WEEKLY UPDATE

A globalization that changes dynamics and geographies

Post-Covid geopolitics raised fears of a potential slump in international trade and financial exchanges. The data show no crunch so far, but do reveal a change in the trend and map of international flows, with implications for countries' economic and financial prospects.

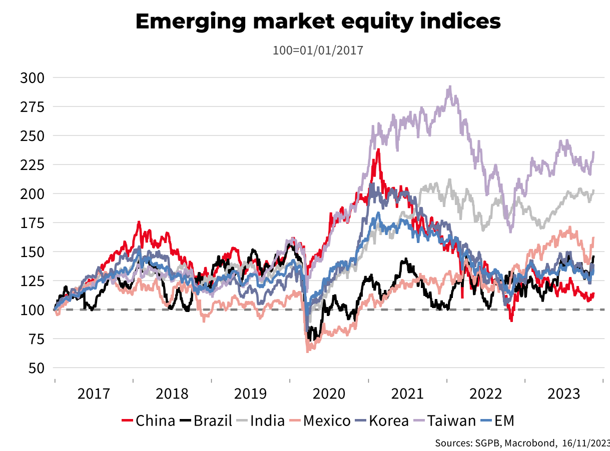
Despite these fears, figures continue to show high levels of trade and financial flows. The Covid crisis and international political tensions have led to a new spirit of protectionism, affecting international trade and financial flows. Leading economies have been falling over each other to announce new "national" industrial policies, raising fears the globalisation process of recent years could come to a crashing halt. However, data reveal a different picture, with international trade and financial flows remaining strong thus far. International trade volumes which had shrunk as the world locked down in response to Covid have bounced back since, reaching pre-Covid levels in October 2020 and expanding by 5% in 2021 and 2022. In 2023, global trade has slowed again, but this reflects the slowdown by the world's leading economies rather than any deglobalising trend.

Globalisation may nonetheless have peaked and migrated in terms of countries. While overall trade remains strong, new trade barriers are multiplying and will likely mean a weaker trend going forward. Also, the map of supplier countries is changing fast. The United States has been shifting some of its imports and investments away from China and towards its neighbours (nearshoring) and friends (friendshoring). At the beginning of 2017, China provided 37% of all goods imported by the US from emerging industrial economies. This share has since shrunk by 10 percentage points, to 26% in July 2023, with ASEAN countries and Mexico taking a larger slice of the market instead. The picture is very different in Europe. There, China has been winning share of manufacturing imports, adding nearly 4 percentage points between 2020 and 2022, and now tops the rankings for emerging market imports with a 37% market share. The losers have been Eastern European countries. Looking beyond the trade figures, though, it should be noted that while China remains a big trading partner its inward investment looks to have tailed off and this could in time curtail its growth prospects.

Implications for economies and markets. For developed economies, the primary impact of slowing globalisation is likely to be less imported deflation and therefore structurally higher inflation – and hence interest rates. The remapping of supplier countries could also create new winners and losers among emerging markets. Nearshoring and friendshoring will continue to tilt the playing field away from China and toward new regions, with likely implications for these countries' stock market performance.

International trade rebounded significantly following the Covid-19 crisis and in spite of the proctectionist measures

Expectation of rate hikes in the euro area dampened by the ECB



OUR MACRO COMMENTS

Events of the week

A week of good news in the United States, with strong corporate results, falling inflation, a resilient economy and Federal shutdown staved off for now. All of which has been good for US markets. 10-year Treasury yields fell 12 basis points helping boost the rally in the S&P500, which put on 3.57% in a week and topped 4,500 for the first time since mid-September.

US inflation surprised on the downside in October at 3.2%, compared to a forecast 3.3%, basically thanks to falling energy prices and slower-than-expected food inflation. Underlying inflation was also below consensus at 4% compared to 4.1%, thanks to slower rises in rents and new vehicle prices and an actual fall in second-hand car costs.

Figures of the week

	Actual	Forecast	Last
Unemployment Rate (September)	4.2%	4,3%	4.2%
Inflation (October, YoY)	6.7%	4,9%	4.8%
Core Inflation (Octobrer, YoY)	6.1%	5.6%	5.8%
Inflation (October, YoY)	3.2%	3.3%	3.7%
Core Inflation (October, YoY)	4.0%	4.1%	4.1%
Inflation Rate (2023 Q3)	7.4%	7.3%	7.2%
Industrial Production (August, YoY)	-0.3%	-0.4%	0.5%
GDP Growth (2023 Q3, QoQ)	-0.5%	-0.1%	1.2%

Sources : Macrobond, November 17th 2023

The week ahead

Tuesday

FED's minute

Wednesday

OECD Economic Outlook

Thursday

Business confidence (September)
HCOB Manufacturing and Services PMI (November)

HCOB Manufacturing and Services PMI (November)

Friday

Inflation (October)
Core Inflation (October)

S&P Manufacturing and Services PMI (November)

Consumer Confidence (November)

Ifo Business Climate (November)

SOCIETE GENERALE
Private Banking

MARKET PERFORMANCES

Interbank rates	Last.	-1W	-3M	YTD	-12M
€STER O/N	3,90	3,90	3,65	1,91	1,40
USD SOFR O/N	5,32	5,32	5,30	4,30	3,81
JPY TONAR O/N	-0,01	-0,01	-0,06	-0,02	-0,07
GBP SONIA O/N	5,19	5,19	5,18	3,43	2,93
CHF O/N	1,70	1,70	1,76	0,80	0,74

Long term sov. rates	Last.	-1W	-3M	YTD	-12M
10Y OAT	3,18	3,20	3,18	2,98	2,48
10Y Bund	2,62	2,62	2,64	2,44	2,00
10Y BTP	4,36	4,42	4,34	4,55	3,92
10Y JGB	0,85	0,87	0,62	0,41	0,24
10Y Bonos	3,65	3,66	3,69	3,51	3,01
10Y Swiss	1,00	1,16	1,01	1,57	1,08
10Y Gilt	4,28	4,32	4,62	3,66	3,14
10Y USTnote	4,53	4,49	4,28	3,88	3,67

Credit & EM	Last.	-1W	-3M	YTD	-12M
EUR Corporate Aaa	3,35	3,44	3,43	3,12	2,95
EUR Corporate Baa	4,51	4,61	4,59	4,65	4,39
GBP Corporate Baa	4,90	5,02	5,57	4,59	4,15
USD Corporate Aaa	5,13	5,14	4,99	4,62	4,52
USD Corporate Baa	6,21	6,26	6,07	5,70	5,69
USD EM aggregate	7,98	8,02	7,72	7,52	7,79

Commodities	Last.	-1W	-3M	YTD	-12M
Brent, USD/BL	81,02	1,7%	-2,7%	-5,7%	-12,5%
Or, USD/oz	1 960	0,5%	3,6%	7,3%	10,5%
Copper, USD/metric ton	8 265	1,2%	0,9%	-1,6%	-0,9%
Platinium, USD/oz	891	0,8%	-0,4%	-16,3%	-12,6%
Palladium, USD/oz	1 025	0,7%	-17,5%	-42,7%	-51,1%
Silver, USD/oz	23,41	4,3%	3,2%	-2,2%	6,7%

FX rates	Last.	-1W	-3M	YTD	-12M
EUR/USD	1,09	1,8%	-0,4%	1,7%	4,4%
EUR/CHF	0,96	0,1%	0,5%	-2,4%	-1,8%
USD/GBP	0,80	-1,3%	2,5%	-3,2%	-4,5%
USD/JPY	150,89	0,0%	3,5%	15,4%	8,3%
USD/BRL	4,86	-0,6%	-2,1%	-8,9%	-9,0%
USD/CNY	7,25	-0,5%	-0,7%	5,1%	2,3%
USD/RUB	89,19	-3,0%	-5,1%	22,2%	47,7%

Equity indices	-1W	-3M	YTD	-12M
Developped markets	2,7%	-0,1%	1,8%	2,3%
Euro area	3,3%	0,7%	11,9%	11,1%
Germany	3,4%	-0,3%	11,9%	10,6%
France	2,5%	-0,7%	9,3%	9,1%
United Kingdom	1,2%	1,8%	0,5%	1,8%
Switzerland	1,1%	-2,6%	-0,2%	-2,1%
United States	2,7%	2,2%	17,3%	13,7%
Japan	2,9%	5,0%	25,5%	20,9%
Brazil	3,3%	6,6%	15,8%	11,7%
Hong Kong	2,9%	-1,4%	-8,6%	-1,0%
India	1,1%	0,2%	7,4%	6,0%
China	-0,1%	-5,5%	-6,8%	-5,9%

Source: Bloomberg, on November 16th, 2023.
-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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