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MONTHLY BULLETIN

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	Economic news	General debt-related data	Secondary Market	Negotiable government debt	The French economy and international comparisons
page 1	page 2	page 3	page 5	page 6	page 8

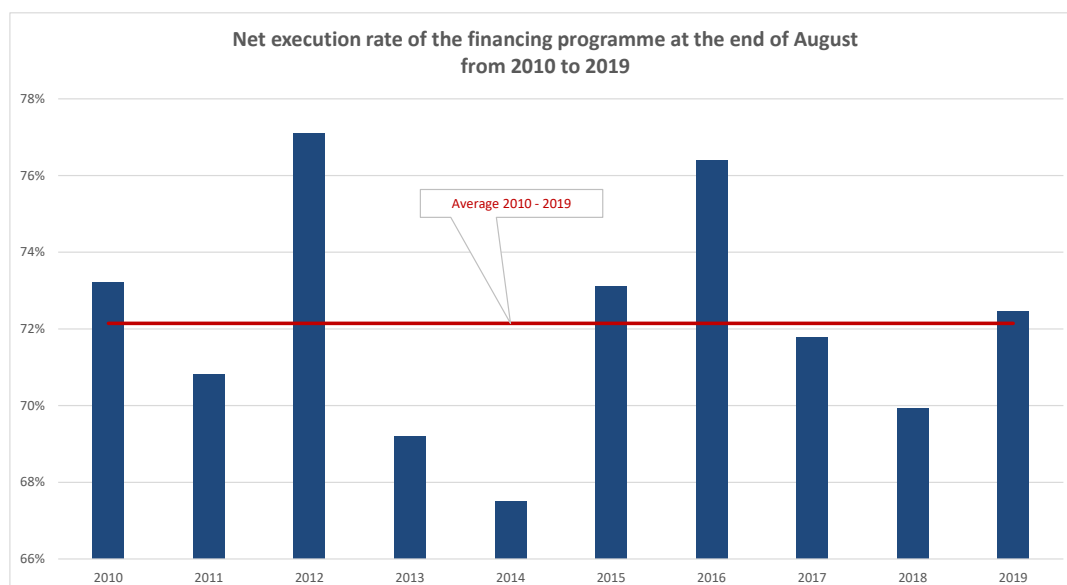
News at Agence France Trésor

EXECUTION OF THE 2019 GOVERNMENT FINANCING PROGRAMME

Highly favourable conditions have prevailed on the French and euro area sovereign debt markets since the beginning of 2019. This context has enabled Agence France Trésor to issue a significantly greater amount of debt compared to the same period in 2018. As of the end of August, AFT raised a gross amount of €175.4bn in medium- and long-term debt on the markets. This is €14.2bn more than at the same date in 2018. However, the 2019 government financing programme is slated to raise €200bn net of buybacks, which is only €5bn more than in 2018.

AFT is able to buy back its own securities in order to give complete flexibility for setting its gross issuance volume to meet the increase in demand from investors since the beginning of 2019 and still comply with the net amount set in the government financing programme. The buybacks result in a proportionate decrease in net issuance. Buybacks of short-dated securities, also enable AFT to even out the government's borrowing requirement over time, thereby evening out issuance amounts. The buybacks are over-the-counter transactions priced according to AFT's assessment of security values. Since the beginning of the year, AFT has bought back €30.5bn¹ of securities maturing in 2020.

The execution rate of AFT's 2019 issuance programme in net terms at the end of August stood at 72.5%, slightly higher than the average for the same date over the last ten years.



The programme has been executed in an environment featuring a steady fall in yields since the beginning of the year. As a result, the average cost of borrowing on OAT issues at the end of August 2019 stood at 0.21%, compared to 0.53% over 2018 as a whole.

¹ At 31 July 2019

By Aditya Bhawe, senior global economist, Bank of America Merrill Lynch - Aug. 28, 2019

The US-China trade war escalated substantially in August. President Trump announced on Aug. 1 that the US would impose 10% tariffs on all Chinese goods that were excluded from earlier measures (worth approximately \$300bn) on Sep. 1. On Aug. 5, the yuan broke above 7 against the dollar for the first time since 2008. The US labelled China a "currency manipulator" on the same day.

Later, on Aug.13, the US announced that it would delay more than half of the threatened tariffs until Dec. 15. President Trump said the delay was meant to avoid hurting consumers around Christmas. Duties were postponed on many popular holiday items such as cell phones, laptops, toys and clothing. It is also worth noting that China is the US' dominant supplier of the goods on which tariffs were delayed. Finally on Aug. 23, China announced retaliatory measures. The US responded by raising the duties on Chinese goods already facing tariffs from 25% to 30% on Oct. 1. Moreover, the tariff rate on all other goods will now be 15% instead of 10%.

Until now, the pattern of US protectionist measures suggested an attempt to avoid tariffs on consumer products due to concern about "sticker shock." But the upcoming tariffs are a game-changer. About \$180bn of the imports covered by the threatened tariffs are consumer goods, compared to just over \$60bn in total in the earlier rounds. We now think further escalation in the trade war is more likely the de-escalation. Whether major additional measures get implemented will ultimately depend on economic and market incentives.

The other key determinant of the future path of the trade war will likely be the state of the economy and the markets. After the G-20 meetings, we cited the risk that the Fed's dovish turn was emboldening the Trump administration to keep escalating the trade war. Our premise was that the markets and the economy were stuck in a "policy collar" between a very accommodative Fed (the "Fed put") and the uncertainty shock from the trade war (the "Trump call"). The latest events reinforce our view. On July 31, Fed Chair Powell said that concerns about the trade war were one reason for the Fed's 25bp rate cut. President Trump escalated the trade war on the very next day. The markets responded by pricing in substantially more Fed accommodation. Similarly, the markets priced in additional Fed cuts because of the escalation on Aug. 23.

Thus life has become harder for the Fed in two ways. For one, it will probably be trying to offset an even larger negative economic shock. But even if that shock does not materialize, the rally in rates means that the Fed will have to use up more ammunition if it wants to meet market expectations and avoid financial tightening. This creates the risk of a perverse feedback loop in which trade-war escalation keeps offsetting Fed easing, leaving the Fed with very little ammunition to fight the next recession, while the economy remains relatively soft.

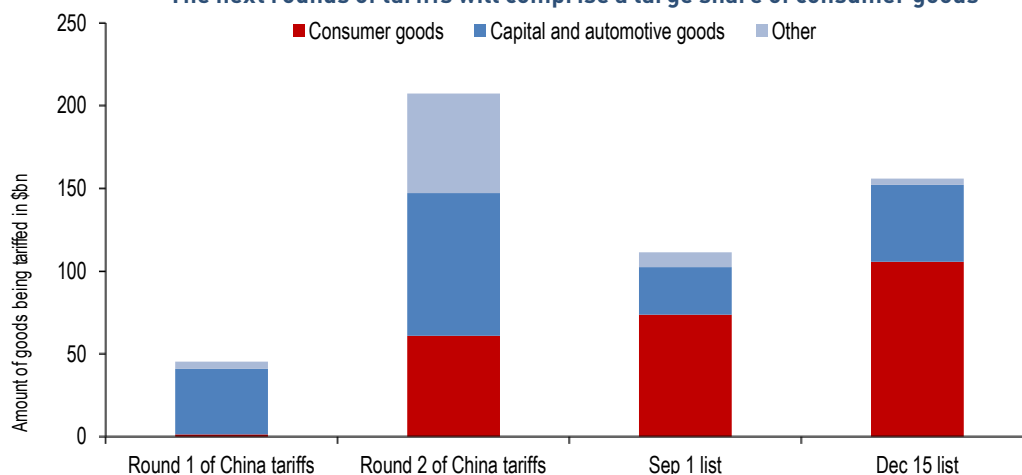
For several months our framework for the trade war has been "no pain, no deal". Substantial equity-market weakness could delay the Dec. 15 tariffs. By the same measure, it could disincentivize further escalation. The S&P 500 sold off by almost 2% on Aug. 1 and by 2.6% on Aug. 23, the days on which the tariff hikes were announced. Despite this, the index is only about 5% below its all-time high (as of Aug. 27). We think it will probably take at least a market correction (i.e., a 10% decline) to move the needle on trade policy.

A shock to consumer spending and confidence could also have a similar impact. So far the US consumer has remained on solid footing because of the strength of the labor market. Even though academic research suggests that the cost of the tariffs has been almost entirely passed on to consumers, confidence has held up. This is likely because the tariffs were mostly on intermediate goods rather than final goods, and so their effects were obfuscated. That could change with the latest threatened tariffs.

A conflict of the magnitude of the US-China trade war is bound to have far-reaching, unintended consequences. Most importantly, it could extend ongoing global monetary easing. 20 of the 37 central banks that we cover have cut rates this year, and many more cuts are likely in the pipeline as further escalation in the trade war likely leads to an even weaker outlook for global (particularly Chinese) demand.

Speaking of pipelines, there could be major implications for oil for two reasons. First, weaker global demand would likely weigh on oil prices. Second, there is now a greater risk that China will decide not to comply with the US oil sanctions against Iran. A big drop in oil prices would suppress inflation expectations, making it even harder for the major developed-market central banks to reach their inflation targets. Again, this would mean lower global policy rates, which in turn would imply that Fed easing might not have much impact on the dollar. Frustration with the strength of the dollar could push the Trump Administration to retaliate by intervening in FX markets or imposing tariffs on countries whose currencies are deemed to be too weak. A tangled web indeed.

The next rounds of tariffs will comprise a large share of consumer goods



Source: BofA Merrill Lynch Global Research, Peterson Institute for International Economics, US Census Bureau

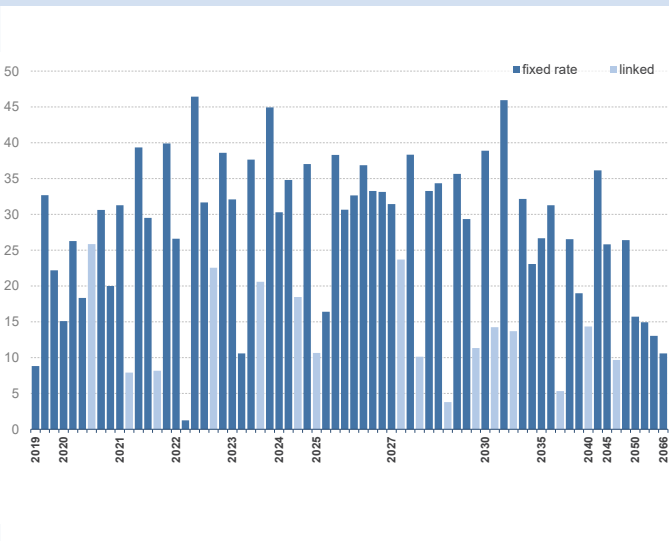
INDICATIVE AUCTION SCHEDULE

		Short-term					Medium-term	Long-term	Index-linked
September 2019	auction date	2	9	16	23	30	19	5	19
	settlement date	4	11	18	25	2/10	23	9	23
October 2019	auction date	7	14	21	28	/	17	3	17
	settlement date	9	16	23	30	/	21	7	21

Source: Agence France Trésor

MEDIUM- AND LONG-TERM NEGOTIABLE GOVERNMENT DEBT AT 31 JULY 2019

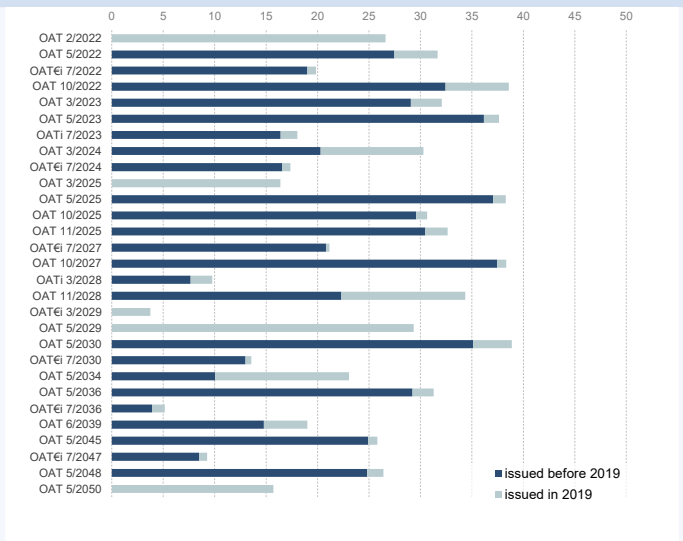
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: SECURITIES ISSUED DURING THE YEAR AND TOTAL ISSUANCE AT 31 JULY 2019

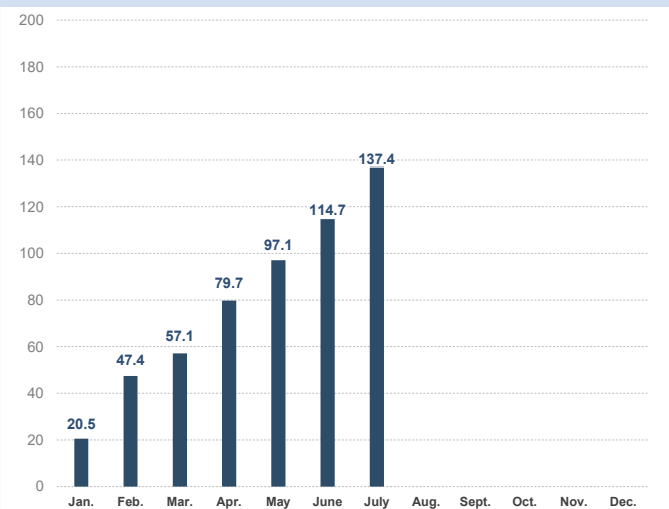
IN € BILLION



Source: Agence France Trésor

ISSUANCE NET OF BUYBACKS AT 31 JULY 2019

IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: PROVISIONAL MATURITY SCHEDULE AT 31 JULY 2019

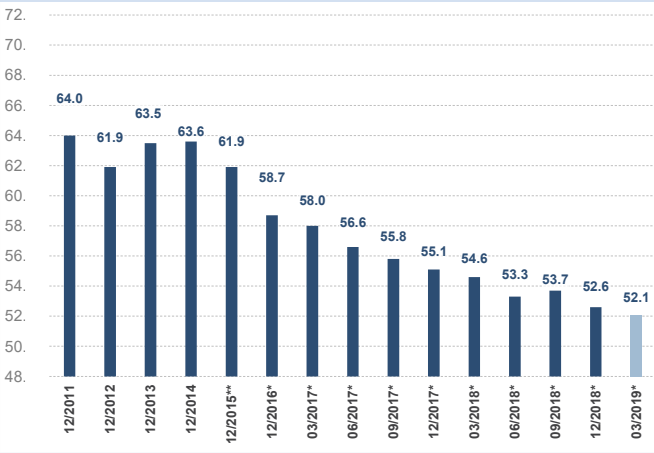
IN € BILLION

Month	Coupon	Redemption
Aug-19		
Sep-19		
Oct-19	12.6	41.5
Nov-19	1.5	22.2
Dec-19		0.0
Jan-20		
Feb-20		15.1
Mar-20	0.0	
Apr-20	12.1	26.3
May-20	6.6	18.3
Jun-20	0.3	
Jul-20	3.0	26.2

Source: Agence France Trésor

NON-RESIDENT HOLDERS OF NEGOTIABLE GOVERNMENT DEBT IN FIRST QUARTER OF 2019

AS A % OF NEGOTIABLE DEBT OUTSTANDING
EXPRESSED IN MARKET VALUE

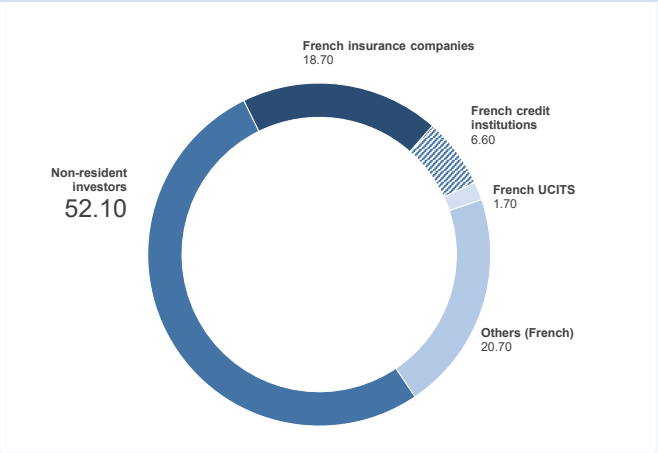


(*) figures quarterly revised

(**) figures annually revised

NEGOTIABLE GOVERNMENT DEBT BY GROUP OF HOLDERS IN FIRST QUARTER OF 2019

STRUCTURE IN % EXPRESSED IN MARKET VALUE



Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT AT 31 JULY 2019

IN EUROS

Total medium- and long-term debt	1,716,407,229,145
Total stripping activity	62,807,634,700
Average maturity	8 years and 195 days
Total short-term debt	111,549,000,000
Average maturity	120 days
Total outstanding	1,827,956,229,145
Average maturity	8 years and 12 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2015 AT 31 JULY 2019

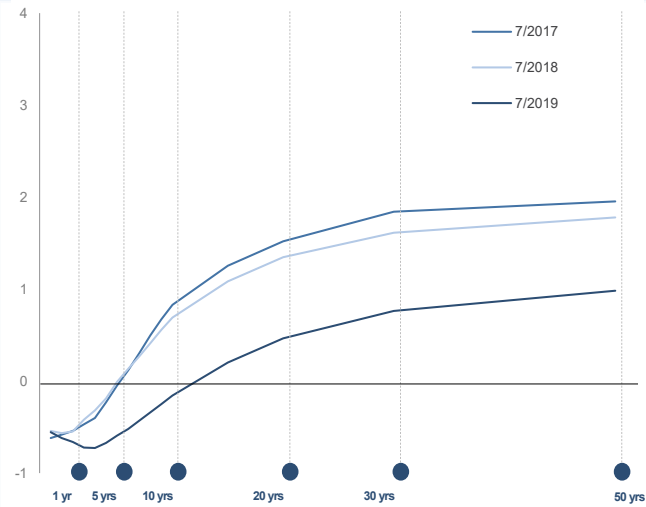
IN € BILLION

	End 2016	End 2017	End 2018	End June 2019	End July 2019
Negotiable government debt outstanding	1,621	1,686	1,756	1,814	1,828
<i>of which index-linked securities</i>	<i>200</i>	<i>202</i>	<i>220</i>	<i>230</i>	<i>221</i>
Medium- and long-term	1,487	1,560	1,644	1,705	1,716
Short-term	134	126	113	110	112
Average maturity of the negotiable debt	7 years	7 years	7 years	8 years	8 years
	195 days	296 days	336 days	15 days	12 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

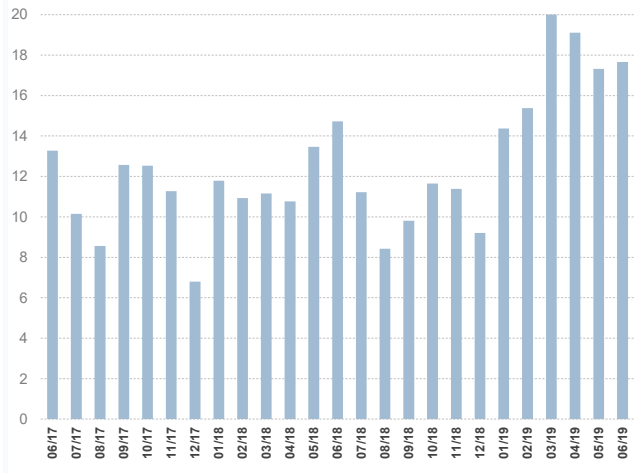
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

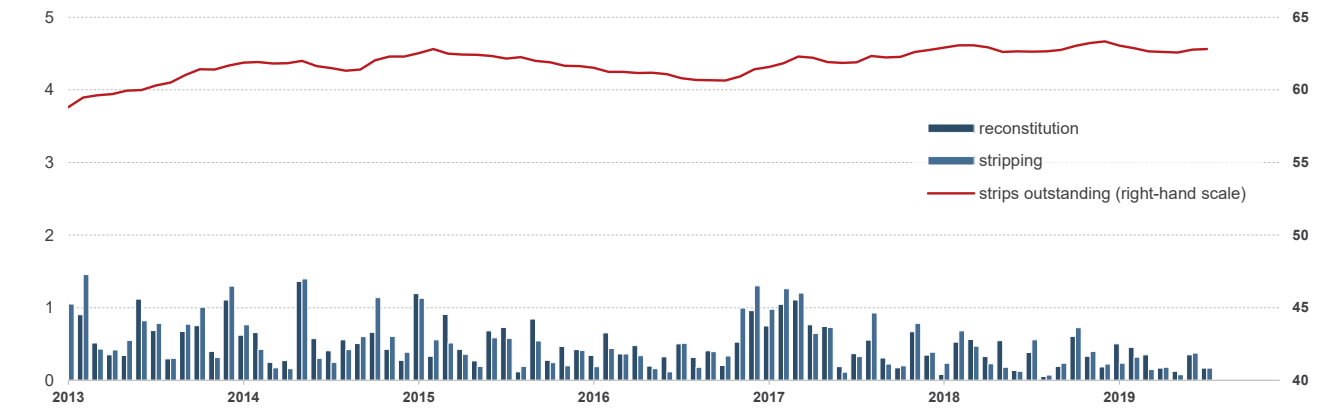
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

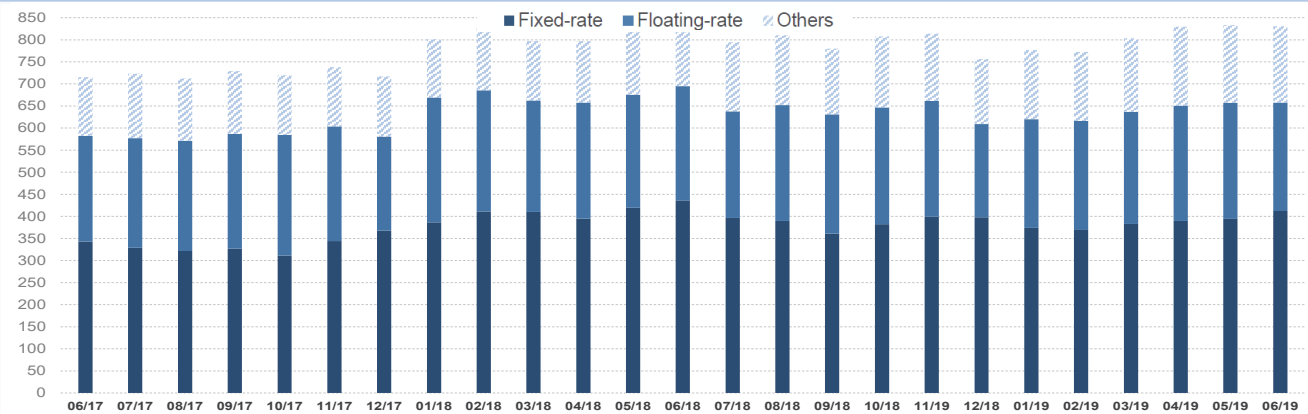
IN € BILLION



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 JULY 2019

ISIN Code	Maturity	Outstanding(€)
FR0125533044	BTF 7 August 2019	5,242,000,000
FR0125064883	BTF 14 August 2019	4,634,000,000
FR0125533051	BTF 21 August 2019	5,192,000,000
FR0125375081	BTF 28 August 2019	3,965,000,000
FR0125533069	BTF 4 September 2019	5,464,000,000
FR0125064891	BTF 11 September 2019	4,510,000,000
FR0125533077	BTF 18 September 2019	5,798,000,000
FR0125533036	BTF 25 September 2019	4,285,000,000
FR0125692352	BTF 2 October 2019	5,620,000,000
FR0125218257	BTF 9 October 2019	4,848,000,000
FR0125692360	BTF 16 October 2019	4,994,000,000
FR0125533093	BTF 23 October 2019	4,101,000,000
FR0125692378	BTF 30 October 2019	2,613,000,000
FR0125218265	BTF 6 November 2019	4,204,000,000
FR0125533101	BTF 20 November 2019	4,665,000,000
FR0125692410	BTF 18 December 2019	5,609,000,000
FR0125375099	BTF 2 January 2020	4,991,000,000
FR0125375107	BTF 29 January 2020	4,165,000,000
FR0125375115	BTF 26 February 2020	4,483,000,000
FR0125533119	BTF 25 March 2020	5,811,000,000
FR0125533127	BTF 22 April 2020	4,456,000,000
FR0125533135	BTF 20 May 2020	4,669,000,000
FR0125533143	BTF 17 June 2020	4,616,000,000
FR0125692451	BTF 15 July 2020	2,614,000,000

MEDIUM- AND LONG-TERM DEBT (MATURING 2019-2022) AT 31 JULY 2019

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
	Maturity 2019	63,759,963,611				
FR0000570921	OAT 8.50% 25 October 2019	8,844,392,893			5,590,585,100	
FR0010776161	OAT 3.75% 25 October 2019	32,695,000,000			0	
FR0011993179	OAT 0.50% 25 November 2019	22,177,000,000			5,000,000	x
FR0000570954	OAT cap. 9.82% 31 December 2019	43,570,718 (2)		6,692,154	–	
	Maturity 2020	136,161,485,000				
FR0013232485	OAT 0.00% 25 February 2020	15,090,000,000			0	x
FR0010854182	OAT 3.50% 25 April 2020	26,261,000,000			0	
FR0012557957	OAT 0.00% 25 May 2020	18,332,000,000			0	x
FR0010050559	OAT€i 2.25% 25 July 2020	25,838,485,000 (1)	1.27850	20,210,000,000	0	
FR0010949651	OAT 2.50% 25 October 2020	30,622,000,000			0	
FR0012968337	OAT 0.25% 25 November 2020	20,018,000,000			3,000,000	x
	Maturity 2021	156,132,725,280				
FR0013311016	OAT 0.00% 25 February 2021	31,275,000,000			0	x
FR0013140035	OAT€i 0.10% 1 March 2021	7,929,773,280 (1)	1.04808	7,566,000,000	0	x
FR0010192997	OAT 3.75% 25 April 2021	39,352,000,000			0	
FR0013157096	OAT 0.00% 25 May 2021	29,504,000,000			0	x
FR0011347046	OATi 0.10% 25 July 2021	8,180,952,000 (1)	1.04884	7,800,000,000	0	
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0	
	Maturity 2022	167,085,867,140				
FR0013398583	OAT 0.00% 25 February 2022	26,608,000,000			0	x
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			618,888,400	
FR0011196856	OAT 3.00% 25 April 2022	46,422,000,000			0	
FR0013219177	OAT 0.00% 25 May 2022	31,666,000,000			0	x
FR0010899765	OAT€i 1.10% 25 July 2022	22,563,927,150 (1)	1.13655	19,853,000,000	0	
FR0011337880	OAT 2.25% 25 October 2022	38,582,000,000			0	

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

(2) Including coupons capitalised at 31 December 2018; not open to subscription

* Like all euro area bonds, the bonds issued after 1 January 2013 have collective action clauses (CACs), which means that they are not fungible with bonds issued prior to this date.

MEDIUM- AND LONG-TERM DEBT (MATURING IN 2023 AND BEYOND) AT 31 JULY 2019

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2023		145,828,256,703				
FR0013283686	OAT 0.00% 25 March 2023	32,076,000,000			0	x
FR0000571085	OAT 8.50% 25 April 2023	10,606,195,903			5,389,665,200	
FR0011486067	OAT 1.75% 25 May 2023	37,638,000,000			0	x
FR0010585901	OATi 2.10% 25 July 2023	20,590,060,800 (1)	1.14085	18,048,000,000	0	
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			434,585,000	
Maturity 2024		120,595,511,480				
FR0013344751	OAT 0.00% 25 March 2024	30,288,000,000			0	x
FR0011619436	OAT 2.25% 25 May 2024	34,810,000,000			0	x
FR0011427848	OATeI 0.25% 25 July 2024	18,472,511,480 (1)	1.06433	17,356,000,000	0	x
FR0011962398	OAT 1.75% 25 November 2024	37,025,000,000			42,000,000	x
Maturity 2025		128,649,079,848				
FR0012558310	OATi 0.10% 1 March 2025	10,666,151,730 (1)	1.03989	10,257,000,000	0	x
FR0013415627	OAT 0.00% 25 March 2025	16,394,000,000			0	x
FR0012517027	OAT 0.50% 25 May 2025	38,297,000,000			0	x
FR0000571150	OAT 6.00% 25 October 2025	30,653,928,118			2,846,764,400	
FR0012938116	OAT 1.00% 25 November 2025	32,638,000,000			0	x
Maturity 2026		103,265,000,000				
FR0010916924	OAT 3.50% 25 April 2026	36,867,000,000			0	
FR0013131877	OAT 0.50% 25 May 2026	33,274,000,000			0	x
FR0013200813	OAT 0.25% 25 November 2026	33,124,000,000			0	x
Maturity 2027		93,491,834,800				
FR0013250560	OAT 1.00% 25 May 2027	31,451,000,000			0	x
FR0011008705	OATeI 1.85% 25 July 2027	23,699,834,800 (1)	1.12003	21,160,000,000	0	
FR0011317783	OAT 2.75% 25 October 2027	38,341,000,000			45,543,600	
Maturity 2028		77,795,646,161				
FR0013238268	OATi 0.10% 1 March 2028	10,137,534,750 (1)	1.03815	9,765,000,000	0	x
FR0000571226	OAT zero coupon 28 March 2028	28,111,411 (3)		46,232,603	-	
FR0013286192	OAT 0.75% 25 May 2028	33,272,000,000			0	x
FR0013341682	OAT 0.75% 25 November 2028	34,358,000,000			0	x
Maturity 2029		80,128,929,832				
FR0013410552	OATeI 0.10% 1 March 2029	3,788,596,370 (1)	1.00841	3,757,000,000	0	x
FR0000571218	OAT 5.50% 25 April 2029	35,644,880,458			2,602,346,100	
FR0013407236	OAT 0.50% 25 May 2029	29,336,000,000			0	x
FR0000186413	OATi 3.40% 25 July 2029	11,359,453,004 (1)	1.30058	8,734,144,000	0	
Maturity 2030		53,119,662,050				
FR0011883966	OAT 2.50% 25 May 2030	38,876,000,000			0	x
FR0011982776	OATeI 0.70% 25 July 2030	14,243,662,050 (1)	1.05065	13,557,000,000	0	x
Maturity 2031		45,948,000,000				
FR0012993103	OAT 1.50% 25 May 2031	45,948,000,000			54,500,000	x
Maturity 2032		45,873,919,900				
FR0000188799	OATeI 3.15% 25 July 2032	13,711,597,300 (1)	1.29538	10,585,000,000	0	
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,147,357,400	
Maturity in 2033 and beyond		298,571,347,340				
FR0013313582	OAT 1.25% 25 May 2034	23,064,000,000			0	x
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,787,537,000	
FR0013154044	OAT 1.25% 25 May 2036	31,286,000,000			0	x
FR0013327491	OATeI 0.10% 25 July 2036	5,320,574,760 (1)	1.03052	5,163,000,000	0	x
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000			4,738,931,400	
FR0013234333	OAT 1.75% 25 June 2039	19,001,000,000			0	x
FR0010447367	OATeI 1.80% 25 July 2040	14,335,683,180 (1)	1.19994	11,947,000,000	0	
FR0010773192	OAT 4.50% 25 April 2041	36,152,000,000			6,582,699,000	
FR0011461037	OAT 3.25% 25 May 2045	25,824,000,000			1,409,010,000	x
FR0013209871	OATeI 0.10% 25 July 2047	9,683,089,400 (1)	1.04569	9,260,000,000	0	x
FR0013257524	OAT 2.00% 25 May 2048	26,409,000,000			752,800,000	x
FR0013404969	OAT 1.50% 25 May 2050	15,722,000,000			54,600,000	x
FR0010171975	OAT 4.00% 25 April 2055	14,926,000,000			7,651,818,000	
FR0010870956	OAT 4.00% 25 April 2060	13,055,000,000			7,418,104,100	
FR0013154028	OAT 1.75% 25 May 2066	10,581,000,000			631,900,000	x

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

(3) Revised on 28 March 2019; not open to subscription

* Like all euro area bonds, the bonds issued after 1 January 2013 have collective action clauses (CACs), which means that they are not fungible with bonds issued prior to this date.



MOST RECENT ECONOMIC INDICATORS

Industrial output, year-on-year	0.0%	Jun. 2019
Household consumption*, year-on-year	-0.3%	Jul. 2019
Unemployment rate (ILO)	8.5%	Q2 2019
Consumer prices, year-on-year		
• all items	1.1%	Jul. 2019
• all items excluding tobacco	0.9%	Jul. 2019
Trade balance, fob-fob, sa (€bn)	-€5.2bn	Jun. 2019
" "	-€3.3bn	May. 2019
Current account balance, sa (€bn)	-€0.8bn	Jun. 2019
" "	€0.3bn	May. 2019
10-year constant maturity rate (TEC10)	-0.40%	29 Aug. 2019
3-month interest rate (Euribor)	-0.41%	26 Aug. 2019
EUR / USD	1.11	28 Aug. 2019
EUR / JPY	117.18	29 Jul. 2019

MONTHLY GOVERNMENT BUDGET POSITION

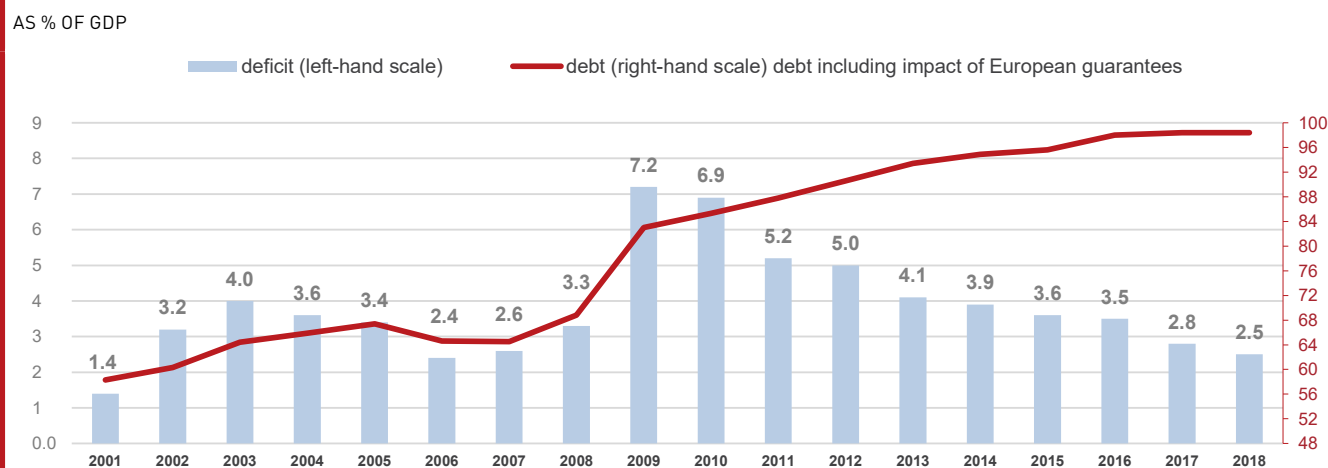
			end of July level		
	2017	2018	2017	2018	2019
General budget balance	-73.35	-76.91	-55.17	-57.01	-84.76
Revenue	313.59	313.77	181.70	182.11	159.24
Expenditure	386.94	390.69	236.87	239.12	243.99
Balance of special Treasury accounts	5.53	0.82	-28.67	-25.75	-24.99
General budget outturn	-67.67	-76.00	-83.84	-82.76	-109.74

* manufactured products

Sources: Insee, Minefi, Banque de France

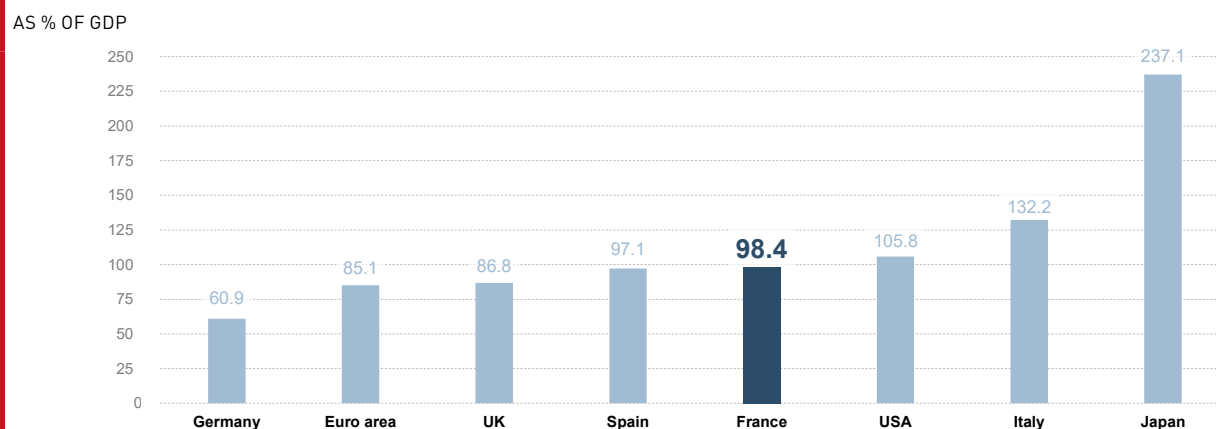
Source: Ministry of Public Action and Accounts

PUBLIC FINANCES: DEFICIT AND DEBT




Sources: Insee


GENERAL GOVERNMENT DEBT IN 2018



Sources: Eurostat, FMI, Insee

SEPTEMBER 2019 

6 Foreign trade by value in July	6 Balance of payments in July	10 Payroll employment: Q2-2019	10 Industrial production: July index	12 Consumer prices: August index	13 Net international reserves in August
18 Inflation (HICP): July index	24 Monthly business survey (goods-producing industries) in September	25 Consumer confidence survey: September survey	27 Debt of the general government according to Maastricht definition Q2-2019	27 Industrial producer and import price: August indices	27 Household consumption expenditure on goods in August
27 Housing starts in August					

OCTOBER 2019 

8 Foreign trade by value in August	8 Balance of payments in August	10 Industrial production: August index	15 Consumer prices: September index	15 Net international reserves in September	23 Monthly business survey (goods-producing industries) in October
23 Quarterly business survey (goods-producing industries) in October	25 Industrial producer and import price: September indices	28 Housing starts in September	29 Consumer confidence survey: October survey	30 Quarterly national accounts: final results Q3-2019	30 Household consumption expenditure on goods in September

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