



## Summary

### United States

#### First, vote

The Fed left its monetary policy unchanged. Economic activity slowed, but the Fed esteems that this is only a passing trend. Inflation and wage developments could justify a pause in the normalisation of monetary policy.

► Page 2

### Brazil

#### Step by step

After eight consecutive quarters of GDP contraction, some indicators point to a very gradual upturn in economic activity in the quarters ahead. A stronger real, rapid disinflation and monetary easing are all support factors, unlike fiscal austerity, which is nonetheless essential for the credibility of the policy mix.

► Page 3

### Market overview

► Page 5

### Summary of forecasts

► Page 6

Also in



## Oil prices, a temporary rebound?

■ The rebound in oil prices has stalled ■ Yet world growth seems to have accelerated ■ Causes rely to the supply side

Oil prices have levelled off since the beginning of the year. Yet world growth seems to be accelerating. A temporary paradox?

Let's have a look to supply factors.

First, oil and shale gas production in the United States has picked up again.

Thanks to lower operating costs, the number of wells in service surged by 88% between May 2016 and February 2017. At 8.8 million barrels/day in December 2016, production is expected to increase by 0.7 m b/d this year.

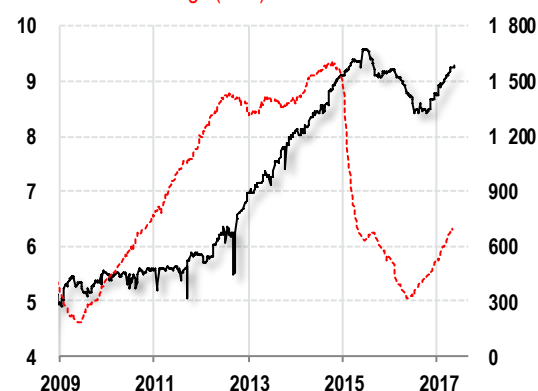
Second, the November 2016 production cut deal between OPEC and certain non-OPEC countries (-1.2 million b/d out of total production of 33.1 m b/d in Q4 2016) is not being respected by all of the signing countries.

On the whole, OPEC's production target is being met (95% compliance), but this is mainly due to Saudi Arabia's self-imposed cuts. Russia, in contrast, reduced its production by 0.1 million b/d whereas it agreed to cut production by 0.3 m b/d. All in all, supply is being reduced much less than operators initially expected.

### UNITED STATES OIL PRODUCTION

— Oil output (million b/d, LHS)

--- Number of drillings (RHS)



Source: Thomson Reuters

### THE WEEK ON THE MARKETS

Week 28-4 17 > 4-5-17

↗ CAC 40	5 267	► 5 372	+2.0 %
↗ S&P 500	2 384	► 2 390	+0.2 %
↘ Volatility (VIX)	10.8	► 10.5	-0.4 %
↗ Euribor 3M (%)	-0.33	► -0.33	+0.0 bp
↘ Libor \$ 3M (%)	1.17	► 1.17	-0.1 bp
↗ OAT 10y (%)	0.76	► 0.84	+7.2 bp
↗ Bund 10y (%)	0.32	► 0.39	+6.8 bp
↗ US Tr. 10y (%)	2.28	► 2.36	+7.3 bp
↗ Euro vs dollar	1.09	► 1.09	+0.5 %
↘ Gold (ounce, \$)	1 268	► 1 230	-3.0 %
↘ Oil (Brent, \$)	51.6	► 50.4	-2.3 %

Source: Thomson Reuters



## United States

### First, vote

- The Fed left its monetary policy unchanged. Economic activity slowed, but the Fed esteems that this is only a passing trend.
- Certain signals concerning wage and pricing trends are not very encouraging, and could justify pausing until next fall before resuming the normalisation of monetary policy.
- As to fiscal policy, the repeal of Obamacare has dislodged tax reform on the list of priorities. We will have to wait for the release of CBO estimates to know what impact the new legislation will have on the economy.

The Fed's monetary policy committee decided to leave key rates unchanged, but more than this decision, what the markets were really waiting for was the press release following the meeting. It is hard to imagine a rate increase without a press release, at least as long as key rates have not moved back into the Fed's comfort zone. In addition, the latest statistics for economic activity, employment and inflation, while not alarming, indicated that the US economy had slacked off at the beginning of the year.

As a result, GDP rose only 0.7% on an annualised quarterly basis, and year-on-year growth held below 2% for the sixth consecutive quarter. Between late 2016 and early 2017, the main explanation for this slowdown is household consumption, which grew at an annualised quarterly rate of only 0.3%, down from 3.5% in the previous period. This poor performance can be attributed to two factors: the slowdown in purchasing power gains and the upturn in the savings rate. The first factor was not due so much to revenues, which continued to increase mildly, but to higher tax payments and accelerating prices. Wage revenues even accelerated between Q4 2016 and Q1 2017, which allowed the Fed to talk about "robust fundamentals" and to expect a strong rebound in the second quarter. Moreover, the very first estimates of the Atlanta Fed's real-time Nowcast model point to second-quarter growth of 4.3%.

Investment and exports have picked up strongly. Given the relative weight of these components of demand, they failed to offset weak consumption, but assuming the later picks up, there could well be a strong rebound in second-quarter growth.

It is worth noting, however, the slowdown in the price indexes recently. Lifted by the rebound in oil prices, the personal consumption expenditure deflator (PCE) accelerated to 2.1% on a year-on-year basis in February, after holding below 1% from year-end 2014 to mid-2016. In March, the PCE deflator slipped back below the Fed's 2% target (to 1.9%). Excluding energy and food prices, the upturn in core inflation was not as strong (to 1.8% in mid-2016, from 1.3% in the year-earlier period), but the index slowed to a

### GDP growth and its components

Quarterly growth, annualised rate, %	2017Q1	2016Q4	2016Q3
<b>GDP</b>	<b>0.7</b>	<b>2.1</b>	<b>3.5</b>
Final Domestic Demand	1.5	3.0	2.1
Private consumption	0.3	3.5	3.0
Government spending	-1.7	0.2	0.8
Fixed Investment	10.4	2.9	0.1
Residential	13.7	9.6	-4.1
Non residential	9.4	0.9	1.4
Equipment & Software	9.1	2.0	-4.5
Structures	22.1	-1.9	12.0
Intellectual Property Products	2.0	1.3	3.2
Change in inventories (contrib.)	-0.9	1.0	0.4
Net exports (contrib.)	0.1	-2.0	0.9
Exports	5.8	-4.5	10.0
Imports	4.1	8.9	2.2

#### Chart

Source: US Bureau of Economic Analysis

similar extent between February and March. The market-based PCE index, which excludes goods and services not actually supported by households, dropped back to an annual rate of 1.5%. This is not an alarming trend, and it might simply mark a levelling off before the upturn resumes.

Yet the Fed cannot ignore this slowdown at a time of persistently mild wage growth, especially when unemployment is so low. In April, the hourly wages of productive employment (excluding management) was up 2.3% for the year, whereas the unemployment rate was only 4.4%. The last time unemployment was this low, in 2006-2007, wage growth was on a 4% slope. Seen in this light, we can better understand why the Fed is maintaining an extremely accommodating monetary policy, and only intends to lift this bias very gradually.

In the latest update of their forecasts, FOMC members were still expecting two more key rate increases this year. Unless there is a more clear-cut rebound in employment and prices by the June FOMC meeting (scheduled for 13 and 14 June), the Fed will probably prefer to wait until the end of summer before resuming the normalisation of its monetary policy. In terms of fiscal policy, the situation is vaguer than ever. The only certainty is that there will not be any tax cuts before the next fiscal year. As we wrote these lines, the repeal of Obamacare has become a top priority again. The House of Representatives has just approved a bill by a slim majority. The bill must now be studied by the Senate, where a number of Republicans have already expressed reservations. For the moment, we do not know what impact this new legislation might have on the economy: the House voted on the text before the Congressional Budget Office (CBO) could even make any estimates.



## Brazil

### Step by step

- Real GDP contracted by 3.6% on average in 2016. Now, some indicators point to a very gradual upturn in economic activity in the quarters ahead.
- The central bank now has free reign to ease monetary conditions (good cop). A stronger real, rapid disinflation and the decline in interest rates are all support factors for an economic recovery.
- Meanwhile, fiscal austerity (bad cop) remains essential for the credibility of the policy mix.

### The light at the end of the tunnel

Real GDP contracted for the eighth consecutive quarter in Q4 2016, at a seasonally-adjusted rate of 0.9% q/q. This brings the cumulative decline since year-end 2014 to 8.2%. The recession did not spare any of the components of GDP, neither in terms of supply or demand. With gross fixed capital formation down 1.5% in Q4, investment has declined by 22.8% in two years, to only 16% of GDP in 2016. Household consumption declined 0.6% in Q4, and 9.6% over the past two years, squeezed by a very depressed job market situation. Over the past two years, 3.6 million formal sector jobs were destroyed, bringing the jobless rate to 13% of the active population. Despite ongoing disinflation (see below), real wages continue to decline, and shed another 5.9% year-on-year in February. Given the sluggishness of domestic demand, imports naturally declined 10.4% in volume in 2016. At the same time, exports increased by a feeble 1.6%.

Our forecast of a gradual economic recovery starting in Q4 2016 proved to be too optimistic. Retail sales (bolstered by a recent change in methodology) and household consumption are not expected to swing back into positive territory in Q1 2017. Yet there have been more and more positive signals recently. Business and household confidence indicators continue to pick up. In February, net job destructions in the formal sector came to a halt for the first time since November 2014. Total industrial output, including manufacturing, mining and construction, has picked up (+1.5% y/y, 3-month moving average in February), for the first time since November 2013.

Extraction industries (mining and oil) should continue to benefit from the rebound in commodity prices. At 46.9 in February, the purchasing managers index (PMI) for the manufacturing sector was still lower than 50, the threshold that separates economic expansion from contraction. Yet production capacity utilisation rates in manufacturing increased slightly in January and February, even though they are still 5 points below the long-term average of 81%. The recently observed rebound in domestic automobile sales and especially exports (essentially to Argentina) should stimulate production in the months ahead. The construction sector's recovery is much less certain: the residential market has slumped after the boom years of 2006-2013,

### Economic indicators

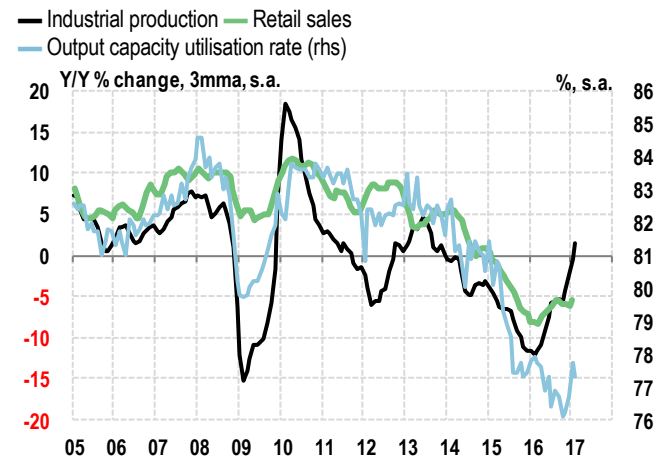


Chart 1

Sources: IBGE, BCB, BNP Paribas

and certain projects and bids to tender have been halted or frozen in connection with the sprawling Petrobras corruption scandal, a legal quagmire that is unlikely to end anytime soon. Lastly, after a tough year for the agricultural sector in 2016, the national statistics institute (IBGE) expects harvests to increase by more than 20% in 2017, notably in the first part of the year. The recent "rotten meat" scandal is unlikely to have more than temporary impact on Brazil's cattle and poultry industries, in which the country is a world leader.

The March consensus of economists calls for average GDP growth of 0.5% in 2017 and 2.4% in 2018, in line with the government's forecast. The IMF is forecasting growth of 0.2% and 1.5%, respectively. In the midst of fiscal austerity, the easing of monetary policy should play a key role in lifting Brazil out of recession.

### Monetary policy, the good cop

Even though Brazil is not very open to trade, macroeconomic adjustments have nonetheless helped consolidate the external accounts since 2014. For the past year, the improvement in the terms of trade, thanks to higher commodity prices, notably for metals, has supported this consolidation movement. As a result, Brazil reported a trade surplus of USD 45 bn last year, the highest level since 2006. The current account deficit (USD 23.5 bn) is largely covered by the net inflow of foreign direct investment (USD 71.1 bn), which remains very buoyant despite the economic and political crisis. At the same time, Brazil was hit by a net outflow of portfolio investment (-USD 19.2 bn in 2016), as non-resident investors pulled out of the local bond market (-USD 26.6 bn), but the equity market was still attractive (+USD 6.3 bn). Since late 2015, BRL has regained 24% against the US dollar (after dropping 33% in 2015), and the Sao Paulo stock exchange has gained 47%.

The disinflationary process at work over the past year has continued in this environment. The increase in the IPCA general price index



slowed to 4.6% y/y in March 2017, from 10.7% y/y in January 2016. It is now in line with the BCB's target range (4.5%, +/- 2 pp). The BCB no longer considers that disinflation is due solely to the real's appreciation and the slowdown in food prices. It has now spread more broadly to factors and sectors more sensitive to the business cycle and monetary policy, such as the services sector. The Selic rate has been cut four times over the past six months, from 14.25% to 12.25%. It seems highly likely that monetary easing will continue, and could even be amplified, especially since inflation expectations are firmly anchored at 4.15% for year-end 2017, and 4.50% for 2018 and 2019.

In the midst of a deleveraging phase (the bank loan to GDP ratio dropped 4 points to 48.7% in just one year), the slight decline in borrowing rates has not stimulated lending yet, but it has helped ease the financial constraints on rather heavily indebted economic agents. In February, corporate loans outstanding contracted 9.6% y/y with commercial banks and 10.1% y/y with development banks. The non-performing loan ratio for commercial loans 90 days overdue has levelled off in recent months at about 3.5%, which is low considering the severe deterioration in balance sheets since 2011, and major needs for refinancing, notably in foreign currency (more than 50% of corporate debt, including Petrobras, is in foreign currency). As to households, loans outstanding have continued to increase very slightly, and the non-performing loan ratio as dipped in recent months.

All in all, lowering real interest rates is the key to hopes for a gradual but lasting economic recovery, and to the easing of debt servicing charges on public debt.

### Fiscal policy, the bad cop

Fiscal austerity is still necessary given the deterioration of public finances and the difficult process of consolidation. The primary and overall deficits have reached 2.3% and 8.5% of GDP, respectively, in the 12 months to February, and the public debt peaked at 70.6% of GDP. After adopting a law last December to freeze public spending in real terms, parliament was recently presented a pension reform project. Amendments will be made and the final text is not expected to be adopted before September.

### Local bond yields

Annual %

— 3 months — 6 months — 2 years — 5 years — 10 years

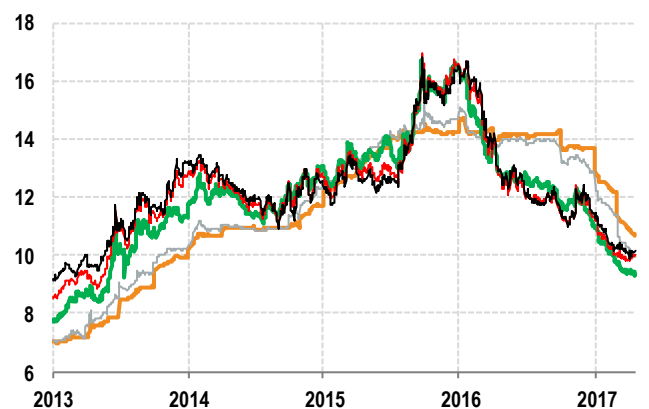


Chart 2

Source: Macrobond

Congress is still divided, and operation Car Wash (Lava Jato) is bound to weaken reform efforts in the run-up to general elections scheduled for October 2018. The corruption investigation hangs like a sword of Damocles over the entire political class. Former president Dilma Rousseff has been brought to trial in the October 2014 presidential campaign finance scandal. The new president, Michel Temer, will not be spared since he was Rousseff's running mate and former vice president, but he nonetheless benefits from immunity.

Justifying its actions based on the downward revision of growth prospects for 2017, the government announced a new series of austerity measures in late March that aims to generate BRL 58.2 bn in additional savings (about 0.9 points of GDP) to comply with its primary deficit target (BRL 139 bn). The programme includes BRL 42 bn in new budget cuts (half from operating expenses and a quarter from the Growth Acceleration Programme), BRL 10 bn in one-off revenues from concessions (notably electrical power), and BRL 6 bn in additional tax revenues (elimination of certain tax loopholes and an adjustment in the financial transactions tax).

All in all, the positive momentum that has been unleashed in recent months remains fragile. An outbreak of social-political risks, the failure of reforms or a real and/or external financial shock could trigger a new bout of weakness in BRL and a reversal in monetary policy, all of which would drive up sovereign risk.





## Markets overview

## The essentials

Week 28-4 17 &gt; 4-5-17

➤ CAC 40	5 267	➤ 5 372	+2.0 %
➤ S&P 500	2 384	➤ 2 390	+0.2 %
➤ Volatility (VIX)	10.8	➤ 10.5	-0.4 %
➤ Euribor 3M (%)	-0.33	➤ -0.33	+0.0 bp
➤ Libor \$ 3M (%)	1.17	➤ 1.17	-0.1 bp
➤ OAT 10y (%)	0.76	➤ 0.84	+7.2 bp
➤ Bund 10y (%)	0.32	➤ 0.39	+6.8 bp
➤ US Tr. 10y (%)	2.28	➤ 2.36	+7.3 bp
➤ Euro vs dollar	1.09	➤ 1.09	+0.5 %
➤ Gold (ounce, \$)	1 268	➤ 1 230	-3.0 %
➤ Oil (Brent, \$)	51.6	➤ 50.4	-2.3 %

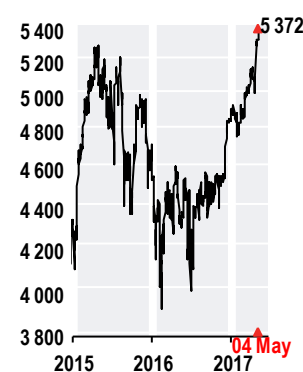
10 y bond yield, OAT vs Bund



Euro-dollar



CAC 40



## Money &amp; Bond Markets

Interest Rates		highest' 17		lowest' 17	
€ ECB	0.00	0.00 at 02/01	0.00 at 02/01		
Eonia	-0.36	-0.35 at 04/01	-0.36 at 26/04		
Euribor 3M	-0.33	-0.32 at 02/01	-0.33 at 10/04		
Euribor 12M	-0.13	-0.08 at 02/01	-0.13 at 04/05		
\$ FED	1.00	1.00 at 16/03	0.75 at 02/01		
Libor 3M	1.17	1.17 at 02/05	1.00 at 02/01		
Libor 12M	1.77	1.83 at 15/03	1.68 at 06/01		
£ BoE	0.25	0.25 at 02/01	0.25 at 02/01		
Libor 3M	0.32	0.37 at 05/01	0.32 at 03/05		
Libor 12M	0.68	0.78 at 09/01	0.68 at 27/04		

At 4-5-17

Yield (%)		highest' 17		lowest' 17	
€ AVG 5-7y	0.39	0.68 at 17/03	0.23 at 02/01		
Bund 2y	-0.74	-0.66 at 25/01	-0.96 at 24/02		
Bund 10y	0.39	0.49 at 10/03	0.09 at 02/01		
OAT 10y	0.84	1.14 at 06/02	0.67 at 02/01		
Corp. BBB	1.40	1.65 at 01/02	1.38 at 03/05		
\$ Treas. 2y	1.30	1.38 at 14/03	1.14 at 24/02		
Treas. 10y	2.36	2.61 at 13/03	2.18 at 18/04		
Corp. BBB	3.67	3.90 at 14/03	3.56 at 18/04		
£ Treas. 2y	0.05	0.22 at 06/01	0.01 at 28/02		
Treas. 10y	1.05	1.51 at 26/01	0.97 at 18/04		

At 4-5-17

10y bond yield &amp; spreads

6.05%	Greece	566 pb
3.44%	Portugal	304 pb
2.25%	Italy	185 pb
1.59%	Spain	120 pb
0.86%	Ireland	46 pb
0.84%	France	44 pb
0.79%	Belgium	40 pb
0.61%	Netherlands	21 pb
0.56%	Austria	16 pb
0.46%	Finland	7 pb
0.39%	Germany	

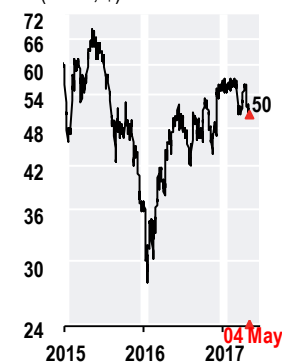
## Commodities

Spot price in dollars		lowest' 17		2017(€)	
Oil, Brent	50	50 at 22/03	-14.4%		
Gold (ounce)	1 230	1 156 at 03/01	+2.4%		
Metals, LMEX	2 740	2 639 at 03/01	-0.7%		
Copper (ton)	5 518	5 487 at 03/01	-3.7%		
CRB Foods	340	325 at 24/04	-3.4%		
wheat (ton)	152	146 at 24/04	+0.2%		
Corn (ton)	134	130 at 23/03	-2.8%		

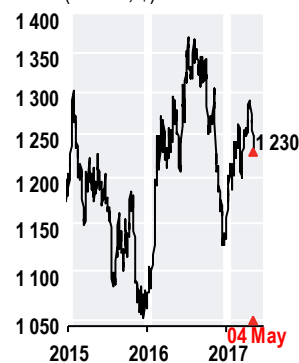
At 4-5-17

Variations

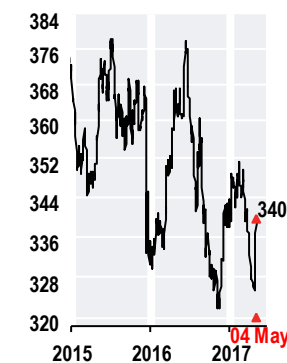
Oil (Brent, \$)



Gold (Ounce, \$)



CRB Foods



## Exchange Rates

1€ =		highest' 17		lowest' 17		2017	
USD	1.09	1.09 at 04/05	1.04 at 03/01	+3.8%			
GBP	0.85	0.88 at 16/01	0.84 at 19/04	-0.7%			
CHF	1.08	1.09 at 25/04	1.06 at 08/02	+1.2%			
JPY	123.38	123.38 at 04/05	115.57 at 17/04	+0.3%			
AUD	1.48	1.48 at 04/05	1.37 at 23/02	+1.6%			
CNY	7.55	7.55 at 04/05	7.22 at 03/01	+3.0%			
BRL	3.48	3.48 at 28/04	3.24 at 15/02	+1.3%			
RUB	63.57	64.95 at 31/01	59.66 at 17/04	-1.3%			
INR	70.25	73.32 at 31/01	68.18 at 07/04	-1.9%			

At 4-5-17

Variations

## Equity indices

Index		highest' 17		lowest' 17		2017		2017(€)
CAC 40	5 372	5 372 at 04/05	4 749 at 31/01	+10.5%				+10.5%
S&P500	2 390	2 396 at 01/03	2 239 at 02/01	+6.7%				+2.8%
DAX	12 648	12 648 at 04/05	11 510 at 06/02	+10.2%				+10.2%
Nikkei	19 446	19 634 at 13/03	18 336 at 14/04	+1.7%				+1.4%
China*	68	68 at 25/04	59 at 02/01	+15.6%				+11.1%
India*	535	535 at 26/04	445 at 03/01	+13.2%				+15.4%
Brazil*	1 823	2 001 at 22/02	1 654 at 02/01	+6.5%				+5.1%
Russia*	555	622 at 03/01	537 at 09/03	-11.6%				-11.3%

At 4-5-17

Variations

\* MSCI index



## Economic forecasts

En %	GDP Growth			Inflation			Curr. account / GDP			Fiscal balances / GDP		
	2016 e	2017 e	2018 e	2016 e	2017 e	2018 e	2016 e	2017 e	2018 e	2016 e	2017 e	2018 e
<b>Advanced</b>	<b>1.6</b>	<b>2.0</b>	<b>2.1</b>	<b>0.8</b>	<b>2.0</b>	<b>1.9</b>						
<b>United States</b>	<b>1.6</b>	<b>2.1</b>	<b>2.6</b>	<b>1.3</b>	<b>2.4</b>	<b>2.6</b>	<b>-2.5</b>	<b>-2.4</b>	<b>-2.4</b>	<b>-3.4</b>	<b>-4.2</b>	<b>-5.0</b>
Japan	1.0	1.2	0.9	-0.1	0.6	1.0	3.8	4.2	4.6	-4.7	-4.4	-4.1
United Kingdom	1.8	1.8	1.1	0.6	2.7	2.6	-4.7	-4.1	-3.2	-3.0	-2.7	-3.1
<b>Euro Area</b>	<b>1.7</b>	<b>1.6</b>	<b>1.6</b>	<b>0.2</b>	<b>1.8</b>	<b>1.3</b>	<b>3.4</b>	<b>3.0</b>	<b>3.1</b>	<b>-1.7</b>	<b>-1.4</b>	<b>-1.2</b>
Germany	1.8	1.8	2.0	0.4	1.9	1.7	8.8	8.3	8.5	0.6	0.7	0.6
France	1.1	1.3	1.5	0.3	1.4	1.0	-0.9	-0.9	-1.1	-3.4	-3.0	-2.7
Italy	1.0	0.6	0.6	-0.1	1.7	1.0	2.1	2.2	2.1	-2.4	-2.4	-2.5
Spain	3.3	2.6	2.0	-0.3	2.3	1.5	1.8	2.1	2.1	-4.6	-3.6	-3.0
Netherlands	2.1	2.1	1.6	0.1	1.2	1.4	8.7	8.7	8.3	-0.5	0.0	0.3
Belgium	1.2	1.4	1.5	1.8	2.1	1.9	0.7	0.5	0.5	-3.0	-2.3	-2.2
<b>Emerging</b>	<b>4.2</b>	<b>4.5</b>	<b>5.0</b>	<b>4.8</b>	<b>4.6</b>	<b>4.4</b>						
China	6.7	6.2	6.4	2.0	2.7	2.5	1.9	1.6	1.4	-3.0	-3.5	-3.3
India	7.5	7.3	7.8	4.9	4.9	5.2	-1.1	-0.8	-1.7	-3.8	-3.5	-3.2
Brazil	-3.5	1.0	3.0	8.8	4.1	4.3	-1.2	-1.4	-2.1	-8.9	-9.6	-8.3
Russia	-0.6	1.2	2.0	7.1	4.2	4.3	1.9	3.4	3.2	-3.7	-2.7	-2.1
<b>World</b>	<b>3.1</b>	<b>3.4</b>	<b>3.8</b>	<b>3.1</b>	<b>3.5</b>	<b>3.3</b>						

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

## Financial forecasts

Interest rates		2016				2017				2016	2017e	2018e
		Q1	Q2	Q3	Q4	Q1	Q2e	Q3e	Q4e			
<b>US</b>	Fed Funds	0.25-0.5	0.25-0.5	0.25-0.5	0.5-0.75	1	0.75-1.00	1.00-1.25	1.25-1.50	0.5-0.75	1.25-1.50	2.25-2.50
	3-month Libor \$	0.63	0.65	0.85	1.00	1.15	1.25	1.50	1.75	1.00	1.75	2.50
	10-year T-notes	1.79	1.49	1.61	2.45	2.40	3.00	3.25	3.50	2.45	3.50	4.00
<b>EMU</b>	Refinancing rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25
	3-month Euribor	-0.24	-0.29	-0.30	-0.32	-0.33	-0.33	-0.30	-0.30	-0.32	-0.30	-0.05
	10-year Bund	0.16	-0.13	-0.19	0.11	0.33	0.50	0.75	1.00	0.11	1.00	1.60
	10-year OAT	0.41	0.20	0.12	0.69	0.97	0.95	1.15	1.45	0.69	1.45	2.00
	10-year BTP	1.23	1.35	1.19	1.84	2.13	2.20	2.60	3.00	1.84	3.00	3.40
<b>UK</b>	Base rate	0.50	0.50	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
	3-month Libor £	0.59	0.56	0.38	0.37	0.34	0.40	0.40	0.40	0.37	0.40	0.40
	10-year Gilt	1.42	1.02	0.76	1.24	1.07	1.55	1.75	1.90	1.24	1.90	2.50
<b>Japan</b>	Overnight call rate	-0.00	-0.06	-0.06	-0.06	-0.06	-0.10	-0.10	-0.10	-0.06	-0.10	-0.10
	3-month JPY Libor	0.10	0.06	0.06	0.06	0.06	0.05	0.05	0.05	0.06	0.05	0.05
	10-year JGB	-0.04	-0.23	-0.08	0.05	0.07	0.10	0.10	0.30	0.05	0.30	0.40

Exchange rates		2016				2017				2016	2017e	2018e
		Q1	Q2	Q3	Q4	Q1	Q2e	Q3e	Q4e			
<b>USD</b>	EUR / USD	1.14	1.11	1.12	1.05	1.07	1.02	1.02	1.00	1.05	1.00	1.06
	USD / JPY	112	103	101	117	111	121	124	128	117	128	130
<b>EUR</b>	EUR / GBP	0.79	0.83	0.87	0.85	0.86	0.82	0.82	0.80	0.85	0.80	0.82
	EUR / CHF	1.09	1.08	1.09	1.07	1.07	1.10	1.12	1.12	1.07	1.12	1.15
	EUR/JPY	128	114	114	123	119	123	126	128	123	128	138

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



## Most recent articles

APRIL	28 April	17-17	Germany: Favorable business climate despite uncertainties China: PBOC is acting to reduce financial risks
	21 April	17-16	Eurozone: Cautious optimism United Kingdom: Back to the voting booth
	14 April	17-15	France: Hiatus in first-quarter growth Greece: Agreement in sight?
	7 April	17-14	United States: A soft commitment to overshoot the inflation objective Global: Improvements across the board... or just about
MARCH	31 March	17-13	United States: Awaiting details France: Behind the reduction in the fiscal deficit
	24 March	17-12	European Union: What future for Europe? France: Supply and demand
	17 March	17-11	United Kingdom: What if Brexit never happens? Emerging countries: Argentina-Venezuela: a tale of two stories
	10 March	17-10	United States: Sometimes there is no room for doubt Netherlands: Wide range of choices at election
	03 March	17-09	France: Some growth, but little progress on structural imbalances Mexico: Factoring in the T factor
FEBRUARY	24 February	17-08	Germany: Infrastructure under threat Greece: Another try
	17 February	17-07	United States: Reflation? France: Significantly more jobs, a little less unemployment in 2016
	10 February	17-06	Emerging: Justified caution Turkey: A complex equation
	03 February	17-05	Eurozone: Four inflation criteria China: The threat of capital outflows
	27 January	17-04	Global: 2017 outlook France: Could growth be stronger in 2017 than in 2016? Brazil: A slow recovery in the making
	20 January	17-03	Global: Focus on a classical nexus United States: Ceasing purchases is the plan Italy: Monte dei Paschi: What's next?
	13 January	17-02	United Kingdom: London Bridge Is Falling Down European Union: Dealing with Chinese competition France: Towards a net rebound in Q4 growth
	6 January	17-01	Global: A weak euro for long Global: 2017: A critical year for the climate negotiations Eurozone: Characteristics of a healthier job market
DECEMBER	16 December	16-44	United States: A bird in the hand is worth two in the bush Netherlands: Government faces disgruntled voters
	09 December	16-43	Eurozone: ECB: "A sustained presence on the markets" Eurozone: The European Commission's case Italy: Referendum: limited consequences for banks
	02 December	16-42	France: Inflation picks up slightly Portugal: The European Commission shows some flexibility
NOVEMBER	25 November	16-41	Japan: Abenomics: A failure called too early France: Labour market: Late November update
	18 November	16-40	Global: Youth unemployment: an important ongoing policy challenge Ireland: Beyond revisions
	10 November	16-39	United States: The day after tomorrow France: A closer look at weak Q3 growth Finland: Slow motion turnaround
	04 November	16-38	United States: Time to spend China: No rest for credit risks
OCTOBER	28 October	16-37	United States: The sin of certainty Russia: A budget constrained



# BNP PARIBAS

The bank  
for a changing  
world

## 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 governance and public finances), Spain, Portugal

+33(0)1 43 16 95 52

frederique.cerisier@bnpparibas.com

■ **Thibault MERCIER**  
Euro Area (short-term outlook and monetary policy), France (structural reforms)

+33(0)1 57 43 02 91

thibault.mercier@bnpparibas.com

■ **Manuel NUNEZ**  
Japan, Ireland - Projects

+33(0)1 42 98 27 62

manuel.a.nunez@bnpparibas.com

■ **Catherine STEPHAN**  
Nordic countries - 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

■ **Thomas HUMBLLOT**

+33(0)1 40 14 30 77

thomas.humblot@bnpparibas.com

### EMERGING ECONOMIES AND COUNTRY RISK

■ **François FAURE**  
Head - South Africa, Argentina - Methodology

+33(0)1 42 98 79 82

francois.faure@bnpparibas.com

■ **Christine PELTIER**  
Deputy Head - Greater China, Vietnam, other North Asia countries - 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 & South America - Methodology

+33(0)1 42 98 26 77

sylvain.bellefontaine@bnpparibas.com

■ **Pascal DEVAUX**  
Middle East, Balkan countries, Nigeria, Angola - 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

■ **Johanna MELKA**  
Asia, Russia

+33(0)1 58 16 05 84

johanna.melka@bnpparibas.com

■ **Alexandra WENTZINGER**  
Chile, Uruguay, Paraguay

+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





# BNP PARIBAS

The bank  
for a changing  
world

## OUR PUBLICATIONS



### CONJONCTURE

Structural or in news flow, two issues analysed in depth



### EMERGING

Analyses and forecasts for a selection of emerging economies



### PERSPECTIVES

Analyses and forecasts for the main countries, emerging or developed



### ECOFASH

Data releases, major economic events. Our detailed views...



### ECOWEEK

Weekly economic news and much more...



### ECOTV

In this monthly web TV, our economists make sense of economic news



### ECOTV WEEK

What is the main event this week? The answer is in your two minutes of economy

The information and opinions contained in this report have been obtained from, or are based on, public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate, complete or up to date and it should not be relied upon as such. This report does not constitute an offer or solicitation to buy or sell any securities or other investment. It does not constitute investment advice, nor financial research or analysis. Information and opinions contained in the report are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient; they are subject to change without notice and not intended to provide the sole basis of any evaluation of the instruments discussed herein. Any reference to past performance should not be taken as an indication of future performance. To the fullest extent permitted by law, no BNP Paribas group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this report. All estimates and opinions included in this report are made as of the date of this report. Unless otherwise indicated in this report there is no intention to update this report. BNP Paribas SA and its affiliates (collectively "BNP Paribas") may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this report or derivatives thereon. BNP Paribas may have a financial interest in any issuer or person mentioned in this report, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon. Prices, yields and other similar information included in this report are included for information purposes. Numerous factors will affect market pricing and there is no certainty that transactions could be executed at these prices. BNP Paribas, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any person mentioned in this report. BNP Paribas may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any person referred to in this report. BNP Paribas may be a party to an agreement with any person relating to the production of this report. BNP Paribas may, to the extent permitted by law, have added upon or used the information contained herein, or the research or analysis on which it was based, before its publication. BNP Paribas may receive or intend to seek compensation for investment banking services in the next three months from or in relation to any person mentioned in this report. Any person mentioned in this report may have been provided with sections of this report prior to its publication in order to verify its factual accuracy.

BNP Paribas is incorporated in France with limited liability. Registered Office 16 Boulevard des Italiens, 75009 Paris. This report was produced by a BNP Paribas group company. This report is for the use of intended recipients and may not be reproduced in whole or in part or delivered or transmitted to any other person without the prior written consent of BNP Paribas. By accepting this document you agree to be bound by the foregoing limitations.

Certain countries within the European Economic Area:

This report has been approved for publication in the United Kingdom by BNP Paribas London Branch. BNP Paribas London Branch is authorised and supervised by the Autorité de Contrôle Prudentiel and authorised and subject to limited regulation by the Financial Services Authority. Details of the extent of our authorisation and regulation by the Financial Services Authority are available from us on request.

This report has been approved for publication in France by BNP Paribas SA. BNP Paribas SA is incorporated in France with limited liability and is authorised by the Autorité de Contrôle Prudentiel (ACP) and regulated by the Autorité des Marchés Financiers (AMF). Its head office is 16, boulevard des Italiens 75009 Paris, France.

This report is being distributed in Germany either by BNP Paribas London Branch or by BNP Paribas Niederlassung Frankfurt am Main, a branch of BNP Paribas S.A. whose head office is in Paris, France. BNP Paribas S.A. – Niederlassung Frankfurt am Main, Europa Allee 12, 60327 Frankfurt is authorised and supervised by the Autorité de Contrôle Prudentiel and it is authorised and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

**United States:** This report is being distributed to US persons by BNP Paribas Securities Corp., or by a subsidiary or affiliate of BNP Paribas that is not registered as a US broker-dealer. BNP Paribas Securities Corp., a subsidiary of BNP Paribas, is a broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority and other principal exchanges. BNP Paribas Securities Corp. accepts responsibility for the content of a report prepared by another non-U.S. affiliate only when distributed to U.S. persons by BNP Paribas Securities Corp.

**Japan:** This report is being distributed in Japan by BNP Paribas Securities (Japan) Limited or by a subsidiary or affiliate of BNP Paribas not registered as a financial instruments firm in Japan, to certain financial institutions defined by article 17-3, item 1 of the Financial Instruments and Exchange Law Enforcement Order. BNP Paribas Securities (Japan) Limited is a financial instruments firm registered according to the Financial Instruments and Exchange Law of Japan and a member of the Japan Securities Dealers Association and the Financial Futures Association of Japan. BNP Paribas Securities (Japan) Limited accepts responsibility for the content of a report prepared by another non-Japan affiliate only when distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan.

**Hong Kong:** This report is being distributed in Hong Kong by BNP Paribas Hong Kong Branch, a branch of BNP Paribas whose head office is in Paris, France. BNP Paribas Hong Kong Branch is registered as a Licensed Bank under the Banking Ordinance and regulated by the Hong Kong Monetary Authority. BNP Paribas Hong Kong Branch is also a Registered Institution regulated by the Securities and Futures Commission for the conduct of Regulated Activity Types 1, 4 and 6 under the Securities and Futures Ordinance.

Some or all the information reported in this document may already have been published on <https://globalmarkets.bnpparibas.com>

© BNP Paribas (2015). All rights reserved.

You can read and watch our analyses  
on Eco news, our iPad and Android application



<http://economic-research.bnpparibas.com>

© BNP Paribas (2015). All rights reserved.

Prepared by Economic Research – BNP PARIBAS  
Registered Office: 16 boulevard des Italiens – 75009 PARIS  
Tel : +33 (0) 1.42.98.12.34  
Internet : [www.group.bnpparibas.com](http://www.group.bnpparibas.com) - [www.economic-research.bnpparibas.com](http://www.economic-research.bnpparibas.com)

Publisher: Jean Lemierre  
Editor : William De Vijlder