AXA Investment Managers

24 May 2023

Investment Institute Macroeconomics

Monthly Investment Strategy

Summertime … and the (debt) ceiling is nearing

Key points

- The banking system is still a cause for concern, although evidence to date suggests it has not led to a material worsening in credit conditions over recent months.
- The US debt ceiling is coming into focus. We expect an eventual resolution, which should limit the impact to US assets. But global markets watch for a political misstep.
- Emerging market concerns rose in the wake of a poll surprise in Turkey's Presidential Elections and as Argentina attempts to avert currency weakness.
- These developments come against a fragile economic background. The US appears close to a mild recession and while Eurozone growth has surprised in recent quarters, we expect stagnation in the second half of this year.
- Central banks face difficult judgements. We believe that the Federal Reserve, Bank of England and Bank of Canada have all peaked. We see the European Central Bank tightening policy until 3.75% in July.

Global Macro Monthly

Summary *by David Page* 2

US *by David Page* 3

Eurozone *by Francois Cabau & Hugo Le Damany* 4

UK *by Modupe Adegbembo* 5

Canada *by David Page* 5

Japan *by Modupe Adegbembo* 6

Emerging Europe *by Irina Topa-Serry* 6

Emerging Asia *by Shirley Shen* 7

Emerging Latin America *by Luis Lopez-Vivas* 7

Key market calls 8

Macro forecast summary 9

Investment Managers

24 May 2023

Summertime … and the (debt) ceiling is nearing

Global Macro Monthly Summary May 2023

David Page
Head of Macro Research
Macro Research – Core Investments

One-off events threaten disruption

The end of May typically sees peoples' focus shift towards the upcoming summer months. However, this year, several issues threaten to make this an eventful period, as there is the risk that market volatility could persist into the often oxymoronically-considered "quieter" month of August.

Financial markets remain anxious over banks – more so in the US, where the bank equity sector is still over 25% lower than in March. This month's *Theme of the Month* investigates this in more detail, highlighting that high-frequency US data suggests the sector, while not deteriorating further, is showing few signs of improvement. Banks in other developed economies are considered less at risk but are still monitored nervously. Recent lending surveys from major central banks suggest little additional tightening in credit conditions because of the recent turmoil. But at the same time, they point to a material tightening overall and steep drops in borrowing – a feature of monetary policy tightening.

The US focus is also on debt ceiling developments, with markets keeping a nervous eye out for any domestic missteps that could make this a global event. We expect market volatility immediately before the final X-date, but ultimately still expect a compromise resolution which should limit the materiality of the impact to the US and the dollar. But all markets are likely to reflect caution from 1 June – the earliest possible date officially indicated for the US to run out of cash.

Emerging markets will also add to the pre-summer tension. Turkey's first-round presidential election results, not to mention its Parliamentary votes, suggest President Recep Erdoğan could win another term after scooping an unexpected 49.5% vote share and forcing a second-round run-off. Market hopes for a return to economic orthodoxy were challenged, although Erdoğan has his own track record of U-turns in policy approach. Turkish market volatility increased sharply after the first round and worse could ensue after the second if economic imbalances are not addressed adroitly. Argentina added to uncertainty with its 600bps policy rate increase and FX interventions, in efforts to stabilise the peso ahead of its own October elections.

Central banks juggle growth and inflation

These developments come against an already-difficult background. We expect the US to post increasing signs of economic deceleration, which could result in output falling outright in Q2 and mark the start of what we expect to be a mild recession, although our baseline is Q3. Moreover, despite the enthusiasm over Eurozone PMI surveys, the reality of Eurozone growth appears bleaker. We expect Q1's weak (but positive) 0.1% expansion to be repeated in Q2 but think that ECB policy tightening will prevent any better outcome in H2 2023.

Inflation remains an issue. Headline rates eased in recent quarters, even the UK's CPI fell CPI fell to 8.7% in April as the delayed pass through of steep wholesale energy prices finally impacted, as in other regions. But core inflation remains more elevated across developed and emerging economies alike. Contrary to popular belief, headline and core inflation rates are not divorced, and the headline slowdown will increasingly feed through to core. However, rates are expected to remain elevated for some time. We forecast inflation will remain around 5.25% in the Eurozone until July – and will likely require a softening in services inflation, and in turn pay growth – before a return to target consistent levels becomes more likely.

This presents difficult choices for international central banks. Each must judge domestic conditions and local susceptibility to inflation persistence. Each is also considering the lagged effects of tightening already undertaken, particularly relevant for those with housing markets with shorter maturity mortgage rate fixes, leaving households facing material tightening ahead. Gauging these factors across regions, we believe the US Federal Reserve and Bank of Canada have both peaked in this policy cycle but expect markets to de-price the expected cuts for the former for later this year; the ECB will fulfil current expectations for hikes more quickly and keep rates higher for longer but the Bank of England looks delicately poised between persistent inflation and a marked easing in the labour market.

The Bank of Japan (BoJ) may also add to market volatility over the coming months as we expect it to adjust its yield curve control policy. We expect an adjustment in July, a little later than markets, but concede that the Bank's extended policy review could be a signal of a more languorous approach to policy change, which could see this emerge even later. Either way – with significant uncertainty about exactly what changes the BoJ will deliver – whatever path it follows is likely to see a material market reaction.

Global Macro Monthly – US

David Page
Head of Macro Research
Macro Research – Core Investments

The slow march to recession

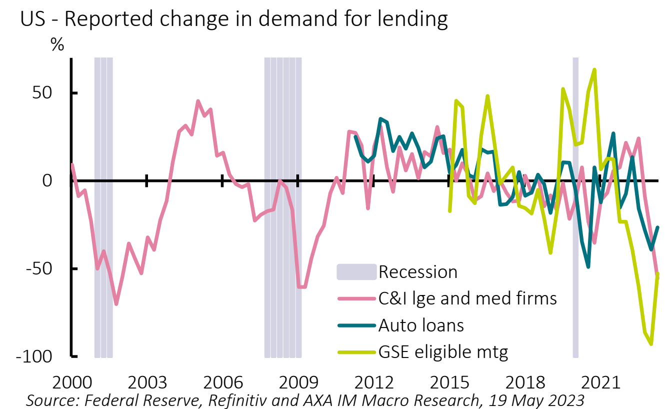
The US looks set to face a difficult summer. We expect to see clear signs emerge that it is entering a mild recession, with risks of something more severe if the layers of government miscalculate with regards to the debt ceiling.

Banking turmoil persists, but the situation hasn't deteriorated. The S&P banking sector index now stands more than 25% below its pre-turmoil levels. The Federal Reserve (Fed) has not added emergency lending to the sector, but total lending is only $43bn (12%) lower than the March peak. Meanwhile deposits in large and small banks have stabilised, while lending from is falling, and below mid-March levels. The Fed's Senior Loan Officer Opinion Survey (SLOOS) showed only a modest tightening in credit conditions to commercial and industrial firms, more so for commercial real estate, while conditions for household credit cards, auto loans and subprime mortgages also became more difficult. The SLOOS indicates a modest tightening in conditions since the banking turmoil, but more importantly marks a significant hardening in recent quarters that we consider a feature of monetary policy tightening.

The US also faces uncertainty over the debt ceiling. As discussed in detail[1], the point at which the government exhausts extraordinary measures to avoid default is uncertain. Treasury Secretary Janet Yellen warned this could be from 1 June, or possibly several weeks later. We expect it to be towards the end of July but envisage market concern to rise from June. We do not expect the US to default – certainly not on its securities, which would have major implications for the global financial system; nor on domestic payments, that would create a marked fiscal drag and accelerate recession. But we do expect market volatility around the deadline as markets consider alternate outcomes.

The US is also exhibiting signs consistent with recession. Beyond the continued yield curve inversion and rising excess bond premia that keeps our model signalling recession within 12 months, the latest Empire State manufacturing survey deteriorated by its most on record (excluding the pandemic); the Challenger Job Cuts report shows layoffs remain elevated – up an average 300% over the last six months – and the SLOOS indicated steep falls in borrowing demand (Exhibit 1).

Exhibit 1: A worrisome fall in borrowing demand



Source: Federal Reserve, Refinitiv and AXA IM Macro Research, 19 May 2023

Yet the economy has shown signs of resilience. Despite Q1 GDP rising by a subdued 1.1% (annualised), consumer spending was strong. Moreover, April recorded robust growth in car sales, which could reflect higher income households spending excess savings. Employment growth was also strong in Q1. Looking ahead, we expect Q2 GDP to be subdued and consumer spending to be fairly flat. Employment growth is already slowing in trend terms (to 222k 3m/3m in April from 354k recorded in March), with signs of further deceleration for May. We forecast modest Q2 growth of 0.4%, given expected declines in investment. However, a steeper inventory correction could deliver outright contraction. In any case, we forecast a drop in output in Q3 and expect the start of the recession to be around mid-year.

Meanwhile headline inflation continues to fall, to 4.9% in April. We expect it to ease further to around 3.5% in June – significantly below the 9.1% peak seen a year earlier. But it is likely to stabilise around this level over the remainder of the year. Moreover, core inflation has not retreated by as much – at 5.5% in April from a 6.6% peak. We forecast CPI inflation to average 4.4% this year and 3.0% next and to remain above 2% even by end-2024.

The Fed faces some tough decisions, typical of turning points in the cycle. At its last meeting, it raised rates by 0.25% to 5.25%. It also removed forward guidance for "some additional tightening", but it held off announcing a pause – likely to avoid encouraging near-term rate cut expectations which would loosen financial conditions before slower activity, a looser labour market and a clear path to restore price stability are confirmed. The scale of activity slowdown – and the depth of any recession – will be key to a debate over whether the Fed can cut rates before year-end. Our current forecast is that it will not, and that it is very unlikely the Fed will be able to cut rates by September, at least, not without a messier debt ceiling event than we expect.

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[1] Page, D., "US debt ceiling impasse: Unnecessary and unavoidable", AXA IM Investment Institute Macro Research, 3 May 2023

Investment Managers

20 May 2023

Global Macro Monthly – Eurozone

François Cabau,
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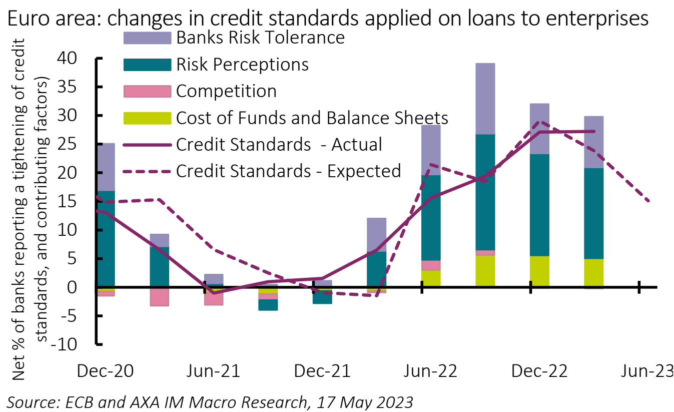
Macro Research – Core Investments

Tracking banking turmoil with a microscope

Two months from a bout of banking turmoil and we now have more details about what is happening in the sector. The European Central Bank (ECB)'s Lending Survey, which gathers data from banks across the Eurozone, showed minimal impact on already tight credit conditions and weak demand (Exhibit 2). As highlighted in Exhibit 2, credit conditions are stable (see solid dark line). The cost of funding – which has been identified as the main channel of recent stress – is also unchanged while risk perception remains the most important driver. Looking forward credit conditions are expected to improve (dark dotted line), possibly reflecting the recent rally in rates. However, on the demand side, both company and household lending remain deeply depressed, close to 2008-2009 levels.

Exhibit 2: Mixed signals from latest bank lending surveys



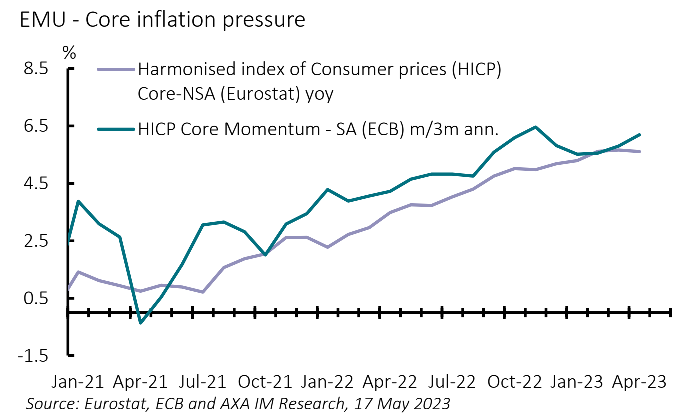
Source: ECB and AXA IM Macro Research, 17 May 2023

Eurozone GDP struggled up 0.1% quarter-on-quarter in Q1. A detailed breakdown has not yet been published, but it seems private consumption was a drag on growth, though more than offset by net exports. Despite strong services Purchasing Managers' Indices in April, we remain cautious, pencilling in meagre GDP growth in Q2 as well as in the second half of 2023 (+0.1% on a quarterly basis) as monetary policy tightening continues to weigh. An expected deceleration in inflation is likely to be too limited to provide material relief to consumers.

Despite a pause in April – headline inflation was flat, at an annual rate of 7% – we believe a deceleration trend is in place as energy, and eventually food, base effects take effect.

The main concern is still core inflation, which excludes food and energy prices. Eurostat data showed core inflation for April declined slightly from the previous month to 5.6%. The ECB's seasonally adjusted core measure displays something a bit different (Exhibit 3). Momentum – computed on a three-month change and annualised – has increased in April, driven by a strong acceleration in services prices. This is a reminder that services prices may remain elevated, particularly in the near term as activity continues to grow, more jobs are created, and recent wage deals start to feed through.

Exhibit 3: Core inflation momentum (ECB measure) accelerates further



Source: Eurostat, ECB and AXA IM Research, 17 May 2023

Overall, our inflation outlook is unchanged. May's core inflation will be impacted by a one-off effect from cheap German train tickets, but we then expect it to fluctuate between 5% and 5.3% until July.

A compromise. Which compromise?

We believe such modest core disinflation will not dissuade the ECB from raising interest rates by 25 basis points (bp) in both June and July. Indeed, inflation would likely still be too high, while confidence associated with a quick reconvergence to 2% would remain low. This was well telegraphed by the ECB Governing Council's latest statement and subsequent comments by ECB President Christine Lagarde who reminded us "there is still ground to cover". We continue to believe risks are tilted to the upside as inflation could prove more persistent during the summer.

The ECB also expects to discontinue the reinvestment of assets under the Asset Purchase Programme (APP) as of July 2023. We were expecting such a decision following the smooth passage of the first phase (partial reinvestment started in March 2023) while the supply profile for the second half of the year does not seem to be a material risk outside other markets events. Interestingly, Lagarde stated the decision on APP was not a trade off with a 50bp hike.

Investment Managers

24 May 2023

Global Macro Monthly – UK

Modupe Adegbembo
Junior Economist (G7)
Macro Research – Core Investments

Labour market cracks add to calls for June rates hold

The labour market has remained tight in recent months, underscoring fears over inflation's persistence. But it has just started to show signs of slowing. Employment rose by a strong 182k over the first quarter (Q1), but the HMRC payrolls figure pointed to a sizeable fall in April, down by 135k on the month – the first fall in two years and, barring April and May 2020, the sharpest on record. This decline is faster than the weakening suggested in surveys, although we note these figures are prone to revision. Vacancies also continued to decline, easing by 55k in the three months to April. And finally, despite the sharp rise in employment, an even larger rise in economic activity saw unemployment rise to 3.9% – its highest rate in 14 months as more workers returned to the labour market.

Monthly GDP declined by 0.3% on the month in March, leaving quarterly growth at 0.1% for Q1 2023. We think that despite signs of stronger activity, growth is likely to fluctuate around zero this year as consumption and investment continue to be weighed down by high prices and costs and we see the lagged impact of rate rises, particularly from rising mortgage costs, likely to slow the economy further. We expect Q2 to decline by 0.1% (up from -0.2% prior) and are forecasting GDP to average 0.2% this year and 0.6% next (up from 0% and 0.5%).

Following April's fall to 8.7%, we expect headline inflation to ease further over the coming months as base effects continue to weigh. Despite preliminary signs that the labour market is easing, signs of persistence in core CPI which jumped to 6.8% in April raises the risks that the Bank will have to tighten again.

At its May meeting, the Bank of England (BoE) hiked interest rates by 25 basis points (bp), as anticipated. Contrary to the market consensus, we expect the BoE to keep rates on hold when it convenes in June as it should see more concrete evidence of a slowing labour market and wage moderation – as well as the impact of previous tightening. Between now and the next meeting on 22 June, two additional inflation and one labour market report will be published. However, we have moved our forecast for the first rate cut back to February 2024, recognising the BoE's current focus on upside inflation risks which look unlikely to fade by year-end. By February, BoE wage settlement reports should give the Committee more confidence in the loosening of the labour market. We then expect interest rates to ease from 4.5% to 3.5% by end-2024.

Global Macro Monthly – Canada

David Page
Head of Macro Research
Macro Research – Core Investments

Longer-term risks of additional tightening

The Bank of Canada (BoC) has been the boldest of the central banks so far, announcing a "conditional pause" in January and leaving policy on hold at its last two meetings. However, April's Summary of Deliberations saw Governing Council members harbouring doubts about whether policy was restrictive enough. Governor Tiff Macklem has warned that if inflation does not fall sufficiently the BoC would raise rates further.

Economic developments have fanned such doubts, specifically the labour market. Employment growth has remained solid (although full-time jobs fell), rising by 41k in April, while unemployment remains close to record lows at 5.0% and wage growth is still rising by an annual 5.6%, up 0.8% in the latest month. Inflation has also concerned rate markets. Headline inflation surprised in April, rising to 4.4% from 4.3% – even allowing for a rebound in gasoline costs. Markets swiftly priced the probability of a further rate hike by the BoC (currently over 50% priced by July), but also unwound both rate cuts that had been expected by year-end – December rate expectations rose by 65bps in the last week.

Yet developments have been more mixed than this. While headline CPI surprised, measures of core inflation eased, including the median rate falling to 4.2% from 4.6%. Moreover, broader activity slowed from a firm start to the year. GDP rose by just 0.1% in February and the preliminary March estimate is for a 0.1% decline. We lowered our Q1 forecast, to 2.4%, and also for Q2, expecting April's GDP to remain subdued following ice storms and a 12-day public worker strike. We forecast GDP up 1.0% (from 1.2%) this year and 0.9% next.

The BoC is also mindful of the lagged impact of policy tightening to date. April's Monetary Policy Report projected the lagged impact of rising mortgage costs. The BoC's latest annual Financial System Review described just one-third of mortgage holders as having faced any rise in mortgage rates yet, with nearly all expected by 2026. Meanwhile, it noted that credit card balances were rising in households where mortgage costs had increased. The BoC remains focused on restoring price stability but is wary of an overtightening that could deliver a steep recession. We expect the BoC to leave rates on hold at 4.50%. By September, we expect clear signs of labour market loosening. We forecast the BoC to cut rates only in 2024, to 3.25% by year-end.

Global Macro Monthly – Japan

Modupe Adegbembo
Junior Economist (G7),
Macro Research – Core Investments

Ueda's first meeting confirms gradual approach

At his inaugural meeting as Bank of Japan (BoJ) Governor, Kazuo Ueda left all policy tools unchanged, including yield curve control (YCC). The short-term policy rate remains at -0.1% and the long-term interest rate target of 0% yields on 10-year Japanese government bonds was maintained, with a tolerance band of +/-50 basis points (bp). This came in line with our own expectations and the general consensus.

The meeting began to lay the groundwork for future policy adjustments, although it confirmed our expectation that the new Governor would be in no rush to normalise policy. As we had anticipated, the BoJ announced a broad review of monetary policy, which is likely to cover a wide assessment of the economic and financial market impact of the bank's monetary policy since the late 1990s. The BoJ expects it will take one to one-and-a-half years to complete. The long-time horizon of this review adds to our belief that policy change will be gradual, but in the accompanying press conference Ueda confirmed that monetary policy changes would not necessarily need to wait for the outcome of the review.

Price dynamics have shown signs of rising more sustainably, but the BoJ remains cautious. We think a tweak to YCC is still likely as the bank will be considering both the tentative improvements in wage growth and issues of market dysfunction. We expect the BoJ to reduce the tenor of its target to five years from 10 as an interim step before fully removing YCC. This move will most likely come alongside the publication of its next Outlook Report in July at the earliest, but the risk of delay remains. We continue to think that the removal of the BoJ's negative interest rate policy will be put off until 2024 as it will want to see evidence that strong wage gains seen this year are maintained in the coming year.

Growth momentum in Japan also remains strong as the economy continues to catch up to its pre-pandemic level after a delayed reopening. GDP rose by a quarterly 0.4% in the first quarter (Q1), above consensus estimates for a more subdued 0.2% rise. The main driver was domestic demand, with consumption rising by 0.6% and capital expenditure up 0.9%. Sluggishness in global manufacturing activity weighed on exports, with goods exports down 6.5%. We think the strength in growth is likely to continue into Q2 as exports stabilise and private consumption continues to recover. Overall, we forecast annual GDP growth to average 1.5% this year and 1.3% in 2024.

Global Macro Monthly – EM Europe

Irina Topa-Serry,
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Turkey's political and economic fate is at stake

On 14 May, Turkish voters turned out in large numbers to elect their President and Members of Parliament. The race was expected to be tight, and so it proved. The campaign had been full of surprises until the very last week, when ex-Republican's People Party (CHP) candidate Muharrem İnce withdrew from the presidential race, fuelling hopes of an outright opposition win. The outcome was very different – and far from what opinion polls had suggested. Not only did incumbent President Recep Tayyip Erdoğan obtain a better-than-expected share of votes (49.5%), taking the lead into a second-round run-off a fortnight later, but the People's Alliance Party that he represents won a simple parliamentary majority.

Erdoğan will now face the joint opposition candidate Kemal Kılıçdaroğlu, who obtained 44.9% of the votes, in a run-off on 28 May, from a stronger starting position. The official results will be known by 1 June. Whoever wins the race will face the daunting task of improving Turkey's economic outlook. The economy has grown increasingly unbalanced in the past years and quarters. A recession in the second half of 2023 is on the cards, with more painful adjustments on the currency side likely necessary before Turkish assets again appear attractive to foreign investors. Improving the institutional framework appears to us as key to implementing effective stabilisation reforms, always likely to be a long and difficult process. This process would be all the more so were Erdoğan to be re-elected for another term.

Activity improving in Central Europe in Q1

Flash estimates of first quarter (Q1) GDP confirmed economic recovery is underway in Central Europe. Having contracted for two consecutive quarters during the second half of 2022, GDP growth expanded in the Czech Republic (+0.1% quarter-on-quarter), while still contracting in Hungary (-0.2%) albeit by less than in the previous quarters (-0.8% in Q3 2022, -0.9% in Q4). The biggest surprise came from Poland, where GDP growth overshot materially (+3.9%). Seasonally-adjusted data have become volatile since the COVID-19 pandemic in Poland and although we await a more detailed breakdown, we suspect inventories are adding to this volatility. Yet despite an expected reversal of fortunes in Q2, we will likely raise our 2023 GDP forecast from 0.1% at present.

AXA Investment Managers

24 May 2023

Global Macro Monthly – EM Asia

Shirley Shen,
Economist (Emerging Asia)
Macro Research – Core Investments

Growth figures mixed, but decent in the main

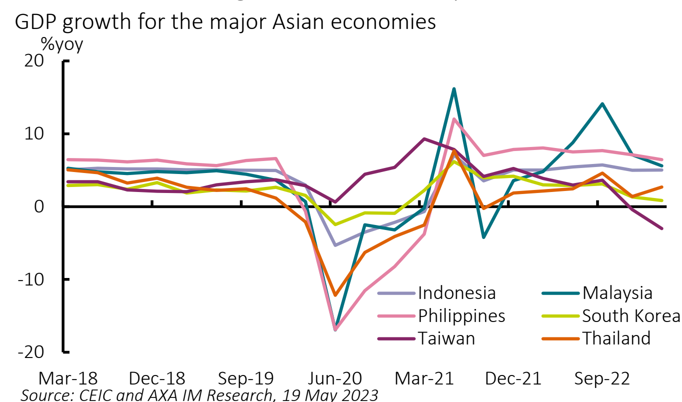
First quarter (Q1) GDP releases for most countries in Asia have indicated a mixed picture (Exhibit 4). While Indonesia's growth remained steady at 5% year-on-year, there was in fact improvement on a quarterly, seasonally-adjusted basis. Household consumption remained as the major driving force as seen from robust clothing, restaurant and transportation spending. Investment, however, was rather weak and is yet to recover to pre-pandemic levels.

Similarly, the latest quarterly growth data for Malaysia, Korea and Thailand also improved notably. Malaysia, after a year of robust growth due to high commodity export prices, continued to surprise the market on the upside with growth of 0.9% quarter-on-quarter. Korea's GDP also improved due to strong consumer spending. In addition, Thailand, following years of waiting, has fully opened its borders, and growth finally exceeded pre-COVID-19 levels. Private consumption was resilient, coupled with a tourism rebound. The strength from the services sector was able to offset the export contraction.

Taiwan was an exception with Q1 GDP surprising to the downside, contracting by an annual 3%, down again after -0.4% in Q4 2022. The two quarters of sequential decline pushed Taiwan into a technical recession. Key weakness stemmed from lacklustre international trade, particularly in the tech-related sector. Total export growth has remained in contractionary territory for the past eight consecutive months.

Exhibit 4: Growth figures show mixed picture

GDP growth for the major Asian economies



Source: CEIC and AXA IM Research, 19 May 2023

Global Macro Monthly – EM LatAm

Luis Lopez Vivas,
Economist (Latin America),
Macro Research – Core Investments

A surprisingly strong start

Despite mounting headwinds, most Latin American economies registered surprisingly robust performance at the start of this year. Mexico's economy accelerated by 1.1% in the first quarter (Q1) on a quarterly basis (from 0.5% in Q4), beating market expectations of 0.8%. Q1 marked the sixth consecutive increase with key sectors like services and agriculture showing favourable momentum. Nonetheless, the economy should still decelerate in the second half of the year, following weaker growth in the US.

In Colombia, activity was also more resilient than expected in Q1, despite the ongoing monetary policy tightening cycle. Growth came in at 1.4% (from 0.4%), above consensus expectations of a 1.1% rise. The expansion was spearheaded by private and public consumption and net exports. Conversely, investment contracted in Q1. Despite these positive developments, leading indicators such as car sales and electricity demand point towards a continued slowdown in consumption. Meanwhile, the Chilean economy grew by less than the consensus forecast (0.8% versus 1.0%), although it still represented the strongest performance since Q1 2022. Public spending led growth this quarter, signalling the government's implementation of fiscal policy to bolster Chile's ailing economy.

While Q1 GDP data is not yet available for Brazil, the monthly economic activity indicator suggests a still-resilient economy. In February, the economy grew 4.6% on an annual basis, the second acceleration in a row and the highest reading since August 2022. Likewise, retail sales continued to expand in the first two months of the year. Industrial production was less positive as it contracted in January and February, before picking up again in March.

In contrast to the rest of the region, Peru's economy fell by a quarterly 0.4% in Q1, marking the first contraction since Q2 2020. The drop reflected the consequences of social unrest in January which caused major disruption. Fortunately, protests have subsided which has allowed the economy to return to growth in March, according to the economic activity indicator. However, Peru will continue to face headwinds this year including from tight monetary policy, subdued business sentiment and lingering political uncertainty.

Key market calls

Our Directional views across assets in key market (3-month horizon)

CURRENCIES	weaker	neutral	stronger
Euro			●
Yen			▶▶●
GBPEUR	●		

CURRENCIES

USD has gained support, once again, from resilient US data, yet this may be only temporary. EUR should rebound as ECB maintains a hawkish stance. JPY should benefit from USD and US rates peaking out.

EQUITY	lower	neutral	higher
US equity	●		
EU equity		●	
EM equity		●◀◀	

EQUITY

Muted market price reaction to positive earnings surprises shows caution by investors. EM equity may be vulnerable to US recession risk over the next few months. US equities vulnerable to setbacks in tech mega cap performance.

RATES	higher	neutral	lower
US rates short	●		
US rates long		●	
EU rates short	●		
EU rates long	●		

RATES

Rates volatility remains elevated and the jury is still out in regards to Fed's hiking cycle peak. Market-based inflation expectations perhaps too sanguine compared to inflation surveys and underlying inflation trends.

CREDIT	wider	neutral	tighter
US IG		●	
EU IG		●	
US HY	●◀◀		
EU HY		●	

Source: AXA IM Core Investment Research, as of 23 May 2023

CREDIT

Unappealing reward vs recession risk in spreads still warrants a prudent stance. US HY screens low on default valuation & mean reversion potential. Europe spreads look somewhat better in mean reversion and valuation terms.

Investment Managers

24 May 2023

Macro forecast summary

Real GDP growth (%)	2022		2023*		2024*	
	AXA IM	*Consensus*	AXA IM	*Consensus*	AXA IM	*Consensus*
World	3.4		2.8		2.8	
Advanced economies	2.7		1.0		0.8	
US	2.1	2.1	1.0	1.1	0.6	0.7
Euro area	3.6	3.2	0.7	0.7	0.6	1.0
Germany	1.8	1.8	0.0	0.1	0.6	1.2
France	2.6	2.6	0.6	0.5	0.6	1.0
Italy	3.7	3.8	0.6	0.6	0.5	1.0
Spain	5.5	5.5	1.6	1.4	0.9	1.8
Japan	1.1	1.0	1.5	1.1	1.3	1.1
UK	4.0	4.0	0.2	-0.2	0.6	0.8
Switzerland	2.1	2.1	0.6	0.7	1.3	1.5
Canada	3.4	3.4	1.2	0.8	0.9	1.3
Emerging economies	3.9		3.8		3.9	
Asia	4.3		5.0		4.6	
China	3.0	3.0	5.3	5.5	5.0	5.1
South Korea	2.6	2.6	1.5	1.1	2.0	2.2
Rest of EM Asia	6.0		5.0		4.4	
LatAm	4.0		1.5		2.3	
Brazil	2.9	2.9	1.0	1.0	1.5	1.7
Mexico	3.1	3.1	1.2	1.4	1.8	1.7
EM Europe	0.9		1.5		2.3	
Russia	-2.1		1.7		1.3	1.3
Poland	4.9	4.9	1.0	0.6	2.9	3.1
Turkey	5.6	5.6	2.1	2.1	3.1	2.8
Other EMs	4.9		3.1		3.7	

Source: Datastream, IMF and AXA IM Macro Research – As of 22 May 2023
**Forecast*

CPI Inflation (%)	2022		2023*		2024*	
	AXA IM	*Consensus*	AXA IM	*Consensus*	AXA IM	*Consensus*
Advanced economies	7.4		4.7		2.7	
US	8.0	8.0	4.3	4.3	3.0	2.6
Euro area	8.4	8.5	5.8	5.5	2.9	2.4
China	2.1	2.0	2.3	2.2	2.5	2.4
Japan	2.5	2.5	2.7	2.5	1.3	1.4
UK	9.1	9.1	6.6	6.4	2.4	2.8
Switzerland	2.8	2.8	2.0	2.6	1.3	1.5
Canada	6.8	6.8	3.9	3.6	3.0	2.2

Source: Datastream, IMF and AXA IM Macro Research – As of 22 May 2023

**Forecast*

These projections are not necessarily reliable indicators of future results

24 May 2023

Forecast summary

Central bank policy Meeting dates and expected changes (Rates in bp / QE in bn)		Current	Q2-23	Q3-23	Q4-23
United States - Fed	Dates	5.25	13-14 Jun	25-26 Jul 19-20 Sep	31-1 Oct/Nov 12-13 Dec
	Rates		unch (5.25)	unch (5.25)	unch (5.25)
Euro area - ECB	Dates	3.25	15-juin	27 Jul 14 Sep	26 Oct 14 Dec
	Rates		+0.25 (3.5)	+0.25 (3.75)	unch (3.75)
Japan - BoJ	Dates	-0.10	15-16 Jun	27-28 Jul 21-22 Sep	30-31 Oct 18-19 Dec
	Rates		unch (-0.10)	unch (-0.10)	unch (-0.10)
UK - BoE	Dates	4.50	22-juin	3 Aug 21 Sep	2 Nov 14 Dec
	Rates		unch (4.50)	unch (4.50)	unch (4.50)
Canada - BoC	Dates	4.50	07-juin	12 Jul 6 Sep	25 Oct 6 Dec
	Rates		unch (4.50)	unch (4.50)	unch (4.50)

Source: AXA IM Macro Research - As of 22 May 2023

These projections are not necessarily reliable indicators of future results

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Our Research is available online: www.axa-im.com/investment-institute

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