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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.

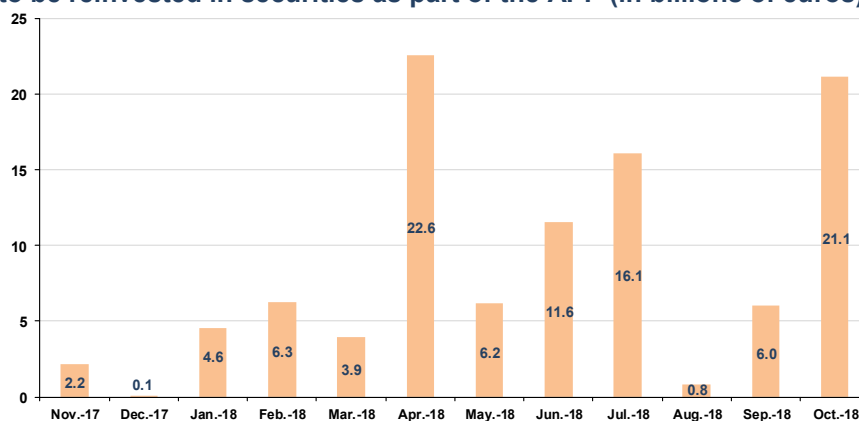
News at Agence France Trésor

The ECB's new policy stance

On 26 October 2017, as part of efforts to factor in the gathering strength of the euro area's economic recovery as well as persistently weak inflation, the European Central Bank issued the following monetary policy decisions: (i) key ECB interest rates will remain at their present levels, well past the horizon of the net asset purchases; (ii) purchases under the asset purchase programme (APP) are intended to continue at a monthly pace of €30 billion until the end of September 2018 (reduced from €60 billion as from 1 January 2018); and (iii) reinvestment of the principal payments from maturing securities purchased under the APP will continue for an extended period of time after the end of its net asset purchases.

In addition to the ECB's growing bond holdings, the ramp-up in reinvestments in government securities held by the Bank as part of its purchase programme will keep average investor interest well above €30 billion in net monthly purchases. According to recent figures issued by the ECB, the value of securities reaching maturity that will be reinvested as part of the PSPP between November 2017 and October 2018 will total €101.5 billion (see below).

Estimated redemptions of public sector bonds held by the ECB to be reinvested in securities as part of the APP (in billions of euros)



Source : BCE.

In all, the ECB's purchase programme, which will keep yields low and exert downward pressure on term premia, will, in the coming quarters, continue to foster a favourable environment in euro area bond markets in general, and in the French sovereign debt market in particular. After the ECB's announcement, ten-year yields remained at a historically low level, reaching 0.73% in mid-November. In such an environment, Agence France Trésor expects to still be able to enjoy extremely favourable borrowing terms in 2018.

As it has done since the ECB launched the APP, AFT will continue to ensure excellent liquidity for its debt across the yield curve by adjusting its issuances to meet investor demand. The flexibility of the AFT's issues – particularly with respect to tapping off-the-run securities – combined with the ECB's adherence to a policy of market neutrality as part of its implementation of the PSPP, has allowed the AFT to maintain a high level of liquidity at every point on the French sovereign debt curve, and will continue to do so.

In the longer term, the AFT's efforts to maintain a wide and diverse investor base despite the crowding-out effect of the ECB's purchase programme, together with the government's programme of reforms and the macro-economic framework underpinning them, leads us to expect continued high demand for French government securities. We also expect to see a gradual substitution effect take shape as the ECB phases out its use of unconventional monetary policy measures.

Green light for green bonds

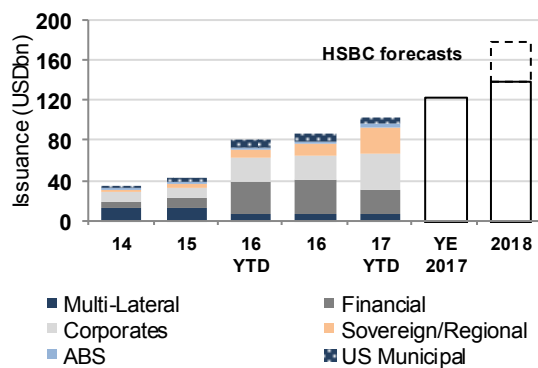
Michael Ridley, Director, Green Bonds and Corporate Credit, Fixed Income Research, HSBC

Green bond issuance appears to be accelerating. USD104.2bn of green bonds had been issued in 2017, as at 7 November, the equivalent of USD125bn for the full year. Green bond supply of USD125bn in 2017 would mark a 40% rise on the USD89.2bn 2016 supply figure.

A lot is going right for the green bond market. Many innovative green bonds are coming to the market from a variety of sectors. Clients are innovating with new funds and new strategies, creating a range of new homes in which green bonds can be placed.

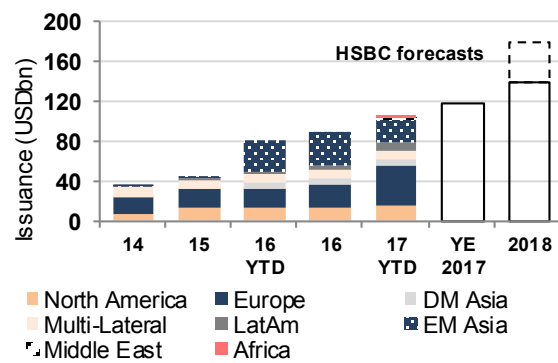
For 2018 we now anticipate between USD140bn and USD180bn supply. This would represent a rise of 12% to 44% versus our expected 2017 number. If we saw USD140bn to USD180bn green bond supply in 2018, this would mean there would be between USD423bn and USD463bn of green bonds outstanding at the end of 2018.

Annual green bond issuance, by issuer type



Source: HSBC calculations, Dealogic, Bloomberg

Annual green bond issuance, by region



Source: HSBC calculations, Dealogic, Bloomberg

Four sectors are responsible for the majority of green bond supply: corporates, financials, sovereigns and sub-sovereigns, and multi-laterals: these sectors make up the following percent of all green bonds outstanding: corporates 30%, financials 25%, sovereigns and sub-sovereigns 21% and multi-laterals 13%.

If countries undertake the level of emission reduction required to see only a two degree celsius temperature rise, a great deal of capital (in the form of equity, loans and bonds) needs to be put to work: around USD100trn may be spent over 15 years to build infrastructure systems to achieve the Paris climate change agreement.¹

So if countries (and sub-sovereigns) fund emission reduction commitments made in Paris via the bond markets, green bond supply could certainly rise. And we see some positive signs. Poland and France issued the first two sovereign green bonds, and Fiji followed very recently.² And there has been an increase in sub-sovereign green bond supply from provinces, regions and cities looking to fund local initiatives.

French President Macron will be hosting a summit on 12 December to mark the two-year anniversary of the Paris climate agreement. This may include initiatives to boost sustainable finance and grow the green bond market.³

Nevertheless, until we see clearer signs of a link-up between the intended nationally determined contributions (INDCs) set out in Paris in 2015 and the green bond market, we only predict steady and stable rather than exponential green bond growth.

¹WGES 2017; huge spending required to meet climate change targets', Thomson Reuters, 24 October 2017.

²Fiji issues first developing country green bond, raising USD50m for climate resilience', The World Bank, 17 Oct 2017.

³Macron plans December climate summit', politico.eu, 8 July 2017.

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

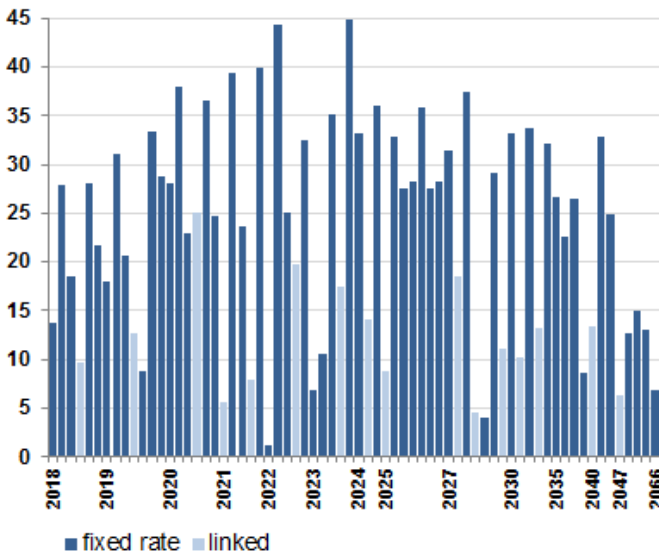
		Short-term					Medium-term	Long-term	Index-linked
December 2017	auction date	4	11	18	27	/	7	7	7
	settlement date	6	13	20	28	/	11	11	11
January 2018	auction date	2	8	15	22	29	18	4	18
	settlement date	4	10	17	24	31	22	8	22

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

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 31 October 2017

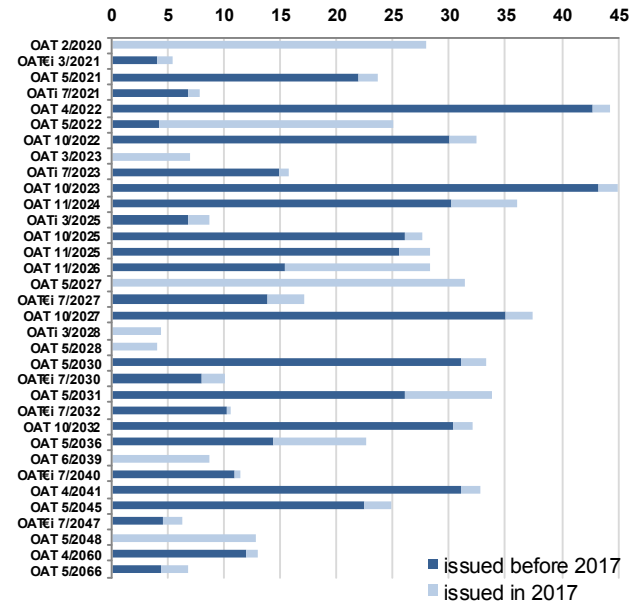
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 31 October 2017

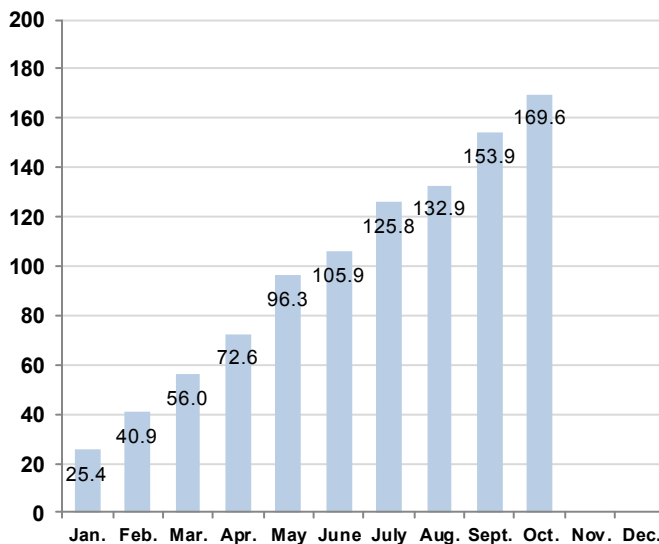
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 31 October 2017

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 31 October 2017

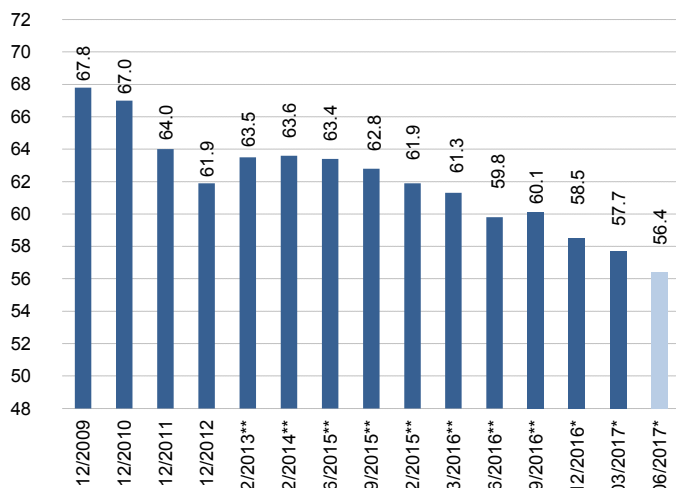
In € billion

Month	Coupon	Redemption
Nov-17	1.4	
Dec-17		
Jan-18		
Feb-18		13.7
Mar-18	0.0	
Apr-18	14.3	28.0
May-18	5.2	18.6
Jun-18	0.2	
Jul-18	2.9	9.9
Aug-18		
Sep-18		
Oct-18	13.6	28.1

Source: Agence France Trésor

Non-resident holders of negotiable government debt in second quarter of 2017

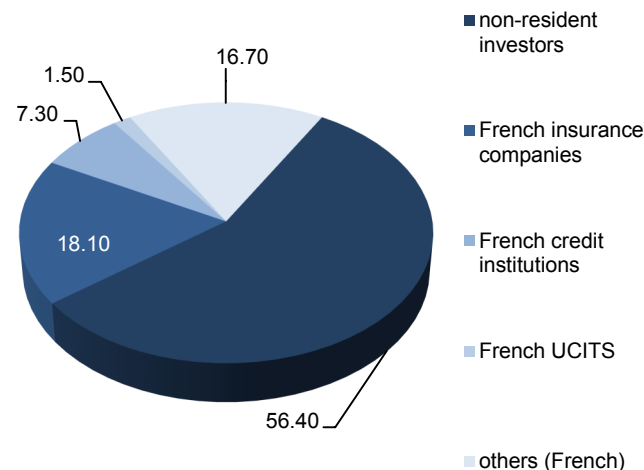
As a % of negotiable debt outstanding expressed in market value



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

Negotiable government debt by group of holders in second quarter of 2017

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 31 October 2017

In euros

Total medium- and long-term debt	1,543,497,347,996
Total stripping activity	62,274,054,700
Average maturity	8 years and 185 days
Total short-term debt	136,699,000,000
Average maturity	102 days
TOTAL OUTSTANDING	1,680,196,347,996
Average maturity	7 years and 305 days

Source: Agence France Trésor

Negotiable government debt and interest rate swaps at 31 October 2017

In € billion

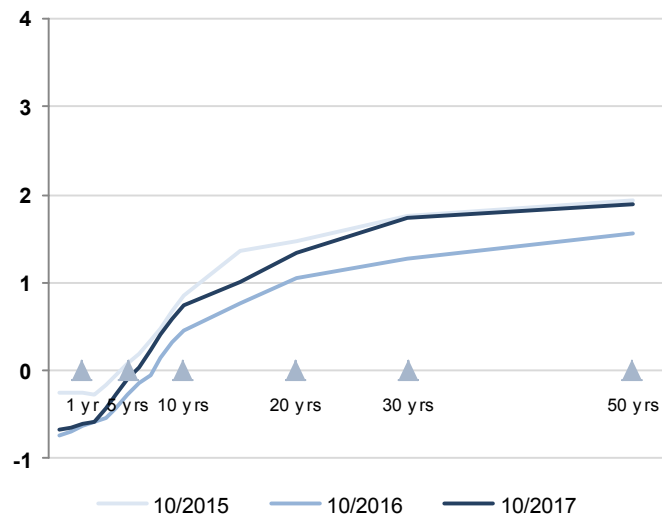
	End 2014	End 2015	End 2016	End Sept. 2017	End Oct. 2017
Negotiable government debt outstanding	1,528	1,576	1,621	1,704	1,680
of which index-linked securities	189	190	200	196	199
Medium- and long-term	1,352	1,424	1,487	1,560	1,543
short-term	175	153	134	144	137
Swaps outstanding	6	6	1	1	1
Average maturity of the negotiable debt					
before swaps	6 years 363 days	7 years 47 days	7 years 195 days	7 years 257 days	7 years 305 days
after swaps	6 years 362 days	7 years 47 days	7 years 195 days	7 years 257 days	7 years 305 days

Source: Agence France Trésor



Yield curve for French government securities

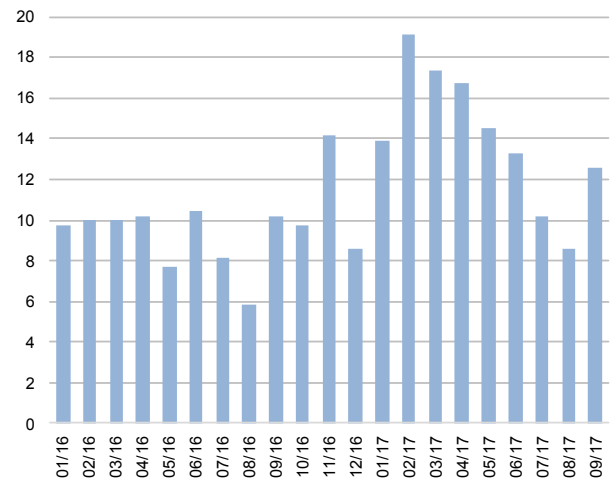
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

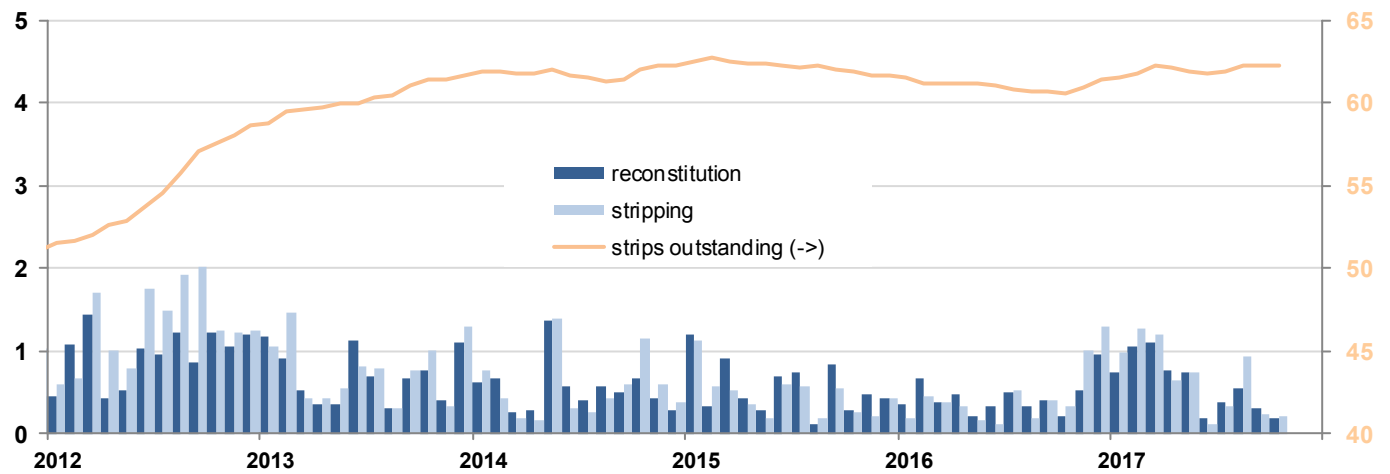
In € billion



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

Total stripping and reconstitution

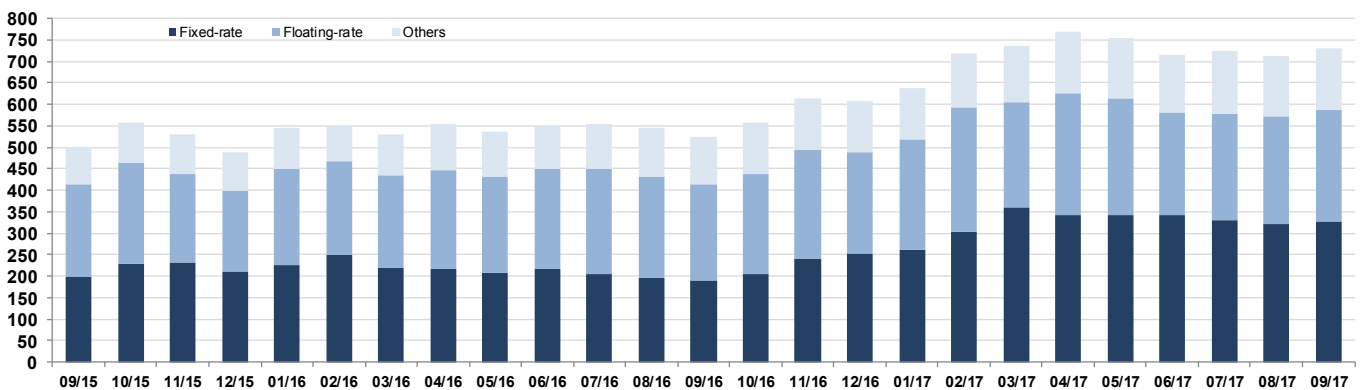
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by primary dealers in government securities

Short-term debt at 31 October 2017

	Maturity	Outstanding (€)
BTF	01 November 2017	6,960,000,000
BTF	08 November 2017	6,440,000,000
BTF	15 November 2017	6,446,000,000
BTF	22 November 2017	6,091,000,000
BTF	29 November 2017	6,316,000,000
BTF	06 December 2017	8,412,000,000
BTF	13 December 2017	5,886,000,000
BTF	20 December 2017	6,139,000,000
BTF	28 December 2017	5,585,000,000
BTF	10 January 2018	6,341,000,000
BTF	17 January 2018	5,974,000,000
BTF	24 January 2018	3,095,000,000
BTF	31 January 2018	7,467,000,000
BTF	14 February 2018	6,309,000,000
BTF	28 February 2018	7,133,000,000
BTF	14 March 2018	5,841,000,000
BTF	28 March 2018	6,272,000,000
BTF	25 April 2018	5,795,000,000
BTF	24 May 2018	6,928,000,000
BTF	20 June 2018	5,497,000,000
BTF	18 July 2018	3,632,000,000
BTF	15 August 2018	4,089,000,000
BTF	12 September 2018	1,947,000,000
BTF	10 October 2018	2,104,000,000

Medium- and long-term debt (maturing 2017-2021) at 31 October 2017

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2017	0			
	Maturity 2018	119,734,996,280			
FR0012634558	OAT 0% 25 February 2018	13,734,000,000			0
FR0010604983	OAT 4% 25 April 2018	27,957,000,000			0
FR0011394345	OAT 1% 25 May 2018	18,591,000,000			0
FR0011237643	OAT <i>€i</i> 0.25% 25 July 2018	9,725,996,280 (1)	1.05448	9,223,500,000	0
FR0010670737	OAT 4.25% 25 October 2018	28,072,000,000			0
FR0011523257	OAT 1% 25 November 2018	21,655,000,000			20,000,000
	Maturity 2019	153,254,556,288			
FR0013101466	OAT 0% 25 February 2019	17,923,000,000			0
FR0000189151	OAT 4.25% 25 April 2019	31,028,000,000			0
FR0011708080	OAT 1% 25 May 2019	20,660,000,000			0
FR0010850032	OAT <i>i</i> 1.3% 25 July 2019	12,701,036,400 (1)	1.08186	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,475,585,100
FR0010776161	OAT 3.75% 25 October 2019	33,325,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	28,737,000,000			5,000,000
FR0000570954	OAT cap. 9.82% 31 December 2019	36,126,995 (2)		6,692,154	-
	Maturity 2020	175,378,156,800			
FR0013232485	OAT 0% 25 February 2020	28,009,000,000			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>€i</i> 2.25% 25 July 2020	25,129,156,800 (1)	1.23728	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
	Maturity 2021	116,427,619,980			
FR0013140035	OAT <i>€i</i> 0.1% 1 March 2021	5,540,051,980 (1)	1.01429	5,462,000,000	0
FR0010192997	OAT 3.75% 25 April 2021	39,352,000,000			0
FR0013157096	OAT 0% 25 May 2021	23,653,000,000			0
FR0011347046	OAT <i>i</i> 0.1% 25 July 2021	7,991,568,000 (1)	1.02456	7,800,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			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 2022 and beyond) at 31 October 2017

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2022	122,873,226,380			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			357,708,400
FR0011196856	OAT 3% 25 April 2022	44,359,000,000			0
FR0013219177	OAT 0% 25 May 2022	25,105,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	19,720,286,390 (1)	1.09991	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	32,445,000,000			0
	Maturity 2023	115,160,488,653			
FR0013283686	OAT 0% 25 March 2023	6,908,000,000			0
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,369,565,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	17,491,292,750 (1)	1.11445	15,695,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			420,585,000
	Maturity 2024	83,187,676,180			
FR0011619436	OAT 2.25% 25 May 2024	33,135,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024	14,026,676,180 (1)	1.03001	13,618,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	36,026,000,000			46,000,000
	Maturity 2025	97,557,533,818			
FR0012558310	OATi 0.1% 1 March 2025	8,771,605,700 (1)	1.01582	8,635,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	32,870,000,000			0
FR0000571150	OAT 6% 25 October 2025	27,608,928,118			2,887,664,400
FR0012938116	OAT 1% 25 November 2025	28,307,000,000			0
	Maturity 2026	91,560,000,000			
FR0010916924	OAT 3.5% 25 April 2026	35,814,000,000			0
FR0013131877	OAT 0.5% 25 May 2026	27,522,000,000			0
FR0013200813	OAT 0.25% 25 November 2026	28,224,000,000			0
	Maturity 2027	87,455,206,880			
FR0013250560	OAT 1% 25 May 2027	31,451,000,000			0
FR0011008705	OAT€i 1.85% 25 July 2027	18,550,206,880 (1)	1.08392	17,114,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			42,043,600
	Maturity 2028	8,547,158,440			
FR0013238268	OATi 0.1% 1 March 2028	4,523,989,320 (1)	1.01412	4,461,000,000	0
FR0000571226	OAT zero coupon 28 March 2028	25,169,120 (3)		46,232,603	-
FR0013286192	OAT 0.75% 25 May 2028	3,998,000,000			0
	Maturity 2029	40,188,435,727			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,189,946,100
FR0000186413	OATi 3.4% 25 July 2029	11,096,555,269 (1)	1.27048	8,734,144,000	0
	Maturity 2030	43,494,763,260			
FR0011883966	OAT 2.5% 25 May 2030	33,208,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	10,286,763,260 (1)	1.01678	10,117,000,000	0
	Maturity 2031	33,749,000,000			
FR0012993103	OAT 1.5% 25 May 2031	33,749,000,000			97,000,000
	Maturity 2032	45,431,890,300			
FR0000188799	OAT€i 3.15% 25 July 2032	13,269,567,700 (1)	1.25362	10,585,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,385,657,400
	Maturity 2033 and later	209,496,639,010			
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,950,937,000
FR0013154044	OAT 1.25% 25 May 2036	22,657,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,842,731,400
FR0013234333	OAT 1.75% 25 June 2039	8,632,000,000			0
FR0010447367	OAT€i 1.8% 25 July 2040	13,323,021,250 (1)	1.16125	11,473,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	32,780,000,000			7,299,039,000
FR0011461037	OAT 3.25% 25 May 2045	24,908,000,000			1,174,100,000
FR0013209871	OAT€i 0.1% 25 July 2047	6,387,617,760 (1)	1.01198	6,312,000,000	0
FR0013257524	OAT 2% 25 May 2048	12,771,000,000			190,500,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,634,988,000
FR0010870956	OAT 4% 25 April 2060	13,055,000,000			6,699,904,100
FR0013154028	OAT 1.75% 25 May 2066	6,845,000,000			185,100,000

(1) face value x indexation coefficient (face value if coefficient < 1)
(3) Revised on 28 March 2017; not open to subscription



Most recent economic indicators

Industrial output, year-on-year	0.6%	Sep. 2017
Household consumption*, year-on-year	1.9%	Sep. 2017
Unemployment rate (ILO)	9.7%	Q3-2017
Consumer prices, year-on-year		
all items	1.1%	Oct. 2017
all items excluding tobacco	1.0%	Oct. 2017
Trade balance, fob-fob, sa (€bn)	-€4.7bn	Sep. 2017
" "	-€4.2bn	Aug. 2017
Current account balance, sa (€bn)	-€3.1bn	Sep. 2017
" "	-€1.5bn	Aug. 2017
10-year constant maturity rate (TEC10)	0.58%	27 Nov. 2017
3-month interest rate (Euribor)	-0.33%	27 Nov. 2017
EUR / USD	1.20	27 Nov. 2017
EUR / JPY	132.69	27 Nov. 2017

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

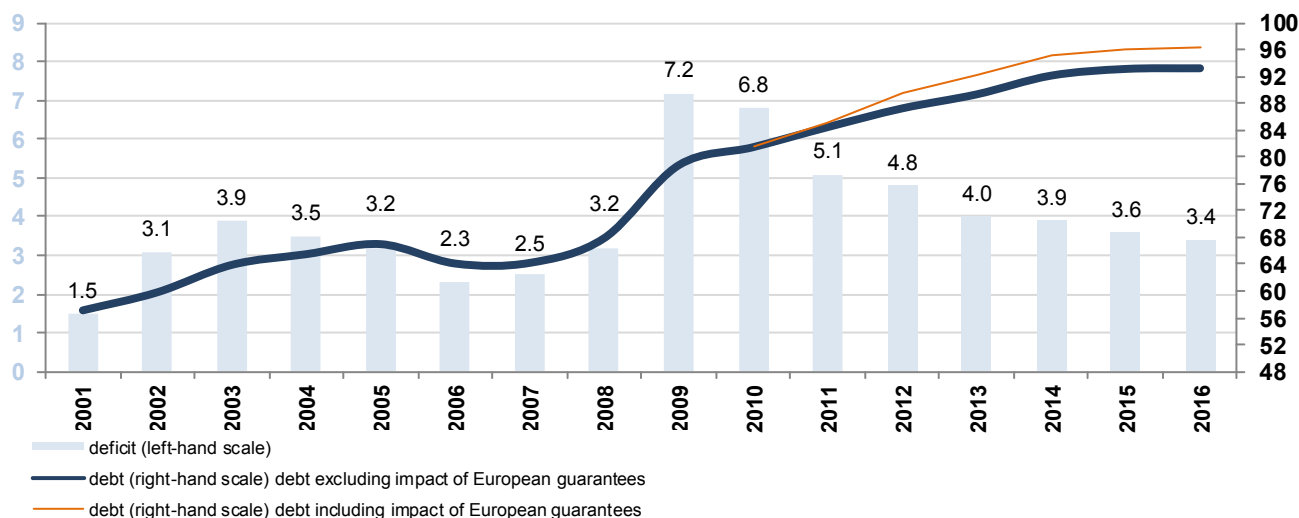
In € billion

	2015	2016	end of September level		
			2015	2016	2017
General budget balance	-72.15	-75.85	-60.77	-59.84	-49.64
revenue	299.66	303.97	189.17	192.66	238.28
expenditure	371.81	379.82	249.95	252.50	287.92
Balance of special Treasury accounts	1.62	6.80	-28.88	-36.21	-26.62
General budget outturn	-70.53	-69.06	-89.65	-96.05	-76.26

Source: Minefi

Public finances: deficit and debt

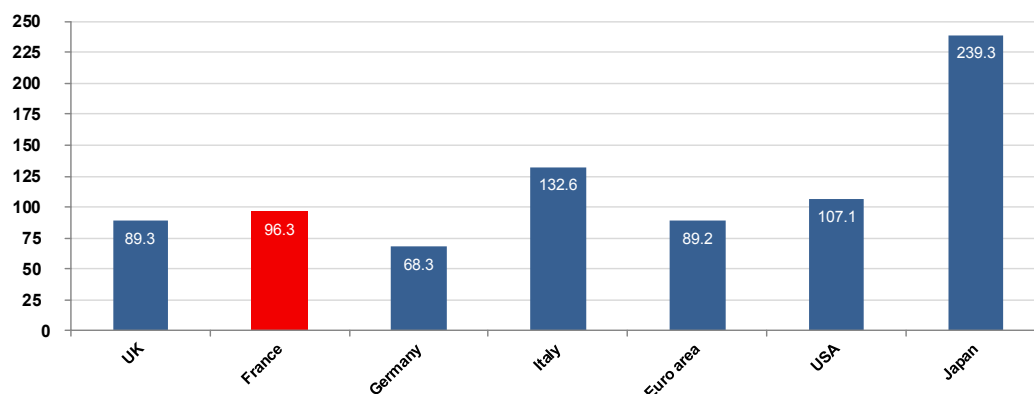
As % of GDP



Source: Eurostat, Insee

General government debt in 2016

As % of GDP



Sources: Eurostat, IMF, Insee

French economic indicators: timetable

December 2017		January 2018
Balance of payments in October	5	Consumer confidence survey: December survey
Foreign trade by value in October	9	Balance of payments in November
Industrial production: October index	9	Foreign trade by value in November
Consumer prices: November index	10	Industrial production: November index
Net international reserves in November	11	Consumer prices: December index
Inflation (HICP): November index	15	Net international reserves in December
Monthly business survey (goods-producing industries) in December	17	Inflation (HICP): December index
Industrial producer and import price: November indices	24	Monthly business survey (goods-producing industries) in January
Debt of the general government according to Maastricht definition Q3-2017	24	Quarterly business survey (goods-producing industries) in January
Quarterly national accounts: final results Q3-2017	24	Job seekers in December
Household consumption expenditure on goods in November	26	Housing starts in December
Job seekers in November	26	Consumer confidence survey: January survey
Housing starts in November	30	Quarterly national accounts: initial estimate Q4-2017
	30	Household consumption expenditure on goods in December
	31	Industrial producer and import price: December indices

Sources: Insee, Eurostat

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