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BBGI PRIVATE BANKING INDICES USD

A BBGI exclusivity since 1999

May 2021

Commodities and private equities sectors are still in the spotlight YTD

POSITIVE PERFORMANCE FOR THE THREE BBGI PRIVATE BANKING INDICES IN MAY

BBGI Private Banking Index « Low Risk »	**+0.93%**	**(YTD +2.31%)**
BBGI Private Banking Index « Moderate Risk »	**+1.20%**	**(YTD +5.85%)**
BBGI Private Banking Index « Dynamic Risk »	**+1.48%**	**(YTD +9.48%)**

Comments (performances in USD)

The month of May witnessed positive performances from all BBGI Private Banking USD indices. In fact, the low-risk strategy advanced by +0.93% this month. The moderate risk index gained +1.20% while the dynamic risk strategy was also in positive territory and rose +1.48%. Since the beginning of the year, the three strategies are clearly positive and performed respectively by +2.31%, +5.85% and +9.48%. The bond markets continued their slight upward trend that began in April. The US segment moved by +0.31% and the International segment is up more than the US segment, with the sector gaining +0.89%. Equity markets continued their gains in May. In the United States, the situation is stabilizing (+0.44%), but the market valuations are higher than ever, while the return of inflation raises the risk of a resurgence in long-term rates. Internationally, the momentum is still strong and the segment continues its positive trend by gaining +3.13%. The attractiveness for the private equity sector does not seem to diminish, supported by the prospect of a reopening of the economies at the global level, the segment achieves the best performance of the month and rises by +3.38%. The asset class remains at the top rank with a YTD performance of +29.23%. Hedge funds remained above the zero mark in May and increased by +0.38%. International real estate (+1.84%) continued the gains made in March and April, driven by the end of the crisis in Great Britain and the United States. Commodities gained +2.52% this month and totaled a gain of more than +25% this year, supported by the resumption of gold's rise and oil prices reaching again new heights.

Financial market developments (performance in local currencies)

The April inflation figure of +4.2% published in May in the United States was one of the main surprises of the month by largely exceeding the consensus expectations. Elsewhere, inflation figures were also higher than expected, feeding the debate about a larger and more persistent than previously expected potential price recovery. However, the Federal Reserve's statements were sufficient to restrain these fears and allowed interest rates to remain relatively stable in this more dubious environment. This has allowed capital markets to stabilize, probably temporarily, but at higher levels than at the beginning of the year in most countries. The next inflation figures for the month of May should be in line with the same dynamic and reignite fears of a rise in long-term rates, which are still very low despite the firm economic outlook for the second half of the year. In this environment, a downward shift in the yield curves seems logical, while real yields should be slightly more negative than in the past. The ten-year U.S. Treasury yields remain marginally below their pre-crisis levels in February 2020, but all over the board they have risen above their levels following the March 2020 shock. However, the stock market climate remains relatively optimistic at the beginning of June and risky assets are still enjoying the benefits of massive liquidity injections. However, the end of the summer could already see a shift in the Fed's strategy, as it could announce a reduction in its repurchases of stocks in September. World equity markets continue their upward trend (+3.13%), outperforming US equities (+0.31%), while World real estate (+1.84%) has maintained its upward path. Commodities had a very positive start to the year (+25.99%) and were supported by a favorable worldwide context. They also are supported by the new pressures caused in most segments by a significant increase in demand and very limited supply.

PERFORMANCE BY ASSET CLASSES (USD)

May

+ 3.38%	Private Equity
+ 3.13%	International Equities
+ 2.52%	Commodities
+ 1.84%	International Real Estate
+ 0.89%	International Bonds
+ 0.44%	US Equities
+ 0.38%	Hedge Funds
+ 0.31%	US Bonds

YTD

+ 29.23%	Private Equity
+ 25.99%	Commodities
+ 15.07%	International Real Estate
+ 11.56%	US Equities
+ 9.87%	International Equities
+ 3.33%	Hedge Funds
- 3.26%	US Bonds
- 3.74%	International Bonds

COMMENTS BY ASSET CLASS

Bonds

The phase of adjustment of long-term rates that started in 2020 in certain countries became more widespread in 2021. The yield curves have started to take into account more accurately the real the real prospects of a converging business cycle potentially leading to increasing inflationary effects. Countries which are ahead of the trend, such as the United States, Australia, Canada and China, have already seen a first phase of adjustment take place. US price indices in particular are already above 2.5% and could easily exceed the 3% threshold in 2021. An upward recovery in long-term rates in such an economic environment will certainly not be slowed down by the Fed's action. The correlation observed between bond markets should be enough to affect international performances once again.

Equities

Equity markets are hesitant but remain more stimulated by liquidity and by the prospect of favorable economic growth than by fundamentals. The increase in taxation levels on US companies, the risk of declining profits, and historically high stock market valuations are still not worrying investors for the moment. Technical and quantitative factors have also been at their highest levels in recent months, only slightly more exposed than valuation scores. The overall risk is therefore high and the fear of missing out (FOMO) remains the most important factor that supports the current trend.

Commodities

Commodities are among the sectors that have seen their attractiveness increase as the end of the health crisis appears to be drawing closer (+4.19% in 2020 and already +18.47% in 2021). The economic stimulus provided by central banks throughout the pandemic paved the way for a resumption of price increases against the backdrop of a weakening dollar. Historically, a weak dollar supports increased demand and pushes producers to raise their prices. This is boosted by the resurgent world economies. These are the two main factors that contribute to the establishment of the 4th supercycle of commodities in less than a century. The green transformation will also highly support demand and price increases for industrial metals such as cobalt, lithium, zinc and copper. An out-of-control inflation will propel precious metals to new heights.

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	March 2021	April 2021	May 2021	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2020	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	-0.25%	2.44%	0.93%	2.31%	-1.04%				9.08%	5.99%
BBGI Group PBI "Medium risk" (45% fxd income)	0.49%	3.35%	1.20%	5.85%	1.22%				8.60%	6.58%
BBGI Group PBI "Dynamic risk" (25% fxd income)	1.22%	4.26%	1.48%	9.48%	3.48%				7.79%	7.08%
Sub-Indices										
US Bonds	-1.18%	0.80%	0.31%	-3.26%	-4.33%				7.98%	4.69%
International Bonds	-2.09%	1.15%	0.89%	-3.74%	-5.68%				10.11%	4.54%
US Equities	3.72%	5.42%	0.44%	11.56%	5.37%				22.73%	9.98%
International Equities	1.26%	4.52%	3.13%	9.87%	3.49%				10.65%	5.99%
Private equity	6.42%	10.75%	3.38%	29.23%	12.86%				10.47%	9.78%
Hedge Funds	-0.06%	1.63%	0.38%	3.33%	1.29%				6.82%	5.97%
International Real Estate	2.97%	6.49%	1.84%	15.07%	6.11%				-8.22%	7.74%
Commodities	-2.15%	8.23%	2.52%	25.99%	13.55%				-23.72%	0.63%
Forex										
USD/EUR	0.53%	2.92%	-2.40%	1.64%	4.14%				-5.99%	-1.48%

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