MONTHLY NEWSLETTER – April 2023

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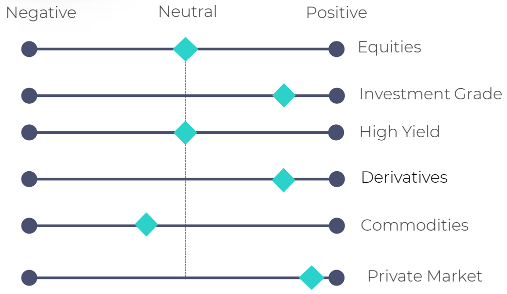
"Markets rebounded in April on reassuring macroeconomic data about the resilience of developed economies and falling inflation thanks to lower energy prices. In addition to a lull in the banking sector stress, the main catalyst for markets was the hope of the end of monetary tightening policy by the Fed, which finally raised its key interest rates by 25 bps at the very beginning of May.
In addition, more than half of the S&P 500 companies reported their Q1 results at the end of April and globally comforted investors, with earnings above market expectations.
However, the impact of central bank tightening is starting to slow economies, and we still believe that selectivity will be key in our tactical asset allocation."

OUR MARKET VIEWS



POTENTIAL MARKET CATALYSTS

- **Pause in central bank's interest rates hikes and less hawkish guidance**
- **Continuing Inflation easing**
- **Inflexion in the labour market pressure (US)**
- **Easing of geopolitical tensions (Russia and Ukraine / China and Taiwan)**

KEY INDICATORS

Equities (%)	Level	March	April	YTD
S&P 500	4 091	3,51	1,46	8,59
Nasdaq 100	13 030	9,46	0,49	21,08
Eurostoxx 50	4 268	1,81	1,03	14,91
FTSE 100	7 724	-3,10	3,13	5,62
China SI 300	4 030	-0,46	-0,54	4,07
Emerging markets	970	2,73	-1,34	2,16

Bonds (rate spreads)	Level	March	April	YTD
10 year government bonds				
US	3,36	- 0,45	- 0,05	-0,45
Europe	2,28	- 0,36	0,02	-0,26
Corporate – 5 years spread				
Investment Grade US	83,07	-0,52	- 0,09	-6,26
Investment Grade Europe	122,18	-0,85	-0,49	-6,09
High Yield US	506,03	0,86	2,57	-18,02
High Yield Europe	461,29	22,69	-1,30	-39,04

Currencies (%)	Level	March	April	YTD
EUR / USD	1,1020	2,49	1,66	2,93
GPB / USD	1,2559	2,62	1,86	4,01
CHF / USD	1,1255	2,95	2,31	3,34

Commodities (%)	Level	March	April	YTD
Gold	2 035	7,79	1,05	9,10
Brent	73	-4,91	-0,29	-7,41
Copper	385	0,12	-5,48	1,45
Aluminium	2 319	1,95	-0,45	0,96

Volatility	Level	March	April	YTD
Euro Stoxx 50	21	-0,39	-10,27	-16,55
Nasdaq 100	19	-9,66	-15,61	-27,18

Cryptos (%)	Level	March	April	YTD
Bitcoin	29 175	22,7	3,38	77,5
Ethereum	1 906	13,2	4,35	58,2

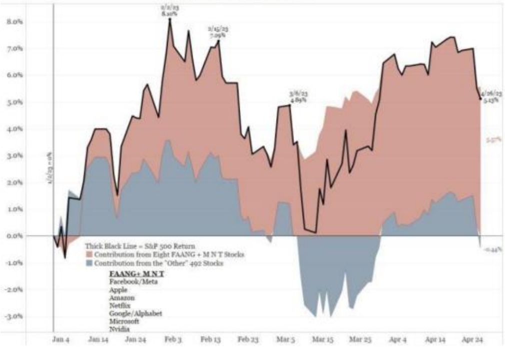
Sources: Bloomberg, Norman K. - Data as of April 30th 2023. Past performance is not a reliable indication of future performance. Non-contractual information.

CHART OF THE MONTH

FAANG + MNT Stocks' Impact on S&P 500

TOP 8 Stocks Contribution to Total Return

- Only 8 stocks are driving the S&P 500 index since the beginning of the year.
- Through April 26th, the YTD return of the S&P 500 was 5.13%.
- The top eight FAANG+M N T contributed 5.57% to the overall 5.13% of the S&P 500. The other 492" contributed a -0.44% return to the S&P 500.



Source : Bianco Research, Bloomberg

APRIL: ANTICIPATING THE END OF MONETARY POLICY TIGHTENING

USA: Slowing economy, but no recession yet

- **Regional banks** still under pressure (First Republic being purchased by JPMorgan, PacWest's turmoil) after SVB and Signature Bank bankruptcies)
- **Q1 GDP** expanded by **+1.1%** annualised with strong consumption figures offset by declining business spending
- A **headline inflation** figure **decreasing** slowly thanks to lower energy costs, but **core inflation** remains **high**.
- Persisting signs of **resilience** in the **labour market** (low unemployment rate, number of jobs creation still strong by historic standards…)

Our view: US regional banks are still facing a challenging environment and other small banks could be hit. Moreover, tightening of lending conditions and rate hikes could translate into a weaker US economy in the coming months.

EUROPE: ECB still have space for rate hikes

- Divergence between manufacturing and services: 10th consecutive month of **contraction** for the **manufacturing** sector while **services PMI** continued to **expand**
- Continued **wage pressures**
- Services expansion and increase of exportations thanks to China reopening kept the Eurozone **GDP** at just **+0.1.%.**
- **Headline inflation decreased sharply** (fall in energy prices, important base effect) last month: CPI fell to 6.9% YoY (after 8.5% in March). **Core inflation remained high**, and grew by 0.1%, at 5.7% YoY.

Our view: With inflation hitting real incomes and consumption, and a quite resilient economy, the ECB is still focusing on reducing inflation and has more space than the FED to raise rates. Euro currency should benefit from this move. Europe should take advantage of China's rebound in the coming months.

CHINA: Data are confirming the rebound

- Data confirm China's reopening rebound with the **Q1 GDP surged at 4.5% YoY**
- **Geopolitical tensions** weight on the equity markets, especially incoming US investment regulations that will impact some sectors such as communication services

Our view: As expected, the rebound has been initiated and is reflected on macroeconomic figures. Nevertheless, geopolitical uncertainty leads us to be cautious over China.

The macroeconomic environment remained quite resilient last month. However, the impact of rate hikes is expected to weight more and more on economies. In addition, the bankruptcy of First Republic reminds us that the US regional banking sector remains under pressure.

The decline in inflationary pressures has led markets to anticipate Fed rate cuts by the end of the year and has given investors some appetite for risk. Markets were indeed buoyed last month by their own expectations. This has also supported bond markets, particularly investment grade, which are overweighted in our strategic allocation.

As indicated in our previous newsletter, our conviction is more on a tightening pause regarding monetary policy than on rate cuts.

However, this tightening pause seems to be priced in by the markets and we believe it is important to focus on companies able to deliver strong results in a less resilient economic environment. This is why quality stocks continued to outperform last month, in addition to overall better-than-expected earnings figures.

The dollar might continue its decline given the imminent end of the Fed rates' hikes.

The current high rates environment should stabilize in the medium term before decreasing slowly. Thus, our tactical allocation leads us to favour the positioning on products that allow to "lock" current rate levels.

Finally, we continue to prefer investment grade bonds and remain neutral on equities. In a weaker macroeconomic context, private markets continue to offer an attractive yield potential with interesting discounts.

WHICH OPPORTUNITIES IN THIS CONTEXT?

High valuations of stocks

- In-depth analysis and selectivity
- Specific stocks

Potential pause in moneraty tightening

- Opportunities in the bonds market
- "Lock" current yield levels

Weaker macroeconomic environment

- Tactical investments
- Pre-IPO segment / asset finance

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