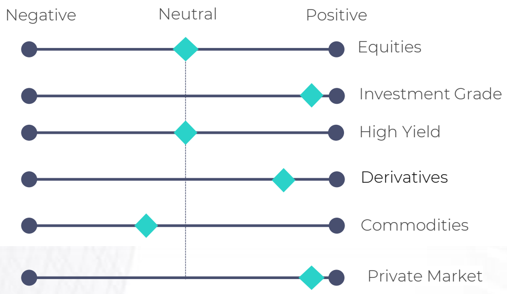
MONTHLY NEWSLETTER – August 2023

Jean-Philippe PETIT
Chief Investment Officer

"Due to continued pressure on the Chinese real estate market, weak macroeconomic data, and rising government bond yields, market volatility increased in August and stocks closed out their 1st negative month since February.
At the beginning of the month, Fitch downgraded US credit rating considering the debt burden. Stronger issuance and better-than-anticipated macroeconomic data led to rising rates in a month of low volumes.
Regarding inflation figures, we now anticipate decreasing core inflation which could lead to a pause on the FED monetary tightening. Weak macroeconomic environment in the Eurozone should also lead the ECB to be more cautious about its hawkish monetary policy.
We remain equity neutral in this context and 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**
- **Continuing Inflation easing**
- **Softening labour market**
- **Easing of geopolitical tensions (Russia and Ukraine / China and Taiwan)**

KEY INDICATORS

Equities (%)	Level	July	August	YTD
S&P 500	4 508	3,11	-1,77	17,61
Nasdaq 100	15 501	3,81	-1,62	41,60
Eurostoxx 50	4 297	1,64	-3,90	12,82
FTSE 100	7 439	2,23	-3,38	0,01
China SI 300	3 765	4,48	-6,21	-0,59
Emerging markets	980	5,80	-6,36	3,06

Bonds (rate spreads)	Level	July	August	YTD
		Spread change level		
10 year government bonds				
US	4,11	0,12	0,15	0,41
Europe	2,47	0,10	-0,03	0,06
Corporate – 5 years spread (change level)				
Investment Grade US	63,52	-3,32	0,62	-18,73
Investment Grade Europe	109,68	-4,91	3,35	-14,25
High Yield US	425,39	-20,67	16,35	-61,89
High Yield Europe	396,33	-19,87	15,95	-82,75

Currencies (%)	Level	July	August	YTD
EUR / USD	1,0843	0,8	-1,40	-0,09
GPB / USD	1,2673	1,0	-1,26	3,14
CHF / USD	1,1320	2,7	-1,31	-3,38

Commodities (%)	Level	July	August	YTD
Gold	1 940	2,4	-1,27	5,41
Brent	87	14,2	1,52	5,21
Copper	382	6,7	-5,04	-1,19
Aluminium	2 174	6,4	-3,67	-8,35

Volatility	Level	July	August	YTD
Euro Stoxx 50	16,1	19,19	-1,00	-0,20
Nasdaq 100	13,6	0,29	-0,44	-0,36

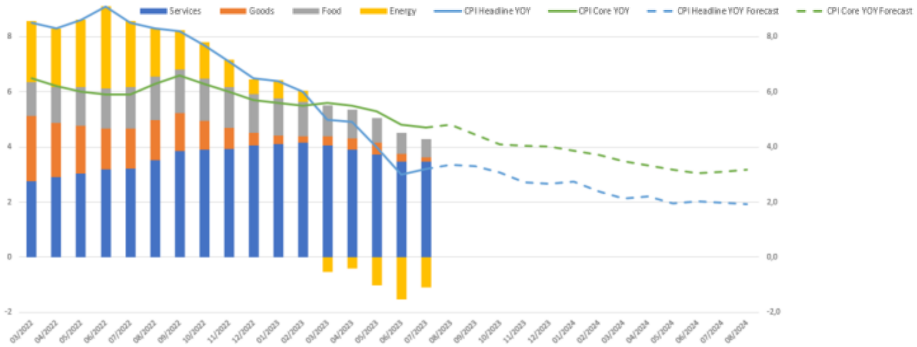
Cryptos (%)	Level	July	August	YTD
Bitcoin	26 013	-3,9	-10,93	56,3
Ethereum	1 649	-3,8	-11,01	35,7

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

CHART OF THE MONTH

US CPI Forecasts as mid August, Bloomberg – Norman. K.

We expect inflation to slow gradually: headline inflation could slow below 3% by the end of the year. Core inflation, which is the most important data for the FED should also decrease below 4% at the beginning of next year. Regarding these figures, Federal Reserve should soon pause its monetary tightening.



AUGUST: Less volumes & more volatility

USA: Slowing inflation and weaker economic data may prompt policymakers to pause

- Headline inflation increased in July due to the rise of volatile components such as energy. Without these components, core inflation continued to decelerate.
- Markets now anticipate a potential last rate hike by the end of the year, before rate cuts in 2024.
- Labour market showed signs of slight softening but remains strong, as it is for US consumption.

Our view: The Fed's September meeting should lead to a less hawkish tone and the downward estimates of the core CPI for September should lead to an upcoming pause in rate hikes.

EUROPE: The European economy slows down even more

- PMI fell again in August, with manufacturing industry still suffering, and services retreating.
- Energy costs led to a slight rise in inflation in August.
- Flash GDP estimate showed a modest 0.3% growth for the 2nd quarter.
- Banking sector have suffered due to Italian government announcement of a tax on banks' "excess" profits.

Our view: The ECB is more constrained by its objective of controlling inflation, with strong disparities between countries. In addition, the threat of recession should limit future rate hikes.

CHINA: Erosion of confidence in China's economy

- Weaker-than-expected data on consumption, record youth unemployment, deepening slump in the real estate and manufacturing sector. Deflation persists in China, with falling producer prices.
- The implementation of stimulus (two PBoC interest rate cuts in August) did not restore investors' confidence last month.

Our view: Despite measures to boost the economy, the Chinese market is subject to significant outflows. The effects of these measures should materialize, but investors' confidence may take time to come back.

Stocks have been more volatile in August but have **well performed since the beginning of the year**, buoyed by improvement in inflation, decline in recession fears in the US and hopes of the end of monetary tightening. Historically, August and September are unfavorable months for stocks and **downside risks could appear** in the coming months (rebound of inflation, weak macroeconomic figures). However, there are still **opportunities** on **companies with strong balance sheets** and able to deliver **long term free cash flows** in a weaker economic environment.

Despite slightly lower yields, we remain **overweighted on investment grade bonds** that deliver an interesting risk / reward couple. **Longer duration bonds**, that are more sensitive to interest rates, offer the opportunity to lock in interesting yields and benefit from future lower rates.

Moreover, **private markets' opportunities** offer diversification and decorrelation to global portfolios, while presenting significant discounts.

WHICH OPPORTUNITIES IN THIS CONTEXT?

High valuations of stocks

- In-depth analysis and selectivity
- Partial profits taking

Potential pause in moneraty tightening

- "Lock" current yield levels and invest on bonds

Weaker macroeconomic environment

- Tactical investments
- Pre-IPO segment / asset finance

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