

2

EDITORIAL

"Covid-19 and the environment"

3-4

MARKETS OVERVIEW

Recent market developments (foreign exchange, stock markets, interest rates, commodities, etc.)

5-7

ECONOMIC PULSE

Eurozone: demand is still robust for corporate loans but continues to slow for household loans; *Italy*: economic activity rebounds, but employment continues to fall; *United Kingdom*: Hopes for a quick rebound are fading

8-9

ECONOMIC SCENARIO

Main economic and financial forecasts.

10-11

CALENDARS

This week's main economic data and key releases for next week

12

FURTHER READING

Latest articles, charts, videos and podcasts of Group Economic Research

ECONOMIC RESEARCH



BNP PARIBAS

The bank
for a changing
world

COVID-19 AND THE ENVIRONMENT

Due to the externalities of economic activity, the lockdown has had a considerable impact, not only on the economy but also on the environment. In a post-lockdown world, the question is how and to what extent the experience of the pandemic will influence the environment in the years to come. Covid-19 may make people more health-focused, including how the environment influences one's health. This may change behaviour in terms of mobility and spending. It may also cause an increase in the allocation to sustainable investments, which in turn could influence corporate strategies. Changes in global value chains can also have an environmental impact. For fiscal policy, there is an opportunity of meeting the short-term goal of boosting the post-pandemic recovery by making investments that contribute to reaching the goals related to climate change and the environment.

There are multiple, direct and indirect, relationships between the Covid-19 pandemic and the environment. The lockdown had a profound impact on economic activity and, as a consequence, on the environment. This reminds us of the environmental externalities which follow from production and spending decisions. Noise levels declined¹ and air quality improved². The relationship can go in the other direction as well with exposure to air pollution possibly influencing the spread of the contagion and its fatality rate³. With the significant easing of lockdown measures in a large number of countries, the focus is now shifting. The question is whether and, if so, how the experience of the pandemic will influence the environment in the years to come. This is a matter of attitude, behaviour and policy. On attitude, Covid-19 may make people health-focused, including how the environment influences it. This may change behaviour in terms of mobility –travel, distance to work, means of transport- and spending, e.g. buying vegetables from local farmers. On the other hand, in the absence of a vaccine, there is concern that the environmental footprint could actually increase, should people shift to buying more plastic-wrapped fruit and vegetables. There may also be an influence on how people invest their savings with an increased allocation to sustainable investments. This in turn would influence company behaviour. A recent study covering 6,000 listed companies in 56 countries has shown that in the first quarter this year, when the pandemic was spreading, the share price of companies with a high score in terms of corporate and social responsibility (CSR) declined significantly less than the low-CSR score firm.⁴

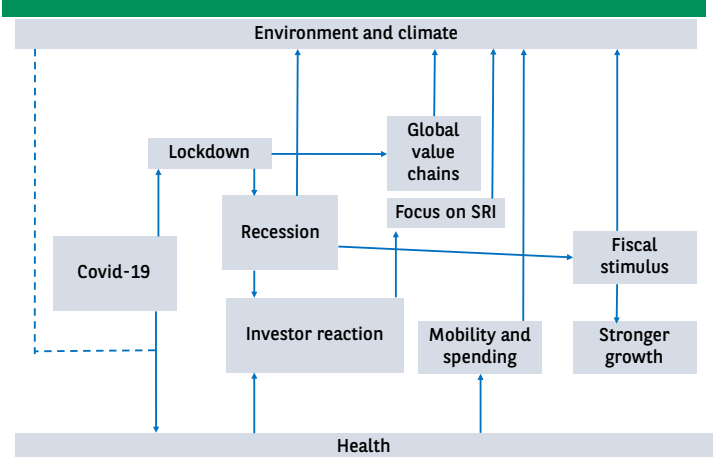
Another area where company decisions following Covid-19 could have an environmental impact is the reorganisation of global value chains. Following the supply disruption experienced in many sectors, companies may decide to increase the geographical diversification

of their suppliers, which could have an impact on transport-related carbon emissions.

If what matters to people changes following the pandemic, this may influence the political debate and how people (are expected to) vote. It may also cause a shift in policy priorities. This is clearly the message from the European Commission which in its EUR 750 billion Next Generation EU proposal emphasises the need “to protect livelihoods, get the economy back on its feet and foster sustainable and resilient growth”⁵. It is a matter of trying to kill two birds with one stone: meeting the short-term goal of boosting the post-pandemic recovery by making investments that contribute to reaching the goals related to climate change. Recent research suggests that this should be possible. “There are a set of fiscal recovery policy types which offer high economic multipliers and positive climate impact”⁶: investment in clean energy infrastructure, efficient use of energy, education and training, investments for ecosystem resilience, clean R&D spending.⁶

William De Vijlder

RELATIONSHIPS BETWEEN THE COVID-19 PANDEMIC AND THE ENVIRONMENT



SOURCE: BNP PARIBAS ECONOMIC RESEARCH

1. *Scientists report drop in Earth's movement amid coronavirus lockdown*, British Geological Survey, 9 April 2020. The press release mentions that average daytime noise levels at seismic stations in the UK in the two week period since the start of the lockdown were 10 to 50% lower compared to the beginning of the year.

2. *Does lockdown reduce air pollution? Evidence from 44 cities in northern China*, Rui Bao and Achend Zhang, Science of the Total Environment, <https://doi.org/10.1016/j.scitotenv.2020.139052>

3. *The deadly link between COVID-19 and air pollution*, World Economic Forum, 15 April 2020. The article mentions an Italian study showing a link between the contagion rate and air pollution in northern Italy and a Harvard study which has found a correlation between air pollution and COVID-19 deaths in the US.

4. The CSR score is based on environmental, social and CSR-strategy criteria. “To illustrate the estimated magnitudes, consider two otherwise similar firms in the same industry and economy. One has a pre-2020 CSR score at the 25th percentile and the other is at the 75th percentile. Our estimates suggest that the average stock returns of the high-CSR score firm would decline by 2 percentage points less than the low-CSR score firm in response to the average growth of COVID19 cases two months after the outbreak of the pandemic. Ceteris paribus, these estimates suggest that the stock price reaction to COVID19 for the high-CSR score firm would be 19% less than the low-CSR score firm.” Source: Corporate Immunity to the COVID-19 Pandemic, Wenzhi Ding, Ross Levine, Chen Lin, and Wensi Xie, NBER Working Paper No. 27055, April 2020.

5. Questions and Answers on the MFF and Next Generation EU, Brussels, 27 May 2020

6. *Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?* Cameron Hepburn, Brian O'Callaghan, Nicholas Stern, Joseph Stiglitz, Dimitri Zenghelis, Oxford Review of Economic Policy, May 2020. The analysis was conducted based on a survey of 231 central bank officials, finance ministry officials, and other economic experts from G20 countries.



MARKETS OVERVIEW

OVERVIEW

Week 10-7-20 to 16-7-20

➤ CAC 40	4 970	➤	5 085	+2.3 %
➤ S&P 500	3 185	➤	3 216	+1.0 %
➤ Volatility (VIX)	27.3	➤	28.0	+0.7 pb
➤ Libor \$ 3M (%)	0.27	➤	0.27	+0.5 bp
➤ OAT 10y (%)	-0.20	➤	-0.22	-1.1 bp
➤ Bund 10y (%)	-0.51	➤	-0.50	+0.6 bp
➤ US Tr. 10y (%)	0.63	➤	0.61	-2.1 bp
➤ Euro vs dollar	1.13	➤	1.14	+1.0 %
➤ Gold (ounce, \$)	1 801	➤	1 806	+0.3 %
➤ Oil (Brent, \$)	43.4	➤	43.5	+0.2 %

MONEY & BOND MARKETS

Interest Rates

		highest 20	lowest 20
\$ FED	0.25	1.75 at 01/01	0.25 at 16/03
Libor 3M	0.27	1.91 at 01/01	0.27 at 09/07
Libor 12M	0.48	2.00 at 01/01	0.48 at 15/07
€ BoE	0.10	0.75 at 01/01	0.10 at 19/03
Libor 3M	0.08	0.80 at 08/01	0.08 at 14/07
Libor 12M	0.35	0.98 at 01/01	0.35 at 15/07

At 16-7-20

Yield (%)

		highest 20	lowest 20
€ AVG 5-7y	-0.16	0.72 at 18/03	-0.28 at 04/03
Bund 2y	-0.67	-0.58 at 14/01	-1.00 at 09/03
Bund 10y	-0.50	-0.17 at 19/03	-0.84 at 09/03
OAT 10y	-0.22	0.28 at 18/03	-0.42 at 09/03
Corp. BBB	1.19	2.54 at 24/03	0.65 at 20/02
\$ Treas. 2y	0.15	1.59 at 08/01	0.13 at 07/05
Treas. 10y	0.61	1.91 at 01/01	0.50 at 09/03
High Yield	6.38	11.29 at 23/03	5.44 at 21/02
£ gilt. 2y	-0.10	0.61 at 08/01	-0.11 at 10/07
gilt. 10y	0.08	0.83 at 01/01	0.08 at 16/07

At 16-7-20

EXCHANGE RATES

1€ =		highest 20	lowest 20	2020
USD	1.14	1.14 at 16/07	1.07 at 20/03	+1.8%
GBP	0.91	0.94 at 23/03	0.83 at 18/02	+7.1%
CHF	1.08	1.09 at 05/06	1.05 at 14/05	-0.8%
JPY	122.45	124.16 at 05/06	114.51 at 06/05	+0.4%
AUD	1.63	1.87 at 23/03	1.60 at 01/01	+2.3%
CNY	8.00	8.08 at 04/06	7.55 at 19/02	+2.3%
BRL	6.12	6.42 at 13/05	4.51 at 02/01	+35.6%
RUB	81.34	87.95 at 30/03	67.75 at 10/01	+16.7%
INR	85.95	86.26 at 11/06	77.21 at 17/02	+7.3%

At 16-7-20

Change

COMMODITIES

Spot price, \$		highest 20	lowest 20	2020	2020(€)
Oil, Brent	43.5	69.1 at 06/01	16.5 at 21/04	-34.4%	-35.6%
Gold (ounce)	1 806	1 812 at 08/07	1 475 at 19/03	+18.7%	+16.6%
Metals, LME	2 844	2 894 at 13/07	2 232 at 23/03	+0.0%	-1.8%
Copper (ton)	6 438	6 580 at 13/07	4 625 at 23/03	+4.7%	+2.8%
CRB Foods	295	341.5 at 21/01	272 at 27/04	-12.9%	-14.4%
wheat (ton)	201	2.4 at 21/01	178 at 26/06	-12.2%	-13.8%
Corn (ton)	125	1.5 at 23/01	113 at 28/04	-1.7%	-18.1%

At 16-7-20

Change

EQUITY INDICES

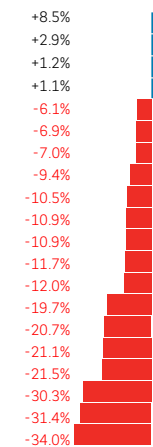
	Index	highest 20	lowest 20	2020
World				
MSCI World	2 289	2 435 at 12/02	1 602 at 23/03	-3.0%
North America				
S&P500	3 216	3 386 at 19/02	2 237 at 23/03	-0.5%
Europe				
EuroStoxx50	3 365	3 865 at 19/02	2 386 at 18/03	-10.1%
CAC 40	5 085	6 111 at 19/02	3 755 at 18/03	-1.5%
DAX 30	12 875	13 789 at 19/02	8 442 at 18/03	-2.8%
IBEX 35	7 475	10 084 at 19/02	6 107 at 16/03	-2.2%
FTSE100	6 251	7 675 at 17/01	4 994 at 23/03	-1.7%
Asia				
MSCI, loc.	919	1 034 at 20/01	743 at 23/03	-0.9%
Nikkei	22 770	24 084 at 20/01	16 553 at 19/03	-3.7%
Emerging				
MSCI Emerging (\$)	1 046	1 147 at 17/01	758 at 23/03	-0.6%
China	93	100 at 09/07	69 at 19/03	+8.9%
India	514	609 at 17/01	353 at 23/03	-8.4%
Brazil	1 554	2 429 at 02/01	1 036 at 23/03	-12.8%
Russia	601	857 at 20/01	419 at 18/03	-15.7%

At 16-7-20

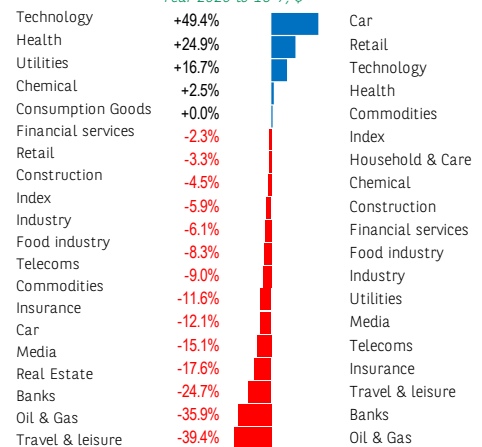
Change

PERFORMANCE BY SECTOR (EUROSTOXX 50 & S&P500)

Year 2020 to 16-7, €



Year 2020 to 16-7, \$

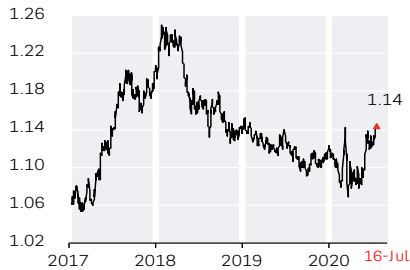


SOURCE: THOMSON REUTERS

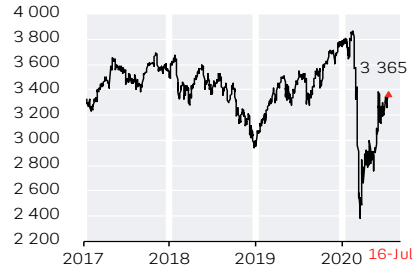


MARKETS OVERVIEW

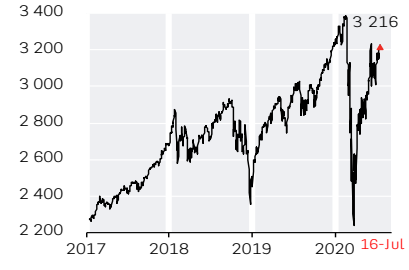
EURO-DOLLAR



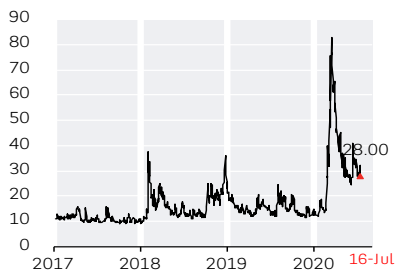
EUROSTOXX50



S&P500



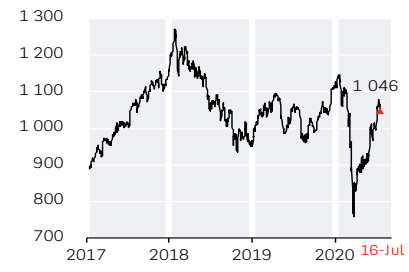
VOLATILITY (VIX, S&P500)



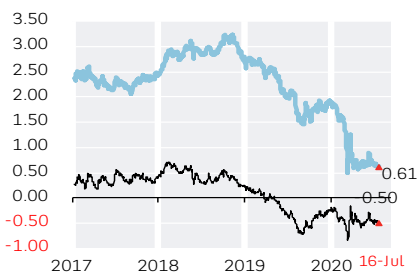
MSCI WORLD (USD)



MSCI EMERGING (USD)

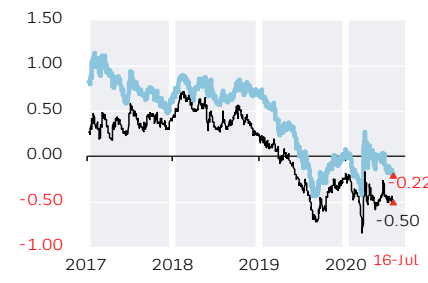


10Y BOND YIELD, TREASURIES VS BUND



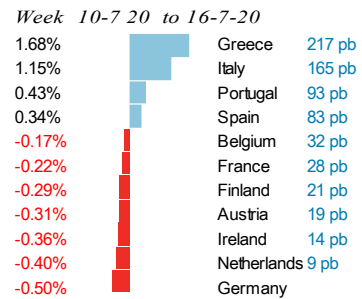
—Bunds —US Treasuries

10Y BOND YIELD

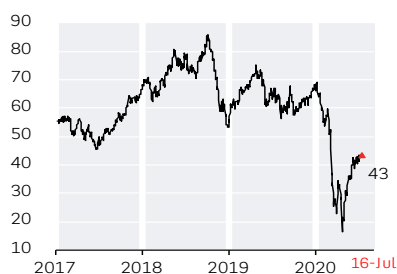


—Bunds —OAT

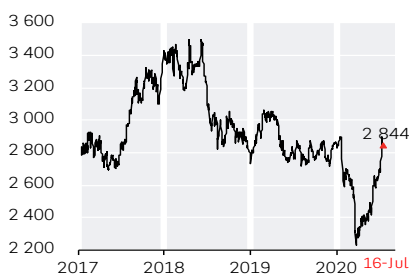
10Y BOND YIELD & SPREADS



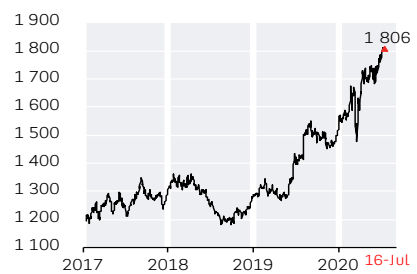
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: THOMSON REUTERS



ECONOMIC PULSE

EUROZONE: DEMAND IS STILL ROBUST FOR CORPORATE LOANS BUT CONTINUES TO SLOW FOR HOUSEHOLD LOANS

The bank lending pulse picked up slightly in the Eurozone in May 2020 (+1.9%, after +1.5% in April and +1.7% in March) even as Eurozone GDP is expected to have entered a record-breaking decline in Q2 (-13.5% q/q vs. -3.6% q/q in Q1 2020), as national lockdown measures have a lasting impact on economic activity.

Bank lending to the private sector has accelerated rapidly since March (+5.3% in May, after +4.9% in April and +5% in March) after holding at a dynamic but relatively stable annual pace since summer 2018 (+3.5% on average). Lending to non-financial companies continued to grow at a rapid pace in May (+7.4% after +5.5% in March), offsetting the slowdown in household lending (+3%, after +3.4%). Faced with plummeting sales, many companies continued to draw on approved credit lines or take out new bank loans (often benefiting from state-backed guarantees introduced in response to the coronavirus crisis) to finance current expenditures and rebuild precautionary cash balances.

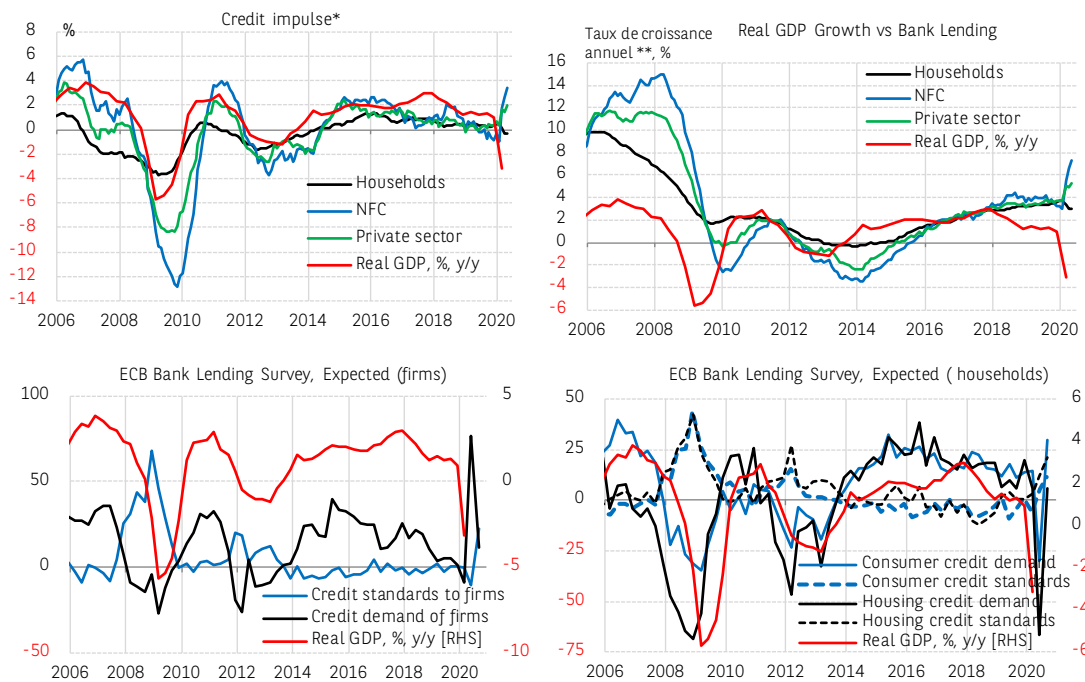
According to the last ECB's bank lending survey, demand for household loans, in contrast, has slowed in all of the largest Eurozone countries, for both housing loans (albeit less than in H2 2008) and consumer loans (which fell to the lowest level since the survey was launched in

2003). The erosion of household confidence following the downturn in the job market and the decline in demand for durable goods were heavy strains. Lastly, corporate lending conditions were eased in France, Italy and Spain, while they were tightened slightly in Germany (German companies did not resort to state-backed loans as much). Household lending conditions were tightened significantly in Spain, less so in France and Germany, and remained the same in Italy.

On average, the banks surveyed expect demand for corporate loans to increase less in Q3 2020, while demand for household loans could rebound strongly (bolstered by the easing of lockdown restrictions). Faced with a deteriorated and uncertain economic environment, the banks also expect lending conditions to tighten for both households and companies (related to the expected end of state guarantee schemes in some large Eurozone countries).

Céline Choulet

CREDIT PULSE IN THE EUROZONE



*Credit impulse is measured as the annual change of the annual growth rate of MFI loans ** Adjusted for securitizations

SOURCE: ECB SURVEY ON THE DISTRIBUTION OF CREDIT, BLS, BNP PARIBAS CALCULATIONS



ECONOMIC PULSE

ITALY : ECONOMIC ACTIVITY REBOUNDS, BUT EMPLOYMENT CONTINUES TO FALL

Italian economic activity started to recover in May, in line with the easing in lockdown restrictions. Our barometer should therefore steadily improved over the summer, although it remains downbeat. Real retail sales rose 25.4% m/m in May, but the 3-month moving average continued to decline, hitting a new all-time low. Industrial production followed a similar trend. The improvement in the survey data was also mixed in June. The composite purchasing managers index (PMI) rose strongly (+13.7 points), but it remains in contraction territory. The European Commission’s economic sentiment indicator (for Italy) continues to hover near the lows reported during the 2008-2009 financial crisis.

During the summer, the economic recovery will be supported by an improvement in external demand, but the latter could be very sluggish, depending on the evolution of the pandemic. In May, Italian exports were still 27% below their level in February.

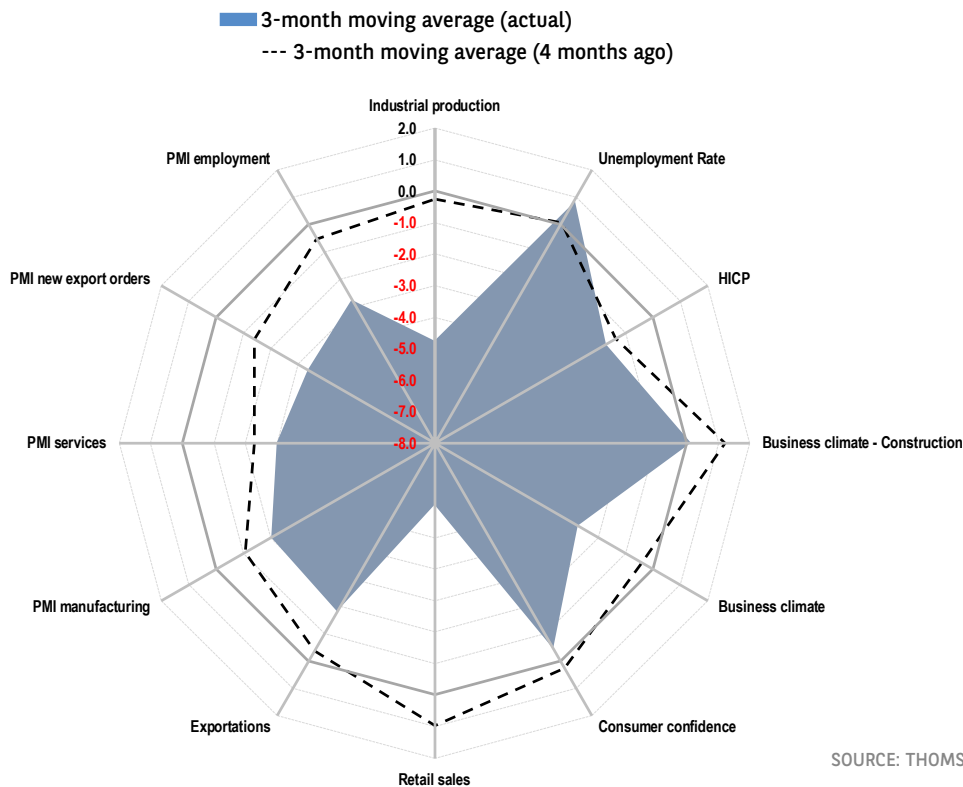
The job market will deteriorate in the months ahead. The unemployment rate rebounded in May, rising from 6.6% to 7.8%. This is partly due to

the reopening of employment agencies and increased unemployment registrations, leading to more job seekers flowing back to the active population. The unemployment rate should continue to climb in the coming weeks, regardless of the extension of job retention programmes. Employment declined again in May (-83,970 jobs or -0.4%) to the lowest level since August 2016. Employment has fallen by a record of 538,380 since March, a drop of 2.3%.

The downturn in the job market will further weigh on Italian public finances, which could worsen in the long run given the country’s demographic trends. According to a recent Istat report, the number of births in Italy hit a historic low in 2019 (the lowest since 1918) and the population has declined by 551,000 in five years. Furthermore, the number of pensioners has risen this year above the number of payroll employees.

Guillaume Derrien

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 -8 and +2. 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 PULSE

UNITED KINGDOM: HOPES FOR A QUICK REBOUND ARE FADING

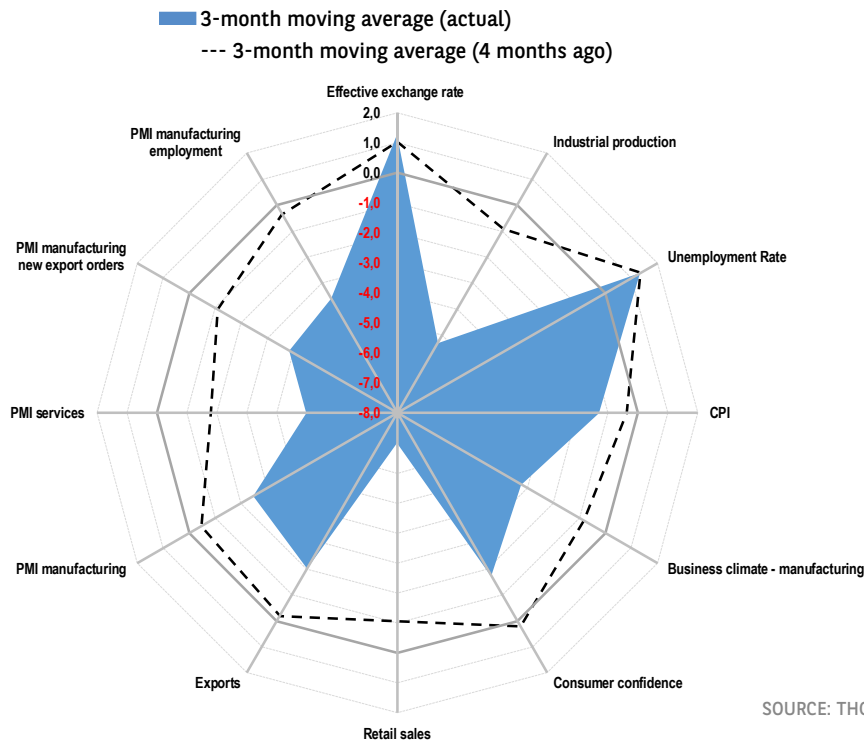
After falling by more than 25% between March and April, UK GDP rose by 1.8% in May. While restriction measures only started to be eased in mid-June, this increase still disappointed expectations. None of the forecasters polled by Reuters was banking on such a small rise, and the consensus expected a 5.5% rebound. This is explained by the services sector's poor performance. While the industrial production and services indices both fell by about 25% between March and April, the former rose by 6.0% in May whereas the latter ticked up by only 0.9%. It is very likely that conditions in the services sector will improve more rapidly in the coming months. After all, most non-essential shops started welcoming customers again on 15 June, and the tourism and hospitality sector reopened on 4 July.

That said, caution is warranted. Purchasing Managers' Indices (PMIs) rose again in June, but they are still far from levels indicative of a strong rebound in activity. The manufacturing PMI was only marginally above 50 – which marks the limit between deteriorating and improving conditions – and the services PMI is, at 47.1, still below that threshold. Similarly, consumer and industrial confidence indices increased last month, but they remain much below their pre-crisis levels.

It is true that the unemployment rate remained at 3.9% in May. That said, this is partly due to the rise in the number of people out of work but not currently looking for a job – who are not counted as unemployed. What's more, those who have been furloughed are still counted as employed. However, the furlough scheme will be phased out from next month and discontinued in October. The Office for Budget Responsibility (OBR) – which provides independent forecasts for the Treasury – expects the unemployment rate to peak at 11.9% at the end of the year in its central scenario. That would bring it back to its joint-highest level in more than fifty years (also reached in 1984). It is certainly with all that in mind, that the Chancellor, Rishi Sunak, unveiled on 8 July a GBP 30 bn plan to protect jobs. In his latest speech, Bank of England Chief Economist Andrew Haldane considered two scenarios for the second half of the year: one involving a negative feedback loop from higher unemployment to lower spending, the other a positive feedback loop from higher spending to lower unemployment.

Hubert de Barochez

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 -8 and +2. 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

8

UNITED STATES

• The economy is increasingly impacted by the spreading of the coronavirus and concern is mounting about the increase in the unemployment rate, which will weigh on consumer spending. This explains the very significant measures taken by the Federal Reserve and those announced by the Administration. In addition the Administration is preparing a new package of measures. Clearly, the near term prospects depend on how the epidemic evolves. Once we will be beyond the peak, the measures taken thus far will be instrumental in supporting the recovery in demand and activity.

CHINA

• Economic activity fell abruptly in February, the first month of the lockdown, and real GDP contracted by an unprecedented 6.8% y/y in Q1 2020. Since March, activity has been recovering gradually, though more rapidly on the supply side and in the industry than on the demand side and in services. The authorities have loosened their monetary and fiscal policies gradually. Credit conditions are expected to continue to be eased cautiously given the already excessive debt burden of the economy. Meanwhile, the fiscal leeway remains large and public investment growth should accelerate further. Downside risks on our 2020 scenario are significant. On the external front, they are due to the vulnerability of the Chinese manufacturing sector to global trade weakening and US protectionism.

EUROZONE

• The huge impact of the coronavirus epidemic is becoming increasingly visible in activity and demand data, following lockdowns, but also in confidence data and business expectations. The first semester will be significantly affected although the extent depends on when the epidemic will be brought under control. Taking guidance from the experience in China, the second semester should see an improvement in activity, which should be helped by the huge support measures which are being taken. Forecasts are entirely dependent on the scenario which is assumed for the epidemic.

FRANCE

• The recessionary shock triggered by the Covid-19 pandemic and ensuing lockdown measures is massive. After an already historic fall of 5.3% q/q in Q1, Q2 GDP plunge could reach 20% q/q according to the INSEE. However, as a result of the first phase of the deconfinement, some green shoots of the recovery are visible in May business surveys. The recovery is expected to gain momentum, but only progressively as it spreads to all sectors of activity. Not all of them are in the same boat in terms of catching up and getting back to normal. Our new growth scenario incorporates a deeper trough in activity followed by a shallower rebound. After responding to the emergency with relief measures, support for the economy is changing. Sectoral measures have already been identified (tourism, automobile); the global stimulus package, currently being drawn up, is announced for September.

INTEREST RATES AND FX RATES

• In the US, the Federal Reserve has taken, in several meetings, a host of measures to inject liquidity in the financial system and facilitate the financing of companies. The federal funds rate has been brought down to the zero lower bound and QE has been restarted. Additional measures are to be expected should the economic and liquidity situation deteriorate further. Treasury yields have seen initially a big drop, reflecting a flight to safety but have also been very volatile. More recently yields have increased on the back of expectations of a pick-up in activity once the lockdown eases and due to increased bond supply. We expect this trend to continue.

• In the eurozone, the ECB has taken considerable measures to inject liquidity by starting and subsequently extending a temporary Pandemic Emergency Purchase Programme, expanding the range of eligible assets under the corpo-

rate sector purchase programme (CSPP) to non-financial commercial paper and by easing the collateral standards by adjusting the main risk parameters of the collateral framework. More is to be expected should circumstances require. These measures should also keep a lid on sovereign bond spreads. The movement of bond yields will be very much influenced by what happens to US yields, and hence, in the near term, by news about the epidemic.

• The Bank of Japan has kept its policy rate unchanged but has decided to double its purchases of ETFs and J-REITS (Investment funds tied to Japanese real estate). The target for its corporate bonds purchases has also been increased.

• We expect the recent trend of dollar weakening to continue due to hedging behaviour and a view that the ECB action will be successful in avoiding market fragmentation and in supporting the economy.

GROWTH & INFLATION

%	GDP Growth			Inflation		
	2019	2020 e	2021 e	2019	2020 e	2021 e
United-States	2.3	-4.9	4.8	1.8	0.8	1.5
Japan	0.7	-4.8	2.1	0.5	-0.3	-0.7
United-Kingdom	1.4	-9.1	5.3	1.8	0.8	1.3
Euro Area	1.2	-9.0	5.8	1.2	0.1	0.9
Germany	0.6	-5.6	5.3	1.4	0.4	1.5
France	1.3	-11.1	5.9	1.3	0.5	1.0
Italy	0.3	-12.1	6.1	0.6	-0.2	0.5
Spain	2.0	-12.5	6.3	0.7	-0.4	0.6
China	6.1	2.5	8.1	2.9	2.5	2.3
India*	4.2	-4.7	9.5	4.8	2.5	3.5
Brazil	1.1	-7.0	4.0	3.7	2.5	3.0
Russia	1.3	-6.5	3.5	4.3	3.0	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 07/07/2020

INTEREST & EXCHANGE RATES

Interest rates, %	2019		2020				2019	2020e	2021e
	Q3	Q4	Q1	Q2	Q3e	Q4e			
End of period									
US									
Fed Funds (upper limit)	2.00	1.75	0.25	0.25	0.25	0.25	1.75	0.25	0.25
T-Notes 10y	1.67	1.92	0.67	0.80	1.00	0.90	1.92	0.90	1.20
Ezone									
Deposit rate	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
Bund 10y	-0.57	-0.19	-0.46	-0.50	-0.40	-0.30	-0.19	-0.30	0.00
OAT 10y	-0.28	0.08	-0.05	-0.15	-0.10	-0.05	0.08	-0.05	0.20
BTP 10y	0.83	1.32	1.55	1.30	1.30	1.30	1.32	1.30	1.60
BON0 10y	0.15	0.47	0.68	0.50	0.40	0.40	0.47	0.40	0.70
UK									
Base rate	0.75	0.75	0.10	0.10	0.10	0.10	0.75	0.10	0.10
Gilts 10y	0.40	0.83	0.31	0.55	0.30	0.40	0.83	0.40	0.80
Japan									
BoJ Rate	-0.06	-0.05	-0.07	-0.10	-0.10	-0.10	-0.05	-0.10	-0.10
JGB 10y	-0.22	-0.02	0.02	0.00	0.05	0.05	-0.02	0.05	0.15
LAST UPDATE: 07/07/2020									
Exchange Rates	2019		2020				2019	2020e	2021e
	Q3	Q4	Q1	Q2	Q3e	Q4e			
End of period									
USD									
EUR / USD	1.09	1.12	1.10	1.09	1.15	1.17	1.12	1.17	1.22
USD / JPY	108	109	108	104	103	100	109	100	98
GBP / USD	1.23	1.32	1.24	1.24	1.29	1.34	1.32	1.34	1.42
EUR									
EUR / GBP	0.89	0.83	0.89	0.88	0.89	0.87	0.83	0.87	0.86
EUR / JPY	118	122	118	113	118	117	122	117	120
Brent									
Period-average									
Brent USD/bbl	62	63	51	33	43	49	64	44	59
LAST UPDATE: 07/07/2020									

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)



BNP PARIBAS

The bank
for a changing
world

CALENDAR

9

LATEST INDICATORS

In the US, small business optimism improved further in June and also beat expectations. The same applies for the Empire State manufacturing index, industrial production and the NAHB housing market index. Retail sales -following the Control Group approach which is used in the national accounts- grew faster than expected. The Philadelphia Fed business outlook declined versus June but was better than expected. The University of Michigan sentiment indicator on the other hand disappointed, declining versus the previous month whilst the consensus had expected an increase. In the eurozone, industrial production is still very much down versus last year though less than before. The ECB kept its policy unchanged. Chinese data were on the whole better than before and also beat expectations but retail sales were the major exception and caused a very negative stock market reaction.

DATE	COUNTRY	INDICATOR	PERIOD	SURVEY	ACTUAL	PREVIOUS
07/14/2020	Japan	Industrial Production MoM	May	--	-8.9%	-8.4%
07/14/2020	United Kingdom	Industrial Production MoM	May	6.5%	6.0%	-20.2%
07/14/2020	Eurozone	Industrial Production WDA YoY	May	-18.9%	-20.9%	-28.7%
07/14/2020	Germany	ZEW Survey Expectations	July	60.0	59.3	63.4
07/14/2020	United States	NFIB Small Business Optimism	June	97.8	100.6	94.4
07/14/2020	United States	CPI Ex Food and Energy MoM	June	0.1%	0.2%	-0.1%
07/14/2020	China	Exports YoY	June	-2.0%	0.5%	-3.3%
07/14/2020	China	Imports YoY	June	-9.0%	2.7%	-16.7%
07/15/2020	United Kingdom	CPI Core YoY	June	1.2%	1.4%	1.2%
07/15/2020	United States	Empire Manufacturing	July	10.0	17.2	-0.2
07/15/2020	United States	Industrial Production MoM	June	4.3%	5.4%	1.4%
07/15/2020	United States	U.S. Federal Reserve Releases Beige Book				
07/15/2020	Japan	BOJ Policy Balance Rate	15 July	-0.1%	-0.1%	-0.100%
07/16/2020	China	GDP YoY	2Q	2.4%	3.2%	-6.8%
07/16/2020	China	Industrial Production YTD YoY	June	-1.5%	-1.3%	-2.8%
07/16/2020	China	GDP SA QoQ	2Q	9.6%	11.5%	-10.0%
07/16/2020	China	Retail Sales YoY	June	0.5%	-1.8%	-2.8%
07/16/2020	China	GDP YTD YoY	2Q	-2.4%	-1.6%	-6.8%
07/16/2020	China	Retail Sales YTD YoY	June	-11.2%	-11.4%	-13.5%
07/16/2020	China	Property Investment YTD YoY	June	1.0%	1.9%	-0.3%
07/16/2020	China	Fixed Assets Ex Rural YTD YoY	June	-3.3%	-3.1%	-6.3%
07/16/2020	China	Surveyed Jobless Rate	June	5.9%	5.7%	5.9%
07/16/2020	Eurozone	EU27 New Car Registrations	June	--	-22.3%	-52.3%
07/16/2020	Eurozone	ECB Main Refinancing Rate	16 July	0,0%	0,0%	0.000%
07/16/2020	United States	Retail Sales Control Group	June	4.0%	5.6%	10.1%
07/16/2020	United States	Philadelphia Fed Business Outlook	July	20.0	24.1	27.5
07/16/2020	United States	Initial Jobless Claims	11 July	1.25e+06	1.3e+06	1.31e+06-
07/16/2020	United States	NAHB Housing Market Index	July	61	72	58
07/17/2020	Eurozone	CPI Core YoY	June	0.8%	--	0.8%
07/17/2020	United States	Building Permits MoM	June	6.1%	--	14.1%
07/17/2020	United States	Housing Starts MoM	June	21.2%	--	4.3%
07/17/2020	United States	U. of Mich. Sentiment	July	79.0	--	78.1

SOURCE: BLOOMBERG



CALENDAR: THE WEEK AHEAD

10

COMING INDICATORS

Next week is PMI week: the flash purchasing managers' indices for manufacturing, services and their composite will be published in a large number of countries. In combination with consumer confidence data in the eurozone, Germany and France, this will provide a good picture of the current cyclical environment. Of particular interest will be how the numbers compare to last month and to the consensus forecast. The ECB will publish its survey of professional forecasters.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
07/19/2020	United Kingdom	CBI Business Optimism	July	--	-87
07/20/2020	Eurozone	ECB Survey of Professional Forecasters			
07/22/2020	Japan	Jibun Bank Japan PMI Mfg	July	--	40.1
07/22/2020	Japan	Jibun Bank Japan PMI Services	July	--	45.0
07/22/2020	Japan	Jibun Bank Japan PMI Composite	July	--	40.8
07/23/2020	Germany	GfK Consumer Confidence	August	--	-9.6
07/23/2020	France	Business Confidence	July	--	78
07/23/2020	United States	Initial Jobless Claims	18 July	--	--
07/23/2020	Eurozone	Consumer Confidence	July	--	-14.7
07/23/2020	United States	Kansas City Fed Manf. Activity	July	--	1
07/24/2020	United Kingdom	GfK Consumer Confidence	July	--	-27
07/24/2020	United Kingdom	Retail Sales Ex Auto Fuel MoM	June	--	10.2%
07/24/2020	France	Markit France Manufacturing PMI	July	--	52.3
07/24/2020	France	Markit France Services PMI	July	--	50.7
07/24/2020	France	Markit France Composite PMI	July	--	51.7
07/24/2020	Germany	Markit/BME Germany Manufacturing PMI	July	--	45.2
07/24/2020	Germany	Markit Germany Services PMI	July	--	47.3
07/24/2020	Germany	Markit/BME Germany Composite PMI	July	--	47.0
07/24/2020	Eurozone	Markit Eurozone Manufacturing PMI	July	--	47.4
07/24/2020	Eurozone	Markit Eurozone Services PMI	July	--	48.3
07/24/2020	Eurozone	Markit Eurozone Composite PMI	July	--	48.5
07/24/2020	United Kingdom	Markit/CIPS UK Composite PMI	July	--	47.7
07/24/2020	United States	Markit US Manufacturing PMI	July	--	49.8
07/24/2020	United States	Markit US Services PMI	July	--	47.9
07/24/2020	United States	Markit US Composite PMI	July	--	47.9
07/24/2020	United States	New Home Sales MoM	June	2.8%	16.6%

SOURCE: BLOOMBERG



FURTHER READING

Morocco: A sharp recession in 2020	EcoTV Week	17 July
French Economy Pocket Atlas	Pocket Atlas	16 July
United Kingdom: Is the TFSME more effective than the TFS in lowering business loan rates?	Chart of the Week	15 July
Quarterly economic outlook on China and OECD countries	EcoPerspectives	13 July
Fighting a global recession	EcoTV	10 July 2020
Eurozone : A growth spurt or marathon?	EcoWeek	10 July 2020
US : The United States begins to reopen	EcoWeek	10 July 2020
Japan : A timid turnaround	EcoWeek	10 July 2020
Germany: Supply chains after Covid-19	EcoFlash	8 July 2020
United States: an economic rebound accompanied by an alarming resurgence of Covid-19	Chart of the Week	8 July 2020
Global: Business sentiment continues to improve	EcoWeek	3 July 2020
Eurozone: A recovery, but the road ahead is long	EcoWeek	3 July 2020
Global: How to spend it? Vouchers versus VAT cuts	EcoWeek	3 July 2020
A V-shaped recovery for France? Not so fast	EcoTV Week	3 July 2020
COVID-19: main fiscal and monetary measures	EcoFlash	30 June 2020
Mexico: the economic outlook is weakening further	Chart of the Week	30 June 2020
US banks: Leverage ratios under pressure	Conjoncture	30 June 2020
European Union: fiscal policy in action	Conjoncture	30 June 2020
European Union: Central Europe industrial future remains bright	EcoFlash	29 June 2020
European Union: Boomerang economics	EcoWeek	26 June 2020

GROUP ECONOMIC RESEARCH

William De Vijlder
Chief Economist

+33 1 55 77 47 31

william.devijlder@bnpparibas.com

ADVANCED ECONOMIES AND STATISTICS

Jean-Luc Proutat

Head – United States, United Kingdom

+33 1 58 16 73 32

jeanluc.proutat@bnpparibas.com

Hélène Baudchon

France – Labour markets

+33 1 58 16 03 63

helene.baudchon@bnpparibas.com

Louis Boisset

European Central Bank watch, Euro area global view, Japan

+33 1 57 43 02 91

louis.boisset@bnpparibas.com

Frédérique Cerisier

Euro area (European governance and public finances), Spain, Portugal

+33 1 43 16 95 52

frederique.cerisier@bnpparibas.com

Raymond Van Der Putten

Germany, Netherlands, Austria, Switzerland – Energy, climate
– Long-term projections

+33 1 42 98 53 99

raymond.vanderputten@bnpparibas.com

Tarik Rharrab

Statistics

+33 1 43 16 95 56

tarik.rharrab@bnpparibas.com

BANKING ECONOMICS

Laurent Quignon

Head

+33 1 42 98 56 54

laurent.quignon@bnpparibas.com

Laure Baquero

+ 33 1 43 16 95 50

laure.baquero@bnpparibas.com

Céline Choulet

+33 1 43 16 95 54

celine.choulet@bnpparibas.com

Thomas Humblot

+ 33 1 40 14 30 77

thomas.humblot@bnpparibas.com

ECONOMIES EMERGENTES ET RISQUE PAYS

François Faure

Head – Argentina

+33 1 42 98 79 82

francois.faure@bnpparibas.com

Christine Peltier

Deputy Head – Greater China, Vietnam, South Africa

+33 1 42 98 56 27

christine.peltier@bnpparibas.com

Stéphane Alby

Africa (French-speaking countries)

+33 1 42 98 02 04

stephane.alby@bnpparibas.com

Stéphane Colliac

Turkey, Ukraine, Central European countries

+33 1 42 98 26 77

stephane.colliac@bnpparibas.com

Sara Confalonieri

Africa (Portuguese & English-speaking countries)

+33 1 42 98 43 86

sara.confalonieri@bnpparibas.com

Pascal Devaux

Middle East, Balkan countries

+33 1 43 16 95 51

pascal.devaux@bnpparibas.com

Hélène Drouot

Korea, Thailand, Philippines, Mexico, Andean countries

+33 1 42 98 33 00

helene.drouot@bnpparibas.com

Salim Hammad

Latin America

+33 1 42 98 74 26

salim.hammad@bnpparibas.com

Johanna Melka

India, South Asia, Russia, CIS

+33 1 58 16 05 84

johanna.melka@bnpparibas.com

CONTACT MEDIA

Michel Bernardini

+33 1 42 98 05 71

michel.bernardini@bnpparibas.com



BNP PARIBAS

The bank
for a changing
world

GROUP ECONOMIC RESEARCH



CONJONCTURE

Structural or in news flow, two issues analysed in depth



EMERGING

Analyses and forecasts for a selection of emerging economies



PERSPECTIVES

Analyses and forecasts for the main countries, emerging or developed



ECOFASH

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



ECOWEEK

Weekly economic news and much more...



ECOTV

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



ECOTV WEEK

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



MACROWAVES

The economic podcasts

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

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

Certain countries within the European Economic Area:

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

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

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

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

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

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

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

© BNP Paribas (2015). All rights reserved.

POUR RECEVOIR NOS PUBLICATIONS

SUBSCRIBE ON OUR WEBSITE

[see the economic research's website](#)

ET

FOLLOW US ON LINKEDIN

[see the economic research's linkedin page](#)

OU TWITTER

[voir la page twitter des études économiques](#)



Bulletin édité par les Etudes Economiques - BNP PARIBAS

Siège social : 16 boulevard des Italiens - 75009 PARIS / Tél : +33 (0) 1.42.98.12.34

Internet : www.group.bnpparibas.com - www.economic-research.bnpparibas.com

Directeur de la publication : Jean Lemierre / Rédacteur en chef : William De Vijlder



BNP PARIBAS

The bank
for a changing
world