DORVAL ASSET MANAGEMENT
DONNER DE LA VALEUR À VOS VALEURS

Internal dynamics at the root of market rotation

22 July 2024

Dear Clients and Partners,

As the Northern Hemisphere winds down for the summer, investors are turning their thoughts to what might be profitable themes in the second half of 2024, as evidenced by an intense factor and sector rotation on the markets. The most successful stocks of recent months (tech and luxury-goods giants, major manufacturers of anti-obesity drugs etc.) are being sold off in favour of others.

Although the decline is just as concentrated as the increase, the full range of the market is not completely spared. However, the short-term visibility of the monetary cycle has only improved thanks to the release of inflation data for May and June. A September cut in Federal Reserve and European Central Bank key interest rates has now been largely priced in to their respective rate curves.

In terms of the economic cycle, global growth prospects are stable according to the latest forecasts from the International Monetary Fund (3.3%, 3.2% and 3.3% respectively in 2023, 2024 and 2025). While household consumption is showing signs of running out of steam in the United States and the labour market seems to be slowly cooling off, it is a different story entirely for manufacturing. In this very cyclical sector of the economy, the upturn is only just beginning if we believe the relevant business climate surveys.

And what about political and geopolitical uncertainty? Will Donald Trump win the presidential election in November as most bookmakers and political commentators now expect? What will the next French government's economic policy look like? If you step back, none of these questions seems capable of generating huge amounts of uncertainty. Investors have already bet on another Trump presidency. A trade war between the United States and China will not surprise anyone. As for France, the make-up of the National Assembly will ensure a certain degree of neutrality. So it would appear that the rotation we spoke about is being caused mainly by internal market dynamics and a herd mentality. The scale and duration of this rotation are defined by fundamentals that have significantly changed.

The current rotation is conducive to our equal-weighted and highly diversified approach. That is why we remain confident about our positions and investment themes, which for international flexible funds are accompanied by low-cost option hedging strategies.

Our exposure rates are as follows:

- **Dorval Convictions:** The equity exposure rate is 70%.

The entire Dorval Asset Management team wishes you a warm and relaxing holiday, and we will see you in the autumn.

Dorval Asset Management

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