Risk factors

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The table below presents risk factors with judgmental probabilities (i.e. not market based). It also develops the possible market impacts.

Risk # 1 | 20% probability | Renewed escalation in trade tensions between the US and China

Analysis | US announced to delay the tariff increase on $200bn worth of China's products, which was scheduled for 1st March. This seems to have reflected meaningful progress made in several rounds of US/China trade talks into 2019. Such talks seem to have put more focuses on core topics, including structural issues and enforcement, as well as technical details. If additional progress could achieve, another Trump/XI Summit is expected, and the probability for US/China to reach some kind of deal to avoid tariff increase and to prevent further escalation is visibly higher than in late 2018. This seems to help reduce some downside risks in the near term, and help market sentiment to have recovered somewhat. That said, uncertainty remains relatively high, and it could take much longer to ultimately solve the problems, as many complicated topics are involved. We cannot rule out a severe confrontation between the US and China yet.

Market impact | Tariffs have started to hit trade, and uncertainty have been weighing on business climate (especially in the manufacturing sector) and on the Chinese economy. Subsequently some private-investment projects have probably been postponed. Even in the absence of a large-scale trade war, global trade, which has started to slow, may thus slow down further. A chain reaction would cause a fall in global trade of goods while exacerbating local inflationary pressures in the short run (mainly in the US), putting central banks in a corner. This would cause a general rise in risk aversion (fear of a global downturn). At the end of the day, a more severe confrontation would only make losers.

Risk # 2 | 20% probability | Major European slowdown

Analysis | Eurozone GDP growth slowed down to only 0.2% QoQ in Q3, after 0.4% in Q1 and Q2 and 0.7% in Q3 and Q4 2017. While Q3 weakness was largely the result of temporary negative factors (a sharp drop in German car production due to a new emission testing regime), the growth momentum in Q4 2018 and Q1 2019 is slower than what we had anticipated a few months ago. The central scenario remains a continuation of the recovery at a slightly above-potential pace, but risks are clearly tilted to the downside, in particular in the short run (Q1 growth will likely be sluggish). Indeed, the combination of elevated uncertainty (Brexit, trade tensions) and external negative factors (notably the expected slowdown in the US) could cause growth to fall further. Lower oil prices are a supportive factor. However, a reversal of this trend would be another drag for the European economy.

Market impact | As the ECB would be left with few tools to face a slowdown, and as a coordinated fiscal stimulus would be very difficult to decide due to the complex European institutional and political environment, a major slowdown would clearly be negative for European assets and the Euro.

Risk # 3 | 20% probability | No-deal Brexit

Analysis | Faced with the threat that Parliament could vote an amendment directing the government to seek an extension of Art 50, PM Theresa May has scheduled a number of votes for mid-March. On March 12, Parliament will have another "meaningful vote" on the EU/UK Withdrawal Agreement (that was rejected by a majority of MPs in January). Should the Withdrawal Agreement be rejected again, another vote will take place on March 13 to approve or disapprove a "No-deal" Brexit. Should "No-deal" then be rejected, another vote will take place on March 14 on whether an extension of Art 50 should be requested from the EU. The market has interpreted these new decisions as reducing the probability of a "no-deal" Brexit. Yet we maintain a 20% probability for such an outcome as the next weeks will be very tense, new unexpected developments can happen and it is not completely certain (even though it is probable) that the UK and EU can agree on the details of an extension.

Market impact | We must prepare for a dense newsflow in the coming weeks. In the event that the outcome is ultimately unfavourable for the UK, we would see a weakening of the GBP and below-trend GDP growth. But should a deal be voted, the Sterling would continue to appreciate and business investment would probably benefit from a drop in uncertainty.

Risk # 4 | 15% probability | Political instability in Italy with renewed stress on sovereign spreads in the Eurozone

Analysis | The government coalition in Italy (between M5S and the League) maintained tense relations with the EU until recently. The government revised down its deficit target, with a smaller budget deterioration in 2019 (2.04% vs. 2.4%). It is not a structural adjustment, but thanks to this revision, the European Commission (EC) has decided not to launch an Excessive Deficit Procedure. The relationships with the EC have improved at least for the time being. Incoming data on contracting economic growth in Q3 and weak coincident and leading indicators for Q4 and Q1 increased the risks of another dip. With slow growth ahead (we expect GDP growth at 0.2% in 2019), tensions with the EC will inevitably resurface sooner or later.

Market impact | There is no systemic risk in our opinion. On the one hand, the rise in Italian bond yields has tightened local financial conditions and that weighs on GDP growth in Italy. But on the other hand, the absence of an EDP gave some short-term relief. Yet, the long-term outlook has not changed much. We perceive risks as remaining domestic. Keep in mind that the ECB has anti-contagion tools that it could mobilise to avoid a contagion to other peripheral markets. In addition, the ECB has "pre-announced" new TLTROs to alleviate the banking system. All of this should contain the contagion risk on peripheral sovereign spreads and on corporate credit spreads.

Risk # 5 | 15% probability | US Recession

Analysis | The US economy was stronger than expected in Q4 (+3.1% yoy), boosted in particular by business investment. However, we think that US growth will slow, in particular regarding investment after the remarkable performance seen in 2018. Consumption should remain resilient given the strength of the job market. The fact that the Fed's normalisation is almost done ("wait and see" attitude, stabilisation of the balance sheet expected by the end of the year) will maintain very accommodative monetary conditions, which should sustain domestic demand. Against this backdrop the probability of recession remains low in the foreseeable future.

Market impact | Markets are likely to become more circumspect with regard to 2020 growth expectations as the deceleration could become more pronounced and economic signals are likely to become increasingly mixed as the cycle extends. The probability of a recession remains low. But as the cycle matures, the best choice for investors is to limit exposure to credit. . On the equity side, selection of themes, sectors and single names will be increasingly relevant.

Risk # 6 | 10% probability | Contagion in the "emerging world"

Analysis | Emerging markets suffered in 2018, impacted by (1) the Fed's rate hikes and strong USD; (2) by the trade war rhetoric; (3) by the tightening in domestic monetary conditions; (4) by the deterioration of the outlook in several countries at the same time (Argentina, China, Turkey and South Africa). While had data continue to be below expectations in many countries at the same time in early 2019 (weak growth momentum at a global level). The fact that the Fed has made a U-turn in its communication ("wait and see" attitude on interest rates, stabilisation of its balance sheet in sight) and that the USD has peaked is clearly good news for EM markets in 2019. In addition, an escalation in the trade war between the US and China is less likely. However, should trade tensions resurface, they would push to a larger contagion (because value chains are very integrated). The market environment has turned more positive in 2019 than in 2018, and markets have rebounded since the start of the year. But the macro momentum is still weak in early 2019 and the trade-war rhetoric is here to stay, despite the de-escalation between China and the US.

Market impact | Spreads and equity markets would once again be highly hurt; it is all the more true that emerging currencies would be again under pressure with capital outflows. However, the emerging world is far from being a homogeneous block, and markets would deteriorate more in the most vulnerable countries, whether due to poor external positions whether due fragile fiscal and political conditions. Some caution about emerging markets is still required at present.

Risk # 7 | 10% probability | A Chinese "hard landing"/ a bursting of the credit bubble

Analysis | Chinese economic growth is slowing down but the authorities are working hard to stimulate the economy (monetary and fiscal policies) so that the economy is expected to remain resilient. Recent data tend to indicate that the policy mix has a noticeable positive impact on the economy. That being said, the country's economic model is fragile: the excess of credit is visible, non-financial corporate debt has surged since the GFC. The good news is that the NFC debt to GDP ratio had started to drop since late 2017. We will continue to monitor closely the trend in Chinese private debt, especially if the economy slows. Meanwhile, the de-escalation in trade tensions should give time for China policymakers to adjust their policy implementations and to better manage short-term risks. In the case of hard landing or the bursting of the credit bubble, the Chinese authorities would be unable to avoid a stronger depreciation of the Yuan.

Market impact | A hard landing linked to a burst of the credit bubble would have a very negative impact and its cascading effects would be particularly disastrous: vulnerability of banking systems (in China and elsewhere), vulnerability of the global financial system, vulnerability linked to China's public and private debt, negative impact on regional and global trade, and thus on commodities and emerging countries, impacts on the currencies of commodity-exporting countries, advanced countries and emerging countries, etc..

Risk # **8** | **10%** probability | **Major political crisis in Europe**

Analysis | European politics is becoming less predictable due to the rise of various non-mainstream political forces in several countries. In September, the non-mainstream Italian government coalition announced a 2019 budget in breach of European rules, thus opening an episode of tensions with the rest of the Eurozone. Although an agreement was reached, this topic could flare up again due to more fiscal slippage in 2019. In France, where the situation had been stable since the 2017 presidential election, sudden and violent social movements caught the government off guard at the end of 2018 and could complicate the continuation of its supply-side reform agenda. Although less immediately worrying, the political outlook is also uncertain in Germany (where the stability of the government coalition could be questioned) and in Spain (due to the lack of a proper majority in Parliament and the recent rise of a far-right party). More generally, the combination of strong anti-immigrant feelings and frustration towards European institutions remains a tailwind for anti-system political forces. The May 2019 European election will be a major gauge of their progress.

Market impact | Given the still positive economic backdrop, we do not believe that these events will trigger a new round of systemic crisis in Europe. Non-mainstream political forces that are in a position to rule countries (such as in Italy) have shown that they want to blame European political institutions and try to modify them, but not exit the Eurozone. However, this problematic political news flow may continue to generate market stress in 2019 while the difficulty to understand European institutions for outside investors means that European assets will continue to carry a specific political risk premium. Italian government spread vs. Bund could continue to be volatile.

MACROECONOMIC CONTEXT

Our convictions and our scenarios

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This section provides a reminder of our central scenario and alternative scenarios.

Central scenario (75% probability): slowdown in 2019 but more decoupling looking ahead

- **Growth is slowing worldwide:** 2018 had begun based on the theme of a synchronised global recovery. But this did not last. Since the spring, the protectionist measures taken by Donald Trump have changed the game. Emerging economies, some of which are heavily indebted in dollars, have been weakened due to the broad-based appreciation of the US currency. Moreover, economic activity has markedly weakened in the Eurozone since Q4 2018. Hence 2019 has started with a global synchronised slowdown with risks remaining tilted to the downside.

- **World trade:** Global trade has surprisingly markedly weakened over the past 18 months; it started 2018 at around 5% YoY but fell sharply in Q4 (+1.4% yoy). The protectionist rhetoric has pushed up the level of uncertainty to an all-time high in December, dragging down investment. Since the start of the year, global trade remains particularly weak, with possibly another contraction in Q1. Having said that, the de-escalation on trade between China and the US bodes well and should lead to a stabilisation in trade. At the end of the day, we continue to expect global trade growth to stabilise around the level of global GDP growth (i.e. we would expect global trade to return to 3% yoy by the end of 2019).

- **United States:** The US economy has been driven by a very accommodative fiscal policy but its impact should progressively erode this year. We expect growth to decelerate to its potential by early 2020, meaning in practice that the US economy will lose 1pp of growth by the end of the year. Indeed, we expect GDP growth at 2.4% on average in 2019 and 1.8% in 2020 (yoy growth, would thus slow from 3.1% yoy in Q4 18 to 2.1% in Q4 19). This situation will have a negative impact on corporate profits, especially if some inflationary pressure materialise by then, which is still possible, given the fact that the economy is operating at close to full employment. We do believe that a recession is highly unlikely in 2019 (household consumption should continue to benefit from higher disposable income). However the doubts about the extension of this cycle are likely to rise in the coming quarters (less support from fiscal policy, business investment expected to slow). And we must keep in mind that sub-par growth may trigger a profit recession.

- **Eurozone**: We keep unchanged our forecasts at 1.2% in 2019 and 1.5% in 2020; however recent data tend to indicate that Q1 growth could still be very weak (meaning that risks to growth remain skewed to the downside in the short run). Despite a recovery that has started well after that in the US, Eurozone economies have begun to slow in 2018, much more sharply than other economies. Several transitory factors have contributed to the slowdown in EZ growth. For instance, Germany was close to fall in recession in Q4 due to an abrupt slowdown in world trade, disruptions in the auto sector caused by new pollution tests, and the weakness of the manufacturing sector. The shock on the EZ manufacturing sector at the end of 2018 has been clearly underestimated. In France, the yellow vest movement has weighed on economic activity. And the Italian economy has suffered from tighter credit conditions. In addition, political uncertainties have muddied the waters (Brexit, Italian budget). However, we stick to the view that domestic demand (in particular consumption) will remain supported by the strong labour market performance, by strong income growth and by the level of monetary policy accommodation. Subsequently, we believe that growth will gradually reaccelerate in H2. In the short term, the European elections (May 2019) and the Brexit will likely maintain the level of uncertainty at a high level. While we believe that mainstream parties will dominate the European parliament, the level of political fragmentation will increase. As a result, it will take time to form the new Commission and we do not expect any significant progress in strengthening the EU and the Eurozone before 2020.

- **United Kingdom:** The political situation in the UK is highly unstable. Many options are still possible regarding the Brexit. Everything will ultimately depend on the scenario (see section risk factors and our "investment talk" that will be soon published on the subject). We continue to believe that the probability of a deal is well above the probability of a no deal. And with a deal, we would expect a rebound in domestic demand in H2 2019.

- **China:** Chinese economic growth seems to have has stabilised in early 2019, thanks to the very expansionist policy mix, to the point that we cannot rule out a (short-lived) reacceleration of growth. That being said, the country's economic model remains fragile: the excess of credit is visible, non-financial corporate debt has surged since the GFC. The de-escalation between the US and China on trade tensions should give valuable time for China to adjust its policy implementations and to better manage short-term risks. Keep in mind however, that trade tensions between the US and China are here to stay (intellectual property, high technology).

- **Inflation:** Core inflation remains low at this stage of the cycle in advanced economies. The slowdown in inflation in recent years is primarily structural in nature, as it is tied to supply-side factors, while the cyclical component of inflation has weakened (with a flattening of the Phillips curve). Core inflation is likely to pick up only slightly in advanced economies. An "inflationary surprise" remains possible with the pick-up in wages (United States, Eurozone) but would not last long given the slowdown in global growth and the lack of pricing power (i.e. corporate margins more at risk than final sale prices). In emerging economies, inflation has recently slowed more than expected but it was mainly due to the decline in energy and food prices. At the end of the day, with low inflation and subdued growth, most central banks have turned more dovish.
- **Oil prices:** Oil prices have decreased sharply: from \$86/b (Brent) in early October to \$65 in late February. The main trigger at the very beginning of the decline have been the large amount of waivers conceded by the US administration to different countries with regard to the sanctions imposed to Iran oil exports. A moderate OPEC and Non-OPEC production cut decided at the beginning of December together with fear of a more pronounced economic slowdown are keeping oil prices around this level.
- **Central banks on the dovish side:** the risk management approach prevails. The Fed is in a "wait and see" mode; we expect no rate hike in the coming months (1 hike at most and not before June). The ECB has ended its monthly asset purchases at the end of December and will continue to replace maturing securities (between €160 and 200 bn in 2019). We do not expect any rate hike from the ECB in 2019 or 2020.The ECB has no room for manoeuvre to normalise its monetary policy in the short run, given the economic slowdown and the absence of inflation. In order to maintain very accommodative monetary conditions and to alleviate tensions on the banking sector, we now expect the ECB to launch new TLTROs (probably announced in March).

Downside risk scenario (20% probability): a marked trade-war-driven economic slowdown, a geopolitical crisis or a sudden repricing of risk premiums

- Risk of further protectionist measures from the US, followed by retaliation from the rest of the world.
- Repeated uncertainty shocks (global trade, Brexit, European elections) would weigh heavily on global demand.

Consequences:

- All things being equal, a trade war would drag down global trade and trigger a synchronised and durable slowdown in growth and, in the short term, inflation. That said, a global trade war would quickly become deflationary by creating a shock to global demand.
- An abrupt repricing of risk on fixed income markets, with an across-the-board rise in government or credit spreads, for both advanced and emerging economies, and a decline in market liquidity.
- Recession fear in the US.
- In the worst - albeit highly unlikely - case would once again resort to unconventional tools, such as expanding their balance sheets.

Upside risk scenario (5% probability): a pick-up in global growth in 2019

Donald Trump makes an about turn, reducing barriers to trade and engaging in bilateral negotiations with China. Domestically, the theme of increasing infrastructure spending could return to centre stage and extend the cycle in the United States.

- Acceleration driven by business investment and a rebound in global growth.
- Pro-cyclical US fiscal policy generating a greater-than-expected acceleration in domestic growth. Growth is reaccelerating in the Eurozone after a dip. Growth picks up again in China on the back of a stimulative policy mix.
- Central banks would react late, initially maintaining accommodative monetary conditions.

Consequences:

- An acceleration in global growth would boost inflation expectations, forcing central banks to consider normalising their monetary policies more rapidly.
- An increase in real key rates, particularly in the US.

Macroeconomic picture by area

United States

Slowing down amid policy uncertainty

- Economic growth is still above potential and consistent with a gradual slowdown, but downside risks are rising. The fiscal support that played an important role in 2018 will be fading gradually.
- Still solid labour market, wage growth and contained inflationary pressure are supporting personal consumption resilience, which is expected to be the main driver of domestic demand.
- Business confidence has moderated appreciably among small and larger businesses, while uncertainty on the growth and demand outlook may drive moderation in capex intentions and investments.
- The inflation outlook remains benign, with modest domestic and external inflationary pressures keeping both core and headline CPI in check. Lower energy prices will likely put a ceiling on the increase in annual headline inflation.
- As growth moderates and inflationary pressures remain in check, the Federal Reserve does not seem to be in a hurry to hike soon. Later in the year any hike will likely be subject to inflation trends. We expect one more hike in 2019, around mid-year.

Risk factors

- Concerns over global growth, and external and domestic demand may hold back new capex plans
- Tariffs risk may negatively impact economic performance, both directly (prices and orders) and indirectly (confidence)
- Geopolitical risks linked to a more hawkish shift by the US administration
- Federal Reserve tightening too soon and perceived to be too hawkish

Eurozone

The recovery continues despite disappointing figures and rising political risks

- After a highly disappointing 2018, numerous indicators fell further in early 2019. However, whereas a substantial portion of this was due to export-exposed sectors (such as manufacturing), the job market weathered this well and should support consumption and services. We forecast a gradual improvement, especially from the second half of the year on.
- Brexit and the threat of US customs tariffs on vehicles are substantial risks. Major political uncertainties persist, such as the European elections and the situation in Italy.

Risk factors

- Stronger political protest movements
- Euro appreciates
- External risks (trade war, slowdown in United States and China)

United Kingdom

Major uncertainty as Brexit approaches

- Brexit is undermining confidence and investment. After an initial rejection, on 15 January, the UK Parliament's ratification of the Brexit agreement reached with the EU in November is looking highly uncertain. Many scenarios are possible, including a postponement of Brexit beyond 29 March. While that is not the most likely outcome, a no-deal Brexit is not impossible.
- Despite political uncertainties, the job market remains strong, and wages are increasing in real terms, driven by the receding in inflation.

Risk factors

- A no-deal Brexit
- The current account deficit remains very high

Japan

A glimpse of sour flavour in the corporate sector

- Machinery orders have recently weakened, in contrast to the resilience in 2018, amid increased global uncertainty. The accelerating global economic slowdown, especially in China and Europe, is whittling exports.
- Meanwhile steady income growth, an indispensable solution to labour shortage, is supporting domestic demand. Relatively mild weather is fostering construction.
- However, steady domestic demand is insufficient to avoid the downforce from the flagging tech sector and global auto sales, hindering inventory adjustment.
- Nevertheless, the government's infrastructure investment should ease downward pressure. The decline in imported energy prices will improve companies' terms of trade, while a sharp mark-down in mobile phone charges scheduled in April will encourage spending in other areas.

Risk factors

- A lop-sided appreciation of the yen could threaten companies, leading to further downward revisions to capex plans

China

- There are many near-term challenges to the economy, while there are signs that policy supports are becoming more visible.
- Exports are suffering and the property sector could soften somewhat going forward, but drag from the auto sector looks to become smaller.
- Overall credit growth showed signs of bottoming out in Q1 with strong lending figures in January.
- More policy measures are under way. Next focus is on the fiscal side, including potentially further tax cuts, larger local government special bond issuance and higher fiscal deficit, due to be announced by early March.
- US/China trade negotiations remain a key uncertainty. Recent signs have shown meaningful progress, working towards a memorandum of understanding (MOU).
- Pressures on RMB and capital outflows have eased somewhat, helped by a more dovish Fed and a softer dollar, as well as improving market sentiment.

Risk factors

- **Uncertainty in US/China trade talks**
- **Policy mistakes in managing near-term risks and the structural transition**
- **Geopolitical noise regarding North Korea**

Asia (ex JP & CH)

- The full set of GDP releases for Q4 2018 confirmed some resilience in the area, driven mainly by domestic demand, capex and household consumption. The soft external demand late last year has weakened further in early 2019 (data available as of January).
- The region's inflation figures remained very benign. Oil and food prices pushed inflation to levels lower than expected: in Malaysia January inflation came in at -0.7% YoY, with a -1.1% drag from transport (with a weighting of around 15%).
- Overall, CBs in the region are in a wait-and-see mood before shifting towards a more dovish stance, thanks to a more favourable global financial environment. India cut its policy rates by 25bps.
- India announced its Budget Law for fiscal year 2020. As expected, the government has introduced more expansionary aspects and schemes in support of rural India and consumers.

Risk factors

- **Growth outlook decelerating but still resilient**
- **Inflation still very benign, driven by oil and food prices**
- **RBI cut its policy rates by 25bps**
- **India announced an expansionary Budget Law, pausing its fiscal consolidation path**

Latam

- Still preliminary Q4-18 GDP figures confirmed better economic conditions in mid-sized and smaller countries in the region than in the largest countries. In Mexico, headline GDP is pointing lower (1.8% YoY), with a possible revision in 2019 expectations, once components are available. In Peru, Q4 GDP came in at a strong 4.8% YoY, supported too by a favourable base effect on Q417.
- On the inflation front, the overall environment remained benign. In Mexico, inflation again declined more than expected, to 4.4% YoY from 4.8%.
- The region's main central banks kept their monetary policy rates unchanged.
- In Brazil, the new president and his economic team decided to present a very bold pension reform plan to Congress. Such a brave decision will make the approval process longer and more uncertain than having opted for a more diluted version of the reform.

Risk factors

- **Better economic conditions in smaller countries**
- **Inflation is overall benign, with Mexico inflation back on the convergence path**
- **No changes in monetary policy in the region**
- **Very bold pension reform announced in Brazil**

EMEA (Europe Middle East & Africa)

Russia: real GDP growth is expected to be around 2% in 2018 and slightly lower in 2019, but growth is expected to accelerate over the medium-term, thanks to a significant infrastructure spending programme from 2019 to 2024.

- Despite the threat of potential US sanctions down the road, the macroeconomic scenario remains supportive. Russia will be among the few emerging market sovereigns with "twin surpluses" in 2019, while accumulating assets in the National Wealth Fund.
- The central bank is likely to stay on hold for the time being.

Risk factors

- **Drop in oil prices, stepped-up US sanctions and further geopolitical tensions**

South Africa: exit from recession but no miracle

- South Africa emerged from recession in Q3, and real GDP growth is expected to be around 0.7% in 2018. For 2019, we expect a slight improvement and 1.5% growth of GDP.
- In terms of policy mix, there is very little room for manoeuvre. Due to the government's support for the national electricity company, Eskom, the fiscal outlook is worse than forecast for 2019. Inflation expectations remain high and limit the possibilities for monetary easing, even though GDP growth remains relatively weak.

Risk factors

- **Increased risk aversion, risk of sovereign rating downgrading, and rising social demands in the run-up to elections**

Turkey: we expect double-digit inflation and a recession in 2019

- The aggressive tightening of interest rates, the rebound in the pound, the drop in oil prices and the implementation of discretionary measures on certain goods have given little respite to inflation. However, it should not fall below 20% for another several months, thus limiting the central bank's margins of manoeuvre.
- In this context, household purchasing power and corporate margins are at their lowest. We therefore expect a GDP recession for 2019 of at least 1%. The downside risks are huge and the outcome of the elections at the end of March will be decisive.

Risk factors

- **A too rapid easing of the central bank, a cooling of budgetary policy, and a slowdown in activity in the Eurozone**

Macro and Market forecasts

Macroeconomic forecasts
(1 March 2019)

Annual averages (%)	Real GDP growth %			Inflation (CPI, yoy, %)		
	2018	2019	2020	2018	2019	2020
US	**2.9**	**2.4**	**1.8**	**2.4**	**2.3**	**2.3**
Japan	**0.7**	**1.0**	**0.6**	**1.0**	**0.7**	**1.3**
Eurozone	**1.8**	**1.2**	**1.5**	**1.8**	**1.5**	**1.7**
Germany	1.5	1.2	1.5	2.0	1.6	1.7
France	1.5	1.3	1.5	2.1	1.5	1.7
Italy	0.8	0.2	0.8	1.1	1.2	1.5
Spain	2.5	2.0	1.8	1.7	1.6	1.9
UK	**1.4**	**1.3**	**1.6**	**2.3**	**2.0**	**2.1**
Brazil	1.1	2.0	2.3	3.7	4.0	4.5
Russia	2.3	1.5	1.7	2.9	5.0	4.0
India	7.3	6.4	6.9	4.0	3.7	4.8
Indonesia	5.2	5.3	5.3	3.2	3.2	4.0
China	6.6	6.2	6.1	2.1	2.0	2.4
Turkey	2.8	-1.0	1.5	16.2	15.8	13.0
Developed countries	**2.2**	**1.8**	**1.6**	**2.0**	**1.8**	**2.0**
Emerging countries	**4.9**	**4.5**	**4.8**	**4.1**	**3.7**	**3.8**
World	**3.8**	**3.4**	**3.5**	**3.2**	**2.9**	**3.1**

Source: Amundi Research

Key interest rate outlook

	28/02/2019	Amundi + 6m.	Consensus Q2 2019	Amundi + 12m.	Consensus Q4 2019
US	2.50	2.75	2.75	2.75	2.75
Eurozone	0	0	0	0	0.1
Japan	-0.1	-0.1	-0.1	-0.1	-0.1
UK	0.75	0.75	0.75	1.0	1.0

Long rate outlook

2Y. Bond yield

	28/02/2019	Amundi + 6m.	Forward + 6m.	Amundi + 12m.	Forward + 12m.
US	2.48	2,80/2,90	2.46	2,70/2,80	2.42
Germany	-0.54	-0,50/-0,40	-0.51	-0,50/-0,40	-0.45
Japan	-0.16	-0,20/0,00	-0.15	-0,10/0,10	-0.16
UK	0.81	0,80/1,00	0.84	0,80/1,00	0.84

10Y. Bond yield

	28/02/2019	Amundi + 6m.	Forward + 6m.	Amundi + 12m.	Forward + 12m.
US	2.66	2,90/3,00	2.69	2,80/2,90	2.71
Germany	0.14	0,25/0,45	0.20	0,25/0,45	0.26
Japan	-0.03	0,10/0,20	0.00	0,10/0,20	0.03
UK	1.26	1,30/1,50	1.34	1,40/1.60	1.40

Currency outlook

	28/02/2019	Amundi + 6m.	Consensus Q2 2019	Amundi + 12m.	Consensus Q4 2019
EUR/USD	1.14	1.16	1.16	1.20	1.20
USD/JPY	111	109	110.0	105	108.0
EUR/GBP	0.86	0.88	0.87	0.87	0.86
EUR/CHF	1.14	1.16	1.15	1.18	1.17
EUR/NOK	9.73	9.32	9.52	9.20	9.40
EUR/SEK	10.51	10.18	10.27	9.89	10.01
USD/CAD	1.32	1.30	1.31	1.29	1.29
AUD/USD	0.71	0.72	0.73	0.70	0.74
NZD/USD	0.68	0.68	0.68	0.69	0.69
USD/CNY	6.70	6.70	6.79	6.70	6.70

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