



By greening its monetary policy, the ECB has laid down a marker for investors

The ECB has added a green element into its monetary policy. Although direct market impacts will be limited, the publication of official climate criteria and indicators could act as a structural framework for all investors

The ECB has broken new ground by writing climate issues into its monetary policy. The world's big central banks have long been scrutinising climate issues. Much of their scrutiny looked at the risks posed to financial stability. The Bank of England took a lead on this front, warning of three types of risks climate change poses to financial institutions: physical, transition and liability risks, (1). Central banks have also analysed the potential inflationary impacts of both global warming and energy transition. Then, some months ago, the ECB raised the stakes by incorporating climate criteria into monetary policy. It intends to gradually decarbonise the corporate bonds acquired under its QE programmes and, as from 2024, could also run a green screen over securities posted

Tricky trade-off between inflation and climate policy. The ECB's aspiration to actively support the climate transition is not easy to apply with inflation still running high. To counter price pressures the ECB has substantially hiked its interest rates and this has automatically boosted the cost of the massive funding needed for energy transition. To avoid wrestling with such apparently contradictory aims, the Federal Reserve said recently it would not be considering climate criteria in its monetary policy, this being a matter for states, not central banks. On its side, the ECB has stressed that while its primary mission remains fighting inflation, its climate commitments will help avoid the threat of price instability resulting from a disorderly energy transition.

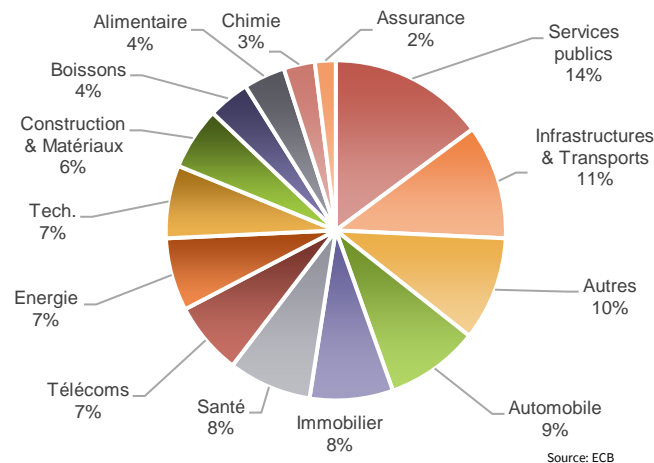
The ECB could show the way for all market players. From now on, in its monthly purchase programme, the ECB will progressively incorporate three kinds of criteria in selecting corporate bonds: the level of carbon emissions, emission reduction targets and transparency on climate policy. That noted, while the ECB holds significant amounts of public sector debt, its corporate debt holdings are actually relatively modest (chart 1) related to total corporate debt market. What is more, they are due to be reduced in line with the monetary policy decision to reduce the Bank's balance sheet. So, the direct impact of the ECB's policy change is likely to be limited. For all that, the direction taken by the ECB will provide a reference in a booming market (chart 2).

(1) « Breaking the tragedy of the horizon », 2015, Mark Carney

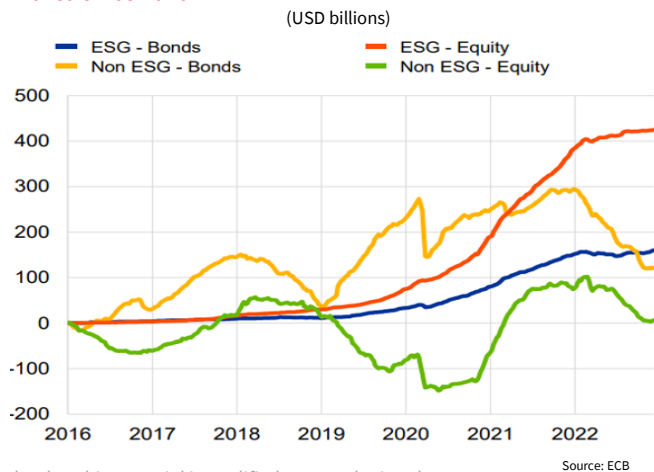
Past performance should not be seen as a guarantee of future returns.

All data taken from Bloomberg and Macrobond on the 10/02/2023, publication achievement date. In accordance with the applicable regulation, we inform the reader that this material is qualified as a marketing document.

**Holding of corporate bonds on the ECB's balance sheet:
Sector allocation (total: EUR 400bn)**



Cumulative flows into ESG and non-ESG funds in the euro area since 2016



OUR MACRO COMMENTS

Events of the week



Jerome Powell participated in a conference of the Economic Club of Washington. His speech was particularly awaited following the publication of the last particularly vigorous report on the labour market. The Chairman of the Federal Reserve confirmed that the disinflation process is well underway but that the return of inflation to 2% will take time and will require the maintenance of key rates in restrictive territory.



In 2022, France's trade deficit reached 164 billion euros. It almost doubled compared to the 2021 deficit, due to the surge in energy prices and the depreciation of the euro. While the deficit has been growing for several years (the last surplus dates back to 2002), it can be noted that, on the services side, France has a record surplus of over 50 billion euros.

Figures of the week



- Retail Sales (YoY, December)

	Actual		Forecast	Previous
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-2.8%	↓	-2.6%	-2.5%
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- Michigan Consumer Sentiment (February)

66.4	↑	64.9	65
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- Inflation Rate (YoY, January)

2.1%	↑	2%	1.8%
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- GDP Growth Rate (QoQ, Q4)

0%	↑	0.1%	-0.2%
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- Inflation Rate (YoY, January)

8.7%	↑	8.9%	8.6%
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Sources: Macrobond, 10 February 2023

The week ahead

Tuesday



- GDP Growth Rate (Q4)



- Unemployment Rate (December)



- Inflation Rate (January)

Wednesday



- Retail Sales (January)



- Inflation Rate (January)

Thursday



- Balance of Trade (January)

Friday



- Retail Sales (January)

MARKET PERFORMANCES

Interbank rates	Last.	-1W	-3M	YTD	-12M
€STER O/N	2,40	1,90	1,40	1,91	-0,58
USD SOFR O/N	4,55	4,31	3,78	4,30	0,04
JPY TONAR O/N	-0,04	-0,01	-0,06	-0,02	-0,02
GBP SONIA O/N	3,93	3,43	2,93	3,43	0,45
CHF O/N	0,80	0,80	0,68	0,80	-0,71

Long term sov. rates	Last.	-1W	-3M	YTD	-12M
10Y OAT	2,82	2,77	2,68	2,98	0,67
10Y Bund	2,36	2,30	2,17	2,44	0,22
10Y BTP	4,11	4,17	4,27	4,55	1,77
10Y JGB	0,61	0,49	0,25	0,41	0,20
10Y Bonos	3,30	3,29	3,22	3,51	1,15
10Y Swiss	1,40	1,24	1,10	1,57	0,30
10Y Gilt	3,41	3,43	3,44	3,66	1,47
10Y USTnote	3,63	3,39	4,12	3,88	1,94

Credit & EM	Last.	-1W	-3M	YTD	-12M
EUR Corporate Aaa	3,07	3,04	3,19	3,12	0,86
EUR Corporate Baa	4,14	4,21	4,69	4,65	1,26
GBP Corporate Baa	4,16	4,23	4,52	4,59	2,11
USD Corporate Aaa	4,40	4,17	4,98	4,62	2,66
USD Corporate Baa	5,34	5,12	6,23	5,70	3,22
USD EM aggregate	7,14	6,96	8,37	7,52	4,84

Commodities	Last.	-1W	-3M	YTD	-12M
Brent, USD/BL	85,08	2,5%	-7,9%	-1,0%	-7,3%
Or, USD/oz	1 876	-3,8%	9,9%	2,7%	2,3%
Copper, USD/metric ton	9 033	-1,8%	12,8%	7,6%	-8,2%
Platinum, USD/oz	990	-1,7%	-1,2%	-7,0%	-4,4%
Palladium, USD/oz	1 671	2,0%	-13,3%	-6,5%	-25,7%
Silver, USD/oz	22,45	-4,4%	5,3%	-6,2%	-3,4%

FX rates	Last.	-1W	-3M	YTD	-12M
EUR/USD	1,07	-1,5%	6,9%	0,5%	-6,1%
EUR/CHF	0,99	-1,1%	0,1%	0,1%	-6,5%
USD/GBP	0,83	2,0%	-5,8%	-0,3%	12,2%
USD/JPY	131,45	1,7%	-10,1%	0,5%	13,9%
USD/BRL	5,23	3,0%	1,3%	-2,1%	-0,7%
USD/CNY	6,79	0,7%	-6,3%	-1,6%	6,7%
USD/RUB	72,55	3,5%	18,1%	-0,6%	-2,8%

Equity indices	Last.	-1W	-3M	YTD	-12M
MSCI AC World (USD)	1 096	-1,2%	7,7%	3,3%	-7,3%
Eurostoxx 50	4 209	0,9%	12,9%	9,2%	0,1%
Dax 40	15 412	1,5%	12,8%	9,5%	-0,5%
CAC 40	7 120	0,6%	10,7%	8,0%	-0,2%
FTSE 100	7 885	1,6%	8,1%	5,8%	3,2%
SMI	11 276	0,7%	3,4%	5,1%	-8,8%
SP500	4 118	0,0%	9,9%	7,2%	-10,2%
TOPIX	1 984	0,6%	1,8%	4,9%	1,6%
iBovespa	109 951	-1,9%	-3,2%	3,4%	-2,2%
Hang Seng	21 284	-3,6%	30,1%	7,6%	-14,3%
Sensex 30	60 664	1,6%	-0,6%	-0,8%	3,8%
CSI 300	4 076	-2,9%	9,7%	5,3%	-12,4%

Source: Bloomberg, on 9 February 2023.

-1W = 1-week change, -3M = 3-month change, -12M = 12-month change, YTD = year-to-date change. Equities; total return in local currency. Government bonds = 10-year returns. Figures are rounded.

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