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BBGI PRIVATE BANKING INDICES USD

A BBGI exclusivity since 1999

June 2021

Commodities and private equities are in line with each other in YTD performance terms.

ALL 3 BBGI PRIVATE BANKING INDICES PERFORM WELL IN JUNE

BBGI Private Banking Index « Low Risk »	**+0.69%**	**(YTD +3.02%)**
BBGI Private Banking Index « Moderate Risk »	**+0.97%**	**(YTD +6.88%)**
BBGI Private Banking Index « Dynamic Risk »	**+1.24%**	**(YTD +10.85%)**

Comments (performances in USD)

In June all BBGI private banking USD indices are in positive territory. The low-risk index is gaining ground and is up +0.69%. The moderate-risk strategy performed marginally better and returned +0.97%. The dynamic risk index realized a higher increase and climbed by +1.24%. The bond markets' performance was on both sides of the breakeven line in June. The U.S. segment continued its modest growth of the last two months by expanding its momentum a little and rose by +0.76%. The international class reversed its ascension and lost -1.06%. Equity markets were also mixed. The domestic segment did well and climbed by +2.75% while the international markets fell into negative territory for the first time this year (-0.65%). The private equity sector remains attractive to investors and continues the bullish trend it began many months ago, gaining 1.87% in June. The hedge fund segment remained just above zero and achieved a slight growth of +0.37%. The international real estate market is also moving sideways this month (+0.90%) after suffering a loss of dynamics last month. The commodities sector was the best performing sector in our index in June. In fact, the asset class saw its growth accelerate compared to last month (+2.52%) and gained +4.29%.

Financial market developments (performance in local currencies)

We see little change in the general perception of risk as we enter the second quarter of 2021, whereas the economic outlook for the second half of the year still looks strong. The flow of economic data is expected to remain relatively positive in most major economies, with dynamics supported in particular by a normalization of health conditions due to the vaccination campaigns. The summer is thus shaping up to be a very hot one for the world economy, which will see the emergence of national growth cycles become even more pronounced, at the risk of triggering new price pressures. The recovery in global consumption and demand for goods and services, supported by the investment of household savings temporarily swollen by the health crisis, should also revive the risks of raising prices of imported products and various inflationary factors. The +5% rise in annual US CPI in May is still seen as a temporary phenomenon as suggested and hoped for by the Federal Reserve, but we believe that risks of more persistent inflation are to be considered and may be driven by severe supply chain issues and labor market strains that go well beyond simple statistical base effects. A steepening of the yield curve would then be a logical consequence of these developments, especially if the Fed decides to announce an upcoming "tapering". In this context, the current stability in the interest rate markets seems to indicate that volatility in the financial markets will soon resume. Commodities (+4.29%) are being boosted by the rise in crude oil prices (+9.63%), while gold is suffering from the re-evaluation of the dollar before it resumes its bull run.

PERFORMANCE BY ASSET CLASSES (USD)

June

+ 4.29%	Commodities
+ 2.75%	US Equities
+ 1.87%	Private Equity
+ 0.90%	International Real Estate
+ 0.76%	US Bonds
+ 0.38%	Hedge Funds
- 0.65%	International Equities
- 1.06%	International Bonds

YTD

+ 31.64%	Private Equity
+ 31.40%	Commodities
+ 16.11%	International Real Estate
+ 14.63%	US Equities
+ 9.16%	International Equities
+ 3.72%	Hedge Funds
- 2.52%	US Bonds
- 4.75%	International Bonds

COMMENTS BY ASSET CLASS

Bonds

Correlation in the fixed income markets remained high as the converging economic cycles are expected to intensify in the second half of the year. The Fed convinced investors that inflation did not seem to be a lasting threat despite a CPI of +5% in May, so the yield curves declined globally instead. But the statistics on the progression of inflation during the summer could indicate a change in the perception of risks and motivate a "tapering" announcement by the Fed in September. Long-term interest rates could therefore adjust to the growth outlook and exceed 2% in the US, Australia, Canada and China.

Equities

Equity markets are still holding on to the inertia of the positive trends of recent weeks and remain supported by liquidity and the favorable economic growth outlook. The increase in taxes on US companies, the risk of downward adjustments to profits, and historically high market valuations are still not worrying investors for the moment. Technical, quantitative and market valuation factors are also at their extreme levels. The fear of not participating in the current trend (FOMO) remains a factor of temporary support.

Real Estate

The real estate sector is experiencing a substantial increase in interest since the start of the vaccination campaigns. This interest was further strengthened by the announcement of the first inflation figures in April, which caused the sector to surge by +6.49%. The sector has been losing steam since then and has finally moved sideways this month (+0.90%).

Commodities

This month, the sector is the best performer in our index and its dynamics are still strengthening (+4.29%). The national growth cycles are merging, which could once again put pressure on prices, and the recovery in household consumption as the crisis ends may further reinforce this risk of price increases in association with the effect of inflation.

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	April 2021	May 2021	June 2021	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2020	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	2.44%	0.93%	0.69%	3.02%	-1.04%	3.02%			9.08%	6.00%
BBGI Group PBI "Medium risk" (45% fxd income)	3.35%	1.20%	0.97%	6.88%	1.22%	6.88%			8.60%	6.60%
BBGI Group PBI "Dynamic risk" (25% fxd income)	4.26%	1.48%	1.24%	10.85%	3.48%	10.85%			7.79%	7.11%
Sub-Indices										
US Bonds	0.80%	0.31%	0.76%	-2.52%	-4.33%	-2.52%			7.98%	4.74%
International Bonds	1.15%	0.89%	-1.06%	-4.75%	-5.68%	-4.75%			10.11%	4.49%
US Equities	5.42%	0.44%	2.75%	14.63%	5.37%	14.63%			22.73%	10.06%
International Equities	2.94%	4.52%	-0.65%	9.16%	3.49%	9.16%			10.65%	5.94%
Private equity	10.75%	3.38%	1.87%	31.64%	12.86%	31.64%			10.47%	9.83%
Hedge Funds	1.63%	0.38%	0.38%	3.72%	1.29%	3.72%			6.82%	5.97%
International Real Estate	6.49%	1.84%	0.90%	16.11%	6.11%	16.11%			-8.22%	7.75%
Commodities	8.23%	2.52%	4.29%	31.40%	13.55%	31.40%			-23.72%	0.78%
Forex										
USD/EUR	-2.40%	-1.69%	3.12%	3.03%	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