

## Sideways into the new investment decade

The year is coming to an end and with it the current decade. 2019 in particular and the decade in general has been a good time for securities. Price increases have driven returns for both equities and bonds. This was due to a persistent downward trend in interest rates on the back of expansive monetary policy conducted by the central banks, which have confronted uncertainties and geopolitical risks with all their power. After a short-lived retreat from the ultra-loose monetary stance, one thing has become clear since the middle of 2019: the ultra-loose monetary course will be maintained for the time being. The ECB will continue its asset-purchase programme for another two years. An interest-rate hike is thus not to be expected before the mid-20s. Meanwhile, we consider yields on the capital market to have now reached their trough. Unlike the current decade, in the next decade dividends and coupons will once again be the main drivers of returns. On the price side and in particular in the case of fixed-interest securities there is little or no support.



Source: Adobe Stock, DekaBank.

In the months ahead, the global economy will continue to face struggles. A recession is unlikely, but 3%+ for 2020 and 2021 is no revelation. Nevertheless, the longest upswing in the history of the German and US economies is continuing. As long as Brexit is completed with a deal in January 2020 and an escalation is avoided in the trade war between China and the USA, tensions should ease. The long phase of downward revisions of economic forecasts should come to an end and mid single-digit corporate profit increases should be possible.

This is hardly a coup for the markets. Accordingly, equity and bond markets in 2020 present us with the prospect of a sideways movement. An all-time high should be possible for the DAX and 10-year Bund yields will probably creep a few basis points upwards. Meanwhile, it is difficult to imagine strong new trends for prices. For equities in particular, greater conviction is required for a fresh drive for profit whilst for bonds it would take a distinct increase in inflation to fuel the interest-rate debate. Stabilising economic prospects and rising macroeconomic indicators are by themselves not enough. The zero-interest world will thus remain the framework for capital markets for some time to come. Consequently, risk-taking will be rewarded with the backing from central banks. To put constructive security prospects in a nutshell, the rewards will primarily come in the shape of asset classes' current yields.

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### Most important forecast revisions

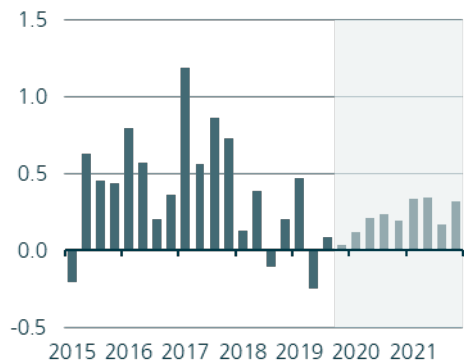
- Germany: Inflation 2020: 1.6% (previously 1.5%).
- Eurozone: Inflation 2020: 1.3% (previously 1.2%).
- Upward revision of GDP growth forecasts for Brazil and Russia.  
Downward revision for China, India, Mexico and South Africa.



December 2019 / January 2020

**Economy: Industrial countries**

**Germany: GDP (% qoq, sa)**



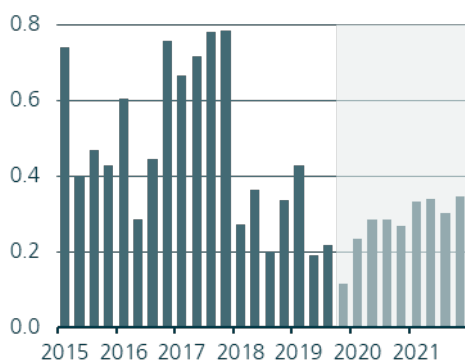
Sources: Destatis, forecast DekaBank

**Germany**

Together with the factors generating global uncertainty (trade war, Brexit....) a wave of national uncertainty is sweeping over Germany. Germany's pride, the automobile industry, is suffering from structural problems. It is still unclear where the road taking us away from combustion engines will lead. Which new drive technology will prove successful? One thing, however, is clear: fewer workers will be needed. The scale of the burden for the economy is reflected in production figures for October. Excluding the automobile industry, manufacturing output would have fallen only slightly against the previous month. Including it, production fell by 1.7%. Retail sales also fell in October by 1.9% against the previous month. All in all, we can also expect GDP to shrink again in the fourth quarter of 2019.

Forecast revision: Inflation 2020: 1.6% (previously 1.5%).

**Eurozone: GDP (% qoq, sa)**



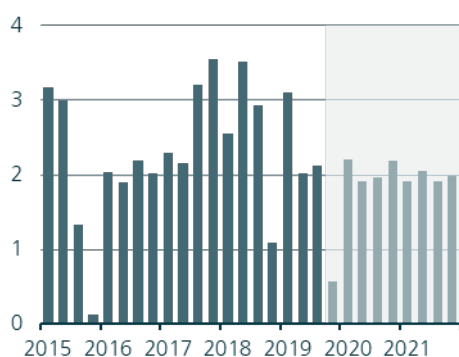
Sources: Eurostat, forecast DekaBank

**Eurozone**

The preliminary flash estimate of an increase by 0.2% qoq in Eurozone's GDP in the third quarter has now been confirmed. The bulk of growth in the Euro area has been borne by private consumption. The stabilising effect of the European labour market, which is currently near full employment, is conspicuous. Small positive stimuli also came from government expenditure and investment. As in the second quarter, foreign trade proved a burden for economic growth. After Eurostat's third estimate for third-quarter growth the four major EMU countries are now ranked in the following order: Spain (0.4%), France (0.3%), Germany and Italy (each with 0.1%).

Forecast revision: Inflation 2020: 1.3% (previously: 1.2%).

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



Sources: Bureau of Economic Analysis, forecast DekaBank

**USA**

The first economic data for the fourth quarter confirm our estimate that in the final quarter of 2019 US economic growth was only modest. After two relatively strong quarters, momentum in private household consumption is currently returning to normal levels. Moreover, inventory investment was relatively strong in the third quarter, and the normalisation that follows usually slows down the economy. In recent weeks there has been an easing of tension in the trade war with China and other countries. This, however, can change very quickly at any time. The latest consumer price data show very different trends, but overall, the inflation environment remains compatible with the Fed's inflation target of 2%.

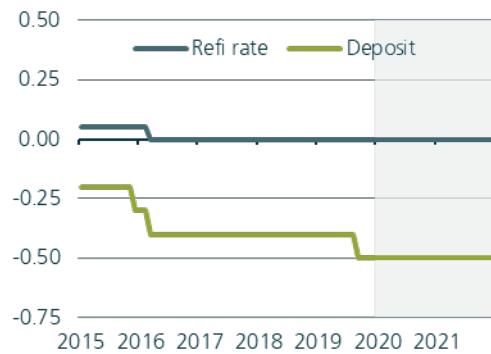
Forecast revision: –



December 2019 / January 2020

**Markets: Industrial countries**

**ECB: Repo Rate (% p.a.)**



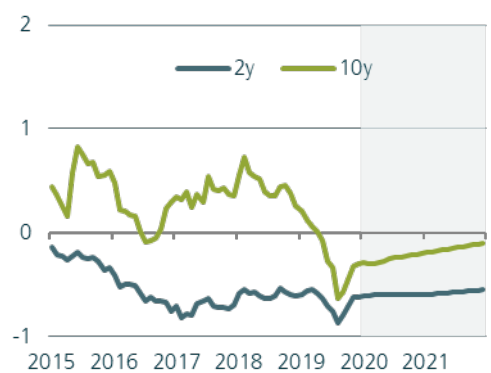
Sources: European Central Bank, forecast DekaBank

**The European Central Bank / Money market**

In her first few public appearances as ECB President Christine Lagarde defended the bank’s current monetary policy and emphasised her readiness to react to any possible deterioration of the economic environment. At the same time, however, she promised to remain watchful for any potential harmful side effects of the bank’s expansive monetary policy. This balancing act appears to be an effort to compensate for differences of opinion within the ECB Council. This probably means that current monetary policy will be maintained for the time being. The hurdles for increasing monthly net asset purchases or for another cut of the deposit rate are very high. At the same time, however, there is unlikely to be a majority in favour of abandoning the current monetary policy stance in the foreseeable future. We assume that in the years to come money market rates will move sideways at current levels. However, if excessively strong market expectations arise, the ECB will counteract them with its forward guidance.

Forecast revision: –

**German Bond Yield (% p.a.)**



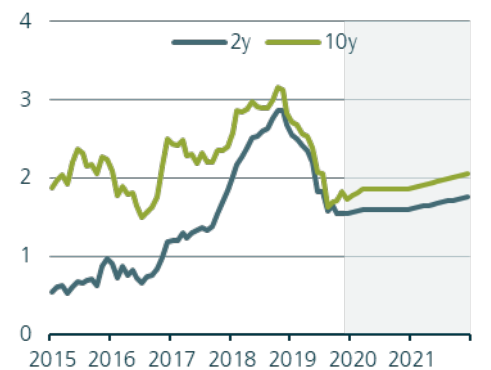
Sources: Bloomberg, forecast DekaBank

**Eurozone bond market**

Investors have lowered their expectations with respect to a further easing of policy by the ECB, but are still far from preparing for an exit from the current policy stance. Moreover, the ECB would counteract such market expectations, in order to maintain a financial environment that is conducive to growth. It thus anchors the short end of the Bund curve and limits potential increases in yield at the longer end. Inflation expectations and the yields of US-Treasuries should only exert minor pressure on long-term Bunds. We therefore expect only a slow steepening, whose main driver lies in the fact that with falling downside economic risks investors lose interest in low-risk, long-term government bonds.

Forecast revision: –

**US Bond Yield (% p.a.)**



Sources: Bloomberg, forecast DekaBank

**US bond market**

One month ago the US bond markets were in an orientation phase. This now seems to have come to an end. Without any impetus, for example, from the trade war, the daily changes in yields are only small. The US bond markets have already priced in an easing of monetary policy for the coming months whilst taking risk factors into consideration. Until now current risks (renewed escalation in the trade war, weak economic data, lower inflation ) have rather had a negative impact on yields. We continue to believe that the development of yields in the coming months will tend to be free from significant fluctuations.

Forecast revision: –



December 2019 / January 2020

**Markets: Industrial countries**

**Equity Market Forecast**

|             | Current<br>Dec 6, 19 | in 3<br>months | in 6<br>months | in 12<br>months |
|-------------|----------------------|----------------|----------------|-----------------|
| <b>DAX</b>  | <b>13 166.58</b>     | <b>13 500</b>  | <b>13 800</b>  | <b>13 600</b>   |
| Reporting:  |                      |                |                |                 |
| EuroStoxx50 | 3 692.34             | 3 730          | 3 800          | 3 750           |
| S&P 500     | 3 145.91             | 3 050          | 3 100          | 3 050           |
| Topix       | 1 713.36             | 1 750          | 1 800          | 1 750           |

Sources: Deutsche Börse AG, forecast DekaBank

**Equity market: Germany**

The economic environment remains challenging for German companies. In view of the complex global situation a rapid improvement is not in sight. However, by now both companies and investors are aware of the difficult environment and have taken this into consideration in their expectations. Despite the excellent development of equity prices the market is dominated by restraint, which is a sensible basis for the end of 2019 and for the start of 2020. Moreover, valuations are at unambitious levels. It can be assumed that the economic environment can stabilise at the current low level. This at least is the message conveyed by the recently published leading indicators. This provides a basis for a modest rise in corporate profits and equity prices. Nevertheless, erratic news with regard to the trade war are likely to lead to regular bouts of price volatility.

Forecast revision: –

**iTraxx Europe (Bp)**



Sources: International Index Company, forecast DekaBank

**Corporate bond market: Eurozone**

In the first month of its new asset-purchase programme the ECB allocated EUR 6bn, approximately one quarter of its total purchases, to corporate bonds and thus took the market by surprise. This action was received positively by the credit markets, but risk premiums on cash bonds have nevertheless risen slightly. The reintroduction of the ECB's asset-purchase programme had led investors to expect these premiums to fall. However, many issuers took advantage of positive market sentiment to place new and in part very substantial issues on the market. Moreover, the ECB increased its share of primary market purchases and gave less support to the secondary market than had been expected. At the same time, some market players have already begun to take their end-of-year profits.

**Covered Bonds 5y (% p.a.)**



Source: Bloomberg

**Covered Bonds**

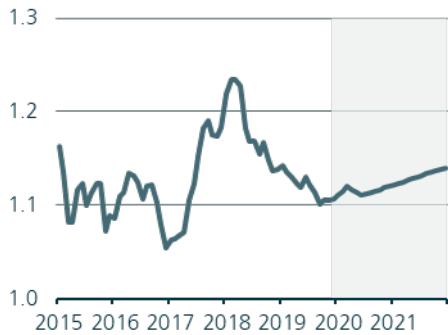
At the start of its new asset-purchase programme the ECB spent EUR 2.4bn in the first month on covered bonds. Nevertheless, the spreads did not noticeably benefit from the additional demand. In part this was due to the effect already being priced into expectations, in part many issuing houses placed new issues on the market in the hope of finding additional purchasers. These include new issuers, or those who have not made an appearance for a long time. The trend towards long maturities has continued. On the one hand, investors prefer bonds with yields that are at last slightly positive, and on the other hand issuers want to lock in low interest rates for as long as possible. Bonds with negative yields can be successfully placed, but for many banks the new TLTROs are the more attractive option for refinancing.



December 2019 / January 2020

Markets: Industrial countries

Exchange Rate EUR-USD



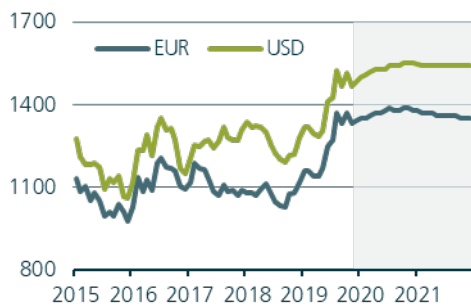
Sources: European Central Bank, forecast DekaBank

Currency market: EUR-USD

In recent weeks the Euro has depreciated slightly against the US dollar. The EUR-USD exchange rate stood at 1.11 EUR-USD at the beginning of November and at 1.10 EUR-USD at the end of the month. These movements could not be attributed to news from either the USA or Europe. European indicators of market sentiment are not signalling recession, nor are they indicating any more than a small increase in growth. With respect to monetary policy the watchword at the moment is „wait and see“. At the ECB observers are eagerly waiting to hear the monetary position of the new president. In the USA the mini-cycle of interest-rate cuts has come to an end and the course of monetary policy will now be increasingly dependent on economic data.

Forecast revision: –

Gold price (per troy ounce)



Gold

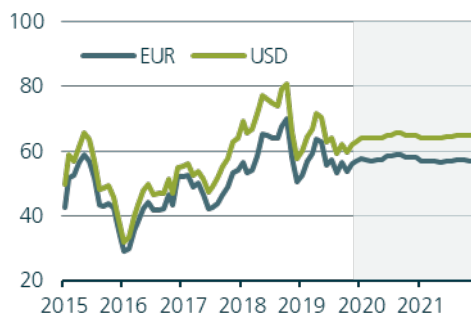
At the moment the gold price appears to have lost momentum. Major central banks such as the US Fed or the ECB have completed their monetary easing operations and no more will follow. Yields should therefore have bottomed out. We thus expect no significant and sustained falls in yields in either the USA or in the Euro area. On the other hand, we do not expect sharply rising yields, for inflation expectations will be weighed down by the slowdown in global economic growth. We thus expect the gold price to remain at its current high level in the coming year. In view of still smouldering risks, especially those generated by trade conflicts, the gold price may well rise slightly in 2020. However, we do not expect another sharp rise such as we experienced this year.

Forecast revision: –

| Performance  | from 30.11.13 to 30.11.14 | 30.11.14 to 30.11.15 | 30.11.15 to 30.11.16 | 30.11.16 to 30.11.17 | 30.11.17 to 30.11.18 | 30.11.18 to 30.11.19 |
|--------------|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Gold in Euro | 2.67%                     | 6.79%                | 9.45%                | -3.07%               | 0.72%                | 23.37%               |
| Gold in USD  | -6.03%                    | -9.31%               | 9.85%                | 8.75%                | -4.16%               | 20.11%               |

Sources: Bloomberg, forecast DekaBank

Crude Oil Brent (per barrel)



Crude oil

OPEC members and Russia (OPEC+) have agreed to further lower their production cap for the first quarter of 2020 by 0.5 million barrels a day. The total reduction of output since October 2018 now amounts to 1.7 million barrels. However, for months OPEC has been producing less than the agreed limit, so this latest decision will have little or no impact on actual output. The impact in the form of at least temporary price rises will be highly welcome to Saudi Arabia at a time when it is planning the public offering of Saudi-Aramco. However, OPEC's production cut also fits well into the fundamental oil market, for after 2020 the global oil market could well be facing a problem of over-supply.

Forecast revision: –

| Performance   | from 30.11.13 to 30.11.14 | 30.11.14 to 30.11.15 | 30.11.15 to 30.11.16 | 30.11.16 to 30.11.17 | 30.11.17 to 30.11.18 | 30.11.18 to 30.11.19 |
|---------------|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Brent in Euro | -30.13%                   | -25.12%              | 12.72%               | 12.27%               | -2.94%               | 9.22%                |
| Brent in USD  | -36.05%                   | -36.41%              | 13.14%               | 25.96%               | -7.65%               | 6.34%                |

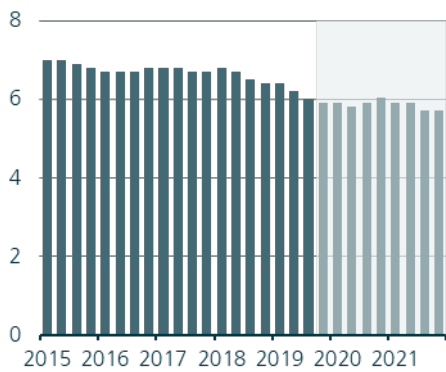
Sources: Bloomberg, forecast DekaBank



December 2019 / January 2020

**Emerging Markets**

**China: GDP (% yoy)**



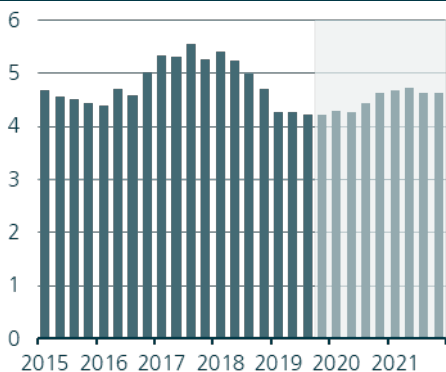
Sources: National Statistics, forecast DekaBank

**China**

In recent weeks, the tone prevailing at the trade talks has fluctuated between confidence and scepticism, so that uncertainty with respect to the outcome has increased. On December 15th US tariffs could be extended as threatened to further imports from China. However, we believe it is more probable that negotiations will be continued without the imposition of further tariffs. With the publication of the purchasing managers' indices for November the Chinese economic outlook has brightened somewhat. The indices have risen for both the manufacturing and service sectors. Nevertheless, we have revised our GDP growth forecast down by one tenth of a percent point, because the government measures to support the economy have not come up to expectations.

Forecast revision: Downward revision of GDP growth forecasts for 2019 and 2020.

**Emerging Markets: GDP (% yoy)**



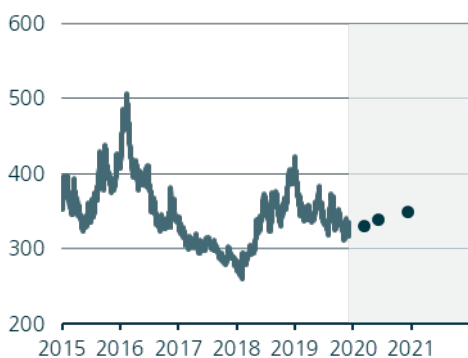
Sources: National Statistics, forecast DekaBank

**Emerging Markets: Economy**

The GDP growth figures for the third quarter published in recent weeks for emerging-market countries were overall slightly disappointing. However, the purchasing managers' indices for the manufacturing sector have stabilised at a low level and thus lessened fears of a global recession. For the most part political problems have remained unresolved, but at least for the time being the heated sentiment of protestors in many countries seems to have calmed down somewhat. The EM central banks are still easing their monetary policy, albeit at a slower pace. In particular, the central banks of India and Indonesia surprised the world recently with keeping their interest rates on hold.

Forecast revision: Upward revision of GDP growth forecasts for Brazil and Russia. Downward revision for China, India, Mexico and South Africa.

**EMBIG Diversified-Spread (Bp)**



Sources: Bloomberg, forecast DekaBank

**Emerging Markets: Markets**

In recent weeks, EM equity and bond markets have suffered modest price losses. Although market sentiment is still supported by the sustained low-interest environment, there has been a lack of any clear stimuli for a new upswing. With positive price trends since the beginning of the year, this environment may be conducive to profit-taking. The EM rate-cutting cycle is already well advanced, and the central banks are thus not in a position to put further substantial downward pressure on bond yields. The stabilisation of the purchasing managers' indices has eased fears of recession, but the environment will remain difficult for companies in 2020. At the same time, many countries face unresolved political problems. One positive development is that foreign trade imbalances, which were a major contributing factor to the currency crises in Argentina and Turkey, have on the whole diminished in EM countries. However, there are exception and the current account deficits in South Africa and Romania, for example, remain worrisome.

## Global economic developments

| Country /<br>Country Group              | GDP-<br>Weights <sup>1)</sup> | GDP                                |            |            | Consumer Prices <sup>2)</sup> |            |            | Current Account                |             |             | General Government<br>Balance <sup>3)</sup> |             |             |
|---|-------------------------------|------------------------------------|------------|------------|-------------------------------|------------|------------|--------------------------------|-------------|-------------|---|-------------|-------------|
|   |                               | percentage change on previous year |            |            |                               |            |            | as a percentage of nominal GDP |             |             |   |             |             |
|   |                               | 2019                               | 2020       | 2021       | 2019                          | 2020       | 2021       | 2019                           | 2020        | 2021        | 2019  | 2020        | 2021        |
| Germany                                 | 3.2                           | 0.5                                | 0.8        | 1.1        | 1.4                           | 1.6        | 1.7        | 7.2                            | 6.6         | 6.2         | 1.2   | 0.6         | 0.3         |
| France                                  | 2.2                           | 1.3                                | 1.0        | 1.2        | 1.3                           | 1.4        | 1.5        | -0.5                           | -0.6        | -0.7        | -3.1  | -2.2        | -2.2        |
| Italy                                   | 1.8                           | 0.1                                | 0.2        | 0.4        | 0.7                           | 0.9        | 1.2        | 2.9                            | 2.9         | 2.9         | -2.2  | -2.5        | -2.7        |
| Spain                                   | 1.4                           | 2.0                                | 1.7        | 1.7        | 0.8                           | 1.0        | 1.4        | 2.4                            | 2.5         | 2.6         | -2.3  | -2.2        | -2.1        |
| Netherlands                             | 0.7                           | 1.6                                | 1.1        | 1.6        | 2.7                           | 1.9        | 1.8        | 9.5                            | 8.6         | 8.2         | 1.5   | 0.5         | 0.4         |
| Belgium                                 | 0.4                           | 1.3                                | 1.0        | 1.1        | 1.2                           | 1.3        | 1.9        | -0.8                           | -0.9        | -1.0        | -1.7  | -2.3        | -2.6        |
| <b>Eurozone</b>                         | <b>11.4</b>                   | <b>1.1</b>                         | <b>0.9</b> | <b>1.2</b> | <b>1.2</b>                    | <b>1.3</b> | <b>1.5</b> | <b>3.3</b>                     | <b>3.0</b>  | <b>2.9</b>  | <b>-0.8</b>                                 | <b>-1.0</b> | <b>-1.0</b> |
| United Kingdom                          | 2.2                           | 1.3                                | 1.1        | 1.7        | 1.8                           | 1.4        | 1.8        | -4.3                           | -4.2        | -4.2        | -2.2  | -2.4        | -2.3        |
| Sweden                                  | 0.4                           | 1.3                                | 1.2        | 1.6        | 1.7                           | 1.7        | 1.8        | 3.0                            | 3.4         | 3.9         | 0.3   | 0.1         | 0.1         |
| Denmark                                 | 0.2                           | 2.0                                | 1.6        | 1.6        | 0.8                           | 1.2        | 1.6        | 6.9                            | 6.5         | 6.5         | 2.2   | 0.5         | 0.0         |
| <b>EU-22</b>                            | <b>14.3</b>                   | <b>1.2</b>                         | <b>1.0</b> | <b>1.3</b> | <b>1.3</b>                    | <b>1.3</b> | <b>1.6</b> | <b>2.1</b>                     | <b>2.0</b>  | <b>1.9</b>  | <b>-1.0</b>                                 | <b>-1.1</b> | <b>-1.2</b> |
| Poland                                  | 0.9                           | 4.3                                | 3.4        | 3.3        | 2.2                           | 2.3        | 2.3        | -0.6                           | -0.7        | -0.8        | -1.0  | -1.2        | -1.2        |
| Czech Republic                          | 0.3                           | 2.5                                | 2.0        | 2.4        | 2.8                           | 2.1        | 2.0        | 0.5                            | 0.5         | 0.6         | 0.2   | -0.1        | -0.3        |
| Hungary                                 | 0.2                           | 4.4                                | 3.2        | 2.6        | 3.4                           | 3.3        | 3.1        | 0.3                            | -0.4        | -0.2        | -1.8  | -1.0        | -0.8        |
| <b>EU-28</b>                            | <b>16.3</b>                   | <b>1.5</b>                         | <b>1.3</b> | <b>1.5</b> | <b>1.5</b>                    | <b>1.5</b> | <b>1.7</b> | <b>1.6</b>                     | <b>1.5</b>  | <b>1.4</b>  | <b>-1.0</b>                                 | <b>-1.1</b> | <b>-1.3</b> |
| USA                                     | 15.2                          | 2.2                                | 1.8        | 2.0        | 1.8                           | 2.5        | 2.3        | -2.5                           | -2.5        | -2.5        | -7.0  | -7.5        | -7.5        |
| Japan                                   | 4.1                           | 1.2                                | 0.8        | 1.0        | 0.5                           | 0.9        | 1.3        | 3.5                            | 3.5         | 3.5         | -2.5  | -2.5        | -2.0        |
| Canada                                  | 1.4                           | 1.8                                | 2.0        | 1.8        | 2.2                           | 1.9        | 2.2        | -2.0                           | -2.5        | -2.5        | -0.5  | -1.5        | -1.5        |
| Australia                               | 1.0                           | 1.8                                | 2.3        | 2.4        | 1.6                           | 2.2        | 2.4        | 1.0                            | 1.5         | 2.0         | -0.5  | 0.0         | 0.0         |
| Switzerland                             | 0.4                           | 0.9                                | 1.8        | 1.5        | 0.4                           | 0.3        | 0.6        | 9.6                            | 9.9         | 9.8         | 1.0   | 0.4         | 0.4         |
| Norway                                  | 0.3                           | 2.5                                | 1.7        | 1.2        | 2.2                           | 2.1        | 2.2        | 6.9                            | 7.2         | 6.9         | 7.6   | 7.8         | 7.8         |
| <b>Developed Countries<sup>4)</sup></b> | <b>36.8</b>                   | <b>1.7</b>                         | <b>1.4</b> | <b>1.6</b> | <b>1.5</b>                    | <b>1.8</b> | <b>1.9</b> | <b>0.3</b>                     | <b>0.2</b>  | <b>0.2</b>  | <b>-3.5</b>                                 | <b>-3.8</b> | <b>-3.8</b> |
| Russia                                  | 3.1                           | 1.2                                | 2.0        | 1.7        | 4.5                           | 3.4        | 4.0        | 6.5                            | 6.5         | 6.2         | 2.3   | 1.5         | 1.3         |
| Turkey                                  | 1.7                           | 0.4                                | 2.8        | 3.3        | 15.5                          | 10.8       | 9.7        | -0.2                           | -1.1        | -2.7        | -2.9  | -3.1        | -3.0        |
| Ukraine                                 | 0.3                           | 3.1                                | 3.0        | 3.2        | 8.5                           | 7.7        | 7.4        | -3.5                           | -3.3        | -2.8        | -1.6  | -1.5        | -1.5        |
| <b>Emerging Europe<sup>5)</sup></b>     | <b>7.5</b>                    | <b>1.9</b>                         | <b>2.5</b> | <b>2.6</b> | <b>6.7</b>                    | <b>5.1</b> | <b>5.1</b> | <b>1.2</b>                     | <b>1.0</b>  | <b>0.7</b>  | <b>X</b>                                    | <b>X</b>    | <b>X</b>    |
| South Africa                            | 0.6                           | 0.3                                | 0.7        | 1.4        | 4.4                           | 4.9        | 5.3        | -4.0                           | -4.4        | -4.6        | -5.9  | -6.5        | -6.2        |
| <b>Middle East, Africa</b>              | <b>3.3</b>                    | <b>2.8</b>                         | <b>2.8</b> | <b>3.5</b> | <b>6.3</b>                    | <b>5.8</b> | <b>5.8</b> | <b>-0.7</b>                    | <b>-0.2</b> | <b>0.2</b>  | <b>X</b>                                    | <b>X</b>    | <b>X</b>    |
| Brazil                                  | 2.5                           | 1.1                                | 2.3        | 2.1        | 3.6                           | 3.2        | 3.8        | -1.9                           | -2.3        | -2.8        | -5.8  | -4.7        | -4.6        |
| Mexico                                  | 1.9                           | 0.1                                | 1.6        | 2.1        | 3.6                           | 3.3        | 3.1        | -1.1                           | -1.5        | -1.4        | -2.7  | -2.9        | -2.4        |
| Argentina                               | 0.7                           | -3.0                               | -1.1       | 1.6        | 53.7                          | 45.3       | 29.8       | -1.4                           | 0.0         | -0.1        | -4.3  | -5.1        | -5.4        |
| Chile                                   | 0.4                           | 2.2                                | 2.7        | 2.8        | 2.3                           | 2.7        | 2.7        | -2.6                           | -2.5        | -3.1        | -1.3  | -1.2        | -1.0        |
| <b>Latin America</b>                    | <b>6.8</b>                    | <b>-0.5</b>                        | <b>1.8</b> | <b>2.3</b> | <b>8.5</b>                    | <b>7.4</b> | <b>6.0</b> | <b>-2.1</b>                    | <b>-2.1</b> | <b>-2.2</b> | <b>X</b>                                    | <b>X</b>    | <b>X</b>    |
| China                                   | 18.7                          | 6.1                                | 5.9        | 5.8        | 2.9                           | 3.8        | 2.7        | 1.5                            | 1.0         | 0.7         | -6.1  | -6.3        | -6.3        |
| India                                   | 7.7                           | 5.1                                | 6.1        | 6.3        | 3.5                           | 4.4        | 4.1        | -1.8                           | -1.7        | -1.8        | -7.5  | -7.2        | -7.0        |
| Indonesia                               | 2.6                           | 5.0                                | 4.9        | 5.0        | 3.1                           | 3.3        | 3.3        | -2.2                           | -2.0        | -1.9        | -2.0  | -2.0        | -1.7        |
| South Korea                             | 1.7                           | 1.8                                | 2.1        | 1.9        | 0.4                           | 1.2        | 1.4        | 3.0                            | 3.7         | 4.3         | 0.6   | -1.0        | -1.1        |
| <b>Emerging Asia</b>                    | <b>34.8</b>                   | <b>5.2</b>                         | <b>5.3</b> | <b>5.4</b> | <b>2.7</b>                    | <b>3.5</b> | <b>2.9</b> | <b>1.6</b>                     | <b>1.3</b>  | <b>1.0</b>  | <b>X</b>                                    | <b>X</b>    | <b>X</b>    |
| <b>Emerging Markets</b>                 | <b>52.4</b>                   | <b>3.8</b>                         | <b>4.3</b> | <b>4.4</b> | <b>4.2</b>                    | <b>4.4</b> | <b>3.8</b> | <b>0.9</b>                     | <b>0.7</b>  | <b>0.5</b>  | <b>X</b>                                    | <b>X</b>    | <b>X</b>    |
| <b>Total<sup>6)</sup></b>               | <b>89.2</b>                   | <b>3.0</b>                         | <b>3.1</b> | <b>3.3</b> | <b>3.1</b>                    | <b>3.3</b> | <b>3.0</b> | <b>X</b>                       | <b>X</b>    | <b>X</b>    | <b>X</b>                                    | <b>X</b>    | <b>X</b>    |

1) Of 2018, 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 |           |           |
|-----------------------|-----------------------------|------------|-----------|-----------|-----------|
|                       |                             | Dec 9 2019 | 3 months  | 6 months  | 12 months |
| <b>Germany</b>        | Monetary policy (Refi rate) | 0.00       | 0.00      | 0.00      | 0.00      |
|                       | Monetary policy (Deposit)   | -0.50      | -0.50     | -0.50     | -0.50     |
|                       | 3 months (EURIBOR)          | -0.39      | -0.40     | -0.40     | -0.40     |
|                       | 12 months (EURIBOR)         | -0.28      | -0.28     | -0.27     | -0.27     |
|                       | Bunds, 2 years              | -0.63      | -0.60     | -0.60     | -0.60     |
|                       | Bunds, 5 years              | -0.56      | -0.55     | -0.50     | -0.45     |
|                       | Bunds, 10 years             | -0.31      | -0.30     | -0.25     | -0.20     |
|                       | Bunds, 30 years             | 0.22       | 0.25      | 0.30      | 0.35      |
| <b>USA</b>            | Monetary policy (FFR)       | 1,50-1,75  | 1,50-1,75 | 1,50-1,75 | 1,50-1,75 |
|                       | 3 months (LIBOR)            | 1.89       | 1.90      | 1.90      | 1.90      |
|                       | 12 months (LIBOR)           | 1.92       | 1.95      | 1.95      | 1.95      |
|                       | US-Treasuries, 2 years      | 1.61       | 1.60      | 1.60      | 1.60      |
|                       | US-Treasuries, 5 years      | 1.65       | 1.65      | 1.65      | 1.65      |
|                       | US-Treasuries, 10 years     | 1.82       | 1.85      | 1.85      | 1.85      |
|                       | US-Treasuries, 30 years     | 2.26       | 2.30      | 2.30      | 2.30      |
| <b>Japan</b>          | Monetary policy (Call)      | -0.10      | -0.10     | -0.10     | -0.10     |
|                       | 3 months (LIBOR)            | -0.07      | -0.10     | -0.10     | -0.10     |
|                       | 12 months (LIBOR)           | 0.11       | 0.10      | 0.10      | 0.10      |
|                       | JGBs, 2 years               | -0.12      | -0.20     | -0.20     | -0.20     |
|                       | JGBs, 5 years               | -0.09      | -0.15     | -0.15     | -0.15     |
|                       | JGBs, 10 years              | 0.00       | -0.05     | -0.05     | -0.05     |
|                       | JGBs, 30 years              | 0.45       | 0.45      | 0.45      | 0.45      |
| <b>United Kingdom</b> | Monetary policy (Base)      | 0.75       | 0.75      | 0.75      | 1.00      |
|                       | 3 months (LIBOR)            | 0.78       | 0.80      | 0.80      | 1.10      |
|                       | 12 months (LIBOR)           | 0.97       | 1.00      | 1.10      | 1.30      |
|                       | Gilts, 2 years              | 0.56       | 0.60      | 0.80      | 0.90      |
|                       | Gilts, 5 years              | 0.56       | 0.60      | 0.70      | 0.80      |
|                       | Gilts, 10 years             | 0.75       | 0.80      | 0.90      | 1.00      |
|                       | Gilts, 30 years             | 1.26       | 1.30      | 1.35      | 1.40      |
|                       |                             |            |           |           |           |
| <b>Sweden</b>         | Monetary policy (Repo)      | -0.25      | 0.00      | 0.00      | 0.00      |
|                       | 3 months (STIB)             | 0.07       | 0.10      | 0.10      | 0.10      |
|                       | 2 years                     | -0.32      | -0.30     | -0.30     | -0.30     |
|                       | 10 years                    | 0.04       | 0.00      | 0.10      | 0.30      |
| <b>Denmark</b>        | Monetary policy (Repo)      | 0.05       | 0.05      | 0.05      | 0.05      |
|                       | 3 months (CIBOR)            | -0.41      | -0.40     | -0.40     | -0.40     |
|                       | 2 years                     | -0.65      | -0.65     | -0.65     | -0.65     |
|                       | 10 years                    | -0.27      | -0.25     | -0.20     | -0.15     |
| <b>Norway</b>         | Monetary policy (Deposit)   | 1.50       | 1.50      | 1.50      | 1.50      |
|                       | 3 months (NIBOR)            | 1.84       | 1.90      | 1.90      | 1.90      |
|                       | 2 years                     | 1.34       | 1.30      | 1.30      | 1.30      |
|                       | 10 years                    | 1.47       | 1.50      | 1.50      | 1.70      |
| <b>Switzerland</b>    | Monetary policy (LIBOR)     | -0.75      | -0.75     | -0.75     | -0.75     |
|                       | 3 months (LIBOR)            | -0.72      | -0.75     | -0.75     | -0.75     |
|                       | 2 years                     | -0.74      | -0.75     | -0.75     | -0.75     |
|                       | 10 years                    | -0.60      | -0.40     | -0.40     | -0.30     |
| <b>Canada</b>         | Monetary policy (O/N)       | 1.75       | 1.75      | 1.75      | 1.75      |
|                       | 3 months (CBA)              | 1.98       | 1.95      | 1.95      | 1.95      |
|                       | 12 months (CBA)             | 2.11       | 2.05      | 2.10      | 2.10      |
|                       | 2 years                     | 1.66       | 1.65      | 1.65      | 1.65      |
|                       | 5 years                     | 1.59       | 1.60      | 1.65      | 1.70      |
|                       | 10 years                    | 1.58       | 1.55      | 1.65      | 1.75      |
|                       | 30 years                    | 1.68       | 1.65      | 1.75      | 1.85      |
| <b>Australia</b>      | Monetary policy (Cash)      | 0.75       | 0.75      | 0.75      | 0.75      |
|                       | 3 months (ABB)              | 0.89       | 0.95      | 0.95      | 0.95      |
|                       | 2 years                     | 0.75       | 0.80      | 0.85      | 0.85      |
|                       | 10 years                    | 1.15       | 1.20      | 1.30      | 1.55      |





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## Interest rates in EM countries

|                             |                    |                           | Current    | Forecasts |          |           |
|-----------------------------|--------------------|---------------------------|------------|-----------|----------|-----------|
|                             |                    |                           | Dec 9 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)            | 1.60       | 1.60      | 1.60     | 1.60      |
|                             |                    | 2 years                   | 1.40       | 1.50      | 1.60     | 1.70      |
|                             |                    | 10 years                  | 1.99       | 2.10      | 2.20     | 2.50      |
|                             | Czech Rep.         | Monetary policy (Repo)    | 2.00       | 2.00      | 2.00     | 2.00      |
|                             |                    | 3 months (PRIBOR)         | 2.18       | 2.20      | 2.20     | 2.25      |
|                             |                    | 2 years                   | 1.72       | 1.60      | 1.60     | 1.60      |
|                             | Hungary            | 10 years                  | 1.52       | 1.60      | 1.70     | 2.00      |
|                             |                    | Monetary policy (Deposit) | 0.90       | 0.90      | 0.90     | 0.90      |
| 3 months (BUBOR)            |                    | 0.16                      | 0.20       | 0.30      | 0.50     |           |
| 3 years                     |                    | 0.31                      | 0.40       | 0.60      | 0.80     |           |
| Latin America               | Brazil             | 10 years                  | 1.82       | 2.00      | 2.00     | 2.30      |
|                             |                    | Monetary policy (Repo)    | 5.00       | 4.75      | 4.50     | 4.50      |
|                             |                    | 3 months (ABG)            | 4.43       | 4.78      | 4.55     | 4.85      |
|                             |                    | 2 years                   | 5.20       | 5.30      | 5.40     | 5.80      |
| Mexico                      | 10 years           | 6.78                      | 6.50       | 6.40      | 6.30     |           |
|                             | Monetary policy    | 7.50                      | 7.25       | 7.00      | 6.75     |           |
|                             | 3 months (Mexibor) | 7.34                      | 7.20       | 7.00      | 6.90     |           |
|                             | 2 years            | 6.82                      | 6.70       | 6.60      | 6.60     |           |
| Asia                        | China              | 10 years                  | 7.01       | 6.60      | 6.50     | 6.50      |
|                             |                    | Monetary policy           | 1.50       | 1.50      | 1.50     | 1.50      |
|                             |                    | 3 months                  | 3.03       | 2.80      | 2.80     | 2.90      |
|                             |                    | 3 years                   | 2.81       | 2.80      | 2.70     | 2.80      |
| Singapore                   | 10 years           | 3.20                      | 3.20       | 3.30      | 3.30     |           |
|                             | Monetary policy    | n.a.                      | n.a.       | n.a.      | n.a.     |           |
|                             | 3 months           | 1.77                      | 2.00       | 2.00      | 2.00     |           |
|                             | 2 years            | 1.55                      | 1.70       | 1.70      | 1.70     |           |
| South Korea                 | 10 years           | 1.76                      | 1.70       | 1.80      | 1.80     |           |
|                             | Monetary policy    | 1.25                      | 1.25       | 1.25      | 1.25     |           |
|                             | 3 months           | 1.25                      | 1.25       | 1.25      | 1.25     |           |
|                             | 2 years            | 1.40                      | 1.40       | 1.30      | 1.30     |           |
| Total (EMBIG Div)           | 10 years           | 1.69                      | 1.70       | 1.60      | 1.50     |           |

## Yield spreads in basis points<sup>1)</sup>

|                                     |                             |              | Current    | Forecasts  |            |            |
|-------------------------------------|-----------------------------|--------------|------------|------------|------------|------------|
|                                     |                             |              | Dec 9 2019 | 3 months   | 6 months   | 12 months  |
| Emerging Markets, EMBIG Div Spreads | Central- and Eastern Europe | Russia       | 150        | 160        | 160        | 165        |
|                                     |                             | Turkey       | 425        | 440        | 455        | 465        |
|                                     |                             | Hungary      | 90         | 100        | 100        | 105        |
|                                     | Africa                      | South Africa | 348        | 355        | 365        | 380        |
|                                     | Latin America               | Brazil       | 229        | 240        | 245        | 255        |
|                                     |                             | Chile        | 149        | 150        | 160        | 160        |
|                                     |                             | Columbia     | 177        | 190        | 195        | 200        |
|                                     | Asia                        | Mexico       | 314        | 330        | 340        | 350        |
|                                     |                             | China        | 105        | 105        | 110        | 115        |
|                                     |                             | Indonesia    | 175        | 180        | 185        | 190        |
|                                     | Total (EMBIG Div)           | Philippines  | 79         | 85         | 85         | 90         |
|                                     |                             |              | <b>317</b> | <b>330</b> | <b>340</b> | <b>350</b> |

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<br>Dec 9 2019 | Forecasts |          |           |
|-----------------------------|---------|-----------------------|-----------|----------|-----------|
|                             |         |                       | 3 months  | 6 months | 12 months |
| Dollar-Bloc                 | EUR-USD | 1.11                  | 1.12      | 1.11     | 1.12      |
|                             | EUR-CAD | 1.47                  | 1.48      | 1.47     | 1.47      |
|                             | EUR-AUD | 1.62                  | 1.62      | 1.63     | 1.62      |
| Japan                       | EUR-JPY | 120.03                | 122.08    | 120.99   | 123.20    |
| Euro-Outs                   | EUR-GBP | 0.84                  | 0.85      | 0.88     | 0.86      |
|                             | EUR-DKK | 7.47                  | 7.45      | 7.45     | 7.45      |
|                             | EUR-SEK | 10.54                 | 10.50     | 10.50    | 10.40     |
|                             | EUR-CHF | 1.10                  | 1.10      | 1.09     | 1.10      |
|                             | EUR-NOK | 10.12                 | 10.10     | 9.90     | 9.80      |
| Central- and Eastern Europe | EUR-PLN | 4.28                  | 4.30      | 4.30     | 4.25      |
|                             | EUR-HUF | 331.68                | 330.00    | 330.00   | 325.00    |
|                             | EUR-CZK | 25.54                 | 25.70     | 25.70    | 25.60     |
| Africa                      | EUR-ZAR | 16.20                 | 16.91     | 16.82    | 17.02     |
| Latin America               | EUR-BRL | 4.58                  | 4.59      | 4.61     | 4.70      |
|                             | EUR-MXN | 21.33                 | 21.95     | 22.09    | 22.40     |
| Asia                        | EUR-CNY | 7.79                  | 7.95      | 7.99     | 8.18      |
|                             | EUR-SGD | 1.50                  | 1.53      | 1.53     | 1.56      |
|                             | EUR-KRW | 1318                  | 1310      | 1310     | 1344      |
| US-Dollar                   |         | Current<br>Dec 9 2019 | Forecasts |          |           |
|                             |         |                       | 3 months  | 6 months | 12 months |
| Dollar-Bloc                 | USD-CAD | 1.33                  | 1.32      | 1.32     | 1.31      |
|                             | AUD-USD | 0.68                  | 0.69      | 0.68     | 0.69      |
| Japan                       | USD-JPY | 108.49                | 109.00    | 109.00   | 110.00    |
| Euro-Outs                   | GBP-USD | 1.32                  | 1.32      | 1.26     | 1.30      |
|                             | USD-DKK | 6.75                  | 6.65      | 6.71     | 6.65      |
|                             | USD-SEK | 9.52                  | 9.38      | 9.46     | 9.29      |
|                             | USD-CHF | 0.99                  | 0.98      | 0.98     | 0.98      |
|                             | USD-NOK | 9.14                  | 9.02      | 8.92     | 8.75      |
| Central- and Eastern Europe | USD-PLN | 3.87                  | 3.84      | 3.87     | 3.79      |
|                             | USD-HUF | 299.81                | 294.64    | 297.30   | 290.18    |
|                             | USD-CZK | 23.09                 | 22.95     | 23.15    | 22.86     |
| Africa                      | USD-ZAR | 14.65                 | 15.10     | 15.15    | 15.20     |
| Latin America               | USD-BRL | 4.14                  | 4.10      | 4.15     | 4.20      |
|                             | USD-MXN | 19.28                 | 19.60     | 19.90    | 20.00     |
| Asia                        | USD-CNY | 7.04                  | 7.10      | 7.20     | 7.30      |
|                             | USD-SGD | 1.36                  | 1.37      | 1.38     | 1.39      |
|                             | USD-KRW | 1190                  | 1170      | 1180     | 1200      |

## Commodities

| Commodity                    | Current<br>Dec 9 2019 | Forecasts |          |           |
|------------------------------|-----------------------|-----------|----------|-----------|
|                              |                       | 3 months  | 6 months | 12 months |
| Gold (USD per troy ounce)    | 1,462.53              | 1,520     | 1,530    | 1,550     |
| Gold (EUR per troy ounce)    | 1,322.00              | 1,360     | 1,380    | 1,380     |
| WTI crude (USD per Barrel)   | 59.20                 | 59        | 60       | 60        |
| WTI crude (EUR per Barrel)   | 53.51                 | 54        | 55       | 54        |
| Brent crude (USD per Barrel) | 65.03                 | 65        | 66       | 65        |
| Brent crude (EUR per Barrel) | 58.78                 | 58        | 59       | 58        |



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