



ECONOMIC RESEARCH DEPARTMENT

Summary

European Union

Dealing with Chinese competition

Article 15 (a) (ii) of China's WTO accession protocol expired on 11 December 2016. The European Union must thus review the methodology for calculating the reference price used in Chinese anti-dumping investigations.

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France

Towards a net rebound in Q4 growth

It looks like Q4 2016 GDP growth rebounded strongly based on November's strong figures for output and consumption.

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Market overview

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Summary of forecasts

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Also in :

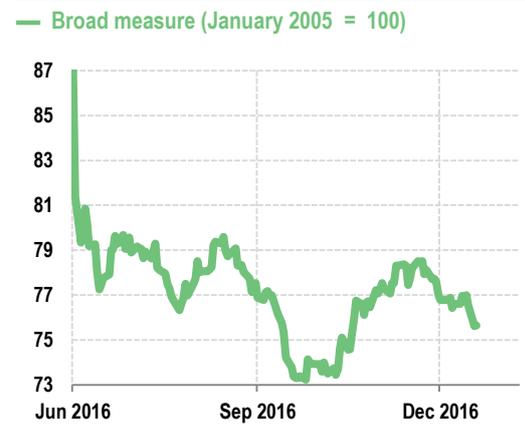


London Bridge Is Falling Down

■ The pound is down again ■ Next week it could suffer another blow ■ Next driver will be the Supreme Court's decision

The pound is the financial instrument that has been suffering the most from the Brexit decision. Right after the results of the referendum it looked like being in free fall. A broad measure of its effective exchange rate was down 11.5% in less than 10 days. For a month, it stabilised, but once the Bank of England had announced a massive easing plan, the downward pressures reappeared. They were exacerbated by Theresa May appearing more interested in regaining borders control than retaining the access to the European single market. Mark Carney, the governor of the BoE, then reminded the public that the Old Lady would not tolerate inflation overshooting target neither markedly nor for a prolonged period of time. Together with the early evidence that the UK economy was weathering the leave-vote better than thought, this helped eased expectations for further easing from the BoE and the pound rebounded. With the US elections, the pound regained strength against the euro, and extended its broad gains. The overall depreciation of the sterling, which had been as large as 16% by mid-October, was "limited" to 10% by mid-December. This was another short-lived development and the pound is down again. Next Tuesday, Theresa May will set out "her vision for Brexit and creating a truly global Britain". The announcement of that speech drove one measure of the pound volatility up to a two-month high. In short, we would get prepared to another tough week for the British currency. Next to watch will be the decision from the Supreme Court regarding the involvement of the Parliament in the Brexit negotiations. The pound is not about to stabilise before weeks...

EFFECTIVE EXCHANGE RATE OF THE POUND



Source: Bank of England

THE WEEK ON THE MARKETS

Week 6-1 17 > 12-1-17

▼ CAC 40	4 910	► 4 864	-0.9 %
▼ S&P 500	2 277	► 2 270	-0.3 %
↗ Volatility (VIX)	11.3	► 11.5	+0.2 %
▼ Euribor 3M (%)	-0.32	► -0.33	-0.6 bp
↗ Libor \$ 3M (%)	1.01	► 1.02	+1.2 bp
▼ OAT 10y (%)	0.83	► 0.78	-5.4 bp
▼ Bund 10y (%)	0.22	► 0.15	-7.0 bp
▼ US Tr. 10y (%)	2.42	► 2.36	-5.6 bp
↗ Euro vs dollar	1.06	► 1.07	+0.7 %
↗ Gold (ounce, \$)	1 174	► 1 204	+2.5 %
▼ Oil (Brent, \$)	57.0	► 56.0	-1.9 %

Source: Thomson Reuters