WEEKLY UPDATE

China launches its own ‘whatever it takes’ plan

Given the persistent weakness of the property market, the Chinese authorities have just announced far-reaching measures to revive their economy. The Chinese central bank (PBOC) began by announcing rate cuts and macroprudential measures. Then, the Politburo meeting resulted in a commitment to implement ‘the necessary spending’. The financial markets welcomed these announcements, even if the long-term impact remains to be proven.

A difficult economic context. First of all, the property market is still in a very poor state. Given large oversupply, the volume of sales has fallen by 50% since Covid and house prices continued to fall sharply (-10% year-on-year in July), causing financial difficulties for property developers.

This situation has capped the post-Covid domestic recovery. Unemployment has risen and household consumption growth remains at a low, making the Politburo's target of 5% growth by 2024 difficult to achieve.

This weakening of the economy, together with a marked ageing of the population, has also led many observers to suggest that China could experience a long period of Japanese-style deflation.

The PBOC has already cut its key rates several times, but without much impact on activity. The many calls for more radical measures seem to have been heeded (at least in part) this week, by both the PBOC and the central government :

- **PBOC measures**. The PBOC has again lowered its key rates, as well as the rates for households with mortgages. It has also decided to introduce macroprudential measures: reducing the downpayment on second homes, strengthening the property buy-back mechanism and creating a facility enabling financial institutions to finance their equity purchases.

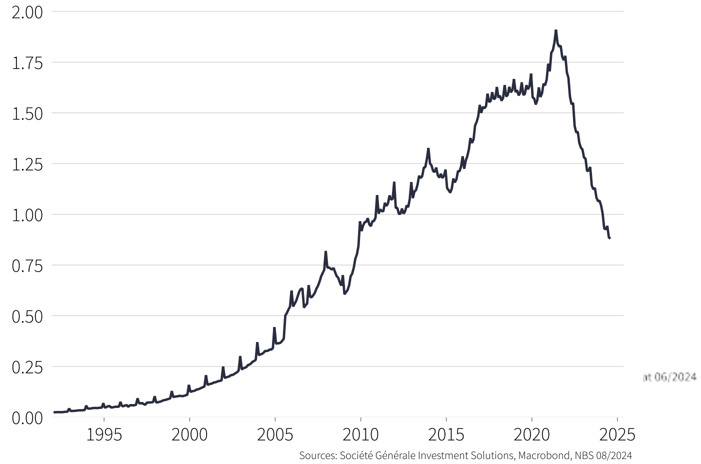
- Politburo announcements. The central authorities have announced their intention to introduce ‘necessary spending’. This is a real signal of the government's determination, even if official details are still lacking. The media mention a stimulus plan aimed at household consumption of around 2,000 billion yuan (or 4% of GDP) between now and the end of 2025.

A positive signal for markets. China's equity markets responded very well to these announcements, gaining almost 13% in local currency over the week. This also buoyed global markets (+1.4%), particularly those in the euro area (+2.9%). The European luxury goods sector in particular was up by more than 12% over the week.

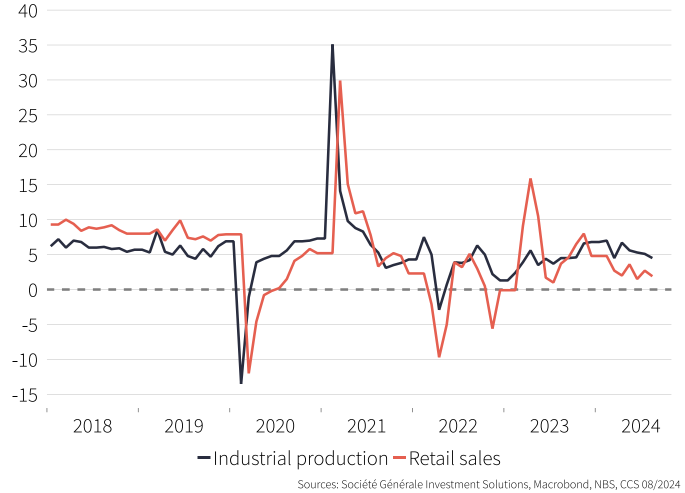
Beyond the announcement effects, there is a lack of details on the implementation of these measures in order to assess their impact over the long term. In particular, the setting up of a “bad bank” to ‘isolate’ the bad debts weighing on the property market does not appear to be on the agenda for the time being.

But if the signal sent out this week becomes reality, it could lead to a more sustained rebound in Chinese equity markets, which have so far been depressed by sluggish Chinese domestic demand.

CHINA – RESIDENTIAL SALES VOLUME (1-YEAR SUM, BILLIONS OF SQM)



CHINA – ECONOMIC INDICATORS (YEAR-OVER-YEAR)



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OUR MACRO COMMENTS

Events of the week

ECB: markets expect more significant easing

In terms of business indicators, there was one bad surprise after another this week in the euro area (PMI indices well below 50 in France and Germany). The national business climate indices (Ifo in Germany) confirm this trend, although consumer confidence in France surprised with a rebound.

At the same time, September's inflation figures came as a surprise, falling sharply in France and Spain (to 1.2% and 1.7% year-over-year respectively). With confirmation that inflation could rapidly fall below 2% and economic activity less favourable, the ECB could accelerate the pace of its rate cuts. The markets are expecting at least a 25 bp cut for each of the last two committees of 2024.

Political difficulties in France unsettle bond yields

Questions are growing about the short-term trajectory of French public finances, with upward revisions to the deficit for 2024 and questions about the stability of the new government. The 10-year bond yield at which the French government finances itself has once again diverged from that of Germany and is now higher than that of Spain and Portugal.

The Swiss National Bank cut rates again

The Swiss central bank (SNB) has decided to cut its key interest rates by 25 basis points to 1%. This third successive rate cut since the start of the year is mostly due to low inflation, which reached +1.1% year-over-year in August, and the strength of the Swiss franc. The SNB has indicated that it may continue to do so, particularly if the Swiss franc appreciates further.

THE WEEK IN DATA

Country	Data	Actual	Last	Forecast
France	PMI Composite September	47,4	53,1	52,7
	Inflation Rate September	1,2%	1,8%	1,8%
Germany	Ifo Business Climate September	85,4	86,6	86,3
	Gfk Consumer Confidence October	-21,2	-21,9	-19
United States	Core PCE Price Index MoM August	0,1%	0,2%	0,2%
	Durable Goods Orders MoM August	0.0%	9,8%	-2,2%
	Personal Spending MoM August	0,2%	0,5%	0,3%
Switzerland	SNB Interest Rate Decision	1,00%	1,25%	1,00%

Source: Macrobond, September 27, 2024 . The colors in the 'Actual" column correspond to the difference from the forecast

KEY EVENTS NEXT WEEK

Monday

China	Caixin Manufacturing PMI September

Tuesday

Japan	Consumer confidence September
Euro area	Inflation Rate September
United-States	-ISM Manufacturing September -JOLTs Job Openings August

Wednesday

Japan	Tankan Large Manufacturer Index Q3

Thursday

United-States	ISM Services PMI September

Friday

United-States	-Non-Farm Payrolls September -Unemployment Rate September

SOCIETE GENERALE
Private Banking

MARKET PERFORMANCES

Interbank rates

%	25/09/2024	27/08/2024	27/06/2024	01/01/2024	27/09/2023
US SOFR	5.247	5.35	5.34	5.34	5.32
Euro area €ster	3.416	3.67	3.66	3.88	3.91
UK SONIA	4.950	4.95	5.20	5.19	5.19
Switzerland SARON	1.208	1.21	1.21	1.70	1.70
Japan TONAR	0.226	0.23	0.08	-0.04	-0.06

10Y Government rates

%	26/09/2024	27/08/2024	27/06/2024	01/01/2024	27/09/2023
US Treasuries	3.79	3.83	4.29	3.88	4.61
France OAT	2.97	3.00	3.23	2.55	3.39
Germany Bund	2.17	2.28	2.45	2.02	2.83
Italy BTP	3.39	3.66	4.03	3.70	4.77
Spain Bonos	2.96	3.10	3.36	2.98	3.92
Switzerland	0.42	0.45	0.59	0.66	1.05
UK Gilts	4.00	3.99	4.16	3.60	4.35
Japan JGB	0.82	0.89	1.04	0.62	0.75

Credit

%	26/09/2024	27/08/2024	27/06/2024	01/01/2024	27/09/2023
United States IG	4.73	4.87	5.43	5.06	6.06
United States HY	7.03	7.30	7.92	7.59	8.93
Europe IG	3.48	3.66	3.98	3.72	4.70
Europe HY	6.03	6.38	6.69	6.80	8.07
Emerging FX	6.04	6.39	6.86	6.77	7.73

Equity indices

26/09/2024 vs	-1w	-1m	-3m	01/01/2024	-1y
World	1.42	2.370	4.85	18.2	28.53
United States	0.68	2.197	5.53	20.3	33.65
Euro area	2.88	2.656	3.20	12.2	21.05
France	3.29	2.513	3.70	5.7	11.89
Germany	2.86	3.528	5.34	13.8	22.81
United Kingdom	0.75	-0.576	2.66	10.4	13.69
Japan	2.95	1.507	-2.36	16.3	16.76
Emerging	4.37	4.794	5.99	17.6	24.17
China USD	12.65	15.104	13.84	18.8	14.33
India USD	1.09	3.986	9.16	28.2	44.00
Latin America USD	2.04	-0.271	4.64	-11.5	3.76

Foreign exchange rates

	26/09/2024	27/08/2024	27/06/2024	01/01/2024	27/09/2023
EUR/USD	1.12	1.12	1.07	1.11	1.05
GBP/USD	1.34	1.32	1.27	1.27	1.21
EUR/CHF	0.95	0.94	0.96	0.93	0.97
USD/JPY	144.80	144.27	160.60	141.03	149.41
USD/CNY	7.01	7.12	7.27	7.08	7.31

Commodity prices

	26/09/2024	27/08/2024	27/06/2024	01/01/2024	27/09/2023
Brent, USD/BL	71	80	85	77	94
Copper, USD/Metric ton	9,844	9,248	9,423	8,476	8,017
Gold, USD/Troy oz	2,672	2,524	2,328	2,063	1,875
Silver, USD/Troy oz	32	30	29	24	23
Palladium, USD/Troy oz	1,052	966	939	1,136	1,241
Platinium, USD/Troy oz	1,005	959	1,005	1,000	905

Source : Bloomberg on 27 September 2024, 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..

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