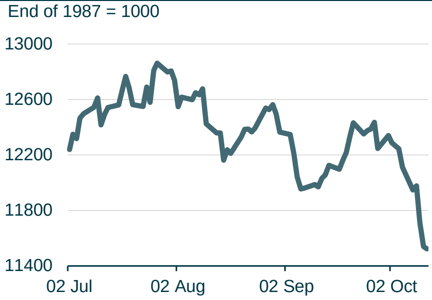
Macro Research
Economic Forecasts

October / November 2018

Have only the central banks remained composed?

The first two weeks of October were characterised by tense market players and an appreciable fall in equity prices. It is difficult to attribute a single trigger to this negative market development. The list of current risks is long and has recently been lengthened by a mass of sobering economic data. The existing risk list comprising the trade war between the USA and China, the disagreement within the EU over the Italian public budget, the rising oil price and the difficult Brexit negotiations have now been supplemented by fresh unwelcome news such as the IMF's downward revision of the global growth dynamics. In a scenario presented at its annual meeting the IMF pointed to the danger of an escalating trade war and consequent turmoil on the financial markets, which touched the markets' raw nerve. And, finally, the German government revised its domestic growth forecasts downwards, not least because the diesel scandal has dampened market sentiment and had a negative impact on production

German Share Index (DAX)



Performance DAX					
from	12.10.2013	12.10.2014	12.10.2015	12.10.2016	12.10.2017
to	12.10.2014	12.10.2015	12.10.2016	12.10.2017	12.10.2018
	0.7%	15.1%	4.0%	23.4%	-11.2%

Source: Deutsche Börse AG, DekaBank.
Period: 02. July to 12. October

With all this background noise we should not forget that the world is currently enjoying a sustained economic upswing. Downward revisions of growth forecasts are not likely to plunge the global economy into recession so quickly. This is not only our opinion, but also that of the major central banks. Both the US Fed and the ECB are currently showing great calm and composure. They regard the forecast growth rates as sufficient in coming quarters for them to proceed cautiously but resolutely as planned with the normalisation of their monetary policy.

Even in an advanced stage the current economic cycle is apparently strong enough to cope with the multitude of risks. The rate of growth is moderating in comparison with 2017, but 2 % for the Euro zone and 3.5 % - 4 % for the global economy definitely don't provide grounds for complaint. The fall in unemployment has given private consumption a sufficient boost. The political risks will not disappear overnight, but there is justified hope that there will soon be some positive news, for example the first positive results in the Brexit negotiations or more modest financial plans on the part of the Italian government. In the coming weeks it should become evident that the sentiment indicators are not in free fall and there is no sign of panic on the markets. While the global stock exchanges may not prove capable of fully assuming the degree of composure shown by the central banks, but they may well be able to offer constructive investment prospects.

Bitte nicht löschen!

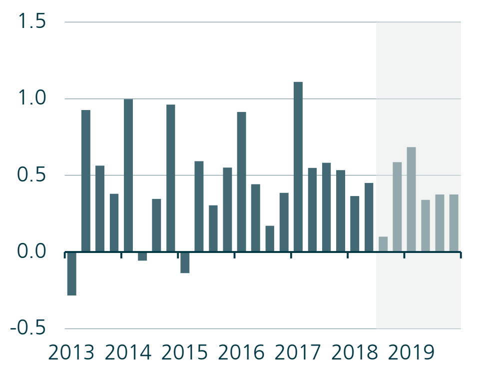
Contents

Most important forecast revisions

- Germany: GDP growth 2018: 1.7 % (previously 1.9 %); 2019: 1.8 % (previously 1.7 %); Inflation 2018: 1.9 % (previously 1.8 %).
- Euro zone: GDP growth 2019: 1.8 % (previously 1.7 %); Inflation 2018: 1.8 % (previously 1.7 %).
- USA: GDP growth 2018: 2.9 % (previously 2.8 %), 2019: 2.3 % (previously 2.2 %); Inflation 2018: 2.5 % (previously 2.6 %), 2019: 2.5 % (previously 2.3 %).
- Crude oil price: Upward revision of 3-month and 6-month forecasts.
- Downward revision of GDP growth forecasts for China, Turkey, Argentina, Mexico and Indonesia.

Economy: Industrial countries

Germany: GDP (% qoq, sa)



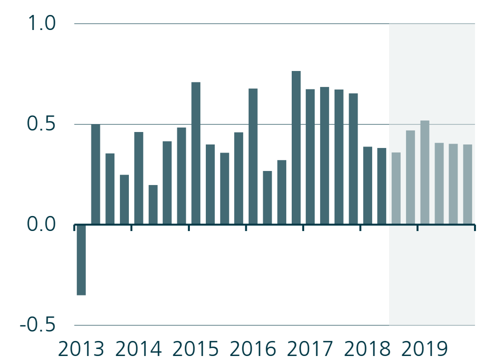
Sources: Destatis, forecast DekaBank

Germany

The third quarter will undoubtedly be the worst of the year, for the key German sector – the automobile industry – has been weakened by a special factor. With effect from September 1st all newly registered passenger vehicles must present certified WLTP exhaust measurements. As German manufacturers have not yet managed to register all types of vehicles, output has been drastically reduced. Volkswagen has even reduced the working week to four days. Although these cutbacks will be made up for later in the year, for the time being they have severely limited production. Under these circumstances a GDP growth rate of just 0.1 % over the second quarter would be a welcome achievement.

Forecast revision: GDP growth 2018: 1.7 % (previously 1.9 %); 2019: 1.8 % (previously 1.7 %); Inflation 2018: 1.9 % (previously 1.8 %).

Eurozone: GDP (% qoq, sa)



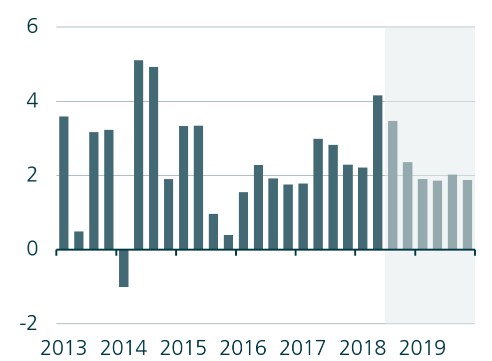
Sources: Eurostat, forecast DekaBank

Eurozone

The European economy has a respectable first half-year behind it and indicators of market sentiment for the third quarter have given no sign of any slowing of economic growth. However, the clouding of sentiment in industry is a first sign of the negative impact of the international trade war. In September inflation was slightly above 2 %. This can be attributed above all to a marked increase in energy prices. The labour market is continuously improving: In August the unemployment rate dropped to 8.1%, thanks in particular to the improvement in Italy, where the unemployment rate fell below 10 % for the first time since the beginning of 2012. In August the three EMU heavyweights, Germany, France and Spain were unable to register any fall in unemployment.

Forecast revision: GDP growth 2019: 1.8 % (previously 1.7 %); Inflation 2018: 1.8 % (previously 1.7).

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



Sources: Bureau of Economic Analysis, forecast DekaBank

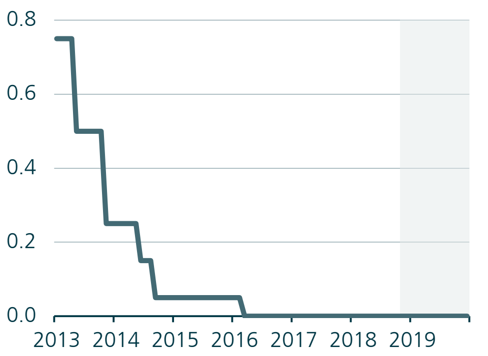
USA

With the introduction of a 10% punitive tariff on Chinese goods in a trade volume of USD 200 bn the US trade war has reached another stage of escalation. We now assume that in the course of the first half of 2019 the threatened tariff of 25% will be imposed on virtually all goods imported from China We suppose that these measures will raise the rate of inflation in the coming year, but that the Fed will regard this as a temporary development that does not call for any additional tightening of monetary policy. Despite a probable loss of purchasing power we have corrected our growth forecasts slightly upwards. The US economy has been showing robustness and is growing faster than we had initially expected.

Forecast revision: GDP growth 2018: 2.9 % (previously 2.8 %), 2019: 2.3 % (previously 2.2 %); Inflation 2018: 2.5 % (previously 2.6 %), 2019: 2.5 % (previously 2.3 %).

Markets: Industrial countries

ECB: Repo Rate (% p.a.)



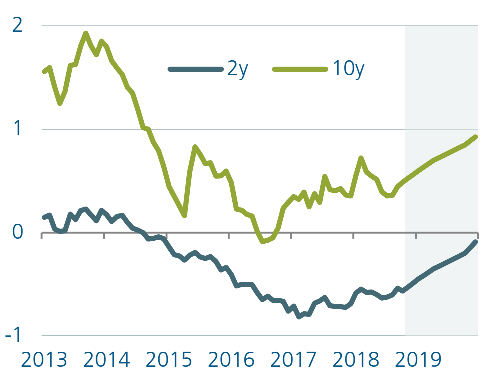
Sources: European Central Bank, forecast DekaBank

The European Central Bank / Money market

After an uneventful ECB press conference in September President Draghi declared before a committee of the European Parliament that he assumed a relatively strong increase in core inflation in the coming years. This forecast is not based on any radically new assessment but is founded on the largely unchanged macroeconomic projections of the ECB's staff. Nevertheless, his choice of words reflects his strong conviction that inflation is indeed on the increase. Accordingly, his readiness to push ahead with an exit from the bank's current monetary policy will probably have increased in recent months. In their public appearances other Council members have focused on potential forward guidance after the first interest rate hike. We assume the deposit rate will be raised to -0.25 % in September 2019. Whereas money market futures have already more or less factored this into their prices, money market curves in the longer maturities will probably become somewhat steeper.

Forecast revision: –.

German Bond Yield (% p.a.)



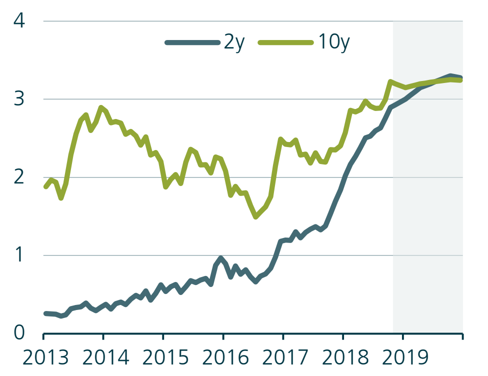
Sources: Bloomberg, forecast DekaBank

Eurozone bond market

The ECB’s asset-purchasing program is drawing to an end and investors are focusing their attention on interest-rate hikes that can be expected in the medium term. However, the resulting rising trend in the yields of long-term Bunds has been intermittently interrupted by an increasing risk aversion. Meanwhile global trade disputes are no longer seen as the major single risk, but Italy’s debt situation. We assume that the differences of opinion between the EU and Italy will not be resolved quickly and that a rating downgrade is also likely. However we expect the Italian government to limit the budget deficit to a point where the risk premiums on Italian government bonds won’t be lastingly established on even more elevated levels.

Forecast revision: –.

US Bond Yield (% p.a.)



Sources: Bloomberg, forecast DekaBank

US bond market

As expected, at its meeting in September the Fed raised the key rate interval by 25 basis points to 2.00 % to 2.25 %. The overwhelming majority of FOMC members expects one further hike in the current year and now appears to have settled on a further three in 2019. Following statements by the Fed Chairman Powell some days after the interest-rate meeting key rate expectations for the coming year rose on the capital markets. At least three rate hikes are now priced in by the end of 2019. In view of existing risks, such as the possible impact of trade disputes or the Italian debt problem, US yields will have only a limited upwards potential in coming months.

Forecast revision: –.

Markets: Industrial countries

Equity Market Forecast

	Current Oct 12, 18	in 3	in 6 months	in 12
DAX	**11 523.81**	**13 200**	**12 500**	**13 500**
Reporting:				
EuroStoxx50	3 194.41	3 550	3 400	3 550
S&P 500	2 767.13	2 950	2 800	2 900
Topix	1 702.45	1 750	1 750	1 750

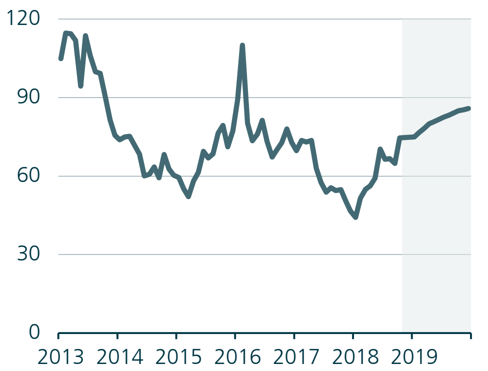
Sources: Deutsche Börse AG, forecast DekaBank

Equity market: Germany

The trade war between the USA and China and other political risks have clearly left their mark on the German economy. The high degree of uncertainty has dampened the market sentiment and macroeconomic forecasts have recently been revised downwards. The negative impact of increasing trade tensions is already being felt in the corporate sector, where some companies, often also because of self-made problems, have been forced to adjust their profit expectations for the current quarter downwards. All in all, profits will rise by a lesser amount this year than was expected at the beginning of the year. The profit outlook for the coming year is also subject to higher risks. This uncertainty is reflected in the lower valuation of the German equity market, so that stable corporate outlooks should have a supporting impact in the view of lower expected results for the third quarter.

Forecast revision: –.

iTraxx Europe (Bp)

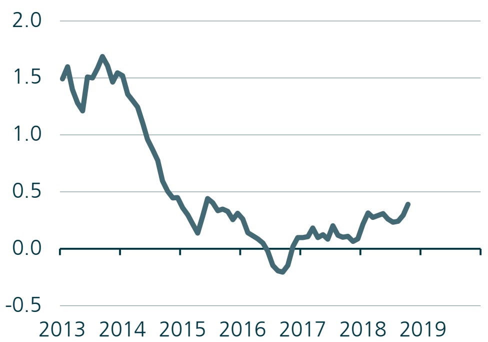


Sources: International Index Company, forecast DekaBank

Corporate bond market: Eurozone

Unease on the capital markets has been substantially enhanced by rising US interest rates, the escalating trade war, as well as various political disruptive factors. Until now corporate bonds had reacted to these risk factors with surprising composure. The trade war so far hasn't severely affected the results of major European companies, except for the automotive sector, which is also suffering from self-made problems. For this reason the upcoming company reports should again prove to be mostly positive. In view of the expected downturn in sales and margins because of the trade war the market is now likely to focus its attention more closely on future rather than current business prospects.

Covered Bonds 5y (% p.a.)



Source: Bloomberg

Covered Bonds

The development of covered bond spreads has been uneventful. However, on the secondary market risk premiums have recently widened somewhat, so that some issuers outside Germany and Finland have been offering slightly positive asset-swap spreads at the long end. The spreads of German mortgage bonds remain deep in the negative zone, but even here against the swap curve in the course of the year premiums have risen somewhat. Due to the political problems in Italy the spreads of Italian covered bonds, on the other hand, have risen sharply, even if by much less than Italian government bonds, whereby covered bond yields are 2% lower than the corresponding Governments. In view of the approaching end of the ECB's asset-purchase program at the end of the year a wave of new issues can be expected in coming weeks, which could well be accompanied by a further slight widening of spreads.

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Markets: Industrial countries

Exchange Rate EUR-USD

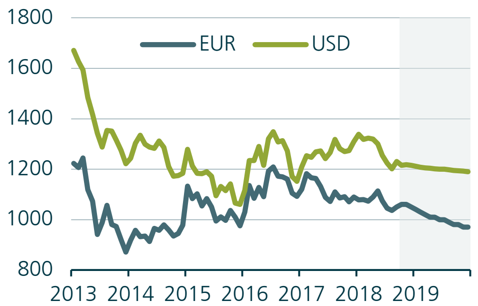
Sources: European Central Bank, forecast DekaBank

Currency market: EUR-USD

Since the beginning of September the Euro has depreciated against the US Dollar. It started the month at 1.16 EUR-USD and until the Fed's interest-rate meeting on September 26th it even appreciated towards 1.17 EUR-USD. However, with the US key-rate hike the mood turned against the Euro and by the first October week the EUR-USD exchange rate had fallen to 1.14 EUR-USD. As expected, the Fed has raised key rates to 2.00 % – 2.25 %. At his press conference after the interest-rate meeting Chairman Jerome Powell confirmed the very healthy state of the US economy and offered the prospect of further rate hikes. Moreover the US unemployment rate has fallen to 3.7 %, the lowest level since the end of the sixties. In Europe, on the other hand, the financial policy of the Italian government is spreading unease and undermining the Euro.

Forecast revision: –.

Gold price (per troy ounce)



Performance	from 30.09.12 to 30.09.13	30.09.13 30.09.14	30.09.14 30.09.15	30.09.15 30.09.16	30.09.16 30.09.17	30.09.17 30.09.18
Gold in Euro	-28.73%	-2.23%	4.08%	17.25%	-7.18%	-5.51%
Gold in USD	-25.10%	-8.74%	-7.85%	17.73%	-2.42%	-7.02%

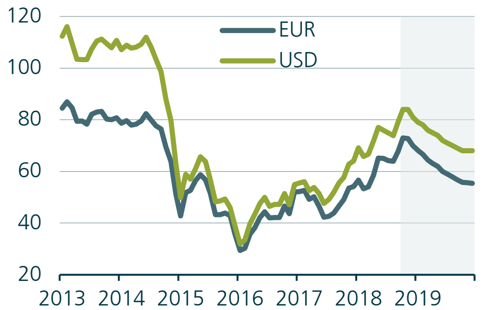
Sources: Bloomberg, forecast DekaBank

Gold

In recent weeks the gold price has reacted surprisingly little to trends on US markets. Despite a marked rise in US Treasury yields and the clear appreciation of the US dollar, both of which should have resulted in lower gold prices, the direction in which the gold price was moving was less evident. In comparison to the previous month the gold price has fallen slightly, but this slight fall conceals a gold price that has been see-sawing since the middle of September. On the one side, there is the perspective of rising policy interest rates in the US; on the other side the multitude of political risks, above all, the threat of a trade war. For the foreseeable future participants on the gold market will have to make their decisions to buy and sell in this field of tension. For this reason we expect neither a marked rise nor a marked fall in the gold price until the end of our forecasting horizon.

Forecast revision: –.

Crude Oil Brent (per barrel)



Performance	from 30.09.12 to 30.09.13	30.09.13 30.09.14	30.09.14 30.09.15	30.09.15 30.09.16	30.09.16 30.09.17	30.09.17 30.09.18
Brent in Euro	-8.24%	-6.40%	-42.30%	1.01%	11.57%	46.10%
Brent in USD	-3.58%	-12.64%	-48.91%	1.43%	17.28%	43.76%

Sources: Bloomberg, forecast DekaBank

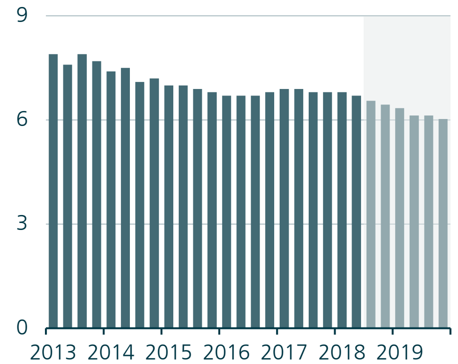
Crude oil

At the beginning of October the price of crude oil was at its highest level in four years. The rise in price can be attributed above all to the supply gap that has arisen due to the loss of Iranian oil exports. With effect from November US sanctions will be imposed in the energy sector. The production and export of Iranian oil has been on the decline since the summer months. Until it is clear how far the Iranian export gap can be filled, the oil price is bound to remain at a high level. We have therefore raised our 3-month and 6-month oil price forecasts. However, in 2019 we expect that the increased output from Russia, Saudi-Arabia and the USA – together with a weakening of global demand for oil – will suffice to bring global supply and demand into equilibrium again.

Forecast revision: Upward revision of 3-month and 6-month forecasts.

Emerging Markets

China: GDP (% yoy)



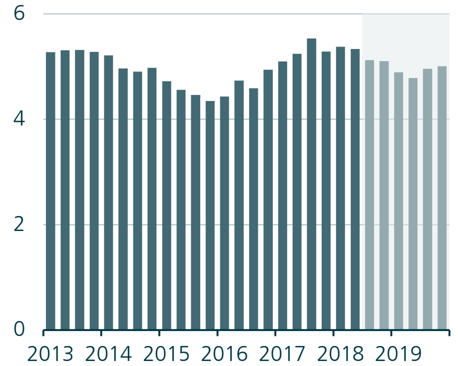
Sources: National Statistics, forecast DekaBank

China

The purchasing managers' indices for September present a mixed picture. In the manufacturing sector sentiment is cloudy, whereas values for the service sector have risen. Export orders have developed weakly, which can probably be attributed to the trade dispute with the USA. In recent weeks the fronts in this conflict have hardened and we expect the US government to carry out its threat and raise tariffs on imports in the value of USD 200 bn from 10% to 25%. The Chinese government will try to prevent a marked decline in GDP growth by stimulating domestic demand. However, this government strategy is limited by the high level of debt and the diminishing the current account surplus, so that we have revised downward our GDP growth forecast for 2019.

Forecast revision: GDP growth 2019: 6.2 % (previously 6.4 %).

Emerging Markets: GDP (% yoy)



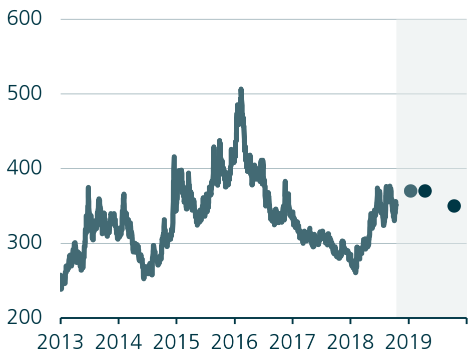
Sources: National Statistics, forecast DekaBank

Emerging Markets: Economy

The moderate downswing that has been evident in corporate sentiment in the emerging-market manufacturing sector since the beginning of the year continued in September. The major negative factors are the trade conflict and the tightening of US monetary policy. In the two crisis-ridden countries, Turkey and Argentina, the situation has recently eased somewhat. In Turkey the central bank stabilised the lira with a hefty interest-rate hike and Argentina has reached an agreement with the IMF on a top-up for their aid program. The clear lead held by the controversial but business-friendly candidate, Bolsonaro, in the first round of the Brazilian presidential election has led to a marked surge in asset prices on Brazilian financial markets.

Forecast revision: Downward revision of GDP growth forecasts for China, Turkey, Argentina, Mexico and Indonesia.

EMBIG Diversified-Spread (Bp)



Sources: Bloomberg, forecast DekaBank

Emerging Markets: Markets

The currencies that had been under great pressure during the course of the year have recently been able to recover somewhat. The key factors in this development were the result of the first round of the presidential election in Brazil, the marked interest-rate hike in Turkey and the agreement between Argentina and the IMF on a top-up for their aid program. In this environment EM domestic-currency bonds have been able to make up for part of their losses, whereas hard-currency bonds have been able to make good very little ground because of the rise in yields on the US bond market and EM equities came under pressure following the negative sentiment for US equities. We expect positions in the trade conflict to harden in the months to come and the US Fed to continue its rate-hike course. Against this backdrop we regard EM currencies' potential for recovery as limited. Even in a deteriorating economic environment EM central banks can hardly have room to ease their monetary policy, as this might lead to significant currency losses.

October / November 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	1.7	1.8	1.7	1.9	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	2.2	1.7	-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	1.5	2.8	2.6	2.6	-2.3	-1.7	-2.5
Spain	1.4	3.1	2.6	2.2	2.0	1.9	1.7	1.8	1.5	1.6	-3.1	-2.6	-1.9
Netherlands	0.7	3.0	2.8	2.1	1.3	1.6	1.6	10.1	9.8	9.5	1.1	0.7	0.9
Belgium	0.4	1.7	1.6	1.5	2.2	2.3	2.1	0.6	0.5	0.6	-1.0	-1.1	-1.3
Eurozone	**11.6**	**2.4**	**2.1**	**1.8**	**1.5**	**1.8**	**1.7**	**3.5**	**3.3**	**3.2**	**-0.9**	**-0.8**	**-0.9**
United Kingdom	2.3	1.7	1.3	1.4	2.7	2.5	2.2	-4.1	-3.5	-3.0	-1.9	-1.9	-1.6
Sweden	0.4	2.4	2.6	2.2	1.9	2.0	2.2	4.0	4.1	4.4	1.3	0.8	0.9
Denmark	0.2	2.3	1.2	1.9	1.1	0.7	1.1	7.8	7.6	7.4	1.0	-0.1	0.0
EU-22	**14.5**	**2.3**	**1.9**	**1.7**	**1.7**	**1.9**	**1.8**	**2.4**	**2.3**	**2.3**	**-1.0**	**-0.9**	**-1.0**
Poland	0.9	4.7	4.6	3.2	2.0	1.7	2.3	0.2	-0.7	-1.1	-1.7	-1.4	-1.4
Hungary	0.3	4.5	2.8	2.4	2.4	2.2	2.3	0.9	0.8	0.5	1.6	1.4	0.8
Czech Republic	0.2	4.2	4.2	2.8	2.4	3.0	3.5	2.9	2.1	1.9	-2.0	-2.4	-2.1
EU-28	**16.5**	**2.7**	**2.2**	**1.9**	**1.8**	**2.0**	**1.9**	**2.1**	**2.0**	**1.9**	**-1.0**	**-0.9**	**-1.0**
USA	15.3	2.2	2.9	2.3	2.1	2.5	2.5	-2.3	-2.5	-2.5	-4.2	-6.5	-7.0
Japan	4.3	1.7	1.0	0.8	0.5	1.1	1.8	4.0	3.5	3.0	-4.2	-3.0	-2.5
Canada	1.4	3.0	2.1	1.9	1.6	2.3	2.0	-2.9	-3.0	-3.0	-1.1	-1.0	-1.5
Australia	1.0	2.2	3.4	2.7	1.9	2.0	1.9	-2.6	-2.5	-2.5	-1.5	-1.0	-1.0
Switzerland	0.4	1.7	3.0	1.8	0.5	1.0	0.8	8.5	9.7	10.1	0.4	0.6	0.6
Norway	0.3	2.4	2.3	2.1	1.9	2.7	1.8	5.2	4.9	5.0	4.4	4.9	4.9
Developed Countries[4]	**37.3**	**2.2**	**2.3**	**1.9**	**1.7**	**2.1**	**2.1**	**0.4**	**0.2**	**0.2**	**-2.6**	**-3.4**	**-3.6**
Russia	3.2	1.5	1.8	1.5	3.7	2.9	4.8	2.2	4.1	3.9	-1.4	0.3	0.4
Turkey	1.7	7.3	3.4	0.1	11.1	16.9	20.2	-5.6	-4.8	-3.0	-1.5	-3.4	-2.9
Ukraine	0.3	2.5	3.0	2.8	14.4	10.5	8.1	-2.2	-4.0	-4.2	-1.5	-2.6	-2.5
Emerging Europe[5]	**7.5**	**3.9**	**2.9**	**1.7**	**5.5**	**6.5**	**8.0**	**-0.8**	**-0.2**	**-0.1**	**X**	**X**	**X**
South Africa	0.6	1.3	0.7	1.5	5.2	5.0	5.7	-2.6	-3.6	-3.2	-4.4	-3.6	-3.4
Middle East, Africa	**3.4**	**2.4**	**3.0**	**3.1**	**13.9**	**9.3**	**9.4**	**-0.1**	**0.3**	**0.1**	**X**	**X**	**X**
Brazil	2.5	1.0	1.1	2.1	3.4	3.7	4.3	-0.5	-1.7	-2.2	-8.0	-7.1	-5.7
Mexico	1.9	2.0	2.0	2.1	6.0	4.9	4.4	-1.7	-1.6	-1.7	-1.1	-2.3	-2.4
Argentina	0.7	2.9	-2.6	-1.3	26.5	32.9	33.3	-4.9	-3.5	-1.0	-6.0	-5.6	-3.4
Chile	0.4	1.6	4.0	2.9	2.2	2.4	3.1	-1.5	-2.0	-2.0	-2.8	-2.0	-1.6
Latin America	**7.0**	**1.1**	**0.7**	**1.7**	**6.6**	**6.9**	**7.1**	**-1.2**	**-1.1**	**-1.7**	**X**	**X**	**X**
China	18.2	6.9	6.6	6.2	1.5	2.2	2.4	1.4	0.6	0.2	-3.8	-3.6	-3.9
India	7.4	6.2	7.7	7.3	3.3	4.1	4.9	-1.5	-2.8	-2.4	-7.2	-6.6	-6.5
Indonesia	2.5	5.1	5.2	5.1	3.8	3.2	3.8	-1.7	-2.9	-3.1	-2.5	-2.6	-2.6
South Korea	1.6	3.1	2.7	2.7	1.9	1.7	2.1	5.1	4.0	5.0	1.4	1.0	0.4
Emerging Asia	**33.9**	**6.1**	**6.3**	**5.9**	**2.1**	**2.7**	**3.0**	**2.0**	**1.2**	**1.0**	**X**	**X**	**X**
Emerging Markets	**51.8**	**4.9**	**4.8**	**4.5**	**4.0**	**4.2**	**4.7**	**1.0**	**0.6**	**0.4**	**X**	**X**	**X**
Total[6]	**89.1**	**3.8**	**3.8**	**3.4**	**3.0**	**3.3**	**3.6**	**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		
		Oct 15 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	-0.29	-0.15
	12 months (EURIBOR)	-0.16	-0.14	-0.10	0.10
	Bunds, 2 years	-0.57	-0.45	-0.35	-0.20
	Bunds, 5 years	-0.11	0.05	0.15	0.30
	Bunds, 10 years	0.49	0.60	0.70	0.85
	Bunds, 30 years	1.11	1.20	1.30	1.45
USA	Monetary policy (FFR)	2.00-2.25	2.25-2.50	2.50-2.75	2.75-3.00
	3 months (LIBOR)	2.44	2.65	2.85	3.15
	12 months (LIBOR)	2.96	3.15	3.30	3.60
	US-Treasuries, 2 years	2.85	3.00	3.15	3.30
	US-Treasuries, 5 years	3.00	3.05	3.10	3.25
	US-Treasuries, 10 years	3.15	3.15	3.20	3.25
	US-Treasuries, 30 years	3.32	3.30	3.35	3.45
Japan	Monetary policy (Call)	-0.10	-0.10	-0.10	-0.10
	3 months (LIBOR)	-0.09	-0.05	-0.05	-0.05
	12 months (LIBOR)	0.12	0.15	0.15	0.15
	JGBs, 2 years	-0.11	-0.10	-0.10	-0.05
	JGBs, 5 years	-0.06	-0.05	-0.05	-0.05
	JGBs, 10 years	0.15	0.15	0.20	0.30
	JGBs, 30 years	0.91	0.90	0.90	0.95
United Kingdom	Monetary policy (Base)	0.75	0.75	0.75	1.00
	3 months (LIBOR)	0.81	0.85	0.95	1.20
	12 months (LIBOR)	1.09	1.20	1.30	1.40
	Gilts, 2 years	0.84	0.90	1.10	1.30
	Gilts, 5 years	1.20	1.30	1.50	1.60
	Gilts, 10 years	1.63	1.70	1.80	1.90
	Gilts, 30 years	2.04	2.05	2.10	2.15
Sweden	Monetary policy (Repo)	-0.50	-0.25	-0.25	0.00
	3 months (STIB)	-0.48	-0.15	-0.10	0.30
	2 years	-0.40	-0.20	0.10	0.30
	10 years	0.72	0.80	1.00	1.20
Denmark	Monetary policy (Repo)	0.05	0.05	0.05	0.10
	3 months (CIBOR)	-0.31	-0.26	-0.19	-0.05
	2 years	-0.55	-0.40	-0.25	-0.10
	10 years	0.44	0.60	0.70	0.90
Norway	Monetary policy (Deposit)	0.75	0.75	1.00	1.25
	3 months (NIBOR)	1.09	1.23	1.50	1.85
	3 years	1.32	1.40	1.50	1.80
	10 years	2.05	2.10	2.20	2.30
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)	-0.74	-0.75	-0.75	-0.67
	2 years	-0.70	-0.65	-0.45	-0.10
	10 years	0.07	0.10	0.30	0.50
Canada	Monetary policy (O/N)	1.50	2.00	2.25	2.75
	3 months (CBA)	2.10	2.30	2.45	2.85
	12 months (CBA)	2.50	2.65	2.80	3.10
	2 years	2.27	2.45	2.60	2.90
	5 years	2.39	2.50	2.65	3.00
	10 years	2.50	2.60	2.75	3.05
	30 years	2.51	2.60	2.75	3.05
Australia	Monetary policy (Cash)	1.50	1.50	1.50	1.75
	3 months (ABB)	1.94	2.00	2.05	2.20
	2 years	2.03	2.15	2.30	2.55
	10 years	2.69	2.80	2.95	3.15

Interest rates in EM countries

			Current	Forecasts		
			Oct 15 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)	1.62	1.60	1.70	1.80
		2 years	1.58	1.70	1.80	2.00
		10 years	3.24	3.30	3.40	3.50
	Czech Rep.	Monetary policy (Repo)	1.50	1.75	2.00	2.25
		3 months (PRIBOR)	1.75	1.80	2.10	2.40
		2 years	1.61	1.90	2.10	2.30
		10 years	2.15	2.30	2.50	2.80
	Hungary	Monetary policy (Deposit)	0.90	0.90	0.90	1.25
		3 months (BUBOR)	0.17	0.25	0.30	1.00
		3 years	1.89	1.90	2.00	2.30
		10 years	3.92	3.90	4.00	4.10
Latin America	Brazil	Monetary policy (Repo)	6.50	6.50	6.50	6.75
		3 months (ABG)	6.51	6.80	6.80	6.80
		2 years	8.51	8.35	8.25	8.20
		9 years	10.83	10.50	10.00	10.00
	Mexico	Monetary policy	7.75	7.75	7.75	7.50
		3 months (Mexibor)	7.86	7.80	7.50	7.30
		2 years	7.91	7.70	7.40	7.05
		10 years	8.13	7.80	7.50	7.20
Asia	China	Monetary policy	1.50	1.50	1.50	1.50
		3 months	2.80	3.00	3.10	3.20
		3 years	3.21	3.30	3.30	3.20
		10 years	3.59	3.60	3.50	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	2.04	2.00	2.00	2.10
		10 years	2.58	3.60	2.50	2.60
	South Korea	Monetary policy	1.50	1.75	1.75	2.00
		3 months	1.59	1.75	1.80	2.10
		2 years	1.98	2.20	2.30	2.30
		10 years	2.40	2.60	2.80	2.90

Yield spreads in basis points[1)]

			Current	Forecasts		
			Oct 15 2018	3 months	6 months	12 months
Emerging Markets, EMBIG Div Spreads	Central- and Eastern Europe	Russia	221	240	235	220
		Turkey	450	500	500	475
		Hungary	115	115	115	110
	Africa	South Africa	328	350	350	330
	Latin America	Brazil	259	270	270	260
		Chile	127	130	130	120
		Columbia	180	180	180	170
		Mexico	260	275	275	260
	Asia	China	130	140	140	130
		Indonesia	201	210	210	200
		Philippines	108	115	115	105
	Total (EMBIG Div)		**351**	**370**	**370**	**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		
		Oct 15 2018	3 months	6 months	12 months
Dollar-Bloc	EUR-USD	1.16	1.16	1.19	1.22
	EUR-CAD	1.51	1.48	1.51	1.54
	EUR-AUD	1.62	1.61	1.63	1.63
Japan	EUR-JPY	129.34	129.92	133.28	136.64
Euro-Outs	EUR-GBP	0.88	0.87	0.85	0.86
	EUR-DKK	7.46	7.45	7.45	7.45
	EUR-SEK	10.39	10.30	10.10	9.90
	EUR-CHF	1.14	1.15	1.17	1.20
	EUR-NOK	9.45	9.40	9.30	9.20
Central- and Eastern Europe	EUR-PLN	4.29	4.30	4.30	4.20
	EUR-HUF	323.82	325.00	320.00	315.00
	EUR-CZK	25.80	25.60	25.50	25.40
Africa	EUR-ZAR	16.73	17.40	17.85	18.54
Latin America	EUR-BRL	4.37	4.52	4.76	4.88
	EUR-MXN	21.80	22.04	23.21	24.40
Asia	EUR-CNY	8.01	8.12	8.45	8.78
	EUR-SGD	1.59	1.59	1.62	1.63
	EUR-KRW	1311	1311	1357	1403
US-Dollar		**Current**	**Forecasts**		
		Oct 15 2018	**3 months**	**6 months**	**12 months**
Dollar-Bloc	USD-CAD	1.30	1.28	1.27	1.26
	AUD-USD	0.71	0.72	0.73	0.75
Japan	USD-JPY	111.87	112.00	112.00	112.00
Euro-Outs	GBP-USD	1.31	1.33	1.40	1.42
	USD-DKK	6.45	6.42	6.26	6.11
	USD-SEK	8.99	8.88	8.49	8.11
	USD-CHF	0.99	0.99	0.98	0.98
	USD-NOK	8.17	8.10	7.82	7.54
Central- and Eastern Europe	USD-PLN	3.71	3.71	3.61	3.44
	USD-HUF	280.03	280.17	268.91	258.20
	USD-CZK	22.31	22.07	21.43	20.82
Africa	USD-ZAR	14.47	15.00	15.00	15.20
Latin America	USD-BRL	3.78	3.90	4.00	4.00
	USD-MXN	18.86	19.00	19.50	20.00
Asia	USD-CNY	6.93	7.00	7.10	7.20
	USD-SGD	1.38	1.37	1.36	1.34
	USD-KRW	1134	1130	1140	1150

Commodities

Commodity	Current	Forecasts		
	Oct 15 2018	3 months	6 months	12 months
Gold (USD per troy ounce)	1,224.35	1,212	1,204	1,194
Gold (EUR per troy ounce)	1,058.85	1,040	1,010	980
WTI crude (USD per Barrel)	71.34	73	69	62
WTI crude (EUR per Barrel)	61.70	63	58	51
Brent crude (USD per Barrel)	81.63	79	75	68
Brent crude (EUR per Barrel)	70.60	68	63	56

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