Macro Research
Economic Forecasts

August / September 2018

A stable economy with enhanced risks

Capital market risks become heated

Source: DekaBank.

The sustained heat that has had Germany in its grip for so long has served to fill the medial summer lull. However, as so often happens, sudden emotions are stirred by all too familiar political issues. The Turkish currency crisis is having a growing detrimental impact on global markets. To make matters worse, we have the Italian government's budget plans, which threaten to swell its deficit, as well as the Brexit negotiations, which are making very little progress. Moreover, the US government is keeping both markets and media on tenterhooks with threats of further tariffs against China in particular and the re-imposition of sanctions against Iran. This trade conflict does not only raise the fear of a spiralling escalation of trade restrictions but far more of a fall in investment and the resulting slump in economic growth and ultimately of an end to the liberal world trade order under the auspices of the World Trade Organisation. These are the risks that continue to preoccupy companies, and markets and thus, of course, economists.

We might take this opportunity to consider what the situation would be if there were no trade conflict. The picture would be of a long-lasting expansion of the global economy with little spare capacity and in some countries, such as Germany and the USA, remarkably low unemployment rates. The main topic of discussion would be the outlook for the still very modest rates of inflation. Presumably, another issue would be whether the central banks should raise their interest rates sooner than expected and accelerate the normalisation of their monetary policy. In this case there would be fears of the negative impact this monetary policy would have with a danger of recession and poor prospects for equity and bond markets.

However, due to current tendencies of protectionism, this discussion has been relegated to the sidelines. We have therefore maintained our main scenario that for most companies a continuation of the trade war will be a manageable challenge. Against this backdrop our economic and capital market forecasts remain more or less unchanged. No doubt financial markets will remain highly volatile. The balancing of the inflationary effects of capacity bottlenecks and economic growth dampened by the policies of the major central banks is not a trivial matter. The pendulum will continue to swing first in one direction then in the other and market expectations will change accordingly. In this environment we believe there are very good prospects for German and European equities and emerging-market bonds for the remainder of the year.

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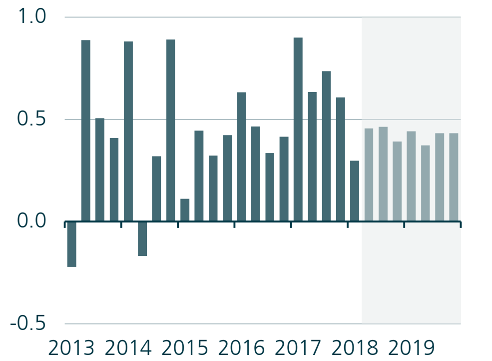
Most important forecast revisions

- Eurozone: GDP growth 2018: 2.1 % (previously 2.2 %).
- USA: GDP growth 2019: 2.2 % (previously 1.9 %); inflation rate 2019 2.3 % (previously 2.4 %).
- USA: inclusion of an additional interest-rate hike of 25 basis points in December 2018.
- EUR-USD: slight downward revision for the entire forecasting period.
- Russia GDP growth 2018: 1.8 % (previously 1.5 %); 2019: 1.6 % (previously 1.8 %).
- Downward revision of GDP growth forecasts for 2018 and 2019 for Brazil, Mexico and Turkey.

Economy: Industrial countries

Germany: GDP (% qoq, sa)



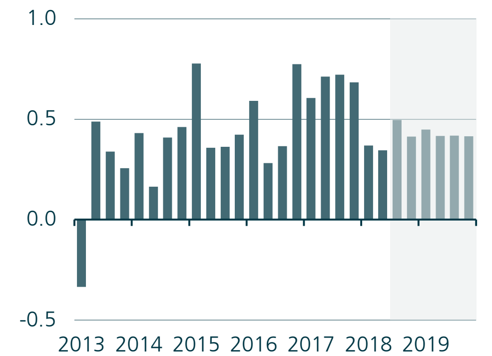
Sources: Destatis, forecast DekaBank

Germany

Following the publication of favourable economic indicators for May, most of those for June proved to be disappointing: poor industrial orders, weak industrial output and foreign trade, but a respectable level of retail sales. According to these figures, consumption should have been the prime stimulus for economic growth in the last quarter. Despite an increase in exports foreign trade will have dampened growth and investment in plant and equipment will have remained weak. All in all, GDP will have increased strongly again by some 0.5 % against the previous quarter.

Forecast revision: –.

Eurozone: GDP (% qoq, sa)



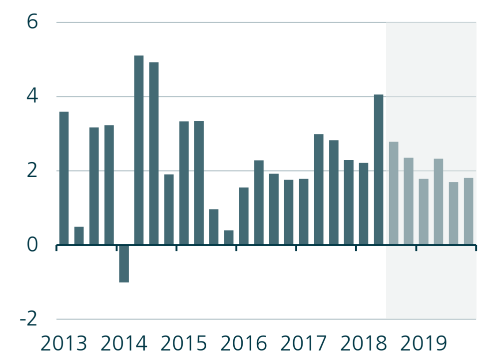
Sources: Eurostat, forecast DekaBank

Eurozone

Economic growth has slowed in the Eurozone. According to the latest data published by Eurostat, Eurozone GDP increased in the second quarter by 0.3 % (qoq) against the previous quarter. The national statistics published to date indicate that foreign trade has had a negative impact on second-quarter economic development – not, however, due to a slump in exports, but rather thanks to a strong surge in imports, which should have had a dampening impact. Taking into consideration the four major EMU countries, economic development in the Eurozone is very heterogeneous. Whereas Spain's growth rate of 0.6 % qoq is twice as high as the Eurozone figure, France's performance was disappointing with a below average 0.2 % qoq. Italy's growth rate of 0.2 % qoq was also below the EMU average.

Forecast revision: GDP growth 2018: 2.1 % (previously 2.2 %).

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



Sources: Bureau of Economic Analysis, forecast DekaBank

USA

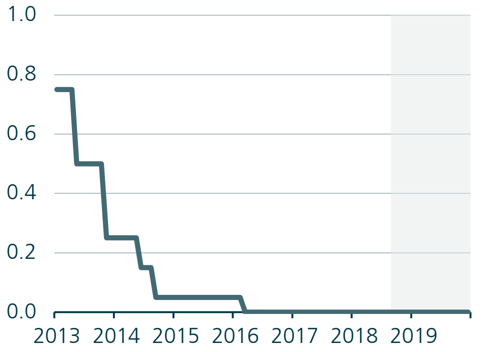
In the second quarter according to preliminary calculations the US economy grew by an annualised 4.1 % against the previous quarter. The change in inventories has been surprisingly subdued and we expect a normalisation to underpin economic growth in the second half of the year. Due to this effect, we had to revise our 2019 forecast upwards. On the other hand, corporate investment was rather restrained in the second quarter. Against the backdrop of the corporate tax reform this is disappointing and confirms our assessment that the reform has not fundamentally changed the basic growth path. We have made a slight adjustment to our inflation forecast. Nevertheless, this has not changed our prediction of a rising path of inflation.

Forecast revision: GDP growth 2019: 2.2 % (previously 1.9 %); Inflation rate 2019 2.3 % (previously 2.4 %).

August / September 2018

Markets: Industrial countries

ECB: Repo Rate (% p.a.)



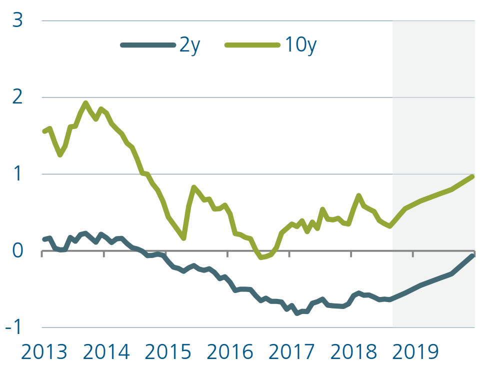
Sources: European Central Bank, forecast DekaBank

The European Central Bank / Money market

At its meeting at the end of July the ECB provided no further details of its plans for an exit from its current monetary policy. Providing the inflation outlook does not worsen, it will allow its asset-purchase programme to expire at the end of the year, but will not raise its key rates before summer 2019. We believe this is a credible scenario and expect the deposit rate to be first raised in September 2019. The financial markets, on the other hand, expect the tightening of monetary policy in the years to come to be a much slower process. The backdrop to this is presumably the fear that escalation of the global trade war will have a substantial negative impact on the Eurozone economy. However, we rather believe in the continuation of dampened economic growth and a slow rise in inflation. With time expectations should strengthen that the ECB will continue to pursue the exit from its current monetary policy. This should be reflected in somewhat steeper money market curves.

Forecast revision: –.

German Bond Yield (% p.a.)



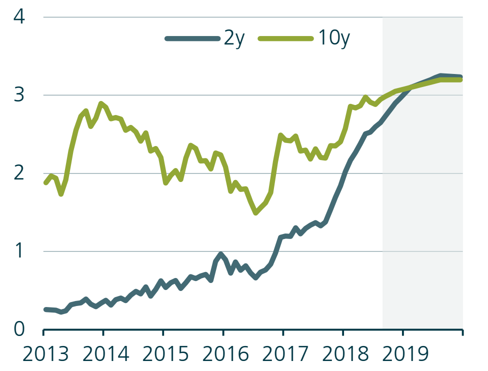
Sources: Bloomberg, forecast DekaBank

Eurozone bond market

At the moment Bund yields are being influenced by two opposing forces. On the one hand, there is an increasing number of signs of rising inflation and the ECB is actively pursuing an exit from its current monetary policy, albeit at a leisurely pace. On the other hand, escalation of the global trade war could have a substantial negative impact on Eurozone economic growth, or the Italian government's excessive trade deficits could lead again to turmoil on the markets. Despite the current problems we assume that the economic upswing in the Eurozone will continue. This should be reflected in gradually rising long-term Bund yields. The likelihood that key rates will remain unchanged for a long time to come will hold the short end at a low level for the time being.

Forecast revision: –.

US Bond Yield (% p.a.)



Sources: Bloomberg, forecast DekaBank

US bond market

The Fed's interest-rate meeting in July proved to be uneventful: key rates were left at between 1.75 % and 2.00 %. Nevertheless, the FOMC members regard current economic growth as strong. In view of the normalisation of inventories that has yet to take place, economic growth should also be relatively strong in the second half of the year. We therefore expect two further interest rate hikes this year. The frequency of one key-rate hike per quarter will probably be maintained until the summer of 2019. The latest calculations of the key-rate equilibrium rate indicate that it is rising slightly. We have thus made an adjustment from 2.75 % to 3.00 %.

Forecast revision: An additional interest rate hike of 25 basis points in December 2018.

August / September 2018

Markets: Industrial countries

Equity Market Forecast

	Current Aug 10, 18	in 3	in 6 months	in 12
DAX	**12 424.35**	**12 900**	**13 500**	**13 500**
Reporting:				
EuroStoxx50	3 426.28	3 500	3 600	3 600
S&P 500	2 833.28	2 800	2 800	2 700
Topix	1 720.16	1 700	1 750	1 750

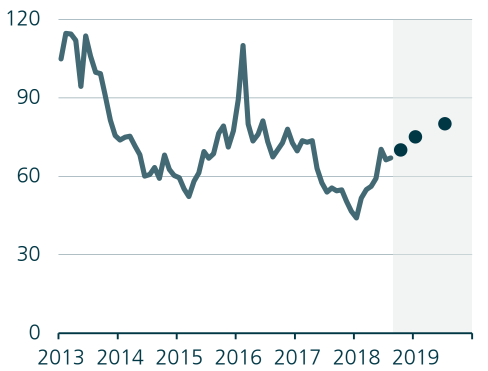
Sources: Deutsche Börse AG, forecast DekaBank

Equity market: Germany

The German equity market is currently moving in a field of tension between political risks that depress market sentiment on the one hand and solid growth by the economy and companies on the other. Although the trade conflict between the USA and the EU has eased somewhat, this issue remains a significant stress factor. Together with the political imponderables with respect to Italy and Turkey it has a substantial impact on prices. However, we should not lose sight of the fact that the fundamental data are stable. This is confirmed by second-quarter company reports. Over the year as a whole, corporate profits should have increased by 7 %. With what is all in all a very modest valuation this will help deal with the fluctuations expected in August and September due to political issues and should provide a solid basis for rising equity prices in the fourth quarter.

Forecast revision: –.

iTraxx Europe (Bp)

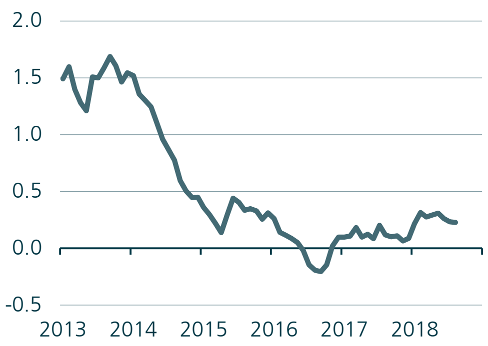


Sources: International Index Company, forecast DekaBank

Corporate bond market: Eurozone

The unease on the credit markets due to trade conflicts has subsided for the time being in the wake of positive quarterly reports from the major companies, which have shown the good starting position companies now enjoy. Despite gloomier second-quarter indicators of market sentiment, European companies can expect substantial growth of both sales and profits. Most executive directors are also confident about their prospects in the remaining quarters, although this is only partly true for the automobile sector. The uncertainty over future developments in Italy remains a burden and this is having a negative impact in particular on Italian addresses and securities. With the ECB's withdrawal from its asset-purchase programme at the end of the year we can expect a slight widening of spreads.

Covered Bonds 5y (% p.a.)



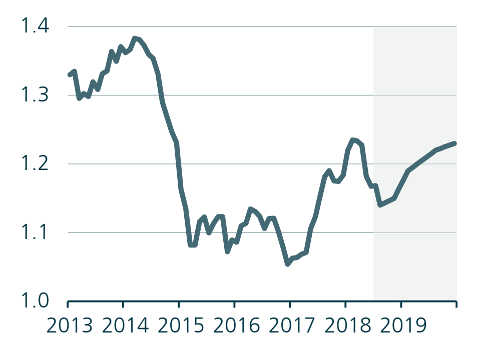
Source: Bloomberg

Covered Bonds

Covered bond houses took advantage of very favourable refinancing conditions at the beginning of July to step up their new issues. Support was provided by the ECB, which together with purchases in the value of EUR 1.5bn also had to rollover maturities worth EUR 1.6bn. However, the central bankers have now limited their purchases to a maximum of 30 % of an individual bond, instead of two-thirds as was the case last year. This gap in new issues of covered bonds has been filled above all by the treasurers of banks, who have returned to the market in force in the wake of the slight spread adjustment in the spring. In midsummer new issues ran dry, but there should be a rebound by September when issuers presumably will try to make the most of ECB purchases to cover their funding needs in view of the approaching turn of the year. This could result in a slight widening of spreads.

Markets: Industrial countries

Exchange Rate EUR-USD



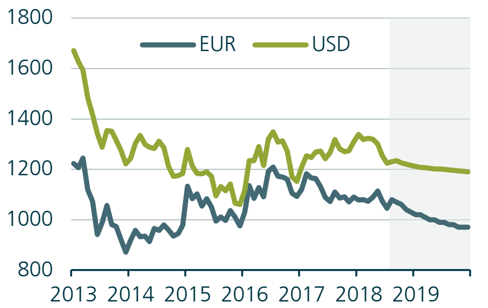
Sources: European Central Bank, forecast DekaBank

Currency market: EUR-USD

For the past month the Euro has fluctuated against the US dollar between 1.15 EUR-USD and 1.18 EUR-USD. At the beginning of July the EUR-USD exchange rate stood at 1.16 EUR-USD and it was at the same level at the beginning of August. However, escalation of the crisis in Turkey has triggered a flight into the US dollar and by August 13th the EUR-USD exchange rate had slumped to a new low for this year of 1.13 EUR-USD. As expected, after raising key rates in June the Fed decided at its meeting at the end of July / beginning of August to leave key rates unchanged at 1.75-2.00 %. At the same time in its communication the Fed left us in no doubt that it intends to raise key rates by 25 basis points on two further occasions in the current year. We expect the next rate hike in September to 2.00 %-2.25 %.

Forecast revision: EUR-USD: slight downward revision for the entire forecasting period..

Gold price (per troy ounce)



Per-formance	from 31.07.12 to 31.07.13	31.07.13 31.07.14	31.07.14 31.07.15	31.07.15 31.07.16	31.07.16 31.07.17	31.07.17 31.07.18
Gold in Euro	-24.46%	-3.16%	3.95%	21.51%	-11.31%	-2.51%
Gold in USD	-18.51%	-2.37%	-14.55%	23.21%	-6.11%	-3.39%

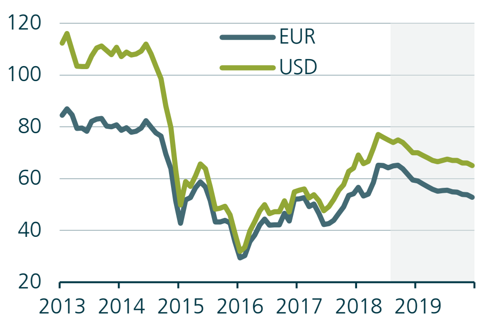
Sources: Bloomberg, forecast DekaBank

Gold

For the first time since July 2017 the gold price has fallen below USD 1210 per fine ounce to its lowest level for a year. The most important reason for the weakness of the gold price has been the Fed's declared intention to continue following the key rate hike path. Rising US yields combined with an increased appetite for risk on capital markets have dampened the spirits of gold purchasers and most speculators on the gold market put their money on falling gold prices. This is a rare occurrence and the last time it could be observed was briefly at the end of 2015 / beginning of 2016. In view of our expectations of a modest but steady rise in interest rates, we forecast a sustained slight fall in the gold price.

Forecast revision: –.

Crude Oil Brent (per barrel)



Performance	from 31.07.12 to 31.07.13	31.07.13 31.07.14	31.07.14 31.07.15	31.07.15 31.07.16	31.07.16 31.07.17	31.07.17 31.07.18
Brent in Euro	-4.85%	-2.36%	-40.09%	-19.80%	17.13%	42.30%
Brent in USD	2.65%	-1.56%	-50.75%	-18.67%	24.00%	41.03%

Sources: Bloomberg, forecast DekaBank

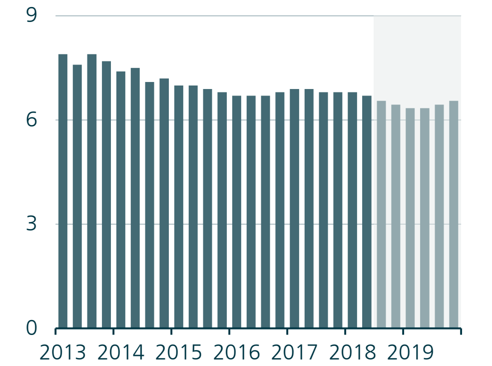
Crude oil

Fears of scarcity, which only a month ago led to substantial price rises, have largely disappeared from the market. Since the first half of July the price of crude oil has fallen, although the USA imposed new sanctions on Iran at the beginning of August. For the oil sector the sanctions will only come into force in November and the USA does not import any oil from Iran, but Trump has made it quite clear that the USA will impose sanctions on anyone buying oil from Iran. Iran's main oil customers are China, the EU, Japan, India and South Korea. We can safely assume that oil exports from Iran are now set to decline. At the same time Saudi Arabia and Russia have already stepped up their output. Moreover, for the first time ever the USA have produced more than 11m barrels of oil per day. A shortage on the oil market in the near future is therefore highly unlikely.

Forecast revision: –.

Emerging Markets

China: GDP (% yoy)



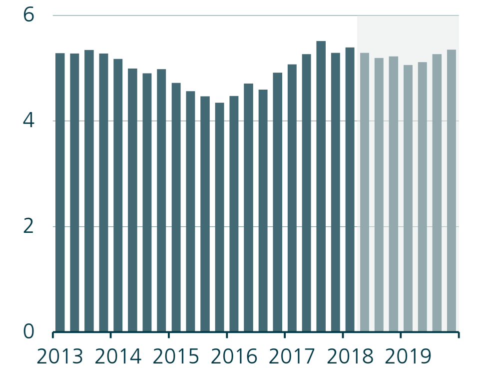
Sources: National Statistics, forecast DekaBank

China

As expected, Chinese GDP growth slowed slightly in the second quarter from 6.8 % to 6.7 % yoy. The punitive tariffs imposed so far by the USA on Chinese products have had no significant impact on the Chinese export sector, but if the USA carries out its threat to impose tariffs on further imports from China above USD 200bn in value, this will have a negative impact. The government will presumably be able to stabilise economic growth by means of more expansive fiscal policy, but stimulation of domestic demand would have a negative impact on the balance of trade, the surplus of which has been on the decline since 2015. In the first half of 2018 there was for the first time a deficit on the current account, which is an additional complication for exchange rate policy. After a depreciation of the renminbi against the US dollar by 6 % since the middle of June the central bank has initiated measures designed to stabilise the exchange rate. We expect the exchange rate to remain at the current level for some months.

Forecast revision: –.

Emerging Markets: GDP (% yoy)



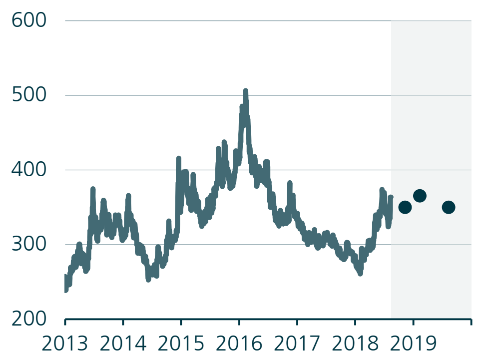
Sources: National Statistics, forecast DekaBank

Emerging Markets: Economy

In recent months the economy has lost momentum. The uncertainty surrounding global trade policies has played only a subordinate role. In Brazil (truck-drivers' strike), Mexico (uncertainty in the run-up to the election) and Turkey (turmoil on financial markets) country-specific factors have been at work, whereas central Europe has been suffering from the cyclical weakness of demand in the Eurozone. In the wake of important elections Mexico and Turkey find themselves in very different waters: Whereas Mexico's new president is trying to inspire trust, Turkey's re-elected President Erdogan has set out on a course of confrontation with his political opponents and the financial markets. Weak currencies and rising inflation have led to a more restrictive monetary policy.

Forecast revision: Downward revision of GDP growth forecasts for 2018 and 2019 for Brazil, Mexico and Turkey. For Russia an upward revision for 2018 and a downward revision for 2019.

EMBIG Diversified-Spread (Bp)



Sources: Bloomberg, forecast DekaBank

Emerging Markets: Markets

After substantial losses in the first half of the year EM equity markets had stabilised somewhat in recent weeks, before the escalation of the currency crisis in Turkey resulted in further losses. Thanks to mistaken economic policy and diplomatic confrontation with the USA the lira has come under massive pressure. The weakness of the Chinese renminbi, on the other hand, has not proved a major irritation for the emerging-market (EM) asset class. Low valuations have contributed to a marked reduction in outflows from EM investments. However, continued caution is understandable, since there are other fundamental problems besides the crisis in Turkey that remain to be solved: China and Russia are in conflict with the USA; Brazil and South Africa are crying out for reforms. Relatively low valuations and the cautious behaviour of investors speak in favour of EM investments. However, as long as there is no improvement in the fundamental situation, it will be difficult for the market to establish a sustained upward trend.

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	1.6	1.5	1.2	2.1	1.6	-3.0	-2.9	-2.7	-2.6	-2.3	-2.8
Italy	1.8	1.6	1.1	1.1	1.3	1.3	1.6	2.8	2.6	2.6	-2.3	-1.7	-1.7
Spain	1.4	3.1	2.5	2.1	2.0	1.8	1.8	1.8	1.5	1.6	-3.1	-2.6	-1.9
Netherlands	0.7	3.0	2.5	2.1	1.3	1.5	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	1.9	0.6	0.5	0.6	-1.0	-1.1	-1.3
Eurozone	**11.6**	**2.4**	**2.1**	**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	2.2	-4.1	-3.5	-3.0	-1.9	-1.9	-1.6
Sweden	0.4	2.5	2.9	1.9	1.9	2.0	2.0	4.0	4.1	4.4	1.3	0.8	0.9
Denmark	0.2	2.2	1.5	2.2	1.1	0.8	1.6	7.8	7.6	7.4	1.0	-0.1	0.0
EU-22	**14.5**	**2.3**	**2.0**	**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	2.2	0.2	-0.6	-0.8	-1.7	-1.4	-1.4
Hungary	0.3	4.5	3.2	2.6	2.4	2.2	2.3	0.9	0.5	0.2	1.6	1.4	0.8
Czech Republic	0.2	4.2	4.0	2.8	2.4	2.7	3.0	2.9	2.2	1.7	-2.0	-2.4	-2.1
EU-28	**16.5**	**2.7**	**2.2**	**1.8**	**1.8**	**1.9**	**1.9**	**2.1**	**2.0**	**1.9**	**-1.0**	**-0.9**	**-1.0**
USA	15.3	2.2	2.8	2.2	2.1	2.6	2.3	-2.3	-2.5	-2.5	-4.2	-6.5	-7.0
Japan	4.3	1.7	0.8	0.7	0.5	0.8	1.5	4.0	3.5	3.0	-4.2	-3.5	-3.0
Canada	1.4	3.0	2.0	1.6	1.6	2.2	1.9	-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	1.0	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	2.6	2.0	5.2	4.9	5.0	4.4	4.9	4.9
Developed Countries[4]	**37.3**	**2.2**	**2.2**	**1.8**	**1.7**	**2.0**	**2.0**	**0.4**	**0.2**	**0.2**	**-2.6**	**-3.4**	**-3.6**
Russia	3.2	1.5	1.8	1.6	3.7	2.8	4.4	2.2	4.0	3.8	-1.4	0.3	0.4
Turkey	1.7	7.4	4.2	3.2	11.1	14.1	12.1	-5.6	-6.7	-5.5	-1.5	-2.8	-3.1
Ukraine	0.3	2.5	2.6	2.8	14.4	10.5	8.1	-2.2	-4.9	-6.0	-1.5	-2.6	-2.5
Emerging Europe[5]	**7.5**	**3.9**	**3.1**	**2.5**	**5.5**	**5.8**	**5.9**	**-0.8**	**-0.5**	**-0.6**	**X**	**X**	**X**
South Africa	0.6	1.3	1.5	1.9	5.2	5.0	5.5	-2.5	-3.5	-3.4	-4.4	-3.6	-3.5
Middle East, Africa	**3.4**	**2.4**	**3.2**	**3.1**	**13.9**	**9.2**	**9.2**	**-0.1**	**0.4**	**0.2**	**X**	**X**	**X**
Brazil	2.6	1.0	1.5	2.4	3.4	3.7	4.2	-0.5	-1.6	-1.6	-8.0	-7.1	-5.6
Mexico	1.9	2.0	2.2	2.1	6.0	4.6	3.9	-1.7	-1.7	-2.0	-1.1	-2.3	-2.2
Argentina	0.7	2.9	0.8	3.0	26.5	28.2	18.5	-4.8	-5.0	-4.5	-6.0	-5.3	-4.8
Chile	0.4	1.6	3.8	2.8	2.2	2.6	3.2	-1.5	-1.2	-1.5	-2.8	-2.0	-1.6
Latin America	**7.1**	**1.1**	**1.2**	**2.2**	**6.6**	**6.3**	**5.4**	**-1.2**	**-1.7**	**-2.0**	**X**	**X**	**X**
China	18.2	6.9	6.6	6.4	1.5	2.0	2.3	1.4	0.6	0.4	-3.8	-3.7	-4.0
India	7.4	6.2	7.5	7.6	3.3	4.7	4.8	-1.5	-2.7	-2.3	-3.5	-3.6	-3.2
Indonesia	2.6	5.1	5.2	5.5	3.8	3.5	3.9	-1.7	-2.7	-2.4	-2.7	-2.5	-2.5
South Korea	1.6	3.1	2.8	3.1	1.9	1.5	2.0	5.1	5.0	5.2	1.4	0.9	0.8
Emerging Asia	**33.9**	**6.1**	**6.3**	**6.2**	**2.1**	**2.7**	**3.0**	**2.0**	**1.3**	**1.3**	**X**	**X**	**X**
Emerging Markets	**51.9**	**4.9**	**4.9**	**4.9**	**4.0**	**4.0**	**4.1**	**1.0**	**0.5**	**0.5**	**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		
		Aug 13 2018	3 months	6 months	12 months
Germany	Monetary policy (Refi)	0.00	0.00	0.00	0.00
	3 months (EURIBOR)	-0.32	-0.31	-0.30	-0.22
	12 months (EURIBOR)	-0.17	-0.17	-0.15	0.00
	Bunds, 2 years	-0.65	-0.55	-0.45	-0.30
	Bunds, 5 years	-0.27	-0.05	0.10	0.25
	Bunds, 10 years	0.30	0.55	0.65	0.80
	Bunds, 30 years	0.97	1.20	1.30	1.40
USA	Monetary policy (FFR)	1,75-2,00	2,00-2,25	2,25-2,50	2,75-3,00
	3 months (LIBOR)	2.32	2.55	2.75	3.00
	12 months (LIBOR)	2.82	3.00	3.20	3.50
	US-Treasuries, 2 years	2.58	2.90	3.10	3.25
	US-Treasuries, 5 years	2.71	3.00	3.10	3.20
	US-Treasuries, 10 years	2.85	3.05	3.10	3.20
	US-Treasuries, 30 years	3.02	3.20	3.30	3.45
Japan	Monetary policy (Call)	-0.10	-0.10	-0.10	-0.10
	3 months (LIBOR)	-0.04	0.00	0.00	0.00
	12 months (LIBOR)	0.13	0.10	0.10	0.10
	JGBs, 2 years	-0.11	-0.10	-0.10	-0.10
	JGBs, 5 years	-0.08	-0.05	-0.05	-0.05
	JGBs, 10 years	0.10	0.10	0.10	0.25
	JGBs, 30 years	0.84	0.75	0.75	0.95
United Kingdom	Monetary policy (Base)	0.75	0.75	0.75	1.00
	3 months (LIBOR)	0.81	0.75	0.85	1.10
	12 months (LIBOR)	1.04	1.10	1.30	1.40
	Gilts, 2 years	0.69	0.70	0.90	1.10
	Gilts, 5 years	0.98	1.10	1.30	1.60
	Gilts, 10 years	1.23	1.40	1.50	1.70
	Gilts, 30 years	1.71	1.80	1.85	1.95
Sweden	Monetary policy (Repo)	-0.50	-0.50	-0.25	0.00
	3 months (STIB)	-0.37	-0.23	-0.20	0.20
	2 years	-0.55	-0.30	-0.10	0.20
	10 years	0.47	0.80	0.90	1.10
Denmark	Monetary policy (Repo)	0.05	0.05	0.05	0.05
	3 months (CIBOR)	-0.30	-0.26	-0.20	-0.12
	2 years	-0.58	-0.45	-0.30	-0.20
	10 years	0.28	0.55	0.65	0.85
Norway	Monetary policy (Deposit)	0.50	0.75	0.75	1.00
	3 months (NIBOR)	1.05	1.15	1.42	1.67
	3 years	1.15	1.40	1.50	1.70
	10 years	1.74	2.00	2.20	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)	-0.72	-0.75	-0.75	-0.58
	2 years	-0.75	-0.65	-0.55	-0.20
	10 years	-0.11	0.10	0.20	0.50
Canada	Monetary policy (O/N)	1.50	1.75	2.00	2.50
	3 months (CBA)	1.95	2.10	2.25	2.75
	12 months (CBA)	2.32	2.50	2.65	3.00
	2 years	2.10	2.30	2.50	2.90
	5 years	2.21	2.50	2.70	3.00
	10 years	2.29	2.55	2.75	3.05
	30 years	2.31	2.55	2.75	3.05
Australia	Monetary policy (Cash)	1.50	1.50	1.50	1.75
	3 months (ABB)	1.96	2.00	2.05	2.10
	2 years	2.00	2.15	2.20	2.45
	10 years	2.58	2.80	2.90	3.10

Interest rates in EM countries

			Current	Forecasts		
			Aug 13 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	1.62	1.70	1.80	2.00
		10 years	3.18	3.30	3.30	3.50
	Czech Rep.	Monetary policy (Repo)	1.25	1.50	1.50	1.75
		3 months (PRIBOR)	1.46	1.70	1.80	1.90
		2 years	1.27	1.60	1.70	1.90
		10 years	2.19	2.50	2.60	2.70
	Hungary	Monetary policy (Deposit)	0.90	0.90	0.90	0.90
		3 months (BUBOR)	0.18	0.25	0.30	0.50
		3 years	1.72	1.90	2.00	2.10
		10 years	3.48	3.60	3.60	3.70
Latin America	Brazil	Monetary policy (Repo)	6.50	6.50	6.50	6.75
		3 months (ABG)	6.61	6.80	6.80	6.80
		2 years	9.14	8.35	8.25	8.20
		9 years	11.85	10.50	10.00	10.00
	Mexico	Monetary policy	7.75	7.75	7.50	7.00
		3 months (Mexibor)	7.88	7.50	7.30	6.80
		2 years	7.68	7.50	6.90	6.80
		10 years	7.76	7.60	7.50	7.20
Asia	China	Monetary policy	1.50	1.50	1.50	1.50
		3 months	2.79	4.00	3.90	3.80
		3 years	3.17	3.20	3.30	3.20
		10 years	3.60	3.50	3.40	3.30
	Singapore	Monetary policy	n.a.	n.a.	n.a.	n.a.
		3 months	1.64	1.60	1.60	1.70
		2 years	1.92	2.00	2.00	2.10
		10 years	2.42	2.50	2.50	2.60
	South Korea	Monetary policy	1.50	1.75	1.75	2.00
		3 months	1.56	1.75	1.80	2.10
		2 years	1.96	2.20	2.30	2.30
		10 years	2.50	2.70	2.80	2.90

Yield spreads in basis points[1)]

			Current	Forecasts		
			Aug 13 2018	3 months	6 months	12 months
Emerging Markets, EMBIG Div Spreads	Central- and Eastern Europe	Russia	246	210	220	210
		Turkey	553	470	490	470
		Hungary	127	125	130	125
	Africa	South Africa	305	295	305	295
	Latin America	Brazil	293	275	290	275
		Chile	143	140	146	140
		Columbia	194	185	195	185
		Mexico	290	285	300	285
	Asia	China	131	140	140	140
		Indonesia	191	200	205	200
		Philippines	109	110	120	110
	Total (EMBIG Div)		**364**	**350**	**365**	**350**

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		
		Aug 13 2018	3 months	6 months	12 months
Dollar-Bloc	EUR-USD	1.14	1.15	1.19	1.22
	EUR-CAD	1.50	1.50	1.52	1.54
	EUR-AUD	1.57	1.53	1.57	1.58
Japan	EUR-JPY	125.53	126.50	130.90	135.42
Euro-Outs	EUR-GBP	0.89	0.90	0.89	0.88
	EUR-DKK	7.45	7.45	7.45	7.45
	EUR-SEK	10.42	10.20	10.10	9.90
	EUR-CHF	1.13	1.17	1.19	1.21
	EUR-NOK	9.53	9.40	9.30	9.20
Central- and Eastern Europe	EUR-PLN	4.31	4.30	4.30	4.20
	EUR-HUF	324.76	320.00	325.00	315.00
	EUR-CZK	25.68	25.50	25.50	25.20
Africa	EUR-ZAR	16.48	14.95	15.47	15.86
Latin America	EUR-BRL	4.39	4.37	4.64	4.88
	EUR-MXN	21.88	21.85	23.21	24.40
Asia	EUR-CNY	7.83	7.94	8.09	8.24
	EUR-SGD	1.57	1.56	1.61	1.63
	EUR-KRW	1293	1265	1321	1366
US-Dollar		Current	Forecasts		
		Aug 13 2018	3 months	6 months	12 months
Dollar-Bloc	USD-CAD	1.32	1.30	1.28	1.26
	AUD-USD	0.73	0.75	0.76	0.77
Japan	USD-JPY	110.36	110.00	110.00	111.00
Euro-Outs	GBP-USD	1.28	1.28	1.34	1.39
	USD-DKK	6.55	6.48	6.26	6.11
	USD-SEK	9.16	8.87	8.49	8.11
	USD-CHF	0.99	1.02	1.00	0.99
	USD-NOK	8.38	8.17	7.82	7.54
Central- and Eastern Europe	USD-PLN	3.79	3.74	3.61	3.44
	USD-HUF	285.50	278.26	273.11	258.20
	USD-CZK	22.57	22.17	21.43	20.66
Africa	USD-ZAR	14.49	13.00	13.00	13.00
Latin America	USD-BRL	3.86	3.80	3.90	4.00
	USD-MXN	19.23	19.00	19.50	20.00
Asia	USD-CNY	6.89	6.90	6.80	6.75
	USD-SGD	1.38	1.36	1.35	1.34
	USD-KRW	1137	1100	1110	1120

Commodities

Commodity	Current	Forecasts		
	Aug 13 2018	3 months	6 months	12 months
Gold (USD per troy ounce)	1,195.85	1,220	1,208	1,198
Gold (EUR per troy ounce)	1,051.30	1,040	1,020	980
WTI crude (USD per Barrel)	67.63	67	65	63
WTI crude (EUR per Barrel)	59.45	57	55	52
Brent crude (USD per Barrel)	71.80	72	69	67
Brent crude (EUR per Barrel)	63.12	62	58	55

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