

## Housing market: a (too ?) favorable outlook

### Residential property markets held up well through Covid on both sides of the Atlantic

When the pandemic hit, residential property was already well into a fairly long cyclical upswing. In the euro zone, prices had been rising since 2014 and investment since 2015. In the United States, prices had been rising since 2012 with moderate investment growth since 2016. The onset of Covid triggered a sharp slump in household property investment, reasonably enough given the constraints of the lockdowns. Some feared the cycle, already well advanced, was about to turn as had happened in previous recessions. But in fact markets held firm. Prices stayed high right through the high-point of pandemic restrictions, and activity and prices have mounted a healthy recovery since (5% and 15% on prices in the euro zone and the United States respectively, 15% and 5% on activity).

### Conditions will remain favourable in the medium term

Several factors should help keep the housing market healthy. The economy is expected to continue its recovery, sustaining household income and job prospects even as fiscal stimulus is tapered down. Financing conditions should also remain favourable, with real interest rates still at rock bottom. Finally, some of the savings built up in the pandemic - an estimated EUR 680 bn in the euro zone and USD 2,500 bn in the United States - could find their way into the property market, as meagre yields elsewhere make property more attractive as an investment. Investors will also likely increase the proportion of housing in their portfolios, seeing it as a safe haven in uncertain times. Market considerations aside, the emergence of new teleworking practices could mark a step change from pre-pandemic practices and reduce pressure on big city centers.

### Excessive growth in housing markets could lead to tighter regulation

Housing prices are helping feed current price pressures on a range of goods and services, undermining household purchasing power. Regulators could opt to tighten policy to choke off such effects. In the United States this might mean the Federal Reserve tightens monetary policy more quickly. In the Eurozone, where the ECB will be more patient, this could lead to a tightening of macro-prudential policies, which are aimed more specifically at lending conditions.

### Conclusion

Residential property markets in the euro zone and United States held up well through Covid and should continue to be sustained by the ongoing economic recovery over coming quarters. But regulators will be keeping a close eye on these trends, which are helping feed current price pressures on both goods and services.

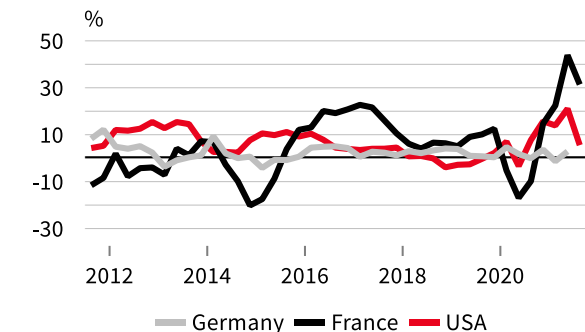
Past performance should not be seen as a guarantee of future returns.

All data taken from Bloomberg, Macrobond, (12/11/2021). In accordance with the applicable regulation, we inform the reader that this material is qualified as a marketing document. CA012/H1/2021



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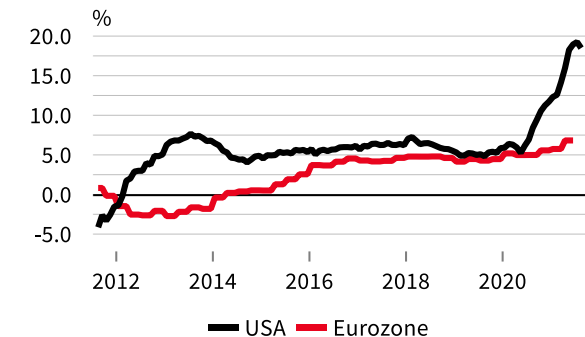
Residential property investment YoY



Sources: SGPB, Macrobond, BEA, INSEE, DESTATIS, T3 2021

### Real estate prices have surged since Covid crisis

Real estate prices YoY



Sources: SGPB, Macrobond, Eurostat, FHFA, 08/2021

# OUR MACRO COMMENTS

## Events of the week



Opec is revising down its forecast for world oil demand for 2021 to 5.7 million barrels per day (mb/d) from 5.82 mb/d in October, and 5.96 mb/d in September.



Chinese property giant Evergrande managed to pay bond interest on time, avoiding default and at least temporarily allaying fears of catastrophic fallout from a bankruptcy for the Chinese economy.

## Figures of the week



• Inflation (YoY, october)



• Industrial production (MoM, september)



• GDP (QoQ, Q3)



• Inflation (YoY, october)  
• Producer price (YoY, october)



• ZEW economic sentiment index (november)

	Actual	Forecast	Previous
• Inflation (YoY, october)	6.2% <span style="color: green;">↑</span>	5.8%	5.4%
• Industrial production (MoM, september)	-0.2% <span style="color: green;">↑</span>	-0.5%	-1.7%
• GDP (QoQ, Q3)	1.3% <span style="color: red;">↓</span>	1.5%	5.5%
• Inflation (YoY, october)	1.5% <span style="color: green;">↑</span>	1.4%	0.7%
• Producer price (YoY, october)	13.5% <span style="color: green;">↑</span>	12.4%	10.7%
• ZEW economic sentiment index (november)	31.7 <span style="color: green;">↑</span>	20	22.3

Sources : Refinitiv Eikon, 12 november 2021.

## The week ahead

### Monday



Retail sales



GDP

### Tuesday



Unemployment



GDP

### Wednesday



Retail sales



Inflation

### Thursday



Inflation

### Friday



Retail sales



Inflation

# MARKETS PERFORMANCE

Interest rates						Government bonds*					Equities*						
	Last	1wk	3mth	YTD	12mth		1wk	3mth	YTD	12mth		Last	1wk	3mth	YTD	12mth	
EONIA (EUR)	-0.49%	0 pb →	-1 pb	1 pb	-2 pb	United States (3-7yr)	-0.4% ↓	-1.4%	-2.3%	-1.7%	MSCI AC World	752	-0.5% ↓	3.0%	18.3%	26.7%	
3mth Euribor (EUR)	-0.56%	1 pb →	-1 pb	-2 pb	-5 pb	United Kingdom (3-7yr)	-0.1% ↓	-1.3%	-2.4%	-1.8%	Eurostoxx50	4 358	0.6% ↑	4.0%	25.7%	28.8%	
3mth Libor (USD)	0.16%	1 pb ↑	3 pb	-8 pb	-6 pb	Germany (3-7yr)	-0.1% ↓	-1.1%	-1.2%	-1.2%	DAX	16 083	0.3% ↑	1.6%	17.2%	21.7%	
3mth Libor (GBP)	0.12%	-11 pb ↓	5 pb	9 pb	7 pb	Japan (3-7yr)	0.1% →	-0.1%	-0.1%	-0.1%	CAC 40	7 060	1.0% ↑	3.2%	30.0%	32.7%	
10-year US Treasury bond	1.56%	3 pb ↑	22 pb	65 pb	59 pb						S&P 500	4 649	-0.6% ↓	4.9%	25.3%	32.1%	
10-year German bond	-0.23%	0 pb →	23 pb	35 pb	28 pb	<b>Credit</b>					FTSE 100	7 384	1.5% ↑	3.5%	18.1%	20.1%	
10-year French bond	0.13%	1 pb ↑	25 pb	47 pb	39 pb	BAML EURO Corp. IG	-0.03% →	-1.1%	-0.4%	0.3%	SMI	12 421	0.2% ↑	0.4%	19.4%	21.5%	
10-year UK bond	0.92%	-2 pb ↓	35 pb	73 pb	51 pb	BAML EURO Corp HY	0.17% ↑	-0.2%	3.5%	6.0%	Topix	2 014	-2.0% ↓	3.9%	13.8%	19.0%	
						BAML GBP Corp IG	0.34% ↑	-1.6%	-2.5%	1.5%	IBOV Brazil	107 595	4.0% ↑	-11.9%	-9.6%	2.7%	
<b>Exchange rates</b>	<b>Last</b>	<b>1wk</b>	<b>3mth</b>	<b>YTD</b>	<b>12mth</b>	BAML USIG	0.00% →	0.2%	-0.7%	1.8%	MICEX Russia *	4 189	0.1% ↑	8.1%	27.4%	39.0%	
EUR/USD	1.15	-0.9% ↓	-2.5%	-6.3%	-2.8%	BAML USHY	0.32% ↑	1.4%	5.1%	8.0%	MSCI EM	1 281	1.0% ↑	-0.7%	1.4%	11.3%	
EUR/CHF	1.05	0.0% →	-2.6%	-2.5%	-2.4%	BAML Global EM Sov. External Plus	0.32% ↑	-1.2%	-2.7%	1.0%	SENSEX 30 India	59 920	-0.3% ↓	10.1%	26.7%	38.8%	
GBP/USD	1.34	-0.9% ↓	-3.6%	-2.2%	1.1%						Hang Seng (H-K)	25 248	0.1% ↑	-4.7%	-4.9%	-1.2%	
USD/JPY	114.1	0.3% ↑	3.3%	10.5%	8.2%	<b>Commodities</b>	<b>Last</b>	<b>1wk</b>	<b>3mth</b>	<b>YTD</b>	<b>12mth</b>	Shanghai Composite	3 533	0.2% ↑	0.0%	1.7%	5.7%
USD/BRL	5.40	-3.6% ↓	3.4%	4.0%	0.1%	Brent	\$82.9	2.7% ↑	15.7%	59.7%	89.0%						
USD/CNY	6.39	-0.1% ↓	-1.4%	-2.1%	-3.6%	Gold	\$1 861	3.8% ↑	6.4%	-2.0%	-0.3%						
USD/RUB	71.6	0.3% ↑	-2.6%	-3.3%	-7.1%	Copper	\$9 811	1.2% ↑	3.5%	26.6%	42.9%						

Source: DataStream, on 11 November 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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