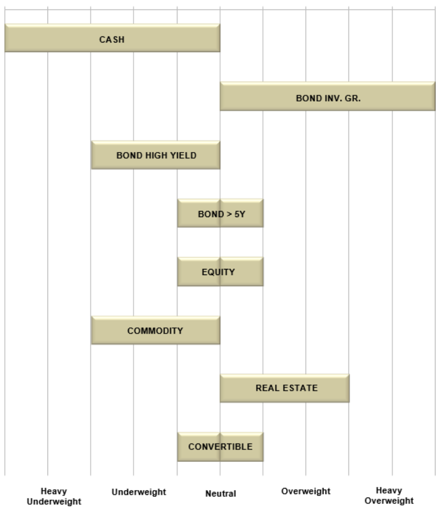
Sustained global economic growth

The global economy remains robust, thanks in particular to American and Chinese public investments. This environment supports the growth of corporate profits, while indirectly hindering a fall in inflation towards the levels desired by the main central banks of developed countries, primarily the Federal Reserve.
Added to this are the numerous geopolitical tensions that have driven raw material prices upwards. Interest rates have started to rise again as a result. However, the situation remains generally favourable for investments, albeit with limited market potential.

ASSET ALLOCATION



- We keep the percentage of **CASH** in accounts low, having invested the portfolios in short-term bonds or money market funds.
- The rate increases made by the central banks in the last two years have made investing in **GOVERNMENT** and **CORPORATE INVESTMENT-GRADE BONDS** very interesting. However, we remain moderately underweight on duration.
- We prefer to avoid significant exposures to the **HIGH-YIELD BONDS** sector, which is currently characterised by a limited level of credit spreads, compared to historical standards.
- For **STOCKS,** we note a stable environment. However, after the rises in recent months, we anticipate a "lateral" trend.
- **COMMODITIES** are supported by public and private investments. Even so, we remain cautious about high valuations and positioning given the recent increases, which are also linked to geopolitical factors.
- We are fairly positive regarding Swiss **REAL ESTATE** in view of the strong fundamentals of the sector (supply and demand for real estate) and the current level of interest rates, which makes the sector interesting as an investment vehicle.
- **CONVERTIBLE BONDS** remain a valid means of exposure to the equities market, with greater downside protection.

MACRO VIEW

Manufacturing activity in the United States shows growth for the first time in several months and is gaining momentum, leading to expectations of further economic growth.
At an aggregate level, the manufacturing economic activity of the Eurozone does not confirm the improvements of recent months: the growth seen in Italy and Spain was not sufficient to balance out the contraction seen in France and Germany.
However, the medium-term trend is positive. Optimism about future production and consumer confidence are growing, reaching the highest levels in almost a year.
In Switzerland, we witnessed an initial rate cut by the SNB, due to inflation falling below its target level. Economic activity remains modest on account of the stabilisation of the manufacturing sector, in view of low domestic activity.

BPS (SUISSE)
Asset Management Service

FIXED INCOME

At the beginning of the year, we ended our exposure to the American curve, judging the rate cuts set by the market to be excessive, in view of a stable economy, supported by strong public investments. Instead, we increased the duration on domestic curves (CHF and EUR) which were much more stable, considering the progressively decreasing inflation data. However, we remain moderately underweight on duration, with flat or inverted curves. Finally, as valuations had once again become interesting, we included inflation-linked bonds in the portfolios given the possibility that the central banks may take a less aggressive stance in the fight against inflation.

FX VIEW

Our view on the dollar remains neutral: the currency is supported by the carry yield, yet it is weakened by the favourable climate on the stock markets.
In the short term, the Swiss franc should continue to weaken against the Euro, while in the medium term, the fundamentals that support the franc seem destined to re-emerge.
Finally, in the first quarter of the year, the BoJ concluded the "Yield Curve Control" policy and raised rates to zero, thus taking the first steps towards normalisation. The yen could therefore be a purchasing opportunity in the medium/long term.

EQUITY MARKETS

The stock markets have been supported by a resilient economy (especially that of the US) and by central banks that can intervene but, at this moment, can afford the luxury of not being in a hurry to act.
We remain moderately positive on stock markets, as several macro indicators (such as PMIs) signal an economic recovery. However, we maintain a "neutral" positioning, as much of this positivity already seems to be accounted for in current valuations. Furthermore, after several positive months and many indices near all-time highs, we are reluctant to see any further significant upside potential.

Publisher

Banca Popolare di Sondrio (Suisse) SA
Asset Management Service
Via Maggio 1
CH-6900 Lugano
Tel. +4158 855 31 00

Call centre 00800 800 767 76
InvestmentAdvisory@bps-suisse.ch
www.bps-suisse.ch

Published: May 2024