



## ECONOMIC RESEARCH DEPARTMENT

### Summary

#### Germany

##### Infrastructure under threat

The quality of Germany's infrastructure is deteriorating because of lack of spending. In particular, the municipalities have reduced their investments.

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#### Greece

##### Another try

The Eurogroup meeting held earlier this week failed to reach a political agreement. A solution will eventually be found as each party makes concessions, although the size of these efforts has yet to be determined.

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#### Market overview

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#### Summary of forecasts

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#### A retrouver dans



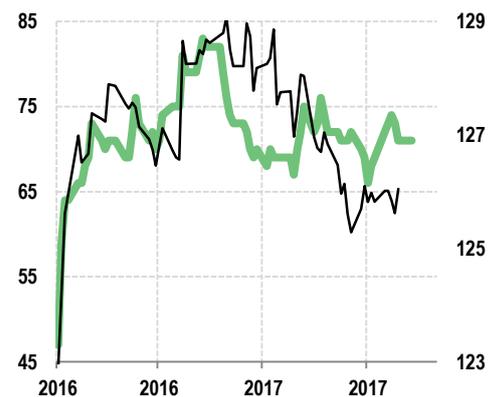
### The Fed knows it knows nothing

#### ■ FOMC members underscore the uncertainty looming over fiscal policy ■ When in doubt, abstain?

Reading the minutes of FOMC meetings often gives rise to semantic debate: does "many" mean more than "several"? Does the word "participants" encompass more people than "members"? These are legitimate questions. Keep in mind that the responses given by "Fed watchers", including ourselves, are subjective. For example, the minutes of the January meeting released this week led many commentators to underscore the following sentence: "many participants expressed the view that it might be appropriate to raise the federal funds rate again fairly soon". But the sentence doesn't stop there, and goes on to place conditions on any such rate increase: "if incoming information on the labor market and inflation was in line with or stronger than their current expectations". Reading the rest of the minutes, we can see that there is tremendous uncertainty over fiscal policy: not only the content, but the size, timing, and net effect on the economy. A "couple of participants" argued that fiscal policy wasn't everything, and that other factors should be taken into account. Other participants cautioned against adjusting monetary policy in anticipation of policy changes that might not be enacted. They would prefer to know the actual facts before taking action, and disregard their distant cousins, alternative facts.

#### INTEREST RATES AND EXCHANGE RATE

— Spread between 2-year and 5-year Treasuries (basis points)  
— Broad index of dollar effective exchange rate (January 1997 = 100, r.h.s.)



Source : Federal Reserve

#### THE WEEK ON THE MARKETS

Week 17-2 17 > 23-2-17

↗ CAC 40	4 868	▶ 4 891	+0.5 %
↗ S&P 500	2 351	▶ 2 364	+0.5 %
↗ Volatility (VIX)	11.5	▶ 11.7	+0.2 %
↗ Euribor 3M (%)	-0.33	▶ -0.33	+0.0 bp
↗ Libor \$ 3M (%)	1.05	▶ 1.05	+0.2 bp
↘ OAT 10y (%)	1.04	▶ 0.99	-4.8 bp
↘ Bund 10y (%)	0.30	▶ 0.23	-6.3 bp
↘ US Tr. 10y (%)	2.44	▶ 2.39	-5.4 bp
↘ Euro vs dollar	1.06	▶ 1.06	-0.3 %
↗ Gold (ounce, \$)	1 238	▶ 1 249	+0.9 %
↗ Oil (Brent, \$)	55.5	▶ 56.7	+2.2 %

Source: Thomson Reuters