

Dear customers/readers,

In July, the global economy and financial markets experienced significant changes. In the United States, the slowdown in inflation fuelled speculation that the Federal Reserve could soon cut interest rates. This possibility was raised by Chairman Jerome Powell, who suggested that a cut could be on the table as early as September. At the end of July, the Fed decided to keep its rates at their current highs, but positive economic indicators point to a change in monetary policy in the near future. This situation led to significant rotation of investments in the equity markets, with a marked shift away from technology stocks (particularly the “Magnificent Seven”) towards small caps and defensive stocks. The Nasdaq fell by nearly 1%.

In Europe, the economic situation is more worrying. Purchasing managers’ indices (PMIs) show a slowdown in both the manufacturing and services sectors, while industrial production continues to decline. On the other hand, markets that are less focused on technology benefited from the sector rotation mentioned above. For example, the Stoxx 600 gained 1.3% last month.

Asian markets suffered, mainly due to concerns over Chinese growth and geopolitical tensions, which particularly affected technology stocks such as semiconductors. China, for its part, has taken unexpected stimulus measures by cutting interest rates to counteract an economic slowdown. This initiative aims to stimulate growth against a backdrop of weakened domestic and foreign demand.

On the political front, there were a number of significant developments. In the United States, President Joe Biden’s withdrawal from the re-election race was a major turning point, clearing the way for Vice President Kamala Harris. In France, the left-wing group the New Popular Front won an unexpected victory in the second round. In the United Kingdom, the centre-left Labour Party achieved a landslide victory, redefining the British political landscape. Another landmark event was the death of Hamas political leader Ismail Haniyeh, raising fears of a potential escalation of the conflict in the Middle East.

At the same time, several economic sectors were affected. In Europe, the luxury goods sector, automotive industry and airlines experienced difficulties due to a fall in consumption in the United States, China and even Europe. This period was also characterised by greater caution among financial operators, who adopted more defensive positions. This shift marked a turning point in the equity markets. The question is whether or not this turning point will be long-lasting. A correction in technology stocks is clearly healthy in the current environment. They had probably risen a little too high and too fast this year. However, we are not worried about this sector in the long term.

August began on a rather tense note due to an increase in the US unemployment rate, raising fears of a recession among more pessimistic observers.

At this stage, unless the situation in the Middle East deteriorates dramatically, this market downturn – possibly healthy and temporary – could offer entry points at more attractive levels.

At the time of writing, it is far too early to confirm this.



Performance of the main markets in 2024

	July 2024	1 January to 31 July 2024
Euro Stoxx 50	-0.43%	+7.77%
Stoxx Europe 600	+1.32%	+8.18%
S&P 500	+1.13%	+15.78%
S&P 500 Equal Weight	+4.46%	+8.75%
BEL 20	+6.25%	+11.39%
MSCI WORLD	+1.70%	+12.70%
Nikkei 225	-1.22%	+16.85%
Hang Seng (Hong Kong)	-2.11%	+1.74%

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