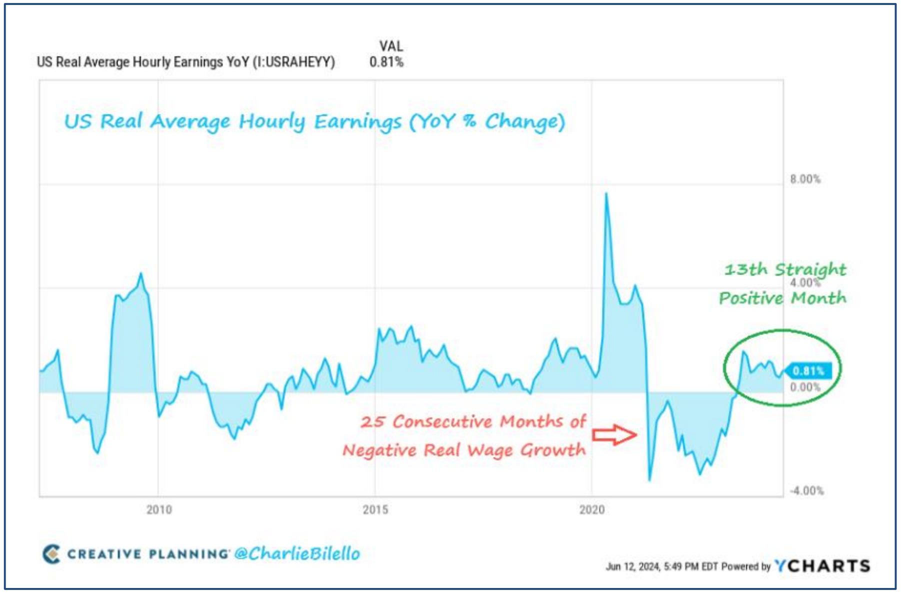
- Although the savings surplus is coming to an end, real wage growth has been positive for over a year now. This means that consumers have regained purchasing power over the last 13 months.

US Retail Sales Growth YoY



Source: Charlie Bilello

US Real Average Hourly Earnings YoY



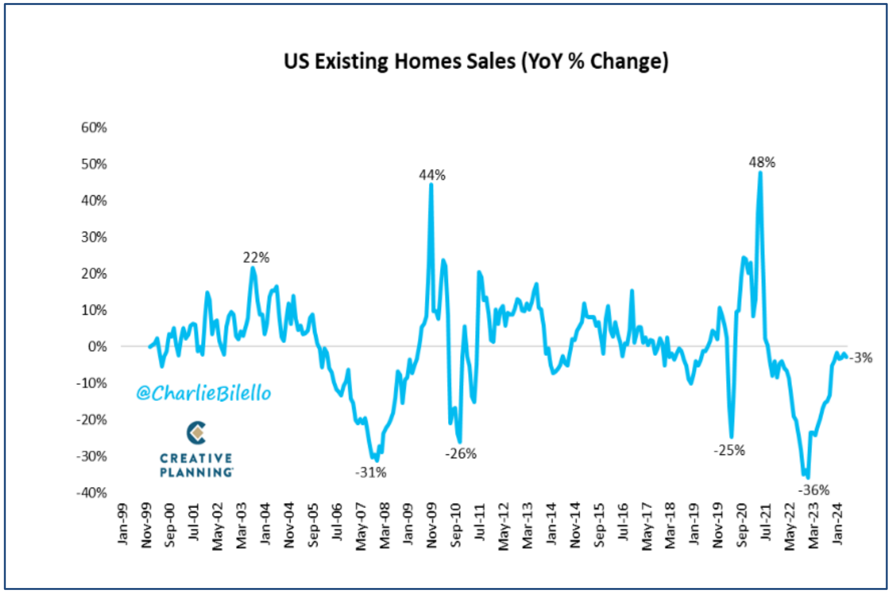
Source: Charlie Bilello

2.1 Economic : Residential Real Estate Market

- The Residential Real Estate market is still struggling to recover. Existing home sales have been declining since 2022. Until the FED begins its easing cycle, it seems difficult to see the Residential Real Estate sector picking up again.

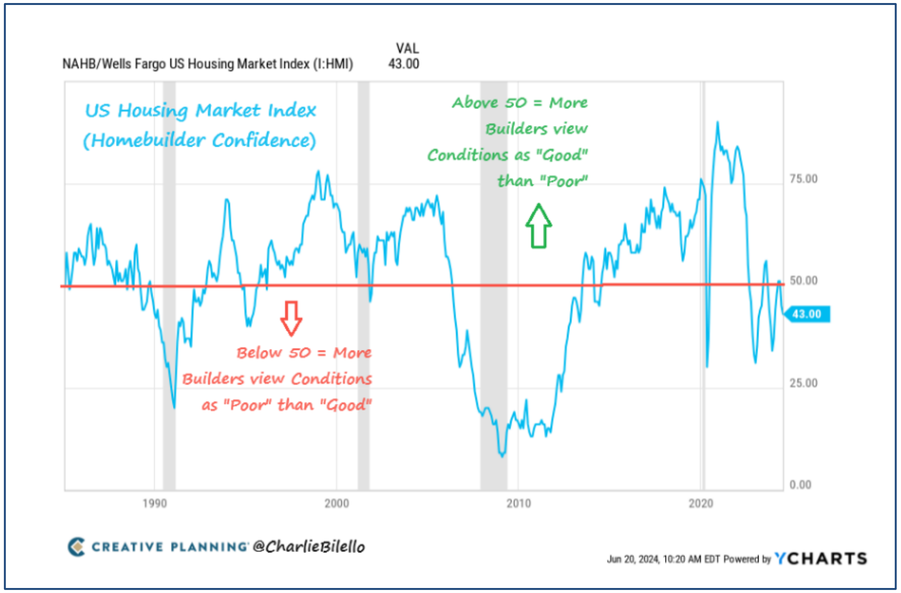
- Builder confidence is also very low. Between the cost of raw materials and high interest rates, **it has become too difficult to afford** building a new house.

US Existing Home Sales



Source: Charlie Bilello

US Homebuilders Confidence

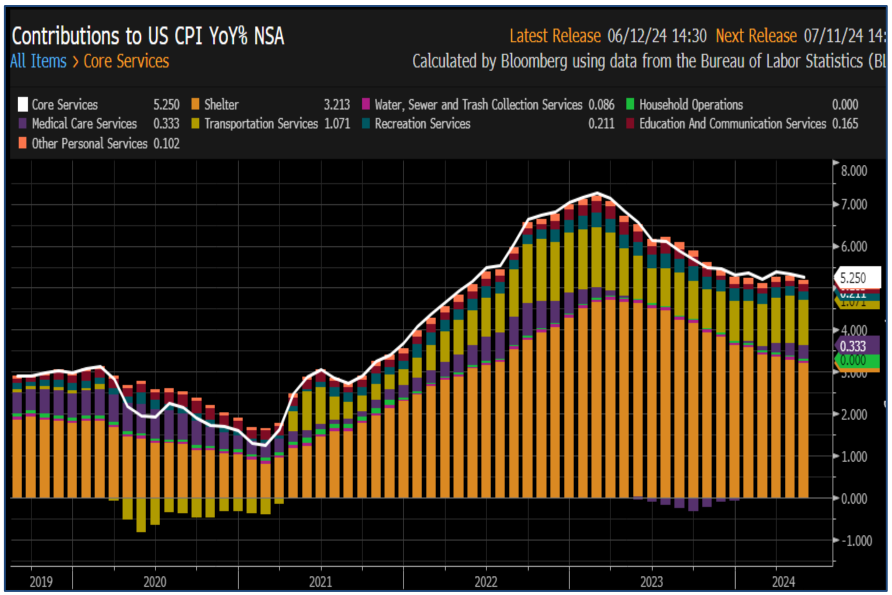


Source: Charlie Bilello

2.1 Economic : Real Estate Market

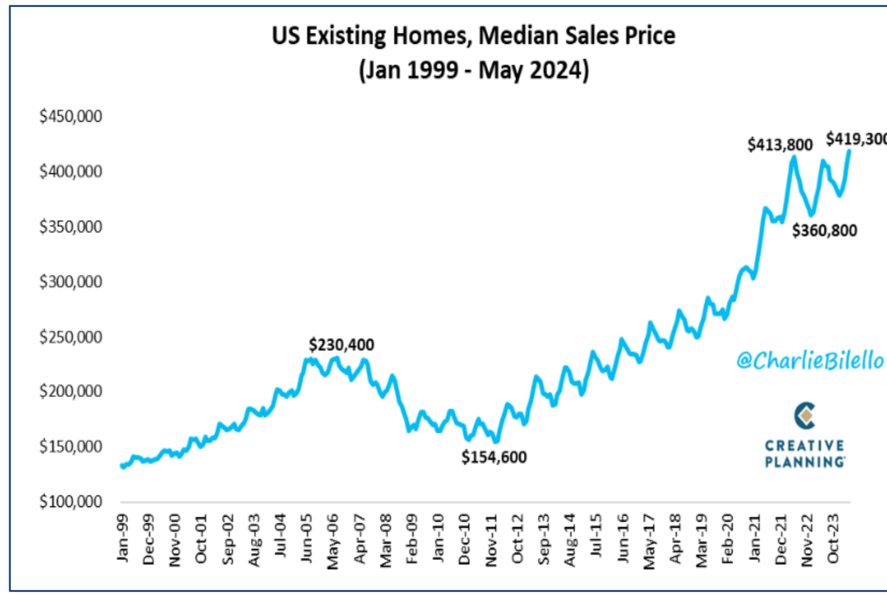
- Housing has been the main source of inflation in the US for several months now. Even though existing home prices are not dropping, **the new rents are getting cheaper**. Hence, shelter inflation should slowly but surely continue to drop.

US Services CPI



Source: Charlie Bilello

US Homes Median Price



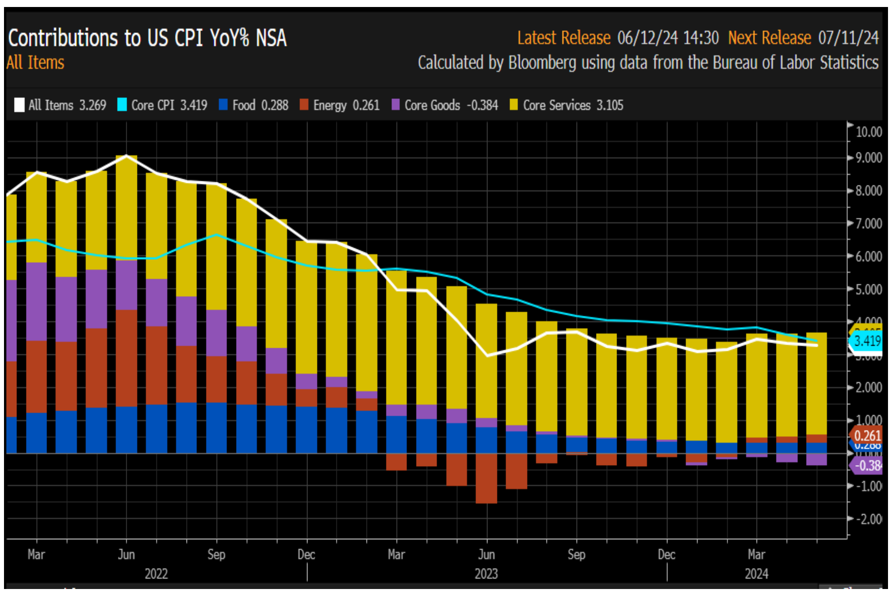
Source: Charlie Bilello

2.2 Inflation

- In the US, the primary concern remains persistent high inflation, as the CPI has remained above 3% for 37 consecutive months. This marks the longest period of elevated inflation since the late 1980s or early 1990s.

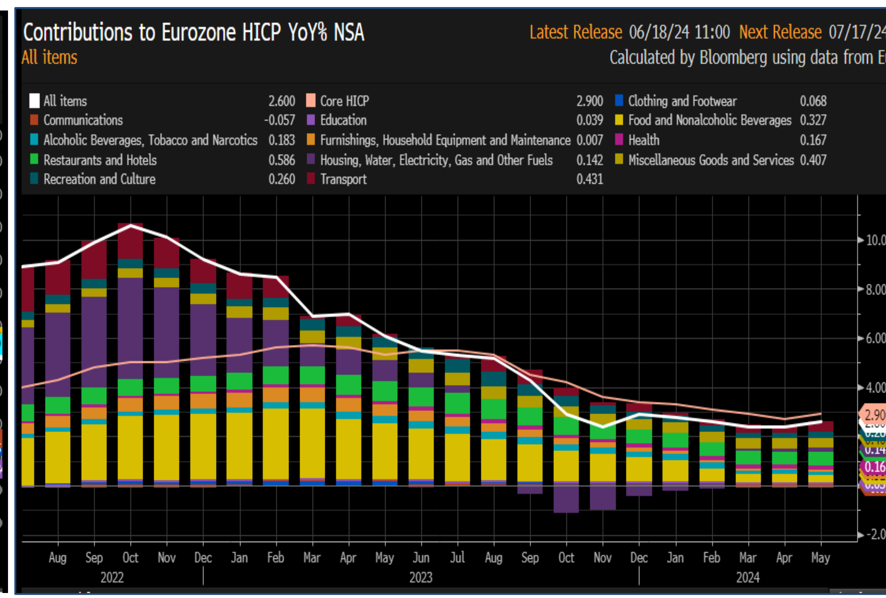
- In Europe, although inflation has reached higher levels than in the US, it has also come down much faster. **Inflation in Europe came mainly from energy prices** due to Covid and Ukraine war, whereas in the US although it also had energy inflation, it now has stickier inflation due excess demand in the services. In Europe, inflation is now below 3% and has been for several months. This is why the ECB has taken the liberty of starting to cut rates.

US CPI



Source: Bloomberg

EU CPI



Source: Bloomberg

2.3 Central Banks : Monetary Policy

- The **Bank of Canada** is the first G7 member to cut its interest rates. The benchmark interest rate in Canada has been reduced from 5% to 4.75%.

- The **ECB** lowered its three key interest rates by 25 basis points in June, as expected, marking a shift from nine months of stable rates.

- The **SNB** has already **cut its rates twice** in a row this year. Mr. Jordan will soon step down and Mr Martin Schlegel will take his place starting in October.

Global Central Bank Policy Rates

Country	Rate	Central Bank Rate (Today)	CPI YoY	Real Central Bank Rate	YoY CPI Trend vs. Prior Reading	Last Move	Last Move Month
Japan	Policy Rate Bal	0.05%	2.5%	-2.5%	Lower	Hike	Mar-24
Switzerland	Target Rate	1.50%	1.4%	0.1%	Unchanged	Cut	Mar-24
Taiwan	Discount Rate	2.00%	2.2%	-0.2%	Higher	Hike	Mar-24
Thailand	Policy Rate	2.50%	1.5%	1.0%	Higher	Hike	Sep-23
Malaysia	Policy Rate	3.00%	1.8%	1.2%	Unchanged	Hike	May-23
Denmark	Deposit Rate	3.35%	2.2%	1.2%	Higher	Cut	Jun-24
China	Loan Prime Rate	3.45%	0.3%	3.2%	Unchanged	Cut	Aug-23
South Korea	Repo Rate	3.50%	2.7%	0.8%	Lower	Hike	Jan-23
Sweden	Repo Rate	3.75%	3.9%	-0.2%	Lower	Cut	May-24
Eurozone	Deposit Rate	3.75%	2.6%	1.2%	Higher	Cut	Jun-24
Australia	Cash Rate	4.35%	3.6%	0.8%	Higher	Hike	Nov-23
Norway	Deposit Rate	4.50%	3.0%	1.5%	Lower	Hike	Dec-23
Canada	Overnight	4.75%	2.7%	2.1%	Lower	Cut	Jun-24
UK	Bank Rate	5.25%	2.3%	3.0%	Lower	Hike	Aug-23
Czech Republic	Repo Rate	5.25%	2.6%	2.7%	Higher	Cut	May-24
US	Fed Funds	5.38%	3.3%	2.1%	Lower	Hike	Jul-23
New Zealand	Cash Rate	5.50%	4.0%	1.5%	Lower	Hike	May-23
Poland	Repo Rate	5.75%	2.5%	3.3%	Higher	Cut	Oct-23
Hong Kong	Base Rate	5.75%	1.1%	4.7%	Lower	Hike	Jul-23
Peru	Policy Rate	5.75%	2.0%	3.8%	Lower	Cut	May-24
Saudi Arabia	Repo Rate	6.00%	1.6%	4.4%	Unchanged	Hike	Jul-23
Chile	Base Rate	6.00%	4.1%	1.9%	Higher	Cut	May-24
Indonesia	Repo Rate	6.25%	2.8%	3.4%	Lower	Hike	Apr-24
Philippines	Key Policy Rate	6.50%	3.9%	2.6%	Higher	Hike	Oct-23
India	Repo Rate	6.50%	4.8%	1.8%	Lower	Hike	Feb-23
South Africa	Repo Rate	8.25%	5.2%	3.1%	Lower	Hike	May-23
Brazil	Target Rate	10.50%	3.9%	6.6%	Lower	Cut	May-24
Mexico	Overnight Rate	11.00%	4.7%	6.3%	Higher	Cut	Mar-24
Colombia	Repo Rate	11.75%	7.2%	4.6%	Unchanged	Cut	Apr-24
Russia	Key Policy Rate	16.00%	7.8%	8.2%	Higher	Hike	Dec-23
Argentina	Overnight Repo	40.00%	276.4%	-236.4%	Lower	Cut	May-24
Turkey	Repo Rate	50.00%	75.5%	-25.5%	Higher	Hike	Mar-24

CREATIVE PLANNING @CharlieBilello Data as of 6/13/24

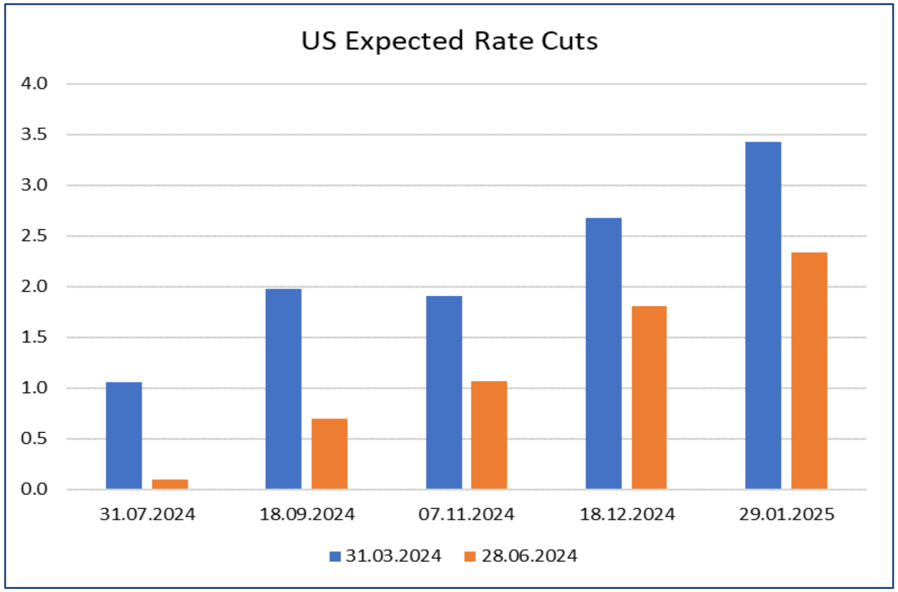
Source: Charlie Bilello

2.3 Central Banks : Rates and Expected cuts

- Although Canada and Europe have started to cut rates, the two Central Banks remain **data-driven**. This means that if the economy is too strong and there is a risk of inflation picking up again, we may not see another rate cut for a while.

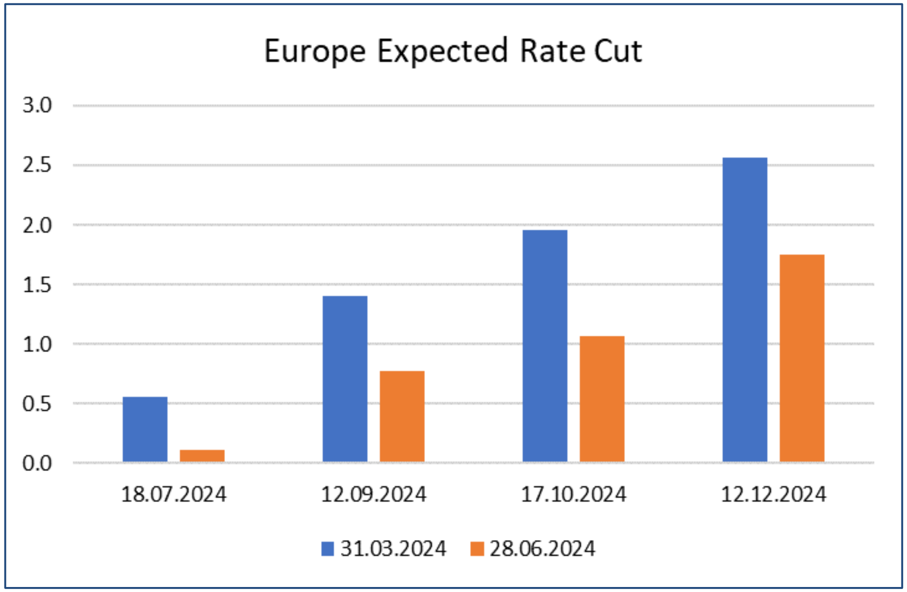
- In the US too, it seems that with each passing month, the market is realizing that the US economy is more resilient than expected, and analysts are anticipating fewer and fewer rate cuts.

US Expected Rate Cuts



Source: Bloomberg

EU Expected Rate Cuts



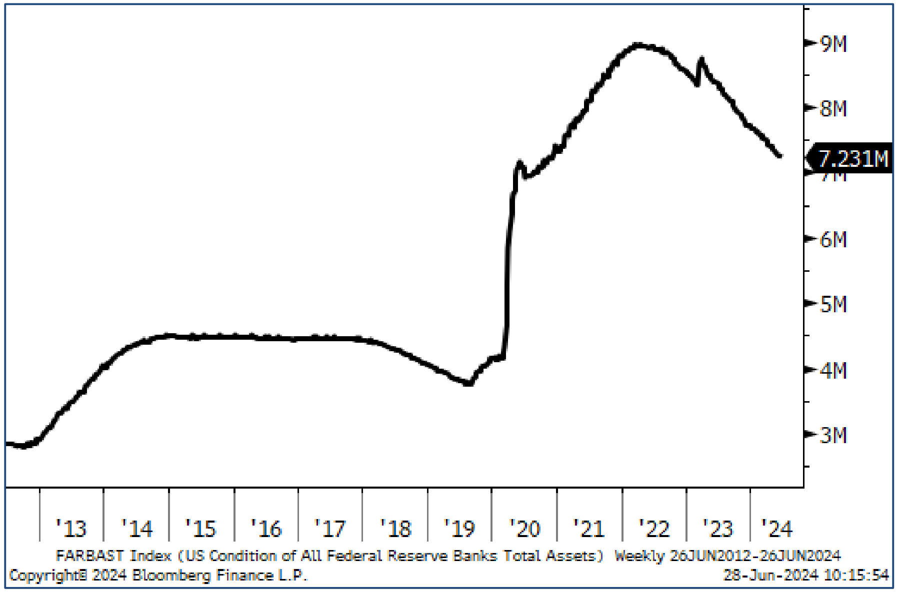
Source: Bloomberg

2.3 Central Banks : Balance Sheets

- On both sides of the Atlantic, Central Banks continue to **reduce** their **Balance Sheets**. In May, however, the FED announced that it would be **slowing down the rate** at which it was reducing its Balance Sheet.

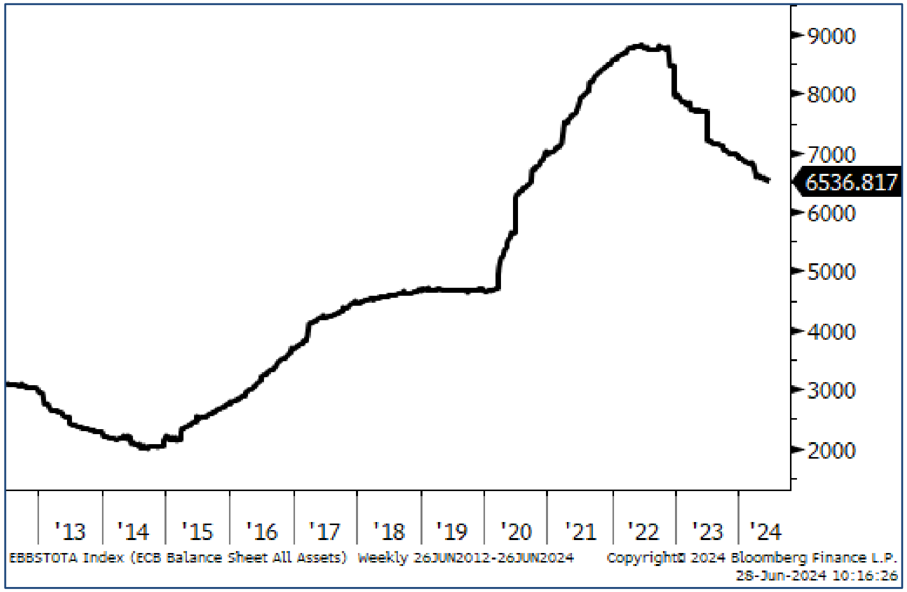
- In order to avoid withdrawing too much liquidity from the market, the Fed decided to continue its quantitative tightening program at a slower pace. This moves might hint that the FED is afraid that the market might not be able to absorb the current pace of its Balance Sheet reduction.

FED Balance Sheet



Source: Bloomberg

ECB Balance Sheet



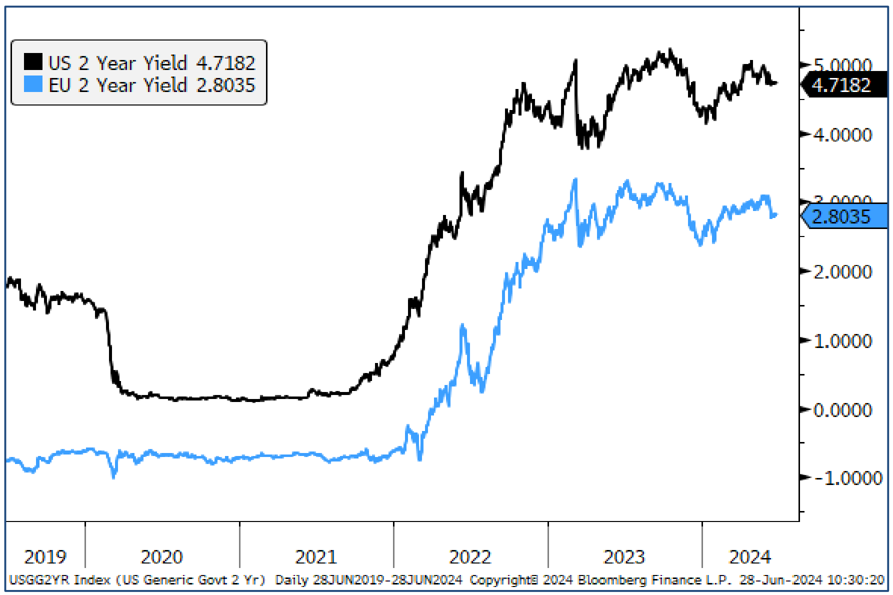
Source: Bloomberg

2.4 Fixed Income : Rates

- Both the ECB rate cut and the FED status quo were widely anticipated. There were therefore **no surprises in the market in June**. Most of the market movement were made in April when the market repriced the number of expected rate cuts this year.

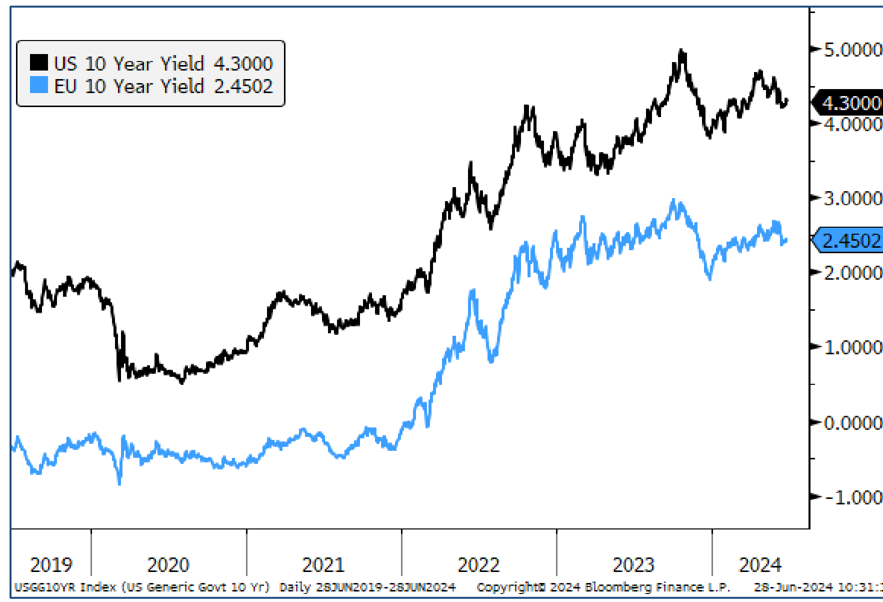
- The **yield curves remain inverted** in the US and Europe. Until the market has more visibility on the number of rate cuts, it remains to be seen whether these curves will be inverted upwards or downwards.

2 Year Yields



Source: Bloomberg

10 Year Yields



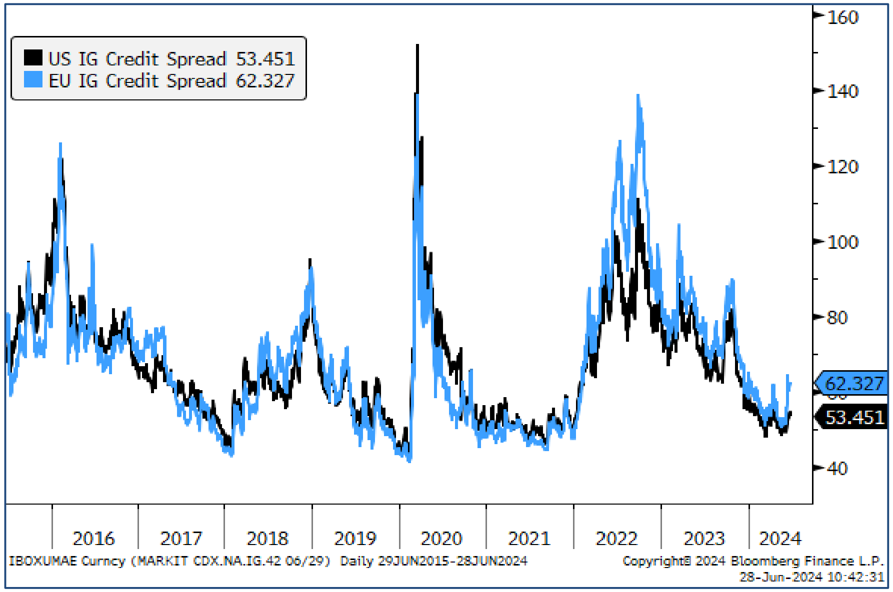
Source: Bloomberg

2.4 Fixed Income : Credit Spreads

- **Credit spreads** continue to be **extremely tight**, and therefore do not augur well for the future. There has, however, been a jump in spreads in Europe due to France and Emmanuel Macron's announcement of the dissolution of the National Assembly.

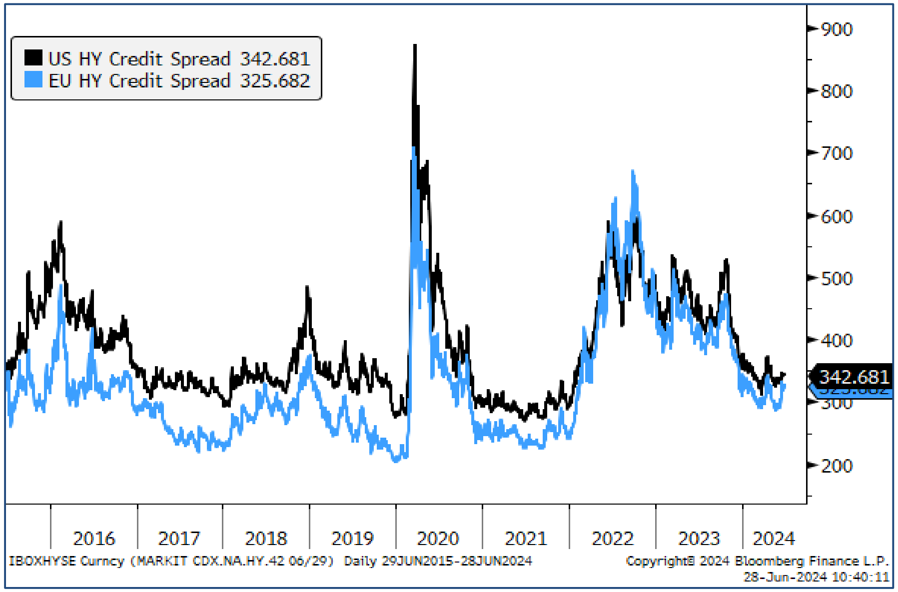
- **Risk premiums are therefore no longer attractive** in a market that is expensive and does not anticipate a slowdown.

IG Credit Spreads



Source: Bloomberg

HY Credit Spreads



Source: Bloomberg

2.5 Politics : European Parliament

- In June, the European Parliament elections were held. As a result, **far-right parties gained ground** to the detriment of left-wing parties.

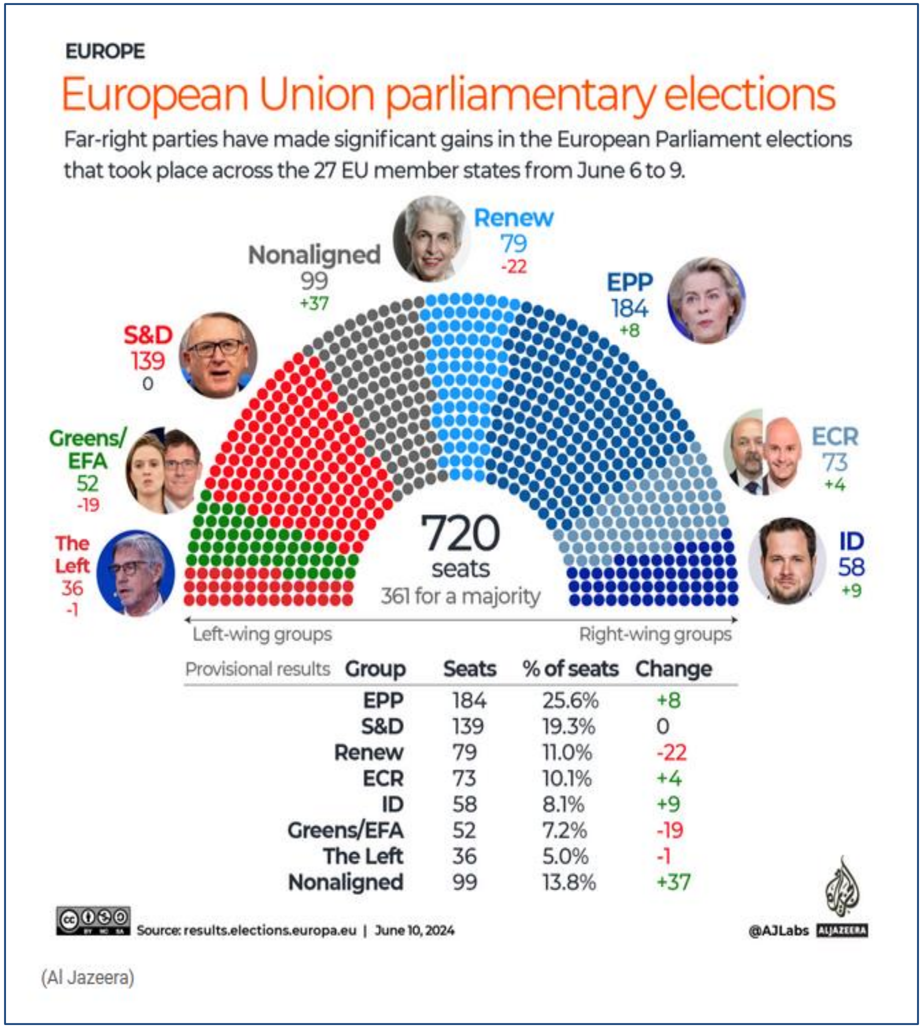
- The main surprise came from the Renew Europe party, which lost 2.8% of seats, dropping from 14.2% to 11.4%.

Share of Seat European Parliament

Share of seats (%)			
	Current	Forecast	change
Left	5.3	5.4	0.1
S&D	19.8	19.3	-0.5
Greens/EFA	10.0	7.2	-2.7
Renew Europe (RE)	14.2	11.4	-2.8
EPP	25.0	26.3	1.3
ECR	9.4	11.1	1.7
Identity and Democracy (ID)	8.1	8.6	0.5
N-A	8.1	10.7	2.5
Total	100.0	100.0	
Centrist coalition (EPP+Renew+S&D)	59.0	56.9	-2.0
Far-right (ECR, ID, Fidesz,AfD, etc.)	21.1	23.8	2.6
Right coalition (EPP, far-right)	46.1	50.0	3.9
Leftist parties (S&D, Greens, Left, 5 Star, etc...)	36.5	34.0	-2.5

Source: Société Générale

European Parliament Seats by parties

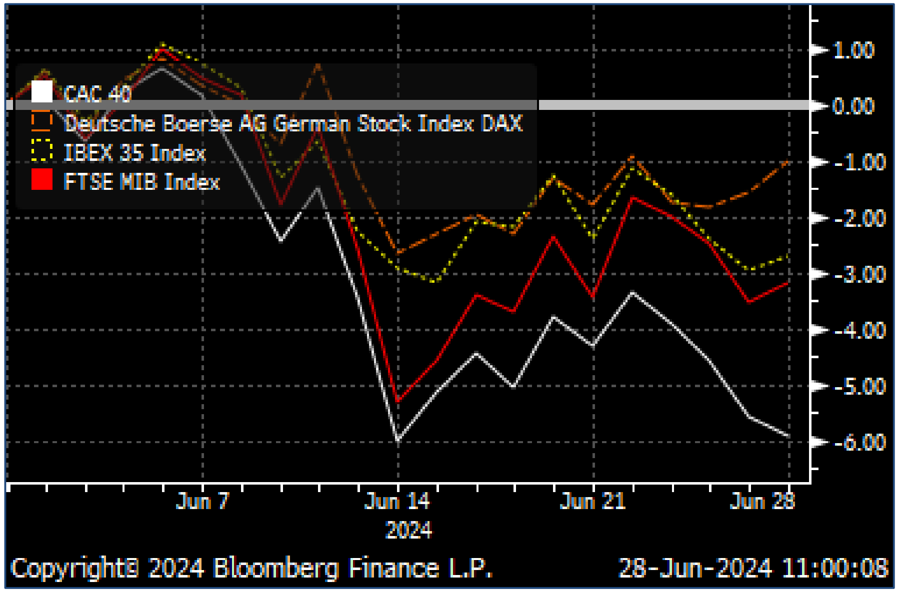


Source: Al Jazeera

2.5 Politics : French National Assembly Dissolution

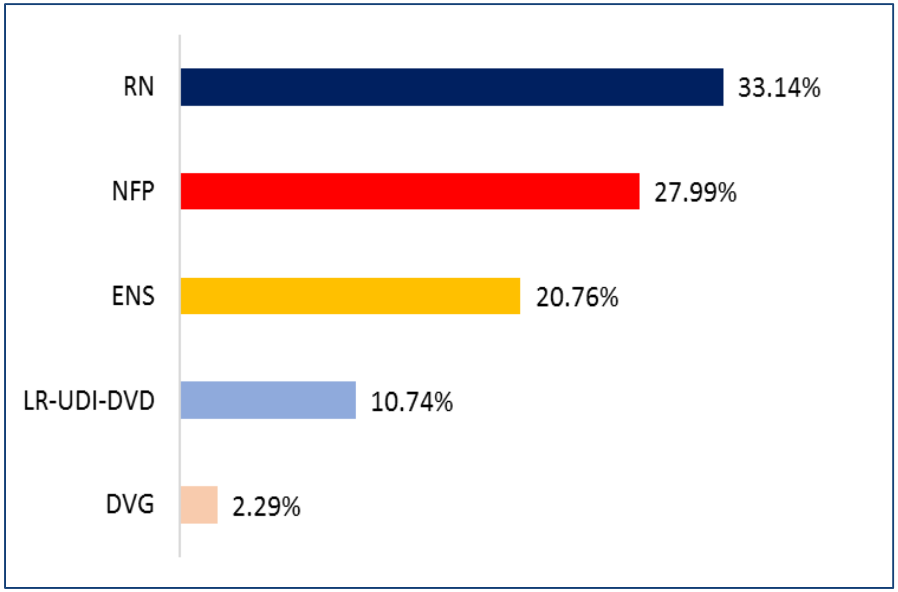
- Following his party's poor results in the European Parliament, Emmanuel Macron announced the **dissolution of the French National Assembly** and called for a new vote, which was held at the end of June.
- Since this announcement, which took everyone by surprise, the **French markets have been underperforming** the rest of Europe. And many people are wondering why the French president dissolved the National Assembly, knowing that the majority of voting intentions would not go to his party, but rather to the right-wing parties.
- After the first tour it seems that the RN will not have an absolute majority. The participation rate has reached a high 67.5%.

European Indices Performances



Source: Bloomberg

French votes first tour



Source: IFOP

2.5 Politics : French National Assembly Dissolution

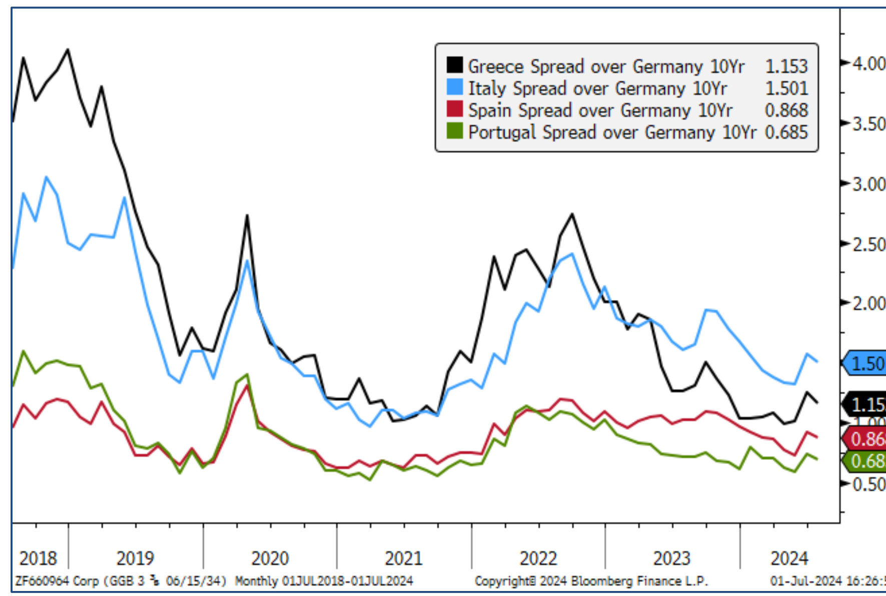
- On the credit market, at the time of Macron's announcement, **spreads between German and French interest rates widened** by almost 40 basis points. France's debt is frightening, and the plans put forward by the left and right-wing parties seem to be designed to increase this debt even further.

- Today, the premium on French 10-year debt is 74 basis points, while those of Greece and Italy do not stand much higher.

France 10Yr Spread vs Germany

Source: Bloomberg

Peripheric 10Yr Spread vs Germany



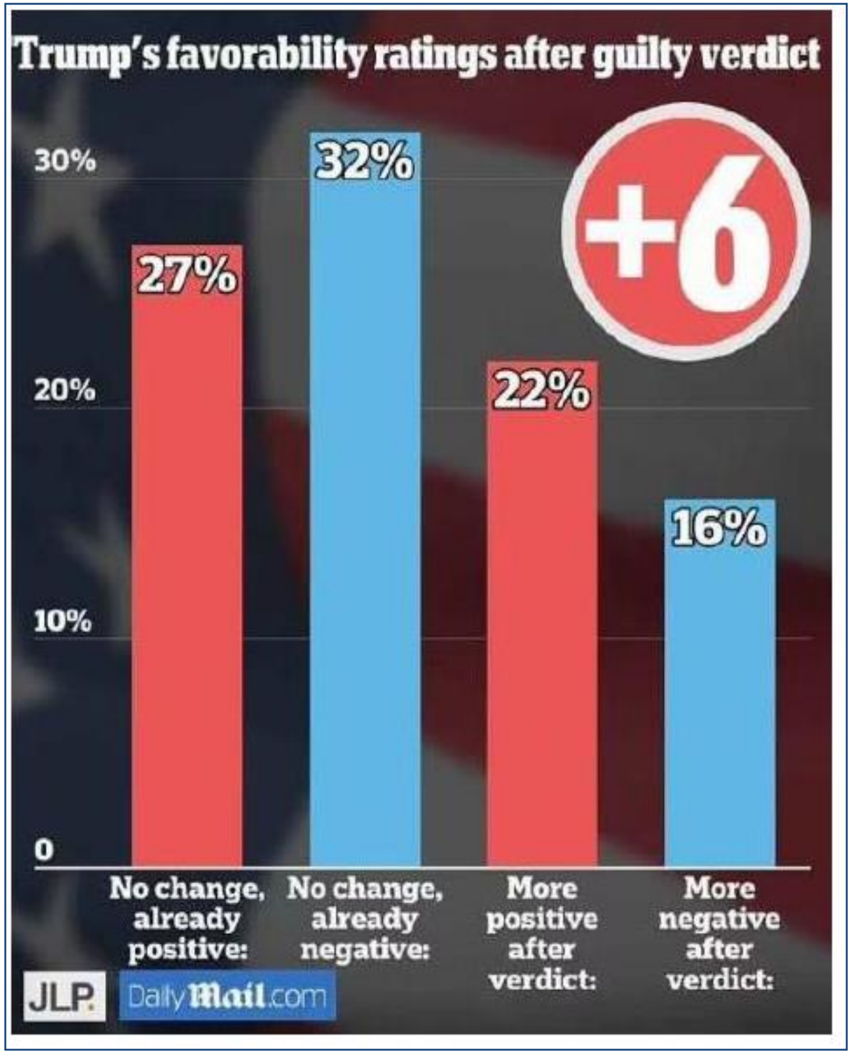
Source: Bloomberg

2.5 Politics : US Election

- Polls conducted immediately after Donald Trump's conviction show no negative impact on his support, with a slight increase in his popularity, particularly among independent voters.

- A Daily Mail survey revealed that 22% of respondents had a more positive view of Trump following the conviction, compared to 16% who had a more negative view. In other words, the conviction backfired, boosting Trump's approval rating by 6 percentage points.

- During the debate between Biden and Trump that was held on CNN on June 27th, the actual president stuttered on many instances and failed to reassure electors concerning his age. This now gives Trump a lead for the 2024 election.



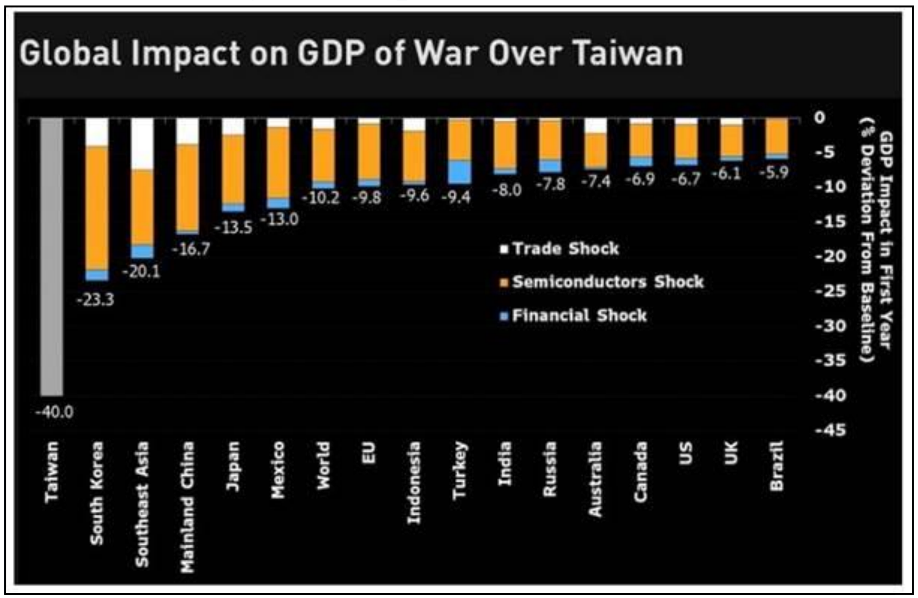
Source: DailyMail.com

2.5 Politics : Hypothetical consequences of Taiwan invasion

- The sources of **tension between China and Taiwan** are still present. China does not appreciate the comments made by Taiwan's new president, who asked them to stop threatening the island and **recognize Taiwan as an independent democracy**. Taiwan's president has crossed the line when he mentioned independence.

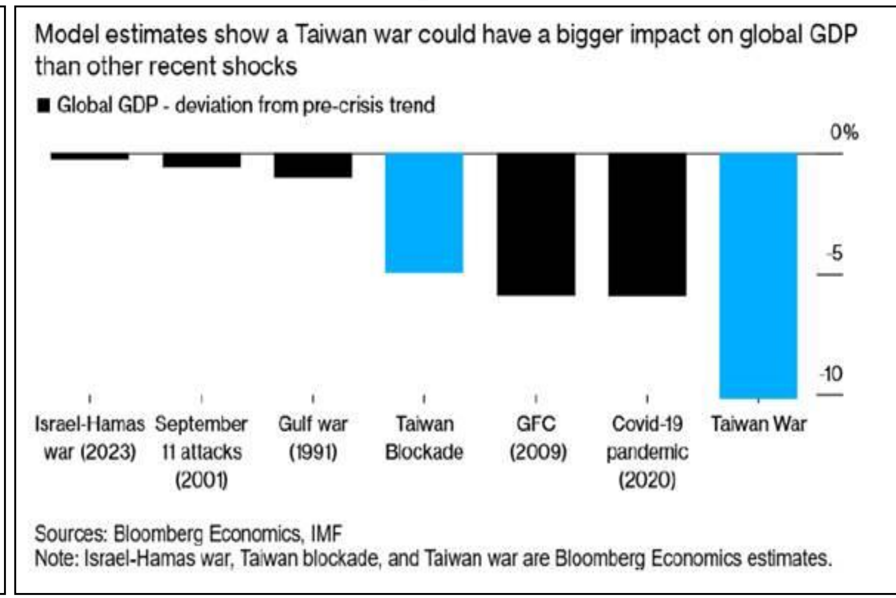
- China's defense minister said that China was ready to "forcefully" stop Taiwan independence. If China were to attack Taiwan in order to regain control of the island by force, Bloomberg estimates that global GDP would fall by 10%, roughly double that of Covid.

Potential global impact of war over Taiwan



Source: Bloomberg

Potential impact vs other events

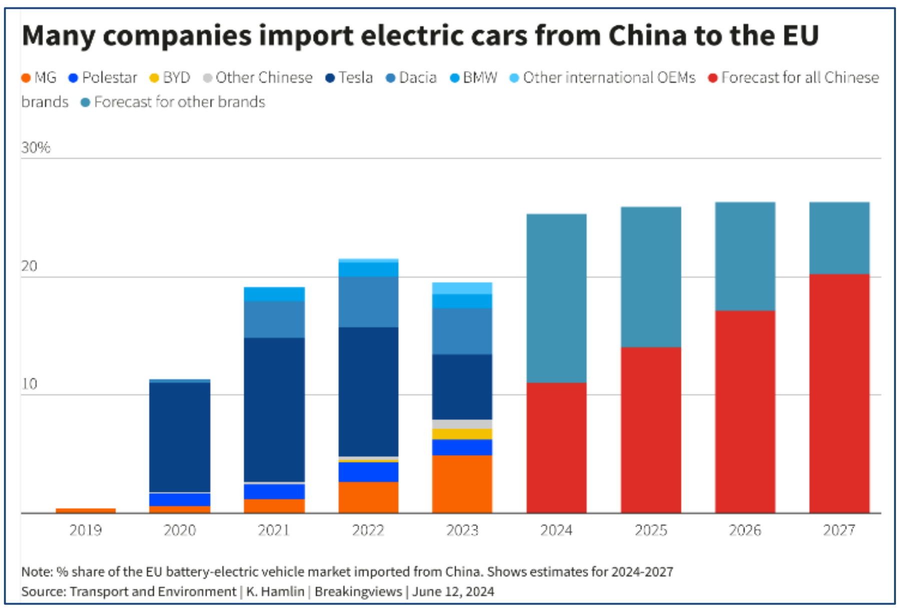


Source: Bloomberg

2.5 Politics : China – Trade War

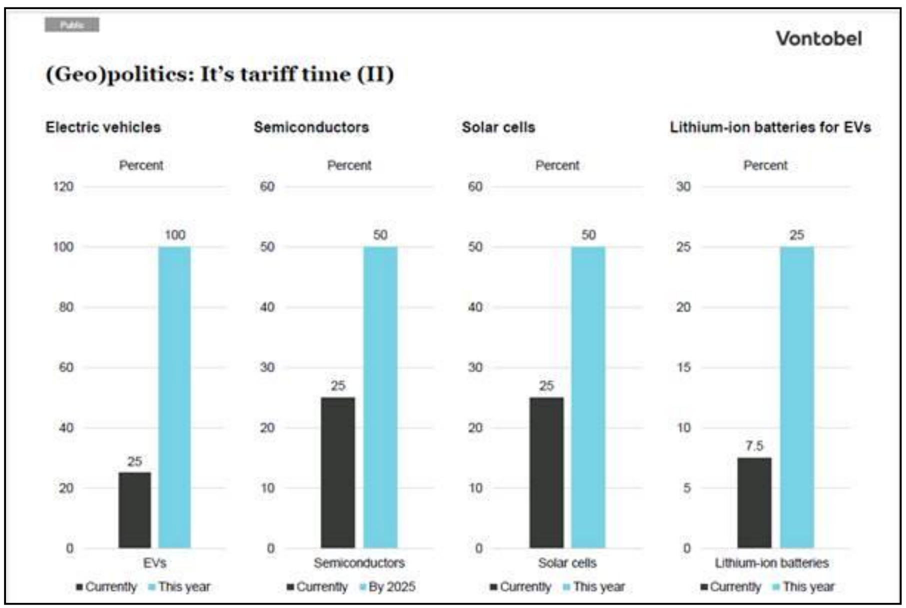
- Tensions between the US and China are also ever present. The two countries have been fighting a trade war for several years now. But with the upcoming elections, the subject is back in the spotlight.
- The US is already **implementing new import taxes** and limiting China's access to certain semiconductors, so that it doesn't catch up with the US in terms of technology. What's more, **production costs in China are now much higher** than elsewhere in Asia, which is why the US is turning to India and Vietnam in Asia, or Mexico in Latin America.
- The trade war is also taking place between EU and China, as now EU is threatening to put in place tariffs up to 38% on Chinese EVs.

EV export to Europe



Source: The Economist

Tariffs

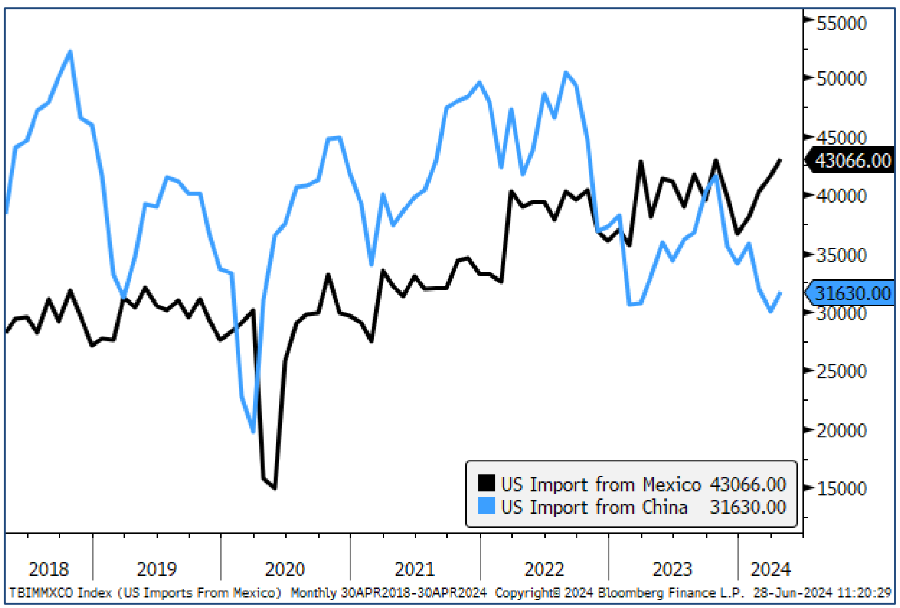


Source: Vontobel

2.5 Politics : US Trade Partners

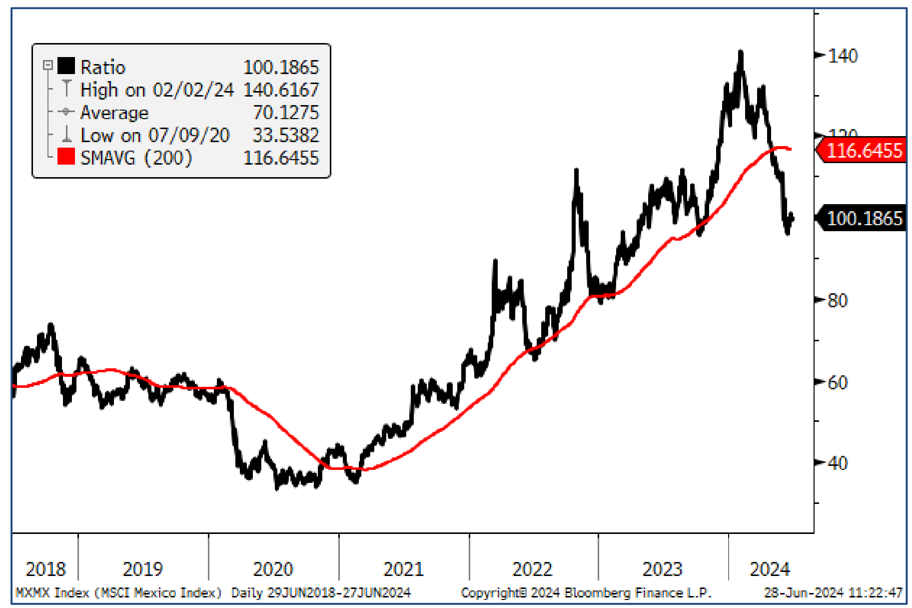
- It's been over a year since **Mexico overtook China as the US's biggest trading partner**. China is still struggling to recover from the Covid and the Real Estate crisis it is going through. Furthermore, tensions with the US are not conducive to new trade agreements.
- Naturally, the US has turned to its neighbor Mexico. The growth in imports from Mexico to the US has enabled the country to enjoy strong growth in recent years, as well as a stronger currency.
- For Europe, if they reduce the trades with China, it will not have much choice but to reshore a lot of manufacturing capacity.

US import from China and Mexico



Source: Bloomberg

MSCI Mexico / MSCI China



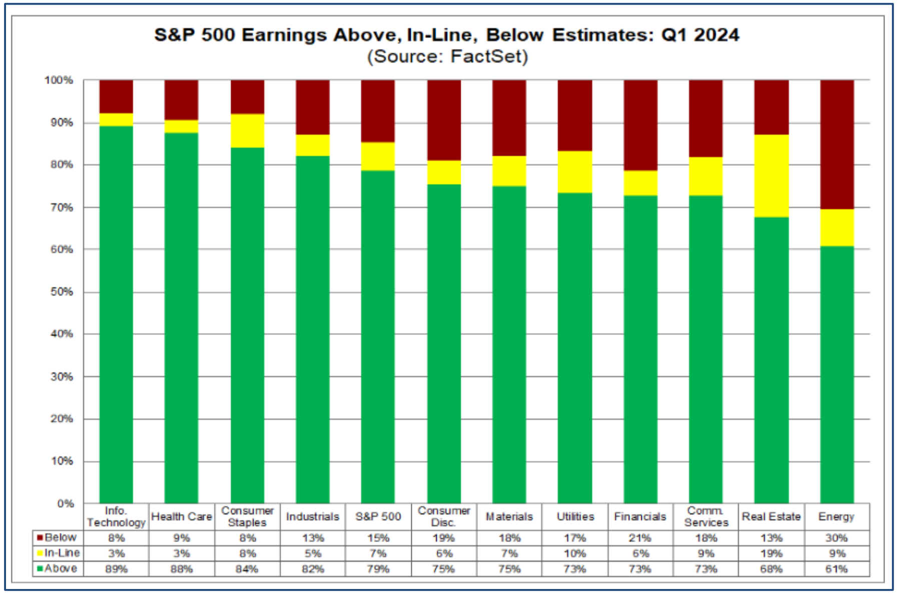
Source: Vontobel

2.6 Market review : Earnings

- The earnings season for Q1 2024 is over. As in recent quarters, a majority of companies have beaten analysts overly pessimistic expectations. The highest ratio of companies beating expectations was in Technology while the lowest ratio was in Energy.

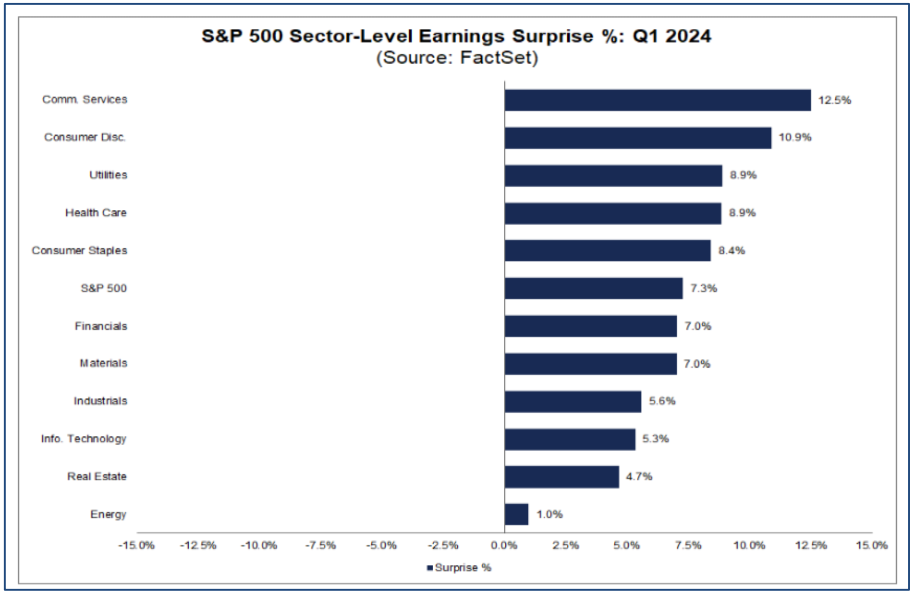
- Communication services beat expectations the most, with an average of 12.5% positive surprises. Conversely, Energy sector surprised most negatively with only a 1.0%.

S&P 500 Q1 2024 Earnings beat



Source: Factset

S&P 500 Earnings surprise by sector



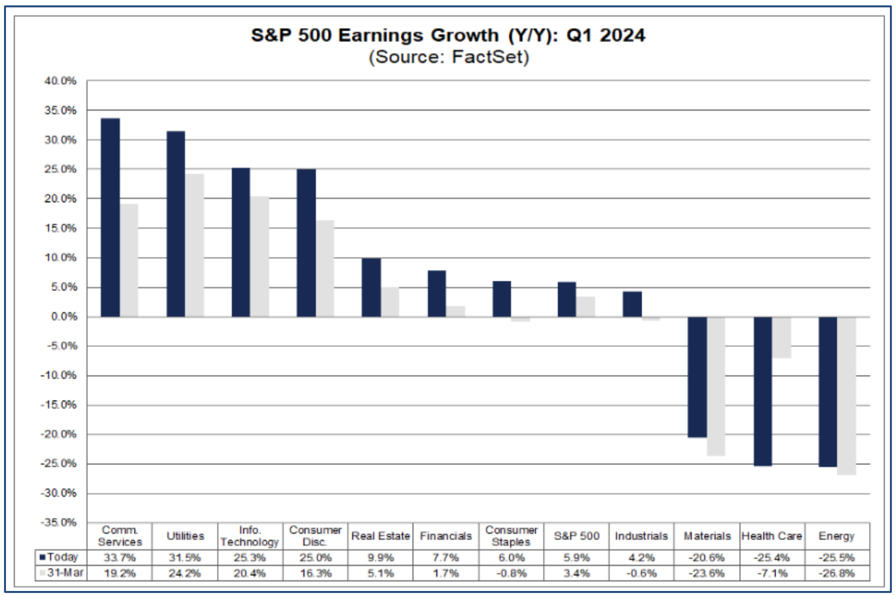
Source: Factset

2.6 Market review : Earnings

- Communication services experienced the highest Earnings growth compared to other sectors and relative to last year performance. In contrast, Energy and Healthcare saw the largest declines in Earnings growth.

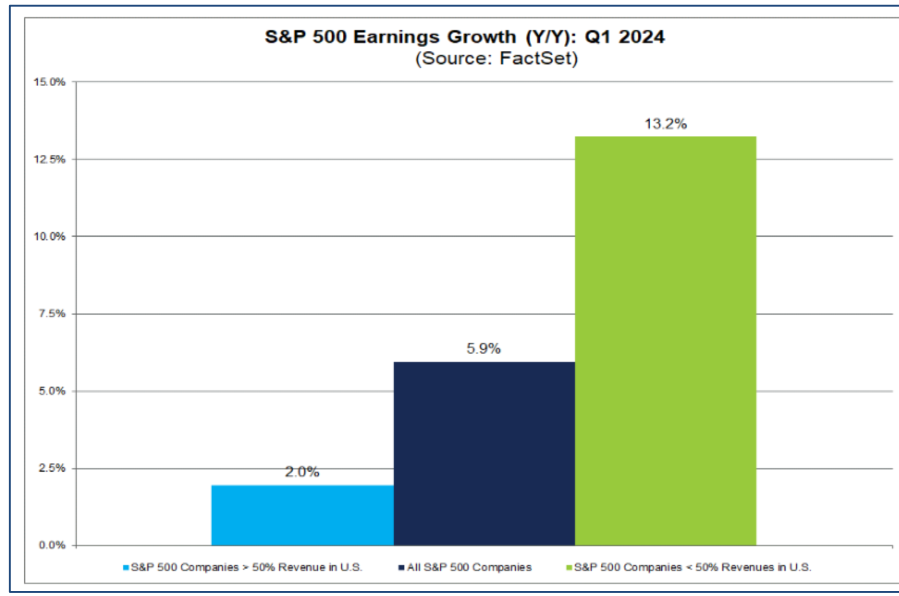
- Companies with the majority of their revenue coming from outside the USA saw their profit growth increase by 13.2%, compared to 2.0% for companies with most of their revenue from within the USA, and 5.9% for the S&P 500 average.

S&P 500 Q1 2024 Earnings growth by sector



Source: Factset

S&P 500 Earnings growth by % revenue in the US



Source: Factset

2.6 Market review : Earnings

- In Europe, the majority of Financial and Basic Materials companies exceeded earnings expectations, with 78% and 70% respectively beating estimates. In contrast, only 20% of companies in the Real Estate sector and 47% in the industrials sector surpassed expectations.

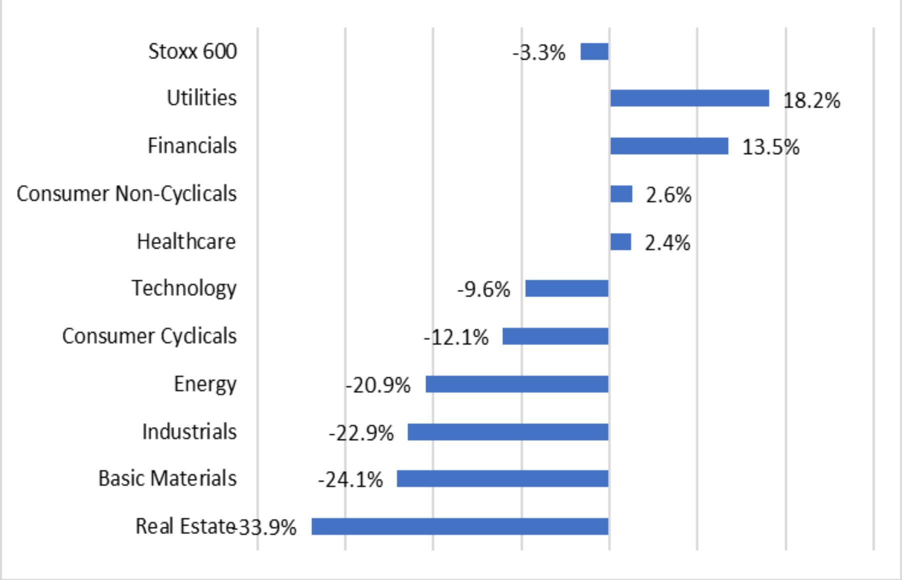
- Utilities and Financial experienced the highest Earnings growth with a growth of 18.2% and 13.5% meanwhile Real Estate and Basic Materials were the worst performers decreasing by 33.9% and 24.1%.

Stoxx600 Q1 2024 Earnings beat (%)

	Above	Match	Below
Stoxx 600	**61**	**4**	**36**
Basic Materials	65	3	32
Consumer Cyclicals	70	0	30
Consumer Non-Cyclicals	56	0	44
Energy	62	0	38
Financials	78	2	20
Healthcare	63	3	34
Industrials	47	6	47
Technology	56	6	39
Real Estate	20	10	70
Utilities	58	17	25

Source: Factset

Stoxx 600 2024 Q1 Earnings growth



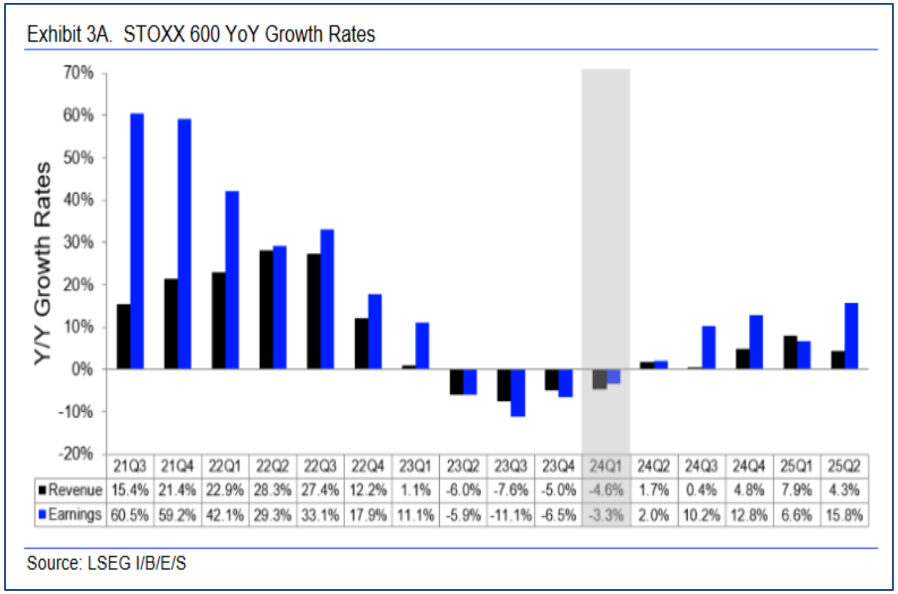
Source: Factset

2.6 Market review : Earnings

- Since Q2 2023, Stoxx600 Revenue and Earnings growth have consistently been in negative territory on a year-over-year basis. However, growth is anticipated to turn positive again starting from the next quarter.

- Looking at the Estimated Earnings Growth chart, we can see that prior to Q1 publications, estimates were not particularly optimistic. However, as firms began to release their results, analysts revised their estimates upward, moving from an initial -10% growth projection at the beginning of the year to nearly -3.3% by the end of the reporting period.

Stoxx600 Revenue & Earnings growth

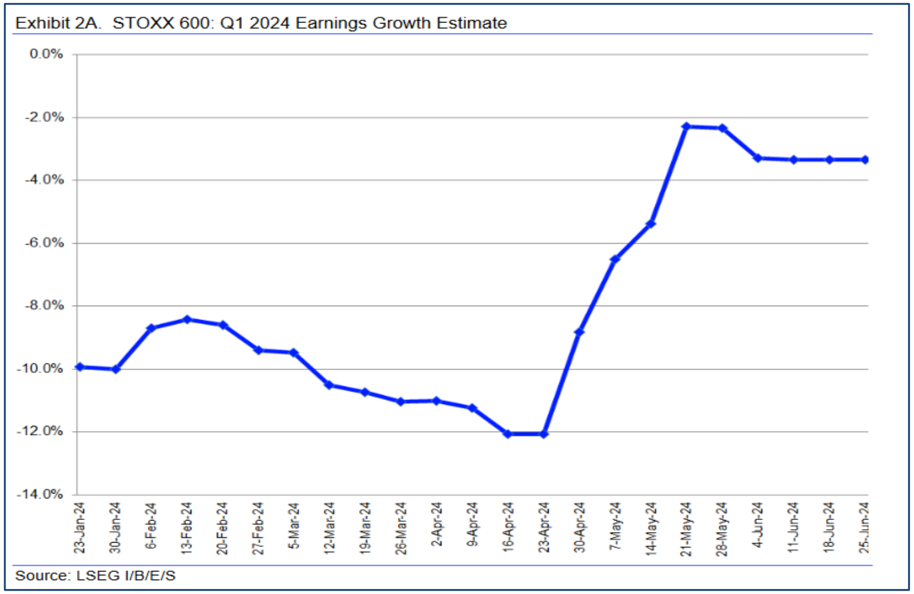


	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2
Revenue	15.4%	21.4%	22.9%	28.3%	27.4%	12.2%	1.1%	-6.0%	-7.6%	-5.0%	-4.6%	1.7%	0.4%	4.8%	7.9%	4.3%
Earnings	60.5%	59.2%	42.1%	29.3%	33.1%	17.9%	11.1%	-5.9%	-11.1%	-6.5%	-3.3%	2.0%	10.2%	12.8%	6.6%	15.8%

Source: LSEG I/B/E/S

Source: Factset

Stoxx600 Q1 2024 Estimate Earnings growth



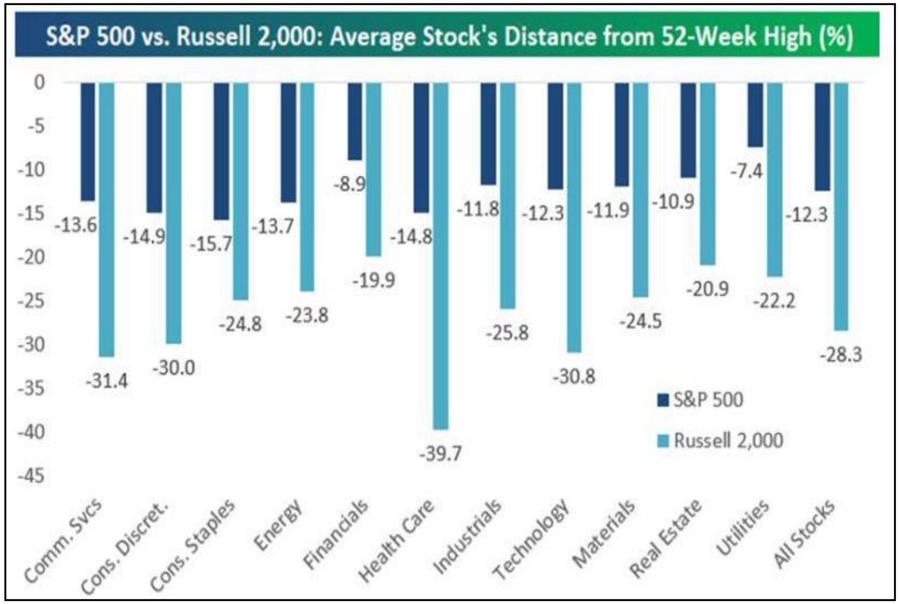
Source: Factset

2.6 Market review : Small & Mid caps

- Over the past year, US Small-cap stocks have traded at a larger discount from their previous 52-week highs compared to Large-cap stocks.

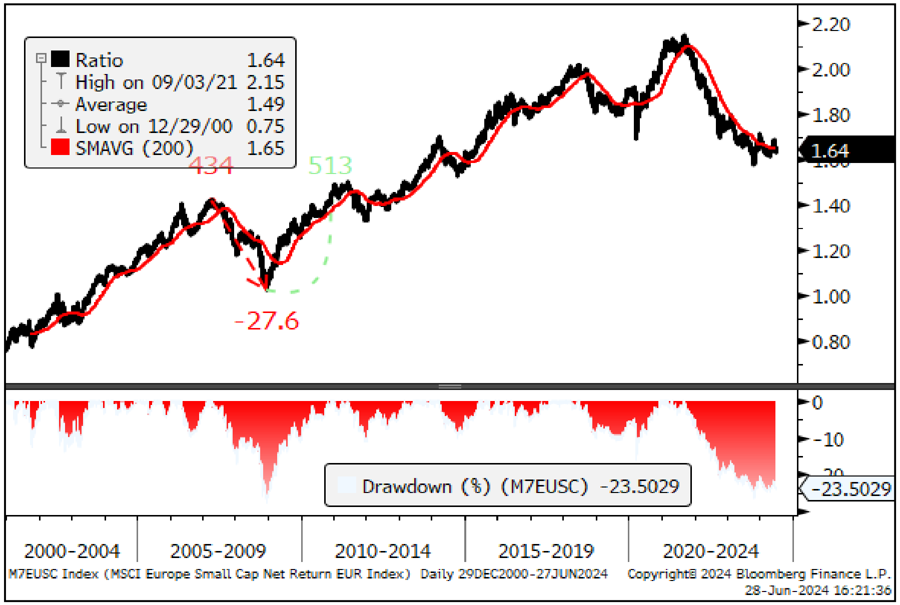
- In Europe, the situation is quite similar. Small-cap stocks have lost approximately 23% relative to Large-cap stocks since their peak in 2021.

S&P 500 vs Russell 2000



Source: Bespoke

MSCI EU Small-caps vs MSCI EU



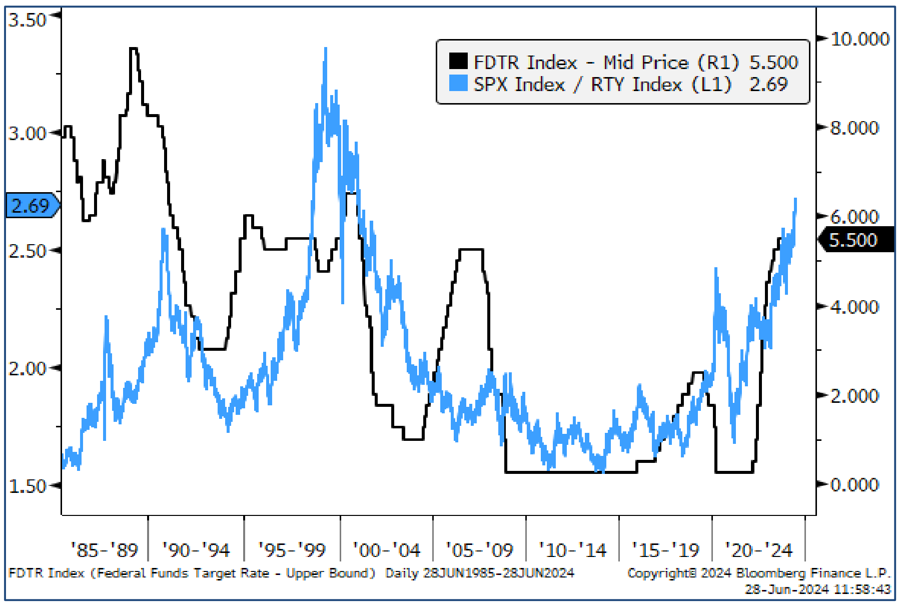
Source: Bloomberg

2.6 Market review : Small & Mid caps

- While interest rate cuts have generally been positive for stocks overall, they could provide a more significant boost to Small-caps. They tend to benefit significantly from interest rate cuts due to their higher leverage compared to larger firms. On the left chart the ratio S&P500 to Russell is most of the time correlated with interest rates movements.

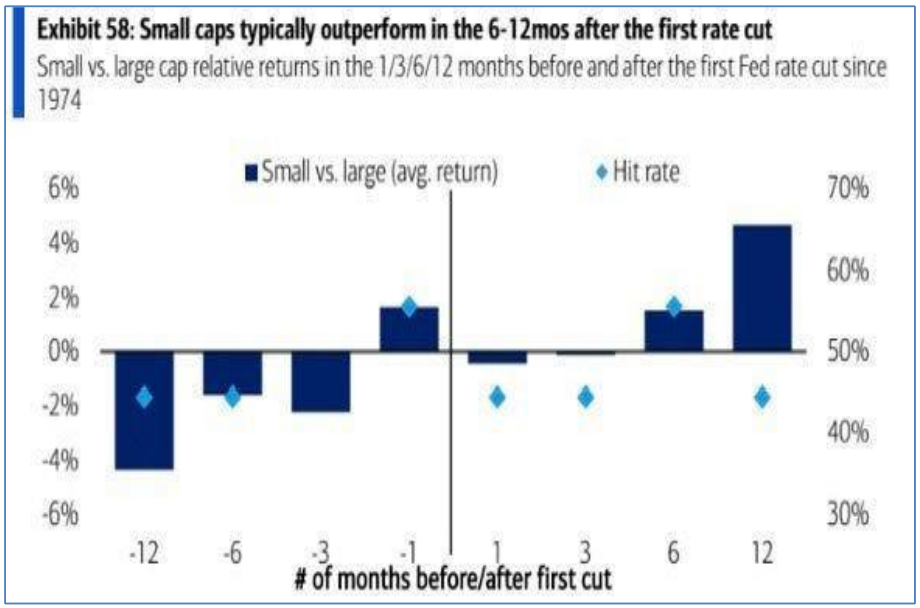
- It is observed that historically, Small-caps have gained more than large caps following the first rate cut in a cycle, with this benefit amplified when earnings have also risen.

S&P 500 vs Russell 2000



Source: Bloomberg

Russell 2000 % of active portfolio



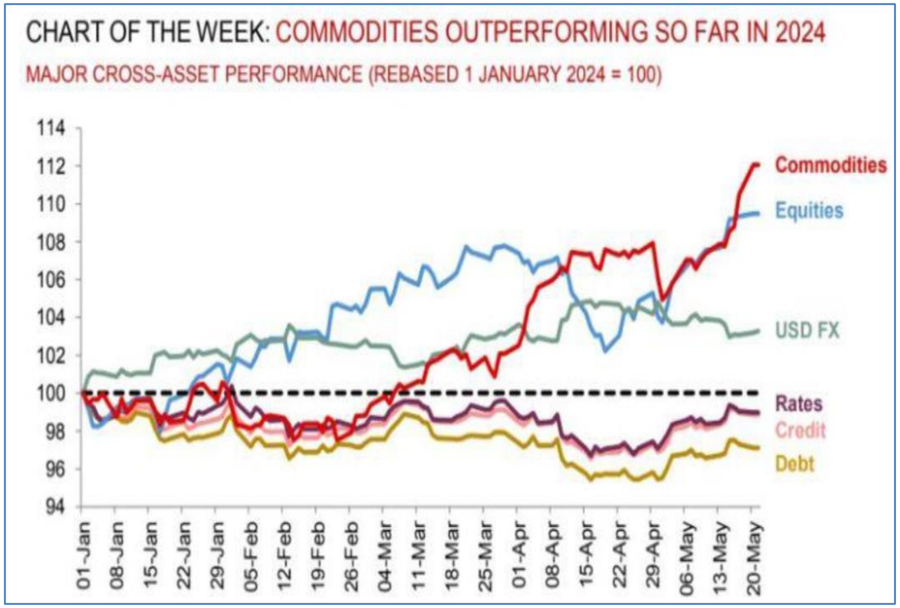
Source: BofA

2.7 Cross Asset : Commodities

- Many commodities reached or neared new historical records in Q2 2024. While some analysts attribute this to geopolitical tensions, others believe it signals a global economic rebound. Rise in energy prices, supply chain disruptions, sector-specific shortages, and anticipated rate cuts have all contributed to upward pressure on many commodities.

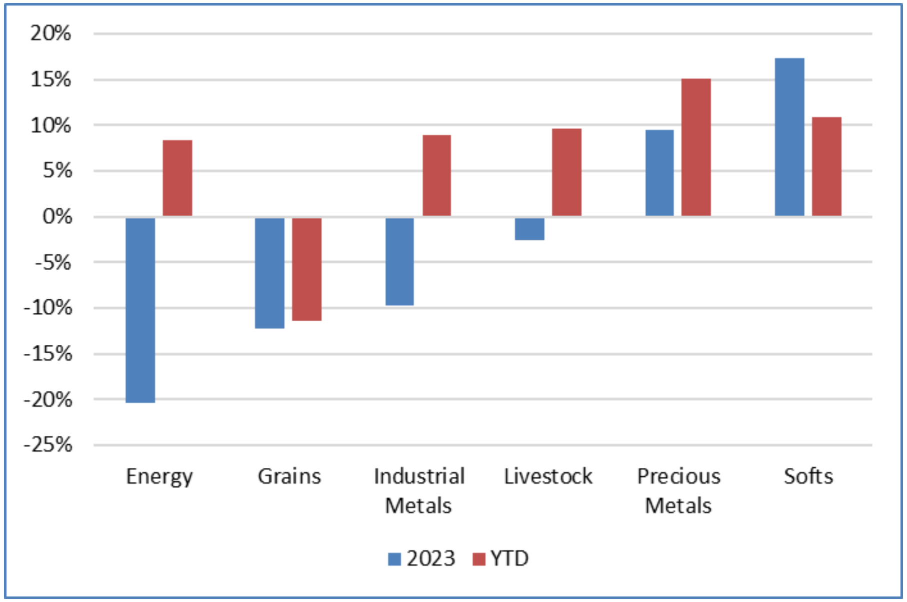
- Precious Metals and Softs have emerged as the top-performing sectors year-to-date. Meanwhile Energy and Industrial Metals have experienced the largest performance compared to 2023.

Cross Asset 2024 performance



Source: Bloomberg, MUFG Research

Bloomberg Commodity Index sectors 2023 vs 2024 YTD



Source: Bloomberg

2.7 Cross Asset : Commodities - Gold

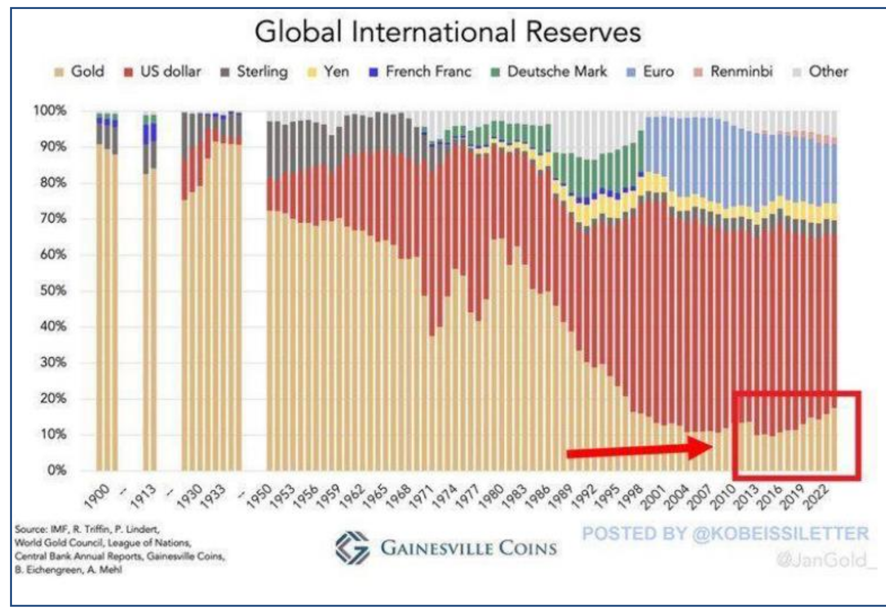
- Gold surged to a record $2’430 per ounce in May partly due to rising geopolitical tensions. Massive central bank purchases, especially by China to reduce its US dollar dependency, also supported the trend. Additionally, increased demand from Asian investors, particularly in China, driven by an underperforming economy and weak markets, has bolstered Gold prices.

- However, Gold prices have fallen below $2’330 since their peak in May. This decline is primarily due to the PBoC announcing unchanged Gold holdings in May, ending 18 consecutive months of purchases.

Gold spot price (usd/oz)

Source: Bloomberg

Global International Reserves of China



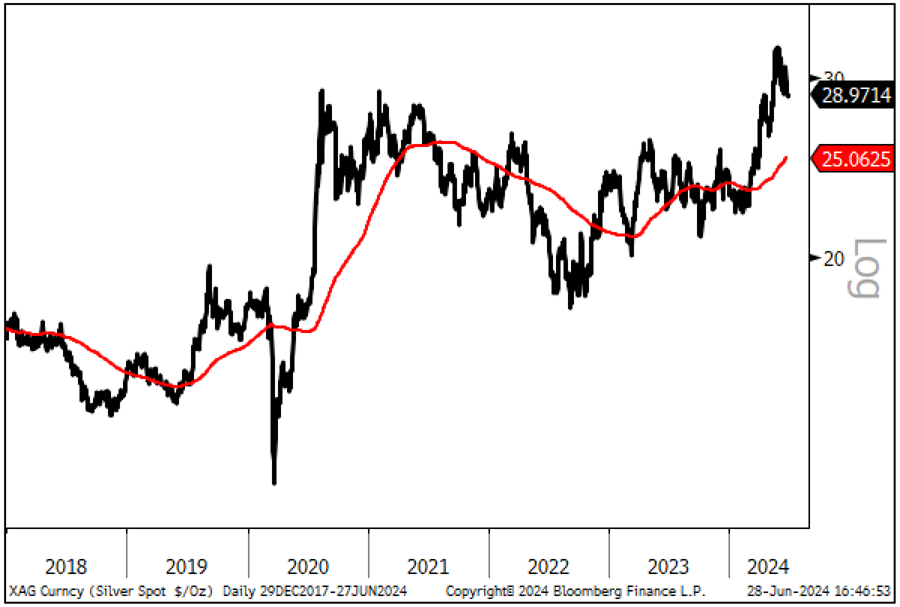
Source: PBoC, World Gold Council

2.7 Cross Asset : Commodities - Silver

- Silver has surpassed $30 per ounce in May, reaching its highest level in a decade, due to strong demand from both investment and industrial sectors. In January, the Gold-to-Silver ratio exceeded 90, the widest gap since September 2022. It has since tightened to around 80.

- The rise can be attributable to an increased export and import prices in China and expected accommodative measures. Additionally, demand from the Solar panel industry, expected to reach a record high this year, has continued to support the metal.

Silver spot price (usd/oz)



Source: Bloomberg

Silver demand components

Source: Tavi Costa

2.7 Cross Asset : Commodities - Copper

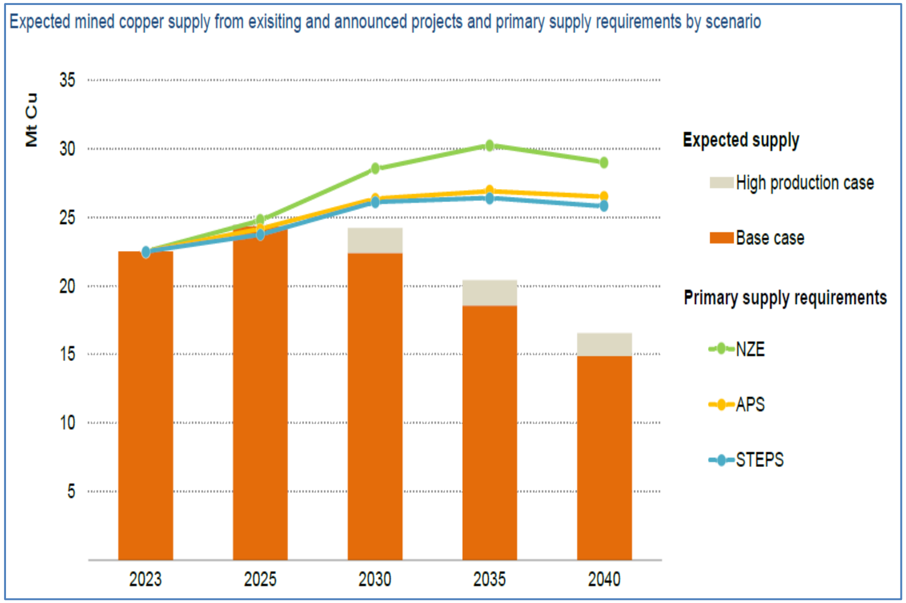
- Copper futures contract hit a record $5.15 per pound in late May, driven by expectations of strong demand and tight supply, intensifying concerns about potential shortages.

- Expectations for increased mining output are diminished due to excessive costs hindering new projects, prompting major mining companies to prioritize mergers and acquisitions. The recent aborted BHP takeover Anglo American has highlighted that is cheaper to acquiring existing operations rather than developing new mines, suggesting a potential slowdown in supply growth for the coming years.

Copper futures contract price (USd/lb.)

Source: Bloomberg

Copper expected vs required Supply



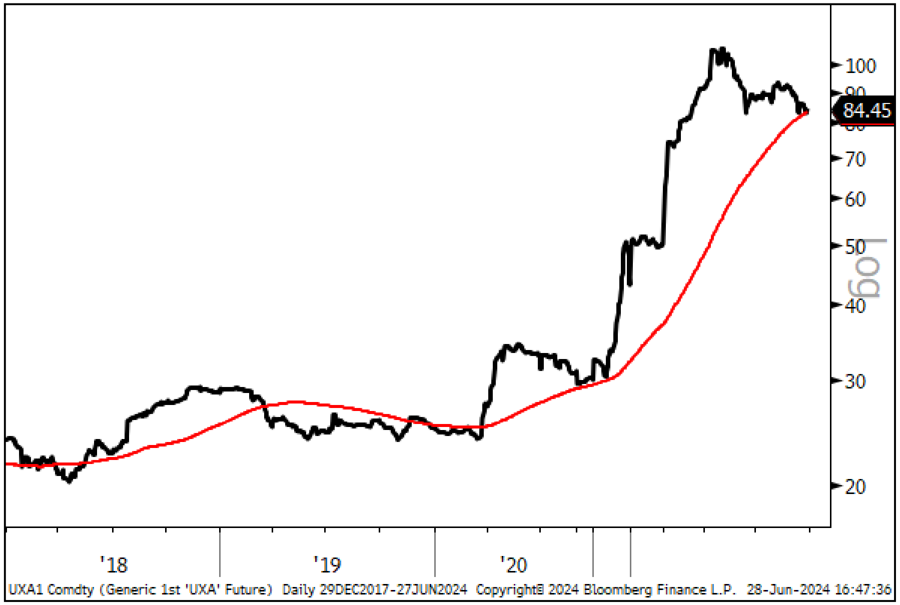
Source: IEA

2.7 Cross Asset : Commodities - Uranium

- After climbing steadily for a couple of years, spot prices for Uranium spiked to $106 per pound in February 2024, the highest price seen in over 15 years, before falling to just under $84 lately.

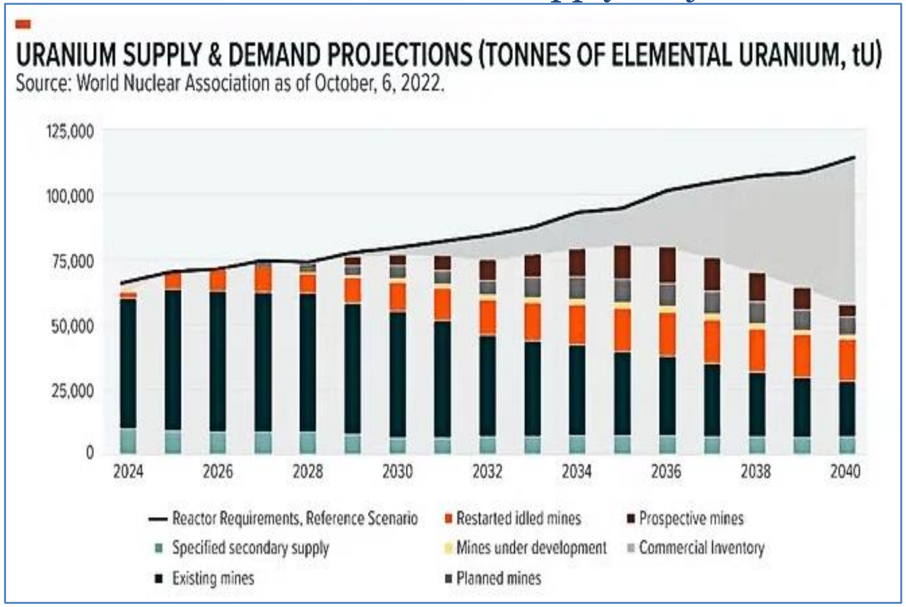
- Despite recent price corrections, the long-term outlook for Nuclear energy remains promising, as there is a growing consensus that achieving net-zero emissions is impossible without it. This could result in a substantial supply deficit in the coming years, as illustrated in the chart on the right.

Uranium futures contract price (usd/lb.)



Source: Bloomberg

Uranium Demand vs Supply Projections



Source: IRIS France

3. Market review: Equity Performance

- During the quarter, performances varied widely among the main indices. The Nasdaq once again led the way, rising 8.3% in USD terms. European markets corrected after the European elections and Macron's announcement of the dissolution of the National Assembly.
- In Emerging Markets, China began to recover, particularly Tech stocks, which pushed the Hang Seng 7.3% higher, while Brazil lost 14.8% in USD terms, mainly due to the devaluation of its currency.

Equity Indices	% YTD in USD	% YTD in EURO	% 3M in USD	% 3M in EURO
MSCI WORLD	10.8%	13.8%	2.2%	2.9%
S&P 500	14.5%	17.5%	3.9%	4.6%
NASDAQ	18.1%	21.2%	8.3%	9.0%
BRAZIL	-22.9%	-19.5%	-14.8%	-14.1%
Euro Stoxx 50	5.3%	8.2%	-4.4%	-3.7%
Stoxx Europe 600	3.8%	6.8%	-1.0%	-0.2%
FTSE 100	4.9%	7.8%	2.8%	3.5%
CAC 40	-3.8%	-0.8%	-9.6%	-8.9%
DAX	5.9%	8.9%	-2.1%	-1.4%
IBEX	5.4%	8.3%	-1.9%	-1.2%
MIB	6.3%	9.2%	-5.3%	-4.6%
SMI	0.9%	4.0%	2.5%	3.3%
NIKKEI 225	4.2%	7.6%	-8.2%	-7.5%
HANG SENG	4.0%	6.9%	7.3%	8.1%
SHANGHAI	-2.6%	0.5%	-3.0%	-2.3%
VIX	-0.1%	3.0%	-4.4%	-3.7%

Source: Bloomberg 30/06/24.

3. Market review : Sector Performance Review

- In terms of sectors, it was once again Technology that drove performance, again thanks to Nvidia and its results, which beat expectations every time. Nvidia has now exceeded three trillion in market capitalization.

- After an excellent first quarter, it was Commodities that corrected this quarter. Consumer Discretionary and Industrials were also down. The decline in these three cyclical sectors reflects the market's anticipation of an economic slowdown.

Sector performance	Europe % YTD	Europe % 3M	USA % YTD	USA % 3M	World % YTD	World % 3M
Consumer Discretionary	4.4%	-6.9%	5.2%	0.4%	4.3%	-2.3%
Consumer Staples	-1.6%	-0.6%	7.5%	0.7%	3.4%	0.1%
Energy	6.8%	2.7%	9.1%	-3.2%	8.3%	-1.3%
Financials	13.2%	2.0%	9.2%	-2.4%	10.0%	-0.4%
Health Care	15.6%	7.0%	6.9%	-1.4%	8.0%	0.5%
Industrials	9.6%	-0.1%	7.0%	-3.3%	7.2%	-2.2%
Information Technology	24.6%	5.7%	27.8%	13.6%	25.1%	11.4%
Materials	3.5%	-0.3%	3.1%	-4.9%	-0.2%	-3.4%
Telecommunication Services	7.4%	2.9%	26.1%	9.1%	22.0%	8.1%
Utilities	-3.5%	1.4%	7.6%	3.9%	4.5%	3.2%

Source: Bloomberg 30/06/24.

3. Market review : FX and commodities performance

Currencies		
	Against USD	
	YTD	3M
EURO	-3.0%	-0.7%
JPY	-14.1%	-6.3%
GBP	-0.7%	0.2%
CHF	-6.8%	0.3%
CNY	-2.4%	-0.6%
HKD	0.0%	0.2%
CAD	-3.3%	-1.0%
AUD	-2.1%	2.3%
	Against Euro	
	YTD	3M
USD	3.0%	0.7%
JPY	-10.7%	-5.6%
GBP	2.3%	0.9%
CHF	-3.7%	1.1%
CNY	0.8%	0.1%
HKD	2.9%	0.9%
CAD	-0.3%	-0.3%
AUD	0.9%	3.0%
	Against CHF	
	YTD	3M
EURO	3.5%	-1.1%
USD	6.4%	-0.3%
JPY	-6.7%	-6.7%
GBP	5.7%	-0.2%
CAD	3.3%	-1.4%
AUD	4.4%	2.0%
HKD	6.4%	-0.1%

- The JPY continues to depreciate against all major currencies while the CHF has bounced back a little during the second quarter even though the SNB has cut rates.
- Silver has been catching up Gold's performance this year and after climbing 16.7% this quarter the YTD performance stands at 22.5% while Gold is at 12.8%.

	% YTD in USD	% 3M in USD
WTI Crude Oil	13.8%	-2.0%
Brent Crude Oil	12.2%	-1.2%
Gasoline	20.3%	-8.4%
Natural Gas	11.8%	6.5%
Gold	12.8%	4.3%
Silver	22.5%	16.7%
Platinum	0.4%	9.3%
Palladium	-11.2%	-3.9%
Aluminum (LME)	5.9%	8.0%
Copper (LME)	12.2%	8.3%
Corn	-15.7%	-10.1%
Wheat	-11.9%	-1.2%
Soybean	-11.1%	-3.4%
Coffee	21.6%	21.2%
Sugar	-1.3%	-9.8%
Cotton	-13.8%	-23.6%

Source: Bloomberg 30/06/24

3. Market review : Fixed Income Performance

- With the repricing of rate cuts, bond performance has been negative since the beginning of the year.

- Government debt has underperformed, while corporate and high-yield bonds have outperformed treasuries thanks to their higher coupon and tighter spreads. High-yield debt is in positive territory YTD.

- Credit Spreads remain tight but have a little bit widened in Europe after the elections and Macron's announce.

	Perf June	Perf YTD	Perf last 3 months	Yield	Duration	Spread
Global						
Global Aggregate	0.1%	-3.2%	-1.1%	3.9	6.6	51
Treasuries	-0.1%	-4.9%	-2.0%	3.4	7.3	14
Credit	0.3%	-1.1%	-0.2%	4.9	6.2	94
USA						
U.S. Universal	0.9%	-0.3%	0.2%	5.3	6.0	102
U.S. Aggregate	0.9%	-0.7%	0.1%	5.0	6.2	39
U.S. Gov/Credit	0.9%	-0.7%	0.0%	4.9	6.4	35
U.S. Treasury	1.0%	-0.9%	0.1%	4.6	6.0	0
Government-Related	0.8%	-0.1%	0.3%	5.1	5.5	46
Corporate	0.6%	-0.5%	-0.1%	5.5	7.1	94
U.S. MBS	1.2%	-1.0%	0.1%	5.2	5.8	48
Pan Europe						
Pan-Euro Aggregate	0.6%	-1.0%	-0.6%	3.5	6.7	65
Euro-Aggregate	0.3%	-1.2%	-0.9%	3.3	6.5	74
Asia Pacific						
Asian-Pacific Aggregate	2.0%	6.2%	3.0%	2.0	7.4	5
High Yield						
Global High Yield	0.4%	3.2%	1.0%	8.3	4.0	401
U.S. Corporate High Yield	0.9%	2.6%	1.1%	7.9	3.7	309
Pan-European High Yield	0.4%	3.2%	1.4%	7.0	3.1	370
Other						
Global Inflation-Linked	-0.2%	-2.6%	-0.8%			
Municipal Bond Index	1.5%	-0.4%	0.0%	3.7	6.1	
Emerging Markets						
EM USD Aggregate	0.6%	2.2%	0.7%	7.2	6.3	262
Sovereign	0.5%	1.9%	0.2%	7.8	7.3	327
Corporate	0.8%	3.5%	1.3%	6.7	5.0	210
High Yield	0.2%	5.9%	1.2%	9.8	5.2	518

Source: Bloomberg 30/06/24

4. Long-term Investment Strategy

- We think diversification into long term themes will provide real benefits to traditional sector allocation in the current investment landscape. Many sectors (such as the car market) are disrupted and challenged by Technological developments. Moreover diversified approaches (style, sector, geographic) have proven to be an effective hedging against tail risk with durable long term performance.

- Short term noise may bring volatility up but we focus on secular trends: implementation of our Innovation societal impact environmental footprint 3 dimensional approach.

- Our equity exposure is centered around: Technology (Robots, Cybersecurity, Artificial Intelligence), BioTechnology, Societal as well as Environmental impacts, mixed with strong balance sheet companies that generate recurring cash flow over time and rewards investors through share buyback programs and high dividend distribution.

- In a context of interest rates normalization, we now believe that government bonds look attractive.

- Look for decorrelated asset.

4.1 Current Asset Allocation

➢ Our current allocation is 51.7% Risky Assets*, 20.5% Investment Grade Bonds in our Balanced EUR model.

Asset allocation	**Equity allocation:** neutral. **Bonds:** underweight. **Cash:** neutral. **Alternative:** Overweight.		
		Core allocation	**Tactical allocation**
Equities	**Regions/ sectors**	• Developed Markets (USA and Europe). • Emerging Markets, China & Vietnam.	
	Investment style, stock selection	• Global growth themes. • Quality dividend selection. • Sustainable Investments.	
Bonds & currencies	**Duration**	• Neutral Duration(short-term HY and medium- term IG in Europe).	
	Bond segments	• Investment Grade USD and Euro, High Yield corporates EURO.	• CAT Bonds.
	Currencies	• Neutral.	• Crypto basket.
Commodities & Alternatives		• Gold & Commodity Basket Energy Transition. • Decorrelated Strategies.	

* Risky Assets = Equities + (High Yield Bonds * 0.6 factor)

Conclusions

- Growth is set to slow in 2024, but recession should be avoided. The soft-landing scenario is favored by the consensus, even if a "no landing" scenario in gaining ground.

- "Higher for longer rates", the FED should be the last to pivot.

- Geopolitical tensions are set to remain. This will have a long-term impact on supply chains and military budgets.

- Highly leveraged companies may face refinancing difficulties.

- More than ever, look for decorrelated and long duration assets.

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