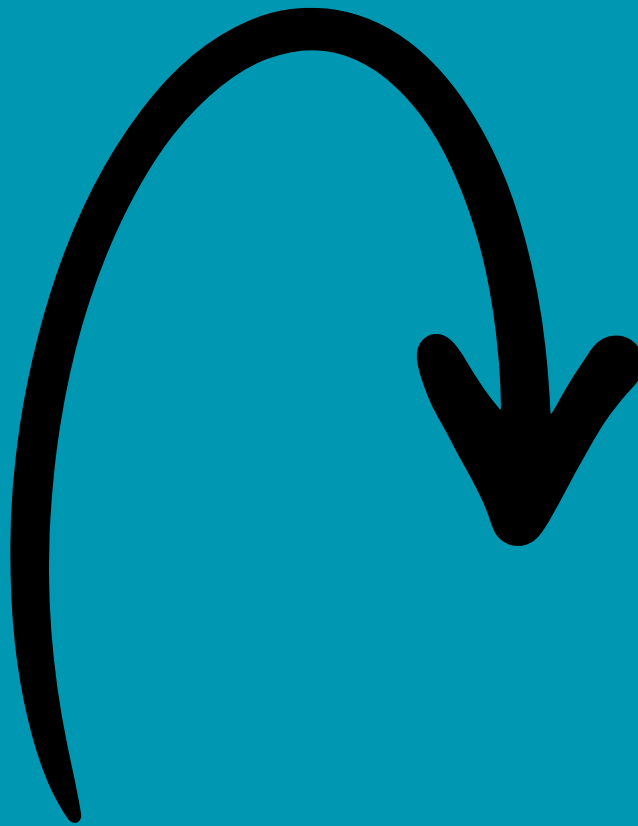


Market review

**TURN THE MUSIC
DOWN, PLEASE**



Big headline from last week:

The mixed message from the Fed continues to puzzle investors. During his testimony last week, Mr Powell reiterated the thought that there could be two more hikes in the near future, showing that he is not backing up from his statement made a week earlier. The pause might just help him save face if things start going wrong quickly. He could always say that he was “careful” or proactive this time around. In the meantime, what does that mean for investors and for the mood on the street?

- It seems clear that the fight against inflation is not over yet and we should not be seeing the pivot point anytime soon unless some major issue comes up and forces the Fed to reverse quickly. That is despite seeing a good downward trend for the YOY inflation numbers.



- The headwind will not dissipate for the economy, so the job market better not falter while it lasts. We have already seen that bad fundamental data could finally make the market move a bit lower, especially in markets where the Megacaps don't support the indices.
- There are more and more mixed signals from data, from Central banks, from the market's behavior versus expectations... all of this while the Fear Index (VIX) reaches new multi-year lows, adding a bit of mysterious ingredient to the cocktail being currently produced.

Therefore, the conclusion is, since no one really knows, let's keep going with the flows. After all, we are now in a bull market so if you do not really know what to do, just BUY.



Another headline from last week that is not helping to call Jerome Powell's potential bluff is the move from the Bank of England. Indeed, after hot core inflation numbers in the country, the British Central Bank surprised the market by raising by 50 bps instead of 25bps expected, showing a clear need to inflict more pain on U.K. households to achieve the objective of bringing down inflation to target.

The consequences are the following:

The latest market moves were driven by flows induced by FOMO investors that waited too long to get involved, and the latest "bull market" green light made them get involved.

- Where is the next leg up going to come from?
- Much lower inflation data?
- Change of stance from Powell?
- A never-ending strong job market in the U.S.?

This is all possible but rather unlikely right now and more importantly, it seems like we have been pricing those events to happen for many months now.

We believe the impact is that any bad news now could be met with a negative reaction in the market. Yes, there is some more dry powder that will take advantage of any dip to get longer because they need to, but the phase of good is good and bad is good anyway because Artificial Intelligence will solve everyone's problems, seems to be over for now, and we might be approaching the opposite scenario.



Fundamentally, the main market drivers that investors should keep an eye on remain the same:

Can the job market and the low unemployment rate on its own counterbalance the effects of higher rates?

So far, so good... with what looks like some firepower left.

In the meantime, can inflation keep the trend down towards the necessary target while unemployment stays historically low?

So far so good as well, but the next few months' readings might throw a few curve balls which could shake investors' confidence.

The last important factor that should always be kept in the corner of your eye as an investor is the chance to see inflation bounce and what happens to commodities this summer will be something to watch. Oil is key but the broader commodity space, a source of deflation over the last 12 months, is showing signs of turning around. The example of the European Nat Gas, which had a violent move-up earlier this month is to be followed.

Briefly, other stories in the background:

- Since the debt Ceiling deal was struck, more than 600B of new debt for the US government. If you add to this QT from the Fed and lending from troubled banks being drastically reduced, slowly but surely, liquidity is taken away from the market's hands.
- Pressure on Commodities: Oil can barely bounce despite another OPEC+ Cut, illustrating low expectations for future global growth
- The Eurozone is showing more signs of weakness in both services and manufacturing, while Central banks remain aggressive.
- After Coinbase being sued by the SEC a couple of weeks ago, BlackRock is moving into the space with an ETF... talking about mixed messages from all kinds of market!
- Recent developments in Russia over the week-end need to be closely watched as this could lead to some kind of turning point for the conflict

Important events coming up this “quiet” week:

27th of June: US data (Consumer Confidence, building permits, Durable Good orders)

28th of June: Fed Chair Powell speaks again

29th of June: German CPI, U.S. Initial jobless Claims

30th of June: GDP (UK), CPI in the Eurozone, US Core PCE Price Index

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