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BBGI GROUP Global Investments

BBGI PRIVATE BANKING INDICES USD

A BBGI exclusivity since 1999

January 2022

Commodities have escaped the widespread profit-taking Strategies

NEGATIVE PERFORMANCES FOR ALL THREE BBGI PRIVATE BANKING INDICES IN JANUARY

BBGI Private Banking Index « Low Risk »	**-2.18%**	**(YTD -2.18%)**
BBGI Private Banking Index « Medium Risk »	**-2.34%**	**(YTD -2.34%)**
BBGI Private Banking Index « Dynamic Risk »	**- 2.50%**	**(YTD - 2.50%)**

Comments (performances in USD)

All three BBGI Private Banking USD indices have performed negatively in the first month of 2022. The bond markets are clearly in the red and continued their negative trend in January. The domestic segment fell by -1.83%, while the international market fell more severely by -2.11%. The equity markets moved back into negative territory in January after ending 2021 on a positive note. In the United States, the impending first rate hike caused equity markets to fall drastically (-5.69%), particularly in the technology sector. Internationally, the movement is similar, although slightly lower (-3.69%). The private equity sector attracted a large number of investors looking for an alternative during 2021, so much that the sector posted the best aggregate return for the year of up to +52.75%. The sector this time started the year in a very negative way and recorded the worst performance during the first month, dropping by -7.31%. Hedge funds also began 2022 by dropping -1.81% after a brief interruption in December (+0.90%). The property market was also in a difficult position at the end of the first month of 2022. Indeed, despite a surge in inflation that should be positive for the sector, the fear of rising interest rates outweighed this first factor and negatively impacted the performance of the asset class (-5.72%). The only asset class that rose in January was the commodities segment (+11.63%). The sector was once again supported by the constant increase in energy prices, which has been going on since the beginning of December.

Financial market developments (performances in local currencies)

There was a widespread profit-taking trend and falling market prices during the month of January in all asset classes. The investment climate deteriorated rapidly as investors eventually became more worried about the developments in US monetary policy and the corresponding risks to financial markets. The ten-year yields in all the countries were on an ascending trend, driven by US Treasury yields, which reached nearly 1.9%, causing global bond indices to lose approximately -2%. The equity markets globally shrank by 5.3% (MSCI World Index), followed by the international real estate segment (-5%), while private equities suffered a decline of 5.9%. Only the commodity sector managed to post positive returns (+11.6%) thanks to constantly increasing crude oil prices of up to +18.4%. On January 26th, the Federal Reserve also confirmed its commitment to hike its key rates as of March and begin the process of reducing its balance sheet. Investors now know what to expect, which has the paradoxical advantage of eliminating uncertainty. The Fed is certainly behind in its fight against inflation, but investors already seem to be wondering if the worst news are not already there. January thus ended with a significant deterioration in the perception of risk levels and a potential turnaround in the stock markets. While on the whole, risky assets have only fallen by approximately -5%, some regions and sectors have experienced more substantial declines. The Nasdaq's -8.5% fall (-18% since November 20th) already suggests that significant consolidations have taken place, which could eventually also be associated with more attractive valuations. A great number of digital, technology and biotech companies, as well as many other promising stocks of the future economy, but often unprofitable, have been much more severely impacted by this latest "risk off" phase. A "relief rally" is therefore certainly underway for "risky" assets, supported by investors once again in "risk on" mode in February.

PERFORMANCE BY ASSET CLASS (USD)

JANUARY

+ 11.63%	Commodities
- 1.81%	Hedge Funds
- 1.83%	US Fixed Income
- 2.11%	International Fixed Income
- 3.69%	International Equities
- 5.69%	US Equities
- 5.72%	International Real Estate
- 7.31%	Private Equity

YTD

+ 11.63%	Commodities
- 1.81%	Hedge Funds
- 1.83%	US Fixed Income
- 2.11%	International Fixed Income
- 3.69%	International Equities
- 5.69%	US Equities
- 5.72%	International Real Estate
- 7.31%	Private Equity

COMMENTS BY ASSET CLASS

Fixed Income

Most bond markets have already corrected significantly, and have lost an average of -2% over the month. The global economic expectations were rather negative in January (Omicron effect), but the year should remain sound. The Federal Reserve's policy change remains the most important event of the month for the capital markets. The highly anticipated reduction in liquidity with the tapering is further reinforced by the Fed's announcement that it will reduce its balance sheet. However, we do believe that this eventuality could be overestimated as we do not think it will happen all at once in the course of 2022. Inflation should gradually decline but remain well above central bank targets. Long-term interest rates are therefore expected to continue to rise and shape the financial environment throughout most of 2022.

Equities

The aggregate -5.3% decline in the MSCI World Index over the month of January masks more substantial price and valuation adjustments in the technology, digital, biotech and other sectors but also in many other individual companies. The global economic outlook still looks favorable and the corporate profit potentials are not yet consistently called into question. The monetary policy is now anticipated and expected to be tightened. Corrections in the equity markets therefore definitely offer some opportunities for tactical readjustments.

Commodities

Despite the still rising number of contaminations in many countries, the travel restrictions seem to have had a smaller impact on the energy market. Crude oil prices have continued to rise since the beginning of last December and have climbed to $85 per barrel. As for gold, it experienced very high volatility during January. It managed to reach a peak of $1,845 but at the end of the month it returned to its level of the first week of the month.

Private Equity

This market sector attracted a massive number of investors looking for alternative investment opportunities in 2021. As a result, it generated spectacular returns of +49.92% during the year. As expected, the asset class started 2022 in a very bearish manner. The fundamental paradigms of central bank monetary policies have changed and the current climate of rising interest rates is much less favorable to risky debt-based investments such as private equity (-7.31%).

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	January 2021	February 2021	March 2021	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2021	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	-2.18%			-2.18%					4.96%	5.85%
BBGI Group PBI "Medium risk" (45% fxd income)	-2.34%			-2.34%					10.40%	6.49%
BBGI Group PBI "Dynamic risk" (25% fxd income)	-2.50%			-2.50%					16.05%	7.03%
Sub-Indices										
US Bonds	-1.83%			-1.83%					-2.30%	4.58%
International Bonds	-2.11%			-2.11%					-6.97%	4.23%
US Equities	-5.69%			-5.69%					26.45%	10.00%
International Equities	-3.69%			-3.69%					7.82%	5.63%
Private equity	-7.31%			-7.31%					51.75%	9.87%
Hedge Funds	-1.81%			-1.81%					3.68%	5.77%
International Real Estate	-5.72%			-5.72%					27.21%	7.71%
Commodities	11.63%			11.63%					40.35%	1.40%
Forex										
USD/EUR	1.24%			1.24%					7.42%	-1.22%

The **BBGI Group Private Banking indices** can be obtained free of charge from the BBGI Group Analysis & Research Department (reception@bbgi.ch).
They provide the first objective benchmarks for the performance of the wealth management industry.

Sources : Bloomberg, BBGI Group SA