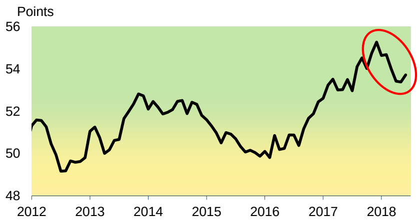
Macro Research
Economic Forecasts

July / August 2018

Concerns over the economy and global trade

For market participants and observers the economy and capital markets have responded surprisingly well in recent years to threatening political developments on the global stage. Ranging from the initially very moderate economic impact of the Brexit decision to Trump's aggressive rhetoric during his election campaign and thereafter, economic developments and, with very few short-lived exceptions, the capital markets have suffered very little negative impact. However, in recent weeks doubts have arisen with respect to this assessment. Following the disappointing European economic data for the first quarter, the middle of the year did not look much better. Moreover, doubts have also arisen over the sustainability of the current upswing. On equity markets this was reflected in the fact that prices fell well below the 200-day line (GD200).

World: Purchasing Managers' Index



Source: DekaBank.

International political quarrels provide the backdrop to these economic developments. Several waves of threats and counter-threats of trade sanctions between the USA, China and the EU have dampened market sentiment, although, with the exception of two small rounds of tariffs, very little has in fact happened. In Europe the political climate has been poisoned by disputes over the continuing stream of migrants. This has had a negative impact on both relations between European states and on the political situation within individual countries. Even Germany has been brought to the brink of a political crisis.

The logical conclusion to be drawn is that the political upheavals of our time cannot be without consequences for both the economy and the financial markets. However, we regard these consequences as long-term developments, such as somewhat lower global economic growth in coming years due to continuing inroads on international trade. However, to conclude that the current upswing is doomed to come to an end would be going too far. Economic development in the USA, in Asia and not least in Europe has been too strong.

Domestic growth in Germany remains at around 2 % and global economic growth has also remained stable. In the absence of a substantial shock, such as a Euro crisis 2.0, economic prospects should improve in the months to come. This should lighten up sentiment on the equity markets whilst leading to greater awareness of rising interest rates on bond markets.

Bitte nicht löschen!

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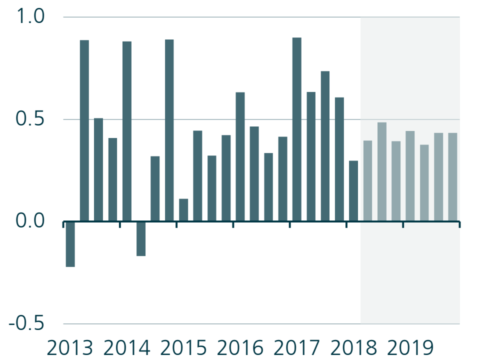
Economy: Industrial countries

Germany: GDP (% qoq, sa)



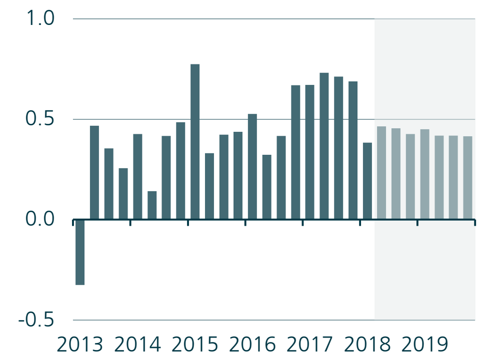
Sources: Destatis, forecast DekaBank

Germany

The long wait for good economic data has finally come to an end. Most of the „hard" May indicators surprised to the upside. Poor data for retail sales were followed by strong data for industrial orders, output and foreign trade. The slump in output we had expected due to the unusually large number of public holidays and long weekends failed to materialise. The need to catch up after the weak first quarter appears to have been too strong. All in all, estimates put second-quarter GDP growth at a very satisfactory 0.5 % in comparison with the previous quarter.

Forecast revision: GDP growth 2018: 1.9 % (previously 2.1 %).

Eurozone: GDP (% qoq, sa)



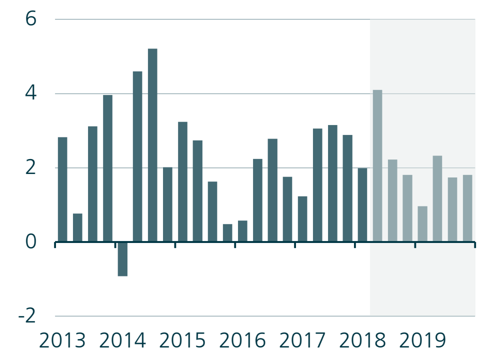
Sources: Eurostat, forecast DekaBank

Eurozone

Unwelcome surprises provided by economic indicators have become fewer. Nevertheless, they point to slower progress than was achieved last year. Disappointing retail sales in May can be attributed largely to German weakness. The Economic Sentiment Indicator and the purchasing managers' index for the manufacturing sector have slumped again, but on the other hand the purchasing managers' index for the service sector has risen substantially. Were the former two indicators to fall further, correction of the unreasonably high sentiment levels would continue. This would be more a normalisation rather than a threatening development. However, the risks for future economic developments have increased. The trade conflict has escalated and Italy's budget plans for 2019 could become a significant risk.

Forecast revision: –.

USA: GDP (% qoq, ann., sa)



Sources: Bureau of Economic Analysis, forecast DekaBank

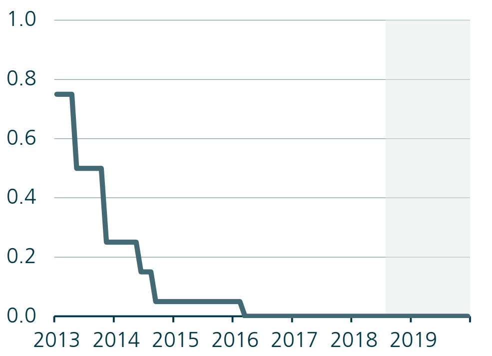
USA

The latest economic data for the second quarter point to unusually strong GDP growth. However, this can be attributed only in part to the tax reform that has been in force since the beginning of the year. Whilst consumption has picked up, this can hardly be regarded as an unusually strong development. This also holds for corporate investment. Stronger economic growth has been driven in particular by foreign trade. Imports have been noticeably weak, whilst at the same time exports have increased substantially in the first two months of the quarter. Moreover, monthly inventory data show there has been stronger investment in inventory. All in all, therefore, we would refute the suggestion that economic growth is basically stronger. The most important measures of inflation remain within the Fed's target.

Forecast revision: –.

Markets: Industrial countries

ECB: Repo Rate (% p.a.)



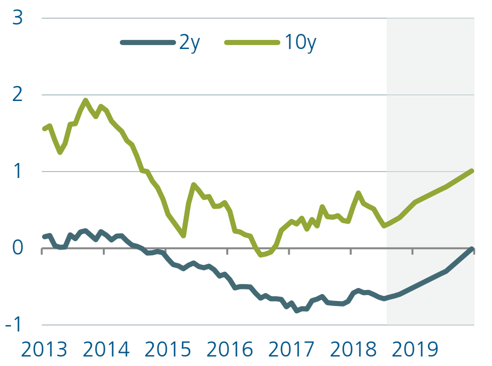
Sources: European Central Bank, forecast DekaBank

The European Central Bank / Money market

Together with a declaration that it intends to close its asset-purchase programme at the end of the year, the ECB also announced that it will not raise key rates until the summer of 2019. We find this plausible and continue to expect the deposit rate to be raised in September 2019. On financial markets, on the other hand, a even slower tightening of monetary policy is expected in the years to come. The backdrop for this is presumably the fear that an escalation of the trade war with the US could have a substantial economic impact on the Eurozone. However, we expect a continuation of dampened economic growth rather than an economic collapse. With time, therefore, there will be a stronger upsurge of prices, which will allow the ECB to gradually push ahead with the withdrawal from its current monetary policy. A stabilisation of economic data in the weeks to come should therefore be reflected in steeper money market curves.

Forecast revision: –.

German Bond Yield (% p.a.)



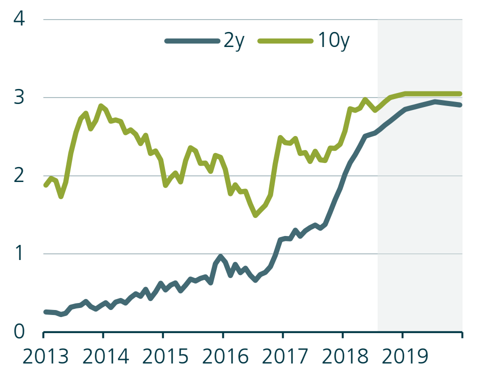
Sources: Bloomberg, forecast DekaBank

Eurozone bond market

Market players have lowered their expectations with respect to future key-rate hikes by the ECB, which has been reflected in lower Bund yields. This can be attributed on the one hand to comments made by the ECB and, on the other, to concerns over the economy, including the consequences of US trade policy. However, we assume that GDP growth will continue at a somewhat slower pace and that prices will continue to rise. Rising inflation expectations and diminishing risk aversion should therefore raise the long end of the Bund curve. Moreover, market players will probably increasingly price in the first key rate hike for the end of 2019, which will lead to higher yields, especially in the case of medium-term maturities.

Forecast revision: Slower rise of Bund yields of all maturities.

US Bond Yield (% p.a.)



Sources: Bloomberg, forecast DekaBank

US bond market

Since the beginning of the year it has been an open question whether the Fed will raise the key-rate interval three or four times this year. As expected, at its meeting in June the second key-rate rise this year to 1.75 - 2.00 % was announced. Within the FOMC there is currently only a paper-thin majority in favour of the four-step scenario. Current strong economic development and achievement of the inflation target are both factors that support this approach. At the same time, however, the trade dispute with the USA could well escalate further in the second half of the year. Moreover, the interest-rate curve for US government bonds has flattened in recent weeks, so that we now tend to favour a short rate-hike pause in the second half of the year.

Forecast revision: Shifting of next interest-rate hike by the Fed from December 2018 to September 2018.

Markets: Industrial countries

Equity Market Forecast

	Current Jul 6, 18	in 3 months	in 6 months	in 12 months
DAX	**12 496.17**	**12 900**	**13 500**	**13 500**
Reporting:				
EuroStoxx50	3 448.49	3 500	3 600	3 600
S&P 500	2 759.82	2 650	2 800	2 700
Topix	1 691.54	1 700	1 750	1 750

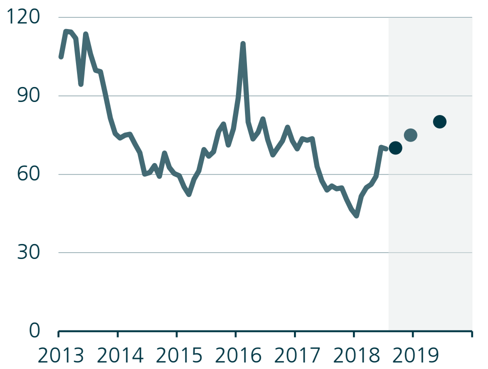
Sources: Deutsche Börse AG, forecast DekaBank

Equity market: Germany

The price slumps on the German equity market in June can be attributed on the one hand to some surprisingly weak economic data. On the other hand, market sentiment has been dampened by political disputes in Germany, as well as by the smouldering trade conflict with the USA, which now constitutes an ever-growing threat to German automobile manufacturers. Should there be no further escalation with respect to these two issues, which we assume in our base scenario, the market should stage a recovery. The corporate profit outlook has remained stable despite trade disputes and some individual profit warnings, and equity market valuation has diminished appreciably. Fundamental conditions on the market favour a consolidation of market prices, which will be accompanied by a high level of volatility, but in the end will result in a modest recovery of equity values.

Forecast revision: –.

iTraxx Europe (Bp)

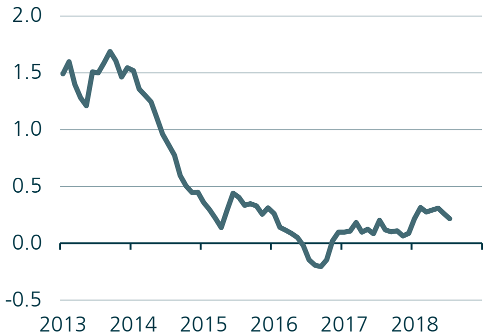


Sources: International Index Company, forecast DekaBank

Corporate bond market: Eurozone

The escalation in the trade conflict has also enhanced tension on the credit markets. Attention has been focused in particular on the automobile sector, as here the negative impact on exports is most evident. German manufacturers are affected on several fronts, as they are not only threatened by tariffs against the EU, but as major exporters from the US they will also suffer the impact of Chinese countermeasures. Moreover, US tariffs on steel and aluminium have increased the local costs of production. Italian companies, and in particular financial institutions, are coming under further pressure due to the new Europe-critical government. As a result, the development of the iTraxx sub-index for financial securities has noticeably underperformed the overall index in recent weeks.

Covered Bonds 5y (% p.a.)



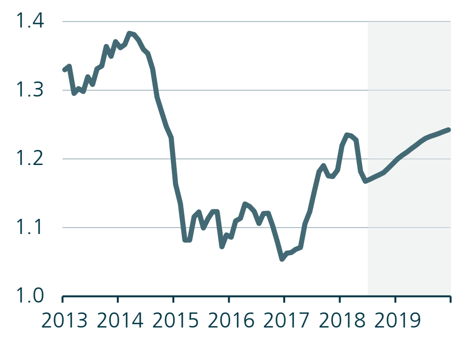
Source: Bloomberg

Covered Bonds

The first shock over the Europe-critical government in Italy has now diminished somewhat, the more so as recent signals from Rome rather suggest a pragmatic budget and Europe policy. Nevertheless, the risk premiums for Italian government and bank bonds have remained at a very high level. Italian covered bonds that enjoy a much better rating than their home country have suffered a much less negative development than government bonds. Nevertheless, the widening of spreads against covered bonds from the Eurozone core has been substantial. The yields of German mortgage bonds have fallen again substantially in recent weeks, but could not follow the strong development of Bunds, which has also been reflected in the widening of Bund swap spreads. In view of the approaching end of the ECB's asset-purchase programme the general interest-rate level should rise somewhat and the spreads of mortgage bonds and covered bonds should widen slightly.

Markets: Industrial countries

Exchange Rate EUR-USD



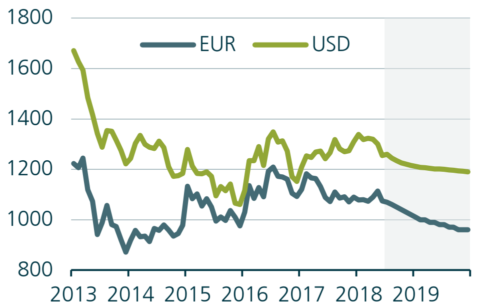
Sources: European Central Bank, forecast DekaBank

Currency market: EUR-USD

After only a few days the Euro seemed to have recovered already from the Italian shock at the end of May and the EUR-USD exchange rate rose from 1.15 EUR-USD to 1.18 EUR-USD. However, key-rate decisions taken by the Fed and the ECB in June sent the Euro sliding again towards 1.15 EUR-USD. As expected, the Fed raised key rates by 25 basis points to 1.75 %-2.00 %. At the same time it raised the prospect of two further rate hikes in the current year. The ECB, on the other hand, declared its intention to leave key rates on hold for some time at 0.00 % (main refinancing rate) and -0.40 % (deposit rate). The interest-rate differential between US government bonds and German Bunds returned to the level it had reached in the wake of the Italian shock, which brought the Euro under pressure again.

Forecast revision: –.

Gold price (per troy ounce)



Per-formance	from / to	30.06.12 / 30.06.13	30.06.13 / 30.06.14	30.06.14 / 30.06.15	30.06.15 / 30.06.16	30.06.16 / 30.06.17	30.06.17 / 30.06.18
Gold in Euro		-25.80%	2.63%	8.80%	13.51%	-8.73%	-1.30%
Gold in USD		-23.72%	8.03%	-11.36%	12.70%	-5.93%	0.98%

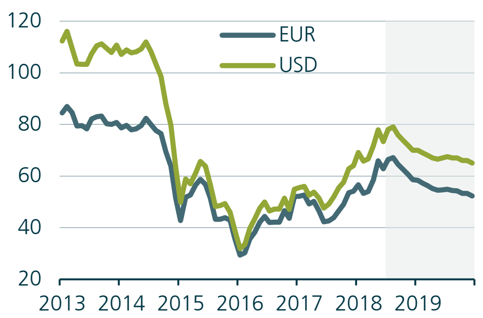
Sources: Bloomberg, forecast DekaBank

Gold

Although the global economy is currently confronted with a multitude of risks, there has been no significant increase in the demand for gold. The US withdrawal from the Iranian nuclear treaty, the escalation by President Trump of trade disputes with his western allies, and the latest political developments in Italy are together grounds enough to justify a flight into „safe havens“. The fact that despite the prevailing uncertainty gold slumped to a 6-month low of USD 1.242 can be attributed to the growing certainty that the Fed's cycle of key-rate hikes is proceeding according to plan. As long as there is no dramatic increase in prevailing risks, the interest-rate effect will probably outweigh other factors, so that our forecast is for a continued slight downward movement of the gold price.

Forecast revision: –.

Crude Oil Brent (per barrel)



Performance	from / to	30.06.12 / 30.06.13	30.06.13 / 30.06.14	30.06.14 / 30.06.15	30.06.15 / 30.06.16	30.06.16 / 30.06.17	30.06.17 / 30.06.18
Brent in Euro		1.61%	4.48%	-30.53%	-21.31%	-6.42%	62.03%
Brent in USD		4.46%	9.98%	-43.41%	-21.87%	-3.54%	65.78%

Sources: Bloomberg, forecast DekaBank

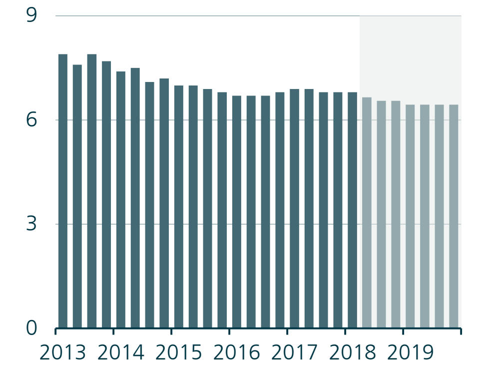
Crude oil

The oil price has risen appreciably again in recent weeks. At the end of June OPEC and Russia agreed to raise their output. This was aimed to compensate for production shortfalls, especially in Venezuela. However, in view of the USA's withdrawal from the Iranian nuclear treaty it is doubtful whether this will suffice. Should the USA's demands for a comprehensive embargo on Iran prove successful, Saudi-Arabia's free capacities would hardly suffice to compensate for the shortfall. Against a backdrop of current political problems in Libya and the short-term failure of a Canadian oil sand production plant in Alberta the market is likely to be impacted by fears of scarcity.

Forecast revision: Upward revision of the oil price, especially for 2018.

Emerging Markets

China: GDP (% yoy)



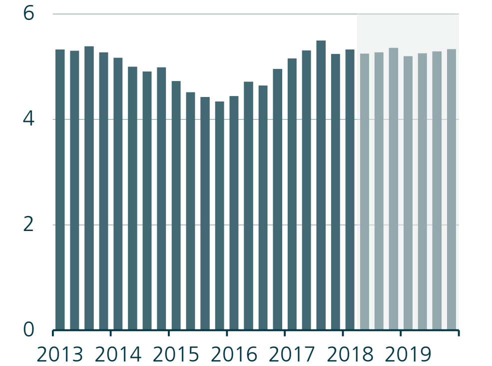
Sources: National Statistics, forecast DekaBank

China

The trade dispute with the USA is threatening to escalate further after China's decision to respond to US punitive tariffs with tariffs on imports from the USA. The uncertainty resulting from the conflict has had a negative impact on the development of the Chinese equity market, which has lost 20 % of its value since the end of January. The renminbi had also come under pressure until the Chinese central bank allayed investors' fears, for the time being at least. We believe the renminbi is unlikely to be used as an instrument in the trade war and by the end of the year we expect a largely stable development against the US dollar. All in all, the purchasing managers' indices were stable in June. This appears to indicate that the modest economic cooling in the last few months is not going to develop into a sharp downswing.

Forecast revision: –.

Emerging Markets: GDP (% yoy)



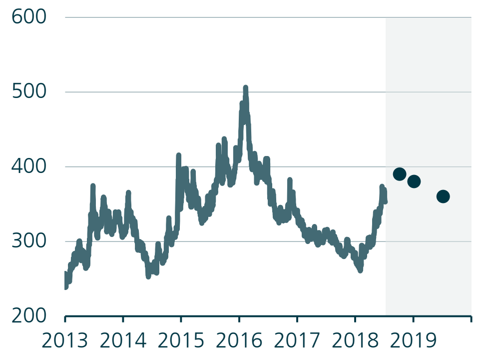
Sources: National Statistics, forecast DekaBank

Emerging Markets: Economy

The escalation of the trade war between the USA on one side and China and the EU on the other has had a negative impact on financial markets, but corporate sentiment has not been severely affected so far. In Asia the purchasing managers' indices had risen slightly to a solid level in June. After Erdogan's election victory the political situation in Turkey remains difficult, as the necessary economic policy measures will presumably not be implemented. As expected, in Mexico left-wing Lopez Obrador won the presidential election, which will not make NAFTA negotiations any easier. With respect to inflation Turkey and Argentina remain the problem children, whereas in most other emerging-market countries inflation targets are not in danger. In some countries, however, weaker currencies have led to a monetary policy reaction.

Forecast revision: –.

EMBIG Diversified-Spread (Bp)



Sources: Bloomberg, forecast DekaBank

Emerging Markets: Markets

In recent weeks EM investments registered further losses. The most important negative factor has been widespread concern over an escalation of the trade war. An additional factor has been the fear that rising US interest rates could lead to a long-lasting flow of capital out of emerging countries into the USA. The weakness of the Chinese equity market and the depreciation of the renminbi have raised fresh fears about the state of the largest EM economy. Moreover, there are continuing economic problems in important countries such as Turkey, Russia, South Africa and Brazil. We are confident that the global economy, driven by the most important region, Asia, will maintain a solid rate of growth, but it could be a few months before fears on the market begin to diminish. In the past phases of capital outflows have proved to be relatively short-lived, as attractive valuations have always triggered fresh inflows of capital into EM countries. From a tactical standpoint, however, it seems to be too early to wager on recovery.

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Economic Forecasts

July / August 2018

Global economic developments

Country / Country Group	GDP-Weights[1]	GDP			Consumer Prices[2]			Current Account			General Government Balance[3]		
		percentage change on previous year						as a percentage of nominal GDP					
		2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Germany	3.3	2.2	1.9	1.7	1.7	1.8	1.9	8.0	7.9	7.5	1.2	1.0	0.8
France	2.2	2.3	1.9	1.6	1.2	2.0	1.6	-3.0	-2.9	-2.7	-2.6	-2.3	-2.8
Italy	1.8	1.6	1.2	1.1	1.3	1.2	1.6	2.8	2.6	2.6	-2.3	-1.7	-1.7
Spain	1.4	3.1	2.8	2.2	2.0	1.8	1.8	1.8	1.5	1.6	-3.1	-2.6	-1.9
Netherlands	0.7	3.3	2.5	2.1	1.3	1.6	1.7	10.1	9.8	9.5	1.1	0.7	0.9
Belgium	0.4	1.7	1.5	1.5	2.2	2.1	2.0	0.6	0.5	0.6	-1.0	-1.1	-1.3
Eurozone	**11.6**	**2.4**	**2.2**	**1.7**	**1.5**	**1.7**	**1.7**	**3.5**	**3.3**	**3.2**	**-0.9**	**-0.8**	**-0.8**
United Kingdom	2.3	1.7	1.3	1.3	2.7	2.5	2.1	-4.1	-3.5	-3.0	-1.9	-1.9	-1.6
Sweden	0.4	2.5	2.6	2.0	1.9	1.9	1.9	4.0	4.1	4.4	1.3	0.8	0.9
Denmark	0.2	2.2	1.5	2.2	1.1	1.0	1.8	7.8	7.6	7.4	1.0	-0.1	0.0
EU-22	**14.5**	**2.3**	**2.1**	**1.7**	**1.7**	**1.8**	**1.8**	**2.4**	**2.3**	**2.3**	**-1.0**	**-0.9**	**-0.9**
Poland	0.9	4.7	4.2	3.3	2.0	1.8	1.9	0.3	-0.7	-0.9	-1.7	-1.4	-1.4
Hungary	0.3	4.6	3.2	2.6	2.5	2.0	1.9	0.9	0.7	0.2	1.6	1.4	0.8
Czech Republic	0.2	4.2	4.0	2.8	2.4	2.7	2.9	2.7	1.9	2.1	-2.0	-2.4	-2.1
EU-28	**16.5**	**2.7**	**2.3**	**1.9**	**1.7**	**1.9**	**1.9**	**2.1**	**2.0**	**1.9**	**-1.0**	**-0.9**	**-1.0**
USA	15.3	2.3	2.8	1.9	2.1	2.6	2.4	-2.4	-3.0	-3.0	-3.5	-5.5	-6.5
Japan	4.3	1.7	0.8	0.7	0.5	0.8	1.6	4.0	3.0	2.5	-4.2	-3.5	-3.0
Canada	1.4	3.0	2.0	1.6	1.6	2.3	2.3	-2.9	-3.5	-4.5	-1.1	-1.0	-1.5
Australia	1.0	2.2	2.9	2.5	1.9	1.9	1.6	-2.5	-2.0	-1.5	-1.5	-1.0	-1.0
Switzerland	0.4	1.1	2.2	1.8	0.5	0.9	1.0	8.5	9.7	10.1	0.4	0.6	0.6
Norway	0.3	2.0	2.4	2.2	1.9	2.3	1.8	5.2	4.9	5.0	4.4	4.9	4.9
Developed Countries[4]	**37.3**	**2.3**	**2.2**	**1.7**	**1.7**	**2.0**	**2.0**	**0.4**	**0.0**	**-0.1**	**-2.3**	**-3.0**	**-3.4**
Russia	3.2	1.5	1.5	1.8	3.7	2.6	4.2	2.2	3.7	3.3	-1.4	0.3	0.4
Turkey	1.7	7.4	5.3	4.3	11.1	13.7	11.1	-5.6	-6.6	-5.4	-1.5	-2.8	-3.1
Ukraine	0.3	2.5	2.6	2.8	14.4	11.5	8.7	-1.9	-4.4	-5.5	-1.5	-2.6	-2.5
Emerging Europe[5]	**7.5**	**3.9**	**3.2**	**2.8**	**5.5**	**5.7**	**5.6**	**-0.8**	**-0.5**	**-0.6**	**X**	**X**	**X**
South Africa	0.6	1.3	1.5	1.9	5.2	5.1	5.5	-2.5	-3.0	-3.1	-4.4	-3.5	-3.4
Middle East, Africa	**3.4**	**2.4**	**3.1**	**3.1**	**13.9**	**10.1**	**9.9**	**-0.1**	**0.3**	**0.1**	**X**	**X**	**X**
Brazil	2.6	1.0	2.0	2.6	3.4	3.4	4.3	-0.5	-1.7	-1.7	-8.0	-7.1	-5.6
Mexico	1.9	2.0	2.4	2.2	6.0	4.3	3.8	-1.7	-1.6	-1.8	-1.1	-2.3	-2.1
Argentina	0.7	2.9	1.6	2.3	26.5	28.3	18.2	-4.8	-4.9	-4.3	-6.0	-5.3	-4.7
Chile	0.4	1.4	2.9	3.0	2.2	2.4	3.0	-1.5	-1.1	-1.4	-2.8	-2.0	-1.6
Latin America	**7.1**	**1.1**	**1.5**	**2.3**	**6.6**	**6.1**	**5.3**	**-1.2**	**-1.7**	**-2.0**	**X**	**X**	**X**
China	18.2	6.9	6.6	6.4	1.5	2.0	2.3	1.3	0.7	0.7	-3.7	-3.5	-3.8
India	7.4	6.2	7.5	7.6	3.3	4.7	4.4	-1.5	-3.0	-2.4	-3.5	-3.6	-3.2
Indonesia	2.6	5.1	5.2	5.5	3.8	3.7	4.1	-1.7	-2.7	-2.5	-2.7	-2.5	-2.4
South Korea	1.6	3.1	2.9	3.1	1.9	1.4	2.0	5.1	5.2	5.4	1.4	0.9	0.8
Emerging Asia	**33.9**	**6.1**	**6.3**	**6.2**	**2.1**	**2.7**	**2.9**	**2.0**	**1.3**	**1.4**	**X**	**X**	**X**
Emerging Markets	**51.9**	**4.9**	**5.0**	**5.0**	**4.0**	**4.0**	**4.0**	**1.0**	**0.6**	**0.6**	**X**	**X**	**X**
Total[6]	**89.1**	**3.8**	**3.8**	**3.6**	**3.0**	**3.2**	**3.2**	**X**	**X**	**X**	**X**	**X**	**X**

1) Of 2016, recalculated with purchasing power parities. Source: IMF. - 2) Eurozone, United Kingdom, Sweden and Denmark = Harmonized Index of Consumer Prices. - 3) According to National Accounting Standards. - 4) Without Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania. - 5) Including the six member countries of the EU named before and Turkey. - 6) 66 national economies covered by DekaBank.

Interest rates in industrialised countries

		Current	Forecasts		
		Jul 9 2018	3 months	6 months	12 months
Germany	Monetary policy (Refi)	0.00	0.00	0.00	0.00
	3 months (EURIBOR)	-0.32	-0.32	-0.32	-0.25
	12 months (EURIBOR)	-0.18	-0.18	-0.15	0.00
	Bunds, 2 years	-0.65	-0.60	-0.50	-0.30
	Bunds, 5 years	-0.29	-0.15	0.00	0.20
	Bunds, 10 years	0.31	0.40	0.60	0.80
	Bunds, 30 years	1.02	1.10	1.25	1.40
USA	Monetary policy (FFR)	1.75-2.00	1.75-2.00	2.00-2.25	2.25-2.50
	3 months (LIBOR)	2.33	2.30	2.50	2.65
	12 months (LIBOR)	2.77	2.85	2.95	3.25
	US-Treasuries, 2 years	2.55	2.70	2.85	2.95
	US-Treasuries, 5 years	2.74	2.95	2.95	3.00
	US-Treasuries, 10 years	2.84	3.00	3.05	3.05
	US-Treasuries, 30 years	2.95	3.15	3.25	3.30
Japan	Monetary policy (Call)	-0.10	-0.10	-0.10	-0.10
	3 months (LIBOR)	-0.05	0.00	0.00	0.00
	12 months (LIBOR)	0.12	0.10	0.10	0.10
	JGBs, 2 years	-0.13	-0.15	-0.15	-0.15
	JGBs, 5 years	-0.11	-0.10	-0.10	-0.10
	JGBs, 10 years	0.04	0.05	0.10	0.20
	JGBs, 30 years	0.68	0.75	0.75	0.90
United Kingdom	Monetary policy (Base)	0.50	0.75	0.75	0.75
	3 months (LIBOR)	0.71	0.75	0.85	1.10
	12 months (LIBOR)	1.00	1.10	1.30	1.40
	Gilts, 2 years	0.77	0.80	0.90	1.20
	Gilts, 5 years	1.06	1.20	1.40	1.60
	Gilts, 10 years	1.30	1.50	1.60	1.80
	Gilts, 30 years	1.73	1.85	1.90	2.00
Sweden	Monetary policy (Repo)	-0.50	-0.50	-0.25	0.00
	3 months (STIB)	-0.35	-0.32	-0.20	0.20
	2 years	-0.52	-0.30	-0.20	0.10
	10 years	0.51	0.70	0.90	1.10
Denmark	Monetary policy (Repo)	0.05	0.05	0.05	0.05
	3 months (CIBOR)	-0.30	-0.27	-0.22	-0.15
	2 years	-0.56	-0.50	-0.35	-0.20
	10 years	0.33	0.40	0.60	0.85
Norway	Monetary policy (Deposit)	0.50	0.75	0.75	1.00
	3 months (NIBOR)	1.03	1.15	1.33	1.50
	3 years	0.80	1.00	1.20	1.50
	10 years	1.76	2.00	2.30	2.40
Switzerland	Monetary policy (LIBOR)	-1.25 to -0.25	-1.25 to -0.25	-1.25 to -0.25	-1.25 to -0.25
	3 months (LIBOR)	-0.73	-0.75	-0.75	-0.67
	2 years	-0.74	-0.65	-0.55	-0.25
	10 years	-0.08	0.10	0.30	0.50
Canada	Monetary policy (O/N)	1.25	1.75	2.00	2.25
	3 months (CBA)	1.84	2.00	2.10	2.45
	12 months (CBA)	2.17	2.25	2.45	2.90
	2 years	1.91	2.30	2.55	2.95
	5 years	2.05	2.45	2.60	2.85
	10 years	2.13	2.55	2.65	2.90
	30 years	2.17	2.50	2.60	2.80
Australia	Monetary policy (Cash)	1.50	1.50	1.50	1.75
	3 months (ABB)	2.06	1.95	1.95	2.05
	2 years	2.02	2.10	2.25	2.60
	10 years	2.61	2.80	2.95	3.25

Interest rates in EM countries

			Current	Forecasts		
			Jul 9 2018	3 months	6 months	12 months
Central- and Eastern Europe	Poland	Monetary policy (Repo)	1.50	1.50	1.50	1.50
		3 months (WIB)	1.60	1.60	1.70	1.80
		2 years	1.64	1.60	1.70	2.00
		10 years	3.20	3.30	3.30	3.50
	Czech Rep.	Monetary policy (Repo)	1.00	1.00	1.25	1.50
		3 months (PRIBOR)	1.17	1.20	1.50	1.70
		2 years	1.25	1.15	1.40	1.70
		10 years	2.19	2.20	2.30	2.40
	Hungary	Monetary policy (Deposit)	0.90	0.90	0.90	0.90
		3 months (BUBOR)	0.30	0.30	0.30	0.50
		3 years	1.91	1.90	2.00	2.10
		10 years	3.48	3.60	3.60	3.60
Latin America	Brazil	Monetary policy (Repo)	6.50	6.50	6.50	6.75
		3 months (ABG)	6.38	6.80	6.80	6.80
		2 years	8.75	8.35	8.25	8.20
		9 years	11.30	10.50	10.00	10.00
	Mexico	Monetary policy	7.75	7.75	7.50	6.50
		3 months (Mexibor)	7.87	7.50	7.30	6.60
		2 years	7.60	7.50	6.90	6.80
		10 years	7.70	7.60	7.50	7.00
Asia	China	Monetary policy	1.50	1.50	1.50	1.50
		3 months	3.68	4.00	3.90	3.80
		3 years	3.29	3.30	3.30	3.20
		10 years	3.53	3.40	3.40	3.30
	Singapore	Monetary policy	n.a.	n.a.	n.a.	n.a.
		3 months	1.63	1.50	1.60	1.70
		2 years	1.88	2.00	2.00	2.10
		10 years	2.41	2.50	2.50	2.60
	South Korea	Monetary policy	1.50	1.50	1.75	2.00
		3 months	1.58	1.50	1.80	2.10
		2 years	2.00	2.20	2.30	2.30
		10 years	2.56	2.70	2.80	2.90

Yield spreads in basis points[1)]

			Current	Forecasts		
			Jul 9 2018	3 months	6 months	12 months
Emerging Markets, EMBIG Div Spreads	Central- and Eastern Europe	Russia	206	220	220	210
		Turkey	401	445	435	410
		Hungary	141	155	150	145
	Africa	South Africa	311	340	330	315
	Latin America	Brazil	305	350	330	315
		Chile	141	155	150	140
		Columbia	182	205	200	190
		Mexico	272	300	290	280
	Asia	China	139	150	145	135
		Indonesia	218	235	230	220
		Philippines	133	145	140	130
	Total (EMBIG Div)		**353**	**390**	**380**	**360**

1) The yield spread is calculated as the market weighted sum of the spreads between the respective USD-bonds and the US-treasuries of corresponding maturity. The Emerging Markets Bond Index Global Div (EMBIG Div) is relevant.

Currencies

EURO		Current	Forecasts		
		Jul 9 2018	**3 months**	**6 months**	**12 months**
Dollar-Bloc	EUR-USD	1.18	1.18	1.20	1.23
	EUR-CAD	1.54	1.52	1.54	1.55
	EUR-AUD	1.58	1.55	1.56	1.58
Japan	EUR-JPY	129.99	129.80	132.00	136.53
Euro-Outs	EUR-GBP	0.88	0.88	0.89	0.88
	EUR-DKK	7.45	7.45	7.45	7.45
	EUR-SEK	10.24	10.30	10.10	9.90
	EUR-CHF	1.16	1.17	1.19	1.21
	EUR-NOK	9.42	9.40	9.30	9.30
Central- and Eastern Europe	EUR-PLN	4.34	4.30	4.25	4.20
	EUR-HUF	323.11	320.00	315.00	315.00
	EUR-CZK	25.87	25.70	25.30	25.30
Africa	EUR-ZAR	15.83	15.34	15.36	15.38
Latin America	EUR-BRL	4.55	4.48	4.68	4.92
	EUR-MXN	22.37	24.19	24.60	24.60
Asia	EUR-CNY	7.79	7.97	8.04	8.24
	EUR-SGD	1.59	1.57	1.61	1.66
	EUR-KRW	1307	1298	1308	1353
US-Dollar		**Current**	**Forecasts**		
		Jul 9 2018	**3 months**	**6 months**	**12 months**
Dollar-Bloc	USD-CAD	1.31	1.29	1.28	1.26
	AUD-USD	0.75	0.76	0.77	0.78
Japan	USD-JPY	110.44	110.00	110.00	111.00
Euro-Outs	GBP-USD	1.33	1.34	1.35	1.40
	USD-DKK	6.33	6.31	6.21	6.06
	USD-SEK	8.70	8.73	8.42	8.05
	USD-CHF	0.99	0.99	0.99	0.98
	USD-NOK	8.01	7.97	7.75	7.56
Central- and Eastern Europe	USD-PLN	3.69	3.64	3.54	3.41
	USD-HUF	274.51	271.19	262.50	256.10
	USD-CZK	21.98	21.78	21.08	20.57
Africa	USD-ZAR	13.45	13.00	12.80	12.50
Latin America	USD-BRL	3.86	3.80	3.90	4.00
	USD-MXN	19.00	20.50	20.50	20.00
Asia	USD-CNY	6.62	6.75	6.70	6.70
	USD-SGD	1.35	1.33	1.34	1.35
	USD-KRW	1110	1100	1090	1100

Commodities

Commodity	Current	Forecasts		
	Jul 9 2018	**3 months**	**6 months**	**12 months**
Gold (USD per troy ounce)	1,260.68	1,225	1,212	1,200
Gold (EUR per troy ounce)	1,071.10	1,040	1,010	980
WTI crude (USD per Barrel)	73.80	69	66	64
WTI crude (EUR per Barrel)	62.70	58	55	52
Brent crude (USD per Barrel)	76.74	74	70	68
Brent crude (EUR per Barrel)	65.20	63	58	55

Makro Research

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