

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

2017 league table: rankings reflect AFT's well-established relationships with primary dealers

Every year since 1999, Agence France Trésor (AFT) has published a league table of the most active primary dealers in French government securities (SVTs) during the previous year.

The assessment considers all of the primary dealers' tasks. The primary dealers are then ranked in three separate league tables according to three categories of criteria:

- primary market performance counts for 40% of the ranking, based on the primary dealers' shares at auctions of short-term securities (BTFs), medium- and long-term securities (OATs), and securities tracking French inflation (OATis) and European inflation (OAT€i), as well as their participation in buybacks;
- activity on the secondary market counts for 30% of the ranking, based on the volume of primary dealers' trading with end customers and other market makers in all types of government securities, including strips and repo transactions;
- the quality of advice and services provided to AFT counts for 30% of the ranking, based on the quality of primary dealers' contributions to the smooth running of the government securities market, the quality of their advice to AFT, the quality of their analysis of the sovereign debt market and their economic and operations research, along with the closeness and stability of their relationships with AFT.

Based on this assessment, the general ranking of the top ten banks, out of the sixteen primary dealers in 2017, is as follows:

1 BNP Paribas	6 Barclays
2 HSBC	7 Natixis
3 JP Morgan	8 Citigroup
4 Société Générale	9 NatWest Markets
5 Crédit Agricole	10 Morgan Stanley

This year's ranking shows that the French government securities market continues to draw strong interest both from French banks (which remain in the top 10) and from their US and British peers. The top places are therefore virtually unchanged, with the same banks in the top 6 since the 2015 league table, apart from some slight changes in individual rankings from one year to the next, given each bank's performance in the three categories.

BNP Paribas leads the general ranking again in 2017, followed by the banks that held top ranking in each of the three categories (see the table below). HSBC, the top-ranked bank on the primary market, held onto second place in the general ranking, while JP Morgan, the top primary dealer in terms of secondary market performance, moved up one spot to No. 3 overall, followed by Société Générale, the leading primary dealer (tie) for the quality of advice and services provided to AFT.

The relative stability seen in the 2017 league table illustrates primary dealers' determination, year after year, to assist and collaborate with AFT. Furthermore, the diverging category rankings attest to the wide variety of interconnecting skills and strategies that these financial institutions bring to the government securities market. Thanks to this market landscape, AFT can secure the successful placement and good liquidity of French government bonds on the capital markets.

	Primary market		Secondary market		Quality of service
1	HSBC	1	JP Morgan	1(tie)	Société Générale
2	BNP Paribas	2	BNP Paribas	1(tie)	BNP Paribas
3	Société Générale	3	HSBC	3	Crédit Agricole
4	Crédit Agricole	4	Barclays	4	HSBC
5	JP Morgan	5	Société Générale	5(tie)	Natixis
6	Natixis	6	Crédit Agricole	5(tie)	JP Morgan
7	Citigroup	7	Citigroup	7	Barclays
8	NatWest Markets	8	NatWest Markets	8	Morgan Stanley
9	Morgan Stanley	9	Morgan Stanley	9	Goldman Sachs
10	Barclays	10	Nomura	10	NatWest Markets

Not the start of a bear market

Mohit kumar, Global Head of Rates Strategy, Crédit Agricole CIB

Fixed Income market globally has been selling off since beginning of the year, with 10Y US Treasuries (USTs) and 10Y Bunds yields higher by nearly 50bp and 30bp respectively. The move has been driven by a number of factors 1) expected shift in central bank policies 2) beginning of year portfolio flows and the return of supply 3) better economic data.

Even though the sell-off appears aggressive, it is relatively modest versus previous episodes. 10Y USTs moved by nearly 80bp in the month following US presidential elections in 2016 and by nearly 135bp around the taper tantrum. Similarly 10Y Bunds had sold off by nearly 90bp in April-15 which was driven by position squaring rather than macro factors. In all the above cases, the sell-off did not last long and eventually reversed.

Despite the recent sell-off, valuations for both the US and the European markets are not stretched. Our risk premium metric (which compares bond yields versus long term expectations of growth and inflation) suggests that **the fair value range for 10Y USTs is 2.05% to 2.80%** and that **for 10Y Bunds is 25bp to 75bp**.

Currently we have moved to the upper end of the fair value range both in the US and in Germany. While valuations may not be stretched, as rates move to the upper end of the fair value range, the sensitivity of risky assets to the level of rates should increase.

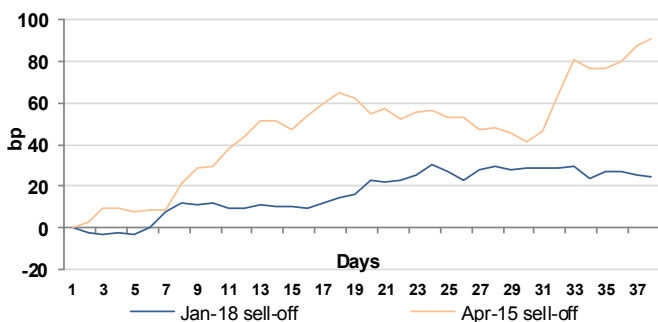
To gauge the sensitivity of risky assets to a move in rates, we can use a risk premium framework. Conventional measures of valuing equities would suggest that equities are over-valued. However, when valued vs rates (equity yield – real bond yield), equity risk premium does not appear in a bubble territory, suggesting that risky assets are supported only as long as rates continue to remain low.

We would argue that risky assets are more sensitive to a shift in central bank policies than rates. Using a simplistic framework for central bank policy impact, we compare the asset price evolution since the start of the easy monetary policy.

On a comparative basis, we find that rates have benefited the least from the easy monetary policies. **Equities, EM and HY have been the largest beneficiaries** of the support from central banks. As the supportive policies are withdrawn, one would expect that the asset price evolution to be in exactly the same order i.e. Equities, EM and HY would be much more vulnerable to a rate sell-off than the sovereign bond market.

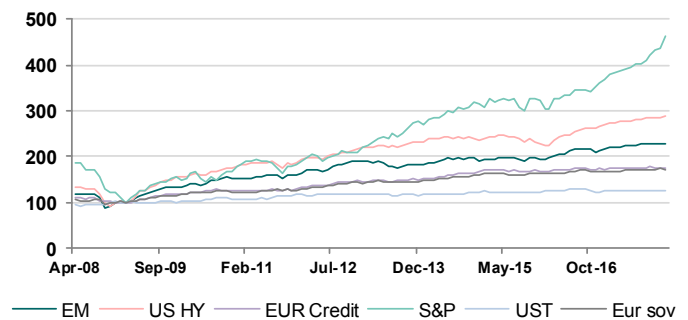
Thus a **rate sell-off from current levels becomes self-defeating**. If rates sell-off further, it would trigger a sell-off in risky assets which would in-turn create a bid for fixed income.

Sell-off in Bunds modest vs April-15



Source: Bloomberg

Sovereign bonds the least beneficiary of easy monetary policies



Source: Bloomberg

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

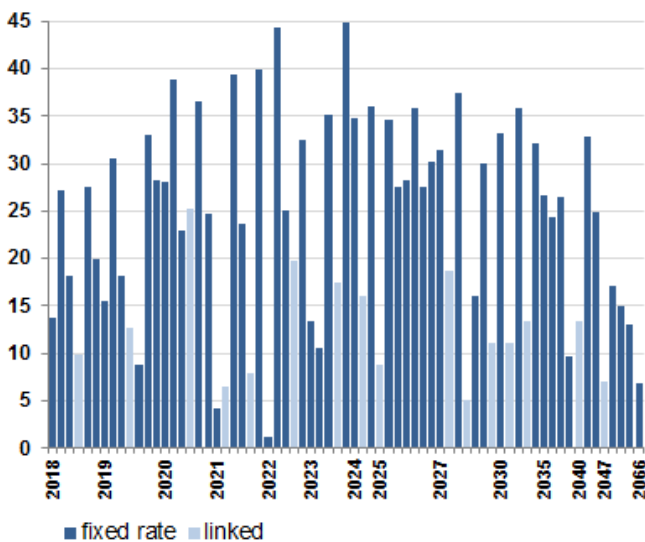
		Short-term					Medium-term	Long-term	Index-linked
March 2018	auction date	5	12	19	26	/	15	1	15
	settlement date	7	14	21	28	/	19	5	19
April 2018	auction date	3	9	16	23	30	19	5	19
	settlement date	5	11	18	25	3 May	23	9	23

anticipated or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 31 January 2018

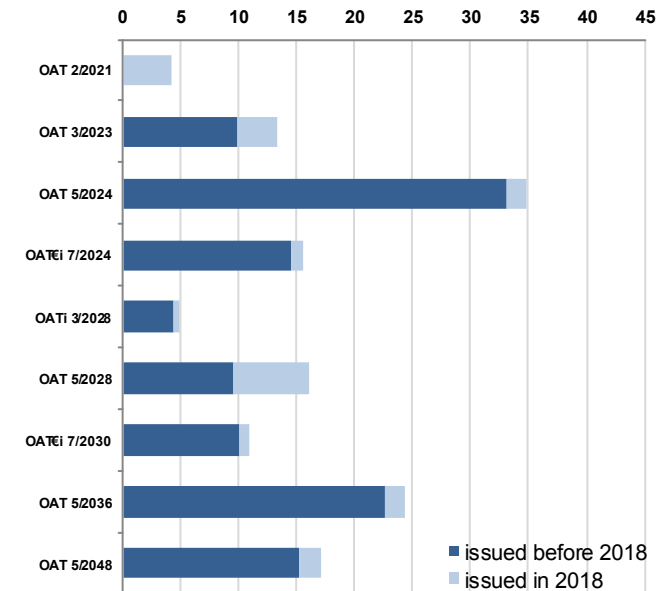
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 31 January 2018

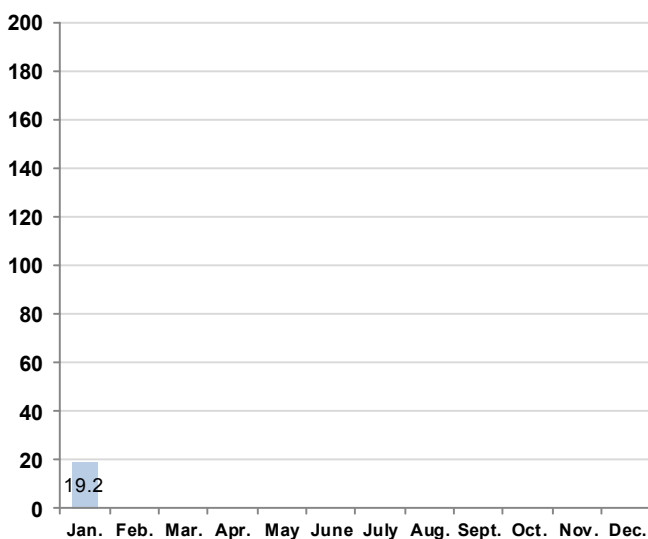
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 31 January 2018

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 31 January 2018

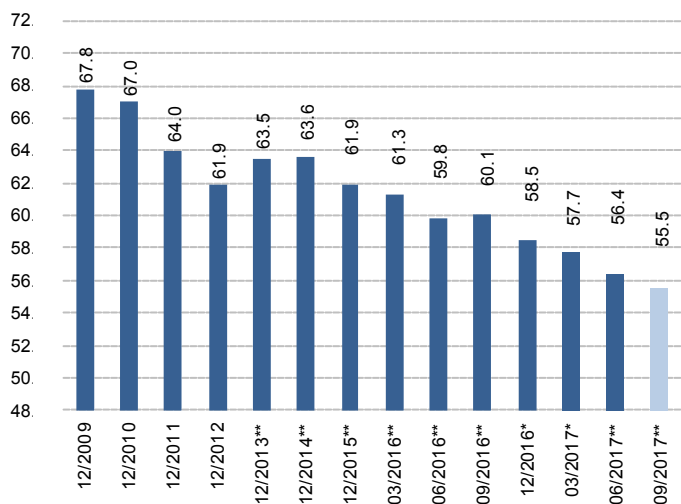
In € billion

Month	Coupon	Redemption
Feb-18		13.7
Mar-18	0.0	
Apr-18	14.3	27.3
May-18	5.5	18.2
Jun-18	0.2	
Jul-18	2.9	9.9
Aug-18		
Sep-18		
Oct-18	13.6	27.5
Nov-18	1.4	19.9
Dec-18		
Jan-19		

Source: Agence France Trésor

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

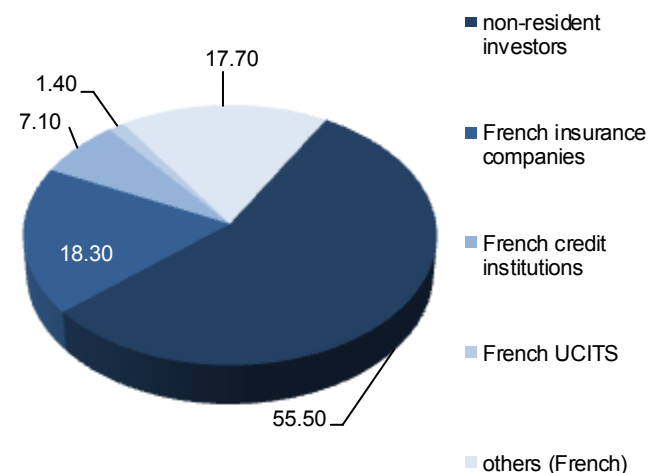
As a % of negotiable debt outstanding expressed in market value



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

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

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 31 January 2018

In euros

Total medium- and long-term debt	1,579,012,057,673
Total stripping activity	62,914,504,700
Average maturity	8 years and 137 days
Total short-term debt	130,967,000,000
Average maturity	104 days
TOTAL OUTSTANDING	1,709,979,057,673
Average maturity	7 years and 275 days

Source: Agence France Trésor

Negotiable government debt since 2014 at 31 January 2018

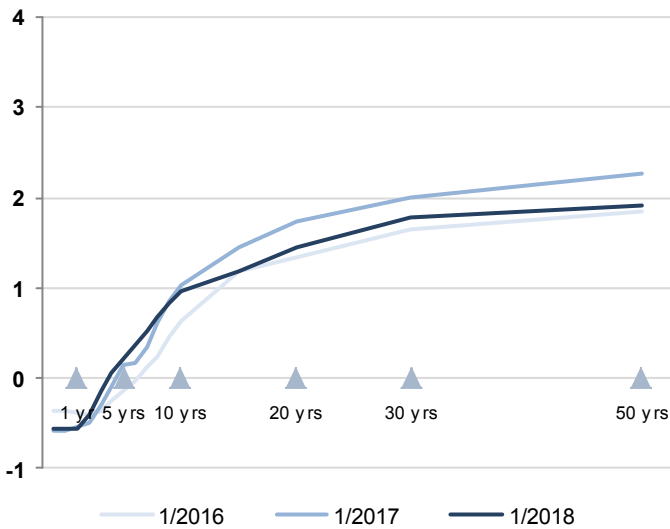
In € billion

	End 2014	End 2015	End 2016	End 2017	End Jan. 2018
Negotiable government debt outstanding	1,528	1,576	1,621	1,686	1,710
<i>of which index-linked securities</i>	189	190	200	202	204
Medium- and long-term	1,352	1,424	1,487	1,560	1,579
short-term	175	153	134	126	131
Average maturity of the negotiable debt					
	6 years	7 years	7 years	7 years	7 years
	363 days	47 days	195 days	296 days	275 days

Source: Agence France Trésor

Yield curve for French government securities

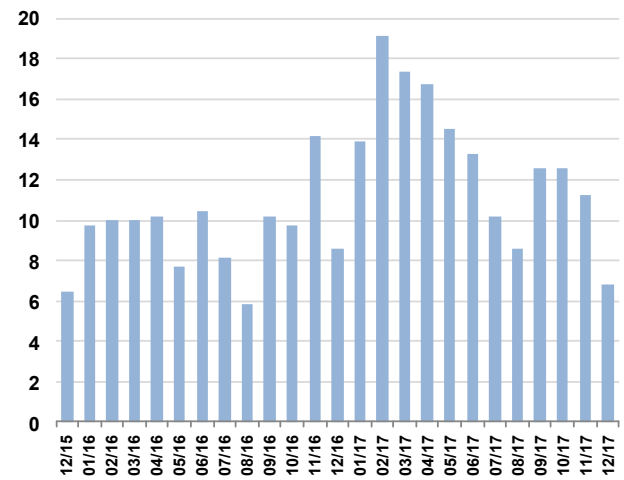
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

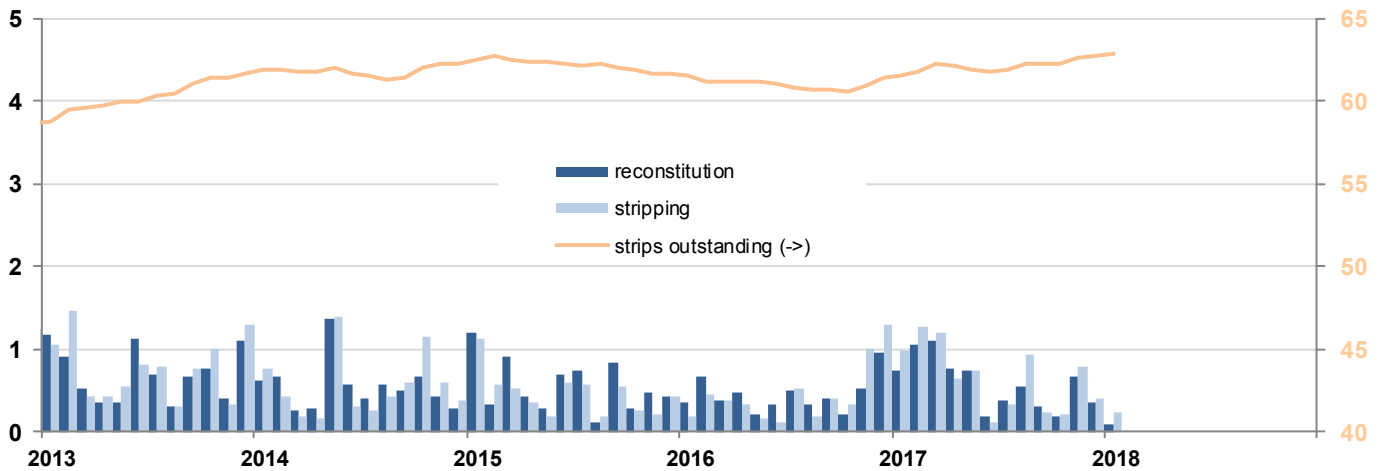
In € billion



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

Total stripping and reconstitution

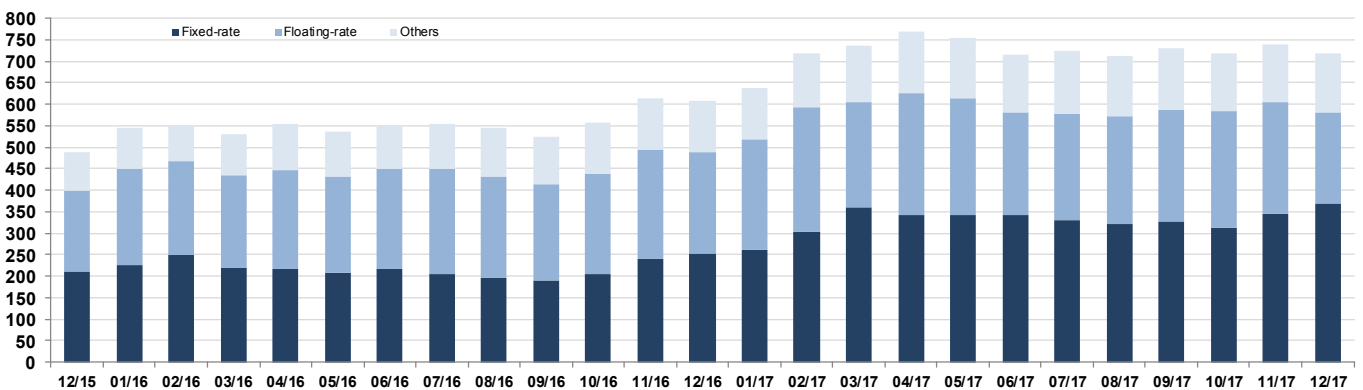
In € billion



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 January 2018

	Maturity	Outstanding (€)
BTF	7 February 2018	6,063,000,000
BTF	14 February 2018	6,945,000,000
BTF	21 February 2018	7,516,000,000
BTF	28 February 2018	7,133,000,000
BTF	7 March 2018	7,442,000,000
BTF	14 March 2018	5,841,000,000
BTF	21 March 2018	3,565,000,000
BTF	28 March 2018	6,272,000,000
BTF	5 April 2018	6,780,000,000
BTF	11 April 2018	5,623,000,000
BTF	18 April 2018	7,180,000,000
BTF	25 April 2018	5,795,000,000
BTF	3 May 2018	2,988,000,000
BTF	9 May 2018	5,682,000,000
BTF	24 May 2018	6,928,000,000
BTF	20 June 2018	9,282,000,000
BTF	4 July 2018	3,251,000,000
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	4,734,000,000
BTF	7 November 2018	4,847,000,000
BTF	5 December 2018	2,175,000,000
BTF	4 January 2019	5,257,000,000

Medium- and long-term debt (maturing 2018-2021) at 31 January 2018

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2018	116,443,104,330			
FR0012634558	OAT 0% 25 February 2018	13,734,000,000			0
FR0010604983	OAT 4% 25 April 2018	27,277,000,000			0
FR0011394345	OAT 1% 25 May 2018	18,191,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	9,784,104,330 (1)	1.06078	9,223,500,000	0
FR0010670737	OAT 4.25% 25 October 2018	27,527,000,000			0
FR0011523257	OAT 1% 25 November 2018	19,930,000,000			20,000,000
	Maturity 2019	147,241,982,359			
FR0013101466	OAT 0% 25 February 2019	15,565,000,000			0
FR0000189151	OAT 4.25% 25 April 2019	30,498,000,000			0
FR0011708080	OAT 1% 25 May 2019	18,180,000,000			0
FR0010850032	OATi 1.3% 25 July 2019	12,702,914,800 (1)	1.08202	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,549,585,100
FR0010776161	OAT 3.75% 25 October 2019	33,075,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	28,337,000,000			5,000,000
FR0000570954	OAT cap. 9.82% 31 December 2019	39,674,666 (2)		6,692,154	-
	Maturity 2020	176,547,247,700			
FR0013232485	OAT 0% 25 February 2020	28,009,000,000			0
FR0010854182	OAT 3.5% 25 April 2020	38,946,000,000			0
FR0012557957	OAT 0% 25 May 2020	22,969,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	25,279,247,700 (1)	1.24467	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	121,638,425,700			
FR0013311016	OAT 0% 25 February 2021	4,197,000,000			0
FR0013140035	OAT€i 0.1% 1 March 2021	6,552,687,700 (1)	1.02035	6,422,000,000	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	OATi 0.1% 25 July 2021	7,992,738,000 (1)	1.02471	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 2017; not open to subscription

Medium- and long-term debt (maturing in 2022 and beyond) at 31 January 2018

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
Maturity 2022		122,991,019,910			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			513,888,400
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	19,838,079,920	(1) 1.10648	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	32,445,000,000			0
Maturity 2023		121,584,999,853			
FR0013283686	OAT 0% 25 March 2023	13,330,000,000			0
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,372,565,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	17,493,803,950	(1) 1.11461	15,695,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			434,585,000
Maturity 2024		86,890,417,980			
FR0011619436	OAT 2.25% 25 May 2024	34,810,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024	16,054,417,980	(1) 1.03617	15,494,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	36,026,000,000			51,000,000
Maturity 2025		99,390,742,718			
FR0012558310	OATi 0.1% 1 March 2025	8,772,814,600	(1) 1.01596	8,635,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	34,702,000,000			0
FR0000571150	OAT 6% 25 October 2025	27,608,928,118			2,848,064,400
FR0012938116	OAT 1% 25 November 2025	28,307,000,000			0
Maturity 2026		93,550,000,000			
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	30,214,000,000			0
Maturity 2027		87,565,934,460			
FR0013250560	OAT 1% 25 May 2027	31,451,000,000			0
FR0011008705	OAT€i 1.85% 25 July 2027	18,660,934,460	(1) 1.09039	17,114,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			84,543,600
Maturity 2028		21,113,876,970			
FR0013238268	OATi 0.1% 1 March 2028	5,025,707,850	(1) 1.01427	4,955,000,000	0
FR0000571226	OAT zero coupon 28 March 2028	25,169,120	(3)	46,232,603	-
FR0013286192	OAT 0.75% 25 May 2028	16,063,000,000			0
Maturity 2029		41,132,007,873			
FR0000571218	OAT 5.5% 25 April 2029	30,033,880,458			3,181,946,100
FR0000186413	OATi 3.4% 25 July 2029	11,098,127,415	(1) 1.27066	8,734,144,000	0
Maturity 2030		44,329,448,050			
FR0011883966	OAT 2.5% 25 May 2030	33,208,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	11,121,448,050	(1) 1.02285	10,873,000,000	0
Maturity 2031		35,834,000,000			
FR0012993103	OAT 1.5% 25 May 2031	35,834,000,000			93,000,000
Maturity 2032		45,511,171,950			
FR0000188799	OAT€i 3.15% 25 July 2032	13,348,849,350	(1) 1.26111	10,585,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,340,757,400
Maturity 2033 and later		217,247,677,820			
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,952,437,000
FR0013154044	OAT 1.25% 25 May 2036	24,283,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,826,931,400
FR0013234333	OAT 1.75% 25 June 2039	9,697,000,000			0
FR0010447367	OAT€i 1.8% 25 July 2040	13,402,529,140	(1) 1.16818	11,473,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	32,780,000,000			7,335,999,000
FR0011461037	OAT 3.25% 25 May 2045	24,908,000,000			1,146,710,000
FR0013209871	OAT€i 0.1% 25 July 2047	6,957,148,680	(1) 1.01802	6,834,000,000	0
FR0013257524	OAT 2% 25 May 2048	17,182,000,000			494,000,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,672,488,000
FR0010870956	OAT 4% 25 April 2060	13,055,000,000			6,753,904,100
FR0013154028	OAT 1.75% 25 May 2066	6,845,000,000			237,100,000

(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	4.5%	Dec. 2017
Household consumption*, year-on-year	0.1%	Jan. 2018
Unemployment rate (ILO)	8.9%	Q4-2017
Consumer prices, year-on-year		
all items	1.3%	Jan. 2018
all items excluding tobacco	1.3%	Jan. 2018
Trade balance, fob-fob, sa (€bn)	-€3.5bn	Dec. 2017
" "	-€5.6bn	Nov. 2017
Current account balance, sa (€bn)	-€0.9bn	Dec. 2017
" "	-€3.3bn	Nov. 2017
10-year constant maturity rate (TEC10)	0.90%	27 Feb. 2018
3-month interest rate (Euribor)	-0.33%	23 Feb. 2018
EUR / USD	1.23	27 Feb. 2018
EUR / JPY	131.77	27 Feb. 2018

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

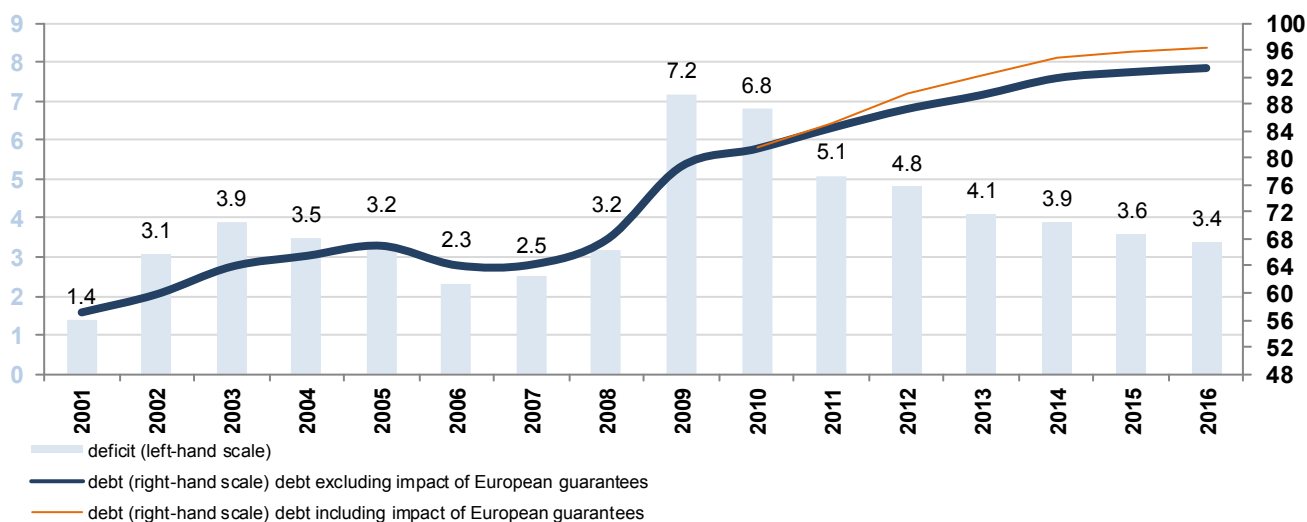
In € billion

			end of December level		
	2015	2016	2015	2016	2017
General budget balance	-72.15	-75.85	-72.15	-75.85	-73.35
revenue	299.66	303.97	299.66	303.97	313.59
expenditure	371.81	379.82	371.81	379.82	386.94
Balance of special Treasury accounts	1.62	6.80	1.62	6.80	5.56
General budget outturn	-70.53	-69.06	-70.53	-69.06	-67.78

Source: Minefi

Public finances: deficit and debt

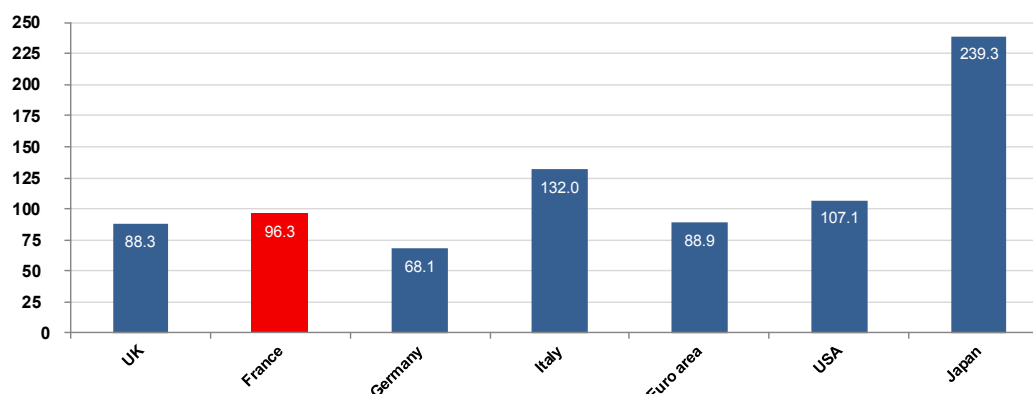
As % of GDP



Source: Eurostat, Insee

General government debt in 2016

As % of GDP



Sources: Eurostat, IMF, Insee

French economic indicators: timetable

March 2018	April 2018
7 Balance of payments in January	6 Foreign trade by value in February
7 Foreign trade by value in January	6 Balance of payments in February
9 Industrial production: January index	10 Industrial production: February index
13 Payroll employment: Q4-2017	12 Consumer prices: March index
15 Consumer prices: February index	13 Net international reserves in March
15 Net international reserves in February	18 Inflation (HICP): March index
16 Inflation (HICP): February index	24 Monthly business survey (goods-producing industries) in April
22 Monthly business survey (goods-producing industries) in March	24 Quarterly business survey (goods-producing industries) in April
26 Quarterly national accounts: final results Q4-2017	25 Consumer confidence survey: April survey
26 Debt of the general government according to Maastricht definition Q4 2017	27 Quarterly national accounts: initial estimate 2018 Q1
28 Consumer confidence survey: March survey	27 Industrial producer and import price: March indices
28 Housing starts in February	27 Household consumption expenditure on goods in March
30 Household consumption expenditure on goods in February	30 Housing starts in March
30 Industrial producer and import price: February indices	
30 Consumer prices: March index	

Sources: Insee, Eurostat

LinkedIn : <https://www.linkedin.com/company/agencefrancetresor/>

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