Amundi Investment Institute

# Weekly Market Directions

12 April 2024

*"Inflation remains the main driver of central banks' policy actions. We could see more appetite for European bonds as the ECB looks on track to start cutting rates in June."*

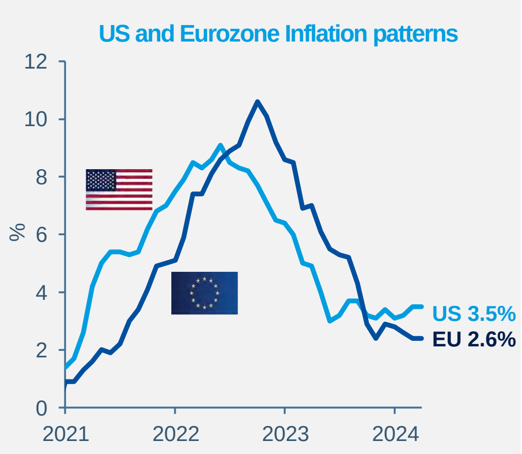

**Monica Defend**
Head of Amundi Investment Institute


## ECB's next move should be a rate cut

Last week the ECB kept its policy rates unchanged but looks confident that inflation will return to targets gradually.

In contrast, US inflation is showing some stickiness, but the Fed is likely to reduce rates this year.

These decisions, among other factors, would affect markets globally, and commodities such as gold.




Source: Amundi Investment Institute, Bloomberg as at 12 April 2024. CPI, YoY change.

Macroeconomic data is further signaling divergences across the board. Inflation has again surprised on the upside in the US, where inflation dynamics are more related to the demand side. In Europe, instead, a faster slowdown in prices is materializing. Expectations on the growth front are also diverging. In the US, growth data and sentiment indicators point to a stronger than expected economy, amid resilient consumption. This has led economists to revise upwards growth expectations for the US, while for Europe growth is expected to remain anaemic, with divergences across countries. This growth/ inflation mix will obviously affect policy decisions. The Fed and ECB are likely to reduce rates this year and in doing so they would keep a close eye on inflation.

## Actionable ideas

**European quality bonds**
The prospects of ECB cutting rates starting in June could be positive for quality corporate credit that can withstand a sluggish economic growth environment.

**Multi asset investing amid economic divergences**
An environment of diverging growth and inflation across regions could offer opportunities across global asset classes, including gold.

# This week at a glance

Stocks were mixed this week as inflation and central banks' decisions remained in the spotlight, but Japanese markets were up. US yields rose after inflation came in stronger than expected. In commodities, rising geopolitical tensions in Middle East pushed gold prices to all-time highs.

## Equity and bond markets

Asset class performance year to date and week to date

| | | YTD | WTD |
|---|---|---|---|
| EQUITIES | World | 5.3% | -1.40% |
| | United States | 7.4% | -1.56% |
| | Europe | 5.5% | -0.26% |
| | Japan | 16.6% | 2.11% |
| | Emerging markets | 1.8% | -0.38% |
| BONDS | Global aggregate | -3.7% | -0.99% |
| | Euro aggregate | -0.5% | 0.36% |
| | Emerging markets | 0.7% | -0.93% |

Source: Bloomberg, data as at 12 Apr 2024
Please refer to the last page for additional information on the indices.

## Government bond yields

2 and 10 years government bond yields and 1 week change

| | 2YR | | 10YR | |
|---|---|---|---|---|
| US | 4.90 | ▲ | 4.52 | ▲ |
| Germany | 2.85 | ▼ | 2.36 | ▼ |
| France | 2.85 | ▼ | 2.86 | ▼ |
| Italy | 3.41 | ▼ | 3.76 | ▼ |
| UK | 4.34 | ▲ | 4.14 | ▲ |
| Japan | 0.27 | ▲ | 0.85 | ▲ |

Source: Bloomberg, data as at 12 Apr 2024
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

## Commodities, FX and short term rates

| Gold USD/oz | Crude Oil USD/barrel | EUR/ USD | USD/ JPY | GBP/ USD | USD/ RMB | Euribor 3M | T-Bill 3M |
|---|---|---|---|---|---|---|---|
| 2344.37 | 85.66 | 1.06 | 153.23 | 1.25 | 7.24 | 3.92 | 5.22 |
| +0.6% | -1.4% | -1.8% | +1.1% | -1.5% | +0.1% | | |

Source: Bloomberg, data as at 12 Apr 2024
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

# Amundi Institute Macro Focus

## Americas

**Inflation stickiness is confirmed in the US after latest data release**

Both headline and core inflation turned out to be higher than expected by consensus in their March print (both up 0.4% mom vs. 0.3% expected), mainly driven by strong core services inflation. In yearly terms, headline inflation ticked up to 3.5% (up from the previous 3.2%) while core inflation remained stable at 3.8%. "Core" and "Super-core" inflation momentum still worries for its reacceleration.

## Europe

**The Bank Lending Survey for Q1 from the ECB shows mixed signals, but overall encouraging signs.**

The ECB released its Q1 2024 Bank Lending Survey on Thursday. It posted mixed signals but overall a better environment for lending. Namely, the momentum for loans for house purchase improved, whereas there was only a mild negative move in demand for housing loans. For business loans the picture was slightly more negative, but banks expect it to improve in Q2.

## Asia

**Chinese inflation lower than expected.**

China's March CPI came in below expectations at 0.1% YoY. The country is edging towards broad deflation. While goods inflation has already been in deflation for a year, services inflation remains positive growing at 0.8% in March. Slowing tourism inflation and a fast decline in rent may potentially bring overall services inflation close to zero.

## Key Dates

| | |
|---|---|
| 15 Apr | US retail sales |
| 16 Apr | China GDP, UK Labour market |
| 17 Apr | EZ and South Africa CPI |

## NOTES

Page 2

**Equity and bond markets (chart)**

Source: Bloomberg. Markets are represented by the following indices: World Equities = MSCI AC World Index (USD) United States = S&P 500 (USD), Europe = Europe Stoxx 600 (EUR), Japan = TOPIX (YEN), Emerging Markets = MSCI Emerging (USD), Global Aggregate = Bloomberg Global Aggregate USD Euro Aggregate = Bloomberg Euro Aggregate (EUR), Emerging = JPM EMBI Global Diversified (USD)

All indices are calculated on spot prices and are gross of fees and taxation.

**Government bond yields (table), Commodities, FX and short term rates.**

Source: Bloomberg, data as **12 April 2024**. The chart shows Global Bonds= Bloomberg Global Aggregate Bond Index, Global Equity = MSCI World. Both indexes are in local currency.

*Diversification does not guarantee a profit or protect against a loss.

### GLOSSARY

**BOE:** Bank of England

**BOJ**: Bank of Japan

**CPI:** Consumer price index

**Core CPI**: total consumer inflation, excluding commodities like food and energy.

**Disinflationary:** A temporary slowing of the pace of price inflation and is used to describe instances when the inflation rate has reduced marginally over the short term.

**Headline CPI:** total consumer inflation in an economy including commodities like food and energy.

**MoM**: month over month growth.

**Regional Divergence:** differences in the rate of growth/inflation across

**RBI:** Reserve Bank of India

**Sticky inflation:** Prices do not adjust as quickly to supply and demand changes,

**YoY**: Year over year growth. **YTD**: Year to date.

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