Investments - Flash

M. Alain Freymond - Partner & CIO

THE RISE IN AMERICAN EQUITIES MAY LAST

Easing of monetary policy in September will support the trend

The next few months should finally see the long-awaited change in monetary policy by the Fed, which will finally initiate a new cycle of rate cuts in September. This will support the soft landing scenario in an environment that is now calmer in terms of inflationary risks. We therefore recommend an investment policy that continues to focus on growth stocks benefiting from the interest rate adjustment. Indices such as the Nasdaq have already partially taken into account the most favorable scenario in terms of interest rates, but upward participation still seems to us to be highly concentrated in the « magnificent 7 ». Improved visibility on the rate-cutting cycle is a positive factor which should now support broader participation in index growth. In the United States, we do not anticipate any change in the trend currently favorable to growth stocks, and the performance of the S&P Value Index (+5.79%), already well behind that of the S&P Growth (+23.56%), will certainly continue to lag in the coming months. However, we expect the indices to participate much more broadly in the upside, and reiterate our interest in smaller stocks (Russell 2000 Index) on weakness, with vigilance still the order of the day after an already very positive run since the start of 2024. In terms of sectors, stocks that are highly dependent on interest rates should benefit, and we maintain a strategy favoring growth stocks and Nasdaq secondaries in particular. Alternative energies should regain favor with investors after suffering the negative effects of rising interest rates and falling crude oil prices. The traditional energy sector will benefit from the imbalance between supply and demand, which is set to intensify in 2024.