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"THE WEAK YEN IMPLIES A RISK OF MORE INFLATION. FURTHER WEAKENING COULD BE PERCEIVED AS AN OVERSHOOTING OF THE CURRENCY, IMPLYING A BIGGER RISK OF A SIGNIFICANT SNAPBACK ONCE POLICY IS TIGHTENED. ACTING SOONER RATHER THAN LATER SEEMS TO BE THE RECOMMENDED ROUTE FOR THE BOJ."

ECONOMIC RESEARCH

BNP PARIBAS

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EDITORIAL

JAPAN: YIELD CURVE OUT OF CONTROL?

Monetary policy desynchronization between the Federal Reserve and the Bank of Japan (BoJ) has become huge. This has caused a significant weakening of the yen. Higher US yields have also exerted upward pressure on JGB yields, which in turn has forced a gradual adjustment of the BoJ yield curve control policy (YCC). Inflation developments in Japan increase the likelihood of a policy rate increase but policy normalization is a delicate task for domestic reasons as well as international spillovers. The BoJ has chosen a cautious approach, with very incremental steps, but in the meantime the yen has continued to weaken, creating the risk of a snapback once policy is tightened. Acting sooner rather than later seems to be the recommended route for the BoJ.

Monetary policy desynchronization between, on the one hand, the Federal Reserve, the ECB, the Bank of England, and other central banks in advanced economies and, on the other hand, the Bank of Japan (BoJ) has become huge. Unsurprisingly, this has caused a significant weakening of the yen.

Chart 1 shows that the depreciation of the yen versus the US dollar has gone hand in hand with a widening of the yield differential between US Treasuries and Japanese government bonds (JGBs). The rise in US Treasury yields has exerted upward pressure on JGB yields, which in turn has forced a gradual change in the yield curve control policy (YCC)[1] (chart 2). One would expect that this monetary desynchronization will peak in the not-too-distant future based on the view that the Federal Reserve has (almost) reached its terminal rate and that the Bank of Japan may finally raise its policy rate, something we consider possible as of March next year. Indeed, headline inflation, which has been above the 2% target since April 2022, has since last February stabilized slightly above 3.0%. This elevated inflation is, for a part, imported inflation, linked to the JPY depreciation. Core inflation has been even higher than 3.0% since the start of the year and is now above the 4.0% mark. Alternative measures of inflation used by the BoJ -trimmed mean, median, mode- are also above target. Wage growth however has been below inflation since early 2022 and it seems that a rate hike will depend on whether the BoJ is sufficiently confident that the spring wage negotiations (*Shunto*) of 2024 will bring enough of an increase to justify such a move.

Normally, when a central bank hikes its policy rate and its peers leave their policy unchanged, the former's currency should appreciate. Consequently, one would expect that a rate increase by the BoJ would be supportive for the yen, despite the rate differential with the US remaining important[2].

USD/JPY AND BOND YIELD DIFFERENTIAL

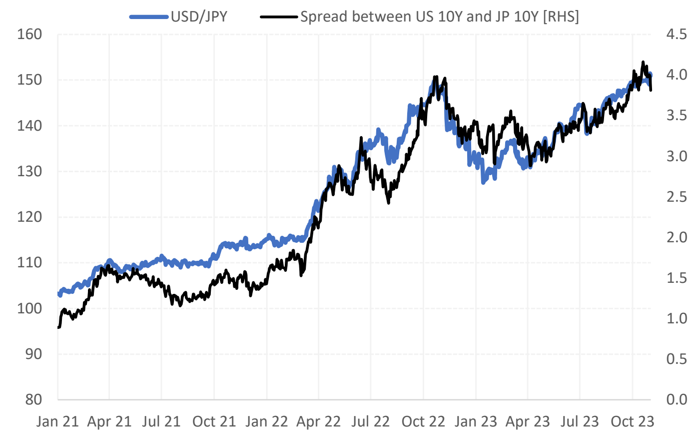


CHART 1 SOURCE: REFINITIV, BNP PARIBAS

What complicates matters in the case of Japan is the fact that through a combination of negative official interest rates and YCC, monetary accommodation has been extreme and so for a long time. This makes policy normalization a very delicate task. Key questions in this respect are the extent to which the yen has been used as a funding currency in carry trades[3], whether Japanese investors will invest less abroad when domestic interest rates are moving higher when YCC has been stopped -a flow argument- or even decide to repatriate capital invested abroad -a stock argument.

1Yield curve control was introduced in September 2016 in reaction to inflation remaining stubbornly below target and a decline in inflation expectations. In addition, pursuing a volume based monetary policy ('traditional' QE based on buying a certain amount of JGBs or other instruments per month) would have become increasingly difficult to maintain as the remaining stock of JGBs was declining. There was also concern that too flat a yield curve would have a detrimental impact on banks and insurers so the combination of a negative rate on policy-rate balances in current accounts held by financial institutions at the BoJ and a policy of targeting the 10-year yield would, by maintaining a sufficiently steep curve, enable to soften the impact of negative policy rates on the financial sector. For more detail see William De Vijlder, *Japan - Monetary policy: let's give it another try*, Ecoweek, BNP Paribas, 23 September 2016.

2 What matters for the change in the exchange rate is the (expected) change in the rate differential. The fact that the yen has weakened significantly against the US dollar reflects that investors are already positioned to benefit from the sizeable interest rate differential. The prospect of a reduction of this differential may push them to take profits and sell the US dollar versus the yen.

3 This strategy consists of borrowing in a currency with very low interest rates, such as the yen, and investing in a high-yielding currency. In case of a sudden appreciation of the yen, investors would be forced to close this position in order to avoid huge losses. In doing so, they would accelerate the appreciation of the yen.

> The weak yen implies a risk of more inflation. Further weakening could be perceived as an overshooting of the currency, implying a bigger risk of a significant snapback once policy is tightened. Acting sooner rather than later seems to be the recommended route for the BoJ.

Depending on the answers to these questions, international spillovers could be large and in its Financial Stability Review of May this year, the ECB has expressed its concern. *"If the Bank of Japan decides to normalise its policy, this might influence the decisions of Japanese investors who have a large footprint in global financial markets, including the euro area bond market*[4]." The fact that the ECB is reducing the size of its balance sheet, which influences the level of bond yields, complicates matters. "*Japanese investors withdrawing abruptly from the euro area bond market could have a material effect on prices, particularly in more concentrated market segments. Such dynamics could be amplified by the increased net supply of these bonds resulting from quantitative tightening by the ECB*."

Faced with these risks -both domestically via mark-to-market losses on bond portfolios when yields increase and internationally due to spillovers-, the caution of the BoJ doesn't come as a surprise. However, this slow approach is raising concerns. The risk of a sudden appreciation of the yen ('snapback') due to the formal end of YCC followed by a rate hike will be bigger when the Federal Reserve will have stopped hiking. If the BoJ had started to normalize its policy whilst the Fed was still hiking, the impact on the exchange rate would probably have been smaller due to the synchronized tightening. In addition, investors may continue to be disappointed by too much caution. Such a reaction would lead to more yen depreciation. This is exactly what has happened in recent days in the run-up to the latest BoJ meeting. Initially, based on an article in the Nikkei newspaper, investors expected a decisive change to YCC, but the decision that was taken was considered to be too soft[5]. Consequently, the yen weakened significantly, before recouping part of its losses (chart 3).

Clearly, the weak yen implies a risk of more inflation. Moreover, further weakening could be perceived as an overshooting of the currency, implying a bigger risk of a significant snapback once policy is tightened. Acting sooner rather than later seems to be the recommended route for the BoJ.

William De Vijlder

US AND JAPANESE GOVERNMENT BOND YIELDS

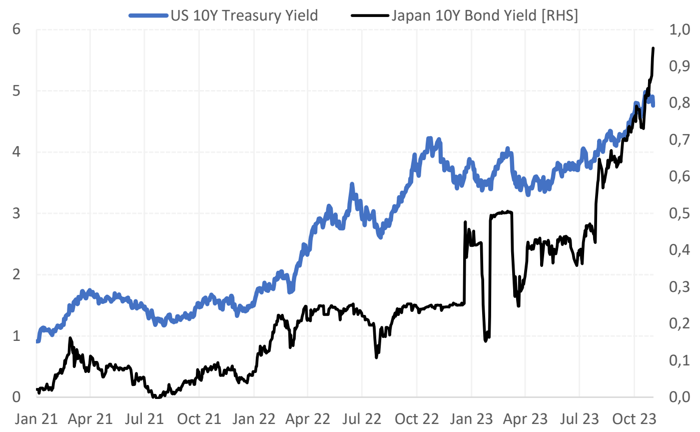


CHART 2

SOURCE: REFINITIV, BNP PARIBAS

USD/JPY

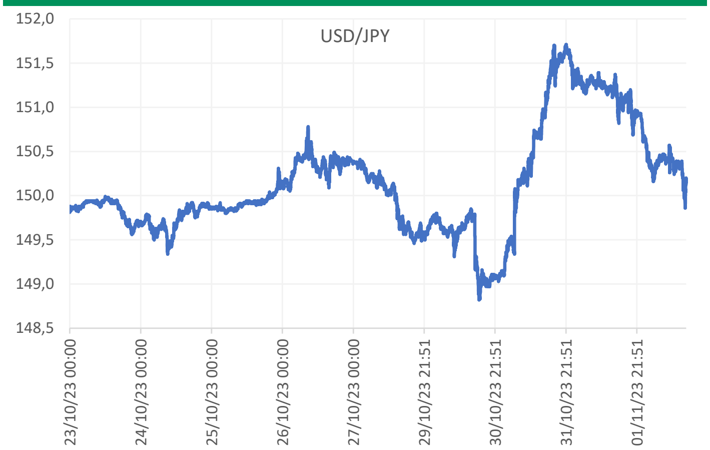


CHART 3

SOURCE: BLOOMBERG, BNP PARIBAS

4 ECB, *Financial Stability Review*, May 2023.
5 The BoJ has introduced a reference ceiling of +1.0% for the 10-year JGB yield, without however committing to strictly controlling this level.

MARKETS OVERVIEW

OVERVIEW

Week 27-10 23 to 3-11-23				
↗ CAC 40	6 795	7 048	+3.7	%
↗ S&P 500	4 117	4 358	+5.9	%
↘ Volatility (VIX)	21.3	14.9	-6.4	pb
↗ Euribor 3M (%)	3.95	3.96	+0.8	bp
↘ Libor $ 3M (%)	5.64	5.64	-0.3	bp
↘ OAT 10y (%)	3.35	3.15	-20.3	bp
↘ Bund 10y (%)	2.80	2.60	-19.8	bp
↘ US Tr. 10y (%)	4.83	4.57	-25.8	bp
↗ Euro vs dollar	1.06	1.07	+1.5	%
↗ Gold (ounce, $)	1 982	1 995	+0.7	%
↘ Oil (Brent, $)	90.4	85.6	-5.4	%

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	3.96	4.00 at 19/10	2.16 at 02/01
Euribor 12M	4.00	4.23 at 29/09	3.30 at 19/01
$ FED	5.50	5.50 at 27/07	4.50 at 02/01
Libor 3M	5.64	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	5.37	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 3-11-23

Yield (%)		highest 23	lowest 23
€ AVG 5-7y	2.64	2.64 at 02/01	2.64 at 02/01
Bund 2y	3.15	3.38 at 28/09	2.39 at 20/03
Bund 10y	2.60	2.94 at 28/09	1.98 at 18/01
OAT 10y	3.15	3.50 at 28/09	2.42 at 18/01
Corp. BBB	4.62	5.00 at 19/10	3.95 at 02/02
$ Treas. 2y	4.84	5.28 at 18/10	3.85 at 04/05
Treas. 10y	4.57	4.98 at 19/10	3.30 at 06/04
High Yield	8.94	9.48 at 20/10	7.94 at 02/02
£ gilt. 2y	4.67	5.51 at 06/07	3.15 at 02/02
gilt. 10y	4.37	4.74 at 17/08	3.00 at 02/02

At 3-11-23

EXCHANGE RATES

1€ =		highest 23	lowest 23	2023
USD	1.07	1.12 at 14/07	1.05 at 03/10	+0.6%
GBP	0.87	0.90 at 03/02	0.85 at 11/07	-2.2%
CHF	0.96	1.00 at 24/01	0.94 at 20/10	-2.4%
JPY	160.31	160.31 at 03/11	138.02 at 03/01	+13.8%
AUD	1.65	1.70 at 21/08	1.53 at 27/01	+4.9%
CNY	7.85	8.08 at 19/07	7.23 at 05/01	+5.8%
BRL	5.25	5.79 at 04/01	5.18 at 18/09	-6.9%
RUB	99.10	110.46 at 14/08	73.32 at 12/01	+27.2%
INR	89.40	92.37 at 14/07	86.58 at 08/03	+1.2%

At 3-11-23 *Change*

COMMODITIES

Spot price, $		highest 23	lowest 23	2023	2023(€)
Oil, Brent	85.6	96.6 at 27/09	71.9 at 12/06	+0.8%	+0.2%
Gold (ounce)	1 995	2 047 at 04/05	1 810 at 24/02	+9.9%	+9.3%
Metals, LMEX	3 636	4 404 at 26/01	3 551 at 05/10	-8.7%	-9.3%
Copper (ton)	8 096	9 331 at 23/01	7 824 at 05/10	-3.2%	-3.8%
wheat (ton)	219	2.9 at 13/02	168 at 29/09	-23.3%	-23.7%
Corn (ton)	176	2.7 at 13/02	161 at 21/08	-3.2%	-32.8%

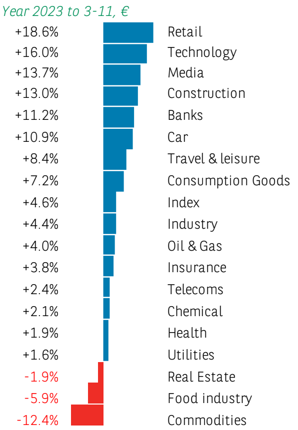
At 3-11-23 *Change*

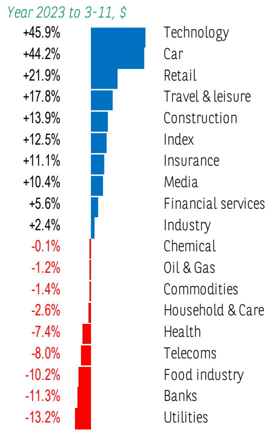
EQUITY INDICES

	Index	highest 23	lowest 23	2023
World				
MSCI World	2 884	3 064 at 31/07	2 595 at 05/01	+10.8%
North America				
S&P500	4 358	4 589 at 31/07	3 808 at 05/01	+13.5%
Europe				
EuroStoxx50	4 175	4 471 at 31/07	3 856 at 02/01	+10.0%
CAC 40	7 048	7 577 at 21/04	6 595 at 02/01	+0.9%
DAX 30	15 189	16 470 at 28/07	14 069 at 02/01	+9.1%
IBEX 35	9 294	9 695 at 27/07	8 370 at 02/01	+1.3%
FTSE100	7 418	8 014 at 20/02	7 257 at 07/07	-0.0%
Asia				
MSCI, loc.	1 207	1 256 at 15/09	1 065 at 04/01	+1.3%
Nikkei	31 950	33 753 at 03/07	25 717 at 04/01	+22.4%
Emerging				
MSCI Emerging ($)	948	1 052 at 26/01	911 at 26/10	-0.1%
China	57	75 at 27/01	55 at 24/10	-9.9%
India	809	843 at 15/09	703 at 16/03	+5.6%
Brazil	1 607	1 733 at 26/07	1 296 at 23/03	+2.0%

At 3-11-23 *Change*

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

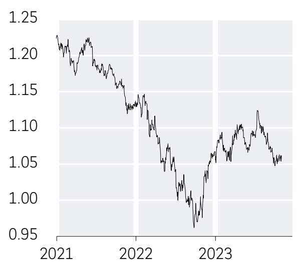




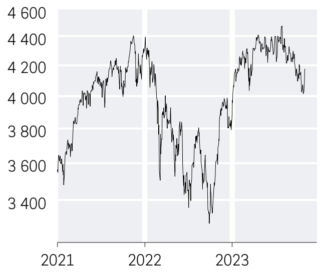
SOURCE: REFINITIV, BNP PARIBAS

MARKETS OVERVIEW

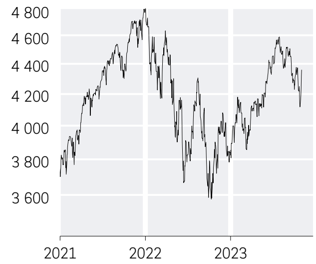
EURO-DOLLAR



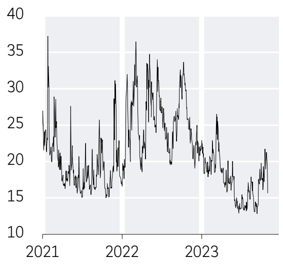
EUROSTOXX50



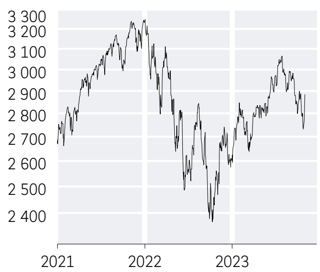
S&P500



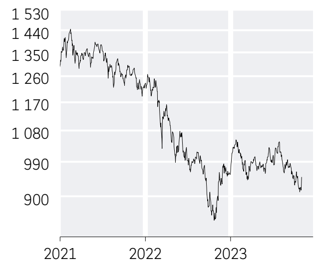
VOLATILITY (VIX, S&P500)



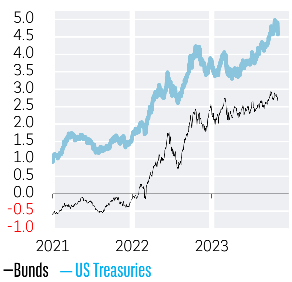
MSCI WORLD (USD)



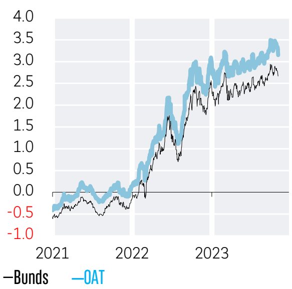
MSCI EMERGING (USD)



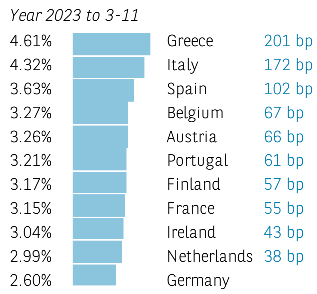
10Y BOND YIELD, TREASURIES VS BUND



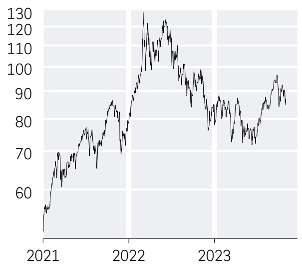
10Y BOND YIELD



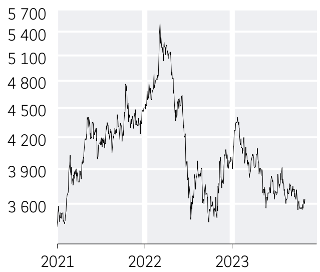
10Y BOND YIELD & SPREADS



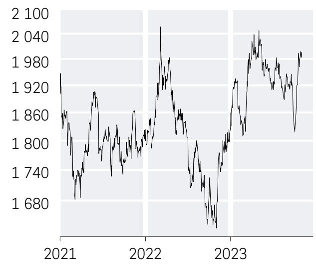
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS

EUROZONE: THE SLOWDOWN IN BANK LENDING IS HAVING PALPABLE EFFECTS ON ACTIVITY AND INFLATION

The tightening of euro-zone monetary policy, which began in July 2022 and carried on until September 2023, continued to curb demand for loans and dampen economic activity in the third quarter of 2023. The initial effects on core inflation have also been apparent since the end of the summer.

The private-sector credit impulse, which has been steadily declining since October 2022 and has been below zero since February 2023, hit its lowest level since November 2009 (-6.8). However, it is still comfortably above its July 2009 low (-8.3). Starting from a much higher base than the household credit impulse in September 2022, the non-financial company credit impulse is now settling at a lower level after falling sharply.

Outstanding loans to the private sector continued to decrease and only managed very weak positive year-on-year growth (+0.3%) in September 2023. Outstanding loans to non-financial companies, which were already very dynamic in November 2022 (+8.3% year-on-year), are now virtually unchanged in year-on-year terms (+0.2% in September 2023). After starting out more sluggishly (+4.4% in September 2022), outstanding loans to households only increased slightly, with growth of +0.8% in September 2023.

Since summer 2022, monetary tightening has resulted in lending conditions being tightened substantially. 157 eurozone banks were surveyed as part of the Bank Lending Survey (BLS) between 15 September and 2 October 2023. As a result of their perception of increased risk and lower risk tolerance, these banks have increased their margins on the riskiest loans. The lending conditions on home loans for households continued to tighten until the third quarter. As was the case with companies, banks pointed strongly to the higher perceived risk, but also highlighted the liquidity positions negatively affected by the Eurosystem securities portfolio being streamlined and TLTRO IIIs being phased out.

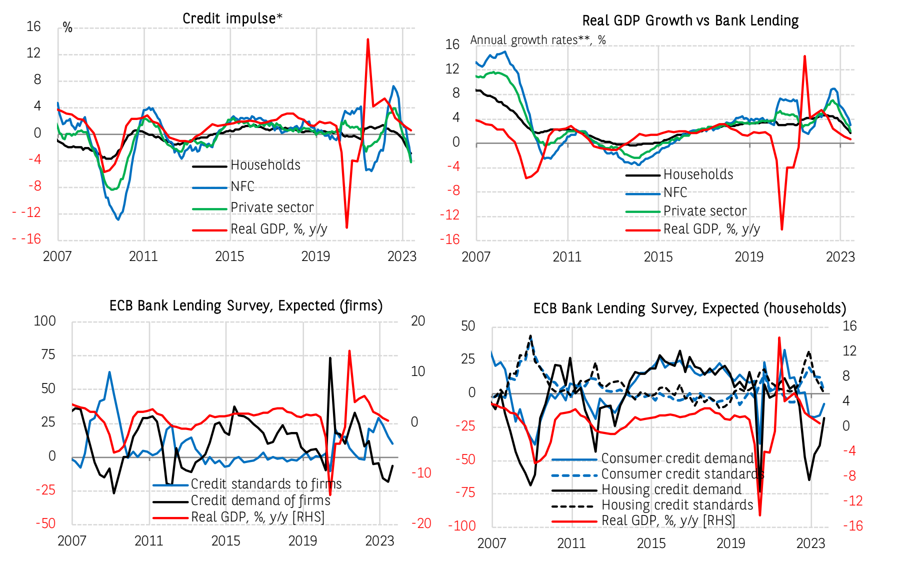
The slowdown in bank lending is also starting to affect core inflation. Together with rising interest rates on savings and customers shifting away from monetary deposits, it has been a contributing factor to M3 money supply declining since July 2023 (-1.2% year-on-year in September). Headline inflation, which had temporarily stopped falling during the summer (plateauing at between 5% and 5.5% from June to August 2023), started to ease once more in September (4.3%) and October 2023 (standing at an estimated 2.9%). This has brought it back down to levels not seen for more than two years (July 2021) as a result. This disinflation is mainly due to the fall in energy prices in September (-4.6%) and in October in particular (-11.1%), as well as the drop in core inflation (standing at an estimated +4.2% in October, compared to +5.5% in July), reflecting the reduced money supply and the slight contraction in euro-zone activity in the third quarter (-0.1% q/q, +0.1% y/y).

For the fourth quarter of 2023, banks plan to further tighten the conditions for business loans, albeit more moderately than during previous quarters. They are also anticipating further drops in demand for corporate financing (the balance of opinion on this issue stands at its lowest level since 2011). At the same time, they are expecting conditions for home loans to stabilise and conditions for consumer loans to tighten further. Finally, they are forecasting a less severe drop in household loans demand, irrespective of the reason for taking out a loan.

Should there be no further developments in the Israeli-Palestinian conflict, which could significantly affect energy prices and the expected base effect, we expect inflation to continue to come down, albeit at a slower rate than the trend that we have seen since this summer. As a result, the ECB is expected to stabilise its key rates, after ten consecutive hikes between July 2022 and September 2023. As it is keen to avoid second-round effects, the ECB may now wait to see how the round of wage negotiations plays out before contemplating easing off its monetary tightening, towards the end of the first half of 2024 at the earliest.

Laurent Quignon

CREDIT IMPULSE IN THE EUROZONE



*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

INTERNATIONAL TRADE: STAGNATION OF TRADE SET TO CONTINUE

Global exports have levelled off for almost two years, after a strong increase in 2021. Export growth has stagnated in both emerging and advanced economies. However, the CPB data show a slight rebound in exports in volume terms in August, at 1.1% m/m, although the annual rate is still negative at -2.3%. The monthly increase was driven by China (+5.3% m/m) and the United States (+1.3% m/m), while exports from the eurozone increased more moderately (+0.8% m/m). Conversely, Japanese exports fell sharply (-6.1% m/m).

The latest S&P PMI survey suggests, however, that the stagnation in global trade will continue into the latter months of 2023. While the overall PMI index for the manufacturing sector improved slightly in September, by 0.1 percentage points to 49.1, it remained below the expansionary line (50) for the thirteenth consecutive month. The sub-indicator for new export orders remained at a more deteriorated level, despite a 0.7 points increase to 47.7 in September. On the other hand, the various indicators relating to tensions on global value chains (chart 3 and 6) point to a slight deterioration in the situation since this summer, but the extent of the disruptions remains low compared to past levels.

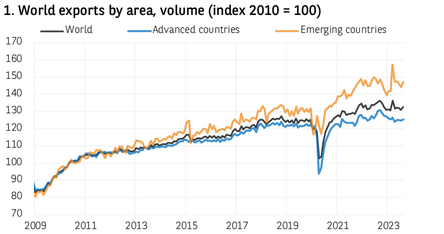
At the same time, trade tensions between China and the US are beginning to materialise in terms of trade dynamics, especially on the Chinese side. According to IMF figures, China's exports to the United States, as a share of total domestic exports, had fallen below 15% (one-year moving average) in the second quarter of 2023 for the first time in 30 years. However, the world's second largest economy maintains its share of world exports stable, at almost 15% in the second quarter of 2023. Indeed, China has increased its exports to several Asian countries (Vietnam, Philippines, India, Malaysia), the Middle East, and Russia. China's share of exports to Africa also exceeded 5% for the first time in decades.

This decline in the share of Chinese exports to the United States, however, must, be interpreted with caution: it does not directly reflect a decline in the supplier-consumer linkages between the two countries, but rather the deeper integration of other economies, particularly Asian economies, into global production chains. This lengthening of the production process has been highlighted by a recent BIS study (see *Mapping the realignments of global value chains*, BIS bulletin, 3 October 2023).

Guillaume Derrien

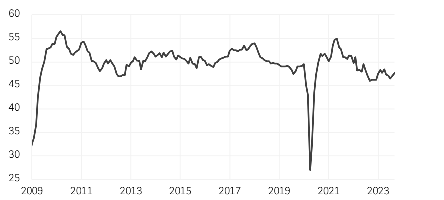
INDICATORS OF INTERNATIONAL TRADE

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



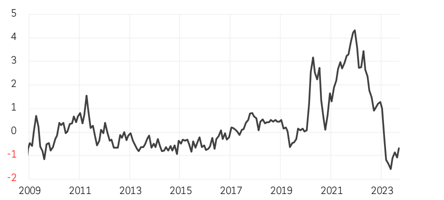
Source: CPB, BNP Paribas

2. Global manufacturing PMI, new export orders



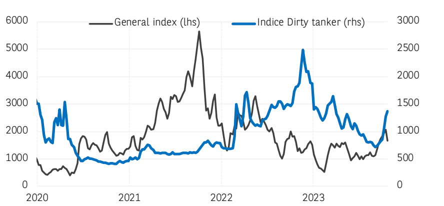
S&P Global (Markit), BNP Paribas

3. Global supply-chain pressures index



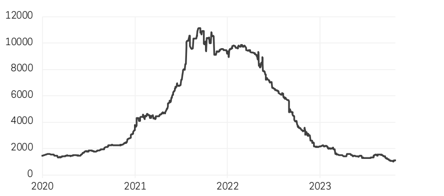
Source: Federal Reserve of New York

4. Baltic Exchange Dry Index



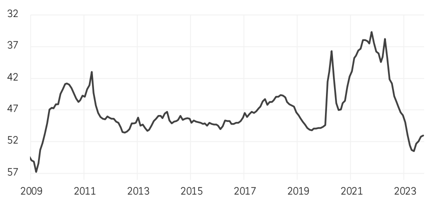
Source: Baltic Exchange, BNP Paribas

5. Freight rate index



Source: Freightos, BNP Paribas

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



S&P Global (Markit), 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 (+1.2% q/q according to the preliminary estimate). A sharp slowdown is expected, however, in Q4, because of the depleted excess savings and the ensuing loss of momentum of the household consumption engine, before the economy slides into recession in the first half of 2024. The peak in inflation was reached in mid-2022, core disinflation is becoming more significant, but it remains gradual. Inflation should approach the 2% target in 2024. However, the slow pace of disinflation argues in favor of keeping monetary policy in restrictive territory, despite the expected start of the easing cycle in mid-2024. This should limit the recovery in 2024.

CHINA

Economic growth started to accelerate 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. The government and the central bank have implemented new policy stimulus measures over the summer, aimed at supporting domestic demand and activity in the property sector. A slight improvement in real GDP growth thus appeared in Q3 2023 and is expected to continue in the short term. However, policy makers remain prudent, notably constrained by the debt excess of the economy and the weak financial situation of local governments.

EUROZONE

According to the latest figures available, Eurozone growth registered a small rebound in Q2 (+0.2% 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 and the fading of the positive post-Covid-19 catching up effects and of the support from diminishing in supply-side constraints contribute to the deterioration of business confidence and are expected to lead to a new period of economic stagnation in the Eurozone in the second half of 2023, before starting a sluggish recovery. The fall in inflation is continuing. Although it remains slow – inflation 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, whose expected slight rebound should avoid a recession of the Eurozone. Growth should also be supported by NGEU disbursements.

FRANCE

French growth significantly surprised on the upside in Q2 2023, with activity accelerating more than expected (+0.5% q/q, after stagnation in Q1 and a modestly positive Q4 2022). While household consumption and investment remain depressed, this rebound has been supported by business investment and, above all, exports. A negative correction is likely in Q3. After its August rebound, inflation remained at the same high rate in September (5.7% y/y according to the harmonized measure), a development due to energy prices. The disinflation process is not called into question, as evidenced by the fall in core inflation. However, because of rising interest rates, household demand should remain subdued in 2023, weighing on our GDP growth forecast (0.9% in 2023, compared to 2.5% in 2022).

RATES AND EXCHANGE RATES

In the US, the 25bp rate hike in July should be the last for the Fed. Some uncertainty remains, however, given the still elevated core inflation and the resilience of activity and the labour market to date. In any case, these factors argue against a rate cut before mid-2024. Among other factors, the residual uncertainty on the policy rate peak is reflected in long-term rates, which remained on an upward trend during the last days of October. However, as the prospect of monetary easing in 2024 rises, long-term rates should resume their decline.

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, considering the effects of the monetary tightening already underway. But it is not yet certain that it will really be the last hike, given the still limited fall of core inflation. As part of its monetary tightening, the ECB also announced a complete halt, starting in July 2023, of its reinvestments under the APP. The next step concerns the PEPP. The ECB intends to pursue the reinvestments until at least the end of 2024; we expect them to end in March 2024. European long-term rates remain on an uptrend, moving in line with US rates, but in a more muted way. They are expected to ease gradually as uncertainty dissipates over the continuation of monetary tightening.

On 27 July, 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 0.5%. Further adjustments to the YCC are likely, given that the country currently faces the fastest rate of inflation since the early 1990s. Nevertheless, the BoJ is unlikely to increase its policy rates this year, but a rise is expected in 2024.

We remain bearish regarding the US dollar versus the euro. The dollar's valuation is expensive and next year the Federal Reserve should ease more than the ECB. We expect the yen to remain around current levels in the near term before strengthening versus the dollar based on the expected monetary divergence between the Fed and the BoJ in 2024.

GDP GROWTH AND INFLATION

	GDP Growth				Inflation			
%	2021	2022	2023 e	2024 e	2021	2022	2023 e	2024 e
United-States	5.9	1.9	2.4	0.8	4.7	8.0	4.2	2.4
Japan	2.3	1.0	2.0	1.0	-0.2	2.5	3.2	2.6
United-Kingdom	8.7	4.3	0.5	-0.1	2.6	9.1	7.4	3.0
Euro Area	5.6	3.4	0.5	0.9	2.6	8.4	5.6	2.8
Germany	3.1	1.9	-0.1	0.4	3.2	8.6	6.2	3.0
France	6.4	2.5	0.9	0.7	2.1	5.9	5.8	2.7
Italy	7.0	3.8	0.8	1.0	1.9	8.7	6.2	2.2
Spain	5.5	5.5	2.4	1.5	3.0	8.3	3.5	2.8
China	8.4	3.0	5.1	4.5	0.9	2.0	0.5	2.0
India*	9.1	7.2	6.1	6.0	5.5	6.7	5.9	5.0
Brazil	5.0	2.9	3.1	1.8	8.3	9.3	4.7	4.2

Source : BNP Paribas (e: Estimates & forecasts)
Last update: 31 October 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		Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
US	Fed Funds (upper limit)	5.50	5.50	5.25	4.75	4.25
	T-Note 10y	4.20	4.05	3.95	3.90	3.90
Eurozone	deposit rate	4.00	4.00	3.75	3.50	3.25
	Bund 10y	2.60	2.45	2.40	2.30	2.35
	OAT 10y	3.17	2.99	2.93	2.85	2.92
	BTP 10y	4.50	4.25	4.10	4.10	4.25
	BONO 10y	3.70	3.45	3.35	3.30	3.40
UK	Base rate	5.25	5.25	5.00	4.50	4.00
	Gilts 10y	4.00	3.80	3.60	3.65	3.70
Japan	BoJ Rate	-0.10	-0.10	0.10	0.10	0.25
	JGB 10y	0.75	0.85	0.90	0.90	1.00

Exchange Rates

End of period		Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
USD	EUR / USD	1.10	1.11	1.12	1.13	1.15
	USD / JPY	145	145	140	138	135
	GBP / USD	1.29	1.29	1.29	1.30	1.32
EUR	EUR / GBP	0.85	0.86	0.87	0.87	0.87
	EUR / JPY	160	161	157	156	155

Brent

End of period		Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Brent	USD/bbl	81	82	86	88	86

Sources: BNP Paribas (Market Economics, Interest Rate Strategy, FX Strategy, Commodities Desk Strategy)
Last update: 25 September 2023

FURTHER READING

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