



ECONOMIC RESEARCH DEPARTMENT

Summary

France

Inflation picks up slightly

Inflation continues to rise gradually, driven by the contribution of energy prices, now slightly positive. Core inflation continues to trend slightly downwards.

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Portugal

The European Commission shows some flexibility

The Portuguese government considers that it responds to the European commission requirements in its draft budgetary plan by aiming to reduce the budget deficit to 2.4% of GDP this year. Moreover the government is forecasting to reduce it to 1.6% of GDP in 2017.

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Market overview

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Summary of forecasts

► Page 6

Also in :



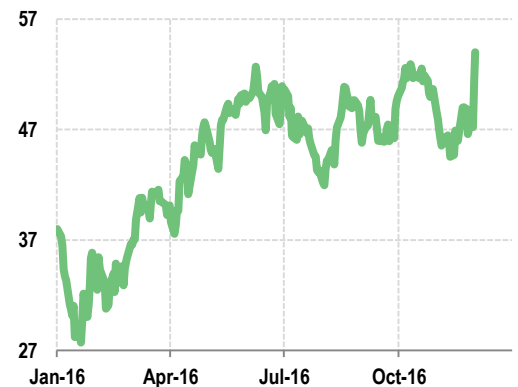
Oil back on front pages

■ OPEC countries cut production ■ Oil prices rebound markedly ■ Bad news for consumer spending ■ US production should limit the brake

At the end of September, OPEC had announced a deal was in the making. This week, it was officially announced. Production will be limited to 32.5 million barrels per day, a 1.2 million cut, between January 1st and June 30th, 2017, a deal that could be extended for an additional 6-month. The agreement was made possible thanks to some non-OPEC countries claiming a production cut of 600k barrels per day. Here, Russia was specifically mentioned. Oil prices rebounded accordingly. Starting the week at USD 48 per barrel, the Brent crude oil price gained 12.5% to USD 53 on Thursday closing. Still, one of the largest producers is conspicuously absent of the deal: the US. There, oil extraction is particularly flexible and responds quickly to price fluctuations, while the break even cost has been driven markedly down over the last few years. This means that oil prices have a de facto ceiling, most likely around USD 60 per barrel. That is good news. Indeed, the inelasticity of energy demand to prices, especially in winter time, will result in a lower purchasing power for households. In a context of depressed demand, this will come on top of rising interest rates, with a potential strong break on consumer spending.

OIL PRICES

— Brent crude oil price (USD per barrel)



08/11/2016

09/11/2016

Source: Macrobond

THE WEEK ON THE MARKETS

Week 25-11 16 > 1-12-16

↗ CAC 40	4 550	► 4 561	+0.2 %
↘ S&P 500	2 213	► 2 191	-1.0 %
↗ Volatility (VIX)	12.3	► 14.1	+1.7 %
↗ Euribor 3M (%)	-0.31	► -0.31	+0.1 bp
↘ Libor \$ 3M (%)	0.94	► 0.93	-0.3 bp
↗ OAT 10y (%)	0.78	► 0.79	+0.7 bp
↗ Bund 10y (%)	0.16	► 0.28	+11.8 bp
↗ US Tr. 10y (%)	2.37	► 2.46	+8.4 bp
↗ Euro vs dollar	1.06	► 1.06	+0.1 %
↘ Gold (ounce, \$)	1 185	► 1 168	-1.4 %
↗ Oil (Brent, \$)	47.3	► 54.3	+14.9 %

Source: Thomson Reuters