

<b>News at Agence France Trésor</b> <i>page 1</i>	<b>Economic news</b> <i>page 2</i>	<b>General debt-related data</b> <i>page 3</i>	<b>Secondary market</b> <i>page 5</i>	<b>Negotiable government debt</b> <i>page 6</i>	<b>The French economy and international comparisons</b> <i>page 8</i>
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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

### Investor satisfaction with the functioning of the French government debt market remains very high

Investors' view of the French Treasury securities market remains excellent, as can be seen in the fourteenth online survey of clients of dealers in French Treasury securities (SVTs). This annual survey, conducted by IEM Finance from 15 September 2016 to 19 October 2016, assesses the quality of the business relationship and services provided by dealers to their clients, as well as the functioning of the French government debt market. In 2016, 260 investors representing most of the major asset managers, insurers and public institutions trading French debt replied to the questionnaire.

Satisfaction with the functioning of the French government debt market remains very high: 92.9% of investors are "very satisfied" or "satisfied". The liquidity of securities issued by the French government continues to be highly appreciated: for OATs, all investors expressed satisfaction (93% were "very satisfied" or "satisfied", compared with 93.6% in 2015).

Investors once again gave high praise to AFT's flexibility in the choice of securities to be issued, through the reopening of old off-the-run lines at auctions, with 91.4% of respondents "very satisfied" or "somewhat satisfied", compared with 94.7% in 2015. The slight decline in satisfaction came in a particularly favourable market environment for the creation of new benchmarks under the French government's financing programme. Indeed, on 13 April, AFT syndicated the OAT 1.25% 25 May 2036 and the OAT 1.75% 25 May 2066 in a total amount of €9 billion, followed on 28 September by the OAT€i 0.10% 25 July 2047 in the amount of €4 billion. Investor satisfaction with the inflation-linked securities sector has increased: 64% of investors were "very satisfied" or "satisfied" in 2016, compared with 58% in 2015. It should be noted that one-third of respondents did not comment on this segment.

Regarding transparency, and looking at information other than that issued by AFT, a majority of investors were "satisfied" with the information they receive from French public institutions in respect of economic policy and public finances. The proportion of satisfied investors increased further to 91.3% in 2016, up from 85.4% in 2015 and 82.7% in 2014.

#### Relatively stable ranking in the French Treasury securities market in 2016

On the French government bond market, the five top-ranked primary dealers most frequently mentioned by investors as being their main partner are:

2016	2015
1 – BNP Paribas	1 – BNP Paribas
2 – Société Générale	2 – Société Générale
3 – Crédit Agricoles CIB	3 – Barclays
4 ex-aequo – Barclays et JP Morgan	4 – Natixis
	5 – HSBC

The annual ranking is characterised by a measure of stability at the upper end and changes in the second part of the list. It highlights a competitive market, as well as the collective ability of primary dealers in French Treasury securities to respond to the needs of investors. As in previous years, investors stressed the importance they attach to the quality of the various services offered by dealers in French Treasury securities (pricing, quality of information, advice and coverage, importance of research, quality of post-market services (back and middle office).

## Bank Shares Driving Breakevens

Frederic Pretet, Fixed Income Strategist, Scotiabank

Over recent months, the performance of the European Linker market seems to have been more correlated with the swings in banks' share prices than traditional drivers like oil prices or the exchange rate. As an example, with the US election raising the possibility to move away from tighter global regulation in the banking sector, European banks' equity shares have increased by around 6%. Mirroring this rise, 5y5y inflation swaps - which are usually seen as a benchmark to assess the outlook on medium-term inflation - have increased from 1.45% to 1.55%, back to their highest level since January.

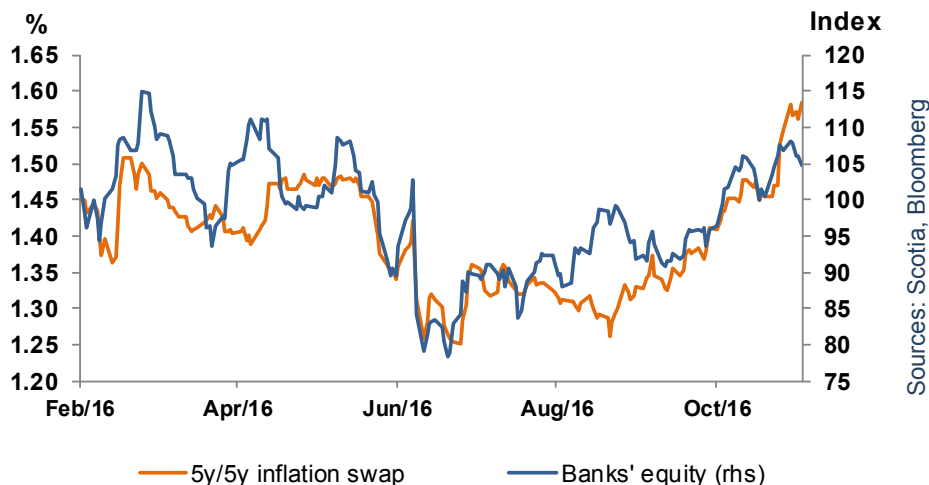
This significant improvement in inflation expectations could look surprising in view of the underlying trend of inflation in the Eurozone. Indeed, the dynamic on core inflation (excluding food and energy prices) has constantly proved disappointing over the past years, remaining roughly stable in the 0.8%/1.0% y/y range despite the fact that the eurozone recovery is now entering into its fourth year. This has already forced the ECB to regularly delay the timeframe when inflation is seen as coming back to its target of below but close to 2.0%.

It could be viewed that part of this ongoing weakness could be cyclical and linked to the negative spillover of

past lower oil prices in components like service transport prices or non-durable goods prices. As oil prices have now turned up, there are expectations that core inflation could gradually pick up over the coming months. However, structural factors like the underlying weakness in the banking sector could have also been a drag. This can be seen by the correlation between the performance of banks' equities and the trend in core inflation. It is indeed interesting to see that banks' equity prices could be a leading indicator for eurozone core inflation with a 12-18 month lead. This strong relationship illustrates the importance of the banking sector in Europe for the efficient transmission of monetary policy and therefore the capacity of the ECB to "reflate" the economy through the credit channel.

So, supporting the banking sector matters for the outlook on medium term inflation. The linker market has become more and more aware of this point, hence the strengthening correlation between banks' equity prices and fixed income inflation markets. While recent weeks have seen some recovery, a worsening in the news flow in this sector could refuel some downside risks to breakevens and inflation swaps.

5y5y inflation swaps & banks' share



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**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.

Indicative auction schedule

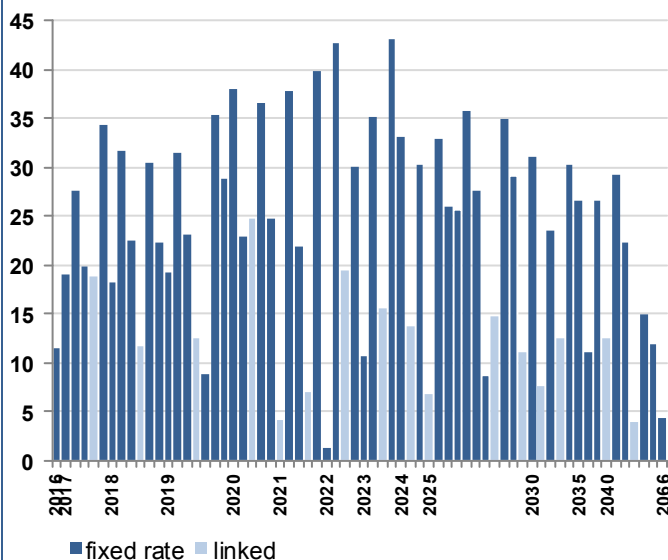
		Short-term					Medium-term	Long-term	Index-linked
December 2016	auction date	5	12	19	27	/	//	1	//
	settlement date	7	14	21	29	/	//	5	//
January 2017	auction date	2	9	16	23	30	19	5	19
	settlement date	4	11	18	25	1/2	23	9	23

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

Source: Agence France Trésor

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

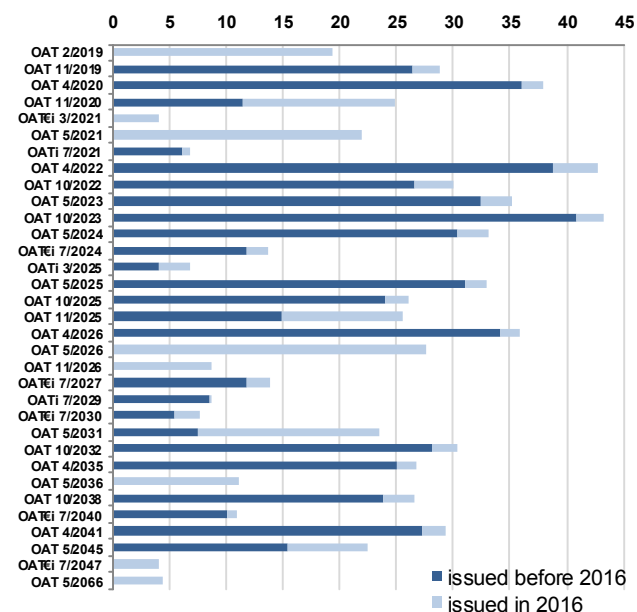
Nominal value of each line, in € billion



Source: Agence France Trésor

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

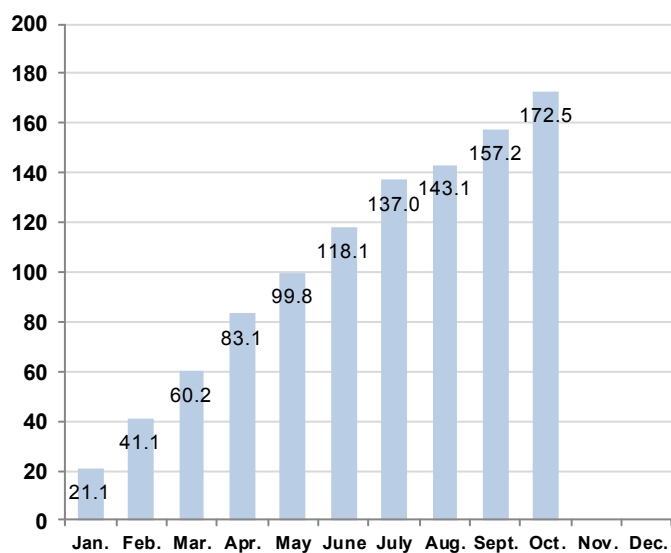
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 31 October 2016

In € billion



Source: Agence France Trésor

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

In € billion

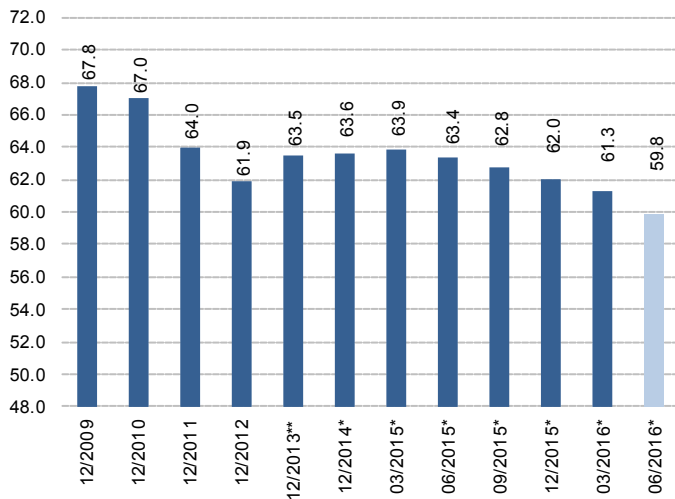
Month	Coupon	Redemption
Nov-16	1.3	11.4
Dec-16		
Jan-17		
Feb-17	0.3	19.0
Mar-17	0.0	
Apr-17	15.2	27.7
May-17	4.2	
Jun-17		
Jul-17	3.1	38.8
Aug-17		
Sep-17		
Oct-17	14.9	34.4

Source: Agence France Trésor



### Non-resident holders of negotiable government debt in second quarter of 2016

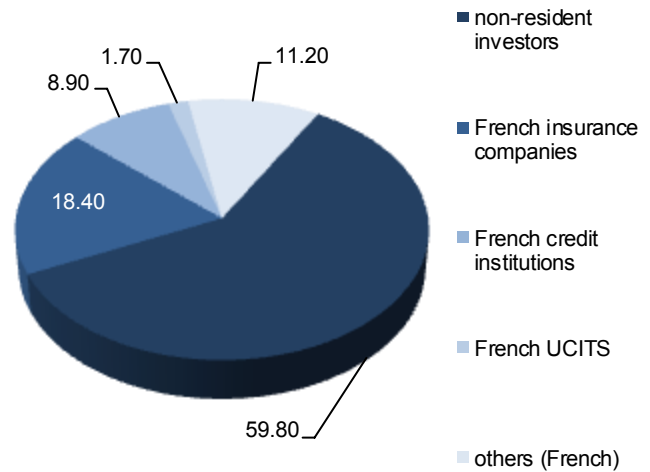
As a % of negotiable debt outstanding expressed in market value



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

### Negotiable government debt by group of holders in second quarter of 2016

Structure in % expressed in market value



Source: Banque de France

### Negotiable government debt at 31 October 2016

In euros

Total medium- and long-term debt	1,482,864,962,916
Total stripping activity	60,651,622,100
Average maturity	8 years and 70 days
Total short-term debt	141,774,000,000
Average maturity	109 days
<b>TOTAL OUTSTANDING</b>	<b>1,624,638,962,916</b>
<b>Average maturity</b>	<b>7 years and 184 days</b>

Source: Agence France Trésor

### Negotiable government debt and interest rate swaps at 31 October 2016

In € billion

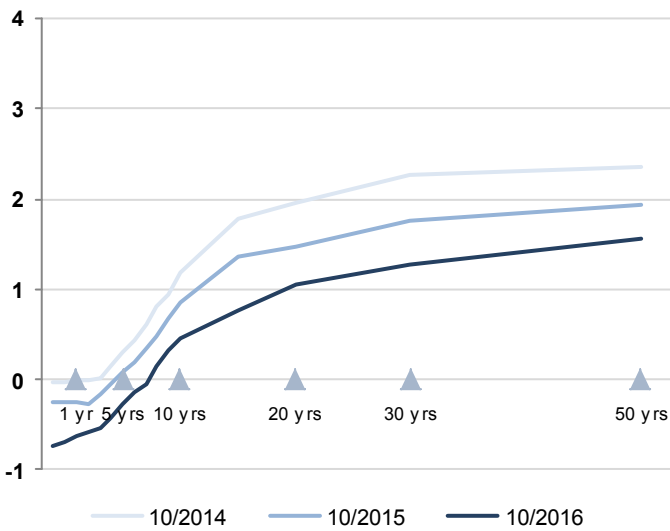
	End 2013	End 2014	End 2015	End Sept. 2016	End Oct. 2016
<b>Negotiable government debt outstanding</b>	<b>1,457</b>	<b>1,528</b>	<b>1,576</b>	<b>1,636</b>	<b>1,625</b>
of which index-linked securities	174	189	190	192	197
Medium- and long-term	1,283	1,352	1,424	1,493	1,483
short-term	174	175	153	143	142
<b>Swaps outstanding</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Average maturity of the negotiable debt</b>					
before swaps	7 years	6 years	7 years	7 years	7 years
after swaps	5 days	363 days	47 days	124 days	184 days
after swaps	7 years	6 years	7 years	7 years	7 years
after swaps	2 days	362 days	47 days	124 days	184 days

Source: Agence France Trésor



### Yield curve for French government securities

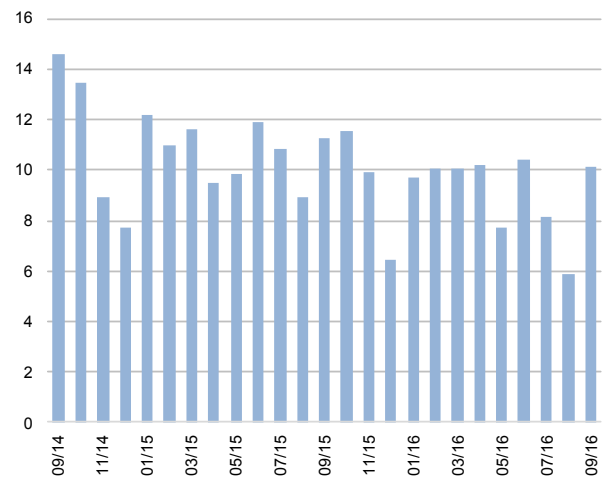
End-of-month value, %



Source: Bloomberg

### Average daily volume of medium- and long-term transactions

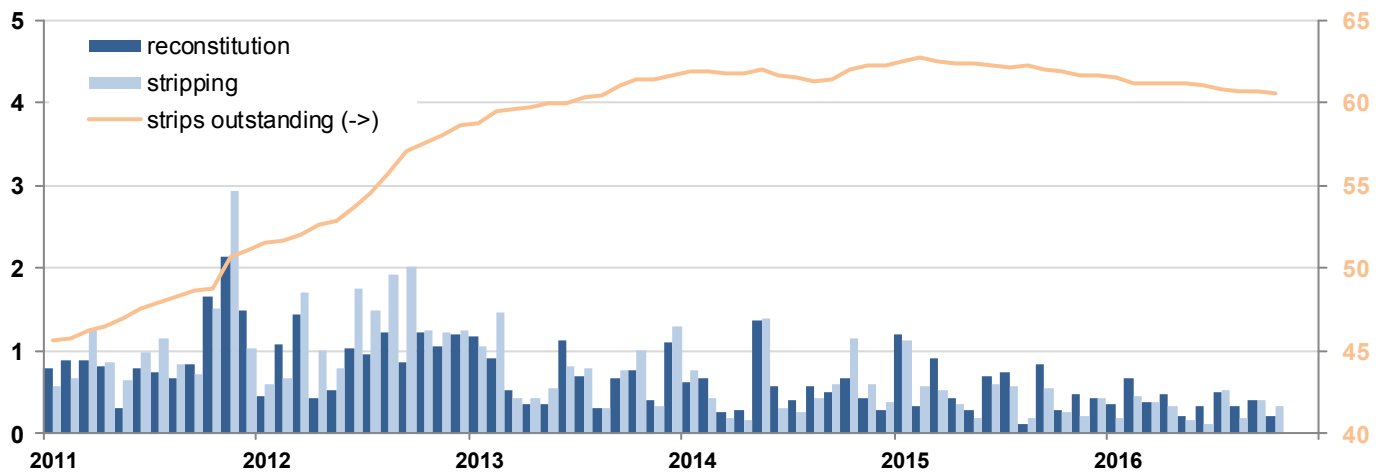
In € billion



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

### Total stripping and reconstitution

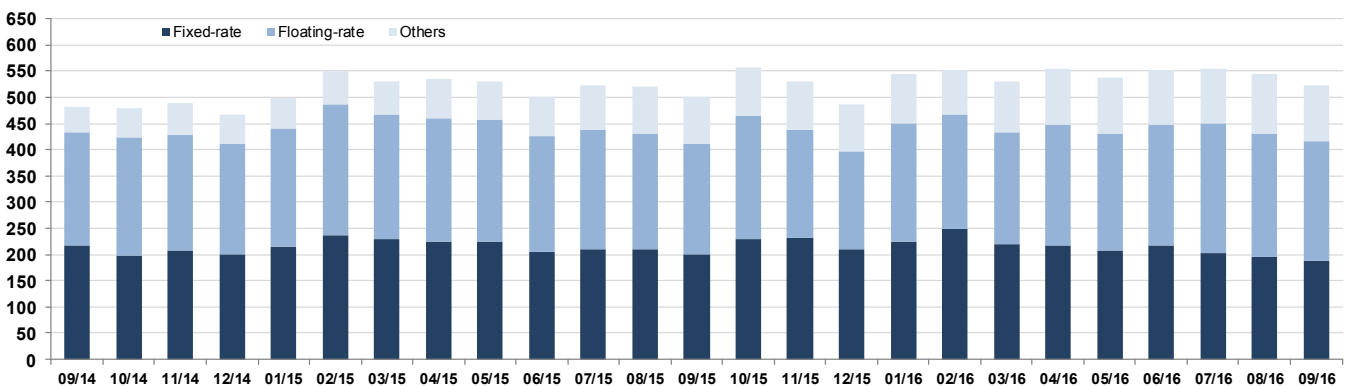
In € billion



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 October 2016

	Maturity	Outstanding (€)
BTF	03 November 2016	6,702,000,000
BTF	09 November 2016	7,161,000,000
BTF	16 November 2016	6,102,000,000
BTF	23 November 2016	6,382,000,000
BTF	30 November 2016	6,676,000,000
BTF	07 December 2016	3,590,000,000
BTF	14 December 2016	6,885,000,000
BTF	21 December 2016	4,283,000,000
BTF	29 December 2016	6,992,000,000
BTF	04 January 2017	7,090,000,000
BTF	11 January 2017	7,341,000,000
BTF	18 January 2017	4,172,000,000
BTF	25 January 2017	4,125,000,000
BTF	01 February 2017	6,746,000,000
BTF	15 February 2017	6,545,000,000
BTF	01 March 2017	6,366,000,000
BTF	15 March 2017	6,090,000,000
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	3,979,000,000
BTF	17 August 2017	5,088,000,000
BTF	13 September 2017	5,871,000,000
BTF	11 October 2017	2,880,000,000

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

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2016</b>	<b>11,403,000,000</b>			
FR0011857218	OAT 0.25% 25 November 2016	11,403,000,000			0
	<b>Maturity 2017</b>	<b>119,760,068,320</b>			
FR0120473253	BTAN 1.75% 25 February 2017	18,985,000,000			–
FR0010415331	OAT 3.75% 25 April 2017	27,697,000,000			0
FR0120746609	BTAN 1% 25 July 2017	19,768,000,000			–
FR0010235176	OATi 1% 25 July 2017	18,910,068,320 (1)	1.13971	16,592,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	34,400,000,000			0
	<b>Maturity 2018</b>	<b>136,967,413,230</b>			
FR0012634558	OAT 0% 25 February 2018	18,217,000,000			0
FR0010604983	OAT 4% 25 April 2018	31,682,000,000			0
FR0011394345	OAT 1% 25 May 2018	22,556,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	11,700,413,230 (1)	1.03939	11,257,000,000	0
FR0010670737	OAT 4.25% 25 October 2018	30,547,000,000			0
FR0011523257	OAT 1% 25 November 2018	22,265,000,000			15,000,000
	<b>Maturity 2019</b>	<b>159,501,909,046</b>			
FR0013101466	OAT 0% 25 février 2019	19,313,000,000			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	12,591,619,600 (1)	1.07254	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,456,385,100
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 October 2016

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2020</b>	<b>147,009,466,700</b>			
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	24,769,466,700	(1) 1.21957	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
	<b>Maturity 2021</b>	<b>110,619,819,000</b>			
FR0013140035	OAT€i 0.1% 1 March 2021	4,082,000,000	(1) 0.99977	4,082,000,000	0
FR0010192997	OAT 3.75% 25 April 2021	37,837,000,000			0
FR0013157096	OAT 0% 25 May 2021	21,852,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	6,957,819,000	(1) 1.01574	6,850,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
	<b>Maturity 2022</b>	<b>93,437,023,920</b>			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			641,468,400
FR0011196856	OAT 3% 25 April 2022	42,703,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	19,438,083,930	(1) 1.08417	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	30,052,000,000			0
	<b>Maturity 2023</b>	<b>104,698,283,453</b>			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,469,050,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	15,670,087,550	(1) 1.10485	14,183,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	43,185,000,000			459,585,000
	<b>Maturity 2024</b>	<b>77,195,946,860</b>			
FR0011619436	OAT 2.25% 25 May 2024	33,135,000,000			10,000,000
FR0011427848	OAT€i 0.25% 25 July 2024	13,825,946,860	(1) 1.01527	13,618,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			46,000,000
	<b>Maturity 2025</b>	<b>91,358,202,078</b>			
FR0012558310	OATi 0.1% 1 March 2025	6,876,273,960	(1) 1.00707	6,828,000,000	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
	<b>Maturity 2026</b>	<b>72,066,000,000</b>			
FR0010916924	OAT 3.5% 25 April 2026	35,814,000,000			144,013,000
FR0013131877	OAT 0.5% 25 May 2026	27,522,000,000			0
FR0013200813	OAT 0.25% 25 November 2026	8,730,000,000			0
	<b>Maturity 2027</b>	<b>49,761,305,490</b>			
FR0011008705	OAT€i 1.85% 25 July 2027	14,732,305,490	(1) 1.06841	13,789,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	35,029,000,000			0
	<b>Maturity 2028</b>	<b>23,815,557</b>			
FR0000571226	OAT zero coupon 28 March 2028	23,815,557	(3)	46,232,603	-
	<b>Maturity 2029</b>	<b>40,092,884,192</b>			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,307,609,100
FR0000186413	OATi 3.4% 25 July 2029	11,001,003,734	(1) 1.25954	8,734,144,000	0
	<b>Maturity 2030</b>	<b>38,703,088,490</b>			
FR0011883966	OAT 2.5% 25 May 2030	31,023,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	7,680,088,490	(1) 1.00223	7,663,000,000	0
	<b>Maturity 2031</b>	<b>23,513,000,000</b>			
FR0012993103	OAT 1.5% 25 May 2031	23,513,000,000			0
	<b>Maturity 2032 and later</b>	<b>206,753,736,580</b>			
FR0000188799	OAT€i 3.15% 25 July 2032	12,554,508,800	(1) 1.23568	10,160,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	30,284,322,600			11,014,157,400
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			5,085,167,000
FR0013154044	OAT 1.25% 25 May 2036	11,155,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,854,211,400
FR0010447367	OAT€i 1.8% 25 July 2040	12,574,905,180	(1) 1.14463	10,986,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	29,290,000,000			7,157,039,000
FR0011461037	OAT 3.25% 25 May 2045	22,400,000,000			552,600,000
FR0013209871	OAT€i 0.1% 25 July 2047	4,000,000,000	(1) 0.99750	4,000,000,000	0
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,344,088,000
FR0010870956	OAT 4% 25 April 2060	11,918,000,000			5,886,784,100
FR0013154028	OAT 1.75% 25 May 2066	4,439,000,000			70,000,000

(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	-0.3%	Sep. 2016
Household consumption*, year-on-year	2.2%	Oct. 2016
Unemployment rate (ILO)	10.0%	Sep. 2016
Consumer prices, year-on-year		
all items	0.4%	Oct. 2016
all items excluding tobacco	0.3%	Oct. 2016
Trade balance, fob-fob, sa (€bn)	-€4.8bn	Sep. 2016
" "	-€4.2bn	Aug. 2016
Current account balance, sa (€bn)	-€3.4bn	Sep. 2016
" "	-€2.5bn	Aug. 2016
10-year constant maturity rate (TEC10)	0.73%	29 Nov. 2016
3-month interest rate (Euribor)	-0.31%	28 Nov. 2016
EUR / USD	1.0576	29 Nov. 2016
EUR / JPY	119.48	29 Nov. 2016

\* manufactured products

Sources: Insee, Minefi, Banque de France

### Monthly government budget position

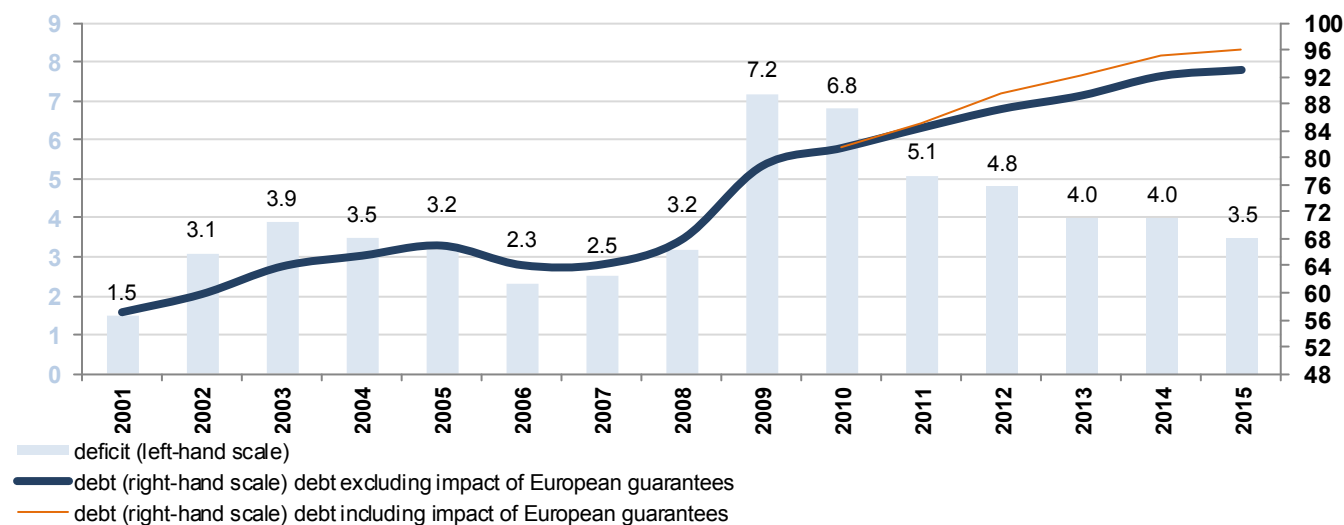
In € billion

	2014	2015	end of September level		
			2014	2015	2016
General budget balance	-85.71	-72.15	-57.24	-48.82	-48.43
revenue	291.95	299.66	220.75	226.47	229.01
expenditure	377.66	371.80	277.99	275.28	277.35
Balance of special Treasury accounts	0.16	1.62	-23.26	-25.72	-34.68
<b>General budget outturn</b>	<b>-85.56</b>	<b>-70.52</b>	<b>-80.50</b>	<b>-74.54</b>	<b>-83.11</b>

Source: Minefi

### Public finances: deficit and debt

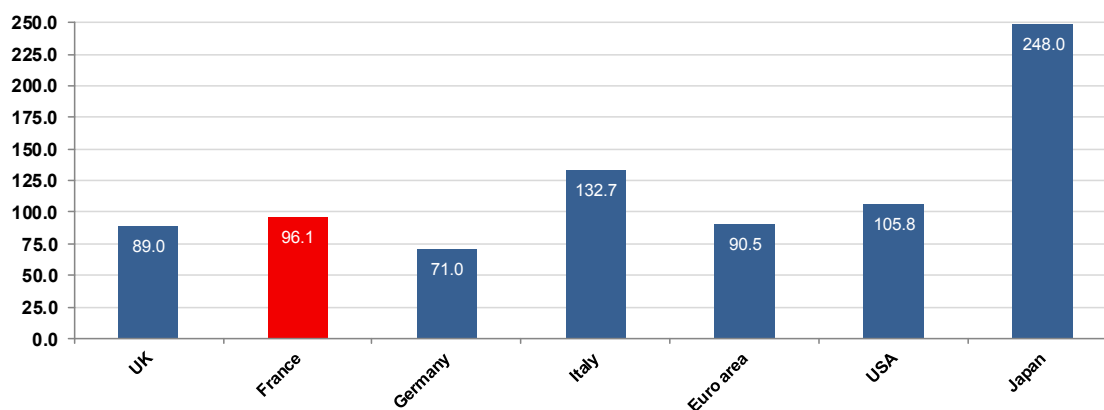
As % of GDP



Source: Eurostat, Insee

### General government debt in 2015


As % of GDP



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



### French economic indicators: timetable

December 2016		January 2017	
 7	Foreign trade by value in October	 4	Consumer confidence survey: December survey
 7	Balance of payments in October	 6	Foreign trade by value in November
 8	Payroll employment: Q3-2016	 6	Balance of payments in November
 9	Industrial production: October index	 10	Industrial production: November index
 14	Consumer prices: November index	 11	Eurozone economic outlook - Q1-2017
 15	Net international reserves in November	 12	Consumer prices: December index
 16	Inflation (HICP): November index	 13	Net international reserves in December
 16	Monthly business survey (goods-producing industries) in December	 18	Inflation (HICP): December index
 21	Industrial producer and import price: november indices	 24	Job seekers in December
 23	Debt of the general government according to Maastricht definition - Q3-2016	 25	Monthly business survey (goods-producing industries) in January
 23	Household consumption expenditure on goods in November	 25	Quarterly business survey (goods-producing industries) in January
 23	Quarterly national accounts: final results Q3-2016	 27	Consumer confidence survey: January survey
 23	Housing starts in November	 27	Housing starts in December
 26	Job seekers in November	 31	Quarterly national accounts: initial estimate Q4-2016
		 31	Industrial producer and import price: December indices
		 31	Household consumption expenditure on goods in December

Sources: Insee, Eurostat

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