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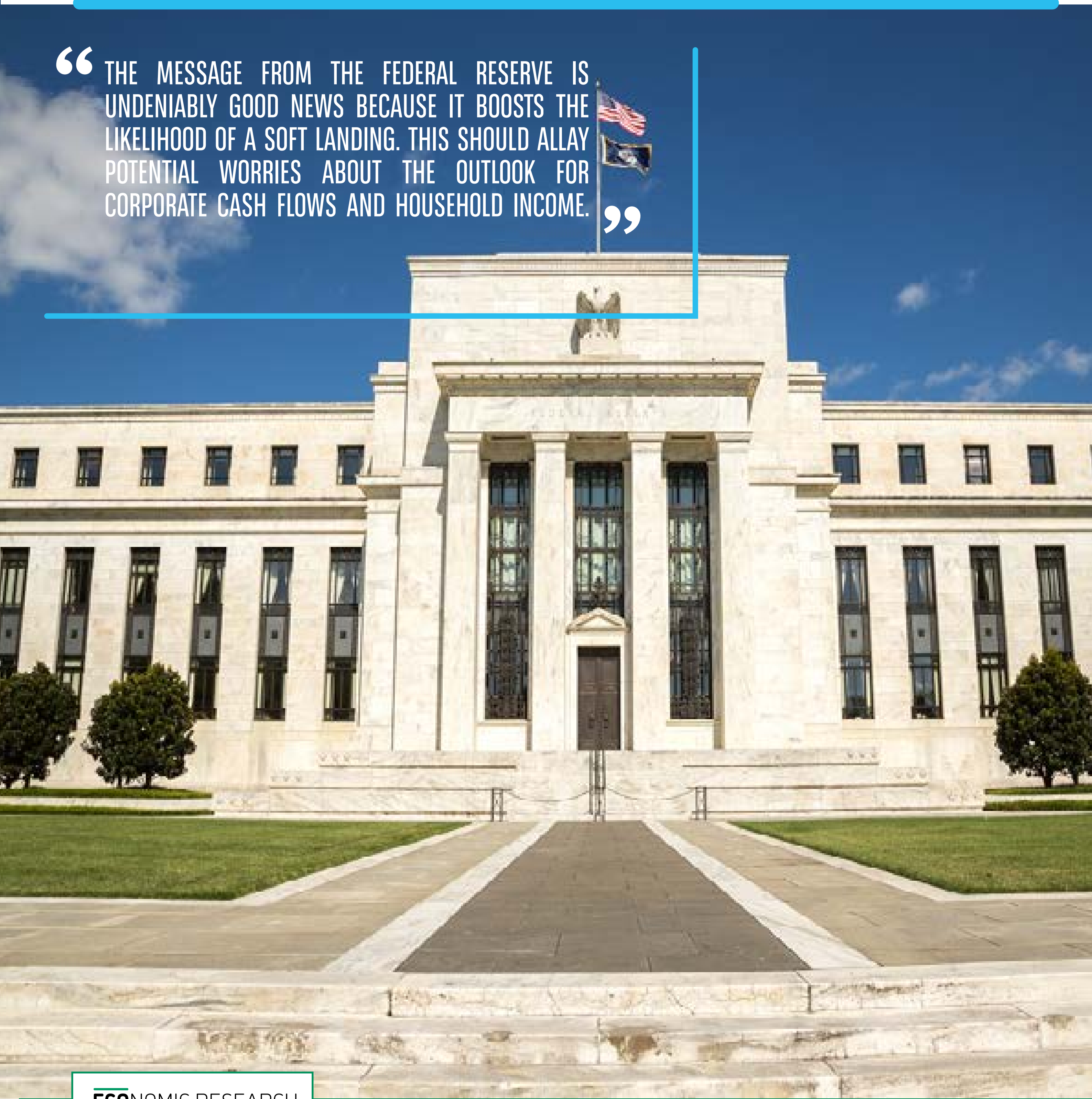
“THE MESSAGE FROM THE FEDERAL RESERVE IS UNDENIABLY GOOD NEWS BECAUSE IT BOOSTS THE LIKELIHOOD OF A SOFT LANDING. THIS SHOULD ALLAY POTENTIAL WORRIES ABOUT THE OUTLOOK FOR CORPORATE CASH FLOWS AND HOUSEHOLD INCOME.”



ECONOMIC RESEARCH

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The bank
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UNITED-STATES: SANTA CLAUS IS COMING TO TOWN

The latest communication from the Federal Reserve -the new projections of the FOMC members for the federal funds rate and the comments of Fed Chair Powell during his press conference- reinforces the view that the US economy should experience a soft landing, which should allay potential worries about the outlook for corporate cash flows and household income. Bond and equity prices rallied, reflecting a feeling amongst investors of 'Santa Claus is coming to town'. The focus will now shift to the trickier part of the soft landing scenario: how fast and far will rates be cut? Another important question is when will bond markets start to anticipate the risk that the pick-up in growth that should follow from further disinflation and lower interest rates would quickly lead to new bottlenecks.

Every tightening cycle by the Federal Reserve gives rise to a debate about whether a soft landing is possible. Will the central bank succeed in bringing inflation back to target without causing a huge increase in the unemployment rate and triggering a recession? The current cycle has been no exception to this 'rule' but in recent months, favourable surprises in terms of inflation and ongoing labour market resilience, have led to a notable shift from questioning whether a soft landing is at all possible considering the extent and speed of rate hikes to a consensus view -and a feeling of relief- that such a positive outcome is now very likely. The latest communication from the Federal Reserve reinforces this view. The dot plot -the FOMC members' projection for the federal funds rate- points to three 25 basis points interest rate cuts in 2024 and Fed Chair Powell's comments during the press conference made it clear that the terminal rate has been reached and that the next move will be down. This triggered a big market rally in bonds as well as equities and a weakening of the dollar[1] with positive spillovers to markets in Asia and Europe the following day. This reminds us that investor risk appetite across the globe is highly dependent on what happens to the federal funds rate[2].

The news from the FOMC is obviously good for households and firms because they no longer need to be concerned about further rate increases and their detrimental impact on the economy. Rather, they can look forward to easier borrowing conditions, at least in nominal terms[3]. For financial market participants, the outcome of the FOMC created a feeling of 'Santa Claus is coming to town'. However, at the risk of spoiling the festive mood, one can argue that the easy part of the soft landing scenario is now behind us and that investors should prepare themselves for the hard, trickier part. Significant rate cuts are now priced in as shown by the federal funds futures curve in chart 1 but the timing and pace of policy easing will be very data dependent. Wage growth, despite trending lower, remains elevated compared to the Federal Reserve's inflation target of 2.0%, particularly considering that labour hoarding in a slowing economy should weigh on productivity gains[4]. Given the resilience of the labour market -a still very low unemployment rate, a participation rate that has increased to a level last seen early 2020 and a slow decline in the pace of job creation- the central bank will stick to a cautious approach. The dot plot reflects that, whereas markets are pricing in a bigger decline in the federal funds rate in 2024 (chart 2)[5]. Based on the incoming data, the FOMC members and investors will update their views, which could lead to increased volatility in Treasury yields. It also remains to be seen how quickly bond investors will start looking 'at the other side of the valley': the combination of a soft landing, declining inflation and lower interest rates will pave the way for an economic recovery, raising the question how soon labour market bottlenecks will reappear. Finally, one should also consider the possibility that the landing could be bumpier after all, either because disinflation takes more time or because the impact of past rate hikes on activity and demand would intensify.

FED FUNDS RATE VS FED FUNDS FUTURES AT DIFFERENT POINTS IN TIME

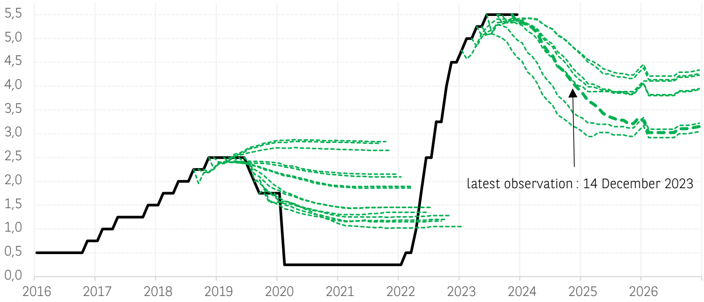


CHART 1 SOURCE: REFINITIV, FEDERAL RESERVE, BNP PARIBAS

FEDERAL FUNDS RATE: MARKET PRICING AND FOMC MEMBERS' PROJECTIONS

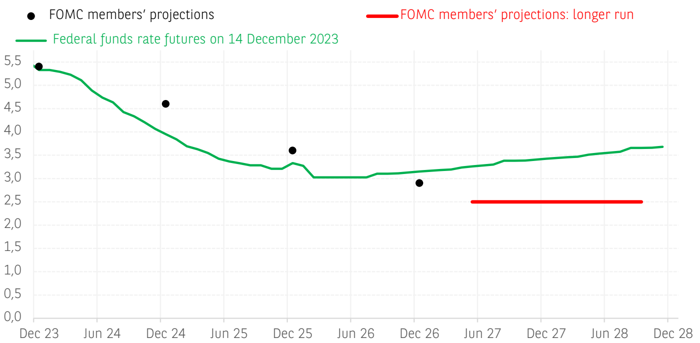


CHART 2 SOURCE: REFINITIV, FEDERAL RESERVE, BNP PARIBAS

To conclude, the message from the Federal Reserve is undeniably good news because it boosts the likelihood of a soft landing. This should allay potential worries about the outlook for corporate cash flows and household income. The focus is now shifting to the timing and pace of rate cuts and what this means for Treasury yields.

William De Vijlder

1 This reflects a market expectation that in 2024 the ECB will cut rates less than the Fed.
2 Global risk appetite rises (declines) when the Federal Reserve lowers (raises) the federal funds rate. This relationship has been demonstrated empirically in Òscar Jordà, Moritz Schularick, Alan M. Taylor and Felix Ward, *Global financial cycles and risk premiums*, NBER working paper 24677, June 2018.
3 In real terms it is less clearcut and it depends on the decline in nominal interest rates versus the decline in inflation.
4 The Federal Reserve Bank of Atlanta's wage tracker shows annual wage growth of 5.2% in November.
5 Interestingly, the FOMC members' projection of the federal funds rate at the end of 2026 (2.9%) and for longer run (2.5%) are below current market pricing.

MARKETS OVERVIEW

OVERVIEW

Week 1-12 23 to 8-12-23					
↗ CAC 40	7 346	▸	7 527	+2.5	%
↗ S&P 500	4 595	▸	4 604	+0.2	%
↘ Volatility (VIX)	12.6	▸	12.4	-0.3	pb
↘ Euribor 3M (%)	3.96	▸	3.95	-1.0	bp
↘ Libor $ 3M (%)	5.64	▸	5.63	-0.9	bp
↘ OAT 10y (%)	2.87	▸	2.74	-13.4	bp
↘ Bund 10y (%)	2.33	▸	2.24	-8.8	bp
↗ US Tr. 10y (%)	4.22	▸	4.23	+1.1	bp
↘ Euro vs dollar	1.08	▸	1.08	-0.6	%
↘ Gold (ounce, $)	2 056	▸	2 004	-2.5	%
↘ Oil (Brent, $)	79.0	▸	75.8	-4.0	%

MONEY & BOND MARKETS

Interest Rates		highest 23			lowest 23		
€ ECB	4.50	4.50	at	20/09	2.50	at	02/01
Eonia	-0.51	-0.51	at	02/01	-0.51	at	02/01
Euribor 3M	3.95	4.00	at	19/10	2.16	at	02/01
Euribor 12M	3.73	4.23	at	29/09	3.30	at	19/01
$ FED	#N/A	#N/A	at	#N/A	#N/A	at	#N/A
Libor 3M	5.63	5.69	at	10/10	4.77	at	02/01
Libor 12M	6.04	6.04	at	30/06	4.70	at	20/03
£ BoE	5.25	5.25	at	03/08	3.50	at	02/01
Libor 3M	5.35	5.60	at	30/08	3.87	at	02/01
Libor 12M	0.81	0.81	at	02/01	0.81	at	02/01

At 8-12-23

Yield (%)		highest 23			lowest 23		
€ AVG 5-7y	2.64	2.64	at	02/01	2.64	at	02/01
Bund 2y	2.96	3.38	at	28/09	2.39	at	20/03
Bund 10y	2.24	2.94	at	28/09	1.98	at	18/01
OAT 10y	2.74	3.50	at	28/09	2.42	at	18/01
Corp. BBB	4.13	5.00	at	19/10	3.95	at	02/02
$ Treas. 2y	4.76	5.28	at	18/10	3.85	at	04/05
Treas. 10y	4.23	4.98	at	19/10	3.30	at	06/04
High Yield	8.41	9.48	at	20/10	7.94	at	02/02
£ gilt. 2y	4.58	5.51	at	06/07	3.15	at	02/02
gilt. 10y	4.13	4.74	at	17/08	3.00	at	02/02

At 8-12-23

EXCHANGE RATES

1€ =		highest 23			lowest 23			2023
USD	1.08	1.12	at	14/07	1.05	at	03/10	+0.9%
GBP	0.86	0.90	at	03/02	0.85	at	11/07	-3.2%
CHF	0.95	1.00	at	24/01	0.94	at	06/12	-4.1%
JPY	155.62	163.97	at	15/11	138.02	at	03/01	+10.5%
AUD	1.63	1.70	at	21/08	1.53	at	27/01	+3.9%
CNY	7.71	8.08	at	19/07	7.23	at	05/01	+3.9%
BRL	5.30	5.79	at	04/01	5.18	at	18/09	-6.0%
RUB	98.88	110.46	at	14/08	73.32	at	12/01	+26.9%
INR	89.79	92.37	at	14/07	86.58	at	08/03	+1.7%

At 8-12-23 *Change*

COMMODITIES

Spot price, $		highest 23			lowest 23			2023	2023(€)
Oil, Brent	75.8	96.6	at	27/09	71.9	at	12/06	-10.7%	-11.5%
Gold (ounce)	2 004	2 056	at	01/12	1 810	at	24/02	+10.4%	+9.4%
Metals, LMEX	3 611	4 404	at	26/01	3 551	at	05/10	-9.3%	-10.2%
Copper (ton)	8 366	9 331	at	23/01	7 824	at	05/10	+0.0%	-0.9%
wheat (ton)	#N/A	#N/A	at	#N/A	#N/A	at	#N/A	#N/A	#N/A
Corn (ton)	176	2.7	at	13/02	161	at	21/08	-3.2%	-33.0%

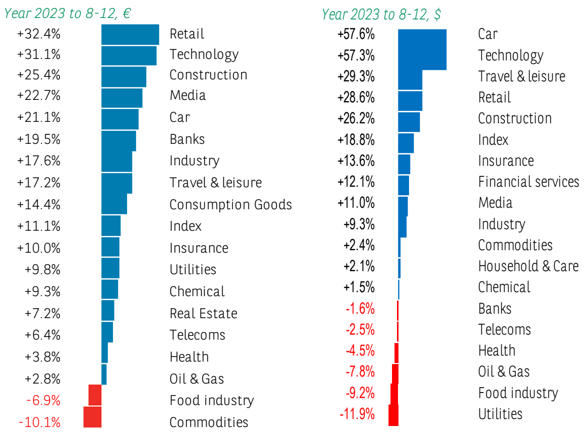
At 8-12-23 *Change*

EQUITY INDICES

	Index	highest 23			lowest 23			2023
World								
MSCI World	3 047	3 064	at	31/07	2 595	at	05/01	+17.1%
North America								
S&P500	4 604	4 604	at	08/12	3 808	at	05/01	+19.9%
Europe								
EuroStoxx50	4 523	4 523	at	08/12	3 856	at	02/01	+19.2%
CAC 40	7 527	7 577	at	21/04	6 595	at	02/01	+1.6%
DAX 30	16 759	16 759	at	08/12	14 069	at	02/01	+20.4%
IBEX 35	10 223	10 258	at	06/12	8 370	at	02/01	+2.4%
FTSE100	7 554	8 014	at	20/02	7 257	at	07/07	+0.1%
Asia								
MSCI, loc.	1 210	1 256	at	15/09	1 065	at	04/01	+1.3%
Nikkei	32 308	33 753	at	03/07	25 717	at	04/01	+23.8%
Emerging								
MSCI Emerging ($)	975	1 052	at	26/01	911	at	26/10	+0.2%
China	54	75	at	27/01	54	at	08/12	-14.7%
India	886	886	at	08/12	703	at	16/03	+15.8%
Brazil	1 687	1 733	at	26/07	1 296	at	23/03	+7.8%

At 8-12-23 *Change*

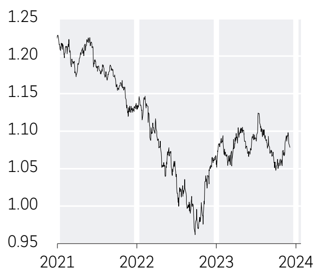
PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)



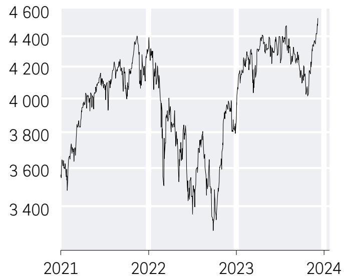
SOURCE: REFINITIV, BNP PARIBAS

MARKETS OVERVIEW

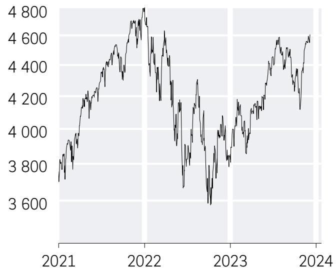
EURO-DOLLAR



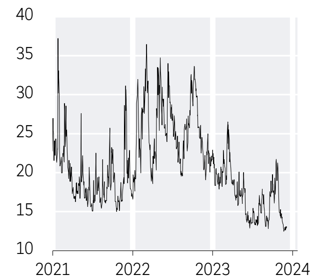
EUROSTOXX50



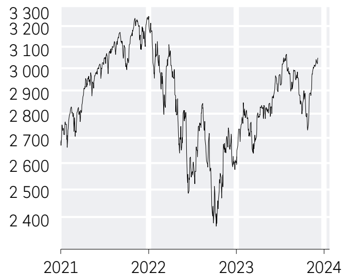
S&P500



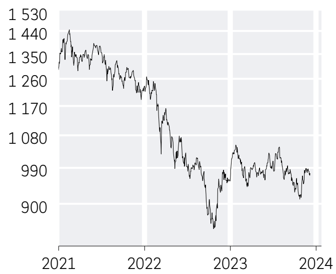
VOLATILITY (VIX, S&P500)



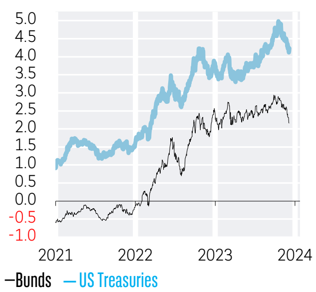
MSCI WORLD (USD)



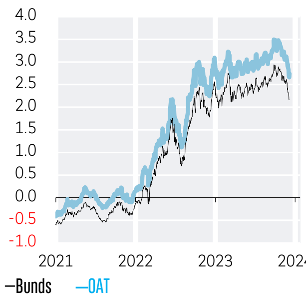
MSCI EMERGING (USD)



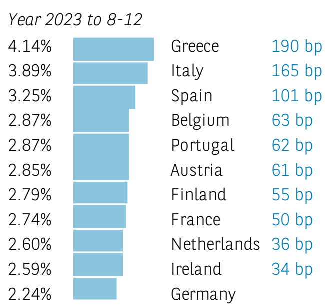
10Y BOND YIELD, TREASURIES VS BUND



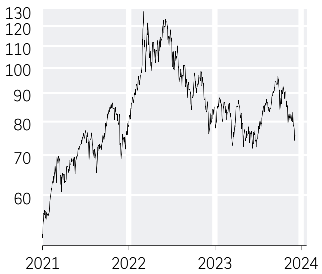
10Y BOND YIELD



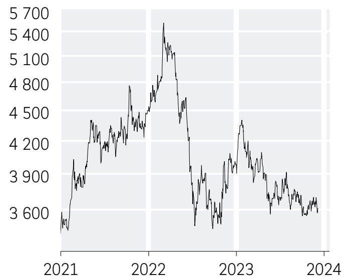
10Y BOND YIELD & SPREADS



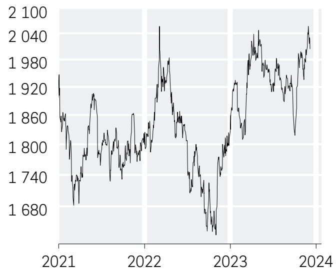
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS

PMI: SLIGHTLY POSITIVE SIGNAL FOR GLOBAL GROWTH

According to its final estimate, the S&P Global Composite PMI improved slightly in November, wiping out almost all the decline recorded in October. The November index stood at 50.4 (compared to 50.0 in October and 50.5 in September), ending a five-month decline. This is a slightly positive signal for global growth in the middle of Q4 2023.

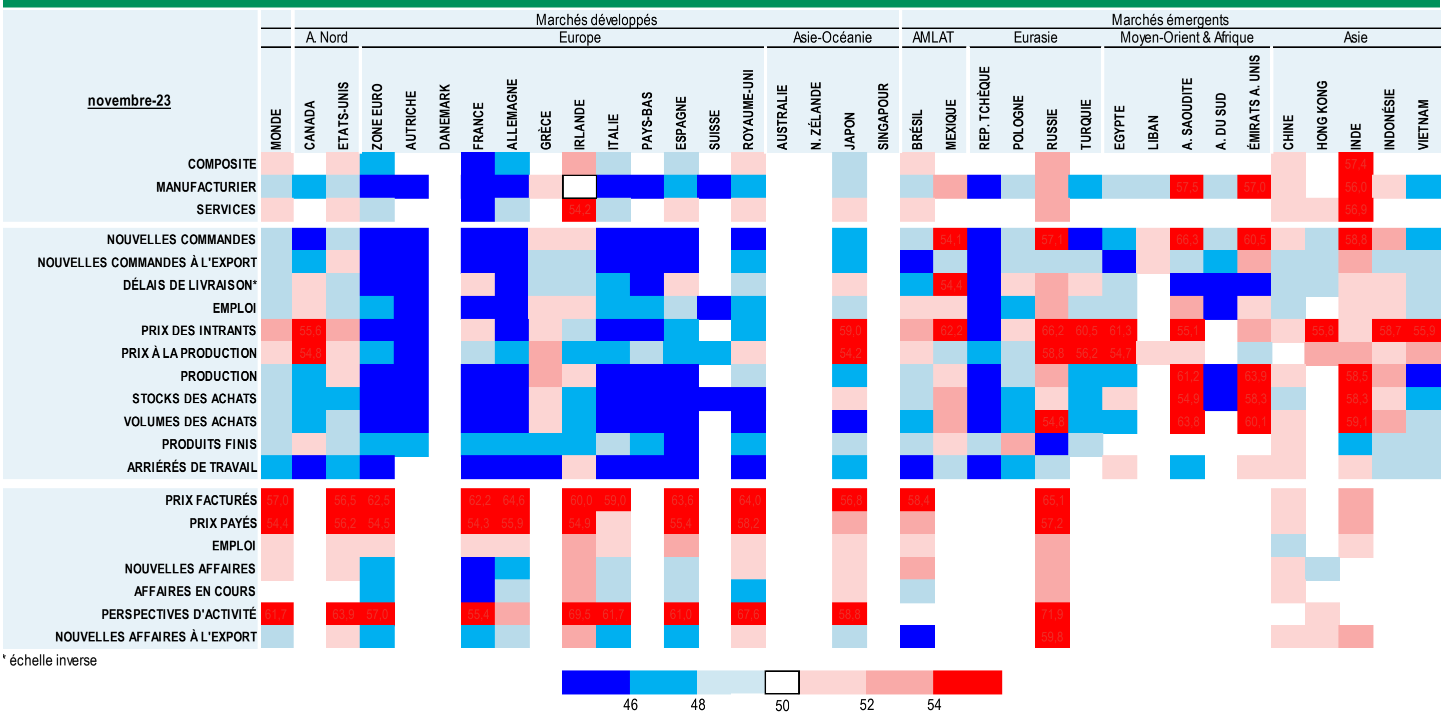
This modest improvement can be seen in both manufacturing and services. In the manufacturing sector, the composite PMI rose to 49.3 compared to 48.8 in October, reaching its highest level since May. This improvement can be observed in most of the countries (20 out of 30 countries). The index rose significantly at the aggregate level of the Eurozone as well as in most of its member states (with the exception of Italy, which posted a slight decline), the United Kingdom, Poland and South Africa. This rise was driven by the strong increase in new orders and production for some countries. The index also improved in China to return to the expansion zone. By contrast, it fell slightly below the 50 threshold in the US, dragged down by a broad-based deterioration of several components. Inflationary price pressures eased globally in November, particularly in the US; input and output prices slowed to three-month lows, thanks to falling oil prices. It should be noted that input prices remain lower on average in developed countries than in emerging countries.

In the services sector, the index rebounded very slightly (50.6 compared to 50.4 in October). It picked up in most countries except Canada, Japan, Spain, India and Russia. The business climate in the sector is driven by the sharp fall in input prices and by the improvement in the new business component. By contrast, and it is worth noting, the components relating to employment, business expectations and new export orders fell (while remaining above the 50 threshold for the first two, and significantly so in the case of business expectations). The decline in the "new export orders" component is mainly observed in the few emerging countries for which data is available.

Tarik Rharrab

Article completed on December 11 2023

S&P GLOBAL PMI (2023) - NOVEMBER 2023



SOURCE: S&P GLOBAL, BNP PARIBAS

S&P GLOBAL PMI (NOVEMBER VERSUS OCTOBER 2023)

		Developed Markets																		Emerging countries															
		WD	NA		Europe												Asia-Oceania				LAT AM		Eurasia				Middle East & Africa					Asia				
		World	CANADA	USA	EURO ZONE	AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM
	COMPOSITE	0,4		0,0	1,1			0,0	1,9		2,6	1,1		-0,2		2,0			-0,9		0,4				-1,2							1,6		-1,0		
	MANUFACTURING	0,5	-0,9	-0,6	1,1	0,5		0,1	1,8	0,1	1,8	-0,5	1,1	1,2	1,5	2,4			-0,4		0,8	0,4	1,2	4,2	0,0	-1,2	0,5	0,6	-0,9	2,9	-0,7	1,2		0,5	0,2	-2,3
	SERVICES - BUSINESS ACTIVITY	0,2		0,2	0,9			0,2	1,4		1,6	1,8		-0,1		1,4			-0,8		0,2				-1,4							1,1	1,2	-1,5		
MANUFACTURING	NEW ORDERS	0,4	-2,8	-1,3	2,5	1,8		2,0	3,5	-1,4	3,4	0,2	1,3	3,1		2,5			-0,6		2,3	0,0	2,5	7,6	-0,5	-1,0	0,1	2,0	0,3	0,6	-4,8	0,8	0,6	0,8	-0,4	-4,4
	NEW EXPORT ORDERS	0,6	-1,4	2,6	1,5	3,0		2,6	2,1	-0,2	0,4	1,0	-0,3	0,2		3,1			-0,4		-1,9	1,1	4,7	6,7	-0,8	0,7	-1,4	2,0	-3,8	-2,0	-6,8	-0,3	-1,5	-1,2	-0,4	-2,3
	DELIVERY TIMES	0,0	0,5	-0,2	0,3	-0,9		0,6	0,5	-0,2	1,7	-1,1	-0,3	1,2		-0,3			0,7		1,5	-0,4	0,8	-2,6	0,4	2,9	0,6		3,0		-2,1	-0,2	0,4	-0,5	-1,3	-1,1
	EMPLOYMENT	0,5	0,8	0,2	-0,3	0,4		0,0	-0,7	2,7	0,9	-1,7	-0,9	2,5	-3,3	0,7			0,2		0,2	0,3	2,5	0,9	0,4	-0,2	1,3		-2,1		-0,3	1,3		0,3	0,5	-1,3
	INPUT PRICES	-1,1	0,5	-4,1	0,2	2,4		3,9	-0,4	-2,7	-2,7	-0,4	2,8	-1,6		1,5			-0,2		4,6	0,1	-0,9	6,4	-10,7	-0,4	1,6		0,3		-0,6	-0,8	1,4	-1,2	1,4	0,1
	OUTPUT PRICES	-0,5	2,2	-1,2	0,8	3,1		-0,1	0,9	-0,7	-0,8	1,4	1,7	1,3	6,3	1,2			-0,2		2,6	0,1	3,5	3,5	-10,1	-0,1	1,8	-0,1	3,2		-0,3		-0,3	-0,3	0,6	-0,3
	OUTPUT	1,0	-0,8	-0,8	1,4	-0,5		-0,9	3,0	-0,7	3,8	-0,7	3,1	-0,5		4,9			-1,0		1,1	0,7	1,8	5,5	-0,7	-1,3	0,8		1,1		0,9	2,3		0,3	0,2	-3,3
	STOCKS OF PURCHASES	0,3	0,6	-0,5	0,3	-0,9		-2,3	2,3	-0,2	-0,6	-2,2	1,0	0,8	-1,8	2,3			0,3		0,3	1,6	-3,1	-0,1	3,9	-1,4	0,9		-3,9		1,8	0,8		0,0	0,2	-0,3
	QUANTITY OF PURCHASES	0,9		1,2	1,1	-0,9		0,4	2,1	-0,8	1,8	-2,2	3,6	2,3		3,8			-1,2		-1,7	5,4	0,9	7,3	-1,8	0,0	1,6		-0,2		3,5	1,4		0,2	0,5	-3,1
	FINISHED GOODS	-0,1	2,2	0,1	0,2	-2,1		-2,8	2,3	2,9	-1,1	0,5	-1,1	-2,8		-0,6			0,5		-0,2	-0,2	2,4	1,8	0,5	2,0						-0,6		-0,1	-1,8	1,4
	WORK BACKLOGS	0,1	1,2	-1,5	1,9			-0,5	2,5	2,5	1,7	0,9	3,3	1,5		1,6			-0,9		1,8	0,6	3,2	5,8	-2,7		0,5		1,1		2,6	-0,1		0,5	0,7	4,0
SERVICES	INPUT PRICES	-2,3		-4,4	-0,2			0,5	0,9		-2,2	-2,0		-1,4		-1,0			-3,1		-3,1				-1,1							-0,9		-0,9		
	OUTPUT PRICES	0,8		2,5	0,4			1,3	-0,4		-1,5			0,7		0,5			-0,1		0,7				-0,9							-0,5		-1,4		
	EMPLOYMENT	-0,6		-1,5	-0,3			-1,9	0,5		1,3	0,5		-0,5		1,1			-0,3		1,1				0,0							-0,1		-0,8		
	NEW BUSINESS	0,9		2,1	1,1			-1,5	3,5		3,0	1,4		-0,8		1,3			0,2		-0,3				-2,4							0,5	1,1			
	OUTSTANDING BUSINESS				0,1			-0,8	1,2		0,3	-0,7		0,1		-1,0			1,1		-3,3				1,2							-0,7				
	BUSINESS EXPECTATIONS	-0,8		-2,8	-0,3			-1,7	-0,7		0,5	1,8		0,5		1,5			1,4						-0,1								1,2			
	NEW EXPORT ORDERS	-0,3		0,1	3,1			3,4	4,3		4,1	2,4		0,3		0,4			-0,6		-7,2				-2,4							-0,3	1,2	-2,7		

-3 -2 -1 0 1 2 3

SOURCE: S&P GLOBAL, BNP PARIBAS

ECONOMIC SCENARIO

UNITED STATES

US activity decelerated only slightly in the first half of 2023 (+0.5% q/q on average per quarter after +0.6% q/q during the second half of 2022), thanks to the resilience of household consumption and the strength of nonresidential investment. The impact of the tighter monetary policy on lending standards is strong but it still limited on activity and employment growth. Q3 GDP growth was even stronger (+1.3% q/q according to the second estimate). A sharp slowdown remains expected, however, in Q4, because of the diminution of excess savings and the ensuing loss of momentum of the household consumption engine. The US economy would manage to escape a recession, even a technical one, but it would not avoid a temporary contraction of its GDP in Q2 2024.. The peak in inflation was reached in mid-2022, and core disinflation is becoming more significant. Inflation should approach the 2% target in 2024. Progress on that front should be considered as sufficient by the Fed to start cutting rates progressively, from May 2024. Such an easing would prevent a rise in rates in real terms but monetary policy would remain in restrictive territory. This should limit the recovery in 2024.

CHINA

Economic growth rebounded in early 2023 following the end of the zero Covid policy, but the recovery has weakened very rapidly. Export momentum has stalled due to depressed global demand and tensions with the US. Domestic demand has remained held back by a significant loss in consumer and investor confidence. The crisis in the property sector has persisted, with the continued fall in sales, new defaults of developers and growing difficulties of certain financial institutions. Since last summer, the government and the central bank have implemented new policy stimulus measures. Economic activity has strengthened while consumer price inflation has remained very low. In the short term, real GDP growth is projected to stabilize. Policy makers remain constrained by the debt excess of the economy and the weak financial situation of local governments.

EUROZONE

According to the first estimate, real GDP in the Eurozone registered a small contraction in Q3 (-0.1% q/q) after two quarters of stagnation. The disparate performance between Member States weakens the overall result. France and Spain have been doing well, but Germany, Italy and the Netherlands are struggling. The rising negative effects of monetary tightening as well as the fading of the positive post-Covid-19 catching up effects and diminishing supply-side constraints contribute to the deterioration of business confidence and are expected to weigh on economic activity. We foresee real GDP growth to stall in Q4, before a sluggish recovery expected in 2024. The fall in inflation is continuing. Nonetheless the inflation rate is expected to remain above 2% y/y by the end of next year, forcing monetary policy to remain in restrictive territory – disinflation provides, along with wage and employment dynamics, a significant support to household purchasing power and consumption. Growth should also be supported by NGEU disbursements and its deployment on the ground.

FRANCE

French growth was negative in Q3 2023 (-0.1% q/q) after a short-lived acceleration in Q2 2023 (+0,6% t/t, driven by exceptional factors, such as aeronautics). While household consumption has surprised on the upside in Q3, it has remained depressed. In parallel, corporate investment, has reached a new high (+0.5% q/q). Disinflation is now visible (the harmonized index grew by 3.8% y/y in November), but the impact of higher interest rates should continue to be felt. As a result, we except 0% growth q/q during the Q4. Going forward, we expect no clear growth acceleration next year (0.6% in 2024 after 0.8% in 2023).

RATES AND EXCHANGE RATES

In the US, the 25bp rate hike in July should be the last for the Fed. Regarding the ECB, the 25bp hike in September of its policy rates (deposit rate at 4.00%, refinancing rate at 4.50%) should mark the end of the tightening cycle too. The uncertainty about the possibility of a further monetary tightening has not completely disappeared, but it has been reduced by the fall in inflation, which is getting closer more visibly to the 2% target. Positive developments on the inflation front, together with the expected weakening of growth, pave the way for the first rates cuts in April for the ECB and May for the Fed. On both sides of the Atlantic, the induced decline in long-term rates should be limited by the importance of bond issuance against a background of quantitative tightening. In this regard, we expect a halt in the spring of 2024 to the ECB's reinvestments under the PEPP.

On 31 October, the Bank of Japan (BoJ) adjusted its yield curve control policy (YCC) by allowing a wider fluctuation in 10-year sovereign interest rates around the target of 1%. Further adjustments to monetary policy are likely, given that the country currently faces the fastest rate of inflation since the early 1990s. The BoJ is unlikely to increase its policy rates this year, but we expect a first rate hike in March 2024. We expect the BoJ to end its negative interest rate policy in the first quarter of 2024, while significantly easing its yield curve control policy.

We remain bearish regarding the US dollar, particularly from Q2 2024 and especially versus the euro, given that we expect fewer cuts by the ECB than the Fed. We also expect the yen to strengthen versus the USD, based on the combination of the start of BoJ tightening, of the repatriation by Japanese investors of their foreign holdings, and of the fall in US bond yields.

GDP GROWTH AND INFLATION

%	GDP Growth 2022	GDP Growth 2023 e	GDP Growth 2024 e	GDP Growth 2025 e	Inflation 2022	Inflation 2023 e	Inflation 2024 e	Inflation 2025 e
United-States	1,9	2.4	0,9	1,3	8,0	4,1	2,6	2,3
Japan	0,9	2,1	0,8	0,9	2,5	3,2	2,4	1,9
United-Kingdom	4,4	0,5	0,0	1,1	9,1	7,4	3,0	2,1
Euro Area	3,4	0,5	0,6	1,6	8,4	5,5	2,2	2,0
Germany	1,9	-0,1	0,3	1,3	8,6	6,1	2,4	2,1
France	2,5	0,8	0,6	1,4	5,9	5,7	2,4	1,8
Italy	3,9	0,7	0,9	1,5	8,7	6,1	1,7	1,8
Spain	5,8	2,3	1,5	2,1	8,3	3,5	2,5	1,9
China	3,0	5,2	4,5	4,3	2,0	0,4	1,5	1,7
India*	7,2	7,5	7,0	6,5	6,7	5,8	5,7	4,5
Brazil	2,9	3,1	1,8	1,8	9,3	4,6	4,0	4,0

Source : BNP Paribas (e: Estimates & forecasts)
Last update: 8 December 2023
* Fiscal year from 1st April of year n to March 31st of year n+1

INTEREST AND EXCHANGE RATES

Interest rates, % End of period		Q1 2024	Q2 2024	Q3 2024	Q4 2024	T4 2025
US	Fed Funds (upper limit)	5.50	5.00	4.50	4.00	2.75
	T-Note 10y	4.15	4.00	3.95	3.95	4.00
Eurozone	deposit rate	4.00	3.75	3.50	3.25	2.50
	Bund 10y	2.45	2.35	2.20	2.20	2.50
	OAT 10y	3.02	2.91	2.75	2.75	3.05
	BTP 10y	4.25	4.00	3.95	3.90	4.20
	BONO 10y	3.45	3.25	3.10	3.05	3.30
UK	Base rate	5.25	5.00	4.75	4.25	3.00
	Gilts 10y	3.90	3.75	3.65	3.55	3.65
Japan	BoJ Rate	0.10	0.10	0.25	0.25	0.75
	JGB 10y	0.95	1.20	1.35	1.35	1.35

Exchange Rates End of period		Q1 2024	Q2 2024	Q3 2024	Q4 2024	T4 2025
USD	EUR / USD	1.10	1.12	1.14	1.15	1.18
	USD / JPY	145	141	138	135	130
	GBP / USD	1.26	1.29	1.31	1.32	1.36
EUR	EUR / GBP	0.87	0.87	0.87	0.87	0.87
	EUR / JPY	160	158	157	155	153

Brent Quarter Average		Q1 2024	Q2 2024	Q3 2024	Q4 2024	T4 2025
Brent	USD/bbl	85	86	91	91	85

Sources: BNP Paribas (Market Economics, Interest Rate Strategy, FX Strategy, Commodities Desk Strategy)
Last update: 4 December 2023

FURTHER READING

Inflation tracker - December 2023	EcoCharts	8 December 2023
Eurozone: a little less uncertainty about the return to the inflation target in 2024	EcoTVWeek	8 December 2023
France: insolvencies in the construction sector catch up with those in retail trade	Chart of the Week	6 December 2023
European Union: capital market fragmentation and the cost of non-CMU	EcoWeek	6 December 2023
Federal home loan banks: their support for bank liquidity called into question	EcoTVWeek	1 December 2023
French employment data in Q3: fade to grey	EcoBrief	30 November 2023
Electric vehicles: a high voltage market	Chart of the Week	29 November 2023
Eurozone: stabilisation but not yet a bottoming out	EcoWeek	27 November 2023
China: Stabilization and sluggishness	EcoTVWeek	24 November 2023
November 2023 issue	EcoPulse	22 November 2023
Europe: less widespread but still meaningful labour shortages	EcoFlash	22 November 2023
November 2023 issue	Pocket Atlas	22 November 2023
Malaysia: external accounts are still under pressure	Chart of the Week	22 November 2023
Global economy : household saving plays its cushioning part across the Atlantic, not (yet?) in the euro area	EcoWeek	20 November 2023
Romania: Twin deficits still persist	EcoTVWeek	17 November 2023
United States: The centrally cleared repo segment expands	Chart of the Week	15 November 2023
Global economy: The last mile of disinflation	EcoWeek	13 November 2023
Labour shortages in a receding labour market	EcoTVWeek	10 November 2023
French economy pocket atlas - October 2023	Ecobooklet	10 November 2023
Inflation tracker - November 2023	EcoChart	9 November 2023
French exports: if only one should remain...	EcoBrief	8 November 2023

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