

# ECOWEEK

N° 17-31 // 1<sup>st</sup> September 2017

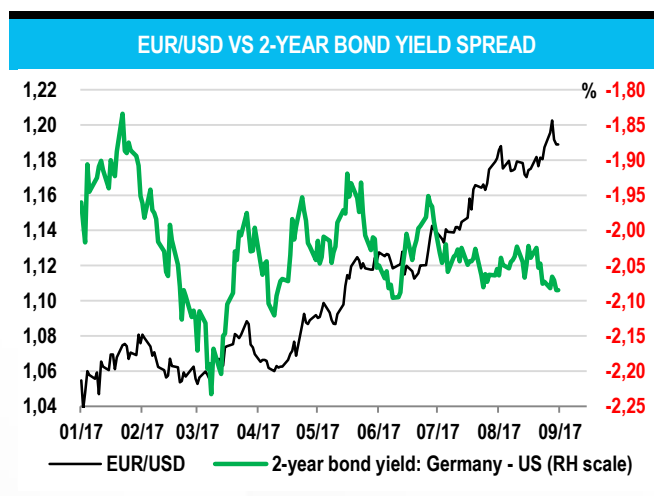
## After the words, time for action

■ The economic policy agenda for the remainder of the year is well-filled ■ The ECB will clarify its intention regarding its QE program ■ The Federal Reserve is expected to start reducing the size of its balance sheet ■ Eyes are also turned towards the US (tax cuts?), France and Germany

Recent indicators have confirmed the picture of robust growth in the Eurozone and a clearly satisfactory performance for the world economy as a whole. Visibility is good.

In such a situation the attention shifts to other factors. Geopolitical uncertainty (North Korea) has caused some market nervousness in recent weeks. Attention is also turning towards what will happen on the policy front: 'after the words, the action', or more appropriately with respect to monetary policy, 'after the silence, time for announcements'.

In the coming two months we will see a clarification by the ECB about its intentions with respect to QE in 2018 (we expect an extension but with a lower monthly volume) whereas in its September meeting the FOMC may very well decide to start reducing its balance sheet. The recent silence of the Fed and the ECB (Janet Yellen nor Mario Draghi said anything about the cyclical outlook for monetary policy in Jackson Hole last week) meant that markets had a free run, witness the strong upward trend of the euro. This occurred although the two-year yield differential hasn't really moved since mid-April. It would also mean that the sensitivity to news at the upcoming meetings could be all the bigger. Other areas of economic policy could also see new developments. In the US, the White House and the administration are keen to push through tax cuts. If these were to be introduced, they could influence the outlook for growth, bond yields, monetary policy, and the dollar. In Europe, investors will be looking at France (after the labour market reform announcement, other areas, of which the budget, will follow) but also Germany with an eye on the possible coalition to be formed after the elections of 24 September. This matters not only for domestic economic policy but also for the European and Eurozone level.



William De Vijlder

p. 2

Markets Overview

p. 3

Pulse

p. 4

Economic scenario

ECONOMIC RESEARCH DEPARTMENT

**Eco**  
**WEEK**



**BNP PARIBAS**

The bank  
for a changing  
world