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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

The August bond auction met sustained market demand

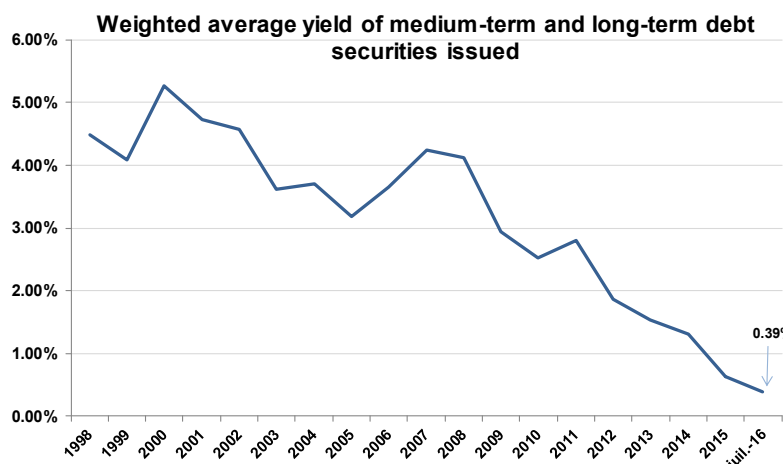
As it did in 2015, Agence France Trésor held a bond auction in August. Unlike last year's August auction, this year's auction featured indexed-linked securities, in addition to long-term OATs. In the indicative State financing programme published on 17 December 2015, AFT notified the market that an auction of fixed-rate OATs and/or, for the first time, index-linked OATs could be held on the first Thursdays of August and December, depending on market conditions and the recommendations of primary dealers.

After consulting the primary dealers and analysing their recommendations, AFT held the 4 August 2016 auction. AFT's decision was in keeping with its issuance strategy to meet investor demand and to maintain a high level of liquidity for all French debt securities in every segment of the yield curve. The continuation of the ECB's Public Sector Purchase Programme (PSPP) over the summer sustained demand from public and private sector investors for high-quality sovereign debt securities denominated in euros. Consequently, AFT selected its 10-year benchmark bond and two off-the-run bonds with residual maturities of more than 15 years for the 10:50 am auction. For the 11:50 am auction, AFT selected a bond linked to the French inflation index and a bond linked to the European inflation index.

The day's auctions resulted in issuance of €5.99bn in long-term debt, which was the upper bound of the indicative range of €5bn to €6bn announced on the Friday before the auction. Demand stood at €13.21bn. AFT also sold €610m in indexed-linked bonds in response to demand for €1.41bn. The day's two auctions resulted in the issuance of €6.6bn. In addition, €1.5bn in fixed-rate securities and €133m in indexed-linked securities were issued through non-competitive tenders, bringing the total issuance amount to €8.23bn.

Five bonds were issued: OAT 25 May 2026, OAT 25 October 2032, OAT 25 April 2035, along with OAT€i 25 July 2027 and OATi 25 July 2029.

At the end of this August auction, AFT had raised €155.4bn in medium-term and long-term debt on the markets, compared to the annual target of €187bn in issuance net of buybacks. The execution rate of 83.1% was comparable to that achieved at the same date last year (83.5%). The average yield for securities with maturities of more than one year (see chart) issued in 2016 stood at 0.39% at the end of August (compared to 0.63% in 2015).



A review of 10-year sovereign bond yield spreads in the euro area since the start of the ECB's asset purchase programme

The 10-year euro-area sovereign bond yield spreads versus Germany provide a market measurement of the credit risk of each country in the euro area. It stands to reason that each euro-area country's spread and credit rating are closely correlated. Since the start of the ECB's asset purchase programme in 2015, there has been a significant overall drop in 10-year yields, while yield spreads have remained stable on the whole (see chart below). However, several distinct periods can be observed.

The first significant change occurred in March 2015 and affected only the "peripheral countries" of the euro area. These are the euro-area countries that were hit hardest by the so-called euro-area sovereign debt crisis because of their domestic economic woes. The peripheral countries in the sample of countries shown in the chart below are Italy and Spain. During this period, which saw the first asset purchases under the ECB's programme, Italy's and Spain's yield spreads versus Germany narrowed by approximately 20 basis points. This was in line with the general trend towards smaller yield spreads since 2014, in response to the ECB's monetary policy at the time. The narrowing trend turned out to be temporary and was obliterated in the following months, when all euro-area sovereign yields soared. The French 10-year yield rose by 96 basis points between 15 April and 10 June 2015. Over the period as a whole, the "core" countries' yield spreads remained stable overall.

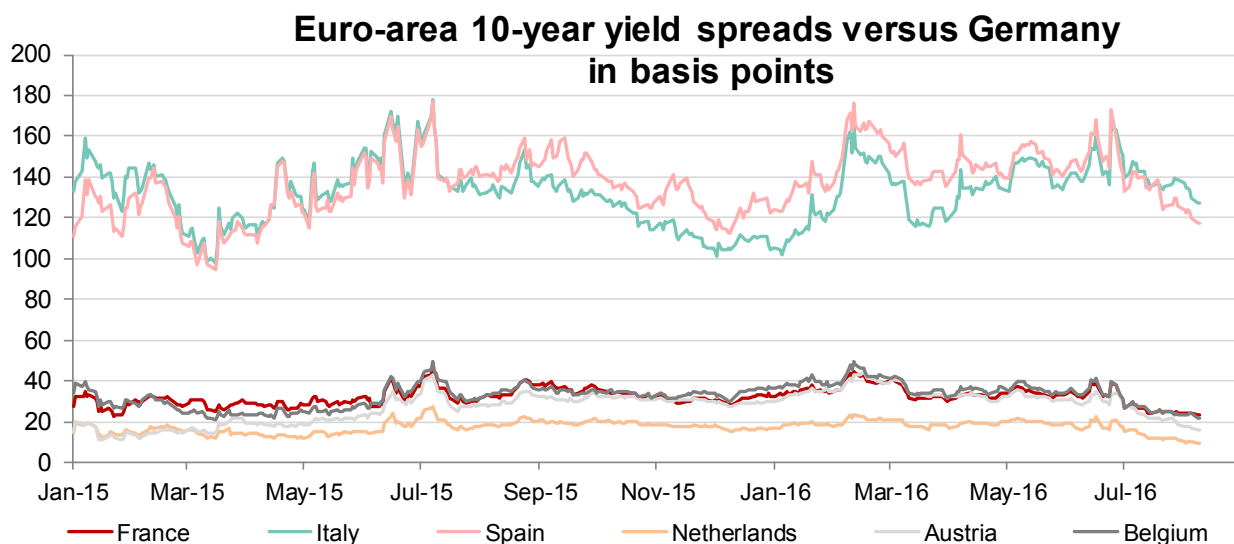
The volatility of sovereign spreads saw a more widespread resurgence in July 2015, when the success of the negotiations on a new rescue plan for Greece

looked uncertain. At the time, all of the spreads widened, with France's spread increasing by 15 basis points between 20 June and 7 July 2015. The second half of 2015 was calmer after that, as core countries' spreads shrank and then stabilised and the peripheral countries' spreads continued to narrow gradually.

At the beginning of 2016, as doubts grew about the strength of world growth and tensions roiled all financial markets, volatility rose and spreads all across the euro area started to widen again. However, this period was short-lived and the spreads rapidly shrank once again.

At the end of June 2016, there was a last flutter of volatility and widening euro-area spreads after the British referendum on leaving the European Union. After that, the spreads rapidly shrank to new lows in both the core countries and the peripheral countries. This can be explained by a rapid sharpening of the overall appetite for risk, expectations of easing measures by central banks and the support that the ECB's Public Sector Purchase Programme (PSPP) provided for sovereign bonds, as issuance volumes declined during the summer months.

On the whole, changes in euro-area sovereign yield spreads have been limited since 2015 and the start of the PSPP. In the case of France, the 10-year yield spread versus Germany stood at 24 basis points on 5 August 2016, which was 9 basis points less than on 1 January 2015 and followed fluctuations between 23 basis points on 23 January 2015 and 44 basis points in early February 2016.



Source : Agence France Trésor

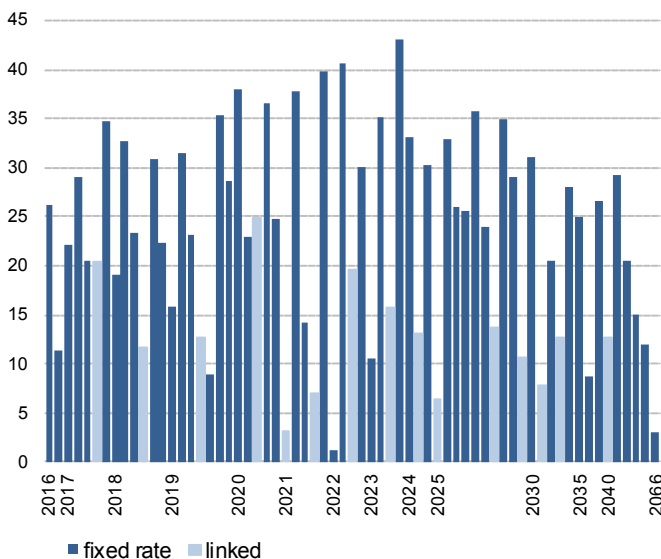
Indicative auction schedule

		Short-term					Medium-term	Long-term	Index-linked
September 2016	auction date	5	12	19	26	//	15	1	15
	settlement date	7	14	21	28	//	19	5	19
October 2016	auction date	3	10	17	24	31	20	6	20
	settlement date	5	12	19	26	03/11	24	10	24

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 31 July 2016

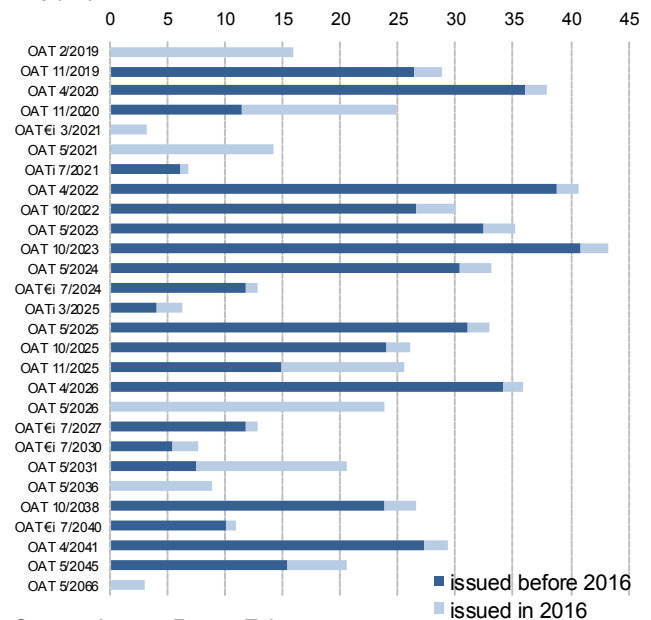
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 31 July 2016

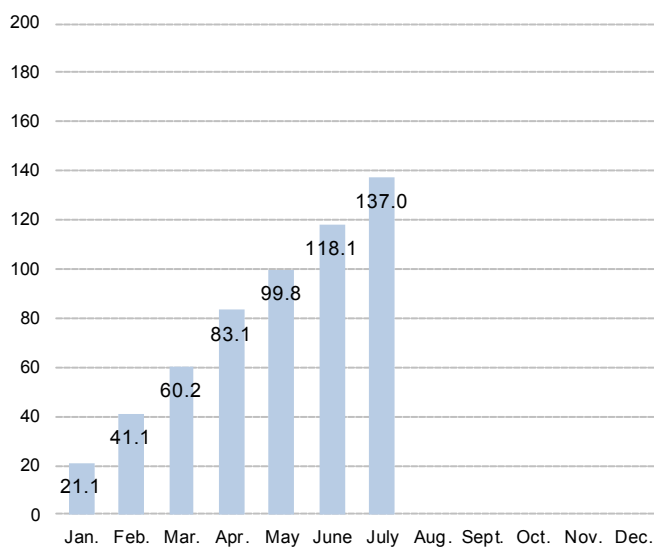
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 31 July 2016

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 31 July 2016

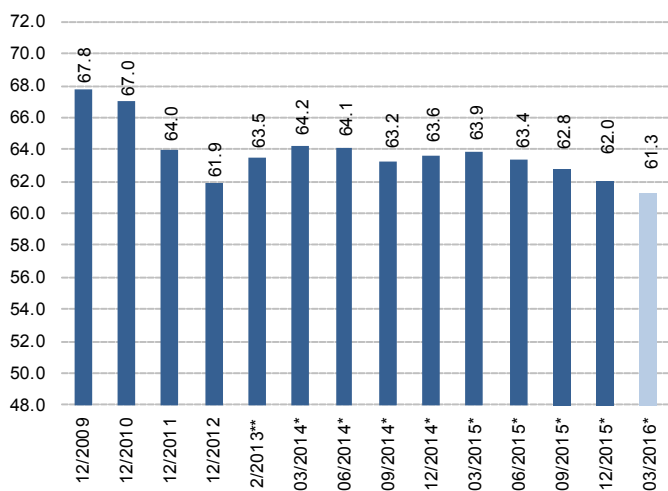
In € billion

Month	Coupon	Redemption
Aug-16		
Sep-16		
Oct-16	16.1	26.2
Nov-16	1.2	11.4
Dec-16		
Jan-17		
Feb-17	0.4	22.2
Mar-17	0.0	
Apr-17	15.1	29.1
May-17	4.0	
Jun-17		
Jul-17	3.1	40.9

Source: Agence France Trésor

Non-resident holders of negotiable government debt in first quarter of 2016

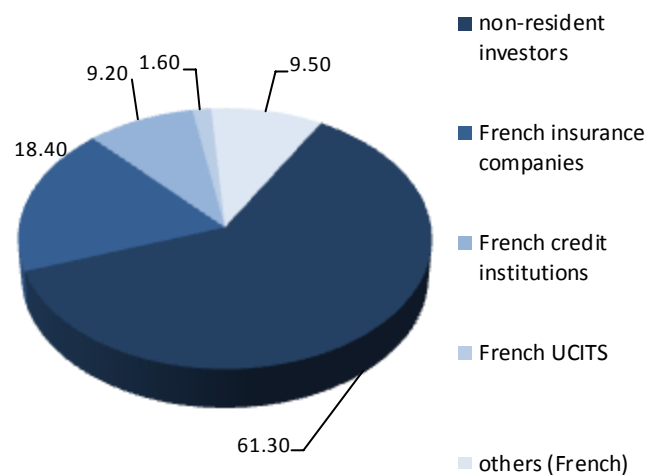
As a % of negotiable debt outstanding expressed in market value



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

Negotiable government debt by group of holders in first quarter of 2016

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 31 July 2016

In euros

Total medium- and long-term debt	1,473,906,997,286
Total stripping activity	60,802,289,100
Average maturity	8 years and 33 days
Total short-term debt	150,346,000,000
Average maturity	108 days
TOTAL OUTSTANDING	1,624,252,997,286
Average maturity	7 years and 134 days

Source: Agence France Trésor

Negotiable government debt and interest rate swaps at 31 July 2016

In € billion

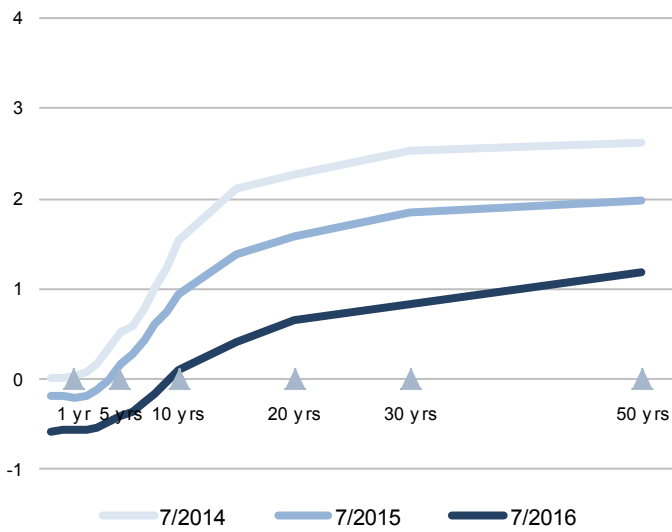
	End 2013	End 2014	End 2015	End June 2016	End July 2016
Negotiable government debt outstanding	1,457	1,528	1,576	1,639	1,624
of which index-linked securities	174	189	190	197	191
Medium- and long-term	1,283	1,352	1,424	1,486	1,474
short-term	174	175	153	153	150
Swaps outstanding	7	6	6	6	6
Average maturity of the negotiable debt					
before swaps	7 years	6 years	7 years	7 years	7 years
	5 days	363 days	47 days	81 days	134 days
after swaps	7 years	6 years	7 years	7 years	7 years
	2 days	362 days	47 days	81 days	134 days

Source: Agence France Trésor

Secondary market

Yield curve for French government securities

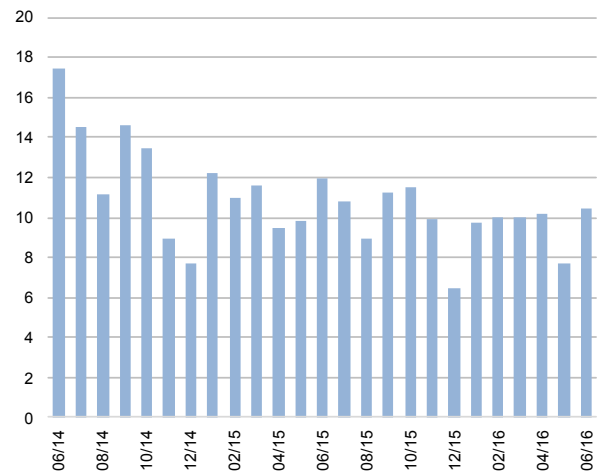
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

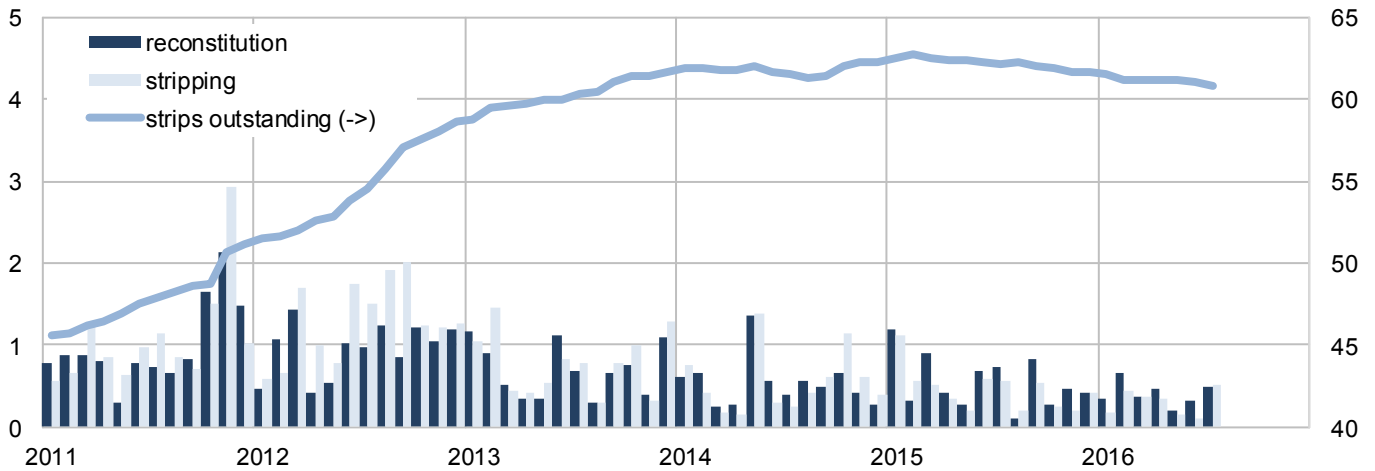
In € billion



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

Total stripping and reconstitution

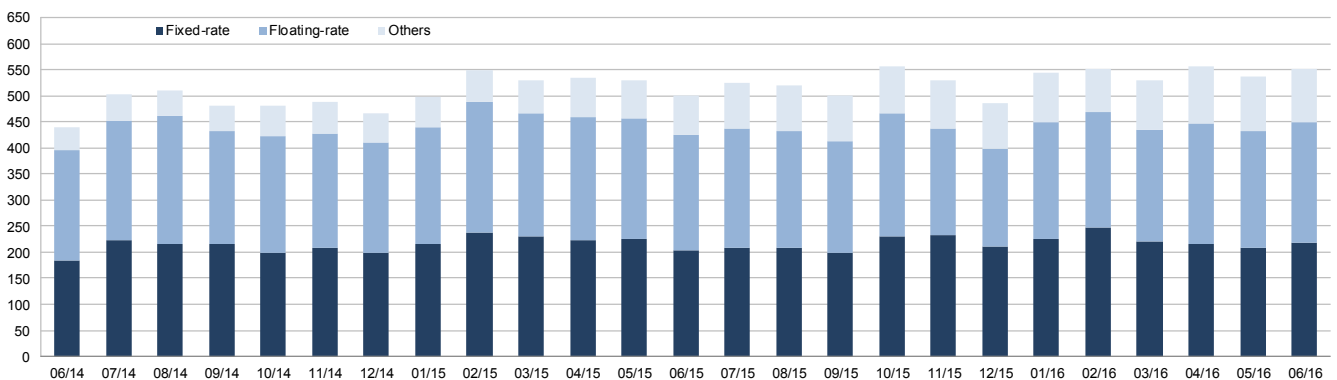
In € billion



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 2016

	Maturity	Outstanding (€)
BTF	03 August 2016	6,538,000,000
BTF	10 August 2016	7,743,000,000
BTF	18 August 2016	5,862,000,000
BTF	24 August 2016	6,895,000,000
BTF	31 August 2016	6,504,000,000
BTF	07 September 2016	7,040,000,000
BTF	14 September 2016	5,555,000,000
BTF	21 September 2016	7,940,000,000
BTF	28 September 2016	5,828,000,000
BTF	05 October 2016	7,311,000,000
BTF	12 October 2016	8,049,000,000
BTF	19 October 2016	7,190,000,000
BTF	26 October 2016	5,209,000,000
BTF	09 November 2016	7,161,000,000
BTF	23 November 2016	6,382,000,000
BTF	07 December 2016	3,590,000,000
BTF	21 December 2016	3,363,000,000
BTF	04 January 2017	7,090,000,000
BTF	01 February 2017	6,746,000,000
BTF	01 March 2017	6,366,000,000
BTF	29 March 2017	6,135,000,000
BTF	26 April 2017	5,030,000,000
BTF	24 May 2017	4,972,000,000
BTF	21 June 2017	4,571,000,000
BTF	19 July 2017	1,276,000,000

Medium- and long-term debt (maturing 2016–2019) at 31 July 2016

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2016	37,607,000,000			
FR0000187361	OAT 5% 25 October 2016	26,204,000,000			215,517,000
FR0011857218	OAT 0.25% 25 November 2016	11,403,000,000			0
	Maturity 2017	126,715,350,650			
FR0120473253	BTAN 1.75% 25 February 2017	22,150,000,000			–
FR0010415331	OAT 3.75% 25 April 2017	29,051,000,000			0
FR0120746609	BTAN 1% 25 July 2017	20,418,000,000			–
FR0010235176	OATi 1% 25 July 2017	20,321,350,650	(1)	1.13877	17,845,000,000
FR0010517417	OAT 4.25% 25 October 2017	34,775,000,000			0
	Maturity 2018	140,238,011,610			
FR0012634558	OAT 0% 25 February 2018	19,107,000,000			0
FR0010604983	OAT 4% 25 April 2018	32,769,000,000			0
FR0011394345	OAT 1% 25 May 2018	23,412,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	11,738,011,610	(1)	1.04273	11,257,000,000
FR0010670737	OAT 4.25% 25 October 2018	30,947,000,000			0
FR0011523257	OAT 1% 25 November 2018	22,265,000,000			0
	Maturity 2019	156,058,577,846			
FR0013101466	OAT 0% 25 février 2019	15,880,000,000			0
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	12,581,288,400	(1)	1.07166	11,740,000,000
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,465,385,100
FR0010776161	OAT 3.75% 25 October 2019	35,410,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	28,737,000,000			0
FR0000570954	OAT cap. 9.82% 31 December 2019	32,896,553	(2)	6,692,154	–

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

(2) Including coupons capitalised at 31 December 2015; not open to subscription

Medium- and long-term debt (maturing in 2020 and beyond) at 31 July 2016

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2020	147,088,878,800			
FR0010854182	OAT 3.5% 25 April 2020	37,927,000,000			0
FR0012557957	OAT 0% 25 May 2020	22,969,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	24,848,878,800	(1) 1.22348	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	101,967,407,300			
FR0013140035	OAT€i 0.1% 1 March 2021	3,144,342,300	(1) 1.00298	3,135,000,000	0
FR0010192997	OAT 3.75% 25 April 2021	37,837,000,000			0
FR0013157096	OAT 0% 25 May 2021	14,143,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	6,952,065,000	(1) 1.01490	6,850,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
	Maturity 2022	91,411,237,550			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			619,468,400
FR0011196856	OAT 3% 25 April 2022	40,615,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	19,500,297,560	(1) 1.08764	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	30,052,000,000			0
	Maturity 2023	104,685,376,923			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,491,900,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	15,657,181,020	(1) 1.10394	14,183,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	43,185,000,000			459,585,000
	Maturity 2024	76,497,833,170			
FR0011619436	OAT 2.25% 25 May 2024	33,135,000,000			10,000,000
FR0011427848	OAT€i 0.25% 25 July 2024	13,127,833,170	(1) 1.01853	12,889,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			46,000,000
	Maturity 2025	90,752,815,798			
FR0012558310	OATi 0.1% 1 March 2025	6,270,887,680	(1) 1.00624	6,232,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	32,870,000,000			0
FR0000571150	OAT 6% 25 October 2025	26,039,928,118			3,138,464,400
FR0012938116	OAT 1% 25 November 2025	25,572,000,000			0
	Maturity 2026	59,685,000,000			
FR0010916924	OAT 3.5% 25 April 2026	35,814,000,000			159,313,000
FR0013131877	OAT 0.5% 25 May 2026	23,871,000,000			0
	Maturity 2027	48,733,418,380			
FR0011008705	OAT€i 1.85% 25 July 2027	13,704,418,380	(1) 1.07183	12,786,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	35,029,000,000			0
	Maturity 2028	23,815,557			
FR0000571226	OAT zero coupon 28 March 2028	23,815,557	(3)	46,232,603	-
	Maturity 2029	39,750,298,182			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,349,609,100
FR0000186413	OATi 3.4% 25 July 2029	10,658,417,724	(1) 1.25850	8,469,144,000	0
	Maturity 2030	38,727,686,720			
FR0011883966	OAT 2.5% 25 May 2030	31,023,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	7,704,686,720	(1) 1.00544	7,663,000,000	0
	Maturity 2031	20,581,000,000			
FR0012993103	OAT 1.5% 25 May 2031	20,581,000,000			0
	Maturity 2032 and later	193,383,288,800			
FR0000188799	OAT€i 3.15% 25 July 2032	12,594,742,400	(1) 1.23964	10,160,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	28,114,322,600			11,013,157,400
FR0010070060	OAT 4.75% 25 April 2035	25,004,000,000			5,109,167,000
FR0013154044	OAT 1.25% 25 May 2036	8,789,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,904,211,400
FR0010447367	OAT€i 1.8% 25 July 2040	12,615,223,800	(1) 1.14830	10,986,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	29,290,000,000			7,305,039,000
FR0011461037	OAT 3.25% 25 May 2045	20,598,000,000			498,600,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,274,588,000
FR0010870956	OAT 4% 25 April 2060	11,918,000,000			5,700,284,100
FR0013154028	OAT 1.75% 25 May 2066	3,000,000,000			42,000,000

(1) face value x indexation coefficient (face value if coefficient < 1)
(3) Revised on 28 March 2016; not open to subscription

Most recent economic indicators

Industrial output, year-on-year	0.4%	Jun. 2016
Household consumption*, year-on-year	1.0%	Jul. 2016
Unemployment rate (ILO)	9.9%	Jun. 2016
Consumer prices, year-on-year		
all items	0.2%	Jul. 2016
all items excluding tobacco	0.2%	Jul. 2016
Trade balance, fob-fob, sa (€bn)	-€3.4bn	Jun. 2016
" "	-€2.7bn	May. 2016
Current account balance, sa (€bn)	-€0.6bn	Jun. 2016
" "	-€0.3bn	May. 2016
10-year constant maturity rate (TEC10)	0.18%	30 Aug. 2016
3-month interest rate (Euribor)	-0.30%	29 Aug. 2016
EUR / USD	1.1168	30 Aug. 2016
EUR / JPY	114.27	30 Aug. 2016

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

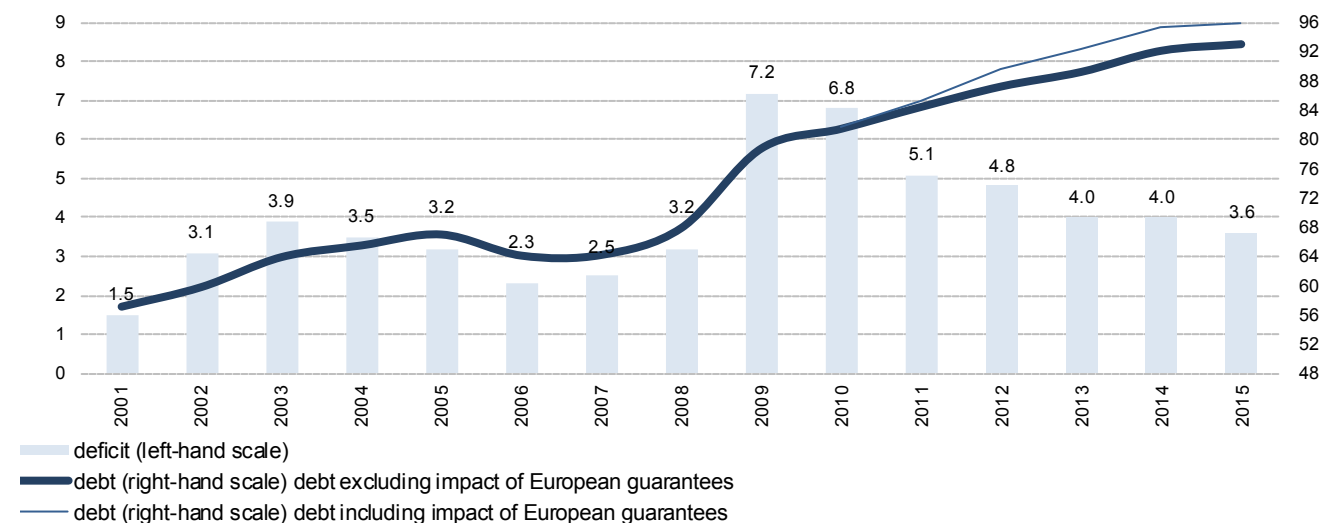
In € billion

	2014	2015	end of June level		
			2014	2015	2016
General budget balance	-85.71	-72.15	-42.78	-41.42	-38.79
revenue	291.95	299.66	151.57	152.43	155.10
expenditure	377.66	371.80	194.35	193.85	193.90
Balance of special Treasury accounts	0.16	1.62	-16.62	-17.08	-23.00
General budget outturn	-85.56	-70.52	-59.41	-58.49	-61.80

Source: Minefi

Public finances: deficit and debt

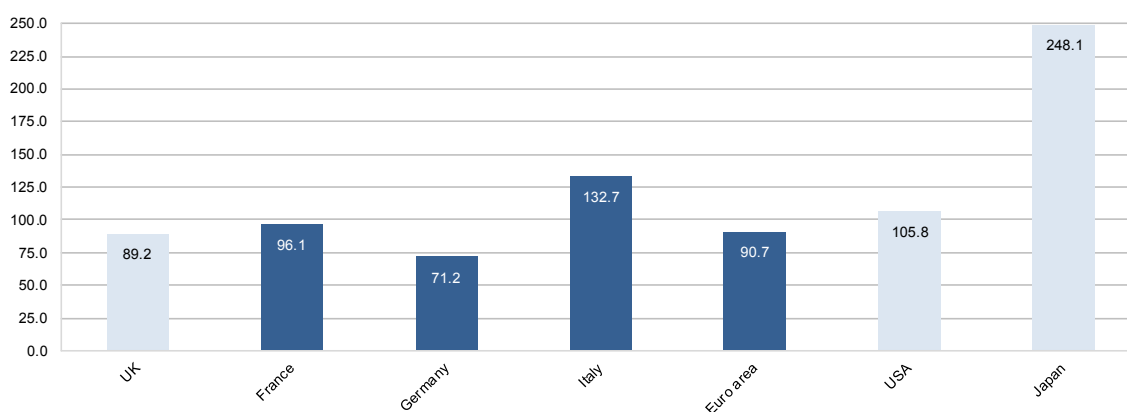
As % of GDP



Source: Eurostat, Insee

General government debt in 2015

As % of GDP



Sources: Eurostat (2016), IMF (2016), Insee (2016)

French economic indicators: timetable

September 2016		October 2016	
6	Household confidence survey: August survey	7	Foreign trade by value August
7	Foreign trade by value July	7	Industrial output in August
7	Balance of payments in July	7	Balance of payments in August
8	Payroll employment: Q2-2016	11	Eurozone economic outlook - Q4-2016
9	Industrial output in July	12	Consumer prices: index for September
14	Consumer prices: index for August	17	Inflation (HICP): September index
15	Inflation (HICP): August index	25	Industrial trends: quarterly survey for October
22	Industrial trends: monthly survey for September	25	Industrial trends: monthly survey for October
23	Quarterly national accounts: final results Q2-2016	25	Job seekers in September
26	Job seekers in August	26	Household confidence survey: October survey
28	Housing starts in August	28	Housing starts in September
28	Household confidence survey: September survey	28	Industrial producer prices: September index
30	Net foreign exchange reserves in August	28	Household consumption expenditure on goods in September
30	Debt of the general government according to Maastricht definition - Q2 2016	28	Quarterly national accounts: initial estimate Q3-2016
30	Household consumption expenditure on goods in July and August	31	Net foreign exchange reserves in September

Sources: Insee, Eurostat

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