



Although economic growth is slowing, it remained positive in the main regions during the first quarter. In the US, GDP grew at an annualised rate of 1.1% quarter-on-quarter, below both expectations and the 2.6% level posted in the last quarter of 2022. The weaker than expected growth was mainly due to a slowdown in business investment and weak inventories, while household consumption expenditure still grew by 3.7%. In the euro area, GDP grew by 0.1% quarter-on-quarter, also slightly below expectations. Activity stagnated in Germany and grew slightly in France, while Italy, Spain and Portugal recorded a stronger expansion. In China, the reopening of the economy boosted the growth rate to 4.5% year-on-year thanks to a rebound in domestic consumption. Outside China, the economic slowdown is expected to continue in the coming months, gradually pushing growth rates into negative territory.

The persistence of inflation in services is preventing a further rapid easing in price indices excluding energy and food. Thus, in the US, headline inflation fell from 6.0% in February to 5.0% in March. Excluding energy and food, inflation remained virtually unchanged, rising from 5.5% to 5.6%. The PCE (personal consumption expenditure) core price index, which is the Federal Reserve's preferred price indicator, declined from 4.7% to 4.6%. In the euro area, the easing of inflation is also slowing. From April to May, the headline inflation rate actually rose slightly from 6.9% to 7.0%. Excluding energy and food, inflation fell from 5.7% to 5.6%.

The next meetings of the Monetary Committee of the US Federal Reserve and the Governing Council of the European Central Bank will take place in the first week of May. At the time of writing, the meetings had not yet been concluded. A 25 basis point increase in key policy rates on both sides of the Atlantic seems to be the most likely scenario.

The swift interventions by public authorities to put an end to the turbulence in the banking sector triggered by the debacles of Silicon Valley Bank and Credit Suisse last month have restored calm to the financial markets. Thus, government bond yields were very stable, ending April at levels similar to those posted at the end of March. The benchmark 10-year rate moved from 3.47% to 3.42% in the United States, from 2.29% to 2.31% in Germany, from 2.79% to 2.88% in France, from 4.09% to 4.17% in Italy and from 3.30% to 3.36% in Spain. Since the beginning of the year, the JP Morgan EMU Government Bond Index has risen by 2.3%.

After the strong resilience shown in March despite the banking crisis, stock markets appreciated slightly in April, a month that is traditionally favourable for equity prices. However, the strength of the European currency prevented the MSCI All Country World Index Net Total Return in euro from rising, giving up 0.2% over the month. In local currency terms, the S&P 500 in the US rose by 1.5% (in USD), the Stoxx 600 in Europe by 1.9% (in EUR) and the Topix in Japan by 2.7% (in JPY). Only the MSCI Emerging Markets index fell by 1.3% (in USD),



affected by China's military manoeuvres to simulate an encirclement of the island of Taiwan. At the sector level, defensive companies, most of which reported strong results, and oil stocks performed best, while companies in other more cyclical sectors are beginning to be affected by the economic slowdown. Energy, consumer staples and health care were the strongest performers, while consumer discretionary, technology and materials were the weakest.

The return to calm in the financial markets weighted on safe haven currencies, with the euro rising against the dollar from 1.08 to 1.10. The weakness of the greenback supported the prices of precious metals, which were able to hold on to the significant gains recorded the previous month. The price of an ounce of gold rose by 1.1% from USD 1969 to USD 1990. The price of an ounce of silver rose by 4.0% from USD 24.1 to USD 25.1.



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