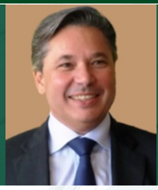
ECONOMIC RESEARCH | March 10th, 2025

Investments - Flash



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THE RISE IN VIX IS NOT THE END OF RISK-OFF MODE

The risk reduction process is not yet complete

For several months now, we have been talking about the fact that Trump's policies will have a faster impact on the confidence and the investment climate than on inflation. The recent decline in long-term US Treasury rates from 4.8% to 4.15% bears witness to the fact that the fixed-income markets are now more aware of this factor, and have reacted more broadly to the signs of a slowdown. Now, the recession risks mentioned in our previous comments have even been "validated" by the US President himself, prompting a more general awareness in the equity markets on Monday March 10th, and the sharpest fall (-2.7%) since December 18th, 2024. The rise in the VIX SPX to 29.56, its highest level since August 2024, already suggests the exceptional nature of recent volatility, but is probably not yet a sufficient sign that the current consolidation is coming to an end. Since Trump took office, confidence has eroded and uncertainty has risen sharply. Against this increasingly uncertain backdrop, a sector rotation has taken place, with the notable effect of a clear underperformance of the winning sectors of 2024, such as technology, compared to defensive sectors such as consumer staples and healthcare, for example. The "growth" management style (-8.44%) was logically penalized in favor of the "value" style (+0.15%) during this period. While such consolidations were seen as buying opportunities in 2024, we believe that in the present context of 2025, the process of risk reduction is not yet complete. Instead, investors should adopt a cautious stance and wait for uncertainties to diminish before overweighting risky assets again. Bond markets offer opportunities for short-term capital gains that we believe are worth considering.