WEEKLY UPDATE

Bond yields tightening again in a more uncertain political environment

The financial markets are starting 2025 on the same trend as they ended 2024: with a rise in long bond yields. This movement appears to run counter to the cut in central bank rates. This could make various parts of the bond market very attractive again but may ultimately weigh on the outlook for activity and the equity markets.

A sharp rise in long-term yields. Sovereign 10-year yields have risen sharply since early December, with a broad-based increase of around 50 basis points. Rates are now back to their mid-2024 highs, at more than 4.7% in the United States, above 3.4% in France and 2.5% in Germany. The trend is slightly more pronounced in the UK, where it is up 60 basis points to above 4.8%. This trend goes in an opposite way to the cuts in key interest rates by the main central banks, which began in the second half of 2024. The Federal Reserve (Fed) and the European Central Bank (ECB) have already cut rates by 100 basis points, while the Bank of England (BoE) has cut rates by 50 basis points.

First and foremost, a more uncertain political environment. There are several factors behind this renewed pressure on rates. Firstly, the markets have once again revised their expectations of central bank rate cuts. They now expect only a single 25-basis point cut for the Fed and the BoE between now and June 2025, and three cuts for the ECB.

Indeed, the still favourable indicators for US economic activity are raising fears of continued inflationary pressures (such as the employment report, see *events of the week* thereafter). The markets also seem to start considering that the economic policies of the new Trump administration (such as the increase in tariffs) could lead to permanently higher inflation.

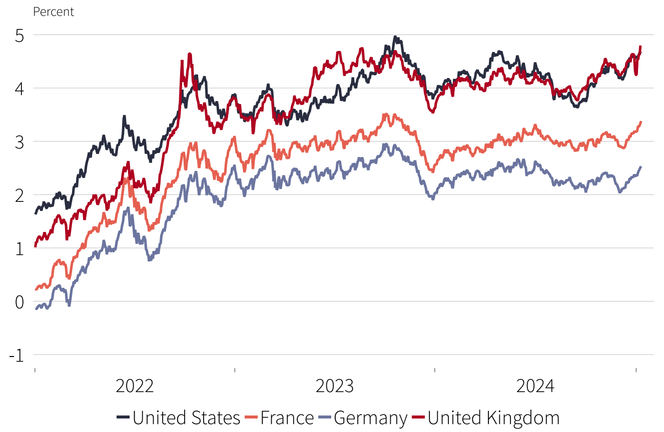
The markets may finally be adjusting to an environment of higher rates for longer. Inflation may not fall as much as it did before Covid, forcing central banks to maintain rates at higher levels than in the past (higher equilibrium rate).

In the euro area, the latest inflation figures have also contributed to concerns (2.4% year-on-year compared with 2.2% in December, and 2.7% for core inflation).

Secondly, flows on the bond markets are contributing to tensions: the start of the year has been marked by large sovereign bond issuances, while central banks continue to reduce their presence (quantitative tightening).

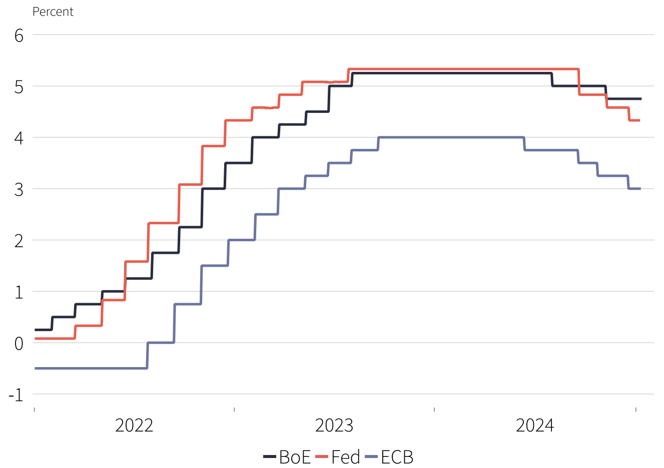
Opportunities but also risks. Short term, this rise in yields is creating new opportunities on the bond markets, particularly in the euro area. We continue to expect the ECB to cut interest rates further, which should allow long-term interest rates to ease over the coming months. But if bond yields pressures continue, the global economy will suffer (higher financing costs for companies, banks and governments), with possible repercussions for equity markets.

INTEREST RATES 10-YEAR SOVEREIGN BONDS



Sources: Société Générale Investment Solutions, Macrobond, U.S. Treasury, Macrobond, BoE 09/01/2025

CENTRAL BANK KEY RATES



Sources: Société Générale Investment Solutions, Macrobond, BoE, New York Fed, ECB 10/01/2025

Past performance is not a guarantee of future performance. All data is from Bloomberg, Macrobond as of 1/10/2025, completion date of this publication. In accordance with the regulations in force, we inform the reader that this document is qualified as a promotional document

SOCIETE GENERALE
Private Banking

OUR MACRO COMMENTS

Events of the week

United States: labour market still awaiting normalisation

In the United States, the labour market is still not back to normal. Non-farm payrolls rose by 256,000 over the month - much more than expected by the consensus. Moreover, the vigour of job creation is widespread across all sectors. Nevertheless, the 3-month moving average remains close to the pre-Covid average at 170,000. The unemployment rate fell by a tenth to 4.10%. The robustness of the labour market data added to the tensions already present on bond markets (up to +10bp on US long bond yield just after the publication). The only more encouraging news was the very slight fall in wage growth, to 3.9% year-on-year. Against this backdrop, the fixed-income markets continued to reduce their expectations of rate cuts by the US central bank, and the equity markets fell.

Euro area : Inflation rises slightly, with wide regional disparities

Euro area inflation came out at 2.4% year-on-year in December, up 0.2 percentage points from November, but mainly due to base effects in energy prices. However, this rise was also driven by a slight increase in services prices (+4% year-on-year, after 3.9%).

Even so, there were wide disparities between euro area countries, with inflation in France at 1.8% in December and at 2.8% in Germany and Spain. These figures have fueled the upward movement in European bond yields seen in recent weeks (see editorial). Nevertheless, these inflation levels should not thwart the ECB in its pursuit of monetary easing, as economic activity is still lacking dynamism.

THE WEEK IN DATA

Country	Data	Actual	Last	Forecast
Euro area	Inflation rate December	2,40%	2,20%	2,40%
Germany	Inflation rate December	2,80%	2,20%	2,40%
France	Inflation rate December	1,80%	1,70%	1,90%
United States	ISM Services PMI	54,1	52,1	54
	JOLTS Job Opening	8,098M	7,839M	7,70M
	Non Farm Payrolls	256k	227k	200k

Source: Macrobond, January 10, 2025. The colors in the 'Actual' column correspond to the difference from the forecast

KEY EVENTS NEXT WEEK

Tuesday

United States PPI December

Wednesday

United Kingdom Inflation rate December
United States Inflation rate December

Thursday

United Kingdom -GDP growth rate November
-Industrial production November
United States -Retail sales December
-Initial Jobless Claims
Euro area Trade balance

Friday

China -GDP growth Q4
-Retail sales December

MARKET PERFORMANCES

Interbank rates

%	08/01/2025	10/12/2024	10/10/2024	01/01/2024	10/01/2024
US SOFR	4.461	4.60	5.01	5.34	5.35
Euro area €ster	2.917	3.16	3.41	3.88	3.91
UK SONIA	4.700	4.70	4.95	5.19	5.19
Switzerland SARON	0.427	0.96	0.93	1.70	1.69
Japan TONAR	0.231	0.23	0.23	-0.04	-0.02

10Y Government rates

%	09/01/2025	10/12/2024	10/10/2024	01/01/2024	10/01/2024
US Treasuries	4.68	4.22	4.09	3.88	4.04
France OAT	3.38	2.88	3.03	2.55	2.74
Germany Bund	2.53	2.13	2.26	2.02	2.20
Italy BTP	3.69	3.21	3.47	3.70	3.83
Spain Bonos	3.21	2.77	3.00	2.98	3.16
Switzerland	0.43	0.26	0.53	0.66	0.80
UK Gilts	4.77	4.29	4.23	3.60	3.88
Japan JGB	1.18	1.03	0.93	0.62	0.61

Credit

%	09/01/2025	10/12/2024	10/10/2024	01/01/2024	10/01/2024
United States IG	5.42	5.04	4.94	5.06	5.21
United States HY	7.42	7.09	7.25	7.59	7.81
Europe IG	3.61	3.27	3.53	3.72	3.98
Europe HY	5.88	5.59	6.11	6.80	6.84
Emerging FX	6.42	6.14	6.15	6.77	6.97

Equity indices

09/01/2025 vs	-1w	-1m	-3m	01/01/2024	-1y
World	-0.23	-1.786	1.594	20.48	21.02
United States	-0.45	-2.206	3.060	24.71	25.14
Euro area	2.32	0.782	0.832	11.70	12.35
France	2.67	1.267	-0.568	2.54	3.75
Germany	2.14	-0.486	3.804	18.17	19.02
United Kingdom	0.74	-0.088	0.787	10.50	11.11
Japan	-1.67	0.078	1.048	18.33	17.10
Emerging	-0.75	-2.652	-4.481	12.58	14.58
China USD	-2.80	-6.485	-11.818	13.35	18.80
India USD	-3.01	-6.456	-8.675	12.64	12.43
Latin America USD	2.48	-5.348	-12.523	-24.99	-23.83

Foreign exchange rates

	09/01/2025	10/12/2024	10/10/2024	01/01/2024	10/01/2024
EUR/USD	1.03	1.05	1.09	1.11	1.10
GBP/USD	1.23	1.27	1.30	1.27	1.27
EUR/CHF	0.94	0.93	0.94	0.93	0.93
USD/JPY	157.97	152.11	148.77	141.03	145.59
USD/CNY	7.33	7.25	7.08	7.08	7.17

Commodity prices

	09/01/2025	10/12/2024	10/10/2024	01/01/2024	10/01/2024
Brent, USD/BL	77	72	79	77	77
Copper, USD/Metric ton	8,961	9,067	9,507	8,476	8,285
Gold, USD/Troy oz	2,670	2,694	2,630	2,063	2,024
Silver, USD/Troy oz	30	32	31	24	23
Palladium, USD/Troy oz	921	969	1,056	1,136	997
Platinium, USD/Troy oz	954	939	955	1,000	930

Source : Bloomberg on 10 January 2025, 1W = 1 week change, 3M = 3 month change, 12M = 12 mont change, YTD = year to date change, Equities; total return in local currency . Government bonds = 10 year returns. Figures are rounded..

IMPORTANT INFORMATION – PLEASE READ

General information

This document is a marketing communication issued by Société Générale Private Banking which is the business line of the Société Générale Group operating through its headquarters within Société Générale S.A. in France and its network (departments or separate legal entities (branches or subsidiaries) hereinafter the "Entities"),), located on the various below-mentioned territories, acting under the brand name "Societe Generale Private Banking" and distributors of the present document.

This material has been prepared solely for informational purposes and has no contractual value.

This material does not constitute an offer of purchase, sale, or subscription in any of the asset classes presented herein, nor a solicitation of such an offer, nor is it an offer of financial services, to participate in any investment strategy. Nothing in this document should be construed as constituting investment advice or personal recommendation to any investor or its agent. Information contained herein is not intended to provide a basis on which to make an investment decision.

Any investment may have tax consequences and Société Générale Private Banking and its Entities do not provide tax advice. The level of taxation depends on individual circumstances and tax levels and bases may change. In addition, this document is not intended to provide accounting, tax or legal advice and should not be relied upon for accounting, tax, or legal purposes. Independent advice should be sought where appropriate.

The accuracy, completeness or relevance of the information provided is not guaranteed although it has been drawn from sources believed to be reliable. The information and opinions expressed in this document were produced as at the date of writing and are subject to change without notice.

This material has not been prepared regarding specific investment objectives, financial situations, or the particular needs of any specific entity or person. Investors should make their own appraisal of the risks and should seek their own financial and legal advice regarding the appropriateness of investing in any asset classes or participating in any investment strategy.

The asset classes presented herein may be subject to restrictions regarding certain persons or in certain countries under national regulations applicable to said persons or in said countries. It is the responsibility of any person in possession of this document to inform themselves and to comply with the legal and regulatory provisions of the relevant jurisdiction. This document is not intended for distribution to any person or in any jurisdiction where such distribution would be restricted or illegal. In particular, it may not be distributed in the United States, nor may it be distributed, directly or indirectly, in the United States or to any US Person.

General risks

Some of the asset classes mentioned may present various risks, imply a potential loss of the entire amount invested or even an unlimited potential loss, and may therefore only be reserved for a certain category of investors, and/or only be suitable for well-informed investors who are eligible for these asset classes. In addition, these asset classes must comply with the Société Générale Group's Code of Tax Conduct.

The price and value of investments and the income derived from them may go down as well as up. Changes in inflation, interest rates and exchange rates may adversely affect the value, price and income of investments denominated in a currency other than that of the client. Any simulations and examples contained in this document are provided for illustrative purposes only. This information is subject to change because of market fluctuations, and the information and opinions contained herein may change. Société Générale Private Banking does not undertake to update or amend this document and will not assume any liability in this regard.

This document is for information purposes only and investors should make their investment decisions without relying on this document. Société Générale Private Banking and its Entities shall not be liable for any direct or indirect loss arising from any use of this document or its contents. Société Générale Private Banking and its Entities do not make any warranty, express or implied, as to the accuracy or completeness of this information or as to the profitability or performance of any asset class, country, or market.

Past performance does not predict future returns. The value of an investment is not guaranteed, and the valuation of investments may fluctuate.

Forecasts of future performance are based on assumptions which may not materialized. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product. Future performance is subject to taxation which depends on the personal situation of each investor and which may change in the future.

For a more complete definition and description of the risks, please refer to the prospectus of the product or other legal information document as the case may be (as applicable) before making any final investment decisions.

This document is confidential, intended exclusively for the person to whom it is addressed, and may not be communicated or made known to third parties (except for external advisers and provided that they themselves respect confidentiality), nor reproduced in whole or in part, without the prior written agreement of Société Générale Private Banking and its Entities.

Conflicts of interest

The Societe Generale Group maintains an effective administrative organization that takes all necessary measures to identify, control and manage conflicts of interest. To this end, Societe Generale Private Banking and its Entities have put in place a conflict of interest policy to prevent conflicts of interest, including information Chinese walls.

This document contains the views of SGPB teams. Société Générale trading desks may trade, or have traded, as principal on the basis of the teams' views and reports. In addition, SGPB teams receive compensation based, in part, on the quality and accuracy of their analysis, client feedback, revenues of their entity of the Société Générale group and competitive factors.

IMPORTANT INFORMATION – PLEASE READ

As a general matter, entities within the Société Générale group may make a market or act as a principal trader in securities referred to in this report and can provide banking services to the companies mentioned in that document, and to their subsidiary. Entities within the Société Générale group may from time-to-time deal in, profit from trading on, hold on a principal basis, or act as advisers or brokers or bankers in relation to securities, or derivatives thereof, or asset class(es) mentioned in this document.

Entities within the Société Générale group may be represented on the supervisory board or on the executive board of such persons, firms or entities.

Employees of the Société Générale group, or persons/entities connected to them, may from time to time have positions in or hold any of the investment products/ asset class(es) mentioned in this document.

Société Générale may acquire or liquidate from time-to-time positions in the securities and/or underlying assets (including derivatives thereof) referred to herein, if any, or in any other asset, and therefore any return to prospective investor(s) may directly or indirectly be affected.

Entities within the Société Générale group are under no obligation to disclose or consider this document when advising or dealing with or on behalf of customers.

In addition, Société Générale may issue other reports that are inconsistent with and reach different conclusions from the information presented in this report and is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Société Générale group maintains and operates effective organisational and administrative arrangements taking all reasonable steps to identify, monitor and manage conflicts of interest. Société Générale Private Banking has put in place a management of conflicts of interest policy designed to prevent conflicts of interest giving rise to a material risk of damage to the interests of its clients. For further information, please refer to the management of conflicts of interest's policy, which was provided.

.Specific information per jurisdiction

FRANCE : Unless expressly stated otherwise, this document is published and distributed by Société Générale, a credit institution providing investment services authorised by and under the prudential supervision of the European Central Bank ("ECB") (located at ECB Tower, Sonnemannstraße 20, 60314 Frankfurt am Main, Germany) within the Single Supervisory Mechanism and supervised by the Autorité de Contrôle Prudentiel et de Résolution (located at 4, Place de Budapest, CS 92459, 75436 Paris Cedex 09) and the Autorité des Marchés Financiers ("AMF") (located at 17 Pl. de la Bourse, 75002 Paris). Société Générale is also registered with the ORIAS as an insurance intermediary under the number 07 022 493 orias.fr.

Société Générale is a French public limited company with a capital of EUR 1.003.724.927,50 as of November 17, 2023, whose registered office is located at 29 boulevard Haussmann, 75009 Paris, and whose unique identification number is 552 120 222 R.C.S. Paris, and its ADEME number is FR231725_01YSGB. Further details are available on request or at www.privatebanking.societegenerale.com

LUXEMBOURG: This document is distributed in Luxembourg by Societe Generale Luxembourg, a credit institution which is authorized and regulated by the Commission de Surveillance du Secteur Financier ("CSSF") under the prudential supervision of the European Central Bank- ECB, and whose head office is located at 11, avenue Emile Reuter – L 2420 Luxembourg. Further details are available on request or can be found at https://www.societegenerale.lu/. No investment decision whatsoever may result from solely reading this document. Societe Generale Luxembourg accepts no responsibility for the accuracy or otherwise of information contained in this document. Societe Generale Luxembourg accepts no liability or otherwise in respect of actions taken by recipients on the basis of this document only and Societe Generale Luxembourg does not hold itself out as providing any advice, particularly in relation to investment services. The opinions, views and forecasts expressed in this document (including any attachments thereto) reflect the personal views of the author(s) and do not reflect the views of any other person or Societe Generale Luxembourg unless otherwise mentioned. Societe Generale Luxembourg has neither verified nor independently analyzed the information contained in this document. The Commission de Surveillance du Secteur Financier has neither verified nor independently analysed the information contained in this document.

MONACO : The present document is distributed in Monaco by Societe Generale Private Banking (Monaco) S.A.M., located 11 avenue de Grande Bretagne, 98000 Monaco, Principality of Monaco, governed by the 'Autorité de Contrôle Prudentiel et de Résolution' and the 'Commission de Contrôle des Activités Financières'. The financial products marketed in Monaco can be reserved for qualified investors in accordance with the Law No. 1339 of 07/09/2007 and Sovereign Ordinance No 1.285 of 10/09/2007. Further details are available upon request or on www.privatebanking.societegenerale.com.

SUISSE : LThis document is an advertising according to the Financial Services Act ("FinSA"). It is distributed in Switzerland by Societe Generale Private Banking (Suisse) SA ("SGPBS"), whose head office is located rue du Rhône 8, CH-1204 Geneva. SGPBS is a bank authorized by the Swiss Financial Market Supervisory Authority ("FINMA"). Nothing contained herein shall constitute, or shall be deemed to constitute, investment advice or a recommendation by SGPBS. Users are advised to seek professional advice before applying any information contained in this document to their own particular circumstances. SGPBS accepts no responsibility for the accuracy or otherwise of information contained in this document.The financial products, including collective investment schemes and structured products referred to in this document can only be offered in compliance with the FinSA. Further details are available on request or can be found at www.privatebanking.societegenerale.com.

This document is not distributed neither by SG Kleinwort Hambros Bank Limited in the United Kingdom, nor by its branches in Jersey, Guernsey and Gibraltar together operating through the brand name "SG Kleinwort Hambros". Consequently, the information and potential offers, activities and financial information contained in this document do not apply to these entities and may neither be authorized by these entities or adapted on these territories. Further information on the activities of the private banking entities of Société Générale located in the territories of the United Kingdom, the Channel Islands and Gibraltar, including additional legal and regulatory details can be found at: www.kleinworthambros.com."

SOCIETE GENERALE
Private Banking

Réf.: (A) 733807. Crédits photos: Getty Images © Guillaume Chanson.
N° ADEME : FR231725_01YSGB 08/2024.