

Investments - Flash

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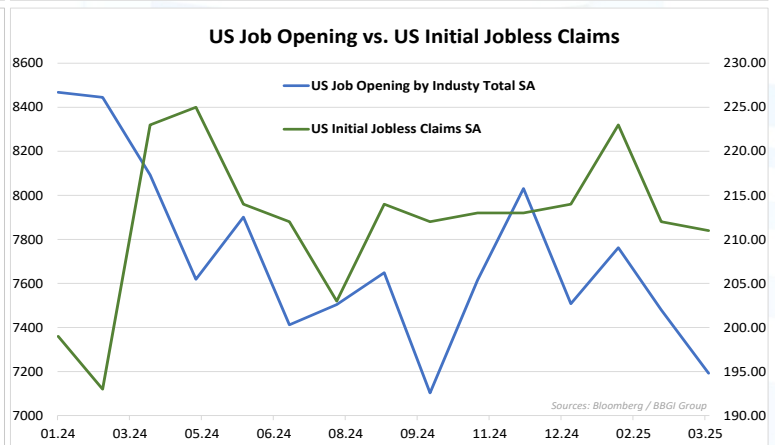
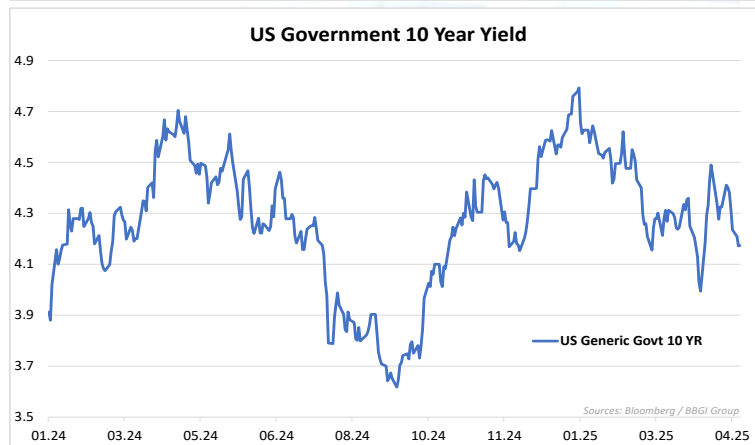
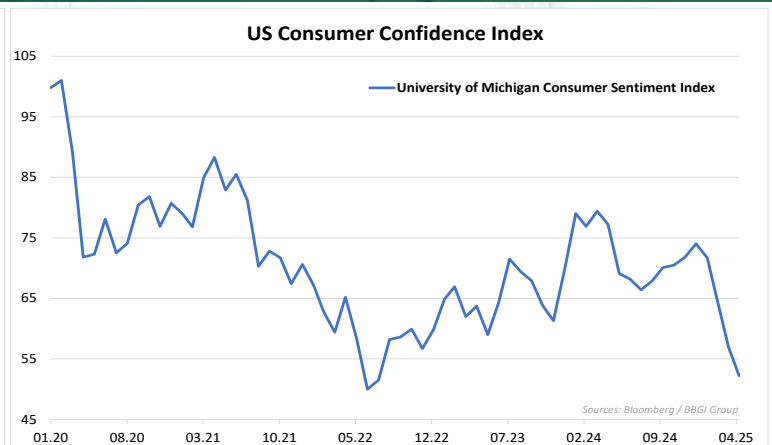
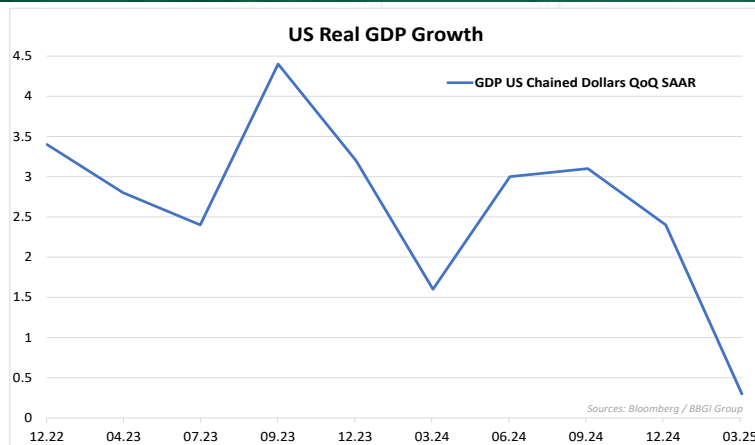


TRUMP IS SET TO CAUSE A RECESSION

The Federal Reserve won't be able to remain indifferent for long

The publication of US GDP for the 1st quarter is imminent, while the consensus forecasters are steadily lowering their estimates to just +0.3% annualized. The shock could be even more brutal if it turns out to be negative already, following a +2.4% result in Q4 2024. With almost 100 days to go before Trump assumes the presidency, the first major impact seems to be the collapse of US economic momentum. Consumer confidence is crashing, as we expected it to, back to the lows reached during the Covid crisis. Measures of economic activity from regional Federal Reserve Banks (Fed) again suggest a sharp deterioration in economic activity in April, with services activity measured by the Dallas Fed at a five-year low, confirmed by a plunge in manufacturing activity. The Atlanta Fed's GDPNow indicator forecasts Q1 GDP at -2.7%, while job vacancies have fallen drastically. The trade balance has

plummeted by 60% to -162 billion in March. Trump's policies are rapidly having catastrophic effects on the US economy, and the Fed cannot remain indifferent for long in the face of the imminent risk of recession. It is no doubt finally considering a change of strategy, having already stopped selling Treasury bonds three weeks ago. We believe it will have no choice but to relaunch QE in May and lower its key rates at one of its forthcoming meetings in May or June. It's hard to say whether China's alleged sales of US Treasuries have been significant, but it's likely that they are behind the rebound in ten-year yields to 4.8%. We expect a downward recovery in long yields to below 4%. Positive scenario for US dollar bonds.



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