



R&R Weekly Column
By Brunello Rosa



Resilience Amid Divergence - Key Takeaways from the IMF Spring Meetings

Last week, [the 2024 IMF-World Bank Spring Meetings](#) took place in Washington, DC. The meetings occurred at a time of heightened geopolitical tensions, [with the counter-attack by Iran](#) into Israeli territory for the first time in history taking place just before the meetings began, and the [retaliatory response by Israel](#), with the bombing of a military base near the central city of Isfahan, carried out on Friday morning on the last day of the meetings.

On the other hot geopolitical front, the US House of Representatives has finally approved a USD 60.1bn financial and military aid to Ukraine (as part of a broader USD 95bn military aid package, which includes Israel and the Indo-Pacific) that has [been blocked for months by the opposition of the Republican party](#). This comes at the same time as the Biden administration has proposed a compromise solution about seizing Russian assets to finance Ukraine's resistance, [as we discussed in our column last week](#).

During these same days, the US decided to [re-impose sanctions on Venezuela](#), albeit with some important carve-outs, given the lack of progress, or even backtracking, of President Nicolas Maduro in organising "free and fair" elections, in which candidates of the opposition had at least the theoretical chance to win.

On the macroeconomic front, the IMF certified that the global economy is, basically, "Steady But Slow" with "Resilience Amid Divergence." The latest edition of the [World Economic Outlook](#) (WEO) kept the forecast for global growth in 2024 unchanged at the disappointing level of 3.2%, the same as in 2023 and as expected again in 2025. The US economy is seen accelerating in 2024 to 2.7% compared to the 2023 growth rate of 2.6%.

The Euro area is also seen accelerating from 0.4% in 2023 to 0.8% 2024, but this still represents less than a third of the US' speed. Further confirming this divergence is the deceleration that the IMF sees for the largest EM economies, China (from 5.2% in 2023 to 4.6% in 2024), India (from 7.8% in 2023 to 6.8% in 2024), Brazil (from 2.9% in 2023 to 2.2% in 2024), Russia (from 3.6% in 2023 to 3.2% in 2024) and Mexico (from 3.2% in 2023 to 2.4% in 2024).

Inflation is clearly on a downward trend globally, but the recent rise in oil prices due to increased geopolitical tensions in the Middle East risks creating another bump in the descending dynamics of headline inflation. So the real question is: will central banks "look through" this [potentially "temporary" increase in inflation](#), or will they fear that this may represent a stop in its positive trajectory? Theoretically speaking, if other shocks are not added to this one, the major central banks may conclude that a short-lived revitalisation of inflation does not fundamentally change the picture, and they may carry on with their intention of starting to reduce some of the monetary restrictions that have been introduced in the last couple of years.

Given all of this, markets may find some reason not to be too scared. Some monetary easing is on the way, although probably less than had been anticipated at the beginning of the year. Lower short- and longer-term yields should provide some relief to both fixed-income products and equity prices over the spring-summer period.

Our Recent Publications

📖 [India Election: Predictions and Controversies](#), by Lāsma Kokina, 16 April 2024

📖 [Review: ECB Signals Its First Rate Cut in June, But Doesn't Pre-Commit On The Easing Pace](#), by Brunello Rosa and Nato Balavadze, 11 April 2024

Looking Ahead

The Week Ahead: QoQ GDP To Decelerate in US; PCE Price Index To Increase In US; PMIs To Edge Down In UK, While Rising In EZ

In the US, in Q1, according to advance estimates, the GDP growth rate is seen decelerating to 2.5% q-o-q (*p*: 3.4%). In March, the PCE price index is expected to increase to 2.6% y-o-y (*p*: 2.5%), whereas the core PCE price index is likely to edge down to 2.6% y-o-y (*p*: 2.8%). In April, Michigan Consumer Sentiment is seen declining to 77.9 (*p*: 79.4).

In the EZ, in April, according to the flash estimates, HCOB Manufacturing and Services PMIs are expected to increase to 46.5 (*p*: 46.1) and 51.8 (*p*: 51.5) respectively. HCOB composite PMI is seen also rising to 50.8 (*p*: 50.3). In April consumer confidence is likely to rise to -14.0 (*p*: -14.9).

In the UK, in April, according to the flash estimates, S&P Global Manufacturing is expected to stay unchanged at 50.3, whereas Services PMIs is likely to decrease slightly to 53.0 (*p*: 53.1) and 51.8 (*p*: 51.5).

The Quarter Ahead: The US House passed a \$95 billion aid package for Ukraine, Israel, and Taiwan; Israeli Protests And Escalations

The US House has approved a \$95 billion aid package for Ukraine, Israel, and Taiwan, sending it to the Senate. The Senate will review the House-approved bill on Tuesday, starting with preliminary votes in the afternoon. Final approval is anticipated next week, enabling Biden to sign it into law. The legislation allocates \$60.84 billion for Ukraine's conflict (\$23 billion for weapon replenishment), \$26 billion for Israel (\$9.1 billion for humanitarian aid), and \$8.12 billion for the Indo-Pacific region, including Taiwan.

Protests in Israel. Israeli protesters rallied for new elections and stronger government action to free Gaza hostages. These demonstrations mark the latest wave of protests targeting Prime Minister Benjamin Netanyahu. In the meantime, Israel conducted a military strike on Iran early Friday, marking a potentially risky escalation in the expanding Middle East conflict. Iranian officials have downplayed the incident, and neither Israel nor Iran has officially acknowledged it. US Secretary of State Antony Blinken stated that the G7 nations are dedicated to reducing tensions between Israel and Iran.

Last Week's Review

Real Economy: EZ Headline And Core Inflation Rate Decreased; Inflation Rose In Italy; UK Unemployment Rate Edged Up

In the US, in March, retail sales increased by 4.0% y-o-y (*p*: 2.1%). In March, IP stagnated (*p*: -0.3%).

In the EZ, in March, headline and core inflation fell to 2.4% y-o-y (*p*: 2.6%) and 2.9% y-o-y (*p*: 3.1%) as expected. In March, monthly inflation rose by 0.8% (*c*: 0.8%; *p*: 0.6%). In April, the ZEW economic sentiment index increased to 43.9 (*c*: 37.2; *p*: 33.5). In Italy, the headline inflation rate edged up to 1.2% y-o-y (*c*: 1.3%; *p*: 0.8%).

In the UK, in March, the headline inflation rate eased to 3.2% y-o-y (*c*: 3.1%; *p*: 3.4%). In April, the unemployment rate edged up to 4.2% (*c*: 4.0%; *p*: 4.0%). In March, retail sales rose by 0.7% m-o-m (*c*: 0.3%; *p*: 0.9%).

Financial Markets: Stock Prices Fell; US Bond Yields Increased; Dollar And Gold Prices Increased, While Oil Prices Edged Down

Market Drivers: Stock indexes were down last week due to the worries about Middle East tensions and the potential for prolonged high U.S. interest rates dampening investor sentiment. Strong economic data raised concerns that the Fed might delay interest rate cuts until autumn or even 2025. Fed officials expressed the same concern, as a result of which the UST yields edged up.

Global Equities: Decreased w-o-w (MSCI ACWI, -2.9%, to 743.28). The US S&P 500 index edged down (-3.0% w-o-w, to 4,967.23). In the EZ, share prices fell (Eurostoxx 50, -0.8% w-o-w, to 4,917.55). In EMs, equity prices decreased (MSCI EMs, -3.6%, to 1,004.17). Volatility rose to 17.80 (VIX S&P 500, 52w avg.: 20.9; 10y avg.: 17.6).

Fixed Income: w-o-w, the 10-year US Treasury increased (+10 bps to 4.62%). The 2-year US Treasury yields increased (+10 bps to 4.99%). The German 10-year bund yields increased (+14 bps to 2.50%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.1%, to 106.12; EUR/USD +0.1%, to 1.07). In EMs, currencies edged down (MSCI EM Currency Index, -0.3% w-o-w, to 1,710.46).

Commodities: w-o-w, oil prices decreased (Brent, -3.4% to 87.38 USD/b). Gold prices rose w-o-w (+1.4% to 2,406.7 USD/Oz).



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Abbreviations, Acronyms and Definitions

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	MSS	Five Star Movement, Italy
ann.	annualized	m-o-m	Month-on-month
ARS	Argentinian Peso	mb	Million barrels
avg.	Average	mb/d	Million barrels per day
bn	Billion	MENA	Middle East and North Africa
BoC	Bank of Canada	MHP	Nationalist Movement Party, Turkey
BoE	Bank of England	mn	Million
BoJ	Bank of Japan	MPC	Monetary Policy Committee
bpd	Barrels per day	NAFTA	North-American Free Trade Agreement
bps	Basis points	NATO	North Atlantic Treaty Organization
BS	Balance sheet	OECD	Organization for Economic Cooperation and Development
c	Consensus	Opec	Organization of Petroleum Exporting Countries
C/A	Current account	p	Previous
CB	Central bank	P2P	Peer-to-peer
CBB	Central Bank of Bahrain	PBoC	People's Bank of China
CBK	Central Bank of Kuwait	PCE	Personal Consumption Expenditures
CBT	Central Bank of Turkey	PE	Price to earnings ratio
CDU	Christian Democratic Union, Germany	PM	Prime minister
CNY	Chinese Yuan	PMI	Purchasing managers' index
CPI	Consumer Price Index	pps	Percentage points
DJIA	Dow Jones Industrial Average Index	pw	Previous week
DJEM	Dow Jones Emerging Markets Index	QCB	Qatar Central Bank
d-o-d	Day-on-day	QAR	Qatari Riyal
DXY	US Dollar Index	QE	Quantitative easing
EC	European Commission	q-o-q	Quarter-on-quarter
ECB	European Central Bank	RE	Real estate
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EIA	US Energy Information Agency	RRR	Reserve Requirement Ratio
EM	Emerging Markets	RUB	Russian Rouble
EP	European Parliament	SWF	Sovereign Wealth Fund
EPS	Earnings per share	tn	Trillion
EU	European Union	TRY	Turkish Lira
EUR	Euro	UAE	United Arab Emirates
EZ	Eurozone	UK	United Kingdom
Fed	US Federal Reserve	US	United States
FOMC	US Federal Open Market Committee	USD	United States Dollar
FRB	US Federal Reserve Board	USD/b	USD per barrel
FX	Foreign exchange	UST	US Treasury bills/bonds
FY	Fiscal Year	VAT	Value added tax
GCC	Gulf Cooperation Council	VIX	Chicago Board Options Exchange Volatility Index
GBP	British pound	WTI	West Texas Intermediate
GDP	Gross domestic product	WTO	World Trade Organisation
IMF	International Monetary Fund	w	Week
INR	Indian Rupee	w-o-w	Week-on-week
IPO	Initial public offering	y	Year
IRR	Iranian Rial	y-o-y	Year-on-year
JPY	Japanese yen	y-t-d	Year-to-date
k	thousand	ZAR	South African Rand
KSA	Kingdom of Saudi Arabia	2y; 10y	2-year; 10-year

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