

MARKET OVERVIEW

OCTOBER 2024



Photo by François Wittmer - Bisse de Clavau - VS

NEWS OCTOBER 2024



HOUSE WARMING PARTY AT MFM

Meeting our neighbors

A house warming party was organised on September 26th to celebrate our move into the new offices. It was the perfect opportunity to meet and connect with our neighbors in the building.

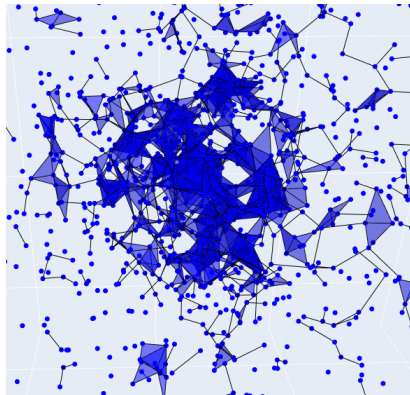
We are excited for our client lounges to be finished so we can welcome our customers into warm and inviting spaces.

DID YOU KNOW?

Christophe Beney, quantitative researcher in the investment team, uses topological tools to analyze the behavior of assets in our investment strategies.

Topology is a branch of mathematics that studies the properties of abstract objects in multidimensional spaces.

Here is a representation of Google's stock price from a topological perspective.



In this section, we introduce one of the experts with whom we collaborate actively for the benefit of our clients.

DE MITRI CONSEILS SA

Specialist in Swiss and International Taxation

Founder of the Lausanne-based company, Thierry de Mitri is a qualified tax advisor with whom we regularly collaborate to solve specific tax issues for our clients, in both the corporate and private sectors.

His areas of expertise include setting up wealth and inheritance structures, interacting with tax authorities, helping individuals relocate to Switzerland and abroad, and assisting with handover of businesses.

Thierry de Mitri is at your disposal to develop a personalized and independent solution to optimize your tax burden in compliance with current regulations.

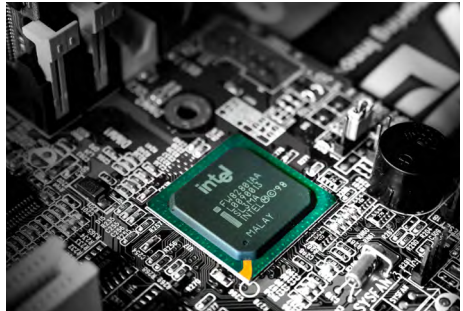


NUMBER OF THE MONTH

7

7 is the number of chip manufacturers among the world's ten largest listed companies.

Samsung Electronics, Intel, Taiwan Semiconductor Manufacturing Company, SMIC, GlobalFoundries, Broadcom, Micron Technology.



MACROECONOMIC REVIEW

The two engines of the global economy are boosting their economies. The combined effect of the American and the Chinese stimulus measures has injected new optimism into the markets.

Written by Frank Crittin,
CIO of MFM



focusing on supporting stock markets, with promises of a stock stabilization fund and strengthened incentives for property buyers. This aggressive approach sent China's stock market soaring, creating the biggest rally the country has seen in more than a decade. This surge also exerted pressure on certain «market-neutral» strategies on the Chinese market by involving short sales on the indices and therefore margin calls to be met, which probably also exacerbated this upward movement. Investors welcomed the measures, which sparked optimism across Asia, boosting both Asian stocks and emerging markets in general.

On the other side of the Pacific, the American Federal Reserve also shook the markets by reducing interest rates by half a percentage point. This decision, significant in its scale, comes amid concerns related to the slowdown of its economy. The Fed's decision is also part of a series of similar actions taken by central banks in other key economies, including Canada, the United Kingdom, Europe and New Zealand. It is clear that global central banks are adopting a more dovish stance, providing liquidity to markets rattled by economic uncertainty.

In China, accumulating weak economic data have pushed the government to act. After months of mixed signals, the Chinese authorities have finally committed to a vigorous recovery plan. The People's Bank of China (PBoC) has taken bold steps by cutting interest rates, easing banks' reserve requirement ratio and providing support to banks to boost credit. Additionally, authorities are also

STIMULUS AND SURPRISES SHAKE UP THE MARKETS

After a particularly turbulent start to the month, the markets regained a certain stability, then got carried away.

The volatility of equities, which had greatly shaken investors at the start of the month, has gradually eased, in particular thanks to interventions by the Japanese Central Bank (BoJ). His reassuring comments helped calm the markets, but despite everything, it was not Japan that made the headlines in October. The big surprise came from China.

Indeed, Chinese indices recorded an impressive increase of more than 20% over the month, marking a spectacular turnaround in investor sentiment. This stock market rally was largely supported by the aggressive stimulus measures put in place by the Chinese government. The enthusiasm in China also brought the whole of Asia in its wake, as well as several emerging markets, which benefited from this renewed optimism. Despite this positive dynamic in Asia, Europe and Japan closed the month in negative territory. In Europe, the announced rate cuts were not enough to reverse the downward trend, with the economy continuing to show signs of weakness. Germany, traditionally the engine of European growth, remains in a delicate situation, struggling to play its usual role as an economic locomotive. Japan, for its part, was unable to compensate for the sharp correction observed at the start of the month. The persistent strength of the yen, reinforced by expectations of interest rate hikes by the BoJ, continued to weigh on its exporters, particularly in the semiconductor sector.

Sectorally, energy ended the month



down. Despite the potential for major conflict in the Middle East, oil prices have fallen as major producers announced an increase in production. This weighed on the performance of the energy sector. Conversely, community services shone, recording the best performance of the month. American companies in the sector were the main contributors, benefiting from falling interest rates. These companies, often highly indebted, benefit from reduced borrowing costs, which improves their profitability. In addition, the attractive dividends offered by these companies become all the more attractive in a low interest rate environment.

On the bond side, convertible bonds and high-yield bonds benefited from investors' appetite for risk. Convertibles also benefited from their exposure to premium shares to record the best monthly performance. Long-maturity bonds, particularly American ones, logically benefited from the general fall in interest rates, offering positive returns over the month.

MACROECONOMIC OUTLOOK

As we enter the last quarter of 2024, growth will be the main concern for investors. Indeed, if the trajectories of interest rates and that of inflation seem relatively clear, it is quite different for growth.

Global growth in 2024 has so far proven resilient. For all world economies, the consensus of economists expects stable growth at 3.1% this year and the year to come. Let's look at the three big blocks that contribute to global growth.

In China, the timing of the stimulus announcement could not have been better. The Chinese economy is weighed down by the risks of deflation, weak domestic demand and a prolonged collapse in real estate. While the recovery plan has provided some relief, questions will remain as to whether these efforts will be enough to reverse the growth trajectory and allow the government to reach its 5% target.

The United States is facing signs of economic slowdown. The Federal Reserve's massive interest rate cut marked a significant shift in its strategy. While Fed Chairman Jerome Powell maintained the economy was «strong,» concerns about a slowing job market and rising unemployment prompted decisive action. This rate cut, while providing relief to markets, also raised questions about the long-term trajectory of the U.S. economy. Equity valuations remain high and tightening credit spreads indicate that investors may be underestimating the risks of this slowdown.

Across the Atlantic, the European Central Bank (ECB) finds itself at a crossroads. While inflation has fallen faster than expected,



with rates below 2% in France and Spain, Europe's growth prospects remain fragile. The euro zone's manufacturing sector suffered its biggest decline of the year and gross domestic product growth remains moribund. The ECB has already cut rates twice in 2024, and more could be on the horizon as economic indicators point to continued weakness.

REBALANCING AND DIVERSIFICATION

Financial markets continue to surprise us with their sudden movements. These last few weeks have reminded us how delicate it is to try to “time the market”.

Despite the urge to react to price fluctuations, it is essential to remember that long-term investing remains the primary goal of investment strategies. With this in mind, systematic rebalancing plays a crucial role in our strategies. Indeed, the sudden movements in assets observed in recent months confirm that financial markets are almost unpredictable. Trying to anticipate each jolt is delicate, however, these movements also offer opportunities. Rebalancing within asset classes consists of adjusting the weight of assets based on their relative performance. When some assets become “expensive” and others “cheap,” it allows you to sell high and buy low. This approach is particularly relevant in an environment where price movements are violent over short periods. At the allocation level, rebalancing is not only a method of optimizing long-term return but also a risk management tool. In terms of asset allocation, the equity risk premium, measured by our MFM Equity Risk Premium indicator, although slightly increasing, remains at low levels. This highlights the importance of diversification across asset classes, particularly stocks and bonds. Bond premiums, including duration (sensitivity to interest rates) and credit (sensitivity to bankruptcy risk), continue to provide attractive returns in our portfolios. These premiums play a key role in reducing the overall risk of strategies, while increasing the expected return.

Geopolitical risks, such as the American elections, tensions in the Middle East or Sino-American tensions remain at high

levels. Although the probability of these events is low, their consequences can have a significant impact on all financial instruments. However, these extreme risks are difficult to predict and, above all, their impact on the markets remains difficult to assess. Diversification across asset classes, regions and sectors remains one of the effective ways to protect against this. It limits the impact of these events through robust portfolio construction and allows you to benefit from the opportunities they generate.

Finally, despite increased geopolitical risks, the current economic environment offers relatively positive prospects. The major economic powers are stimulating their economies, corporate profit growth remains solid, the probability of a major recession is low. We therefore remain cautiously optimistic even if the financial markets are, as often, threatened by a multitude of political and geopolitical risks. Overall, structured portfolio construction and controlled diversification makes it possible to build resilient strategies which allow you to benefit from interesting opportunities in periods of turbulence. In the longer term, this type of strategy also makes it possible to maintain controlled exposure to the main investment premiums despite short-term erratic movements in the financial markets.

MAIN MARKET DRIVERS

Over the long term, overall growth, corporate profit growth, inflation and interest rates are the four main drivers of financial markets.



GLOBAL GROWTH

- US: growth slows, recession risk increases despite Fed pivot
- Europe: growth is extremely fragile, German industry is in crisis
- China: sentiment lifted by strong stimulus, but for how long?



CORPORATE PROFITS

- If major global economies slow, profits could come under pressure
- The bankruptcy rate remains at historically low levels, as confirmed by credit spreads



INFLATION

- Most central banks are optimistic about inflation
- In many regions, it is approaching the magic number of 2%



INTEREST RATE

- Global disinflation has paved the way for central bank policy easing
- The overall trajectory of rates is downward
- Central bank policies remain closely linked to macroeconomic data.

MONTHLY PERFORMANCE

30 SEPTEMBER 2024

EQUITIES MARKET (LOCAL CURRENCY)

China	23.28
Asia (ex-Japan)	7.42
Emerging Markets	5.56
United States	2.12
World (all countries)	1.50
Europe	-0.44
Switzerland	-1.76
United Kingdom	-1.77
Japan	-2.33

EQUITIES SECTOR (LOCAL CURRENCY)

Utilities	5.03
Consumer Discretionary	4.85
Materials	4.16
Telecommunication Services	4.05
Real Estate	3.71
Industrials	2.42
Information Technologies	2.08
Financials	0.72
Consumer Staples	0.53
Health Care	-3.31
Energy	-3.60

OTHERS (USD)

Global	4.43
Industrials (CBR)	1.99

FIXED-INCOME (USD HEDGED)

Global Convertibles	3.30
US Treasury Long Duration	2.02
Global High-Yield	1.80
Emerging Market Hard Currency Aggregate	1.62
Global Aggregate Long Duration	1.62
Global Corporate Credit	1.57
Global Aggregate 5-7 Year	1.17
Global Aggregate	1.16
Global Treasury	1.07
Global Inflation-Linked Bonds	1.05
Global Aggregate 1-3 Year	0.78
Swiss Bond Index AAA-BBB (CHF)	0.69

MEET THE TEAM

Jean-Marc Gavillet Director of Wealth Management

Participating in an exciting entrepreneurial adventure has always been a dream of mine.

I take great satisfaction in fully taking charge of my professional life, developing my vision of the wealth management profession, and building high-quality relationships with my private clients.



It's essential to rely on a high-quality, multidisciplinary team that is flexible and responsive to the challenges of our environment.



Frank Paulet Chief Operating Officer

At MFM since 2014, I've had the opportunity to take part in exciting projects and challenges.

What I appreciate the most is the chance to collaborate with members from all the company's departments.

I try to find a balance between my need for creativity, discovery, leadership, and rigor.

OUR UNIQUE SERVICES

When institutional asset management meets bespoke wealth management.

12 INVESTMENT STRATEGIES

Benefit from institutional-quality strategies combining qualitative and quantitative approaches.

WEALTH MANAGEMENT

We are here to manage your wealth and provide you with active advice.

MORTGAGE

We find the best financing solution for your real-estate project.

PLANNING

We guide you to serene retirement and estate succession.

FORESIGHT

We set up your Swiss pension plan for the 2nd and 3rd pillars (1E, libre-passage and 3A)

FAMILY OFFICE

We collaborate with a network of professionals in the legal, tax, insurance and cryptocurrency fields.

ACCESS TO DIGITAL PLATFORMS

Benefit from the portfolio aggregator My MFM.



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