Macro Research
Economic Forecasts

August / September 2017

The curtain rises for the next act

Source: Adobe Stock, DekaBank

This year, the capital market audience already had a lot to take in but mostly in a positive sense. Investors in equity have made a clear profit. All in all, the macroeconomic performance has been very promising and global growth has been in step, with sufficient and stable rates of growth. Whilst economies' capacity utilisation is on the rise, unemployment levels are falling almost everywhere. Government deficits have been reduced, albeit only marginally. Corporate profits are buoyant. And although there are some clouds on the horizon with respect to political risks in both Europe and the USA, these are not enough to muddy the overall positive picture.

As the highlight of this performance, investors are now waiting for inflation rates to rise towards central banks' targets. As capacity utilisation rates have risen in the economy as a whole, the ground has been prepared in accordance with the so-called Philip's curve effect (falling unemployment rates lead to rising wage and price levels). Thus, the curtain has risen for the next act and to the applause of the audience the central banks are now daring to exit their ultra-loose monetary policy. The US Fed has already taken its first steps whereas the ECB will probably wait until 2018. In theory, this environment should be friendly for the US dollar. However, contrary to our expectations, in mid-July, the US dollar left the 1.05 to 1.16 range, in which it had been trading against the Euro for some two and a half years. At the moment, the currency is visibly weaker and is nearing 1.20 EUR-USD, which is difficult to explain. Perhaps it can be attributed to political turmoil in the USA, such as the personnel merry-go-round in the White House or the government's failure to have its health reform approved by Congress. It is also possible that the currency markets expected a much more rapid tightening of monetary policy by the Fed and current trends reflect their disappointment.

We have slightly raised our forecast for the Euro, but we refuse to allow ourselves to be confused by this or by the uncertainty generated by US sanctions against Russia, political infighting in Poland and Venezuela, or the diesel scandal in Germany. We believe that at the end of the day the basic positive dynamic will prevail and the expected turnaround in monetary policy will result in a very gradual rise in yields on the capital market. From the investor's standpoint, an acceptable yield can still be found in the higher coupon of bonds with reduced creditworthiness or, for equities,in the form of dividends. In view of the expected normalisation of monetary policy in the medium term, the outlook is constructive. This is unlikely to provoke thunderous applause, but at least offers the prospect of a stronger US dollar.

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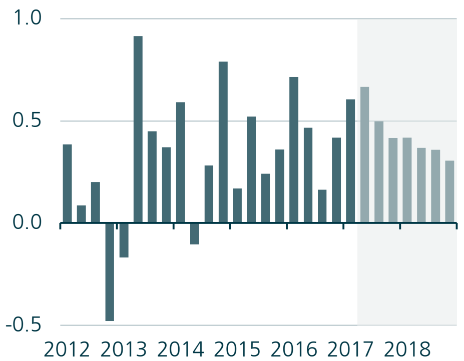
Most important forecast revisions changes

- Upward revision of the 3-month, 6-month and 12-month EUR-USD forecasts.
- US monetary policy: beginning of the balance sheet reduction shifts to September (previously December); next rate hike in December (previously September).
- USA: GDP growth 2017 and 2018: 2.2% and 2.3 % (previously 2.4 % and 2.1 %); inflation 2017 and 2018: 2.0 % and 2.2 % (previously 2.1 % and 2.4 %).
- China: upward revision of our GDP forecast for 2017.

Economy: Industrial countries

Germany: GDP (% qoq, sa)



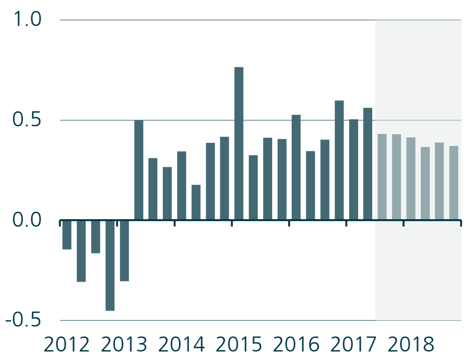
Sources: Destatis, forecast DekaBank

Germany

Indicators for the second quarter are very promising. A substantial rise in retail sales signals buoyant consumer activity. Exports have also picked up, as indicated by the manufacturing sector's foreign sales. Taking into consideration all aspects together, German GDP may well have increased by some 0.75 % against the previous quarter. By German standards, that is substantial, which also explains why there is more good news from the labour market. At the same time, the ifo Business Climate Index has registered an all-time high for the third time in succession. Together with other corporate surveys it correctly signals strong growth, although it is clearly overstating the current momentum.

Forecast revision: –.

Eurozone: GDP (% qoq, sa)



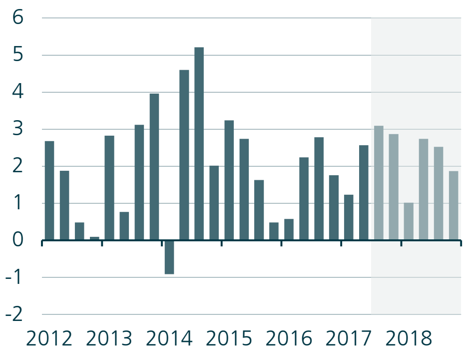
Sources: Eurostat, forecast DekaBank

Eurozone

According to the latest provisional flash estimate, Eurozone GDP increased in the second quarter of 2017 by 0.6 % (qoq) against the previous quarter. Economic momentum thus continues to be strong enough to support further improvement in the labour market. The latest data from individual countries underpins the picture of strong growth in the Eurozone. GDP in Latvia increased by 1.3 %qoq, in Spain and Austria by 0.9 % qoq, in Lithuania by 0.6 % qoq, in France by 0.5 % qoq and in Belgium by 0.4%qoq. In Germany we expect strong GDP growth of 0.75 % qoq and in Italy modest growth of 0.25 % qoq. The Eurozone is thus heading for its best economic performance in eight years. According to all current indicators, GDP growth in 2017 will probably reach 2 %, perhaps a little more.

Forecast revision: –.

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



Sources: Bureau of Economic Analysis, forecast DekaBank

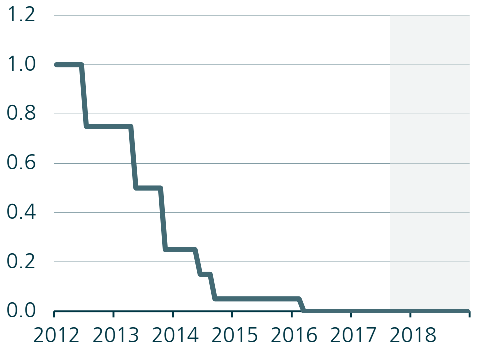
USA

In the second quarter GDP grew by an annualised 2.6 % against the previous quarter. Both consumption and corporate investment momentum were convincing. The boost from inventories that we had forecast did not materialise and is now expected in the second half of the year. The shifting of growth – a weaker first half in 2017 and a stronger second half – means that our growth forecast for 2017 is lower and for 2018 higher. Once again, prices have evolved weaker than expected. We have therefore adjusted our inflation outlook for 2018 and now forecast a somewhat flatter inflation path.

Forecast revision: GDP growth 2017 and 2018: 2.2 % and 2.3 % (previously 2.4 % and 2.1 %); inflation 2017 and 2018: 2.0 % and 2.2 % (previously 2.1 % and 2.4 %).

Markets: Industrial countries

ECB: Repo Rate (% p.a.)



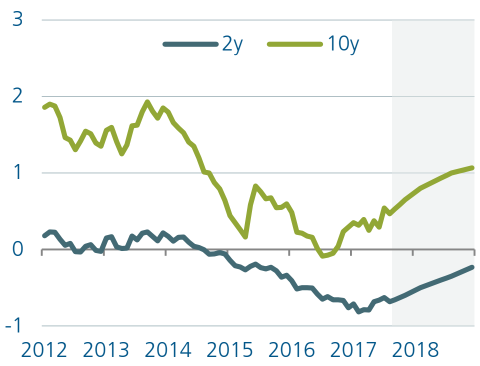
Sources: European Central Bank, forecast DekaBank

The European Central Bank / Money market

At the ECB press conference in July President Draghi gave no new hints of an impending normalisation of monetary policy. He thus qualified the impression made by his speech in Sintra at the end of June, in which he argued that economic recovery would lead in the medium term to higher rates of inflation, which many interpreted as preparation for a change of course in monetary policy. The ECB postponed a decision on the continuation of its asset purchases until its meetings in September or October. However, even then we expect only an announcement that with effect from January the monthly volume of purchases will be reduced to some EUR 40bn. The ECB will make all further tapering steps dependent on further broad-based price increases. Moreover, it will underscore its intention to hold key rates at a low level for some time to come. We do not expect the deposit rate to be raised before the middle of 2019 and we foresee a correspondingly slow rise of EONIA and EURIBOR rates.

Forecast revision: –.

German Bond Yield (% p.a.)



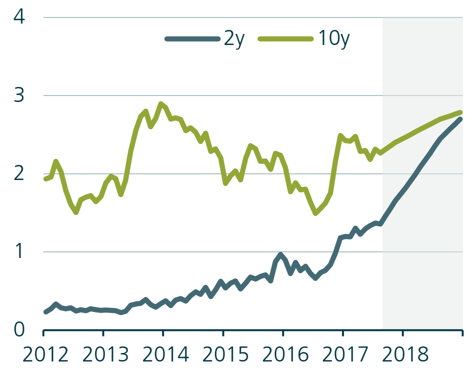
Sources: Bloomberg, forecast DekaBank

Eurozone bond market

The ECB has given no new hints of an impending exit from its ultra-loose monetary policy. On the one hand, it continues to see the need for a very expansive monetary policy until the rate of inflation has risen more substantially. On the other hand, the scarcity of government bonds has placed it under pressure to bring its asset purchases to an end. As a compromise, in the autumn it will probably announce that with effect from January the monthly volume of purchases will be reduced to some EUR 40bn, leaving all further tapering steps open for the time being. This will probably limit the rise in yields of long-term Bunds. At the same time the short end of the Bund curve should remain underpinned by the prospect of key rates remaining low for some considerable time, as well as of comprehensive reinvestment by the German Bundesbank.

Forecast revision: –.

US Bond Yield (% p.a.)



Sources: Bloomberg, forecast DekaBank

US bond market

At its meeting in July the Fed made it relatively clear that it will decide to start reducing its balance sheet in September. The rate hike that had initially been planned for September has thus been postponed until December. At the same time the weak development of inflation is generating some uncertainty, so that the next rate hike could well be postponed until 2018. In US bond markets low inflation expectations are still the main reason for US government bonds' low yields. Very little will change in the months to come despite the beginning of the reduction of the Fed's balance sheet.

Forecast revision: Beginning of the balance sheet reduction shifts to September (previously December); next rate hike in December (previously September).

Markets: Industrial countries

Equity Market Forecast

	Current Aug 04, 17	in 3 months	in 6 months	in 12 months
DAX	**12 297.72**	**12 500**	**13 000**	**11 800**
Reporting:				
EuroStoxx50	3 507.41	3 600	3 650	3 300
S&P 500	2 476.83	2 400	2 400	2 200
Topix	1 631.45	1 600	1 600	1 400

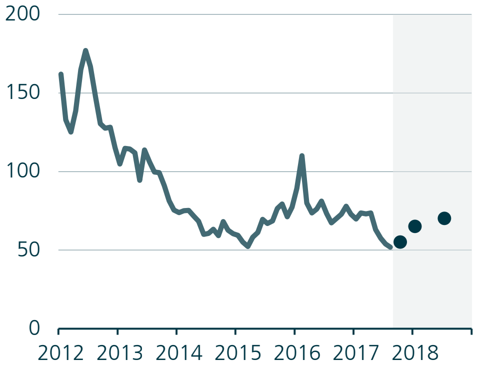
Sources: Deutsche Börse AG, forecast DekaBank

Equity market: Germany

Despite concerns over the automobile sector, sentiment in the German economy remains very buoyant, as reflected by the latest sentiment indicators. Second-quarter company reports also point to the sound operative development of businesses, with an impressive increase of profits of 10 % against the previous quarter. The profit outlook for coming quarters is also very good, but has been somewhat muddied by the recent strong appreciation of the Euro. Together with exchange-rate problems, the diesel scandal will also generate uncertainty and reticence on the part of investors in the weeks to come. However, solid growth and the profit environment should bring investors back to the German equity market in the course of the year, so that we maintain our recommendation to continue investing in the equity market.

Forecast revision: –.

iTraxx Europe (Bp)

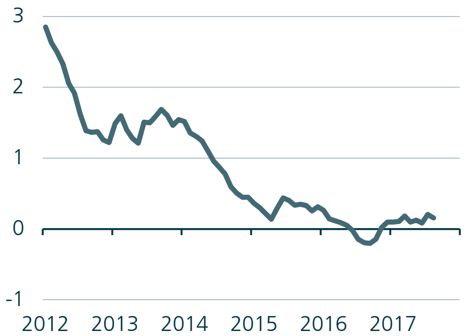


Sources: International Index Company, forecast DekaBank

Corporate bond market: Eurozone

The key-rate warning shot that Draghi and other international central bankers directed at the bond markets at the end of June had little impact on the credit markets. Here, buyer interest remains high and risk premiums have narrowed further in recent weeks. Bonds from the high-yield segment have been able to outperform bonds with a better credit rating. In particular, in the short-term segment, corporate bonds are are still in demand as an option to avoid negative interest rates. The current positive market sentiment is unlikely to come to an end, so long as both the economic outlook and the situation with regard to company balance sheets remain stable and the monetary turnaround is conducted with caution.

Covered Bonds 5y (% p.a.)



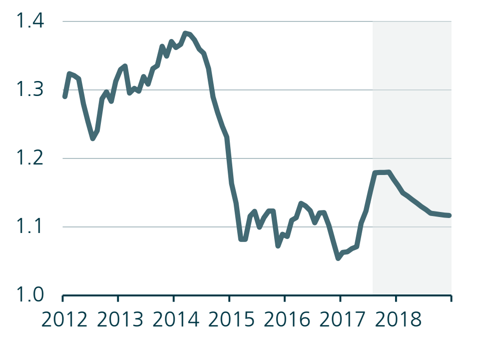
Source: Bloomberg

Covered Bonds

Since the beginning of the year covered Euro bonds been issues have reached a volume of EUR 130bn, of which bonds worth some EUR 95bn have come from issuers in the Eurozone. However, these issues could not replace bonds maturing in the same period, so that all in all the market has contracted somewhat as a result. Moreover, as the ECB has added to its portfolio in the course of its bond-buying programme, liquidity in the market has been reduced again. As a result of the general minor rise in yields following President Draghi’s hawkish statements, the yields of covered bonds have also risen slightly, although the risk premiums of most issuers have scarcely changed. If past experience is a guide, substantially smaller volumes of new bonds will be issued in the second half of the year. At the same time the ECB must replace increasing amounts due to maturing bonds. There is still an imbalance between supply and demand and risk premiums for covered bonds remain narrow.

Markets: Industrial countries

Exchange Rate EUR-USD



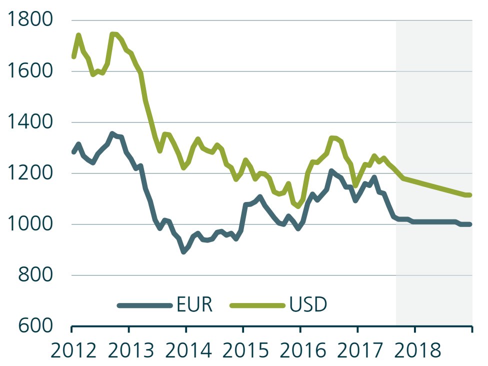
Sources: European Central Bank, forecast DekaBank

Currency market: EUR-USD

At the end of July the US dollar surged above 1.18 EUR-USD, its highest level for more than two and a half years. The Euro has been underpinned by news from both the USA and the Eurozone. In the USA the Fed has made it relatively clear that in September it will decide to start reducing its balance sheet. In view of the weak development of inflation the next rate hike could well be postponed not only until December but perhaps even into 2018. These statements have strengthened the Euro against the US dollar. The ECB has also supported the Euro by announcing that in the autumn of 2017 it intends to present a plan for exiting its ultra-loose monetary policy.

Forecast revision: Upward revision of the 3-month, 6-month and 12-month EUR-USD forecasts.

Gold price (per troy ounce)



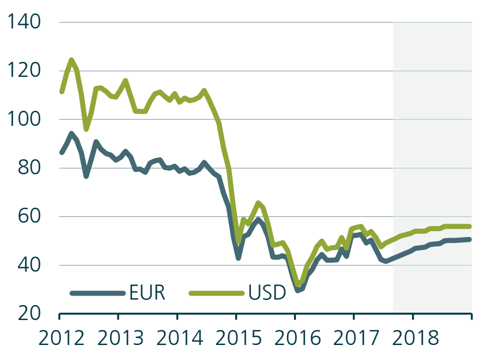
Sources: Bloomberg, forecast DekaBank

Gold

In the last four weeks the gold price in US dollars has risen again. This can be attributed once again to the slump in US yields triggered by falling inflation expectations, which in turn have been reflected in a movement in the opposite direction by the gold price. This rise was interesting as the gold price still rose although stocks of exchange-traded bonds backed by physical metal (ETFs) registered significant outflows. The losses registered by ETFs have been compensated in part at least by an increase in speculative long positions on the futures markets. The current weakness of the US dollar will also have had a positive impact on the gold price. In the medium term we continue to expect a slight fall in the gold price, especially since there has been no change in our basic assumption that there will be a modest rise in interest rates, particularly in the USA.

Forecast revision: –.

Crude Oil Brent (per barrel)



Sources: Bloomberg, forecast DekaBank

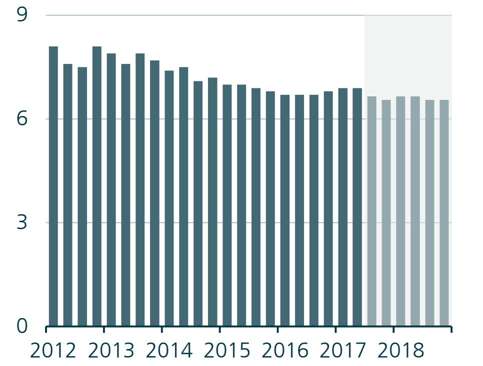
Crude oil

After a short-lived weakness in June the oil price has made a significant recovery in recent weeks, supported no doubt by somewhat stronger demand. Moreover, it is now clear that US shale oil production, or so-called fracking, is not completely immune to very low prices. At least in the less significant extraction areas the recovery of drilling activity appears to have been halted by lower prices. OPEC could also achieve more price stability if it could enforce compliance with its agreed output ceilings. In the next few quarters we expect the oil price to be in the region of USD 50 - USD 55 per barrel.

Forecast revision: –.

Emerging Markets

China: GDP (% yoy)



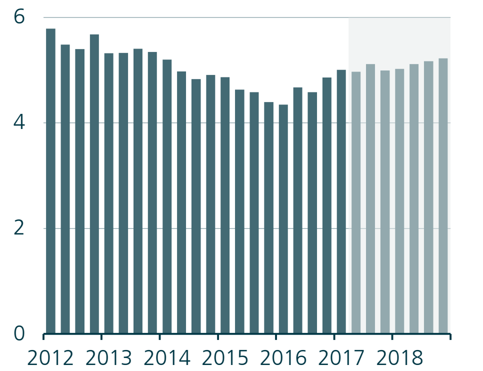
Sources: National Statistics, forecast DekaBank

China

In the second quarter, China's GDP grew 6,9% over the year, the same rate as registered in the previous quarter. Although we expect a slight weakening of the economy later in the year, at the end of the second quarter the June figures for manufacturing output, capital investment and retail sales showed no signs of this slowdown. We have therefore raised our growth forecast for 2017 by one percentage point to 6.8 %. Meanwhile the conflict over North Korea's missile and nuclear weapons programmes has escalated after two successful intercontinental missile tests in the space of a few weeks. US President Trump believes China is responsible for controlling its allies and threatens both North Korea and China with consequences if it does not.

Forecast revision: Upward revision of our GDP forecast for 2017.

Emerging Markets: GDP (% yoy)



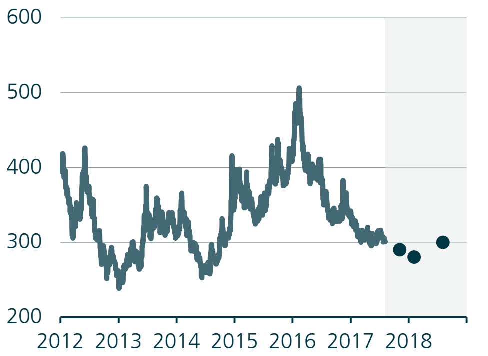
Sources: National Statistics, forecast DekaBank

Emerging Markets: Economy

Good economic data from China underscore that the gradual economic recovery in emerging markets is set to continue. However, the purchasing managers' indices for July were mixed: India suffered a significant setback after the introduction of a nationwide value-added tax led to temporary administrative problems in the trading of goods. The index for Russia, on the other hand, made a significant recovery. Whereas the economy remains stable, political tensions are on the rise: in the wake of North Korea's missile tests the USA has sharpened its tone towards China and has imposed new sanctions on Russia. Relations between Turkey and the EU have worsened after the arrest of human rights activists. Mass protests against the government in Venezuela have resulted in numerous deaths.

Forecast revision: –.

EMBIG-Spread (Bp)



Sources: Bloomberg, forecast DekaBank

Emerging Markets: Markets

After a short consolidation phase EM investments have resumed the positive trend they have been following in recent months. Statements by the Fed and ECB that they intend to exit their ultra-loose monetary policy with caution have added to this positive sentiment. The stabilisation of commodity prices and good economic data from China has also contributed to the current mood. Risk premiums for Venezuelan bonds have surged against the trend, as the political crisis there has escalated. In Russia there have also been negative reactions to the imposition of stricter sanctions by the USA. North Korea's intercontinental missile tests and diplomatic tension between Turkey and Europe have been largely without impact on the markets. We assume that the current positive mood on EM markets will continue, as we do not expect strong headwinds from either central banks or economic developments. Nevertheless, the reduction of the Fed's balance sheet, which will probably be decided in September, could lead to some uncertainty again.

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	1.7	1.7	0.4	1.6	1.6	8.3	8.3	8.0	0.8	0.4	0.4
France	2.3	1.1	1.7	1.5	0.3	1.1	1.4	-0.9	-1.0	-1.1	-3.4	-2.9	-3.1
Italy	1.9	1.0	1.3	1.1	-0.1	1.3	1.2	2.6	1.9	1.7	-2.4	-2.4	-2.4
Spain	1.4	3.2	3.0	2.2	-0.3	2.0	1.5	2.0	1.6	1.6	-4.5	-3.5	-2.9
Netherlands	0.7	2.1	2.3	1.9	0.1	1.2	1.6	8.4	7.9	7.6	0.4	0.2	0.3
Belgium	0.4	1.2	1.6	1.5	1.8	2.2	2.1	-0.4	0.1	0.2	-2.6	-2.2	-2.3
Eurozone	**11.8**	**1.8**	**2.0**	**1.7**	**0.2**	**1.5**	**1.5**	**3.3**	**3.2**	**3.1**	**-1.5**	**-1.5**	**-1.4**
United Kingdom	2.3	1.8	1.4	1.2	0.7	2.7	2.6	-4.4	-3.9	-3.2	-3.0	-3.0	-2.3
Sweden	0.4	3.0	3.1	2.2	1.1	1.8	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	0.9	1.7	8.1	7.8	7.7	-0.9	-1.3	-0.9
EU-22	**14.7**	**1.8**	**1.9**	**1.6**	**0.3**	**1.7**	**1.7**	**2.2**	**2.2**	**2.2**	**-1.7**	**-1.7**	**-1.5**
Poland	0.9	2.7	3.9	3.1	-0.6	1.7	1.9	-0.2	-0.5	-0.7	-2.4	-2.9	-2.9
Hungary	0.3	2.3	3.0	2.6	0.7	2.1	2.1	1.1	0.9	0.4	0.6	0.3	0.1
Czech Republic	0.2	1.9	3.6	3.1	0.4	2.4	3.0	4.9	3.4	2.7	-1.8	-2.3	-2.4
EU-28	**16.7**	**2.0**	**2.2**	**1.8**	**0.2**	**1.7**	**1.8**	**1.9**	**1.9**	**1.9**	**-1.7**	**-1.8**	**-1.6**
USA	15.5	1.5	2.2	2.3	1.3	2.0	2.2	-2.4	-3.0	-3.0	-5.0	-4.5	-4.0
Japan	4.4	1.0	1.4	1.1	-0.1	0.4	1.1	3.7	4.0	3.5	-4.2	-5.0	-5.0
Canada	1.4	1.5	2.9	2.0	1.4	1.5	2.0	-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	1.9	-2.6	-2.0	-1.5	-2.4	-2.5	-2.5
Switzerland	0.4	1.3	1.3	1.7	-0.4	0.4	0.4	12.7	12.6	12.9	0.2	0.4	0.5
Norway	0.3	0.8	1.7	2.0	3.6	2.0	1.3	4.9	4.6	4.3	3.1	3.6	4.0
Developed Countries[4]	**37.8**	**1.6**	**2.0**	**1.9**	**0.7**	**1.7**	**1.9**	**0.3**	**0.1**	**0.1**	**-3.3**	**-3.2**	**-2.9**
Russia	3.2	-0.2	1.2	1.4	7.1	4.4	4.4	2.0	3.4	2.4	-3.4	-2.1	-1.3
Turkey	1.7	3.0	3.9	2.3	8.0	10.3	7.8	-3.8	-4.2	-4.1	-1.1	-2.3	-2.4
Ukraine	0.3	2.3	1.7	1.4	13.9	13.9	10.5	-1.5	-2.1	-1.9	-2.2	-3.1	-3.0
Emerging Europe[5]	**7.5**	**1.5**	**2.6**	**2.1**	**5.9**	**5.5**	**4.9**	**-0.6**	**-0.1**	**-0.6**	**X**	**X**	**X**
South Africa	0.6	0.3	0.7	1.3	6.6	5.6	5.4	-3.3	-4.0	-4.5	-3.4	-3.2	-3.0
Middle East, Africa	**3.4**	**1.4**	**2.2**	**2.8**	**9.6**	**12.4**	**10.1**	**-2.5**	**-1.3**	**-0.9**	**X**	**X**	**X**
Brazil	2.6	-3.6	0.8	2.1	8.7	3.9	4.2	-1.3	-1.0	-1.8	-6.4	-7.8	-6.1
Mexico	1.9	2.0	2.4	2.2	2.8	5.7	3.6	-2.1	-1.8	-2.3	-2.6	-1.9	-2.4
Argentina	0.7	-2.2	2.7	3.4	41.4	26.5	14.4	-2.7	-2.1	-2.1	-5.9	-5.9	-5.3
Chile	0.4	1.5	1.4	2.5	3.8	2.8	3.4	-1.4	-1.4	-0.5	-2.7	-2.7	-2.1
Latin America	**7.2**	**-1.2**	**1.3**	**2.0**	**9.7**	**6.7**	**4.8**	**-2.0**	**-1.5**	**-2.1**	**X**	**X**	**X**
China	17.8	6.7	6.8	6.6	2.1	1.6	2.7	1.7	1.2	1.5	-3.8	-4.1	-4.4
India	7.2	7.9	7.0	7.7	4.9	2.9	4.2	-0.5	-0.9	-1.1	-3.5	-3.2	-3.1
Indonesia	2.5	5.0	5.2	5.7	3.5	4.2	4.7	-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	1.7	7.0	5.3	5.0	1.0	0.9	-0.5
Emerging Asia	**33.2**	**6.3**	**6.1**	**6.2**	**2.7**	**2.1**	**3.0**	**2.5**	**2.0**	**2.1**	**X**	**X**	**X**
Emerging Markets	**51.3**	**4.2**	**4.7**	**4.8**	**4.6**	**3.9**	**4.0**	**1.1**	**1.0**	**0.9**	**X**	**X**	**X**
Total[6]	**89.1**	**3.1**	**3.5**	**3.5**	**2.9**	**3.0**	**3.1**	**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 7 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	-0.31
	12 months (EURIBOR)	-0.15	-0.14	-0.12	-0.06
	Bunds, 2 years	-0.68	-0.60	-0.50	-0.35
	Bunds, 5 years	-0.23	-0.15	0.00	0.20
	Bunds, 10 years	0.47	0.65	0.80	1.00
	Bunds, 30 years	1.21	1.40	1.50	1.70
USA	Monetary policy (FFR)	1.00-1.25	1.00-1.25	1.25-1.50	1.75-2.00
	3 months (LIBOR)	1.31	1.45	1.70	2.00
	12 months (LIBOR)	1.72	2.10	2.25	2.55
	US-Treasuries, 2 years	1.35	1.65	1.90	2.45
	US-Treasuries, 5 years	1.82	2.00	2.15	2.45
	US-Treasuries, 10 years	2.26	2.40	2.50	2.70
	US-Treasuries, 30 years	2.84	3.00	3.10	3.30
Japan	Monetary policy (Call)	-0.10	-0.10	-0.10	-0.10
	3 months (LIBOR)	-0.02	0.00	0.00	0.00
	12 months (LIBOR)	0.11	0.15	0.15	0.15
	JGBs, 2 years	-0.11	-0.10	-0.10	-0.10
	JGBs, 5 years	-0.05	0.00	0.00	0.00
	JGBs, 10 years	0.07	0.10	0.15	0.20
	JGBs, 30 years	0.88	0.90	0.90	0.90
United Kingdom	Monetary policy (Base)	0.25	0.25	0.25	0.25
	3 months (LIBOR)	0.28	0.35	0.35	0.50
	12 months (LIBOR)	0.61	0.60	0.70	0.90
	Gilts, 2 years	0.25	0.30	0.40	0.60
	Gilts, 5 years	0.56	0.80	1.00	1.30
	Gilts, 10 years	1.18	1.30	1.40	1.70
	Gilts, 30 years	1.82	1.90	1.95	2.10
Sweden	Monetary policy (Repo)	-0.50	-0.50	-0.50	-0.40
	3 months (STIB)	-0.43	-0.40	-0.40	-0.30
	2 years	-0.68	-0.50	-0.40	0.00
	10 years	0.68	0.80	0.90	1.20
Denmark	Monetary policy (Repo)	0.05	0.05	0.05	0.05
	3 months (CIBOR)	-0.25	-0.23	-0.23	-0.21
	2 years	-0.57	-0.50	-0.40	-0.25
	10 years	0.61	0.75	0.90	1.15
Norway	Monetary policy (Deposit)	0.50	0.50	0.50	0.50
	3 months (NIBOR)	0.79	0.85	1.00	1.00
	3 years	0.61	0.60	0.80	0.90
	10 years	1.63	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	-0.77	-0.75	-0.70	-0.60
	10 years	-0.06	0.10	0.10	0.30
Canada	Monetary policy (O/N)	0.75	1.00	1.25	1.75
	3 months (CBA)	1.29	1.50	1.65	2.05
	12 months (CBA)	1.64	1.90	2.15	2.45
	2 years	1.24	1.65	1.90	2.40
	5 years	1.54	1.80	1.90	2.20
	10 years	1.92	2.10	2.15	2.25
	30 years	2.35	2.45	2.45	2.45
Australia	Monetary policy (Cash)	1.50	1.50	1.50	1.50
	3 months (ABB)	1.69	1.70	1.70	1.85
	2 years	1.78	1.95	2.05	2.35
	10 years	2.62	2.80	2.85	2.95

Interest rates in EM countries

			Current	Forecasts		
			Aug 7 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	1.82	2.00	2.10	2.30
		10 years	3.36	3.30	3.50	3.70
	Czech Rep.	Monetary policy (Repo)	0.05	0.25	0.50	0.75
		3 months (PRIBOR)	0.43	0.50	0.70	1.00
		2 years	-0.28	-0.10	0.15	0.40
		10 years	1.08	1.15	1.30	1.60
	Hungary	Monetary policy (Deposit)	0.90	0.90	0.90	0.90
		3 months (BUBOR)	0.15	0.20	0.30	0.30
		3 years	0.83	0.90	1.00	1.10
		10 years	3.09	3.10	3.30	3.40
Latin America	Brazil	Monetary policy (Repo)	9.25	8.25	7.50	7.50
		3 months (ABG)	8.49	8.13	7.65	7.55
		2 years	8.38	8.65	8.30	8.20
		9 years	9.83	9.50	9.00	9.00
	Mexico	Monetary policy	7.00	7.00	7.00	6.75
		3 months (Mexibor)	7.39	7.00	7.00	6.60
		2 years	6.72	6.50	6.50	6.50
		10 years	6.88	6.50	6.50	6.50
Asia	China	Monetary policy	1.50	1.50	1.50	1.50
		3 months	4.27	4.20	4.00	4.00
		2 years	2.75	2.90	3.00	3.10
		10 years	3.64	3.70	3.70	3.80
	Singapore	Monetary policy	n.a..	n.a.	n.a.	n.a.
		3 months	1.12	1.00	0.90	1.00
		2 years	1.23	1.40	1.50	1.60
		10 years	2.11	2.20	2.30	2.50
	South Korea	Monetary policy	1.25	1.25	1.25	1.25
		3 months	1.25	1.30	1.30	1.50
		2 years	1.62	1.70	1.80	1.90
		10 years	2.25	2.30	2.40	2.50

Yield spreads in basis points[1)]

			Current	Forecasts		
			Aug 7 2017	3 months	6 months	12 months
Emerging Markets, EMBIG Div Spreads	Central- and Eastern Europe	Russia	181	175	170	180
		Turkey	274	270	260	275
		Hungary	107	110	105	110
	Africa	South Africa	267	260	250	270
	Latin America	Brazil	255	250	240	260
		Chile	122	120	110	120
		Columbia	200	185	180	190
		Mexico	238	225	215	230
		Venezuela	2845	2850	2750	2950
	Asia	China	112	110	105	115
		Indonesia	181	175	170	180
		Philippines	92	90	85	90
	Total (EMBIG Div)		**301**	**290**	**280**	**300**

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 7 2017	3 months	6 months	12 months
Dollar-Bloc	EUR-USD	1.18	1.18	1.15	1.12
	EUR-CAD	1.49	1.49	1.47	1.48
	EUR-AUD	1.49	1.49	1.49	1.53
Japan	EUR-JPY	130.53	130.98	131.10	134.40
Euro-Outs	EUR-GBP	0.90	0.90	0.89	0.88
	EUR-DKK	7.44	7.44	7.44	7.44
	EUR-SEK	9.59	9.50	9.40	9.20
	EUR-CHF	1.15	1.13	1.13	1.14
	EUR-NOK	9.35	9.30	9.10	8.90
Central- and Eastern Europe	EUR-PLN	4.24	4.30	4.25	4.20
	EUR-HUF	304.72	310.00	315.00	310.00
	EUR-CZK	26.12	25.90	25.50	25.50
Africa	EUR-ZAR	15.79	15.58	16.10	16.24
Latin America	EUR-BRL	3.69	3.78	3.80	3.81
	EUR-MXN	21.10	21.00	21.28	21.28
Asia	EUR-CNY	7.93	8.02	7.94	7.84
	EUR-SGD	1.60	1.60	1.58	1.56
	EUR-KRW	1329	1333	1311	1288
US-Dollar		**Current**	**Forecasts**		
		Aug 7 2017	**3 months**	**6 months**	**12 months**
Dollar-Bloc	USD-CAD	1.26	1.26	1.28	1.32
	AUD-USD	0.79	0.79	0.77	0.73
Japan	USD-JPY	110.69	111.00	114.00	120.00
Euro-Outs	GBP-USD	1.31	1.31	1.29	1.27
	USD-DKK	6.31	6.31	6.47	6.64
	USD-SEK	8.14	8.05	8.17	8.21
	USD-CHF	0.97	0.96	0.98	1.02
	USD-NOK	7.93	7.88	7.91	7.95
Central- and Eastern Europe	USD-PLN	3.60	3.64	3.70	3.75
	USD-HUF	258.43	262.71	273.91	276.79
	USD-CZK	22.15	21.95	22.17	22.77
Africa	USD-ZAR	13.39	13.20	14.00	14.50
Latin America	USD-BRL	3.13	3.20	3.30	3.40
	USD-MXN	17.89	17.80	18.50	19.00
Asia	USD-CNY	6.72	6.80	6.90	7.00
	USD-SGD	1.36	1.36	1.37	1.39
	USD-KRW	1127	1130	1140	1150

Commodities

Commodity	Current	Forecasts		
	Aug 07 2017	3 months	6 months	12 months
Gold (USD per troy ounce)	1,258.52	1,175	1,160	1,130
Gold (EUR per troy ounce)	1,067.27	1,000	1,010	1,010
WTI crude (USD per Barrel)	49.58	52	53	55
WTI crude (EUR per Barrel)	42.05	44	46	49
Brent crude (USD per Barrel)	51.98	53	54	56
Brent crude (EUR per Barrel)	44.08	45	47	50

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