

United States: inflation soars

Donald Trump's policy questioned

Donald Trump's war in Iran is expensive, and Americans are paying a high price. Inflation data for April, published by the Bureau of Labor Statistics, shows a jump in the cost of living in the United States (by 0.6% in one month compared to March and by 3.8% year-on-year), driven by energy prices.

The energy crisis triggered by the Middle East conflict is increasingly being felt, where gasoline prices have jumped by more than 50%, reaching \$4.50 per gallon. According to a recent Financial Times poll, about 58% of voters disapprove of Donald Trump's handling of inflation and the cost of living. To calm the spirits, the President called for the suspension of federal fuel taxes in order to relieve motorists.

The increase is not limited to the price of petrol and electricity, which rose by 3.8% in April, after the peak of 10.9% in March (+17.9% year-on-year). The price of food is on the rise again (3.2% year-on-year) after stabilising in March. Excluding energy and food, which are by nature more volatile, core inflation stood at 2.8% year-on-year. Prices of rental housing have never really fallen (3.3%), nor have those of health (3.2%) or transport (4.3%).

Core inflation therefore rose slightly from 2.6% in the previous month to 2.8%, partly due to an effect related to the closure of public services last year.

Figure of the week

3,8% 

Inflation rate in the United States (April)



Kevin Warsh, next Fed chair

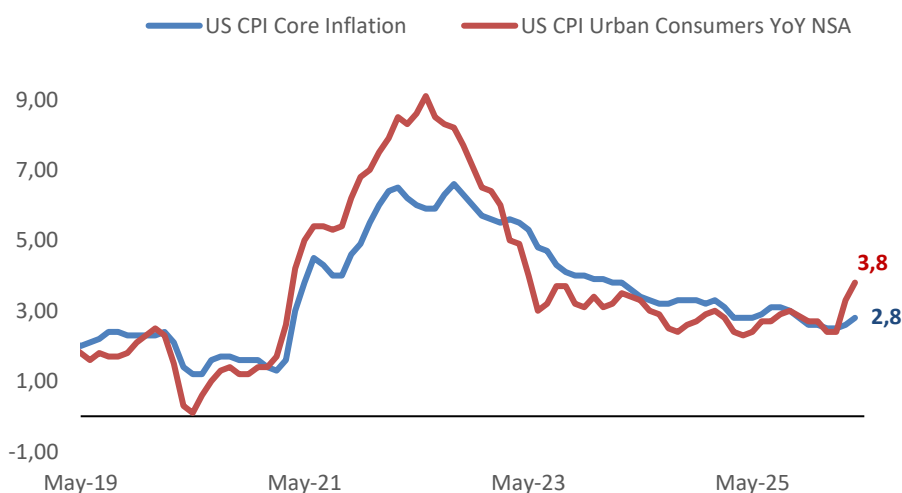
On Wednesday 13 May, the US Senate approved the nomination of Kevin Warsh, Donald Trump's nominee, as head of the US central bank. He only has to take the oath before definitively taking office for a four-year term.

His nomination was confirmed by 54 votes to 45. Most of the Democratic opposition elected officials voted against it, because he seems more inclined to follow Donald Trump's recommendations than Jerome Powell was, i.e. to cut rates.

But this could prove difficult, because even if unemployment remains low for the moment, at 4.3%, the war in the Middle East has revived inflationary pressures in the United States.

However, while the Fed chairman is a very influential voice, his vote carries no more weight than that of the other eleven Fed voters on US monetary policy. Most of them are now focused on inflation, which is moving away from the institution's target (2%) at a rapid pace due to the energy shock created by the war in the Middle East.

US inflation developments



Source: Amundi, Bloomberg



Heat wave on the markets

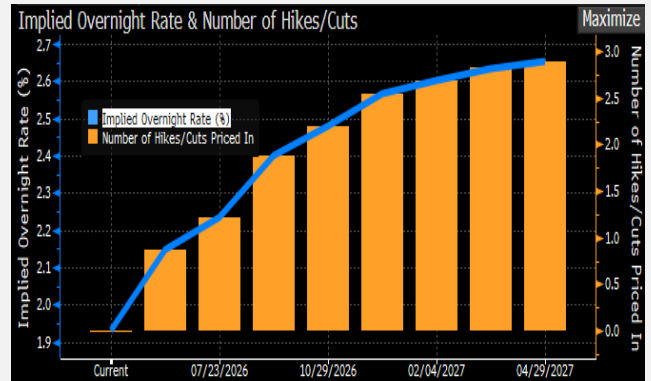
After a relative lull on Monday, bond yields rose again on both sides of the Atlantic. US 10-year yields reached 4.68%.

In the wake of this, 10-year rates in European countries also jumped. They came close to 4% in Italy, briefly exceeded 3.84% in France, and climbed to 3.20% in Germany.

The price of a barrel of Brent crude remains above \$100, compared to \$70 before the start of the strikes. However, persistently high energy prices are weighing on inflation expectations.

But by being very firm on inflation, the ECB is fuelling its rise, at the risk of stifling growth a little more. Currently, markets are pricing in three rate hikes in 2026. This scenario is supported by the statements of some governors.

ECB rate hike expectations



Source: Bloomberg



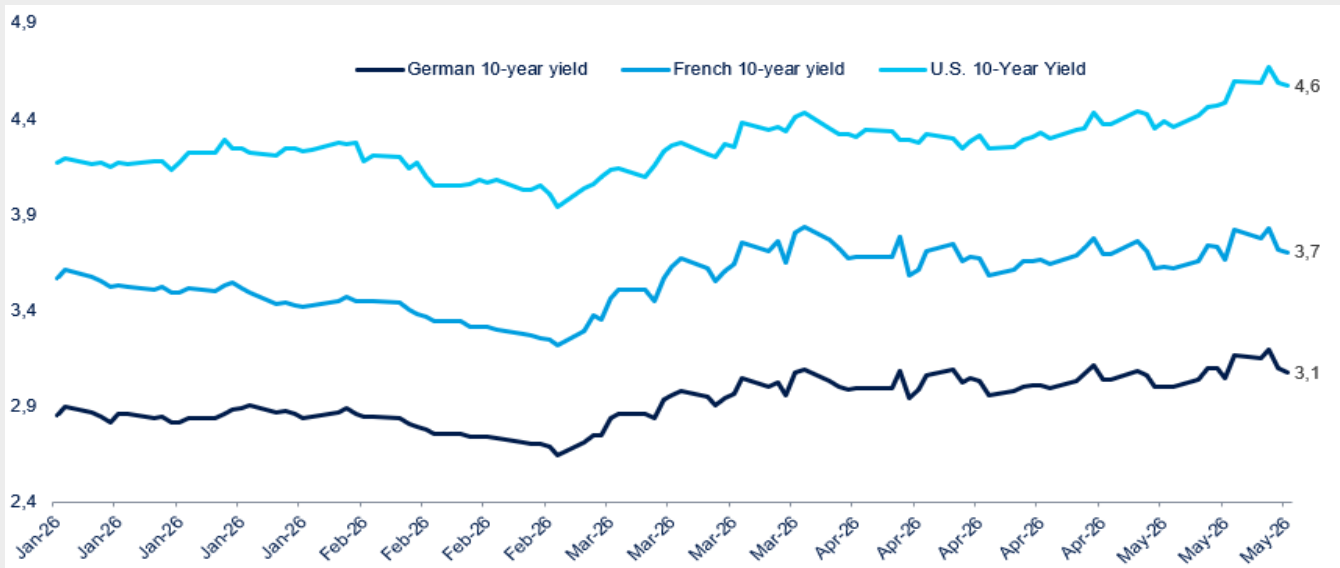
We need more visibility on the conflict in Iran. We will have new forecasts in June. Let's wait for the data.



Luis de Guindos, Vice-President of the ECB, 11/05/2026

Market impact

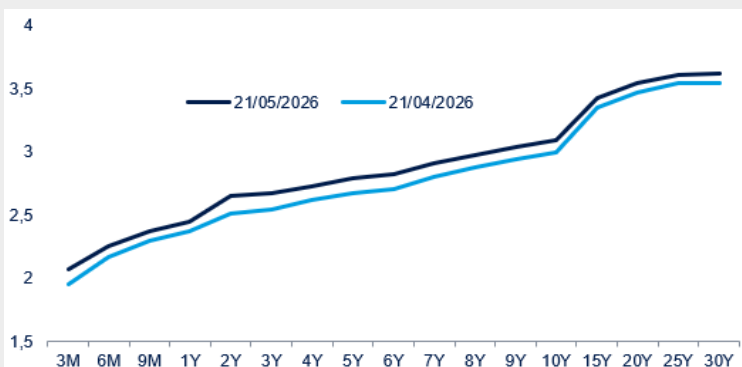
German sovereign rates (%)



Optimism dominated yesterday thanks to hopes of a resolution to the conflict in the Middle East, which caused a sharp decline in oil prices (-5 dollars for Brent, to 106). 10-year yields also eased in Europe and the US (-6 bps).

Source: Amundi, Bloomberg

German yield curve (%)



German rates continue to rise.

The 2-year rose by 13 bp and the 10-year by 9 bp over the month.

Source: Amundi, Bloomberg



France: unemployment on the rise

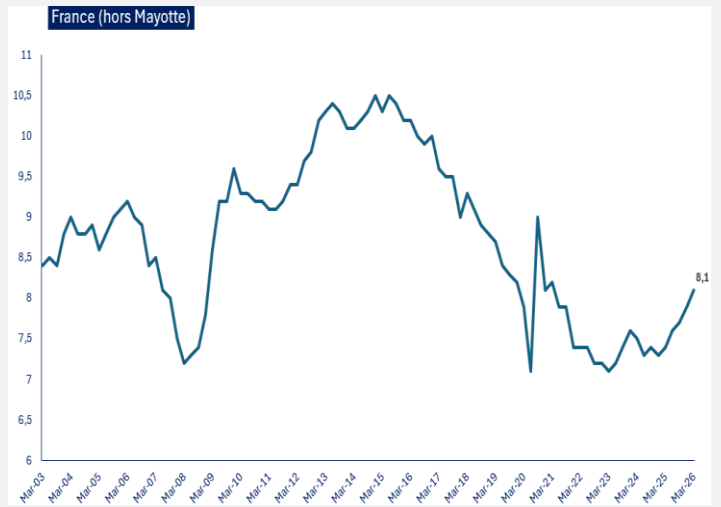
The unemployment rate calculated by INSEE exceeded the symbolic threshold of 8% in the first quarter at 8.1%, compared to 7.9% in the fourth quarter of 2025. It is now approaching its highest level reached in the first quarter of 2021 (8.2%).

In detail, 68,000 new people unemployed and actively looking for work have been added to the last count. In total, 2.6 million people cannot find a job, as defined by the International Labour Office. In addition, 1.8 million people want a job but are not considered unemployed because they are not looking for a job.

This new increase had been anticipated by INSEE. In its latest economic outlook, published in March, the national statistics institute estimated that *"total employment would barely increase by mid-year"*, and underlined the *"pessimism of companies about their hiring"*.

In comparison, France is in the upper middle of the eurozone countries, where the unemployment rate is 6.2%. It seems to be clearly outpaced by Germany, where it stands at 3.9% in March 2026 and where the youth rate, one of the lowest in Europe, barely reaches 7.5%, three times less than in France.

Evolution of unemployment in France



Source: INSEE, Amundi

News



▶ **United States** | S&P Composite PMI Overall at 51.7 (May)

▶ **Eurozone** | Final inflation rate at 3% (April)

Agenda



▶ **28 May** | Inflation rate in the euro area (May)

▶ **29 May** | Inflation rate in France (May)

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