MACRO HIGHLIGHTS

WEEK OF 4 DECEMBER 2017

KEY TAKEAWAYS OF THE WEEK

Economist insights: US Senate passes new tax bill, acceleration in GDP growth in Switzerland, India and Brazil (p.1)

› The US Senate passed its tax plan on 2 December. Once the versions from the lower and upper houses have been reconciled, the measures should be implemented in early 2018

› Swiss GDP growth climbed to 1.1% year-on-year in the third quarter, up from 0.6% for the first half of the year, thanks to the increase in net exports

› In India, real GDP growth bounced back to 6.3% in the third quarter following the slowdown from the first half of the year linked to the reforms. The upturn in economic activity is continuing in Brazil

US focus: Flattening of the yield curve set to continue in 2018 and 2019 (p.4)

› The flattening of the US yield curve, with long yields rising by less than short rates, which began in 2014, continued over the past few months

› While we expect the Fed to continue gradually tightening its monetary policy in 2018 and 2019, this trend is not expected to be called into question…

› …because the upside potential for long yields is limited by the Fed's persistently high balance sheet, the US Treasury's management of new bond issues and the anchoring of inflation expectations

ECONOMIST INSIGHTS

US SENATE PASSES NEW TAX BILL, ACCELERATION IN GROWTH IN SWITZERLAND, INDIA AND BRAZIL

Just two weeks after the House of Representatives' vote, **the Senate passed its tax bill on Saturday 2 December**. The many different clauses in this draft legislation include reducing income and corporation tax, allowing capital investments to be deducted immediately and reducing tax on the repatriation of foreign profits to the US. While the elimination of several tax deductions is likely to be used to partially fund the cuts, the new tax measures are expected to widen the deficit over the coming years.

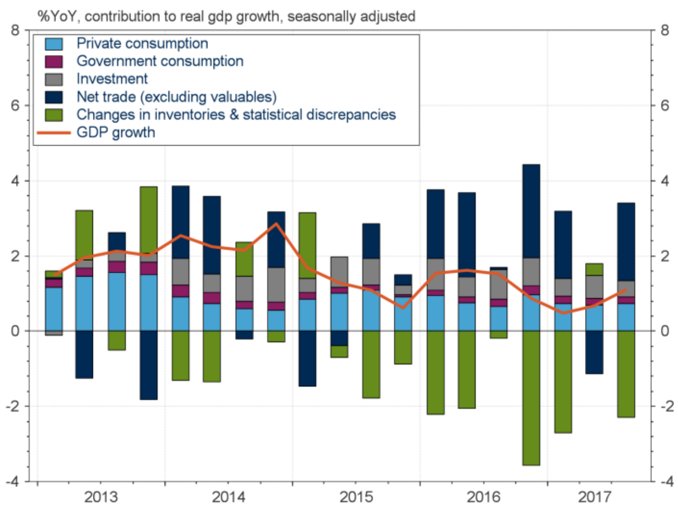
The procedure to reconcile the different versions proposed by the Lower House and the Upper House is expected to get underway from Monday 4 December. One of the main differences between the two versions concerns the date for reducing the corporate tax rate from 35% to 20%, planned for 2018 by the House of Representatives and 2019 by the Senate. **There are still other differences and the Senate's version is likely to prevail, on account of this house's lower Republican majority** – the Republicans hold 52 of the 100 seats in the Senate and 240 of the 435 seats in the House of Representatives.

While the Republicans hope to wrap up the reconciliation negotiations before Christmas, they could be delayed by other discussions. Before 8 December, **Congress will need to vote on a financing bill and an increase in the debt ceiling**. According to our analysis, while a prolonged administrative deadlock is quite unlikely, the adoption of a definitive text for the tax measures may not be imminent.

In line with our expectations, Swiss GDP accelerated in the third quarter of 2017, up 0.6% for the quarter, the strongest growth since the 'strong franc' shock. Year-on-year growth has also accelerated, climbing to 1.1% from just 0.6% for the first half of the year (0.4% before the revision). The changes in the various GDP components are in line with our expectations. Benefiting from the franc's depreciation, foreign trade has been a major factor behind this acceleration in growth (see left-hand chart), thanks to the good export performances by the pharmaceutical, energy, machinery and electronics sectors. Growth has also been supported by domestic demand, with the exception of investment in construction, which slowed down sharply in the second quarter, dropping 2.1% to 0.7% year-on-year, faced with the continued slowdown on the Swiss real estate market.

In addition, the latest economic data confirm our scenario for GDP growth to strengthen over the coming quarters. The KOF Economic Barometer

Net exports supported Swiss growth in the third quarter



Source: Thomson Reuters Datastream / SECO, Edmond de Rothschild Economic Research

The upturn in India's manufacturing indicators is encouraging

Source: Thomson Reuters Datastream / Markit Economics, Edmond de Rothschild Economic Research and the manufacturing PMI for November are both up to their highest levels since 2010. Year-on-year growth is therefore expected to continue accelerating and reach 1.6% in the fourth quarter.

In India, following a slowdown phase in the first half of the year, real year-on-year GDP growth climbed to 6.3% in the third quarter, compared with 5.7% previously. Up 4.7%, investment has confirmed its growth after contracting at the start of the year. This development is encouraging and suggests that Indian growth is normalising following the phase of uncertainty linked to the introduction of the unified VAT system in July, which had a negative impact on the business climate and business activity levels. From this perspective, our expectations for economic activity in India, which looks set to grow over 7% in 2018, are supported by the upturn in growth for the industrial sector – up from 1.6% to 5.8% in the third quarter – and the manufacturing indicators, which are at their highest levels since October 2016 (see right-hand chart, p.3).

In Brazil, household consumption has picked up, supporting year-on-year GDP growth, which climbed from 0.3% in the second quarter to 1.4%. Quarter-on-quarter, investment growth has moved back into positive territory after contracting for 15 quarters. **The economic recovery that we forecast for Brazil is therefore being confirmed and looks set to continue over the coming quarters**.

Lisa Turk, Economist, United States
l.turk@edr.com

Matthias van den Heuvel, Economist,
m.vandenheuvel@edr.com

François Léonet, Economist, Emerging Markets
f.leonet@edr.com

FOCUS – UNITED STATES

FLATTENING OF THE YIELD CURVE SET TO CONTINUE IN 2018 AND 2019

Sophie Casanova, Economist, Central Banks s.casanova@edr.com

In line with the trend that began at the start of 2014, the US yield curve has continued to flatten. The spread between the 10-year Treasury yield and the Federal Reserve (Fed) key rate, the Fed Funds rate, which was 278bp at the end of 2013, came to 170bp at end-2016 and 116bp on 30 November 2017. Alongside this, the yield spread between 10-year and 2-year Treasuries dropped from 265bp to 126bp between 2013 and 2016, and was down to 65bp at the end of November 2017.

According to our analysis, this trend looks set to continue in 2018 and 2019. While we expect the Fed to continue raising its key rate, the 10-year Treasury yield is expected to increase, but on a limited scale. Despite our forecast for the budget deficit to deepen and nominal growth to accelerate, the upside potential on the long section of the yield curve is expected to be limited by the Fed's persistently high balance sheet, the active management of new US Treasury issues and the anchoring of inflation expectations.

The Fed Funds rate should continue to rise gradually…

In 2017, the Fed has continued to raise its Fed Funds rate, up from 0.75% to 1.00% in March and then 1.25% in June.

Since then, it has taken a break, which, according to our analysis, aimed to prevent an increase in its key rate from interfering with the announcement of its decision to gradually scale back its balance sheet (which took place in September 2017, see following table). There was a risk of investors being worried about the central bank adopting a tougher stance, which could have generated a sharp rise in US yields and/or a significant appreciation of the dollar against other currencies.

Key elements on the slowdown in the Fed's reinvestments announced in September 2017

The FOMC has announced its plans to, starting in October 2017, scale back its reinvestments over the coming years. To achieve this, it announced the monthly amount that it does not wish to reinvest.

This maximum amount or cap will be increased every three months during a 12 month period and then maintained until the Fed considers that the size of its balance sheet has decreased sufficiently.

For treasury bonds, the initial cap has been set at USD 6 billion and increased by USD 6 billion every three months until it reaches USD 30 billion.

For agency bonds and mortgage-backed securities, the initial cap has been set at USD 4 billion and increased by USD 4 billion every three months until it reaches USD 20 billion.

The Fed has announced its plans to reduce the size of its balance sheet compared with the level seen in the last few years, although it will still be higher than before the financial crisis. However, it has not given any indication concerning this amount.

In line with expectations, while the Fed launching its process to reduce its balance sheet has not on its own led to a sharp rise in bond yields, **the Fed should, according to our forecasts, be in a position to resume its rate hike cycle from 13 December by raising its Fed Funds rate 25bp to 1.50%**.

According to our analysis, the Fed Funds rate should continue to rise in 2018.

We expect GDP growth to accelerate during the year, supported in particular by the rollout of the budget measures that the US administration wants to put in place. **In addition, inflation should rise slightly**, reflecting on the one hand, a limited acceleration in wages while the job market is at full employment, and on the other hand, an increase in import prices linked to the dollar's depreciation from January to early September 2017.

In this environment, and while the real Fed Funds rate is still negative (excluding core inflation, the Fed Funds rate was -0.45% in September) and well below its long-term equilibrium level of 0.75% estimated by the Fed (see FOMC forecasts below), **the monetary policy committee (FOMC) is expected to continue with its monetary tightening.**

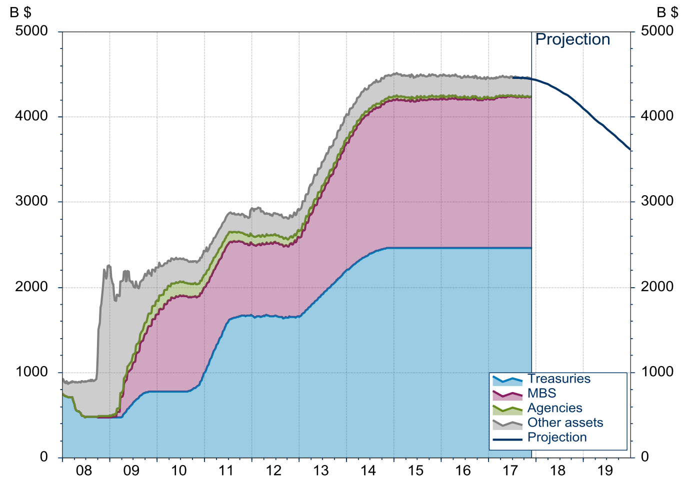
FOMC median projections Sept. 2017	2017	2018	2019	2020	Long terme
Change in real GDP	2.4	2.1	2.0	1.8	1.8
June projections	2.2	2.1	1.9	-	1.8
Unemployment rate	4.3	4.1	4.1	4.2	4.6
June projections	4.3	4.2	4.2	-	4.6
PCE Inflation	1.6	1.9	2.0	2.0	2.0
June projections	1.6	2.0	2.0	-	2.0
Core PCE inflation	1.5	1.9	2.0	2.0	
June projections	1.7	2.0	2.0	-	
Fed funds rate	1.375	2.125	2.625	2.875	2.750
June projections	1.375	2.125	2.875		3.000

Source: US Federal Reserve, Edmond de Rothschild

However, in line with the strategy rolled out by the Fed since 2016, we expect this rate hike cycle to remain gradual in order to prevent upside pressures on the dollar from rising too sharply, at a time when the Fed is still the major central bank that is furthest ahead with its monetary tightening cycle.

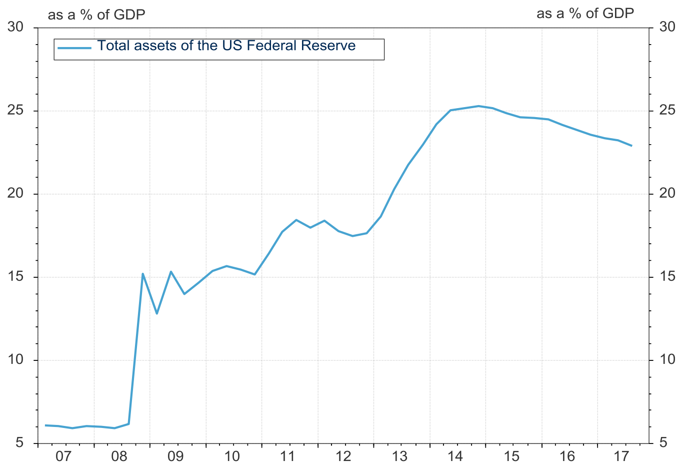
We therefore expect the Fed to adopt three 25bp hikes in 2018, taking its Fed Funds rate up to 2.25% by the end of the year. These hikes should occur in the first, third and fourth quarters of 2018. In the second quarter, the Fed could take a break if, in line with expectations, the dollar strengthens against the euro faced with a higher

The Fed looks set to scale back its balance sheet very gradually…



Source: Thomson Reuters Datastream / Edmond de Rothschild Economic Research

…and it is not expected to reach its pre-crisis levels, even as a percentage of GDP



Source: Thomson Reuters Datastream / National Central Banks, Edmond de Rothschild growth differential in favour of the US (eurozone GDP growth notably penalised by the euro's previous growth) and the ECB maintaining its accommodative monetary policy.

In 2019, the Fed Funds rate could continue to rise, but at a slower pace, factoring in the slight slowdown in US GDP growth that we are forecasting. Following two hikes during the year, the Fed Funds rate could reach 2.75% by the end of the year, which represents its long-term nominal equilibrium level estimated by the FOMC.

…along with long yields, but at a more limited pace

The acceleration in GDP growth and inflation that we are forecasting for 2018 should support an upturn in long term bond yields.

However, this increase in bond yields could, according to our analysis, be on a lower scale than the increase in short rates, with the yield curve continuing to flatten through to the end of 2018 and in 2019 (bear flattening).

We expect three factors to limit the increase in long yields.

Firstly, the process to scale back the Fed's balance sheet will move very slowly and is not expected to bring it down to its pre-crisis levels, even as a percentage of GDP, factoring in the banking system's needs for central liquidity following the new regulatory standards adopted since the financial crisis. This means that the Fed's portfolio of Treasury bonds and mortgage-backed securities will continue to be significant and its maturity will be lower, but still high. **The term premium on long-term bond yields is expected to remain compressed on a lasting basis. As a result, the level of bond yields is expected to be lower than before the 2008 crisis for the same level of nominal growth.**

Secondly, **the US Treasury is expected to actively manage the maturity of its new bond issues**. As indicated by the Treasury Borrowing Committee on 31 October 2017, the percentage of new Treasury bill issues and short-term Treasury bonds is expected to be increased. This means that while the implementation of the budget measures could drive up the Treasury's needs for financing, this would not be reflected in an equivalent increase in long-term bond issues, which would limit the upside pressures on the long part of the yield curve. Furthermore, this additional supply of short-term bonds is not expected to lead to a significant increase in short-term yields because it could find spontaneous demand from the banking system, because this will have slightly less central liquidity due to the gradual reduction in the Fed's balance sheet.

Lastly, the continued gradual increase in the Fed Funds rate is expected to limit the risk of unanchored inflation expectations, because the Fed is not expected to be seen as excessively behind the curve. This would therefore also limit the risk of a sharp rise in long yields.

We expect the 10-year Treasury yield to rise gradually over 2018 before closing out the year at 3.05%. In 2019, it looks set to average out at 3.20%. Its spread against the Fed Funds rate would represent 80bp at end-2018 and 45bp on average for 2019. The yield spread between 10-year and 2-year Treasuries would

reach 60bp at the end of 2018 and 55bp on average for 2019.

Forecasts	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018 *	*Consensus **	2019 *	*Consensus **
Fed Funds rate	1.75	1.75	2.00	2.25	2.25	*2.10*	2.75	*2.52*
2-Y Treasury Yield	1.90	1.95	2.25	2.45	2.14	*1.99*	2.65	*2.54*
10-Y Treasury Yield	2.60	2.90	3.00	3.05	2.89	*2.63*	3.20	*3.12*

** yearly average for yields, end of the period for the Fed funds rate*

Source: Edmond de Rothschild Economic Research

APPENDIX 1 – LATEST CHANGES ON FINANCIAL MARKETS

PERFORMANCE IN LOCAL CURRENCY	LAST PRICE	WEEKLY CHANGE	MONTHLY CHANGE	YEAR-TO-DATE CHANGE	1-YEAR CHANGE
Equities *(total return)*					
World (MSCI)	503	0.1%	1.3%	22.1%	25.1%
United States (S&P 500)	2'642	1.6%	2.7%	20.3%	23.0%
Eurozone (Euro Stoxx)	389	-1.1%	-3.6%	13.2%	22.0%
Germany (DAX)	13'030	-1.5%	-4.5%	12.0%	22.1%
France (CAC 40)	5'367	-1.4%	-3.5%	12.4%	20.1%
Spain (IBEX 35)	10'167	0.4%	-4.0%	11.2%	20.3%
Italy (FTSE MIB)	22'352	-1.4%	-3.6%	18.2%	33.0%
Portugal (PSI 20)	5'368	1.3%	-1.6%	18.5%	25.0%
United Kingdom (FTSE 100)	7'360	-1.5%	-2.1%	6.2%	12.4%
Switzerland (SMI)	9'343	-0.5%	0.1%	16.5%	23.1%
Japan (Nikkei)	22'707	1.2%	1.8%	21.4%	25.6%
Emerging Markets (MSCI)	1'116	-3.3%	-1.1%	32.3%	33.4%
Sovereign Bonds, 10Y *(change in basis point)*					
United States	2.39%	6.3	5.9	-5.3	0.8
Eurozone	0.33%	-0.2	-2.3	13.5	6.0
Germany	0.33%	-0.2	-2.3	13.5	6.0
France	0.64%	-2.9	-10.8	-3.8	-7.3
Spain	1.40%	-6.5	-6.6	2.4	-13.6
Italy	1.71%	-6.2	-7.1	-9.4	-18.3
Portugal	1.87%	-3.2	-17.9	-187.5	-180.4
United Kingdom	1.26%	2.3	1.4	4.0	-10.3
Switzerland	-0.16%	0.3	-4.3	6.6	0.5
Japan	0.04%	-0.3	-1.5	-0.6	0.3
Emerging Markets (local currency)	4.92%	-2.8	-3.7	-7.3	-30.3
Corporate Bonds *(change in basis point)*					
United States (IG Corp.)	3.24%	4.1	10.3	-11.3	-14.3
Eurozone (IG Corp.)	0.64%	-0.4	4.3	-25.2	-38.2
Emerging Markets	4.47%	3.9	12.2	-46.5	-55.3
High-Yield Bonds *(change in basis point)*					
United States (HY Corp.)	5.69%	-5.6	21.8	-46.8	-86.8
Eurozone (HY Corp.)	2.89%	3.0	17.5	-82.0	-127.0
Convertible Bonds *(price change)*					
United States (Convert. Barclays)	51	-1.8%	-0.4%	15.9%	18.5%
Eurozone (Convert. Exane)	7'705	-0.3%	-1.6%	3.2%	6.2%
Commodities					
Commodities (TR)	422	-0.1%	1.2%	0.4%	0.2%
Gold	1'277	-1.7%	0.2%	9.2%	6.8%
Crude Oil (Brent)	63	0.3%	5.3%	14.9%	20.1%
Currencies					
Dollar Index	93.2	0.3%	-1.8%	-8.8%	-7.5%
EURUSD	1.19	-0.3%	2.1%	12.7%	10.2%
GBPUSD	1.34	0.9%	2.1%	8.9%	5.6%
USDCHF	1.02	0.1%	-1.5%	-3.5%	-2.4%
USDJPY	112.9	1.6%	-0.7%	-3.5%	-0.8%

Source : Bloomberg

APPENDIX 2 - LEADING ECONOMIC INDICATORS

Main Economic Indicators - Released (27 November - 1 December) and to be released (4 - 8 December)

US

Date	Indicator	Period	Consensus	Actual	Prior	Revised
27/11	**New Home Sales, month**	**Oct.**	**628k**	**685k**	**667k**	**645k**
28/11	**Case-Shiller 20-City Home Price index, YoY**	**Sep**	**6.0%**	**6.2%**	**5.9%**	**5.8%**
29/11	**GDP, QoQ annualized**	**Q3 S**	**3.2%**	**3.3%**	**3.0%**	**-**
29/11	**GDP, YoY**	**Q3 S**	**-**	**2.3%**	**2.3%**	**-**
01/12	**ISM Manufacturing, month**	**Nov.**	**58.3**	**58.2**	**58.7**	**-**
05/12	*ISM Non-Manufacturing, month*	*Nov.*	*59.0*	*-*	*60.1*	*-*
06/12	*ADP Employment Change, month*	*Nov.*	*175k*	*-*	*235k*	*-*
08/12	*Change in Nonfarm Payrolls, month*	*Nov.*	*198k*	*-*	*261k*	*-*
08/12	*Change in Private Payrolls, month*	*Nov.*	*203k*	*-*	*252k*	*-*
08/12	*Unemployment Rate, month*	*Nov.*	*4.1%*	*-*	*4.1%*	*-*
08/12	*Average Hourly Earnings, YoY*	*Nov.*	*-*	*-*	*2.4%*	*-*

Euro zone

Date	Indicator	Period	Consensus	Actual	Prior	Revised
28/11	**M3 Money Supply, YoY**	**Oct.**	**5.1%**	**5.0%**	**5.1%**	**5.2%**
28/11	**Loans to non-financial corporations, YoY**	**Oct.**		**2.9%**	**2.4%**	
28/11	**Loans to households, YoY**	**Oct.**		**2.7%**	**2.7%**	
29/11	**Economic Confidence, month**	**Nov.**	**114.6**	**114.6**	**114.0**	**114.1**
30/11	**HICP, YoY**	**Nov.**	**1.6%**	**1.5%**	**1.4%**	**-**
30/11	**Core HICP, YoY**	**Nov. A**	**1.0%**	**0.9%**	**0.9%**	**-**
01/12	**Manufacturing PMI, month**	**Nov. F**	**60.0**	**60.1**	**60.0**	**-**
05/12	*Services PMI, month*	*Nov. F*	*-*	*-*	*56.2*	*-*
05/12	*Composite PMI, month*	*Nov. F*	*-*	*-*	*57.5*	*-*
05/12	*GDP, QoQ*	*Q3 F*	*-*	*-*	*0.6%*	*-*
05/12	*GDP, YoY*	*Q3 F*	*-*	*-*	*2.5%*	*-*

Germany

Date	Indicator	Period	Consensus	Actual	Prior	Revised
29/11	**HICP, YoY**	**Nov. P**	**1.7%**	**1.8%**	**1.5%**	**-**
01/12	**Manufacturing PMI, month**	**Nov. F**	**62.5**	**62.5**	**62.5**	**-**
05/12	*Services PMI, month*	*Nov. F*	*-*	*-*	*54.9*	*-*
05/12	*Composite PMI, month*	*Nov. F*	*-*	*-*	*57.6*	*-*
06/12	*Factory Orders, MoM*	*Oct.*	*-*	*-*	*1.0%*	*-*
07/12	*Industrial Production, MoM*	*Oct.*	*-*	*-*	*-1.6%*	*-*

France

Date	Indicator	Period	Consensus	Actual	Prior	Revised
29/11	**GDP, QoQ**	**Q3 P**	**0.5%**	**0.5%**	**0.5%**	**-**
29/11	**GDP, YoY**	**Q3 P**	**2.2%**	**2.2%**	**2.2%**	**-**
30/11	**HICP, YoY**	**Nov. P**	**1.2%**	**1.3%**	**1.2%**	**-**
01/12	**Manufacturing PMI, month**	**Nov. F**	**57.5**	**57.7**	**57.5**	**-**
05/12	*Services PMI, month*	*Nov. F*	*-*	*-*	*60.2*	*-*
05/12	*Composite PMI, month*	*Nov. F*	*-*	*-*	*60.1*	*-*
08/12	*Manufacturing Production, MoM*	*Oct.*	*-*	*-*	*0.4%*	*-*

Switzerland

Date	Indicator	Period	Consensus	Actual	Prior	Revised
30/11	**GDP, QoQ**	**Q3**	**0.6%**	**0.6%**	**0.3%**	**0.4%**
30/11	**GDP, YoY**	**Q3**	**0.8%**	**1.2%**	**0.3%**	**0.5%**
30/11	**KOF Leading Indicator, month**	**Nov.**	**109.7**	**110.3**	**109.1**	**109.8**
01/12	**Manufacturing PMI, month**	**Nov.**	**62.5**	**65.1**	**62.0**	**-**
06/12	*CPI, YoY*	*Nov.*	*-*	*-*	*0.7%*	*-*
07/12	*Unemployment Rate, month*	*Nov.*	*-*	*-*	*3.1%*	*-*
07/12	*Foreign Reserves, CHF, month*	*Nov.*	*-*	*-*	*741.5b*	*-*

United Kingdom

Date	Indicator	Period	Consensus	Actual	Prior	Revised
30/11	**Nationwide House Price Index, MoM**	**Nov.**	**0.1%**	**0.1%**	**0.2%**	**-**
30/11	**Nationwide House Price Index, YoY**	**Nov.**	**2.7%**	**2.5%**	**2.5%**	**-**
01/12	**Manufacturing PMI, month**	**Nov.**	**56.5**	**58.2**	**56.3**	**56.6**
05/12	*Services PMI, month*	*Nov.*	*-*	*-*	*55.6*	*-*
05/12	*Composite PMI, month*	*Nov.*	*-*	*-*	*55.8*	*-*
07/12	*Halifax House Price Index, MoM*	*Nov.*	*-*	*-*	*0.3%*	*-*
07/12	*Halifax House Price Index, YoY*	*Nov.*	*-*	*-*	*4.5%*	*-*
08/12	*Manufacturing Production, MoM*	*Oct.*	*-*	*-*	*0.7%*	*-*
08/12	*Visible Trade Balance £Mln, month*	*Oct.*	*-*	*-*	*-£11253*	*-*
08/12	*NIESR GDP Estimate, QoQ*	*Nov.*	*-*	*-*	*0.5%*	*-*

Japan						
Date	Indicator	Period	Consensus	**Actual**	Prior	Revised
01/12	**CPI, YoY**	**Oct.**	**0.2%**	**0.2%**	**0.7%**	**-**
04/12	*Monetary Base, YoY*	*Nov.*	-	-	*14.5%*	-
04/12	*Monetary Base, End of previous month*	*Nov.*	-	-	*¥476.6t*	-
08/12	*GDP, QoQ*	*Q3 F*	-	-	*0.3%*	-
08/12	*GDP, YoY*	*Q3 F*	-	-	*1.7%*	-

China						
Date	Indicator	Period	Consensus	**Actual**	Prior	Revised
30/11	**Manufacturing PMI, month**	**Nov.**	**51.4**	**51.8**	**51.6**	**-**
30/11	**Non-manufacturing PMI, month**	**Nov.**	**-**	**54.8**	**54.3**	**-**
01/12	**Caixin China PMI Manufacturing, month**	**Nov.**	**50.9**	**50.8**	**51.0**	**-**
05/12	*Caixin China PMI Composite, month*	*Nov.*	-	-	*51.0*	-
05/12	*Caixin China PMI Services, month*	*Nov.*	-	-	*51.2*	-
07/12	*Foreign Reserves, month*	*Nov.*	-	-	*$3109.2b*	-
08/12	*Trade Balance USD, month*	*Nov.*	-	-	*$38.17b*	*$38.19b*
08/12	*Exports, YoY*	*Nov.*	-	-	*6.9%*	-
08/12	*Imports, YoY*	*Nov.*	-	-	*17.2%*	-

APPENDIX 3 - OUR GROWTH AND INFLATION FORECASTS

GDP GROWTH IN VOLUME (%)	2014	2015	2016	2017f	Consensus	2018f	Consensus
United States	2.4	2.6	1.6	2.1	2.2	2.5	2.3
Japan	0.4	1.1	1.0	1.3	1.2	0.8	1.0
Eurozone	1.2	1.9	1.7	1.7	1.7	1.8	1.6
Germany	1.6	1.5	1.8	1.6	1.6	1.8	1.6
France	0.7	1.2	1.1	1.4	1.4	1.7	1.5
Italy	0.2	0.7	1.0	0.9	0.9	0.8	0.9
Spain	1.4	3.2	3.2	2.7	2.7	2.6	2.3
Portugal	0.9	1.6	1.4	1.6	1.6	1.4	1.5
Luxembourg	5.6	4.0	4.2	4.5	3.4	4.3	3.3
Europe ex-Eurozone							
United Kingdom	3.1	2.2	1.8	1.5	1.7	1.2	1.3
Switzerland	2.0	0.8	1.3	1.4	1.5	1.6	1.7
Israel	3.2	2.6	4.0	3.4	3.3	3.3	3.2
Emerging countries	4.9	4.0	4.1	4.6	-	4.7	-
China	7.3	6.9	6.7	6.6	6.6	6.4	6.4
Brazil	0.1	-3.8	-3.6	0.3	0.6	1.9	2.3
India	7.0	7.5	7.6	7.1	7.2	7.8	7.7

CONSUMER PRICE INDEX (%)	2014	2015	2016	2017f	Consensus	2018f	Consensus
United States	1.6	0.1	1.3	2.3	2.4	2.5	2.3
Japan	2.7	0.8	-0.1	0.5	0.6	0.9	0.9
Eurozone (HCPI)	0.4	0.0	0.2	1.6	1.6	1.6	1.5
Germany	0.8	0.1	0.4	1.8	1.8	1.9	1.7
France	0.6	0.1	0.3	1.3	1.3	1.4	1.3
Italy	0.2	0.1	0.0	1.4	1.4	1.3	1.3
Spain	-0.2	-0.6	-0.3	2.1	2.1	1.7	1.5
Portugal	-0.2	0.5	0.6	1.2	1.3	1.2	1.4
Luxembourg	0.7	0.1	0.0	2.4	2.0	2.2	1.7
Europe ex-Eurozone							
United Kingdom	1.5	0.0	0.6	3.1	2.6	3.0	2.6
Switzerland	0.0	-1.1	-0.4	0.4	0.4	0.6	0.6
Israel	0.5	-0.6	-0.5	0.8	0.7	1.4	1.3
Emerging countries	4.4	4.7	4.0	3.7	-	3.9	-
China	2.0	1.4	2.0	1.8	2.1	2.2	2.2
Brazil	6.3	9.0	8.8	4.4	4.2	4.7	4.5
India	6.7	4.9	5.0	3.8	3.9	5.0	4.8

APPENDIX 4 - OUR RATE AND CURRENCY FORECASTS

KEY INTEREST RATES (%)*	2014	2015	2016	2017f	Consensus	2018f	Consensus
United States	0.25	0.50	0.75	1.50	1.50	2.25	-
Japan	0.10	0.10	-0.10	-0.10	-0.10	-0.10	-
Eurozone	0.05	0.05	0.00	0.00	0.00	0.00	-
Europe ex-Eurozone							
United Kingdom	0.50	0.50	0.25	0.50	0.30	0.75	-
Switzerland	-0.25	-0.75	-0.75	-0.75	-0.75	-0.75	-
Israel	0.25	0.10	0.10	0.10	0.10	0.25	-
Emerging countries							
China	5.60	4.35	4.35	4.35	4.40	4.10	-
Brazil	11.75	14.25	13.75	8.25	7.35	7.25	-
India	8.00	6.75	6.25	6.00	6.00	6.25	-

*data at end of period

EXCHANGE RATE**	2014	2015	2016	2017f	Consensus	2018f	Consensus
Dollar							
EUR/USD	1.20	1.08	1.11	1.12	1.13	1.14	1.20
USD/JPY	120	120	109	113	112	116	111
GBP/USD	1.56	1.47	1.36	1.29	1.29	1.25	1.32
USD/CHF	0.99	1.00	0.98	0.98	0.98	0.98	0.97
USD/CNY	6.21	6.49	6.95	6.78	6.76	7.00	6.70
Euro							
EUR/JPY	144	130	120	126	126	132	133
EUR/GBP	0.77	0.73	0.81	0.87	0.87	0.91	0.91
EUR/CHF	1.20	1.09	1.09	1.10	1.11	1.12	1.16
EUR/SEK	9.44	9.17	9.47	9.56	9.54	9.40	9.10

**yearly average

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EDMOND DE ROTHSCHILD

EDMOND DE ROTHSCHILD (SUISSE) S.A.

Rue de Hesse 18 – 1204 Genève - T. +41 58 818 91 91
Rue de Morat 11 – 1700 Fribourg - T. +41 26 347 24 24
Avenue Agassiz 2 – 1003 Lausanne - T. +41 21 318 88 88
Via Ginevra 2 – 6900 Lugano - T. +41 91 913 45 00
Beethovenstrasse 9 – 8002 Zürich - T. +41 44 818 81 11

BANQUE PRIVÉE EDMOND DE ROTHSCHILD EUROPE S.A.

Luxembourg – Boulevard Emmanuel Servais, 20 – 2535 Luxembourg – T. +352 24 88 1
Belgique – Avenue Louise – Louizalaan 480/ Boite 16A – 1050 Bruxelles – T. +32 2 645 5757
Espagne – Paseo de la Castellana, 55 – 28046 – Madrid – T. +34 91 364 6600
Portugal – Rua D.Pedro V, 130 – 1250-095 Lisboa – T. +351 21 045 4660

EDMOND DE ROTHSCHILD (FRANCE)

47 Rue du Faubourg Saint-Honoré – 75008 Paris – T. +33 1 40 17 25 25
116 rue de Jemmapes – 59800 Lille – T. +33 3 62 53 75 00
27 rue Auguste Comte – 69006 Lyon – T+33 4 72 82 35 25
Hôtel de Saige 23 cours du Chapeau Rouge – 33000 Bordeaux – T+33 5 56 44 20 66
165 avenue du Prado – 13008 Marseille – T+33 4 91 29 90 80
11 rue La Fayette – 44000 Nantes – T+33 2 53 59 10 00
6 avenue de la Marseillaise – 67000 Strasbourg – T+33 3 68 33 90 00
22 rue Croix Baragnon – 31000 Toulouse – T+33 5 67 20 49 00

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