

## The euro at 20: record is mixed but future could be brighter

### Quick verdict on the single currency

Twenty years ago, on 1 January 2002, citizens in twelve European countries started using euro notes and coins. The transition went smoothly enough in the shops, but the currency has so far failed to match its creators' hopes for economic, financial and political integration. Economic impacts have remained modest. A recent ECB study showed the single currency prompted an increase in exchanges of just 5% over the period. The financial impact has been a clear net negative. The euro zone crisis cast a glaring light on the still fragile foundations of financial integration, a vulnerability that persists to this day. As for politics, the euro has thrown up some serious divergences, particularly when it comes to fiscal discipline. So, as it stands, results look mixed. But the COVID crisis could mark a turning point in the euro's fortunes toward a better future.

### Less fragmented sovereign bond markets

The fragmentation of euro zone financial markets has eased, particularly since 2019, with a resurgence in private intra-zone investment flowing into the bond markets (see chart). A driving factor here has been the ECB's increased willingness to weigh into the markets, helping reassure investors it will do what it takes to manage risks of market dislocation within the single currency. This has also helped bring down spreads between sovereign debt yields. Euro zone countries need to keep working on the projects to strengthen financial union, essential to keep capital flowing smoothly throughout the EU. Early announcements by the German government have been promising on the work that needs doing to complete the Banking Union, proposing a reinsurance system to replace the controversial proposal of a European deposit guarantee scheme. On a parallel track, states need to make progress toward Capital Markets Union to better channel Europe's ample stock of savings into productive investment.

### Political stars may align in 2022

The euro zone has managed COVID especially well, taking strong and coordinated political action across states, in stark contrast with its handling of other recent crises. But the path to economic recovery remains rife with challenges, and the continent's emerging political balance will be key to overcoming them. We could see a new political balance emerge in the spring with a heavier tilt toward European integration. It could continue the spirit of greater unity forged in the heat of the COVID crisis in 2020, and pave the way for progress on fiscal and financial union. This could in turn be good news for the wider economy and particularly for equity markets, where prices still lag value.

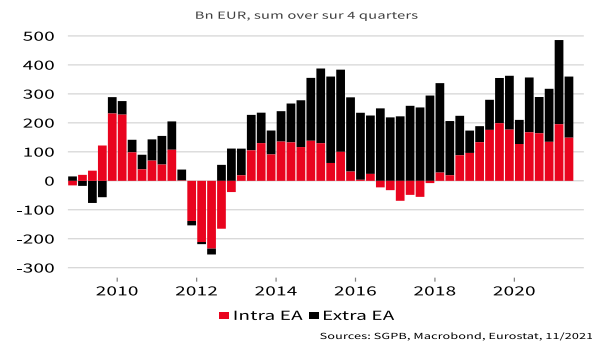
Les performances passées ne préjugent pas des performances futures.

Toutes les données proviennent de Bloomberg, Macrobond (17/12/2021). Conformément à la réglementation en vigueur, nous informons le lecteur que ce document est qualifié de document à caractère promotionnel. CA012/H1/2021

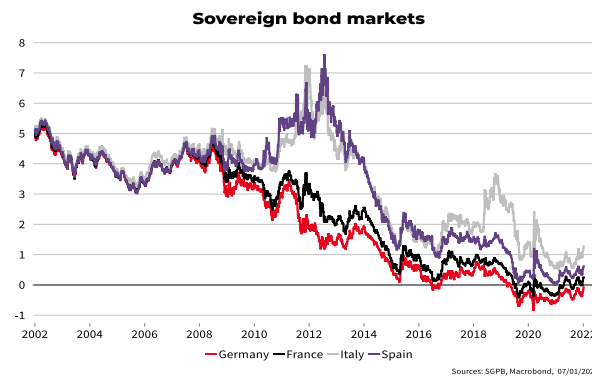


Cross-border debt purchases show a clear improvement in fragmentation...

### Eurozone: Cross-border purchases of debt securities



...allowing for contained spreads between the interest rates at which eurozone countries are indebted



# OUR MACRO COMMENTS

## Events of the week



The minutes of last month's Federal Reserve monetary policy committee indicate that the institution may not wait for the end of its asset purchase programme to raise its policy rate.



The number of infections due to the Omicron variant continues to rise sharply (more than 200,000 cases were reported in 24 hours in the UK and one million in the US). Initial findings point to a less pathogenic variant, but the WHO warns that new variants may emerge.

## Figures of the week



- Index ISM (services sector, December)
- Unemployment rate (December)



- Inflation (December)



- Industrial Production (one year variation, November)



- Index PMI Caixin (December)

	Actual	Forecast	Previous
Index ISM (services sector, December)	62 ↓	67	69
Unemployment rate (December)	3,9% ↑	4,1%	4,2%
Inflation (December)	5,0%	4,8%	4,9%
Industrial Production (one year variation, November)	-2,4% ↓	-0,8%	-0,9%
Index PMI Caixin (December)	53,0 ↑	-	51,2

## The week ahead

### Wednesday



Inflation  
*Beige book* – Federal Reserve

### Friday



Industrial Production  
Households confidence



Industrial production



Trade balance

Sources : Refinitiv Eikon, 17 December 2021

# FINANCIAL MARKETS PERFORMANCE

<b>Interbank rate</b>	<b>Last.</b>	<b>-1W</b>	<b>-3M</b>	<b>YTD</b>	<b>-12M</b>
€STER O/N	-0,58	-0,58	-0,57	-0,59	-0,57
USD SOFR O/N	0,05	0,05	0,05	0,05	0,10
JPY TONAR O/N	-0,01	-0,02	-0,01	-0,02	-0,02
GBP SONIA O/N	0,19	0,19	0,05	0,19	0,05
CHFO/N	-0,78	-0,79	-0,78	-0,78	-0,81

<b>Long term sov. rates</b>	<b>Last.</b>	<b>-1W</b>	<b>-3M</b>	<b>YTD</b>	<b>-12M</b>
10Y OAT	0,26	0,20	0,16	0,20	-0,32
10Y Bund	-0,05	-0,21	-0,19	-0,21	-0,51
10Y BTP	1,28	1,17	0,89	1,17	0,57
10Y JGB	0,10	0,07	0,06	0,07	0,02
10Y Bonos	0,62	0,57	0,46	0,56	0,05
10Y Swiss	-0,03	-0,13	-0,13	-0,13	-0,54
10Y Gilt	1,19	0,97	1,08	1,02	0,24
10Y USTnote	1,73	1,52	1,58	1,52	1,04

<b>Credit &amp; EM</b>	<b>Last.</b>	<b>-1W</b>	<b>-3M</b>	<b>YTD</b>	<b>-12M</b>
EUR Corporate Aaa	0,38	0,33	0,17	0,33	-0,08
EUR Corporate Baa	0,71	0,66	0,49	0,66	0,40
GBP Corporate Baa	1,65	1,53	1,43	1,52	0,73
USD Corporate Aaa	2,31	2,15	2,09	2,13	1,78
USD Corporate Baa	2,79	2,61	2,45	2,60	2,19
USD EM aggregate	4,50	4,34	4,28	4,33	3,61

<b>Commodities</b>	<b>Last.</b>	<b>-1W</b>	<b>-3M</b>	<b>YTD</b>	<b>-12M</b>
Brent, USD/BL	81,94	3,7%	-0,6%	3,7%	51,4%
Or, USD/oz	1 789	-1,4%	1,9%	-2,2%	-6,8%
Copper, USD/metric ton	9 555	-1,0%	4,1%	-1,3%	17,6%
Platinum, USD/onoz	967	0,0%	-1,9%	0,0%	-12,6%
Palladium, USD/onoz	1 850	-6,5%	-2,7%	-6,5%	-24,9%
Silver, USD/onoz	22,25	-2,3%	-2,0%	-3,6%	-19,2%

<b>FX rates</b>	<b>Last.</b>	<b>-1W</b>	<b>-3M</b>	<b>YTD</b>	<b>-12M</b>
EUR/USD	1,13	-0,2%	-2,1%	-0,1%	-8,3%
EUR/CHF	1,04	0,3%	-3,1%	0,2%	-4,0%
USD/GBP	0,74	-0,2%	0,7%	0,1%	0,2%
USD/JPY	115,75	0,5%	3,8%	0,5%	11,9%
USD/BRL	5,70	2,3%	3,4%	2,3%	6,9%
USD/CNY	6,38	0,2%	-1,0%	0,5%	-1,2%
USD/RUB	76,38	2,3%	6,3%	1,9%	3,3%

<b>Equity indices</b>	<b>Last.</b>	<b>-1W</b>	<b>-3M</b>	<b>YTD</b>	<b>-12M</b>
MSCI AC World (USD)	1 171	1,0%	5,4%	0,9%	15,5%
Eurostoxx 50	4 325	0,4%	5,5%	0,6%	19,8%
Dax 40	16 052	1,1%	5,3%	1,1%	15,5%
CAC 40	7 250	1,1%	9,8%	1,4%	28,8%
FTSE 100	7 450	0,6%	5,3%	0,9%	8,9%
SMI	12 792	-0,6%	8,7%	-0,6%	19,0%
SP500	4 696	-1,7%	6,7%	-1,5%	25,3%
TOPIX	1 997	0,2%	3,0%	0,2%	11,2%
iBovespa	101 561	-3,1%	-8,2%	-3,1%	-14,7%
Hang Seng	23 073	-0,2%	-6,6%	-1,4%	-16,7%
Sensex 30	59 602	3,1%	-0,1%	2,3%	23,7%
MOEX	3 753	-0,9%	-11,2%	-0,9%	11,3%
CSI 300	4 818	-2,1%	-1,0%	-2,5%	-11,1%

Source: Macrobond, Bloomberg, on 16 December 2021

-1W = 1-week change, -3M = 3-month change, -12M = 12-month change, YTD = year-to-date change

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