SERENIS

FAMILY CAPITAL

Monthly Markets Chronicles

June 2024

Comments of the month

June was a mixed month for investors, with a clear divide between the United States and Europe. On the one hand, the US stock markets enjoyed a second positive month, with performances ranging from +3.5% for the S&P500 to +6.2% for the Nasdaq, while on the other, the old continent was fairly shaken by the results of the European elections, followed by the surprise announcement of early parliamentary elections in France.

The ECB's decision to lower its key rates, like the SNB's before it, failed to offset investor fear across the European stock markets, with the exception of the SMI. The EuroStoxx 50 ended the month down, as did the CAC40. It should also be noted that China continues to raise concerns among experts and investors alike. Other Asian countries clearly outperform China since months.

Equity Indexes	Value	MTD	2024
S&P 500 (USA)	5 460	3.5%	14.5%
Nasdaq 100 (USA)	19 683	6.2%	17.0%
Euro Stoxx 50 (Europa)	4 894	-1.8%	8.2%
SMI (Suisse)	11 994	-0.1%	7.7%
CSI 300 (China)	3 462	-3.3%	0.9%
Currencies	**Value**	**MTD**	**2024**
EUR/USD	1.071	-1.2%	-3.0%
USD/CHF	0.899	-0.4%	6.8%
EUR/CHF	0.963	-1.6%	3.7%
GBP/USD	1.265	-0.8%	-0.7%
GBP/CHF	1.136	-1.2%	6.0%
Bond Indexes		**MTD**	**2024**
Government USA		1.0%	-0.9%
US Corporate IG		0.6%	-0.5%
US Corporate HY		0.9%	2.6%
Government UE		0.2%	-1.6%
UE Corporate IG		0.3%	-1.2%
UE Corporate HY		0.3%	2.8%
Other Asset Classes	**Value**	**MTD**	**2024**
Gold	2 327	0.0%	12,8%
Brent Crude	86	5.9%	12.2%
Bitcoin	60 118	-11.1%	43.3%
Rates/Indicatores	**Value**	**∆ Mois**	**∆ 2024**
US 10 years rate	4.40%	-0.10%	0.52%
GER 10 years rate	2.50%	-0.16%	0.48%
US Unemployment	4.0%	0.1%	0.3%
Volatility Index (VIX)	12.4	-0.5	0.0

The CSI300 lost -3.3%, as doubts and old demons resurfaced, raising the specter of an economy with no real short-term potential.

Also worth noting is the sharp correction in Bitcoin, which for the first time is facing significant profit-taking and, consequently, negative flows in recent BTC ETFs. Oil is climbing and gold is trading sideways.

On the bond front, yields are easing in the face of various publications (inflation, PPI, unemployment and US employment), leaving the door open to a first rate cut in the US for the September FED meeting.

Seasonally speaking, July is generally a positive month for equity markets. However, current macroeconomic and political factors could weigh on them, so we remain cautious.

Our current positioning

Comments

This year continues to be full of economic surprises, and geopolitical turmoil is shaping an ever-changing financial landscape. This has given rise to lively debate within our committee, as we strive to combine measured optimism with heightened vigilance. The diversity of viewpoints sharpens our analysis and enriches our decisions in the face of a particularly complex environment.

In our "Core" portfolio, our Investment Committee decided this month to slightly underweight bonds, in the sovereign debt category, and to slightly overweight emerging market equities. We are keeping a close eye on US equities following expectations of a downturn in consumer spending and the poor performance of the retail sector. We remain cautious about the possibility of a political and economic crisis in Europe following the early parliamentary elections in France. Finally, the lack of liquidity injection in China is weighing on the markets, so we are avoiding these stocks for the time being.

Our "Strategic focus" investments enjoyed renewed interest in June, making a positive contribution to our portfolio's profitability and generating substantial outperformance (alpha) against our benchmark. Gold and the defense industry performed particularly well, contributing substantially to the portfolio's results. Despite some volatility, the uranium sector remains one of our key convictions. Its long-term potential remains intact, driven by the imperatives of energy transition and the challenges of security of supply.

This month, in the next section of our Market Chronicle, we highlight some of the key elements that explain our positioning on the Japanese market and why international investors should reconsider this long-neglected market, which could offer an excellent diversification opportunity for international investors, reducing dependence on the US and European markets.

« Core » Portfolio

	% SAA		%TAA
Cash	5%	=	5.0%
Fixed Income	45%	↙	42.5%
Investment Grade	20%	=	20.0%
Sovereign Debt	15%	↙	12.5%
High Yield	10%	=	10.0%
Equities	50%	↗	52.50%
US markets	30%	=	30.0%
European markets	15%	=	15.0%
Emerging markets	5%	↗	7.5%

« Strategic focus » investments

Themes	%	Since
Gold	5.0%	29.12.2023
Uranium	2.5%	29.12.2023
JAP EQ in Yen	2.5%	29.02.2024
Defense	2.5%	30.04.2024

Balanced USD Portfolio

Thinking forward: Japan

Japanese society, unique ability to combine tradition and modernity, is exemplified by two fundamental principles that govern its approach to change: Kaizen and Kaikaku. Kaizen, or "continuous improvement," embodies the philosophy of small, gradual, and constant adjustments, while kaikaku, or "radical change," reflects the large and sometimes abrupt changes required for significant restructuring.

In the wake of the "Abenomics" policies, vigorously continued by Prime Minister Kishida, Japan has been experiencing economic and structural reforms for many years - a prime example of kaizen. These reforms, aimed at economic revitalization, have resulted in measures such as monetary easing, fiscal stimulus, and growth strategies, laying the groundwork for a more dynamic and adaptable economy.

However, a more recent and notable kaikaku for Japanese economic policy is looming on the horizon. The emergence of persistent inflation in Japan led to a historic shift in monetary policy under Kishida.

The Bank of Japan abandoned its negative interest rate policy, marking a significant pivot after decades of fighting deflation. This shift could signal the end of a prolonged period of price stagnation and usher in a new economic era for the country.

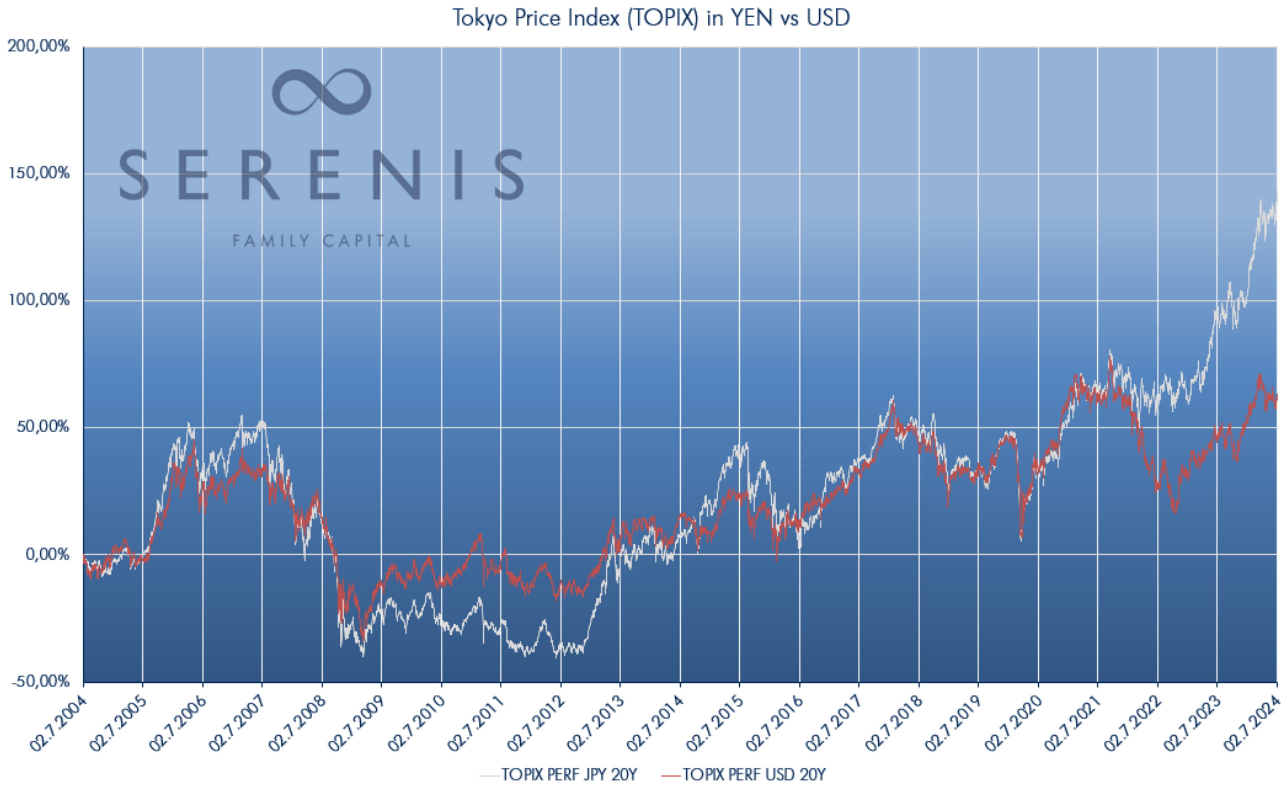
On the global stage, Japan's cooperation with the United States is being strengthened, as evidenced by Kishida's recent visit to Washington. The intensification of military cooperation between the two countries, including the joint work of military commanders in Tokyo, is a prime example of kaikaku in Japanese defense policy. Moreover, Japan's growing involvement in the Aukus, which underscores its determination to support the Philippines against Beijing's pressure in the South China Sea, illustrates a major strategic reconfiguration of its role on the international stage.

The record defense budget planned for 2024 and the diversification of arms exports, such as the development of a new fighter jet in cooperation with the UK and Italy, mark a significant break with post-war pacifism and a proactive assertion on the international stage.

However, despite these strategic moves, Japan remains an underweighted and underinvested market in the eyes of international investors, in stark contrast to the strength of its economy, its technological innovation and its proven ability to sustain stable growth. However, the outdated perception of a stagnant economy is giving way to a growing recognition of investment opportunities in sectors such as technology, automotive and robotics, which enjoy an unrivalled global reputation.

The Japan of today is not the Japan of a decade ago. Changes in economic and monetary policy, an increased commitment to national defense, and renewed interest from major U.S. corporations, combined with a robust, innovative economy and powerful industrial manufacturing capabilities, confirm Japan's unique ability to blend tradition and modernity in its approach to change.

For international investors who have completely ignored the world's third-largest economy for decades (often with good reason), it's time to reconsider Japan, not only as a major economic player, but also as a source of diversified investment opportunities and long-term growth. One final point, reconsidering Japanese market when the JPY is at historically low levels, is another element that could be positive for the international investor in the long run.



Performance comparison between the Topix 225 in Yen vs. in Dollar over 20 years

Food for thoughts

Geopolitical risks

At the beginning of 2024, the World Economic Forum (WEF) identified geopolitical volatility as the biggest risk factor. Indeed, this year is particularly busy with elections in many countries. More than 2 billion voters will go to the polls in more than 50 countries this year alone.

Here's a look at the elections that have already taken place in the first half of the year:
- India: Outgoing Prime Minister N. Modi was re-elected, but without a majority. More than 900 million voters were registered.
- Mexico: C. Sheinbaum is the first woman elected president by more than 100 million voters. The left will remain in power for the next six years.
- European Union: U. Van der Leyen is re-elected, but a historic breakthrough of the conservative right is noted in many countries, with 400 million voters.
- South Africa: The ANC party, in power for more than 30 years, remains in power but loses its majority.

So far, the markets have been very resilient in the wake of these important elections, and despite occasional spikes in volatility, the election results have not challenged the market bulls. However, this could change with the following elections on the horizon:

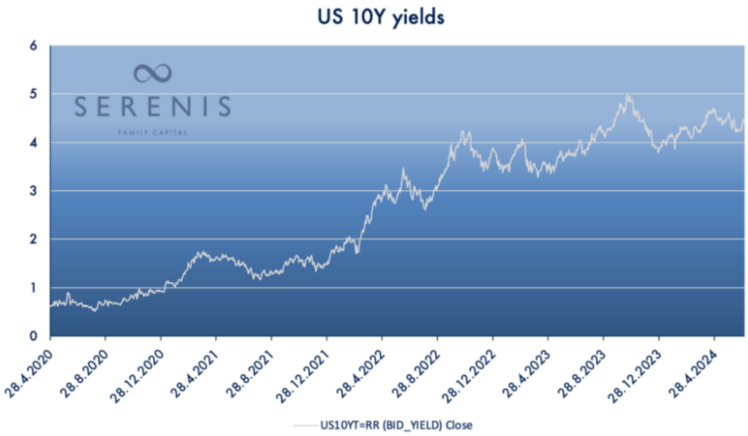
- July 4: UK elections, with the Labour Party likely to win
- July 7: the Rassemblement National could enter government for the first time in France
- November 5: a new Biden-Trump match-up is announced

New technologies, new stakes

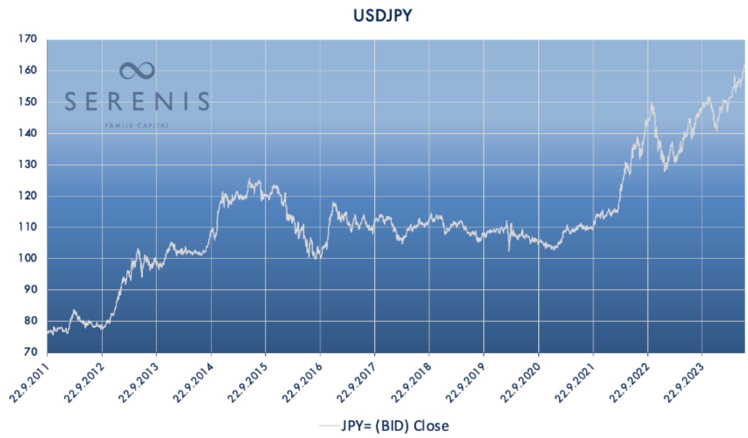
This month, we bring you Demetri Kofinas' Hidden Forces podcast with Brian Janous. The content of this conversation lies at the crossroads of several trends that will have a strong influence on the economy and markets over the next few years, namely AI, energy and security :
https://hiddenforces.io/podcasts/remake-electric-grid-ai-brian-janous/

Three charts

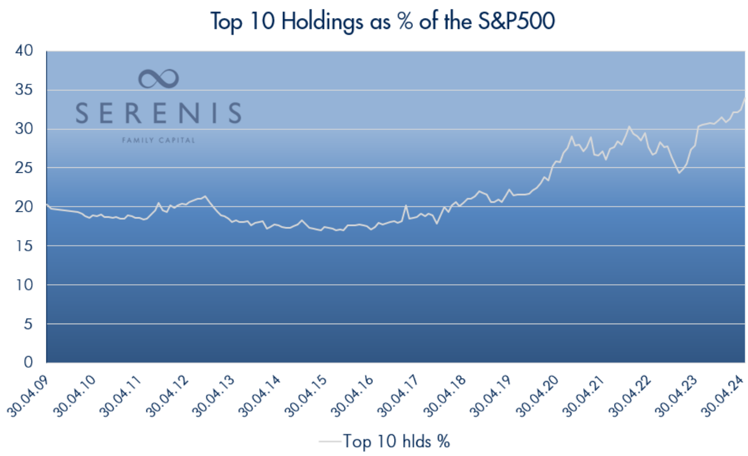
US Treasury yields fell below 4.3% on the release of the PPI, which declined to the surprise of investors. The odds of an FED rate cut at the next meeting in September then rose to 65%. Now analysts and investors think that we could have up to three hikes in 2024.



The yen is back in the spotlight, with some key levels to keep a close eye on. Indeed, the rate at 160 yen to the dollar is an important threshold which could trigger intervention by the BOJ. Masato Kanda, Japan's chief monetary policy officer, stated that the government would take the necessary measures.



The weight of the 10 largest stocks (by market capitalization) in the S&P500 has never been greater, historically, than this year. Indeed, at the end of June, 34.03% of the total 500 largest US companies were concentrated in 10 companies. The year-to-date performance of these 10 stocks is +32.59% vs. 14.5% for the S&P500. Did you say "diversification"?



“Markets can only be understood backwards, but they must be invested thinking forwards”

Serenis Family Capital
Esplanade de Pont-Rouge 1
1212 Grand-Lancy
+41 22 704 0840
info@serenis.ch
www.serenis.ch