

Dear readers,

The end of the first quarter of the year was marked by a crisis of confidence in banks, caused by sharp rises in interest rates since the beginning of 2022. One of the indirect victims was Credit Suisse, bought out in a panic by UBS. In early May, US bank JPMorgan Chase, the world's largest market capitalisation in the sector, agreed to buy First Republic, the latest victim of soaring interest rates. The collapse of First Republic was the second-largest US bank failure after Washington Mutual in 2008, but most notably the fourth in just two months. Fortunately, as the weeks went by, the crisis of confidence in the banking sector subsided. The banking sector is currently in a stronger position than in 2008.

Most stock markets continued their upward trend during the second quarter, with significant rises in the US S&P500 and Nasdaq indices. The rise in these two US indices was made possible above all by the very strong outperformance of Big Tech, which accounts for nearly a third of the S&P500. The "Magnificent Seven" (Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, Nvidia and Tesla) have all posted year-to-date gains in excess of 35%, skewing the New York stock market picture. Without the latter, boosted by Artificial Intelligence, indices would be more or less unchanged. Other less tech-weighted stock markets performed much worse. For example, the US Dow Jones index is up 3.8% this year, while the Belgian Bel20 index is down 4.3%.

Other victims of this pressure on interest rates are listed real estate stocks, which are clearly suffering this year. The FTSE Developed Europe Real Estate (ex UK) index is down 9.6% year-to-date. As for physical real estate, the European Central Bank (ECB) pointed out in its Financial Stability Report at the end of May that this asset class was currently undergoing a correction. In residential markets, price rises have eased considerably in recent months, reducing the sector's overvaluation.

On the central bank front, at the beginning of May, the US Federal Reserve (Fed) raised rates by 0.25% for the third time this year, bringing them to 5.25% for the first time since 2007. In mid-June, the Fed finally paused. It decided to adopt a wait-and-see attitude for the first time since January 2022. However, it is still considering two rate hikes between now and the end of the year.

In Europe, the ECB followed the Fed in early May by announcing a 0.25% hike in its key rates. This was the smallest hike since the start of its monetary tightening cycle in July 2022. The ECB had previously opted for hikes of between 0.5% and 0.75%. In mid-June, unlike the Fed, the ECB did not pause and once again raised its interest rates by 0.25%. Further rate hikes are justified by rising inflation expectations in Europe. The rise took European rates to 3.5%, the highest level since 2001. Since July 2022, we have seen 8 rate hikes (+4%). ECB President Christine Lagarde also added that a further rate hike was highly likely in July.

In Europe, however, the economic slowdown is well and truly underway. Germany has even been in a technical recession (2 consecutive quarters in contraction). Inflation is falling as a result of better supply, but also weaker demand.

The superb resilience of stock markets this year, particularly for big tech stocks and luxury goods leaders, has surprised more than one professional investor by its sheer scale.

The health of the economy is better than expected in the United States, but more sluggish in Europe. In this context, we remain invested in equities in a balanced manner while ensuring that risks are limited.



In terms of currencies, the US dollar fell slightly during the first half of the year. It ended the first 6 months of the year with a fall of 1.9% against the euro. Gold remains at a high level, rising by 5.2% in 2023. Oil fell by 12% in the first half of the year as a result of the economic slowdown.

Main markets in 2023

	2023 Q2	2023 YTD
EURO STOXX 50	+1,95%	+15,96%
STOXX Europe 600	+0,89%	+8,72%
CAC 40 (Paris)	+1,06%	+14,31%
BEL 20 (Bruxelles)	-6,59%	-4,27%
S&P 500 (New York)	+8,30%	+15,91%
NASDAQ 100 (New York)	+15,16%	+38,75%
Dow Jones Industrial Average	+3,41%	+3,80%
NIKKEI 225 (Tokyo)	+18,36%	+27,19%
MSCI Emerging Markets	-0,08%	+3,46%
FTSE Developed Europe ex UK Real Estate	-2,51%	-9,61%

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