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BBGI OPP2 COMPLIANT STRATEGIES & INDICES CHF

A BBGI exclusivity since 1999

October 2023

Annualized performance of +4.68% to +5.30%

The downtrend continues into October

NEGATIVE PERFORMANCES FOR THE THREE BBGI OPP2 COMPLIANT INDICES IN OCTOBER

BBGI OPP2 Compliant Index « Low Risk »	**-1.73%**	**(YTD +0.56%)**
BBGI OPP2 Compliant Index « Medium Risk »	**-2.35%**	**(YTD +0.37%)**
BBGI OPP2 Compliant Index « Dynamic Risk »	**-2.97%**	**(YTD +0.16%)**

Comments (performances in Swiss Francs)

October continued the trend of recent months, with the majority of asset classes posting negative returns. During the month of October, all three BBGI OPP2 Compliant indices fell below the neutral performance mark. The low-risk index fell by -1.73%, the medium-risk strategy lost -2.35% and the dynamic-risk approach posted the worst performance of the month, dropping by -2.97%. The bond markets were on either side of the zero performance for the month of October. Indeed, the domestic segment was the only asset class to post a gain this month (+0.57%), while the international segment fell back into the red (-1.72%) after a positive jump in September (+0.58%). Since January, the Swiss market has gained +4.22%, while international performance has been negative (-4.85%). Real estate markets were in the red in October, heavily penalized by the upward trend in interest rates. The domestic segment slumped by -4.33%, and international performance was even worse (-5.34%). The year 2023 will have been a difficult one for the real estate segment, with both asset classes accumulating losses of -4.30% in Switzerland and -10.90% internationally since January. Equity markets continued their negative trend in October. Indeed, the domestic class fell by -5.24%, while the international segment followed the same trajectory, although the decline was less pronounced (-3.53%). Since January, Swiss equities are down (-0.86%), while international equities are up (+5.32%). Commodities also fell just short of the neutral performance mark in October, declining very slightly by -0.07%. In cumulative terms, the asset class is down by -6.43% since January. The private equity and hedge fund segments are also in the red (-8.21% and -1.13% respectively).

Financial market developments (performances in local currencies, USD)

The month of October did not spare the financial markets, already hard hit by the acceleration of interest rate rises in September. The latest move, which took 10-year US Treasury yields above the 5% threshold in just a few weeks, was not, however, marked by any serious macro-economic underpinnings. The uptrend had already been in place since April, and soared primarily on the back of the Fed's persistent reminder that rates would stay higher for longer to keep inflation under control. And yet, in our view, the economic surprises kept pointing to disappointment in terms of future economic performance, as also underlined by leading indicators and trends in the job market. The solid Q3 GDP published at the very end of the month did not reinforce the rate hike and will certainly mark the inflection point for US growth. Against this backdrop, overly influenced by the Fed's hawkish rhetoric, markets have yet to appreciate the growing cyclical risks posed by restrictive monetary policy, resolute quantitative tightening and the Treasury's high financing requirements, which have skewed the balance between supply and demand for government bonds to date. We believe that investment demand should pick up with the realization that the slowdown is well and truly underway. In our view, the rate hike cycle is over, and a downward adjustment of yield curves is now the preferred scenario. The month of October saw virtually all asset classes record negative results, with the exception of precious metals, which benefited from this period of uncertainty. Since the start of the year, rising interest rates have largely penalized bond markets (-3.3%) and securitized real estate (-9.7%), while equity markets are still up +7.8%. Fed policy increases the risk of recession. Rates are set to fall in Q2 2024, an expectation that will support a better stock market climate in the months ahead.

PERFORMANCE OF ASSET CLASSES

OCTOBER

+ 0.57%	Swiss Bonds
- 0.07%	Commodities
- 1.13%	Hedge Funds
- 1.72%	International Bonds
- 3.53%	International Equities
- 4.33%	Swiss Real Estate
- 5.24%	Swiss Equity
- 5.34%	International Real Estate
- 8.21%	Private Equity

YTD

+ 7.97%	Private Equity
+ 5.32%	International Equities
+ 4.22%	Swiss Bonds
- 0.86%	Swiss Equities
- 2.61%	Hedge Funds
- 4.30%	Swiss Real Estate
- 4.85%	International Bonds
- 6.43%	Commodities
- 10.90%	International Real Estate

COMMENTS BY ASSET CLASS

Bonds

Another difficult month for bond markets, still under pressure from the Fed. 10-year Treasury yields once again jumped by almost 50 bps in the United States and Australia. The situation is closer to a reversal in Canada, while the eurozone and the UK are relatively stable. The Fed's rigid stance is a cause for concern, but it is also increasing the risk of a more pronounced economic slowdown than recently estimated. The rise in real yields resulting from these developments reinforces the likelihood of a recession. Against this backdrop, all national indices are undergoing a marked correction, but risk scores are now lower across the board.

Equities

Equity markets are once again being penalized by the acceleration of rising interest rates. Price corrections are nevertheless moderate, but they follow on from declines already recorded in previous weeks, bringing three-month consolidations to levels already significant enough to constitute probable support points. Valuation levels are falling in tandem with stock prices. Quantitative and technical factors are improving, while we believe that the risks of further rate hikes are now increasingly remote. Scores are falling in virtually all regions. They are particularly low in Switzerland and the USA, which are benefiting from the greater amplitude of the decline. After having been a source of uncertainty, the interest-rate factor should now contribute to lowering risk levels for equity markets.

Commodities

In October, the energy market was marked by a spike in volatility. At the beginning of the month, crude oil prices fell sharply, dragged down by a very pessimistic macroeconomic outlook. Then, as soon as the conflict between Israel and Hamas began, crude oil prices rose sharply, buoyed by growing uncertainty in the Middle East. The current supply of crude oil is unchanged, but could still have long-term consequences. At the end of the month, the announcement of the negotiation of a new agreement between the United States and Venezuela, in the run-up to new elections, finally eased the oil market.

Real Estate

Securitized real estate is still being unfairly penalized by what we believe are overestimated risks of tighter credit conditions and higher financing costs.

BBGI OPP2 Compliant Indices (Monthly Indices)										
Performances in Swiss Francs	last 3 months			YTD	Current Year				Annualized performances	
	August 2023	September 2023	October 2023	Year to date	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2022	Annualized perf fm 1984 to date**
BBGI OPP2 Compliant "Low Risk"	-0.50%	-0.21%	-1.73%	**0.56%**	1.92%	0.97%	0.41%		-14.01%	4.68%
BBGI OPP2 Compliant "Medium Risk"	-0.78%	-0.34%	-2.35%	**0.37%**	2.28%	1.20%	0.50%		-14.40%	5.01%
BBGI OPP2 Compliant "Dynamic Risk"	-1.07%	-0.48%	-2.97%	**0.16%**	2.63%	1.43%	0.58%		-14.82%	5.30%
Assets										
Swiss Bonds	0.62%	-0.75%	0.57%	**4.22%**	1.40%	2.14%	0.06%		-12.10%	3.43%
International Bonds	-0.07%	0.58%	-1.72%	**-4.85%**	1.98%	-3.65%	-1.47%		-15.18%	3.56%
Swiss Real Estate	-2.62%	2.91%	-4.33%	**-4.30%**	-0.42%	0.02%	0.43%		-15.17%	5.78%
International Real Estate	-2.22%	-2.43%	-5.34%	**-10.90%**	-0.37%	-2.05%	-3.54%		-23.37%	4.22%
Swiss Stocks	-1.76%	-2.02%	-5.24%	**-0.86%**	5.91%	2.16%	-3.32%		-16.48%	8.15%
International stocks	-1.30%	-0.70%	-3.53%	**5.32%**	6.36%	3.96%	-1.26%		-17.42%	6.02%
Commodities *	-1.09%	-1.02%	-0.07%	**-6.43%**	-6.30%	-3.61%	3.68%		12.97%	-1.65%
Private Equity *	-1.89%	-1.17%	-8.21%	**7.97%**	5.90%	7.33%	3.49%		-32.99%	14.65%
Hedge Funds *	0.33%	-0.42%	-1.13%	**-2.61%**	-1.17%	-0.41%	0.08%		-6.98%	0.18%
* hedged in Swiss Francs										
Forex										
USD/CHF	1.32%	3.61%	-0.54%	**-1.53%**	-1.00%	-2.15%	2.20%		3.59%	-2.67%
EUR/CHF	-0.09%	1.02%	-0.50%	**-2.70%**	0.26%	-1.53%	-0.96%		-5.15%	-1.30%

****Annualized data for international bonds, commodities, private equity and alternative investments are calculated from their introduction on January 1, 2009. International real estate was introduced in November 1989. The annualized performance of the EUR/CHF exchange rate has been calculated since December 1999.**

Sources : Bloomberg/BBGI