PROBUS PLEION

Monthly Newsletter

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Editorial

SpaceX, Musk's “heist of the century”?

The largest initial public offering in history

On June 4, the roadshow for SpaceX’s initial public offering—which has been the subject of much speculation among investors for several years—will begin. Between June 1 and 5, the valuation range will be announced, with the staggering figure of $1.75 trillion as the target—making it the largest IPO of all time, surpassing the $1.7 trillion initial valuation of Saudi Aramco (the world’s largest oil company), which went public in 2019.

However, only a tiny fraction of the capital will be offered on the stock market and made available to investors—between 5% and 6%. In fact, the market will be “offered” “only” between 87 and 105 billion, which is still a considerable amount in itself.

That’s when Elon Musk’s “magic wand” comes into play—he is the founder and the man who, in effect, controls SpaceX with a large majority of the voting rights. One of his goals is to ensure that the company’s stock is included as soon as possible in the major U.S. stock indices, particularly the Nasdaq and the flagship S&P 500.

SpaceX is on track for a stratospheric valuation!

Source: Tastylive.com

Will the rules be changed to include the stock in the indices?

Until now, the rules for inclusion in these broad indices have been fairly clear: a free-float percentage (excluding controlling stakes and similar positions) of around 50%. No matter how the calculations are done, SpaceX won’t meet that ratio, but the index providers’ desire not to miss out on such a phenomenon will likely push them to “bend” their principles.

With the first day of trading expected on June 12, the verdict will be known fairly quickly. For the record, it took Google 20 months to enter the S&P 500 and Tesla 10 years…

Index funds will be forced to buy the stock

If the stock is added to the indices, index funds (ETFs) will be forced to buy the stock without hesitation. Given that the number of available shares will be very limited, this will automatically result in a massive rise in the stock price, thereby valuing the entire company based on a (very) small portion of its capital.

It’s a safe bet that Elon Musk will very soon become the first “trillionaire” in history, a goal he likely set for himself some time ago…

What consequences can we expect for the markets?

By investing in the S&P 500 index through ETFs, many people—whether consciously or not—will be supporting Elon Musk’s capitalist strategy. At this point, the company’s valuation will have little to do with its fundamentals.

Kim Muller

CIO (Switzerland)

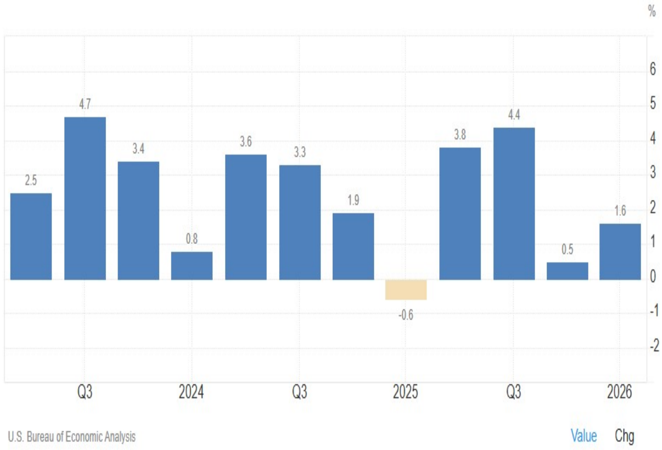
Assessment of the economic situation

U.S. economic growth in Q1has been revised downward, while hopes for a resolution to the crisis in Iran have caused crude oil prices to drop significantly—even though no agreement has been announced.

U.S. Q1 growth revised downward from 2.0% to 1.6%

While we were "rejoicing" last month over the initial report of 2.0% U.S. GDP growth in Q1, the first revision (there are always two) has somewhat dampened that enthusiasm, lowering the initial figure by 0.4%. This adjustment stems from even higher import figures, coupled with lower total exports. Private consumption was also weaker than initially expected.

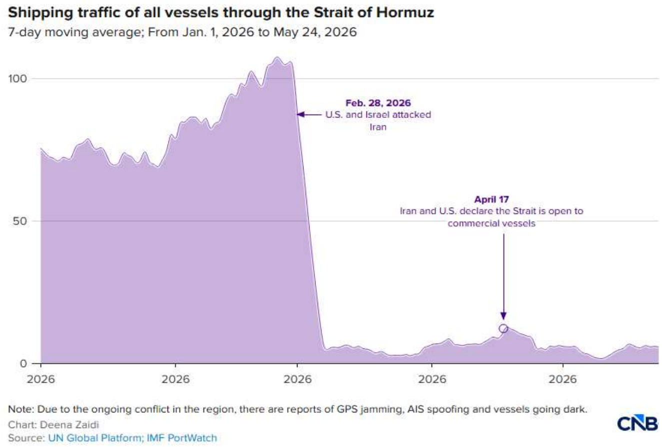
This confirms the current picture of the U.S. economy: a major boom in investment spending centered on data centers—driven largely by components sourced from abroad—while the frenzy of private consumption is fading and returning to normal. Ultimately, the Atlanta Fed model's initial estimate of 1.3% growth was not far off the mark.



Oil prices down, but no solution yet for the Hormuz Strait

After starting the month near its highest levels of the year, the price of oil fell by about 17% in May, as investors increasingly bet on a near-term resolution to the conflict in Iran. To date, it is clear that nothing has been finalized, despite repeated (and increasingly less credible) announcements from the Trump administration of an imminent agreement.

Meanwhile, the Strait of Hormuz remains largely blocked, with at best a dozen or so ships passing through each day. In the longer term, it is likely that the level of traffic that prevailed before the conflict began will never be reached again, as initiatives to bypass it via pipelines multiply, either through the Red Sea or south of Oman.



The Dow Jones Industrial celebrates its 130th anniversary

The world's most famous stock index celebrated its 130th anniversary in May. In fact, its first official closing date was May 26, 1896, when it stood at 40.94 points. At that time, there were fewer than 30 companies in the index—only 12, none of which have survived to the present day. Among them was General Electric, which remained in the index until 2018 (!) and has since been restructured into several entities, as well as the American Sugar Company and the US Leather Company—to name just a few that seem "exotic" in today's context.

Source: Seeking Alpha

What about the SNB's monetary policy?

The Swiss National Bank (SNB) will not be authorized to mint coins or issue circulation coins. The National Council rejected a motion to that effect by Manuela Weichelt (Greens/ZG) by a vote of 132 to 62. Since its founding, the SNB has had the exclusive right to issue banknotes, but the right to mint coins belongs to the Confederation. The Federal Council, for its part, believes that no significant synergies would result from such a change.

Financial markets during the month

The tech sector is stealing the spotlight while other sectors remain on the sidelines. Bond yields continue to rise, reflecting expectations of tighter monetary policy from the ECB or the Fed.

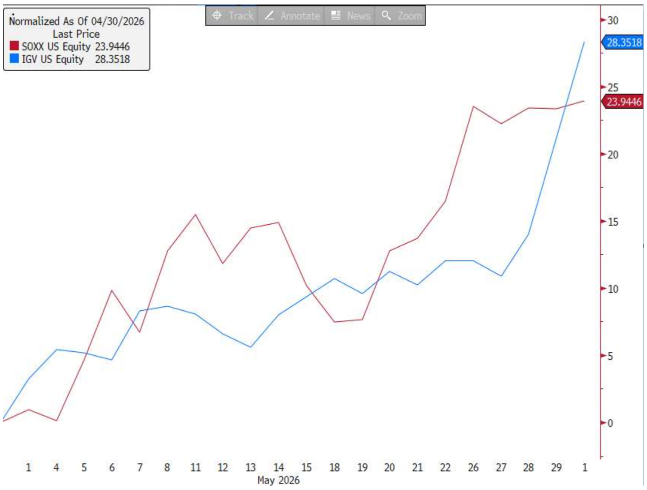
Software is (finally) joining the semiconductor "party"

While the semiconductor sector continued its stratospheric rise (up 89.1% over the first five months of the year), the software sector finally joined the "party," rebounding by 28.4% over the course of the month.

Over the year, however, the picture is much more mixed for the latter, which was hit hard during the first quarter of this year. In fact, since late October 2025, the software sector had seen massive sell-offs by investors, who feared that the emergence of AI posed an existential threat to most companies in the sector.

While it is undeniable that some of these companies will see certain aspects of their business "cannibalized" by Claude, ChatGPT, and their competitors, others will find new opportunities created by these very tools, as the intensity of their use grows exponentially.

Software in blue and semiconductors in red



Source: Bloomberg

Have Japanese 10-year and 30-year yields peaked?

After hovering around 0% for more than a decade, the yield on 10-year Japanese government bonds finally began to normalize in 2022, as inflation made its long-awaited return (by the Bank of Japan).

Since then, the yield has followed an upward trajectory, rising from 0.12% to 2.81% on May 19, a level 23 times higher (!) in just over four years. During the same period, the 30-year yield rose from 0.70% to 4.16%, a level that is ultimately not that far off from its U.S. counterpart.

With a government that heavily subsidizes fuel prices, inflation that most often comes in below expectations, and a central bank determined not to let the yen depreciate further, could it be that the yield peak reached this month will turn into a solid resistance level that is difficult to "break through" in the longer term?

The 10-year yield on Japanese government bonds

Source: tradingeconomics.com

The highly uneven trends in commodity prices

There is no denying that, for about a year now, commodity prices have entered a structurally bullish phase. According to the Bloomberg Global Index, prices have risen by more than 34% over the past twelve months, compared to a 25% increase for the global stock index. Since the start of the conflict in Iran, soaring energy prices have been on everyone's mind and are eroding the purchasing power of most consumers day by day.

But over the past year, oil is far from leading the gains, with an increase of about 50%. The top spot goes to elemental sulfur, obtained through the purification of gas or oil, up 208%, followed by lithium at 183% and silver at 114%. In contrast, several agricultural commodities have seen their prices plummet: -59% for cocoa, -47% for butter, -40% for orange juice, and -26% for coffee.

Commodities (red) and stocks over the past year

Source: Bloomberg

Our convictions

		Least attractive	Unattractive	Neutral	Attractive	Very Attractive	Comments
Equities	US Equities			●			Greater resilience of the U.S. economy
	EU Equities			●			Some sectors are again attractive
	Swiss Equities			●			Many valuations back to attractive levels
	Japan Equities			●			Japanese inflation little affected by oil prices
	China Equities			●			China is staying out of the turmoil
	Asia ex-Japan & China		●				India and Southeast Asia are suffering right now
Fixed Income	Cash & short term debt				●		Maturities: 3–5 years for EUR, 2–3 years for USD
	US long term debt		●				Unattractive risk-return ratio
	EU long term debt		●				Avoid French government debt
	High Yield US & EU		●				Unattractive credit spreads
	Emerging debt local currency				●		Focus on diversified funds
	Emerging debt hard currency			●			
Alternatives	Precious metals & gold miners			○	●		Consolidation underway. Gold Miners attractive
	Commodities				●		A favorable period for the asset class
	REITs (EU + CH)		●				Swiss residential real estate is highly valued
	Private Markets			●			Be cautious about private debt

● Current conviction ○ Previous conviction

Forex					
EURUSD	EURCHF	EURGBP	USDCHF	USDJPY	GBPUSD
⇩	⇨	⇨	⇧	⇩	⇩

Comments on investment decisions

The stock market is focusing on technology stocks and shunning most other sectors. Bond yields rose sharply at first, before easing slightly at the end of the month. Oil prices fell.

Equities

The U.S. market continued the rally that began the previous month, driven primarily by the technology sector. The S&P 500 posted four more weekly gains, extending its streak to eight consecutive weeks of gains. Markets with limited exposure to this sector lagged behind, such as the UK's FTSE 100, which posted a modest gain of 0.3% for the month.

The energy sector suffered the most, weighed down by a sharp drop in oil prices, despite the lack of an agreement between the US and Iran. In this context, we are maintaining our positions.

Bonds

The rise in bond yields accelerated at the start of the month, as inflation figures in the U.S. and Europe confirmed fears of a spike in prices following massive increases in oil and gas prices. But with the market firmly hoping for a imminent agreement between the warring parties and oil prices falling sharply, yields have finally started to decline again.

We are maintaining our short durations, but for the more adventurous, a small exposure to long-term Japanese bonds is possible.

Precious metals, listed real estate (REITs)

The consolidation in gold and precious metals that began in late January continued. Gold finally "tested" its 200-day moving average at the end of the month and is expected to trade near that level for a little while longer before it can "hope" to begin a new uptrend. Gold mining stocks followed suit, and we took advantage of this phase to re-enter this segment.

European real estate investment trusts (REITs) remained near their yearly lows, unable to stage a rebound amid rising bond yields. We are staying on the sidelines.

Currencies

Major currencies saw little change over the course of the month, though the dollar rose slightly. The yen proved more volatile following an intervention by the BoJ to halt its downward trend. While the Japanese currency initially strengthened, market forces eventually took over, and the yen ultimately ended the month lower against the greenback.

The franc remained as sought-after as ever and stayed virtually stable against the dollar. Against the euro, however, it appreciated by 0.7%.

Performance summary

Equity performance

Equity Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SWISS MARKET INDEX	13543	3.1	2.1	11.1
STXE 600 (EUR) Pr	626.0	2.4	5.6	14.0
CAC 40 INDEX	8183	0.8	0.2	5.1
DAX INDEX	25105	3.3	2.5	4.4
FTSE 100 INDEX	10409	0.3	4.7	19.3
Euro Stoxx 50 Pr	6051	2.9	4.4	12.5
DOW JONES INDUS. AVG	51032	2.8	5.5	21.2
S&P 500 INDEX	7580	5.1	9.9	28.7
NASDAQ COMPOSITE	26973	8.4	15.2	41.2
RUSSELL 2000 INDEX	2919	4.3	16.7	41.2
TOPIX INDEX (TOKYO)	3957	6.2	16.1	42.9
FTSE CHINA A50	15870	1.4	3.7	18.3
Global Index	1130.75	5.0	10.8	29.0

Performance of bonds, currencies and commodities

Fixed Income Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SBI AAA-BBB	138.3	0.0	0.0	-0.5
Euro-Aggregate	249.0	1.1	0.9	1.4
U.S. Aggregate	2357.7	0.3	0.3	5.7
Global Aggregate	503.8	0.3	0.4	3.7

Currency	Last	1m Change (%)	YTD Return (%)	1y Return (%)
CHF	0.781	-0.1	-1.4	-5.6
EUR	1.166	-0.6	-0.8	3.3
DXY	98.94	0.9	0.7	-0.9
GBP	1.346	-1.1	-0.1	-0.1
JPY	159.270	1.7	1.8	10.0
CNY	6.766	-0.9	-3.3	-6.0
CAD	1.379	1.6	0.7	-0.3
AUD	0.719	-0.2	7.3	11.8
BRL	5.036	1.6	-8.0	-11.5
INR	95.003	0.1	5.8	11.3
MXN	17.355	-0.6	-3.6	-10.5
EURCHF	0.910	-0.7	-2.2	-2.5

Commodity	Last	1m Change (%)	YTD Return (%)	1y Return (%)
Gold	4540	-1.7	4.6	38.1
Silver	75.30	2.1	-1.3	128.3
WTI	87.36	-16.9	50.8	41.3
Copper	638.90	7.8	10.5	37.6
Industrial Metals	185.74	4.8	12.8	31.1
Agriculture	57.24	-2.1	6.3	1.4

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