



ECONOMIC RESEARCH DEPARTMENT

Summary

Eurozone

ECB: "A sustained presence on the markets"

The ECB decided to extend its QE programme by 9 months but reduced the monthly purchases to EUR 60 bn.

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Eurozone

The European Commission's case

Economic recovery might slow next year, but the European Commission's call for fiscal expansion is unlikely to be successful.

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Italy

Referendum: limited consequences for banks

Referendum result does not seem to have significantly altered financial market anticipations regarding the likelihood of success of banks' recovery plan. Banking shares slightly declined but have picked up until 8 December 2016.

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Market overview

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Summary of forecasts

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Also in :



Keeping quiet

■ Santa came early for Greece but proved a bit greedy ■ There is some contradiction in the European position towards the role of the IMF

With political risks spreading throughout Europe, Greece is no longer making the headlines, even though major obstacles still lie ahead. Economic situation is slowly but steadily improving. In the third quarter, activity has just returned to the level of early 2015, just before the outbreak of the latest crisis. The recovery is now expected to strengthen in the coming quarters. Due to ongoing negotiations, the second review of the adjustment program will not be completed before early next year. Even so, Eurozone finance ministers agreed to implement a series of small-scale measures to smooth refinancing needs and reduce the risk of higher financing costs on Greek debt in the medium-term. In contrast, the Europeans were clear they do not intend to yield any ground on fiscal targets, with the primary fiscal balance still expected at 3.5% of GDP in 2018 and beyond. They also avoided committing now to any larger-scale debt relief measures that might be taken at the end of the programme. Going this way, they strongly disagree with the IMF, which finds this target unrealistic and considers that Greek debt sustainability cannot be positively assessed until a figure is placed on the gains from any forthcoming restructuring of the debt held by the Europeans. Therefore, it is hard to see how the IMF's participation would strengthen the European programme's credibility, as well as why some countries (especially those disagreeing with IMF) continue to insist on this point.



Source: Eurostat

| THE WEEK ON THE MARKETS | | | |
|-------------------------|-------|---------|----------|
| Week 2-12 16 > 8-12-16 | | | |
| ↗ CAC 40 | 4 529 | ► 4 735 | +4.6 % |
| ↗ S&P 500 | 2 192 | ► 2 246 | +2.5 % |
| ↘ Volatility (VIX) | 14.1 | ► 12.6 | -1.5 % |
| ↘ Euribor 3M (%) | -0.31 | ► -0.32 | -0.5 bp |
| ↗ Libor \$ 3M (%) | 0.95 | ► 0.95 | +0.4 bp |
| ↗ OAT 10y (%) | 0.73 | ► 0.83 | +10.5 bp |
| ↗ Bund 10y (%) | 0.20 | ► 0.29 | +8.6 bp |
| ↘ US Tr. 10y (%) | 2.39 | ► 2.39 | -0.1 bp |
| ↘ Euro vs dollar | 1.07 | ► 1.06 | -0.5 % |
| ↘ Gold (ounce, \$) | 1 175 | ► 1 171 | -0.4 % |
| ↘ Oil (Brent, \$) | 54.3 | ► 53.6 | -1.2 % |

Source: Thomson Reuters