Deutsche Bank
Research

The House View

Taking a step back

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25 July 2017

Distributed on: 25/07/2017 04:05:00 GMT

Month in Review

Yellen indicates that Fed may not need to hike rates much more
CNBC, July 12, 2017

China's economy beats outlook, grows 6.9% in Q2
Market Watch, July 16, 2017

US inflation decline is too persistent to ignore
FT, July 16, 2017

Hawkish Central Bankers Spark a Debate About the End of Easy Money
Bloomberg, July 06, 2017

Bank of Canada joins the Fed in hiking interest rates
ForexPromos, July 14, 2017

ECB Tapering Decision May Take Until October
Bloomberg, July 21, 2017

Euro hits nearly two-year high after Draghi comments; dollar tumbles
Market Watch, July 20, 2017

Wall Street at new highs as tech breaches dot-com era record
CNBC, July 12, 2017

Low Vol Leads To Big EM Inflows
Value Walk, June 26, 2017

Health Care Overhaul Collapses as Two Republican Senators Defect
NYT, June 26, 2017

France wants hardest Brexit, says City envoy to EU
FT, July 16, 2017

UK Brexit bill talks hit impasse
FT, July 19, 2017

An OPEC Country Breaks Ranks and Increases Oil Output
Bloomberg, July 18, 2017

IMF says global recovery on firmer footing
Daily Mail, July 23, 2017

The House View, 25 July 2017
Taking a step back

As markets enter into the summer lull, it is useful to take a step back. The global economy is in better shape than it has been in several years. This has allowed other central banks to follow the Fed and gradually start their exit journey, a process that is a historic challenge given the unprecedented level of monetary accommodation. But with inflation still below target, a key part of the normalisation puzzle is still missing.

Although labour market tightness has not yet fed to wages, and hence to inflation, we expect it will. Core inflation should move higher over the medium-term in the US and Europe, supporting further monetary tightening and a normalisation of yield curves. While no policy change is expected by the Fed on 26-July, an announcement to begin phasing out its balance sheet reinvestment is likely in September and we expect another rate hike in December. As for the ECB, rate hikes are still far off, and we expect the central bank to announce another QE extension and tapering in October.

Our global macro outlook is little changed this year. We expect growth to rebound from the slowest pace post-crisis in 2016, though relative to consensus we are more positive on the US and more bearish on Japan. In China, we continue to expect a gradual deceleration, but see upside risks to growth in the second half of the year.

We are generally constructive on risk assets, expecting material upside to US equities in the next 18 months and positive but more balanced performance in EM. There are signs the dollar has peaked, but we do not expect a material devaluation yet. We are more positive on the euro, seeing upside versus the dollar and sterling. We expect yield curves to normalise gradually, but there is risk of a more sudden upward shift, depending on the path of core inflation.

David Folkerts-Landau, Group Chief Economist

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The views in this publication are informed by Deutsche Bank's Global Strategy Group, which advises management and clients on broad market risks and global economic and financial developments. The views and forecasts of the group, which consists of senior research staff, may occasionally differ from those disseminated by their research colleagues

Synchronised global growth, but stubbornly low inflation is helping to keep central bank hawkishness in check

Economic outlook

- Global growth to rise to 3.6% in 2017 (from 3.1%) and pick up further to 3.7% in 2018. Most synchronised growth environment in last six years
- US economy to accelerate: forecast 2.5% growth on average in 2017-18. Limited fiscal stimulus expected; risk of recession remains low
- Eurozone above-trend growth to continue: 1.9% in 2017, 1.6% in 2018. Reduction in political risk supports growth; euro strength not expected to weigh materially
- EM: growth to pickup to 4.7% in 2017, 4.9% in 2018. China growth beat expectations; upside risk in H2-17

Views on key themes

- Central banks on exit path: gradually starting to normalise unprecedented monetary easing. Sustainable rise in inflation needed for more meaningful shift
- Low inflation: medium-term view largely unchanged despite recent US disappointments: labour market tightness will feed into wages and in turn inflation
- Political risk: our base case of high event risk not materialising is playing out. UK and Brexit negotiations are the key exception, though expected
- Dollar “top” forming: US dollar could be nearing cycle highs but conditions not in place for sharp devaluation

Central bank watch

- Fed: announcement on balance sheet policy in September; next rate hike in December, 3 more in 2018
- ECB: slowly progressing toward exit. Next move QE extension at slower pace, announced by year-end
- BoJ: no change expected in target short rate or yield curve control policy for much of this year
- BoE: expect to stay on hold; risk of a one-off rate hike over next 12 months but not the start of a hiking cycle
- PBoC: baseline is no benchmark interest rate hike in 2017-18 but chance of one in 2018 rising
- EM: low inflation allows EM to continue easing (most of LatAm, parts of EMEA) or wait before tightening (Asia)

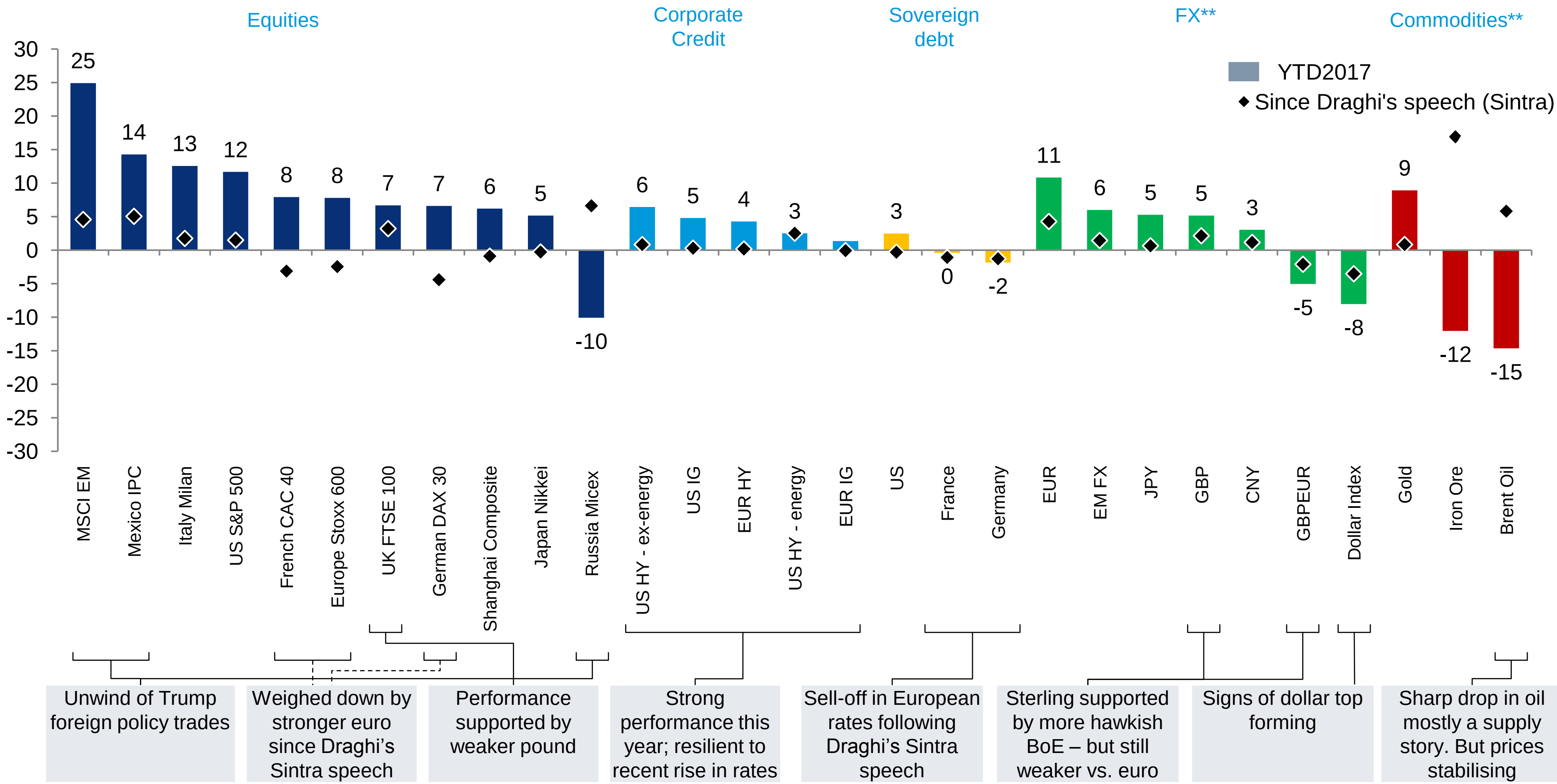
Key downside risks to our view

- M Low inflation signals deeper growth issues
- M Trump disappointment: policies tilted to negatives, under-delivery vs. expectations, US growth doesn’t rise
- M China financial instability: property bubble deflates; rising dollar, DM yields put pressure on outflows, RMB
- L Political risk escalation in Europe derails recovery – Italy remains the key flash point
- L De-globalisation: rise of anti-trade policies exacerbates anaemic global trade and sharply slows growth

Notes: H / M / L indicates estimated probability of risk (High, Medium, Low).

Strong performance for risk assets continues. ECB's more hawkish tone impacting eurozone assets

Returns* per asset class in 2017



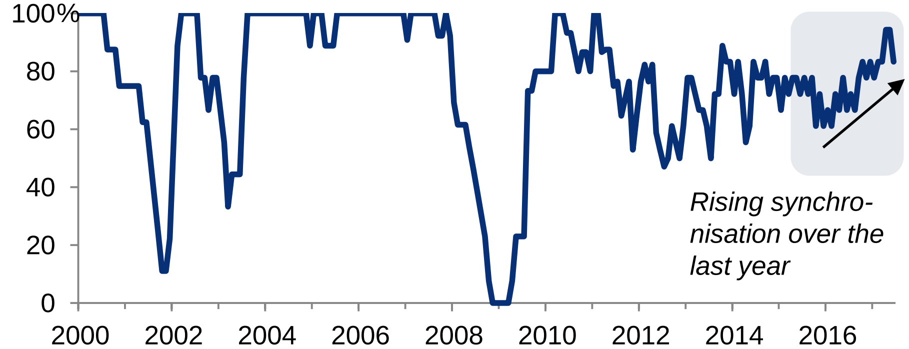
Note: (*) Total return accounts for both income (interest or dividends) and capital appreciation. (**) FX, Commodities are spot returns.
Source: Bloomberg Finance LP, Deutsche Bank Research. As of COB, 26 June 2017

The global economy is in a better place than it has been in several years

Global economy is in a better place

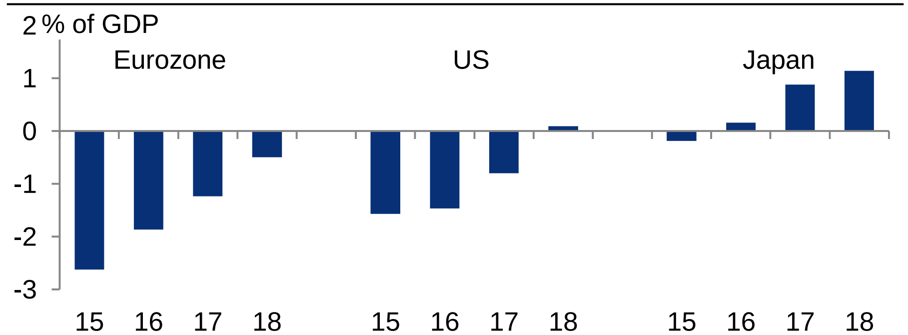
Global growth	▪ World economy escaping 5 year low-to-no growth period ▪ Growth to rebound after bottoming in 2016 to slowest pace post-crisis
Broad-based uptick	▪ Growth broad-based globally ▪ Most synchronised growth in last 6 years
Economic slack	▪ Economic slack falling ▪ Employment gap, output gap closing across major DM economies
Political risk	▪ Political event risk materially diminished ▪ Brexit and to a lesser extent Italy the notable exceptions

Global growth hasn't been as synchronised globally for many years



Note: Diffusion index calculated as % of Composite PMIs above 50 (based on 8-18 countries)
Source: Haver Analytics, Markit, Deutsche Bank Research

Major developed economies have closed / are closing output gaps



Note: (*) The output gap is a measure of slack in an economy: it is the difference between output and potential output. A negative gap means the economy produces less than potential.
Source: Haver Analytics, OECD, Deutsche Bank Research

This has allowed central banks to start their exit process from ultra easy monetary policy

- The policy mix post-crisis saw monetary policy as "only game in town", compensating for tight fiscal policy, tight (financial) regulation, lack of reform
- This unbalanced policy mix became exhausted
  - Declining marginal benefit of monetary easing
  - Calls for fiscal easing to counter rising inequality
  - Peak in regulatory tightening
- 2016 was a pivotal year for central banks' stance
  - BoJ first to recognise negative side effects of aggressive monetary easing – yield curve control* introduced de-facto taper of QE
  - ECB followed with QE taper and other measures
  - Fed hiked rates three times since Dec-2016
  - In Jul-2017, Bank of Canada first G10 central bank to hike after the Fed
- The direction of travel is clearly a shift toward a tightening of monetary policy, albeit a gradual one
- The other policy levers are also likely to turn
  - Risk is for some form of fiscal easing, loosening of financial regulation

"As the economy continues to recover, a constant policy stance will become more accommodative, and the central bank can [adjust policy] – not in order to tighten the policy stance, but to keep it broadly unchanged."
ECB President Mario Draghi, 27-Jun-2017

"Provided the data are still on track, I do think that beginning the process of withdrawing some of the incremental stimulus provided last August would be prudent moving into the second half of the year."
BoE Chief Economist Andy Haldane, 21-Jun-2017

"[T]he current outlook warrants today's withdrawal of some of the monetary policy stimulus in the economy. Future adjustments to the target for the overnight rate will be guided by incoming data (…)."
BoE Chief Economist Andy Haldane, 21-Jun-2017

Policy mix becoming more balanced

	Post-crisis	Shift	Comment
Monetary policy			Shift toward gradual tightening
Fiscal policy			Risk of some fiscal easing
Financial regulation			Past peak tightening
Structural reform		?	Some upside risk in France

Note: (*) BoJ introduced YCC in Sep-2016. By targeting a 10-yield level, BoJ introduced flexibility in the amounts of QE purchases

The Fed, ECB and to a lesser extent BoE are now on an exit path

	Federal Reserve	European Central Bank	Bank of England	Bank of Japan
Macro backdrop	▪ Strong macro backdrop, growth above trend ▪ At full employment, output gap nearly closed	▪ Strong macro backdrop, growth above trend ▪ Employment gap, output gap closing steadily	▪ Economy slowing – FX-led real income shock weighs on growth ▪ Close to full employment	▪ Economy slowing down into 2018 ▪ Inflation low and well below target
Key challenge	▪ Falling inflation weakens case for faster pace of hikes ▪ Market reluctant to price Fed rate hike guidance	▪ Euro strength ▪ Inflation rise not yet self-sustaining ▪ Weak wage inflation	▪ Conflicting goals: higher inflation, weak sterling warrant higher rates, but this threatens growth ▪ Impact of Brexit talks	▪ Inflation not rising despite massive BoJ stimulus ▪ Counter-cyclical nature of Yield Curve Control*
Policy stance	▪ Committed to gradual exit – burden of proof for deviating from plan is high	▪ Slow and gradual exit ▪ As economy improves, view current policy as increasingly easy	▪ On hold despite more hawkish rhetoric in recent months	▪ On hold, talk of exit not justified at present ▪ Dovish turn in board as two members terms end
What we expect	▪ Sep-17: announcement of tapering of balance sheet reinvestments ▪ Dec-17: rate hike ▪ 2018: three hikes	▪ Oct-17: 6-month QE extension, at €40bn/mth ▪ Mid-18: deposit rate hike ▪ H2-18: likely QE exten-sion at lower pace ▪ Mid-19: start of hikes	▪ Base case is no policy move through end-2018 ▪ Risk of a one-off 25bp hike in next 6-12 months – but not a start of a hiking cycle	▪ BoJ not under pressure for urgent action ▪ No change expected in target short rate or YCC in 2017

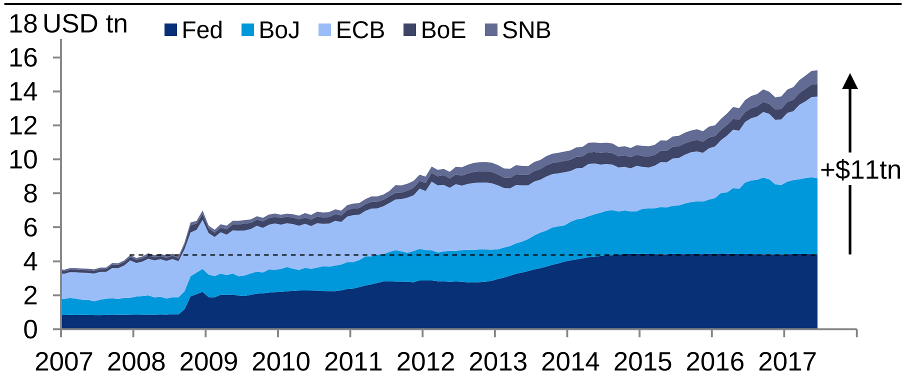
Note: (*) BoJ introduced YCC in Sep-2016. Rather than maintaining a commitment to a JPY amount of QE purchases, the BoJ started targeting a 10-year yield around zero. The policy has a countercyclical nature: the more inflation normalises and yields rise, the more bonds the BoJ will purchase, thus easing when not needed; the opposite also holds true.

We need to remember that the policy normalisation process is a historic challenge given how accommodative monetary policy is

- Monetary policy easing since the crisis is the largest and longest monetary expansion in modern history
  - Policy rates cut to all-time lows
  - Central bank balance sheets bloated by QE – all -time high assets of USD15tn for main DM CBs
  - ECB, BoJ continuing with their QE purchases for the foreseeable future
  - Constitutes unprecedented monetary policy experiment

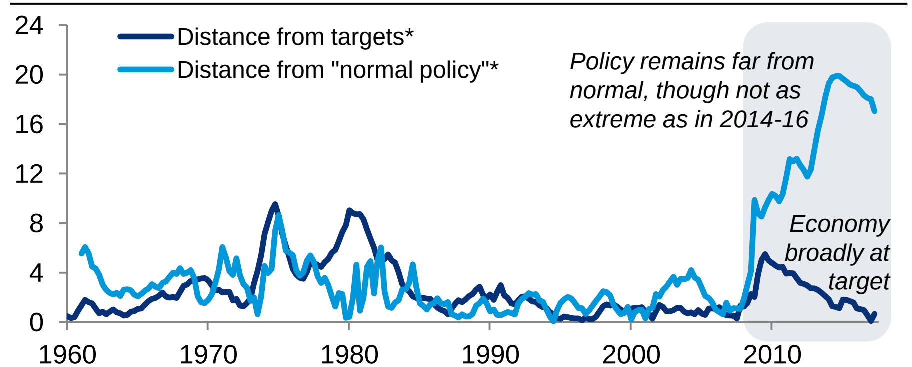
- The normalisation process itself will also be an unprecedented monetary policy experiment
  - No template in history for the scope of unwinding that needs to take place
  - Policy remains far from normal, even as the macro normalisation is well underway and in some cases almost complete

Central banks are sitting on trillions of dollars of assets accumulated since the crisis – with the ECB and BoJ continuing to add



Source: Haver Analytics, Deutsche Bank Research

In the US policy remains far from normal even as unemployment and inflation are very close to the Fed's targets

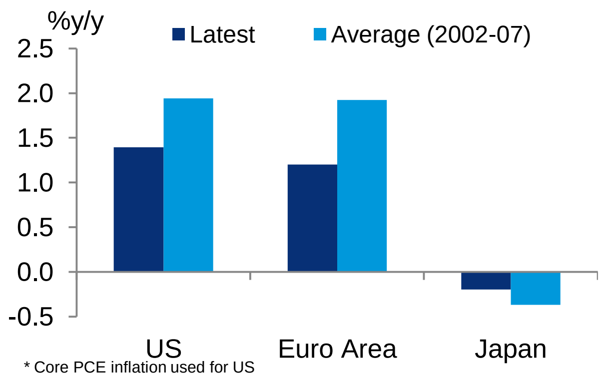


Note: zero means at target and normal policy
Source: Haver Analytics, Deutsche Bank Research

The missing link has been inflation

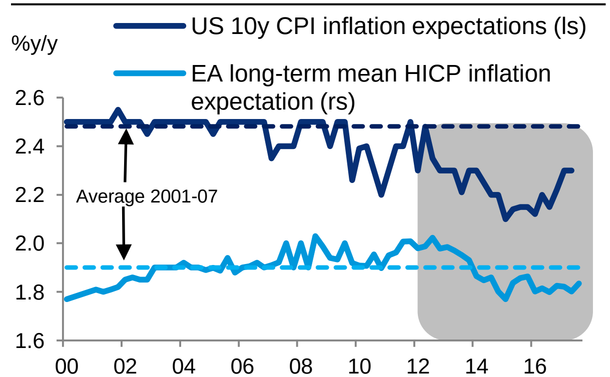
- Inflation still below target in major DMs despite stronger macro backdrop
  - US core inflation slowed recently, ~0.5pp below target
  - Eurozone core inflation higher but still below target
  - Japan core inflation falling
- Persistent inflation shortfall is:
  - Leading to a down drift in inflation expectations
  - Raising questions about link between inflation, slack
  - Challenging central bank credibility to deliver inflation
- Medium-term inflation view largely unchanged: core inflation should move sustainably higher
  - Uptrend to continue in Europe
  - Most likely in 2018 in US
  - Labour market tightness will feed into wages and inflation

Core inflation below pre-crisis averages



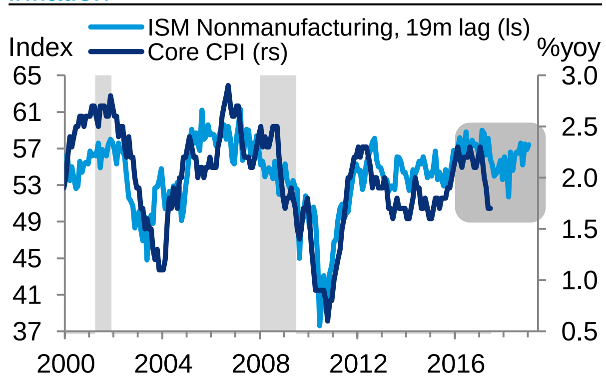
Source: Haver Analytics, National Sources, Deutsche Bank Research

Inflation expectations have moved lower



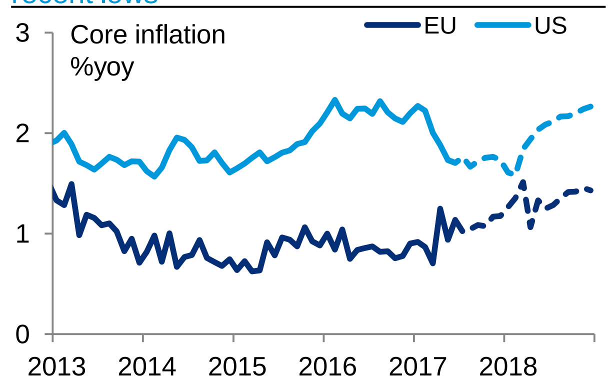
Source: Haver Analytics, Phil FRB, ECB, Deutsche Bank Research

Macro momentum supports rebound in core inflation



Source: Haver Analytics, BLS, ISM, Deutsche Bank Research

Core inflation expected to improve from recent lows

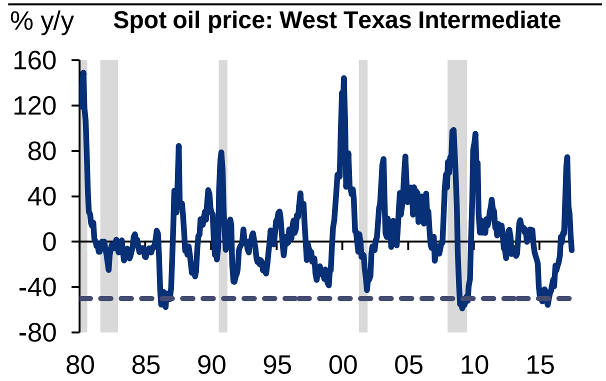


Source: Haver Analytics, Eurostat, BLS, Deutsche Bank Research

The current regime of low inflation and inflation expectations in the US has interesting parallels to the 1960s and 80s

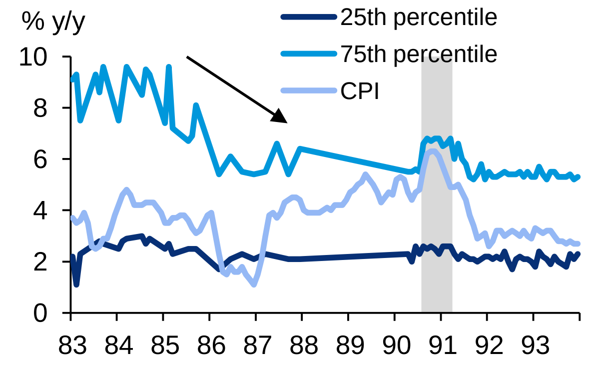
- Today's low inflation regime despite low unemployment has interesting historical parallels
- Similar to 1980s: oil price plunge contributed to low inflation expectations and "pricing out" of high inflation risk
- Similar to first half of 1960s: core inflation stuck below 2% despite unemployment near 4%
- Some unique aspects led to inflation surge in second half of 60s
  - Large jump in fiscal spending
  - Medicare, Medicaid introduction boosted medical inflation
  - Fed did not tighten enough
- For current episode, suggests:
  - Should not expect replay of magnitude of 60s surge
  - But higher realized inflation and low unemployment could lift inflation expectations

Similar oil price plunge in mid-1980s



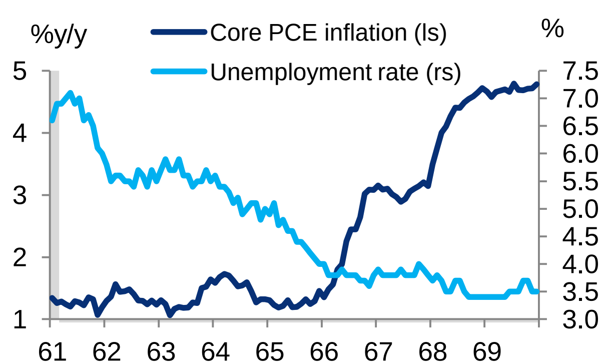
Source: EIA/CME, Haver Analytics, Deutsche Bank Research

Risk of high inflation outcomes was priced out (e.g., consumer inflation expectations)



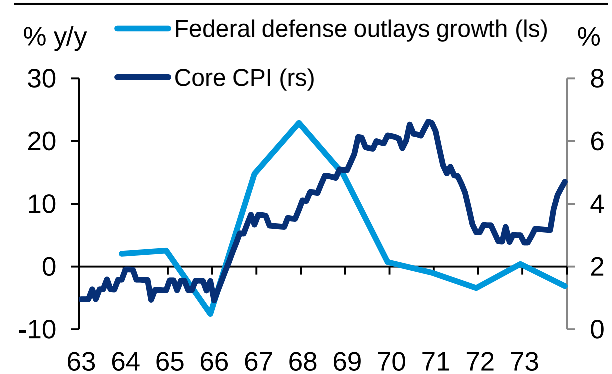
Source: UMICH, Haver Analytics, Deutsche Bank Research

Similar to today, unemployment and inflation were both low in first half of 1960s



Source: Haver Analytics, BEA, BLS, Deutsche Bank Research

Fiscal spending jumped ahead of inflation in 1960s

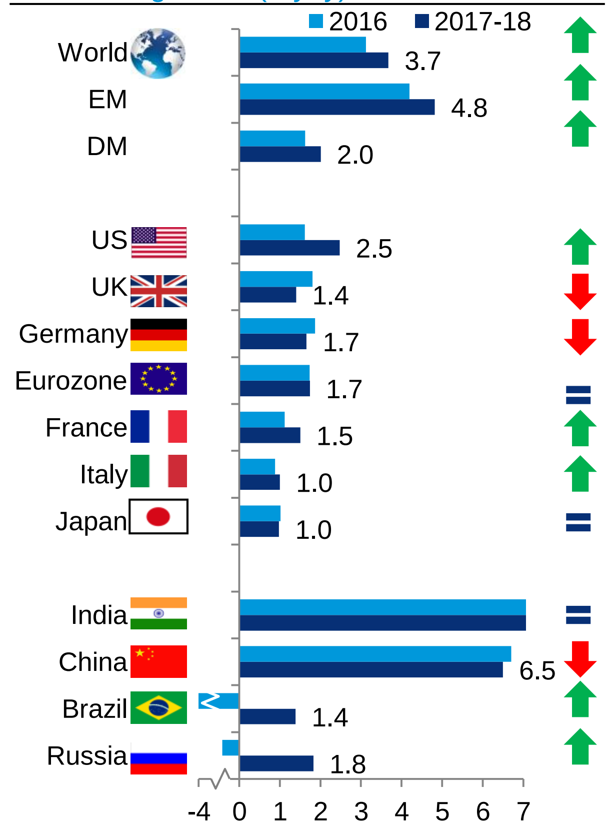


Source: OMB, BLS, Haver Analytics, Deutsche Bank Research

We have a positive macro outlook, and expect a rebound in global growth from the slowest pace since the crisis in 2016

	Big picture	Rationale
US	More bullish than consensus	▪ Stronger growth led by capex on deregulation, elevated business confidence, better global momentum ▪ Only limited fiscal stimulus expected. Significant tax cuts or spending increases an upside risk ▪ But growth will remain low by historic standards
Eurozone	Positive outlook	▪ Highest growth in years. Above-trend pace to continue ▪ Reduction in political risk supports growth ▪ Euro strength not to weigh materially ▪ Growth uptick remains cyclical, raising questions as to how long it can last
UK	Growth to slow down	▪ Consumption to suffer from drop in consumers' real disposable income – high inflation, subdued wage growth, high leverage ▪ Brexit uncertainty to weigh on business spend ▪ Weaker sterling not feeding through to exports
China	Upside risks this year	▪ Big picture, gradual growth slowdown continues ▪ But export recovery has propped up growth recently – see upside risks into year-end ▪ High level of debt the key concern
EM	Benign macro backdrop	▪ Growth revised up marginally, especially in Asia ▪ Momentum eased somewhat but still strong; robust DM growth a positive pull factor ▪ Vulnerabilities pose localised not systemic risks

Real GDP growth* (%yoy)

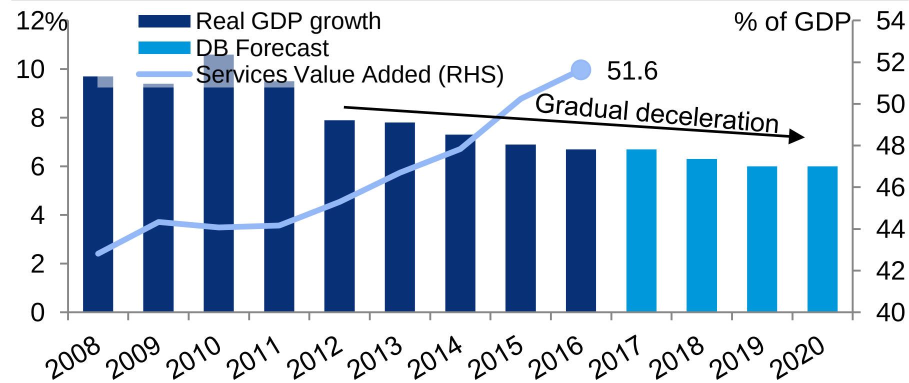


Note: Arrows denote change from 2016 to 2017-18 average
Source: Deutsche Bank Research

In China, growth has been better than expected and we see upside risk in the second half of the year

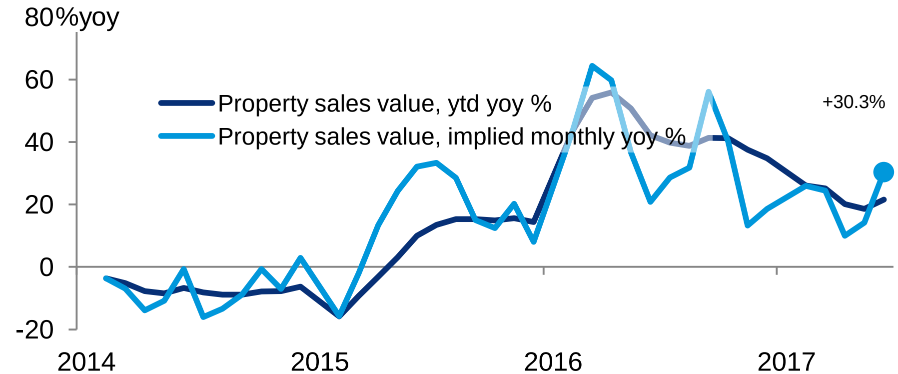
- China is in a phase of managed deceleration as the economy rebalances away from investment, exports
  - Services accounts for more than 50% of GDP, from under 40% back in 2000
- Amid this gradual slowdown, growth remained stronger than expected in the first half of the year
- In the second half there are 2 main risks to watch...
  - Slowdown in property and land markets
  - Over-tightening of financial regulation
- ...But on both these fronts, we have a positive view, and see upside risk to our growth forecasts
  - Property sales and new housing starts both rebounded strongly in June
  - A new Committee for Financial Stability and Development will support economic growth
- Big picture, high and rising debt levels are the main concern – but authorities are trying to address this
  - Issue particularly at state-owned enterprises and local governments
  - Credit growth remains higher than GDP growth, but at a lower rate than in 2016

Gradual deceleration continues as the economy rebalances



Source: World Bank, Deutsche Bank Research

The rebound in property sales points to upside risks to growth in H2

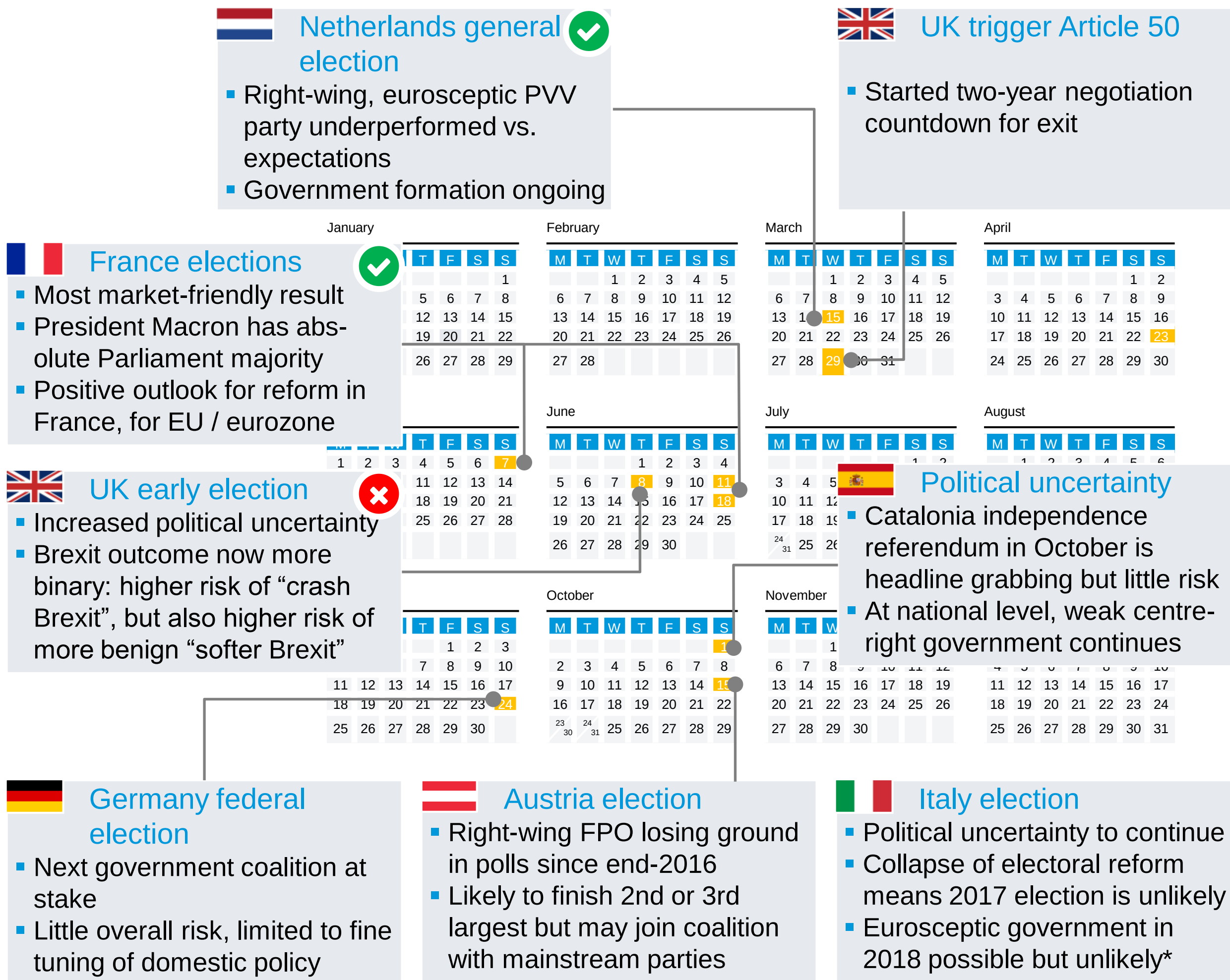


Source: WIND, Deutsche Bank Research

With the notable exception of Brexit, political risk is now greatly diminished in Europe

- 2017 was to be a year fraught with political risk especially in Europe
- At the half-year mark, our base case of political risk not escalating is playing out
  - Underperformance of right-wing eurosceptics in France and Netherlands
  - Most market-friendly outcome to French elections
  - Latent risk but no disruption in Italy, Spain
- While political risk events remain in H2-2017, the same pattern of no escalation should prevail
- UK and Brexit negotiations the key exception, though expected
- Concern over Italy likely to rise toward year-end and into 2018

2017 European political calendar



Note: (*) Eurosceptic Five Star Movement underperformed in most recent elections

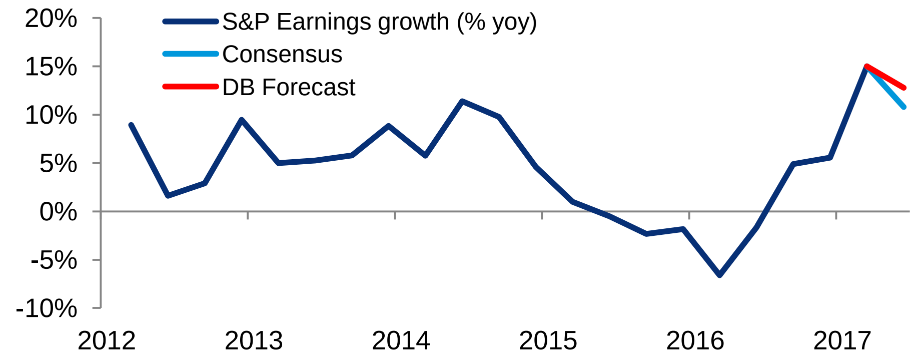
Summary of market views

Asset class	View	Rationale
Equities	▪ Constructive US equities	▪ Material upside over next 18 months, supported by double-digit earnings growth and synchronised global growth ▪ Rising rates to encourage asset rotation from fixed income to equities
	▪ Europe vulnerable to turn in surprises	▪ European equities have been supported by strong macro momentum ▪ Slumping macro data surprises could weigh, favour defensives over cyclicals
Rates	▪ Strategically bearish	▪ Exit from easy monetary policy means rates should rise ▪ Normalisation process has had several false starts – stronger evidence of rising inflation needed for a decisive leg up in rates
FX	▪ Dollar topping out	▪ Dollar top may be forming in this mature bull cycle ▪ But sharp devaluation unlikely
	▪ More positive on euro	▪ Euro broke top of 2.5-year range of 1.05-1.15; expect move to 1.20 in 2018 ▪ Strength driven by better eurozone fundamentals. See move up vs. sterling
Credit	▪ Constructive Europe	▪ Performance more positive than expected but valuations stretched ▪ Risks weighted to downside but remain neutral, happy to earn carry for now
	▪ US HY resilient	▪ Impressive performance as spreads tighten in a rising rate environment ▪ Technicals weak however, with sizeable fund outflows in recent weeks
EM	▪ Positive but more balanced	▪ Strong EM performance in H1 to be followed by positive but more balanced performance in H2. Economic momentum easing but still stronger than DM
Com-modities	▪ Oil prices stabilising	▪ Although global inventory remains high, demand growth is strong and US rig count may have reached a plateau in response to prices ▪ OPEC will begin monitoring exports as well as production

We remain constructive on US equities and see material upside over the next 18 months, on rapid earnings growth

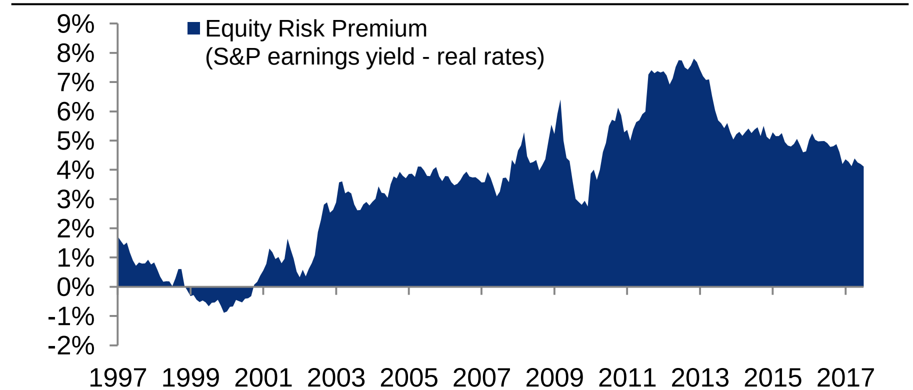
- We remain constructive US equities and see material upside over the next 18 months
- Several factors will continue to support equities
  - Most synchronised global growth in 6 years, and expect it to strengthen further
  - Double-digit earnings growth in 2017-18
  - Stable valuations
  - Low risk of recession for the next year
- Contrary to common belief, rising rates are positive
  - Low rates are a tax on households, raise the savings rate and depress consumption
  - Unnaturally easy monetary policy with respect to inflation and GDP growth undermines confidence
  - Rising rates encourage asset reallocation out of fixed income and into equities
  - Correlation between rates and equities strongly positive for last 20 years
  - Equity risk premium still stands above 4% -- with ample room to fall in the event of higher real rates and higher equity prices

Our model points to faster-than-consensus Q2 earnings growth



Source: Bloomberg Finance LP, Deutsche Bank Research

Equity risk premium remains high and has room to fall to absorb a rise in real rates



Source: Bloomberg Finance LP, Deutsche Bank Research

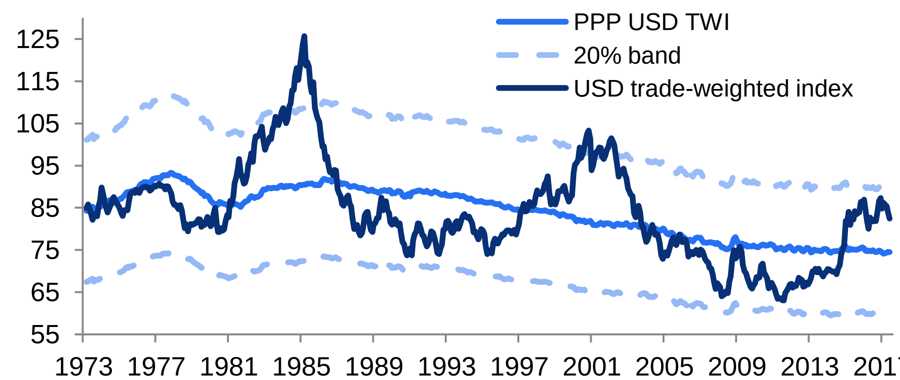
In FX, there are signs that a dollar "top" is forming, but conditions are not in place for a sharp devaluation

- Dollar has weakened by 10% this year – and there are signs of a dollar 'top' forming in this mature bull cycle (typically 6-7 years)

- In previous dollar tops (1985, 2002) the currency's initial downward slide was sharp

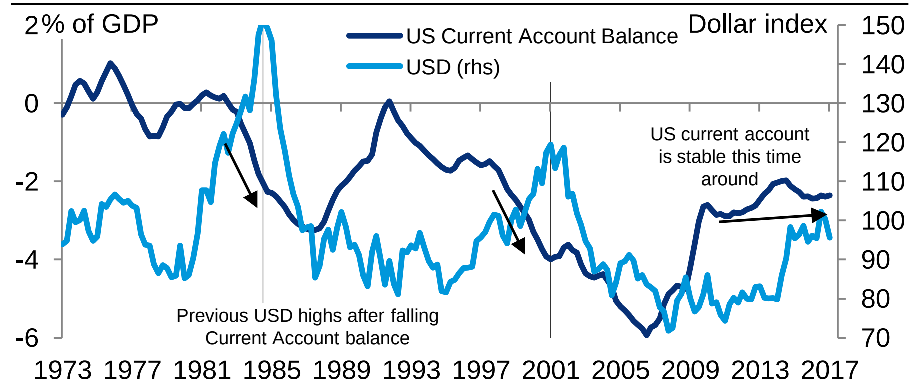
- However, conditions are not in place for a sharp dollar devaluation this time around, at least not yet
  - Dollar tops are typically signalled by valuation extremes, but dollar hasn't exceeded +20% overvaluation band
  - US current account is stable, owing to better energy balances – whereas generally it worsens by 1.5pp of GDP in the 2 years before a peak
  - Dollar interest rates are typically falling on G10 ranking tables in a dollar downcycle – this is not the case at the moment

Trade weighted USD above fair value, but not at previous extremes



Source: Bloomberg Finance LP, Deutsche Bank Research

US current account typically worsens ahead of dollar peaks, triggering overvaluation fears and intervention to weaken the dollar



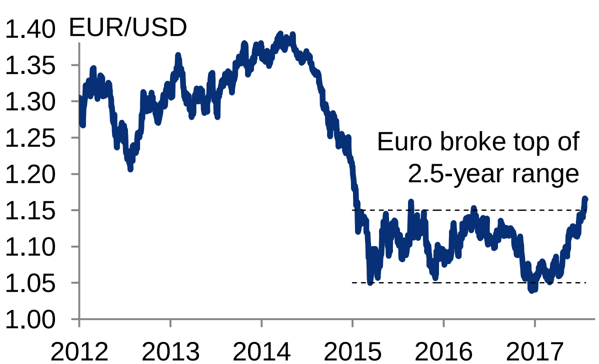
Source: Bloomberg Finance LP, Deutsche Bank Research

We are more positive on the euro, with upside to the dollar and sterling. We see yen weakening, but with risks on both sides

1 Euro at $1.20 by 2018

- We turned more positive on euro
- Currency has since broken the top of 2.5-year 1.05-1.15 range
- Short-end rate differentials now less of a driver for EURUSD rate
- Macron brings political upside to currency, i.e., France / Germany policy initiatives, fiscal stimulus
- Real money underweight euro

Euro at last broke the top of a 2.5-year range

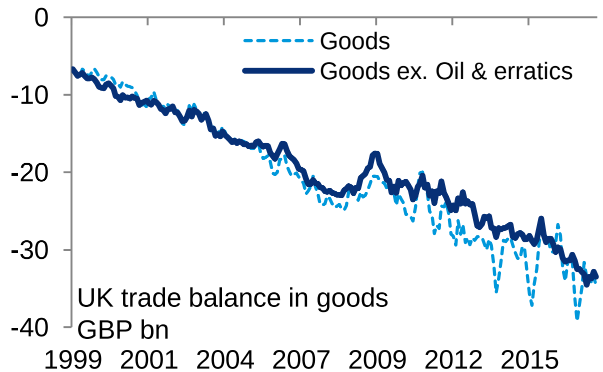


Source: Bloomberg Finance LP, Deutsche Bank Research

2 Bearish sterling versus Euro

- Limit to sterling downside vs. dollar as BoE uncomfortable with weak pound
- But currency uniquely exposed to earlier / faster ECB tightening
  - G10's largest current account deficit, lowest real rates
- By end-2018 see sterling down 5%+ vs. euro, but only around 3% vs. dollar

Trade balance close to record deficit

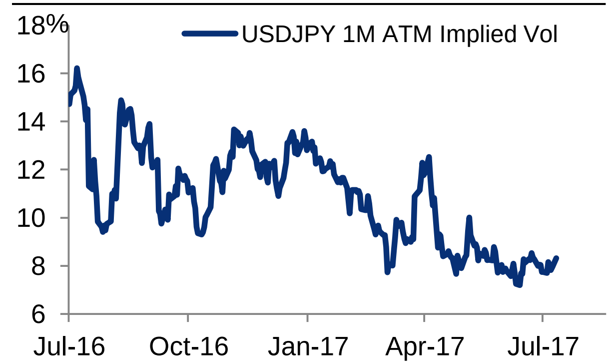


Source: Bloomberg Finance LP, Deutsche Bank Research

3 Bidirectional risks to USDJPY

- With BoJ on hold, Fed tightening, we see a weaker yen with USDJPY up to 120 by end-2018
- But risks are high on both sides
  - Weaker yen if US inflation rises and Fed tightens faster
  - Stronger yen if Japan policy continuity is seen at risk
- Bidirectional risks mean implied USDJPY volatility is too low

Bidirectional risk at odds with implied volatility close to 18-month lows



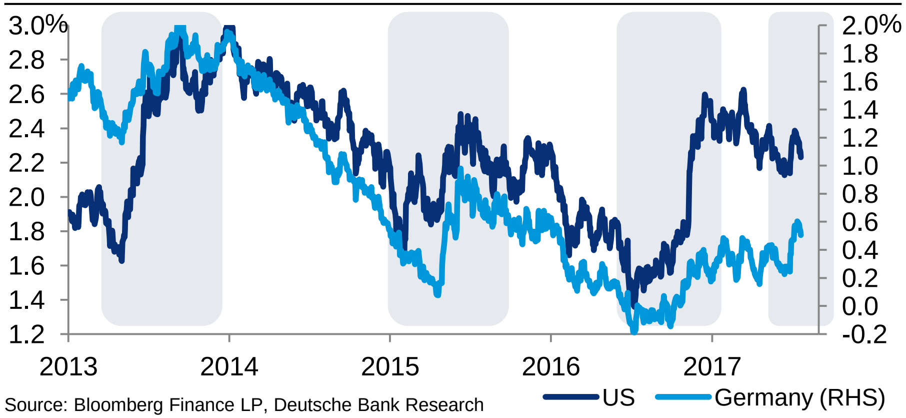
Source: Bloomberg Finance LP, Deutsche Bank Research

The normalisation of rates has had several false starts. Stronger evidence of rising inflation needed for a decisive leg up in rates

- For several years, ultra easy monetary policy, a tentative macro backdrop and a series of shocks have kept rates low by historical standards
- Since 2013 there have been several normalisation false starts – with rates rising sharply, led by the US
- In each of those cases the normalisation got interrupted and reversed, at least partially
- Rates appear low relative to growth, unemployment – but a sustained sell-off is unlikely without clear evidence of rising inflation

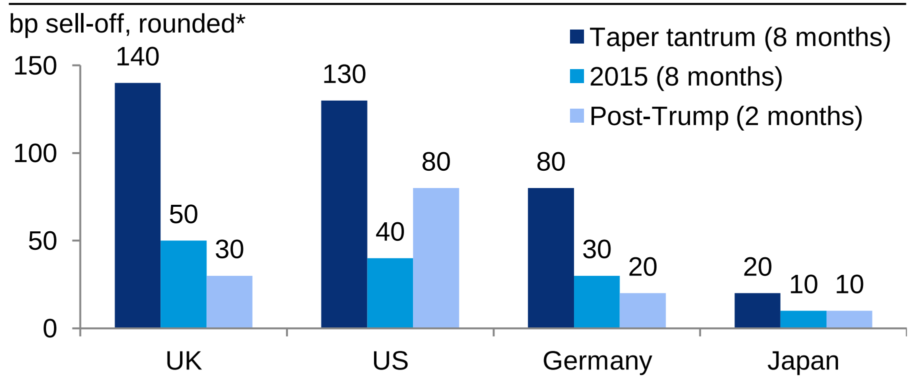
- We expect this rise in inflation to happen into 2018 – with central banks in turn getting more hawkish and supporting a sell-off in rates
  - Calling the exact timing is difficult
- Recent episodes have shown that the correction in rates can be sharp and material
  - Have seen several 80+ bp sell-offs in months – with moves of more than 100bp during 2013's taper tantrum

Rates normalisation process has had several false starts



Source: Bloomberg Finance LP, Deutsche Bank Research

Once it gains traction, the sell-off can be sharp and material

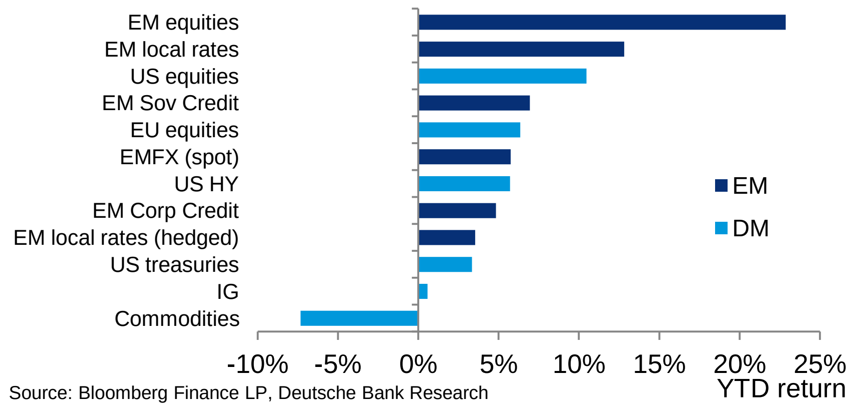


Source: Bloomberg Finance LP, Deutsche Bank Research

A supportive macro backdrop helped EM perform strongly this year. The second half should be positive but less stellar

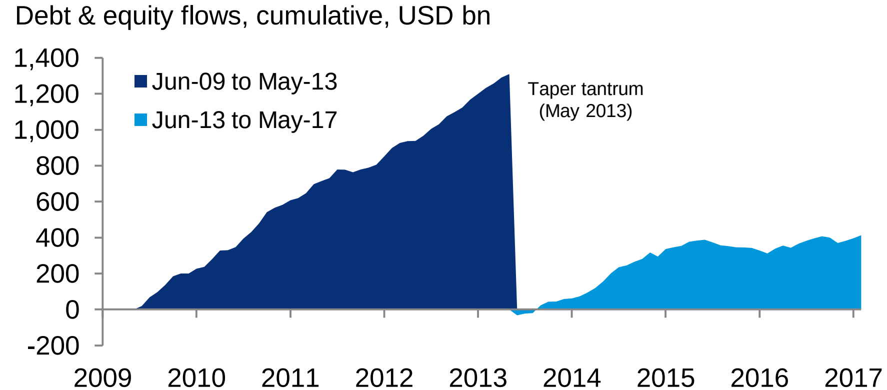
- A very strong first half for EM assets fuelled by a supportive macro backdrop
  - USD weakness has been the main boost; EM FX +4% in H1, and still fundamentally undervalued
  - Low inflation allowing central banks to continue to ease (LatAm) or delay tightening (Asia)
  - Upward revisions to growth in Asia
- Performance in the second half will be less stellar, with more balanced returns under a range-bound USD, although EM macro will still outperform DM
  - Outflows during 2013's Taper Tantrum were partly reversed in subsequent years
  - But positioning is structurally lighter than in 2013
  - We stay marketweight EM credit and focus on idiosyncratic factors for asset allocation
- Main risk to our call is a surge in risk aversion and dollar strength, i.e., a reversal of H1 tailwinds
  - However that would require a major repricing of growth, inflation, commodities or EU risks

EM outperformance in first half



Source: Bloomberg Finance LP, Deutsche Bank Research

EM positioning is still structurally lighter than in 2013



Source: IIF, Deutsche Bank Research

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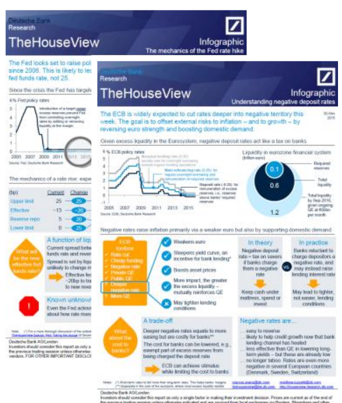

DB forecasts

GDP growth (%)	2015	2016F	2017F	2018F
Global	3.3	3.1	3.6	3.7
US	2.6	1.6	2.4	2.6
Eurozone	1.9	1.7	1.9	1.6
Germany	1.7	1.9	1.6	1.7
France	1.0	1.1	1.4	1.6
Italy	0.8	0.9	1.0	1.0
Spain	3.2	3.2	2.7	2.1
Japan	1.1	1.0	1.2	0.7
UK	2.2	1.8	1.6	1.2
China	6.9	6.7	6.7	6.3
India	7.5	7.9	7.0	7.8
EM Asia	6.2	6.2	6.1	6.1
EM CEEMEA	1.6	1.4	2.7	2.8
EM LatAm	-0.3	-1.1	1.1	2.2
EM	4.2	4.2	4.7	4.9
DM	2.1	1.6	2.0	2.0

CPI inflation, YoY* (%)	2015	2016F	2017F	2018F
US	0.1	1.3	2.0	1.9
Eurozone	0.0	0.2	1.6	1.5
Japan	0.8	-0.1	0.4	0.5
UK	0.1	0.6	2.7	2.8
China	1.4	2.0	1.7	2.7

Central Bank policy rate (%)	Current	Q4-17F	Q4-18F	Q4-19F
US	1.125	1.375	2.125	3.125
Eurozone	0.00	0.00	0.00	0.50
Japan	-0.10	-0.10	-0.10	-0.10
UK	0.25	0.25	0.25	0.25
China	1.50	1.50	1.50	1.50

Key market metrics	Current	Q4-17F	Q4-18F	Q4-19F
US 10Y yield (%)	2.25	2.75		
EUR 10Y yield (%)	0.50	0.65		
EUR/USD	1.164	1.17	1.20	1.20
USD/JPY	111	116	120	110
S&P 500	2,469	2,600		
Stoxx 600	379	375		
Oil WTI (USD/bbl)	46.4	52.0	52.0	53.0
Oil Brent (USD/bbl)	48.7	55.0	55.0	56.0

Current prices as of 24-Jul-2017

* CPI (%) forecasts are period averages
CEEMEA: Czech Rep., Israel, Egypt, Hungary, Kazakhstan, Nigeria, Poland, Romania, Russia, Saudi Arabia, South Africa, Turkey, UAE and Ukraine
LATAM: Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela
ASIA: China, HK, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Sri Lanka, Taiwan, Thailand, Vietnam
DM: Australia, Canada, Denmark , Eurozone, Japan, New Zealand, Norway, Sweden, Switzerland, UK, US

Source: Deutsche Bank Research

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Attribution

The authors wish to acknowledge the contributions made by Avik Chattopadhyay, Baqar Zaidi, Kuhumita Bhattacharya and Sourav Dasgupta, in the preparation of this report.

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