MARKET VIEWS

Charts of the Week

01.04.2024

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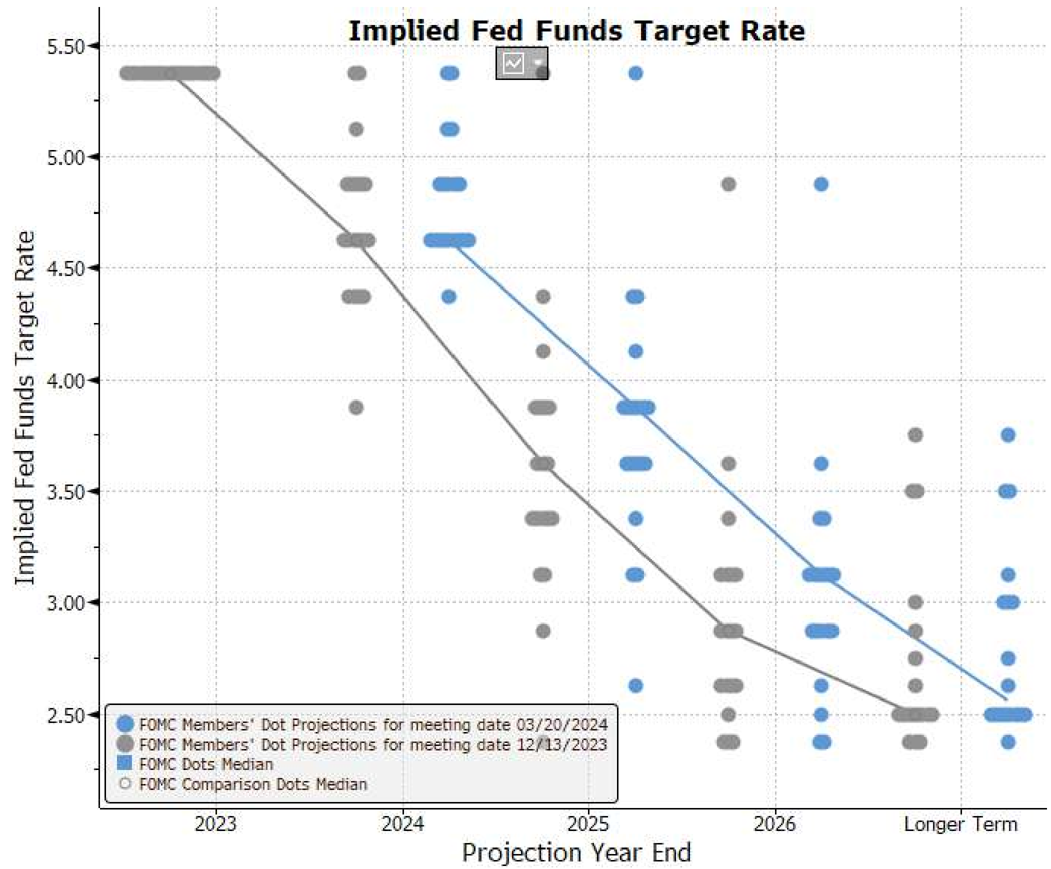
Stronger economy, higher inflation but same number of cuts?

In its latest Summary of Economic Projections (SEP), the Fed acknowledged a stronger economic picture by revising upwards growth and inflation forecasts. Yet, the famous "dots", representing each member's expectations for rates across time conveyed an unchanged message; the median remained steady at 3 cuts in 2024. This effectively implies that the Fed could tolerate higher inflation.

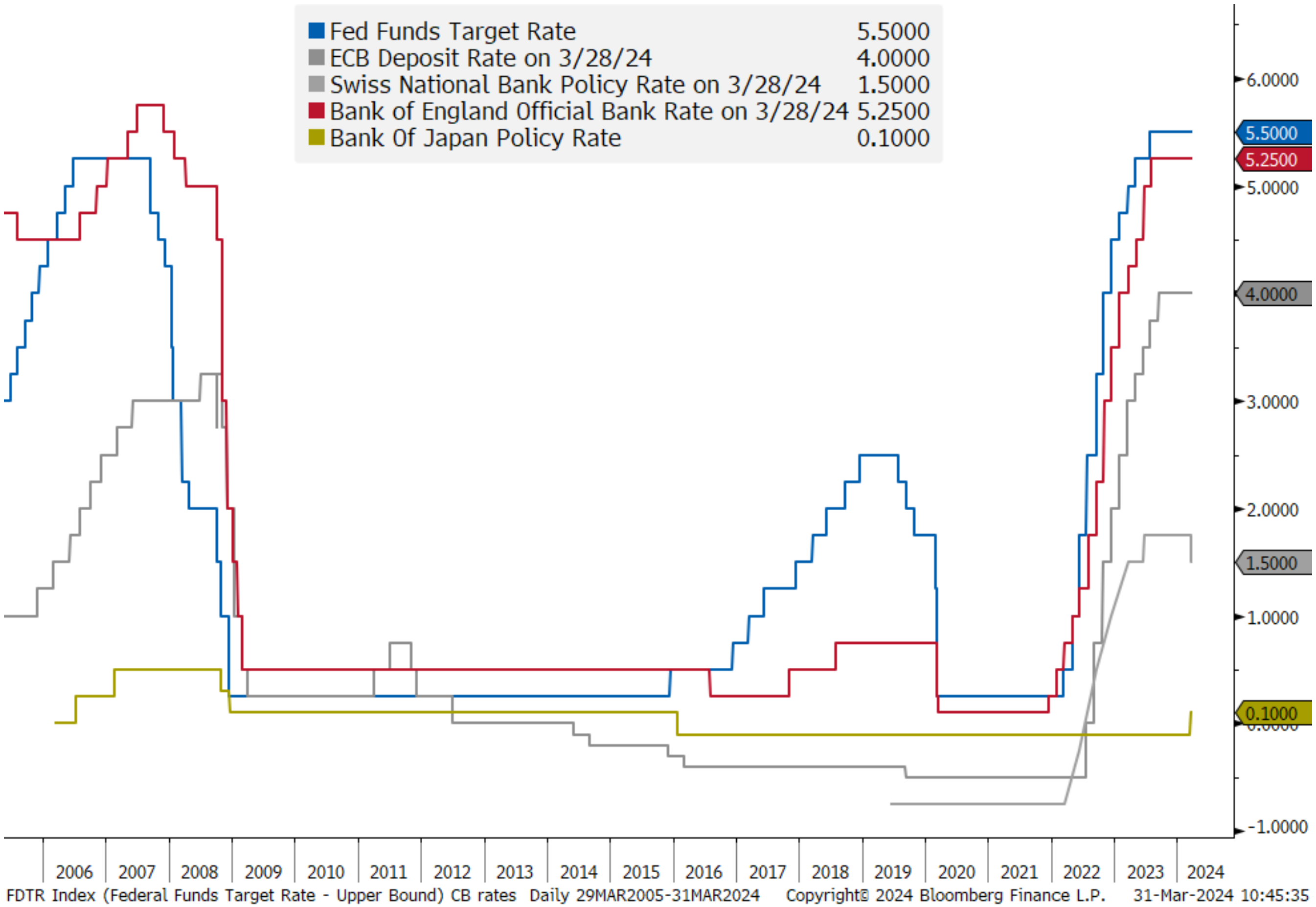
Percent
Percent

Variable	2024
Change in real GDP	2.1
December projection	1.4
Unemployment rate	4.0
December projection	4.1
PCE inflation	2.4
December projection	2.4
Core PCE inflation[4]	2.6
December projection	2.4

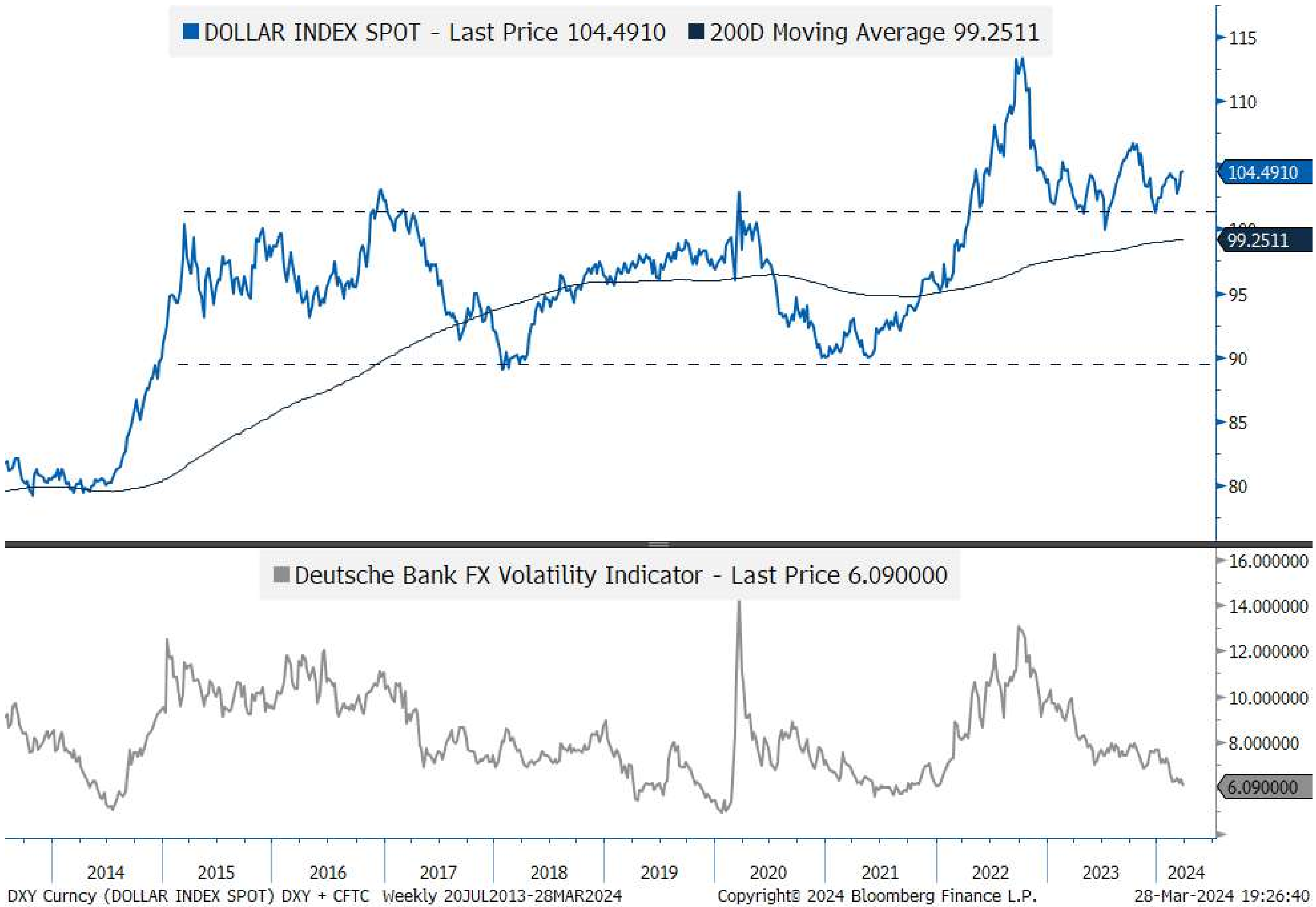


General dovish guidance from major central banks

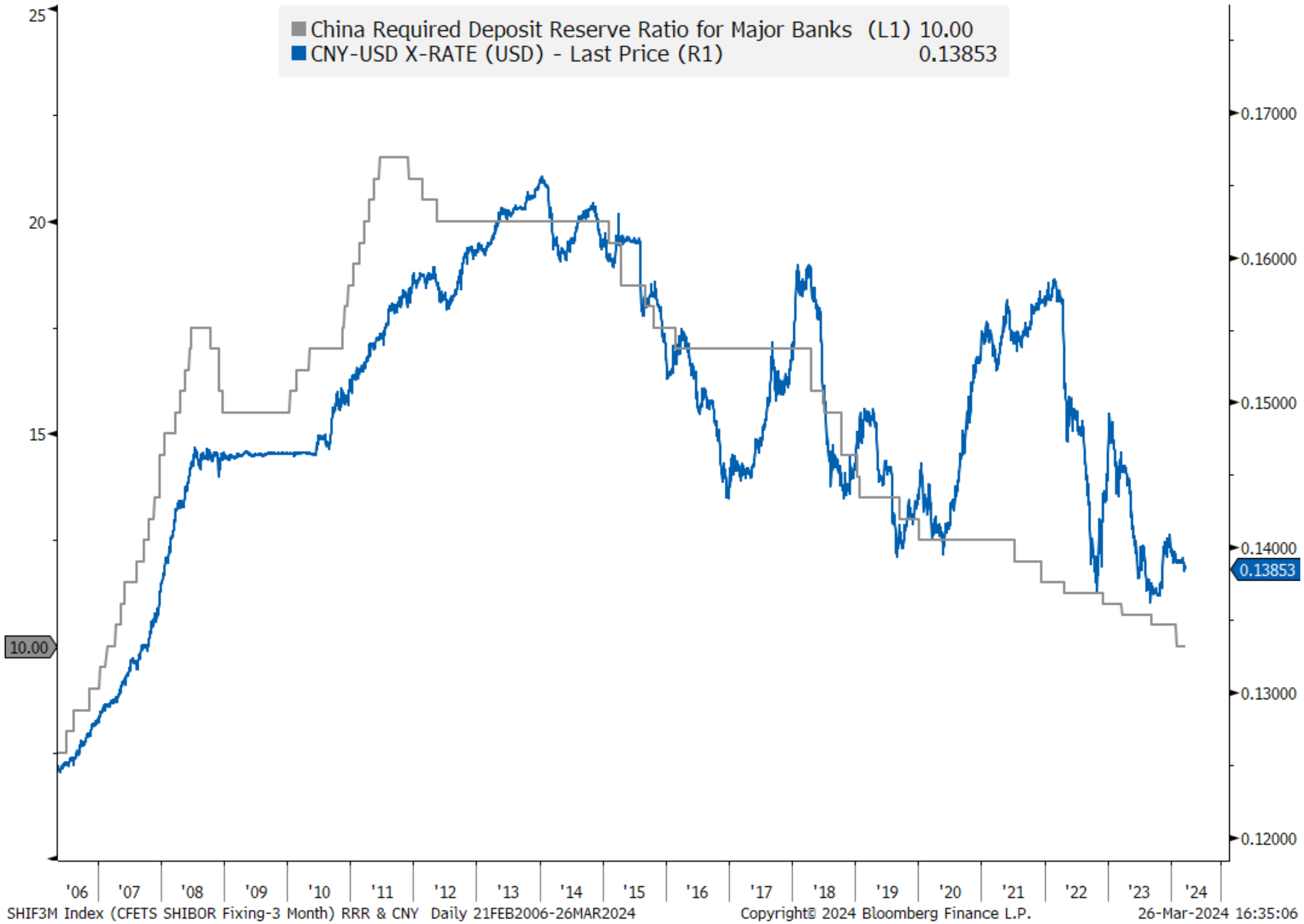
The Fed's dovish message was overshadowed by the guidance of other major central banks. The BOE and ECB have effectively announced upcoming cuts, as they face weaker growth environments, the SNB has surprised by cutting already, and the BOJ managed to raise rates in a dovish manner by maintaining QE unchanged and raising the bar for additional hikes.



With monetary policy divergences set to rise, the phase of low FX volatility is likely ending. The USD could break out higher.

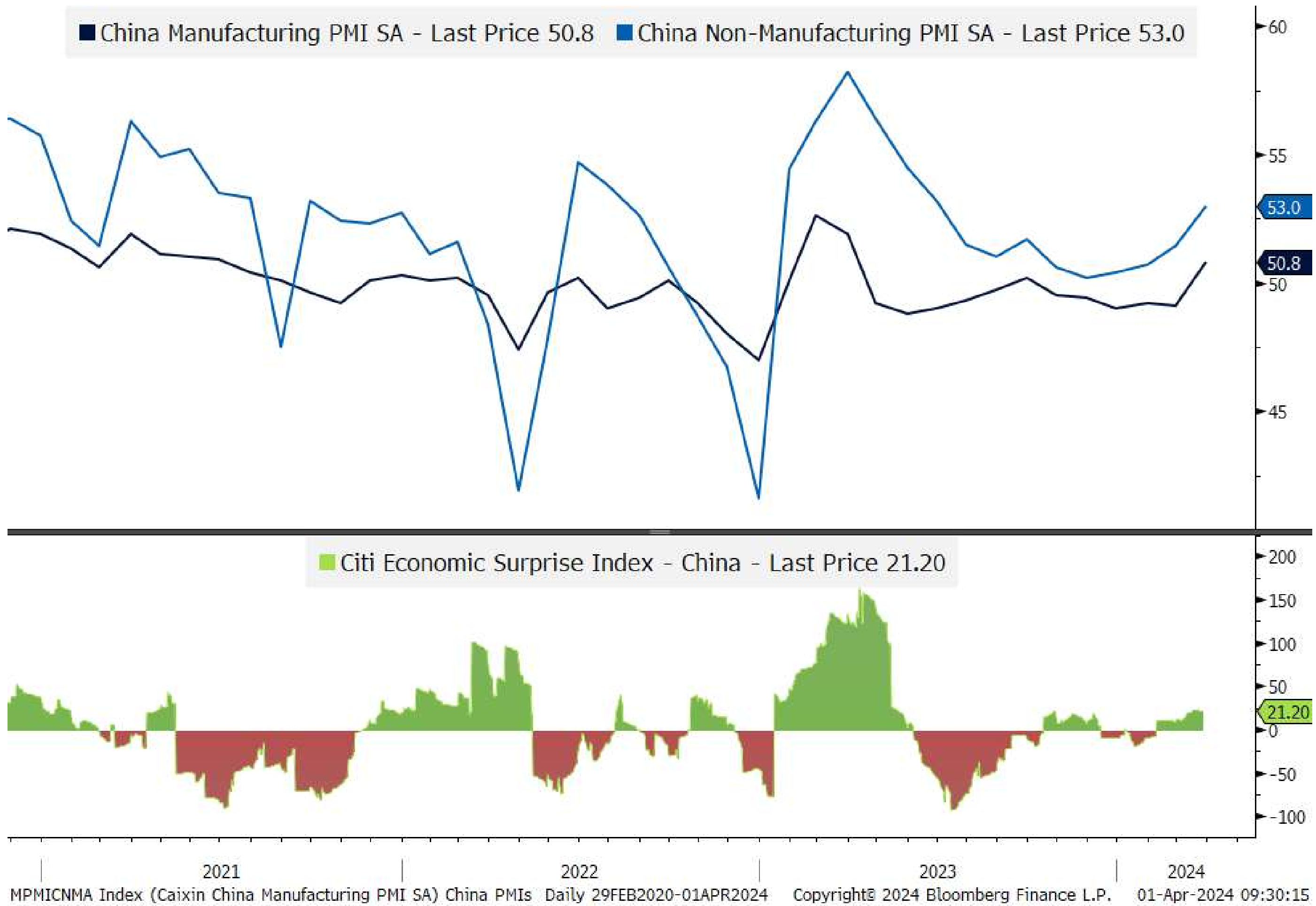


After a phase of consolidation, the CNY has likely begun a new depreciation cycle, as the government keeps adding stimulus and the rate differential remains unattractive.

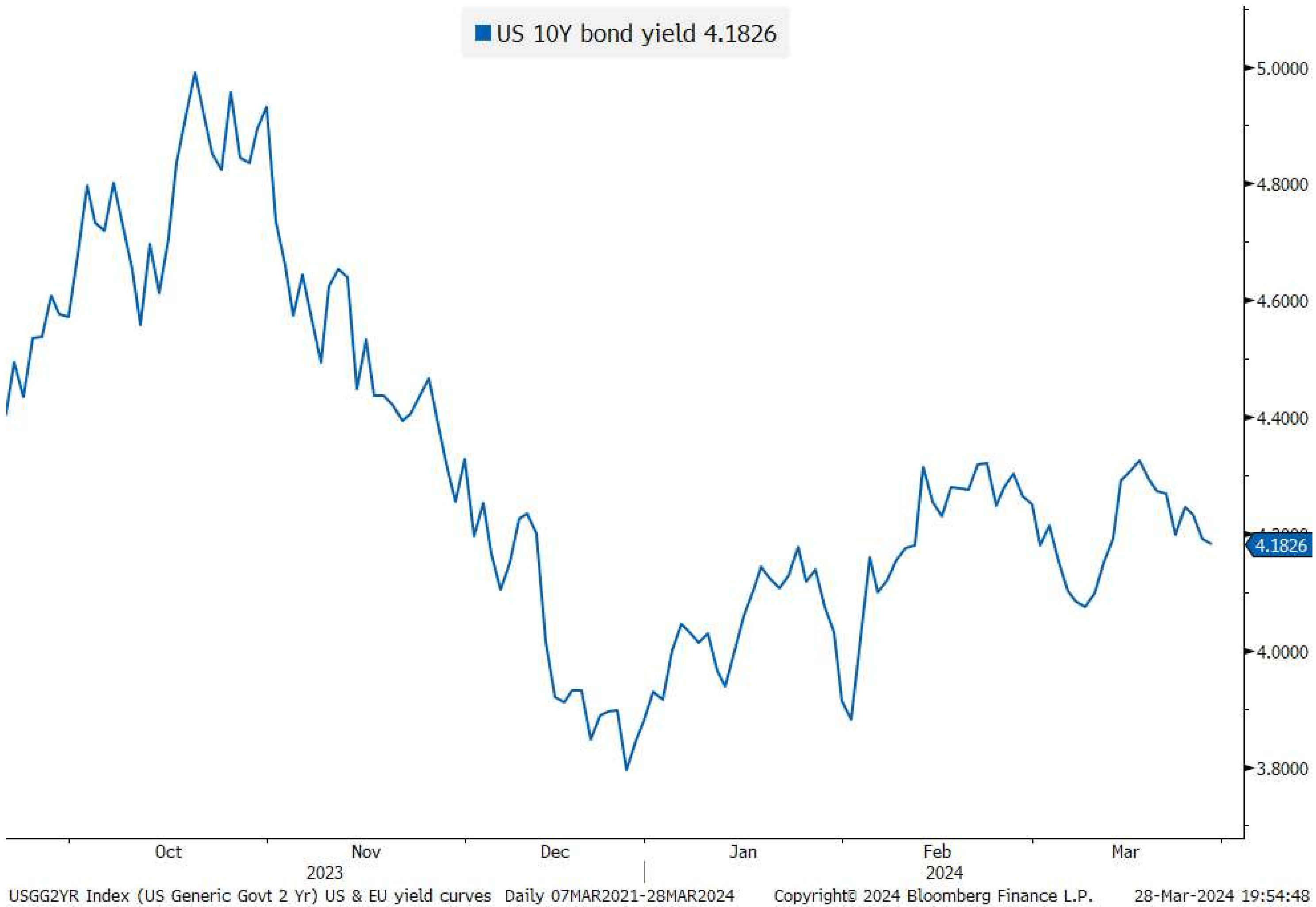


Chinese economic data continues to improve

The official PMI numbers released this weekend point to accelerating growth. Although these numbers will have to be "validated" by the private measures, evidence indeed points toward marginal improvement on multiple fronts. This increases the odds that the Chinese equity market has indeed bottomed and reinforces our bullish commodity view.

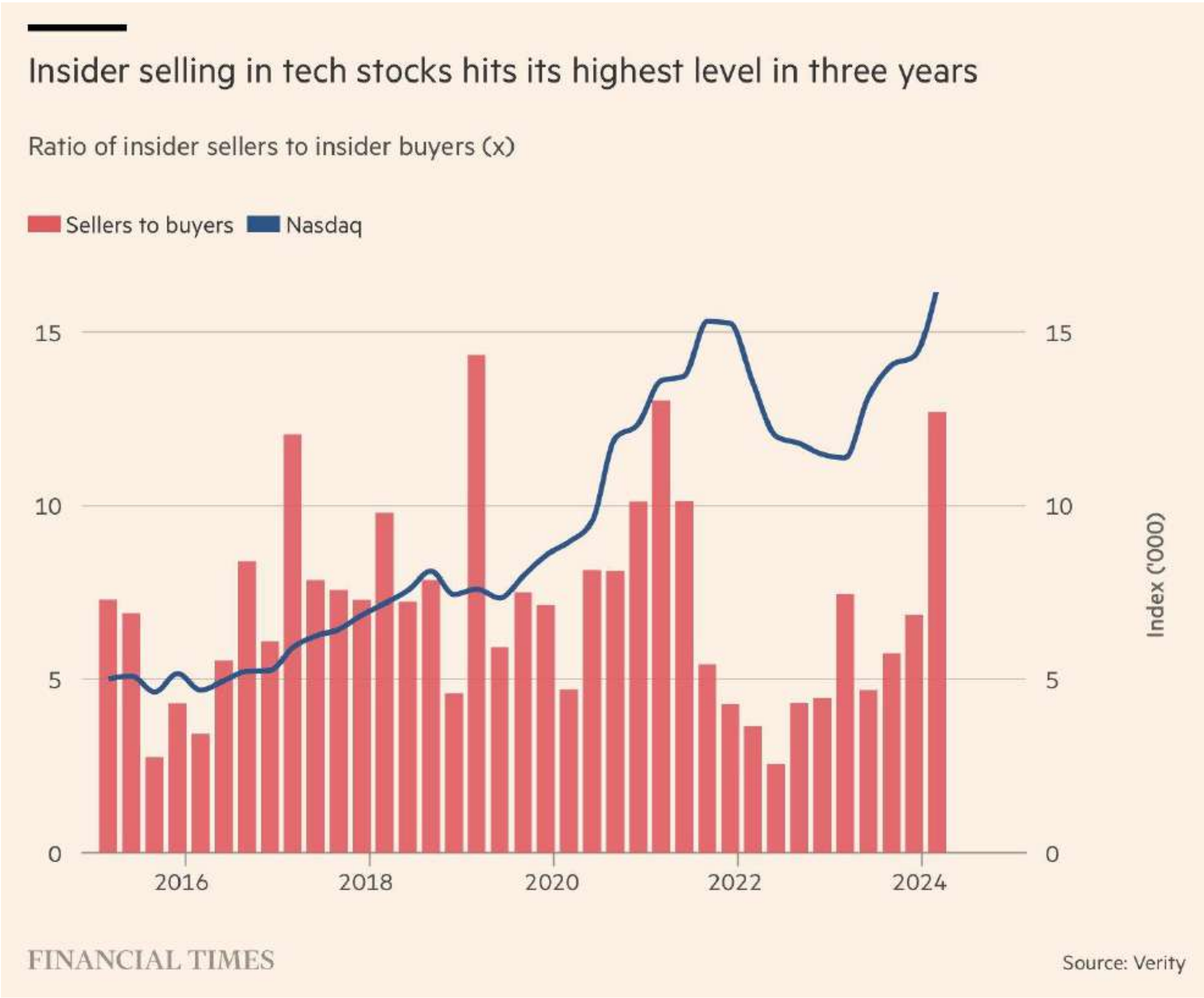


Despite dovish guidance and lower CNY, the 10-year yield can barely decline. Higher long-term rates are likely ahead.



March saw two very suggestive cover pages!

Tech insiders are trimming their holdings at the fastest pace since 2021



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