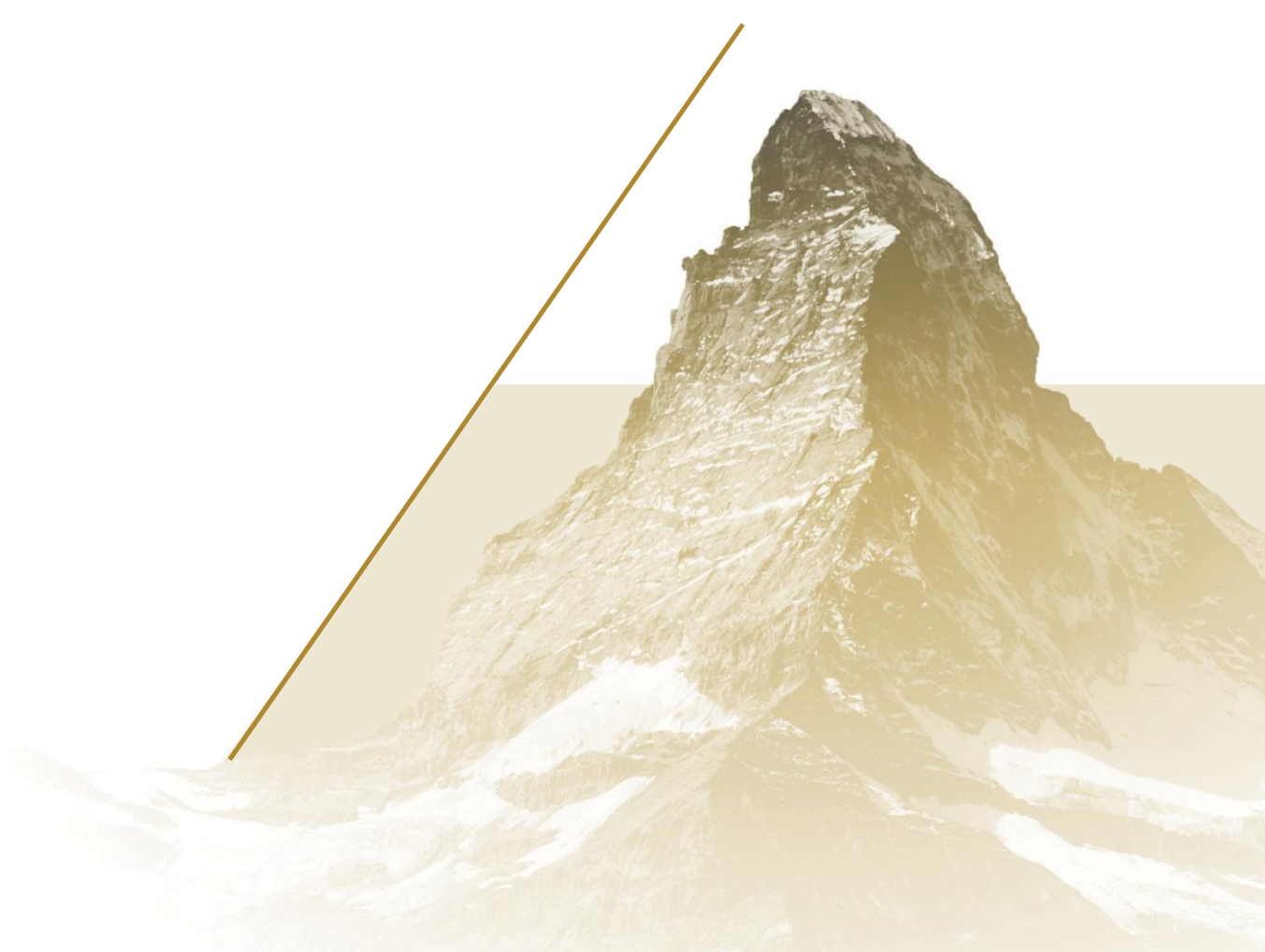


# Investment letter

Monthly review of global financial markets



SWISS  
CAPITAL<sup>IB</sup>

June 2024

# MACROECONOMICS

**The US economy remains solid overall, as the indicators released in May attest.** The PMI leading indicators published in May for the month of April improved and remain in an expansion phase in both the services and manufacturing sectors. The ISM indicators deteriorated slightly and remained on the borderline between an expansionary and a contractionary phase in the economy. These fears were subsequently overshadowed by the first PMI estimates for May, which confirmed expansion in both services and manufacturing.

**Job openings** (JOLTS reports released on May 1st for the month of March) **continue to decelerate to just under 8.5 million but remain at a high level.** The decrease was just a little faster than economists had expected. Non-farm payrolls also slowed sharply in April, with 175,000 jobs created compared with 315,000 in March.



## PERSISTENT US INFLATION RAISES FEARS OF FURTHER FED RATE HIKES

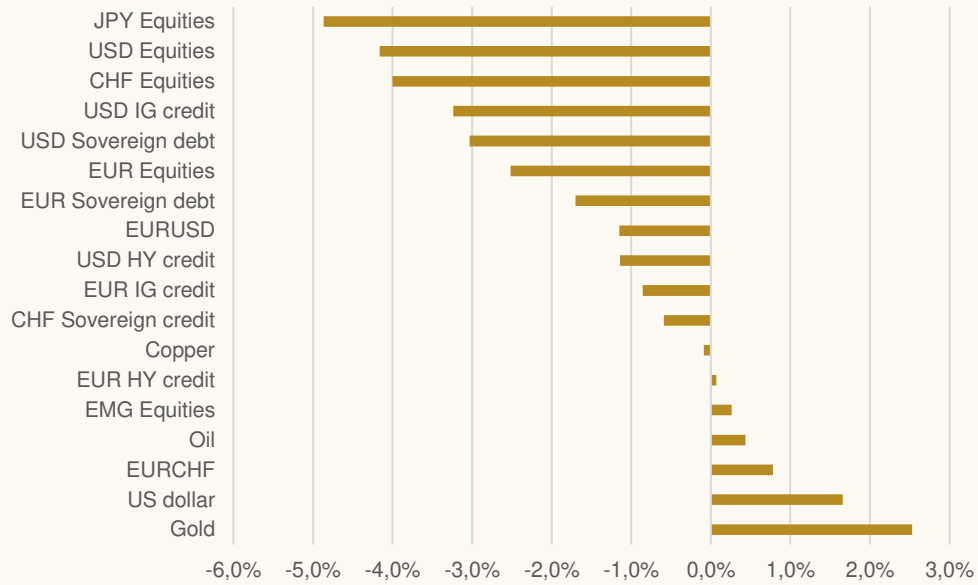
**US CPI inflation remains at relatively high levels, falling only marginally in April compared with March, to 3.4%.** The trend remains the same for core inflation, i.e. excluding energy and food. While the FOMC meeting on May 1 was fairly well received by the markets, **the FOMC minutes released on May 22 were a source of concern, as some members of the committee are considering further rate hikes**, whereas the market had taken it for granted that the US Federal Reserve's rate hike cycle was over.

**In the eurozone, Q1 24 GDP growth was estimated at 0.4%**, and the leading indicators released on 23 May for the month of May still show strength in the services sector, but also an improvement in the manufacturing sector, which is moving further and further away from the contraction zone. **Eurozone CPI inflation** in April came out at 2.4%, a similar level to March, but the first estimates for May **released on May 31st came out at 2.6%, suggesting that the disinflation process is also marking time in Europe.** This could have an impact on the European Central Bank's decision, with investors expecting it to cut rates in June. The situation in the UK is fairly similar to that in the rest of the Eurozone.

**In Switzerland, inflation accelerated slightly in April to 1.4%, but remains within the range sought by the SNB.** GDP growth remained modest in the first quarter at 0.6%, and the KOF leading indicator deteriorated slightly.

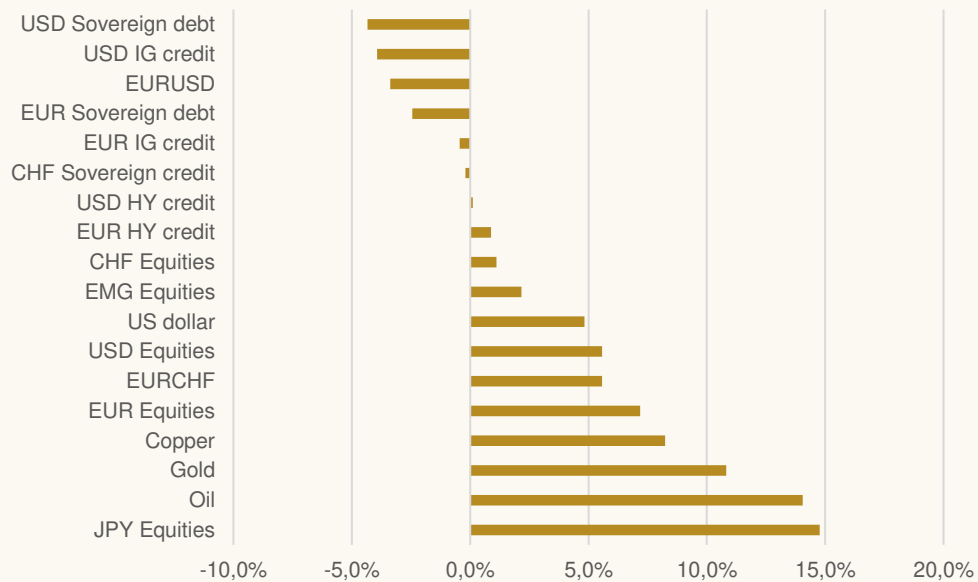
# OVERVIEW

## MAIN ASSET CLASSES MONTHLY PERFORMANCE



Source: Bloomberg, 31/05/2024

## MAIN ASSET CLASSES PERFORMANCE YEAR-TO-DATE



Source: Bloomberg, 31/05/2024

Past performance is not indicative of future performance

# MACROECONOMICS (CONTINUED)

**In Japan, initial Q1 24 GDP estimates show a slight contraction**, while leading indicators are still pointing to expansion for May. The latest Japanese inflation figure for April is 2.5%, slightly above economists' expectations.

**China, meanwhile, is still very close to deflation**, even though the figures improved slightly in April, with consumer prices rising by 0.3%.

## EQUITY MARKETS

SEMICONDUCTORS  
PERFORMED  
EXCEPTIONALLY  
WELL IN MAY  
FOLLOWING  
ANOTHER STELLAR  
PUBLICATION FROM  
NVIDIA

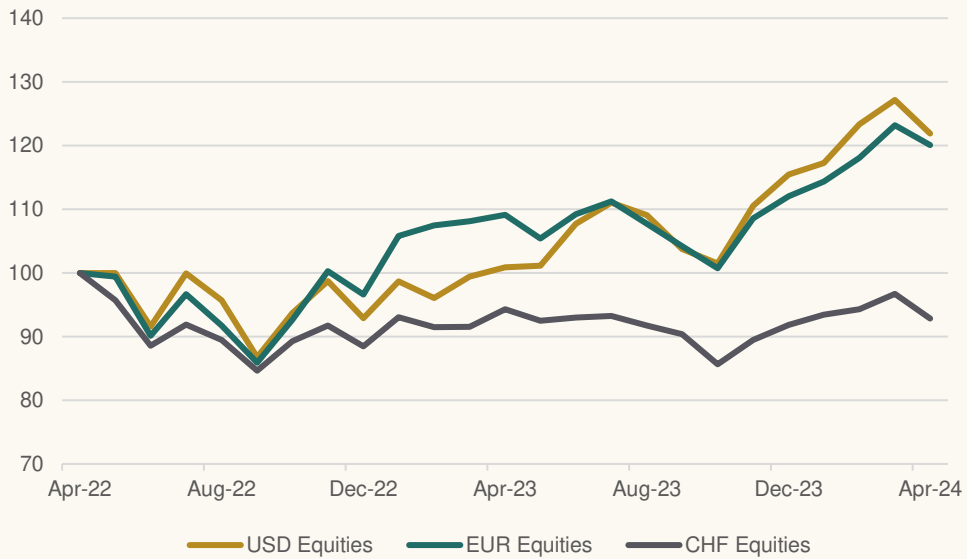
Equity markets continued their upward trend in May, with **US markets** (S&P 500 +5.0%, Nasdaq 100 +6.4% in USD) **outperforming European markets** (Stoxx Europe 600 +3.5% in EUR) and China rebounding modestly (MSCI China +2.4% in USD).

The news remained **positive on the macroeconomic front**, a factor that was generally favorable to equities, particularly in the United States, with better-than-expected PMIs for manufacturing (50.9 vs. 50.0 att) and especially services (54.8 vs. 51.2 att).

In terms of sectors, **semiconductors performed exceptionally well in May** (S&P 500 Semiconductors & Semiconductors Equipment +17.3%), **notably following another stellar publication from Nvidia** (+26.9% in USD over the month). This trend was followed by IT hardware (S&P 500 Hardware & Equipment +10.9%). These sectors, which are much better represented in the US than in Europe, explain part of the performance gap between the two zones. Among the worst-performing sectors were food & beverages (S&P 500 Food & Beverages +0.4%, Stoxx 600 Food & Beverages +2.2%).

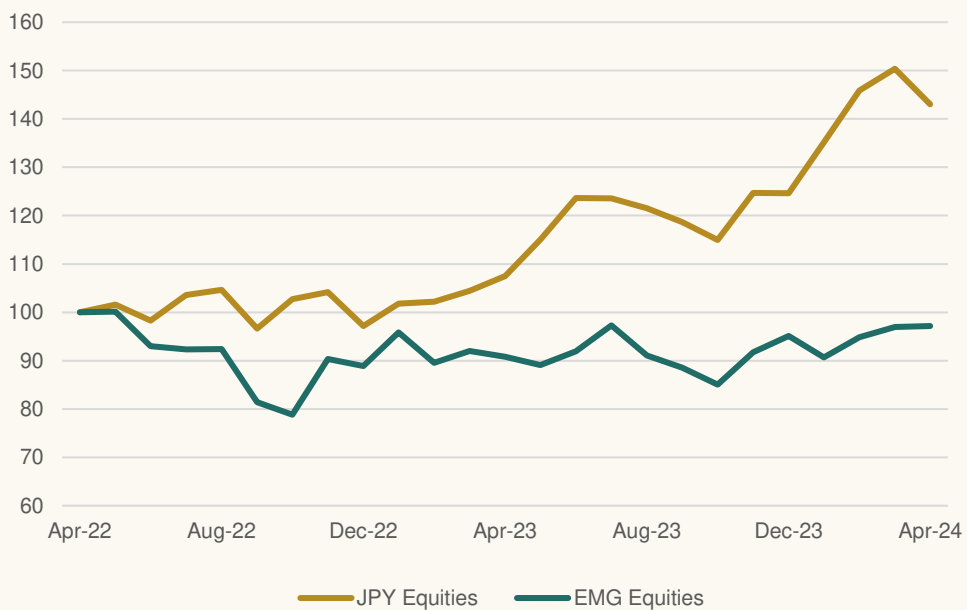
# EQUITY MARKETS

## EQUITY MARKETS EUR USD CHF PERFORMANCE OVER 2 YEARS



Source: Bloomberg, 31/05/2024

## EQUITY MARKETS JAPAN – EMERGING MARKETS PERFORMANCE OVER 2 YEARS



Source: Bloomberg, 31/05/2024

Past performance is not indicative of future performance

# BOND MARKETS

**Rates moved in a very wide range in May.** The first part of the month benefited from US inflation figures that were in line for April (after three months above expectations), while the second part of the month was marked by more hawkish rhetoric from Fed officials, solid PMIs and better macro figures from Europe and China.

**As a result, the 10-year Treasury hit a low of 4.35% before climbing back to 4.5%, a fall of 13bp over May.** The Bund was also very volatile due to the economic figures for Europe and inflation for May, which rose to +2.6% year-on-year (compared with +2.4% previously). **The Bund ended the month at 2.66%, 8bp higher than at the end of April.**

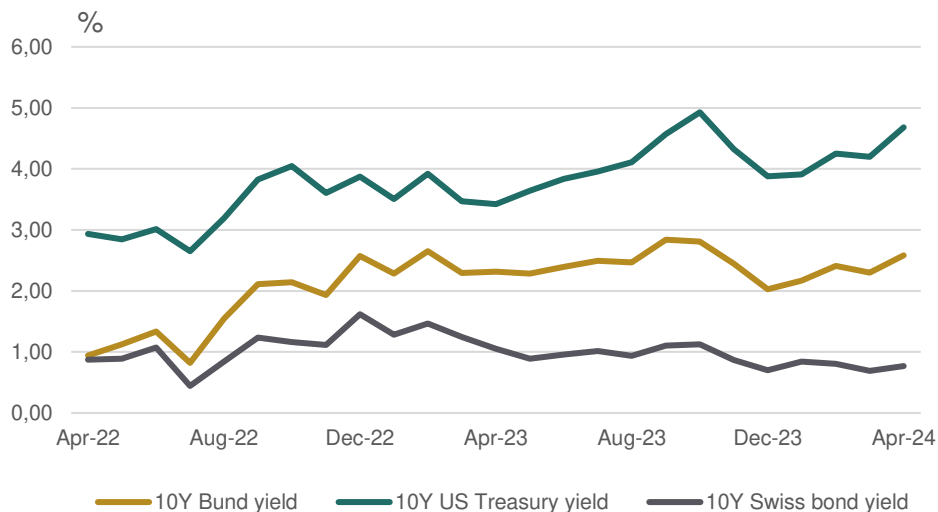
**On the credit side,** there was little change in levels on the IG side, while European HY continued to compress, with the spread reaching 335bp at the end of the month, a fall of 30bp over the month. The credit market was buoyed by a solid equity market and a primary market that demonstrated its ability to issue all types of risk. The most popular issue was Alstom's hybrid corporate debt, which attracted over EUR10bn in demand. May also saw a very fine outperformance by AT1 bonds, which continued to widen the gap with the other segments of the credit market (+5.6% since the start of the year). **Of course, the IG segment continued to suffer in view of its embedded duration.** At the end of May, the total return performance of the segment was just -0.2% YTD in EUR and -1.8% in USD.



## RATES MOVED IN A VERY WIDE RANGE IN MAY

### 10Y SOVEREIGN BOND YIELDS

EVOLUTION OVER 2 YEARS



Source: Bloomberg, 31/05/2024  
Past performance is not indicative of future performance

# CURRENCIES

**The dollar's structural strength has been undiminished since the second half of 2011.** Since then, the greenback has tended to consolidate flat, unlike previous cycles, where consolidation was much more pronounced. Since the last quarter of 2022, the dollar index has depreciated by 6.6%, including a decrease of 1.5% in May, but nevertheless the dollar has risen by 3.3% since the start of 2024.

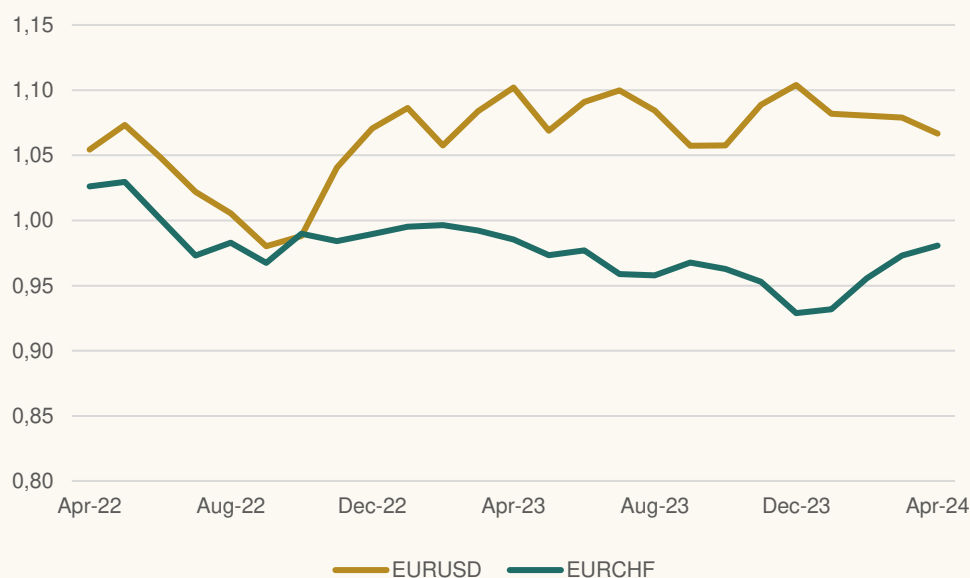
**In May, the Swiss franc was unchanged against the euro, but benefited from the dollar's relative weakness.** The Swiss National Bank cut its key rate before the other central banks, but the slight upturn in Swiss inflation in April should not push the SNB to further cut rates too quickly.

**The yen stabilised in May at a very low level of 157 against the US dollar,** close to the historic low of 160 reached at the end of April. This stabilisation was achieved thanks to intense intervention on the foreign exchange markets by the Bank of Japan, which has disbursed USD 62 billion since the end of April. The yen is likely to remain weak as long as the Bank of Japan continues its highly accommodative monetary policy and the Fed's rate-cutting cycle does not get under way.

**The EUR-USD pair has continued to move in a fairly narrow channel since the beginning of 2023,** with an exchange rate of 1.09 at the end of May. Since the start of the year, the euro has depreciated against the dollar by 1.7%. Growth figures for the first quarter in the eurozone show sluggish growth but no recession, which has recently supported the euro. A change in the ECB's refinancing rate in June could bring some variation in this exchange rate.

## USD & CHF

### EVOLUTION OVER 2 YEARS AGAINST THE EUR



Source: Bloomberg, 31/05/2024  
Past performance is not indicative of future performance

# COMMODITIES

## OIL

**The year-to-date rise in crude oil prices of 8% for WTI and 5% for Brent takes into account the 7% correction in May.**

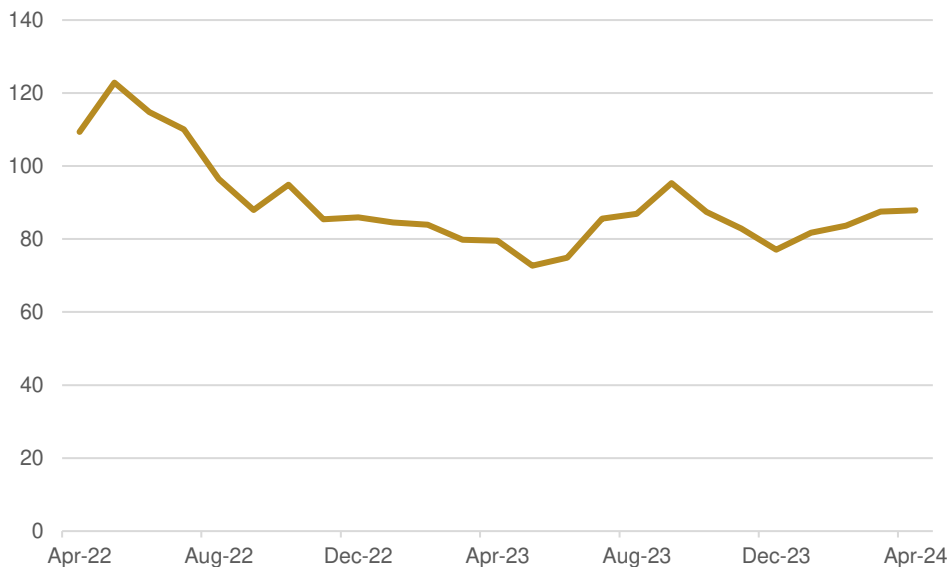
With supply and demand fairly balanced, any change has an impact on crude price. Economic growth is still resilient, but the United States, which has become the world's leading producer, keeps producing at current price levels, which has prompted OPEC+ to extend its quota policy until 2025.



Crude oil prices correct in May, prompting OPEC+ to extend its quota policy

## OIL

EVOLUTION OF BRENT PRICES OVER 2 YEARS



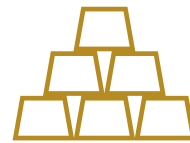
Source: Bloomberg, 31/05/2024  
Past performance is not indicative of future performance



# COMMODITIES

## GOLD

**Gold prices continued to rise in May, rising by 1.8%, bringing the year-to-date increase to 13.0%.** In May, the US dollar depreciated a bit and long-term interest rates fell slightly (19 bp for the 10-year US government bond and 12 bp for 10-year TIPS), thereby restoring the long-term relationship with gold that had been lacking in the first part of the rise. The geopolitical risk continues unabated, supporting the yellow metal. **The most important event in May for precious metals was the violent rebound in the price of silver, which rose by 17.3%, representing a 31% increase since the start of the year,** the biggest increase for any asset in our selection. It is true that the price gap between gold and silver has widened over the last 15 years, but we prefer gold, which is still held and sought after by central banks. Among industrial metals in May, iron ore consolidated by 0.5%, while copper remained unchanged.



Silver prices soar in May, while gold continues to rise at a more measured pace

### GOLD

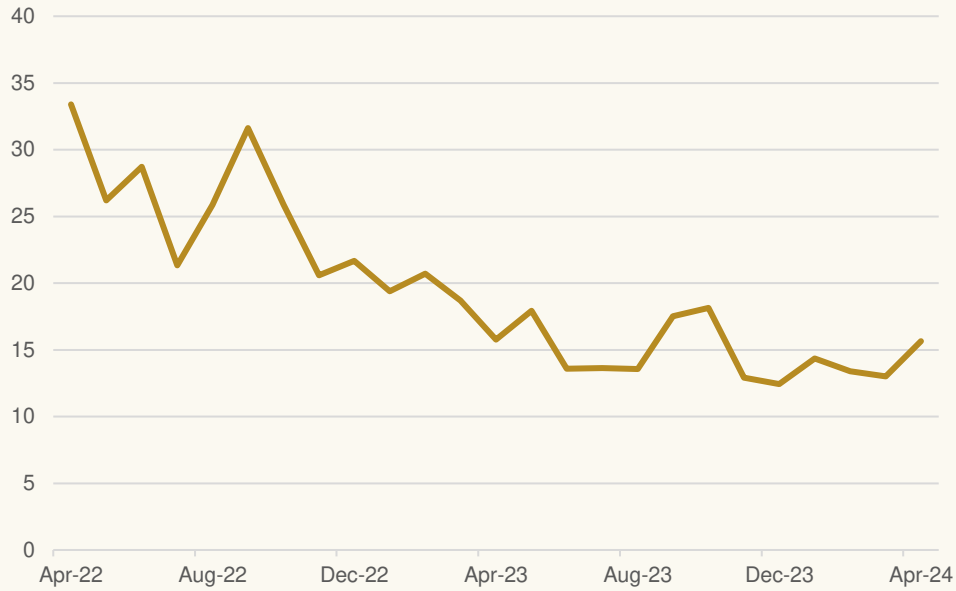
#### EVOLUTION OVER 2 YEARS



Source: Bloomberg, 31/05/2024  
Past performance is not indicative of future performance

# VOLATILITY

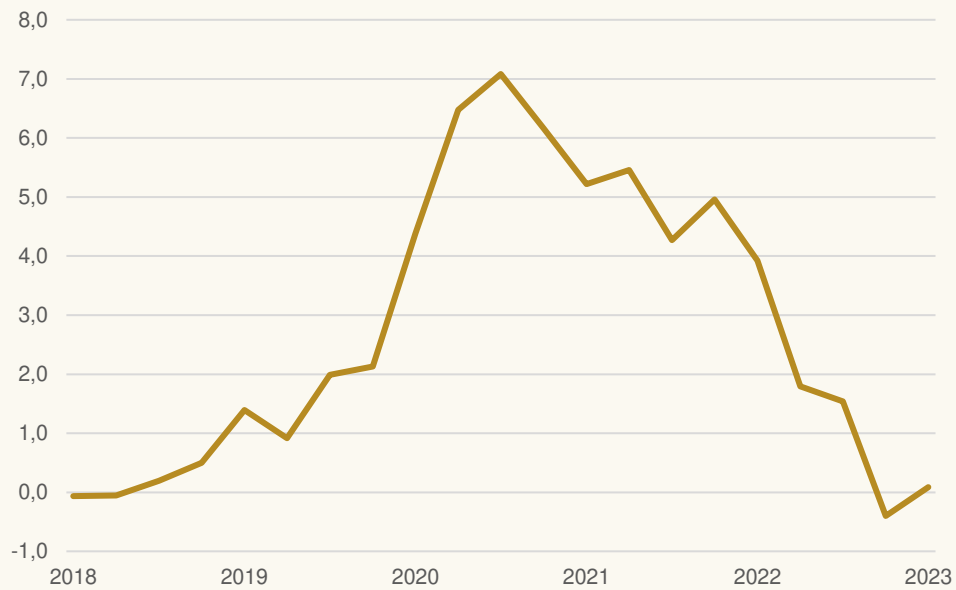
## VOLATILITY – VIX INDEX EVOLUTION OVER 2 YEARS



Source: Bloomberg, 31/05/2024  
Past performance is not indicative of future performance

# REAL ESTATE

## SWISS RESIDENTIAL REAL ESTATE ANNUAL PRICE CHANGE



Source: Bloomberg, 31/05/2024  
Past performance is not indicative of future performance

# CALENDAR

Date	Country	Economic Data	Period	Previous
<b>03 June</b>	US	Manufacturing PMI	May-24	49,2
	China	Caixin Manufacturing PMI	Jun-24	51,7
	Eurozone	Markit Manufacturing PMI	Jun-24	47,4
	UK	Markit Manufacturing PMI	Jun-24	51,3
	Japan	Nikkei Manufacturing PMI	Jun-24	50,4
	Switzerland	Manufacturing PMI	May-24	41,4
<b>04 June</b>	Switzerland	Inflation (YoY)	May-24	1,4
<b>05 June</b>	US	ISM Non-Manufacturing Index	May-24	49,4
	Eurozone	Markit Services PMI	Jun-24	53,3
	UK	Markit Services PMI	Jun-24	52,9
<b>06 June</b>	Eurozone	ECB Interest Rate (%)	May-24	4,0
	Switzerland	Unemployment Rate (%)	May-24	2,3
<b>07 June</b>	US	Employment (000s)	May-24	175,0
	US	Unemployment Rate (%)	May-24	3,9
	China	Exports (YoY)	May-24	1,5
	Eurozone	Employment (QoQ)	Jun-24	0,3
	Eurozone	Real GDP (QoQ)	Jun-24	0,3
	Germany	Industrial Production (MoM)	Apr-24	-0,4
<b>10 June</b>	Japan	Real GDP (QoQ)	Jun-24	-2,0
<b>11 June</b>	UK	Unemployment Rate (%)	Apr-24	4,3
<b>12 June</b>	US	Federal Reserve Interest Rate (%)	Jun-24	5,5
	US	Inflation (YoY)	May-24	3,4
	China	Inflation (YoY)	May-24	0,3
	Eurozone	Industrial Production (MoM)	Apr-24	0,6
	US	Consumer Confidence	Jun-24	69,1
	Japan	Industrial Production (MoM)	May-24	-0,1
	<b>17 June</b>	China	Retail Sales (YoY)	May-24
	China	Industrial production (YoY)	May-24	6,3
<b>18 June</b>	US	Industrial Production (MoM)	May-24	0,0
<b>19 June</b>	UK	Inflation (YoY)	May-24	2,3
<b>20 June</b>	US	Philadelphia Fed Business Survey	Jun-24	4,5
	UK	Bank of England Interest Rate (%)	Jul-24	5,3
	Switzerland	Swiss National Bank Interest Rate (%)	Apr-24	1,0
<b>24 June</b>	Germany	Ifo Business Climate	Jun-24	89,3
<b>27 June</b>	US	Real GDP (QoQ)	Jun-24	1,3
<b>28 June</b>	UK	Real GDP (QoQ)	Jun-24	0,6
	Switzerland	KOF Leading Indicator	Jun-24	100,3

# LET'S TALK ABOUT IT.

T +41 (0)22 512 10 24  
Place de l'Université 6  
CH – 1205 Genève  
[swisscapital-ib.com](http://swisscapital-ib.com)

This article was finalised on 31<sup>st</sup> May 2024.

## DISCLAIMER

This material has been prepared solely for purposes of illustration and discussion. Under no circumstances should the information contained herein be used or considered as an offer to sell, or solicitation of an offer to buy any security. Any security offering is subject to certain investor eligibility criteria as detailed in the applicable offering documents. The information contained herein is confidential and may not be reproduced or circulated in whole or in part. The information is in summary form for convenience of presentation, it is not complete and it should not be relied upon as such.

All information, including performance information, has been prepared in good faith; however Swiss Capital IB S.A make no representation or warranty, express or implied, as to the accuracy or completeness of the information, and nothing herein shall be relied upon as a promise or representation as to past or future performance.

This material may include information that is based in whole or in part on hypothetical assumptions, models and /or other analysis of Swiss Capital IB S.A (which may not necessarily be described herein). No representation or warranty is made as to the reasonableness of any such assumptions, models, or analysis.

The information set forth herein was gathered from various sources which Swiss Capital IB S.A believe to be reliable, but it cannot guarantee their reliability. Unless otherwise stated, any opinions expressed herein are current as of the date hereof and are subject to change at any time.

All sources which have not otherwise been credited derive from Swiss Capital IB S.A.