



LA LETTRE DU 211

Editorial - "Gimme, Gimme, Gimme a [vaccine] after midnight/Take me through the darkness to the break of the day"

Spring coincides, in the US, with the start of the baseball season. Each team will play 162 regular season games until the beginning of October, which is almost one game per day. This large number of games, and the sport's nature (a multitude of identical actions), have allowed the development of statistics which are now at the heart of the analysis of the 'America's favourite pastime'. In such a way that today, a quantitative analysis of baseball exists, similar to econometrics: the Moneyball movie (written by the great Aaron Sorkin) illustrates this phenomenon perfectly. Doesn't the law of large numbers say that, on average, we tend towards the expected value? And yet, under the blazing sun (you never play when it rains) and a cheering crowd, a mediocre player could hit a home run that gives his team the title: the tail of distribution won out over the gaussian law, and made Shakespeare write that 'Life (...): it is a tale/Told by an idiot, full of sound and fury/signifying nothing'. At least, in economics, we have data when it rains, because as Charlie Brown says: 'A little rain never hurt anybody !'. Whereas possible inflation....

Macro news

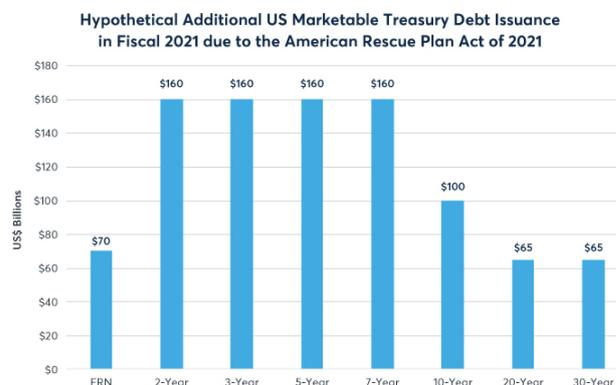
American Rescue Plan: spending and funding

Biden's stimulus package, which will inject \$1.9tn in the economy, was approved in March. Approximately \$1.2tn will come in 2021 and \$400bn in 2022. The package has different types of spending and not all proceed at the same pace : direct payment, unemployment benefits, support programs for restaurants and airlines will occur in 2021, while small business programs, pensions assistance or child-care for workers will occur over a 10 year period.

On the fiscal side, according to the Congressional Budget Office's, spending will remain above the historical average, while revenues will follow the long-term trend. As a result, the public deficit will remain above -3.5% for the coming years and is expected to reach -5.2% in 2030.

On the debt side, this plan adds \$1.2tn to the funding requirement for fiscal year 2021 (which ends in September). The Federal Reserve will continue to increase its holdings of U.S. Treasury bonds by at least \$80bn per month, that is to say \$480bn by April to September. This is nearly the half of the additional new funding required by the plan in 2021.

According to CME group, there could be an additional \$200bn of 10y, 20y and 30y debt issuance before the fiscal year ends in September 2021.



Source: CME group

Markets news

Europe: it's time to shine

During the early hours of the Asian session on Monday 26th of April, the euro hit a two-month high against the dollar at 1.2117 before stabilizing at around 1.2075 during the day. Indeed, the euro was heavily bought after the release of the Eurozone's PMI indices on Friday 23rd. The eurozone services PMI for April rose above 50 to 50.30. The French and German services PMIs also rose above 50 for the first time since August 2020. The gain of the EUR/USD also comes from, to a lesser extent, a decline of the dollar, whose index fell below its technical support at 90.824 on Monday, mainly because investors no longer fear a return of inflation which is pushing US rates down.

The optimism in the Eurozone should still be measured, as although the indicators are encouraging, the region is not yet out of the pandemic. Nevertheless, most European countries are beginning to lift health restrictions and the pace of vaccination is accelerating, meaning that the last barriers to recovery should only be short-term. If the first quarter of the year was the US ones, it looks like the second will be Europe's.

News from Mario

'Metti un po' di musica leggera/ Anzi leggerissima/ Parole senza mistero, allegre, ma non troppo'

While a country known for its cheeses flips a coin to make a decision on its health policy, there is one country that deserves a look: Italy, and for three reasons.

Firstly, for its European turnaround: while the general election brought euro-sceptic politicians to govern, a unanimous movement gives the crown to the saviour of Europe, to a government whose inaugural speech dared to say that 'without Europe, there is less Italy [because] there isn't sovereignty in solitude'. Secondly, for its €248bn recovery plan financed in large part by the Next Generation EU scheme: this plan, which will focus, among others things, on infrastructure, gender equality, education or environment, will be closely scrutinized to see if it's a good response both from a cyclical (COVID-19) and structural point of view (inequality between the north and the south of Italy for instance) or to know whether if the European NEXT Gen mechanism is well designed. last but not least, for its legislative power: isn't that what democracy is all about? In our arrogance and lack of culture, we like to criticise parliamentarianism for its passions and instability, forgetting that it allows transparency, debate, contradiction, legitimacy and many other qualities whose counterpart, instability, is only an acceptable cost. Meanwhile, the French parliament is dying, discredited and stifled by a stifling regime but that's okay: we're just waiting for the Sun King's (what shall i say? Jupiter) play to throw its coin, and the parliament will applaud.

Corporate news

The circle has been closed

Eleven years after the merger of Crédit Agricole Asset Management (AM) and Société Générale AM, which created Europe's number one asset manager Amundi, the latter is acquiring Lyxor, the asset management subsidiary that Société Générale had previously kept in its fold. The bank has entered into exclusive negotiations with Amundi, a subsidiary of Crédit Agricole, and the deal is expected to be completed in February 2022.

Amundi, whose assets under management reached €1,700bn by the end of 2020, is prepared to pay €825m to acquire €124bn of Lyxor's assets, and in particular its passive management business. A pioneer in the European market, Lyxor AM would bring €77bn of assets under management in exchange-traded funds (ETF), in addition to the €65bn already managed by Amundi.

This would make Amundi the second largest ETF provider in Europe, with a 14% market share. This is three times less than the world leader BlackRock and its iShares business, but it should increase over time thanks to the scale effects generated by this operation.

Missing Alert

In th sam tim: Scotland Yard lads th invstigation on th missing "e"

Standard Lif, a lif assuranc company, dcidd to chang nam to Abrdn. Why? Apparntly, according to a quot from th FT, it's 'modrn, agil, digitally nabl [good luck to find this on] brand'. Our thory: a tribut to Gorgs Prc and its book, La Disparition (A void in nglish). Franc doesn't xport oil, but it xports its brightst idas.

Press review

 (clickable link)

On Economists

- [Larry Summers interview](#), M. Wolf (FT): Too much?
- [Esther Duflo interview](#), D.Clement (Minneapolis FED): RCT.
- [Robert Boyer interview](#), J-P.Gaudillière (Mouvements): CAPITALISM.
- [The Gatekeeper](#), A.Tooze (London Review of Books): Krugman's conversion.
- [Janet Yellen and Mario Draghi have one last job](#), A.Tooze (FP): Mario, my king.
- [The Mundell Difference](#), P.Krugman (Vox): A tribute.

On France

- [Extract of Tocqueville Speech](#): French politicians used to say smart things before.
- [Des classes prépas et des grandes écoles toujours aussi fermées](#), Obs. des inégalités: L'amour de l'égalité...
- [La carte d'identité numérique ou le retour de la centralisation numérique à la française](#), R.Sfadj (Télos): ... et l'amour de la centralisation.
- [Pourquoi la France s'appauvrit-elle relativement aux USA et Allemagne ?](#), Fipaddict: Do they have a president with a degree in epidemiology?

On Other stuff

- [\[Untitled Poem\]](#), Unknown author, 1934 (St-Louis FED): The economist is an artist who doesn't know it.
- [The Unhappy King of Snooker](#), S. Knight (New Yorker): Snooker.
- [The Unlikely Rise of the French Tacos](#), L. Collins (New Yorker): French gastronomy.

Our viewings & readings:

- B.Tavernier: an exceptional filmography, and more specifically Un dimanche à la Campagne and La Vie et rien d'autre, which remind us that sometimes, some artwork can reach the splendour of the sun.
- Armance (Stendhal): There are people, hundreds of novels, hundreds films and nothing good, and there is Stendhal: 3 novels and his first novel is a masterpiece. Thanks, good-bye, oh I almost forgot : you're not a monster, Octave.