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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.

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## First August OAT auction since 2001 to meet sustained demand

After gathering and analysing the recommendations of the 19 Primary Dealers, **AFT decided to proceed with its August OAT auction**. Like the December auction, the August auction is optional in AFT's annual issuance calendar. In recent years, the August auctions were not held as a result of weak market activity during the summer. This year's August auction was the first since 2001.

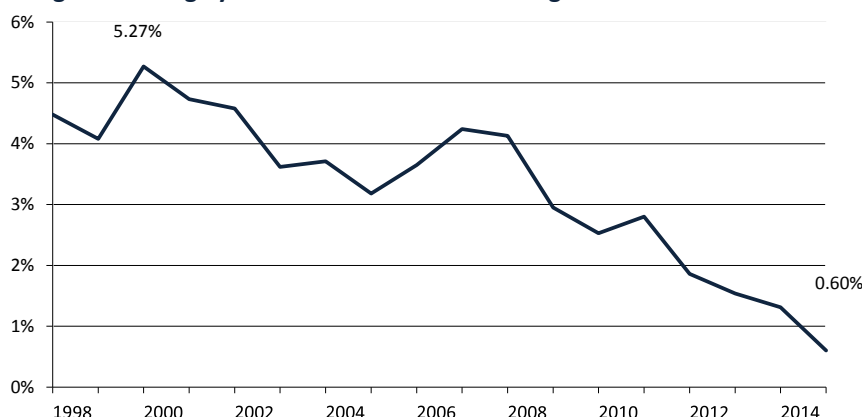
**Given the distinctive circumstances this year, AFT decided to hold the auction on 6 August 2015. This decision also provided support for market makers.** More stable market conditions following the agreement reached on Greece meant that public sector and private sector investors maintained their activity longer into the summer this year, including trading in high-quality sovereign debt securities. Meeting investor demand and ensuring a high level of liquidity for all French debt securities in every segment of the yield curve is a fundamental principle. Consequently, instead of choosing the benchmark issues auctioned each month, AFT selected three older benchmark OATs with very long maturities for which investors had shown strong interest. It should be noted that not all of the securities chosen are eligible for the European Central Bank's Public Sector Purchase Programme, since they include a 45-year bond; the ECB's purchasing is limited to securities with residual maturities of 2 years to 30 years.

**The auction resulted in the issuance of €5.45bn in medium-term and long-term debt**, which was in the upper range of the amount announced on the Friday before the auction (€4.5bn-€5.5bn). Total demand for all of the bonds in the auction reached €11.92bn.

Four bonds were issued: OAT 25 October 2023, OAT 25 October 2025, OAT 25 October 2032 and OAT 25 April 2060. AFT posted historically low yields at issue for the two longest-dated bonds, with 1.59% for the 2032 bond and 2.17% for the 2060 bond.

At the end of August, AFT had raised €156.2bn in medium-term and long-term debt on the markets, compared to the annual target of €187bn in issuance net of redemptions. The execution rate of 83.5% was slightly higher than that achieved at the same date last year (80.9%). The average yield for securities with maturities of more than one year issued in 2015 stood at 0.60% at the end of August (compared to 1.31% in 2014).

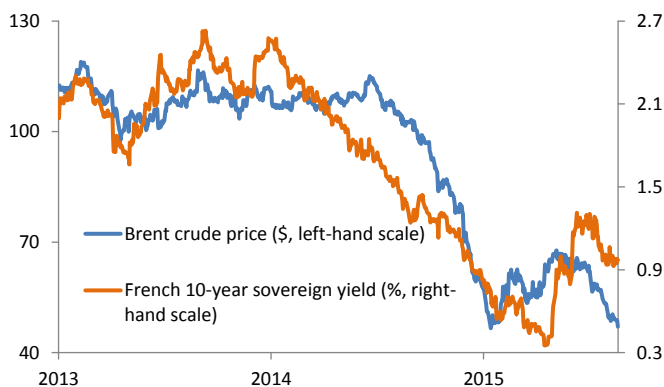
Weighted average yield of medium-term and long-term debt securities issued



## Correlation between sovereign yields, oil prices and inflation expectations

Nearly six months after the introduction of the ECB's Public Sector Purchase Programme, as financial markets find reassurance in the deal reached between Greece and its creditors and are now pondering the impact of the expected slowdown of China's economy, **an analysis of the long end of the yield curve over the medium term could be very instructive for sovereign issuers.**

Since end-2013, these issuers have been able to raise funds on increasingly favourable financial terms. **France saw 10-year yields on its debt fall from 2.6% at end-2013 to less than 1% in mid-August 2015**, hitting a low of 0.35% in mid-April 2015. This major drop in yields echoed the fall in oil prices, with the correlation between these two variables close to 90% since the beginning of 2013.



In addition to the situation in China, several emerging economies are now struggling (e.g. Brazil and Russia) and the oil glut is expected to persist, **keeping prices low, which should lead to a favourable outlook for sovereign yields.**

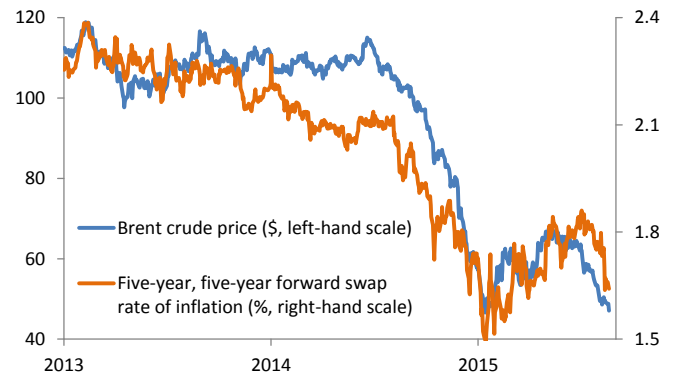
**However, over the last year, euro-area countries have not seen identical variations in their 10-year yields.** Over the last 12 months<sup>1</sup>, France, one of the highest rated sovereign issuers in the euro area, saw the biggest fall in its 10-year yield, which dropped by 42 basis points (bp), as opposed to a 38-bp drop for Germany and falls ranging from 35bp to 40bp for the other so-called core euro area countries. Furthermore, France's yield spread compared to Germany's narrowed by 4bp over the same period, whereas the Netherlands' yield spread was stable and Austria's widened slightly, adding 2bp.

19 August 2014 to 19 August 2015, basis points			
Change in 10-year sovereign yield spread compared to Germany			
France	Netherlands	Austria	Finland
-4	0	2	-1
Change in 10-year sovereign yield			
France	Netherlands	Austria	Finland
-42	-38	-35	-40

Such a development, which also reflects investors' confidence in France's economic recovery, is obviously very helpful for curbing the cost of debt service.

The outlook for the coming months, considering the links between oil prices and inflation expectations, could lead us to think that cheap oil and inflation expectations under the 2% target will continue to keep long-term yields low for the

best-rated euro area countries. The correlation between oil prices and inflation expectations has been nearly 92% since 2013.



In short, the events of the summer of 2015 raised many questions about growth trends in emerging economies, but they could bring a more positive outlook for sovereign yields in the euro area's core.

<sup>1</sup> Calculations made on 19 August 2015

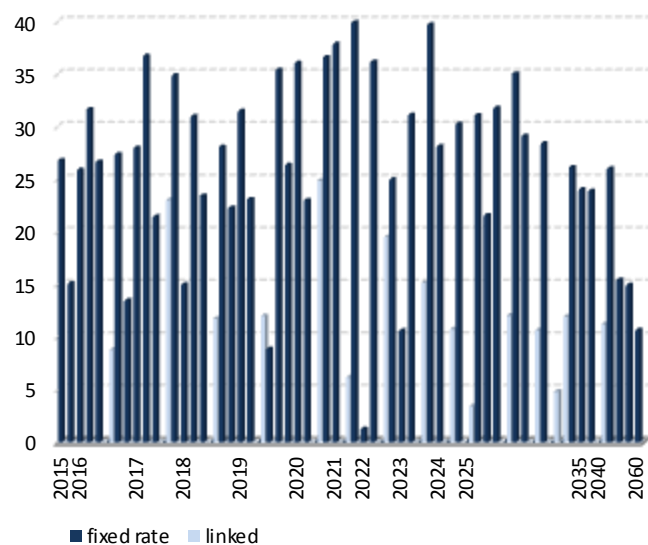
Indicative auction schedule

		Short-term					Medium-term	Long-term	Index-linked
September 2015	auction date	7	14	21	28	//	17	3	17
	settlement date	9	16	23	30	//	21	7	21
October 2015	auction date	5	12	19	26	//	15	1	15
	settlement date	7	14	21	28	//	19	5	19

Source: Agence France Trésor

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

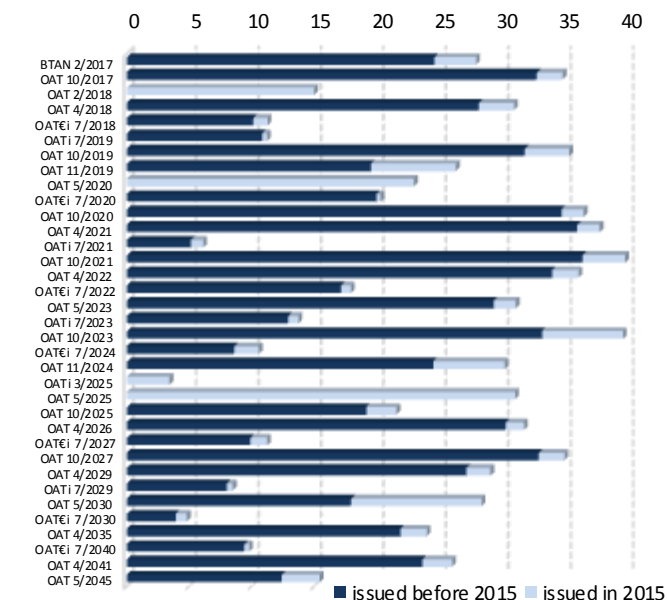
Nominal value of each line, in € billion



Source: Agence France Trésor

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

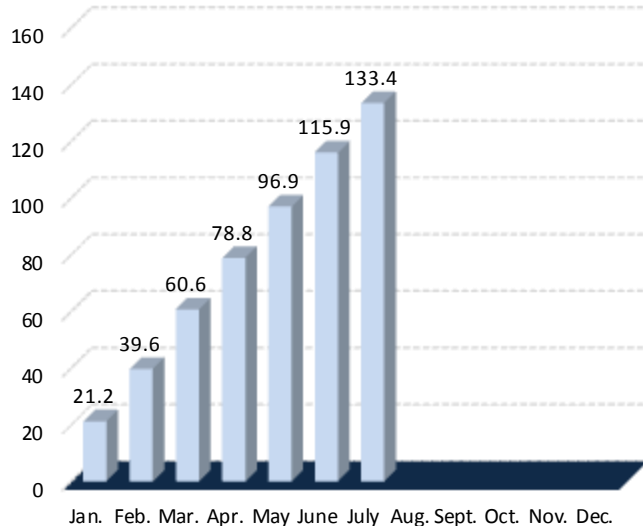
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 31 July, 2015

In € billion



Source: Agence France Trésor

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

In € billion

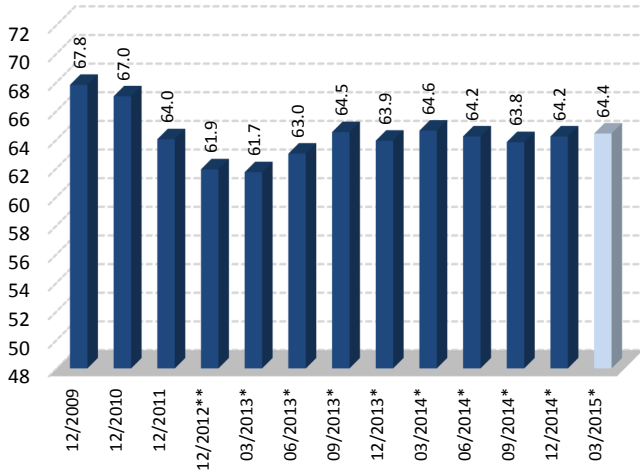
Month	Coupon	Redemption
Aug-15		
Sep-15		
Oct-15	16.5	26.8
Nov-15	1.0	15.0
Dec-15		
Jan-16		
Feb-16	1.1	25.9
Mar-16		
Apr-16	15.8	31.3
May-16	3.0	
Jun-16		
Jul-16	3.7	35.1

Source: Agence France Trésor

**General  
debt-related data**

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

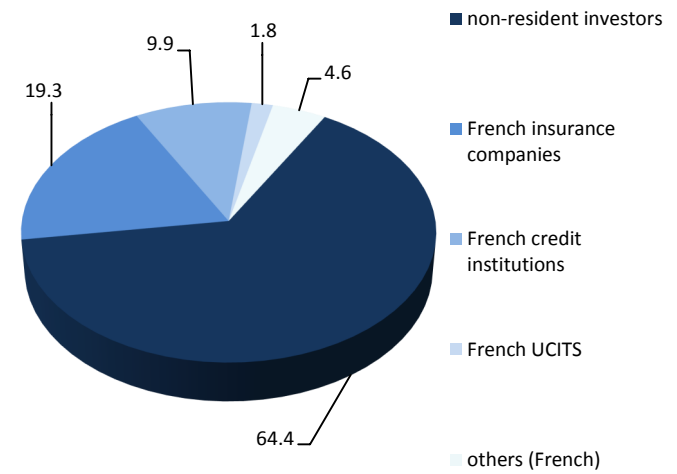
As a % of negotiable debt outstanding expressed in market value



(\*) 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 July, 2015**

In euros

Total medium- and long-term debt	1,412,416,334,567
Total stripping activity	62,159,439,100
Average maturity	7 years and 315 days
Total short-term debt	158,251,000,000
Average maturity	115 days
<b>TOTAL OUTSTANDING</b>	<b>1,570,667,334,567</b>
<b>Average maturity</b>	<b>7 years and 38 days</b>

Source: Agence France Trésor

**Negotiable government debt and interest rate swaps at 31 July, 2015**

In € billion

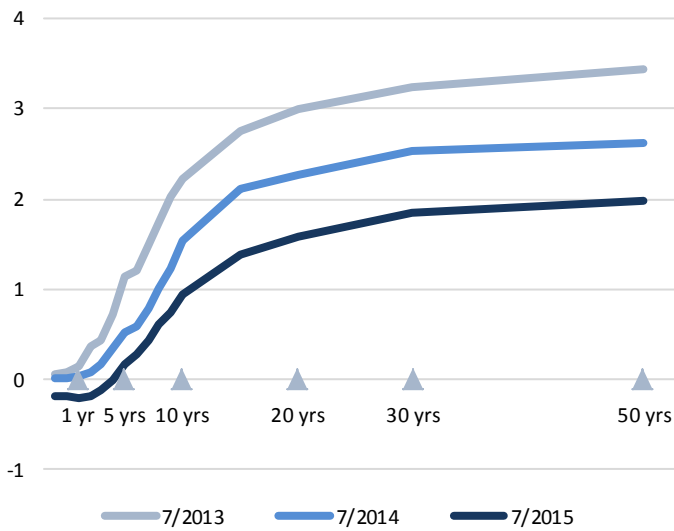
	End 2012	End 2013	End 2014	End June 2015	End July 2015
<b>Negotiable government debt outstanding</b>	<b>1,386</b>	<b>1,457</b>	<b>1,528</b>	<b>1,585</b>	<b>1,571</b>
of which index-linked securities	173	174	189	198	186
Medium- and long-term	1,220	1,283	1,352	1,429	1,412
short-term	167	174	175	156	158
<b>Swaps outstanding</b>	<b>10</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Average maturity of the negotiable debt</b>					
before swaps	7 years 37 days	7 years 5 days	6 years 363 days	6 years 357 days	7 years 38 days
after swaps	7 years 34 days	7 years 2 days	6 years 362 days	6 years 356 days	7 years 37 days

Source: Agence France Trésor

Secondary market

Yield curve for French government securities

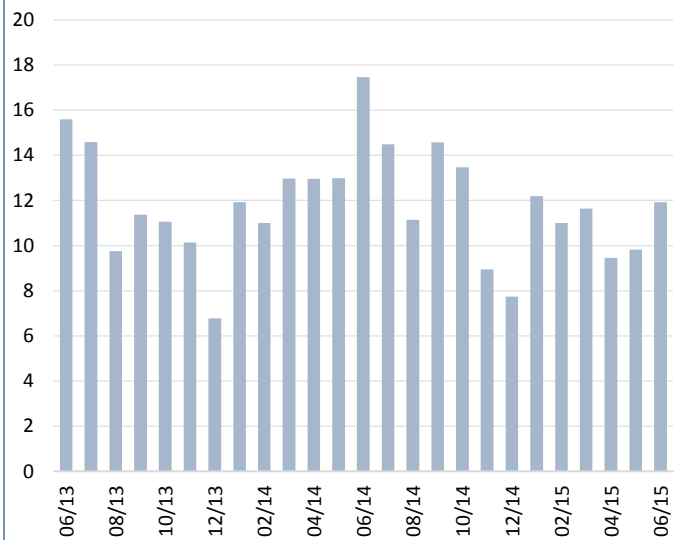
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

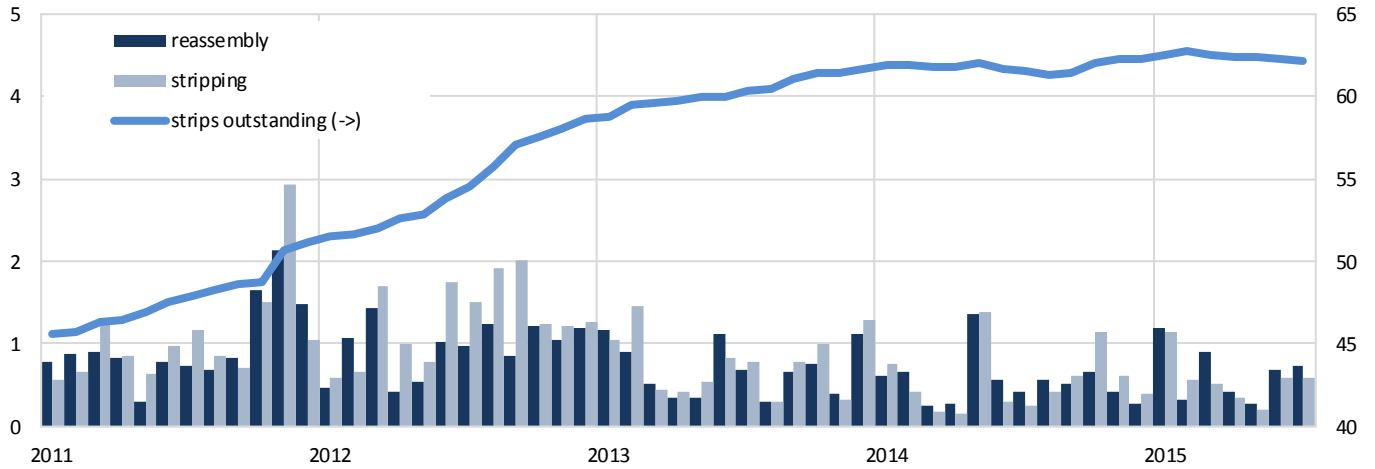
In € billion



Source: reporting by primary dealers in government securities

Total stripping and reassembly

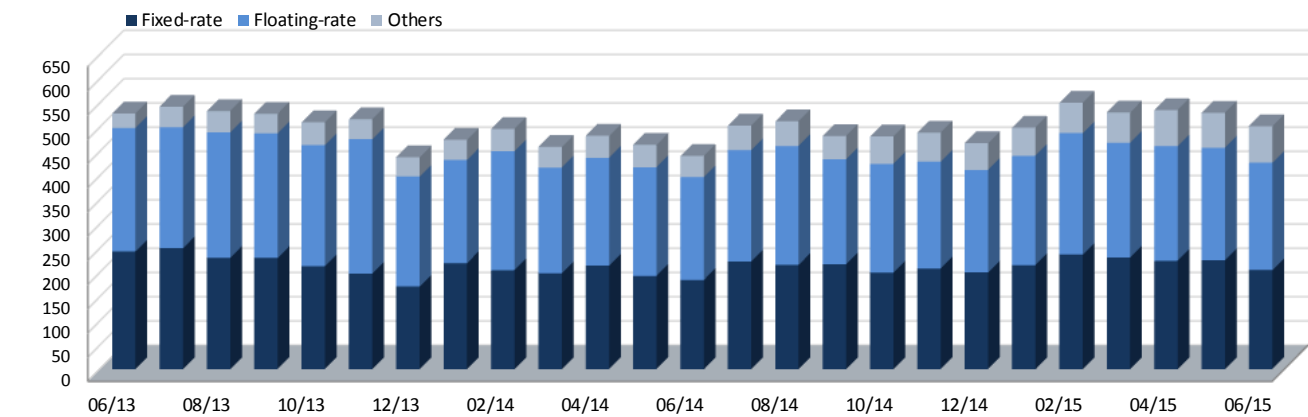
In € billion



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 July, 2015

	Maturity	Outstanding (€)
BTF	5 August 2015	7,113,000,000
BTF	12 August 2015	5,458,000,000
BTF	20 August 2015	8,310,000,000
BTF	26 August 2015	6,174,000,000
BTF	9 September 2015	7,387,000,000
BTF	16 September 2015	7,218,000,000
BTF	23 September 2015	8,297,000,000
BTF	30 September 2015	8,167,000,000
BTF	7 October 2015	8,374,000,000
BTF	14 October 2015	6,592,000,000
BTF	21 October 2015	8,187,000,000
BTF	28 October 2015	8,081,000,000
BTF	11 November 2015	6,573,000,000
BTF	25 November 2015	5,502,000,000
BTF	9 December 2015	6,698,000,000
BTF	23 December 2015	4,787,000,000
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
BTF	25 May 2016	4,895,000,000
BTF	22 June 2016	6,765,000,000

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

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2015</b>	<b>41,879,000,000</b>			
FR0010216481	OAT 3% 25 October 2015	26,794,000,000			0
FR0011452721	OAT 0.25% 25 November 2015	15,085,000,000			0
	<b>Maturity 2016</b>	<b>133,735,536,840</b>			
FR0119105809	BTAN 2.25% 25 February 2016	25,867,000,000			–
FR0010288357	OAT 3.25% 25 April 2016	31,617,000,000			0
FR0119580050	BTAN 2.5% 25 July 2016	26,625,000,000			–
FR0119105791	BTANi 0.45% 25 July 2016	8,794,536,840 (1)	1.05526	8,334,000,000	–
FR0000187361	OAT 5% 25 October 2016	27,374,000,000			264,017,000
FR0011857218	OAT 0.25% 25 November 2016	13,458,000,000			0
	<b>Maturity 2017</b>	<b>144,008,720,600</b>			
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	23,003,720,600 (1)	1.13908	20,195,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	34,875,000,000			0
	<b>Maturity 2018</b>	<b>131,447,148,510</b>			
FR0012634558	OAT 0% 25 February 2018	14,982,000,000			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	11,757,148,510 (1)	1.04443	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 July, 2015

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2019</b>	<b>137,207,019,468</b>			
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	12,016,671,600 (1)	1.07196	11,210,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,869,885,100
FR0010776161	OAT 3.75% 25 October 2019	35,410,000,000			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	-
	<b>Maturity 2020</b>	<b>120,452,701,900</b>			
FR0010854182	OAT 3.5% 25 April 2020	36,032,000,000			0
FR0012557957	OAT 0% 25 May 2020	22,969,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	24,889,701,900 (1)	1.22549	20,310,000,000	0
FR0010949651	OAT 2.5% 25 October 2020	36,562,000,000			0
	<b>Maturity 2021</b>	<b>83,912,537,480</b>			
FR0010192997	OAT 3.75% 25 April 2021	37,837,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	6,184,537,480 (1)	1.01519	6,092,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
	<b>Maturity 2022</b>	<b>81,873,151,170</b>			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			608,668,400
FR0011196856	OAT 3% 25 April 2022	36,140,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	19,532,211,180 (1)	1.08942	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	24,957,000,000			0
	<b>Maturity 2023</b>	<b>96,594,027,153</b>			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,726,300,200
FR0011486067	OAT 1.75% 25 May 2023	31,131,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	15,155,831,250 (1)	1.10425	13,725,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	39,701,000,000			582,585,000
	<b>Maturity 2024</b>	<b>69,130,190,800</b>			
FR0011619436	OAT 2.25% 25 May 2024	28,128,000,000			21,000,000
FR0011427848	OAT€i 0.25% 25 July 2024	10,767,190,800 (1)	1.02020	10,554,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			58,000,000
	<b>Maturity 2025</b>	<b>56,071,148,278</b>			
FR0012558310	OATi 0.1% 1 March 2025	3,430,220,160 (1)	1.00652	3,408,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	31,065,000,000			0
FR0000571150	OAT 6% 25 October 2025	21,575,928,118			3,145,964,400
	<b>Maturity 2026</b>	<b>31,784,000,000</b>			
FR0010916924	OAT 3.5% 25 April 2026	31,784,000,000			75,813,000
	<b>Maturity 2027</b>	<b>47,069,311,850</b>			
FR0011008705	OAT€i 1.85% 25 July 2027	12,040,311,850 (1)	1.07359	11,215,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	35,029,000,000			0
	<b>Maturity 2028</b>	<b>22,534,786</b>			
FR0000571226	OAT zero coupon 28 March 2028	22,534,786 (3)		46,232,603	-
	<b>Maturity 2029</b>	<b>39,753,262,382</b>			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,640,609,100
FR0000186413	OATi 3.4% 25 July 2029	10,661,381,924 (1)	1.25885	8,469,144,000	0
	<b>Maturity 2030</b>	<b>33,215,996,550</b>			
FR0011883966	OAT 2.5% 25 May 2030	28,387,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	4,828,996,550 (1)	1.00709	4,795,000,000	0
	<b>Maturity 2031 and more</b>	<b>164,260,046,800</b>			
FR0000188799	OAT€i 3.15% 25 July 2032	11,952,315,420 (1)	1.24167	9,626,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	26,135,322,600			11,324,057,400
FR0010070060	OAT 4.75% 25 April 2035	24,004,000,000			5,227,967,000
FR0010371401	OAT 4% 25 October 2038	23,889,000,000			4,870,011,400
FR0010447367	OAT€i 1.8% 25 July 2040	11,238,408,780 (1)	1.15018	9,771,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	26,037,000,000			7,224,539,000
FR0011461037	OAT 3.25% 25 May 2045	15,421,000,000			480,000,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,569,538,000
FR0010870956	OAT 4% 25 April 2060	10,657,000,000			5,470,484,100

(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	1.0%	Jun 2015
Household consumption*, year-on-year	1.7%	Jun 2015
Unemployment rate (ILO)	10.3%	Mar 2015
Consumer prices, year-on-year		
all items	0.2%	Jul 2015
all items excluding tobacco	0.2%	Jul 2015
Trade balance, fob-fob, sa (€bn)	-€2.7bn	Jun 2015
" "	-€4.0bn	May 2015
Current account balance, sa (€bn)	€1.0bn	Jun 2015
" "	€0.2bn	May 2015
10-year constant maturity rate (TEC10)	0.93%	31 Jul. 2015
3-month interest rate (Euribor)	-0.023%	31 Jul. 2015
EUR / USD	1.0967	31 Jul. 2015
EUR / JPY	136.34	31 Jul. 2015

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

### Monthly government budget position

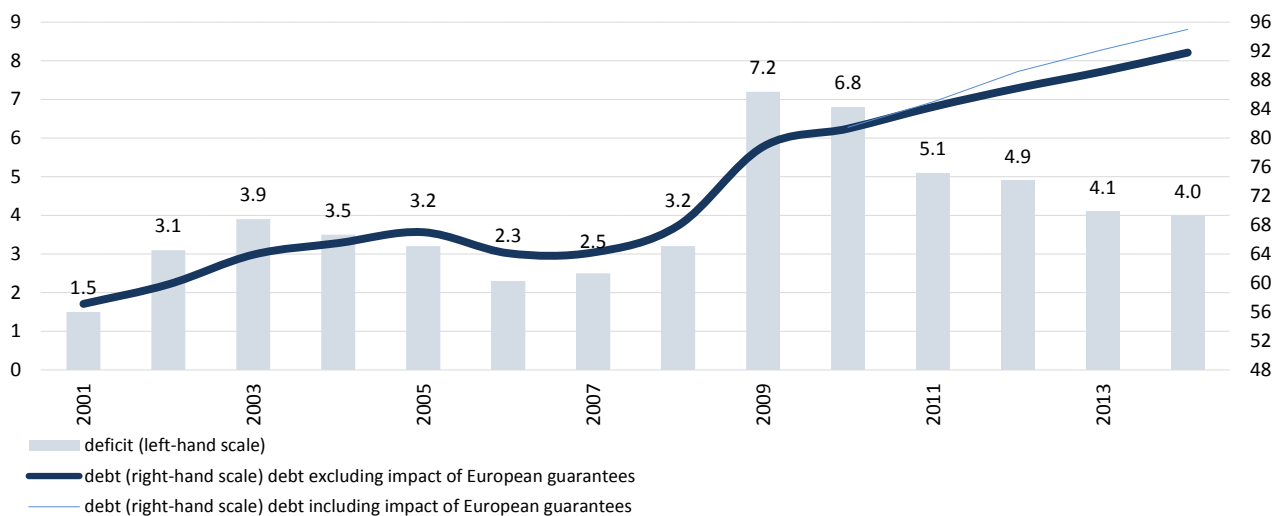
In € billion

	end of June level				
	2013	2014	2013	2014	2015
General budget balance	-75.43	-85.71	-43.55	-42.78	-41.42
revenue	301.24	291.95	152.65	151.57	152.43
expenditure	376.67	377.66	196.21	194.35	193.85
Balance of special Treasury accounts	0.56	0.16	-15.76	-16.62	-17.08
<b>General budget outturn</b>	<b>-74.87</b>	<b>-85.56</b>	<b>-59.31</b>	<b>-59.41</b>	<b>-58.49</b>

Source: Minefi

### Public finances: deficit and debt

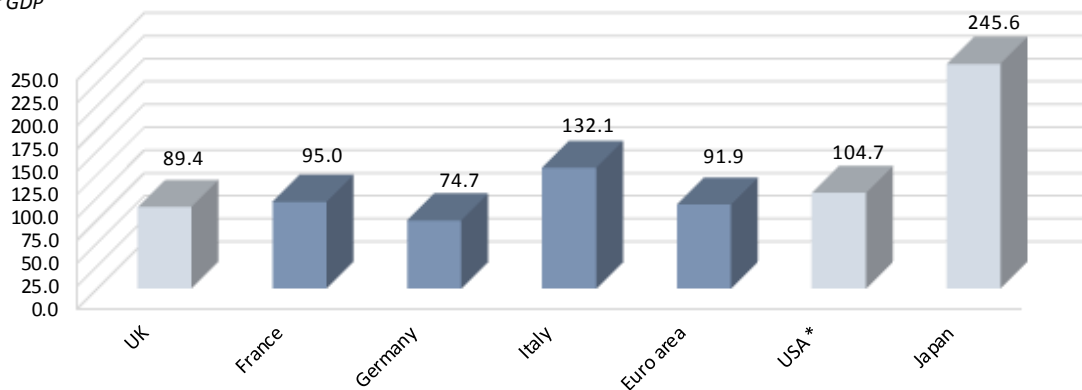
As % of GDP



Source: Insee

### General government debt in 2014

As % of GDP



Sources: Eurostat (07/2015), FMI (07/2015)

\* IMF estimate



### French economic indicators: timetable

September 2015		October 2015	
 3	Job seekers Q2-2015 (BIT)	 6	Eurozone economic outlook - Q4-2015
 8	Foreign trade in July	 7	Foreign trade in August
 10	Industrial output in July	 9	Industrial output in August
 10	Payroll employment: Q2-2015	 12	Balance of payments in August
 11	Balance of payments in July	 14	Consumer prices: index for September
 15	Consumer prices: index for August	 16	Inflation (HICP): September index
 16	Inflation (HICP): August index	 22	Industrial trends: quarterly survey for October
 23	Quarterly national accounts: final results Q2-2015	 22	Industrial trends: monthly survey for October
 24	Industrial trends: monthly survey for September	 26	Job seekers in September
 24	Job seekers in August	 28	New building starts in September
 25	New building starts in August	 29	Household confidence survey: October survey
 30	Net foreign exchange reserves in August	 30	Industrial producer prices: September index
		 30	Household consumption of manufactured goods in September

Sources: Insee, Eurostat