

Dear readers,

April was a positive month for the stock markets despite fresh concerns about the health of US regional banks. These banks play an important role in financing companies, SMEs in particular.

The fate of First Republic Bank, the third regional bank in the US to be rescued, now lies in the hands of JP Morgan, which bought it at a bargain.

It is to be hoped that the bleeding stops there. A cascade of similar bank defaults would create shock waves for the US credit market and in turn for the economy, already on a slight slowdown.

The main bond indices showed no movement in April and are heavily dependent on inflation expectations and interest rates.

So far, first quarter earnings publications in both the US and Europe have broadly been higher than expected.

Despite tension on energy prices in recent months, employment and household consumption data showed good resilience.

Nonetheless, growth is expected to decline and a sharper slowdown or even a temporary recession in the United States would not come as a surprise.

Inflation figures are not falling as fast as the major central banks had hoped.

The geopolitical situation (particularly the Russian-Ukrainian conflict) remains tense but has had no major influence on the markets so far.

I would like to take this opportunity to broach two paradoxes:

- in order to sustainably bring inflation back to a level that is considered ideal (around 2% per year), it may be necessary to endure a sharp economic slowdown, if not a recession, to avoid entering into an inflationary spiral. This would inevitably lead to a momentary deterioration in the labour market (redundancies allow companies to reduce their costs and maintain or restore profit margins without increasing their selling prices, and ideally to reduce said prices).
As a precaution, consumers would reduce their spending and thereby enable prices to fall across the board.
Central banks would then be able to start lowering interest rates, which would favour investments and allow the economy to rebound...
- the most closely followed index representing US equities as a whole is the S&P 500.
It is made up of the 500 largest capitalisations in the US.
In recent years, the weight of the largest companies in this index has grown to a very high level.
The top 25 companies in this index alone account for more than 50% of its total capitalisation.
The top 5 (Apple, Microsoft, Alphabet, Amazon and Meta) account for 22.9% of the total value of the index.
Paradoxically, this index is becoming less and less diversified as it is highly dependent on the stock market performance of a few large companies, technology companies in particular.
To avoid this lack of diversification, investors can opt for an S&P 500 "equal weight" index in which each share represents 1/500th of the index.
This year, the "equal weight" index rose by just under 3%, while it gives a less truncated image of the US economy as a whole.



At Createrra Finance, to ensure sound management, we have also made sure to spread the risks. This explains in large part why most professionals lag behind the major stock market indices over the first four months of the year.

But the year is far from over...

Main markets in 2023

	April 2023	from 01/01 to 30/04/2023
Euro Stoxx 50	+1.03%	+14.91%
S&P 500	+1.46%	+8.59%
BEL 20	+0.23%	+2.72%
MSCI WORLD	+1.59%	+8.96%
Nikkei 225	+2.91%	+10.58%
Hang Seng, Hong Kong	-2.48%	+0.57%

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