Macro Research

Economic Forecasts

June / July 2017

Tension instead of the usual summer break.

For the British Prime Minister Theresa May the stakes were high and she lost. In early parliamentary elections the Conservative Party („Tories") forfeited its majority in the House of Commons and will now be obliged to attempt to lead a minority government under sufferance of the North Irish DUP (Democratic Unionist Party). However, even this new risk factor could not upset the optimistic sentiment prevailing on financial markets. After all the excitement of the first months of the year stock markets have been able to breathe a sigh of relief. At the beginning of June the DAX registered a new all-time high, volatility on the markets sank to very low levels, companies are now in the best of moods and corporate profits are booming.

DAX in record mood

Source: Macrobond, DekaBank

With our eyes on the main scenario for the months to come, we might be tempted to say,"So far, so good": moderate growth, slightly rising inflation rates and a gradual exit from ultra-loose monetary policy, together with a positive outlook for the equity market. However, the distractions and possible candidates to fill the summer break are many: after the troublesome British parliamentary elections we are now getting right down to business with the Brexit negotiations. Both the German parliamentary elections, the early referendum in Austria and possibly one in Italy as well are already casting political risk shadows. Moreover, US President Trump has still to push through his legislation on health care and corporate tax reform.

At the moment the prevailing mood on the markets and in companies is of relief that the many risks have so far failed to materialise and of hope that this state of affairs will continue. Against this backdrop it is essential that the Fed and the ECB continue to follow their respective communicated courses and thereby radiate sufficient confidence. In the case of the Fed the next steps are a key-rate hike in June and a start to reducing the central bank's balance sheet by the end of the year; in autumn the ECB should lay out in more concrete terms the plans for reducing its asset-purchase program in the coming year.

In this scenario it would be naive to expect economic indicators to always confirm our picture of modest growth. It would be equally naive to suppose that the markets would follow the monetary course laid down by the Fed and the ECB willingly and without hesitation, if only because in the infamous summer break even the most innocuous issues can trigger massive speculation. The trading floors are emptier and it is the silly season for the media, for the leading politicians are all on holiday. There is thus ample scope in the months to come for stronger market fluctuations, even if our basic picture remains unchanged.

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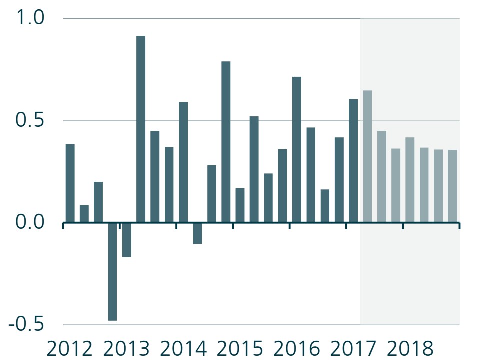
Most important forecast revisions changes

- Germany: inflation 2017: 1.7 % (previously 1.8 %).
- Euro zone: GDP growth 2017: 1.9 % (previously 1.8 %). Inflation 2017: 1.6 % (previously 1.7 %).
- USA: GDP growth 2017: 2.4 % (previously 2.2 %); Inflation 2017: 2.3 % (previously 2.4 %).
- Upward revision of 6-month DAX forecast.
- Revision of growth forecasts for India, Brazil and South Korea.

Economy: Industrial countries

Germany: GDP (% qoq, sa)



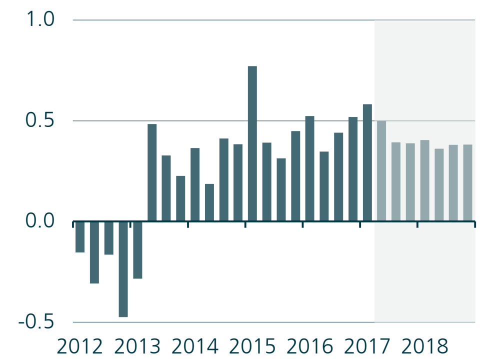
Sources: Destatis, forecast DekaBank

Germany

Were we to take the indicators of market sentiment as our benchmark, we would now be living in the best of all possible times. The ifo business climate index, for example, is at an all-time high. But let's be honest: the economy may be in good shape, but it is not breaking records. It should not, therefore, come as a surprise if in the months to come, despite good economic data, indicators of market sentiment prove to be falling, i.e. returning to normal levels. This would not be the beginning of the end, but would mean a little less euphoria and bring us somewhat closer to reality. In May the rate of inflation fell to 1.4% (April: 2%) and, once the pressure from energy prices has fallen away, it should remain at this low level in the months to come.

Forecast revision: inflation 2017: 1.7 % (previously 1.8 %).

Eurozone: GDP (% qoq, sa)



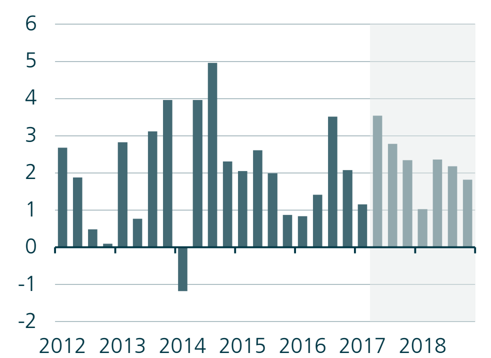
Sources: Eurostat, forecast DekaBank

Eurozone

In the first quarter Euro zone GDP increased by 0.6% against the preceding quarter. This economic growth had a broad basis comprising both private and public consumption, as well as dynamic investment activity. Economic growth has been held back, however, by the weak performance of foreign trade. The most important indicators of market sentiment point to the continuation of a comparatively high level of economic growth. Moreover, there have been positive developments on the labour market. In April the Euro zone unemployment rate was 9.3%, the lowest level since March 2009. Among the four EMU heavyweights Germany has the lowest unemployment rate with 3.9%, whereas Spain with 17.8% has the highest rate.

Forecast revision: GDP growth 2017: 1.9 % (previously 1.8 %); inflation rate 2017: 1.6 % (previously 1.7 %).

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



Sources: Bureau of Economic Analysis, forecast DekaBank

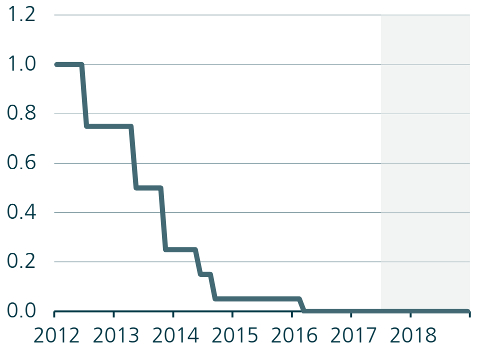
USA

After a weak start to the year the US economy seems to have gained momentum again in the second quarter. The growth of private consumption in particular will probably prove substantially higher than in the previous quarter. With some 140,000 new jobs the labour market report for May was weaker than expected. However, with an unemployment rate of 4.3% higher levels of job creation are hardly possible - the supply of labour is simply insufficient. The respective growth of wages must increase accordingly, which has so far been reflected in the wage statistics of only very few sectors. With respect to the planned tax reform there has been little progress made, as agreement still has to be reached in Congress on changes to the health care reform.

Forecast revision: GDP growth 2017: 2.4 % (previously 2.2 %); inflation rate 2017: 2.3 % (previously 2.4 %).

Markets: Industrial countries

ECB: Repo Rate (% p.a.)



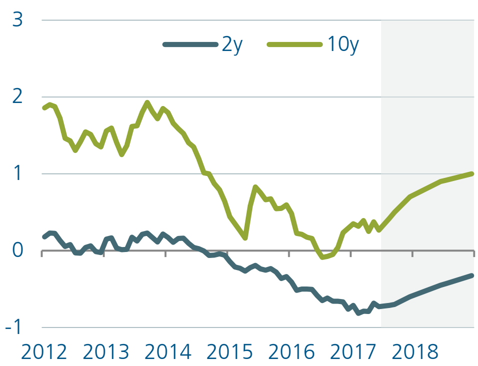
Sources: European Central Bank, forecast DekaBank

The European Central Bank / Money market

In its latest macroeconomic projections the ECB assumes that economic growth will be somewhat stronger, whilst the growth of inflation will be slower. In this context President Draghi stressed that he regards a continuation of the ECB's expansive monetary policy as necessary. Although the ECB no longer sees the risks for economic growth on the downside and no longer talks of potential further lowering of key rates, for the time being we do not expect any reference to an imminent change of course. Only in the autumn is the ECB likely to announce its intention to wind down asset purchases step by step in the coming year. Scarcity restrictions do not permit it to continue its purchases, especially of government bonds. In order to limit the impact of this withdrawal on the market, it will stress its intention to put key rates on hold for some time to come. The ECB is only expected to raise its deposit rate in the middle of 2019 and EONIA and EURIBOR rates will rise at a correspondingly slow rate.

Forecast revision: –.

German Bond Yield (% p.a.)



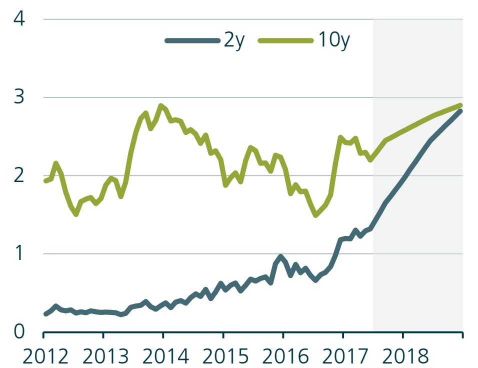
Sources: Bloomberg, forecast DekaBank

Eurozone bond market

At its meeting in June the ECB reaffirmed its intention to continue its very expansive monetary course. However, in view of the increasing scarcity especially of Bunds we continue to assume that in the course of the coming year it will wind down its asset purchases step by step. An announcement to this effect can be expected in the autumn, providing that core inflation has increased somewhat by then. At the same time the ECB will probably put key rates on hold for some time, in order to limit the impact of the withdrawal on the government bond markets of peripheral countries. Initially this should fix the yields of short-term Bunds at very low levels, whereas in the case of longer maturities modest rises can be expected.

Forecast revision: –.

US Bond Yield (% p.a.)



Sources: Bloomberg, forecast DekaBank

US bond market

The minutes of the interest rate meeting in May published by the FOMC provided information on the pending reduction of the balance sheet. At the beginning of 2018 the Fed will probably begin not to reinvest a fixed amount of maturing bonds. This initially relatively small monthly amount will then be slowly raised at subsequent key-rate meetings. By the period between the autumn of 2021 and the spring of 2022 the Fed's balance sheet should have reached an adequate level again. Despite increased tightening of monetary policy the yields of US government bonds have remained relatively low due to lower inflation expectations.

Forecast revision: shifting of key-rate hikes in 2018: rate hikes now in March, June and December (previously June, September and December).

Markets: Industrial countries

Equity Market Forecast

	Current Jun 9, 17	in 3	in 6 months	in 12
DAX	**12 815.72**	**12 500**	**13 000**	**11 800**
Reporting:				
EuroStoxx50	3 586.07	3 600	3 650	3 300
S&P 500	2 431.77	2 400	2 400	2 200
Topix	1 591.66	1 600	1 600	1 400

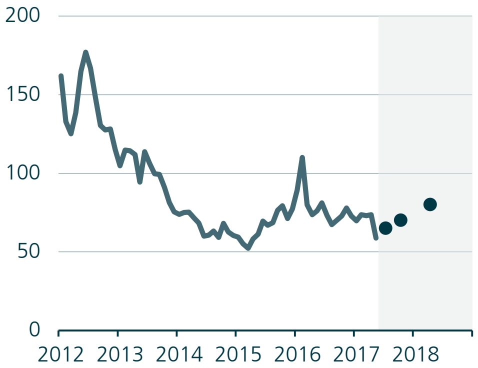
Sources: Deutsche Börse AG, forecast DekaBank

Equity market: Germany

This year and in the coming year the global economy is expected to expand at a growth rate of 3.5%. For German companies, which are heavily dependent on global demand, this is a positive environment and companies' business expectations are correspondingly bullish. The ifo business climate index has now risen to an all-time high. Despite the positive development of the economy there are no inflation pressures, which means that central banks can proceed with the normalisation of their monetary policy without haste. Accordingly, the positive environment for the equity market will presumably extend into the second half of the year, which has prompted us to raise our forecast for the end of 2017. Our recommendation to continue to invest in the equity market thus still holds good. After the favourable development of valuations the equity market's friendly environment has also been reflected in equity prices, so that price rises have been limited and investors must expect regularly recurring corrections.

Forecast revision: upward revision of the 6-month forecast.

iTraxx Europe (Bp)

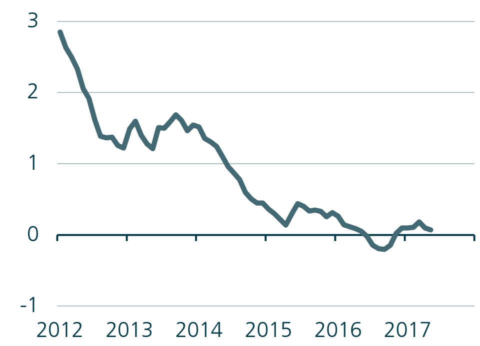


Sources: International Index Company, forecast DekaBank

Corporate bond market: Eurozone

The current business environment is almost ideal for corporate bonds. The economy is booming, the indicators of market sentiment are splendid and quarterly results could hardly be better. Admittedly, there are various political adverse factors, but the credit markets refuse to be influenced - after all, the ECB is continuing to make every effort to underpin the markets and in particular corporates. There is, however, evidence of some stress in the financial sector. The settlement mechanism of the Spanish Banco Popular has only taken effect after the introduction of new regulations. For the bearers of subordinate bonds this meant a total loss, whereas senior bonds benefited from the measure. Somewhat bewildering, however, are the special regulations that Italy is claiming for banks weakened by bad loans.

Covered Bonds 5y (% p.a.)



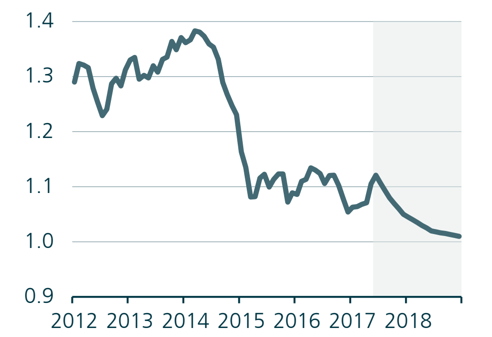
Source: Bloomberg

Covered Bonds

In May there was a renewed surge in new issues of covered bonds. Nevertheless, the total number of new issues in the current year is still below the level at this point in 2016, whereby the ECB finds it ever more difficult to raise the desired volume of purchases. This holds above all for Spanish addresses, as these have hardly figured in any new issues. As a consequence, central bankers have helped themselves more aggressively on the secondary market and lowered the spreads for Spanish covered bonds by more than those from other Euro zone countries. A further complicating factor is that the current portfolio is increasingly reduced by maturities and must be replaced with reinvestments. Meanwhile, central banks hold one-third of all relevant benchmark bonds and spend half of their purchases on reinvestment. Risk premiums for covered bonds should therefore remain at a low level for some considerable time to come.

Markets: Industrial countries

Exchange Rate EUR-USD



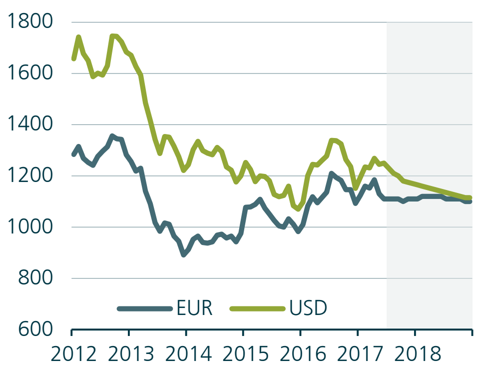
Sources: European Central Bank, forecast DekaBank

Currency market: EUR-USD

At the end of May the Euro rose to 1.12 EUR-USD against the US dollar, its highest level of the year, having started May at 1,09 EUR-USD. However, we do not believe that this signals the end of the Euro's weakness. As in the previous 12 months, it continues to move within a band ranging from 1.03 EUR-USD to 1.16 EUR-USD. The Euro has recently benefited from a narrowing of the US interest-rate advantage over the Euro zone on capital markets as a result in particular of falling inflation expectations. Moreover, the Euro has been underpinned by sound economic data, including good news from the labour market: in April the Euro zone unemployment rate fell to 9.3%, the lowest level since March 2009.

Forecast revision: –.

Gold price (per troy ounce)



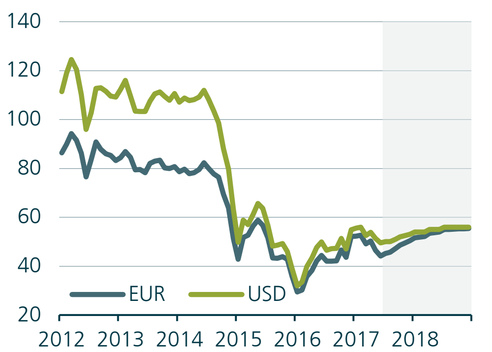
Sources: Bloomberg, forecast DekaBank

Gold

Since the middle of May the price of gold has risen steadily and has meanwhile reached USD1,300 per fine ounce, its highest level for at least six months. The rise in the price of gold since the beginning of 2017 can be attributed above all to falling US interest rates. Expectations with respect to the new US President's economic policy initially led to a marked rise in inflation expectations at the end of 2016 and therewith to a substantial rise in bond yields. Subsequent disenchantment has underpinned the gold price and inflows in exchange-traded bonds backed by physical metal (ETFs) have become stronger again. These developments have been accompanied by investors' concerns over terror attacks in London and Teheran, as well as the Qatar crisis. In view of our forecast of a tendency for real interest rates to rise, we continue to predict a slight fall in the price of gold in coming quarters.

Forecast revision: –.

Crude Oil Brent (per barrel)



Sources: Bloomberg, forecast DekaBank

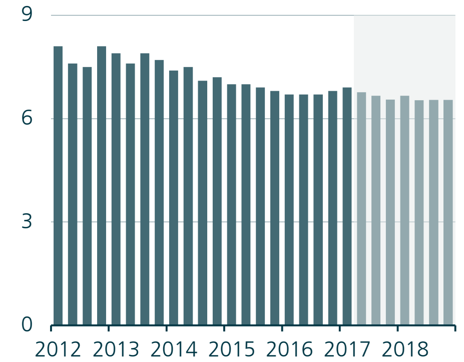
Crude oil

In the run-up to the OPEC meeting on May 25th the price of crude oil rose, as there were increasing signs that the OPEC members would prolong their agreement on capping output. In the days following the decision to cut production for another nine months (until March 2018) the oil price did not rise. On the contrary, in the first half of June WTI and Brent cost less than USD 50 per barrel. This underscores the fact that at the moment OPEC can exert hardly any lasting influence on the oil price.As long as there is a global oversupply of oil and the USA continues to increase its output, OPEC will be unable to achieve a sustained rise in the price of oil despite its production cuts. Only when global oil stocks have been slowly reduced in the course of the year are the prices of WTI and Brent likely to rise above USD 50 per barrel.

Forecast revision: –.

Emerging Markets

China: GDP (% yoy)



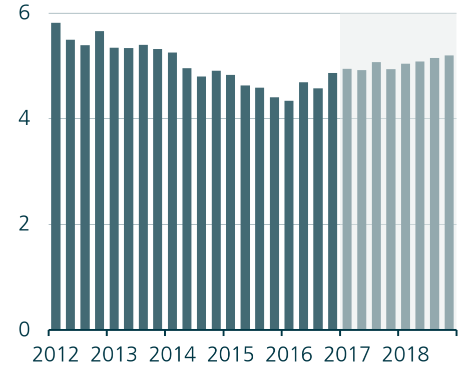
Sources: National Statistics, forecast DekaBank

China

The purchasing managers' indices present a mixed picture: the Caixin PMI for the manufacturing sector fell by 0.7 index points, whereas the indices for the service sector rose. The figures for foreign trade were also at a sound level. All in all, there is likely to be a modest slowing of the rate of GDP growth, so that for 2017 we expect growth of 6.7%. The Chinese central bank continues to hold money market liquidity tight, in order to limit speculative business in the so-called shadow banking market. Higher money market rates have contributed to strengthening the renminbi against the US dollar. Currency reserves have risen since January by more than USD 50bn to USD 3.05 trillion. In view of the stable economic development a marked depreciation of the renminbi in the current year is highly unlikely.

Forecast revision: –.

Emerging Markets: GDP (% yoy)



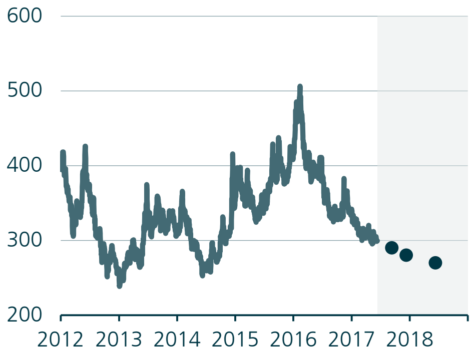
Sources: National Statistics, forecast DekaBank

Emerging Markets: Economy

Most of the economies of the emerging-market countries prospered in the first quarter. The most impressive performance came from the central European countries, which benefited from EU investment and solid private consumption. Brazil emerged from recession with GDP growth of 1.0% against the previous quarter. Asia's development has been good on the whole, but India has suffered more acutely from the impact of its currency reform. In politics attention has been focused on the risks: Brazil has been plunged once again into a governmental crisis by accusations of corruption against President Temer. On the Arabian peninsula Qatar has become increasingly isolated both politically and economically following accusations of providing support for terror groups.

Forecast revision: upward revision of GDP growth forecasts for Brazil and the central European countries. Downward revision of the forecasts for India and South Africa.

EMBIG-Spread (Bp)



Sources: Bloomberg, forecast DekaBank

Emerging Markets: Markets

The positive sentiment towards EM equities and bonds has remained intact. The markets are currently being driven by strong global economic growth and at the same time by falling yields in industrial countries. The US Fed may have remained on course with respect to raising interest rates, but wage and inflation increases have remained below expectations. At the same time, a substantial economic package capable of raising the rate of inflation now seems less likely than at the beginning of the year, given President Trump's political weakness. Brazil has been plunged once again into a governmental crisis by accusations of corruption against President Temer, which has resulted in markdowns on Brazilian investments. However, vital projects such as the pensions reform are progressing, so that so far uncertainty has been kept within limits and other emerging-market countries have hardly suffered any negative impact. Qatar's isolation by its neighbours has made the situation on the Arabian peninsula even more confusing, but supplies of gas from Qatar and therewith its financial stability do not appear to be in danger.

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					
		2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Germany	3.3	1.9	1.6	1.6	0.4	1.7	1.7	8.3	8.3	8.0	0.8	0.4	0.4
France	2.3	1.1	1.5	1.4	0.3	1.2	1.5	-0.9	-1.0	-1.1	-3.4	-2.9	-3.1
Italy	1.9	1.0	1.3	1.1	-0.1	1.5	1.4	2.6	1.9	1.7	-2.4	-2.4	-2.4
Spain	1.4	3.2	2.8	2.2	-0.3	2.2	1.7	2.0	1.6	1.6	-4.5	-3.5	-2.9
Netherlands	0.7	2.1	2.0	1.6	0.1	1.1	1.6	8.4	7.9	7.6	0.4	0.2	0.3
Belgium	0.4	1.2	1.5	1.3	1.8	2.4	2.2	-0.4	0.1	0.2	-2.6	-2.2	-2.3
Eurozone	**11.8**	**1.8**	**1.9**	**1.6**	**0.2**	**1.6**	**1.6**	**3.3**	**3.2**	**3.1**	**-1.5**	**-1.5**	**-1.4**
United Kingdom	2.3	1.8	1.4	1.2	0.7	2.5	2.7	-4.4	-3.9	-3.2	-3.0	-3.0	-2.3
Sweden	0.4	2.9	2.2	2.1	1.1	1.9	1.7	4.9	5.2	5.4	0.9	0.4	0.7
Denmark	0.2	1.3	1.9	1.6	0.0	1.2	1.8	8.1	7.8	7.7	-0.9	-1.3	-0.9
EU-22	**14.7**	**1.8**	**1.8**	**1.5**	**0.3**	**1.7**	**1.8**	**2.2**	**2.2**	**2.2**	**-1.7**	**-1.7**	**-1.5**
Poland	0.9	2.7	3.5	3.0	-0.6	1.8	1.8	-0.3	-1.0	-1.3	-2.4	-2.9	-2.9
Hungary	0.2	1.8	3.1	2.9	0.4	2.5	3.1	4.9	3.9	2.5	-1.8	-2.3	-2.4
Czech Republic	0.3	2.3	2.7	2.6	0.7	2.0	2.2	1.1	0.9	0.5	0.6	0.3	0.1
EU-28	**16.7**	**2.0**	**2.0**	**1.7**	**0.2**	**1.7**	**1.8**	**1.9**	**1.9**	**1.9**	**-1.7**	**-1.8**	**-1.6**
USA	15.5	1.6	2.4	2.1	1.3	2.3	2.6	-2.6	-3.0	-3.0	-5.0	-4.5	-4.5
Japan	4.4	1.0	1.3	1.1	-0.1	0.6	1.1	3.7	4.0	3.5	-4.2	-5.0	-5.0
Canada	1.4	1.5	2.7	1.9	1.4	1.9	2.4	-3.3	-2.5	-3.0	-1.9	-2.0	-2.0
Australia	1.0	2.5	2.2	2.4	1.3	2.1	2.0	-2.6	-2.0	-1.5	-2.4	-2.5	-2.5
Switzerland	0.4	1.3	1.3	1.7	-0.4	0.5	0.5	12.7	12.6	12.9	0.2	0.4	0.5
Norway	0.3	0.8	1.7	2.0	3.6	2.1	1.3	4.9	4.6	4.3	3.1	3.6	4.0
Developed Countries[4]	**37.8**	**1.6**	**2.0**	**1.8**	**0.7**	**1.8**	**2.1**	**0.2**	**0.1**	**0.1**	**-3.3**	**-3.2**	**-3.1**
Russia	3.2	-0.2	1.2	1.4	7.1	4.2	4.3	2.0	3.4	3.1	-3.4	-2.2	-1.5
Turkey	1.7	3.0	3.8	2.1	8.0	10.1	7.8	-3.8	-4.3	-4.0	-1.1	-2.1	-2.4
Ukraine	0.3	2.3	2.0	2.6	13.9	13.0	7.6	-1.5	-2.1	-1.9	-2.2	-3.1	-2.8
Emerging Europe[5]	**7.5**	**1.5**	**2.5**	**2.1**	**5.9**	**5.4**	**4.8**	**-0.6**	**-0.1**	**-0.3**	**X**	**X**	**X**
South Africa	0.6	0.3	0.7	1.3	6.6	5.6	5.4	-3.3	-4.0	-4.7	-3.4	-3.1	-2.8
Middle East, Africa	**3.4**	**1.5**	**2.2**	**2.9**	**9.6**	**12.5**	**10.1**	**-2.4**	**-1.7**	**-1.2**	**X**	**X**	**X**
Brazil	2.6	-3.6	0.8	2.0	8.7	4.3	4.5	-1.3	-1.3	-2.3	-6.4	-7.7	-5.9
Mexico	1.9	2.1	2.2	2.1	2.8	5.2	3.6	-2.7	-2.9	-2.8	-2.6	-2.4	-2.5
Argentina	0.7	-2.3	2.6	3.6	41.4	26.2	14.3	-2.6	-1.3	-1.2	-5.9	-5.7	-5.0
Chile	0.4	1.5	1.5	2.5	3.8	3.0	2.8	-1.4	-1.4	-1.2	-2.7	-2.1	-1.8
Latin America	**7.2**	**-1.2**	**1.2**	**2.0**	**9.7**	**6.7**	**4.9**	**-2.1**	**-1.8**	**-2.1**	**X**	**X**	**X**
China	17.8	6.7	6.7	6.6	2.0	1.8	2.7	1.7	1.5	2.0	-3.9	-4.0	-4.5
India	7.2	7.9	7.0	7.7	5.0	3.5	4.8	-0.5	-1.1	-1.4	-3.5	-3.2	-3.2
Indonesia	2.5	5.0	5.2	5.7	3.5	4.5	4.9	-1.8	-1.6	-1.8	-2.5	-2.2	-2.3
South Korea	1.6	2.8	2.8	2.6	1.0	1.9	2.0	7.0	6.0	5.3	1.0	-0.5	-1.3
Emerging Asia	**33.2**	**6.3**	**6.1**	**6.2**	**2.6**	**2.3**	**3.1**	**2.5**	**2.3**	**2.4**	**X**	**X**	**X**
Emerging Markets	**51.3**	**4.2**	**4.6**	**4.8**	**4.5**	**4.1**	**4.1**	**1.1**	**1.1**	**1.1**	**X**	**X**	**X**
Total[6]	**89.1**	**3.1**	**3.5**	**3.5**	**2.9**	**3.1**	**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		
		Jun 12 2017	3 months	6 months	12 months
Germany	Monetary policy (Refi)	0.00	0.00	0.00	0.00
	3 months (EURIBOR)	-0.33	-0.33	-0.33	-0.32
	12 months (EURIBOR)	-0.15	-0.14	-0.12	-0.08
	Bunds, 2 years	-0.73	-0.70	-0.60	-0.45
	Bunds, 5 years	-0.46	-0.30	-0.20	0.00
	Bunds, 10 years	0.25	0.50	0.70	0.90
	Bunds, 30 years	1.11	1.30	1.50	1.70
USA	Monetary policy (FFR)	0,75-1,00	1,25-1,50	1,25-1,50	1,75-2,00
	3 months (LIBOR)	1.24	1.45	1.60	1.95
	12 months (LIBOR)	1.73	2.05	2.20	2.50
	US-Treasuries, 2 years	1.34	1.65	1.90	2.45
	US-Treasuries, 5 years	1.77	2.10	2.30	2.60
	US-Treasuries, 10 years	2.21	2.45	2.55	2.75
	US-Treasuries, 30 years	2.86	3.10	3.20	3.35
Japan	Monetary policy (Call)	-0.10	-0.10	-0.10	-0.10
	3 months (LIBOR)	-0.01	0.00	0.00	0.00
	12 months (LIBOR)	0.13	0.15	0.15	0.15
	JGBs, 2 years	-0.11	-0.15	-0.15	-0.15
	JGBs, 5 years	-0.07	-0.10	-0.10	-0.10
	JGBs, 10 years	0.06	0.05	0.05	0.10
	JGBs, 30 years	0.83	0.85	0.85	0.85
United Kingdom	Monetary policy (Base)	0.25	0.25	0.25	0.25
	3 months (LIBOR)	0.29	0.30	0.35	0.50
	12 months (LIBOR)	0.62	0.70	0.80	1.00
	Gilts, 2 years	0.09	0.20	0.30	0.40
	Gilts, 5 years	0.41	0.60	0.80	1.10
	Gilts, 10 years	0.98	1.20	1.40	1.70
	Gilts, 30 years	1.68	1.75	1.85	2.00
Sweden	Monetary policy (Repo)	-0.50	-0.50	-0.50	-0.50
	3 months (STIB)	-0.52	-0.50	-0.50	-0.30
	2 years	-0.73	-0.60	-0.40	-0.10
	10 years	0.40	0.70	1.00	1.20
Denmark	Monetary policy (Repo)	0.05	0.05	0.05	0.05
	3 months (CIBOR)	-0.22	-0.23	-0.23	-0.22
	2 years	-0.58	-0.55	-0.45	-0.25
	10 years	0.50	0.80	1.00	1.10
Norway	Monetary policy (Deposit)	0.50	0.50	0.50	0.50
	3 months (NIBOR)	0.89	0.90	1.00	1.00
	3 years	0.60	0.60	0.70	0.80
	10 years	1.47	1.70	1.80	2.00
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	-0.75
	2 years	-0.89	-0.85	-0.80	-0.75
	10 years	-0.18	-0.10	0.10	0.30
Canada	Monetary policy (O/N)	0.50	0.50	0.50	0.75
	3 months (CBA)	0.89	0.90	0.90	1.00
	12 months (CBA)	1.20	1.25	1.25	1.45
	2 years	0.74	0.80	0.95	1.30
	5 years	0.95	1.25	1.35	1.65
	10 years	1.42	1.65	1.75	1.95
	30 years	2.03	2.30	2.40	2.60
Australia	Monetary policy (Cash)	1.50	1.50	1.50	1.50
	3 months (ABB)	1.73	1.75	1.75	1.80
	2 years	1.61	1.75	1.85	2.15
	10 years	2.40	2.65	2.70	2.90

Interest rates in EM countries

			Current	Forecasts		
			Jun 12 2017	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)	1.63	1.60	1.70	1.90
		2 years	1.90	2.00	2.10	2.30
		10 years	3.15	3.30	3.50	3.90
	Czech Rep.	Monetary policy (Repo)	0.05	0.05	0.05	0.25
		3 months (PRIBOR)	0.30	0.30	0.30	0.40
		2 years	-0.24	-0.20	0.10	0.40
		10 years	0.87	0.90	1.10	1.20
	Hungary	Monetary policy (Deposit)	0.90	0.90	0.90	1.05
		3 months (BUBOR)	0.15	0.20	0.30	0.50
		3 years	0.78	0.90	1.00	1.30
		10 years	2.99	3.10	3.30	3.40
Latin America	Brazil	Monetary policy (Repo)	10.25	9.75	9.00	8.50
		3 months (ABG)	9.66	9.38	8.90	8.55
		2 years	9.48	9.50	9.00	8.70
		9 years	10.87	10.40	9.40	9.00
	Mexico	Monetary policy	6.75	6.75	6.75	6.50
		3 months (Mexibor)	7.27	6.80	6.50	6.50
		2 years	7.09	6.80	6.70	6.60
		10 years	7.12	7.30	7.30	7.30
Asia	China	Monetary policy	1.50	1.50	1.50	1.50
		3 months	4.78	4.20	4.00	4.00
		2 years	2.75	2.90	3.00	3.10
		10 years	3.60	3.70	3.70	3.80
	Singapore	Monetary policy	#NV	n.a.	n.a.	n.a.
		3 months	0.99	1.00	0.90	1.00
		2 years	1.26	1.40	1.50	1.60
		10 years	2.14	2.20	2.30	2.50
	South Korea	Monetary policy	1.25	1.25	1.25	1.25
		3 months	1.29	1.30	1.30	1.50
		2 years	1.62	1.70	1.80	1.90
		10 years	2.22	2.30	2.40	2.50

Yield spreads in basis points[1)]

			Current	Forecasts		
			Jun 12 2017	3 months	6 months	12 months
Emerging Markets, EMBIG Div Spreads	Central- and Eastern Europe	Russia	162	155	155	145
		Turkey	290	280	280	260
		Hungary	117	115	115	105
	Africa	South Africa	260	250	250	235
	Latin America	Brazil	280	270	270	255
		Chile	130	125	125	120
		Columbia	187	180	180	170
		Mexico	240	235	235	220
		Venezuela	2378	2300	2300	2150
	Asia	China	118	115	115	105
		Indonesia	189	185	185	170
		Philippines	98	95	95	90
	Total (EMBIG Div)		**300**	**290**	**290**	**270**

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		
		Jun 12 2017	3 months	6 months	12 months
Dollar-Bloc	EUR-USD	1.12	1.08	1.05	1.02
	EUR-CAD	1.51	1.51	1.49	1.47
	EUR-AUD	1.49	1.50	1.48	1.46
Japan	EUR-JPY	123.28	123.12	122.85	122.40
Euro-Outs	EUR-GBP	0.89	0.88	0.90	0.87
	EUR-DKK	7.44	7.44	7.44	7.44
	EUR-SEK	9.78	9.50	9.40	9.20
	EUR-CHF	1.09	1.09	1.09	1.11
	EUR-NOK	9.50	9.20	9.00	8.80
Central- and Eastern Europe	EUR-PLN	4.19	4.20	4.20	4.20
	EUR-HUF	307.21	310.00	315.00	310.00
	EUR-CZK	26.20	26.50	26.00	26.00
Africa	EUR-ZAR	14.38	15.66	15.23	15.30
Latin America	EUR-BRL	3.68	3.46	3.36	3.47
	EUR-MXN	20.40	20.52	21.00	20.40
Asia	EUR-CNY	7.63	7.45	7.35	7.24
	EUR-SGD	1.55	1.51	1.49	1.46
	EUR-KRW	1270	1220	1197	1173
US-Dollar		**Current**	**Forecasts**		
		Jun 12 2017	**3 months**	**6 months**	**12 months**
Dollar-Bloc	USD-CAD	1.34	1.40	1.42	1.44
	AUD-USD	0.75	0.72	0.71	0.70
Japan	USD-JPY	109.86	114.00	117.00	120.00
Euro-Outs	GBP-USD	1.27	1.23	1.17	1.17
	USD-DKK	6.63	6.89	7.09	7.29
	USD-SEK	8.72	8.80	8.95	9.02
	USD-CHF	0.97	1.01	1.04	1.09
	USD-NOK	8.47	8.52	8.57	8.63
Central- and Eastern Europe	USD-PLN	3.73	3.89	4.00	4.12
	USD-HUF	273.78	287.04	300.00	303.92
	USD-CZK	23.34	24.54	24.76	25.49
Africa	USD-ZAR	12.81	14.50	14.50	15.00
Latin America	USD-BRL	3.28	3.20	3.20	3.40
	USD-MXN	18.18	19.00	20.00	20.00
Asia	USD-CNY	6.80	6.90	7.00	7.10
	USD-SGD	1.38	1.40	1.42	1.43
	USD-KRW	1132	1130	1140	1150

Commodities

Commodity	Current	Forecasts		
	Jun 12 2017	3 months	6 months	12 months
Gold (USD per troy ounce)	1,267.68	1,200	1,170	1,135
Gold (EUR per troy ounce)	1,129.74	1,110	1,110	1,110
WTI crude (USD per Barrel)	45.83	50	52	55
WTI crude (EUR per Barrel)	40.84	46	50	54
Brent crude (USD per Barrel)	48.21	51	53	56
Brent crude (EUR per Barrel)	42.96	47	50	55

June / July 2017 **Makro Research**

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