



## Summary

## United-States

## Positive signs

The manufacturing could prove more than temporary while inflation gives signs of acceleration. On top of that, financial markets are way calmer. All of this is comforting, but could still be short of what the Fed needs to take the next step of normalizing its policy...

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## Eurozone

## A lower growth profile

The pace of growth weakened in the second half of 2015. An assessment of European external trade in 2015 points to a softening in demand from emerging markets.

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## Ireland

## General election against a background of economic recovery

In 2015, the Irish growth was up around 7% and the strongest in the euro zone. In light of this, the government coalition might be reelected in next general election on February 26.

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## Market overview

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## Summary of forecasts

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Also in :



## Will it be enough?

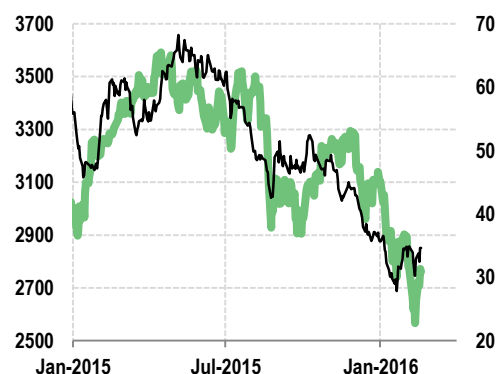
■ Russia and Saudi Arabia strike a deal ■ Financial markets calm down ■ The focus shifts back to the ECB and Fed

The downward revision by the OECD of its economic forecasts is a sobering reminder of how challenging the global environment has become. It also implies that the decline in market nervousness this week, although very much welcomed, doesn't fundamentally change the picture. Compared to last week not a lot has changed anyhow. Admittedly, the governor of the People's Bank of China gave an interview with some comforting news, so the re-opening of markets after the Lunar New Year went smoothly, which supported sentiment across the globe. Then there was the agreement between Russia and Saudi Arabia to limit oil production at the January level. The oil market liked the news but some cautiousness, not to say scepticism is warranted.

Moving back to the global environment, there is growing unease about the combination of the prospect of slower growth with policy rates in key countries still very close to zero. Although the willingness of central banks to act is not put in doubt, there are questions about the effectiveness of their actions. A decision by the Federal Reserve to keep the federal funds rate unchanged would be welcomed, but would it give a big boost to growth? If the ECB were to move the deposit rate applied to the excess reserves of commercial banks more deeply into negative territory, would this boost credit demand or would it be better after all to focus on an increase of the asset purchase programme (QE)? The ECB and FOMC meetings of respectively 10 March and 15-16 March will hopefully bring us a clearer picture.

## OIL AND STOCKS

— Eurostoxx 50 ; — Brent oil prices (r.h.s.)



Source: Bloomberg

## THE WEEK ON THE MARKETS

Week 15-2-16 > 18-2-16

➤ CAC 40	3 995	➤ 4 240	+6.1 %
➤ S&P 500	1 865	➤ 1 918	+2.8 %
➤ Volatility (VIX)	25.4	➤ 21.6	-3.8 %
➤ Euribor 3M (%)	-0.18	➤ -0.20	-1.2 bp
➤ Libor \$ 3M (%)	0.62	➤ 0.62	+0.1 bp
➤ OAT 10y (%)	0.64	➤ 0.58	-6.4 bp
➤ Bund 10y (%)	0.26	➤ 0.21	-5.0 bp
➤ US Tr. 10y (%)	1.75	➤ 1.76	+1.4 bp
➤ Euro vs dollar	1.12	➤ 1.11	-1.3 %
➤ Gold (ounce, \$)	1 234	➤ 1 217	-1.3 %
➤ Oil (Brent, \$)	32.9	➤ 34.6	+5.2 %

Source: Thomson Reuters



## United States

### Positive signs

- Industrial production rebounded strongly in January, and the upturn could continue in the next few months judging by certain leading indicators.
- After their January meeting, FOMC members were worried about greater downside risks to the activity and inflation outlook.
- This week's developments are fairly reassuring, but there could be too little objective evidence between now and March 15<sup>th</sup> to change the Fed's cautious stance.
- Prices are its main concern and, before it raises rates again, the Fed could wait until the ongoing doubts regarding the medium-term inflation outlook have dissipated.

The ISM manufacturing index suggested it, the jobs report stated it more clearly, and the figures published this week by the Fed confirmed it: industrial production rebounded strongly in January. The overall index rose 0.9% last month, with most components showing an improvement. In December, spring-like temperatures pushed down energy production, but in January the snow fell again, sometimes very heavily, and electricity and natural gas production rose 5.4% month-on-month.

The manufacturing sector, which is less sensitive to changes in the weather, showed an improvement that could prove longer-lasting. Manufacturing activity rose 0.5% month-on-month, the fastest increase since July (chart 1). Although that came after two months of contraction, several factors suggest that January marked a turning point rather than a temporary correction.

That is borne out by survey results. Although the ISM manufacturing index remained below the 50 level that separates expansion from contraction in January, its two components that show the greatest correlation with activity turned positive (chart 2). The production component rose 0.3 points to 50.2 in January and, most importantly, the new orders component jumped 2.7 points to 51.5. Whereas orders remained a drag on the manufacturing business climate at the start of 2016, this effect could fade away in the next few months if order books continue to fill up. The components that are usually proving slowest to recover are delivery times (50.0 in January) and inventories (43.5). However, the jobs component could soon move back into positive territory, and that could be enough to push the overall ISM index above 50. The upturn could be especially fast given that the decline in the ISM jobs index did not result in a fall in payrolls, since the manufacturing sector created 47,000 jobs between October 2015 and January 2016.

Regional surveys, particularly those carried out by the New York and Philadelphia Fed Reserve Banks, are still far from optimistic, but they suggest that manufacturing activity in the Northeast USA is gaining traction. In the New York Fed's district, the business climate remains gloomy, but less so than in January, and the indexes we use to

#### Upturn

■ Manufacturing production (m/m, %)

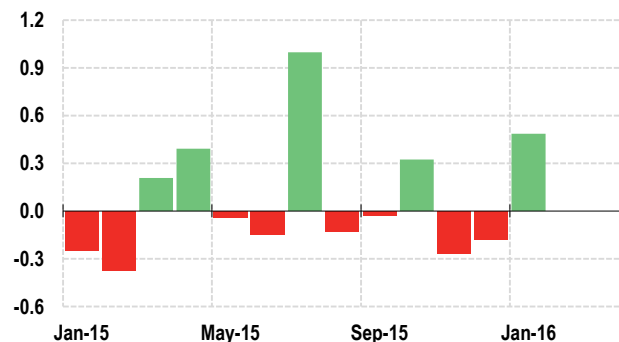


Chart 1

Source: Federal Reserve

#### Manufacturing ISM and components

— ISM; — Production; --- New orders

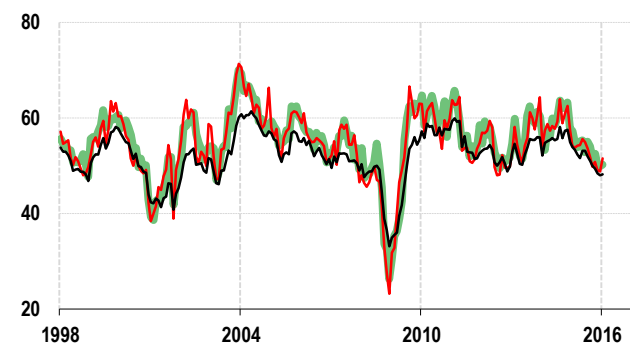


Chart 2

Source: ISM:

create a PMI directly comparable with the national ISM index show a broad improvement. This "NY-PMI" rose 2.2 points between January and February, although it remained very low at 47.3. In the Philadelphia Fed's district, where the manufacturing sector is both larger and more diverse than it is further north, sentiment was slightly better but also more stable in February, with a "Philly-PMI" of 48.6, up 0.1 points compared with January. Overall, our NEM Index (the aggregate of the two regional PMIs) rebounded slightly to 48.7 in February, suggesting an ISM manufacturing index reading of close to 50 (chart 3).

Finally, certain leading indicators of industrial production were very strong in January, i.e. production of intermediate goods (business supplies +1.2% m/m) and non-energy materials for further processing (+0.5%). Production of the latter was particularly buoyant in the upstream part of the production chain (+0.7% m/m for materials used in the production of intermediate goods as opposed to



0.2% for those used in the production of finished goods), suggesting a self-sustaining recovery in US manufacturing. Supporting this hypothesis, production of equipment for the manufacturing industry also rebounded (+0.5% m/m).

The upturn in industrial production, along with the confirmed momentum in the jobs market, is likely to reassure Fed members. However, the minutes of the late January meeting held by the Fed's monetary policy committee (FOMC), published this week, show increased concern. Aside from movements in financial markets, whose decline they regarded as difficult to reconcile with the US economic fundamentals<sup>1</sup> and limited enough not to require any revision of the economic outlook<sup>2</sup>, FOMC members were concerned about the low level of activity in late 2015 and took the view that, overall, the downside risks to their scenario had increased since the December rate hike<sup>3</sup>.

Taking into account the minutes and recent comments by certain FOMC members<sup>4</sup>, it appears that concern is focusing on the inflation outlook, as we discussed last week<sup>5</sup>. The minutes emphasise several times that certain FOMC members preferred to wait until they were sure that inflation was rising again before continuing to normalise monetary policy<sup>6</sup>. January data clearly point in the right direction, with a sharp upturn in the producer price index (+0.6% m/m excluding food and energy) while core inflation remained above 2% for the third straight month (2.2% in January versus 2.1% in December, 2% in November and 1.8% on average in the first 10 months of 2015).

Will the slight upturn in oil prices and inflation expectations (chart 4) be enough to reassure the Fed? A week of renewed calm in the financial markets is certainly not enough. Between now and March 15<sup>th</sup>, FOMC members will gain more perspective, although they will not receive many more data to help them gauge the strength of the US economy.

The Fed remains inclined to normalise policy as quickly as possible – particularly in order to rebuild its ammunition – but it may leave rates unchanged in the next FOMC meeting for the sake of caution. In any event, that seemed to be the approach in January: "Several participants noted that monetary policy was less well positioned to respond effectively to shocks that reduce inflation or real activity than

## Confidence gradually returning?

— Manufacturing ISM ; — NEM Index



Chart 3

Sources: ISM, BNP Paribas Economic Research

## Moving higher again

— Inflation expectations (5y 5y, %)

— West Texas Intermediate (USD per barrel, r.h.s.)

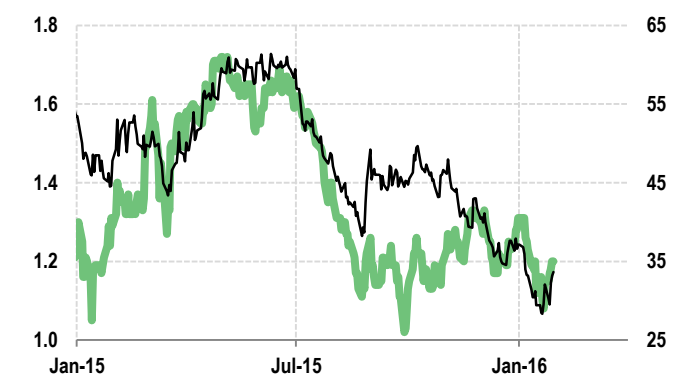


Chart 4

Source: Bloomberg, Federal Reserve

to upside shocks, and that waiting for additional information regarding the underlying strength of economic activity and prospects for inflation before taking the next step to reduce policy accommodation would be prudent".

<sup>1</sup> "A number of participants noted that the large magnitude of changes in domestic financial market conditions was difficult to reconcile with incoming information on U.S. economic developments."

<sup>2</sup> "While acknowledging the possible adverse effects of the tightening of financial conditions that had occurred, most policymakers thought that the extent to which tighter conditions would persist and what that might imply for the outlook were unclear, and they therefore judged that it was premature to alter appreciably their assessment of the medium-term economic outlook."

<sup>3</sup> "[...] data releases since the December meeting on spending and production had been disappointing. [...] Participants agreed that uncertainty had increased, and many saw these developments as increasing the downside risks to the outlook."

<sup>4</sup> Particularly Patrick T. Harker (President of the Philadelphia Fed, non-voting member this year), Eric S. Rosengren (Boston, voting) and James Bullard (St Louis, voting).

<sup>5</sup> "If labour was the only criterion...", Alexandra Estiot, Eco Week BNP Paribas, February 12<sup>th</sup>, 2016.

<sup>6</sup> "[...] a few participants noted that direct evidence that inflation was rising toward 2 percent would be an important element of their assessment of the outlook and of the appropriate path for policy."



## Eurozone

### A lower growth profile

- The national accounts released have confirmed that the pace of growth weakened in the second half of 2015.
- The first assessment of European external trade in 2015 as a whole underlines the softening in demand from emerging markets.
- We now project growth of 1.3% this year in the Eurozone.

The preliminary estimate indicated that Eurozone GDP grew by 0.3% q/q in Q4 2015, as it did in Q3. Accordingly, growth throughout the second half clearly ran at a notch below the pace seen in the first part of the year (0.5% q/q in Q1 and 0.4% q/q in Q2). This is a sign that the abrupt slowdown in activity in emerging economies is indeed taking its toll on European growth. The national breakdowns available to us so far support this view. French exports, which were very brisk in the first half, almost ground to a halt in volume terms in the second six months of 2015. Worse, they decreased in Germany in the fourth quarter, according to the federal statistics office.

The initial European external trade figures for 2015 released this week by Eurostat show the same pattern. These figures reflect the value of trade and are thus also impacted by the large exchange rate swings seen last year. Nonetheless, shipments by all EU countries to the United States were 19% higher in 2015 than they were in 2014, compared with a rise of 4% in exports to China and reductions of 6% to Brazil and 28% to Russia. As a result, German exports rose more rapidly last year to the EU28 countries (7%) than to non-EU economies. The same applies for Spain, which does a lot of trade with Latin America. Its exports to the EU rose by 6%, with its non-EU exports up just 1%. These trends were particularly concentrated in the second half of the year, with growth in extra-EU exports for the entire Eurozone slipping from 8.2% y/y (3m mov. avg.) in June 2015 to 3.2% in December (figure 1).

#### Fragile growth prospects

In the end, Eurozone GDP grew by 1.5% last year. At first glance, the range of performances on a country-by-country basis (figure 2) is disconcerting, with the three leading economies in the region (Germany, 1.4%, France 1.1%, and Italy 0.6%) performing close to in certain cases, but consistently below the Eurozone average. Of the leading countries, Spain (3.2%) and, to a lesser extent, the Netherlands (2.0%) stood out. Lastly, Ireland, still in full catch-up mode after the crisis (see focus on the next page), has held onto top spot in the rankings of the most dynamic Eurozone economies.

Recent trends suggest that these trends are set to continue in 2016. Just as OECD did this week (see Editorial on 1<sup>st</sup> page), we revised our growth forecast downwards and now project growth of around 1.3% for the Eurozone this year (compared with our December forecast of 1.6%). We will explain more thoroughly this

#### Exports at a standstill

— Exports outside the Eurozone (EU-19), in value terms, % y/y — 3m mov. avg.

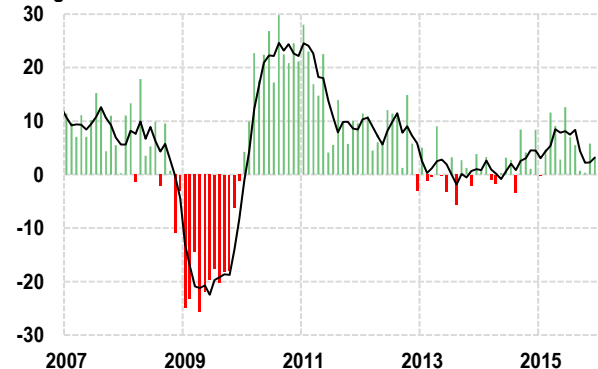


Figure 1

Source: Eurostat

#### A mixed bag

GDP growth in 2015, in %

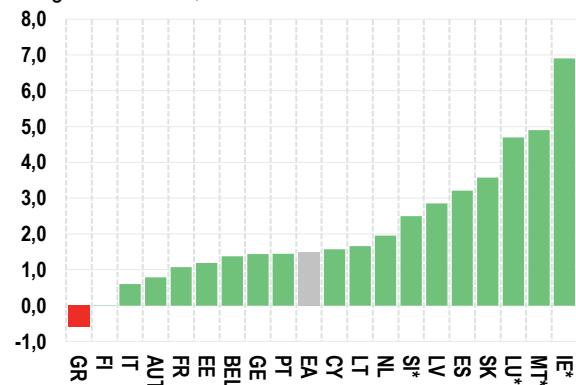


Figure 2

Source: Eurostat (\*) EC forecasts

outlook over the next few weeks, including the detailed picture in countries, but it already appears that the region's economies will continue to feel the knock-on effects of the problems facing the major emerging economies, especially via the sluggish level of trade.





## Ireland

## General election against a background of economic recovery

- The Irish economy has recovered from the 2007/08 crisis in spectacular fashion. Growth is much stronger than that of its European neighbours, and in 2015 was identical to that of the People's Republic of China.
- This fact has been a major election campaign theme in February.
- However, the outgoing government has been preparing for the election since last year. Its budget for 2016 marks a break with the years of austerity that followed the crisis, with the aim of increasing its chances of re-election.
- If Fine Gael manages to form another coalition government with the Labour Party, that would represent a first for the party. It would also keep Fianna Fail, which was punished badly in the 2011 election for its handling of the crisis, in opposition.
- However, anti-austerity parties have gained ground, and that could complicate things in the aftermath of 26 February's parliamentary election.

In early February, rating agency Fitch upgraded its rating on Ireland from A- to A, only one notch below Standard & Poor's A+ rating. Moody's is remaining more cautious about Irish risks, keeping its rating at Baa1. However, the Irish economy has bounced back spectacularly since December 2013, when it left the international assistance programme managed jointly by the IMF and the European Union.

## Economic recovery

In 2015, the economy grew by just over 7%, and the growth overhang in Q3 was already 6.6%. This represents a sharp acceleration relative to 2014 (5.2%). Ireland's GDP growth is the strongest in the European Union (see Focus on previous page). The recovery is being supported by the multinationals that operate in Ireland, which are major players in sectors that traditionally show little sensitivity to fluctuations in the economic cycle, like chemicals and pharmaceuticals. However, domestic demand is taking over from exports as the main growth driver. Real GDP overtook its pre-crisis level in 2015.

GDP grew 1.4% q/q in Q3-15 and 7% year-on-year (the Q4 GDP estimate will be published by end-March). Growth was mainly supported by private-sector investment (+4.9%) and consumer spending (+0.7%). Public spending, conversely, fell by 1%. In 2016, fiscal policy will be less of a drag on growth (see below). Finally, the impressive 2015 numbers came despite export growth (2.2%) being dwarfed by import growth (5.4%) in the third quarter, which means that foreign trade dragged GDP growth down by 2.9 points in Q3. Exports should remain buoyant in 2016, supported by the weak euro and demand from Ireland's three main trade partners: the eurozone (a third of total exports), the USA (over 20%) and the UK (over 10%).

## Growth

■ GDP growth (q/q, LHS) — GDP growth (y/y, RHS)

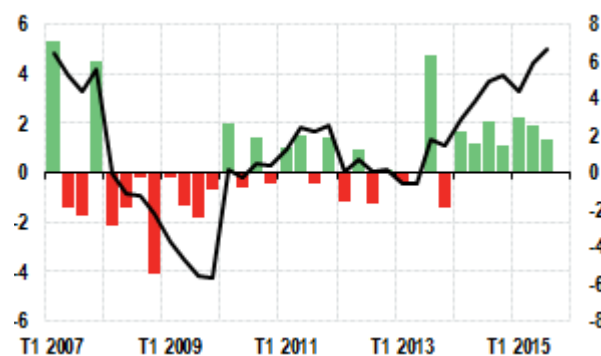


Figure 1

Source: Central Statistics Office Ireland

## Foreign demand

— Exports (y/y, 3mma, RHS) — New export orders index (manufacturing PMI, LHS)

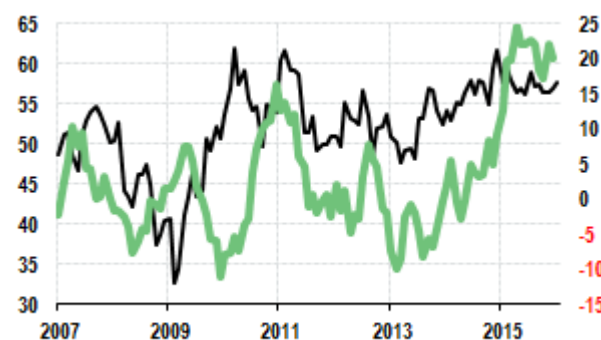


Figure 2

Source: CSO Ireland, Markit PMI

Surveys in early 2016 remain positive, showing that the recovery remains firmly on track. In the service sector in particular, the activity index based on the PMI survey in January hit its highest level since June 2006.

Labour-market conditions are also continuing to improve. The unemployment rate was 9.1% in Q3-15, below the eurozone average, and has been falling steadily since it peaked at over 15% in early 2012. At that time, the property bubble burst triggered a collapse in activity and employment in the sector which finally weighed on all sectors of the economy. However, long-term unemployment remains high. Wages are rising steadily, after falling 0.5% per year on average between 2008 and 2014. In Q3-15, year-on-year wage growth was over 2%. Consumers' disposable incomes therefore rose 1% in real terms in 2015, since consumer price inflation was near-zero. In 2015, inflation continued to fall and turned slightly negative at -0.1% as opposed to +0.3% in 2014. That explains why the



consumer confidence index published jointly by the Economic and Social Research Institute (ESRI) and KBC Bank reached a 15-year high in January.

### Election issues

It was against this positive economic background that the head of Ireland's government (Taoiseach), Enda Kenny, dissolved Ireland's parliament (Dail Eireann) and called a general election for 26 February. On that day, voters in 43 constituencies will elect Ireland's 166 members of parliament. Despite the Irish economy's strong recovery, the outcome of the election cannot be predicted with any certainty. The traditional centre-right – Fine Gael ("Tribe of the Irish" in English) and Fianna Fail (the republican party) – or centre-left parties (Labour Party) have seen their influence wane in the last few years while anti-austerity movements have become increasingly popular with an electorate bruised by the economic and financial crisis.

Since 1932, Fine Gael and Fianna Fail have taken turns to govern Ireland. If Enda Kenny, who led Fine Gael to victory in 2011 after being out of power for more than 30 years, becomes Taoiseach again, this would be a first for his party. However, Fine Gael is unlikely to win the election without the support of its traditional ally, the Labour Party. The current Fine Gael/Labour coalition now has two thirds of the seats in parliament (112 in total, i.e. 75 for Fine Gael and 37 for Labour, versus 20 for Fianna Fail). The latest surveys give Fine Gael around 30% of the vote, down from 36% in 2011, and Labour only 10%. To achieve a majority of 80 seats in parliament, the outgoing coalition would therefore have to link up with one of the two new small parties, either the Social Democrats or Renua Ireland ("ré nua" in Irish meaning "new era" in English), a splinter from Fine Gael.

### Key campaign issue: the end of austerity

In the last general election, the Irish punished Fianna Fail, which was held responsible for the economic and financial crisis, having governed Ireland almost constantly since 1926. In early February 2016, Fianna Fail, led by Micheal Martin, had not really recovered in the polls, which gave it only 17% of the vote, almost identical to its vote share in 2011.

In late 2015, the outgoing coalition, aware of the risks facing it, announced a stimulus budget for 2016 after years of austerity. The pace of economic growth since 2014 has accelerated the improvement in the public finances, giving the government substantial fiscal room for manoeuvre. Tax revenues rose over 10% year-on-year in 2015. As a result, the public-sector deficit/GDP ratio, which was still close to 6% 2013, was less than 2% last year. A stimulus package of EUR1.5bn (less than 1% of GDP) was announced in the 2016 budget. Of this, half relates to tax cuts (income tax, social security, extension of the renovation tax credit etc.) and half to increased spending (family allowances, pensions, unemployment benefit etc.). The budget also contains a raft of measures designed to help households buy a home. Many of Ireland's youngest families are struggling to find housing, and rents are back at their pre-crisis level. In addition, household debt still equalled almost 180% of disposable income in Q2-15. Although that represents a 10-year low, banks have changed their lending criteria

### Foreign demand

— Exports (y/y, 3mma, RHS) — New export orders index (manufacturing PMI, LHS)

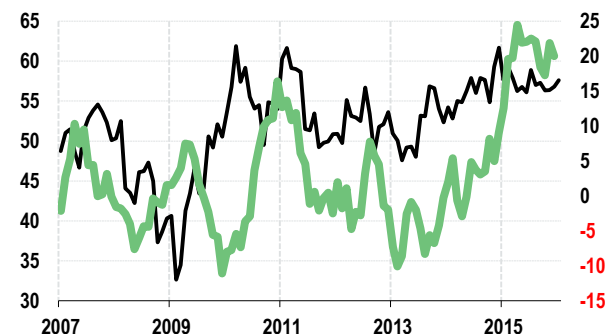


Figure 2

Source: CSO Ireland, Markit PMI

in line with new regulatory rules and are now taking into account the borrower's income instead of just the value of the property being purchased. As a result, the 2016 budget includes EUR811m of spending on housing. In addition, NAMA (Ireland's "bad bank") will co-ordinate with property developers to complete 20,000 new homes (EUR4.5bn) before 2020, 90% of which will be in the Dublin area.

Despite these numerous electoral hand-outs, the last few months have seen the rise of the radical left in Ireland in the form of the Anti-Austerity Alliance (AAA), which was set up in May 2014 following the formation of Podemos in Spain and Syriza in Greece. Its leader Paul Murphy won a crushing victory against the governing coalition in a Dublin by-election in October 2014. However, the context in late 2014 was different, because the benefits of the government's austerity policy were not yet clearly visible and the Labour Party was being criticised for not doing enough to defend the welfare state against the demands of the Troika. In addition, the principle of free water had just been scrapped with the introduction of a new water distribution tax starting in early 2015, triggering large demonstrations. Ireland's political landscape is also unusual in that it contains Sinn Féin, the political wing of the Irish nationalist movement, which is very well established and popular. It is also anti-austerity, and that could allow the AAA to make a breakthrough at the national level because of the single transferable vote system. Turnout among Sinn Féin supporters is traditionally low, and although polls suggest that 19% of people will vote Sinn Féin as opposed to 9.9% in 2011, it is unlikely to do better than in the previous election, when it won 14 seats.

Overall, the 2016 budget aims to boost the disposable incomes of Irish households, without threatening European targets for improving the public finances. Public-sector debt fell below 100% of GDP in 2015, having peaked at 120% in 2012/13, and should continue falling this year, while the public-sector deficit should be close to 1%. Irish voters are likely to recognise this and vote in favour of the economic recovery, if not the outgoing government.



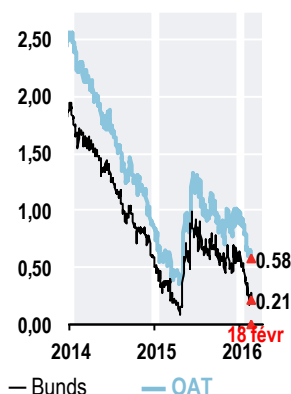
## Markets overview

## The essentials

Week 15-2-16 &gt; 18-2-16

➤ CAC 40	3 995	➤ 4 240	+6.1 %
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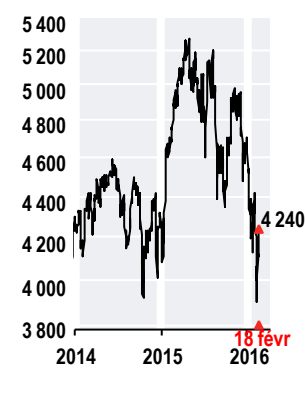
10 y bond yield, OAT vs Bund



Euro-dollar



CAC 40



## Money &amp; Bond Markets

Interest Rates		highest' 16		lowest' 16	
€ ECB	0.05	0.05	at 01/01	0.05	at 01/01
Eonia	-0.24	-0.13	at 01/01	-0.25	at 06/01
Euribor 3M	-0.20	-0.13	at 01/01	-0.20	at 18/02
Euribor 12M	-0.01	0.06	at 01/01	-0.01	at 18/02
\$ FED	0.50	0.50	at 01/01	0.50	at 01/01
Libor 3M	0.62	0.62	at 19/01	0.61	at 04/01
Libor 12M	1.13	1.18	at 01/01	1.12	at 12/02
£ BoE	0.50	0.50	at 01/01	0.50	at 01/01
Libor 3M	0.59	0.59	at 15/02	0.59	at 12/01
Libor 12M	1.00	1.07	at 01/01	0.98	at 12/02

At 18-2-16

Yield (%)		highest' 16		lowest' 16	
€ AVG 5-7y	0.30	0.49	at 12/01	0.25	at 01/02
Bund 2y	-0.49	-0.34	at 01/01	-0.52	at 11/02
Bund 10y	0.21	0.63	at 01/01	0.18	at 11/02
OAT 10y	0.58	0.98	at 01/01	0.58	at 18/02
Corp. BBB	2.32	2.50	at 20/01	2.22	at 06/01
\$ Treas. 2y	0.73	1.06	at 01/01	0.64	at 11/02
Treas. 10y	1.76	2.27	at 01/01	1.64	at 11/02
Corp. BBB	4.39	4.50	at 12/02	4.30	at 06/01
£ Treas. 2y	0.37	0.65	at 01/01	0.28	at 08/02
Treas. 10y	1.44	1.96	at 01/01	1.28	at 11/02

At 18-2-16

10y bond yield &amp; spreads

10.69%	Greece	1047 pb
3.27%	Portugal	305 pb
1.78%	Spain	156 pb
1.56%	Italy	134 pb
0.70%	Belgium	48 pb
0.67%	Ireland	45 pb
0.58%	France	36 pb
0.52%	Austria	31 pb
0.43%	Finland	21 pb
0.35%	Netherlands	13 pb
0.21%	Germany	

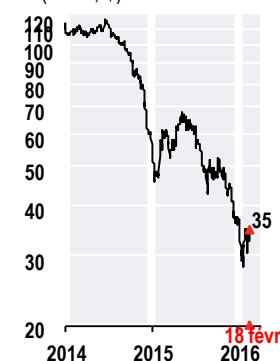
## Commodities

Spot price in dollars		lowest' 16		2016(€)	
Oil, Brent	35	28	at 20/01	-5.1%	
Gold (ounce)	1 217	1 062	at 01/01	+12.1%	
Metals, LMEX	2 181	2 049	at 12/01	-3.1%	
Copper (ton)	4 576	4 328	at 15/01	-4.8%	
CRB Foods	339	329	at 11/01	-0.9%	
wheat (ton)	174	146	at 04/01	+10.5%	
Corn (ton)	141	135	at 11/01	+0.2%	

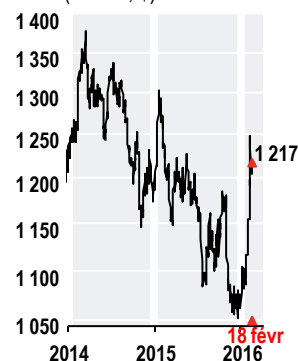
At 18-2-16

Variations

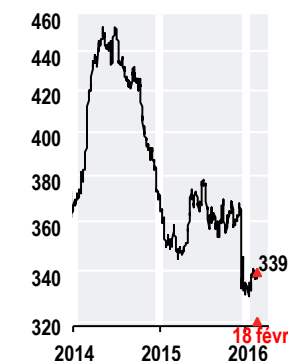
Oil (Brent, \$)



Gold (Ounce, \$)



CRB Foods



## Exchange Rates

1€ =		highest' 16		lowest' 16		2016	
USD	1.11	1.13	at 11/02	1.07	at 05/01	+2.2%	
GBP	0.77	0.79	at 11/02	0.73	at 05/01	+4.8%	
CHF	1.10	1.11	at 04/02	1.08	at 06/01	+1.5%	
JPY	126.11	131.84	at 01/02	126.11	at 18/02	-3.5%	
AUD	1.55	1.60	at 11/02	1.49	at 01/01	+4.0%	
CNY	7.23	7.45	at 11/02	6.99	at 05/01	+2.6%	
BRL	4.46	4.53	at 16/02	4.30	at 01/01	+3.7%	
RUB	84.07	91.22	at 11/02	78.65	at 05/01	+6.0%	
INR	76.03	77.50	at 11/02	71.42	at 05/01	+5.8%	

At 18-2-16

Variations

## Equity indices

Index		highest' 16		lowest' 16		2016	2016(€)
CAC 40	4 240	4 637	at 01/01	3 897	at 11/02	-8.6%	-8.6%
S&P500	1 918	2 044	at 01/01	1 829	at 11/02	-6.2%	-8.2%
DAX	9 464	10 743	at 01/01	8 753	at 11/02	-11.9%	-11.9%
Nikkei	16 197	19 034	at 01/01	14 953	at 12/02	-14.9%	-11.8%
China*	52	59	at 01/01	48	at 12/02	-13.0%	-15.1%
India*	404	460	at 01/01	393	at 11/02	-8.9%	-13.9%
Brazil*	980	1 036	at 01/01	860	at 21/01	-4.1%	-7.4%
Russia*	399	405	at 01/01	331	at 20/01	+1.6%	-3.6%

At 18-2-16

Variations

\* Indices MCSI



## Economic forecasts

En %	GDP Growth			Inflation			Curr. account / GDP			Fiscal balances / GDP		
	2015	2016 e	2017 e	2015	2016 e	2017 e	2015	2016 e	2017 e	2015	2016 e	2017 e
<b>Advanced</b>	<b>1.8</b>	<b>1.5</b>	<b>1.5</b>	<b>0.3</b>	<b>0.6</b>	<b>1.7</b>						
<b>United States</b>	<b>2.4</b>	<b>1.8</b>	<b>1.5</b>	<b>0.1</b>	<b>1.0</b>	<b>2.2</b>	<b>-2.6</b>	<b>-2.8</b>	<b>-2.9</b>	<b>-2.5</b>	<b>-3.2</b>	<b>-3.3</b>
Japan	0.4	0.3	0.2	0.8	0.2	1.8	3.3	3.6	3.3	-4.6	-3.7	-3.2
United Kingdom	2.2	1.7	2.0	0.0	0.4	1.9	-4.5	-4.8	-3.8	-4.1	-3.0	-2.2
<b>Euro Area</b>	<b>1.5</b>	<b>1.3</b>	<b>1.4</b>	<b>0.0</b>	<b>0.0</b>	<b>1.1</b>	<b>3.0</b>	<b>2.6</b>	<b>2.5</b>	<b>-2.2</b>	<b>-2.0</b>	<b>-1.7</b>
Germany	1.4	1.3	1.5	0.1	0.0	1.4	8.1	7.7	7.6	0.7	0.3	0.3
France	1.1	1.2	1.3	0.1	0.2	1.0	0.0	0.0	-0.7	-3.7	-3.5	-3.2
Italy	0.6	1.0	0.9	0.1	0.1	0.9	2.1	1.8	1.9	-2.7	-2.8	-2.3
Spain	3.2	2.6	2.1	-0.6	-0.7	1.0	0.9	0.7	0.5	-4.8	-3.8	-2.7
Netherlands	1.9	1.8	1.6	0.2	0.3	1.1	9.6	8.7	8.5	-2.1	-2.0	-1.8
Belgium	1.4	1.3	1.6	0.6	0.5	1.6	0.8	1.4	1.7	-2.7	-2.7	-2.5
Portugal	1.5	1.5	1.5	0.5	0.3	1.2	1.0	1.2	1.4	-4.1	-3.0	-2.5
<b>Emerging</b>	<b>3.7</b>	<b>3.8</b>	<b>4.5</b>	<b>5.7</b>	<b>6.7</b>	<b>7.0</b>						
China	6.9	6.4	6.1	1.4	1.5	1.7	2.8	3.1	2.2	-2.4	-3.1	-3.3
India	7.3	7.9	8.1	4.9	5.8	5.2	-1.3	-0.6	-0.6	-4.1	-3.9	-3.5
Brazil	-3.8	-4.0	0.0	9.0	9.1	7.4	-3.4	-1.0	-1.1	-10.3	-10.6	-10.3
Russia	-3.7	-1.8	0.6	15.6	9.1	7.2	5.4	2.8	7.4	-3.9	-4.8	-4.7
<b>World</b>	<b>3.1</b>	<b>3.0</b>	<b>3.3</b>	<b>3.6</b>	<b>3.9</b>	<b>3.8</b>						

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

## Financial forecasts

Interest rates		2015				2016						
End period		Q1	Q2	Q3	Q4	Q1e	Q2e	Q3e	Q4e	2015	2016e	2017e
<b>US</b>	Fed Funds	0.25	0.25	0.25	0.5	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50	0.01	0.25-0.50	0.25-0.50
	3-month Libor \$	0.27	0.28	0.33	0.61	0.62	0.70	0.70	0.70	0.61	0.70	1.05
	10-year T-notes	1.93	2.35	2.03	2.27	1.62	1.75	1.65	1.50	2.27	1.50	1.75
<b>EMU</b>	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	-0.13	-0.40	-0.50	-0.60	-0.60	-0.13	-0.60	-0.60
	10-year Bund	0.18	0.77	0.59	0.63	0.25	0.30	0.00	-0.20	0.63	-0.20	-0.20
	10-year OAT	0.42	1.20	0.90	0.98	0.65	0.60	0.30	0.10	0.98	0.10	0.10
	10-year BTP	1.29	2.31	1.73	1.60	1.50	1.45	1.25	0.95	1.60	0.95	0.80
<b>UK</b>	Base rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	1.00
	3-month Libor £	0.57	0.58	0.58	0.59	0.75	0.75	0.75	0.75	0.59	0.75	1.25
	10-year Gilt	1.58	2.03	1.77	1.96	1.40	1.40	1.47	1.50	1.96	1.50	1.80
<b>Japan</b>	Overnight call rate	0.02	0.01	0.01	0.04	-0.10	-0.30	-0.30	-0.30	0.04	-0.30	-0.50
	3-month JPY Libor	0.17	0.17	0.17	0.17	0.10	0.00	-0.05	-0.10	0.17	-0.10	-0.25
	10-year JGB	0.40	0.44	0.35	0.25	0.00	-0.10	-0.10	-0.10	0.25	-0.10	-0.25

Exchange rates		2015				2016						
End period		Q1	Q2	Q3	Q4	Q1e	Q2e	Q3e	Q4e	2015	2016e	2017e
<b>USD</b>	EUR / USD	1.07	1.11	1.12	1.09	1.14	1.16	1.15	1.14	1.09	1.14	1.05
	USD / JPY	120	122	120	120	110	108	110	115	120	115	124
<b>EUR</b>	EUR / GBP	0.72	0.71	0.74	0.74	0.77	0.77	0.74	0.72	0.74	0.72	0.68
	EUR / CHF	1.04	1.04	1.09	1.09	1.12	1.14	1.14	1.16	1.09	1.16	0.01
	EUR/JPY	129	136	134	131	125	125	127	131	131	131	130

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





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