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Global Economic Perspectives

India loses its lustre

- Investors have grown disillusioned with India. Deteriorating corporate profitability, a depreciating currency and concerns that momentum on reform was slower than had been expected have contributed to a reversal of investors' previous optimism on investment prospects. After foreign investors brought in more than USD60bn over an 18-month period from late 2013 to early 2015, flows have reversed since May last year.
- While these concerns are valid, sentiment may now have turned too negative. In the near-term, we see little reason to expect a significant decline in the trend growth rate of about 7% on real GDP even though fiscal and monetary policies are unlikely to provide much more support to growth from here. Unless inflation rises sharply and unexpectedly, consumption is likely to remain strong enough to support this rate of growth and we think it is reasonable to expect the improvement in investment conditions to yield an increase in investment growth. For that reason, we see growth rising modestly over the next few years.
- Will this be "Chinese-style" double-digit growth? Probably not. India faces some constraints on growth that China didn't, and not (just) because it is a democracy. Its banking system is unlikely to be able to grow fast enough, the government itself is not in a position to provide the investment needed and the global backdrop is less supportive with slower growth and a rising protectionist tide than China faced.
- But India's demographic profile lends a certain inevitability to growth being sustained at a high rate for a prolonged period as long as the government does not stand in the way. Since the government is committed to doing the opposite, to facilitating private investment by opening up the economy and improving the business climate, we remain fundamentally optimistic on India's medium- and long-term prospects.

Key Economic Forecasts

	Real GDP % growth[b]			CPI % growth[c]			Current a/c % GDP[d]			Fiscal balance % GDP		
	2015	2016F	2017F	2015	2016F	2017F	2015F	2016F	2017F	2015F	2016F	2017F
US	2.4	1.3	2.2	0.1	1.4	1.9	-2.4	-2.9	-3.2	-2.4	-2.9	-2.9
Japan	0.5	-0.4	0.5	0.8	0.1	1.8	3.3	4.6	4.5	-4.2	-4.2	-3.5
Euroland	1.5	1.4	1.5	0.0	0.2	1.4	3.0	2.7	2.3	-2.1	-2.0	-1.7
Germany	1.7	1.7	1.6	0.1	0.3	1.6	8.2	8.1	7.8	0.6	0.0	0.0
France	1.1	1.2	1.6	0.1	0.2	1.1	-0.1	0.1	0.3	-3.7	-3.4	-2.9
Italy	0.8	1.1	0.9	0.1	0.2	1.4	2.1	1.7	1.6	-2.6	-2.8	-2.4
Spain	3.2	2.7	2.2	-0.6	-0.3	1.5	1.6	1.4	1.2	-4.5	-3.5	-2.8
UK	2.2	2.3	2.3	0.0	1.1	1.9	-4.3	-3.1	-3.0	-4.0	-2.5	-1.0
Sweden	3.8	2.7	2.5	0.0	1.0	1.9	6.0	5.7	5.5	-0.8	-1.0	-0.5
Denmark	1.2	1.7	1.8	0.5	1.4	1.8	7.5	7.0	6.5	-3.0	-2.5	-2.0
Norway	1.4	1.4	2.2	2.2	2.4	2.3	7.5	7.0	6.5	7.5	7.0	6.5
Poland	3.6	3.5	3.5	-0.9	-0.4	1.2	-0.2	-0.7	-0.7	-2.9	-2.9	-2.7
Hungary	2.7	2.4	3.3	-0.1	1.1	2.3	3.1	3.4	2.5	-2.4	-2.2	-2.0
Czech Republic	4.3	2.6	3.2	0.3	1.0	1.7	1.6	1.2	0.8	-1.9	-1.4	-1.2
Australia	2.5	2.9	3.2	1.5	1.9	2.2	-4.6	-5.0	-4.8	-2.4	-2.4	-2.2
Canada	1.2	1.8	2.5	1.1	1.8	2.3	-3.5	-2.9	-1.8	-0.2	-0.2	-0.1
Asia (ex Japan)	6.2	6.1	6.3	2.4	2.7	2.7	2.4	2.2	1.9	-3.1	-3.4	-3.1
India	7.5	7.5	7.8	4.9	5.3	4.7	-1.0	-1.3	-1.6	-3.9	-3.8	-3.7
China	6.9	6.7	6.7	1.4	1.8	1.8	2.7	2.7	2.5	-3.5	-4.0	-3.5
Latin America	-0.7	-0.7	2.0	15.2	18.5	18.8	-3.0	-2.4	-2.3	-7.2	-6.5	-5.6
Brazil	-3.8	-3.5	0.8	9.0	9.0	6.8	-3.3	-1.8	-1.9	-10.4	-9.1	-7.7
EMEA	1.1	1.9	2.5	8.7	6.8	5.9	-0.9	-1.6	-0.6	-5.0	-4.6	-3.4
Russia	-3.7	-0.7	0.5	15.5	9.2	7.1	4.3	5.0	5.0	-2.7	-2.1	-1.6
G7	1.8	1.2	1.8	0.2	0.9	1.8						
World[e]	3.1	3.0	3.6	3.3	3.7	4.0						

Forecasts: G7 quarterly GDP growth

% qoq saar/annual: %yoy	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16F	Q2 16F	Q3 16F	Q4 16F	2015	2016F	2017F
US	0.6	3.9	2.0	1.0	0.5	1.0	1.2	2.4	***2.4***	***1.3***	***2.2***
Japan	4.6	-1.4	1.4	-1.1	-1.4	-0.7	0.8	1.5	***0.5***	***-0.4***	***0.5***
Euroland	2.3	1.6	1.2	1.3	1.3	1.4	1.7	1.8	***1.5***	***1.4***	***1.5***
Germany	1.6	1.6	1.1	1.1	1.8	1.4	2.1	2.1	***1.7***	***1.7***	***1.6***
France	2.9	0.0	1.3	1.4	1.4	1.2	1.6	2.0	***1.1***	***1.2***	***1.6***
Italy	1.7	1.2	0.8	0.4	1.3	1.3	1.4	0.9	***0.8***	***1.1***	***0.9***
UK	1.7	2.4	1.7	1.9	2.6	2.6	2.5	2.5	***2.2***	***2.3***	***2.3***
Canada	-0.9	-0.4	2.4	0.8	1.7	2.0	2.3	3.0	***1.2***	***1.8***	***2.5***
G7	1.5	2.2	1.7	0.8	0.7	1.0	1.4	2.2	***1.8***	***1.2***	***1.8***

a) Euroland forecasts as at the last forecast round on 19/02/16. Bold figures signal upward revisions, bold, underlined figures signal downward revisions. (b)GDP figures refer to working day adjusted data, except Germany and Italy (adjusted for calendar days, Italy 2015 GDP growth was 0.6% yoy). (c) HICP figures for euro-zone countries and the UK (d) Current account figures for Euro area countries include intra regional transactions. e) The world aggregate has been calculated based on the IMF weights released in October 2015.
Sources: National authorities, Deutsche Bank Research

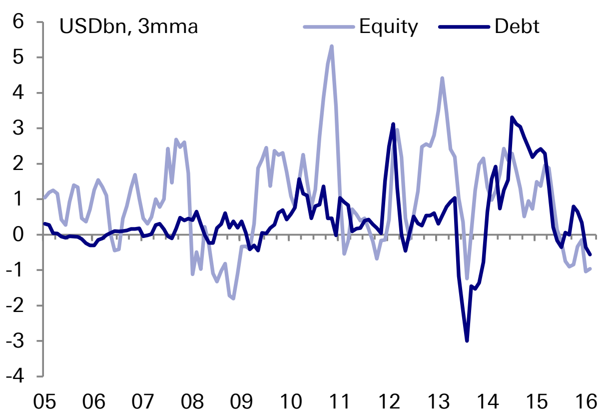
India loses its lustre

Introduction

Investors have grown disillusioned with India. Deteriorating corporate profitability, a depreciating currency and concerns that momentum on reform was slower than had been expected have contributed to a reversal of investors' previous optimism on investment prospects. After foreign institutional investors brought in more than USD60bn over an 18-month period from late 2013 to early 2015, flows have reversed since May last year (Figure 1).

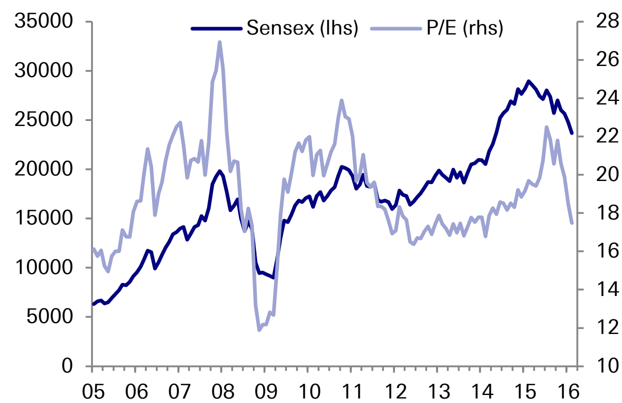
While these concerns are valid, sentiment may now have turned too negative reflecting perhaps excessive optimism about the pace of reform and therefore the potential rate of growth of economic activity and corporate profits in the immediate aftermath of the 2014 election. Global influences on investor sentiment can't be ignored: India's equity market has been unusually highly correlated with China's since the August 11 devaluation of the RMB and slowing US and European growth must surely be a factor as well. But by the end of last month the equity market had given up all of its post-election gains (Figure 2) and the currency was trading at an all-time low against the dollar.

Figure 1: Foreign institutional investor flows



Sources: CEIC and Deutsche Bank Research

Figure 2: Equity market performance



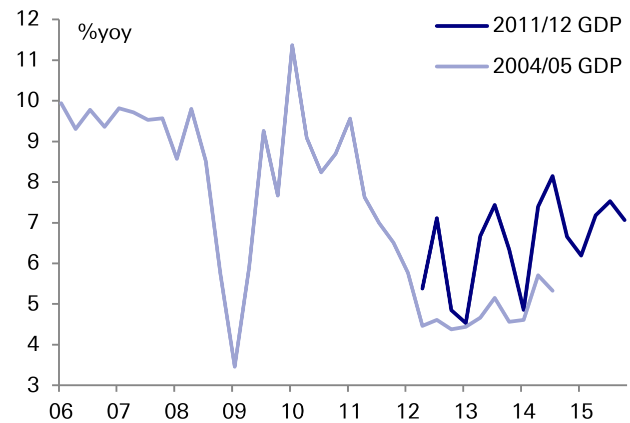
Sources: CEIC and Deutsche Bank Research

We think the growth outlook for the Indian economy looks stable with perhaps some upside. Consumption is the main driver of activity and this looks to have gotten a boost from the budget last month. Business investment conditions have improved and we think this could add to the consumption dynamics and take GDP growth higher in the coming years. Will this be "Chinese-style" double-digit growth? Perhaps, but probably not. India faces some constraints on growth and not (just) because it is a democracy. But we remain positive on the medium- and long-term outlook for the economy.

Recent indicators on growth

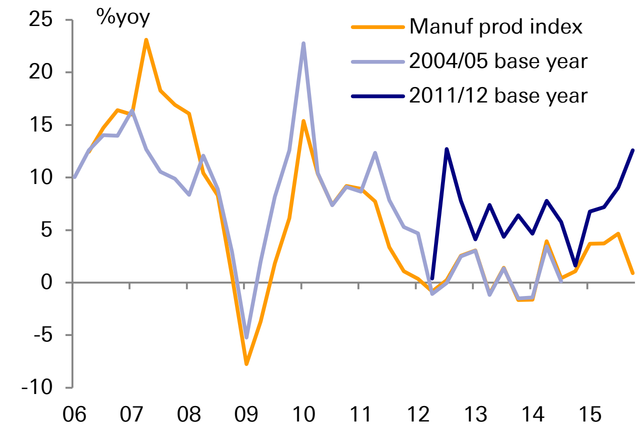
Assessing the growth of the Indian economy has become a little more complicated recently with the release of a new 2011/12 base-year GDP series that looks very different not only from the previous series but also from many of the available monthly data. As Figure 3 below shows, the newer series shows GDP growth to have been much more volatile than previously reported and with an average growth rate substantially higher. More than a few commentators have noted that official reports of GDP growth broadly rising over the past three years seems at odds with 'on the ground' evidence. It certainly makes 'nowcasting' the economy difficult when, as Figure 4 shows, the GDP measure of real industrial sector growth – which used to correlate almost perfectly with the monthly industrial production index – moves in the opposite direction from the latter as it has done recently.

Figure 3: Old and new GDP series



Sources: CEIC and Deutsche Bank Research

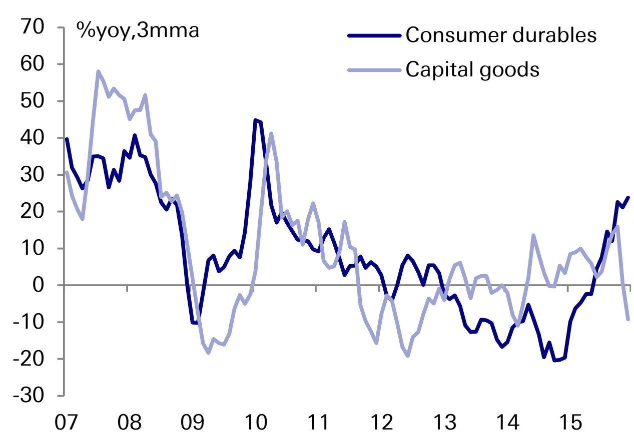
Figure 4: Three measures of real manufacturing growth



Sources: CEIC and Deutsche Bank Research

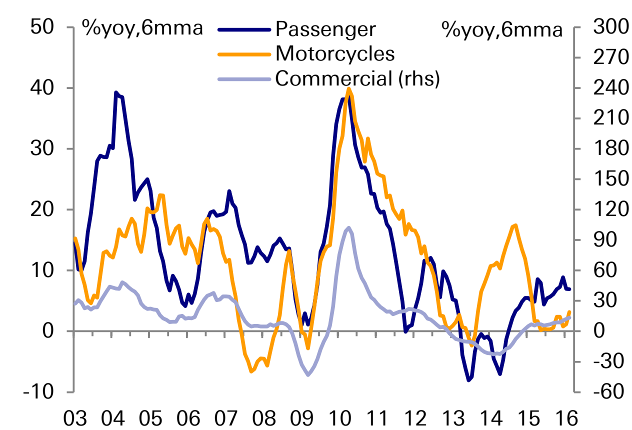
We prefer, therefore, to focus on the monthly data – which has much richer detail anyway – and the view that emerges seems reasonably clear. The consumer – especially in the cities – has been driving growth and while the investment picture has gotten a little mixed recently, we think it can reasonably be expected to continue to improve.

Figure 5: Manufacturing of consumer and capital goods



Sources: CEIC and Deutsche Bank Research

Figure 6: Vehicle sales

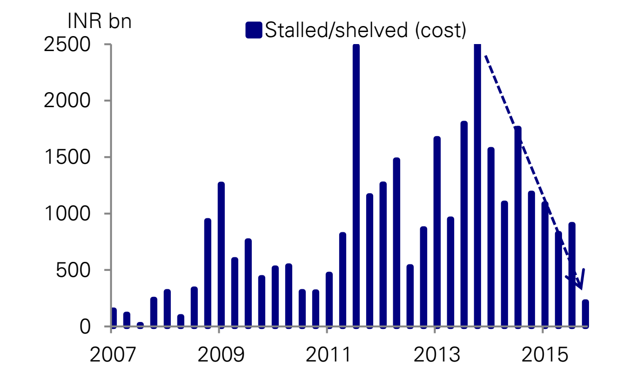


Sources: CEIC and Deutsche Bank Research

Starting with the industrial production data, output of consumer durables has staged an impressive recovery over the past year (Figure 5). This is reflected in passenger car sales which have been growing at about a 6% rate over the past year (Figure 6). Commercial vehicle sales have also recovered, growing at a 10% rate over the past year after having been down about 20% in early 2014. Industrial production in the capital goods space has dropped sharply in the final quarter of 2015 and car sales have softened in recent weeks but we think these will prove temporary.

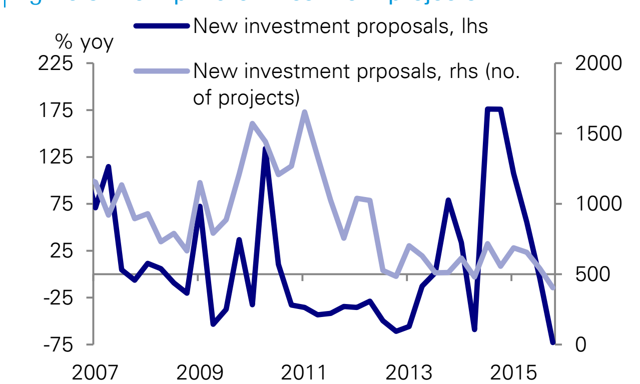
By the time the 2014 election was held, a large backlog of investment projects had accumulated, many of these projects stalled due to lack of appropriate permits and other problems. The good news is that over the past year substantial progress has been made in clearing up this backlog. In both the private and public sectors, the number of stalled projects has fallen by about half and the value of these stalled projects has fallen to a very low level (Figure 7). While soon after the election there was a surge in new investment proposals, this unfortunately has also tailed off in recent months (Figure 8). There's likely enough work underway to sustain investment for a few more quarters but to build on this recovery businesses will have to see sustained consumer demand – which we think is likely – and probably some progress on structural reforms.

Figure 7: Stalled public and private investment projects



Sources: CMIE and Deutsche Bank Research

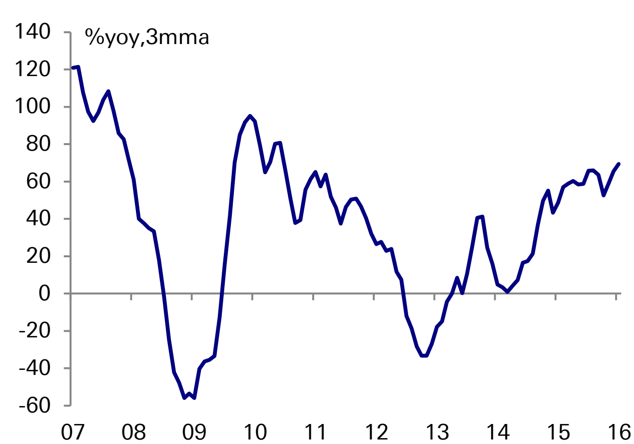
Figure 8: New private investment projects



Sources: CMIE and Deutsche Bank Research

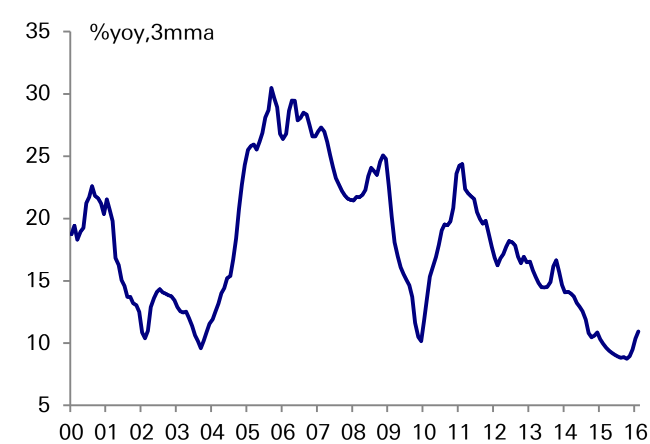
We point to two other indicators that give, again, slightly encouraging views. Domestic airline passenger traffic (Figure 9) continues to strengthen -- more evidence of a robust consumer – while credit growth, which has been slowing over the previous four years, began to recover in Q4 last year and this has continued this year (Figure10).

Figure 9: Domestic airline passenger kilometers flown



Sources: CEIC and Deutsche Bank Research

Figure 10: Credit to the commercial sectors



Sources: CEIC and Deutsche Bank Research

All in all, we think the monthly data paint a perhaps less enthusiastic picture than the GDP data but an overall encouraging one. The consumer, the main driving force behind GDP growth over the past year according to those data, seems to be continuing to spend. Business has been the main drag on growth – at least in relative terms. But a possible slowdown late last year (not reflected in GDP) should prove to be temporary if the consumer holds up.

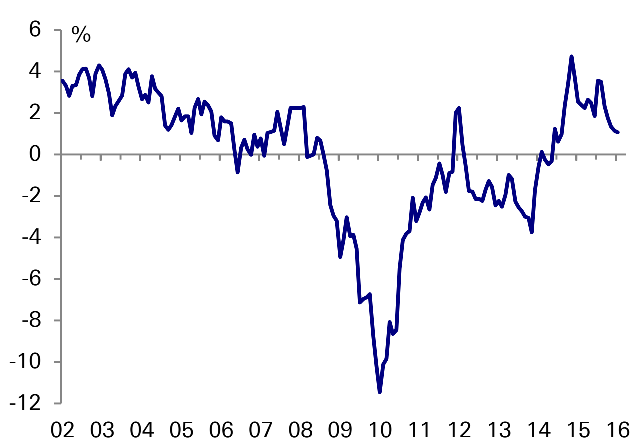
On the reform front, we think investors have some legitimate gripes: the VAT reform has been supported by both major parties and has been near the top of both parties' legislative agendas for many years and yet there seems no sense of urgency to get this done despite the obvious efficiency gains. But in other respects, we think the mood is too gloomy -- the counterpart perhaps to an overly optimistic mood two years ago. Diesel and natural gas prices have been deregulated, providing significant relief to the budget and paving the way for fresh investments. FDI limits on 15 sectors have been raised including in telecommunications, media, aviation, single-brand retail and banking. India has risen 12 spots in the World Bank's "Doing Business Report" (admittedly still ranked 130th).

We are also encouraged by the progress made in rolling out the Aadhaar biometric identity card to nearly one billion people so far and the financial inclusion program that has seen 180mn new bank accounts opened. As we'll argue later, for the government's long-run plans for India to work out the banking system needs to be able to expand and to recycle domestic savings much more than it currently does.

Monetary and fiscal stimulus is likely to be restrained

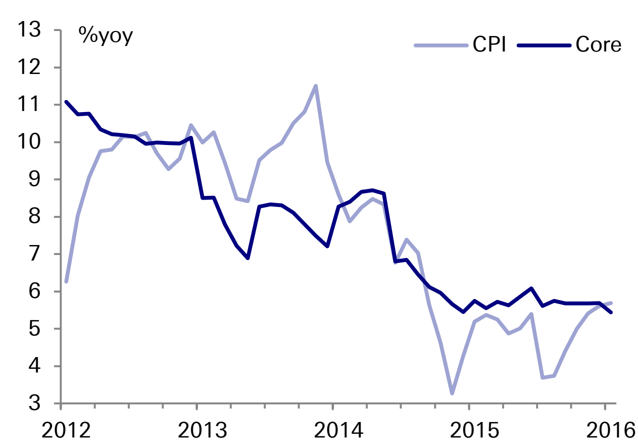
Investors felt encouraged a year ago to invest in India because they expected the RBI to continue to cut rates. They were not disappointed. Since January 2015, the RBI has cut its repo rate by 125bps, but how much more can it do? Committed now to a 2% - 6% inflation target, we think the RBI will find it difficult to cut rates and we expect only one more cut. Headline inflation has risen over the past six months – mostly a reversal of a decline in late 2014 – and this has taken the real repo rate down to a level that is slightly below neutral in the RBI's estimation we think (Figure 11).

Figure 11: Real RBI repo rate



Sources: CEIC and Deutsche Bank Research

Figure 12: Consumer prices

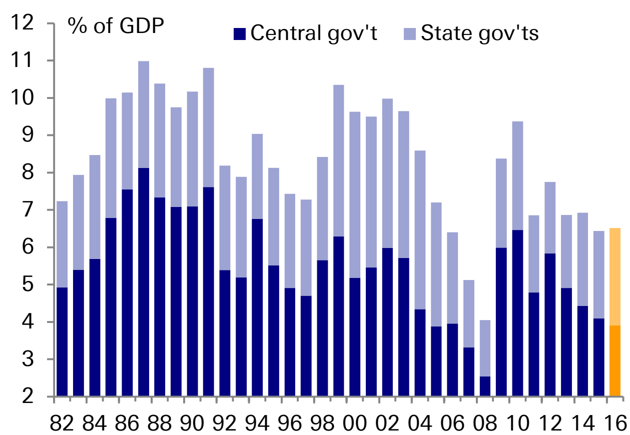


Sources: CEIC and Deutsche Bank Research

The challenge for the central bank, we think, is that core inflation – and this is a very crude measure, excluding all food, fuel and transport, so more than half the index – has been sticky at about 5.7% over the past year or more (Figure 12). This leaves very little room for manoeuvre for a central bank with a 6% upper limit on its inflation target.

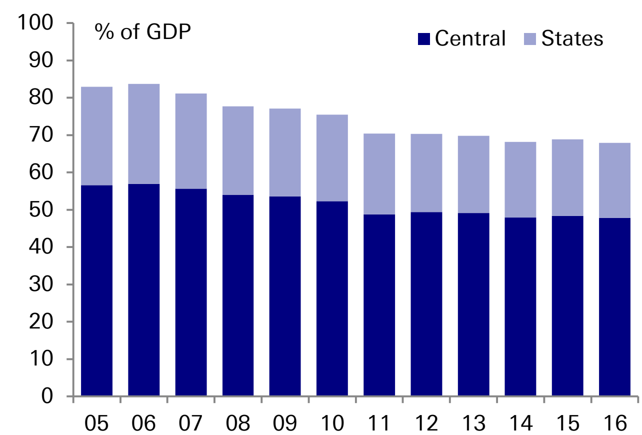
On the fiscal front, the central government is committed to lowering its deficit towards 3% of GDP over the next couple of years.[1] But from an estimated deficit of 3.9% in FY2015/16 we think the government will struggle to lower the deficit to the 3.5% targeted for 2016/17 (Figure 13). The Seventh Pay Commission's recommendation of a 23% increase in salaries and allowances and a likely slower-than-anticipated rise in nominal GDP will make it difficult, we think, for the government to lower its deficit materially. States too may find it difficult under the Pay Commission recommendation to lower their deficits. So as the year unfolds, we would expect, if anything, fiscal policy to become more restrictive as deficits exceed their targets. At least, we would not expect any more stimulus measures. But note that the pay increases could provide a boost to consumption as the rise could reach about 0.7% of GDP.

Figure 13: Central and state government deficits…



Sources: Government of India and Deutsche Bank Research

Figure 14: and debts



Sources: Government of India and Deutsche Bank Research

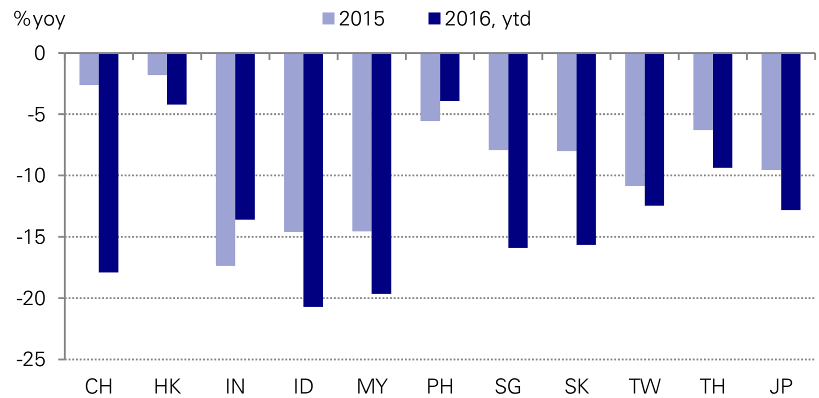
External demand is unlikely to support growth

Neither is the external environment likely to be especially supportive of growth in India. Indian exports have been particularly hard hit by the slowdown in global trade – falling more than in the other Asian economies (Figure 16) -- and with our forecasts for growth in both the European and US economies having been lowered in recent weeks we would not pin our hopes on an export-led pickup in growth in India this year.

Part of the problem is that prior to the collapse in oil prices petroleum exports comprised 20% of India's total exports. But even excluding petroleum, India's exports were weaker than most other countries' in Asia. This is partly because India is relatively more exposed to Europe as a trade partner than the US compared to other countries. So the weak Euro seems to have hit India's exports particularly hard.

[1]For more detailed discussion of central and state finances, see reports by Taimur Baig and Kaushik Das: "India FY17 Budget: commendable strategy but plenty of slippage risks," February 29, 2016 and "India: pressure on state finances," February 26, 2016.

Figure 15: Merchandise exports from Asia 2015-16



Sources: CEIC and Deutsche Bank Research

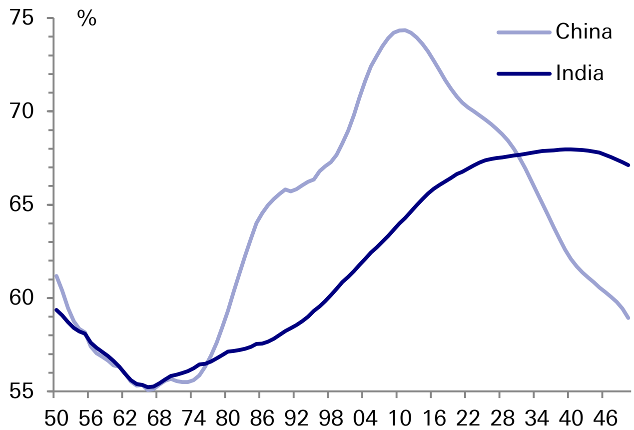
"Make in India" faces constraints too

We are broadly sympathetic with the rationale behind the Make in India campaign. After all, it is essentially a proposal to adopt the same development strategy employed in East and Southeast Asia and China showed spectacularly that even very large countries can benefit from the same outward orientation. By encouraging foreign firms to invest in India initially as an export platform the government hopes to attract close to state of the art technology, the opposite of what happened under its post-independence import-substituting policy in which they imported generations-old technology (hence the Ambassador car) because that's all Indians could then afford.

On the surface, India seems well placed to enjoy decades of "China-style" growth. As is well-known, India not only has a population that rivals China's in size – indeed, it is expected to overtake China within the next decade – but it is much younger with a median age of 27 years to China's 40. The working-age population, defined as those 15 to 64 years old, peaked as a share of the total population in China four years ago (the number of people began falling last year) whereas it is expected to continue rising in India for another 23 years (Figure 17). Indian incomes, measured in dollars of GDP per capita, are one-fifth the level in China today – or about where Chinese incomes were in 2004. In real 2005 dollars, a conventional way to rank productivity levels, Indian incomes are today where they were in China in 2001 before its export sector surged upon opening up to the rest of the world. And in that respect, while India is a much more open economy today than it was fifteen years ago, at about 15% of GDP merchandize exports are about as large, relative to the economy, as they were in China in 1993 (Figure 18). Lastly, only about one-third of Indians live in urban areas, again putting India today where China was developmentally in the late 1990s.[2]

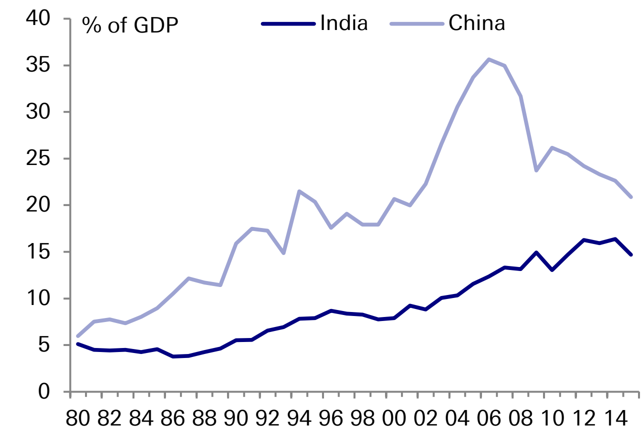
[2] See "Indian Urbanization," *Global Economic Perspectives*, February 27, 2015 for more on this subject.

Figure 16: Working age (15-64) populations



Sources: Haver Analytics and Deutsche Bank Research

Figure 17: Merchandise exports

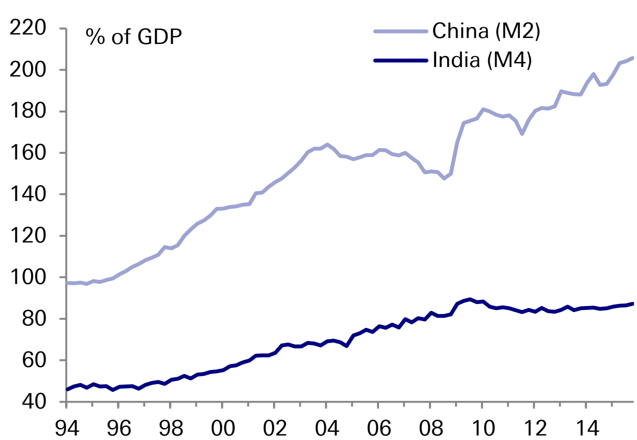


Sources: CEIC and Deutsche Bank Research

So, India has the raw material, as it were, to repeat China's remarkable success in attracting foreign capital in to make advanced goods for export first and then for the domestic market. It has a vast, cheap labour force waiting, perhaps, for the opportunity to move into the city to make a better living.

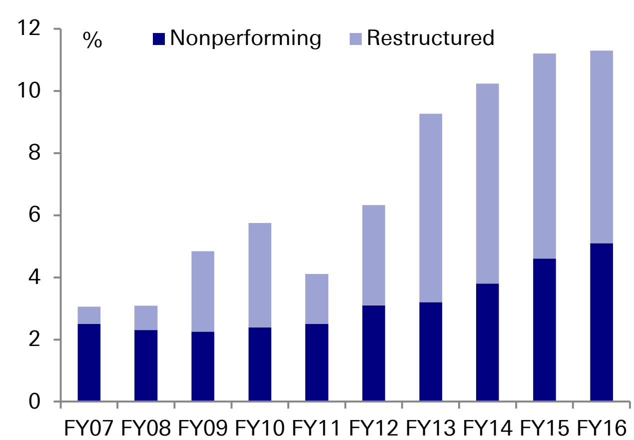
But, India faces three important constraints to adopting the East Asian model. First, while China's governments had very little debt in the late 1990s (state-owned enterprises had a lot, of course) India's governments already have a lot (Figure 14 above). It will be harder – especially in a more transparent, market based economy than China – for the Indian government to lever itself up the way China's government did. This is not a bad thing, of course, but is one reason why the "Indian miracle" wouldn't be as dramatic as China's was.

Figure 18: Broad money in China and India



Sources: CEIC and Deutsche Bank Research

Figure 19: Problem assets in the Indian banking system



Sources: RBI and Deutsche Bank Research

Second, China's growth was financed mostly by its own banking system, which has expanded rapidly. M2 has doubled as a share of GDP over the past 20 years, but GDP itself has increased ten-fold over that time (Figure 18). So the balance sheet of the financial system has increased more than 20 times in the last 20 years – total social financing has increased tenfold since 2002. Can India's banking system grow that quickly? Whatever one thinks of the state of Chinese banks' balance sheets, they show no signs of being inhibited in extending credit. Indian banks, on the other hand, have seen a sharp rise in nonperforming and restructured assets and have, consequently, become more restrained in extending credit (Figure 19). Indian public sector banks behave like private sector banks when they are faced with a need to raise capital. And the Indian government, faced with a budget constraint, is unlikely to be able to inject capital swiftly enough into the Indian state banks to allow the system to grow as quickly as China's 'did.[3] Again, this is not necessarily a bad thing – much of the credit created by China's banks will have to be written off – but is another reason not to expect Chinese-style growth rates.

Lastly, the global political climate has changed significantly for the worse from the perspective of any country trying to embrace export-led growth. It was in some sense too late by the time politicians in Europe and the US realized what China's opening up had done to wages in their countries. As usual, the consumers who benefit from lower prices and lower interest rates have less powerful a voice politically than the workers who have lost their jobs to foreign competitors or seen their wages stagnate in order to remain employed. Will the rest of the world allow India to do the same all over again? We fear not. A more protectionist impulse has returned to the US and we think it will be harder for India to exploit the East Asian model than it was for China.

Conclusion

It is the nature of markets to over-react. Investors were, we thought, overly optimistic that Mr. Modi's election in 2014 would immediately lead to a surge in growth. Rather, they have learned that genuine reform takes a long time. Even China's growth surge in the early 2000s came after a decade of opening up and restructuring. India's demographic profile lends a certain inevitability to growth being sustained at a high rate for a prolonged period as long as the government does not stand in the way. Since the government is committed to doing the opposite, to facilitating private investment by opening up the economy and improving the business climate, we remain fundamentally optimistic on India's medium- and long-term prospects.

In the near-term, we see little reason to expect a significant decline in the trend growth rate of about 7% on real GDP. Unless inflation rises sharply and unexpectedly, consumption is likely to remain strong enough to support this rate of growth and we think it is reasonable to expect the improvement in investment conditions to yield an increase in investment growth. For that reason, we see growth rising modestly over the next few years.

The faster the government can introduce key reforms – to the Bankruptcy Code, to introduce the VAT, further liberalization of private foreign investment and relaxation of labour laws – the earlier growth can 'take off' in the Chinese style if not to the same extent.

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[3]This is not to say that the government won't try. Since FY06, the government has injected cumulatively about 0.9% of GDP worth of capital into the public banks and the government plans to inject a further INR700bn (about 0.6% of current GDP) into the banks over the next four years. But this is clearly far too little to support the kidn of growth seen in the Chinese banking system.

Central Bank Watch

G3

US

Based on recent economic and financial news, as well as recent Fedspeak, we do not expect the Fed to hike rates this month. Further moves by the Fed will be data driven. Our House view is for near-term growth and inflation prospects to remain subdued enough to keep the Fed on hold until late this year, but the likelihood of a rate as soon as June has clearly been on the rise.

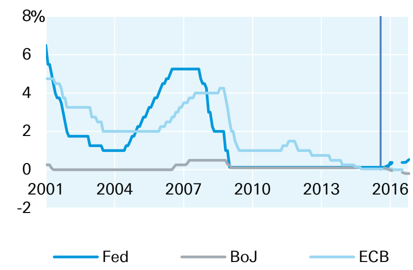
Japan

With the economy back in recession and inflationary impulses waning, the Bank of Japan likely feels some need to provide stimulus. We do not expect a rate cut – it is too soon after the initial move below zero – but an increase in monthly asset purchases or change in the composition of assets acquired is a possibility next week.

Euroland

Contrary to the market response, we are positive on the ECB's latest easing measures. It amounts to a comprehensive and targeted credit easing package. It leans against the risks of tighter lending standards and the downside risks to growth, with particular support for the periphery.

Figure 1: G3 policy rates



%	Current	Mar-16	Jun-16	Sep-16	Dec-16
Fed	0.38	0.38	0.38	0.38	0.63
BoJ	-0.10	-0.10	-0.10	-0.20	-0.20
ECB	0.0	0.0	0.0	0.0	0.0

Source: Deutsche Bank Research

Other European countries

UK

We expect the BoE to raise rates in late 2016, by 25bps in November and 50bps per year thereafter. However, the recent weakening in the surveys and patch of financial stress at the start of the year suggests risks are for a delay.

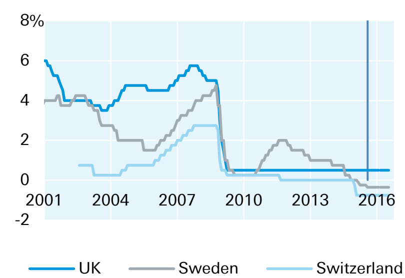
Sweden

In February, the Riksbank cut the repo rate 15bp to -0.50%. The Central Bank's rate profile suggests there is a small risk of a further cut.

Switzerland

The SNB left policy on hold at its last meeting with rates well below zero. We see further gradual depreciation of CHF vs. EUR going forward.

Figure 2: Key European policy rates



%	Current	Mar-16	Jun-16	Sep-16	Dec-16
BoE	0.50	0.50	0.50	0.50	0.75
SRB	-0.50	-0.50	-0.50	-0.50	-0.50
SNB	-0.75	-0.75	-0.75	-0.75	-0.75

Source: Deutsche Bank Research

Dollar bloc

Canada

Although the Bank of Canada left its target for the overnight rate unchanged at 0.50 at its recent (Jan 20) Policy Rate Announcement, there is a significant risk that it will ease further given the lingering concerns about health of the global economy and the heightened concern about the negative impact of recent declines in oil prices on the energy dependent provinces in the country. However, given evidence that the economy is reorienting toward non-resources activity, the prospect of fiscal stimulus in the upcoming budget and the positive outlook for the US economy, we expect the Bank to remain on hold until mid-way through the first half of next year and to gradually adopt a less stimulative policy stance during the remainder of the year.

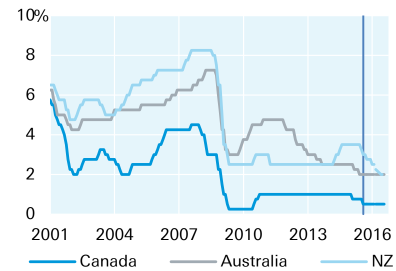
Australia

Our expectation of a broadly stable unemployment rate over 2016, with some prospect of a modest decline further down the track should see the RBA cash rate end 2016 at its current level of 2.00%. That said, with core inflation running at just 2.0% yoy – at the bottom of the RBA's target band – the inflation data certainly give the Bank plenty of scope to ease down the track if activity were to take a surprising leg lower.

New Zealand

Following its decision to cut the OCR on 10 March the RBNZ retains an easing bias, with its formal projections encompassing an assumed further 25bp easing this year. Whilst we cannot rule out the possibility that this will take place at the next meeting on 28 April, a cut at the 9 June meeting seems more likely. In the mean time the RBNZ will continue to closely track developments in the global economy and financial markets, including developments in key export prices and the exchange rate.

Figure 3: Dollar bloc policy rates



%	Current	Mar-16	Jun-16	Sep-16	Dec-16
BoC	0.50	0.50	0.50	0.50	0.50
RBA	2.00	2.00	2.00	2.00	2.00
RBNZ	2.25	2.25	2.00	2.00	2.00

Source: Deutsche Bank Research

BRICs

China

The government continues to loosen fiscal and monetary policies to support growth. We expect 3 more RRR cuts and 2 interest rate cuts in 2016. Capital controls are tightened to mitigate the decline of reserves. We see upside risks to our Q2 growth forecast of 6.8%, but we continue to expect growth to slow in H2.

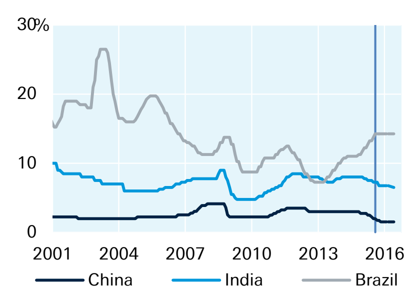
India

RBI's near-term target of achieving 5.8% CPI inflation by January 2016 has been met. But achieving the medium-term target of pushing inflation below 5% by early 2017 is going to be an uphill task given the various risks from fiscal, food supply, and services sector inflation, which probably will lead RBI to maintain a cautious stance. Consequently, we expect only one 25bps rate cut in 1H2016.

Brazil

As the BCB has become more concerned about the deterioration in the local economy and also in the external economic environment, we believe the next move will be a rate cut. However, since inflation remains significantly above the target, we see no change in rates until 4Q16.

Figure 4: BRICs policy rates



%	Current	Mar-16	Jun-16	Sep-16	Dec-16
PBoC	1.50	1.50	1.50	1.25	1.00
RBI	6.75	6.75	6.50	6.50	6.50
BCB	14.25	14.25	14.25	14.25	13.25

Source: Deutsche Bank Research

Central Bank policy rate monitor

	Max (2007-2008)	Trough policy rate*	2009 Dec	2010 Dec	2011 Dec	2012 Dec	2013 Dec	2014 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
US	5.25	0.13	0.13	0.13	0.13	0.13	0.13	0.13											
Japan	0.50	0.10	0.10	0.10	0.10	0.10	0.10	0.10											
Euro area	4.25	0.05	1.00	1.00	1.00	0.75	0.25	0.25					0.15 ↓			0.05 ↓			
UK	5.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50											
Sweden	4.75	-0.35	0.25	1.25	1.75	1.00	0.75	0.75						0.25 ↓			0.00 ↓		
Denmark	5.50	-0.75	0.95	0.70	0.30	-0.20	-0.10	-0.10			0.05 ↑					-0.05 ↓			
Norway	5.75	#N/A	1.75	2.00	1.75	1.50	1.50	1.50											1.25 ↓
Switzerland	2.75	-0.75	0.25	0.25	0.00	0.00	0.00	0.00											-0.25 ↓
Australia	7.25	2.00	3.75	4.75	4.25	3.00	2.50	2.50											
Canada	4.50	0.25	0.25	1.00	1.00	1.00	1.00	1.00											
New Zealand	8.25	2.50	2.50	3.00	2.50	2.50	2.50	2.50		2.75 ↑	3.00 ↑		3.25 ↑	3.50 ↑					
EMEA																			
Czech	3.75	0.05	1.00	0.75	0.75	0.05	0.05	0.05											
Hungary	11.50	1.35	6.25	5.75	7.00	5.75	3.00	2.85	2.70 ↓	2.60 ↓	2.50 ↓	2.40 ↓	2.30 ↓	2.10 ↓					
Israel	4.50	0.10	1.00	2.00	2.75	2.00	1.00	1.00		0.75 ↓					0.50 ↓	0.25 ↓			
Kazakhstan	11.00	5.50	7.00	7.00	7.50	5.50	5.50	5.50											
Poland	6.00	1.50	3.50	3.50	4.50	4.25	2.50	2.50									2.00 ↓		
Romania	10.25	1.75	8.00	6.25	6.00	5.25	4.00	3.75	3.50 ↓						3.25 ↓		3.00 ↓	2.75 ↓	
Russia	9.50	5.00	6.00	5.00	5.25	5.50	5.50	5.50		7.00 ↑	7.50 ↑			8.00 ↑				9.50 ↑	17.00 ↑
South Africa	12.00	5.00	7.00	5.50	5.50	5.00	5.00	5.50						5.75 ↑					
Turkey	22.50	4.50	9.00	6.25	5.75	5.50	10.00	10.00			9.50 ↓	8.75 ↓	8.25 ↓						7.75 ↓
Ukraine	12.00	6.50	10.25	7.75	7.75	7.50	6.50	6.50			9.50 ↑			12.50 ↑				14.00 ↑	
LatAm																			
Brazil	13.75	7.25	8.75	10.75	11.00	7.25	10.00	10.50	10.75 ↑		11.00 ↑						11.25 ↑		11.75 ↑
Chile	8.25	0.50	0.50	3.25	5.25	5.00	4.50	4.50	4.25 ↓	4.00 ↓				3.75 ↓	3.50 ↓	3.25 ↓	3.00 ↓		
Colombia	10.00	3.00	3.50	3.00	4.75	4.25	3.25	3.25			3.50 ↑	3.75 ↑	4.00 ↑	4.25 ↑	4.50 ↑				
Mexico	8.25	3.00	4.50	4.50	4.50	4.50	3.50	3.50					3.00 ↓						
Peru	6.50	1.25	1.25	3.00	4.25	4.25	4.00	4.00						3.75 ↓		3.50 ↓			
Asia																			
China	4.14	1.75	2.25	2.75	3.50	3.00	3.00	3.00										2.75 ↓	
Hong Kong	6.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50											
India	9.00	4.75	4.75	6.25	8.50	8.00	7.75	8.00											
Indonesia	9.50	5.75	6.50	6.50	6.00	5.75	7.50	7.50										7.75 ↑	
Korea	5.25	1.50	2.00	2.50	3.25	2.75	2.50	2.50							2.25 ↓		2.00 ↓		
Malaysia	3.50	2.00	2.00	2.75	3.00	3.00	3.00	3.00						3.25 ↑					
Philippines	7.50	3.50	4.00	4.00	4.50	3.50	3.50	3.50						3.75 ↑		4.00 ↑			
Singapore	3.25	0.17	0.31	0.20	0.18	0.18	0.21												
Sri Lanka	12.00	7.50	9.75	9.00	8.50	9.50	8.50	8.00											
Taiwan	3.63	1.25	1.25	1.63	1.88	1.88	1.88	1.88											
Thailand	4.75	1.25	1.25	2.00	3.25	2.75	2.25	2.25		2.00 ↓									
Vietnam	15.00	6.50	8.00	9.00	15.00	9.00	7.00	7.00		6.50 ↓									

	2015 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2016 Jan	Feb	Mar
US												0.26 ↑	0.38 ↑		
Japan														-0.10 ↓	
Euro area															0.00 ↓
UK															
Sweden		-0.10 ↓	-0.25 ↓				-0.35 ↓							-0.50 ↓	
Denmark	-0.50 ↓	-0.75 ↓											-0.65 ↑		
Norway						1.00 ↓			0.75 ↓						
Switzerland	-0.75 ↓														
Australia		2.25 ↓			2.00 ↓										
Canada	0.75 ↓						0.50 ↓								
New Zealand						3.25 ↓	3.00 ↓		2.75 ↓			2.50 ↓			2.25 ↓
EMEA															
Czech															
Hungary			1.95 ↓	1.80 ↓	1.65 ↓	1.50 ↓	1.35 ↓								
Israel			0.10 ↓												
Kazakhstan															
Poland			1.50 ↓												
Romania	2.50 ↓	2.25 ↓		2.00 ↓	1.75 ↓										
Russia		15.00 ↓	14.00 ↓		12.50 ↓	11.50 ↓		11.00 ↓							
South Africa							6.00 ↑				6.25 ↑		6.75 ↑		
Turkey	7.50 ↓														
Ukraine		19.50 ↑	30.00 ↑					27.00 ↓	22.00 ↓						
LatAm															
Brazil	12.25 ↑		12.75 ↑	13.25 ↑		13.75 ↑	14.25 ↑								
Chile										3.25 ↑		3.50 ↑			
Colombia									4.75 ↑		5.50 ↑	5.75 ↑		6.25 ↑	
Mexico												3.25 ↑			
Peru	3.25 ↓								3.50 ↑			3.75 ↑	4.00 ↑	4.25 ↑	
Asia															
China			2.50 ↓		2.25 ↓	2.00 ↓		1.75 ↓		1.50 ↓					
Hong Kong												0.75 ↑			
India	7.75 ↓		7.50 ↓			7.25 ↓			6.75 ↓						
Indonesia		7.50 ↓											7.25 ↓	7.00 ↓	
Korea			1.75 ↓			1.50 ↓									
Malaysia															
Philippines															
Singapore															
Sri Lanka				7.50 ↓										8.00 ↑	
Taiwan									1.75 ↓			1.63 ↓			
Thailand			1.75 ↓	1.50 ↓											
Vietnam															

Note: 1. Red arrow means rate hike, green arrow means rate cut.

2. Since February-2016, Japan policy rate is the interest rate on reserve balance.

Source: Deutsche Bank, Central Banks, Haver Analytics

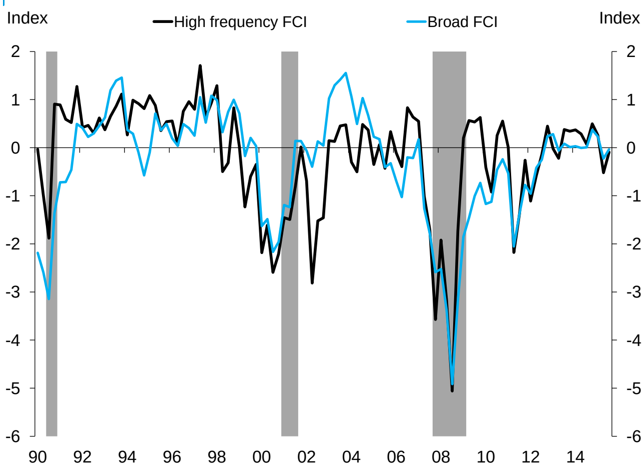
Global data monitor: Recent developments and near term forecasts

	B'bergcode	Q2-15	Q3-15	Q4-15	Q1-16	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
OECD leading indicators										
(6M change, %, ann.)										
OECD		1.5	1.3	1.0		1.1	1.0	1.0		
US	OLE3US	1.5	1.0	0.6		0.7	0.6	0.5		
Euro area	OLE3EURA	0.7	1.0	1.0		1.1	1.1	1.0		
Japan	OLE3JAPA	0.3	0.6	0.3		0.5	0.4	0.2		
China	OLE3CHIN	6.4	6.1	6.1		6.0	6.1	6.2		
India	OLE3INDI	7.7	7.7	7.7		7.7	7.7	7.7		
Russia	OLE3RUSS	-1.1	-1.8							
Brazil	OLE3BRAZ	-0.1	-0.3							
Other business surveys										
US dur. goods orders (%pop1)	DGNOCHNG	0.0	-0.6	-0.3		2.8	-0.5	-4.6	4.7	
Japanese Tankan (LI)	JNTSMFG	15.0	12.0	12.0						
Euro area EC sentiment	EUESEMU	103.7	104.5	106.3	104.5	106.1	106.0	106.7	105.1	103.8
Industrial production (%pop1)										
US	IP CHNG	-2.3	2.7	-3.3		-0.1	-0.8	-0.7	0.9	0.3
Euro area	EUITEMUM	-0.5	0.9	-0.3		0.9	-0.5	-1.0		
Japan	JNIPMOM	-5.6	-4.8	2.4	9.2	1.4	-0.9	-1.7	3.7	
Retail sales (%pop1)										
US	RSTAMOM	6.6	4.5	1.0		0.0	0.3	0.2	0.2	0.1
Euro area	RSSAEMUM	2.0	2.6	0.2		-0.2	0.1	0.6	0.4	
Japan (household spending)		-10.7	2.0	-7.5		-0.6	-2.2	1.0	-0.6	
Labour market										
US non-farm payrolls2	NFP TCH	251	192	198	207	295	280	271	172	242
Euro area unemployment (%)	UMRTEMU	11.0	10.7	10.5		10.6	10.5	10.4	10.3	
Japanese unemployment (%)	JNUE	3.4	3.4	3.3		3.2	3.3	3.3	3.2	
CP inflation (%yoy)										
US	CPICHNG	0.0	0.1	0.5	0.9	0.2	0.5	0.7	1.4	0.2
Euro area	ECCPEMUY	0.2	0.1	0.2	-0.4	0.1	0.1	0.2	0.3	-0.2
Japan	JNCPIYOY	0.5	0.2	0.3		0.3	0.3	0.2	-0.1	
China	CNCPIYOY	1.5	1.8	1.5	2.1	1.3	1.5	1.7	1.9	2.3
India		5.1	3.9	5.3		5.0	5.4	5.6	5.7	
Russia	RUCPIYOY	15.8	15.7	14.5	8.1	15.6	15.0	12.9	9.8	8.1
Brazil		8.5	9.5	10.4	9.8	9.9	10.5	10.7	10.7	10.4
Current account (USD bn)3										
US (trade balance, g+s)	USTBTOT	-44.4	-46.2	-44.6		-45.5	-43.6	-44.7	-45.7	
Euro area (EUR bn)	XTSBEZ	20.0	20.5	21.1		19.8	22.6	21.0		
Japan		10.7	11.1	13.5		13.7	12.8	13.9	12.6	
China (trade in goods)		139.5	140.5	141.5						
Russia (trade in goods)		14.4	9.4	10.1		10.1	9.1	11.0		
Other indicators										
Oil prices (Brent, USD/b)	EUCRBRDT	61.7	50.2	43.6	31.4	48.4	44.3	38.0	30.7	32.2
FX reserves China (USD bn)	CNGFOREX	3693.8	3514.1	3330.4						

Quarterly data in shaded areas are quarter-to-date. Monthly data in the shaded areas are forecasts.
1 %pop=%change in this period over previous period. Quarter on quarter growth rates is annualized.
Pop change in '000, quarterly data averages of monthly changes.
Quarterly data are averages of monthly balances.
Source: Bloomberg Finance LP, Reuters, Eurostat, European Commission, OECD, Bank of Japan, National statistical offices, Markit/JP Morgan, Deutsche Bank Research

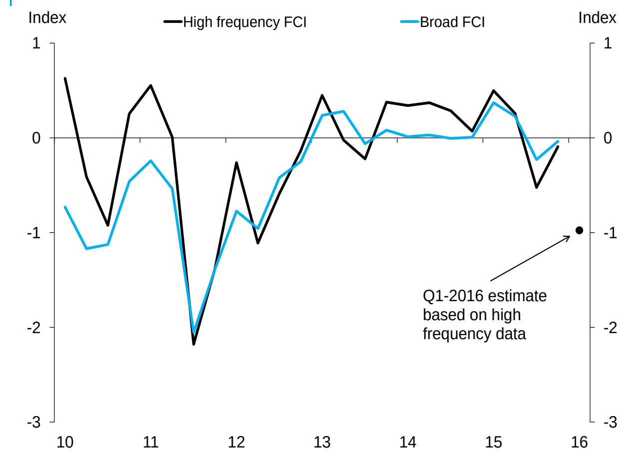
US financial conditions monitor

Chart 1: DB FCIs from 1990 through Q4-2015



Source: USMPF (2010), Deutsche Bank Research

Chart 2: DB FCIs with high frequency estimate for Q1-2016



Source: USMPF (2010), Deutsche Bank Research

Chart 3: Contributions to change in DB high frequency FCI

Change from Q4-2015 to Q1-2016 estimate

Variables	Contribution
Price of Oil Relative to 2Year MA	0.16
ACM Term Premium: 10 Year (%)	0.02
Nominal trade-weighted USD	-0.02
FedFunds/3monthTBill Spread	-0.04
VIX Index	-0.12
Baa/10yr T-note Spread	-0.14
30-yr Conventional mortgage/ 10yr T-note Spread	-0.23
Wilshire 5000	-0.48

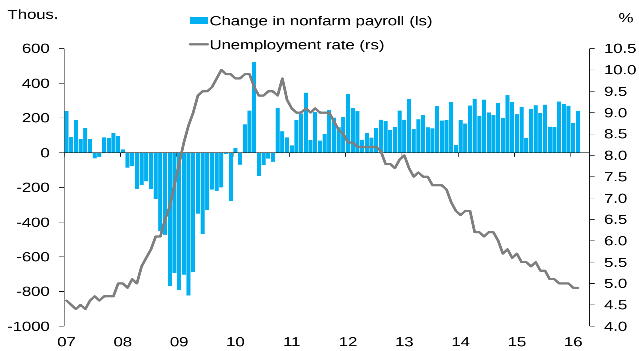
Change from Q3-2015 to Q4-2015

Variables	Contribution
Wilshire 5000	0.24
VIX Index	0.17
FedFunds/3monthTBill Spread	0.06
Nominal trade-weighted USD	0.04
30-yr Conventional mortgage/ 10yr T-note Spread	0.03
ACM Term Premium: 10 Year (%)	0.01
Price of Oil Relative to 2Year MA	0.01
Baa/10yr T-note Spread	-0.12

Source: Deutsche Bank Research

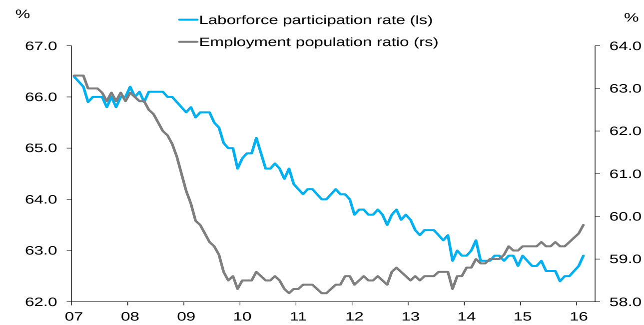
Charts of the Week

Chart 1. In the U.S February even though the unemployment rate remained steady, the rise in nonfarm payrolls exceeded the market expectations..



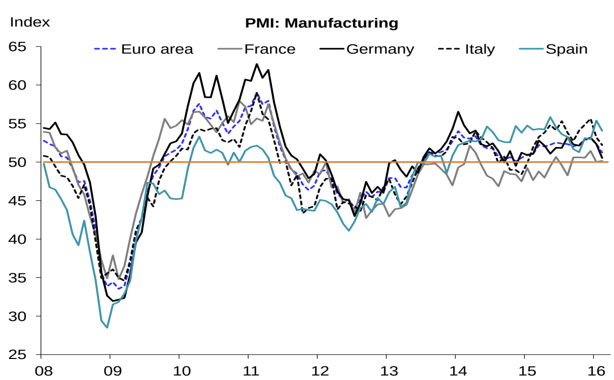
Source BLS, Haver Analytics , Deutsche Bank Research

Chart 2. Also the participation rate and employment population keeps on improving in the month of February as well.



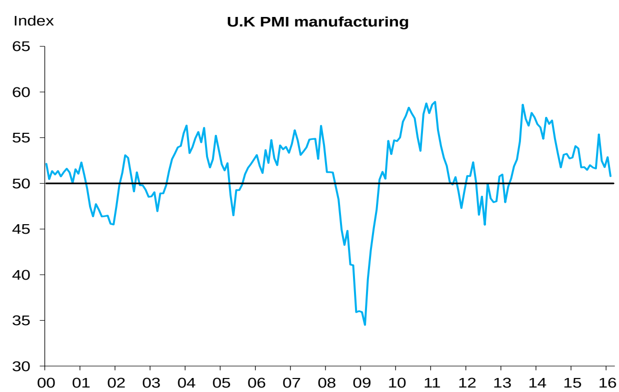
Source: BLS, Haver Analytics, Deutsche Bank Research

Chart 3. Euro zone manufacturing shows signs of strains but large variations can be seen across member states; German slow down is particularly notable..



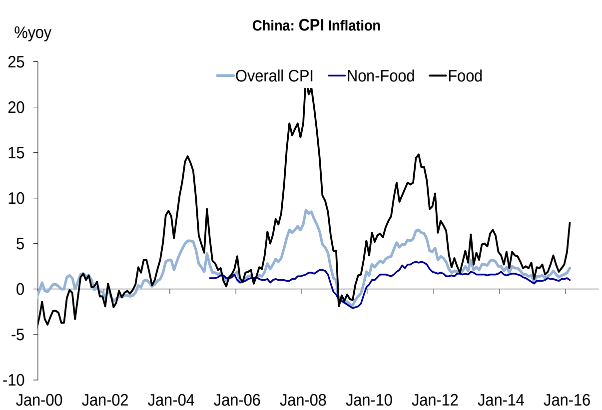
Source: Markit, Haver Analytics, Deutsche Bank Research

Chart 4. The manufacturing report out of the UK on the other hand was also highly disappointing.



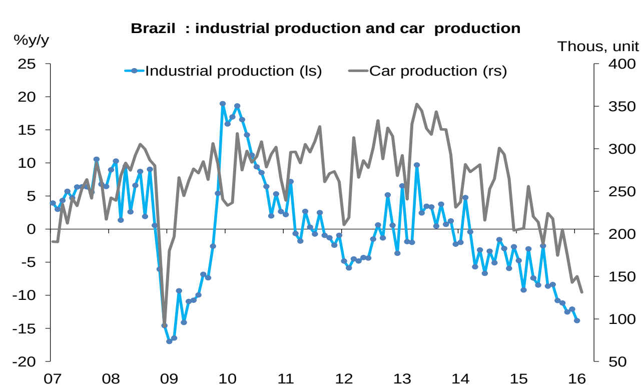
Source: Markit, Haver Analytics, Deutsche Bank Research

Chart 5. China sees rise in headline CPI inflation mostly driven by rise in food prices.



Source: CNBS, Bloomberg Finance LP , Deutsche Bank Research

Chart 6. Brazil's IP continues to contract; auto production is almost hitting new cycle lows.



Source: IBGE, ANFAVEA, Haver Analytics, Deutsche Bank Research

Global Week Ahead: Monday, 14 March – Friday, 18 March

- Dollar Bloc: In the US, the focus will be on the March FOMC report. In the data bucket we have a huge spread starting from February Inflation to Retail sales, Business inventories, Industrial production and Capacity utilization. Among the Housing parameters, we have Housing starts, Building permits and NAHB housing market surveys. We also have Empire manufacturing and Consumer sentiment under the surveys. In Canada we have January Retail sales and February CPI inflation report lined up for later next week. In Australia, we have the February Employment report and for New Zealand we have Q4 GDP report queued up.

- Europe: In the Euro zone, we have the Q4 Employment print and February Inflation releases.

- Asia incl. Japan: In Japan the BoJ policy rate announcement for March is lined up and India, will report its February WPI and CPI inflation data early next week.

Country	GMT	Release	DB Expected	Consensus	Previous
		Monday, 14 March			
INDIA	06:30	WPI monthly (Feb)	0.1%	-0.2%	-0.9%
CZECH REPUBLIC	08:00	Retail sales (Jan)			(8.7%)
EUROLAND	10:00	IP (Jan)			-1.0% (-1.3%)
INDIA	12:00	CPI (Feb)	(5.4%)	(5.5%)	(5.7%)
POLAND	13:00	Merchandise trade balance (Jan)			EUR3,678.6m

Events and meetings: EUROLAND: EU foreign ministers to hold meeting in Brussels – 09:00 GMT. NEW ZEALAND: RBNZ governor Wheeler to speak in Auckland– 19:00 GMT.

Country	GMT	Release	DB Expected	Consensus	Previous
		Tuesday, 15 March			
JAPAN		BOJ policy rate (Mar)		-0.10%	-0.10%
FRANCE	07:45	HICP (Feb)			-1.1% (0.3%)
CZECH REPUBLIC	08:00	Industrial production (Jan)			(0.7%)
DENMARK	08:00	PPI (Feb)			(-2.1%)
TURKEY	08:00	Unemployment rate (Dec)			10.5%
SWEDEN	08:30	CPI headline (Feb)			-0.40% (0.80%)
SWEDEN	08:30	CPIX (Feb)			-0.40% (1.60%)
ITALY	09:00	HICP (Feb)			-2.2% (0.4%)
EUROLAND	10:00	Employment (Q4)			0.3% (1.1%)
BRAZIL	12:00	National unemployment rate (Dec)			9.00%
US	12:30	Core PPI (Feb)	0.2%	0.1% (1.1%)	0.4% (0.6%)
US	12:30	PPI (Feb)	-0.1%	-0.1% (0.1%)	0.1% (-0.2%)
US	12:30	Retail sales ex autos (Feb)	0.2%	-0.2%	0.1% (2.5%)
US	12:30	Retail sales (Feb)	0.1%	-0.1%	0.2% (3.4%)
US	12:30	NY fed empire state survey (Mar)	-10.0	-10.0	-16.6
POLAND	13:00	CPI (Feb)	(-0.6%)		-0.4% (-0.7%)
US	14:00	Business inventories (Jan)	-0.2%	0.0%	0.1% (-1.7%)
US	14:00	NAHB housing market index (Mar)	58.0	59	58.0
US	20:00	Net foreign sec purchase (Jan)			-USD29.4bn
NEW ZEALAND	21:45	Current account balance (Q4)			-NZD4.75bn

Events and meetings: AUSTRALIA: RBA March meeting minutes – 00:30 GMT. EUROLAND: EU general affairs ministers to hold meeting in Brussels – 09:00 GMT JAPAN: BoJ March policy rate to be announced – 09:00 GMT

Country	GMT	Release	DB Expected	Consensus	Previous
		Wednesday, 16 March			
HUNGARY	08:00	Construction (Jan)			(8.0%)
CZECH REPUBLIC	08:00	PPI (Feb)			(-3.4%)
NORWAY	09:00	Trade balance (Feb)			NOK16.90bn
UK	09:30	ILO unemployment change (Jan)			-60.0k
UK	09:30	ILO unemployment rate (Jan)			5.1%
SOUTH AFRICA	11:00	Retail sales (Jan)			(4.1%)
US	12:30	Building permits (Feb)	1,200.0k	1,203.0k	1,202.0k
US	12:30	Housing starts (Feb)	1,150.0k	1,139.0k	1,099.0k
US	12:30	CPI (Feb)	0.0%	-0.2% (1.0%)	0.0% (1.4%)
US	12:30	Core CPI (Feb)	0.2%	0.2% (2.2%)	0.3% (2.2%)
CANADA	12:30	Manufacturing shipments (Jan)			1.2%
POLAND	13:00	Avg. gross wages (Feb)			(4.0%)
POLAND	13:00	Core inflation (Feb)			
US	13:15	Capacity utilization (Feb)	77.3%	76.9%	77.1%
US	13:15	IP (Feb)	0.3%	-0.1%	0.9% (-0.7%)

Country	GMT	Release	DB Expected	Consensus	Previous
		Wednesday, 16 March continued			
US	18:00	FOMC rate (Mar)		0.50%	0.50%
NEW ZEALAND	21:45	GDP (Q4)			0.9% (2.3%)

Events and meetings: US: FOMC rate decision for March – 18:00 GMT.

Country	GMT	Release	DB Expected	Consensus	Previous
		Thursday, 17 March			
AUSTRALIA	00:30	Labour force unemp rate (Feb)		5.9%	6.0%
AUSTRALIA	00:30	Participation rate (Feb)		65.2%	65.2%
SWITZERLAND	08:15	Combined PPI and IPI (Feb)			-0.40% (-5.30%)
SWEDEN	08:30	Unemployment rate (Feb)			7.50%
NORWAY	09:00	Norges bank deposit rate (Mar)			0.75%
ITALY	09:00	Trade balance (Jan)			EUR6.02bn
EUROLAND	10:00	Trade balance (Jan)			EUR21.0bn
EUROLAND	10:00	Core HICP (Feb)			(0.7%)
EUROLAND	10:00	HICP (Feb)			-1.4% (-0.2%)
EUROLAND	10:00	Construction output (Jan)			-0.6% (-0.4%)
UK	12:00	BoE rate announcement (Mar)		0.50%	0.50%
US	12:30	Continuing claims (Mar)			
US	12:30	Initial jobless claims (Mar)			
US	12:30	BoP (Q4)			-USD124.1bn
US	12:30	Philly fed (Mar)	-2.0		-2.8
CANADA	12:30	Wholesale sales (Jan)			2.0%
POLAND	13:00	Industrial production (Feb)			(1.4%)
POLAND	13:00	PPI (Feb)			(-1.2%)

Events and meetings: NORWAY: Norges bank to announce deposit rate for March – 09:00 GMT. UK: BoE to announce rate for March – 12:00 GMT.

Country	GMT	Release	DB Expected	Consensus	Previous
		Friday, 18 March			
GERMANY	07:00	PPI (Feb)			-0.7% (-2.4%)
HUNGARY	08:00	Avg. gross wages (Jan)			(5.7%)
NORWAY	09:00	Unemployment rate (Mar)			3.30%
EUROLAND	10:00	Labour costs (Q4)			(1.1%)
RUSSIA	10:30	CBR monetary policy committee meeting (Mar)		11.00%	11.00%
CHILE	11:30	Current account (Q4)			-USD2,595.0m
CHILE	11:30	GDP (Q4)			(2.2%)
CANADA	12:30	Retail sales ex auto (Jan)			-1.6%
CANADA	12:30	Retail sales (Jan)			-2.2%
CANADA	12:30	CPI (Feb)			0.2% (2.0%)
CANADA	12:30	Core CPI (Feb)			0.3% (2.0%)
BELGIUM	14:00	Consumer confidence (Mar)			-5.00
US	14:00	Consumer sentiment prelim (Mar)	91.0	92.2	91.7
GERMANY	07:00	PPI (Feb)			-0.7% (-2.4%)

Events and meetings: RUSSIA: CBR MPC meeting for March – 10:30 GMT. US: Fed's Dudley to give opening remarks at Supervision conference – 13:00 GMT. US: Fed's Rosengren to speak on a panel at Supervision Conference – 15:00 GMT. US: Fed's Bullard to speak at a policy forum in Frankfurt – 18:00 GMT.

Source: Australian Bureau of Statistics; Bank of Canada; Bank of Japan; BEA; BLS; Bundesbank; Bureau of Labor Statistics, U.S Department of Labor; Cabinet Office, Government of Japan; ECB; Eurostat; Indian Central Statistical Organization; INE; INSEE; ISTAT; ISTAT.IT; Ministry of Finance Japan; National Association of Realtors; National Bureau of Statistics; National Statistics Office; OECD - Composite Leading Indicator; People's Bank of China; Reserve Bank of Australia; Reserve Bank of New Zealand; Statistics Canada; Statistics Netherlands; Statistics of New Zealand; U.S. Census Bureau; U.S. Department of Labor, Employment & Training Administration; U.S. Department of the Treasury; U.S. Federal Reserve.

Note: Since February 2016, Japan policy rate is the interest rate on reserve balance.

Unless otherwise indicated, numbers without parenthesis are either % month-on-month or % quarter-on-quarter, depending on the frequency of release, while numbers in parenthesis are % year-on-year. * on the release time means indicative release time. * on indicator name means indicative/earliest release date

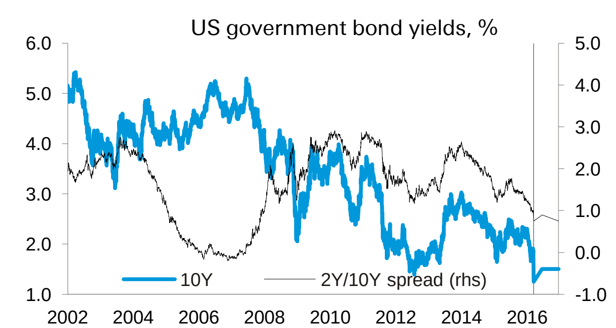
Source: Deutsche Bank

Financial Forecasts

		US	Jpn	Euro	UK	Swe*	Swiss*	Can*	Aus*	NZ*
3M Interest	Actual	0.63	0.10	-0.23	0.59	-0.50	-0.75	0.50	2.00	2.25
Rates[1]	Mar-16	0.58	0.10	-0.25	0.60	-0.50	-0.75	0.50	2.00	2.25
DB forecasts	Jun-16	0.58	0.10	-0.30	0.64	-0.50	-0.75	0.50	2.00	2.00
	Dec-16	0.83	0.05	-0.30	0.95	-0.50	-0.75	0.50	2.00	2.00
10Y Gov't[2]	Actual	1.95	-0.02	0.31	1.53	n.a.	n.a.	1.30	2.59	2.92
Bond/Yields	Mar-16	1.25	0.00	0.25	1.50	n.a.	n.a.	1.40	2.50	3.00
Spreads[3]	Jun-16	1.50	-0.05	0.45	1.60	n.a.	n.a.	1.60	2.50	3.00
DB forecasts	Dec-16	1.50	-0.10	0.80	1.90	n.a.	n.a.	2.00	2.75	3.00
		EUR/ USD	USD/ JPY	EUR/ GBP	GBP/ USD	EUR/ SEK	EUR/ CHF	USD/ CAD	AUD/ USD	NZD/ USD
Exchange	Actual	1.12	113.3	0.77	1.42	9.19	1.08	1.33	0.75	0.67
Rates	Mar-16	1.05	109.0	0.76	1.38	9.10	1.08	1.39	0.70	0.65
	Jun-16	1.03	105.0	0.75	1.37	8.99	1.11	1.40	0.68	0.63
	Dec-16	0.95	112.0	0.74	1.28	8.75	1.12	1.43	0.60	0.55

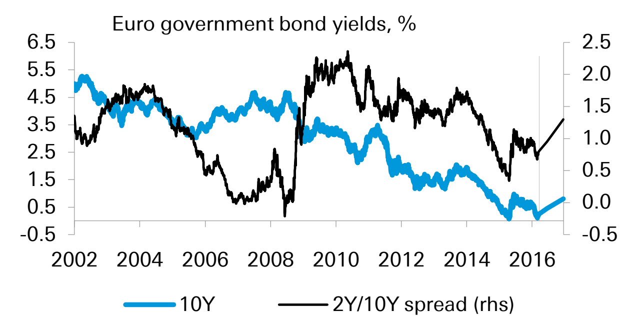
*(1) Forecasts are the same dates. * indicates policy rates.*
(2) Forecasts in this table are produced by the regional fixed income strategists.
(3) US 10Y Govt. bond yield forecasts has been taken from US Fixed Income Weekly.
Sources: Bloomberg Finance LP, Deutsche Bank Research. Revised forecasts in bold type.

US 10Y rates



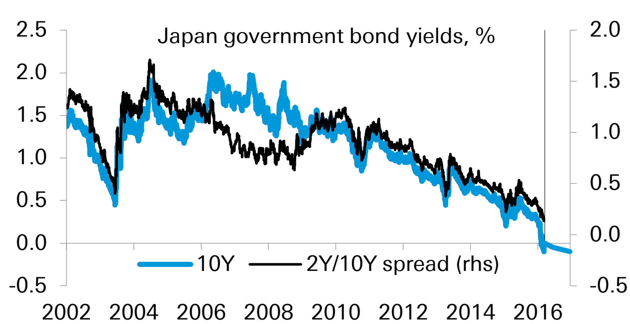
Source: Deutsche Bank Research, Bloomberg Finance LP

Euroland 10Y rates



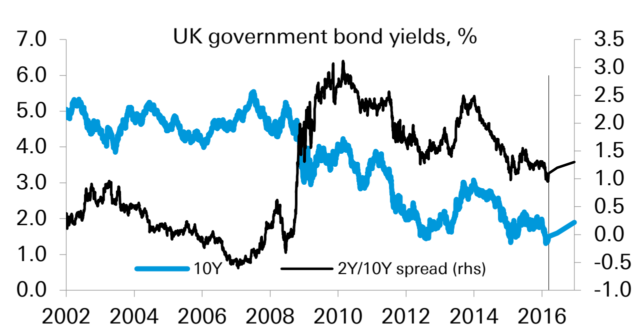
Source: Deutsche Bank Research, Bloomberg Finance LP

Japan 10Y rates



Source: Deutsche Bank Research, Bloomberg Finance LP

UK 10Y rates



Source: Deutsche Bank Research, Bloomberg Finance LP

Appendix 1

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