MONTHLY NEWSLETTER – May 2025

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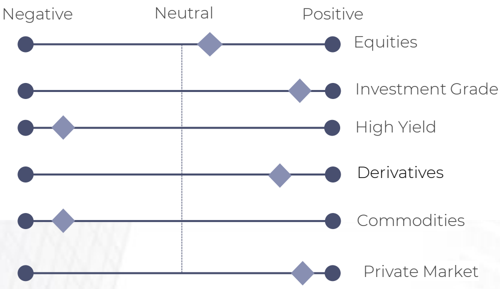
"Trump's tariff policy continues to drive market movements. Towards the end of the month, long-term yields rose in response to renewed concerns over the US fiscal deficit. Overall, markets performed well in May, supported by strong corporate earnings and hopes of easing trade tensions.

On the inflation front, data remain broadly contained — particularly in the euro area. In the US, however, import tariffs could soon feed through to consumer prices, reinforcing the Federal Reserve's decision to hold rates steady at its May policy meeting — a move widely anticipated by markets. Ongoing economic uncertainty linked to US trade policy may weigh on corporate margins in the coming quarters, justifying a cautious and selective investment approach.

By month-end, long-term yields had climbed, the US dollar weakened against major currencies, and equity markets retreated amid renewed focus on the US budget deficit and rising debt levels.

In this context, we continue to favour investment grade bonds, which offer an attractive risk-return profile. We are still gradually increasing the equity allocation within portfolios, focusing on high-quality stocks through a range of targeted strategies."

OUR MARKET VIEWS



POTENTIAL MARKET CATALYST

Monetary policy easing by central banks

Inflation easing more significantly

Favourable trade agreements between the US and major global economies

Easing of geopolitical tensions

KEY INDICATORS

Equities (%)	Level	April	May	YTD
S&P 500	5 912	-0.80	6.15	**0.51**
Nasdaq 100	21 340	1.50	9.04	**1.56**
Eurostoxx 50	5 367	-1.70	4.00	**9.11**
FTSE 100	8 772	-1.00	3.27	**7.38**
China SI 300	3 840	-3.00	1.85	**-2.41**
Emerging markets	1 157	1.00	4.00	**7.61**

Bonds (rate spreads)	Level	April	May	YTD
		Spread change level		
10 year government bonds				
US	4.40	-0.04	0.24	**-3.04**
Europe	2.50	-0.29	0.06	**7.35**
Corporate – 5 years spread (change level)				
Investment Grade US	56	5.67	-10.96	**12.67**
Investment Grade Europe	97	3.50	-8.45	**-0.25**
High Yield US	351	31.20	-56.40	**12.72**
High Yield Europe	300	22.36	-50.19	**-3.27**

Currencies (%)	Level	April	May	YTD
EUR / USD	1,1347	4.70	0.17	**10.28**
GPB / USD	1,3459	3.20	0.98	**8.25**
CHF / USD	1,2159	7.10	0.40	**-9.72**

Commodities (%)	Level	April	May	YTD
Gold	3 290	5.30	0.02	**27.91**
Brent	64	-15.50	1.24	**-13.96**
Copper	468	-9.30	1.49	**20.23**
Aluminium	2 438	-5.10	2.13	**-3.89**

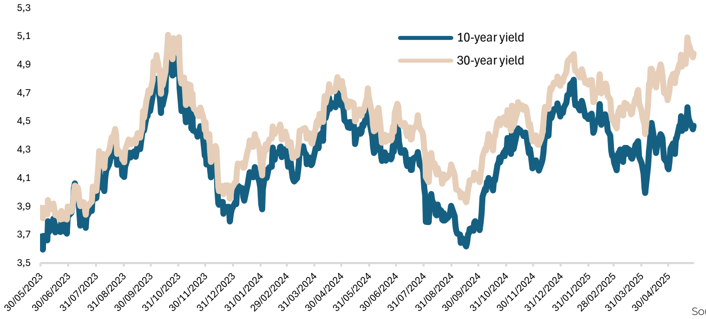
Volatility	Level	April	May	YTD
Euro Stoxx 50	19	1.50	-14.76	**12.66**
Nasdaq 100	19	10.90	-24.82	**7.03**

Cryptos (%)	Level	April	May	YTD
Bitcoin	104 834	14.80	10.84	**12.50**
Ethereum	2 543	-1.40	41.71	**-25.00**

Sources: Bloomberg, Norman K. - Data as of May 30th 2025. Past performance is not a reliable indication of future performance. Non-contractual information.

CHART OF THE MONTH

Beyond Moody's downgrade of the US credit rating in May — which had little impact on the markets — the recent rise in yields has been driven largely by renewed fiscal concerns. At the heart of these concerns is the so-called "Big Beautiful Bill", a White House-backed proposal to extend Trump-era tax cuts. This plan could add as much as $4 trillion to US debt and push the budget deficit to 10% of GDP by 2035.
Such a scenario has fueled an upward pressure on long-term yields.



Source : Bloomberg, Norman K.

May 2025: Rebound in markets amid rising US debt fears

MACROECONOMICS

May was a month of mixed fortunes for the United States. Despite the announcement of a **0.3% contraction in GDP in the first quarter**, the US economy remains broadly resilient, largely thanks to its services sector. This sector, which accounts for two-thirds of consumer spending and five out of every six jobs, is relatively insulated from the impact of tariffs. Meanwhile, **equity markets** have already **recouped the losses** sustained between February and April.

In the second half of May, concerns shifted to the bond market. **Yields** on long-dated US Treasuries surged amid unprecedented doubts over the sustainability of US public finances. The passage of the so-called 'Big Beautiful Bill' in Congress could add a further $3 trillion to the national debt by 2035. A comparable dynamic has been observed in **Japan**, where **bond yields** — traditionally low — **have edged higher**, despite a debt-to-GDP ratio exceeding 250%. While yields in both countries eased again at the start of the week, some observers do not rule out a long-term upward trend should growth remain subdued.

On the inflation front, the **impact of tariffs** is diverging across regions. In the US, import duties are expected to drive up the cost of goods, prompting economists to revise **inflation forecasts upwards**. In contrast, the **euro area** faces **disinflationary pressures**, with the EU refraining from retaliatory trade measures. This trend is compounded by falling energy prices, currency appreciation against the dollar, softening domestic demand, and the risk of market saturation from low-cost Chinese imports.

Across the Atlantic, **European markets** have posted their **strongest performance** year-to-date. However, the European Commission has revised its **euro area growth forecast** for 2025 **downwards**, from 1.3% to 0.9%.

In the commodities space, oil prices are expected to remain relatively subdued in the coming months, as OPEC countries signal their intention to ramp up production.

NK VIEW

We remain **neutral on equities**, although the high-quality stocks introduced during recent bouts of volatility have already delivered solid performance. We expect further episodes of market turbulence linked to Trump's announcements, although their impact may prove more muted, as investors appear increasingly accustomed to rhetoric that is rarely followed by concrete action. We are reinforcing our positions in companies with strong fundamentals, through a range of complementary strategies.

In terms of **income strategies** (bonds, structured products, and private debt), the anticipated rate cuts could create **attractive opportunities**. Bonds remain compelling due to favourable yields and we do not hesitate to **take profits on well-performing bonds** to reallocate into equities that align with our convictions.

The **private debt market** continues to expand, especially in **real estate financing**, as market participants aim to capitalise on falling rates.

We continue to seek **decorrelation and diversification in the pre-IPO segment**, even though some players may postpone their listing due to geopolitical uncertainties.

WHICH OPPORTUNITIES IN THIS CONTEXT?

Market volatility and tariffs' threats

- In-depth analysis and selectivity
- Opportunities in fundamentally strong stocks

Upcoming rate cuts / geopolicital uncertainty

- Anticipate impacts on portfolios
- Currency diversification
- Real estate deals opportunities

Weaker macroeconomic environment

- Alternative investments
- Pre-IPO segment / private debt

Sources: Bloomberg, Norman K. - Data as of May 30th 2025. Past performance is not a reliable indication of future performance.
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