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BBGI GROUP Global Investments

BBGI PRIVATE BANKING STRATEGIES & INDICES USD

A BBGI exclusivity since 1999

July 2024

Annualized performance of +5.34% to +6.73%

Positive July for indices

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

BBGI Private Banking Index « Low Risk »	**+2.11%**	**(YTD +3.95%)**
BBGI Private Banking Index « Medium Risk »	**+2.05%**	**(YTD +5.83%)**
BBGI Private Banking Index « Dynamic Risk »	**+1.99%**	**(YTD +7.73%)**

Comments (performances in USD)

The financial markets are continuing their upward trend of the past month, and have started the quarter with a rise. In fact, all three BBGI Private Banking indices advanced this month. The low-risk index climbed +2.11% to achieve the best performance of the month, the moderate-risk strategy followed a similar path, advancing +2.05%, and the dynamic-risk approach gained +1.99%. Since the beginning of the year, performances have been very favorable (+3.95%, +5.83% and +7.73% respectively). Bond markets are positive this month. The domestic segment climbed by +2.17%, while the international segment followed a similar trend (+2.86%). In cumulative terms, both asset classes are still performing mixed after this positive episode, with the domestic segment now in positive territory (+1.34%) and the international segment negative (-1.22%). Equity markets were also in the green in July. The international class gained +2.32%, while the domestic segment also advanced by +1.23%. Since January, the two asset classes have achieved cumulative positive performances of +16.05% locally and +8.14% internationally respectively. The real estate segment is keeping pace with interest-rate markets, continuing its upward trend with a jump of +6.08%, benefiting from the adjustment in long rates. The asset class is now back in positive territory in cumulative terms (+2.72). Commodities fell back again this month, dragged down by what we believe to be overvalued fears of recession (-3.52%). Private equity rebounded in July, erasing last month's losses (+6.66%), while hedge funds moved horizontally (+0.74%).

Financial market developments (performances in local currencies)

July proved a positive month for all traditional asset classes, which were supported by encouraging economic statistics pointing increasingly clearly to a easing of tensions in the US labor market and a further decline in inflation, with the first monthly fall in the PCE (-0.1%) for June since 2020. The economy is moving in the right direction, with persistent growth, declining inflation and a more "normal" labor market. Sentiment therefore remained relatively positive in July, as we await the next change in monetary policy, now expected in September. International bond markets were up +2.76%, reducing the seven-month decline to just -0.49%, while equity markets were up +1.76% for a +13.72% rise over the year. The month's best performer was international real estate (+5.7%), supported at last by falling long-term interest rates. While July ended on a positive note, the first days of August were severely affected by the massive reversal of carry trade positions following the BoJ rate hike on July 31, which had extremely rapid repercussions on the exchange rate (+10% rise against USD) and on the ongoing carry trade, causing many markets to fall rapidly. This change in monetary policy and its impact on the Japanese currency took investors by surprise, as they thought they could continue to borrow at zero rates in a declining currency to finance investments in other currencies, notably in the equity markets. Many of them thought this "free lunch" could last, but woke up on August 1 to a new, far less favorable context. The yen's rapid rise killed off the ongoing carry trade, forcing positions to be unwound quickly by buying back yen and selling off counterparty assets, in particular US technology stocks, causing the Nasdaq to plunge 15%. We believe that the unwinding of these transactions will not last long. Against this backdrop, we believe that the fall in share prices now represents a rational new investment opportunity.

PERFORMANCE OF ASSET CLASSES (USD)

JULY

+ 6.66%	Private Equity
+ 6.08%	International Real Estate
+ 2.86%	International Bonds
+ 2.32%	International Equities
+ 2.17%	US Bonds
+1.23%	US Equities
+0.74%	Hedge Funds
- 3.52%	Commodities

YTD

+ 16.05%	US Equities
+ 15.87%	Private Equity
+ 8.14%	International Equities
+ 7.17%	Commodities
+ 3.66%	Hedge Funds
+2.72%	International Real Estate
+1.34%	US Bonds
- 1.22%	International Bonds

COMMENTS BY ASSET CLASS

Bonds

July was another good month for bond markets, which benefited from reassuring economic data that reinforced the likelihood of more decisive action by the Fed in September. The 40 bp drop in US ten-year yields was less marked in the eurozone (-15 bp), Switzerland and the UK. The recent encouraging trend in inflation is bringing the prospect of key rate cuts closer, allowing yield curves to adjust. Given current and expected levels of inflation, US rates still appear to have significant potential for decline, which is less likely for other markets and especially for Swiss rates. The fall at the beginning of August is likely to create overbought conditions in the short term. Bond markets could suffer as investors shift back into equities after the long-awaited corrections of recent months, which finally took place in early August.

Equities

June's risk scores suggested risks in the equity markets. In our view, the recession risks cited as reasons for the downturn were incorrect, as the event that triggered the cascade of selling was rather the rise in the yen and the unwinding of the "carry trade" by selling off linked positions. Although complacency gave way to panic in the space of a few days, we believe that the fall at the beginning of August has, on the contrary, adjusted instantaneous score levels, which now appear to be risk-neutral.

Commodities

Raw materials recorded another correction in July. The segment fell by -3.52% this month, dragged down by lower crude oil prices. Despite a bullish rally on the last day of the month, oil prices were penalized by growing fears of an economic slowdown, which we believe to be overvalued. Gold prices rose in July as prospects of a Fed monetary policy reversal increased.

Real Estate

Securitized real estate retains all its appeal in the context of expected key rate cuts, and is already benefiting this month from the adjustment in long rates. The international segment turned in the second-best performance of the month, jumping +6.08%. Thanks to this rise, the asset class returned to positive YTD territory (+2.72%).

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	May 2024	June 2024	July 2024	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2023	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	1.94%	1.04%	2.11%	3.95%	1.45%	0.34%			8.79%	5.34%
BBGI Group PBI "Medium risk" (48% fxd income)	2.23%	1.12%	2.05%	5.83%	3.00%	0.68%			11.26%	6.08%
BBGI Group PBI "Dynamic risk" (25% fxd income)	2.51%	1.20%	1.99%	7.73%	4.57%	1.01%			13.74%	6.73%
Sub-Indices										
US Bonds	1.45%	1.01%	2.17%	1.34%	-1.00%	-2.24%			4.28%	3.99%
International Bonds	1.08%	-0.03%	2.86%	-1.22%	-2.42%	-2.60%			5.18%	3.39%
US Equities	4.73%	3.54%	1.23%	16.05%	10.30%	-4.15%			26.49%	9.94%
International Equities	2.90%	-0.10%	2.32%	8.14%	4.69%	-1.80%			15.62%	5.45%
Private equity	4.58%	-0.99%	6.66%	15.87%	8.14%	-2.99%			43.00%	9.78%
Hedge Funds	0.60%	0.31%	0.74%	3.66%	2.52%	-0.54%			3.51%	5.43%
International Real Estate	3.48%	0.51%	6.08%	2.72%	-1.05%	-5.92%			10.85%	6.74%
Commodities	-1.90%	1.43%	-3.52%	7.17%	10.36%	1.16%			-4.27%	1.77%
Forex										
USD/EUR	-1.69%	1.26%	-1.04%	1.96%	2.31%	0.71%			-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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