

BEARBULL PRIVATE BANKING INVESTMENT STRATEGIES UAE

October 2023

The downward trend is extending in October

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

BearBull PB Investment Strategy « Low Risk »	Oct	- 2.69%	Year-to-Date	+ 0.03%
BearBull PB Investment Strategy « Moderate Risk »	Oct	- 3.29%	Year-to-Date	+ 1.73%
BearBull PB Investment Strategy « Dynamic Risk »	Oct	- 3.88%	Year-to-Date	+ 3.44%

Comments (performances in AED)

The downward trend continues into October and the BearBull private banking investment strategies UAE are no exception. Indeed, all three strategies are moving into negative territory. The low-risk strategy lost -2.69% this month, while the moderate-risk approach followed a similar path, declining by -3.29%. The dynamic-risk strategy posted the worst performance of the month, falling -3.88%. Since the start of the year, however, the three strategies have achieved positive performances of +0.03%, +1.73% and +3.44%, respectively. Bond markets continued their downward trend, with the domestic segment falling by -1.81%, while the decline was slightly less steep internationally (-1.20%). Equity markets ended another complicated month. The Emirati segments were the hardest hit in October, with the Dubai stock market dropping -6.67% and the Abu Dhabi stock market losing -4.45%. Internationally, the trend is negative but less pronounced (-2.90%). In cumulative terms, performance remains positive for international equities and the Dubai stock market (+7.88% and +22.00%), while in Abu Dhabi losses are mounting (-6.75%). The real estate segment continues to bear the brunt of the latest upward movements in interest rates, and it is the Emirati segment that has been hardest hit. In fact, the asset class plunged by -10.09% in October, while the international trend was also downward (-4.83%). Since the beginning of the year, the extraordinary performance of Emirati real estate (+27.36%) contrasts with the sharp international decline (-9.70%). Commodities fell back in October after a month marked by record volatility (-4.18%). Since January, the segment has remained positive (+2.76%). Hedge funds fell by a further -0.82% this month, while private equity plunged by -7.87%. In YTD terms, both asset classes are still positive (+1.62% and +11.66%).

Financial market developments (performances in AED)

The month of October did not spare the financial markets, already hard hit by the acceleration of interest rate rises in September. The latest move, which took US ten-year Treasury yields above the 5% threshold in just a few weeks, had no serious macro-economic underpinnings. The uptrend had already been in place since April, and soared primarily as a result of the Fed's persistent reminder that rates would remain higher for longer to keep inflation under control. And yet, in our view, the economic surprises kept pointing to disappointment in terms of future economic performance, as also underlined by leading indicators and trends in the job market. The solid Q3 GDP published at the very end of the month did not reinforce the rate hike and will certainly mark the inflection point for US growth. Against this backdrop, overly influenced by the Fed's hawkish rhetoric, markets have yet to appreciate the growing cyclical risks posed by restrictive monetary policy, resolute quantitative tightening and the Treasury's high financing requirements, which have skewed the balance between supply and demand for government bonds to date. We believe that investment demand should pick up with the realization that the slowdown is well and truly underway. In our view, the rate hike cycle is over, and a downward adjustment of yield curves is now our preferred scenario. The month of October saw virtually all asset classes record negative results, with the exception of precious metals, which benefited from this period of uncertainty. Since the beginning of the year, rising interest rates have largely penalized bond markets (-3.3%) and securitized real estate (-9.7%), while equity markets are still up +7.8%. Fed policy increases the risk of recession. Rates are set to fall in Q2 2024, an expectation that will support a better stock market climate in the months ahead.

PERFORMANCES BY ASSET CLASS

OCTOBER

- 0.82%	Hedge Funds
- 1.20%	International Bonds
- 1.81%	UAE Bonds
- 2.90%	International Equities
- 4.18%	Commodities
- 4.45%	Abu Dhabi Equities
- 4.83%	International Real Estate
- 6.67%	Dubai Equities
- 7.87%	Private Equity
- 10.09%	UAE Real Estate

YTD

+ 27.36%	UAE Real Estate
+ 22.00%	Dubai Equities
+ 11.66%	Private Equity
+ 7.88%	International Equities
+ 2.76%	Commodities
+ 1.62%	Hedge Funds
- 2.29%	UAE Bonds
- 3.38%	International Bonds
- 6.75%	Abu Dhabi Equities
- 9.70%	International Real Estate

COMMENTS BY ASSET CLASS

Bonds

Another difficult month for bond markets, still under pressure from the Fed. Ten-year Treasury yields once again jumped by almost 50 bps in the United States and Australia. The situation is closer to a reversal in Canada, while the Eurozone and the UK are relatively stable. The Fed's rigid stance is a cause for concern, but it is also increasing the risk of a more pronounced economic slowdown than recently estimated. The rise in real yields resulting from these developments reinforce the likelihood of a recession. Against this backdrop, all national indices are undergoing a marked correction, but risk scores are now lower across the board.

Stocks

Equity markets are once again being penalized by the acceleration of rising interest rates. Price corrections are nevertheless moderate, but they follow on from declines already recorded in previous weeks, bringing three-month consolidations to levels already significant enough to constitute probable support points. Valuation levels are falling in tandem with share prices. Quantitative and technical factors are improving, while we believe that the risks of further rate hikes are now increasingly remote. Scores are falling in virtually all regions. They are particularly low in Switzerland and the USA, which are benefiting from the greater amplitude of the decline. After having been a source of uncertainty, the interest rate factor should now contribute to lowering risk levels for equity markets.

Commodities

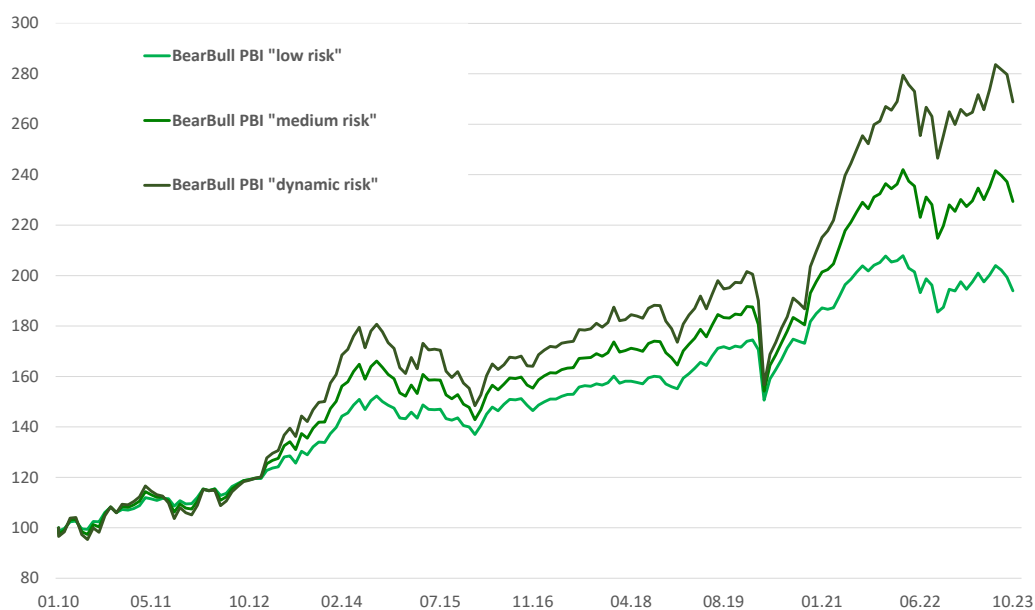
In October, the energy market was marked by a spike in volatility. At the beginning of the month, crude oil prices fell sharply, dragged down by a very pessimistic macroeconomic outlook. Then, as soon as the conflict between Israel and Hamas began, crude oil prices rose sharply, supported by growing uncertainty in the Middle East. Current crude supplies are unchanged, but there could be long-term consequences. At the end of the month, the announcement that the United States and Venezuela would negotiate a new agreement in the run-up to new elections finally eased the pressure on the oil market.

Real Estate

Securitized real estate is still being unfairly penalized by what we believe are overestimated risks of tighter credit conditions and higher financing costs.

BearBull Private Banking Investment Strategies UAE - Performances in AED										
	3 last months			YTD	Current year				Annualized Perf.	
	August 2023	September 2023	October 2023	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2022	2010 to this day
BearBull PBI "low risk" (65% fixed income)	-0.87%	-1.42%	-2.69%	0.03%	1.84%	1.39%	-0.45%		-6.66%	4.91%
BearBull PBI "medium risk" (45% fixed income)	-0.78%	-1.07%	-3.29%	1.73%	1.85%	2.40%	0.86%		-4.65%	6.18%
BearBull PBI "dynamic risk" (25% fixed income)	-0.68%	-0.71%	-3.88%	3.44%	1.85%	3.40%	2.18%		-2.66%	7.41%
Sub-indices										
UAE Bonds	-0.94%	-1.64%	-1.81%	-2.29%	1.77%	0.20%	-2.42%		-10.53%	2.96%
International Bonds	-1.37%	-2.92%	-1.20%	-3.38%	3.01%	-1.53%	-3.59%		-16.25%	0.53%
Dubai Equities	0.85%	2.05%	-6.67%	22.00%	4.48%	13.57%	10.17%		8.18%	10.20%
Abu Dhabi Equities	0.45%	-0.20%	-4.45%	-6.75%	-6.57%	1.68%	2.73%		22.95%	14.17%
International Equities	-2.39%	-4.31%	-2.90%	7.88%	7.73%	6.83%	-3.46%		-18.14%	8.47%
UAE Real Estate	2.09%	8.92%	-10.09%	27.36%	11.76%	10.41%	14.81%		11.80%	12.73%
International Real Estate	-3.70%	-5.80%	-4.83%	-9.70%	0.51%	0.04%	-5.64%		-24.24%	3.63%
Commodities	0.60%	4.12%	-4.18%	2.76%	-4.94%	-2.73%	15.99%		25.99%	-1.67%
Hedge Funds	0.33%	-0.10%	-0.82%	1.62%	-0.01%	0.64%	1.82%		-4.40%	1.33%
Private Equity	-1.57%	-0.84%	-7.87%	11.66%	6.92%	8.46%	4.52%		-31.09%	10.90%

Sources: BearBull Global Investments Group Limited, Bloomberg



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The systematic diversified strategies of the BearBull Private Banking Investment Strategies have produced annualized average returns of +4.91% (Low risk) to +7.41% (Dynamic Risk) since 2010.

The composition of our strategies is available upon request