BANQUE
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MONTHLY NEWSLETTER
MAY 2025

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MAY 2025

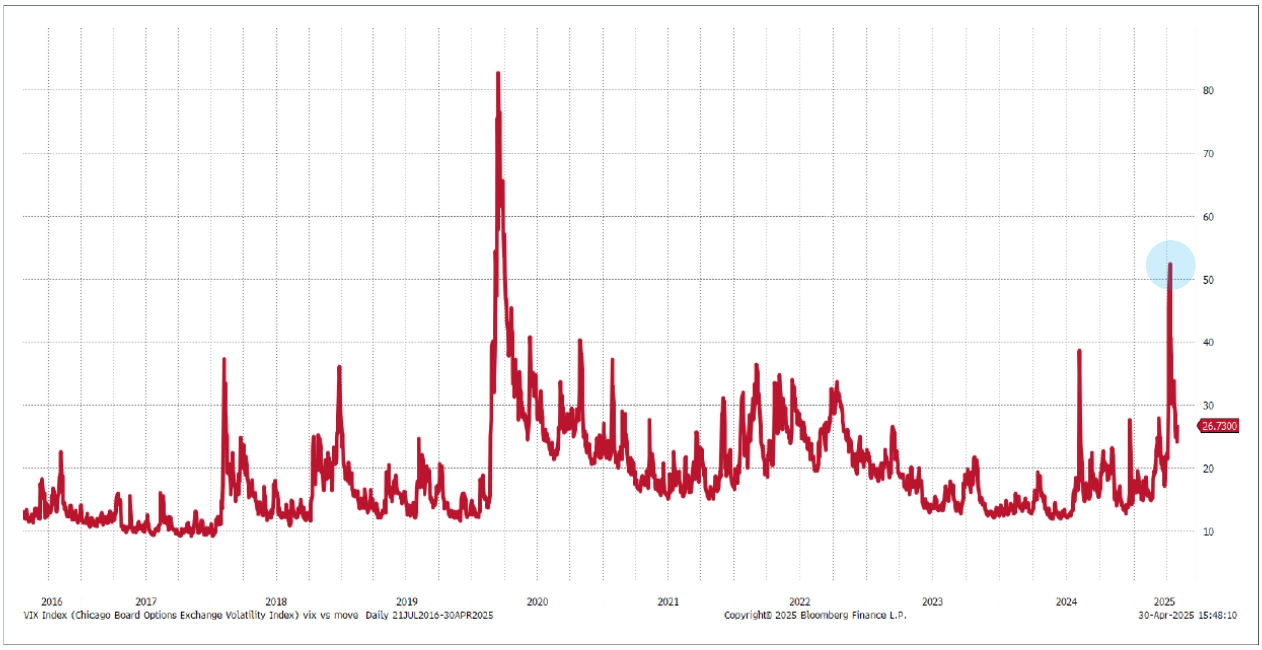
1. EDITORIAL
PRESIDENT TRUMP'S RANDOM WALK ON WALL STREET

Markov, a Russian mathematician born in the nineteenth century, remains well known for modelling stochastic processes, one of the classic illustrations of which is known as the alcoholic's gait: Given that a drunkard advances by taking each step in random directions, how long before he returns to his initial position?

In April, the markets displayed a series of violent and contrasting actions that will once again delight record-breakers: the VIX at close to 60, a session during which the Nasdaq fluctuated by over 12% between its high and low, abnormal standard deviations abound. And yet, despite this extreme volatility, despite the contradictory news distilled at a steady pace by President Donald Trump, US equities ended the month barely unchanged... like a drunkard returning to his starting point without really knowing quite how he ended up there again.

The comparison has its limits: at every step, the drunkard has no recollection of his previous step; on the contrary, we can assume that there are significant memory effects in the markets. But for investors it also raises some more interesting questions: if we're more or less back where we started, does this mean that the contradictory news of April have finally cancelled themselves out? Are we more or less back where we were at the end of March? Or are markets being complacent and misreading a new reality?

G1 : VIX INDEX



Source : Bloomberg, Banque Eric Sturdza

A look at the foreign exchange market helps to convince us that the situation has changed.

The Euro-Dollar cross for example, appreciated by circa 5% in April, one of the strongest moves in recent years... A look at the foreign exchange market does not suggest that April was relatively a "non-event".

Similarly, during this turbulent month, we saw some highly unusual patterns materialized between asset classes. Usually, when stock market indices fall sharply, they are accompanied by investors looking for safety by buying US Treasury bonds: the famous "flight to quality", but this time it didn't happen, as bonds and equities often fell in tandem.

And since we're interested in unusual behaviour, how can we not be surprised to see an upsurge in visionary traders buying up lots of call options before any good news is announced? Insider trading may have occurred in the past, but in April it seemed to take on a whole new dimension, encouraged by a particularly verbose President and cabinet members.

The shock of the tariffs and the unpredictability of the US President's behavior were undoubtedly the trigger for April's movements.

After the initial shock (Trump, like UBU the king, brandishing an array of punitive taxes), the equity markets gradually reassured themselves as the administration backed down from the initial figures announced. The macro-economic models have turned, and we're now talking about an impact of 0.8% on US GDP and 0.3% for the Eurozone*, so the shock suddenly seemed manageable... The US earnings season (circa 60% have published at the time of writing) doesn't suggest the worst case, with 75% beating estimates, and when they did so, by an average of 9% (a little better than in the past, a figure probably due to the effects of pre-emptive stockpiling prior to the application of the new tariffs and to analysts proactively cutting estimates prior to earnings's releases). But it's only in the coming weeks, when companies will provide their guidance (a particularly difficult exercise this year!), that the corporates' message will confirm if equity investors were right to be so quiet at the end of April.

Alongside this message, what will also be at stake over the coming months is the kind of premium investors should accept for US exceptionalism. Long better valued than the rest of the world, the US markets suffered their first shock of defiance in April, a shock whose consequences can be felt on US treasury bonds, currency markets and obviously the equity markets

The most optimistic will think that this abrupt call to order will calm Donald Trump's ardor; the recent controversy with Jerome Powell showed that the US president is backpedaling as fast as he had started! Pessimists, on the other hand, will think that Donald Trump's explosive nature will soon get the better of him.

Reconciling the two positions is no easy task, but in both cases, a large part of the "rest of the world" (Europe, South America, and partly Asia as well...) seems to us to be more attractive. Like European equity funds that are regaining traction, the need that we often mention for diversification is growing. No more exposed to tariffs than the United States, these "non-US" investments help avoid being in the eye of the storm if Donald Trump comes back with a new episode of crazy economic innovation. In a word, stay in the game by partially immunizing yourself from a further increase in the US risk premium.

2. FIXED INCOME

THERE WILL BE A BEFORE AND AFTER APRIL 2, 2025

Outstanding volatility

The reaction of fixed income markets to the April 2nd announcement is unprecedented in the memory of any fixed income manager. It reflects the gigantic level of uncertainty that has gripped investors in the wake of the consequences of Donald Trump's statements, namely a double risk. It would be a very uncomfortable experience for the Fed to be faced simultaneously with inflation rising to between 3% and 4% and the risk of plunging into recession.

Fixed income markets succeeded in getting the US President to back down when the 10-year T-Note rate rose sharply from 3.9% to 4.3%. We refrained from intervening and adjusting our LT positionning at the height of the storm. Our strategy was not altered, and any tactics were too risky to implement. We took nonetheless advantage of the fact that the yields to call on good-quality hybrid debt in euros briefly moved back above 5%, or close to 7% in US dollar's equivalent after currency hedging.

U.S. interest rates, the keystone of financial markets

Donald Trump raises some good questions, but the remedies he advocates are questionable. The debt problem he wants to tackle is a major issue, so much so that the long-term solvency of the United States is at stake. He is right to point out that the Biden administration had considerably reduced the average duration of sovereign debt by borrowing massively in the short term. The Treasury will face numerous maturities in 2026 and 2027, and will have great difficulty refinancing them. Consequently, the main objective of Donald Trump and Treasury Secretary Scott Bessent is to bring the 10-year yield below 4%. April was a reminder that financial markets are like brick walls, and that interest rates are the cement that binds them together. The real economy is also affected by interest rates: mortgages, credit cards, student loans, car leasing and consumer credit. Higher rates cause consumption, which still accounts for almost 70% of Gross Domestic Product, to shrink. Without cement, the brick wall collapses and recession sets in!

ECB rate cuts

The ECB lowered rates in April as the good news about inflation in the eurozone accumulated. On the other hand, business is likely to fall increasingly victim to the current environment. It is in Europe that we see the most interesting investment opportunities, and the Bund at 2.5% is undoubtedly a more attractive investment opportunity than the T-Note at 4.4%. Paradoxically, it seems to us that despite its already low current level (and therefore a priori unattractive), the German 10-year still holds value.

3. EQUITY

STORM WARNING FOR GLOBAL STOCK MARKETS

Global equity markets closed April virtually unchanged over the month: -0.8% for the S&P500, the flagship index of the US stock market, -1.2% for the STOXX600, +0.3% for the Topix. Only Hong Kong's HangSeng index was a little more sluggish, down -4% over the month, although it remained largely ahead of major world indices thanks to its impressive start of the year. And yet, this relative apathy on the financial markets does little to mask the period of severe turbulence that the markets went through in April.

It all began on the evening of April 2, the now famous "Liberation Day", with the announcement of reciprocal tariffs affecting both allies and enemies of the United States... Donald Trump's protectionist stance is not new in itself. It's the scale of the reciprocal tariffs (from 10% to almost 50%), their immediacy and their indiscriminate nature that are shocking. In the wake of these announcements, equity markets plummeted, with the VIX – the fear index – exploding and flirting with the 60% threshold, a level last seen at the worst moment of the COVID crisis... The ensuing tariff escalation between China and the United States (up to 145% tariffs on Chinese exports) didn't help either. The slide in financial markets continued until April 9th, before the collapse in Treasury bonds (with the US 10-year rising sharply from 3.90% to 4.30%) prompted Donald Trump to concede a 90-day pause in the implementation of those reciprocal tariffs. The announcement led to a violent and

T1 : Q1 25 US EARNINGS SEASON RECAP

Sector (BICS)			Earnings Surprise				Sales Growth				Earnings Growth			
	Reported		+	Inline	-	%	+	Inline	-	%	+	Inline	-	%
S&P500	**254**	**500**	**194**	**9**	**51**	**9,27%**	**175**	**12**	**67**	**3,83%**	**174**	**3**	**76**	**13,64%**
Materials	15	26	11	1	3	8,19%	5	1	9	-2,75%	8	0	7	-29,17%
Industrials	47	72	38	2	7	6,11%	28	2	17	-0,04%	31	1	14	2,90%
Consumer Staples	18	38	13	0	5	2,71%	7	3	8	2,51%	8	1	9	-3,40%
Energy	12	25	5	1	6	1,41%	6	1	5	-1,88%	4	1	7	-26,97%
Technology	22	64	20	0	2	7,89%	18	1	3	6,50%	19	0	3	16,89%
Consumer Discretionary	25	51	14	1	10	0,48%	17	0	8	-0,77%	12	0	13	-14,38%
Communications	11	25	9	0	2	24,84%	8	1	2	5,88%	9	0	2	27,50%
Financials	52	77	43	1	8	7,51%	47	0	5	6,45%	42	0	10	7,75%
Health Care	27	60	24	1	2	8,37%	18	3	6	7,70%	23	0	4	61,09%
Utilities	10	31	6	1	3	2,77%	9	0	1	6,78%	7	0	3	9,47%
Real Estate	15	31	11	1	3	-3,15%	12	0	3	7,61%	11	0	4	-1,15%

Source : Bloomberg BES, 30/4/25

massive rebound in equity markets... and incidentally also to what appears to be the greatest insider trading event ever seen!

Since then, US markets have moved forward without any clear direction. Up when trade negotiations progress or when trade tensions with China ease; down when they stall or when President Trump's tweets rekindle investors' fears and doubts about the "US franchise", doubts which are expressed through the weakening of the US Dollar. The earnings season, which has begun mid-April, also brought some comfort to investors, with some fine results: of the companies that published, almost 75% published results above expectations, results that were on average 9% above expectations. Despite a slight deceleration, EPS growth remains robust. The main downside remains the uncertainty created by the trade war, which is reflected both in the large number of companies refraining from issuing guidance for the coming months, and in companies' shares tumbling on the stock market when earnings or guidance are not up to expectations. With the US market still trading on historically high valuation multiples (21 times current earnings), the error margin in the event of disappointment is virtually non-existent. One of the most striking examples of this situation is the Magnificent Seven group:: at -16% on average since the start of the year, the Magnificent 7 group is not far from a bear market (aka a 20% fall from their highs), and accounts for most of the S&P500's decline. This situation contrasts with that of 2024, and also reflects lower valuation multiples for these stocks.

In Europe, equity markets consolidated in April, once again confirming the adage that when the US catches a cold, the rest of the world coughs. Nevertheless, European indices retain their relative lead over the US market and remain more attractive from a valuation point of view. Furthermore, the choice of a measured, joint response and negotiating posture are bearing fruit, with a number of positive arguments in favor of Europe as long as it remains united. With China, the approach is radically different. The authorities have chosen to take a hard stance against the US and use the levers at their disposal (substitution of US imports, export controls on rare earth metals). Of all the countries affected, China was certainly the best prepared. For proof of this, we need only look at the efforts made over the last 8 years to diversify their exports, or the indications they gave prior tariffs' announcements to increase their budget deficit with a view to boost their economy. The pressure from corporates' lobbies on the US President has done the rest, and he has already backed down, whether by accepting tariff exceptions on IPhones and other electronic products, or by suddenly showing himself more open to negotiation.

Although largely anxiety-provoking, the sequence of events over the past month has had the merit of reminding us of a few important messages. The first is to keep a long-term investment horizon: investors who panicked and sold their positions on April 04 would have missed out on the historic rally that followed a few days later. The second is that this type of crisis could also represent a major source of opportunities: When the VIX is at 60%, monetizing volatility by selling options or through structured products is a major one, especially as it doesn't last very long usually. And finally, of course, there's the question of diversification: now more than ever, an equity portfolio can't limit itself to a few US Large Cap stocks, no matter how great they may seem. These are all strong messages that we have been striving to apply for many years.

5. PERFORMANCES

EQUITIES	30.04.25	CURRENT	1 M	3M	6M	YTD	2024	2023	2022	2021	2020
US	DOW JONES	40 669	-3,2%	-3,0%	-4,2%	-4,4%	12,9%	16,2%	-6,9%	20,9%	9,7%
	S&P 500	5 569	-0,8%	-4,4%	-3,7%	-5,3%	23,3%	26,3%	-18,1%	28,7%	18,4%
	S&P500 EW	6 857	-2,4%	-2,3%	-5,1%	-3,4%	10,9%	13,8%	-11,5%	29,6%	12,8%
	NASDAQ 100	19 571	1,5%	-6,1%	-3,3%	-6,9%	24,9%	55,1%	-32,4%	27,5%	48,9%
	RUSSELL 2000	1 964	-2,4%	-10,3%	-10,2%	-11,9%	10,0%	16,9%	-20,5%	14,8%	19,9%
EUROPE	STOXX 600	527	-1,2%	3,1%	1,6%	3,9%	6,0%	16,6%	-9,9%	25,8%	-1,4%
	FTSE 100	8 495	-1,0%	3,0%	3,1%	3,9%	5,7%	7,7%	4,6%	18,4%	-11,4%
	CAC 40	7 594	-2,5%	2,2%	0,7%	2,9%	-2,2%	20,1%	-6,7%	31,9%	-5,0%
	DAX	22 497	1,5%	11,3%	17,1%	13,0%	18,8%	20,3%	-12,3%	15,8%	3,5%
	IBEX 35	13 288	1,2%	13,4%	14,0%	14,6%	14,8%	28,1%	-2,0%	10,5%	-12,7%
	SPI SWISS	16 479	-1,9%	4,8%	2,2%	6,5%	6,2%	6,1%	-16,5%	23,4%	3,8%
ASIA	MSCI EM	1 113	1,0%	5,3%	-3,8%	3,5%	5,1%	10,2%	-19,8%	-2,3%	18,8%
	TOPIX	2 667	0,3%	-1,7%	-1,7%	-4,2%	17,7%	28,3%	-2,5%	12,8%	7,4%
	HANG SENG	22 119	-4,3%	16,0%	4,1%	10,3%	17,7%	-10,5%	-12,6%	-11,8%	-0,2%
	CSI 300	3 771	-3,0%	1,0%	-5,7%	-4,2%	14,7%	-9,1%	-19,8%	-3,5%	29,9%
FX & COMMODITIES	**30.04.25**	**CURRENT**	**1 M**	**3M**	**6M**	**YTD**	**2024**	**2023**	**2022**	**2021**	**2020**
CURRENCIES	EUR-USD	1,133	4,7%	10,6%	3,6%	9,4%	-6,2%	3,1%	-5,9%	-6,9%	8,9%
	EUR-CHF	0,936	-2,1%	-0,3%	0,0%	-0,4%	1,2%	-6,1%	-4,6%	-4,0%	-0,4%
	USD-CHF	0,826	-6,6%	-9,9%	-3,6%	-9,0%	7,8%	-9,0%	1,3%	3,1%	-8,4%
	USD-JPY	143,1	-4,6%	-9,3%	-3,7%	-9,0%	11,5%	10,5%	13,9%	11,5%	-4,9%
	USD INDEX	99,47	-4,6%	-9,3%	-3,4%	-8,3%	7,1%	-2,1%	8,2%	7,0%	-7,3%
COMMODITIES	Gold	3288,71	5,3%	22,3%	25,1%	25,3%	27,2%	13,1%	-0,3%	-4,2%	25,0%
	Silver	32,62	-4,3%	7,3%	4,7%	12,9%	21,5%	-0,7%	2,8%	-13,6%	48,7%
	WTI Crude Oil	58,21	-18,6%	-24,0%	-23,3%	-18,8%	0,1%	-10,7%	6,7%	59,1%	-21,5%
	Natural Gas	3,33	-19,3%	-16,6%	24,3%	-8,5%	44,5%	-43,8%	20,0%	46,9%	16,0%
	Copper	9118,20	-5,6%	1,4%	-4,8%	5,4%	2,2%	0,9%	-14,1%	25,7%	26,0%
FIXED INCOME	**30.04.25**	**CURRENT**	**1 M**	**3M**	**6M**	**YTD**	**2024**	**2023**	**2022**	**2021**	**2020**
RATES	US 10 year gvt	4,16	(0,04)	(0,60)	0,10	(0,41)	69 bps	0 bps	237 bps	60 bps	-100 bps
	German 10 year gvt	2,44	(0,29)	(0,15)	0,19	0,08	34 bps	-54bps	275 bps	39 bps	-38 bps
BONDS	Global Aggregate USD hdg.	592,8	1,0%	3,0%	2,1%	2,2%	3,4%	7,1%	-11,2%	-1,4%	5,6%
	US Treasuries	2372,1	0,6%	4,5%	1,9%	3,6%	0,6%	4,1%	-12,5%	-2,3%	8,0%
	US TIPS	363,1	0,1%	4,8%	2,1%	4,3%	1,8%	3,9%	-11,9%	6,0%	11,0%
	US IG Corporates	3364,3	0,0%	3,4%	0,5%	2,3%	2,1%	8,5%	-15,8%	-1,0%	9,9%
	US High Yield	2709,5	0,0%	0,9%	1,7%	1,0%	8,2%	13,4%	-11,2%	5,3%	7,1%
	Euro Government	244,8	1,9%	2,2%	1,3%	0,7%	2,0%	7,1%	-18,2%	-3,4%	4,7%
	Euro IG Corporates	260,5	1,0%	1,8%	2,1%	1,0%	4,7%	8,2%	-13,6%	-1,0%	2,8%
	Euro High Yield	482,0	0,1%	1,2%	2,7%	0,6%	9,1%	12,8%	-11,1%	4,2%	1,8%
	EM USD Aggregate	1276,7	0,0%	2,8%	1,7%	2,3%	6,6%	9,1%	-15,3%	-1,7%	6,5%

Source: Bloomber, 30/04/25

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Sent to press on 30/04/2025

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