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ECONOMIC RESEARCH DEPARTMENT

Eco WEEK

Summary

Eurozone

More QE ahead

Faced with a fragile recovery and renewed downside risks, the ECB has indicated that it is ready to do more to support growth and inflation. It could announce an increase in both the scale and the duration of its Quantitative Easing (QE) program. However, doubts remain over the ability of monetary policy alone to steer the economy back to potential. Action on a wider front, involving fiscal support and the introduction of targeted structural reforms, would therefore be welcome.

► Page 2

Ukraine

Between two chairs

On 23 September 2015 Ukrainian government missed the repayment of its USD 500 mn bond, following the order of the Ministry of Finances that freezes all payments on a series of external government and government-guaranteed bonds. Debt restructuring is in the process of approval by bondholders. If approved, it will prevent the government from the second default in 15 years.

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Market overview

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Eco TV WEEK

Less buoyant tendencies

- Given the slowdown in the emerging economies, we are lowering our estimates slightly
- The United States maintains honourable growth; Europe is no longer accelerating

Without going so far as to predict they'll get stuck in a rut, we do foresee a dip in the trajectory of the leading economies as growth stops accelerating. The main cause is the slowdown in trade with the emerging countries, which are losing steam and their currencies have plummeted since summer 2015.

Of the four BRIC countries, two are already mired in recession (Brazil and Russia), where they are bound to stay. Giant China, which alone accounts for 20% of the planet's industrial production, has probably slowed more than official GDP figures indicate. With its economy geared towards services, and benefiting from low commodity prices, India is staying the course. Yet it is the exception in the community of emerging countries, which on the whole are slowing. In 2014, the emerging countries absorbed nearly 30% of Germany's exports, ten points more than when EMU was created in 1999. The emerging countries also contribute nearly 80% of world growth. The winds are changing, and both Europe and the United States will have to cope less favorable environment.

AUTUMN FORECASTS

	GDP growth		Inflation	
En %	2015 e	2016 e	2015 e	2016 e
Advanced	**1.9**	**1.8**	**0.3**	**1.4**
US	**2.5**	**2.3**	**0.1**	**2.0**
Japan	0.4	0.6	0.7	0.7
UK	2.5	1.7	0.1	1.5
Euro Area	**1.6**	**1.5**	**0.1**	**1.0**
Germany	1.6	1.6	0.2	1.2
France	1.1	1.4	0.1	0.9
Italy	0.8	1.0	0.2	0.9
Emerging	**3.7**	**4.2**	**6.7**	**7.0**
China	6.8	6.5	1.7	2.0
India	7.1	7.5	4.8	6.3
Brazil	-3.0	-2.0	8.8	7.0
Russia	-4.1	-1.2	15.8	7.2
World	**2.9**	**3.1**	**3.8**	**4.5**

e: Estimates & forecasts, BNPP Global Markets

THE WEEK ON THE MARKETS

Week 28-9 15 > 1-10-15

↘	**CAC 40**	4 481	►	**4 427**	**-1.2**	%
↘	**S&P 500**	1 931	►	**1 924**	**-0.4**	%
↘	Volatility (VIX)	23.6	►	22.6	-1.1	%
↘	**Euribor 3M** (%)	-0.04	►	**-0.04**	**-0.2**	bp
↘	Libor $ 3M (%)	0.33	►	0.33	-0.1	bp
↘	OAT 10y (%)	0.97	►	0.86	-10.7	bp
↘	Bund 10y (%)	0.65	►	0.54	-11.0	bp
↘	US Tr. 10y (%)	2.17	►	2.04	-12.6	bp
↗	**Euro vs dollar**	1.12	►	**1.12**	**+0.3**	%
↘	Gold (ounce, $)	1 144	►	1 115	-2.6	%
↗	**Oil (Brent, $)**	47.6	►	**48.1**	**+1.2**	%

Source: Thomson Datastream

Eurozone

More QE ahead

- Faced with a fragile recovery and renewed downside risks, the ECB has indicated that it is ready to do more to support growth and inflation.
- If, as we expect, growth fails to accelerate by the end of the year, the ECB could announce an increase in both the scale and the duration of its Quantitative Easing (QE) programme.
- Thus the already favourable financial and monetary conditions could ease further.
- However, doubts remain over the ability of monetary policy alone to steer the economy back to potential. Action on a wider front, involving fiscal support and the introduction of targeted structural reforms, would therefore be welcome.

Recent communication from the ECB has indicated that the central bank is minded to further ease its monetary policy if this proves necessary. This article looks at the reasons that suggest that the ECB might increase its QE programme in December. However, the ability of monetary policy alone to lift inflation towards its target rate of just below 2% by 2017 is questionable. In a second part, we will look at the role that could be played by fiscal policy and structural reforms in normalising the situation in the eurozone.

ECB is ready to do more

Since the Governing Council's meeting in September, communication from the ECB has been markedly more accommodating, opening the way to a possible further relaxation of monetary policy. The ECB staff economic projections were revised down from the June figures. In particular, the inflation profile has been flattened, with 2016 inflation down 0.4, at 1.1%. In addition, in the opening statement at the press conference on 3 September, Mr Draghi highlighted "renewed downside risks to the outlook for growth and inflation", mostly related to the slowdown in emerging economies. Whilst stating that it was premature to conclude that such events would have a lasting impact on medium-term inflation prospects, Mr Draghi stressed the Governing Council's ability to act, if necessary, and put particular emphasis on the flexibility of the QE programme in terms of size, composition and duration.

Since then, comments from members of the Governing Council have confirmed and perhaps accentuated the accommodating nature of the ECB's stance. Recently, Mr Praet, the ECB's Chief Economist, indicated that the ECB was "vigilant" in preventing an unwarranted tightening of financial and monetary conditions in the eurozone, stating that the ECB would react vigorously. For his part, the Vice President, Mr Constancio, highlighted the fact that quantitative easing in Europe has been relatively modest, at around 5% of GDP, when compared with the 20% to 25% of GDP seen in the UK and USA, or, particularly, the 65% of GDP in Japan. He thus implied that

Headline and underlying inflation

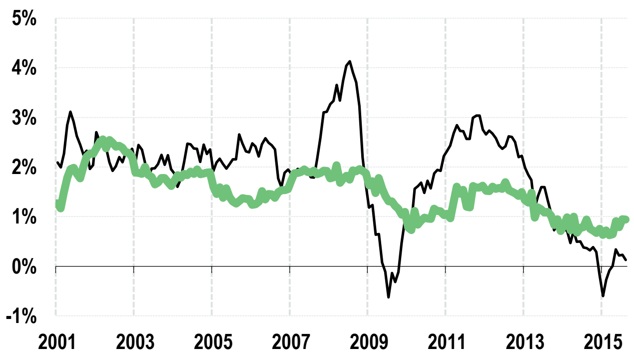

Chart 1 Source: Eurostat

Inflation expectations

Forward 5 years 5 years

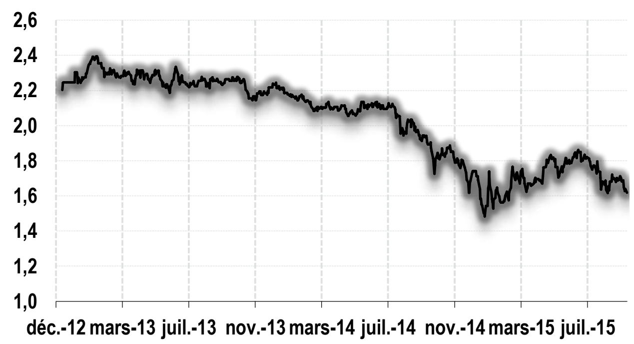

Chart 2 Source: Thomson Reuters

there is room for manoeuvre to increase the asset purchasing programme if need be.

To date, activity indicators and survey data for the eurozone have shown a certain resilience. The recovery is following its course. However, the slowdown in emerging markets could limit growth in Europe through at least two channels. The most obvious is international trade. Slower growth in emerging markets will reduce the external demand to the eurozone, hitting exports. This effect could be more marked than in the past, given that the sovereign debt crisis has brought a reduction in intra-EMU trade in favour of emerging economies. This shift has recently been taken into account by the ECB, which has adjusted the weights of the eurozone's trading partners in its measurement of the effective euro exchange rate. The ECB has thus reflected the fact that China's share of trade in manufactured goods has risen from 4% in 1995-97 to 18% in 2010-2012. Amongst the other emerging economies, Turkey, Russia and Indonesia are those that have seen the greatest growth in trade with the eurozone in recent years. The second channel relates to company investment and hiring intentions, which could be held back by uncertainty over the prospects for demand. Naturally, exporting companies are the most sensitive to this, but second-round effects could also hit more domestically-oriented firms.

A third, less direct, channel of transmission relates to changes in monetary policy outside the currency union. The meeting of the FOMC on 16 and 17 September showed that the Fed shares the ECB's concerns over the challenging international environment and rising volatility in financial markets. It gave itself more time to assess the consequences of these trends on the US economy while inflation remains low. Our prediction remains the US tightening cycle will begin in December, but the likelihood that this could be pushed back to 2016 has increased. All other things being equal, expectations that an increase in US rates could be delayed push the value of the euro up against the dollar. Although the exchange rate is not a monetary policy target for the ECB, it is an essential tool for stimulating economic activity and bringing inflation back to its target rate of just below 2%. Recently, the series of accommodating comments from various members of the ECB's Governing Council triggered a depreciation of the euro. In nominal terms weighted for trade with 38 partners, the euro has lost nearly 1.5% since its peak at the end of August. Even so, it remains 8.5% above its low in mid-April. Coupled with long-term interest rates which are also higher than they were in the spring, the rise in the euro translates into less favourable financial and monetary conditions.

The ECB has indicated that it is monitoring the evolution of the economic situation very carefully. Given the cautious tone displayed recently, the central bank is unlikely to wait for things to get worse before acting. The simple fact that growth fails to accelerate by year-end could trigger action on its part. Beyond the fall in energy prices, which has a direct but temporary effect on inflation, the main problem for price dynamics comes from the scale of excess capacity and the slow pace of its reduction. Unemployment is falling very slowly and remains high, well above the levels which create pressure on wages. An insufficiently robust recovery suggests that inflation will remain low for a protracted period, with the threat of creating a negative spiral between low inflation and a lowering of inflation expectations. Under current circumstances, achieving higher inflation requires an acceleration in the pace of GDP growth.

In December, the ECB will unveil updated macro projections. If, as we believe, inflation is revised down, the ECB could announce an extension of the QE programme as well as higher monthly purchases.

Positive effects

The effects of QE have been positive so far. Over the past year, long-term interest rates and the euro exchange rate have fallen sharply, thus bolstering both domestic demand and exports. However, examination of trends in interest rates and the euro indicates that these variables have essentially responded to the expectations of a QE programme rather than to its actual implementation. In fact, both the value of the euro and long-term interest rates are now higher than early March 2015 when the purchase of government bonds began. In part, this represents a correction of the markets' initial over-reaction: in mid-April, German bond yields were negative for maturities of less than 7 years, and the euro was close to parity with the dollar, at USD 1.05. The trends also reflect an increase in risks since the spring, with first the Greek crisis and then, more recently, concerns about emerging economies, particularly China. Lastly, postponing of expectations of rate rises in the US has also pushed the euro upwards. Despite this tightening of financial and monetary conditions, they nevertheless remain highly accommodating. This would be all the more so if QE was expanded.

The ECB's policy is also boosting the supply of credit. The purchasing of securities together with targeted longer-term refinancing operations (TLTROs) have expanded money supply, through an increase in the bank reserves held with the ECB[1]. Thus lending capacity has been increased. At the same time, QE has reduced risk premiums on sovereign debt and encouraged the rebalancing of investment in favour of private sector assets. Recent figures have shown an improvement, albeit modest, in lending trends.

[1]When the ECB buys securities from non-banking agents, the latter's deposits with banks increase. As a result, banks' reserves with the ECB also rise.

Euro exchange rates

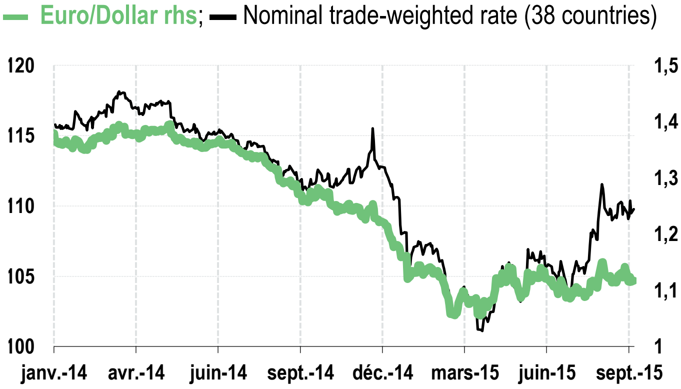

Chart 3 Source: ECB

Sovereign 10-year yields

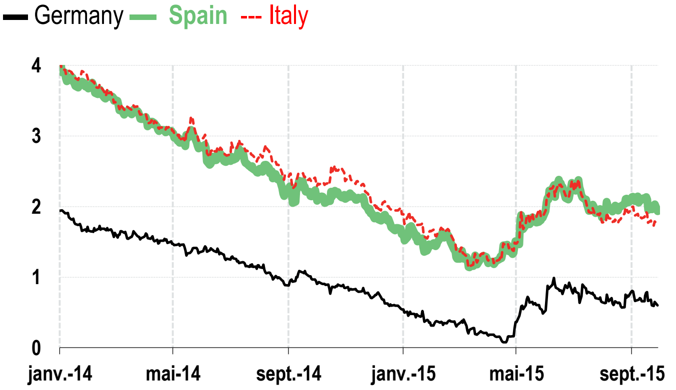

Chart 4 Source: Thomson Reuters

In August, lending to NFCs increased by 0.4% year on year, after growth of 0.3% in July, which brought an end to three years of contraction. Moreover, the spread in financing costs for companies in eurozone core countries and those in the periphery has narrowed.

The limits of monetary policy

Despite these positive effects, the question of the ability of monetary policy to stimulate inflation crops up regularly. Although QE has helped keep the spectre of deflation at bay, will it be enough, even expanded, to normalise the situation in the eurozone? And if so, how long will it take? So far consumer price inflation remains very weak and, more worryingly, inflation expectations are trending downward again.

Questions about the limits of monetary policy generally refer to the impossibility for a central bank to bring interest rates down to a level that will restore full employment. This can be the case when excess savings (i.e. inadequate demand) push the equilibrium interest rate of the economy – the rate that balances savings and investment at full employment – deeply into negative territory (Summers 2013). If interest rates are already at the lower bound and inflation is too low, central banks no longer have the ability to lower interest rates to their equilibrium level. The economy therefore remains stuck in underemployment. Unless the central bank is able to raise inflation expectations, monetary policy, including non-conventional measures, loses its effectiveness. The return of the economy to equilibrium therefore requires the stimulation of demand by other means. The most effective of these is an increase in government investment to offset weak private sector demand, thus increasing the equilibrium interest rate. Targeted structural reforms can also help boost demand in the short term.

In the eurozone, where the deficit in investment is very important, the option of a fiscal stimulus is not on the cards. France, Italy and Spain are in the process of consolidating their public finances. Germany, meanwhile, is deeply attached to its budget surplus. At the European level both the EU Budget and the scale of the public funds mobilised for the Juncker Plan reflect the limited desire to undertake shared spending.

This leaves the possibility of structural reforms, the need for which has been systematically highlighted in the introductory statements at Mr Draghi's press conferences. However, as the ECB President has recognised[2], in a situation of weak demand, with the lower bound constraint at play, the implementation of structural reforms could exacerbate economic contraction and thus push the central bank even further from its target of price stability. A reform aimed at reducing the cost of labour for example would put downward pressure on inflation that the central bank could not counteract by cutting its policy rate. Real interest rates would increase as a result. Measures to improve labour market flexibility introduced in a weak environment run the risk of increasing uncertainty in the labour market and encouraging precautionary savings.

However, it is worth noting that the term "structural reform" covers a wide range of real-world options. Not all reforms are equal, and some could have beneficial short-term effects on demand. This is particularly true of those which increase confidence. For example, a lengthening of working lives would boost both potential growth and consumption in the short term if, by reassuring households on the sustainability of the pensions system, it served to reduce precautionary savings. Current investment could also be stimulated by reforms lowering barriers to entry in certain areas of the economy where investment is held back and, more generally, by measures that boost potential growth, that is to say future income prospects.

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Despite the improvement in activity, the eurozone economy remains weak, with inflation running too low. The ECB has indicated on several occasions that it is willing and able to act to stimulate inflation. The very accommodating tone adopted recently suggests that a simple lack of acceleration in economic growth by year-end could result in the ECB expanding the size and duration of its quantitative easing programme. This is likely to allow already favourable financial and monetary conditions to ease still further. However, doubts remain over the ability of monetary policy alone to lift inflation towards its target rate of just below 2% by 2017. The investment deficit is particularly problematic. To the extent that it reflects in part a lack of confidence in the eurozone's growth potential, a number of structural reforms, if introduced in a credible manner, could help. Such reforms would benefit significantly from being accompanied by an increase in public spending on infrastructure and education. However, in both case, there seems to be significant political resistance to adopting this course.

[2] "Structural reforms, inflation and monetary policy", Introductory speech by Mario Draghi, ECB Forum on Central Banking, Sintra 22 May 2015

Ukraine

Between two chairs

- On 23 September 2015 Ukrainian government missed the repayment of its USD 500mn bond, following the order of the Ministry of Finances that freezes all payments on a series of external government and government-guaranteed bonds.
- Debt restructuring is in the process of approval by bondholders. If approved, it will prevent the government from the second default in 15 years (last time Ukraine defaulted on its obligations in 1998-2000).
- The success of the debt exchange depends on the decision of the holders of the bonds maturing in 2015.
- The debt exchange will ease the external financing constraint for the next three years, but does not resolve the problem fully.

Key facts

	2015e	2016p
External debt / GDP (%)	109.4	119.1
Forex reserves (USD bn)	13.4	16.4
In months of G & S imports	2.9	3.4
Debt to the IMF (USD bn)	14.1	16.6
Short term debt / forex reserves (%)	na	na
Real GDP growth (%)	-13.6	1.2
Inflation (CPI, average, %)	50.3	16.6
Budget balance / GDP (%)	-3.5	-2.5
Public debt / GDP (%)	83.0	86.0
Current account balance / GDP (%)	0.0	0.5
UAH PER 1 USD	25.0	30.0

__e__: estimates ; __p__: forecasts. *Sources: IMF, BNP Paribas*

One step more towards the official default

On 23 September 2015 Ukrainian government missed the repayment of its USD 500 mn bond following the order of the Ministry of Finances from 22 September that freezes all payments of a series of external government and government-guaranteed bonds. The country therefore dangerously approached the official default. Last time, Ukrainian government defaulted on its obligations in 1998-2000.

Debt restructuring is in the process of approval by bondholders. In August 2015, the Ukrainian government agreed with the bondholder's committee (that represents about a half of the country's foreign debt) on the restructuring of 13 issues of state and state-guaranteed bonds worth of USD 18 bn. The agreement was approved by Verkhovna Rada (the Parliament) on 17 September and is now in the process of approval by the bondholders. The authorities' bonds exchange offer is valid until 12 October. To approve, 2/3 quorum and ¾ of votes will be necessary for each issue.

At this stage the ISDA preferred to delay its decision on whether the missed payment will trigger the default event on CDS for 10 days, offering Ukraine a grace period. The current situation may therefore be qualified as being "in between two chairs": if the bondholders officially agree on the offer, the default event and the start of the payments on CDS will be avoided.

But S&P does not share the ISDA viewpoint. The agency downgraded the Sovereign rating to SD (selective default) on 25 September qualifying the current debt restructuring offer as a distressed debt exchange. The agency stresses the loss in value for investors from the debt exchange offer and the distressed nature of the exchange itself, notwithstanding the fact that the bondholders may accept the exchange voluntarily.

The terms of the debt exchange are yet quite favorable to creditors the operation destroying little value. The USD 18 bn in debt of the government and the state-owned company "infrastructure financing projects" will be exchanged for nine new Eurobonds with the principal haircut of 20% (USD 3.6 bn) which is a compromise between the 40% cut demanded by the authorities and the no-cut approach of the lenders. The principal repayments will be delayed beyond 2018 (which is in line with the IMF program) and will continue until 2027. The average interest rate will slightly increase from the average of 7.2% (ranging from 4.95%-9.25%) to 7.75%. Moreover, the debt exchange will be accompanied by the value-recovery instruments that will start to pay out when the nominal GDP recovers to reach USD 125 bn (comparing with the 2015 estimate at about USD 91 bn) providing a return equal to 0.15xGDP growth rate if GDP growth exceeds 3% between 2021 and 2040.

Holdouts' shade

Despite the relatively favorable debt exchange terms, several holders of bonds maturing in September and October 2015 threatened not to approve the restructuring as they feel to bear more losses comparing with the holders of longer-term bonds. According to the press reports, the potential holdouts may block the decision on some issues. To convince them, Ukrainian government proposed to the holders of "short-maturing" bonds to exchange it for the instruments with the earliest maturity (2019), but the position of investors is unknown at the time of writing. **We therefore view the decision to freeze the payments on bonds as a mean of pressure on potential holdouts**.

An agreement on another USD 1.8 bn of debt, including bonds issued by the City of Kiev, Ukrzaliznytsia (the state railway company) and sovereign-guaranteed loans made to state-owned enterprises has yet to be reached. Restructuring negotiations have already been completed for the USD 2.8 bn in bonds issued by two state-owned banks Oschadbank and Ukreximbank

Russian bond: no clarity

The question on whether this bond of USD 3 bn, maturing in December 2015 is a commercial or official debt remains open. On one hand, the bond was issued as a commercial debt and is quoted on the Ireland Stock exchange, but on the other hand it is held by Russian sovereign welfare fund, which is an official institution. The bond was not included in the list of bonds on which the payments were frozen. Russia has not asked for its early redemption (despite the covenants that allow this). If the debt is recognized as official, Russia will be in a position to block the disbursement of the new IMF tranches as the beneficiaries of the IMF programs cannot have unsettled Paris Club arrears. If the debt is recognized as commercial, Russia will either have to agree on the same restructuring terms as other creditors (this is the official Ukraine's offer) or to behave as a holdout choosing to enforce its rights in the courts (this seems to be a position of Russia's authorities). In June 2015 the IMF announced that the debt may be recognized as official, but up to date the institution's position was not made official. Russia refused to participate in the restructuring and is still expecting the bond to be repaid in full in December.

Easing of external financing constraint

The debt exchange, if agreed, will substantially ease the external financing constraint for Ukraine over the next three years, but does not fix the issue fully. The postponement of the principal repayments for the remoter period will substantially ease both the government's immediate financing constraint and improve the external liquidity conditions. Over the next three years Ukrainian government would have to repay more than USD 9 bn in debts: the restructuring will allow to disburse slightly less than USD1bn per annum in coupon payment over the next three years before repaying about USD 1.5-1.6 bn per annum (the final figure will depend on the participation rate) over 2019-2027. Total repayments will peak in 2019 at close to USD 2.5 bn, which look affordable under the assumption of financial stabilization, prudent fiscal policies and a resumption of economic growth. However, the debt relief of USD3.6bn which was negotiated is far from USD 15.3 bn initially expected by the IMF in the EFF program's calculation. Therefore, the government will have to find other financing sources to compensate the lack of revenues. We cannot exclude that the EFF program's conditions will be revised once again in the coming quarters.

Despite the ongoing debt restructuring Ukraine remains a heavily indebted country. The external debt reached USD 127 bn mid-2015 (101% of GDP, 231% of goods' and services' exports), while the NBU reserves (USD 12.6 bn or 2.8 months of imports as of 24 September) are almost exclusively due to the IMF loan (USD 11.4 bn, end-August 2015): the external liquidity remains therefore extremely fragile. The overall public debt reached 70% of GDP end-2014 and is expected to reach 83% of GDP at the end of 2015, driven by the increased state's borrowings to close the external financing gap, the GDP fall and the Hryvnia devaluation. The capacity of the authorities to run primary fiscal surpluses in the coming two years is conditioned to reforms, but also to the improvement in external environment (notably and the raise in global metals and grain prices) and the end of hostilities in Donbass, the major industrial basin of the country.

CDS of Ukraine

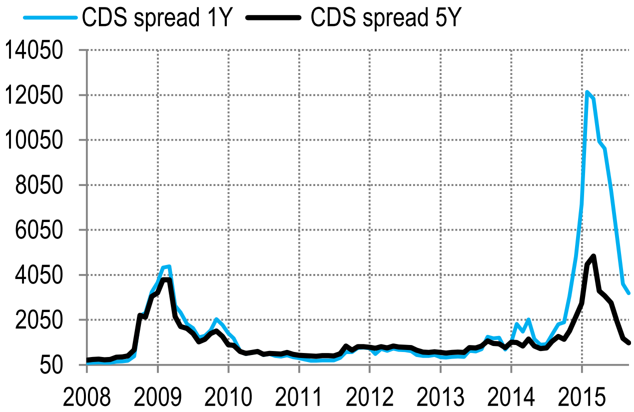

Chart 1 Source: Bloomberg

Growth, inflation and the exchange rate

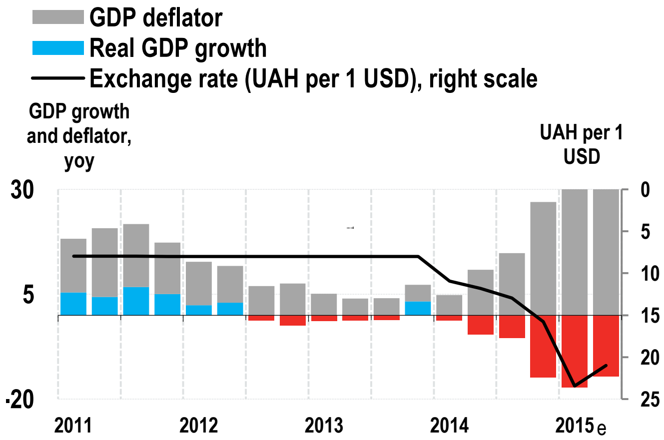

Chart 2 Sources: Datastream, UkrStat, BNP Paribas

Markets overview

The essentials

Week 28-9 15 > 1-10-15

↘	**CAC 40**	4 481	▶	**4 427**	**-1.2**	%
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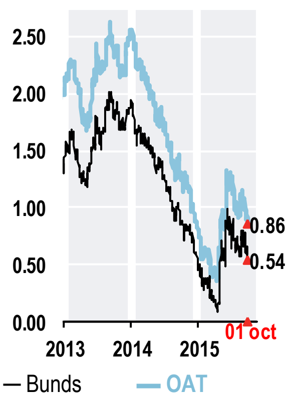
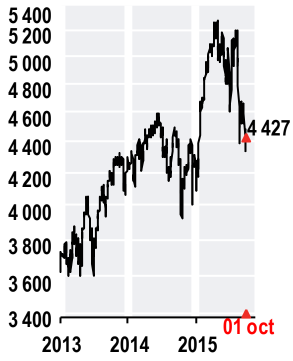
10 y bond yield, OAT vs Bund



Euro-dollar

CAC 40



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	**-0.04**	0.08	at 01/01	-0.04	at 01/10
Euribor 12M	**0.14**	0.33	at 01/01	0.14	at 01/10
$ FED	**0.25**	0.25	at 01/01	0.25	at 01/01
Libor 3M	**0.33**	0.35	at 17/09	0.25	at 06/01
Libor 12M	**0.85**	0.87	at 17/09	0.61	at 16/01
£ BoE	**0.50**	0.50	at 01/01	0.50	at 01/01
Libor 3M	**0.58**	0.59	at 12/08	0.56	at 11/03
Libor 12M	**1.04**	1.08	at 05/08	0.95	at 16/01

At 1-10-15

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

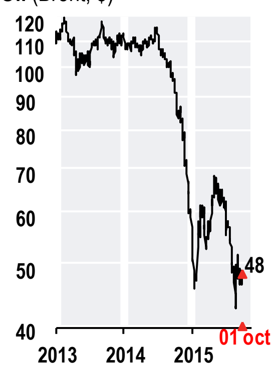
8.36%	Greece	781 pb
2.34%	Portugal	179 pb
1.82%	Spain	128 pb
1.79%	Italy	124 pb
1.00%	Ireland	45 pb
0.87%	Belgium	32 pb
0.86%	France	31 pb
0.85%	Austria	30 pb
0.74%	Netherland	19 pb
0.71%	Finland	17 pb
0.54%	Germany	

Commodities

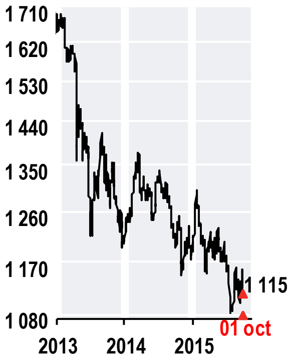
Spot price in dollars		lowest' 15			2015(€)
Oil, Brent	**48**	43	at	24/08	**-6.9%**
Gold (ounce)	**1 115**	1 084	at	24/07	**+1.5%**
Metals, LMEX	**2 371**	2 276	at	26/08	**-12.1%**
Copper (ton)	**5 110**	4 963	at	26/08	**-13.3%**
CRB Foods	**360**	344	at	17/03	**+5.2%**
wheat (ton)	**167**	147	at	17/09	**-17.2%**
Corn (ton)	**145**	132	at	15/06	**+7.1%**

At 1-10-15 *Variations*

Oil (Brent, $)



Gold (Ounce, $)



CRB Foods

Exchange Rates

1€ =		highest' 15			lowest' 15			2015
USD	**1.12**	1.21	at	01/01	1.05	at	13/03	**-7.4%**
GBP	**0.74**	0.79	at	06/01	0.69	at	17/07	-4.7%
CHF	**1.09**	1.20	at	01/01	0.98	at	16/01	-9.1%
JPY	**134.05**	145.08	at	01/01	126.57	at	15/04	-7.6%
AUD	**1.59**	1.61	at	24/09	1.37	at	28/04	+7.5%
CNY	**7.12**	7.51	at	01/01	6.57	at	13/04	-5.1%
BRL	**4.45**	4.75	at	24/09	2.91	at	23/01	+38.2%
RUB	**73.45**	81.80	at	24/08	53.47	at	16/04	+1.2%
INR	**73.46**	77.19	at	24/08	66.07	at	13/04	-3.8%

At 1-10-15 *Variations*

Equity indices

	Index	highest' 15			lowest' 15			2015	2015(€)
CAC 40	**4 427**	5 269	at	27/04	4 084	at	06/01	+3.6%	**+3.6%**
S&P500	**1 924**	2 131	at	21/05	1 868	at	25/08	-6.6%	**+0.9%**
DAX	**9 509**	12 375	at	10/04	9 428	at	24/09	-3.0%	**-3.0%**
Nikkei	**17 722**	20 868	at	24/06	16 796	at	14/01	+1.6%	**+9.9%**
China*	**57**	85	at	27/04	55	at	07/09	-13.5%	**-6.6%**
India*	**467**	553	at	03/03	438	at	07/09	-2.4%	**+1.5%**
Brazil*	**1 094**	1 886	at	22/01	1 030	at	29/09	-10.9%	**-35.5%**
Russia*	**422**	587	at	18/05	396	at	24/08	+11.9%	**+12.7%**

At 1-10-15 *Variations*

* Indices MCSI

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**	**1.9**	**1.8**	**1.4**	**0.3**	**1.4**						
United States	**2.4**	**2.5**	**2.3**	**1.6**	**0.1**	**2.0**	**-2.2**	**-2.5**	**-2.9**	**-2.8**	**-2.4**	**-2.4**
Japan	-0.1	0.4	0.6	2.7	0.7	0.7	0.5	3.5	3.6	-5.3	-4.4	-3.9
United Kingdom	3.0	2.5	1.7	1.5	0.1	1.5	-5.9	-5.4	-4.4	-4.9	-3.7	-2.7
Euro Area	**0.9**	**1.6**	**1.5**	**0.4**	**0.1**	**1.0**	**2.1**	**3.0**	**2.8**	**-2.4**	**-2.1**	**-1.7**
Germany	1.6	1.6	1.6	0.8	0.2	1.2	7.6	8.4	8.3	0.7	0.7	0.5
France	0.2	1.1	1.4	0.6	0.1	0.9	-0.9	0.1	-0.1	-4.0	-3.8	-3.4
Italy	-0.4	0.8	1.0	0.2	0.2	0.9	1.9	2.1	2.1	-3.0	-2.6	-2.3
Spain	1.4	3.2	2.5	-0.2	-0.5	0.8	0.8	0.5	0.4	-5.8	-4.2	-2.9
Netherlands	1.0	2.0	2.2	0.3	0.3	1.0	10.8	9.9	9.2	-2.8	-2.1	-1.8
Belgium	1.1	1.3	1.4	0.5	0.2	1.2	1.4	-0.4	-0.4	-3.2	-3.0	-2.7
Portugal	0.9	1.6	1.5	-0.2	0.5	0.8	0.6	1.3	1.5	-4.6	-2.9	-2.3
Emerging	**4.5**	**3.7**	**4.2**	**5.6**	**6.7**	**7.0**						
China	7.3	6.8	6.5	2.0	1.7	2.0	2.1	3.7	3.1	-2.1	-2.4	-2.9
India	7.1	7.1	7.5	6.6	4.8	6.3	-1.7	-1.3	-0.7	-4.4	-4.1	-3.9
Brazil	0.1	-3.0	-2.0	6.3	8.8	7.0	-4.5	-3.9	-2.5	-6.2	-8.4	-8.1
Russia	0.6	-4.1	-1.2	7.8	15.8	7.2	3.2	6.5	6.4	-1.2	-5.0	-4.5
World	**3.3**	**2.9**	**3.1**	**3.7**	**3.8**	**4.5**						

Source : BNP Paribas Group Economic Research / GlobalMarkets (e: Estimations, prévisions)

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	1.50-1.75	0.25	0.25-0.50	1.50-1.75
	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	2.45	2.55	2.60	2.65	2.18	2.35	2.65
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	0.75	0.75	1.00	1.25	0.50	0.50	1.25
	3-month Libor £	0.57	0.58	0.58	0.75	1.00	1.00	1.25	1.50	0.56	0.75	1.50
	10-year Gilt	1.58	2.03	1.77	2.00	2.15	2.20	2.30	2.35	1.76	2.00	2.35
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	0.55	0.70	0.80	0.33	0.45	0.80

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	1.05	1.04	1.03	1.02	1.21	1.06	1.02
	USD / JPY	120	122	120	126	128	130	132	134	120	126	134
EUR	EUR / GBP	0.72	0.71	0.74	0.70	0.69	0.69	0.68	0.68	0.78	0.70	0.68
	EUR / CHF	1.04	1.04	1.09	1.12	1.12	1.14	1.14	1.16	1.20	1.12	1.16
	EUR/JPY	129	136	134	134	134	135	136	137	145	134	137

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

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William DE VIJLDER Chief Economist	+33(0)1 55 77 47 31	william.devijlder@bnpparibas.com

ADVANCED ECONOMIES AND STATISTICS

Jean-Luc PROUTAT Head	+33.(0)1.58.16.73.32	jean-luc.proutat@bnpparibas.com
Alexandra ESTIOT Works coordination - United States - United Kingdom - Globalisation	+33.(0)1.58.16.81.69	alexandra.estiot@bnpparibas.com
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BANKING ECONOMICS

Laurent QUIGNON Head	+33.(0)1.42.98.56.54	laurent.quignon@bnpparibas.com
Céline CHOULET	+33.(0)1.43.16.95.54	celine.choulet@bnpparibas.com
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François FAURE Head - Russia	+33.(0)1 42 98 79 82	francois.faure@bnpparibas.com
Christine PELTIER Deputy Head - China, Vietnam, Methodology	+33.(0)1.42.98.56.27	christine.peltier@bnpparibas.com
Stéphane ALBY Africa (French-speaking countries)	+33.(0)1.42.98.02.04	stephane.alby@bnpparibas.com
Sylvain BELLEFONTAINE Latin America,Turkey, Methodology	+33.(0)1.42.98.26.77	sylvain.bellefontaine@bnpparibas.com
Sara CONFALONIERI Africa (English and Portuguese speaking countries)	+33.(0)1.42.98.74.26	sara.confalonieri@bnpparibas.com
Pascal DEVAUX Middle East, Scoring	+33.(0)1.43.16.95.51	pascal.devaux@bnpparibas.com
Anna DORBEC CIS, Main Central European countries	+33.(0)1.42.98.48.45	anna.dorbec@bnpparibas.com
Hélène DROUOT Asia	+33.(0)1.42.98.33.00	helene.drouot@bnpparibas.com
Johanna MELKA Asia	+33.(0)1.58.16.05.84	johanna.melka@bnpparibas.com

Michel BERNARDINI Public Relation Officer	+33.(0)1.42.98.05.71	michel.bernardini@bnpparibas.com

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Prepared by Economic Research – BNP PARIBAS
Registered Office: 16 boulevard des Italiens – 75009 PARIS
Tél : +33 (0) 1.42.98.12.34
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