



### ECONOMIC RESEARCH DEPARTMENT

## Summary

### Eurozone

#### Inflation in sight?

Should we believe in inflation recovery by year-end?

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### Ireland

#### Fashioning green

Ireland is dramatically improving its economic situation. The country borrows at the same cost as France on the markets.

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### Market overview

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### Summary of forecasts

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### Also in

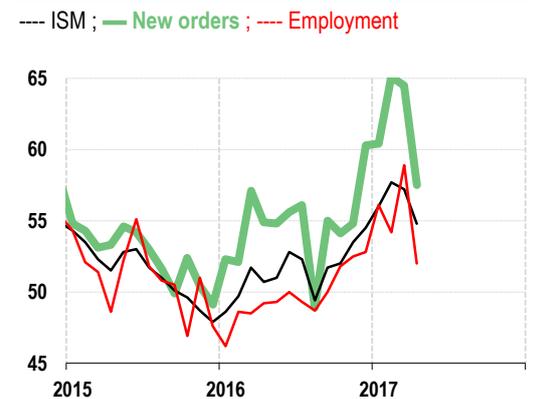


## A calm revival

■ In the US manufacturing output jumped in April ■ Still the recovery remains unimpressive ■ Will low oil prices support or slow the revival?

The rebound in the US manufacturing sector was confirmed in April with a monthly jump of 1%. Still, on a 3-month annualised basis, the performance is quite unimpressive (at +2.7% in April), especially when compared with sentiment indicators. The manufacturing ISM index was indeed as high as 57 points on average during the first quarter of this year. If the hard data are a bit disappointing when read through what soft data were announcing, prospects are also softening. In April, the ISM index was down 2.4 points (at 54.8), a decrease led by the components for new orders (down 7 points to 58.6) and employment (down 6.9 points to 52.0). The deterioration of the manufacturing sector was confirmed this week by the New York Fed index for May. Once recalculated to make the comparison with the ISM clearer, that index was down 1.5 points and back below the 50-mark that separates contraction from expansion. News from the Philadelphia Fed was more upbeat (with an ISM-like index stable above 57), though. The renewed depreciation of the dollar is welcome, even more so that labour productivity has been slowing and unit labour costs accelerating despite the absence of wage inflation. As for low oil prices, the recent past taught us to be cautious in considering them as a net positive...

### US MANUFACTURING SENTIMENT



Source: ISM

### THE WEEK ON THE MARKETS

Week 12-5 17 > 18-5-17

↘ CAC 40	5 405	► 5 290	-2.1 %
↘ S&P 500	2 391	► 2 366	-1.1 %
↗ Volatility (VIX)	10.4	► 14.7	+4.3 %
↘ Euribor 3M (%)	-0.33	► -0.33	-0.2 bp
↘ Libor \$ 3M (%)	1.18	► 1.18	-0.1 bp
↘ OAT 10y (%)	0.84	► 0.81	-3.5 bp
↘ Bund 10y (%)	0.40	► 0.36	-4.0 bp
↘ US Tr. 10y (%)	2.34	► 2.24	-10.3 bp
↗ Euro vs dollar	1.09	► 1.11	+1.9 %
↗ Gold (ounce, \$)	1 230	► 1 254	+2.0 %
↗ Oil (Brent, \$)	50.6	► 52.6	+3.8 %

Source: Thomson Reuters