

# Monthly Macro Market Update

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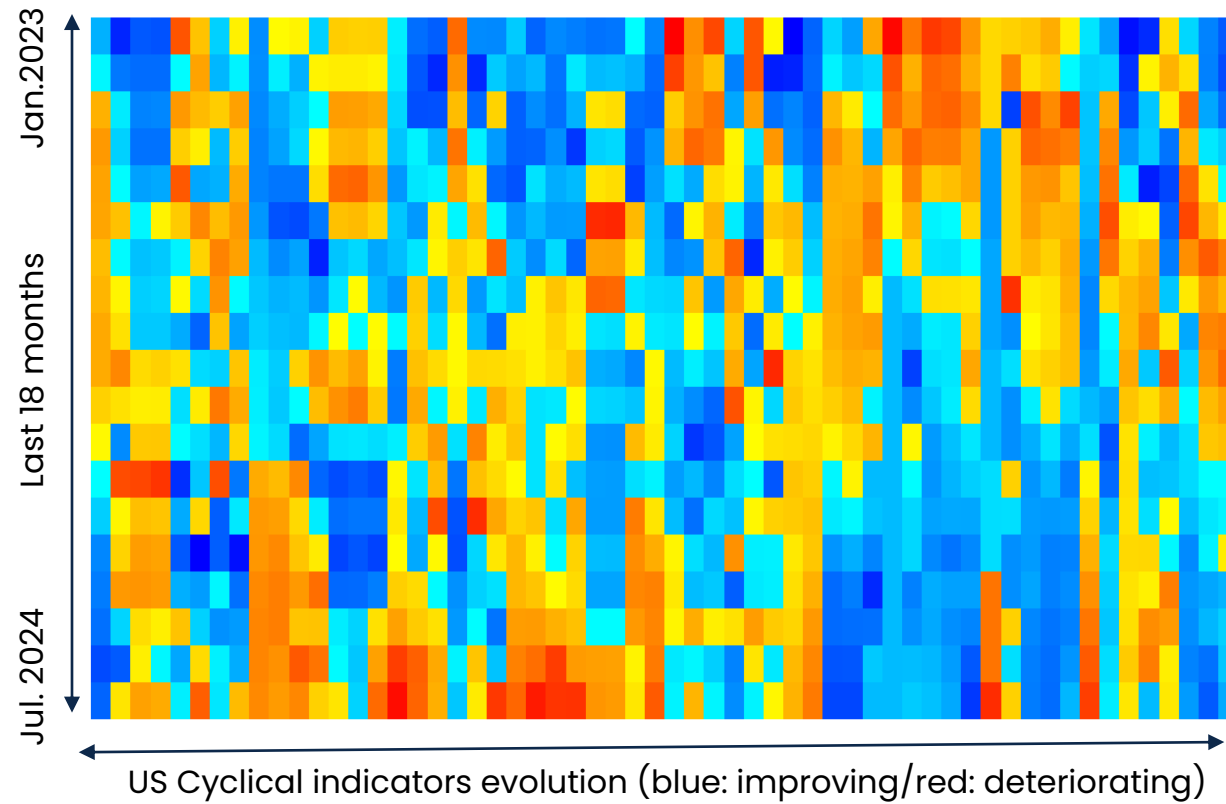
September 2024



1. What is the outlook for the US economic cycle?
2. What terminal interest rate and pace of monetary policy tightening should be expected?
3. What are the market perspectives following the August sell-off?
4. US Elections: Trump or Harris – what are the potential macroeconomic implications?

# US Outlook: Business Cycle Model does not point to an imminent recession. The soft landing scenario is still on track

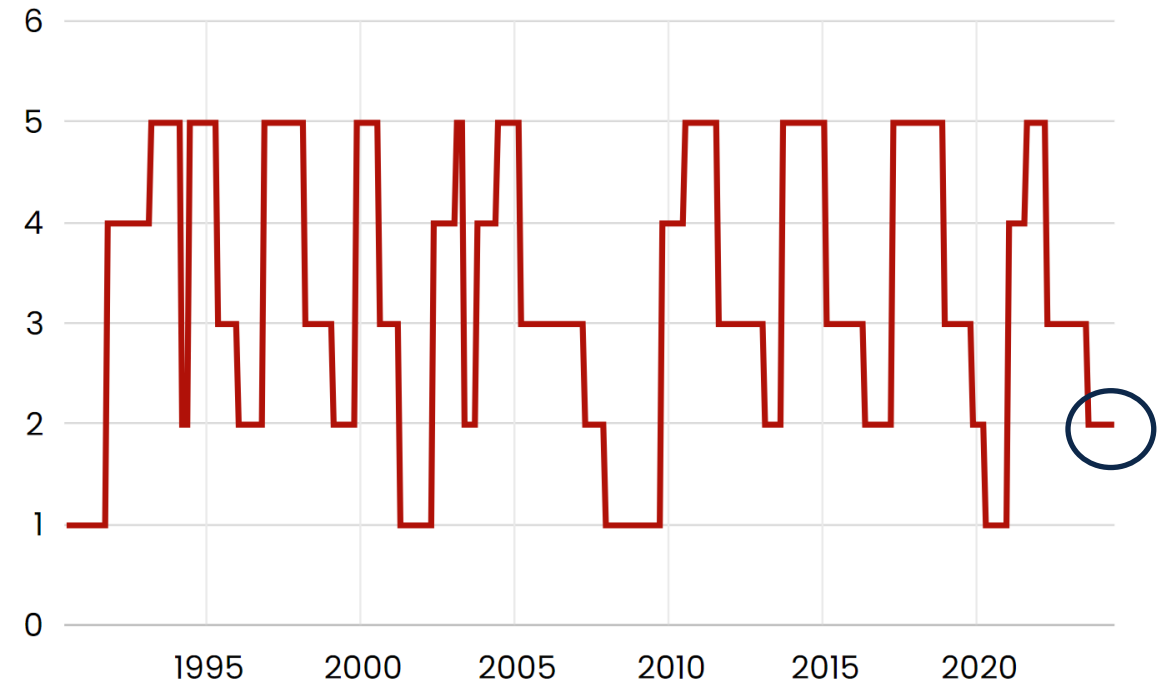
## US Heatmap Business Cycle Model – July 2024



Source: TAC ECONOMICS

## US Business Cycle Indicator

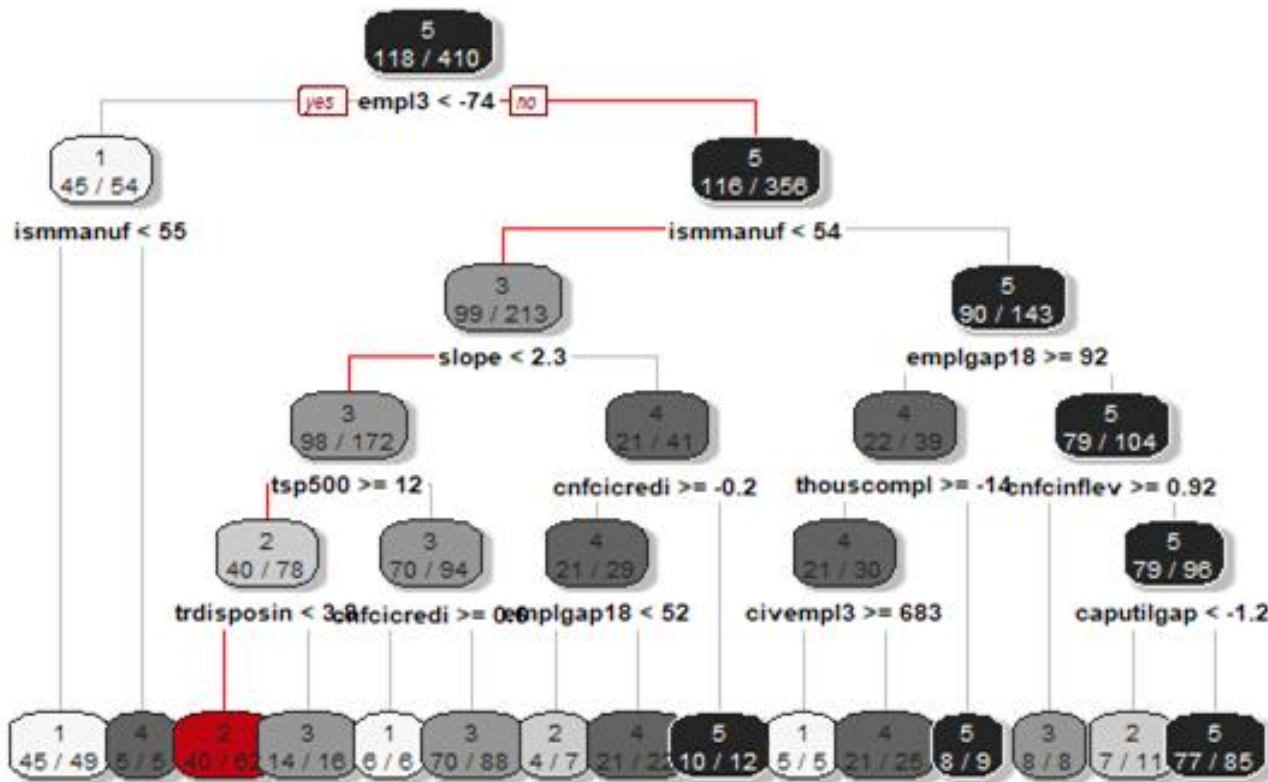
1 - Recession, 2 - Cyclical weakness, 3 - Cyclical deterioration, 4 - Recovery, 5 - Top-cycle



Source : TAC ECONOMICS

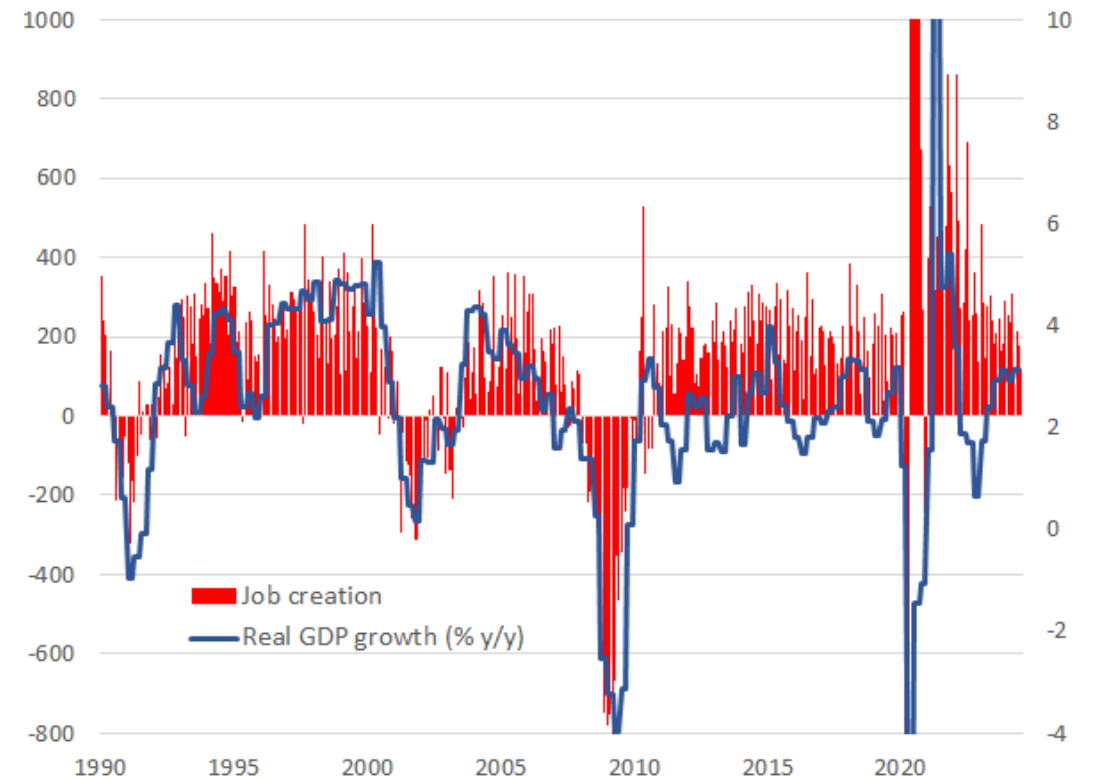
# US Outlook: A severe recession scenario is contingent on an employment shock (< -74K Monthly Job destruction).

## US Heatmap Model – 1 month ahead



1 - Recession, 2 - Cyclical weakness, 3 - Cyclical deterioration, 4 - Recovery, 5 - Top-cycle

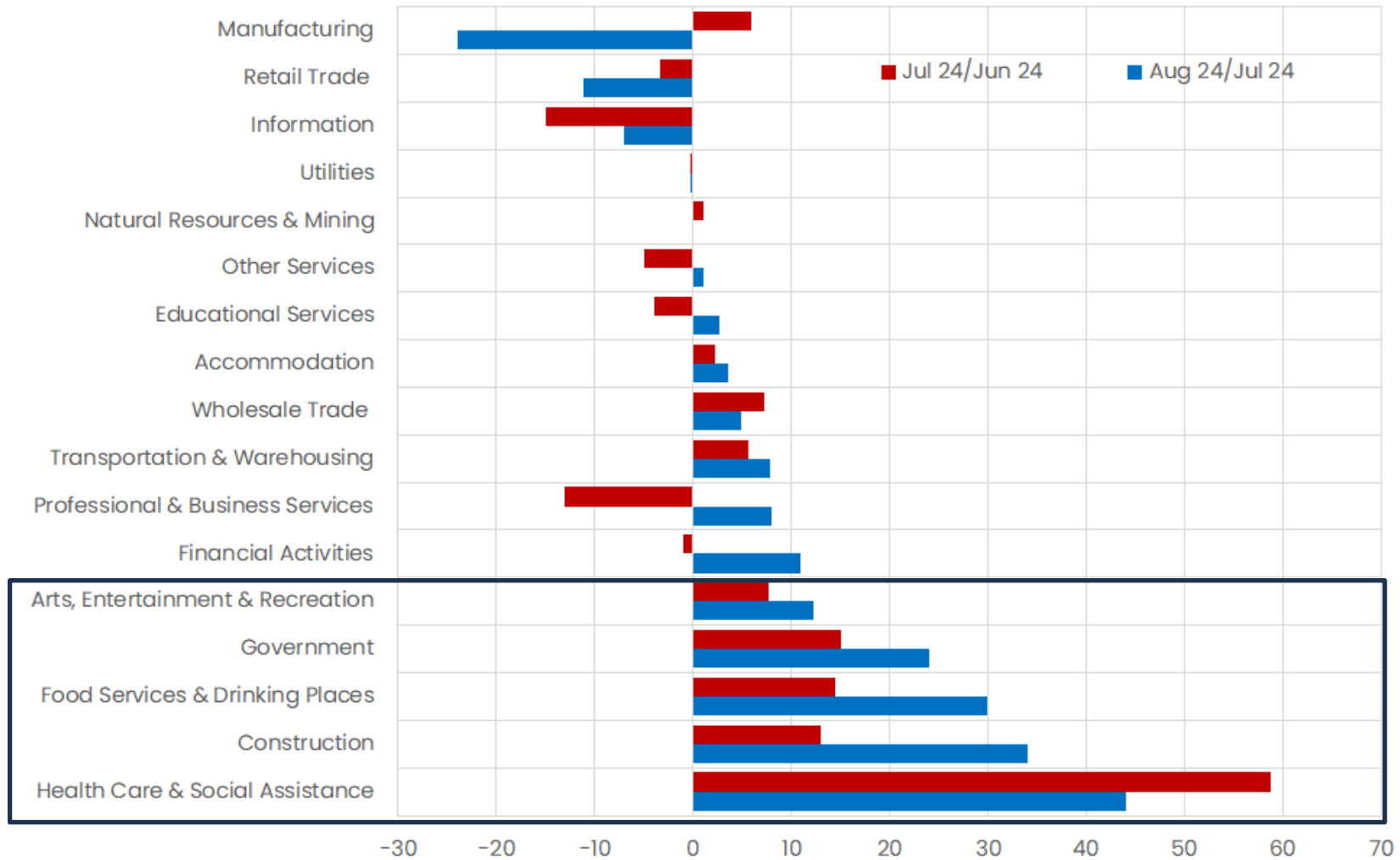
## US NFP and real GDP growth evolution



Source: TAC ECONOMICS Datalab

# US Outlook: The labor market has turned a corner but is still on a very soft adjustment

## NFP Monthly evolution by sector

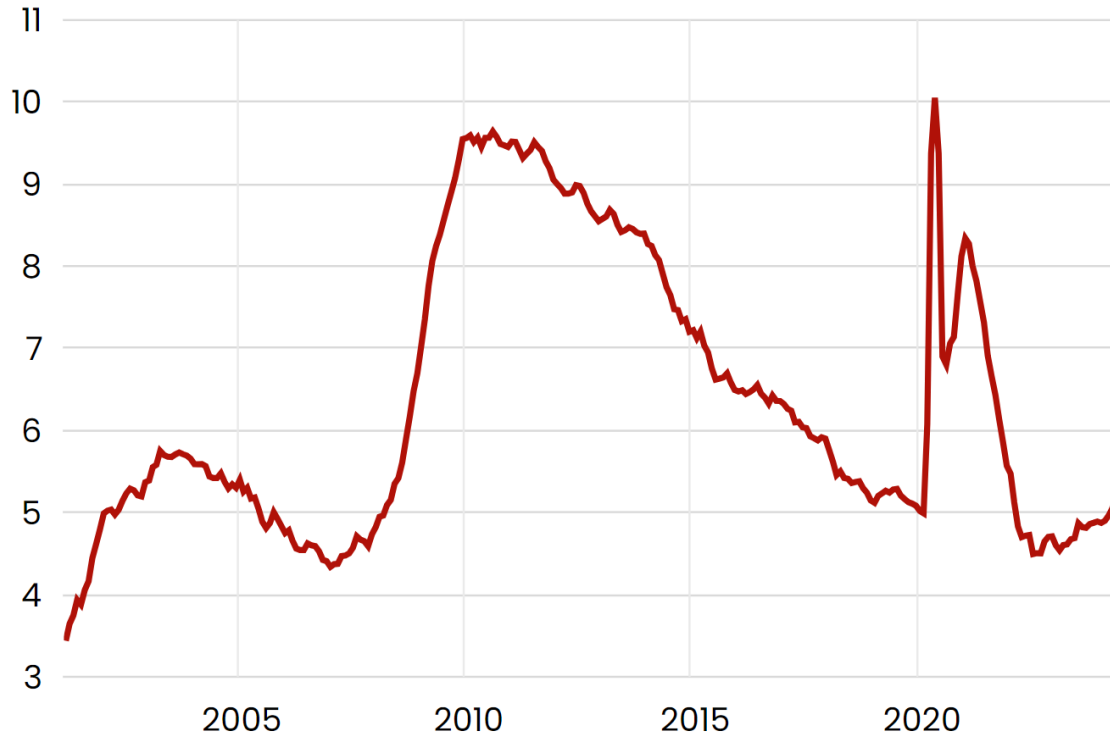


Source: TAC ECONOMICS Datalab

# US Outlook: The labor market has turned a corner but is still on a very soft adjustment

## US Labor market conditions index

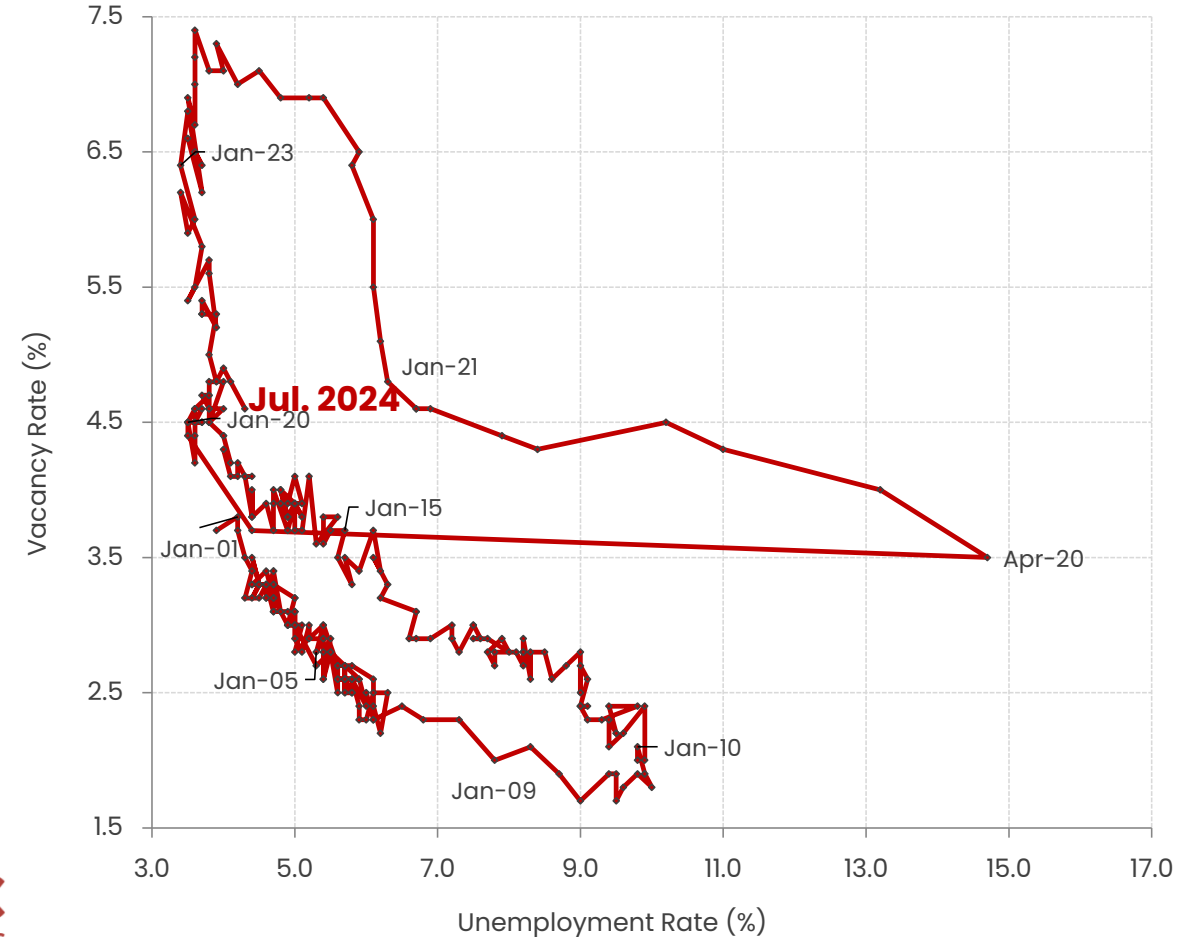
TAC ECONOMICS Indicator



Source : TAC ECONOMICS



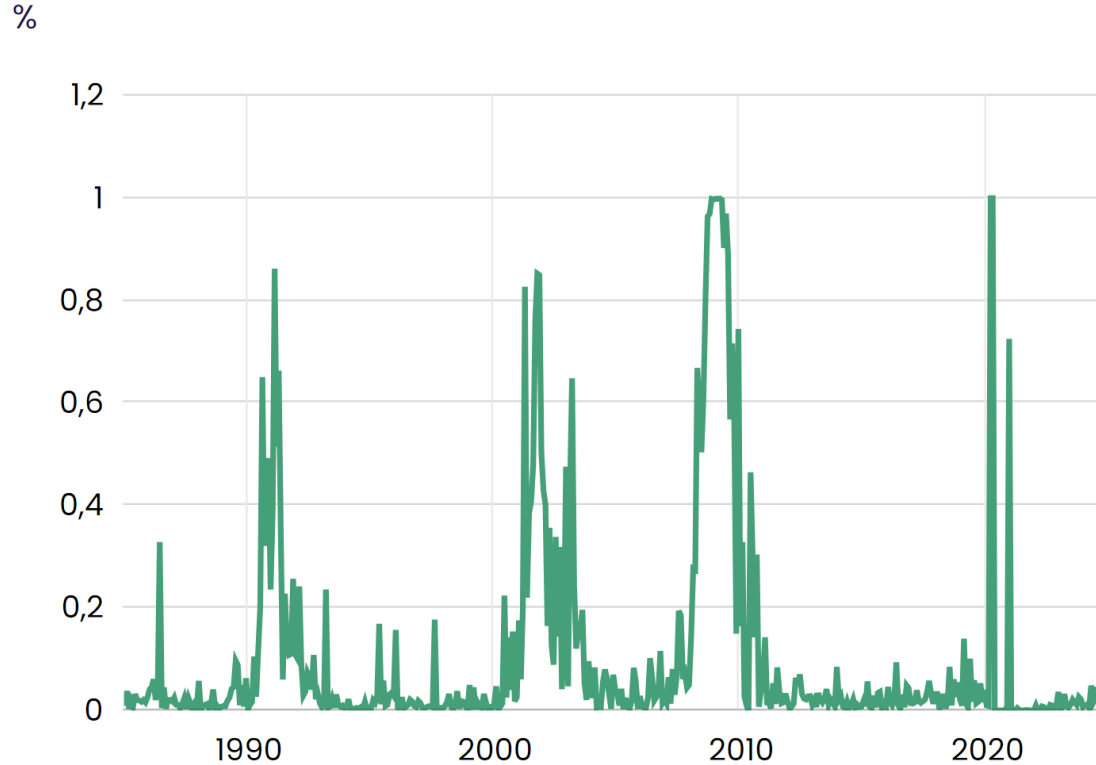
## US Beveridge Curve



Source: TAC ECONOMICS Datalab

# US Outlook: The labor market has turned a corner but is still on a very soft adjustment

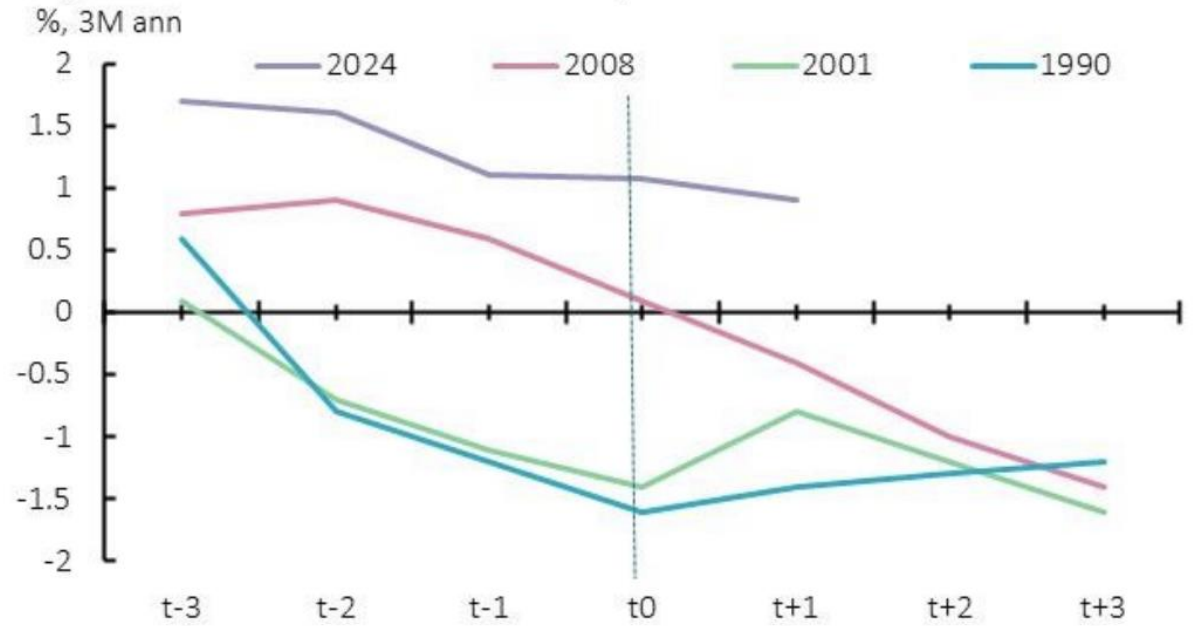
### Recession probability, based on job creation



Source : TAC ECONOMICS



### Payroll around the time the "Sahm point" was hit



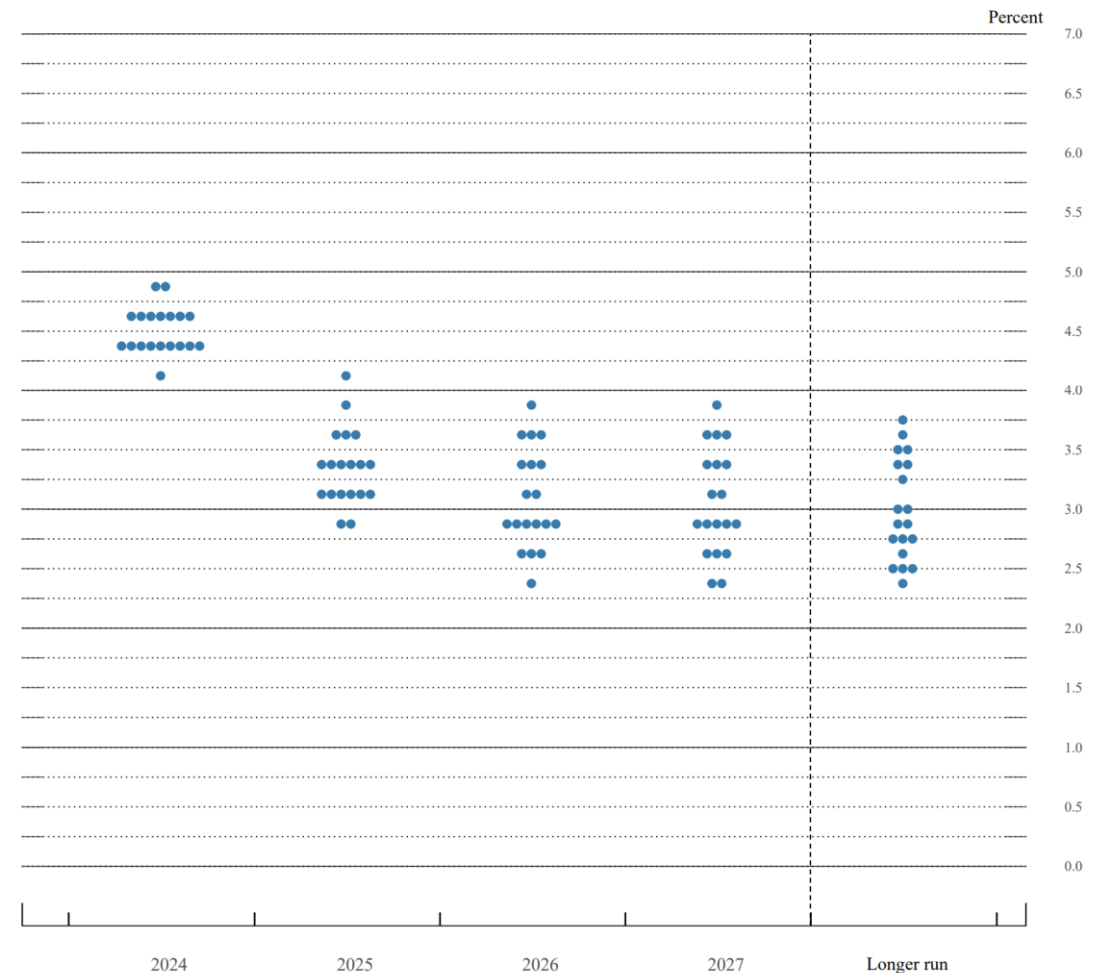
Source: Bureau of Labor Statistics and AXA IM Research, September 2024

Source: TAC ECONOMICS Datalab

# US Outlook: FOMC September meeting

Variable	Median <sup>1</sup>				
	2024	2025	2026	2027	Longer run
Change in real GDP	2.0	2.0	2.0	2.0	1.8
June projection	2.1	2.0	2.0		1.8
Unemployment rate	4.4	4.4	4.3	4.2	4.2
June projection	4.0	4.2	4.1		4.2
PCE inflation	2.3	2.1	2.0	2.0	2.0
June projection	2.6	2.3	2.0		2.0
Core PCE inflation <sup>4</sup>	2.6	2.2	2.0	2.0	
June projection	2.8	2.3	2.0		
Memo: Projected appropriate policy path					
Federal funds rate	4.4	3.4	2.9	2.9	2.9
June projection	5.1	4.1	3.1		2.8

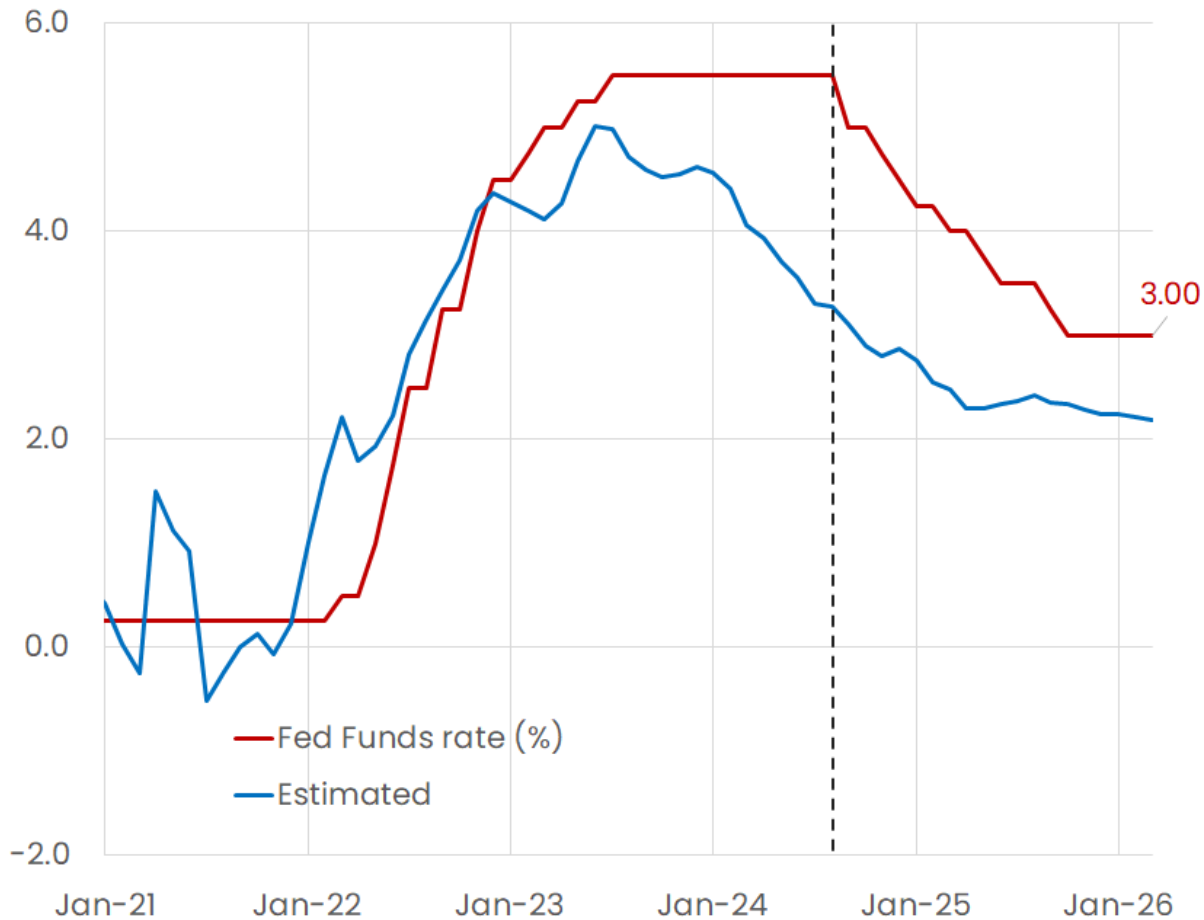
Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate





# US Outlook: The Fed is likely to deliver a faster and shorter cutting cycle than the 'dots' suggest

**US estimated monetary policy reaction function (%)**

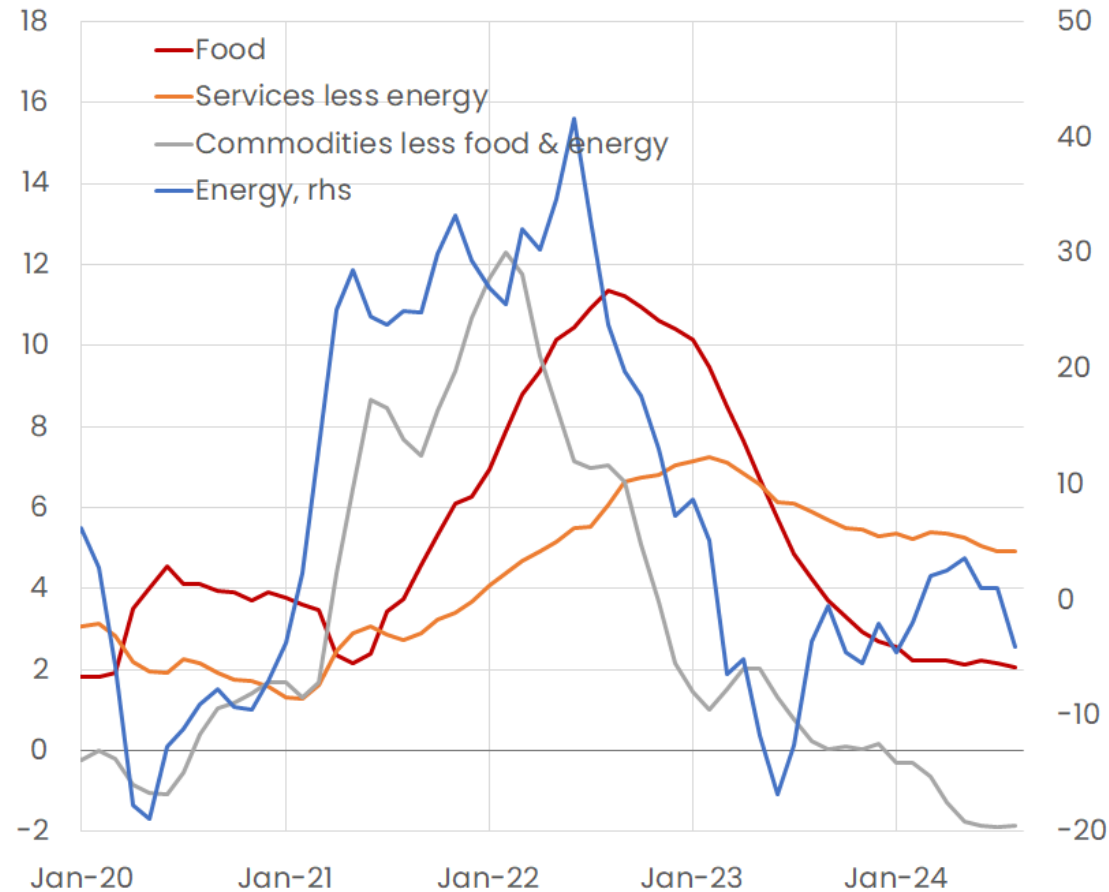


<b>Actual : 5.0%</b>	<b>Fed Funds rate (upper range)</b>
Sept. 18, 2024	5.00%
Nov. 7, 2024	4.75%
Dec. 18, 2024	4.50%
Jan. 29, 2025	4.25%
March 19, 2025	4.00%
May 7, 2025	3.75%
June 18, 2025	3.50%
July 30, 2025	3.50%
Sept. 17, 2025	3.25%
Oct. 29, 2025	3.00%
Dec. 10, 2025	3.00%

Source: TAC ECONOMICS Datalab

# US Outlook: A gradual disinflation in a soft landing scenario does not argue for rapid adjustments to the Fed Funds rate

## USA Inflation Evolution by components Y/Y in %



### US CPI - ALL URBAN: ALL ITEMS

#### US CPI - FOOD

US CPI: FOOD AT HOME	0.4	0.0	0.1	0.0	0.1	0.2	0.2	0.1
US CPI: CEREALS & BAKERY PRODUCTS	0.4	0.0	0.0	-0.2	0.0	0.1	0.1	-
US CPI: MEATS, POULTRY, FISH & EGGS	-0.2	0.5	-0.9	0.6	0.2	-0.1	-0.5	-0.1
US CPI: DAIRY & RELATED PRODUCTS	0.0	0.1	0.9	-0.7	0.2	0.2	0.7	0.8
US CPI: FRUITS & VEGETABLES	0.2	-0.6	-0.1	0.1	-0.5	0.6	-0.2	0.5
US CPI: NONALCOHOLIC BEVGS & BEVG MATLS	0.4	-0.2	0.1	-0.8	0.0	-0.5	0.8	-0.2
US CPI: OTHER FOODS	1.2	-0.2	0.3	-0.2	-0.3	0.1	0.5	-0.7
US CPI: FOOD AWAY FROM HOME	0.6	-0.1	-0.3	-0.1	0.0	0.5	-0.5	-0.3
US CPI: FOOD AWAY FROM HOME	0.5	0.1	0.3	0.3	0.4	0.4	0.2	0.3

#### US CPI - ENERGY

US CPI - ENERGY COMMODITIES	-0.9	2.3	1.1	1.1	-2.0	-2.0	-	-0.8
US CPI: FUEL OIL AND OTHER FUELS	-3.2	3.6	1.5	2.7	-3.5	-3.7	0.1	-0.6
US CPI: MOTOR FUEL	-2.3	0.7	1.1	2.3	-1.0	-2.5	0.9	-1.9
US CPI: ENERGY SERVICES	-3.3	3.7	1.6	2.7	-3.6	-3.7	-	-0.6
US CPI: ENERGY SERVICES	1.4	0.8	0.7	-0.7	-0.2	-0.1	-	-0.6

#### US CPI - ALL ITEMS LESS FOOD & ENERGY (CORE)

#### US CPI - COMMODITIES LESS FOOD & ENERGY

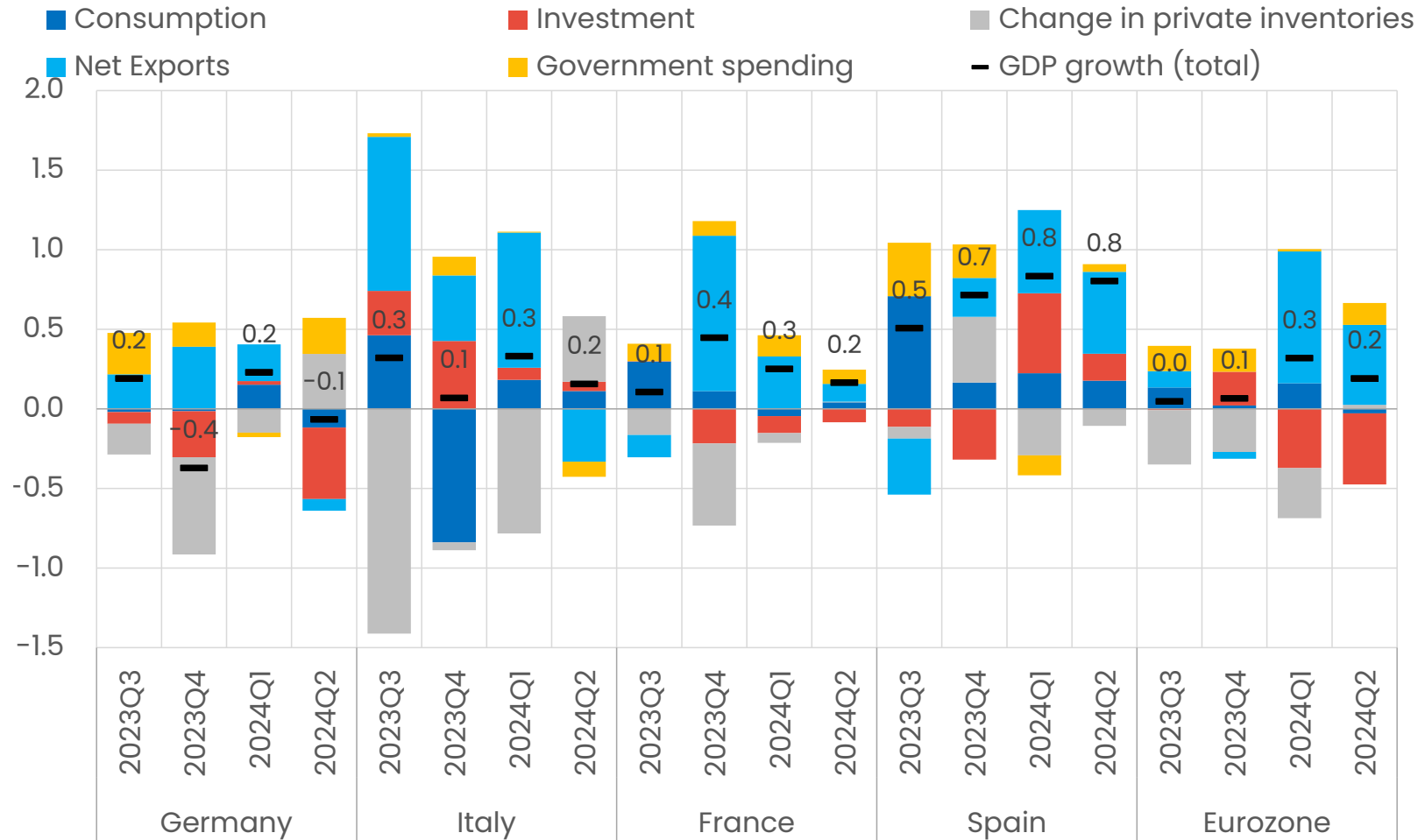
US CPI - APPAREL	-0.3	0.1	-0.2	-0.1	-0.0	-0.1	-0.3	-0.2
US CPI - NEW VEHICLES	-0.7	0.6	0.7	1.2	-0.3	0.1	-0.4	0.3
US CPI - USED CARS & TRUCKS	-0.0	-0.1	-0.2	-0.4	-0.5	-0.2	-0.2	-
US CPI: MEDICAL CARE COMMODITIES	-3.4	0.5	-1.1	-1.4	0.6	-1.5	-2.3	-1.0
US CPI: ALCOHOLIC BEVERAGES	-0.6	0.1	0.2	0.4	1.3	0.2	0.2	-0.2
US CPI: TOBACCO AND SMOKING PRODUCTS	0.3	-0.0	0.1	0.1	0.1	0.2	0.3	-
US CPI: TOBACCO AND SMOKING PRODUCTS	0.3	0.8	0.4	0.0	1.6	0.5	0.2	1.2

#### US CPI - SERVICES LESS ENERGY SERVICES SADJ

US CPI - SHELTER	0.7	0.5	0.5	0.4	0.2	0.1	0.3	0.4
US CPI - RENT OF PRIMARY RESIDENCE	0.6	0.4	0.4	0.4	0.4	0.2	0.4	0.5
US CPI - OWNERS EQUIVALENT RENT OF RESIDENCES	0.4	0.5	0.4	0.4	0.4	0.3	0.5	0.4
US CPI: MEDICAL CARE SERVICES	0.6	0.4	0.4	0.4	0.4	0.3	0.4	0.5
US CPI - HOSPITAL & RELATED SERVICES	0.7	-0.1	0.6	0.4	0.3	0.2	-0.3	-0.1
US CPI - TRANSPORTATION SERVICES	1.6	-0.3	1.2	0.6	0.3	0.1	-1.1	-
US CPI - MOTOR VEHICLE MAINTENANCE & REPAIR	1.0	1.4	1.5	0.9	-0.5	-0.5	0.4	0.9
US CPI: MOTOR VEHICLE INSURANCE	0.8	0.4	1.7	-0.0	0.3	0.2	-0.3	0.6
US CPI: MOTOR VEHICLE INSURANCE	1.4	0.9	2.6	1.8	-0.1	0.9	1.2	0.6

	Jan-24	Feb-24	Mar-24	April-24	May-24	Jun-24	Jul-24	Aug-24
US CPI - ALL URBAN: ALL ITEMS	0.3	0.4	0.4	0.3	0.0	-0.1	0.2	0.2
US CPI - FOOD	0.4	0.0	0.1	0.0	0.1	0.2	0.2	0.1
US CPI: FOOD AT HOME	0.4	0.0	0.0	-0.2	0.0	0.1	0.1	-
US CPI: CEREALS & BAKERY PRODUCTS	-0.2	0.5	-0.9	0.6	0.2	-0.1	-0.5	-0.1
US CPI: MEATS, POULTRY, FISH & EGGS	0.0	0.1	0.9	-0.7	0.2	0.2	0.7	0.8
US CPI: DAIRY & RELATED PRODUCTS	0.2	-0.6	-0.1	0.1	-0.5	0.6	-0.2	0.5
US CPI: FRUITS & VEGETABLES	0.4	-0.2	0.1	-0.8	0.0	-0.5	0.8	-0.2
US CPI: NONALCOHOLIC BEVGS & BEVG MATLS	1.2	-0.2	0.3	-0.2	-0.3	0.1	0.5	-0.7
US CPI: OTHER FOODS	0.6	-0.1	-0.3	-0.1	0.0	0.5	-0.5	-0.3
US CPI: FOOD AWAY FROM HOME	0.5	0.1	0.3	0.3	0.4	0.4	0.2	0.3
US CPI - ENERGY	-0.9	2.3	1.1	1.1	-2.0	-2.0	-	-0.8
US CPI - ENERGY COMMODITIES	-3.2	3.6	1.5	2.7	-3.5	-3.7	0.1	-0.6
US CPI: FUEL OIL AND OTHER FUELS	-2.3	0.7	1.1	2.3	-1.0	-2.5	0.9	-1.9
US CPI: MOTOR FUEL	-3.3	3.7	1.6	2.7	-3.6	-3.7	-	-0.6
US CPI: ENERGY SERVICES	1.4	0.8	0.7	-0.7	-0.2	-0.1	-	-0.6
US CPI - ALL ITEMS LESS FOOD & ENERGY (CORE)	0.4	0.4	0.4	0.3	0.2	0.1	0.2	0.3
US CPI - COMMODITIES LESS FOOD & ENERGY	-0.3	0.1	-0.2	-0.1	-0.0	-0.1	-0.3	-0.2
US CPI - APPAREL	-0.7	0.6	0.7	1.2	-0.3	0.1	-0.4	0.3
US CPI - NEW VEHICLES	-0.0	-0.1	-0.2	-0.4	-0.5	-0.2	-0.2	-
US CPI: USED CARS & TRUCKS	-3.4	0.5	-1.1	-1.4	0.6	-1.5	-2.3	-1.0
US CPI: MEDICAL CARE COMMODITIES	-0.6	0.1	0.2	0.4	1.3	0.2	0.2	-0.2
US CPI: ALCOHOLIC BEVERAGES	0.3	-0.0	0.1	0.1	0.1	0.2	0.3	-
US CPI: TOBACCO AND SMOKING PRODUCTS	0.3	0.8	0.4	0.0	1.6	0.5	0.2	1.2
US CPI - SERVICES LESS ENERGY SERVICES SADJ	0.7	0.5	0.5	0.4	0.2	0.1	0.3	0.4
US CPI - SHELTER	0.6	0.4	0.4	0.4	0.4	0.2	0.4	0.5
US CPI - RENT OF PRIMARY RESIDENCE	0.4	0.5	0.4	0.4	0.4	0.3	0.5	0.4
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US CPI: MEDICAL CARE SERVICES	0.7	-0.1	0.6	0.4	0.3	0.2	-0.3	-0.1
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US CPI - TRANSPORTATION SERVICES	1.0	1.4	1.5	0.9	-0.5	-0.5	0.4	0.9
US CPI - MOTOR VEHICLE MAINTENANCE & REPAIR	0.8	0.4	1.7	-0.0	0.3	0.2	-0.3	0.6
US CPI: MOTOR VEHICLE INSURANCE	1.4	0.9	2.6	1.8	-0.1	0.9	1.2	0.6

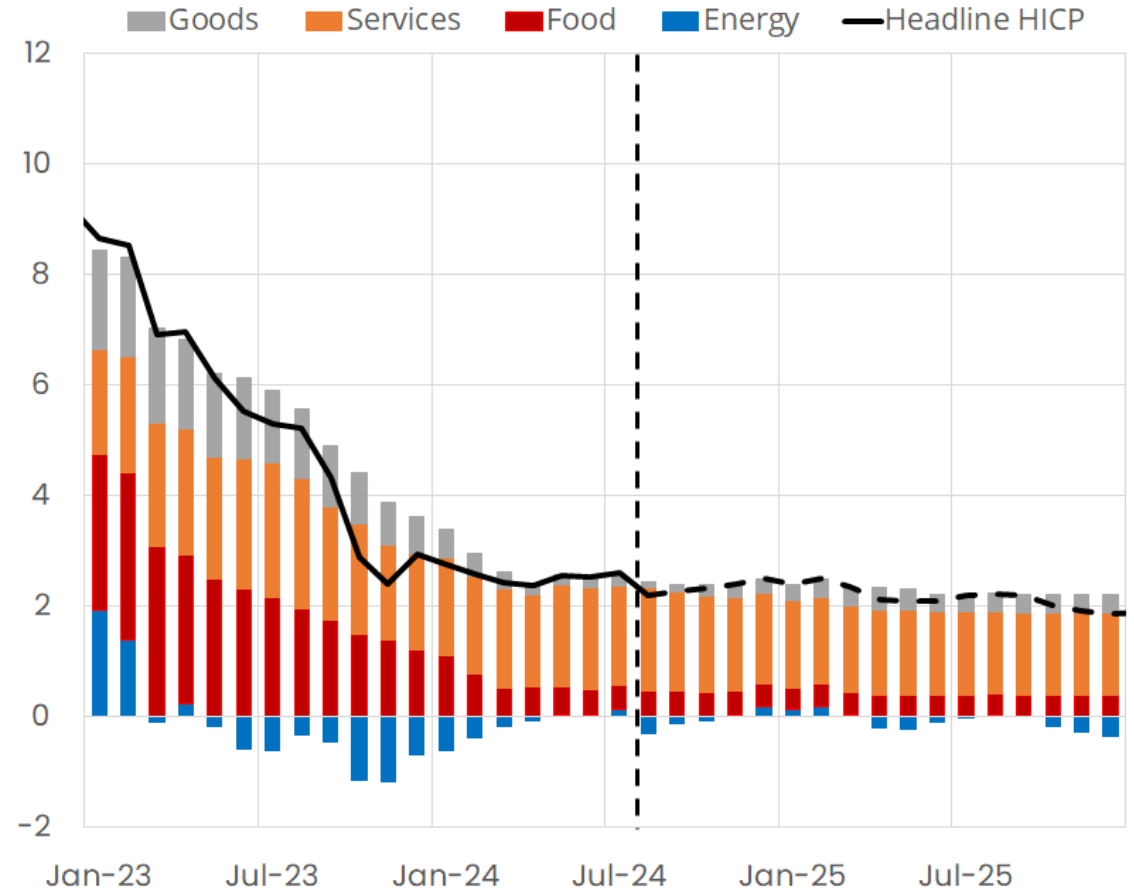
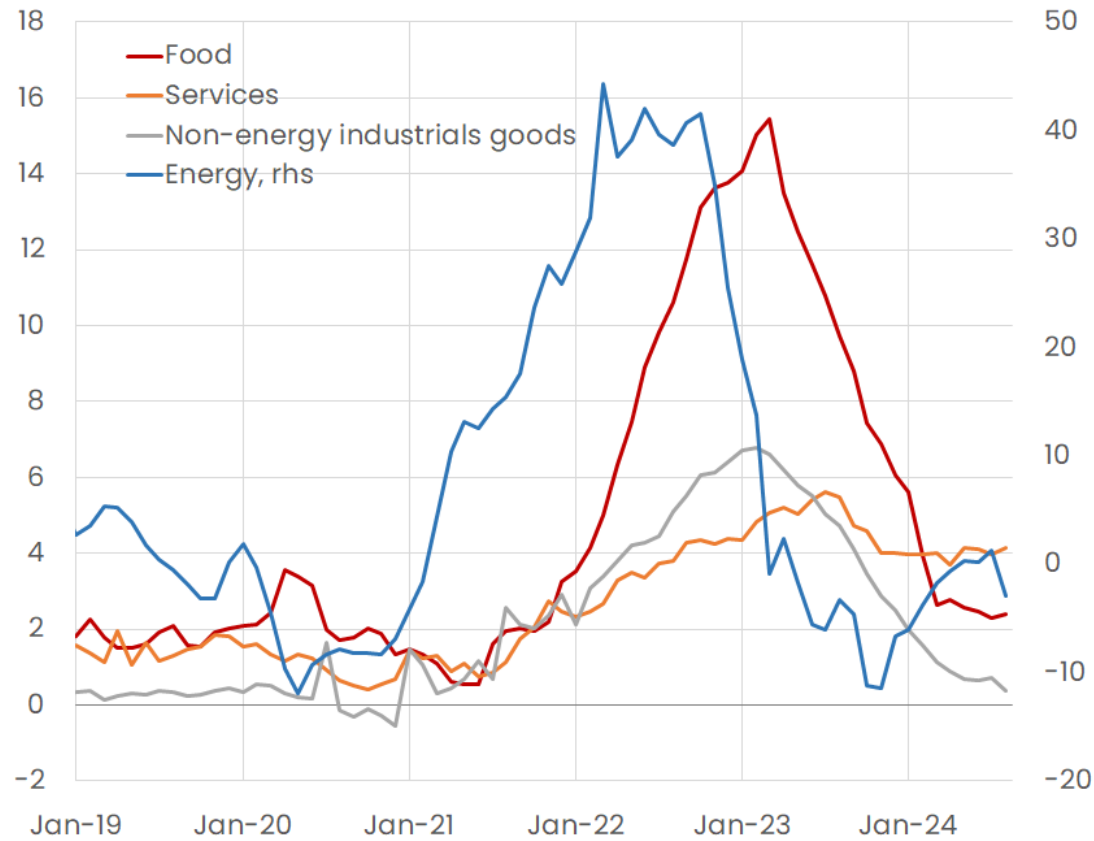
## GDP growth evolution by components Q/Q in %, with pp for components



Source: TAC ECONOMICS

## EUZ Inflation Evolution by components

Y/Y in %

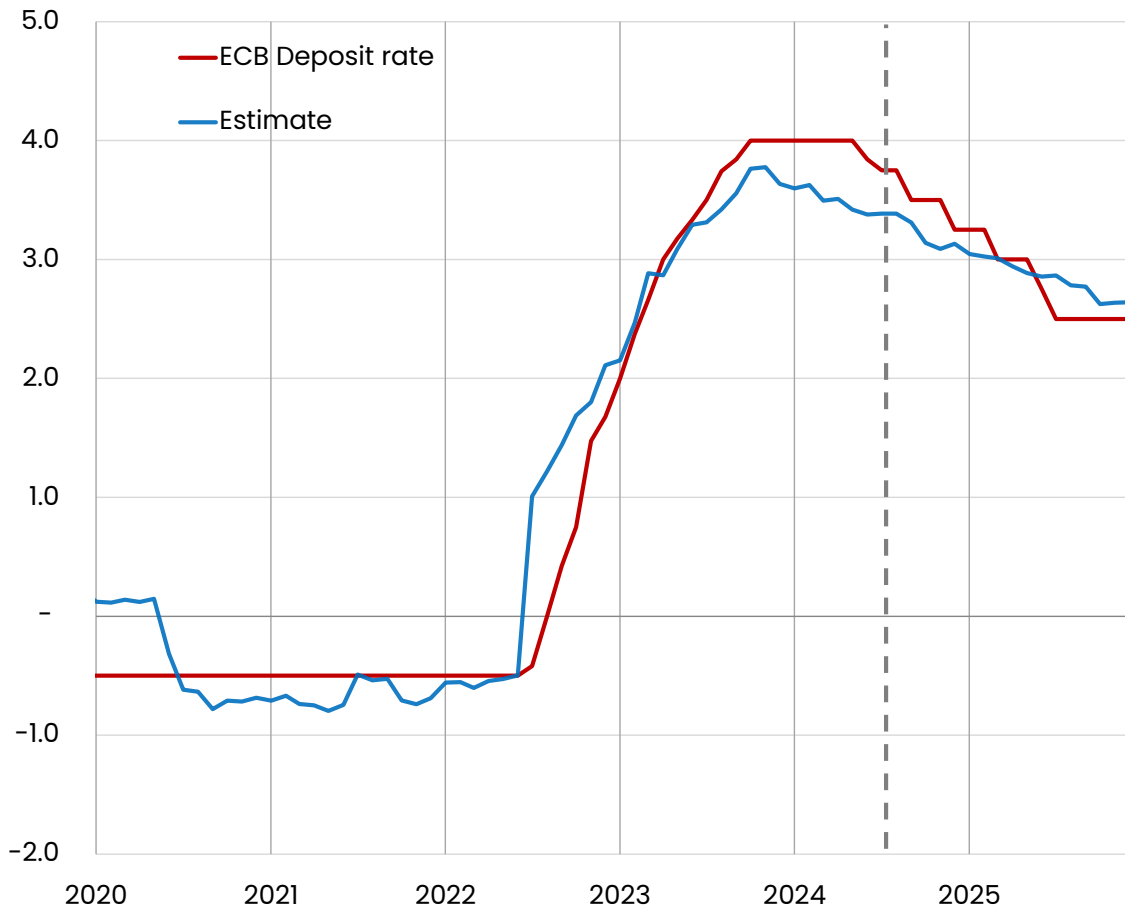


Source: TAC ECONOMICS Datalab

# EUZ Outlook: gradual ECB monetary policy easing

## ECB Deposit rate

in %

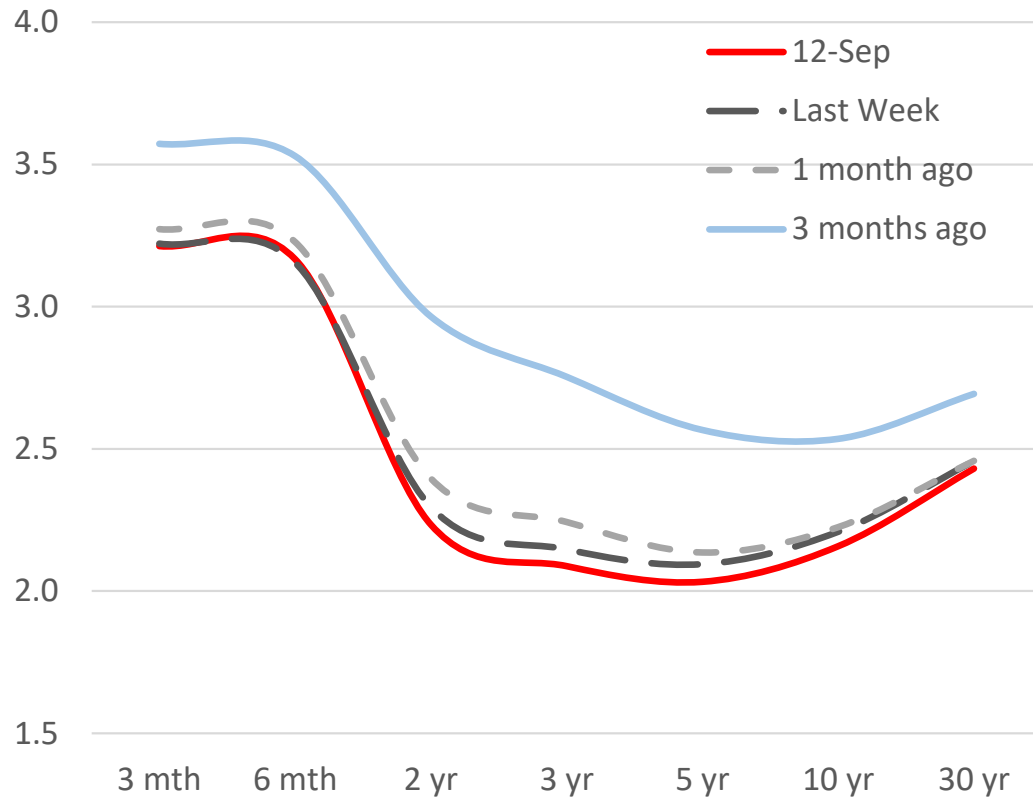


Actual : 3.5%	Deposite rate (%)
June, 2024	3.75%
Sept. , 2024	3.50%
Dec. , 2024	3.25%
March, 2025	3.00%
June, 2025	2.75%
July, 2025	2.50%

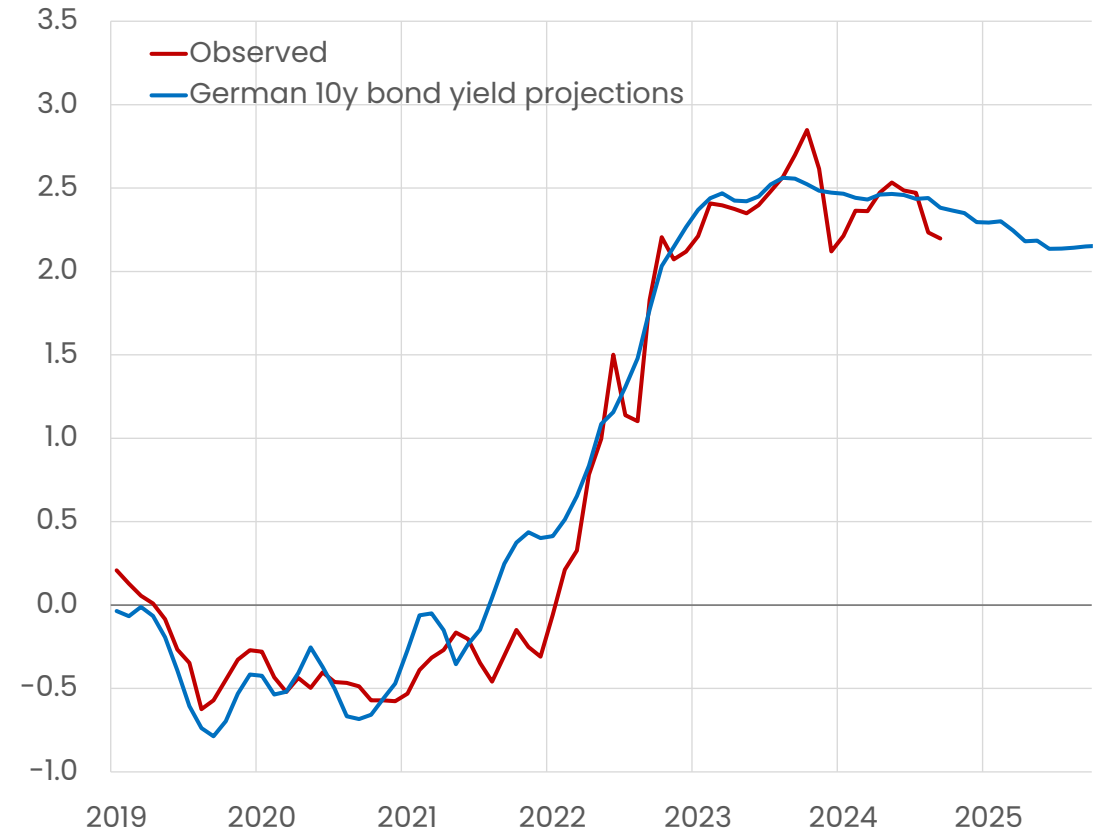
Source: TAC ECONOMICS Datalab

# EUZ Outlook: limited bond yield decline

### DEU Government bond yield curve in %



### DEU 10y bond yields forecasts In %



# September – Quantitative Market Alert

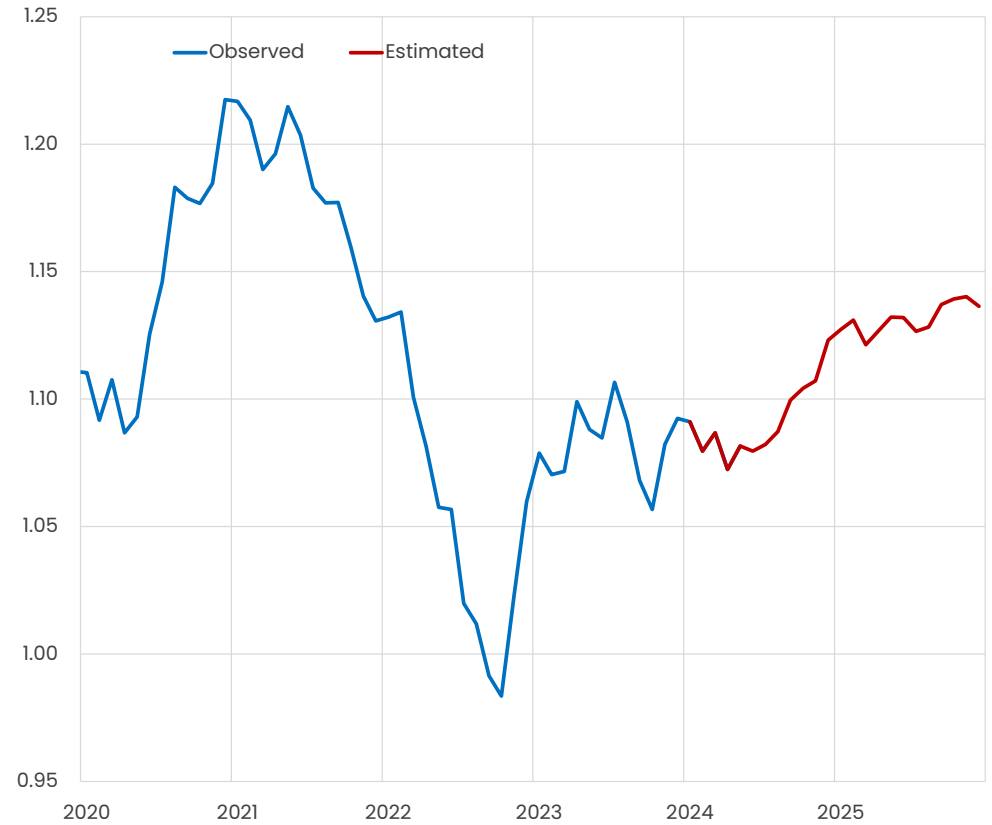
	Market Level (Aug. 30)	09.2024	10.2024	11.2024	3-month outlook
<b>Equity Indices</b>					
S&P 500	5 592				↗
CAC 40	7 641				↗
DAX 30	18 913				↗
FTSE 100	8 380				↘
Nikkei 225	38 648				↘
<b>10-Year Government Bond Rates</b>					
US Treasury 10 Year Yield	3.87%				↗
French OAT 10 Year Yield	3.00%				↗
German Bund 10 Year Yield	2.28%				↗
UK Gilt 10 Year Yield	4.02%				↘
Japan JGB 10 Year Yield	0.88%				↘
<b>Corporate Spreads</b>					
Euro 5-7 Year A	74 bp				↗
US 5-Year A	94 bp				↗

Source: TAC ECONOMICS Datalab

## Government bond yield curve in %



## EUR/USD projections



Source: TAC ECONOMICS Datalab



# Contacts

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