

Investments - Flash



M. Alain Freymond - Partner & CIO

THE FED WILL CHANGE ITS POSITION IN DECEMBER

Will the markets wait to go into « risk-on » mode?

The October PMIs plunge in the US in the wake of accelerating interest rates and rising systemic risks. Too high interest rates and an overly strong dollar are affecting global liquidity and increasing the risk of recessions and defaults. These could be new signs for the Fed, which must surely already start considering the risks of a "hard landing" in connection with an overly restrictive policy.

Voices are being raised among the regional Fed that suggest policy easing as early as December. In our view, the Fed should therefore start to shift its stance, which would allow the financial markets to avoid the worst case scenario.

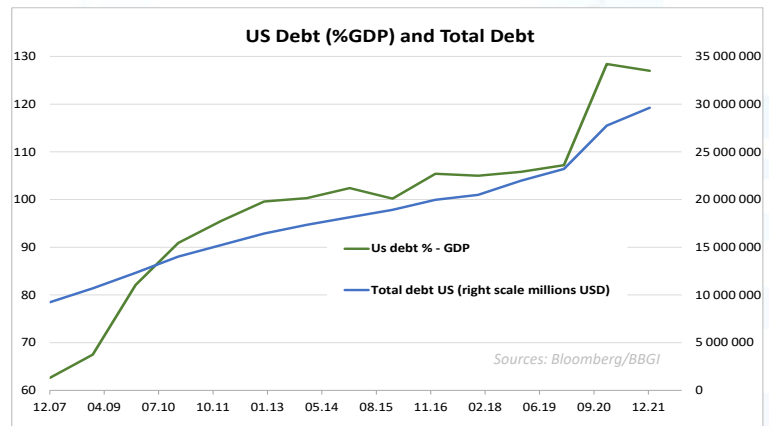
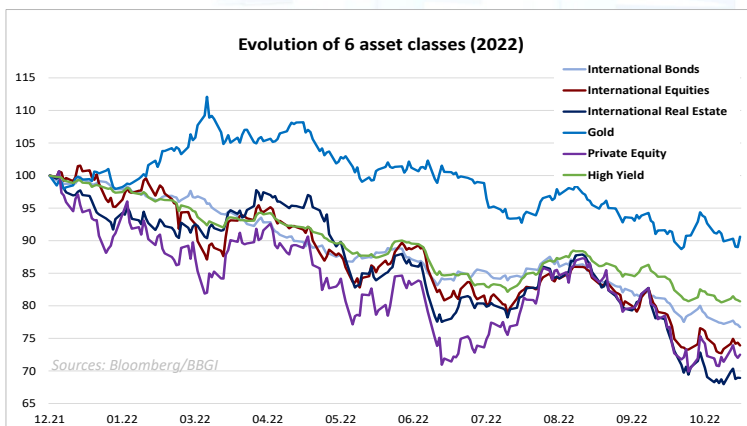
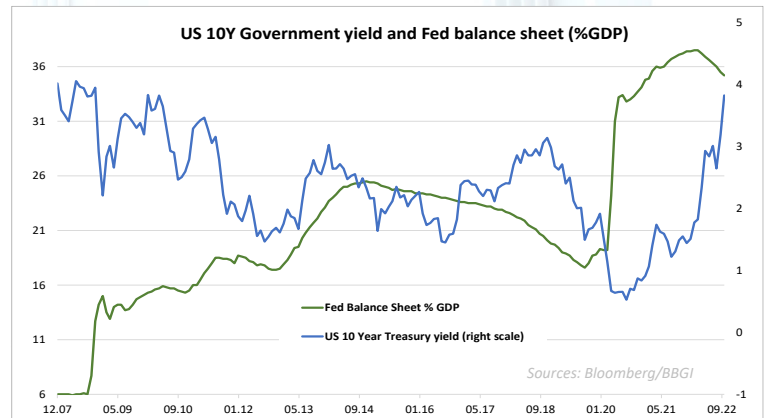
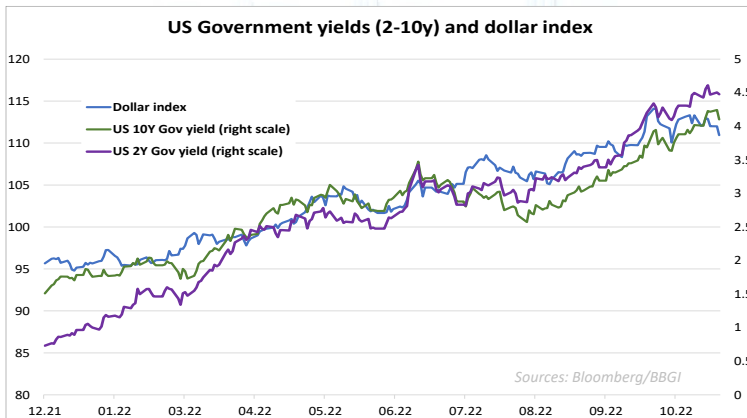
In this case, the outlook for short-term interest rates would be improved by the gradual dilution over time of future increases of more moderate magnitude.

The first consequence in the financial markets should be a fall in medium-term expectations and a lowering of the yield curves. The dollar should then halt its rise and weaken in a sustained downward trend.

The main overall consequences of these declines will be the reduction in the risk of defaults and a deep recession.

In the financial markets, assets that were particularly negatively affected by the rise in interest rates and the appreciation of the dollar during the first nine months will benefit from a new positive dynamic. Bond markets, high yield, real estate, private equity, equity markets and in particular gold and precious metals should logically begin a phase of positive adjustment in their values.

Will the markets wait to go into « risk-on » mode?



Important information: This document is confidential and intended exclusively for its recipient and may not be transmitted or reproduced, even partially, without the express written consent of BBGI Group. It is provided for information purposes only and does not constitute an offer or solicitation to buy, sell or subscribe. BBGI Group cannot be held responsible for any decisions taken on the basis of the information provided. The figures are based on quantitative and judgmental analysis. The client remains fully responsible for the management decisions made in relation to this document. We endeavour to use information that is deemed reliable and cannot be held responsible for its accuracy and completeness. The opinions and all information provided are subject to change without notice. The data mentioned is indicative only and is subject to change without notice in the light of changing market conditions. Past performance and simulations are not indicative of future results