



ECONOMIC RESEARCH DEPARTMENT

Summary

United States

Sometimes there is no room for doubt
 On Tuesday, the FOMC meeting will be as unsurprising as can be. Last week, Janet Yellen gave a green light to a rate increase. The only condition attached was lifted by the February labour market report.
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Netherlands

Wide range of choices at election
 At the general election, the Dutch may choose between 28 parties. The forming of a new government could be a long process. As compromises have to be made, the end result is often, if not always, a middle-of-the-road policy.
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Market overview

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Summary of forecasts

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A retrouver dans

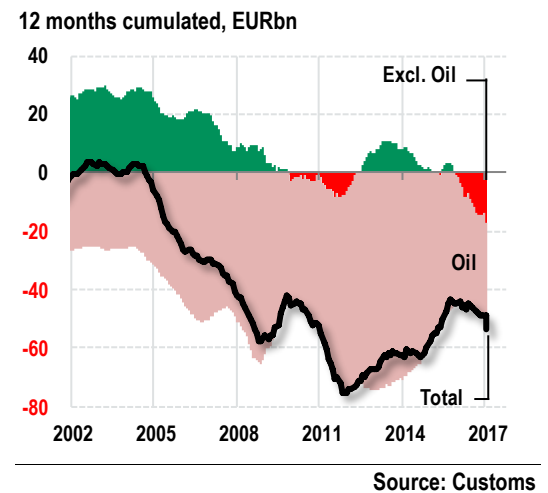


A balancing act

- France accumulates deficits... and Germany, surpluses
- The two countries are nonetheless converging

In January 2017, France reported an unprecedentedly high trade deficit of nearly 8 billion euros. This poor performance is partly coincidental: the customs office attributes it to the aftershock of exceptional airbus sales the previous month and provisioning delays for pharmaceutical products. Blame is also placed on the swelling energy bill. Although a single point does not make a trend, it is not a good sign either: even excluding oil, France is no longer able to reach a trade equilibrium (chart). The manufacturing industry reports recurrent, hefty deficits (EUR 43.7 billion in 2016). Some of France's strengths, such as agriculture, are coming under increasing pressure. And Germany is accumulating surplus after surplus, which is hardly satisfying either. Indeed, part of Germany's surpluses are France's deficits, and any correction will require a minimum of understanding between the two. France's supply-side policies do not really make sense unless Germany does something about supporting its demand. Some progress has been made along these lines. In 2014, Berlin introduced a minimum wage while Paris proposed its "responsibility pact". Over the past two years, unit labour costs have been converging between the two countries. At a time when isolationist theories are all the rage, it is important to point out and encourage the more complementary nature of French and German policies.

FRANCE, VISIBLE TRADE BALANCE



THE WEEK ON THE MARKETS

Week 3-3 17 > 9-3-17

↘ CAC 40	4 995	► 4 982	-0.3 %
↘ S&P 500	2 383	► 2 365	-0.8 %
↗ Volatility (VIX)	11.0	► 12.3	+1.3 %
↗ Euribor 3M (%)	-0.33	► -0.33	+0.0 bp
↗ Libor \$ 3M (%)	1.10	► 1.11	+0.7 bp
↗ OAT 10y (%)	0.96	► 1.06	+10.4 bp
↗ Bund 10y (%)	0.36	► 0.42	+6.6 bp
↗ US Tr. 10y (%)	2.49	► 2.60	+10.6 bp
↗ Euro vs dollar	1.06	► 1.06	+0.2 %
↘ Gold (ounce, \$)	1 225	► 1 203	-1.8 %
↘ Oil (Brent, \$)	55.7	► 52.0	-6.6 %

Source: Thomson Reuters