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The second quarter GDP figures confirm that global economic growth is losing momentum. In the United States, GDP fell by 0.9% at an annualized rate compared to the first three months of the year, recording a second consecutive quarter of decline. This was mainly due to weaker government spending and real estate investment, while domestic consumption, the largest component of GDP, continued to grow. Given the current strength of the labour market, it is unlikely that the first half of 2022 will be officially classified as a recession, although the technical criterion of two consecutive quarters of GDP decline is now met. In Europe, growth figures were surprisingly strong, with GDP for the eurozone as a whole rising by 0.7% quarter-on-quarter. The positive surprise came mainly from the southern European countries, benefiting from a strong rebound in tourism, while Germany, the industrial pillar of the eurozone, saw its activity stagnate. In China, GDP grew by only 0.4% year-on-year due to strict containment measures, which have, however, since been lifted. In Japan, exports remain the most dynamic component of GDP, with the slowdown in global demand showing little impact so far. Overall, most activity indicators for the month of June were relatively weak in both manufacturing and services, suggesting a continued moderation in the pace of global economic growth going into the third quarter.

An easing of the significant inflationary pressures is still pending. In the US, headline inflation rose from 8.6% in May to 9.1% in June, a new high since November 1981. Excluding energy and food, inflation declined from 6.0% to 5.9%. The PCE (personal consumption expenditures) deflator excluding energy and food, the Federal Reserve's preferred price indicator, rose from 4.7% to 4.8%. In the Eurozone, inflation also continues to climb to new record levels since the introduction of the single currency. From June to July, headline inflation rose from 8.6% to 8.9%. Excluding energy and food, it rose from 3.7% to 4.0%.

In July, the Federal Reserve's monetary committee proceeded with its second consecutive 75 basis point increase as expected, taking the federal funds rate target range to 2.25% - 2.50%. Jerome Powell, the top U.S. monetary official, gave no new indication of future rate action. A further tightening of 50 basis points at the next meeting in September is currently the most likely scenario. In Europe, the central bank raised all three key rates by 50 basis points, ending the era of negative interest rates. The ECB's refinancing rate, which is its most important policy rate, now stands at 0.50%. Governing Council President Christine Lagarde also presented the new anti-fragmentation tool, which is designed to prevent too wide a spread in funding rates within the eurozone. If such a spread were to occur, the ECB could intervene under certain conditions by purchasing without limit the bonds of the most pressured countries.

On the bond markets, government bond yields fell sharply on both sides of the Atlantic due to the many signs of economic slowdown. Over the month of July, the benchmark 10-year yield

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fell from 3.01% to 2.65% in the United States, from 1.33% to 0.81% in Germany, from 1.91% to 1.38% in France, from 3.26% to 3.01% in Italy and from 2.42% to 1.91% in Spain. Despite the +4.0% rebound in July, the JP Morgan EMU Government Bond Index remains down 8.5% year-to-date.

After the historic decline in stock prices in the first half of the year, the equity markets rebounded strongly in July. The publication of good corporate results by most of the heavyweights in the main stock market indices brought relief to investors, who became more inclined to take equity risks once again. Thus, the MSCI All Country World Index Net Total Return expressed in euros rose by 9.7% during the month, the largest monthly increase since April 2020. Regionally, the S&P 500 in the US edged up by 9.1% (in USD), the Stoxx 600 in Europe by 7.6% (in EUR) and the Topix in Japan by 3.7% (in JPY) respectively. Only the emerging countries did not participate in the rebound, with the MSCI Emerging Markets index declining by 0.7% (in USD). At the sector level, the best performances were achieved by technology and consumer discretionary stocks (including luxury goods in particular), which rebounded strongly from their first-half underperformance.

In July, the euro continued to weaken against the dollar, with the euro-dollar exchange rate falling from 1.05 to 1.02 during the month. By mid-July, the euro-dollar exchange rate had even fallen below parity, as the growing interest rate differential between the two currency areas and fears of a winter energy crisis on the old continent affected the single currency. The strength of the dollar and rising interest rates continued to weigh on the gold price, which fell for the fourth consecutive month, from USD 1807 to USD 1766 (-2.3%) per ounce. The price of an ounce of silver rose very slightly from USD 20.3 to USD 20.4.

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