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BBGI GROUP Global Investments

BBGI PRIVATE BANKING STRATEGIES & INDICES USD

A BBGI exclusivity since 1999

October 2023

Annualized performance of +5.03% to +6.25%

Downward trend continues in October

NEGATIVE PERFORMANCE FOR ALL THREE BBGI PRIVATE BANKING USD INDICES IN OCTOBER

BBGI Private Banking Index « Low Risk »	**-1.97%**	**(YTD -0.47%)**
BBGI Private Banking Index « Medium Risk »	**-2.50%**	**(YTD +0.88%)**
BBGI Private Banking Index « Dynamic Risk »	**-3.02%**	**(YTD +2.21%)**

Comments (performances in USD)

The downward trend continued in October, with all three BBGI Private Banking indices recording negative performances. The low-risk strategy fell by -1.97% and the moderate-risk index followed a similar path, shedding -2.50%. The dynamic risk approach turned in the worst performance of the month, falling by -3.02%. Since the start of the year, the moderate-risk and dynamic-risk strategies have remained in positive territory (+0.88% and +2.21% respectively), while the low-risk approach has slipped into the red (-0.47%). Bond markets continued their downward trend in October. The domestic segment fell by -1.21%, while the decline was similar in the international segment (-1.10%). Since January, the two asset classes have accumulated losses of -2.46% and -3.75% respectively. Equity markets ended another difficult month. In fact, both international and U.S. markets once again posted negative performances in October (-4.13% and -2.33% respectively). Since the beginning of the year, however, both segments are still in the green (+10.50 in the US and +0.99% internationally). The private equity segment was the worst performer this month, collapsing by -7.75%. The asset class remains at the top of the YTD rankings, with a cumulative +11.31% positive performance since January. Hedge funds are no exception, too, continuing their slight negative trend, losing -0.82% in October. Since the beginning of the year, however, the asset class remains positive, with a total gain of +0.95%. Commodities are also down, following a month of record volatility (-4.18%). Since January, the asset class is still in the green (+2.75%).

Financial market developments (performances in local currencies)

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 US ten-year Treasury yields above the 5% threshold in just a few weeks, had no serious macro-economic underpinnings. The uptrend had already been in place since April, and soared primarily as a result of the Fed's persistent reminder that rates would remain 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 our 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 beginning 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 (USD)

OCTOBER

- 0.82%	Hedge Funds
- 1.10%	International Bonds
- 1.21%	US Bonds
- 2.33%	US Equities
- 4.13%	International Equities
- 4.18%	Commodities
- 4.75%	International Real Estate
- 7.75%	Private Equity

YTD

+ 11.31%	Private Equity
+ 10.50%	US Equities
+ 2.75%	Commodities
+ 0.99%	International Equities
+ 0.95%	Hedge Funds
- 2.46%	US Bonds
- 3.75%	International Bonds
- 8.66%	International Real Estate

COMMENTS BY ASSET CLASS

Bonds

Another difficult month for bond markets, still under pressure from the Fed. Ten-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 share 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, supported by growing uncertainty in the Middle East. Current crude supplies are unchanged, but there could be long-term consequences. At the end of the month, the announcement that the United States and Venezuela would negotiate a new agreement in the run-up to new elections finally eased the pressure on the oil market.

Real Estate

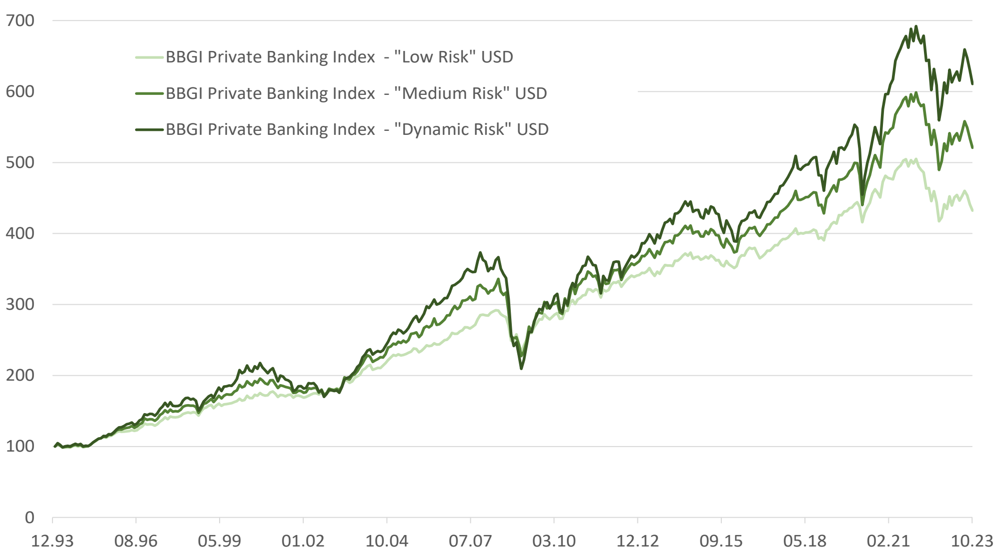
Securitized real estate is still being unfairly penalized by what we believe are overestimated risks of tighter credit conditions and higher financing costs.

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	August 2023	September 2023	October 2023	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2022	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	-1.38%	-2.78%	-1.97%	-0.47%	3.80%	0.44%	-2.61%		-14.00%	5.03%
BBGI Group PBI "Medium risk" (45% fxd income)	-1.62%	-2.73%	-2.50%	0.88%	3.93%	1.46%	-1.88%		-13.79%	5.69%
BBGI Group PBI "Dynamic risk" (25% fxd income)	-1.86%	-2.67%	-3.02%	2.21%	4.04%	2.48%	-1.15%		-13.65%	6.25%
Sub-Indices										
US Bonds	-0.51%	-2.20%	-1.21%	-2.46%	3.23%	-1.35%	-3.04%		-12.61%	3.82%
International Bonds	-1.39%	-3.24%	-1.10%	-3.75%	3.51%	-1.79%	-4.27%		-18.26%	3.21%
US Equities	-1.74%	-4.72%	-2.33%	10.50%	7.59%	8.60%	-3.18%		-19.85%	9.15%
International Equities	-4.52%	-3.16%	-4.13%	0.99%	6.87%	2.44%	-3.77%		-16.00%	4.84%
Private equity	-1.54%	-0.79%	-7.75%	11.31%	6.58%	8.50%	4.35%		-30.93%	8.58%
Hedge Funds	0.33%	-0.10%	-0.82%	0.95%	-0.24%	0.64%	1.39%		-4.73%	5.35%
International Real Estate	-3.30%	-5.96%	-4.75%	-8.66%	1.04%	0.54%	-5.59%		-24.42%	6.13%
Commodities	0.60%	4.12%	-4.18%	2.75%	-4.94%	-2.73%	15.98%		25.99%	1.82%
Forex										
USD/EUR	1.42%	2.56%	-0.02%	1.23%	-1.23%	-0.64%	3.17%		6.23%	-1.02%

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



Sources : Bloomberg, BBGI Group SA