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**ECONOMIC RESEARCH**



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EDITORIAL

FEDERAL RESERVE: ENHANCED CREDIBILITY

More FOMC members than before are projecting a rate hike in 2022 and Jerome Powell made it clear during his press conference that tapering would happen when circumstances would justify this. Yet, 10-year Treasury yields, after an initial increase, ended up trading below the pre-FOMC meeting level. Break-even inflation also declined. Bond investors seem to share the view of the Fed that the current elevated inflation will be a transient phenomenon. This also explains the decline in the price of gold. The negative reaction of equity markets reflects an increase in the required risk premium and shows a certain unease about the impact of a less accommodative monetary policy on the growth outlook.

When bringing unpleasant news to an audience, avoid creating a surprise. That was the lesson learnt by Ben Bernanke after having stated on 22 May 2013 that *“If we see continued improvement and we have confidence that that’s going to be sustained then we could in the next few meetings [...] take a step down in our pace of purchases”*, thereby triggering a jump in US treasury yields, a drop in equity markets and capital outflows hitting emerging markets.<sup>1</sup>

With this experience in mind, the communication of Federal Reserve officials in recent months has reiterated that any discussion about a change in policy would be flagged well in advance, in order to avoid market disruption when the decision would be announced. This had led to convoluted comments, along the lines of the FOMC members not yet having talked about when to start talking about scaling back the pace of asset purchases. In addition, forward guidance has insisted strongly on the outcome-based nature of the policy stance, with the decision dependent on the behaviour of inflation and unemployment.

Compared with Bernanke’s all in all cautious (*“take a step down”*) words, the comments of Jerome Powell during the press conference following the latest FOMC meeting were surprisingly blunt: *“we will*

*do what we can to avoid a market reaction. But ultimately, when we achieve our macroeconomic goal, we will taper as appropriate.”*<sup>2</sup> The direction of the market reaction was as expected, but the extent was small, in particular compared to what happened after Bernanke’s comments in 2013.

This time around, investors were fully aware that change in the Fed’s message had become increasingly likely. ‘Message’ refers to the survey of economic projections of the FOMC members (SEP), commonly called ‘the dots’. Since the previous SEP in March, both the US economic situation and outlook have improved significantly, so it was almost inevitable that the number of FOMC members expecting a rate hike would rise. This was confirmed by the new SEP with 7 out of 18 members projecting at least one hike in 2022 versus 4 previously (chart 1). To some degree, this slightly hawkish message reinforced the credibility of the FOMC, with seven of its members sending a signal that they will not shy away from tightening when circumstances require. This was also Powell’s line during the press conference. As a consequence, the Treasury curve flattened with the rise of the 5-year yield reflecting an anticipation of the first rate hike coming earlier than expected hitherto, whereas the more limited increase in the 10-year yield – followed by a decline – suggests the market considers that the cumulative tightening won’t need to be that important to bring inflation under control.

1. Fed chairman Bernanke made his comment in answering a lawmaker’s question during an appearance before Congress’ Joint Economic Committee. Source: Key events for the Fed in 2013: the year of the ‘taper tantrum’, Reuters, 2019. ‘Unpleasant’ is defined from a market perspective, considering that investors, on average, tend to react negatively to the prospect of a monetary tightening. It illustrates that what is good news for most people – the economy doing better – can be bad news for some.

2. Source: Federal Reserve, Transcript of Chair Powell’s Press Conference, 16 June 2021.

FOMC PARTICIPANTS’ ASSESSMENTS OF APPROPRIATE MONETARY POLICY: MIDPOINT OF TARGET RANGE OR TARGET LEVEL FOR THE FEDERAL FUNDS RATE

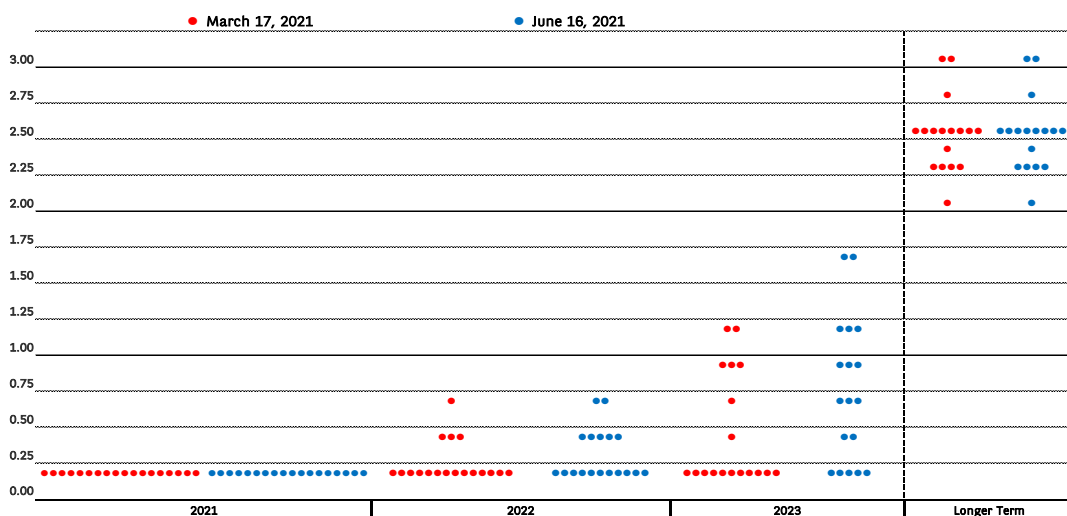


CHART 1

SOURCE: FEDERAL RESERVE, BNP PARIBAS



This is perhaps the most important conclusion from the latest FOMC meeting outcome: break-even inflation has declined, so bond investors seem to share the view of the Fed that the current elevated inflation will be a transient phenomenon and that a limited degree of tightening will be sufficient to keep inflation under control. This also explains the decline in the price of gold. Considering that 10-year yields are now trading below the pre-meeting level, the decline of equity markets

reflects an increase in the required risk premium, representative of a certain unease about the impact of a less accommodative monetary policy on the growth outlook. Another striking development has been the extent of the strengthening of the dollar versus the euro. This will be welcomed by the ECB as a stronger dollar eases financial conditions in the euro area.

**William De Vijlder**

**MARKET REACTION TO THE FOMC MEETING AND PRESS CONFERENCE**

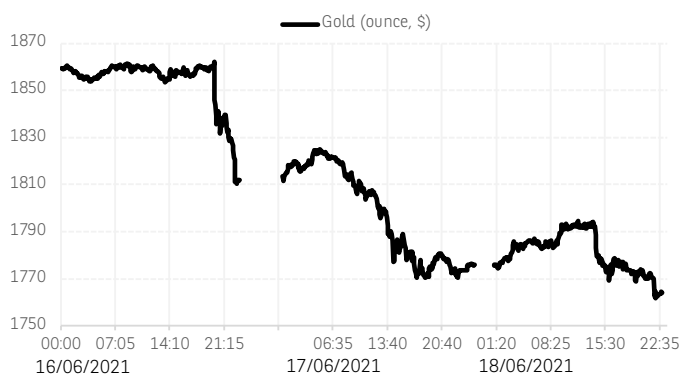
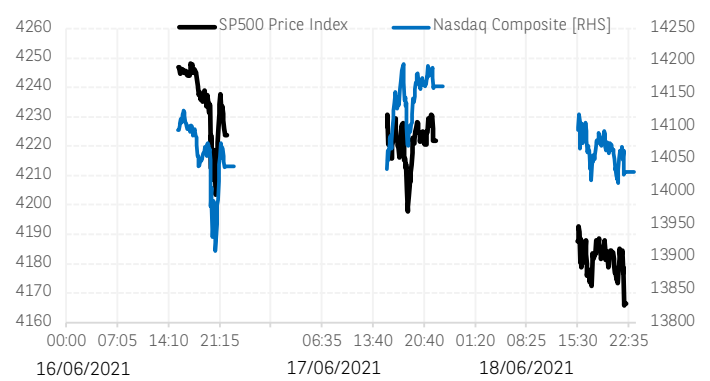
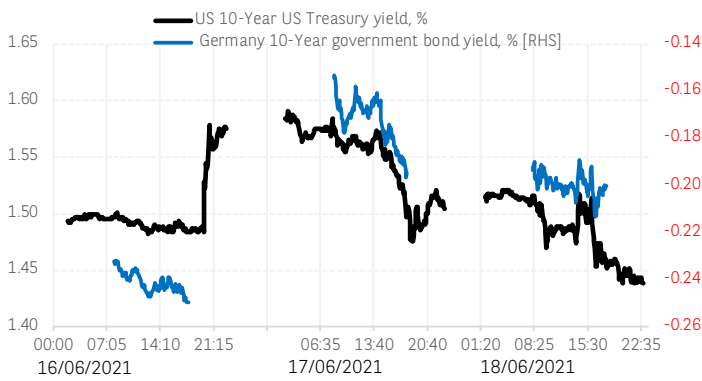
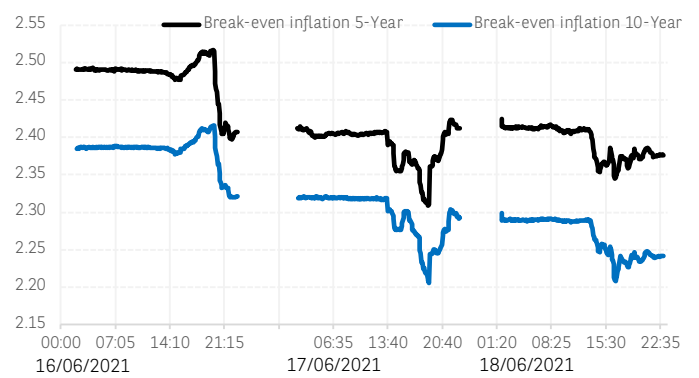
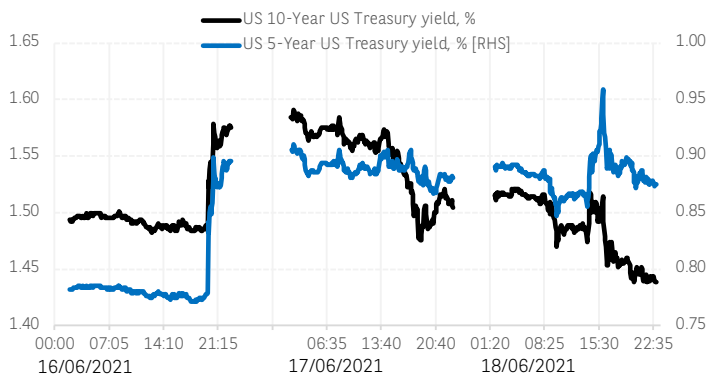


CHART 2

SOURCE: BLOOMBERG, BNP PARIBAS

# MARKETS OVERVIEW

## OVERVIEW

Week 11-6-21 to 18-6-21

▼ CAC 40	6 601	▶ 6 569	-0.5 %
▼ S&P 500	4 247	▶ 4 166	-1.9 %
↗ Volatility (VIX)	15.7	▶ 20.7	+5.1 pb
↗ Euribor 3M (%)	-0.55	▶ -0.54	+0.4 bp
↗ Libor \$ 3M (%)	0.12	▶ 0.13	+1.6 bp
↗ OAT 10y (%)	0.03	▶ 0.08	+5.4 bp
↗ Bund 10y (%)	-0.27	▶ -0.25	+1.7 bp
▼ US Tr. 10y (%)	1.46	▶ 1.45	-1.2 bp
▼ Euro vs dollar	1.21	▶ 1.19	-2.1 %
▼ Gold (ounce, \$)	1 882	▶ 1 776	-5.6 %
↗ Oil (Brent, \$)	72.9	▶ 73.2	+0.4 %

## MONEY & BOND MARKETS

Interest Rates	highest 21	lowest 21	Yield (%)	highest 21	lowest 21
€ ECB	0.00	0.00 at 01/01	€ AVG 5-7y	-0.18	-0.03 at 19/05
Eonia	-0.48	-0.47 at 26/01	Bund 2y	-0.66	-0.65 at 25/02
Euribor 3M	-0.54	-0.53 at 07/05	Bund 10y	-0.25	-0.11 at 20/05
Euribor 12M	-0.49	-0.47 at 20/04	OAT 10y	0.08	0.23 at 17/05
\$ FED	0.25	0.25 at 01/01	Corp. BBB	0.66	0.79 at 20/05
Libor 3M	0.13	0.24 at 13/01	Treas. 2y	0.25	0.25 at 18/06
Libor 12M	0.25	0.34 at 01/01	Treas. 10y	1.45	1.75 at 31/03
£ BoE	0.10	0.10 at 01/01	High Yield	4.57	4.87 at 09/03
Libor 3M	0.08	0.09 at 24/03	£ gilt. 2y	0.13	0.13 at 26/02
Libor 12M	0.17	0.17 at 17/06	£ gilt. 10y	0.79	0.93 at 13/05

At 18-6-21

## EXCHANGE RATES

1€ =	highest 21	lowest 21	2021
USD	1.19	1.23 at 06/01	1.17 at 30/03 -3.1%
GBP	0.86	0.91 at 06/01	0.85 at 05/04 -4.1%
CHF	1.09	1.11 at 04/03	1.08 at 18/01 +1.2%
JPY	130.70	133.97 at 28/05	125.22 at 18/01 +3.5%
AUD	1.58	1.60 at 04/01	1.53 at 18/03 -0.1%
CNY	7.64	8.00 at 01/01	7.64 at 18/06 -4.6%
BRL	5.97	6.95 at 03/03	5.97 at 18/06 -6.1%
RUB	86.04	92.47 at 20/04	86.04 at 18/06 -4.9%
INR	87.57	90.39 at 23/04	85.30 at 27/03 -2.1%

At 18-6-21

## COMMODITIES

Spot price, \$	highest 21	lowest 21	2021	2021(€)	
Oil, Brent	73.2	74.4 at 16/06	51.2 at 04/01	+41.0%	+45.5%
Gold (ounce)	1 776	1 947 at 05/01	1 682 at 08/03	-6.4%	-3.4%
Metals, LMEX	4 053	4 402 at 11/05	3 415 at 01/01	+18.7%	+22.5%
Copper (ton)	9 120	10 449 at 11/05	7 749 at 01/01	+17.7%	+21.5%
wheat (ton)	250	2.9 at 07/05	231 at 30/03	+1.2%	+4.4%
Corn (ton)	259	2.9 at 07/05	188 at 04/01	+3.7%	+41.8%

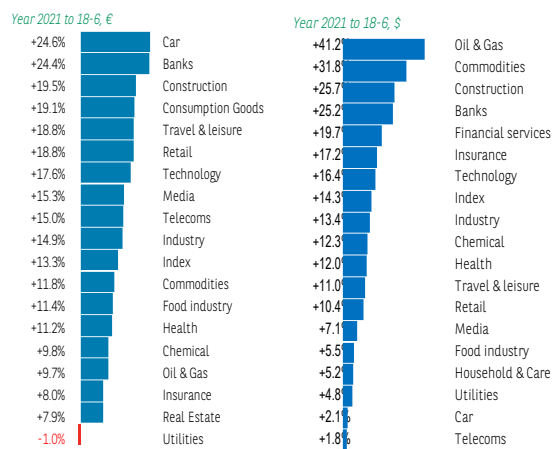
At 18-6-21

## EQUITY INDICES

Index	highest 21	lowest 21	2021
<b>World</b>			
MSCI World	2 954	3 020 at 14/06	2 662 at 29/01 +9.8%
<b>North America</b>			
S&P500	4 166	4 255 at 14/06	3 701 at 04/01 +10.9%
<b>Europe</b>			
EuroStoxx50	4 083	4 158 at 17/06	3 481 at 29/01 +14.9%
CAC 40	6 569	6 666 at 17/06	5 399 at 29/01 +1.8%
DAX 30	15 448	15 730 at 15/06	13 433 at 29/01 +12.6%
IBEX 35	9 031	9 281 at 14/06	7 758 at 29/01 +1.2%
FTSE100	7 017	7 185 at 16/06	6 407 at 29/01 +0.9%
<b>Asia</b>			
MSCI, loc.	1 138	1 150 at 15/06	1 044 at 06/01 +0.9%
Nikkei	28 964	30 468 at 16/02	27 056 at 06/01 +5.5%
<b>Emerging</b>			
MSCI Emerging (\$)	1 361	1 445 at 17/02	1 288 at 25/03 +0.5%
China	107	130 at 17/02	102 at 13/05 -1.1%
India	759	776 at 11/06	659 at 29/01 +13.6%
Brazil	2 039	2 071 at 07/06	1 561 at 09/03 +5.3%
Russia	781	799 at 14/06	647 at 01/02 +14.9%

At 18-6-21

## PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

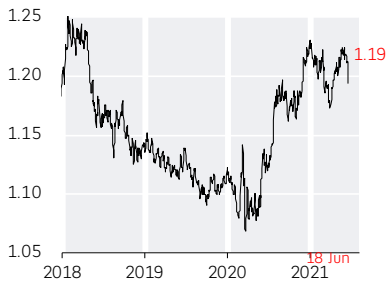


SOURCE: REFINITIV, BNP PARIBAS,

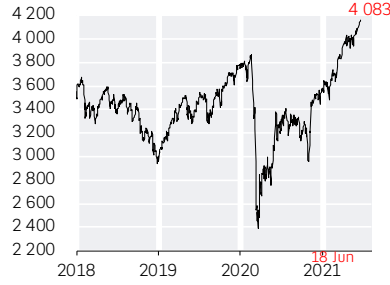


# MARKETS OVERVIEW

**EURO-DOLLAR**



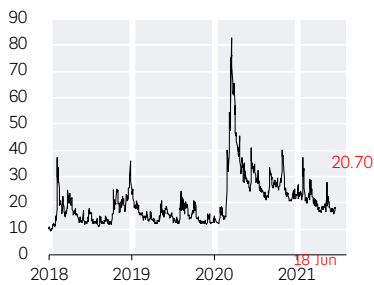
**EUROSTOXX50**



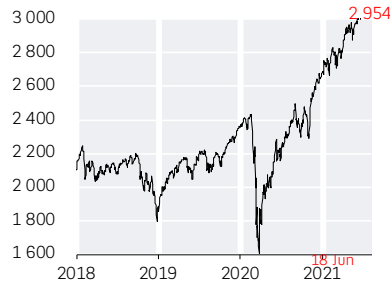
**S&P500**



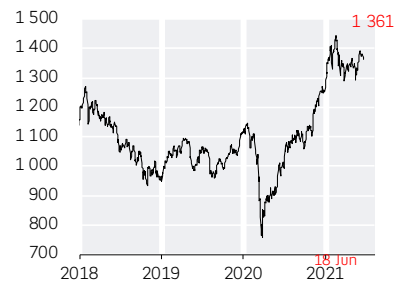
**VOLATILITY (VIX, S&P500)**



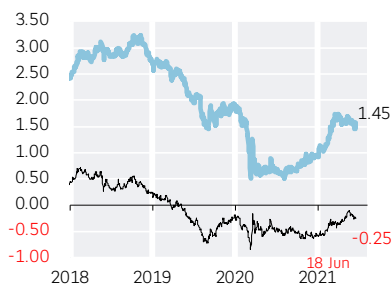
**MSCI WORLD (USD)**



**MSCI EMERGING (USD)**

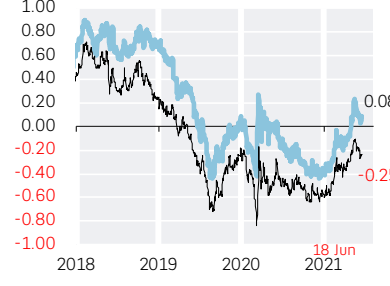


**10Y BOND YIELD, TREASURIES VS BUND**



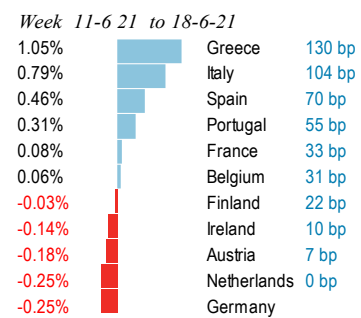
—Bunds —US Treasuries

**10Y BOND YIELD**

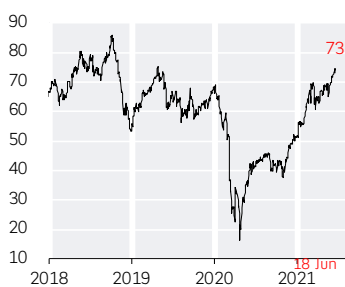


—Bunds —OAT

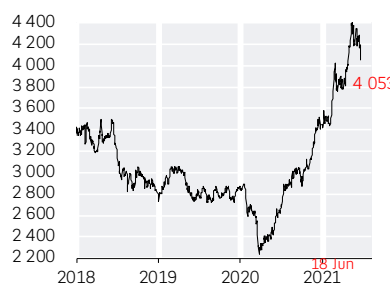
**10Y BOND YIELD & SPREADS**



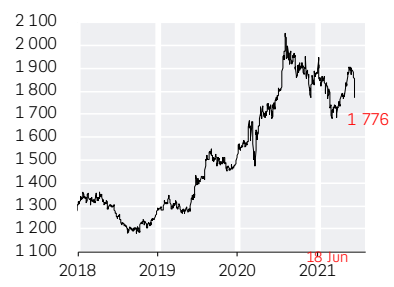
**OIL (BRENT, USD)**



**METALS (LMEX, USD)**



**GOLD (OUNCE, USD)**



SOURCE: REFINITIV, BNP PARIBAS



## ECONOMIC PULSE

6

## CHINA: ECONOMIC GROWTH RATES RETURNING TO NORMAL

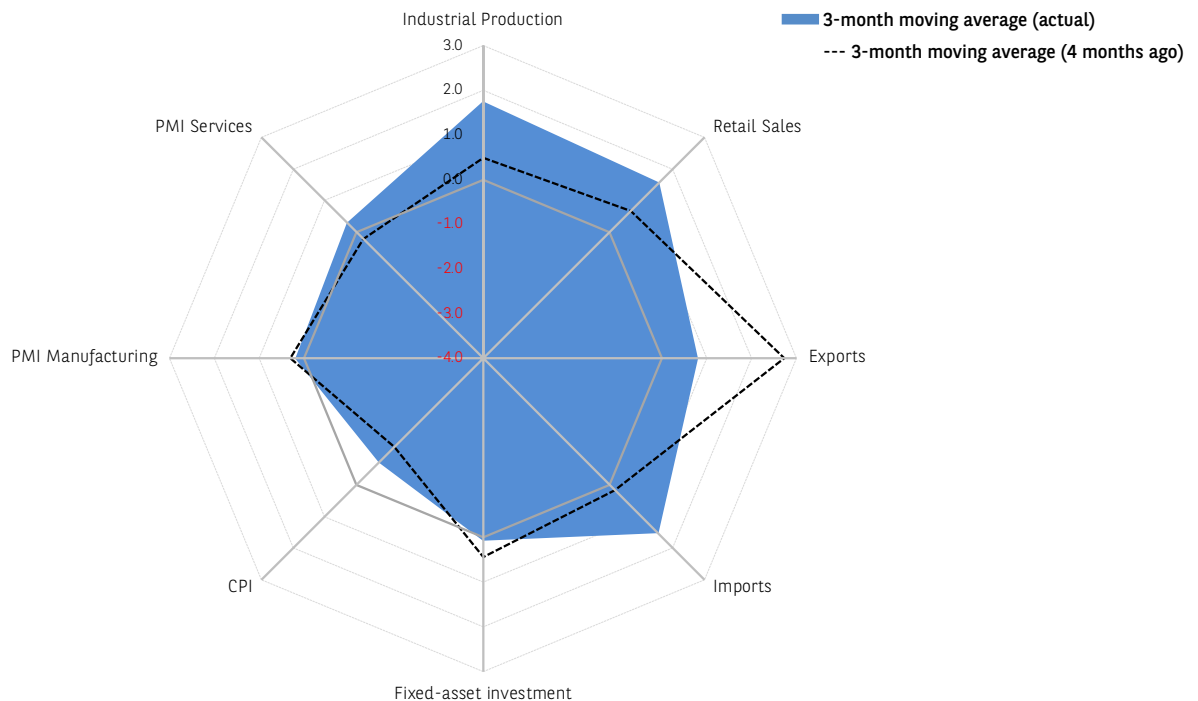
After a very strong post-Covid rebound, industrial production growth rates continue to normalize (+8.8% year-on-year in May). Export growth has also turned lower but is still very strong (+27.6% y/y in value terms). Meanwhile, recovery in the services sector and private consumption continues but remains much more fragile. Volumes of retail sales grew by 10.1% y/y in May, which was weaker than expected, in part due to a slight decline in automobile sales. Households, in particular low-income households, still prove to be very cautious despite the acceleration of the vaccination campaign and the improvement in job market conditions.

Consumer price inflation (CPI) has accelerated over the past 3 months (+1.3% y/y in May) after slowing throughout 2020 and in early 2021. Even so, CPI inflation is expected to remain moderate this year. The sharp increase in industrial commodity prices and the producer price index (+9% y/y in May) is the main factor driving inflationary pressures. Yet there is only a limited correlation between producer price inflation and consumer price inflation. Food price inflation (+0.3% y/y in May) is expected to remain mild over the next few months after soaring in H2 2019 and H1 2020. Moreover, core inflation has not risen much (+0.9%) and is expected to hold below pre-crisis levels in 2021 (it averaged 1.6% in 2019), held down by the fragile recovery in private demand and activity in the services sector.

Given the slightly less robust economic recovery, moderate pressures on consumer prices and appreciation of the RMB over the past year (by nearly 7% in nominal effective terms and 10% against the USD), the authorities are expected to continue tightening monetary policy very cautiously in the short term. As in recent months, key policy rates are expected to remain stable and domestic liquidity should hold at sufficient levels to avoid weakening corporates (which are heavily-indebted) and financial institutions (which are facing rising credit risks). In contrast, credit conditions should continue to be tightened mainly via regulatory and prudential measures, in order to contain domestic debt growth and combat financial-instability risks. Growth in total social financing already decelerated from 13.7% y/y in October 2020 to 11% in May 2021.

Christine Peltier

## CHINA: QUARTERLY CHANGES



SOURCE: NBS, BNP PARIBAS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +3. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.



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# ECONOMIC PULSE

## MOBILITY: RISING TREND CONTINUES AS PANDEMIC EASES

Between 8 and 14 June, the number of new Covid-19 cases worldwide continued to decline, dropping 9% from 2.9 million to 2.64 million. This marked the sixth consecutive week of falls. North America and Europe reported declines of 7.7% and 6% respectively, followed by Asia (excluding India) with 2% and South America with 1%. However, the number of new cases in Africa continued to rise, up 40% from 90,000 to 126,000 (Chart 1). On the vaccination front, more than 1.6 billion people around the world have now received at least one dose of a Covid-19 vaccine, or 21% of the global population. Several EU member states have moved past or are at least approaching the symbolic 50% threshold, with the share of the total EU population to have received at least one dose now at 45%. The United States, with a first-dose vaccination rate of 52%, moved past the 50% mark over a week ago (Chart 2).

As restrictions are eased and retail businesses reopen, the rising trend in the number of visits to retail and leisure facilities has continued in most developed economies. Belgium has seen a return to normal levels in recent days, with the 7-day rolling average now 2.1% above the benchmark, while other countries are edging closer to this milestone: US (-3.4%), Italy (-5.7%), France (-7.1%), Germany (-9.5%) and Spain (-13.4%). However, in the UK, visit numbers fell over the past week, from 7.7% to 13.4% below the benchmark. The country has delayed the final lifting of health protection measures by four weeks, in a bid to contain the spread of the Delta variant (Chart 3).

The weekly proxy for year-on-year GDP growth continued to weaken in most major advanced economies. This said, there have been noteworthy improvements in France and Germany recently, after a period on a declining trend. This indicator is produced by the OECD based on data from Google Trends for searches relating to consumption, labour markets, housing, industrial activity and uncertainty. It is worth keeping in mind that these figures may in part reflect base effects (Chart 3).

**Tarik Rharrab**

\* Google Mobility Reports show how visits and length of stay at different places change compared to a baseline. The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3-Feb 6, 2020. A figure of negative 30% indicates that traffic was down 30% compared to a baseline. The reports show trends over several weeks with the most recent data representing approximately 2-3 days ago—this is how long it takes to produce the reports. In order to smooth the series, we use a seven-day moving average of the raw data in the Google Mobility Reports. Source: Google.

**DAILY CONFIRMED COVID-19 CASES (7-DAY MOVING AVERAGE)**

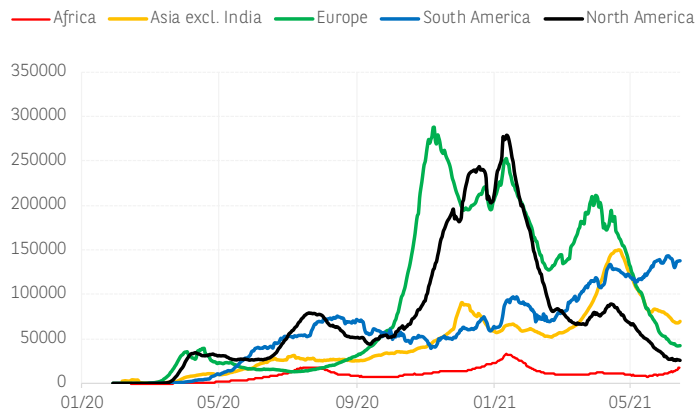


CHART 1

SOURCE: JOHNS-HOPKINS UNIVERSITY (06/15/2021), BNP PARIBAS

**SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE**

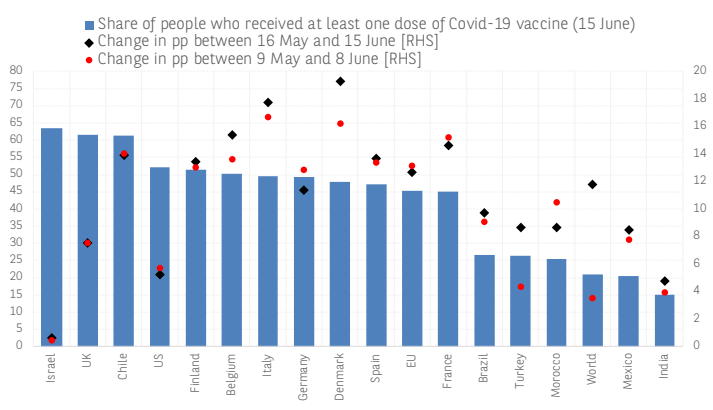


CHART 2

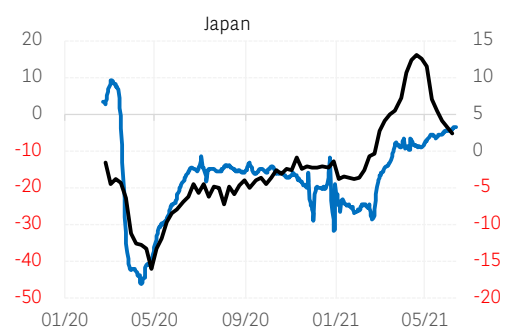
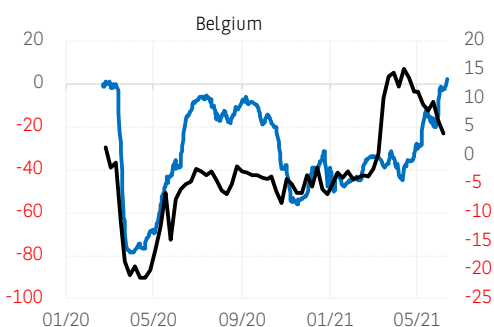
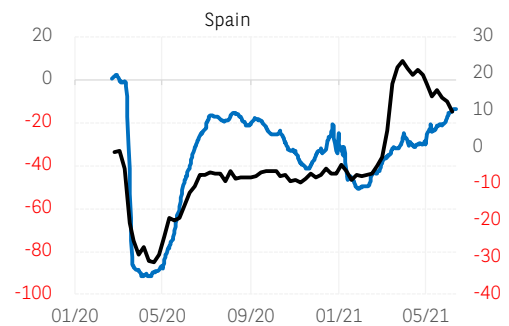
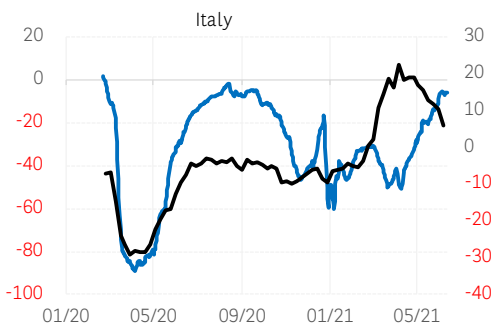
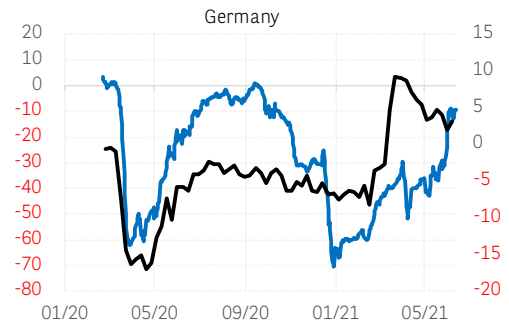
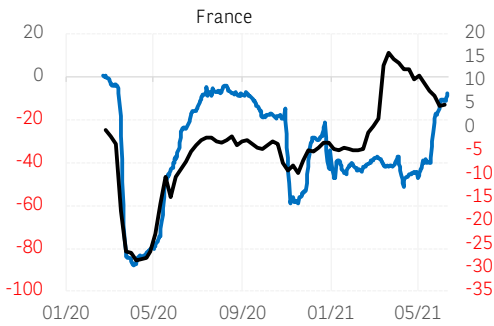
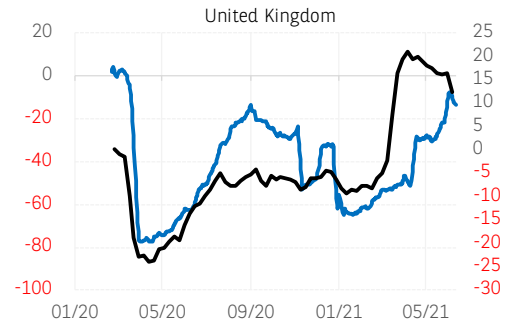
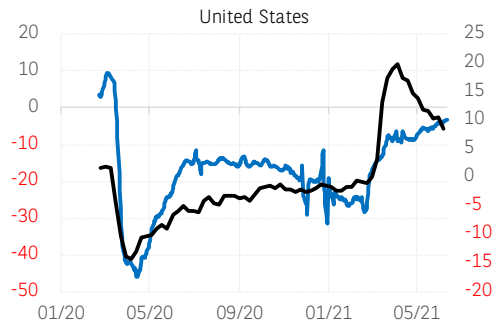
SOURCE: OUR WORLD IN DATA (06/16/2021), BNP PARIBAS



RETAIL AND RECREATION MOBILITY & OECD WEEKLY TRACKER

— Retail and recreation mobility (7-day moving average, % from baseline\*)

— OECD Weekly tracker, y/y GDP growth [RHS]



SOURCE: OECD (06/10/2021), GOOGLE (06/08/2021), BNP PARIBAS





# ECONOMIC SCENARIO

9

## UNITED STATES

Having limited the damage in 2020, the US economy is now recovering fast, driven by a vaccination campaign that is steaming ahead and raising hopes of collective immunity to Covid-19 being achieved at some point in the summer. The economy has also benefited from the exceptional fiscal stimulus package, which is twice the size of that put in place after the financial crisis of 2008. As a result, US GDP growth will be close to 7% in 2021, opening the way to a rapid return to pre-crisis levels. The employment deficit remains significant as a result of the pandemic, but this should steadily be absorbed, opening the way to a rapid fall in the unemployment rate, which is expected to drop below the 5% mark in the second half. Expected inflation has risen sharply and is unlikely to fall back, particularly as reported inflation is picking up. Over the coming months the latter is likely to run well above the 2% target set by the Federal Reserve, but this will not cause the central bank to deviate from its accommodating stance.

## CHINA

After plummeting in Q1 2020, economic activity has experienced a V-shaped rebound since Q2. Economic growth will stay strong in 2021, still supported by industrial production and exports. Manufacturing investment growth should accelerate in the short term while investment growth in infrastructure and real estate projects is expected to slow. The growth recovery in the services sector and in private consumption has started later and been slower, but it should gain momentum in 2021. The authorities are expected to reduce very gradually their fiscal policy support measures and continue the cautious credit policy tightening, which was initiated in Q4 2020 in order to stabilize domestic debt-to-GDP ratios and contain risks in the financial system.

## EUROZONE

After an historic recession in 2020 (-6.8%, annual average), the Eurozone economy should firmly rebound this year (+4.2%), especially from the H2. In 2022, the economic recovery would be still on track with an economic growth of +5%. Globally, Eurozone GDP could reach its pre-crisis level faster than we expected before, around the middle of 2022. The current resurgence in the pandemic across many Member states and new health restrictions keep weighing on the dynamics of the recovery and uncertainties remain at a significant level. Nevertheless, the expected acceleration of vaccines rollout is the brightest spot for the economy in the months ahead. Also, in this still tricky situation, the policy-mix will remain accommodative to support the recovery. The European central bank has already announced a higher pace of assets purchases, helping to maintain very favorable financing conditions in the Eurozone. Over the coming months, one of the most important issues to focus on will be to restore consumers' confidence. This constitutes an essential vector of a prompt and sustained recovery.

## FRANCE

Contrary to what the discovery of vaccines at the end of 2020 suggested, i.e. the end of the stop-and-go activity, at the beginning of 2021, due to the appearance of variants and the slowness of vaccination, we are still on a trajectory of crisis exit in fits and starts. The capacity of the economy to rebound and the possibility of a vigorous rebound are not, as such, called into question; it is the timing of the rebound that has been postponed. It is now expected in H2 2021, bolstered by the acceleration of the immunization and the support of the policy-mix. For 2021 as a whole, growth would average 6.1%. This is a rather optimistic forecast, half a point above the March 2021 consensus. In 2022, growth would remain strong (4.4%). According to our scenario, French GDP would exceed its pre-crisis level in Q1 2022. Inflation is also expected to pick up, driven by temporary factors (commodity prices) but also by the more lasting influence of supply (constrained) and demand (rising) and the reflationary efforts of monetary policy.

## RATES AND EXCHANGE RATES

In the US, policy will remain on hold for quite some time, considering that the FOMC wants inflation to move beyond 2% to make up for past below-target inflation. Its

outcome-dependent guidance is very clear: the current pace of asset purchases will be maintained 'until substantial further progress has been made' toward reaching its goals in terms of maximum employment and inflation and the FOMC will signal well in advance when the economy is on a path warranting a change in policy. Although it expects an increase in inflation later this year, it considers it will be transient and limited. Treasury yields should continue to move higher on the back of fiscal stimulus and the prospect of a strong acceleration of economic growth.

In the eurozone, the ECB will maintain its very accommodative stance centered around its asset purchases and forward guidance, with the objective to generate a pick-up in inflation. The pandemic emergency purchase programme (PEPP) is to last at least until the end of March 2022. Nevertheless, bond yields are expected to move higher based on the acceleration of euro area growth, the reduction in uncertainty and the spillover effect of higher US Treasury yields. This should also lead to a slight increase in sovereign spreads in the euro area. The Bank of Japan is expected to maintain its current policy stance including its yield curve control strategy although the range of the latter has recently been widened to +/- 25 bp around 0%. Within this range, JGB yields are expected to move higher, following the global trend. We expect the dollar to weaken slightly versus the euro. This is the result of conflicting forces: faster growth in the US than in the eurozone but narrow interest rate differentials at the short end of the curve and a dollar which at current levels is expensive compared to fair value. Concerning the yen, little change is expected versus the dollar whereas it is expected to weaken against the euro.

### GROWTH & INFLATION

%	GDP Growth				Inflation			
	2019	2020	2021 e	2022 e	2019	2020	2021 e	2022 e
United-States	2.2	-3.5	6.9	4.7	1.8	1.2	2.5	2.2
Japan	0.3	-4.8	3.0	2.3	0.5	0.0	-0.3	0.0
United-Kingdom	1.5	-10.2	6.1	6.0	1.8	0.9	1.4	2.1
Euro Area	1.3	-6.8	4.2	5.0	1.2	0.3	1.7	1.4
Germany	0.6	-5.3	3.0	4.8	1.4	0.4	2.1	1.5
France	1.5	-8.2	6.1	4.4	1.3	0.5	1.4	1.0
Italy	0.3	-8.9	5.0	3.9	0.6	-0.1	1.5	1.4
Spain	2.0	-10.8	5.9	5.6	0.8	-0.3	1.3	1.2
China	6.1	2.3	9.2	5.3	2.9	2.5	1.8	2.8
India*	4.2	-7.2	12.5	4.1	4.8	6.2	4.9	4.6
Brazil	1.1	-4.1	2.5	3.0	3.7	3.2	6.5	4.0
Russia	1.3	-4.5	4.0	3.0	4.3	3.4	5.1	4.0

SOURCE: BNP PARIBAS GROUP ECONOMIC RESEARCH (E: ESTIMATES & FORECASTS)  
\*FISCAL YEAR FROM 1<sup>ST</sup> APRIL OF YEAR N TO MARCH 31<sup>ST</sup> OF YEAR N+1

### INTEREST & EXCHANGE RATES

Interest rates, %		2021				2022e	
End of period		Q1	Q2e	Q3e	Q4e	2021e	2022e
US	Fed Funds (upper limit)	0.25	0.25	0.25	0.25	0.25	0.25
	T-Notes 10y	1.75	2.00	2.10	2.20	2.20	2.50
Ezone	Deposit rate	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
	Bund 10y	-0.33	-0.20	-0.10	0.20	0.20	0.20
	OAT 10y	-0.11	0.00	0.15	0.50	0.50	0.50
	BTP 10y	0.63	0.70	0.90	1.35	1.35	1.30
UK	BONO 10y	0.34	0.45	0.60	0.95	0.95	1.00
	Base rate	0.10	0.10	0.10	0.10	0.10	0.10
Japan	Gilts 10y	0.88	1.00	1.10	1.20	1.20	1.30
	BoJ Rate	-0.04	-0.10	-0.10	-0.10	-0.10	-0.10
	JGB 10y	0.09	0.12	0.18	0.23	0.23	0.28
Exchange Rates		2021				2022e	
End of period		Q1	Q2e	Q3e	Q4e	2021e	2022e
USD	EUR / USD	1.18	1.18	1.20	1.23	1.23	1.18
	USD / JPY	111	111	111	111	111	114
	GBP / USD	1.38	1.39	1.43	1.46	1.46	1.42
EUR	EUR / GBP	0.85	0.85	0.84	0.84	0.84	0.83
	EUR / JPY	130	131	133	137	137	135

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)



## CALENDAR

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## LATEST INDICATORS

The Banque de France industrial sentiment index was stable in May (the consensus had expected a slight improvement). In the UK, employment in the three months until April increased but less than anticipated. Core inflation in May came in well ahead of expectations. Production and demand data in China in May showed important year over year growth - the data are biased by last year's restrictions due to the pandemic - but less so than in April and also less than anticipated. The unemployment rate declined. In the US, May retail sales (control group) declined less than the previous month but slightly more than expected. Capacity utilisation on the other hand improved. Housing starts grew in May after their big decline in April. Building permits declined versus the previous months, much more than anticipated. The initial unemployment claims data were weak, showing an unexpected increase. The Bank of Japan extended the September deadline for its pandemic relief programme. It also created a surprise by unveiling a plan to boost funding in the fight against climate change. Finally, the message from the FOMC meeting sounded hawkish, with an increasing number of its members anticipating the first rate hike of this cycle in 2023.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
06/14/2021	France	Bank of France Ind. Sentiment	May	108.0	107.0	106.0
06/15/2021	United Kingdom	Employment Change 3M/3M	Apr	135k	113k	84k
06/15/2021	Germany	CPI EU Harmonized YoY	May	2.40%	2.40%	2.40%
06/15/2021	France	CPI EU Harmonized YoY	May	1.80%	1.80%	1.80%
06/15/2021	United States	Retail Sales Control Group	May	-0.50%	-0.70%	-0.40%
06/15/2021	United States	PPI Ex Food and Energy YoY	May	4.80%	4.80%	4.10%
06/15/2021	United States	Capacity Utilization	May	75.10%	75.20%	74.60%
06/15/2021	United States	NAHB Housing Market Index	Jun	83.0	81.0	83.0
06/16/2021	Japan	Core Machine Orders MoM	Apr	2.50%	0.60%	3.70%
06/16/2021	China	Retail Sales YoY	May	14.00%	12.40%	17.70%
06/16/2021	China	Industrial Production YoY	May	9.20%	8.80%	9.80%
06/16/2021	China	Fixed Assets Ex Rural YTD YoY	May	17.00%	15.40%	19.90%
06/16/2021	China	Property Investment YTD YoY	May	19.50%	18.30%	21.60%
06/16/2021	China	Surveyed Jobless Rate	May	5.10%	5.00%	5.10%
06/16/2021	United Kingdom	CPI Core YoY	May	1.50%	2.00%	1.30%
06/16/2021	United Kingdom	PPI Output NSA YoY	May	4.50%	4.60%	4.00%
06/16/2021	United Kingdom	PPI Input NSA YoY	May	10.60%	10.70%	10.00%
06/16/2021	United Kingdom	House Price Index YoY	Apr	12.20%	8.90%	9.90%
06/16/2021	Eurozone	Labour Costs YoY	1Q	--	1.50%	2.80%
06/16/2021	United States	Building Permits MoM	May	-0.20%	-3.00%	-1.30%
06/16/2021	United States	Housing Starts MoM	May	3.90%	3.60%	-12.10%
06/16/2021	United States	FOMC Rate Decision (Upper Bound)	Jun	0.25%	0.25%	0.25%
06/17/2021	China	New Home Prices MoM	May	--	0.52%	0.48%
06/17/2021	Eurozone	EU27 New Car Registrations	May	--	53.40%	218.60%
06/17/2021	Eurozone	CPI Core YoY	May	0.90%	1.00%	0.90%
06/17/2021	United States	Philadelphia Fed Business Outlook	Jun	31.0	30.7	31.5
06/17/2021	United States	Initial Jobless Claims	Jun	360k	412k	375k
06/18/2021	Japan	Natl CPI Ex Fresh Food YoY	May	0.00%	0.10%	-0.10%
06/18/2021	United Kingdom	Retail Sales Ex Auto Fuel MoM	May	1.40%	-2.10%	9.10%
06/18/2021	France	Wages QoQ	1Q	--	0.60%	0.50%
06/18/2021	Japan	BOJ Policy Balance Rate	Jun	-0.10%	-0.10%	-0.10%
06/18/2021	Japan	BOJ 10-Yr Yield Target	Jun	0.00%	0.00%	0.00%

SOURCE: BLOOMBERG



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# CALENDAR: THE WEEK AHEAD

## COMING INDICATORS

The focus this week will be on the flash PMI data in Japan, France, Germany, the euro area, the UK and the US. Following the rise in inflation, the outcome of the Bank of England monetary policy committee meeting will be eagerly awaited. Consumer confidence data will be published in the euro area, the UK, Germany and the US (University of Michigan). France will publish its business confidence index and in Germany the IFO will release its business climate index. The US will publish another update of first quarter growth as well as data for personal income and spending for the month of May. Finally, the ECB will publish its Economic Bulletin.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
06/22/2021	Japan	Nationwide Dept Sales YoY	May	--	167.00%
06/22/2021	Japan	Machine Tool Orders YoY	May	--	140.70%
06/22/2021	United Kingdom	CBI Trends Total Orders	Jun	--	17
06/22/2021	United Kingdom	CBI Trends Selling Prices	Jun	--	38
06/22/2021	Eurozone	Consumer Confidence	Jun	--	-5.1
06/23/2021	Japan	Jibun Bank Japan PMI Mfg	Jun	--	53
06/23/2021	Japan	Jibun Bank Japan PMI Services	Jun	--	46.5
06/23/2021	Japan	Jibun Bank Japan PMI Composite	Jun	--	48.8
06/23/2021	France	Markit France Manufacturing PMI	Jun	--	59.4
06/23/2021	France	Markit France Services PMI	Jun	--	56.6
06/23/2021	France	Markit France Composite PMI	Jun	--	57
06/23/2021	Germany	Markit/BME Germany Manufacturing PMI	Jun	64.2	64.4
06/23/2021	Germany	Markit Germany Services PMI	Jun	55	52.8
06/23/2021	Germany	Markit/BME Germany Composite PMI	Jun	--	56.2
06/23/2021	Eurozone	Markit Eurozone Manufacturing PMI	Jun	--	63.1
06/23/2021	Eurozone	Markit Eurozone Services PMI	Jun	--	55.2
06/23/2021	Eurozone	Markit Eurozone Composite PMI	Jun	--	57.1
06/23/2021	United Kingdom	Markit UK PMI Manufacturing SA	Jun	--	65.6
06/23/2021	United Kingdom	Markit/CIPS UK Services PMI	Jun	--	62.9
06/23/2021	United Kingdom	Markit/CIPS UK Composite PMI	Jun	--	62.9
06/23/2021	United States	Markit US Manufacturing PMI	Jun	61.5	62.1
06/23/2021	United States	Markit US Services PMI	Jun	69.8	70.4
06/23/2021	United States	Markit US Composite PMI	Jun	--	68.7
06/24/2021	France	Business Confidence	Jun	--	108

SOURCE: BLOOMBERG



DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
06/24/2021	Eurozone	ECB Publishes Economic Bulletin			
06/24/2021	Germany	IFO Expectations	Jun	--	102.9
06/24/2021	Germany	IFO Current Assessment	Jun	--	95.7
06/24/2021	Germany	IFO Business Climate	Jun	100	99.2
06/24/2021	United Kingdom	Bank of England Bank Rate	Jun	--	0.10%
06/24/2021	United States	Cap Goods Orders Nondef Ex Air	May	--	2.20%
06/24/2021	United States	GDP Annualized QoQ	1Q	6.40%	6.40%
06/24/2021	United States	Initial Jobless Claims	Jun	--	--
06/25/2021	United Kingdom	GfK Consumer Confidence	Jun	--	-9
06/25/2021	Japan	Tokyo CPI Ex-Fresh Food, Energy YoY	Jun	0.00%	-0.10%
06/25/2021	Germany	GfK Consumer Confidence	Jul	-2	-7
06/25/2021	United States	Personal Income	May	-2.90%	-13.10%
06/25/2021	United States	Personal Spending	May	0.30%	0.50%
06/25/2021	United States	PCE Core Deflator MoM	May	0.60%	0.70%
06/25/2021	United States	PCE Core Deflator YoY	May	--	3.10%
06/25/2021	United States	U. of Mich. Sentiment	Jun	86.8	86.4
06/25/2021	United States	U. of Mich. Current Conditions	Jun	--	90.6
06/25/2021	United States	U. of Mich. Expectations	Jun	--	83.8
06/25/2021	United States	U. of Mich. 1 Yr Inflation	Jun	--	4.00%
06/25/2021	United States	U. of Mich. 5-10 Yr Inflation	Jun	--	2.80%

SOURCE: BLOOMBERG



## FURTHER READING

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<a href="#">France: economy has the wind of optimism in its sails</a>	EcoTVWeek	18 June 2021
<a href="#">Growth bounces back in Chile</a>	Chart of the Week	16 June 2021
<a href="#">Global : Inflation higher for longer? The interplay between productivity, profit margins and pricing power</a>	EcoWeek	14 June 2021
<a href="#">June 2021 issue</a>	EcoTV	10 June 2021
<a href="#">France: a majority of State-Guaranteed Loans to SMEs were taken on a precautionary basis</a>	Chart of the Week	9 June 2021
<a href="#">Eurozone: The ECB: under pressure</a>	EcoWeek	7 June 2021
<a href="#">Spain: Loans increased in 2020 for the first time since 2008</a>	EcoTVWeek	4 June 2021
<a href="#">Sweden: poised for a very strong rebound in GDP growth</a>	Chart of the Week	2 June 2021
<a href="#">European Union: Southern Europe: IFRS 9 put to the test by the Covid-19 pandemic</a>	Conjoncture	2 June 2021
<a href="#">Eurozone: Too pessimistic about the pandemic's economic impact?</a>	EcoFlash	1 June 2021
<a href="#">Central bank inflation forecasts: 'Trust us, we know better'</a>	EcoWeek	31 May 2021
<a href="#">Eurozone: a potential for a positive surprise in the labour market</a>	EcoTVWeek	28 May 2021
<a href="#">Chinese bond market: the participation of foreign investors</a>	Chart of the Week	26 May 2021
<a href="#">Supply bottlenecks and the inflation outlook</a>	EcoWeek	25 May 2021
<a href="#">Global : International trade: world trade in goods reaches new heights</a>	EcoFlash	21 May 2021
<a href="#">France: start of the recovery and crisis exit strategy</a>	EcoTVWeek	21 May 2021
<a href="#">France: ECB rate has less of an impact on the remuneration of NFC sight accounts</a>	Chart of the Week	19 May 2021
<a href="#">Global : Serendipity lost? Working from home and innovation</a>	EcoWeek	17 May 2021
<a href="#">EcoTV - May 2021 issue</a>	EcoTV	12 May 2021
<a href="#">Recovery in France: slowed before it started?</a>	Chart of the Week	12 May 2021



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