

WEEKLY UPDATE

Spotlight turns again to central banks

Financial markets have regained a sense of calm following the turbulence triggered by the surprise announcement of elections in France. Market concerns have shifted back to the central banks, with a more subdued tone than expected from the Bank of England (BoE) and the Swiss National Bank (SNB).

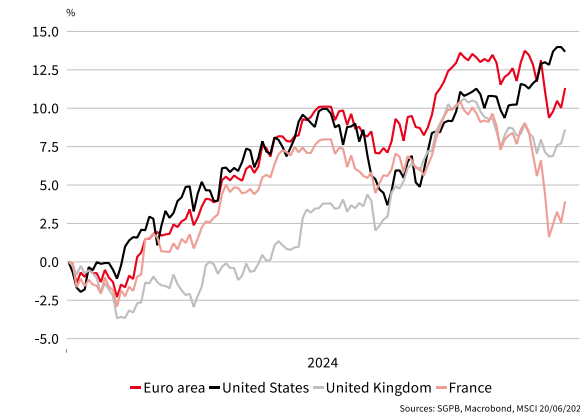
Calmer markets, but French markets remain cautious. French markets remain cautious following a period of tension marked by a significant drop in the stock market (-4,7% since June 7, +3,9% year-to-date) and a widening of the 10-year French yield spread against the German yield (+23 basis points over two weeks). Tensions have eased somewhat since the beginning of the week, but indices have not yet regained their pre-European election levels. It is worth noting that global equity markets have posted strong gains since the beginning of the year, up more than 12% (over 15% in the US, over 10% in the eurozone, 9% in the UK, all in local currencies). This context confirms our decision to maintain our overweight stance on developed market equities, while maintaining a diversified allocation to weather potential ongoing turbulence.

BoE holds steady, but a shift may be soon. The Bank of England kept its policy rate unchanged at 5.25%, in line with expectations. As at the previous meeting, 7 members of the Monetary Policy Committee voted in favor of maintaining the rate, while 2 voted for a cut. The decline in May inflation has not fully eased concerns about inflationary pressures (inflation at 2% year-over-year and underlying inflation at 3.5%). However, the BoE signaled that it could soon move to cut rates, indicating a re-assessment of the situation in August, when it will update its forecasts. Markets are now expecting two rate cuts by the end of the year, with the first potentially coming as soon as August.

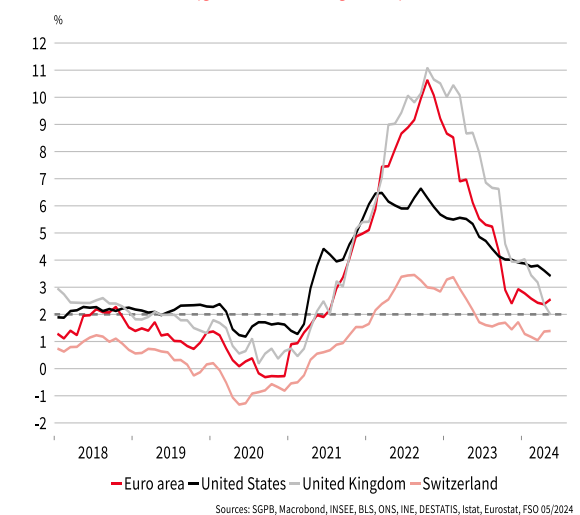
Swiss National Bank surprises with another rate cut. The Swiss National Bank cut its policy rate by 25 basis points to 1.25%, surprising consensus expectations. Inflation continues to moderate and is below the SNB's target and significantly below that of its European neighbors (headline inflation at 1.4% year-over-year and core inflation at 1.2% in May). The SNB has slightly lowered its inflation forecasts to +1.3% in 2024, +1.1% in 2025 and +1% in 2026. The central bank considers its current monetary policy stance to be appropriate, justifying a continuation of its monetary easing cycle. Political uncertainties in France could contribute to an appreciation of the Swiss franc as a safe haven. The SNB's decision to cut rates should therefore help limit demand for the Swiss franc. Markets now expect two more rate cuts by the end of the year.



Year to date equity markets performance



CPI inflation (year-over-year)



Past performance should not be seen as a guarantee of future returns.

All data taken from Bloomberg and Macrobond on the 22/03/2024, publication achievement date. In accordance with the applicable regulation, we inform the reader that this material is qualified as a marketing document.

Our Macro Comments

Events of the week



The composite PMI index in the euro area was weaker than expected, dropping to 50.8 vs. 52.5 expected. The trend was similar in the main countries, particularly in Germany, where the manufacturing activity index contracted sharply, to 43.4 vs. 46.4 expected. In France, all sectors contracted, with service sector activity declining further to 48.8 vs. 50 expected, and industrial activity to 45.3 vs. 46.8. Below 50, the PMIs signal that the activity of the sector (or the economy as a whole) is in contraction. However, this indicator has, over the past few years, pointed to weaker growth than actually observed.



The European Commission launched a procedure for excessive public deficit against France and 6 other European countries, mostly because their deficits remain above the 3% of annual GDP criteria (5.5% in France in 2023). The procedure is due to be officialised on 16 July (meeting of the euro area ministers of finance) and will require these countries to take measures to bring their deficits down. For France, this adds up to the recent downgrade by rating agencies and the political uncertainty climate.

The week in data

Country	Data	Actual	Last	Forecast
Germany	HCOB Manufacturing PMI JUN	43,4	45,4	46,4
China	Industrial Production MAY	5,60%	6,70%	6,00%
United States	Retail Sales MAY	0,10%	-0,20%	0,20%
United States	Industrial Production MAY	0,90%	0%	0,30%
France	HCOB Composite PMI JUN	48,2	48,9	49,5
Japan	Core Inflation Rate MAY	2,50%	2,20%	2,60%
United Kingdom	Inflation Rate MAY	2,00%	2,30%	2,00%
United Kingdom	Core Inflation Rate MAY	3,50%	3,90%	3,50%
United Kingdom	BoE Interest Rate Decision	5,25%	5,25%	5,25%
United Kingdom	S&P Global Composite PMI JUN	51,7	53	53,1
Switzerland	SNB Interest Rate Decision	1,25%	1,50%	1,50%
Euro Area	HCOB Composite PMI JUN	50,8	52,2	52,5

Source: Macrobond, the 21st June 2024

Colors in 'Actual' column represent the difference with previsions.

Key events next week

Monday	
Germany	Ifo Business Climate JUN
Wednesday	
Germany	GfK Consumer Confidence JUL
Friday	
Japan	Industrial Production YoY Prel MAY
Germany	Retail Sales YoY MAY
France	Inflation Rate YoY Prel JUN
Spain	Inflation Rate YoY Prel JUN
Germany	Unemployment Rate JUN
Italy	Inflation Rate MoM Prel JUN
United States	Personal Income MoM MAY
United States	Personal Spending MoM MAY
United States	PCE Price Index YoY MAY

Market Performances

Interbank rates

%	19/06/2024	21/05/2024	21/03/2024	01/01/2024	21/06/2023
United States SOFR	5,334	5,32	5,32	5,34	5,07
Euro area €ster	3,663	3,91	3,91	3,88	3,40
United Kingdom SONIA	5,200	5,20	5,19	5,19	4,43
Switzerland SARON	1,455	1,46	1,69	1,70	1,45
Japan TONAR	0,077	0,08	0,07	-0,04	-0,07

Equity markets indices

20/06/2024 vs	-1w	-1m	-3m	01/01/2024	-1y
World	0,86	1,09	3,454	12,58	20,85
United States	0,76	2,16	3,739	13,68	24,53
Euro area	2,01	-2,27	1,156	9,96	14,20
France	2,30	-5,22	-3,253	3,95	6,53
Germany	1,14	-2,54	0,857	7,62	10,53
United Kingdom	1,65	-1,60	5,596	8,62	13,52
Japan	-0,71	-1,24	-1,728	16,18	21,06
Emerging (USD)	1,66	1,66	7,112	11,79	15,71
China (USD)	0,75	-4,70	8,552	7,89	-4,46
India (USD)	0,20	5,01	12,164	15,90	38,20
Latin America (USD)	0,67	-11,76	-12,239	-15,67	-8,20

Sovereign rates 10 years

%	20/06/2024	21/05/2024	21/03/2024	01/01/2024	21/06/2023
United States Treasuries	4,25	4,41	4,27	3,88	3,72
France OAT	3,15	2,99	2,84	2,55	2,95
Germany Bund	2,43	2,50	2,40	2,02	2,41
Italy BTP	3,94	3,80	3,67	3,70	3,97
Spain Bonos	3,29	3,27	3,21	2,98	3,36
Switzerland	0,67	0,72	0,68	0,66	0,95
United Kingdom Gilts	4,08	4,14	3,98	3,60	4,39
Japan JGB	0,93	0,97	0,72	0,62	0,39

Foreign exchange rates

	20/06/2024	21/05/2024	21/03/2024	01/01/2024	21/06/2023
EUR/USD	1,07	1,09	1,09	1,11	1,10
GBP/USD	1,27	1,27	1,28	1,27	1,27
EUR/CHF	0,95	0,99	0,98	0,93	0,98
USD/JPY	158,72	155,99	151,61	141,03	142,06
USD/CNY	7,26	7,24	7,20	7,08	7,18

Credit & emerging markets

%	20/06/2024	21/05/2024	21/03/2024	01/01/2024	21/06/2023
United States IG	5,39	5,46	5,34	5,06	5,43
United States HY	7,90	7,84	7,65	7,59	8,75
Europe IG	4,00	3,99	3,90	3,72	4,61
Europe HY	6,68	6,59	6,65	6,80	7,96
Emerging markets (FX)	6,83	6,83	6,82	6,77	7,24

Commodity prices

	20/06/2024	21/05/2024	21/03/2024	01/01/2024	21/06/2023
Brent, USD/BL	86	82	85	77	77
Copper, USD/Metric t.	9 648	10 775	8 874	8 476	8 490
Gold, USD/Troy o.	2 360	2 421	2 181	2 063	1 933
Silver, USD/Troy o.	30	32	25	24	23
Palladium, USD/Troy o.	908	1 030	1 009	1 136	1 343
Platinum, USD/Troy o.	974	1 054	910	1 000	949

Source: Bloomberg, on 21 June 2024, 1W = 1 week change, 3M = 3 month change, 12M = 12 month change, YTD = year to date change. Equities; total return in local currency. Government bonds = 10 year returns. Figures are rounded..

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