

## GENERAL INVESTMENT CLIMATE

### **The Economy**

In the second quarter, the global economy faced significant challenges and shifts. In Europe, inflation showed signs of further easing, yet wage growth continued to exert upward pressure on prices. Germany's manufacturing sector experienced a fresh setback at the end of the second quarter, as both output and new orders contracting in June after a rebound in May. HCOB Germany Manufacturing PMI, a gauge of future manufacturing activity, came in at 43.5 in June from 45.4 in May. The longer-than-expected downturn in Germany is indicative of what is seen in other European markets. The ECB's forecast for inflation remained cautious, with upward revised figures of 2.5% for 2024, 2.2% for 2025, and 1.9% for 2026. To address these pressures and support economic activity, the ECB implemented a rate cut early June, lowering the main refinancing rate to 4.25%. Another noteworthy development in Q2 was the 0.5% growth of EU industrial production in April compared to the previous month. At the same time, the unemployment rate in the Euro area remained stable.

Across the Atlantic, the US economy displayed resilience, with the unemployment rate holding steady at 4.0% in May and the broad economy expanding at a 1.4% annual rate from Q1. Consumer spending grew at just a 1.5% rate, down from an initial estimate of 2%, in a sign that high interest rates may be taking a toll on the economy. Fed Chair Jerome Powell reiterated that any decision to cut interest rates would be data-dependent, echoing the cautious stance of his European counterpart. A significant highlight in the US was once again the robust performance of the tech sector, driven by strong earnings reports from the Magnificent 7, and in particular Nvidia, which helped buoy the stock market.

Meanwhile, China is showing mixed signals since GDP grew on the back of economic stimulus, manufacturing investment and industrial production. However, external demand, which is crucial for the country's exports, are still highly uncertain in light of global economic weakness. Furthermore, China's real estate sector is still in muddy waters, and high levels of debt are limiting the effectiveness of government stimulus programs. The National Bureau of Statistics conducted broad research, which came up with a PMI of 49.5 in June, signaling a slight contraction.

Despite these efforts, the global economic outlook remained clouded by uncertainties, including geopolitical tensions and fluctuating commodity prices. The purchasing managers' index in the US climbed to 51.2% in June, signaling modest expansion, while Europe's index improved slightly to 47.3%, still indicating contraction but at a slower pace. With energy prices staying volatile due to geopolitical factors, the economic landscape remains precarious, necessitating vigilant policy responses from central banks worldwide.

## Currency and Money Markets

In Europe, the euro faced downward pressure against the US dollar, reflecting the ECB's decision to cut their main rate to support economic activity amidst easing inflation and rising wages. This rate cut aimed to stimulate growth but also contributed to the euro's depreciation, with the EUR/USD exchange rate dipping to its lowest in six months. Meanwhile, the Chinese yuan faced notable depreciation pressures amid slower-than-expected economic recovery and ongoing geopolitical tensions.

## Stock Markets

**Table 1.1 - General**

	30-Jun-24	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23
		- 3 mnth	- 6 mnth	- 9 mnth	- 12 mnth
AEX	923,85	4,77%	17,42%	26,76%	19,37%
BEL20	3887,24	1,08%	4,84%	9,41%	9,71%
DAX	18235,45	-1,39%	8,86%	18,52%	12,93%
EU50	4894,02	-3,73%	8,24%	17,23%	11,25%
DJ	39118,86	-1,73%	3,79%	23,49%	13,69%
SP500	5460,48	3,92%	14,48%	34,70%	22,70%
Nasdaq	17732,60	8,26%	18,13%	41,89%	28,61%
EUR/USD	1,0713	-0,71%	-2,95%	1,32%	-1,80%
Euribor 3 months	3,71	-0,18	-0,20	-0,24	0,13
NL govt 10 year	2,84	0,23	0,51	-0,35	0,09

Key indices showed varied performances during Q2 amid economic uncertainties. The AEX, consisting for a significant part of tech and energy companies, showed continued growth due to the strong performance of heavyweights ASML and Unilever. Meanwhile, other companies included in the index suffered a stock price loss. The Bel20 showed a modest gain, while underlying company performance deviated sharply. The DAX, on the other hand, suffered a loss after several strong quarters. The Nasdaq again saw a significant price gain, but this was no longer on the back of the Magnificent 7. In Q2, it would be fair to say that there was a Magnificent 4, as only Nvidia, Microsoft, Apple and Google-parent Alphabet were able to present double-digit percentage growth figures.

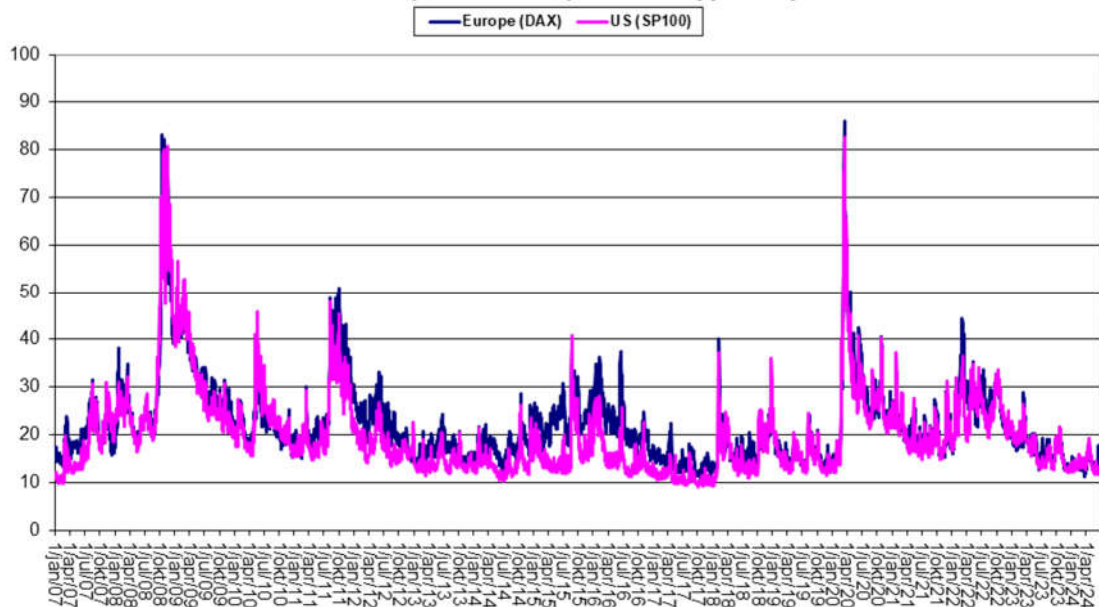
## Other markets

Global M&A activity has rebounded since the downturn of last year, and its recovery stretched into the second quarter. During the first six months of the year, total volumes grew to \$1.6 trillion. Especially in North America, the deals were strong and accounted for more than half of the total volumes. Activity was concentrated mainly in the technology and energy sectors. On the commodity market, gold prices have also set a new record. Crude oil prices ended Q2 at a price of \$86.60 a barrel, the highest level since April, due to increasing demand and concerns about a potential regional conflict in the Middle-East.

## Implied Volatility

As a result of the rate cut and differing company earnings in Europe during the second quarter, implied volatility ended up higher than in the more stable US. Nevertheless, equity market volatility has been relatively low since March of 2020 despite rising geopolitical tensions and tighter monetary policy.

Table 1.2 Development of the implied volatility jan 07 - jun 24



## The Long Term

A new record was set once again in Q2. Looking at the 200-day moving average, it is clear that the relative divergence of the AEX shows that the broad stock market continues to be inflated, albeit by only a limited number of companies weighing heavily on the market-capitalization-weighted index.

Table 1.3 Long-term development AEX jan 03 - jun 24

