

XI’s policy disrupts the global economy.

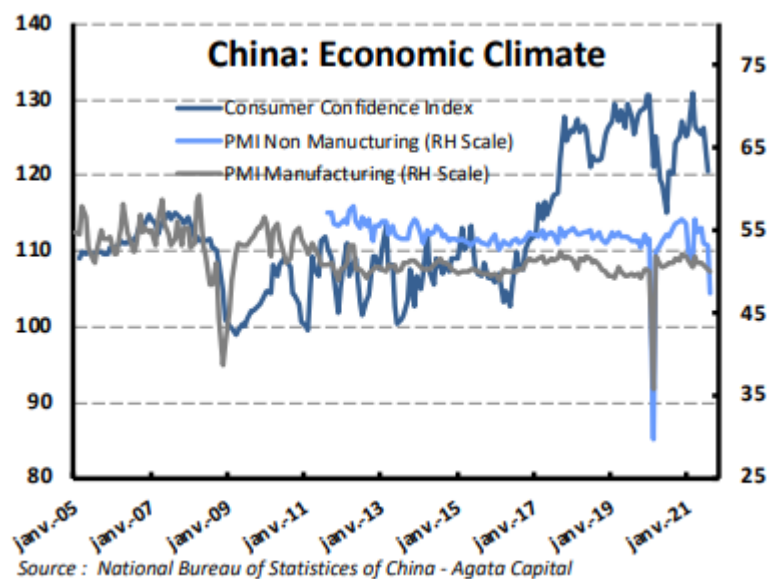
Stock market performance in August was mixed but trading focused on 2 main points:

- Beijing's move to get tough for a drive towards “common prosperity”, and
- the Jackson Hole Symposium on August 27.

In addition, the rushed withdrawal of US and Western forces in Afghanistan turned sour. A suicide bomb attack at Kabul's airport by ISIS-K also challenged the Taliban’s control of the country. This political disaster could be devastating for Joe Biden ahead of the November 2022 mid-terms. Financial markets for the moment have, however, brushed off the developments.

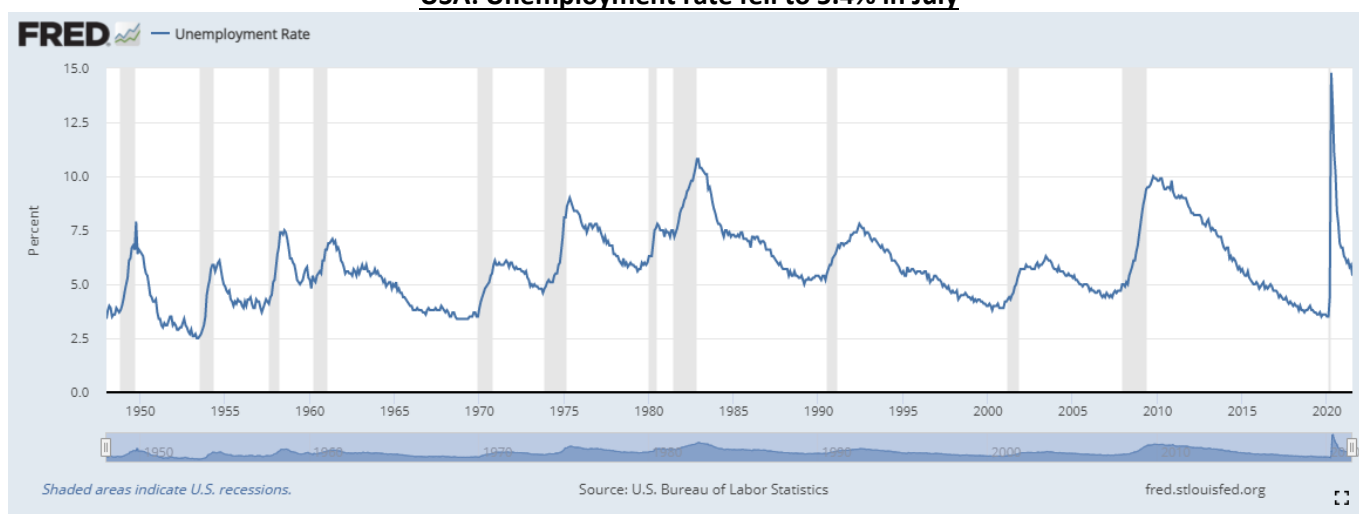
Over the month, equity market resilience was underpinned by record earnings announcements. Second-quarter profits at S&P500 companies soared 95.4% over a year while in Europe earnings at STOXX 600 companies rocketed 152%. Over the month, the Dow Jones gained 1.2%, the S&P500 2.9%, and the Nasdaq 4%. In Europe the STOXX 600 advanced by 1.98%, outperforming the CAC 40 (+1%) which was hit by selling in the luxury sector (LVMH -7%, Kering -10.9%, Pernod Ricard -4.4%). In Asia, the Hong Kong Hang Seng index fell 0.32%, dragged down by a sell-off in Tencent.

Big lurches lower were triggered by Xi Jinping’s move to tighten the regulatory environment so as to reduce inequalities. Chinese tech, internet and education stocks were all hit. Alibaba is grappling with Chinese antitrust efforts and will have to sell its media stakes as well as other assets. To make matters worse, the SEC in the US will no longer accept Chinese IPOs. It's chairman, Gary Gensler, warned investors that shares in Chinese companies were actually, in most cases, shares in Cayman-based shell companies. This is because Beijing forbids foreigners from holding interests in Chinese assets directly. The result was a wave of selling. The market cap of the 6 largest Chinese companies, including Tencent, Alibaba and Meituan, promptly shrank by \$1 trillion. And the “common prosperity” slogan caused luxury stocks to plunge as the campaign will mean new taxes on big Chinese earners. The luxury stock-heavy CAC 40 was particularly badly hit. LVMH had previously become the largest European cap. China’s second-quarter GDP rose 7.9% over a year but the growth outlook was revised down as the spread of the Delta variant cut into household demand. Cyclical naturally lost ground on the news. Against this stressful backdrop, investors piled into high-visibility growth stocks like pharma, software, telecoms and financials. Industrials and oil companies fell back.



But at the end of the month, markets were reassured by Jerome Powell's Jackson Hole speech when he announced that tapering might start towards the end of this year and that US growth trends were still intact. The mood was reinforced after unemployment rate fell to 5.4% in July. The FED chair said tapering was needed as inflation was now back above the 2% objective. Most of the FOMC members agree with him. July's PCE deflator was up 4.2% over a year. Asset purchase tapering will be done gradually. The news helped stabilise markets which were worried about rates tightening. Yields on 10-year US Treasuries retreated to 1.31% and the US dollar edged lower to 1.1809 against the euro as of August 31. The greenback had, however, gained 0.5% against the euro over the month. Yields on 10-year German and French government bonds ended the month at minus 0.38% and minus 0.03%. **Short term yields in Europe are still decisively negative ahead of the next ECB meeting in Frankfurt on September 9. Yields on German and French 2-year notes are at minus 0.71% and minus 0.37%.**

USA: Unemployment rate fell to 5.4% in July



NAV OF THE FUNDS

NAV Date	UCITS	NAV	Cumulated Performances							
			% 1 Week	%1 Month	%3 Months	%YTD	%1 Year	%2 Years	%3 Years	%5 Years
31/08/2021	HUGAU MONETERME I	120 592,96	-0,01	-0,02	-0,04	-0,08	0,03	- 0,18	- 0,22	- 0,18
31/08/2021	HUGAU OBLI 1-3 I	1 420,91	-0,02	0,08	0,65	2,50	4,10	1,98	3,11	4,89

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