

# Investments - Flash

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## BRITISH BONDS OFFER OPPORTUNITIES

Following the rise in the FTSE100, a repositioning in bonds is reasonable

The FTSE 100 index has performed extremely well since June, climbing to around 9,200 points, not far from its historic highs. This rise was mainly driven by large international stocks in the energy, commodities and pharmaceutical sectors, which benefited from the slight weakness of the pound sterling and, in particular, stronger global demand. However, at these levels, we believe the potential for further upside is limited. Although the index's valuation, with a price/earnings (P/E) ratio of around 13.5x for 2026, remains lower than that of the US market (S&P 500), it is no longer as obviously cheap as it was before. Above all, the UK market lacks strong domestic catalysts, with the economy expected to experience weak growth. In this context, we suggest reducing UK equities and returning to the bond market, which offers an attractive risk/return ratio. Key interest rates are likely to remain high, with an attractive yield on 10-year government

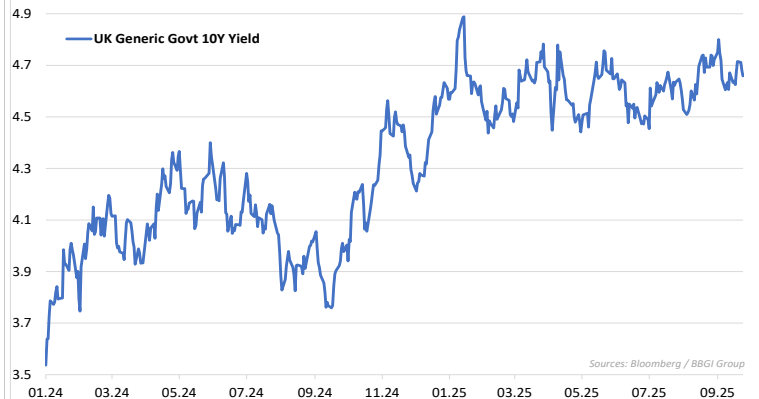
bonds (Gilts) of 4.6%. The yield curve remained virtually flat, with two-year rates very close to zero, reflecting market expectations of restrictive monetary policy in the short term. The BoE's decision to focus its government bond sales on the short end of the yield curve will have a positive effect on longer-term bonds. Compared to other sovereign debt, Gilts offer an attractive premium, for example over German Bunds (200 basis points). This risk premium, combined with the strength of UK sovereign credit, makes UK government bonds particularly attractive to investors seeking stable income and diversification. They offer not only protection against inflation, but also potential for capital appreciation when the Bank of England begins its cycle of rate cuts.



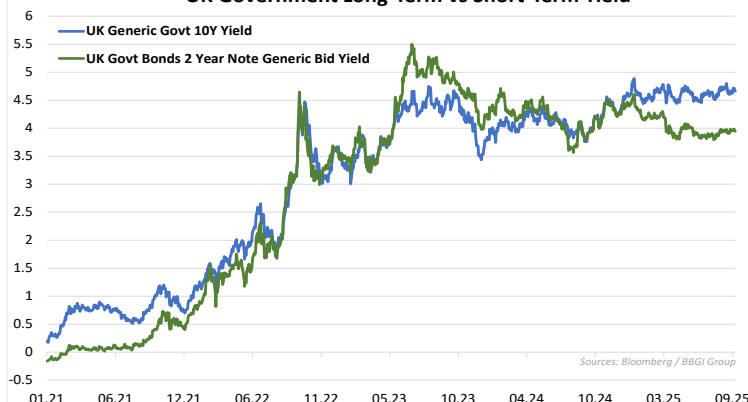
Evolution of FT SE 100 INDEX



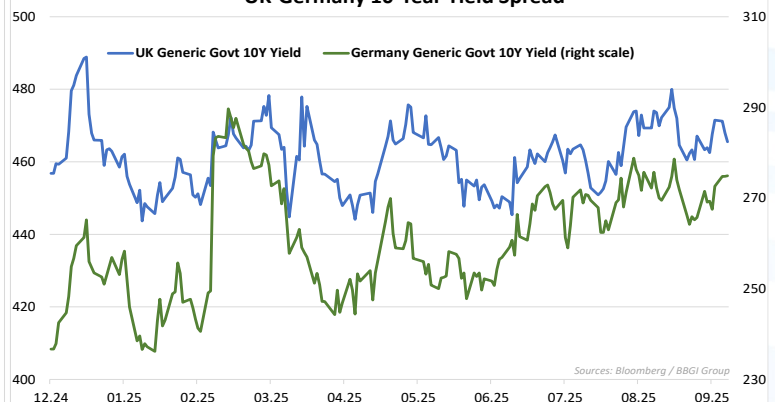
UK Government 10 Year Yield



UK Government Long-Term vs Short-Term Yield



UK-Germany 10-Year Yield Spread



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