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Brexit: economic repercussions

After the Brexit vote, we have downgraded our growth forecasts for France: very marginally for 2016 (down 0.05 points to 1.4%) and more significantly for 2017 (down 0.3 points to 1%).

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United Kingdom

UK banks facing the Brexit test

Clouds are looming on the horizon for banks hit by the drop in stock markets in the short run, the deterioration in the macroeconomic environment in the medium run and regulatory uncertainties.

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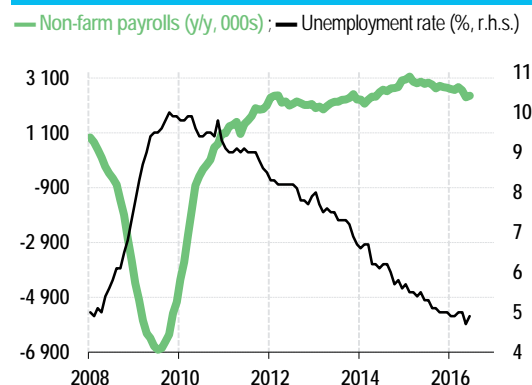
Easy going

■ US stocks rebound ■ Interest rates at all-time lows ■ Dollar roughly stable

This week, the yield on 10-year Treasuries reached an all-time low, below 1.40%. The decrease in US long-term interest rates is generalised: the yield on Baa-rated corporate bonds is down by almost 130 bp since early 2016, with 30-year mortgage rates down 70 basis points. This development predates the Brexit vote. What is at play is the expectation that the Fed will remain on hold longer than previously expected. The second rate hike has indeed been postponed already. In December, FOMC members were expecting four rate hikes in 2016. In March, they changed their plans because of turmoil on global financial markets. In June, the labour market had just given worrying signals while the British were about to vote. September no more is an option, because the Fed will want some time to monitor the Brexit consequences.

As for now, the British decision eased the US monetary and financial conditions: stocks recovered their preliminary loss, the dollar is just slightly up and the yield curve moved south. Sure enough, the rebound in oil prices reversed a bit, and this will further postpone the horizon at which the US inflation moves back towards the Fed's 2% target. Still, business surveys rebounded markedly in June, a development that could gain momentum thanks to relaxed financial conditions. On top of that, the June labour market report was reassuring. Then, a December rate hike seems conceivable. It is also very distant, and between now and then, Americans will have decided who will be succeeding President Obama...

US LABOUR MARKET



Source: US Bureau of Labor Statistics

THE WEEK ON THE MARKETS

Week 1-7 16 > 7-7-16

▼ CAC 40	4 274	► 4 118	-3.7 %
▼ S&P 500	2 103	► 2 098	-0.2 %
▼ Volatility (VIX)	14.8	► 14.8	-0.0 %
▼ Euribor 3M (%)	-0.29	► -0.29	-0.3 bp
↗ Libor \$ 3M (%)	0.65	► 0.66	+0.8 bp
▼ OAT 10y (%)	0.17	► 0.15	-1.9 bp
▼ Bund 10y (%)	-0.13	► -0.17	-3.5 bp
▼ US Tr. 10y (%)	1.46	► 1.39	-7.4 bp
▼ Euro vs dollar	1.11	► 1.11	-0.5 %
↗ Gold (ounce, \$)	1 336	► 1 357	+1.6 %
▼ Oil (Brent, \$)	49.9	► 47.9	-3.9 %

Source: Thomson Reuters



France

Brexit: economic repercussions

- After the Brexit vote, we have downgraded our growth forecasts for France: very marginally for 2016 (down 0.05 points to 1.4%) and more significantly for 2017 (down 0.3 points to 1%).
- Although the pace of the recovery is only expected to slow down, the growth rate would fall back to a rather low pace. This is concerning as the negative output gap, which is still important, would stop diminishing and downward pressures on prices would therefore persist.
- Exports and business investment will be the GDP components most affected.
- The shock should be cushioned by positive cyclical factors and expected ECB action.

In edition 16-25 of Ecweek, we reviewed the state of French growth before the Brexit result. Here, we look at the vote's impact on the French economy and the downward revision in our growth forecasts in 2016 and 2017. Brexit has changed things, but since France's recovery is starting to look more robust and self-sustained, it should only be slowed down, albeit without being called into question. However, we expect growth to become uncomfortably low, insofar as it would be only roughly in line with the economy's potential growth rate of around 1% instead of above that level. The negative output gap, which is still important, would therefore stop diminishing and downward pressures on prices would persist even though inflation is already extremely low and a cause of discomfort for the ECB.

In 2016, we do not expect annual average growth to be affected materially: we have cut our forecast by 0.05 points, which means that we are still expecting growth of 1.4%. The impact is likely to be greater in 2017, amplifying the slowdown we were already expecting before the Brexit result. We now expect the economy to grow 1% next year versus 1.3% previously. Our downgrades are slightly smaller for France than for the eurozone, where we have cut our growth forecast by 0.1 point to 1.4% in 2016 and 0.4 points to 0.9% in 2017. That is because the French economy is structurally resilient on the downside, and because positive cyclical factors are at work. Our new forecasts are much more uncertain than usual, because it is very difficult to gauge how much economic impact this unprecedented shock will cause, even on our short-term horizon.

The hit to growth will come mainly from exports, which will be affected both by much slower UK growth¹ and the euro's rise against sterling (+12% in the two weeks between 22 June and 6 July). France and the UK are indeed major trading partners. The UK accounts for 7% of France's goods exports (11% of service exports),

¹We expect UK economy to be flat in the second half of 2016 and into early 2017. It is likely to flirt with recession before recovering in 2017 as the Bank of England loosens monetary policy and as Brexit arrangements become clearer. We have cut our growth forecasts by 0.3 points in 2016 (from 1.7% to 1.4% in annual average terms) and 1.4 points in 2017 (from 2.1% to 0.7%).

Growth on either side of the Channel

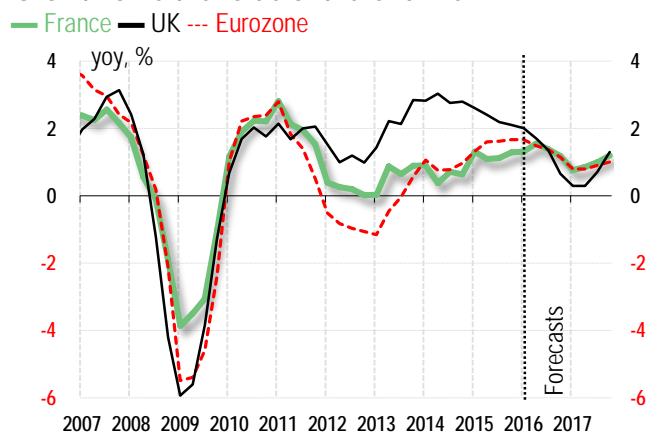


Figure 1

Sources: INSEE, Eurostat, ONS, BNP Paribas forecasts

making it France's fifth-largest trading partner, level with the USA, Spain and Italy, but well behind Germany with 16%. The UK is also the country with which France has its largest trade surplus, by a long distance (EUR 12 bn in 2015). In addition to this direct exposure, we have to take into account the Brexit effects on other EU countries, where slower growth will also reduce demand for French exports.

Business investment is also likely to be affected significantly by the general uncertainty surrounding Brexit, along with the hit to confidence, less favourable monetary and financial conditions², and the diminished growth prospects. Weaker business investment is then likely to weigh on the jobs recovery. This will drag down consumer spending and is likely to compromise the formerly expected slight fall in the unemployment rate. However, the negative impact on households' real disposable income would be offset by a slight reduction in inflation resulting from slower growth.

To offset these adverse developments affecting the whole eurozone, we expect the ECB to adopt, in the near future, fresh support measures³. In terms of fiscal policy, it is harder to see governments responding, and they may merely let automatic stabilisers take effect given the limited room of manoeuvre in many countries, including France. However, given the exceptional circumstances, temporary moves to rein in structural efforts could be tolerated.

² Because of lower and more volatile share prices and a general increase in risk aversion. As regards exchange rates, the euro's surge against sterling is being balanced by its decline against the US dollar and yen, against which the euro has fallen 2% and 5% respectively between 22 June and 6 July. The increase in the euro's real exchange rate has been limited to 0.7% over the two-week period. The sharp fall in risk-free rates is also limiting the tightening in monetary and financial conditions.

³ In addition to the expected announcement, in September, of a six-month extension of its asset-purchase programme (to September 2017), the ECB could modify other parameters: front-load some of its purchases; increase the issuer limit (from 33% to 50%); deviate from the capital distribution key (which depends today on each member state's share in the ECB's capital); remove the deposit rate floor to be able to buy securities with a yield below this rate (currently -0.40%). Before that, a 10bp refi rate cut is also possible.



United Kingdom

UK banks facing the Brexit test

- Against all expectations, the 23 June referendum produced a majority in favour of the UK leaving the European Union.
- Brexit is likely to damage the UK's growth in 2016 and even more so in 2017, mainly because of increased uncertainty, the negative impact on trade and, despite the expected fall in interest rates and sterling, tighter monetary and financial conditions resulting from higher risk premiums.
- Stormclouds are gathering above UK banks, which are being penalised by a short-term fall in share prices, the deterioration in the medium-term macroeconomic outlook – i.e. slower growth and a fall in real-estate prices – and regulatory uncertainty relating to negotiations between the UK and EU, which will begin in the next few months and are likely to take a relatively long time to complete.

Contrary to general expectations in the markets, which assumed that Remain would win, the British people voted in favour of the UK leaving the European Union in the 23 June referendum. Looking beyond the immediate adverse market reaction and the sharp fall in bank share prices on the morning of 24 June (see figure 1), Brexit is also likely to have adverse economic consequences over the medium and long term. More broadly, the UK's exit from the EU would affect banks' solvency, to varying extents depending on their geographical diversification.

In this note, we will briefly review how Brexit might affect the UK banking sector. However, not all of the consequences arising from Brexit can be assessed at the moment, because they will depend on future political decisions.

Adverse economic consequences

Brexit is likely to affect the UK economy in four main ways¹: i) increased uncertainty and lower confidence, ii) a negative impact on financial markets, iii) a reduction in foreign direct investment and other capital flows and iv) lower trade flows.

In those circumstances, we are revising down our growth forecasts by 0.3 points in 2016 and almost 1.5 points in 2017. That would mean GDP growth of 1.4% in 2016 and 0.6% in 2017, versus 1.7% and 2.1% respectively under our previous scenario.

In our scenario, the deterioration in the economic environment would prompt the Bank of England to loosen monetary policy by cutting its base rate 50 basis points to zero, and by increasing quantitative easing GBP 100 bn. UK banks bid for GBP 6.3 bn of funding from the BoE on 28 June 2016, in return for collateral. That figure was higher than the levels seen in previous auctions, although it remains modest given the major turbulence that followed the referendum

Daily share prices

Base: 1 January 2016 = 100 (latest figures: 6 July 2016)

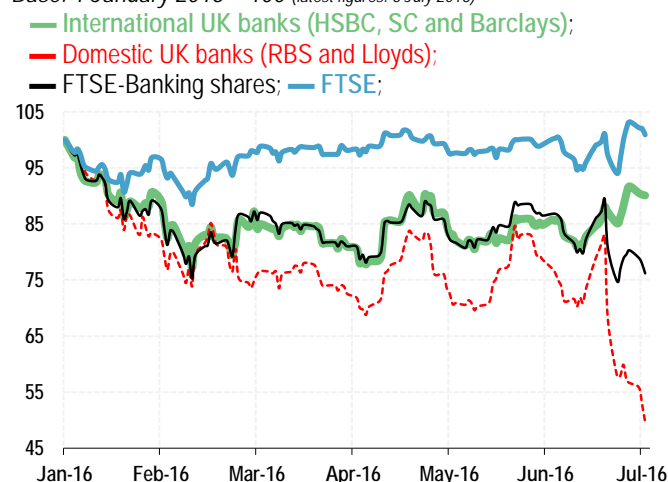


Figure 1

Source: Datastream

result. The BoE granted GBP 3.1 bn of funding, in line with the average seen in monthly auctions in 2016.

In early July 2016, the BoE's Financial Policy Committee (FPC) – in charge of monitoring systemic risk and financial stability – decided to reduce its countercyclical capital buffer rate (set in March 2016 and theoretically due to take effect in March 2017) from 0.5% to 0% of risk-weighted bank assets, and announced that it would keep it there at least until June 2017. To justify this reduction in capital requirements, the FPC argued that Brexit would probably have a recessionary effect on the UK economy. Our scenario factors in these monetary and macroprudential loosening measures, which are likely to cushion the blow of Brexit but not eliminate it altogether.

Various effects on the banking sector

The UK leaving the EU would affect UK banks in three main ways: i) lower profitability, ii) less favourable treatment of covered bonds and iii) the impact on the banking landscape.

– Likely reduction in bank earnings

Brexit is expected to affect all UK banks, regardless of their business model or size, by sharply increase funding costs for their wholesale financing operations². The UK leaving the EU would mean greater uncertainty for a longer period of time, and that would increase the risk premiums demanded by investors for a wide range of UK assets, including securitised debt issued by banks. Given the increase in economic, political and regulatory uncertainty, premiums on bank credit default swaps (CDSs) have increased sharply (see figure 2),

¹ EcoFlash of 24 June 2016 by William De Vijlder, "UK and Brexit: the economic implications"

² However, as a proportion of total assets, wholesale financing only fell 3 points between its peak in September 2009 and April 2016.



while share prices fell significantly in the immediate aftermath of the referendum result. At the moment, it is too early to predict how far the decline in share prices will go or how long it will last. International bank stocks have already rallied since 29 June 2016. Bank debt seems to have held out better against market turbulence than equities.

In the short and medium term, investment banking returns will also be damaged if share prices continue falling, i.e. through lower fee income caused by a decline in IPOs and M&A activity. Further out, Brexit could prevent UK banks from carrying out euro-denominated clearing operations. According to the European Court of Justice's decision, such clearing does not necessarily have to take place in the eurozone, but it does have to take place in an EU country. Currently, the European passport allows UK banks, including investment banks, to operate throughout the EU. Brexit would affect UK banks' trading activities if the UK were unable to negotiate a bilateral agreement with the EU quickly. It could therefore encourage them to shift operations to EU countries so that they can continue accessing euro-denominated clearing and markets in which euro-denominated securities are traded.

Finally, Brexit would have repercussions on the retail banking segment. At a time when low interest rates are already dragging down banks' margins, the fact that most UK mortgages are variable-rate means that the expected 50bp rate cut, and the resulting fall in yields at the long end of the curve, would push down margins a little further. More generally, slower growth and falling real-estate prices – caused by lower foreign investment and a decline in domestic incomes – could be accompanied by a deterioration in the quality of bank assets and lower profitability for commercial banks.

– Tougher prudential treatment of covered bonds

Brexit could mean that covered bonds³ lose their preferential treatment when calculating capital and liquidity ratios, conferred upon them by European banking regulations, i.e. the Capital Requirements Regulation (CRR) of 26 June 2013 and the Delegated Act of 10 October 2014. It would therefore reduce demand for these UK debt securities, which are mainly issued by Santander UK, Lloyds and Nationwide, from European bank investors located outside the UK⁴.

In terms of solvency ratios, these securities currently have a minimum risk weighting of 10%, as opposed to 20% for unsecured bank debt. If UK covered bonds were to lose that preferential treatment, their risk weightings would increase, making them much less attractive for banks and insurance companies in European Economic Area countries (outside the UK).

Regarding the calculation of the Liquidity Coverage Ratio (LCR), covered bonds were previously considered – subject to certain conditions – as among the most liquid after government bonds. If the UK remained a member of the European Economic Area, or if a reciprocal agreement were negotiated with the EU, they would retain their favourable treatment, like Norwegian covered bonds. If not, UK

³A covered bond is a debt instrument issued by a credit institution, the reimbursement of which is covered by a portfolio of mortgages and/or loans to the public sector.

⁴Credit institutions are the main issuers of covered bonds, but also the main buyers of these securities in Europe after insurance companies and mutual funds.

Daily credit default swap spreads

Spreads in basis points (latest figures: 6 July 2016)

— International UK banks (HSBC, SC and Barclays);
— Domestic UK banks (RBS and Lloyds);
— EU Banks;

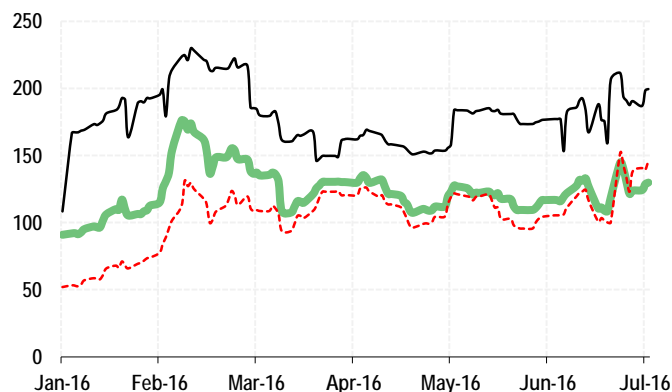


Figure 2

Sources: Credit Market Analysis / Datastream

covered bonds would become like Canadian or Australian bonds, for example, i.e. still assets eligible for the LCR but with a larger haircut in the numerator than that applied to covered bonds issued by European Economic Area institutions⁵.

– Brexit's impact on the banking landscape

Shortly after the financial crisis, the UK government announced its intention to encourage new banks and non-banks to enter the retail market⁶, although that has not yet threatened the dominant positions of the big five incumbents (HSBC, Barclays, RBS, Lloyds and Standard Chartered). However, the UK leaving the EU could cause that increase in competition to come to a halt. New challenger banks, and particularly the smallest ones, saw their stockmarket value fall sharply on the morning the referendum result was announced, making it less certain that they will be able to bolster their capital bases by issuing new shares. In addition, their focus on the domestic UK market makes them more exposed to the domestic economic cycle and/or a possible correction in the residential real-estate market than the large, geographically diversified banks (HSBC, Standard Chartered and to a lesser extent Barclays).

In addition, the Treasury has now decided to delay until 2017 the reprivatisation of RBS, which was bailed out by the government post-crisis, because current conditions are not favourable. Before the referendum result, the government was still confident of quickly completing the sale of its RBS stake (73% at end-December 2015), but such a sale would now fail to create value for taxpayers, which

⁵According to the Delegated Act of 10 October 2014, covered bonds issued by a credit institution in the European Economic Area are eligible for the LCR with a haircut in the numerator of at least 7%. Those issued by a bank in a non-EEA country are eligible for the LCR with a haircut in the numerator of at least 15%.

⁶One of the recommendations of the report by the Independent Commission on Banking (ICB) led by Sir John Vickers in September 2011 aimed to stimulate competition: i) by enabling customers to change banks quickly and at low cost and ii) by making it easier for new players to enter the market by reducing administrative formalities and cutting the time taken to deliver licences.



was its initial aim. RBS' current share price (around 15p at 6 July 2016) remains well below the 50p at which the government bought the shares, and so the Treasury would realise a big loss if it sold them at the moment.

Brexit will undeniably have major repercussions on the UK's banking and financial industry. Given the many uncertainties surrounding the shockwave triggered when the referendum result was announced on the morning of 24 June 2016, it is still too early to assess their extent. As a result, this note is in no way exhaustive, and further comment will be required as events unfold and as the authorities take decisions.



South Korea

Small reforms

- Growth is likely to slow further in 2016.
- The impetus provided by the recently announced stimulus package will probably not be enough to kick-start the economy for the long term.
- More fundamentally, the reforms undertaken over the past three years in an attempt to rebalance the growth model have not worked.
- The country remains too dependent on its export sector and therefore vulnerable to fluctuations in global demand, whilst the level of household debt creates constraints for monetary policy.
- South Korea nevertheless has substantial room for manoeuvre on the fiscal front, but does not appear prepared to use it.

Support from the authorities

Economic growth in South Korea is running out of steam. Having averaged nearly 5% between 2000 and 2010, real GDP growth has slowed, with an average of just 3% between 2011 and 2014, followed by 2.6% in 2015. This slowdown is likely to continue in 2016. Over the first five months of the year, exports (55% of GDP) fell by 12% relative to 2015 and, despite stimulus measures, growth in internal demand remains weak. Real GDP growth is unlikely to be above 2.5% in 2016.

The government's own view is barely more optimistic than this: its new forecasts for growth and inflation have been cut to 2.8% and 1.1% respectively for 2016, from 3.1% and 1.5% respectively. As a result, a new stimulus package has been announced: the Central Bank has cut its policy rate by 25 basis points to 1.25%, and a fiscal support programme worth KRW10 trillion (0.6% of GDP) has also been introduced. The impetus this will give looks inadequate: as in 2015 the measures announced will have only a marginal effect on 2016 growth.

...but still not enough

The room for manoeuvre in macroeconomic policy is limited or not fully exploited. Monetary policy is constrained by the high level of household debt, which rose from 130% of disposable income in 2010 to 143% in 2015 (85% of GDP). Further cuts in interest rates would act against the government's target of reducing households' debt. The macro-prudential measures introduced since 2008 have helped improve the structure of debt¹, but Korean households remain exposed to the risk of a real estate crisis.

On the fiscal front, the additional spending announced will just enable the 2015 spending level to be maintained. It will barely offset

¹ Notably, the share of fixed-rate loans and the average maturity of loans have increased considerably; loans to low-income households and those taken out with non-banking institutions have been very tightly regulated.

Economic growth is slowing

Contribution to growth (percentage points)

■ Private consumption ■ Govt consumption ■ GFCF
■ Net exports — Real GDP growth, y-o-y, %

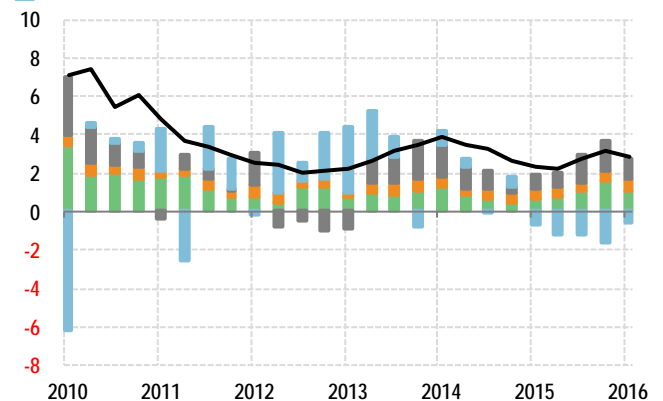


Figure 1

Source: KOSTAT

the recessive effects of the restructuring plan for companies in the shipbuilding sector. The sector's main companies (accounting for nearly 7% of GDP and 10% of exports) have been weakened by competition from China and the slowdown in global trade. In return for the state support they enjoy and the rescheduling of their debt, they must reduce production capacity by 20% and cut 30% of jobs by 2018 (equivalent to 60,000 jobs, or 0.25% of the active population).

The government nevertheless has significant latitude to support economic activity, thanks to the rigorous management of economic policy since the early 2000s. Including the supplementary stimulus package, the government deficit will remain low in 2016, at 2.3% of GDP (excluding the social security fund) and government debt will remain below 40% of GDP. The government has also strengthened its credibility by restructuring contingent debt (covering state-owned companies and local authorities). This had reached 38.8% of GDP by the end of 2012, but was cut to 30% of GDP by 2015.

Over and above any political analysis (the government lost ground in the mid-term elections in April), the small scale of the plan reflects mainly a strong cultural attachment to a balanced budget. The aim is to anticipate future pressures on spending over the medium to long term, linked to an ageing population and the potential cost of economic cooperation with North Korea.

A negative outcome

Above all, successive waves of measures have provided only temporary support to growth and underscore the failure of the "Three Year Plan for Economic Innovation", introduced since the government came to power in 2014. Based around four main pillars – education, the public and financial sectors and the labour market – the three-year plan aimed to increase potential growth by prioritising



internal demand as an engine of growth, particularly by supporting SMEs and the services sector and by reducing household debt. Over the longer term, the plan aimed to anticipate the economic and financial effects of an ageing population².

Two years after its introduction, we are still waiting for the effects to be seen and the economy continues to suffer from two-speed growth. On the one side major industrial groups, specialising in upscale technologies destined for export markets, employ a very small share of the population. On the other, small and medium-sized companies continue to suffer from a lack of competitiveness and efficiency.

Although considered essential, the reform of the labour market is currently blocked. The economy is not creating many jobs and the unemployment rate is rising: it reached 3.8% in May, from 3% in early 2014. The labour market remains split between temporary and permanent workers (the latter being paid twice as much as the former), which hits young people particularly hard. In May the unemployment rate for those aged between 15 and 24 was 11%. Government initiatives to increase the participation rate – improving conditions for temporary workers, encouraging companies to take on permanent staff, whilst increasing the flexibility of the labour market – have not worked so far.

The export sector is not infallible

Lastly, the government's strategy (one-off and limited support for demand in the short term, rather than any priority given to structural reform) has proved counter-productive. The economy is still dependent on the export sector, and thus on trends in global demand. South Korea is more highly integrated than the ASEAN nations, both in global value chains and in the regional economy. Exports to Asia account for 50% of the total, with China alone taking 26%.

Due to the high level of exposure to the slowdown in China in the short term, the country thus looks more vulnerable than other regional economies to the structural slowdown in global trade and the decline of the gains from the extension of production chains.

Public deficit is moderate

% of GDP

■ Budget balance ; ■ Budget balance (excl. Social Security Fund) — Public debt (rhs)

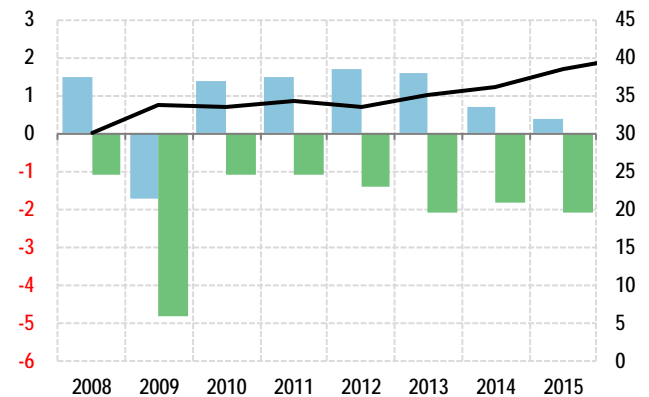


Figure 2

Source: Ministry of Finance

In addition, competition from China could rapidly become a threat to the Korean export sector. For the time being, Chinese companies continue to focus on lower parts of the price range than their Korean counterparts when it comes to semiconductors or cars. But over the past ten years, Chinese competition in third party markets has rapidly expanded to take in intermediate goods and equipment. South Korea now faces competition in its main driving sectors: shipbuilding, electronics and steel making. Over the medium term, the intensification of competition will also play out on a regional level. South Korea would then be unable to allow itself the luxury of not reforming its export sector.

²Currently one of the youngest OECD members, the Korean population is set to be one of the oldest by 2050. According to the OECD, the active population will peak in 2016 and by 2050 will have shrunk by a quarter. This will necessarily require a deep-seated change in a model which is currently typified by low levels of hourly productivity and considerable incentives to keep women and those aged over 50 out of the workforce.



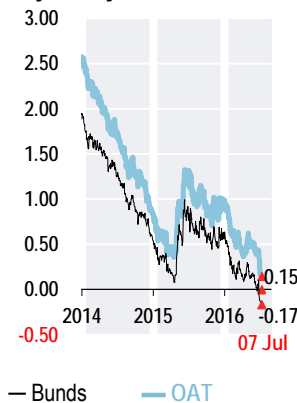
Markets overview

The essentials

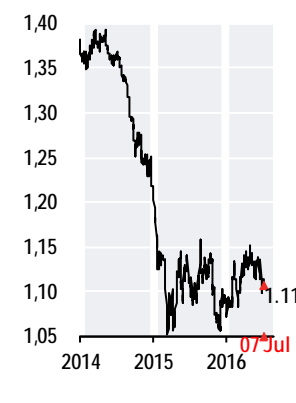
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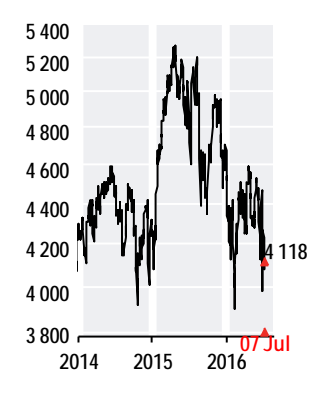
10 y bond yield, OAT vs Bund



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	-0.33	-0.13	at 01/01	-0.36	at 26/05
Euribor 3M	-0.29	-0.13	at 01/01	-0.29	at 06/07
Euribor 12M	-0.06	0.06	at 01/01	-0.06	at 07/07
\$ FED	0.50	0.50	at 01/01	0.50	at 01/01
Libor 3M	0.66	0.69	at 31/05	0.61	at 04/01
Libor 12M	1.23	1.34	at 31/05	1.12	at 12/02
£ BoE	0.50	0.50	at 01/01	0.50	at 01/01
Libor 3M	0.52	0.59	at 15/02	0.51	at 05/07
Libor 12M	0.84	1.07	at 01/01	0.84	at 05/07

At 7-7-16

Yield (%)		highest' 16		lowest' 16	
€ AVG 5-7y	-0.03	0.49	at 12/01	-0.06	at 06/07
Bund 2y	-0.68	-0.34	at 01/01	-0.68	at 07/07
Bund 10y	-0.17	0.63	at 01/01	-0.18	at 05/07
OAT 10y	0.15	0.98	at 01/01	0.14	at 06/07
Corp. BBB	1.50	2.50	at 20/01	1.49	at 05/07
\$ Treas. 2y	0.59	1.06	at 01/01	0.56	at 05/07
Treas. 10y	1.39	2.27	at 01/01	1.37	at 05/07
Corp. BBB	3.32	4.50	at 12/02	3.31	at 05/07
£ Treas. 2y	0.14	0.65	at 01/01	0.13	at 05/07
Treas. 10y	0.90	1.96	at 01/01	0.89	at 06/07

At 7-7-16

10y bond yield & spreads

7.99%	Greece	815 pb
3.09%	Portugal	325 pb
1.24%	Italy	140 pb
1.18%	Spain	134 pb
0.48%	Ireland	64 pb
0.19%	Belgium	35 pb
0.15%	France	31 pb
0.14%	Austria	30 pb
0.10%	Finland	26 pb
0.05%	Netherlands	21 pb
-0.17%	Germany	

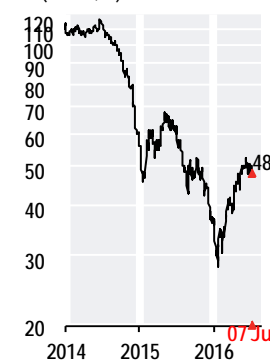
Commodities

Spot price in dollars		lowest' 16		2016(€)	
Oil, Brent	48	28	at 20/01	+31.7%	
Gold (ounce)	1 357	1 062	at 01/01	+25.3%	
Metals, LMEX	2 362	2 049	at 12/01	+5.2%	
Copper (ton)	4 673	4 328	at 15/01	-2.6%	
CRB Foods	356	329	at 11/01	+4.2%	
wheat (ton)	2	1	at 04/01	-1.2%	
Corn (ton)	1	1	at 06/07	-10.3%	

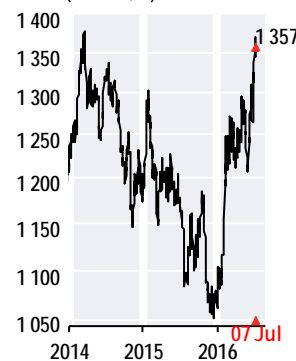
At 7-7-16

Variations

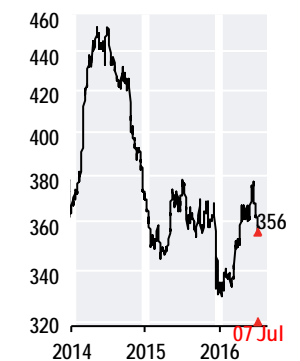
Oil (Brent, \$)



Gold (Ounce, \$)



CRB Foods



Exchange Rates

1€ =		highest' 16		lowest' 16		2016	
USD	1.11	1.15	at 03/05	1.07	at 05/01	+1.9%	
GBP	0.86	0.86	at 06/07	0.73	at 05/01	+16.2%	
CHF	1.08	1.11	at 04/02	1.08	at 24/06	-0.5%	
JPY	111.58	131.84	at 01/02	111.58	at 07/07	-14.6%	
AUD	1.48	1.60	at 11/02	1.45	at 20/04	-1.1%	
CNY	7.40	7.49	at 08/06	6.99	at 05/01	+4.9%	
BRL	3.70	4.53	at 16/02	3.56	at 30/06	-13.9%	
RUB	70.79	91.22	at 11/02	70.70	at 29/06	-10.8%	
INR	74.62	77.50	at 11/02	71.42	at 05/01	+3.8%	

At 7-7-16

Variations

Equity indices

Index		highest' 16		lowest' 16		2016	2016(€)
CAC 40	4 118	4 637	at 01/01	3 897	at 11/02	-11.2%	-11.2%
S&P500	2 098	2 119	at 08/06	1 829	at 11/02	+2.6%	+0.7%
DAX	9 419	10 743	at 01/01	8 753	at 11/02	-12.3%	-12.3%
Nikkei	15 276	19 034	at 01/01	14 952	at 24/06	-19.7%	-6.0%
China*	55	59	at 01/01	48	at 12/02	-7.0%	-8.8%
India*	465	468	at 04/07	393	at 11/02	+3.2%	-0.6%
Brazil*	1 447	1 503	at 04/07	860	at 21/01	+18.0%	+37.0%
Russia*	481	509	at 28/04	331	at 20/01	+6.9%	+16.6%

At 7-7-16

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	1.5	1.3	0.3	0.7	1.6						
United States	2.4	1.8	1.6	0.1	1.3	2.2	-2.6	-2.5	-2.9	-2.5	-3.1	-3.1
Japan	0.5	0.2	0.2	0.8	0.0	0.7	3.3	3.6	3.3	-4.6	-4.3	-4.2
United Kingdom	2.3	1.4	0.7	0.1	0.6	2.2	-5.2	-5.7	-4.5	-3.9	-3.2	-3.3
Euro Area	1.6	1.4	0.9	0.0	0.1	1.3	3.2	2.9	2.7	-2.1	-2.0	-1.8
Germany	1.4	1.4	1.1	0.1	0.2	1.6	8.6	8.4	7.8	0.7	0.2	0.2
France	1.2	1.4	1.0	0.1	0.2	1.1	-0.2	-0.1	-0.7	-3.5	-3.3	-3.0
Italy	0.6	0.9	0.3	0.1	-0.2	0.9	2.2	1.9	1.8	-2.6	-2.7	-2.5
Spain	3.2	2.7	1.5	-0.6	-0.7	1.3	1.4	1.2	1.1	-5.1	-4.0	-3.1
Emerging	4.1	4.3	4.9	6.1	6.4	5.5						
China	6.9	6.6	6.3	1.4	1.9	2.2	3.1	3.2	2.4	-2.4	-3.0	-3.2
India	7.3	7.8	8.4	4.9	5.6	5.0	-1.3	-0.9	-1.3	-4.1	-3.9	-3.5
Brazil	-3.8	-3.0	2.0	9.0	8.6	5.0	-3.3	-1.1	-1.6	-10.3	-8.7	-7.0
Russia	-3.7	-0.5	2.0	15.6	7.4	6.4	5.3	3.5	3.6	-3.7	-4.5	-3.8
World	3.1	3.1	3.3	3.6	4.0	3.8						

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

Financial forecasts

Interest rates		2015				2016				2015	2016e	2017e
End period		Q1	Q2	Q3	Q4	Q1	Q2	Q3e	Q4e			
US	Fed Funds	0.25	0.25	0.25	0.5	0.5	0.5	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	0.63	0.65	0.65	0.70	0.61	0.70	1.05
	10-year T-notes	1.93	2.35	2.03	2.27	1.79	1.49	1.55	1.60	2.27	1.60	1.75
EMU	Refinancing rate	0.05	0.05	0.05	0.05	0.00	0.00	0.00	0.00	0.05	0.00	0.00
	3-month Euribor	0.02	-0.01	-0.04	-0.13	-0.24	-0.29	-0.30	-0.30	-0.13	-0.30	-0.30
	10-year Bund	0.18	0.77	0.59	0.63	0.16	-0.13	0.00	-0.20	0.63	-0.20	-0.20
	10-year OAT	0.42	1.20	0.90	0.98	0.41	0.20	0.30	0.10	0.98	0.10	0.10
	10-year BTP	1.29	2.31	1.73	1.60	1.23	1.35	1.10	0.80	1.60	0.80	0.80
UK	Base rate	0.50	0.50	0.50	0.50	0.50	0.50	0.00	0.00	0.50	0.00	0.00
	3-month Libor £	0.57	0.58	0.58	0.59	0.59	0.56	0.75	0.75	0.59	0.75	1.25
	10-year Gilt	1.58	2.03	1.77	1.96	1.42	1.02	1.35	1.50	1.96	1.50	1.80
Japan	Overnight call rate	0.02	0.01	0.01	0.04	-0.00	-0.06	-0.30	-0.30	0.04	-0.30	-0.50
	3-month JPY Libor	0.17	0.17	0.17	0.17	0.10	0.06	-0.05	-0.10	0.17	-0.10	-0.25
	10-year JGB	0.40	0.44	0.35	0.25	-0.04	-0.23	-0.20	-0.20	0.25	-0.20	-0.30

Exchange rates		2015				2016				2015	2016e	2017e
End period		Q1	Q2	Q3	Q4	Q1	Q2	Q3e	Q4e			
USD	EUR / USD	1.07	1.11	1.12	1.09	1.14	1.11	1.10	1.10	1.09	1.10	1.05
	USD / JPY	120	122	120	120	112	103	108	110	120	110	124
EUR	EUR / GBP	0.72	0.71	0.74	0.74	0.79	0.83	0.82	0.80	0.74	0.80	0.68
	EUR / CHF	1.04	1.04	1.09	1.09	1.09	1.08	1.14	1.16	1.09	1.16	1.20
	EUR/JPY	129	136	134	131	128	114	119	121	131	121	130

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



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