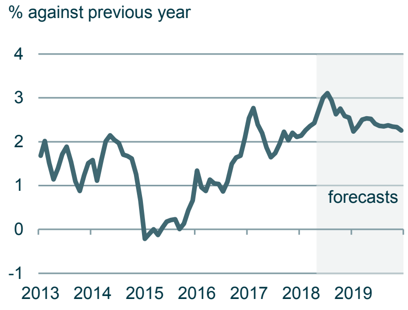
Macro Research
Economic Forecasts

May / June 2018

The late cycle

USA: Consumer Prices



Sources: Bureau of Labor Statistics, DekaBank.

It is undoubtedly far from easy to detach oneself from the current political risks posing a threat in market or economic environments. President Trump's decisions to introduce new punitive tariffs or, more recently, to withdraw from the nuclear agreement with Iran, have been too unsettling. The price of crude oil has already risen substantially and the security situation in the Middle East has suffered a severe setback. The risks involved are obvious but not dominant for our macro picture – or not yet at least.

We remain convinced that in assessing the capital market's prospects for the coming quarters we should focus our attention primarily on central banks. After all, the important issues are the inflation development, the achievement of inflation targets, and the exit from ultra expansive monetary policy, or to put it more succinctly: How high and how quickly will interest rates rise? Despite the long-lived upswing, this question is far from trivial. The answer is made more difficult by the fact that in this late phase of the cycle we would expect inflation rates to be far higher if we consider that unemployment rates in both Germany and the USA, amongst others, are extremely low. Price developments have so far been conspicuously inconspicuous. The US Fed regards current inflation rates as being more or less within its target range. It is presumably prepared to accept a slight overshooting of the target without this leading to a steepening of the interest-rate hike path. This monetary policy approach may not hurt the US economy much, but in this late phase of the cycle GDP growth rates will undoubtedly moderate. Whether this economic weakening is felt as the precursor of a recession in the next year or two, will certainly influence the markets and some degree of volatility is thus guaranteed.

According to our assessment, most current macroeconomic indicators signal a continuation of the upswing. For Germany we are interpreting the largely disappointing first-quarter economic data as a blip. Corporate capacity utilisation data together with frequent references to personnel and capacity bottlenecks are all evidence of strong demand.

Ultimately, we are experiencing a phase in financial markets in which economic uncertainties, political risks and the relaxed approach of central banks has prevented any inflation hysteria. This has allowed equity markets to recover and has calmed bond markets. As the political situation has not improved, we are wary of sounding the all-clear for the correction phase that began in the markets in February. Nevertheless, we give the late cycle the chance to create enough scope for a constructive capital market in the later course of the year.

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Bitte nicht löschen!

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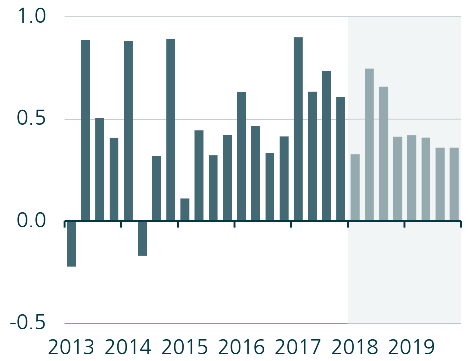
- Crude oil: In view of the global political situation we have raised our crude oil forecasts across the complete forecast horizon.

Economy: Industrial countries

Germany: GDP (% qoq, sa)



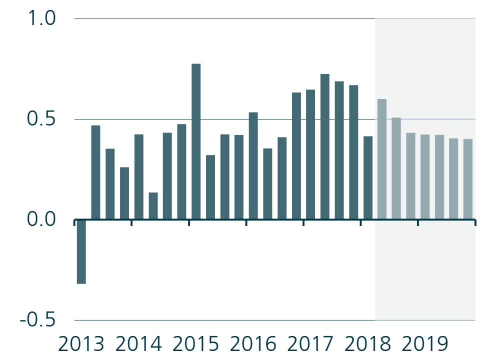
Sources: Destatis, forecast DekaBank

Germany

Whereas the weakening of indicators of market sentiment has been no more than a renaissance of realism, weak "hard" indicators have impacted the development of GDP growth rates almost one-to-one. Instead of the expected growth rate of 0.6 % against the previous quarter (qoq), we now expect barely half that figure. There is, however, every indication that this is only a temporary weakness. Companies are reporting severe bottlenecks in materials, equipment and personnel, whilst at the same time they are facing very high levels of demand. We should therefore exercise extreme caution with respect to new assessments of economic performance.

Forecast revision: –.

Eurozone: GDP (% qoq, sa)



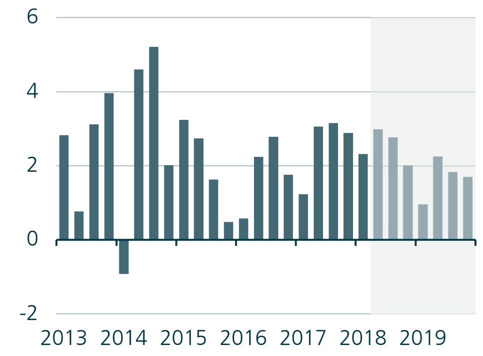
Sources: Eurostat, forecast DekaBank

Eurozone

As expected, GDP growth in the Eurozone slowed at the beginning of the year. According to Eurostat's provisional flash estimate, first-quarter GDP growth in 2018 was 0.4 % against the previous quarter. However, lower growth only affected a few of the major EMU countries. In Spain (+0.7 % qoq) and in Italy (+0.3 % qoq) GDP growth did not slow in comparison with the fourth quarter of 2017. France (+0.3 % qoq), on the other hand, suffered a substantial setback after fourth-quarter growth in 2017 of 0.7 %. With an appreciable slowdown in growth Germany (forecast +0.3 % after 0.6 % in the previous quarter) will also have contributed to the cooling of the Eurozone economy.

Forecast revision: –.

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



Sources: Bureau of Economic Analysis, forecast DekaBank

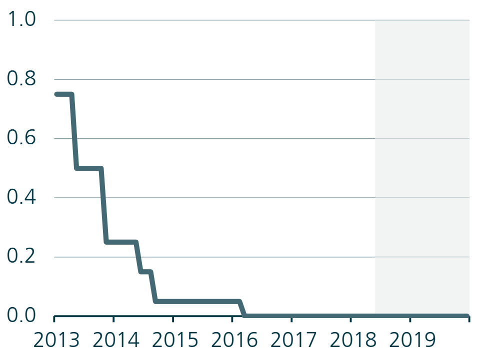
USA

First-quarter GDP growth rose by an annualised 2.3 % against the previous quarter. In the past, the first quarter has very often proved to have the weakest growth rate in the whole year. With this in mind the growth rate at the beginning of the current year can be regarded as satisfactory. With the tax cuts at the beginning of the year one could have imagined stronger growth. Job creation in April was relatively strong and the unemployment rate of 3.9 % was the lowest since the end of 2000. Nevertheless, wages growth remained below expectations. The PCE deflator registered 2 % in March and thus reached the Fed's target for the first time in more than a year. However, this cannot be seen as an indication of elevated inflationary pressure.

Forecast revision: Consumer prices 2018: 2.6 % (previously 2.5%); 2019: 2.4 % (previously 2.5 %).

Markets: Industrial countries

ECB: Repo Rate (% p.a.)



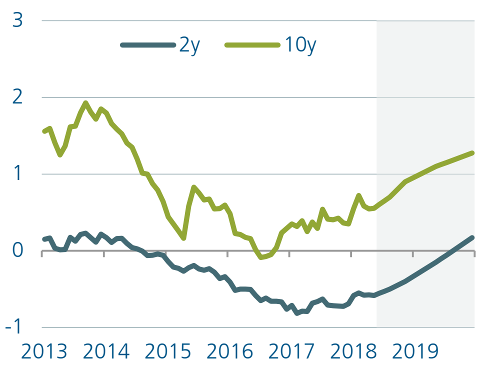
Sources: European Central Bank, forecast DekaBank

The European Central Bank / Money market

At its Council meeting at the end of April the ECB left its forward guidance unchanged and in particular repeated its assertion that its net asset purchases will run until "a sustained adjustment in the path of inflation" is achieved. This focuses attention on the macroeconomic projections that the ECB will present at its next press conference in the middle of June. Despite some weaker economic data in recent weeks, we expect Draghi to express his conviction that the ECB will be able to attain its inflation target in the medium term. We believe this would give the green light to announce at the next meeting at the end of July that the ECB's asset purchases will be brought to an end at the end of the year. At the same time the ECB should make it quite clear in its forward guidance that for the time being no key-rate hike is planned. All in all, there would be little change with respect to the expectations that have been factored into money-market futures and EONIA and EURIBOR rates should rise only slowly in the next few years.

Forecast revision: –.

German Bond Yield (% p.a.)



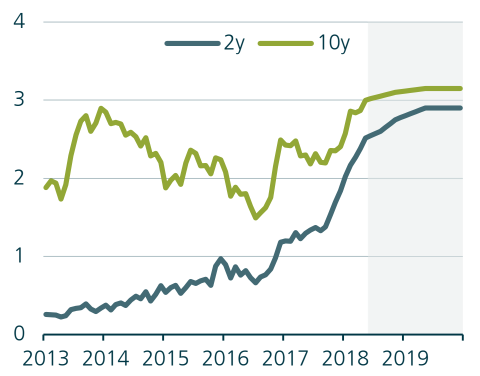
Sources: Bloomberg, forecast DekaBank

Eurozone bond market

Weak economic data and the trade disputes between the USA and China and the EU have strengthened market players' expectations that the ECB will extend its asset purchases beyond September and will only raise key rates at a later date. In the next few months the fundamental macroeconomic data should improve somewhat and at its meeting at the end of July the ECB will probably announce that it will phase out its asset purchases at the end of the year. This should provide more scope for long-term Bund yields to rise, whereas more concrete forward guidance from the ECB with respect to key rates should continue to hold the short end at a low level. In the absence of a severe escalation political uncertainty in Italy should not hinder a slight steepening of the Bund curve.

Forecast revision: –.

US Bond Yield (% p.a.)



Sources: Bloomberg, forecast DekaBank

US bond market

At their meeting in May the FOMC members left the key-rate interval unchanged at 1.50 % to 1.75 % as expected. At the next meeting in June we expect rates to be raised by 25 basis points. In March the inflation rate of the PCE deflator reached the Fed's target of 2 %. It is therefore quite possible that the Fed will raise the key rate interval four times this year. At the same time, however, there is currently no sign that excessively high inflation is developing. For the first time since March 2014 the yields of US 10-year government bonds have risen to 3 %. In view of our moderate inflation outlook, yields should not rise significantly in the months to come.

Forecast revision: –.

May / June 2018

Markets: Industrial countries

Equity Market Forecast

	Current May 11, 18	in 3 months	in 6 months	in 12 months
DAX	**13 001.24**	**12 500**	**12 900**	**13 500**
Reporting:				
EuroStoxx50	3 565.52	3 500	3 500	3 600
S&P 500	2 727.72	2 550	2 650	2 700
Topix	1 794.96	1 700	1 700	1 750

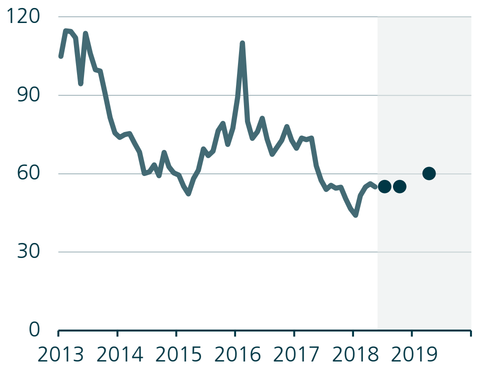
Sources: Deutsche Börse AG, forecast DekaBank

Equity market: Germany

First-quarter economic data for Germany proved weak and corporate sentiment is also deteriorating. This, however, does not signal a fundamental trend reversal. The change in sentiment can be attributed in part to high capacity utilisation and the resulting supply bottlenecks and not to any weakening of demand. Sales and earnings published in first-quarter company reports were below both last year's level and market expectations. However, the figures have been impacted by the Euro exchange rate, which has risen in comparison with the previous quarter. The development of the fundamental operating business on the other hand has been satisfactory. The environment for the German equity market remains intact, without there being any signs of particularly strong growth.

Forecast revision–.

iTraxx Europe (Bp)

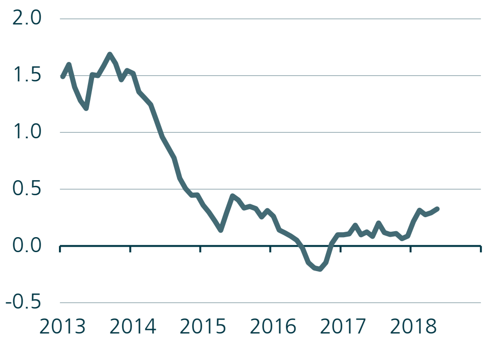


Sources: International Index Company, forecast DekaBank

Corporate bond market: Eurozone

Corporate bonds have coped well with the irritations arising from a burgeoning trade war and easing indicators of market sentiment. Even the recent appreciably lower asset purchases by the ECB in this sector have not had any lasting negative impact on spreads. Draghi attributed this solely to seasonal factors. Support was provided by company reports. In the first quarter major European companies increased their profits by some 4 % and for the year as a whole they are expected to raise their profits by some 7 %, even though, these results suffered an appreciable negative impact from the stronger Euro. After adjustment for this currency effect sales were 5 % to 10 % higher. Currently, however, the Euro has lost significant ground against the US dollar, so that future prospects have improved.

Covered Bonds 5y (% p.a.)



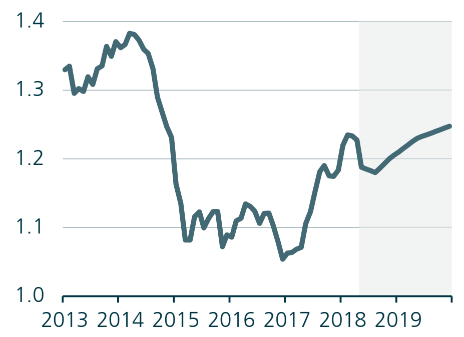
Source: Bloomberg

Covered Bonds

The market for covered bonds continues to be determined primarily by new issues. Sales activity on the secondary market is extremely thin and the ECB also purchases its covered bonds almost without exception directly from the issuers. As other investors have proved reluctant even with new bonds, issuing houses have increasingly been trying to make their bonds more attractive with higher risk premiums. In most cases this enables them to place the bonds successfully, but the higher spreads have had a negative impact on the secondary market. This trend should continue in the months to come, even if Draghi's recent dovish comments have focused attention increasingly on an extension of the ECB's purchases of covered bonds and corporates. Apart from this the ECB will replace maturing bonds in its portfolio with new purchases, whereby a too substantial rise of spreads will be avoided.

Markets: Industrial countries

Exchange Rate EUR-USD



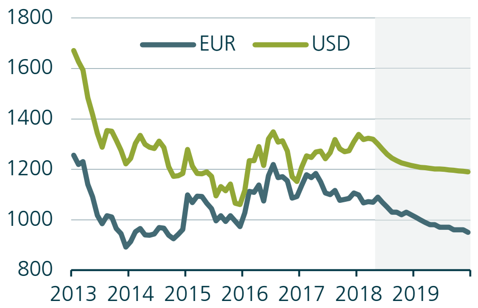
Sources: European Central Bank, forecast DekaBank

Currency market: EUR-USD

In recent weeks the Euro has depreciated substantially against the US dollar. In mid-April the EUR-USD exchange rate was still 1.24 EUR-USD. In the following three weeks the Euro depreciated to 1.18 EUR-USD, the level at which it had started the year. The Euro weakness can be attributed to falling interest rates in the Eurozone and rising rates in the US, whereby the US rate advantage has increased significantly and reached levels that have not been seen for some thirty years. The interest rate differential between US and German government bonds rose above three percentage points at the beginning of May and even with a maturity of ten years the US rate advantage was 2.4 percentage points.

Forecast revision: –.

Gold price (per troy ounce)



Performance	from 30.04.12 to 30.04.13	30.04.13 30.04.14	30.04.14 30.04.15	30.04.15 30.04.16	30.04.16 30.04.17	30.04.17 30.04.18
Gold in Euro	-11.07%	-16.46%	12.82%	6.99%	3.14%	-6.30%
Gold in USD	-11.54%	-11.97%	-8.76%	9.14%	-1.72%	4.01%

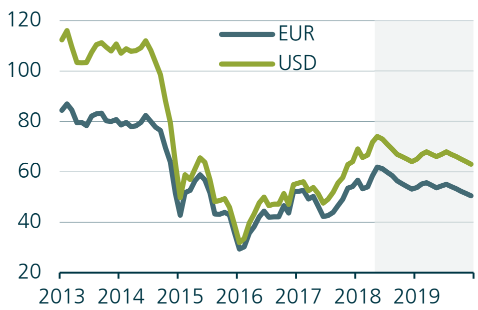
Sources: Bloomberg, forecast DekaBank

Gold

Rising interest rates in the USA have left their mark on the gold market. In its report on the first quarter of 2018 the World Gold Council describes the demand for gold as unusually weak. In comparison to the first quarter of 2017 private investment demand for gold coins and bullion, as well as for exchange-traded bonds backed by physical metal (ETFs) has been lower than it has been in the last four years. Speculative market players on futures markets have substantially reduced their bets on rising gold prices. Only central bank demand for gold has remained positive at a satisfactory level, thanks in particular to Russia and Turkey. In this complex situation and despite the many political crises the gold price has not risen in recent weeks, but has rather tended to move downwards. In view of our expectations of rising interest rates, we continue to forecast a slight fall in gold prices in the medium term.

Forecast revision: –.

Crude Oil Brent (per barrel)



Performance	from 30.04.12 to 30.04.13	30.04.13 30.04.14	30.04.14 30.04.15	30.04.15 30.04.16	30.04.16 30.04.17	30.04.17 30.04.18
Brent in Euro	-13.85%	0.18%	-23.59%	-29.35%	12.79%	30.90%
Brent in USD	-14.31%	5.57%	-38.21%	-27.93%	7.48%	45.31%

Sources: Bloomberg, forecast DekaBank

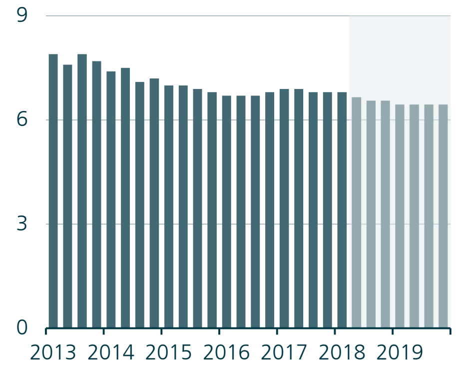
Crude oil

After President Trump's announcement of the USA's withdrawal from the nuclear agreement with Iran, the price of crude oil has risen to its highest level since the end of 2014. There are widespread fears that in the short term some of the Iranian crude oil output could be lost. For a long time the world has been swimming in crude oil, but now this commodity could become scarce sooner than had been thought possible. The demand for crude oil is constantly on the rise not least thanks to the major consumer China. And the supply of oil can no longer keep pace with the growth of demand. US oil output may be rising strongly, but at the same time Venezuelan production is shrinking at almost the same pace. OPEC undoubtedly still has some surplus capacity. However, it is far from certain that Saudi Arabia would be willing to increase its output quickly. In view of the latest developments we have raised our crude oil price forecasts.

Forecast revision: We have raised our crude oil price forecasts.

Emerging Markets

China: GDP (% yoy)



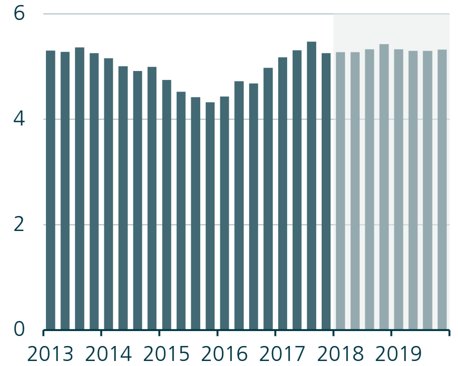
Sources: National Statistics, forecast DekaBank

China

The latest trade talks between China and the USA have made it all too clear that the two sides are far from reaching an agreement. The US delegation has demanded a reduction of China's bilateral trade surplus by USD 200bn by 2020, a request that China will hardly be able to comply with. It thus seems highly likely that in the next few weeks the USA will impose punitive tariffs on imports from China and the Chinese will adopt counter-measures. Although we believe the direct impact of the tariffs will be moderate, uncertainty over further escalation will weigh upon corporate sentiment. Nevertheless, Chinese purchasing managers' indices have not yet signalled any weakness. The PMI for the manufacturing sector has remained at a sound level and in the service sector sentiment has even improved.

Forecast revision: –.

Emerging Markets: GDP (% yoy)



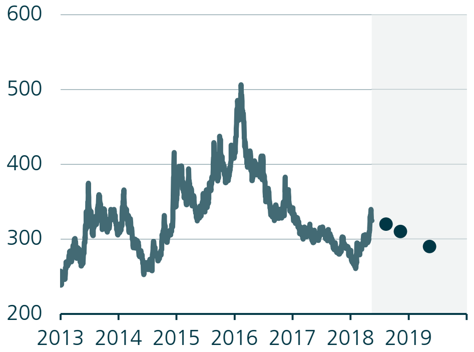
Sources: National Statistics, forecast DekaBank

Emerging Markets: Economy

The purchasing managers' indices for the manufacturing sector are signalling solid economic development. The risks, however, have risen. In Argentina and Turkey disappointingly high inflation rates have led to pressure on the currency markets and forced the central banks to intervene. In the space of a few days the Argentinian central bank has raised key rates by 12.75% to 40%, which spells danger for the economy. The government has asked the IMF for financial aid. With an election planned for June 24 there are uneasy weeks ahead for Turkey, even though Erdogan is the unequivocal favourite in the contest for the presidency. The trade dispute between China and the USA has escalated in the wake of unsuccessful talks.

Forecast revision: 2018 GDP growth forecasts revised down for Russia and upwards for Mexico.

EMBIG Diversified-Spread (Bp)



Sources: Bloomberg, forecast DekaBank

Emerging Markets: Markets

A combination of external factors and country-specific problems has weighed upon the valuation of EM investments in recent weeks. A vital driver has been the rise of US yields, which has led to the recent strength of the US dollar. Market sentiment has also been impacted by concerns over an escalation of the trade dispute between China and the USA, the USA's withdrawal from the nuclear agreement with Iran, as well as the rapid rise of the oil price, which will affect precisely those countries that are already in a critical situation because of their current account deficits. In Argentina and Turkey the central banks have not managed to stabilise their currencies despite several interest rate hikes. Argentina is now asking the IMF for financial aid in an attempt to calm the markets. The coming weeks will be marked by uncertainty over future economic and political developments. As we expect the economy to remain stable despite many negative factors, the markets should stabilise after a phase of volatility.

Macro Research

Economic Forecasts

May / June 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	2.3	1.8	1.7	1.5	1.9	8.0	7.9	7.5	1.3	1.2	1.4
France	2.2	2.0	1.8	1.5	1.2	1.8	1.7	-3.0	-2.9	-2.7	-2.6	-2.3	-2.8
Italy	1.8	1.5	1.4	1.3	1.3	1.0	1.6	2.8	2.6	2.6	-2.3	-1.7	-1.7
Spain	1.4	3.1	2.5	2.2	2.0	1.4	1.8	1.8	1.5	1.6	-3.1	-2.6	-1.9
Netherlands	0.7	3.3	2.8	2.1	1.3	1.4	1.8	10.1	9.8	9.5	1.1	0.7	0.9
Belgium	0.4	1.7	1.6	1.5	2.2	1.9	2.0	0.6	0.5	0.6	-1.0	-1.1	-1.3
Eurozone	**11.6**	**2.4**	**2.2**	**1.8**	**1.5**	**1.5**	**1.8**	**3.5**	**3.3**	**3.2**	**-0.9**	**-0.7**	**-0.6**
United Kingdom	2.3	1.8	1.4	1.4	2.7	2.4	2.1	-4.1	-3.5	-3.0	-1.9	-1.9	-1.6
Sweden	0.4	2.7	2.7	2.0	1.9	1.8	2.0	4.0	4.1	4.4	1.3	0.8	0.9
Denmark	0.2	2.1	1.4	1.8	1.1	1.0	1.8	7.8	7.6	7.4	1.0	-0.1	0.0
EU-22	**14.5**	**2.3**	**2.1**	**1.8**	**1.7**	**1.6**	**1.8**	**2.4**	**2.3**	**2.3**	**-1.0**	**-0.9**	**-0.7**
Poland	0.9	4.6	3.8	3.3	2.0	1.8	2.0	0.3	-0.2	-0.4	-1.7	-1.4	-1.4
Hungary	0.3	4.5	3.4	2.6	2.5	1.7	1.9	0.5	0.7	0.1	1.6	1.4	0.8
Czech Republic	0.2	4.2	3.8	2.8	2.3	2.1	2.9	2.7	1.9	2.4	-2.0	-2.4	-2.1
EU-28	**16.5**	**2.6**	**2.4**	**1.9**	**1.7**	**1.7**	**1.9**	**2.1**	**2.0**	**1.9**	**-1.0**	**-0.9**	**-0.8**
USA	15.3	2.3	2.7	1.9	2.1	2.6	2.3	-2.4	-3.0	-3.0	-3.5	-5.5	-6.5
Japan	4.3	1.7	1.2	0.7	0.5	1.3	1.7	4.0	3.5	3.0	-4.8	-4.5	-4.0
Canada	1.4	3.0	2.1	1.6	1.6	2.4	2.5	-3.0	-3.5	-4.0	-1.0	-1.0	-1.5
Australia	1.0	2.3	2.8	2.5	1.9	1.9	1.6	-2.3	-3.0	-2.5	-1.5	-1.0	-1.0
Switzerland	0.4	1.1	2.0	1.6	0.5	0.7	0.9	8.5	9.7	10.1	0.4	0.6	0.6
Norway	0.3	1.9	2.1	2.0	1.9	2.2	1.9	5.2	4.9	5.0	4.4	4.9	4.9
Developed Countries[4]	**37.3**	**2.3**	**2.3**	**1.7**	**1.7**	**2.0**	**2.0**	**0.4**	**0.0**	**0.0**	**-2.4**	**-3.1**	**-3.4**
Russia	3.2	1.5	1.5	1.8	3.7	2.9	4.7	2.2	3.1	2.8	-1.4	-0.9	-0.8
Turkey	1.7	7.4	5.5	4.5	11.1	10.7	8.7	-5.6	-5.7	-5.3	-1.5	-2.8	-3.1
Ukraine	0.3	2.5	2.6	2.4	14.4	11.2	8.6	-1.9	-4.2	-5.3	-1.5	-2.6	-2.5
Emerging Europe[5]	**7.5**	**3.9**	**3.2**	**2.8**	**5.5**	**5.0**	**5.2**	**-0.8**	**-0.6**	**-0.8**	**X**	**X**	**X**
South Africa	0.6	1.3	2.1	1.7	5.2	5.1	5.5	-2.5	-2.1	-2.3	-4.4	-3.6	-3.6
Middle East, Africa	**3.4**	**2.4**	**3.1**	**3.0**	**13.9**	**10.0**	**9.9**	**-0.6**	**-0.1**	**-0.7**	**X**	**X**	**X**
Brazil	2.6	1.0	2.5	2.6	3.4	3.3	4.0	-0.5	-1.8	-1.9	-8.0	-7.0	-5.6
Mexico	1.9	2.0	2.4	2.2	6.0	4.4	3.8	-1.6	-1.6	-1.8	-1.1	-2.3	-2.2
Argentina	0.7	2.9	2.7	3.1	26.5	23.9	12.8	-4.8	-5.5	-5.2	-6.0	-5.5	-4.9
Chile	0.4	1.4	2.9	3.0	2.2	2.3	3.0	-1.5	-0.6	-0.5	-2.8	-2.1	-1.6
Latin America	**7.1**	**1.1**	**1.8**	**2.4**	**6.6**	**5.6**	**4.6**	**-1.2**	**-1.9**	**-2.1**	**X**	**X**	**X**
China	18.2	6.9	6.6	6.4	1.5	1.9	2.2	1.3	1.3	1.3	-3.7	-3.5	-3.8
India	7.4	6.4	7.5	7.6	3.3	4.9	4.4	-1.5	-2.2	-1.7	-3.5	-3.5	-3.2
Indonesia	2.6	5.1	5.2	5.5	3.8	3.9	4.5	-1.7	-2.6	-2.7	-2.7	-2.5	-2.4
South Korea	1.6	3.1	2.9	3.1	1.9	1.6	2.1	5.1	5.6	6.2	1.5	0.7	0.5
Emerging Asia	**33.9**	**6.2**	**6.2**	**6.2**	**2.1**	**2.7**	**2.9**	**2.0**	**1.9**	**2.0**	**X**	**X**	**X**
Emerging Markets	**51.9**	**4.9**	**5.0**	**5.0**	**4.0**	**3.9**	**3.9**	**1.0**	**0.9**	**0.8**	**X**	**X**	**X**
Total[6]	**89.1**	**3.8**	**3.9**	**3.6**	**3.0**	**3.1**	**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		
		May 14 2018	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	-0.20
	12 months (EURIBOR)	-0.19	-0.18	-0.10	0.05
	Bunds, 2 years	-0.58	-0.50	-0.40	-0.15
	Bunds, 5 years	-0.04	0.05	0.20	0.45
	Bunds, 10 years	0.58	0.70	0.90	1.10
	Bunds, 30 years	1.26	1.35	1.45	1.60
USA	Monetary policy (FFR)	1.50-1.75	1.75-2.00	1.75-2.00	2.25-2.50
	3 months (LIBOR)	2.34	2.35	2.45	2.60
	12 months (LIBOR)	2.77	2.85	2.90	3.15
	US-Treasuries, 2 years	2.53	2.60	2.75	2.90
	US-Treasuries, 5 years	2.84	2.90	2.95	3.00
	US-Treasuries, 10 years	2.97	3.05	3.10	3.15
	US-Treasuries, 30 years	3.11	3.30	3.35	3.40
Japan	Monetary policy (Call)	-0.10	-0.10	-0.10	-0.10
	3 months (LIBOR)	-0.04	0.00	0.00	0.00
	12 months (LIBOR)	0.11	0.10	0.10	0.05
	JGBs, 2 years	-0.13	-0.10	-0.10	0.00
	JGBs, 5 years	-0.10	0.00	0.10	0.25
	JGBs, 10 years	0.05	0.10	0.15	0.30
	JGBs, 30 years	0.75	0.80	0.90	1.10
United Kingdom	Monetary policy (Base)	0.50	0.75	0.75	0.75
	3 months (LIBOR)	0.65	0.85	0.85	1.00
	12 months (LIBOR)	0.93	1.10	1.20	1.30
	Gilts, 2 years	0.81	1.00	1.00	1.20
	Gilts, 5 years	1.16	1.40	1.40	1.60
	Gilts, 10 years	1.47	1.60	1.70	1.90
	Gilts, 30 years	1.90	1.95	2.00	2.10
Sweden	Monetary policy (Repo)	-0.50	-0.50	-0.50	-0.25
	3 months (STIB)	-0.37	-0.40	-0.20	0.00
	2 years	-0.47	-0.40	-0.20	0.00
	10 years	0.75	0.80	1.00	1.30
Denmark	Monetary policy (Repo)	0.05	0.05	0.05	0.05
	3 months (CIBOR)	-0.28	-0.28	-0.23	-0.10
	2 years	-0.45	-0.30	-0.25	-0.05
	10 years	0.60	0.70	0.90	1.15
Norway	Monetary policy (Deposit)	0.50	0.50	0.75	1.00
	3 months (NIBOR)	1.10	1.17	1.25	1.50
	3 years	0.80	0.90	1.10	1.40
	10 years	1.94	2.00	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)	-0.72	-0.75	-0.75	-0.75
	2 years	-0.72	-0.70	-0.60	-0.30
	10 years	0.08	0.10	0.30	0.50
Canada	Monetary policy (O/N)	1.25	1.75	2.00	2.25
	3 months (CBA)	1.75	2.05	2.20	2.50
	12 months (CBA)	2.16	2.30	2.50	2.95
	2 years	1.97	2.20	2.45	2.80
	5 years	2.21	2.35	2.50	2.80
	10 years	2.38	2.45	2.55	2.80
	30 years	2.41	2.60	2.70	2.90
Australia	Monetary policy (Cash)	1.50	1.50	1.50	1.75
	3 months (ABB)	1.92	1.85	1.80	1.90
	2 years	1.99	2.00	2.10	2.50
	10 years	2.77	2.90	3.00	3.15

Interest rates in EM countries

			Current	Forecasts		
			May 14 2018	3 months	6 months	12 months
Central- and Eastern Europe	Poland	Monetary policy (Repo)	1.50	1.50	1.50	1.50
		3 months (WIB)	1.60	1.60	1.75	1.90
		2 years	1.54	1.60	1.80	2.10
		10 years	3.26	3.30	3.30	3.50
	Czech Rep.	Monetary policy (Repo)	0.75	0.75	1.00	1.25
		3 months (PRIBOR)	0.90	0.90	1.10	1.40
		2 years	0.81	0.80	1.10	1.30
		10 years	1.86	1.90	2.10	2.30
	Hungary	Monetary policy (Deposit)	0.90	0.90	0.90	0.90
		3 months (BUBOR)	0.05	0.05	0.05	0.10
		3 years	0.94	0.80	0.90	1.10
		10 years	2.77	2.60	2.70	3.00
Latin America	Brazil	Monetary policy (Repo)	6.50	6.25	6.25	6.75
		3 months (ABG)	6.23	6.30	6.40	6.80
		2 years	7.71	7.60	7.65	7.85
		9 years	10.07	9.30	9.00	9.00
	Mexico	Monetary policy	7.50	7.50	7.25	6.50
		3 months (Mexibor)	7.69	7.50	7.30	6.60
		2 years	7.44	7.20	6.60	6.50
		10 years	7.61	7.40	6.70	6.50
Asia	China	Monetary policy	1.50	1.50	1.50	1.50
		3 months	4.06	4.40	4.50	4.70
		3 years	3.22	3.40	3.50	3.80
		10 years	3.70	3.80	3.90	4.10
	Singapore	Monetary policy	n.a.	n.a.	n.a.	n.a.
		3 months	1.51	1.50	1.60	1.70
		2 years	1.97	2.00	2.00	2.10
		10 years	2.59	2.40	2.50	2.60
	South Korea	Monetary policy	1.50	1.50	1.75	2.00
		3 months	1.53	1.50	1.80	2.10
		2 years	2.17	2.20	2.30	2.30
		10 years	2.79	2.80	2.90	2.90

Yield spreads in basis points[1)]

			Current	Forecasts		
			May 14 2018	3 months	6 months	12 months
Emerging Markets, EMBIG Div Spreads	Central- and Eastern Europe	Russia	209	220	210	195
		Turkey	365	345	335	315
		Hungary	121	125	120	115
	Africa	South Africa	260	265	255	240
	Latin America	Brazil	246	245	235	220
		Chile	131	130	130	120
		Columbia	178	185	180	170
		Mexico	260	260	250	235
	Asia	China	127	125	120	110
		Indonesia	188	195	190	175
		Philippines	106	110	105	95
	Total (EMBIG Div)		**325**	**320**	**310**	**290**

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		
		May 14 2018	3 months	6 months	12 months
Dollar-Bloc	EUR-USD	1.20	1.18	1.20	1.23
	EUR-CAD	1.53	1.52	1.54	1.55
	EUR-AUD	1.59	1.57	1.58	1.58
Japan	EUR-JPY	131.18	128.62	130.80	135.30
Euro-Outs	EUR-GBP	0.88	0.88	0.87	0.87
	EUR-DKK	7.45	7.44	7.44	7.44
	EUR-SEK	10.28	10.50	10.30	10.00
	EUR-CHF	1.20	1.19	1.20	1.21
	EUR-NOK	9.56	9.50	9.40	9.30
Central- and Eastern Europe	EUR-PLN	4.26	4.25	4.20	4.10
	EUR-HUF	315.03	315.00	315.00	315.00
	EUR-CZK	25.48	25.30	25.10	25.00
Africa	EUR-ZAR	14.64	14.28	14.64	15.38
Latin America	EUR-BRL	4.31	4.01	4.14	4.31
	EUR-MXN	23.12	22.42	23.04	23.99
Asia	EUR-CNY	7.59	7.55	7.74	8.00
	EUR-SGD	1.60	1.57	1.61	1.66
	EUR-KRW	1280	1274	1308	1353
US-Dollar		**Current**	**Forecasts**		
		May 14 2018	**3 months**	**6 months**	**12 months**
Dollar-Bloc	USD-CAD	1.28	1.29	1.28	1.26
	AUD-USD	0.76	0.75	0.76	0.78
Japan	USD-JPY	109.51	109.00	109.00	110.00
Euro-Outs	GBP-USD	1.36	1.34	1.38	1.41
	USD-DKK	6.22	6.31	6.20	6.05
	USD-SEK	8.58	8.90	8.58	8.13
	USD-CHF	1.00	1.01	1.00	0.98
	USD-NOK	7.98	8.05	7.83	7.56
Central- and Eastern Europe	USD-PLN	3.56	3.60	3.50	3.33
	USD-HUF	262.98	266.95	262.50	256.10
	USD-CZK	21.27	21.44	20.92	20.33
Africa	USD-ZAR	12.23	12.10	12.20	12.50
Latin America	USD-BRL	3.60	3.40	3.45	3.50
	USD-MXN	19.30	19.00	19.20	19.50
Asia	USD-CNY	6.34	6.40	6.45	6.50
	USD-SGD	1.33	1.33	1.34	1.35
	USD-KRW	1069	1080	1090	1100

Commodities

Commodity	Current	Forecasts		
	May 14 2018	3 months	6 months	12 months
Gold (USD per troy ounce)	1,321.34	1,245	1,220	1,202
Gold (EUR per troy ounce)	1,103.05	1,030	1,030	980
WTI crude (USD per Barrel)	70.70	65	61	62
WTI crude (EUR per Barrel)	59.02	55	51	50
Brent crude (USD per Barrel)	76.35	69	65	66
Brent crude (EUR per Barrel)	63.74	58	54	54

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