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ECONOMIC RESEARCH DEPARTMENT

Summary

United States

Slow and steady wins the race

Economic data and surveys concur in pointing to a rebound in the manufacturing sector. The FOMC members seem to be increasingly confident in their inflation outlook. The Fed will probably begin to normalise monetary policy in December.

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France

The growth rebound is confirmed but it lacks momentum

French GDP grew by 0.3% q/q in the third quarter, after having stagnated in Q2. The expected rebound showed up, but it lacks any strength.

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Corporates: the weak link

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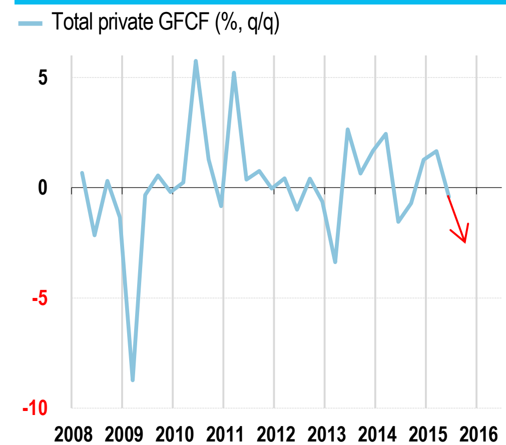
Germany: no acceleration

■ Rebound continued in France... ■ …but the pace of growth slowed in Germany

While the rebound in growth continued in the third quarter in France (0.3% after 0% in Q2), the same cannot be said of Germany. With an increase of 0.3% q/q in Q3, according to the federal statistical office's preliminary estimate, GDP growth slowed slightly on the previous quarter (0.4% q/q in Q2). That said, this performance still came as a relatively pleasant surprise as the drop in third-quarter industrial output (down 0.2% q/q) had hinted at worse. The breakdown of GDP components is not yet available (due for publication on 24 November), but Destatis has already indicated that only households' and government consumer expenditure supported economic activity. On the other hand, business investment was a slight disappointment while foreign trade made a negative contribution to growth, in line with the steep increase in imports. Conversely, Destatis said nothing about the role played by inventories in the third quarter, but it seems likely that businesses built them back up to some degree after the major run-downs of Q2 (-0.5pp). What's more, this would also have contributed to the significant growth in imports. For 2015 as a whole, the government's growth forecast (1.7%) now looks optimistic.

FALL IN PRIVATE CAPITAL INVESTMENT



Source: Thomson Reuters

THE WEEK ON THE MARKETS

Week 16-11 15 > 19-11-15

		16-11		19-11	Change	
↗	**CAC 40**	4 808	►	**4 915**	**+2.2**	%
↗	**S&P 500**	2 023	►	**2 081**	**+2.9**	%
↘	Volatility (VIX)	20.1	►	17.0	-3.1	%
↘	**Euribor 3M** (%)	-0.08	►	**-0.09**	**-0.9**	bp
↗	Libor $ 3M (%)	0.36	►	0.37	+0.6	bp
↘	OAT 10y (%)	0.89	►	0.81	-7.8	bp
↘	Bund 10y (%)	0.56	►	0.48	-8.3	bp
↘	US Tr. 10y (%)	2.29	►	2.26	-3.1	bp
↗	**Euro vs dollar**	1.07	►	**1.07**	**+0.0**	%
↘	Gold (ounce, $)	1 082	►	1 082	+0.0	%
↘	**Oil (Brent, $)**	43.4	►	**43.1**	**-0.8**	%

Source: Thomson Reuters

United States

Slow and steady wins the race

- **Economic data and surveys concur in pointing to a rebound in the manufacturing sector after the slowdown in late summer.**
- **Inflation is also showing signs of picking up, echoing indications of accelerating wage growth.**
- **The FOMC members seem to be increasingly confident in their inflation outlook, which calls for inflation to gradually return to its target in the medium term.**
- **The Fed will probably begin to normalise monetary policy in December of this year.**

Data released this week reinforce the job report's message: after a late summer slowdown, US activity rebounded in October. There are also increasing signs of an easing of the downward pressure on prices and wages. Consequently, there is very high probability that the Fed will begin normalising monetary policy in December. The latest FOMC meeting minutes confirm the removal of the last obstacle blocking a decision, namely confidence in its forecast that inflation is gradually returning to target.

Rebound in manufacturing

Economic data and survey results both illustrate the sudden slowdown in the manufacturing industry in August and September. The manufacturing ISM, the purchasing managers' index for the entire United States, peaked at 53.8 in June, before declining in each of the months thereafter, to 50.1 in October. Yet this last point should mark a turning point. The composite index continued to decline, but only limitedly (0.1 points), while some of the most forward-looking components rebounded: "new orders" were up 2.8 points and "production" gained 1.1 points, bringing both components to 52.9.

Regional surveys confirm this trend. In the district of the New York Federal Reserve Bank, the composite index certainly has not rebounded yet and is holding well below the 50 threshold (down 0.1 points to 46.4)[1]. Yet there was a rebound in "business sentiment" and "number of employees". The "new orders" component staged an even bigger rebound, gaining 3.5 points in November. Confidence was mainly undermined by the level of inventory, which was found to be too low. If industrial leaders respond as the usually do by rebuilding inventories, there is a good chance that confidence will rebound in the short term.

This movement can already be seen further south. The survey published by the Philadelphia Fed illustrates the renewed confidence in November. The composite index, which we calculate using the same method as for New York Fed data, rebounded by 2.5 points, and virtually all components made a positive contribution. The business climate and jobs indexes both returned to expansion territory (above 50), at 51.0 and 51.3, respectively. Using data from these two surveys, we calculate the NEM index (for North East Manufacturing), a good leading indicator of the ISM. In November, the NEM rebounded by 1 point, suggesting an ISM reading of about 53 (figure to be released on Tuesday, 1 December).

In October, manufacturing output rebounded by 0.4%. The slowdown in August and September was particularly fierce in the durable goods sector, where production contracted 0.4% and 0.3%, respectively. This was followed by a strong rebound in October, up 0.5%. Although the causes of last summer's slowdown have not been completely identified yet, it looks like industrial leaders wanted to realign their inventories on the level of sales. During the last months of 2014, the inventory to sales ratio increased sharply. Even though

Manufacturing rebounds

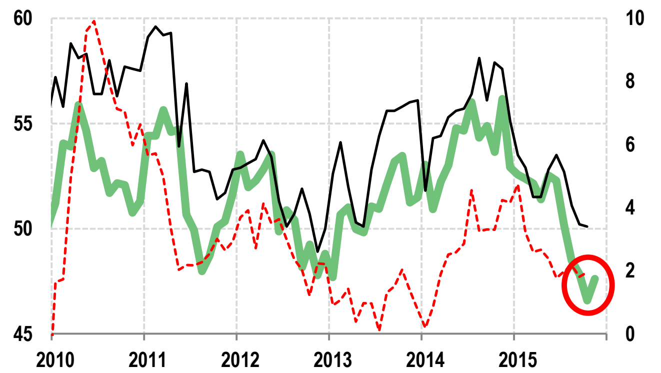


Chart 1 — Sources: Federal Reserve, NY and Philly Feds, ISM, BNP Paribas Economic Research

Inventory adjustments are underway

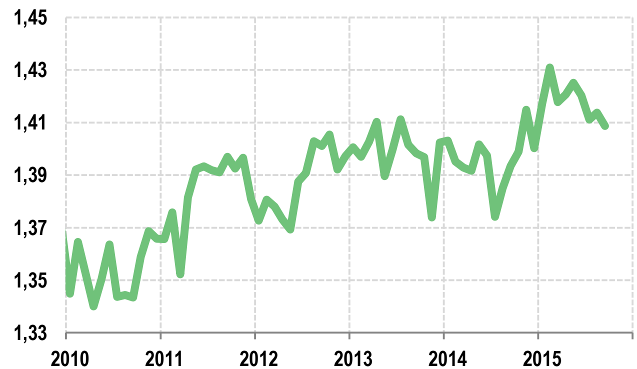


Chart 2 — Source: US Bureau of Economic Analysis

[1] We calculate this composite index based on survey data from the New York Fed. After rebasing the series, we calculate the weighted average of "business conditions", "new orders", "delivery time", "inventories" and "number of employees" based on the construction of the ISM index.

inventory changes placed a heavy strain on Q3 growth[2], the ratio has not really been corrected yet. This could be the case for the manufacturing sector as a whole, if we exclude the energy sector (chart 2), suggesting a realignment of the growth of supply and demand.

From the total number of hours worked, we can also conclude that the US industry is still making strong productivity gains: manufacturing output increased 1.9% year-on-year, while the index of aggregate weekly hours worked rose only 0.1%. Then, and despite an acceleration in wages, which rose 2.1% year-on-year in October (vs. 1.4% in 2014 and in H1 2015), unit labour costs remain relatively steady.

This explains the resilience of US exports, despite the dollar's very strong appreciation at a time of sluggish global demand. The loss of external competitiveness has certainly been real, but limited. In a previous issue of Eco Week[3], we made the hypothesis that US industrial companies were passing on lower costs (due to lower input prices, including imported and/or energy related) to export markets more than to the domestic market.

Consumer prices: encouraging signs

Data for the month of October continue to support this hypothesis. The export price index contracted for the fifth consecutive month, down 6.7% year-on-year. The consumer price index also declined but was much more stable. Year-on-year inflation held in positive territory in October at 0.2%. Excluding food and energy, it seems to be increasingly clear that prices are accelerating. Prices rose 1.9% year-on-year in October, the biggest increase since June 2014. Excluding rent (or the equivalent for homeowners), pricing trends have also shown signs of recovering.

The Fed

The minutes of the latest FOMC meeting of 27 and 28 October confirmed what we already knew. For most of FOMC members, the particularly feeble inflation of recent months is mainly due to lower oil prices and a stronger dollar. Members emphasised the inflation was turning around, even though it is still moderate and at the very beginning of a recovery phase. Some members also pointed out the emergence of labour market pressure, which is spreading to several types of employment and geographic regions. Most Fed officials think the conditions will come together for a key rate increase in December. A minority believe that the conditions had already come together at the end of October, and the same number fear that conditions still will not be ripe in December. The balance is clearly tipping towards a December rate increase. The shift in the majority is reflected in the decision to modify the press release published on 28 October, to indicate that the first key rate increase could be decided at the next meeting on 15 and 16 December.

This deliberate message was nonetheless cloaked: the decision will depend on economic developments, which will be analysed on a trend basis and not point by point. It is not the data per se, but what the data implies about medium-term growth and inflation prospects that will be decisive.

Manufacturing sector (y/y, %)

— Index of hours worked; — Production

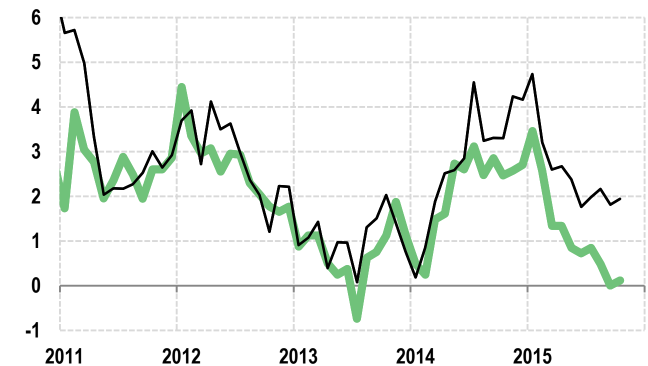
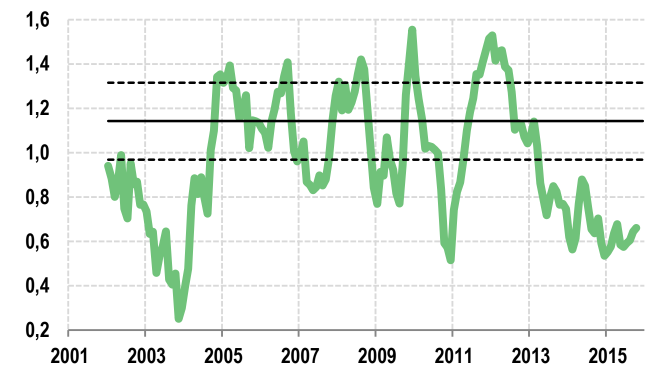


Chart 3 Sources: US Bureau of Labor Statistics, Fed

Consumer price index

Excluding food, energy and rent (or equivalent) for the primary residence, year-on-year, %

— Underlying price; --- Average and +/-1 standard deviation, 2005-08



Graphique 4 Source : US Bureau of Labor Statistics

The Fed repeated once again that the focus should not be on the date of the first normalisation move; rather it was the cycle as a whole that should be taken into account. The main message is that key rates will rise very gradually. This message was amplified by reference to discussions on equilibrium real interest rates. Real rates dropped into negative territory with the onset of the crisis and are still close to zero. They will probably rise very gradually, remaining below past levels. Risks are also on the downside, especially since the outlook is uncertain in terms of total factor productivity and the labour participation rate.

The Fed seems to be signalling that the Fed funds target rate will certainly increase, but monetary policy will remain very accommodating. Using the FOMC members' projections for the Fed funds rate and inflation, and by comparing the "apparent" real rate to the estimated medium-term level, we can see perfectly how the Fed's monetary policy will remain accommodating. If the Fed's inflation forecasts are as foreseen by members, monetary policy could even become more accommodating for a certain period of time, despite the rate increase.

[2] "Oil and policy mix", Alexandra Estiot; BNP Paribas Eco Week, 30 October 2015.
[3] "Resilient", Alexandra Estiot; BNP Paribas Eco Week, 6 November 2015.

Yet if downside risks persist, namely concerning the sustainability of growth and the probability that inflation will return to the Fed's target, then why raise rates? According to the minutes, the FOMC members see several reasons for doing so. First, by delaying the beginning of normalisation, they risk increasing the significance that the public gives to this date. To the contrary, the Fed is seeking to minimise the importance of this date. Second, the reasons behind the delaying a rate increase could be misunderstood, leading some to conclude that the Fed is pessimistic about the economic cycle. If this became the predominant hypothesis, the public might begin to doubt the Fed's confidence in its own capacity to steer inflation to meet its target. This would raise doubts about the US central bank's credibility. Fed officials also point out that the earlier normalisation begins, the longer the period over which it could be spread, thereby limiting the risks to growth.

Lastly, the minutes reiterated the risks straining financial stability. This brings to mind the recent speech by Eric S. Rosengren[4], president of the Boston Fed. As the Fed nears its objectives for full employment and price stability, it will give greater weight to questions of financial stability. There is nothing new about this point of view, which is the corollary of the defence of past quantitative easing programs. The Fed officials said, when QE was still in place and some feared it could pose risks to financial stability, that with such great deviations from the employment and inflation targets, the main risk straining financial stability was actually coming from those very deviations. Today, the Fed has corrected a good part of the deviation from the objective of full employment. It projects that it is capable of having the same success with price stability in the medium term. Financial stability has then greater weight in its decisions. In his 9 November speech, Mr. Rosengren pointed out the very rapid increase in commercial real estate prices. He added that "when the number of cranes observed on a short walk in a city such as Boston reaches double digits, as is the case today, it is worth reflecting on the sustainability of such growth".

Projection of real Fed funds rate

— Fed Funds rate minus the year-on-year PCE deflator; — Median projection of FOMC members

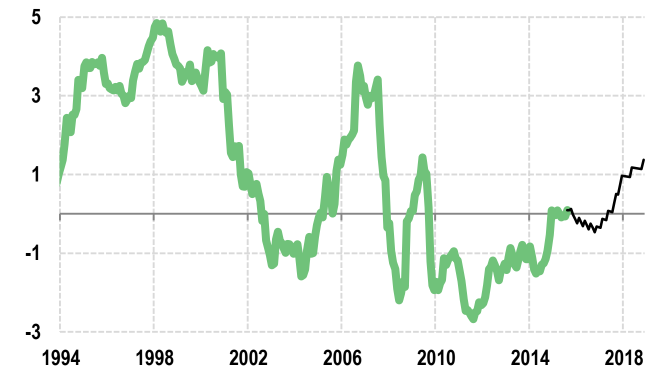


Chart 5 Source: FOMC

Fed loss functions

— Based on the unemployment rate; — Based on the output gap

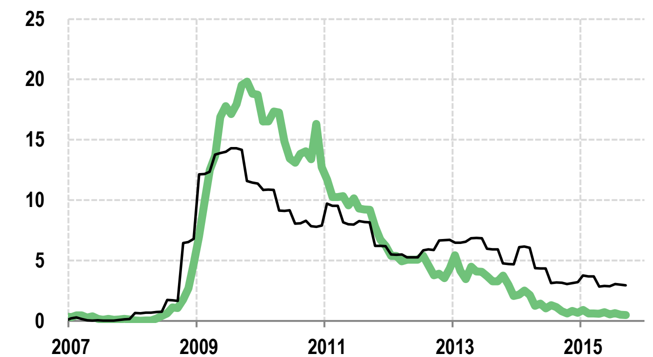


Chart 6 Sources: BEA, BLS, CBO, BNP Paribas Economic Research

[4] "Assessing the Economy's Progress", *Eric S. Rosengren, Presentation to the Newport County Chamber of Commerce, Portsmouth, Rhode Island, 9 November 2015.*

France

The growth rebound is confirmed but it lacks momentum

- **French GDP grew by 0.3% q/q in the third quarter, after having stagnated in Q2. The expected rebound showed up, but it lacks any strength.**
- **Household consumption and business investment rose, but only modestly.**
- **Growth was also propped up by a highly positive contribution from inventory changes, largely reflected in the strong rise in imports.**
- **The resulting negative contribution of net exports was amplified by the fall in exports.**
- **The recovery still lacks any zest, mirroring the pattern seen across the euro zone.**

In the third quarter of 2015, GDP grew by 0.3% q/q, in line with our forecast. On closer inspection of the individual GDP components, the results were more of a surprise (see figure 1). To sum up, growth still lacks any real momentum. This impression stems, first of all, from the limited rebound in household consumption (up 0.3 q/q, compared with an average historical quarterly rate of 0.5%), while the rise of 0.7% q/q in spending on goods hinted at a firmer pick-up. Spending on services lacked any strength, rising by just 0.2% q/q, like in the second quarter. It continues to fail to pick up from this sluggish pace, which has been its quarterly average since 2010, far below the average pre-crisis pace of 0.6%. Spending on services seems less sensitive than expenditures on goods to the purchasing power gains arising from lower oil prices. For it to pick up to a stronger head of steam – and this applies to all household expenditures – it needs to be fuelled by more robust gains in real disposable income, i.e. more dynamic income from activity. In this regard, the rise in non-farm payrolls is encouraging (up 0.1% q/q both in the second and third quarters). However, it remains too small to bring down the unemployment rate, while growth in wages continued to slow down (basic monthly wages grew by 1.1% year-on-year, a record low, see figure 2).

Investment provided a pleasant surprise in the form of a slightly stronger-than-expected increase in non-financial corporations' investment (+0.7% q/q) and a smaller contraction in household investment (-0.5% q/q)[1]. This latter suggests that the construction sector is now on the brink of emerging from the downturn, which would eliminate what has been a key drag on growth in France. The fall in household investment is expected to trim 2015 growth by around 0.1 points[2], far less than the 0.3 point drag it represented in 2014.

GDP growth breakdown

Contributions to quarterly GDP growth, %

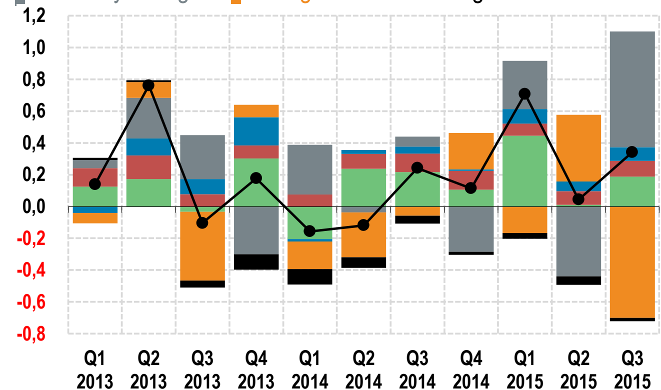


Figure 1 Source: INSEE

Unemployment rate and wages

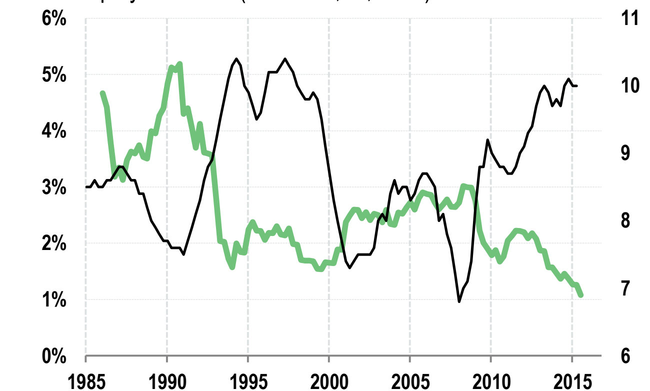


Figure 2 Source: INSEE

The uptick in business investment is also encouraging. It came on the back of two quarters of similar increases. This upswing, together with that in employment, suggests that a self-sustaining recovery is taking shape. Yet it is still too timid for the situation to be clear. The pace of the increase in investment is still slower than that seen in previous recoveries (1.2% per quarter on average between 1993 and 2000 and again between 2003 and 2007). The latest quarterly INSEE survey of investment in the industrial sector also painted a picture of a feeble improvement. In October, business leaders anticipated near-stability in their investment in value terms in 2015 (rise of 1%, compared with a rise of 2% in the July and 6% in the April surveys) and an increase of only 3% in 2016 (see figure 3).

[1] Public investment declined more significantly (-1% q/q), but its small share in GDP (4%) means that its negative contribution to growth was not significant (-0.03 points). Public consumption again supported growth, providing another positive contribution of 0.1 points.

[2] As in 2012 and 2013. To recap, average annual growth ran at just 0.2% in 2012 and 2014 and 0.7% in 2013.

Overall, trends in consumption and investment resulted in a contribution of 0.3 points from final domestic demand. Contributions from changes in inventories and net exports offset each other, with the former at 0.7 points and the latter at -0.7 points, leaving growth at 0.3 points. The positive contribution from inventory changes was largely the flip side of foreign trade's negative contribution. Of the total contribution of inventories of 0.7 points, 0.4 points came from transport equipment alone, which also showed up as a negative in the contribution from foreign trade related to these goods.

The contribution from foreign trade was negative, too, because the steep rise in imports (+1.7% q/q) was compounded by a significant drop in exports (down 0.6% q/q). This came after four quarters in a row of brisk rises (averaging 1.9% per quarter). In view of this, the drop can be seen as a correction. However, the hefty decline in exports to non-EU countries (down 2.9% q/q) needs to be watched closely given the economic difficulties plaguing numerous emerging countries. The share of non-EU countries in French exports of goods and services is still smaller than that from EU countries, but it is growing (see figure 4). And the scale of the third-quarter drop-off in these non-EU exports was such that their negative contribution easily outweighed the positive contribution (0.7 points) from the rise in exports to the EU (1.2% q/q).

Growth across the euro zone was just as moderate as growth in France. Even so, France ranked second behind Spain, which continued to pull away from the rest of the pack by posting much higher growth rates (see figure 5). France also stands out as the only country in which growth rebounded in the third quarter. This trend had been expected after growth flat-lined in the second (albeit as the payback from a strongly positive first quarter print). Growth in the other euro zone countries slowed down after a decent second-quarter performance. Across the euro zone as a whole, growth recorded another quarterly slowdown, demonstrating that the recovery still lacks any momentum, mirroring the pattern in France. Despite the supportive factors (oil prices, monetary policy, exchange rates, growth shortfall, investment needs), a number of negative factors are still at work (uncertainty, overcapacity, deleveraging, unemployment, slower pace of global expansion)[3].

To conclude, we will review the short-term outlook for growth. According to the – encouraging – business climate surveys available up to October, French growth may hold up in the fourth quarter at about the same pace as in the third (or even accelerate slightly according to the Banque de France and the INSEE, which forecast growth of 0.4% q/q). With a carryover of 1.1%, growth is set to run at an annual average of 1.2% in 2015. Next week, once the confidence surveys for November, household consumption expenditures on goods and the job-seekers figures for October have been released, we will have valuable additional data allowing us to fine-tune this estimate.

Investment forecasts

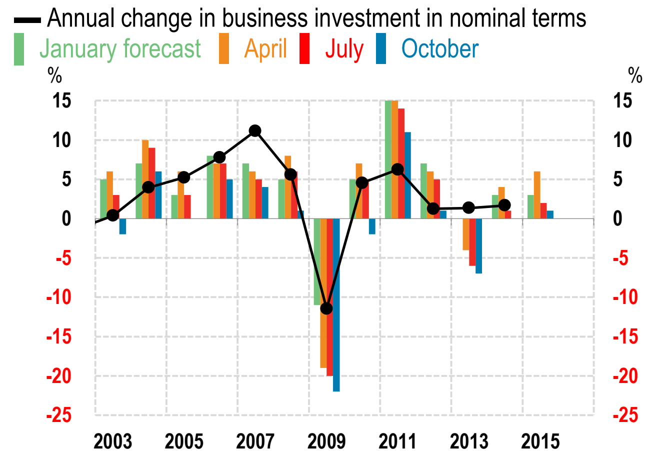


Figure 3 Source: INSEE

Destination of exports

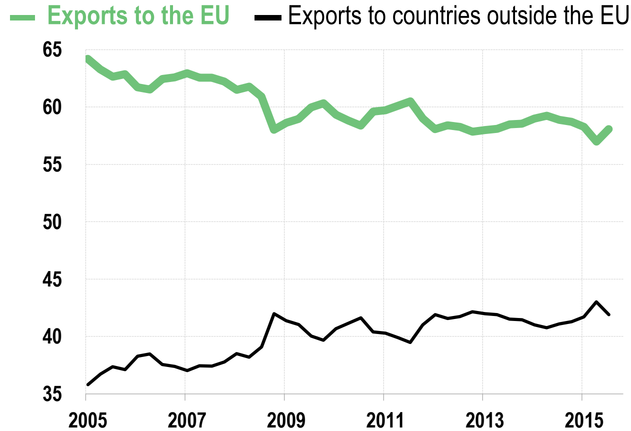


Figure 4 Source: INSEE

Growth in the euro zone

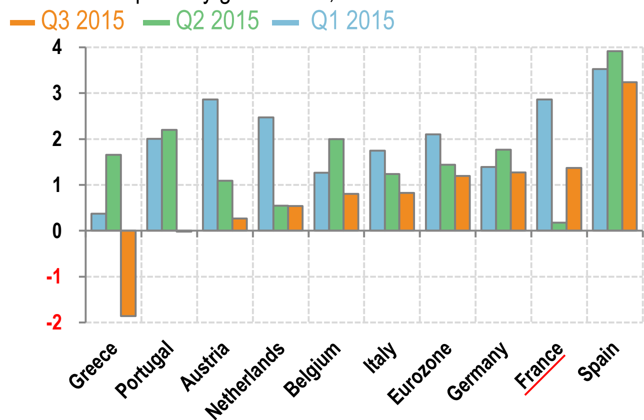


Figure 5 Source: Eurostat

[3] The fiscal impulse is now almost neutral in the euro zone at large, but remains negative in France.

BNP PARIBAS

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Turkey

Corporates: the weak link

- **Although the intrinsic solidity of public finances and the banking system is reassuring, the country's external vulnerability is still high at a time when headwinds arising from the international economic and financial environment are crossing those created by a turbulent political and geopolitical situation.**
- **More specifically, we consider that the weakest point in the Turkish economy is the interdependence of market and corporate credit risks, especially given the build-up of foreign currency debt by corporates in recent years, despite a few mitigating factors.**

Thanks to strong fiscal performances and active debt management, public debt ratios have improved substantially since the 2000-2001 crisis, dropping from 75% to 35% of GDP. The local bond market covers 90% of the government's financing needs. Despite the steady formation of a base of local and foreign investors, the development of the private bond market (from USD 1.7 bn in 2010 to USD 14.3 bn in 2014, not including USD 5.3 bn in bonds issued in international markets) is still restricted by the crowding out effect of government bonds. Capital raised in the equity market is still highly concentrated on a few blue chips: only 227 companies are listed on the Istanbul stock exchange, with 13 listings in 2014.

The share of public assets on local bank balance sheets has nonetheless diminished (to 12% of GDP currently, compared to more than 20% on average in the 2000s) in favour of private sector financing (corporates and households). Private sector bank debt now accounts for 76% of GDP, a three-fold increase in the span of 10 years, of which two-thirds is corporate debt.

Credit and the investment cycle: uncoupled

In 2010-2011, the boom in private investment (+29% a year), notably productive investment in machinery and equipment, was driven by bank lending (+48% a year). This was the economy's main growth engine, which fuelled a 20% increase in industrial output. Overinvestment generated production overcapacities that triggered an abrupt and lasting downturn in the investment cycle in late 2011. Between 2012 and June 2015, private investment remained sluggish (-0.1% a year, including a 1.3% decline in the machinery and equipment component), but bank loans to non-financial corporates (NFC) were still very dynamic (+29% a year).

The latest CBRT Financial Stability Report confirms this net uncoupling of credit and investment. Although NFC demand for financing fixed investment has contracted substantially since mid-2013, demand for refinancing debt or working capital is now the main reason for NFC financing.

Investment, credit and non-performing loans

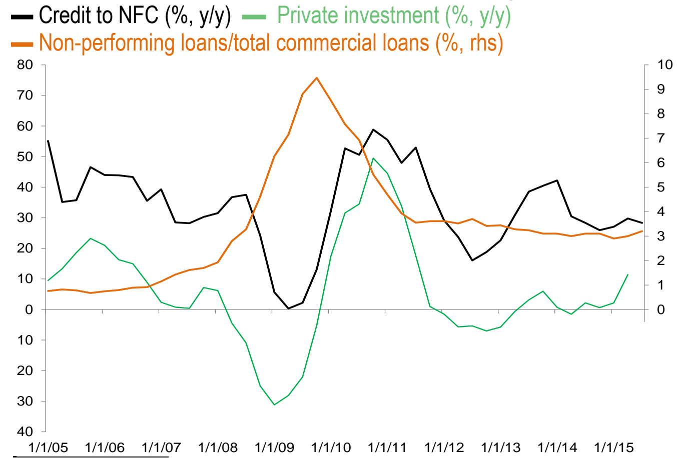


Chart 1 Sources: CBRT, Turkstat, BNP Paribas

Non-financial corporates' FX position

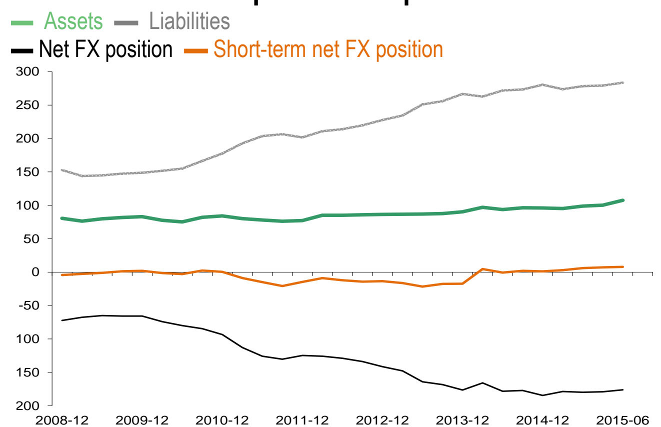


Chart 2 Source: CBRT

Foreign currency debt is high, but essentially onshore and in medium to long-term instruments

In mid-2015, total NFC debt (i.e. domestic credit and bonds in local and foreign currencies plus external credit) amounted to USD 378 bn, i.e. nearly 50% of GDP (vs. 30% in 2010), 72% of which is in local financing. Given the major gap in rates and maturities for financing in local and foreign currencies, NFC foreign currency commitments now amount to 75% of total commitments (vs. 44% in 2010), essentially in long-term instruments. Thanks to fiscal incentives, more than two-thirds of foreign currency financing is now onshore (vs. 51% in 2010), which partially reduces the refinancing risk compared to offshore debt, which has been relatively stable in recent years.

Thanks to the increase in assets (foreign direct investment and bank deposits), the net hard currency position of NFCs has improved slightly since year-end 2014, but is nonetheless still strongly negative (-USD 175 bn in July 2015). Most of the foreign currency debt is carried by export companies generating cash flow in foreign currencies, which supposedly serves as a natural hedge for foreign exchange and external liquidity risks. Although nearly half of the stock of foreign direct investment (FDI) by Turkish companies is in the financial sector, the significant increase in FDI in the industrial sector (+9% in 2013 and +40% in 2014) confirms the strategy of Turkish NFC to expand their development internationally by locating in target markets (61% of FDI were invested in Europe and 24% in the Middle East at year-end 2014), a potential source of foreign currency income thanks to the repatriation of dividends.

Meanwhile, as a share of total exports (which have slumped by 9% year-on-year since the beginning of the year despite the lira depreciation due to weak demand from trading partners in Europe, the Middle East and the CIS countries), the net short position of NFCs in foreign currencies has increased from 77% in 2010 to 110% in mid-2015. But the short-term net position in foreign currencies is now long (+USD 6.4 bn in July 2015 vs. – USD 21.7 bn two-years earlier). By summer 2016, Turkish NFC will have to reimburse USD 11.4 bn in foreign currency commitments, a burden they apparently should be able to handle

Erosion of corporate solvency and profitability

Although non-performing loans and corporate bankruptcies are still holding at a moderate level, an analysis of aggregate financial data provided by the Central Balance Sheet Office (source: CBRT) indicates a deterioration in the solvency and profitability of Turkish companies in recent years.

Interest coverage (Ebitda/interest expense) and debt/Ebitda ratios deteriorated in 2014 to 1.4 (from an average of 2.2 over the past decade) and 7.8 (vs. 4.2 between 2004 and 2013), respectively. The same observation applies to the leverage ratio (debt/equity), which rose to 84% in 2014, compared to an average of 50% over the past decade. At the same time, the liquidity coverage ratio (liquid assets/short-term liabilities) has dropped to 77% from 100%.

The operating profitability of companies measured by the Ebitda/sales ratio declined in 2014 (4.2% vs. 5.6% in 2013 and an average of 5.3% since 2004). The return on equity (net profit/equity) improved, however, to 6.9% in 2014 from 5.7% in 2013. But it is still more than 1 percentage point below the past decade average, reflecting the increase in debt.

Construction sector needs to be monitored carefully

The construction sector is one of the pillars of the Turkish economy, accounting for 2 million formal jobs (7.4% of total employment) and involving many Turkish conglomerates and

Non-financial corporates' financial ratios

Liquid assets/short-term liabilities (%) | Debt/equity (%, leverage ratio) | Short-term debt/total debt (%) | Debt/EBITDA | EBITA/sales (%) | EBITDA/interest payments | ROE (%)

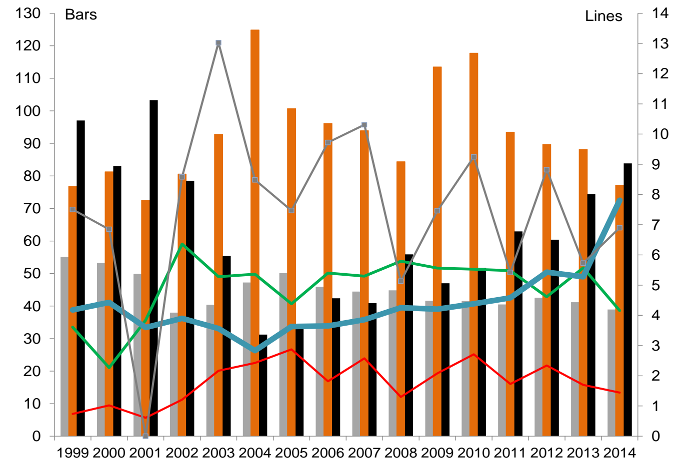


Chart 3 Sources: CBRT, BNP Paribas

major corporations. The sector should be monitored given its structural, even systemic, importance for the economy.

Large-scale infrastructure projects already underway or in the planning stage lie at the heart of the current administration's economic development strategy through 2023. In the long term, housing demand should get a boost from the dynamic momentum of demographics, urbanisation and the increase in disposable income. In the short term, however, the double-digit increase in housing prices (+11.6% in real terms for the entire country in Q2 2015), which are growing twice as fast as real wage growth (+6.7% in Q2 2015), is alarming in terms of growth as well as credit risk in case of an overbuilding an a downturn in prices. In late 2014, Ali Babaçan, the Deputy Prime Minister responsible for economic issues, pointed out that Turkey's new growth model needed to be less dependent on the construction sector, which is all the more pertinent in the midst of an economic slowdown and social-political uncertainty.

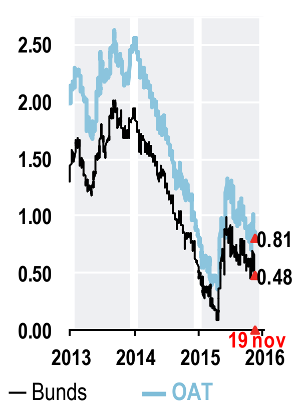
All in all, in case of any sharp economic downturn and accelerated depreciation of the Turkish lira, the commercial banks may have to dip into their mandatory foreign currency reserves to meet their external short-term borrowing commitments, assuming they are no longer able to renew their swap agreements. Pressures on the Turkish lira would make it difficult for the central bank to ease up on domestic liquidity restrictions, implying tighter financing conditions for banks. As we have seen in some central European countries, this could trigger a sudden contraction in credit and a surge in the non-performing loan rate, with the construction sector leading the way.

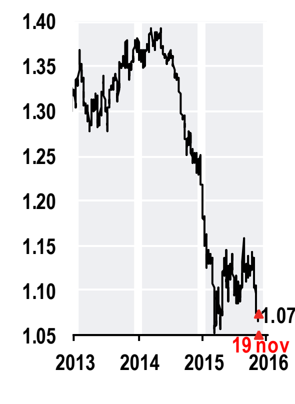
Markets overview

The essentials

Week 16-11 15 > 19-11-15

↗ **CAC 40**	4 808	▸ **4 915**	**+2.2**	%
↗ **S&P 500**	2 023	▸ **2 081**	**+2.9**	%
↘ Volatility (VIX)	20.1	▸ 17.0	-3.1	%
↘ **Euribor 3M (%)**	-0.08	▸ **-0.09**	**-0.9**	bp
↗ Libor $ 3M (%)	0.36	▸ 0.37	+0.6	bp
↘ OAT 10y (%)	0.89	▸ 0.81	-7.8	bp
↘ Bund 10y (%)	0.56	▸ 0.48	-8.3	bp
↘ US Tr. 10y (%)	2.29	▸ 2.26	-3.1	bp
↗ **Euro vs dollar**	1.07	▸ **1.07**	**+0.0**	%
↘ Gold (ounce, $)	1 082	▸ 1 082	+0.0	%
↘ **Oil (Brent, $)**	43.4	▸ **43.1**	**-0.8**	%





Money & Bond Markets

Interest Rates		highest' 15		lowest' 15	
€ ECB	**0.05**	0.05	at 01/01	0.05	at 01/01
Eonia	**-0.14**	0.14	at 01/01	-0.15	at 28/09
Euribor 3M	**-0.09**	0.08	at 01/01	-0.09	at 18/11
Euribor 12M	**0.07**	0.33	at 01/01	0.07	at 19/11
$ FED	**0.25**	0.25	at 01/01	0.25	at 01/01
Libor 3M	**0.37**	0.37	at 18/11	0.25	at 06/01
Libor 12M	**0.94**	0.94	at 13/11	0.61	at 16/01
£ BoE	**0.50**	0.50	at 01/01	0.50	at 01/01
Libor 3M	**0.57**	0.59	at 12/08	0.56	at 11/03
Libor 12M	**1.03**	1.08	at 05/08	0.95	at 16/01

At 19-11-15

Yield (%)		highest' 15		lowest' 15	
€ AVG 5-7y	**0.61**	0.91	at 16/06	0.24	at 12/03
Bund 2y	**-0.24**	-0.08	at 01/01	-0.29	at 07/07
Bund 10y	**0.59**	0.99	at 10/06	0.08	at 20/04
OAT 10y	**0.90**	1.33	at 10/06	0.36	at 15/04
Corp. BBB	**2.28**	2.28	at 24/09	1.29	at 10/03
$ Treas. 2y	**0.62**	0.78	at 16/09	0.44	at 15/01
Treas. 10y	**2.12**	2.48	at 10/06	1.67	at 02/02
Corp. BBB	**4.09**	4.21	at 02/09	3.41	at 30/01
£ Treas. 2y	**0.55**	0.82	at 05/08	0.39	at 23/03
Treas. 10y	**1.74**	2.19	at 26/06	1.36	at 30/01

At 24-9-15

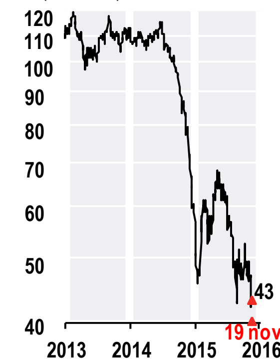
10y bond yield & spreads

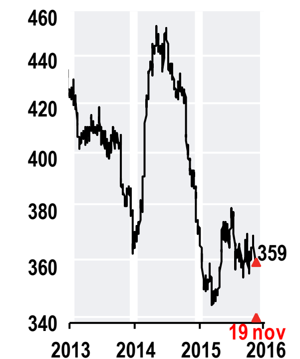
Yield	Country	Spread
6.96%	Greece	647 pb
2.46%	Portugal	197 pb
1.69%	Spain	121 pb
1.51%	Italy	102 pb
0.86%	Ireland	37 pb
0.81%	France	32 pb
0.78%	Belgium	30 pb
0.75%	Austria	26 pb
0.65%	Netherland	16 pb
0.65%	Finland	16 pb
0.48%	Germany	

Commodities

Spot price in dollars		lowest' 15			2015(€)
Oil, Brent	**43**	42	at	16/11	**-13.0%**
Gold (ounce)	**1 082**	1 069	at	18/11	**+2.8%**
Metals, LMEX	**2 153**	2 148	at	18/11	**-16.8%**
Copper (ton)	**4 652**	4 633	at	18/11	**-17.7%**
CRB Foods	**359**	344	at	17/03	**+9.6%**
wheat (ton)	**162**	147	at	17/09	**-16.5%**
Corn (ton)	**142**	132	at	15/06	**+9.4%**

At 19-11-15 *Variations*





Exchange Rates

1€ =		highest' 15			lowest' 15			2015
USD	**1.07**	1.21	at	01/01	1.05	at	13/03	**-11.3%**
GBP	**0.70**	0.79	at	06/01	0.69	at	17/07	-9.5%
CHF	**1.09**	1.20	at	01/01	0.98	at	16/01	-9.4%
JPY	**131.85**	145.08	at	01/01	126.57	at	15/04	-9.1%
AUD	**1.49**	1.61	at	24/09	1.37	at	28/04	+0.8%
CNY	**6.85**	7.51	at	01/01	6.57	at	13/04	-8.7%
BRL	**4.00**	4.75	at	24/09	2.91	at	23/01	+24.4%
RUB	**69.45**	81.80	at	24/08	53.47	at	16/04	-4.3%
INR	**71.08**	77.19	at	24/08	66.07	at	13/04	-6.9%

At 19-11-15 *Variations*

Equity indices

	Index	highest' 15			lowest' 15			2015	2015(€)
CAC 40	**4 915**	5 269	at	27/04	4 084	at	06/01	+15.0%	**+15.0%**
S&P500	**2 081**	2 131	at	21/05	1 868	at	25/08	+1.1%	**+13.9%**
DAX	**11 085**	12 375	at	10/04	9 428	at	24/09	+13.1%	**+13.1%**
Nikkei	**19 860**	20 868	at	24/06	16 796	at	14/01	+13.8%	**+25.2%**
China*	**62**	85	at	27/04	55	at	07/09	-6.3%	**+5.7%**
India*	**448**	553	at	03/03	438	at	07/09	-5.4%	**+1.7%**
Brazil*	**1 229**	1 886	at	22/01	1 030	at	29/09	-5.9%	**-24.4%**
Russia*	**474**	587	at	18/05	396	at	24/08	+24.3%	**+32.0%**

At 19-11-15 *Variations*

* Indices MSCI

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The bank for a changing world

Economic forecasts

En %	GDP Growth 2014	GDP Growth 2015 e	GDP Growth 2016 e	Inflation 2014	Inflation 2015 e	Inflation 2016 e	Curr. account / GDP 2014	Curr. account / GDP 2015 e	Curr. account / GDP 2016 e	Fiscal balances / GDP 2014	Fiscal balances / GDP 2015 e	Fiscal balances / GDP 2016 e
Advanced	**1.8**	**1.8**	**1.7**	**1.4**	**0.3**	**1.4**						
United States	**2.4**	**2.4**	**2.0**	**1.6**	**0.1**	**1.8**	**-2.2**	**-2.5**	**-2.9**	**-2.8**	**-2.4**	**-2.4**
Japan	-0.1	0.5	0.6	2.7	0.9	0.7	0.5	3.5	3.6	-5.3	-4.4	-3.9
United Kingdom	2.9	2.3	1.7	1.5	0.1	1.2	-5.1	-4.7	-4.3	-4.9	-3.8	-2.8
Euro Area	**0.9**	**1.5**	**1.5**	**0.4**	**0.1**	**1.0**	**2.1**	**3.0**	**2.8**	**-2.4**	**-2.1**	**-1.8**
Germany	1.6	1.5	1.6	0.8	0.3	1.2	7.6	8.4	8.3	0.7	0.7	0.5
France	0.2	1.2	1.4	0.5	0.1	0.9	-0.9	0.1	-0.1	-4.0	-3.8	-3.4
Italy	-0.4	0.8	1.3	0.2	0.2	1.2	1.9	2.1	2.1	-3.0	-2.6	-2.3
Spain	1.4	3.1	2.3	-0.2	-0.5	0.5	0.8	0.5	0.4	-5.8	-4.2	-2.9
Netherlands	1.0	1.8	1.8	0.3	0.3	1.0	10.8	9.9	9.2	-2.8	-2.1	-1.8
Belgium	1.1	1.2	1.3	0.5	0.6	1.5	1.4	-0.4	-0.4	-3.2	-3.0	-2.7
Portugal	0.9	1.7	1.8	-0.2	0.6	1.0	0.6	1.3	1.5	-4.6	-2.9	-2.3
Emerging	**4.7**	**4.0**	**4.4**	**5.3**	**6.1**	**6.6**						
China	7.3	6.9	6.5	2.0	1.5	2.2	2.1	3.7	3.1	-2.1	-2.4	-2.9
India	7.1	7.3	7.9	6.6	4.8	5.9	-1.7	-1.3	-0.7	-4.4	-4.1	-3.9
Brazil	0.1	-3.2	-3.0	6.3	8.9	8.5	-4.5	-3.9	-2.5	-6.2	-8.4	-8.1
Russia	0.6	-4.1	-1.2	7.8	15.6	7.6	3.2	6.5	6.4	-1.2	-5.0	-4.5
World	**3.5**	**3.1**	**3.2**	**3.6**	**3.6**	**4.4**						

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

Financial forecasts

Interest rates		2015				2016						
End period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q3e	Q4e	**2014**	**2015e**	**2016e**
US	Fed Funds	0.25	0.25	0.25	0.25-0.50	0.50-0.75	0.75-1.00	1.00-1.25	1.00-1.25	0.25	0.25-0.50	1.00-1.25
	3-month Libor $	0.27	0.28	0.33	0.63	0.88	1.13	1.50	2.00	0.26	0.63	2.00
	10-year T-notes	1.93	2.33	2.06	2.35	2.55	2.75	2.75	2.75	2.18	2.35	2.75
EMU	Refinancing rate	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
	3-month Euribor	0.02	-0.01	-0.04	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.00
	10-year Bund	0.18	0.77	0.59	0.40	0.40	0.45	0.50	0.70	0.54	0.40	0.70
	10-year OAT	0.42	1.20	0.90	0.65	0.65	0.70	0.75	1.00	0.84	0.65	1.00
	10-year BTP	1.29	2.31	1.73	1.30	1.20	1.25	1.35	1.60	1.88	1.30	1.60
UK	Base rate	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25	0.50	0.50	1.25
	3-month Libor £	0.57	0.58	0.58	0.75	0.75	1.00	1.25	1.50	0.56	0.75	1.50
	10-year Gilt	1.58	2.03	1.77	1.95	2.05	2.15	2.20	2.30	1.76	1.95	2.30
Japan	Overnight call rate	0.02	0.01	0.01	0.10	0.10	0.10	0.10	0.10	0.07	0.10	0.10
	3-month JPY Libor	0.17	0.17	0.17	0.17	0.17	0.17	0.18	0.18	0.18	0.17	0.18
	10-year JGB	0.40	0.44	0.35	0.45	0.50	0.60	0.65	0.70	0.33	0.45	0.70

Exchange rates		2015				2016						
End period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q3e	Q4e	**2014**	**2015e**	**2016e**
USD	EUR / USD	1.07	1.11	1.12	1.06	1.04	1.02	1.00	1.02	1.21	1.06	1.02
	USD / JPY	120	122	120	126	128	130	134	134	120	126	134
EUR	EUR / GBP	0.72	0.71	0.74	0.70	0.69	0.69	0.67	0.67	0.78	0.70	0.67
	EUR / CHF	1.04	1.04	1.09	1.10	1.12	1.14	1.14	1.16	1.20	1.10	1.16
	EUR/JPY	129	136	134	134	133	133	134	137	145	134	137

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

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