MyStratWeekly
Market views and strategy

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Topic of the week: The thematic piece will resume on May 19.
by Axel Botte

Market review: As good as it gets
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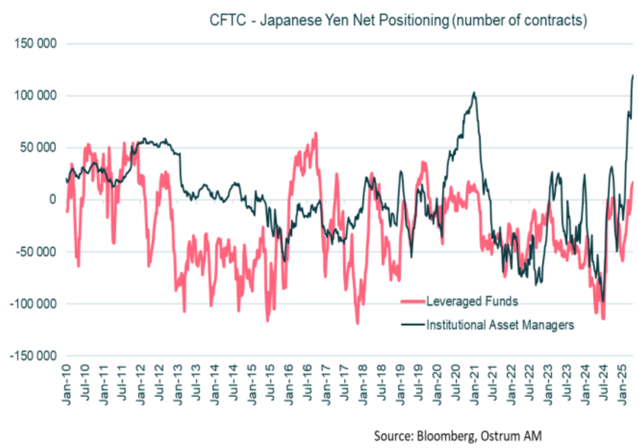
- U.S. growth: negative in 1Q 2025 but job report solid in April;
- Euro area: better-than expected GDP growth in 1Q 2025 (+0.4 %);
- U.S.: solid quarterly earnings reports despite lack of visibility;
- Equity markets keep rallying.

Chart of the week



The accompanying chart illustrates the positioning in the Japanese yen as reported by the CFTC for two types of investors. Net long positions in Japanese yen against the U.S. dollar in futures and options contracts have surged in recent weeks.

Institutional investors now hold unprecedented net long positions, exceeding the peaks reached in 2018. Meanwhile, speculative accounts have also covered their short positions that had been maintained since 2021. However, the Bank of Japan has remained ambiguous regarding the timing of a potential interest rate hike.

Figure of the week

80

It has been 80 years since women gained the right to vote in France.
Source: Bloomberg

- **Topic of the week**

The thematic piece will resume on May 19

Market review

As good as it gets

Equity markets have reacted positively to the quarterly earnings reports despite the lack of visibility from companies. Negative growth in Q1 in the United States contrasts with a still solid employment report in April. Activity was also better than expected in the euro area.

Beyond the initial shock of uncertainty faced by financial markets, the global economy now has to contend with the reality of U.S. tariffs. Maritime transport demand collapsed in April, foreshadowing a significant contraction in U.S. imports for the second quarter and a decline in global trade. Shelves will empty within weeks, and this reality is likely to accelerate trade talks, with a potential deal with Japan anticipated as early as June. The U.S. economy contracted by 0.3% on an annualized basis in the first quarter. Consumption recovered towards the end of the quarter due to automobile purchases. Donald Trump acknowledged the sector's difficulties induced by his policies by easing the double burden of specific tariffs and taxes on steel and aluminum. The increase in equipment investment is primarily traceable to imports of computers produced mainly in China, which rose by 112% between January and March, contributing half a point to growth. The backlash on domestic demand is bound to be stronger, and the “true” slowdown lies ahead. Employment remains upbeat despite layoff announcements and a continued decline in job openings. Job creation reached 177,000 in April, with the unemployment rate stable at 4.2%. Healthcare, logistics, and leisure sectors contributed to this monthly increase. Temporary employment however dominates job creation. This may seem paradoxical, but many companies continue to report hiring difficulties and wage pressures, possibly linked to the halt in immigration. In this context, the rebound in activity in the Eurozone is surprising. Indeed, this surge conceals a strong contribution from inventories in France and predates the implementation of tariffs. Nonetheless, the resilience of the economy seems to be confirmed, with inflation close to 2% in April thanks to the decline in oil prices.

In this environment, any signal of de-escalation triggers a rebound in risky assets. Quarterly earnings reports are solid in the United States, with two-thirds of S&P 500 companies having reported. The average surprise stands at around +8% for first-quarter earnings, although revenue growth is less dynamic at +4.1% year-on-year. Technology and healthcare show the strongest profit growth. Many companies refuse to provide guidance due to tariffs. GM, for instance, cancels its share buyback program, while oil companies maintain theirs... albeit with reduced investments following the recent drop in oil prices. In Europe, positive surprises mask a decline in year-on-year profits. In the bond markets, the U.S. 10-year yield fluctuates between 4.20% and 4.30%. Volatility is also easing in the Eurozone bond market, where the Bund holds around 2.50%. Credit spreads widened moderately, but mutual fund flows improve for both investment grade and high yield. The crossover trades at 340 bps.

Axel Botte

Main market indicators

G4 Government Bonds	05-May-25	1wk (bp)	1m (bp)	2025 (bp)
EUR Bunds 2y	1.76%	+2	-7	-32
EUR Bunds 10y	2.52%	-1	-6	+15
EUR Bunds 2s10s	75.5 bp	-2	+1	+47
USD Treasuries 2y	3.82%	+8	-3	-42
USD Treasuries 10y	4.31%	+7	+18	-26
USD Treasuries 2s10s	48.2 bp	0	+22	+16
GBP Gilt 10y	4.51%	+3	-13	-6
JPY JGB 10y	1.26%	-8	-19	-5
€ Sovereign Spreads (10y)	**05-May-25**	**1wk (bp)**	**1m (bp)**	**2025 (bp)**
France	72 bp	0	-1	-11
Italy	101 bp	-9	-11	-14
Spain	65 bp	-1	-2	-4
Inflation Break-evens (10y)	**05-May-25**	**1wk (bp)**	**1m (bp)**	**2025 (bp)**
EUR 10y Inflation Swap	1.89%	-2	+1	-4
USD 10y Inflation Swap	2.43%	+1	-3	-3
GBP 10y Inflation Swap	3.28%	-3	-8	-24
EUR Credit Indices	**05-May-25**	**1wk (bp)**	**1m (bp)**	**2025 (bp)**
EUR Corporate Credit OAS	111 bp	+3	+14	+9
EUR Agencies OAS	53 bp	+0	+3	-9
EUR Securitized - Covered OAS	50 bp	-1	+5	-7
EUR Pan-European High Yield OAS	371 bp	+4	+35	+53
EUR/USD CDS Indices 5y	**05-May-25**	**1wk (bp)**	**1m (bp)**	**2025 (bp)**
iTraxx IG	65 bp	-1	-15	+7
iTraxx Crossover	334 bp	-7	-73	+20
CDX IG	64 bp	-3	-12	+15
CDX High Yield	392 bp	-18	-65	+80
Emerging Markets	**05-May-25**	**1wk (bp)**	**1m (bp)**	**2025 (bp)**
JPM EMBI Global Div. Spread	357 bp	+1	+10	+31
Currencies	**05-May-25**	**1wk (%)**	**1m (%)**	**2025 (%)**
EUR/USD	$1.133	-0.762	3.858	9.5
GBP/USD	$1.329	-1.123	4.448	6.2
USD/JPY	JPY 144	-1.368	2.681	9.2
Commodity Futures	**05-May-25**	**-1wk ($)**	**-1m ($)**	**2025 (%)**
Crude Brent	$60.0	-$4.8	-$5.0	-18.1
Gold	$3 294.1	-$49.9	$310.8	25.5
Equity Market Indices	**05-May-25**	**-1wk (%)**	**-1m (%)**	**2025 (%)**
S&P 500	5 687	2.92	12.07	-3.3
EuroStoxx 50	5 265	1.82	7.92	7.5
CAC 40	7 727	2.52	6.21	4.7
Nikkei 225	36 831	5.11	18.29	-7.7
Shanghai Composite	3 279	-0.53	-1.88	-2.2
VIX - Implied Volatility Index	24.55	-2.39	-45.82	41.5

Source: Bloomberg, Ostrum AM

Additional notes

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