MONTHLY NEWSLETTER – September 2024

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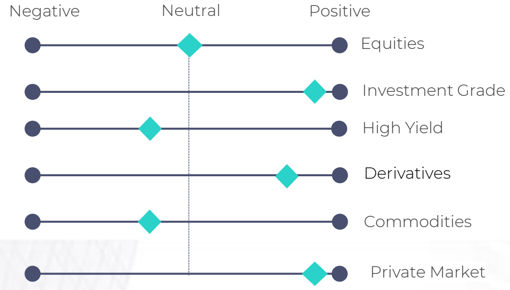
"In September, financial markets were shaped by global monetary easing. The Fed initiated its first rate cut, followed by the ECB, which implemented its second reduction. The Bank of Japan also adopted a less hawkish stance, while China introduced new measures to support its economy. This environment fueled a sectoral rotation, started in the summer, with small-cap stocks outperforming growth stocks.

The bond market benefited significantly from expectations of further Fed rate cuts, particularly after the announcement of a 50-basis-point reduction. However, concerns about an economic slowdown persist, contributing to the drop in oil prices during September. Meanwhile, gold, as a safe-haven asset, reached new highs, driven by the ongoing uncertainty.

We remain optimistic about the soft-landing scenario, as highlighted earlier in the year. We continue to favor bonds and remain neutral on equities which could offer opportunities for gradual portfolio increases during periods of potential market volatility."

OUR MARKET VIEWS



POTENTIAL MARKET CATALYST

FED's interest rates cuts

Continuing Inflation easing

US election

Easing of geopolitical tensions

KEY INDICATORS

Equities (%)	Level	August	September	YTD 2024
S&P 500	5 762	2,3	2,02	19,70
Nasdaq 100	20 061	1,1	2,48	17,69
Eurostoxx 50	5 000	1,7	0,86	8,86
FTSE 100	8 237	0,1	-1,67	7,37
China SI 300	4 018	-3,5	20,97	17,10
Emerging markets	1 171	1,4	6,45	16,04

Bonds (rate spreads)	Level	August	Sept.	YTD 2024
		Spread change level		
10 year government bonds				
US	3,78	-0,13	-0,12	-1,89
Europe	2,12	- 0,00	-0,18	5,63
Corporate – 5 years spread (change level)				
Investment Grade US	53	- 2,55	3,45	-5,91
Investment Grade Europe	98	- 0,99	3,25	0,17
High Yield US	329	- 8,66	7,36	-6,62
High Yield Europe	311	- 6,19	22,36	2,23

Currencies (%)	Level	August	September	YTD 2024
EUR / USD	1,1135	2,1	0,79	- 0,01
GPB / USD	1,3375	2,1	1,89	3,03
CHF / USD	1,1826	3,3	0,47	1,12

Commodities (%)	Level	August	Sept.	YTD 2024
Gold	2 635	2,3	5,24	28,23
Brent	72	-2,4	-8,92	- 2,88
Copper	455	-0,1	8,11	16,85
Aluminium	2 620	8,6	7,64	13,97

Volatility	Level	August	Sept.	YTD 2024
Euro Stoxx 50	18	-3,0	18,31	54,66
Nasdaq 100	17	-8,3	11,53	60,40

Cryptos (%)	Level	August	Sept.	YTD 2024
Bitcoin	63 785	-8,7	8,19	41,6
Ethereum	2 614	-22,2	4,25	2,3

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

CHART OF THE MONTH

Steepening US Yield Curve ...

Source: Bloomberg, September 20th 2024

Although both the ten-year and two-year yields have dropped significantly from their peaks in May, the short-term yields have fallen more sharply.
This typically happens when investors expect a series of upcoming rate cuts without foreseeing a long deflationary trend.
It may suggest that investors are anticipating a soft landing for the U.S. economy.

September: The beginning of the FED's easing cycle!

USA: Economic and inflation slowdown - it's time for rate cuts!

- The Fed has reduced interest rates by 50 basis points. The unemployment rate increased from 3.4% in April 2023 to 4.2% in September, and Fed officials have indicated their intention to prevent further economic weakening.
- Inflation is making steady progress toward the 2% target. Both personal incomes and spending disappointed in August, suggesting a continued moderation in inflationary pressures.
- Slowing economy but the soft-landing scenario is still dominant.

As expected, the Fed has initiated rate cuts in a gradually slowing economic environment, which should continue to provide support for equities. Despite the slowdown, consumption remains robust and is likely to sustain GDP resilience. However, election-related tensions could introduce volatility in the markets.

EUROZONE: Softening inflation and weak economy data lead the ECB to its 2nd rate cut

- The Swedish and Swiss central banks also lowered interest rates.
- Service sector activity almost came to a halt as the boost from the Paris Olympics diminished, while manufacturing faced a sharper contraction.
- In Germany, business activity recorded its most significant decline in seven months. Additionally, business activity in the eurozone unexpectedly contracted in September.

The drop in demand, the decrease in manufacturing, and low levels of investment have prompted the ECB to cut its rates. We believe that the recovery in the Eurozone will be slower than in the U.S., which is likely to encourage the ECB to maintain its monetary easing measures.

CHINA: Chinese stocks soared after Beijing announced a series of measures

- In late September, a blend of monetary easing, regulatory adjustments, and fiscal stimulus introduced by Beijing led to a surge of capital, restoring approximately $1.8 trillion in value across its major stock exchanges.
- The CSI 300 index has increased by more than twenty percent over five sessions (from September 24th to October 1st). However, China continues to grapple with a slump in the property sector and weak domestic demand.

We believe that a long-lasting rally in China will not be sustained by accommodative policies alone, given the challenges in the real estate sector and weak demand.

Fears about the resilience of the economy at the beginning of the month were offset by expectations of rate cuts, followed by the much-anticipated **easing of monetary policies**. As a result, **equity markets performed well**, with a notable advance in small-cap stocks. It's worth noting that **stocks negatively impacted by rising rates could now catch up to those that benefited, such as the "Magnificent 7."** Thus, sources of returns and opportunities in equities could be less concentrated than they were earlier in the year. Additionally, corporate profits are expected to rise in the next quarter.

On the bond side, **portfolios** have already **benefited significantly from rate cut expectations** and the actual cuts in September, and should continue to gain, as more cuts are anticipated by the end of the year, both in Europe and the U.S. These factors lead us to **remain positive on bonds, especially in USD**, as current portfolios could still benefit from future rate reductions. We remain **neutral on equities**, as September and October are historically volatile months. Additionally, the U.S. election calendar and geopolitical tensions could further increase this volatility.

The **pre-IPO market** has slowed down over the past two years due to the impacts of rising interest rates and **is expected to rebound** as many companies have been waiting for better conditions to start their fundraising process. **Opportunities are arising for investors at attractive valuation levels**, particularly in comparison to equity markets. 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 impacts on portfolios.

Weaker macroeconomic environment

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

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

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