

Investments - Flash

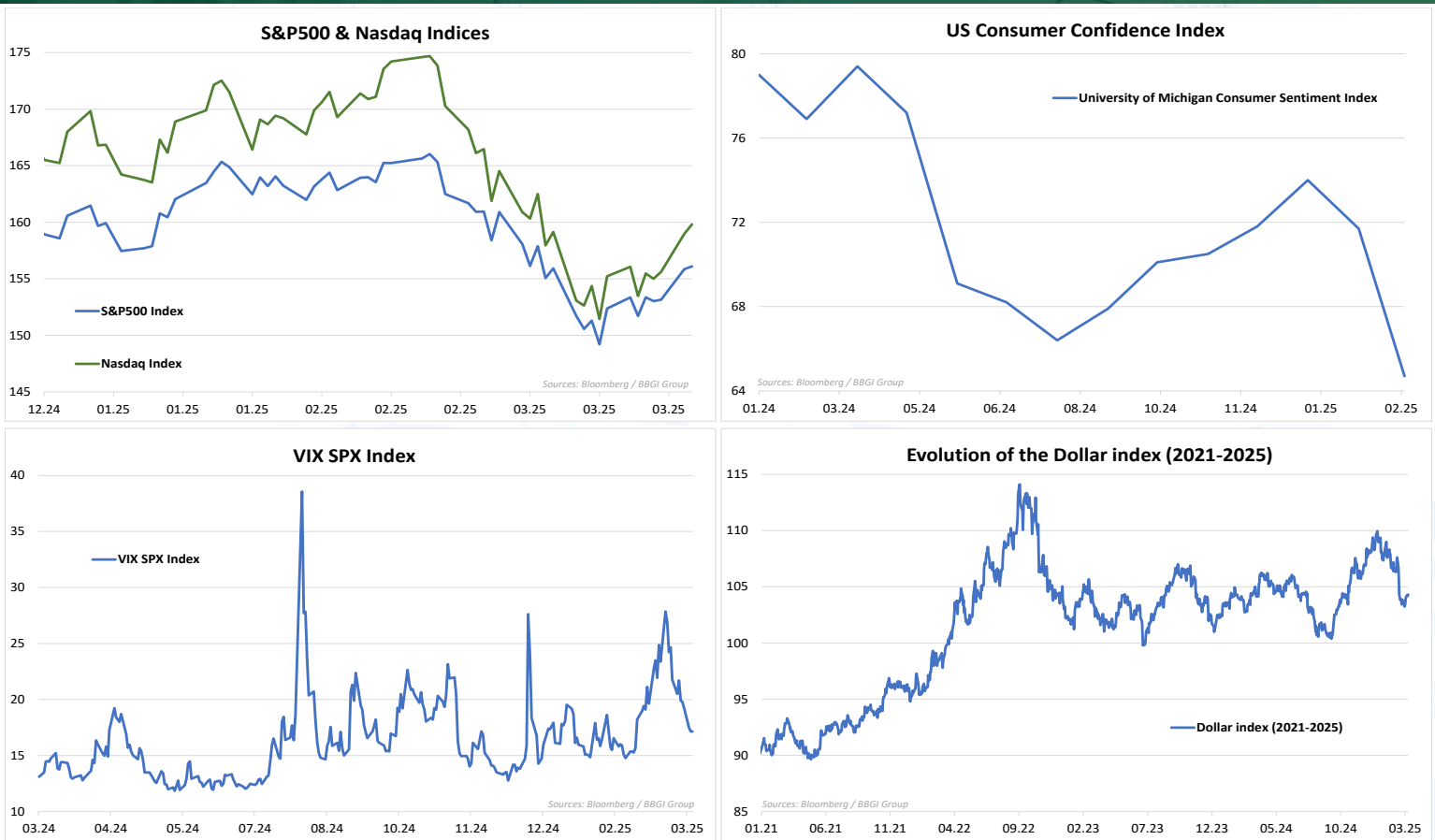


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LIBERATION DAY SUPPORTS SHORT-TERM MARKETS But the risk of recession is rising dangerously

With only a week to go until April 2nd, Liberation Day, when Trump's tariff policy will be detailed, uncertainty remains very high, even if it seems that financial markets are tempted to "bet" on further White House backtracking, as suggested by the announcement that certain countries or products could end up being taxed less than expected. The concept of flexible reciprocity is reassuring in the short term, and is helping to stabilize equity markets. After plummeting in the space of a few days, the Nasdaq (-14%) and S&P500 (-10%) are benefiting from this improvement in sentiment, and may be preparing for a recovery. The VIX risk indicator, still below 30, shows no sign of panic, while retail investors' sentiment is at its highest level of worry, and asset managers' high level of liquidity is also important. These "contrarian" factors rather suggest an increasing probability of a rebound, supported by

quantitative and technical factors reflecting short-term oversold situations. Even the dollar's decline could be seen as a factor supporting multinationals' earnings. On the other hand, the tariffs episode and the aggressive stance taken by the United States towards its main allies and trading partners seem set to alter relations in a lasting way. The loss of confidence in the United States could lead to a potentially damaging release from the current stranglehold, as in the case of Europe's new defense policy. Furthermore, the growing risks of recession and the likely absence of Fed's support, should this occur, should worry investors. In the current situation, however, it seems to us that the probability of a rebound is high, but it may well be very short-lived as growth and employment reflect the loss of consumer confidence and the threat of falling profits.



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