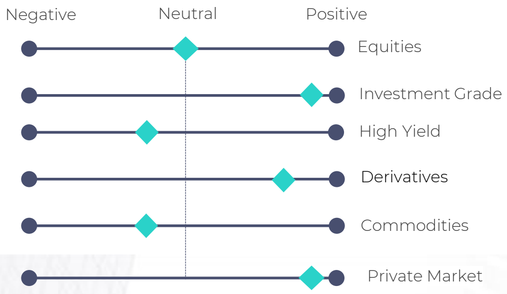
MONTHLY NEWSLETTER – September 2023

Oliver LIOT
Head of Corporate and Private Banking

"After a well-oriented first half, markets declined for a second consecutive month in September, notably due to a sell-off on the bonds market. Equity and bond markets simultaneously fell during the month, despite inflation figures on a downward trajectory in both the Eurozone and the United States. The European Central Bank opted for a 25-bps interest rate hike in September, while the Federal Reserve and Bank of England decided to pause rate hikes. However, the tone remained hawkish, with central banks, notably the Fed, indicating that rates are expected to remain high longer than expected by markets, pushing rates higher and weighing on risky assets.
We still prefer bonds over equities, but the recent decline in equity markets may present attractive entry points for some stocks. We remain opportunistic on private markets that offer diversification and decorrelation on portfolios."

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	August	Sept.	YTD
S&P 500	4 288	-1,8	-4,87	11,05
Nasdaq 100	14 715	-1,6	-5,07	35,07
Eurostoxx 50	4 175	-3,9	-2,85	8,41
FTSE 100	7 608	-3,4	2,27	-0,26
China SI 300	3 690	-6,2	-2,01	-4,70
Emerging markets	953	-6,4	-2,81	-2,98

Bonds (rate spreads)	Level	August	Sept.	YTD
		Spread change level		
10 year government bonds				
US	4,57	0,15	0,46	0,86
Europe	2,84	-0,03	0,37	0,37
Corporate – 5 years spread (change level)				
Investment Grade US	74	0,62	10,40	-5,10
Investment Grade Europe	116	3,35	6,67	-0,32
High Yield US	481	16,35	55,18	14,75
High Yield Europe	428	15,95	31,55	-18,08

Currencies (%)	Level	August	Sept.	YTD
EUR / USD	1,0573	-1,4	-2,49	-1,79
GPB / USD	1,2199	-1,3	-3,74	0,39
CHF / USD	1,0925	-1,3	-3,49	-0,83

Commodities (%)	Level	August	Sept.	YTD
Gold	1 849	-1,3	-4,72	-0,12
Brent	95	1,5	9,73	0,12
Copper	374	-5,0	-2,21	-6,22
Aluminium	2 339	-3,7	7,60	-5,58

Volatility	Level	August	Sept.	YTD
Euro Stoxx 50	17	-1,0	8,76	-0,06
Nasdaq 100	18	-0,4	29,11	-0,14

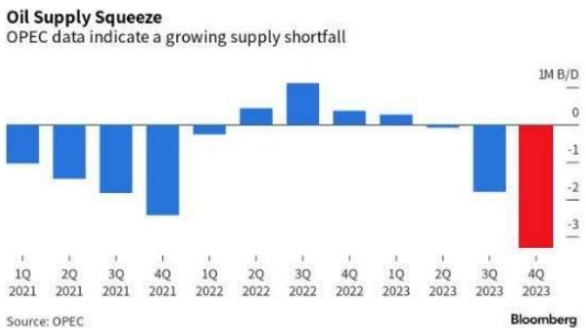
Cryptos (%)	Level	August	Sept.	YTD
Bitcoin	27 073	-10,9	4,07	66,9
Ethereum	1 680	-11,0	1,88	36,4

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

CHART OF THE MONTH

Surging Oil prices

Russia and Saudi Arabia are cutting oil production at a challenging time for the Biden administration. This may exert some short-term pressure on CPI figures and impact investment and consumption.



SEPTEMBER : HIGHER BOND YIELDS, DECLINING EQUITY MARKET

USA: Hawkish FED pause and resilient economy

- Retail sales, industrial production and durable goods orders all expanded in August – and the 3rd quarter GDP estimates tracked at a strong 1.2% .
- Mixed inflation figures: headline rose in August due to a surge in oil prices while core inflation decelerated.
- The Fed left its target rate range unchanged though the latest projections were more hawkish.

Our view: As anticipated, the Federal Reserve did not raise rates in September but has been more hawkish, signaling another rate hike this year and "dot plot" revising upwards. We still think that we are close to peak on rates, with cooling core inflation and downside risks to the US economy.

EUROPE: The European economy slows down even more

- The ECB raised its deposit rate by 25bps, while the BoE and SNB unexpectedly kept rates on hold.
- Composite PMI still in the contraction zone
- The headline and core inflation slowed more than expected in September by almost a percentage point

Our view: The September ECB's rate hike may be one of the last ones, considering the decreasing inflation in the Eurozone and the threat of recession.

CHINA: The stimulus measures are already starting to take effect?

- Retail sales and industrial production improved in August, and PMI returned to the expansion zone in September
- Real Estate sector distress, notably Evergrande, for which Beijing has immediately signaled support

Our view: Despite better-than-expected data, we remain cautious over China where markets have been volatile since the beginning of the year.

As anticipated in our previous letter, the last month was more volatile, with **surging bond yields and declining stocks**. Moreover, inflation remains a concern for central banks, and headline inflation data may slightly increase regarding **rising oil prices**. Central banks remain cautious and have not softened their tone for the time being.

Economic data remain weak in the Eurozone and consumption in the US may slow in the coming month and become less supportive for the economy. These elements **do not support a strong positioning in the equity markets**. However, the decline in stocks may be an **opportunity to invest on resilient companies** with reasonable valuations.

We still think that rates are close to peaking, and we favour **Investment Grade bonds**. Moreover, **long duration bonds** that are more sensitive to interest rates offer the opportunity to lock in interesting yields and **benefit from future lower rates**.

Additionally, opportunities in **private markets** offer diversification and decorrelation for global portfolios, along with significant discounts

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 September 30th 2023. Past performance is not a reliable indication of future performance. Non-contractual information.

DISCLAIMER

Norman K. has issued this document for information purposes only and is not intended to form the basis of a legally binding agreement.

It does not constitute, from a legal, tax or financial point of view, an offer to buy, sell or subscribe to a financial instrument, nor a commercial offer to invest in the products offered.

This document is confidential and must not be reproduced, transmitted, distributed or published, in whole or in part, by any means whatsoever, to third parties without the prior written consent of Norman K.

In addition, forward-looking statements are subject to known and unknown risks and uncertain and incurring assumptions that may cause current results to differ from those anticipated or incurred by the forward-looking statements.

Nothing in this document constitutes any prediction of future performance.

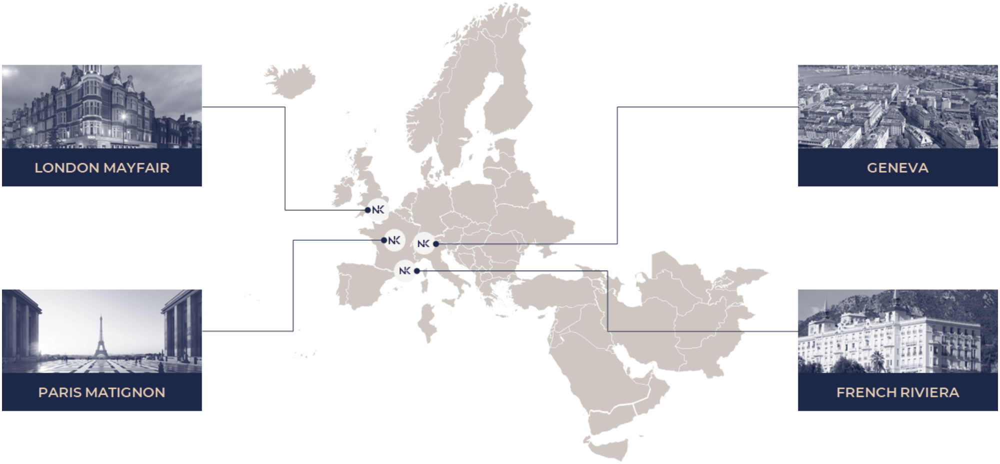
Norman K also draws investors' attention to the fact that the financial instruments offered present a risk of capital loss.

The investment also presents liquidity risk, valuation risk and currency risk.

The information contained in this document will not be updated and will not be modified in order to incorporate new elements or modifications of pre-existing elements in the future.

Some forward-looking statements provide forecasts and statements regarding the prospects for future events. Due to certain risks or uncertainties, the performance of financial instruments may differ from what is anticipated in this document.

NK LOCATION



Norman K. Group - SAS au capital de 3 250 € - RCS PARIS n°834 846 206 - Immatriculée à l'ORIAS (www.orias.fr) sous le n°18001386 pour les activités de Conseiller en Investissements Financiers adhérent de la Compagnie des CIF association agréée auprès de l'Autorité des Marchés Financiers ; Courtier en Opérations d'Assurances, Intermédiaire en Opérations de Banque et Services de Paiement.