MONTHLY REVIEW

MACRO

Over the past few months, especially since November 2023, we were engrossed in debates about declining inflation and the possibility of central banks finally lowering rates. We constantly scrutinized economic data, trying to discern whether growth or a slowdown was on the horizon.
Then, artificial intelligence captured all the media's attention, with optimistic forecasts and rising profits for companies specializing in this field. This enthusiasm persisted through the rainy weeks of 2024.

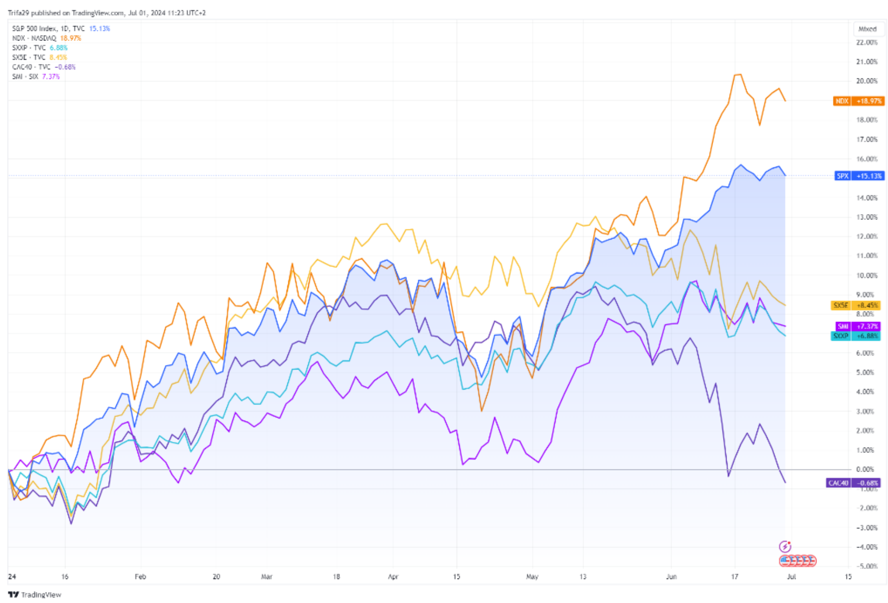
This tech-centered optimism overshadowed the fact that more than half of the world's population was about to vote for new representatives. Politics suddenly took center stage, in early June in Europe. The rise of populist parties in the European elections and the dissolution of the National Assembly in France had a significant impact. These events heavily influenced stock indices, investor morale, and the general economic atmosphere in Europe.

OUTLOOK

Recent political events clearly show a divergence between the United States and Europe. For years, many have claimed that European stocks are cheaper than their American counterparts. However, it's evident that the innovation attracting markets and driving growth mainly happens in the U.S. Europe is too divided by policies that hinder its progress, with each country having its say.

The performance gap between the U.S. and Europe is expected to widen in the coming months. This trend is supported by a favorable U.S. macroeconomy and the exceptional health of the tech sector. Dynamic profits and investments in emerging technologies, spurred by initiatives like the CHIPS Act, bolster the U.S.'s economic superiority over Europe.

Performance gap between the U.S. market and the European market in 2024



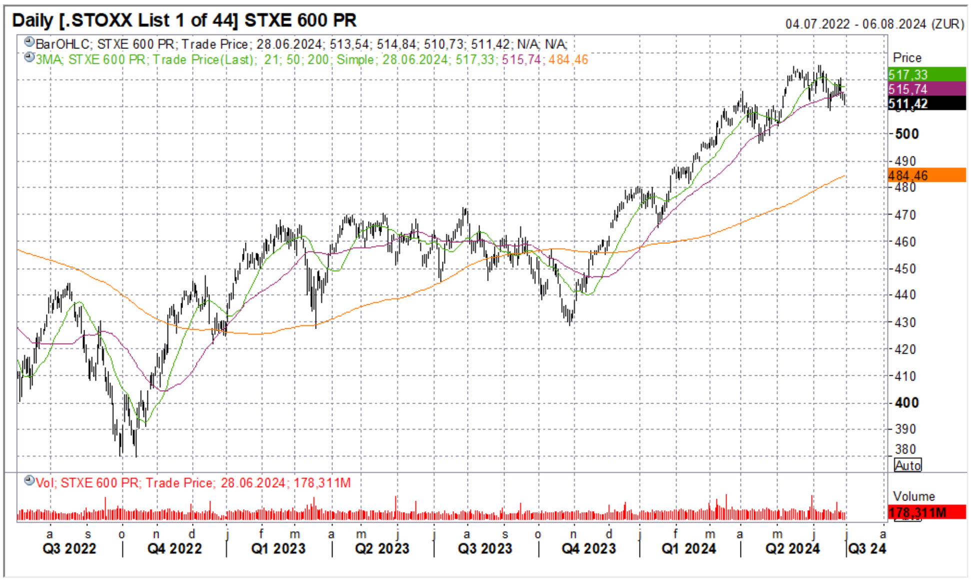
EQUITY MARKETS

In June, the tech and consumer discretionary sectors continued to perform well, with gains of over 5.5% for the month. A surprise came from the pharmaceutical sector, which rose by 3%, a notable increase after several months of stagnation. Among individual stocks, Arm Holdings stood out as one of the top performers in the Nasdaq 100. It's also worth mentioning Roche's strong recovery in the SMI.

Conversely, the utilities and metals and mining sectors saw declines of 4% and 9%, respectively.

June performance: CAC40 -6.42% (YTD -0.85%), SMI -0.06% (YTD 7.69%), Stoxx600 -1.30% (YTD 6.77%), Nasdaq100 6.18% (YTD 16.98%), S&P500 3.47% (YTD 14.48%), Hang Seng -2.00% (YTD 3.94%), Topix 1.34% (YTD 18.73%).

Stoxx600 2Y



Nasdaq 100 2Y

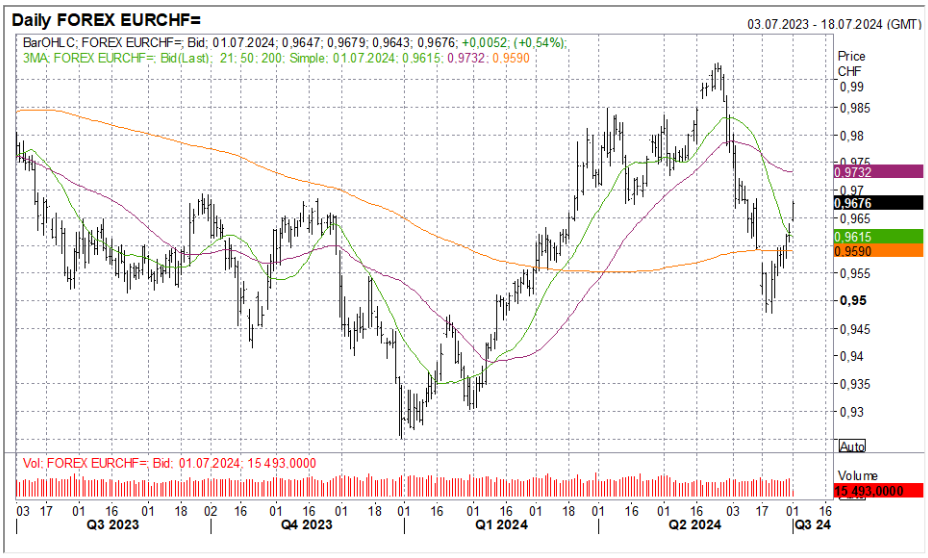
FOREIGN EXCHANGE MARKET

The euro broke an upward trend against the dollar that began from its lowest levels in April. The single currency suffers from political uncertainties in Europe, raising concerns about future prospects and new government budgets.

EUR USD 1Y

The return of political risk has heightened the valuation of the Swiss franc as a safe haven currency. During the month, the currency reached 0.95, a level seen earlier this year. Additionally, the Swiss National Bank has clearly shifted by lowering its key rates for the second consecutive time, primarily to temper the appreciation of its currency, which benefits from the current political uncertainty in Europe.

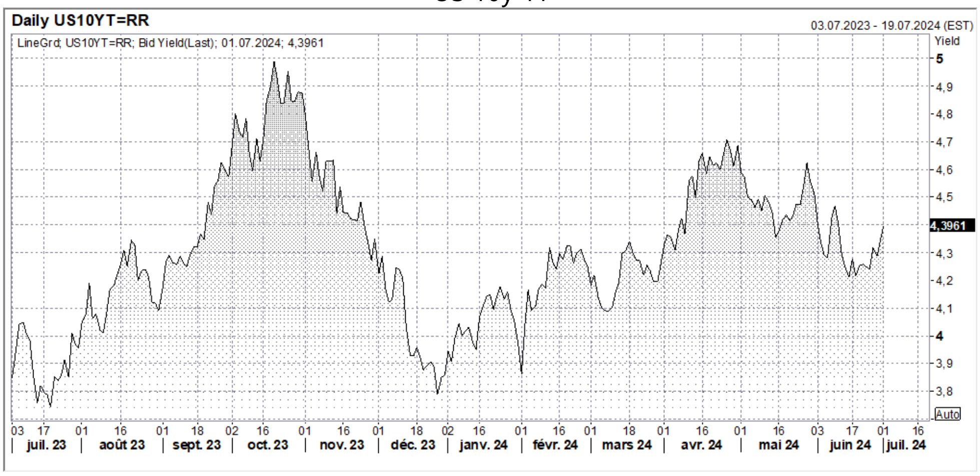
EUR CHF 1Y



BOND MARKET

The Fed has maintained its main interest rate in the 5.25% to 5.50% range, where it has been since last July, its highest level in over 20 years. Fed Chairman Jerome Powell warned that rates will remain at this high level "as long as necessary" if "the economy remains strong and inflation persists." During the meeting, Fed officials indicated they plan to lower rates only once in 2024, to reach 5.1% by the end of the year.

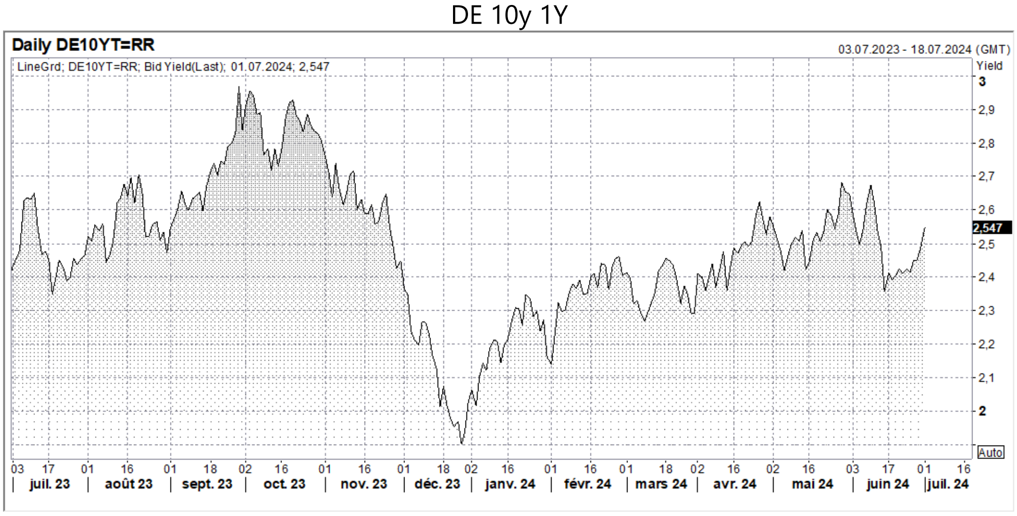
US 10y 1Y



At the beginning of the month, the ECB cut its main refinancing rate to 4.25%, the marginal lending rate to 4.50%, and the deposit rate to 3.75%, as widely anticipated by its policymakers in recent weeks. This is the first cut since March 2016 for the main refinancing rate and the marginal lending rate. Although inflation has not yet reached the 2% target, its substantial decline signals a downward trend likely to continue in the coming months.

There have also been movements in European rates, notably in France, following the parliamentary dissolution. The spread between German and French 10-year bond yields rose to 0.85%, its highest level since 2012, reflecting some nervousness in the bond markets.

DE 10y 1Y



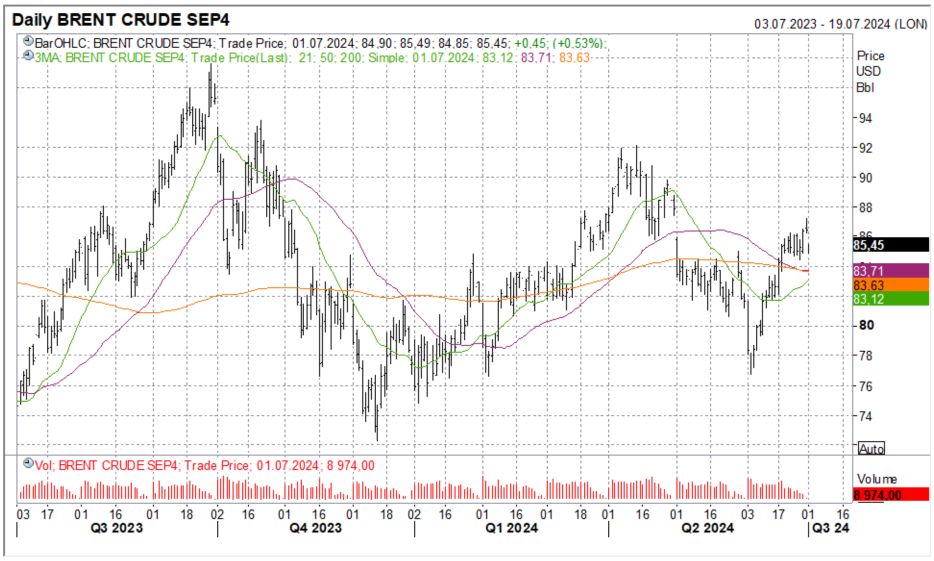
COMMODITIES

After a rise that began in early March, gold has stabilized around $2,350 since mid-April, entering a consolidation phase in this price range. Several times during this period, gold found solid support at $2,300, indicating a good technical trend. It is likely that we are in a phase similar to the end of 2023, where gold is once again correlated with fluctuations in U.S. interest rates.

Gold 2Y

Oil prices experienced significant fluctuations in June. The month began with a sharp decline, with Brent falling to $77 due to concerns about demand from OPEC+. However, the following days saw a rapid recovery, erasing the losses in ten days, driven by a positive cyclicality typical of the summer months.

Brent 1Y



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