



# Stella Maris Selection



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March closes a fifth month of gains for equities, with new stock market records achieved in the US, Japan and some European countries. While the fourth-quarter 2023 rally was largely driven by a lower yield curve due to expectations of a dovish Fed, continued gains in equities in the first quarter came despite more hawkish monetary policy rhetoric. Markets began the year anticipating around seven Fed rate cuts by 2024. Against a backdrop of improving economic growth and slowing disinflation, expectations have now been revised downwards to three cuts by the end of the year. The US 10-year bond yield closes the first quarter of 2024 at 4.20%, while in Europe, the German 10-year reaches 2.30%.

In this context we remained overweight risky assets while increasing the portfolio's geographical diversification. After being heavily overweight in US equities, we increased our weighting in Japanese equities with the AMUNDI MSCI JAPAN ETF. Despite the BOJ's more restrictive monetary policy, with the first rate hike in March, corporate fundamentals are solid, share buybacks are increasing, profit margins are still reaching new highs, and valuations remain reasonable. We also increased our exposure to European equities with the UBS EUROSTOXX 50 ESG ETF. While the market was anticipating initial action by the Federal Reserve, signs of disinflation and the fragility of the European economy suggest that the ECB may begin to act before the FED. This rate cut could be good for European equities. On the bond side, we are maintaining a very short sensitivity, with significant exposure to money markets.

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