

Publication manager: Anthony Requin

Editor: Agence France Trésor

Available in French and in English

<http://www.aft.gouv.fr> • Bloomberg TREX<GO> • Reuters <TRESOR>

News at Agence
France Trésor

page 1

Economic news

page 2

General
debt-related data

page 3

Secondary market

page 5

Negotiable
government debt

page 6

The French
economy and
international
comparisons

page 8

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 recent upturn in bond yields is a return to normal that does not jeopardise debt service projections.

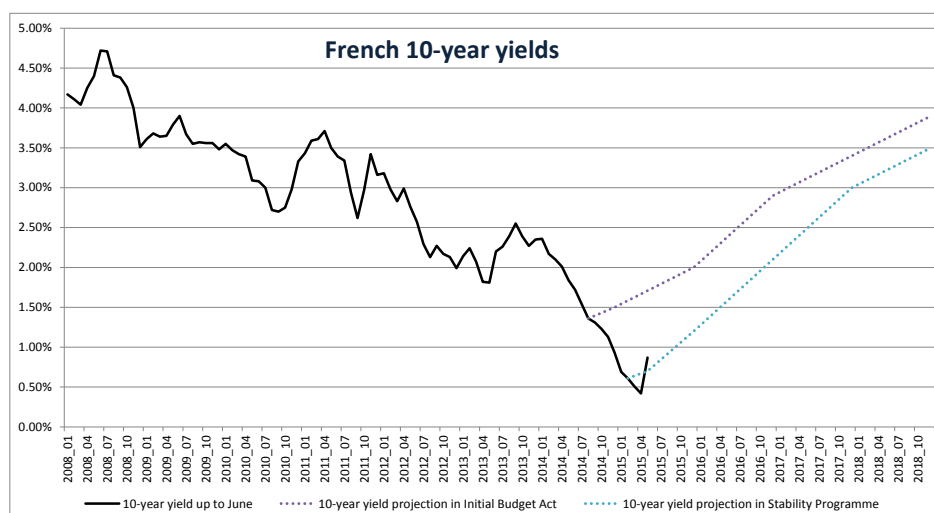
Bond yield volatility has increased, particularly in the euro area since the ECB initiated its Public Sector Purchase Programme (PSPP) on 9 March 2015. There have been **three distinct periods**. In the first six weeks of the PSPP, the 10-year bond yield fell from 0.54% to 0.35%. After that, expectations of increased growth and inflation in the euro area caused it to rebound rapidly to over 1% between the end of April and mid-May. It then eased slightly in the second half of May, before rising again to stand at around 1.2% in mid-June. Concerns about the situation in Greece may have amplified the latest rise.

At the same time, the short end of the curve has remained remarkably stable on maturities of 2 years or less. The 3-month yield was stable at -0.19% for the entire period.

The upturn in medium-term and long-term yields may be interpreted as a correction for the excessive drop recorded in the first weeks of the PSPP. The extremely low yields seen at the long end of the curve at the beginning of the period could not be sustained under a scenario of renewed growth and expectations of increasing inflation. The uptick seen in the last few weeks signals a return to normal, which could boost demand for bonds.

Despite the recent volatility, the debt service projection for 2015 is not likely to be jeopardised, given the conservative assumptions used when drafting the Budget and the Stability Programme. Furthermore, index-linked issues should produce savings of approximately €1.5bn on debt service in 2015, because the inflation rate in the twelve months to May was much lower than projected in the Initial Budget Act.

In the longer term, **the expected upturn in euro-area sovereign yields**, in keeping with growth and inflation projections, will result in higher debt service costs, but this change has been duly taken into account. The Stability Programme assumes a 90-basis-point increase in the 10-year yield in 2016 and again in 2017 (see chart) and a 75-basis-point increase every year in the 3-month yield as of 2017. If yields were to rise even more, the simulations presented in the draft budgetary plan estimate the added cost of a 100-basis-point shock across the entire yield curve at €2.4bn in the first year and at €17.2bn in the 10th year.



A positive backdrop for breakevens

By Krishnamoorthy Sooben, Inflation Strategist, Barclays Capital

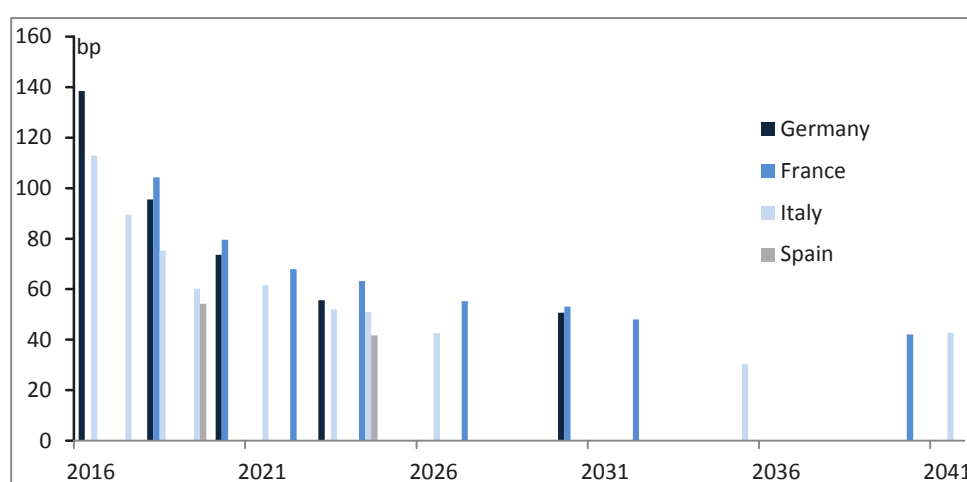


The general environment has been positive for euro area breakevens in H1: 1) the ECB announced and embarked on an ambitious QE programme; 2) linkers were included in purchases, while market dynamics in late 2014 suggested they would not be; 3) headline inflation seems to have bottomed, with oil prices helping; and 4) core inflation has picked up, with some encouraging signs in the granular data.

The inflation market appears to be giving credit to the ECB. For example, the 5y5y euro HICPx swap has been choppy but the trend has clearly been to the upside. The shorter end has repriced higher, too, although the bulk of the rise in the very front end reflects the dynamics in oil. The pricings for 2017 and 2018 inflation have recovered significantly, but their absolute levels are still far from what would be consistent with the ECB achieving its mandate over that horizon. The very long end dynamics have actually been different from the belly of the curve. For instance, until recently, while the 5y5y had risen, the 10y10y had fallen. This suggests long-term confidence in the ECB had actually fallen. That said, given the nominal rally until April, it is possible that solvency ratios of pension funds have been adversely affected, triggering a reduction in very long-end inflation exposure. Combined with dealers' increasing balance sheet constraints, any such flows from pension funds may have had an exaggerated effect in the very long end.

Overall, we feel that the market is more constructive on the inflation outlook, yet remains cautious vis-à-vis further disinflationary risks. Barclays' economists believe it is premature to dispel deflation/disinflation fears, but remain confident that QE can improve the medium-term inflation outlook. The FX pass-through in particular may be reinforced. The perception of receding disinflationary/deflationary risks is likely to drive more flows into euro area linkers, a trend that has been observed this year. In particular, interest from non-inflation focussed investors may gain momentum, as the tail risk of higher inflation becomes an increasingly tangible one. The market is also set to remain supported by QE flows. We note here that QE has had some mechanical effect on cash breakevens, with core linkers richening vs inflation swaps. That said, bond vs swap valuations are not extreme, suggesting that linker QE flows are not distorting the market so far; the recovery in breakevens can be interpreted as a genuine improvement in expectations. It is an encouraging sign also that breakevens have maintained most of their QE-related gains in the recent sharp nominal repricing, even though nominals are cheaper than end-2014 levels.

Carry-adjusted breakeven changes from the lows of January



Source: Barclays Research (based on 23 June 2015 closing levels)

Barclays Disclaimer: This article is based on the Research Analyst's previously published research, a product of Barclays' research department. All the views expressed by the author reflect his personal views about any and all of the subject financial instruments or issuers. This material is provided for information only and is not intended as a recommendation, solicitation or offer to buy or sell any security or financial instrument or to adopt any investment strategy. All market prices, data and other information are subject to change without notice. In no event shall Barclays be liable for any use by any party of, for any decision made or action taken by any party in reliance upon, or for any inaccuracies or errors in, or omissions from, the information contained herein. For further important disclosures and disclaimers related to Barclays Research please go to <http://publicresearch.barcap.com>.

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.

General debt-related data

Indicative auction schedule

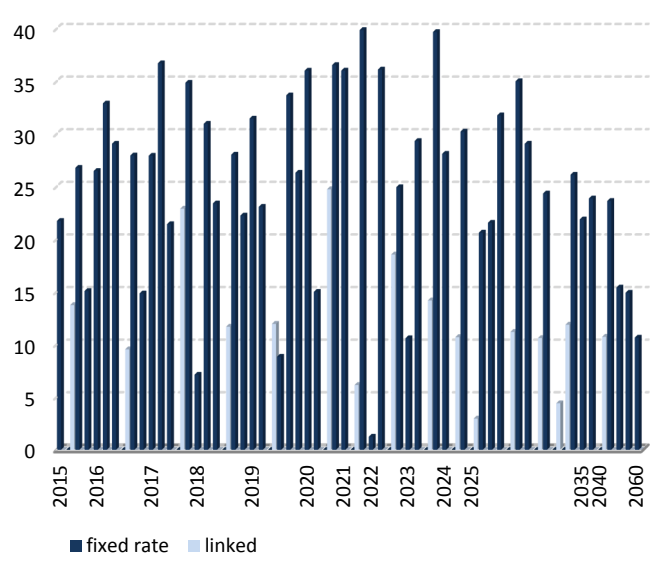
		Short-term					Medium-term	Long-term	Index-linked
July 2015	auction date	6	13	20	27		16	2	16
	settlement date	8	15	22	29		20	6	20
August 2015	auction date	3	10	17	24	31	//	6	//
	settlement date	5	12	19	26	2/9	//	10	//

anticipated or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 31 May, 2015

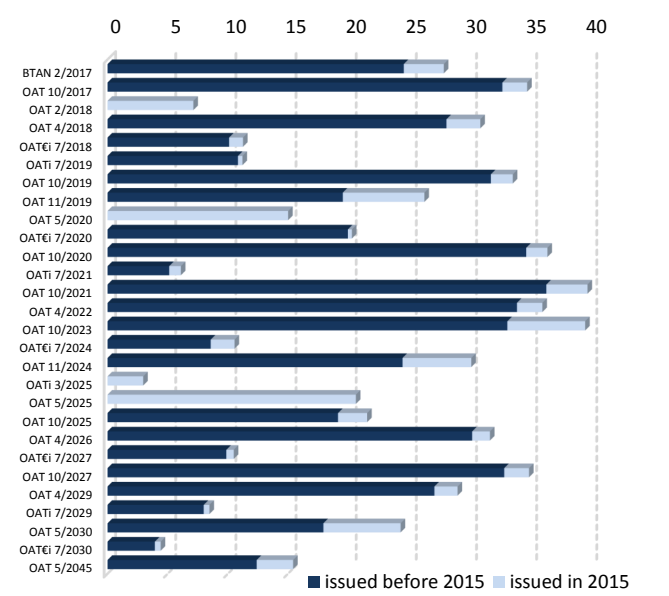
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 31 May, 2015

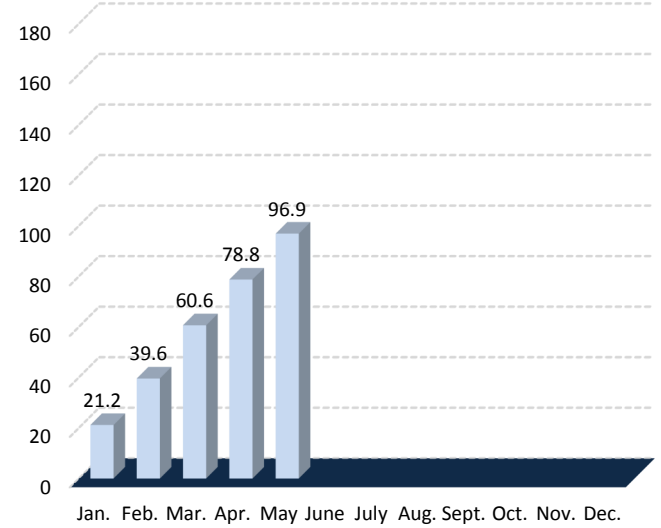
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 31 May, 2015

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 31 May, 2015

In € billion

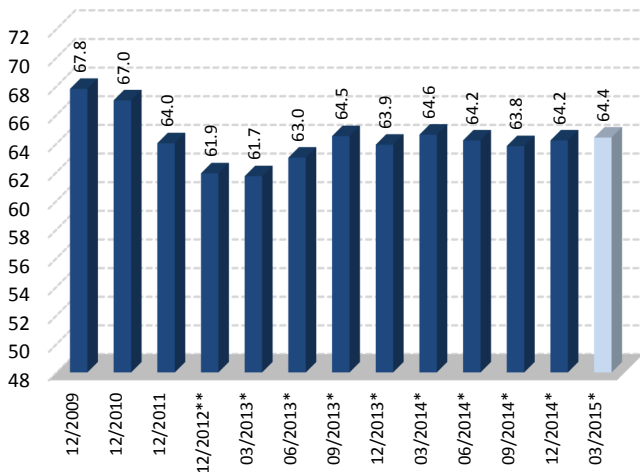
Month	Coupon	Redemption
Jun-15		
Jul-15	4.3	35.5
Aug-15		
Sep-15		
Oct-15	16.1	26.8
Nov-15	1.0	15.1
Dec-15		
Jan-16		
Feb-16	1.1	26.4
Mar-16		
Apr-16	15.5	31.9
May-16	2.8	

Source: Agence France Trésor

General
debt-related data

Non-resident holders of negotiable government debt in first quarter of 2015

As a % of negotiable debt outstanding expressed in market value



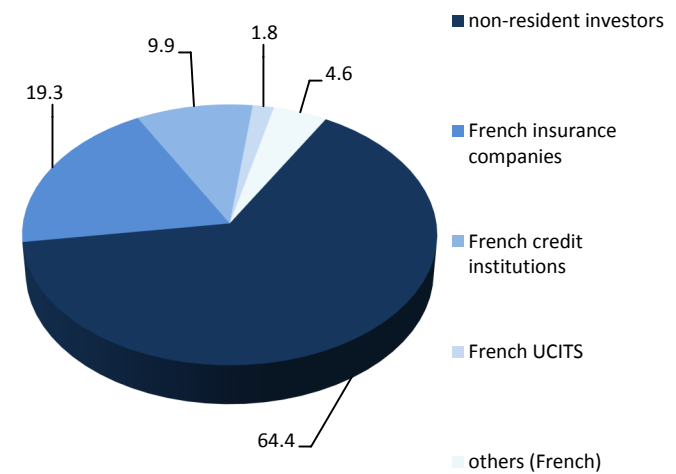
(*) figures revised quarterly

(**) figures revised annually

Source: Banque de France

Negotiable government debt by group of holders in first quarter of 2015

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 31 May, 2015

In euros

Total medium- and long-term debt	1,410,400,884,689
Total stripping activity	62,422,231,100
Average maturity	7 years and 277 days
Total short-term debt	162,326,000,000
Average maturity	116 days
TOTAL OUTSTANDING	1,572,726,884,689
Average maturity	6 years and 362 days

Source: Agence France Trésor

Negotiable government debt and interest rate swaps at 31 May, 2015

In € billion

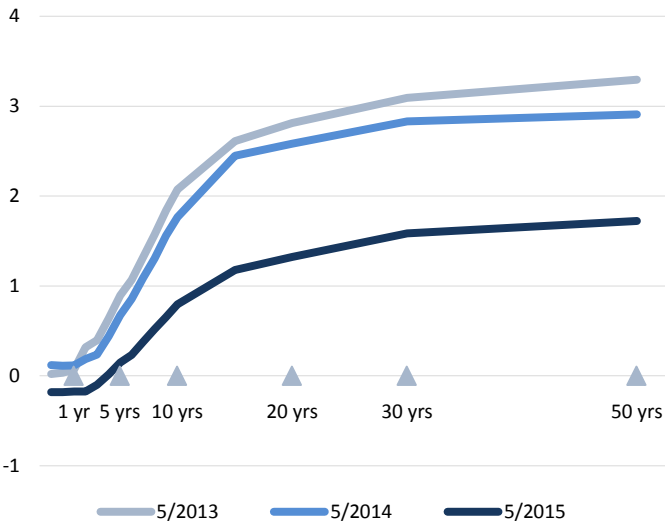
	End 2012	End 2013	End 2014	End April 2015	End May 2015
Negotiable government debt outstanding	1 386	1 457	1 528	1 558	1 573
of which index-linked securities	173	174	189	193	196
Medium- and long-term	1,220	1,283	1,352	1,391	1,410
short-term	167	174	175	167	162
Swaps outstanding	10	7	6	6	6
Average maturity of the negotiable debt					
before swaps	7 years 37 days	7 years 5 days	6 years 363 days	7 years 7 days	6 years 362 days
after swaps	7 years 34 days	7 years 2 days	6 years 362 days	7 years 6 days	6 years 361 days

Source: Agence France Trésor

Secondary market

Yield curve for French government securities

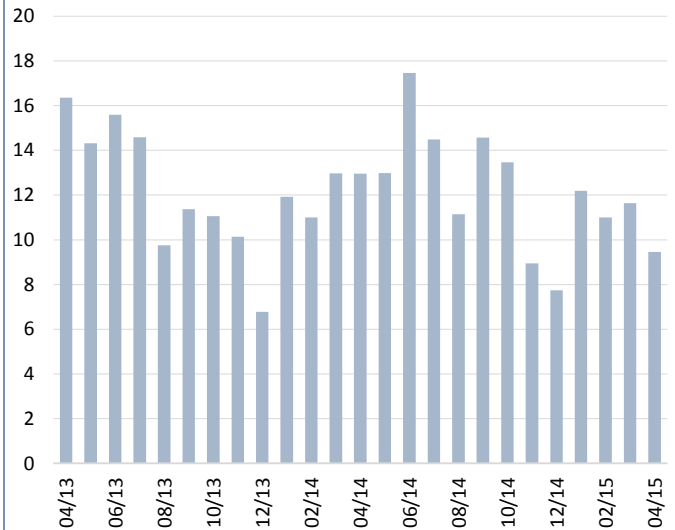
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

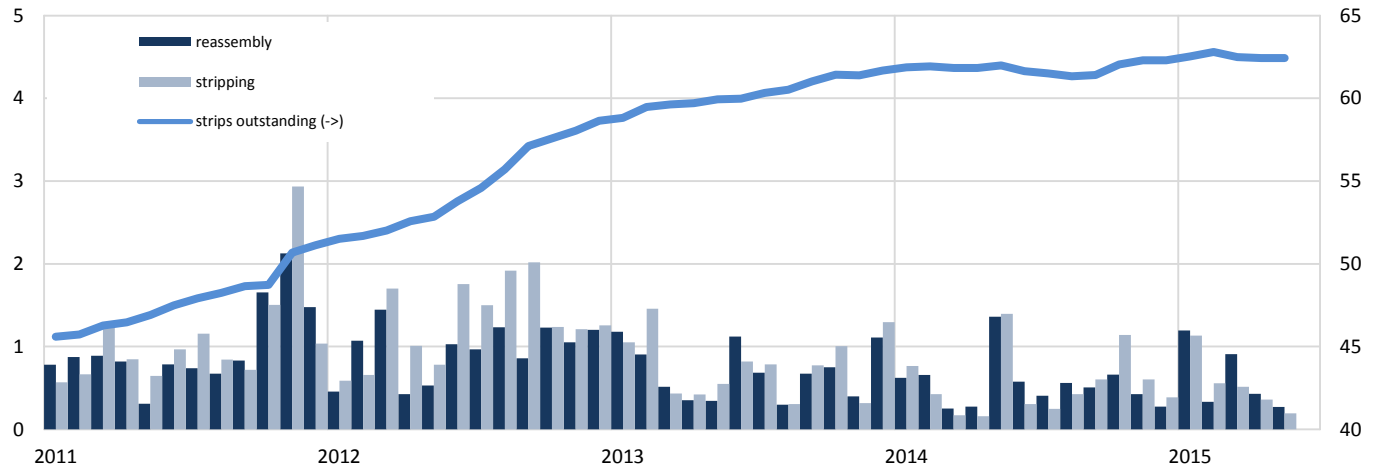
In € billion



Source: reporting by primary dealers in government securities

Total stripping and reassembly

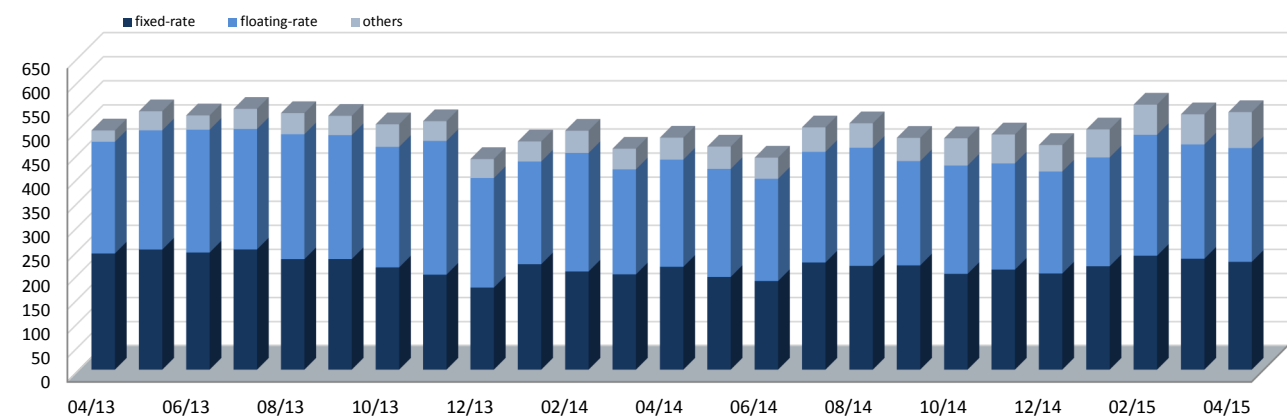
In € billion



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 May, 2015

	Maturity	Outstanding (€)
BTF	3 June 2015	7,837,000,000
BTF	10 June 2015	6,775,000,000
BTF	17 June 2015	7,674,000,000
BTF	25 June 2015	7,228,000,000
BTF	1 July 2015	7,728,000,000
BTF	8 July 2015	5,857,000,000
BTF	15 July 2015	6,213,000,000
BTF	23 July 2015	7,174,000,000
BTF	29 July 2015	6,208,000,000
BTF	5 August 2015	7,907,000,000
BTF	12 August 2015	6,118,000,000
BTF	20 August 2015	8,310,000,000
BTF	26 August 2015	3,182,000,000
BTF	16 September 2015	7,218,000,000
BTF	30 September 2015	8,167,000,000
BTF	14 October 2015	6,592,000,000
BTF	28 October 2015	5,194,000,000
BTF	11 November 2015	6,573,000,000
BTF	9 December 2015	6,698,000,000
BTF	6 January 2016	7,416,000,000
BTF	3 February 2016	7,441,000,000
BTF	2 March 2016	6,216,000,000
BTF	31 March 2016	6,724,000,000
BTF	27 April 2016	5,876,000,000

Medium- and long-term debt (maturing 2015–2018) at 31 May, 2015

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2015	77,383,537,600			
FR0118462128	BTAN 2% 12 July 2015	21,750,000,000			–
FR0010135525	OAT€i 1.6% 25 July 2015	13,754,537,600 (1)	1.19480	11,512,000,000	0
FR0010216481	OAT 3% 25 October 2015	26,794,000,000			0
FR0011452721	OAT 0.25% 25 November 2015	15,085,000,000			0
	Maturity 2016	140,884,645,080			
FR0119105809	BTAN 2.25% 25 February 2016	26,501,000,000			–
FR0010288357	OAT 3.25% 25 April 2016	32,912,000,000			0
FR0119580050	BTAN 2.5% 25 July 2016	29,086,000,000			–
FR0119105791	BTANi 0.45% 25 July 2016	9,550,645,080 (1)	1.05137	9,084,000,000	–
FR0000187361	OAT 5% 25 October 2016	27,974,000,000			264,017,000
FR0011857218	OAT 0.25% 25 November 2016	14,861,000,000			0
	Maturity 2017	143,923,901,600			
FR0120473253	BTAN 1.75% 25 February 2017	27,950,000,000			–
FR0010415331	OAT 3.75% 25 April 2017	36,737,000,000			0
FR0120746609	BTAN 1% 25 July 2017	21,443,000,000			–
FR0010235176	OATi 1% 25 July 2017	22,918,901,600 (1)	1.13488	20,195,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	34,875,000,000			0
	Maturity 2018	123,538,824,120			
FR0012634558	OAT 0% 25 February 2018	7,133,000,000			0
FR0010604983	OAT 4% 25 April 2018	30,984,000,000			0
FR0011394345	OAT 1% 25 May 2018	23,412,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	11,697,824,120 (1)	1.03916	11,257,000,000	0
FR0010670737	OAT 4.25% 25 October 2018	28,047,000,000			0
FR0011523257	OAT 1% 25 November 2018	22,265,000,000			0

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

Medium- and long-term debt (maturing in 2019 and beyond) at 31 May, 2015

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2019	135,435,627,868			
FR0000189151	OAT 4.25% 25 April 2019	31,478,000,000			0
FR0011708080	OAT 1% 25 May 2019	23,095,000,000			0
FR0010850032	OATi 1.3% 25 July 2019	11,972,280,000 (1)	1.06800	11,210,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			6,030,885,100
FR0010776161	OAT 3.75% 25 October 2019	33,683,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	26,333,000,000			0
FR0000570954	OAT cap. 9.82% 31 December 2019	29,954,975 (2)		6,692,154	-
	Maturity 2020	112,365,983,000			
FR0010854182	OAT 3.5% 25 April 2020	36,032,000,000			0
FR0012557957	OAT 0% 25 May 2020	15,008,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	24,763,983,000 (1)	1.21930	20,310,000,000	0
FR0010949651	OAT 2.5% 25 October 2020	36,562,000,000			0
	Maturity 2021	82,093,692,480			
FR0010192997	OAT 3.75% 25 April 2021	36,041,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	6,161,692,480 (1)	1.01144	6,092,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
	Maturity 2022	80,904,153,910			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			535,668,400
FR0011196856	OAT 3% 25 April 2022	36,140,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	18,563,213,920 (1)	1.08392	17,126,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	24,957,000,000			0
	Maturity 2023	93,854,319,343			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,777,300,200
FR0011486067	OAT 1.75% 25 May 2023	29,346,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	14,201,123,440 (1)	1.10018	12,908,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	39,701,000,000			571,585,000
	Maturity 2024	69,075,732,160			
FR0011619436	OAT 2.25% 25 May 2024	28,128,000,000			5,000,000
FR0011427848	OAT€i 0.25% 25 July 2024	10,712,732,160 (1)	1.01504	10,554,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			58,000,000
	Maturity 2025	45,188,256,958			
FR0012558310	OATi 0.1% 1 March 2025	2,972,328,840 (1)	1.00281	2,964,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	20,640,000,000			0
FR0000571150	OAT 6% 25 October 2025	21,575,928,118			3,085,964,400
	Maturity 2026	31,784,000,000			
FR0010916924	OAT 3.5% 25 April 2026	31,784,000,000			74,813,000
	Maturity 2027	46,234,103,300			
FR0011008705	OAT€i 1.85% 25 July 2027	11,205,103,300 (1)	1.06817	10,490,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	35,029,000,000			0
	Maturity 2028	22,534,786			
FR0000571226	OAT zero coupon 28 March 2028	22,534,786 (3)		46,232,603	-
	Maturity 2029	39,713,965,554			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,540,609,100
FR0000186413	OATi 3.4% 25 July 2029	10,622,085,096 (1)	1.25421	8,469,144,000	0
	Maturity 2030	28,785,834,000			
FR0011883966	OAT 2.5% 25 May 2030	24,360,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	4,425,834,000 (1)	1.00200	4,417,000,000	0
	Maturity 2031 et plus	159,211,772,930			
FR0000188799	OAT€i 3.15% 25 July 2032	11,891,960,400 (1)	1.23540	9,626,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	26,135,322,600			11,428,449,400
FR0010070060	OAT 4.75% 25 April 2035	21,897,000,000			5,319,467,000
FR0010371401	OAT 4% 25 October 2038	23,889,000,000			4,824,011,400
FR0010447367	OAT€i 1.8% 25 July 2040	10,744,489,930 (1)	1.14437	9,389,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	23,650,000,000			7,244,539,000
FR0011461037	OAT 3.25% 25 May 2045	15,421,000,000			656,000,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,688,438,000
FR0010870956	OAT 4% 25 April 2060	10,657,000,000			5,317,484,100

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

(2) Including coupons capitalised at 31 Dec. 2014; not open to subscription

(3) Revised on 28 March 2015; not open to subscription

Most recent economic indicators

Industrial output, year-on-year	1.1%	Apr. 2015
Household consumption*, year-on-year	2.6%	May. 2015
Unemployment rate (ILO)	10.3%	Mar. 2015
Consumer prices, year-on-year		
all items	0.3%	May. 2015
all items excluding tobacco	0.3%	May. 2015
Trade balance, fob-fob, sa (€bn)	-€3.0 bn	Apr. 2015
" "	-€4.4 bn	Mar. 2015
Current account balance, sa (€bn)	€0.4 bn	Apr. 2015
" "	-€1.4 bn	Mar. 2015
10-year constant maturity rate (TEC10)	0.82%	29 May. 2015
3-month interest rate (Euribor)	-0.012%	29 May. 2015
EUR / USD	1.0970	29 May. 2015
EUR / JPY	135.95	29 May. 2015

* manufactured products
Sources: Insee, Minefi, Banque de France

Monthly government budget position

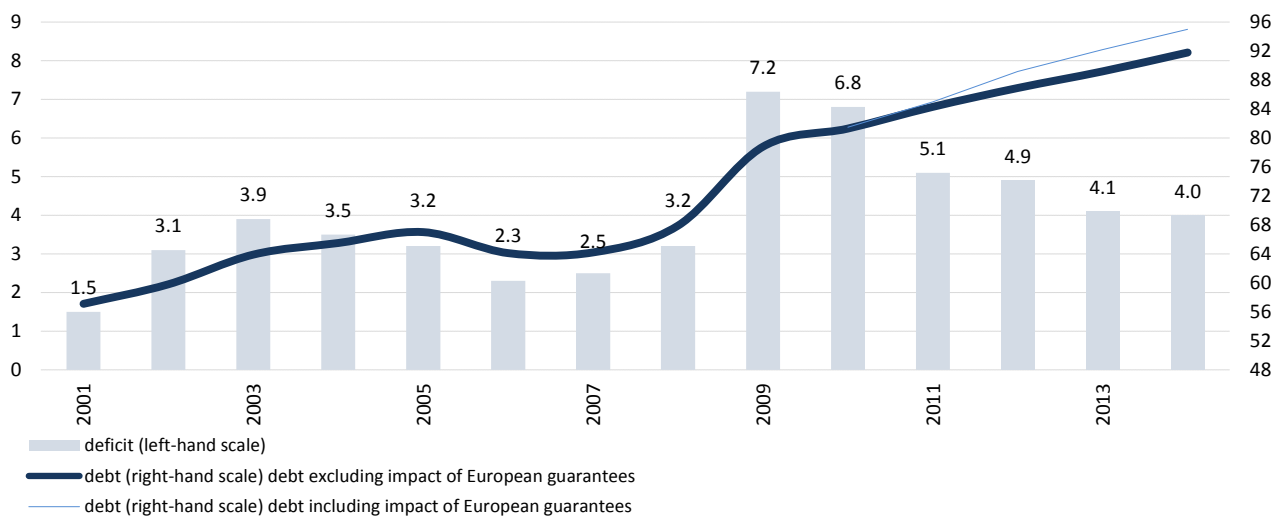
In € billion

			end of April level		
	2013	2014	2013	2014	2015
General budget balance	-75.43	-85.71	-49.61	-45.57	-41.65
revenue	301.24	291.95	90.84	93.04	93.33
expenditure	376.67	377.66	140.45	138.61	134.98
Balance of special Treasury accounts	0.56	0.16	-17.16	-18.60	-18.19
General budget outturn	-74.87	-85.56	-66.77	-64.17	-59.84

Source: Minefi

Public finances: deficit and debt

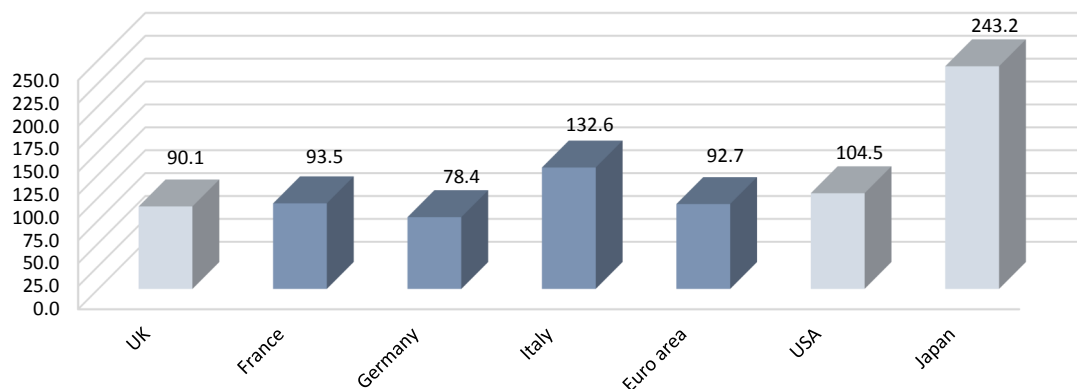
As % of GDP



Source: Insee

General government debt in 2013

As % of GDP



Sources: Eurostat (04/2014), FMI (04/2014)

French economic indicators: timetable

July 2015		August 2015	
 2	Eurozone economic outlook - 3th Quarter 2015	 7	Foreign trade in June
 7	Foreign trade in May	 7	Industrial output in June
 10	Industrial output in May	 12	Balance of payments in June
 10	Balance of payments in May	 13	Consumer prices: index for July
 15	Consumer prices: index for June	 14	Quarterly national accounts: first results Q2-2015
 16	Inflation (HICP): June index	 14	Payroll employment: provisional results Q2-2015
 22	Industrial trends: monthly survey for July	 14	Inflation (HICP): July index
 22	Industrial trends: quarterly survey for July	 26	Job seekers in July
 27	Job seekers in June	 27	Industrial investments: July survey
 28	New building starts in June	 27	Industrial trends: monthly survey for August
 29	Household confidence survey: July survey	 28	New building starts in July
 31	Industrial producer prices: June index	 31	Net foreign exchange reserves in July
 31	Household consumption of manufactured goods in June		
 31	Net foreign exchange reserves in June		

Sources: Insee, Eurostat