

## Divergent growth trends during the summer

Summer data reinforced differences in growth dynamics among major economies. While disinflation continues in all developed economies, US growth continues to resist and even shows signs of acceleration while European growth remains moderate. In China, the post-Covid recovery remains weak, with risks that the economy will fall into deflationary dynamics. Against this backdrop, bond and equity markets have corrected downwards.

**A convergence of disinflation.** July inflation data confirmed the downward trend in major developed economies. Indeed, in the United States, headline inflation continues to fall, to 3.2% for headline inflation and 4.7% for core inflation and with services inflation on a trajectory compatible with a 2% dynamic since June. Euro area inflation also continues to decelerate, with headline inflation at 5.3% and core inflation at 5.5% and also with key sub-components consistent with trend inflation at 2%. In the United Kingdom, while headline inflation is also declining, to 6.4%, core inflation remains on an upward trend. Finally, and unlike other major economies, China's problem is deflation, with headline inflation negative and core inflation below 1%.

**But a divergence in growth dynamics.** In contrast to inflation data, preliminary summer data show different growth dynamics for major economies. Indeed, on the one hand, the US economy remains dynamic, with GDP 6% above its pre-Covid level. The good consumption momentum in July suggests that growth in 3Q23 will remain solid. This good performance reflects the acceleration of real household incomes and an accommodative fiscal policy. In Europe on the other hand, growth is more moderate, with GDP just 1% above the pre-Covid level for the Eurozone and just at the level for the UK. Meanwhile, July survey data indicate that activity will remain modest, with an industrial sector still struggling. Unlike the United States, household consumption is less dynamic in a context of contraction in real household incomes and monetary tightening that has weighed more heavily on investment for the moment than on the other side of the Atlantic. In China, data continues to disappoint, with retail sales and industrial production well below expectations, leading the central bank to ease policy.

**Financial markets on the decline in the face of rising US long-term rates and the weakness of China.** Despite resilient growth and confirmed disinflation, bond and equity markets have been trending lower since the beginning of the month. First, good U.S. economic data and rising U.S. government financing needs resulted in a sharp bullish adjustment in the 10-year Treasuries, exceeding 4.20% and erasing its gains for the year. On the equity side, major markets are also on a downtrend, with U.S. equities adjusting to rising rates while the revenue outlook remains stable. In Europe and emerging markets, the decline in prices is more related to fears that the Chinese economy will follow the path of the Japanese economy towards a lasting deflation situation that would imply the continuation of stagnant growth with a contraction in the price level.



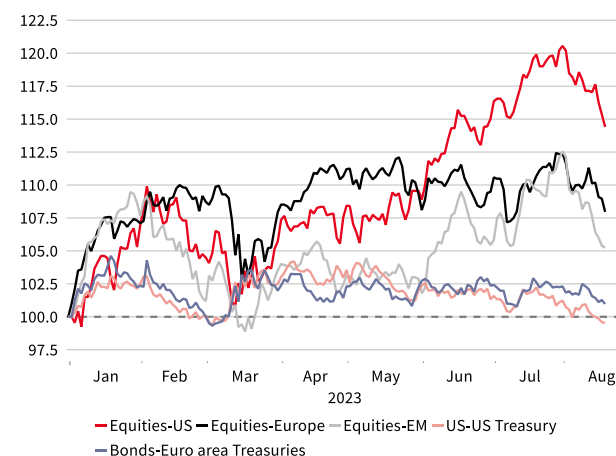
### Different consumption trends

Retail sales in volume, 100=31/12/2019



### Financial indices are on a decline since August

Total return indices, 100=01/01/2023





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

All data taken from Bloomberg and Macrobond on the 18/08/2023, 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

 Activity data continues to slow amid ongoing tensions in the real estate sector. Industrial production in July rose 3.7 percent year-on-year, versus 4.3 percent expected by consensus, while retail sales rose just 2.5 percent year-on-year, versus 4 percent expected against consensus. As a result of these figures, the PBoC lowered its main lending rate from 2.65% to 2.50%. These figures are part of a context where domestic demand remains sluggish due to growing tensions on the solvency of real estate developers. As such, the real estate group Country Garden announced significant losses and entered a period of grace on a coupon of a bond in foreign currency.

 GDP surprised to the upside in Q2-23, with an increase of 1.5% QoQ against 0.7% expected by the consensus, thus placing activity 3% above the pre-Covid level. This good performance reflects the growth in business investment as well as the good performance of the external sector.


## Figures of the week

	Current	Forecasted	Previous
 Retail sales(July, M/M)	0,70%	0,40%	0,30%
 Retail sales, control group (July, M/M)	1%	0,50%	0,50%
 Housing starts(July, thousands)	1452	1450	1398
 Manufacturing production (July, M/M)	0,50%	0%	-0,50%
 Industrial production (June, M/M)	0,50%	0%	0%
 Average weekly hourly wages (June, Y/Y)	8,20%	7,40%	7,20%
 Inflation (July, Y/Y)	6,80%	6,70%	7,90%
 Core inflation (July, Y/Y)	6,90%	6,80%	6,90%
 GDP (2Q23, Q/Q)	1,50%	0,80%	0,90%
 Inflation (July, Y/Y)	3,30%	3,30%	3,30%
 Core inflation (July, GA)	4,30%	4,30%	4,20%
 Industrial production (July, Y/Y)	3,70%	4,30%	4,40%
 Retail sales (July, Y/Y)	2,50%	4%	3,10%


Sources : Macrobond, 18 July 2023


## The week ahead


### Tuesday 22 August

 Retail sales, July


### Wednesday 23 August

 S&P IHS PMI manufacturing August  
S&P IHS PMI services August  
S&P IHS PMI composite August

 S&P IHS PMI manufacturing August  
S&P IHS PMI services August  
S&P IHS PMI composite August

 S&P IHS PMI manufacturing August  
S&P IHS PMI services August  
S&P IHS PMI composite August

### Thursday 25 August

 Durable goods orders

# MARKET PERFORMANCES

<b>Interbank rates</b>	<b>Last.</b>	<b>-1W</b>	<b>-3M</b>	<b>YTD</b>	<b>-12M</b>
€STER O/N	3,65	3,65	3,15	1,91	-0,09
USD SOFR O/N	5,30	5,30	5,05	4,30	2,29
JPY TONAR O/N	-0,06	-0,07	-0,03	-0,02	-0,01
GBP SONIA O/N	5,18	5,18	4,43	3,43	1,69
CHF O/N	1,76	1,75	0,80	0,80	0,04

<b>Long term sov. rates</b>	<b>Last.</b>	<b>-1W</b>	<b>-3M</b>	<b>YTD</b>	<b>-12M</b>
10Y OAT	3,18	3,03	2,90	2,98	1,65
10Y Bund	2,64	2,46	2,32	2,48	1,07
10Y BTP	4,34	4,14	4,18	4,55	3,30
10Y JGB	0,62	0,60	0,39	0,41	0,18
10Y Bonos	3,69	3,52	3,39	3,51	2,22
10Y Swiss	1,01	0,93	0,96	1,57	0,51
10Y Gilt	4,62	4,37	3,82	3,66	2,28
10Y USTnote	4,28	4,00	3,57	3,88	2,89

<b>Credit &amp; EM</b>	<b>Last.</b>	<b>-1W</b>	<b>-3M</b>	<b>YTD</b>	<b>-12M</b>
EUR Corporate Aaa	3,43	3,27	3,35	3,12	1,87
EUR Corporate Baa	4,59	4,45	4,55	4,65	3,01
GBP Corporate Baa	5,57	5,32	4,87	4,59	3,35
USD Corporate Aaa	4,99	4,76	4,42	4,62	3,84
USD Corporate Baa	6,07	5,80	5,64	5,70	4,83
USD EM aggregate	7,72	7,46	7,49	7,52	6,80

<b>Commodities</b>	<b>Last.</b>	<b>-1W</b>	<b>-3M</b>	<b>YTD</b>	<b>-12M</b>
Brent, USD/BL	83,31	-4,7%	8,6%	-3,1%	-10,2%
Or, USD/oz	1 892	-1,2%	-4,5%	3,6%	7,4%
Copper, USD/metric ton	8 192	-2,8%	-0,2%	-2,5%	2,9%
Platinum, USD/oz	895	-0,9%	-16,2%	-16,0%	-4,1%
Palladium, USD/oz	1 242	2,3%	-16,6%	-30,5%	-42,4%
Silver, USD/oz	22,70	0,0%	-4,2%	-5,2%	14,0%

<b>FX rates</b>	<b>Last.</b>	<b>-1W</b>	<b>-3M</b>	<b>YTD</b>	<b>-12M</b>
EUR/USD	1,09	-0,5%	0,8%	2,2%	7,4%
EUR/CHF	0,96	-0,4%	-1,5%	-2,8%	-0,9%
USD/GBP	0,78	-0,2%	-2,3%	-5,6%	-5,2%
USD/JPY	145,78	1,5%	6,1%	11,5%	8,5%
USD/BRL	4,97	1,3%	0,1%	-7,0%	-3,5%
USD/CNY	7,30	1,2%	4,3%	5,8%	7,5%
USD/RUB	94,00	-3,1%	17,7%	28,8%	53,0%

<b>Equity indices</b>	<b>-1W</b>	<b>-3M</b>	<b>YTD</b>	<b>-12M</b>
Developped markets	-2,0%	-2,0%	2,2%	1,9%
Euro area	-0,8%	-0,8%	-0,9%	11,1%
Germany	-0,4%	-0,4%	-1,0%	12,2%
France	-0,8%	-0,8%	-1,9%	10,1%
United Kingdom	-3,0%	-3,0%	-4,7%	-1,3%
Switzerland	-0,8%	-0,8%	-3,9%	2,5%
United States	-1,4%	-1,4%	5,9%	14,7%
Japan	-1,0%	-1,0%	6,0%	19,5%
Brazil	-2,4%	-2,4%	5,6%	8,7%
Hong Kong	-4,8%	-4,8%	-6,3%	-7,3%
India	-0,7%	-0,7%	6,5%	7,1%
China	-3,8%	-3,8%	-3,6%	-1,4%

Source: Bloomberg, on 18 August 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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