



Global economic growth continues to slow but is not collapsing, benefiting from the low cyclicality of most service activities, which are increasingly critical in modern economies. Although the general rise in the cost of living is gradually eroding household purchasing power on both sides of the Atlantic, consumer spending remains robust thanks to resilient labour markets. However, given the downward trend in most activity indices and the low level of business and household confidence indicators, the economic slowdown is likely to continue. In China, recent government support measures are showing little positive effect on growth due to the lack of improvement in the real estate sector and a general climate of uncertainty resulting from the zero-covid policy. In Japan, GDP grew by 0.5% in the second quarter compared to the first three months of the year following a rebound in domestic consumption after the lifting of containment measures in early spring.

In the United States, inflation finally seems to have reached an inflection point. The headline inflation rate fell from 9.1% in June to 8.5% in July. Excluding energy and food, inflation remained unchanged at 5.9%. The PCE (personal consumption expenditures) deflator excluding energy and food, the Federal Reserve's preferred price indicator, fell from 4.8% to 4.6%. The high basis of comparison, the reversal in commodity prices and the weakening global economy argue for a gradual easing of inflationary pressures in the months ahead. In the euro zone, higher energy price pressures could delay the deceleration of inflation. Thus, from July to August, headline inflation rose from 8.9% to 9.1%. Excluding energy and food, it rose from 4.0% to 4.3%.

At the traditional central bankers' conference in Jackson Hole, Federal Reserve Chairman Jerome Powell said the top U.S. monetary authority remains firmly committed to restoring price stability, even if it means weaker near-term growth prospects and some pain for households and businesses. He emphasized the importance of acting quickly and aggressively to combat the anchoring of high inflation expectations, pointing to the 1970s as an episode in which those expectations went haywire. Chairman Powell reiterated that "at some point" it will probably be appropriate to slow the pace of rate increases, while opposing the idea that the Fed could move quickly to interest rate cuts. He emphasized that the stance of monetary policy will likely have to remain restrictive for some time and noted that past experience strongly cautions against premature policy easing.

Jerome Powell's very restrictive speech triggered a general rise in US and European government bond yields. Over the month of August, the benchmark 10-year rate rose from 2.65% to 3.19% in the United States, from 0.81% to 1.54% in Germany, from 1.38% to 2.15% in France, from 3.01% to 3.88% in Italy and from 1.91% to 2.73% in Spain. Since the beginning of the year, the JP Morgan EMU Government Bond Index is down 13.0%.



In August, equity markets gave up some of the gains made during the July rebound. The central bankers' conference in Jackson Hole, at which the US monetary authorities emphasized their determination to restore price stability notwithstanding possible short-term cyclical damage, accentuated the market correction, as the prospect of weaker economic growth and higher interest rates is generally an unfavourable mix for positive stock market performance. The 2.3% decline in the MSCI All Country World Index Net Total Return in euro terms was mitigated by the weakness of the single currency against the dollar. At the regional level, the S&P 500 in the US fell by 4.2% (in USD) and the Stoxx 600 in Europe by 5.3% (in EUR). Asian stock markets were more resilient, with Japan's Topix up 1.2% (in JPY) and the MSCI Emerging Markets Index unchanged (in USD). At the sector level, energy and utilities were the strongest performers, while healthcare and technology were at the bottom of the ranking.

In August, the euro weakened further against the dollar, with the euro-dollar exchange rate falling from 1.02 to 1.01 during the month. Jerome Powell's restrictive rhetoric and soaring gas and electricity prices in Europe pushed the euro-dollar exchange rate temporarily below parity, a low for the single currency since 2002. The strength of the dollar and the prospect of higher interest rates are also keeping precious metal prices under pressure. Thus, the price of an ounce of gold declined for the fifth consecutive month, from USD 1766 to USD 1711 (-3.1%). The price of an ounce of silver decreased to USD 18.0, down 11.6% from USD 20.4 the previous month.



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