



MONTHLY BULLETIN - N° 205 – June 2007

AGENCE
FRANCE
TRÉSOR
is tasked with
handling
government debt
and cash
management
under the most
secure
conditions in the
best interest of the
taxpayer.

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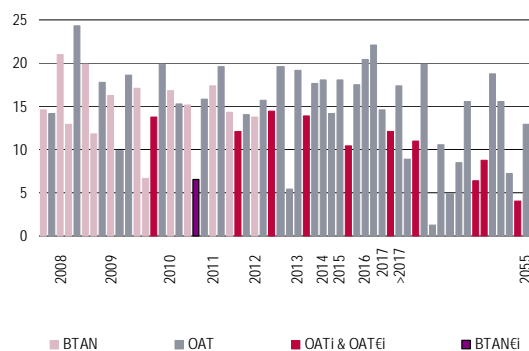
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DEBT GENERAL DATA

French government long- and medium-term negotiable debt on May 31, 2007

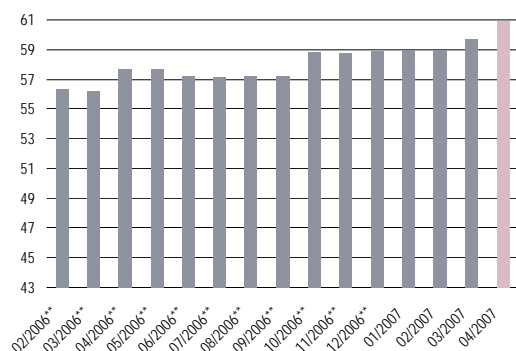
nominal value of each line, €bn



Source: Agence France Trésor

Non-resident holdings of French government negotiable debt securities

as a % of negotiable debt outstanding



Source: balance of payments

Note: following the revised figures of the French securities held by non-residents at the end of 2006, the Banque de France has readjusted the outstanding amount related to the negotiable Government debt securities held by non-residents in 2006 (**).

(*) figures quarterly revised (**) figures annually revised

PRIMARY MARKET

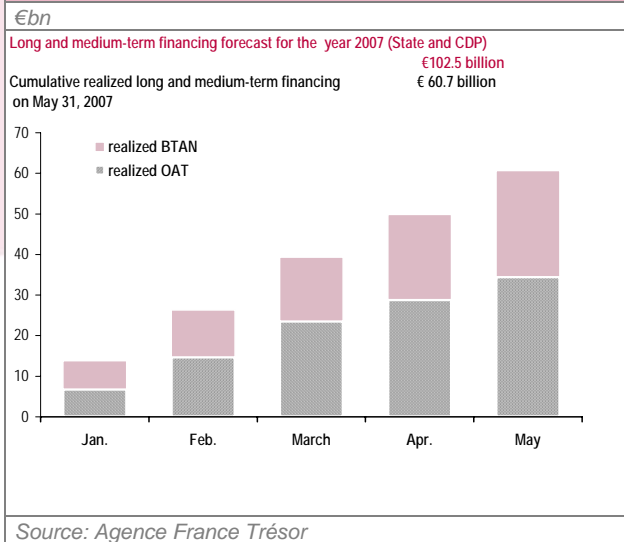
Auction indicative calendar

		BTF					BTAN / index linked OAT	OAT
June 2007	auction date	4	11	18	25	-	21	7
	settlement date	7	14	21	28	-	26	12
July 2007	auction date	2	9	16	23	30	19	5
	settlement date	5	12	19	26	2 Aug.	24	10

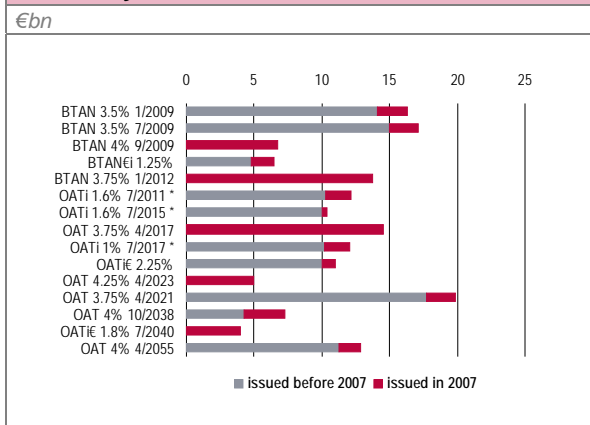
■ anticipated or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

Long- and medium-term financing over the year on May 31, 2007



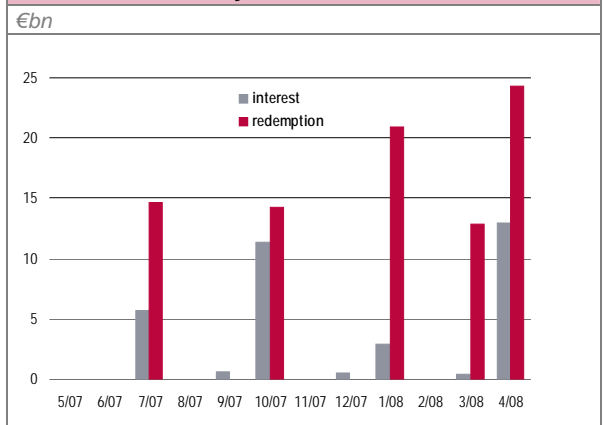
OATs and BTANs issues and cumulative total on May 31, 2007



* nominal value

Source: Agence France Trésor

OATs and BTANs: indicative repayment schedule on May 31, 2007



Source: Agence France Trésor

▶ OAT and BTAN auctions – May 2007

€m					
	OAT 15 years	BTAN 2 years	BTAN 5 years	BTAN€i 3 years	OATi 10 years
	10/25/2023	9/12/2009	1/12/2012	7/25/2010	7/25/2017
	4.25%	4.00%	3.75%	1.25%	1.00%
Auction date	5/3/2007	5/16/2007	5/16/2007	5/16/2007	5/16/2007
Settlement date	5/9/2007	5/22/2007	5/22/2007	5/22/2007	5/22/2007
Amount announced	<4,200 ---4,700>	<4,200 ---4,700>		<1,200 ---1,700>	
Bid amount	10,430	7,901	8,761	2,515	2,522
Amount served	4,466	1,476	3,036	0,725	0,852
<i>of which: NCTs before auction</i>					
NCTs after auction	0,464	0	0	0	0
Total issued amount	4,930	1,476	3,036	0,725	0,852
Bid-to-cover ratio	2,34	5,35	2,89	3,47	2,96
Weighted average price	98,36%	99,43%	97,80%	97,68%	88,56%
Yield to maturity	4,39%	4,25%	4,28%	2,01%	2,27%
Indexation coefficient*	-	-	-	1,03236	1,02307

Source: Agence France Trésor

▶ BTF auctions – May 2007

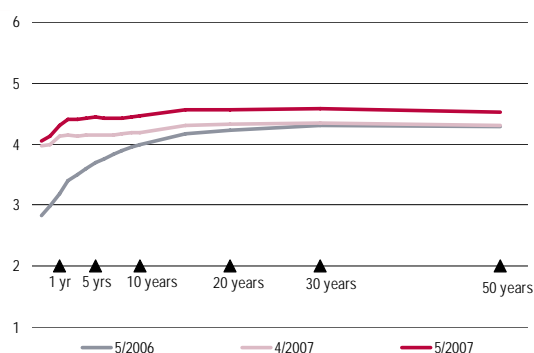
€m					
	BTF	BTF	BTF	BTF	BTF
	Short term	1 month	3 month	6 month	1 year
Auction date			5/7/2007		5/7/2007
Settlement date			5/10/2007		5/10/2007
Maturity			8/9/2007		5/7/2008
Total issued amount			2,048		1,864
Weighted average rate			3,916%		4,172%
Auction date			5/14/2007		5/14/2007
Settlement date			5/16/2007		5/16/2007
Maturity			8/9/2007		5/7/2008
Total issued amount			1,904		1,705
Weighted average rate			3,913%		4,162%
Auction date			5/21/2007	5/21/2007	
Settlement date			5/24/2007	5/24/2007	
Maturity			8/23/2007	12/6/2007	
Total issued amount			1,871	1,805	
Weighted average rate			3,948%	4,086%	
Auction date			5/29/2007	5/29/2007	
Settlement date			5/31/2007	5/31/2007	
Maturity			8/23/2007	12/6/2007	
Total issued amount			1,707	1,757	
Weighted average rate			3,951%	4,102%	

Source: Agence France Trésor

SECONDARY MARKET

French government yield curve

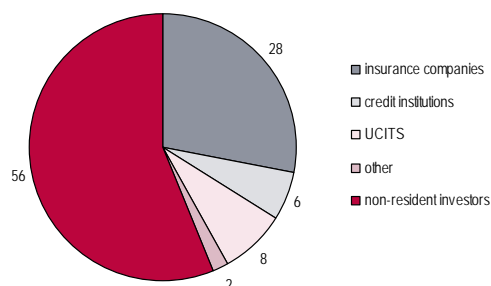
quote at end of the month, in %



Source: Bloomberg

OAT ownership by type of holder fourth quarter 2006

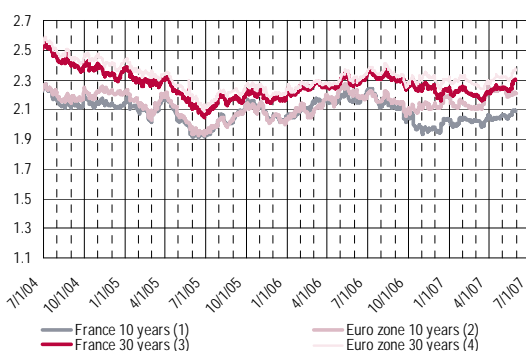
structure in %



Source: Banque de France

Breakeven inflation

daily quotes in %



Source: Bloomberg

- (1) difference between the yield of the OAT 4% April 2013 and the yield of the OATi 2.5% July 2013
 (2) difference between the yield of the OAT 5% April 2012 and the yield of the OAT€i 3% July 2012
 (3) difference between the yield of the OAT 5.5% April 2029 and the yield of the OATi 3.4% July 2029
 (4) difference between the yield of the OAT 5.75% October 2032 and the yield of the OAT€i 3.15% July 2032

Negotiable government debt and swaps

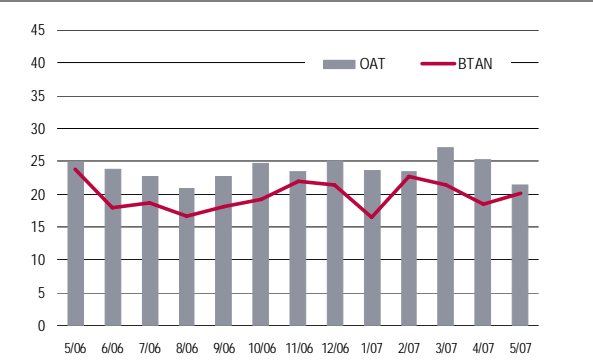
€bn

	end 2000	end 2001	end 2002	end 2003	end 2004	end 2005	end 2006	April 2007	May 2007
Negotiable government debt									
outstanding	616	653	717	788	833	877	877	904	920
OAT	419	443	478	512	552	593	610	622	629
BTAN	154	158	151	167	184	189	200	199	204
BTF	43	52	88	109	97	95	66	83	87
Swaps outstanding	///	37	61	61	61	52	44	39	39
Average maturity of the negotiable debt									
before swaps	6 years	6 years	5 years	5 years	6 years	6 years	7 years	7 years	7 years
	64 days	47 days	343 days	297 days	79 days	267 days	45 days	103 days	77 days
after swaps	///	5 years	5 years	5 years	6 years	6 years	7 years	7 years	7 years
	///	358 days	266 days	235 days	33 days	228 days	16 days	75 days	50 days

Source: Agence France Trésor

▶ **Turnover on the 5 most liquid OATs and the 4 most liquid BTANs**

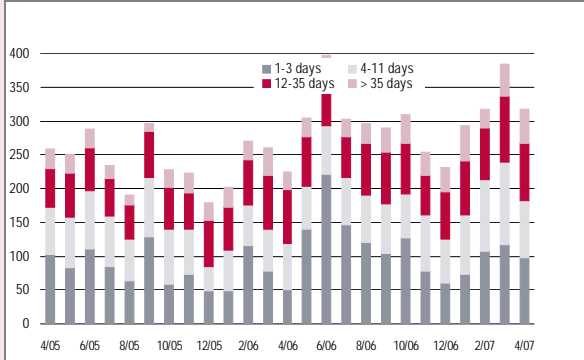
daily average (€bn)



Source: Euroclear France

▶ **Primary dealers, monthly fixed-rate repo transactions**

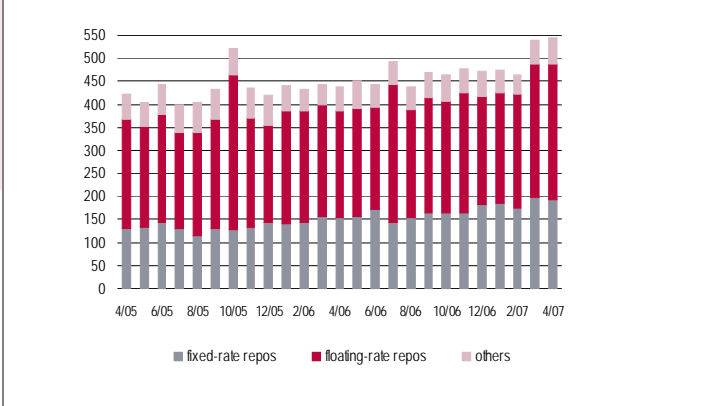
€bn



Source: primary dealers

▶ **Primary dealers, repo outstanding at end of month**

€bn



Source: primary dealers

Focus

▶ **Table: Top bond market movers after 10 mns (bund price future change in cents)**

Economic indicator (ranked by response)		10m response*
1	US Nn Farm Pay	-14,3
2	US GDP	-12,8
3	US Manuf. ISM	-8,9
4	US Core CPI	-7,4
5	German IFO	-6,1
6	German ZEW	-6
7	German GDP	-5,7
8	US Philly Fed	-5,4
9	US Non Man ISM	-5,3
10	US Univ of Mich	-5,3
11	US Retail Sales	-4,1
12	Ger Lander CPI	-2,8
13	Euro area M3	-2,2
14	EA Manuf. PMI	-2,1
15	US CPI	-2,1

* Average historic price change ten minutes after a typical (one standard deviation) positive forecast error

Source: RBS MID

What moves the European bond market:

Bond investors typically base investment decisions on priors they have about the future state of an economy. To formulate these views, investors use the latest data available to form a view of how the upcoming economic data should look to validate their baseline scenario. As new information becomes available, investors readjust their priors accordingly depending on whether the data confirm that scenario or not.

It is the “forecast error” (the difference between average expectations and the actual outcome) in the release of economic indicators that moves markets. Because some indicators provide more information about the state of the economy than others, surprises in these indicators have a greater impact on the market than surprises in indicators with lower information contents.

We have constructed the RBS Market Impact Database (RBS MID) which includes consensus expectations of economic data and actual outcomes of first releases for a selection of 28 indicators covering the US, UK and euro area from 1999. The database includes intra-day bond price movements around the time of each release. To our knowledge, this constitutes the most comprehensive databank of historical data on economic data surprises and market responses (around 100,000 observations in total).

We have focused our attention on the reaction of the ten year German bund future in the first instance. Of 28 indicators considered in this report, surprises in about fifteen have a significant average impact on the price of the bund following the first ten minutes of the release, (see table 1). Of this fifteen, ten have a very significant impact.

The euro area bond market is predominantly driven by foreign indicators: of the 15 largest European market movers, 9 are US indicators and only 6 are euro area indicators. Of the top 10, only 3 are from the euro area (table 1). The US non farm payrolls and advance GDP reports top the bond market mover rankings. The largest euro area market mover is the IFO, a touch above the ZEW survey, occupying the 5th and 6th ranks respectively. German GDP comes in at number seven. Euro area aggregates such as euro area retail sales, industrial production and confidence indicators have the smallest market impact.

That US data dominate the European bond market is not a surprise. The US economy has been the engine of growth of the global economy and thus provides some leading indications on the state of the euro area economy. However, the size of the market response seems somewhat exaggerated in our view: for example a forecast error in US GDP will lead to a European market reaction on average over twice as large as a similar surprise in German GDP. A forecast error in the US ISM has an impact 4.5 times greater than a similar surprise in the euro area PMI.

More surprisingly, US indicators have a larger impact than European ones even when they are published later. This is the case with the US ISM, which is published after the euro area PMI or the IFO, or the US CPI report, which is published after the German or Euro area report. While we believe that the US economy leads the euro area, the European market response to some US indicators also seems somewhat disproportionate. In particular, a surprise in US core inflation has more than twice the impact on the European market as a similar surprise in German CPI, which is normally released about 3 weeks earlier.

Jacques Cailloux
Chief euro area economist
Royal Bank of Scotland

NB: this Agence France Trésor forum offers economists an opportunity to express their personal opinion. Thus, the above article strictly reflects the author's view, and should not be construed as expressing the viewpoints of Agence France Trésor or the Ministry of the Economy, Finance and Industry.

THE FRENCH ECONOMY

► Macro-economic forecast

Real growth rate as a %

	2006	2007	2008
French GDP	< 2 - 2.5 >	< 2 - 2.5 >	< 2 - 2.5 >
Euro zone GDP	2.7	2.3	2.2
Household consumption	2.7	2.8	2.8
Business investment	3.8	3.8	3.6
Exports	6.2	4.6	5.7
Imports	7.1	5.5	5.3
Consumer prices (year-on-year)	1.6	1.3	1.4

Source: Ministry of the Economy, Finance and Industry

► Recent economic indicators

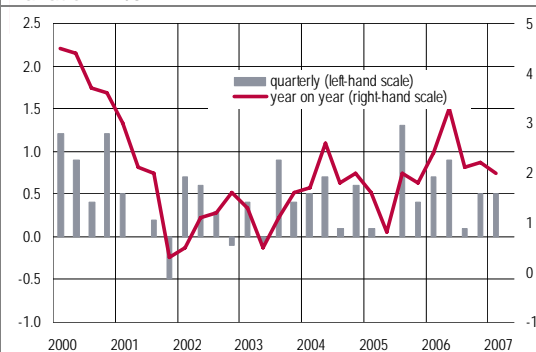
Industrial output*, year-on-year	1.1%	3/2007
Household consumption*, year-on-year	2.5%	4/2007
Unemployment rate (ILO)	8.2%	4/2007
Consumer prices, year-on-year		
all items	1.3%	4/2007
all items excluding tobacco	1.3%	4/2007
Trade balance, fob-fob, sa	-1.6 EUR bn	3/2007
" "	-2.4 EUR bn	2/2007
Current account balance, sa	-2.1 EUR bn	3/2007
" "	-3.3 EUR bn	2/2007
10-year constant maturity rate (TEC10)	4.43%	05/31/2007
3-month interest rate (Euribor)	4.122%	05/31/2007
EUR / USD	1.3453	05/31/2007
EUR / JPY	163.56	05/31/2007

*manufactured goods –

Source: Insee; Ministry of the Economy, Finance and Industry; Banque de France

► Gross domestic product at 2000 prices

Variation in %



Source: Insee, quarterly national accounts

► Euro exchange rate

Daily quotes



Source: European Central Bank

► Government budget monthly position

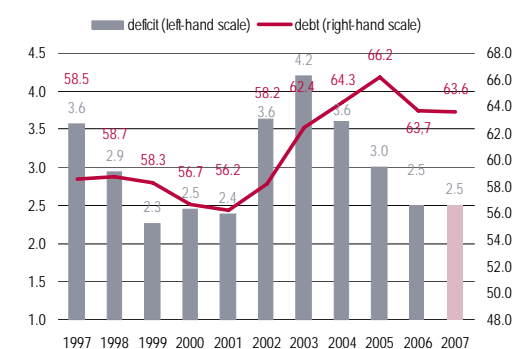
€bn

	2005	2006	end-of-April level		
			2005	2006	2007
General budget balance	-45.15	-42.38	-30.57	-19.66	-28.70
revenue	249.11	230.50	108.09	72.87	68.85
expenditure	294.27	272.88	77.52	92.52	97.54
Balance of special Treasury accounts	1.68	2.95	-11.68	-13.60	-13.80
General budget outturn	-43.47	-39.43	-42.25	-33.26	-42.49

Source: Ministry of the Economy, Finance and Industry
for more information:
http://www.minefi.gouv.fr/themes/finances_etat/budget/index.htm

► Public finance: general government deficit and debt

As a % of GDP



Source: according to Maastricht Treaty, Insee and Ministry of the Economy, Finance and Industry

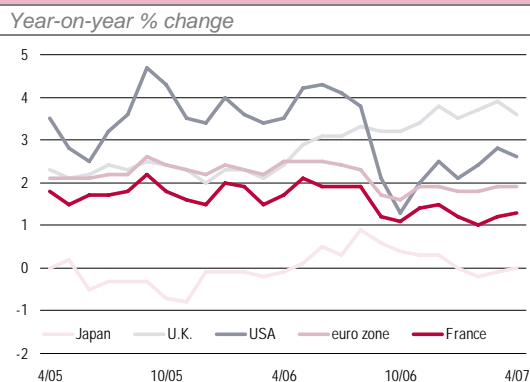
▶ Timetable for the release of French economic indicators

June 2007	July 2007
7 Gross foreign exchange reserves in May	6 Central government budget: statement at end of May
8 Central government budget: statement at end of April	6 Gross foreign exchange reserves in June
8 Foreign trade in April	6 Cost-of-construction: index Q1-2007
11 Industrial output in April	10 Industrial output in May
13 Consumer prices: index for May	10 Foreign trade in May
14 Payroll employment: final results Q1-2007	13 Consumer prices: index for June
19 Balance of payments in April	18 Balance of payments in May
22 Household consumption of manufactured goods in May	24 Household consumption of manufactured goods in June
22 Wages: final statistics Q1-2007	25 Industrial trends: monthly survey for July
26 New building starts in May	30 Industrial producer prices: June index
27 Industrial trends: monthly survey for June	30 Industrial trends: quarterly survey for July
29 Industrial producer prices: May index	31 Household confidence survey: July survey
29 Quarterly national accounts: final results Q1-2007	31 Job seekers in June
29 Household confidence survey: June survey	31 Net foreign exchange reserves in June
29 Job seekers in May	
29 Net foreign exchange reserves in May	

Harmonized index of consumer prices – Eurozone (Eurostat)
 Index for May: June 14
 Index for June: July 16

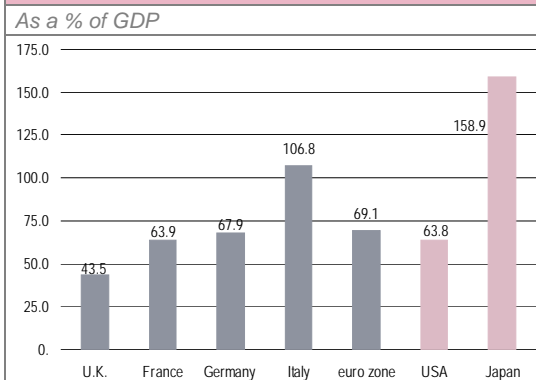
INTERNATIONAL COMPARISONS

▶ Consumer price index



Source: statistical institutes

▶ General government debt in 2006



Source: Eurostat, OECD

FRENCH GOVERNMENT NEGOTIABLE DEBT OUTSTANDING - DETTE NEGOCIABLE DE L'ETAT

OAT au 31 mai 2007 / fungible Treasury bonds at May 31, 2007

En euros

CODE ISIN Euroclear France	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale / face value	démembre / stripped	CODE ISIN Euroclear France	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale / face value	démembre / stripped
	Échéance 2007	14 207 051 180					Échéance 2016	42 483 000 000			
FR0000570590	OAT 5,5% 25 octobre 2007	14 207 051 180			318 520 000	FR0010288357	OAT 3,25% 25 avril 2016	20 461 000 000			66 700 000
	Échéance 2008	42 088 093 494				FR0000187361	OAT 5% 25 octobre 2016	22 022 000 000			1 294 030 000
FR0000570632	OAT 5,25% 25 avril 2008	24 303 932 367			928 240 000		Échéance 2017	26 954 269 750			
FR0000570665	OAT 8,5% 25 octobre 2008	17 784 161 127			4 329 650 000	FR0010415331	OAT 3,75% 25 avril 2017	14 575 000 000			108 000 000
	Échéance 2009	64 039 086 425				FR0010235176 I	OAT1 1% 25 juillet 2017	12 379 269 750 (1)	1,02435	(12 085 000 000)	
FR0000570673 V	OAT TEC10 25 janvier 2009	9 853 044 498					Échéance 2019	26 202 551 399			
FR0000571432	OAT 4% 25 avril 2009	18 640 258 371			1 558 790 000	FR0000189151	OAT 4,25% 25 avril 2019	17 344 000 000			208 090 000
FR0000571424 I	OAT1 3% 25 juillet 2009	15 701 646 518 (1)	1,13686	(13 811 416 109)		FR0000570921	OAT 8,5% 25 octobre 2019	8 844 392 893			3 976 090 000
FR0000186199	OAT 4% 25 octobre 2009	19 844 137 038			634 680 000	FR0000570954 C	ETAT 9,82% 31 décembre 2019	14 158 506 (2)		(6 692 154)	
	Échéance 2010	31 162 742 970					Échéance 2020	11 800 340 510			
FR0000186603	OAT 5,5% 25 avril 2010	15 311 719 352			567 920 000	FR0010050559 I	OAT1 2,25% 25 juillet 2020	11 800 340 510 (1)	1,07579	(10 969 000 000)	
FR0000187023	OAT 5,5% 25 octobre 2010	15 851 023 618			1 636 130 000		Échéance 2021	19 857 000 000			566 790 000
	Échéance 2011	46 501 928 882				FR0010192997	OAT 3,75% 25 avril 2021	19 857 000 000			
FR0000570731	OAT 6,5% 25 avril 2011	19 572 445 710			723 930 000		Échéance 2022	1 243 939 990			
FR0010094375 I	OAT1 1,6% 25 juillet 2011	12 874 596 840 (1)	1,06191	(12 124 000 000)		FR0000571044	OAT 8,25% 25 avril 2022	1 243 939 990			904 150 000
FR0000187874	OAT 5% 25 octobre 2011	14 054 886 332			369 990 000		Échéance 2023	15 536 195 903			
	Échéance 2012	56 806 475 823				FR0000571085	OAT 8,5% 25 avril 2023	10 606 195 903			7 061 890 000
FR0000188328	OAT 5% 25 avril 2012	15 654 110 580			1 174 850 000	FR0010466938	OAT 4,25% 25 octobre 2023	4 930 000 000			
FR0000188013 I	OAT1 3% 25 juillet 2012	16 112 544 980 (1)	1,11167	(14 494 000 000)			Échéance 2025	8 511 928 118			
FR0000188690	OAT 4,75% 25 octobre 2012	19 554 122 924			825 700 000	FR0000571150	OAT 6% 25 octobre 2025	8 511 928 118			3 094 150 000
FR0000570780	OAT 8,5% 26 décembre 2012	5 485 697 339					Échéance 2028	14 480 883			
	Échéance 2013	51 775 977 975				FR0000571226 C	OAT zero coupon 28 mars 2028	14 480 883 (3)		(46 232 603)	
FR0000188989	OAT 4% 25 avril 2013	19 137 183 879			140 900 000		Échéance 2029	22 698 617 373			
FR0000188955 I	OAT1 2,5% 25 juillet 2013	15 042 036 417 (1)	1,07891	(13 941 882 471)		FR0000571218	OAT 5,5% 25 avril 2029	15 500 880 458			2 614 590 000
FR0010011130	OAT 4% 25 octobre 2013	17 596 757 679			135 300 000	FR0000186413 I	OAT1 3,4% 25 juillet 2029	7 197 736 915 (1)	1,13205	(6 358 144 000)	
	Échéance 2014	32 145 724 224					Échéance 2032	28 263 422 610			
FR0010061242	OAT 4% 25 avril 2014	18 039 752 234			49 780 000	FR0000188799 I	OAT1 3,15% 25 juillet 2032	9 525 422 610 (1)	1,08999	(8 739 000 000)	
FR0010112052	OAT 4% 25 octobre 2014	14 105 971 990			87 950 000	FR0000187635	OAT 5,75% 25 octobre 2032	18 738 000 000			7 119 700 000
	Échéance 2015	46 456 031 853					Échéance 2035	15 614 000 000			
FR0010163543	OAT 3,5% 25 avril 2015	18 055 313 893			43 750 000	FR0010070060	OAT 4,75% 25 avril 2035	15 614 000 000			3 295 170 000
FR0010135525 I	OAT1 1,6% 25 juillet 2015	10 950 717 960 (1)	1,05417	(10 388 000 000)			Échéance 2038	7 258 000 000			
FR0010216481	OAT 3% 25 octobre 2015	17 450 000 000			81 260 000	FR0010371401	OAT 4% 25 octobre 2038	7 258 000 000			709 300 000
							Échéance 2040	4 038 720 000			
						FR0010447367 I	OAT1 1,8% 25 juillet 2040	4 038 720 000 (1)	1,00968	(4 000 000 000)	
							Échéance 2055	12 878 000 000			
						FR0010171975	OAT 4% 25 avril 2055	12 878 000 000			1 664 950 000

- (1) Encours OAT indexées = valeur nominale x coefficient d'indexation / indexed bonds outstanding = face value x indexation coefficient
 (2) y compris intérêts capitalisés au 31/12/2006 / including coupons capitalized at 12/31/2006 ; non offerte à la souscription / not open to subscription
 (3) valeur actualisée au 31/03/2007 / actualized value at 03/31/2007 ; non offerte à la souscription / not open to subscription

OAT1 : OAT indexée sur l'indice français des prix à la consommation (hors tabac) / OAT indexed on the French consumer price index (excluding tobacco)
 OAT1e : OAT indexée sur l'indice des prix à la consommation harmonisé de la zone euro (hors tabac) / OAT indexed on the eurozone harmonized index of consumer price (excluding tobacco)
 TEC 10 : taux de l'échéance constante à 10 ans / yield of 10-year constant maturity Treasury

Total OAT / total fungible Treasury bonds	628 537 579 362
Encours démembré / stripped outstanding	46 290 940 000
En % des lignes démembrables	9,40 %
As a % of strippable bonds	
Durée de vie moyenne	9 ans et 294 jours
Average maturity	9 years and 294 days

BTAN au 31 mai 2007

Treasury notes at May 31, 2007

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale / face value
Echéance 2007		14 626 000 000		
FR0104446556	BTAN 4,75% 12 juillet 2007	14 626 000 000		
Echéance 2008		65 558 000 000		
FR0105427795	BTAN 3,5% 12 janvier 2008	20 935 000 000		
FR0108197569	BTAN 2,75% 12 mars 2008	12 870 000 000		
FR0105760112	BTAN 3% 12 juillet 2008	19 914 000 000		
FR0109136137	BTAN 3,5% 12 septembre 2008	11 839 000 000		
Echéance 2009		40 110 000 000		
FR0106589437	BTAN 3,5% 12 janvier 2009	16 305 000 000		
FR0106841887	BTAN 3,5% 12 juillet 2009	17 107 000 000		
FR0110979178	BTAN 4% 12 septembre 2009	6 698 000 000		
Echéance 2010		38 664 717 600		
FR0107369672	BTAN 3% 12 janvier 2010	16 821 000 000		
FR0107674006	BTAN 2,5% 12 juillet 2010	15 141 000 000		
FR01086640551	BTAN <i>€</i> 1,25% 25 juillet 2010	6 702 717 600	(1) 1,03437	(6 480 000 000)
Echéance 2011		31 718 000 000		
FR0108354806	BTAN 3% 12 janvier 2011	17 395 000 000		
FR0108847049	BTAN 3,5% 12 juillet 2011	14 323 000 000		
Echéance 2012		13 721 000 000		
FR0109970386	BTAN 3,75% 12 janvier 2012	13 721 000 000		

Total BTAN / total Treasury notes 204 397 717 600

Durée de vie moyenne des BTAN 2 ans et 52 jours
Average maturity of BTANs 2 years and 52 days

Dette négociable de l'Etat au 31 mai 2007 /

French government negotiable debt at May 31, 2007

Encours total / total outstanding 919 712 296 962

Durée de vie moyenne 7 ans et 77 jours
Average maturity 7 years and 77 days

BTF au 31 mai 2007

Treasury bills at May 31, 2007

En euros

	Echéance / Maturity	Encours / Outstanding
BTF	14 juin 2007	4 299 000 000
BTF	21 juin 2007	3 409 000 000
BTF	28 juin 2007	4 213 000 000
BTF	5 juillet 2007	4 192 000 000
BTF	12 juillet 2007	3 974 000 000
BTF	19 juillet 2007	3 707 000 000
BTF	26 juillet 2007	4 012 000 000
BTF	2 août 2007	4 137 000 000
BTF	9 août 2007	3 952 000 000
BTF	23 août 2007	3 578 000 000
BTF	13 septembre 2007	3 987 000 000
BTF	27 septembre 2007	4 220 000 000
BTF	11 octobre 2007	3 850 000 000
BTF	25 octobre 2007	4 476 000 000
BTF	8 novembre 2007	4 016 000 000
BTF	22 novembre 2007	3 482 000 000
BTF	6 décembre 2007	3 562 000 000
BTF	17 janvier 2008	4 147 000 000
BTF	14 février 2008	3 862 000 000
BTF	13 mars 2008	4 144 000 000
BTF	10 avril 2008	3 989 000 000
BTF	7 mai 2008	3 569 000 000

Total BTF / total Treasury bills 86 777 000 000

Durée de vie moyenne des BTF 132 jours
Average maturity of BTFs 132 days

Réserve de titres de la Caisse de la dette publique au 31 mai 2007 /

Securities held in reserve by Caisse de la dette publique at May 31, 2007

néant / void