



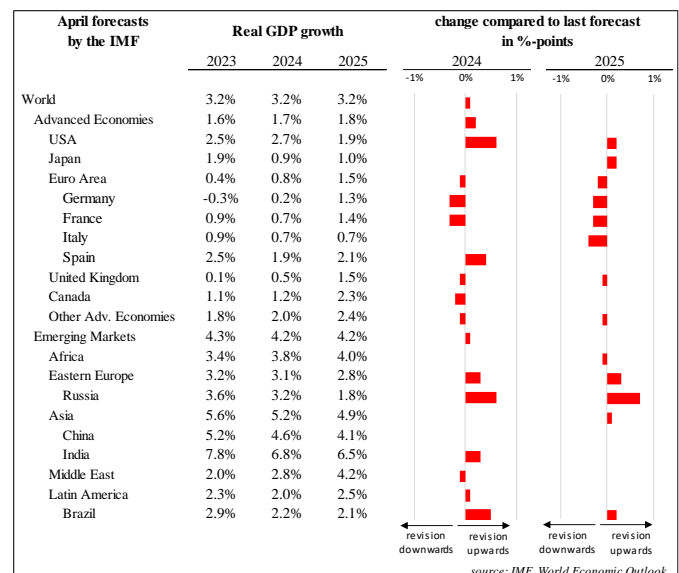
Economic Situation and Strategy

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Middle East conflict overshadows IMF forecasts again

When the International Monetary Fund (IMF) presented its updated forecasts a good six months ago, the economic assessments were overshadowed by the attack on Israel by the radical Islamic group Hamas. Hamas' attack on the Israeli civilian population on October 7, 2023 marked the beginning of another war in the Middle East and has since claimed numerous victims. Around six months later, the IMF's forecast update is once again overshadowed by the Middle East conflict. In response to the Israeli airstrikes on the Iranian representation in Damascus at the beginning of April, Iran attacked Israel directly with drones and missiles last weekend, fueling fears of further escalation. Thanks to the air defenses, there were no casualties and only minor material damage was caused. Nevertheless, Israel made it clear that it would not leave the air strikes unanswered, but wanted to avoid a direct war. However, it is still unclear what measures Israel will take and when it will respond.

It is also difficult for us to predict how the Middle East conflict will develop. Of course, we hope that all parties involved will take steps towards de-escalation so that a conflagration in the Middle East can be avoided. With regard to the markets, however, past geopolitical crises have shown that they were no reason to change the tactical asset allocation too much or even to sell stocks completely. For example, the S&P 500 has gained around 15 percent in value since Hamas attacked Israel on October 7, 2023 - certainly difficult to imagine at that time. However, the further escalation has underlined the fact that geopolitical crises are omnipresent and are among the key risks for the global economy this year.



IMF: Opportunities and risks are balanced

Even if the latest armed conflict between Israel and Iran was not explicitly taken into account by the IMF's economists in their forecasts, the authors emphasize the risk of further geo-economic fragmentation in the update presented on Tuesday. A further intensification of geopolitical crises poses two risks in particular with regard to the economy: Firstly, further escalation makes the movement of goods, capital and people more difficult, which in turn leads to bottlenecks on the supply side. Secondly, an escalation of geopolitical crises has a negative impact on energy prices in particular and therefore on the decline in the inflation rate, meaning that central banks will have to maintain a restrictive monetary policy stance for longer.

Overall, however, the IMF considers the opportunities and risks to be balanced, after the risks recently predominated. The decline in inflation in particular has reduced the downside risks. According to IMF chief economist

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Pierre-Olivier Gourinchas, the general trend in global inflation is encouraging. However, progress has not only been made in the fight against inflation, but the global economy has also recorded steady growth despite numerous warnings of a global recession. Furthermore, Gourinchas is cautiously optimistic about the future and emphasizes that most economic indicators point to a soft landing for the economy. Additional tailwind for the global economy and productivity could result from the use of artificial intelligence and new structural reforms.

Where has the IMF made revisions?

Compared to the last publication at the end of January, the IMF has only made minor adjustments to its GDP forecasts at an aggregate level. The economists expect global economic growth of 3.2 percent for both 2024 and 2025 (2024: +0.1 percentage points compared to the last forecast; 2025: unchanged). The pace of expansion would thus remain below average by historical standards and reflect short-term factors such as the still high financing costs and the loss of fiscal support in many economies. However, longer-term effects of the COVID-19 pandemic, the war in Ukraine and increasing geo-economic fragmentation are also having an impact.

While the revisions at global level are minor, interesting trends can be identified at country level: Among the industrialized countries, the upward revision for the USA stands out. The IMF has revised its GDP forecast for the world's largest economy upwards by 0.6 percentage points to 2.7 percent for this year. The solid economic data and the still robust US labor market are decisive for the more optimistic outlook. On the other hand, the economists lowered their forecasts for the Eurozone and in particular for Germany (2024: 0.2 percent) and France (2024: 0.7 percent). The IMF sees the persistently weak consumer sentiment as the main reason for adjusting its forecast for the two largest economies downwards by 0.3 percentage points in each case.

Among the emerging and developing countries, the renewed upward revisions for Russia and India are particularly striking. The main reasons for the more optimistic

outlook for the Russian economy are, on the one hand, high government spending on military armaments and, on the other, increased transfer payments, which are boosting private consumption. India is still expected to see strong growth of 6.8 percent in 2024 (+0.3 percentage points compared to the last forecast), which is explained in particular by the continued strength of domestic demand and the rising working-age population.

	PMI Composite	Δ 6M	PMI Manufacturing	Δ 6M	PMI Services	Δ 6M
India	61.8	0.8	59.1	1.6	61.2	0.2
Brazil	55.1	6.1	53.6	4.6	54.8	6.1
Emerging Markets	53.7	1.7	52	1.1	53.8	1.9
Italy	53.5	4.3	50.4	3.6	54.6	4.7
Ireland	53.2	1.1	49.6	0	56.6	2.1
United Kingdom	52.8	4.3	50.3	6	53.1	3.8
China	52.7	1.8	51.1	0.5	52.7	2.5
World	52.3	1.8	50.6	1.4	52.5	1.8
USA	52.1	1.9	51.9	2.1	51.7	1.6
Japan	51.7	-0.4	48.2	-0.3	54.1	0.3
Developed Markets	51.5	1.9	49.3	1.9	51.9	1.8
Euro Area	50.3	3.1	46.1	2.7	51.5	2.8
France	48.3	4.2	46.2	2	48.3	3.9
Germany	47.7	1.3	41.9	2.3	50.1	-0.2
Canada	47	-0.4	49.8	2.3	46.4	-1.4

source: Refinitiv Datastream, data as of March 2024

A comparison of the IMF's new forecasts with the current S&P Purchasing Managers' Indices is largely consistent: While the mood among company representatives in the USA and India is constructive, a more pessimistic economic assessment continues to prevail in the Eurozone.

What is our conclusion?

The new assessments of the International Monetary Fund confirm our view that there is no danger of a global recession, but that the growth outlook remains gloomy. In the Eurozone in particular, real GDP growth is likely to be below average in the coming quarters. However, the IMF's new forecasts were once again overshadowed by the Middle East conflict this week. Geopolitical risks therefore remain omnipresent and are among the key challenges facing the global economy. In order to avoid an escalation in the Middle East, it is all the more important that all decision-makers involved keep a cool head. But investors should not panic and sell all their stocks either, as it is almost impossible in practice to find the right time to enter the market.

Simon Landt

Market data

Stock markets	As of	Change versus				
	19.04.2024 08:21	12.04.2024 -1 week	18.03.2024 -1 month	18.01.2024 -3 months	18.04.2023 -1 year	29.12.2023 YTD
Dow Jones	37775	-0,5%	-2,6%	0,8%	11,2%	0,2%
S&P 500	5012	-2,2%	-2,7%	4,8%	20,6%	5,1%
Nasdaq	15601	-3,5%	-3,1%	3,6%	28,4%	3,9%
DAX	17837	-0,5%	-0,5%	7,7%	12,3%	6,5%
MDAX	26189	-1,5%	0,2%	2,5%	-6,4%	-3,5%
TecDAX	3211	-3,5%	-5,1%	-1,8%	-3,3%	-3,8%
EuroStoxx50	4937	-0,4%	-0,9%	10,9%	12,3%	9,2%
Stoxx 50	4335	-1,1%	-0,9%	6,8%	7,0%	5,9%
SMI (Swiss Market Index)	11230	-1,3%	-3,4%	0,4%	-1,1%	0,8%
Nikkei 225	37068	-6,2%	-6,7%	4,5%	29,3%	10,8%
Brasilien BOVESPA	124196	-1,4%	-2,2%	-2,5%	17,0%	-7,4%
Russland RTS	1161	-0,4%	2,8%	3,2%	14,8%	7,1%
Indien BSE 30	72220	-2,7%	-0,7%	1,5%	20,9%	0,0%
China CSI 300	3539	1,8%	-1,8%	8,1%	-15,0%	3,1%
MSCI Welt	3280	-2,1%	-3,0%	4,4%	15,7%	3,5%
MSCI Emerging Markets	1019	-2,2%	-1,9%	6,0%	1,8%	-0,5%
Bond markets						
Bund-Future	131,21	-150	-45	-274	-275	-601
Bobl-Future	117,36	-58	-4	-16	39	-192
Schatz-Future	105,45	-19	-8	-46	7	-110
3 Monats Euribor	3,90	-2	-1	-1	70	1
3M Euribor Future, Dec 2024	3,21	12	11	63	16	91
3 Monats \$ Libor	5,59	0	-1	1	34	0
Fed Funds Future, Dec 2024	4,97	5	25	95	160	114
10 year US Treasuries	4,58	6	24	43	100	71
10 year Bunds	2,44	10	0	14	-3	44
10 year JGB	0,84	0	8	21	41	22
10 year Swiss Government	0,75	6	-9	-15	-35	5
US Treas 10Y Performance	572,04	-0,9%	-2,0%	-2,9%	-4,8%	-4,8%
Bund 10Y Performance	548,65	-1,1%	-0,1%	-0,8%	2,5%	-3,0%
REX Performance Index	441,20	-0,2%	0,3%	-0,1%	1,8%	-1,5%
IBOXX AA, €	3,43	16	3	5	-17	37
IBOXX BBB, €	4,01	17	3	-4	-49	26
ML US High Yield	8,40	16	44	34	-4	60
Commodities						
MGBase Metal Index	435,34	2,0%	10,1%	16,9%	3,5%	11,4%
Crude oil Brent	88,57	-3,3%	2,4%	12,5%	4,5%	14,0%
Gold	2381,79	-1,3%	10,4%	18,2%	18,6%	15,3%
Silver	28,36	-2,1%	13,1%	25,2%	12,5%	16,9%
Aluminium	2617,91	6,9%	17,6%	23,6%	8,1%	11,6%
Copper	9652,00	3,4%	7,4%	17,4%	7,2%	14,0%
Iron ore	107,95	1,8%	-2,3%	-20,7%	-10,3%	-20,8%
Freight rates Baltic Dry Index	1901	9,9%	-21,4%	40,1%	39,0%	-9,2%
Currencies						
EUR/ USD	1,0633	-0,2%	-2,4%	-2,2%	-3,1%	-3,8%
EUR/ GBP	0,8563	0,2%	0,2%	0,0%	-2,9%	-1,2%
EUR/ JPY	164,14	0,6%	1,0%	2,0%	11,7%	5,0%
EUR/ CHF	0,9665	-0,5%	0,4%	2,5%	-1,7%	4,4%
USD/ CNY	7,2412	0,0%	0,5%	0,6%	5,3%	1,9%
USD/ JPY	154,65	0,9%	3,7%	4,4%	15,3%	9,6%
USD/ GBP	0,81	0,2%	2,6%	2,1%	0,1%	2,7%

Source: Refinitiv Datastream

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