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ECONOMIC RESEARCH



BNP PARIBAS

The bank
for a changing
world

US INFLATION: INCREASING DISCOMFORT

Annual inflation has reached 5.3% in the US in June. Its drivers are still very concentrated but there is concern that they will spread. Anecdotal evidence is accumulating that price pressures faced by companies are increasing. Price pressures as reported in the ISM survey send the same signal. Historically, they have been highly correlated with producer price inflation and consumer price inflation but the transmission depends on factors such as pricing power, competitive position, labour market bottlenecks, etc. The next several months will be crucial for the Federal Reserve and for financial markets, considering the Fed's conviction that the inflation increase should be temporary. The bond market has bought into this view thus far but, going forward, its sensitivity to upside surprises to inflation should be higher than normal.

Forming an opinion solely based on anecdotal evidence may be risky but judging by recent comments from companies, something seems to be happening in terms of inflation. The CEO of car manufacturer Stellantis sees "inflation coming from many different areas."¹ The CEO of consumer goods company Unilever was quoted by the Financial Times saying that the company is "facing its fiercest inflationary pressures in a decade as the cost of raw materials, packaging and transport soars."² Restaurant chain Chipotle Mexican Grill has warned that "higher beef and freight costs will offset the benefit of menu price hikes in the near term."³ These quotes confirm the signal from the purchasing managers' indices, which, for several months already and in most countries, show elevated price pressures – both input and output prices – and lengthening delivery lags. The issue is of particular importance in the US, given its potential impact on Federal Reserve policy, which in turn could have global repercussions. The latest Beige Book – which has been prepared ahead of the FOMC meeting on 27-28 July – reported above-average pay increases for low-wage earners, broad-based pricing pressures as well as above-average price increases. In June, annual consumer price inflation reached 5.3% but the drivers are still very concentrated. Close to 80% is explained by the cost of motor fuel, used cars and trucks, shelter, transportation services, food away from home and new vehicles (chart 1). It shows the influence of the unleashing of pent-up demand and supply bottlenecks. It explains why the Federal Reserve considers the inflation increase to be temporary: demand growth should slow and supply should increase.

Assessing the possible dynamics of inflation is a challenge because so many factors are at play. Consumer prices concern products and services at the end of a sometimes long supply chain. How quickly and how much will a price impulse observed upstream be transmitted into price developments midstream – the producer price index (PPI) – and downstream, at the level of the CPI? For a qualitative assessment of this transmission, it is useful to start from the PPI. The change in this index corresponds to the sum of changes in profit margins per unit of production, unit labour costs, taxes minus subsidies and intermediate inputs. The elevated level of the ISM-based price pressure indicator – the average of the prices paid component and the length of the delivery lags – suggests that intermediate input price inflation is

likely to remain high for some time. This is also the message from the Beige Book: "while some contacts felt that pricing pressures were transitory, the majority expected further increases in input costs and selling prices in the coming months." Historically, quite a close relationship can be observed between the price pressure indicator and producer price inflation (chart 2). The evolution of unit labour costs depends on factors like inflation expectations, labour market tightness – reflected in attractive job opportunities – and negotiation power as well as productivity. According to the Beige Book, wages are, on average, increasing at a moderate pace but the low-wage workers are benefitting from above-average increases. In some parts of the country staff turnover is higher than normal. Eventually, this may eat into profit margins, unless companies feel comfortable about raising prices. Reports on certain companies point in that direction, but according to

CONTRIBUTIONS TO US ANNUAL INFLATION (CPI, JUNE 2021)

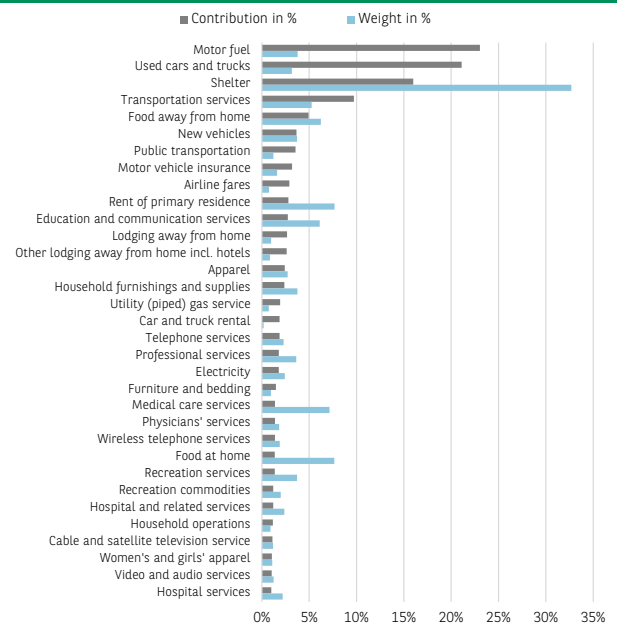


CHART 1

SOURCE: BLS, BNP PARIBAS

In the US, price pressures are intensifying but the bond market has bought into the Fed's view that the inflation increase should be temporary. Against this background, the sensitivity of bond yields to upside surprises to inflation should be higher than normal.

the Beige Book pricing power is mixed. The quarterly CFO survey of Duke University and the Federal Reserve of Richmond shows that most companies pass through to their customers part of their cost increases but the percentages differ greatly (chart 3). This is partly related to their market power and price adaptation strategies.

Moving from the PPI to the CPI, one should be aware of the many differences between the two indices. The former concerns domestic production whereas the latter reflects the cost of the consumer basket and includes imported final goods. In addition, distribution costs and profits margins at the wholesale and retail level are part of the CPI. These and other differences such as menu costs explain why the cyclical amplitude of consumer prices is smaller than for producer prices, although the correlation is quite high (chart 4). Given the relationships between the price pressure indicator and producer price inflation and between the latter and consumer price inflation, what do price pressures tell us about the CPI? A simple regression shows that, although the relationship is statistically significant, it only tells (a small) part of the story⁴. With this caveat in mind, chart 5

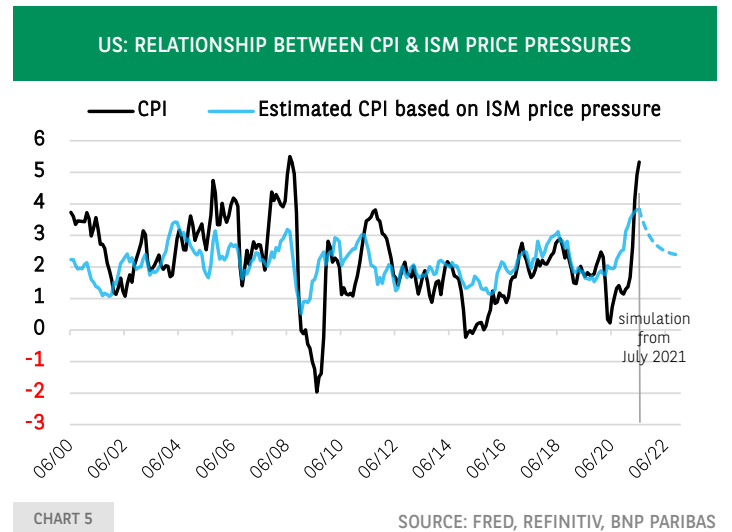
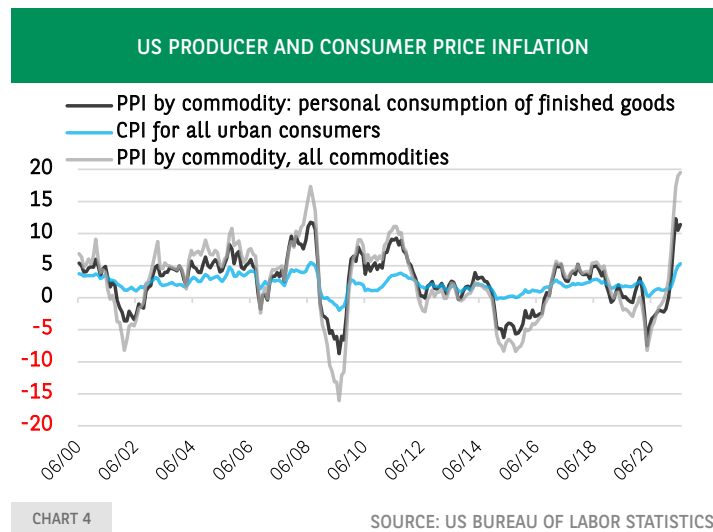
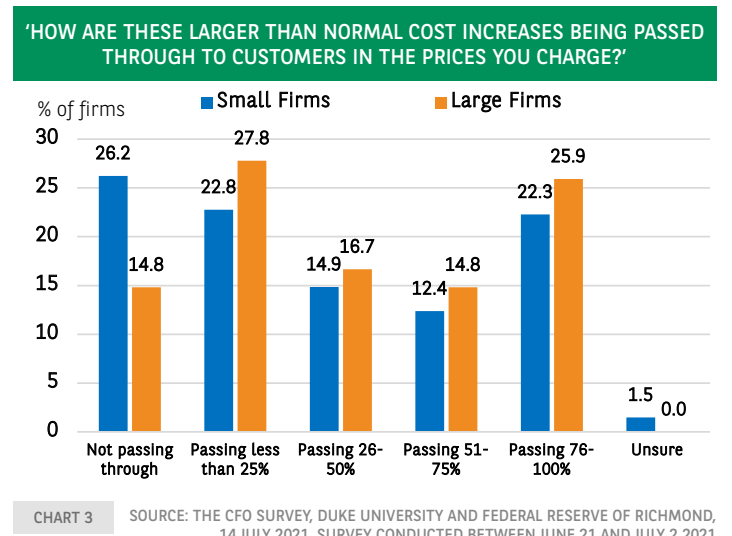
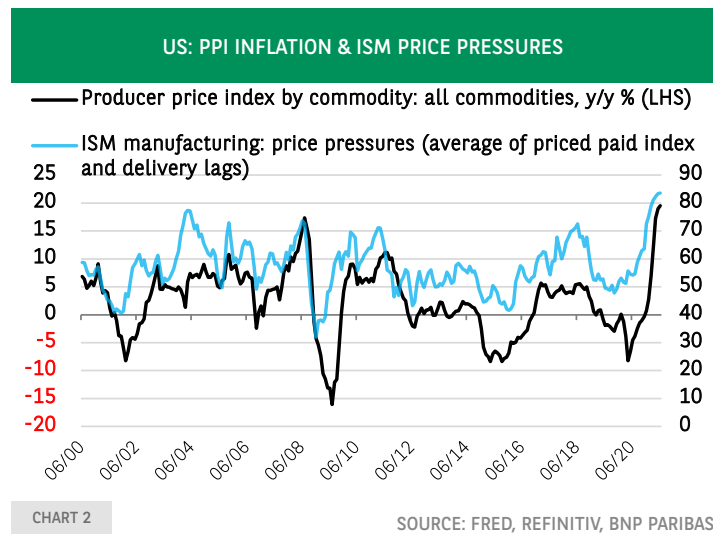
provides a back of the envelope simulation of a scenario where the ISM price pressures would drop to 60 at the end of 2022⁵. This would bring consumer price inflation back to 2.4%.

To conclude, US inflation has increased significantly from 2.3% before the Covid-19 crisis to 5.3% by June 2021, and business surveys show that companies expect further increases in input prices. This reflects imbalances between supply and demand, but, based on surveys about pricing intentions, there is a concern that this could spill over to other sectors. Wage growth -another potentially important driver of price pressures- is higher than normal for low-wage jobs but not for the economy as a whole. All this implies that the next several months will be crucial for the Federal Reserve and for financial markets, considering the Fed's conviction thus far that the inflation increase should be temporary. The bond market has bought into this view, but it implies that, should the assessment change, the reaction could be abrupt. In such an environment, the sensitivity of bond yields to upside surprises to inflation should be higher than normal.

William De Vijlder

4. The R² is 0.22 and the t-statistic 8.4.

5. The average since January 2000 is 57.2.



MARKETS OVERVIEW

OVERVIEW

Week 16-7-21 to 23-7-21

➤ CAC 40	6 460	▶ 6 569	+1.7 %
➤ S&P 500	4 327	▶ 4 412	+2.0 %
➤ Volatility (VIX)	18.5	▶ 17.2	-1.3 pb
➤ Euribor 3M (%)	-0.55	▶ -0.54	+0.4 bp
➤ Libor \$ 3M (%)	0.13	▶ 0.13	-0.9 bp
➤ OAT 10y (%)	-0.08	▶ -0.14	-6.7 bp
➤ Bund 10y (%)	-0.40	▶ -0.46	-6.2 bp
➤ US Tr. 10y (%)	1.30	▶ 1.28	-1.4 pb
➤ Euro vs dollar	1.18	▶ 1.18	-0.4 %
➤ Gold (ounce, \$)	1 813	▶ 1 799	-0.8 %
➤ Oil (Brent, \$)	73.7	▶ 74.2	+0.8 %

MONEY & BOND MARKETS

Interest Rates		highest 21	lowest 21	Yield (%)	highest 21	lowest 21
€ ECB	0.00	0.00 at 01/01	0.00 at 01/01	€ AVG 5-7y	-0.35	-0.03 at 19/05
Eonia	-0.48	-0.47 at 26/01	-0.50 at 01/01	Bund 2y	-0.73	-0.64 at 23/06
Euribor 3M	-0.54	-0.53 at 07/05	-0.56 at 06/01	Bund 10y	-0.46	-0.11 at 20/05
Euribor 12M	-0.49	-0.47 at 20/04	-0.52 at 02/02	OAT 10y	-0.14	0.23 at 17/05
\$ FED	0.25	0.25 at 01/01	0.25 at 01/01	Corp. BBB	0.50	0.79 at 20/05
Libor 3M	0.13	0.24 at 13/01	0.12 at 14/06	\$ Treas. 2y	0.20	0.26 at 01/07
Libor 12M	0.24	0.34 at 01/01	0.23 at 15/06	Treas. 10y	1.28	1.75 at 31/03
£ BoE	0.10	0.10 at 01/01	0.10 at 01/01	High Yield	4.61	4.87 at 09/03
Libor 3M	0.07	0.09 at 24/03	0.03 at 01/01	€ gilt. 2y	0.08	0.15 at 15/07
Libor 12M	0.19	0.20 at 19/07	0.07 at 11/01	gilt. 10y	0.61	0.93 at 13/05

At 23-7-21

EXCHANGE RATES

1€ =	highest 21	lowest 21	2021	
USD	1.18	1.23 at 06/01	1.17 at 30/03	-3.9%
GBP	0.86	0.91 at 06/01	0.85 at 05/04	-4.4%
CHF	1.08	1.11 at 04/03	1.08 at 18/01	+0.1%
JPY	130.05	133.97 at 28/05	125.22 at 18/01	+2.9%
AUD	1.60	1.61 at 19/07	1.53 at 18/03	+0.8%
CNY	7.62	8.00 at 01/01	7.62 at 23/07	-4.8%
BRL	6.08	6.95 at 03/03	5.88 at 24/06	-4.4%
RUB	86.70	92.47 at 20/04	86.04 at 18/06	-4.2%
INR	87.51	90.39 at 23/04	85.30 at 27/03	-2.1%

At 23-7-21 Change

COMMODITIES

Spot price, \$	highest 21	lowest 21	2021	2021(€)	
Oil, Brent	74.2	77.2 at 05/07	51.2 at 04/01	+43.1%	+48.8%
Gold (ounce)	1 799	1 947 at 05/01	1 682 at 08/03	-5.2%	-1.4%
Metals, LME	4 225	4 402 at 11/05	3 415 at 01/01	+23.7%	+28.7%
Copper (ton)	9 495	10 449 at 11/05	7 749 at 01/01	+22.5%	+27.5%
wheat (ton)	247	2.9 at 07/05	224 at 09/07	-0.3%	+3.7%
Corn (ton)	246	2.9 at 07/05	188 at 04/01	+3.1%	+36.0%

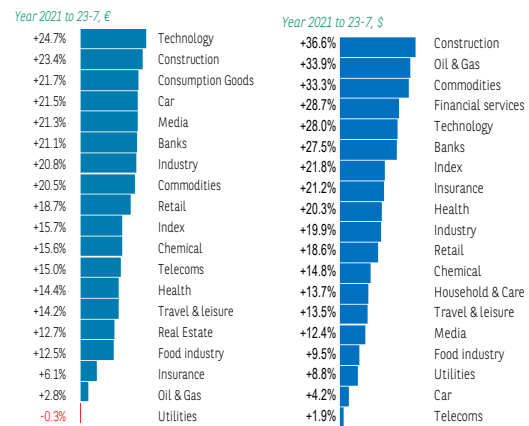
At 23-7-21 Change

EQUITY INDICES

Index	highest 21	lowest 21	2021	
World				
MSCI World	3 072	3 072 at 23/07	2 662 at 29/01	+14.2%
North America				
S&P500	4 412	4 412 at 23/07	3 701 at 04/01	+17.5%
Europe				
EuroStoxx50	4 109	4 158 at 17/06	3 481 at 29/01	+15.7%
CAC 40	6 569	6 666 at 17/06	5 399 at 29/01	+1.8%
DAX 30	15 669	15 791 at 12/07	13 433 at 29/01	+14.2%
IBEX 35	8 717	9 281 at 14/06	7 758 at 29/01	+0.8%
FTSE100	7 028	7 185 at 16/06	6 407 at 29/01	+0.9%
Asia				
MSCI, loc.	1 120	1 150 at 15/06	1 044 at 06/01	+0.7%
Nikkei	27 548	30 468 at 16/02	27 056 at 06/01	+0.4%
Emerging				
MSCI Emerging (\$)	1 311	1 445 at 17/02	1 288 at 25/03	+0.2%
China	100	130 at 17/02	100 at 23/07	-7.5%
India	764	776 at 11/06	659 at 29/01	+15.2%
Brazil	1 942	2 098 at 24/06	1 561 at 09/03	+2.9%
Russia	756	799 at 14/06	647 at 01/02	+12.7%

At 23-7-21 Change

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

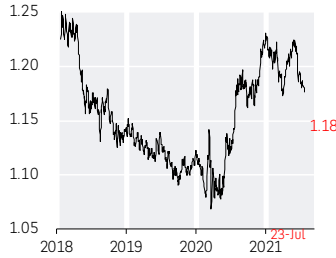


SOURCE: REFINITIV, BNP PARIBAS,

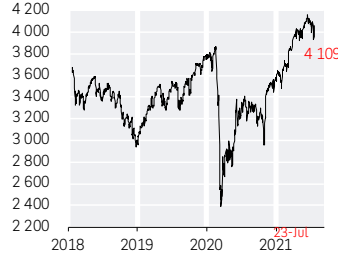


MARKETS OVERVIEW

EURO-DOLLAR



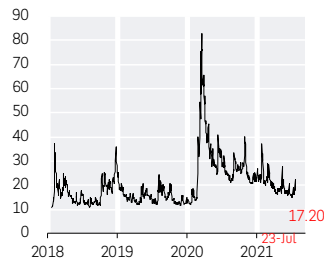
EUROSTOXX50



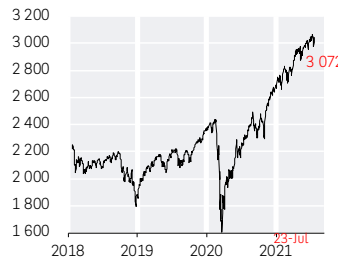
S&P500



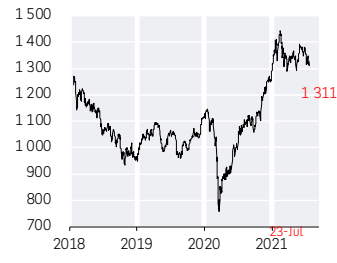
VOLATILITY (VIX, S&P500)



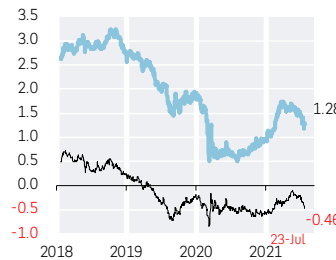
MSCI WORLD (USD)



MSCI EMERGING (USD)

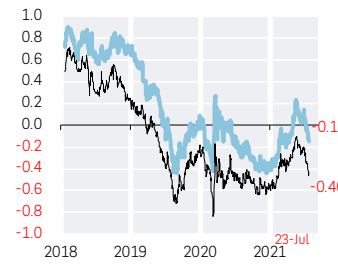


10Y BOND YIELD, TREASURIES VS BUND



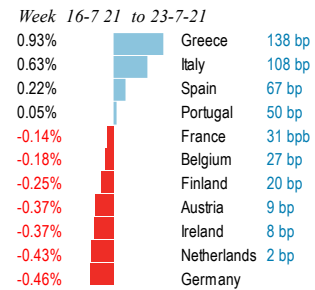
-Bunds -US Treasuries

10Y BOND YIELD

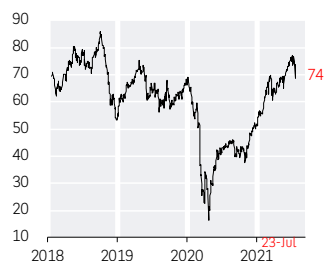


-Bunds -OAT

10Y BOND YIELD & SPREADS



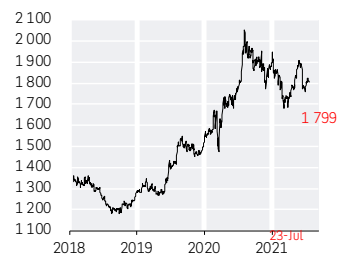
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS



ECONOMIC PULSE

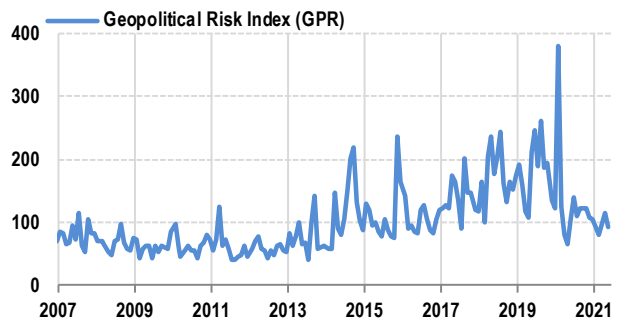
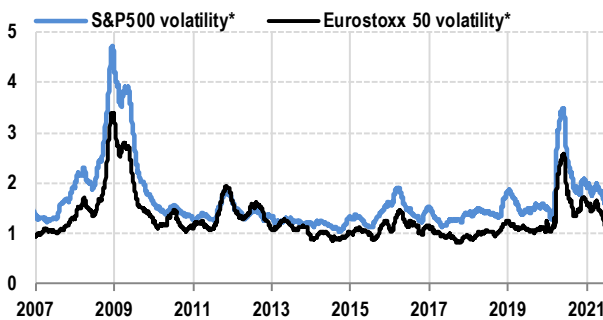
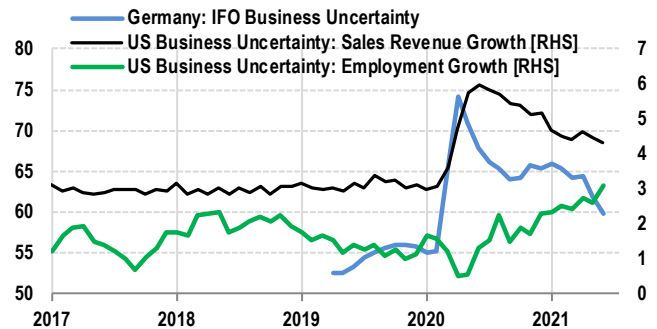
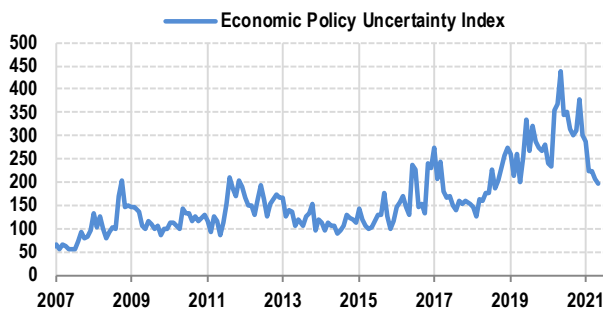
UNCERTAINTY CONTINUES ITS DECLINE, BUT FOR HOW LONG?

Our different uncertainty gauges are complementary, in terms of scope or methodology, yet, based on the latest readings, all but one show an ongoing decline in uncertainty. It reflects the combination of the vaccination campaigns, the lifting of restrictions and good economic data. An improvement in business and household sentiment – which has been visible in many countries – is associated with a reduction in uncertainty. It is to be feared that with the rapid spreading of the Delta variant, uncertainty will increase again and this could act as an additional headwind to growth.

Starting top left and following clockwise, economic policy uncertainty based on media coverage continues its decline. Uncertainty based on business surveys has seen a big drop in Germany. In the US, uncertainty with respect to sales growth has declined but uncertainty about employment growth has increased. This probably reflects the difficulties faced by many companies in finding staff. Geopolitical risk – based on media coverage – has declined since the start of the year, although it is very volatile. Finally, the cross-sectional standard deviation of daily stock market returns of individual companies – a measure of financial uncertainty – has declined in the US and the Eurozone.

William De Vijlder

CHANGES IN UNCERTAINTY



* volatility = 60-day moving average of the cross-sectional standard deviation of daily returns of the index constituents

SOURCE: REFINITIV, ECONOMIC POLICY UNCERTAINTY, IFO, ATLANTA FED, BNP PARIBAS



ECONOMIC PULSE

INTERNATIONAL TRADE: TOWARDS PEAK GROWTH IN TRADE?

Although the momentum remains strong, world trade volumes could begin to taper off this summer, judging by the results of recent opinion surveys. The global PMI index declined 2 points to 56.6 in June, pulled down by the drop in the manufacturing “new export orders” component. At the national level, new export orders of Taiwan (June) and South Korea (May) – which are reliable indicators to assess the strength of global demand – have declined somewhat in recent months, although they are still holding at historically high levels.

The exports volume data provided by CPB¹ are somewhat lagging – the latest available figures are for the month of May – but also show a loss of momentum. The volume of world trade (exports and imports combined) slipped by 0.3% m/m after a solid rise in the beginning of the year (+4.8% during the first four months of 2021). In May, exports fell in China (-3.7%) and in the United States (-1.9%), but rose in the Eurozone (+1.9%) and in the UK (+7.8%). With regards to trade negotiations, on 19 July, the UK launched an 8-week consultation on the Developing Countries Trading Scheme, which ultimately aims to reduce trade and non-trade barriers with nearly 70 developing countries.

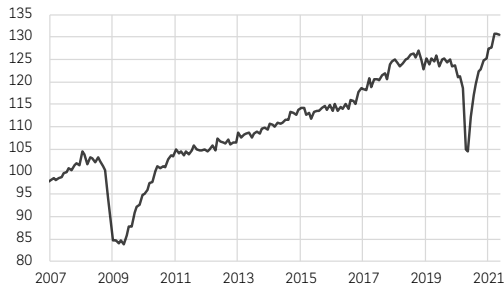
The very strong increase in global demand observed in recent months continues to drive up transport costs, notably for maritime trade. Since the beginning of 2021, the cost of maritime freight per container from China to the rest of the world has surged by nearly 70%, and it continued to rise during the first half of July.

Guillaume Derrien

1. The Netherlands Bureau of Economic Policy Analysis

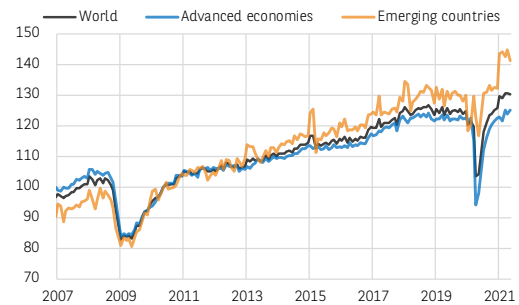
WORLD TRADE INDICATORS

World trade (exports & imports), volume, index 2010 = 100



Source: CPB, BNP Paribas

World exports by area, volume, index 2010 = 100



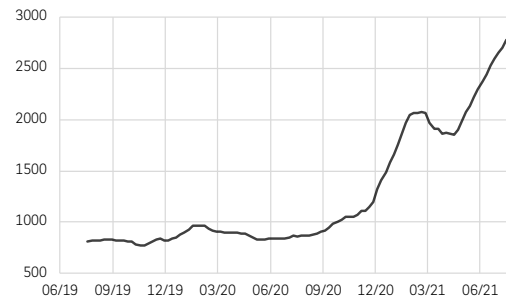
Source: CPB, BNP Paribas

Global manufacturing PMI: new export orders



Source: Markit, BNP Paribas

China containerized freight price index



Source: Shanghai Shipping Exchange, BNP Paribas



ECONOMIC PULSE

SPAIN: WILL THINGS BE DIFFERENT THIS TIME?

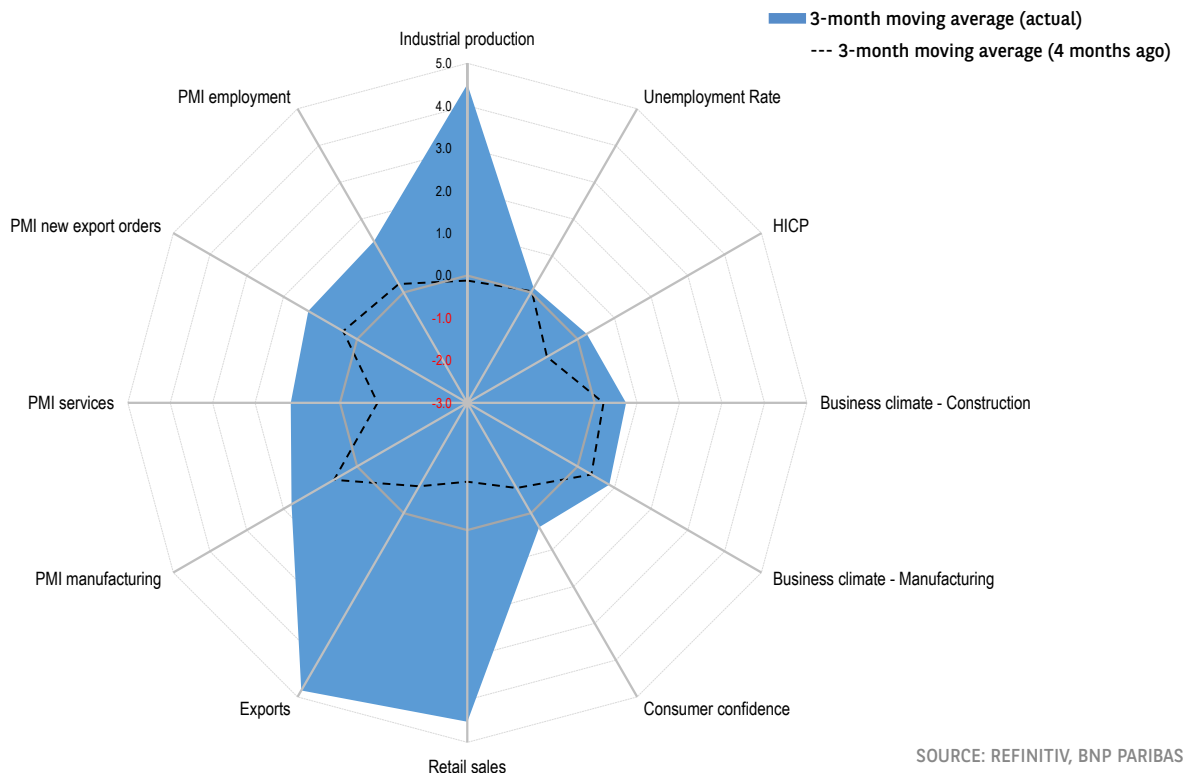
Once again, Spain has become an epicentre of the Covid-19 pandemic in Europe after new cases of the Delta variant spiked, especially in Catalonia. The number of new contaminations could rapidly surpass the peaks reached during previous waves of the pandemic. The days and weeks ahead will tell whether the vaccination campaign is paying off – more than 50% of the population is now fully vaccinated (2 doses) – and whether the authorities can limit the reintroduction of health measures that restrict economic activity.

The latest developments on the economic front are encouraging. The labour market continues to recover, as 202,857 jobs were created in June, the biggest monthly increase since the current series of statistics began (January 2001). The number of jobseekers also declined by 102,604 last month, which suggests that the unemployment rate could drop below 15% this summer (from 15.3% in May). External demand is fuelling economic growth. Exports increased in May – up for the fourth consecutive month – and are now more than 10% above pre-pandemic levels. Industrial output also rebounded in May, in line with the rise in exports. However, consumption was still sluggish in Q2, and the improvement in retail sales on our Pulse mainly reflects base effects after the sharp decline during the first lockdown in Q2 2020.

As to inflation, headline and core CPI continued to diverge in June. Headline inflation accelerated to 2.73%, while core inflation (excluding energy and fresh food items) remained very low at 0.21%. Despite a rather low weighting on the consumer price index, energy prices explain almost entirely all of the increase in Spanish inflation: higher pump prices drove up the transport CPI, while electricity prices have risen sharply this year (+37.1% y/y). In response to this situation, the government has taken action, notably through a drastic cut in the VAT rate on electricity, to 10% from 21%.

Guillaume Derrien

SPAIN: QUARTERLY CHANGES



SOURCE: REFINITIV, 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 -3 and +5. 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.



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 be around 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.

CHINA

The post-Covid19 rebound in industrial production and exports reached its peak in the first months of 2021 and growth rates should normalize gradually in the coming quarters. Manufacturing investment growth may accelerate while investment growth in infrastructure and real estate projects is expected to slow. The recovery in the services sector and in private consumption, which was still somewhat disappointing in H1 2021, should gain some momentum in H2 thanks to the acceleration of the vaccination campaign. Given the softer economic growth rebound, moderate consumer price inflation pressures and continued RMB appreciation over the past year, the authorities are expected to tighten the monetary and credit policy very cautiously in the short term. Fiscal support is also being withdrawn gradually.

EUROZONE

After an historic recession in 2020 (-6.8%, annual average), the Eurozone economy rebounded firmly in the first half of 2021. The annual growth should be +4.8% this year and +5.2% in 2022. Eurozone GDP could reach its pre-crisis level faster than we expected before, around end-2021. The acceleration of vaccines rollout in a large majority of Members States of the Eurozone and the progressive lifting of health restrictions reduce uncertainties for economic agents. Consumers' confidence in particular has increased rapidly over the past few months. Also, in this still tricky situation, the policy-mix will remain accommodative to support the recovery. The rise in inflation should be temporary.

FRANCE

Based on the May and June business confidence surveys, the economy is rebounding more strongly than expected from the third lockdown. We have raised our Q2 growth forecasts, from near zero to near 1% QoQ. In Q3, the mechanical rebound would bring growth to about 3% QoQ. Growth would then slow down but remain high, supported by the fiscal stimulus. The flip side of the coin of the vigorous recovery in demand is that supply, which is less responsive, is under pressure. Procurement problems, rising input prices, hiring difficulties are all sticking points to watch that could slow the recovery. In 2021, growth would average 6% (an optimistic forecast, half a point above the June consensus) and it would remain strong in 2022 (4.6%). According to our scenario, GDP would exceed its pre-crisis level in Q1 2022. As for inflation, most of its recent rise is temporary. We expect it to peak in Q4 2021, before falling in 2022. However, it would be at a higher level than before the crisis, as growth strengthens and the reflationary efforts of monetary policy also bear fruit.

RATES AND EXCHANGE RATES

In the US, the outlook for inflation and employment as well as the latest signals from the FOMC point towards the central bank providing greater clarity in September about its intentions to scale back its asset purchases. We expect tapering to start in January next year. We now expect the first Fed rate hike in this cycle in early 2023, which is earlier than previously thought. 10-year Treasury yields are expected to rise this year as well as next, reflecting an increase in real yields on the back of, as of Q4 this year, slowing but still strong growth and a gradually less accommodative monetary policy. In the eurozone, the ECB will maintain its very accommodative policy centered around its asset purchases and forward guidance, in order to generate a lasting pick-up in inflation towards its target. The outcome of the strategy review, has clearly confirmed this stance. Given the expected developments in terms of growth and inflation, the net purchases of the pandemic emergency purchase programme (PEPP) should

stop at the end of March 2022 but the monthly volume under the traditional asset purchase programme should be increased on that occasion in order to avoid market disruption. 10-year Bund yields are expected to rise until the first half of 2022 and decline thereafter on the back of softer economic data. Sovereign spreads should widen somewhat in the fourth quarter of this year on the back of election-related uncertainty and the prospect of ending the PEPP.

The Bank of Japan is expected to maintain its current policy stance over the forecast horizon, whilst allowing the 10-year JGB yield to drift higher, towards the upper bound of its target range of 0 to 25bp.

We expect the dollar to strengthen versus the euro, driven by widening yield differentials and the prospect of a first Fed rate hike. Similarly, we expect an appreciation of the dollar versus the yen. 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 expecting 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	3.9	2.7
Japan	0.3	-4.7	2.2	3.3	0.5	0.0	0.0	0.2
United-Kingdom	1.5	-9.8	7.8	5.6	1.8	0.9	1.8	2.5
Euro Area	1.3	-6.7	4.8	5.2	1.2	0.3	2.1	1.8
Germany	0.6	-5.1	3.7	5.5	1.4	0.4	2.7	2.0
France	1.5	-8.0	6.0	4.6	1.3	0.5	1.8	1.3
Italy	0.3	-8.9	5.2	4.5	0.6	-0.1	1.5	1.9
Spain	2.0	-10.8	6.0	6.3	0.8	-0.4	2.3	1.8
China	6.1	2.3	8.7	5.3	2.9	2.5	1.7	2.8
India*	4.2	-7.2	8.4	9.4	4.8	6.1	5.0	5.0
Brazil	1.1	-4.1	5.5	3.0	3.7	3.2	7.2	4.8
Russia	1.3	-4.5	4.5	3.0	4.3	3.4	5.8	4.3

SOURCE: BNP PARIBAS GROUP ECONOMIC RESEARCH (E: ESTIMATES & FORECASTS)
*FISCAL YEAR FROM 1ST APRIL OF YEAR N TO MARCH 31ST 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	1.54	1.70	1.90	1.90	2.20
Ezone	Deposit rate	-0.50	0.00	-0.50	-0.50	-0.50	-0.50
	Bund 10y	-0.33	-0.20	0.00	0.10	0.10	0.00
	OAT 10y	-0.11	0.14	0.35	0.55	0.55	0.30
	BTP 10y	0.63	0.84	1.10	1.40	1.40	1.10
UK	BONO 10y	0.34	0.49	0.70	0.90	0.90	0.80
	Base rate	0.10	0.10	0.10	0.10	0.10	0.25
	Gilts 10y	0.88	0.81	0.90	1.10	1.10	1.30
Japan	BoJ Rate	-0.04	-0.03	-0.10	-0.10	-0.10	-0.10
	JGB 10y	0.09	0.05	0.12	0.20	0.20	0.23
Exchange Rates		2021				2022e	
End of period		Q1	Q2e*	Q3e	Q4e	2021e	2022e
USD	EUR / USD	1.18	1.20	1.18	1.17	1.17	1.14
	USD / JPY	111	111	111	111	111	114
	GBP / USD	1.38	1.39	1.40	1.39	1.39	1.38
EUR	EUR / GBP	0.85	0.86	0.84	0.84	0.84	0.83
	EUR / JPY	130	132	131	130	130	130
Brent		2021				2022e	
End of period		Q1	Q2e*	Q3e	Q4e	2021e	2022e
Brent	USD/bbl	64	76	80	78	78	70

*SPOT RATES AS AT 25 JUNE

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)



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CALENDAR

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LATEST INDICATORS

In France, business confidence increased but both the manufacturing and services PMI weakened, causing a decline in the composite PMI. In the UK, retail sales increased slightly versus the previous month, when it had recorded a monthly decline. Consumer confidence eased whereas business optimism dropped. This was also reflected in the various PMIs, which all declined. In Germany the services PMI increased strongly and the manufacturing PMI was also better than in June. Following the introduction of its new, symmetric inflation objective of 2%, the ECB adapted its forward guidance. The US manufacturing PMI increased in July but the services PMI disappointed by dropping significantly. In both cases, the consensus had expected a status quo. As a consequence, the composite PMI also dropped.

DATE	COUNTRY	INDICATOR	PERIOD	SURVEY	ACTUAL	PREVIOUS
07/20/2021	Japan	Natl CPI Ex Fresh Food YoY	June	0.20%	0.20%	0.10%
07/20/2021	Germany	PPI MoM	June	1.10%	1.30%	1.50%
07/20/2021	United States	Building Permits MoM	June	--	-5.10%	-2.90%
07/20/2021	United States	Housing Starts MoM	June	--	6.30%	2.10%
07/21/2021	Japan	Supermarket Sales YoY	June	--	1.70%	2.90%
07/22/2021	France	Business Confidence	July	107	110	108
07/22/2021	United Kingdom	CBI Business Optimism	July	35	27	38
07/22/2021	Eurozone	ECB Deposit Facility Rate	July	-0.50%	-0.50%	-0.50%
07/22/2021	United States	Initial Jobless Claims	July	350K	419K	468K
07/22/2021	Eurozone	Consumer Confidence	July	-2.5	-4.4	-3.3
07/23/2021	United Kingdom	GfK Consumer Confidence	July	--	-7	-9
07/23/2021	United Kingdom	Retail Sales Ex Auto Fuel MoM	June	0.60%	0.30%	-2.00%
07/23/2021	France	Markit France Manufacturing PMI	July	58.4	58.1	59
07/23/2021	France	Markit France Services PMI	July	58.7	57	57.8
07/23/2021	France	Markit France Composite PMI	July	58.5	56.8	57.4
07/23/2021	Germany	Markit/BME Germany Manufacturing PMI	July	64.2	65.6	65.1
07/23/2021	Germany	Markit Germany Services PMI	July	59.1	62.2	57.5
07/23/2021	Germany	Markit/BME Germany Composite PMI	July	60.8	62.5	60.1
07/23/2021	Eurozone	ECB Survey of Professional Forecasters				
07/23/2021	Eurozone	Markit Eurozone Manufacturing PMI	July	62.5	62.6	63.4
07/23/2021	Eurozone	Markit Eurozone Services PMI	July	59.5	60.4	58.3
07/23/2021	Eurozone	Markit Eurozone Composite PMI	July	60	60.6	59.5
07/23/2021	United Kingdom	Markit UK PMI Manufacturing SA	July	62.7	60.4	63.9
07/23/2021	United Kingdom	Markit/CIPS UK Services PMI	July	62	57.8	62.4
07/23/2021	United Kingdom	Markit/CIPS UK Composite PMI	July	61.9	57.7	62.2
07/23/2021	United States	Markit US Manufacturing PMI	July	62	63.1	62.1
07/23/2021	United States	Markit US Services PMI	July	64.8	59.8	64.6
07/23/2021	United States	Markit US Composite PMI	July	--	59.7	63.7

SOURCE: BLOOMBERG



CALENDAR: THE WEEK AHEAD

COMING INDICATORS

The highlight of the coming week is the FOMC meeting followed by the press conference of Jerome Powell. The US will publish its first estimate of second quarter GDP growth. In the eurozone, attention will focus on the European Commission's economic sentiment index and its constituents. In Germany we will have the IFO survey, retail sales, consumer confidence and unemployment data. France will publish data on the number of jobseekers as well as on consumer confidence. Our calendar also mentions important data releases during our summer break.

DATE	COUNTRY/REGION	EVENT	PERIOD	SURVEY	PREVIOUS
07/26/21	Japan	Jibun Bank Japan PMI Mfg	July	--	52.4
07/26/21	Japan	Jibun Bank Japan PMI Services	July	--	48
07/26/21	Japan	Jibun Bank Japan PMI Composite	July	--	48.9
07/26/21	Germany	IFO Expectations	July	--	104
07/26/21	Germany	IFO Current Assessment	July	--	99.6
07/26/21	Germany	IFO Business Climate	July	--	101.8
07/27/21	France	Total Jobseekers	2Q	--	3560.6k
07/27/21	United States	Conf. Board Consumer Confidence	July	--	127.3
07/27/21	United States	Conf. Board Present Situation	July	--	157.7
07/27/21	United States	Conf. Board Expectations	July	--	107
07/27-08/02/21	Germany	Retail Sales MoM	June	--	4.20%
07/28/21	Germany	GfK Consumer Confidence	August	--	-0.3
07/28/21	France	Consumer Confidence	July	--	102
07/28/21	United States	FOMC Rate Decision (Upper Bound)	28 July	0.25%	0.25%
07/29/21	Germany	Unemployment Change (000's)	July	--	-38.0k
07/29/21	Eurozone	Consumer Confidence	July	--	--
07/29/21	Eurozone	Economic Confidence	July	--	117.9
07/29/21	Eurozone	Industrial Confidence	July	--	12.7
07/29/21	Eurozone	Services Confidence	July	--	17.9
07/29/21	United States	Initial Jobless Claims	24 July	--	--
07/29/21	United States	GDP Annualized QoQ	2Q	--	6.40%
07/30/21	Japan	Retail Sales MoM	June	--	-0.40%
07/30/21	France	Consumer Spending MoM	June	--	10.40%
07/30/21	France	GDP QoQ	2Q	--	-0.10%
07/30/21	Germany	GDP SA QoQ	2Q	--	-1.80%
07/30/21	Eurozone	Unemployment Rate	June	--	7.90%
07/30/21	Eurozone	CPI Core YoY	Jul	--	0.90%
07/30/21	Eurozone	GDP SA QoQ	2Q	--	-0.30%
07/30/21	Eurozone	CPI Estimate YoY	July	--	1.90%
07/30/21	United States	University of Michigan Sentiment	July	--	--
07/30/21	United States	University of Michigan Current Conditions	July	--	--
07/30/21	United States	University of Michigan Expectations	July	--	--
07/30/21	United States	University of Michigan 1-year Inflation	July	--	--
07/30/21	United States	University of Michigan 5-10 years Inflation	July	--	--

SOURCE: BLOOMBERG



DATE	COUNTRY/REGION	EVENT	PERIOD	SURVEY	PREVIOUS
07/31/21	China	Non-manufacturing PMI	July	--	53.5
07/31/21	China	Manufacturing PMI	July	--	50.9
07/31/21	China	Composite PMI	July	--	52.9
08/02/2021	Japan	Jibun Bank Japan PMI Mfg	July	--	--
08/02/2021	China	Caixin China PMI Mfg	July	--	51.3
08/02/2021	Japan	Consumer Confidence Index	July	--	37.4
08/02/2021	France	Markit France Manufacturing PMI	July	--	--
08/02/2021	Germany	Markit/BME Germany Manufacturing PMI	July	--	--
08/02/2021	Eurozone	Markit Eurozone Manufacturing PMI	July	--	--
08/02/2021	United Kingdom	Markit UK PMI Manufacturing SA	July	--	--
08/02/2021	United States	Markit US Manufacturing PMI	July	--	--
08/02/2021	United States	ISM Manufacturing	July	--	60.6
08/02/2021	United States	ISM Prices Paid	July	--	92.1
08/02/2021	United States	ISM New Orders	July	--	66
08/02/2021	United States	ISM Employment	July	--	49.9
08/04/2021	Japan	Jibun Bank Japan PMI Services	July	--	--
08/04/2021	Japan	Jibun Bank Japan PMI Composite	July	--	--
08/04/2021	China	Caixin China PMI Composite	July	--	50.6
08/04/2021	China	Caixin China PMI Services	July	--	50.3
08/04/2021	France	Markit France Services PMI	July	--	--
08/04/2021	France	Markit France Composite PMI	July	--	--
08/04/2021	Germany	Markit Germany Services PMI	July	--	--
08/04/2021	Germany	Markit/BME Germany Composite PMI	July	--	--
08/04/2021	Eurozone	Markit Eurozone Services PMI	July	--	--
08/04/2021	Eurozone	Markit Eurozone Composite PMI	July	--	--
08/04/2021	United Kingdom	Markit/CIPS UK Services PMI	July	--	--
08/04/2021	United Kingdom	Markit/CIPS UK Composite PMI	July	--	--
08/04/2021	United States	Markit US Services PMI	July	--	--
08/04/2021	United States	Markit US Composite PMI	July	--	--
08/04/2021	United States	ISM Services Index	July	--	60.1
08/05/2021	Eurozone	ECB Publishes Economic Bulletin			
08/05/2021	United Kingdom	Bank of England Bank Rate	5-Aug	--	0.10%
08/06/2021	United States	Change in Nonfarm Payrolls	July	--	850k
08/06/2021	United States	Unemployment Rate	July	--	5.90%
08/06/2021	United States	Labor Force Participation Rate	July	--	61.60%
08/09/2021	China	CPI YoY	July	--	1.10%
08/09/2021	China	PPI YoY	July	--	8.80%
08/09/2021	France	Bank of France Ind. Sentiment	July	--	107
08/10/2021	Japan	Eco Watchers Survey Outlook SA	July	--	52.4
08/10/2021	Japan	Eco Watchers Survey Current SA	July	--	47.6
08/10/2021	Germany	ZEW Survey Expectations	Aug	--	63.3
08/10/2021	Germany	ZEW Survey Current Situation	Aug	--	21.9



DATE	COUNTRY/REGION	EVENT	PERIOD	SURVEY	PREVIOUS
08/10/2021	Eurozone	ZEW Survey Expectations	Aug	--	61.2
08/11/2021	United States	CPI YoY	July	--	5.40%
08/11/2021	United States	CPI Ex Food and Energy YoY	July	--	4.50%
08/12/2021	United Kingdom	GDP QoQ	2Q	--	-1.60%
08/12/2021	United States	PPI Final Demand MoM	July	--	1.00%
08/13/21	France	ILO Unemployment Rate	2Q	--	8.10%
08/13/21	United States	University of Michigan Sentiment	Aug	--	--
08/13/21	United States	University of Michigan Current Conditions	Aug	--	--
08/13/21	United States	University of Michigan Expectations	Aug	--	--
08/13/21	United States	University of Michigan 1-year Inflation	Aug	--	--
08/13/21	United States	University of Michigan 5-10 years Inflation	Aug	--	--
08/16/21	Japan	GDP SA QoQ	2Q	--	-1.00%
08/16/21	China	Retail Sales YoY	July	--	12.10%
08/16/21	China	Industrial Production YoY	July	--	8.30%
08/16/21	China	Fixed Assets Ex Rural YTD YoY	July	--	12.60%
08/16/21	China	Property Investment YTD YoY	July	--	15.00%
08/16/21	China	Surveyed Jobless Rate	July	--	5.00%
08/17/21	Eurozone	GDP SA QoQ	2Q	--	--
08/17/21	United States	Retail Sales Control Group	July	--	1.10%
08/17/21	United States	NAHB Housing Market Index	Aug	--	--
08/18/21	United Kingdom	CPIH YoY	Jul	--	2.40%
08/18/21	Eurozone	CPI YoY	July	--	1.90%
08/18/21	Eurozone	CPI Core YoY	July	--	--
08/18/21	United States	Housing Starts MoM	July	--	--
08/18/21	United States	Building Permits MoM	July	--	--
08/18/21	United States	FOMC Meeting Minutes	28 July	--	--
08/20/21	United Kingdom	GfK Consumer Confidence	Aug	--	--
08/20/21	United Kingdom	Retail Sales Ex Auto Fuel MoM	July	--	--
08/23/21	Japan	Jibun Bank Japan PMI Mfg	Aug	--	--
08/23/21	Japan	Jibun Bank Japan PMI Services	Aug	--	--
08/23/21	Japan	Jibun Bank Japan PMI Composite	Aug	--	--
08/23/21	France	Markit France Manufacturing PMI	Aug	--	--
08/23/21	France	Markit France Services PMI	Aug	--	--
08/23/21	France	Markit France Composite PMI	Aug	--	--
08/23/21	Germany	Markit/BME Germany Manufacturing PMI	Aug	--	--
08/23/21	Germany	Markit Germany Services PMI	Aug	--	--
08/23/21	Germany	Markit/BME Germany Composite PMI	Aug	--	--
08/23/21	Eurozone	Markit Eurozone Manufacturing PMI	Aug	--	--
08/23/21	Eurozone	Markit Eurozone Services PMI	Aug	--	--
08/23/21	Eurozone	Markit Eurozone Composite PMI	Aug	--	--
08/23/21	United Kingdom	Markit UK PMI Manufacturing SA	Aug	--	--

SOURCE: BLOOMBERG



DATE	COUNTRY/REGION	EVENT	PERIOD	SURVEY	PREVIOUS
08/23/21	United Kingdom	Markit/CIPS UK Services PMI	Aug	--	--
08/23/21	United Kingdom	Markit/CIPS UK Composite PMI	Aug	--	--
08/23/21	United States	Markit US Manufacturing PMI	Aug	--	--
08/23/21	United States	Markit US Services PMI	Aug	--	--
08/23/21	United States	Markit US Composite PMI	Aug	--	--
08/23/21	Eurozone	Consumer Confidence	Aug	--	--
08/24/21	Germany	GDP SA QoQ	2Q	--	--
08/25/21	Germany	Ifo Expectations	Aug	--	--
08/25/21	Germany	Ifo Current Assessment	Aug	--	--
08/25/21	Germany	Ifo Business Climate	Aug	--	--
08/26/21	Germany	GfK Consumer Confidence	Sep	--	--
08/26/21	France	Business Confidence	Aug	--	--
08/26/21	United States	GDP Annualized QoQ	2Q	--	--
08/27/21	France	Consumer Confidence	Aug	--	--
08/27/21	United States	University of Michigan Sentiment	Aug	--	--
08/27/21	United States	University of Michigan Current Conditions	Aug	--	--
08/27/21	United States	University of Michigan Expectations	Aug	--	--
08/27/21	United States	University of Michigan 1-year Inflation	Aug	--	--
08/27/21	United States	University of Michigan 5-10 years Inflation	Aug	--	--

SOURCE: BLOOMBERG



FURTHER READING

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