MONTHLY NEWSLETTER – August 2024

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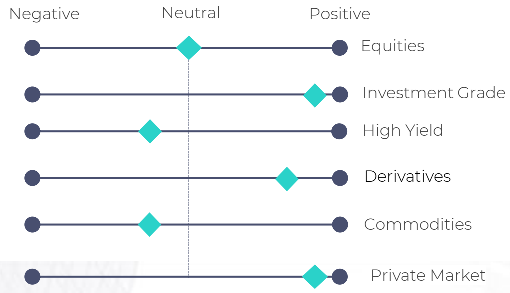
"August started with volatility due to disappointing macroeconomic data and the Bank of Japan's decision to raise rates. The early-month correction gave way to a rebound later in the month following an upward revision in the likelihood of the Fed cutting rates. The second-quarter earnings season also went well, marked notably by a rebound in several sectors.
With inflation nearing the Fed's target, investors' concerns are now more focused on recession risks rather than rate cuts, which have already been anticipated by the markets. However, we remain positive about the soft-landing scenario as indicated earlier in the year. We continue to favor bonds and have a neutral stance on stocks, which could be interesting to progressively increase in portfolios during potential correction phases."

OUR MARKET VIEWS



POTENTIAL MARKET CATALYST

- **FED's interest rates cuts**
- **Continuing Inflation easing**
- **US election**
- **Easing of geopolitical tensions**

KEY INDICATORS

Equities (%)	Level	July	August	YTD 2024
S&P 500	5 648	1,1	2,28	15,38
Nasdaq 100	19 575	-1,6	1,10	12,51
Eurostoxx 50	4 958	-0,4	1,75	6,13
FTSE 100	8 377	2,5	0,10	6,22
China SI 300	3 321	-0,6	-3,51	-5,82
Emerging markets	1 100	-0,1	1,40	5,11

Bonds (rate spreads)	Level	July	August	YTD 2024
		Spread change level		
10 year government bonds				
US	3,90	-0,37	-0,13	-4,51
Europe	2,30	-0,20	-0,00	7,16
Corporate – 5 years spread (change level)				
Investment Grade US	49	-1,64	-2,55	-8,72
Investment Grade Europe	95	-3,88	-0,99	-1,83
High Yield US	322	-13,38	-8,66	-5,03
High Yield Europe	288	-24,49	- 6,19	-2,63

Currencies (%)	Level	July	August	YTD 2024
EUR / USD	1,1048	1,1	2,05	0,69
GPB / USD	1,3127	1,7	2,11	3,50
CHF / USD	1,1771	2,4	3,35	0,04

Commodities (%)	Level	July	August	YTD 2024
Gold	2 503	5,2	2,28	22,04
Brent	79	-6,6	-2,38	-5,02
Copper	421	-4,4	-0,08	4,87
Aluminium	2 434	-10,0	8,56	0,54

Volatility	Level	July	August	YTD 2024
Euro Stoxx 50	15	-14,0	-3,01	53,44
Nasdaq 100	15	31,5	-8,31	77,59

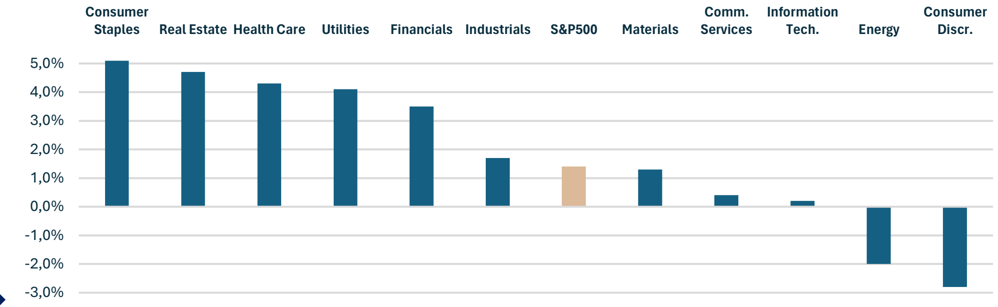
Cryptos (%)	Level	July	August	YTD 2024
Bitcoin	58 955	4,3	-8,68	31,5
Ethereum	2 507	-5,7	-22,17	3,2

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

CHART OF THE MONTH

August: Reinforcing the trend of market broadening

Nine out of the 11 sectors experienced positive growth during the second-quarter earnings, with health care, financials, utilities, and tech delivering the most significant upside surprises.



Source: FactSet, NK. Total return (S&P500).

August: Good recovery after a volatile start to the month.

USA: Economic slowdown, but we're still far from a recession.

- July ISM manufacturing print that came in well below expectation, but growth and consumption remain a good shape.
- Weak July jobs report with the smallest payrolls increase (114k) in over three years and a slight increase of the unemployment rate to 4.3%.
- With inflation making further progress toward the 2% target, and the slowing economy, investors began to price in more aggressive policy easing by the Federal Reserve.
- At the annual Jackson Hole symposium, Fed's message was that "the time has come for policy to adjust".

The indicators are clear for the start of monetary easing by the Fed, with the extent of rate cuts being the main uncertainty. We need to be mindful of potential negative macroeconomic news, which is now drawing more attention from investors than the rate cuts.

EUROZONE: The weakness of the economy is expected to lead to further rate cuts

- The Olympics provided a lift to France's service sector, leading to a higher-than-expected eurozone composite PMI
- The roader economic environment stayed sluggish, and earnings from cyclical companies fell short of expectations
- Headline annual inflation to its lowest level in three years and a shade above the ECB's 2% target. Markets are betting on a quarter-point reduction in the ECB's benchmark interest rate at its September meeting.

We continue to believe that the ECB will gradually continue its rate cuts, given that economic activity remains sluggish in the region. However, inflation in services and wage growth will be important data to monitor.

CHINA: still no recovery despite massive stimulus measures.

- Several corporate earnings reports missed expectations and dampened buying sentiment
- Some China economists are reducing their 2024 growth forecasts
- China is still facing property sector slump and weak domestic demand
- the People's Bank of China injected RMB 300 billion into the banking system via its medium-term lending facility and left the lending rate unchanged at 2.3%.

Chinese economic growth is expected to slow and combined with investor skepticism about its difficulties and weak demand, we do not favor exposure to China.

Weak U.S. labor market data and a rate hike by the BoJ caused significant **market turbulence at the beginning of the month**. The Japanese Topix dropped over 12% in one day, the VIX surged above 60, and the U.S. bond market briefly anticipated two rate cuts for September. However, calming statements from central bank leaders and positive U.S. inflation data quickly reassured the market, and by the end of the month, **most asset classes had recovered**.

Markets are now anticipating **several Fed rate cuts**, including a 25-bps cut in September. Given that these cuts are widely expected, **bond yields have declined over the past few weeks**. However, the **asset class remains attractive**, particularly in **USD**.

We remain **neutral on equities**, as September and October are historically volatile months. Additionally, the **U.S. election** calendar could further **increase this volatility**. Nonetheless, **opportunities may arise to strengthen positions in stocks** that could **benefit from future rate cuts**. Any such strengthening should be gradual and focused on high-quality companies with solid balance sheets and the ability to generate cash flows in a slowing economic environment.

Interesting opportunities in private assets offer ways to increase diversification and reduce correlation in our portfolios, with a sharp focus on selecting various deals (private equity and private debt).

WHICH OPPORTUNITIES IN THIS CONTEXT?

High valuations of stocks

- In-depth analysis and selectivity
- Reinforce in the event of a market decline

Start of rate cuts

- Lock in current yield levels and anticipate their impacts on portfolios (diversification).

Weaker macroeconomic environment

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

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

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