MONTHLY NEWSLETTER – July 2023

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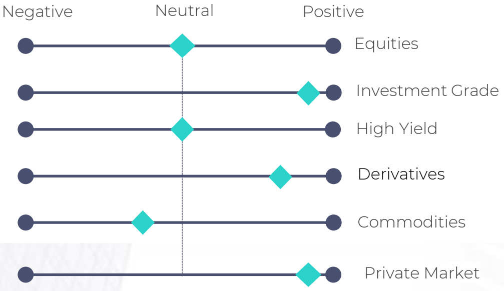
Markets were positive in July as investors maintained their hope that inflation can finally slow down without major additional interest rate hikes or a meaningful downturn in economic activity. The Federal Reserve and the European Central Bank both raised interest rates by 25 bps last month.
Despite profits slowing in the second quarter for companies (ongoing Q2 earnings season), markets preferred to analyze earnings relative to analysts' forecasts, which were overall above expectations.
In this environment and context of low volumes, we remain equity neutral. In addition, high interest rates continue to favour bonds over equities while private markets still offer significant opportunities.

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	June	July	YTD
S&P 500	4 589	6,47	3,11	17,25
Nasdaq 100	15 757	6,49	3,81	40,35
Eurostoxx 50	4 471	4,29	1,64	13,12
FTSE 100	7 699	1,15	2,23	0,53
China SI 300	4 015	1,16	4,48	3,85
Emerging markets	1 047	3,23	5,80	6,21

Bonds (rate spreads)	Level	June	July	YTD
		Spread change level		
10 year government bonds				
US	3,96	-0,37	0,12	0,28
Europe	2,49	-0,29	0,10	0,04
Corporate – 5 years spread (change level)				
Investment Grade US	62,90	-9,41	-3,32	-15,47
Investment Grade Europe	106,33	-5,44	-4,91	-13,08
High Yield US	409,04	-45,40	-20,67	-55,71
High Yield Europe	380,38	-33,56	-19,87	-71,39

Currencies (%)	Level	June	July	YTD
EUR / USD	1,0997	2,1	0,81	6,46
GPB / USD	1,2835	2,1	1,04	-0,47
CHF / USD	1,1470	1,7	2,73	-18,06

Commodities (%)	Level	June	July	YTD
Gold	1 965	-2,2	2,38	6,46
Brent	86	3,1	14,23	-0,47
Copper	401	2,9	6,61	1,06
Aluminium	2 257	-5,4	6,39	-6,87

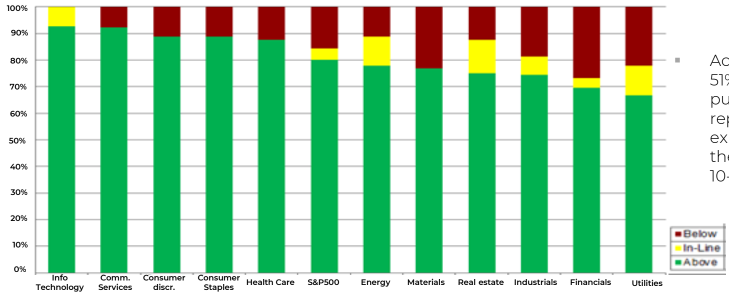
Volatility	Level	June	July	YTD
Euro Stoxx 50	16,2	-31,9	19,19	-0,07
Nasdaq 100	13,6	-24,2	0,29	-0,26

Cryptos (%)	Level	June	July	YTD
Bitcoin	29 207	12,1	-3,90	76,5
Ethereum	1 853	3,3	-3,83	53,3

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

CHART OF THE MONTH

S&P 500 Earnings Above, In-line, below expectations: Q2 2023 – Source: FactSet



- According to FactSet and with 51% of S&P companies' earnings publications, 80% of companies reported actual EPS higher than expected, which is higher than the 5-year average of 77% and the 10-year average of 73%.

Source : FactSet

JULY: MARKETS WERE BUOYED BY OPTIMISTIC INVESTORS.

USA: The last FED's rate hike?

- The **Federal Reserve** increased its key policy rate by **25 bps** in July after taking a pause in June.
- **Headline inflation fell more than expected** to 3% YoY while core inflation remained quite high (4.8% YoY).
- **US economy show resilience** with the second quarter GDP at 2.4% (preliminary reading), adding hopes for a soft landing.

Inflation is cooling but there are still risks of a slight increase notably with the recent upside in commodity prices. We could have a last rate hike in September meeting, before a potential pause.

EUROPE: ECB should avoid a recession

- **European Central Bank** lifted interest rates by another **25 bps** to 3.75% and had a less hawkish guidance.
- **Headline inflation** in the Eurozone is **still decreasing** even if **core inflation remains high**.
- **PMI fell again in July,** with manufacturing industry still suffering, and services retreating.

Our view: ECB may also pause interest rates hikes to avoid a strong recession in the Eurozone, but its task is harder especially due to disparities between countries.

CHINA: Stimulus to boost recovery

- Still weak data on consumption, real estate and manufacturing sector.
- Second-quarter sequential GDP growth slowed.
- Nevertheless, Chinese equities rose in local currency, buoyed by hopes for further stimulus.

Our view: As previously indicated, China has decided on a program to support the economy, which should boost Chinese markets.

With decreasing inflation figures, the monetary tightening cycle seems to be coming to an end, meaning that rates could stabilize before falling in the medium / long term.

In July, the markets were driven by a decline in US recession's fears, and better earnings than expected by analysts. Markets have well performed since the beginning of the year with the S&P 500 ending July at +20% YTD.

Taking some **profits on stocks** could allow 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 and well-constructed portfolios could help **lock in interesting returns**.

In addition, **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 and invest on bonds	• Tactical investments • Pre-IPO segment / asset finance

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

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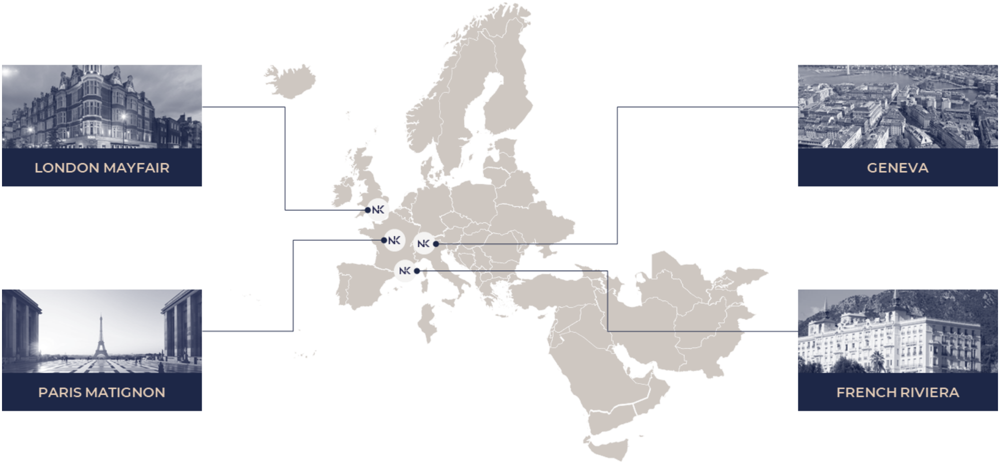
NK LOCATION



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