MONTHLY REVIEW

MACRO

April was particularly eventful in terms of news, both geopolitically and economically. Tensions between Iran and Israel marked the month, fueling fears of an open conflict. Fortunately, diplomatic efforts have so far contained the situation, but these events underscore the significant changes in the region since October 7, 2023.

Economically, there have been encouraging signs for the past three months, with indications of recovery, especially in the production sector, which had been struggling for several quarters. The global manufacturing industry is showing signs of growth, as is the already expanding services sector. Global inflation is now approaching pre-pandemic levels, with moderation in core prices, although this process is gradual, reflecting persistent challenges in the labor market and service inflation.

Moreover, China's first-quarter growth surprised with its strength, while the U.S. economy continues to defy gravity. We also see a recovery in struggling economies, with growth recorded for the second consecutive month in the UK in February, and an ongoing recovery in Germany, thus avoiding a winter recession thanks to the rebound in manufacturing and exports.

These developments have led the IMF to revise its outlook, abandoning fears of a recession and expressing surprise at the resilience of banking systems and emerging economies.

OUTLOOK

We had already mentioned that a pause and consolidation in the stock markets would follow a strong first quarter. We view the slight correction observed in April favorably. We anticipate a recovery during this quarter, which should support stocks until the early days of summer.

Early indications of earnings show a trend similar to previous quarters, with growth stocks continuing to trade at high prices. This premium is justified by the strength of their growth and balance sheets.

Regarding bonds, we maintain a positive outlook despite fluctuating expectations regarding interest rates. Although central banks do not seem eager to immediately lower rates, bonds still offer attractive yields.

EQUITY MARKETS

The beginning of the second quarter was marked by significant profit-taking in stocks, resulting in declines of 5% to 8% for indices. However, this downturn was short-lived, as investors seized the opportunity to buy back securities.

This month, the performing sector was energy, along with a strong rebound in gold mining companies, driven by the rise in the price of gold. On the other hand, sectors such as materials, industry, and technology seem to be experiencing profit-taking. Listed real estate, regional banks, and discretionary consumption continue to face challenges.

April performance: CAC40 -2.69% (YTD 5.86%), SMI -4.00% (YTD 1.11%), Stoxx600 -1.52% (YTD 5.27%), Nasdaq -4.51% (YTD 4.26%), S&P500 -3.97% (YTD 5.37%), Hang Seng 7.39% (YTD 4.20%), Topix 0.81% (YTD 15.34%).

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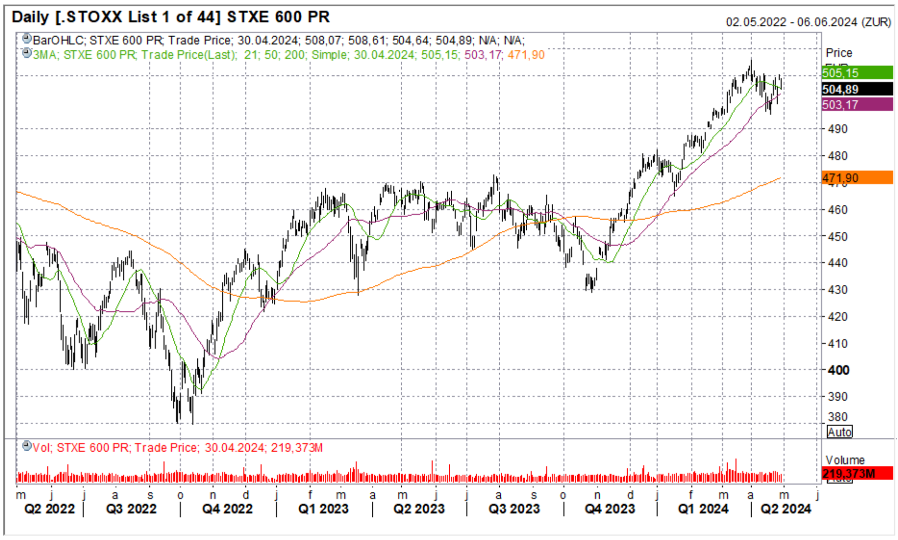

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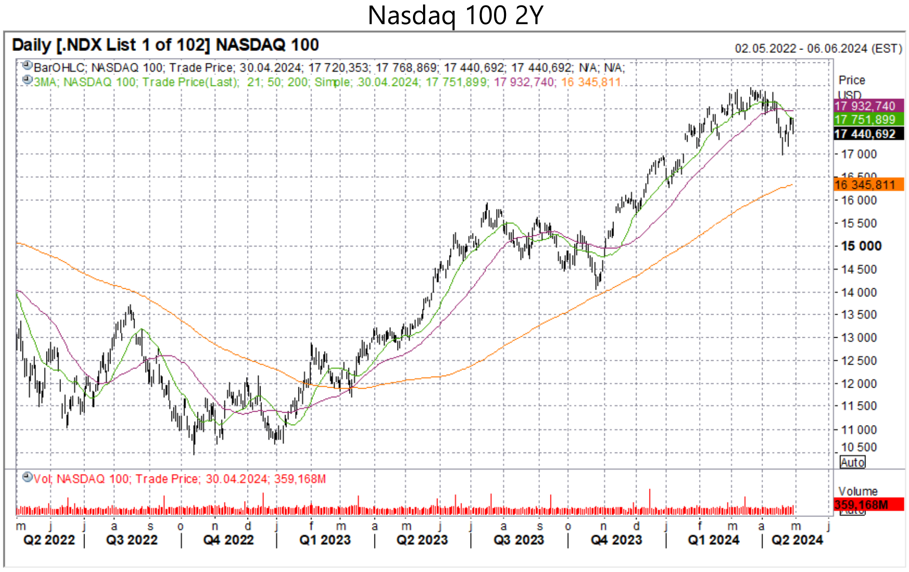


FOREIGN EXCHANGE MARKET

Forecasts of interest rate cuts, as well as divergences in economic and inflation data between Europe and the United States, are putting pressure on the euro. The dollar is strengthening against the euro as the ECB considers reducing interest rates more quickly than the Fed, creating a rate gap.

EUR USD 1Y

Finally, there was little change between the euro and the Swiss franc from the beginning to the end of the month. The decision of the SNB to lower rates weakened the Swiss franc, as there is less inflationary pressure compared to other currencies. This trend is expected to continue, with the euro approaching parity before the first rate cuts by the ECB. However, with geopolitical tensions, the Swiss franc remains the ultimate safe haven.

EUR CHF 1Y

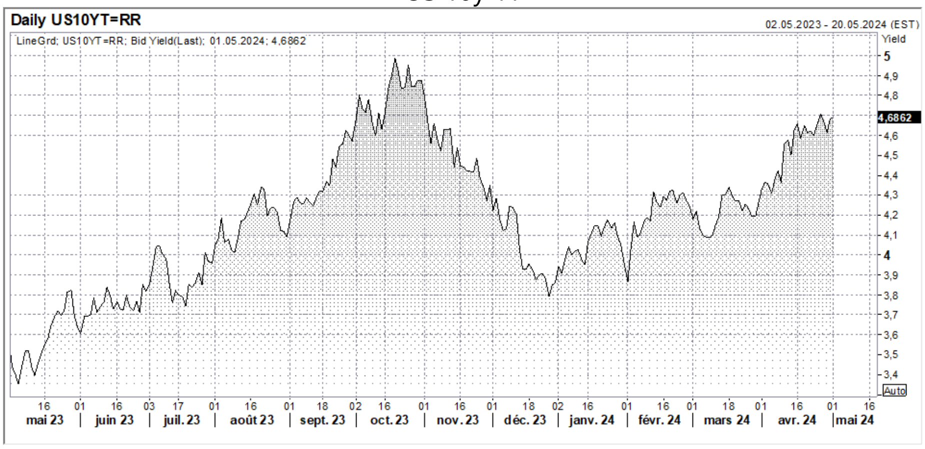
BOND MARKET

With improving economic data, a dynamic labor market, and persistent inflation, everything seemed to point to a rate hike. Indeed, the yield on the 10-year U.S. Treasury bond rose from 4.20% at the beginning of April to 4.70%, even reaching 4.75% at one point.

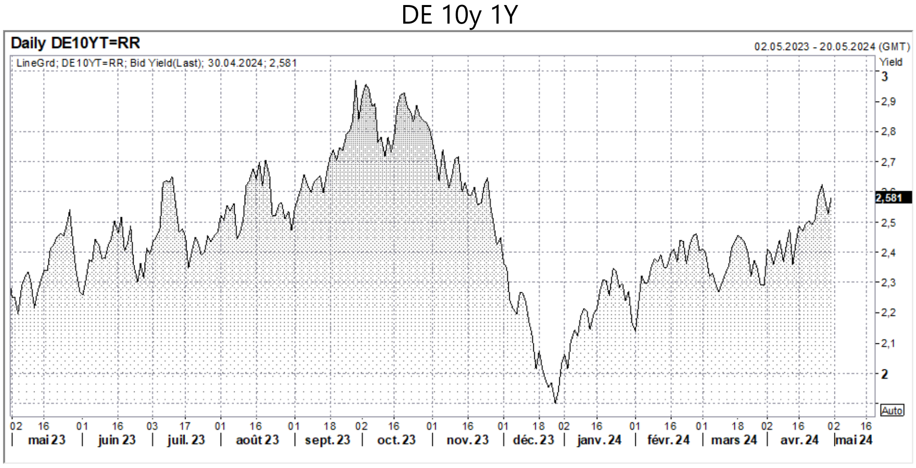
At the beginning of the year, most economists expected the Federal Reserve to announce in May the first reduction in its inflation-fighting program, with an average estimate of 6 cuts of 0.25% throughout 2024.

However, with inflation holding firmer than expected, the question now arises as to whether these cuts will be delayed or even entirely canceled.

US 10y 1Y



DE 10y 1Y



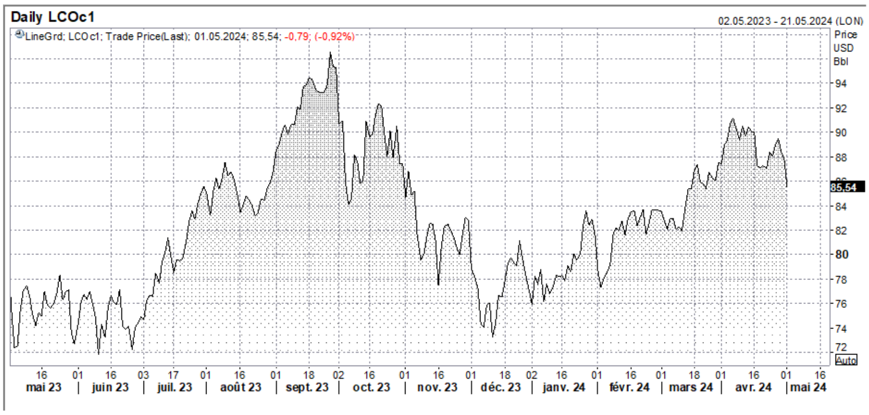
COMMODITIES

Gold seems to be taking a breather after reaching its all-time high of $2,431 per ounce on April 12, 2024. The rise initiated in February and accelerated in March was inevitably due for a pause. We are likely to see a consolidation of prices around $2,300 for some time before resuming the journey towards the next symbolic threshold of $2,500.

Gold 2Y

The price of oil is regaining ground, reaching levels around $90 per barrel of Brent, with peaks even reaching $92. Geopolitical tensions accentuate this sharp rise, making the price of oil a barometer of nervousness during these events. Technically, it remains in an upward channel. However, it is important to bear in mind that we are in a presidential election year, where any extreme price movement of oil could make investors nervous. It is an asset to watch closely, as it could exert pressure on inflation, further changing the economic landscape and interest rate cuts.

Brent 1Y



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