

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

Since January, AFT has adjusted the pace of debt issuance while fully meeting France's financing needs

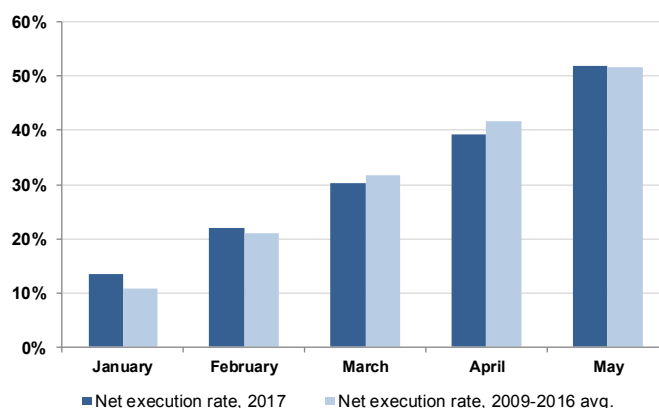
In keeping with its customary principles, AFT adjusted its issuance of medium- and long-term debt over the first half of 2017 to account for fluctuations in demand and rate volatility leading up to the French presidential elections. This flexibility enabled AFT to adapt to market conditions without adversely affecting the execution of its annual issuance programme. As at end May, AFT had issued €104.1bn in debt. Between January and May, it bought back €8.1bn in bonds maturing in 2018 and 2019. Thus, the execution rate stood at 51.90% at the end of May, comparable to that achieved at the same date in previous years. By comparison, over the period 2009-2016, the execution rate averaged 51.70% at the end of May.

In order to meet seasonally strong demand at the start of the year, AFT auctioned €20.25bn in OATs in January (including non-competitive tenders), in addition to a €7bn syndicated Green OAT. Thanks to the sizeable issuance in January, AFT was able to scale back volumes between February and April, during a period of higher volatility, with certain investors waiting on the sidelines ahead of the French presidential elections. Demand for French government debt was temporarily lower during that period.

In contrast, strong demand returned as soon as the results were known for the first round of the presidential elections. AFT therefore revised up its debt auction volumes to meet investors' appetite, especially on the long end of the yield curve. On 16 May, it issued its new 30-year syndicated bond, the OAT 2.00% 25 May 2048, for an amount of €7bn – a record-large issuance for that point on the yield curve.

By fine-tuning its issuance to match the fluctuations in investor demand, AFT ensured that the French State's financing needs were met smoothly in the first half of 2017, while successfully carrying out the two syndicated deals included in its 2017 financing programme: the Green and 30-year OATs. In June, AFT has auctioned €19.7bn in OATs.

Annual issuance programme execution rate



Source : Agence France Trésor

Outlook for sovereign yields in the euro area

Cyril Regnat, Fixed Income Strategist, Natixis, 21 June 2017



Weak inflation, a more accommodative ECB and low volatility favour the European sovereign bond market in the short term

The perception of a relatively hawkish ECB guided the markets' behaviour prior to the 8 June meeting and the macroeconomic news in the euro area has been positive recently, but the decline in euro area inflation expectations between the end of February and early June (from 1.75% to 1.52% for 5-year/5-year inflation swaps), against the backdrop of falling oil prices (with Brent crude slipping from \$56 to \$47) and the fall in American long-term yields have driven down sovereign yields in the euro area. The German 10-year yield has been hovering in the same 0.15% to 0.50% range since November 2016. Its current intermediate level is 0.30%. Spreads have been very volatile over the whole quarter, even though a new trend seems to be emerging. The outcome of French elections, the lesser likelihood of an early election in Italy and investors' perception of a more dovish ECB have all sustained the appetite for peripheral euro-area debt and, more generally speaking, carry trade strategies. More specifically, Portuguese bonds and, to a lesser extent, Italian bonds have benefited from the new trend, which should last at least until the next ECB meeting on 20 July.

With June inflation likely to fall from 1.4% to 1.1% or 1.2%, on the assumption that the Brent crude price stands at \$47 at the end of the month, and net sovereign issuance adjusted for favourable PSPP numbers in July (down by €52 billion), the market context is likely to remain favourable for the vast majority of European sovereign bonds in the short term. This means: i) flatter sovereign yield curves at the long end for core countries, ii) stable spreads in the core euro-area countries, or even a continuation of French debt's market-beating performance as non-resident investors appetite return, and iii) renewed appetite for peripheral countries' sovereign debt, particularly in the 3-year to 5-year segment, as carry trade strategies are implemented. Given the context, German 10-year to 30-year yields could dip below 75 basis points once again, French debt could yield 25 to 30 basis points against the 10-year Bund and Italy's debt could yield 155 basis points against German debt at the same maturity. However, these circumstances could shift greatly in the longer term.

Wider spreads and steeper yield curves in 3-6 months

In addition to the price of Brent crude rising to \$60 as envisaged in our scenario to September, the potential APP adjustment announcement from the ECB (with a €20-billion cut starting in January 2018, according to the Natixis scenario) could undermine the high market valuation based on the bet that the central bank would maintain its dovish stance. This could bring suffering for the entire German yield curve, as was the case for the US Treasury yield curve in 2013. The rise in yields in that episode also resulted in a steeper curve. The 10-year Bund, currently trading at 0.27%, could finish the year up by 50 basis points at 0.75%, while German 2-year and 30-year yields could converge towards -0.45% and 1.65% respectively. It should be noted that the steepening of the German yield curve under this scenario would occur mainly in the 2-year to 5-year segment, whereas the 10-year to 30-year yields would level off at 85 to 90 basis points over the same period. Given the relatively narrow OAT-Bund spreads, French bonds would see similar yield rises to those seen on the German side. This means the French 10-year yield would finish 2017 at 1.10%, which is the highest level it reached in the first quarter of 2017.

The announcement of a further cut in the APP (primarily in the PSPP, which accounts for 85% of the purchase programme) would also result in a temporary widening of sovereign spreads for all issuers. Italy and, to a lesser extent, Germany, will remain the focus of attention, with their respective elections. However, the poll in Germany does not represent a risk for German bonds.

10-years sovereign rates spreads vs Germany



Source : Bloomberg

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Indicative auction schedule

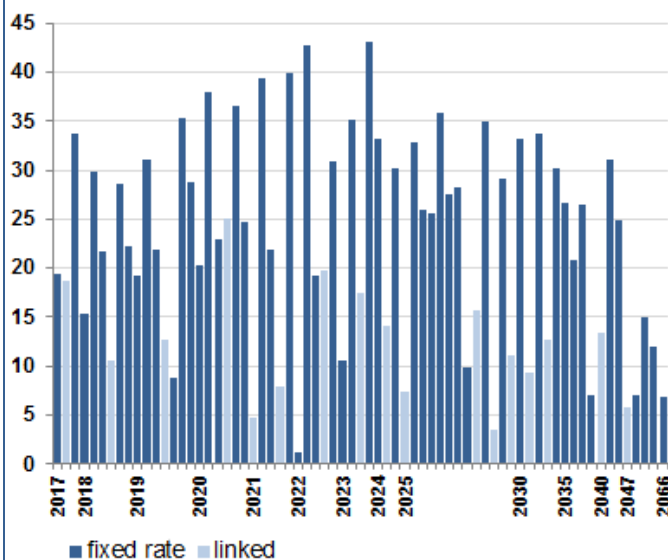
		Short-term					Medium-term	Long-term	Index-linked
July 2017	auction date	3	10	17	24	31	20	6	20
	settlement date	5	12	19	26	2 Aug.	24	10	24
August 2017	auction date	7	14	21	28	/	3	3	3
	settlement date	9	17	23	30	/	7	7	7

optional auctions

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 31 May 2017

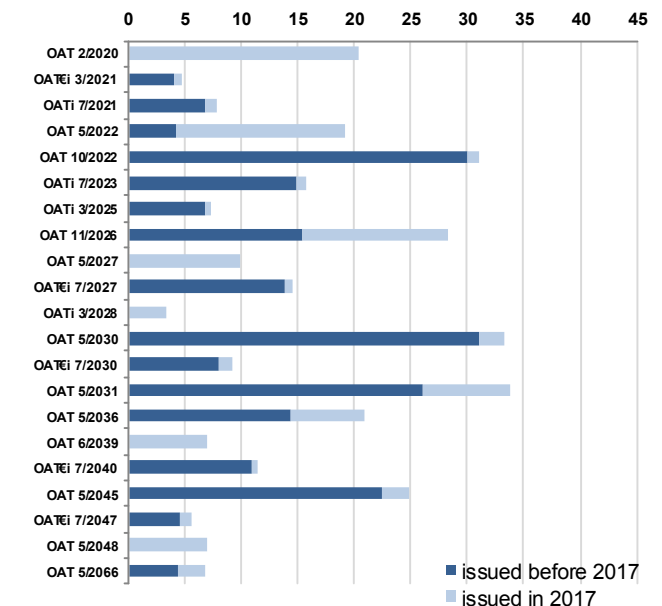
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 31 May 2017

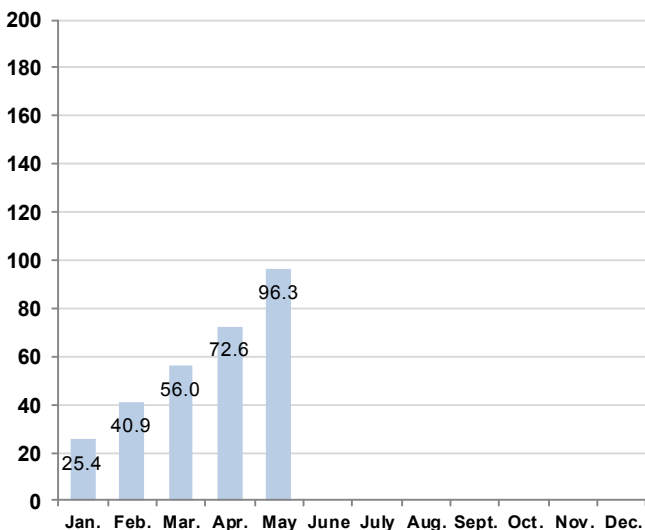
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 31 May 2017

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 31 May 2017

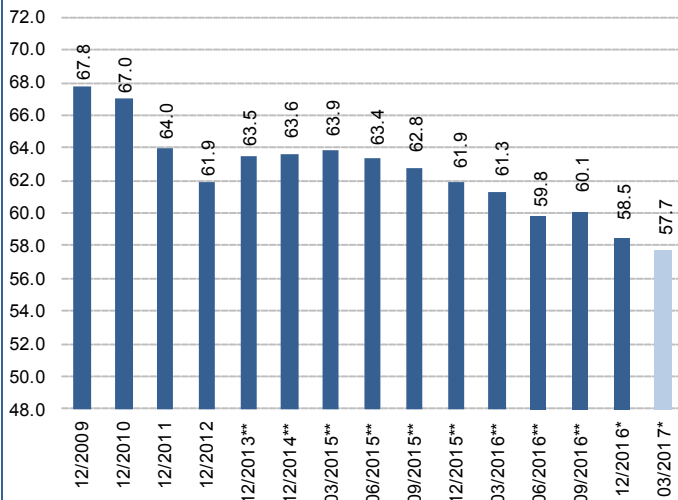
In € billion

Month	Coupon	Redemption
Jun-17	0.1	
Jul-17	3.2	38.2
Aug-17		
Sep-17		
Oct-17	14.8	33.7
Nov-17	1.3	
Dec-17		
Jan-18		
Feb-18		15.3
Mar-18	0.0	
Apr-18	14.2	29.8
May-18	4.9	21.7

Source: Agence France Trésor

Non-resident holders of negotiable government debt in first quarter of 2017

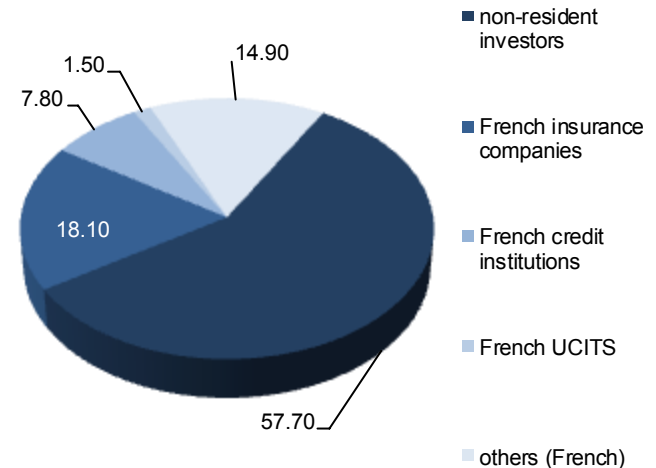
As a % of negotiable debt outstanding expressed in market value



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

Negotiable government debt by group of holders in first quarter of 2017

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 31 May 2017

In euros

Total medium- and long-term debt	1,541,361,540,936
Total stripping activity	62,216,209,100
Average maturity	8 years and 126 days
Total short-term debt	149,735,000,000
Average maturity	120 days
TOTAL OUTSTANDING	1,691,096,540,936
Average maturity	7 years and 232 days

Source: Agence France Trésor

Negotiable government debt and interest rate swaps at 31 May 2017

In € billion

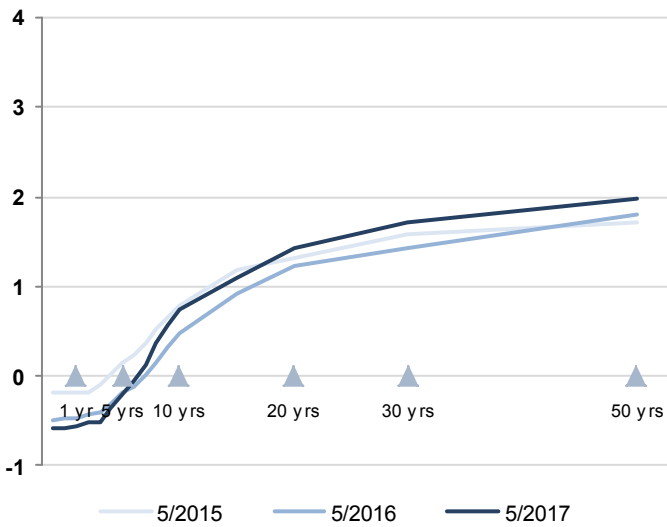
	End 2014	End 2015	End 2016	End April 2017	End May 2017
Negotiable government debt outstanding	1,528	1,576	1,621	1,663	1,691
of which index-linked securities	189	190	200	207	210
Medium- and long-term	1,352	1,424	1,487	1,516	1,541
short-term	175	153	134	147	150
Swaps outstanding	6	6	1	1	1
Average maturity of the negotiable debt					
before swaps	6 years 363 days	7 years 47 days	7 years 195 days	7 years 221 days	7 years 232 days
after swaps	6 years 362 days	7 years 47 days	7 years 195 days	7 years 221 days	7 years 232 days

Source: Agence France Trésor



Yield curve for French government securities

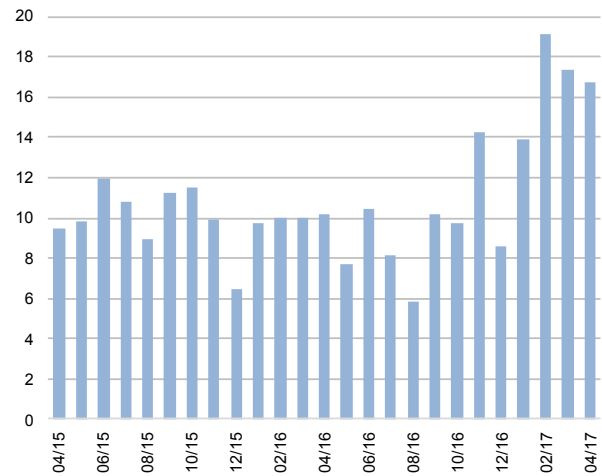
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

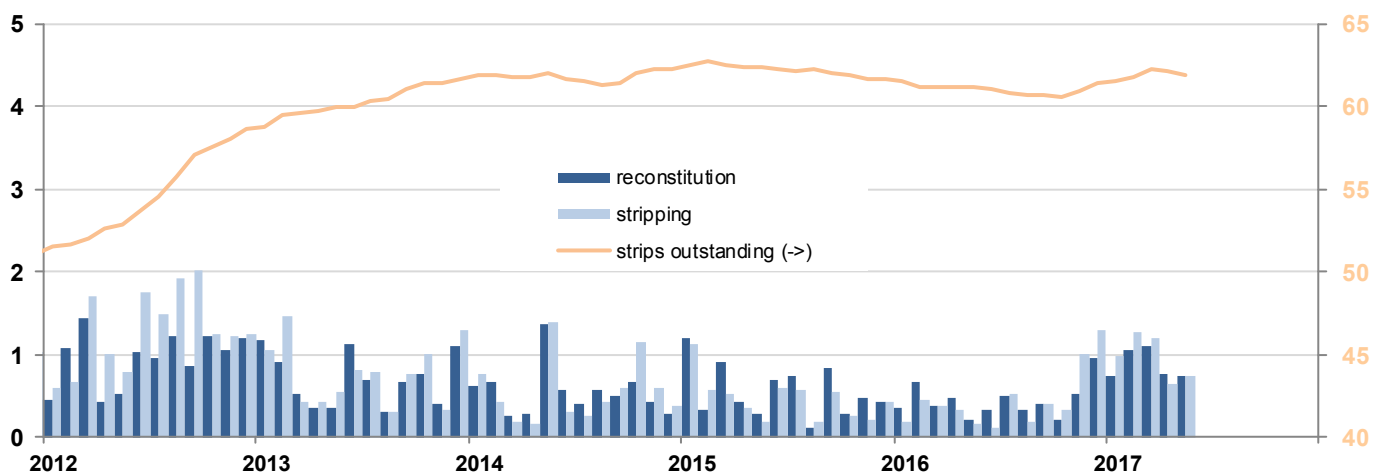
In € billion



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

Total stripping and reconstitution

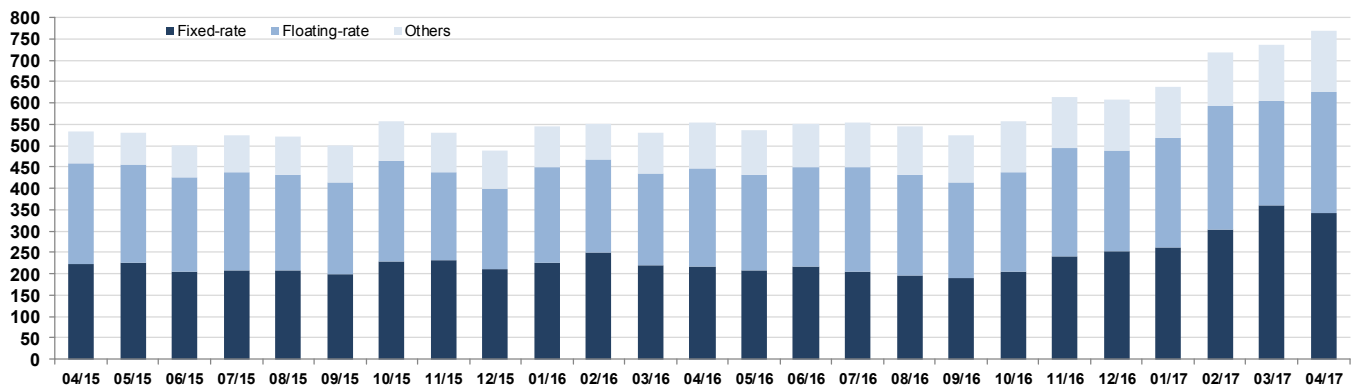
In € billion



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 May 2017

	Maturity	Outstanding (€)
BTF	08 June 2017	5,267,000,000
BTF	14 June 2017	7,183,000,000
BTF	21 June 2017	4,571,000,000
BTF	28 June 2017	6,546,000,000
BTF	05 July 2017	7,990,000,000
BTF	12 July 2017	7,113,000,000
BTF	19 July 2017	3,979,000,000
BTF	26 July 2017	7,187,000,000
BTF	02 August 2017	6,682,000,000
BTF	09 August 2017	8,325,000,000
BTF	17 August 2017	5,088,000,000
BTF	23 August 2017	7,553,000,000
BTF	30 August 2017	5,465,000,000
BTF	13 September 2017	5,871,000,000
BTF	27 September 2017	6,010,000,000
BTF	11 October 2017	6,152,000,000
BTF	25 October 2017	5,498,000,000
BTF	08 November 2017	6,440,000,000
BTF	06 December 2017	8,412,000,000
BTF	31 January 2018	7,467,000,000
BTF	28 February 2018	7,133,000,000
BTF	28 March 2018	6,272,000,000
BTF	25 April 2018	5,795,000,000
BTF	24 May 2018	1,736,000,000

Medium- and long-term debt (maturing 2017–2020) at 31 May 2017

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2017	71,814,737,020			
FR0120746609	BTAN 1% 25 July 2017	19,340,000,000			–
FR0010235176	OATi 1% 25 July 2017	18,784,737,020 (1)	1.14583	16,394,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	33,690,000,000			0
	Maturity 2018	128,248,876,700			
FR0012634558	OAT 0% 25 February 2018	15,284,000,000			0
FR0010604983	OAT 4% 25 April 2018	29,812,000,000			0
FR0011394345	OAT 1% 25 May 2018	21,666,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	10,529,876,700 (1)	1.05420	9,988,500,000	0
FR0010670737	OAT 4.25% 25 October 2018	28,692,000,000			0
FR0011523257	OAT 1% 25 November 2018	22,265,000,000			15,000,000
	Maturity 2019	158,087,879,288			
FR0013101466	OAT 0% 25 February 2019	19,313,000,000			0
FR0000189151	OAT 4.25% 25 April 2019	31,128,000,000			0
FR0011708080	OAT 1% 25 May 2019	21,960,000,000			0
FR0010850032	OATi 1.3% 25 July 2019	12,659,359,400 (1)	1.07831	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,591,885,100
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	36,126,995 (2)		6,692,154	–
	Maturity 2020	167,682,251,400			
FR0013232485	OAT 0% 25 February 2020	20,320,000,000			0
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	25,122,251,400 (1)	1.23694	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

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

(2) Including coupons capitalised at 31 December 2016; not open to subscription

Medium- and long-term debt (maturing in 2021 and beyond) at 31 May 2017

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2021	113,803,898,780			
FR0013140035	OAT€i 0.1% 1 March 2021	4,743,538,780 (1)	1.01401	4,678,000,000	0
FR0010192997	OAT 3.75% 25 April 2021	39,352,000,000			0
FR0013157096	OAT 0% 25 May 2021	21,852,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	7,965,360,000 (1)	1.02120	7,800,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
	Maturity 2022	113,881,847,680			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			463,268,400
FR0011196856	OAT 3% 25 April 2022	42,703,000,000			0
FR0013219177	OAT 0% 25 May 2022	19,248,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	19,714,907,690 (1)	1.09961	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	30,972,000,000			0
	Maturity 2023	106,462,044,953			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,387,540,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	17,433,849,050 (1)	1.11079	15,695,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	43,185,000,000			428,585,000
	Maturity 2024	77,392,863,140			
FR0011619436	OAT 2.25% 25 May 2024	33,135,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024	14,022,863,140 (1)	1.02973	13,618,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			46,000,000
	Maturity 2025	91,947,955,638			
FR0012558310	OATi 0.1% 1 March 2025	7,466,027,520 (1)	1.01248	7,374,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	32,870,000,000			0
FR0000571150	OAT 6% 25 October 2025	26,039,928,118			2,999,464,400
FR0012938116	OAT 1% 25 November 2025	25,572,000,000			0
	Maturity 2026	91,560,000,000			
FR0010916924	OAT 3.5% 25 April 2026	35,814,000,000			0
FR0013131877	OAT 0.5% 25 May 2026	27,522,000,000			0
FR0013200813	OAT 0.25% 25 November 2026	28,224,000,000			0
	Maturity 2027	60,648,751,180			
FR0013250560	OAT 1% 25 May 2027	9,865,000,000			0
FR0011008705	OAT€i 1.85% 25 July 2027	15,754,751,180 (1)	1.08362	14,539,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	35,029,000,000			0
	Maturity 2028	3,463,910,720			
FR0013238268	OATi 0.1% 1 March 2028	3,438,741,600 (1)	1.01080	3,402,000,000	0
FR0000571226	OAT zero coupon 28 March 2028	25,169,120 (3)		46,232,603	-
	Maturity 2029	40,152,014,347			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,191,719,100
FR0000186413	OATi 3.4% 25 July 2029	11,060,133,889 (1)	1.26631	8,734,144,000	0
	Maturity 2030	42,594,361,000			
FR0011883966	OAT 2.5% 25 May 2030	33,208,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	9,386,361,000 (1)	1.01650	9,234,000,000	0
	Maturity 2031	33,749,000,000			
FR0012993103	OAT 1.5% 25 May 2031	33,749,000,000			103,000,000
	Maturity 2032	43,017,647,400			
FR0000188799	OAT€i 3.15% 25 July 2032	12,733,324,800 (1)	1.25328	10,160,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	30,284,322,600			11,661,857,400
	Maturity 2033 and later	196,853,501,690			
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			5,038,967,000
FR0013154044	OAT 1.25% 25 May 2036	20,894,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,902,811,400
FR0013234333	OAT 1.75% 25 June 2039	7,000,000,000			0
FR0010447367	OAT€i 1.8% 25 July 2040	13,319,349,890 (1)	1.16093	11,473,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	31,111,000,000			7,282,439,000
FR0011461037	OAT 3.25% 25 May 2045	24,908,000,000			1,181,600,000
FR0013209871	OAT€i 0.1% 25 July 2047	5,720,151,800 (1)	1.01170	5,654,000,000	0
FR0013257524	OAT 2% 25 May 2048	7,000,000,000			0
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,497,588,000
FR0010870956	OAT 4% 25 April 2060	11,918,000,000			6,318,384,100
FR0013154028	OAT 1.75% 25 May 2066	6,845,000,000			106,100,000

(1) face value x indexation coefficient (face value if coefficient < 1)
(3) Revised on 28 March 2017; not open to subscription

Most recent economic indicators

Industrial output, year-on-year	0.8%	Apr. 2017
Household consumption*, year-on-year	1.5%	May. 2017
Unemployment rate (ILO)	9.6%	Mar. 2017
Consumer prices, year-on-year		
all items	0.8%	May. 2017
all items excluding tobacco	0.8%	May. 2017
Trade balance, fob-fob, sa (€bn)	-€5.5bn	Apr. 2017
" "	-€4.8bn	Mar. 2017
Current account balance, sa (€bn)	-€3.1bn	Apr. 2017
" "	-€2.1bn	Mar. 2017
10-year constant maturity rate (TEC10)	0.80%	30 Jun. 2017
3-month interest rate (Euribor)	-0.33%	27 Jun. 2017
EUR / USD	1.1413	29 Jun. 2017
EUR / JPY	128.59	29 Jun. 2017

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

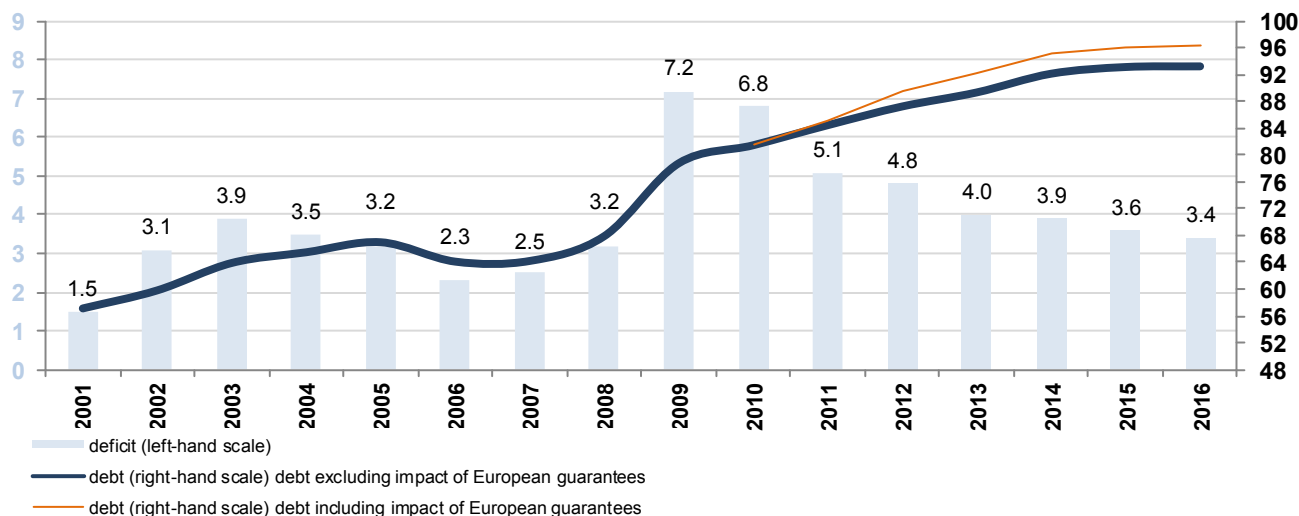
In € billion

			end of April level		
	2015	2016	2015	2016	2017
General budget balance	-72.15	-75.85	-41.65	-32.82	-34.26
revenue	299.66	303.97	93.33	98.51	100.25
expenditure	371.80	379.82	134.98	131.33	134.51
Balance of special Treasury accounts	1.62	6.80	-18.19	-23.64	-23.67
General budget outturn	-70.52	-69.06	-59.84	-56.46	-57.93

Source: Minefi

Public finances: deficit and debt

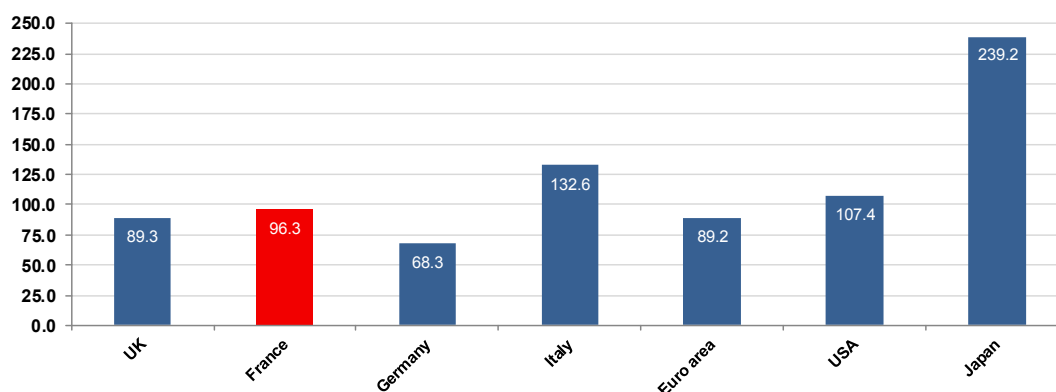
As % of GDP



Source: Eurostat, Insee

General government debt in 2016

As % of GDP



Sources: Eurostat, IMF, Insee

French economic indicators: timetable

July 2017		August 2017	
 7	Foreign trade by value in May	 8	Foreign trade by value in June
 7	Industrial production: May index	 8	Balance of payments in June
 7	Balance of payments in May	 10	Industrial production: June index
 13	Consumer prices: June index	 11	Consumer prices: July index
 13	Net international reserves in June	 11	Flash estimate of payroll employment: Q2-2017
 17	Inflation (HICP): June index	 14	Net international reserves in July
 25	Monthly business survey (goods-producing industries) in July	 17	Inflation (HICP): July index
 25	Quarterly business survey (goods-producing industries) in July	 24	Industrial investments: July survey
 25	Industrial producer and import price: June indices	 24	Monthly business survey (goods-producing industries) in August
 25	Job seekers in June	 24	Job seekers in July
 26	Consumer confidence survey: July survey	 25	Consumer confidence survey: August survey
 28	Quarterly national accounts: initial estimate Q2-2017	 29	Household consumption expenditure on goods in July
 28	Household consumption expenditure on goods in June	 29	Quarterly national accounts: second estimate Q2-2017
 28	Housing starts in June	 29	Housing starts in July
		 31	Industrial producer and import price: July indices

Sources: Insee, Eurostat