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BBGI PRIVATE BANKING STRATEGIES & INDICES USD

A BBGI exclusivity since 1999

August 2024

Annualized performance of +5.39% to +6.78%

Market recovery in August

POSITIVE PERFORMANCES FOR ALL THREE BBGI PRIVATE BANKING USD INDICES IN AUGUST

BBGI Private Banking Index « Low Risk »	**+1.94%**	**(YTD +5.97%)**
BBGI Private Banking Index « Medium Risk »	**+1.96%**	**(YTD +7.90%)**
BBGI Private Banking Index « Dynamic Risk »	**+1.98%**	**(YTD +9.86%)**

Comments (performances in USD)

Financial markets are continuing their upward trend of the past month. Indeed, all three BBGI Private Banking indices advanced this month. The low-risk index climbed +1.94%, posting the best performance of the month, the moderate-risk strategy followed a similar path, advancing +1.96%, and the dynamic-risk approach gained +1.98%. Since the beginning of the year, performances have been very favorable (+5.97%, +7.90% and +9.86% respectively). Bond markets are positive this month. The domestic segment climbed by +2.37%, while the international segment followed a similar trend (+2.30%). In cumulative terms, both asset classes are now performing positively both in the US and internationally (+2.64% and +1.06% respectively). Equity markets were also in the green in August. The international segment gained +2.85%, while the domestic segment also advanced by +2.37%. Since January, the two asset classes have achieved cumulative positive performances of +18.80% locally and +11.22% internationally respectively. The real estate segment is keeping pace with interest-rate markets, continuing its upward trend by jumping +6.32%, benefiting from the adjustment in long rates. The asset class is now clearly in positive territory in cumulative terms (+9.20%). Commodities fell back again this month, dragged down by what we believe to be overvalued fears of recession (-1.72%). Private equity slipped back into negative territory in August (-1.23%) after a surge in July (+6.66%). Hedge funds were flat (+0.42%).

Financial market developments (performances in local currencies)

August ended on a positive note for the vast majority of market segments in our universe (80%), after experiencing extraordinary volatility at the start of the period. The Bank of Japan's interest-rate hike had had an extremely rapid impact on the yen and the carry trade at the beginning of the month, catching speculative investors off-guard who thought they could continue to borrow at zero rates in a declining currency to finance profitable investments in equities and other asset classes in other currencies. Many hedge funds thought this "free lunch" could still last, but woke up on August 1 to a new, less favorable context. The yen's rapid rise was killing the ongoing carry trade, forcing many of them to unwind their positions very quickly by buying massive amounts of yen and selling all the assets held in exchange for this trade, particularly those that had performed very well, such as the leading US technology stocks. In the absence of any real macro-economic underpinning to this generalized three-day fall in share prices, we suggested that these forced sales were investment opportunities, which soon proved to be particularly true in the weeks that followed. After a few days of high volatility, the equity markets returned to a positive trend and recovered all their temporary losses to end the month up +2.64% overall. At the same time, bond markets benefited from the decline in yields, rising by +2.37%. The fall in interest rates also benefited real estate markets, which rose by +5.93% overall, while in Switzerland, securitized real estate remained unaffected (-0.09%) by the trend in long-term rates. Finally, with the exception of private equity (-3.38%) and the energy sector (-4.17%), which were down, most assets posted reassuring gains. On the currency front, the unwinding of yen carry trade positions also helped the Swiss franc, which rose against other currencies.

PERFORMANCE OF ASSET CLASSES (USD)

AUGUST

+ 6.32%	International Real Estate
+ 2.85%	International Equities
+ 2.37%	US Equities
+ 2.30%	International Bonds
+ 1.29%	US Bonds
+ 0.42%	Hedge Funds
- 1.23%	Private Equity
- 1.72%	Commodities

YTD

+ 18.80%	US Equities
+ 14.45%	Private Equity
+ 11.22%	International Equities
+ 9.20%	International Real Estate
+ 5.32%	Commodities
+ 4.09%	Hedge Funds
+ 2.64%	US Bonds
+ 1.06%	International Bonds

COMMENTS BY ASSET CLASS

Bonds

August was another good month for bond investments, which benefited from reassuring economic data. The likelihood of a Fed monetary policy pivot in September has risen sharply, supporting the fall in long rates. All markets advanced, enabling indices to post positive returns over eight months, whereas the world index was still negative at the end of July. Given current and expected inflation levels, US and UK rates still appear to have significant potential for further decline. Eurozone long rates, close to inflation levels, leave no significant room for improvement, while emerging markets and high yield still seem capable of generating positive relative returns. Current visibility on inflation and macroeconomic developments does not suggest any major risks for fixed-income markets. Risk scores are in the neutral zone.

Equities

The absence of any change in scores has crystallized the risks in the amber zone for several months. Volatility rose sharply at the beginning of the month, but the interest-rate environment is still improving. The technical rebound seen in August has been salutary, but quantitative and technical risks are once again relatively high, while MFB and economic factors do not seem likely to contribute to a deterioration in scores in the near future. That said, the valuation of the US market is a source of concern, while that of the Eurozone is more attractive. Overall, we do not foresee a negative evolution in risk factors.

Commodities

Commodities continued their downward trend in August. Indeed, crude oil prices are dragging the segment down this month, despite ongoing tensions in the Middle East. Geopolitical risks have increased following numerous Israeli attacks in Lebanon and Iran during the period. Nevertheless, macroeconomic factors continue to play a major role in crude oil price trends. Fears of recession in the USA and rising inventories in OECD countries are reinforcing negative market expectations for oil demand in 2024.

Real Estate

Securitized real estate remains attractive in the context of expected rate cuts. The adjustment in long rates is already benefiting the segment, which is continuing its strong rise of July with a gain of +6.32% this month.

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	June 2024	July 2024	August 2024	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2023	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	1.04%	2.11%	1.94%	5.97%	1.45%	0.34%			8.79%	5.39%
BBGI Group PBI "Medium risk" (48% fxd income)	1.12%	2.05%	1.96%	7.90%	3.00%	0.68%			11.26%	6.13%
BBGI Group PBI "Dynamic risk" (25% fxd income)	1.20%	1.99%	1.98%	9.86%	4.57%	1.01%			13.74%	6.78%
Sub-Indices										
US Bonds	1.01%	2.17%	1.29%	2.64%	-1.00%	-2.24%			4.28%	4.03%
International Bonds	-0.03%	2.86%	2.30%	1.06%	-2.42%	-2.60%			5.18%	3.46%
US Equities	3.54%	1.23%	2.37%	18.80%	10.30%	-4.15%			26.49%	9.99%
International Equities	-0.10%	2.32%	2.85%	11.22%	4.69%	-1.80%			15.62%	5.53%
Private equity	-0.99%	6.66%	-1.23%	14.45%	8.14%	-2.99%			43.00%	9.71%
Hedge Funds	0.31%	0.74%	0.42%	4.09%	2.52%	-0.54%			3.51%	5.43%
International Real Estate	0.51%	6.08%	6.32%	9.20%	-1.05%	-5.92%			10.85%	6.94%
Commodities	1.43%	-3.52%	-1.72%	5.32%	10.36%	1.16%			-4.27%	1.71%
Forex										
USD/EUR	1.26%	-1.04%	-2.01%	-0.09%	2.31%	0.71%			-3.02%	-1.10%

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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