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“Whether the US manages to bring its public finances under control also matters for the rest of the world, given the central role of the US Treasury market and the US dollar in the global financial system. Persistent high budget deficits could exert upward pressure on US Treasury yields and weigh on growth in the US as well as abroad.”

ECONOMIC RESEARCH

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PUBLIC DEBT: WHEN THE US SNEEZES THE WORLD CATCHES A COLD

According to the IMF's latest Fiscal Monitor, between 2023 and 2029, many advanced economies are projected to see an increase in their public sector debt to GDP ratio. The US ranks second in terms of increase of the public debt ratio (+ 11.7 percentage points of GDP). Administration and Congress will have no other option than to structurally reduce the budget deficit. However, the challenge will be huge given the unpopularity of tax increases, the difficulty of cutting expenditures and the major headwinds of rising interest charges and, in the medium run, slower GDP growth. Whether the US manages to bring its public finances under control also matters for the rest of the world, given the central role of the US Treasury market and the US dollar in the global financial system. Persistent high budget deficits could exert upward pressure on long-term interest rates in the US and abroad, thereby weighing on growth. It could also cause a depreciation of the dollar.

The IMF's latest Fiscal Monitor offers sobering reading. Between 2023 and 2029, many advanced economies are projected to see an increase in their public sector debt to GDP ratio (*chart 1*). Within the Eurozone, between 2023 and 2029, the largest increase in percentage points (pp) of GDP is expected in Slovakia[1] (14.6 pp), Estonia (11.6 pp), Belgium (11.1 pp) and Finland (10.5 pp). Italy (7.6 pp), Luxembourg (5.6 pp), the Netherlands (5.4 pp) and France (4.5 pp) are also projected to see a significant increase[2]. Clearly, the economic importance of such a development - including possible concerns about debt sustainability -, depends on the initial debt level. On the other hand, former crisis countries are expected to make huge progress in terms of debt reduction: Greece (-30 pp), Cyprus (-27.4 pp), Portugal (-22.1 pp), Ireland (-11.2 pp). Germany should also see a decline in its debt ratio (-6.6 pp).

Amongst the advanced economies, the US ranks second in terms of increase of the public debt ratio (+ 11.7 pp). This projection is based on the February 2024 Congressional Budget Office baseline, adjusted for IMF staff's policy and macroeconomic assumptions. Basically, the CBO supposes expenditures and revenues will evolve in line with what is scheduled under current law -typically until 2034- and thereafter grow in line with nominal GDP[3]. Under these assumptions, the CBO estimates that the public sector deficit would average 6.7% of GDP between 2024 and 2054 and reach 8.5 percent of GDP in 2054. Consequently, debt held by the public would reach 116% of GDP in 2034, 139% in 2044 and 166% in 2054. These numbers could trigger a reaction of incredulity. Given the scale of the deterioration of US public finances, fiscal policy will have to adjust by structurally reducing annual deficits, meaning that these debt ratios should never be reached.

However, the challenge will be huge. A structural reduction of the budget deficit would probably require a combination of both tax increases -which are politically unpopular- and spending cuts -equally unpopular and difficult. However, mandatory spending - 13.9 percent of GDP in 2024- is expected to rise steadily, driven by the cost of major health care programs on the back of rising health care costs per person and population ageing. Scaling these back will be a complicated effort.

GENERAL GOVERNMENT GROSS DEBT (IN % OF GDP)

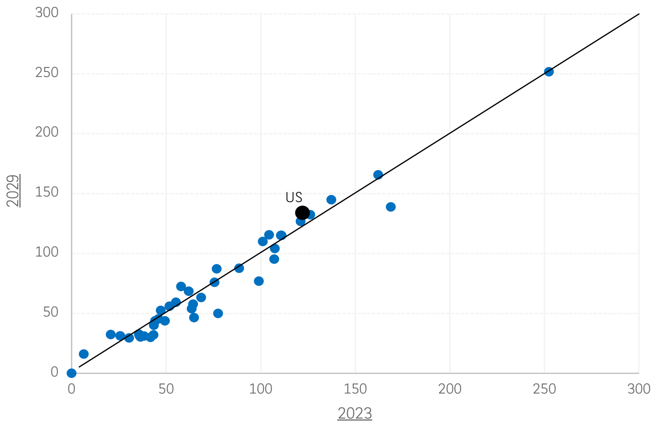


CHART 1 SOURCE: IMF, FISCAL MONITOR (APRIL 2024), BNP PARIBAS

The same also applies to discretionary spending, which represents a smaller share of GDP - 6.2 percent in 2024 - and "*includes most defense spending and spending for many nondefense activities, such as elementary and secondary education, housing assistance, international affairs, the administration of justice, and highway programs*." Finally, net interest charges are projected to more than double—from 3.1 percent of GDP in 2024 to 6.3 percent of GDP in 2054, driven by rising debt and the refinancing of the outstanding debt at a higher interest rate[4]. Moreover, the evolution of real GDP growth won't help either. It is expected to slow down from 2.0% between 2024-2034 to, on average, 1.6% thereafter due to slower growth of the labour force as well as labour productivity.

Whether the US manages to bring its public finances under control also matters for the rest of the world, given the central role of the US Treasury market and the US dollar in the global financial system.

1 Slovakia also has the biggest debt ratio increase of all advanced economies.
2 In the Eurozone, this is expected to be the case for Belgium, Estonia, Finland, France, Italy, Luxembourg, Malta, the Netherlands and Slovakia. On the other hand, Croatia, Cyprus, Germany, Greece, Ireland, Latvia, Lithuania, Portugal, Slovenia and Spain should see a decline in their debt ratio whereas in Austria it should remain stable. Depending on the country, these projections are based on the latest budget, medium-term plans, IMF staff assumptions and, for EU countries, the stability programme.
3 For a more detailed explanation of the assumptions, see Congressional Budget Office, The Long-Term Budget Outlook: 2024 to 2054, March 2024.
4 This doubling of interest charges occurs even though the CBO's interest rates assumptions are not aggressive. It assumes a nominal (real) 10-year Treasury yield in a range between 4.1% and 4.3% (1.8% - 2.1% in real terms) between 2024 and 2050.

Persistent high budget deficits could exert upward pressure on Treasury yields. The IMF has calculated that a temporary 1 percentage point increase in the US primary deficit -the budget balance excluding interest charges- is associated with a rise in the term premium of about 11 basis points in the quarters that follow[5]. One should assume that a permanent increase in the primary deficit would have a lasting impact on bond yields, thereby influencing financing conditions of the private sector as well. This would probably weigh on longer-term GDP growth and would complicate matters in terms of debt/GDP dynamics[6].

In addition, there would be spillover effects to other advanced economies as well as to emerging and developing economies. According to the IMF, "*a 1 percentage point spike in US rates is associated with a rise in long-term nominal interest rates that peaks at 90 basis points in other advanced economies, with a persistent impact over many months*"[7].

For emerging market economies, the impact is even bigger, with a peak increase in long-term interest rates of 100 basis points. Interestingly, the IMF also finds an adverse impact on long-term interest rates abroad of US fiscal policy uncertainty, such as the debt ceiling and government shutdown 'cliff-hangers' that have become more frequent in recent years.

Finally, absence of progress in terms of public finances could end up weighing on the appetite of foreign investors to buy US Treasuries and US assets more generally. This would weaken the dollar and could put upward pressure on inflation and interest rates in the US, thereby complicating the budgetary consolidation effort. To conclude, for domestic as well as international reasons, it's important to put the objective of healthy public finances high on the political agenda.

William De Vijlder

GENERAL GOVERNMENT GROSS DEBT (IN % OF GDP)

	2023	2029	change (2029 minus 2023)
Andorra	36.4	30.3	-6.1
Australia	49.4	43.8	-5.6
Austria	75.5	76.0	0.4
Belgium	104.5	115.6	11.1
Canada	107.1	95.4	-11.8
Croatia	63.5	54.0	-9.5
Cyprus	77.4	50.0	-27.4
Czech Republic	44.2	43.9	-0.3
Denmark	30.4	29.6	-0.8
Estonia	20.7	32.4	11.6
Finland	76.7	87.2	10.4
France	110.6	115.2	4.5
Germany	64.3	57.7	-6.6
Greece	168.8	138.8	-30.0
Hong Kong SAR	6.5	16.1	9.6
Iceland	64.8	46.5	-18.3
Ireland	43.3	32.1	-11.2
Israel	61.9	68.5	6.5
Italy	137.3	144.9	7.6
Japan	252.4	251.7	-0.6
Korea	55.2	59.4	4.2
Latvia	43.5	40.2	-3.3
Lithuania	35.6	32.7	-2.9
Luxembourg	25.7	31.3	5.6
Malta	51.8	55.9	4.2
Netherlands	47.2	52.6	5.4
New Zealand	45.9	45.4	-0.5
Norway	41.8	30.0	-11.8
Portugal	99.0	76.9	-22.1
Singapore	162.1	165.6	3.5
Slovak Republic	57.9	72.4	14.6
Slovenia	68.5	63.4	-5.1
Spain	107.5	104.2	-3.3
Sweden	35.9	31.4	-4.5
Switzerland	38.3	31.1	-7.2
United Kingdom	101.1	110.1	9.0
United States	122.1	133.9	11.7

TABLE 1 SOURCE: IMF, FISCAL MONITOR (APRIL 2024), BNP PARIBAS

5 Source: IMF, Fiscal Monitor, April 2024. To the extent that a higher primary deficit would not influence the expected path for the Federal Reserve's policy rate, the increase in the term premium would correspond to the increase in Treasury yields.
6 This refers to the well-known debate about r-g with r = average interest rate on the stock of public debt and g = nominal GDP growth.
7 *Our own calculations show an economically significant but more limited impact as far as German Bund yields are concerned. See: US versus the eurozone: inflation divergence causes monetary desynchronization and lowers bond market correlation*, BNP Paribas, Ecoweek, 22 April 2024.

MARKETS OVERVIEW

OVERVIEW

Week 19-4 24 to 26-4-24					
↗ CAC 40	8 022	▸	8 088	+0.8	%
↗ S&P 500	4 967	▸	5 100	+2.7	%
↘ Volatility (VIX)	18.7	▸	15.0	-3.7	pb
↘ Euribor 3M (%)	3.89	▸	3.87	-2.7	bp
↗ Libor $ 3M (%)	5.59	▸	5.59	+0.3	bp
↗ OAT 10y (%)	3.02	▸	3.06	+4.5	bp
↗ Bund 10y (%)	2.49	▸	2.55	+6.9	bp
↗ US Tr. 10y (%)	4.62	▸	4.67	+5.5	bp
↗ Euro vs dollar	1.07	▸	1.07	+0.1	%
↘ Gold (ounce, $)	2 394	▸	2 333	-2.5	%
↗ Oil (Brent, $)	87.3	▸	89.6	+2.6	%

MONEY & BOND MARKETS

Interest Rates			highest 24			lowest 24		
€	ECB	4.50	4.50	at	01/01	4.50	at	01/01
	Eonia	-0.51	-0.51	at	01/01	-0.51	at	01/01
	Euribor 3M	3.87	3.97	at	18/01	3.86	at	03/04
	Euribor 12M	3.72	3.76	at	19/03	3.51	at	01/02
$	FED	5.50	5.50	at	01/01	5.50	at	01/01
	Libor 3M	5.59	5.60	at	27/02	5.53	at	01/02
	Libor 12M	6.04	6.04	at	01/01	6.04	at	01/01
£	BoE	5.25	5.25	at	01/01	5.25	at	01/01
	Libor 3M	5.30	5.33	at	06/03	5.30	at	22/03
	Libor 12M	0.81	0.81	at	01/01	0.81	at	01/01

At 26-4-24

Yield (%)			highest 24			lowest 24		
€	AVG 5-7y	2.64	2.64	at	01/01	2.64	at	01/01
	Bund 2y	3.14	3.15	at	25/04	2.53	at	01/02
	Bund 10y	2.55	2.61	at	25/04	2.02	at	03/01
	OAT 10y	3.06	3.13	at	25/04	2.47	at	01/01
	Corp. BBB	4.07	4.11	at	25/04	3.75	at	01/01
$	Treas. 2y	5.07	5.07	at	26/04	4.22	at	15/01
	Treas. 10y	4.67	4.70	at	25/04	3.86	at	01/02
	High Yield	8.11	8.24	at	16/04	7.73	at	13/03
£	gilt. 2y	4.83	4.86	at	25/04	3.98	at	01/01
	gilt. 10y	4.33	4.37	at	25/04	3.60	at	01/01

At 26-4-24

EXCHANGE RATES

1€ =		highest 24			lowest 24			2024
USD	1.07	1.10	at	01/01	1.06	at	15/04	-3.3%
GBP	0.86	0.87	at	02/01	0.85	at	13/02	-1.1%
CHF	0.98	0.98	at	04/04	0.93	at	08/01	+5.1%
JPY	167.98	167.98	at	26/04	155.33	at	02/01	+7.9%
AUD	1.64	1.67	at	28/02	1.62	at	02/01	+1.1%
CNY	7.74	7.88	at	08/03	7.69	at	15/04	-1.2%
BRL	5.48	5.61	at	16/04	5.31	at	13/02	+2.1%
RUB	98.74	102.67	at	23/02	95.72	at	19/01	-0.0%
INR	89.02	91.92	at	01/01	88.68	at	12/04	-3.2%

At 26-4-24 — *Change*

COMMODITIES

Spot price, $		highest 24			lowest 24			2024	2024(€)
Oil, Brent	89.6	91.6	at	12/04	75.8	at	08/01	+15.3%	+19.3%
Gold (ounce)	2 333	2 413	at	12/04	1 989	at	14/02	+13.0%	+16.8%
Metals, LMEX	4 291	4 341	at	19/04	3 558	at	09/02	+14.1%	+18.0%
Copper (ton)	9 853	9 853	at	26/04	8 065	at	09/02	+16.4%	+20.4%
wheat (ton)	216	2.3	at	01/01	191	at	15/03	-7.1%	-3.9%
Corn (ton)	164	1.7	at	01/01	148	at	23/02	-0.6%	-2.9%

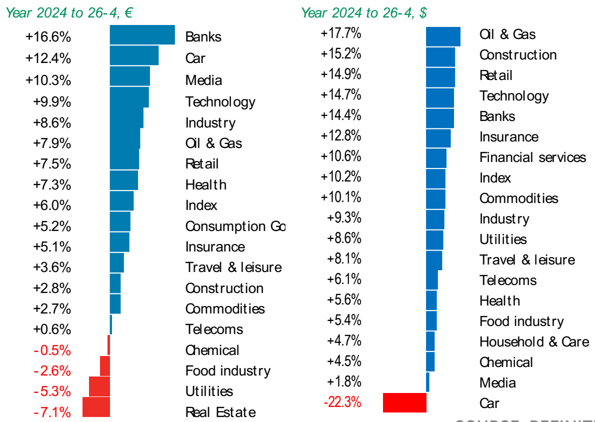
At 26-4-24 — *Change*

EQUITY INDICES

	Index	highest 24			lowest 24			2024
World								
MSCI World	3 335	3 438	at	29/03	3 114	at	04/01	+5.2%
North America								
S&P500	5 100	5 254	at	28/03	4 689	at	04/01	+6.9%
Europe								
EuroStoxx50	5 007	5 083	at	28/03	4 403	at	17/01	+10.7%
CAC 40	8 088	8 206	at	28/03	7 319	at	17/01	+0.7%
DAX 30	18 161	18 492	at	28/03	16 432	at	17/01	+8.4%
IBEX 35	11 155	11 155	at	26/04	9 858	at	19/01	+1.0%
FTSE100	8 140	8 140	at	26/04	7 446	at	17/01	+0.5%
Asia								
MSCI, loc.	1 360	1 415	at	22/03	1 242	at	03/01	+0.9%
Nikkei	37 935	40 888	at	22/03	33 288	at	04/01	+13.4%
Emerging								
MSCI Emerging ($)	1 042	1 058	at	10/04	958	at	17/01	+0.2%
China	58	58	at	26/04	49	at	22/01	+4.8%
India	991	1 001	at	10/04	915	at	03/01	+7.7%
Brazil	1 592	1 800	at	01/01	1 523	at	16/04	-6.7%

At 26-4-24 — *Change*

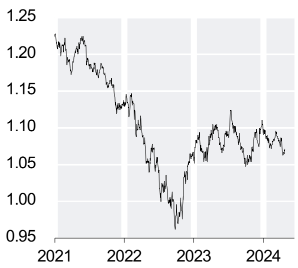
PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)



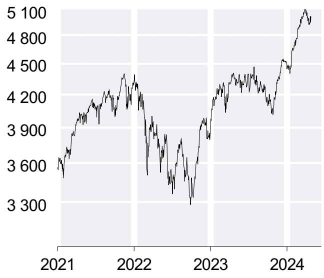
SOURCE: REFINITIV, BNP PARIBAS

MARKETS OVERVIEW

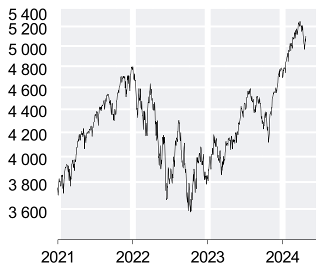
EURO-DOLLAR



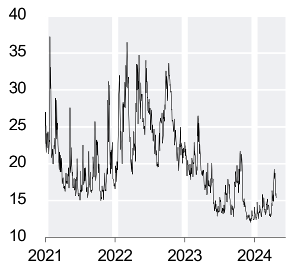
EUROSTOXX50



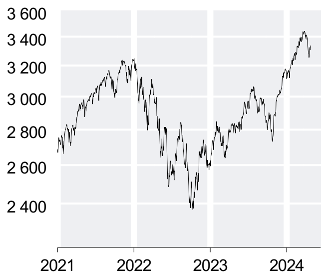
S&P500



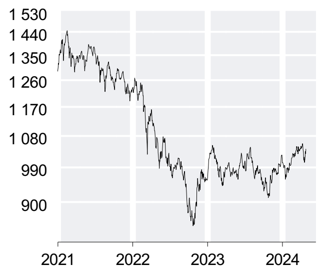
VOLATILITY (VIX, S&P500)



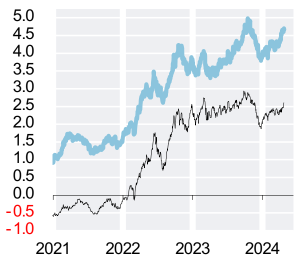
MSCI WORLD (USD)



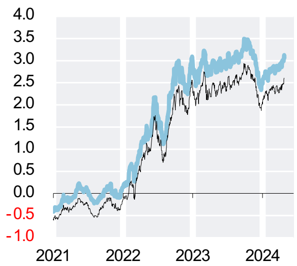
MSCI EMERGING (USD)



10Y BOND YIELD, TREASURIES VS BUND



10Y BOND YIELD

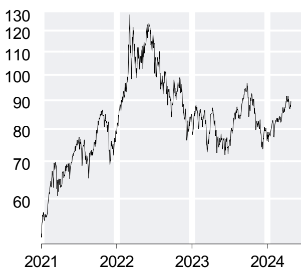


10Y BOND YIELD & SPREADS

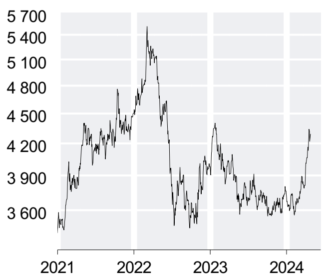
Year 2024 to 26-4

4.14%	Greece	158 bp
3.89%	Italy	133 bp
3.36%	Spain	80 bp
3.13%	Portugal	57 bp
3.06%	France	50 bp
3.04%	Austria	48 bp
3.04%	Belgium	48 bp
3.03%	Finland	47 bp
2.84%	Ireland	28 bp
2.83%	Netherlands	27 bp
2.55%	Germany	

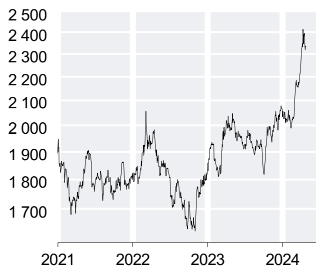
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS

WORLD TRADE BAROMETER: SOME IMPROVEMENT ON THE EXPORT FRONT

In April, the World Trade Organization (WTO) published its latest set of forecasts, which had a rather positive message[1]. After a decline of 1.2% in 2023, world trade volume in goods is expected to rebound by 2.6% in 2024, an increase more or less in line with the WTO forecasts for GDP growth, at 2.7%. Among the main supports for global trade, the Geneva-based organisation highlights the expected decline in inflation in 2024 and 2025. This would support purchasing power and, consequently, the consumption of manufactured goods.

The WTO report also provides a perspective on the last two episodes of major disruptions on the Suez Canal: the current situation and the blockade of the canal by the container ship Even Given in 2021. At this stage, a number of factors would limit the impact of the ongoing blockade on global freight: an increase in the number of container ships available, weaker global demand and higher inventories.

After surging at the beginning of the year, the tensions on global logistics seem to be partially easing. The Freightos index, an aggregate measure of the sea freight rate, remains on a downward trajectory, while its level had tripled at the beginning of the year (*chart 5*). This followed the heightening of the conflict in the Red Sea and the resulting additional burdens on transport and insurance costs. After peaking in mid-February, the Freightos index has since fallen by almost half. The New York Federal Reserve's supply-chain pressures indicator also declined in March (*chart 3*).

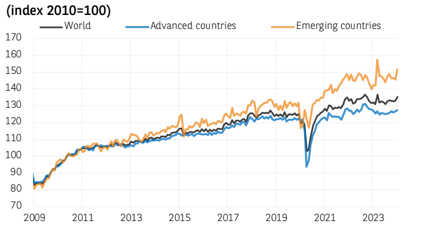
At the same time, manufacturing activity is picking up. The global PMI for the sector climbed back above the 50 mark in January. It then continued to rise, albeit at a very limited pace, to 50.6 in March. The sub-indicator for new export orders increased from 49.3 to 49.6 (*chart 2*). The evolution of goods exports in volume terms, calculated by the CPB[2], confirms this slight improvement (*chart 1*): world exports rose in March for the third consecutive month, bringing the year-on-year rate to 2.8%, the highest pace in a year. China's exports, which rose 7.6% in the first two months of the year, pushed up global figures. Exports from the United States have also jumped year-on-year (+5.9% year-on-year in February, also the strongest increase in a year).

Guillaume Derrien

1 WTO | Global Trade Outlook and Statistics - April 2024.
2 Netherlands Bureau for Economic Policy Analysis.

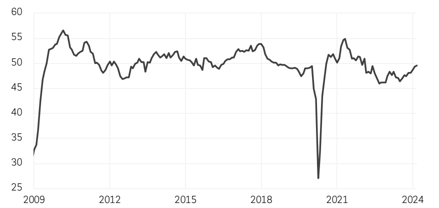
INDICATORS OF INTERNATIONAL TRADE

1. World exports by area, volume (index 2010=100)



Source: CPB, BNP Paribas

2. Global manufacturing PMI, New export orders

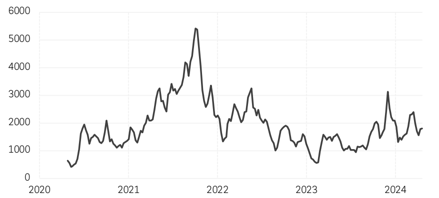


Source: S&P Global (Markit), BNP Paribas

3. Global supply-chain pressures index

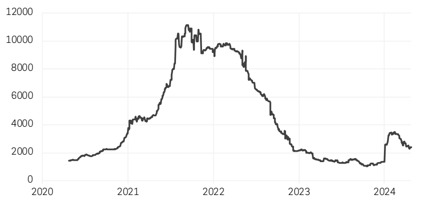
Source: Federal Reserve of New York

4. Baltic Exchange Dry Index



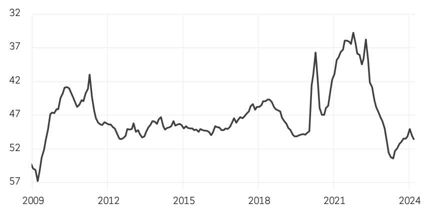
Source: Baltic Exchange, BNP Paribas

5. Freight rate index



Source: Freightos, BNP Paribas

6. Global manufacturing PMI, Delivery times (Inverted line)



Source: S&P Global (Markit), BNP Paribas

ECONOMIC SCENARIO

UNITED STATES

The US economy showed surprising vigour in 2023, illustrated by +2,5% yearly annual growth driven by the resilience of household consumption and the good figures of business investment. Thus, we have gradually ruled out the event of a recession induced by the cumulative monetary tightening. Despite a slowdown (+0.4% q/q v. +0.8% in Q4 2023), the GDP has expanded again in Q1 2024, driven by contributions from household consumption and investment. Our baseline scenario implies a +2.8% rate of growth for 2024, enabled by the very positive carryover effect from 2023 and an expected increase in real incomes.. While the inflation peak was reached in mid-2022, Q1 2024 data have not allowed to gain more confidence regarding a rapid return of the CPI to its target. We forecast inflation to stand at +3.2% y/y in Q4 2024. This picture paves the way for a modest easing of its monetary policy by the Fed, which could start cutting rates progressively as the end of the year, with one rate cut in 2024.

CHINA

Economic growth was stronger than expected in Q1 2024 (+5.3% year-on-year), principally driven by the manufacturing export sector. On the contrary, domestic demand and activity in the services sector continued to lack momentum, still held back by the crisis in the property sector, regulatory uncertainties, and low confidence of consumers and private investors. To support activity, the authorities have been strengthening their industrial policy while maintaining a prudent demand policy. This economic policy mix risks amplifying the divergence in performance between sectors and the imbalance between domestic demand and supply, which have been apparent for several months. The real GDP growth target of "around 5%" set for this year is projected to be reached. Consumer price inflation is expected to remain very low; it averaged zero y/y in Q1 2024.

EUROZONE

The euro area GDP slightly contracted in the second half of 2023 according to the latest Eurostat data. Annual growth was only 0.5% in 2023. The negative effects of monetary tightening are expected to diminish in 2024. Activity should inch higher in the first quarter of 2024, before a more pronounced recovery from spring onwards. This would also be underpinned by a first rate cut by the ECB, which we expect to happen in June. Two subsequent rate cuts would follow by the end of 2024. This monetary easing would accompany the inflation decline, which is expected to come close to the 2% target during the second quarter. That said we expect continued stickiness in the more wage-sensitive parts of the inflation basket, like services. The disinflation process, along with the dynamism of wages, should support household purchasing power and consumption. Growth should also be boosted by NGEU disbursements and its deployment on the ground.

FRANCE

French economy experienced six months of stagnation during the second half of 2023. For the first time, there was no growth support from domestic demand items in Q4 2023: household consumption stagnated, and corporate and household investment declined. As disinflation is now visible (the harmonized index grew by 2.4% y/y in March 2024, compared to 5.7% y/y in September 2023), our scenario for 2024 envisages a gradual improvement, starting in Q2 rather than in Q1, with the return of two important pillars of French growth (household consumption and corporate investment), and heralds an even better 2025 (with a growth forecast of 1.4%, after 0.7% in 2023).

RATES AND EXCHANGE RATES

2024 should be the year of the start of the easing cycle by the Federal Reserve, the ECB and the Bank of England. However, the timing of the first cut remains uncertain, as does the number of expected cuts. The ECB seems closer than the Fed and the BoE to getting the data and necessary confidence to estimate that inflation is moving towards the 2% target on a sustainable basis. We expect the first ECB rate cut to occur in June and the first BoE cut in August, whereas the Fed would start cutting at the very end of the year, in December. The Fed would thereby undertake a single rate cut in 2024, while the first move would be followed by two more for the ECB and the BoE (presumably 25 basis points cut each). On both sides of the Atlantic, policy rates in real terms and the degree of monetary restriction would remain about unchanged. The induced decline in long-term rates should be limited by the importance of bond issuance against a background of quantitative tightening.

The Bank of Japan (BoJ) was the first central bank among G7 economies to act in 2024. The BoJ jointly announced the end of its negative interest rate policy and yield curve control policy at the March meeting. As a result, the policy rate target was raised from a corridor of -0.1-0.0% to 0.0-0.1%, although the volume of JGBs purchases remains broadly unchanged. We expect monetary policy to normalise very gradually in the country, with only one additional hike envisaged by the end of 2024 (probably in September).

We are fundamentally bearish regarding the US dollar, but it is so far supported by geopolitical tensions and diverging trends between the US and the Eurozone (with stronger growth and inflation and less monetary easing across the Atlantic). This leads us to push back and moderate the expected USD depreciation, especially versus the euro. The yen should also eventually strengthen versus the USD, partly as a result of the desynchronization of monetary policy, as the BoJ is tightening its monetary stance.

GDP GROWTH AND INFLATION

%	GDP Growth 2022	2023	2024 e	2025 e	Inflation 2022	2023	2024 e	2025 e
United States	1.9	2.5	2.8	1.8	8.0	4.1	3.4	2.8
Japan	0.9	1.9	0.4	0.9	2.5	3.2	2.9	2.3
United Kingdom	4.4	0.1	0.1	1.2	9.1	7.4	2.5	2.1
Euro Area	3.5	0.5	0.7	1.7	8.4	5.4	2.4	2.1
Germany	1.9	-0.1	0.2	1.4	8.7	6.1	2.5	2.3
France	2.5	0.9	0.7	1.4	5.9	5.7	2.4	1.8
Italy	4.2	1.0	0.9	1.4	8.7	6.0	1.1	1.8
Spain	5.8	2.5	2.0	2.1	8.3	3.4	3.0	2.1
China	3.0	5.2	5.2	4.3	2.0	0.2	-0.1	1.2
India*	7.1	7.6	6.5	6.4	6.7	5.4	4.7	4.3
Brazil	2.9	2.9	2.2	2.0	9.3	4.6	4.1	4.1

Source : BNP Paribas (e: Estimates & forecasts)
Last update: 29 April 2024
* Fiscal year from 1st April of year n to March 31st of year n+1

INTEREST AND EXCHANGE RATES

Interest rates, % End of period		Q2 2024	Q3 2024	Q4 2024	Q2 2025	Q4 2025
US	Fed Funds (upper limit)	5.50	5.50	5.25	4.75	4.25
	T-Note 10y	4.25	4.20	4.20	4.20	4.20
Eurozone	deposit rate	3.75	3.50	3.25	2.75	2.50
	Bund 10y	2.35	1.95	2.00	2.25	2.50
	OAT 10y	2.87	2.50	2.52	2.80	3.05
	BTP 10y	3.70	3.35	3.45	3.80	4.00
	BONO 10y	3.19	2.82	2.85	3.15	3.38
UK	Base rate	5.25	4.75	4.50	4.00	3.50
	Gilts 10y	4.00	3.80	3.70	3.55	3.65
Japan	BoJ Rate	0.10	0.25	0.25	0.50	0.75
	JGB 10y	0.90	1.00	1.20	1.40	1.35

Exchange Rates End of period		Q2 2024	Q3 2024	Q4 2024	Q2 2025	Q4 2025
USD	EUR / USD	1.05	1.05	1.06	1.08	1.10
	USD / JPY	155	154	153	150	148
	GBP / USD	1.25	1.27	1.28	1.30	1.33
EUR	EUR / GBP	0.82	0.83	0.83	0.83	0.83
	EUR / JPY	163	162	162	162	163

Brent Quarter Average		Q2 2024	Q3 2024	Q4 2024	Q2 2025	Q4 2025
Brent	USD/bbl	90	92	87	81	82

Sources: BNP Paribas (Market Economics, Interest Rate Strategy, FX Strategy, Commodities Desk Strategy)
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FURTHER READING

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