Investments - Flash

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THE SLOWDOWN IS CONFIRMED IN THE USA

Bearish recovery expected on $ yields

After a fall of nearly 100 basis points in US long rates between mid-October and mid-December, ten-year Treasury yields have rebounded in the last three stock market sessions by about 25 bps in a move that is hardly legitimate, given recent macroeconomic data developments in the US. Indeed, the published statistics have tended to further support the view of a gradual economic slowdown in the US economy.

The drop in retail sales in November (-0.2%), the decline in indusrial roduction (-0.1%), supported by the fall in manufacturing production (-0.6%), and the collapse in new building permits (-11.2%), while inflation data was also starting to look more convincing, point in this direction.

The sharp drop in CPI to +0.1% (November), compared to October (+0.4%), was also confirmed in import prices (-0.6%) and should instead be an encouraging sign for a new inflation regime, but also for a change in thepolicy rate hike regime.

Despite the Fed's comments still suggesting the possibility of higher rates in 2023 than initially estimated, we remain convinced that the current slowdown, further underlined by the PMI leading indicators, all of which declined sharply in December and are below the growth threshold, will force the Fed to adopt a more moderate policy stance. Only employment statistics seem to lag logically behind these developments, which should soon trigger a further decline in USD bond yields.