# Private Banking

## Market Update

### Q2 2023

| Global Equity Index | Var. % Q2 2023 |
|---|---|
| S&P500 (US) | +8.30% |
| Nasdaq (US) | +12.81% |
| EuroStoxx50 (EU) | +1.95% |
| FTSE 100 (UK) | -1.31% |
| MSCI Emerging Markets | -0.08% |
| MSCI ACWI Net Return EUR | +5.47% |
| **Commodities** | **Var. % Q2 2023** |
| Crude Oil WTI | -6.65% |
| Gold | -3.73% |
| **World Government Bonds** | **Var. in YTM % Q2 2023** |
| USD 2-Year Bond Yield | +0.93% |
| US 10-Year Bond Yield | +0.43% |
| Germany 2-Year Bond Yield | +0.61% |
| UK 2-Year Bond Yield | +1.83% |

The above calculations have been done based on data sourced from Reuters. Prospective customers should not base their decision on investing solely on the indicated rate of return.

**Important information**

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During the second quarter of 2023, global stock markets experienced significant divergence in performance, reflecting the continued overall positive investor sentiment. The MSCI ACWI Net Return EUR index registered an increase of 5.74%. Despite ongoing uncertainty in the banking sector, the collapse of First Republic emerged as the largest casualty that heightened concerns. However, the news of its acquisition by JPMorgan was relatively well-received by investors, contributing to the sense of stability that the government has been trying to portray. This quarter's performance was also determined by the amplified importance that was given to artificial intelligence (AI) during the company's earnings, which emerged as a primary driver for the equity markets. Remarkably, the Nasdaq index has recorded its strongest start to the year since 1983.

In the United States, equities experienced robust gains during the second quarter of 2023. The S&P 500 index recorded a solid increase of 8.30%. Meanwhile, the Nasdaq index appreciated even further, posting an impressive gain of 12.81%. It is worth noting, however, that the gains in the S&P 500 have become increasingly due to a minority of tech stocks, surpassing the levels witnessed in the dot.com bubble of the 2000s. Amongst the positive market sentiment, policymakers have been closely monitoring inflation data in the US, a strong majority of practitioners are now expecting two or more rate hikes by the end of the year. The Chairman of the Federal Reserve Jerome Powell emphasized that the process of bringing inflation back down to the target level of 2% will be a long one. As a result, the Fed in a 'hawkish pause' retained the borrowing rate at 5%-5.25% in June. However, the Fed also indicated the possibility of further rate hikes, potentially reaching 5.6% by year-end, if the economy and inflationary pressures do not show signs of reduction. Despite consumer price inflation declining to 4.0% in May 2023, it remains relatively high compared to the Federal Reserve's target.

Within the Eurozone, equity markets also registered a positive performance during the second quarter of 2023, albeit at a slower pace compared to US equities. The Eurostoxx50 index recorded a modest gain of 1.95%. However, the Eurozone economy unexpectedly contracted by 0.1% in the first three months of 2023. Additionally, the figures for the final quarter of 2022 were revised to show a 0.1% contraction, indicating that the Eurozone has now entered a technical recession. Addressing persistent inflationary pressures, European Central Bank (ECB) President Christine Lagarde expressed concerns, stating that inflation in the Euro Area remains unacceptably high and is projected to persist for an extended period. It is unlikely that in the near future, the central bank will confidently state that the peak rates of inflation have been reached. As a result, the ECB decided to raise interest rates by 25 basis points in June, bringing the rate on main refinancing operations to 4%. The consumer price inflation rate in the Euro Area decreased to 5.5% in June 2023.

In the United Kingdom, however, shares registered a negative return during the second quarter of 2023, with the FTSE 100 index declining by 1.31%. The Bank of England (BOE) responded to inflationary pressures by raising its policy interest rate by 50 basis points to 5.0% during its June meeting. This marked the 13th consecutive rate hike, underscoring the central bank's commitment to combating rising inflation. Consumer price inflation in the United Kingdom remained steady at 8.7% in May 2023.

Emerging markets experienced minimal change, with the MSCI Emerging Markets slightly declining by 0.08%. The ongoing tension between the United States and China, along with the weak currency of emerging markets compared to the US dollar, remained the primary negative drivers in this sector.

The global government bond market witnessed a significant upward movement in yields during the second quarter of 2023, triggered by the realization that inflationary pressures are likely to persist for a longer duration than initially anticipated. This realization has led to growing expectations that central banks might need to implement a prolonged period of high-interest rates to effectively manage inflationary risks.