

10 Oct 2013...



U.S. Department of Commerce

Bureau of Economic Analysis

Due to the lapse in government funding, www.bea.gov will be unavailable until further notice. This includes access to all data and the e-File system.

We sincerely regret this inconvenience.

Additional information can be found at [link to PDF](#).

Updates regarding government operating status and resumption of normal operations can be found at www.usa.gov.

Macro & Strategy

**EXTEL
SURVEYS '13**
IDENTIFYING EXCELLENCE

#1 Global Strategy

#1 Multi Asset Research

#3 Global Economics

Equity

**EXTEL
SURVEYS '13**
IDENTIFYING EXCELLENCE

#2 Equity Quant

#2 Index Analysis

#3 SRI Research

12 sector teams in the Top 10

Credit



#1 Overall Credit Strategy

#1 Overall Trade Ideas

#1 in Sovereigns

#1 in 3 sector teams

Commodities



#1 Best Overall Commodity Research

#1 Research in Oil

#1 Research in Natural Gas Europe

#1 Research in Base Metals

#1 Research in Coal

UPDATE ON CURRENT MACRO ENVIRONMENT

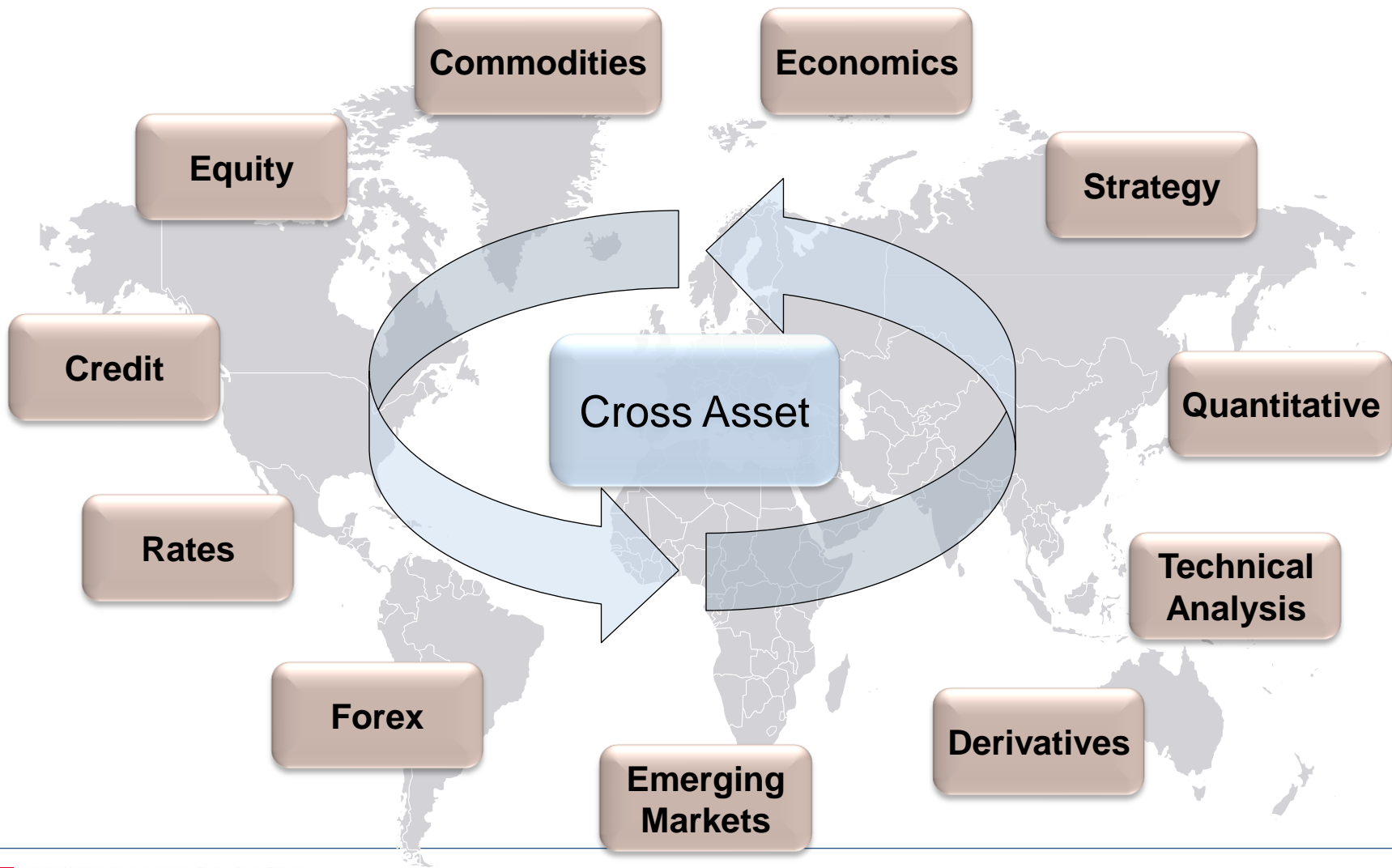
Alexander Gancz, CFA
Head of Tactical Research
Société Générale Corporate &
Investment Banking



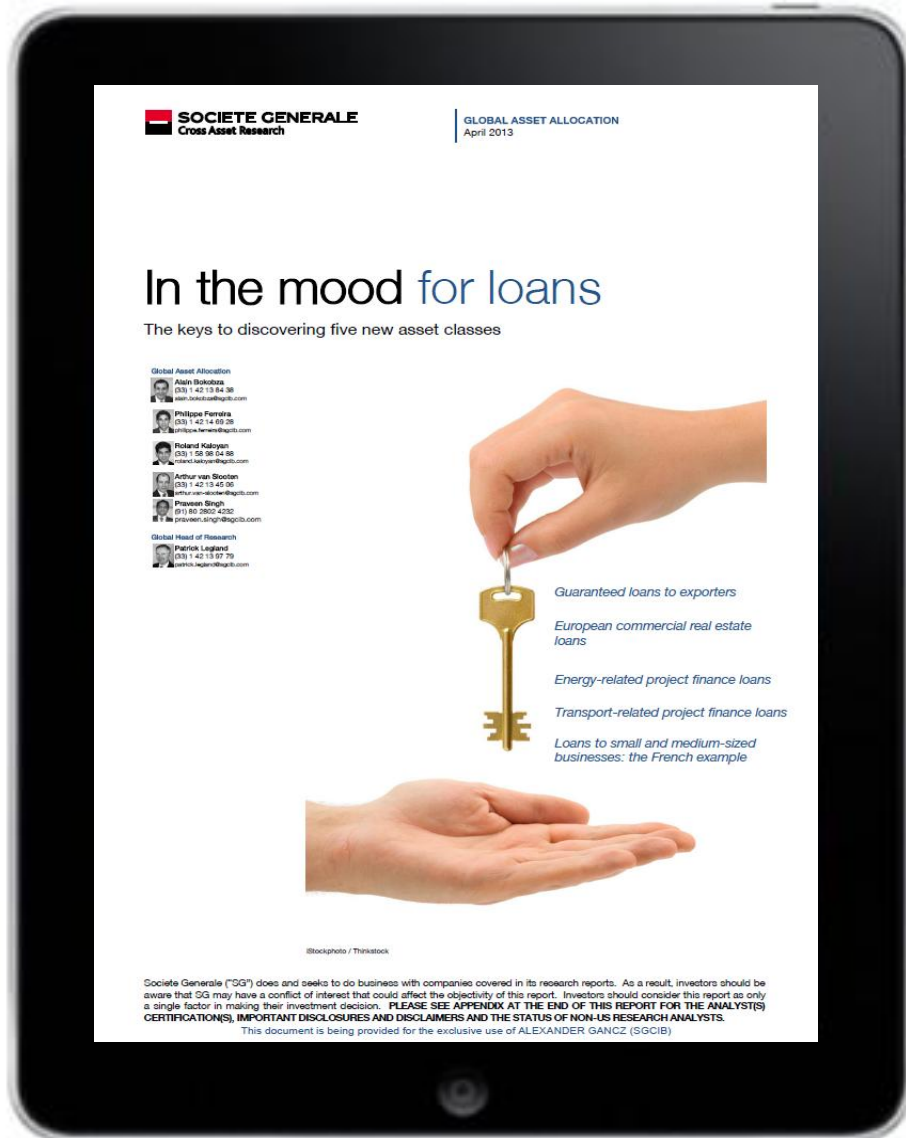
SOCIÉTÉ GÉNÉRALE
Cross Asset Research

GLOBAL RESEARCH: 300 PROFESSIONALS

More than 300 analysts, strategists and economists combining their expertise into our unique cross-asset approach



SG RESEARCH AVAILABLE ON IPAD



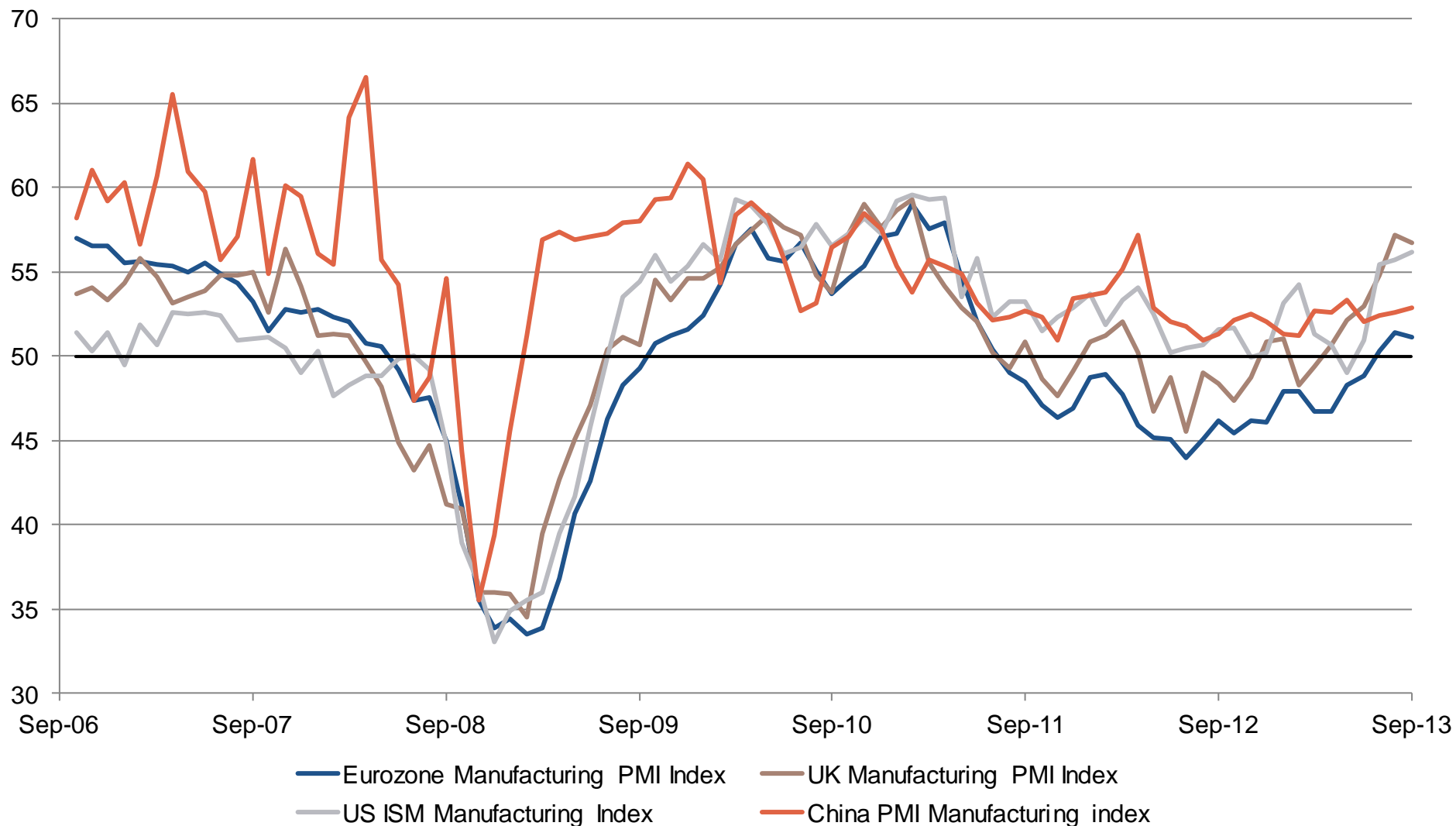
■ Apple Store: search for “SG Research”

■ Icon on your iPad:

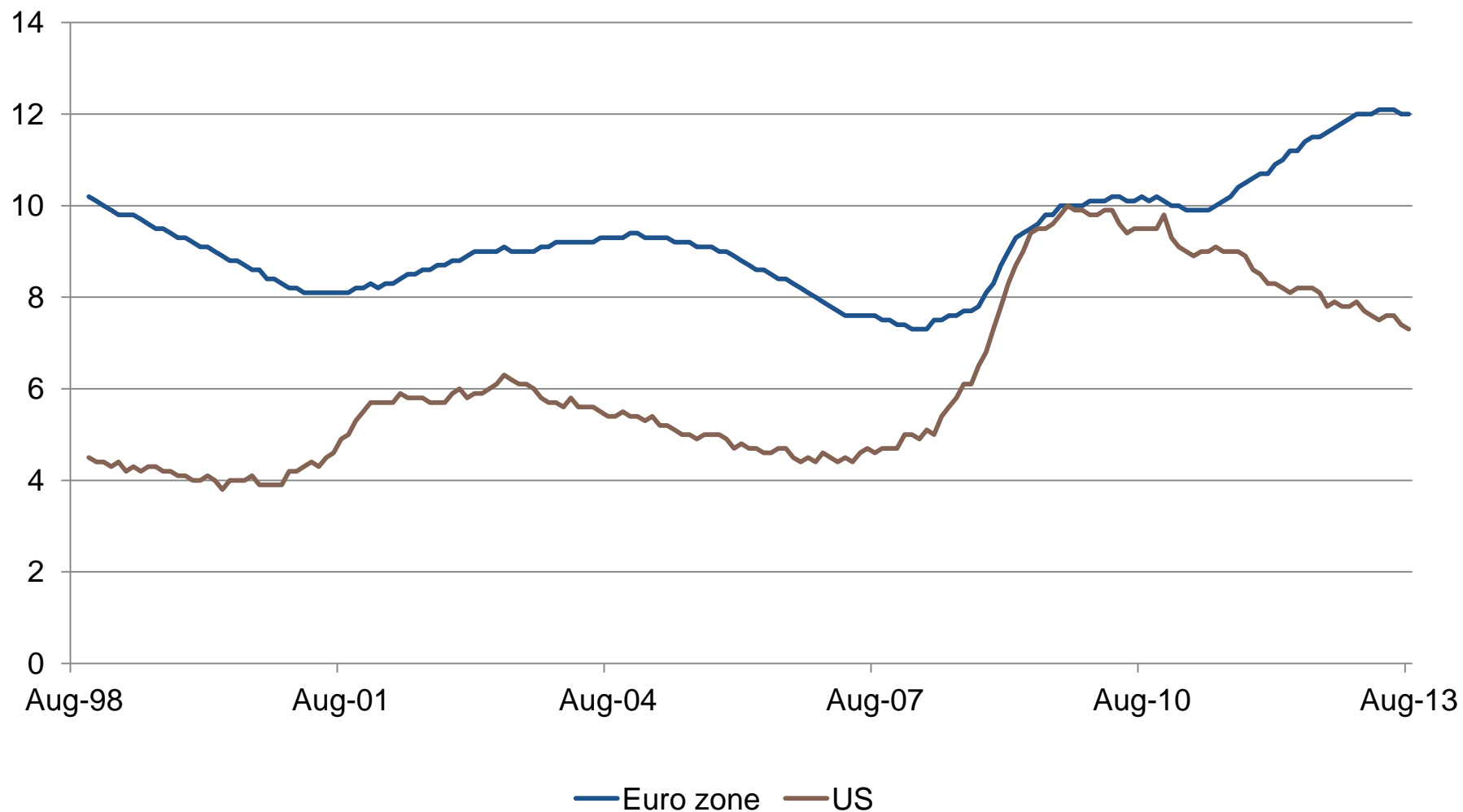


■ Same login as www.sgresearch.com, your professional email address

PMI INDICES IMPROVING

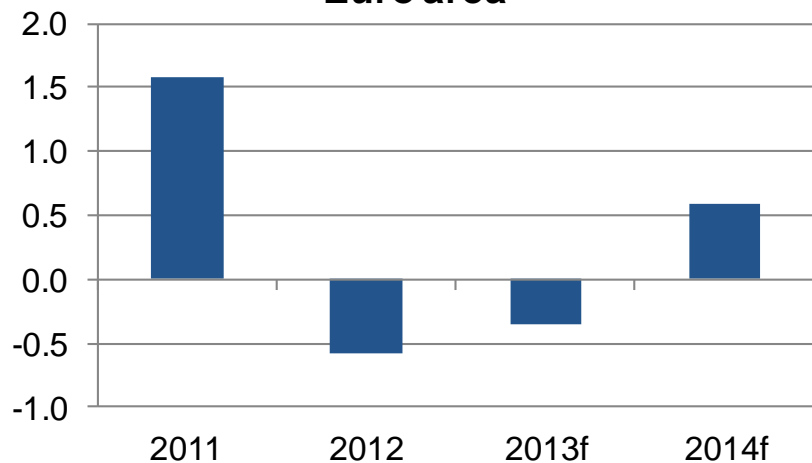


UNEMPLOYMENT DECREASING

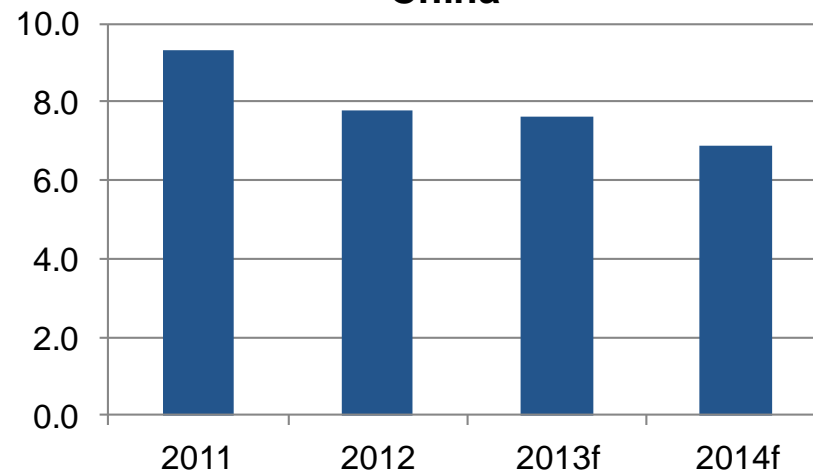


BETTER GDP GROWTH

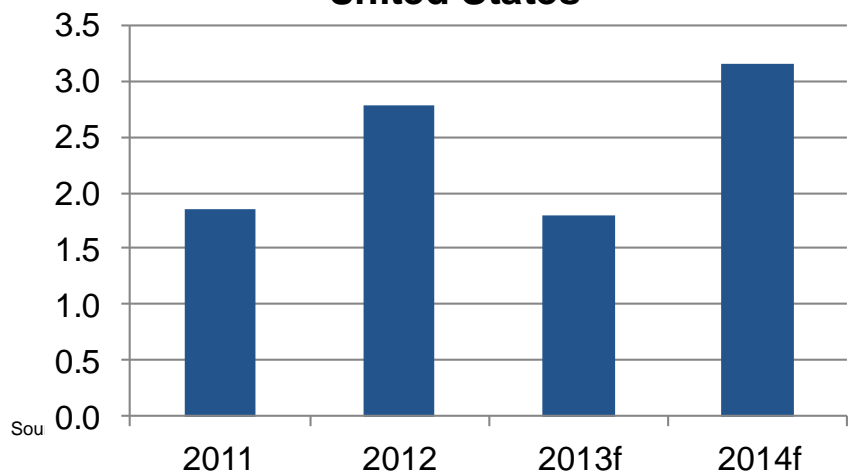
Euro area



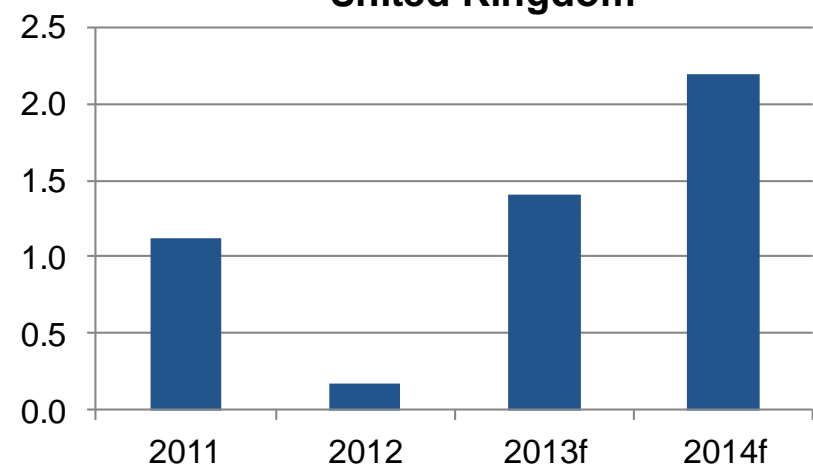
China



United States



United Kingdom

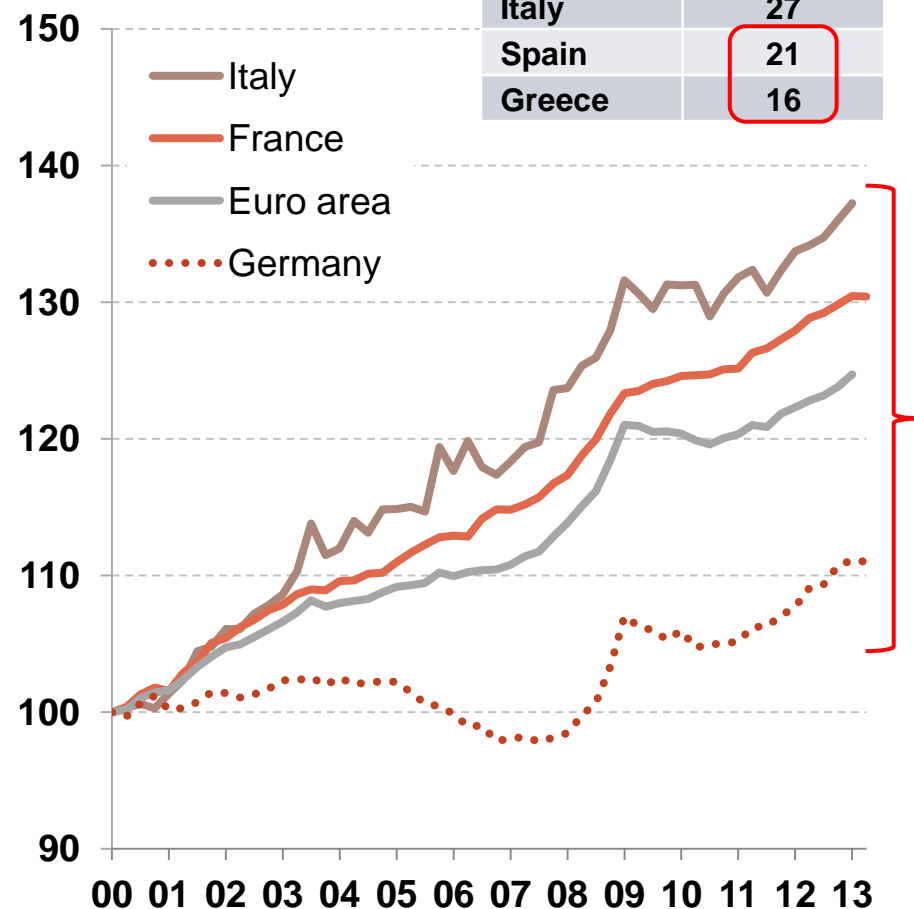
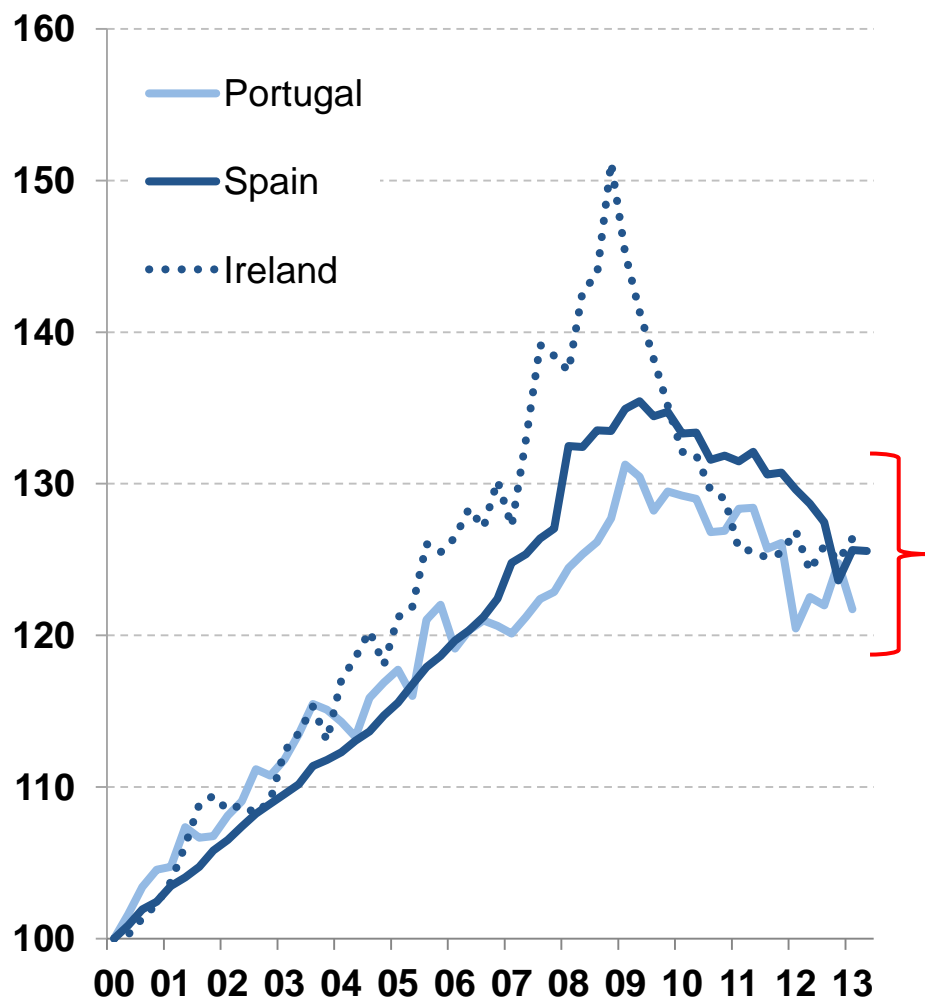


EUROPE: BECOMING MORE COMPETITIVE

Nominal unit labour costs (100 = 2000)

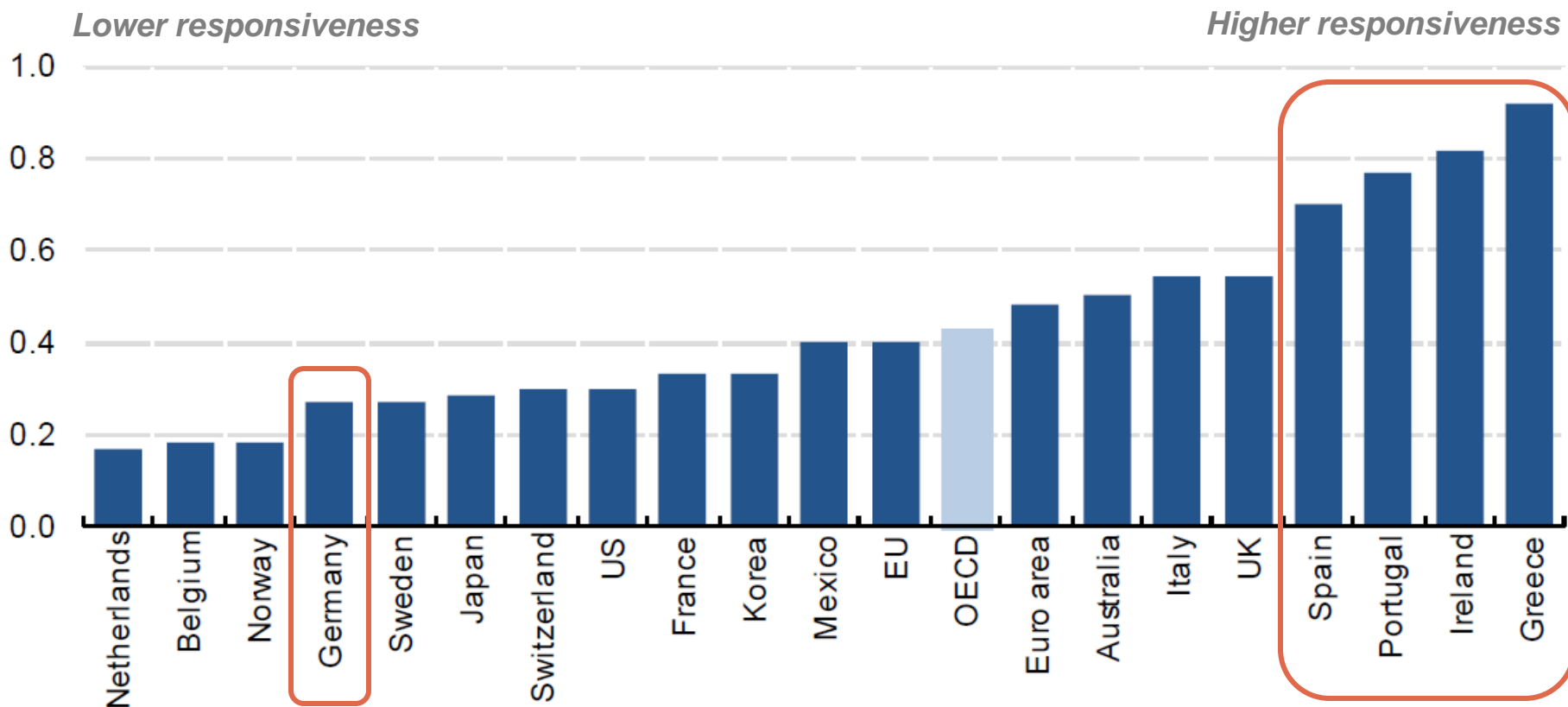
Hourly labour costs,
business economy
(in euros/hour) 2013

Euro area	28
Belgium	41
France	35
Germany	31
Italy	27
Spain	21
Greece	16



EUROPE: STRUCTURAL REFORMS PROGRESS

Responsiveness to OECD Going for Growth recommendations, 2011-12

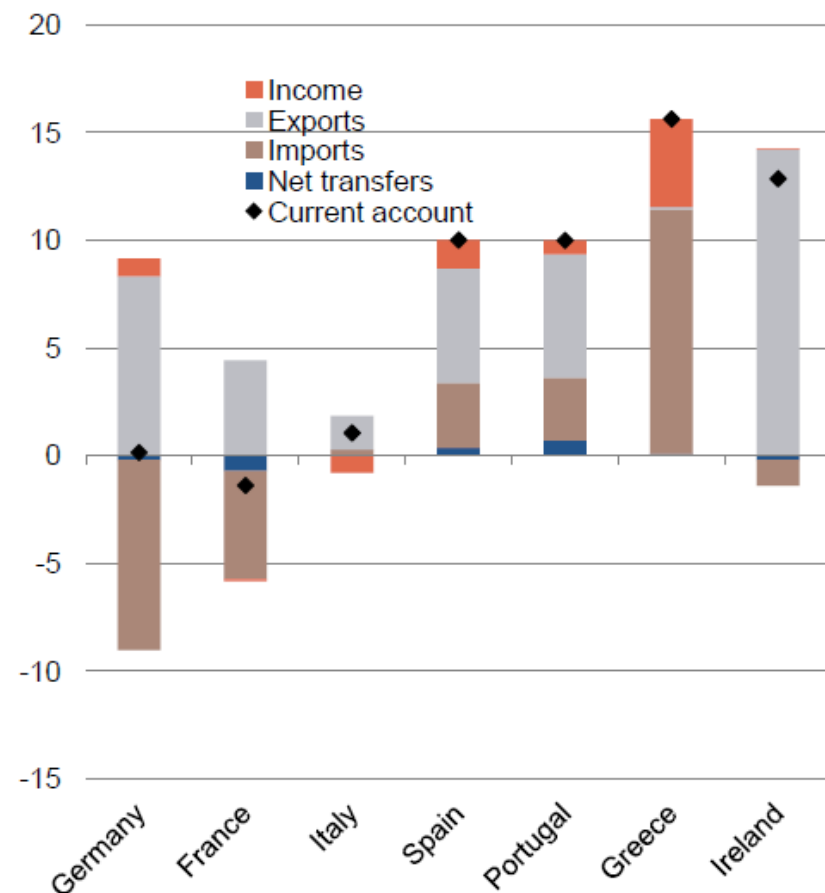


The responsiveness rate reflects a scoring system in which a **value of 1 is given** if “**significant action**” is taken on a **reform recommendation** set out in the previous years’ (here 2011-12).

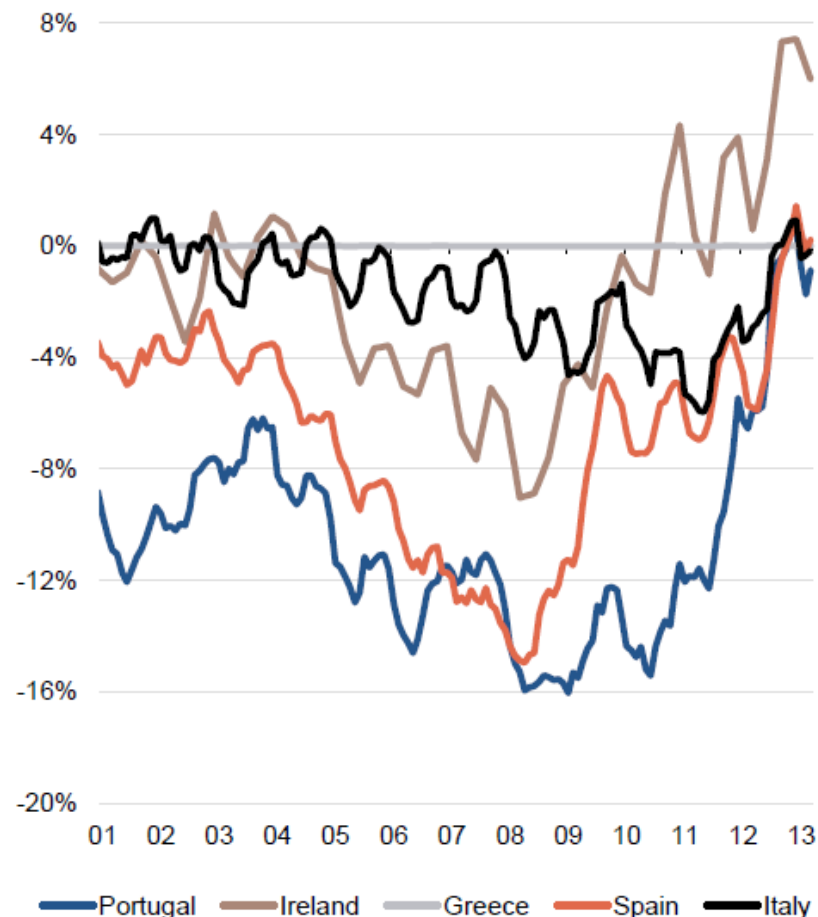
A score of 1 would reflect that all recommendations had seen “significant action”.

EUROPE: GIIPS CURRENT ACCOUNT BALANCES IMPROVING

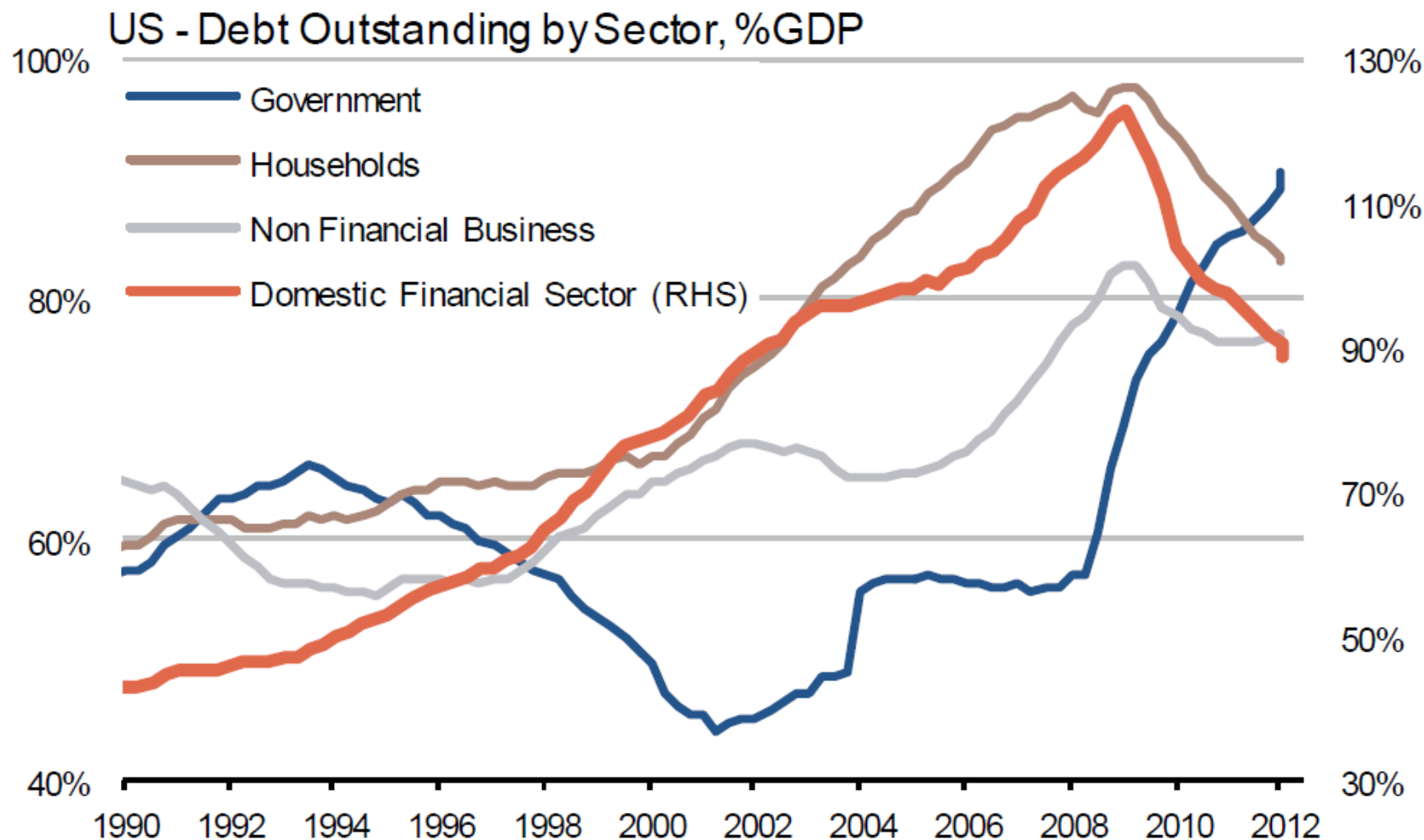
Current account improvements (2007-2013 Q1 , % of GDP)



Current account balances (% of GDP, 6m)

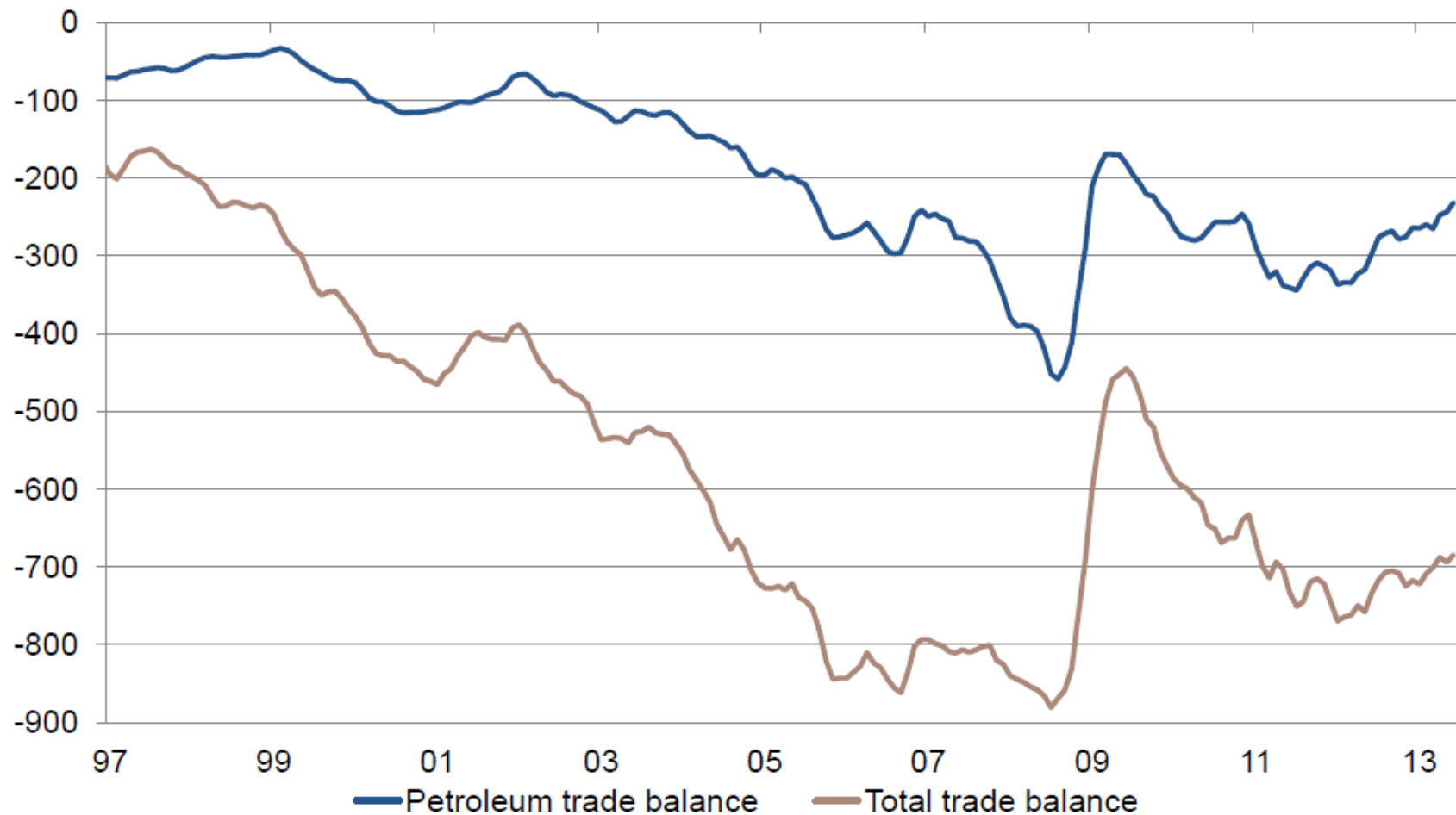


US: DELEVERAGING OF HOUSEHOLDS & BUSINESSES



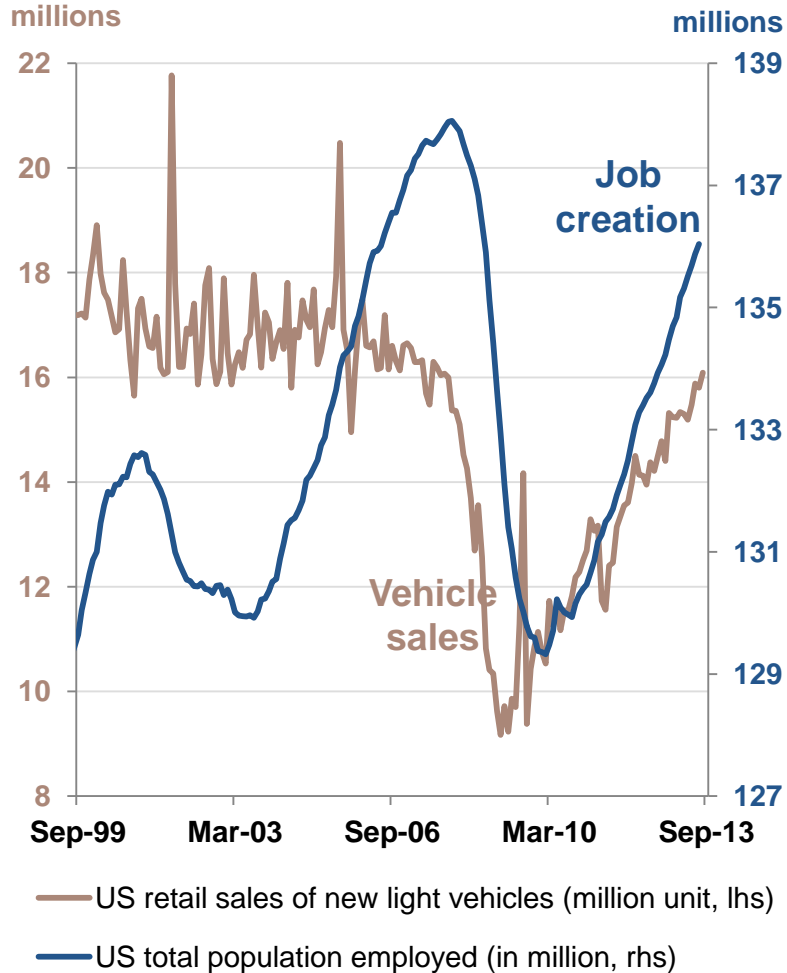
US: TRADE BALANCE IMPROVING – THANKS TO SHALE GAS...

US trade balance comparative (USDbn, 3 m mov)

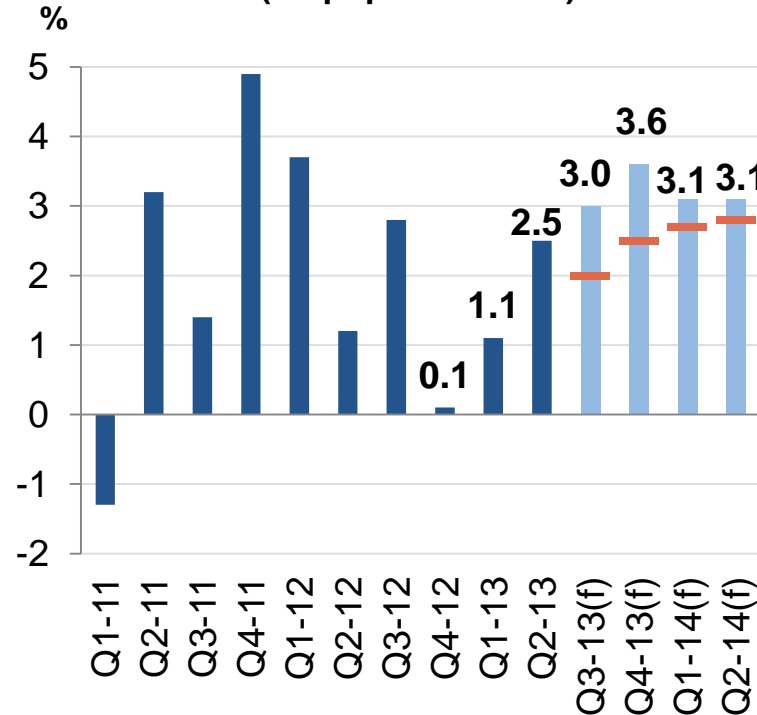


US: ECONOMIC RECOVERY STRONG & ON TRACK

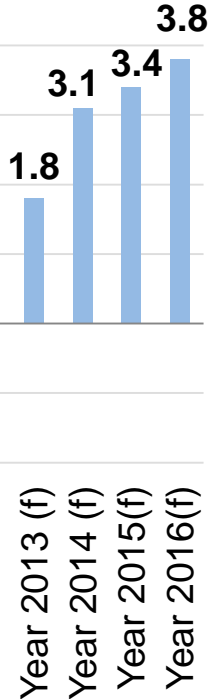
Vehicle sales and employment creation



Quarterly GDP past data & forecasts (% qoq annualised)



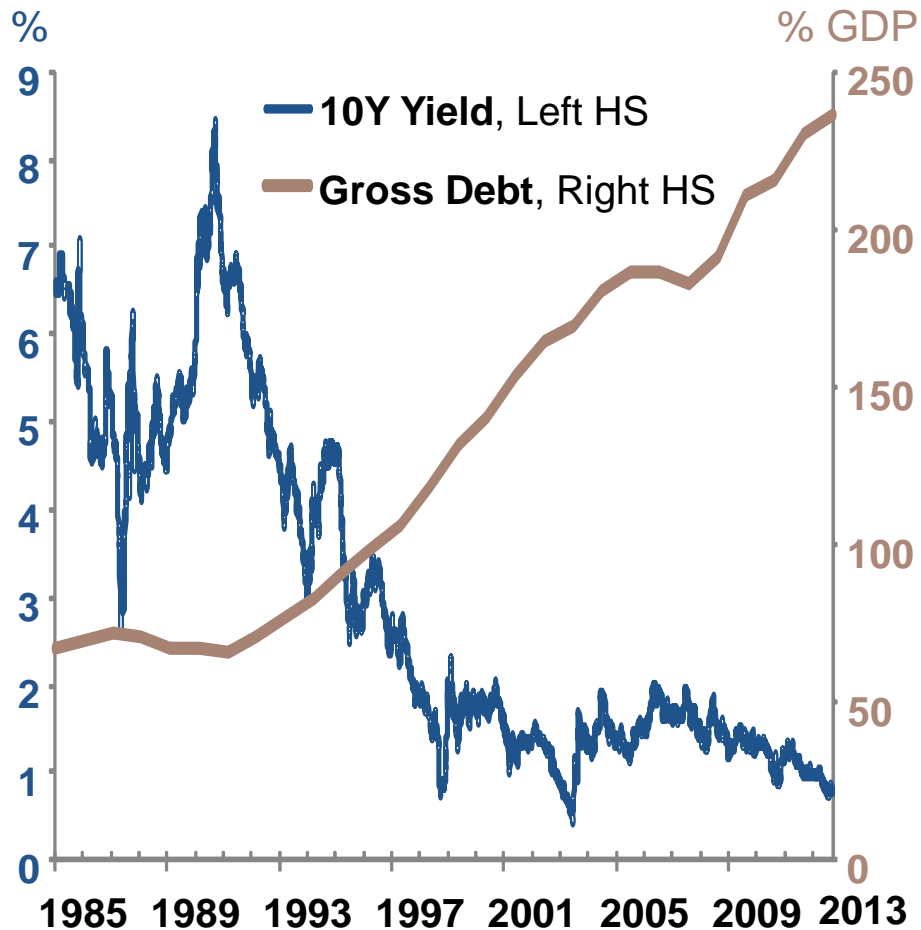
Annual GDP forecasts (%)



- US real GDP (% qoq annualised)
- SG Forecasts
- Consensus median forecasts

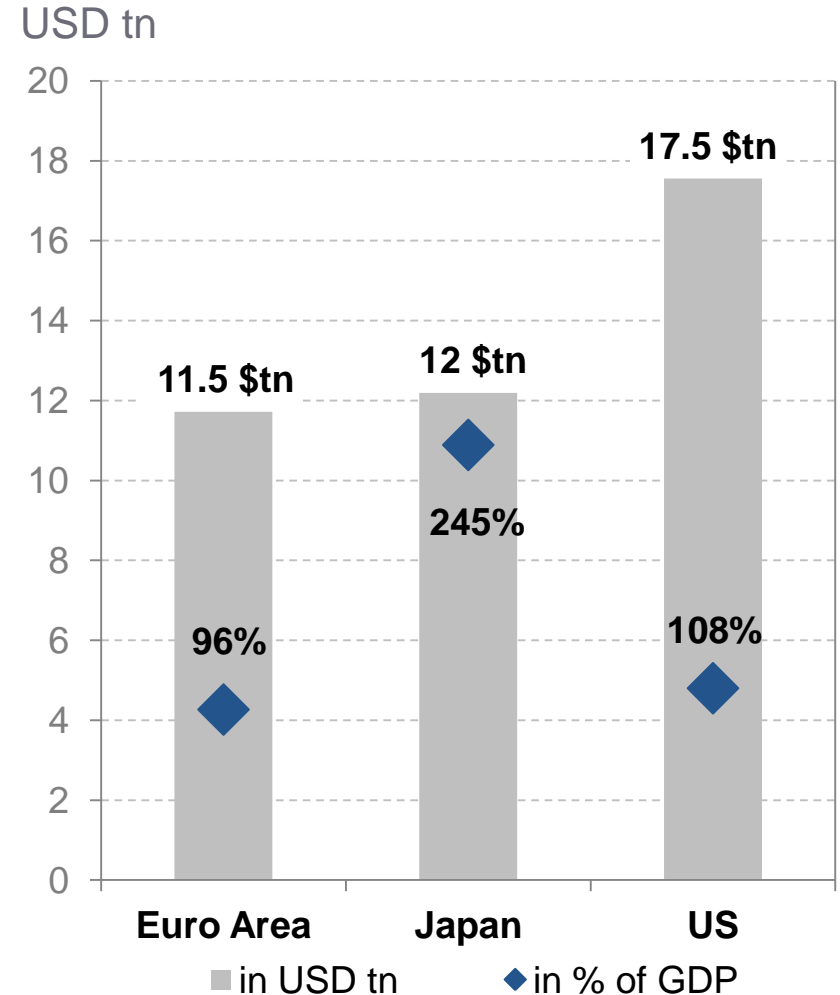
RISK FACTOR 1: GOVERNMENT DEBT

Japan gross debt vs. LT rates since 1985



Source: SG Cross Asset Research, Datastream

Public gross debt end-2013 (est.)



RISK FACTOR 1 : GOVERNMENT DEBT – EUROPE VS US

Euro area & US Budget Balance (% of GDP)



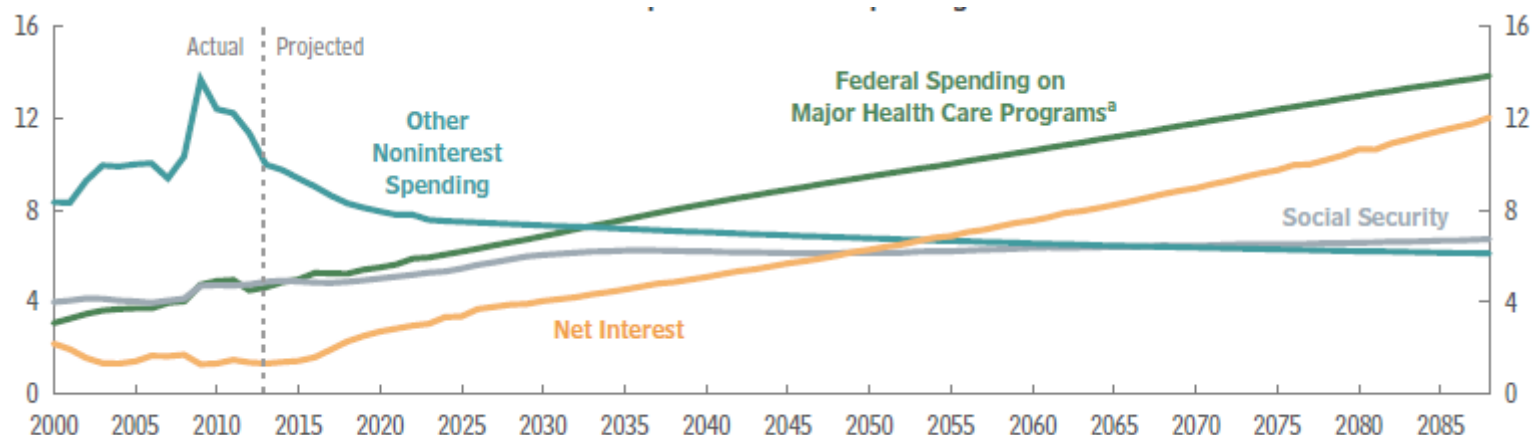
Euro area countries Budget Balances (% of GDP)



Sources: IMF, SG Cross Asset Research

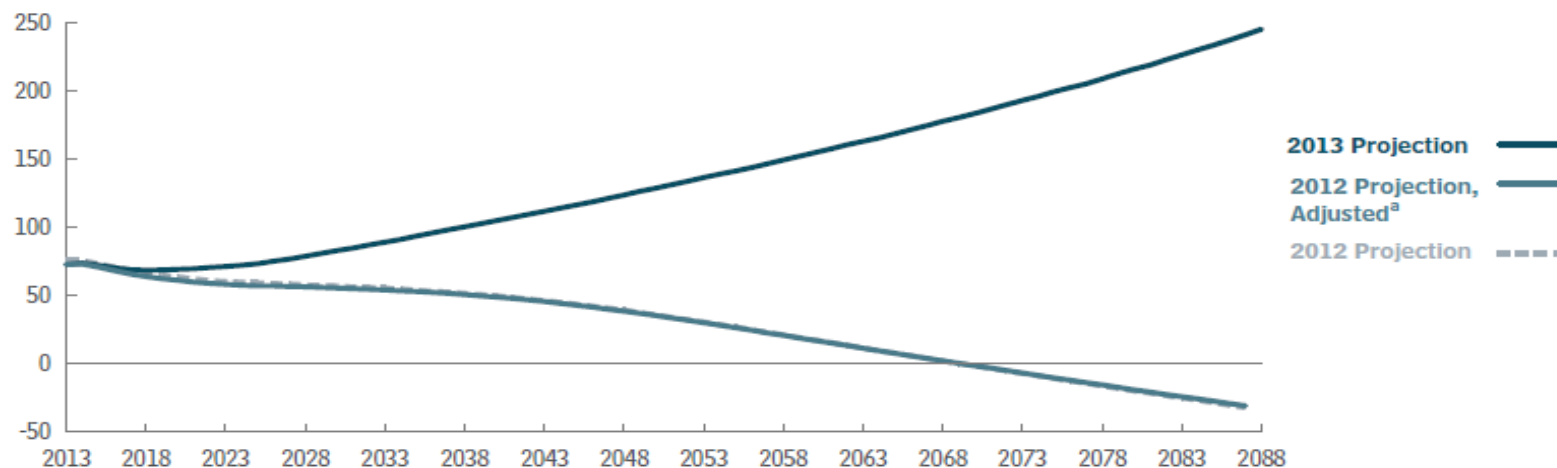
RISK FACTOR 1 : GOVERNMENT DEBT – US ON A DANGEROUS PATH

US Components of total spending, % of GDP



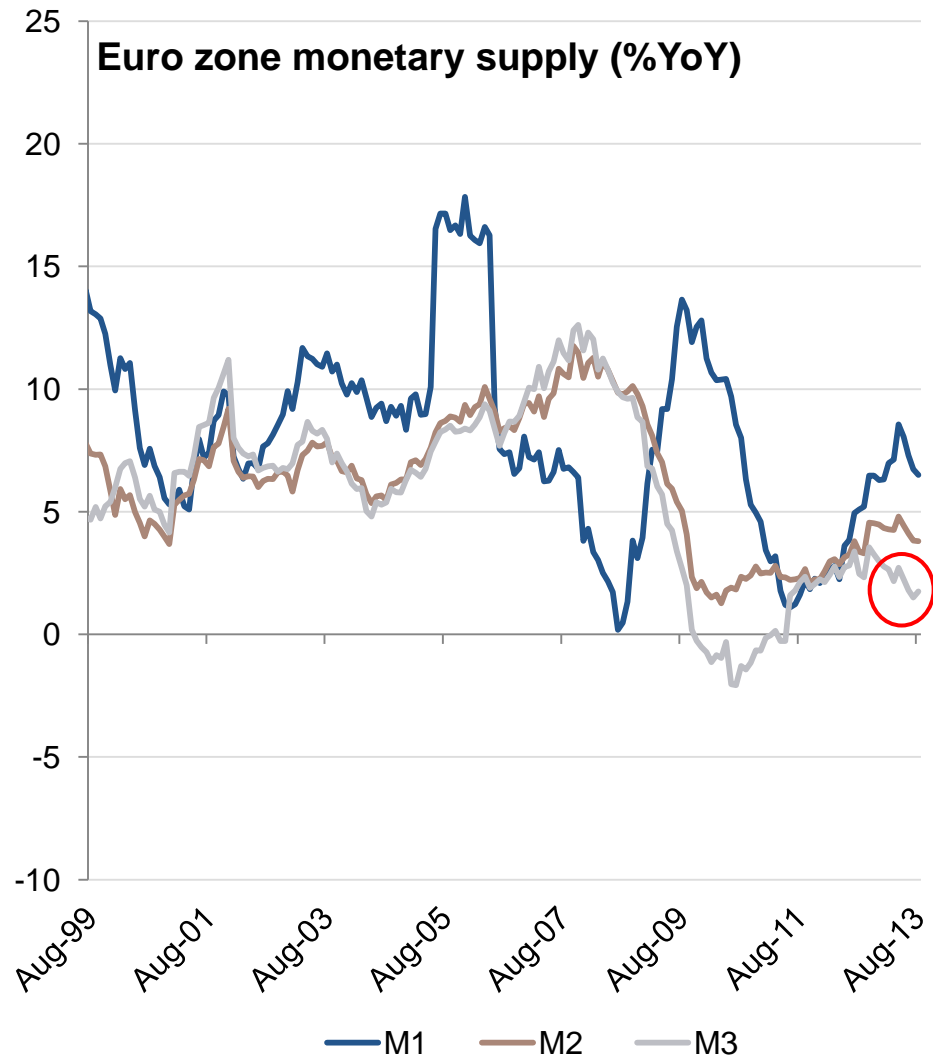
US Federal Debt held by the Public, % of GDP

(Percentage of gross domestic product)



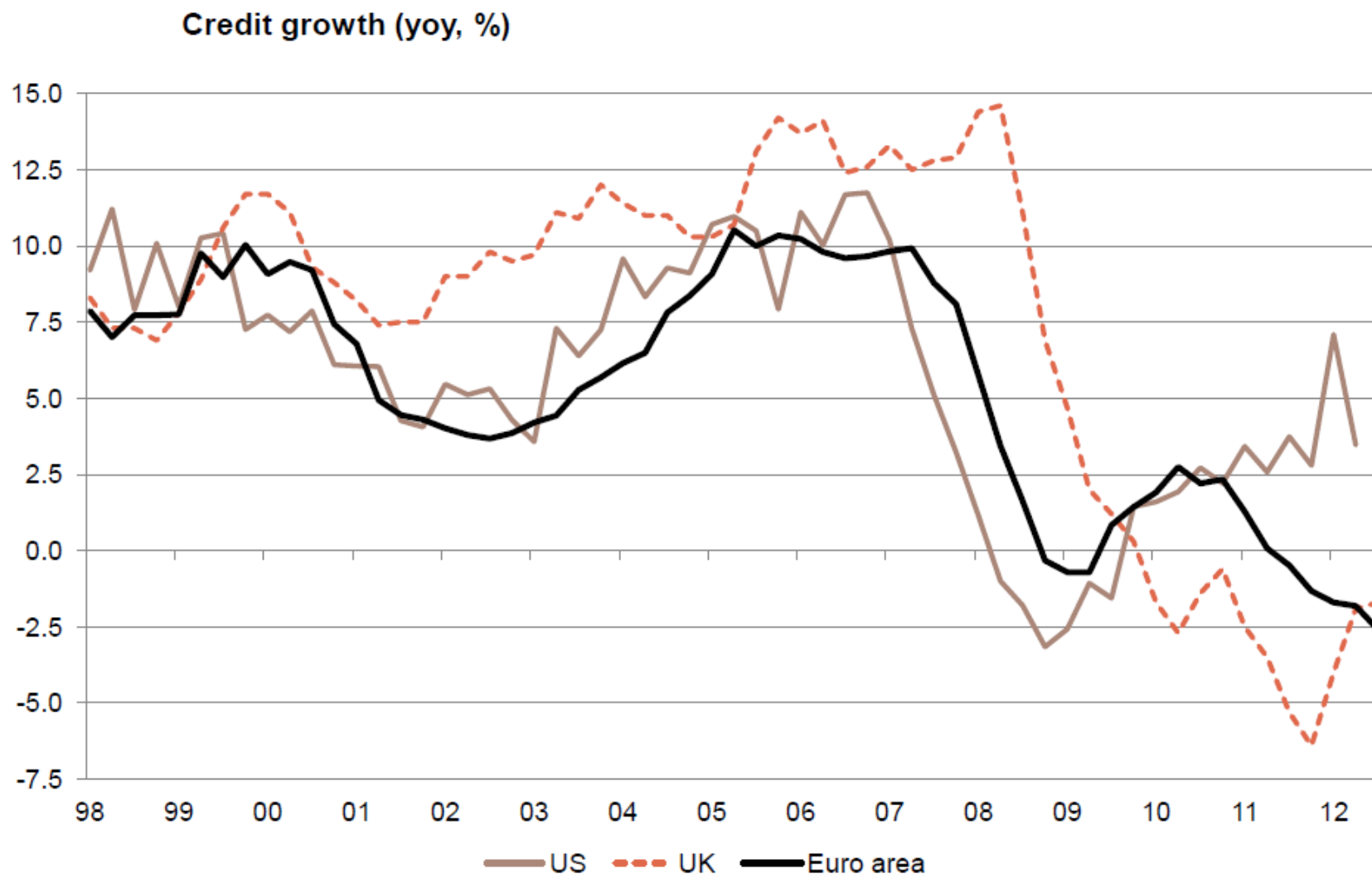
Source: Congressional Budget Office.

RISK FACTOR 2: MONETARY POLICY – FINDING THE RIGHT EQUILIBRIUM

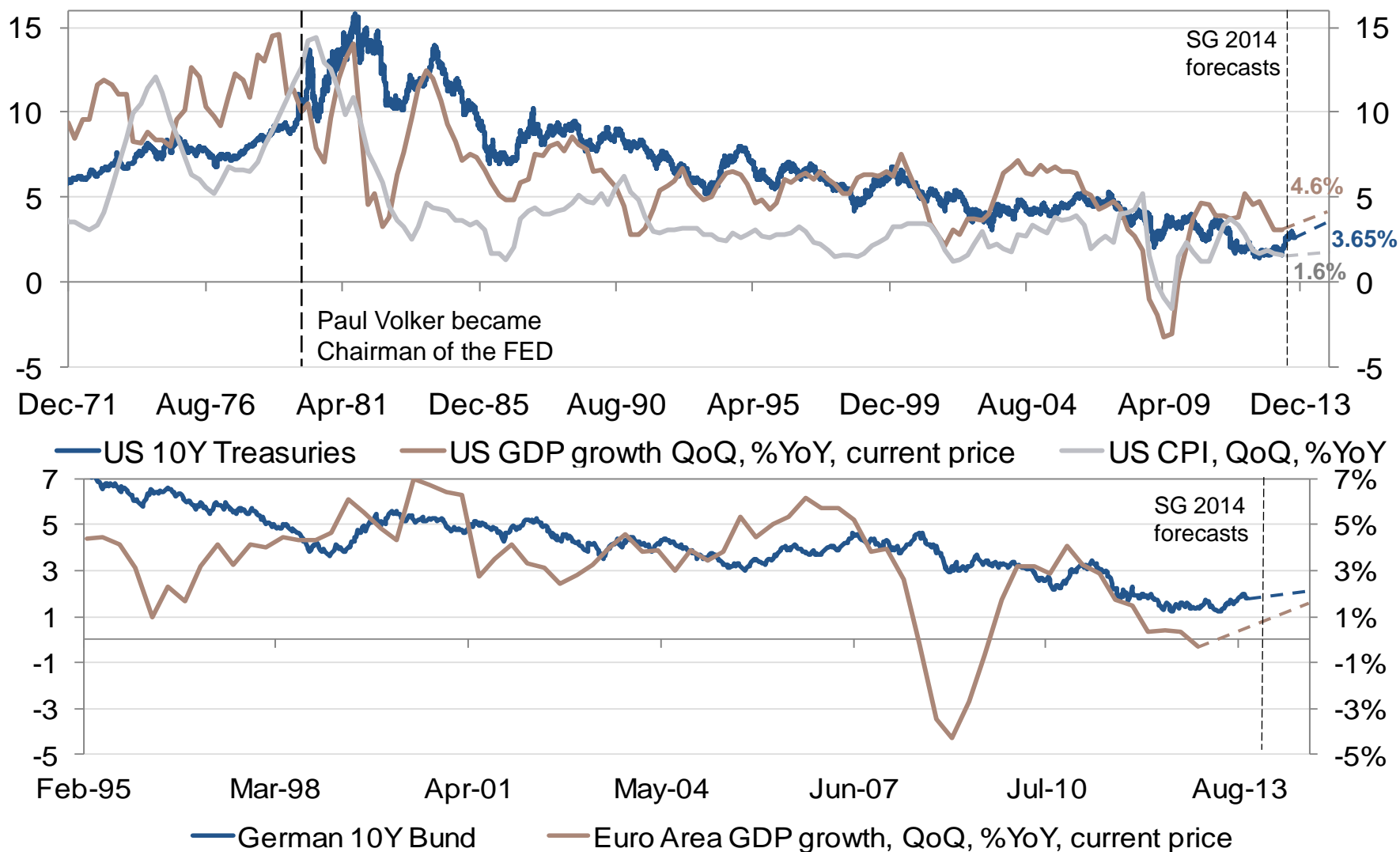


Sources: Datastream, SG Cross Asset Research

RISK FACTOR 2: MONETARY POLICY – FINDING THE RIGHT EQUILIBRIUM



RISK FACTOR 2: MONETARY POLICY – US GOING TOO FAR ?

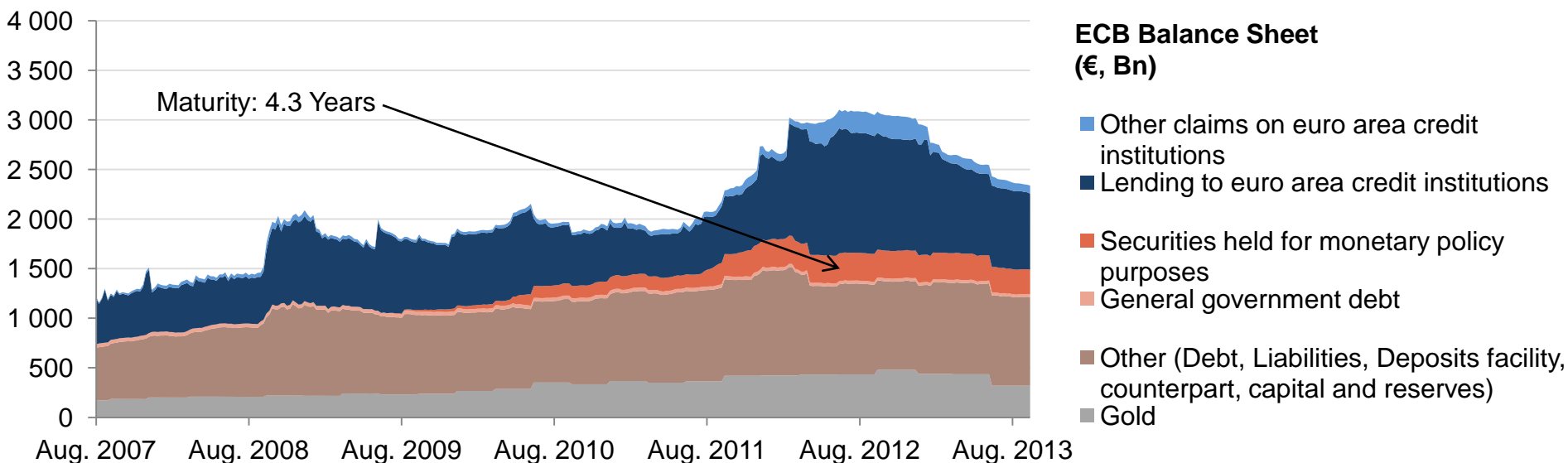
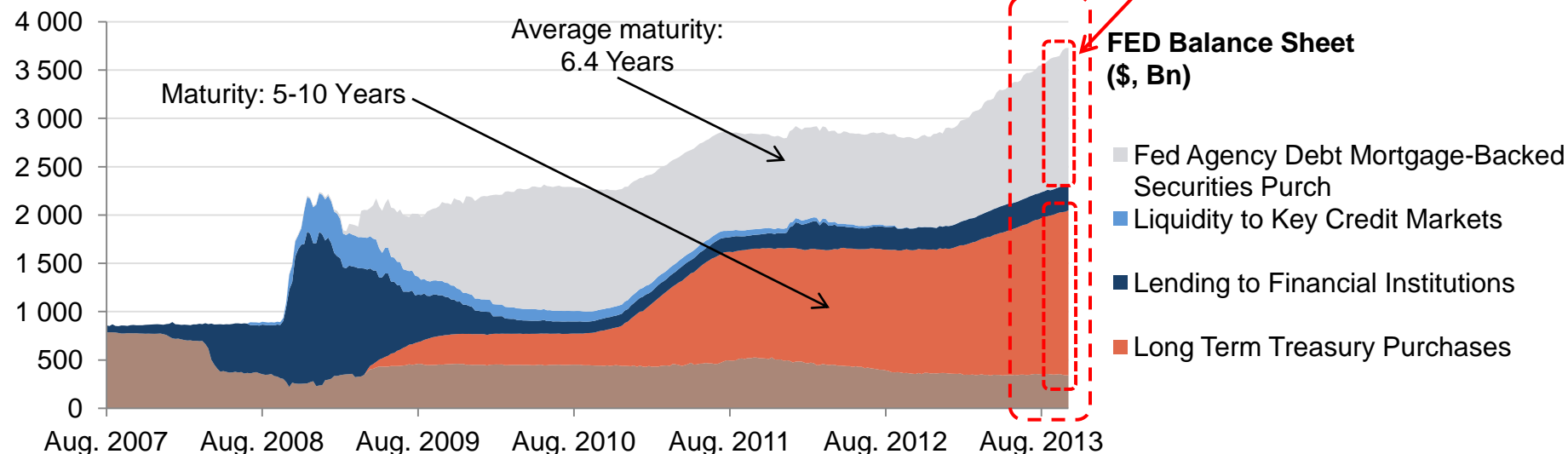


Sources: Eurostat, US Bureau of Economic Analysis, Datastream, SG Cross Asset Research

RISK FACTOR 2: MONETARY POLICY – THE FED...

Problem 1: Size of the balance sheet

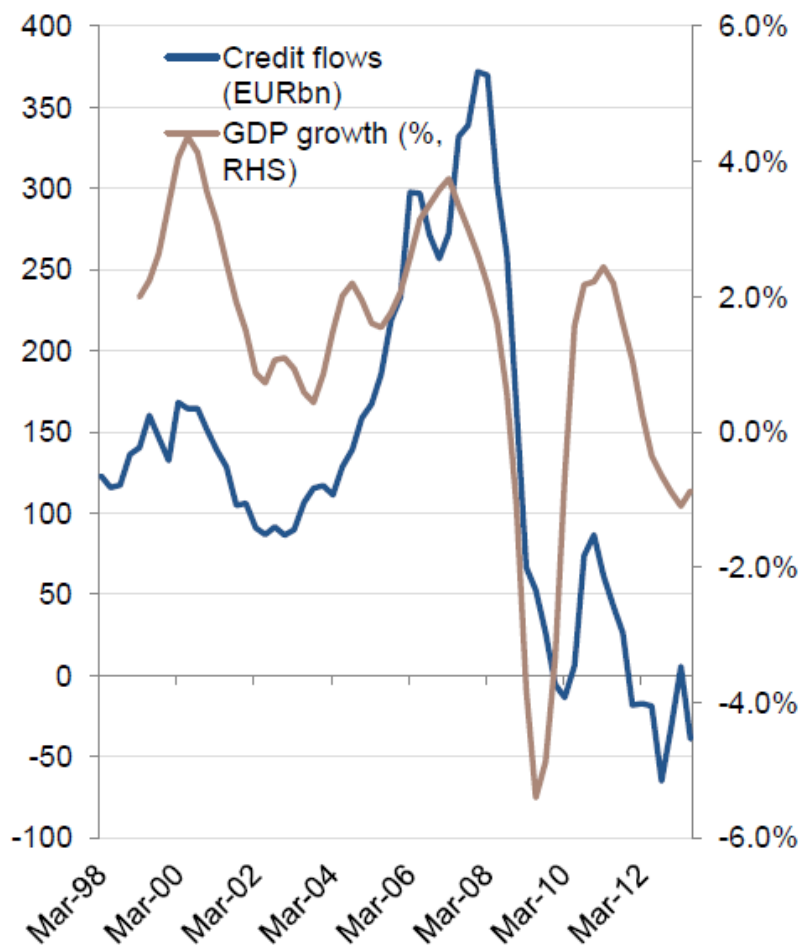
Problem 2: Structure of the assets



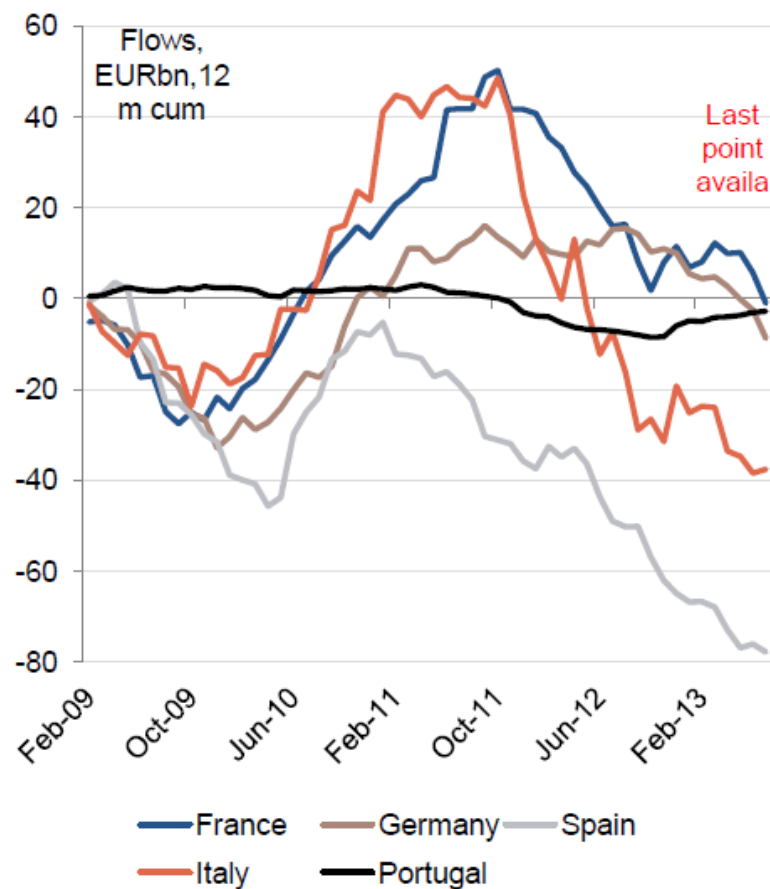
Sources: ECB, US Federal Reserve, SG Cross Asset Research

RISK FACTOR 2: MONETARY POLICY – EU LACK OF TRANSMISSION

Euro area - Credit flows and growth

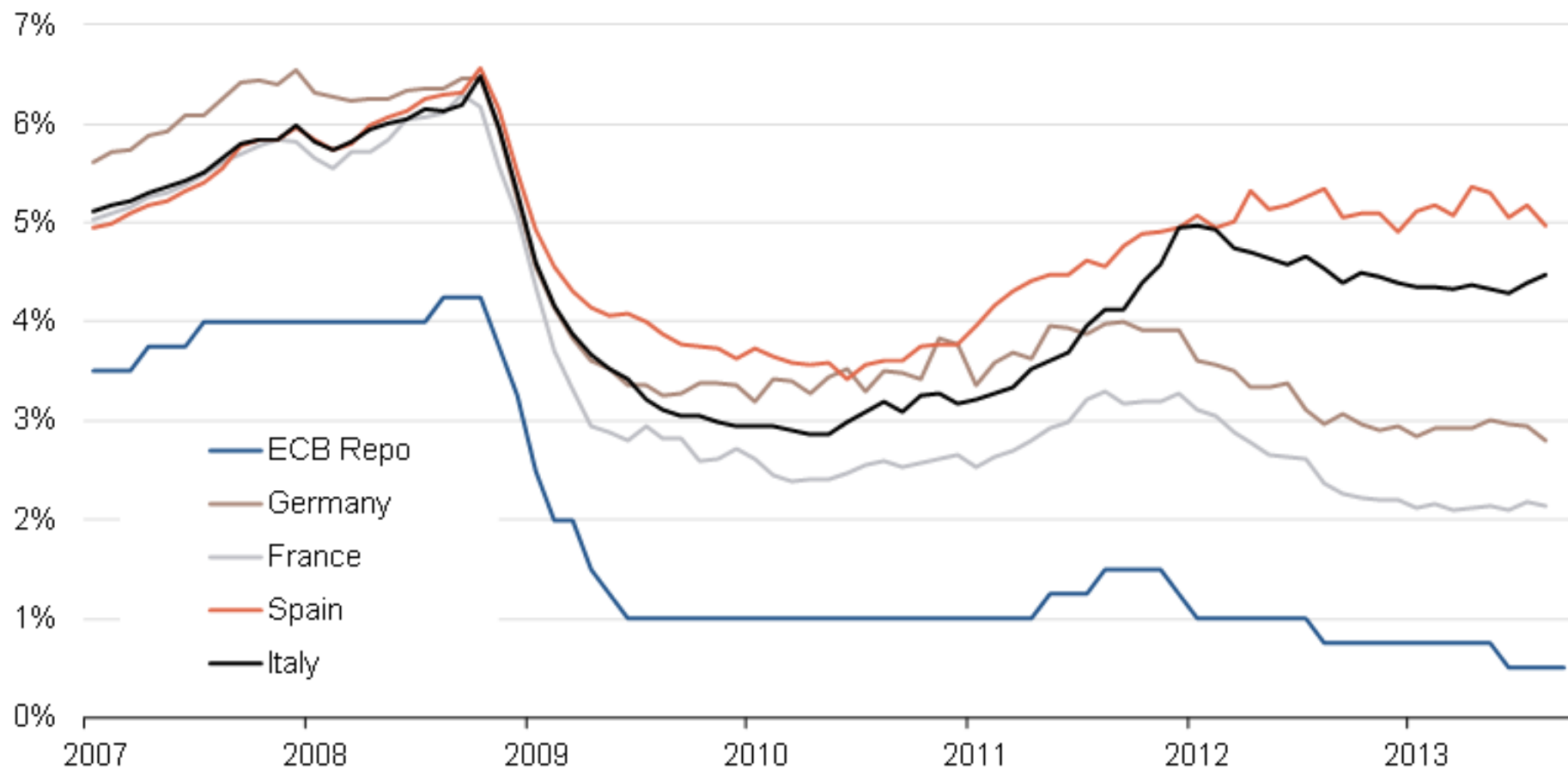


Loan production, 12m cumulated sum



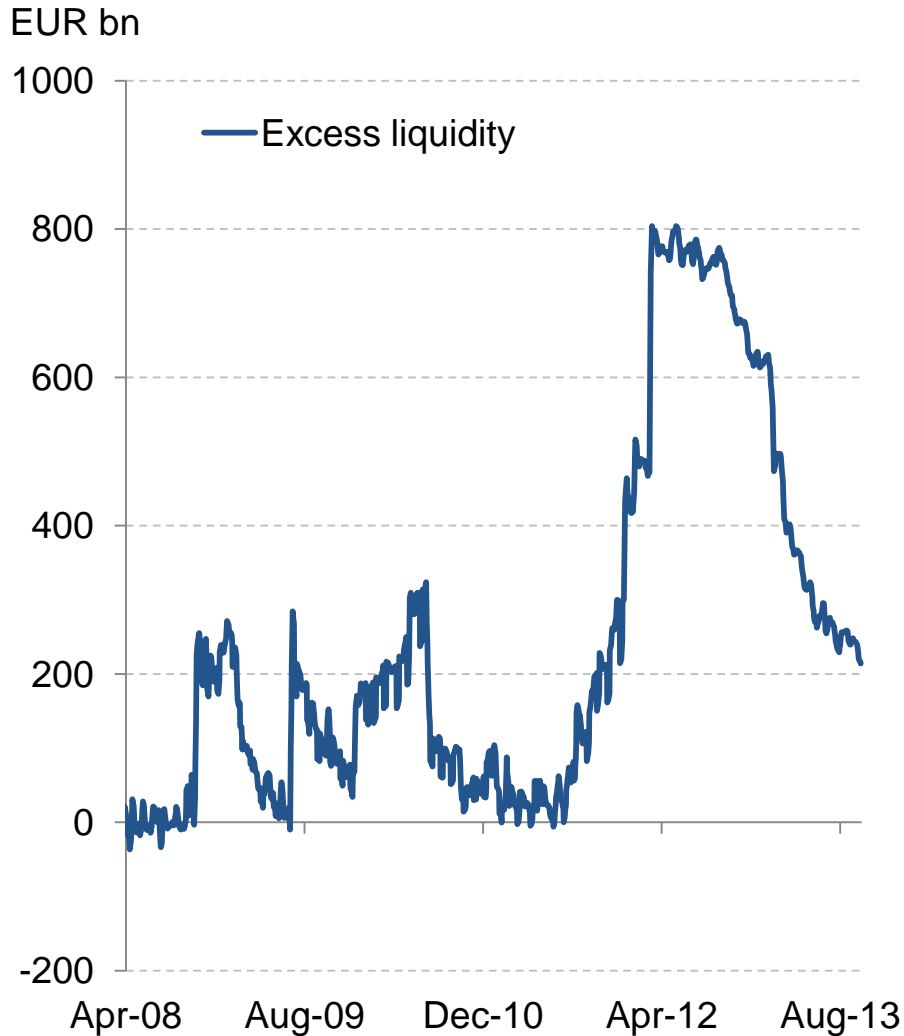
RISK FACTOR 2: MONETARY POLICY – EU FRAGMENTATION

Lending rate on loans to NFCs up to 1m euro, 1Y rate

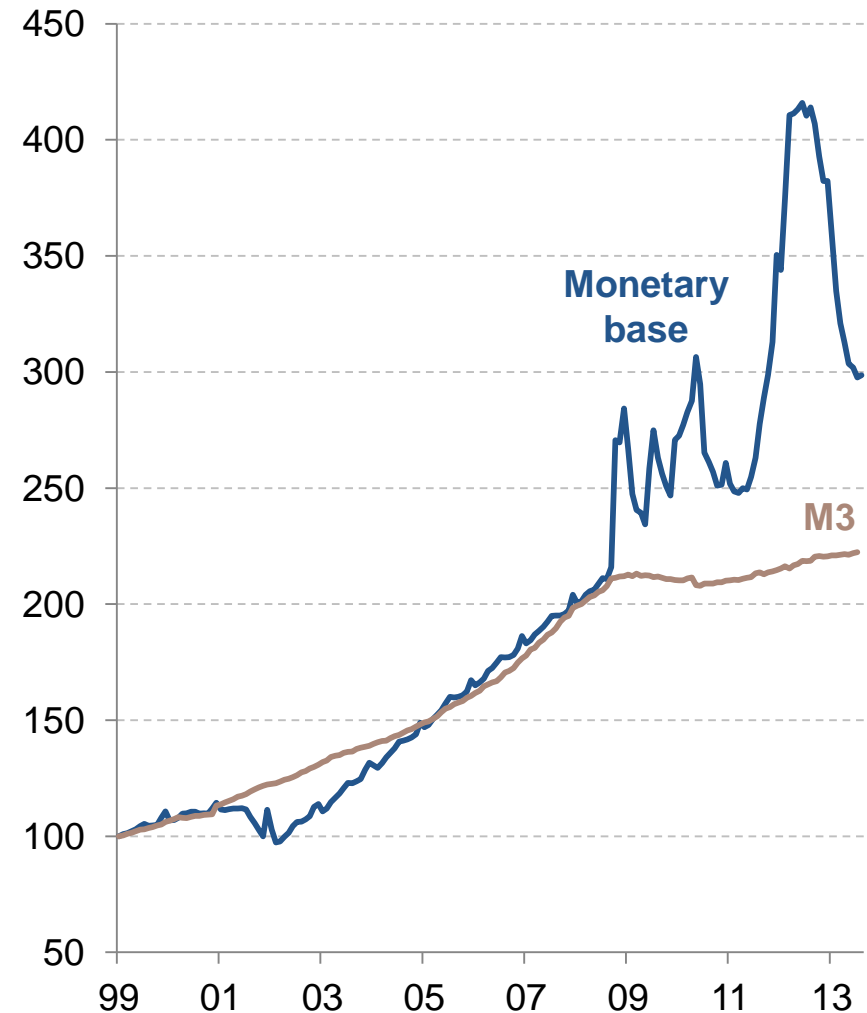


RISK FACTOR 2: MONETARY POLICY – FURTHER LTRO (+AQR) ?

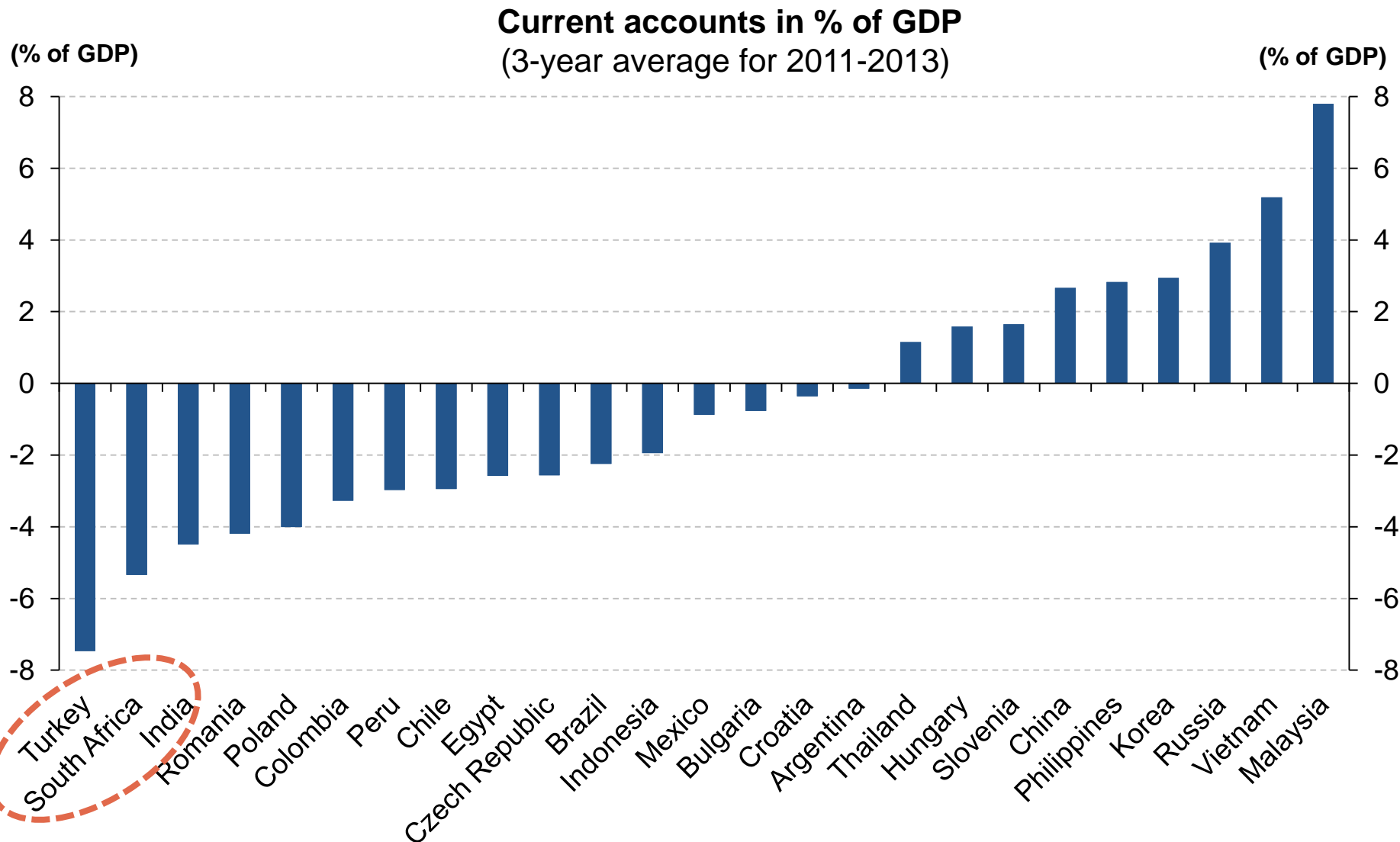
Excess liquidity just above €200bn



Monetary base shrinking

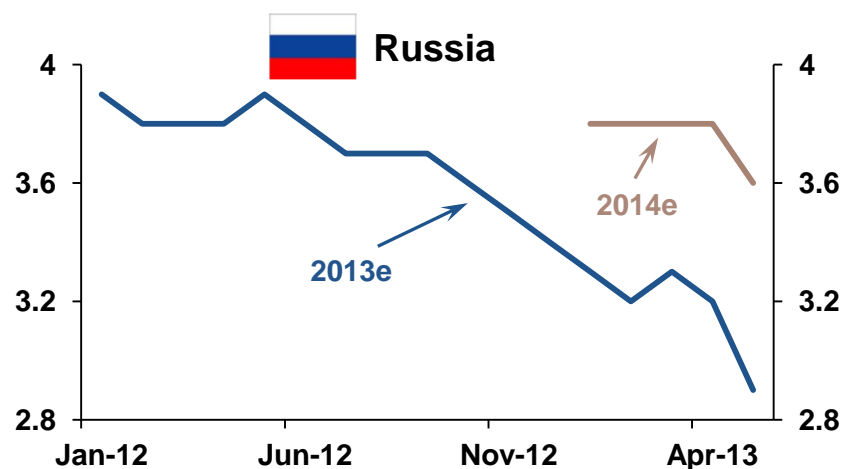
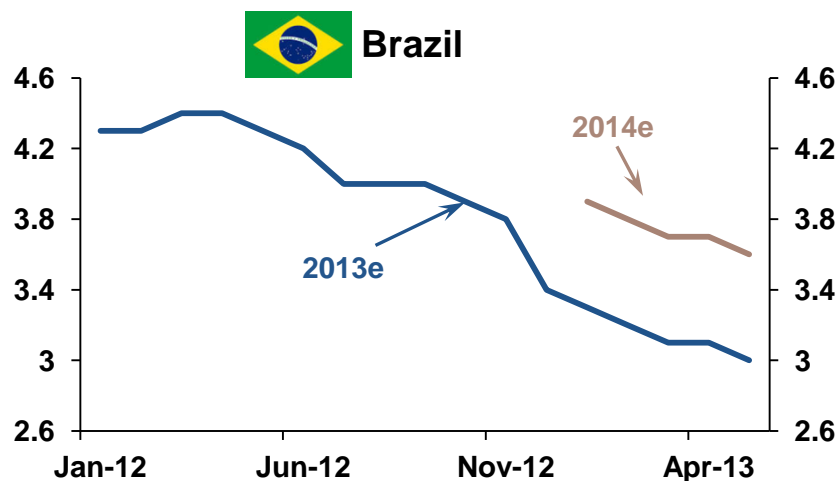
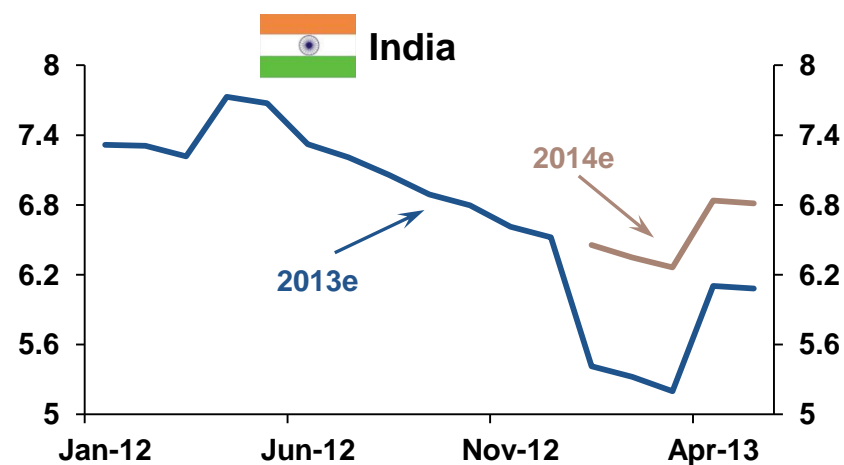
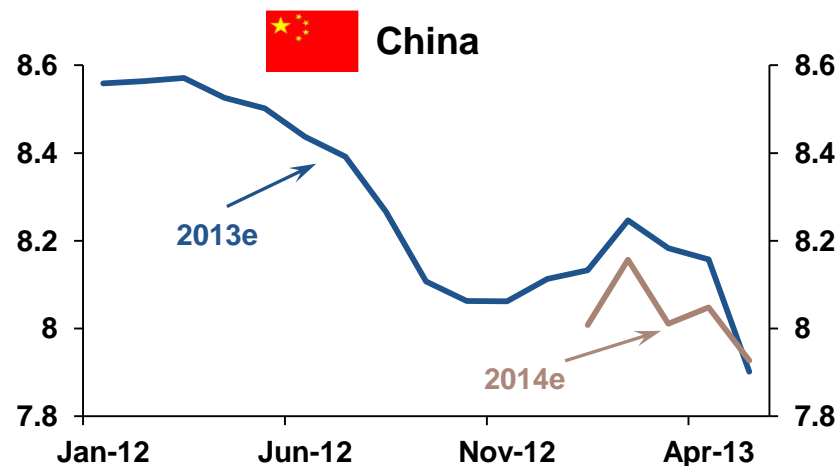


RISK FACTOR 3: EMERGING MARKETS – CURRENT ACCOUNT DEFICITS



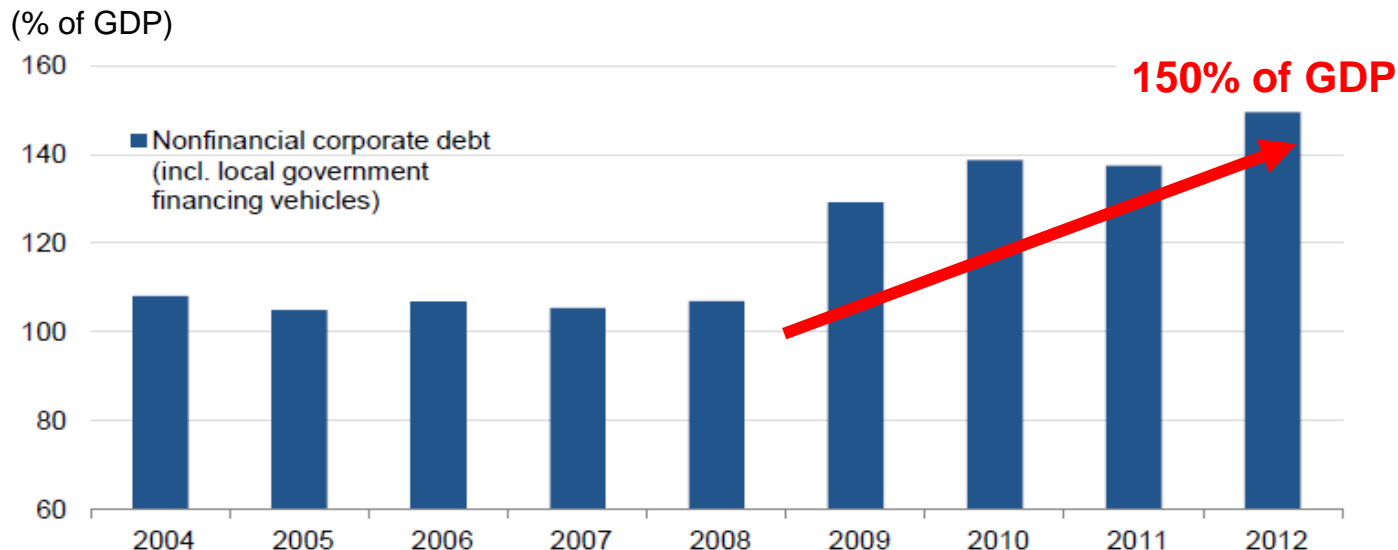
RISK FACTOR 3: EMERGING MARKETS – FALLING GROWTH

Growth consensus expectations continue to fall for 2014

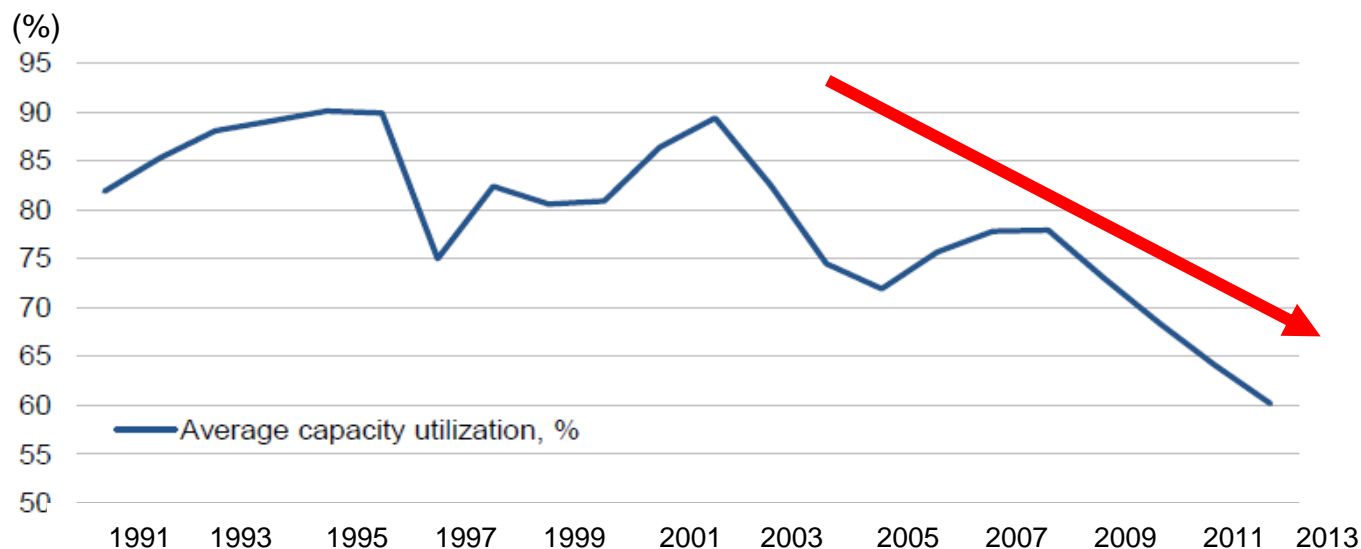


RISK FACTOR 3: EMERGING MARKETS – CHINA WITH HIGH LEVERAGE

China's corporate debt level has become alarming



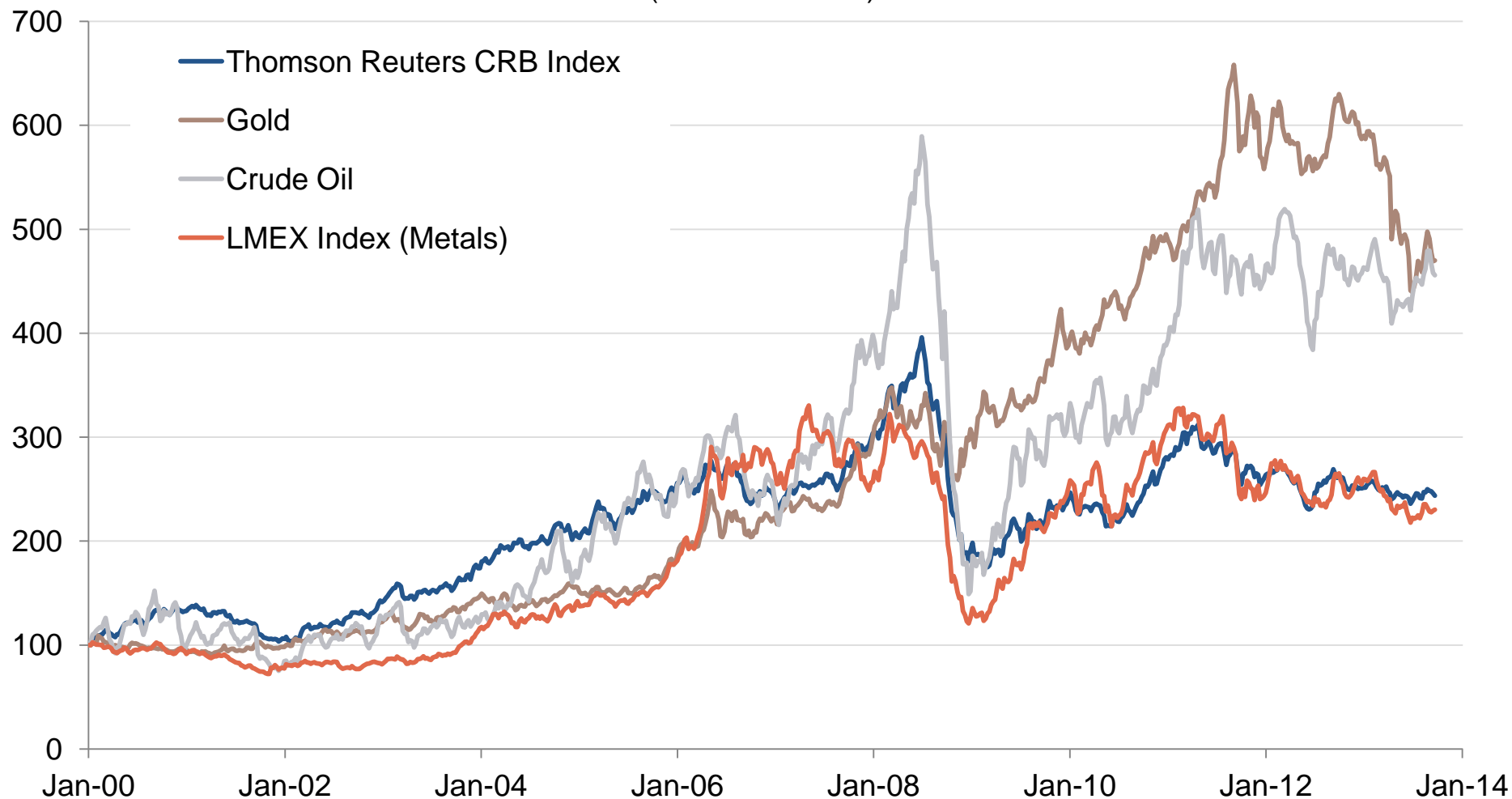
Record low capacity utilisation rates of the manufacturing sector



RISK FACTOR 4: COMMODITIES

Major commodity indices

(Jan 2000 = 100)



QUESTIONS?

Macro & Strategy

EXTEL SURVEYS 2013

IDENTIFYING EXCELLENCE

- #1 Global Strategy
- #1 Multi Asset Research
- #3 Global Economics

Fixed Income

EUROMONEY 2013

- #1 Overall Credit Strategy
- #1 Overall Trade Ideas
- #1 in Sovereigns
- #1 in 3 sector teams

Commodities

Risk & Energy Risk COMMODITY RANKINGS 2013

- #1 Best Overall Commodity Research
- #1 Research in Oil
- #1 Research in Natural Gas Europe
- #1 Research in Base Metals
- #1 Research in Coal

Equity

EXTEL SURVEYS 2013

IDENTIFYING EXCELLENCE

- #2 Equity Quant
- #2 Index Analysis
- #3 SRI Research
- 12 sector teams in the Top 10