HIGHLIGHTS

BLI BANQUE DE LUXEMBOURG INVESTMENTS

Recent economic statistics have revealed little about the future trend of global growth, with figures that are sometimes slightly better than expected alternating with others that fall short of expectations. In the US, for instance, labour market statistics tend to diverge depending on the source used, with data based on business surveys painting a much more favourable picture than those collected from households. In the eurozone, the divergence between persistently declining industrial production and expanding service activities persists. In China, industrial production and retail sales appear to be accelerating again, while activity in the residential property sector remains depressed. In Japan, wage negotiations could lead to the highest increases in 30 years, once again generating positive wage growth in real terms.

After the considerable slowdown in inflation on both sides of the Atlantic over the past 18 months, the return to the 2% target could become more challenging. In the US, headline inflation rose from 3.1% in January to 3.2% in February, while inflation excluding energy and food fell from 3.9% to 3.8%. The PCE (personal consumption expenditure) core price index, which is the Federal Reserve's favourite price indicator, fell from 2.9% to 2.8%. In the Eurozone, overall inflation fell from 2.6% in February to 2.4% in March, while inflation excluding energy and food rose from 3.1% to 2.9%.

In line with expectations, the US Federal Reserve left its key interest rates unchanged in March. Nevertheless, Chairman Jerome Powell reiterated his intention to begin the monetary easing cycle soon, despite recent signs of inflation tenacity, expressing confidence that price rises will move closer to the 2% target, even if the road to that point may prove bumpy. In the eurozone, the decision to keep interest rates unchanged was also accompanied by the prospect of the start of the monetary easing cycle, with the most likely date appearing to be the June session. In Japan, the central bank finally put an end to its policy of negative interest rates and yield curve control.

Long-term interest rates eased very slightly, benefiting from the prospect of key rate cuts by the US and European central banks scheduled to begin in June. The yield to maturity on the 10-year US Treasury note fell from 4.25% to 4.20%. In the eurozone, the benchmark 10-year yield fell from 2.41% to 2.30% in Germany, from 2.88% to 2.81% in France, from 3.84% to 3.68% in Italy and from 3.29% to 3.16% in Spain. Since the beginning of the year, the JP Morgan EMU Government Bond Index has fallen by 0.6%.

In March, stock markets continued their positive trend of the beginning of the year. Neither too strong nor too weak US economic growth, continued easing of inflation levels and the prospect of lower key interest rates from central banks provided optimal stock market conditions, enabling many indices to continue their race to new heights. The MSCI All Country World Index

Net Total Return, expressed in euros, gained 3.3%, ending the month at a new all-time high. In geographical terms, the S&P 500 in the US rose by 3.1% (in USD) and the Stoxx 600 in Europe by 3.7% (in EUR), both also recording record levels at the end of the month. Japan's Topix advanced by 3.5% (in JPY) and the MSCI Emerging Markets index by 2.2% (in USD). Sector-wise, energy, materials and utilities were the best performers, while consumer staples, real estate and consumer discretionary advanced the least.

In March, the euro remained unchanged against the dollar at 1.08. Expectations of simultaneous monetary easing in the US and the eurozone in June left the exchange rate between the world's two leading currencies stable for the second month running. Expectations of interest rate cuts benefited precious metals, which appreciated considerably. The price of an ounce of gold rose by 9.1%, from USD 2044 to USD 2230. The price of an ounce of silver rose by 10.1%, from USD 22.7 to USD 25.0.

This document has been produced by BLI - Banque de Luxembourg Investments ('BLI'), with the utmost care and attention. The views and opinions expressed herein are those of the authors and are in no way binding on BLI. The economic and financial information included in this publication is provided for information purposes only based on data known at the date of publication. This information does not constitute investment advice, a recommendation or inducement to invest, nor should it be construed as legal or tax advice. Each item of information should be used cautiously. BLI does not give any guarantee as to the accuracy, reliability, recency or completeness of this information. BLI cannot be held liable for the provision of this information or as a result of a decision taken by any person (whether or not that person is a client of BLI) based on this information, as each person remains solely responsible for their own decisions.

Interested parties should ensure that they understand the risks inherent in their investment decisions and should refrain from investing until they have carefully assessed, in collaboration with their own professional advisers, the suitability of their investments for their specific financial situation, in particular with regard to legal, tax and accounting aspects.

It should also be noted that past performance of a financial instrument is not a guide to future performance.