



## THE WEEK THAT WAS

	current	-1W	-1M	YTD
<b>10-Year Bond Yields</b>				
			change (bps)	
US Treasuries	2.75	-4	-7	125
Bunds	0.96	2	15	114
BTPs	2.90	-8	33	172
OATs	1.49	2	18	129
JGBs	0.23	-1	-2	16
Gilts	1.92	2	10	94
<b>Spreads over Bunds</b>				
			change (bps)	
GIIPS	150	-10	18	46
Covered Bonds	90	2	-1	28
<b>EMU Corporates (OAS)</b>				
			change (bps)	
Non-Fin.	161	-1	16	63
Fin.	167	-4	9	68
<b>Forex</b>				
			%-change	
EUR/USD	1.07	1.6	1.6	-5.6
USD/JPY	127	-0.6	-1.0	10.5
EUR/GBP	0.85	0.3	0.9	1.1
EUR/CHF	1.02	-0.5	0.5	-1.1
<b>Equities</b>				
			%-change (total return)	
S&P500	4,158	6.6	-0.4	-12.2
MSCI EMU	136.1	3.9	3.0	-9.5
TOPIX	1,887	0.5	1.4	-4.2
FTSE	7,585	2.7	2.5	4.5
MSCI EM (\$)	1,043	0.9	0.2	-14.6

Current as of closing 27/5/2022

## MARKET MOVES

- Relief. Equities up last week, as inflation and Fed hike fears seem to have peaked. S&P up 6.6%, outperforming other regions.
- USD also cooled off. 10yT yields down 4bp, and -40bp from 3.15% peak early this month. 10y BTP-Bund down 12bp from 205bp.
- US data rather soft, esp. new home sales - 16.6% mom. But personal spending at +0.9% mom in April was reassuring. Core CPE inflation down from 5.2% to 4.9%. FOMC Minutes hawkish (policy may have to move past neutral) but unsurprising.
- Eurozone PMIs for May surprisingly resilient: manuf. -0.8 to 54.7, Services -0.3 to 57.4.
- PBoC cut LPR by 15 bps to 4.45% to support mortgage lending.

## KEY EVENTS

- Quiet start, with the US closed today for Memorial day. Mind German CPI and EA economic surveys.
- Busy week ahead for data, including EA Flash CPI, US & China PMIs as well as US NFP.
- Chinese data will find their feet following sharp fall, but global growth is slowing.
- Many ECB speakers. Wednesday: BoC likely to deliver 50bp hike, Fed's Beige Book.
- UK markets closed for the Queen's Platinum Jubilee on Thursday and Friday.

	Time	Market	Event	Period	Consensus	Previous
30-May	11:00	Euro Zone	Economic Sentiment	May	105.1	105
30-May	14:00	Germany	HICP Prelim YY	May	8.0%	7.8%
31-May	3:30	China	NBS Manufacturing PMI	May	49.0	47.4
31-May	11:00	Euro Zone	HICP Flash YY	May	7.5%	7.4%
1-Jun	3:45	China	Caixin Mfg PMI Final	May	49.5	46
1-Jun	16:00	USA	ISM Manufacturing PMI	May	54.9	55.4
2-Jun	14:15	USA	ADP private employment	May	300k	247k
3-Jun	14:30	USA	Non-Farm Payrolls	May	325k	428k
3-Jun	14:30	USA	Average Earnings YY	May	5.2%	5.5%
3-Jun	16:00	USA	ISM N-Mfg PMI	May	56.6	57.1

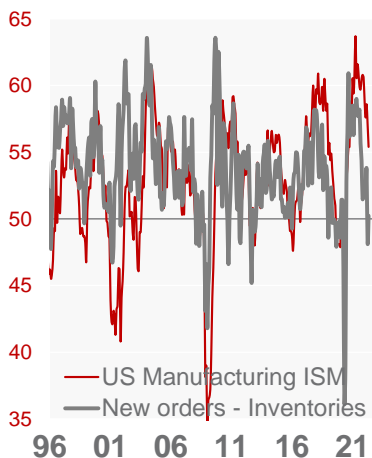
Rating announcements: France, S. Arabia Austria (Moody's), Lithuania (S&P)

## TO THE CORE

"We are committed to deepening and enhancing the US/Taiwan bilateral trade and economic relationship," US Trade Rep. Katherine Tai said, shortly after Biden pledged military support (a U-turn) in the event of a Chinese invasion.

## A CHART SPEAKS A THOUSAND WORDS

### Manuf. ISM cooling



Source: Bloomberg, GIAM calculations

### Base metal prices

BBG index, based Jan. 1996



Source: Bloomberg, GIAM

## IGNORE AT YOUR PERIL

### Investors' minds switching; next central banks'

Investors' minds are switching, with inflation fears past their peak as recession concerns simmer. US 5y5y inflation has lost some 20bp from the early May peak to now 2.65%. It is down 40bp to 2.10% in EUR. Global growth is cooling, and this is impacting cyclical commodity prices, e.g. base metals (chart). Fed hike expectations are receding, e.g. the implied FF for Sep. 2023 has cooled from 3.40% early this month to 2.90% now. This is part of the self-correcting mechanisms - concerns about growth and financial stability - supposed to cap 'risk-free' yields. This process is helping risk assets to find a floor, and selected Bull/Bear sell-side indicators are flashing BUY.

Yet we find it premature to reload much risk (we are long IG Credit, but not Equities nor HY just yet). For now markets still face the combination of soft economic data - e.g. the US manufacturing ISM should fall towards 50 this summer - and central banks walking their hawkish talk. We expect the latter to start turning less aggressive by late summer as softer growth caps inflation forecasts. For now risk assets are also still facing a tense geopolitical environment (Russia/NATO, Taiwan) contributing to elevated food and energy prices - not great for the consumer.

Vincent Chaigneau ([vincent.chaigneau@generali-invest.com](mailto:vincent.chaigneau@generali-invest.com))



**Vincent Chaigneau**  
Head of Research

[vincent.chaigneau@generali-invest.com](mailto:vincent.chaigneau@generali-invest.com)



**Dr. Thomas Hempell, CFA**  
Head of Macro & Market  
Research

[thomas.hempell@generali-invest.com](mailto:thomas.hempell@generali-invest.com)



**Michele Morganti**  
Head of Insurance & AM Research,  
Senior Equity Strategist

[michele.morganti@generali-invest.com](mailto:michele.morganti@generali-invest.com)



**Elisabeth Assmuth**  
Research Operations

[elisabeth.assmuth@generali-invest.com](mailto:elisabeth.assmuth@generali-invest.com)



**Elisa Belgacem**  
Senior Credit Strategist

[elisa.belgacem@generali-invest.com](mailto:elisa.belgacem@generali-invest.com)



**Vladimir Oleinikov, CFA**  
Senior Quantitative Analyst

[vladimir.oleinikov@generali-invest.com](mailto:vladimir.oleinikov@generali-invest.com)



**Dr. Thorsten Runde**  
Senior Quantitative Analyst

[thorsten.runde@generali-invest.com](mailto:thorsten.runde@generali-invest.com)



**Dr. Christoph Siepmann**  
Senior Economist

[christoph.siepmann@generali-invest.com](mailto:christoph.siepmann@generali-invest.com)



**Dr. Florian Späte, CIIA**  
Senior Bond Strategist

[florian.spaete@generali-invest.com](mailto:florian.spaete@generali-invest.com)



**Guillaume Tresca**  
Senior Emerging Market  
Strategist

[guillaume.tresca@generali-invest.com](mailto:guillaume.tresca@generali-invest.com)



**Dr. Martin Wolburg, CIIA**  
Senior Economist

[martin.wolburg@generali-invest.com](mailto:martin.wolburg@generali-invest.com)



**Paolo Zanghieri, Ph.D.**  
Senior Economist

[paolo.zanghieri@generali.com](mailto:paolo.zanghieri@generali.com)



**Radomír Jáč**  
GI CEE Chief Economist

[radomir.jac@generali.com](mailto:radomir.jac@generali.com)



**Jakub Krátký**  
GI CEE Financial Analyst

[jakub.kratky@generali.com](mailto:jakub.kratky@generali.com)



**Dr. Martin Pohl**  
GI CEE Economist

[martin.pohl@generali.com](mailto:martin.pohl@generali.com)

## IMPORTANT INFORMATION

**Sources for charts and tables:** Refinitiv/Datastream, Bloomberg, own calculations

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