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 | 50% probability | Further escalation in trade tensions between the US, Europe and China

Analysis | With tariffs on aluminium and steel, Donald Trump sought to "punish" China. China intends not to over-react but retaliated, with a 15% tariff on 120 products, such as wine, nuts, and steel pipes, and a 25% tariff on 8 other products such as recycled aluminum and pork. It is likely that Trump's threats (e.g. rise in tariffs on auto imports) is primarily a message sent to his electoral base in the run-up to the mid-term elections (6 November). However we should not rule out a much more severe confrontation between the US, China and Europe. Retaliations could lead to further protectionist measures by the White House and thus provoke a chain reaction. Although the probability of an escalation of trade tensions is elevated, that of a chain reaction seems quite limited for two reasons: (1) many sectors in the US would be victims of retaliation which would be counterproductive before the mid-term elections (strong opposition already perceptible in the Republican camp/ boomerang effect); (2) partner countries will be careful not to fall into the trap set and maintain a measured response. That said, we cannot ignore the risk of a clash, for at least two other reasons: (1) the moderate camp (favourable to free trade) has almost disappeared from the White House and (2) the strategy pursued by Donald Trump seems to benefit him (his rating approval has increased over the past few weeks) and, so far we see little or no impact on business climate in the US.

Market impact | Trade tensions have begun to weigh on business climate (especially in Europe) and may lead to a postponement of some investment projects. Even in the absence of a large-scale trade war, the economy may slow down. A chain reaction would cause a slump in global trade 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). Contrary to what Trump asserts, there has never been a winner in a confrontation of this type. There are only losers.

Risk # 2 | 50% probability | Increased geopolitical risks, with an additional increase in the price of oil

Analysis | Financial markets are now operating against a complex geopolitical backdrop. On the one hand, the situation has dramatically eased in Asia with the promise of denuclearization of the North Korean leader. On the other hand, the situation in the Middle East remains tense with regard to the Iranian issue (denunciation by the United States of the JCPOA agreement signed in 2015, with a resumption of sanctions against Iran and, as a consequence, with a possible resumption of sanctions against Iran and, as a consequence, a possible resumption of the nuclear programme). Tensions in the Middle East are already partly responsible for rising oil prices.

Market impact | There will be regular spikes in volatility. The current geopolitical risks are well identified but many and, by their nature, materialize unpredictably. Other political risks (including the consequences of the new US diplomacy) are more difficult to assess at this stage. Is this all likely to affect growth prospects and the direction of financial markets? No one really knows it but it is very likely that this is the case, at least occasionally.

Risk # 3 | 20% probability | Political instability in Italy with renewed stress on sovereign spreads in the Eurozone

Analysis | The government coalition between M5S and the League has obscured the European sky. Relations will be particularly tense between Italy and other EU countries, particularly in terms of fiscal policy and migration policy. If the risk of a serious budget slippage should not be ignored, the declarations from the Finance Minister were intended to reassure its partners in Europe: it seems out of the question for the coalition to implement a policy that would put at risk Italy's euro membership. This is why the coalition has said that it would postpone (to 2019 or 2020) many measures of its program. The compromise adopted by the ruling parties has nevertheless allowed a lull, but there is no guarantee that it will last. The presentation of the budget and the reaction of the European Commission and the rating agencies will undoubtedly be quite decisive.

Market impact | In case, however, of uncontrolled budgetary drift in Italy, one would expect a very rapid increase in local interest rates, which would jeopardize the ongoing recovery and the public debt sustainability in the medium term. In this case, it is likely that the coalition will explode, or that the President will veto the financial bill. In both cases, new elections would be inevitable. Keep in mind however that the ECB has anti-contagion tools that it could mobilise to avoid a contagion to other peripheral markets.

Risk # 4 | 20% probability | «Hard Brexit»

Analysis | We identify 4 possible scenarios: **(1) Soft Brexit (50% probability)** with an extended transition period, followed by a specific customs union arrangement, free trade in goods but only partial access for services (intermediate regimes of mutual recognition and equivalences, some oversight by the ECJ...). **(2) Very soft Brexit (20% probability)**, with an extended transition period, after which the UK remains in the EU customs union and in a close-to-EEA relationship relatively to the single market (incl. Few restrictions on movements of people). **(3) A hard Brexit (20% probability), on WTO terms with very little access for services**. **(4) No Brexit (10% probability)**. It would probably require early elections and a major change in government, followed by another referendum. A "no Brexit" scenario may be confirmed only after a long period of uncertainty (withdrawal of the UK's invocation of Art. 50).

Market impact | Scenarios (3) and (4) would be accompanied by financial turbulence but for very different reasons. It would probably be necessary to go through a serious political crisis to question Brexit (scenario 4). With regard to (3), even though the likelihood of a hard Brexit has significantly dropped, negotiations get bogged down which is not good news. In the event that the outcome is ultimately unfavourable for the UK, we would see additional weakening of the GBP and below-trend GDP growth.

Risk # 5 | 20% probability | Contagion in the «emerging world»

Analysis | Emerging markets have been suffering for a few months, impacted by the Fed's rate hikes, but also and above all by the rise of fears of a trade war and by the decline of certain specific markets (difficulties in Argentina, China, in Turkey, Brazil...). In short, if the systemic risk is lower given the lesser vulnerability of emerging countries, it is nonetheless true that in the end, all or almost all markets (Russia and India rising sharply) are down since the beginning of the year: -10% for China, -7.5% for Korea... and -12% for the emerging MSCI. A deterioration of the outlook would undoubtedly lead to greater contagion.

Market impact | Credit spreads and equity markets would be highly hurt, all the more so as emerging currencies would suffer first from capital outflows. Beware, the emerging world is not a homogeneous block, but it has a clear tendency to behave like a block when market conditions deteriorate sharply and brutally. That's why - too - caution about emerging markets is required at present.

Risk # 6 | 15% probability | Pro-cyclical fiscal policy pushes the Fed to raise its rates more quickly than expected

Analysis | The expansionist budgetary policy (tax cuts and increase in public spending) will boost GDP growth in 2018. With GDP growth well above 2% inflation that is likely to exceed 2% on average this year and an economy that is close to full employment (with a positive output gap), the real fed funds rate should be much higher than it is now, in a normal cycle. So, technically, the Fed is "behind the curve". The Fed must clearly avoid any communication errors. Markets could react poorly if rates surge. The most recent example of a bond crash dates back to February 1994 and was triggered by a 25bp increase in rates (not prepared). This type of policy mistake is highly improbable today: the Fed is now reporting that it would not over-react should inflation accelerate temporarily. However, we note that the short-term positive impact of the budgetary policy should allow the Fed to continue to raise interest rates without increasing the risk of recession and, as such, without damaging the financial markets.

Market impact | If the Fed steps up its rate increases, we will have to bet on a sharp downturn in equities and on contagion into the emerging markets. This situation would be conducive to a widening of spreads between Europe and the US.

Risk # 7 | 15% probability | A Chinese "hard landing"/ a bursting of the credit bubble

Analysis | Chinese growth is still solid (and more resilient than many market observers believed one year ago), but 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 it has peaked: the NFC debt to GDP ratio has started to drop in late 2017. We will continue to monitor closely the trend in Chinese private debt that currently benefits from the strength of nominal GDP. 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.

Risk # **8** | **10%** probability | **A long-term and significant increase in long-term interest rates**

Analysis | The increase in long-term rates can come from at least six sources: (i) a significant upswing in (nominal, real or potential) growth prospects, (ii) more aggressive tightening of interest rate policies, (iii) the "true" end of QEs (the end of reinvesting maturing papers in the US, an even more drastic reduction in the ECB's asset purchasing programme), (iv) a resurgence of inflation or inflation expectations, (v) a massive reversal of fiscal and tax policies, or (vi) a resurgence of specific political risks. Nevertheless, these factors seem more unlikely today than at the beginning of the year. This conclusion is particularly valid in the case of the Eurozone: growth is slowing and the ECB intends to maintain very accommodative monetary conditions this year and next. This is indeed a necessary condition for inflation to recover gradually. However, the desire to lower the degree of monetary accommodation - including ending QE by year end - remains intact. A moderate rise in European bond yields seems inevitable. But a marked increase is unlikely (except in Italy).

Market impact | A sharp rise in long rates would be bad news in the US, where the sensitivity of the economy to long-term rates has increased with corporate re-leveraging: this would weaken growth and in itself would sow the seeds for a future decline in long rates. It should also be noted that a sharp rise in long-term rates would stop the rate hikes from the Fed. Another reason not to believe in a long-lasting and wide rise in US and European long-term bond yields.

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 (70% probability): global growth slows gradually but surely.

- **Growth is slowing worldwide: Since this summer economic trends have diverged.** Growth has weakened in the Eurozone but remains solid in the US. Confidence remains high in spite of rising risks. Emerging economies have been hit by the financial spillover from Argentina and Turkey. The broad-based appreciation of the USD has undermined dollar-indebted economies, leading to capital outflows from emerging economies and a depreciation of their currencies, which has, in turn, stoked inflation. All in all, central banks have begun to move their monetary policies to a more hawkish stance in many EM countries simultaneously. Lastly, the economic slowdown has been more pronounced than expected in China, which has led the authorities to shift course in economic policy.
- **World trade:** Global trade has weakened slightly since the start of the year. The tariff hikes announced by Donald Trump on steel and aluminium were finally implemented on June 1 on Canada, Mexico and the EU. Protectionist rhetoric has pushed down business confidence, particularly in Europe. However, keep in mind that the products targeted so far account for a small share of world trade and that retaliations from trading partners have been moderate. That said, uncertainty is tending to disrupt value chains that have developed in lock-step with the expansion in global trade over the past 15 years. In light of the above, we continue to expect the global trade to global GDP ratio to decline, with growth in trade lagging slightly behind global GDP.
- **United States:** Unsurprisingly, 3%-plus growth is being forecast in Q3 2018, and the US economy continues to create jobs. The job market is becoming tighter and wages are beginning to accelerate. Surveys continue to point to above-potential growth in the coming quarters. Monetary and financial conditions remain accommodative despite Fed rate hikes and the dollar's appreciation. Fiscal stimulus, including tax cuts and higher spending, is what is driving the economy at this point in the cycle. A recession is highly unlikely in 2019, but the cycle-end story will probably return to the fore at some point by next summer, as the fiscal multiplier impact fades and as the effects of monetary tightening show up. We forecast a slowdown in growth by 2020, with GDP growth closer to 2% by then.
- **Eurozone:** We have revised our growth forecasts slightly downward, to 2.0% for 2018 and to 1.8% for 2019. Protectionism has undermined confidence, but the latest surveys suggest that the Eurozone is holding up well. At this stage, we do not expect the new governing coalition in Italy to have a significant impact on the economy (see the "theme of the month" in this edition). Barring an exogenous shock, peripheral economies will remain in catch-up mode, especially as the ECB plans to stick to its ultra-accommodative stance, despite ending its securities purchase programme by the end of 2018. On the political front, illegal migration remains the main issue and is likely to keep tensions high in the run-up to May 2019 European elections. In Germany, elections in Bavaria on 14 October will serve as a test.
- **United Kingdom:** Brexit negotiations have bogged down, and the deadline for reaching an agreement with the EU this year probably won't be met. There are wide dissensions in the UK on Brexit procedures, particularly on whether or not to remain in the customs union. The EU, meanwhile, wants to demonstrate that an exit is not in any country's interest. All in all, we do expect an agreement, but no doubt not until 2019, which will give the UK a transition period until December 2020. We expect this to weigh on growth for as long as the uncertainty persists.
- **China:** The Chinese economy is slowing, due, in part, to the weakening in global growth. Trade tensions with the US continue to grab headlines. The US threat to impose €200bn in tariffs on Chinese goods is taken very seriously by the Chinese government. It is against this backdrop that China has just shifted its economic policy in favour of a pro-growth fiscal policy. We have lowered very slightly (by 0.1pp) our forecast for next year. Even so, the risks to growth now look to be clearly on the downside.
- **Inflation:** Core inflation remains low at this stage of the cycle, especially in advanced economies, and should recover gradually. That said, 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 but would not last long amidst a slackening in global growth. Things are different in emerging economies, where inflationary pressures are greater in many countries, in reaction to which many central banks have raised their key rates.

- **Oil prices:** Oil prices have increased sharply ($77/bbl. for Brent) to an almost four-year high, due to tensions in the Middle East, OPEC policy, and still-strong global demand. Short-term risks are on the upside. Rebalancing by boosting supply will take time, with US production already at a historic high. Our equilibrium-price assumption (around $75) is our forecast on a 6-to-12-month horizon.
- **Central banks will continue to remove monetary accommodation at a gradual pace.** The Fed will continue to raise its key interest rates. We expect the Fed to follow through with two 25bp hikes in H2 2018 (in September and December) and two additional hikes in H1 2019, followed by a pause, and for it to reduce its balance sheet at the announced pace (with a gradual non-replacement of maturing securities. Meanwhile, the ECB will reduce its monthly asset purchases from €30bn to €15bn in Q4 and end its APP in December. Its first rate hike is not expected until Q3 or Q4 2019.

The protectionist measures announced by Trump have ratcheted up uncertainty worldwide and have probably fed the appreciation in the dollar and capital outflows from emerging economies, which are quite vulnerable to international trade issues. Trump now says he is ready to go further. This threat should be taken very seriously by both China and Europe. A more serious confrontation on trade is likely while at the same time geopolitical risks are predominant in the Middle East, with a risk to oil prices.

Downside risk scenario (25% probability): a marked trade-war-driven economic slowdown, a geopolitical crisis or a sudden repricing of risk premiums.

- The risk of heavier protectionist measures (from the US) followed by retaliations from the rest of the world rises as the 6 November mid-term elections draw near (as Trump seeks to satisfy his electoral base). China, the EU and Canada are particularly exposed to this risk.
- Aggravation of current geopolitical tensions in the Middle East.

Consequences:

- All things being equal, a trade war would be bad news for growth and, in the short term, could prove inflationary. 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 spreads on govies and credit, on both developed and emerging markets, and a decline in market liquidity.
- Amidst the resulting financial turbulence, the cycle-end story would resurface in the US.
- Central banks would cease recalibrating their monetary policies and, 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:

Note that there is now very little likelihood of the upside risk coming to pass, due to the uncertainties surrounding trade tensions between the US, China Europe, in particular against a backdrop of geopolitical risks (Iran), a recession in several major emerging markets (including Turkey and Argentina), political risk in Brazil, a Chinese slowdown, and political tensions in Europe (tensions between Italy and the EU, Brexit). All these factors are making companies more cautious.

- Acceleration driven by business investment and global growth if protectionist tensions fade.
- Pro-cyclical US fiscal policy generating a greater-than-expected acceleration in domestic growth. Growth is reaccelerating in the Eurozone after a dip in H1. Stabilisation in China.
- Central banks would react late in initially maintaining ultra-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

GDP rebounds strongly in Q2, supported by domestic demand

- Business sentiment remained strong and surveys further highlighted capex expansion plans. Consumers remained upbeat thanks to rising wages and a strong labor market.
- Industrial activity trended higher, supported by resilient demand. Core measures of capital goods orders confirmed their strength while retail sales offered strong readings. On a slightly disappointing note, the productivity trend remained modest with various metrics signaling a deceleration in the housing sector.
- The inflation outlook continues to stay aligned with Fed projections, with modest domestic inflationary pressure and PCE measures converging with Fed objectives.
- Rates remained unchanged after the August FOMC meeting (1.75% to 2.00%). With monetary policy accommodation gradually coming to an end the policy stance should soon relabeled as neutral.
- 25% tariffs against China were implemented (on $16bn, after $34bn in July) with more to come ($200bn). NAFTA: a preliminary Mexico-US agreement was reached.

Risk factors

- Fed tightening to impact interest rate sensitive segments (housing, consumer credit)
- Abrupt tightening of financial conditions
- Tariffs and retaliation impacting import prices and domestic inflationary pressure
- Trade conflict escalation to impact confidence
- Geopolitical risks linked to a more hawkish shift of the U.S. Administration

Eurozone

Despite the rise in risks, the recovery will continue

- After numerous disappointments at the beginning of the year (GDP only rose by 0.8% in H1), economic indicators stabilised over the summer, in line with GDP growth of around 2% per year. Underlying inflation remains stuck at around 1% per year, even though wage increases are expected to enable it to increase slightly in the coming months.
- The future attitude of the new Italian government, whose budget promises are incompatible with European regulations, remains a factor of uncertainty. Moreover, the Eurozone is more exposed than the United States to the trade war risk.

Risk factors

- Rise in anti-establishment parties
- Rise in the euro
- External risks (in particular trade war risks)

United Kingdom

The job market provides an important support despite the Brexit uncertainty

- Growth rebounded in Q2 (+0.4%), confirming that the weak Q1 figure (+0.2%) underestimated the real trend. The labour market remains in good shape and real wages returned to positive territory.
- However, the uncertainty surrounding Brexit is dragging down confidence and investment. There are still major differences between the negotiating parties standing in the way of an agreement over withdrawal from the EU, and time is running out. The likelihood of a hard Brexit seems to be increasing.

Risk factors

- A hard Brexit
- The current account deficit remains very high

Japan

Bumpy road ahead, though still on ascending slope

- The economy bounced back from its Q1 setback driven by a sharp rebound in household spending and continuously vigorous business investments. However, earthquakes in June followed by heavy downpours and a fierce heatwave in July and August put a halt to factory operations and commercial activities.
- The economy should regain strength in autumn as producers accelerate outputs in order to recoup their losses. Corporate Japan plans to expand capital expenditures at the highest pace since 2006 despite trade dispute fears. In the meanwhile, monthly wages scored their largest y/y gain in July with the labour market hitting a 44-year high. Minimum wages are to be raised in October, while more labour-substitution purpose investments are in the pipeline.

Risk factors

- Tariffs and quotas imposed by the U.S. could raise costs and snarl supply chains

China

- The policy stance has turned around meaningfully in response to greater near-term risks.
- The economy is cooling off, with credit growth slowing more than expected, as a result of deleveraging.
- US/China trade tensions have ratcheted up, with tariffs on $50bn products implemented on each other, while Trump may impose tariffs in September on an additional $200bn of China's goods.
- In response, China has shifted its policy stance more meaningfully, through monetary, fiscal and deleveraging measures, and looks more determined to push further reforms and openings.
- Policymakers also took several measures to stabilise the RMB to prevent systematic risks, although greater FX flexibility is being allowed.
- Uncertainty likely to remain relatively high. Keep an eye on further US trade measures and on whether policy supports can help achieve a soft landing of China's economy.

Risk factors

- **US/China trade tensions, with considerable uncertainty in the near term**
- **Policy mistakes in managing near-term risks and the structural transition**
- **Geopolitical noise regarding North Korea**

Asia (ex JP & CH)

- Economic growth remained resilient with macro momentum stabilising. Looking at the countries that have reported their GDP growth for Q2 2018, it's worth highlighting that domestic demand (Households Consumptions and Fixed Investments) performed better than Net Exports.
- In the first half Inflation data was very benign. Oil price spikes and currency weaknesses didn't impact CPI significantly. As expected India's inflation declined towards 4% (pivot level in the CB target range) while inflation in the Philippines kept increasing above the CB target.
- Monetary Policies confirmed their hawkish stance. Most recent actions include an expected 25bp hike by the RBI, a bold 50bp hike by the BSP and an unexpected 25bp hike by the BI.
- Indonesia released its fiscal plan for 2019, with healthy fiscal accounts in 2018 so far and the will to continue on the road of fiscal responsibility.

Risk factors:

- **Stable and still constructive macroeconomic momentum.**
- **Inflation still very benign with few exceptions.**
- **Central banks proving a clear hawkish stance**
- **Geopolitical risks weighting on CCY performance**

Latam

- Latin American countries reported resilient economic figures (stronger GDP figures in Mexico, Chile and Peru) with Brazil's macroeconomic momentum lately improving too (Industrial Production stood at 3.5% YoY in June up from -6.6% in May).
- On the inflation side, although the overall environment remained benign, Mexico's inflation decline was interrupted in July, with CPI rising to 4.8% up from 4.6% in June; while Brazil's inflation increased temporarily, due to the May strike, to around 4.5% in June/July up from approx. 3% in May.
- The region's main Central Banks remained on hold in their recent Monetary Policy meetings with Banxico keeping a tighter stance due to an inflation rate struggling to converge to the target.
- As expected, AMLO (Morena Party) won the Mexican elections. In Brazil the political situation remains quite fluid as the October Presidential elections approach.

Risk factors:

- **Resilient economic figures with Brazil lately improving.**
- **Inflation higher in Mexico and Brazil.**
- **Central Banks in the area on hold**
- **Busy political agenda continues, next elections in Brazil on 7 October.**

EMEA (Europe Middle East & Africa)

Russia: we forecast 1.7% YoY growth for 2018-2019

- Despite the threat of potential US sanctions down the road, the macroeconomic scenario remains supportive helped by high oil prices. Russia will among the few emerging market sovereigns with the "twin surpluses" in 2018, while accumulating assets at the National Wealth Fund.

South Africa: we lower growth forecast to 0,7% YoY in 2018

- With sizeable current account deficit financed by portfolio inflows (not FDI) and inadequate external liquidity, SA remains vulnerable to EM turmoil.
- These risk are supplemented by vulnerabilities from the fiscal side and contingent liabilities from SOEs.

Turkey: we downgrade forecast a slowdown in growth in 2018 to 1.8%.

- The TRY has dived given large external imbalances, poor external liquidity and non-orthodox policies of the government.
- Investors have lost faith in Turkish assets, while the central bank - a policy instrument of the government --has been unable to hike rates. Turkish corporates have begun to default. This will impact the health of the heavily indebted (in foreign currency) and very large banking sector very negatively.

Risk factors:

- **Lower oil prices and stepped-up US sanctions**
- **Fall in commodity prices, capital outflows, fiscal slippage, and delays in structural reforms**
- **Inaction by the CBRT, continued market turmoil, and further drop GDP and in asset prices.**

Macro and **Market forecasts**

Macroeconomic forecasts
(6 September 2018)

Annual averages (%)	Real GDP growth %			Inflation (CPI, yoy, %)		
	2017	2018	2019	2017	2018	2019
US	2.3	2.9	2.7	2.1	2.6	2.4
Japan	1.7	1.0	1.2	0.5	0.8	1.2
Eurozone	2.5	2.0	1.8	1.5	1.7	1.7
Germany	2.5	1.9	1.8	1.7	1.8	1.6
France	2.3	1.6	1.7	1.2	2.1	1.6
Italy	1.6	1.1	0.9	1.2	1.1	1.7
Spain	3.1	2.7	2.3	2.0	1.5	1.5
UK	1.8	1.3	1.6	2.7	2.5	2.4
Brazil	1.1	1.2	2.0	3.5	3.9	5.0
Russia	1.5	1.7	1.7	3.7	2.9	4.6
India	6.2	7.7	6.0	3.3	4.5	5.3
Indonesia	5.1	5.2	5.4	3.8	3.5	4.5
China	6.9	6.6	6.3	1.6	2.0	2.3
Turkey	7.3	1.8	-1.0	11.1	15.0	14.5
Developed countries	2.3	2.2	2.1	1.7	2.0	2.0
Emerging countries	4.8	4.9	4.6	3.5	4.1	4.2
World	3.8	3.8	3.6	2.8	3.2	3.3

Source: Amundi Research

Key interest rate outlook

	04/09/2018	Amundi + 6m.	Consensus Q4 2018	Amundi + 12m.	Consensus Q2 2019
US	2.00	2.5	2.22	2.75	2.53
Eurozone	0.00	0.00	0.00	0.00	0.00
Japan	-0.10	-0.10	-0.10	-0.10	-0.10
UK	0.75	0.75	0.86	1	1.22

Long rate outlook

2Y. Bond yield

	04/09/2018	Amundi + 6m.	Forward + 6m.	Amundi + 12m.	Forward + 12m.
US	2.63	2,7/2,8	2.77	2,9/3,0	2,82
Germany	-0.61	-0.50/-0.40	-0,54	-0.40/-0.20	-0,45
Japan	-0.12	-0.20/-0.00	-0,09	-0.20/-0.00	-0.08
UK	0.71	0.80/1.0	0,79	0.8/1.0	0,89

10Y. Bond yield

	04/09/2018	Amundi + 6m.	Forward + 6m.	Amundi + 12m.	Forward + 12m.
US	2.87	3.0/3.15	2.91	3.0/3.15	2,94
Germany	0.34	0,4/0,6	0.43	0,5/0,7	0.53
Japan	0.11	0.10	0.18	0.10	0.23
UK	1.40	1.40/1.60	1.46	1.40/1.60	1.53

Currency outlook

	04/09/2018	Amundi + 6m.	Consensus Q1 2019	Amundi + 12m.	Consensus Q3 2019
EUR/USD	1.16	1.18	1.18	1.20	1.19
USD/JPY	111.28	109	110	107	104
EUR/GBP	0.90	0.89	0.88	0.90	0.87
EUR/CHF	1.13	1.16	1.16	1.18	1.20
EUR/NOK	9.72	9.24	9.23	9.15	9.04
EUR/SEK	10.56	10.00	10.03	9.77	9.85
USD/CAD	1.32	1.28	1.28	1.25	1.26
AUD/USD	0.72	0.74	0.74	0.76	0.75
NZD/USD	0.66	0.67	0.67	0.68	0.69
USD/CNY	6.84	6.78	6.78	6.75	6.57

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