BearBull Global Investments Group – Gate village 3 – Level 1
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BearBull Global Investments Group


# Financial markets endure the US debt's ceiling pessimism

### NEGATIVE PERFORMANCES FOR ALL THE BEARBULL PRIVATE BANKING INVESTMENT STRATEGIES UAE IN MAY

| | | | | | |
|---|---|---|---|---|---|
| BearBull PB Investment Strategy | « Low Risk » | May | - 1.72% | Year–to-Date | + 1.85% |
| BearBull PB Investment Strategy | « Moderate Risk » | May | - 1.96% | Year–to-Date | + 2.05% |
| BearBull PB Investment Strategy | « Dynamic Risk » | May | - 2.20% | Year–to-Date | + 2.25% |

## Comments (performances in AED)

The financial markets as a whole were hit by the uncertainty surrounding the US debt ceiling issue. Indeed, the vast majority of the asset classes that make up our BearBull Private Banking investment strategies posted negative returns in May. As a result, the low-risk strategy declined by -1.72% and the moderate-risk approach was down -1.96%. The dynamic-risk strategy posted the worst performance of the month, losing -2.20%. Since the beginning of the year, however, all three strategies have posted positive performances of +1.85%, +2.05% and +2.25% respectively. Bond markets are interrupting their months-long upward trend. The domestic segment lost -0.67%, while internationally the movement is even more intense, with the international segment falling by -1.95%. Since January, both asset classes have continued to post positive returns (+2.04% and +1.44%). Most of the equity markets making up our strategy were also penalized this month. Only Dubai's stock market posted a positive performance in May (+1.27%), while Abu Dhabi's performance was the opposite, declining by -3.88%, erasing much of April's gains (+4.20%). The same is true fort the international market, marked by the uncertainty surrounding US debt (-1.00%). Since the beginning of the year, two of the three asset classes that make up the equity portion of our strategy have moved into positive territory. The Dubai stock market has gained a cumulative +11.92% since January, while the international segment gained +8.52%. Conversely, only Abu Dhabi shares have suffered losses since the start of the year (-6.43%). The international real estate segment bore the brunt of the temporary rise in interest rates, and fell (-4.81%). In the UAE, the asset class suffered a logical profit taking (-5.63%) after an extraordinary performance last month (+14.67%). Commodities continued their negative trend down by -6.11%. The star segment of 2022 accumulated a loss of -11.42% in 2023. Hedge funds lost -0.46% this month, and private equity was also down -0.77%.

## Financial market developments (performances in AED)

The month of May was certainly more influenced by the political risks associated with the need to raise the US debt ceiling quickly to avoid a government default in June than by economic statistics. Rates on T-Bills and US Treasury bonds temporarily took this insolvency risk into account before easing at the end of the month, when a political agreement was finally reached between Republicans and Democrats. Ten-year yields had risen from 3.42% to 3.85% during the uncertainty, while 1-month T-Bills jumped from 4.2% to 5.74%, before falling back to 5.13% at the end of the month. This uncertainty weighed on bond markets, which lost almost -2% on average, while equity markets showed more contrasting trends, with the Nikkei up +7% and the FTSE 100 down -5%, for an overall performance of -1% for the MSCI World index. The rebound in interest rates did not go unnoticed by international real estate stocks, which suffered a further decline averaging -4.41%. European-listed real estate companies suffered a more brutal shock (-7.8%), retesting their 2022 lows. As for commodities, the -6.1% decline in the S&P Commodities index essentially reflected investors' loss of patience with China's economic recovery, which is not materializing clearly enough and is pushing down energy (-8.4%) and industrial metals (-6.7%) prices. All asset classes were thus penalized during the month, although inflation, employment and growth statistics did not bring new sources of tension sufficient to call into question the ongoing stock market recovery.

### PERFORMANCES BY ASSET CLASS

#### MAY

| | |
|---|---|
| + 1.27% | Dubai Equities |
| - 0.46% | Hedge Funds |
| - 0.67% | UAE Bonds |
| - 0.77% | Private Equity |
| - 1.00% | International Equities |
| - 1.95% | International Bonds |
| - 3.88% | Abu Dhabi Equities |
| - 4.81% | International Real Estate |
| - 5.63% | UAE Real Estate |
| - 6.11% | Commodities |

#### YTD

| | |
|---|---|
| + 20.93% | UAE Real Estate |
| + 11.92% | Dubai Equities |
| + 9.23% | Private Equity |
| + 8.52% | International Equities |
| + 2.04% | UAE Bonds |
| + 1.44% | International Bonds |
| - 0.13% | Hedge Funds |
| - 2.56% | International Real Estate |
| - 6.43% | Abu Dhabi Equities |
| - 11.42% | Commodities |

## COMMENTS BY ASSET CLASS

### Bonds

The rebound in interest rates in May in most countries is only very partially justified by slipping inflation in some countries. On the contrary, we believe it is essentially linked to the American problem of raising the debt ceiling, which temporarily pushed up US Treasury yields. The resolution of this uncertainty should allow a new phase of downward adjustment in dollar yields as early as June, particularly if May inflation published in June turns out to be close to current expectations of just +4%/year. Key rates of 5.25% would then be 125 bps above annual inflation, reinforcing expectations of further Fed monetary policy easing.

### Stocks

Equity market risk scores are globally unchanged against this backdrop of temporary yield curve tensions. A fairly positive corporate earnings season, the prospect of a downward adjustment in yields and the possible easing of monetary policy should be the main factors supporting a continuation of the uptrend in the markets. Japan's risk score has moved into the danger zone, while the USA, Canada and emerging markets are in the low-risk zone.

### Commodities

Uncertainty and disappointment over China's recovery penalized the performance of the energy (-8.4%) and industrial metals (-6.1%) segments. The segment continued its free-fall, plunging -6.11% in May. Since the beginning of the year, the star sector of 2022 has posted a 5-month loss of -11.42%.

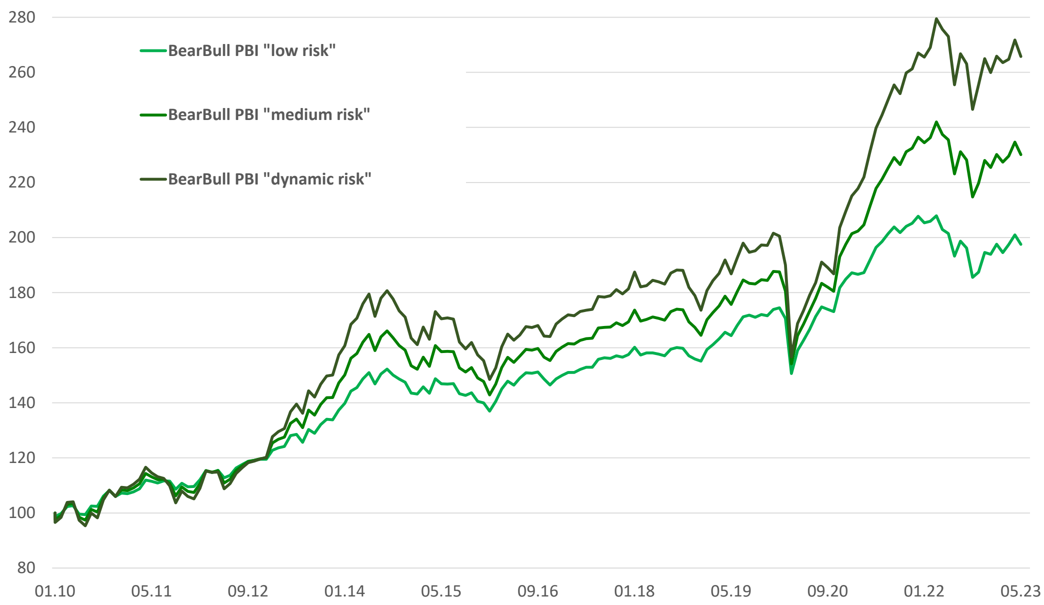
### Real Estate

The real estate segment, which suffered from fears of access to credit during the banking crisis in March, is still struggling to recover from this disruption and is enduring the short-term rise in interest rates. The international segment fell once again in May (-4.81%), a loss which pushed the segment's cumulative performance for the year into negative territory (-2.56%). In the United Arab Emirates, performance was also negative. The asset class fell by -5.63% as investors took profits after a spectacular after rise of +14.67%. Since the beginning of the year, the segment has still achieved an excellent cumulative performance of +20.93%.

**BearBull Private Banking Investment Strategies UAE - Performances in AED**

| | 3 last months | | | YTD | Current year | | | | Annualized Perf. | |
|---|---|---|---|---|---|---|---|---|---|---|
| | March 2023 | April 2023 | May 2023 | current year | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter | 2022 | 2010 to this day |
| **BearBull PBI "low risk" (65% fixed income)** | 1.51% | 1.76% | -1.72% | 1.85% | 1.84% | | | | -6.66% | 5.20% |
| **BearBull PBI "medium risk" (45% fixed income)** | 0.99% | 2.20% | -1.96% | 2.05% | 1.85% | | | | -4.65% | 6.41% |
| **BearBull PBI "dynamic risk" (25% fixed income)** | 0.47% | 2.64% | -2.20% | 2.25% | 1.85% | | | | -2.66% | 7.56% |
| **Sub-indices** | | | | | | | | | | |
| UAE Bonds | 1.73% | 0.94% | -0.67% | 2.04% | 1.77% | | | | -10.53% | 3.38% |
| International Bonds | 3.16% | 0.44% | -1.95% | 1.44% | 3.01% | | | | -16.25% | 0.91% |
| Dubaï Equities | 1.40% | 5.78% | 1.27% | 11.92% | 4.48% | | | | 8.18% | 9.83% |
| Abu Dhabi Equities | -3.08% | 4.20% | -3.88% | -6.43% | -6.57% | | | | 22.95% | 14.68% |
| International Equities | 3.09% | 1.75% | -1.00% | 8.52% | 7.73% | | | | -18.14% | 8.80% |
| UAE Real Estate | 5.12% | 14.67% | -5.63% | 20.93% | 11.76% | | | | 11.80% | 12.71% |
| International Real Estate | -3.08% | 1.84% | -4.81% | -2.56% | 0.51% | | | | -24.24% | 4.34% |
| Commodities | -1.07% | -0.76% | -6.11% | -11.42% | -4.94% | | | | 25.99% | -2.80% |
| Hedge Funds | -1.19% | 0.34% | -0.46% | -0.13% | -0.01% | | | | -4.40% | 1.24% |
| Private Equity | -4.62% | 2.96% | -0.77% | 9.23% | 6.92% | | | | -31.09% | 11.07% |

Sources: BearBull Global Investments Group Limited, Bloomberg




Sources: BearBull Global Investments Group Limited, Bloomberg

**The systematic diversified strategies of the BearBull Private Banking Investment Strategies have produced annualized average returns of +5.20% (Low risk) to +7.56% (Dynamic Risk) since 2010.**

The composition of our strategies is available upon request