Macro Research
Economic Forecasts

June / July 2018

Political storm?

Thunder and lightning

Source: Adobe Stock.

We used to be able to simply talk about the weather, but now we usually talk about a thunderstorm. In recent weeks the level of both meteorological and political agitation has been rising constantly. In comparison the capital markets' reaction has been surprisingly restrained and the economy has proved steadfast. But is this situation likely to continue? Recently the rough tone adopted by the USA towards its trading partners has even deteriorated further and has been accompanied by the imposition of punitive tariffs on imports of steel and aluminium, including those from Europe. Attention is also being focused increasingly on the possibility of substantial protectionist measures between the USA and China.

As if these clouds were not black enough, further storms are heading our way from Italy. The new government formed by the Five Star Movement (M5S) and Matteo Salvini's Lega Nord (LN) has drawn up a coalition agreement the terms of which comprise lavish expenditures and marginal savings and which, if fully implemented, would result in a disastrous development of public debt and deficits. This means that a bad weather front is now heading over the Alps directly towards EU institutions and the European Central Bank. The corresponding clap of thunder may come from the rating agencies: The next soon-to-be-expected downgrade would lower Italy's rating to just one level above „non-investment grade“(i.e. junk).

Is this political storm certain and unavoidable? Past experience has taught us that even in politics things never turn out to be as bad as they had first seemed. With respect to the risk of a full-blown trade war as well as the expected confrontation with Italy, we assume that a combination of diplomacy and a spirit of compromise will enable us to avoid a worsening of the current situation. Nevertheless, a short-lived escalation has become more likely in the last few days.

All in all, however, we reaffirm the prospects for continuation of global expansion together with a constructive outlook for the capital markets. The political clout of institutions like the World Trade Organisation, the United Nations, the EU and the central banks should not be underestimated. However unpleasant the political sabre-rattling may be, the threats from Washington and Rome are not likely to be realised in action. Meanwhile, we continue to regard the central banks and their withdrawal from long-standing ultra-expansive monetary policy as the dominant macroeconomic factor. Both the economy and the capital markets will be able to cope with the problems created by the normalisation of interest rate levels. In a political storm it might be quite a different story.

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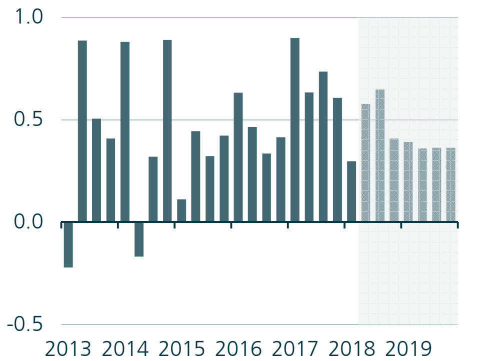
Most important forecast revisions

- In view of greater risks due to protectionism and the new Italian government, we have given more weight to the negative scenario at the cost of the positive scenario.
- Euro zone: GDP 2019: 1.7 % (previously 1.8 %); inflation 2018 and 2019: each 1.7 % (previously 1.5 % and 1.8 %).
- European Central Bank: first key-rate increase (deposit rate) in September 2019 (previously June 2019).
- Slower rise of long-term Bund yields.
- Japan: first key-rate hike postponed from 2019 to 2022.
- GDP growth forecasts revised down for Brazil, Turkey and South Africa.

Economy: Industrial countries

Germany: GDP (% qoq, sa)



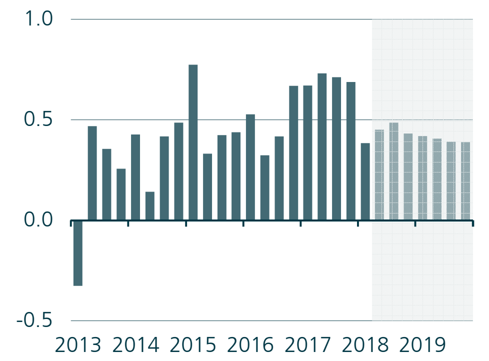
Sources: Destatis, forecast DekaBank

Germany

As we had expected, first-quarter GDP growth slowed. This can be attributed to various special factors: strikes, a wave of influenza and the lack of a government all contributed to the slowdown. In view of the current healthy economic environment the second-quarter performance should be better. However, after a promising start - retail sales rose sharply in April - the data for incoming orders, output and exports all turned out to be weak. Moreover, performance in May was affected by public holidays and long weekends, so that any contribution to a correction of the weak data is bound to be minimal.

Forecast revision: GDP growth 2018 and 2019: 2.1 % and 1.7 % (previously 2.3 % and 1.8 %); inflation 2018: 1.8 % (previously 1.5 %).

Eurozone: GDP (% qoq, sa)



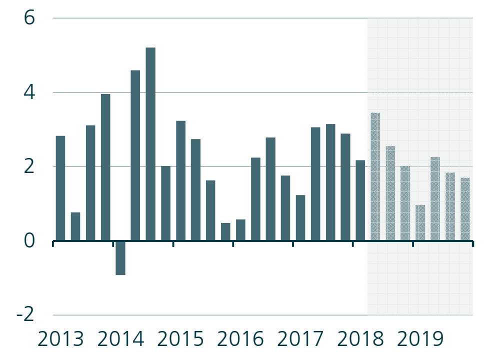
Sources: Eurostat, forecast DekaBank

Eurozone

Eurozone economic data published at the beginning of June showed which sectors were responsible for the first-quarter economic slowdown. Domestic expenditure, comprising both private and public consumption together with gross fixed capital formation, developed largely as in the fourth quarter of 2017. What was lacking in the first quarter of 2018 in comparison with the previous quarter was the strong stimulus provided by foreign trade. On the contrary, weaker export performance dampened real economic activity. Leading indicators for the current quarter clearly show that Eurozone GDP growth is still strong and probably even stronger than in the first quarter. However, the unusual level of GDP growth achieved last year is unlikely to be matched in 2018.

Forecast revision: GDP 2019: 1.7 % (previously 1.8 %); inflation 2018 and 2019: each 1.7 % (previously 1.5 % and 1.8 %).

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



Sources: Bureau of Economic Analysis, forecast DekaBank

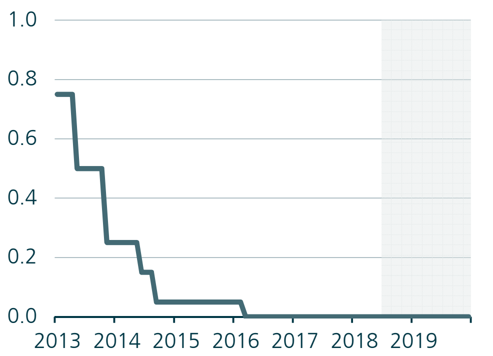
USA

The US economy continues to move along a good growth path. According to unofficial estimates GDP growth in April was 0.3% against the previous month. This was the third successive increase of this magnitude. Data that are already available for the month of May signal continuation of this rate of growth. The labour market report proved to be relatively strong and the most important indicators of corporate sentiment improved in May against the previous month. These data confirm our forecast of accelerated growth in the second quarter in comparison with the previous quarter. Inflation data for April were less spectacular. Consumer prices increased by 2.4% in April and the PCE deflator registered 2%.

Forecast revision: –.

Markets: Industrial countries

ECB: Repo Rate (% p.a.)



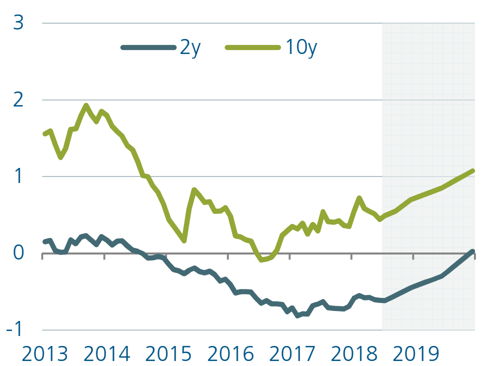
Sources: European Central Bank, forecast DekaBank

The European Central Bank / Money market

The uncertainty under which the ECB must determine its monetary policy has increased in recent weeks. The central bankers are endeavouring to find an explanation for weaker economic data and are concerned about the possibility of a trade war with the USA. Moreover, the widening of spreads on Italian government bonds bears the risk of contagion for other financial markets in the Eurozone. Nevertheless, the ECB would only be able to gain a very limited amount of extra time by further extending its asset-purchase programme once again. Moreover, it will not wish to create the impression that it is in any way dependent on the new Italian government. We therefore expect the ECB to announce in the very near future that it will allow its asset-purchase programme to expire at the end of the year. However, in order to limit the impact on financial markets, it is likely to stress the prospect of a long phase of low key rates. We expect the deposit rate to be raised only in the second half of 2019 and therefore no marked rise in EONIA and EURIBOR rates for the time being.

Forecast revision: The deposit rate will be raised only in September 2019.

German Bond Yield (% p.a.)



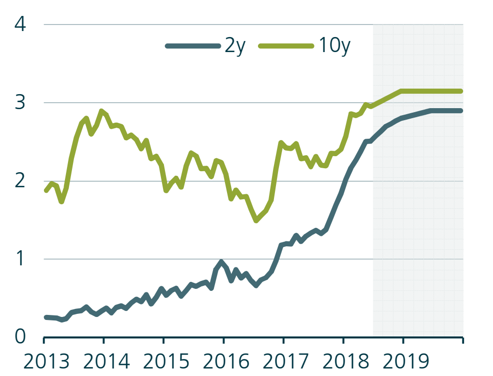
Sources: Bloomberg, forecast DekaBank

Eurozone bond market

Comments by the new Italian government may have caused disquiet on financial markets, but do not appear to have had any impact on the ECB's monetary policy. In the run-up to the June meeting several Council members called for a serious discussion about bringing the asset-purchase programme to an end. We now expect the ECB to announce in July that it will phase out its asset purchases in the fourth quarter. However, this should result in no more than a moderate rise in yields. In the first place, the ECB will undoubtedly reaffirm that it does not intend to raise key rates in the near future. Secondly, continuing uncertainty over political developments in Italy and economic growth in the Eurozone will go hand in hand with sustained high demand, in particular for long-term Bunds.

Forecast revision: Slower rise of long-term Bund yields.

US Bond Yield (% p.a.)



Sources: Bloomberg, forecast DekaBank

US bond market

Recent developments on the US bond market can be attributed in large part to events in Italy. The formation of an EU-critical government triggered a world-wide flight into safe assets and thus falling US government bond yields, as well as a downward correction of key-rate expectations for the coming quarters. All in all, from a US standpoint the turbulences caused on financial markets were limited, so that the Fed will soon raise the key rate interval again to 1.75 % to 2.00 %. In view of the current healthy macroeconomic development it is quite possible that the Fed will raise the key rate interval four times this year.

Forecast revision: –.

June / July 2018

Markets: Industrial countries

Equity Market Forecast

	Current Jun 8, 18	in 3	in 6 months	in 12
DAX	**12 766.55**	**12 900**	**13 500**	**13 500**
Reporting:				
EuroStoxx50	3 447.30	3 500	3 600	3 600
S&P 500	2 779.03	2 650	2 800	2 700
Topix	1 781.44	1 700	1 750	1 750

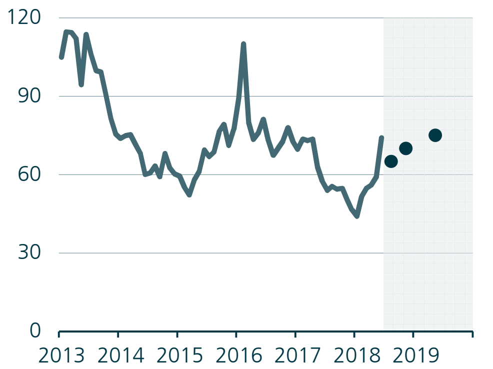
Sources: Deutsche Börse AG, forecast DekaBank

Equity market: Germany

There is currently no lack of factors exerting a negative impact on market sentiment. Investors have been unsettled not only by political troubles in Italy but also by enduring global trade disputes. The fact that despite this current mood the equity market has remained stable can be attributed to the continued healthy economic situation and thus also to an environment that promises solid and rising corporate profits. Profit expectations for German companies have recently been slightly raised again, which has resulted in lower valuations in recent weeks. The market has received additional support from the depreciation of the Euro. The fundamental framework for German equities has remained intact. However, the high degree of political uncertainty will undoubtedly trigger enhanced price volatility in the summer months.

Forecast revision: –.

iTraxx Europe (Bp)

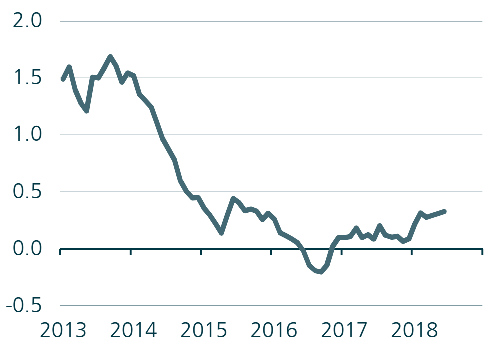


Sources: International Index Company, forecast DekaBank

Corporate bond market: Eurozone

Burgeoning concerns over a renewed Euro crisis have led to rising risk premiums on corporate bonds. The pressure is strongest on the bank sector and Italian companies, but is also felt by other peripheral countries and, albeit in a milder form, by the core of the Eurozone. The new populist government in Italy aims to drastically increase its expenditures and is thus heading for a confrontation with the stability-oriented EU Commission. An open conflict could impact the stability of the Euro and investors are reacting with a flight into quality. Moreover, the prospect of the ECB phasing out its asset purchases at the end of the year is also having a negative impact on the markets. So far, however, spreads have benefited from company results, some of which have been excellent, and also from continued good business prospects.

Covered Bonds 5y (% p.a.)



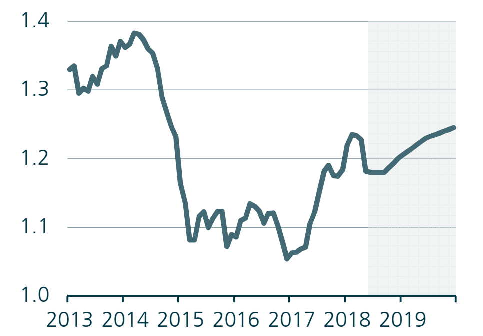
Source: Bloomberg

Covered Bonds

The turmoil over the formation of a new government in Italy has once again focused attention on the risks of excessive fiscal policies in peripheral countries. As Italian banks hold almost half the country's government bonds on their books and moreover suffer from a high share of non-performing loans, the Italian financial sector has been subjected to huge pressures. Italian covered bonds may have outperformed senior bonds and government bonds, but in comparison with covered bonds from the core of the Eurozone their spreads have widened substantially. Other peripheral countries have also come under pressure to sell, but the spread widening has been less whilst in the core zone the risk premium increased only a few basis points. In view of the nascent budget debate in Italy markets are bound to remain very nervous and from time to time spreads will widen again significantly.

Markets: Industrial countries

Exchange Rate EUR-USD



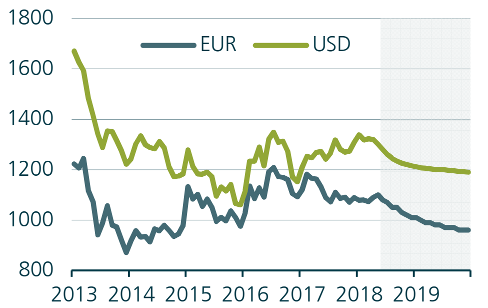
Sources: European Central Bank, forecast DekaBank

Currency market: EUR-USD

In May the Euro depreciated against the US Dollar from 1.20 EUR-USD to 1.17 EUR-USD. As a result of the turmoil following the formation of the Italian government at the end of May, the exchange rate slumped to 1.15 EUR-USD, its lowest level since November 2017. However, the Euro had already come under pressure before the problems in Italy arose. At its meeting at the end of April the ECB unexpectedly had very little to say about an exit from its ultra-loose monetary policy. At the same time US economic data cleared the way for a further key-rate increase in June as, for example, the US unemployment rate fell to its lowest level since the sixties. The expected key-rate hike in June will certainly not be the last this year.

Forecast revision: –.

Gold price (per troy ounce)



Performance	from 31.05.12 to 31.05.13	31.05.13 31.05.14	31.05.14 31.05.15	31.05.15 31.05.16	31.05.16 31.05.17	31.05.17 31.05.18
Gold in Euro	-15.05%	-14.95%	18.71%	0.61%	3.80%	-1.59%
Gold in USD	-10.88%	-10.56%	-4.51%	2.14%	4.71%	2.21%

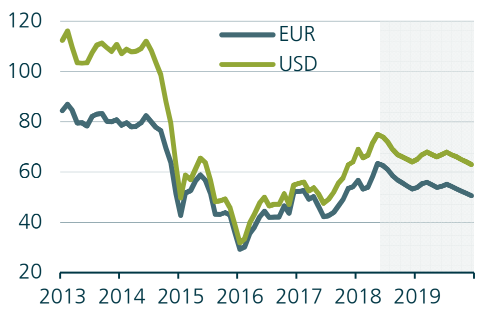
Sources: Bloomberg, forecast DekaBank

Gold

Neither the escalation of the trade dispute between the USA and its trading partners nor the new Italian government, whose plans could trigger another EU crisis, have been regarded by players on the gold market as cause for concern. Even the volatile development of US yields, the fluctuations on equity markets and the movements of the US dollar have had no appreciable impact on gold markets in recent weeks. Since the middle of May the gold price has been relatively stable at just below USD 1,300. We regard the composure of participants on the gold market as fully justified, for current risks do not pose a threat to the fundamentally constructive picture of the economy and the capital markets. In the medium term, therefore, in view of rising US interest rates we expect the gold price to fall slightly.

Forecast revision: –.

Crude Oil Brent (per barrel)



Performance	from 31.05.12 to 31.05.13	31.05.13 31.05.14	31.05.14 31.05.15	31.05.15 31.05.16	31.05.16 31.05.17	31.05.17 31.05.18
Brent in Euro	-6.06%	3.63%	-25.51%	-25.34%	0.36%	48.49%
Brent in USD	-1.45%	8.98%	-40.08%	-24.21%	1.25%	54.22%

Sources: Bloomberg, forecast DekaBank

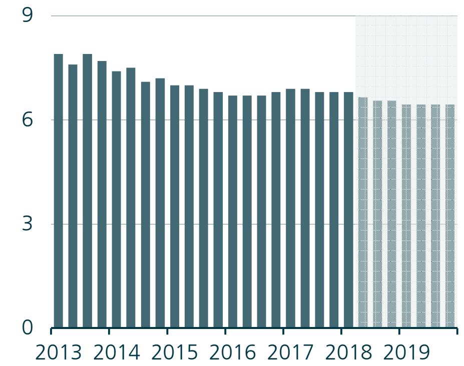
Crude oil

By the middle of May oil prices had risen to their highest level for more than three years. In recent weeks, however, prices have fallen again, as Russia and Saudi Arabia have decided to increase their output to compensate for Venezuelan and Iranian shortfalls and thus improve the supply situation on the global market. According to media reports the USA have asked Saudi Arabia to step up production, especially after US gasoline prices had risen to their highest level for years. OPEC currently produces some 0.5 million barrels under their self-imposed production ceiling. OPEC members are due to meet on June 22nd and they are expected to agree to a small increase in production. This should help to balance supply and demand on the global market.

Forecast revision: –.

Emerging Markets

China: GDP (% yoy)



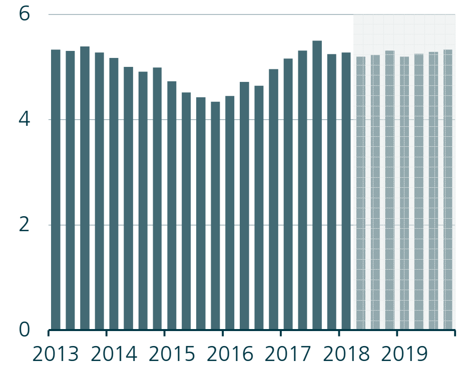
Sources: National Statistics, forecast DekaBank

China

In the trade dispute with the USA the tone has sharpened further after there had been prospects of negotiations. China had been willing to import substantially more American foodstuffs and energy resources, if in return the USA were to forego the imposition of punitive tariffs. However, apparently US President Trump is bent on achieving even more far-reaching concessions. China would no doubt still be interested in a negotiated settlement but does not wish to appear weak and will therefore respond to punitive tariffs by imposing its own tariffs on US products. Until now the threat of a trade war has not had any lasting impact on corporate sentiment and purchasing managers' indices have remained at a high level. However, incoming domestic orders have developed better than export orders.

Forecast revision: –.

Emerging Markets: GDP (% yoy)



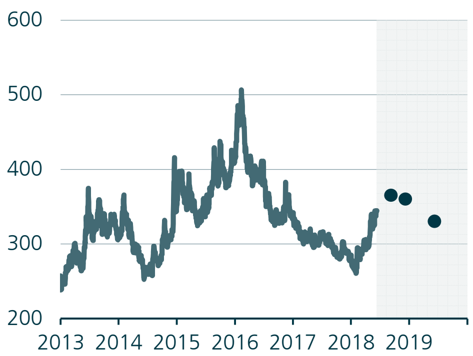
Sources: National Statistics, forecast DekaBank

Emerging Markets: Economy

The purchasing managers' indices have fallen slightly. The slump has been particularly pronounced in Turkey due to the currency turmoil, in Russia following the imposition of new US sanctions and in Brazil because of the truck drivers' strike. Regional differences in economic growth have become more conspicuous: in Asia the economy is sound, whereas in other regions the heavyweights are weighing on growth. The threat of escalation of the trade dispute between the USA and China does not constitute a serious economic risk. In most countries the rate of inflation is near the central bank's target, the exceptions being Turkey and Argentina, which are far from the target. Meanwhile, in Asia some central banks have raised their key rates, in an attempt to limit the risks of inflation.

Forecast revision: GDP growth forecasts have been revised down for Brazil, Turkey and South Africa.

EMBIG Diversified-Spread (Bp)



Sources: Bloomberg, forecast DekaBank

Emerging Markets: Markets

The external environment of rising US yields and less expansive monetary policy in the USA and Europe together with new problems in the Eurozone are a negative factor for emerging-market countries. However, country-specific developments have been responsible for recent weak market development: Turkish President Erdogan has further undermined confidence in the central bank, which has weakened the lira and raised yields. In the wake of violent protests the Brazilian government has restored fuel subsidies and thus enhanced doubts with respect to the country's reform course. Thanks to the IMF, Argentina has managed to avoid further share price and currency losses after both currency and the bond market had collapsed. In view of approaching elections in Turkey, Mexico and Brazil uncertainty is bound to prevail in the months to come. Meanwhile, however, a high degree of uncertainty has already been factored into prices, which, after months of turmoil, makes stabilisation of the market more likely.

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	2.1	1.7	1.7	1.8	1.9	8.0	7.9	7.5	1.2	1.0	0.8
France	2.2	2.3	2.0	1.6	1.2	2.0	1.6	-3.0	-2.9	-2.7	-2.6	-2.3	-2.8
Italy	1.8	1.6	1.2	1.1	1.3	1.2	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	1.9	1.8	1.8	1.5	1.6	-3.1	-2.6	-1.9
Netherlands	0.7	3.3	2.5	2.1	1.3	1.5	1.7	10.1	9.8	9.5	1.1	0.7	0.9
Belgium	0.4	1.7	1.5	1.5	2.2	1.8	1.9	0.6	0.5	0.6	-1.0	-1.1	-1.3
Eurozone	**11.6**	**2.4**	**2.2**	**1.7**	**1.5**	**1.7**	**1.7**	**3.5**	**3.3**	**3.2**	**-0.9**	**-0.8**	**-0.8**
United Kingdom	2.3	1.8	1.3	1.4	2.7	2.5	2.2	-4.1	-3.5	-3.0	-1.9	-1.9	-1.6
Sweden	0.4	2.5	2.6	2.0	1.9	1.8	1.9	4.0	4.1	4.4	1.3	0.8	0.9
Denmark	0.2	2.2	1.5	2.2	1.1	1.1	1.8	7.8	7.6	7.4	1.0	-0.1	0.0
EU-22	**14.5**	**2.3**	**2.1**	**1.7**	**1.7**	**1.8**	**1.8**	**2.4**	**2.3**	**2.3**	**-1.0**	**-0.9**	**-0.9**
Poland	0.9	4.7	4.2	3.3	2.0	1.6	2.0	0.3	-0.7	-1.0	-1.7	-1.4	-1.4
Hungary	0.3	4.6	3.2	2.6	2.5	1.8	1.9	0.9	0.7	0.2	1.6	1.4	0.8
Czech Republic	0.2	4.2	4.0	2.8	2.4	2.4	2.9	2.7	1.9	2.3	-2.0	-2.4	-2.1
EU-28	**16.5**	**2.7**	**2.3**	**1.9**	**1.7**	**1.9**	**1.9**	**2.1**	**2.0**	**1.9**	**-1.0**	**-0.9**	**-1.0**
USA	15.3	2.3	2.8	1.9	2.1	2.6	2.4	-2.4	-3.0	-3.0	-3.5	-5.5	-6.5
Japan	4.3	1.7	0.8	0.7	0.5	0.9	1.6	4.0	3.5	3.0	-4.2	-3.5	-3.0
Canada	1.4	3.0	2.0	1.6	1.6	2.4	2.4	-2.9	-3.5	-4.5	-1.1	-1.0	-1.5
Australia	1.0	2.2	2.9	2.5	1.9	1.9	1.7	-2.5	-2.0	-1.5	-1.5	-1.0	-1.0
Switzerland	0.4	1.1	2.1	1.6	0.5	0.6	0.9	8.5	9.7	10.1	0.4	0.6	0.6
Norway	0.3	2.0	2.2	2.0	1.9	2.3	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**	**-2.3**	**-3.0**	**-3.4**
Russia	3.2	1.5	1.5	1.8	3.7	2.9	4.0	2.2	3.7	3.3	-1.4	0.3	0.4
Turkey	1.7	7.4	5.3	4.3	11.1	12.0	9.7	-5.6	-6.5	-5.4	-1.5	-2.8	-3.1
Ukraine	0.3	2.5	2.6	2.8	14.4	11.5	8.7	-1.9	-4.4	-5.5	-1.5	-2.6	-2.5
Emerging Europe[5]	**7.5**	**3.9**	**3.1**	**2.8**	**5.5**	**5.3**	**5.2**	**-0.8**	**-0.6**	**-0.7**	**X**	**X**	**X**
South Africa	0.6	1.3	1.5	1.9	5.2	5.1	5.4	-2.5	-2.7	-2.8	-4.4	-3.5	-3.4
Middle East, Africa	**3.4**	**2.4**	**3.1**	**3.1**	**13.9**	**10.0**	**9.8**	**-0.1**	**0.3**	**0.1**	**X**	**X**	**X**
Brazil	2.6	1.0	2.0	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	4.3	3.8	-1.6	-1.7	-2.1	-1.1	-2.3	-2.2
Argentina	0.7	2.9	2.3	3.0	26.5	28.8	17.3	-4.8	-5.7	-5.3	-6.0	-5.1	-4.0
Chile	0.4	1.4	2.9	3.0	2.2	2.4	3.0	-1.5	-1.1	-1.4	-2.8	-2.0	-1.6
Latin America	**7.1**	**1.1**	**1.6**	**2.4**	**6.6**	**6.1**	**5.1**	**-1.2**	**-1.9**	**-2.2**	**X**	**X**	**X**
China	18.2	6.9	6.6	6.4	1.5	1.8	2.1	1.3	0.7	0.7	-3.7	-3.5	-3.8
India	7.4	6.2	7.5	7.6	3.3	4.9	4.4	-1.5	-3.0	-2.3	-3.5	-3.5	-3.1
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	1.5	2.0	5.1	5.4	5.7	1.5	0.7	0.5
Emerging Asia	**33.9**	**6.1**	**6.3**	**6.2**	**2.1**	**2.6**	**2.8**	**2.0**	**1.4**	**1.5**	**X**	**X**	**X**
Emerging Markets	**51.9**	**4.9**	**5.0**	**5.0**	**4.0**	**4.0**	**3.9**	**1.0**	**0.6**	**0.6**	**X**	**X**	**X**
Total[6]	**89.1**	**3.8**	**3.8**	**3.6**	**3.0**	**3.2**	**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		
		Jun 11 2018	3 months	6 months	12 months
Germany	Monetary policy (Refi)	0.00	0.00	0.00	0.00
	3 months (EURIBOR)	-0.32	-0.32	-0.30	-0.25
	12 months (EURIBOR)	-0.18	-0.18	-0.12	0.00
	Bunds, 2 years	-0.62	-0.55	-0.45	-0.30
	Bunds, 5 years	-0.17	-0.10	0.05	0.20
	Bunds, 10 years	0.47	0.55	0.70	0.85
	Bunds, 30 years	1.16	1.20	1.30	1.40
USA	Monetary policy (FFR)	1,50-1,75	1,75-2,00	2,00-2,25	2,25-2,50
	3 months (LIBOR)	2.33	2.40	2.50	2.60
	12 months (LIBOR)	2.74	2.85	2.95	3.20
	US-Treasuries, 2 years	2.51	2.70	2.80	2.90
	US-Treasuries, 5 years	2.80	2.90	2.95	3.00
	US-Treasuries, 10 years	2.96	3.05	3.15	3.15
	US-Treasuries, 30 years	3.10	3.30	3.40	3.40
Japan	Monetary policy (Call)	-0.10	-0.10	-0.10	-0.10
	3 months (LIBOR)	-0.03	0.00	0.00	0.00
	12 months (LIBOR)	0.11	0.10	0.10	0.10
	JGBs, 2 years	-0.13	-0.15	-0.15	-0.15
	JGBs, 5 years	-0.10	-0.10	-0.10	-0.10
	JGBs, 10 years	0.05	0.10	0.10	0.20
	JGBs, 30 years	0.73	0.80	0.80	0.95
United Kingdom	Monetary policy (Base)	0.50	0.75	0.75	0.75
	3 months (LIBOR)	0.63	0.75	0.85	1.00
	12 months (LIBOR)	0.94	1.10	1.20	1.40
	Gilts, 2 years	0.74	0.90	1.00	1.30
	Gilts, 5 years	1.10	1.20	1.40	1.60
	Gilts, 10 years	1.40	1.50	1.60	1.80
	Gilts, 30 years	1.86	1.85	1.90	2.00
Sweden	Monetary policy (Repo)	-0.50	-0.50	-0.25	-0.25
	3 months (STIB)	-0.39	-0.40	-0.20	0.10
	2 years	-0.54	-0.30	-0.20	0.10
	10 years	0.65	0.80	1.00	1.30
Denmark	Monetary policy (Repo)	0.05	0.05	0.05	0.05
	3 months (CIBOR)	-0.31	-0.22	-0.20	-0.15
	2 years	-0.52	-0.45	-0.30	-0.20
	10 years	0.48	0.55	0.70	0.90
Norway	Monetary policy (Deposit)	0.50	0.75	0.75	1.00
	3 months (NIBOR)	1.05	1.25	1.25	1.50
	3 years	0.80	1.00	1.20	1.50
	10 years	1.88	2.00	2.30	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)	-0.73	-0.75	-0.75	-0.75
	2 years	-0.73	-0.65	-0.55	-0.25
	10 years	0.06	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	2.40
	12 months (CBA)	2.14	2.30	2.45	2.85
	2 years	1.93	2.25	2.50	2.90
	5 years	2.17	2.40	2.55	2.80
	10 years	2.32	2.50	2.60	2.85
	30 years	2.36	2.50	2.60	2.80
Australia	Monetary policy (Cash)	1.50	1.50	1.50	1.75
	3 months (ABB)	2.05	1.85	1.80	1.95
	2 years	2.05	2.05	2.15	2.55
	10 years	2.78	2.95	3.00	3.20

Interest rates in EM countries

			Current	Forecasts		
			Jun 11 2018	3 months	6 months	12 months
Central- and Eastern Europe	Poland	Monetary policy (Repo)	1.50	1.50	1.50	1.50
		3 months (WIB)	1.60	1.60	1.70	1.80
		2 years	1.59	1.60	1.70	2.00
		10 years	3.29	3.30	3.30	3.50
	Czech Rep.	Monetary policy (Repo)	0.75	1.00	1.25	1.50
		3 months (PRIBOR)	0.92	1.10	1.50	1.70
		2 years	1.02	1.10	1.40	1.70
		10 years	2.11	2.10	2.30	2.40
	Hungary	Monetary policy (Deposit)	0.90	0.90	0.90	0.90
		3 months (BUBOR)	0.12	0.15	0.10	0.10
		3 years	1.19	1.20	1.20	1.40
		10 years	3.19	3.10	3.20	3.30
Latin America	Brazil	Monetary policy (Repo)	6.50	6.50	6.50	6.75
		3 months (ABG)	6.73	6.80	6.80	6.80
		2 years	9.07	8.35	8.25	8.20
		9 years	11.64	10.50	10.00	10.00
	Mexico	Monetary policy	7.50	7.50	7.25	6.50
		3 months (Mexibor)	7.80	7.50	7.30	6.60
		2 years	7.71	7.50	6.90	6.80
		10 years	7.85	7.80	7.50	7.00
Asia	China	Monetary policy	1.50	1.50	1.50	1.50
		3 months	4.35	4.40	4.50	4.70
		3 years	3.39	3.40	3.50	3.80
		10 years	3.66	3.80	3.90	4.10
	Singapore	Monetary policy	n.a.	n.a.	n.a.	n.a.
		3 months	1.52	1.50	1.60	1.70
		2 years	1.97	2.00	2.00	2.10
		10 years	2.59	2.50	2.50	2.60
	South Korea	Monetary policy	1.50	1.50	1.75	2.00
		3 months	1.56	1.50	1.80	2.10
		2 years	2.07	2.20	2.30	2.30
		10 years	2.71	2.80	2.90	2.90

Yield spreads in basis points[1)]

			Current	Forecasts		
			Jun 11 2018	3 months	6 months	12 months
Emerging Markets, EMBIG Div Spreads	Central- and Eastern Europe	Russia	223	235	230	210
		Turkey	401	435	430	400
		Hungary	135	140	135	125
	Africa	South Africa	289	295	290	265
	Latin America	Brazil	316	320	315	285
		Chile	143	155	150	140
		Columbia	204	210	205	190
		Mexico	302	315	310	285
	Asia	China	130	140	140	130
		Indonesia	202	215	215	195
		Philippines	118	130	130	115
	Total (EMBIG Div)		**345**	**365**	**360**	**330**

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 11 2018	3 months	6 months	12 months
Dollar-Bloc	EUR-USD	1.18	1.18	1.20	1.23
	EUR-CAD	1.53	1.52	1.54	1.55
	EUR-AUD	1.55	1.55	1.56	1.58
Japan	EUR-JPY	129.68	129.80	132.00	136.53
Euro-Outs	EUR-GBP	0.88	0.88	0.87	0.87
	EUR-DKK	7.45	7.44	7.44	7.44
	EUR-SEK	10.26	10.20	10.10	10.00
	EUR-CHF	1.16	1.17	1.20	1.21
	EUR-NOK	9.51	9.40	9.40	9.30
Central- and Eastern Europe	EUR-PLN	4.27	4.25	4.20	4.10
	EUR-HUF	321.19	315.00	315.00	315.00
	EUR-CZK	25.68	25.50	25.30	25.00
Africa	EUR-ZAR	15.49	14.28	14.64	15.38
Latin America	EUR-BRL	4.37	4.48	4.68	4.92
	EUR-MXN	24.06	24.19	24.60	24.60
Asia	EUR-CNY	7.55	7.55	7.74	8.00
	EUR-SGD	1.57	1.57	1.61	1.66
	EUR-KRW	1268	1274	1308	1353
US-Dollar		Current	Forecasts		
		Jun 11 2018	3 months	6 months	12 months
Dollar-Bloc	USD-CAD	1.30	1.29	1.28	1.26
	AUD-USD	0.76	0.76	0.77	0.78
Japan	USD-JPY	110.02	110.00	110.00	111.00
Euro-Outs	GBP-USD	1.34	1.34	1.38	1.41
	USD-DKK	6.32	6.31	6.20	6.05
	USD-SEK	8.71	8.64	8.42	8.13
	USD-CHF	0.99	0.99	1.00	0.98
	USD-NOK	8.07	7.97	7.83	7.56
Central- and Eastern Europe	USD-PLN	3.62	3.60	3.50	3.33
	USD-HUF	272.50	266.95	262.50	256.10
	USD-CZK	21.79	21.61	21.08	20.33
Africa	USD-ZAR	13.14	12.10	12.20	12.50
Latin America	USD-BRL	3.71	3.80	3.90	4.00
	USD-MXN	20.41	20.50	20.50	20.00
Asia	USD-CNY	6.40	6.40	6.45	6.50
	USD-SGD	1.33	1.33	1.34	1.35
	USD-KRW	1076	1080	1090	1100

Commodities

Commodity	Current	Forecasts		
	Jun 11 2018	3 months	6 months	12 months
Gold (USD per troy ounce)	1,294.92	1,235	1,215	1,201
Gold (EUR per troy ounce)	1,098.60	1,050	1,010	980
WTI crude (USD per Barrel)	65.74	63	60	63
WTI crude (EUR per Barrel)	55.77	53	50	51
Brent crude (USD per Barrel)	74.72	67	64	67
Brent crude (EUR per Barrel)	63.39	57	53	54

Makro Research
Volkswirtschaft Prognosen.

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Your contacts at Deka:

Chief Economist: Dr. Ulrich Kater: +49 69 7147-2381; email: ulrich.kater@deka.de
Head of Economics: Dr. Holger Bahr: -2846; email: holger.bahr@deka.de
Head of Capital Markets and Strategy: Joachim Schallmayer: -3807; email: jochim.schallmayer@deka.de

Industrial Countries/Sector Analysis
Rudolf Besch: -5468; email: rudolf.besch@deka.de (USA, Dollarbloc, Japan)
Dr. Christian Melzer: -2851; email: christian.melzer@deka.de (EMU, Currencies)
Dr. Andreas Scheuerle: -2736; email: andreas.scheuerle@deka.de (Germany, EMU, Sector Analysis)
Nikola Stephan: -1023; email: nikola.stephan@deka.de (Euro-Outs ex Middle and East. Europe, Currencies)

Macro Trends/Commodities
Dr. Dora Borbély: -5027; email: dora.borbely@deka.de (Commodities, Macro Trends)
Dr. Gabriele Widmann: -2559; email: gabriele.widmann@deka.de (Macro Trends; Commodities)

Emerging Markets/ Country Risk Analysis
Janis Hübner: -2543; email: janis.huebner@deka.de (Asia ex Japan, Middle East)
Daria Orlova: -3891; email: daria.orlova@deka.de (Middle and Eastern Europe)
Mauro Toldo: -3556; email: mauro.toldo@deka.de (Latin America, Africa)

Central Bank Watching and Capital Markets
Sandra Ebner: -5036; email: sandra.ebner@deka.de (Market-based approach)
Michael Ramon Klawitter: -5789; email: michael.klawitter@deka.de (Floor economist)
Carsten Lüdemann: -2625; email: carsten.luedemann@deka.de (Bond market strategy)
Kristian Tödtmann: -3760; email: kristian.toedtmann@deka.de (ECB, Eurobond market)
Dr. Ulrich Weikard: -5790: email: ulrich.weikard@deka.de (Credits, Certificates)

Real Estate Research
Daniela Fischer: -7549; email: daniela.fischer@deka.de (Benelux, France, Portugal, Spain)
Gunnar Meyke: -5802; email: gunnar.meyke@deka.de (Nordics, Cross-sectional assignment/analysis)
Andreas Wellstein: -3850; email: andreas.wellstein@deka.de (Germany, EU, North-America; Asia/Pacific)

Data & Analysis
Peter Leonhardt: -2842; email: peter.leonhardt@deka.de

Internet: https://deka.de/deka-gruppe/research

Impressum: https://deka.de/deka-gruppe/impressum