MONTHLY NEWSLETTER – January 2023

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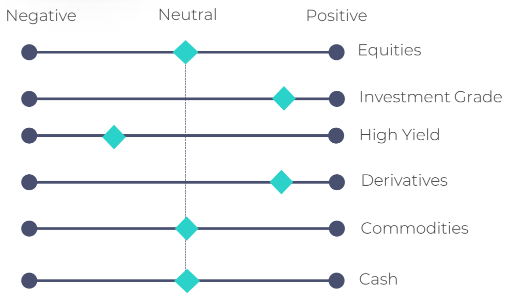
"January saw a sharp rebound in financial markets following lower inflationary pressures and better-than-expected macroeconomic data. China reopening also brought some support to equity markets. We remain invested in equities, in line with our strategic allocation and pay attention to some risks such as central banks monetary policy (especially in Europe) and the ongoing earnings season. We continue to focus on companies with strong fundamentals and still see opportunities in the bonds' segment."

OUR MARKET VIEWS



MARKET CATALYSTS

- **Slowing monetary tightening cycle**
- **Continuing inflation easing and inflexion in the labour market pressure (US)**
- **The EUR 2 trillion NextGenerationEU Recovery plan**
- **Easing of geopolitical tensions (Russia and Ukraine / China and Taiwan)**
- **Better-than-expected quarterly earnings season**

KEY INDICATORS

Equities (%)	Level	2022	Dec.	Jan.
S&P 500	4 180	-20,2	- 5,90	6,18
Nasdaq 100	12 803	-34,0	- 9,06	10,62
Eurostoxx 50	4 241	-12,6	- 4,32	9,75
FTSE 100	7 820	-0,7	- 1,60	4,29
China SI 300	4 142	-21,5	0,48	7,37
Emerging markets	1 046	-22,7	- 1,64	7,85

Bonds (rate spreads)	Level	2022	Dec.	Jan.
10 year government bonds				
US	3,38	2,4	0,27	- 0,37
Europe	2,09	2,7	0,64	- 0,29
Corporate – 5 years spread				
Investment Grade US	67,20	32,5	6,39	-10,64
Investment Grade Europe	112,92	36,1	0,12	- 5,88
High Yield US	408,09	190,9	31,49	- 54,00
High Yield Europe	388,85	232,4	15,30	- 59,74

Currencies (%)	Level	2022	Dec.	Jan.
EUR / USD	1,0896	-5,8	2,87	1,48
GPB / USD	1,2190	-10,7	0,21	1,96
CHF / USD	1,0934	-1,3	2,30	0,90

Commodities (%)	Level	2022	Dec.	Jan.
Gold	1 914	-0,3	3,14	5,72
Brent	82	10,5	0,56	- 1,65
Wheat	757	2,8	2,66	- 3,88
Aluminium	2 587	-16,2	-4,30	11,44

Volatility	Level	2022	Dec.	Jan.
S&P 500	17	9,1	- 1,53	-11,10
Nasdaq 100	19	30,9	5,30	-10,48

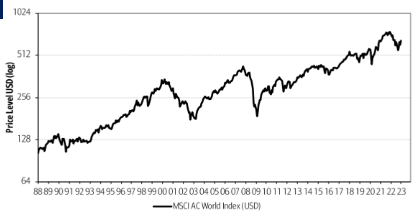
Cryptos (%)	Level	2022	Dec.	Jan.
Bitcoin	23 466	-64,3	-3,07	41,9
Ethereum	1 638	-67,5	-7,64	36,6

Sources: Bloomberg, Norman K. - Data as of Juanuary 31st, 2023. Past performance is not a reliable indication of future performance. Non-contractual information.

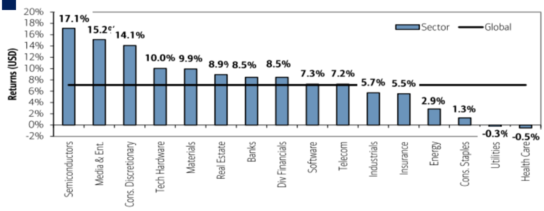
CHART OF THE MONTH

Second strongest January on record for MSCI World

MSCI AC World Index (USD)



Global Sector Performance in January



MSCI AC World gained 7,0% in January thanks to easing inflation, end of the Chinese zero-covid policy and anticipation of a loft landing of the economy instead of a tough recession. Best sector contributions to the rally in January were the laggards of 2022 such as semiconductors, media and consumer discretionary.

Source: BofA Global Quantitative Strategy, MSCI

JANUARY: MORE RELISIENT ECONOMY, MORE OPTIMISTIC INVESTORS

USA: BETTER ECONOMIC OUTLOOK, SLOWING INFLATION

- CPI falls by 0.1% in December for the 1st month since early 2021 – Core inflation still rise by 0.3% MoM
- Labour market remains tight (low unemployment rate, solid job growth)
- PMI rose modestly in December, but still contracting
- Better than expected Q4 GDP (+2,9%)

Our view: Even if **inflation is slowing**, it remains far from the central bank's 2% target. Macroeconomic environment in the US confirms our **scenario of a soft landing** despite the high probability of recession.

EUROPE: FROM ENERGY RISK TO HIGHER INTEREST RATES RISK?

- Slowing energy prices due to energy savings and a milder winter
- Inflation has started to slow even if it remains high
- PMI rebounded in January to positive territory
- Geopolitical risks still high with Russia/Ukraine war

Our view: Combined with falling inflation, improved supply chains and the reopening of China, the European economy is expected to remain more **resilient than expected**. However, **economic strength** is likely to make the **European Central Bank** more **hawkish** in rate hikes.

CHINA: MIXED DATA

- 3% GDP in 2022
- End of the 3 years zero-covid policy
- Real estate weakness
- China's population declining for the 1st time in decades

We still think that **China rebound** is likely to happen **this year**. The central bank can lower rates to support the economy, with **an inflation below 2%.**

At the end of the year, we upgraded our equity strategic allocation to neutral, as we expected **overall economic environment to improve**. These expectations partly occurred in January thanks to:

- interest **rates in the US** on track to meet the **FED's target level** ;
- a **sharp recession** now seems to be **avoided** in the US and Europe with the resilience of consumption and strong labour markets ;
- the **reopening of China** that should benefit to the Eurozone.

As mentioned in our previous newsletter, the **US Dollar** has weakened against a basket of currencies as global economic conditions improve as well as anticipation of a Fed's pivot. **Euro** was supported by several factors, including the easing of recession fears and the continued monetary tightening of the ECB.

In this overall context, we continue to favour companies with **strong balance sheets**, **pricing power and low levels of debt**. In addition, **investment grade debt** still presents opportunities, considering the path of rates, particularly in the US. On the USD, we can extend duration and build **long-term portfolios** with attractive returns, through a **buy-and-hold approach**. We are seeing opportunities in **private markets** both debt (asset finance) and pre-IPO segment.

WHICH OPPORTUNITIES IN THIS CONTEXT?

High valuations of stocks	High credit spreads	Dislocated markets
• In-depth analysis and selectivity • Active Management	• Opportunities in the Investment Grade segment	• Tactical investments • Pre-IPO segment / asset finance

Sources: Bloomberg, Norman K. - Data as of Juanuary 31st, 2023. Past performance is not a reliable indication of future performance. Non-contractual information.

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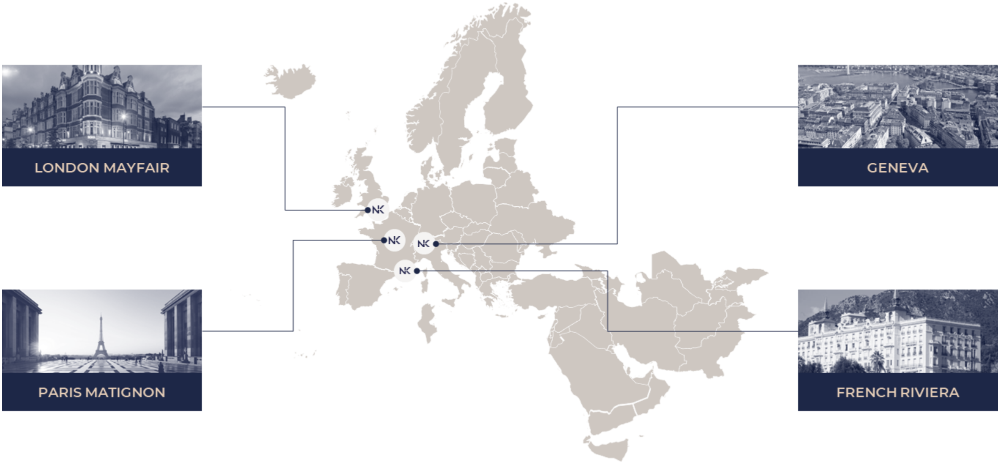
NK LOCATION



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