



BANQUE
ERIC STURDZA

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1. EDITORIAL

THE SUMMER OF HYPERBOLES

There was something hyperbolic about the trends observed in August. Firstly, in the political arena Donald Trump became increasingly aggressive in his treatment of his partners and allies. Partners who felt powerless, like Karin Keller-Sutter, who was not even able to get a meeting with the President to discuss the punitive 39% tariffs applied to Switzerland, or allies who seemed resigned, like European leaders who capitulated by signing a defavorable trade agreement without even putting up a fight.

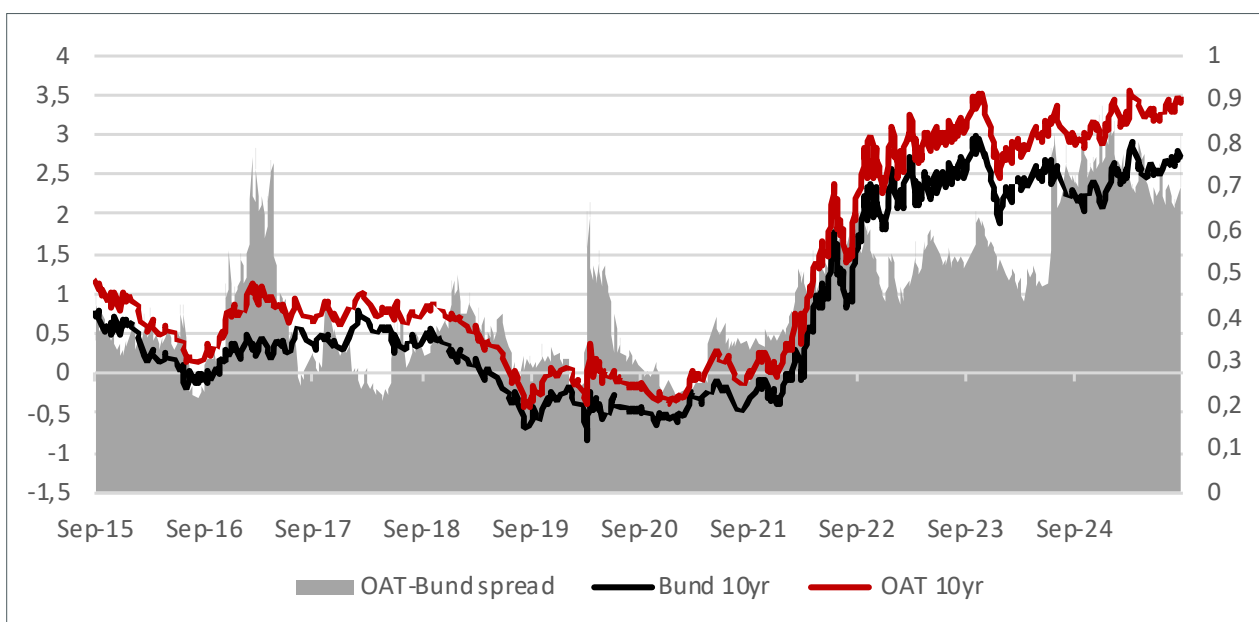
The president's violence has no frontier and can also be felt domestically: massive military force deployment in Washington, abrupt firing of a FED governor. Lisa Cook was unceremoniously fired "for cause". US lawyers and judges will review if there is some legal ground to justify this decision "for

cause" by the president, but no matter what, nothing seems resist him. (One notable exception is Putin, to whom Trump shows surprising deference).

Closer to us, France, still unable to agree on measures to reduce its deficits, is set for a turbulent political fall. Warning signs are popping up, both on fixed income markets (the "OAT Bund spread" is resurfacing in editorial columns) and on French equities, which are struggling to keep pace with their European counterparts: a downward hyperbole that we could well have done without.

But since we are talking about hyperbole, it seems difficult not to mention NVIDIA, which has just published its quarterly results, with 2nd Q revenue growth of 56% YoY – even if it was sequentially lower vs. previous quarter - and margins of over 50%. As one Anglo-Saxon editorialist put it, NVIDIA is NVICTIBLE.

G1 : BUND & OAT 10YR (LHS) VS. OAT-BUND SPREAD (RHS)



Source : Bloomberg Banque Eric Sturdza, Sept 15- Sept 25.

In short, August saw the confirmation and acceleration of trends, with – to quote an expression frequently used by investors – a strong momentum, both from a political standpoint and on financial markets. Amid these established trends, another piece of news caught our attention: the US government’s acquisition of a stake in Intel. Such strategic acquisitions by the US government have happened before, like for example with General Motors in 2008. However, the Intel move is different, firstly because it comes at a time of stock market euphoria, but also because Intel has long been a technology giant that once seemed invincible. Twenty-five years ago, Intel was one of the largest companies in the United States in terms of market capitalization and the second largest component of the Standard & Poor’s index. Today, Intel has a market capitalization of around \$100 billion. To say that Intel has fallen from the top of the rankings would be an understatement! Intel’s current capitalization is worth 2.5% of Nvidia’s one, roughly the equivalent of the daily fluctuation of the AI champion...

This episode involving Intel prompted us to “review” the names of the US companies that once were amongst the top ten biggest listed ones. While Microsoft has maintained its position, we can see that there have been major changes elsewhere. Nine of the current 10 biggest stocks were not in the ranking in 2005 and the 5 biggest companies account for circa 28% of the total market capitalization, a concentration level unheard of.

After a hot summer, during which we saw established trends accelerate, we felt that a little long-term perspective would be useful to dispel the effects of the dizzying political and financial news and approach the new season with serenity, keeping in mind our conviction and diversification based-approach.

T1 : US STOCK MARKET – 10 BIGGEST COMPANIES

	2025		2020		2015		2010		2005		2000
NVIDIA	8,1%	APPLE	6,7%	APPLE	3,6%	EXXON MOBIL	3,1%	EXXON MOBIL	3,3%	GENERAL ELECTRIC	4,3%
MICROSOFT	7,0%	MICROSOFT	5,7%	MICROSOFT	2,1%	APPLE	2,3%	GENERAL ELECTRIC	3,2%	INTEL	3,6%
APPLE	6,3%	AMAZON	5,0%	EXXON MOBIL	1,8%	MISCROSOFT	1,9%	MICROSOFT	2,4%	CISCO SYSTEMS	3,4%
AMAZON	4,0%	META PLATFORMS	2,3%	JOHNSON & JOHNSON	1,5%	PROCTER & GAMBLE	1,8%	CITIGROUP	2,1%	MICROSOFT	2,9%
META PLATFORMS	3,0%	ALPHABET	1,7%	WELLS FARGO	1,5%	GENERAL ELECTRIC	1,7%	PFIZER	1,7%	EXXON MOBIL	2,2%
BROADCOM	2,6%	ALPHABET	1,6%	GENERAL ELECTRIC	1,4%	IBM	1,7%	JOHNSON & JOHNSON	1,7%	PFIZER	2,1%
ALPHABET	2,2%	BERKSHIRE HATHAWAY	1,4%	BERKSHIRE HATHAWAY	1,4%	JOHNSON & JOHNSON	1,7%	BANK OF AMERICA	1,6%	CITIGROUP	1,9%
ALPHABET	1,8%	JOHNSON & JOHNSON	1,4%	JPMORGAN CHASE	1,4%	AT&T	1,6%	INTEL	1,4%	NORTEL NETWORKS	1,9%
TESLA	1,7%	PROCTER & GAMBLE	1,2%	PFIZER	1,2%	CHEVRON	1,6%	AIG	1,4%	ORACLE	1,8%
BERKSHIRE HATHAWAY	1,6%	VISA	1,2%	AT&T	1,1%	JPMORGAN CHASE	1,5%	WALMART	1,4%	WALMART	1,7%
JPMORGAN CHASE	1,5%	HOME DEPOT	1,1%	AMAZON	1,1%	BANK OF AMERICA	1,4%	ALTRIA GROUP	1,3%	IBM	1,6%

Source : Bloomberg, as of Aug. 15th of each year, Alphabet appearing twice to account for A & C share classes.

2. FIXED INCOME

A FIXED INCOME MARKET WITHOUT HAWKS

The doves of Jackson Hole

In the United States, the publication of the CPI and PPI measures reignited the debate on a possible status quo for the Fed in September, before the Jackson Hole symposium revealed a Jerome Powell who was much more dovish than expected. The Fed is slightly modifying its approach when it comes to target inflation, paving the way for likely rate cuts. The markets therefore got what they were hoping for: a little extra boost to continue their race to the top. Duration advocates can now count on two allies. The Fed, which since Jackson Hole has become dovish (or more precisely, has shifted from a moderately restrictive stance to a neutral stance due to the employment situation), and the Treasury Department, which can “twist” when it deems it appropriate to keep long-term rates at acceptable levels. The tide turned at Jackson Hole, sweeping away the last remaining hawks lurking in the vicinity.

A Fed rate cut as early as September could theoretically trigger a sell-off in long-term rates similar to the one we experienced in September-November 2024. But this time around, the Fed and the Treasury will control the slope of the curve.

The desirable and the probable

Inflation remains a concern for us and should prompt the Fed to remain cautious, but the FED does not seem ready to go into that direction. Our scenario, based on an inflation continuing to rise, leads us to favour a status quo for the Fed in the autumn (the desirable outcome), but the pressure on the central bank is so strong that it is highly likely it will crack and cut rates (the probable outcome). It could even do so more aggressively than we imagined: there are three FOMC meetings left in 2025, on 17 September, 29 October and 10 December. So we may be in for three rate cuts between now and the end of the year, i.e. 75 basis points to bring back the rate down to 3.5%-3.75%? As such, a Fed rate cut as early as September could theoretically trigger a sell-off in long-term rates similar to the one we experienced in September-November 2024. But this time around, the Fed and the Treasury will control the slope of the curve.

We already extended the duration of our more institutional portfolios ahead of Jackson Hole through 3- and 5-year TIPS. The second step will be to add nominal rates, probably with a homeopathic dose of long-term bonds, but more likely through 5-year Treasuries, whose yield has stabilised at around 3.80%. There is therefore still time to invest in what increasingly appears to be the sweet spot on the curve at the start of this fall, as the environment appears dominated by the doves who have managed to push back the hawks.

3. EQUITIES

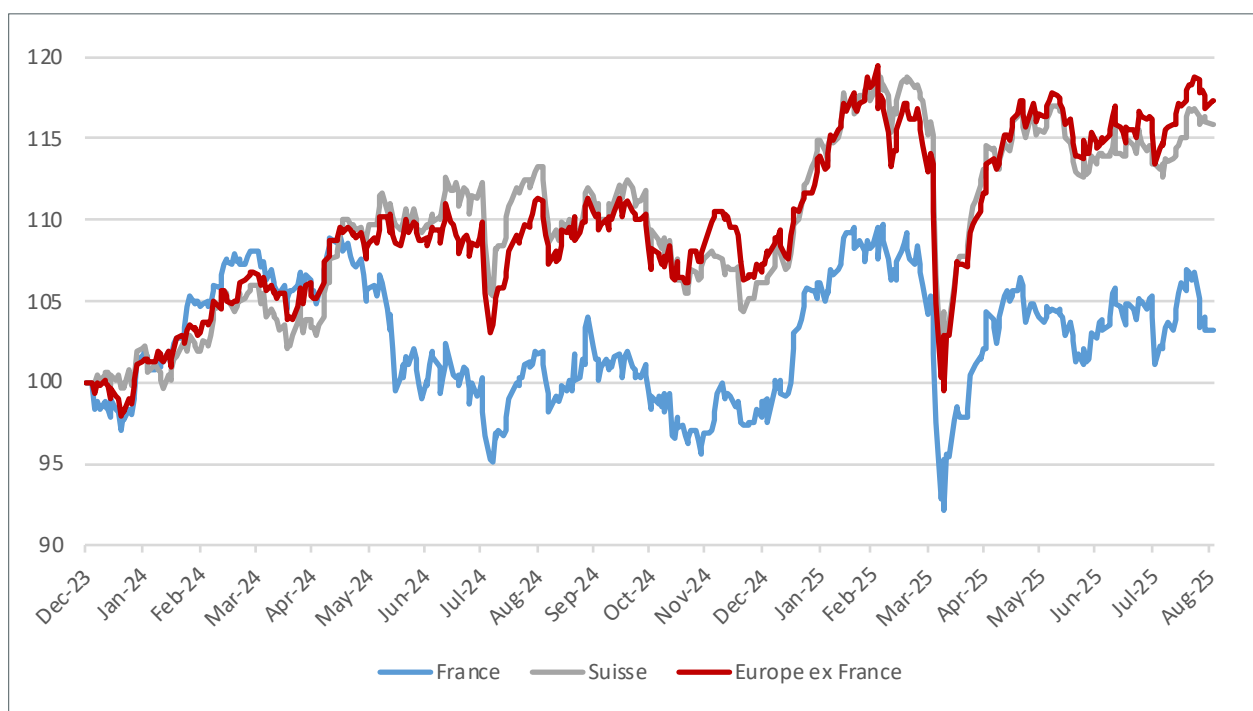
THE GREAT LEAP FORWARD!

Despite a busy geopolitical agenda and a quieter period of corporate earnings, August proved to be quite a good month for global equity markets, with the leading global index gaining just under 2.5% over the month.

With a rise of just under 2%, the S&P 500 index contributed to this trend, confirming that if there is one area where the US exceptionalism continues to prevail, it is on stock markets. Having a closer look, this rise is interesting as it marks the start of a sector and market rotation: the Magnificent Seven (Amazon, Apple, Alphabet, Meta Platforms, Microsoft, Nvidia and Tesla), which fuelled the US market's rebound since April, are taking a seat back and the rally is spreading to the remaining parts of the equity market. The surge of the Rus-

sell 2000, the small- and mid-cap index (+7% over the month), which was notoriously lagging behind large caps, remains the most obvious indication of this rotation. The Fed's more dovish tone and the veiled announcement at the Jackson Hole symposium that the rate cut cycle is on the verge to start again at the next FOMC are not completely unrelated to this rotation and to the rebound in the small and mid-cap segment, as these companies tend to be highly indebted and sensitive to changes in financial conditions. Furthermore, while concerns remain about the ripple effects of the Trump administration's aggressive tariff policy, the quarterly results of some major retailers such as Home Depot have reassured investors about the resilience of US consumers and the ability of US companies to absorb the tariff shock.

G3: PERFORMANCE - FRANCE, SWITZERLAND, EUROPE EXCLUDING FRANCE



Source: Banque Eric Sturdza, Bloomberg, base 100 on 29/12/23

The same skepticism towards US tariff policy seems to apply to Swiss stocks. After humiliating negotiations (reminiscent of Ursula von der Leyen's own visit to Turnberry), in which the Americans showed little regard for their Swiss counterparts, Swiss exports to the United States ended up being taxed at 39%, a record figure among developed countries! However, these customs tariffs should be taken with a pinch of salt, as refined gold (Switzerland is amongst the world largest gold refiners) is outside the tariff scope. This is also true on pharmaceutical products (vaccines, medicines), which account for circa 50% of the Swiss exports, that so far are out of scope as they are subject to a section 232 investigation, whose conclusions should be known in the coming weeks. Beyond the hope of seeing tariffs revised downwards, these factors explain the resilience of the Swiss market in August (+2.3% SPI), which even managed to outperform the European market that was dragged down by the DAX and CAC40 indices. In the first case, a profit-taking phase and a sector rotation similar to these at play in the United States appear to have played a role. For the latter, it is the return of political uncertainty that hit French stocks at the end of the month with the prospect of the Bayrou government being overthrown. The impact was significant for domestic stocks, which are also subject to opportunistic profit-taking after a strong rally at the beginning of the year.

Finally, while everybody was focused on the United States and Donald Trump, either because of the tariff policy, geopolitical issues or Nvidia's results, (which by the way struggled somewhat to convince investors), Chinese domestic stocks (CSI300) strongly accelerated and rose by more than 10%, buoyed by enthusiasm from Chinese retail investors and by technology stocks, while each day brought further evidence of the growing decoupling of Chinese companies from their Western counterparts in areas such as electric vehicles, renewable energy, and increasingly in semiconductors.

In this particular environment and with less favourable seasonality, we have chosen to remain relatively consistent in our investment choices: more cautious in general on the equity asset class and diversified in our geographical choices, whether with a strong focus on Asia or within the European market beyond French stocks.

5. PERFORMANCE

EQUITIES	29.08.25	CURRENT	1 M	3M	6M	YTD	2024	2023	2022	2021	2020
WORLD	MSCI WORLD	4 178	2,5%	8,1%	9,8%	12,7%	17,0%	24,4%	-17,7%	22,4%	16,5%
	MSCI EAFE	2 722	4,1%	4,7%	12,4%	20,4%	1,1%	15,0%	-16,8%	8,8%	5,4%
	MSCI WORLD GROWTH	6 473	1,7%	8,8%	12,6%	12,2%	25,1%	37,3%	-29,0%	21,4%	34,2%
	MSCI WORLD VALUE	4 158	3,4%	7,4%	6,9%	13,1%	9,0%	12,4%	-5,8%	22,8%	-0,3%
US	DOW JONES	45 545	3,2%	7,7%	3,9%	7,1%	12,9%	16,2%	-6,9%	20,9%	9,7%
	S&P 500	6 460	1,9%	9,3%	8,5%	9,8%	23,3%	26,3%	-18,1%	28,7%	18,4%
	S&P500 EW	7 625	2,5%	6,8%	4,7%	7,4%	10,9%	13,8%	-11,5%	29,6%	12,8%
	NASDAQ 100	23 415	0,8%	9,7%	12,1%	11,4%	24,9%	55,1%	-32,4%	27,5%	48,9%
	RUSSELL 2000	2 366	7,0%	14,5%	9,4%	6,1%	10,0%	16,9%	-20,5%	14,8%	19,9%
EUROPE	STOXX 600	550	0,7%	0,3%	-1,3%	8,4%	6,0%	16,6%	-9,9%	25,8%	-1,4%
	FTSE 100	9 187	0,6%	4,7%	4,3%	12,4%	5,7%	7,7%	4,6%	18,4%	-11,4%
	CAC 40	7 704	-0,9%	-0,6%	-5,0%	4,4%	-2,2%	20,1%	-6,7%	31,9%	-5,0%
	DAX	23 902	-0,7%	-0,4%	6,0%	20,1%	18,8%	20,3%	-12,3%	15,8%	3,5%
ASIA	SPI SWISS	16 908	2,3%	0,3%	-1,4%	9,3%	6,2%	6,1%	-16,5%	23,4%	3,8%
	MSCI EM	1 258	1,2%	8,7%	14,7%	17,0%	5,1%	10,2%	-19,8%	-2,3%	18,8%
	TOPIX	3 075	4,5%	9,8%	14,7%	10,4%	17,7%	28,3%	-2,5%	12,8%	7,4%
	HANG SENG	25 078	1,2%	7,7%	9,3%	25,0%	17,7%	-10,5%	-12,6%	-11,8%	-0,2%
	CSI 300	4 497	10,3%	17,1%	15,6%	14,3%	14,7%	-9,1%	-19,8%	-3,5%	29,9%
FX & COMMODITIES	29.08.25	CURRENT	1 M	3M	6M	YTD	2024	2023	2022	2021	2020
CURRENCIES	EUR-USD	1,169	2,4%	3,0%	12,6%	12,9%	-6,2%	3,1%	-5,9%	-6,9%	8,9%
	EUR-CHF	0,936	0,9%	0,2%	-0,2%	-0,5%	1,2%	-6,1%	-4,6%	-4,0%	-0,4%
	USD-CHF	0,801	-1,5%	-2,7%	-11,4%	-11,8%	7,8%	-9,0%	1,3%	3,1%	-8,4%
	USD-JPY	147,1	-2,5%	2,1%	-2,4%	-6,5%	11,5%	10,5%	13,9%	11,5%	-4,9%
	USD INDEX	97,77	-2,2%	-1,6%	-9,1%	-9,9%	7,1%	-2,1%	8,2%	7,0%	-7,3%
COMMODITIES	Gold	3447,95	4,8%	4,8%	20,6%	31,4%	27,2%	13,1%	-0,3%	-4,2%	25,0%
	Silver	39,72	8,2%	20,4%	27,5%	37,4%	21,5%	-0,7%	2,8%	-13,6%	48,7%
	WTI Crude Oil	64,01	-7,6%	5,3%	-8,2%	-10,8%	0,1%	-10,7%	6,7%	59,1%	-21,5%
	Natural Gas	3,00	-3,5%	-13,1%	-21,8%	-17,5%	44,5%	-43,8%	20,0%	46,9%	16,0%
	Copper	9821,74	2,7%	2,9%	5,2%	13,5%	2,2%	0,9%	-14,1%	25,7%	26,0%
FIXED INCOME	29.08.25	CURRENT	1 M	3M	6M	YTD	2024	2023	2022	2021	2020
RATES	US 10 year gvt	4,23	(0,15)	(0,17)	0,02	(0,34)	69 bps	0 bps	237 bps	60 bps	-100 bps
	German 10 year gvt	2,72	0,03	0,22	0,32	0,36	34 bps	-54bps	275 bps	39 bps	-38 bps
BONDS	Global Aggregate USD hdg.	599,3	0,5%	1,4%	1,7%	3,3%	3,4%	7,1%	-11,2%	-1,4%	5,6%
	US Treasuries	2392,8	1,1%	1,9%	1,7%	4,5%	0,6%	4,1%	-12,5%	-2,3%	8,0%
	US TIPS	370,5	1,5%	2,6%	2,8%	6,4%	1,8%	3,9%	-11,9%	6,0%	11,0%
	US IG Corporates	3463,7	1,0%	3,0%	2,6%	5,3%	2,1%	8,5%	-15,8%	-1,0%	9,9%
	US High Yield	2853,6	1,2%	3,6%	4,2%	6,4%	8,2%	13,4%	-11,2%	5,3%	7,1%
	Euro Government	243,2	-0,4%	-0,8%	-0,5%	0,0%	2,0%	7,1%	-18,2%	-3,4%	4,7%
	Euro IG Corporates	264,1	0,0%	0,8%	1,3%	2,4%	4,7%	8,2%	-13,6%	-1,0%	2,8%
	Euro High Yield	496,9	0,3%	1,6%	2,0%	3,7%	9,1%	12,8%	-11,1%	4,2%	1,8%
	EM USD Aggregate	1339,5	1,3%	4,2%	4,5%	7,3%	6,6%	9,1%	-15,3%	-1,7%	6,5%

Source : Bloomberg, 29/08/25

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