



Summary

China

Priority on stabilising growth

The government presented its policy goals for 2016 and the priorities of the 13th Five-Year Plan during the annual National People's Congress. The economic slowdown deepened in the first months of the year, and the main short-term priority is to stabilise growth thanks to new stimulus measures.

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United States

Safety first

The Fed decided to leave rates unchanged, but it actually eased its policy. Economic data are pretty well oriented, but risks from abroad are mounting. In the vicinity of the ZLB, the Fed chose not to take the chance.

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Spain

Deadlocked

Spanish political parties are still struggling to form a new government nearly three months after the general elections. New elections will be held in late June if Congress fails to elect a new President of the Government by May 2nd.

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Market overview

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Summary of forecasts

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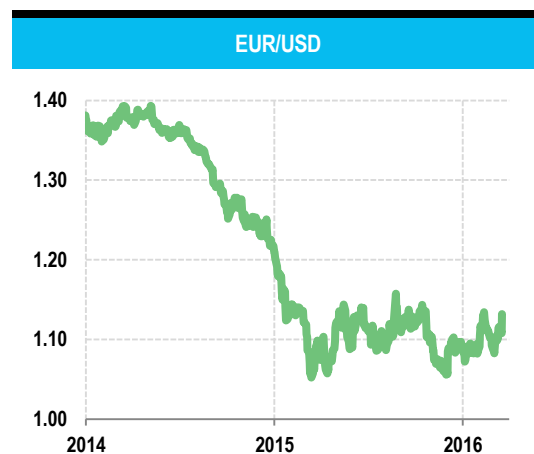
Also in :



First, do no harm

■ Last week the ECB shifted its objectives ■ This week the Fed changed its monetary policy horizon ■ Policy coordination in all but name

The developed world's central banks are in "easing" mode, either announcing new monetary easing measures (the ECB last week, the Norges Bank this week) or through communication that plays on expectations (the Fed this week). Virtually all point out the downside risks from the global economy. Yet what seems to be worrying central bankers the most is the often abrupt and erratic financial market moves. Of course, market euphoria is not an objective. Yet this turmoil may not only reflect deteriorating prospects, it could also trigger them. In a more stable environment, statements are read serenely, and it seems less probable that financial markets will overreact. In recent weeks, all the central banks seemed to be acting primarily to stabilise the markets. The first results have been positive, notably in terms of the euro/dollar exchange rate. Although Mario Draghi and Janet Yellen did not explicitly say as much, their actions speak for themselves: the exchange rate is not a goal in itself, but it can become an obstacle that they clearly intend to remove. With both spelling out what they intend to do with their key rates, the euro stabilised against the dollar. If this period of calm continues, inflation data will be analysed serenely in Frankfurt and Washington, notably inflation expectations, which should naturally pick up in keeping with oil prices.



Sources: MacroBond

THE WEEK ON THE MARKETS

Week 14-3 16 > 17-3-16

➤ CAC 40	4 493	► 4 443	-1.1 %
➤ S&P 500	2 022	► 2 041	+0.9 %
➤ Volatility (VIX)	16.5	► 14.4	-2.1 %
➤ Euribor 3M (%)	-0.23	► -0.23	-0.9 bp
➤ Libor \$ 3M (%)	0.63	► 0.64	+0.5 bp
➤ OAT 10y (%)	0.53	► 0.49	-3.9 bp
➤ Bund 10y (%)	0.28	► 0.23	-4.6 bp
➤ US Tr. 10y (%)	1.98	► 1.90	-7.4 bp
➤ Euro vs dollar	1.12	► 1.13	+1.4 %
➤ Gold (ounce, \$)	1 258	► 1 263	+0.4 %
➤ Oil (Brent, \$)	40.6	► 41.6	+2.6 %

Source: Thomson Reuters



China

Priority on stabilising growth

- At the annual meeting of the National People's Congress, which just ended, the government presented its targets for 2016 as well as the priorities of the 13th five-year plan.
- From an economic perspective, the short-term priority is to stabilise growth, at the risk of postponing the needed debt reduction process for corporates and local governments.
- The economic growth slowdown and troubles in the industrial sector continued to worsen in the first two months of 2016.

Between reforms and stimulus policy measures

At the annual meeting of the National People's Congress (NPC), which ended on March 16th, about 3000 Chinese delegates met for ten days to approve a set of laws proposed by the government. The authorities presented a number of reports, including on the work of the government in 2015, on its 2016 growth targets and economic policy, and on the 13th five-year plan for 2016-2020.

Concerning the national economic and social development plan for the next five years, the government mainly reiterated the priorities already presented in October 2015. The plan is targeting average real GDP growth of at least 6.5% a year, which should make it possible to double per capita income between 2010 and 2020. Growth will be driven more by consumer spending and services, as well as by innovative industries, and will have to pollute less. To promote more "harmonious" economic development through 2020, the plan also calls for modernising agriculture, easing the rules for obtaining residency permits in urban areas, and improving the social security system. In 2016, the structural reforms that were announced aim more particularly to improve the quality of supply, by reducing excess production capacity in the coal and steel industries, and to reduce corporate costs (including fiscal, financial, administrative and logistics costs). Yet the government also emphasised the need to pursue stimulus policies to boost demand in the short term.

This priority can be seen in the 2016 growth and economic policies targets unveiled during the NPC. The government has set a target range of 6.5% to 7% for real GDP growth in 2016. In the light of recent economic trends, this signals the authorities' determination to support and stabilise growth in the short term, even if the target range is effectively lower than the target of "about 7%" that had been defined for 2015. To achieve this, the government intends to resort to a "more proactive" fiscal stimulus policy, to new investments in infrastructure projects and to a "cautious" monetary policy easing.

The 2016 budget deficit target is set at 3% of GDP, compared to 2.4% in 2015 (see table). This is the biggest deficit ever targeted by Beijing, which plans a whole series of tax cuts for corporates and individuals. They will be rounded out by stimulus measures that the authorities are more accustomed to, i.e. infrastructure spending, notably on roads, railways and energy infrastructure. To finance

■ Key targets of the authorities for 2015-2016

Annual growth rate, unless otherwise indicated	2015		2016
	Target	Actual	Target
Real GDP	Environ 7%	6.9%	6.5%-7%
CPI inflation	3.0%	1.4%	3.0%
Budget deficit, % of GDP	2.4%	3.5%	3.0%
M2	12.0%	13.3%	13.0%
Social financing	No target	11.4%	13.0%
Nominal investment	15.0%	9.8%	10.5%
Retail sales	13.0%	10.7%	11.0%
Job creation, millions	10	13.1	10

Table

Sources: Reports presented at the NPC, March 2016

these investments, the government is counting on an improvement in the financial situation of local governments (thanks to the upturn in the real estate market and the program to swap bank loans for less costly bond issues), which could also resort to new credits, and to the development of public-private partnerships.

In terms of monetary policy, the 2016 targets for M2 money supply growth and total social financing (TSF) were both set at 13%, which signals another easing of monetary policy in view of the M2 target of 12% that had been defined for 2015 and given the recent growth rates in TSF (estimated at 11.4% in 2015). The authorities plan to use all the instruments at their disposal to improve access to bank lending by all enterprises (including SMEs and in rural areas) and to lower credit costs. In the short term, we can thus expect to see more cuts in China's reference rates (1-year lending rates have already been cut to 4.35% from 6% in October 2014), lower reserve requirement ratios (which have already fallen to 17% for the large banks, from 20% in January 2015), new liquidity injections and targeted measures designed to promote lending to certain sectors.

The texts voted by the National People's Congress did not contain any real surprises. The 13th five-year plan approved by the NPC confirms the nature of structural reforms that the government would like to pursue in the medium term to steer China towards a milder, better balanced growth model, and to reduce the vulnerabilities that have worsened in recent years (industrial crisis, imbalanced development of the real estate market, credit risks in the financial system, deterioration in local government finances, and capital flight). Yet the authorities are faced with an ever growing dilemma: they must act to reduce these vulnerabilities through measures that often have a recessionary impact, while at the same time containing the risks of an even more abrupt and lasting correction in investment and GDP growth. In the light of the expansionist policies announced during the NPC, the government's short-term priority is to boost investment and growth.



As a consequence, credit growth should pick up again this year, driven by corporate and local government financing. China's total domestic debt has increased constantly since 2009 and reached more than 200% of GDP at the end of 2015, of which 160% belongs to the corporate and local government sector. The total debt-to-GDP ratio could increase by another 10 points of GDP in 2016. By further postponing the much-needed debt reduction process, the authorities' stimulus policy will prevent the financial sector from cleaning up its balance sheet, even as it faces a rapid increase in non-performing loans.

Sharp growth slowdown in the first months of the year

Economic indicators for the first two months of 2016 undoubtedly bolstered the authorities' economic policy decisions for the short term. The industrial slowdown worsened: production slowed to only 5.4% year-on-year in January-February, compared to 6.1% in full-year 2015 (already an all-time low). The most recent PMI indexes confirm the downturn in the manufacturing sector, but also signal a slowdown in the services sector (official PMI index of 52.7 in February, down from 54.4 in December). There is effectively reason to fear that activity in the services sector is beginning to feel the spill-over effects from the industrial crisis. After a solid 2015 performance (+8.3%), growth in the services sector could mark a pause during the first months of the year.

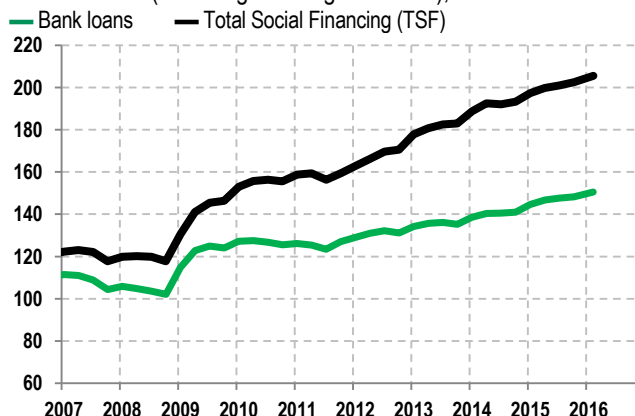
As to demand, all components contributed to the growth slowdown. The export sector was particularly hard hit: exports collapsed in January-February 2016 (-17.9% in dollar terms, year-on-year) after a bad year in 2015 (-2.6%). Declines in export sales were reported with all of China's regional trading partners. On the domestic front, growth in retail sales volumes slowed to an estimated 8.2% year-on-year in January-February, from 9.1% in 2015. This is signalling a slowdown in household consumption, which can be attributed to the slower increase in disposable income in recent quarters.

Trends in investment growth in the first two months of 2016 already seem to reflect the government's stimulus efforts: growth in investment by state-owned enterprises picked up slightly while that of the private sector dropped off. In nominal terms, total investment growth held at 10.2% year-on-year in January-February (compared to 10% in 2015), mainly driven by infrastructure investment (+15.7% in January-February). In the manufacturing sector, investment growth continued to slow down (+7.5%) as a result of sluggish demand, efforts to reduce excess production capacity in certain sectors and the deterioration in corporate profits.

In addition to infrastructure projects, the real estate sector also might begin supporting activity and demand for durable goods in the months ahead. After a long correction lasting from late 2013 to Q2 2015, the real estate market has first shown signs of stabilisation, and is now showing signs of recovery, thanks to the series of monetary and property policy easing measures. Total volumes of sales increased 28.2% year-on-year in January-February 2016, compared to 6.5% in full-year 2015. For the 70 biggest cities, average house prices began rising again (+1% year-on-year in January).

Domestic debt-to-GDP ratios continue to rise

Domestic debt (excluding central government), % of GDP



Chart

Sources: Datastream, BNP Paribas

There are sharp divergences between the biggest cities (tier-1), where prices have been rising increasingly rapidly for several months (+17% year-on-year in January in Shanghai, for example), and the smaller cities, where stocks of unsold housing remain excessively high and prices continue to decline (45 of the 70 main cities monitored by the National Bureau of Statistics reported further price declines in January). One of the government's priorities for 2016 is to continue reducing the total stock of unsold housing. At the national level, house transactions and prices should continue to pick up. Real estate investment might finally get a boost after collapsing in recent years (it grew by less than 3% in nominal terms in 2015). Yet the authorities must work hard to forge differentiated policies between provinces in order to contain the distortions in the real estate market.

In our central scenario, real GDP growth should slip from 6.8% year-on-year in Q4 2015 to around 6.5% in Q1 2016, which is at the lower end of the official target range for 2016. Thereafter, real GDP growth could level off thanks to policies aimed to stimulate domestic demand. Many downside risks remain, linked to the severity of the industrial crisis, which could have a bigger-than-expected spill-over effect on the rest of the economy; to the deterioration in the effectiveness of investment, which could still worsen when credit reaccelerates; and the deterioration in the financial situation of corporates, local governments and banks. Given its statements during the NPC meeting, the government seems to be prepared to further expand its scope of policy actions in case the real GDP growth slowdown were to continue in the quarters ahead.



United States

Safety first

- The Fed decided to leave rates unchanged, reflecting “both our assessment of the economic outlook and the risks associated with that outlook” as Janet Yellen declared in her press brief preliminary remarks.
- The most striking point was the downward revisions to the projected path of the Fed Fund Target Rate: only two hikes are foreseen this year.

The FOMC decided to leave interest rates unchanged at its latest meeting. The decision was not consensual as Esther L. George, a well-known hawk, would have preferred to hike rates. We always knew that meeting would end up with at least one dissent. If the Fed had decided to increase rates, Governor Lael Brainard would have been a likely dissent. As we argued last week¹, the call was probably tough to make. On the one hand, economic indicators have been quite positive lately, while the relative calm on financial markets was clearly opening a window for the Fed. On the other hand, the news string from abroad remained rather negative, heightening downside risks on US GDP growth.

From the December meeting, risks on inflation were probably fewer – the dollar and oil prices stabilised, and together with the latter, inflation expectations – and not necessarily on the downside – as illustrated by the 0.5% m/m increase in the February core CPI. As for growth, the tentative rebound in manufacturing activity – manufacturing production was up 0.2% m/m in February following +0.6% in January and the survey from the New York Fed highlighted a strong rebound in March confidence, with a composite index back in positive territory for the first time since June last year – is positive, as it could signal the sector actually bottomed out some months ago. As this is the most exposed US industry to the global environment, its recovery, if confirmed, tends to mitigate downside risks from abroad.

Still, there always are doubts, especially about the future... Taking into account that when interest rates are at the zero-lower bound, the economy reacts asymmetrically to shocks, those doubts have to be analysed more carefully than usual, and a slight bias to pessimism can prove a clever insurance policy. That is more or less what Doves have been declaring lately, especially Governor Lael Brainard when she called for “watchful waiting”. The statement clearly illustrates this cautiousness. Sure enough, positives are not absent: “A range of recent indicators, including strong job gains, points to additional strengthening of the labor market. Inflation picked up in recent months”. But the downside risks from abroad are more bluntly exposed (“global economic and financial developments continue to pose risks”), with the highlight of the indirect weight on business spending that was downgraded from “increasing at moderate pace” to “being soft”.

¹ “Risk management”, Alexandra Estiot, BNP Paribas Eco Week, March 11th, 2016.

Inflation accelerates

— Core CPI ; — Core market-based PCE ; — Dallas Fed Trimmed-Mean

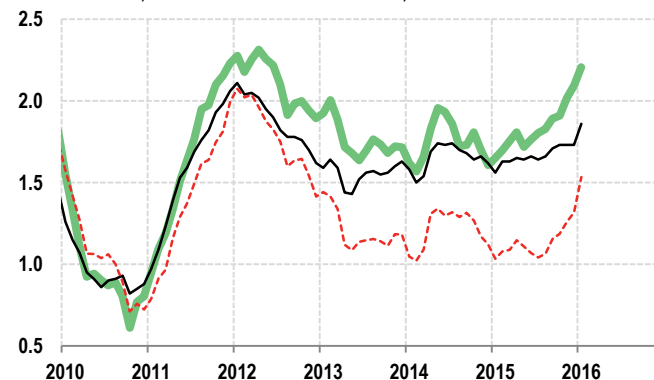


Chart 1

Source: BEA, BLS, Dallas Fed

Manufacturing rebound

— NEM Index ; — ISM ; — Output (y/y, %, r.h.s.)

The NEM Index is an ISM-adjusted weighted sum of data from the NY & Philly Fed

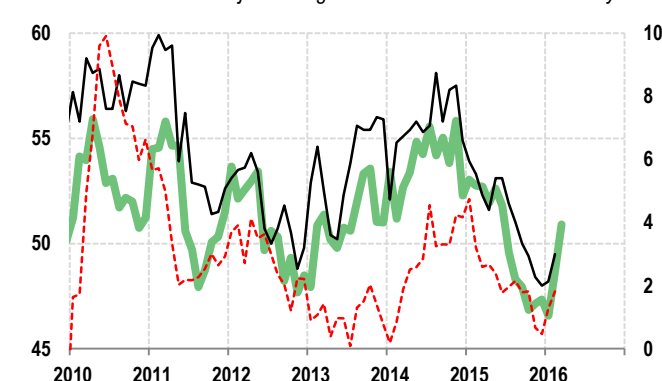


Chart 2

Sources: Federal Reserve, NY & Philly Fed, ISM, BNPP

As for projections, there was no surprise: GDP growth and inflation were marked down a bit from December. The median GDP growth stands at 2.2% in 2016 (2.4% as of December), the median unemployment rate at 4.7% (vs 4.7%), the PCE at 1.2% (vs 1.6%) and the core PCE at 1.6% (vs 1.6%). The dispersion of projection is less marked, illustrating a rather consensual view about prospects. As for the “dots” – the individual projections from each FOMC members, voting and non-voting, of year-end Fed Funds Rate – they moved down more than what would have been implied by just skipping the March meeting. As of December, the median projection was for four rate hike in 2016. Now, only two are expected, while beyond, the expected pace of normalisation was left unchanged. At face value, it looks like the Fed is closing the door to another rate hike until the September meeting, even if we should always be careful when projecting a steady pace of policy normalisation.



Spain

Deadlocked

- Spanish political parties are still struggling to form a new government nearly three months after the general elections.
- None of the traditional parties – the conservative People's Party nor the Socialist PSOE – managed to obtain enough congressional seats to form a government on their own. Podemos and Ciudadanos both lack the means on their own to break the stalemate between the main two parties.
- Only a “grand coalition” would benefit a majority of seats in the Congress of Deputies. Yet the parties are finding it difficult to reach any agreement.
- New elections will be held in late June if Congress fails to elect a new president by May 2nd.

Spanish political parties are still struggling to form a new government nearly three months after the general elections. The political landscape is fragmented and several points of disagreement are hampering negotiations. The PSOE and Ciudadanos are firmly attached to Spanish unity and have been unable to reach an understanding with Podemos on the Catalonia question. The political parties now have until May 2nd to reach an agreement and elect a new head of government. If they fail to do so, new elections will be called in late June.

Impossible to reach an agreement

Despite winning the general elections, none of the traditional parties – the conservative People's Party (PP) nor the Spanish Socialist Workers' Party (PSOE) – obtained enough seats in the Congress of Deputies to form a government on their own. Having won 28.7% and 22% of the popular vote in the 20 December elections, they hold only 123 and 90 seats, respectively, out of a total of 350 (see chart 1). The radical left-wing alliance Podemos¹ and the centre right Ciudadanos hold 69 and 40 seats, respectively, in the Congress of Deputies², which means neither of them has the power alone to break the deadlock between the main two parties. Only a “grand coalition” comprised of more than two parties would be able to reach a majority of congressional seats and to elect a new President of Government.

Yet the diverse political parties are finding it difficult to reach any sort of agreement. Mariano Rajoy, the incumbent PP prime minister, turned down King Felipe VI's request to form a government due to the lack of support from other parties. The Social leader Pedro Sanchez accepted the challenge in early February, but failed to obtain a qualified majority in the Congress of Deputies on the first round of voting for investiture on March 2nd, and even a simple

¹ The alliance is comprised of the Catalan coalition “En Comú Podem” (12 seats), the Valencian Community “Compromís-Podemos-És el moment” (9 seats) and the Galician contingent “En Marea” (6 seats).

² Podemos and Ciudadanos obtained 20.7% and 13.9%, respectively, of the popular vote.

An elusive majority

Number of seats in the Congress of Deputies

■ PP; ■ PSOE; ■ Podemos Alliance; ■ Ciudadanos; ■ Others

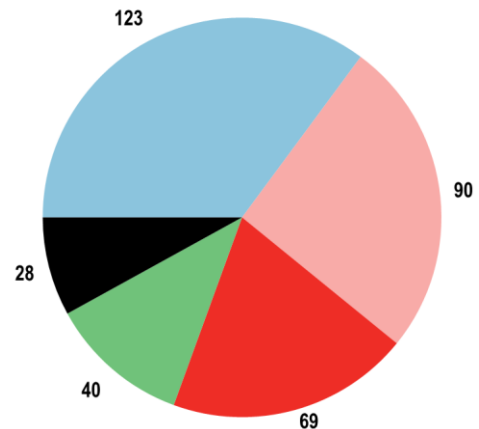


Chart 1

Source: Spanish Interior Ministry

majority in the second round of voting on March 4th³. The PSOE hoped to win the backing of Podemos and Ciudadanos, but only the later provided its support. For the moment, Podemos refuses to join forces with Ciudadanos, which is situated at the other end of the political spectrum. It also disagrees with PSOE and Ciudadanos concerning the best approach to take concerning Catalonia. Although the radical left party is opposed to the region's independence, it nonetheless wants to hold a self-determination referendum, an idea the PSOE and Ciudadanos refuse to go along with.

Heading towards new elections

The PSOE now has until May 2nd to reach an agreement with the diverse parties. Parliament has two months after the first investiture vote to elect a president. If it fails to do so, early elections will be called in late June⁴.

The PSOE has few options. It seems highly unlikely that the Socialist Party and Ciudadanos, which are firmly attached to Spanish unity, will manage to reach an agreement with Podemos on the Catalonia question. A “grand coalition” of the left-wing parties seems even less likely. To win a majority of seats, the PSOE must forge an alliance with Podemos and some of the other smaller parties, including a group of Basque nationalists.

A coalition between the PP, Ciudadanos and PSOE does not seem very feasible either. Mariano Rajoy would have to renounce his post as Prime Minister. The incumbent Prime Minister's image has been tainted by major corruption scandals implicating certain members of his party. Yet, Mr. Rajoy has ruled out this possibility for the moment.

³ An absolute majority is necessary during the first round of voting. For a simple majority, only votes cast are taken into count.

⁴ If necessary, elections would be held on 26 June.



Moreover, the old guard would have little to gain from such a coalition. In December's elections, Spanish voters clearly showed they wanted to bring an end to the 2-party system. It would be a particularly risky gambit for the Socialist party, since left-wing voters could turn even more massively towards Podemos if the PSOE were to throw its support behind the PP.

An inextricable situation?

Spain is not very accustomed to this kind of wheeling and dealing. For more than 30 years, political power has alternated between the PSOE and PP. Yet holding new elections is not really in the best interest of the various parties either. By showing that it was willing to compromise with the other parties, Ciudadanos has gained some ground in recent polls, but new elections are unlikely to change the current configuration in the Congress of Deputies (see chart 2). Spain would find itself in another impasse, unless the political parties manage to convince their voters that they have no choice but to make greater concessions after the new elections. In that case, Podemos might abstain from the second round of voting and let the PSOE govern with the centre party. Or Mariano Rajoy could renounce the post of Prime Minister in favour of another PP member, in order to form a coalition comprised of the PP, PSOE and Ciudadanos.

Austerity to be eased soon

Some questions have been raised about Spain's economic policy. Public finance policy in particular is uncertain. In recent years, Spain managed to significantly reduce its public deficit. The budget deficit could narrow to 4.8% of GDP in 2015 after peaking at 10.4% in 2012. This improvement is the fruit of drastic austerity measures maintained through 2014. The structural deficit⁵ narrowed from -7.1% of GDP in 2010 to -1.7% in 2014. The country then benefited from the rebound in growth and the decline in the unemployment rate in particular, in order to clean up public finances. After economic activity contracted by more than 9% between spring 2008 and 2013, the country reported its second consecutive year of GDP growth in 2015 (+3.2%, after +1.4% in 2014). At the same time, the unemployment rate has declined by more than 5 points since early 2013, to 21% in Q4 2015.

Yet public deficit reduction could proceed at a slower pace. Ongoing growth (+2.6% in 2016) will provide the new government with some manoeuvring room, but it will apparently have to make some compromises with all of the parties and to scale back austerity efforts. The PSOE would like to reduce the public deficit to slightly below 3% of GDP in 2017, instead of the 1.4% called for in the stability programme submitted to the European Commission in 2015. In that case, public debt reduction targets would also be called into question (99.3% of GDP in 2014) (see chart 3).

While trying to meet the Spanish people's expectations, the new government will also have to strive not to undermine the credibility of the fiscal adjustment process, which could result in higher government bond yields.

⁵ I.e. the structural balance that would have been reached if GDP were at its long-term growth rate, adjusted for exceptional measures.

A sparse political landscape

2-week average of voting intentions obtained from several polling institutions (%)

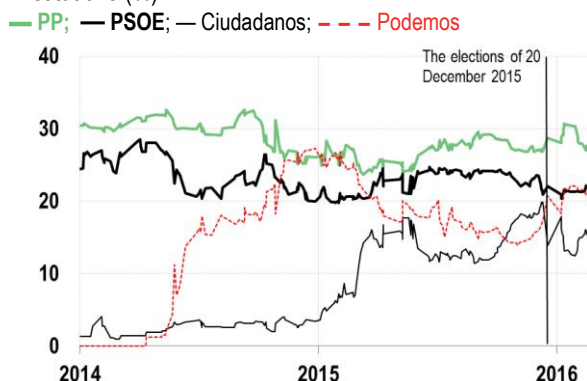


Chart 2

Source: BNP Paribas

Persistently high public debt

% of GDP

■ Public debt; — Fiscal balance (RHS)

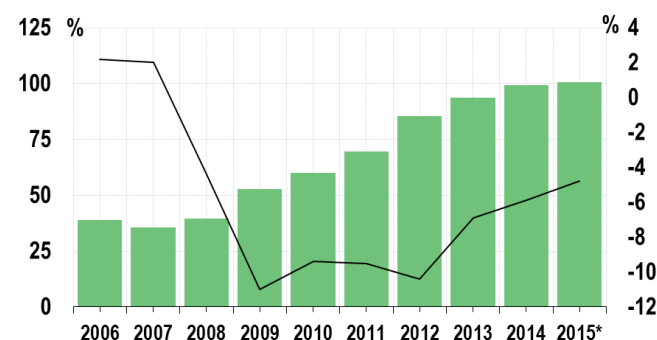


Chart 3

Source: Ameco

* BNP Paribas forecast



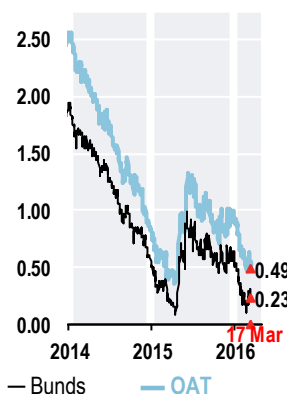
Markets overview

The essentials

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➤ CAC 40	4 493	➤ 4 443	-1.1 %
➤ S&P 500	2 022	➤ 2 041	+0.9 %
➤ Volatility (VIX)	16.5	➤ 14.4	-2.1 %
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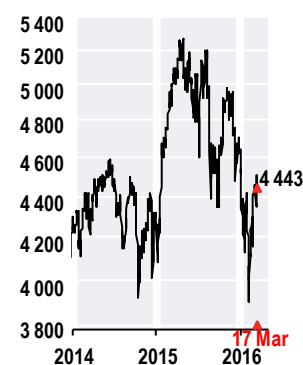
10 y bond yield, OAT vs Bund



Euro-dollar



CAC 40



Money & Bond Markets

Interest Rates		highest' 16		lowest' 16	
€ ECB	0.00	0.05	at 01/01	0.00	at 16/03
Eonia	-0.35	-0.13	at 01/01	-0.35	at 17/03
Euribor 3M	-0.23	-0.13	at 01/01	-0.23	at 17/03
Euribor 12M	-0.00	0.06	at 01/01	-0.03	at 04/03
\$ FED	0.50	0.50	at 01/01	0.50	at 01/01
Libor 3M	0.64	0.64	at 15/03	0.61	at 04/01
Libor 12M	1.24	1.24	at 16/03	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	0.58	at 08/03
Libor 12M	1.02	1.07	at 01/01	0.98	at 12/02

At 17-3-16

Yield (%)		highest' 16		lowest' 16	
€ AVG 5-7y	0.22	0.49	at 12/01	0.16	at 01/03
Bund 2y	-0.46	-0.34	at 01/01	-0.56	at 03/03
Bund 10y	0.23	0.63	at 01/01	0.11	at 29/02
OAT 10y	0.49	0.98	at 01/01	0.47	at 29/02
Corp. BBB	1.94	2.50	at 20/01	1.91	at 14/03
\$ Treas. 2y	0.88	1.06	at 01/01	0.64	at 11/02
Treas. 10y	1.90	2.27	at 01/01	1.64	at 11/02
Corp. BBB	4.05	4.50	at 12/02	4.05	at 17/03
£ Treas. 2y	0.43	0.65	at 01/01	0.28	at 08/02
Treas. 10y	1.45	1.96	at 01/01	1.28	at 11/02

At 17-3-16

10y bond yield & spreads

8.75%	Greece	851 pb
2.69%	Portugal	245 pb
1.51%	Spain	127 pb
1.27%	Italy	103 pb
0.62%	Belgium	38 pb
0.59%	Ireland	35 pb
0.49%	France	25 pb
0.45%	Austria	21 pb
0.35%	Finland	12 pb
0.33%	Netherlands	9 pb
0.23%	Germany	

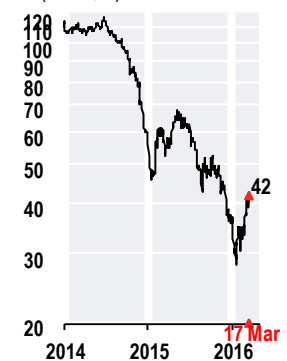
Commodities

Spot price in dollars		lowest' 16		2016(€)	
Oil, Brent	42	28	at 20/01	+12.0%	
Gold (ounce)	1 263	1 062	at 01/01	+14.2%	
Metals, LMEX	2 347	2 049	at 12/01	+2.3%	
Copper (ton)	5 096	4 328	at 15/01	+4.0%	
CRB Foods	350	329	at 11/01	+0.4%	
wheat (ton)	173	146	at 04/01	+7.6%	
Corn (ton)	142	135	at 11/01	-1.4%	

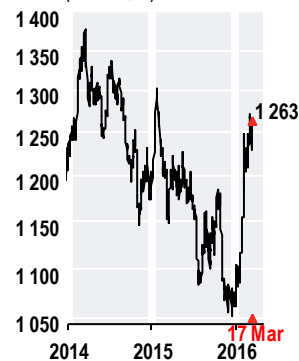
At 17-3-16

Variations

Oil (Brent, \$)



Gold (Ounce, \$)



CRB Foods



Exchange Rates

1€ =		highest' 16		lowest' 16		2016	
USD	1.13	1.13	at 11/02	1.07	at 05/01	+4.2%	
GBP	0.78	0.79	at 24/02	0.73	at 05/01	+6.0%	
CHF	1.10	1.11	at 04/02	1.08	at 29/02	+0.7%	
JPY	125.97	131.84	at 01/02	122.54	at 24/02	-3.6%	
AUD	1.48	1.60	at 11/02	1.47	at 09/03	-0.7%	
CNY	7.35	7.45	at 11/02	6.99	at 05/01	+4.2%	
BRL	4.10	4.53	at 16/02	4.03	at 14/03	-4.6%	
RUB	77.06	91.22	at 11/02	77.06	at 17/03	-2.9%	
INR	75.47	77.50	at 11/02	71.42	at 05/01	+5.0%	

At 17-3-16

Variations

Equity indices

Index		highest' 16		lowest' 16		2016	2016(€)
CAC 40	4 443	4 637	at 01/01	3 897	at 11/02	-4.2%	-4.2%
S&P500	2 041	2 044	at 01/01	1 829	at 11/02	-0.2%	-4.2%
DAX	9 892	10 743	at 01/01	8 753	at 11/02	-7.9%	-7.9%
Nikkei	16 936	19 034	at 01/01	14 953	at 12/02	-11.0%	-7.7%
China*	55	59	at 01/01	48	at 12/02	-7.4%	-11.1%
India*	431	460	at 01/01	393	at 11/02	-5.4%	-10.0%
Brazil*	1 313	1 313	at 17/03	860	at 21/01	+16.0%	+21.6%
Russia*	465	465	at 17/03	331	at 20/01	+8.7%	+10.4%

At 17-3-16

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
Advanced	1.9	1.6	1.4	0.3	0.6	1.7						
United States	2.4	1.9	1.5	0.1	1.4	2.1	-2.6	-2.8	-2.9	-2.5	-3.2	-3.3
Japan	0.5	0.3	0.2	0.5	0.1	1.8	3.3	3.6	3.3	-4.6	-3.7	-3.2
United Kingdom	2.2	1.7	2.0	0.1	0.4	1.7	-4.5	-4.8	-3.8	-4.1	-3.0	-2.2
Euro Area	1.5	1.3	1.4	0.0	-0.1	1.1	3.0	2.6	2.5	-2.2	-2.0	-1.7
Germany	1.4	1.3	1.5	0.1	0.0	1.5	8.1	7.7	7.6	0.7	0.3	0.3
France	1.1	1.2	1.3	0.1	0.3	1.1	0.0	0.0	-0.7	-3.7	-3.5	-3.2
Italy	0.6	1.0	0.9	0.1	-0.0	0.9	2.1	1.8	1.9	-2.7	-2.8	-2.3
Spain	3.2	2.6	2.1	-0.6	-0.9	1.0	0.9	0.6	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
Emerging	4.1	4.1	4.6	6.0	6.4	5.4						
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
World	3.1	3.0	3.2	3.6	3.9	3.8						

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
US	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
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	-0.13	-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
UK	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
Japan	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
USD	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
EUR	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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BNP PARIBAS

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Group Economic Research

■ **William DE VIJDER**
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

■ **Hélène BAUDCHON**

France (short-term outlook and forecasts) - Labour markets

+33(0)1 58.16.03.63

helene.baudchon@bnpparibas.com

■ **Frédérique CERISIER**

Euro Area - European Institutions and governance - Public finances

+33(0)1 43.16.95.52

frederique.cerisier@bnpparibas.com

■ **Thibault MERCIER**

France (structural reforms) - European central bank

+33(0)1 57.43.02.91

thibault.mercier@bnpparibas.com

■ **Caroline NEWHOUSE**

Japan, Ireland, Scandinavia - Ageing, pensions - Consumption

+33(0)1 43.16.95.50

caroline.newhouse@bnpparibas.com

■ **Catherine STEPHAN**

Spain, Portugal - World trade - Education, health, social conditions

+33(0)1 55.77.71.89

catherine.stephan@bnpparibas.com

■ **Raymond VAN DER PUTTEN**

Germany, Netherlands, Austria, Switzerland - Energy, climate - Long-term projections

+33(0)1 42.98.53.99

raymond.vanderputten@bnpparibas.com

■ **Tarik RHARRAB**

Statistics and Modelling

+33(0)1 43.16.95.56

tarik.rharrab@bnpparibas.com

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

■ **Laurent NAHMIA**

+33(0)1 42.98.44.24

laurent.nahmias@bnpparibas.com

EMERGING ECONOMIES AND COUNTRY RISK

■ **François FAURE**

Head

+33(0)1 42 98 79 82

francois.faure@bnpparibas.com

■ **Christine PELTIER**

Deputy Head - Greater 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**

Turkey, Brazil, Mexico, Central America - 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, Balkan countries - Scoring

+33(0)1 43.16.95.51

pascal.devaux@bnpparibas.com

■ **Anna DORBEC**

CIS, 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, Russia

+33(0)1 58.16.05.84

johanna.melka@bnpparibas.com

■ **Alexandra WENTZINGER**

South America, Caribbean countries

+33(0)1 42 98 74 26

alexandra.wentzinger@bnpparibas.com

■ **Michel BERNARDINI**
Public Relation Officer

+33(0)1 42.98.05.71

michel.bernardini@bnpparibas.com



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Registered Office: 16 boulevard des Italiens – 75009 PARIS
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