The greatest risk? A strong economy

In June Wall Street recorded the best performance in the last 22 years (17,32%). European stock exchanges had a positive performance as well: *Euro Stoxx 50* appreciated over 15,7%. The euphoria has spread among all asset classes, including bonds. The economy slowdown signals have been overcome by the possibility of a dialogue between China and United States, confirmed by G20 at the end of June. However, the inflation slowdown, the promise of *Federal Reserve* to cut interest rates and the one of Mario Draghi to introduce again a new *Quantitative Easing (QE)*, have given a stimulus to the economy. Basically, the stronger the fear of a recession is, the more stock exchanges will rise, as they are no longer just an instrument that anticipates future macroeconomic improvements, but also that anticipates central bank policies. If short-term rates are higher than long-term rates (the yield curve is inverted), it means that there are signs of an upcoming recession. The reality is that stock exchanges are interested in the liquidity that central banks make available. Also, politics wants to make possible monetary facilitations. This is argued by Trump (that threatens Jerome Powell's independence), it is confirmed by Draghi (the last hope for European solidarity), while Japan continues with its expansive dynamics. China, whose debt is growing, uses its monetary policy to resist to Trump's policy. In this context, the greatest risk (even though the market does not believe in this) is that the economy is stronger than has been thought up to now, and that inflation gives some, even small, signal of recovery.

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