

## Spotlight on US inflation

### US inflation slowed in April

After three months of growth, the rise in overall prices slowed in the United States.

The consumer price index rose by "only" 3.4% year-on-year in April, after increasing by 3.5% in March, announced the US Department of Labour on Wednesday. Inflation has therefore slowed slightly, in line with economists' expectations.

The rise in consumer prices was also lower over a month, at 0.3% compared with 0.4% the previous month. Energy and housing prices were the main drivers of inflation in April, representing more than 70% of the increase.

The ray of hope comes from core inflation, which excludes volatile food and energy prices, falling back to 3.6% year-on-year in April from 3.8% in March.

This decline means that the Fed could cut its key rates, but it remains to be seen when it will begin its rate-cutting cycle. The month of June was initially considered, but this prospect no longer seems likely.

To start cutting rates, the Fed wants to bring inflation down to 2%. To do this, it is using the PCE index, which also accelerated to 2.7% year-on-year in March. The April data will be published on 31 May.

### Number of the week

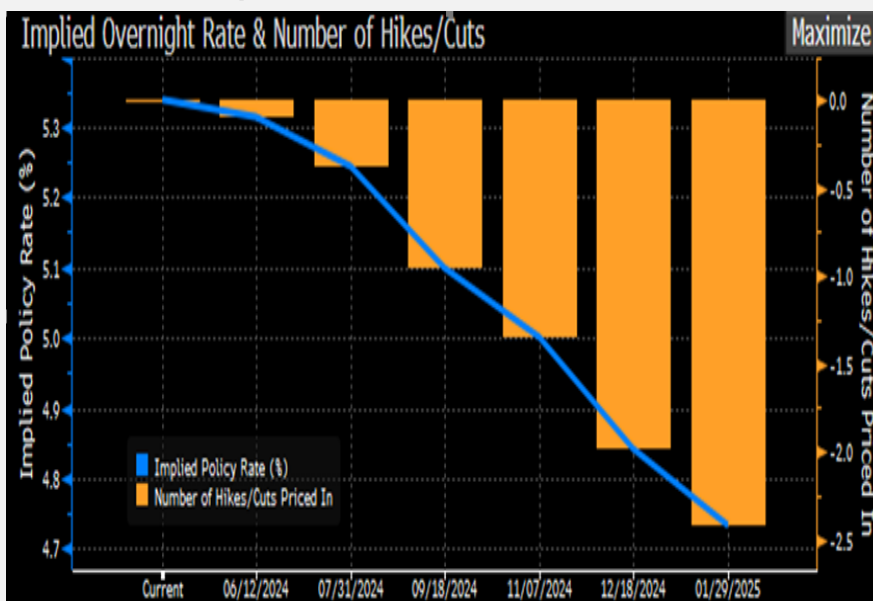
# 3,4%

US inflation in April



**Fed: towards a rate cut in September?**

### Expectations of US rate cuts



The 1st rate cut forecast by the markets could come in September, whereas projections were still for November at the beginning of May.

Source : Bloomberg

The Fed Chairman once again urged the markets to be cautious, insisting on the need to keep interest rates high until there is consistent evidence of a sustained fall in inflation.

However, the markets have regained their optimism and now believe that a rate cut is possible before the end of the year, as oil prices have fallen back at the same time.

The price of a barrel of Brent crude fell to 82 dollars, its lowest level for eleven weeks, due to the slowdown in industrial activity.

April's inflation figures led investors to bet on a first rate cut in September by the Fed.

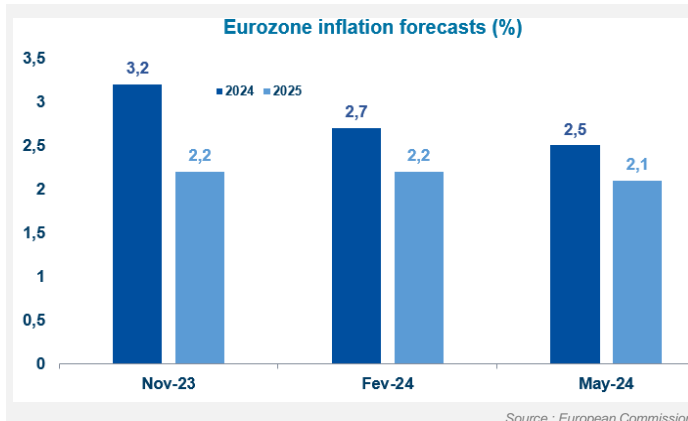
The latest consumer price data suggest that the PCE (Personal Consumption Expenditures) index could also fall.



## Euro zone: inflation set to fall faster

The European Commission announced on Wednesday that it was expecting lower-than-expected inflation in 2024 in the Euro zone, at 2.5% compared with 2.7% previously forecast, and confirmed its growth forecast of 0.8% despite geopolitical tensions.

The good news is that consumer prices have slowed more sharply than expected, thanks to the good figures recorded at the start of the year. They are approaching the ECB's 2% target, which should support the monetary institution in its plan to cut rates from June onwards. This monetary easing will, in turn, allow growth to rebound over the coming months. For 2025, Brussels is now forecasting inflation of 2.1% in the eurozone, compared with 2.2% until now.



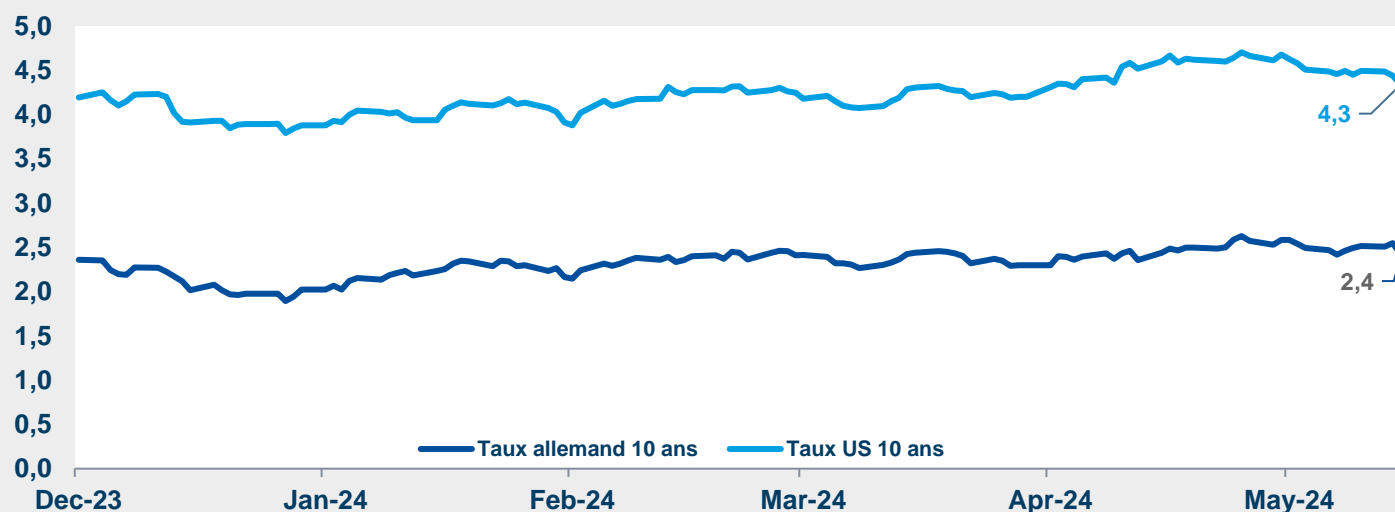
*Inflation should continue to fall and reach its target a little earlier in 2025*



Paolo Gentiloni, European Commissioner, 15 May 2024

## Impact Market

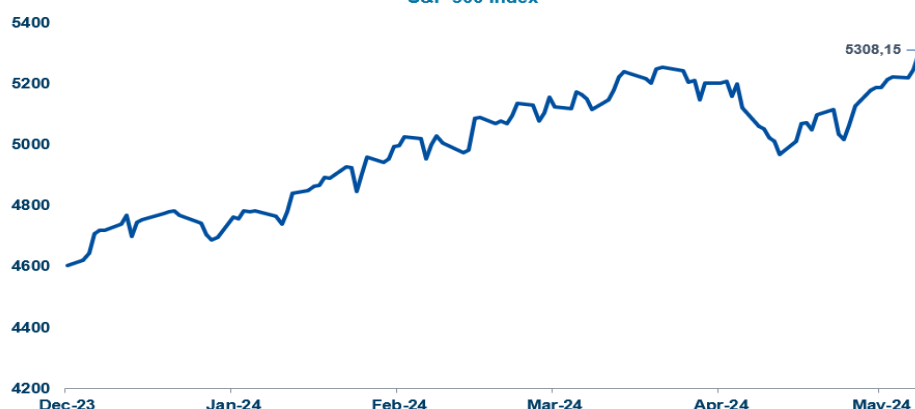
### US 10-year & German 10-year



In reaction to the rather reassuring inflation figures, which had accelerated twice in February and March, the US 10-year yield fell by up to 7 bp to 4.30%, compared with 4.70% at the end of April. In a knock-on effect, the German 10-year yield also eased by 12 bp to 2.40%, its lowest level since mid-April..

Source : Bloomberg

### S&P 500 index



The markets welcomed the encouraging US inflation figures. The world's stock markets soared to new record highs.

The S&P 500 exceeded 5,300 points, reaching its highest point ever.

Source : Bloomberg



## IMF: the battle against inflation is not over

The head of the International Monetary Fund, Kristalina Georgieva, remains cautious about the global economy despite hopes of a soft landing.

*"Inflation is coming down, but it hasn't gone away", she told a conference in Zurich.*

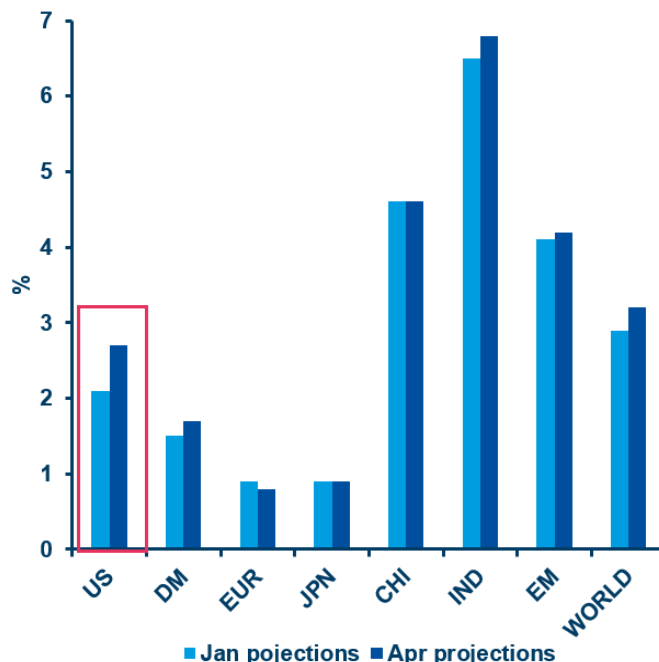
Global economic activity is at a historically low level. In mid-April, the IMF raised its growth forecast for 2024 slightly, to 3.2% (from 3.1% previously).

The IMF raised its growth forecast for the United States, but pointed to divergences in growth in the advanced economies.

The US economy was in fine fettle last year, growing by 2.5% on the back of solid consumer spending, even though this slowed more than expected in the first quarter. India, still buoyant, is expected to post 6.6% growth this year, and Brazil 1.9%.

On the other hand, the eurozone has been mired in stagnation for the last year and a half, having just emerged from recession in the first quarter.

### IMF revises up global growth for 2024



Source : Amundi, IMF

### Actualité



- ▶ **England** | BoE maintains rates at 5.25%
- ▶ **Germany** | Final inflation rate confirmed at 2.2%

### Agenda



- ▶ **17 May** | Release of the final figure for Euro Zone inflation figures (April)
- ▶ **23 May** | Release of the S&P EUR & US composite PMI (May)

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