

News at Agence France Trésor <i>page 1</i>	Economic news <i>page 2</i>	General debt-related data <i>page 3</i>	Secondary market <i>page 5</i>	Negotiable government debt <i>page 6</i>	The French economy and international comparisons <i>page 8</i>
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Agence France Trésor is tasked with managing the government debt and cash positions under the most secure conditions in the interest of the taxpayer.

News at Agence France Trésor

Recent interest rate developments

Interest rates have been rising in all developed countries since the fourth quarter of 2016, as economic indicators improved, and current and anticipated inflation rebounded, especially in the United States following the presidential elections. The outlook for monetary policies also points to a return to normal, even though it is expected to take much longer in Europe. Nevertheless, interest rates remain at historical lows, given the record levels reached in July 2016, after the British referendum.

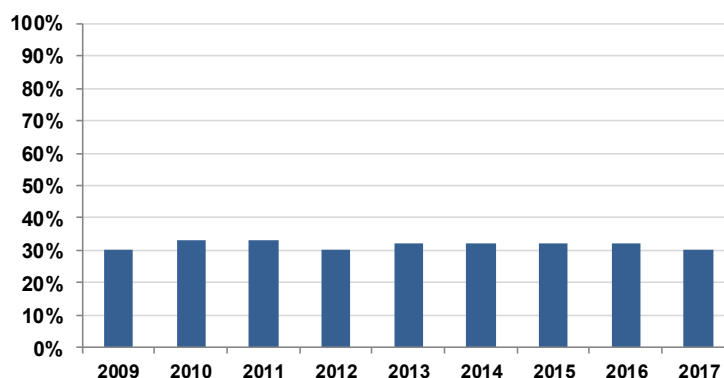
This movement came with a widening of sovereign spreads and greater volatility in the euro area, which affected the countries holding elections in 2017 more particularly, except in the case of Germany. For example, the risk premium that has appeared in France in recent months, as the presidential election approaches, has reached up to 30 or 40 basis points on 10-year yields.

Investors' directional positions on derivatives markets, including some speculative positions, may have exacerbated pressure on rates, as is shown by the analysis of open positions on the OAT Futures contract (see page 2). These directional positions boosted the risk premium and fuelled the volatility of French bonds. These two factors are likely to make some of the traditional investor base for French debt take a more wait-and-see approach. This seems to be the case for Japanese investors, according to the figures for the period from November to January published by Japan's Ministry of Finance, but any effect remains very moderate at this stage in proportion to the flow of bond purchased by Japanese investors in 2016. On the other hand, the relative value of French bonds presents an opportunity to enter the market at very attractive valuations, as is reflected in the flow of domestic purchases since the beginning of the year.

In light of the above, the baseline scenario still calls for a narrowing of the France-Germany spread by 30 to 40 basis points from the level seen at the end of February, once the elections are over.

France continues to carry out regularly its financing programme in an environment of greater volatility than usual. The programme sets a target of €185bn for 2017 and the Government had executed 30.2% of the programme at the end of March. This is in line with the execution rates in previous years at the same date.

Annual financing programme execution rate at the end of March (2009-2017)



Source: Agence France Trésor.

The OAT open interest conundrum

From Eric Oynoyan, senior interest rate strategist, BNP Paribas

The last two OAT rolls have been notable for their record levels of open interest. The December contract open interest peaked at around 400,000 lots, while the March one almost reached 550,000 contracts at one point. These numbers are still markedly below those seen for the German five year and ten year contracts, but should be compared with the open interest for the past ten OAT rolls, which used to peak around 230,000 lots on average.

We think the prolonged rise in the OAT future open interest has fuelled speculation that most of the increase has been due to fast money and, to a lower extent, real money investors initiating shorts, either to position against French debt or to partially hedge structural longs.

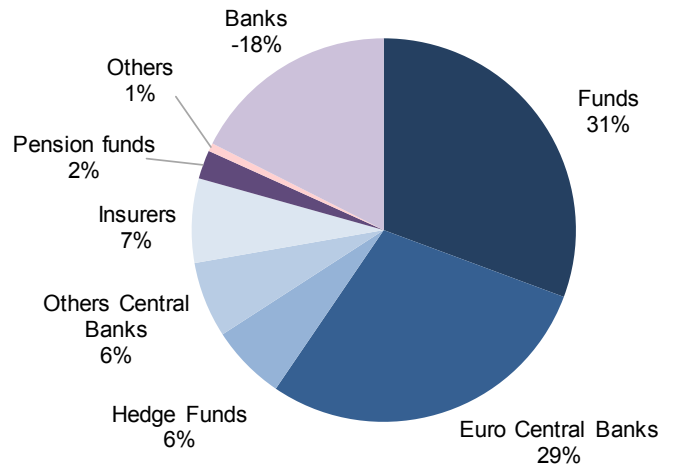
In our view, there is no question that there was an increase in fast money investors using the OAT future short position as a cheap risk-off hedge in Q4 last year, ahead of the US presidential election and the Italian referendum. The high liquidity of the OAT future and the tight 10y OAT/Bund spread until early November (the spread tightened in October while spreads versus Bunds widened as OATs benefited from record buying from Japan) favoured entering this position at that time.

However, in early 2017 our statistics and those of the Japanese Ministry of Finance show that OATs did not suffer from heavy net selling flows; in fact the opposite was true. Funds, insurers and even fast money – in addition to European central banks under the ECB’s asset purchase programme – were actually net buyers of OATs in January and February (see chart). The recent rise in the open interest of the March 17 OAT future could therefore be linked to new long positioning from banks to hedge investor buying flows on cash, rather than new short positioning from fast money. The fact that, in contrast to Q4 2016, the last wave of the 10y OAT/Bund widening came from a decline in the Bund yield rather than a spike in the OAT yield supports this view.

Moreover, the OAT roll dynamics in early March were the opposite of those in early December. In December, the future calendar spread widened during the rolling period; the December 16/March 17 roll spiked by almost fifteen cents a few days before the expiry of the December contract, highlighting the roll of short positions from the December contract to the March contract. In contrast, the March 17/June 17 roll collapsed by almost twenty cents

after an initial widening, reflecting the transfer of major long March 17 positions into the June contract.

Net buyers of OAT in January—February



Sources: BNP Paribas Data—including PSPP.

This tightening pattern during the roll also supports the view that the latest rise in OAT future open interest – around 150,000 lots from mid-January to late-February – is linked to new long future positioning. This could be pure basis trading arbitrage from relative value players: the implied repo rate of the OAT cheapest-to-deliver returned to attractive levels in February, ie the future price was too cheap versus the cheapest-to-deliver, leading relative value investors and repo desks to implement short cash versus OAT future trades. Or, it could reflect market makers entering long OAT futures positions to hedge the new net demand seen on cash over the past weeks. For those who are skeptical about the renewed demand for OATs, the marked flattening of the 10y/15y OAT segment and, to a lower extent, that of the 5y/10y segment versus the Bund curve, also reflect this rising demand for OATs. This rising demand is due both to the spread to Germany – which is at its most attractive level since 2014 - and to the absolute level of yield; at above 1.50% the current 15y OAT yield has become attractive for European insurers who largely preferred credit for most of 2016.

Thus, we think that, in contrast to Q4-2016, the recent rise in the OAT future open interest is mainly due to renewed buying interest of OATs on the cash market.

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 and Finance.

Indicative auction schedule

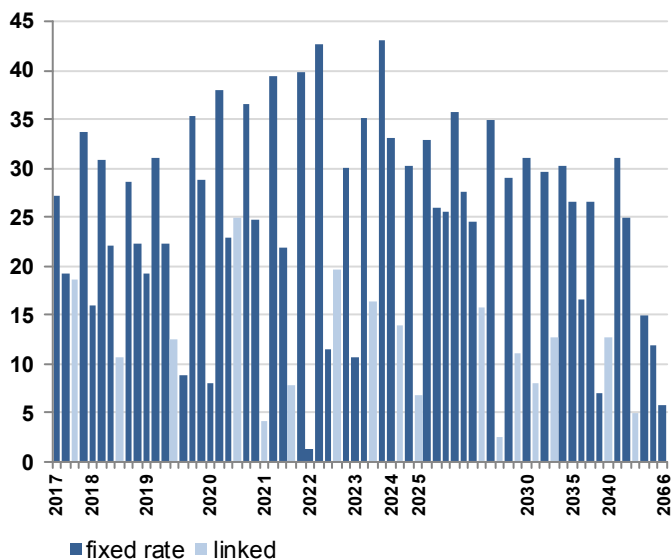
		Short-term					Medium-term	Long-term	Index-linked
April 2017	auction date	3	10	18	24	/	20	6	20
	settlement date	5	12	20	26	/	24	10	24
May 2017	auction date	2	9	15	22	29	18	4	18
	settlement date	4	11	17	24	31	22	8	22

anticipated or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 28 February 2017

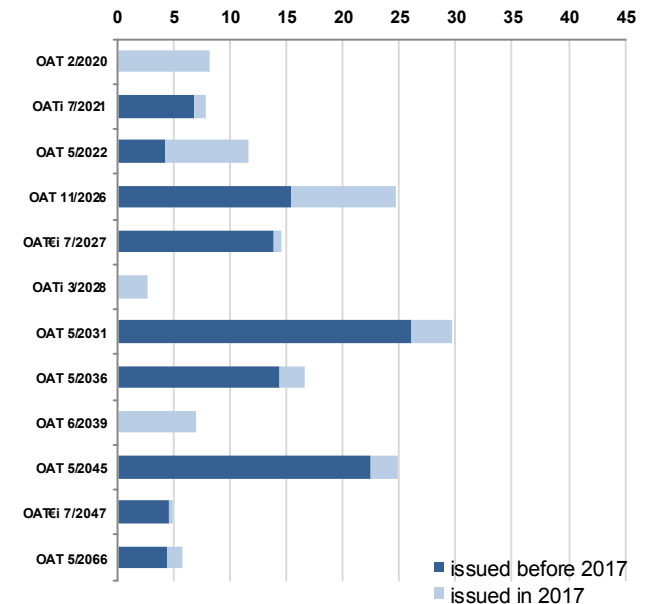
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 28 February 2017

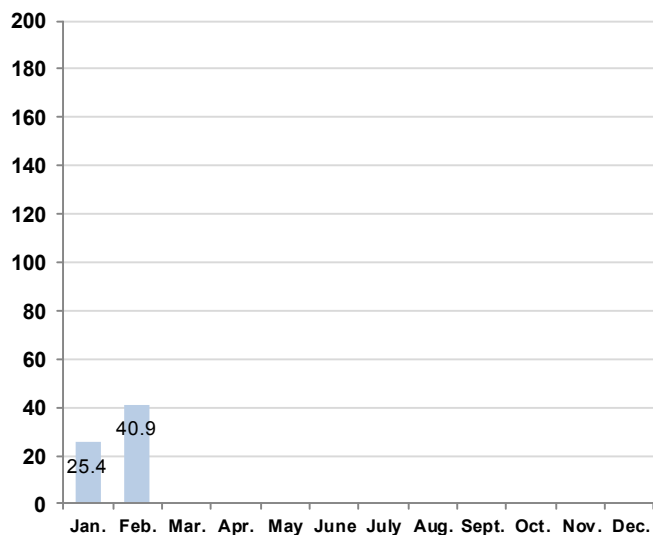
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 28 February 2017

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 28 February 2017

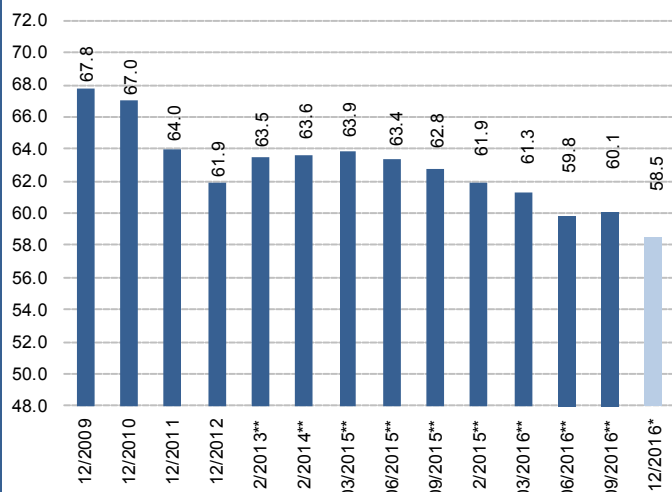
In € billion

Month	Coupon	Redemption
Mar-17	0.0	
Apr-17	15.3	27.1
May-17	4.5	
Jun-17	0.1	
Jul-17	3.1	38.2
Aug-17		
Sep-17		
Oct-17	14.8	33.7
Nov-17	1.3	
Dec-17		
Jan-18		16.0
Feb-18		

Source: Agence France Trésor

Non-resident holders of negotiable government debt in fourth quarter of 2016

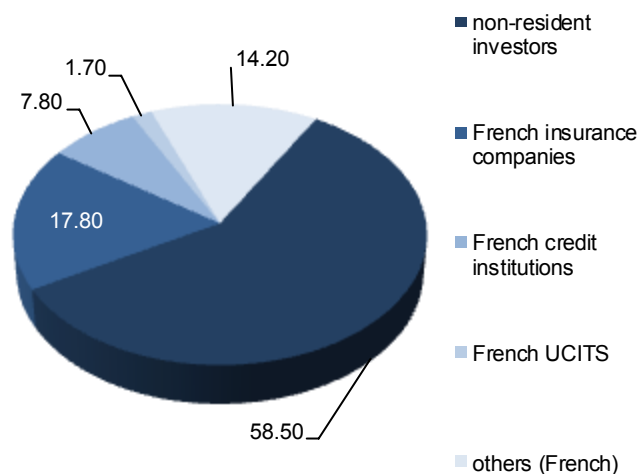
As a % of negotiable debt outstanding expressed in market value



(*) figures revised quarterly
(**) figures revised annually
Source: Banque de France

Negotiable government debt by group of holders in fourth quarter of 2016

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 28 February 2017

In euros

Total medium- and long-term debt	1,512,123,887,213
Total stripping activity	61,849,422,100
Average maturity	8 years and 103 days
Total short-term debt	138,653,000,000
Average maturity	112 days
TOTAL OUTSTANDING	1,650,776,887,213
Average maturity	7 years and 223 days

Source: Agence France Trésor

Negotiable government debt and interest rate swaps at 28 February 2017

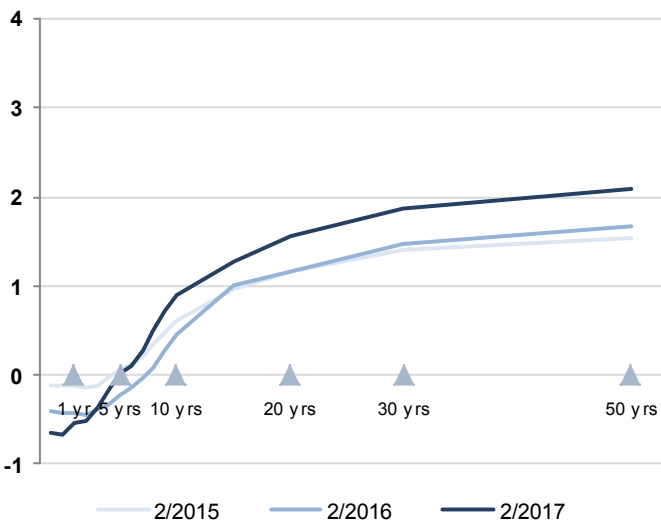
In € billion

	End 2014	End 2015	End 2016	End Jan. 2017	End Feb. 2017
Negotiable government debt outstanding	1,528	1,576	1,621	1,649	1,651
of which index-linked securities	189	190	200	201	204
Medium- and long-term	1,352	1,424	1,487	1,512	1,512
short-term	175	153	134	137	139
Swaps outstanding	6	6	1	1	1
Average maturity of the negotiable debt					
before swaps	6 years 363 days	7 years 47 days	7 years 195 days	7 years 215 days	7 years 223 days
after swaps	6 years 362 days	7 years 47 days	7 years 195 days	7 years 215 days	7 years 223 days

Source: Agence France Trésor

Yield curve for French government securities

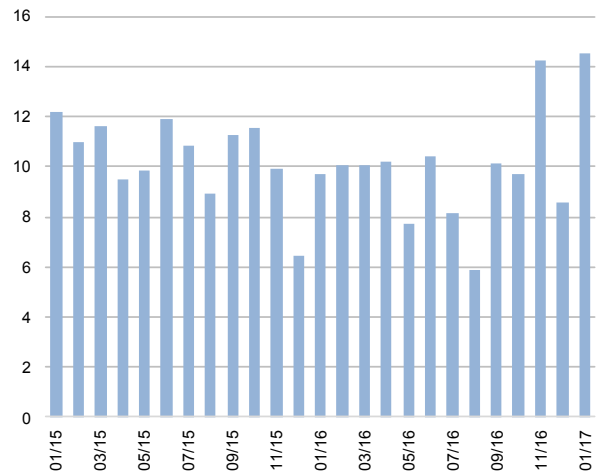
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

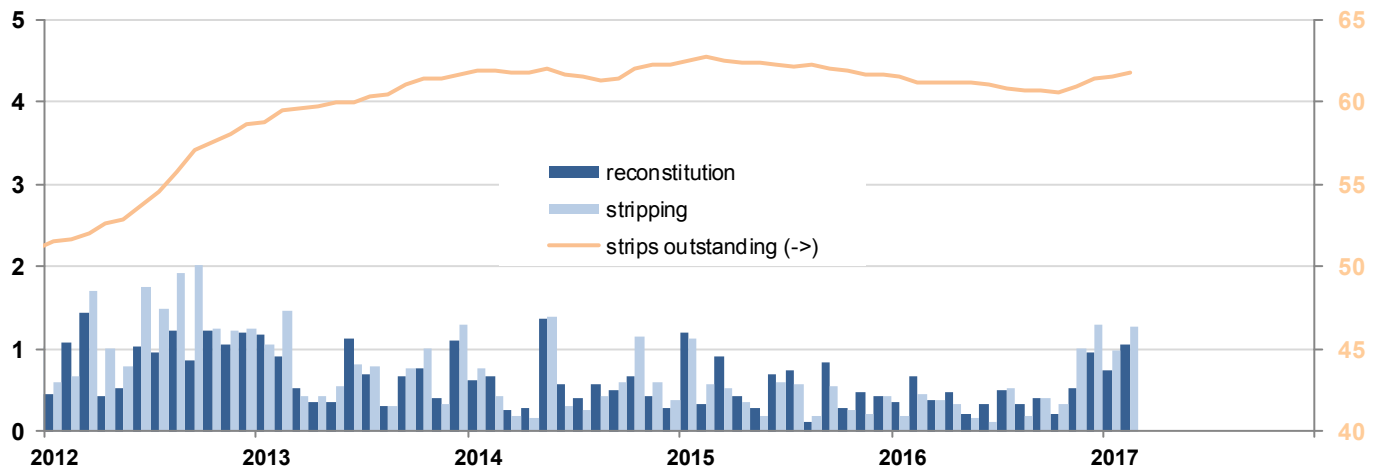
In € billion



Source: reporting by primary dealers in government securities, excluding flows arising from the Eurosystem public sector purchase programme.

Total stripping and reconstitution

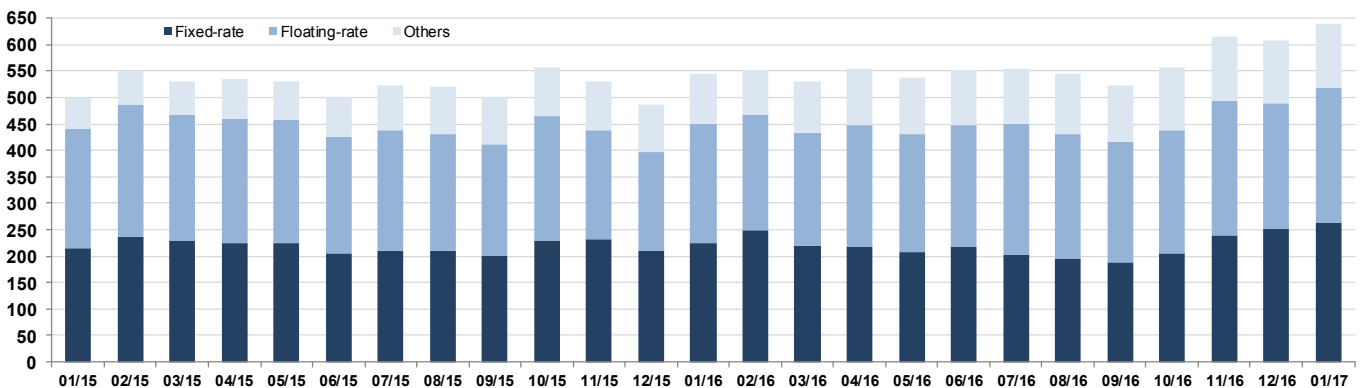
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by primary dealers in government securities

Short-term debt at 28 February 2017

	Maturity	Outstanding (€)
BTF	01 March 2017	6,366,000,000
BTF	08 March 2017	7,387,000,000
BTF	15 March 2017	6,090,000,000
BTF	29 March 2017	6,135,000,000
BTF	05 April 2017	7,180,000,000
BTF	12 April 2017	6,122,000,000
BTF	20 April 2017	8,256,000,000
BTF	26 April 2017	5,030,000,000
BTF	04 May 2017	8,322,000,000
BTF	11 May 2017	5,276,000,000
BTF	17 May 2017	6,829,000,000
BTF	24 May 2017	4,972,000,000
BTF	08 June 2017	5,267,000,000
BTF	21 June 2017	4,571,000,000
BTF	05 July 2017	7,990,000,000
BTF	19 July 2017	3,979,000,000
BTF	02 August 2017	1,593,000,000
BTF	17 August 2017	5,088,000,000
BTF	13 September 2017	5,871,000,000
BTF	11 October 2017	6,152,000,000
BTF	08 November 2017	6,440,000,000
BTF	06 December 2017	8,412,000,000
BTF	31 January 2018	5,325,000,000

Medium- and long-term debt (maturing 2017–2020) at 28 February 2017

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2017	98,859,357,000			
FR0010415331	OAT 3.75% 25 April 2017	27,132,000,000			0
FR0120746609	BTAN 1% 25 July 2017	19,340,000,000			–
FR0010235176	OATi 1% 25 July 2017	18,697,357,000	(1) 1.14050	16,394,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	33,690,000,000			0
	Maturity 2018	130,575,483,340			
FR0012634558	OAT 0% 25 February 2018	15,959,000,000			0
FR0010604983	OAT 4% 25 April 2018	30,787,000,000			0
FR0011394345	OAT 1% 25 May 2018	22,166,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	10,706,483,340	(1) 1.05084	10,188,500,000	0
FR0010670737	OAT 4.25% 25 October 2018	28,692,000,000			0
FR0011523257	OAT 1% 25 November 2018	22,265,000,000			15,000,000
	Maturity 2019	158,428,944,488			
FR0013101466	OAT 0% 25 February 2019	19,313,000,000			0
FR0000189151	OAT 4.25% 25 April 2019	31,128,000,000			0
FR0011708080	OAT 1% 25 May 2019	22,360,000,000			0
FR0010850032	OATi 1.3% 25 July 2019	12,600,424,600	(1) 1.07329	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,304,885,100
FR0010776161	OAT 3.75% 25 October 2019	35,410,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	28,737,000,000			0
FR0000570954	OAT cap. 9.82% 31 December 2019	36,126,995	(2)	6,692,154	–
	Maturity 2020	155,376,230,000			
FR0013232485	OAT 0% 25 February 2020	8,094,000,000			0
FR0010854182	OAT 3.5% 25 April 2020	37,927,000,000			0
FR0012557957	OAT 0% 25 May 2020	22,969,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	25,042,230,000	(1) 1.23300	20,310,000,000	0
FR0010949651	OAT 2.5% 25 October 2020	36,562,000,000			0
FR0012968337	OAT 0.25% 25 November 2020	24,782,000,000			0

(1) face value x indexation coefficient (face value if coefficient < 1)

(2) Including coupons capitalised at 31 December 2016; not open to subscription

Medium- and long-term debt (maturing in 2021 and beyond) at 28 February 2017

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2021	113,149,313,960			
FR0013140035	OAT€i 0.1% 1 March 2021	4,126,003,960 (1)	1.01078	4,082,000,000	0
FR0010192997	OAT 3.75% 25 April 2021	39,352,000,000			0
FR0013157096	OAT 0% 25 May 2021	21,852,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	7,928,310,000 (1)	1.01645	7,800,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
	Maturity 2022	105,199,916,890			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			437,468,400
FR0011196856	OAT 3% 25 April 2022	42,703,000,000			0
FR0013219177	OAT 0% 25 May 2022	11,549,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	19,651,976,900 (1)	1.09610	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	30,052,000,000			0
	Maturity 2023	105,459,920,343			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,388,040,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	16,431,724,440 (1)	1.10562	14,862,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	43,185,000,000			434,585,000
	Maturity 2024	77,348,196,100			
FR0011619436	OAT 2.25% 25 May 2024	33,135,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024	13,978,196,100 (1)	1.02645	13,618,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			46,000,000
	Maturity 2025	91,362,981,678			
FR0012558310	OATi 0.1% 1 March 2025	6,881,053,560 (1)	1.00777	6,828,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	32,870,000,000			0
FR0000571150	OAT 6% 25 October 2025	26,039,928,118			3,002,464,400
FR0012938116	OAT 1% 25 November 2025	25,572,000,000			0
	Maturity 2026	87,938,000,000			
FR0010916924	OAT 3.5% 25 April 2026	35,814,000,000			139,513,000
FR0013131877	OAT 0.5% 25 May 2026	27,522,000,000			0
FR0013200813	OAT 0.25% 25 November 2026	24,602,000,000			0
	Maturity 2027	50,733,591,630			
FR0011008705	OAT€i 1.85% 25 July 2027	15,704,591,630 (1)	1.08017	14,539,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	35,029,000,000			0
	Maturity 2028	2,624,558,207			
FR0013238268	OATi 0.1% 1 March 2028	2,600,742,650 (1)	1.00609	2,585,000,000	0
FR0000571226	OAT zero coupon 28 March 2028	23,815,557 (3)		46,232,603	-
	Maturity 2029	40,100,482,897			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,191,219,100
FR0000186413	OATi 3.4% 25 July 2029	11,008,602,439 (1)	1.26041	8,734,144,000	0
	Maturity 2030	39,156,438,020			
FR0011883966	OAT 2.5% 25 May 2030	31,023,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	8,133,438,020 (1)	1.01326	8,027,000,000	0
	Maturity 2031	29,727,000,000			
FR0012993103	OAT 1.5% 25 May 2031	29,727,000,000			108,000,000
	Maturity 2032	42,977,007,400			
FR0000188799	OAT€i 3.15% 25 July 2032	12,692,684,800 (1)	1.24928	10,160,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	30,284,322,600			11,645,857,400
	Maturity 2033 and later	183,106,465,260			
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			5,064,967,000
FR0013154044	OAT 1.25% 25 May 2036	16,609,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,870,311,400
FR0013234333	OAT 1.75% 25 June 2039	7,000,000,000			0
FR0010447367	OAT€i 1.8% 25 July 2040	12,713,328,780 (1)	1.15723	10,986,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	31,111,000,000			7,288,539,000
FR0011461037	OAT 3.25% 25 May 2045	24,908,000,000			1,155,600,000
FR0013209871	OAT€i 0.1% 25 July 2047	4,892,136,480 (1)	1.00848	4,851,000,000	0
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,395,588,000
FR0010870956	OAT 4% 25 April 2060	11,918,000,000			6,256,384,100
FR0013154028	OAT 1.75% 25 May 2066	5,817,000,000			105,000,000

(1) face value x indexation coefficient (face value if coefficient < 1)
(3) Revised on 28 March 2016; not open to subscription

Most recent economic indicators

Industrial output, year-on-year	0.8%	Jan. 2017
Household consumption*, year-on-year	0.5%	Jan. 2017
Unemployment rate (ILO)	10.0%	Dec. 2016
Consumer prices, year-on-year		
all items	1.2%	Feb. 2017
all items excluding tobacco	1.2%	Feb. 2017
Trade balance, fob-fob, sa (€bn)	-€7.9bn	Jan. 2017
" "	-€3.6bn	Dec. 2016
Current account balance, sa (€bn)	-€7.0bn	Jan. 2017
" "	-€1.2bn	Dec. 2016
10-year constant maturity rate (TEC10)	0.97%	30 Mar. 2017
3-month interest rate (Euribor)	-0.33%	28 Mar. 2017
EUR / USD	1.0737	30 Mar. 2017
EUR / JPY	119.39	30 Mar. 2017

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

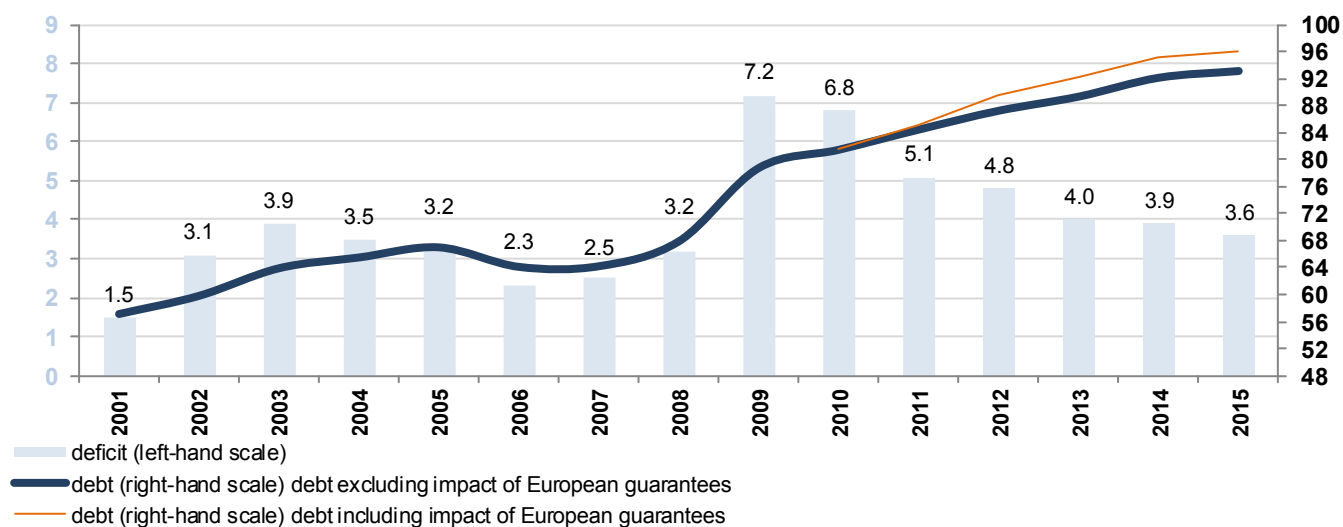
In € billion

	2015	2016	end of January level		
			2015	2016	2017
General budget balance	-72.15	-75.80	-6.33	-5.16	-7.96
revenue	299.66	304.02	24.76	26.40	25.42
expenditure	371.80	379.82	31.09	31.56	33.38
Balance of special Treasury accounts	1.62	6.82	-3.07	-4.00	2.57
General budget outturn	-70.52	-68.98	-9.40	-9.17	-5.40

Source: Minefi

Public finances: deficit and debt

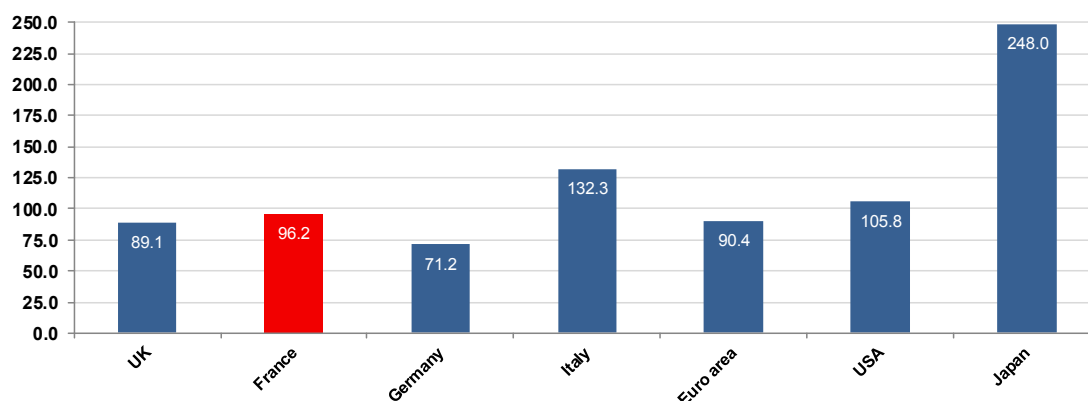
As % of GDP



Source: Eurostat, Insee

General government debt in 2015

As % of GDP



Sources: Eurostat, IMF, Insee

French economic indicators: timetable

April 2017		May 2017	
7	Balance of payments in February	4	Industrial investments: April survey
7	Industrial production: February index	10	Foreign trade by value in March
7	Foreign trade by value in February	10	Balance of payments in March
11	Eurozone economic outlook Q2-2017	10	Industrial production: March index
13	Consumer prices: March index	12	Payroll employment: provisional results Q1-2017
14	Net international reserves in March	15	Net international reserves in April
19	Inflation (HICP): March index	16	Consumer prices: April index
25	Quarterly business survey (goods-producing industries) in April	17	Inflation (HICP): April index
25	Monthly business survey (goods-producing industries) in April	18	Job seekers Q1-2017 (ILO)
26	Consumer confidence survey: April survey	23	Monthly business survey (goods-producing industries) in May
26	Job seekers in March	24	Job seekers in April
28	Quarterly national accounts: initial estimate Q1-2017	30	Housing starts in April
28	Industrial producer and import price: March indices	30	Household consumption expenditure on goods in April
28	Household consumption expenditure on goods in March	30	Consumer confidence survey: May survey
28	Housing starts in March	30	Quarterly national accounts: second estimate Q1-2017
		31	Industrial producer and import price: April indices

Sources: Insee, Eurostat