



MONTHLY BULLETIN - N° 200 – January 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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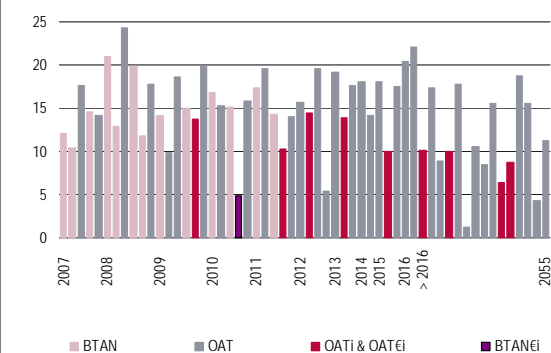
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Editor: Agence France Trésor



DEBT GENERAL DATA

French government long- and medium-term negotiable debt on December 31, 2006

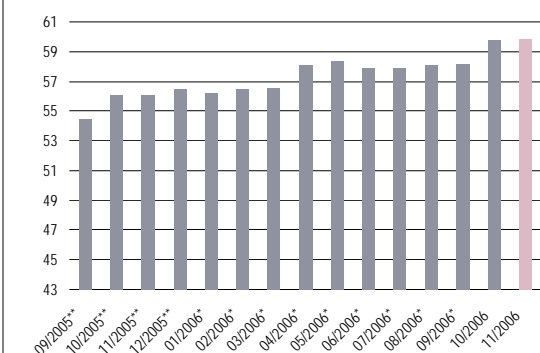
nominal value of each line, €bn



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 2005, the Banque de France has readjusted the outstanding amount related to the negotiable Government debt securities held by non-residents in 2005 (**).

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

PRIMARY MARKET

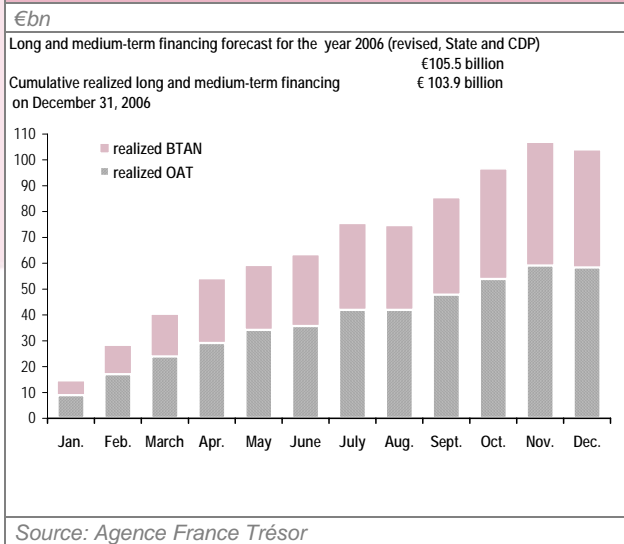
Auction indicative calendar

		BTF					BTAN / index linked OAT	OAT
January 2007	auction date	2	8	15	22	29	18	4
	settlement date	4	11	18	25	1 Feb.	23	9
February 2007	auction date	2	12	19	26	-	15	1 Feb.
	settlement date	8	15	22	1 Mar.	-	20	6

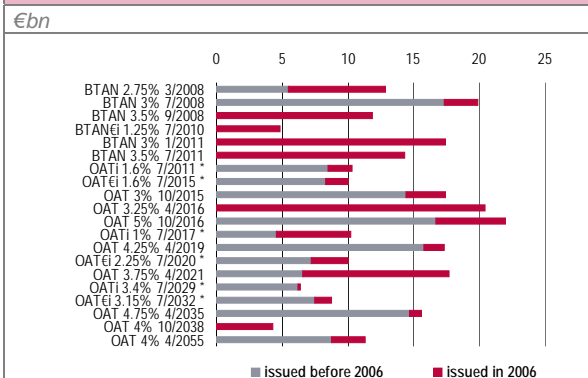
■ anticipated or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

Long- and medium-term financing over the year on December 31, 2006



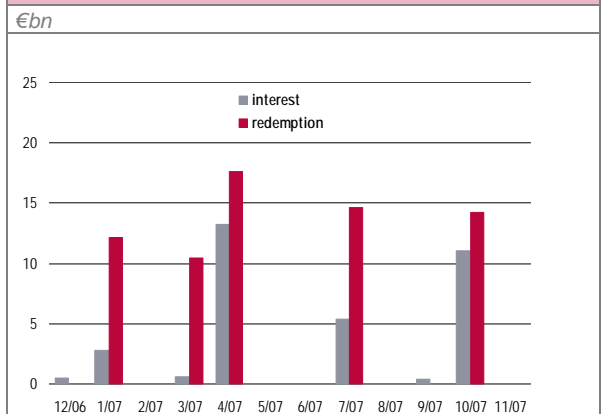
OATs and BTANs issues and cumulative total on December 31, 2006



* nominal value

Source: Agence France Trésor

OATs and BTANs: indicative repayment schedule on December 31, 2006



Source: Agence France Trésor

▶ OAT and BTAN auctions – December 2006

€m

No auction in December

Source: Agence France Trésor

▶ BTF auctions –December 2006

€m

	BTF Short term	BTF 1 month	BTF 3 month	BTF 6 month	BTF 1 year
Auction date			12/4/2006	12/4/2006	
Settlement date			12/7/2006	12/7/2006	
Maturity			3/8/2007	6/21/2007	
Total issued amount			1,604	1,205	
Weighted average rate			3.486%	3.572%	

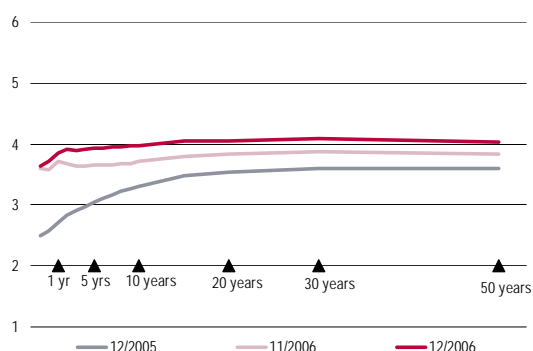
Agence France Tresor announced the cancellation of three BTF auctions, initially planned on the 11th, 18th and 22nd of December 2006.

Source: Agence France Trésor

SECONDARY MARKET

French government yield curve

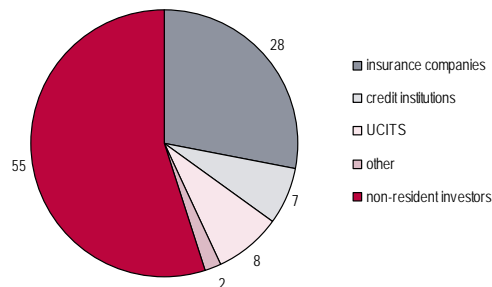
quote at end of the month, in %



Source: Bloomberg

OAT ownership by type of holder third quarter 2006

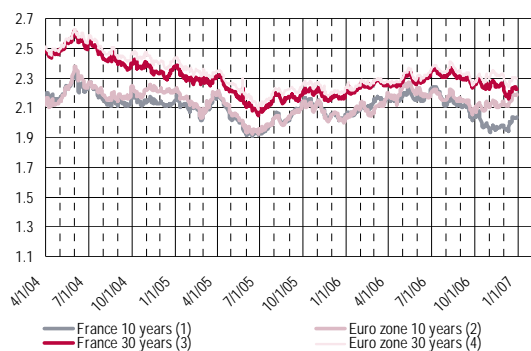
structure in %



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

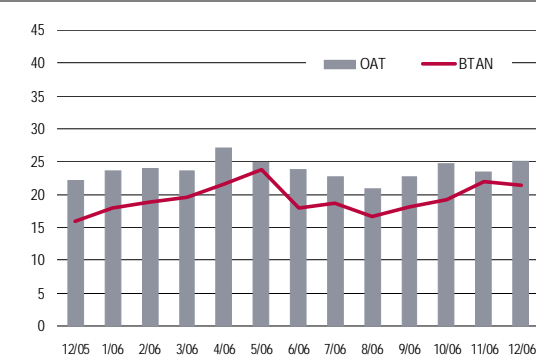
€bn

	end 2000	end 2001	end 2002	end 2003	end 2004	end 2005	October 2006	December 2006
Negotiable government debt								
outstanding	616	653	717	788	833	877	892	877
OAT	419	443	478	512	552	593	611	610
BTAN	154	158	151	167	184	189	202	200
BTF	43	52	88	109	97	95	79	66
Swaps outstanding	///	37	61	61	61	52	48	48
Average maturity of the negotiable debt								
before swaps	6 years	6 years	5 years	5 years	6 years	6 years	7 years	7 years
	64 days	47 days	343 days	297 days	79 days	267 days	31 days	45 days
after swaps	///	5 years	5 years	5 years	6 years	6 years	7 years	7 years
	///	358 days	266 days	235 days	33 days	228 days	2 days	16 days

Source: Agence France Trésor

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

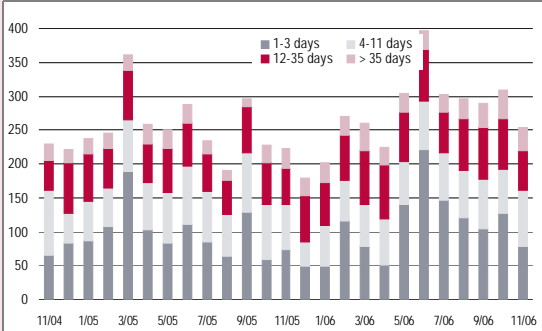
daily average (€bn)



Source: Euroclear France

▶ Primary dealers, monthly fixed-rate repo transactions

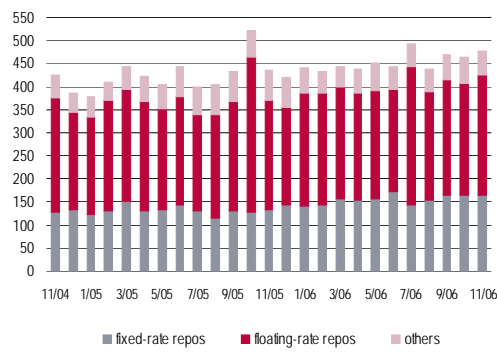
€bn



Source: primary dealers

▶ Primary dealers, repo outstanding at end of month

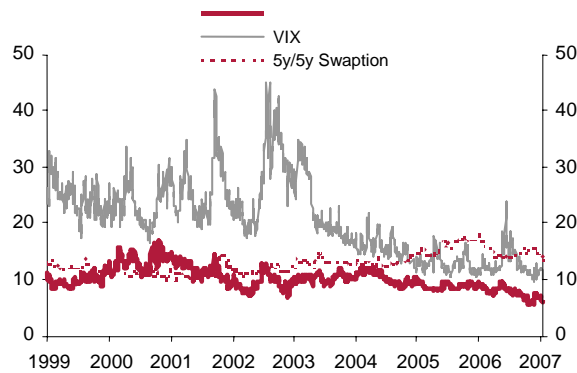
€bn



Source: primary dealers

Focus

▶ Implied volatilities



Source: Bloomberg, Ixis-CIB

Excess liquidity has depressed levels of implied volatility

At the end of 2006, implied volatility in all markets reached extraordinarily low levels. In the foreign exchange markets, 1-month implied volatility for the euro-dollar and dollar-yen fell to respectively 5.50% and 6%. For the euro against sterling and against the Swiss franc, this volatility was only 3.4% and 2.4% in November and December. In the equity markets, the VIX declined temporarily below 10% and the VDAX below 12%. Finally, in the fixed income markets, volatility for the 5Y-5Y euro swaption currently stands at around 13% (see Focus).

If volatility measures uncertainty, then the levels reached of late are surprising for there are major uncertainties on nearly all fronts at the moment:

1. Monetary policies: rarely has there been such important dispersion regarding expectations as to the future conduct of monetary policies. All options are possible for the Federal Reserve: while some analysts believe that the real estate crisis (the main reason for the US economic slowdown) is nearly over, other fear this crisis will spread and affect other components of domestic demand (through the wealth effect) and result in a hard landing. Likewise for the European Central Bank, convinced even now that inflation is a monetary phenomenon, despite the facts have said obstinately the contrary for several years. At the same time, it is playing the watch to see how the tax measures implemented in Germany will affect growth and inflation. There were no monetary surprises in 2006, but this seems to be changing, as shown by the Bank of England, which caught everyone out by raising its base rate on Thursday 11. Nor did many expect such a dovish press conference by JC Trichet that same day. In the US, the next Beige Books and press releases in the wake of the forthcoming Federal Open Market Committee Meetings could also surprise.
2. Crude oil prices: the decline in the price of Brent crude will have surprised more than one. This has been due largely to the exceptionally mild winter nearly everywhere in the northern hemisphere. If temperatures do not converge nearer normal levels for this time of year by spring, one can expect crude oil prices to continue declining in the second quarter. If a decline there is, it will hardly be slowed even by the probable cuts in production quotas. This would be good for growth, but would undermine current scenarios of a soft landing in the US and in the Eurozone.
3. Geopolitical environment: the situation in the Middle East remains extremely tense. In the short term, the situation is more likely to deteriorate than improve. This third factor obviously has a bearing on the second.

One could also mention that credit spreads are exceptionally tight suggesting that, if there is a normalisation of the situation (i.e. a rise in interest rates and a widening of spreads), one could see a cascade of bankruptcies amongst the frailest companies. Finally, certain emerging countries, notably Turkey and Hungary, are still in a tricky situation and it is possible they could lose the trust of investors at any moment.

In brief, sources of uncertainties are legion and yet implied volatilities are at their lowest. Why this paradox? Mainly it is because of the excess liquidity at global level, which also has for consequence to maintain interest rates at very low levels generally, to depress credit spreads, and to pump up many asset prices. Liquidities will remain plentiful in 2007, meaning that the financial landscape described above will not change much.

Market analysis
René Defossez
Ixis-CIB

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 %			
	2005	2006	2007
French GDP	1.2	< 2 - 2.5 >	< 2 - 2.5 >
Euro zone GDP	1.4	2.5	2.0
Household consumption	2.1	2.8	2.8
Business investment	3.6	3.6	3.6
Exports	3.1	7.9	6.2
Imports	6.1	8.0	6.1
Consumer prices (year-on-year)	1.8	1.8	1.8

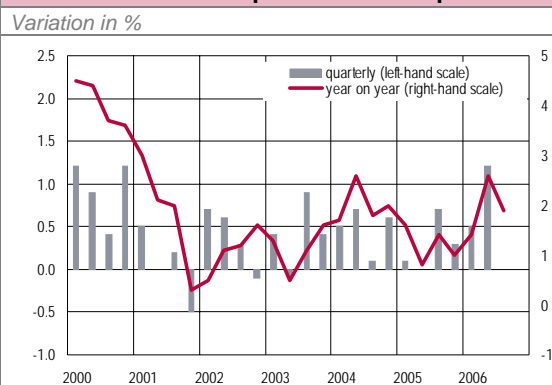
Source: Ministry of the Economy, Finance and Industry, Draft budget bill 2007

► Recent economic indicators

Industrial output*, year-on-year	2.3%	10/2006
Household consumption*, year-on-year	4.3%	11/2006
Unemployment rate (ILO)	8.7%	11/2006
Consumer prices, year-on-year		
all items	1.4%	11/2006
all items excluding tobacco	1.4%	11/2006
Trade balance, fob-fob, sa	-2.7 EUR bn	10/2006
" "	-1.5 EUR bn	9/2006
Current account balance, sa	-4.6 EUR bn	10/2006
" "	-1.8 EUR bn	9/2006
10-year constant maturity rate (TEC10)	3.98%	12/29/2006
3-month interest rate (Euribor)	3.725%	12/29/2006
EUR / USD	1.3170	12/29/2006
EUR / JPY	156.93	12/29/2006

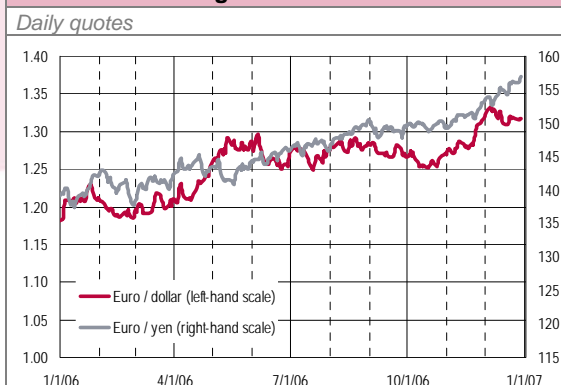
*manufactured goods –
Source: Insee; Ministry of the Economy, Finance and Industry; Banque de France

► Gross domestic product at 2000 prices



Source: Insee, quarterly national accounts

► Euro exchange rate



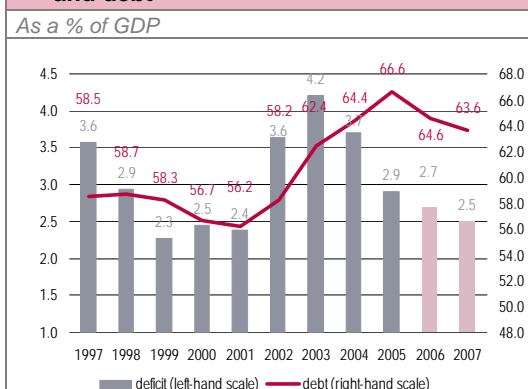
Source: European Central Bank

► Government budget monthly position

€bn	2004		2005		end-of-November level	
	2004	2005	2004	2005	2006	2006
General budget balance	-45.41	-45.15	-54.36	-55.41	-45.93	-45.93
revenue	242.99	249.11	210.69	213.09	196.28	196.28
expenditure	288.40	294.27	265.05	268.50	242.21	242.21
Balance of special Treasury accounts	1.53	1.68	-4.07	-3.16	-8.94	-8.94
General budget outturn	-43.88	-43.47	-58.43	-58.57	-54.87	-54.87

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



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

▶ Timetable for the release of French economic indicators

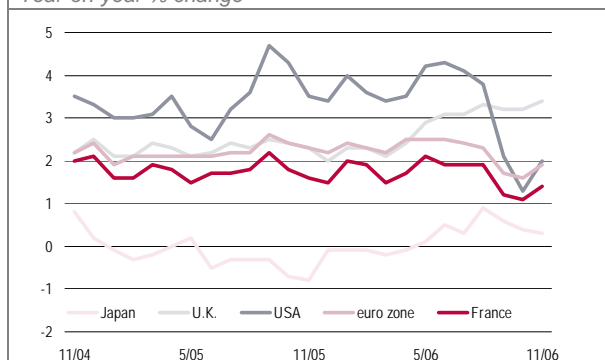
January 2007	February 2007
5 Household confidence survey: December survey	7 Gross foreign exchange reserves in January
8 Gross foreign exchange reserves in December	7 Central government budget: statement at end of December
10 Central government budget: statement at end of November	9 Industrial output in December
10 Industrial output in November	9 Foreign trade in December
10 Foreign trade in November	15 Industrial Investments: January survey
12 Cost-of-construction: index Q3-2006	16 Payroll employment: provisional results Q4-2006
12 Consumer prices: index for December	16 Wages: provisional statistics Q4-2006
18 Balance of payments in November	16 Balance of payments in December
23 Household consumption of manufactured goods in December	20 National quarterly accounts: first results Q4-2006
25 Industrial trends: monthly survey for January	21 Consumer prices: index for January
30 Industrial trends: quarterly survey for January	22 Industrial trends: February survey
30 New building starts in December	23 Household consumption of manufactured goods in January
31 Household confidence survey: January survey	27 New building starts in January
31 Industrial producer prices: December index	28 Job seekers in January
31 Job seekers in December	28 Household confidence survey: February survey
31 Net foreign exchange reserves in December	28 Net foreign exchange reserves in January

Harmonized index of consumer prices – Eurozone (Eurostat)
Index for December: January 17
Index for January: February 28

INTERNATIONAL COMPARISONS

▶ Consumer price index

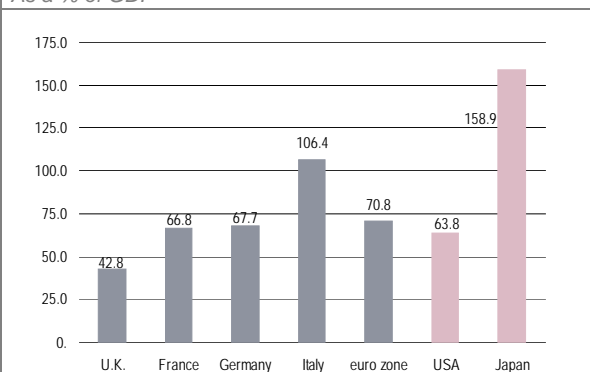
Year-on-year % change



Source: statistical institutes

▶ General government debt in 2005

As a % of GDP



Source: Eurostat, OECD

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

▶ OAT au 31 décembre 2006 / fungible Treasury bonds at December 31, 2006

En euros

CODE ISIN Euroclear France	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / Indexation coefficient	Valeur nominale / face value	démembré / stripped	CODE ISIN Euroclear France	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / Indexation coefficient	Valeur nominale / face value	démembré / stripped
	Echéance 2007	31 884 826 604					Echéance 2016	42 483 000 000			
FR0000570574	OAT 5,5% 25 avril 2007	17 677 775 424		615 110 000		FR0010288357	OAT 3,25% 25 avril 2016	20 461 000 000			64 000 000
FR0000570590	OAT 5,5% 25 octobre 2007	14 207 051 180		339 080 000		FR0000187361	OAT 5% 25 octobre 2016	22 022 000 000			1 276 480 000
	Echéance 2008	42 088 093 494					Echéance 2017	10 389 306 780			
FR0000570632	OAT 5,25% 25 avril 2008	24 303 932 367		926 010 000		FR0010235176 I	OAT 1% 25 juillet 2017	10 389 306 780 (1)	1,01826	10 203 000 000	
FR0000570665	OAT 8,5% 25 octobre 2008	17 784 161 127		4 396 450 000			Echéance 2019	26 202 551 399			
FR0000570673 V	OAT TEC10 25 janvier 2009	63 945 859 366		9 853 044 498		FR0000189151	OAT 4,25% 25 avril 2019	17 344 000 000			175 990 000
FR0000571432	OAT 4% 25 avril 2009	18 640 258 371		1 630 780 000		FR0000570921	OAT 8,5% 25 octobre 2019	8 844 392 893			4 104 430 000
FR0000571424 I	OAT 1% 25 juillet 2009	15 608 419 459 (1)	1,13011	13 811 416 109		FR0000570954 C	ETAT 9,82% 31 décembre 2019	14 158 506 (2)		6 692 154	
FR0000186199	OAT 4% 25 octobre 2009	19 844 137 038		589 450 000			Echéance 2020	10 671 700 550			
	Echéance 2010	31 162 742 970				FR0010050559 I	OAT 2,25% 25 juillet 2020	10 671 700 550 (1)	1,06685	10 003 000 000	
FR0000186603	OAT 5,5% 25 avril 2010	15 311 719 352		573 070 000			Echéance 2021	17 711 000 000			
FR0000187023	OAT 5,5% 25 octobre 2010	15 851 023 618		1 810 130 000		FR0010192997	OAT 3,75% 25 avril 2021	17 711 000 000			673 540 000
	Echéance 2011	44 505 290 042					Echéance 2022	1 243 939 990			
FR0000570731	OAT 6,5% 25 avril 2011	19 572 445 710		831 950 000		FR0000571044	OAT 8,25% 25 avril 2022	1 243 939 990			920 150 000
FR0010094375 I	OAT 1,6% 25 juillet 2011	10 877 958 000 (1)	1,05560	10 305 000 000			Echéance 2023	10 606 195 903			
FR0000187874	OAT 5% 25 octobre 2011	14 054 886 332		515 240 000		FR0000571085	OAT 8,5% 25 avril 2023	10 606 195 903			7 190 590 000
	Echéance 2012	56 672 696 203					Echéance 2025	8 511 928 118			
FR0000188328	OAT 5% 25 avril 2012	15 654 110 580		1 285 150 000		FR0000571150	OAT 6% 25 octobre 2025	8 511 928 118			3 248 550 000
FR0000188013 I	OAT 3% 25 juillet 2012	15 978 765 360 (1)	1,10244	14 494 000 000			Echéance 2028	13 702 119			
FR0000188690	OAT 4,75% 25 octobre 2012	19 554 122 924		860 700 000		FR0000571226 C	OAT zéro coupon 28 mars 2028	13 702 119 (3)		46 232 603	
FR0000570780	OAT 8,5% 26 décembre 2012	5 485 697 339					Echéance 2029	22 655 890 646			
	Echéance 2013	51 686 610 508				FR0000571218	OAT 5,5% 25 avril 2029	15 500 880 458			2 767 370 000
FR0000188989	OAT 4% 25 avril 2013	19 137 183 879		140 900 000		FR0000186413 I	OAT 3,4% 25 juillet 2029	7 155 010 188 (1)	1,12533	6 358 144 000	
FR0000188955 I	OAT 1% 25 juillet 2013	14 952 668 950 (1)	1,07250	13 941 882 471			Echéance 2032	28 184 334 660			
FR0010011130	OAT 4% 25 octobre 2013	17 596 757 679		123 800 000		FR0000188799 I	OAT 3,15% 25 juillet 2032	9 446 334 660 (1)	1,08094	8 739 000 000	
	Echéance 2014	32 145 724 224				FR0000187635	OAT 5,75% 25 octobre 2032	18 738 000 000			7 419 300 000
FR0010061242	OAT 4% 25 avril 2014	18 039 752 234		45 280 000			Echéance 2035	15 614 000 000			
FR0010112052	OAT 4% 25 octobre 2014	14 105 971 990		81 200 000		FR0010070060	OAT 4,75% 25 avril 2035	15 614 000 000			3 519 400 000
	Echéance 2015	45 955 232 253					Echéance 2038	4 297 000 000			
FR0010163543	OAT 3,5% 25 avril 2015	18 055 313 893		43 750 000		FR0010371401	OAT 4% 25 octobre 2038	4 297 000 000			496 100 000
FR0010135525 I	OAT 1,6% 25 juillet 2015	10 449 918 360 (1)	1,04541	9 996 000 000			Echéance 2055	11 283 000 000			
FR0010216481	OAT 3% 25 octobre 2015	17 450 000 000		94 460 000		FR0010171975	OAT 4% 25 avril 2055	11 283 000 000			1 395 550 000

(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 31/03/2006 / actualized value at 03/31/2006 ; non offerte à la souscription / not open to subscription

OAT i : OAT indexée sur l'indice français des prix à la consommation (hors tabac) / OAT indexed on the French consumer price index (excluding tobacco)
 OAT e i : 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	609 914 625 829
Encours démémbré / stripped outstanding	48 153 960 000
En % des lignes démémbrables	9,85 %
Durée de vie moyenne	9 ans et 188 jours
Average maturity	9 years and 188 days

► **BTAN au 31 décembre 2006**

Treasury notes at December 31, 2006

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale / face value
Echéance 2007		37 158 000 000		
FR0103840098	BTAN 3,75% 12 janvier 2007	12 108 000 000		
FR0107489959	BTAN 2,25% 12 mars 2007	10 424 000 000		
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		29 078 000 000		
FR0106589437	BTAN 3,5% 12 janvier 2009	14 116 000 000		
FR0106841887	BTAN 3,5% 12 juillet 2009	14 962 000 000		
Echéance 2010		36 916 517 400		
FR0107369672	BTAN 3% 12 janvier 2010	16 821 000 000		
FR0107674006	BTAN 2,5% 12 juillet 2010	15 141 000 000		
FR01086640551	BTAN(1) 1,25% 25 juillet 2010	4 954 517 400	(1) 1,02578	4 830 000 000
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		

Total BTAN / total Treasury notes **200 428 517 400**

Durée de vie moyenne des BTAN **2 ans et 38 jours**
Average maturity of BTANs *2 years and 38 days*

► **BTF au 31 décembre 2006**

Treasury bills at December 31, 2006

En euros

	Echéance / Maturity	Encours / Outstanding
BTF	11 janvier 2007	4 139 000 000
BTF	18 janvier 2007	4 777 000 000
BTF	25 janvier 2007	3 820 000 000
BTF	1 février 2007	4 219 000 000
BTF	8 février 2007	4 012 000 000
BTF	15 février 2007	4 257 000 000
BTF	22 février 2007	3 429 000 000
BTF	1 mars 2007	4 225 000 000
BTF	8 mars 2007	1 604 000 000
BTF	15 mars 2007	3 938 000 000
BTF	26 avril 2007	4 449 000 000
BTF	10 mai 2007	3 711 000 000
BTF	21 juin 2007	1 205 000 000
BTF	5 juillet 2007	4 192 000 000
BTF	2 août 2007	4 137 000 000
BTF	27 septembre 2007	4 220 000 000
BTF	25 octobre 2007	4 476 000 000
BTF	22 novembre 2007	1 437 000 000

Total BTF / total Treasury bills **66 247 000 000**

Durée de vie moyenne des BTF **111 jours**
Average maturity of BTFs *111 days*

Dettes négociables de l'Etat au 31 décembre 2006 /

French government negotiable debt at December 31, 2006

Encours total / total outstanding **876 590 143 229**

Durée de vie moyenne **7 ans et 45 jours**
Average maturity *7 years and 45 days*

Réserve de titres de la Caisse de la dette publique au 31 décembre 2006 /

Securities held in reserve by Caisse de la dette publique at December 31, 2006

néant / void