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BBGI PRIVATE BANKING INDICES USD

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July 2021

Risky assets propelled the index higher in July

ALL THREE OF THE BBGI PRIVATE BANKING INDICES PERFORMED WELL IN JULY

BBGI Private Banking Index « Low risk »	**+1.36%**	**(YTD +4.43%)**
BBGI Private Banking Index « Moderate risk »	**+1.43%**	**(YTD +8.41%)**
BBGI Private Banking Index « Dynamic risk »	**+1.50%**	**(YTD +12.51%)**

Comments (performances in USD)

In July, all BBGI PRIVATE BANKING indices performed similarly well regardless of the different risk levels. The low-risk strategy realized a performance of +1.36%. The moderate risk index did somewhat better and increased by 1.43%. The dynamic risk index for its part climbed by +1.50%. All three of these strategies are trending in positive territory on a year-to-date basis, with returns of +4.43%, +8.41% and +12.51% respectively. The bond markets are all moving higher in July. In the United States, this asset class has continued its bullish momentum of the previous two months and currently posted a positive return of 1.27%. The international segment has resumed its growth after a slight setback in June and rose by 1.63%. Equity markets showed mitigated results during this month. The US segment continued its recent growth and further increased by more than +2% (+2.75% in June and +2.34% in July). As for international equities, they continue to underperform, registering a loss for the second month in a row (-1.65%). Private equities continued their bullish run that began at the end of last year and soared by +7.61% in July. The asset class is now comfortably at the top of the "Year to Date" rankings with a total increase of +41.65%. Hedge fund management registered negative results this month, with a slight retreat of -0.44The international real estate sector has been attracting investors' attention again, and has made the second-best performance of the month, with an additional return of 3.87%. Commodities (+1.57%) were in positive territory in July, which was supported by the rise in the price of gold (+2.49%).

Financial market developments (performances in local currencies)

The record level of inflation over the year (+5.4%) published in July in the United States was very widely regarded as temporary by the majority of business leaders, who continued to be convinced by the Fed's analysis and its confident outlook, allowing them to continue to bet on the maintenance of an accommodating monetary policy over the medium term. The GDP price index for the second quarter (+6%) thus accompanied the +6.5% annualized growth of the US economy, driven by a logical recovery in household consumption (+11.8%). The wider reopening of the economy has consequently accelerated the increase in demand for services in particular, resulting in the strongest growth since 1952. The strength of the economy could have been substantial if production had not been hampered by bottlenecks in the production chains of the country. The contribution of inventories was consequently negative due to the incapacity of the economic structure to adapt its productions to the demand side. This situation may be only temporary, as the Federal Reserve is still convinced of the positive effects of a flat Phillips curve and the very gradual return of the unemployment rate on the forthcoming increase in inflation. However, growth is stronger than it appears and is also supported by the continued reinvestment of savings which households have accumulated in 2020. The clear growth in employment in July, which brought the unemployment rate down to 5.4%, should continue in our opinion and put the Fed's confidence into more perspective. In this context, the arrival of the new Covid-19 variants is causing the bond markets to fear new risks of cyclical economic setbacks. Interest rates are therefore adjusting themselves downwards and are still dropping by 20-30 basis points everywhere. On the equity markets, this was reflected in a loss of worldwide momentum (-1.65%), while the US market was continuing to grow by 2.34. International real estate is significantly gaining in attractiveness this month and is attracting capital from investors (+3.87%) after having performed in a horizontal manner in June (+0.90%).

PERFORMANCES OF ASSET CLASSES (USD)

JULY

+ 7.61%	Private Equity
+ 3.87%	International Real Estate
+ 2.34%	US Equities
+ 1.63%	International Fixed Income
+ 1.57%	Commodities
+ 1.27%	US Fixed Income
- 0.44%	Hedge Funds
- 1.65%	International Equities

YTD

+ 41.65%	Private Equity
+ 33.47%	Commodities
+ 20.60%	International Real Estate
+ 17.31%	US Equities
+ 7.36%	International Equities
+ 3.27%	Hedge Funds
- 1.28%	US Fixed Income
- 3.20%	International Fixed Income

COMMENTS BY ASSET CLASS

Fixed Income

The correlation in the fixed income markets continued to be very high in July. The majority of 10-year government yields were down 30 bps. With the emergence of new Covid-19 variants, the population in industrialized countries having received at least one dose of vaccine could reach 80% by the 4th quarter, so the risks of new lock-downs are most probably overestimated. Central banks' statements on inflation have been convincing, but the persistence of above-average rates over the next few months will not be without risks for the development of anticipations. A change in risk perception could occur when the Fed starts speaking of " tapering ". Long-term interest rates should then adjust to growth and surpass 2% in the United States, Australia, Canada and China.

Equities

Equity markets remain optimistic, however, and are still benefiting from the support of injected liquidity and the outlook for corporate earnings growth. The risks of higher taxes, lower margins and profits, as well as adjustments to PE Ratios are still not of concern to investors for the time being. Technical, quantitative and valuation factors are also at all-time highs. The fear of not participating in the trend (FOMO) remains a powerful but also temporary driver of support.

Commodities

After another positive performance, albeit relatively weak, the commodities sector continued its positive path and rose by 1.57%. The price of gold has been gaining ground this month, climbing by +2.49%, while the price of crude oil has remained stable (+0.65%) after several months of bullishness.

Private Equity

After a modest gain the previous month, the private equity sector realized a spectacular return of +7.61%. In a context of increasingly high market valuations, the threat of the pandemics continues to loom over the stock markets. The number of infections in the United States has reached again last summers' level (108'500 per day) while the vaccination campaign is already decelerating. In this environment, investors do not seem to be particularly worried about the possible consequences of a resurgence of the pandemic at the end of the summer, and they were focusing massively on risky assets in July, at the expense of the other asset classes.

	Last three months			YTD	Full Year				Annualized Perfomances	
	May 2021	June 2021	July 2021	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2020	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	0.93%	0.69%	1.36%	4.43%	-1.04%	3.02%			9.08%	6.03%
BBGI Group PBI "Medium risk" (45% fxd income)	1.20%	0.97%	1.43%	8.41%	1.22%	6.88%			8.60%	6.63%
BBGI Group PBI "Dynamic risk" (25% fxd income)	1.48%	1.24%	1.50%	12.51%	3.48%	10.85%			7.79%	7.14%
Sub-Indices										
US Bonds	0.31%	0.76%	1.27%	-1.28%	-4.33%	-2.52%			7.98%	4.78%
International Bonds	0.89%	-1.06%	1.63%	-3.20%	-5.68%	-4.75%			10.11%	4.53%
US Equities	0.44%	2.75%	2.34%	17.31%	5.37%	14.63%			22.73%	10.12%
International Equities	3.13%	-0.65%	-1.65%	7.36%	3.49%	9.16%			10.65%	5.86%
Private equity	3.38%	1.87%	7.61%	41.65%	12.86%	31.64%			10.47%	10.09%
Hedge Funds	0.38%	0.38%	-0.44%	3.27%	1.29%	3.72%			6.82%	5.93%
International Real Estate	1.84%	0.90%	3.87%	20.60%	6.11%	16.11%			-8.22%	7.88%
Commodities	2.52%	4.29%	1.57%	33.47%	13.55%	31.40%			-23.72%	0.83%
Forex										
USD/EUR	-1.69%	3.12%	-0.08%	2.94%	4.14%	3.03%			-5.99%	-1.39%

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