



ECONOMIC RESEARCH DEPARTMENT

Summary

Eurozone

Cautious optimism

The economic situation in the eurozone continues to improve. Stripping out volatile items reveals weak or non-existent inflationary pressures. We continue to expect monetary policy to remain accommodating.

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United Kingdom

Back to the voting booth

Theresa May makes the wager that she can broaden the conservative's majority. The goal is for the UK government to begin the Brexit negotiation with a stronger hand. Every election is a risk, though: British could choose to prove surveys wrong.

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Market overview

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Summary of forecasts

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Also in



"Trump effect" or oil story?

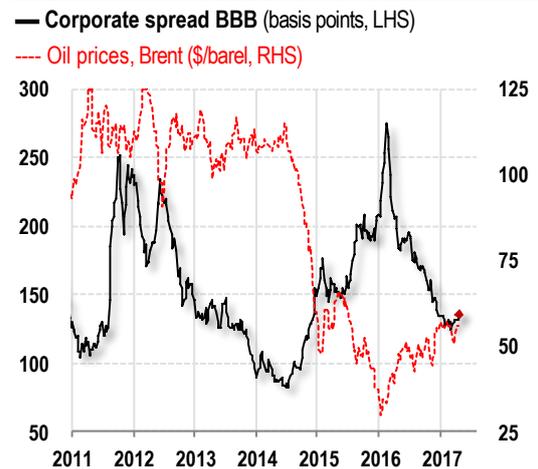
■ In the US, the rise in oil prices has something to do with the pick-up in investment ■ The so-called "Trump effect" is fading

The business climate still looks good in the US. The labour market has created half a million jobs over the past three months, bringing back the unemployment rate to 4.5%, a ten-year low. Housing starts picked-up, along with corporate investment, as suggested by the rise in capital goods orders. All of this can hardly be reduced to a simple "Trump effect". In our view, the political environment has little to do with the actual pick-up in investment, which relies more on external factors.

First, US companies are likely responding to an increase in foreign demand. In the emerging countries, import volumes have surged, partly because of the expansionary policy followed by China... Second, the rebound in oil prices is benefiting to the shale oil industry, which is becoming more profitable. The US energy output is on the rise, as well as the number of wells.

Better prospects also help corporate spreads to narrow, creating additional support for investment (see chart).

US, OIL PRICES VS CORPORATE SPREADS



Sources: Thomson, Federal Reserve

THE WEEK ON THE MARKETS

Week 14-4 17 > 20-4-17

↗ CAC 40	5 071	▶ 5 078	+0.1 %
↗ S&P 500	2 329	▶ 2 356	+1.2 %
↘ Volatility (VIX)	16.0	▶ 14.2	-1.8 %
↘ Euribor 3M (%)	-0.33	▶ -0.33	-0.1 bp
↘ Libor \$ 3M (%)	1.16	▶ 1.16	-0.3 bp
↘ OAT 10y (%)	0.92	▶ 0.86	-6.2 bp
↗ Bund 10y (%)	0.19	▶ 0.25	+5.9 bp
↗ US Tr. 10y (%)	2.23	▶ 2.24	+1.3 bp
↗ Euro vs dollar	1.06	▶ 1.08	+1.3 %
↘ Gold (ounce, \$)	1 286	▶ 1 283	-0.2 %
↘ Oil (Brent, \$)	56.0	▶ 53.0	-5.3 %

Source: Thomson Reuters