

N°367
DECEMBER
2020

MONTHLY BULLETIN

AGENCE FRANCE TRÉSOR IS TASKED WITH MANAGING THE GOVERNMENT DEBT AND CASH POSITIONS UNDER THE MOST SECURE CONDITIONS IN THE INTEREST OF THE TAXPAYER.

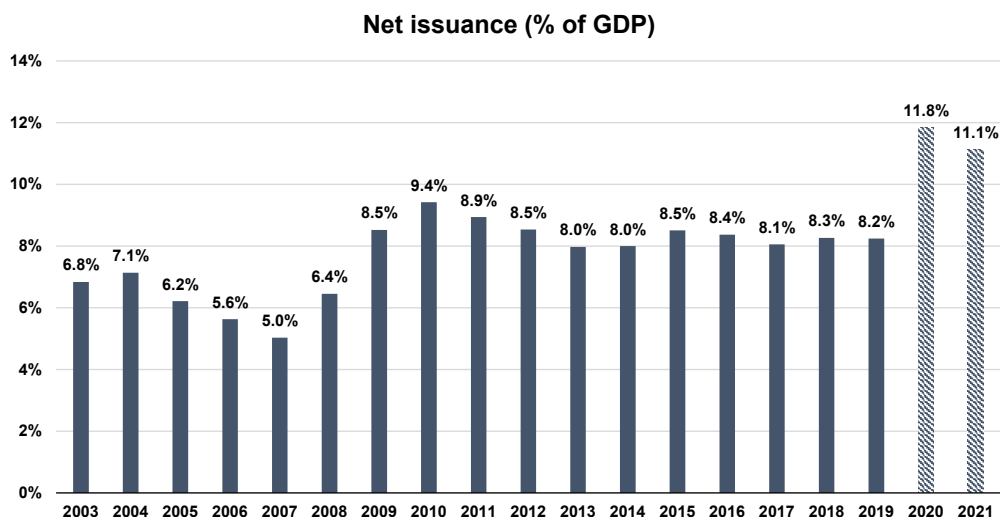
News at Agence France Trésor	Economic news	General debt-related data	Secondary Market	Negotiable government debt	The French economy and international comparisons
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News at Agence France Trésor

THE 2021 FINANCING PROGRAMME WILL BE SIMILAR TO 2020, WITH A LARGE INCREASE IN BORROWING REQUIREMENTS TO COPE WITH THE COVID-19 CRISIS

On Wednesday 9 December 2020, Agence France Trésor [presented the 2021 indicative financing programme](#), which calls for issuance of €260bn in medium- and long-term debt, net of buybacks. Issuance volume will be stable compared to 2020, but smaller as a share of France's gross domestic product (see chart below).

This issuance will cover the bulk of the government borrowing requirement, standing at €293bn in 2021, including €117.5bn to refinance maturing bonds. The budget deficit will stand at €173.3bn in 2021.



Source : Agence France Trésor

AFT will continue its transparent, predictable and consistent issuance strategy in a market environment that features decisive support from the Eurosystem, with the Pandemic Emergency Purchase Programme (PEPP) in particular. This support, along with targeted longer-term refinancing operations (TLTRO III), are keeping yields at historic lows (OAT average cost at issuance stood at -0.13% in 2020, compared to 0.11% in 2019), despite the increase in issuance volume by euro area governments. AFT will continue to adapt its issuances to changes in market conditions and to meet investor demand, ensuring the greatest liquidity possible for its debt securities.

In 2021, AFT will issue one new 2/3-year nominal benchmark bond, one new 5-year nominal benchmark bond and one new 10-year nominal benchmark bond. It will also continue to tap the benchmark bonds created in 2020, in keeping with market demand. At the long end of the yield curve, AFT will issue a new 30-year benchmark bond in the second half of the year. This will be the third year in a row to see the launch of a new 30-year benchmark bond, following the launches of the OAT 1.50% 25 May 2050 in 2019 and the OAT 0.75% 25 May 2052 in 2020. The outstanding on these two bonds has already reached €31.3bn and €18.7bn respectively. AFT will also issue a new 50-year bond, five years after the launch of the OAT 1.75% 25 May 2066.

AFT will maintain its target of issuing "around 10%" of the financing programme in the form of inflation-linked bonds. In 2021, AFT will auction a new 10-year bond linked to European inflation (OAT€i), two years after the launch of the OAT€i 0.10% 1 March 2029. Then, depending on market conditions, AFT will consider the timeliness of an auction for a new 10-year bond linked to French inflation.

AFT will also issue a second green bond with a maturity of nearly 20 years. It will continue to tap the first green bond, the OAT 1.75% 25 June 2039, which now accounts for an outstanding of €27.3bn.

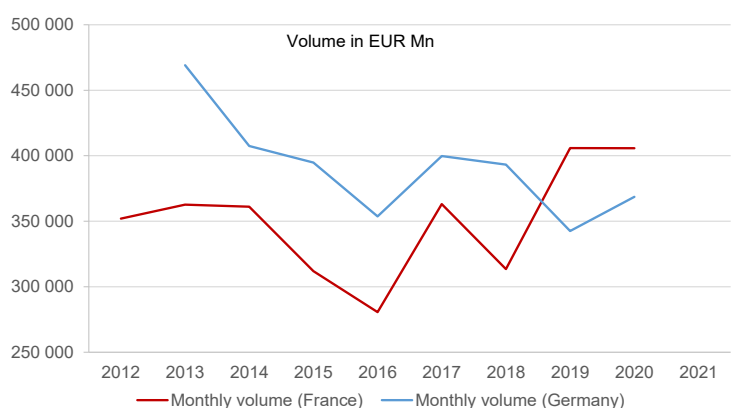
If necessary, AFT may issue a reserve of new bonds for the Government Debt Fund (CDF). These may then be used when needed to raise cash through short-term repurchase transactions capped at €20bn.

OATS LIKELY TO OUTPERFORM IN 2021

By Eric Dynoyan, Senior Interest Rate Strategist, BNP Paribas

In late 2019, we highlighted the rising liquidity of OATs measured through the bid/ask on electronic platforms, or the traded volumes. This year confirmed the benchmark's liquidity status in the eurozone. As Figure 1 illustrates, total monthly traded volume of French debt (ie, from bills to bonds, excluding the ECB's QE purchases) stabilised at record levels during the first nine months of the year. It was 10% above German debt (German volumes take into account ECB purchases, which inflated 2020 volumes due to the PEPP launch), confirming French debt's liquidity status in the eurozone.

Figure 1: Traded French debt volume stabilised at record levels in 2020*



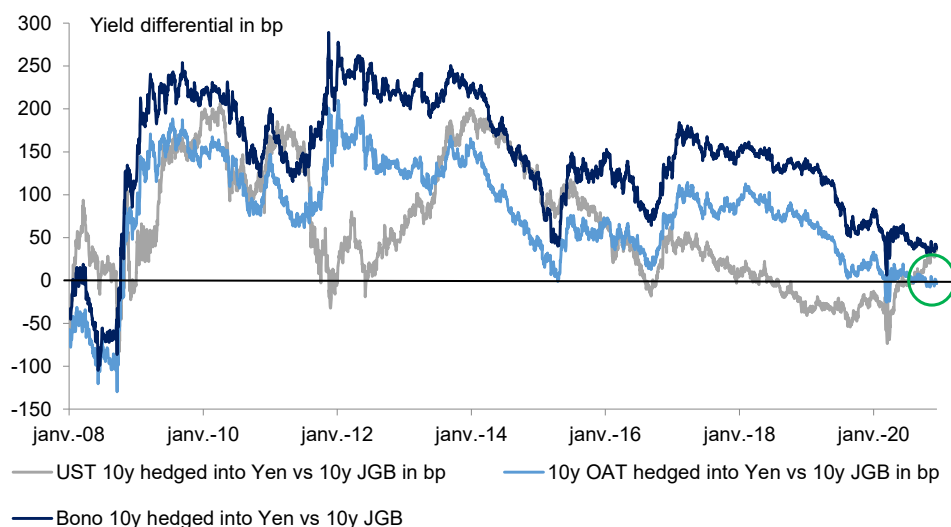
Source: AFT excluded ECB QE, Finanzagentur includes ECB QE, * first nine months of 2020

The expected normalisation of EGB spreads following the launch of the PEPP in March 2020 has been achieved, in our view, with little tightening potential left in 10y spreads going into 2021. As seen during 2014-19, rising speculation of an extension of PEPP and an envelope increase had fuelled a protracted spread compression before the ECB's announcement. We believe that the most likely scenario is for EGB spreads to trade at their tightest levels during most of H1 2021.

On the valuation side, peripheral debt has reached expensive levels relative to US Treasuries hedged into EUR or Yen (Figure 2). For instance, 10y Spain hedged into Yen used to provide an 80bp yield pickup over 10y US Treasuries, on average, during 2014-20. That differential fell to almost zero on Thursday 10 December 2020.

Moreover, if the past is any guide (as seen in H2 2018), financial markets should have started to price in a lower ECB QE support into 2022 sometime in mid-2021. The likely reallocation out of peripheral debt into core and semi-core sovereign debt should benefit OATs liquidity in H2 2021. It will confirm OATs richening versus JGB or US Treasuries witnessed in 2020 (see Figure 2).

Figure 2 : 10y OATs hedged into yen are yielding close to JGBs and are richer than UST



Source : BNP Paribas

NB: this Agence France Trésor forum offers economists an opportunity to express their personal opinion. Accordingly, 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, Finance and the Recovery. Please note that the views expressed in this article represent the personal views of the research analyst author and do not represent an official view of BNP Paribas. In no event should any view expressed in this report be construed as an endorsement or criticism of any government policy, statement, or initiative on the part of BNP Paribas

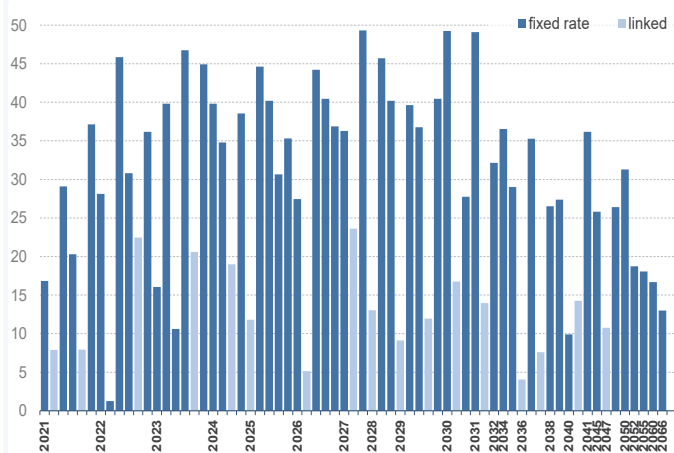
INDICATIVE AUCTION SCHEDULE

		Short-term				Medium-term	Long-term	Index-linked
January 2021	auction date	4	11	18	25	21	7	21
	settlement date	6	13	20	27	25	11	25
February 2021	auction date	1	8	15	22	18	4	18
	settlement date	3	10	17	24	22	8	22

Source: Agence France Trésor

MEDIUM- AND LONG-TERM NEGOTIABLE GOVERNMENT DEBT AT 30 NOVEMBER 2020

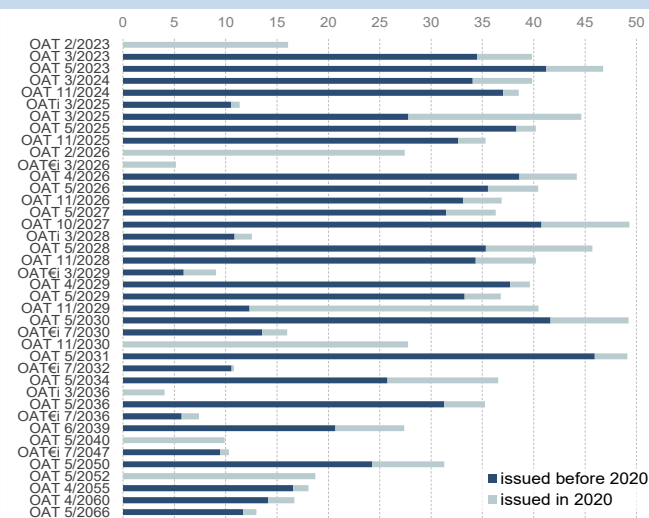
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: SECURITIES ISSUED DURING THE YEAR AND TOTAL ISSUANCE AT 30 NOVEMBER 2020

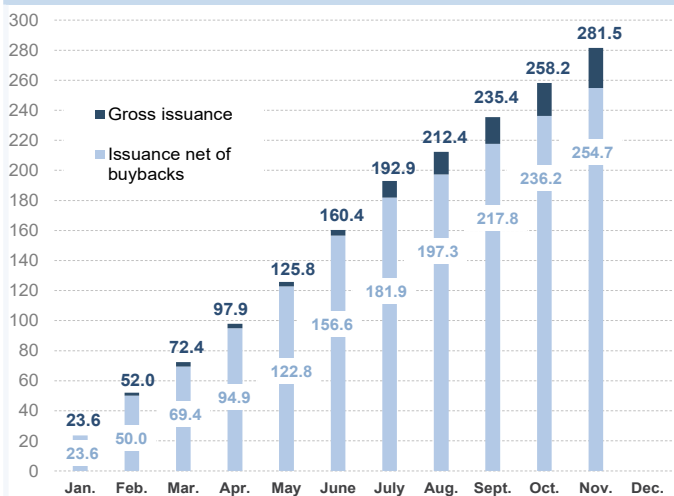
IN € BILLION



Source: Agence France Trésor

ISSUANCE AT 30 NOVEMBER 2020

IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: PROVISIONAL MATURITY SCHEDULE AT 30 NOVEMBER 2020

IN € BILLION

Month	Coupon	Redemption
Dec-20		
Jan-21		
Feb-21		16.8
Mar-21	0.1	7.9
Apr-21	11.6	29.1
May-21	8.0	20.3
Jun-21	0.5	
Jul-21	2.4	8.0
Aug-21		
Sep-21		
Oct-21	10.0	37.1
Nov-21	1.4	

Source: Agence France Trésor

NON-RESIDENT HOLDERS OF NEGOTIABLE GOVERNMENT DEBT IN THIRD QUARTER OF 2020

AS A % OF NEGOTIABLE DEBT OUTSTANDING
EXPRESSED IN MARKET VALUE



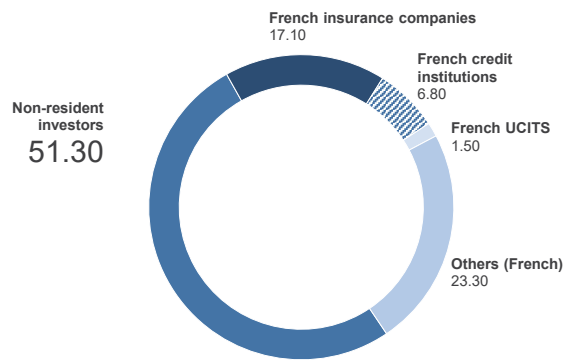
(*) figures quarterly revised

(**) figures annually revised

Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT BY GROUP OF HOLDERS IN THIRD QUARTER OF 2020

STRUCTURE IN % EXPRESSED IN MARKET VALUE



Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT AT 30 NOVEMBER 2020

IN EUROS

Total medium- and long-term debt	1,833,918,148,082
Total stripping activity	58,237,759,600
Average maturity	8 years and 336 days
Total short-term debt	164,861,000,000
Average maturity	129 days
Total outstanding	1,998,779,148,082
Average maturity	8 years and 78 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2017 AT 30 NOVEMBER 2020

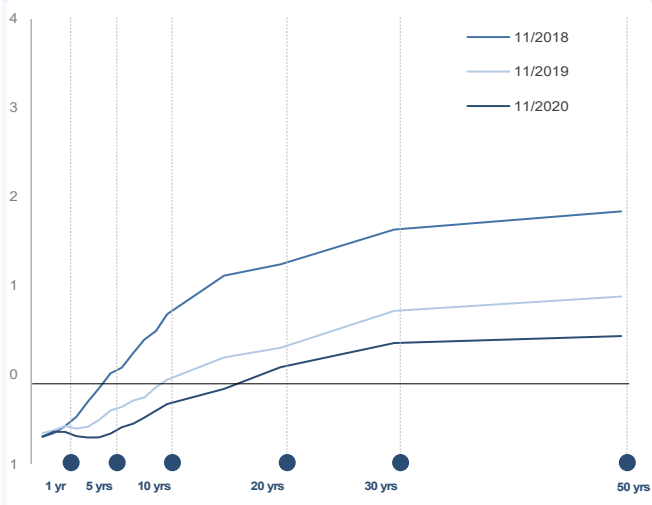
IN € BILLION

	End 2017	End 2018	End 2019	End Oct. 2020	End Nov. 2020
Negotiable government debt outstanding	1,686	1,756	1,823	1,995	1,999
<i>of which index-linked securities</i>	<i>202</i>	<i>220</i>	<i>226</i>	<i>218</i>	<i>220</i>
Medium- and long-term	1,560	1,644	1,716	1,836	1,834
Short-term	126	113	107	160	165
Average maturity of the negotiable debt	7 years	7 years	8 years	8 years	8 years
	296 days	336 days	63 days	64 days	78 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

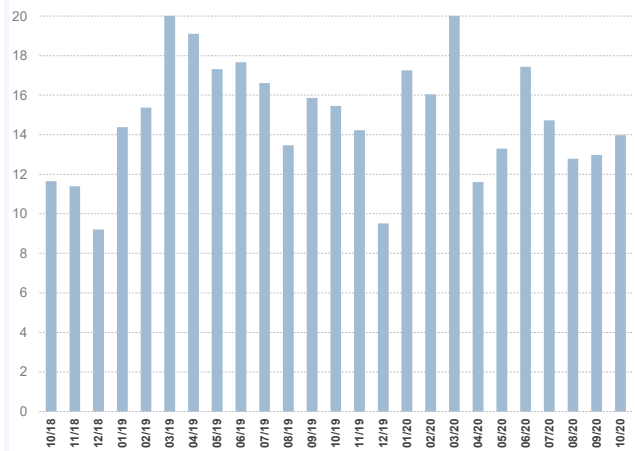
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

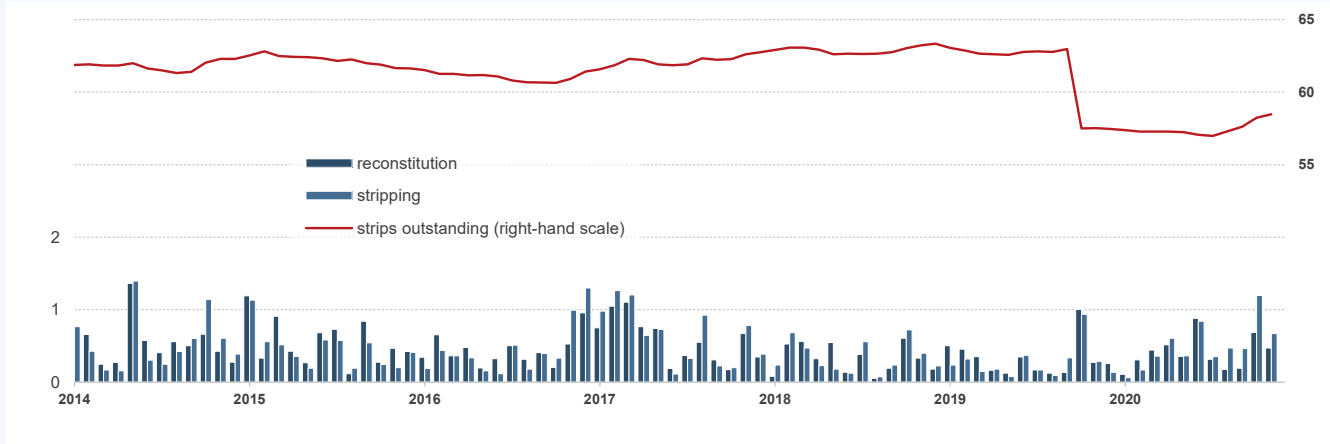
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

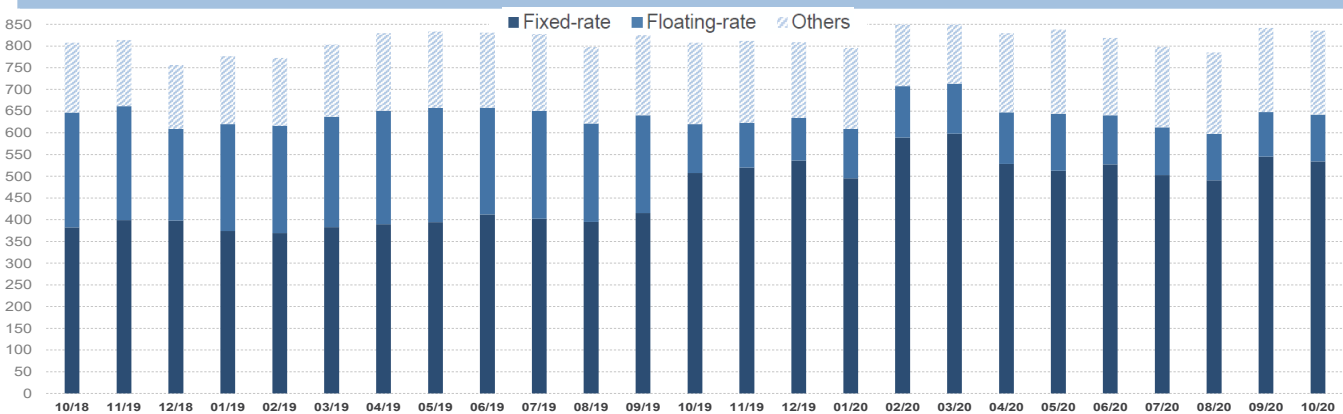
IN € BILLION



Source: Euroclear

PRIMARY DEALERS, REPO OUTSTANDING AT END OF MONTH

IN € BILLION



Source: reporting by primary dealers in government securities

SHORT-TERM DEBT AT 30 NOVEMBER 2020

ISIN Code	Maturity	Outstanding(€)
FR0125848483	BTF 2 December 2020	6,470,000,000
FR0126310228	BTF 9 December 2020	7,331,000,000
FR0126310236	BTF 16 December 2020	9,557,000,000
FR0126310244	BTF 6 January 2021	6,901,000,000
FR0126310251	BTF 13 January 2021	8,020,000,000
FR0126461591	BTF 20 January 2021	4,640,000,000
FR0125848673	BTF 27 January 2021	5,477,000,000
FR0126461609	BTF 3 February 2021	6,897,000,000
FR0126310269	BTF 10 February 2021	6,617,000,000
FR0126461617	BTF 17 February 2021	6,743,000,000
FR0125848681	BTF 24 February 2021	6,755,000,000
FR0126310277	BTF 10 March 2021	6,283,000,000
FR0125848699	BTF 24 March 2021	8,170,000,000
FR0126461658	BTF 8 April 2021	7,307,000,000
FR0126001785	BTF 21 April 2021	10,971,000,000
FR0126461666	BTF 5 May 2021	2,298,000,000
FR0126001793	BTF 19 May 2021	8,329,000,000
FR0126001801	BTF 16 June 2021	10,585,000,000
FR0126310285	BTF 14 July 2021	7,449,000,000
FR0126310293	BTF 11 August 2021	6,688,000,000
FR0126310301	BTF 8 September 2021	8,685,000,000
FR0126461682	BTF 6 October 2021	6,595,000,000
FR0126461690	BTF 4 November 2021	6,093,000,000

MEDIUM- AND LONG-TERM DEBT (MATURING 2020-2023) AT 30 NOVEMBER 2020

	Maturity 2020	0				
	Maturity 2021	119,211,673,950				
FR0013311016	OAT 0.00% 25 February 2021	16,847,000,000			0	x
FR0013140035	OAT <i>€i</i> 0.10% 1 March 2021	7,896,634,200 (1)	1.04370	7,566,000,000	0	x
FR0010192997	OAT 3.75% 25 April 2021	29,097,000,000			0	
FR0013157096	OAT 0.00% 25 May 2021	20,309,000,000			0	x
FR0011347046	OAT <i>i</i> 0.10% 25 July 2021	7,921,039,750 (1)	1.04845	7,555,000,000	0	
FR0011059088	OAT 3.25% 25 October 2021	37,141,000,000			0	
	Maturity 2022	164,654,565,390				
FR0013398583	OAT 0.00% 25 February 2022	28,121,000,000			0	x
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			326,888,400	
FR0011196856	OAT 3.00% 25 April 2022	45,847,000,000			0	
FR0013219177	OAT 0.00% 25 May 2022	30,816,000,000			0	x
FR0010899765	OAT <i>€i</i> 1.10% 25 July 2022	22,469,625,400 (1)	1.13180	19,853,000,000	0	
FR0011337880	OAT 2.25% 25 October 2022	36,157,000,000			0	
	Maturity 2023	178,739,676,543				
FR0013479102	OAT 0.00% 25 February 2023	16,070,000,000			0	x
FR0013283686	OAT 0.00% 25 March 2023	39,815,000,000			0	x
FR0000571085	OAT 8.50% 25 April 2023	10,606,195,903			5,336,565,200	
FR0011486067	OAT 1.75% 25 May 2023	46,748,000,000			0	x
FR0010585901	OAT <i>i</i> 2.10% 25 July 2023	20,582,480,640 (1)	1.14043	18,048,000,000	0	
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			440,085,000	

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

* Like all euro area bonds, the bonds issued after 1 January 2013 have collective action clauses (CACs), which means that they are not fungible with bonds issued prior to this date.

MEDIUM- AND LONG-TERM DEBT (MATURING IN 2024 AND BEYOND) AT 30 NOVEMBER 2020

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2024		132 176 989 720				
FR0013344751	OAT 0.00% 25 March 2024	39 839 000 000			0	x
FR0011619436	OAT 2.25% 25 May 2024	34 810 000 000			0	x
FR0011427848	OAT€i 0.25% 25 July 2024	18 991 989 720 (1)	1,05988	17 919 000 000	0	x
FR0011962398	OAT 1.75% 25 November 2024	38 536 000 000			42 000 000	x
Maturity 2025		162 579 292 618				
FR0012558310	OATi 0.10% 1 March 2025	11 799 364 500 (1)	1,03950	11 351 000 000	0	x
FR0013415627	OAT 0.00% 25 March 2025	44 618 000 000			0	x
FR0012517027	OAT 0.50% 25 May 2025	40 197 000 000			0	x
FR0000571150	OAT 6.00% 25 October 2025	30 653 928 118			2 812 064 400	
FR0012938116	OAT 1.00% 25 November 2025	35 311 000 000			0	x
Maturity 2026		154 100 000 000				
FR0013508470	OAT 0.00% 25 February 2026	27 435 000 000			0	x
FR0013519253	OAT€i 0.10% 1 March 2026	5 151 000 000 (1)	0,99436	5 151 000 000	0	x
FR0010916924	OAT 3.50% 25 April 2026	44 202 000 000			0	
FR0013131877	OAT 0.50% 25 May 2026	40 437 000 000			0	x
FR0013200813	OAT 0.25% 25 November 2026	36 875 000 000			0	x
Maturity 2027		109 210 806 000				
FR0013250560	OAT 1.00% 25 May 2027	36 296 000 000			0	x
FR0011008705	OAT€i 1.85% 25 July 2027	23 600 806 000 (1)	1,11535	21 160 000 000	0	
FR0011317783	OAT 2.75% 25 October 2027	49 314 000 000			56 943 600	
Maturity 2028		98 954 672 650				
FR0013238268	OATi 0.10% 1 March 2028	13 025 963 520 (1)	1,03776	12 552 000 000	0	x
FR0000571226	OAT zero coupon 28 March 2028	29 709 130 (3)		46 232 603	–	
FR0013286192	OAT 0.75% 25 May 2028	45 707 000 000			0	x
FR0013341682	OAT 0.75% 25 November 2028	40 192 000 000			0	x
Maturity 2029		137 910 484 121				
FR0013410552	OAT€i 0.10% 1 March 2029	9 107 089 800 (1)	1,00420	9 069 000 000	0	x
FR0000571218	OAT 5.50% 25 April 2029	39 618 880 458			2 307 746 100	
FR0013407236	OAT 0.50% 25 May 2029	36 778 000 000			0	x
FR0000186413	OATi 3.40% 25 July 2029	11 941 513 863 (1)	1,30009	9 185 144 000	0	
FR0013451507	OAT 0.00% 25 November 2029	40 465 000 000			0	x
Maturity 2030		93 738 345 040				
FR0011883966	OAT 2.50% 25 May 2030	49 233 000 000			0	x
FR0011982776	OAT€i 0.70% 25 July 2030	16 744 345 040 (1)	1,04626	16 004 000 000	0	x
FR0013516549	OAT 0.00% 25 November 2030	27 761 000 000			0	x
Maturity in 2031 and beyond		482 641 642 050				
FR0012993103	OAT 1.50% 25 May 2031	49 107 000 000			51 900 000	x
FR0000188799	OAT€i 3.15% 25 July 2032	13 952 315 520 (1)	1,28997	10 816 000 000	0	
FR0000187635	OAT 5.75% 25 October 2032	32 162 322 600			10 851 757 400	
FR0013313582	OAT 1.25% 25 May 2034	36 541 000 000			0	x
FR0010070060	OAT 4.75% 25 April 2035	29 004 000 000			4 184 537 000	
FR0013524014	OATi 0.10% 1 March 2036	4 042 000 000 (1)	0,99452	4 042 000 000	0	x
FR0013154044	OAT 1.25% 25 May 2036	35 260 000 000			0	x
FR0013327491	OAT€i 0.10% 25 July 2036	7 582 665 690 (1)	1,02621	7 389 000 000	0	x
FR0010371401	OAT 4.00% 25 October 2038	26 534 000 000			4 704 941 400	
FR0013234333	OAT 1.75% 25 June 2039	27 375 000 000			0	x
FR0013515806	OAT 0.50% 25 May 2040	9 905 000 000			0	x
FR0010447367	OAT€i 1.80% 25 July 2040	14 275 709 240 (1)	1,19492	11 947 000 000	0	
FR0010773192	OAT 4.50% 25 April 2041	36 152 000 000			5 975 499 000	
FR0011461037	OAT 3.25% 25 May 2045	25 824 000 000			1 028 810 000	x
FR0013209871	OAT€i 0.10% 25 July 2047	10 751 629 000 (1)	1,04132	10 325 000 000	0	x
FR0013257524	OAT 2.00% 25 May 2048	26 409 000 000			649 900 000	x
FR0013404969	OAT 1.50% 25 May 2050	31 274 000 000			112 300 000	x
FR0013480613	OAT 0.75% 25 May 2052	18 736 000 000			241 000 000	x
FR0010171975	OAT 4.00% 25 April 2055	18 061 000 000			9 403 518 000	
FR0010870956	OAT 4.00% 25 April 2060	16 696 000 000			8 681 304 100	
FR0013154028	OAT 1.75% 25 May 2066	12 997 000 000			1 264 900 000	x

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

(3) Revised on 28 March 2020, not open to subscription

* Like all euro area bonds, the bonds issued after 1 January 2013 have collective action clauses (CACs), which means that they are not fungible with bonds issued prior to this date.

MOST RECENT ECONOMIC INDICATORS

Industrial output, year-on-year	-5.5%	Oct. 2020
Household consumption*, year-on-year	2.0%	Oct. 2020
Unemployment rate (ILO)	9.0%	Q1-2020
Consumer prices, year-on-year		
• all items	0.2%	Nov. 2020
• all items excluding tobacco	-0.1%	Nov. 2020
Trade balance, fob-fob, sa (€bn)	-€5.6bn	Oct. 2020
" "	-€4.8bn	Sep. 2020
Current account balance, sa (€bn)	-€3.7bn	Oct. 2020
" "	-€4.6bn	Sep. 2020
10-year constant maturity rate (TEC10)	-0.33%	31 Dec. 2020
3-month interest rate (Euribor)	-0.54%	31 Dec. 2020
EUR / USD	1.23	31 Dec. 2020
EUR / JPY	126.56	31 Dec. 2020

* manufactured products

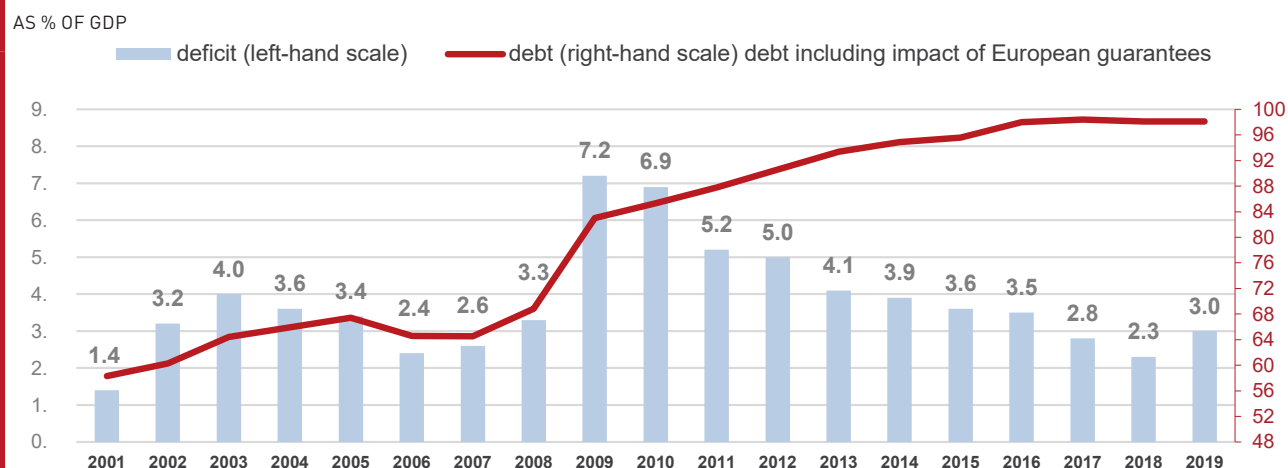
Sources: Insee, Minefi, Banque de France

MONTHLY GOVERNMENT BUDGET POSITION

	IN € BILLION				
	2018	2019	end of October level		
	2018	2019	2018	2019	2020
General budget balance	-76.91	-96.91	-78.37	-102.47	-152.24
Revenue	313.79	301.07	254.04	238.18	219.28
Expenditure	390.69	397.98	332.41	340.64	371.52
Balance of special Treasury accounts	0.82	4.06	-8.61	-5.21	-7.62
General budget outturn	-76.00	-92.69	-86.98	-107.68	-159.85

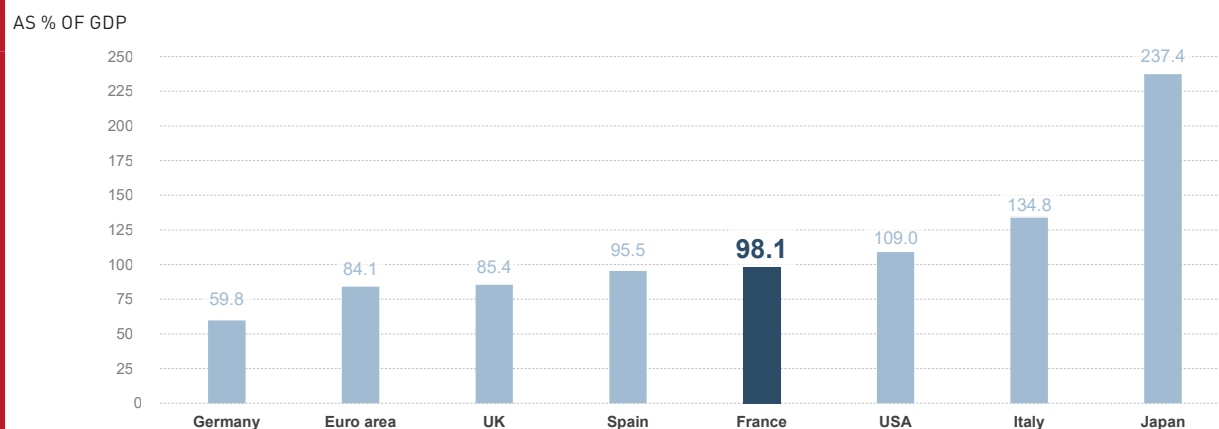
Source: Ministry of the Economy, Finance and the Recovery

PUBLIC FINANCES: DEFICIT AND DEBT



Source: Insee

GENERAL GOVERNMENT DEBT IN 2019



Sources: Eurostat, IMF, Insee

JANUARY 2021 

6 Consumer confidence survey: December survey	8 Industrial production: November index	8 Household consumption expenditure on goods in November	8 Balance of payments in November	15 Net international reserves in December	15 Consumer prices: December index
20 Inflation (HICP) : December index	21 Monthly business survey (goods-producing industries) in January 2021	21 Quarterly business survey (goods-producing industries) in January 2021	27 Consumer confidence survey: January 2021 survey	29 Household consumption expenditure on goods in December 2020	29 Industrial producer and import price: [month] indices in December 2020

FEBRUARY 2021 

5 Job seekers Q4 2020 (ILO)	16 Consumer prices: January index	19 Monthly business survey (goods-producing industries) in February	23 Inflation (HICP): January index	24 Consumer confidence survey: February survey	25 Household consumption expenditure on goods in January
26 Quarterly national accounts: final results Q4-2020	26 Industrial producer and import price: January indices				

Sources: Insee, Eurostat

Publication manager: Anthony Requin
 Editor: Agence France Trésor
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