

Falling oil prices, good news above all for Europe

Oil prices have fallen sharply since the beginning of the year. While this decline is partly a reflection of fears of a sharp economic slowdown, it is also the result of a change in policies on the part of producer countries. In the United States, this decline would not be enough to compensate for the increase in inflation generated by the new tariffs. On the other hand, in Europe, it could offer real support by reducing inflation. It would both support purchasing power and encourage the European Central Bank to continue easing its monetary policy.

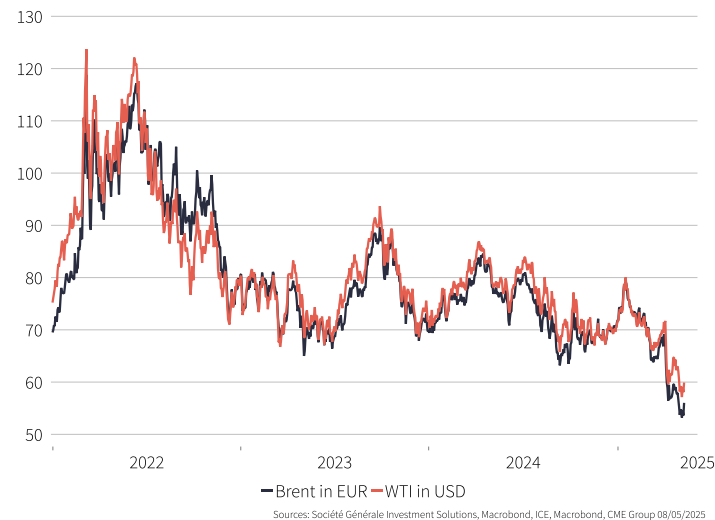
Oil prices continue to fall, to their lowest levels in 4 years. The US WTI index is around \$58 per barrel (compared with 75 on average over 2024) while Brent is approaching \$61 per barrel and 54 in euros (compared to \$79 and 73 euros on average over 2024). Since the beginning of the year, the price of oil has fallen by nearly 15% in dollars and 23% in euros. Market expectations (forwards) also indicate that the price of a barrel is expected to remain low, around \$62 per barrel of Brent crude.

The fear of less demand explains the fall in oil prices. Indeed, the implementation of customs duties in the United States raises fears of a slowdown in global economic activity that would weigh on oil demand. In its latest April report, the International Energy Agency (IEA), global oil demand growth for 2025 has been revised down by 300 Mb/d since last month's report, to 730 Mb/d, a drop of about a third.

An increasing in global oil supply. Beyond the anticipation of a slowdown in demand, the drop in oil prices is the result of increased production. First, the United States remains on a trend of rapid increase in production, now exceeding 22% of world production. While this trend has been visible for about fifteen years now, it is now in line with Donald Trump's "Drill, Baby, Drill" political will. At the same time, the OPEC+ countries have recently opted for a change of strategy by announcing an increase in their production, after several years of a downward strategy in order to stimulate prices upwards. This new strategy would reflect the desire of OPEC+ members to iron out internal differences and bring oil prices below US production costs (estimated at between \$60 and \$70), in order to reduce the profitability of American producers, curb their production and thus regain market share.

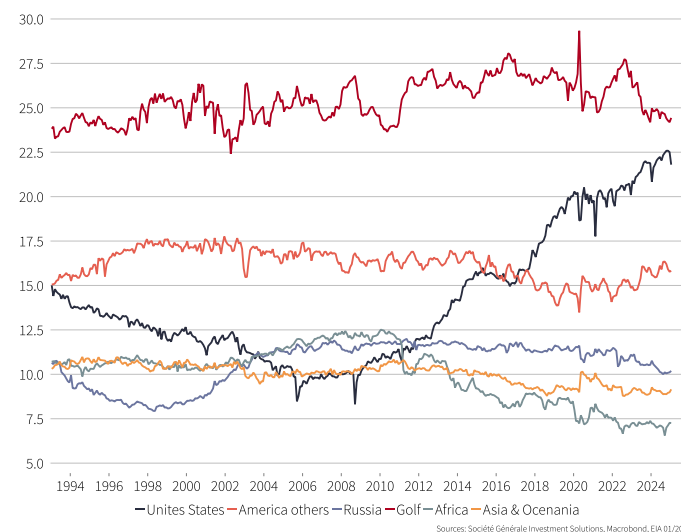
Good news for inflation. The fall in oil prices could confirm the disinflation that has been underway for several months. Indeed, energy prices remain an important component of the total price index (up to 7% if we consider a broad measure of energy). By maintaining prices at current levels, and counting on partial transmission, the fall in oil prices could help reduce inflation by 1/2 point in the United States and by 1/2 to 1 point in the euro area, compared to their 2024 levels. This would offer both support in terms of purchasing power and confirmation of central bank easing. In the United States, however, this drop in energy inflation would not be enough to compensate for the rise in prices generated by the new tariffs. All in all, the fall in oil prices, particularly marked in euros, would above all be good news for inflation in the euro area and would encourage the European Central Bank to continue easing its monetary policy in the coming months.

PRICE OF A BARREL OF OIL



OIL PRODUCTION

As % of total production



Past performance is not a guarantee of future performance. All data is from Bloomberg, Macrobond as of 5/9/2025, 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

OUR MACRO COMMENTS

Events of the week

Germany: Mertz Election & Coalition Agreement

On Tuesday 6th May Friedrich Merz was appointed chancellor after an unsuccessful first vote. He will now have to implement the pact signed with the coalition formed by the CDU, the CSU and the SPD, which includes a 500-billion-euro recovery plan but also tax cuts.

The recovery plan provides for a special fund, on which the debt brake will not apply. The plan aims to modernize infrastructure, in transport and electricity networks. It also provides for a section dedicated to the Länder to the tune of 100 billion euros. Finally, part of it will be allocated to the Bundeswehr, to place orders in the defense industry. The pact also provides for a reduction in taxation, with a reduction in income tax for low- and middle-income households, and also a tax exemption for overtime.

The Fed keeps rates unchanged, the BOE lowers them

As expected, the Federal Reserve (Fed) decided on Wednesday 7 May to leave these rates in the 4.25%/4.50% range. The central bank has indicated that it remains attentive to the two objectives of its mandate: to limit inflation while preserving employment.

Following this announcement, the Treasury bill rate remained relatively stable, rising from 4.26% to 4.37%. Fed Chair Jerome Powell said it was "time to wait to adjust monetary policy," but added that more data was needed to make a decision. The evolution of tariffs, as well as the outcome of the ongoing trade negotiations, could also influence the next direction.

For its part, the Bank of England (Boe) lowered its key rate by 0.25 points on Thursday, bringing it to 4.25%. She said tariffs could weigh on growth in the United Kingdom, although uncertainty remained high.

EVENTS AND KEY FIGURES TO COME

Samedi

China Inflation Rates (April)

Tuesday

United Kingdom Unemployment rate (March)
United States Inflation (April)

Thursday

United Kingdom Growth rate (Q1 and March)
United States Retail figures
United States Powell's speech

Friday

Japan Growth rate

EVENTS OVER THE NEXT FEW MONTHS

5 June: ECB monetary policy meeting

18 June: Fed monetary policy meeting

19 June: BoE monetary policy meeting

Early July: End of the suspension of US tariffs

Mid-July: major budget orientations announced by the government

MARKET PERFORMANCES

Interbank rates

%	07/05/2025	09/04/2025	07/02/2025	01/01/2025	09/05/2024
US SOFR	4,348	4,34	4,33	4,53	5,32
Euro area €ster	2,169	2,42	2,67	2,91	3,90
UK SONIA	4,460	4,46	4,45	4,70	5,20
Switzerland SARON	0,198	0,21	0,43	0,45	1,45
Japan TONAR	0,477	0,48	0,48	0,23	0,08

10Y Government rates

%	08/05/2025	09/04/2025	07/02/2025	01/01/2025	09/05/2024
US Treasuries	4,37	4,34	4,49	4,58	4,45
France OAT	3,21	3,36	3,09	3,18	3,00
Germany Bund	2,51	2,57	2,38	2,36	2,49
Italy BTP	3,57	3,87	3,47	3,52	3,83
Spain Bonos	3,16	3,32	3,05	3,06	3,28
Switzerland	0,22	0,45	0,35	0,32	0,69
UK Gilts	4,52	4,73	4,48	4,55	4,14
Japan JGB	1,30	1,26	1,29	1,08	0,90

Credit

%	08/05/2025	09/04/2025	07/02/2025	01/01/2025	09/05/2024
United States IG	5,31	5,44	5,30	5,33	5,50
United States HY	7,73	8,58	7,25	7,49	7,89
Europe IG	3,41	3,64	3,34	3,44	3,98
Europe HY	5,99	6,79	5,55	5,70	6,66
Emerging FX	6,33	6,67	6,25	6,40	6,93

Equity indices

08/05/2025 vs	-1w	-1m	-3m	01/01/2025	-1y
World	-0,10	7,22	-4,497	-1,00	8,870
United States	-0,23	4,23	-6,903	-3,63	9,976
Euro area	0,62	16,09	2,687	11,10	10,180
France	-0,41	13,42	-2,068	6,00	-0,801
Germany	1,04	18,41	6,935	17,35	25,245
United Kingdom	-0,52	12,06	-0,989	5,61	6,219
Japan	0,37	14,89	-0,248	-2,13	0,618
Emerging	-0,10	10,81	0,096	2,52	8,015
China USD	0,33	10,83	4,922	12,71	23,814
India USD	-2,03	8,54	3,800	-3,17	3,775
Latin America USD	0,95	14,78	9,974	22,83	-6,060

Foreign exchange rates

	08/05/2025	09/04/2025	07/02/2025	01/01/2025	09/05/2024
EUR/USD	1,13	1,10	1,03	1,04	1,08
GBP/USD	1,33	1,28	1,24	1,25	1,25
EUR/CHF	0,93	0,93	0,94	0,94	0,98
USD/JPY	144,99	144,80	151,37	157,00	155,57
USD/CNY	7,23	7,34	7,29	7,30	7,22

Commodity prices

	08/05/2025	09/04/2025	07/02/2025	01/01/2025	09/05/2024
Brent, USD/BL	63	66	75	75	84
Copper, USD/Metric ton	9 413	8 539	9 288	8 706	9 728
Gold, USD/Troy oz	3 307	3 081	2 861	2 606	2 346
Silver, USD/Troy oz	32	30	32	29	28
Palladium, USD/Troy oz	975	901	969	909	950
Platinum, USD/Troy oz	986	920	993	913	975

Source : Bloomberg on 9 May 2025, 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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Private Banking

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