

CR Breaking news

Paris Skema

G2

September 27, 2017

Bonds markets need to wake up to global upswing

Source: Financial Times

Context

Since 2008:

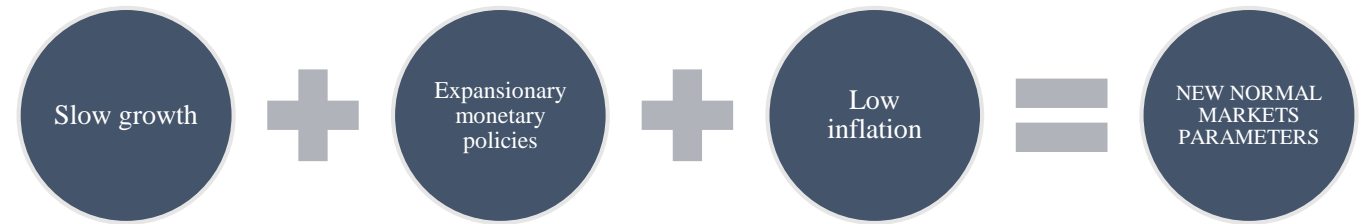
- Slow growth
- Low inflation
- Expansionary monetary policies

These market parameters has became normal

Nowadays:

Global trade recovery – resist to protectionism speech

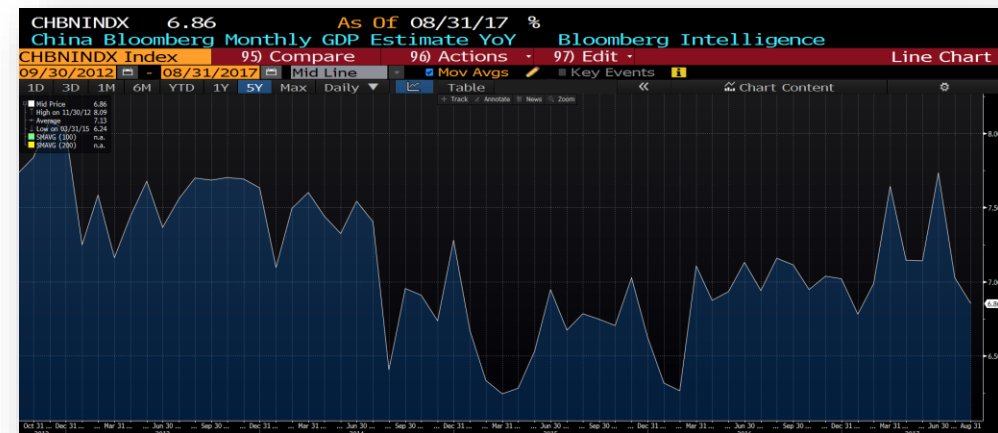
- Chinese growth came back – boosting corporates
- Commodity markets up again
- Sustained by an expansionary credit cycle (EMEA fin. Stability / households and corporates debt in USA / private loans in EU)
- Debt/GDP ratio increase since 2014
- Capacity utilization in US and EU back to normal – stock increase



Forecasts

Experts say market will continue in the « new normal » path

- BOJ or ECB: no rate hike
- FED: rate hike in December



Effects on bond's market

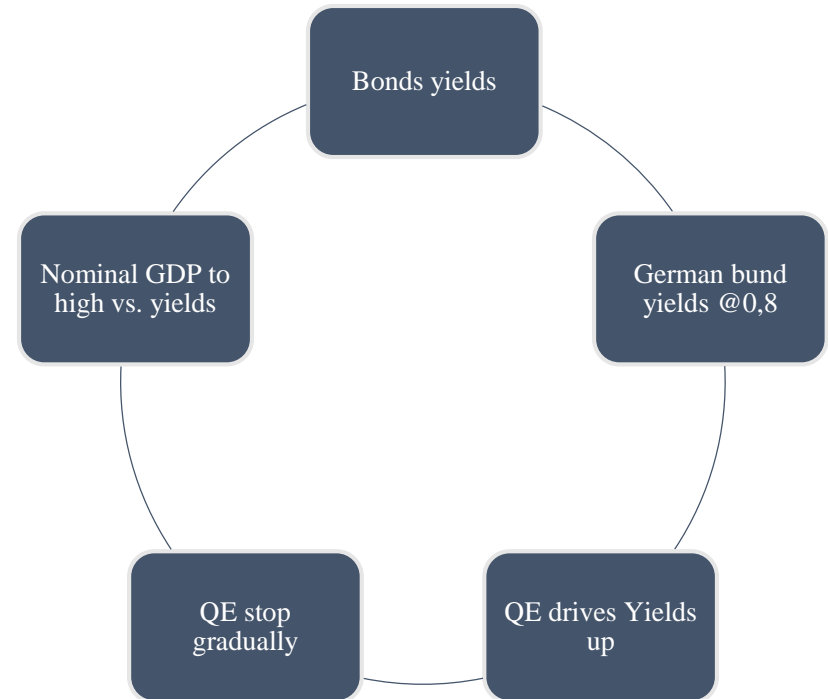
What does the economic upswing imply for bond yields and stock markets?

- Strong investor's expectations about rates, inflation and yields
- The ECB is cautioning against overly optimistic expectations and remains expansionary in its forward guidance

→ This change in economic activity and growth will generate volatility pushing central banks to graduate their monetary policy changes.



Source: Bloomberg - 10y german bund yield @0,78



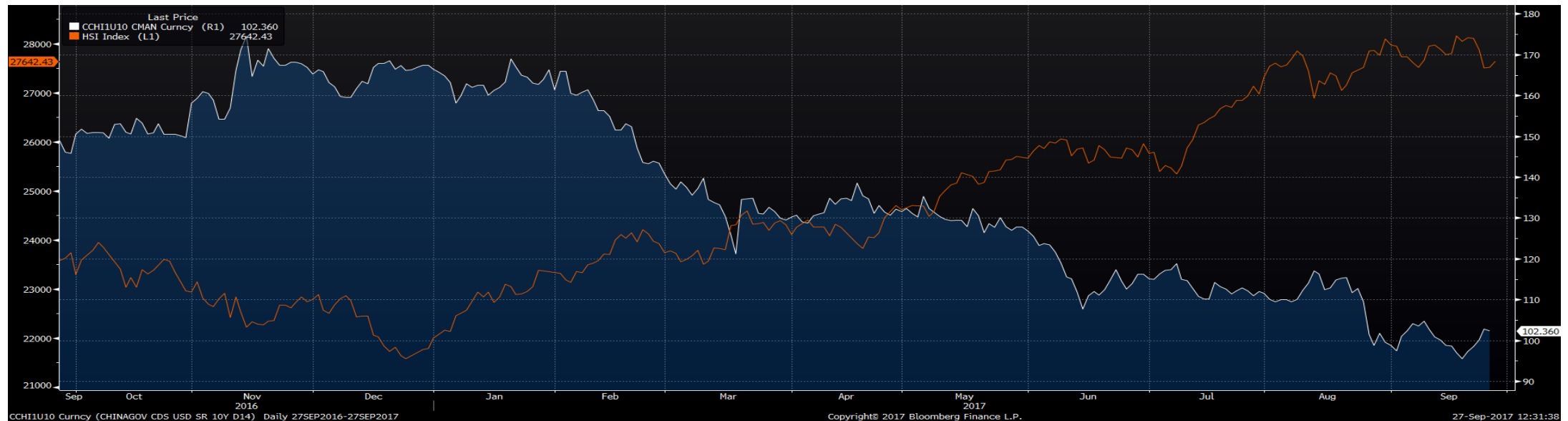
Breaking news

Chicken Little' investors in China given debt boost

Source: Financial Times

China's debt Risks

- Correlation between the China's 10 years CDS spread and Honk-Kong Stock Exchange
- Declining CDS spreads = less macro risk overall = higher risk appetite for Chinese Stocks
- China's debt risks remains:
 - Total Debt at 269% of GDP in Q1 2017
 - at 268% of GDP in Q2 2017
 - at 150% of GDP in 2007



Breaking news

Brent oil level since 2015

Brent oil level since 2015

26 months high of 59\$ barrel



Reasons

- Iraqi Kurdistan independence referendum
- Importations from China

Consequences

- Improve confidence of the sector
- Increase the number of M&A deal

Breaking news

Catalonia's referendum

Catalonia's referendum



- October 1st
- Article 155
- Constitutional crisis
- Catalonian Economy : decline of 30% in GDP & unemployment X2
- Banking crisis
- Catalan currency would be worth 30 to 50% less than the euro
- 75% off all Catalan's production would be subject to export tariff
- Impact on the Spanish economy
- Advantages for Catalonia

Breaking news

Corporates' tax announcement in the US

Dollar Index



SP 100 Index

