MONTHLY NEWSLETTER – May 2023

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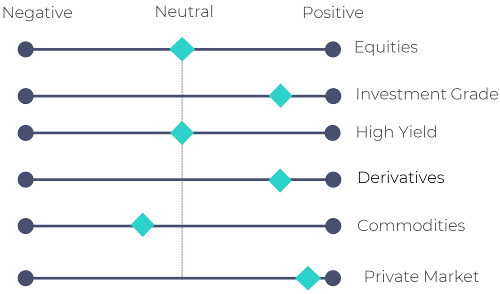
“Equity markets in May were volatile, amid fears about the US debt ceiling and subdued macroeconomic data. Short-term bond yields rose sharply following these worries.
Technology stocks were the only ones to stand out, including a record performance of Nvidia shares that saw its market capitalization soar.
Inflation remains a significant issue for central banks and the biggest driver of financial markets.
Without any significant economic improvements that could increase companies' earnings, we remain neutral and very selective on equities that experienced a rebound lately. We are still overweighted in investment grade bonds that offer interesting yields, and in Private Markets that are lagging public equities.”

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**
- **Easing of geopolitical tensions (Russia and Ukraine / China and Taiwan)**

KEY INDICATORS

Equities (%)	Level	April	May	YTD
S&P 500	4 180	1,5	0,25	11,41
Nasdaq 100	14 254	0,5	7,61	33,00
Eurostoxx 50	4 218	1,0	-3,24	14,03
FTSE 100	7 446	3,1	-5,39	2,16
China SI 300	3 799	-0,5	-5,72	-0,25
Emerging markets	959	-1,3	-1,90	0,57

Bonds (rate spreads)	Level	April	May	YTD
		Spread change level		
10 year government bonds				
US	3,64	- 0,37	0,22	-0,21
Europe	2,28	- 0,29	- 0,03	-0,26
Corporate – 5 years spread (change level)				
Investment Grade US	75,63	- 0,09	- 0,13	-10,35
Investment Grade Europe	116,68	- 0,49	- 0,43	-9,98
High Yield US	475,11	2,57	9,15	-31,29
High Yield Europe	433,80	- 1,30	-1,26	-63,39

Currencies (%)	Level	April	April	YTD
EUR / USD	1,0689	1,7	- 2,99	7,62
GPB / USD	1,2441	1,9	- 1,00	- 11,79
CHF / USD	1,0981	2,3	-1,76	-23,20

Commodities (%)	Level	April	May	YTD
Gold	1 963	1,1	-1,37	7,62
Brent	73	-0,3	-8,65	-11,79
Copper	367	-5,5	-5,08	-3,70
Aluminium	2 243	-0,5	-5,46	-2,97

Volatility	Level	March	April	YTD
Euro Stoxx 50	20	-10,3	14,64	-0,23
Nasdaq 100	18	-15,6	13,69	-0,32

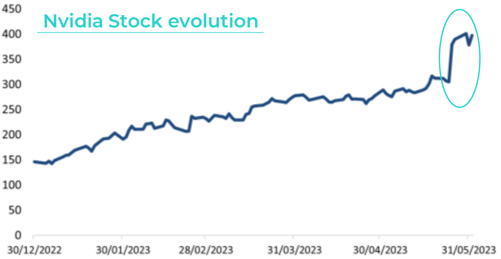
Cryptos (%)	Level	March	April	YTD
Bitcoin	27 117	3,4	-7,60	63,3
Ethereum	1 866	4,1	-1,44	57,4

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

CHART OF THE MONTH

Nvidia sees record jump in market capitalization

- On May 24th Nvidia reported a record quarterly revenue of $8.29 billion, up 46% from a year ago, but a 16% decline in earnings. Data center revenue increased 83% while gaming sales jumped 31%.
- The company raised Q2 guidance, with $11bn in sales forecasts vs. $7.2bn previously estimated.
- Its market cap neared $1 trillion, one of the largest market cap jumps in history thanks to a surge in AI chip demand.



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Source : Bloomberg, Norman K.

MAY: INFLATION REMAINS A SIGNIFICANT ISSUE FOR CENTRAL BANKS

USA: Mixed data

- Headline **CPI and core CPI** both rose 0.4% in **April** (respectively +5% YoY and 5.5% YoY), hit by a seemingly **temporary rise** in gas and used vehicles prices.
- **Debt ceiling** was the main issue in US in May with Republicans and Democrats **struggling to reach an agreement** that was finally **almost found** during the last week-end of the month. Equities' volatility did not rise in May, and investors did not seem to worry that much.
- The **PCE price index**, the Fed's preferred inflation gauge, **rose** faster-than-expected **in April** and climbed 4.4% YoY (vs 4.2% in March).
- Combined with a still **strong US consumption** and a **tight labor market** (unemployment rate at a half-century low, April job openings at a three-month high), **investors** are **repricing upwards the FED target rate**.

Our view: Inflation forecasts are falling for the coming months. An **effective decline** in data should **lead to a pause in the rate hikes**. Nevertheless, some macroeconomic figures may give arguments to hawks.

EUROPE: Slowing Economy

- **Q1 GDP growth** was nearing **0%** on the 1rst quarter of 2023.
- Euro area **inflation rate increased** to 7% in April from 6.90% in March. It finally slid to 6.1% in May, as energy prices still decreased. **Core inflation rose** 5.3%, down from 5.6% in April.
- **Consumption** in Europe's economic engine finally succumbed to the **pressure of high inflation**
- **Manufacturing activity** is strongly **suffering** from lower demand
- **Germany** is officially in **recession** with a 1st quarter GDP down by 0.3% (after -0,5% in Q4 2022)

Our view: Inflation remains high and is still hitting real incomes and consumption. **European Central Bank** is still **determined to bring back down inflation to** its **2%** medium-term target.

CHINA: Slower than expected recovery

- Industry profits, retail sales, and real estate are suffering from a **weaker demand**
- Companies continue to struggle with margin pressures and soft demand amid an uncertain economic recovery.
- **Geopolitical risks** also hit investors' risk appetite

Our view: Chinese markets underperformed amid investor disappointment over macro figures. We continue to be **cautious on China markets** in the short term.

NK Rate hikes are beginning to spread into real economies and inflation has started to reverse (especially in the US) in a context of resilient labor markets.

The manufacturing sector continues to suffer whether in the US, the Eurozone or the United Kingdom while services remain expanding.

As previously indicated, expectations of a **rate cut seemed premature to us**, and the latest inflation figures have also led investors to reprice upward the Fed's target rate (+0.25 bps increase at the next meeting against 0 hikes previously).

Compared to last year, **inflation** remains on a **downward trend** even if it remains above the central bankers' target. The **tightening of credit conditions** in both Europe and the United States should support the hypothesis of a **future pause** in monetary tightening, especially for the Fed.

We are not increasing our **equity exposure** in an environment where the economy is not showing significant signs of improvement and valuations remain high. We remain focused on companies able to **stand out in a less resilient economic context**.

We remain **overweight in investment grade bonds** with a buy-and-hold approach, considering interesting yields and low default risks.

Our expectations of a stabilization of rate hikes lead us to focus on **products that offer rate participation at their current levels**.

Finally, opportunities on **private markets** (that are lagging public equities) continue to offer significant decorrelation and diversification with substantial discounts that we expect to be closed in 9-12 months.

WHICH OPPORTUNITIES IN THIS CONTEXT?

High valuations of stocks	Potential pause in moneraty tightening	Weaker macroeconomic environment
↓	↓	↓
• In-depth analysis and selectivity • Specific stocks	• "Lock" current yield levels	• Tactical investments • Pre-IPO segment / asset finance

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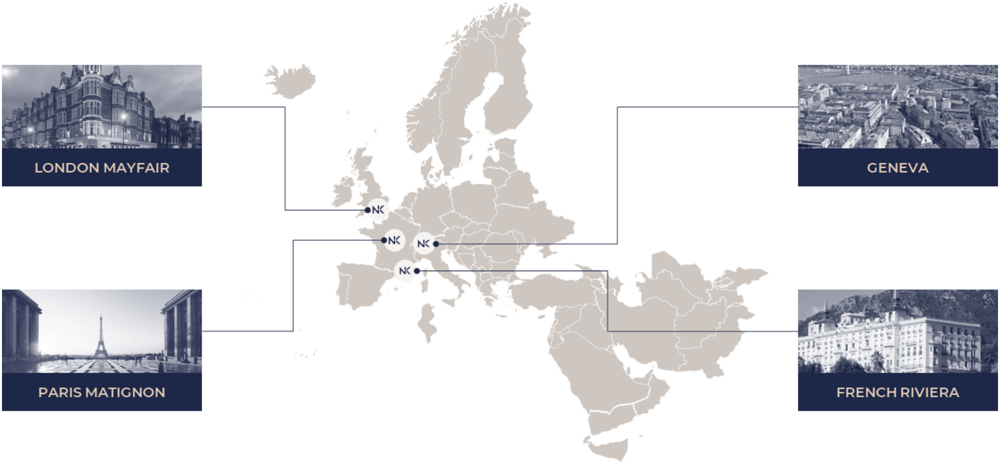
NK LOCATION



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