



## ECONOMIC RESEARCH DEPARTMENT

### Summary

#### Eurozone

ECB: "A sustained presence on the markets"

The ECB decided to extend its QE programme by 9 months but reduced the monthly purchases to EUR 60 bn.

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#### Eurozone

The European Commission's case

Economic recovery might slow next year, but the European Commission's call for fiscal expansion is unlikely to be successful.

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#### Italy

Referendum: limited consequences for banks

Referendum result does not seem to have significantly altered financial market anticipations regarding the likelihood of success of banks' recovery plan. Banking shares slightly declined but have picked up until 8 December 2016.

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Also in :



### Keeping quiet

#### ■ Santa came early for Greece but proved a bit greedy ■ There is some contradiction in the European position towards the role of the IMF

With political risks spreading throughout Europe, Greece is no longer making the headlines, even though major obstacles still lie ahead. Economic situation is slowly but steadily improving. In the third quarter, activity has just returned to the level of early 2015, just before the outbreak of the latest crisis. The recovery is now expected to strengthen in the coming quarters. Due to ongoing negotiations, the second review of the adjustment program will not be completed before early next year. Even so, Eurozone finance ministers agreed to implement a series of small-scale measures to smooth refinancing needs and reduce the risk of higher financing costs on Greek debt in the medium-term. In contrast, the Europeans were clear they do not intend to yield any ground on fiscal targets, with the primary fiscal balance still expected at 3.5% of GDP in 2018 and beyond. They also avoided committing now to any larger-scale debt relief measures that might be taken at the end of the programme. Going this way, they strongly disagree with the IMF, which finds this target unrealistic and considers that Greek debt sustainability cannot be positively assessed until a figure is placed on the gains from any forthcoming restructuring of the debt held by the Europeans. Therefore, it is hard to see how the IMF's participation would strengthen the European programme's credibility, as well as why some countries (especially those disagreeing with IMF) continue to insist on this point.



Source: Eurostat

**THE WEEK ON THE MARKETS**

Week 2-12 16 > 8-12-16

↗ CAC 40	4 529	► 4 735	+4.6 %
↗ S&P 500	2 192	► 2 246	+2.5 %
↘ Volatility (VIX)	14.1	► 12.6	-1.5 %
↘ Euribor 3M (%)	-0.31	► -0.32	-0.5 bp
↗ Libor \$ 3M (%)	0.95	► 0.95	+0.4 bp
↗ OAT 10y (%)	0.73	► 0.83	+10.5 bp
↗ Bund 10y (%)	0.20	► 0.29	+8.6 bp
↘ US Tr. 10y (%)	2.39	► 2.39	-0.1 bp
↘ Euro vs dollar	1.07	► 1.06	-0.5 %
↘ Gold (ounce, \$)	1 175	► 1 171	-0.4 %
↘ Oil (Brent, \$)	54.3	► 53.6	-1.2 %

Source: Thomson Reuters



## Eurozone

### ECB: “A sustained presence on the markets”

- The ECB decided to extend its Asset Purchase Programme (APP) by 9 months (up to December 2017, at least) and to reduce the volume of monthly purchases from EUR 80 bn to EUR 60 bn starting in April 2017.
- Given the scarcity of eligible securities, the ECB had to choose between the pace of monthly purchases and the duration of the programme. It opted to extend QE for a longer period but at a slower monthly pace.
- The ECB modified two parameters of its public securities purchase programme (PSPP) that concern the short end of the yield curve: the minimum maturity of eligible securities was reduced from 2 years to 1 year, and the deposit facility rate floor (which is currently -0.40%) was removed.
- Although December's decision will increase the total volume of purchases, it could trigger a slight upturn in long-term rates given the reduced monthly flows. Any upturn should remain limited, however, since Mario Draghi has made it clear that the ECB intends to maintain “a sustained presence” on the markets.

Given the need to extend quantitative easing (QE) beyond March 2017, the ECB's Governing Council had to choose between extending the securities purchase programme by 6 months at the current pace, or to extend the programme for a longer period of time but with a smaller volume of monthly purchases. The ECB finally opted for the second option, extending its Asset Purchase Programme (APP) by 9 months (through December 2017 at least) while reducing the pace of monthly purchases from EUR 80 bn to EUR 60 bn as of April 2017 (returning to the pace effective between March 2015 and March 2016). The ECB nonetheless kept open the option of increasing the duration and/or pace of QE through December 2017 if the outlook were to become less favourable and/or financial conditions deteriorate, but did not envision the opposite possibility. In the end, the ECB decided to extend QE by *at least* 9 months at a *minimum* pace of EUR 60 bn a month.

This decision must be interpreted in the light of the scarcity of assets restricting the total size of the APP. ECB purchases of public securities are distributed according to the contribution of each member state to the ECB's capital. Under this (self-imposed) rule, Germany benefits most from ECB purchases. Yet there is not enough German public debt securities to allow a substantial extension of QE (more than 6 months) at the current pace of EUR 80 bn a month. To consider this option, the ECB would have had to accept deviations from the capital key for its purchases and/or increase the issuer limit currently at 33%. The first option was politically unacceptable and the second, hard to apply without disrupting the smooth functioning of the bond market given the co-existence of CAC and non-CAC bonds.

To put it straight, the ECB had to scale back the pace of monthly purchases to continue intervening directly in the bond markets for a longer period of time. To ensure the smooth implementation of QE, it also modified two parameters of its public securities purchase programme that concern the short end of the yield curve: the minimum maturity of eligible securities was reduced from 2 years to 1 year, and the deposit facility rate floor (currently at -0.40%) was removed.

Although December's decision increases the total volume of securities purchased (EUR 540 bn vs. EUR 480 bn if QE were extended only 6 months at the current pace of EUR 80 bn a month), it could trigger a slight upturn in long-term rates due to the reduction in monthly flows. Actually, much will depend on the composition of future purchases all along the yield curve. By removing the deposit facility rate floor and by including securities with maturities of between 1 and 2 years, the ECB has paved the way for a reduction in the average maturity of purchases. If this were the case, then QE would become less effective, since the purpose of the policy was precisely to target long maturities, which are more pertinent for the financing of the economy. It remains to be seen whether it will apply to all member countries in the same manner: a steepening of the yield curve would be less a problem (even welcome) in Germany than in Italy and Spain.

Naturally, the communication will also play a key role in the evolution of long-term government bond yields. From this perspective, Mario Draghi adopted a very accommodative tone during the press conference: he was particularly careful to distinguish between scaling back the pace of monthly purchases and a tapering. Defining tapering as the gradual reduction of purchases to zero, Mario Draghi pointed out that the ECB, to the contrary, intended to maintain a sustained presence on the markets. He added that the Governing Council had not discussed the idea of tapering.

The press conference's very dovish tone was echoed by the possibility that the ECB could revise increase its QE programme in size and/or duration through December 2017 if needed. This tone was also reflected in the economic projections unveiled this month. GDP growth forecasts for the next three years remained in line with September's forecasts (1.7% in 2017, 1.6% in 2018 and 1.6% in 2019), and the risks are still on the downside. But the biggest questions concern the inflation outlook. The central bank expects consumer price inflation to reach 1.3% next year, 1.5% in 2018 and only 1.7% in 2019. When asked during the press conference if 1.7% could be considered as consistent with the ECB' mandate M. Draghi answered that it was “not really” the case, suggesting that if more is needed, more will be done.



# Eurozone

## The European Commission's case

- According to survey data, economic activity seems to be holding up well in the year-end period. Even so, growth is likely to slow in 2017.
- With monetary policy overburdened, fiscal policy has once again become the focus of attention.
- The European Commission is arguing for veritable policy coordination to orchestrate fiscal expansion at the eurozone level of about half a point of GDP next year.
- In the short term, the member countries with fiscal manoeuvring room are likely to turn a deaf ear, while the Commission will continue to be lenient with those in tighter situations.

The economic recovery is continuing in the eurozone, albeit at a very feeble pace. The breakdown of detailed Q3 national accounts confirms that GDP rose only 0.3% q/q in Q3, and held to a surprisingly stable cruising speed of 1.7% y/y<sup>1</sup>. Household consumption held fairly firm in Q3 (at 0.3% q/q), while private investment and foreign trade both eased up during the summer months (+0.1% to 0.2%) after a strong Q2 rebound (both up 1.2% q/q).

The most recent survey data suggest that the economy is still going strong in the year-end period, and has even accelerated. Purchasing manager surveys signal solid growth in activity in November, probably in line with a slight acceleration in Q4 GDP, to nearly 0.4% q/q. The surveys also suggest stronger employment trends and sales pricing pressures, which are signs of a consolidating recovery. This tendency is confirmed by the European Commission's aggregated survey data, which are less volatile, with confidence indicators trending upwards in recent months in all sectors of activity.

Even so, several factors argue for a slowdown in the quarters ahead: after boosting consumption in 2016, oil pricing trends will no longer be a support factor; the UK economy is expected to slow down; fiscal policies will be less favourable in certain eurozone countries (notably Spain) while others face high political uncertainty due to upcoming elections, which is bound to strain confidence and investment. The big question is to what extent the favourable momentum now visible in the economic and survey data will be able to withstand these headwinds. We are currently looking for a slowing trend next year, with GDP growth easing towards 1.2% in 2017 (vs. 1.6% in 2016), mainly due to a slower increase in private consumption. In its latest economic outlook, the OECD expects growth to hold at the current pace (1.6% in 2017, vs. 1.7% in 2016).

<sup>1</sup> At first reading, aggregated data for the eurozone seem to suggest that growth exceeded 1.9% in 2015 before slowing in 2016. Yet this is largely due to the distortion caused by Irish GDP, which rose more than 26% in 2015 due to accounting changes (see "Ireland: Beyond revisions", Ecweek, 18 November 2016). If we restrict our observation to the eurozone's seven main countries (FR, GE, IT, SP, NL, PT, BE), growth has held at between 1.5% and 1.7% year-on-year since spring 2015.

### Growth engines

--- GDP growth (% q/q) and contribution to GDP: Private consumption (red), Public consumption (grey), Change in inventory (green), Net external trade (blue), Investment (light blue)

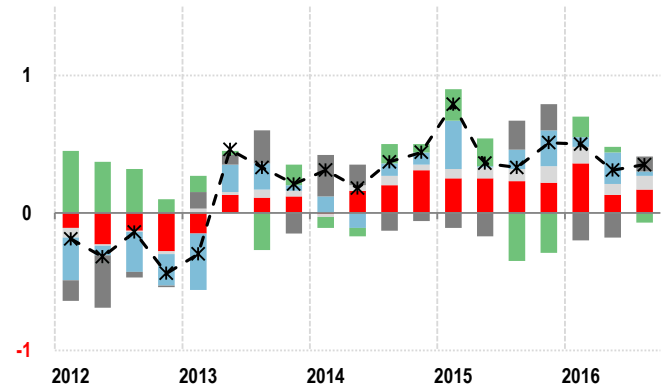


Chart 1

Source: Eurostat

### Outlook for the eurozone

Annual growth, %	2016 e	2017 e	2018 e
GDP	1,6	1,2	1,5
Private consumption	1,6	1,1	1,3
Gross Fixed Capital Formation	2,9	2,1	2,3
Exports	2,3	2,8	4,4
Consumer Price Index (CPI)	0,2	1,2	1,3
CPI ex food and energy	0,8	0,9	1,2
Unemployment rate	10,1	9,9	9,6
Current account balance	3,2	2,9	2,9
Gen. Govt. Balance (% of GDP)	-1,8	-1,6	-1,4
Public Debt (% GDP)	89,4	88,9	88,1

Table

Source: BNP Paribas

Somewhat sluggish growth is bound to have only a limited gearing effect on employment and pricing trends. Job growth peaked at 1.4% in H1 2016. Spain and Italy made big contributions to the acceleration observed in 2015 and early 2016, but these economies are poised to slow in the quarters ahead. The unemployment rate, which recently fell to 9.8% of the work force, albeit with wide disparities between countries, could decline by less than 0.5 percentage points (pp) over the next year, compared to an average improvement of 0.8-0.9 pp a year over the past two years. Inflation is also holding well below the price stability target. It is currently picking up, driven by two factors: the base effects of energy prices, which could prove to be even stronger than expected so far, especially if oil prices maintain their recent momentum since the recent OPEC agreement (USD 54 a barrel at 8<sup>th</sup> of December), and the weakening of the euro since the US elections (USD 1.06). Unfortunately, given its negative impact on household purchasing power and consumption,



robust energy prices are apparently having a direct negative impact on core inflation (0.8% in November) and medium-term price stability, the ECB's real inflation target.

Against this backdrop, all eyes were turned towards the December Governing Council meeting (see our detailed analysis on page 2 of this week's Ecoweek). Even so, it was clearly understood that the ECB no longer has much manoeuvring room, caught between the desire, on the one hand, to pursue its action as long as there has not been a decisive upturn in inflation prospects, and on the other, the increasingly vocal doubts about its quantitative easing policy, and the adjustments needed to cope with the risk of a shortage of eligible securities<sup>2</sup>.

**The long and winding path towards fiscal policy coordination**

Once again, fiscal policy has become the focus of attention, and the big question is whether it can still provide any additional support, and under what conditions. After several international organisations raised this point (notably the OECD and IMF), the European Commission recently began making this argument as well. As part of the European Semester and its assessment of the member states' 2017 draft budget proposals, the Commission is recommending for the first time that EMU as a whole should benefit from an expansionary fiscal policy of 0.5% of GDP in 2017-2018.

The arguments developed in the Commission's recommendation can be summarised as follows: in the eurozone, as elsewhere, fiscal policy must be conducted in an environment that implies hedging between a target of stabilising the economic environment (the hysteresis effects of a persistently negative output gap erode growth potential, justifying an expansionary policy) and a target of sustainable public finances (restrictive policies need to continue to improve sustainability). Currently, the Commission seems to think the first target of economic stability should be given priority, considering 1) the adjustment efforts that have already been made (EMU fiscal policy has been only slightly expansionary since 2015, after 4-years of restrictive policies); 2) the urgent need to halt the deterioration of the eurozone's growth potential, and 3) the need to ease the burden of a single monetary policy, which alone cannot be expected to stabilise economic activity.

Yet Europe's fiscal rules are asymmetrical, and biased towards each members' public finance sustainability target. Although member states that have not met their fiscal adjustment targets (based on the value of the nominal deficit, the medium-term structural target or the pace of reducing the debt ratio) are demanded to pursue their efforts, the Council can only *recommend* that the countries already in compliance pursue cyclically accommodating policies. In the end, these rules can be problematic, since they do not always make it possible to set up the optimal policy for the eurozone as a whole. The authors of the report esteem that "in light of the latest economic and budgetary data, a full delivery of the fiscal requirements contained in the country-specific recommendations of the Council would lead, on aggregate, to a moderately restrictive fiscal stance for the euro area as a whole in 2017 and 2018, while the economic

<sup>2</sup> Although the recent increase in long-term rates makes QE easier to implement.

**Fiscal expansion in the eurozone**

Change in the primary structural balance (% of potential GDP), inverted scale. — Member States draft budgetary plans — EC autumn forecast — Member States Stability programmes - - - preferable, according to EC

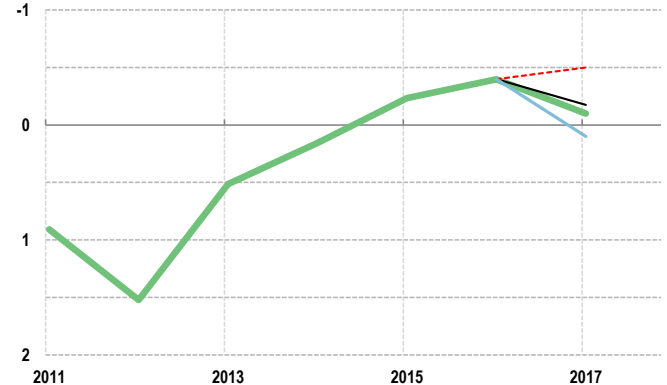


Chart 2 Sources: Ameco, Commission services

situation would seem to call for an expansionary fiscal stance in the present circumstances.”<sup>3</sup>

This is a remarkable shift in the Commission's stance, because it illustrates the change of focus: previously, it was enough to evaluate on a country-specific basis whether a country complied with Europe's fiscal rules. Immediately after the text was released, Wolfgang Schäuble publically requested that the EC services revert to the good old practices of the past. Given Europe's institutional structure and total absence of any political will in most member states to move this project forward, fiscal policy stances will continue to be largely decentralised in the near future. In the end, growing political tensions and upcoming elections are most likely to ease fiscal restrictions at a time when the Commission is more lenient towards member countries that officially have little manoeuvring room.

<sup>3</sup> "Towards a positive Euro Area fiscal stance", European Commission communication, 16 November 2016.



# Italy

## Referendum: limited consequences for banks

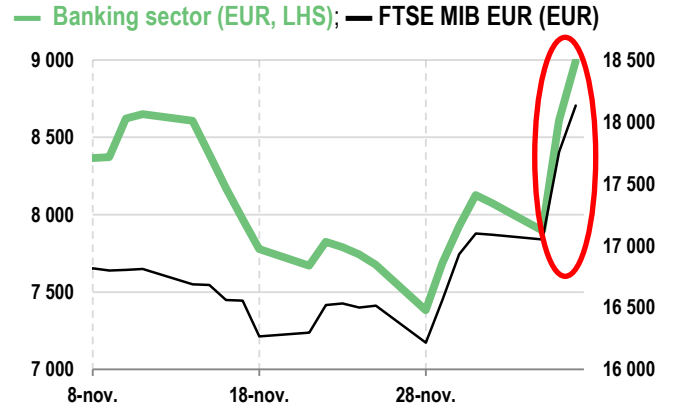
- Expectations of the referendum's outcome prevented the markets from over-reacting.
- Banking stocks fell mildly immediately following the referendum, but rebounded again until 8 December 2016.
- The referendum's outcome does not seem to have altered the chances of success of Monte dei Paschi di Siena's recovery plan.
- Sovereign yield spreads did not widen very much thanks to the ECB's ongoing intervention.

On 4 December 2016, Italians voted massively against the constitutional reform to end Italy's perfect bicameralism. The markets largely anticipated this popular rejection of Matteo Renzi's policies, who handed in his resignation to Italy's president after the definitive 2017 budget was adopted.

After falling 0.21% on the day after the referendum, the Milan Stock Exchange reversed course and gained 4.15% on day two. The main banking stocks amplified these overall trends. UniCredit's share price fell 3.36% on 5 December, but regained 12.81% on 6 December, and continued to rise in the two days thereafter (+9.42% and +2.98%). The 9 December 2016 session appears to have ended the rally. The referendum's outcome does not seem to have significantly deteriorated expectations concerning the banking sector.

Monte dei Paschi di Siena (MPS) was slightly sanctioned. Its share price regained only 1.18% on 6 December after plunging 4.21% the previous day. Yet MPS shares continued to rebound over the next two days (+10.79% and +4.11%). Market expectations do not seem to have changed significantly concerning the chances of success of the bank's recovery plan. Between 28 November and 2 December, the plan managed to generate EUR 1 bn in additional equity. This was achieved through the voluntary conversion of bonds at nominal value into new shares with a maximum price set at EUR 24.90. The recovery plan also intends to raise an extra EUR 4 bn in new equity. This could include EUR 1 bn provided by one or more anchor investors. The bank still intends to sell off EUR 27.7 bn in securitised

### Banking stocks are trending upwards



Chart

Source: Macrobond

non-performing loans in the near future. The Italian government has already implemented structural reforms that should help the banks clean up their balance sheets. Remaining cautious, the Italian government might also be in negotiations with the European Commission and MPS concerning a preventative support. Even so, the bank requested additional time to carry through its recapitalisation plan from the ECB which rejected it.

Between 2 and 5 December 2016, the spreads on 10-year sovereign bond yields widened very slightly (from 172 basis points to 177 bp against the Bund), a limited move contained by the ECB's ongoing intervention. Volatility – a reflection of uncertainty – did not increase very much either. The market does not seem to be calling into question yet the future transition government's capacity to carry through structural reforms.

Although it is still worth being cautious, the referendum's outcome could have minor implications on the fate of Italian banks. In the days ahead, new factors will be released concerning the terms of the recovery plans and their chances of success.



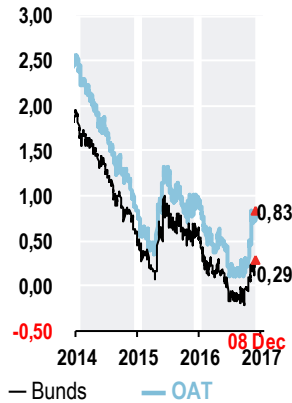
### Markets overview

#### The essentials

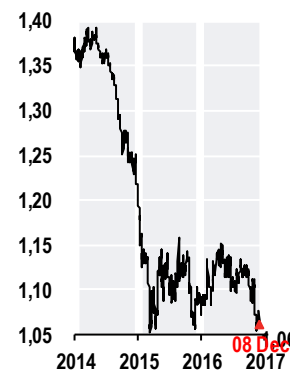
Week 2-12 16 > 8-12-16

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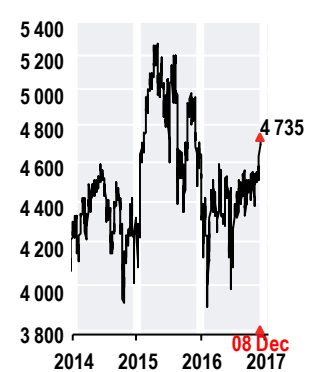
10 y bond yield, OAT vs Bund



Euro-dollar



CAC 40



#### Money & Bond Markets

Interest Rates	highest' 16	lowest' 16
€ ECB	0.00	0.05 at 01/01
Eonia	-0.35	-0.13 at 01/01
Euribor 3M	-0.32	-0.13 at 01/01
Euribor 12M	-0.08	0.06 at 01/01
\$ FED	0.50	0.50 at 01/01
Libor 3M	0.95	0.95 at 06/12
Libor 12M	1.65	1.65 at 06/12
£ BoE	0.25	0.50 at 01/01
Libor 3M	0.38	0.59 at 15/02
Libor 12M	0.79	1.07 at 01/01

At 8-12-16

Yield (%)	highest' 16	lowest' 16
€ AVG 5-7y	0.36	0.49 at 12/01
Bund 2y	-0.74	-0.34 at 01/01
Bund 10y	0.29	0.63 at 01/01
OAT 10y	0.83	0.98 at 01/01
Corp. BBB	1.67	2.50 at 20/01
\$ Treas. 2y	1.11	1.14 at 25/11
Treas. 10y	2.39	2.46 at 01/12
Corp. BBB	3.81	4.50 at 12/02
£ Treas. 2y	0.10	0.65 at 01/01
Treas. 10y	1.38	1.96 at 01/01

At 8-12-16

10y bond yield & spreads

6.59%	Greece	630 pb
3.75%	Portugal	346 pb
2.03%	Italy	174 pb
1.52%	Spain	123 pb
0.90%	Ireland	61 pb
0.83%	France	54 pb
0.72%	Belgium	43 pb
0.56%	Austria	27 pb
0.53%	Finland	24 pb
0.53%	Netherland	24 pb
0.29%	Germany	

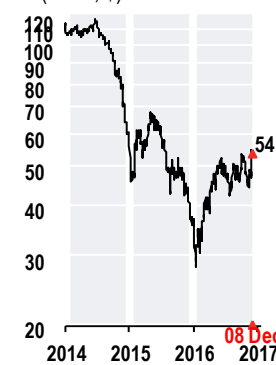
#### Commodities

Spot price in dollars	lowest' 16	2016(€)
Oil, Brent	54	28 at 20/01 +53.6%
Gold (ounce)	1 171	1 062 at 01/01 +12.8%
Metals, LME	2 785	2 049 at 12/01 +29.4%
Copper (ton)	5 781	4 328 at 15/01 +25.8%
CRB Foods	342	322 at 09/11 +4.4%
wheat (ton)	143	126 at 16/08 -4.9%
Corn (ton)	131	113 at 31/08 -2.3%

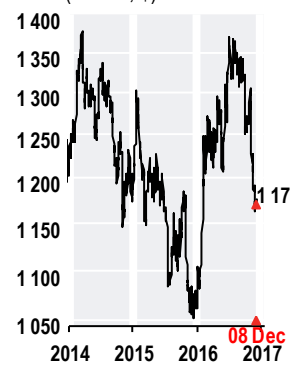
At 8-12-16

Variations

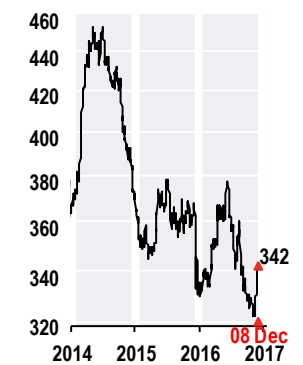
Oil (Brent, \$)



Gold (Ounce, \$)



CRB Foods



#### Exchange Rates

€ =	highest' 16	lowest' 16	2016
USD	1.06	1.15 at 03/05	1.05 at 23/11 -2.3%
GBP	0.85	0.90 at 13/10	0.73 at 05/01 +14.7%
CHF	1.08	1.11 at 04/02	1.07 at 18/11 -0.8%
JPY	121.23	131.84 at 01/02	110.95 at 08/07 -7.2%
AUD	1.43	1.60 at 11/02	1.41 at 28/11 -4.4%
CNY	7.30	7.54 at 22/08	6.99 at 05/01 +3.5%
BRL	3.60	4.53 at 16/02	3.39 at 25/10 -16.3%
RUB	67.17	91.22 at 11/02	67.17 at 08/12 -15.3%
INR	71.46	77.50 at 11/02	71.42 at 05/01 -0.6%

At 8-12-16

Variations

#### Equity indices

Index	highest' 16	lowest' 16	2016	2016(€)
CAC 40	4 735	4 735 at 08/12	3 897 at 11/02	+2.1%
S&P500	2 246	2 246 at 08/12	1 829 at 11/02	+9.9%
DAX	11 179	11 179 at 08/12	8 753 at 11/02	+4.1%
Nikkei	18 765	19 034 at 01/01	14 952 at 24/06	-1.4%
China*	61	65 at 22/09	48 at 12/02	+2.7%
India*	456	504 at 08/09	393 at 11/02	+1.1%
Brazil*	1 624	1 882 at 31/10	860 at 21/01	+34.3%
Russia*	576	576 at 08/12	331 at 20/01	+27.0%

At 8-12-16

Variations

\* MSCI index



## Economic forecasts

En %	GDP Growth			Inflation			Curr. account / GDP			Fiscal balances / GDP		
	2016 e	2017 e	2018 e	2016 e	2017 e	2018 e	2016 e	2017 e	2018 e	2016 e	2017 e	2018 e
<b>Advanced</b>	1.6	1.7	2.1	0.8	1.7	1.9						
<b>United States</b>	1.5	2.2	2.8	1.2	2.2	2.6	-2.5	-2.4	-2.4	-3.4	-4.2	-5.0
Japan	0.8	0.9	0.7	-0.1	1.1	1.0	3.8	4.0	4.4	-4.6	-4.2	-4.1
United Kingdom	2.1	1.1	1.6	0.6	2.4	2.6	-5.5	-4.6	-3.5	-3.7	-4.0	-4.1
<b>Euro Area</b>	1.6	1.2	1.5	0.2	1.2	1.3	3.2	2.9	2.9	-1.8	-1.6	-1.4
Germany	1.8	1.5	1.8	0.4	1.6	1.5	8.9	8.1	8.4	0.6	0.6	0.5
France	1.3	1.1	1.5	0.3	1.0	1.1	-0.9	-0.6	-0.8	-3.4	-3.1	-2.8
Italy	0.8	0.4	0.7	-0.1	0.9	1.0	2.0	2.2	2.0	-2.5	-2.6	-2.6
Spain	3.2	2.1	1.9	-0.4	1.6	1.6	1.1	1.6	1.6	-4.6	-3.8	-3.2
Netherlands	2.2	1.5	1.4	0.1	0.8	1.2	8.5	8.2	7.9	-1.1	-0.5	-0.2
Belgium	1.4	1.2	1.4	1.8	1.6	1.6	0.8	0.6	0.6	-2.9	-1.6	-1.9
<b>Emerging</b>	4.3	4.6	5.1	4.8	4.4	4.2						
China	6.7	6.2	6.4	2.0	2.3	2.5	2.2	1.7	1.5	-3.0	-3.3	-3.5
India	7.5	8.1	8.3	5.0	5.7	4.9	-1.1	-0.5	-1.3	-3.9	-3.5	-3.5
Brazil	-3.7	1.0	3.0	8.8	4.9	4.4	-1.2	-1.7	-2.5	-9.6	-10.4	-8.4
Russia	-0.5	1.0	2.5	7.0	4.6	4.2	2.5	2.7	3.2	-3.9	-3.0	-1.9
<b>World</b>	3.1	3.3	3.8	3.1	3.3	3.3						

Source : BNP Paribas Group Economic Research (e: Estimates & forecasts)

## Financial forecasts\*

Interest rates		2016				2017				2016e	2017e	2018e
		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q3e	Q4e			
<b>US</b>	Fed Funds	0.25-0.5	0.25-0.5	0.25-0.5	0.50-0.75	0.50-0.75	0.50-0.75	0.75-1.00	1.00-1.25	0.50-0.75	1.00-1.25	2.00-2.25
	3-month Libor \$	0.63	0.65	0.85	0.91	0.90	0.90	0.95	1.10	0.91	1.10	2.45
	10-year T-notes	1.79	1.49	1.61	2.35	2.55	2.75	2.85	3.00	2.35	3.00	3.50
<b>EMU</b>	Refinancing rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	3-month Euribor	-0.24	-0.29	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15
	10-year Bund	0.16	-0.13	-0.19	0.30	0.40	0.50	0.60	0.70	0.30	0.70	1.20
	10-year OAT	0.41	0.20	0.12	0.75	0.90	0.90	1.00	1.10	0.75	1.10	1.70
	10-year BTP	1.23	1.35	1.19	2.05	1.90	2.10	2.30	2.50	2.05	2.50	3.00
<b>UK</b>	Base rate	0.50	0.50	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
	3-month Libor £	0.59	0.56	0.38	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
	10-year Gilt	1.42	1.02	0.76	1.55	1.70	1.65	1.75	1.90	1.55	1.90	2.15
<b>Japan</b>	Overnight call rate	-0.00	-0.06	-0.06	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
	3-month JPY Libor	0.10	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
	10-year JGB	-0.04	-0.23	-0.08	0.00	0.05	0.05	0.10	0.15	0.00	0.15	0.15

Exchange rates		2016				2017				2016e	2017e	2018e
		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q3e	Q4e			
<b>USD</b>	EUR / USD	1.14	1.11	1.12	1.07	1.04	1.02	1.02	1.00	1.07	1.00	1.09
	USD / JPY	112	103	101	110	115	120	125	128	110	128	135
<b>EUR</b>	EUR / GBP	0.79	0.83	0.87	0.86	0.84	0.82	0.82	0.80	0.86	0.80	0.76
	EUR / CHF	1.09	1.08	1.09	1.07	1.08	1.10	1.12	1.12	1.07	1.12	1.15
	EUR/JPY	128	114	114	118	120	122	128	128	118	128	147

Source : BNP Paribas Group Economic Research / GlobalMarkets (e: Estimates & forecasts)



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