

WEEKLY UPDATE

IMF keeps faith with recovery and an eye on inflation

Recovery still strong The International Monetary Fund's latest twice-yearly update to its economic outlook expects the global economic recovery to remain strong, with growth of 5.9% in 2021 and 4.9% in 2022. The IMF only minimally trimmed its 2021 forecast, citing recent supply chain issues and ongoing pandemic problems in some countries. It sees healthy recovery continuing in both the United States (growth of 6% and 5.2% in 2021 and 2022, respectively) and euro zone (5.0% and 4.3%), helped by the US Biden plans and Next Generation EU Fund. In emerging economies, a slight markdown to China's growth outlook (8% and to 5.6%) is more than offset by buoyant commodity-exporting nations boosted by recent price rises.

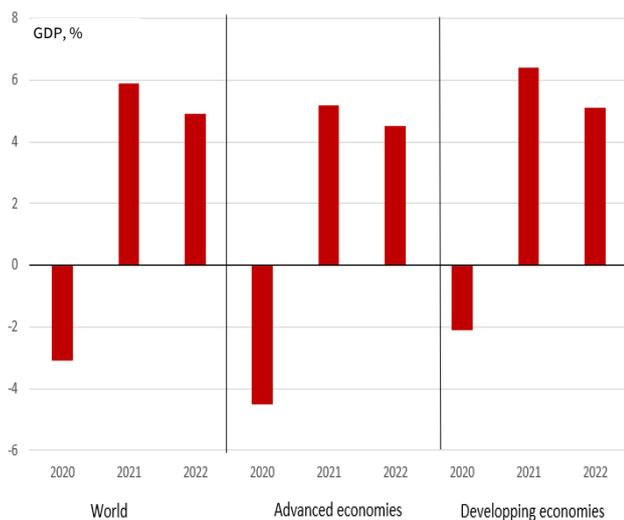
Risk of more inflation The IMF now sees inflation rising strongly by year-end, easing in mid-2022, and then falling back to pre-pandemic levels. For developed economies this translates as 2.8% and 2.3% in 2021 and 2022, respectively. Looking through the numbers, the report stresses that “inflation risks [are] tilted to the upside” and cautions central banks not to delay action if price pressures show signs of embedding. The Fund also points up the “tightrope” policymakers must walk, between supporting the post-Covid bounceback by keeping rates low while watching out that current price pressures do not turn into more persistent inflation.

Financial risks if central banks are slow to respond Financial conditions remain highly accommodating in advanced economies, largely thanks to central bank policies, and should continue delivering real support to markets in a range of assets, especially financials and real estate. However, if central banks wait too long to respond they face inflationary risks that could require a more hawkish policy tightening and put heavier strain on these assets' values.

Bottom line The IMF's outlook broadly chimes with our own: sustained growth subject to a number of risks. We stand by our prudent portfolio allocation, with interest rates set to rise further and equity market volatility likely to persist for the next few weeks.

Activity slowing but still strong

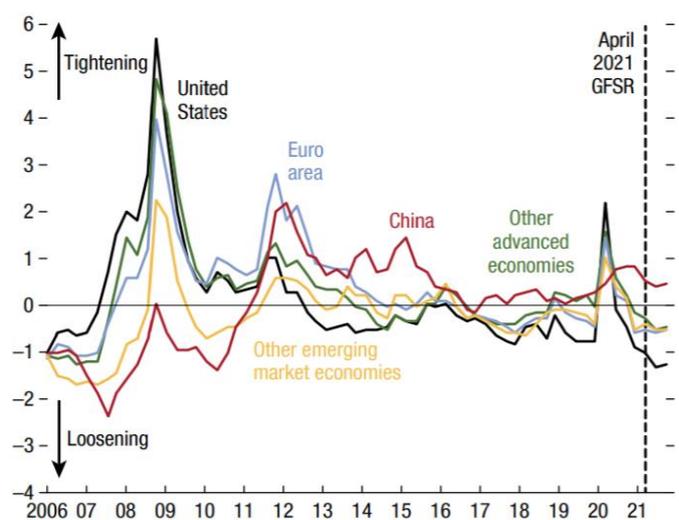
IMF World Economic Outlook



Sources: IMF, WEO 10/2021

Still very accommodative financial conditions

Global financial conditions indices, standard deviation



Sources: IMF, GFSR 10/2021

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

All data taken from Bloomberg, Macrobond, (08/10/2021). In accordance with the applicable regulation, we inform the reader that this material is qualified as a marketing document. CA012/H1/2021

OUR MACRO COMMENTS

Events of the week



Publication of the minutes of the Federal Reserve's September monetary policy comity, bolstering market expectations for the start of a reduction in its tapering program by the end of the year.



The IMF continues to forecast a sustained recovery (world: + 5.9% in 2021 and + 4.9% in 2022) but encourages central banks to remain vigilant against the risk of inflation.

Figures of the week



- Inflation (September)
- Retail sales (September)

	Actual	Forecast	Previous
Inflation (September)	5.4% ▲	5.3%	5.3%
Retail sales (September)	0.8% ▼	0.5%	2.6%



- ZEW index (October)
- German Inflation (September)

ZEW index (October)	21 ▼	-	31
German Inflation (September)	4.1% ▲	4.1%	3.4%



- Unemployment rate (August)
- Industrial production (August, yoy)

Unemployment rate (August)	4.5% ▼	4.5%	4.6%
Industrial production (August, yoy)	3.7% ▼	3.3%	3.8%



- Inflation (September)
- Exportations (September, yoy)

Inflation (September)	0.7% ▼	0.8%	0.8%
Exportations (September, yoy)	19.9% ▲	13.3%	15.7%

The week ahead

Monday	Tuesday	Wednesday	Thursday	Friday
Industrial production		Inflation	Consumer confidence	PMI reports
GDP		Beige book		PMI reports
		Inflation		PMI reports
				PMI reports Inflation

Sources: Refinitiv Eikon, 15 October 2021. Note: YoY = year-on-year;

MARKET PERFORMANCE

Interest rates					
	Last	1wk	3mth	YTD	12mth
EONIA (EUR)	-0,49 %	0 bp ➡	0 bp	1 bp	-1 bp
3mth Euribor (EUR)	-0,55 %	0 bp ➡	-1 bp	-1 bp	-4 bp
10-year US Treasury bond	1,52 %	-5 bp ↓	16 bp	61 bp	80 bp
10-year German bond	-0,18 %	1 bp ➡	13 bp	39 bp	39 bp
10-year French bond	0,14 %	-2 bp ↓	12 bp	48 bp	45 bp
10-year UK bond	1,04 %	-4 bp ↓	41 bp	85 bp	82 bp

Government bonds*					
		1wk	3mth	YTD	12mth
United States (3-7yr)		-0,1 % ➡	-0,7 %	-1,7 %	-1,8 %
United Kingdom (3-7yr)		0,0 % ➡	-1,4 %	-2,6 %	-2,5 %
Germany (3-7yr)		-0,1 % ↓	-0,7 %	-1,3 %	-1,6 %
Japan (3-7yr)		0,0 % ➡	-0,3 %	-0,2 %	-0,2 %

Credit					
		1wk	3mth	YTD	12mth
BAML EURO Corp. IG		-0,2% ↓	-0,7 %	-0,6 %	0,6 %
BAML EURO Corp HY		-0,1% ↓	-0,1 %	3,1 %	7,4 %
BAML GBP Corp IG		0,6% ↑	-2,1 %	-3,9 %	-0,7 %
BAML US IG		0,5% ↑	-0,4 %	-1,0 %	1,3 %
BAML US HY		0,0% ➡	0,4 %	4,5 %	9,5 %
BAML Global EM Sov. External Plus		0,3% ↑	-1,7 %	-3,2 %	2,1 %

Exchange rates					
	Last	1wk	3mth	YTD	12mth
EUR/USD	1,16	0,4 % ↑	-2,0 %	-5,1 %	-1,3 %
EUR/CHF	1,07	-0,2 % ↓	-1,1 %	-1,0 %	-0,3 %
GBP/USD	1,37	0,4 % ↑	-1,3 %	0,0 %	5,1 %
USD/JPY	113,7	1,9 % ↑	3,3 %	10,1 %	8,1 %
USD/BRL	5,51	-0,1 % ↓	8,7 %	6,2 %	-1,4 %
USD/CNY	6,44	-0,1 % ↓	-0,4 %	-1,3 %	-4,1 %
USD/RUB	71,5	-0,5 % ↓	-3,6 %	-3,5 %	-8,1 %

Equities*					
	Last	1wk	3mth	YTD	12mth
MSCI AC World	727	1,2 % ↑	0,6 %	14,2 %	26,3 %
Eurostoxx 50	4 149	1,3 % ↑	1,6 %	19,5 %	29,9 %
DAX	15 463	1,4 % ↑	-2,1 %	12,7 %	18,7 %
CAC 40	6 685	1,3 % ↑	2,2 %	23,1 %	38,5 %
S&P 500	4 438	0,9 % ↑	1,8 %	19,5 %	29,1 %
FTSE 100	7 208	1,9 % ↑	2,9 %	15,1 %	26,0 %
SMI	11 893	1,1 % ↑	-1,2 %	14,3 %	19,0 %
Topix	1 987	2,4 % ↑	2,1 %	12,3 %	23,4 %
IBOV Brazil	113 186	2,4 % ↑	-11,9 %	-4,9 %	13,9 %
MICEX Russia *	4 259	0,7 % ↑	11,1 %	29,5 %	49,1 %
MSCI EM	1 267	1,1 % ↑	-4,6 %	0,1 %	14,2 %
SENSEX 30 India	61 306	2,7 % ↑	16,1 %	29,5 %	51,8 %
Hang Seng (H-K)	24 963	1,1 % ↑	-9,6 %	-6,0 %	3,9 %
Shanghai Composite	3 558	-0,3 % ↓	0,8 %	2,5 %	6,5 %

Commodities					
	Last	1wk	3mth	YTD	12mth
Brent	\$84,1	2,0 % ↑	12,4 %	62,1 %	93,9 %
Gold	\$1 797	2,2 % ↑	-1,4 %	-5,3 %	-5,9 %
Copper	\$10 131	9,1 % ↑	8,9 %	30,7 %	51,2 %

Source: DataStream, on 14 October 2021.

1wk = 1-week change, 3mth = 3-month change, 12mth = 12-month change, YTD = year-to-date change, YoY = year-on-year change, BAML = Bank of America Merrill Lynch, JPM = JP Morgan, IG = Investment Grade, EM = emerging markets. * Price return for MICEX equity index. Equities; total return in local currency. Government bonds = 3-7-year returns. Figures are rounded.

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