

US: Continuous monetary tightening and economic slowdown

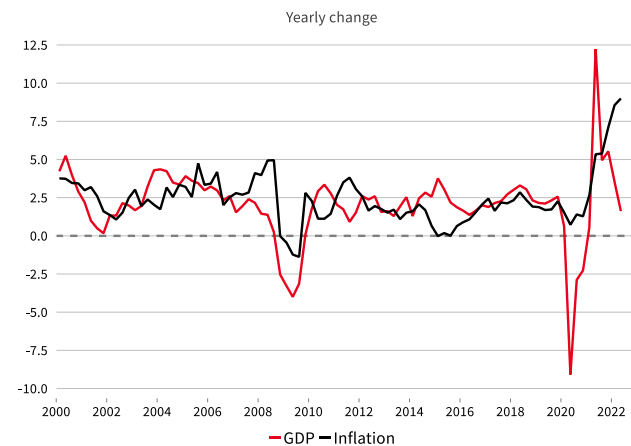
The Federal Reserve continued its tightening policy, with a 75bp increase in its key rate to 2.5%, its high point of the last tightening cycle in 2019.

High and persistent inflation in the face of falling growth. The Fed's decision follows the publication of the second quarter growth and inflation figures for June (Graph 1). On the one hand, June's inflation figures surprised on the upside and still show significant underlying momentum. Indeed, inflation reached 9% in June and core inflation (excluding energy and food prices) is only moderating very gradually, to 5.9%. More worrying is the fact that items with low volatility, such as housing prices, continue to show significant increases (5.6% year-on-year), raising fears that inflation could become anchored at a high level. On the other hand, growth figures surprised on the downside, with GDP contracting in Q2-22 by an annualised 0.9% q/q. The components of GDP confirm a weakening economy: household consumption grew by only 1% q/q on an annualised basis - households are making very moderate use of their excess savings, while private investment contracted by 3.9% q/q on an annualised basis in an environment of tightening financial conditions. All in all, economic growth should remain sluggish in a context of continued fiscal and monetary policy tightening and inflation that should moderate only slowly, eroding household purchasing power.

A Fed that remains focused on controlling inflation. Given this context, the Fed has decided to continue its rapid cycle of monetary tightening. At the press conference, Mr Powell insisted that their concern remains inflation control. Thus, after having reached the "neutral rate" rather quickly, Mr Powell hinted at additional rate hikes in September and November, thus projecting monetary policy into restrictive territory. Regarding the pace of future hikes, Powell said "at some point it may be appropriate to slow down" although he did not rule out additional 75bp hikes. This would mean that the Fed would continue to tighten policy despite an economy that has entered a technical recession (2 consecutive quarters of economic contraction). Given this configuration, markets are beginning to anticipate a deeper recession in the coming quarters that would lead to lower inflation and monetary easing: market expectations on inflation have returned to their level of the beginning of the year while Fed Funds rate expectations point to rate cuts as early as the first quarter of 2023 (Graph 2).

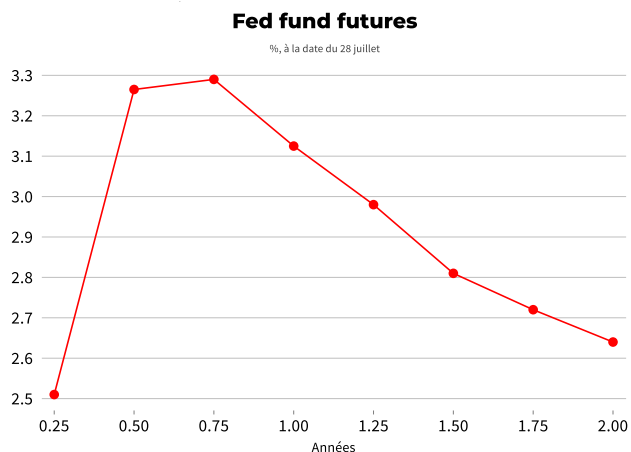


Economic activity has decelerated at a marked rhythm while inflation is still trending high



Sources: SGPB, Macrobond, BEA, BLS 2022 Q2

Fed fund futures are starting to price Fed rate cuts amidst an increasing likelihood of recession



Les performances passées ne préjugent pas des performances futures.

Toutes les données proviennent de Bloomberg, Macrobond (17/06/2022). Conformément à la réglementation en vigueur, nous informons le lecteur que ce document est destiné à être lu en conjonction avec les documents de base de la Société Générale.

OUR MACRO COMMENTS

Events of the week



The US earnings season has begun with mixed results. Banks generally reported lower than expected results, reflecting increases in provisions. Walmart reported lower than expected results and issued a profit warning for 2023 due to the inflationary environment and the slowdown in consumption of goods. On the other side of the spectrum, the Hilton hotel group reported results well above expectations, benefiting from the momentum of reopening economies.



The European Union countries have agreed to a reduction in gas consumption in the face of a sharp drop in Russian gas deliveries. The agreement provides for a reduction in consumption by public administrations and companies of 15% compared to the average of the last five years.

Figures of the week



	Actual	Consensus	Previous
GDP 2Q22 (QoQ, annualised)	-0,9%	0,4%	-1,6%
July Consumer confidence index (Conference Board)	95,7	97	98,7
Employment cost index, 2Q22	1,3%	1,2%	1,4%



France GDP 2Q22 (QoQ)	0,5%	0,2%	-0,2%
Germany GDP 2Q22 (QoQ)	0	0,1%	0,2%
Euro area GDP 2Q22(T/T)	0,7	0,2%	0,6%
France July inflation(YoY)	6,8%	6,7%	6,5%
Germany July inflation (YoY)	8,5%	8,1%	8,2%
Euro area July inflation (YoY)	8,9%	8,7%	8,6%

Sources : Bloomberg, 17 juin 2022.

The month ahead

August



2Q22 GDP
BoE- Policy rate
July CPI inflation



ISM PMI July
Non farm private payroll
July CPI inflation



2Q22 GDP
July CPI inflation



July Caixin PMI
July industrial production
July retail sales

MARKETS PERFORMANCE

Interbank rate	Last.	-1W	-3M	YTD	-12M
€STER O/N	-0,09	-0,58	-0,58	-0,59	-0,57
USD SOFR O/N	0,30	1,53	0,28	0,05	0,05
JPY TONAR O/N	-0,01	-0,01	-0,02	-0,02	-0,04
GBP SONIA O/N	1,19	1,19	0,69	0,19	0,05
CHF O/N	-0,03	-0,03	-0,71	-0,71	-0,73

Long term sov. rates	Last.	-1W	-3M	YTD	-12M
10Y OAT	1,44	1,75	1,31	0,20	-0,15
10Y Bund	0,93	1,23	0,81	-0,21	-0,44
10Y BTP	3,30	3,35	2,58	1,17	0,62
10Y JGB	0,14	0,20	0,25	0,07	0,00
10Y Bonos	2,11	2,47	1,80	0,56	0,28
10Y Swiss	0,55	0,83	0,79	-0,13	-0,37
10Y Gilt	1,95	2,13	1,85	1,02	0,66
10Y USNote	2,78	3,04	2,82	1,52	1,26

Credit & EM	Last.	-1W	-3M	YTD	-12M
EUR Corporate Aaa	1,69	2,04	1,49	0,33	0,02
EUR Corporate Baa	2,93	3,27	2,23	0,66	0,30
GBP Corporate Baa	3,12	3,34	2,68	1,52	1,09
USD Corporate Aaa	3,68	3,86	3,56	2,13	1,87
USD Corporate Baa	4,82	5,04	4,48	2,60	2,20
USD EM aggregate	7,13	7,35	6,20	4,33	3,95

Commodities	Last.	-1W	-3M	YTD	-12M
Brent, USD/BL	107,15	0,6%	2,2%	35,6%	43,4%
Or, USD/oz	1 734	2,2%	-8,0%	-5,1%	-4,0%
Copper, USD/metric ton	7 568	2,2%	-23,5%	-21,8%	-22,1%
Platinum, USD/onoz	879	0,0%	-3,4%	-9,1%	-16,8%
Palladium, USD/onoz	2 023	8,8%	-7,2%	2,3%	-22,5%
Silver, USD/onoz	18,77	-0,1%	-20,6%	-18,7%	-24,3%

FX rates	Last.	-1W	-3M	YTD	-12M
EUR/USD	1,02	-0,5%	-4,1%	-10,4%	-14,0%
EUR/CHF	0,98	-1,5%	-4,3%	-5,8%	-9,5%
USD/GBP	0,83	-0,3%	3,9%	12,6%	15,3%
USD/JPY	137,27	-0,6%	7,0%	19,2%	24,7%
USD/BRL	5,31	-2,3%	5,6%	-4,7%	2,8%
USD/CNY	6,76	0,1%	3,0%	6,4%	4,1%
USD/RUB	60,76	9,5%	-18,0%	-19,0%	-17,5%

Equity indices	Last.	-1W	-3M	YTD	-12M
MSCI AC World (USD)	1 032	1,2%	-5,3%	-11,0%	-7,2%
Eurostoxx 50	3 608	0,6%	-3,4%	-16,1%	-12,1%
Dax 40	13 166	-0,9%	-4,5%	-17,1%	-15,4%
CAC 40	6 258	1,2%	-2,9%	-12,5%	-5,3%
FTSE 100	7 348	1,2%	-1,0%	-0,5%	4,7%
SMI	11 057	0,0%	-8,3%	-14,1%	-8,4%
SP500	4 024	1,6%	-3,8%	-15,6%	-8,6%
TOPIX	1 946	0,0%	4,6%	-2,3%	1,4%
iBovespa	101 438	3,2%	-7,2%	-3,2%	-19,7%
Hang Seng	20 670	-1,1%	3,6%	-11,7%	-18,9%
Sensex 30	55 816	0,8%	-1,8%	-4,2%	6,4%
MOEX	-	-	-	-	-
CSI 300	4 225	-1,4%	8,5%	-14,5%	-11,2%

Source : Macrobond, au 17 juin 2022.

1 sem. = variation sur 1 semaine, 3 mois = variation sur 3 mois, 12 mois = variation sur 12 mois, Sur l'année = variation depuis le début de l'année, 12 mois = variation en glissement annuel, BAML = Bank of America Merrill Lynch, JPM = JP Morgan, IG = Investment Grade, EM = marchés émergents. * Rendement lié au cours pour l'indice boursier MICEX. Actions ; rendement total en devise locale. Obligations souveraines = rendement à 3-7 ans. Les chiffres sont arrondis

IMPORTANT INFORMATION – PLEASE READ

GENERAL INFORMATION

This document is a marketing communication issued by Société Générale Private Banking which is the business line of the Société Générale Group operating through its headquarters within Société Générale S.A. in France and its network (departments or separate legal entities (branches or subsidiaries), hereinafter the “Entities”), located on the various below-mentioned territories, acting under the brand name "Societe Generale Private Banking" and distributors of the present document.

In accordance with MiFID as implemented in France, this publication should be treated as a marketing communication providing general investment recommendations. This document has not been prepared in accordance with regulatory provisions designed to promote the independence of investment research and Societe Generale, as an investment services provider, is not subject to any prohibition on dealing in the products mentioned herein before the dissemination of this document.

Reading this document requires skills and expertise to understand the financial markets and the economic and financial information included. If it is not the case, please contact your private banker to no longer be a recipient of this document. Otherwise, we should consider that you have all the required skills to understand the document. In case you no longer wish to receive the document, please inform by written your private banker who will take all the necessary measures.

This material has been prepared solely for informational purposes and has no contractual value.

This material does not constitute an offer of purchase, sale, or subscription in any of the asset classes presented herein, nor a solicitation of such an offer, nor is it an offer to invest in asset classes. Nothing in this document should be construed as constituting investment advice or personal recommendation to any investor or its agent. Information contained herein is not intended to provide a basis on which to make an investment decision.

Any investment may have tax consequences and Société Générale Private Banking and its Entities do not provide tax advice. The level of taxation depends on individual circumstances and tax levels and bases may change. In addition, this document is not intended to provide accounting, tax or legal advice and should not be relied upon for accounting, tax or legal purposes. Independent advice should be sought where appropriate.

The accuracy, completeness or relevance of the information provided is not guaranteed although it has been drawn from sources believed to be reliable. The information and opinions expressed in this document were produced as at the date of writing and are subject to change without notice.

This material has not been prepared regarding specific investment objectives, financial situations, or the particular needs of any specific entity or person. Investors should make their own appraisal of the risks and should seek their own financial and legal advice regarding the appropriateness of investing in any asset classes or participating in any investment strategy.

The asset classes presented herein may be subject to restrictions regarding certain persons or in certain countries under national regulations applicable to said persons or in said countries. It is the responsibility of any person in possession of this document to inform themselves and to comply with the legal and regulatory provisions of the relevant jurisdiction. This document is not intended for distribution to any person or in any jurisdiction where such distribution would be restricted or illegal. In particular, it may not be distributed in the United States, nor may it be distributed, directly or indirectly, in the United States or to any US Person.

GENERAL RISKS

Some of the asset classes mentioned may present various risks, imply a potential loss of the entire amount invested or even an unlimited potential loss, and may therefore only be reserved for a certain category of investors, and/or only be suitable for well-informed investors who are eligible for these asset classes. In addition, these asset classes must comply with the Societe Generale Group's Code of Tax Conduct.

The price and value of investments and the income derived from them may go down as well as up. Changes in inflation, interest rates and exchange rates may adversely affect the value, price and income of investments denominated in a currency other than that of the client. Any simulations and examples contained in this document are provided for illustrative purposes only. This information is subject to change because of market fluctuations, and the information and opinions contained herein may change. Société Générale Private Banking and its Entities do not undertake to update or amend this document and will not assume any liability in this regard.

This document is for information purposes only and investors should make their investment decisions without relying on this document. Société Générale Private Banking and its Entities shall not be liable for any direct or indirect loss arising from any use of this document or its contents. Société Générale Private Banking and its Entities do not make any warranty, express or implied, as to the accuracy or completeness of this information or as to the profitability or performance of any asset class, country, or market.

Past performance is not a reliable indicator of future results. The value of an investment is not guaranteed, and the valuation of investments may fluctuate.

IMPORTANT INFORMATION – PLEASE READ

Forecasts of future performance are based on assumptions which may not materialized. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What investors will get will vary depending on how the market performs and how long they keep the investment/product. Future performance is subject to taxation which depends on the personal situation of each investor and which may change in the future.

For a more complete definition and description of the risks, please refer to the prospectus of the product or other legal information document as the case may be (as applicable) before making any final investment decisions.

This document is confidential, intended exclusively for the person to whom it is addressed, and may not be communicated or made known to third parties (except for external advisers and provided that they themselves respect confidentiality), nor reproduced in whole or in part, without the prior written agreement of Société Générale Private Banking and its Entities.

CONFLICTS OF INTEREST

The Societe Generale Group maintains an effective administrative organization that takes all necessary measures to identify, control and manage conflicts of interest. To this end, Societe Generale Private Banking and its Entities have put in place a conflict of interest policy to prevent conflicts of interest, including information Chinese walls.

This document contains the views of SGPB teams. Société Générale trading desks may trade, or have traded, as principal on the basis of the expert(s) views and reports. In addition, SGPB teams receive compensation based, in part, on the quality and accuracy of their analysis, client feedback, revenues of their entity of the Société Générale group and competitive factors.

As a general matter, entities within the Société Générale group may make a market or act as a principal trader in securities referred to in this report and can provide banking services to the companies mentioned in that document, and to their subsidiary. Entities within the Société Générale group may from time-to-time deal in, profit from trading on, hold on a principal basis, or act as advisers or brokers or bankers in relation to securities, or derivatives thereof, or asset class(es) mentioned in this document.

Entities within the Société Générale group may be represented on the supervisory board or on the executive board of such persons, firms or entities.

Employees of the Société Générale group, or persons/entities connected to them, may from time to time have positions in or hold any of the investment products/ asset class(es) mentioned in this document.

Société Générale may acquire or liquidate from time-to-time positions in the securities and/or underlying assets (including derivatives thereof) referred to herein, if any, or in any other asset, and therefore any return to prospective investor(s) may directly or indirectly be affected.

Entities within the Société Générale group are under no obligation to disclose or consider this document when advising or dealing with or on behalf of customers.

In addition, Société Générale may issue other reports that are inconsistent with and reach different conclusions from the information presented in this report and is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Société Générale group maintains and operates effective organisational and administrative arrangements taking all reasonable steps to identify, monitor and manage conflicts of interest. Société Générale Private Banking and its Entities have put in place a management of conflicts of interest policy designed to prevent conflicts of interest giving rise to a material risk of damage to the interests of its clients. For further information, please refer to the management of conflicts of interest's policy, which was provided.

SPECIFIC INFORMATION PER JURISDICTION

France : Unless expressly stated otherwise, this document is published and distributed by Société Générale, a credit institution providing investment services authorised by and under the prudential supervision of the European Central Bank ("ECB") (located at ECB Tower, Sonnemannstraße 20, 60314 Frankfurt am Main, Germany) within the Single Supervisory Mechanism and supervised by the Autorité de Contrôle Prudentiel et de Résolution (located at 4, Place de Budapest, CS 92459, 75436 Paris Cedex 09) and the Autorité des Marchés Financiers ("AMF") (located at 17 Pl. de la Bourse, 75002 Paris). Societe Generale is also registered with the ORIAS as an insurance intermediary under the number 07 022 493 orias.fr.

Societe Generale is a French public limited company with a capital of EUR 1 046 405 540 as of February 1st, 2022, whose registered office is located at 29 boulevard Haussmann, 75009 Paris, and whose unique identification number is 552 120 222 R.C.S. Paris. Further details are available on request or at <http://www.privatebanking.societegenerale.fr/>

IMPORTANT INFORMATION – PLEASE READ

Luxembourg: This document is distributed in Luxembourg by Societe Generale Luxembourg, a credit institution which is authorized and regulated by the Commission de Surveillance du Secteur Financier (“CSSF”) under the prudential supervision of the European Central Bank- ECB, and whose head office is located at 11, avenue Emile Reuter – L 2420 Luxembourg. Further details are available on request or can be found at <https://www.societegenerale.lu/>. No investment decision whatsoever may result from solely reading this document. Societe Generale Luxembourg accepts no responsibility for the accuracy or otherwise of information contained in this document. Societe Generale Luxembourg accepts no liability or otherwise in respect of actions taken by recipients on the basis of this document only and Societe Generale Luxembourg does not hold itself out as providing any advice, particularly in relation to investment services. The opinions, views and forecasts expressed in this document (including any attachments thereto) reflect the personal views of the author(s) and do not reflect the views of any other person or Societe Generale Luxembourg unless otherwise mentioned. Societe Generale Luxembourg has neither verified nor independently analyzed the information contained in this document. The Commission de Surveillance du Secteur Financier has neither verified nor independently analysed the information contained in this document.

Monaco: The present document is distributed in Monaco by Societe Generale Private Banking (Monaco) S.A.M., located 11 avenue de Grande Bretagne, 98000 Monaco, Principality of Monaco, governed by the ‘Autorité de Contrôle Prudentiel et de Résolution’ and the ‘Commission de Contrôle des Activités Financières’. The financial products marketed in Monaco can be reserved for qualified investors in accordance with the Law No. 1339 of 07/09/2007 and Sovereign Ordinance No 1.285 of 10/09/2007. Further details are available upon request or on www.privatebanking.societegenerale.com.

Switzerland: This document is an advertising according to the Financial Services Act (FinSA). It is distributed in Switzerland by Societe Generale Private Banking (Suisse) SA (“SGPBS”), whose head office is located rue du Rhône 8, CH-1204 Geneva. SGPBS is a bank authorized by the Swiss Financial Market Supervisory Authority (“FINMA”). The collective investment schemes and structured products referred to in this document can only be offered in compliance with the Swiss Federal Act on Collective Investment Scheme (Collective Investment Schemes Act, CISA) dated 23 June 2006. Further details are available on request or can be found at www.privatebanking.societegenerale.com.

This document (i) does not offer an opinion or a recommendation on a specific company or security, or (ii) was prepared outside of Switzerland for “Private Banking” activities. Consequently, the Directives of the “Association Suisse des Banquiers” (ASB) on the independence of investment research do not apply to this document.

This document was not prepared by SGPBS. SGPBS has neither verified nor independently analyzed the information contained in this document. SGPBS accepts no responsibility for the accuracy or otherwise of information contained in this document. The opinions, views and forecasts expressed in this document reflect the personal views of the author(s) and SGPBS accepts no liability for it.

This document does not constitute a prospectus pursuant to articles 652a and 1156 of the “Code Suisse des obligations”.

This document is not distributed by entities belonging to Kleinwort Hambros group operating through the brand name “Kleinwort Hambros” in the United Kingdom (SG Kleinwort Hambros Bank Limited), in Jersey and Guernsey (SG Kleinwort Hambros (CI) Limited) and in Gibraltar (SG Kleinwort Hambros Bank (Gibraltar) Limited). Consequently, the information and potential offers, activities and financial information contained in this document do not apply to these entities and may neither be authorized by these entities or adapted on these territories. Further information on the activities of the private banking entities of Société Générale located in the territories of the United Kingdom, the Channel Islands and Gibraltar, including additional legal and regulatory details can be found at: www.kleinworthambros.com.

© Copyright Societe Generale Group 2021. All rights reserved. Any unauthorised use, duplication, redistribution or disclosure in whole or in part is prohibited without the prior consent of Societe Generale. The key symbols, Societe Generale, Societe Generale Private Banking and Kleinwort Hambros are registered trademarks of Societe Generale. All rights reserved.