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Management Report

Market Review

Q2 started on a spectacular +7.91%* upturn for global indices. The American equity markets delivered the strongest performance (+8,59%*), supported by the Tech sector (+15%*), AI investments and household consumption. Emerging markets followed with gains of 12.93%*, while Europe experienced a more timid rebound (+5,36%*), largely due to its higher exposure to energy costs. In fact, the energy shock brought inflation on an upward path on both sides of the Atlantic with sovereign rates following a roller coaster course. As a result, the 10Y US bond ended the month with an increase to 4,37% while the German Bund finished on an upward - though lighter – path, closing at 3,03%.

Global equity markets continued to soar in May, as they were inspired by hopes of a solution to the Iran conflict and an outstanding earnings season for Tech companies – the American and emerging markets performed particularly well (+10%* and +5%* respectively) while Europe gained 3,33%*. Economically, the data confirmed gradual return of inflation and the activity remained as solid in the US as it was feverish in Europe. The 10Y US bond ended the month of May at 4,45% and the Bund at 2,97%.

June freed up a relaxing space: the conflict in Iran receded, the Brent oil price dropped by 20%, tensions eased on the bond market and traffic in the Straits of Hormuz partially normalised. Investors turned to European markets after they benefited from the strong Tech and AI trend on the American and emerging markets. Europe gained 3.05%* while their American and emerging counterparts progressed more modestly (1,31%* and 0,86%* respectively).

US and emerging markets surged strongly

While Europe showed more modest growth

The energy shock drove inflation higher

Sovereign rates ended on a downward trend

The American Federal Reserve welcomed Kevin Warsh at his first meeting as a President where he announced the Fed would communicate less to maintain a healthy relationship with the financial markets. His European counterpart, Christine Lagarde, maintained a firm tone and suggested that the monetary tightening pace could be measured. On both sides of the Atlantic, the agreement found between the parties in the Iranian conflict favoured a significant improvement in inflation expectations, with sovereign rates ending on a downward trend at 4,46% for the 10Y US bond and 2,85% for the German Bund at the end of June.

Activity Report

During the period, portfolio positioning was gradually adjusted, following the evolution of the conflict in the Middle East. In April, exposure to equity broadened from neutral to overweight, and US and emerging stocks were preferred. In the US, profit growth remained solid while the emerging markets, heavily penalised when the conflict broke out, offered higher tactical rebound potential in case the geopolitical context improved.

At the end of May, as emerging markets benefited from the anticipated rebound and their concentration became concerning, part of this exposure was reallocated to European equities, backed by improving economic indicators. Subsequently, diplomatic progress in the Middle East, combined with still attractive valuations and still cautious investor positioning, led to a further strengthening of EU stocks, mainly through a reduction in US equity exposure following profit-takings.

On the fixed income side, while European bonds remained favoured, long-dated maturities were avoided. At the same time, a position in inflation-indexed bonds was initiated to benefit from rising inflation expectations, driven by higher oil prices.

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*Performance is calculated in euros.