



ECONOMIC RESEARCH DEPARTMENT

Summary

European union

Deepening EMU: the necessity is proportional to the challenge
European Commission releases reflection paper on deepening EMU. The necessity of the task seems proportional to the challenge of achieving it.

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Market overview

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Summary of forecasts

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Also in

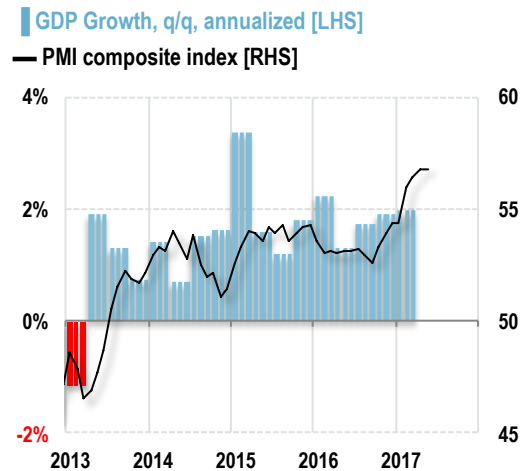


Slowing momentum

■ The increase in cyclical indicators has slowed recently, and sometimes even gone in reverse ■ Such a loss of momentum is unsurprising

Defining momentum as the difference between the change of a variable over a shorter time period with its change over a longer period provides interesting reading for the past 18 months. After a strong acceleration in the second half of 2016, there are increasing signs of a somewhat slowing momentum. This is particularly visible in 'soft' data (surveys of companies and households), which doesn't come as a surprise: typically, participants are asked whether they are feeling more or less confident than before, which makes the surveys by construction particularly sensitive to changes in sentiment. In addition, in the current upswing, surveys have tended to paint a brighter picture than the 'hard' data (activity, spending). Other factors which spring to mind are the decline of commodity prices, which could end up weighing on commodity exporting countries, and which in turn seems to be correlated with softer data from China, despite strong first quarter GDP growth. A disappointing start of the year in the US may also have played a role. A somewhat slower momentum is also visible in the euro area and in the US (certain investment intentions surveys). This should however not preclude the major economies from delivering robust growth. Indeed, looking at the levels of survey indicators (purchasing managers, consumer and business confidence), rather than their change, the conclusion is that historically they have corresponded with a healthy pace of growth. This bodes well for the remainder of the year.

EURO AREA, GROWTH VS BUSINESS SURVEYS



Sources: Eurostat, Markit

THE WEEK ON THE MARKETS

Week 26-5 17 > 1-6-17

↘ CAC 40	5 337	► 5 319	-0.3 %
↗ S&P 500	2 416	► 2 430	+0.6 %
↗ Volatility (VIX)	9.8	► 9.9	+0.1 %
↗ Euribor 3M (%)	-0.33	► -0.33	+0.0 bp
↗ Libor \$ 3M (%)	1.20	► 1.21	+0.8 bp
↘ OAT 10y (%)	0.76	► 0.74	-2.5 bp
↘ Bund 10y (%)	0.33	► 0.31	-2.9 bp
↘ US Tr. 10y (%)	2.25	► 2.22	-3.3 bp
↗ Euro vs dollar	1.12	► 1.12	+0.4 %
↘ Gold (ounce, \$)	1 268	► 1 264	-0.3 %
↘ Oil (Brent, \$)	51.5	► 51.3	-0.3 %

Source: Thomson Reuters