MONTHLY NEWSLETTER – June 2023

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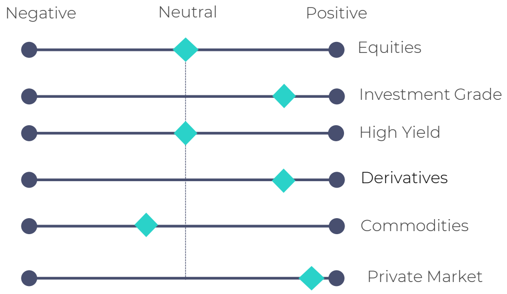
"After solving the debt ceiling issue in the United States, markets were driven in June by macroeconomic data that reassured investors, and by the ongoing enthusiasm around technology stocks and artificial intelligence. At the same time, inflation continued to benefit from lower energy prices and some base effects. However, prices excluding energy and food remain high, encouraging central banks to maintain a hawkish tone.
Nevertheless, the earnings season is beginning and should be an important driver for the markets this month, even if volumes are expected to be relatively low during the summer.
We remain equity neutral and will be attentive to companies' earnings in a context where resilience is key.
We are still overweighted in investment grade bonds that offer interesting yields, and in Private Markets that are still 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)**
- **Better-than-expected quarterly earnings season**

KEY INDICATORS

Equities (%)	Level	May	June	YTD
S&P 500	4 450	0,25	6,47	16,05
Nasdaq 100	15 179	7,61	6,49	39,02
Eurostoxx 50	4 399	-3,24	4,29	15,94
FTSE 100	7 532	-5,39	1,15	1,01
China SI 300	3 842	-5,72	1,16	0,68
Emerging markets	989	-1,90	3,23	5,10

Bonds (rate spreads)	Level	May	June	YTD
		Spread change level		
10 year government bonds				
US	3,84	0,22	0,19	-0,02
Europe	2,39	- 0,03	0,11	-0,11
Corporate – 5 years spread (change level)				
Investment Grade US	66,22	- 0,13	-9,41	-15,58
Investment Grade Europe	111,24	- 0,43	-5,44	-12,59
High Yield US	429,71	9,15	-45,40	-50,61
High Yield Europe	400,25	-1,26	-33,56	-73,58

Currencies (%)	Level	May	June	YTD
EUR / USD	1,0909	-2,99	2,06	5,66
GPB / USD	1,2703	-1,00	2,11	-12,63
CHF / USD	1,1165	-1,76	1,68	-20,64

Commodities (%)	Level	May	June	YTD
Gold	1 919	-1,37	-2,21	5,66
Brent	75	-8,65	3,08	- 12,63
Copper	636	-5,08	7,07	-20,64
Aluminium	376	-5,46	2,90	-0,42

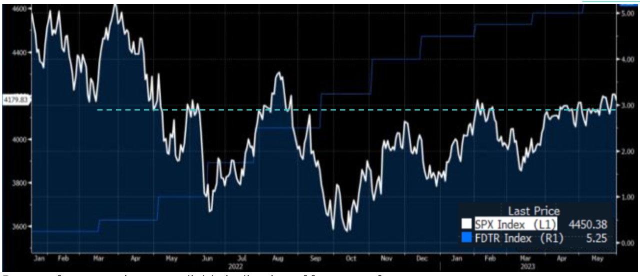
Volatility	Level	May	June	YTD
Euro Stoxx 50	13,61	14,64	-31,87	-0,35
Nasdaq 100	13,59	13,69	-24,25	-0,37

Cryptos (%)	Level	May	June	YTD
Bitcoin	30 391	-7,6	12,07	87,4
Ethereum	1 927	-1,4	3,28	62,9

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

CHART OF THE MONTH

The S&P 500 has recovered all its fall since the FED's first-rate hike in March 2022.



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Despite the Fed's rate hike cycle which started in March 2022, the S&P 500 index has recovered its March 2022 levels and continues to rise.
However, the **index is still driven by a dozen of companies that benefit from the enthusiasm around technology stocks and artificial intelligence**. The S&P equally weighted performs less than 5% YTD.

Source : Bloomberg, Norman K.

JUNE: A WELL-ORIENTED FIRST SEMESTER FOR THE MARKETS

USA: Strong economy despite rate hikes

- In May, both the **consumer price index (CPI)** and the **core CPI** decelerated on an annual basis, highlighting inflation's descent since peaking last year.
- **Core PCE**, the Fed's preferred **inflation gauge rose just 0,1% in May**.
- **Federal Reserve** marked a brief pause on rate hikes but still have a hawkish tone, indicating that at least **two more rate hikes might be needed this year**.
- **US economy is resilient** despite the monetary tightening: GBP has been revised higher for Q1 2023, US consumption is strong and labour market is still robust despite some signs of softening.

Our view: Inflation seems to have **past the pic** in the US and despite Jerome Powell's hawkish tone, we think **future rate hikes should be limited**.

EUROPE: Harder task for the ECB

- **Headline inflation** in the Eurozone is **still benefiting from decreasing energy prices,** but **core inflation** remains too high and even reaccelerated in June, with an increase in service prices. There was a strong disparity between countries, (Spain's inflation fell below 2% while Germany's inflation increased to 6.4% for example).
- **European Central Bank** lifted interest rates by another **25 bps** to 3.5%. It also revised upward inflation forecasts and downward economic growth for this and next year.
- **Manufacturing industry** is suffering, and the Eurozone has already entered **"technical recession".**

Our view: ECB's fight against inflation is **harder than the FED's one** with a **weaker economy and stronger price pressures.** The institution will continue to raise **rates,** especially to **avoid a negative wage-prices spiral.**

CHINA: Uncertain economic recovery

- **Industry profits, retail sales, and real estate** are still **suffering** from a weaker demand
- Companies continue to struggle with margin pressures
- **Youth unemployment** hit a **all-time high of 21%**
- **Bank of China** lowered short-term borrowing costs to **support recovery**

Our view: Despite more policy support to bolster a faltering post-COVID economic recovery, we remain **cautious on China markets** in the short term.

Last month, **central banks continued their fight against inflation**, although with **differences between main central banks**. The ECB opted for a 25 bps hike, the BoE 50 bps and the Fed decided to temporarily pause while signaling other hikes to come this year. For the time being, the FED seems to have succeeded in controlling the rise in inflation without turning the economy into recession. In the Eurozone, the economic slowdown complicates ECB's task with persistently high inflation.

Q2 earnings season will be a key element this month: earnings will allow investors to analyze the impact of the economic slowdown on companies' margins.

Technology and artificial intelligence stocks boosted markets in the first half of the year, with the **Nasdaq index up more than 30%** since the beginning of the year.

Taking some **profits on stocks** that have performed well since the beginning of the year could make it possible to **reinvest in companies with reasonable valuations, strong balance sheets and the ability to deliver long-term free cash flows**.

Portfolio "derisking" can also be possible through positioning on **Investment Grade bonds**, which are still **overweight in our strategic allocation**. Indeed, yields remain attractive with low default risks.

In addition, with relatively high stocks valuations, **private markets** continue to offer significant discounts on companies with identified potential.

WHICH OPPORTUNITIES IN THIS CONTEXT?

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

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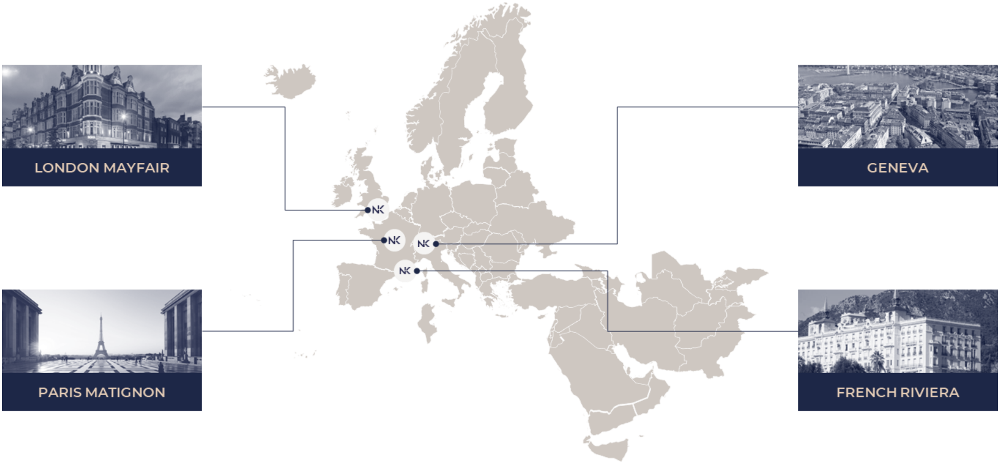
NK LOCATION



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