



## Summary

### United States

#### In the name of credibility, but which one?

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### France

#### The CICE tax credit must still prove its worth

The CICE in 2013-2014 has clearly had a positive impact on corporate margins. Its impact on employment is less certain, and non-existent for investment, R&D and exports.

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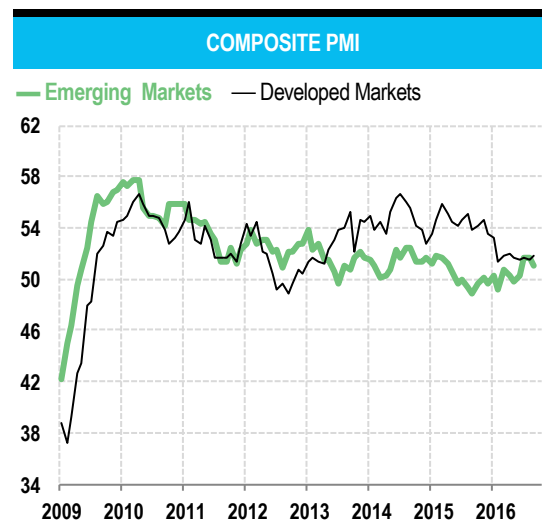
Also in :



## Resilient with question marks

### ■ Recent data are rather positive ■ Medium and long term challenges remain

Whether a glass is half full or half empty depends on who is looking at it and from which angle. On the economic front, recent data and the near-term outlook argue in favour of “half full”. Growth is resilient in the developed economies and recent releases for the Eurozone have surprised on the upside. Even Japan is looking better. The developing economies have shown some improvement, although the picture is very heterogeneous. The growth slowdown in China has been halted temporarily, in India growth is expected to increase slightly and the outlook for Brazil and Russia has improved with the prospect of leaving the recession behind. Yet international organisations make a “half empty” assessment. The BIS is concerned about financial market dissonance, the OECD has issued a global growth warning, and last week’s World Economic Outlook from the IMF emphasises a “subdued outlook subject to sizeable uncertainty and downside risks.” Much of this has to do with “looking at the glass” from a different angle, i.e., with a longer term perspective: the slowdown in potential GDP growth and global trade, the too-high rate of unemployment, particularly for the youth, the reduced effectiveness of monetary policy, and high levels of public sector debt that limit policy leeway. In addition, political uncertainties (Brexit, elections) have increased. With the risks and uncertainties having been well identified, it is now up to economic policy to take them on board. For monetary policy, this implies the ECB keeping its hand on the throttle and the Fed touching the brakes, but very gently.



THE WEEK ON THE MARKETS				
Week 7-10 16 > 13-10-16				
↘ CAC 40	4 450	► 4 405	-1.0	%
↘ S&P 500	2 154	► 2 133	-1.0	%
↗ Volatility (VIX)	13.5	► 16.7	+3.2	%
↘ Euribor 3M (%)	-0.30	► -0.31	-0.7	bp
↗ Libor \$ 3M (%)	0.88	► 0.88	+0.5	bp
↗ OAT 10y (%)	0.25	► 0.27	+1.2	bp
↗ Bund 10y (%)	-0.05	► -0.04	+1.3	bp
↗ US Tr. 10y (%)	1.74	► 1.74	+0.2	bp
↘ Euro vs dollar	1.12	► 1.10	-1.3	%
↗ Gold (ounce, \$)	1 253	► 1 258	+0.4	%
↘ Oil (Brent, \$)	52.4	► 51.8	-1.2	%

Source: Thomson Reuters



## United States

### In the name of credibility, but which one?

- After the FOMC maintained a “hawkish-dovish” status quo in late September, the meeting’s minutes were awaited with impatience. In the end they did not shed much more light on which way the balance is tipping.
- However, the hawks did manage to surprise us with a new argument in favour of a key rate increase: they claim the Fed’s credibility is at stake.

The minutes of the 20-21 September FOMC meeting were awaited with impatience. The Fed managed to announce an imminent key rate increase while reiterating its commitment to low interest rates over the medium term. It is rare for a decision maintaining the monetary status quo to contain both hawkish<sup>1</sup> and dovish signals<sup>2</sup>. This is the prism through which the minutes must be read: was the decision more hawkish or more dovish? In the end, it is another factor that caught our attention.

The hawkish side of the 21 September decision consisted mainly of a new sentence in the press release: “The Committee judges that the case for an increase in the federal funds rate has strengthened”. The minutes give the impression that it resulted from a compromise, a concession by the doves to rally some of the undecided members into their camp. Note that some FOMC members were uncomfortable with the return to a kind of calendar-based forward guidance, and thought it better to maintain – rather than water down – the data-dependency.

On the dovish side, discussions on changes in the neutral rate are given a prominent place in the minutes.<sup>3</sup> The FOMC members lowered their estimate of the neutral rate again in September, and the minutes show that the deciding factor for this revision was the low level of productivity gains. This raises the question of the current degree of monetary policy accommodation – which Janet Yellen brought up in the preliminaries to her press conference. If the neutral rate is actually lower than the Fed previously estimated, then its policy might be less accommodating than it intended. This message reinforces that of projections of a more gradual normalisation of monetary policy, one that is slower paced, with a lower end target.

If the neutral rate is lower, then the effective rates should be lower, too. If the economy has reached full employment, then the effective rates should align with the neutral rate. If full employment has not been reached yet, then the effective rates should be lower than the neutral rates (of if full employment has been surpassed, then the effective rates should be higher). All that remains is to agree on the

level of neutral rates, and on the state of the job market. While some estimate full employment has been reached<sup>4</sup>, there does not seem to be a consensus on this point: many esteem that underemployment is still high.

In the end, the FOMC seems to be split between those who find the economy is at full employment and prefer to raise key rates as quickly as possible, and those for whom maintaining the current monetary status quo would help absorb underemployment without fears for inflation. And then there are the centrists, who will end up tipping the balance. In September, they decided to back the doves, but December might see them rally behind the hawks.

Which of the hawks’ arguments could win over the centrists? The one that claims that by waiting too long today to raise key rates, the Fed might have to rapidly tighten monetary policy to combat inflation tomorrow, an over-calibration that would risk plunging the economy into recession. The doves’ argument is no less pertinent: the usual link between the labour market and inflation has not been functioning in the recent past, and before conducting monetary policy in keeping with projections based on past models, it is worth waiting to observe evidence that they have become valid again.

There is nothing new about this debate nor these arguments. Without building on their argument, the hawks did adjust it by playing on a tune that is particularly dear to central bankers: credibility. The presidents of the Kansas City and Cleveland Federal Reserve Banks both justified their dissenting votes by claiming that the Fed’s credibility was at stake: either it is too discretionary today, or tomorrow it will have to deviate too much from its currently announced path.

At a time when the Fed has “missed” its inflation target for the fifty-second consecutive month, and when its members have little hope of meeting it for another two or even three years, a premature and/or disproportionate tightening move would also deal a blow to the credibility of the symmetry of the 2% inflation target. This credibility is essential, to us but also to the Fed, notably since inflation expectations are often mentioned in the minutes. They are said to be stable, though low, and more crucially, they are cited among the factors that could explain the low level of inflation in recent years. Like in Japan and Europe, and even if it is true to a lower extent in the US, raising inflation expectations is the real challenge facing central bankers. Clearly tomorrow can wait.

<sup>1</sup> Fed officials are generally categorised as either doves (who give greater weight to the full employment mandate) or hawks (who place more importance on the price stability mandate). By extension, those who want to tighten monetary policy are hawks, and those who resist are doves.

<sup>2</sup> “Rich, deep, serious” Alexandra Estiot, EcoWeek BNPParibas, 23 September 2016.

<sup>3</sup> The rate that allows the economy to grow at its long-term potential without generating inflationary pressure, and strikes a balance between savings and investment.

<sup>4</sup> “Some participants pointed to the slowing in payroll gains and modest pickup in wages this year and judged that the labour market had little or no remaining slack.”



## France

### The CICE tax credit must still prove its worth

- In its fourth report, the monitoring committee on the CICE competitiveness and employment tax credit assesses its first effects in 2013-2014.
- Although CICE has clearly had a positive impact on corporate margins, the impact on employment is less certain, and non-existent for investment, R&D and exports.
- These mixed results are not surprising given the long reaction times and the fact that other economic policy measures countered the effects of CICE.
- We can expect, however, to see more positive results in the future.

The monitoring committee on the CICE competitiveness and employment tax credit released its fourth report in late September. The document was much awaited because it would provide the first ex-post assessment based on individual corporate data of the CICE tax credit's first effects in the period 2013-2014. The impact has proved to be rather limited, but let us begin by reviewing what exactly the CICE competitiveness and employment tax credit is all about.

CICE was launched in January 2013 as part of the National Pact for Growth, Competitiveness and Employment. It was the government's first key measure to reduce the cost of labour. The EUR 20 bn tax credit is calculated as a proportion of each company's gross payroll for wages up to 2.5 times the minimum wage. The CICE tax credit was initially set at 4% in 2013 and then raised to 6% in 2014. The 2017 draft budget bill calls for the tax credit to be raised to 7% as from 2018. It is also worth having in mind that INSEE treats the CICE tax credit as an operating subsidy that is allocated in the first quarter of each year, which automatically increases the gross operating profit of companies, and thus their margins<sup>1</sup>. This explains the stair-shaped profile of the corporate profit margins rate (see chart 1).

The CICE tax credit has several purposes. Although the end goal is to boost competitiveness, that can be done in several different ways, by supporting investment, R&D, innovation, exports, the energy transition, lower selling prices, employment, training, margins and/or cash flow, either selectively or all together. Each company is free to decide how best to use the tax credit depending on its needs. The tax credit can also be used to raise wages, but in this case, it would be transformed from a supply-side support measure into a stimulus for demand.

To evaluate the first effects of CICE, the monitoring committee commissioned three research institutes: TEPP (Labour, Employment and Public Policies), LIEPP (Interdisciplinary Assessment of Public Policies Lab) and OFCE (the French Economic Observatory). The report also integrates parallel assessments conducted by DARES,

#### ■ Behind the upturn in corporate margins: the CICE effect

Corporate margins of French non-financial companies (GOP/GVA)

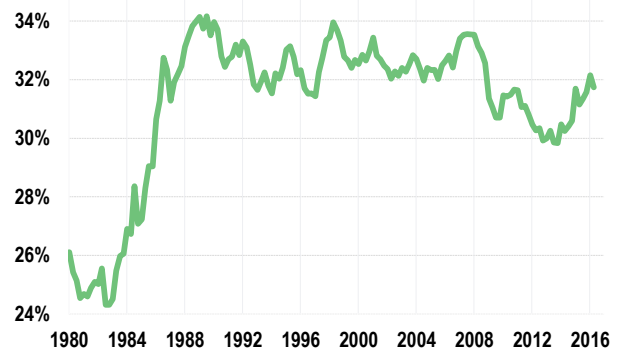


Chart 1

Source: INSEE

the French Labour Ministry's department of research, studies and statistical analysis. The assessments used a purely empirical approach (TEPP, LIEPP, Dares) or a structural approach based on the explicit modelling of the elasticity of exports to the cost of labour (OFCE)<sup>2</sup>. Empirical approaches used the difference in differences method, which compares the change in specific variables of interest in a testing group of companies who benefit from the economic policy measure with that of a control group of companies that do not benefit from the measure. With CICE, this task is complicated by the broad application of the tax credit, which means there is not a control group in the strict sense of the term. The distinction is made based on the intensity of benefits, depending on how much the company received from the CICE tax credit.

#### Meagre effects in 2013-2014

On the whole, the empirical results on the first effects of the CICE tax credit in 2013 and 2014 are not very conclusive, limited in scope, and even sometimes inconsistent. The effects are presented below in decreasing order of importance. The most positive impact can be seen in terms of corporate margins, which have improved significantly. CICE probably had an impact on corporate survival as well – i.e. by enabling some companies to avoid bankruptcy – but this must still be confirmed by further analysis. The report also seems to show that CICE had a positive impact on employment, albeit not a very big one, and with lots of uncertainty: over the 2-year period, CICE would have helped create or save between 50,000 and 100,000 jobs. At this pace, it would be hard to meet the government's target of creating 300,000 new jobs in five years. Yet these results seem to be in line with ex-ante macroeconomic estimates (+210,000 jobs by 2020, according to research by the

<sup>1</sup> Gross operating profit (GOP) is equal to gross value added (GVA) minus employee compensation (gross payroll wages plus employer contributions) and other taxes on production, plus operating subsidies. The corporate profit margin rate is GOP/GVA.

<sup>2</sup> Depending on the variant, the study esteems that a 1% decline in unit labour costs increases manufacturing exports by between 0.5% and 0.7%. In this case, the CICE tax credit would eventually boost exports by 1.9% to 2.5%.



French Treasury department; +150,000 jobs by 2018 according to the French Economic Observatory). Regarding wages, the tax credit had little or no impact. As to investment, R&D, and exports, the assessment unequivocally concludes that there was no gain.

### Several explanations

There is nothing surprising about these mixed results. First, it takes time for a measure like the CICE tax credit to bear fruit. This is particularly true for variables such as investment, R&D and exports, which have a longer response time<sup>3</sup>. Moreover, the measure was launched in a fairly deteriorated situation, with corporate margins at historical lows. Business leaders may have preferred to use the CICE tax credit to improve their balance sheets first before embarking on new investment projects and/or hiring.

Second, by trying to pursue several objectives at once, the CICE does not comply with the recommendations of Tinbergen's law -- one policy instrument for each economic policy objective. As a result, it is not as effective for each of its objectives. Another factor that may have reduced its effectiveness is that it was hard to appropriate the measure in the beginning, given the uncertainty surrounding whether it would last, the fact that it was not a cut in employer contributions in the strict sense of the term but a tax credit, which was not received at the same time as payment of the remuneration that gave right to the tax credit (unless pre-financed). The monitoring committee mentions the possibility that the tax credit's differed nature may have led some companies facing liquidity constraints to postpone hiring decisions.

We should also take into account the kind of companies that benefit most from CICE. They are above all small and medium-sized businesses. They tend to be active in labour-intensive sectors with little or no exposure to international competition (such as hotel and food services, administrative services and construction). For this reason, they are not really confronted, if at all, with the problems of competitiveness, and are thus less sensitive to the need to invest, innovate and export more. This point raises the question of targeting tax relief. If the goal is to boost employment, and employment alone, then it is more effective to target low wage earners. But the goal is to boost competitiveness as well. A "narrow" target can, for sure, also have positive effects (lowering the cost of labour on low wage earners can pass through to the cost of intermediate consumption for export sectors). However, a broader target would have a bigger impact on sectors with the highest exposure to international competition, also taking into account the fact they have a substantial ripple effect on job creations<sup>4</sup>.

Lastly, other economic policy measures are also interfering with CICE, curbing or cancelling out its positive effects. There include previous or simultaneous measures that raise the cost of labour<sup>5</sup>.

<sup>3</sup> To have a further look at the differentiated effects of supply-side policies in the near term and in the medium to long run, see "France: Growth will wait", Thibault Mercier, *EcoPerspectives*, 4<sup>th</sup> quarter 2016.

<sup>4</sup> According to research by Philippe Frocraïn and Pierre-Noël Girard for La Fabrique de l'Industrie, the creation of 100 "exposed" jobs would lead to the creation of 64 "sheltered" jobs ("Exposed and sheltered jobs in France", *Les Synthèses de La Fabrique*, n°9, September 2016).

<sup>5</sup> Annualised calculation of exemptions for low-wage earners (January 2011); reintegration of overtime work in the tax base for calculating Fillon exemptions (January 2012); end of the tax-exempt status of overtime work (September 2012); increase in the *forfait social*, a social welfare charge for employers (August 2012); increase in old-age

### France: market share indicators (%)

French exports as a share of (%):

— Eurozone exports (LHS) — World exports (RHS)

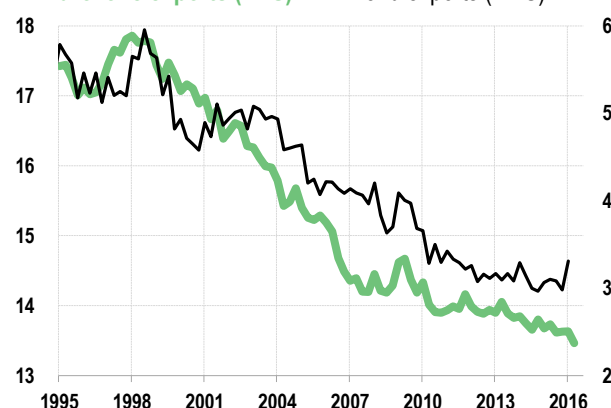


Chart 2

Sources: INSEE, Eurostat, IMF

There have also been measures dedicated to the financing of the CICE tax credit (spending savings, VAT hike and green taxes). These measures were necessary to avoid deviating too far from the government's simultaneous efforts to reduce the fiscal deficit. Nonetheless, these measures tend to drag down growth, unlike the CICE tax credit, which aims to boost growth.

### More positive results in the future

We would like to conclude with a few more positive arguments. The upturn in corporate margins, which was only just starting to take shape in 2014, has since gained in strength and has been accompanied by a rebound in corporate investment. In terms of competitiveness, the CICE has at least contributed to improving the "cost" component via the induced slowdown in the growth of unit labour costs<sup>6</sup>. Surely, it will take longer to see improvements in the "non-cost" component of competitiveness and the expected market share gains, especially since a lot of ground has been lost (see chart 2). Yet the CICE tax credit has been rounded out with other supply-side support measures (Responsibility and Solidarity Pact since January 2015; Macron law<sup>7</sup>; El Khomri law<sup>8</sup>), all of which should have a more visible impact on growth in the future<sup>9</sup>.

pension contributions (November 2012); higher unemployment insurance premiums on short-term contracts (January 2013); annual minimum wage increases.

<sup>6</sup> The rate of increase in unit labour costs has been slashed in half, from the period 1999-2012 (+2% a year on average) to the 3-year period 2013-2015 (+1% a year on average). Yet the growth rate in unit labour costs still has not fallen below the Eurozone pace, which is identical.

<sup>7</sup> Growth, activity and equal opportunity law (enacted in August 2015).

<sup>8</sup> Labour, social dialogue and job security law (enacted in August 2016).





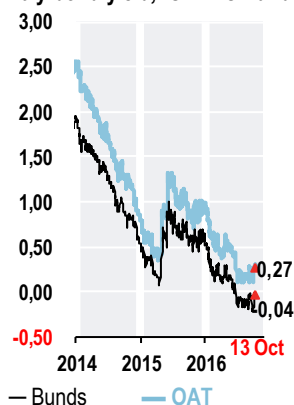
## Markets overview

## The essentials

Week 7-10 16 &gt; 13-10-16

➤ CAC 40	4 450	➤ 4 405	-1.0 %
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➤ Euribor 3M (%)	-0.30	➤ -0.31	-0.7 bp
➤ Libor \$ 3M (%)	0.88	➤ 0.88	+0.5 bp
➤ OAT 10y (%)	0.25	➤ 0.27	+1.2 bp
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➤ US Tr. 10y (%)	1.74	➤ 1.74	+0.2 bp
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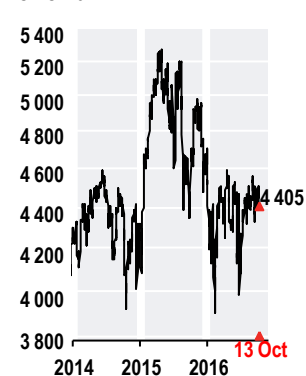
10 y bond yield, OAT vs Bund



Euro-dollar



CAC 40



## Money &amp; Bond Markets

Interest Rates		highest' 16		lowest' 16	
€ ECB	0.00	0.05	at 01/01	0.00	at 16/03
Eonia	-0.35	-0.13	at 01/01	-0.36	at 26/05
Euribor 3M	-0.31	-0.13	at 01/01	-0.31	at 13/10
Euribor 12M	-0.07	0.06	at 01/01	-0.07	at 13/10
\$ FED	0.50	0.50	at 01/01	0.50	at 01/01
Libor 3M	0.88	0.88	at 12/10	0.61	at 04/01
Libor 12M	1.60	1.60	at 12/10	1.12	at 12/02
£ BoE	0.25	0.50	at 01/01	0.25	at 04/08
Libor 3M	0.40	0.59	at 15/02	0.38	at 08/09
Libor 12M	0.79	1.07	at 01/01	0.72	at 10/08

At 13-10-16

Yield (%)		highest' 16		lowest' 16	
€ AVG 5-7y	0.05	0.49	at 12/01	-0.14	at 27/09
Bund 2y	-0.67	-0.34	at 01/01	-0.70	at 28/09
Bund 10y	-0.04	0.63	at 01/01	-0.22	at 28/09
OAT 10y	0.27	0.98	at 01/01	0.10	at 27/09
Corp. BBB	1.33	2.50	at 20/01	1.14	at 07/09
\$ Treas. 2y	0.83	1.06	at 01/01	0.56	at 05/07
Treas. 10y	1.74	2.27	at 01/01	1.36	at 08/07
Corp. BBB	3.32	4.50	at 12/02	3.24	at 18/08
£ Treas. 2y	0.20	0.65	at 01/01	0.07	at 29/09
Treas. 10y	1.02	1.96	at 01/01	0.61	at 12/08

At 13-10-16

10y bond yield &amp; spreads

8.37%	Greece	840 pb
3.38%	Portugal	341 pb
1.43%	Italy	146 pb
1.12%	Spain	115 pb
0.50%	Ireland	53 pb
0.28%	Belgium	31 pb
0.27%	France	30 pb
0.23%	Austria	26 pb
0.18%	Finland	21 pb
0.15%	Netherlands	18 pb
-0.04%	Germany	

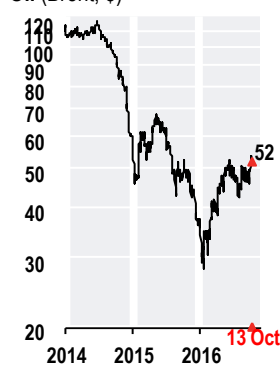
## Commodities

Spot price in dollars		lowest' 16		2016(€)	
Oil, Brent	52	28	at 20/01	+42.8%	
Gold (ounce)	1 258	1 062	at 01/01	+16.6%	
Metals, LMEX	2 436	2 049	at 12/01	+8.9%	
Copper (ton)	4 692	4 328	at 15/01	-1.8%	
CRB Foods	328	328	at 06/10	-3.5%	
wheat (ton)	145	126	at 16/08	-7.6%	
Corn (ton)	128	113	at 31/08	-8.8%	

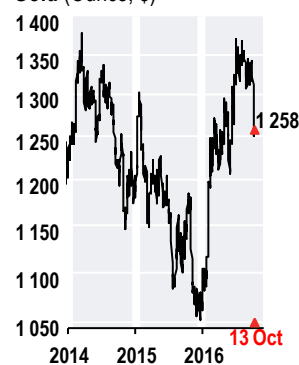
At 13-10-16

Variations

Oil (Brent, \$)



Gold (Ounce, \$)



CRB Foods



## Exchange Rates

1€ =		highest' 16		lowest' 16		2016	
USD	1.10	1.15	at 03/05	1.07	at 05/01	+1.5%	
GBP	0.90	0.90	at 13/10	0.73	at 05/01	+22.8%	
CHF	1.09	1.11	at 04/02	1.08	at 24/06	+0.2%	
JPY	114.08	131.84	at 01/02	110.95	at 08/07	-12.7%	
AUD	1.46	1.60	at 11/02	1.45	at 10/08	-2.2%	
CNY	7.42	7.54	at 22/08	6.99	at 05/01	+5.2%	
BRL	3.55	4.53	at 16/02	3.49	at 09/08	-17.4%	
RUB	69.88	91.22	at 11/02	69.17	at 10/10	-11.9%	
INR	73.81	77.50	at 11/02	71.42	at 05/01	+2.7%	

At 13-10-16

Variations

## Equity indices

Index		highest' 16		lowest' 16		2016	2016(€)
CAC 40	4 405	4 637	at 01/01	3 897	at 11/02	-5.0%	-5.0%
S&P500	2 133	2 190	at 15/08	1 829	at 11/02	+4.3%	+2.8%
DAX	10 414	10 753	at 07/09	8 753	at 11/02	-3.1%	-3.1%
Nikkei	16 774	19 034	at 01/01	14 952	at 24/06	-11.9%	+0.9%
China*	62	65	at 22/09	48	at 12/02	+5.1%	+3.4%
India*	483	504	at 08/09	393	at 11/02	+6.2%	+3.4%
Brazil*	1 744	1 760	at 10/10	860	at 21/01	+36.8%	+65.8%
Russia*	513	529	at 10/10	331	at 20/01	+13.1%	+24.8%

At 13-10-16

Variations

\* MSCI index



## 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>1.9</b>	<b>1.4</b>	<b>1.3</b>	<b>0.3</b>	<b>0.7</b>	<b>1.5</b>						
<b>United States</b>	<b>2.6</b>	<b>1.5</b>	<b>1.6</b>	<b>0.1</b>	<b>1.3</b>	<b>2.3</b>	<b>-2.5</b>	<b>-2.6</b>	<b>-2.7</b>	<b>-2.5</b>	<b>-3.1</b>	<b>-3.1</b>
Japan	0.5	0.4	0.1	0.8	-0.2	0.5	3.3	3.6	3.2	-4.5	-4.3	-3.9
United Kingdom	2.2	1.6	0.7	0.1	0.6	2.4	-5.4	-5.9	-4.4	-4.1	-3.6	-4.4
<b>Euro Area</b>	<b>1.9</b>	<b>1.5</b>	<b>1.1</b>	<b>0.0</b>	<b>0.2</b>	<b>1.0</b>	<b>3.2</b>	<b>2.9</b>	<b>2.7</b>	<b>-2.1</b>	<b>-2.1</b>	<b>-1.9</b>
Germany	1.5	1.8	1.3	0.1	0.3	1.1	8.6	8.2	7.5	0.7	0.3	0.1
France	1.2	1.3	1.0	0.1	0.4	1.2	-0.2	-0.2	-0.4	-3.5	-3.4	-3.1
Italy	0.6	0.8	0.3	0.1	-0.1	0.9	2.2	2.2	2.1	-2.6	-2.8	-2.8
Spain	3.2	3.1	1.9	-0.6	-0.4	1.2	1.4	1.2	1.0	-5.1	-4.6	-3.5
Netherlands	1.5	1.1	1.1	0.2	0.4	0.9	9.4	9.5	9.2	-1.8	-1.8	-1.6
Belgium	1.4	1.2	1.5	0.6	1.5	1.5	0.8	1.3	1.5	-2.5	-2.7	-2.3
Portugal	1.6	1.0	1.1	0.5	0.8	1.2	0.8	0.6	0.4	-4.2	-2.9	-2.7
<b>Emerging</b>	<b>4.1</b>	<b>4.2</b>	<b>4.9</b>	<b>5.9</b>	<b>6.5</b>	<b>5.5</b>						
China	6.9	6.6	6.3	1.4	2.0	2.2	3.1	2.6	1.9	-2.4	-3.0	-3.2
India	7.2	7.9	8.3	4.9	5.4	5.0	-1.3	-1.1	-1.3	-4.1	-3.9	-3.5
Brazil	-3.8	-3.0	2.0	9.0	8.8	5.0	-3.3	-1.0	-1.5	-10.3	-10.1	-9.4
Russia	-3.7	0.0	2.2	15.6	7.1	5.4	5.2	2.8	3.5	-2.4	-3.4	-2.2
<b>World</b>	<b>3.1</b>	<b>3.0</b>	<b>3.3</b>	<b>3.5</b>	<b>4.0</b>	<b>3.8</b>						

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

## Financial forecasts

Interest rates		2016				2017				2015	2016e	2017e
End period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q3e	Q4e			
<b>US</b>	Fed Funds	0.25-0.50	0.25-0.50	0.25-0.50	0.50-0.75	0.50-0.75	0.50-0.75	0.50-0.75	0.50-0.75	0.25-0.50	0.50-0.75	0.50-0.75
	3-month Libor \$	0.63	0.65	0.85	0.85	0.90	0.90	0.95	0.95	0.61	0.85	0.95
	10-year T-notes	1.79	1.49	1.61	1.60	1.60	1.55	1.55	1.50	2.27	1.60	1.50
<b>EMU</b>	Refinancing rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00
	3-month Euribor	-0.24	-0.29	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.13	-0.30	-0.30
	10-year Bund	0.16	-0.13	-0.19	-0.20	-0.20	-0.20	-0.20	-0.20	0.63	-0.20	-0.20
	10-year OAT	0.41	0.20	0.12	0.10	0.20	0.10	0.10	0.10	0.98	0.10	0.10
	10-year BTP	1.23	1.35	1.19	0.90	0.90	0.90	0.80	0.80	1.60	0.90	0.80
<b>UK</b>	Base rate	0.50	0.50	0.25	0.10	0.10	0.10	0.10	0.10	0.50	0.10	0.10
	3-month Libor £	0.59	0.56	0.38	0.20	0.30	0.35	0.35	0.35	0.59	0.20	0.35
	10-year Gilt	1.42	1.02	0.76	0.65	0.65	0.65	0.70	0.80	1.96	0.65	0.80
<b>Japan</b>	Overnight call rate	-0.00	-0.06	-0.06	-0.10	-0.10	-0.10	-0.10	-0.10	0.04	-0.10	-0.10
	3-month JPY Libor	0.10	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.17	0.05	0.05
	10-year JGB	-0.04	-0.23	-0.08	-0.10	-0.15	-0.15	-0.15	-0.15	0.25	-0.10	-0.15

Exchange rates		2016				2017				2015	2016e	2017e
End period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q3e	Q4e			
<b>USD</b>	EUR / USD	1.14	1.11	1.12	1.08	1.12	1.10	1.07	1.05	1.09	1.08	1.05
	USD / JPY	112	103	101	108	106	108	115	120	120	108	120
<b>EUR</b>	EUR / GBP	0.79	0.83	0.87	0.84	0.86	0.84	0.79	0.77	0.74	0.84	0.77
	EUR / CHF	1.09	1.08	1.09	1.12	1.13	1.14	1.15	1.16	1.09	1.12	1.16
	EUR/JPY	128	114	114	117	119	119	123	126	131	117	126

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



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