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The US administration's tariff policy is generating the first signs of an economic slowdown, although a major weakening in global growth is still absent. In the USA, for example, first-quarter growth in domestic consumption was revised considerably downwards, and household spending contracted in real terms in May, suggesting slightly less resilient demand than previously anticipated. In Europe, confidence indices picked up on hopes of an economic acceleration generated by the significant increase in defense budgets, while coincident economic indicators still show little signs of strength. In China, public stimulus measures appear to be ensuring GDP growth slightly above the official 5% target, although deflationary pressures persist and the property market is not recovering. In Japan, exports to the US are slowing under the impact of US tariffs, reducing the potential for economic growth.

US tariff policy has yet to have an impact on price indicators in the USA. The headline inflation rate rose slightly from 2.3% in April to 2.4% in May, while inflation excluding energy and food remained unchanged at 2.8%. The consumer spending deflator excluding energy and food, the Federal Reserve's favorite price indicator, was also little changed, rising from 2.6% to 2.7%. In the Eurozone, June's headline inflation rate was exactly in line with the European Central Bank's 2% target, compared with 1.9% in May. Excluding energy and food, inflation remained unchanged at 2.3%.

In line with expectations, the US Federal Reserve left monetary policy unchanged at its June meeting. Chairman Jerome Powell reiterated, as at the previous meeting in May, his wait-and-see stance with a view to observing which of its 2 objectives, full employment or 2% inflation, will prove more at risk following the new administration's tariff policy. In the eurozone, the European Central Bank made the expected cut in its deposit rate by 25 basis points to 2%, but a further cut at the next meeting in July does not appear to be on the agenda. ECB President Christine Lagarde said that the ECB was well positioned to deal with the uncertainties of the months ahead, and that there was no need to talk about the direction of monetary policy given that current inflation and forecasts were close to the 2% target.

Despite the preparation of a tax bill further increasing the US budget deficit, US long-term interest rates eased slightly in June, benefiting from inflation statistics that remained benign despite the rise in tariffs, and the first tangible signs of a slowdown in domestic consumption. Over the month, the benchmark US 10-year rate fell from 4.40% to 4.23%. By contrast, long-term interest rates rose slightly in the eurozone, despite the cut in the ECB's main policy rate. The continued steepening of the European yield curve is the result of expectations of a stronger economic recovery in the years ahead. The benchmark 10-year rate rose from 2.50% to 2.61% in Germany, from 3.16% to 3.28% in France and from 3.09% to 3.24% in Spain. Only in Italy

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was the rate unchanged at 3.48%. Since the beginning of the year, the JP Morgan EMU Government Bond Index has gained 0.6%.

Equity markets performed well in June, with most share prices continuing their recovery from the weakness experienced after Liberation Day in early April. Reduced tariff fears following the elaboration of a negotiating framework between the USA and China, as well as continued optimism regarding the theme of artificial intelligence, gave a further boost to most indices. The slight 1.1% rise in the MSCI All Country World Net Total Return index, expressed in euros, was primarily due to the weakness of the US dollar. At the regional level, the S&P 500 in the USA rose by 5.0% (in USD), ending the month at a new all-time high. Japan's Topix rose by 1.8% (in JPY) and the MSCI Emerging Markets index by 5.7% (in USD). Only the Stoxx 600 Europe did not participate in the uptrend, declining by 1.3% over the month. Sector-wise, technology, communication services and energy were the best performers, while healthcare, real estate and consumer staples recorded the least favorable trends.

After a pause in May, the dollar started to fall again in June, with the euro-dollar exchange rate rising from 1.13 to 1.18. The United States' loss of credibility with international investors seems to be one of the main factors behind the massive decline in the US currency since the beginning of the year. Despite the dollar's weakness, the price of an ounce of gold rose only slightly from USD 3289 to USD 3303. Silver caught up with gold since the start of the year, rising 9.5% from 33.0 USD to 36.1 USD per ounce.

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