

Paris, April 14, 2015

Negative rates? Let's be positive!

Natixis Cross-Expertise Research is publishing today a study on negative yields, which have become a norm on the European sovereign bond markets.

The central scenario in the study is a long-lasting low interest rate environment. It rules out any slowdown in QE until September 2016 and the Taylor rule suggests that the first 25bp rate hike will not come until Q4 17. Therefore, this situation is set to last where the euro zone is concerned.

After identifying the underlying reasons for the phenomenon, including primarily a deliberate policy on the part of central banks, the study analyses the effects of such a situation on the sovereign bond market and the expectations in terms of liquidity.

The study sets out the banking business models to be favored in this environment, i.e. those whose net banking income shows the greatest potential in terms of fees as well as the banks to be selected by investors. Analyzed also are the complex and numerous repercussions on the on the real economy and the banking sector as well as the consequences for investment.

Finally, the study examines the impacts for credit of such a negative-rate context in view of the regulatory requirements (LCR, TLAC). Negative yields are an incentive for banks to continue to deleverage, which results in a decrease in the banks' financing needs and a strengthening of leverage ratios, and eventually in a reduction in the banks' spreads and an AT1 / Tier 2 / senior compression.

The study concludes by putting into perspective the challenges for asset allocation posed by negative yields, and in particular a revision of the risk profile of so-called "safe" bonds

Research available on <http://research.natixis.com>, a unique access portal dedicated to cross-expertise research, and upon request.

The cross-expertise research offers Natixis' clients cross-expertise, based on cross-analyses and targeted thematic issues, enabling them to take full advantage of investment recommendations on the equity, credit, rates & forex and commodity markets

About Natixis

Natixis is the corporate, investment, insurance and financial services arm of Groupe BPCE, the 2nd-largest banking group in France with 36 million clients spread over two retail banking networks, Banque Populaire and Caisse d'Epargne.

With more than 16,000 employees, Natixis has a number of areas of expertise that are organized into three main business lines: Corporate & Investment Banking, Investment Solutions & Insurance, and Specialized Financial Services.

A global player, Natixis has its own client base of companies, financial institutions and institutional investors as well as the client base of individuals, professionals and small and medium-size businesses of Groupe BPCE's banking networks.

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