WEEKLY UPDATE

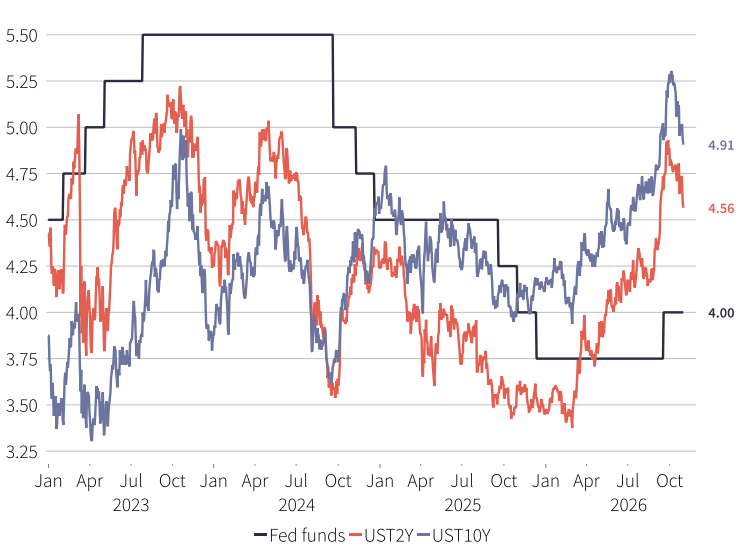
A pause in an inflationary environment

The European Central Bank and the Federal Reserve left interest rates unchanged, but both institutions continue to maintain a cautious bias in the face of inflation that remains above their respective targets. Despite this pause, central bankers continue to emphasize their data-dependent approach and their commitment to bringing inflation sustainably back to target.

A pause driven by the need for more information rather than a change in direction. As expected, the Federal Reserve left its policy rate unchanged at 3.50%-3.75%. Alongside this decision, it announced a reduction in the number of monetary policy meetings in 2027. This pause in the tightening cycle reflects the willingness of FOMC members to gain greater visibility on the evolution of core inflation as well as on the extent of the tightening in financial conditions already generated by higher long-term interest rates. While Kevin Warsh once again remained highly cautious regarding the future path of rates during his press conference, the statement retained a clearly hawkish bias. Economic activity continues to be described as growing at a "strong pace", job creation as evolving at a rate consistent with labour force growth, while "inflation remains elevated". In addition, several Fed officials highlighted the continued strength of the US economy while acknowledging that inflation is not yet on a trajectory consistent with the 2% target. Against this backdrop, two voting members supported a rate hike at the October meeting. Data released yesterday, showing both GDP growth and PCE inflation above 3%, further confirm an environment characterised by robust economic activity and still-elevated inflationary pressures. Overall, these developments suggest that the Fed retains a bias toward further monetary tightening. A 25bp rate hike in December therefore remains the most likely scenario, and we continue to expect the tightening cycle to extend into 2027.

The ECB keeps rates unchanged amid persistent inflation. As widely expected, the European Central Bank (ECB) decided to leave its deposit rate unchanged at 2.5%, in what was one of the last monetary policy meetings chaired by Christine Lagarde ahead of the end of her term in February 2027. While both headline and core inflation remain above the 2% target, Christine Lagarde emphasized that long-term inflation expectations remain anchored around that level, while second-round effects from higher energy prices have not triggered a "material response" in wages. The ECB also noted that the tightening in financial conditions observed since September is likely to weigh on both growth and inflation over the coming quarters, supporting the current pause in the tightening cycle. Asked repeatedly about the situation in France, Christine Lagarde recalled that "countries with high levels of debt must take into account (…) that interest rates are higher and are likely to remain higher for some time", a message suggesting that the ECB is not considering intervention in French bond markets at this stage. Finally, as with the Fed, the ECB stressed that it will remain attentive to inflationary pressures when determining the next steps of its tightening cycle. In an environment where (i) energy prices remain elevated due to tensions in the Middle East, keeping inflation high, and (ii) the euro area's major economies continue to prove resilient, we expect the ECB to raise its policy rate again in December to 2.75%, with a terminal rate of 3% in 2027.

UNITED STATES: FED FUNDS & TREASURY YIELDS



Sources: Société Générale Investment Solutions, Macrobond, Fed 30/10/2026

EURO AREA: ECB RATE & GERMAN SOVEREIGN YIELD

Sources: Société Générale Investment Solutions, Macrobond, ECB 29/10/2026

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OUR MACRO COMMENTS

Events of the week

ECONOMIES REMAIN DYNAMIC WHILE INFLATION CONTINUES TO ACCELERATE

Data released this week confirm a scenario of robust growth alongside inflation levels that remain above central bank targets.

In the United States, GDP continued to post strong growth, rising by 3.4% on a quarterly annualized basis, exceeding expectations. The underlying components of growth also remain constructive, with household consumption increasing by 3.8% annualized quarter-on-quarter, reflecting a solid labor market and supportive fiscal policies under the stimulus package adopted earlier this year. Non-residential investment increased by 13% annualized quarter-on-quarter, supported by investments across the AI ecosystem. On the inflation front, September PCE data confirmed that inflation remains elevated and is moving further away from the Federal Reserve's target. Headline inflation accelerated to 3.7% year-on-year, largely driven by higher energy prices, while core inflation reached 3.1%, with a strong contribution from services prices excluding rents.

In Europe, although growth was less dynamic, third-quarter 2026 GDP figures still point to resilient activity across most major economies. Growth in the euro area reached 0.4% quarter-on-quarter (0.2% excluding Ireland). At the country level, growth continues to be supported primarily by Spain's strong economic performance (+0.6% QoQ) and the continued recovery of the German economy (+0.2% QoQ), reflecting the acceleration of its fiscal stimulus program. In contrast, French GDP contracted by 0.1% in Q3 2026, reflecting a continued decline in both corporate and household investment. With this result, French economic growth for 2026 would amount to approximately 0.25%.

A DISAPPOINTING EARNINGS SEASON FOR THE AI ECOSYSTEM

The Q3 2026 earnings season has begun amid growing questions about profitability and investment dynamics within the AI ecosystem. Among the major hyperscalers, Amazon and Alphabet reported sales and profit figures below market expectations. In addition, both companies posted year-on-year profit declines, leading to corrections in their share prices. While Meta's results exceeded expectations, the company also announced additional investments, implying a further deterioration in free cash flow and weighing on its stock performance. Finally, although Microsoft's results significantly exceeded analysts' expectations, the announcement of bond issuance to finance increased investment spending limited the positive reaction in its share price. In the semiconductor sector, disappointing announcements from Samsung and Intel further reinforced the sector's downward trend.

Source: Macrobond, October 30, 2026. The colors in the 'Actual' column correspond to the difference from the forecast

MARKET PERFORMANCES

Interbank rates

%	28/10/2026	30/09/2026	30/07/2026	01/01/2024	30/10/2025
US SOFR	3,895	3,75	3,62	5,34	4,21
Euro area €ster	2,439	2,44	2,19	3,88	1,93
UK SONIA	3,734	3,73	3,73	5,19	3,97
Swittzerland SARON	-0,055	-0,07	-0,04	1,70	-0,05
Japan TONAR	1,227	1,23	0,98	-0,04	0,48

10Y Government rates

%	29/10/2026	30/09/2026	30/07/2026	01/01/2024	30/10/2025
US Treasuries	4,98	5,29	4,68	3,88	4,11
France OAT	4,90	4,82	3,92	2,55	3,41
Germany Bund	3,35	3,57	3,18	2,02	2,63
Italy BTP	4,49	4,61	3,99	3,70	3,39
Spain Bonos	3,96	4,11	3,57	2,98	3,15
Switzerland	0,54	0,59	0,48	0,66	0,18
UK Gilts	5,29	5,41	5,08	3,60	4,47
Japan JGB	2,85	3,08	2,74	0,62	1,65

Credit

%	29/10/2026	30/09/2026	30/07/2026	01/01/2024	30/10/2025
United States IG	5,83	6,04	5,43	5,06	4,80
United States HY	8,22	8,35	7,41	7,59	6,76
Europe IG	4,40	4,43	3,90	3,72	3,22
Europe HY	7,23	6,76	6,03	6,80	5,22
Emerging FX	6,56	6,60	6,01	6,77	5,54

Equity indices

29/10/2026 vs	-1w	-1m	-3m	01/01/2024	-1y
World	1,40	0,043	2,586	63,59	14,49
United States	1,39	1,115	3,627	65,51	13,40
Euro area	2,55	-0,488	-1,492	51,23	12,87
France	2,36	0,071	-5,606	17,18	1,14
Germany	3,34	3,124	1,737	49,64	7,80
United Kingdom	0,39	1,307	-0,592	50,84	14,07
Japan	1,22	-2,807	2,073	80,98	24,42
Emerging	1,12	-5,789	1,709	69,76	16,27
China USD	-1,15	-7,678	-11,611	27,53	-23,28
India USD	2,06	-0,193	-5,387	2,53	-13,42
Latin America USD	-14,88	-6,632	-7,704	20,92	13,88

Foreign exchange rates

	29/10/2026	30/09/2026	30/07/2026	01/01/2024	30/10/2025
EUR/USD	1,12	1,14	1,15	1,11	1,16
GBP/USD	1,34	1,33	1,34	1,27	1,31
EUR/CHF	0,92	0,95	0,93	0,93	0,93
USD/JPY	157,87	157,15	159,48	141,03	154,22
USD/CNY	6,67	6,70	6,77	7,08	7,10

Commodity prices

	29/10/2026	30/09/2026	30/07/2026	01/01/2024	30/10/2025
Brent, USD/BL	116	104	87	77	64
Copper, USD/Metric ton	14 560	14 487	13 795	8 476	10 949
Gold, USD/Troy oz	4 022	4 157	4 103	2 063	4 024
Silver, USD/Troy oz	52	60	59	24	49
Palladium, USD/Troy oz	1 017	1 225	1 298	1 123	1 431
Platinium, USD/Troy oz	1 497	1 723	1 630	1 008	1 603

Source : Bloomberg on 30 October 2026, 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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