

Investments - Flash



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SUPERIOR OPPORTUNITIES FOR USD BONDS

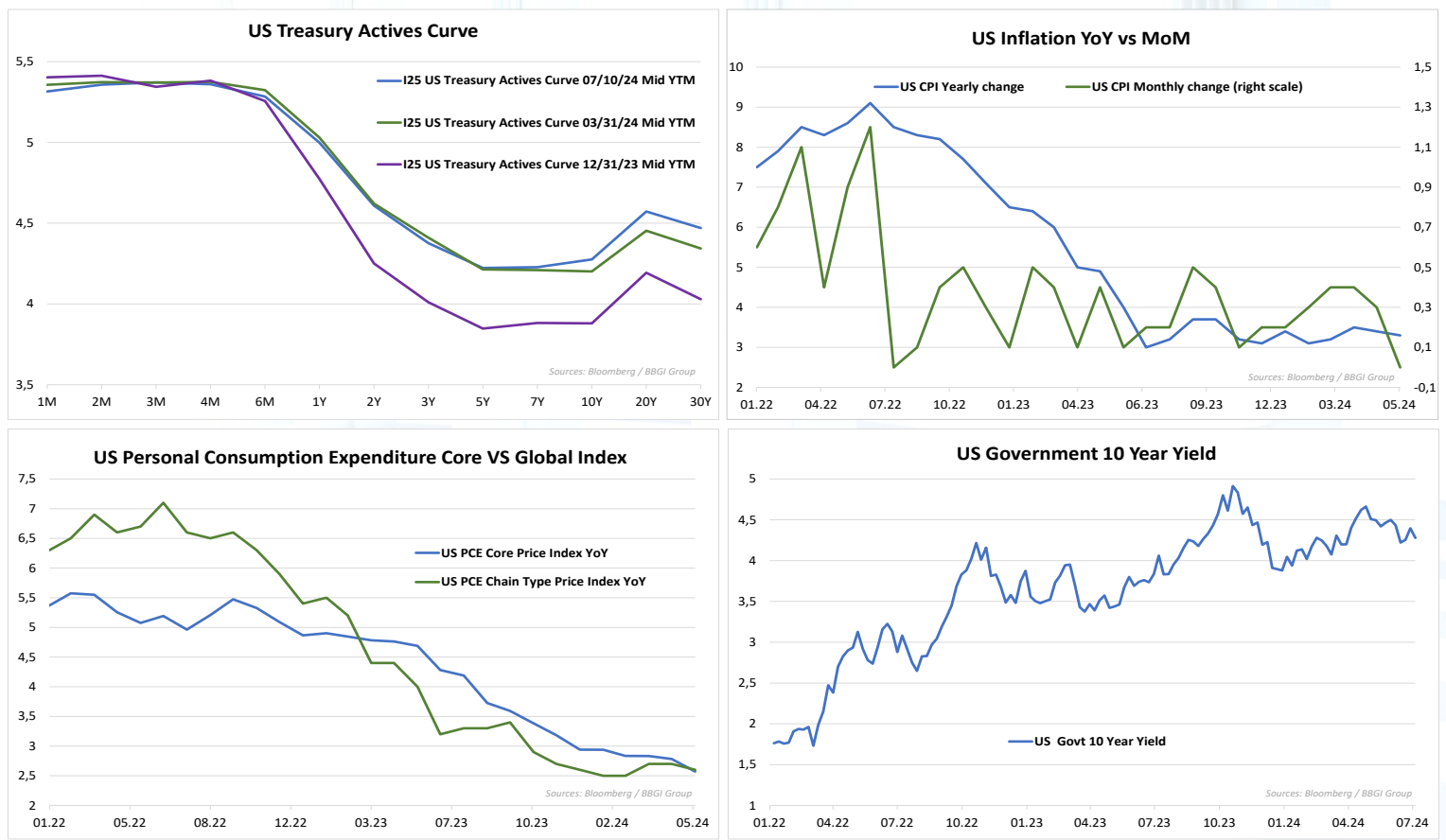
Longer maturities in investment grade and high yield segments

Monthly inflation for May proved better than expected, rising by just +0.006%. This is now the 3rd consecutive monthly decline in the level of inflation, which is now clearly below the data that had worried the markets in February (+0.4%). The May figure thus sees inflation at its lowest monthly level since May 2020 (-0.1%). Year-on-year CPI thus fell to +3.3%, or +3.4% for the index excluding food and energy.

The services component, which was still making a negative contribution to the CPI in January with an increase of +0.4%, has steadily declined over the last four months, contributing just +0.134% in May. In this environment of observable cyclical slowdown, the Federal Reserve's preferred indicator, the PCE core index, continued to decline in May, falling to +2.56% year-on-year, while the overall PCE index also fell to +2.56%, and both came closer to the central bank's +2% target.

The ongoing economic slowdown in the USA and the positive trend in inflation are now creating the positive conditions for the Federal Reserve to intervene sooner than the consensus would have us believe. In the end, bond markets have only recently begun to take slightly more notice of the growing risks of a downturn in economic activity.

We believe that, in a weaker economic environment and with inflation heading towards +2%, long rates could once again touch the 3.8% threshold already reached in December. As a result, current interest rate levels present opportunities in both the investment-grade corporate segment and the high-yield sector.



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