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BBGI GROUP Global Investments

BBGI PRIVATE BANKING STRATEGIES & INDICES USD

A BBGI exclusivity since 1999

May 2024

Annualized performance of +5.27% to +6.65%

Return to positive territory in May

POSTIVE PERFORMANCES FOR ALL THREE BBGI PRIVATE BANKING USD INDICES IN MAY

BBGI Private Banking Index « Low Risk »	**+1.94%**	**(YTD +0.76%)**
BBGI Private Banking Index « Medium Risk »	**+2.23%**	**(YTD +2.55%)**
BBGI Private Banking Index « Dynamic Risk »	**+2.51%**	**(YTD +4.37%)**

Comments (performances in USD)

Financial markets rebounded in May, driven by investors' changing assessment of economic signals. Indeed, all three BBGI Private Banking indices advanced this month. The low-risk index gained +1.94%, the moderate-risk strategy followed a similar path, advancing by +2.23%, and the dynamic-risk approach achieved the best performance of the month (+2.51%). Since the beginning of the year, performances have been very favorable (+0.76%, +2.55% and +4.37% respectively). Bond markets are back in positive territory, despite the, in our view excessive, rebound in US long rates for most of the month. The domestic segment advanced by +1.45%, while the international trend was similar (+1.08%). In cumulative terms, both asset classes are still performing negatively despite this bullish episode (-1.81% and -3.93%). Equity markets are benefiting from the change in investor psychology. The international class gained +2.90%, while the domestic segment jumped +4.73%. Since January, both asset classes have posted excellent cumulative gains, particularly international (+10.72%). The real estate segment is back above the neutral performance mark this month. The international segment ended the month positively (+3.48%). Despite this positive period, the asset class still posted a negative performance for the year to date (-3.67%). Commodities interrupted their upward trend in May, losing -1.90%. Private equity benefited from weakening pessimism and climbed by +4.58%, while hedge funds moved horizontally (+0.60%).

Financial market developments (performances in local currencies)

While April was largely affected by the new uncertainties linked to the resilience of the US economy and the very reduced likelihood of rate cuts in 2024, May witnessed a more positive shift in investor sentiment. Better job market statistics and an observable slowdown in activity, now also in the key services sector, have shed new light on how the US economy is likely to evolve in the near future. The latter is perceived as significantly less robust, and on a growth trend probably lower than that recorded and revised downwards for Q1 (+1.3%), which is already significantly weaker than initially expected. Expectations for the Fed's monetary policy have not really been affected by these factors, as the consensus is still for a single rate cut in December. Against this backdrop, the consensus among forecasters certainly seems a little too pessimistic. The slowdown which is now materializing more clearly could well push the Fed into action before that date. However, the fixed-income markets have already reacted in part to this news by adjusting their yield curves downwards. Ten-year government yields slid by around 20 bps in the United States, followed by similar declines in markets more closely correlated to the USD. Against this backdrop, May proved a positive month for most asset classes. Overall, bond markets benefited from this adjustment, with an overall gain of +1.31% and a less negative result over five months (-3.3%). International equities also benefited from the less pessimistic stock market climate, recording a +4.47% rise, taking the overall increase since the start of the year to +9.52%. Lower interest rates also benefited securitized real estate (+3.19%), particularly in Europe (+6.96%), which was the only region to rise in 2024 (+4.09%). Commodities also posted positive results for precious metals (+2.5%), while prospects of a slowdown weighed on energy prices, which declined by -4.71%.

PERFORMANCE OF ASSET CLASSES (USD)

MAY

+ 4.73%	US Equities
+ 4.58%	Private Equity
+ 3.48%	International Real Estate
+ 2.90%	International Equities
+ 1.45%	US Bonds
+ 1.08%	International Bonds
+ 0.60%	Hedge Funds
- 1.90%	Commodities

YTD

+ 10.72%	US Equities
+ 9.72%	Private Equity
+ 9.52%	Commodities
+ 5.79%	International Equities
+ 2.58%	Hedge Funds
- 1.81%	US Bonds
- 3.67%	International Real Estate
- 3.93%	International Bonds

COMMENTS BY ASSET CLASS

Bonds

A new cycle change began in May with the first decline in US 10-year government yields. The 20-bp drop is still small, but should continue in June with the expected increase in statistical data pointing to a weakening US economy. Bond indices were up +1.31% overall, with only Japan and Switzerland recording negative results. Yield adjustments are likely to be less significant in Europe, due to smaller spreads between observed inflation levels and current yields. Despite increasingly attractive and relatively similar risk scores, the greatest opportunities are to be found in the USA and in geographical zones correlated with US rates.

Equities

Earnings reports for the 1st quarter far exceeded expectations, and the outlook for the coming months has rather bolstered investor interest. Sentiment is still generally positive, even if the consensus no longer expects the Fed to act any time soon. As a result, indexes have surged to new highs without waiting for key rate cuts. Nor did the prospect of an economic slowdown affect current enthusiasm. In the absence of any real risk of recession, we believe the current uptrend is here to stay. However, valuations are high, particularly in the US. Quantitative and technical risk scores have risen again, and are now at the beginning of the consolidation risk zone.

Commodities

The commodities segment halted its upward trend (-1.90%) due to growing concerns over the pace of global growth. Indeed, signs of an economic slowdown in the United States are becoming more apparent, weighing on demand expectations and crude oil prices, despite continued OPEC+ production cuts. Over the month, gold nevertheless made further gains in a month marked by volatility.

Real Estate

Securitized real estate is following the trend in the fixed-income markets, particularly in Europe. The international class achieved a positive performance of +3.48%, but remained negative in cumulative terms despite this period of growth (-3.67%).

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	March 2024	April 2024	May 2024	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2023	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	1.54%	-2.57%	1.94%	0.76%	1.45%				8.79%	5.27%
BBGI Group PBI "Medium risk" (48% fxd income)	2.08%	-2.61%	2.23%	2.55%	3.00%				11.26%	6.00%
BBGI Group PBI "Dynamic risk" (25% fxd income)	2.62%	-2.64%	2.51%	4.37%	4.57%				13.74%	6.65%
Sub-Indices										
US Bonds	0.56%	-2.24%	1.45%	-1.81%	-1.00%				4.28%	3.91%
International Bonds	0.43%	-2.60%	1.08%	-3.93%	-2.42%				5.18%	3.32%
US Equities	3.15%	-4.15%	4.73%	10.72%	10.30%				26.49%	9.82%
International Equities	3.13%	-1.80%	2.90%	5.79%	4.69%				15.62%	5.41%
Private equity	3.49%	-2.99%	4.58%	9.72%	8.14%				43.00%	9.64%
Hedge Funds	1.26%	-0.54%	0.60%	2.58%	2.52%				3.51%	5.42%
International Real Estate	3.63%	-5.92%	3.48%	-3.67%	-1.05%				10.85%	6.55%
Commodities	4.73%	1.16%	-1.90%	9.52%	10.36%				-4.27%	1.85%
Forex										
USD/EUR	0.14%	1.17%	-1.69%	1.76%	2.31%				-3.02%	-1.06%

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

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