EDMOND DE ROTHSCHILD

WEEKLY ECONOMIC INSIGHTS

26 MARCH 2018 – THE WEEKLY OF THE ECONOMIC RESEARCH TEAM

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The next Weekly Economic Insight will be published on the 9th of April

HIGHLIGHTS OF THE WEEK

Economist insights: US trade tariffs against China, accommodative monetary stance in Brazil and Russia and euro zone PMIs have dropped once again (p.1)

- The Trump administration has announced its intention to impose tariffs on goods imported from China, in order to defend itself against Beijing's "economic aggression". Few details have been given
- China should favour a proportional approach, responding with trade measures comparable to the US actions
- In Brazil and Russia, the central banks lowered their key rates by 25bp in a context of weak inflation. They have left open the option of future rate decreases
- In the euro zone, PMIs dropped again in March, which tends to confirm a slowdown in growth in GDP in 2018, as we expected

Focus Fed: A slightly more hawkish stance that should allow it to keep a handle on long-term yields (p.4)

- The first monetary policy meeting with Jerome Powell as Chairman confirmed the continuity of the monetary policy direction and gradual path of rate hikes
- The FOMC members revised their growth forecasts upward and anticipate a slightly greater increase than previously in the fed funds rate in 2019 and 2020
- According to our analysis, this slightly more hawkish communication should enable the Fed to contain inflation anticipations despite the acceleration in nominal growth

US TRADE TARIFFS AGAINST CHINA, ACCOMMODATIVE MONETARY STANCE IN BRAZIL AND RUSSIA AND EURO ZONE PMIS HAVE DROPPED ONCE AGAIN

THE UNITED STATES – THE WHITE HOUSE IS COMBATING INTELLECTUAL PROPERTY THEFT BY IMPOSING TRADE TARIFFS AGAINST CHINA

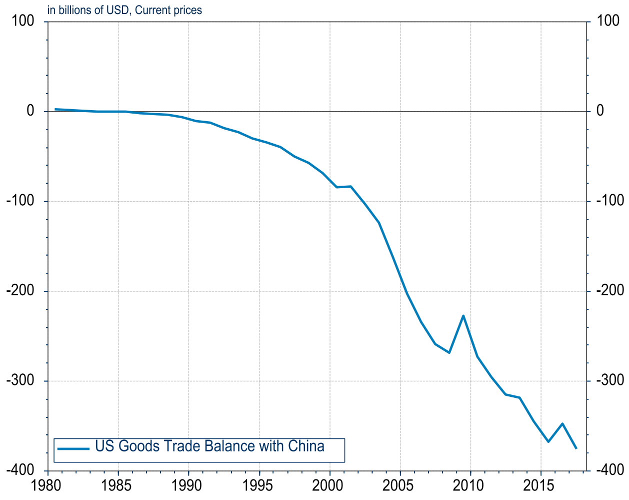
To defend itself against China's "economic aggression", President Trump announced on 22 March that he intends to impose tariffs on USD60 billion in imported goods. The United States has accused Beijing of intellectual property theft, notably by obliging US companies wanting to set up in China to form partnerships with local players[1]. The objective announced by the Trump administration is to reduce the United States' trade deficit with China by USD100 billion, which in 2017 stood at USD375.2 billion (excluding services, see left-hand chart).

In the memorandum published by the White House, the following measures were put forward:

- To propose in the next 15 days a list of products imported from China that will be subject to higher tariffs. While the exact tariffs are still to be determined, the US president mentioned a rate of close to 25% in his announcement. Once this list is published, there will be a 30-day consultation period before the final measures are applied.
- To demonstrate China's discriminatory licensing practices and its unfair trade practices to the WTO.
- To propose within the next 60 days actions aiming to limit Chinese investments in the US that are either steered or facilitated by Beijing, especially in industries or technologies important to the US economy.

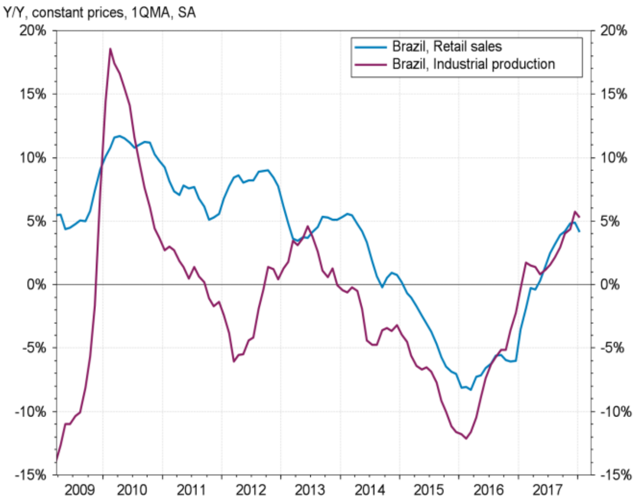
The details of these measures, which will be provided in the upcoming weeks, should enable us to assess the impact on the US economy. The USD60 billion in imported goods affected by these tariffs represent 2.6% of total Chinese goods exports. In the face of these events, China reiterated its wish to avoid a trade war, while adding that it was not intimidated by such a prospect. It is thus probable that China will favour a proportional approach, retaliating with measures comparable to the US actions in order to avoid an escalation. Thus, in reaction to the US steel and aluminium trade tariffs, China drew up a list of 128 US products – for an amount of close to USD3 billion, compared to total annual US exports to China of USD130.4 billion – that

The Trump administration is uncomfortable with the US trade deficit with China, which reached USD375 billion in 2017 (excluding services)



Source: Thomson Reuters Datastream / Census Bureau / Edmond de Rothschild Economic Research

Improvement in the growth trend in Brazil



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

[1] https://www.whitehouse.gov/briefings-statements/remarks-president-trump-signing-presidential-memorandum-targeting-chinas-economic-aggression/
R. Lighthizer, 22 March 2018: "We concluded that, in fact, China does have a policy of forced technology transfer; of requiring licensing at less than economic value; of state capitalism, wherein they go in and buy technology in the United States in non-economic ways; and then, finally, of cyber theft."

could be hit with higher trade tariffs if an agreement between the countries is not found. The exported goods include wine, dried fruits and pork. The list does not include the United States' main exports to China, which are soya, aerospace components and vehicles.

Lastly, prior to the entry into force of the new trade tariffs on US imports of steel (25%) and aluminium (10%) on Friday, 23 March 2018, the Trump administration granted some temporary exemptions, until 1 May 2018, to the following countries: Argentina, Australia, Brazil, Canada, Mexico, EU member countries and South Korea. These exemptions pave the way for a negotiation period, suggesting a more flexible attitude than initially announced by the US administration.

BRAZIL & RUSSIA – KEY RATES CUT BY 0.25%

The week was also marked by the meetings of several central banks. Among developed countries, the Fed's decision was thus highly awaited (see. Focus p.5), while among emerging countries the central banks of Brazil and Russia also held their meetings.

The Banco Central do Brasil maintained its accommodative monetary cycle by lowering its policy rate on 21 March by 25bp to 6.50%, a historical low. This decision was taken in the context of a continued economic recovery in Brazil (see right-hand chart, p 2). The monetary policy committee (COPOM) underlined this improvement in Brazil's fundamentals while considering that an accommodative monetary stance – i.e. interest rates below their neutral level – was appropriate. The COPOM thus opened the door to a possible future 25bp cut in its key rate at its meeting of 16 May, on the basis that additional monetary stimulus would lower the risk of a too gradual convergence of Brazilian inflation towards its target. Inflation is in fact at a low point of 2.8%, while the Brazilian Central Bank revised its inflation forecasts downward for end-2018, to 3.8% vs. 4.2% previously in February. Conversely, the central bank's projections for the end of 2019 were lowered only marginally, from 4.2% in February to 4.1%, which is not significantly different from the inflation target of 4.25% for 2019. As the COPOM noted, a continuation of the downwards rates cycle is not a certainty, given that it also depends on international events. As such, a hardening of the United States' protectionist stance could weigh on investors' confidence with regard to emerging assets. In this context, a depreciation of the Brazilian real would push up domestic inflation via higher prices for imported goods.

In Russia, the central bank also lowered its key rate by 25bp, to 7.25%. The Central Bank of Russia revised its inflation forecasts downward to 3-4% for the end of 2018 while anticipating real growth of around 1.5-2% over the coming year, in line with the potential of the Russian economy. The Russian central bank announced it would maintain its monetary stance; rates could thus stand at 6-7% during the year, a level it considers to be neutral.

EURO ZONE – THE PMIS TEND TO CONFIRM A SLOWDOWN IN ACTIVITY

Purchasing manager confidence continued to weaken in the euro zone in March. PMIs dropped further, and more sharply than was expected by the consensus. Thus, for the euro zone as a whole, the manufacturing sector index was down from 58.6 to 56.6 (vs. 58.1 expected), its lowest level since July 2017. In the services sector, the index declined from 56.2 to 55.0 (vs. 56.0 expected), equivalent to its October 2017 level. Lastly, the composite index, a synthesis of activity in the two sectors, fell from 57.1 to 55.3 (vs. 56.8 expected), its lowest level since January 2017.

In detail, most components of the surveys lost ground. We would nevertheless highlight that the negative trend observed for components relative to orders has continued since January for the manufacturing sector and since February for the services sector. Thus, for the manufacturing survey, new orders were down from 58.1 to 55.4 (their lowest level since November 2016) and new export orders fell from 56.8 to 54.7 (their lowest level since December 2016). While in the preliminary publication no information was provided on orders in services, the new orders index of the composite survey was down from 56.5 to 55.0 (its lowest level since January 2017).

By region, the surveys published for Germany and France followed the same trend as for the euro zone, in both the manufacturing and services sectors. As a result, the German composite index dropped from 57.6 to 55.4 and its French equivalent was down from 57.3 to 56.2, returning to their lowest levels since July and August 2017, respectively.

Overall, these purchasing manager indices tend to support our scenario according to which, after having benefited from a catch-up trend in 2017, GDP growth in the euro zone could slow in 2018. The trend in components relative to orders tends, moreover, to confirm that foreign trade could offer less support to growth than it had in 2017 as, despite strong world demand, the rise in the euro since April 2017 (by close to 9.0% in effective terms and, in particular, by 17% against the dollar) would start to weigh.

The slowdown in GDP growth and the lack of inflationary pressure would, according to our scenario, lead the ECB to maintain an accommodative monetary policy. We thus maintain our forecast that the ECB will end its asset purchase programme in September 2018 but will maintain its key rates at their current levels and continue to reinvest the amounts from its securities maturing in 2018 and 2019.

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THE FEDERAL RESERVE: A SLIGHTLY MORE HAWKISH STANCE THAT SHOULD ALLOW IT TO KEEP A HANDLE ON LONG-TERM YIELDS

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The Federal Reserve's monetary policy meeting of 21 March was a highly-awaited event. The question was not whether the Fed would raise its key rate (which it did, as we expected), but to note any changes in its monetary policy stance after the new Chairman, Jerome Powell, took up his duties.

While at his first semi-annual report to Congress on 27 February, Powell had reiterated that he intended to implement a monetary policy along the same lines as that previously led by Janet Yellen, his speech was nevertheless slightly hawkish, underlining that growth prospects seemed stronger than anticipated and notably not ruling out the possibility that, this year, the Fed could raise its fed funds rate above what it had anticipated in December 2017 (see our Weekly of 5 March).

Jerome Powell's press release on 21 March and, especially, the publication of the new macroeconomic forecasts of the members of the Fed's monetary policy committee (FOMC) shed light on the monetary policy prospects in this context. Overall, they confirmed that, although the Fed had raised its short-term GDP growth outlook, it was not worried about an abrupt rise in inflation. Thus, it expects that it will have to raise its fed funds rate by a little more in 2019 and 2020 than it had previously estimated, although only to a limited extent.

As we expected, the Fed has therefore fully confirmed that it would continue its monetary tightening at a gradual pace. According to our analysis, its slightly more hawkish tone with respect to the size of the upcoming rate hike should enable it to show investors that it does not intend to fall "behind the curve". As a result, it could be able to contain inflation expectations despite the acceleration in nominal growth, allowing it to keep a handle on the long end of the US yield curve.

The continuity of the US monetary policy was fully confirmed...

Following its monetary policy meeting, the Fed raised it fed funds rate by 25 basis points to 1.75%, as we had anticipated. This decision is in line with the gradual monetary tightening that began in December 2015 when the fed funds rate was at 0.25%.

While the press release published following this decision mentioned a slowdown in corporate consumption and investment in Q1 2018, it nevertheless specified that beyond this the economic outlook has strengthened. However, indications regarding inflation prospects were the same as at the last FOMC meeting in January 2018: the committee anticipates inflation will move up to its 2.0% target this year and stabilise at this level over the medium term. The FOMC thus kept the same terms used in its January press release, indicating that "further gradual increases" in the federal funds rate could be necessary, while underlining that it is nevertheless likely to remain below its long-term rate level for some time.

.... but the new projections of the FOMC members were slightly more hawkish

A stronger outlook for GDP growth was confirmed by the new projections of the FOMC members. They notably revised their forecasts for real GDP growth upward from 2.5% to 2.7% for 2018 and from 2.1% to 2.4% for 2019. During his press conference, Mr Powell stated that this revision notably reflected a greater-than-expected impact from the stimulus plan implemented by the US administration. Conversely, the long-term growth forecast of the FOMC members remained unchanged, at 1.8%.

At the same time, the FOMC members revised their projections for the unemployment rate downward for the next three years, to 3.8% in 2018 and 3.6% in 2019 and 2020, far below their estimated long-term rate of 4.5% (previously 4.6%).

Despite the anticipated acceleration in GDP growth to a much higher level than long-term growth, and the prospect of a further drop in unemployment, the FOMC members did not modify their forecast of core inflation for 2018 (which they expect at 1.9%), and only slightly revised their figures for 2019 and 2020 upward (from 2.0% to 2.1%).

FOMC median projections March 2018	2018	2019	2020	Long terme
Change in real GDP	**2.7**	**2.4**	**2.0**	**1.8**
December projections	*2.5*	*2.1*	*2.0*	*1.8*
Unemployment rate	**3.8**	**3.6**	**3.6**	**4.5**
December projections	*3.9*	*3.9*	*4.0*	*4.6*
PCE Inflation	**1.9**	**2.0**	**2.1**	**2.0**
December projections	*1.9*	*2.0*	*2.0*	*2.0*
Core PCE inflation	**1.9**	**2.1**	**2.1**	
December projections	*1.9*	*2.0*	*2.0*	

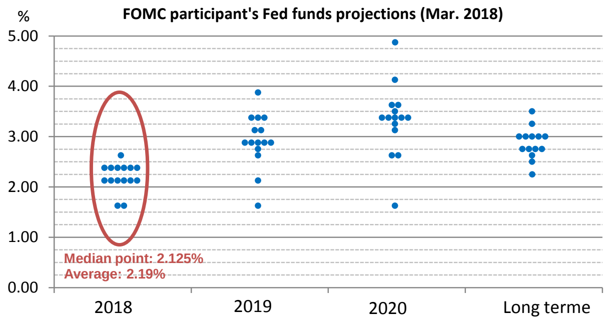
Source: US Federal Reserve, Edmond de Rothschild

This absence of an upwards revision of inflation forecasts can be explained by the fact that the FOMC members also modified their anticipations concerning the fed funds rate. While the median projection for the fed funds rate was unchanged for 2018 (at 2.125%), the number of FOMC members who consider that the fed funds rate should be raised three times, even four, has increased. As a result, the average of projections increased from 2.02% at end-December to 2.19% (see charts below). Moreover, the median projections for the fed funds rate for the years 2019 and 2020 were revised upward from 2.69% to 2.88% and from 3.06% to 3.38%, respectively.

FOMC median projections March 2018	2018	2019	2020	Long terme
Fed funds rate	**2.125**	**2.875**	**3.375**	**2.875**
December projections	*2.125*	*2.688*	*3.063*	*2.750*

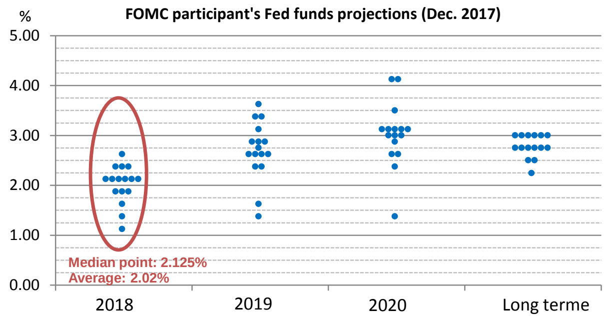
Source: US Federal Reserve, Edmond de Rothschild

The FOMC members anticipate slightly greater rate hikes...



Source: US Federal Reserve / Edmond de Rothschild

.... than they did in December 2017



Source: US Federal Reserve / Edmond de Rothschild

Analysis and implications:

- The Fed's decision to raise its fed funds rate by 25bp to 1.75% was in line with our forecast.
- Both the press release following this decision and Jerome Powell's tone during his press conference backed our scenario according to which the Fed is likely to continue to raise its key rate at a gradual pace.
- The new projections of the FOMC members show that the Fed is more confident regarding the GDP growth outlook than previously, and that it considers that it could increase its fed funds rate slightly more than it had planned.
- Overall, this is a hawkish but moderate signal. The extent of the additional rate hikes anticipated by the FOMC members is very small and mainly concerns 2019 and 2020.
- According to our analysis, this slightly less accommodative tone of the FOMC members is set to contribute to containing inflation expectations in the US, even if growth accelerates. By suggesting that it would not hesitate to raise its key rate a little further to maintain inflation close to its target of 2.0%, the Fed demonstrated that it does not intend to be "behind the curve". If credible in the eyes of investors, this would enable it to contain the trend of long-term yields despite the acceleration in nominal growth. This would also support our forecast of a continued flattening of the US curve.

- However, while our growth forecasts for the US are slightly below those of the FOMC members - we anticipate GDP growth of 2.5% in 2018 and 2.1% in 2019 and a slight acceleration in the CPI to 2.3% in 2018 - we continue to expect that the Fed will make only two additional rate increases this year, bringing its fed funds rate to 2.25%.

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)	499	-4.4%	-4.5%	-2.2%	14.4%
United States (S&P 500)	2'588	-5.9%	-5.6%	-2.8%	12.5%
Eurozone (Euro Stoxx)	370	-3.4%	-3.6%	-4.1%	3.2%
Germany (DAX)	11'957	-4.1%	-4.8%	-8.0%	-1.3%
France (CAC 40)	5'113	-3.4%	-4.0%	-3.9%	4.3%
Spain (IBEX 35)	9'448	-3.8%	-4.3%	-6.0%	-5.8%
Italy (FTSE MIB)	22'274	-2.5%	-1.7%	2.3%	13.8%
Portugal (PSI 20)	5'350	-1.7%	-2.3%	-0.8%	18.6%
United Kingdom (FTSE 100)	6'949	-3.3%	-4.1%	-9.0%	-1.9%
Switzerland (SMI)	8'648	-3.5%	-3.0%	-7.5%	2.6%
Japan (Nikkei)	20'766	-4.9%	-5.8%	-9.4%	10.1%
Emerging Markets (MSCI)	1'172	-3.3%	-3.5%	1.4%	24.2%
Sovereign Bonds, 10Y *(change in basis point)*					
United States	2.84%	-1.3	-2.0	43.7	43.0
Eurozone	0.54%	-2.9	-11.2	11.5	13.7
Germany	0.54%	-2.9	-11.2	11.5	13.7
France	0.77%	-4.6	-16.2	-1.1	-21.3
Spain	1.27%	-6.5	-28.2	-29.3	-41.2
Italy	1.91%	-4.7	-9.8	-9.2	-30.1
Portugal	1.73%	-0.3	-25.7	-18.2	-238.2
United Kingdom	1.46%	2.0	-4.5	27.5	26.8
Switzerland	0.05%	-0.3	-2.4	22.5	9.6
Japan	0.02%	-1.9	-2.3	-2.4	-4.1
Emerging Markets (local currency)	4.85%	-4.8	-6.9	3.4	-5.1
Corporate Bonds *(change in basis point)*					
United States (IG Corp.)	3.83%	4.8	15.9	59.9	51.6
Eurozone (IG Corp.)	0.91%	2.1	7.5	16.2	-3.8
Emerging Markets	5.09%	11.6	25.8	60.4	51.5
High-Yield Bonds *(change in basis point)*					
United States (HY Corp.)	6.30%	1.4	5.8	51.8	16.6
Eurozone (HY Corp.)	3.35%	11.7	13.7	39.3	-34.8
Convertible Bonds *(price change)*					
United States (Convert. Barclays)	51	-3.7%	-0.9%	2.2%	13.3%
Eurozone (Convert. Exane)	7'584	-1.0%	-1.3%	-1.9%	1.0%
Commodities					
Commodities (TR)	424	-0.6%	-1.0%	0.9%	0.6%
Gold	1'355	2.4%	1.2%	2.7%	6.5%
Crude Oil (Brent)	70	6.7%	4.1%	4.6%	39.9%
Currencies					
Dollar Index	89.2	-0.6%	-0.7%	-3.2%	-10.5%
EURUSD	1.24	0.6%	0.8%	3.4%	14.3%
GBPUSD	1.42	1.5%	1.9%	5.3%	13.3%
USDCHF	1.06	-0.6%	0.8%	-3.0%	-4.1%
USDJPY	105.1	-0.9%	-1.7%	-6.7%	-5.0%

Source : Bloomberg

APPENDIX 2 – LEADING ECONOMIC INDICATORS

Main Economic Indicators - Released (19 - 23 March) and to be released (26 March - 6 April)

US

Date	Indicator	Period	Consensus	Actual	Prior	Revised
21/03	**Existing Home Sales, month**	**Feb.**	**5.40m**	**5.54m**	**5.38m**	**-**
21/03	**FOMC Rate Decision (Upper Bound)**		**1.75%**	**1.75%**	**1.50%**	**-**
21/03	**FOMC Rate Decision (Lower Bound)**		**1.50%**	**1.50%**	**1.25%**	**-**
23/03	**Durable Goods Orders, MoM**	**Feb. P**	**1.7%**	**3.1%**	**-3.6%**	**-3.5%**
23/03	**New Home Sales, month**	**Feb.**	**624k**	**618k**	**593k**	**622k**
27/03	*Case-Shiller 20-City Home Price index, YoY*	*Jan.*			*6.3%*	
28/03	*GDP, QoQ annualized*	*Q4 T*	*2.6%*		*2.5%*	
28/03	*GDP, YoY*	*Q4 T*			*2.5%*	
29/03	*Personal Income, MoM*	*Feb.*	*0.5%*		*0.4%*	
29/03	*Personal Spending, MoM*	*Feb.*	*0.2%*		*0.2%*	
29/03	*PCE index, YoY*	*Feb.*			*1.7%*	
29/03	*Core PCE index, Yoy*	*Feb.*			*1.5%*	
02/04	*ISM Manufacturing, month*	*Mar.*	*60.0*	*-*	*60.8*	*-*
04/04	*ADP Employment Change, month*	*Mar.*	*205k*	*-*	*235k*	*-*
04/04	*ISM Non-Manufacturing, month*	*Mar.*	*59.0*	*-*	*59.5*	*-*
06/04	*Change in Nonfarm Payrolls, month*	*Mar.*	*185k*	*-*	*313k*	*-*
06/04	*Change in Private Payrolls, month*	*Mar.*	*212k*	*-*	*287k*	*-*
06/04	*Unemployment Rate, month*	*Mar.*	*4.0%*	*-*	*4.1%*	*-*
06/04	*Average Hourly Earnings, YoY*	*Mar.*	*2.7%*	*-*	*2.6%*	*-*

Euro zone

Date	Indicator	Period	Consensus	Actual	Prior	Revised
22/03	**Manufacturing PMI, month**	**Mar. P**	**58.1**	**56.6**	**58.6**	**-**
22/03	**Services PMI, month**	**Mar. P**	**56.0**	**55.0**	**56.2**	**-**
22/03	**Composite PMI, month**	**Mar. P**	**56.8**	**55.3**	**57.1**	**-**
27/03	*M3 Money Supply, YoY*	*Feb.*			*4.6%*	
27/03	*Loans to non-financial corporations, YoY*	*Feb.*			*3.4%*	
27/03	*Loans to households, YoY*	*Feb.*			*2.9%*	
27/03	*Economic Confidence, month*	*Mar.*			*114.1*	
03/04	*Manufacturing PMI, month*	*Mar. F*	*56.6*	*-*	*56.6*	*-*
05/04	*Services PMI, month*	*Mar. F*	*55.0*	*-*	*55.0*	*-*
05/04	*Composite PMI, month*	*Mar. F*	*55.3*	*-*	*55.3*	*-*

Germany

Date	Indicator	Period	Consensus	Actual	Prior	Revised
20/03	**ZEW Survey Current Situation, month**	**Mar.**	**90.0**	**90.7**	**92.3**	**-**
20/03	**ZEW Survey Expectations, month**	**Mar.**	**13.0**	**5.1**	**17.8**	**-**
22/03	**Manufacturing PMI, month**	**Mar. P**	**59.8**	**58.4**	**60.6**	**-**
22/03	**Services PMI, month**	**Mar. P**	**55.0**	**54.2**	**55.3**	**-**
22/03	**Composite PMI, month**	**Mar. P**	**57.0**	**55.4**	**57.6**	**-**
22/03	**IFO Business Climate, month**	**Mar.**	**114.6**	**114.7**	**115.4**	**-**
29/03	*HICP, YoY*	*Mar. P*			*1.2%*	
03/04	*Manufacturing PMI, month*	*Mar. F*	*58.4*	*-*	*58.4*	*-*
05/04	*Factory Orders, MoM*	*Feb.*	*0.0*	*-*	*-3.9%*	*-*
05/04	*Services PMI, month*	*Mar. F*	*54.2*	*-*	*54.2*	*-*
05/04	*Composite PMI, month*	*Mar. F*	*55.4*	*-*	*55.4*	*-*
06/04	*Industrial Production, MoM*	*Feb.*	*0.0*	*-*	*-0.1%*	*-*

France

Date	Indicator	Period	Consensus	Actual	Prior	Revised
22/03	**INSEE Business Confidence, month**	**Mar.**	**109.0**	**109.0**	**109.0**	**110.0**
22/03	**Manufacturing PMI, month**	**Mar. P**	**55.5**	**53.6**	**55.9**	**-**
22/03	**Services PMI, month**	**Mar. P**	**57.0**	**56.8**	**57.4**	**-**
22/03	**Composite PMI, month**	**Mar. P**	**57.0**	**56.2**	**57.3**	**-**
26/03	*GDP, QoQ*	*Q4 F*			*0.6%*	
26/03	*GDP, YoY*	*Q4 F*			*2.5%*	
30/03	*HICP, YoY*	*Mar. P*			*1.3%*	
03/04	*Manufacturing PMI, month*	*Mar. F*	*53.6*	*-*	*53.6*	*-*
05/04	*Services PMI, month*	*Mar. F*	*56.8*	*-*	*56.8*	*-*
05/04	*Composite PMI, month*	*Mar. F*	*56.2*	*-*	*56.2*	*-*

Switzerland

Date	Indicator	Period	Consensus	Actual	Prior	Revised
20/03	**Exports Real, MoM**	**Feb.**	**-**	**2.30%**	**-5.10%**	**-4.80%**
20/03	**Imports Real, MoM**	**Feb.**	**-**	**-9.50%**	**3.80%**	**4.70%**
21/03	**Money Supply M3, YoY**	**Feb.**	**-**	**3.70%**	**4.10%**	**4.00%**
29/03	*KOF Leading Indicator, month*	*Mar.*			*108.0*	
03/04	*Manufacturing PMI, month*	*Mar.*	*64.4*	*-*	*65.5*	*-*
05/04	*CPI, YoY*	*Mar.*	*0.60%*	*-*	*0.0*	*-*
06/04	*Foreign Reserves, CHF, month*	*Mar.*	*734.5b*	*-*	*732.8b*	*-*

Main Economic Indicators - Released (19 - 23 March) and to be released (26 March - 6 April)

UK

Date	Indicator	Period	Consensus	Actual	Prior	Revised
19/03	**Rightmove House Price Index, MoM**	**Mar.**	**-**	**1.5%**	**0.8%**	**-**
19/03	**Rightmove House Price Index, YoY**	**Mar.**	**-**	**2.1%**	**1.5%**	**-**
20/03	**CPI, YoY**	**Feb.**	**2.8%**	**2.7%**	**3.0%**	**-**
20/03	**Core CPI, YoY**	**Feb.**	**2.5%**	**2.4%**	**2.7%**	**-**
21/03	**ILO Unemployment Rate, month**	**Jan.**	**4.4%**	**4.3%**	**4.4%**	**-**
22/03	**Retail Sales Inc. Auto Fuel, MoM**	**Feb.**	**0.4%**	**0.8%**	**0.1%**	**-0.2%**
22/03	**Bank of England Bank Rate**		**0.50%**	**0.50%**	**0.50%**	**-**
22/03	**BOE Asset Purchase Target**		**435b**	**435b**	**435b**	**-**
28/03	*Nationwide House Price Index, MoM*	*Mar.*			*-0.3%*	
28/03	*Nationwide House Price Index, YoY*	*Mar.*			*2.2%*	
29/03	*GDP, QoQ*	*Q4 F*			*0.4%*	
29/03	*GDP, YoY*	*Q4 F*			*1.4%*	
28/03	*Nationwide House Price Index, MoM*	*Mar.*	*0.2%*	-	*-0.3%*	-
28/03	*Nationwide House Price Index, YoY*	*Mar.*	*2.6%*	-	*2.2%*	-
03/04	*Manufacturing PMI, month*	*Mar.*	*54.8*	-	*55.2*	-
05/04	*Services PMI, month*	*Mar.*	*54.2*	-	*54.5*	-
05/04	*Composite PMI, month*	*Mar.*	-	-	*54.5*	-

Japan

Date	Indicator	Period	Consensus	Actual	Prior	Revised
02/04	*Tankan Large Mfg Index, month*	*Q1*	*25.0*	-	*25.0*	*26.0*

China

Date	Indicator	Period	Consensus	Actual	Prior	Revised
02/04	*Caixin China PMI Manufacturing, month*	*Mar.*	*51.7*	-	*51.6*	-
04/04	*Caixin China PMI Composite, month*	*Mar.*	-	-	*53.3*	-
04/04	*Caixin China PMI Services, month*	*Mar.*	*54.6*	-	*54.2*	-

APPENDIX 3 – OUR GROWTH AND INFLATION FORECASTS

GDP GROWTH IN VOLUME (%)	2014	2015	2016	Q4 17f	2017f	Consensus	Q4 18f	2018f	Consensus	2019f	Consensus
United States	2.6	2.9	1.5	2.4	2.2	2.2	2.3	2.5	2.4	2.1	2.1
Japan	0.4	1.1	1.0	1.4	1.5	1.5	1.1	1.2	1.3	0.9	0.9
Eurozone	1.4	2.0	1.8	2.2	2.2	2.2	1.8	1.8	1.9	1.6	1.6
Germany	1.9	1.7	1.9	2.5	2.2	2.2	1.8	1.8	2.0	1.8	1.7
France	0.9	1.1	1.2	2.1	1.7	1.7	1.7	1.8	1.8	1.6	1.6
Italy	0.1	1.0	0.9	1.6	1.5	1.5	1.5	1.5	1.3	1.0	1.1
Spain	1.4	3.4	3.3	3.1	3.1	3.1	2.3	2.4	2.5	2.4	2.2
Portugal	0.9	1.8	1.5	2.2	2.6	2.6	1.9	2.0	1.9	1.7	1.6
Luxembourg	5.7	2.9	3.1	4.0	3.3	3.5	3.1	3.3	3.5	3.0	2.5
Europe ex-Eurozone											
United Kingdom	3.1	2.3	1.8	1.4	1.5	1.5	1.0	1.2	1.4	1.0	1.6
Switzerland	2.5	1.2	1.4	1.6	0.8	0.9	1.7	1.8	1.7	1.7	1.7
Israel	3.5	2.6	4.0	3.1	3.3	3.2	3.3	3.3	3.3	3.4	3.0
Emerging countries	4.8	4.0	4.1	5.2	4.9	4.5	4.7	5.0	4.9	4.7	5.0
China	7.3	6.9	6.7	6.7	6.8	6.8	6.3	6.4	6.4	6.0	6.2
Brazil	0.5	-3.8	-3.6	1.3	0.6	0.7	2.5	2.1	2.4	2.3	2.5
India	7.0	7.5	7.9	6.9	6.3	6.4	7.8	7.6	6.7	7.7	7.4

CONSUMER PRICE INDEX (%)	2014	2015	2016	Q4 17f	2017f	Consensus	Q4 18f	2018f	Consensus	2019f	Consensus
United States	1.6	0.1	1.3	2.2	2.1	2.1	2.3	2.3	2.1	2.3	2.2
Japan	2.7	0.8	-0.1	0.7	0.5	0.5	0.9	0.8	0.9	1.3	1.6
Eurozone (HCPI)	0.4	0.0	0.2	1.4	1.6	1.5	1.6	1.5	1.4	1.6	1.6
Germany	0.8	0.1	0.4	1.6	1.8	1.7	1.7	1.6	1.6	1.7	1.8
France	0.6	0.1	0.3	1.2	1.2	1.1	1.4	1.3	1.2	1.4	1.5
Italy	0.2	0.1	-0.1	1.2	1.4	1.4	1.1	1.2	1.1	1.4	1.4
Spain	-0.2	-0.6	-0.4	1.6	2.1	2.0	1.4	1.5	1.4	1.7	1.8
Portugal	-0.2	0.5	0.6	1.5	1.5	1.5	1.4	1.5	1.4	1.5	1.4
Luxembourg	0.7	0.1	0.0	2.0	2.1	2.2	1.9	2.0	1.7	1.9	2.0
Europe ex-Eurozone											
United Kingdom	1.5	0.0	0.6	2.9	2.7	2.7	3.3	3.0	2.5	3.0	2.5
Switzerland	0.0	-1.1	-0.4	0.7	0.5	0.5	0.9	0.7	0.6	1.0	0.9
Israel	0.5	-0.6	-0.5	0.2	0.8	0.4	1.0	0.7	0.8	1.1	1.1
Emerging countries	4.2	4.3	3.8	3.0	3.0	3.0	3.2	3.3	3.3	3.1	3.3
China	2.0	1.4	2.0	1.8	1.6	1.6	2.0	2.2	2.2	2.0	2.2
Brazil	6.3	9.0	8.8	2.9	3.5	3.5	4.0	3.6	4.0	4.0	4.2
India	6.7	4.9	5.0	4.1	3.2	3.2	5.0	4.8	3.5	5.3	4.5

APPENDIX 4 – OUR RATE AND CURRENCY FORECASTS

KEY INTEREST RATES (%)*	2014	2015	2016	2017	Q1 18f	Q2 18f	Q3 18f	Q4 18f	2018f	Consensus	2019f	Consensus
United States												
Policy rate	0.25	0.50	0.75	1.50	1.75	1.75	2.00	2.25	2.25	2.10	2.75	2.52
2-year yield	0.46	0.68	0.83	1.39	1.90	1.95	2.25	2.45	2.14	1.99	2.65	2.54
10-year yield	2.53	2.13	1.83	2.33	2.60	2.90	3.00	3.05	2.89	2.63	3.20	3.12
Japan												
Policy rate	0.10	0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	0.00	-0.10	0.00
2-year yield	0.07	0.01	-0.21	-0.17	-0.15	-0.10	-0.10	-0.05	-0.10	-0.09	0.00	-0.04
10-year yield	0.55	0.36	-0.04	0.06	0.10	0.12	0.14	0.15	0.13	0.08	0.20	0.09
Eurozone												
Policy rate	0.05	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.45
2-year Schatz yield	0.05	-0.25	-0.59	-0.72	-0.60	-0.55	-0.45	-0.35	-0.49	-0.43	0.00	0.18
10-year Bund yield	1.24	0.54	0.14	0.37	0.55	0.70	0.85	1.00	0.78	0.84	1.40	1.47
2-year OAT yield	0.13	-0.18	-0.51	-0.48	-0.45	-0.40	-0.30	-0.20	-0.34	-0.22	0.15	-
10-year OAT yield	1.68	0.86	0.48	0.81	0.90	1.05	1.20	1.35	1.13	1.23	1.75	1.67
United Kingdom												
Policy rate	0.50	0.50	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.70	0.50	1.07
2-year yield	0.68	0.54	0.29	0.25	0.75	0.85	0.80	0.75	0.79	0.63	0.45	1.17
10-year yield	2.51	1.82	1.22	1.20	1.55	1.75	1.92	2.10	1.83	1.54	2.20	2.00
Switzerland												
Policy rate	-0.25	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.45
2-year yield	-0.33	-0.89	-0.91	-0.85	-0.70	-0.65	-0.55	-0.45	-0.59	-0.49	-0.20	0.10
10-year yield	0.31	-0.09	-0.35	-0.09	0.05	0.20	0.35	0.50	0.28	0.23	0.90	0.65
Emerging countries - Policy rates												
China	5.60	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.10	-
Brazil	11.75	14.25	13.75	7.00	6.50	6.50	6.50	7.00	7.00	7.00	7.50	-
India	8.00	6.75	6.25	6.00	5.75	5.75	6.00	6.00	6.00	5.95	6.50	-

* data at end of period for trimestrial values and period average for annual values

EXCHANGE RATE**	2014	2015	2016	2017	Q1 18f	Q2 18f	Q3 18f	Q4 18f	2018f	Consensus	2019f	Consensus
Dollar												
EUR/USD	1.20	1.08	1.11	1.13	1.15	1.11	1.12	1.14	1.13	1.20	1.18	1.25
USD/JPY	120	120	109	112	114	116	117	118	116	113	120	114
GBP/USD	1.56	1.47	1.36	1.29	1.29	1.27	1.25	1.22	1.26	1.31	1.22	1.35
USD/CHF	0.99	1.00	0.98	0.98	0.99	1.03	1.03	1.01	1.01	0.97	0.97	0.94
USD/CNY	6.16	6.28	6.65	6.76	6.75	6.80	6.95	6.95	6.86	6.65	7.00	6.50
Euro												
EUR/JPY	144	130	120	127	131	129	131	135	131	136	142	143
EUR/GBP	0.77	0.73	0.81	0.88	0.89	0.87	0.90	0.93	0.90	0.92	0.97	0.93
EUR/CHF	1.20	1.09	1.09	1.11	1.14	1.14	1.15	1.15	1.15	1.17	1.15	1.18
EUR/SEK	9.44	9.17	9.47	9.64	9.55	9.40	9.35	9.25	9.39	9.24	9.15	9.10

**period average

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