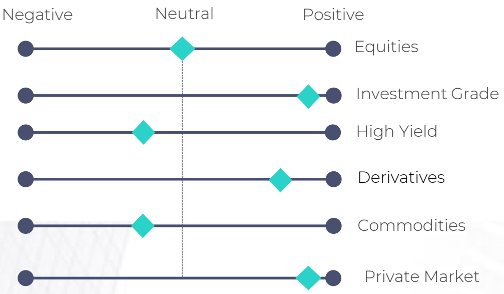
MONTHLY NEWSLETTER – December 2023

Mathieu MERCATI
Head of Investment Solutions

The markets ended the year with enthusiasm, and we are starting 2024 with investors optimistic about potential central bank rate cuts. Inflation took a significant place in the news in 2023, but economy resilience in the US and inflation's decline now hints at rate cuts that would further support the markets.
We are still positioning on the bond market, and as rates will start to decline, already invested portfolios would benefit from higher value. However, we remain cautious about the macroeconomy as previous rate hikes will continue to impact households and companies.
The IPO market is expected to be favorable this year, and companies in the pre-IPO stage present a real investment opportunity.

OUR MARKET VIEWS



POTENTIAL MARKET CATALYSTS

Central bank's interest rates cuts

Continuing Inflation easing

Softening labour market

Easing of geopolitical tensions (Israel/Hamas)

KEY INDICATORS

Equities (%)	Level	Nov.	Dec.	2023
S&P 500	4 770	8,92	4,42	23,41
Nasdaq 100	16 826	10,67	5,51	51,49
Eurostoxx 50	4 522	7,91	3,18	16,99
FTSE 100	7 733	1,80	3,75	3,55
China SI 300	3 431	-2,14	- 1,86	-12,90
Emerging markets	1 024	7,86	3,71	7,17

Bonds (rate spreads)	Level	Nov.	Dec.	2023
		Spread change level		
10 year government bonds				
US	3,88	-0,60	-0,45	1,26
Europe	2,02	-0,36	-0,42	-15,67
Corporate – 5 years spread (change level)				
Investment Grade US	57	-17,10	-5,72	-29,00
Investment Grade Europe	99	-14,66	-9,08	-16,85
High Yield US	356	-114,35	-46,13	-24,95
High Yield Europe	310	-76,74	-63,04	-31,29

Currencies (%)	Level	Nov.	Dec.	2023
EUR / USD	1,1039	2,96	1,39	2,74
GPB / USD	1,2731	3,88	0,85	4,80
CHF / USD	1,1885	4,02	4,02	- 8,46

Commodities (%)	Level	Nov.	Dec.	2023
Gold	2 063	2,65	1,30	13,27
Brent	77	-5,24	-6,99	-10,83
Copper	389	4,46	1,04	2,18
Aluminium	2 352	-3,68	8,56	- 1,09

Volatility	Level	Nov.	Dec.	2023
Euro Stoxx 50	14	- 29,90	- 1,74	-30,41
Nasdaq 100	12	-28,78	-3,64	-36,46

Cryptos (%)	Level	Nov.	Dec.	2023
Bitcoin	42 508	8,9	12,60	169,2
Ethereum	2 282	12,7	11,55	93,4

Sources: Bloomberg, Norman K. - Data as of December 29th 2023. Past performance is not a reliable indication of future performance. Non-contractual information.

CHART OF THE MONTH

TECHNOLOGY HAS BEEN THE MOST PROFITABLE SECTOR OF 2023, RISING NEARLY 52%!

The technology sector has been buoyed by the AI trend and the surge in “Magnificent Seven” stocks. In the semiconductor industry, Nvidia emerged as the top performer last year, rising about 237%.

Sources: Bloomberg, Norman K. - Data as of December 29th 2023. Past performance is not a reliable indication of future performance.

DECEMBER: WHAT A STRONG FINISH FOR 2023!

USA: The US economy defied expectations in 2023

- The U.S. economy benefited from a strong consumption and a robust and steady job growth.
- Job gains continued at a very strong pace in 2023, although down from the very high rates seen in 2021 and 2022.
- After peaking in summer 2022, inflation has been on a downward trend for a year and a half thanks to a retreat of food, energy, and goods inflation. Services inflation, especially housing, remains high but may cool in 2024.
- Manufacturing & industry weakened during the year.

Our view: The US consumption is expected to decrease, as household excess savings have been declining for the past few months, requiring caution. Like in the end of 2023, the FED could act as a catalyst for the markets in case of rate cuts later this year.

EUROZONE: The economy was closed to stagnation last year

- The Eurozone inflation has been in a downtrend during the year thanks to lower energy prices.
- The European Central Bank would not raise interest rates further, but it needs to wait for firmer confirmation that inflation is moving durably to its target.
- Poor demand from China, labor shortages, high interest rates and the lingering fallout from last year’s energy crisis have hurt the Eurozone economy.

Our view: Considering the near stagnation of the Eurozone economy, the ECB may be cautious, but is also expected to start rate cuts this year.

CHINA: A weak year for China

- Recently, commercial banks have lowered their deposit rates for the 3rd time in 2023, which indicates further monetary supports in the near term.
- Industrial profit picked up for the 4th consecutive month and new home sales in key cities are starting to rebound. However, the real estate sector remains under pressure.

Our view: We expect potential new policy supports that may support demand in the near term. Nevertheless, persistent property difficulties and growing deflationary pressures could weigh on China’s outlook.

Central banks were true **drivers for market** movements in 2023 despite encountered woes: geopolitical tensions, bank failures in March, and generally disappointing economic data. At the beginning of the year, high inflation led central banks to continue with **monetary tightening**, which was momentarily halted by the bank failures in March. Initially, this tightening weighed on the markets. However, the **gradual decrease in inflation** led to a pause in interest rate hikes, and now the **markets anticipate rate cuts** on both sides of the Atlantic.

This anticipated movement, which we've been expecting for a few months, could **support equities** this year, although we need to **remain attentive to the impact of currently high rates** on company earnings. Therefore, we will remain positioned in companies with strong balance sheets capable of delivering high cash flows in case of weaker economic data. On the fixed income side, we have constructed portfolios throughout the year that would **benefit from a rate cut**, leading to increased valuation. Despite declining yields, **bonds remain favorable** compared to stocks in a context of high valuations.

Moreover, we believe that **private market solutions** will continue to offer real opportunities this year, with an **IPO market expected to pick up** after a relatively calm year.

WHICH OPPORTUNITIES IN THIS CONTEXT?

High valuations of stocks

- In-depth analysis and selectivity
- Partial profits taking

Ancipation of rate cuts

- “Lock” current yield levels

Weaker macroeconomic environment

- Alternative investments
- Pre-IPO segment / private debt / asset finance

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