MyStratWeekly
Market views and strategy

This document is intended for professional clients in accordance with MIFID
N° 158 // **May 14, 2024**

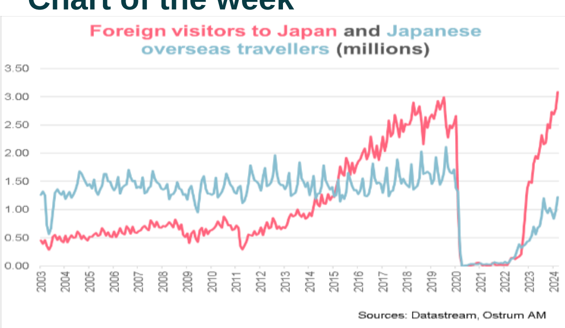
Topic of the week:

- **The thematic research piece will resume next week**

Market review: US CPI prints remain *the* key market mover

- **Euro area activity surveys keep improving;**
- **BoE notes progress on inflation;**
- **T-note yields hovering about 4.50%;**
- **Italy: demand for BTP Valore wanes somewhat.**

Chart of the week



The Japanese tourism sector has been booming in the past few years. Of course, the covid epidemic interrupted growth in the tourism sector from 2020 to 2022 but the weakness in the yen continues to spur foreign demand for Japan stays.

The number of tourist arrivals hit 3 million in March. Conversely, the number of Japanese tourists overseas remain well below pre-Pandemic levels.

Figure of the week

100%

Source : WSJ

100%, which represents a quadrupling of US tariffs on Chinese electric vehicles to be signed into law this week.

Axel Botte
Head of Market Strategy
axel.botte@ostrum.com

Zouhoure Bousbih
Emerging countries strategist
Zouhoure.bousbih@ostrum.com

Aline Goupil-Raguénès
Developed countries strategist
aline.goupil-raguenes@ostrum.com

Market review

US CPI prints remain *the* key market mover

Whilst Fed monetary easing remains on the agenda, US inflation data could spark another bout of volatility in the markets.

The financial week ended with long-term rates stabilizing around 4.50% on the T-note and 2.50% on its German counterpart. Volatility is expected to be reignited by the release of the US Consumer Price Index, which is crucial for the anticipated interest rate cycle. Raphael Bostic, despite being cautious about inflation, seemed to confirm the accommodative stance of the Fed. The UK's Monetary Policy Committee noted progress on the inflation front, raising the prospect of a rate cut as early as June. Against this backdrop, risky assets rebounded by 3% on major European stock exchanges. The US S&P and Chinese indices also saw a 2% gain. With the Bund hovering around 2.50%, sovereign credit experienced slight profit-taking, particularly in Greek debt. Corporate bonds are showing a more positive trend, with a slight tightening of swap spreads. High yield (-8 basis points) is following the lead of stock indices. The yen remains volatile despite the Bank of Japan's interventions the previous week. Janet Yellen had highlighted the difficulty of unilateral intervention in the foreign exchange market. The Japanese currency has depreciated beyond 155 yen against the US dollar.

Last week, economic data was sparse in the United States. However, the Fed's quarterly survey revealed a reduced inclination to tighten credit conditions and a concurrent recovery in credit demand, with the exception of the corporate credit segment. The relaxation of financial conditions observed in the markets is now extending to bank credit. This is expected to intensify with the Fed's tapering in June. Nevertheless, consumer credit slowed in March, likely foreshadowing a deceleration in retail sales in April. The University of Michigan's survey showed that household confidence remains low, reflecting ongoing concerns about inflation (expected at 3.5% over the next year). As a result, the U.S. Consumer Price Index (CPI) will continue to be a key market indicator this week. Inflation swap rates indicate a 3.35% annual increase in April, in line with economists' consensus. In the Euro area, activity surveys continued to improve in April, in line with the economic recovery observed in the first-quarter GDP figures. However, factory orders remain lackluster in Germany. In France, the 1.3% increase in wages between January and March likely point to easing inflation pressures in the services sector in months ahead, aligning with the European Central Bank's price stability objective. A rate cut in June now appears a done deal.

In the United Kingdom, the decline in consumer price inflation is likely to prompt monetary easing in the coming months, despite the recent strengthening of economic activity. The 7-2 vote balance underscores the gradually assertive accommodative bias within the MPC.

The US 10-Yr note's volatility remains significant. The amplitude of the variations reached 8 basis points over three sessions before closing near 4.50%. The inflation component of the UofMich survey has led to a further deterioration of prices. However, the current valuation levels leave a potential downside of about 15 basis points if the scenario of 3 rate cuts in 2024 is maintained by the Fed in June. The Bund is trading around 2.50%. The T-note spread has tightened to around 200 basis points since the FOMC with the latest surveys in the euro area. Sovereign spreads remain relatively stable but have widened by 2 to 5 basis points over the past week, with a decrease in volumes in certain European markets. The 10-year OAT is trading around 48 basis points. Italian bonds (134 basis points) have slightly widened (+2 basis points). The interest of individual savers in the new BTP Valore has somewhat decreased to 11.2 billion euros, compared to an average of 18 billion euros in the last three transactions. This represents a marginally negative signal for Italian sovereign bonds.

The European credit market is showing a positive trend, similar to the equity markets, driven by favorable earnings season. Spreads on euro IG (77 basis points against swaps) have decreased by 1 basis point, and high yield is once again outperforming. However, positioning on contracts has decreased for the S&P 500 and oil, according to CFTC data.

Axel Botte

Main market indicators

G4 Government Bonds	13-May-24	1wk (bp)	1m (bp)	2024 (bp)
EUR Bunds 2y	2.96%	+5	+10	+55
EUR Bunds 10y	2.5%	+3	+14	+48
EUR Bunds 2s10s	-46bp	-1	+4	-7
USD Treasuries 2y	4.84%	+1	-5	+59
USD Treasuries 10y	4.48%	-1	-4	+60
USD Treasuries 2s10s	-36.8bp	-2	+1	+1
GBP Gilt 10y	4.14%	-8	+1	+61
JPY JGB 10y	0.94%	+4	+1	-27
€ Sovereign Spreads (10y)	**13-May-24**	**1wk (bp)**	**1m (bp)**	**2024 (bp)**
France	49bp	+0	+2	-5
Italy	135bp	+2	+2	-32
Spain	79bp	+1	+2	-17
Inflation Break-evens (10y)	**13-May-24**	**1wk (bp)**	**1m (bp)**	**2024 (bp)**
EUR 10y Inflation Swap	2.25%	+0	-6	+12
USD 10y Inflation Swap	2.59%	+0	-6	+17
GBP 10y Inflation Swap	3.69%	-5	-13	+16
EUR Credit Indices	**13-May-24**	**1wk (bp)**	**1m (bp)**	**2024 (bp)**
EUR Corporate Credit OAS	110bp	-2	+1	-28
EUR Agencies OAS	57bp	+0	-3	-13
EUR Securitized - Covered OAS	61bp	-1	-4	-18
EUR Pan-European High Yield OAS	348bp	-8	-2	-51
EUR/USD CDS Indices 5y	**13-May-24**	**1wk (bp)**	**1m (bp)**	**2024 (bp)**
iTraxx IG	53bp	-1	-7	-6
iTraxx Crossover	299bp	-7	-36	-15
CDX IG	50bp	+0	-6	-6
CDX High Yield	335bp	+1	-28	-21
Emerging Markets	**13-May-24**	**1wk (bp)**	**1m (bp)**	**2024 (bp)**
JPM EMBI Global Div. Spread	368bp	-7	+45	-16
Currencies	**13-May-24**	**1wk (%)**	**1m (%)**	**2024 (%)**
EUR/USD	$1.079	0.186	1.553	-2.3
GBP/USD	$1.255	-0.119	0.812	-1.4
USD/JPY	JPY 156	-1.257	-1.026	-9.5
Commodity Futures	**13-May-24**	**-1wk ($)**	**-1m ($)**	**2024 (%)**
Crude Brent	$83.3	$0.0	-$6.2	9.0
Gold	$2 344.5	$20.5	-$38.9	13.6
Equity Market Indices	**13-May-24**	**-1wk (%)**	**-1m (%)**	**2024 (%)**
S&P 500	5 223	1.85	1.94	9.5
EuroStoxx 50	5 075	2.38	2.42	12.2
CAC 40	8 204	2.59	2.41	8.8
Nikkei 225	38 179	-0.15	-3.40	14.1
Shanghai Composite	3 148	0.23	4.26	5.8
VIX - Implied Volatility Index	13.33	-1.19	-22.99	7.1

Source: Bloomberg, Ostrum AM

Additional notes

Ostrum Asset Management

Asset management company regulated by AMF under n° GP-18000014 – Limited company with a share capital of 50 938 997 €. Trade register n°525 192 753 Paris – VAT : FR 93 525 192 753 – Registered Office: 43, avenue Pierre Mendès-France, 75013 Paris – www.ostrum.com

This document is intended for professional, in accordance with MIFID. It may not be used for any purpose other than that for which it was conceived and may not be copied, distributed or communicated to third parties, in part or in whole, without the prior written authorization of Ostrum Asset Management.

None of the information contained in this document should be interpreted as having any contractual value. This document is produced purely for the purposes of providing indicative information. This document consists of a presentation created and prepared by Ostrum Asset Management based on sources it considers to be reliable.

Ostrum Asset Management reserves the right to modify the information presented in this document at any time without notice, which under no circumstances constitutes a commitment from Ostrum Asset Management.

The analyses and opinions referenced herein represent the subjective views of the author(s) as referenced, are as of the date shown and are subject to change without prior notice. There can be no assurance that developments will transpire as may be forecasted in this material. This simulation was carried out for indicative purposes, on the basis of hypothetical investments, and does not constitute a contractual agreement from the part of Ostrum Asset Management.

Ostrum Asset Management will not be held responsible for any decision taken or not taken on the basis of the information contained in this document, nor in the use that a third party might make of the information. Figures mentioned refer to previous years. Past performance does not guarantee future results. Any reference to a ranking, a rating or an award provides no guarantee for future performance and is not constant over time. Reference to a ranking and/or an award does not indicate the future performance of the UCITS/AIF or the fund manager.

Under Ostrum Asset Management's social responsibility policy, and in accordance with the treaties signed by the French government, the funds directly managed by Ostrum Asset Management do not invest in any company that manufactures, sells or stocks anti-personnel mines and cluster bombs.

Final version dated 14/05/2024

Natixis Investment Managers

This material has been provided for information purposes only to investment service providers or other Professional Clients, Qualified or Institutional Investors and, when required by local regulation, only at their written request. This material must not be used with Retail Investors.

To obtain a summary of investor rights in the official language of your jurisdiction, please consult the legal documentation section of the website (im.natixis.com/intl/intl-fund-documents)

In the E.U.: Provided by Natixis Investment Managers International or one of its branch offices listed below. Natixis Investment Managers International is a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris. Italy: Natixis Investment Managers International Succursale Italiana, Registered office: Via San Clemente 1, 20122 Milan, Italy. Netherlands: Natixis Investment Managers International, Nederlands (Registration number 000050438298). Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. Spain: Natixis Investment Managers International S.A., Sucursal en España, Serrano n°90, 6th Floor, 28006 Madrid, Spain. Sweden: Natixis Investment Managers International, Nordics Filial (Registration number 516412-8372- Swedish Companies Registration Office). Registered office: Covendrum Stockholm City AB, Kungsgatan 9, 111 43 Stockholm, Box 2376, 103 18 Stockholm, Sweden. Or,

Provided by Natixis Investment Managers S.A. or one of its branch offices listed below. Natixis Investment Managers S.A. is a Luxembourg management company that is authorized by the Commission de Surveillance du Secteur Financier and is incorporated under Luxembourg laws and registered under n. B 115843. Registered office of Natixis Investment Managers S.A.: 2, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. Germany: Natixis Investment Managers S.A., Zweigniederlassung Deutschland (Registration number: HRB 88541). Registered office: Senckenberganlage 21, 60325 Frankfurt am Main. Belgium: Natixis Investment Managers S.A., Belgian Branch, Gare Maritime, Rue Picard 7, Bte 100, 1000 Bruxelles, Belgium.

In Switzerland: Provided for information purposes only by Natixis Investment Managers, Switzerland Sàrl, Rue du Vieux Collège 10, 1204 Geneva, Switzerland or its representative office in Zurich, Schweizergasse 6, 8001 Zürich.

In the British Isles: Provided by Natixis Investment Managers UK Limited which is authorised and regulated by the UK Financial Conduct Authority (register no. 190258) - registered office: Natixis Investment Managers UK Limited, One Carter Lane, London, EC4V 5ER. When permitted, the distribution of this material is intended to be made to persons as described as follows: in **the United Kingdom**: this material is intended to be communicated to and/or directed at investment professionals and professional investors only; in Ireland: this material is intended to be communicated to and/or directed at professional investors only; **in Guernsey:** this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Guernsey Financial Services Commission; **in Jersey**: this material is intended to be communicated to and/or directed at professional investors only; in the Isle of Man: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from **the Isle of Man** Financial Services Authority or insurers authorised under section 8 of the Insurance Act 2008.

In the DIFC: Provided in and from the DIFC financial district by Natixis Investment Managers Middle East (DIFC Branch) which is regulated by the DFSA. Related financial products or services are only available to persons who have sufficient financial experience and understanding to participate in financial markets within the DIFC, and qualify as Professional Clients or Market

www.ostrum.com