WEEKLY UPDATE

Central banks: close to "peak" but not yet "pivot"

The recent banking equity turmoil is likely to bring the end of the monetary policy tightening cycle, the "peak", closer. However, central banks communication suggest that they are far from starting to ease, the "pivot", contrary to what market participants seem to anticipate

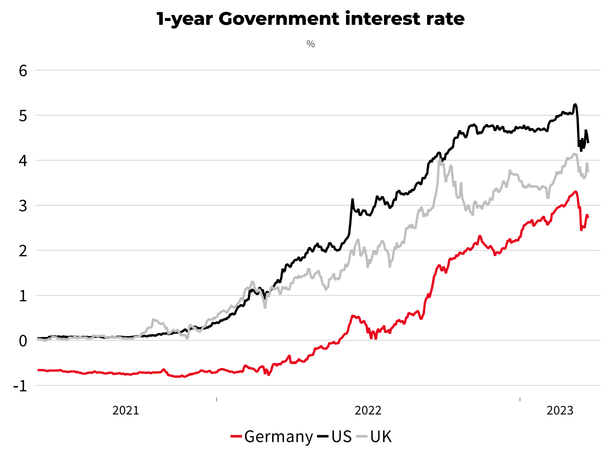
Continued tightening as if nothing had happened. The main central banks have continued to tighten their policies in recent days. The banking turmoil did not dampen their spirits, on the contrary. They wanted to send a reassuring message about their assessment of financial stability by continuing to raise rates in the context of high inflation. Thus, the European Central Bank raised its rates by 50 basis points, the Federal Reserve and the Bank of England by 25 bp and the Bank of Switzerland even surprised by raising rates by 50 bp. They have each reaffirmed their objective of bringing down inflation, whose latest figures for February have still not really reassured.

The tensions on the banks will encourage more caution in the future. While central banks have been reassuring in the midst of the turmoil, the turbulence will cause them to moderate their future actions. Indeed, while we remain confident that a systemic crisis should be avoided, the current turmoil will have consequences for short and medium term economic developments, which central banks will incorporate into their analysis. First, the tensions mean a higher level of uncertainty. This will weigh on the decisions of all economic actors and thus slow down economic activity. Secondly, the tensions will encourage banks to be more cautious in their provision of credit to the economy, particularly the US regional banks. These banks account for 40% of bank lending in the US, which is likely to be increasingly constrained in the future. Central banks will thus be more moderate in their decisions

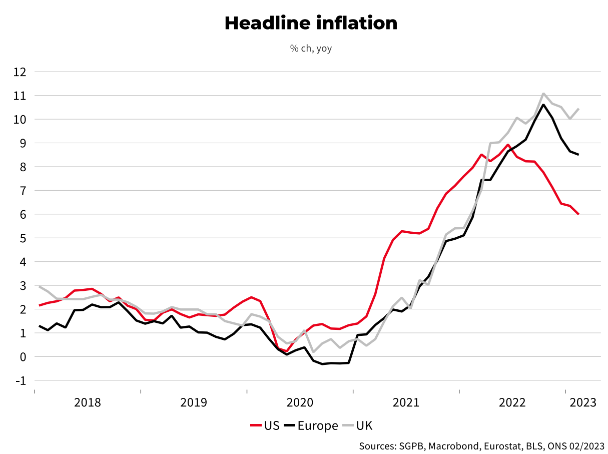
It seems too early to anticipate a relaxation of monetary conditions. Central banks seem to be close to the end of their tightening cycle (+475 basis points for the Fed, +350 for the ECB and +425 for the Bank of England). The banking turmoil has encouraged market participants to anticipate that they could start cutting rates in the coming months. The easing of commodity prices would allow total inflation to fall rapidly across the board, which could be a step in the right direction. However, underlying inflationary pressures may take time to moderate. This will prompt central banks to adopt a more wait-and-see stance than the markets are anticipating.

Completed on 23/03

The fall in rates illustrates the markets' expectations of a rapid easing of monetary policies



Total inflation will continue to fall as energy prices ease



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OUR MACRO COMMENTS

Events of the week

March PMI surprised on the upside in the main economies of the Euro area, with the composite index reaching 54 in France and 52,6 in Germany. These figures confirm the resilience so far of European economies, mainly in the services sector, in the contest of the Chinese economic re-opening and falling energy prices

The annual wage bargaining session between trade unions and employers in Japan led to an average 5% increase in wages, which is the highest increase in 30 years. This increase comes as a result of the government's demand to maintain the purchasing power of the Japanese people, in connection with higher inflation, which in turn is linked to higher import costs, resulting from the fall of the yen.

Figures of the week

	Actual	Forecast	Previous
• S&P Global Manufacturing PMI (March)	47.1 ↓	49	48.5
• S&P Global Services PMI (March)	55.6 ↑	52.5	52.7
• Durable Goods Orders MoM (February)	-1 % ↑	0.7 %	-5 %
• ZEW Economic Sentiment Index (March)	13 ↓	17.1	28.1
• Inflation Rate YoY (February)	10.4 % ↑	9.9 %	10.1 %
• Core Inflation Rate YoY (February)	6.2 % ↑	5.7 %	5.8 %
• Inflation Rate YoY (February)	3.3 % →	3.3 %	4.3 %

The week ahead

Monday

Ifo Business Climate (March)

Tuesday

CB Consumer Confidence (March)

Wednesday

GfK Consumer Confidence (April)

Thursday

Friday

NBS Manufacturing PMI (March)

Inflation Rate (March)

PCE Price Index (February)

Sources: Macrobond, 24 March 2023

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MARKET PERFORMANCES

Interbank rates	Last.	-1W	-3M	YTD	-12M
€STER O/N	2,90	2,40	1,90	1,91	-0,58
USD SOFR O/N	4,55	4,58	4,30	4,30	0,27
JPY TONAR O/N	-0,01	-0,02	-0,07	-0,02	-0,01
GBP SONIA O/N	3,93	3,93	3,43	3,43	0,69
CHF O/N	0,80	0,80	0,80	0,80	-0,70

Long term sov. rates	Last.	-1W	-3M	YTD	-12M
10Y OAT	2,86	2,69	2,83	2,98	0,94
10Y Bund	2,34	2,13	2,30	2,44	0,48
10Y BTP	4,18	4,09	4,42	4,55	2,00
10Y JGB	0,24	0,28	0,47	0,41	0,22
10Y Bonos	3,37	3,26	3,37	3,51	1,39
10Y Swiss	1,06	1,11	1,43	1,57	0,41
10Y Gilt	3,46	3,33	3,56	3,66	1,66
10Y USTnote	3,48	3,51	3,68	3,88	2,32

Credit & EM	Last.	-1W	-3M	YTD	-12M
EUR Corporate Aaa	3,44	3,26	2,95	3,12	1,13
EUR Corporate Baa	4,53	4,43	4,46	4,65	1,73
GBP Corporate Baa	4,62	4,46	4,54	4,59	2,48
USD Corporate Aaa	4,28	4,43	4,46	4,62	3,05
USD Corporate Baa	5,49	5,65	5,54	5,70	3,89
USD EM aggregate	7,46	7,46	7,41	7,52	5,74

Commodities	Last.	-1W	-3M	YTD	-12M
Brent, USD/BL	75,69	2,0%	-7,9%	-11,9%	-37,6%
Or, USD/oz	1 969	2,6%	8,5%	7,8%	1,3%
Copper, USD/metric ton	8 873	3,8%	6,3%	5,7%	-14,0%
Platinium, USD/oz	984	1,0%	-1,5%	-7,6%	-3,9%
Palladium, USD/oz	1 391	-5,8%	-18,5%	-22,2%	-45,8%
Silver, USD/oz	22,35	1,1%	-6,5%	-6,7%	-10,7%

FX rates	Last.	-1W	-3M	YTD	-12M
EUR/USD	1,08	2,2%	1,4%	1,0%	-1,8%
EUR/CHF	1,00	2,4%	1,4%	1,0%	-2,8%
USD/GBP	0,82	-1,6%	-1,0%	-1,5%	8,0%
USD/JPY	132,67	-0,1%	0,5%	1,4%	9,6%
USD/BRL	5,26	-0,9%	1,1%	-1,5%	8,4%
USD/CNY	6,88	-0,3%	-1,4%	-0,3%	8,0%
USD/RUB	77,02	1,3%	7,6%	5,5%	-21,6%

Equity indices	Last.	-1W	-3M	YTD	-12M
MSCI AC World (USD)	1 028	0,9%	-3,1%	-3,1%	-9,6%
Eurostoxx 50	4 196	4,0%	8,4%	8,8%	8,4%
Dax 40	15 216	3,3%	7,9%	8,2%	6,5%
CAC 40	7 131	3,6%	8,4%	8,1%	8,4%
FTSE 100	7 567	3,0%	0,9%	1,5%	1,4%
SMI	10 782	2,5%	-0,6%	0,5%	-10,9%
SP500	3 937	1,2%	1,5%	2,5%	-11,7%
TOPIX	1 963	0,1%	3,7%	3,8%	-0,8%
iBovespa	100 221	-2,4%	-6,7%	-5,8%	-14,7%
Hang Seng	19 591	0,3%	2,2%	-1,0%	-11,6%
Sensex 30	58 215	1,1%	-4,7%	-4,8%	0,9%
CSI 300	3 999	0,3%	4,4%	3,3%	-6,5%

Source: Bloomberg, on 23 March 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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