CREATERRA
FINANCE

Market insight

September 2023

Dear readers,

After an upbeat performance in July, the stock markets followed a resolutely downward trend over the following weeks. We thus saw the main markets slump by more than 5% since the beginning of August – their worst quarter for a year. The main issue weighing on market sentiment was concerns about interest rates.

At the end of July, as expected the US Federal Reserve (Fed) raised rates by 0.25% for the fourth time this year, to 5.5%. The US benchmark rate since has not been this high since March 2001. While the Fed put rate hikes on hold at its mid-September meeting, it hinted at an additional 0.25% hike by the end of the year and said that interest rates could remain high slightly longer than previously announced over the next two years to bring inflation back into check. It does not expect inflation to return to its 2% target until 2026. Investors, who were hoping for an imminent end to rate hikes, did not take the announcement well.

For its part, the European Central Bank (ECB) also announced a 0.25% increase in its key rates at the end of July, before raising them by a further 0.25% in mid-September. This brought the deposit facility rate up to 4%, a level unseen since the euro was introduced in 1999. This latest increase in eurozone key interest rates is the tenth in a row, in a cycle which has seen European benchmark rates raised by a total of 4.5%. In the history of the eurozone, monetary conditions have never been tightened so much in such a short space of time. Although the ECB has implied that rates have probably peaked, it is not certain that this will be the last hike.

The determination of banks to throttle inflation by keeping rates high longer caused a further flare-up in European and US yields in recent weeks. This spike in interest rates once again automatically sent growth stocks and debt-financed real estate companies tumbling.

On the US debt market, in early August financial rating agency Fitch downgraded the US credit rating by one notch, from AAA to AA+. This unexpected move – the first since 2011 – caught investors unawares. The agency said its decision was justified by the “repeated debt-limit political standoffs and last-minute resolutions [that] have eroded confidence in fiscal management.” This downgrade was another factor driving bond yields higher.

As far as currencies are concerned, the US dollar recovered in the third quarter and returned to positive territory over the year, having put on 1.2% against the euro in 2023. Despite a slight dip in the third quarter, gold remains at a high level, having risen by 1.4% so far this year. As for oil, it rose sharply in the third quarter (more than 25%), for a total gain of 13.1% since the beginning of 2023. The sharp rise in oil prices since July is due to tighter market supply following OPEC+ production cuts. An unfortunate consequence of this oil price rally is the revival of fears of persistently high inflation.

Interest rates, which are set to remain high for longer than expected, as well as the rise in oil prices, lead us to maintain a somewhat conservative stance on the markets for the time being.

Performance of main markets in 2023

	2023 Q3	2023 YTD
EURO STOXX 50	-5,10%	+10,04%
STOXX Europe 600	-2,54%	+5,96%
CAC 40 (Paris)	-3,58%	+10,22%
BEL 20 (Bruxelles)	+0,28%	-4,00%
S&P 500 (New York)	-3,65%	+11,68%
NASDAQ 100 (New York)	-3,06%	+34,51%
Dow Jones Industrial Average	-2,62%	+1,09%
NIKKEI 225 (Tokyo)	-4,01%	+22,09%
MSCI Emerging Markets	-3,71%	-0,38%
FTSE Developed Europe ex UK Real Estate	+5,93%	-4,25%

Charles BOK
Chief Executive Officer

Fabien PLANCQ
Senior Wealth Manager