

Newsletter

Cash

Q3 2024

Our central scenario of a soft landing for the economy is still holding strong. Inflation no longer appears uncontrollable, and the risks of recession are receding. All the ingredients are therefore in place for a relatively calm last quarter of 2024. Central banks are expected to continue lowering rates in line with the September meetings. In the meantime, short-term rates remain close to their peaks and are still significantly higher than long-term rates.

Highlights of the quarter

Rates

The easing of monetary indicators continues. Indeed, the ECB has implemented its second 25bps rate cut. Consequently, the Estr followed the rate decrease by dropping 25bps over the quarter, settling at 3.41% at the end of September. The 3-month Euribor also declined (-0.43%) over the quarter, ending at 3.28% at the end of September.

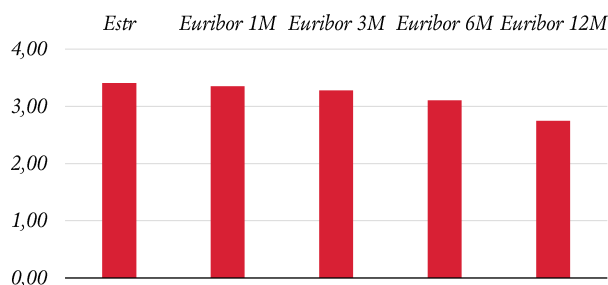
Across the Atlantic, the Fed followed the ECB's lead by marking its first 50bps rate cut during the September meeting.

Central banks

The third quarter of the year mirrors the previous one. Indeed, thanks to favorable macroeconomic data, the European Central Bank proceeded with its second 25bps rate cut. As a result, the ECB deposit rate fell to 3.50%. The Fed, for its part, considers that the necessary conditions for a first rate cut have been met.

The rate was thus adjusted by 50bps during the September meeting, reaching 4.75%.

Money market rates below 12 months



Source: Swiss Life Asset Managers as of 30/09/2024

Expectations

Markets are now convinced that the rate-cutting cycle has begun. In our central scenario, the deposit rate is expected to reach 3.25% by the end of the first half of the year, following a steady and gradual pace of 25bps cuts per meeting. This trend should be reflected across major regions, including the United States, where rates are expected to land at 3.25%. Under this assumption, the Estr would remain above 2% in 2025.

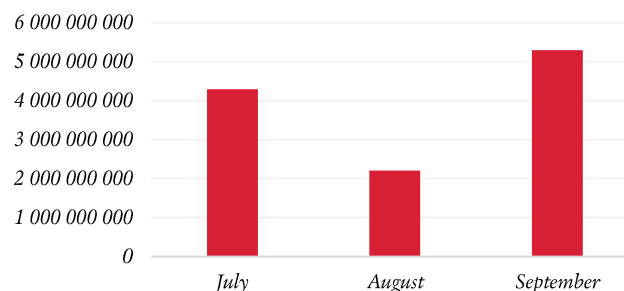
Disclaimer: Source: Swiss Life Asset Managers France, Bloomberg. This presentation contains historical market data. Historical market trends are not a reliable indicator of future market behavior. These data are provided for illustrative purposes only. Depending on the date of publication, the information presented may differ from the updated data.

Primary market

The summer period led to a significant decline in primary issuances compared to the second quarter (-33%). Moreover, the political uncertainties in France that weighed on the second quarter did not allow for a recovery this quarter.

The volume of issuances with maturities of less than 2 years reached €11.8 billion, compared to €17.6 billion in the third quarter of 2023, marking a 35% drop in issuances.

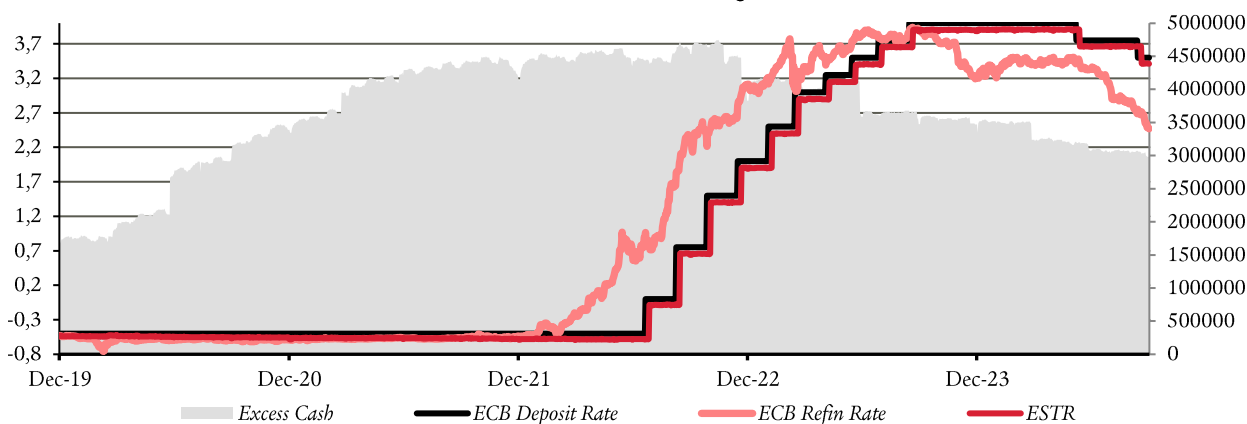
Issue volume (millions)



Source: Swiss Life Asset Managers as of 30/09/2024

Eonia + surplus liquidity

LES INDICATEURS DE LA BANQUE CENTRALE



Source: Swiss Life Asset Managers as of 30/09/2024



Our strategy

« While waiting for the next rate cuts, short maturities still offer a high yield »

Maxime Mura

Portfolio Manager, Money Market

- In light of significant expectations of reductions in key interest rates, caution is warranted regarding interest rate risk; therefore, we favor variable rate instruments.
- Political developments have been intense in recent weeks, particularly in France, but the concerns observed over long-term debt have not spread to the short-term and money markets: there is no reason to underweight France at this stage.
- Certain sectors, such as the automotive industry, have shown signs of weakness (several profit warnings have been announced recently): issuer selection will remain a key factor when integrating assets into our portfolios in the coming weeks.
- Winter is approaching and the end of the year is near. The last quarter is synonymous with uncertainty for investors regarding their cash flow needs. We are maintaining significant liquidity and a buffer of short-term maturities, which have the added benefit of being particularly rewarding in this context of an inverted yield curve.

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About Swiss Life Asset Managers

Swiss Life Asset Managers has more than 165 years of experience in managing the assets of the Swiss Life Group. This insurance background has exerted a key influence on the investment philosophy of Swiss Life Asset Managers, which is governed by such principles as value preservation, the generation of consistent and sustainable performance and a responsible approach to risks. Swiss Life Asset Managers offers this proven approach to third-party clients in Switzerland, France, Germany, Luxembourg, the UK, Italy and the Nordic countries.

As at 30 June 2024 assets under management for third-party clients amount to EUR 121.2 billion. Together with insurance assets for the Swiss Life Group, total assets under management at Swiss Life Asset Managers stood at EUR 272.3 billion. Swiss Life Asset Managers is a leading institutional real estate investor in Europe¹. Of the assets totalling EUR 272.3 billion, EUR 91.1 billion is invested in real estate. In addition, Swiss Life Asset Managers, in cooperation with Livit, manages real estate totalling EUR 21.6 billion in value. Total real estate assets under management and administration at the end of June 2024 thus came to EUR 112.7 billion. Swiss Life Asset Managers employs more than 2200 people in Europe.

A financially self-determined life

Swiss Life enables people to lead a financially self-determined life and look to the future with confidence. Swiss Life Asset Managers pursues the same goal: We think long-term and act responsibly. We use our knowledge and experience to develop future-oriented investment solutions. This is how we support our customers in achieving their long-term investment objectives, which in turn also take account of their client's needs so they can plan their future in a financially self-determined manner.

¹ INREV Fund Manager Survey 2024 (AuM as of 31.12.2023)

Swiss Life Asset Managers data at 30.09.2024.

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Find all our publications on:

www.swisslife-am.com

If you have any further questions, please do not hesitate to contact us:

In France: service.clients-securities@swisslife-am.com,

Tel.: +33 (0)1 40 15 22 53

In Switzerland: info@swisslife-am.com

Swiss Life Asset Managers France

Portfolio Management Company

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Limited liability company governed by an executive board with capital of EUR 671 167

Registered office: Tour la Marseillaise, 2 bis, boulevard Euroméditerranée, Quai d'Arenc 13002 Marseilles

Main office: 153, rue Saint-Honoré, 75001 Paris

