HIGHLIGHTS

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The global economy continues to surprise with its resilience. In the US, domestic consumption even appears to have accelerated in the first quarter, supported by a buoyant labour market, robust wage growth and a savings surplus that has yet to be exhausted. The increase in layoffs in sectors that benefited from the pandemic is still more than offset by the creation of new jobs in service activities. In Europe, even the industrial sector is showing signs of improvement, with lower oil and gas prices allowing companies to regain control of their production costs. In China, the end of the zero-covid policy and the reopening of the economy are generating an economic recovery that looks promising, with purchasing managers' indices showing a strong rebound. In Japan, GDP in the fourth quarter of 2022 grew by 0.2% quarter-on-quarter, thanks to continued growth in domestic consumption and exports.

In February, inflation figures were more mixed after the considerable slowdown in inflation during the previous months. For example, in the U.S., the headline inflation rate remained almost unchanged at 6.4% in January, only slightly down from 6.5% in December. Excluding energy and food, inflation fell from 5.7% to 5.6%. The PCE (personal consumption expenditure) core price index, which is the Federal Reserve's preferred price indicator, rose from 4.6% to 4.7%. In the Eurozone, the recent downward trend in inflation was also less evident in February. Thus, from January to February, headline inflation fell from 8.6% to 8.5%. Excluding energy and food, it even increased from 5.3% to 5.6%.

Given the resilient nature of economic activity and recent mixed inflation numbers, the US Federal Reserve may have to increase the final level of the target range for the federal funds rate at its next meeting in March. However, the pace of rate hikes in 25 basis point increments does not appear to be in question. In Europe, a further 0.5% interest rate hike in March seems almost certain.

Favourable economic growth and mixed inflation data led to a rebound in long-term interest rates, erasing their January decline. The benchmark 10-year rate rose from 3.51% to 3.92% in the US, from 2.28% to 2.65% in Germany, from 2.75% to 3.12% in France, from 4.15% to 4.47% in Italy and from 3.28% to 3.60% in Spain. Since the beginning of the year, the JP Morgan EMU Government Bond Index is almost unchanged (+0.1%).

After rebounding considerably in January, stock markets consolidated their gains in February. The strong resilience of the global economy is supporting stock prices, fuelling hopes that the slowdown in activity will result in a soft landing rather than a recession. Only the emerging markets gave up much of the gains made in January when the Chinese economy reopened. Finally, the MSCI All Country World Index Net Total Return in euro finished slightly lower, down 0.5% over the month. At the regional level, the Stoxx 600 in Europe rose by 1.7% (in EUR)

HIGHLIGHTS

BLI BANQUE DE LUXEMBOURG INVESTMENTS

and the Topix in Japan by 0.9% (in JPY), while the S&P 500 in the US fell by 2.6% (in USD) and the MSCI Emerging Markets Index by 6.5% (in USD). At the sector level, divergences were rather moderate, with technology, industrials and financials showing the best performances, while utilities, real estate and materials recorded the least favourable outcomes.

After the euro's rebound against the dollar since September 2022, the European currency depreciated in February, falling from 1.09 to 1.06 during the month. The strengthening of the dollar was the result of speculation that the end-of-cycle target range for the US federal funds rate might be increased. The rise in the dollar had a negative impact on precious metals prices. The price of an ounce of gold fell by 5.3% from USD 1928 to USD 1827. The price of an ounce of silver even fell by 11.9%, from USD 23.7 to USD 20.9.

HIGHLIGHTS

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