BBGI Group SA – Place de Longemalle 1 - 1204 Genève - Suisse
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BBGI PRIVATE BANKING INDICES USD

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August 2021

U.S. equities and risky assets continue to attract investors

POSITIVE PERFORMANCE FOR ALL THREE BBGI PRIVATE BANKING INDICES IN AUGUST

BBGI Private Banking Index « Low Risk »	**+0.39%**	**(YTD +4.83%)**
BBGI Private Banking Index « Moderate Risk »	**+0.74%**	**(YTD +8.21%)**
BBGI Private Banking Index « Dynamic Risk »	**+1.09%**	**(YTD +13.74%)**

Comments (performances in USD)

During the month of August, all three BBGI Private Banking USD indices performed positively despite a loss of momentum. The low-risk strategy gained +0.39% this month. The moderate risk index did slightly better and rose by +0.74%. The dynamic risk strategy made the biggest gain in August, climbing by +1.09%. The three performances of the month are in line with this year's bullish trend. Our three indices performed by +4.83%, +8.21% and +13.74% respectively. US and International bond markets are in the red in August. The international segment experienced the largest decline and fell by -0.57%. The domestic segment reverses its upward trend and slipped below the zero-performance level (-0.15%). Equity markets are still generally more optimistic. In the US, the momentum is increasing somewhat and maintains its ascending path that was initiated a few months ago (+2.91%). Internationally, the negative trend of the last few months was even reversed in August and the segment returned to growth (+1.90%). The private equity sector continues its impressive momentum of 2021 and once again made substantial gains (+2.18%). The segment still leads the year-to-date performance for 2021 (+44.74%). Hedge funds achieved a positive performance this month (+0.68%) and erased the losses encountered over the last period (-0.44). International real estate continues its bullish run despite a slight weakening of momentum in August (+1.35%). The commodities sector on the other hand has interrupted its distinctly positive pattern of the last few months (-2.30%). Indeed, the sector's performance is closely linked to the price of crude oil, which corrected firmly in August (-4.1%).

Financial market developments (performances in local currencies)

Monthly inflation eased in August from +0.9% to +0.5%, but remains at a record level over the last 12 months period (+5.4%). This slight decline could well be enough, however, to reinforce the Federal Reserve's strategy of changing its monetary policy very gradually and cautiously so as not to risk surprising the financial markets adversely in the coming months. However, it is most likely that improving economic conditions and a drop in the unemployment rate to close to 5% by the end of the year should eventually justify a reduction in liquidity and asset purchases by the Fed. We will have to wait a few more weeks before we can measure the effects of a forthcoming "tapering" which could very well begin in December 2021. The financial markets have not yet really reacted to this eventuality, which they still consider to be remote, but August could still be the month of the first realignment of perspectives and of risks. In the capital markets, the decline in long-term yields is easing after four months of uncertainty related to the emergence of new variants of Covid-19. The decline in 10-year US Treasury yields from 1.75% in March to 1.12% in August may therefore be considered more evidently exaggerated in the current economic and inflationary context than it was previously. Yields have adjusted very slightly in the last few weeks in a global pattern suggesting again a possible reversal of the trend with further stress ahead of schedule. On the equity markets, confidence still seems to be the order of the day, despite quantitative and technical indicators pointing to a possible change in momentum. Optimism also persists in the international real estate markets (+1.6%), while Swiss real estate funds are contracting slightly (-0.9%) due to historically high market premiums. Commodities which dropped by -2.3% in August were affected by the steep decline in crude oil prices (-4.1%), but remained overall relatively unchanged for the year.

PERFORMANCE BY ASSET CLASS (USD)

AUGUST

+ 2.91%	US Equities
+ 2.18%	Private Equity
+ 1.90%	International Equities
+ 1.35%	International Real Estate
+ 0.68%	Hedge Funds
- 0.15%	US Fixed Income
- 0.57%	International Fixed Income
- 2.30%	Commodities

YTD

+ 44.74%	Private Equity
+ 30.40%	Commodities
+ 22.24%	International Real Estate
+ 20.72%	US Equities
+ 9.40%	International Equities
+ 3.97%	Hedge Funds
- 1.43%	US Fixed Income
- 3.76%	International Fixed Income

COMMENTS BY ASSET CLASS

Fixed Income

Most bond markets recorded slightly negative results. Most 10-year yields were back up by about 10 to 20 basis points in an environment characterized by rational profit-taking after a few months of price appreciation. Uncertainties related to the emergence of new Covid-19 variants are still present, although concrete signs of slowing down are still emerging. We believe that the risks of future lockdowns and the prospects for lower inflation are still overestimated. The decline in 10-year yields has therefore come to a halt after four months of decline, but a change in risk perceptions and patterns will certainly only occur when the Fed clarifies its tapering intentions.

Equities

Equity markets remain relatively stable and are still enjoying the abundance of liquidity provided by central banks. The outlook for corporate earnings growth is not yet affected by the risks of declining margins and historically high valuation levels are still not yet a cause for concern. Technical and quantitative factors, on the other hand, already suggest risks of impending momentum losses. The fear of not participating in the bull market in an environment of near-zero short-term rates (FOMO) remains a strong but temporary support factor which doesn't seem to have affected the market.

Commodities

After losing some of its recent strength, the asset class moved into negative territory in August, losing -2.30%. The sector is under stress this month due to the decline in crude oil prices. The recent rally in the sector has been hampered by the growing number of cases of variant Delta infections that have undermined some of the economic recovery plans and directly impacted several of the largest consumers of oil, unavoidably adding more pressure to the demand and to the price of crude.

Private Equity

The sector continues its relentless growth and has increased by 2.18% in August. Risky assets remain attractive to investors in a near-zero interest rate landscape. Even though stock market values are very high, we can detect a very low risk aversion on the part of the market, so the segment totals a gain of +44.74% in 2021.

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	June 2021	July 2021	August 2021	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2020	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	0.69%	1.36%	0.39%	4.83%	-1.04%	3.03%			9.08%	6.02%
BBGI Group PBI "Medium risk" (45% fxd income)	0.97%	1.43%	0.74%	9.21%	1.22%	6.88%			8.60%	6.64%
BBGI Group PBI "Dynamic risk" (25% fxd income)	1.24%	1.50%	1.09%	13.74%	3.48%	10.85%			7.79%	7.16%
Sub-Indices										
US Bonds	0.76%	1.27%	-0.15%	-1.43%	-4.33%	-2.53%			7.98%	4.76%
International Bonds	-1.06%	1.63%	-0.57%	-3.76%	-5.68%	-4.75%			10.11%	4.50%
US Equities	2.75%	2.34%	2.91%	20.72%	5.37%	14.63%			20.73%	10.20%
International Equities	-0.65%	-1.65%	1.90%	9.40%	3.49%	9.16%			10.65%	5.91%
Private equity	1.87%	7.61%	2.18%	44.74%	12.86%	31.64%			10.47%	10.14%
Hedge Funds	0.38%	-0.44%	0.68%	3.97%	1.29%	3.72%			6.82%	5.94%
International Real Estate	0.90%	3.87%	1.35%	22.24%	6.11%	16.11%			-8.18%	7.91%
Commodities	4.29%	1.57%	-2.30%	30.40%	13.55%	31.40%			-23.73%	0.75%
Forex										
USD/EUR	3.12%	-0.08%	0.49%	3.44%	4.14%	3.03%			-5.99%	-1.37%

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