

German bond yields also dropped for most of the year, taking advantage of rising aversion to risk in the wake of the European debt crisis. The yield for ten-year German bonds came to a low for the year of 2.11% on 31 August (compared to more than 3.30% at the beginning of January), before rising to close for the year at 2.96%, boosted by the overall climate of optimism reigning at the end of the year.

Trend in yield rate over the **first half of 2011** went through two different periods. In effect, the upward trend in 10-year bond rates in the main developed economies was pursued in the first quarter of 2011 in the wake of an increase in inflationary anticipations. In the second quarter of the same year, bond yield regressed following weak recovery and anticipated pursuit of accommodating monetary policies in the wake of worries with respect to sovereign debt in the USA and in the Euro Zone countries. US and German yields closed for the first half of 2011 at 3.16% and 3% respectively.

SECTION 3 - INTERNATIONAL FOREIGN EXCHANGE AND GOLD MARKETS

International foreign exchange markets in 2010 were marked by considerable depreciation of the euro against the US dollar, due mainly to escalation of the sovereign debt crisis in the euro zone. This drop was however curbed by adoption of a wide-ranging European bail-out plan and new quantitative easing plan in the United States.

The USD continued to climb against the euro until the beginning of June, on the strength of better growth prospects in the United States as well as uncertainty about growth in the euro zone as financial conditions deteriorated in peripheral countries of the euro zone facing a debt crisis. A record high of \$1.1875 to the euro was posted on 7 June 2011, vs. \$1.4285 at the beginning of the year.

However a series of disappointing economic indicators were published in the United States, casting doubt on the sustainability of US recovery, causing a reversal of the US dollar's upward trend. The euro also profited from sound economic performance in Germany and less concern about financing issues in certain euro zone countries. This change in the attitude of investors was due in particular to release on 23 July of globally positive results for the «stress tests» to which the European Union and Switzerland subjected their banks, along with successful mobilisation of funds by a number of peripheral countries of the euro zone on the international market.

The dollar then took off on a virtually continuous downward spiral starting in June, which closed for the year at \$1.3377 to the euro.

Against the yen, the dollar depreciated by more than 12% for the year, going from 92.90 to 81.50. Japan's currency regained its status as a safe investment in a climate marked by growing fears about the debt crisis in certain euro zone countries. The risk of slowing world growth was also favourable to the yen.

Over the first half of 2011, deterioration of growth outlook in the United States, with disclosure of deceiving US economic indicators and soaring oil prices in the wake of intensified political pressure in North Africa and the Middle East, maintained pressure on the dollar which pursued its downward trend against the euro, reaching its lowest level for 17 months (1.4939) on 4 May. Concurrently, the euro took advantage from anticipations that came to guarantee an imminent return to normal conditions with respect to ECB monetary policy. The single currency enjoyed also relatively less worries about spreading of the debt crisis in certain countries of the Euro Zone to the rest of the region. EUR/USD parity closed for the first half-year period at 1.4522.

Over the first six months of the year, the dollar oscillated within a wide range against the yen (between 76.99 and 85.54). The disastrous earthquake of 11 March in Japan, then tsunami and the ensuing nuclear crisis increased volatility of the Japanese currency which closed for the first quarter at 80.52 yens to the dollar.

Gold prices rose in 2010 for the tenth straight year, posting the highest growth rate for any category of assets and most raw materials. After opening for the year at \$1096.25 per ounce, prices seesawed throughout the first quarter of 2010 between \$1040 and \$1160 per ounce, encountering difficulty to reach the record level of \$1200 per ounce posted on 3 December 2009, mainly due to strengthening of the US dollar over this same period.

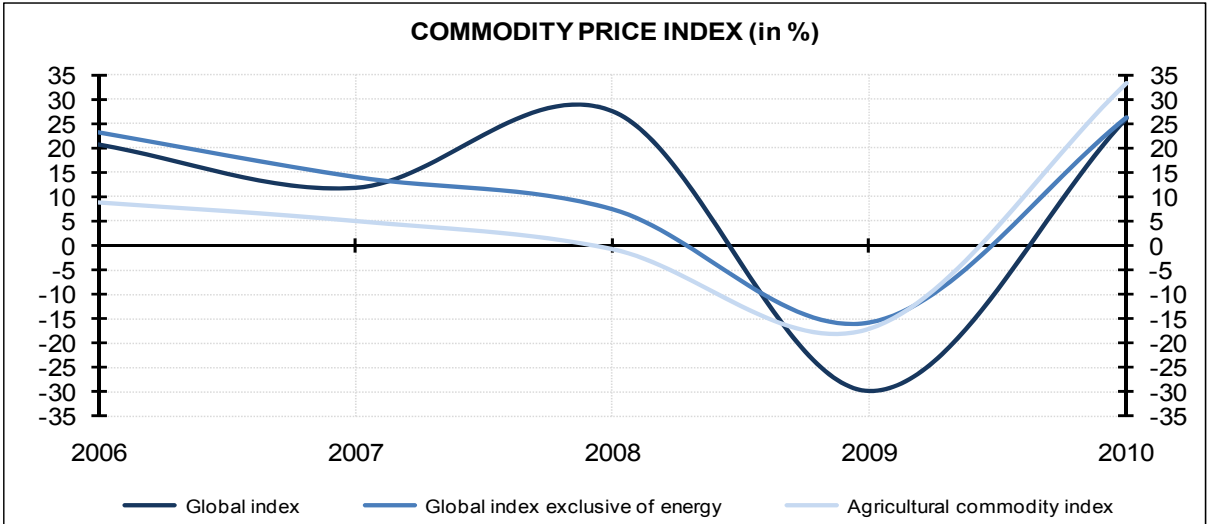
Starting in the second quarter, gold regained its status as a safe haven, boosted by renewed fears fuelled by the risks weighing on the world economic recovery on the one hand and the growing sovereign debt crisis in the euro zone on the other. The price of gold hit \$1430.95 on 7 December 2010, favoured by a new wave of weakness for the US dollar, a renewed concern about the European debt crisis, and new fears about inflation, especially after announcement of the second quantitative easing programme (QE2) adopted by the Federal Reserve. Gold closed for the year at \$1419.95 per ounce, an increase of 29.5% for the year as a whole.

In 2011, Gold the safe heaven par excellence, continued to progress going even beyond the symbolic bar of \$1500 per ounce in a context of world economic uncertainties. Gold closed for the first half-year period at \$1499.60 the ounce (its historical peak was recorded on 11 August : \$ 1813.79 per ounce).

SECTION 4 - COMMODITY PRICES

World commodity prices in 2010 continued on the upward trend that began in the second half of 2009, as economic activity picked up in industrialised countries and international demand rose, especially in emerging countries. The overall price index for these products (expressed in dollars), as established by the International Monetary Fund (IMF), went up by 26.1%, after dropping by almost 30% in 2009.

The most striking increases involved **base metals** (48%), largely due to worldwide economic recovery, and **agricultural raw materials** (some 33%), following the adverse weather that affected certain harvests in the main exporting countries. Similarly, prices for **energy products** rose considerably (by almost 26%), affected by rising international demand (especially in the second half of the year) and by depreciation of the US dollar. **If energy is excluded**, the increase in commodity prices comes to 26.3% on average, after a drop of 15.8% in 2009. This was to the advantage of exporting countries, but it caused deterioration of the trade balance in net importing countries.



Source : IMF International Financial Statistics