MONTHLY NEWSLETTER – June 2024

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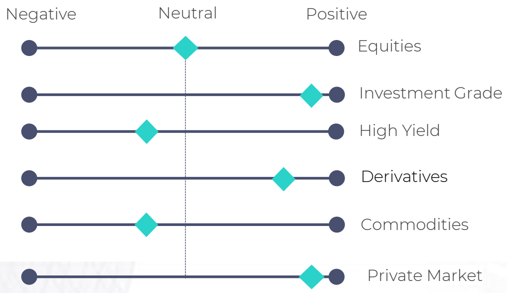
"The first half of the year was very positive for stocks, particularly driven by technology stocks, which continue to be buoyed by artificial intelligence. Notably, more defensive sectors such as services and gold also performed well. Volatility remained very low throughout the semester, while the probabilities of FED rate cuts were revised downward. Among major central banks, the Bank of Canada, the Swiss National Bank and the ECB have begun rate cuts. Inflation, particularly in services, did not decrease enough for the rate cut expectations at the beginning of the year to materialize.
European elections and the dissolution of the National Assembly in France led to a decline in French stocks and impacted European stocks."

OUR MARKET VIEWS



POTENTIAL MARKET CATALYSTS

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

KEY INDICATORS

Equities (%)	Level	Mai	Juin	YTD 2024
S&P 500	5 460	4,80	3,47	16,08
Nasdaq 100	19 683	6,28	6,18	19,97
Eurostoxx 50	4 894	1,27	- 1,80	10,22
FTSE 100	8 164	1,61	- 1,34	6,36
China SI 300	3 462	-0,68	- 3,30	0,43
Emerging markets	1 086	0,29	3,55	6,70

Bonds (rate spreads)	Level	Mai	Juin	YTD 2024
		Spread change level		
10 year government bonds				
US	4,40	- 0,18	- 0,10	12,36
Europe	2,50	0,08	- 0,16	28,01
Corporate – 5 years spread (change level)				
Investment Grade US	53	-3,98	3,61	-11,75
Investment Grade Europe	100	-2,59	7,08	-4,97
High Yield US	344	-24,49	11,06	-6,55
High Yield Europe	319	-21,79	23,19	-5,39

Currencies (%)	Level	Mai	Juin	YTD 2024
EUR / USD	1,0713	1,7	- 1,24	- 2,17
GPB / USD	1,2645	2,0	- 0,76	0,22
CHF / USD	1,1127	1,9	0,40	7,15

Commodities (%)	Level	Mai	Juin	YTD 2024
Gold	2 327	1,8	- 0,02	14,27
Brent	86	-7,1	5,87	12,45
Copper	439	0,6	- 4,75	15,23
Aluminium	2 491	2,2	- 4,98	6,44

Volatility	Level	Avril	Mai	YTD 2024
Euro Stoxx 50	18	-9,2	29,41	8,24
Nasdaq 100	12	-17,4	-3,72	-2,73

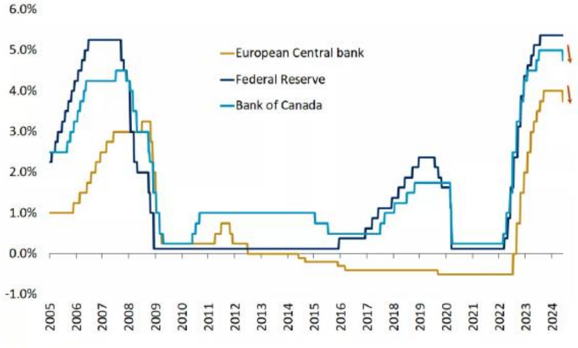
Cryptos (%)	Level	Avril	Mai	YTD 2024
Bitcoin	61 905	13,0	- 8,47	36,7
Ethereum	3 416	27,9	- 9,87	39,6

Sources: Bloomberg, Norman K. - Data as of June 30st 2024. Past performance is not a reliable indication of future performance. Non-contractual information.

CHART OF THE MONTH

The BoC and ECB cut rates for the first time in this cycle, FED is next

Because growth in both Canada and the eurozone has been sluggish while inflation continues to ease, officials don't want monetary policy to be more restrictive than it needs to be.



Source: Bloomberg.

June: The second quarter continues its momentum on the successes of the first.

USA: An upcoming rate cut

- Labor-market normalization: employment conditions are strong but no longer tight. The US economy added more jobs than expected but the unemployment rate ticked up to 4%, the highest in two-and-a-half years.
- Demand is slowing as consumption moderates due to lower saving rates and impact of higher rates in households.
- The U.S. CPI came in lower than expected, supported by flat food prices and lower energy prices.
- The March dot plot had pointed to three rate cuts in 2024, while last month's updated version only had one rate cut penciled in for this year.

For now, the Fed remains on hold until it sees more progress on inflation or activity really weakens. A rate cut may happen during the 2nd semester, a potential markets catalyst. We'll be cautious about upcoming US elections.

EUROZONE: slowdown of growth and political risk weight on sentiment

- The results of the European parliamentary election led President Macron to call for a snap election in France.
- Concerns over the potential outcome caused significant market volatility. The French equity market declined by 6.4% in June, which negatively affected broader European returns, resulting in just a 0.6% increase for the quarter.
- European sovereign yields rose, and European government bonds delivered negative returns over the quarter.

Our view: As previously expected, the ECB started rates cut in June but stays data-dependent. Political risks may weight on equity markets.

CHINA: Asia ex-Japan equities deliver strong returns over the quarter

- Actions by Chinese authorities to bolster the real estate sector gave a lift to Chinese equity markets. Coupled with the strong performance of Taiwan's stock market, which is heavily invested in artificial intelligence, this helped Asia ex-Japan equities achieve robust returns over the quarter.

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

Starting from a slight dip in April, **stocks have performed well and continue their rise beyond artificial intelligence stocks**. However, the **economy tends to slow down** both in Europe and the United States, and **geopolitical risks could be sources of volatility**. At the same time, the initiation of a rate cut by the FED could support the markets and the economy more broadly. Rates have recently fallen and are expected to continue this trajectory after the beginning of the year was marked by rising inflation data that impacted rates.

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

- In-depth analysis and selectivity
- Partial profits taking

Anticipation of rate cuts

- "Lock" current yield levels

Weaker macroeconomic environment

- Alternative investments
- Pre-IPO segment / private debt / asset finance

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