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 | 40% probability | Renewed escalation in trade tensions between the US and China

Analysis | US and China ceased fire after a temporary deal reached by President Trump and President Xi during G20 meetings at Argentina. The planned increase of tariff rates in January 2019 paused and the risk of an additional tranche of tariffs on the rest of US imports from China ($267bn) seems to have been also delayed, while negotiations resumed, with signs of China to deliver some of commitments before 90 days of deadline. This should at least help to reduce some downside risks in the near term, with direct impacts on trade to be less concerned, and market sentiment to recover slightly from being very downbeat. That said, this deal is still temporary, 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.

Market impact | Trade tensions have begun to weigh 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 is slower than what we anticipated a few months ago. The central scenario remains a continuation of the recovery at a slightly above-potential pace, but risks are tilted to the downside, in particular in the short run. Indeed, the combination of continuing internal political stress and external negative factors (notably a slowdown in the US and/or Chinese momentum) could cause growth to fall further. Lower oil prices are currently a supportive factor into 2019. 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 | 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 very 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 at this stage. 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 increased the risks of another dip. With slow growth ahead (we expect GDP growth at 0.5% in 2019), tensions with the EC will inevitably resurface later in 2019.

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. All of this should contain the contagion risk on peripheral sovereign spreads and on corporate credit spreads.

Risk # **4** | **15%** probability | **No-deal Brexit**

Analysis | The news-flow concerning Brexit has been quite intense since the UK government was able to secure an agreement with the EU on 25 November 2018. The most notable developments have been since early December: The "Grieve" amendment, giving MPs more influence regarding the Brexit process if a Brexit deal is voted down ; The decision of the UK government to postpone the ratification of the deal by the UK Parliament as it was bound to fail by a very large margin (a new attempt has been scheduled for 15 January 2019); The confirmation by the European Court of Justice (ECJ) that the UK can unilaterally revoke Article 50; The failure of a no-confidence vote held among Tory MPs against PM May. Since mid-December, various announcements regarding contingency planning measures in case of no-deal Brexit. In our view, these events (despite the last item) have slightly reduced the probability that the UK will exit the EU as soon as March 2019, either with or without a deal (although the exit with a deal remains the most likely scenario), and have increased the probability that the UK will remain in the EU beyond March 2019, with prolonged uncertainty regarding how (and, possibly, even whether) Brexit will happen. At the end of the day, we see a 60% chance that the Brexit deadline arrives with a deal agreed. We attribute a 15% probability to a no-deal scenario. The probability of prolonged uncertainty is assumed at 25%.

Market impact | In any case, the road to the deal ratification will probably be difficult and may thus a source of temporary stress. 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 re-appreciate and business investment would probably benefit from a drop in uncertainty.

Risk # **5** | **15%** probability | **Continuation of the contagion in the "emerging world"**

Analysis | Emerging markets have been suffering since the start of the year, 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 (many EM central banks have risen their key rates); (4) by the deterioration of the outlook in several countries at the same time (Argentina, China, Turkey and South Africa). In fact, even though the systemic risk is lower than in the past (given the lesser vulnerability of emerging countries), most EM assets dropped in 2018. The fact that the Fed is close to the end of its tightening cycle and that the USD has peaked is good news for EM markets in 2019. However an escalation in the trade war between the US and China would undoubtedly push to a larger contagion (because value chains are very integrated).

Market impact | Credit spreads and equity markets would be highly hurt; it all the more true that emerging currencies would remain under pressure with more capital outflows. However, the emerging world is not a homogeneous block, and the market will 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 but the risk probability has reduced. Indeed, we believe EM markets have already priced in most bad news, and at some point, they should become attractive again.

Risk # **6** | **15%** probability | **US Recession**

Analysis | Recent surveys indicate that the US economy started to slow in Q4. We think that US growth will continue to slow looking ahead, in particular regarding investment. Given the shutdown, there is no compromise to expect between Democrats and Republican on infrastructure in the short term. All eyes are on the Federal Reserve which is likely to make a pause earlier than expected.

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 increasingly mixed as the cycle extends. The best choice for investors is to limit exposure to credit, diversify the portfolio smartly and to take a flexible duration management (close to neutrality at this stage). On the equity side, selection of themes, sectors and single names will be increasingly relevant.

Risk # **7** | **15%** 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 (through FX management, monetary and fiscal policies) so that the economy is expected to remain resilient. 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, a cease of fire with US on trade tensions could gain valuable time for China 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. 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 appeared to seriously threaten at least the continuation of its supply-side reform agenda. Although less immediately worrying, the political outlook is also uncertain in Germany (due to the leadership change at the head of Merkel's CDU party and uncertainty regarding the future of the government coalition) 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 seem to give a strong impetus to anti-system political forces, with the May 2019 European election seen as 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 will 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): global growth slows gradually but surely

- **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. The depreciation of their currencies has generated local inflation and led their central banks to tighten monetary policies, which has weighed on economies already negatively affected by massive capital outflows. The Eurozone has also begun to slow down. Hence 2019 starts with a global synchronised slowdown with downside risks. However, a new factor that arrived lately in the picture has been the oil price drop that should support the European economies and the EM oil Importers such as India and Turkey.

- **World trade:** Global trade keeps weakening; it started 2018 at around 5% YoY and in October it has grown by 3.6% YoY. Protectionist rhetoric has pushed down business confidence, particularly in Europe. That said, uncertainty is tending to drag down investment and disrupt value chains that have developed in lock-step with the expansion in global trade over the past 15 years. However, the truce between China and the US (after the G20 meeting in Argentina) has resulted in a more positive than expected short-term scenario, where the further increase in US tariffs towards China from 10% to 25% at the 1st of January 2019 has been postponed by 90 days (1st of March 2019).

- **United States:** The economy has been driven by 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 have revised down our GDP growth forecast from 2.7% to 2.4% in 2019 and from 2.0% to 1.8% in 2020 (yoy growth, would thus slow from 3.1% in Q4 18 to 2.1% in Q4 19). This situation will have a negative impact on corporate profits, especially if inflationary pressures materialise by then, which is possible, given the fact that the economy is operating at close to full employment. We do confirm our expectation that 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 policy tightening show up.

- **Eurozone:** Last month, we revised our growth forecasts slightly downward. Despite a recovery that has started well after that in the US, national economies have begun to slow in 2018. The output gap has closed in most countries, and Italy is the only one in the Eurozone (excluding Greece) where GDP has not recovered to pre-crisis levels. Several factors have contributed to the slowdown in growth in 2018: the slowdown in world trade and until October a high oil price have been the most relevant. In addition, political uncertainties have muddied the waters (Brexit, Italian budget). The possibility of a coalition change in Germany following the defeat of the two major government coalition parties (CDU and SPD) in local elections marks the end of the Merkel era. The loss of the chancellor's leadership may hinder initiatives to strengthen the integration of the Eurozone that were under consideration. It will probably be necessary to wait for European elections in May 2019 and a new parliament, a new European Commission, a new Chancellor in Germany, and clarification regarding leadership of the institutions of the EU (Commission, ECB) to make significant progress in strengthening the the EU and the Eurozone. In Italy, incoming data on contracting economic growth in Q3 and weak coincident and leading indicators for Q4 increased the risks of another dip that prompted the Government to tone down rhetoric

- **United Kingdom:** The political situation in the UK is very unstable, with a parliamentary vote that is expected on 15 January. Everything will ultimately depend on the scenario (see section risk factors and our "investment talk" published on the subject on 9 January).

- **China:** Chinese economic growth is slowing down but the authorities are working hard to stimulate the economy (through FX management, monetary and fiscal policies) so that the economy is expected to remain resilient. 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. Meanwhile, a cease of fire with US on trade tensions should gain valuable time for China 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.

- **Inflation:** Core inflation remains low at this stage of the cycle 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 with the pick-up in wages (United States, Eurozone) but would not last long (due to a lack of pricing power) and would drag down corporate margins more than final sale prices, all the more so if global growth slackens. 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 decreased sharply: from $86/b (Brent) as of 4 October to $60 in early January. 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 at low levels.

- **Main central banks to turn more accommodative:** The Fed should stop soon its hike rates, earlier than expected (we only expect one rate hike this year). The ECB has ended its monthly asset purchases at the end of December, as announced. But will continue to replace maturing securities (between €160 and 200 bn in 2019) without clarifying its reinvestment policy in order to retain some flexibility. I The ECB has no room for manoeuvre to normalise its monetary policy, given the economic slowdown and the absence of inflation.

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

- The risk of further protectionist measures from the US (even after the 90 days agreed during last G20 meeting), followed by retaliation from the rest of the world, remains high. China and the EU are particularly exposed to this risk.
- Uncertainty regarding rising trade tensions (primarily between the US and China) against a backdrop of geopolitical risks, crises in several large emerging economies (e.g., Turkey, Argentina), political risk in Brazil, a slowdown in China, and political tensions in Europe (a deterioration in the budget situation in Italy, Brexit) is encouraging companies to remain cautious.

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

Mixed signals may increase

- Economic growth remains above potential, still consistent with a gradual slowdown. As the cycle extends, the likelihood of having mixed signals from data increases.
- We see domestic demand remaining the key driver of growth, with a change in composition favouring a prominence of consumption over investments.
- Business confidence remains strong, although data show a moderation in capex intentions and a deceleration in non-residential and residential investments.
- The labour market remains strong with a pick-up in wage growth and labour costs more consistent with this phase of the cycle.
- The inflation outlook remains benign, with modest domestic inflationary pressures as CPI and Core CPI converged to 2.2%
- The Fed met on 19 December, delivering a much-expected hike (rates now at 2.25% to 2.5%); the statement sounded more cautious on the outlook. The dot plot now implies two hikes for 2019.
- The December G20 meeting reopened trade negotiations between China and the US, suspending any escalations for 90 days.

Risk factors

- **Fed tightening impacting interest rate-sensitive segments (housing, consumer credit)**
- **Abrupt, protracted and severe tightening of financial conditions**
- **Tariffs and retaliation negatively impacting economic performance, both directly (prices) and indirectly (confidence)**
- **Geopolitical risks linked to a more hawkish shift by the US Administration**

Eurozone

The recovery continues in spite of disappointing figures and rising political risks

- Growth fell far short of expectations in 2018. Temporary negative factors, such as the German auto sector, were one reason, but not the only one. Rising oil prices (until October), trade tensions, and political risks also played a part. The recovery will continue but at a weaker pace than what had been expected (with the 2019 growth forecast lowered once again from 1.6% to 1.5%).
- An agreement was reached on the Italian budget, but France experienced very serious social unrest in Q4, and political risks will remain very high in 2019.

Risk factors

- **Stronger political protest movements**
- **Euro appreciates**
- **External risks (especially of a trade war)**

United Kingdom

Lots of uncertainty in the run-up to Brexit

- Despite the lack of visibility on Brexit procedures, the labour market is still strong and real wages have moved back into positive territory. Falling oil prices will help inflation pull back.
- Even so, Brexit is weighing on confidence and investment. The UK Parliament's ratification of the deal negotiated with the EU in November is very uncertain, and many scenarios are possible, although we believe that a "no deal Brexit" is ultimately unlikely.

Risk factors

- **"No Deal Brexit"**
- **The current account deficit remains very high**

Japan

Generous fiscal policy should limit downside risk in economic growth

- Catch-up activities after natural disasters, coupled with mild weather should boost economic growth for now. A sharp decline in inventories will stimulate production while the recovery in foreign visitors will benefit regional economies.
- The BOJ *Tankan* revealed that corporate morale was resilient despite an avalanche of uncertainties outside Japan. Capital spending plan for this year marked the fastest pace of expansion.
- Following FY18 supplementary budgets for disaster relief and infrastructure reinforcement, the government released measures to avoid any economic setback after the VAT hike scheduled for October 2019. This stimulus, combined with higher income and pre-announced economic policies, is likely to offset most of the adverse impact of the higher tax.

Risk factors

- **The US administration set to take a tough line on trade talks with Japan, starting January**

China

- The economy continued to slow, while policymakers signalled that they would be more proactive into New Year, following annual the Economic Work Conference.
- For now, US/China trade tensions look like less of a concern, as the two sides have resumed talks, while China has taken several actions, presumably as agreed at the G20 meeting, including imports of US soybean, temporary reduction of US auto tariffs and strengthening intellectual property protection.
- Nonetheless, exports look to be weakening, although perhaps not as much as previously feared.
- Meanwhile, previous deleveraging efforts continued to weigh on domestic demand, particularly in the auto sector in recent months.
- There are signs of policy supports passing through into the economy, but they still in the early stage.
- Looking ahead, we are waiting for more policy measures and more visible effects. At least, the RMB looks to have stabilised in recent weeks.

Risk factors

- **Uncertainty remains 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)

- As might be expected from all the noise from the escalation of the trade issue between China and the US, growth in the area worsened, driven mainly by external demand. We have revised our GDP forecasts down quite broadly throughout the region.
- The region's inflation figures remained benign. Finally, inflation in the Philippines declined significantly, to 6.0% YoY from 6.7% YoY, showing a faster-than-expected converging path to the target. India's inflation surprised again on the downside at 2.3% YoY in November, on the back of negative growth in food prices.
- The BSP and BI recently paused after their aggressive hiking cycle. The BoT raised its policy rate in December following the change in its monetary policy stance.
- During the last two months a clash between the RBI and the Indian government was brought to the public's attention. In the run-up to the elections, the government would like to see the RBI become more proactive in letting public banks ease credit conditions for SMEs.

- **Growth outlook revised downwards in the region**
- **Inflation still very benign. In the Philippines, it has begun to decline significantly**
- **BSP and BI recently paused in their hiking cycle**
- **The RBI signals interferences from the government**

Latam

- The recently released Q3 2018 GDP figures highlight a mixed macroeconomic picture in the area: Brazil and Peru accelerated more than expected, while Colombia, Chile and Mexico slowed down.
- On the inflation front, the overall environment remained benign. In Mexico, inflation finally confirmed the reversal trend in November with a more pronounced deceleration at 4.7% YoY. In Peru inflation kept increasing at 2.2% YoY yet remaining within the CB's target.
- The region's main central banks kept their monetary policy unchanged at their recent meetings, while Banxico raised its policy rates again by 25bps to 8.25% in December.
- On the fiscal side, the most relevant news was the publication of the Mexican budget for 2019 to assess the fiscal stance of the new administration. The figures budgeted showed a prudent approach, even in their assumptions on GDP, inflation and MXN peso dynamics.

- **Brazil still on track for recovery**
- **Inflation turning more benign in Mexico**
- **Tighter monetary policy in Mexico**
- **Mexican budget showing some fiscal prudence**

EMEA (Europe Middle East & Africa)

Russia: we forecast 1.7% YoY growth for 2018 and slightly lower for 2019

- 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 the "twin surpluses" in 2019, while accumulating assets at the National Wealth Fund.
- The Central Bank may hike again in Q1- 2019 depending on rouble weakness, inflation expectations and external risks.

- **Drop in the price of oil, stepped-up US sanctions and further geopolitical tensions**

South Africa: exit of recession but no miracle

- South Africa emerged from recession in Q3 thanks to the recovery of manufacturing and services. On the expenditure side, household consumption rebounded as well as inventories while private and public investment declined. The contribution of net exports was also negative.
- In terms of policy mix, there is very little room for manoeuvre. The SARB has raised its rates and it is not excluded that it still has to do it in 2019.

- **Increased risk aversion, rising social demands, lack of structural reforms**

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

- The strong tightening of interest rates, the rebound in the Turkish lira, the fall in the price of oil and the implementation of discretionary measures on some goods, have provided some respite to inflation. However, it should not fall below 20% for several months.
- In this context, household purchasing power and corporate margins are at their lowest. We therefore expect a sharp drop in activity in the second half of 2018 and a GDP recession of 1% in 2019.

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

Macro and Market forecasts

Macroeconomic forecasts
(8 January 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	**1.9**	**1.5**	**1.5**	**1.8**	**1.7**	**1.7**
Germany	1.7	1.6	1.7	1.9	1.7	1.6
France	1.6	1.4	1.5	2.1	1.6	1.5
Italy	0.9	0.5	0.6	1.3	1.7	1.7
Spain	2.7	2.3	1.7	1.5	1.5	2.3
UK	**1.4**	**1.5**	**1.6**	**2.3**	**2.3**	**2.3**
Brazil	**1.3**	**2.2**	**2.1**	**3.7**	**4.5**	**4.3**
Russia	**1.7**	**1.5**	**1.7**	**2.9**	**4.9**	**4.2**
India	**7.8**	**6.9**	**7.1**	**4.0**	**3.9**	**4.7**
Indonesia	**5.1**	**5.3**	**5.4**	**3.2**	**3.4**	**4.2**
China	**6.6**	**6.2**	**6.1**	**2.1**	**2.2**	**2.4**
Turkey	**2.8**	**-1.0**	**1.5**	**16.2**	**16.5**	**13.3**
Developed countries	**2.2**	**1.9**	**1.6**	**2.0**	**1.9**	**2.0**
Emerging countries	**4.9**	**4.6**	**4.8**	**4.1**	**3.9**	**3.8**
World	**3.8**	**3.5**	**3.5**	**3.2**	**3.1**	**3.1**

Source: Amundi Research

Key interest rate outlook

	08/01/2019	Amundi + 6m.	Consensus Q2 2019	Amundi + 12m.	Consensus Q4 2019
US	2.50	2.75	2.75	2.75	3.00
Eurozone	0	0	0	0	0.1
Japan	-0.1	-0.1	-0.1	-0.1	-0.1
UK	0.75	1.0	1.0	1.0	1.0

Long rate outlook

2Y. Bond yield

	08/01/2019	Amundi + 6m.	Forward + 6m.	Amundi + 12m.	Forward + 12m.
US	2.56	2,80/2,90	2.57	2,80/2,90	2.53
Germany	-0.58	-0,50/-0,40	-0.55	-0,40/-0,30	-0.52
Japan	-0.14	-0,20/0,00	-0.13	-0,10/0,10	-0.15
UK	0.75	0,80/1,00	0.77	0,80/1,00	0.75

10Y. Bond yield

	08/01/2019	Amundi + 6m.	Forward + 6m.	Amundi + 12m.	Forward + 12m.
US	2.72	2,90/3,10	2.73	2,90/3,00	2.74
Germany	0.23	0.35/0.55	0.30	0.35/0.55	0.36
Japan	0.00	0,15/0,25	0.04	0,10/0,20	0.07
UK	1.26	1.40/1.60	1.32	1,40/1.60	1.37

Currency outlook

	09/01/2019	Amundi + 6m.	Consensus Q2 2019	Amundi + 12m.	Consensus Q4 2019
EUR/USD	1.15	1.18	1.17	1.20	1.20
USD/JPY	108	109.0	111.0	107	108.0
EUR/GBP	0.90	0.90	0.89	0.88	0.88
EUR/CHF	1.13	1.17	1.15	1.18	1.16
EUR/NOK	9.77	9.30	9.48	9.20	9.30
EUR/SEK	10.24	10.00	10.10	9.80	9.85
USD/CAD	1.32	1.30	1.30	1.30	1.29
AUD/USD	0.72	0.73	0.73	0.70	0.74
NZD/USD	0.68	0.68	0.68	0.69	0.70
USD/CNY	6.81	6.80	6.90	6.70	6.80

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