CREATERRA
FINANCE

Panta Rhei

Nothing is permanent except change

« The only things one never regrets are one's mistakes. »
Oscar Wilde (1854–1900), Irish writer, novelist, playwright and poet.

Charles BOK
Chief Executive Officer

Dear clients, friends and readers,

As we start the summer season - which I hope is a pleasant one for you - I wanted to share my personal thoughts on the resilience of the financial markets.

Leaving aside the significant decline of the US dollar against most other currencies, most markets have performed well since the beginning of the year.

And we aren't going to complain about that! Or are we?

It is quite simple to make a list of the risks likely to have a negative impact on the stock market. What with the harmful effects of the trade war on major economies—impacting both economic growth and the authorities' control over inflation—the dramatic increase in US debt, particularly to fund further tax cuts in the United States, the weakening of the dollar sought by Donald Trump and his team, and the geopolitical tensions in Ukraine and the Middle East, there is no shortage of reasons to wonder about investors' sanity!

Clearly, I am deliberately exaggerating with a particular idea in mind.

As finance professionals, we always keep in mind that the market is always right (even when it is wrong!). But how can we explain such apparent serenity among investors in the current context?

That's when we realise that things are not as simple as they look.

Resilience partly explains the level of investor confidence, despite the clouds above their heads.

Having seen how quickly markets recover after a correction, it is tempting to take advantage of temporary downturns to invest and to focus on the longer term to remain calm. Even after the major stock market crashes of the past 50 years, it has generally only taken a few months for the markets to recover their latent losses (which are, of course, virtual until they are realised).

Investors probably haven't lost their marbles, even though they give the impression of downplaying negative signals—much like in the song referenced in the title of this article.

At Createrra Finance, we are driven by the ambition and determination to believe that a thorough interpretation and analysis of events and their consequences enables us to refine our investment strategy.

From a long-term perspective, it may be stating the obvious, but a well-designed, rational portfolio will ultimately prove profitable.

We are redoubling our efforts to minimise temporary downturns and to play an active role in market upswings.

It would be risky to make you believe that we do not care much about variations in the portfolios we manage, relying on the fact that we can reassure you that after five or six years, the expected results would be achieved.

In designing our business, we must not only strive to deliver long-term profitability that meets our customers' expectations, but also navigate as effectively as possible when the seas are rough. To achieve this, we must be passionate about our work—because it is easier said than done—but customer satisfaction and a job well done motivate and reward us when we succeed.

We are therefore not going to complain if investors are overall calm about the stock markets, even if temporary corrections can never be ruled out.

I wish you all an excellent summer!

In this edition:

Economy - Markets - Strategy : trends

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The second quarter of 2025 was once again marked by US President Donald Trump's ubiquitous media and economic presence. On 2 April, the announcement of a widespread increase in US tariffs sent shockwaves through global markets. These measures, explicitly aimed at reducing the US trade deficit, have mainly fuelled a climate of global trade instability. This clear return to protectionism recalled the practices of the early twentieth century, and sparked considerable uncertainty among economic players.

In concrete terms, the United States introduced minimum tariffs of 10% on all imports, with specific surtaxes, particularly on China (up to 145%). This announcement led to a sharp fall in the markets at the beginning of April, before a rebound in mid-April driven by investors looking for bargains. In early May, Trump reversed course, announcing a 90-day pause on tariffs in excess of 10% to negotiate new trade deals. An agreement was quickly reached with the UK. Subsequently, at the whim of his moods, he once again raised the threat of additional tariffs, including a 50% tax on European products, before backing down once more.

In Ukraine, talks are stagnating amid declining US support. In the Middle East, Israel's surprise attack on Iran in mid-June triggered a rise in oil prices and a temporary fall in the markets. The subsequent US bombing of Iran's nuclear power plants, however, did not lastingly worry investors or cause a persistent spike in oil prices. Despite contradictory announcements, Trump's verbal aggressiveness and geopolitical instability, stock markets have shown surprising resilience. Investors now seem to be better factoring in the US president's unpredictable behaviour and international uncertainties. The announcement of a ceasefire between Israel and Iran also provided additional support to the markets.

The European Central Bank (ECB) continued to ease its monetary policy, cutting its deposit rates twice by 0.25% to 2%, their lowest level since early 2023. However, Christine Lagarde, President of the ECB, stated that this downward cycle was probably coming to an end, as inflation was considered to be under control and is close to the 2% target. In the United States, the Federal Reserve (Fed) left its interest rates unchanged at between 4.25% and 4.5% (stable since December 2024), maintaining a restrictive stance in the face of still worrying inflation, fuelled in part by the prolonged trade war and geopolitical tensions in the Middle East. These factors add to fears of a spike in prices, particularly in the energy and imported goods sectors. However, the Fed expects two rate cuts by the end of 2025, but only one in 2026.

Although the US markets fared better in the second quarter, the European financial markets have outperformed their US counterparts this year. This is due to a more favourable perception of European policy initiatives, including increased investment in defence and infrastructure.

In commodities, gold maintained its safe haven role in this uncertain climate, though it rose by less than in the first quarter (+25.9% since the beginning of the year). Oil prices were very volatile, fuelled by growing geopolitical tensions and fears about global demand (-9.4% in 2025). The dollar continued to fall (-13.8% since January 1), weakened by the uncertainties surrounding Trump's trade and fiscal policy.

The coming months look set to be uncertain. In the United States, tariffs could fuel upward pressure on prices.

However, we cannot rule out the possibility that the trade negotiations will eventually lead to "deals" that are favourable to the United States and acceptable to its main partners

In this context, we are maintaining our current level of exposure to risky assets for the time being.

As far as possible, we are limiting unhedged exposure to the dollar in our portfolios to 15%. Fears of a trade war, together with the US government's openly stated intention to see its currency weaken further, make the dollar's short-term outlook uncertain.

Recommended asset allocation for a MEDIUM risk investor in EUR

Asset allocation		Currency exposure	
Total individual equities and equity funds (including real estate)	**46%**	**EUR**	**85%**
European equities	23%	**USD**	**12%**
US equities	20%	**Other**	**3%**
Emerging market and Japanese equities	3%		
Bonds and bond funds	**35%**		
AIFs	**8%**		
Miscellaneous (gold and other commodities)	**5%**		
Cash and money market funds	**6%**		
	100 %		**100 %**

Guidelines for our in-house policy. For many reasons, differences, sometimes substantial, may exist between different portfolios.
Drafting completed on 01/07/2025

Indexes

EQUITIES	2025 YTD
EURO STOXX 50	8,32%
STOXX Europe 600	6,65%
BEL 20	4,96%
S&P 500	5,50%
S&P 500 Equal Weight	3,83%
NASDAQ 100	7,93%
NIKKEI 225	1,49%
HANG SENG	20,00%
MSCI EMERGING	13,70%
MSCI WORLD	8,59%

COMMODITIES (in USD)	Gold	Oil (BRENT)	Bloomberg Agriculture
As at 31/12/24	2.624,50	74,64	57,01
As at 30/06/25	3.303,14	67,61	54,64
%	25,86%	-9,42%	-4,15%

BONDS	2025 YTD
Bloomberg Barclays Euro Aggregate Total Return Index	0,84%
Bloomberg Barclays US Aggregate Total Return Index	4,02%
Bloomberg Barclays EM USD Aggregate Total Return Index	4,94%

CURRENCIES	USD	GBP	CHF	JPY
As at 31/12/24	1,0354	0,8275	0,9401	162,7800
As at 30/06/25	1,1787	0,8583	0,9348	169,7800
%	-13,84%	-3,73%	0,56%	-4,30%

Investment school: oil and its impact on inflation.

Eric DEWAELHEYNS

Senior Wealth Manager

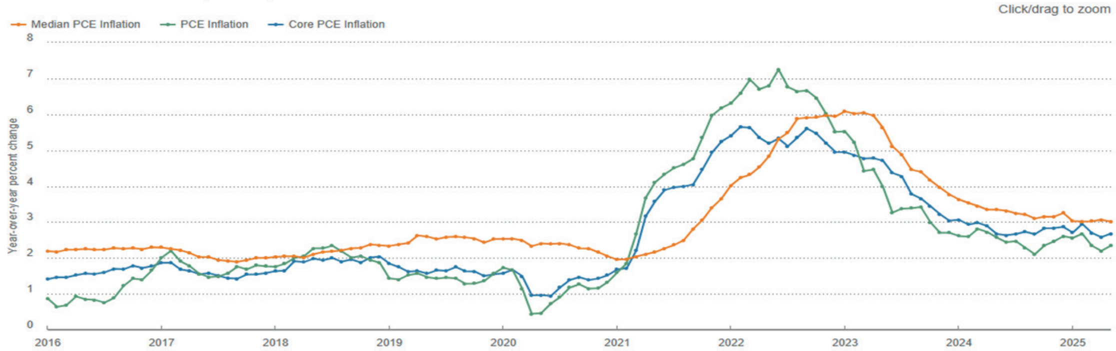
Oil has returned to the spotlight due to recent geopolitical events (Israel-Iran conflict).

It is estimated that the direct and indirect impact (including transport, etc.) of oil prices on the **PCE** (Personal Consumption Expenditures price index – a key leading indicator monitored by the Fed) is around **10%**; the figure is broadly similar in the **CPI** (Consumer Price Index, another indicator used to track inflation).

of the **Strait of Hormuz**, through which at least a fifth of the world's oil production passes (and a similar proportion of global LNG flows as well).

Iran's repeated threats to close the strait have so far had no effect—and for good reason: such a move would be self-defeating for Iran, and China would certainly not allow it, as almost all (90%) of Iranian oil production is transported to China via this strategic passage (accounting for 10% of China's oil consumption). It is immediately clear that the balance of power is heavily skewed and that rumours of a shutdown are more of a tactic to keep prices high and replenish Iranian coffers than a genuine threat, except as a last resort (...).

Median Personal Consumption Expenditures Inflation



Source: Bureau of Economic Analysis, Federal Reserve Bank of Cleveland, Haver Analytics

Before this conflict, oil had technically speaking been on a downward trend for the past three years.

Eight countries had also pledged to increase production: Saudi Arabia, Russia, Iraq, the United Arab Emirates, Kuwait, Kazakhstan, Algeria and Oman.

This strategic positioning of OPEC+ (enlarged OPEC, representing around 40% of global production) and the announcement of increases in crude production of 411,000 units per day in July, i.e. the same figure as in May and June, **fuelled this downward trend**... Moreover, the net positioning of institutional investors confirms that traders were not expecting a massive rebound in oil prices and a break in the downward trend.

Not to mention the **major geopolitical events** that have shaken the region, and in particular the strategic position

As a result, following the US strikes and Iran's measured response, oil prices plummeted, returning to pre-conflict levels, as investors were reassured.

Conclusion

If oil prices were to remain consistently within this range (below the average of the past three years), this would continue to be a positive factor in helping to offset some of the anticipated inflationary effects of tariffs, the (negative) impact of which is beginning to be felt. In contrast, a prolonged closure of the Strait would be catastrophic both locally and for the global economy, causing an additional headache for the Fed (surge in oil prices, inflation, stagflation, etc.), though this scenario is not currently being priced in by the market.

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