

Central Banks: Close to the pic but the pivot should still wait

The Fed and the ECB raised their key rates by another 25bp to 5-5.25% and 3.25-3.75% respectively. While Mr. Powell suggested that this increase was probably the last in the up-cycle, Mrs. Lagarde suggested that the ECB will continue its up-cycle in future meetings. In an environment where activity remains resilient, inflationary pressures remain high and in the absence of greater stress on the banking system, monetary conditions should remain tight in 2023.

Federal Reserve: likely pause pending inflation and banking tensions. As expected, the Fed raised its key rates by 25bp to 5-5.25% at its May meeting and maintained its pace of balance sheet reduction at \$60bn per month in Treasuries. We also expect this to be the last rate hike in this tightening cycle and that the Fed will keep rates at 5-5.25% for the next few quarters. Indeed, in its statement, the Fed dropped references to further rate hikes, and Mr Powell insisted in his press conference that this was a significant change. In addition, the Fed estimated that restrictions on credit conditions linked to regional banking tensions would slow demand, thus justifying a halt to the upward cycle. Finally, at the press conference, Mr. Powell noted that the rapid rate hikes, combined with the balance sheet reduction and tightening of credit conditions, put monetary policy in a "sufficiently restrictive" position.

ECB: a reduction in the rate of increase but the peak not yet reached and an acceleration of the reduction of the balance sheet. The ECB also raised its key interest rate by 25bp to 3.25-3.75% at its May meeting, thus reducing the pace of increase. However, it decided to accelerate the pace of balance sheet reduction by ending the reinvestment of securities under the Asset Purchase Program (APP). 27 billion per month. Unlike the Fed, the ECB confirmed in its press release and press conference that the monetary tightening cycle would continue. Indeed, the communiqué states that the level of monetary policy is not yet "sufficiently restrictive to bring inflation back to 2% in the medium term" while Mrs. Lagarde stressed that the reduction in the pace of rate increases does not mean a pause in the monetary tightening cycle. Finally, unlike the March meeting, there was no mention of possible banking tensions in Europe.

A tightening peak near but a pivot to wait. If central banks have indeed reached or are on the way to reaching their terminal rate, money markets expect them to start cutting interest rates as early as this summer. In the US, markets expect a start to rate cuts as early as September, with a key rate at 4% by January 2024. In the Euro area, markets expect a further 25bp increase and the start of a rate cut in January 2024. In the absence of a more pronounced crisis in the US regional banks or the occurrence of other financial tensions, we believe that central banks should maintain rates at these levels in 2023. On the one hand, economic activity remains resilient on both sides of the Atlantic, with consumption still robust in the US, while business surveys in Europe suggest a rebound is underway. On the other hand, underlying inflationary pressures still remain high, with a decline that would remain very gradual in this activity context.

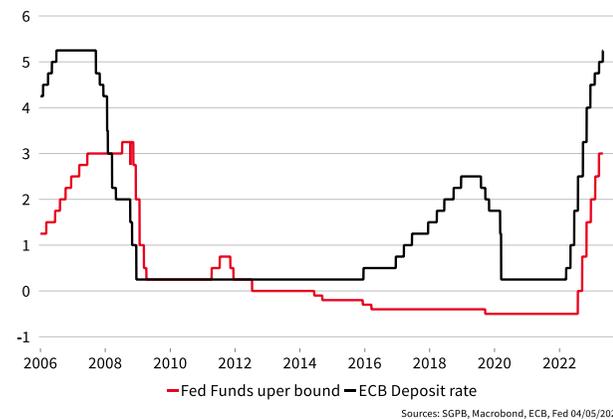
Past performance should not be seen as a guarantee of future returns.

All data taken from Bloomberg and Macrobond on the 05/05/2023, publication achievement date. In accordance with the applicable regulation, we inform the reader that this material is qualified as a marketing document.



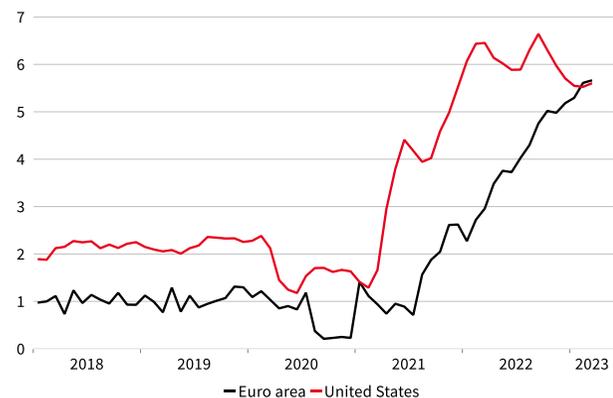
A rapid tightening cycle approaching its peak

Policy interest rates



Underlying inflationary pressures moderating only gradually

Core Inflation



OUR MACRO COMMENTS

Events of the week



According to the European Central Bank's Bank Lending Survey on bank lending in the euro area, banks tightened their lending criteria for businesses in Q1-2023. This follows tightening already seen in previous quarters and confirms that the policy of raising interest rates is having a concrete impact. The ECB expects the tightening to continue.



The US April job creation report confirms the resilience of the US labour market with 253,000 jobs created, well above expectations (190,000), and the unemployment rate falling to 3.4% from 3.5%. Wage growth continues to rise slightly, to 4.4% year-on-year. This data confirms our scenario of maintaining policy rates at 5-5.25% in the coming quarters.

Figures of the week



- ISM Manufacturing PMI (April)
- ISM Services PMI (April)
- Unemployment Rate (April)



- Inflation Rate (YoY, April)
- Core Inflation Rate (YoY, April)



- Retail Sales (MoM, March)



- Caixin Manufacturing PMI (April)

	Actual		Forecast	Previous
	47.1	↑	46.8	46.3
	51.9	↑	51.8	51.2
	3.4%	↓	3.6%	3.5%
	7 %	↑	7 %	6.9 %
	5.6 %	↓	5.7 %	5.7 %
	-2.4 %	↓	0.4 %	-0.3 %
	49.5	↓	50.3	50

Sources: Macrobond, 5 May 2023

The week ahead

Monday

Tuesday

Wednesday



Inflation Rate (April)

Thursday



Inflation Rate (April)



BoE Interest Rate Decision



PPI (April)

Friday



GDP (March)



Michigan Consumer Sentiment (May)

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	4,81	4,80	4,31	4,30	0,30
JPY TONAR O/N	#N/A	-0,03	-0,01	-0,02	-0,02
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	2,83	2,89	2,77	2,98	1,51
10Y Bund	2,25	2,38	2,30	2,44	0,98
10Y BTP	4,12	4,25	4,17	4,55	2,96
10Y JGB	#N/A	0,48	0,49	0,41	0,22
10Y Bonos	3,31	3,42	3,29	3,51	2,08
10Y Swiss	1,03	1,05	1,24	1,57	0,86
10Y Gilt	3,69	3,70	3,43	3,66	1,98
10Y USNote	3,38	3,43	3,39	3,88	2,93

Credit & EM	Last.	-1W	-3M	YTD	-12M
EUR Corporate Aaa	3,22	3,31	3,04	3,12	1,67
EUR Corporate Baa	4,41	4,49	4,21	4,65	2,44
GBP Corporate Baa	4,75	4,73	4,23	4,59	2,85
USD Corporate Aaa	4,19	4,23	4,17	4,62	3,64
USD Corporate Baa	5,34	5,39	5,12	5,70	4,59
USD EM aggregate	7,26	7,34	6,96	7,52	6,35

Commodities	Last.	-1W	-3M	YTD	-12M
Brent, USD/BL	71,86	-7,6%	-13,4%	-16,4%	-34,7%
Or, USD/oz	2 038	2,5%	4,5%	11,6%	8,3%
Copper, USD/metric ton	8 516	-0,8%	-7,4%	1,4%	-10,2%
Platinum, USD/oz	1 070	-2,8%	6,3%	0,5%	9,5%
Palladium, USD/oz	1 436	-5,2%	-12,3%	-19,7%	-37,2%
Silver, USD/oz	25,25	1,6%	7,5%	5,4%	11,8%

FX rates	Last.	-1W	-3M	YTD	-12M
EUR/USD	1,10	0,0%	1,4%	3,4%	4,9%
EUR/CHF	0,98	-0,2%	-1,7%	-0,6%	-5,4%
USD/GBP	0,80	-0,5%	-1,7%	-3,9%	-0,2%
USD/JPY	135,14	1,4%	4,5%	3,3%	4,0%
USD/BRL	5,01	-0,8%	-1,3%	-6,1%	-0,1%
USD/CNY	6,91	-0,2%	2,5%	0,2%	4,6%
USD/RUB	79,52	-3,6%	13,4%	8,9%	20,8%

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

Source: Bloomberg, on 4 May 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.

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.

IMPORTANT INFORMATION – PLEASE READ

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.

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.

IMPORTANT INFORMATION – PLEASE READ

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 1 010 261 206,25 as of February 1st, 2023, 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 www.privatebanking.societegenerale.com

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"). This document was prepared outside of Switzerland. Consequently, the Directives of the "Association Suisse des Banquiers" (ASB) on the independence of investment research do not apply to this document.

Nothing contained herein shall constitute, or shall be deemed to constitute, investment advice or a recommendation by SGPBS. This document does not offer an opinion or a recommendation on a specific company or security. 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. Users are advised to seek professional advice before applying any information contained in this document to their own particular circumstances.

This document does not constitute a prospectus pursuant to articles 652a and 1156 of the "Code Suisse des obligations". The financial products, including collective investment schemes and structured products referred to in this document can only be offered in compliance with the FinSA. Further details are available on request or can be found at www.privatebanking.societegenerale.com.

This document is not distributed neither by SG Kleinwort Hambros Bank Limited in the United Kingdom, nor by its branches in Jersey, Guernsey and Gibraltar together operating through the brand name "SG Kleinwort Hambros". 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.