

January / February 2019

New year – old questions

The noise of fireworks on New Year's Eve failed to drive away the uncertainties that have been preoccupying the financial markets. At the beginning of 2019 all the old familiar questions remain open, including the mother of all questions: Can the economy and the capital markets finally overcome the many adversities they face or is the world sliding into recession? Our answer remains the same: the moderate growth environment remains unchanged, although in almost all countries growth rates in both the current and the coming year will be below those of 2018.

A solid basis for these constructive prospects is provided by the domestic forces driving economic growth. Unemployment has been falling, in Europe not least of all also due to the impact of financial policy. At the same time private households' incomes have been rising and thus ultimately has their consumption expenditure. Undoubtedly, as the current low level of corporate investment clearly indicates, there are still substantial economic risks. These include above all the trade disputes between the USA and China, the approach of Brexit and, in view of oncoming EU and German state elections, the growing strength of populist movements. We would consider it good news if the list of risk factors were to remain unchanged and no new uncertainties were added.

Currently all indicators of market sentiment are on the decline and economic forecasts and corporate profit expectations have been revised down. We assume that these corrections were triggered by overoptimistic estimates, will soon come to an end and economic growth will continue. However, it will take some time for this to be confirmed and to be used by central banks and markets as the basis for further development in 2019. Until then, presumably into early spring at least, financial markets will be subject to unusually high levels of volatility.

With respect to our economic outlook, as well as our inflation and interest-rate forecasts, we have become somewhat more moderate. In 2019 we now expect only two interest-rate hikes from the US Fed, in June and December. In spring 2020 we expect the ECB to raise the deposit rate and in autumn the main refinancing rate. Monetary policy will thus be tightened, but at a more leisurely pace and to a lesser extent. 2019 will thus be no easy year for investors. However, we expect prospects to brighten again in the course of the year, especially for the equity markets.

World: Purchasing Managers' Index



Source: DekaBank.

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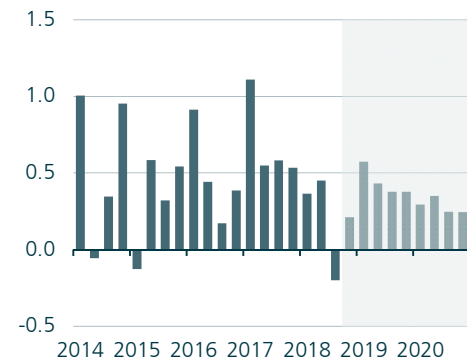
Most important forecast revisions

- Germany: GDP growth 2019: 1.3 % (previously 1.5 %); Inflation 2019: 1.5 % (previously 1.7%).
- Eurozone: GDP growth 2019: 1.5 % (previously 1.6%); inflation 2019: 1.3% (previously 1.4%).
- USA: Inflation 2018: 2.4% (previously 2.5%); 2019: 2.1% (previously 2.4%).
- ECB: key-rate hikes to begin 6 months later.
- Bond market: slower rise of Bund yields.
- DAX: slight downward revision of our 3-month forecast.
- Crude oil price: downward revision for 2019.

January / February 2019

Economy: Industrial countries

Germany: GDP (% qoq, sa)



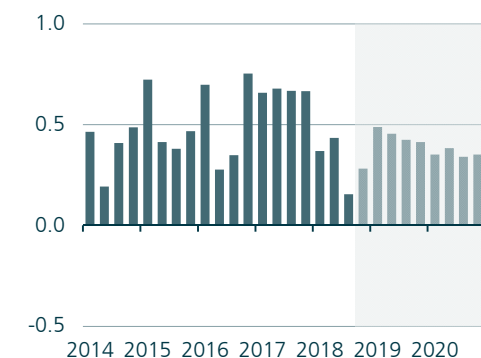
Sources: Destatis, forecast DekaBank

Germany

In the fourth quarter of 2018 the German economy was again impacted by one-off effects. At the beginning of the year it had been a wave of influenza and strikes. This was followed by the problems of the automobile industry with the registration of new vehicles and now Germany is struggling with low water levels. Several key sectors such as the chemical and steel industries have reported substantial disruption of production due to transport problems and the energy sector has also suffered appreciably. Performance in the fourth quarter is consequently well below expectations. If we assume that the indicators for December are unchanged from previously, our GDP forecast for the fourth quarter is a meagre 0.1% qoq growth. If growth is to be higher, the data for December must turn out to be appreciably better than those of the previous month.

Forecast revision: GDP growth 2019: 1.3 % (previously 1.5 %); Inflation 2019: 1.5 % (previously 1.7%).

Eurozone: GDP (% qoq, sa)



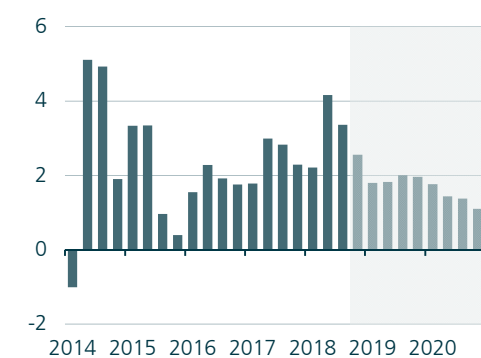
Sources: Eurostat, forecast DekaBank

Eurozone

Against the backdrop of the problems of the automobile industry the German economy surprised with a contraction in the third quarter. This was one of the fundamental reasons for disappointing economic development in Europe. In the fourth quarter France could prove to be the greatest impediment to European economic growth. The middle of November saw the beginning of nationwide protests and demonstrations of the „yellow vests“. The retail, hospitality and industrial sectors are already complaining about substantial falls in sales. The protests of the „yellow vests“ will already have impacted fourth-quarter economic growth. Initial estimates put the damage at up to 0.2%, which would mean reducing the previous growth forecast by half.

Forecast revision: GDP growth 2019: 1.5 % (previously 1.6%); inflation 2019: 1.3 % (previously 1.4%).

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



Sources: Bureau of Economic Analysis, forecast DekaBank

USA

The first week of the year arrived with a bombshell: the ISM Manufacturing Index for December slumped by five points. Such marked falls have become very rare since the mid-eighties. Soon after, a very strong labour market report was published. According to total wages paid it was the second strongest since the beginning of the economic upswing. In contrast to the economic issues currently preoccupying the capital markets, all in all the development of economic indicators has been above average. In view of lower energy costs we have lowered our short-term inflation outlook. The economic impact of the current US government shut-down has been negligible. One result, however, has been a delay in publication of macro data.

Forecast revision: Inflation 2018: 2.4% (previously 2.5%); 2019: 2.1% (previously 2.4%).

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Markets: Industrial countries

ECB: Repo Rate (% p.a.)



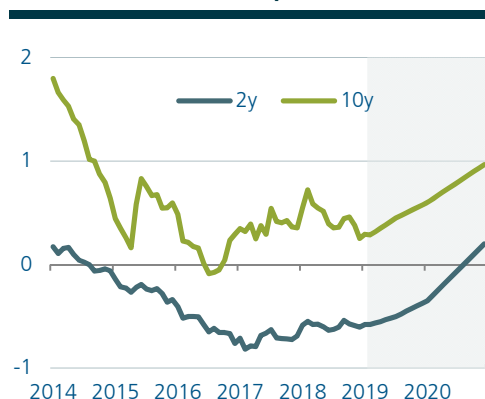
Sources: European Central Bank, forecast DekaBank

The European Central Bank / Money market

At its meeting in December the ECB revised down its projections on economic growth and inflation. Although this revision was only slight, President Draghi stressed the degree of uncertainty prevailing with respect to politics, financial markets and economic development. Together with the ECB we assume that the upswing in Europe will continue at a modest pace. However, due to trade conflicts, Brexit and the lack of ability to reform in the Eurozone a high level of macroeconomic uncertainty will persist. This makes it difficult for the ECB to prepare its arguments for an initial key-rate hike in autumn. As Draghi's term of office ends in October, his successor will be responsible for initiating the key-rate hikes. We therefore expect the deposit rate to be raised only in March 2020 and the main refinancing rate six months later. We expect EONIA and EURIBOR rates to move sideways throughout 2019.

Forecast revision: key-rate hikes to begin 6 months later.

German Bond Yield (% p.a.)



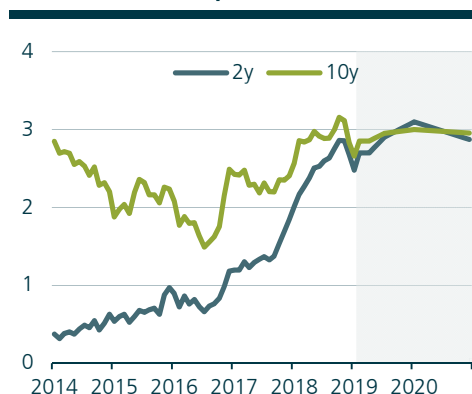
Sources: Bloomberg, forecast DekaBank

Eurozone bond market

In view of the ever-increasing volume of weak economic data and enhanced volatility on financial markets, the ECB is unlikely to raise key rates this year. We therefore see very limited potential for rising yields in short and medium-term maturities in the near future. At the same time we expect a slight steepening of the Bund curve. In view of the global trade conflicts, Brexit and the still unresolved budget dispute with the Italian government uncertainty is bound to continue. In time, however, it will transpire that the economic upswing in Europe is continuing. The flight into quality will abate and in the medium term attention will be focused increasingly on expected rate hikes.

Forecast revision: slower rise of Bund yields.

US Bond Yield (% p.a.)



Sources: Bloomberg, forecast DekaBank

US bond market

In the first half of November 2018 the financial markets had expected two further rate hikes by the Fed in 2019. Following the surprisingly weak ISM Index at the beginning of 2019 markets temporarily even priced in a lowering of key rates for 2019. This was followed by a very strong labour market report and reassuring statements by the Chairman of the Fed, Jerome Powell, who referred to continued good economic development whilst signalling flexibility in monetary policy. In view of the continued tense atmosphere on the capital markets we assume that despite satisfactory economic development the Fed will wait to raise key rates until the summer of 2019. Moreover, in line with the FOMC, we have lowered our estimate of the neutral key-rate level from 3.00% to 2.75%.

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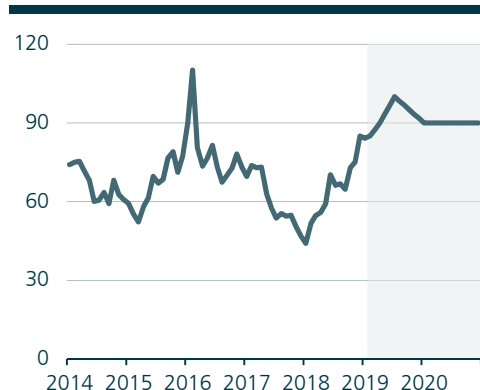
Markets: Industrial countries

Equity Market Forecast

	Current Jan 11, 19	in 3 months	in 6 months	in 12 months
DAX	10 887.46	10 500	11 000	12 000
Reporting:				
EuroStoxx50	3 070.04	2 800	3 000	3 200
S&P 500	2 596.26	2 400	2 500	2 600
Topix	1 529.73	1 400	1 500	1 500

Sources: Deutsche Börse AG, forecast DekaBank

iTraxx Europe (Bp)



Sources: International Index Company, forecast DekaBank

Covered Bonds 5y (% p.a.)



Source: Bloomberg

Equity market: Germany

Global trade conflicts are increasingly putting a brake on German economic growth. Industrial production has been on the decline recently, indicators of market sentiment have been falling and operative expectations in the corporate sector have been weakening. As a result of this complex situation DAX-listed companies will have registered slightly lower profits in 2018 in comparison to 2017. Fourth-quarter figures presented in company reports that will begin to appear at the end of January are thus unlikely to prove very satisfactory. Several clear profit warnings must be digested and others may well follow. In the weeks to come therefore we must expect a high degree of volatility and a temporary fall in prices. Thereafter, however, prospects will improve, so that marked price falls should be seen as opportunities to be seized.

Forecast revision: slight downward revision of our 3-month forecast.

Corporate bond market: Eurozone

Economic concerns and profit warnings have had a strong negative impact on the corporate market. Most of all, a flood of new issues, many of which came with very generous risk premiums, led to a marked widening of spreads. Thanks to their attractive spreads most new issues could be successfully placed on the market, but on the secondary market old cash bonds suffered substantial price falls. The end of the ECB's asset-purchase programme had already been largely priced in last year. In January EUR 834 million worth of maturities will be available for reinvestment, but in the months to come the ECB's purchases will decline substantially. We expect risk premiums to rise slightly.

Covered Bonds

Covered bond houses started the new year with a flood of new issues, which should exceed the already very high volume of new issues in the previous year. Generous new-issue premiums have had an additional impact on spreads in the secondary market. Higher spread levels have attracted many investors back to the market, so that most new issues can be successfully placed on the market without the strong support of the ECB. The central bankers still participate in subscriptions, but their share remains well below 10% of the total volume of new issues. German mortgage bonds of all maturities are now traded with positive swap spreads and have thus become much more attractive. We no longer expect a further marked widening of spreads.

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Markets: Industrial countries

Exchange Rate EUR-USD

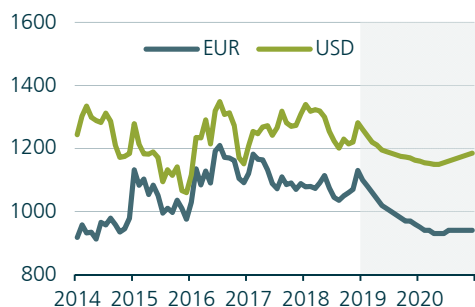


Sources: European Central Bank, forecast DekaBank

Currency market: EUR-USD

Last year the Euro lost 5% of its value against the US dollar. In the process there were both highs and lows. In January the exchange rate rose from 1.20 EUR-USD to 1.25 EUR-USD, the highest value since the end of 2014. Whereas at the beginning of the year European economic data were still very strong, US data were feeding speculation over a weakening of the US economy. This did not prove to be true. In the second half of the year the performance of the European economy was disappointing and the development of the US economy was stronger than had been expected. Moreover, in 2018 the Fed raised key rates from 1.25-1.50 % to 2.25-2.50 %. The ECB, on the other hand, will probably leave its key rates on hold this year at their current low level. The Euro ended the year at 1.14 EUR-USD.

Gold price (per troy ounce)



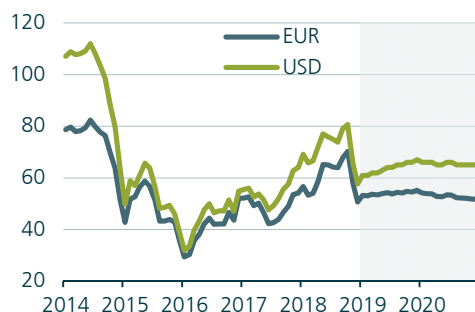
Per- formance	from 31.12.12 to 31.12.13	31.12.13 31.12.14	31.12.14 31.12.15	31.12.15 31.12.16	31.12.16 31.12.17	31.12.17 31.12.18
Gold in Euro	-31.34%	12.23%	-0.30%	11.92%	-0.26%	2.73%
Gold in USD	-28.26%	-1.51%	-10.46%	8.63%	13.68%	-2.14%

Sources: Bloomberg, forecast DekaBank

Gold

In recent weeks the gold price has risen substantially. This can be attributed primarily to expectations on the financial markets that the Fed will implement fewer rate hikes than had been expected. Moreover, there were weaknesses on the equity markets together with concerns over the economy, which also lowered US yields in longer maturities. All this once again raised the spirits of speculators on the gold market, most of whom put their money on rising gold prices for the first time since June of the previous year. Providing the Fed continues to raise key rates and the global economy becomes only somewhat more moderate, the gold price will probably tend to fall again in the course of the current year.

Crude Oil Brent (per barrel)



Performance	from 31.12.12 to 31.12.13	31.12.13 31.12.14	31.12.14 31.12.15	31.12.15 31.12.16	31.12.16 31.12.17	31.12.17 31.12.18
Brent in Euro	-4.56%	-41.04%	-27.59%	57.02%	3.25%	-15.54%
Brent in USD	-0.28%	-48.26%	-34.97%	52.41%	17.69%	-19.55%

Sources: Bloomberg, forecast DekaBank

Crude oil

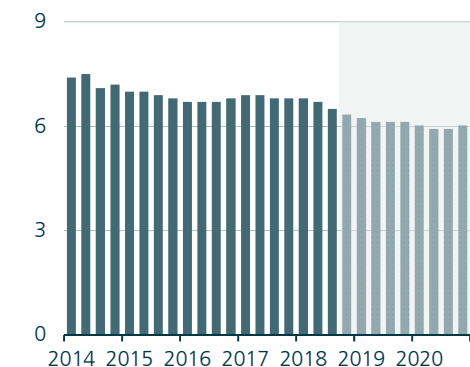
At the turn of the year oil prices were proving to be very volatile. At first there was a strong downward movement triggered by concerns over the Chinese economy. Falling indicators of market sentiment enhanced the fears of speculators on the oil market, who drastically reduced their bets on rising oil prices. After the USA, China is the world's second largest consumer of oil with a share of some 13% of global oil consumption. However, oil prices have risen again since the beginning of the year. This can be attributed to expectations that production cuts by OPEC and Russia will bring the oil market back into equilibrium. Nevertheless, we have slightly lowered our oil price forecast for 2019.

Forecast revision: downward revision for 2019.

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Emerging Markets

China: GDP (% yoy)

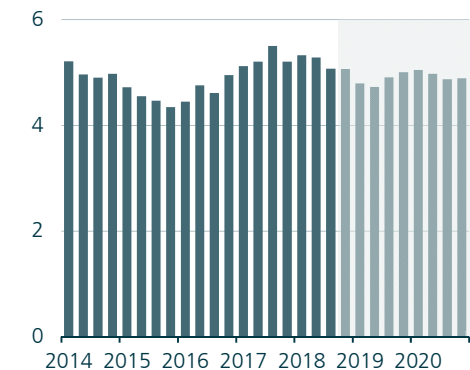


Sources: National Statistics, forecast DekaBank

China

The latest trade talks between China and the USA were apparently conducted in a constructive atmosphere. In view of the weak development on financial markets in recent months the US side in the conflict in particular will probably act with more caution. An extension of talks beyond March 1st has become more likely, although the fundamental conflict between the two major powers will continue and is always likely to give rise to new tensions. The official purchasing managers' index for China's manufacturing sector slumped in December from 50.1 to 49.4 points, its lowest level since June 2016. The performance of the services sector, on the other hand, proved very solid and this sector is the most important support for the economy. We expect further measures to be implemented in order to stabilise the economy, but they will probably not match the scale of previous programmes.

Emerging Markets: GDP (% yoy)

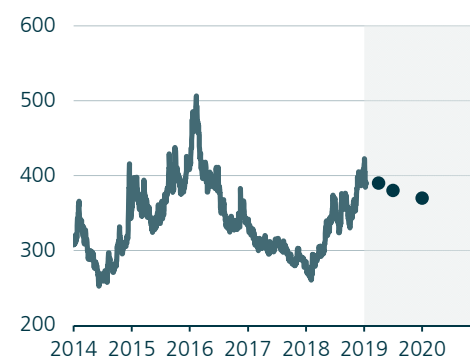


Sources: National Statistics, forecast DekaBank

Emerging Markets: Economy

There is now increased hope of a temporary easing of the tension in the trade conflict between the USA and China. However, this will not dissipate the concerns of recent months over economic growth, as in most emerging-market countries growth has slowed. In Asia and Central Europe growth has been higher than in other regions. In Mexico the economic outlook has been clouded by enhanced uncertainty over the domestic political situation. In the months to come the marked fall in oil prices will help to keep inflation rates at a low level and in the case of oil importers will provide some relief for their current account deficits. The pressure for further key-rate hikes has thus diminished substantially. However, fear of fresh currency weakness will deter central banks from lowering interest rates in order to stimulate the economy and control inflation.

EMBIG Diversified-Spread (Bp)



Sources: Bloomberg, forecast DekaBank

Emerging Markets: Markets

EM investments have made a good start to the year. EM bonds have benefited from falling US yields. All in all, market sentiment has been bolstered by comments from the US Fed. Should the economic outlook be clouded by turbulence on financial markets, Fed Chairman Jerome Powell is prepared to postpone or even cancel key-rate hikes. We now expect the next US rate hike in June. After the latest talks in the trade conflict between China and the USA there is now hope that at least new punitive tariffs will not be imposed on March 1st. Moreover, since mid-October falling oil prices have been underpinning the currencies of oil importing countries. As we do not expect a very ambitious programme designed to stimulate the economy in China, concerns over the global economy are likely to continue throughout the year. Moreover, the shortage of liquidity due to the reduction of the Fed's balance sheet has had a negative impact on EM investments. The outlook for 2019 is not particularly bright, but we expect both EM bonds and equities to register gains.

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					
		2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Germany	3.3	1.5	1.3	1.7	1.9	1.5	2.0	7.8	7.3	6.9	1.6	1.2	1.1
France	2.2	1.5	1.3	1.5	2.1	1.3	1.8	-0.5	-0.6	-0.4	-2.6	-2.8	-1.7
Italy	1.8	0.9	0.7	0.9	1.2	1.0	1.6	2.6	2.5	2.5	-1.9	-2.9	-3.1
Spain	1.4	2.5	2.3	2.1	1.7	0.9	1.7	1.1	0.9	1.0	-2.7	-2.1	-1.9
Netherlands	0.7	2.6	1.9	2.0	1.6	1.3	2.0	10.1	9.5	9.1	1.1	1.1	1.0
Belgium	0.4	1.4	1.4	1.3	2.3	1.8	1.9	1.2	1.1	1.1	-1.0	-1.1	-1.3
Eurozone	11.6	1.9	1.5	1.6	1.7	1.3	1.8	3.7	3.5	3.3	-0.7	-0.9	-0.7
United Kingdom	2.3	1.4	1.4	1.4	2.5	2.2	2.1	-3.3	-3.2	-3.0	-1.3	-1.1	-1.0
Sweden	0.4	2.3	1.6	1.9	2.0	1.9	1.8	3.2	3.0	2.9	1.1	0.9	0.8
Denmark	0.2	1.1	1.9	1.6	0.7	1.2	1.6	6.3	6.5	6.3	0.2	-0.1	0.6
EU-22	14.5	1.8	1.5	1.6	1.8	1.5	1.8	2.6	2.4	2.4	-0.7	-0.8	-0.7
Poland	0.9	5.2	4.0	3.0	1.7	1.9	2.4	-0.4	-0.1	-0.3	-0.9	-0.9	-2.0
Hungary	0.3	2.8	2.5	2.4	2.2	1.9	1.8	0.8	0.5	0.1	1.4	0.8	0.4
Czech Republic	0.2	4.8	3.4	2.6	2.9	3.1	2.9	1.4	1.7	2.0	-2.4	-1.9	-1.8
EU-28	16.5	2.1	1.8	1.8	1.9	1.5	1.9	2.2	2.1	1.9	-0.8	-0.7	0.0
USA	15.3	2.9	2.3	1.7	2.4	2.1	2.4	-2.5	-2.5	-2.5	-6.5	-7.0	-7.0
Japan	4.3	0.7	0.7	-0.1	1.0	1.5	2.4	3.5	2.5	2.0	-3.5	-3.0	-3.0
Canada	1.4	2.1	1.8	1.6	2.2	1.4	1.8	-2.5	-3.0	-3.0	-0.5	-1.5	-1.0
Australia	1.0	2.9	2.6	2.5	1.9	1.6	2.3	-2.0	-1.5	-1.0	-0.5	0.0	0.5
Switzerland	0.4	2.6	1.6	1.8	1.0	0.6	1.1	10.2	9.8	9.7	0.6	0.4	0.4
Norway	0.3	2.4	2.1	1.8	2.7	1.9	1.5	7.8	7.8	7.6	5.7	5.7	5.3
Developed Countries ⁴⁾	37.3	2.2	1.8	1.5	2.0	1.7	2.1	0.4	0.2	0.1	-3.3	-3.5	-3.5
Russia	3.2	1.8	1.4	1.6	2.9	4.8	3.9	4.1	3.9	3.3	0.8	0.9	1.0
Turkey	1.7	3.1	-0.1	2.9	16.2	15.5	10.9	-3.7	-2.5	-2.8	-1.9	-2.2	-2.1
Ukraine	0.3	3.3	2.8	2.1	11.0	8.7	8.0	-4.0	-4.2	-4.5	-2.6	-2.5	-2.2
Emerging Europe ⁵⁾	7.5	3.0	1.8	2.3	6.3	6.8	5.4	-0.1	0.0	0.0	X	X	X
South Africa	0.6	0.7	1.6	2.1	4.7	5.5	5.2	-3.1	-2.9	-3.4	-3.9	-3.9	-3.7
Middle East, Africa	3.4	2.9	3.0	3.3	9.4	9.5	8.4	0.5	0.3	0.0	X	X	X
Brazil	2.5	1.3	2.5	2.2	3.8	4.4	3.9	-1.6	-2.2	-2.3	-7.1	-5.9	-5.1
Mexico	1.9	2.1	1.8	2.0	4.9	4.5	3.8	-1.6	-1.9	-2.7	-2.5	-2.5	-3.3
Argentina	0.7	-2.6	-1.3	2.1	33.6	35.6	20.2	-3.5	-1.0	0.0	-5.6	-3.4	-2.6
Chile	0.4	4.0	2.9	3.0	2.5	3.2	2.7	-2.2	-2.4	-1.1	-2.0	-1.8	-1.7
Latin America	7.0	0.8	1.7	2.2	7.0	7.4	5.3	-1.0	-1.8	0.0	X	X	X
China	18.2	6.6	6.2	6.0	2.1	1.9	2.3	0.0	-0.5	-1.0	-3.5	-4.4	-4.1
India	7.4	7.6	7.2	7.1	4.0	4.3	4.7	-2.8	-2.5	-2.2	-6.6	-6.5	-6.3
Indonesia	2.5	5.2	5.1	4.9	3.2	3.7	4.2	-2.4	-2.6	-2.5	-2.5	-2.2	-2.4
South Korea	1.6	2.6	2.6	2.6	1.5	1.1	1.9	4.9	4.5	4.3	0.8	0.6	0.2
Emerging Asia	33.9	6.2	5.8	5.7	2.5	2.5	3.0	0.8	0.5	0.0	X	X	X
Emerging Markets	51.8	4.8	4.5	4.6	4.1	4.2	4.0	0.4	0.1	0.0	X	X	X
Total ⁶⁾	89.1	3.7	3.4	3.3	3.2	3.2	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.

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Interest rates in industrialised countries

		Current	Forecasts		
		Jan 14 2019	3 months	6 months	12 months
Germany	Monetary policy (Refi)	0.00	0.00	0.00	0.00
	3 months (EURIBOR)	-0.31	-0.30	-0.30	-0.20
	12 months (EURIBOR)	-0.12	-0.11	-0.10	0.05
	Bunds, 2 years	-0.59	-0.55	-0.50	-0.35
	Bunds, 5 years	-0.36	-0.25	-0.15	0.10
	Bunds, 10 years	0.22	0.35	0.45	0.60
	Bunds, 30 years	0.83	1.00	1.10	1.25
USA	Monetary policy (FFR)	2,25-2,50	2,25-2,50	2,50-2,75	2,75-3,00
	3 months (LIBOR)	2.79	2.80	2.85	3.15
	12 months (LIBOR)	3.02	3.05	3.20	3.40
	US-Treasuries, 2 years	2.52	2.70	2.90	3.10
	US-Treasuries, 5 years	2.50	2.80	2.90	3.00
	US-Treasuries, 10 years	2.67	2.85	2.95	3.00
	US-Treasuries, 30 years	3.02	3.10	3.20	3.25
Japan	Monetary policy (Call)	-0.10	-0.10	-0.10	-0.10
	3 months (LIBOR)	-0.07	-0.05	-0.05	-0.05
	12 months (LIBOR)	0.11	0.15	0.15	0.15
	JGBs, 2 years	-0.15	-0.10	-0.10	-0.05
	JGBs, 5 years	-0.15	-0.10	-0.10	-0.05
	JGBs, 10 years	0.02	0.10	0.20	0.40
	JGBs, 30 years	0.70	0.80	0.90	1.10
United Kingdom	Monetary policy (Base)	0.75	0.75	0.75	1.00
	3 months (LIBOR)	0.92	0.95	1.12	1.30
	12 months (LIBOR)	1.19	1.20	1.30	1.50
	Gilts, 2 years	0.79	0.90	1.00	1.30
	Gilts, 5 years	0.93	1.10	1.30	1.50
	Gilts, 10 years	1.26	1.50	1.70	1.80
	Gilts, 30 years	1.82	1.90	2.00	2.05
Sweden	Monetary policy (Repo)	-0.25	-0.25	-0.25	0.00
	3 months (STIB)	-0.08	-0.15	-0.10	0.30
	2 years	-0.38	-0.20	-0.10	0.20
	10 years	0.41	0.60	1.00	1.20
Denmark	Monetary policy (Repo)	0.05	0.05	0.05	0.10
	3 months (CIBOR)	-0.28	-0.25	-0.25	-0.15
	2 years	-0.57	-0.50	-0.45	-0.30
	10 years	0.15	0.30	0.45	0.65
Norway	Monetary policy (Deposit)	0.75	1.00	1.00	1.25
	3 months (NIBOR)	1.26	1.40	1.48	1.65
	3 years	0.80	0.90	1.00	1.20
	10 years	1.77	1.90	2.00	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)	-0.70	-0.75	-0.75	-0.67
	2 years	-0.78	-0.65	-0.55	-0.30
	10 years	-0.15	0.00	0.10	0.30
Canada	Monetary policy (O/N)	1.75	1.75	2.00	2.25
	3 months (CBA)	2.29	2.30	2.35	2.55
	12 months (CBA)	2.53	2.55	2.55	2.75
	2 years	1.89	1.95	2.15	2.55
	5 years	1.90	2.05	2.30	2.60
	10 years	1.96	2.15	2.35	2.70
	30 years	2.16	2.15	2.35	2.70
Australia	Monetary policy (Cash)	1.50	1.50	1.50	1.75
	3 months (ABB)	2.06	2.00	1.95	1.95
	2 years	1.81	1.95	2.10	2.40
	10 years	2.27	2.40	2.55	2.80

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Interest rates in EM countries

			Current	Forecasts		
			Jan 14 2019	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)	1.62	1.60	1.70	1.80
		2 years	1.35	1.50	1.60	1.70
		10 years	2.74	2.90	3.00	3.20
	Czech Rep.	Monetary policy (Repo)	1.75	2.00	2.00	2.25
		3 months (PRIBOR)	2.01	2.10	2.20	2.50
		2 years	1.76	2.00	2.10	2.30
		10 years	1.85	2.20	2.40	2.70
	Hungary	Monetary policy (Deposit)	0.90	0.90	0.90	0.90
		3 months (BUBOR)	0.13	0.15	0.20	0.30
		3 years	1.17	1.30	1.40	1.50
		10 years	2.87	3.00	3.10	3.10
Latin America	Brazil	Monetary policy (Repo)	6.50	6.50	6.50	7.25
		3 months (ABG)	6.44	6.50	6.50	7.30
		2 years	7.49	7.50	7.50	7.55
		9 years	9.19	9.20	9.20	9.50
	Mexico	Monetary policy	8.25	8.50	8.50	8.25
		3 months (Mexibor)	8.26	8.50	8.50	8.00
		2 years	8.39	8.50	8.40	8.30
		10 years	8.68	8.80	8.80	8.90
Asia	China	Monetary policy	1.50	1.50	1.50	1.50
		3 months	2.98	2.90	3.00	3.00
		3 years	2.76	3.00	3.10	3.20
		10 years	3.14	3.20	3.30	3.30
	Singapore	Monetary policy	n.a.	n.a.	n.a.	n.a.
		3 months	1.88	1.80	1.90	2.00
		2 years	1.90	2.00	2.10	2.20
		10 years	2.19	2.30	2.40	2.50
	South Korea	Monetary policy	1.75	1.75	1.75	1.75
		3 months	1.74	1.75	1.80	1.75
		2 years	1.80	1.90	2.00	2.10
		10 years	2.00	2.10	2.20	2.30

Yield spreads in basis points¹⁾

			Current	Forecasts		
			Jan 14 2019	3 months	6 months	12 months
Emerging Markets, EMBIG Div Spreads	Central- and Eastern Europe	Russia	235	235	220	215
		Turkey	438	420	410	400
		Hungary	141	135	135	130
	Africa	South Africa	337	325	320	310
	Latin America	Brazil	260	250	245	240
		Chile	159	155	150	145
		Columbia	213	205	200	195
		Mexico	342	330	325	315
	Asia	China	139	135	130	130
		Indonesia	230	225	215	210
		Philippines	113	110	105	105
	Total (EMBIG Div)		390	390	380	370

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 Jan 14 2019	Forecasts		
			3 months	6 months	12 months
Dollar-Bloc	EUR-USD	1.15	1.16	1.19	1.22
	EUR-CAD	1.52	1.52	1.54	1.55
	EUR-AUD	1.59	1.59	1.61	1.63
Japan	EUR-JPY	124.05	127.60	132.09	136.64
Euro-Outs	EUR-GBP	0.89	0.88	0.86	0.85
	EUR-DKK	7.46	7.45	7.45	7.45
	EUR-SEK	10.24	10.20	10.00	9.80
	EUR-CHF	1.13	1.15	1.16	1.17
	EUR-NOK	9.80	9.60	9.50	9.20
Central- and Eastern Europe	EUR-PLN	4.29	4.30	4.25	4.20
	EUR-HUF	321.20	325.00	325.00	320.00
	EUR-CZK	25.56	25.70	25.60	25.50
Africa	EUR-ZAR	15.96	16.82	17.14	18.06
Latin America	EUR-BRL	4.26	4.52	4.52	4.70
	EUR-MXN	21.97	23.43	23.80	24.64
Asia	EUR-CNY	7.76	8.06	8.45	8.91
	EUR-SGD	1.55	1.58	1.61	1.63
	EUR-KRW	1288	1311	1357	1403
US-Dollar		Current Jan 14 2019	Forecasts		
			3 months	6 months	12 months
Dollar-Bloc	USD-CAD	1.33	1.31	1.29	1.27
	AUD-USD	0.72	0.73	0.74	0.75
Japan	USD-JPY	108.13	110.00	111.00	112.00
Euro-Outs	GBP-USD	1.28	1.32	1.38	1.44
	USD-DKK	6.51	6.42	6.26	6.11
	USD-SEK	8.92	8.79	8.40	8.03
	USD-CHF	0.98	0.99	0.97	0.96
	USD-NOK	8.54	8.28	7.98	7.54
Central- and Eastern Europe	USD-PLN	3.74	3.71	3.57	3.44
	USD-HUF	280.00	280.17	273.11	262.30
	USD-CZK	22.28	22.16	21.51	20.90
Africa	USD-ZAR	13.91	14.50	14.40	14.80
Latin America	USD-BRL	3.71	3.90	3.80	3.85
	USD-MXN	19.15	20.20	20.00	20.20
Asia	USD-CNY	6.76	6.95	7.10	7.30
	USD-SGD	1.35	1.36	1.35	1.34
	USD-KRW	1123	1130	1140	1150

Commodities

Commodity	Current Jan 14 2019	Forecasts		
		3 months	6 months	12 months
Gold (USD per troy ounce)	1,293.89	1,210	1,185	1,160
Gold (EUR per troy ounce)	1,127.87	1,040	1,000	950
WTI crude (USD per Barrel)	51.59	55	58	61
WTI crude (EUR per Barrel)	44.97	47	49	50
Brent crude (USD per Barrel)	59.37	62	64	66
Brent crude (EUR per Barrel)	51.75	53	54	54



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