



# Economy & Rates

## Enemies of growth, who are they?

**August 2019**  
(figures and charts updated on 23 August 2019)

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# Summary & Tables of forecasts

# Summary

## Enemies of growth, who are they?



- Summer is a quiet period – never has a cliché been so wrong as this year. Recent weeks have seen a litany of events of all sorts in the economic, financial, trade-related and geopolitical spheres capable of influencing the global or regional economies, the markets' risk assessment and the short-term response of economic policymakers.
- Here is a quick overview of them. The major event has been the resurgence of tariff strains between the US and China since 1 August, a few weeks after a truce was reached that probably no-one viewed as permanent but few thought would be so short. These strains continue to escalate worryingly at the time of writing. There is now the prospect before the end of the year of the taxation of all Chinese imports by the US, combined with symmetrical retaliatory measures by China. The rivalry between these two major powers is also playing out in the technology field and in the currency market. Business relations between US companies and Huawei are scheduled to end in November. In response to tariff announcements, China has curtailed support for its currency to prevent it from falling, allowing it to slip well below the threshold of 7 yuan for one dollar. In these conditions, which he himself helped to create, the US President has launched daily attacks on “*monetary manipulations*” by China, as well as Europe, and the absence of a response by the Fed. It is one thing when commentators or analysts routinely employ the expression “*trade war*”. It is quite another, it seems to us, when the US President literally brands as an “*enemy*” both Xi Jinping, the head of the world's second-largest economy, and Jerome Powell, the Fed chairman. In short, the situation is full of instabilities of all kinds. Added to this are other problems that do not depend on the US President, even if he occasionally comments on them, such a mass protests in Hong Kong (with the risk of direct intervention by China), the fast-approaching Brexit deadline and the new episode of political uncertainty in Italy.
- Where does the economy stand in this environment? The latest economic data, which inherently lag the aforementioned events, depict global growth running at an annualised rate of just over 3% in Q2, as in Q1. In other words, the sharp slowdown seen in 2018 did not worsen in the first half of 2019. While this is no guarantee for the future, it is worth recalling in these turbulent times that the world economy remains way out of recession territory. This is also the case in the US, even though the terms “recession” or “inverted yield curve” have set new records in Google searches in recent days. This is just an anecdote, but it is not a reassuring one. The more a recession is feared, the greater the temptation to defer or suspend spending on consumption, investment and hiring. At present, the US is facing neither an oil shock (the oil price is down around 20% from a year earlier), nor drastic monetary tightening (the Fed has just cut its rates and will continue to do so), nor a credit bubble as in 2000 (businesses) or 2007 (households). There is nothing recessionary here on the face of it. But the uncertainty shock, constantly fuelled by the US President's statements, is somewhat unprecedented and poses a serious threat to the US cycle. That's the real enemy of growth...
- Europe is far closer to the critical recession threshold, in particular Germany and Italy, both countries with a large industrial component and, by extension, high sensitivity to external conditions. As a general rule, business confidence indices are inversely correlated to the contribution of manufacturing or exports to GDP. In view of the recent escalation of trade strains (US-China, but also Korea-Japan), the industrial slump will not end or stage a correction in the near term. More than a year after the emergence of serious problems in the manufacturing sector, there has been little contagion to other business sectors, which mainly depend on domestic employment and credit conditions. The message for economic policy makers is thus fairly clear. Unable to influence external risks, they need to take preventative action to support domestic demand as much as possible. This is what the ECB is attempting to do, even if its forthcoming measures (even more deeply negative interest rates and a possible revival of QE) may have some undesirable side effects, especially for banks. Some recent comments by the German government seem to suggest a degree of openness to using budgetary flexibility, but without any sense of urgency. This is a shame.

# Table of forecasts (1)



FORECASTS - REAL GDP GROWTH*													
	Average			2018				2019				Consensus**	
	2018	2019	2020	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2019	2020
World	3.7	3.2	3.0										
US	2.9	2.3	1.7	2.6	3.5	2.9	1.1	3.1	2.1	1.7	1.5	2.3	1.9
EMU	1.9	1.2	1.6	1.6	1.5	0.7	1.0	1.8	0.8	1.5	1.6	1.1	1.2
- Germany	1.5	0.7	1.4	0.5	1.6	-0.4	0.8	1.5	-0.3	0.8	1.2	0.6	1.2
- France	1.7	1.4	1.7	1.0	0.8	1.2	1.6	1.3	1.0	1.9	1.9	1.3	1.2
- Italy	0.7	0.1	0.5	0.9	0.0	-0.5	-0.2	0.5	0.1	0.4	0.4	0.0	0.4
- Spain	2.6	2.2	2.0	2.5	2.4	2.2	2.2	2.7	1.9	1.9	2.1	2.3	1.8
UK	1.4	1.1	0.9	0.2	1.6	2.8	0.9	2.0	-0.8	0.8	0.8	1.2	1.2
Japan	0.8	1.2	0.5	-0.3	1.6	-1.9	1.6	2.8	1.8	0.8	-2.0	0.9	0.3
China (y/y%)	6.6	6.1	5.8	6.8	6.7	6.5	6.4	6.4	6.2	6.0	5.8	6.2	6.0

\* y/y or q/q annualised rate

\*\*12 August 2019

FORECASTS - RATES & FX												
	Actual	Target		Last 5 years*		Average						
	23/08/2019	3M	12M	High	Low	2014	2015	2016	2017	2018	2019	
<b>Policy rate</b>												
Fed funds	2.25	1.75	1.75	2.50	0.25	0.25	0.27	0.52	1.13	1.96	2.31	
ECB deposit rate	-0.40	-0.50	-0.50	-0.20	-0.40	-0.08	-0.20	-0.38	-0.40	-0.40	-0.43	
<b>10Y rate</b>												
US T-note	1.5	1.5	1.8	3.2	1.5	2.5	2.1	1.8	2.3	2.9	2.1	
German Bund	-0.7	-0.7	-0.3	1.0	-0.7	1.2	0.5	0.1	0.4	0.5	-0.3	
French OAT	-0.4	-0.4	0.0	1.4	-0.4	1.7	0.8	0.5	0.8	0.7	0.0	
<b>Forex</b>												
EUR/USD	1.11	-	1.16	1.29	1.05	1.33	1.11	1.11	1.13	1.18	1.13	
USD/JPY	106	-	105	124	101	106	121	109	112	110	108	
USD/RMB	7.08	-	7.50	7.08	6.13	6.16	6.28	6.64	6.76	6.61	6.93	

\*monthly average

## Table of forecasts (2)



FORECASTS - KEY MACRO DATA for US, EMU, & France *											
	Average			2018				2019			
	2018	2019	2020	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>United States</b>											
Real GDP	2.9	2.3	1.7	2.6	3.5	2.9	1.1	3.1	2.1	1.7	1.5
Private Consumption	3.0	2.5	2.3	1.7	4.0	3.5	1.4	1.1	4.3	2.3	2.1
Nonresidential Investment	6.4	2.8	1.5	8.8	7.9	2.1	4.8	4.4	-0.6	1.0	1.0
Residential Investment	-1.5	-1.8	2.1	-5.3	-3.7	-4.0	-4.7	-1.0	-1.5	2.0	2.0
Domestic Demand (contribution, %pt)	3.2	2.4	2.1	2.5	4.2	2.9	1.5	1.9	3.7	2.1	1.9
Inventories (contribution, %pt)	0.1	0.2	-0.1	0.2	-1.5	2.5	0.1	0.5	-0.9	0.0	0.0
Net Exports (contribution, %pt)	-0.4	-0.3	-0.4	0.0	0.7	-2.4	-0.4	0.8	-0.7	-0.4	-0.4
Inflation (CPI, % yoy)	2.4	1.8	2.3	2.2	2.7	2.6	2.2	1.6	1.8	1.8	2.1
Unemployment rate (%)	3.9	3.6	3.3	4.1	3.9	3.8	3.8	3.9	3.6	3.5	3.4
<b>Euro area</b>											
Real GDP	1.9	1.2	1.6	1.6	1.5	0.7	1.0	1.8	0.8	1.5	1.6
Private Consumption	1.3	1.4	1.6	2.0	0.6	0.5	1.3	2.2	1.0	1.6	1.7
Investment	2.0	2.6	2.5	1.1	6.7	1.7	6.2	0.2	1.7	2.2	2.4
Domestic Demand (contribution, %pt)	1.3	1.5	1.7	1.3	2.0	0.6	2.5	1.3	1.2	1.7	1.7
Inventories (contribution, %pt)	0.2	-0.2	0.0	1.4	-0.3	1.3	-2.1	0.3	-0.2	0.0	0.0
Net Exports (contribution, %pt)	0.5	0.0	-0.1	-0.8	-0.2	-1.2	0.5	0.7	-0.2	-0.2	-0.1
Inflation (HICP, % yoy)	1.8	1.3	1.4	1.3	1.7	2.1	1.9	1.4	1.4	1.2	1.1
Unemployment rate (%)	8.2	7.5	7.0	8.5	8.3	8.0	7.9	7.8	7.6	7.4	7.3
<b>France</b>											
Real GDP	1.7	1.4	1.7	1.0	0.8	1.2	1.6	1.3	1.0	1.9	1.9
Private Consumption	0.9	1.3	1.8	1.1	-0.9	1.6	1.3	1.5	0.7	2.0	2.0
Investment	2.8	2.8	2.2	0.1	3.3	4.1	2.4	2.1	3.7	2.2	2.2
Domestic Demand (contribution, %pt)	1.3	1.6	1.8	0.6	0.4	1.9	1.6	1.4	1.6	1.9	1.9
Inventories (contribution, %pt)	-0.3	-0.1	0.0	0.0	0.6	-1.6	-0.9	1.1	-0.6	0.1	0.1
Net Exports (contribution, %pt)	0.7	0.0	0.0	0.5	-0.3	1.0	0.9	-1.3	0.0	-0.1	-0.1
Inflation (HICP, % yoy)	2.1	1.3	1.4	1.5	2.1	2.6	2.2	1.4	1.3	1.3	1.2
Unemployment rate (%)	8.8	8.2	7.7	8.9	8.8	8.8	8.5	8.4	8.2	8.1	8.0

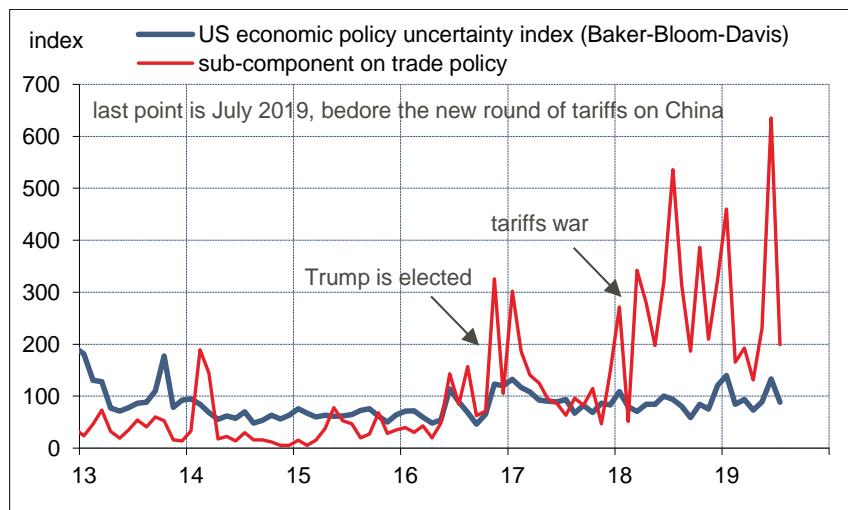
\* y/y or q/q annualised rate

Source: Thomson Reuters, ODDO BHF

26/08/2019

Economic situation and risks  
after this summer's *Trump Tweet Show*

# For those who missed this summer's *Trump Tweet Show*

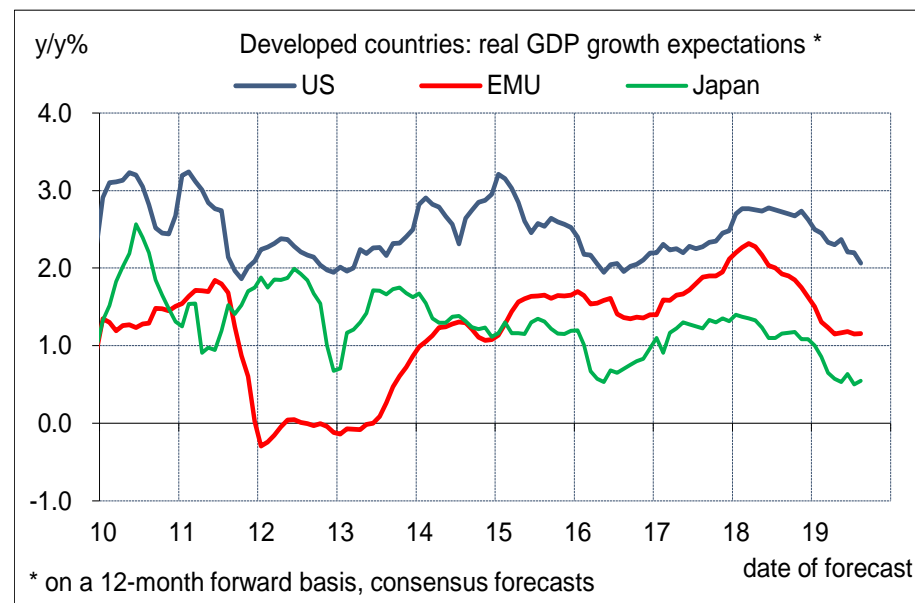


- President Trump announced on 1 August a new wave of tariffs applying to all Chinese imports.
  - Initially, the 10% hike was due to come into effect on 1 September. To avoid spoiling the Christmas spending season, around 60% of the affected goods – mainly electronics – will not be taxed until 15 December. But on August 23, current and future tariffs were raised again in response to Chinese retaliation. The Trade Department has extended the deadline for US companies to stop doing business with Huawei by three months to 19 November.
- He has forced the Treasury Department to designate China as a “*currency manipulator*” (contrary to its own evaluation criteria)
  - The CNY/USD exchange rate has fallen below 7 since 5 August.
- He attacks the Fed almost daily for its incompetence, demanding a “BIG CUT” (at least 100bp) and the revival of QE.
  - The Fed is to blame for the “*CRAZY INVERTED YIELD CURVE*”.
  - The Fed president is now referred to as an “*enemy*”.
- He criticizes the whole planet, especially China and Europe, for “*monetary manipulation*” in a bid to strengthen the dollar.
  - There have been some rumours (denied by the White House) that he intends to take measures to devalue the dollar
- He has hinted that his administration is preparing new fiscal stimulus measures, before denying this.
  - The measures cited in the press are a payroll tax cut, a reduction in the corporate tax rate to 15% and the indexing of capital gains on inflation
- Also note some “*tantrums*” of less importance
  - He has threatened France with tariffs on wine imports in response to France’s digital tax on US technology giants.
  - He had attacked historical allies of the US, including Denmark for its refusal to sell him Greenland (!) and other NATO countries for the weakness of their military spending.



# World growth

## Economic data are less worrying in reality than commentaries suggest

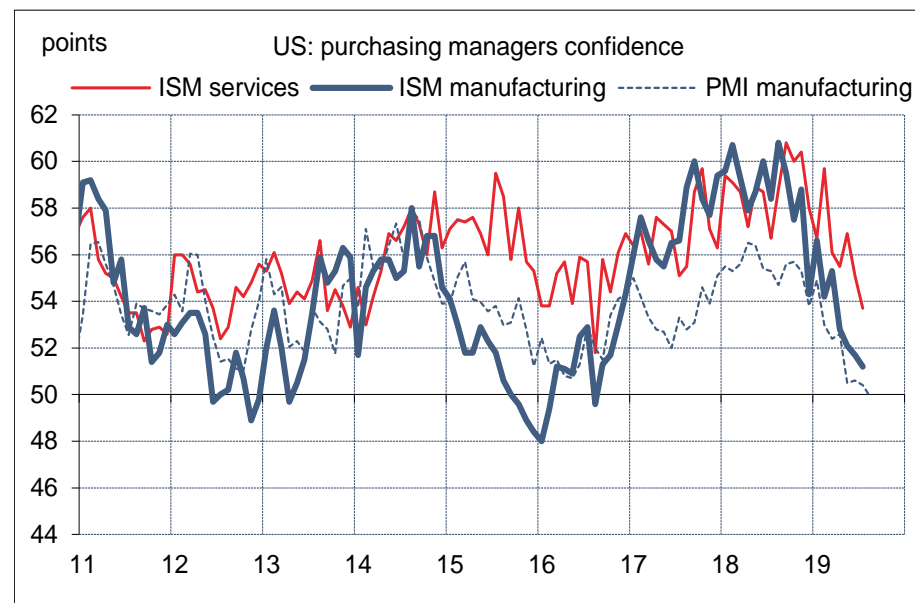
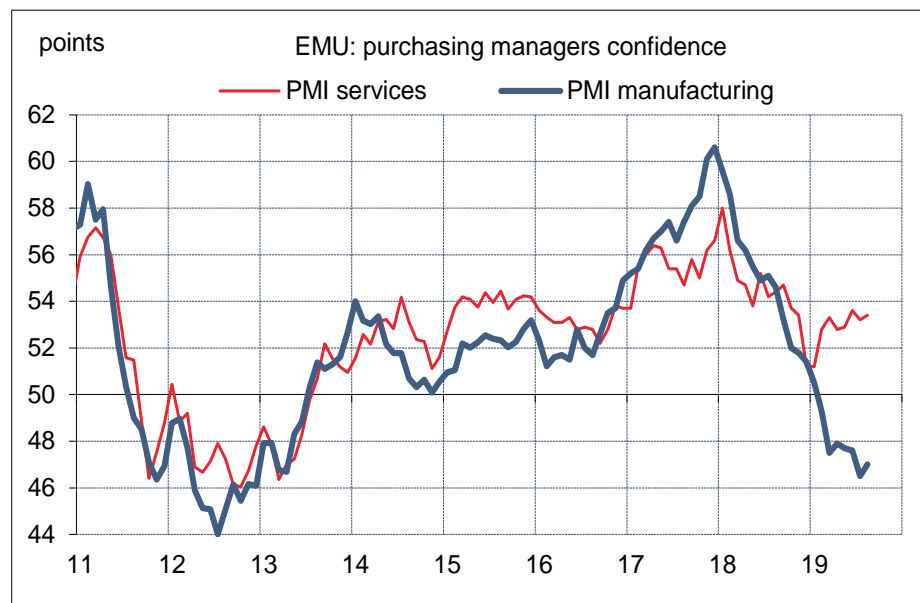


- According to preliminary Q2 2019 figures, real world GDP growth was stable at 3.2% q/q annualised, unchanged from Q1 2019.
- In comparison with the sharp slowdown seen in 2018 (from 4.1% in Q1 to 2.7% in Q4), this result may appear encouraging at first sight in that it reveals a stabilisation of world growth, not a collapse.
  - However, several countries recorded a contraction in their real GDP in Q2: Germany (-0.1% q/q), the UK (-0.2% q/q) and city-states such as Hong Kong and Singapore. In all cases, these are economies highly exposed to the risk of disruptions to global trade
- Downside risks to future growth have been revised up (new US-China tariff frictions, depreciation of the Chinese currency and the risk of a no-deal Brexit). Overall, 12-month forward growth forecasts continue to be edged down.



# Business confidence

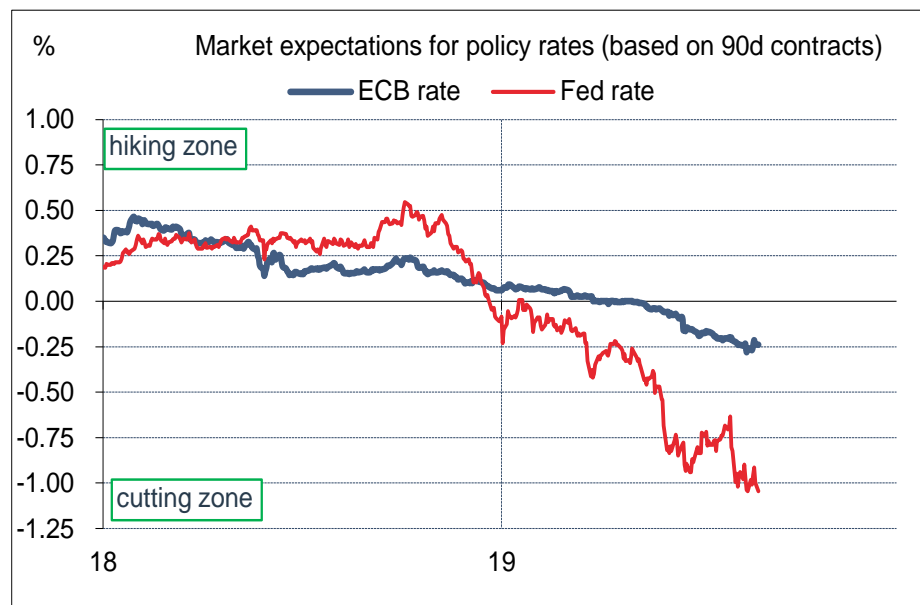
## The decoupling of confidence in manufacturing and services continues



- In the manufacturing sector, confidence surveys remained very weak throughout the summer or continued to weaken. Companies are signalling their concerns here about US-China tensions, especially in the field of trade and technology.
  - US – Industrial production peaked in December 2018 (-1.2% since this date).
  - Germany – Industrial production peaked in November 2017 (-6.3% since this date)
  - Asia – Industrial production has slowed sharply in China to an annualised +4.9%, its lowest rate since 2002. Industrial activity has been declining since the start of the year in South Korea and Taiwan.
- The spillover to the services sector has been limited to date. Non-manufacturing confidence indices generally remain firmly anchored in an expansion zone. The decoupling between manufacturing and services is particularly noteworthy in Europe.

# Monetary policy

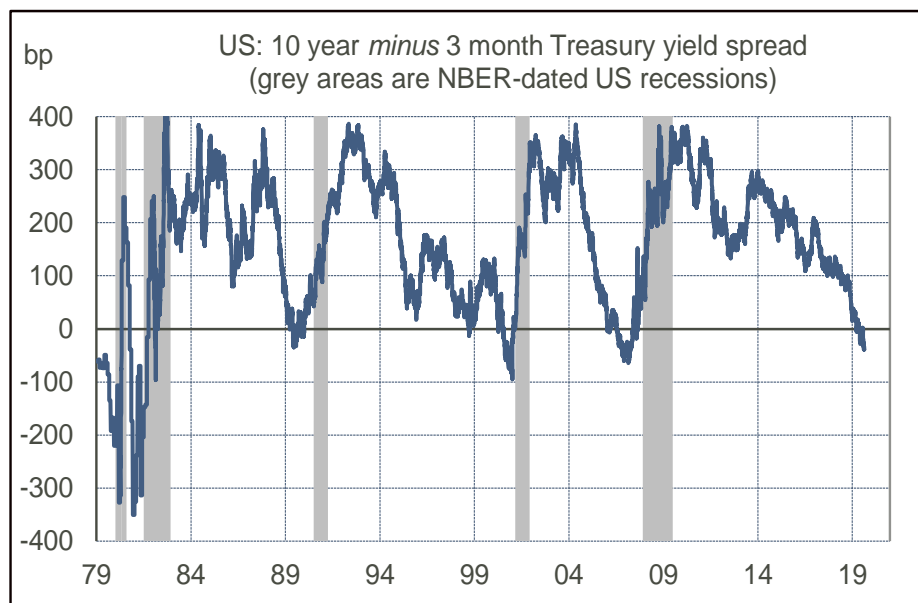
## The Fed's pivot has set off a global wave of rate cuts



- Fed – Rate cut of 25bp in July. For the time being, this move is not being presented as the start of a long or aggressive easing phase but as an insurance rate cut or a mid-cycle recalibration
  - The July rate cut was a compromise between FOMC members, both regarding its scale (proposals ranged from 0 to -50bp) and motivations (weakness of inflation, global slowdown or mounting uncertainty).
- ECB - Preparation of a “package” of measures in September, including a cut to the deposit rate, measures to mitigate the impact on banks’ profitability, generous conditions for the new TLTROs and possibly even a new QE programme.
- Other countries – In recent weeks, policy rates have been cut in Australia, New Zealand, India, the Philippines, South Korea, Thailand, Brazil, Mexico, Chile, Russia, South Africa and Turkey.

# United States

## Recession-phobia is mounting with the inversion of the yield curve

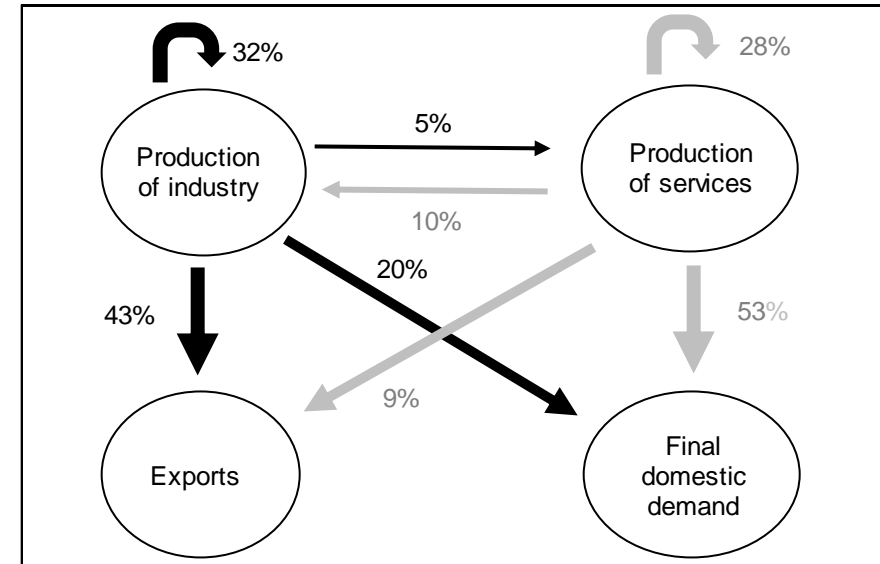
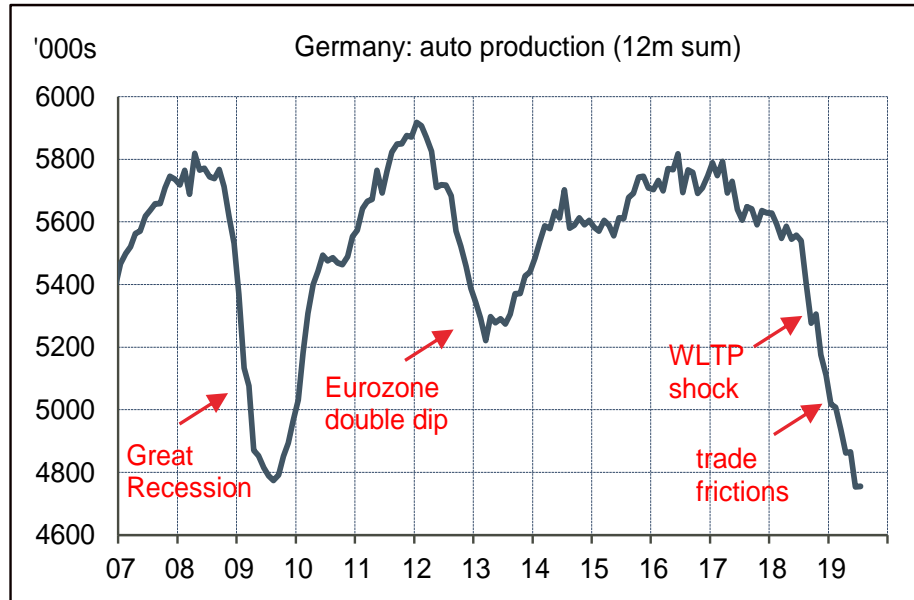


	US recession probability							
	2001 recession (average)	2008 recession (average)	mid- 2015	mid- 2016	mid- 2017	mid- 2018	mid- 2019	mid- 2020
<b>Coincident models</b>								
- unemployment rate	65	80	0	0	0	0	0	-
- jobless claims	44	58	1	3	3	2	2	-
- stock market	39	51	7	3	4	15	2	-
- building permits	0	83	0	0	0	0	1	-
<b>Average</b>	<b>37</b>	<b>68</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>-</b>
<b>Forward models</b>								
- yield curve	42	28	0	1	2	3	6	44
- diffusion index	15	53	7	7	16	5	4	44
- bond premium	61	28	9	19	25	12	11	14
- oil price	38	34	18	4	3	3	20	12
- corporate profits	68	34	9	14	27	20	17	23
<b>Average</b>	<b>45</b>	<b>35</b>	<b>9</b>	<b>9</b>	<b>14</b>	<b>9</b>	<b>11</b>	<b>27</b>
<b>Benchmark</b>								
- business cycle duration	36	27	16	20	26	30	37	40

- The yield curve has become more inverted over the summer. The 10Y-3M spread has been negative since last May.
  - In the US, this has historically been an excellent harbinger of a recession within the following 6-18 months. A recession model based solely on the slope of the yield curve puts the recession probability at over 40%, a red alert threshold.
  - But this inversion is occurring against the backdrop of widespread decline in interest rates, contrary to what is usually seen at the end of an expansion cycle. What's more, the fact that central banks are more attentive than ever to the curve signal poses a reflexivity problem. The yield curve may contain little information about future economic activity but instead reveal the market's very aggressive preference for monetary loosening.
  - A broader evaluation of recession models puts the probability at 27% within one year, on our calculations. This makes it far from inevitable.
- The usual causes of a recession - oil price spike, rapid monetary tightening or bursting of a credit bubble – are absent.
- The risk is that recessionary phobia leads economic agents into a self-fulfilling phenomenon of negative adjustment in spending and hiring.

# Germany

## Close to a recession, but still on the right side of the threshold



- The “growth model” that has made Germany so successful over approximately the past 20 years is at risk, since it was based on the fluidity of global trade and brisk growth in Chinese and emerging market demand, with a significant contribution from the automotive sector.
- In view of external risks (Brexit, Trump and China), there is little hope of a pronounced manufacturing recovery. The best scenario in the short term would be a stabilisation of confidence and activity. As such, the risk of a recession hinges on the strength of domestic demand and employment
  - Business confidence in non-manufacturing sectors is not totally indifferent to the industrial downturn, but it has been fairly resilient to date.
  - Industrial companies have already made sweeping adjustments to temporary employment to counter the weakness of external demand. The first signs of negative effects on the labour market are visible (reduction in non-temporary job openings, small increase in the number of unemployed in the past three months).
- The government finally seems to be waking up to recessionary risk by talking of the possibility of a stimulus plan, albeit in extremely general terms. There is no reason to hope for preventative measures.

# Italy

## Dissolution of the M5S-League government coalition



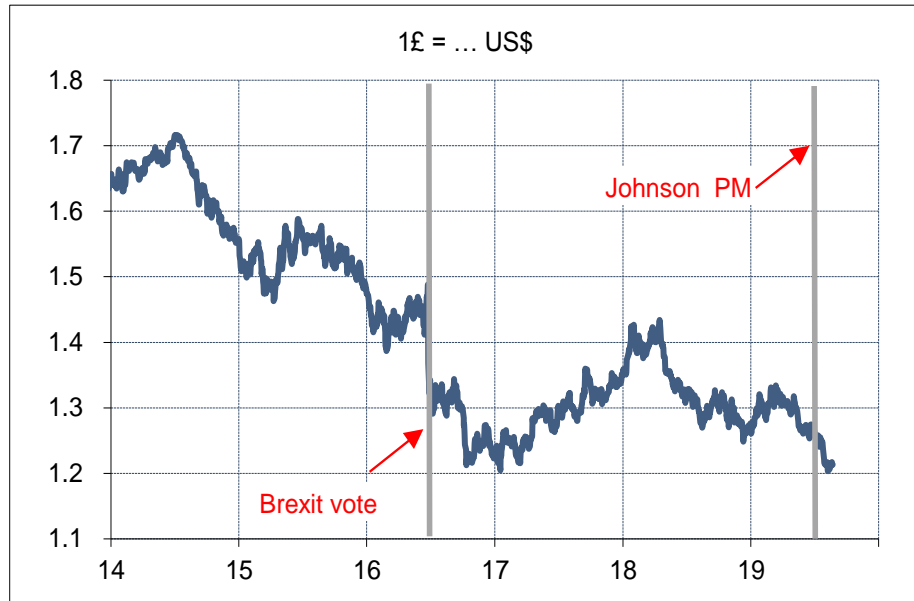
Elections 4 March 2018	Party leader	Seats (number / % total)			
		Chamber		Senate	
Center-right coalition		262	41.6	137	43.5
- Lega	Matteo Salvini	125	19.8	58	18.4
- Forza Italia	Silvio Berlusconi	104	16.5	61	19.4
- Fratelli d'Italia		33	5.2	18	5.7
M5S	Luigi di Maio	216	34.3	106	33.7
Center-left coalition		133	21.1	58	18.4
- o/w PD	Matteo Renzi	111	17.6	52	16.5
Other parties		19	3.0	14	4.4
<b>Lega + M5S</b>		<b>341</b>	<b>54.1</b>	<b>164</b>	<b>52.1</b>
<b>PD + M5S</b>		<b>327</b>	<b>51.9</b>	<b>158</b>	<b>50.2</b>
Total		630	100	315	100



- PM Conte handed in his resignation on 20 August, pinning the blame for the collapse of the M5S-League coalition government on Matteo Salvini, who was explicitly calling for early elections to capitalise on his strong lead in opinion polls. The result of this move is uncertain today, as Salvini may have underestimated the survival instincts (maintaining their positions) of current members of Parliament.
  - Scenario 1 (negative from a financial stability standpoint) – The President of the Republic agrees to hold new elections in the short term. The budgetary discussion process is disrupted by this at a time when Italy is under close surveillance by Brussels. By giving him a strong mandate, a victory for Salvini would probably also accentuate his anti-EU positions (immigration and budget), or even revive some anti-euro leanings in his party. Risk of a downgrade of the sovereign rating and a surge in Italian spreads.
  - Scenario 2 (positive for financial stability) – An anti-Salvini and/or pro-EU ("operation Ursula") alliance is formed, however shaky from an ideological or electoral programme perspective. A new government is formed without ministers from the League. Salvini is relegated to the opposition. Brussels takes a more conciliatory approach towards fiscal questions.

# Brexit

## For BoJo, Brexit is an electoral weapon, regardless of its cost



Institution / Think-tank	Date	Long-term impact on UK GDP (%)*
Economists for Brexit	2016	4.0
Bertelsmann	2015	-2.3
Open Europe	2015	-2.8
Center for Eco.Performance/ LSE	2016	-2.9
IFO	2015	-2.9
CEPII	2018	-2.9
PwC/CBI	2016	-3.5
Central Planning Bureau	2016	-4.1
CEPR	2017	-4.5
NIESR	2018	-5.5
IMF	2016	-5.6
BoE	2018	-6.3
HM Treasury	2018	-7.7
OECD	2016	-7.7
HM Treasury (zero migration)	2018	-9.3
<b>AVERAGE (no-deal Brexit)</b>		<b>-4.9</b>

\* relative to Remain scenario. If range of estimates, average value

- What has not changed in the Brexit equation

- The EU's positions – No discussion of a free trade agreement without the prior signing of the Withdrawal Treaty, including the Irish backstop.
- The economic risk – A "no-deal Brexit" implies a change of regime in EU-UK trade relations, creating major disruptions in both the short term (congestion and shortages) and medium term (reduction in investment and potential growth). The negative shock would be instantaneous for the UK and Irish Republic, and the knock-on effects would weigh on the exports and growth of other EU countries.

- What has changed

- The Prime Minister, Boris Johnson, wants to deliver Brexit by the new deadline (31 October) so he can call an election as soon as possible. By luring voters from Farage and playing on fears of a Corbyn-led government, he hopes to obtain a stable majority under his control. In this case, he would probably be prepared to make significant compromises in the face of the EU's demands. This is an extremely risky gamble that makes the UK economy and citizens hostages to his ambitions.
- A weaker economic situation in both the UK (GDP: -0.2% in Q2) and the eurozone (GDP: +0.2% in Q2).
- At first sight, the probability of a "no-deal Brexit" has increased, as signalled by sterling's weakness.

Source: Thomson Reuters, ODDO BHF

## Appendix – statistics and charts

1. Real GDP growth in the major countries (% quarterly change)
2. Contributions to real GDP growth: G7 countries
3. Real GDP growth: G7 countries + China
4. Real GDP growth: countries of Asia excl. China-Japan (selection)
5. Real GDP growth: other countries (selection)
6. Industrial production: G7 + emerging countries (selection)
7. Consumer price inflation: G7 countries + China
8. Consumer price inflation: emerging countries (selection)
9. Unemployment rates: G7 countries
10. Purchasing managers' confidence (PMI indices): G7 + BRIC countries
11. Consumer confidence: developed countries (selection)
12. Car sales: G7 countries + China + Brazil
13. Central bank policy rates: developed countries (selection)
14. Central bank policy rates: emerging countries (selection)
15. Central bank balance sheets: developed countries (selection)
16. Currency reserves: world and principal holders
17. Current account balances: G7 countries + China
18. Current account balances: emerging countries (selection)
19. Exchange rates against the EUR or USD: major currencies
20. Government debt (as % of GDP): European countries (selection)
21. Sovereign ratings: European countries (selection)
22. Bank financing by the Eurosystem
23. Bank loans to the private sector: European countries (selection)
24. 10-year government bond yield



# Appendix 1

## Real GDP growth in the major countries (% quarterly change)



	GDP 2016 bn \$	Weights 2016		Real GDP change (Q/Q non annualised, %)																						
		current \$	PPP \$	2014				2015				2016				2017				2018				2019		
		%	%	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
<b>World *</b>	<b>80205</b>	100.0	100.0	<b>0.72</b>	<b>1.02</b>	<b>1.07</b>	<b>0.92</b>	<b>0.89</b>	<b>0.88</b>	<b>0.86</b>	<b>0.64</b>	<b>0.89</b>	<b>0.93</b>	<b>0.76</b>	<b>0.99</b>	<b>1.02</b>	<b>1.00</b>	<b>1.09</b>	<b>0.99</b>	<b>1.00</b>	<b>0.91</b>	<b>0.74</b>	<b>0.66</b>	<b>0.79</b>	<b>0.80</b>	e
Developed countries	42493	53.0	35.8	0.22	0.52	0.77	0.54	0.76	0.49	0.34	0.17	0.57	0.31	0.46	0.58	0.64	0.58	0.71	0.70	0.44	0.62	0.38	0.27	0.61	0.35	e
Asia excl. Japan	19256	24.0	32.7	1.37	1.86	1.61	1.39	1.54	1.68	1.64	1.38	1.58	1.86	1.45	1.35	1.47	1.57	1.73	1.46	1.55	1.45	1.34	1.41	1.23	1.49	e
US	19485	24.3	15.5	-0.3	1.4	1.2	0.6	0.8	0.7	0.3	0.0	0.5	0.5	0.5	0.5	0.6	0.5	0.8	0.9	0.6	0.9	0.7	0.3	0.8	0.5	
EMU	11792	14.7	10.9	0.5	0.2	0.4	0.5	0.8	0.4	0.4	0.4	0.6	0.3	0.4	0.8	0.7	0.7	0.7	0.7	0.4	0.4	0.2	0.2	0.4	0.2	
- Germany	3701	4.6	3.3	1.0	0.0	0.5	0.9	-0.2	0.6	0.5	0.4	0.8	0.6	0.2	0.4	1.2	0.6	0.9	0.7	0.1	0.4	-0.1	0.2	0.4	-0.1	
- France	2588	3.2	2.3	0.1	0.2	0.5	0.1	0.5	0.0	0.4	0.2	0.6	-0.3	0.2	0.6	0.8	0.7	0.7	0.7	0.2	0.2	0.3	0.4	0.3	0.2	
- Italy	1947	2.4	1.9	0.1	-0.1	0.2	0.0	0.2	0.4	0.3	0.4	0.2	0.2	0.4	0.5	0.6	0.4	0.4	0.4	0.2	0.0	-0.1	-0.1	0.1	0.0	
Japan	4860	6.1	4.3	1.0	-1.9	0.1	0.5	1.3	0.2	-0.1	-0.4	0.7	0.0	0.3	0.2	0.9	0.4	0.7	0.3	-0.1	0.4	-0.5	0.4	0.7	0.4	
UK	2640	3.3	2.3	0.8	0.8	0.7	0.7	0.4	0.6	0.4	0.7	0.3	0.2	0.5	0.7	0.4	0.3	0.5	0.4	0.1	0.4	0.7	0.2	0.5	-0.2	
Switzerland	679	0.8	0.4	0.7	0.6	0.8	0.8	-0.3	0.0	0.7	0.4	0.6	0.3	0.4	-0.1	0.4	0.7	0.8	0.8	0.8	0.7	-0.2	0.3	0.6	-	
Canada	1650	2.1	1.4	0.1	0.9	1.0	0.7	-0.5	-0.3	0.4	0.1	0.6	-0.5	1.1	0.6	1.0	1.1	0.3	0.4	0.4	0.6	0.5	0.1	0.1	-	
Australia	1386	1.7	1.0	0.7	0.6	0.4	0.4	0.9	0.2	0.9	0.6	0.9	0.8	0.0	1.0	0.4	0.8	0.7	0.6	1.0	0.9	0.3	0.2	0.4	-	
China	12062	15.0	17.6	1.8	1.8	1.8	1.7	1.8	1.8	1.7	1.5	1.4	1.9	1.7	1.6	1.5	1.8	1.7	1.5	1.5	1.7	1.6	1.5	1.4	1.6	
India **	2652	3.3	7.3	0.8	2.8	1.8	1.0	1.6	2.5	2.0	1.5	2.8	2.5	1.5	1.0	1.8	1.6	2.2	2.1	2.1	1.4	1.3	1.6	1.4	-	
Korea	1531	1.9	1.6	0.9	0.7	0.4	0.6	0.9	0.2	1.5	0.7	0.4	1.0	0.5	0.8	0.9	0.5	1.5	-0.1	1.0	0.6	0.5	0.9	-0.4	1.1	
Indonesia **	1015	1.3	2.5	1.2	1.2	1.3	1.2	1.1	1.1	1.3	1.4	1.1	1.3	1.2	1.2	1.2	1.2	1.3	1.3	1.2	1.4	1.2	1.2	1.1	1.3	
Taiwan	575	0.7	0.9	0.6	1.2	1.1	0.5	0.6	-1.4	-0.1	0.0	0.8	0.9	0.4	0.9	0.8	0.5	1.2	0.8	0.7	0.4	0.4	0.3	0.8	0.7	
Thailand	455	0.6	1.0	-0.4	0.6	1.0	1.2	0.4	0.4	1.5	0.8	0.7	0.7	0.8	0.9	1.0	1.4	1.2	0.4	1.9	1.1	-0.2	0.9	1.0	0.6	
Malaysia **	315	0.4	0.7	1.1	1.8	1.2	1.4	1.4	1.0	0.9	1.2	1.0	1.1	1.2	1.4	1.6	1.4	1.5	1.0	1.2	0.7	1.4	1.3	1.0	1.0	
Philippines	314	0.4	0.7	2.4	1.6	0.8	1.7	1.2	2.0	1.2	2.1	1.5	1.9	1.3	1.8	1.4	2.0	1.7	1.5	1.4	1.5	1.3	2.0	0.6	1.4	
Singapore	337	0.4	0.4	0.7	1.1	0.8	1.5	-0.5	1.2	1.2	0.1	0.6	0.8	0.7	1.7	0.3	0.4	2.0	0.9	1.2	0.2	0.2	-0.2	0.9	-0.9	
Brazil	2053	2.6	2.6	0.5	-1.3	0.2	0.4	-1.1	-2.2	-1.4	-0.8	-0.9	-0.2	-0.7	-0.6	1.5	0.3	0.1	0.3	0.5	0.0	0.5	0.1	-0.2	-	
Chile	278	0.3	0.4	0.0	0.5	0.0	1.2	0.2	1.2	-0.2	1.0	0.6	-0.3	0.5	0.1	-0.8	1.0	2.1	0.8	1.3	0.8	-0.1	1.3	0.0	-	
Mexico	1158	1.4	2.0	0.7	1.3	0.4	1.1	0.6	1.0	1.2	-0.1	0.6	0.5	1.0	1.1	0.6	0.4	-0.5	1.0	1.3	-0.2	0.5	0.1	-0.3	0.0	
Russia **	1578	2.0	3.2	-0.8	1.2	-0.4	0.2	-2.9	-0.3	0.2	-0.1	-0.2	-0.4	0.2	0.8	0.8	0.5	0.1	-0.9	2.1	0.7	0.2	-0.2	-0.2	-	
Poland	527	0.7	0.9	1.1	1.1	0.8	0.6	1.2	0.7	1.2	1.2	-0.2	1.3	0.2	2.2	1.1	0.9	1.2	1.5	1.4	1.2	1.5	0.5	1.5	-	
Turkey	852	1.1	1.7	2.7	-1.5	2.4	1.5	1.9	1.4	1.6	0.6	0.4	1.2	-2.8	5.5	1.5	1.9	1.6	2.5	1.0	-0.1	-1.5	-2.4	1.3	-	
South Africa	349	0.4	0.6	-0.6	0.3	0.6	1.1	0.5	-0.7	0.1	0.3	-0.4	0.8	0.2	0.1	-0.1	0.8	0.7	0.8	-0.7	-0.1	0.5	0.4	-0.9	-	

\* as usual, world weighting is based on real GDP at PPP exchange rate (IMF data)

\*\* for those countries, seasonally-adjusted figures by ODDO BHF

# Appendix 2

## Contributions to real GDP growth: G7 countries

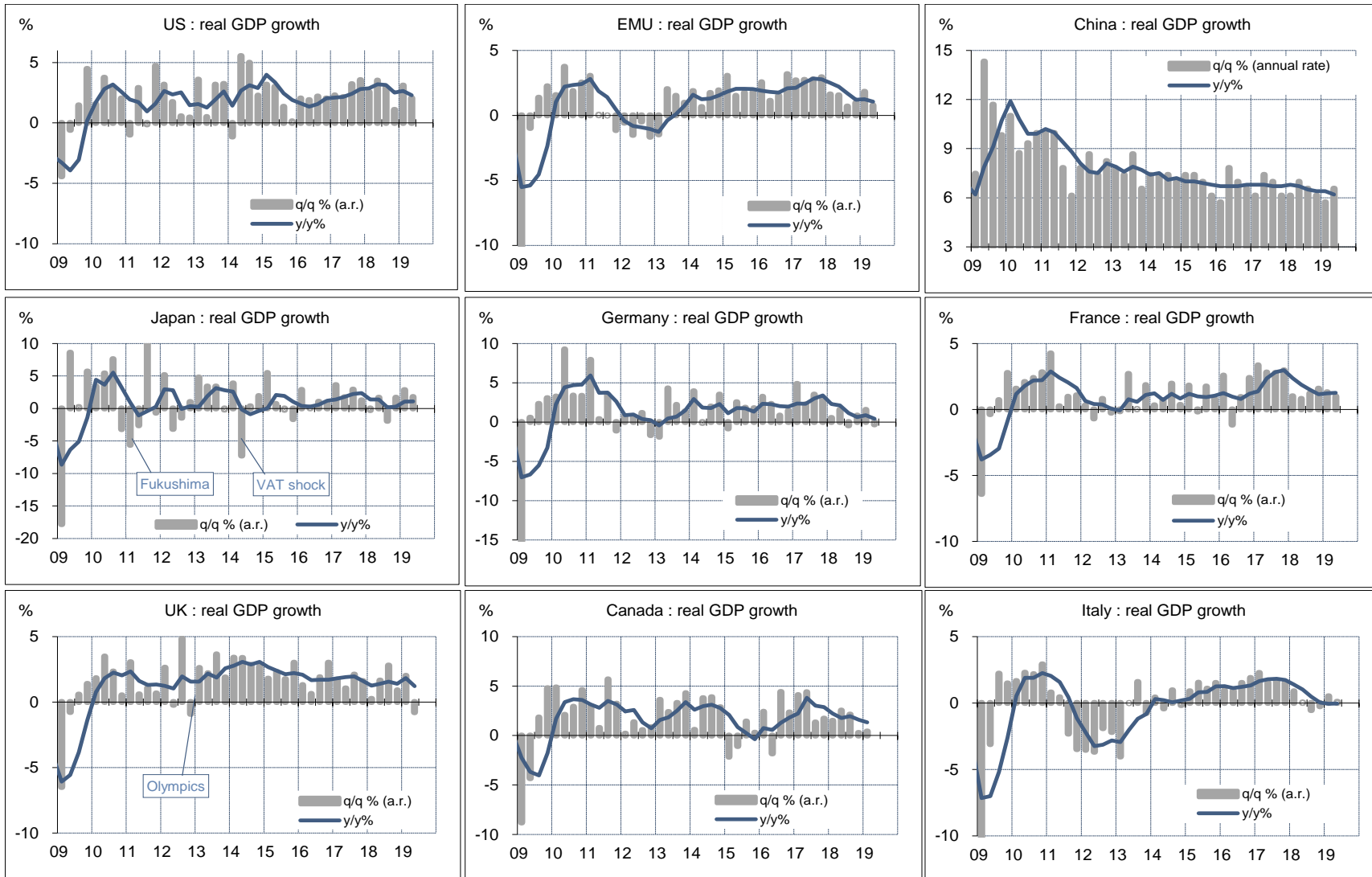


	Real GDP change (Q/Q non annualised, %) and contributions to growth *																								
	Pre-crisis	Crisis	Post-crisis	2014				2015				2016				2017				2018				2019	
	1999-2007	Q3 08-Q2 09	2010 to date	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>US</b>																									
Real GDP qoq %	0.7	-1.0	0.6	-0.3	1.4	1.2	0.6	0.8	0.7	0.3	0.0	0.5	0.5	0.5	0.5	0.6	0.5	0.8	0.9	0.6	0.9	0.7	0.3	0.8	0.5
- Inventories	0.0	-0.3	0.0	-0.4	0.3	0.0	-0.2	0.5	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	0.3	-0.2	0.0	0.3	-0.2	0.0	-0.3	0.5	0.0	0.1	-0.2
- Net exports	-0.1	0.3	-0.1	-0.3	-0.1	0.0	-0.3	-0.4	0.0	-0.3	-0.1	-0.1	0.1	0.0	-0.3	0.0	-0.1	0.1	-0.2	0.0	0.2	-0.5	-0.1	0.2	-0.2
- Final demand	0.8	-1.0	0.6	0.3	1.2	1.2	1.0	0.7	0.8	0.7	0.3	0.8	0.6	0.7	0.5	0.7	0.6	0.5	1.2	0.6	1.0	0.7	0.3	0.5	0.9
<b>Japan</b>																									
Real GDP qoq %	0.3	-1.6	0.3	1.0	-1.9	0.1	0.5	1.3	0.2	-0.1	-0.4	0.7	0.0	0.3	0.2	0.9	0.4	0.7	0.3	-0.1	0.4	-0.5	0.4	0.7	0.4
- Inventories	0.0	-0.5	0.0	-0.4	0.9	-0.4	-0.3	0.3	0.5	-0.3	-0.1	0.0	0.4	-0.5	-0.3	0.1	-0.1	0.5	0.1	-0.2	-0.1	0.2	0.1	0.1	-0.1
- Net exports	0.1	-0.4	0.0	-0.1	0.9	-0.1	0.3	0.0	-0.1	-0.1	0.0	0.3	0.1	0.3	0.3	0.1	-0.3	0.5	-0.1	0.1	0.0	-0.2	-0.4	0.4	-0.3
- Final demand	0.2	-0.7	0.3	1.5	-3.7	0.5	0.4	1.0	-0.2	0.4	-0.3	0.4	-0.5	0.5	0.1	0.7	0.8	-0.3	0.3	0.0	0.5	-0.5	0.8	0.2	0.8
<b>Germany</b>																									
Real GDP qoq %	0.4	-1.7	0.5	1.0	0.0	0.5	0.9	-0.2	0.6	0.5	0.4	0.8	0.6	0.2	0.4	1.2	0.6	0.9	0.7	0.1	0.4	-0.1	0.2	0.4	-0.1
- Inventories	0.0	-0.5	0.0	0.6	0.3	-0.9	0.1	0.4	-0.5	-0.2	0.2	0.3	-0.2	0.1	0.4	-0.4	0.1	-0.1	0.0	0.2	0.2	0.6	-0.5	-0.3	-
- Net exports	0.2	-0.9	0.1	-0.1	-0.2	0.8	0.1	-0.5	0.7	-0.3	-0.7	-0.3	0.8	-0.4	-0.5	0.7	-0.2	0.4	0.2	0.0	-0.2	-0.9	0.0	0.2	-
- Final demand	0.2	-0.3	0.4	0.5	-0.1	0.6	0.7	-0.1	0.4	1.0	0.9	0.8	0.0	0.5	0.5	0.9	0.7	0.6	0.5	-0.1	0.4	0.2	0.7	0.5	-
<b>France</b>																									
Real GDP qoq %	0.6	-0.9	0.3	0.1	0.2	0.5	0.1	0.5	0.0	0.4	0.2	0.6	-0.3	0.2	0.6	0.8	0.7	0.7	0.7	0.2	0.2	0.3	0.4	0.3	0.2
- Inventories	0.0	-0.4	0.0	0.4	0.2	0.1	-0.1	0.2	-0.4	0.5	0.3	-0.4	-0.7	0.4	-0.4	0.8	-0.6	0.1	0.0	0.0	0.2	-0.4	-0.2	0.3	-0.2
- Net exports	-0.1	0.0	0.0	0.0	-0.4	0.0	0.0	-0.2	0.4	-0.6	-0.4	0.1	0.2	-0.4	0.2	-0.7	0.8	-0.2	0.4	0.1	-0.1	0.2	0.2	-0.3	0.0
- Final demand	0.6	-0.4	0.3	-0.3	0.3	0.4	0.2	0.5	0.0	0.5	0.3	0.9	0.1	0.2	0.8	0.8	0.5	0.7	0.3	0.1	0.1	0.5	0.4	0.4	0.4
<b>Italy</b>																									
Real GDP qoq %	0.4	-1.8	0.1	0.1	-0.1	0.2	0.0	0.2	0.4	0.3	0.4	0.2	0.2	0.4	0.5	0.6	0.4	0.4	0.4	0.2	0.0	-0.1	-0.1	0.1	0.0
- Inventories	0.0	-0.5	0.0	0.0	0.4	0.0	-0.9	0.6	-0.2	0.1	0.1	0.2	0.2	-0.2	-0.4	-0.1	0.5	-0.5	-0.1	0.4	-0.2	-0.1	-0.4	-0.6	-
- Net exports	0.0	-0.3	0.1	0.2	-0.3	0.0	0.3	-0.5	0.0	-0.4	0.1	-0.3	0.1	0.0	0.2	0.4	-0.4	0.2	0.1	-0.2	-0.2	0.2	0.1	0.5	-
- Final demand	0.4	-1.0	-0.1	0.0	-0.2	0.2	0.5	0.2	0.6	0.5	0.2	0.3	0.0	0.6	0.7	0.3	0.3	0.7	0.4	0.0	0.4	-0.3	0.2	0.2	-
<b>EMU</b>																									
Real GDP qoq %	0.6	-1.4	0.3	0.5	0.2	0.4	0.5	0.8	0.4	0.4	0.4	0.6	0.3	0.4	0.8	0.7	0.7	0.7	0.7	0.4	0.4	0.2	0.2	0.4	0.2
- Inventories	0.0	-0.4	0.0	0.4	0.2	-0.2	-0.1	0.3	-0.3	0.2	0.1	0.2	-0.2	0.0	0.0	0.1	-0.1	-0.1	-0.1	0.3	-0.1	0.3	-0.5	0.0	-
- Net exports	0.0	-0.2	0.1	0.0	-0.1	0.2	0.2	0.2	-1.1	0.8	-0.5	-0.1	0.1	-0.1	0.0	0.5	-1.1	1.5	0.5	-0.2	0.0	-0.3	0.1	0.2	-
- Final demand	0.5	-0.8	0.2	0.1	0.0	0.5	0.4	0.3	1.8	-0.5	0.9	0.6	0.4	0.4	0.8	0.0	1.9	-0.7	0.3	0.3	0.5	0.2	0.6	0.3	-
<b>UK</b>																									
Real GDP qoq %	0.7	-1.4	0.5	0.8	0.8	0.7	0.7	0.4	0.6	0.4	0.7	0.3	0.2	0.5	0.7	0.4	0.3	0.5	0.4	0.1	0.4	0.7	0.2	0.5	-0.2
- Inventories	-0.1	0.0	0.1	-1.1	-0.2	0.5	0.8	0.0	-1.2	0.3	0.7	-0.3	-0.7	1.3	-0.9	0.1	-0.5	-0.2	-0.1	0.1	0.6	0.3	0.1	2.3	-
- Net exports	0.0	0.1	-0.1	1.1	0.6	-0.8	-0.3	-0.3	0.9	-0.4	-0.2	-0.1	0.1	-1.8	1.8	-0.2	0.1	0.4	0.2	-0.2	-0.4	0.0	-0.2	-2.9	-
- Final demand	0.8	-1.5	0.4	0.8	0.5	0.9	0.1	0.7	0.9	0.5	0.3	0.8	0.8	1.0	-0.1	0.5	0.7	0.4	0.3	0.2	0.2	0.4	0.3	1.0	-

\* do not sum up exactly due to roundings

# Appendix 3

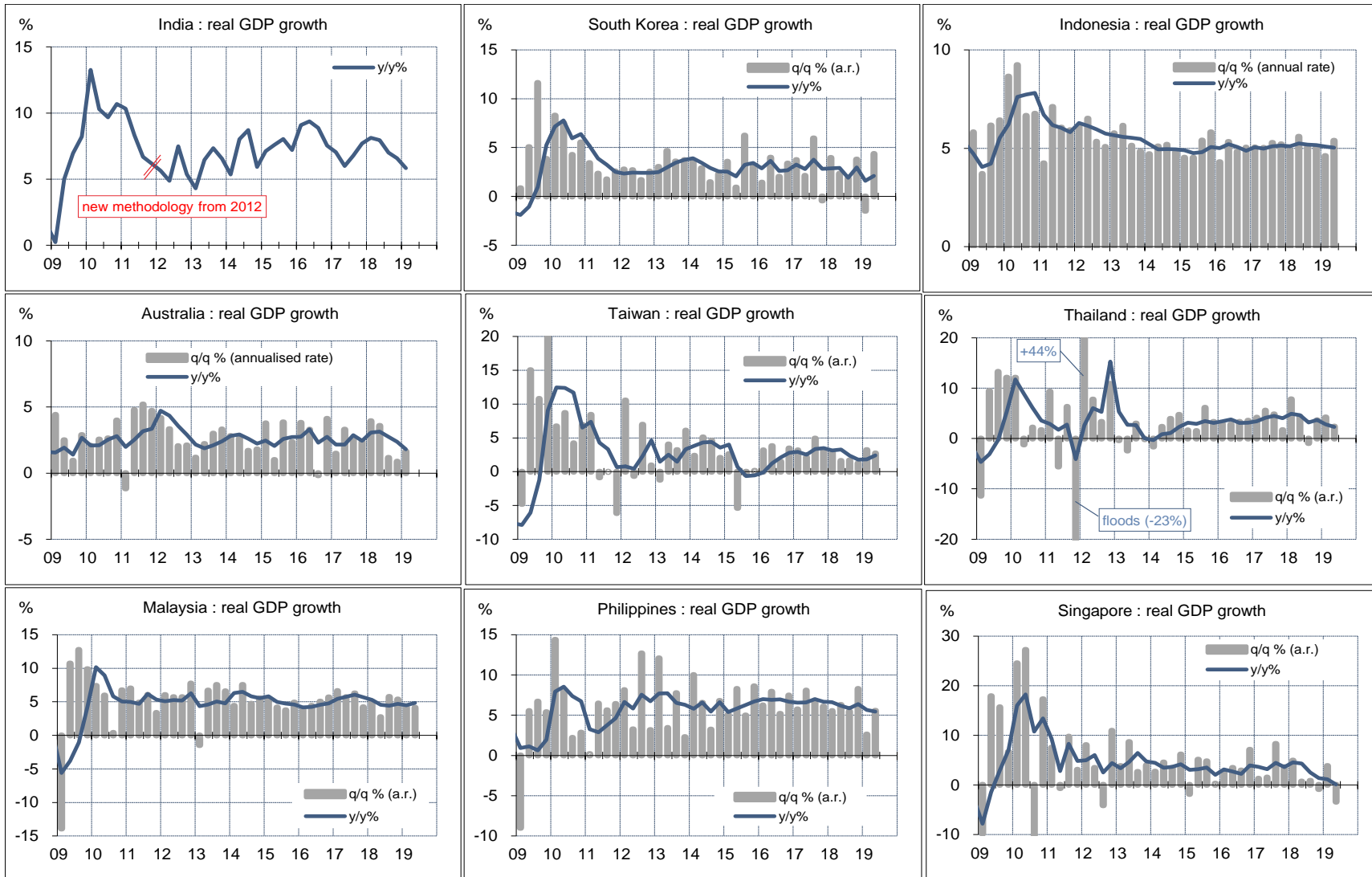
## Real GDP growth: G7 countries + China



Source: Thomson Reuters, ODDO BHF

# Appendix 4

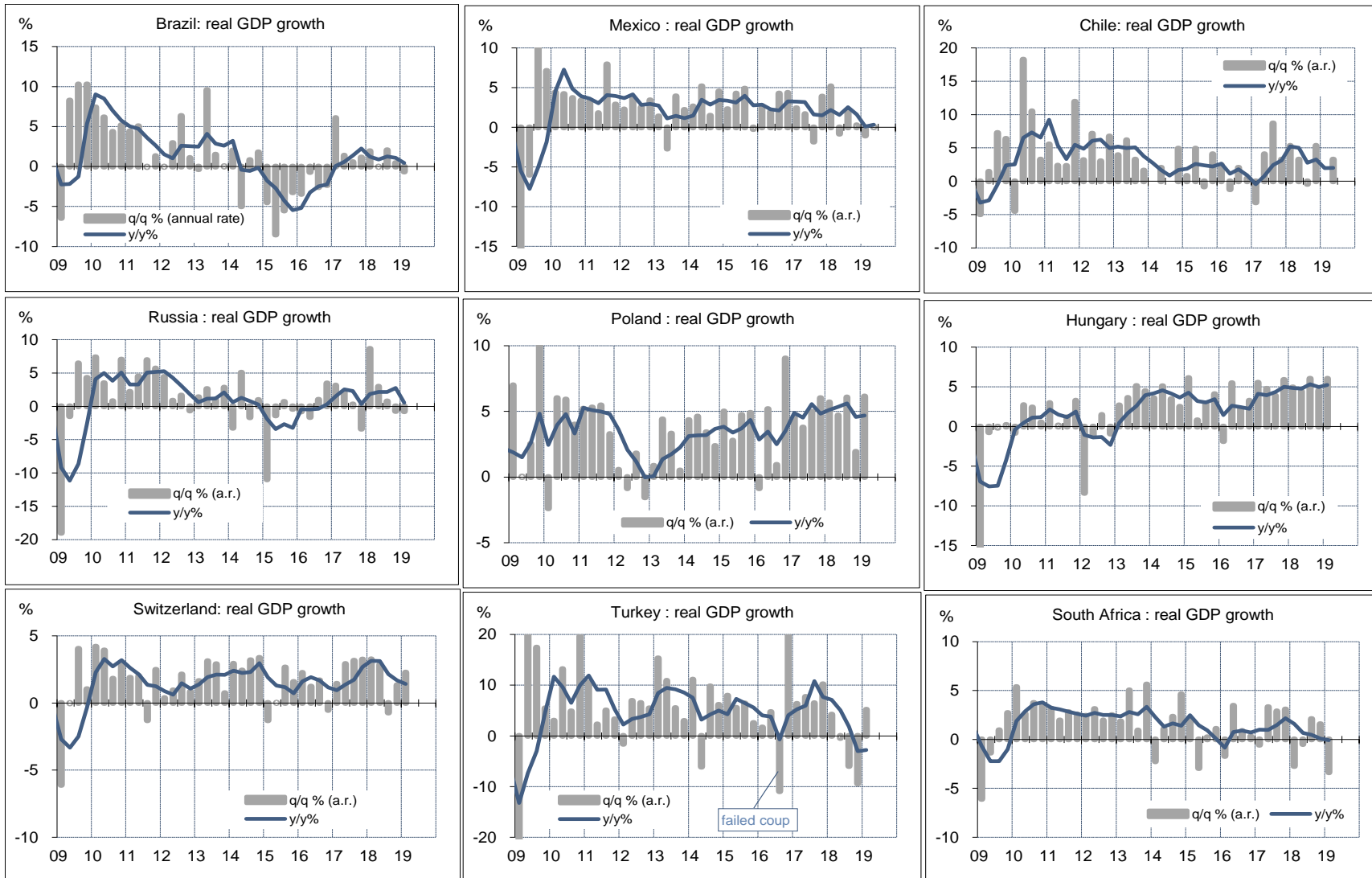
## Real GDP growth: countries of Asia excl. China-Japan (selection)



Source: Thomson Reuters, ODDO BHF

# Appendix 5

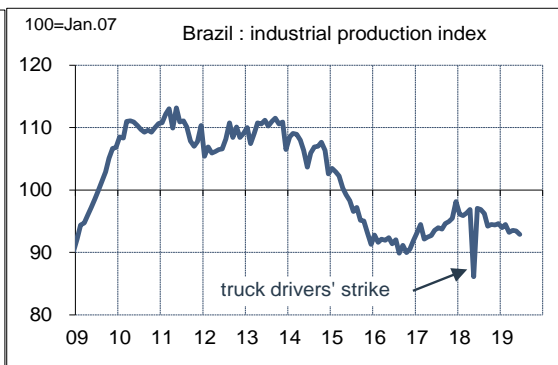
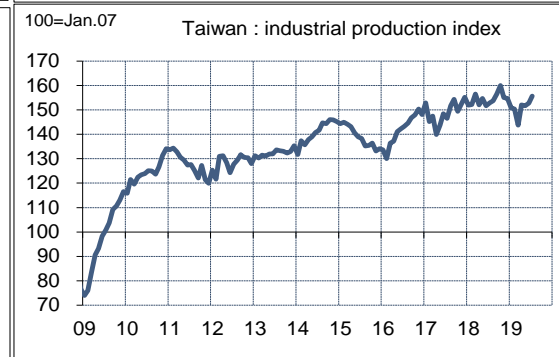
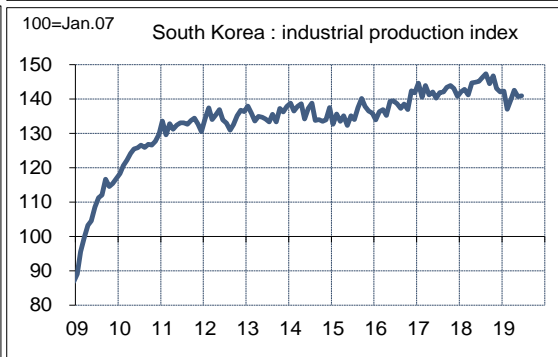
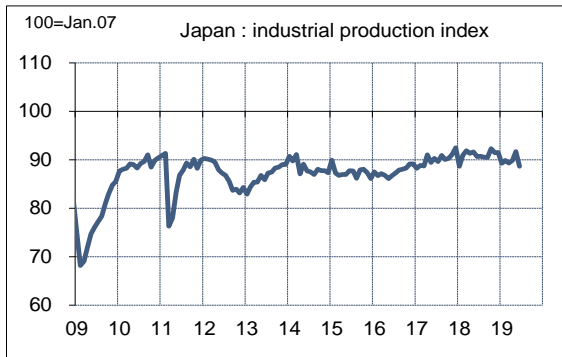
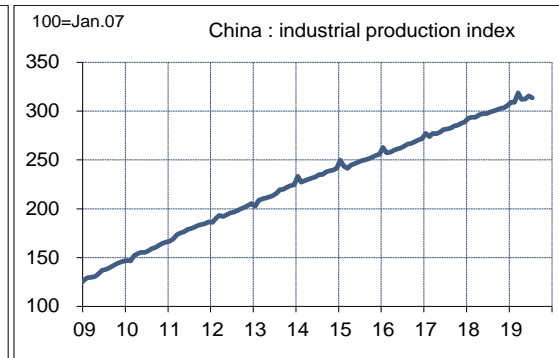
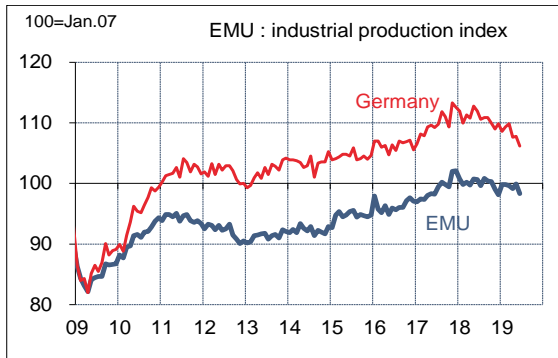
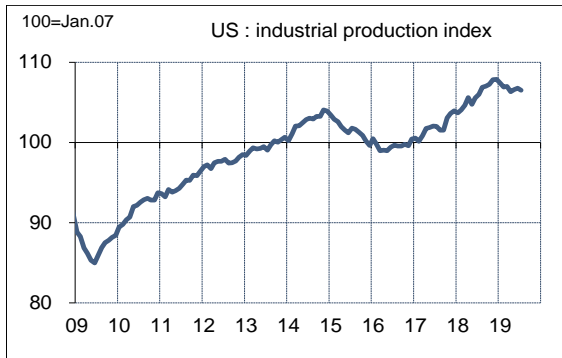
## Real GDP growth: other countries (selection)



Source: Thomson Reuters, ODDO BHF

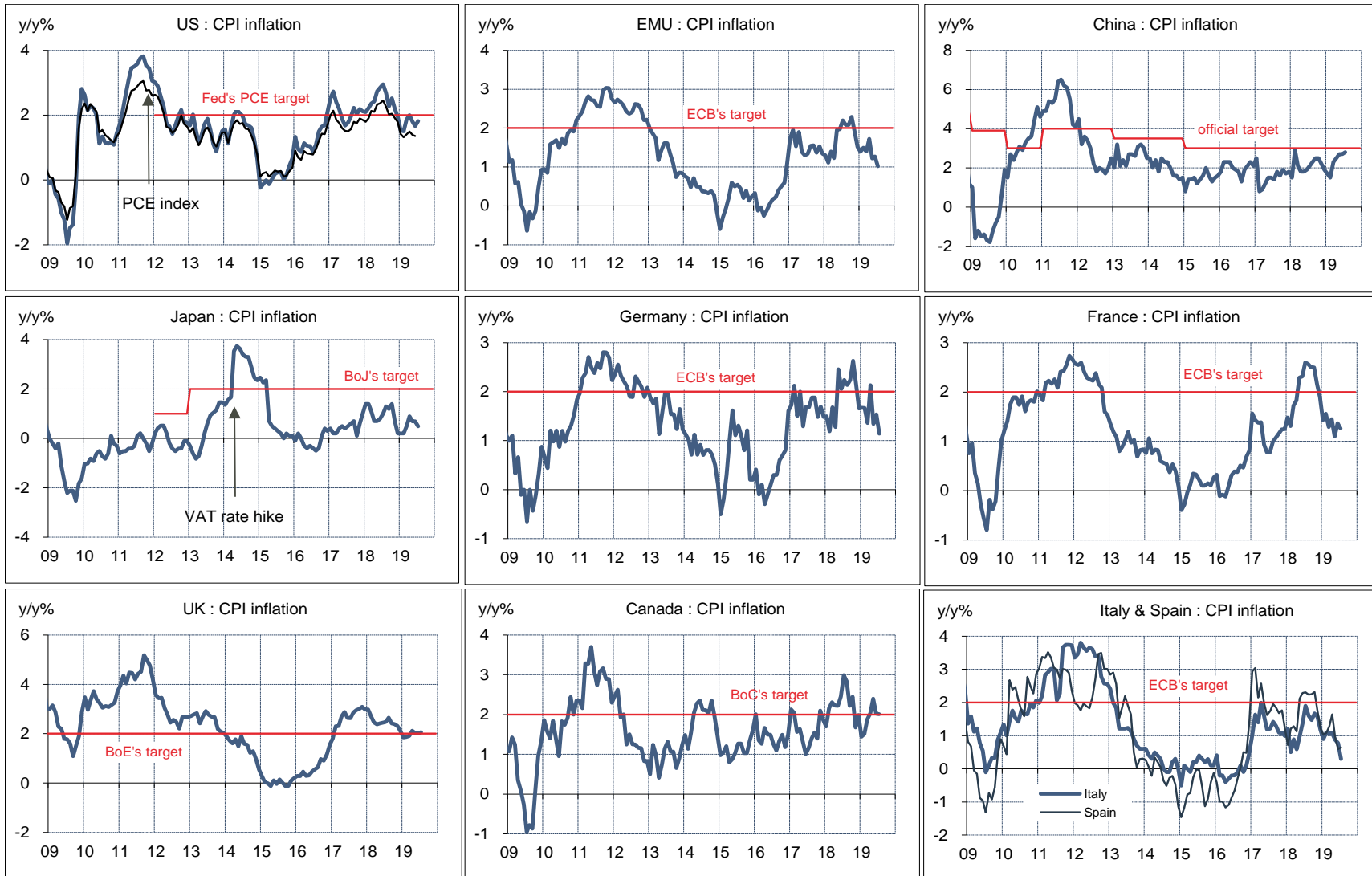
# Appendix 6

## Industrial production (index): selected countries



# Appendix 7

## Consumer price inflation: G7 countries + China

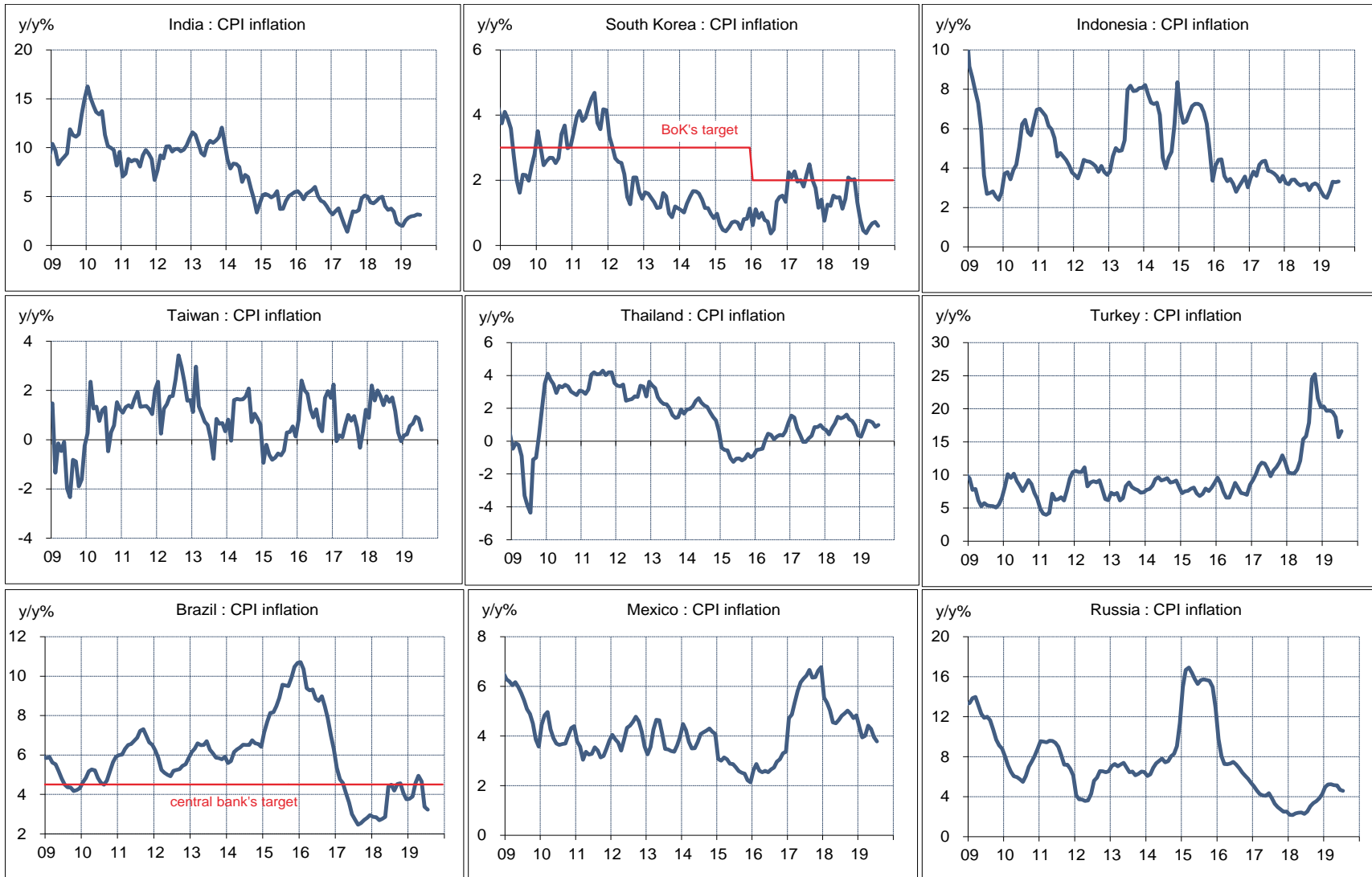


Source: Thomson Reuters, ODDO BHF



# Appendix 8

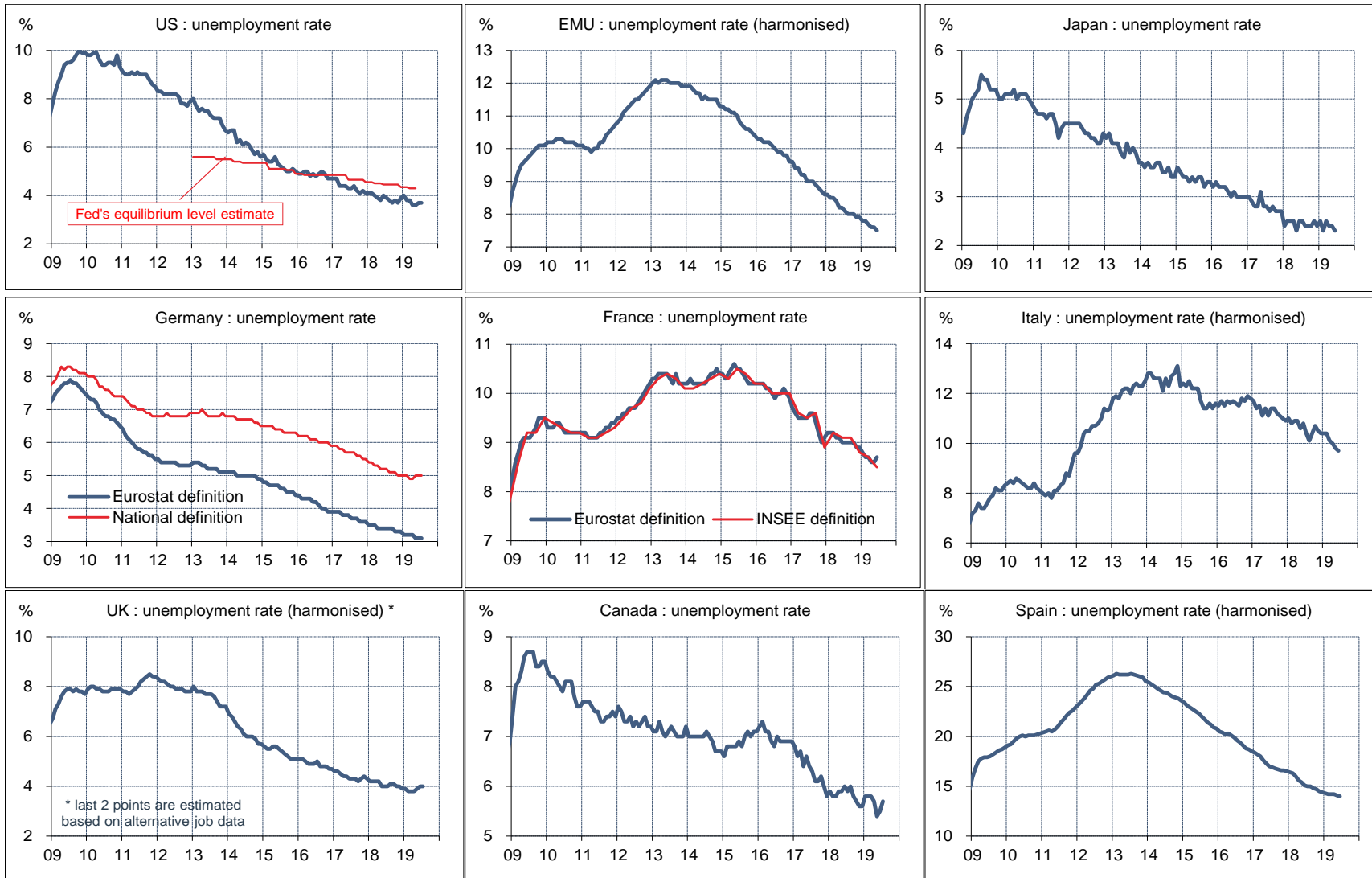
## Consumer price inflation: emerging countries (selection)



Source: Thomson Reuters, ODDO BHF

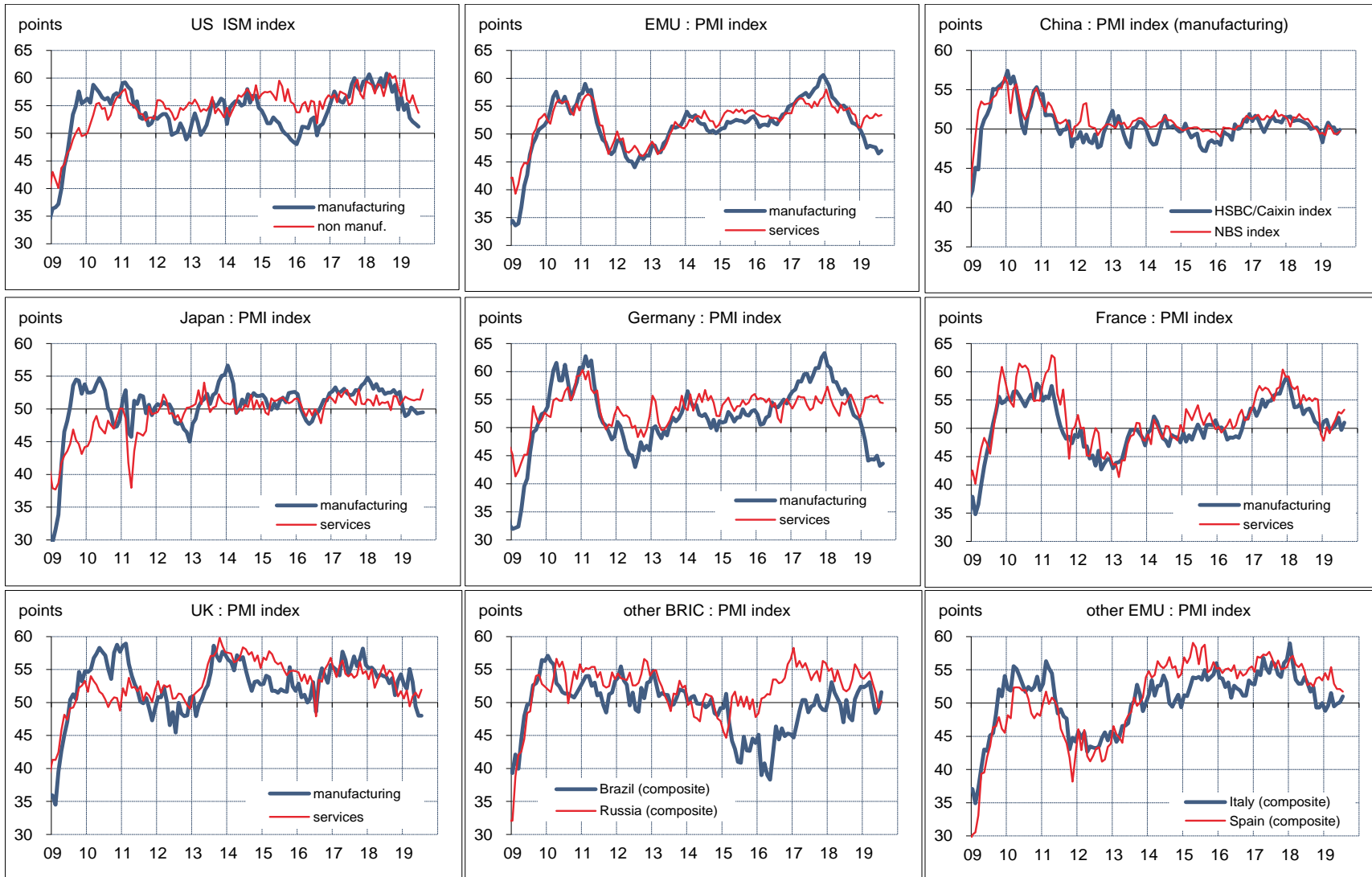
# Appendix 9

## Unemployment rates: G7 countries



# Appendix 10

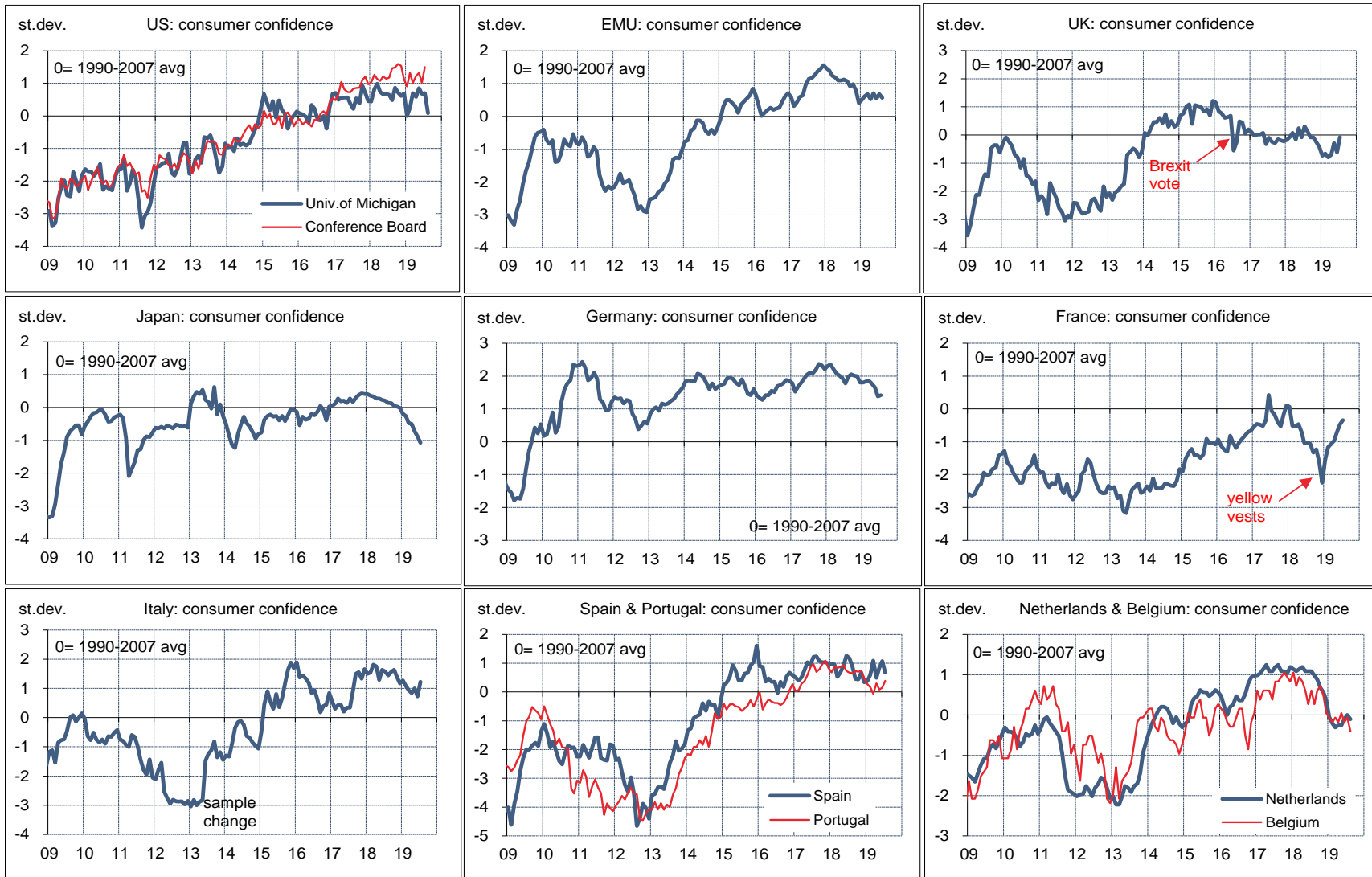
## Purchasing managers' confidence (PMI indices): G7 + BRIC countries



Source: Thomson Reuters, ODDO BHF

# Appendix 11

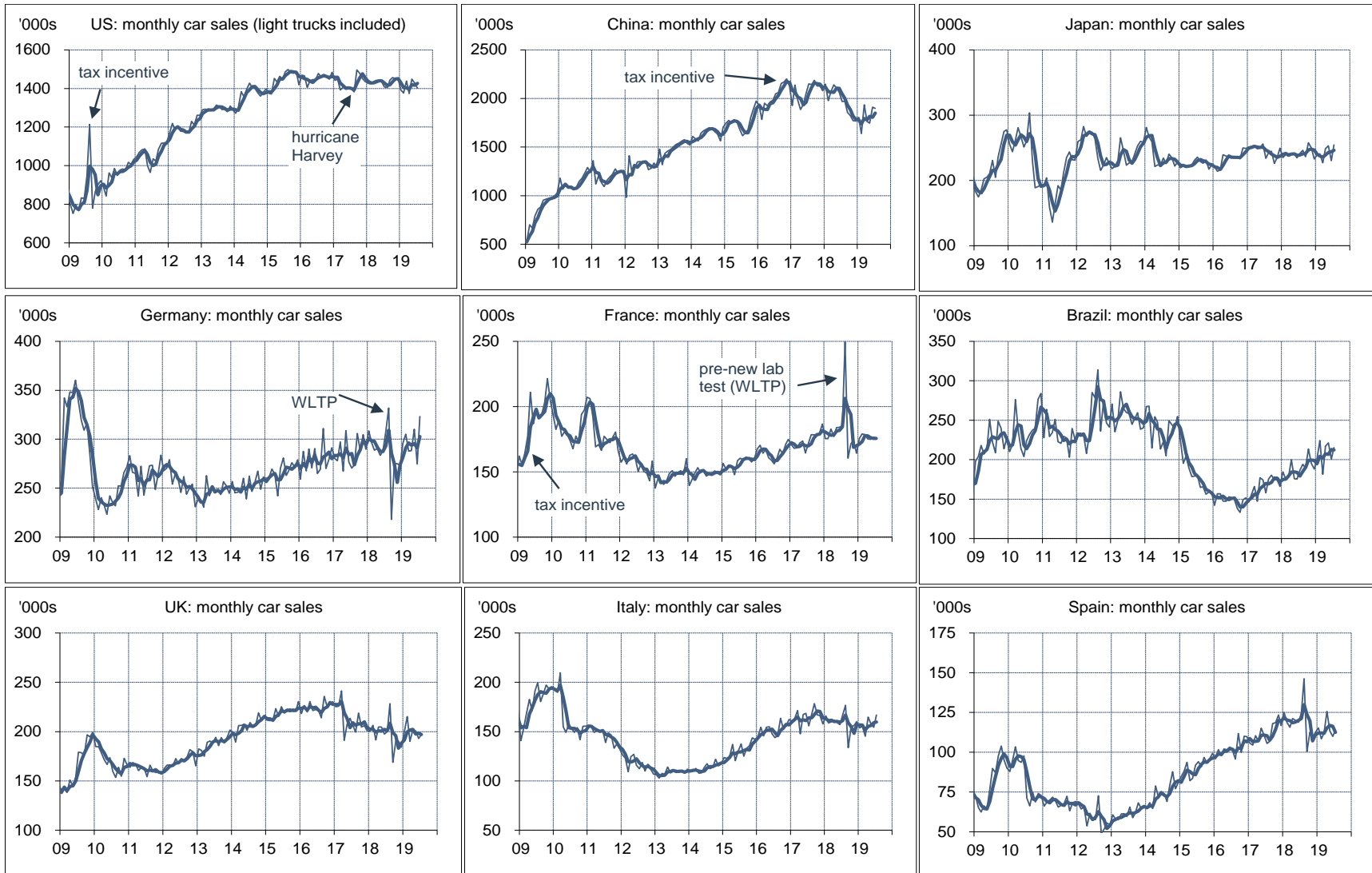
## Consumer confidence: developed countries (selection)



Source: Thomson Reuters, ODDO BHF

# Appendix 12

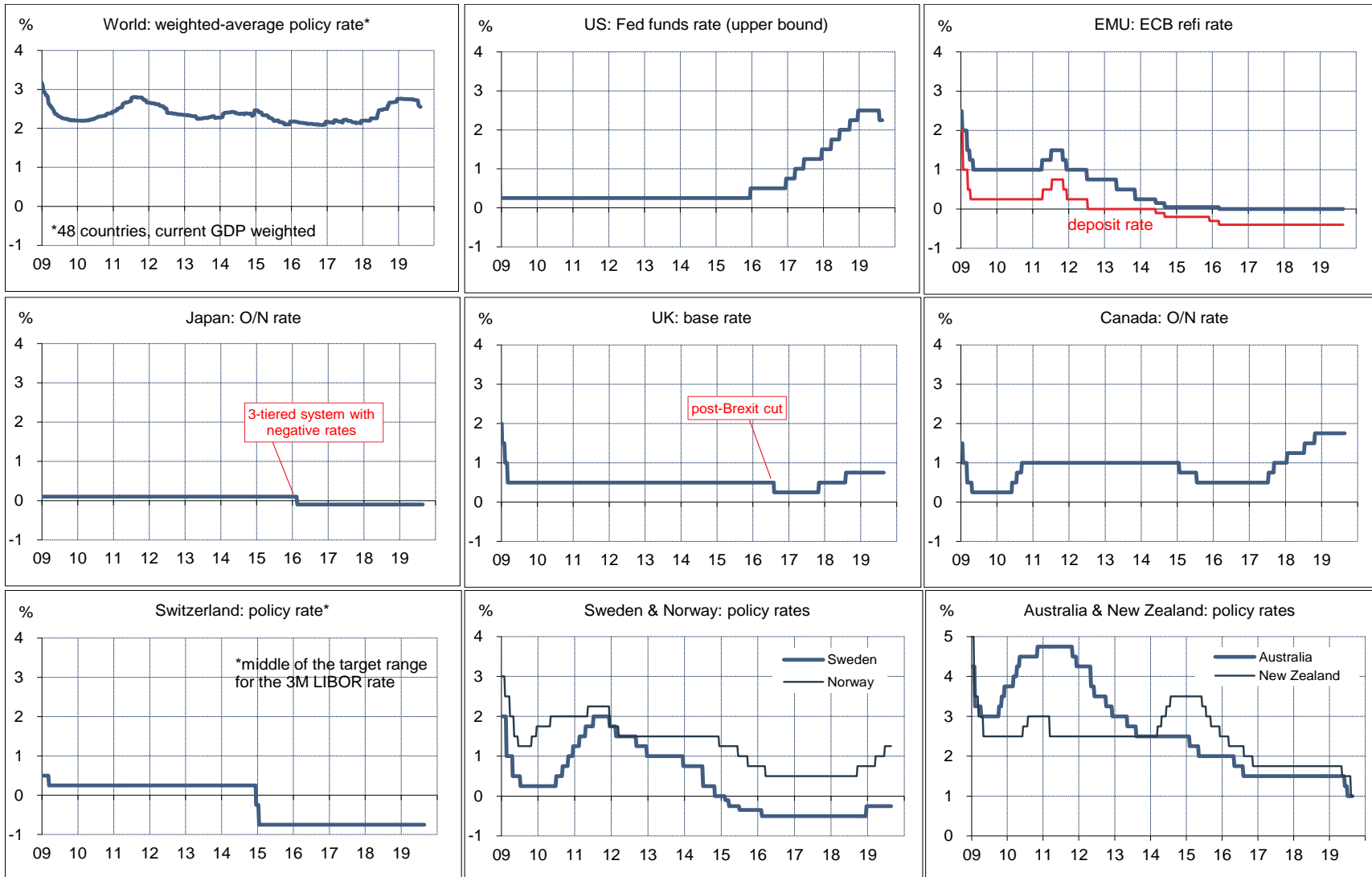
## Car sales: G7 countries + China + Brazil



Source: Thomson Reuters, ODDO BHF

# Appendix 13

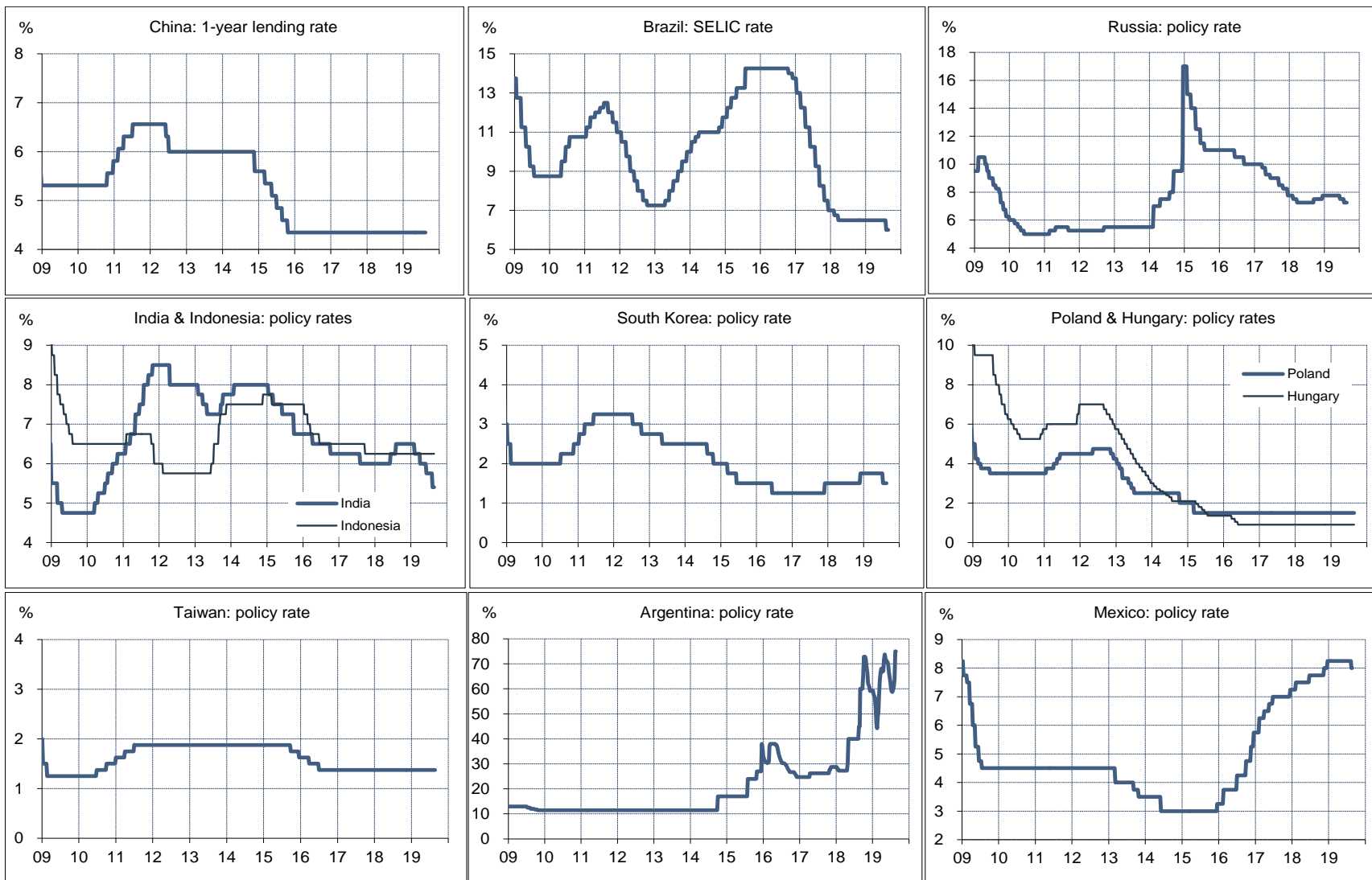
## Central bank policy rates: developed countries (selection)



Source: Thomson Reuters, ODDO BHF

# Appendix 14

## Central bank policy rates: emerging countries (selection)

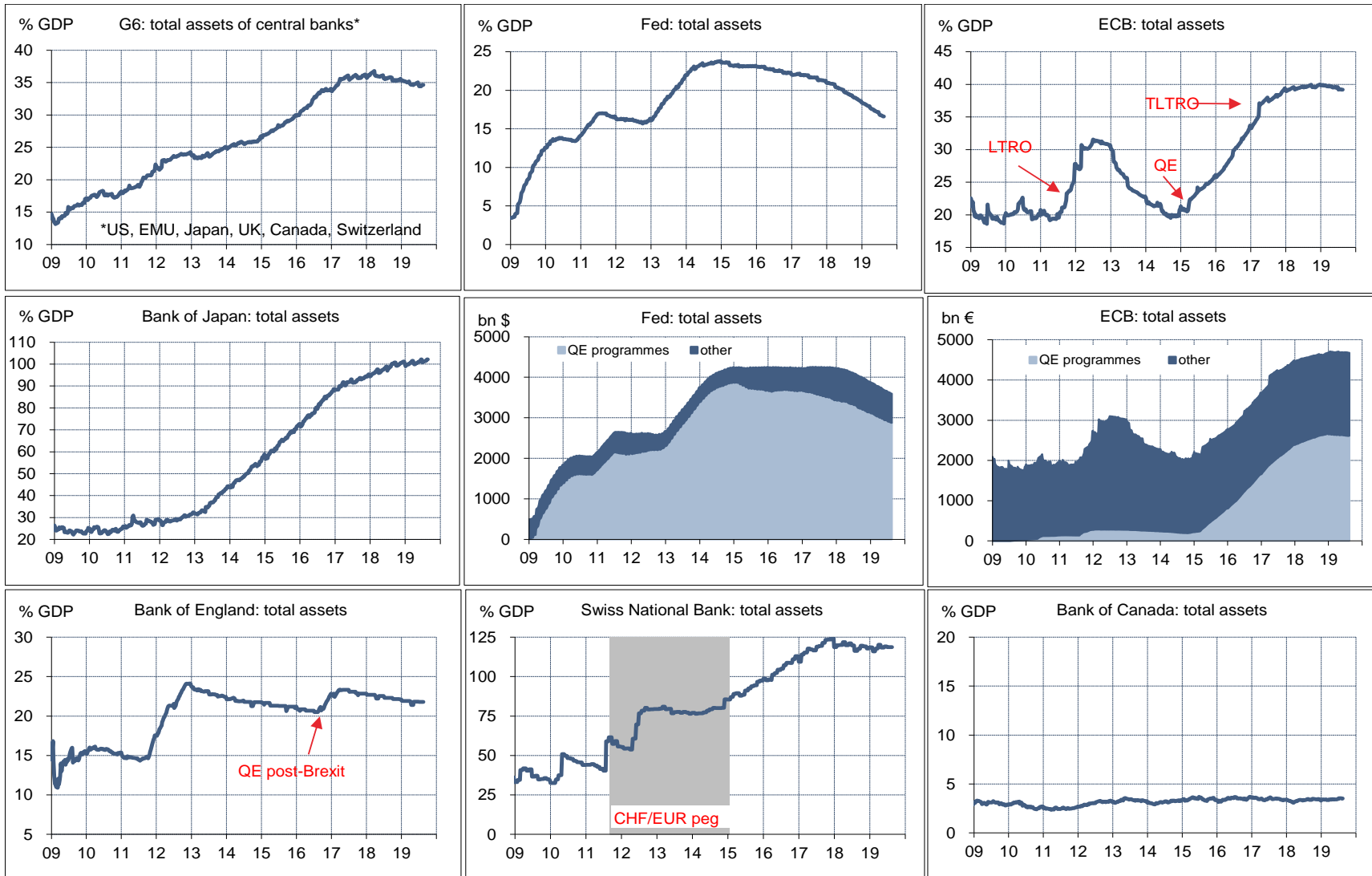


Source: Thomson Reuters, ODDO BHF



# Appendix 15

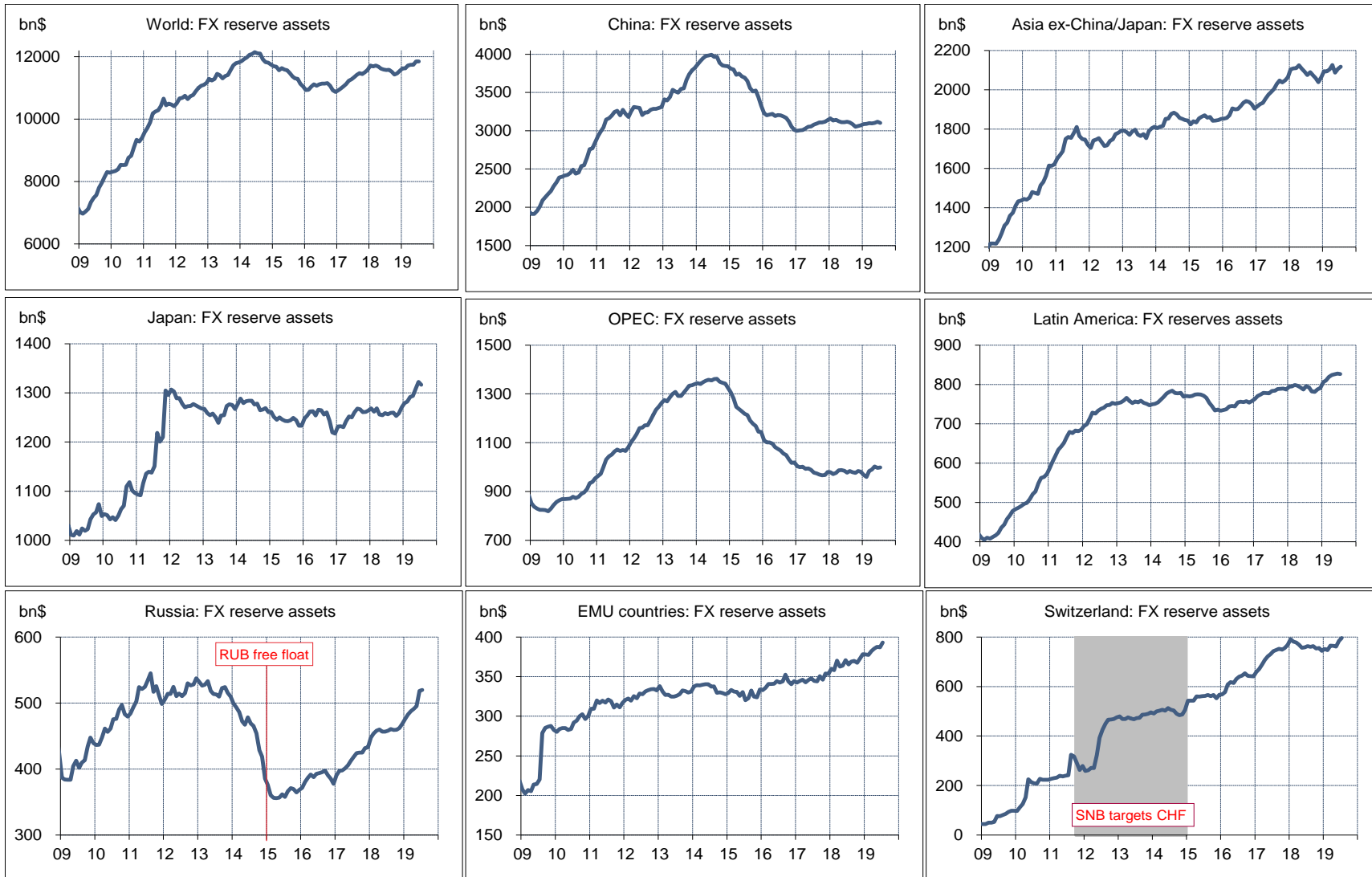
## Central bank balance sheets: developed countries (selection)



Source: Thomson Reuters, ODDO BHF

# Appendix 16

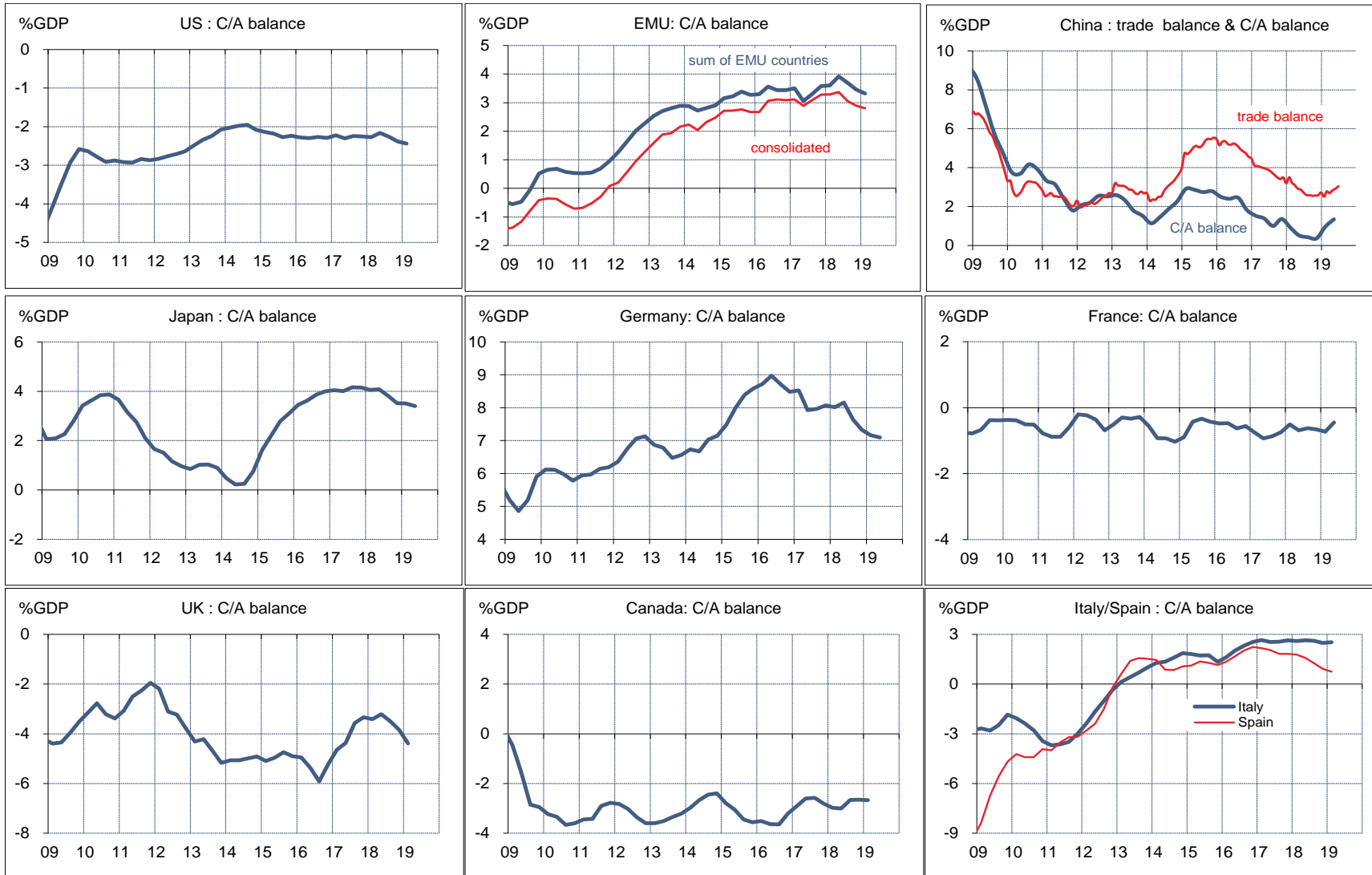
## Currency reserves (in US\$): world and principal holders



Source: Thomson Reuters, ODDO BHF

# Appendix 17

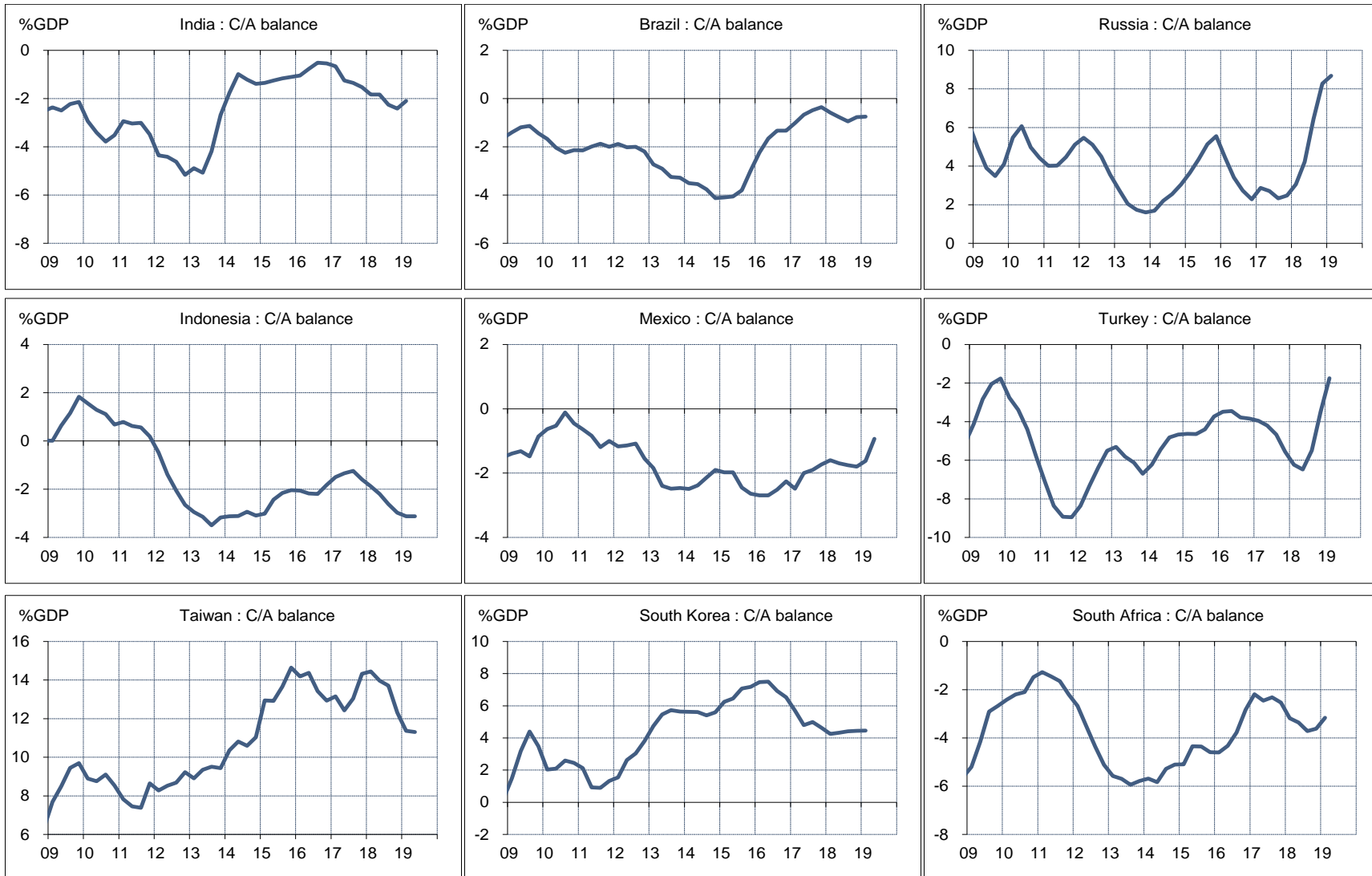
## Current account balances (% of GDP): G7 countries + China



Source: Thomson Reuters, ODDO BHF

# Appendix 18

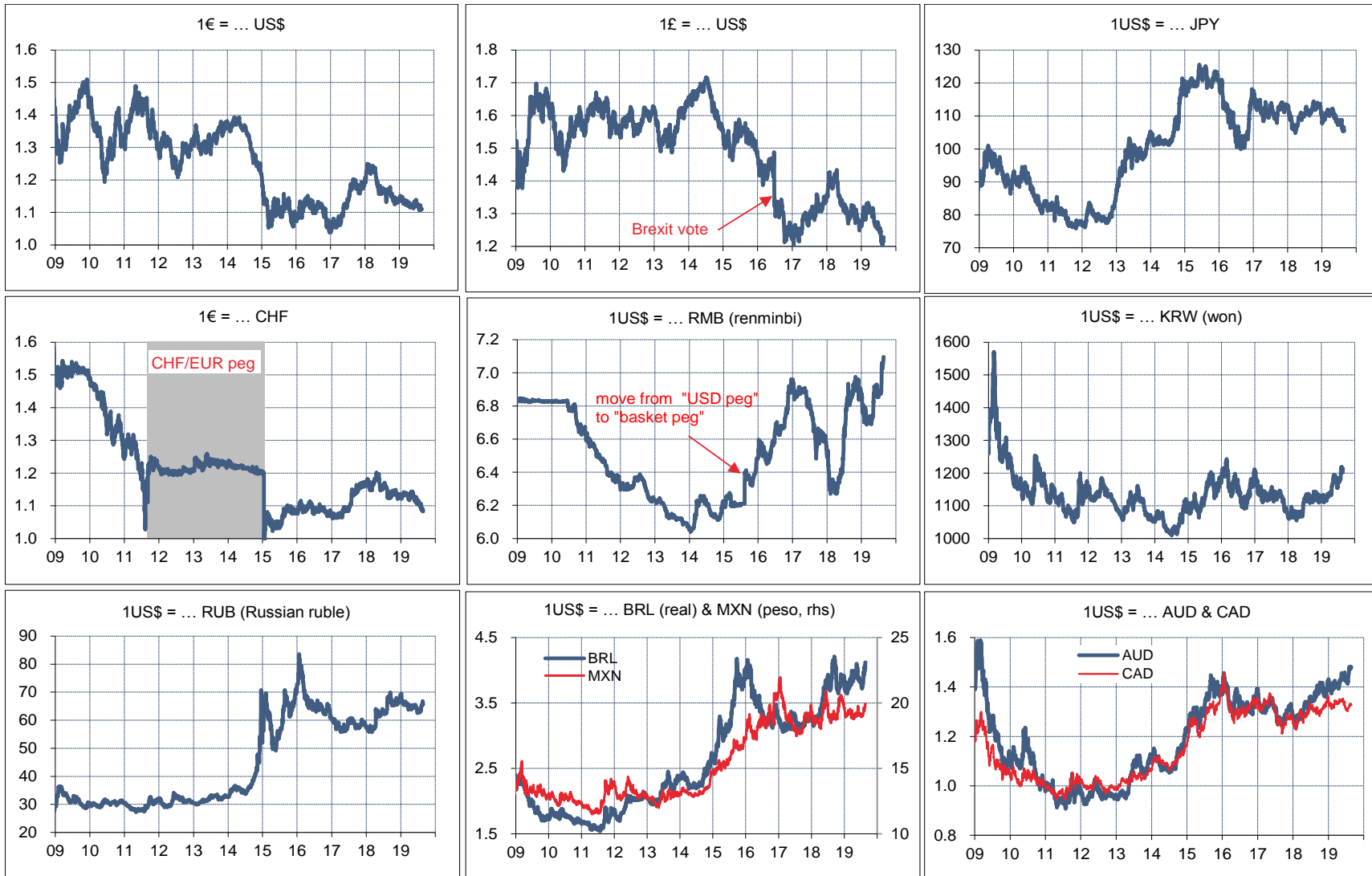
## Current account balances (% of GDP): emerging countries (selection)



Source: Thomson Reuters, ODDO BHF

# Appendix 19

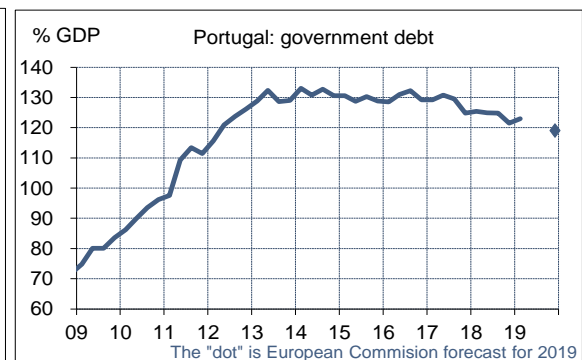
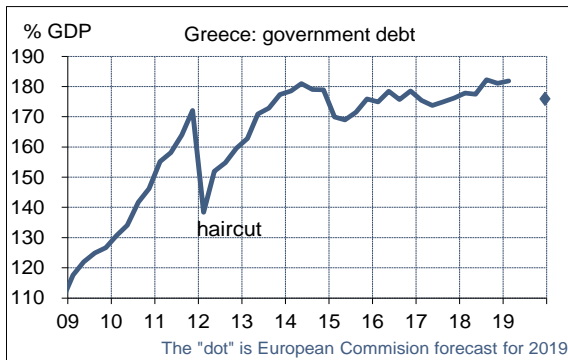
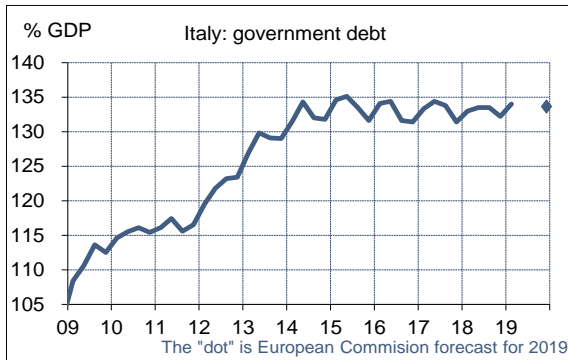
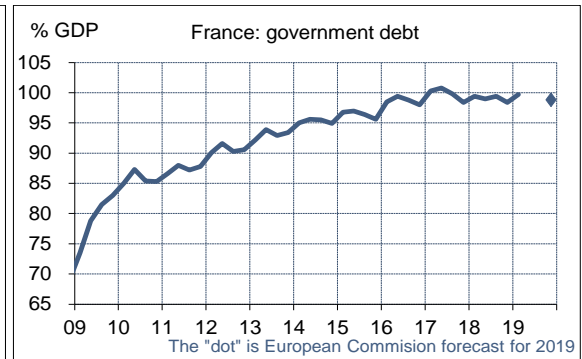
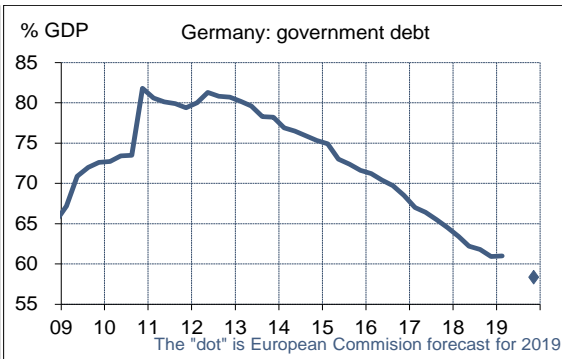
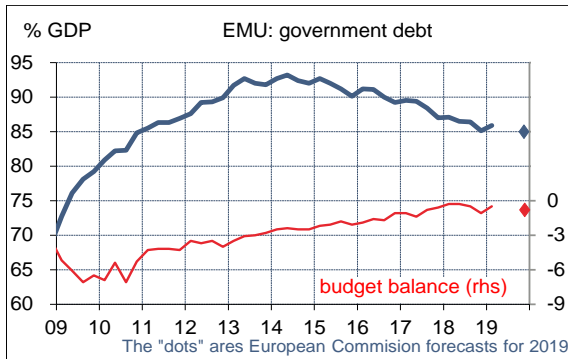
## Exchange rates vs EUR or US\$: major currencies



Source: Thomson Reuters, ODDO BHF

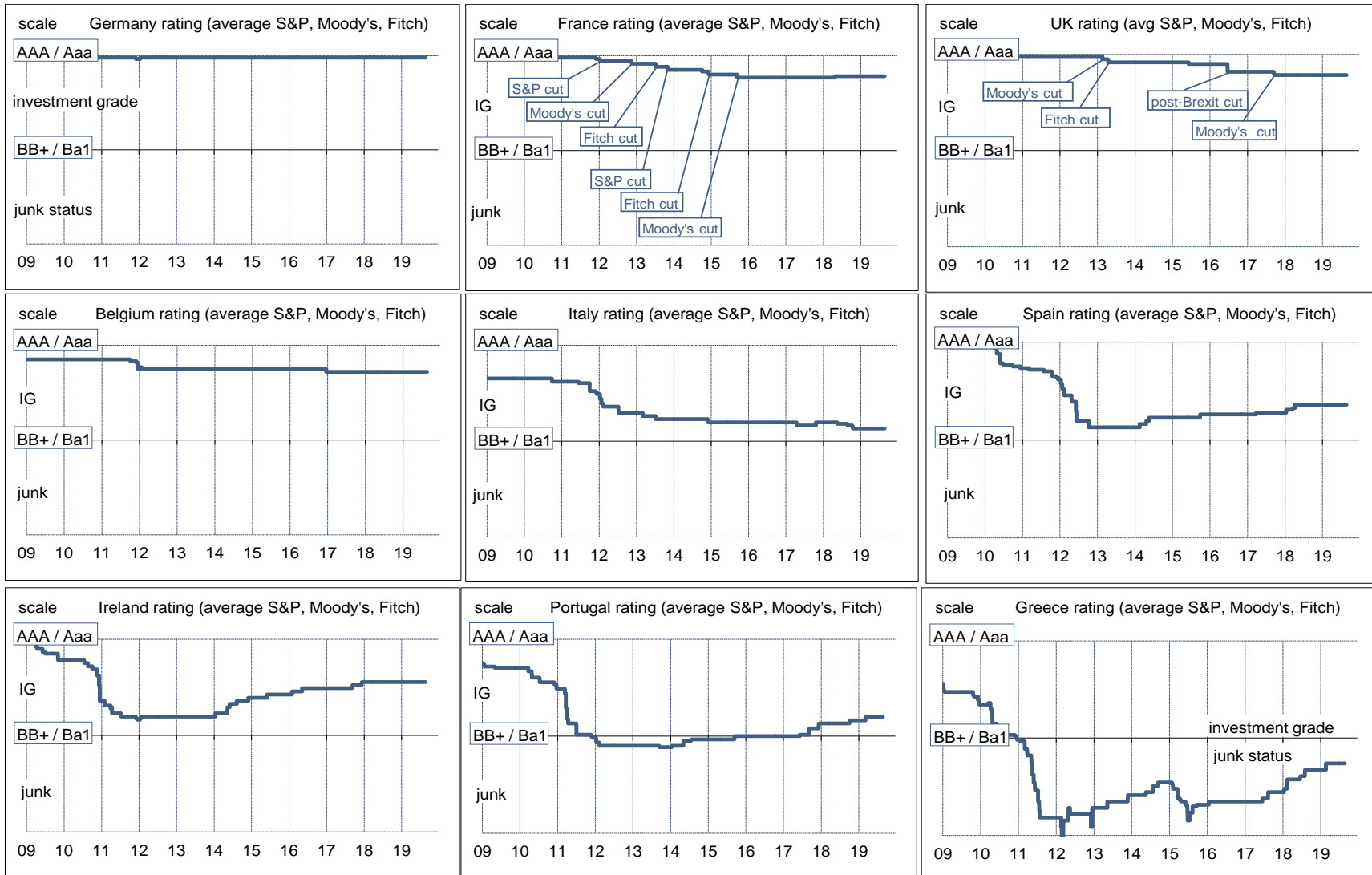
# Appendix 20

## Government debt (as a % of GDP): European countries (selection)



# Appendix 21

## Sovereign ratings: European countries (selection)

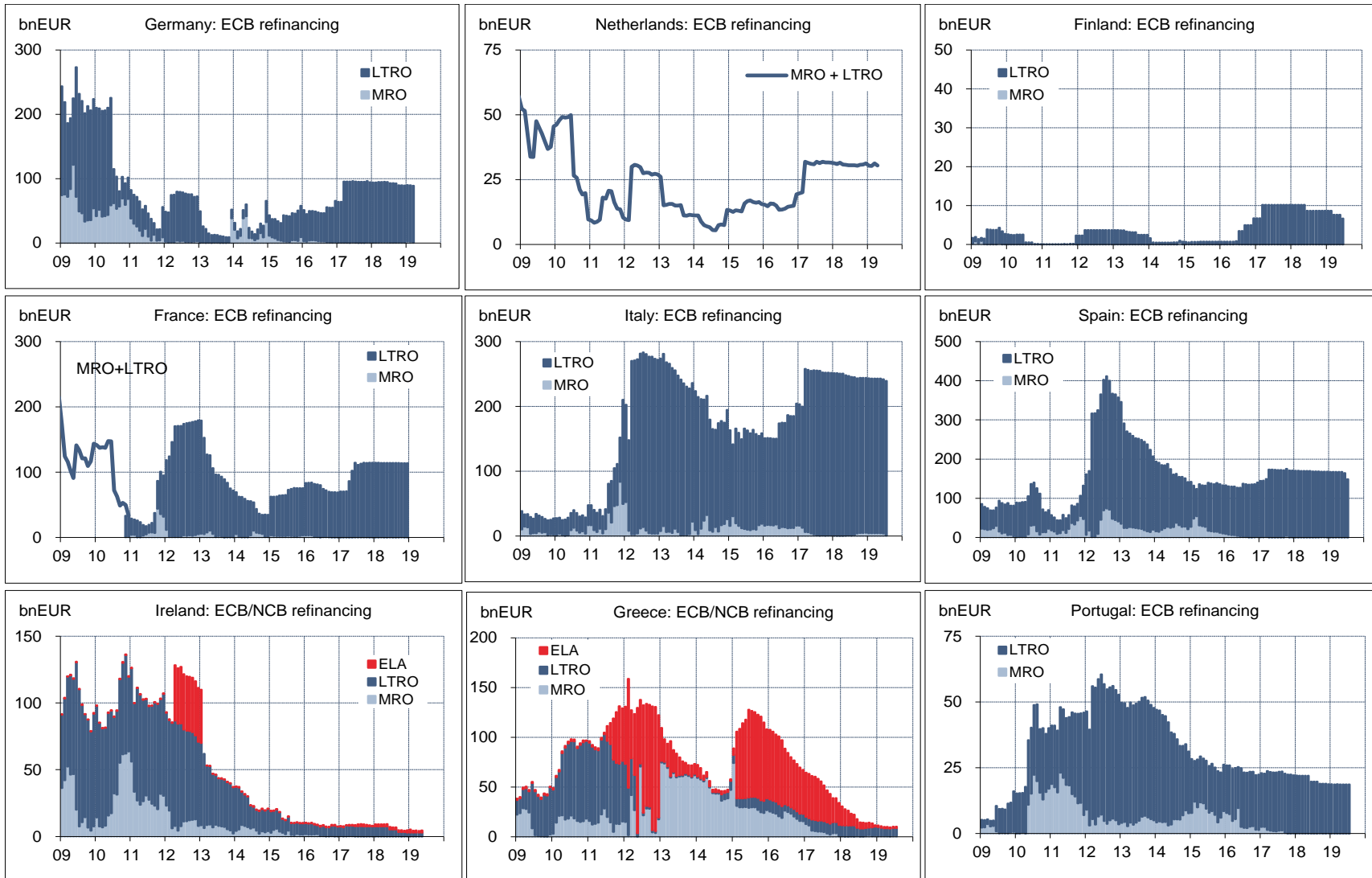


Source: Bloomberg, ODDO BHF



# Appendix 22

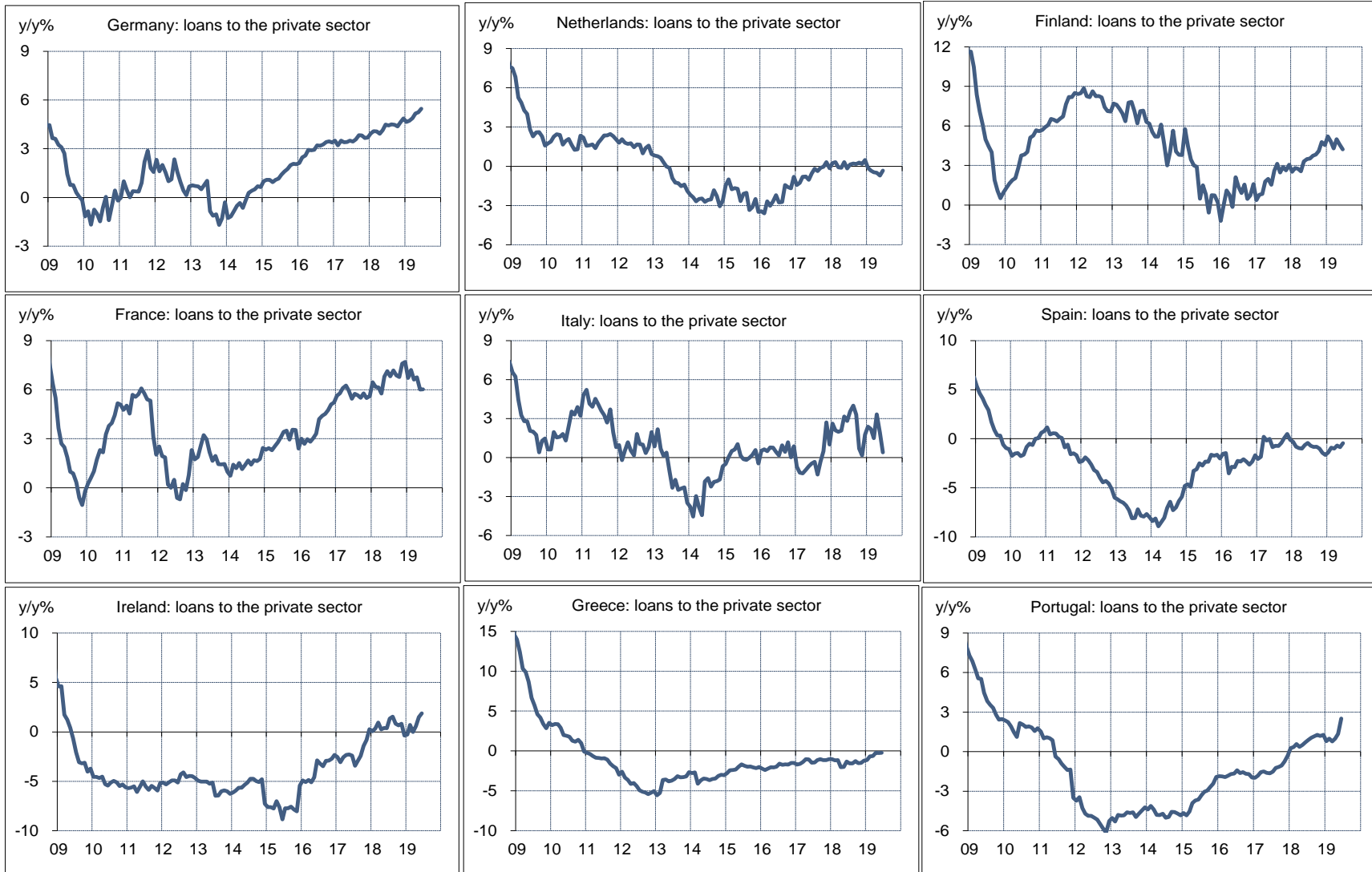
## Bank financing by the Eurosystem



Source: Thomson Reuters, ODDO BHF

# Appendix 23

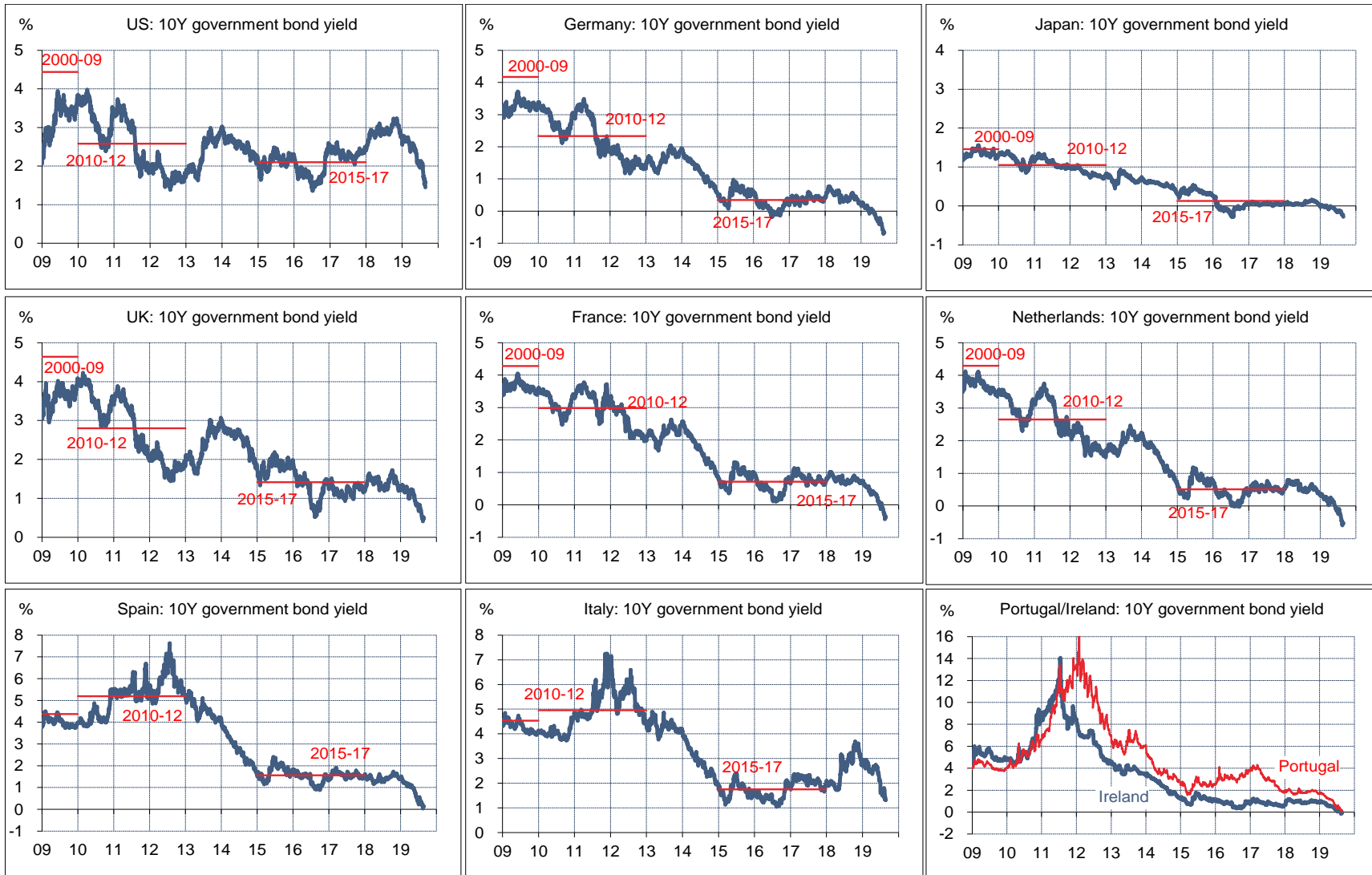
## Bank loans to the private sector: European countries (selection)



Source: Thomson Reuters, ODDO BHF

# Appendix 24

## 10-year government bond yield



Source: Bloomberg, ODDO BHF



## Economic Notes

- Recession phobia, can it be cured? (August 22, 2019)
- 10 questions about the ECB (July 23, 2019)
- Germany: downside risks, apathetic government (July 16, 2019)
- Monetary policy, at risk of politicisation (July 10, 2019)
- Currency war, Donald Trump's next obsession (July 2, 2019)
- Tough job that of a central banker (June 4, 2019)
- European elections and the stakes for national politics (May 15, 2019)
- What's Germany worth without the automotive industry? (April 25, 2019)
- What legacy will Mario Draghi leave to the ECB? (April 9, 2019)
- The two faces of the German economy (March 26, 2019)
- Brexit roulette (March 25, 2019)
- 10 questions on the Fed's "new" policy (March 21, 2019)
- European elections: who will secure the "real" victory? (March 20, 2019)
- Brexit saga, episode 953 (March 18, 2019)
- Global trade after a year of protectionism (March 5, 2019)
- Employment growth, the other pillar of the European recovery (February 20, 2019)
- Credit growth, a solid base for a European recovery (February 5, 2019)

## Economy & Rates (monthly)

- Is Europe running out of steam? (July 26, 2019)
- On your marks, get set, cut (June 20, 2019)
- Three men in a boat: Trump, Xi and Powell (May 22, 2019)
- Monetary addictions (April 10, 2019)
- Global Economy - Winter Is Ending (March 13, 2019)
- Europe: make or break? (February 14, 2019)

## Focus France

- The French economy is outperforming (July 24, 2019)
- France shows good resilience to external risks (June 19, 2019)
- France: old remedies to prop up demand (May 14, 2019)
- Macron: between the "yellow vests" and the European elections (Apr.17, 2019)
- France: a (very) positive shock on purchasing power (March 27, 2019)
- France: (mildly) positive outlook for employment (February 22, 2019)
- Back to basics: the French problem, supply or demand? (January 31, 2019)

## Focus US (weekly)

- The Fed, torn between the economy, Trump and the markets (Aug.23, 2019)
- US: jammed signal on corporate earnings (August 2, 2019)
- Fed: is this the dumbest or smartest interest rate cut ever? (July 25, 2019)
- US economy, near its potential (July 19, 2019)
- Fiscal stimulus and tariff war, some interference (July 12, 2019)
- Inflation expectations: anchoring at 2% still holds (July 5, 2019)

## Economic Report

- Three men in a boat: Trump, Xi and Powell (May 22, 2019)
- Scary monsters (season 2)... Trump, China & the Fed (January 9, 2019)
- Global economy: frictions or collision? (September 6, 2018)
- Oil, Protectionism and Populism – three risks for world growth (May 31, 2018)
- Global economic warming (January 10, 2018)

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