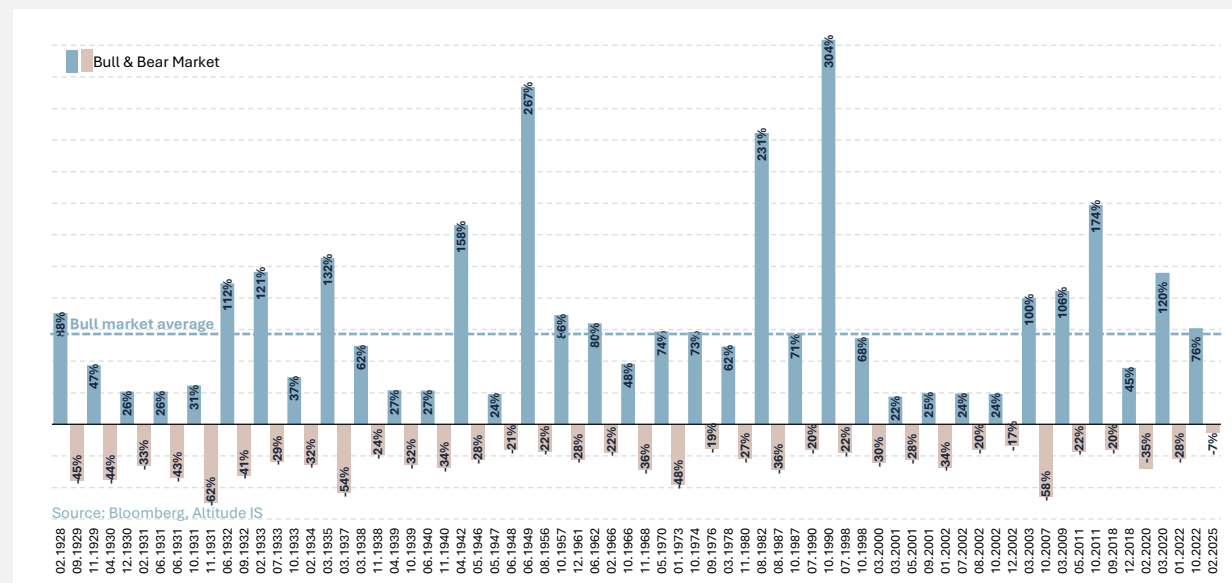


The flexiweekly that reaches new heights - published on 10 March 2025

## "TO REACH THE NEXT PEAK, INVESTORS WILL HAVE TO CROSS A VALLEY"

- Since 19 February, the S&P 500 index has lost 7% of its market cap
- Economic and geopolitical fears are at odds with excessive valuations
- Some investors will seek to reduce their equity allocation
- Others will favour defensive sectors and capital-protected structures

### CHART OF THE WEEK: "Is the 35<sup>th</sup> bull market of the century over?"



## STOCK MARKET ANALYSIS

As we have often stated, the equity markets are characterised by a structural upward trend. **It is therefore advisable to be constantly invested, otherwise you risk missing out on a large part of the performance.** Since 1870, through dividends reinvested, the main index of American shares has delivered a positive trend performance of 9.3% a year. In real terms, i.e. adjusted for increases in the cost of living, the annual return is 7.0% (see Fig. 2). Those who appreciate concrete examples will recall that over the last 35 years, by missing only the 25 best trading days, i.e. fewer than one day a year except the best, an investor could have completely wiped out his performance (see Fig. 3).



Fig. 2 - Long-term equity performance

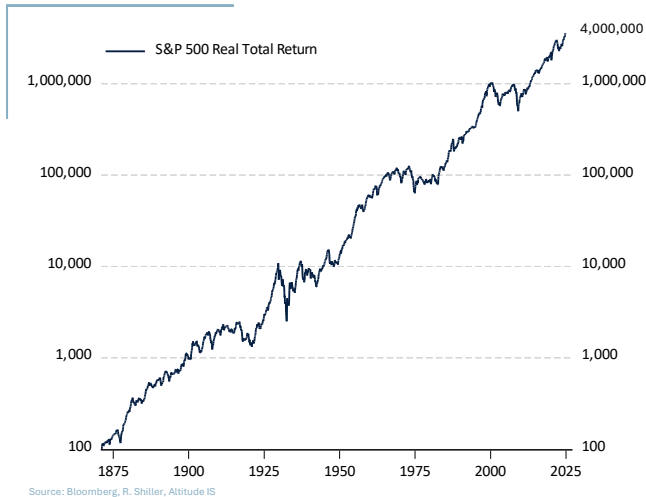
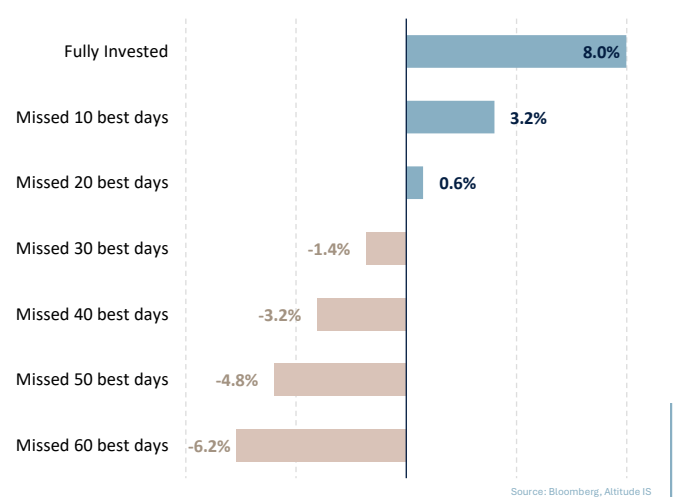


Fig. 3 - Annual performance without the best days



**Investing for the long term, without trying to time the market, means having the guarantee (or almost the guarantee) that the performance of the investment will be positive** (see Fig. 4). The reason for this is simple. Investor sentiment towards equities can be positive or, conversely, negative. In some extreme situations, it can even be euphoric or depressed. Equity multiples fluctuate according to this sentiment, which has a significant impact on short-term performance. Over the long term, on the other hand, valuations oscillate around a flat trend: 18x earnings since 1990. They no longer really matter and only the fundamentals count. This means that stock market indices rise in line with companies' revenues, margins and cash flow (see Fig. 5). From a long-term perspective, therefore, it appears simple, effective and easy to get a return by investing in the stock market.

Fig. 4 - Probability of losses according to duration

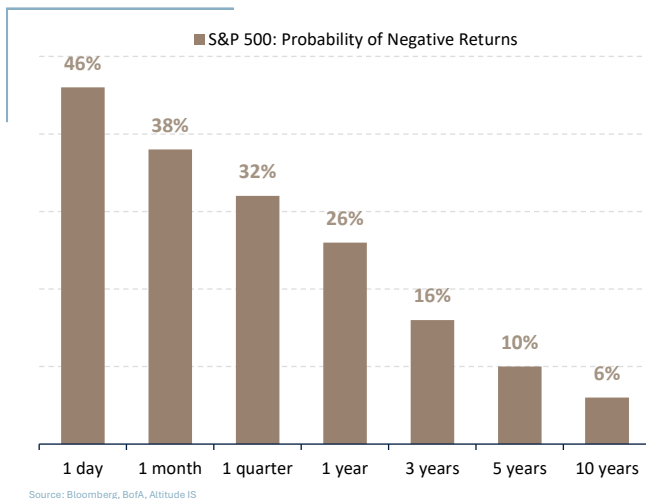
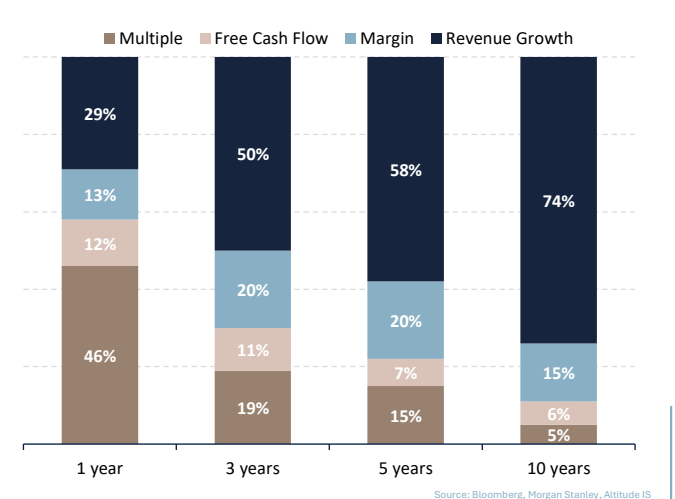


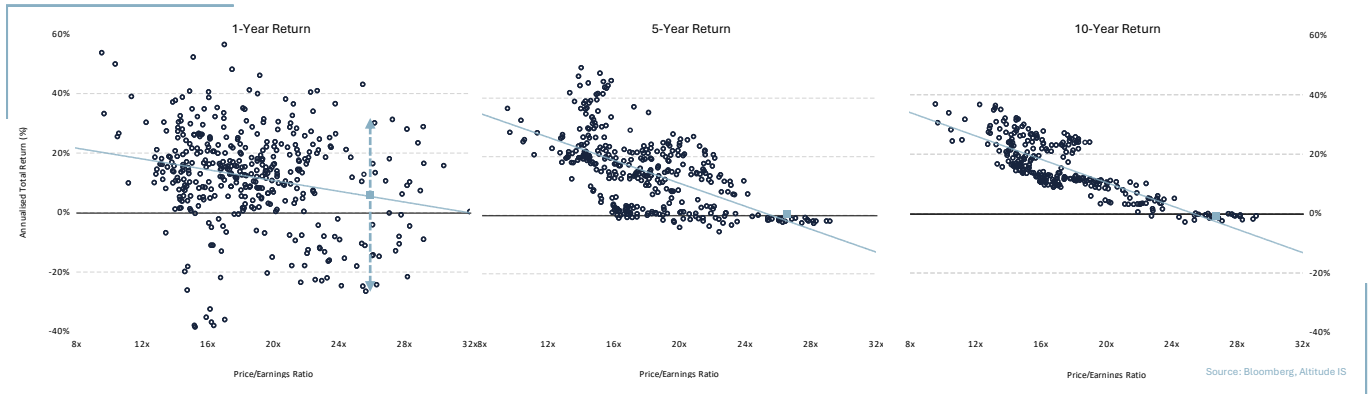
Fig. 5 - Equity performance factors



**However, there are a few cases where patience is called for, situations where the long term becomes the very, very long term.** In 6% of cases, when optimism has given way to euphoria and valuations have risen above 24x earnings, equity investors have recorded losses over 10 years (see Fig. 6). This could be the case today, since the multiples of the S&P 500 are at 26 times. To reach the next peak, investors will have to cross a valley.



Fig. 6 - Expected returns on shares based on their valuation



Some analysts argue that valuations are high in the US only because of the Magnificent 7 or the technology sector as a whole. This is not entirely true because, if we exclude all growth stocks, valuations remain very high and close to their all-time highs (see Fig. 7). The S&P 500 sub-index, which includes only value stocks, is trading at valuation levels that are indeed lower, but still historically high: 22x compared with an average of 16x.

Fig. 7 - Growth vs. value strategy

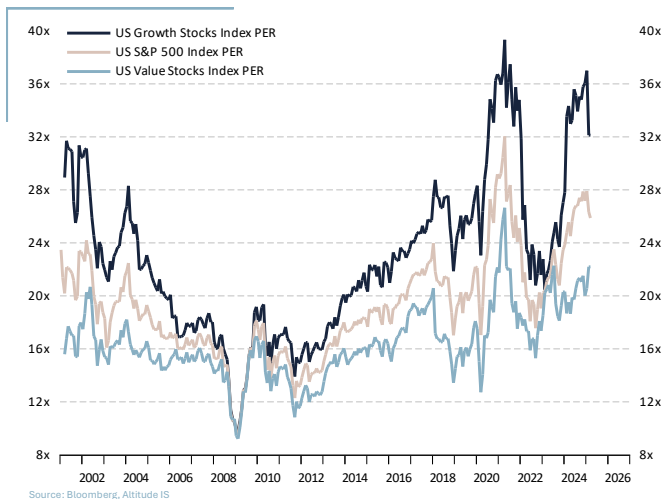
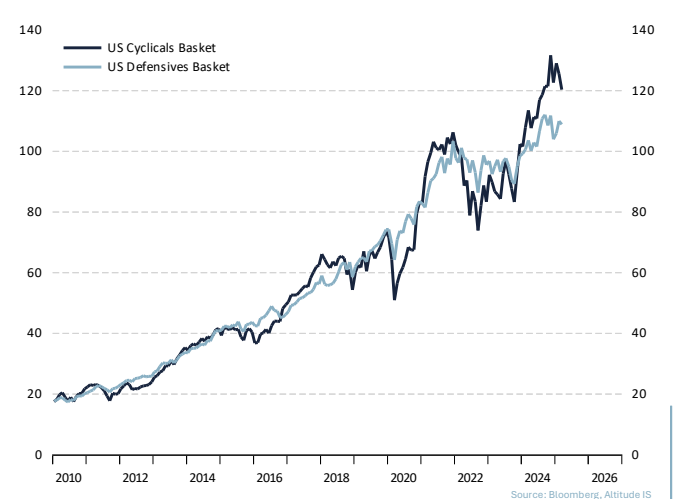


Fig. 8 - Cyclical vs. defensive equities



On the other hand, it is interesting to note that while cyclical stocks have fallen by -10% since their November peak, defensive stocks are almost unchanged (see Fig. 8). The sector rotation theory is proving true! **So, by favouring sectors that will undergo less correction, or may even appreciate slightly during the bear market phase, there is no need to reduce the equity allocation.**

**Finally,** the most sophisticated investors will be able to implement capital-protected or even capital-guaranteed strategies. Given the high level of interest rates, **it is possible be exposed to the stock markets while significantly limiting the capital risk in the event of a fall in equity indices.** To do so, it is sufficient to accept the risk associated with the issuer of the structure and the constraint of not receiving dividends.



### **Conclusion:**

After completing its 35<sup>th</sup> bull market of the century, the S&P 500 has already entered part of its correction phase (see Chart of the Week). Given current valuations, some might conclude that the solution is to stop investing in the stock markets for 10 years. Careful! That would be a mistake. Actually, it is best to adopt a defensive strategy or a capital-protected structure until the bear market takes hold and valuations come down.



## RETURN ON FINANCIAL ASSETS

Markets Performances (local currencies)	Last Price	Momentum Indicator (RSI)	1-Week (%)	1-Month (%)	2025 Year-to-Date (%)	2024 (%)	2023 (%)
<strong>Equities</strong>							
World (MSCI)	852.1	41.53	-1.2%	-1.8%	1.5%	18.0%	22.8%
USA (S&P 500)	5 770	36.83	-3.1%	-4.1%	-1.7%	25.0%	26.3%
USA (Dow Jones)	42 802	40.45	-2.3%	-3.2%	0.9%	15.0%	16.2%
USA (Nasdaq)	18 196	34.58	-3.4%	-6.7%	-5.7%	29.6%	44.7%
Euro Area (DJ EuroStoxx)	563.4	58.12	0.7%	3.6%	11.8%	10.2%	19.5%
UK (FTSE 100)	8 680	49.92	-1.2%	0.4%	7.0%	9.6%	7.7%
Switzerland (SMI)	13 077	63.52	0.6%	3.8%	12.7%	7.5%	7.1%
Japan (Nikkei)	37 075	34.27	-0.7%	-4.8%	-7.5%	21.3%	31.0%
Emerging (MSCI)	1 129	56.43	2.9%	2.0%	5.3%	8.0%	10.2%
Brasil (IBOVESPA)	125 035	50.18	1.8%	0.3%	4.0%	-10.4%	22.3%
Mexico (IPC)	52 840	52.02	1.0%	0.1%	6.9%	-11.0%	22.4%
India (SENSEX)	74 564	39.89	1.5%	-4.5%	-4.7%	9.6%	20.3%
China (CSI)	3 921	55.16	1.4%	1.3%	0.5%	18.2%	-9.1%
Com. Services (MSCI World)	128.9	40.96	-0.8%	-3.6%	3.3%	31.9%	38.1%
Cons. Discretionary (MSCI World)	406.8	33.26	-2.7%	-5.6%	-3.4%	20.7%	29.5%
Cons. Staples (MSCI World)	291.0	65.18	0.8%	4.3%	7.0%	4.7%	3.2%
Energy (MSCI World)	243.4	42.64	-2.2%	-1.3%	2.1%	2.9%	6.0%
Financials (MSCI World)	189.2	45.69	-2.1%	-1.1%	5.6%	25.1%	16.4%
Health Care (MSCI World)	377.2	62.30	0.8%	2.2%	8.3%	1.5%	4.1%
Industrials (MSCI World)	397.3	57.67	1.7%	1.9%	5.7%	12.8%	22.5%
Info. Tech. (MSCI World)	722.1	36.25	-3.1%	-5.8%	-6.0%	31.9%	51.4%
Materials (MSCI World)	328.0	57.32	2.4%	1.6%	7.5%	-7.7%	12.6%
Real Estate (MSCI World)	987	51.56	-0.5%	1.0%	3.7%	-0.4%	5.3%
Utilities (MSCI World)	165.0	50.06	-0.6%	1.1%	3.1%	13.0%	1.6%
<strong>Bonds (Bloomberg)</strong>							
World (Aggregate)	3.68%	67.33	0.5%	1.5%	2.5%	-1.7%	5.7%
USA (Sovereign)	4.21%	59.36	-0.6%	1.2%	2.1%	0.6%	4.1%
Euro Area (Sovereign)	3.02%	31.86	-2.6%	-2.5%	-2.1%	1.9%	7.1%
Germany (Sovereign)	2.57%	31.20	-2.2%	-2.7%	-2.8%	0.6%	5.6%
UK (Sovereign)	4.58%	48.74	-0.5%	-0.5%	0.7%	-3.0%	5.6%
Switzerland (Sovereign)	0.79%	33.31	-1.8%	-2.2%	-2.5%	5.4%	7.9%
Japan (Sovereign)	1.30%	26.62	-0.5%	-1.2%	-2.5%	-2.1%	0.9%
Emerging (Sovereign)	6.79%	60.61	-0.4%	0.9%	2.6%	7.0%	11.0%
USA (IG Corp.)	5.18%	55.05	-0.5%	1.0%	1.9%	2.1%	8.5%
Euro Area (IG Corp.)	3.33%	38.04	-1.0%	-1.1%	-0.3%	4.7%	8.2%
Emerging (IG Corp.)	6.41%	68.38	-0.4%	1.1%	2.4%	7.0%	6.7%
USA (HY Corp.)	7.30%	56.16	-0.3%	0.3%	1.8%	8.2%	13.4%
Euro Area (HY Corp.)	5.67%	50.22	-0.6%	0.1%	1.2%	8.2%	12.1%
Emerging (HY Corp.)	8.34%	57.05	-0.3%	0.4%	2.2%	14.9%	13.1%
World (Convertibles)	449.3	44.87	-0.3%	-1.0%	2.0%	9.4%	12.3%
USA (Convertibles)	597.5	36.96	-1.8%	-3.3%	-0.2%	10.1%	14.6%
Euro Area (Convertibles)	252.5	65.82	1.8%	4.8%	8.5%	14.7%	7.3%
Switzerland (Convertibles)	250.4	53.05	-1.5%	0.8%	4.0%	-10.5%	5.8%
Japan (Convertibles)	227.2	49.72	0.2%	0.4%	0.3%	6.4%	7.6%
<strong>Hedge Funds (Bloomberg)</strong>							
Hedge Funds Industry	1 622	79.08	n.a.	-0.7%	0.7%	11.1%	7.8%
Macro	1 337	64.63	n.a.	-2.0%	-0.4%	7.4%	1.6%
Equity Long Only	2 131	60.46	n.a.	-3.5%	-3.6%	12.0%	15.9%
Equity Long/Short	1 700	79.09	n.a.	-0.4%	1.4%	14.0%	7.7%
Event Driven	1 741	78.31	n.a.	-0.1%	0.9%	8.7%	7.3%
Fundamental Equity Mkt Neutral	1 673	96.91	n.a.	0.6%	1.3%	12.4%	6.6%
Quantitative Equity Mkt Neutral	1 698	88.55	n.a.	0.1%	2.0%	9.8%	7.8%
Credit	1 624	97.86	n.a.	0.7%	1.7%	8.5%	8.1%
Credit Long/Short	1 636	100.00	n.a.	0.5%	0.5%	10.0%	11.2%
Commodity	1 775	77.82	n.a.	-1.8%	-0.8%	14.7%	7.3%
Commodity Trading Advisors	1 314	54.73	n.a.	-3.3%	-2.1%	7.9%	-3.6%
<strong>Volatility</strong>							
VIX	23.37	63.20	19.1%	41.3%	34.7%	39.4%	-42.5%
VSTOXX	22.66	70.25	21.7%	36.1%	33.3%	25.3%	-35.0%
<strong>Commodities</strong>							
Commodities (CRB)	539.0	n.a.	0.0%	-0.4%	0.5%	5.1%	-8.0%
Gold (Troy Ounce)	2 912	n.a.	0.7%	0.1%	11.0%	27.2%	13.1%
Silver (Troy Ounce)	32.44	n.a.	2.4%	1.2%	12.3%	21.5%	-0.7%
Oil (WTI, Barrel)	67.04	n.a.	-3.5%	-5.6%	-6.5%	0.1%	-10.7%
Oil (Brent, Barrel)	72.05	n.a.	-1.9%	-3.0%	-2.8%	-4.6%	-4.5%
<strong>Currencies (vs USD)</strong>							
USD (Dollar Index)	103.79	27.88	-2.8%	-4.2%	-4.3%	7.1%	-2.1%
EUR	1.0842	73.02	3.4%	5.2%	4.7%	-6.2%	3.1%
JPY	147.69	67.78	1.2%	2.9%	6.4%	-10.3%	-7.0%
GBP	1.2918	71.55	1.7%	4.4%	3.2%	-1.7%	5.4%
AUD	0.6319	53.16	1.5%	0.7%	2.1%	-9.2%	0.0%
CAD	1.4362	47.53	0.8%	-0.3%	0.2%	-7.9%	2.3%
CHF	0.8785	70.02	2.1%	3.7%	3.3%	-7.3%	9.9%
CNY	7.2547	54.16	0.5%	0.7%	0.6%	-2.7%	-2.8%
MXN	20.278	56.85	2.0%	1.6%	2.7%	-18.5%	14.9%
EM (Emerging Index)	1 756.6	63.20	0.8%	0.8%	1.7%	-0.7%	4.8%
XBT	82 124	n.a.	-9.1%	-15.7%	-12.4%	120.5%	157.0%

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative \ Positive Performance)



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