

Every month Banque SYZ & CO publishes in their publication "1 month in 10 snapshots" a review of global economic activity. Since an image can be more telling than words, every month we select 10 charts illustrating the key data that has marked economic and financial activity over the month, decoding their meaning with a brief explanation.

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This document is based on graphics the data of which were collected in the month of June.

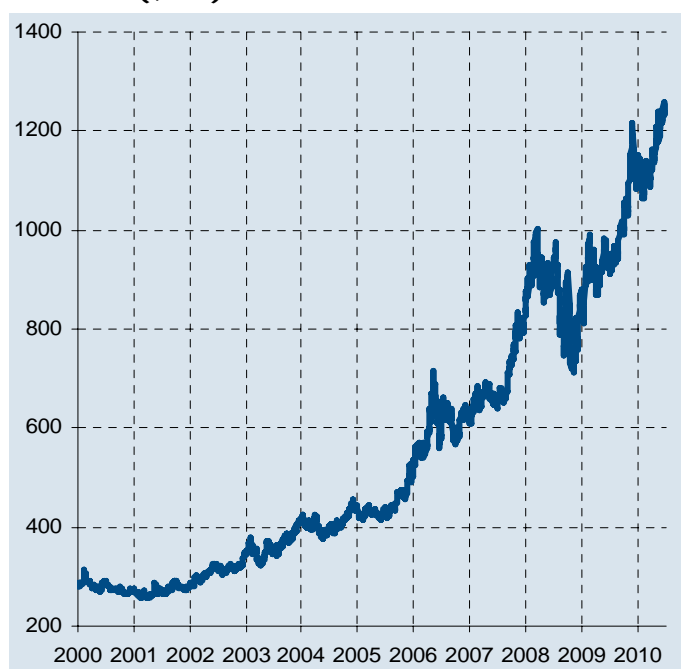
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### 1. Gold sets a new record

- The risk aversion trend caused by the European sovereign debt crisis and by uncertainty over the way in which governments (including the United States) will reverse the upward trend in their debt has prompted investors to turn to gold.
- The price of the yellow metal has thus set a new record, at USD 1256/oz. It has posted an almost 15% increase since the beginning of the year. While the dollar has strengthened over the period, the increase in the gold price, measured in other currencies, has been even greater (+32% in euros, +22% in pounds sterling). Gold has shown an impressive upward trend for 10 years now.
- The increase in demand for physical gold, fuelled by the strong growth of the emerging countries, is contributing to this movement. Gold is also a safe haven for investors concerned about the impact of public debt on the value of currencies and in particular about a return of inflation.

**GOLD PRICE (\$/oz) SINCE 2000**

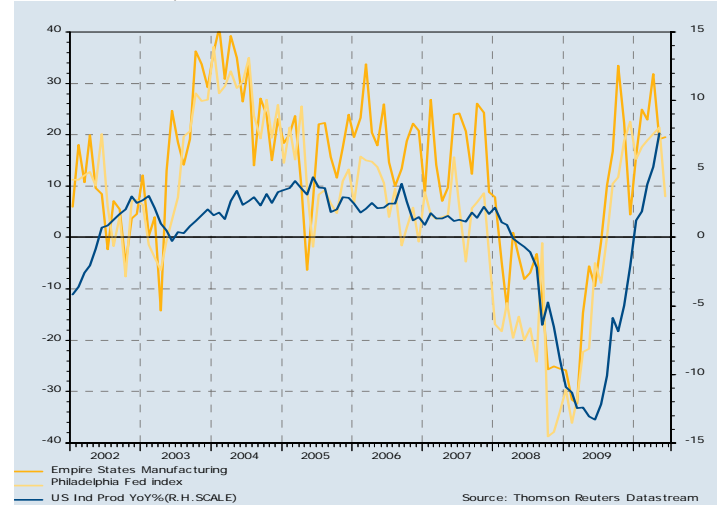


Source: Bloomberg

## 2. United States – Growth in industry slows down

- After having posted a vigorous recovery since the middle of 2009, growth in industry is marking time.
- Corporate inventory replenishment and the need to catch up on capital investment, as well as the return to growth in the emerging world, have driven the strong rebound observed over the last few quarters. Industrial production was 8.0% up over the last 12 months, its strongest growth since 1998.
- While the inventory replenishment movement is slowing down and the capital investment catching-up effect is giving way to an increase more in line with demand, the sector's growth rate is set to slow down in the coming months, while remaining clearly positive. That is what is suggested by the regional activity indicators.

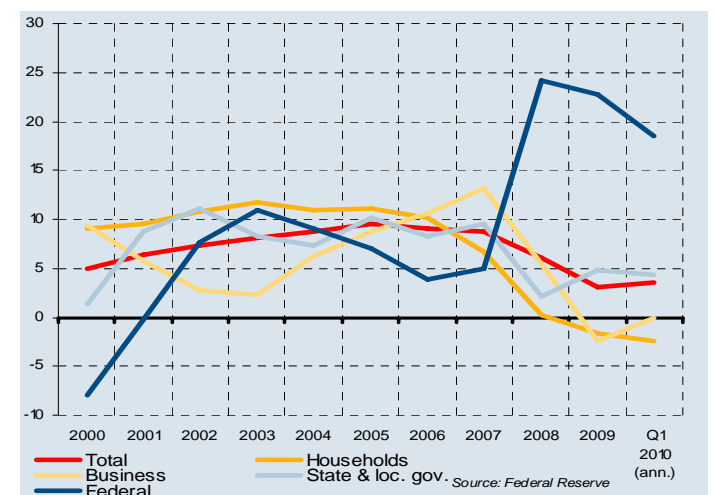
**REGIONAL MANUFACTURING INDICES (NEW YORK AND PHILADELPHIA) AND INDUSTRIAL PRODUCTION**



## 3. United States – Households continue to reduce their debt

- The debt-reduction trend in the private sector marked the year 2009 and has continued for households in the first quarter of 2010.
- Household debt actually recorded a fifth consecutive decrease in the first quarter (-2.4% at an annualized rate, following -1.7% for the whole of 2009). At the same time corporate debt remained stable after having fallen by 2.5% in 2009.
- Meanwhile public debt continued to increase quickly, although at a less brisk pace. The IMF is expecting a public deficit of 11% of GDP in 2010 and 8.2% in 2011, which will take US public debt to 100% of GDP.

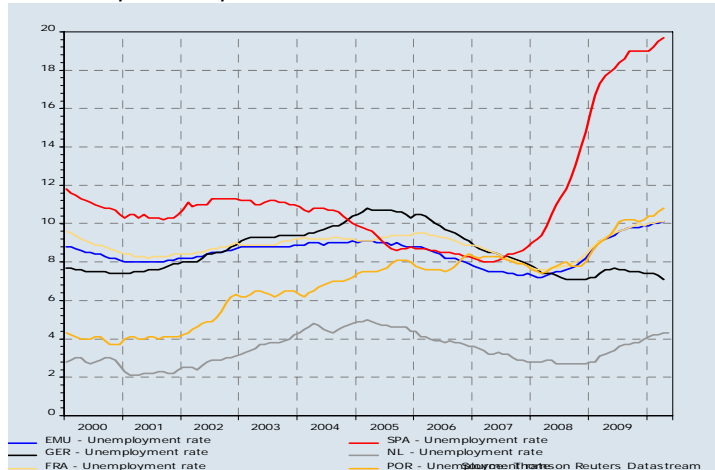
**ANNUAL CHANGE IN PUBLIC AND PRIVATE DEBT**



## 4. Zone euro – A very contrasting trend in unemployment in the zone

- The unemployment rate in the euro zone as a whole increased slightly in April (from 10.0% to 10.1%), reaching a high since the euro zone was created.
- This level conceals some large divergences between countries. Thus the unemployment rate is close to 20% in Spain. It stands at 13.2% in Ireland and 10.8% in Portugal, where budgetary austerity should lead to a continued increase in the coming months.
- Meanwhile unemployment in Germany has been falling since summer 2009 thanks to the recovery of the industrial sectors, which are benefiting from the return of global growth. As for the Netherlands, they still post the lowest unemployment rate in the euro zone (4.1%).

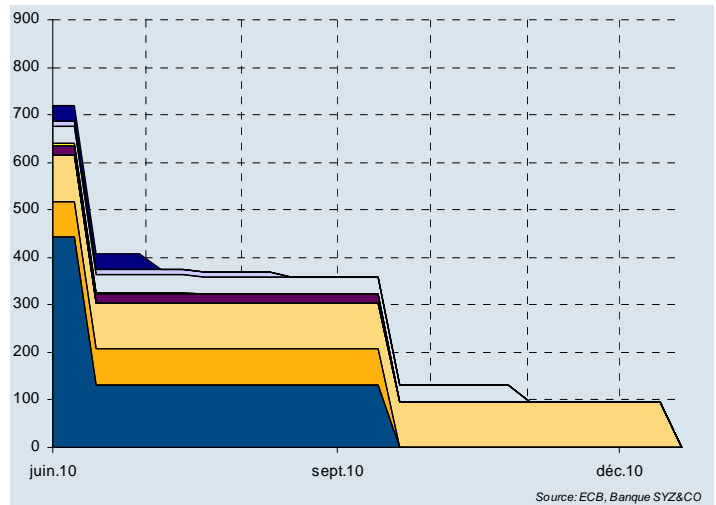
**OVERALL UNEMPLOYMENT RATE IN THE EURO ZONE AND IN GERMANY, FRANCE, SPAIN AND THE NETHERLANDS**



## 5. European Central Bank– Reduction of liquidity

- The end of June was an important date for the European Central Bank, as a EUR 442 billion refinancing operation was maturing.
- At a time when some southern European banks are having difficulty in financing themselves on the interbank market, the reimbursement of this EUR 442 billion was causing concern, which prompted the ECB to put in place a 3-month operation as a follow-on measure.
- Demand for this refinancing operation was in the end not as great as expected (EUR 132 billion). This figure reveals that the surplus liquidity in the system is now lower and that the return to normal of the functioning of the financial system wanted by the ECB is continuing.

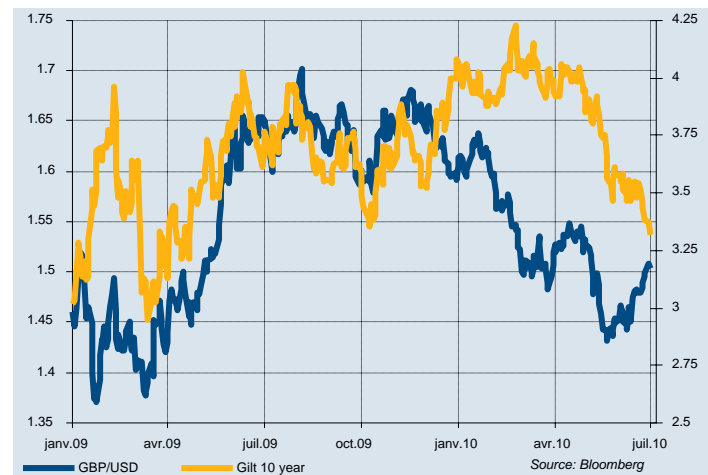
**LIQUIDITY SUPPLIED BY THE ECB THROUGH THE VARIOUS REFINANCING OPERATIONS**



## 6. United Kingdom– The announced austerity cure is a reality

- In order to establish its credibility in good management, the new government has presented an even more ambitious economy plan than what was anticipated.
- The aim is to reduce the public deficit from 11% today to 1.1% in five years' time, through spending cuts and tax increases that will make it possible to save GBP 40 billion per year. All the ministries, with few exceptions, will have to cut their budgets by 25%. A VAT increase and a tax on the banks are planned as of 2011.
- With this plan, the government has managed to reassure the markets, which were worried about the unsustainable trend in public debt. The pound sterling and the British bond market have benefited from the easing of these fears.

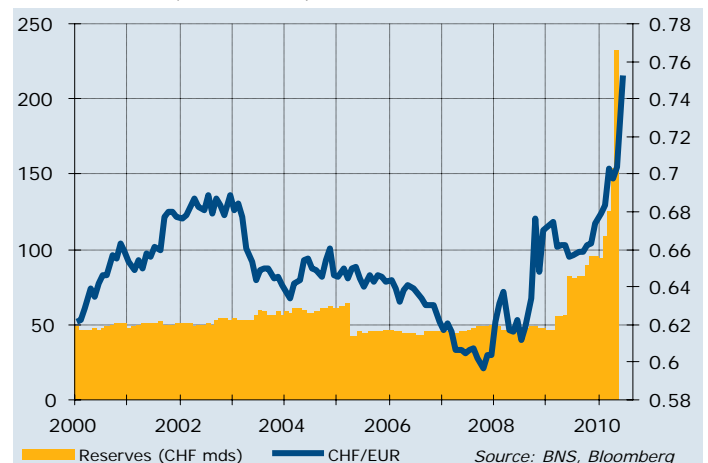
**POUND STERLING AGAINST DOLLAR AND RATES ON 10-YEAR GILTS**



## 7. Switzerland – The SNB lets the Swiss franc soar

- After having attempted to stabilize the Swiss franc's exchange rate against the euro in spite of the strong downward pressures on the European currency, the Swiss National Bank has decided to stop its interventions in the foreign-exchange market.
- These interventions were becoming extremely costly (CHF 70 billion in May alone) and have led to a strong increase in its foreign-exchange reserves. They have also given rise to an equivalent increase in liquidity in circulation. The SNB was simply unable to continue to take this action.
- With the end of the interventions, the Swiss franc has been able to appreciate freely and has reached a high against the euro. It has risen by more than 7% against the single currency in the month of June.

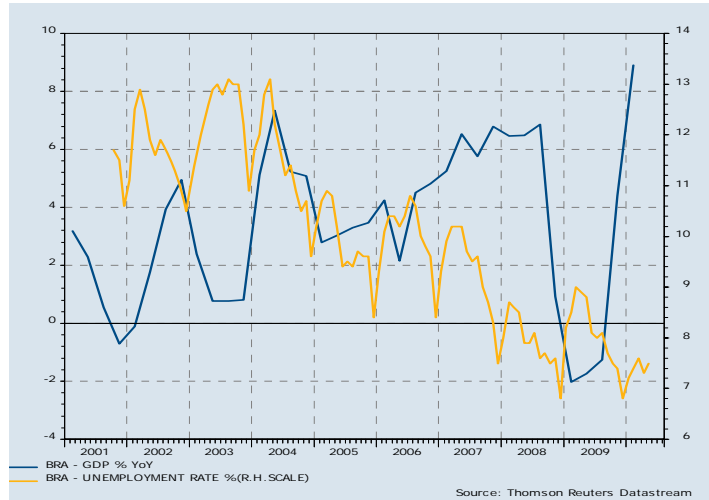
**SNB'S FOREX RESERVES (CHF BN) AND SWISS FRANC AGAINST EURO (CHF/EUR)**



## 8. Brazil – The samba to a Chinese rhythm

- The Brazilian economy posted very brisk growth during the first quarter of 2010. GDP rose by 11.4% at an annualized rate and is 9% up over one year, a performance that had not been achieved since 1995.
- While this dynamism is evocative of China's breakneck pace, in Brazil it is based mainly on the strength of domestic demand. The drop in unemployment and rising incomes are driving consumption, so much so that they are causing inflationary tensions to appear.
- The Central Bank of Brazil has in fact already raised its key interest rates twice and is likely to continue to do so in the coming months in order to prevent the economy from overheating.

**GDP GROWTH YEAR-ON-YEAR AND UNEMPLOYMENT RATE**



## 9. China – The yuan resumes its gradual appreciation trend

- The Chinese authorities have announced their intention to re-introduce a measure of flexibility in setting the yuan's exchange rate. This announcement - made a few days before the G20 meeting was held - has enabled China to escape criticism from the international community.
- It involves a return to supervised floating of the currency (a maximum of  $\pm 0.5\%$  per day against the dollar) which had allowed the yuan to appreciate by 17% between 2005 and 2008. This movement had been suspended with the outbreak of the financial crisis
- Although the yuan's appreciation is an important factor for the rebalancing of the global economy, it will only resume at a very gradual rate, in order not to destabilize the exporting sectors.

**YUAN AGAINST DOLLAR (USD/CNY, INVERTED SCALE)**



## 10. Bond interest rates – The divergences in the euro zone widen

- After a lull in May, interest rates have again seen divergent trends in the euro zone in June.
- The worries about the sustainability of Spanish debt, fuelled by rumours that the country might resort to the credit facility put in place by the European Union, have caused yields to rise again on the bonds of the euro zone's "bad pupils" (Spain, Portugal, Ireland, Greece).
- In the meantime the flight-to-quality movement continued to take German interest rates to new lows. Fears of seeing France lose its AAA rating caused a slight increase in bond interest rates for the euro zone's second-largest economy.

**10-YEAR GOVT. BOND RATES SINCE THE BEGINNING OF 2010**

