WEEKLY UPDATE

Energy markets moving back to normal despite still tight supply

The recent decision by OPEC+ to reduce crude output by 1.6 million bbl/day has refocused attention on energy markets. These had been gradually getting back to normal after the Covid and Ukraine shocks, and this had helped lower energy prices and ease inflationary pressure. We still expect energy prices to remain stable in coming months, but resurgent political tensions could put renewed pressure on energy prices, posing a tough dilemma for central bank decision-makers.

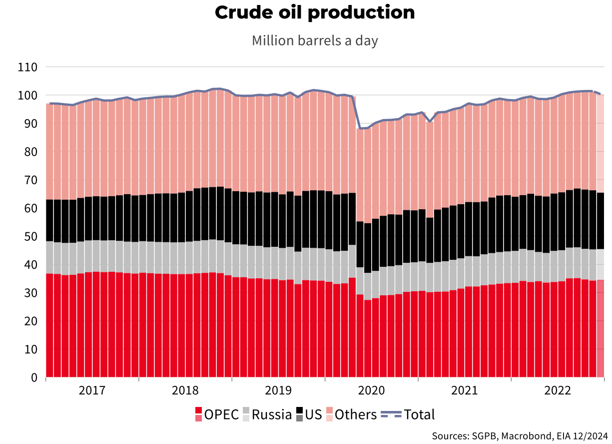
OPEC+ surprised markets last week by imposing a 1.6 million barrels/day cut on oil production, to start in May. This comes on top of a previous 2 million barrel/day cut in October. Together, these reductions knock nearly 9% off OPEC+ output and nearly 3% off global crude production, just when output had struggled back to pre-Covid levels at end-2022.

The key to the OPEC+ move is a greater reluctance to see oil prices drop below USD 80/barrel. Before the announcement, the price of a barrel had fallen to USD 73 as turbulence in the banking market raised fears of a slump in growth. Note too that OPEC+ has recovered some of its pricing power in a world where US production is struggling to revive post-Covid.

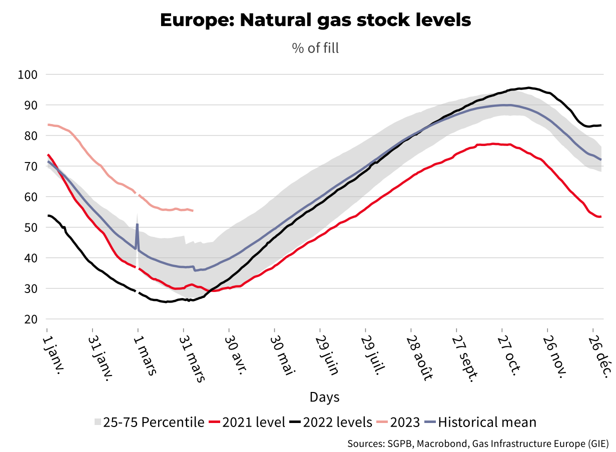
Prices in the natural gas market, although heavily disrupted by fallout from the Ukraine war, continue to fall on both shores of the Atlantic. In Europe, the gas price is back below levels seen before the Ukraine war. In the United States it is running at 2020 levels. The key to this easing is the recommissioning of other sources of power (nuclear in particular), and Europe's success in sourcing gas deliveries from outside Russia. As a result, the continent's natural gas reserves remain at all-time highs.

We still expect energy prices to hold broadly steady for the next few months, enabling a further fall in headline inflation. OPEC+'s cut comes at a time of slowing demand in developed economies, which should limit any surge in the oil price. Meanwhile, Europe's return to normal levels of electricity generation should help mitigate upside risks to gas prices. However, geopolitical risks continue to run high and could easily trigger another push on energy prices. Much of the decline in inflation seen this year has been driven by lower energy costs so fresh pressures on prices could make life harder for central banks as they mull their policy decisions.

Oil production that had just returned to pre-covid levels



Natural gas stocks remain at an all-time high



Past performance should not be seen as a guarantee of future returns.
All data taken from Bloomberg and Macrobond on the 07/04/2023, publication achievement date. In accordance with the applicable regulation, we inform the reader that this material is qualified as a marketing document.

OUR MACRO COMMENTS

Events of the week

According to the IMF, the prospects for global economic growth by 2028 are the weakest since 1990. The world economy is expected to grow by only about 3% over the next five years, below the 3.8% average of the past two decades, according to the institution. China and India will account for half of the growth in 2023, while 90% of the advanced economies are expected to see their growth rates decline. The IMF stresses the importance of investment in renewable energy to improve growth and productivity prospects. A more detailed report on the global economic outlook will be released on 11 April at the Spring Meetings.

The US March job creation report confirms the resilience of the labour market. Indeed, the economy added 236 thousand jobs, bringing the unemployment rate down to 3.5%. Wage growth continues to slow down gradually as well, at 4.2% year-on-year. Overall, these data should lead the Fed to maintain its key rate at 5% at the next meeting.

Figures of the week

	Actual		Forecast	Previous
ISM Manufacturing PMI (March)	43.6	↓	47.5	47.7
ISM Non-Manufacturing PMI (March)	51.2	↓	54.5	55.1
Unemployment Rate (March)	3.5%	↓	3.6%	3.6%
S&P Global Construction PMI (March)	42.9	↓	47.9	48.6
Industrial Production (MoM, February)	1.2 %	↑	0.5 %	-1.4 %
Caixin Composite PMI (March)	50	↓	52.2	51.6
Caixin Services PMI (March)	57.8	↑	54.8	55

Sources: Macrobond, 7 April 2023

The week ahead

Monday

Tuesday

- Inflation Rate (March)
- Retail Sales (February)

Wednesday

- Inflation Rate (March)

Thursday

- GDP (February)

Friday

- Retail Sales (March)
- Michigan Consumer Sentiment (April)

SOCIETE GENERALE
Private Banking

MARKET PERFORMANCES

Interbank rates	Last.	-1W	-3M	YTD	-12M
€STER O/N	2,90	2,89	1,90	1,91	-0,58
USD SOFR O/N	4,81	4,83	4,30	4,30	0,30
JPY TONAR O/N	-0,01	-0,02	-0,04	-0,02	-0,01
GBP SONIA O/N	4,18	4,18	3,43	3,43	0,69
CHF O/N	0,80	0,80	0,80	0,80	-0,71

Long term sov. rates	Last.	-1W	-3M	YTD	-12M
10Y OAT	2,68	2,81	2,78	2,98	1,19
10Y Bund	2,17	2,30	2,27	2,44	0,65
10Y BTP	4,00	4,13	4,29	4,55	2,34
10Y JGB	0,47	0,36	0,45	0,41	0,23
10Y Bonos	3,21	3,33	3,31	3,51	1,66
10Y Swiss	1,22	1,15	1,37	1,57	0,66
10Y Gilt	3,43	3,45	3,49	3,66	1,75
10Y USTnote	3,30	3,57	3,69	3,88	2,61

Credit & EM	Last.	-1W	-3M	YTD	-12M
EUR Corporate Aaa	3,28	3,41	3,04	3,12	1,23
EUR Corporate Baa	4,33	4,55	4,44	4,65	1,86
GBP Corporate Baa	4,50	4,57	4,44	4,59	2,47
USD Corporate Aaa	4,12	4,38	4,53	4,62	3,23
USD Corporate Baa	5,28	5,60	5,61	5,70	4,08
USD EM aggregate	7,20	7,49	7,41	7,52	5,73

Commodities	Last.	-1W	-3M	YTD	-12M
Brent, USD/BL	84,80	9,5%	8,7%	-1,3%	-16,5%
Or, USD/oz	2 021	2,9%	8,9%	10,6%	5,0%
Copper, USD/metric ton	8 784	-2,9%	6,7%	4,6%	-15,3%
Platinium, USD/oz	1 025	6,4%	-6,2%	-3,8%	5,9%
Palladium, USD/oz	1 465	3,0%	-14,9%	-18,1%	-34,9%
Silver, USD/oz	24,74	6,4%	1,9%	3,3%	2,0%

FX rates	Last.	-1W	-3M	YTD	-12M
EUR/USD	1,09	0,9%	3,2%	2,4%	0,2%
EUR/CHF	0,99	-0,9%	0,2%	0,1%	-3,1%
USD/GBP	0,80	-1,1%	-3,2%	-3,2%	5,1%
USD/JPY	130,80	-1,3%	-0,9%	0,0%	5,7%
USD/BRL	5,05	-1,8%	-7,4%	-5,4%	7,6%
USD/CNY	6,88	-0,1%	-0,1%	-0,3%	8,2%
USD/RUB	79,70	3,1%	9,4%	9,2%	-4,1%

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

Source: Bloomberg, on 6 April 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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