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ECONOMIC RESEARCH

BNP PARIBAS

The bank for a changing world

THE STOP-START RECOVERY

Activity was already slowing before the new lockdown measures and the latter will act as an additional brake. We are living in a stop-start economy. The contraction of activity should be more limited than in March-April. The measures are less strict for economic activity, businesses are better prepared and exports should benefit from a more dynamic business environment, in particular in Asia, compared to what happened in spring.The stop-start recovery should also have negative consequences that go beyond the near term. Uncertainty may last for longer which entails increased risk of bigger scars like a rise in long-term unemployment or corporate bankruptcies. It may intensify disinflationary forces and increases the burden on public finances. It will also take more time until the pre-pandemic activity level will be reached.

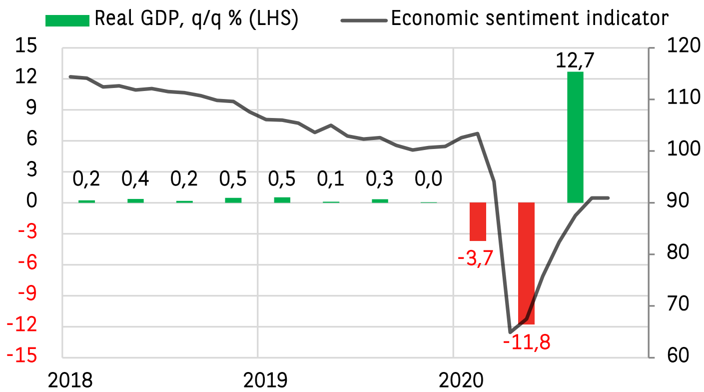
The rate of real GDP growth in the third quarter versus the second quarter has been particularly strong and even better than elevated consensus expectations [1] (shown in brackets): France +18.2% (15.0%), Germany + 8.2% (7.3%) and the euro area +12.7% (9.6%). In the US, where contrary to the EU, data are reported at an annual rate, quarterly growth in the third quarter was 33.1% (32.0%). This spectacular performance comes after an equally spectacular contraction of activity in the previous quarter. Yet, in normal times, it should have been reason for cheer. However, these are not normal times. In several European countries, the second wave of the pandemic is accelerating at an alarming rate, triggering the re-introduction of lockdown measures. The US is even experiencing a third wave of new infections and according to Brookings, a non-profit public policy organization, the recovery is losing steam. The number of hours worked at small businesses has decreased slightly in September and job creation in metropolitan areas is slowing[2] . On the other hand, the Federal Reserve of New York's weekly economic index continues to improve. In the European Union, the situation looks worse. At the release of its economic sentiment index for October, the European Commission commented that for both the euro area and EU the recovery of the economic sentiment index came to a halt and that employment expectations turned negative. The tone at the ECB press conference last Thursday was decidedly gloomy[3] and Christine Lagarde was very clear that more easing measures will be decided at the next meeting on 10 December [4]. This is warranted, considering that activity was already slowing before the new lockdown measures and the latter will act as an additional brake. We are living in a stop-start economy: the first wave of infections necessitated a lockdown, causing a sudden stop to activity. Once the number of new infections were sufficiently down, easing measures were instrumental in re-starting the economy.

1. The consensus data were established by Bloomberg.
2. Source: *As COVID-19 cases surge, the country's economic recovery is losing steam*, Brookings, 30 October 2020.
3. *"Incoming information signals that the euro area economic recovery is losing momentum more rapidly than expected [...]. The rise in COVID-19 cases and the associated intensification of containment measures is weighing on activity, constituting a clear deterioration in the near-term outlook"*. Source: *ECB, Introductory statement*, Press conference, Christine Lagarde, President of the ECB, Luis de Guindos, Vice-President of the ECB, Frankfurt am Main, 29 October 2020

After the current stop, a start will follow. It is as if we are experiencing a succession of short-lived V recoveries.

For the near term, the extent of the drop in activity and the timing and size of the rebound are more important questions than the label of the recovery. Arguably, the contraction of activity should be more limited than in March-April. The measures are less strict for economic activity, businesses are better prepared and exports should benefit from a more dynamic business environment, in particular in Asia, compared to what happened in spring. Supposing that in the course of December, restrictions could be eased –which is the equivalent of hitting the 'start' button-, we should again see a mechanical recovery, whereby the power of pent-up demand could be particularly strong considering the approaching festive season.

EURO ZONE: GDP GROWTH AND ECONOMIC SENTIMENT INDICATOR



SOURCE: EUROSTAT, EUROPEAN COMMISSION, BNP PARIBAS

4. *"We have little doubt, given what is expected as a result of the risks that we are seeing, that circumstances will warrant the recalibration and the implementation of this recalibrated package."*

> Activity was already slowing before the new lockdown measures and the latter will act as an additional brake. We are living in a stop-start economy.

Under such a scenario –which of course crucially depends on the assumption of the lifting of restrictions- activity in the fourth quarter would be close to normal in October, significantly down in November and rebounding during the course of December. In addition, one should take into account the positive spillover effect from the third quarter[5] . Still, on balance, this would lead to quite a contraction in real GDP. For France, we estimate it at about 5% quarter over quarter[6] . The stop-start recovery should also have negative consequences that go beyond the near term. Households and businesses may wonder how many waves will follow until we embark on a lasting, uninterrupted recovery. The answer to this question is of course closely linked to when a vaccine will be found. As a consequence, uncertainty may last for longer which entails increased risk of bigger scars like a rise in long-term unemployment or corporate bankruptcies as support measures are withdrawn. A stop-start cycle may intensify disinflationary forces and increases the burden on public finances. It will also take more time until the pre-pandemic activity level will be reached. Based on health but also economic considerations, there is a clear, shared interest in everybody undertaking the necessary efforts to try to limit the spreading of the virus.

William De Vijlder

5. To illustrate this point, suppose that GDP has been growing month after month during the third quarter but that during the fourth quarter, it stays constant. This would still imply that demand, income and value added generated in the fourth quarter would be higher than during the previous quarter. For France, this *acquis de croissance* is estimated at 1% for the current quarter (see the Pulse section on France in this Ecoweek).
6. For more detail, see the Pulse section on France in this Ecoweek written by Hélène Baudchon.

MARKETS OVERVIEW

OVERVIEW

Week 23-10 20 to 30-10-20

↘ CAC 40	4 910	▸	4 594	-6.4	%
↘ S&P 500	3 465	▸	3 270	-5.6	%
↗ Volatility (VIX)	27.6	▸	38.0	+10.5	bp
↘ Libor $ 3M (%)	0.22	▸	0.21	-0.2	bp
↘ OAT 10y (%)	-0.35	▸	-0.40	-4.6	bp
↗ US Tr. 10y (%)	0.84	▸	0.86	+1.7	bp
↘ Euro vs dollar	1.18	▸	1.16	-1.6	%
↘ Gold (ounce, $)	1 900	▸	1 881	-1.0	%
↘ Oil (Brent, $)	41.8	▸	37.5	-10.3	%

MONEY & BOND MARKETS

Interest Rates		highest 20			lowest 20		
$ FED	0.25	1.75	at	01/01	0.25	at	16/03
Libor 3M	0.21	1.91	at	01/01	0.21	at	19/10
Libor 12M	0.33	2.00	at	01/01	0.33	at	28/10
£ BoE	0.10	0.75	at	01/01	0.10	at	19/03
Libor 3M	0.05	0.80	at	08/01	0.05	at	23/10
Libor 12M	0.13	0.98	at	01/01	0.12	at	20/10

At 30-10-20

Yield (%)		highest 20		lowest 20	
€ AVG 5-7y	-0.40	0.72	at 18/03	-0.40	at 30/10
Bund 2y	-0.79	-0.58	at 14/01	-1.00	at 09/03
Bund 10y	-0.63	-0.17	at 19/03	-0.84	at 09/03
OAT 10y	-0.40	0.28	at 18/03	-0.42	at 09/03
Corp. BBB	0.80	2.54	at 24/03	0.65	at 20/02
$ Treas. 2y	0.16	1.59	at 08/01	0.11	at 04/08
Treas. 10y	0.86	1.91	at 01/01	0.50	at 09/03
High Yield	5.93	1 1.29	at 23/03	5.44	at 21/02
£ gilt. 2y	-0.02	0.61	at 08/01	-0.12	at 21/09
gilt. 10y	0.30	0.83	at 01/01	0.04	at 04/08

At 30-10-20

EXCHANGE RATES

1€ =		highest 20			lowest 20			2020
USD	1.16	1.20	at	01/09	1.07	at	20/03	+3.8%
GBP	0.90	0.94	at	23/03	0.83	at	18/02	+6.3%
CHF	1.07	1.09	at	05/06	1.05	at	14/05	-1.8%
JPY	121.77	126.82	at	31/08	114.51	at	06/05	-0.2%
AUD	1.66	1.87	at	23/03	1.60	at	01/01	+3.9%
CNY	7.80	8.26	at	30/07	7.55	at	19/02	-0.2%
BRL	6.72	6.75	at	28/10	4.51	at	02/01	+48.7%
RUB	92.59	92.95	at	29/09	67.75	at	10/01	+32.8%
INR	86.32	89.12	at	18/08	77.21	at	17/02	+7.7%

At 30-10-20 *Change*

COMMODITIES

Spot price, $		highest 20			lowest 20			2020	2020(€)
Oil, Brent	37.5	69.1	at	06/01	16.5	at	21/04	-43.4%	-45.4%
Gold (ounce)	1 881	2 053	at	06/08	1 475	at	19/03	+23.7%	+19.2%
Metals, LMEX	3 037	3 125	at	21/10	2 232	at	23/03	+6.8%	+2.9%
Copper (ton)	6 708	6 978	at	21/10	4 625	at	23/03	+9.1%	+5.1%
wheat (ton)	223	2.4	at	21/01	178	at	26/06	-2.4%	-6.0%
Corn (ton)	152	1.6	at	26/10	113	at	28/04	+0.2%	-2.1%

At 30-10-20 *Change*

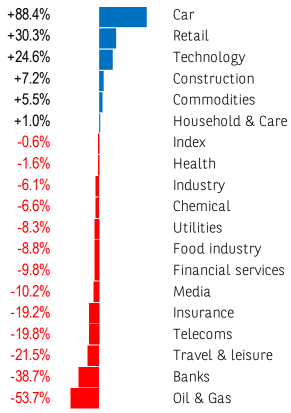
EQUITY INDICES

	Index	highest 20			lowest 20			2020
World								
MSCI World	2 293	2 494	at	02/09	1 602	at	23/03	-2.8%
North America								
S&P500	3 270	3 581	at	02/09	2 237	at	23/03	+1.2%
Europe								
EuroStoxx50	2 958	3 865	at	19/02	2 386	at	18/03	-21.0%
CAC 40	4 594	6 111	at	19/02	3 755	at	18/03	-2.3%
DAX 30	11 556	13 789	at	19/02	8 442	at	18/03	-12.8%
IBEX 35	6 452	10 084	at	19/02	6 107	at	16/03	-3.2%
FTSE100	5 577	7 675	at	17/01	4 994	at	23/03	-2.6%
Asia								
MSCI, loc.	910	1 034	at	20/01	743	at	23/03	-1.0%
Nikkei	22 977	24 084	at	20/01	16 553	at	19/03	-2.9%
Emerging								
MSCI Emerging ($)	1 103	1 147	at	17/01	758	at	23/03	-0.1%
China	103	105	at	29/10	69	at	19/03	+19.7%
India	565	609	at	17/01	353	at	23/03	-0.9%
Brazil	1 340	2 429	at	02/01	1 036	at	23/03	-19.1%
Russia	505	857	at	20/01	419	at	18/03	-22.0%

At 30-10-20 *Change*

PERFORMANCE BY SECTOR (S&P500)

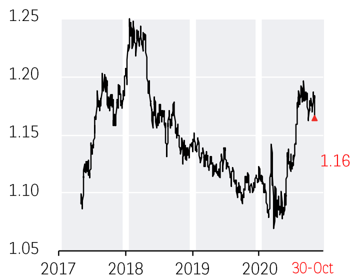
Year 2020 to 29-10, $



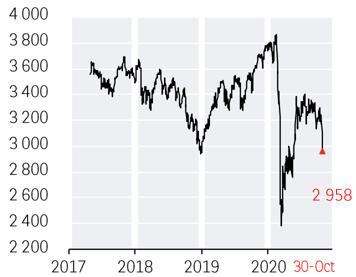
SOURCE: THOMSON REUTERS,

MARKETS OVERVIEW

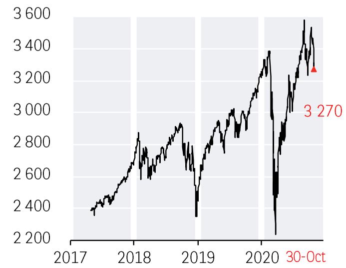
EURO-DOLLAR



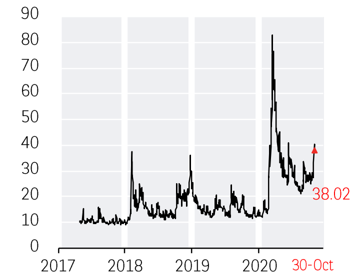
EUROSTOXX50



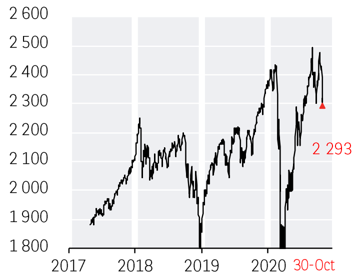
S&P500



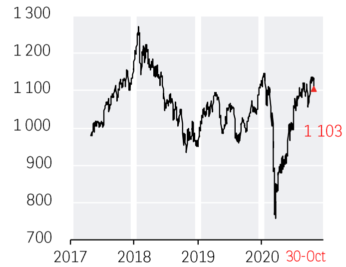
VOLATILITY (VIX, S&P500)



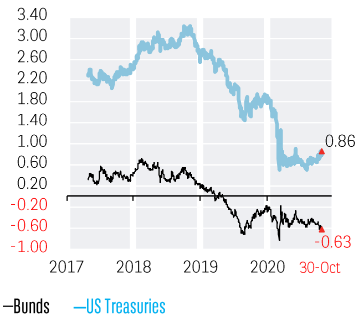
MSCI WORLD (USD)



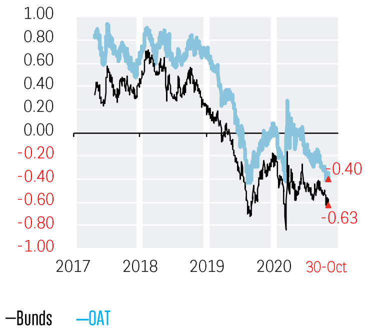
MSCI EMERGING (USD)



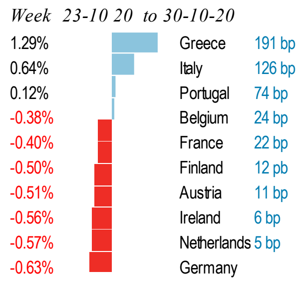
10Y BOND YIELD, TREASURIES VS BUND



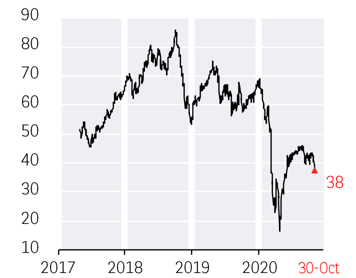
10Y BOND YIELD



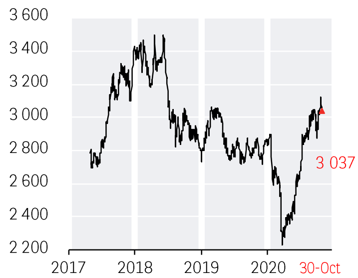
10Y BOND YIELD & SPREADS



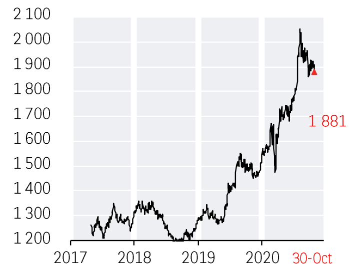
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: THOMSON REUTERS,

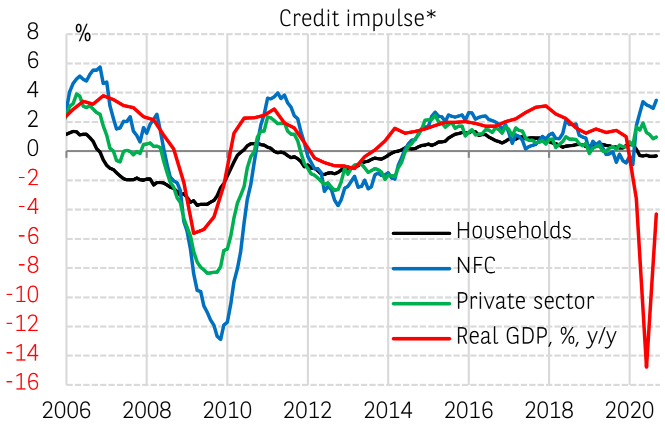
ECONOMIC PULSE

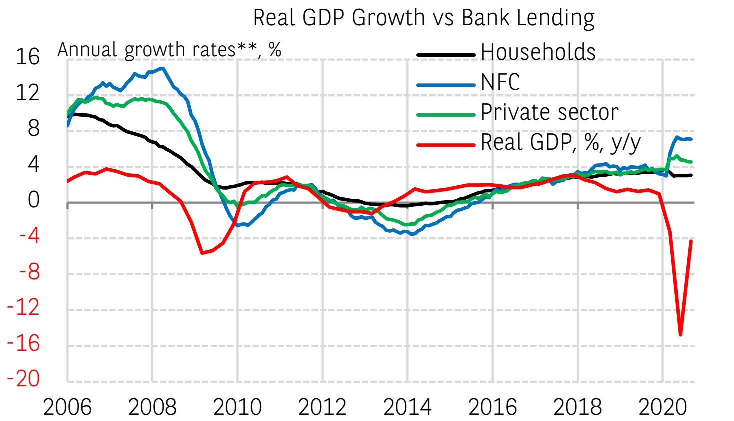
CREDIT IMPULSE IN THE EUROZONE: INCREASE IN LENDING FLOWS TO NON-FINANCIAL COMPANIES, SLIGHT CONTRACTION FOR HOUSEHOLDS

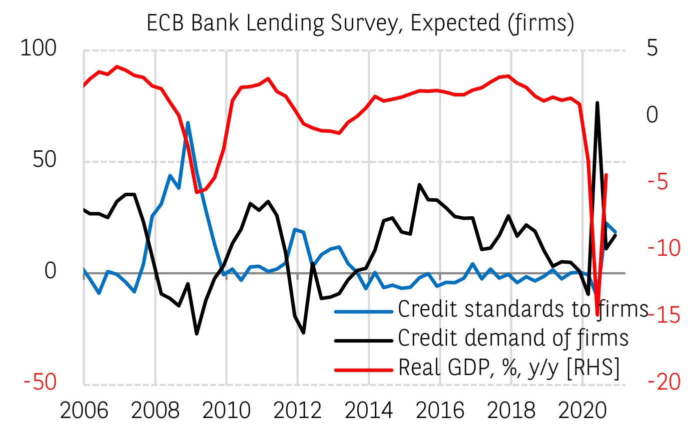
Despite a significant and higher than expected rebound in the third quarter (+12.7% q/q according to Eurostat, from -11.8% in Q2), the y/y contraction in GDP remains significant albeit lower (-4.3%, from -14.8% in Q2). In contrast to prevailing macroeconomic trends, credit impulse (defined as the annual change of the annual growth rate of bank loans) to the private sector increased very slightly in September 2020, following a decline from 1.9% in May 2020 to 0.8% in August 2020. However, given the stability of the year-on-year figure for growth in lending to the private sector in August and September (4.6%), this additional impulse came solely from the slight dip in year-on-year growth in September 2019 (from 3.8% in August 2019 to 3.6% in September 2019). At the beginning of this autumn, outstanding loans to companies continued to see much stronger growth than those to households as a result of the sharp rise in lending in the spring, stimulated by government schemes to support business finances and liquidity. Thus outstanding loans with a maturity of between 1 and 5 years, which form the core of the main schemes, have seen annual growth of between 16% and 18% since the second quarter. For households, although mortgage lending has maintained its momentum (up 4.5% y/y in September), consumer lending has been more or less flat (up just 0.1%). After an easing in demand from companies in the third quarter, linked to a lessening of pressure on cash flows, the banks surveyed are expecting a modest uptick in demand for credit in the final quarter of the year, particularly from SMEs. Credit institutions are also expecting a drop in demand for mortgage lending, against a background of tougher lending conditions. Lastly, it should be noted that the Bank Lending Survey was conducted between 21 September and 6 October, and that although these anticipations do not seem to be called into question, they could be amplified by the return of the epidemic and the consequences of the fresh round of public health restrictions that have unfortunately become necessary.

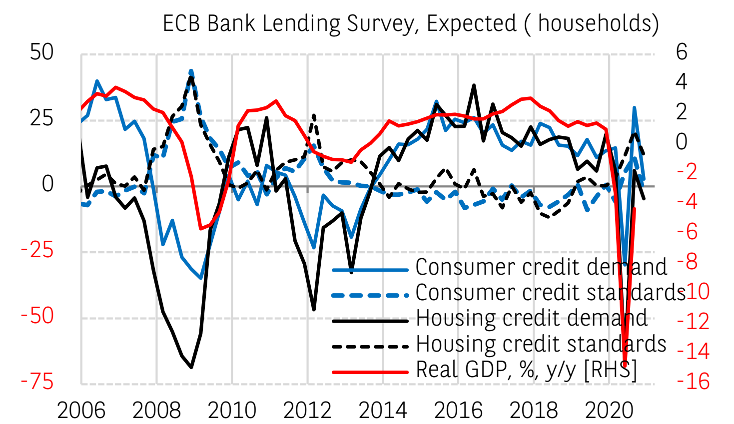
Laurent Quignon

QUARTERLY CHANGES









*CREDIT IMPULSE IS MEASURED AS THE ANNUAL CHANGE OF THE ANNUAL GROWTH RATE OF MFI LOANS ** ADJUSTED FOR SECURITIZATIONS

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

ECONOMIC PULSE

FRANCE: ON A ROLLER-COASTER

The main economic news is the publication by INSEE, on Friday 30 October, of its preliminary estimate for French GDP growth in Q3. The surprise has been on the upside, as the figure of 18.2% q/q growth is higher than our forecast of a 16% q/q gain. The rebound has been as spectacular as the collapse that preceded it (-5.9% q/q in Q1 and -13.7% q/q in Q2), but did not make up all of the ground lost: GDP is still 4% lower than its level at end-2019. All components of GDP showed better than expected improvements. The contribution from changes in inventories, which was more negative than expected, took a little of the shine off the recovery.

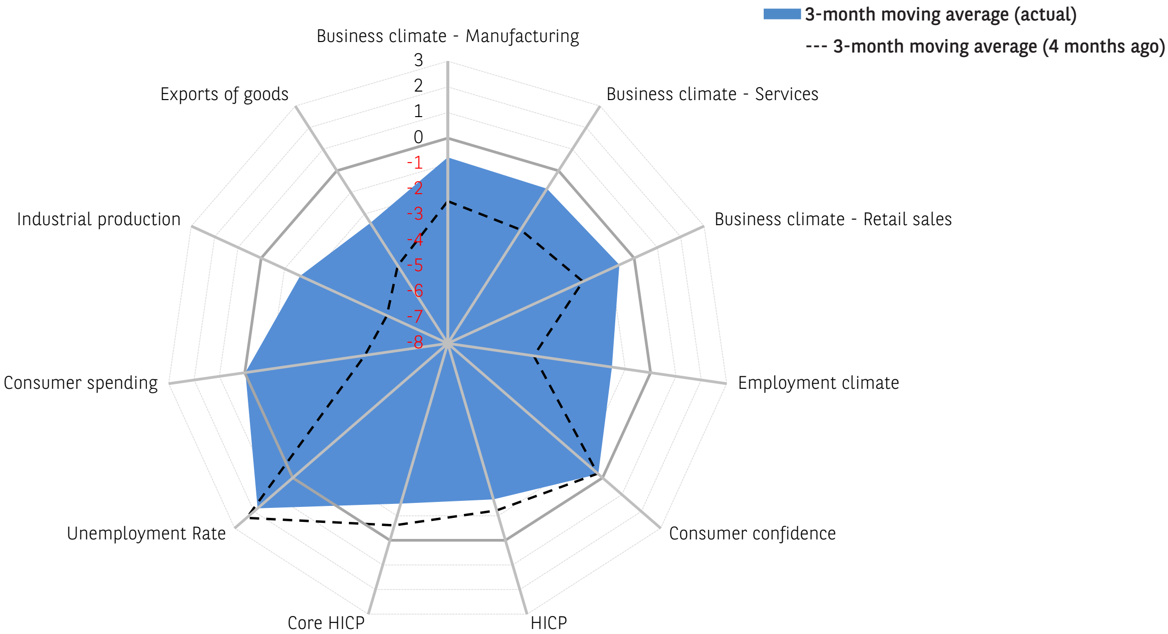
Our barometer also reveals this substantial if incomplete recovery: the blue area goes beyond the boundaries of the dotted area (with the notable exception of inflation, which has weakened still further) but remains largely delimited by the hendecagon showing long-term average values, with the notable exceptions in this case being the unemployment rate and consumer spending on goods. The former is uneasy to interpret for methodological reasons. Let us keep in mind that after soaring in Q2 (by 24% q/q), Category A jobseekers fell back again in Q3 (-11% q/q), in line with the economic recovery after the (first) lockdown. When it comes to goods spending, its return to pre-crisis levels is remarkable and makes it one of the few economic indicators to achieve this. However, the 3-month moving average hides the drop of 5.1% m/m in September. This was a payback to the catching up that had taken place in previous months and to the strong growth in August (2.2% m/m), driven in particular by the sales period. In current circumstances this drop is even more noteworthy, as it gives a possible foretaste of future falls under the effect of the succession of increasingly restrictive measures introduced since September to tackle the second wave of the epidemic.

Attention will now turn to Q4. We knew that the Q3 rebound, which was automatic for a large part, would be followed by weaker growth, as the automatic catch-up effects fall away and as substantial disparities between sectors and persistent public health constraints and uncertainties remain in play. This strong rebound in Q3 leaves a growth carry-over of 1% in Q4. The new lockdown, to last at least a month from 30 October, will make the pattern of growth look ever more like a roller-coaster. The question of the degree to which growth would slow has been replaced by that of the likely size of the contraction.

Confidence surveys, available until October, have already started to lose ground (modestly for consumer confidence, slightly more steeply for the business climate). Whilst this was unsurprising for the services sector, it was a bit more so in manufacturing. These figures will now almost certainly fall significantly in November, although the decline is expected to be smaller than in April, as the new lockdown is less stringent than the first. That said, it is being introduced in an economy weakened by the recessive shock of this spring. On the triple assumptions of an economy operating at 94% of its normal level in October (from 96% in September), an instantaneous loss of economic activity in November equal to half that seen in April (economy at 85% of normal rather than 70%), and a recovery to 94% in December (if the lockdown is not extended), then French GDP is likely to contract by 5% q/q in Q4. The government's recent announcements of an extension to emergency support measures may help cushion the blow to incomes, and thus to future economic activity, but will not help current activity levels.

Hélène Baudchon

QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, BNP PARIBAS

The indicators in the radar and surprise charts are all transformed into z-scores. By construction, the z-scores have mean zero and their values, which indicate how far the indicator is removed from its long-term average, are in the interval between -8 and 3 in almost all cases. 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 signals an improvement.

ECONOMIC PULSE

GERMANY: RISING INFECTIONS THREATEN TO THROW RECOVERY OFF COURSE

According to the Pulse, activity in Germany recovered strongly in the past three months. The blue area of the chart spread out further compared to three months ago (demarcated by the dotted line). Activity in the manufacturing sector strengthened, on the back of well-filled order books. Nevertheless, in August (last observation), activity remained around 10% from levels seen a year ago. In particular, production of investment goods remained weak as low utilisation ratios and high uncertainty weighed on capital expenditure. In the car industry, production was even almost 30% lower from last year.

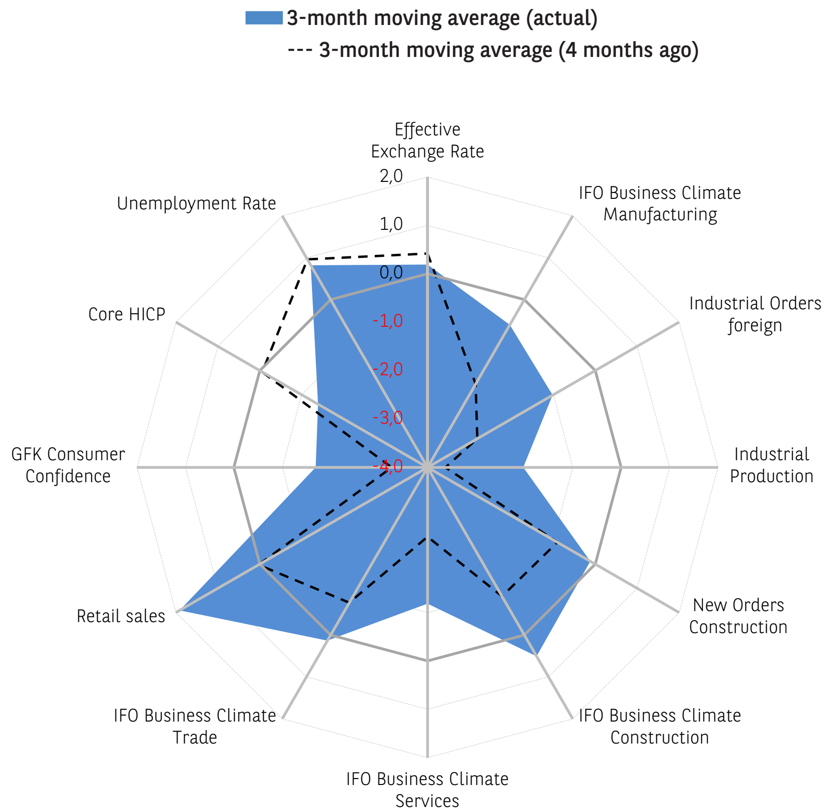
Furthermore, the services sector fared much better in the past three months. In the period June-August, retail sales were more than 5% higher than in the preceding three-month period, a growth pace well above the long-term average (the inner circle in the chart). An important factor was the temporary VAT reduction from 1 July, which resulted in a sharp fall in core inflation. This rosy picture corresponds with the strong rebound in GDP in Q3, 8.2% from the previous quarter, according to the first estimate of the German statistical office Destatis.

However, the second wave of Covid-19 infections threatens to throw the recovery off course. Only in October, 210k infections were reported, i.e. 42% of all cases during the whole pandemic. To break the chain of infection, Chancellor Merkel and the prime ministers of the Länder have jointly decided to close leisure facilities and restaurants and to restrict the size of groups gathering indoors and outdoors from 2 November until the end of the month.

This drastic decision had been feared by both households and businesses. According to the GfK survey, consumer sentiment deteriorated sharply in October, as around three quarters of consumers assumed that COVID-19 poses a major or very major threat, and about half were concerned about their personal future. The ifo survey reported a deterioration in the business climate in October due to weaker expectations, mainly in the services sector.

Raymond Van der Putten

QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, BNP PARIBAS

The indicators in the radar are all transformed into z-scores. By construction, the z-scores have mean zero and their values, which indicate how far the indicator is removed from its long-term average, are in the interval between -4 and 2 in almost all cases. 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 improvement.

ECONOMIC SCENARIO

UNITED STATES

After its collapse in the second quarter (-31.7% on an annualized basis) the economy partially recovered during the summer months, with surveys (among households and businesses) returning to almost normal levels. However, at the end of September, the activity deficit to be filled compared to 2019 remains significant (in the order of 4 percentage points of GDP), as the sectors most exposed internationally are far from having returned to their pre-crisis level. With an unemployment rate that has doubled and is now close to 8.5%, the labour market remains hard-hit, a fact that no doubt weighed in the Fed's decision to further accommodate its policy in the long term by adapting its inflation targeting strategy.

CHINA

After plummeting during the period of the strictest lockdown in February, economic activity has gradually turned around since March. The contraction in real GDP was unprecedented in Q1 2020, but the rebound in Q2 was strong enough to completely regain the ground that was lost. Monetary policy has been eased cautiously and should become less supportive in H2 2020 as the authorities focus more on containing risks in the financial system. Stimulus efforts should depend increasingly on fiscal policy in the year ahead, with infrastructure investment boosted further. Downside risks on our short-term scenario are significant, notably due to the sluggish momentum in private consumption growth and tensions with the US.

EUROZONE

As expected, confinement measures taken to tackle the epidemic have severely hit the eurozone economy. GDP has massively fallen in Q2 2020, by -11.8% (q/q) after -3.7% in Q1 2020. While the economy entered Q3 2020 with relatively strong momentum, the latest indicators point to a somewhat slower pace with the risk of a significant decrease in GDP growth in Q4 2020. In all likelihood, the loss of activity following the Covid-19 shock should not be erased by the end-2021. Beyond the uncertainties about the pandemic, worries remain regarding the expected increase in both unemployment rate and bankruptcies. These developments could weigh respectively on consumer confidence and private investment. The policy mix will remain supportive, which is an essential condition for a strong recovery. Fiscal recovery packages, both at the national and European level, are a crucial complement to the accommodative and flexible monetary policy.

FRANCE

In the first half of 2020, the economy suffered a massive recessionary shock caused by the Covid-19 pandemic and containment measures: GDP plunged by 5.9%q/q in Q1 and then by 13.8% q/q in Q2. Since mid-May and the end of the lockdown, a mechanical rebound has been at work: the catching up was vigorous until June-July and is helping to moderate the 2020 GDP contraction. But it remains incomplete and is losing steam. The French sectoral specificities, the dispersed nature of the recovery and the return to normal, both at the sector level and geographically, act as a brake. Uncertainty remains high as to the extent of the shock wave in terms of company failures and rising unemployment. The health situation remains worrying. By 2021, GDP would still be about 2% below its end-2019 level. However, the emergency measures implemented in the spring have played a key cushioning role, while the EUR 100 bn France Recovery plan, detailed on 3 September, have a reinforcing role. We estimate the additional growth in 2021 at 0.6 points.

INTEREST RATES AND FX RATES

In the US, the Federal Reserve's new strategy of targeting average inflation implies a dovish twist. Policy should remain on hold for quite some time, considering that the FOMC wants inflation to move beyond 2% so as to make up for below target inflation in recent years. Should the economic situation worsen, more measures are to be expected. Treasury yields should move higher on the back of the economic recovery and because the Fed will accept and actually wants inflation to rise beyond 2%.

In the eurozone, the ECB projects inflation in 2022 to remain well below its objective and, although the economy is recovering, it considers that risks are still tilted to the downside. This implies that current monetary policy will be maintained for a long time and that more easing is possible should circumstances require. This very accommodative setting should keep a lid on sovereign bond spreads. As usual, eurozone bond yields will be very much influenced by what happens to US yields. Clearly, fluctuations in risk appetite also play an important role.

The Bank of Japan is expected to maintain its current policy stance including its yield curve control strategy.

We expect the recent trend of dollar weakening to continue. 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 which should support the euro. Similar arguments apply for the dollar versus the yen.

GROWTH & INFLATION

%	GDP Growth 2019	GDP Growth 2020 e	GDP Growth 2021 e	Inflation 2019	Inflation 2020 e	Inflation 2021 e
United-States	2.2	-4.2	4.2	1.8	1.3	1.9
Japan	0.7	-5.4	1.2	0.5	0.0	-0.3
United-Kingdom	1.5	-9.7	6.9	1.8	0.7	1.3
Euro Area	1.3	-8.0	5.2	1.2	0.3	0.9
Germany	0.6	-5.6	4.7	1.4	0.6	1.6
France	1.5	-9.8	6.8	1.3	0.6	0.9
Italy	0.3	-10.0	5.3	0.6	-0.1	0.4
Spain	2.0	-13.0	5.0	0.8	-0.3	0.6
China	6.1	2.5	7.5	2.9	2.8	2.3
India*	4.2	-11.4	9.6	4.8	5.5	3.4
Brazil	1.1	-5.0	3.0	3.7	2.6	2.6
Russia	1.3	-5.0	3.1	4.3	3.3	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 09/10/2020

INTEREST & EXCHANGE RATES

Interest rates, %		2020				2021				
End of period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q4e	2020e	2021e
US	Fed Funds (upper limit)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
	T-Notes 10y	0.67	0.80	0.64	0.75	0.90	1.00	1.20	0.75	1.20
Ezone	Deposit rate	-0.50	-0.50	0.00	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
	Bund 10y	-0.46	-0.50	-0.54	-0.30	-0.20	-0.10	0.00	-0.30	0.00
	OAT 10y	-0.05	-0.15	-0.32	-0.05	0.05	0.15	0.25	-0.05	0.25
	BTP 10y	1.55	1.30	0.77	0.90	1.20	1.40	1.50	0.90	1.50
	BONO 10y	0.68	0.50	0.16	0.30	0.50	0.20	0.70	0.30	0.70
UK	Base rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
	Gilts 10y	0.31	0.55	0.14	0.30	0.30	0.40	0.70	0.30	0.70
Japan	BoJ Rate	-0.07	-0.10	-0.03	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
	JGB 10y	0.02	0.00	0.02	0.05	0.05	0.10	0.15	0.05	0.15

Exchange Rates		2020				2021				
End of period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q4e	2020e	2021e
USD	EUR / USD	1.10	1.09	1.17	1.23	1.24	1.25	1.27	1.23	1.27
	USD / JPY	108	104	106	102	101	99	95	102	95
	GBP / USD	1.24	1.24	1.28	1.41	1.43	1.45	1.48	1.41	1.48
EUR	EUR / GBP	0.89	0.88	0.91	0.87	0.87	0.86	0.86	0.87	0.86
	EUR / JPY	118	113	124	125	125	124	121	125	121

Brent		2020				2021				
Period-average		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q4e	2020e	2021e
Brent	USD/bbl	51	33	41.02	49	61	58	-	44	59

LAST UPDATE: 09/10/2020

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)

CALENDAR

LATEST INDICATORS

In Germany, the IFO business climate weakened more than expected. The assessment of current business conditions improved more than anticipated but expectations saw a clear deterioration. In the US, new home sales disappointed and registered a big decline. Capital goods orders growth - a proxy for corporate investment- slowed but less than expected. The Conference Board consumer confidence index weakened. Although households felt a lot more positive on the current situation, their expectations recorded a big drop. Initial unemployment claims created a positive surprise, dropping a lot more than anticipated. The advance estimate of third quarter GDP growth was even more spectacular than expected. In Japan retail sales were essentially stable in September versus the previous month. Consumer confidence improved but less than expected. In France, the total number of jobseekers declined in the third quarter. Third quarter GDP growth beat expectations by a wide margin in France, the eurozone and, to a lesser degree, in Germany. Eurozone confidence data weakened in October versus September -in particular in services- but less than expected by the consensus. Finally, the message from the ECB meeting was very clear: more easing is to come at the next meeting on 10 December.

DATE	COUNTRY	INDICATOR	PERIOD	ACTUAL	CONSENSUS	PREVIOUS
10/26/2020	Germany	IFO Business Climate	Oct.	92.7	93.0	93.2
10/26/2020	Germany	IFO Expectations	Oct.	95.0	96.5	97.4
10/26/2020	Germany	IFO Current Assessment	Oct.	90.3	89.8	89.2
10/26/2020	United States	Chicago Fed Nat Activity Index	Sep.	0.27	0.73	1.11
10/26/2020	United States	New Home Sales MoM	Sep.	-3.5%	1.4%	3.0%
10/26/2020	United States	Dallas Fed Manf. Activity	Oct.	19.8	13.5	13.6
10/27/2020	China	Industrial Profits YoY	Sep.	10.1%	--	19.1%
10/27/2020	France	Total Jobseekers	3Q	3673.4k	--	4149.3k
10/27/2020	United States	Cap Goods Orders Nondef Ex Air	Sep.	1.0%	0.5%	2.1%
10/27/2020	United States	Conf. Board Consumer Confidence	Oct.	100.9	102.0	101.3
10/27/2020	United States	Conf. Board Present Situation	Oct.	104.6	--	98.9
10/27/2020	United States	Conf. Board Expectations	Oct.	98.4	--	102.9
10/27/2020	United States	Richmond Fed Manufact. Index	Oct.	29	18	21
10/27/2020	Germany	Retail Sales MoM	Sep.	--	-0.6%	1.8%
10/28/2020	France	Consumer Confidence	Oct.	94	93	95
10/29/2020	Japan	Retail Sales MoM	Sep.	-0.1%	1.0%	4.6%
10/29/2020	Japan	Consumer Confidence Index	Oct.	33.6	35.0	32.7
10/29/2020	Eurozone	Economic Confidence	Oct.	90.9	89.6	90.9
10/29/2020	Eurozone	Industrial Confidence	Oct.	-9.6	-10.9	-11.4
10/29/2020	Eurozone	Services Confidence	Oct.	-11.8	-14.0	-11.2
10/29/2020	Eurozone	Consumer Confidence	Oct.	-15.5	--	-15.5
10/29/2020	United States	Initial Jobless Claims	Oct.	751k	770k	791k
10/29/2020	United States	GDP Annualized QoQ	3Q	33.1%	32.0%	-31.4%
10/29/2020	Eurozone	ECB Deposit Facility Rate	Oct.	-0.500%	-0.500%	-0.500%
10/29/2020	Japan	BOJ Policy Balance Rate	Oct.	-0.100%	-0.100%	-0.100%
10/30/2020	Japan	Industrial Production MoM	Sep.	4,0%	3.0%	1.0%
10/30/2020	France	Consumer Spending MoM	Sep.	-5,1%	-1.4%	2,20%
10/30/2020	France	GDP QoQ	3Q	18,2%	15.0%	-13,7%
10/30/2020	Germany	GDP SA QoQ	3Q	8,2%	7.3%	-9,8%
10/30/2020	Eurozone	ECB Survey of Professional Forecasters				
10/30/2020	Eurozone	Unemployment Rate	Sep.	8,3%	8.2%	8.3%
10/30/2020	Eurozone	GDP SA QoQ	3Q	12,7%	9.6%	-11.8%
10/30/2020	Eurozone	CPI Core YoY	Oct.	0.2%	0.2%	0.2%
10/30/2020	United States	University of Michigan Sentiment	Oct.	--	81.2	81.2

SOURCE: BLOOMBERG

CALENDAR: THE WEEK AHEAD

COMING INDICATORS

The event which will grab most of the attention this week is the US presidential election on 3 November. Yet, in terms of economic data, the week will also be particularly important. The manufacturing, services and composite PMIs will be published for several countries and in the US we will also have the ISM purchasing managers' indices for manufacturing and for services. In France we will have the labour market report for the third quarter. The highlight of the week as far as economic releases are concerned will be the jobs market data in the US. Moreover, there are monetary policy meetings of the Bank of England and the Federal Reserve. Finally, the European Commission will publish its new forecasts.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
11/02/2020	Japan	Jibun Bank Japan PMI Mfg	Oct	--	48.0
11/02/2020	China	Caixin China PMI Mfg	Oct	52.8	53.0
11/02/2020	Japan	Vehicle Sales YoY	Oct	--	-15.6%
11/02/2020	France	Markit France Manufacturing PMI	Oct	--	51.0
11/02/2020	Germany	Markit/BME Germany Manufacturing PMI	Oct	--	58.0
11/02/2020	Eurozone	Markit Eurozone Manufacturing PMI	Oct	--	54.4
11/02/2020	United Kingdom	Markit UK PMI Manufacturing SA	Oct	--	53.3
11/02/2020	United States	Markit US Manufacturing PMI	Oct	--	53.3
11/02/2020	United States	ISM Manufacturing	Oct	55.6	55.4
11/03/2020	United States	Cap Goods Orders Nondef Ex Air	Sep	--	--
11/04/2020	China	Caixin China PMI Composite	Oct	--	54.5
11/04/2020	China	Caixin China PMI Services	Oct	55.0	54.8
11/04/2020	France	Markit France Services PMI	Oct	--	46.5
11/04/2020	France	Markit France Composite PMI	Oct	--	47.3
11/04/2020	Germany	Markit Germany Services PMI	Oct	--	48.9
11/04/2020	Germany	Markit/BME Germany Composite PMI	Oct	--	54.5
11/04/2020	Eurozone	Markit Eurozone Services PMI	Oct	--	46.2
11/04/2020	Eurozone	Markit Eurozone Composite PMI	Oct	--	49.4
11/04/2020	United Kingdom	Markit/CIPS UK Services PMI	Oct	--	52.3
11/04/2020	United Kingdom	Markit/CIPS UK Composite PMI	Oct	--	52.9
11/04/2020	United States	Markit US Services PMI	Oct	--	56.0
11/04/2020	United States	Markit US Composite PMI	Oct	--	55.5
11/04/2020	United States	ISM Services Index	Oct	57.5	57.8
11/05/2020	Japan	Jibun Bank Japan PMI Services	Oct	--	46.6
11/05/2020	Japan	Jibun Bank Japan PMI Composite	Oct	--	46.7
11/05/2020	Eurozone	Retail Sales MoM	Sep	--	4.4%
11/05/2020	Eurozone	EU Commission Economic Forecasts			
11/05/2020	United Kingdom	Bank of England Bank Rate	Nov	--	0.100%
11/05/2020	United States	Initial Jobless Claims	Oct	--	--
11/05/2020	United States	FOMC Rate Decision (Upper Bound)	Nov	0.25%	0.25%
11/06/2020	France	Private Sector Payrolls QoQ	3Q	--	-0.8%
11/06/2020	United States	Change in Nonfarm Payrolls	Oct	650k	661k
11/06/2020	United States	Unemployment Rate	Oct	7.7%	7.9%
11/06/2020	United States	Labor Force Participation Rate	Oct	--	61.4%

SOURCE: BLOOMBERG

FURTHER READING

Spain: 2021 budget unveiled amid health emergency	EcoTVWeek	30 October
Treasuries have pretty much become proxies for central bank reserves from a regulatory point of view	Chart of the Week	28 October
Brazil : Investment, productivity gains & potential growth	Conjoncture	27 October
Global : The stairway of public indebtedness	EcoWeek	23 October
China : A solid capacity to rebound	EcoWeek	23 October
Second wave: what are the risks for the eurozone economy?	EcoTVWeek	23 October
Eurozone: covid-19, ecb and long term interest rates	Chart of the Week	21 October
France : French household consumption in 2019: weak and strong at the same time	Conjoncture	21 October
Global: A temporary relaxation of leverage standards	EcoFlash	19 October
Global: Supply-side policy for a post-Covid-19 world	EcoWeek	16 October
United Kingdom: Recovery already showing signs of weakness	EcoWeek	16 October
Spain: Slowdown in the economic recovery	EcoWeek	16 October
Italy: Caught up by the second wave	EcoWeek	16 October
Preparing for a post-pandemic world: towards a more targeted economic policy	EcoTV	16 October
United kingdom: mortgages caught between support and restriction	Chart of the Week	14 October
US : The presidential election on 3 November	EcoFlash	13 October
United Kingdom : Brexit: Time is running out to reach an agreement	EcoFlash	13 October
Global : Will companies use better cash flows to invest?	EcoWeek	9 October
Global : PMI: services sector is suffering again from the pandemic	EcoWeek	9 October
EcoTV October 2020	EcoTV	9 October

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