The IMF highlights the strong resilience of the economies

In its latest World Economic Outlook, the International Monetary Fund has once again revised its growth forecasts upwards. The main economies have indeed shown resilience in the face of tariff shocks and a climate marked by significant political and geopolitical uncertainties. The IMF now expects global growth of 3.2% in 2025 and 3.1% in 2026.

This resilience is based on several factors. The IMF first explains that activity has withstood the tariffs shock thanks to the "front-loading" phenomenon: many companies anticipated tariff increases by accelerating their imports, which artificially boosted activity indicators in the first half of the year. Beyond this temporary effect, the depreciation of the dollar and the high profit margins observed since the pandemic have allowed companies to absorb part of the cost increases without immediately passing them on to prices. At the same time, the rapid reorganization of global value chains, with a redirection of trade flows towards alternative partners in Asia and Europe, helped limit the negative effects of protectionism. The IMF also highlights the driving role of artificial intelligence, which has stimulated investments in digital infrastructure, software, and equipment, particularly in the United States. This AI-driven dynamic has supported equity market valuations, generating a wealth effect favorable to households and helping to maintain consumption.

These combined factors justify the upward revision of global growth forecasts for 2025. However, the IMF reminds that this resilience partly relies on transitory factors, whose effects may fade over the coming quarters.

A growing divergence between fiscal and monetary policies. Beyond these transitory effects, fiscal policies would overall remain supportive, with primary deficits still higher than pre-crisis levels. In the United States, the public deficit is expected to widen again despite revenues generated by tariffs, and public debt is projected to reach 143% of GDP by 2030. In the euro area, Germany is undertaking a significant fiscal stimulus, while several other countries maintain high deficits. Emerging markets, for their part, are beginning a moderate tightening from 2026 onwards, in a logic of sustainability.

On the monetary side, trajectories are heterogeneous. The Federal Reserve could gradually lower its key interest rate to around 3.5–3.75% by the end of 2025. However, the IMF highlights that the resilience of the U.S. economy and the rebound in inflation could limit the extent of this easing. In the euro area, the ECB is expected to maintain a stable stance around 2%, while the Bank of Japan would begin a very gradual normalization towards 1.5%. The IMF emphasizes the need to preserve the independence of central banks, an essential condition to maintain anchored inflation expectations. It also warns of increased volatility risks in rates and currencies, notably due to sovereign refinancing needs and the shortening of debt maturities.

A more favorable scenario, but not without risks. The IMF's central scenario remains one of economic resilience, supported in the short term by sectoral dynamics and fiscal policies. However, the institution identifies several downside risks that could jeopardize this trajectory. Persistent uncertainty over trade policies, labor supply tensions related to migration policies, as well as budgetary and financial vulnerabilities are all sources of fragility. The IMF also warns of the risk of a valuation correction, particularly in the artificial intelligence sector, if the expected productivity gains do not materialize. Finally, the IMF cautions about the growing exposure of banks' commitments to non-bank financial companies such as private assets. Conversely, upside scenarios could emerge: a moderation of trade tensions, accelerated adoption of AI with productivity gains spreading, or a renewed push for structural reforms in advanced economies.

Our investment strategy appears highly consistent with the IMF's analyses. The strengthened and geographically diversified positioning in equity markets, notably in the United States, Europe, and emerging markets, fully aligns with the scenario of economic resilience driven by innovation and supportive policies. Moreover, our underweight stance on sovereign bonds reflects the IMF's concerns about the sustainability of public finances and the volatility of long-term rates, especially in advanced economies.

IMF GROWTH PROJECTIONS

(REAL GDP, ANNUAL PERCENT CHANGE)

Region/Country	2024	2025	2026
World Output	3,3	3,2	3,1
Advanced Economies	1,8	1,6	1,6
United States	2,8	2	2,1
Euro Area	0,9	1,2	1,1
Germany	-0,5	0,2	0,9
France	1,1	0,7	0,9
Italy	0,7	0,5	0,8
Spain	3,5	2,9	2
Japan	0,1	1,1	0,6
United Kingdom	1,1	1,3	1,3
Canada	1,6	1,2	1,5
Other advanced eco	2,3	1,8	2
Emerging Economies	4,3	4,2	4
China	5	4,8	4,2
India	6,5	6,6	6,2
Russia	4,3	0,6	1
Brazil	3,4	2,4	1,9

Past performance is not a guarantee of future performance. All data is from Bloomberg, Macrobond as of 10/17/2025, completion date of this publication. In accordance with the regulations in force, we inform the reader that this document is qualified as a promotional document

Events of the week

Rising financial volatility

The bankruptcy of American companies (First Brands and Tricolor), followed by the announcement of credit losses by two regional banks (Zions Bancorp and Western Alliance Bancorp), has triggered a widespread wave of distrust in financial markets. In equity markets, the respective declines over one week are -1.6% for the S&P 500, -1.6% for the Euro Stoxx 600, and -4% for China. At the same time, there is a relaxation in long-term yields (-20 basis points on major 10-year sovereign bonds) and a widening of credit spreads. Gold has risen by more than 8%, while the dollar remains stable. These movements reflect investors' fears of a more systemic credit crisis, in a context of stretched valuations, particularly in the private credit market as well as in AI. These concerns were further fueled by statements from leaders of major American banks, fearing additional defaults.

This news is particularly driving markets in the absence of economic data releases in the United States (shutdown situation). However, it is important to recall that, at the aggregate global level, there does not appear to be an excessive level of corporate debt in the United States.

China: New escalation in the trade war

Since the escalation last spring, Sino-American tensions seemed to have eased, with a trade truce agreed until November 10. The effective tariffs applied by the United States on China currently stand at 38%, a level significantly higher than in 2024 but well below the threats during peak tensions. However, the lull appears to be compromised in recent days, with China announcing new export restrictions on rare earths. In response, Washington has threatened to double tariffs on Chinese products.

Despite this trade war climate, recent Chinese data remain very positive, with exports increasing by more than 8% year-on-year. This growth reflects China's real dynamism in its trade with the rest of the world.

France: Proposed budget for 2026

Presented on Tuesday, the 2026 budget aims to reduce the public deficit from 5.4% to 4.7% of GDP, through €30 billion in adjustments: €17 billion in savings and €14 billion in revenues. Among the 29 fiscal measures are the reduction of the social security deficit, a tax on dormant assets, and the continuation of the contribution on high incomes.

These announcements appear to have contributed to a certain easing of the situation in French markets. At the time of the announcements, the OAT-Bund spread tightened to 80 basis points and the CAC 40 rose by more than 3%, also supported by favorable announcements for the luxury sector.

EVENTS IN THE COMING MONTHS

- October 24: revision of France's rating by Moody's
- October 30: ECB monetary policy meeting
- October : Plenum of the Communist Party of China
- November 6: BoE monetary policy meeting
- November 28: revision of France's rating by S&P

KEY EVENTS NEXT WEEK

Monday

China	- GDP growth rate Q3 - Industrial production SEPTEMBER - Retail sales SEPTEMBER

Wednesday

United Kingdom	Inflation rate SEPTEMBER

Thursday

France	Business confidence OCTOBER

Friday

United Kingdom **France** **Germany**	PMI indexes OCTOBER
Euro area	PMI indexes OCTOBER
United States **Japan**	Inflation rate SEPTEMBER

Source: Macrobond, October 17, 2025. The colors in the 'Actual' column correspond to the difference from the forecast

MARKET PERFORMANCES

Interbank rates

%	15/10/2025	17/09/2025	17/07/2025	01/01/2024	17/10/2024
US SOFR	4,191	4,39	4,35	5,34	4,89
Euro area €ster	1,928	1,93	1,93	3,88	3,42
UK SONIA	3,967	3,97	4,22	5,19	4,95
Switzerland SARON	-0,043	-0,04	-0,05	1,70	0,94
Japan TONAR	0,477	0,48	0,48	-0,04	0,23

10Y Government rates

%	14/10/2025	17/09/2025	17/07/2025	01/01/2024	17/10/2024
US Treasuries	4,03	4,06	4,47	3,88	4,09
France OAT	3,40	3,42	3,37	2,55	2,94
Germany Bund	2,60	2,68	2,68	2,02	2,21
Italy BTP	3,42	3,49	3,52	3,70	3,32
Spain Bonos	3,14	3,23	3,22	2,98	2,91
Switzerland	0,18	0,22	0,47	0,66	0,43
UK Gilts	4,65	4,62	4,64	3,60	4,10
Japan JGB	1,69	1,60	1,57	0,62	0,93

Credit

%	16/10/2025	17/09/2025	17/07/2025	01/01/2024	17/10/2024
United States IG	4,69	4,73	5,15	5,06	4,93
United States HY	6,76	6,61	7,12	7,59	7,16
Europe IG	3,21	3,30	3,28	3,72	3,41
Europe HY	5,36	5,25	5,48	6,80	6,00
Emerging FX	5,66	5,66	6,03	6,77	6,13

Equity indices

16/10/2025 vs	-1w	-1m	-3m	01/01/2024	-1y
World	1,11	1,454	6,76	38,90	16,49
United States	1,27	0,446	5,65	40,63	15,29
Euro area	1,72	4,367	4,83	32,61	19,78
France	3,22	4,995	4,36	15,56	12,26
Germany	-0,06	3,208	-1,74	38,68	20,57
United Kingdom	0,25	2,651	5,82	28,82	17,24
Japan	0,15	3,053	14,06	41,80	20,57
Emerging	0,69	2,838	11,60	43,47	22,09
China USD	-1,34	-3,312	12,70	63,48	34,20
India USD	1,94	0,116	-1,39	17,68	-5,08
Latin America USD	2,45	-2,510	9,41	2,74	20,13

Foreign exchange rates

	16/10/2025	17/09/2025	17/07/2025	01/01/2024	17/10/2024
EUR/USD	1,17	1,18	1,16	1,11	1,08
GBP/USD	1,34	1,37	1,34	1,27	1,30
EUR/CHF	0,93	0,93	0,93	0,93	0,94
USD/JPY	150,85	146,36	148,52	141,03	149,98
USD/CNY	7,13	7,11	7,18	7,08	7,12

Commodity prices

	16/10/2025	17/09/2025	17/07/2025	01/01/2024	17/10/2024
Brent, USD/BL	61	68	70	77	74
Copper, USD/Metric ton	10 495	9 894	9 586	8 476	9 380
Gold, USD/Troy oz	4 326	3 660	3 339	2 063	2 693
Silver, USD/Troy oz	53	41	38	24	32
Palladium, USD/Troy oz	1 575	1 161	1 230	1 136	1 040
Platinium, USD/Troy oz	1 674	1 369	1 415	1 000	999

Source : Bloomberg on 17 October 2025, 1W = 1 week change, 3M = 3 month change, 12M = 12 mont change, YTD = year to date change, Equities; total return in local currency . Government bonds = 10 year returns. Figures are rounded..

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