MONTHLY NEWSLETTER – May 2024

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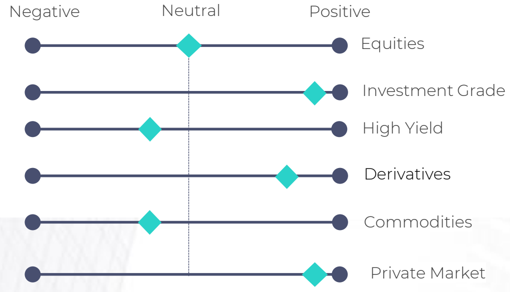
"In May, the markets reached new highs, and rates fell thanks to better inflation data than at the beginning of the year and good corporate earnings. Large-cap technology companies continue to drive the markets, but some cyclical sectors have also performed well. Macroeconomic data has remained well-oriented, particularly in the United States. Despite tensions in the Middle East, oil prices have not increased significantly and remain more than 30% below the peak prices of 2022. Nevertheless, geopolitical tensions continue to be the main risk in the markets, beyond the monetary policies of central banks. We continue to build portfolios by locking in yields at still high levels. We remain neutral and very selective on stocks whose valuations remain high. We diversify our portfolio construction with private assets to take advantage of opportunities in this segment."

OUR MARKET VIEWS



POTENTIAL MARKET CATALYSTS

- **Central banks' interest rates cuts**
- **Inflation easing**
- **Good corporate earnings**
- **Easing of geopolitical tensions**

KEY INDICATORS

Equities (%)	Level	Avril	Mai	YTD 2024
S&P 500	5 278	-4,16	4,80	10,30
Nasdaq 100	18 537	-4,46	6,28	10,29
Eurostoxx 50	4 984	- 3,19	1,27	9,55
FTSE 100	8 275	2,41	1,61	6,45
China SI 300	3 580	1,89	-0,68	5,38
Emerging markets	1 049	0,26	0,29	4,45

Bonds (rate spreads)	Level	Avril	Mai	YTD 2024
		Spread change level		
10 year government bonds				
US	4,50	0,48	- 0,18	11,82
Europe	2,66	0,29	0,08	25,20
Corporate – 5 years spread (change level)				
Investment Grade US	50	2,34	-3,98	-10,66
Investment Grade Europe	93	1,16	-2,59	-6,17
High Yield US	333	27,04	-24,49	-5,37
High Yield Europe	296	20,75	-21,79	-4,39

Currencies (%)	Level	Avril	Mai	YTD 2024
EUR / USD	1,066	-0,44	-1,15	-2,98
GPB / USD	1,249	-0,31	-1,04	-1,67
CHF / USD	1,088	-2,50	-1,97	8,48

Commodities (%)	Level	Avril	Mai	YTD 2024
Gold	2 286	9,60	2,53	11,81
Brent	88	4,54	0,43	9,25
Copper	456	4,34	13,01	16,41
Aluminium	2 566	6,89	11,22	8,35

Volatility	Level	Avril	Mai	YTD 2024
Euro Stoxx 50	14	16,3	-9,17	8,60
Nasdaq 100	13	20,3	-17,44	11,81

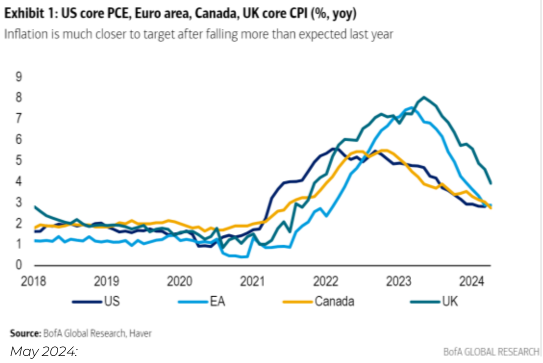
Cryptos (%)	Level	Avril	Mai	YTD 2024
Bitcoin	67 630	-15,5	12,96	66,7
Ethereum	3 790	-18,5	27,94	67,1

Sources: Bloomberg, Norman K. - Data as of May 31st 2024. Past performance is not a reliable indication of future performance. Non-contractual information.

CHART OF THE MONTH

US rate cuts are likely off the table for now.

Recent Fedspeak and the May FOMC minutes indicate that US rate cuts are likely off the table for now. The Fed and the ECB look set to decouple, with an ECB cut likely in June.



May: The markets have resumed their upward trajectory.

USA: Inflation remains sticky, leading to downward pricing of rate cuts

- The U.S. GDP slowed in Q1. The economy is progressively slowing down after expanding quickly in the 2nd half of 2023, which should lessen some of the pressure on prices to rise.
- Core PCE prices—the Federal Reserve's preferred inflation gauge—rose 0.2% in April, down slightly from the previous two months and seemingly a period of calming inflation pressures following January's 0.5% spike.
- The labour market is still tight despite some softening signs.

For now, the Fed remains on hold until it sees more progress on inflation or activity really weakens. A rate cut may be a catalyst for markets.

EUROZONE: An upcoming rate cut in June, but more uncertainty for the following months

- The economy is still struggling due to higher interest rates and lower demand.
- Headline inflation in the eurozone rose for the first time in five months, with the year-over-year increase in consumer prices ticking up to 2.6% in May from 2.4% in each of the previous two months
- The unemployment rate fell to a record low of 6.4% in April after coming in at 6.5% in each of the prior five months.
- Numerous European Central Bank policymakers have signaled that they expect to lower interest rates in June.

Our view: With stronger than expected inflation and jobless rate at record low, the pace of rate cuts may be reviewed depending on next months' data.

CHINA: Rebound of Chinese equities despite manufacturing slipping back into contraction

- The official manufacturing purchasing managers' index (PMI) fell to a below-consensus 49.5 in May, marking the first monthly contraction since February.
- The People's Bank of China announced a historic rescue package for the property sector as data showed no sign of letup in China's housing crisis.

Our view: Government challenges in the real estate sector remain unsolved, creating some doubts about the sustainability of the Chinese rally.

Despite a strong American economy, economic data has shown some signs of slowing down (GDP, housing sales, PMI, etc.). Even with high interest rates, **markets continue to be supported** by resilient economic data, abundant liquidity, good corporate earnings, and prospects for rate cuts by central banks. The **main risks are geopolitical** and could weigh on commodity prices and inflation in the long term.

In terms of risk/reward, we remain **positive on bonds** that allow locking in yields at current levels. Some **derivatives** also allow fixing these yields in anticipation of rate cuts in the medium/long term. We remain **neutral on equities** by positioning portfolios on liquid trackers and constructing direct portfolios according to a specific methodology that allows **selecting solid companies that generate free cash flow and have sustainable debt**.

The construction of our portfolios also involves **private assets**, which we think offer diversification and decorrelation while providing interesting yield potential. Valuations remain relatively high, prompting us to maintain our view, with an expected pick-up in the IPO market.

WHICH OPPORTUNITIES IN THIS CONTEXT?

High valuations of stocks	Anticipation of rate cuts	Weaker macroeconomic environment
↓	↓	↓
• In-depth analysis and selectivity • Partial profits taking	• "Lock" current yield levels	• Alternative investments • Pre-IPO segment / private debt / asset finance

Sources: Bloomberg, Norman K. - Data as of May 31st 2024. Past performance is not a reliable indication of future performance. Non-contractual information.

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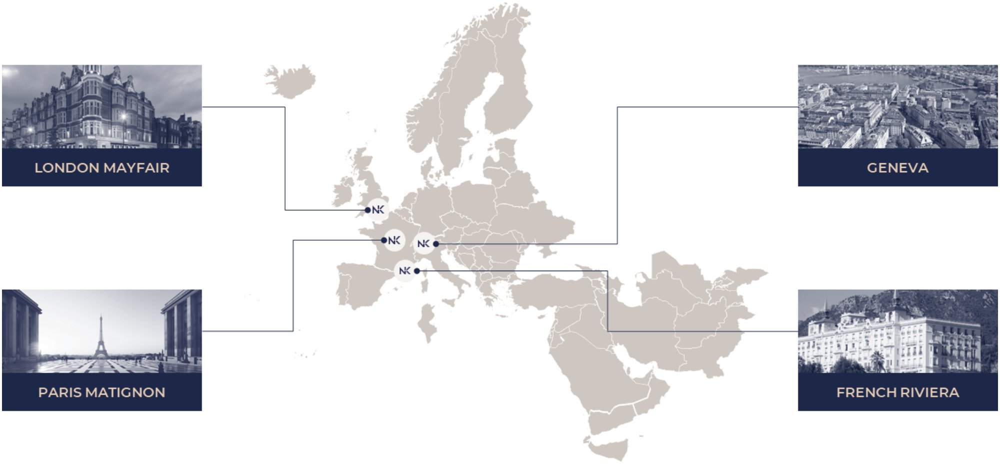
NK LOCATION



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