Good day,

In October, Canada's manufacturing performance was rated " poor ", a sign that demand is starting to take a serious hit. In the U.S., some early signs suggest that economic growth could slow significantly in 2024. Germany, Europe's economic engine, is in stagnation and looks set to remain there for some time to come. Pessimism is spreading among British entrepreneurs, who are beginning to slash their workforce, convinced a less favorable future. Finally, the Chinese government has embarked on a vast economic stimulus program, keeping its fingers crossed in the hope that the real estate sector won't implode overnight.

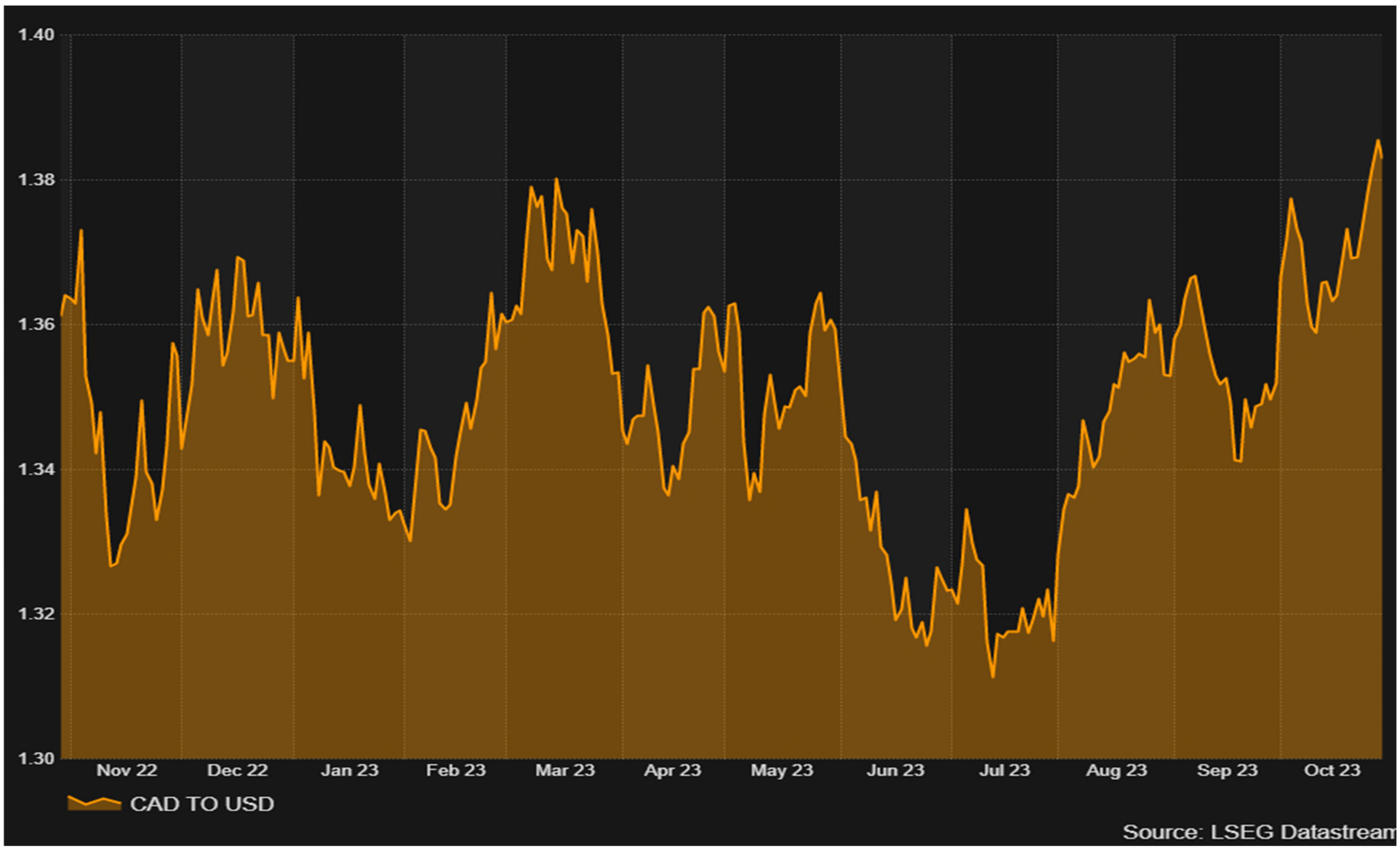
Enjoy your reading!

CAD

The USDCAD pair rose in October from 1.3572 to 1.3874. The Bank of Canada (BoC) maintained its key rate at 5%, believing that its monetary policy was succeeding in slowing the economy and easing pressure on prices. However, the Bank is refusing to consider cutting its key rate any time soon, as the inflation rate is still far from its 2% target.

In fact, the Consumer Price Index (CPI) currently stands at 3.8%. BoC experts expect it to remain high until mid-2024, at around 3.5%. Only thereafter should it begin a slow decline. In its "Monetary Policy Report" published in October, the BDC corrected its growth forecasts for the Canadian economy downwards. Gross domestic product (GDP) should fail to exceed 1% not only in 2023, but also in 2024. Several of the coming quarters could end in negative performance, or even a moderate recession. "We knew that the possibility of avoiding such a scenario was slim, and as time goes on, that possibility becomes slimmer and slimmer," said Tiff Macklem, Governor of Canada's central bank.

The slowdown in Canada's manufacturing sector deepened in September, reaching its lowest level since the start of the COVID-19 pandemic. The S&P Global Canada Manufacturing Purchasing Managers' Index (PMI) fell to 47.5, from 48 in August. A score below 50 indicates a contraction in activity. "Canada's performance is poor, but in line with the global industrial slowdown," says Paul Smith, Economic Director of S&P Global Market Intelligence.



USD

The DXY Index started the month at 106.17 and posted a similar value at the end of October. The Personal Consumption Expenditures Price Index (PCE), the Fed's preferred inflation indicator, rose by 3.4% year-on-year in September, according to the Commerce Department. This is the same increase as the previous month. In addition, it's important to mention that the core PCE price index, which the Fed uses as a reliable indicator of future price pressures, rose by 3.7%. This represents a slight decrease over August, when the figure was 3.8%.

Admittedly, we're still a long way from the Fed's 2% inflation target…
However, Fed experts are satisfied with this stability, especially in view of the 0.7% rise in consumer spending in September, which exceeded most economists' expectations. Most notably, Americans spent more on prescription drugs, cars, financial services and insurance, as well as restaurant meals and hotel accommodations.

US gross domestic product (GDP) grew by 4.9% in the third quarter, 1.2 percentage points more than in the previous quarter, according to provisional US government estimates. Such growth has not been seen since the euphoria of the post-COVID recovery at the end of 2021. "I never believed that we would need a recession to counter inflation, and today we are seeing, once again, that our economy is capable of growth even when inflation is down," boasted US President Joe Biden.

But not all dangers have been averted. Far from it. Many analysts believe that the current momentum will soon hit a wall, like Nicholas Van Ness, economist at Crédit Agricole CIB, who estimates that US economic growth will be 2.2% for the year 2023 as a whole, and only 1.1% in 2024. "Caution is called for", he warns.

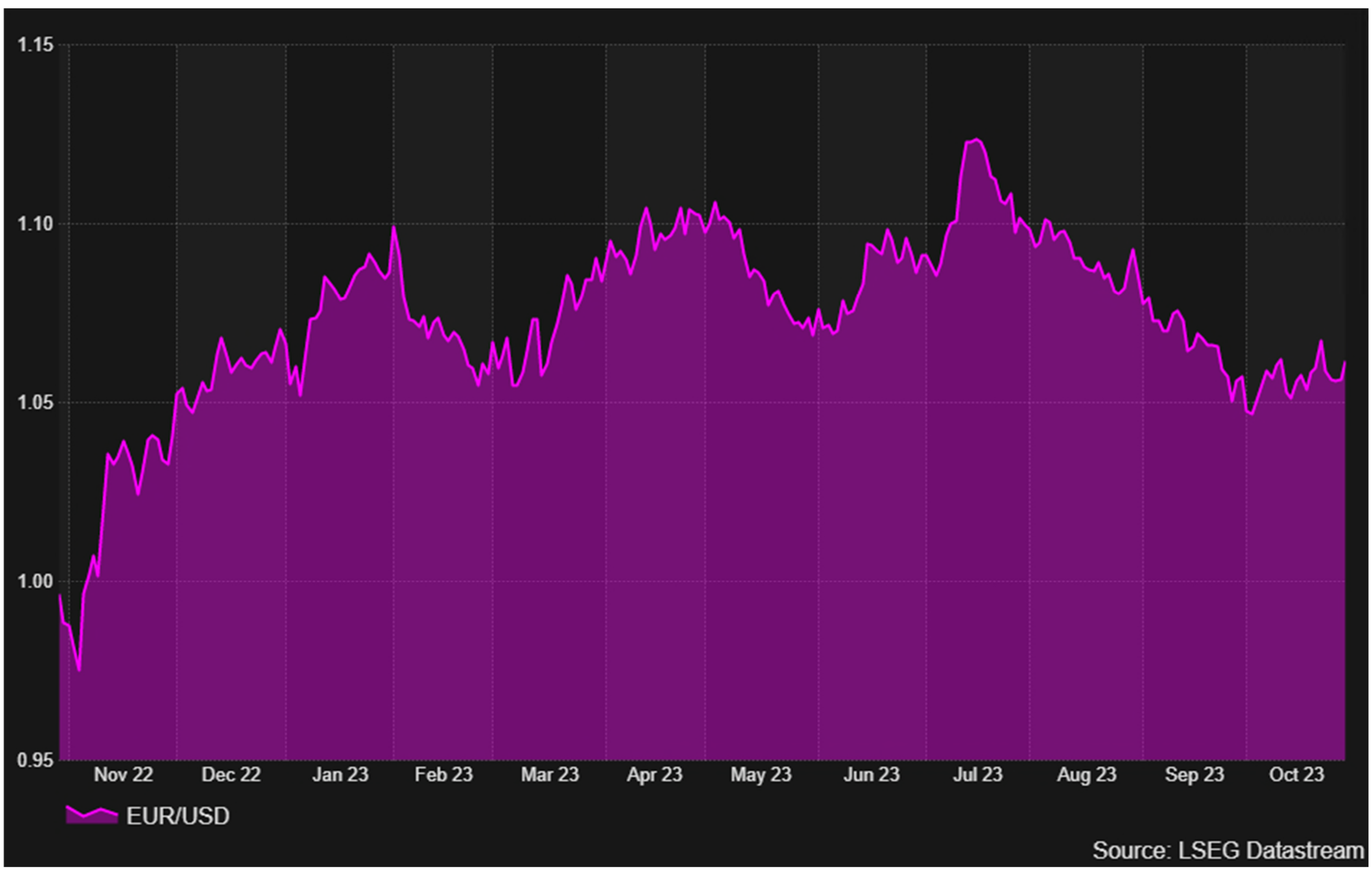
EUR

In October, the EURUSD slightly rose from 1.0568 to 1.0576. The European Central Bank (ECB) left its key rates unchanged in October. The main deposit rate, which serves as a benchmark for lending in the eurozone, was maintained at 4%, a historically high level. As for the refinancing rate and the marginal lending rate, they stand at 4.50% and 4.75% respectively.

As it turns out, inflation is slowing in the eurozone. In September, it was 4.3%; in October, it fell to 2.9%. According to Christine Lagarde, President of the ECB, this is a sign that "monetary tightening is being transmitted to the banking sector, and that financing of the economy is being directly affected". Thus, she announced that other effects on the European economy "are still to come", particularly on consumer demand, which will logically decline further over the coming months and quarters.

The armed conflict between Israel and Hamas is giving rise to a number of concerns, in particular that oil prices will soon soar. The ECB has said it is "very attentive" to this emerging risk, which comes on top of the war in Ukraine, said Ms Lagarde.

In the eyes of Paolo Gentiloni, the European Union's economic commissioner, the eurozone is currently experiencing "persistent headwinds". "The economy as a whole is soft, and the two driving forces, Germany and France, are flirting with recession", he says, pointing out that the recent addition of uncertain factors such as the risk of widespread conflict in the Middle East is further threatening "an already precarious situation".
The result? In its October "World Economic Outlook" report, the International Monetary Fund (IMF) sees the eurozone growing by just 0.7% in 2023, compared with 3.3% the previous year. And growth in 2024 is unlikely to improve, with a forecast of just 1.2%.



GBP

The GBPUSD pair remained stable in October, having moved from a value of 1.2201 to 1.2152. The inflation rate held firm in September, at 6.7%, according to data from the Office for National Statistics. Lower food and beverage prices were offset by higher pump prices for automobilists.

The Consumer Price Index (CPI) is now more than three times above the Bank of England's target rate of 2%. In addition, the main economic indicators (wages, inflation, etc.) have remained broadly unchanged this autumn," says ING economist James Smith. A view echoed by Andrew Bailey, Governor of the Bank of England: "Recent inflation data are not far from our expectations, which is quite encouraging for our monetary policy," he says.

The real concern, however, lies in the absence of growth. Most analysts questioned by Reuters on this subject consider that gross domestic product (GDP) will contract by 0.1% in the last quarter of 2023, so that it will be exactly zero for the year as a whole. This situation is likely to persist, as forecasts indicate a very modest increase of just 0.1% for the first half of 2024.

The latest Purchasing Managers' Index data reinforces the view of a UK economy at a standstill. The S&P Global/CIPS Flash Composite PMI for Great Britain reached 48.6 in October, about the same score as the previous month (48.5). A score below 50 indicates a contraction in activity. The short-term situation may not improve, as consumer and business spending forecasts for 2024 are the most bearish since December 2022.Note that this gloomy outlook reflects a loss of confidence in the future on the part of entrepreneurs, leading the majority of them to freeze hiring at present, and for a minority, to reduce their workforce.

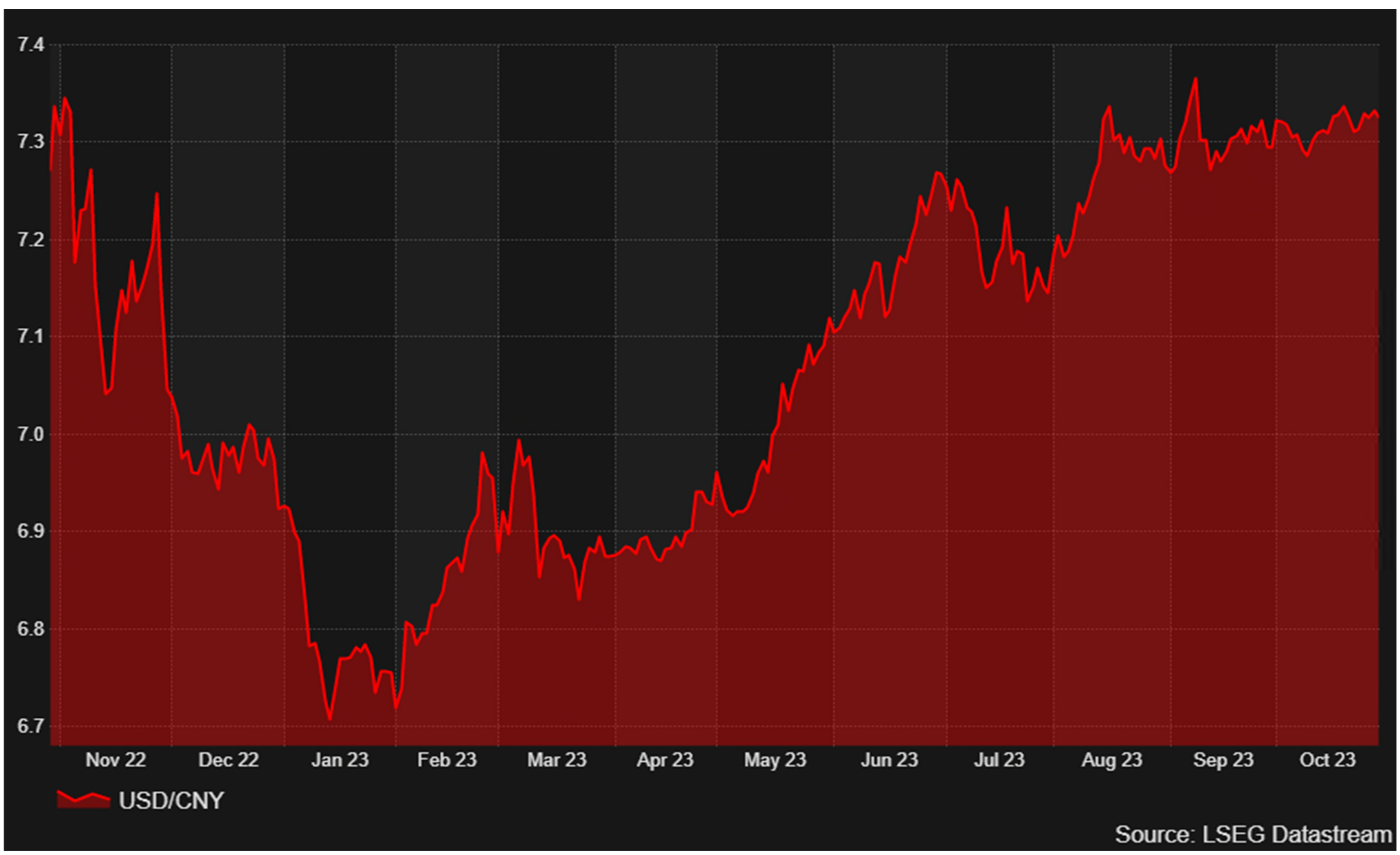
CNY

Last month, USDCNY rose from 7.3019 to 7.3158. The world's second-largest economy grew faster than expected in the third quarter, by 4.9% instead of 4.6%. In the two previous quarters, growth was 4.5% and 6.3% respectively. Beijing therefore has a good chance of achieving its growth target of 5% for 2023.Indeed, Citigroup and Goldman Sachs now expect it to end up at 5.3%, JPMorgan at 5.2% and Nomura at 5.1%. "A number of indicators are encouraging," notes Haibin Zhu, Managing Director and Chief China Economist at JPMorgan.

In September, China's industrial production rose by 4.5% and retail sales by 5.5%, according to official data. As for fixed asset investment, it rose by 3.1% in the first nine months of the year compared with the same period last year. However, the real estate sector remains the major drag on the Chinese economy. Investment in this sector fell by 9.1% between January and September. Furthermore, the Chinese real estate company Country Garden is on the verge of defaulting on its USD 11 billion external debt, as it has still not made the coupon payment owed to its bond investors. The situation is so serious that several of China's top executives have publicly acknowledged that they are worried about the future, fearing that the current economic recovery, billed as "tortuous", may soon experience a sudden real estate-induced slowdown.

In a rare move, Beijing issued 1,000 billion yuan (137 billion USD) of sovereign bonds in October. These "will help stimulate domestic demand and consolidate economic recovery", said Zhu Zhongming, China's Vice Minister of Finance. As a result, China's budget deficit for 2023 will be 3.8% of gross domestic product, compared with the initial target of 3%, according to state media.

Already, some major international groups are showing signs of weakness, such as mining giants BHP and Rio Tinto, which are experiencing a significant drop in business, as the Chinese real estate sector is particularly fond of iron and aluminum. "Carlotta Rinaudo, a researcher at ITSS Verona in Italy, warns: "Beware of the potential shockwaves to come!



GOLD

The value of an ounce of gold has risen by 21.6% in one year, to 1996.24 USD. It surged sharply alongside the rise of geopolitical risk in the Middle-East. As usual, gold acts as a safe haven in times of great uncertainty.

In addition to ongoing events in the Middle East, there are other uncertainties, such as high inflation in all four corners of the globe, and China's fear of sinking into a serious economic crisis due to the collapse of its real estate sector.

The situation is so serious that Peter Schiff, President of US brokerage firm Euro Pacific Capital, has come out of the woodwork to warn of a "dramatic" financial crisis threatening the United States. The man who accurately predicted the financial crisis of 2007-2008 now claims that the coming crisis will be "worse than anything we've seen since the 1970s", and even, if nothing is done before it really hits, "worse than the Great Depression of the 1930s". According to the economist, in such a context, the value of the US dollar could plummet, pushing gold higher.

Is Peter Schiff right? Is he wrong? We'll know "by November 2024", the deadline by which the latent crisis is supposed to burst into the open, according to the economist.

JPMorgan Chase & Co. also sees an opportunity in gold, for, it believes, a clear slowdown in the US economy is on the horizon, and perhaps even a coming recession. Its forecast: the ounce should sustainably exceed the symbolic USD 2,000 mark by the end of the year, and approach USD 2,175 by the end of 2024.

SEEN IN OUR PERISCOPE

Will Japan lose its 3rd place?

Japan is on the verge of losing its third-place ranking among the world's leading economic powers. Its currency is weakening against the USD, wages have stagnated for three decades, and its working population is in rapid decline. The International Monetary Fund (IMF) estimates that Japan's gross domestic product (GDP) will be 4,230 billion USD this year, down 0.2% year-on-year. The country of the rising sun would therefore be overtaken by Germany, whose GDP should reach 4429 billion USD by the end of the year. Germany had fallen from the podium in 2010, pushed aside by China.

Source: Courrier international
https://www.courrierinternational.com/article/declassement-le-japon-ne-sera-bientot-plus-la-troisieme-economie-mondiale

Sino-American trade war intensifies

China has decided to restrict its exports of graphite, an essential component in the manufacture of batteries for electric vehicles and cell phones. This decision comes just after the United States unveiled a series of new restrictions on exports to China of semiconductors and the machinery used to manufacture them; the idea is to hinder the production of electronic chips on Chinese territory. China accounts for 65% of the world's graphite production, according to the U.S. Geological Survey.

Source: France 24
https://www.france24.com/fr/asie-pacifique/20231020-guerre-commerciale-p%C3%A9kin-limite-ses-exportations-de-graphite-essentiel-aux-batteries-%C3%A9lectriques

AMQ/FINMETRIX PROJECT - Steel

Also, we are pleased to announce a project in collaboration with Alliance Métal Québec. This initiative, facilitated by financial support from the Quebec government, enables companies in the metal fabrication sector to obtain a grant to analyze the impact of fluctuations in metal and currency markets, and to establish risk management strategies. The process includes the following steps: diagnostic of metal, currency, and interest rate risks; development of a formal policy for managing these financial risks; staff training; and individualized support for strategy implementation. Are you affected by volatile metal prices? Contact FINMETRIX to find out more about the possibilities offered by this collaboration!

Duration: 30-minute videoconference session

To register, please send an e-mail: strategie@finmetrix.com

If you have any questions, please contact us.

Have a great day.

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