WEEKLY UPDATE

IMF sounds note of caution - again

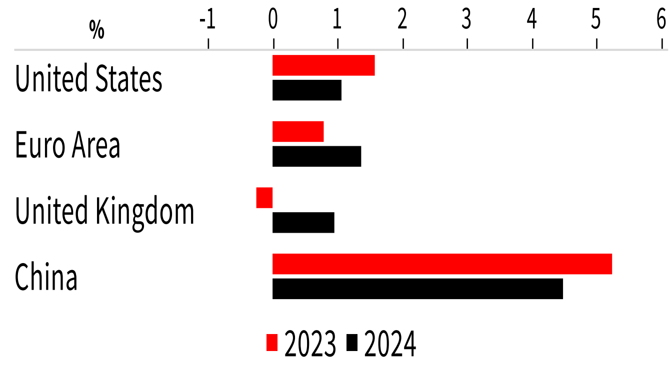
In its latest survey of the world economy the IMF makes only a modest reduction in its growth forecasts. But beyond the central scenario numbers, the Fund is counselling vigilance on economic and financial stability.

"On the surface, the global economy appears poised for a gradual recovery". The IMF marginally downgraded its global growth forecasts, to 2.8% and 3.3%, in 2023 and 2024 respectively. Developed economies are projected to grow 1.3% and 1.4% in these years, and emerging economies 3.9% and 4.2%. The overall message is that economies are heading for a modest recovery after the double-whammy of the pandemic and Ukraine war. Disruptions to supply chains have dissipated, pressure from the energy sector has eased and China has ended its long period of Covid lockdowns. Under this scenario, headline inflation declines from 8.7% in 2022 to 7% in 2023 as commodity prices fall. Most countries will not see inflation back at target before 2025, and underlying inflation falls more slowly. The IMF therefore recommends that central banks keep monetary policy tight for some time yet.

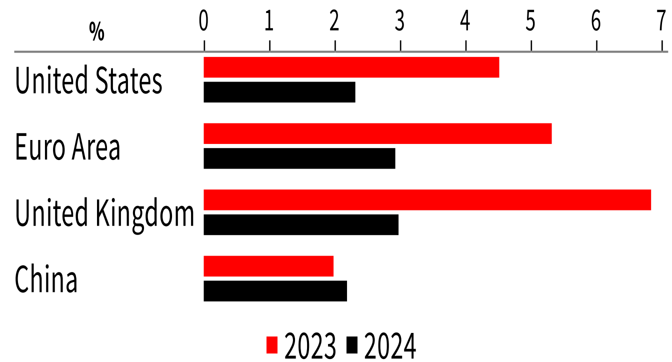
"Below the surface, however, turbulence is building". The IMF praised authorities for their rapid response, but nonetheless sees recent turbulence in the banking sector as a red flag, warning that risks of instability remain high. This is why it also cites an alternative scenario, where stresses grow in the financial sector, curtailing world growth to around 2.5% in 2023 and growth in advanced economies to less than 1%. The warning comes through clearest when the IMF says that despite the risks, central banks must maintain a restrictive tone, for longer than markets currently seem to be discounting. Here, the Fund is recognising that inflation looks much stickier than even a few months ago. It emphasises that the already significant tightening of monetary policy has yet to make a decisive impact on labour markets and the pressures driving demand and prices.

IMF take on the economic and financial situation reinforces our strategy. We remain confident in our strategic balance between equities and fixed income. Our highly diversified positioning means we can protect ourselves, at least in part, from any resurgent market turbulence, while still cashing in on gains by all asset classes. In equities, we still like defensive stocks. Also, we are retaining our overweight to US sovereign and top-rated corporate debt because of the attractive returns being paid on these asset classes. Gold is still the preferred safe haven.

IMF Growth forecasts (WEO, April)



IMF Inflation forecasts (WEO, April)



Sources : SGPB, Macrobond, IMF, 04/2023

SOCIETE GENERALE
Private Banking

OUR MACRO COMMENTS

Events of the week

In the United States, minutes from the March FOMC meeting confirmed the Fed expects credit conditions to tighten on the back of the stress experienced by regional banks. It now thinks the US economy could dip into mild recession in 2023 as result of these stresses and ongoing policy tightening. On the inflation front, headline figures continue to drop, to 5% in March from 6% in February, but underlying inflation ticked up to 5.6% in March, from 5.5% the previous month.

In China, the economic rebound has firmed up. Domestic demand looks healthy, underpinned by high savings. Exports, meanwhile, beat expectations to jump by 14.8% in March year-on-year. For now, this economic rebound does not seem to be boosting inflation, running at 0.7% headline in March versus 1% the previous month.

Figures of the week

	Actual		Forecast	Previous
Inflation Rate (YoY, March)	5 %	↓	5.2 %	6 %
Core Inflation Rate (YoY, March)	5.6 %	↑	5.6 %	5.5 %
Retail Sales (MoM, March)	-1 %	↓	- 0.9 %	-0.2 %
GDP (YoY, February)	0.5 %	↑	0.3 %	0.4 %
Retail Sales (YoY, February)	-3 %	↓	-3.5 %	-1.8 %
Inflation Rate (YoY, March)	0.7 %	↓	1 %	1 %

Sources : Macrobond, 14 April 2023

The week ahead

Monday

Tuesday

- GDP (Q1)
- Unemployment Rate (February)
- ZEW Economic Sentiment (April)

Wednesday

- Inflation Rate (March)

Thursday

- Consumer Confidence (April)

Friday

- Inflation Rate (March)
- S&P Global Manufacturing and Services PMI (April)

SOCIETE GENERALE
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MARKET PERFORMANCES

Interbank rates	Last.	-1W	-3M	YTD	-12M
€STER O/N	2,90	2,90	1,90	1,91	-0,59
USD SOFR O/N	4,80	4,81	4,30	4,30	0,29
JPY TONAR O/N	-0,01	-0,01	-0,03	-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	-0,70

Long term sov. rates	Last.	-1W	-3M	YTD	-12M
10Y OAT	2,87	2,68	2,66	2,98	1,27
10Y Bund	2,35	2,17	2,18	2,44	0,77
10Y BTP	4,23	4,00	4,04	4,55	2,36
10Y JGB	0,45	0,47	0,50	0,41	0,23
10Y Bonos	3,40	3,21	3,19	3,51	1,69
10Y Swiss	1,18	1,22	1,32	1,57	0,93
10Y Gilt	3,55	3,43	3,39	3,66	1,84
10Y USTnote	3,41	3,30	3,54	3,88	2,70

Credit & EM	Last.	-1W	-3M	YTD	-12M
EUR Corporate Aaa	3,44	3,28	3,01	3,12	1,34
EUR Corporate Baa	4,51	4,33	4,35	4,65	2,00
GBP Corporate Baa	4,64	4,50	4,29	4,59	2,55
USD Corporate Aaa	4,19	4,12	4,31	4,62	3,37
USD Corporate Baa	5,37	5,28	5,35	5,70	4,22
USD EM aggregate	7,24	7,20	7,25	7,52	5,90

Commodities	Last.	-1W	-3M	YTD	-12M
Brent, USD/BL	87,16	2,8%	5,1%	1,4%	-19,5%
Or, USD/oz	2 015	-0,3%	7,4%	10,3%	1,9%
Copper, USD/metric ton	8 808	0,3%	-2,0%	4,9%	-14,5%
Platinium, USD/oz	1 001	-2,3%	-8,7%	-6,0%	1,6%
Palladium, USD/oz	1 448	-1,2%	-19,0%	-19,0%	-38,8%
Silver, USD/oz	25,15	1,6%	5,3%	5,0%	-1,9%

FX rates	Last.	-1W	-3M	YTD	-12M
EUR/USD	1,09	-0,2%	1,6%	2,2%	0,9%
EUR/CHF	0,99	-0,2%	-1,6%	-0,2%	-2,8%
USD/GBP	0,80	-0,1%	-2,7%	-3,4%	4,6%
USD/JPY	133,31	1,9%	0,5%	1,9%	6,0%
USD/BRL	4,93	-2,3%	-5,2%	-7,6%	5,2%
USD/CNY	6,88	0,0%	1,6%	-0,3%	8,0%
USD/RUB	82,47	3,5%	19,8%	13,0%	0,3%

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

Source: Bloomberg, on 13 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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