

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

June 2024

The uptrend extends in June

POSITIVE PERFORMANCES FOR THE THREE BEARBULL KUWAIT PRIVATE BANKING INVESTMENT STRATEGIES IN JUNE

Bearbull Kuwait Pension Strategy	« Low risk »	June	+ 0.26%	Year-to-Date	+ 1.51%
Bearbull Kuwait Pension Strategy	« Medium risk »	June	+ 0.31%	Year-to-Date	+ 3.41%
Bearbull Kuwait Pension Strategy	« Dynamic risk »	June	+ 0.37%	Year-to-Date	+ 5.33%

Comments (performances in KWD)

Financial markets continued their upward trend in June. Indeed, all three BearBull private banking Kuwait investment strategies advanced this month and finished the quarter in the green. The low-risk strategy gained +0.26%, the moderate-risk strategy followed a similar path, advancing +0.31%, and the dynamic-risk approach achieved the best performance of the month (+0.37%). Year-to-date performance is still in positive territory this month (+1.51%, +3.41% and +5.33%, respectively). Bond markets are positive at the end of the second quarter. The domestic segment increased by +0.11%, while international bond markets were slightly ahead (+0.14%). In cumulative terms, however, the two asset classes are posting negative performances after this increasing episode (+1.02% and -3.16%). Equity markets are also on either side of neutral performance in June. The international class is at +2.03% and the domestic segments are retracting by -1.41%. Since January, international and Kuwaiti equities have achieved cumulative positive performances of +11.75% and +2.74%. The international real estate segment is keeping pace with interest-rate markets, continuing its upward trend, gaining +0.20%, but showing a slowdown in momentum. In Kuwait, the performance is negative (-2.32%). After this mixed episode, the YTD performances are still on either side of neutral (+8.57% in Kuwait and -3.83% internationally). Commodities continued their positive trajectory positive trajectory in June, advancing by +1.43%. Private equity was back in the red figures this month (-1.06%), while alternative investments moved horizontally (+0.31%).

Financial market developments (performances in KWD)

The last day of the quarter ended on a positive note for US inflation, which should once again increase the likelihood of key rate cuts in the medium term. Indeed, the Fed's preferred measure of core inflation (excluding housing and energy) slowed to a mere +0.08%/month and +2.6%/year, recording its slowest advance since 2020 and moving a little closer to the central bank's 2% target. The end of the month thus suggests that the economy is moving in the right direction, with persistent growth, declining inflation and a more « normal » labour market. This statistic tends to reinforce the sentiment that developed during the month, and which had enabled 10-year US Treasury yields to continue the easing phase initiated at the end of April. Expectations of the Fed's future monetary policy were not affected in June, however, as future Fed funds have remained stable for the past two months at 5.25% (September) and 5% (December). Fixed-income markets are still in a holding pattern, despite slight easing in all regions. In Switzerland, the SNB's 2nd key rate cut helped to bring the Swiss government's long rates down to their lowest level since 2024 (0.59%). Overall, bond markets benefited from this adjustment, posting a small gain of +0.14%. International equities also benefited from this less pessimistic stock market climate, posting a +2.03% rise, taking the overall increase since the start of the year to +11.75%. In Switzerland, the franc's rebound was certainly a more important factor than the rate cut, preventing the SPI from rising (-0.46%). The easing in bond yields proved insufficient to benefit international securitized real estate (+0.2%), which posted mixed regional performances. The US market benefited from hopes of rate cuts and jumped +2.66%, while other regions posted declines, the biggest being Europe (-6.94%). The rebound in energy prices (+5.82%) offset profit-taking in the industrial metals sector (-5.09%), while precious metals consolidated their year-to-date advance (+11.08%). Commodities are thus on a par with international equities (+11.75%) and private equity (+12.16%).

PERFORMANCES BY ASSET CLASS

JUNE

+ 2.03%	International Equities
+ 1.43%	Commodities
+ 0.31%	Hedge Funds
+ 0.20%	International Real Estate
+ 0.14%	International Bonds
+ 0.11%	Kuwaiti Sukuk

- 1.06%	Private Equity
- 1.41%	Kuwaiti Equities
- 2.32%	Kuwaiti Real Estate

YTD

+ 11.75%	International Equities
+ 11.08%	Commodities
+ 8.82%	Private Equity
+ 8.57%	Kuwaiti Real Estate
+ 4.01%	Hedge Funds
+ 2.74%	Kuwaiti Equities
- 1.02%	Kuwaiti Sukuk
- 3.16%	International Bonds
- 3.83%	International Real Estate



COMMENTS BY ASSET CLASSES

Bonds

June saw the continuation of the cycle change that began in May, with the first decline in US 10-year government yields. The drop from 4.7% to 4.4% brings the decline in yields to around 30bp, after having slipped as far as 4.2%. The slowdown in US economic activity is still fragile and uncertain, justifying the market's current caution. However, the recent encouraging trend in inflation is bringing the prospect of key rate cuts closer. Rate adjustments are likely to be smaller in Europe, due to narrower spreads between observed inflation levels and current yields. Despite increasingly attractive and broadly similar risk scores, the greatest opportunities are to be found in the USA and in geographical areas correlated with US rates.

Equities

Corporate earnings clearly exceeded forecasts in Q1, supporting the uptrend. They could still surprise in the coming weeks if the economic context does not deteriorate in Q2. Sentiment is still rather positive, even though forecasters no longer really expect the Fed to act before December. US and Japanese indices are at all-time highs, without the support of a downward trend in interest rates. The likelihood of an American recession is low, and the risks of a slowdown no longer seem to worry investors. A certain complacency is beginning to filter through, while technical and quantitative indicators are approaching areas of turbulence, and valuations are often high.

Commodities

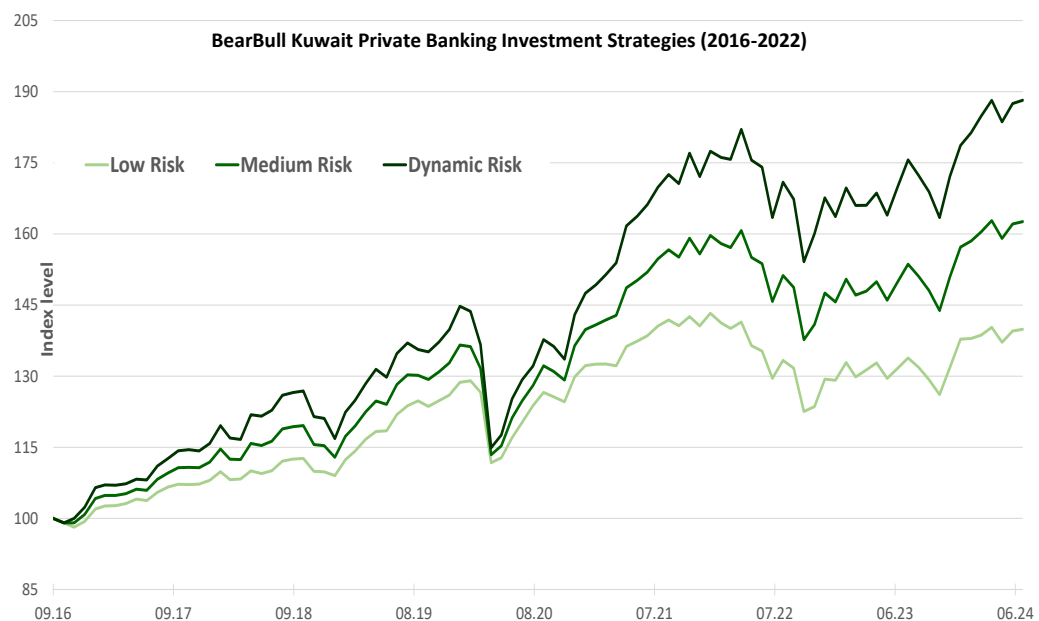
The raw materials segment continued its positive trend in the last month of the second quarter. Thanks to the rise in crude oil prices over the month, the asset class advanced by +1.43%. June was a volatile month for the energy market. The beginning of the month saw a fall in prices following the announcement of the OPEC+ plan, which consists of a gradual reduction in the production cuts aimed at maintaining a balance between crude oil supply and demand against a backdrop of global economic slowdown. The Chinese macroeconomic data then restored investor confidence and the markets turned their attention to the risks of a relative shortage during the summer.

Real Estate

Securitized real estate is following the trend in the fixed-income markets, particularly in Europe. Risk scores are still very attractive, suggesting further potential capital gains over the coming months.

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	April 2024	May 2024	June 2024	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2023	2016 to this day
BearBull Kuwaiti PB "low risk" (65% fixed income)	-2.25%	1.74%	0.26%	1.51%	1.81%	-0.29%			6.71%	4.58%
BearBull Kuwaiti PB "medium risk" (45% fixed income)	-2.33%	1.92%	0.31%	3.41%	3.55%	-0.14%			7.95%	6.70%
BearBull Kuwaiti PB "dynamic risk" (25% fixed income)	-2.41%	2.11%	0.37%	5.33%	5.31%	0.02%			9.17%	8.80%
Sub-indices										
Kuwaiti Sukuk	-1.60%	1.55%	0.11%	-1.02%	-1.05%	0.93%			6.08%	1.29%
International Bonds	-2.52%	1.31%	0.14%	-3.16%	-2.08%	-0.56%			5.71%	-0.82%
Kuwaiti Equities	-3.60%	0.41%	-1.41%	2.74%	7.65%	-6.13%			-7.24%	13.59%
International Equities	-3.71%	4.47%	2.03%	11.75%	8.88%	5.93%			23.79%	11.89%
Kuwaiti Real Estate	-0.10%	3.61%	-2.32%	8.57%	7.39%	2.91%			2.37%	15.12%
International Real Estate	-5.55%	3.19%	0.20%	-3.83%	-1.53%	0.77%			8.67%	0.90%
Commodities	1.16%	-1.90%	1.43%	11.08%	10.36%	5.41%			-4.26%	6.70%
Hedge Funds	0.54%	0.60%	0.31%	4.01%	2.52%	2.74%			3.76%	2.92%
Private Equity	-2.97%	4.54%	-1.06%	8.82%	8.43%	3.77%			43.28%	14.89%

Sources : BearBull Global Investments Group Limited, Bloomberg



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The systematic diversified strategies of the BearBull Kuwait Private Banking Investment Strategies have produced annualized returns of +4.58% (Low risk) to +8.80% (Dynamic risk) since 2016.

The composition of our strategies is available upon request