

Not for Retail distribution: this document is intended exclusively for Professional, Institutional, Qualified or Wholesale Investors / Clients, as defined by applicable local laws and regulation. Circulation must be restricted accordingly.

Inflation

Global recession and inflation risks edging higher

- Liberation Day increases the likelihood of a recession in the US and points at persistent inflation.
- Even without tariffs, the latest figures for the US, Europe and the UK show that inflation remains elevated.
- Central banks are facing different challenges in the context of global economic upheaval.

What's happening?

	Inflation & Monetary Policy	Inflation-Linked Bonds Market
US	<p>US Headline inflation slowed to 2,8% in February as well as Core to 3,1%. The Fed boosted its forecast for inflation and cut its growth outlook. After Donald Trump imposed tariffs, intensifying concerns about global stagflation, US Federal Reserve Chair, Jay Powell, emphasized that the central bank isn't rushing to take action. Nevertheless, the market is already factoring in four rate cuts this year, implying that the Fed will likely prioritize stimulating growth over curbing inflation in the near future.</p> <p>Headline 2,8% ▼ Core 3,1% ▼</p>	<p>US TIPS performance was positive in March.</p> <p>5yr Ry* 1,31% ▼ 10yr Ry 1,84% ▼ 10yr Be** 2,37% =</p> <p>US inflation breakevens posted positive performance over the month.</p>
Euro Area	<p>Eurozone inflation falls for the second month in a row to 2,2% in March, strengthening the case for the ECB to cut interest rates this month. The ECB has previously signaled that it may slow the pace of its rate cuts because of the inflationary risks posed by the looming trade war sparked by US President Donald Trump, as well as increased spending on defence and infrastructure. Core inflation also fell to 2.4%.</p> <p>Headline 2,2% ▼ Core 2,4% ▼</p>	<p>Euro Area inflation-linked bonds performance was negative in March.</p> <p>5yr Ry 0,59% ▼ 10yr Ry 1,22% ▲ 10yr Be 2,04% ▲</p> <p>Euro inflation breakevens performance was positive across countries.</p>
UK	<p>UK inflation slows more than expected but services price growth remained high. The drop largely reflected a decline in clothing CPI inflation, potentially indicating an inability for retailers to attract buyers. Core CPI inflation fell as a result, to 3.5%, from 3.7% in January. Overall, today's data are consistent with the Bank of England cutting by a further 25bp at May's meeting</p> <p>Headline 2,8% ▼ Core CPI 3,5% ▼</p>	<p>UK linkers performance was negative in March.</p> <p>5yr Ry 0,38% ▼ 10yr Ry 1,14% ▲ 10yr Be 3,39% ▼</p> <p>UK inflation breakevens performance was down over the month.</p>

*Ry : Real Yield

**Be : Breakeven

Source: AXA IM as at end of March 2025

Portfolio positioning

Key Strategies

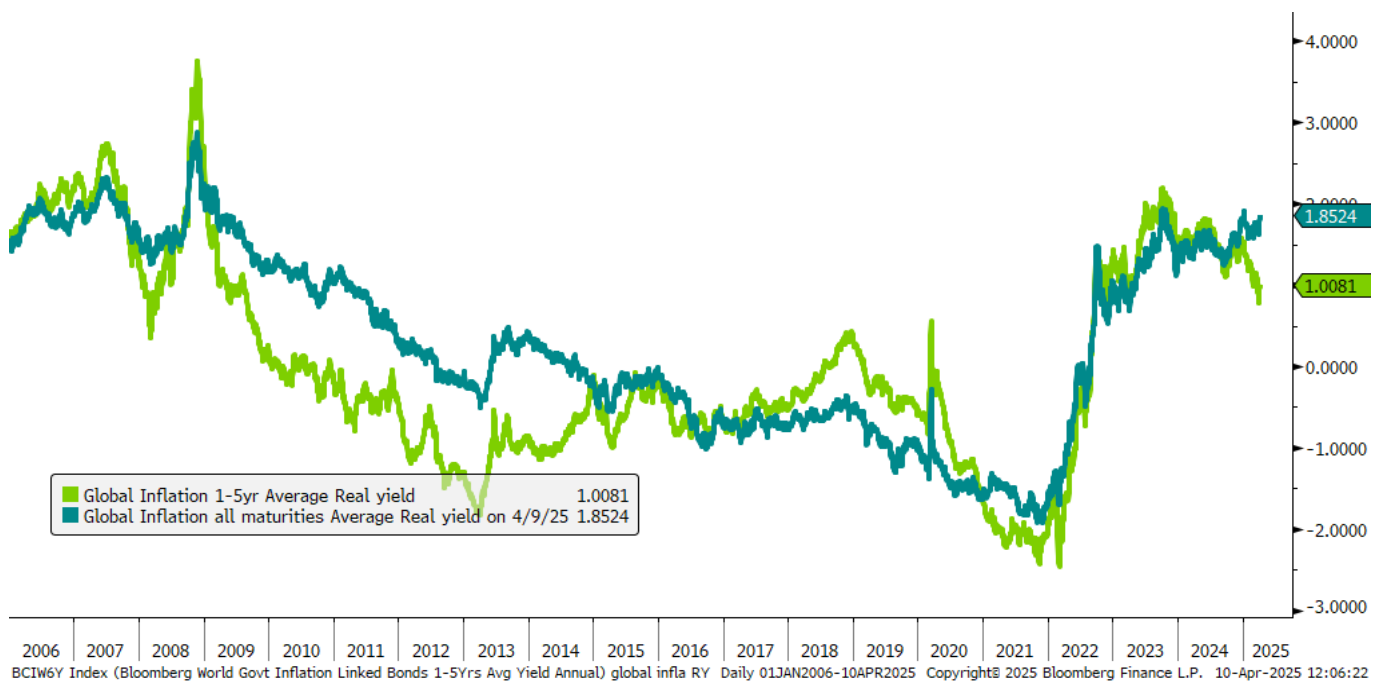
Real Yields

- Real interest rates have repriced higher post liberation day in the US and in Europe after the German fiscal package announcement. However, subdued growth in the next 2 years, makes long duration positions attractive particularly at the front end.
- Central Banks would need to resume rates cuts real rates should follow, in sympathy, making the front end and steepeners positions attractive.

Breakevens

- Inflation breakevens are still reflecting a negative term inflation premium across advanced economies
- After the recent oil price decrease, the belly of the curve stands out as the most attractive point of the curve and long positions are attractive on a tactical basis

Chart of the month



No assurance can be given that the Inflation strategy will be successful. Investors can lose some or all of their capital invested. The Inflation strategy subject to risks including credit risk, liquidity risk, derivatives and leverage risk, contingent convertible bonds risk.

Not for Retail distribution: This document is intended exclusively for Professional, Institutional, Qualified or Wholesale Clients / Investors only, as defined by applicable local laws and regulation. Circulation must be restricted accordingly.

This document is for informational purposes only and does not constitute investment research or financial analysis relating to transactions in financial instruments as per MIF Directive (2014/65/EU), nor does it constitute on the part of AXA Investment Managers or its affiliated companies an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities.

Due to its simplification, this document is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee forecasts made will come to pass. Data, figures, declarations, analysis, predictions and other information in this document is provided based on our state of knowledge at the time of creation of this document. Whilst every care is taken, no representation or warranty (including liability towards third parties), express or implied, is made as to the accuracy, reliability or completeness of the information contained herein. Reliance upon information in this material is at the sole discretion of the recipient. This material does not contain sufficient information to support an investment decision.

Issued in the UK by AXA Investment Managers UK Limited, which is authorised and regulated by the Financial Conduct Authority in the UK. Registered in England and Wales No: 01431068. Registered Office: 7 Newgate Street, London EC1A 7NX. In other jurisdictions, this document is issued by AXA Investment Managers SA's affiliates in those countries.

Please note that the management company reserves the right, at any time, to no longer market the product(s) mentioned in this communication in an European Union country by notification to its authority of supervision in accordance with European passport rules.

In the event of dissatisfaction with the products or services, you have the right to make a complaint either with the marketer or directly with the management company (more information on our complaints policy available in English [here](#)). You also have the right to take legal or extra-judicial action at any time if you reside in one of the countries of the European Union. The European online dispute resolution platform allows you to enter a complaint form (by clicking [here](#)) and informs you, depending on your jurisdiction, about your means of redress (by clicking [here](#)).