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ECONOMIC RESEARCH

BNP PARIBAS

The bank for a changing world

THE PUZZLING DISCONNECT BETWEEN TREASURY AND BUND YIELDS

Yields on US Treasuries and German Bunds tend to be highly correlated but since the end of August, Bund yields have been essentially stable whereas treasury yields have increased. This spread widening is explained by a rising real rate differential, to a large degree due to a decline in German real yields. This could reflect a more gloomy view of bond investors about the growth outlook in Germany and, by extension, the Eurozone. Another, more likely, interpretation is that the real rate risk premium has declined in Germany due to the asset purchases of the ECB. In such case, investors will become increasingly nervous about the prospect that in a post-pandemic world the ECB will eventually have to stop the net purchases under its PEPP.

Yields on US Treasuries and German Bunds tend to be highly correlated. This is related to a high degree of business cycle synchronization between the US and the Eurozone and to international capital flows. Although the 20-week rolling correlation declined somewhat in the course of 2020, it remained within the range observed since 2009 (*Chart 1*).

The recent decline in correlation is also clearly visible in chart 2. Whereas historically, US and German yields have tended to move up and down together – although with differences in terms of amplitude – this relationship has changed in 2020. In the first half of last year, the Treasury-Bund spread evolved in a narrow range but since the end of August, Bund yields have been essentially stable whereas treasury yields have increased, leading to a rising interest rate differential.

Nominal bond yields can be decomposed in a real yield – the yield on inflation-linked bond- and an inflation expectations component – the difference between the nominal and the real yield. This allows for an analysis of what is behind the development of the US-German yield differential. Chart 3 plots, since 31 August 2020, the cumulative change in the nominal as well as the inflation-linked bond yield spread. It also plots the difference of the cumulative change of market-based inflation expectations.

Interestingly, this increase is about the same for nominal and real yields, which implies that market-based inflation expectations have moved in line between the US and Germany. As a consequence, the spread widening is explained by a rising real rate differential. Chart 4 shows that, in the US, real rates initially moved up in the run-up to the elections on 3 November and declined thereafter.

The latter might reflect a market view that, in the absence of a Senate majority, the Biden administration would struggle to bring significant extra fiscal stimulus. However, following the victory early this year of both Democratic Party candidates at the run-off elections in Georgia, the Democrats will be controlling the Senate. The paves the way for a more expansionary fiscal policy, which may explain the increase in real rates. German real bond yields on the other hand have been on a declining trend throughout the period under review and this development explains the bulk of the spread widening. When

GERMAN 10-YEAR BUND YIELD VS US 10-YEAR TREASURY YIELD

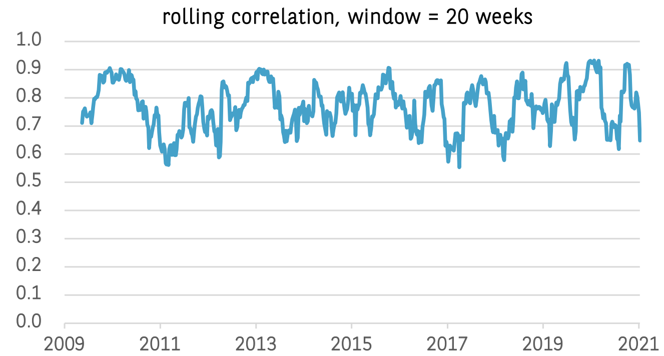


CHART 1 SOURCE: REFINITIV, BNP PARIBAS

GOVERNMENT BOND YIELDS, 10-YEAR

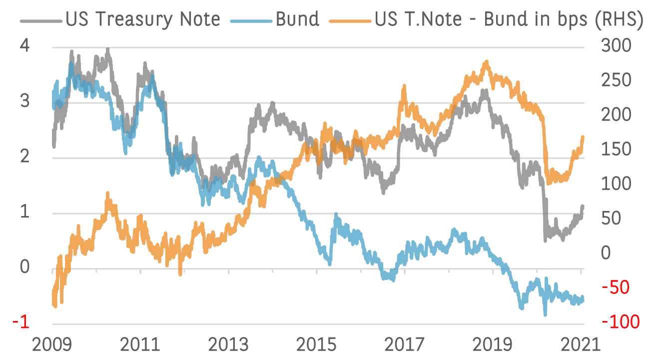


CHART 2 SOURCE: REFINITIV, BNP PARIBAS

> The decline in recent months of inflation-adjusted German bond yields may reflect the effectiveness of ECB QE. In such case, investors will eventually become increasingly nervous about the prospect that in a post-pandemic world, the net purchases under the PEPP may have to stop.

interpreting this, one should keep in mind that the real bond yield corresponds to the sum of expected real interest rates and a real rate risk premium (*Exhibit 1*)[1]. One interpretation is that the view of bond investors about the growth outlook in Germany and, by extension, the Eurozone, has become gloomier compared to the US. Another interpretation is that the real rate risk premium has declined in Germany compared to the US. This could be due to the prospect of a significant additional increase in borrowing requirements of the US treasury – to finance a new stimulus package – but it could also reflect that the ECB through its asset purchases (QE, PEPP) has been very successful in controlling the level of bond yields by influencing the risk premium. If the latter interpretation would be the more appropriate one, investors will become increasingly nervous about the prospect that in a post-pandemic world the ECB will eventually have to stop the net purchases under its PEPP.

William De Vijlder

1. Source: *"The yield curve and QE"*, speech by Gertjan Vlieghe, Bank of England, 25 September 2018.

GOVERNMENT BOND YIELDS, 10-YEAR: CUMULATIVE CHANGE IN US - GERMANY SPREAD SINCE 31 AUGUST 2020 (%)

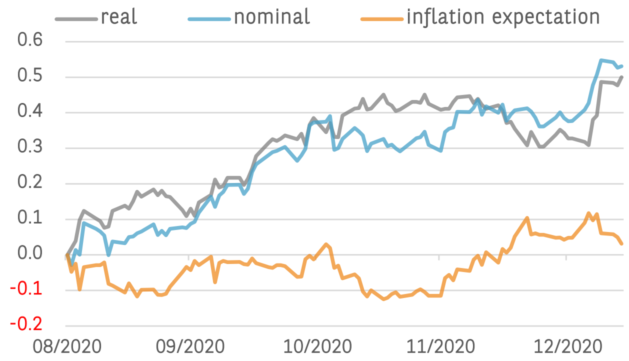


CHART 3

SOURCE: REFINITIV, BNP PARIBAS

REAL YIELDS IN US AND GERMANY: CUMULATIVE CHANGE SINCE 31 AUGUST 2020 (%)

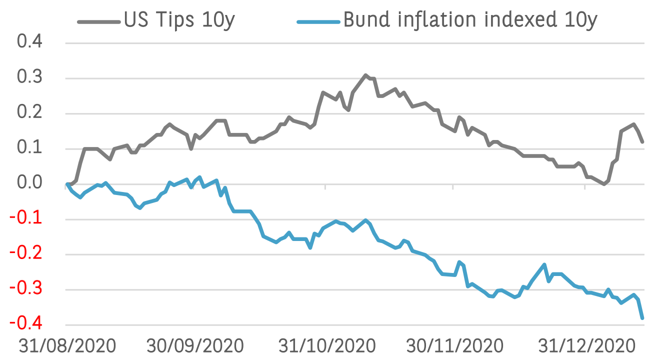


CHART 4

SOURCE: REFINITIV, BNP PARIBAS

NOMINAL BOND YIELD DECOMPOSITION

nominal rate
=
real rate + inflation rate

real rate = expected real rate + real rate risk premium

inflation rate = expected inflation + inflation risk premium

EXHIBIT 1

SOURCE: BANK OF ENGLAND

MARKETS OVERVIEW

OVERVIEW

Week 8-1 21 to 14-1-21

↘ CAC 40	5 707	5 681	-0.5	%
↘ S&P 500	3 825	3 796	-0.8	%
↗ Volatility (VIX)	21.6	23.3	+1.7	pb
↗ Euribor 3M (%)	-0.55	-0.55	+0.0	bp
↗ Libor $ 3M (%)	0.22	0.24	+1.7	bp
↘ OAT 10y (%)	-0.38	-0.38	-0.5	bp
↗ US Tr. 10y (%)	1.11	1.13	+2.3	bp
↘ Euro vs dollar	1.23	1.21	-1.0	%
↘ Gold (ounce, $)	1 855	1 849	-0.3	%
↗ Oil (Brent, $)	56.1	56.5	+0.8	%

MONEY & BOND MARKETS

Interest Rates			highest 21			lowest 21		
€	ECB	0.00	0.00	at	01/01	0.00	at	01/01
	Eonia	-0.48	-0.48	at	08/01	-0.50	at	01/01
	Euribor 3M	-0.55	-0.55	at	01/01	-0.56	at	06/01
	Euribor 12M	-0.51	-0.50	at	13/01	-0.51	at	08/01
$	FED	0.25	0.25	at	01/01	0.25	at	01/01
	Libor 3M	0.24	0.24	at	13/01	0.22	at	08/01
	Libor 12M	0.33	0.34	at	01/01	0.33	at	12/01
£	BoE	0.10	0.10	at	01/01	0.10	at	01/01
	Libor 3M	0.03	0.03	at	13/01	0.03	at	01/01
	Libor 12M	0.09	0.09	at	13/01	0.07	at	11/01

At 14-1-21

Yield (%)			highest 21			lowest 21		
€	AVG 5-7y	-0.42	-0.40	at	13/01	-0.46	at	04/01
	Bund 2y	-0.71	-0.67	at	12/01	-0.75	at	01/01
	Bund 10y	-0.58	-0.50	at	12/01	-0.60	at	04/01
	OAT 10y	-0.38	-0.31	at	12/01	-0.41	at	04/01
	Corp. BBB	0.51	0.56	at	12/01	0.50	at	08/01
$	Treas. 2y	0.15	0.15	at	06/01	0.12	at	04/01
	Treas. 10y	1.13	1.14	at	12/01	0.91	at	01/01
	High Yield	4.80	4.86	at	12/01	4.79	at	07/01
£	gilt. 2y	-0.06	-0.01	at	12/01	-0.08	at	04/01
	gilt. 10y	0.31	0.38	at	12/01	0.21	at	04/01

At 14-1-21

EXCHANGE RATES

1€ =		highest 21			lowest 21			2021
USD	1.21	1.23	at	06/01	1.21	at	14/01	-0.8%
GBP	0.89	0.91	at	06/01	0.89	at	14/01	-0.9%
CHF	1.08	1.09	at	07/01	1.08	at	14/01	-0.3%
JPY	125.99	127.42	at	07/01	125.99	at	14/01	-0.3%
AUD	1.56	1.60	at	04/01	1.56	at	14/01	-1.5%
CNY	7.85	8.00	at	01/01	7.85	at	14/01	-1.9%
BRL	6.34	6.69	at	11/01	6.34	at	14/01	-0.2%
RUB	88.88	91.36	at	07/01	88.88	at	14/01	-1.8%
INR	88.64	89.88	at	07/01	88.64	at	14/01	-0.9%

At 14-1-21 *Change*

COMMODITIES

Spot price, $		highest 21			lowest 21			2021	2021(€)
Oil, Brent	56.5	56.7	at	12/01	51.2	at	04/01	+8.9%	+9.8%
Gold (ounce)	1 849	1 947	at	05/01	1 845	at	12/01	-2.6%	-1.8%
Metals, LMEX	3 527	3 580	at	07/01	3 415	at	01/01	+3.3%	+4.2%
Copper (ton)	8 040	8 167	at	07/01	7 749	at	01/01	+3.7%	+4.6%
wheat (ton)	263	2.6	at	14/01	247	at	01/01	+6.2%	+7.1%
Corn (ton)	206	2.1	at	14/01	188	at	04/01	+0.9%	+10.1%

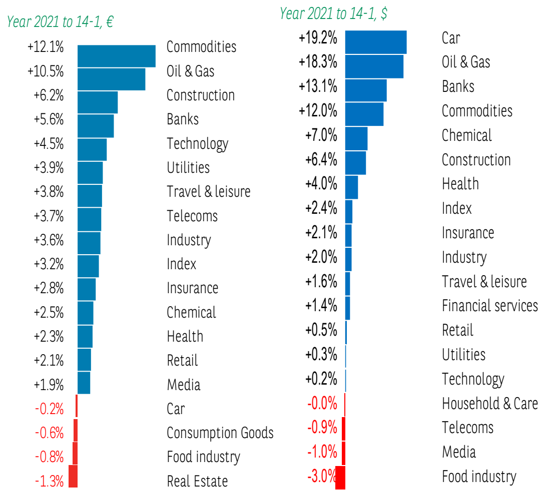
At 14-1-21 *Change*

EQUITY INDICES

	Index	highest 21			lowest 21			2021
World								
MSCI World	2 738	2 753	at	08/01	2 670	at	04/01	+1.8%
North America								
S&P500	3 796	3 825	at	08/01	3 701	at	04/01	+1.1%
Europe								
EuroStoxx50	3 641	3 645	at	08/01	3 548	at	05/01	+2.5%
CAC 40	5 681	5 707	at	08/01	5 551	at	01/01	+0.2%
DAX 30	13 989	14 050	at	08/01	13 651	at	05/01	+2.0%
IBEX 35	8 372	8 408	at	08/01	8 074	at	01/01	+0.4%
FTSE100	6 802	6 873	at	08/01	6 461	at	01/01	+0.5%
Asia								
MSCI, loc.	1 083	1 083	at	14/01	1 044	at	06/01	+0.4%
Nikkei	28 698	28 698	at	14/01	27 056	at	06/01	+4.6%
Emerging								
MSCI Emerging ($)	1 371	1 371	at	14/01	1 292	at	01/01	+0.6%
China	115	115	at	14/01	108	at	01/01	+5.7%
India	708	708	at	14/01	678	at	01/01	+4.8%
Brazil	1 941	1 941	at	14/01	1 840	at	06/01	+4.1%
Russia	722	722	at	14/01	669	at	01/01	+7.0%

At 14-1-21 *Change*

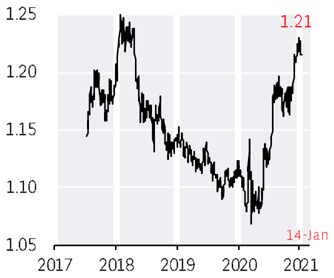
PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)



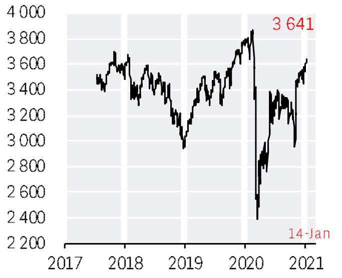
SOURCE: THOMSON REUTERS,

MARKETS OVERVIEW

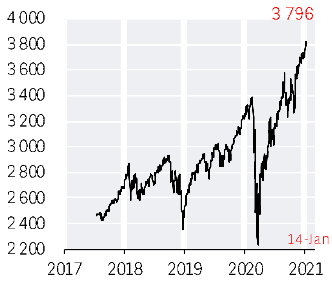
EURO-DOLLAR



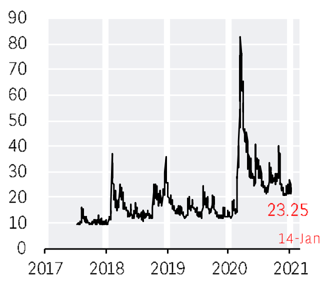
EUROSTOXX50



S&P500

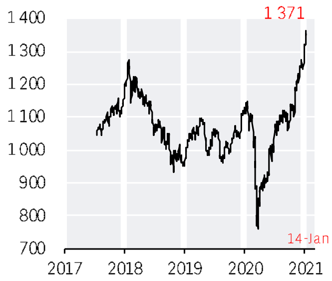


VOLATILITY (VIX, S&P500)

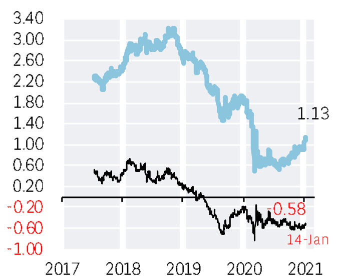


MSCI WORLD (USD)

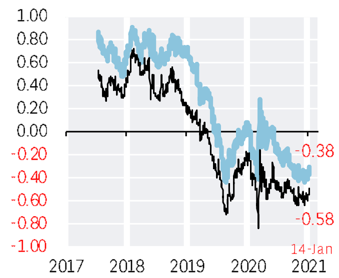
MSCI EMERGING (USD)



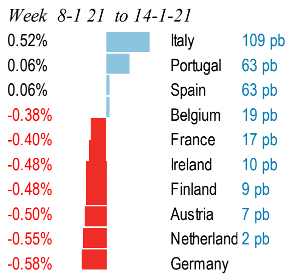
10Y BOND YIELD, TREASURIES VS BUND



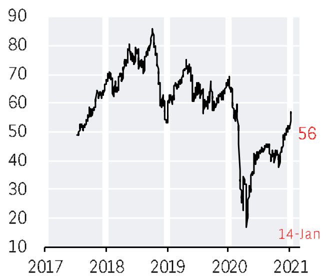
10Y BOND YIELD



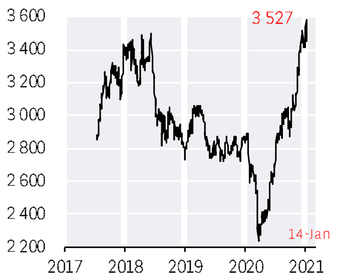
10Y BOND YIELD & SPREADS



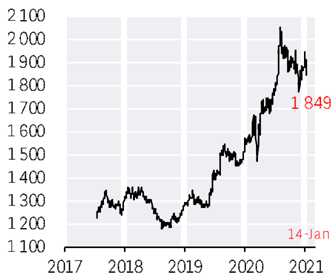
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



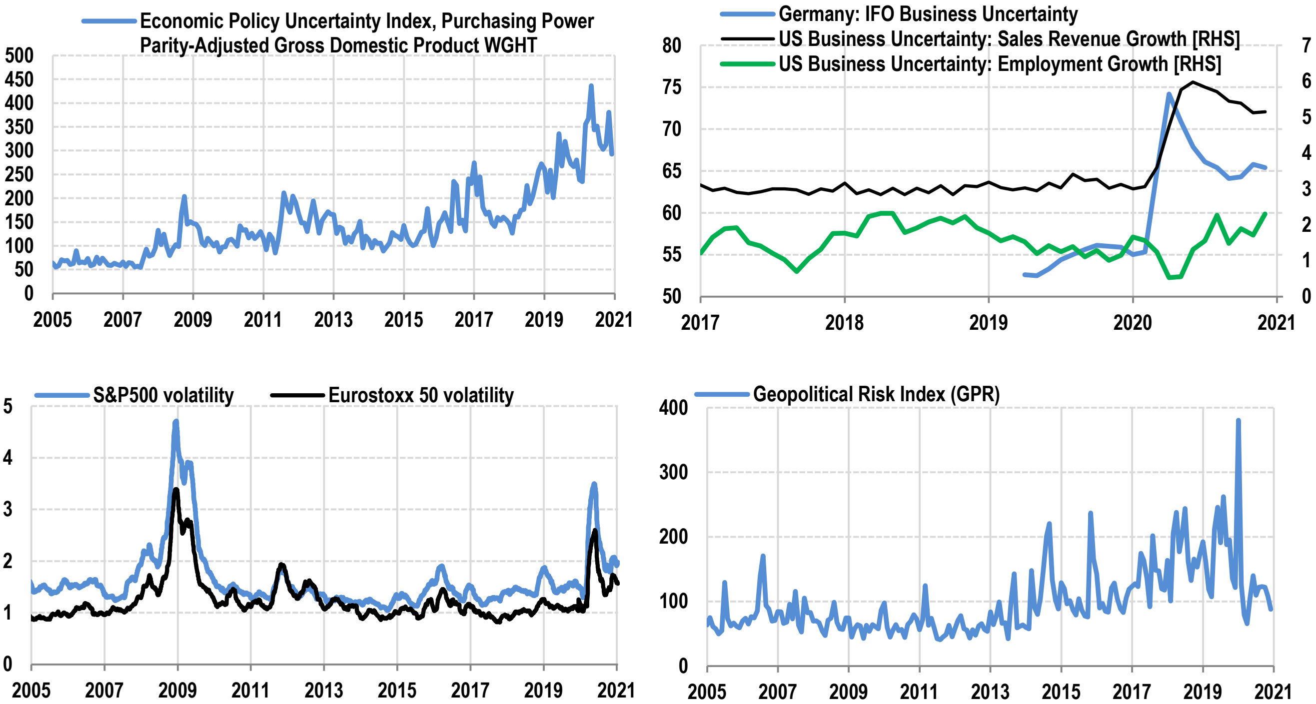
SOURCE: THOMSON REUTERS,

UNCERTAINTY: LOWER BUT STILL ELEVATED

The latest readings of our indicators show a decline of uncertainty. Starting top left and moving clockwise, the decline of the media coverage based indicator continues but momentum is slowing and the level remains high. This is unsurprising given the newsflow on new infections. Uncertainty based on company surveys has recently declined somewhat in Germany but, again, the level remains very high. The same applies to the US with respect to sales revenue growth expectations. More worrisome is the increase of uncertainty in the United States about future employment levels. The geopolitical risk measure has eased recently, reaching a level which for the period since 2014 is very low. Finally, the uncertainty measure which is based on equity prices –the cross-sectional dispersion of individual company share price returns- has fluctuated quite a bit. After a big drop, it rebounded slightly and has eased again very recently. With the exception of the spike during the first lockdown, the current level remains relatively high compared to the history since 2010. All in all, uncertainty has declined but remains high with the health situation being the key factor.

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: ECONOMIC POLICY UNCERTAINTY, IFO, ATLANTA FED, BC, BNP PARIBAS

ECONOMIC PULSE

UNITED STATES: HARSH TIMES

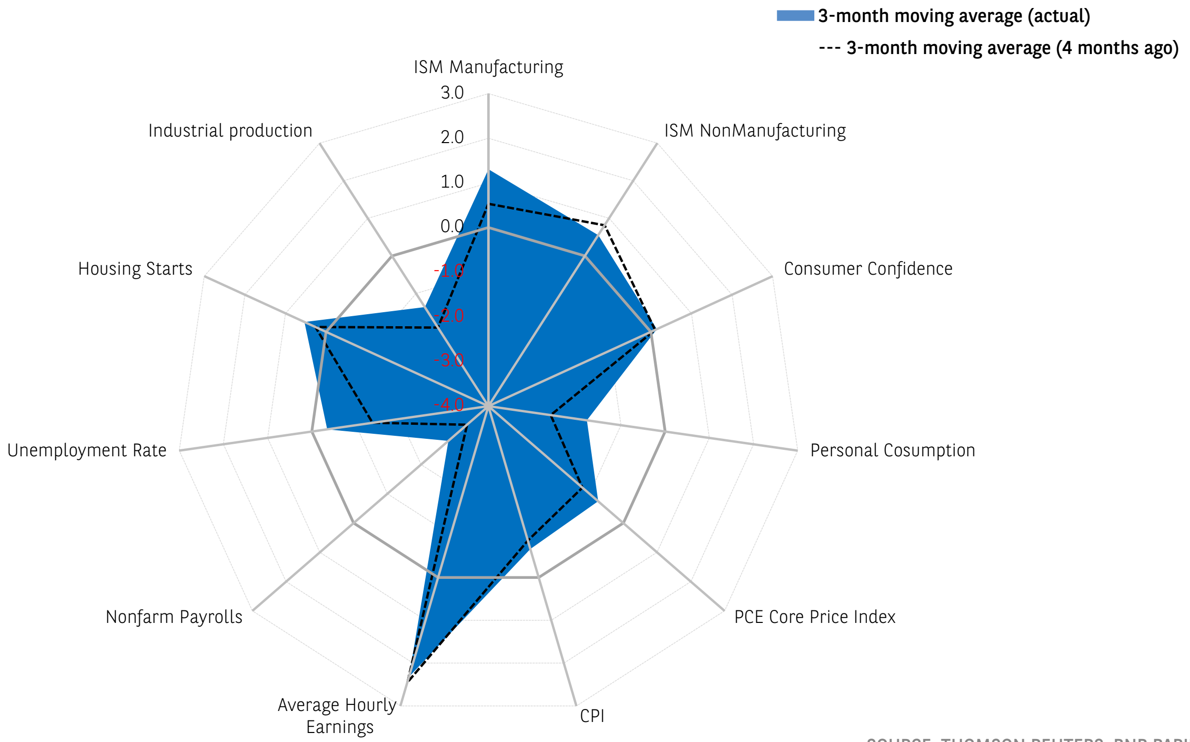
The health and economic situations in the USA will get worse before they get better. Winter conditions and travel over the festive period have produced a resurgence of Covid-19, whose rate of transmission is breaking all records: 225,000 new cases per day on 13 January (7-day average) or 68 cases per 100,000 people, a contamination rate twice that in the European Union (EU).

The death toll also continues to increase: with nearly 400,000 victims so far, the figure is not far from that for US military deaths in the Second World War. Against this sombre background, the USA is, however, leading the way in vaccination – more than 10 million doses have been administered, compared to barely 4 million in the EU – and can thus hope for a quicker exit from the epidemic. For the time being, though, it continues to hit the economy. In December 2020, for the first time since April 2020, the US economy destroyed jobs (140,000 in the non-farm sector), with the stability of the unemployment rate (6.7%) masking a fresh fall in the activity rate. A month earlier, private consumption also fell, again for the first time since April.

Mobility data for the early part of January, provided by the Google search engine, has shown a tightening of restrictions on individual mobility, and thus the likelihood of a new drop. Two worlds exist side by side. Setting aside the particular case of new IT and communication technologies, which are racing away, manufacturing has been boosted by the recovery of international trade, particularly with Asia, whilst residential construction has benefited from very favourable credit conditions. In these two sectors, economic indicators remain satisfactory, as shown in our 'barometer'. By contrast, a good number of personal service sectors, such as hospitality, education, leisure and transport, are suffering. Unsurprisingly, the Bureau of Labor Statistics attributes the bulk of the 10 million jobs lost since the crisis began to these areas.

Jean-Luc Proutat

QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, 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.

MOBILITY: WHAT IMPACT FROM ANOTHER LOCKDOWN AND NEW RESTRICTIONS ON MOBILITY?

Faced with the resurgence of the pandemic and the discovery of a new, highly contagious variant of the coronavirus, many countries have imposed strict or partial lockdowns to curb the progression of the virus. As a result, there has been a sharp drop in the momentum of retail and leisure traffic flows during the first week of January, as shown by the latest Google Mobility Report dated 10 January. Momentum had already begun to ebb during the last two weeks of December in many countries, especially in Europe. This time, the decline in consumer traffic was much lower than the one observed last spring for most countries.

In Germany, after the federal and the 16 state (Länder) governments announced the tightening of restrictions on 5 January, retail and leisure traffic flows dropped off by a record amount, with the 7-day moving average down by nearly 62% relative to the baseline* (chart 1). This is equivalent to the sharp decline observed at the end of March. On 12 January, Chancellor Angela Merkel warned that the country could remain in lockdown until April to ward off the new variant of the coronavirus. A meeting between the federal and state governments will be brought forward probably to early next week to review the pandemic restrictions. In the UK, after the discovery of a highly contagious variant of the virus, Wales and Northern Ireland both imposed a third lockdown after the Christmas holidays. For its part, Scotland ordered a strict lockdown on 4 January, followed by England on 5 January. As a result, consumer traffic dropped off sharply, with the 7-day moving average down about 62% relative to the baseline scenario (chart 2). After Italy implemented a partial regional lockdown based on local conditions, consumer traffic declined sharply, with the 7-day moving average down nearly 49% relative to the baseline. In Belgium, France and Spain, which opted for curfews, consumer traffic trends also declined, with the 7-day moving average down 44%, 41% and 31%, respectively, relative to the baseline. In Spain, however, where the curfew has been in place since the end of October, consumer traffic was higher than for the other European countries. In France, the entire country has been under a curfew from 8 pm to 6 am since 15 December, and 25 departments have imposed longer curfews running from 6 pm to 6 am since 8 January. The latter will be extended nationwide from 16 January onwards for a minimum duration of a fortnight. In Belgium, the curfew runs from 10 pm to 6 am except in Flanders, where it runs for midnight to 5 am.

Lastly, consumer traffic continues to decline in the United States after a brief rebound in early January. In Japan, consumer traffic returned to normal in the last week of December, but this was only a brief respite as consumer traffic declined thereafter.

Tarik Rharrab

RETAIL AND RECREATION MOBILITY

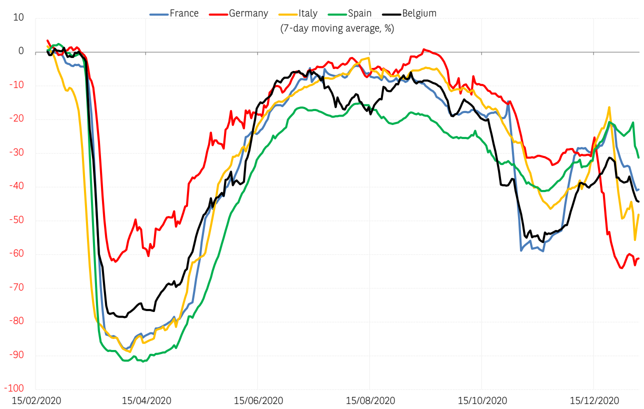


CHART 1

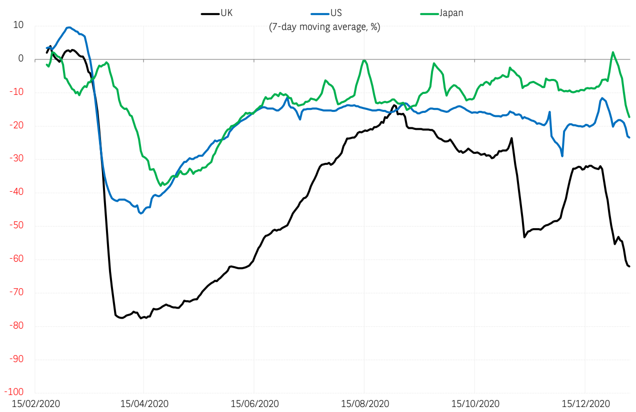


CHART 2

SOURCE: GOOGLE (LAST UPDATE 10 JANUARY 2021), BNP PARIBAS

** 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.*

ECONOMIC SCENARIO

UNITED STATES

With a drop in GDP of an estimated 3.6% in 2020, the USA has experienced a record-breaking recession, albeit one that has been less severe than in most other countries. The health cost of the Covid-19 epidemic has, however, been immense, with the USA having the highest number of deaths in the world and suffering a higher mortality rate than the European Union. As we move into winter, the disease is surging again, forcing certain states, such as New York and California, to tighten social distancing measures. Although the economy had seemed able to avoid a further contraction, it could be flatlining at the start of the new year, although a gradual return to normal is then expected as vaccines become available.

CHINA

After plummeting in Q1 2020, economic activity has experienced a V-shaped rebound since Q2. The recovery has first been driven principally by industrial production and investment in infrastructure projects and the real estate sector. Then exports have strengthened, supported by the rebound in global demand. Finally, the services sector and private consumption have regained growth momentum since last summer. In the short term, fiscal policy should continue to support economic growth. Domestic credit conditions, which have been eased prudently in 2020, have started to be tightened since Q4, as the authorities aim to contain risks in the financial system.

EUROZONE

After a solid rebound in Q3 2020 (+12.6%), even exceeding expectations, Eurozone GDP should slow sharply in Q4 2020. Given the resurgence of the pandemic and the implementation of new sanitary restrictions in most of the member states, the recovery is losing momentum. The activity loss caused by the Covid-19 crisis is unlikely to be fully erased before year-end 2021. Despite the hopes raised by the vaccines, worries about the pandemic and unemployment trends in eurozone member states in the months ahead are shaking consumer confidence, which remains low. The risk of corporate defaults continues to rise as long as the pandemic is not completely under control, which is undermining private investment. Support from fiscal policy at both the national and European levels will be essential, as is maintaining an accommodating and flexible monetary policy.

FRANCE

The risks have materialized for a W-shaped growth profile. After the massive recessionary shock of H1 2020 due to the first lockdown, the economy vigorously recovered in Q3 before relapsing again in Q4 under the impact of a new lockdown designed to curb the second wave of the Covid-19 pandemic. Yet the second V is bound to be less pronounced than the first: on the downside because the second lockdown was not as restrictive nor as long, and on the upside because this time the restrictive measures will be lifted gradually and conditionally. Major fiscal resources have been deployed that effectively buffered the double shock, but still the economy has been weakened, which is straining its rebound capacity. The start-up of a massive vaccination campaign in 2021 raises hopes that we might be seeing the light at the end of the tunnel. Growth should also get a boost from the first effects of the France Relance stimulus package. French GDP is expected to catch up pre-crisis levels during 2022 and the economy to return to 100% of its normal functioning. Inflation is also expected to pick up, but will hold at extremely low levels.

RATES AND EXCHANGE RATES

In the US, policy should 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. To this end, it has decided at its December meeting that 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. Should the economic situation worsen, more measures are to be expected. Treasury yields should move higher on the back of fiscal stimulus and the economic recovery and because the Fed will accept and actually wants inflation to rise beyond 2%.

In the eurozone, at its December meeting, the ECB has eased policy further. In particular, it has decided to increase the envelope of the pandemic emergency purchase programme (PEPP) and to extend its horizon for net purchases to at least the end of March 2022. These measures aim to support the economy so as to create a pick-up in inflation, which has dropped to a very low level. This very accommodative stance –which will be maintained for a long time- should keep a lid on sovereign bond spreads, although at some point, speculation that the PEPP's end date might not be prolonged any further should cause some spread widening. As usual, eurozone bond yields will be very much influenced by what happens to US yields. The prospect of a more lasting recovery as a vaccine will be deployed, should contribute to somewhat higher bond yields.

The Bank of Japan is expected to maintain its current policy stance including its yield curve control strategy. We expect the dollar to weaken further versus the euro. Due to the limited short-term interest rate differential, international investors incur low costs when they want to hedge their dollar exposure, the euro is still undervalued versus the dollar and the Fed's new strategy of targeting average inflation implies a more dovish stance compared to the ECB. The 'risk-on' environment is also supportive for the euro. Similar arguments apply for the dollar versus the yen.

GROWTH & INFLATION

	GDP Growth				Inflation			
%	2019	2020 e	2021 e	2022 e	2019	2020 e	2021 e	2022 e
United-States*	2.2	-3.6	4.2	4.1	1.8	1.3	1.9	1.9
Japan*	0.3	-5.3	1.1	3.0	0.5	0.0	-0.4	-0.3
United-Kingdom*	1.5	-11.1	4.0	8.6	1.8	0.9	1.5	2.1
Euro Area*	1.3	-7.3	3.8	5.5	1.2	0.2	0.8	1.3
Germany*	0.6	-5.6	2.7	5.1	1.4	0.4	1.3	1.2
France*	1.5	-9.0	5.5	4.7	1.3	0.5	0.6	1.2
Italy*	0.3	-9.0	4.5	4.4	0.6	-0.2	0.5	1.3
Spain*	2.0	-11.6	5.4	5.9	0.8	-0.4	0.4	0.9
China*	6.1	2.3	9.5	5.3	2.9	2.6	2.3	2.8
India**	4.2	-11.4	11.6	5.0	4.8	5.8	4.3	3.8
Brazil	1.1	-4.5	3.0	3.0	3.7	3.1	4.0	4.0
Russia	1.3	-4.5	3.8	3.0	4.3	3.4	3.5	3.5

SOURCE: BNP PARIBAS GROUP ECONOMIC RESEARCH (E: ESTIMATES & FORECASTS)
*FISCAL YEAR FROM 1ST APRIL OF YEAR N TO MARCH 31ST OF YEAR N+1
LAST UPDATE: 23 NOVEMBER 2020, *GROWTH UPDATED ON 7 JANUARY 2021

INTEREST & EXCHANGE RATES

Interest rates, %		2021					
End of period		Q1e	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	1.10	1.20	1.30	1.40	1.40	1.50
Ezone	Deposit rate	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
	Bund 10y	-0.35	-0.50	-0.40	-0.20	-0.20	0.10
	OAT 10y	-0.10	-0.25	-0.15	0.10	0.10	0.50
	BTP 10y	0.75	0.60	0.80	1.20	1.20	1.70
	BONO 10y	0.35	0.20	0.40	0.60	0.60	1.00
UK	Base rate	0.10	0.10	0.10	0.10	0.10	0.10
	Gilts 10y	0.40	0.40	0.50	0.60	0.60	0.75
Japan	BoJ Rate	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
	JGB 10y	0.05	0.05	0.10	0.10	0.10	0.15

Exchange Rates		2021					
End of period		Q1e	Q2e	Q3e	Q4e	2021e	2022e
USD	EUR / USD	1.22	1.24	1.25	1.25	1.25	1.30
	USD / JPY	101	100	98	98	98	95
	GBP / USD	1.39	1.41	1.44	1.44	1.44	1.59
EUR	EUR / GBP	0.88	0.88	0.87	0.87	0.87	0.82
	EUR / JPY	123	124	123	123	123	124

Brent		2021					
Period-average		Q1e	Q2e	Q3e	Q4e	2021e	2022e
Brent	USD/bbl	56	54	55	59	56	-

LAST UPDATE: 23/11/2020

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)

CALENDAR

LATEST INDICATORS

In China, producer and consumer price inflation increased somewhat, whereas export growth slowed. Imports were more or less stable. In Japan, the Eco Watchers survey recorded a big drop -more than expected- in terms of the assessment of the current situation. The assessment of the outlook on the other hand improved, beating expectations by a wide margin. The Banque de France industrial sentiment index saw a tiny improvement. In the United States, small business optimism disappointed and registered a significant decline, whereas initial unemployment claims jumped. The consensus had counted on a number in line with the previous week. Retail sales dropped in December, creating a big gap versus the consensus, which had expected a small increase. University of Michigan sentiment eased slightly versus the previous month. Industrial production on the other hand picked up in December and was well ahead of the consensus forecast.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
01/11/2021	China	PPI YoY	Dec	-0.70%	-0.40%	-1.50%
01/11/2021	China	CPI YoY	Dec	0.00%	0.20%	-0.50%
01/12/2021	Japan	Eco Watchers Survey Current SA	Dec	36.8	35.5	45.6
01/12/2021	Japan	Eco Watchers Survey Outlook SA	Dec	30.5	37.1	36.5
01/12/2021	United States	NFIB Small Business Optimism	Dec	100.2	95.9	101.4
01/12/2021	France	Bank of France Ind. Sentiment	Dec	97	97	96
01/13/2021	Japan	Machine Tool Orders YoY	Dec	--	8.70%	8.60%
01/13/2021	Eurozone	Industrial Production SA MoM	Nov	0.20%	2.50%	2.30%
01/13/2021	United States	CPI Ex Food and Energy MoM	Dec	0.10%	0.10%	0.20%
01/13/2021	United States	U.S. Federal Reserve Releases Beige Book				
01/14/2021	United States	Initial Jobless Claims	Janv	789k	965k	784k
01/14/2021	China	Exports YoY CNY	Dec	7.10%	10.90%	14.90%
01/14/2021	China	Imports YoY CNY	Dec	0.10%	-0.20%	-0.80%
01/15/2021	United Kingdom	Monthly GDP (3M/3M)	Nov	3.30%	4.10%	10.20%
01/15/2021	France	CPI EU Harmonized MoM	Dec	0.20%	0.20%	0.20%
01/15/2021	United States	PPI Ex Food and Energy MoM	Dec	0.20%	0.10%	0.10%
01/15/2021	United States	Empire Manufacturing	Jan	6.00	3.5	4.9
01/15/2021	United States	Retail Sales Control Group	Dec	0.10%	-1.90%	-0.50%
01/15/2021	United States	Capacity Utilization	Dec	73.60%	74.50%	73.30%
01/15/2021	United States	Industrial Production MoM	Dec	0.50%	1.60%	0.40%
01/15/2021	United States	U. of Mich. Sentiment	Jan	80.0	79.2	80.7
01/15/2021	United States	U. of Mich. Current Conditions	Jan	--	87.7	90
01/15/2021	United States	U. of Mich. Expectations	Jan	--	73.8	74.6

SOURCE: BLOOMBERG

CALENDAR: THE WEEK AHEAD

COMING INDICATORS

A very busy week ahead of us with the meetings of the ECB and the Bank of Japan and the release of several important data such as the flash PMIs (Japan, euro area, France, Germany, UK, US), French business confidence and eurozone consumer sentiment. In addition, as usual around this time of the month, we will have several data from China, including 4th quarter GDP. We will have inflation data for the eurozone, the UK and Japan. Finally, in the US, several data will be published concerning the housing market and housing construction activity.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
01/18/2021	China	GDP SA QoQ	4Q	2.50%	2.70%
01/18/2021	China	GDP YoY	4Q	6.20%	4.90%
01/18/2021	China	Industrial Production YoY	Dec	6.90%	7.00%
01/18/2021	China	Retail Sales YoY	Dec	5.50%	5.00%
01/18/2021	China	Property Investment YTD YoY	Dec	7.20%	6.80%
01/18/2021	China	Fixed Assets Ex Rural YTD YoY	Dec	3.20%	2.60%
01/18/2021	China	Surveyed Jobless Rate	Dec	5.20%	5.20%
01/18/2021	Japan	Industrial Production MoM	Nov	--	0.00%
01/18/21-01/24/21	United Kingdom	CBI Business Optimism	Jan	--	0
01/19/2021	Eurozone	EU27 New Car Registrations	Dec	--	-12.00%
01/19/2021	Germany	ZEW Survey Expectations	Jan	--	55
01/19/2021	Germany	ZEW Survey Current Situation	Jan	--	-66;5
01/19/2021	Eurozone	ZEW Survey Expectations	Jan	--	54.4
01/20/2021	United Kingdom	CPI Core YoY	Dec	--	1.10%
01/20/2021	Eurozone	CPI Core YoY	Dec	--	0.20%
01/20/2021	United States	MBA Mortgage Applications	Jan	--	16.70%
01/20/2021	United States	NAHB Housing Market Index	Jan	87	86
01/21/2021	Japan	Machine Tool Orders YoY	Dec	--	8.7%
01/21/2021	France	Business Confidence	Jan	--	91
01/21/2021	Eurozone	ECB Deposit Facility Rate	Jan	--	-0.50%
01/21/2021	United States	Building Permits MoM	Dec	-2.10%	6.20%
01/21/2021	United States	Housing Starts MoM	Dec	0.8%	1.20%
01/21/2021	United States	Initial Jobless Claims	Jan	--	--
01/21/2021	United States	Philadelphia Fed Business Outlook	Jan	12.6	11.1

SOURCE: BLOOMBERG

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
01/21/2021	Eurozone	Consumer Confidence	Jan	--	-13,9
01/21/2021	Japan	BOJ Policy Balance Rate	Jan	--	-0,10%
01/22/2021	Japan	Natl CPI Ex Fresh Food, Energy YoY	Dec	--	-0,30%
01/22/2021	Japan	Jibun Bank Japan PMI Mfg	Jan	--	50
01/22/2021	Japan	Jibun Bank Japan PMI Services	Jan	--	47.7
01/22/2021	Japan	Jibun Bank Japan PMI Composite	Jan	--	48.5
01/22/2021	Japan	Tokyo Dept Store Sales YoY	Dec	--	-17,80%
01/22/2021	United Kingdom	Retail Sales Ex Auto Fuel MoM	Dec	--	-2,60%
01/22/2021	France	Markit France Manufacturing PMI	Jan	--	51.1
01/22/2021	France	Markit France Services PMI	Jan	--	49.1
01/22/2021	France	Markit France Composite PMI	Jan	--	49.5
01/22/2021	Germany	Markit/BME Germany Manufacturing PMI	Jan	--	58.3
01/22/2021	Germany	Markit Germany Services PMI	Jan	--	47
01/22/2021	Germany	Markit/BME Germany Composite PMI	Jan	--	52
01/22/2021	Eurozone	ECB Survey of Professional Forecasters			
01/22/2021	Eurozone	Markit Eurozone Manufacturing PMI	Jan	--	55.2
01/22/2021	Eurozone	Markit Eurozone Services PMI	Jan	--	46.4
01/22/2021	Eurozone	Markit Eurozone Composite PMI	Jan	--	49.1
01/22/2021	United Kingdom	Markit UK PMI Manufacturing SA	Jan	--	57.5
01/22/2021	United Kingdom	Markit/CIPS UK Services PMI	Jan	--	49.4
01/22/2021	United Kingdom	Markit/CIPS UK Composite PMI	Jan	--	50.4
01/22/2021	United Kingdom	GfK Consumer Confidence	Jan	--	-26
01/22/2021	United States	Markit US Manufacturing PMI	Jan	--	57.1
01/22/2021	United States	Markit US Composite PMI	Jan	--	55,3
01/22/2021	United States	Markit US Services PMI	Jan	--	54,8
01/22/2021	United States	Existing Home Sales MoM	Dec	-2,10%	-2,50%

SOURCE: BLOOMBERG

FURTHER READING

The migration of risk in 2021	EcoTVWeek	15 January 2021
The growing cost of negative interest rates on excess reserves has temporarily been offset by the terms of tltro iii	Chart of the Week	14 January 2021
Turkey: ending the stop-and-go growth?	Conjoncture	12 January 2021
Global: Why the level of public indebtedness matters: a market perspective	EcoWeek	11 January 2021
January 2021 edition	EcoTV	7 January 2021
Special Edition – 2021: hopes and challenges	EcoTVWeek	7 January 2021
United Kingdom: Brexit: The worst has been avoided	EcoFlash	6 January 2021
Climate change is accelerating	Chart of the Week	6 January 2021
EcoWeek 20.47. December 18, 2020 issue	EcoWeek	18 December 2020
2020: Entering a new era	EcoTVWeek	18 December 2020
Quarterly Economic Outlook for OECD countries and China	EcoPerspectives	17 December 2020
Egypt: foreign currency liquidity restored	Chart of the Week	16 December 2020
EcoWeek 20.46. December 11, 2020 issue	EcoWeek	11 December 2020
December 2020 edition	EcoTV	10 December 2020
European Union: EBA reactivates its guidelines on moratoria on loan repayments	Chart of the Week	9 December 2020
United States: Are the GSEs ready to exit FHFA conservatorship?	EcoFlash	8 December 2020
EcoWeek 20.45. December 4, 2020 issue	EcoWeek	4 December 2020
After celebrating the reduction in uncertainty, investors to focus on the growth outlook	EcoTVWeek	4 December 2020
Greece: Will employment hold up in 2021?	Chart of the Week	2 December 2020
European Union Southern Europe: why such low potential growth?	Conjoncture	30 November 2020

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