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BNP PARIBAS

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EDITORIAL

2

BITCOIN'S BUYER BEWARE

Based on an overview of the functions of a currency, cryptocurrencies should be considered as an investment instrument, rather than as an alternative to fiat money. Since the start of 2020, correlations between bitcoin and copper, equities and, in particular, breakeven inflation have increased. Probably, investors turn to bitcoin when inflation expectations are on the rise. Swings in investor sentiment also play a role. The extent of the change in the bitcoin price suggests that speculative waves are at work, driven by momentum buying and extrapolative expectations of price appreciation. When the fundamental value of an instrument like a cryptocurrency is very hard if not impossible to determine and when short-term price changes are a multiple of those observed in equity markets, caution should prevail when building and managing an exposure.

On Thursday March 11, a JPG file made by Beeple, a digital artist, was sold at Christie's for USD 69.3 million¹. In the run-up to the auction, it had announced to accept payment in ethereum, a cryptocurrency, which, like bitcoin, has recently seen a spectacular increase of its price expressed in US dollar.

The news raises interesting questions about the art market, the use of cryptocurrencies, how cryptocurrency price gains can influence the price of real assets – works of art, vintage cars, real estate, etc. – as well as the possible correlation with financial assets. Since their launch, there has been debate about whether cryptocurrencies have the three functions of traditional currencies.

The first is that as a unit of account. There is some scepticism on this role. Using a cryptocurrency in parallel with a traditional currency like the euro or the dollar would require retailers to show price tags in both. However, the huge volatility of the price of e.g. bitcoin in US dollar would require daily price changes of the goods on offer. Consumers may also struggle to interpret bitcoin prices, which would run into a large number of decimal places for small-ticket items. Currently, one bitcoin corresponds to 47,535 euros, so a cup of coffee costing 3 euros would show a price tag of 0.000063 bitcoin, which is less straightforward to interpret. On the second function, that of medium of exchange, it is doubtful that it will become the key driver of the development of cryptocurrencies. After all, they need to be acquired before settling a purchase so doing this on a recurring basis would require running cryptocurrency balances, which raises the question of the quality as a store of value.

On this third function, there is the security aspect – are cryptocurrencies held in a safe digital place – and the economic aspect. Focusing on the latter, a proper store of value means that the basket of goods and services that can be bought is stable over time. For a traditional currency, this supposes low and predictable inflation – hence the focus of central banks on inflation targeting to anchor inflation expectations – whereby the erosion of purchasing power can, to a considerable degree, be easily hedged via high quality bonds².

1. JPG file sells for \$69 million, as 'NFT mania' gathers pace, New York Times, 11 March 2021.

2. Nominal bonds can protect against expected inflation whereas inflation-linked securities can be used to protect against unexpected inflation. Very accommodative monetary policy

The real price of bitcoin – the ratio between its price in USD and the US consumer price index – has seen huge swings in recent years, which means that the basket of goods and services that can be bought with a given number of bitcoins fluctuates a lot. This implies that households that would use bitcoin as their main store of value face huge consumption risk, i.e. the risk of not being able to purchase the normal consumption basket. Bitcoin, which is sometimes called 'digital gold', shares this characteristic of being a poor inflation hedge, with gold. "In 'normal' times, gold does not seem to be a good hedge of realized or unexpected short-run inflation. Gold may very well be a long-run inflation hedge. However, the long-run may be longer than an investor's investment time horizon or life span."³. Unless one would consider that we are on the eve of an outbreak of runaway inflation

BITCOIN DAILY PRICE IN USD



CHART 1

SOURCE: REFINITIV, BNP PARIBAS

weakens or even annihilates the value of nominal and inflation-linked bonds as an inflation hedge.

3. *The golden dilemma*, Claude B. Erb and Campbell R. Harvey, NBER Working Paper 18706, January 2013.

The extent of the change in the bitcoin price suggests that speculative waves are at work, driven by momentum buying and extrapolative expectations of price appreciation.



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-which does not correspond to the signal sent by financial markets and survey-based measures of expected inflation-, hedging inflation exposure can be done using traditional fixed income instruments.

The overview of the functions of a currency means that cryptocurrencies should be considered as an investment instrument, rather than as an alternative to fiat money. However, considering that, contrary to equities and bonds, they do not offer a right to future cash-flows, their price today exclusively depends on the expected price at which it could be bought or sold at some point in the future. Answering the question of what drives these price expectations is very difficult.

Research shows that the bitcoin/USD exchange rate has almost zero correlation with the exchange rate of the euro, the yen and the Swiss franc versus the dollar⁴. This means that the factors driving the bitcoin price are distinct from those driving traditional currencies. This also suggests that traditional macro-economic variables did not play a significant role, otherwise the correlations would have been higher. To explore this further, Table 1 presents the correlation between weekly changes in the bitcoin price in US dollar, the S&P500, the 10 year US Treasury yield, the yield on US high yield bonds, US breakeven inflation -the yield difference between nominal Treasury notes and inflation-linked securities- and the copper price. The upper triangular part of the matrix shows the correlations since the start of 2017. There is some correlation between the bitcoin price on the one hand and equities and breakeven inflation on the other hand. The other correlations with bitcoin are very low. Interestingly, as shown in the lower triangular part, correlations are quite a bit higher since the start of 2020 between bitcoin and copper, equities and, in particular, breakeven inflation. This would indicate that investors turn to bitcoin when inflation expectations are on the rise.

Another possible explanation for the recent behaviour could be that swings in investor sentiment also play a role, causing an increased correlation with equities. However, the extent of the change in the bitcoin price suggests that speculative waves are at work, driven by momentum buying and extrapolative expectations of price appreciation. (Social) Media attention can reinforce these dynamics, as well as the development of financial instruments like exchange-traded funds, futures and options, which facilitate position-taking. When the fundamental value of an instrument is very hard if not impossible to determine and when short-term price changes are a multiple of those observed in equity markets, caution should prevail when building and managing an exposure.

William De Vijlder

BITCOIN DAILY PRICE IN USD, NOMINAL VS REAL

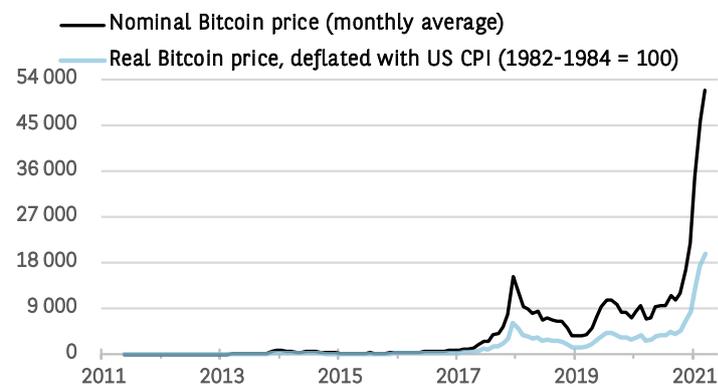


CHART 2 SOURCE: REFINITIV, COIN METRICS, BNP PARIBAS

4. *Is bitcoin a real currency? An economic appraisal*, David Yermack, NBER Working Paper 19747, December 2013. The correlations were calculated for the period from July 19, 2010 up to March 21, 2014.

CORRELATION MATRIX

Weekly data since start of 2017

	Bitcoin in USD	S&P500	US T.Note 10y	US High yield	US breakeven inflation	Copper
Bitcoin price in USD, weekly change in %	1	0.187	0.017	-0.078	0.187	0.058
S&P 500, weekly change in %	0.374	1	0.241	-0.708	0.564	0.387
US T.Note 10-y, weekly change in bps	0.081	0.174	1	-0.036	0.357	0.186
US High yield, weekly change in bps	-0.153	-0.758	0.007	1	-0.423	-0.410
US TIPS 10y, breakeven inflation, weekly change in bps	0.413	0.631	0.196	-0.444	1	0.338
Copper LME cash price, weekly change in %	0.168	0.466	0.140	-0.530	0.327	1

TABLE 1 SOURCE: REFINITIV, BNP PARIBAS

MARKETS OVERVIEW

OVERVIEW

Week 5-3 21 to 11-3-21

➔ CAC 40	5 783	▶ 6 034	+4.3 %
➔ S&P 500	3 842	▶ 3 939	+2.5 %
➔ Volatility (VIX)	24.7	▶ 21.9	-2.8 pb
➔ Euribor 3M (%)	-0.54	▶ -0.54	-0.5 bp
➔ Libor 3M (%)	0.19	▶ 0.18	-0.1 bp
➔ OAT 10y (%)	-0.11	▶ -0.16	-4.9 bp
➔ Bund 10y (%)	-0.34	▶ -0.37	-2.7 bp
➔ US Tr. 10y (%)	1.56	▶ 1.53	-2.8 bp
➔ Euro vs dollar	1.19	▶ 1.20	+0.4 %
➔ Gold (ounce, \$)	1 696	▶ 1 722	+1.5 %
➔ Oil (Brent, \$)	69.5	▶ 69.7	+0.3 %

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	-0.47 at 26/01	-0.50 at 01/01
Euribor 3M	-0.54	-0.53 at 26/02	-0.56 at 06/01
Euribor 12M	-0.49	-0.48 at 01/03	-0.52 at 02/02
\$ FED	0.25	0.25 at 01/01	0.25 at 01/01
Libor 3M	0.18	0.24 at 13/01	0.18 at 19/02
Libor 12M	0.28	0.34 at 01/01	0.28 at 05/03
£ BoE	0.10	0.10 at 01/01	0.10 at 01/01
Libor 3M	0.08	0.08 at 10/03	0.03 at 01/01
Libor 12M	0.15	0.15 at 09/03	0.07 at 11/01

At 11-3-21

Yield (%)

	highest 21	
€ AVG 5-7y	-0.27	-0.22 at 26/02
Bund 2y	-0.67	-0.65 at 25/02
Bund 10y	-0.37	-0.26 at 25/02
OAT 10y	-0.16	-0.03 at 25/02
Corp. BBB	0.67	0.72 at 26/02
\$ Treas. 2y	0.15	0.17 at 08/03
Treas. 10y	1.53	1.60 at 08/03
High Yield	4.79	4.87 at 09/03
£ gilt. 2y	0.08	0.13 at 26/02
gilt. 10y	0.77	0.86 at 26/02

At 11-3-21

EXCHANGE RATES

1€ =	highest 21	lowest 21	2021
USD	1.20	1.23 at 06/01	1.19 at 08/03
GBP	0.86	0.91 at 06/01	0.86 at 09/03
CHF	1.11	1.11 at 04/03	1.08 at 18/01
JPY	129.76	129.90 at 25/02	125.22 at 18/01
AUD	1.54	1.60 at 04/01	1.53 at 24/02
CNY	7.77	8.00 at 01/01	7.71 at 05/03
BRL	6.66	6.95 at 03/03	6.33 at 18/01
RUB	87.77	92.20 at 28/01	87.71 at 10/03
INR	87.21	89.88 at 07/01	86.68 at 09/03

At 11-3-21

Change

COMMODITIES

Spot price, \$	highest 21	lowest 21	2021	2021(€)
Oil, Brent	69.7	69.7 at 11/03	51.2 at 04/01	+34.4% +37.5%
Gold (ounce)	1 722	1 947 at 05/01	1 682 at 08/03	-9.3% -7.2%
Metals, LME	3 843	4 027 at 25/02	3 415 at 01/01	+12.6% +15.1%
Copper (ton)	9 069	9 456 at 25/02	7 749 at 01/01	+17.0% +19.7%
wheat (ton)	248	2.6 at 15/01	247 at 11/02	+0.3% +2.6%
Corn (ton)	208	2.2 at 08/02	188 at 04/01	+1.0% +13.0%

At 11-3-21

Change

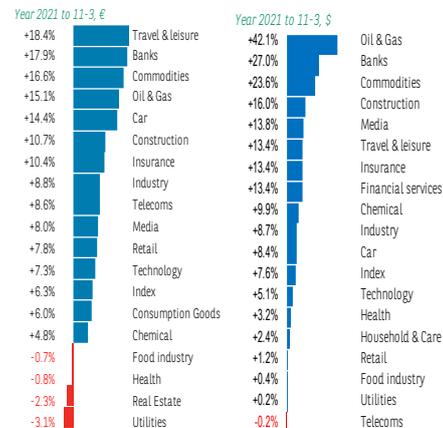
EQUITY INDICES

	Index	highest 21	lowest 21	2021
World				
MSCI World	2 806	2 830 at 15/02	2 662 at 29/01	+4.3%
North America				
S&P500	3 939	3 939 at 11/03	3 701 at 04/01	+4.9%
Europe				
EuroStoxx50	3 846	3 846 at 11/03	3 481 at 29/01	+8.2%
CAC 40	6 034	6 034 at 11/03	5 399 at 29/01	+0.9%
DAX 30	14 569	14 569 at 11/03	13 433 at 29/01	+6.2%
IBEX 35	8 593	8 593 at 11/03	7 758 at 29/01	+0.6%
FTSE100	6 737	6 873 at 08/01	6 407 at 29/01	+0.4%
Asia				
MSCI, loc.	1 104	1 133 at 16/02	1 044 at 06/01	+0.6%
Nikkei	29 212	30 468 at 16/02	27 056 at 06/01	+6.4%
Emerging				
MSCI Emerging (\$)	1 358	1 445 at 17/02	1 292 at 01/01	+0.5%
China	115	130 at 17/02	108 at 08/03	+6.0%
India	731	736 at 03/03	659 at 29/01	+8.0%
Brazil	1 678	1 941 at 14/01	1 561 at 09/03	-4.2%
Russia	717	722 at 14/01	647 at 01/02	+6.5%

At 11-3-21

Change

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)



SOURCE: THOMSON REUTERS,

MARKETS OVERVIEW

EURO-DOLLAR



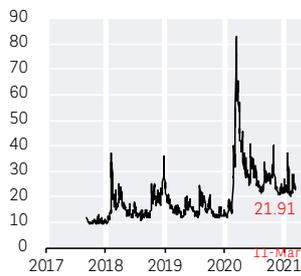
EUROSTOXX50



S&P500



VOLATILITY (VIX, S&P500)



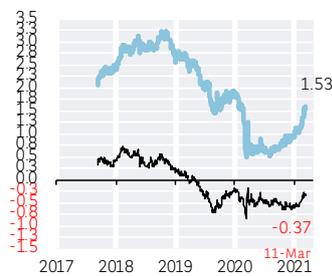
MSCI WORLD (USD)



MSCI EMERGING (USD)



10Y BOND YIELD, TREASURIES VS BUND



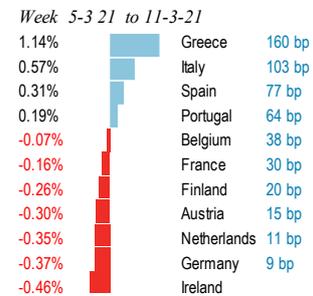
—Bunds —US Treasuries

10Y BOND YIELD

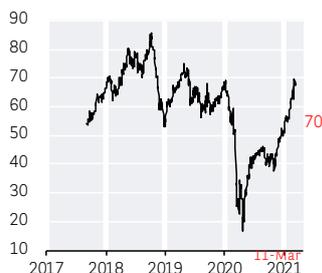


—Bunds —OAT

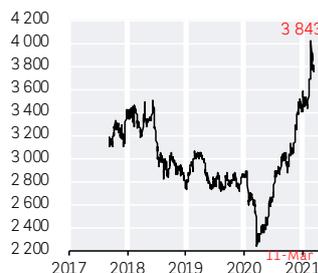
10Y BOND YIELD & SPREADS



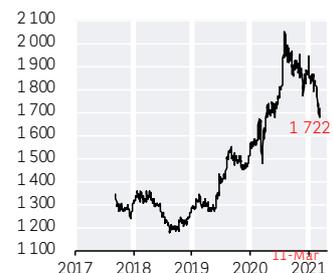
OIL (BRENT, USD)



METALS (LME, USD)



GOLD (OUNCE, USD)



SOURCE: THOMSON REUTERS,



ECONOMIC PULSE

UNCERTAINTY: ON A BROAD-BASED DECLINING TREND

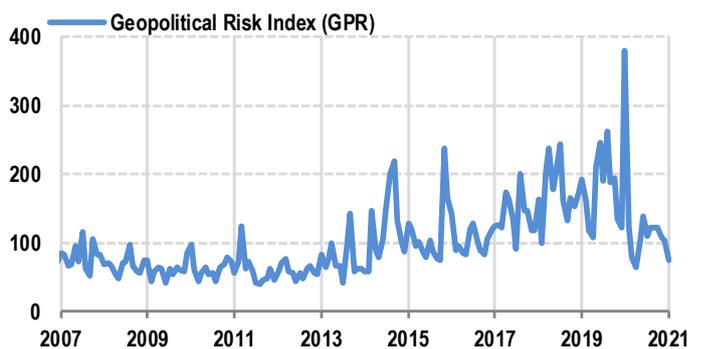
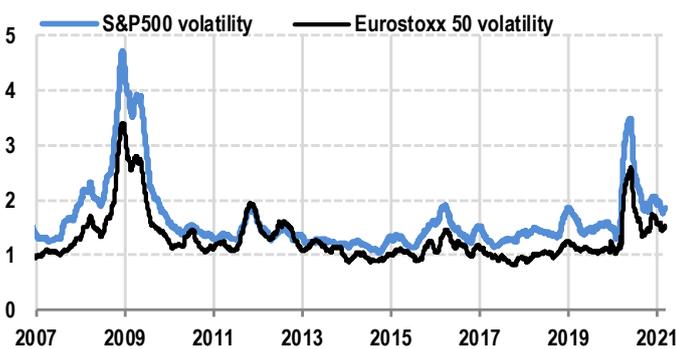
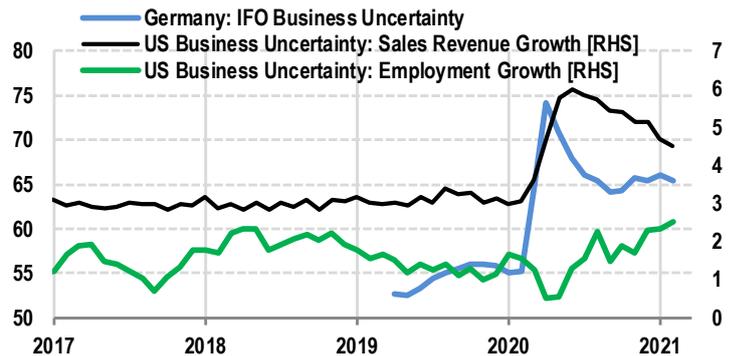
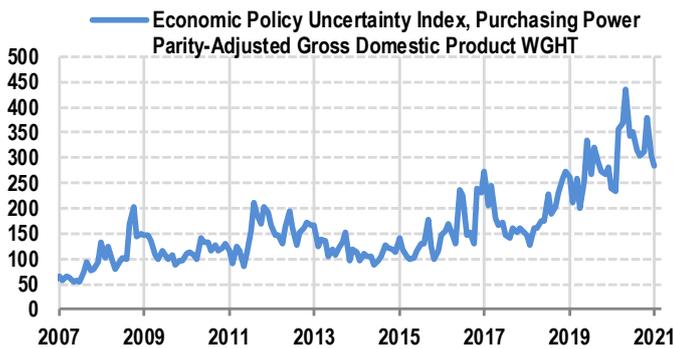
The downward trend of our uncertainty indicators continues. This is related to the improvement of the sanitary situation in several countries, the vaccination campaigns and the anticipation of a major fiscal stimulus package in the United States. Starting top left and moving clockwise, the number of references in the media to uncertainty has declined significantly in recent weeks.

Uncertainty based on company surveys has declined further in the US as far as sales revenue growth is concerned but continues to increase with respect to the employment prospects. In Germany, company uncertainty has been more or less stable for several months now. The pace of decline of the geopolitical risk measure has accelerated recently.

Finally, the uncertainty measure which is based on equity prices –the cross-sectional dispersion of individual company share price returns– has also declined although it remains above the pre-pandemic level. Recent bond market volatility may have played a role in combination with repositioning of investors based on the prospect of accelerating growth.

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

UNITED STATES: IMPROVEMENT CONFIRMED

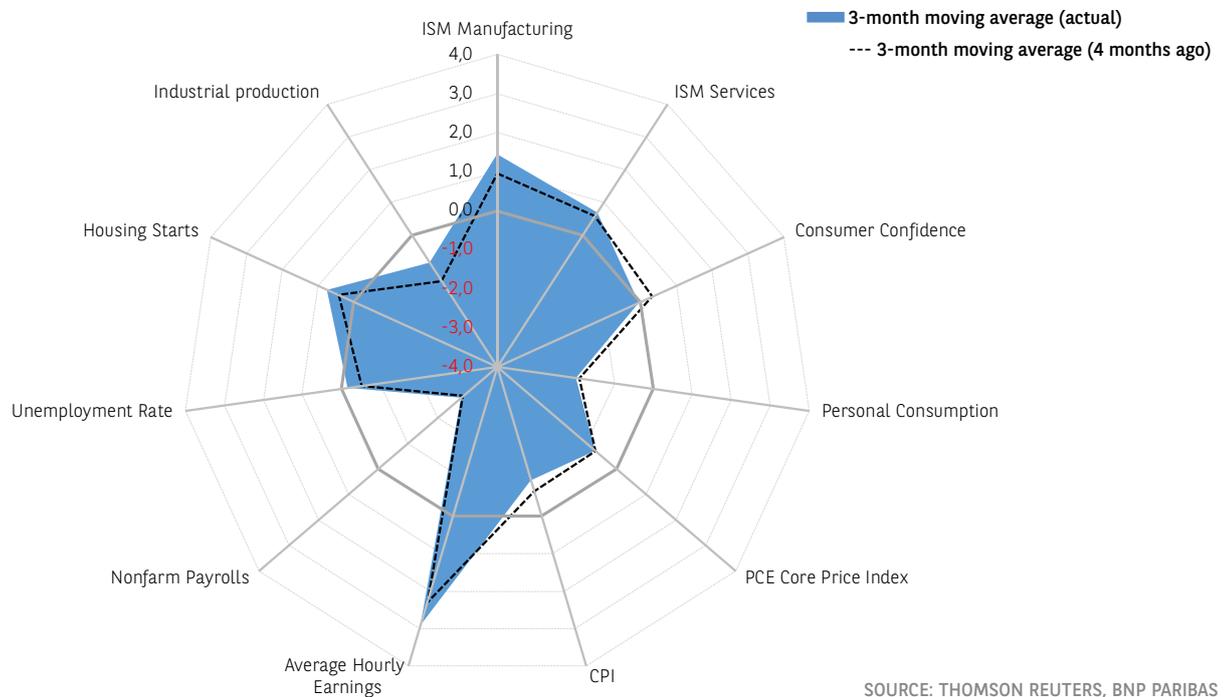
With deaths from Covid-19 having exceeded the startling level of 500,000 in the US, other cheerier statistics have driven the markets forward. The main equity index, the Standard & Poor's 500, closed at 3,939 on 11 March, a new absolute record. The acceleration in the vaccination campaign, which has already administered 100 million doses, and the associated fall in the number of new cases, to close to their lowest level since the pandemic began, have, day by day, built hope that the crisis is nearing its end.

In a televised speech, President Biden suggested the symbolic date of 4 July, Independence Day, as marking a possible return to normal. Mobility indicators provided by the Google search engine are already improving; taken alongside the recovery in employment (379,000 jobs created in February), this confirms that consumer spending is bouncing back, after having slowed in the final months of 2020. It will receive an exceptional quantity of fuel in the forthcoming weeks. The vast stimulus package approved by Congress on Wednesday focuses heavily on boosting demand; nearly half of the total 1,900 billion dollar package will be transferred directly to households in the form of stimulus cheques, additional unemployment benefits and tax credits. It is still

something of a gamble to predict whether Americans will save or spend this bounty, but the scale of the stimulus is such that growth in the US economy can only be revised upwards. The Organisation for Economic Cooperation and Development (OECD) did not hesitate to increase its previous forecast by more than 3 points, and now expects US GDP to grow by 6.5% in 2021. Although the OECD downplays inflationary risk, prices are already starting to pick up in the US, due mainly to the sharp rise in oil prices. Year-on-year inflation, which already started to tick upwards in February (to 1.7%) could reach 2.5% in March, temporarily overshooting the Federal Reserve's official target of 2%.

Jean-Luc Proutat

QUARTERLY CHANGES



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 +4. 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

ACCELERATION OF VACCINATION CAMPAIGNS AND INCREASES IN MOBILITY

As the number of Covid-19 cases has been rising globally over the past two weeks, after having slowed over the previous month and a half, many countries have now joined the vaccination campaign that began in earnest in December 2020. According to the latest figures on Oxford University's Our World in Data website, 319.56 million doses of vaccine have now been administered in 118 countries, of which 60% in the United-States, China, the United Kingdom and India.

On a per head basis, Israel leads the field, with 103.7 doses given for every 100 people, with 58.18% of the population now having received their first dose*. Next comes the UAE, with a ratio of 51.31 per 100 people (35.19% of the population has received a first dose). In third position comes the United Kingdom, with 35.2 doses given per 100 people. In the USA, where the number of new daily cases has been falling for two months now, the ratio is 28.1 per 100 people.

The picture in the European Union is very mixed. In the EU as a whole, 9.82 doses have been administered per 100 people: 6.79% of the population has received a first dose. In Morocco, the first African country to launch a vaccination campaign (at the end of January), 12.33 doses have been given per 100 people, with 10.88% of the population having received a first dose. The acceleration of vaccination campaigns is an essential precursor to a relaxation of public health restrictions and a return to normal for the various economies.

Meanwhile, the latest Google Mobility Report of 9 March showed continued increases in the number of visits to retail and leisure facilities in the major western countries, with the exception of Italy and the UK, which have seen a slight fall since the end of February after having risen for more than a month. In Germany footfall continued to rise, further narrowing the gap with neighbouring countries, and bringing the 7-day moving average to 42% below the baseline**.

* The number of doses of Covid-19 vaccine administered can vary according to the type of vaccine used. Some vaccines such as Pfizer/BioNTech, Moderna and AstraZeneca require 2 jabs.

** 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.

Tarik Rharrab

NUMBER OF COVID-19 VACCINATION DOSES ADMINISTERED BY COUNTRY (PER 100 PEOPLE)

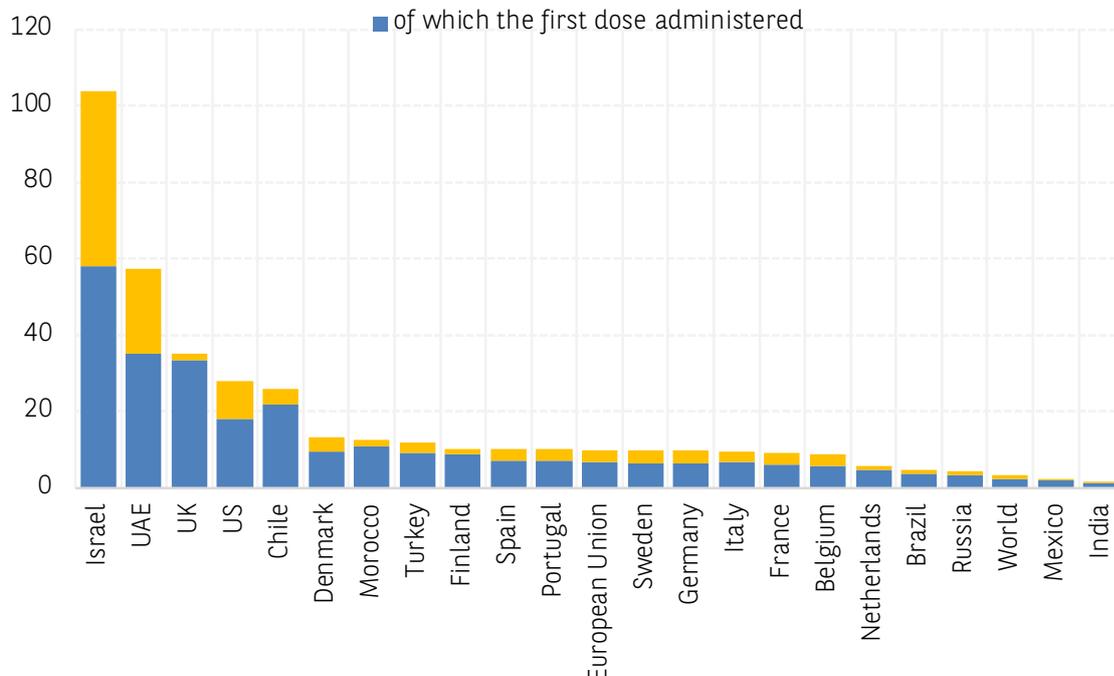


CHART 1

SOURCE: OFFICIAL DATA COLLECTED BY OUR WORLD IN DATA (LAST UPDATE 09/03/2021), BNP PARIBAS



RETAIL AND RECREATION MOBILITY

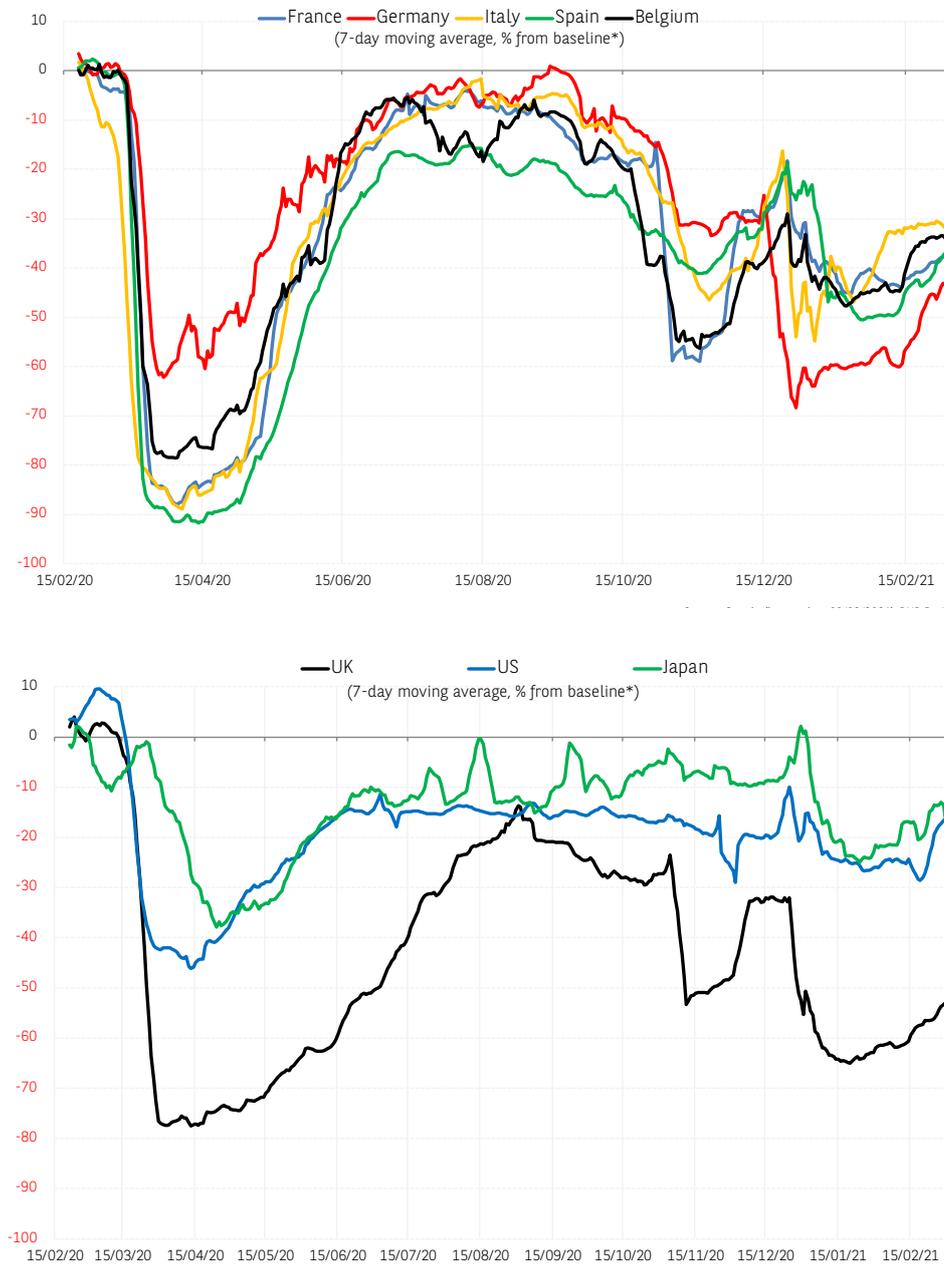


CHART 2

SOURCE: GOOGLE (UPDATE AS OF 09/03/2021), 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

10

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	2021 e	2022 e	2019	2020	2021 e	2022 e
United-States	2.2	-3.5	4.2	4.1	1.8	1.2	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	-9.9	4.0	8.6	1.8	0.9	1.5	2.1
Euro Area	1.3	-6.8	3.8	5.5	1.2	0.2	0.8	1.3
Germany	0.6	-5.3	2.7	5.1	1.4	0.5	1.3	1.2
France	1.5	-8.3	5.5	4.7	1.3	0.5	0.6	1.2
Italy	0.3	-8.9	4.5	4.4	0.6	-0.2	0.5	1.3
Spain	2.0	-11.0	5.4	5.9	0.8	-0.3	0.4	0.9
China	6.1	3.0	9.5	5.3	2.9	2.9	2.3	2.8
India*	4.2	-11.4	11.6	5.0	4.8	4.9	4.3	3.8
Brazil	1.1	-4.5	3.0	3.0	3.7	2.7	4.0	4.0
Russia	1.3	-4.5	3.8	3.0	4.3	3.2	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				2021e 2022e	
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	2.00	2.00	
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
UK	BONO 10y	0.35	0.20	0.40	0.60	0.60	1.00
	Base rate	0.10	0.10	0.10	0.10	0.10	0.10
Japan	Gilts 10y	0.40	0.40	0.50	0.60	0.60	0.75
	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				2021e 2022e	
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				2021e 2022e	
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)


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CALENDAR

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LATEST INDICATORS

In Japan, the Eco Watchers Survey saw a significant improvement, beating the consensus survey by a wide margin, both in terms of the assessment of the current situation and the outlook. Banque de France sentiment was in line with expectations and marginally better than in January. Unexpectedly, German exports growth improved in January. The updated estimate of 4th quarter GDP growth in the euro area saw a weaker number (-0.7% versus -0.6% as the previous estimate). The ECB announced it will step up the pace of its asset purchases in reaction to the rise in bond yields. In China, producer price inflation picked up significantly, slightly more than expected. In the US, small business optimism hardly moved and core inflation was lower than anticipated. Initial unemployment claims improved and so did the pace of job openings. All the media attention however went to the USD 1.9 trillion fiscal stimulus plan which was approved in the Senate and the House. In the UK, the monthly estimate of GDP for January, although negative, was a lot better than expected. Finally, in the US, University of Michigan sentiment improved far more than anticipated, both in terms of current conditions as well as expectations. Interestingly, 1-year inflation expectations eased somewhat.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
03/08/2021	Japan	Eco Watchers Survey Current SA	Feb	34.0	41.3	31.2
03/08/2021	Japan	Eco Watchers Survey Outlook SA	Feb	41.0	51.3	39.9
03/08/2021	France	Bank of France Ind. Sentiment	Feb	99.0	99.0	98.0
03/09/2021	Japan	GDP SA QoQ	4Q	3.0%	2.8%	3.0%
03/09/2021	Japan	Machine Tool Orders YoY	Feb	--	36.7%	9.7%
03/09/2021	France	Private Sector Payrolls QoQ	4Q	-0.2%	-0.1%	-0.2%
03/09/2021	Germany	Exports SA MoM	Jan	-1.8%	1.4%	0.4%
03/09/2021	Eurozone	OECD Publishes Interim Economic Outlook				
03/09/2021	Eurozone	Employment QoQ	4Q	--	0.3%	0.3%
03/09/2021	Eurozone	GDP SA QoQ	4Q	-0.6%	-0.7%	-0.6%
03/09/2021	Eurozone	GDP SA YoY	4Q	-5.0%	-4.9%	-5.0%
03/09/2021	Eurozone	Govt Expend QoQ	4Q	0.6%	0.4%	4.6%
03/09/2021	Eurozone	Household Cons QoQ	4Q	-3.0%	-3.0%	14.1%
03/09/2021	Eurozone	Gross Fix Cap QoQ	4Q	0.7%	1.6%	13.9%
03/09/2021	United States	NFIB Small Business Optimism	Feb	97.0	95.8	95.0
03/09/21-03/15/21	China	Aggregate Financing CNY	Feb	910.0b	1710.0b	5174.2b
03/10/2021	China	CPI YoY	Feb	-0.3%	-0.2%	-0.3%
03/10/2021	China	PPI YoY	Feb	1.5%	1.7%	0.3%
03/10/2021	United States	CPI Ex Food and Energy MoM	Feb	0.2%	0.1%	0.0%
03/11/2021	Eurozone	ECB Deposit Facility Rate	Mar	-0.5%	-0.5%	-0.5%
03/11/2021	United States	Initial Jobless Claims	Mar	725k	712k	754k
03/11/2021	United States	JOLTS Job Openings	Jan	6 700	6 917	6 752
03/12/2021	United Kingdom	Monthly GDP (MoM)	Jan	-4.9%	-2.9%	1.2%
03/12/2021	United Kingdom	Monthly GDP (3M/3M)	Jan	-2.6%	-1.7%	1.0%
03/12/2021	United States	PPI Ex Food and Energy MoM	Feb	0.2%	0.2%	1.2%
03/12/2021	United States	PPI Ex Food, Energy, Trade MoM	Feb	0.3%	0.2%	1.2%
03/12/2021	United States	U. of Mich. Sentiment	Mar	78.5	83.0	76.8
03/12/2021	United States	U. of Mich. Current Conditions	Mar	88.3	91.5	86.2
03/12/2021	United States	U. of Mich. Expectations	Mar	72.0	77.5	70.7
03/12/2021	United States	U. of Mich. 1 Yr Inflation	Mar	3.3%	3.1%	3.3%
03/12/2021	United States	U. of Mich. 5-10 Yr Inflation	Mar	--	2.7%	2.7%

SOURCE: BLOOMBERG



CALENDAR: THE WEEK AHEAD

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COMING INDICATORS

It's central bank week next week with meetings of the FOMC, the Bank of England and the Bank of Japan. The week is rather light in terms of data, with the exception of China where several important data will be released (industrial production, fixed assets investments, property investment, unemployment rate, retail sales). In Europe we have the ZEW survey for Germany and the euro area as well as new car registrations and euro area inflation. In the US, regional surveys will be published (Empire State, Philadelphia) as well as retail sales, industrial production and housing-related data (NAHB index, building permits, housing starts).

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
03/15/2021	Japan	Core Machine Orders MoM	Jan	-3.30%	5.20%
03/15/2021	China	Industrial Production YTD YoY	Feb	32.60%	--
03/15/2021	China	Fixed Assets Ex Rural YTD YoY	Feb	41.50%	--
03/15/2021	China	Property Investment YTD YoY	Feb	53.40%	--
03/15/2021	China	Surveyed Jobless Rate	Feb	5.20%	--
03/15/2021	China	Retail Sales YTD YoY	Feb	32.00%	--
03/15/2021	United States	Empire Manufacturing	Mar	13	12.1
03/16/2021	Germany	ZEW Survey Expectations	Mar	75	71.2
03/16/2021	Eurozone	ZEW Survey Expectations	Mar	--	69.6
03/16/2021	United States	Retail Sales Control Group	Feb	0.30%	6.00%
03/16/2021	United States	Industrial Production MoM	Feb	0.60%	0.90%
03/16/2021	United States	Capacity Utilization	Feb	75.40%	75.60%
03/16/2021	United States	NAHB Housing Market Index	Mar	84	84
03/17/2021	Eurozone	EU27 New Car Registrations	Feb	--	-24.00%
03/17/2021	Eurozone	CPI YoY	Feb	0.90%	0.90%
03/17/2021	Eurozone	CPI Core YoY	Feb	1.10%	1.10%
03/17/2021	United States	Building Permits MoM	Feb	-8.70%	10.40%
03/17/2021	United States	Housing Starts MoM	Feb	-0.60%	-6.00%
03/17/2021	United States	FOMC Rate Decision (Upper Bound)	Mar	0.25%	0.25%
03/18/2021	Eurozone	Labour Costs YoY	4Q	--	1.60%
03/18/2021	United Kingdom	Bank of England Bank Rate	Mar	0.10%	0.10%
03/18/2021	United States	Initial Jobless Claims	Mar	--	712k
03/18/2021	United States	Philadelphia Fed Business Outlook	Mar	20	23.1
03/19/2021	Japan	Natl CPI Ex Fresh Food, Energy YoY	Feb	0.20%	0.10%
03/19/2021	United Kingdom	GfK Consumer Confidence	Mar	--	-23
03/19/2021	Japan	BOJ Policy Balance Rate	Mar	--	-0.10%
03/19/2021	Japan	BOJ 10-Yr Yield Target	Mar	--	0.00%

SOURCE: BLOOMBERG



FURTHER READING

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EcoTV - March 2021	EcoTV	11 March 2021
France : Debt, size is not all that matters	Chart of the Week	10 March 2021
French economy Pocket Atlas	Pocket Atlas	9 March 2021
Eurozone : Towards an unwelcome tightening of financial conditions in the euro area?	EcoWeek	5 March 2021
Does the rise of bond yields call for yield curve control?	EcoTVWeek	5 March 2021
Growth jumps to 0.4% In third quarter of the fiscal year	Chart of the Week	3 March 2021
Europe: the shock of Covid-19 and the fear of accelerated zombification	Conjoncture	2 March 2021
United Kingdom : the trajectory of UK public finances after Covid	Conjoncture	2 March 2021
EcoWeek 21.08. February 26, 2021 issue	EcoWeek	26 February 2021
Central Europe: growth amid shortages	EcoTVWeek	26 February 2021
Accommodation and food service activities have made intensive use of sgls	Chart of the Week	24 February 2021
EcoWeek 21.07. February 19, 2021 issue	EcoWeek	19 February 2021
Spain: the debate on pension reform arises again	EcoTVWeek	19 February 2021
Sub-Sahara Africa : dealing with Africa's risk of debt distress	Conjoncture	18 February 2021
World merchandise trade quickly back to pre-pandemic levels	Chart of the Week	17 February 2021
EcoWeek 21.06. February 12, 2021 issue	EcoWeek	12 February 2021
Spain: Catalonia regional election: independence no longer the key issue?	EcoFlash	11 February 2021
Emerging Markets : The covid crisis has not raised domestic borrowing costs for governments	Chart of the Week	10 February 2021
February 2021 edition	EcoTV	9 February 2021
EcoWeek 21.05. February 5, 2021 issue	EcoWeek	5 February 2021



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