Dear readers,

I hope you are doing well.

The financial markets fell in October for a third consecutive month – and started to rebound at the very end of the month.
The levels previously reached on the major indices were justified in the eyes of some and excessive for other, more cautious investors.
As I have explained previously, the seemingly excellent performance of the major stock markets becomes more nuanced if we start to look at the details.
The tech giants have driven the indices up, masking a much more modest move in most other sectors.
Industrials, consumer goods (defensive stocks) and especially listed real estate have far from excelled themselves on the markets.
By way of illustration, the S&P 500 Equal Weight Index, which represents the 500 largest US companies based not on capitalisation but equal shares, has given up more than 3% since the beginning of the year.
Luxury stars – LVMH, for instance – have suffered temporarily from the slump in certain markets such as China.
So let's try to understand the environment we are in right now.

Interest rates on both sides of the Atlantic have risen to multi-decade highs as the fight against inflation continues.
And while the negative effects of rising rates have been relatively muted thus far, some analysts expect consumption to decline and residential real estate to deteriorate in the near future.
China has not returned to its pre-covid growth level and there are concerns in financial circles about the lamentable state of its real estate sector.
The upsurge in tension in the Middle East has temporarily weighed on markets, although as yet oil prices have not risen out of control as expected.
The third-quarter earnings published by listed companies and management expectations for the months ahead were mixed but generally better than expected.

What surprises us a little in the current environment is the seeming level of calm prevailing on the markets.
Fears of the perverse effects of rising interest rates, the deterioration of the Middle East situation, the US-China trade war, etc. have not dampened the overall positive sentiment.
It is true that the US economy has remained (incredibly) upbeat thus far, while at the same time inflation figures are improving. This allowed the Fed to leave its key rates unchanged until further notice.

We were taught at university that to keep inflation under control over the long term you need to slow the economy down, and that this necessarily leads to a temporary dampening of the labour market. This is absolutely not the case today – so what is the explanation?

We are waiting for clearer signals to bump up our equity exposure again.

Performance of main markets in 2023

	October 2023	from 1 January to 31 October 2023
Euro Stoxx 50	-2.72%	+7.05%
Stoxx Europe 600	-3.68%	+2.06%
S&P 500	-2.20%	+9.23%
S&P 500 Equal Weight	-4.18%	-3.92%
BEL 20	-5.52%	-9.31%
MSCI WORLD	-2.97%	+6.38%
Nikkei 225	-3.14%	+18.26%
Hang Seng (Hong Kong)	-3.91%	-13.49%

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