Economic Forecasts

February / March 2018

Are we now running headlong into a recession? No!

For the second time this year there has been turmoil on the equity markets. The initial correction at the end of January was triggered by fears of the US economy overheating, after surprisingly strong growth of wages was registered together with rising rates of inflation. In a nightmare scenario a rapid and substantial rise of key rates dampens economic performance and leads inevitably to recession by 2019 at the latest. Now, a month later, the pressure has been raised even higher and we are supposed to be heading directly into an economic downturn. The buzzword here is „protectionism". Like a bolt fom the blue, President Trump has annouced the imposition of punitive tariffs on imports of steel and aluminium. As he has justified this measure on grounds of national security, it does not have to be approved by Congress. Trouble is now looming in the shape of retaliatory measures by European and Asian countries, to which in turn Trump could respond with punitive tariffs on imports of automobiles. The spectre of a trade war has been raised and is on the prowl.

Is there a threat of trade war?

Sources: Adobe Stock, DekaBank.

Is the economic upswing to be brought to a sudden end by political risk? Surprising in view of the fact that one thing we learned in the course of 2017 is that political risk bounces off a stable global economy. Moreover, in its first year in office the US government did not manage to implemennt any noteworthy initiatives. Until now the sole exception has been the corporate tax reform. We assume that in the process of erecting trade barriers there will be sufficient resistance in Republican ranks for a dramatic escalation towards a trade war to be avoided. Although we do not expect a trade war, the probability of such a risk scenario has increased.

Meanwhile we assume with good reason that there is a solid basis for our forecasts of a stable, dynamic, global economy with only slowly rising rates of inflation. We believe the central banks can remain on their path for an exit from their ultra-expansive monetary policy. This will be accompanied by somewhat more uncertainty and, as expected, a higher level of volatility this year. This should not vanish quickly. Investors' attention will not be focused solely on the equity markets, but also on the bond markets and here especially the spread markets, which have recently proved remarkably robust. With respect to market correction, we believe it is too early to sound a definitive all-clear signal. Despite this assessment we continue to believe that in the further course of the year the fundamentally favourable environment will prevail and that on international stock exchanges significantly higher price levels will be reached.

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Bitte nicht löschen!

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Most important forecast revisions

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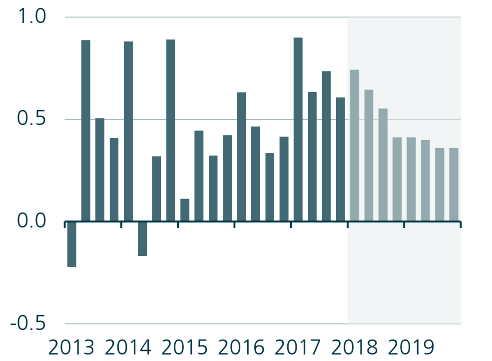
Economy: Industrial countries

Germany: GDP (% qoq, sa)



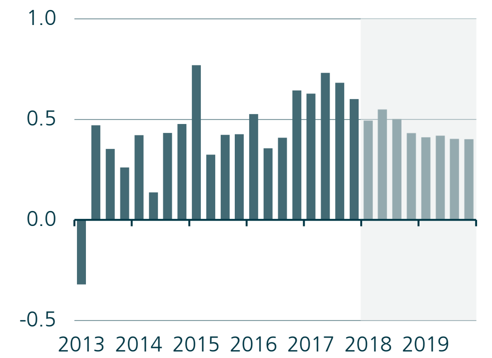
Sources: Destatis, forecast DekaBank

Germany

Recent weeks have provided quite a few economic disappointments. In January retail trade once again inexplicably proved to be weak. Incoming orders in the manufacturing sector slumped by more than expected and manufacturing sales also fell. In the case of these indicators, which experience has shown to be subject to substantial fluctuations, we can refer to "glitches". However, after three falls in ifo Business Expectations the ifo Business Climate Index will, with a probability of 85 %, switch to a downward trend. But beware! A downward trend usually gives way to another upward trend. Only in very few cases does it lead to a recession.

Forecast revision: Inflation 2018: 1.6 % (previously 1.7 %).

Eurozone: GDP (% qoq, sa)



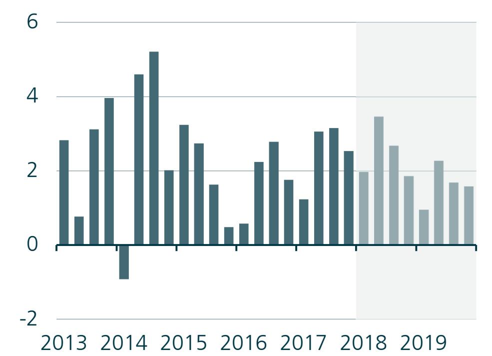
Sources: Eurostat, forecast DekaBank

Eurozone

The strong fourth-quarter growth of 0.6% registered by the Eurozone in 2017 can be attributed primarily to net exports. Another vital pillar was investment in fixed assets. The contributions made by public and private consumption were small. Indicators of market sentiment for the first quarter of 2018 signal continuation of favourable economic development. The Eurozone unemployment rate was 8.6% in January, the lowest level since December 2008. However, differences between national levels are substantial. According to the statistics published by Eurostat, Germany has by far the lowest level among the four major countries with a rate of 3.6 %. Spain has the highest level with 16.3 %, while France and Italy lie in between with 9.0 % and 11.1 % respectively.

Forecast revision: –.

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



Sources: Bureau of Economic Analysis, forecast DekaBank

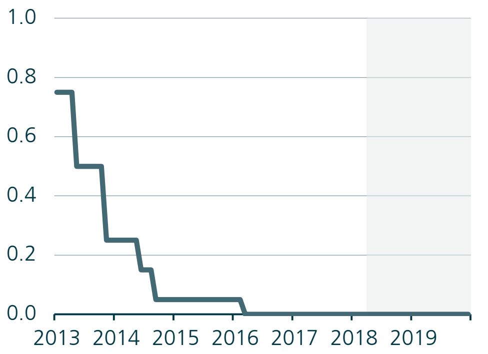
USA

It is the usual and among analysts well-known pattern: at the beginning of the year the development of the US economy is weaker than at any other point in the year. In view of this experience the latest rather weak indicators come as no surprise. With regard to the impact of the tax reform, we must wait to see if the level of corporate investment can be raised appreciably and sustainably. The growth of private household consumption was weak in January and the development of the savings rate suggests that private households had already spent their tax benefits in 2017. With respect to inflation, there are already the first tenative signs of a stronger acceleration. This is, however, no justification for speaking of inflation risks.

Forecast revision: Inflation 2018: 2.5 % (previously 2.3 %) and 2019: 2.5 % (previously 2.4 %).

Markets: Industrial countries

ECB: Repo Rate (% p.a.)



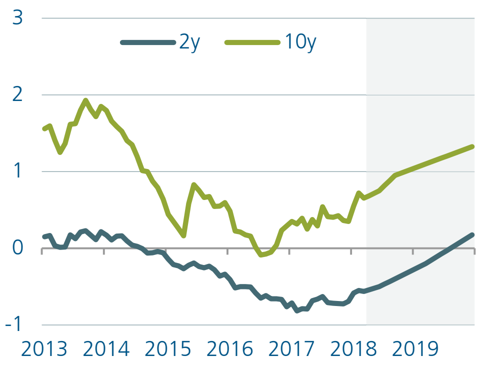
Sources: European Central Bank, forecast DekaBank

The European Central Bank / Money market

At its meeting in March the ECB tightened its forward guidance on monetary policy, but continues to hold open the possibility of continuing its asset-purchase program beyond September. In view of its low inflation forecasts it sees a sustained need for a strong monetary stimulus. The dovish tones of the ECB as well as some weak economic data have induced market participants to revise downwards their expectations with regard to the forthcoming normalisation of monetary policy. The rates factored into money-market futures are therefore more in line with our own forecasts. We assume that the ECB will phase out its asset-purchase program in the fourth quarter of 2018, but will wait until June 2019 before raising the deposit rate. A differentiated forward guidance which does not make the key-rate path solely dependant on the end of net asset purchases should contribute to holding EONIA and EURIBOR rates at a low level for the time being.

Forecast revision: –.

German Bond Yield (% p.a.)



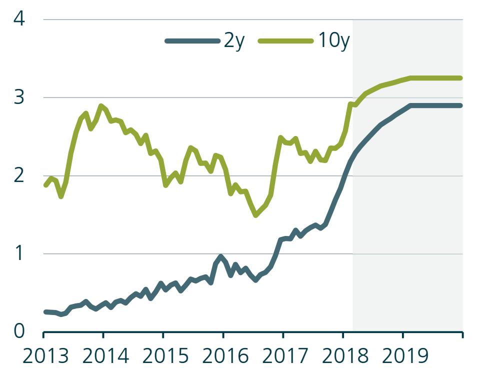
Sources: Bloomberg, forecast DekaBank

Eurozone bond market

Long-term Bunds have recently managed to disconnect themselves somewhat from the rising yields of their US counterparts. Market players have recently again revised downwards their expectations with respect to the normalisation of monetary policy in the Eurozone. This can be attributed to both the dovish tone of the ECB's language and some weak economic data. We assume that the ECB will phase out its asset-purchase program in the fourth quarter of 2018, but will wait until June 2019 before raising the deposit rate. A more concrete forward guidance with regard to the future development of key rates should contribute to anchoring the short end of the Bund curve, whereas yields in the longer maturities enjoy a little more scope upwards.

Forecast revision: –.

US Bond Yield (% p.a.)



Sources: Bloomberg, forecast DekaBank

US bond market

At the moment FOMC members are not to be envied. After a tax reform that from the standpoint of monetary policy came at an unfavourable time, there is now a risk of the US government becoming involved in an international trade conflict. In the medium term this could trigger an undesirable acceleration in the development of domestic prices. In the short term, however, FOMC members would have to give greater consideration to the turmoil on financial markets such a trade conflict would cause. Both the impact of the tax reform and an international trade conflict would enhance the macroeconomic risks. With respect to the key-rate outlook they work in opposite directions. Despite enhanced volatility on the equity markets this year, three key-rate hikes have been factored into prices on the US bond markets, whereby the hike in March is regarded as almost certain.

Forecast revision: –.

Markets: Industrial countries

Equity Market Forecast

	Current Mar 9, 18	in 3	in 6 months	in 12
DAX	**12 346.68**	**11 500**	**12 600**	**13 500**
Reporting:				
EuroStoxx50	3 420.54	3 200	3 500	3 600
S&P 500	2 786.57	2 550	2 650	2 700
Topix	1 715.48	1 600	1 650	1 750

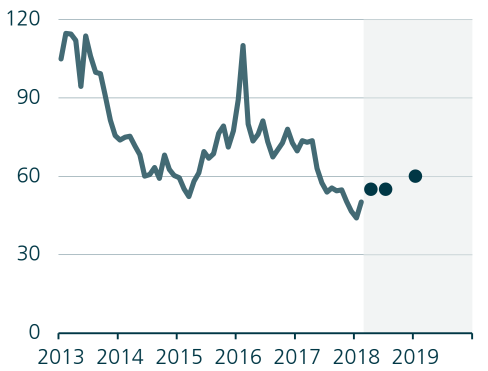
Sources: Deutsche Börse AG, forecast DekaBank

Equity market: Germany

Several issues are currently weighing on sentiment in the German equity market. Together with the home-made problems created by the German automobile industry, which is a vital support underpinning DAX profits, there is now enhanced uncertainty over US trade restrictive measures. These could lead to pressure on the export-oriented German economy. So far hard economic data have not been impacted, but in the operative market sentiment indicators the business prospects assessments do appear to worsen slightly. However, all in all they have remained within what can be described as stable expansion area and there are no reasons to be overly concerned over the current economic situation. However, the positive momentum of recent years is diminishing, which is likely to raise the level of uncertainty on the equity market in the weeks to come.

Forecast revision: Downward revision of the 3-month price target.

iTraxx Europe (Bp)

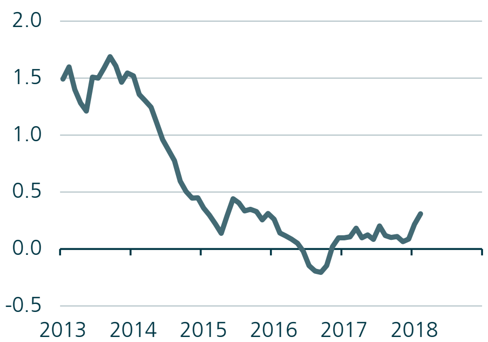


Sources: International Index Company, forecast DekaBank

Corporate bond market: Eurozone

Growing concerns over a possible trade war with its corresponding negative impact on the economic environment have also affected the credit markets. Appropriately, volatility indices have risen to somewhat higher levels and have also had a negative impact on the assessment of credit risk.However, as at the same time European companies are reporting rising sales and profits and have remained very confident, demand for corporate bonds has remained strong. With the end of the reporting season issuing activity has increased again and has been met by investors who are keen to buy. These include the ECB, which in its reduced asset-purchase program reserves preferential treatment for corporates. Banks are issuing more senior non preferred bonds, in order to fulfil their MREL and TLAC quotas.

Covered Bonds 5y (% p.a.)



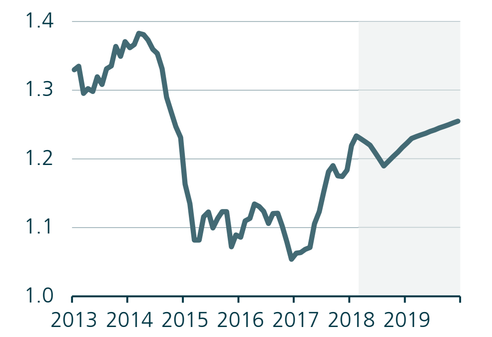
Source: Bloomberg

Covered Bonds

After the very strong start to the year for new issues the number of new covered bonds issued in February has fallen. And, as yields have risen significantly since the beginning of the year, the average maturities of the new bonds has been reduced. The ECB has remained very active with net asset purchases of more than EUR 3bn, but otherwise the level of trading has slumped appreciably. ECB purchases have sufficed to hold spreads at a very low level. Spreads of Italian bonds, which had widened in the run-up to the general election, have now been lowered somewhat, although here too sales have been low. It is hoped that a revival of the market can be achieved by harmonising national conditions for covered bonds. With this objective in mind the European Commission will soon present its suggestions. German mortgage bonds already meet very high quality standards and should largely satisfy any new standards.

Markets: Industrial countries

Exchange Rate EUR-USD



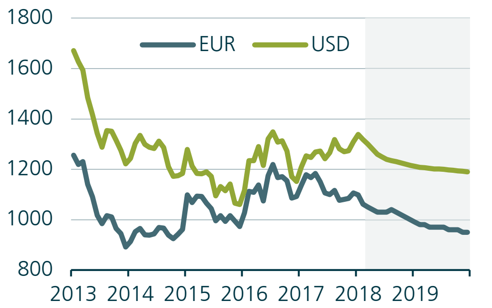
Sources: European Central Bank, forecast DekaBank

Currency market: EUR-USD

After a steep rise in the EUR-USD exchange rate the Euro took a short break in February. It started February at 1.24 EUR-USD and at the end of the month stood at 1.22 EUR-USD. The US dollar benefited from news and economic data from both the USA and Europe. In the USA the new Chairman of the Federal Reserve, Jerome Powell, has argued in favour of further gradual key rate rises. We expect the next key rate hike of 25 basis points on March 21. Powell is also prepared to push through the normalisation of monetary policy much faster than planned, should the US economy show signs of overheating. In the Euro zone the inflation rate has fallen for the third time in succession to 1.2%, the lowest level since the end of 2016.

Forecast revision: –.

Gold price (per troy ounce)



Per-formance	from 28.02.12 to 28.02.13	28.02.13 28.02.14	28.02.14 28.02.15	28.02.15 28.02.16	28.02.16 28.02.17	28.02.17 28.02.18
Gold in Euro	-9.27%	-20.65%	13.21%	3.09%	5.82%	-8.68%
Gold in USD	-11.76%	-16.25%	-8.21%	0.60%	2.75%	5.10%

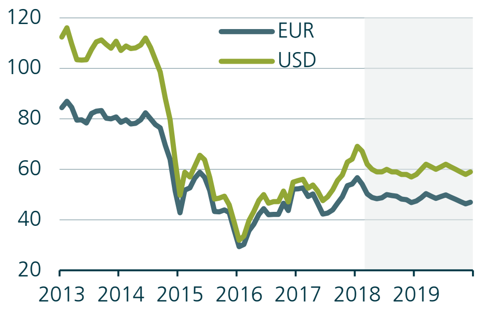
Sources: Bloomberg, forecast DekaBank

Gold

Concerns over a world-wide trade war have had hardly any impact on the gold price: the gold price has not derived any lasting benefit from enhanced uncertainty due to the announcement of US import duties and the resulting risk of retaliatory measures. Trade in exchange-traded bonds backed by physical metal (ETFs) has benefited from global inflows since the second week of February, but at a very modest pace. Since the beginning of February speculative market players on futures markets have been reducing their bets on rising prices during the summer. This does not bear the hallmark of strong uncertainty. This message was echoed by the new chairman of the Federal Reserve, Jerome Powell, who expressed confidence in the US economy, which raised key rate expectations on the markets. This apparently has had a greater impact on market players than the threat of a trade war.

Forecast revision: –.

Crude Oil Brent (per barrel)



Performance	from 28.02.12 to 28.02.13	28.02.13 28.02.14	28.02.14 28.02.15	28.02.15 28.02.16	28.02.16 28.02.17	28.02.17 28.02.18
Brent in Euro	-5.78%	-7.22%	-29.23%	-42.53%	63.11%	2.81%
Brent in USD	-8.37%	-2.07%	-42.62%	-43.91%	58.38%	18.33%

Sources: Bloomberg, forecast DekaBank

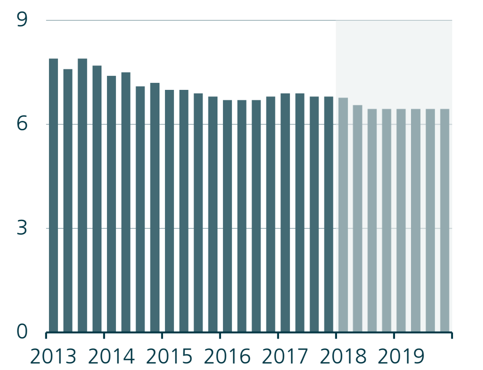
Crude oil

It seems that in the medium term the oil market will remain well supplied. This is also the finding of the latest forecasts for the global development of supply and demand published by the International Energy Agency (IEA) and the US Energy Information Administration (EIA). The latter has again raised its forecast for US oil output. This matches the IEA forecast that in the years to come the increase in global demand will be largely covered solely by the increase in US oil production. This means that for OPEC it will be difficult to reverse its production cuts in the forseeable future, let alone increase its output without risking a price slump. All of which suggests that in the medium term oil prices are unlikely to rise much above USD 60 per barrel.

Forecast revision: –.

Emerging Markets

China: GDP (% yoy)



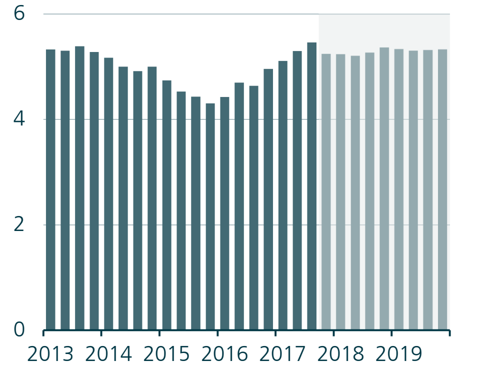
Sources: National Statistics, forecast DekaBank

China

The Chinese National People's Congress has removed the limitation on the President's term of office. It is thus highly likely that 64-year-old Xi Jingping will only leave office when, for health reasons, he is no longer capable of performing his duties. We can assume that the associated concentration of power within the Communist Party has been contested, but that Xi Jingping's power base has been strong enough to nip any opposition in the bud. With this personnel decision major reform projects like the "New Silk Road" or the stabilisation of the financial system have become permanent cornerstones of Chinese economic policy. The GDP growth target for 2018 is the same as that for 2017, namely 6.5 %, whereby this time there is no warning that the actual growth rate registered may well exceed this figure.

Forecast revision: –.

Emerging Markets: GDP (% yoy)



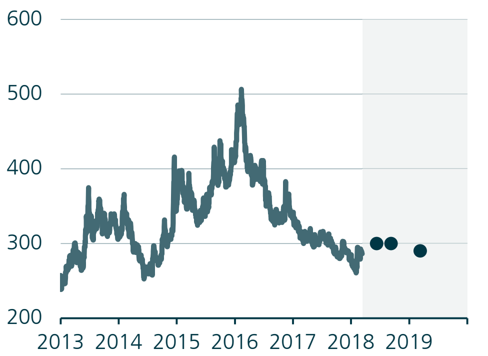
Sources: National Statistics, forecast DekaBank

Emerging Markets: Economy

In the first two months the purchasing managers' indices for the manufacturing sector slumped, but this was merely a return to normality after the very strong values registered in December. We are confident that the Emerging Market countries will be able to maintain last year's GDP growth rate. The danger of a global trade war triggered by the USA is real. However, as both the Europeans and the Emerging Markets widely subscribe to the benefits of free trade, a collapse of international trade is unlikely. Nevertheless, in the comng months uncertainty could weigh upon corporate sentiment. Protectionist measures introduced by the USA could lead to price wars in the rest of the world, which would in turn tend to dampen inflation development.

Forecast revision: –.

EMBIG-Spread (Bp)



Sources: Bloomberg, forecast DekaBank

Emerging Markets: Markets

The rise of yields on the US bond market and price losses of major global equity indices have weighed upon EM investments, without any appreciable fundamental insecurity. EM local currency bonds have been clearly in the black since the beginning of the year, while the market has benefited fom the weak US dollar and yields have disconnected from the US market and fell. EM equites have fallen from their January highs, but have still proved to be profitable since the beginning of the year. EM hard currency bonds have registered losses since the beginning of the year, as they have suffered from the direct impact of raising US yields, although the spreads widened by only a modest degree and thus have given no sign of nervousness. The greatest market risks come from the USA. The government seems determined to escalate the trade conflict, which would raise serious concerns for the global economy. Under its new chairman, Jerome Powell, the Fed seems determined to continue tightening its monetary policy. As in the meanwhile the market has prepared itself for further key-rate hikes, we believe the potential for setbacks is limited.

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	2.6	1.7	1.7	1.6	2.0	7.9	7.7	7.3	1.2	0.7	0.7
France	2.3	1.9	1.6	1.6	1.2	1.5	1.6	-3.0	-2.8	-2.6	-2.9	-2.9	-3.0
Italy	1.9	1.5	1.5	1.3	1.3	1.1	1.7	2.5	2.5	2.3	-2.1	-1.8	-2.0
Spain	1.4	3.1	2.5	2.2	2.0	1.6	1.8	1.7	1.9	1.9	-3.1	-2.4	-1.7
Netherlands	0.7	3.2	2.6	2.1	1.3	1.7	1.8	9.1	8.7	8.4	0.7	0.5	0.9
Belgium	0.4	1.7	1.7	1.5	2.2	1.8	2.0	-1.0	-1.1	-0.9	-1.5	-1.4	-1.5
Eurozone	**11.7**	**2.3**	**2.3**	**1.7**	**1.5**	**1.5**	**1.8**	**3.0**	**3.0**	**2.9**	**-1.1**	**-1.0**	**-0.9**
United Kingdom	2.3	1.7	1.5	1.4	2.7	2.6	2.2	-5.1	-4.6	-4.4	-2.1	-1.9	-1.5
Sweden	0.4	2.7	2.7	2.0	1.9	1.9	2.0	4.9	5.0	5.1	0.9	0.7	0.6
Denmark	0.2	2.1	1.4	1.8	1.1	1.2	1.8	8.4	8.3	8.2	-1.0	-1.0	-0.9
EU-22	**14.7**	**2.2**	**2.2**	**1.7**	**1.7**	**1.7**	**1.9**	**1.9**	**1.9**	**1.9**	**-1.2**	**-1.1**	**-1.0**
Poland	0.9	4.6	3.8	3.3	2.0	2.1	1.8	0.0	0.0	-0.7	-1.7	-1.7	-1.9
Hungary	0.3	4.5	3.4	2.6	2.5	2.1	1.9	1.0	0.9	0.5	1.2	0.8	0.6
Czech Republic	0.2	4.0	3.9	2.8	2.3	2.5	2.9	4.9	3.7	3.2	-2.1	-2.6	-2.3
EU-28	**16.7**	**2.6**	**2.4**	**1.9**	**1.7**	**1.8**	**1.9**	**1.6**	**1.7**	**1.6**	**-1.2**	**-1.2**	**-1.1**
USA	15.5	2.3	2.7	1.9	2.1	2.5	2.5	-2.3	-2.5	-2.5	-4.7	-5.5	-6.0
Japan	4.4	1.7	1.2	0.7	0.5	1.8	1.8	4.0	4.0	3.0	-4.8	-4.5	-4.0
Canada	1.4	3.0	2.1	1.6	1.6	2.0	2.4	-3.0	-3.5	-4.0	-0.9	-1.0	-1.5
Australia	1.0	2.3	2.6	2.5	1.9	1.8	1.6	-2.3	-2.5	-2.0	-1.5	-1.0	-1.0
Switzerland	0.4	1.1	2.0	1.6	0.5	0.7	0.9	9.3	10.3	10.9	0.2	0.1	0.1
Norway	0.3	1.9	2.1	2.0	1.9	1.9	2.0	4.3	4.1	4.1	4.3	4.6	4.8
Developed Countries[4]	**37.8**	**2.2**	**2.3**	**1.7**	**1.7**	**2.0**	**2.1**	**0.2**	**0.1**	**0.0**	**-3.0**	**-3.2**	**-3.3**
Russia	3.2	1.5	1.7	1.8	3.7	3.3	4.6	2.1	3.1	2.7	-1.5	-1.1	-0.9
Turkey	1.7	6.7	4.4	4.5	11.1	9.7	8.4	-5.5	-5.0	-4.8	-1.5	-2.1	-2.5
Ukraine	0.3	2.2	2.6	2.4	14.4	11.2	8.6	-3.6	-4.2	-5.3	-1.4	-2.6	-2.5
Emerging Europe[5]	**7.5**	**3.7**	**3.0**	**2.8**	**5.5**	**5.0**	**5.1**	**-0.9**	**-0.5**	**-0.7**	**X**	**X**	**X**
South Africa	0.6	1.3	1.9	1.7	5.2	5.1	5.5	-2.8	-3.4	-3.6	-3.9	-3.7	-3.7
Middle East, Africa	**3.4**	**2.3**	**3.1**	**3.0**	**13.9**	**10.9**	**9.9**	**-0.8**	**0.2**	**-0.2**	**X**	**X**	**X**
Brazil	2.6	1.0	2.5	2.6	3.4	3.6	4.2	-0.5	-1.7	-1.5	-8.0	-6.6	-5.3
Mexico	1.9	2.1	2.2	2.4	6.0	4.5	3.9	-1.6	-1.9	-2.2	-1.1	-2.3	-2.2
Argentina	0.7	2.8	3.4	2.8	26.5	20.9	12.3	-4.5	-4.3	-4.4	-5.8	-5.3	-5.2
Chile	0.4	1.4	2.9	3.0	2.2	2.5	3.2	-1.3	-0.5	-0.4	-2.7	-2.3	-1.6
Latin America	**7.2**	**1.0**	**1.8**	**2.3**	**6.5**	**5.4**	**4.7**	**-1.4**	**-1.7**	**-2.0**	**X**	**X**	**X**
China	17.7	6.9	6.6	6.4	1.6	2.4	2.8	1.0	1.1	1.0	-4.3	-4.4	-4.4
India	7.2	6.4	7.5	7.6	3.3	5.2	4.3	-1.8	-2.2	-2.1	-3.3	-3.4	-3.2
Indonesia	2.5	5.1	5.4	5.6	3.8	3.7	4.2	-1.4	-1.7	-2.2	-2.8	-2.3	-2.2
South Korea	1.6	3.1	3.0	3.2	2.0	1.6	2.0	5.1	5.4	6.2	1.0	0.7	0.6
Emerging Asia	**33.1**	**6.1**	**6.2**	**6.2**	**2.1**	**3.0**	**3.1**	**1.7**	**1.7**	**1.7**	**X**	**X**	**X**
Emerging Markets	**51.2**	**4.8**	**4.9**	**4.9**	**4.0**	**4.2**	**4.1**	**0.8**	**0.8**	**0.7**	**X**	**X**	**X**
Total[6]	**89.1**	**3.7**	**3.8**	**3.5**	**3.0**	**3.3**	**3.2**	**X**	**X**	**X**	**X**	**X**	**X**

1) Of 2016, recalculated with purchasing power parities. Source: IMF. - 2) Eurozone, United Kingdom, Sweden and Denmark = Harmonized Index of Consumer Prices. - 3) According to National Accounting Standards. - 4) Without Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania. - 5) Including the six member countries of the EU named before and Turkey. - 6) 66 national economies covered by DekaBank.

Interest rates in industrialised countries

		Current	Forecasts		
		Mar 12 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	-0.30
	12 months (EURIBOR)	-0.19	-0.18	-0.15	-0.05
	Bunds, 2 years	-0.56	-0.50	-0.40	-0.20
	Bunds, 5 years	0.03	0.10	0.25	0.45
	Bunds, 10 years	0.65	0.75	0.95	1.10
	Bunds, 30 years	1.31	1.40	1.55	1.70
USA	Monetary policy (FFR)	1.25-1.50	1.50-1.75	1.75-2.00	2.25-2.50
	3 months (LIBOR)	2.09	2.00	2.10	2.50
	12 months (LIBOR)	2.54	2.60	2.75	3.05
	US-Treasuries, 2 years	2.27	2.45	2.65	2.90
	US-Treasuries, 5 years	2.66	2.85	3.00	3.15
	US-Treasuries, 10 years	2.91	3.05	3.15	3.25
	US-Treasuries, 30 years	3.17	3.30	3.40	3.50
Japan	Monetary policy (Call)	-0.10	-0.10	-0.10	-0.10
	3 months (LIBOR)	-0.06	-0.05	0.00	0.00
	12 months (LIBOR)	0.11	0.10	0.10	0.15
	JGBs, 2 years	-0.15	-0.10	-0.10	0.00
	JGBs, 5 years	-0.11	-0.05	0.00	0.20
	JGBs, 10 years	0.05	0.15	0.25	0.35
	JGBs, 30 years	0.76	0.95	1.00	1.15
United Kingdom	Monetary policy (Base)	0.50	0.50	0.75	0.75
	3 months (LIBOR)	0.60	0.58	0.75	0.90
	12 months (LIBOR)	0.92	0.90	1.10	1.20
	Gilts, 2 years	0.83	0.80	1.00	1.20
	Gilts, 5 years	1.17	1.20	1.30	1.40
	Gilts, 10 years	1.49	1.60	1.80	1.90
	Gilts, 30 years	1.92	1.95	2.05	2.10
Sweden	Monetary policy (Repo)	-0.50	-0.50	-0.50	0.00
	3 months (STIB)	-0.44	-0.40	-0.20	0.20
	2 years	-0.43	-0.40	-0.30	0.10
	10 years	0.82	1.00	1.20	1.40
Denmark	Monetary policy (Repo)	0.05	0.05	0.05	0.05
	3 months (CIBOR)	-0.30	-0.28	-0.23	-0.20
	2 years	-0.34	-0.30	-0.25	-0.10
	10 years	0.71	0.80	1.00	1.15
Norway	Monetary policy (Deposit)	0.50	0.50	0.50	0.75
	3 months (NIBOR)	1.01	1.00	1.10	1.25
	3 years	0.72	0.70	0.90	1.20
	10 years	1.95	2.00	2.10	2.20
Switzerland	Monetary policy (LIBOR)	-1.25 to -0.25	-1.25 to -0.25	-1.25 to -0.25	-1.25 to -0.25
	3 months (LIBOR)	-0.74	-0.75	-0.75	-0.75
	2 years	-0.85	-0.80	-0.75	-0.55
	10 years	0.11	0.10	0.20	0.40
Canada	Monetary policy (O/N)	1.25	1.50	1.75	2.00
	3 months (CBA)	1.69	1.95	2.15	2.35
	12 months (CBA)	2.04	2.30	2.45	2.85
	2 years	1.83	2.20	2.45	2.90
	5 years	2.08	2.30	2.45	2.75
	10 years	2.27	2.45	2.55	2.80
	30 years	2.44	2.55	2.65	2.85
Australia	Monetary policy (Cash)	1.50	1.50	1.75	2.00
	3 months (ABB)	1.91	1.85	1.95	2.10
	2 years	2.03	2.20	2.40	2.75
	10 years	2.82	2.95	3.05	3.25

Interest rates in EM countries

			Current	Forecasts		
			Mar 12 2018	3 months	6 months	12 months
Central- and Eastern Europe	Poland	Monetary policy (Repo)	1.50	1.50	1.50	1.75
		3 months (WIB)	1.61	1.60	1.70	1.95
		2 years	1.58	1.70	1.80	2.00
		10 years	3.31	3.40	3.50	3.70
	Czech Rep.	Monetary policy (Repo)	0.75	0.75	1.00	1.25
		3 months (PRIBOR)	0.90	0.90	1.00	1.30
		2 years	0.51	0.60	0.90	1.30
		10 years	1.95	2.00	2.20	2.40
	Hungary	Monetary policy (Deposit)	0.90	0.90	0.90	0.90
		3 months (BUBOR)	0.03	0.05	0.05	0.10
		3 years	0.86	0.90	0.90	1.00
		10 years	2.68	2.80	2.90	3.10
Latin America	Brazil	Monetary policy (Repo)	6.75	6.75	6.75	6.75
		3 months (ABG)	6.47	6.75	6.75	6.80
		2 years	7.51	7.95	7.80	7.85
		9 years	9.58	9.30	9.00	9.00
	Mexico	Monetary policy	7.50	7.50	7.25	6.50
		3 months (Mexibor)	7.64	7.50	7.30	6.60
		2 years	7.52	7.20	6.60	6.50
		10 years	7.55	7.40	6.70	6.50
Asia	China	Monetary policy	1.50	1.50	1.50	1.50
		3 months	4.74	4.80	4.80	4.70
		3 years	3.53	3.65	3.80	3.85
		10 years	3.85	4.00	4.10	4.20
	Singapore	Monetary policy	n.a.	n.a.	n.a.	n.a.
		3 months	1.38	1.50	1.60	1.70
		2 years	1.78	1.60	1.70	1.80
		10 years	2.44	2.40	2.50	2.60
	South Korea	Monetary policy	1.50	1.50	1.50	1.75
		3 months	1.51	1.50	1.60	1.80
		2 years	2.17	2.20	2.30	2.30
		10 years	2.75	2.80	2.90	2.90

Yield spreads in basis points[1)]

			Current	Forecasts		
			Mar 12 2018	3 months	6 months	12 months
Emerging Markets, EMBIG Div Spreads	Central- and Eastern Europe	Russia	163	150	155	145
		Turkey	281	275	290	265
		Hungary	87	85	90	80
	Africa	South Africa	230	220	230	215
	Latin America	Brazil	212	215	225	210
		Chile	112	110	115	105
		Columbia	164	160	165	155
		Mexico	235	220	230	215
	Asia	China	105	100	105	100
		Indonesia	156	150	160	145
		Philippines	81	85	90	80
	Total (EMBIG Div)		**286**	**300**	**300**	**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.

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Currencies

EURO		Current	Forecasts		
		Mar 12 2018	3 months	6 months	12 months
Dollar-Bloc	EUR-USD	1.23	1.22	1.19	1.23
	EUR-CAD	1.58	1.57	1.51	1.54
	EUR-AUD	1.57	1.56	1.55	1.58
Japan	EUR-JPY	131.44	130.54	129.71	135.30
Euro-Outs	EUR-GBP	0.89	0.88	0.89	0.88
	EUR-DKK	7.45	7.44	7.44	7.44
	EUR-SEK	10.15	10.00	9.90	9.70
	EUR-CHF	1.17	1.16	1.17	1.18
	EUR-NOK	9.56	9.60	9.50	9.40
Central- and Eastern Europe	EUR-PLN	4.19	4.20	4.15	4.05
	EUR-HUF	311.53	310.00	310.00	310.00
	EUR-CZK	25.47	25.40	25.10	25.00
Africa	EUR-ZAR	14.56	14.40	14.52	15.38
Latin America	EUR-BRL	4.02	3.90	3.93	4.18
	EUR-MXN	22.95	23.18	22.85	23.99
Asia	EUR-CNY	7.80	7.81	7.68	8.00
	EUR-SGD	1.62	1.63	1.61	1.67
	EUR-KRW	1314	1318	1297	1353
US-Dollar		**Current**	**Forecasts**		
		Mar 12 2018	**3 months**	**6 months**	**12 months**
Dollar-Bloc	USD-CAD	1.28	1.29	1.27	1.25
	AUD-USD	0.79	0.78	0.77	0.78
Japan	USD-JPY	106.53	107.00	109.00	110.00
Euro-Outs	GBP-USD	1.39	1.39	1.34	1.40
	USD-DKK	6.04	6.10	6.25	6.05
	USD-SEK	8.22	8.20	8.32	7.89
	USD-CHF	0.95	0.95	0.98	0.96
	USD-NOK	7.75	7.87	7.98	7.64
Central- and Eastern Europe	USD-PLN	3.40	3.44	3.49	3.29
	USD-HUF	252.52	254.10	260.50	252.03
	USD-CZK	20.65	20.82	21.09	20.33
Africa	USD-ZAR	11.80	11.80	12.20	12.50
Latin America	USD-BRL	3.26	3.20	3.30	3.40
	USD-MXN	18.60	19.00	19.20	19.50
Asia	USD-CNY	6.32	6.40	6.45	6.50
	USD-SGD	1.31	1.34	1.35	1.36
	USD-KRW	1065	1080	1090	1100

Commodities

Commodity	Current	Forecasts		
	Mar 12 2018	3 months	6 months	12 months
Gold (USD per troy ounce)	1,322.85	1,250	1,230	1,206
Gold (EUR per troy ounce)	1,072.18	1,030	1,030	980
WTI crude (USD per Barrel)	62.04	55	55	58
WTI crude (EUR per Barrel)	50.28	45	46	47
Brent crude (USD per Barrel)	65.02	59	59	62
Brent crude (EUR per Barrel)	52.70	49	49	50

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

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