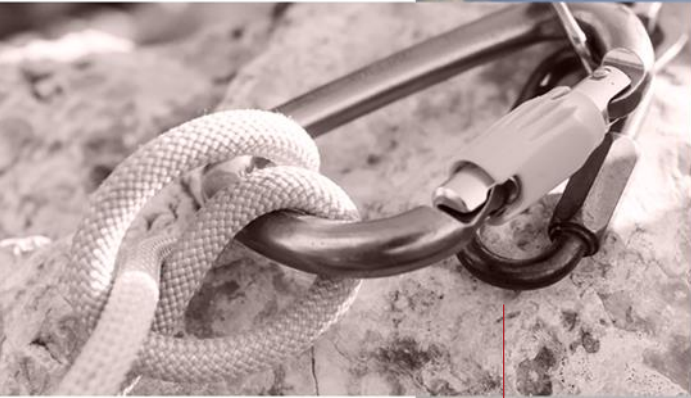


THE ESSENCE

OF FREEDOM



1. Macro and Rates
2. Fixed Income
3. Equity
4. FX and Commodities

Key Take-Aways

- ❖ Despite a heavy central bank calendar with notably the beginning of the rate cut cycle for the Fed, September was all about China. Indeed, the Chinese government has shown a clear commitment to stabilizing and growing the economy through various measures by implementing several stimulus measures for an estimate total of 3% of GDP.
- ❖ Both the European Central Bank (ECB) and the Swiss National Bank delivered their largely expected 25bps cut, promising further easing to come meanwhile both the Bank of England and the Bank of Japan stayed on hold.
- ❖ The Fed's recent 50bps rate cut to 5% has led to a rise in U.S. 10-year Treasury yields and downward pressure on bond prices, with concerns that the Treasury market may have moved too quickly.
- ❖ Investment focus remains on Treasuries and quality investment-grade bonds, as they offer more attractive risk-adjusted real yields compared to equities, while high-yield bonds present limited value.
- ❖ The S&P 500 hit a new record of 5,762 points in September, as market optimism grew over signs of economic stability, though investors remain cautious about upcoming elections and earnings reports.
- ❖ China's CSI 300 rose nearly 25% in September, fueled by government stimulus, with potential for further growth as investor sentiment improves and Chinese market valuations remain attractive compared to global peers.
- ❖ Despite a significant rate cut, the dollar's decline has paused due to prior anticipation and Middle East escalation. Future Fed decisions based on employment data will be key for further movement.
- ❖ The euro faces resistance due to weak European economic data and expectations of additional ECB rate cuts, keeping the pair likely between 1.10-1.12.

Review September's overview

September was an eventful month with notable highs and lows. One highlight was the CSI 300 China Index, which surged by 25.09% over the last five days of the month, driven by Chinese stimulus measures. Over the full month, the index gained 21.11%, pushing its YTD performance from -0.67% at the end of August to 20.30% by the end of September in total return. The MSCI EM Index also benefited from the stimulus, rising 6.68% during the month. In the U.S., equities performed reasonably well, with the Russell 2000 showing a 0.70% increase. Large-cap stocks led the way, with the S&P 500 and Nasdaq delivering positive returns of 2.14% and 2.76%, respectively. In contrast, it was a more challenging month for the SMI (-2.02%) and the FTSE 100 (-1.54%).

Despite a difficult start, where the S&P 500 Total Return Index dropped 4.95% after just a few trading days, it managed to finish the month in positive territory. Historically, September has been the worst-performing month for the S&P 500, averaging -1.16% per month since 1926. However, last month, the index hit a record high, closing at 5,762.48. The top three performing sectors were Consumer Discretionary (+7.09%), Utilities (+6.60%), and Telecom (+4.63%), while the worst performers were Financials (-0.55%), Healthcare (-1.68%), and Energy (-2.68%).

The bond market had a strong month, supported by a 50 bps rate cut from the Fed, boosting the asset class. Both US private and government bonds saw gains, with the BBG US Corporate TR Unhedged rising 1.77%, and the BBG US Treasury TR Unhedged Index increasing by 1.20% in September. The High Yield segment led the way, delivering a 1.95% return, pushing its YTD performance to an impressive 9.59%.

For the third consecutive month, the US Dollar Index weakened, falling by 0.90%. Both the EUR and GBP appreciated against the USD, gaining 0.79% and 1.89%, respectively. The USD/CHF fell slightly by 0.47%, while the EUR/CHF edged up 0.27%. The JP Emerging Markets Index rose 0.83%, aided by the CNY's appreciation, with the USD/CNY down 1.05%.

Geopolitical tensions in the Middle East contributed to a 4.43% increase in the BBG Commodity Index and a 5.24% rise in Gold. Gold has performed exceptionally well this year, with a strong YTD return of 27.71%, making it one of the top investments of the year as of September 30th. On the other hand, Crude Oil WTI experienced a negative month.

Equity % Change	Price	1 day	5 days	MTD	QTD	YTD	EST P/E
S&P 500	5'762	0.43	0.79	2.14	5.89	22.08	21
Nasdaq	18'189	0.39	1.20	2.76	2.76	21.84	27
Russell 2000	2'230	0.28	0.49	0.70	9.27	11.16	23
Euro Stoxx 50	5'000	-1.32	2.41	0.93	2.45	13.88	13
Stoxx 600 EUR	523	-0.98	1.31	-0.32	2.69	12.47	14
FTSE 100	8'237	-1.01	-0.21	-1.54	1.79	9.79	12
SMI	12'169	-0.53	1.70	-2.02	1.59	12.81	17
NIKKEI 225	37'920	-4.80	1.11	-1.30	-3.56	15.05	19
CSI 300 China	4'018	8.49	25.09	21.11	17.87	20.30	13
MSCI EM Index	1'171	-0.31	5.44	6.68	8.82	17.13	12

Equity % Change	Price	1 day	5 days	MTD	QTD	YTD	EST P/E
S&P 500	5'762	0.43	0.79	2.14	5.89	22.08	21
UTILITIES	410	0.43	0.52	6.60	19.37	30.63	18
ENERGY	676	0.83	-1.30	-2.68	-2.32	8.36	12
TELECOM	315	0.79	1.97	4.63	1.68	28.81	18
CONS STAPLES	888	0.11	-0.28	0.90	8.96	18.74	21
REAL ESTATE	280	0.85	-0.45	3.31	17.17	14.31	20
CONS DISCRET	1'605	-0.28	0.16	7.09	7.80	13.91	25
MATERIALS	608	-0.59	1.90	2.63	9.70	14.14	20
HEALTH CARE	1'796	0.62	-0.25	-1.68	6.07	14.35	18
INFO TECH	4'404	0.58	1.79	2.49	1.61	30.31	27
FINANCIALS	754	0.33	-0.30	-0.55	10.66	21.90	16
INDUSTRIALS	1'147	0.50	1.41	3.39	11.55	20.20	22

Fixed Income - % Change	Price	5 days	MTD	QTD	YTD
BBG Global Agg Treasuries TR Index UNH \$	208	0.27	1.81	7.80	2.57
BBG Global Aggregate TR Index Value \$	488	0.19	1.70	6.98	3.60
BBG Global Aggregate Corporate TR \$	299	-0.03	1.57	5.01	5.32
BBG Global High Yield \$	1'668	0.36	1.95	6.21	9.59
BBG US Treasury TR Unhedged \$	2'364	-0.20	1.20	4.74	3.84
BBG US Corporate TR Unhedged \$	3'392	-0.19	1.77	5.84	5.32
BBG EuroAgg Government TR Index UNH €	243	0.40	1.28	3.96	2.04
BBG EuroAgg Corporate TR Index UNH €	256	0.28	1.23	3.27	3.83

Currency % Change	Price	1 day	5 days	MTD	QTD	YTD
DXD	100.779	0.40	-0.07	-0.90	-4.81	-0.55
EUR-USD	1.1135	-0.24	0.22	0.79	3.94	0.87
USD-JPY	143.63	1.00	0.01	-1.74	-10.72	1.84
USD-CHF	0.8456	0.59	-0.22	-0.47	-5.92	0.50
EUR-CHF	0.9416	0.35	-0.01	0.27	-2.21	1.37
GBP-USD	1.3375	0.01	0.21	1.89	5.77	5.06
EUR-GBP	0.8325	-0.26	0.01	-1.07	-1.74	-3.97
JP EM FX Index	46.25	-0.14	0.34	0.83	0.70	-3.93

Commodity % Change	Price	1 day	5 days	MTD	QTD	YTD
BBG Commo Index	100.3	0.08	1.30	4.43	-0.64	1.72
Gold Spot \$/OZ	2'634.6	-0.89	0.22	5.24	13.23	27.71
Crude Oil WTI	68.2	-0.01	-4.20	-7.31	-16.40	-4.86

Volatility	Price	1 day	5 days	MTD	QTD	YTD
VIX	16.7	-0.23	0.84	1.73	34.49	4.28

Source: Bloomberg 30.09.2024

Macro & Rates

All about China.

Despite a heavy central bank calendar, with the notable beginning of the rate cut cycle for the Fed, September was all about China. Indeed, the Chinese government has shown a clear commitment to stabilizing and growing the economy through various measures, implementing several stimulus actions estimated at a total of 3% of GDP.

On the monetary policy side, the People's Bank of China (PBoC) cut interest rates, notably its one-year loan prime rate, to lower borrowing costs and encourage lending. It also lowered its Reserve Requirement Ratio to support commercial banks, freeing up capital for small and medium-sized companies.

Regarding fiscal stimulus, the government announced new spending in public infrastructure as well as new tax cuts and direct subsidies to ease financial pressure on the manufacturing and service sectors. Other targeted policies, such as relaxing mortgage rules or providing direct cash injections to low-income households, have also been implemented.

In addition to these standard macroeconomic tools, the government has implemented measures to directly support the stock market by providing ample liquidity through two channels: a CNH 500 billion swap facility for institutional investors and a CNH 300 billion refinancing facility to support bank lending to companies for stock buybacks.

There is little doubt that Chinese authorities aimed to go "bazooka" only a few weeks ahead of the US elections, which could be crucial for the future relationship between the two countries. However, PBoC Governor Pan Gongsheng indicated that additional stimulus of similar magnitude could be deployed if required. From being the worst performer year-to-date at -8%, the Shanghai-Shenzhen CSI 300 index surged more than 25%, matching the year-to-date performance of the Nasdaq index.

Elsewhere, it was "THE" month of central banks, including the Federal Reserve (Fed), which finally implemented a 50 bps "jumbo cut." The Fed delivered a larger-than-expected cut, and regarding the Dots, pre-committed to another 100 bps for 2025 and 50 bps for 2026. While this could be interpreted as a dovish move, the dot-plot changes were actually less than those implied by the market, and by a significant margin.

The good news is that the Fed has finally started the rate cut cycle, supported by inflation slowly returning toward the target and a weakening labor market. The question now, given the resilience of the economy (US GDP revisions showed more economic growth than previously thought) and the remarkable steadiness of consumer spending, will be determining the neutral level of rates.

Both the European Central Bank (ECB) and the Swiss National Bank delivered their largely expected 25 bps cuts, promising further easing to come, while both the Bank of England and the Bank of Japan remained on hold.

Geopolitical risks increased in September with escalating tensions in the Middle East after the assassinations of Hamas leader Ismail Haniyeh and Hezbollah leader Hassan Nasrallah. Ahead of the US election and given the high valuation of most financial assets, we remain cautious in our positioning.

Fixed Income

The Fed delivers

On September 18, the Fed joined other major central banks and proceeded with a largely expected first interest rate cut of 50 bps, bringing the Federal Funds Target Rate to 5%. Markets welcomed the move, especially J. Powell's speech, in which he seemed more concerned with supporting the US labor market than with hitting the 2% PCE inflation target.

According to the "Fed Dot Plot," the final rate in 2024 will be 4.375% and 3.375% in 2025. As for December 2024, the market is almost in line with the Fed and expects just slightly more than two additional cuts. However, the Fed Funds forward curve currently shows two more cuts than in the "Fed Dot Plot" for 2025 (as of writing).

This situation has put some downward pressure on bond prices since the Fed's decision. The US 10-year Treasury yield has risen from 3.7% to 4% in a couple of days, with the entire mid- to long-term part of the curve shifting upwards. Clearly, market participants are concerned that the Treasury market might have gotten ahead of itself too quickly.

A similar picture emerges in the TIPS market: breakeven CPI, as priced by bond investors, points to a rapidly falling inflation rate, well below the Fed's target. There might be some re-pricing for higher inflation and thus yields, leading to a temporary correction in bonds going forward.

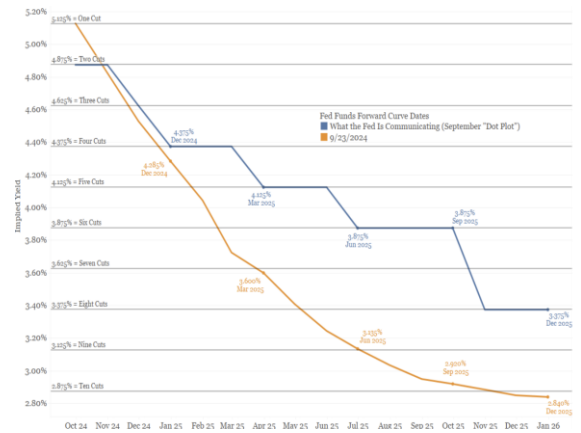
In the short term, we see a risk of fixed income correcting slightly and moving sideways until year-end. The market may need to adjust some of the dovish rate-path expectations from the current pricing.

The general picture, however, remains favorable for bonds. When looking at risk-adjusted real yields of Treasuries, corporate bonds, and equities, bonds still appear much more attractive than equities. Indeed, the real earnings yield of US equities has fallen below zero over the past few months—not surprising given the lofty valuations of major US indices on a P/E basis.

We therefore continue to recommend an overweight positioning in both Treasuries and investment grade bonds. Regarding duration we have been around 6 years in an average fixed-income portfolio. For those with still too low interest-rate sensitivity in portfolios we recommend to increase duration. But we do not see much value in the longer end of the curve which is most at risk from upside-surprises of inflation and therefore do not recommend to hold the longest maturities.

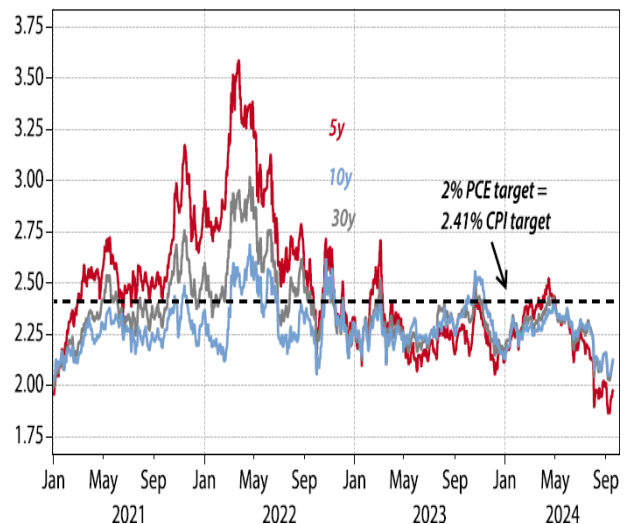
USD investment grade spreads are tight and have fallen to below 100bps while high-yielding bonds offer a mere 3.2% of buffer. We see little relative value in high-yielding bonds especially in USD and to a lesser extent in EUR, and we favor quality investment grade bonds.

The Market vs. The Fed



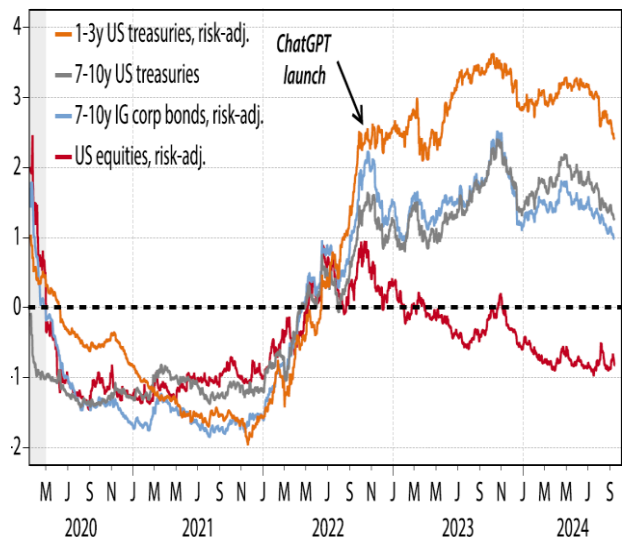
Source: Bianco Research LLC

Breakeven CPI Inflation for 5, 10 & 30y TIPS



Source: Gavekal Research

Risk-adjusted real yields



Source: Gavekal Research

Equity

China's Hall of Fame month

In September 2024, U.S. stocks rebounded, with the S&P 500 hitting a new record, while investors showed caution ahead of the U.S. presidential election and Q3 earnings reports. Meanwhile, China's CSI 300 surged by nearly 25%, driven by government stimulus, improving investor sentiment and encouraging interest in Chinese markets.

S&P 500 ends the month at an all-time high

In September 2024, U.S. stocks regained momentum, rebounding after weaker performances earlier in the month. This allowed the S&P 500 to set a new all-time closing record on Monday, the 30th, at 5,762 points. The Fed now seems more confident that inflation is steadily approaching 2%. This reinforces the soft-landing scenario for the economy, and a rotation toward cyclicals has been observed. The key question now is whether this rotation can continue, as investors seem hesitant to follow the trend, believing it might be better to wait for the outcome of the U.S. presidential election and the upcoming Q3 earnings reports, which could be disappointing. In Europe, the Euro Stoxx 50 also erased its early-month losses, closing near its all-time highs. Overall, despite some volatility, with the VIX index fluctuating between 15 and 23, September was marked by contrasting movements in the market.

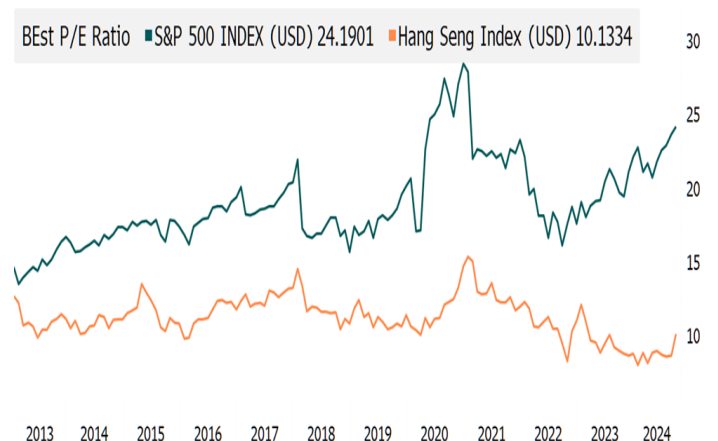
China skyrockets

However, all eyes have turned to China, with the CSI 300 rising by almost 25% in September. This surge was supported by new monetary and fiscal backing from the government, which committed to additional stimulus measures to boost the economy. It is clear that positioning has exacerbated movements, with massive buybacks of shorts positions for Hedge Funds exposed to China. But this time, the policy response is different, and investors are largely getting what they had hoped for. While risks of a pullback are certainly present after huge gains over two weeks, in the medium and long term there is still significant room for the Chinese markets to rise further, especially when comparing the price-to-earnings ratio with other markets. If we compare the P/E of the S&P 500 (24.20) vs the P/E of the Hang Seng (10.13), we can see that there is still a long way to go. However, more measures will still be necessary to revive China, but investor outlook and sentiment have improved. Investors who do not yet have a Chinese allocation in their portfolios are starting to consider it.

Five big rallies in China since 2005: Three of them stimulus-fueled



Downtrend broken: The recent move is breaking the four-year downtrend on the CSI 300



Forex And Commodities

USD Faces Uncertain Path Amid Rate Cuts and Geopolitical Tensions

In September, the key question was about the consequences of a confirmed reduction in U.S. interest rates on the dollar. Despite the "surprise" of a 50-basis point cut instead of the expected 25 bps, the impact on the dollar remained relatively modest, with even a net stabilization in its decline.

This pause can be explained by the fact that the dollar had already faced significant downward pressure since July, as the rate cut was widely anticipated. Once the decision was implemented, there was little room for further depreciation. Moving forward, future expectations regarding the Fed actions will be crucial. The Fed, more focused on employment indicators than inflation, may adopt a more aggressive stance in the coming months. It seems likely that another rate cut could be considered before the end of the year, which could add further downward pressure on the U.S. dollar. The question remains: when will the market begin to price this in?

Additionally, on the geopolitical front, ongoing tensions, with Israel in Middle East, are fueling demand for safe-haven assets such as gold and the dollar. As long as the conflict is escalating, the dollar should remain attractive.

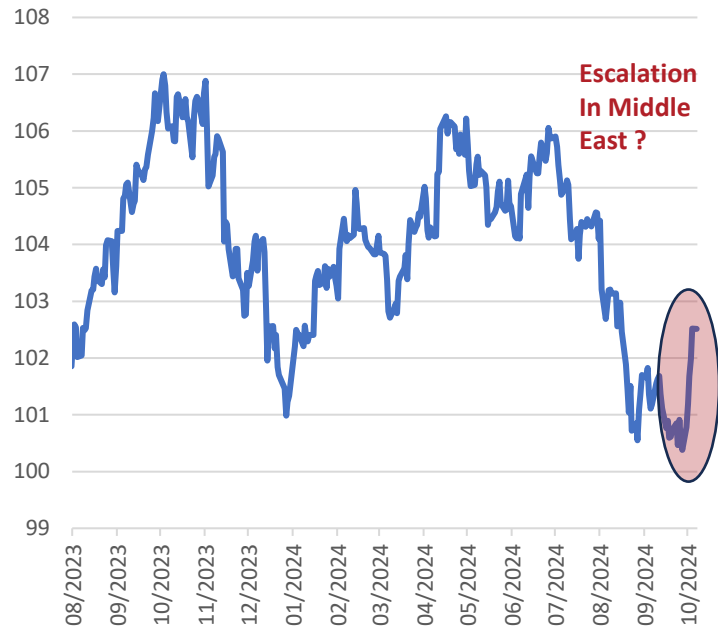
Regarding the EUR/USD pair, after consolidating above the 1.10 resistance level, it has not managed to break through the 1.12 mark, a key level to sustain its upward momentum. The European economic environment is currently unfavorable to the euro, as seen in recent PMI data from Germany and France, which do not support strong growth. Making growing expectations for a more aggressive rate cut from the European Central Bank this year, which could limit the euro's upside potential. As a result, the EUR/USD pair could remain stuck in the 1.10 to 1.12 range in the near term.

As for the Swiss franc, the situation is unique. Despite the Swiss National Bank's (SNB) confirmed reduction of its interest rates by 25 bps, the CHF has not depreciated since April, weighing heavily on Swiss exports. The SNB is expected to announce more rate cut by the end of the year, with a consensus around an additional 50 basis point reduction. The question remains: will this be enough to weaken the franc? Geopolitical and European economic factors are currently playing in favor of the CHF, and the EUR/CHF pair, which is a good indicator of the strength of Swiss franc, has been trending lower for the past three months.

From a technical perspective, the appearance of a "dead cross" in the USD/CHF pair could signal further downside, strengthening the Swiss franc. USD/CHF is currently trading in a narrow range between 0.84 and 0.86, suggesting that the franc may remain strong for some time.

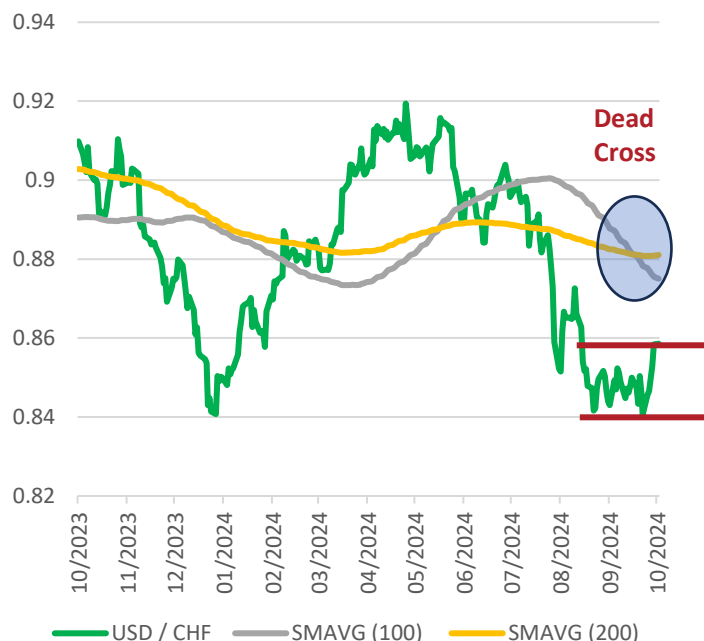
Finally, regarding the Japanese yen, the dollar's decline against the yen has recently slowed. After hitting a low of 139.5 just above the rising support line that dated from 2021, the USD/JPY pair has rebounded above 145. Primarily due to the Bank of Japan's announcement, shortly after the Fed's decision, that it would keep rates unchanged for the time being. That being said, the pair is likely to continue its downward trend, as political developments in Japan still support a more gradual appreciation of the JPY.

Is a Pause in USD Depreciation already Confirmed?



Source : Bloomberg

Could the USD/CHF break the September's Range?



Source : Bloomberg

THE ESSENCE

OF FREEDOM



By choosing Cité Gestion, you will benefit from our unique business model which sets us apart from most traditional wealth managers. Learn more on our website: www.cite-gestion.com



And follow us on [LinkedIn](#) to stay connected to all market news and perspectives.

Disclaimer and important information

This document has been published in Switzerland by Cité Gestion SA, Geneva, a custodian and securities dealer subject to regulation and supervision by the Swiss Financial Market Supervisory Authority (FINMA). It is not intended for distribution, publication or use in any jurisdiction where such distribution, publication or use would be prohibited, and is not directed to persons or entities to whom it would be unlawful to send such a document. All information provided in this document, in particular opinions and analyses, is for information purposes only and should not be construed as an offer, advice or recommendation to buy or sell any particular security or to enter into any transaction. Nor does this publication constitute - and should not be construed as - an advertisement for a particular financial instrument. The risks associated with some investments are not suitable for all investors, and a precise assessment of the risk profile must be made. Nor should this document be construed as legal, accounting or tax advice. Although Cité Gestion SA makes every reasonable effort to use reliable and complete information, Cité Gestion SA makes no representation or warranty of any kind that the information contained in this document is accurate, complete or up to date. Any decision based on this information must be made at the investor's risk, and Cité Gestion SA declines all responsibility for any loss or damage that may result directly or indirectly from the use of this information. United States: neither this document nor any copies thereof may be sent, taken or distributed in the United States or given to a US-Person. This document may not be reproduced (in whole or in part), transmitted, modified or used for public or commercial purposes without the prior written consent of Cité Gestion SA.