Good day,

The month of March put the world's economies to the test. The Bank of Canada maintained its key rate at 5%, as it was not convinced that conditions were ripe for a domestic interest rate cut. The Federal Reserve expects US economic growth to remain "sluggish" for at least the next two years. Many experts expect Germany, Europe's "economic engine", to plunge into recession during the course of the year. In Great Britain, household consumption is now almost at a standstill. Finally, a growing number of analysts do not believe that China can achieve its official target of 5% economic growth by 2024.

Enjoy your reading!

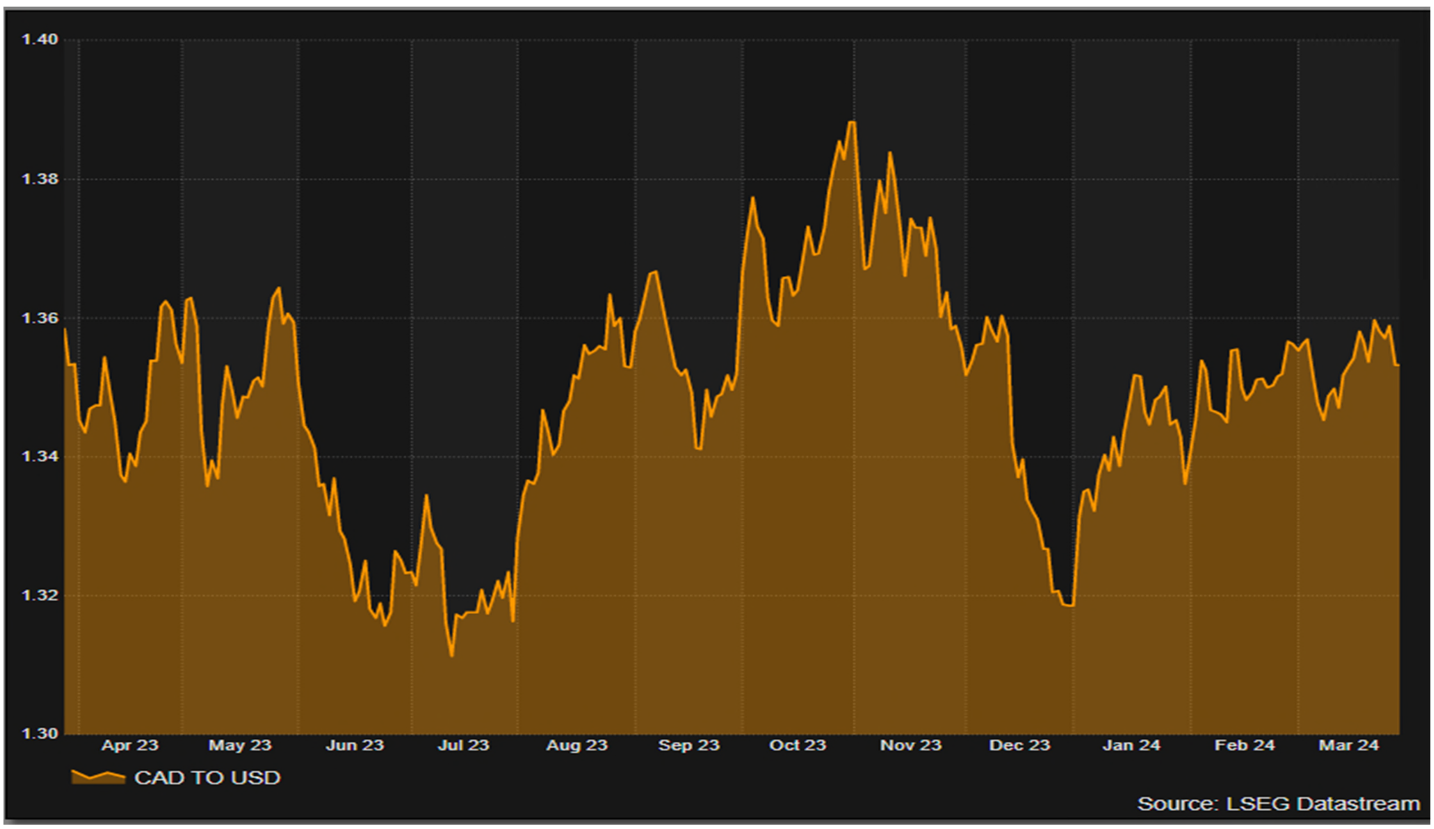
CAD

In March, the USDCAD currency pair fell from 1.3575 to 1.3522. At the beginning of the month, the Bank of Canada maintained its key rate at 5%, as it was not convinced that conditions were ripe for an interest rate cut in the country. In its deliberations, we learn that its experts estimate that inflation, currently at 2.8%, is likely to hover around 3% over the next few months.

The Bank of Canada is particularly concerned about real estate, and more specifically mortgage interest costs and rents. The latter are on the rise these days, and this is fuelling inflation. What's more, other components of housing costs, such as home insurance, property taxes and repair costs, are also rising sharply. The result? The upturn in the housing market we are witnessing in early spring is likely to accentuate these costs, and thus "delay the return of inflation to our 2% target", says the Bank's executive committee. The committee declines to say when the next rate cut might occur, except that it should be "sometime in 2024".

In Quebec, the economy is suffering from acute weakness. The province has entered a recession, with the last two quarters of 2023 recording gross domestic product (GDP) in the red, according to Statistics Canada. Data for the first quarter of 2024 are not yet official, but do not indicate any significant improvement. Quebec's unemployment rate rose from 4.5% in January to 4.7% in February, according to Statistics Canada. Desjardins expects it to rise over time, reaching 5.6% by the end of the year. Quite simply, since the start of 2024, the economy has been slowing down globally, and companies have been cautious about hiring.

Tu Nguyen, economist at RSM Canada, considers that we are now entering a potentially "employer-friendly" job market. Indeed, the rise in the unemployment rate is accompanied by a slowdown in wage growth, which in Quebec was only 3.3% in February on an annualized basis, and this may result in a "foreseeable change in workers' attitudes", who will be less hesitant to take a job and less demanding in terms of remuneration.



USD

The DXY index rose in March from 103.86 to 104.50. In March, the Federal Reserve (Fed) kept its key interest rates within a range of 5.25% to 5.5%. Fed Chairman Jerome Powell explained this decision by pointing out that the US central bank had not yet won its battle against inflation, which currently stands at 3.2% in the US. He added that, although the timetable remained "uncertain", the Fed still expected to be in a position to make "three rate cuts by the end of 2024".

Fed experts anticipate that the US unemployment rate will be 4% by the end of the year; last December, it was 4.1%. They expect US gross domestic product (GDP) to grow by just 2.1% in 2024; their previous forecast was 1.4%. As for 2025, GDP is expected to grow by around 2%.

This gloom is reflected in the results of the latest World Happiness Report, which ranks over 140 countries each year according to the happiness felt by their inhabitants. As it happens, the United States has dropped out of the Top 20 for the first time in its history. This drop is largely due to the profound dismay of Americans under the age of 30: for this segment of the population, the United States is down to... 62nd! Young Americans are grappling with the feeling that the future isn't looking good for them, and don't see how this can change. The economy is stagnating, and with it, their future.

A recent survey by USA Today revealed that 74% of millennials (27-42 year-olds) believe they are "behind financially" compared to other generations when they were their age. For example, they feel that buying a home is a "stillborn dream", whereas their parents and grandparents were perfectly capable of owning their own home at the same age. Similarly, they feel that the "social and family fabric" is less tightly woven than it used to be, so that many of them find themselves "on their own" in building their lives. And all this is seriously affecting their happiness.

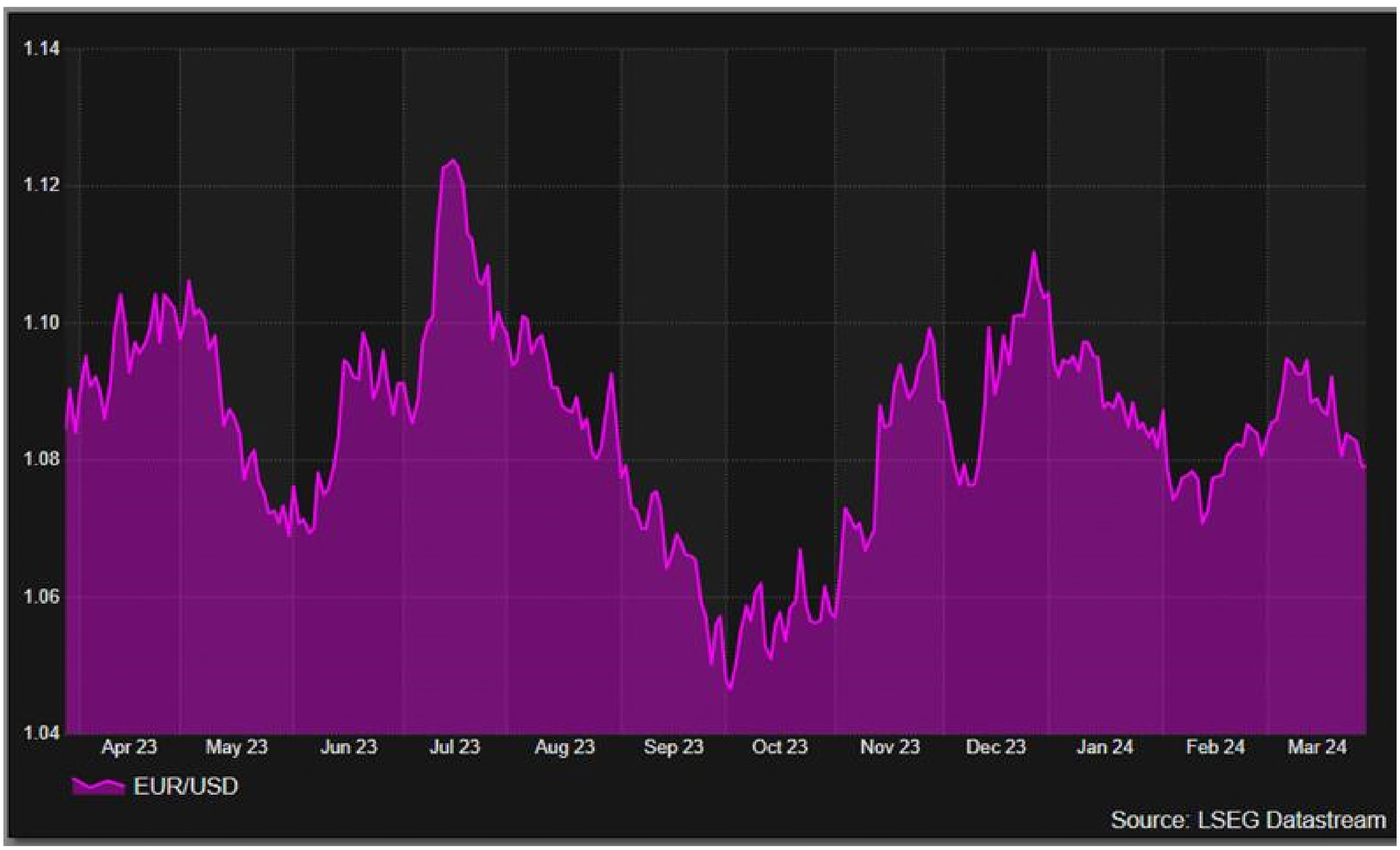
EUR

The EURUSD saw its value fall in March from 1.0837 to 1.0792. Christine Lagarde, President of the European Central Bank (ECB), said she would seriously consider starting to cut interest rates in June. "We will then have new data to see whether or not the pressure has really eased on inflation and the labor market in the eurozone," she explained during a speech in Frankfurt, Germany.

Inflation was 2.6% in February, close to the ECB's 2% target. However, services inflation was stable at 3.9%, a level a little too high for Christine Lagarde's liking, and she promises to keep a close eye on it until next June. The latest ECB projections see inflation in the eurozone at 2.3% in 2024, 2% in 2025 and 1.9% in 2026.

The engine of the eurozone economy seems to have restarted in March. S&P Global's composite PMI index rose from 49.2 in February to 49.9 in March and is now very close to the line (50) that demarcates contraction from economic expansion. This gain is mainly due to the services sector: the services PMI rose in one month from 50.2 to 51.1. By contrast, manufacturing production is still lagging, with the manufacturing PMI remaining virtually unchanged at 46.8 in March.

German entrepreneurs seem to have sensed this upturn in activity, as morale is currently improving. The Ifo institute's German business confidence barometer jumped from 85.7 in February to 87.8 in March, while most analysts were expecting a score of 86." The German economy is seeing light at the end of the tunnel", comments Ifo President Clemens Fuest, pointing out that the renewed optimism for the future applies to "manufacturing, services, trade and construction". Despite this improvement, however, Carsten Brzeski, economist at ING, considers that "a strong recovery is not yet in sight". He warns of several factors that could hamper growth in the short term, including supply chain problems caused by tensions in the Red Sea and the wave of strikes that has been rocking Germany lately.



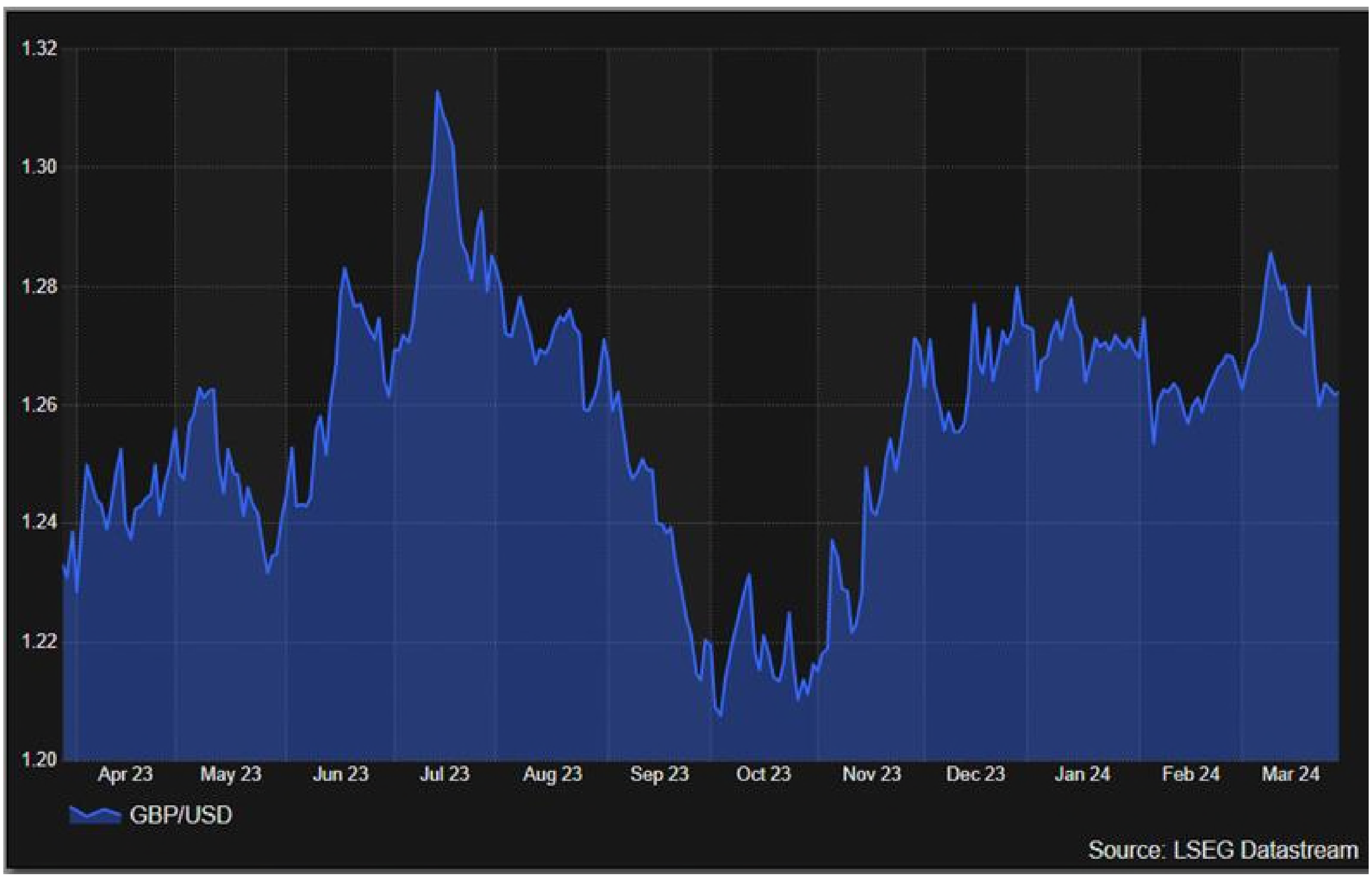
GBP

In March, the GBPUSD fell from 1.2650 to 1.2637. The British economy is expanding, as reflected in the latest S&P Global PMI indices. In March, the services PMI stood at 53.4 and the manufacturing PMI at 50.2, a 13-month high; both scores are above 50, which marks the boundary between contraction and economic expansion. Chris Williamson, Chief Business Economist at S&P Global Market Intelligence, finds the data "encouraging". They go hand in hand with preliminary gross domestic product (GDP) data for Great Britain, which suggest a rebound of around 0.2% in the first quarter of 2024. The country had been in recession since mid-2023.

International rating agency Fitch has revised its outlook on Britain's sovereign credit from "negative" to "stable", citing the mitigation of economic policy risks. It also confirmed its sovereign credit rating at "AA-". Yael Selfin, chief economist at KPMG Great Britain, believes that, while economic performance is improving, "structural factors to the contrary" are bound to hold back growth. GDP growth is expected to be 0.3% in 2024, accelerating to 0.9% in 2025, and over the longer term to around 1% a year for a decade, according to the latest forecasts from KPMG Great Britain.

Household consumption is expected to grow by only 0.5% in 2024 and 1.5% in 2025, according to the experts at KPMG Great Britain. And employers seem to be aware of this, as they are "very reluctant" to commit to new recruitment and are "seriously reconsidering" their investment plans.

One of the markets suffering most from sluggish demand is real estate. Persistently high borrowing costs and the interminable wait for interest rates to fall are keeping real estate transactions at low levels, as potential borrowers delay their purchases while waiting for better offers. And there's no sign of this trend changing any time soon, says Yael Selfin.

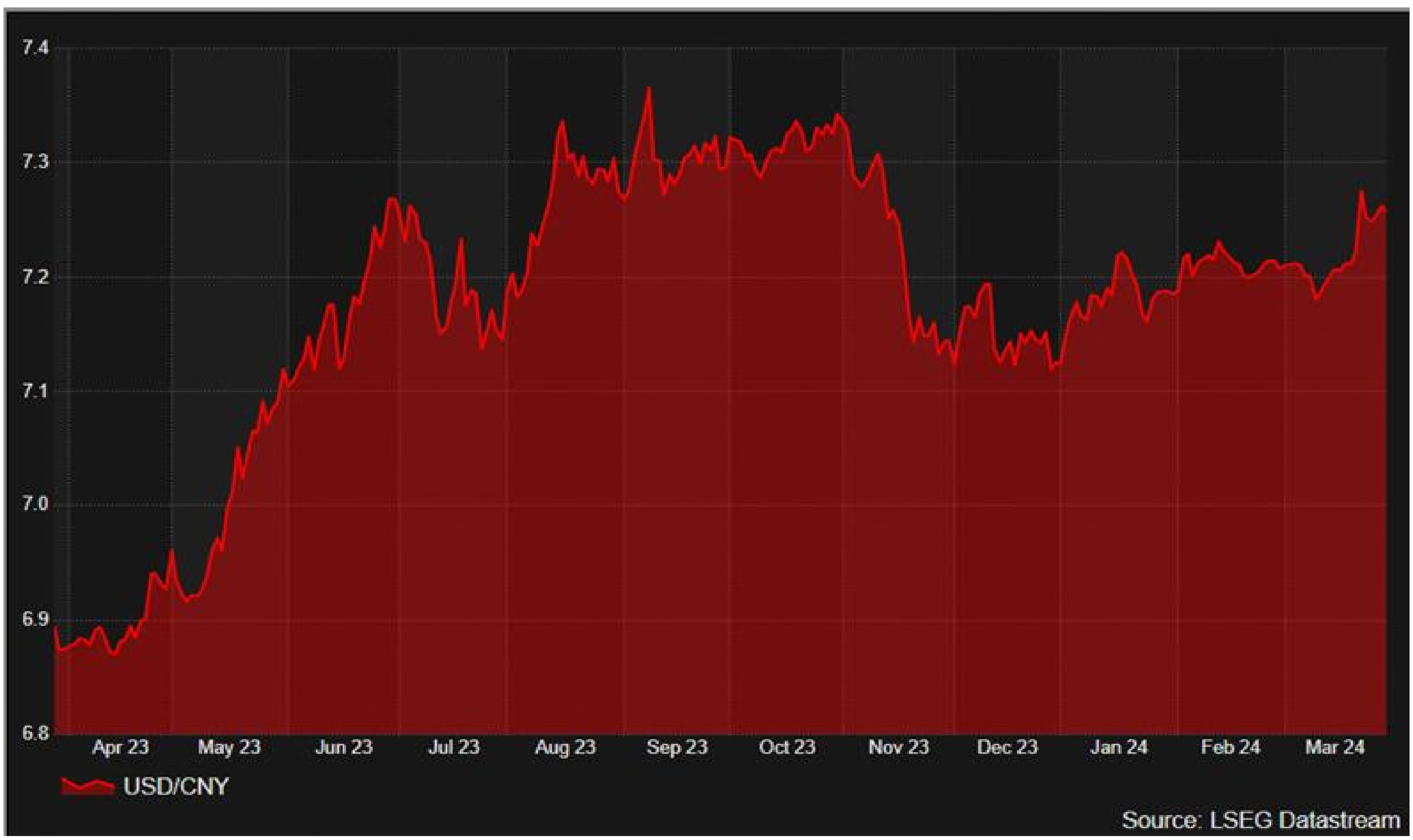


CNY

During March, the USDCNY pair rose from 7.1960 to 7.2203. On March 22, it reached 7.24, a level not seen for four months. This so worried the Chinese authorities that they prompted state-owned banks to intervene to halt the rise. Over the last three months, the yuan has lost 2% of its value. According to Carlos Casanova, Senior Economist, Asia, at Union Bancaire Privée (UBP), several factors explain the yuan's current weakness against other currencies. The two main ones are the strengthening of the USD due to the avoidance of recession in the US, and the sharp depreciation of the yen after the Bank of Japan ended its negative interest rate policy.

In addition, the Chinese economy continues to suffer. A striking example is the property market. In January and February, real estate investment in China fell by 9% compared with the same period in 2023, according to the National Bureau of Statistics (NBS). At recent meetings of the National People's Congress, China's leaders pledged to "fine-tune" policies for the real estate sector, including increased financing for developers and building more affordable housing. Another area of concern is employment. While the unemployment rate is 5.2%, that of 16-24 year-olds is 14.6%, according to official data released in March. Last December, 14.9% of Generation Z were unemployed, and by June 2023, no less than 20%. Young Chinese are suffering from the slowdown in the country's economy since the COVID-19 pandemic, and companies are consequently reluctant to offer them their first job.

That said, there is a glimmer of hope on the horizon: retail sales rose by 5.5% in February, and with them, consumer prices, by 0.7%, after months of decline. But Oxford Economics economist Louise Loo fears that this upturn will only be temporary, as it will be "artificially stimulated" by spending linked to the Lunar New Year vacation, China's biggest celebration of the year. "Without further massive public spending, it will be difficult to maintain growth in the Chinese economy," she maintains, underlining in passing her scepticism about Beijing's ability to reach its 2024 target of economic growth of "around 5%".



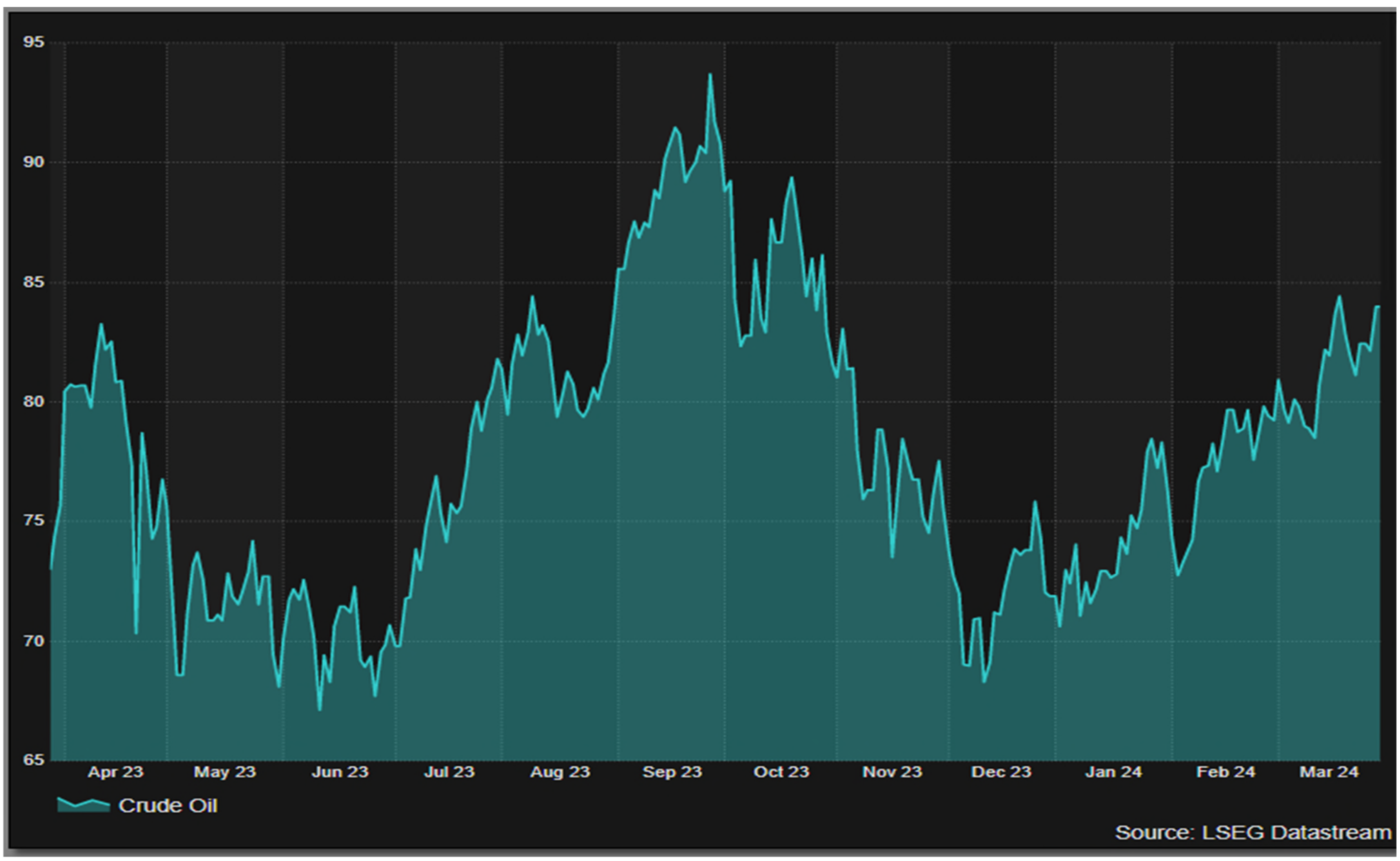
CRUDE OIL

WTI crude futures were trading at 83.19 USD at the end of March, a 13% increase since the start of the year. This rise comes as the International Energy Agency (IEA) anticipates an oil supply deficit for the current year. On the one hand, the Organization of the Petroleum Exporting Countries, plus ten countries including Russia, (OPEC+) has reiterated its decision to reduce production "significantly" until mid-2024, and is toying with the idea of extending the reduction until the end of the year. On the other hand, IEA experts recently raised their forecast for global demand by 110,000 barrels a day to 1.3 million barrels a day.

In addition, geopolitical tensions are running high. Repeated Ukrainian drone attacks on Russian oil refineries are pushing up prices "by more than 2%", according to Trading Economics. There's also the armed conflict in Gaza between Israel and the Hamas group, which is having military and logistical repercussions all the way to the Red Sea, with tankers supplying Europe virtually unable to flow there and consequently having to take the longer, more expensive route around the African continent.

Oil prices are set to continue rising in the months ahead, according to experts at investment bank Goldman Sachs. WTI crude futures could soon reach USD 87, and by the end of 2024, the symbolic USD 100 mark.

This is because a decision widely anticipated by analysts is likely to take place in the coming months, namely the widespread start of interest rate cuts, starting with the Federal Reserve's (Fed) key rate. Many experts expect this to happen next June, if not during the autumn of 2024.
However, Goldman Sachs experts have noted that when a rate cut is initiated in the US outside a recessionary period, it usually results in a "sharp rise" in crude oil prices. In the present case, this rise could be "of the order of 15%", they estimate.



SEEN IN OUR PERISCOPE

STRONG INTEREST IN SELF-EMPLOYMENT

This is not good news for companies facing labor shortages. Self-employment is "exploding", and one of the main reasons is that "many workers are tired of fulfilling someone else's professional dream, and now prefer to fulfill their own", notes the study entitled "Freelancing in Europe" by Malt, a platform for connecting entrepreneurs and companies. Worse still, the self-employed intend to stay that way for a long time: 67.5% of them became self-employed for personal motivation, and say they are satisfied with their situation; only 10% are actively looking for a traditional full-time job.

Source: Le blog du modérateur
https://www.blogdumoderateur.com/etude-freelance-2024-profil-secteurs/

TOWARDS A COCOA SHORTAGE?

In West Africa, the intermediate cocoa harvest - the second crop of the year - is about to get underway, but it's shaping up to be "disastrous". In Côte d'Ivoire, the world's leading cocoa producer, analysts expect the crop to be 17% down on last year. In Ghana, the world's second-largest producer, the harvest could come in at just 25,000 tonnes, compared with the 150,000 tonnes initially forecast. Unfavorable weather conditions are one of the main reasons for the predicted drop in production. Added to this, among other things, is smuggling to neighboring countries, where prices are higher...

Source : Yahoo Finance
https://finance.yahoo.com/news/africa-cocoa-harvest-falling-short-124247842.html

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-minutes 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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