Eurobank Monthly Global Economic & Market Monitor

Feb-Mar 2016

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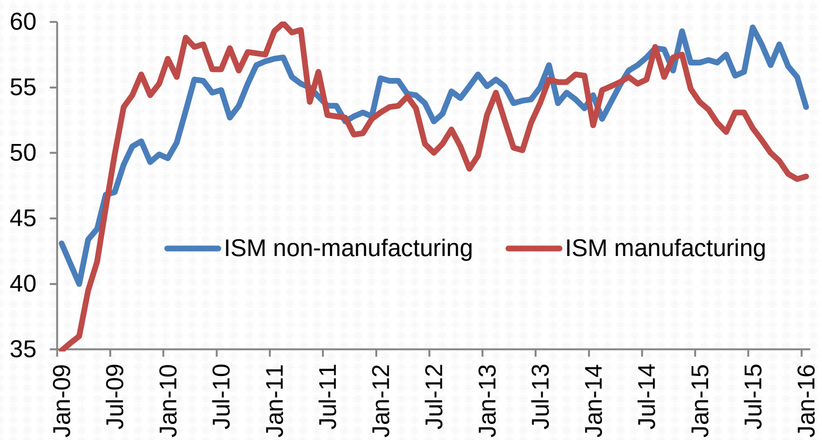
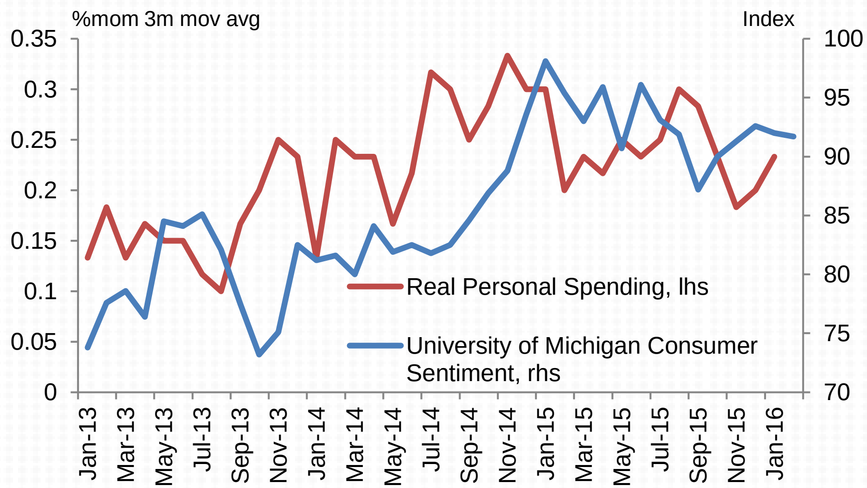
I. Economics

USA: Consumption and services deceleration raises concerns over the sustainability of the US recovery

Manufacturing weakness may be spreading to services



Slower momentum in consumption growth

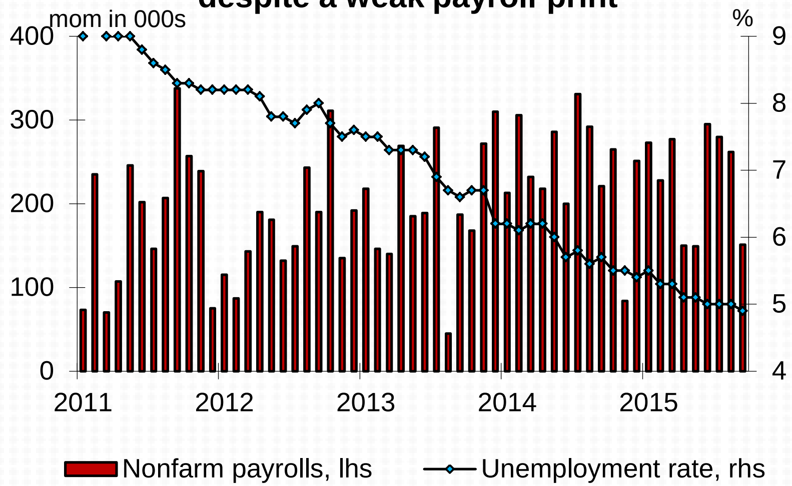


Source: US BEA, University of Michigan, Eurobank Economic Research

- According to the BEA' s second estimate, Q4 2015 GDP was revised upwards to 1.0%QoQ saar mainly due to an upward revision in private inventory accumulation, confounding for a downward reassessment to 0.4%QoQ saar from 0.7%QoQ saar initially reported. Adding to a faltering manufacturing sector, a weak business investment environment and a drag from net exports amid a stronger USD and softer external demand, real personal consumption has unexpectedly decelerated towards the end of 2015. Nevertheless, US consumer spending increased by 0.5%MoM in January, the largest monthly rise in eight months.
- Meanwhile, there are tentative signs that manufacturing weakness may be spreading to the services sector. The ISM nonmanufacturing index declined more-than-expected to 53.5 in January from 55.8 in the prior month. Furthermore, the January's deceleration in payroll growth was primarily led by the services sector, which reported the slowest pace of employment gains over the past 10 months.
- Slower momentum in consumption and services has urged us to downgrade our US 2016 growth forecast from 2.6% to 2.0%, with personal consumption still remaining the main pillar of growth on improved household finances, low oil prices and improving labor market conditions. Nevertheless, risks seem titled to the downside, given the recent volatility in global financial markets and significant corrections in risky assets that have resulted in a tightening of financial conditions in the US. If sustained in the coming months, it could act as an additional drag on US 2016 growth.

USA: Despite improved labor market conditions, Fed is not expected to hike interest rates in March

Solid US January employment report, despite a weak payroll print



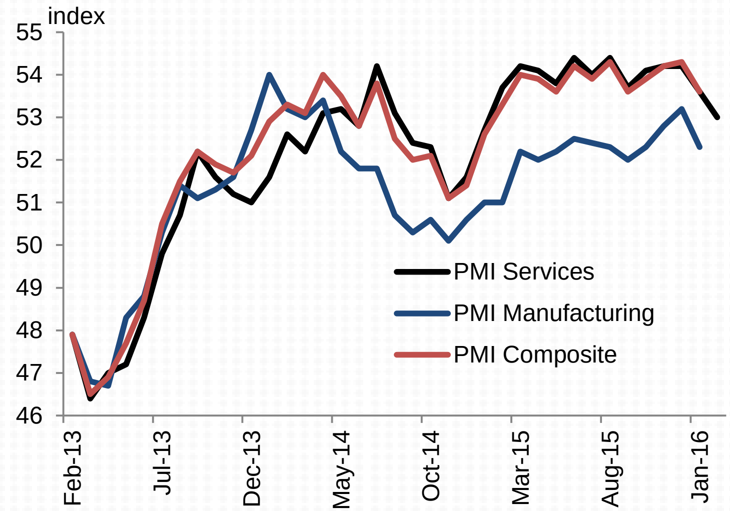
Signs of accelerating in wage growth

- US nonfarm payrolls increased by a lower-than-expected 151k in January probably due to unusually mild winter weather, while the respective figure for December was revised downwards from 292k to 262k. With the US economy approaching full employment, some payback in employment gains seems inevitable. Even after taking the weaker-than-expected January figure into account, non-farm payrolls have increased by a hefty 215k on average over the last 6 months.
- In contrast to the establishment survey, the outcome of the household survey was rather solid as civilian employment gained 615k after a 485k increase in the prior month, with full-time employment surging to 538k. The unemployment rate declined unexpectedly to an 8-year low of 4.9% from 5.0% in December 2015, brushing aside another 0.1pp rise in the labor force participation rate to 62.7%. The latter has cumulatively increased by 0.3pp over the past four months, standing at its highest level since last May.
- Average hourly earnings increased by 0.5%MoM in January, surpassing consensus estimate for a rise of 0.3%MoM, with the annual rate of growth falling to 2.5% from a post-recession peak of 2.7% in December. Although average hourly earnings is by nature a very volatile series, the annual wage growth has been trending upwardly over the past year. Moreover, core PCE deflator, the Fed's preferred inflation measure, gained 1.7% in the 12months through January from 1.5% in December, the largest annual increase in nearly three years.
- Even though January's employment report and inflation data leave open the option of a fed funds rate hike at the March 15-16 FOMC meeting, we share the view that the Fed will likely stay on hold given heightened concerns about the sustainability of the US economic recovery following the recent string of weaker-than-expected domestic macroeconomic data, rising risks from the global economic slowdown and tighter financial conditions. Futures market is currently assigning a probability of about 55% for a 25bps rate hike by the end of 2016.

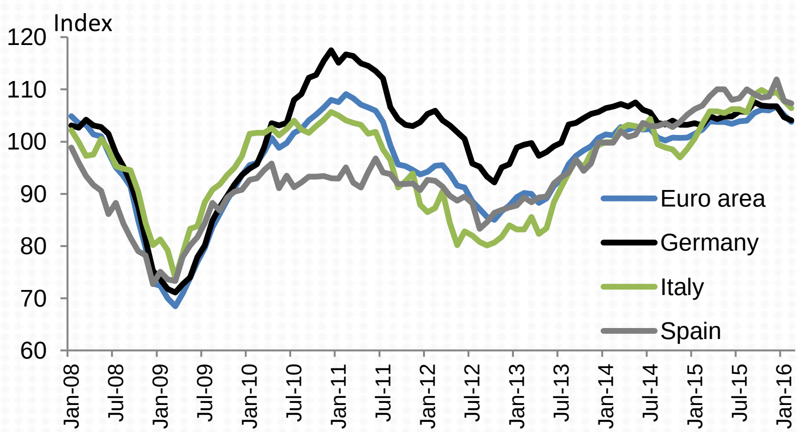
Source: US BEA, Federal Reserve, Eurobank Economic Research

Euro area: The pace of recovery highly dependent on domestic demand, amid persistent EM-led global slowdown

Euro area growth momentum has recently slowed



Euro area ESI falls for a second month in a row



- In line with market expectations, Euro area Q4 flash GDP estimate came in at 0.3%QoQ, a similar pace of growth as in Q3. Although Eurostat's expenditure breakdown will be published on 8 March, domestic demand probably constituted once again the major driver of growth, while net trade was likely a drag on real economic activity amid weak export growth.

- February final manufacturing PMI was revised slightly upwards 0.2pp to a 12-month low of 51.2. New orders and output indices decelerated significantly on subdued external demand as well as low domestic pressures. Furthermore, the Economic Sentiment Indicator (ESI) decreased significantly by 1.3 points to 103.8 in February, marking its second consecutive monthly decline.

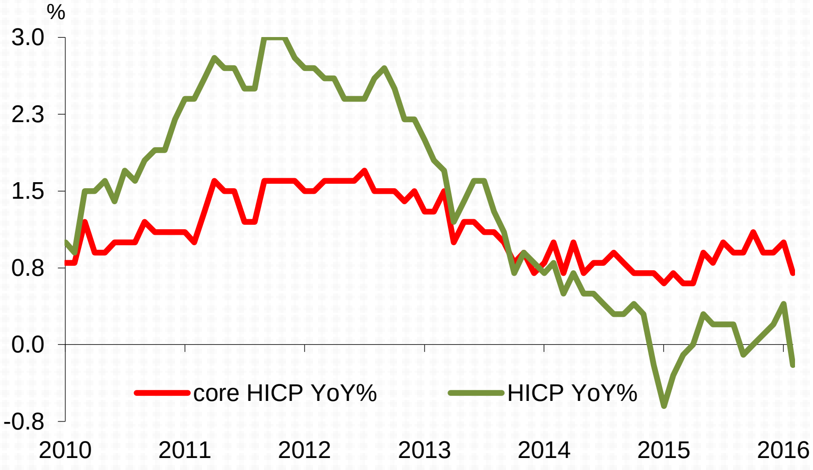
- Euro area HICP inflation surprised on the downside in February, falling back to -0.2%YoY from +0.3%YoY in January, with energy price inflation –which historically explains about 50% of the monthly variation in total inflation, falling to -8.0%YoY from -5.4%YoY in the prior month. Food price inflation came in also lower at 0.7%YoY from 1.0%YoY in January, due to the volatile component of unprocessed food. Elsewhere, core inflation decelerated to 0.7%YoY from 1.0%YoY in the prior month, with non-energy industrial goods price inflation falling to +0.3%YoY from 0.7%YoY probably due to a stronger EUR.

- Compared to the severity of the recession, the eurozone has so far experienced an unspectacular cyclical recovery. Adding to this, growth momentum has recently slowed and downside risks have intensified, given that the tightening of financial conditions and the banking sector stress could potentially affect bank lending and, consequently, weigh on domestic demand. That said, we have downwardly revised 2016 growth forecast to 1.5% from 1.7% previously.

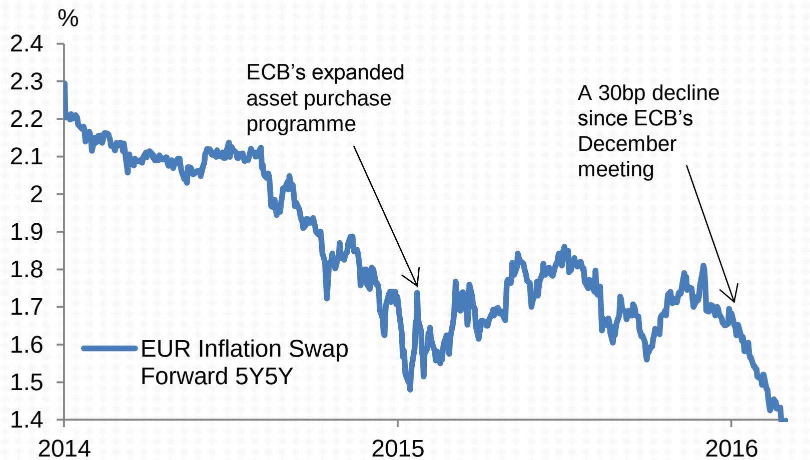
Source: ECB, Eurostat, Eurobank Economic Research

Euro area: More monetary policy easing in ECB's March meeting

Headline inflation falls back into negative territory



Market inflation expectations at a historical low



Source: ECB, Eurostat, Eurobank Economic Research

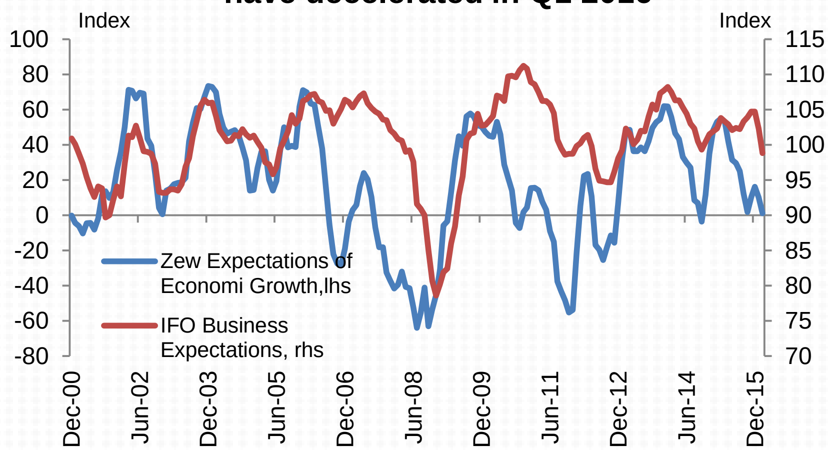
- ECB's Account of its monetary policy meeting on January 20-21 was largely consistent with the dovish tone ECB President Mario Draghi adopted at the January post-meeting press conference, suggesting that the monetary policy stance could be reviewed and reconsidered at the March meeting due to increased downside risks to the Euro area. ECB Governing Council (GC) members highlighted that downside risks to the Euro area outlook stemming from a weaker global growth environment and volatile financial markets "might at present be materializing". Given the continuing divergence between relatively resilient domestic demand and decelerating external trade, the GC pointed out that it remains to be seen whether robust domestic growth could continue to offset weakness in external demand.

- On the inflation front, concerns were expressed that lower oil prices could dampen wage growth and core inflation through second-round effects. ECB Executive Board member Praet noted that although there was evidence that the December monetary policy easing measures were being transmitted, downside risks to the baseline scenario included in the ECB staff macroeconomic projections were escalating. Indeed, the 5y5y forward inflation swap rate was hovering around a fresh historical low of 1.38% at the time of writing this report, suggesting further deterioration in the inflation outlook amid weaker growth outlook. Meanwhile, headline HICP inflation re-entered negative territory in February, plunging to -0.2%YoY from +0.3%YoY in the prior month.

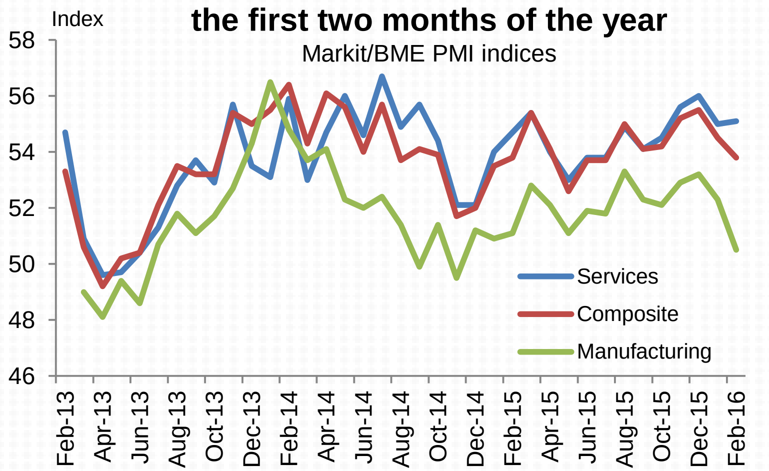
- Along these lines, the ECB will likely cut the deposit facility rate by another 10bp to -0.40% at its March 10th monetary policy meeting. In the adverse scenario that global growth deteriorates more than currently anticipated (sharper deceleration in China and other EM economies and/or further decline in commodity and oil prices, inflation expectations move lower or/and the EUR moves sharply higher against its major currency peers) the ECB could potentially adopt a more aggressive monetary policy stance including, inter alia, a larger than 10bps rate cut.

Germany: Resilient domestic demand, but trade and confidence weigh on growth

German business expectations have decelerated in Q1 2016



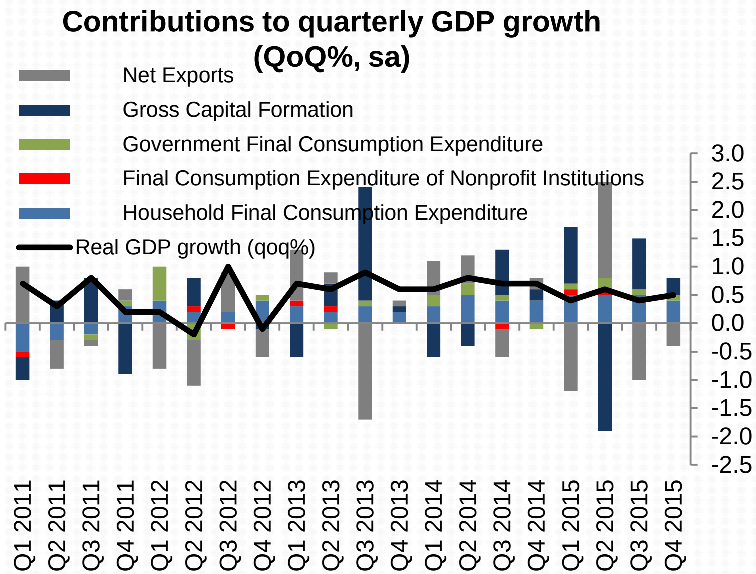
German confidence on a declining trend over the first two months of the year

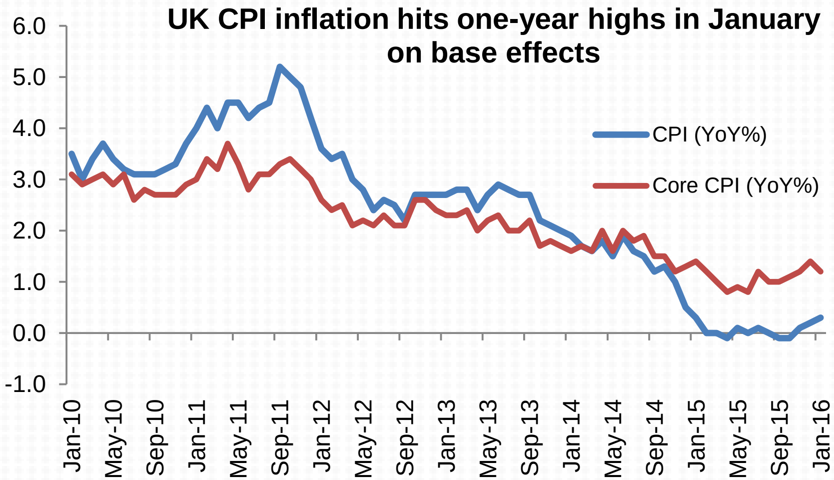


Source: Eurostat, Markit, Eurobank Economic Research

- German real GDP growth remained unchanged at +0.3%QoQ in Q4, reflecting a positive surprise from business investment which rebounded sharply (+1.5%QoQ) after two quarters of contraction. The unusual mild winter weather that resulted in construction surge had a noteworthy impact. Furthermore, public consumption increased by 1.0%QoQ, more than doubling its historical growth average. On the flipside, net trade was a major drag on growth, the largest in three years, as exports declined significantly and imports edged up.
- Meanwhile, the IFO and the ZEW business expectations indices have been on a downward trend since the beginning of 2016. In more detail, February ZEW expectations fell to 1.0 from 10.2 in January, well below its long-term average of ca. 25 points. Moreover, IFO business climate index fell more than expected due to a large drop in business expectations. According to the IFO institute, “the majority of companies were pessimistic about their business outlook” for the first time in over six months.
- Given the marked slowdown in trade, a sharp decline in expectations over the first two months of the year and a deteriorating global outlook, we have downgraded our 2016 real GDP growth to 1.6% from 1.7% previously. Private consumer expenditure should be the pillar of growth, capitalizing on rising wages, increasing employment and lower oil price. Indeed, the latest retail sales data underpin domestic demand strength, with the January growth increasing to 0.7%MoM from an upwardly revised 0.6% in December. Adding to this, the Gfk consumer confidence index rose to a five month high of 9.5 points in February.

UK domestic demand remains resilient; subdued inflationary pressures



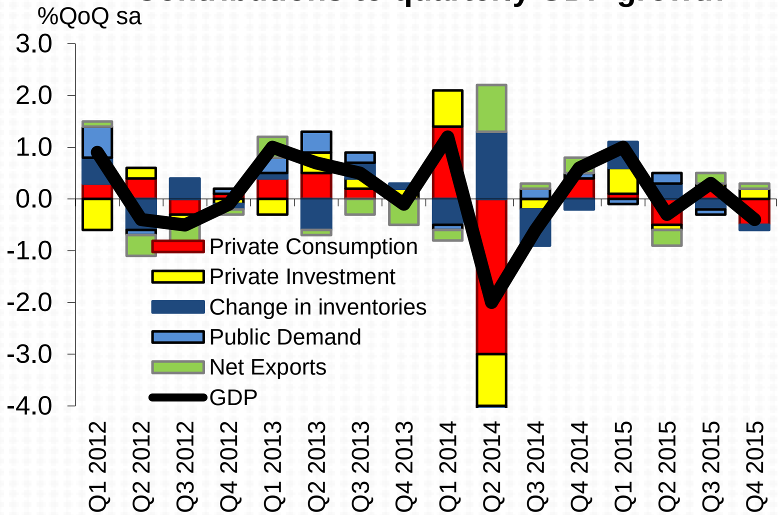


Source: UK Office for National Statistics, Eurobank Economic Research

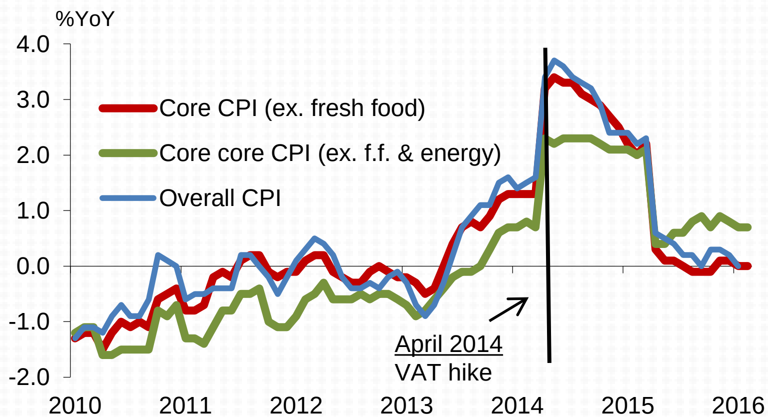
- According to the second estimate, UK Q4 real GDP grew by 0.5%QoQ, unchanged from an initial estimate and up from 0.4%QoQ in the prior quarter. On an annual basis, Q4 GDP advanced by 1.9%, the slowest in nearly three years, from 2.1% in the prior quarter. For the full year 2015, real GDP grew by 2.2%, down from 2.9% in 2014 while for 2016, expectations are for a growth rate of 2.1% with domestic demand remaining the main growth pillar on the back of a tightening labour market, low inflation, robust consumer confidence and a pickup on real income growth. Yet, downside risks are non-negligible. Uncertainty about the outcome of the June 23rd referendum on the country's EU membership could exert a negative impact on business investment growth and consumer confidence, while subdued world trade growth and reduced capital spending in the oil and gas sector pose additional headwinds for the UK's economic outlook.
- UK CPI inflation reached a one-year high of 0.3%YoY in January from 0.2%YoY in the prior month, mainly due to base effects. Looking ahead, CPI inflation is expected to remain subdued due to the past GBP appreciation and low commodity prices. According to the BoE's updated Inflation Report that was released in early February, CPI inflation is anticipated to remain below 1% until H2 2016 and could take until late 2017 before rising to the 2% target. This holds in the absence of a renewed downward shock in oil prices and the assumption that the tightening labor market will start feeding through into rising wage costs. Against this background, the prospect of a BoE rate hike remains distant. MPC member Ian McCafferty, who had voted in favor of a BoE rate hike in every policy meeting between August 2015 and January 2016, switched his vote at last month's meeting to call for unchanged rates.

Japan: Sluggish recovery trend, muted inflationary pressures

Contributions to quarterly GDP growth



Muted inflationary pressures



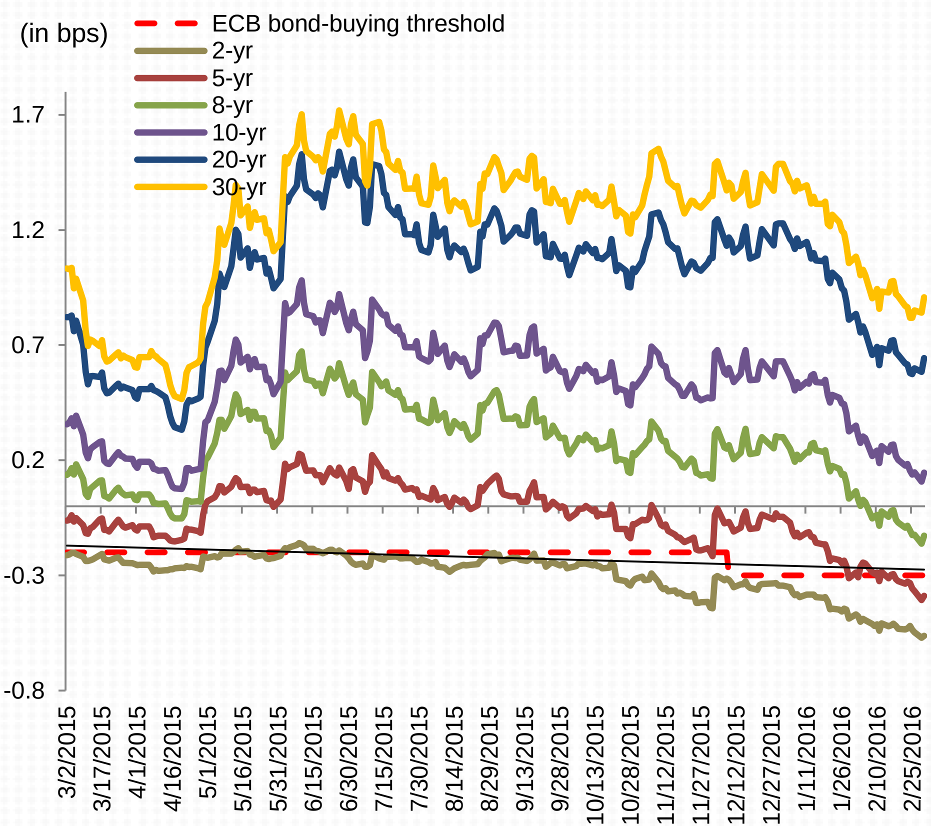
- Real GDP contracted 0.4%QoQ in Q4 2015, with private consumption falling 0.8%QoQ amid sluggish expenditure on seasonal goods, while real exports of goods and services dropped 0.9%QoQ. On the flipside, private capex unexpectedly doubled its Q3 pace of growth, increasing by 1.4%QoQ.
- Labor market indicators were generally firm at the beginning of this year, with the unemployment rate falling to 3.2% in January from 3.3% in the prior month. Furthermore, the jobs/applicants ratio improved to the highest level in 24 years (to 1.28 from 1.27 in December), while the new job offers/applicants ratio exceeded the 2.00 threshold for the first time since October 1991.
- Nevertheless, the improvement in labor market conditions has not been reflected in consumption so far. That said, real household spending declined 3.1%YoY in January marking the fifth drop in a row, suggesting that the sluggish trend in domestic economic recovery remains intact. Elsewhere, the Q4 corporate survey revealed that total sales decreased 2.7%YoY, the first decline in three quarters, while ordinary profits fell for the second straight quarter. Adding to this, the JPY's recent appreciation and weaker equity markets since January might have reduced corporate appetite for capital investment in Q1 2016.
- We have downgraded our 2016 GDP growth forecast to 0.8% from 1.0% previously due to weaker global growth and a firmer JPY. Given that the inflation rate is still away from the 2.0% BoJ's target, we expect the central bank to lower rates further in 2016.

Source: Economic and Social Research Institute (ESRI), Eurobank Economic Research

II. Fixed Income

German government bonds likely to retain a firm tone on expectations for further ECB monetary policy stimulus

German government bond yields lower across the curve

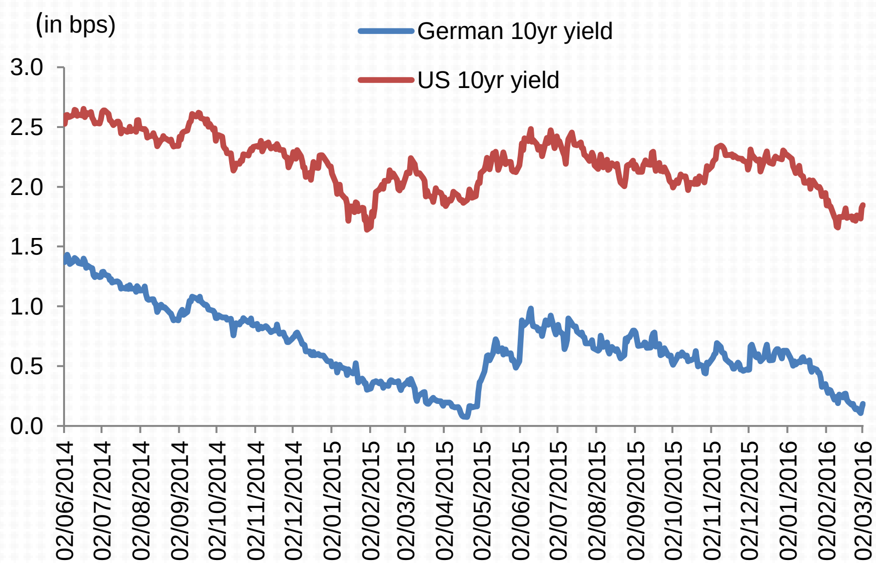


Source: Bloomberg , Eurobank Economic Analysis and Financial Markets Research

- German government bonds retained a firm tone over the last few weeks, assisted by lingering worries over a severe slowdown in the world economy. Heightened euro area deflation worries, concerns about the health of European banks, expectations of further ECB monetary policy stimulus at the next policy meeting on March 10th and Breixt jitters also favored market sentiment towards Germany's sovereign paper. Against this background, German bond yields moved lower across the curve, with maturities up to eight years trading below zero.
- With markets already discounting fully a 10bps cut in the ECB deposit rate –probably accompanied by a two-tier deposit rate system so as to reduce the cost to the banking sector- a 6-month extension in the QE programme to September 2017 and an increase of around €10bn in monthly purchases, bond yields are expected to consolidate around current levels in the run up to the next ECB policy meeting. Yet, should upcoming euro area data support expectations for a more aggressive ECB stimulus package (*e.g*. extension in the pool of assets eligible for purchase under the Public Sector Purchase Programme-PSPP or/and reduction in the deposit rate by more than 10bps) or/and the ECB continues to sound very dovish post-March meeting, market participants may price-in additional ECB policy stimulus in the months ahead. Under such a scenario, the 10-yr Bund yield could potentially retest 0.05% April 2015 record low, triggering some further bullish flattening in the 2/10 Bund yield curve.

US Treasury yields likely to range trading in the run up to the FOMC March 16-17 monetary policy meeting

German & US 10yr yield

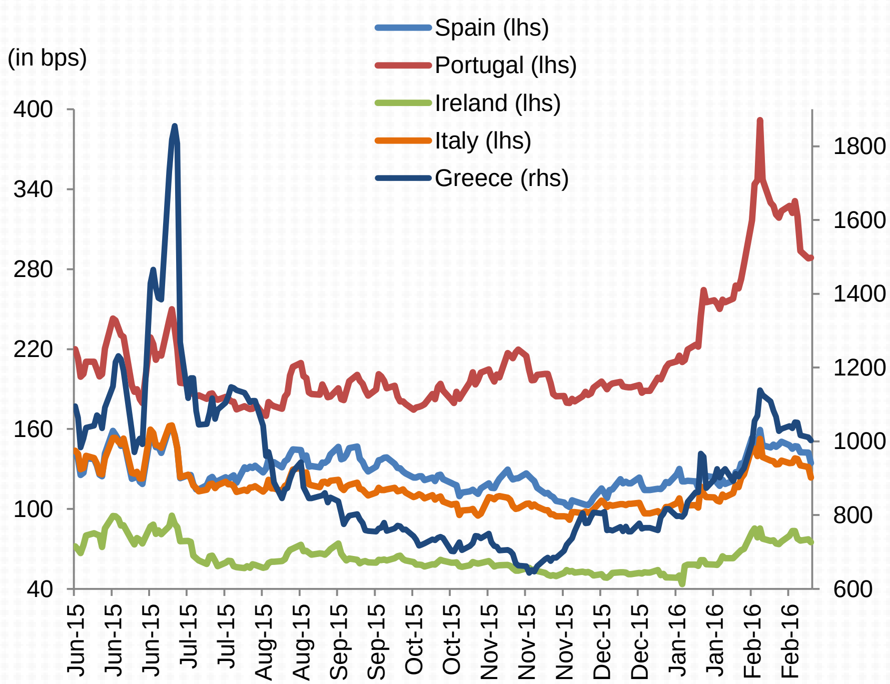


Source: Bloomberg, Eurobank Economic Analysis and Financial Markets Research

- Though Fed Chair Janet Yellen did not take the option of a March rate hike off the table in her semi-annual testimony before Congress in mid-February, a number of FOMC policy members have adopted a rather dovish stance thereafter, suggesting that such a scenario has become less likely in view of the recent tightening of global financial conditions increasing the downside risks to the US' economic outlook. Indeed, with core PCE remaining well below the Fed's 2% target and subdued wage inflation pressures, it will take probably some time before the Central Bank decides to move on with further rate tightening.
- Heading into the March 15th-16th FOMC policy meeting, volatile range-trading is likely to prevail, with the 10-yr yield remaining trapped within the 1.60%-2.00% area.
- Amid expectations for additional monetary policy stimulus at the upcoming March 10th ECB policy meeting, German Bunds will likely continue to outperform US Treasuries, with the 10-yr corresponding spread facing strong resistance at c. 175bps (around 10bps higher from current levels).

Short-term outlook for EU sovereign bonds likely to remain challenging

EMU sovereign debt spreads vs. Bunds

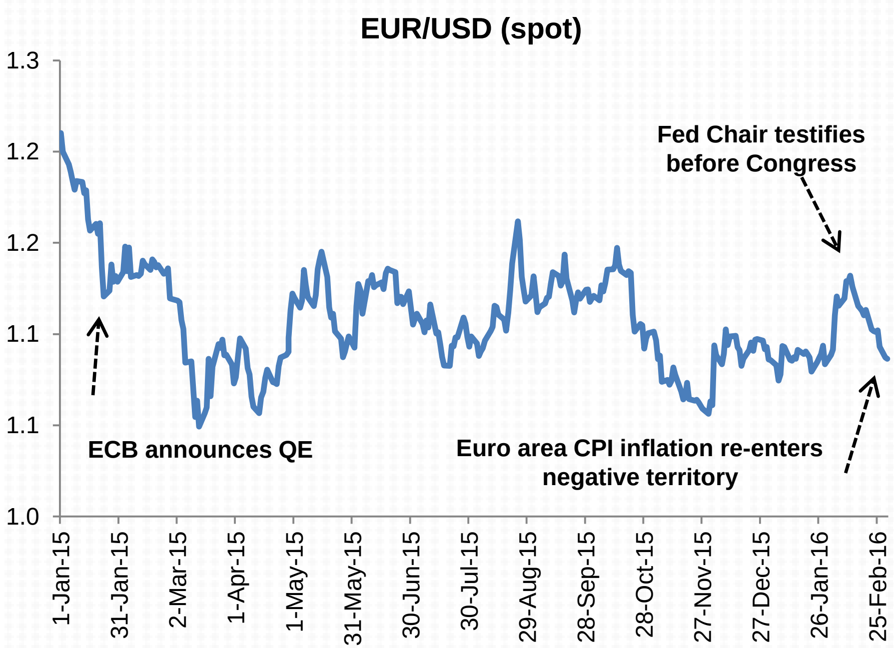


Source: Eurobank Economic Analysis and Financial Markets Research , Bloomberg

- The majority of EMU periphery sovereign debt spreads vs. their German peers widened over the last few weeks, as increased expectations for further ECB monetary policy stimulus at the March 10th Governing Council meeting pushed German yields lower and banking jitters saw a repricing of periphery risk.
- Greece was one of the main underperformers amid concerns that the completion of the 1st programme review may last longer than expected. In Portugal, worries over the health of the banking sector, growth prospects and high private and public sector indebtedness continue to weigh. In Italy, the state of the banking sector remains one of the main sources of concern, while the government's securitization scheme aiming to facilitate the disposal of banks' NPLs failed to ease banking related concerns. In addition, worries over snap elections in Spain prevail, while in Ireland the February 26th national election failed to produce a conclusive result.
- With EMU periphery jitters having moved into market focus, the short-term outlook for EU sovereign bonds remains challenging. This holds especially as the ECB's expected additional expansionary measures are likely to continue supporting German Bunds.

III. FX Markets

EUR/USD consolidation likely to prevail



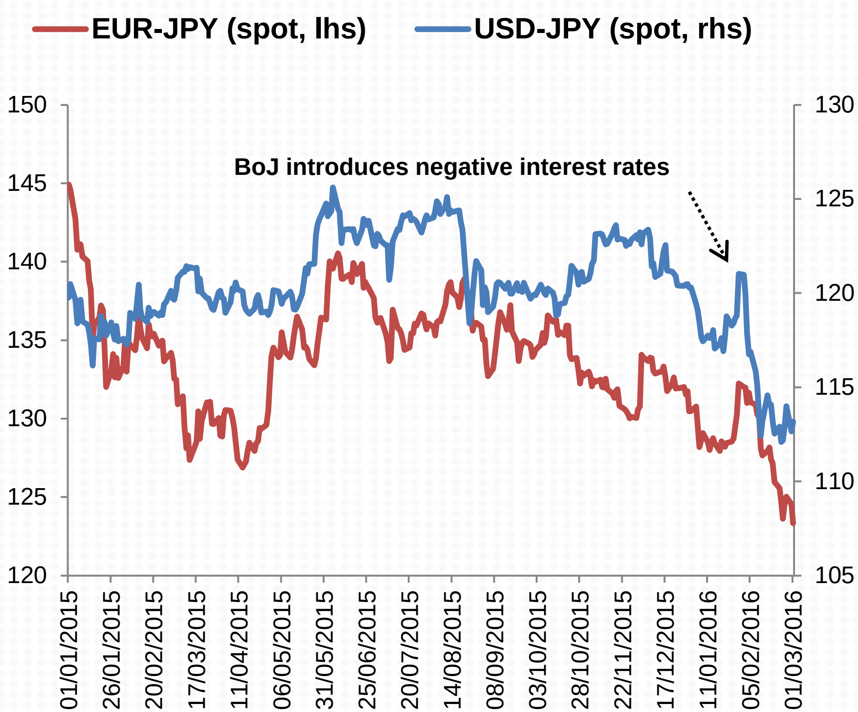
Source: Eurobank Economic Analysis and Financial Markets Research , Reuters

- Presenting the semi-annual monetary policy report to Congress on February 10th, FOMC Chair Janet Yellen acknowledged that risks to the US economic growth outlook are mostly to the downside, Yet, she highlighted the solid fundamentals of the US economy, suggesting that a March rate hike is still on the table. Despite the overall more hawkish than expected tone adopted by the Fed Chair, the majority of market participants share the view that the Fed will likely stay put on interest rates in the foreseeable future. US inflation pressures remain subdued, financial conditions have tightened significantly in recent weeks, while market worries over a more pronounced than currently expected slowdown in China's economic growth prevail. Understandably, lasting improvement in global financial markets and solid US economic data are necessary prerequisites for the Fed to consider the likelihood of another rate hike.

- On its part, the ECB is widely expected to adopt additional monetary stimulus at the March 10th policy meeting in the form of more quantitative easing or/and lower interest rates amid increased worries over the risk of the euro area inflation remaining at current low levels for longer than expected. Yet, it remains to be seen how aggressive the ECB will be following the latest bout of EUR weakness and ECB Council member Nowotny's recent warning against excessive market expectations as regards the outcome of the March ECB policy meeting.

- Against this background, EUR/USD consolidation within the trading range of 1.0700-1.1400 will likely prevail in the coming sessions, with investors getting increasingly sensitive to upcoming US/Euro area economic data, as well as comments by Fed/ECB officials for potential clues on the Central Banks' policy deliberations.

JPY likely to continue to benefit from its safe-haven status



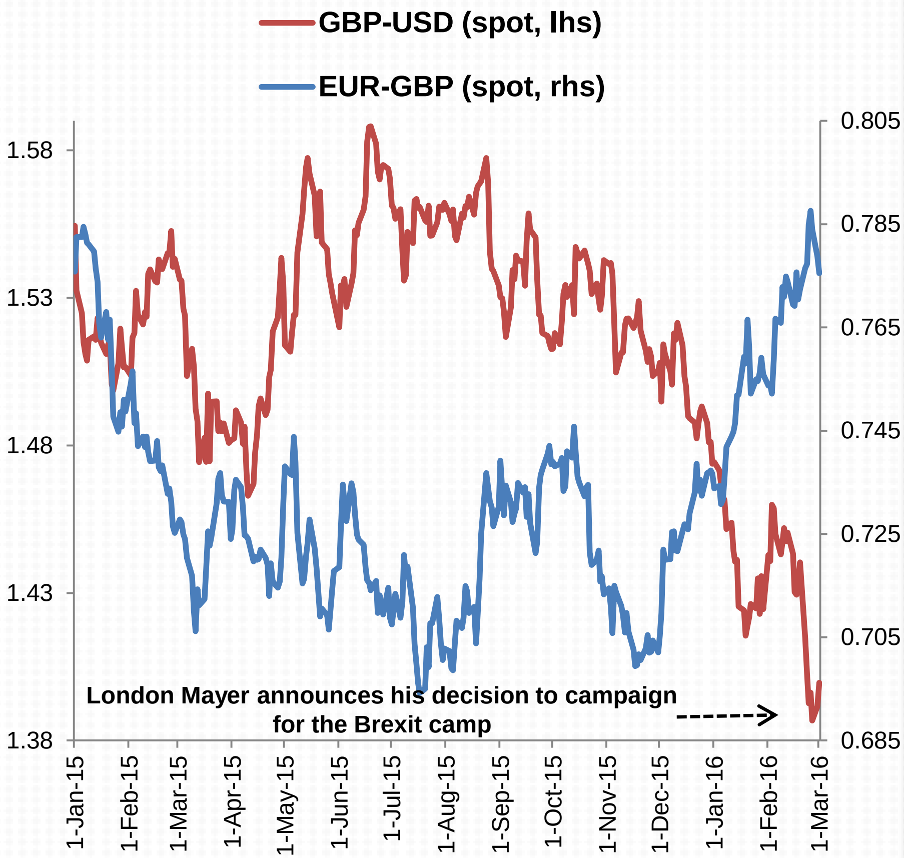
Source: Eurobank Economic Analysis and Financial Markets Research, Reuters

- The BoJ's decision in late January to push its key interest rate into negative territory at -0.1% for the first time ever, in an effort to address ongoing deflationary pressures via the currency channel, only briefly exerted a downward pressure on the JPY. Market worries surrounding the growth prospects of the world economy enhanced the safe-haven allure of the JPY, overshadowing the desired impact of the BoJ's action.

- In response to the BoJ's rate policy announcement, the USD/JPY hit year-to-date highs of 121.70 (Jan. 29) before falling to 111.00 in mid-February. The prevailing market view that the Fed will not rush to push interest rates higher amid increased downside risks to the outlook of the US economy also had an impact.

- Looking ahead, the prospect of further USD/JPY weakness on a multi-session/week basis cannot be ruled out, especially in case of intensified market worries over the growth prospects of the world economy. Yet, with the BoJ/MoJ keeping FX intervention jitters alive and the US economy expected to continue growing at a solid pace, there is little to suggest that the USD/JPY is poised for further significant losses from current levels (hovering around 113.80/90 in European trade on Wednesday, March 2nd). Technically, strong support lies at 111.00 recent low, while only a sustained move above 116.00/30 could point to an improved short-term outlook. On the EUR/JPY axis, the technical picture suggests that as long as the pair remains below 125.00/126.00, risks are skewed for further weakness towards 120.00, especially if the ECB adopts a more aggressive than currently expected stimulus package.

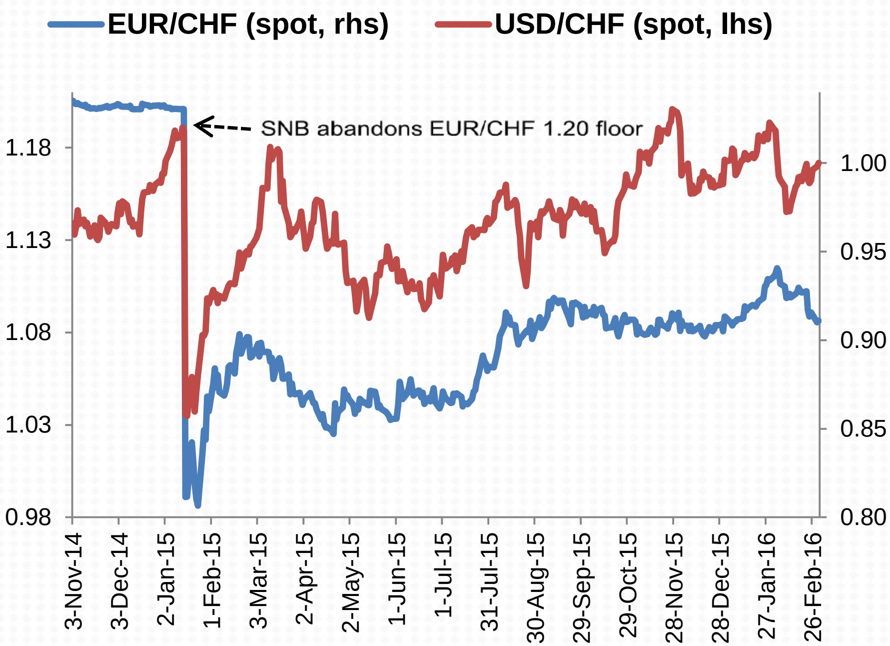
GBP to remain under pressure amid heightened Brexit woes



Source: Eurobank Economic Analysis and Financial Markets Research, Reuters

- Brexit jitters came to the fore earlier than expected, pushing the GBP sharply lower across the board. Boris Johnson, the London Mayor and a highly popular conservative politician, announced his decision to campaign for the Brexit camp in the run-up to the 23rd June referendum on the UK's membership in the EU. The announcement came soon after UK Premier David Cameron announced that he succeeded in sealing an agreement with his EU counterparts at the February 18-19 EU Summit on reform of the UK's relationship with the EU that gives Britain "special status" (*e.g.*, safeguards the UK's financial system from "ever closer union"). Market reports suggest that, out of the 30 government ministers, 7 have confirmed that they will back "Brexit".
- With the EU referendum looming and market participants worrying about the potential consequences of a likely Brexit outcome, the GBP is expected to remain under pressure in the coming sessions/weeks, while any potential upside attempt is likely to be capped. Technically, a break below 1.3870 recent low (Feb. 24) could open the way for further GBP/USD weakness towards 1.3500 (March 2009 lows), especially in case upcoming opinion polls put the EU exit camp in the lead. On the EUR/GBP axis, the next target for GBP bears lies at 0.7900/20 recent high (Feb. 25) in the way to the 0.8000/0.8080 area.
- The majority of recent opinion polls suggest that the outcome of the EU referendum is too close to call, while around 15%-20% of people are undecided.

Scope for further CHF appreciation short-term seems limited; SNB stands ready to intervene in FX markets



Source: Eurobank Economic Analysis and Financial Markets Research, Reuters

- The recent lackluster performance of global equity markets, mainly due to growing concerns about the underlying strength of the global economy and the health of European banks, pushed a number of market participants to seek traditional safe-heavens, including the CHF. Against this background, the Swiss currency firmed across the board over the last few weeks, while cautious remarks by SNB President Thomas Jordan that unconventional central bank policies carry risks and lose effectiveness over time also had an impact.

- After hitting a near one-year peak of 1.1200 on Feb. 4, the EUR/CHF moved lower thereafter hitting a one-month low near 1.0808 on Feb. 29th in the wake of weaker than expected euro area February's inflation data, which reinforced market expectations for a new round of ECB monetary policy stimulus at the next meeting on March 10th. Yet, on the back of strongly negative Swiss interest rates, a likely extension of negative Swiss rates on retail deposits in the months ahead (especially if the ECB adopts a more dovish than currently expected stimulus package) and the SNB's readiness to intervene in FX markets, the scope for any further CHF significant appreciation from current levels in the coming sessions seems limited (hovering around 1.0815/20 in European trade on March 2nd). SNB President Thomas Jordan reiterated earlier this month that the CHF remains "strongly overvalued" and the Central Bank stands ready to intervene, in case of need.

- Technically, 1.0700/1.0750 seems containing any further EUR/CHF weakness short-term, while on the upside, strong resistance lies within 1.1150/1.1200. On the USD axis, the next target for CHF-bulls stands at 0.9660 (Feb. 11 low), a level that could be potentially tested should upcoming developments push further back Fed rate hike expectations.

IV. Eurobank Macro Forecasts

Eurobank Macro Forecasts

	GDP (YoY%)			CPI (YoY%)			Current Account (% of GDP)			General Budget Balance (% of GDP)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
World	3.1	3.1	3.4	3.3	3.2	3.3						
USA	2.4	2.0	2.2	0.1	1.3	2.2	-2.6	-3.0	-3.2	-3.8	-3.6	-3.3
Europe												
Eurozone	1.6	1.5	1.7	0.0	0.4	1.3	3.7	3.6	3.4	-2.2	-1.9	-1.6
Belgium	1.3	1.3	1.7	0.6	1.4	1.7	1.6	2.1	2.5	-2.9	-2.8	-2.4
Cyprus	1.6	2.0	2.5	-1.6	0.3	1.2	-4.7	-4.4	-3.8	-1.5	0.0	0.8
France	1.1	1.2	1.6	0.1	0.5	1.2	-1.4	-1.5	-2.0	-3.7	-3.4	-3.2
Germany	1.7	1.6	1.7	0.1	0.5	1.4	8.8	8.6	8.3	0.5	0.1	0.0
Greece	-0.3	-1.0	2.4	-1.1	0.5	0.7	0.0	0.5	0.9	-7.6	-3.4	-2.1
Ireland	6.9	4.5	3.5	0.0	0.6	1.4	3.6	3.7	3.1	-1.8	-1.3	-0.8
Italy	0.8	1.4	1.3	0.1	0.3	1.6	2.2	2.1	2.1	-2.6	-2.5	-1.5
Netherlands	2.0	2.1	2.3	0.2	0.9	1.5	10.4	10.0	9.5	-2.2	-1.8	-1.5
Portugal	1.5	1.6	1.8	0.5	0.7	1.0	0.7	1.0	1.1	-4.2	-3.4	-3.5
Spain	3.2	2.8	2.5	-0.6	0.1	1.5	1.5	1.4	1.3	-4.8	-3.6	-2.6
Sweden	3.6	3.2	2.9	0.7	1.0	1.4	5.4	5.3	5.3	-1.0	-1.1	-1.2
Switzerland	0.8	1.2	1.5	-1.1	-0.2	0.4	7.2	7.0	6.7	-0.2	-0.2	-0.1
UK	2.2	2.1	2.1	0.0	0.8	1.5	-5.0	-4.7	-4.3	-4.4	-3.0	-2.0

Source: Eurobank Economic Research, IMF, EU Commission, Bloomberg

Eurobank Macro Forecasts

	GDP (YoY%)			CPI (YoY%)			Current Account (% of GDP)			General Budget Balance (% of GDP)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Asia/Pacific												
Japan	0.7	0.8	0.6	0.8	0.8	1.5	2.7	3.4	3.7	-5.1	-4.2	-3.5
Australia	2.5	2.7	2.9	1.5	2.2	2.4	-4.6	-4.1	-3.3	-1.9	-1.8	-0.9
Emerging Economies												
BRIC												
Brazil	-3.7	-3.0	1.0	9.0	8.0	6.0	-4.0	-3.8	-3.8	-8.2	-7.5	-5.8
China	6.9	6.3	6.0	1.5	1.8	2.2	3.1	2.8	2.0	-1.9	-2.3	-2.1
India	7.3	7.4	7.5	5.0	5.3	5.3	-1.4	-1.6	-2.0	-7.2	-7.0	-6.7
Russia	-3.7	-1.2	0.3	15.7	8.5	6.2	5.1	5.0	4.8	-2.2	-3.2	-1.8
CESEE												
Bulgaria	2.8	2.6	3.1	-0.1	1.0	1.5	1.2	1.0	0.5	-2.7	-2.0	-1.4
Romania	3.7	4.1	3.5	-0.6	-0.3	2.5	-1.1	-2.0	-2.5	-1.9	-2.8	-3.7
Serbia	0.8	1.8	2.2	1.5	2.8	3.9	-4.7	-4.6	-4.3	-4.1	-4.0	-2.6

Source: Eurobank Economic Research, IMF, EU Commission, Bloomberg

Eurobank Fixed Income Forecasts

		2016			2017
	Current (March 2)	June	September	December	March
USA					
Fed Funds Rate (%)	0.375%	0.375%	0.375%	0.625%	0.875%
1 m Libor (%)	0.43%	0.59%	0.62%	0.72%	0.87%
3m Libor (%)	0.63%	0.75%	0.80%	0.88%	1.04%
2yr Notes (%)	0.85%	0.96%	1.04%	1.10%	1.31%
10 yr Bonds (%)	1.84%	1.89%	1.95%	1.99%	2.10%
Eurozone					
Refi Rate (%)	0.05%	0.05%	0.05%	0.05%	0.05%
3m Euribor (%)	-0.21%	-0.32%	0.34%	-0.36%	-0.35%
2yr Bunds (%)	-0.56%	-0.54%	-0.55%	-0.53%	-0.44%
10yr Bunds (%)	0.19%	0.22%	0.25%	0.28%	0.39%
UK					
Repo Rate (%)	0.50%	0.50%	0.50%	0.50%	0.75%
3m (%)	0.59%	0.59%	0.62%	0.58%	0.65%
10-yr Gilt (%)	1.47%	1.51%	1.56%	1.61%	1.76%
Switzerland					
3m Libor Target (%)	-0.75%	-1.00%	-1.00%	-1.00%	-1.00%
10-yr Bond (%)	-0.44%	-0.42%	-0.39%	-0.35%	-0.26%

Source: Eurobank Economic Analysis and Financial Markets Research, Derivatives Trading Desk

Eurobank FX Forecasts

		2016			
	Current	March	June	September	December
EUR-USD	1.0860	1.10	1.11	1.13	1.20
USD-JPY	114.40	115.00	116.00	117.00	115.00
EUR-JPY	124.24	126.50	128.76	132.21	138.00
GBP-USD	1.3960	1.42	1.44	1.46	1.54
EUR-GBP	0.7779	0.7746	0.7708	0.7740	0.7792
USD-CHF	0.9991	0.99	0.99	0.97	0.96
EUR-CHF	1.0850	1.09	1.1	1.1	1.15
USD-CAD	1.345	1.34	1.34	1.34	1.30
USD-AUD	0.7220	0.73	0.73	0.75	0.78
USD-NZD	0.6600	0.66	0.66	0.68	0.70
EUR-SEK	9.3600	9.30	9.30	9.30	9.30
EUR-NOK	9.4200	9.40	9.35	9.30	9.20

Source: Eurobank Economic Analysis and Financial Markets Research, FX Trading Desk

Eurobank Economic Analysis and Financial Markets Research

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