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BBGI GROUP Global Investments

# BBGI PRIVATE BANKING STRATEGIES & INDICES USD

A BBGI exclusivity since 1999

*January 2024*

Annualized performance of +5.29% to +6.58%

# Private Banking indices mixed in January

## NEGATIVE PERFORMANCE FOR TWO OF THE THREE BBGI PRIVATE BANKING USD INDICES IN JANUARY

| | | |
|---|---|---|
| **BBGI Private Banking Index « Low Risk »** | **-0.31%** | **(YTD -0.31%)** |
| **BBGI Private Banking Index « Medium Risk »** | **-0.10%** | **(YTD -0.10%)** |
| **BBGI Private Banking Index « Dynamic Risk »** | **+0.11%** | **(YTD +0.11%)** |

## Comments (performances in USD)

The first month of the year got off to a mixed start for the three BBGI Private Banking USD indices, which are experiencing a period of consolidation after a very positive end to 2023. Indeed, the short phase of rising US interest rates had a negative impact on many asset classes. The low-risk strategy declined slightly by -0.31% this month, and the moderate-risk index was even closer to neutral performance (-0.10%). The dynamic risk approach gains +0.11%. Bond markets were both in the red in January. The domestic class declined by -0.26%, while the international segment underperformed (-1.55%). Equity markets are on either side of neutral performance at the start of the year. The domestic segment gained +1.53%, continuing its positive trend, while the international segment's upward trajectory was interrupted by a slight loss of -0.99%. Private equity remained in the black with a timid +0.43% rise. Hedge funds also maintained their upward trend, gaining +0.32%. The segment hardest hit by this temporary phase of rising US yields is, unsurprisingly, securitized real estate. The asset class, which had finished 2023 on a high note, slipped back into negative territory, down -3.99%. Commodities made the opposite move, interrupting the trend that had been running since September 2023 with a gain of +4.47%. Despite gold's slight decline over the period, crude oil led the sector's performance with a gain of +5.86% in January.

## Financial market developments (performances in local currencies)

The start of 2024 contrasts with the enthusiasm of the last two months of 2023, which had been particularly buoyed by the downward acceleration in inflation and the joint correction in interest rates. The economic slowdown expected in 2024 should enable the US central bank to lower its key rates at its March meeting. However, this positive environment for all major asset classes did not continue into January. In fact, the first few weeks of the year were marked by a rise in uncertainty and interest rates, which particularly affected bond markets and securitized real estate. The resilience of the US economy, which recorded annualized GDP growth of +3.3% in Q4 2023, and a slowdown in the downward trend of inflation, were the main causes of the rebound in interest rates. To date, the labor market has also been slow to show the expected signs of a downturn in activity, which seems logical in the context of the solid growth seen at the end of 2023. Against this backdrop, the Fed's outlook for key rate cuts has been adjusted and postponed slightly. Fed Funds for June thus jumped in January from 4.65% to 5% today, while the odds of a Fed cut in March were falling. Further easing of monetary conditions is now only expected at the FOMC meeting on May 1. Bond market correlation remained high throughout the month, with all regional indices in the TCOR universe recording negative results. However, the US was the best performer of the month, with a limited decline of -0.27%. International real estate was the hardest hit by this generalized rate adjustment after a very positive end to the year. Logical in this context, profit-taking was strongest in the United States (-4.14%), while in Europe (-2.94%) the decline was limited. Overall, profit-taking at the start of the year affected international real estate (-4.17%) and international bonds (-1.38%) the most, while equity markets still benefited from a small +1.2% rise.

## PERFORMANCE OF ASSET CLASSES (USD)

### JANUARY

| | |
|---|---|
| + 4.47% | Commodities |
| + 1.53% | US Equities |
| + 0.43% | Private Equity |
| + 0.32% | Hedge Funds |
| - 0.26% | US Bonds |
| - 0.99% | International Equities |
| - 1.55% | International Bonds |
| - 3.99% | International Real Estate |

### YTD

| | |
|---|---|
| + 4.47% | Commodities |
| + 1.53% | US Equities |
| + 0.43% | Private Equity |
| + 0.32% | Hedge Funds |
| - 0.26% | US Bonds |
| - 0.99% | International Equities |
| - 1.55% | International Bonds |
| - 3.99% | International Real Estate |

## COMMENTS BY ASSET CLASS

### Bonds

Sentiment is changing again at the start of the year, in the light of economic statistics still pointing to solid growth in the USA. The soft-landing scenario remains predominant, but employment trends, surprising leading indicators and a loss of momentum in the decline of inflation are pushing back the chances of the Fed cutting rates in the very near future. Bond markets remain highly correlated as they adjust to this new environment. Expectations of rate cuts in the US have been pushed back by a month, but do not call into question the planned easing. Risk scores are relatively stable and neutral, suggesting a continuation of the downtrend in the coming weeks, in the light of less resilient statistics in both the US and Europe. Prospects of capital gains remain for the vast majority of markets.

### Equities

Despite the short-term rebound in interest rates, equity markets performed rather well in January, recording a moderate overall rise of +1.2%. The impact of the slight rise in rates seems to have been tempered by the conviction that it will be temporary, and that economic activity in the USA will be such as to support earnings growth expectations for 2024. The rise in share prices is insufficient to affect valuations, but the quantitative factor points to an increase in risks. Risk levels are rising, which is reflected in an increase in overall scores in the amber zone. However, we believe the uptrend is still valid.

### Commodities

Commodities halted their downward trend in January. Indeed, the asset class recorded its first rise since September, thanks to crude oil prices, which gained +5.86%. The oil market was mainly underpinned by rising geopolitical tensions in the Middle East, despite the economic slowdown.

### Real Estate

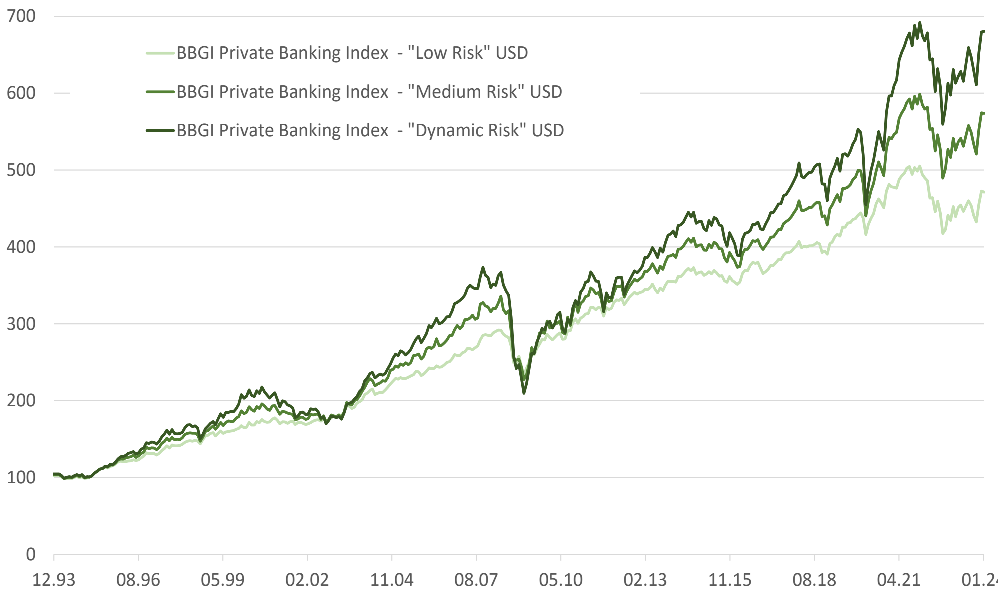
International securitized real estate was the asset class most affected by the short-term rebound in interest rates, but this downturn makes the asset class even more attractive as the downward trend in interest rates resumes.

**BBGI Group Private Banking Indices - Historical Performances in USD**

| | Last three months | | | YTD | Full Year | | | | Annualized Perfomances | |
|---|---|---|---|---|---|---|---|---|---|---|
| | January 2024 | | | Current Year | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | 2023 | 1993 to date |
| BBGI Group PBI "Low risk" (65% fxd income) | -0.31% | | | -0.31% | | | | | 8.79% | 5.29% |
| BBGI Group PBI "Medium risk" (48% fxd income) | -0.10% | | | -0.10% | | | | | 11.26% | 5.98% |
| BBGI Group PBI "Dynamic risk" (25% fxd income) | 0.11% | | | 0.11% | | | | | 13.74% | 6.58% |
| **Sub-Indices** | | | | | | | | | | |
| US Bonds | -0.26% | | | -0.26% | | | | | 4.28% | 4.01% |
| International Bonds | -1.55% | | | -1.55% | | | | | 5.18% | 3.44% |
| US Equities | 1.53% | | | 1.53% | | | | | 26.49% | 9.62% |
| International Equities | -0.99% | | | -0.99% | | | | | 15.62% | 5.24% |
| Private equity | 0.43% | | | 0.43% | | | | | 43.00% | 9.43% |
| Hedge Funds | 0.32% | | | 0.32% | | | | | 3.51% | 5.40% |
| International Real Estate | -3.99% | | | -3.99% | | | | | 10.85% | 6.62% |
| Commodities | 4.47% | | | 4.47% | | | | | -4.27% | 1.71% |
| **Forex** | | | | | | | | | | |
| USD/EUR | 2.04% | | | 2.04% | | | | | -3.02% | -1.09% |

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*