## Commerzbank Forecasts

### Growth and inflation

<table>
<thead>
<tr>
<th></th>
<th>Real GDP (%)</th>
<th>Inflation rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2023</td>
<td>2024</td>
</tr>
<tr>
<td>USA</td>
<td>2.4</td>
<td>1.0</td>
</tr>
<tr>
<td>China</td>
<td>5.1</td>
<td>4.0</td>
</tr>
<tr>
<td>Euro area</td>
<td>0.4</td>
<td>0.1</td>
</tr>
<tr>
<td>- Germany</td>
<td>-0.4</td>
<td>-0.3</td>
</tr>
<tr>
<td>- France</td>
<td>0.9</td>
<td>0.2</td>
</tr>
<tr>
<td>- Italy</td>
<td>0.6</td>
<td>0.0</td>
</tr>
<tr>
<td>- Spain</td>
<td>2.3</td>
<td>1.3</td>
</tr>
<tr>
<td>- Netherlands</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>- Austria</td>
<td>-0.5</td>
<td>-0.3</td>
</tr>
<tr>
<td>UK</td>
<td>0.5</td>
<td>0.2</td>
</tr>
<tr>
<td>Switzerland</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Japan</td>
<td>1.8</td>
<td>0.8</td>
</tr>
<tr>
<td>World</td>
<td>3.0</td>
<td>2.7</td>
</tr>
</tbody>
</table>

- The interest rate hikes suggest that the economies in both the US and the euro area are likely to slide into a mild recession.
- China's economy suffers from the slump in the property sector and the debt overhang. Longer term, the shift to a more state-led economy and the technology decoupling with the West should slow growth.
- Because the central banks are not tackling inflation vigorously enough, it is likely to remain well above 2% in the eurozone and the USA in the longer term.

### Interest rates (end-of-quarter)

<table>
<thead>
<tr>
<th></th>
<th>9-Nov</th>
<th>Q4 23</th>
<th>Q1 24</th>
<th>Q2 24</th>
<th>Q3 24</th>
<th>Q4 24</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fed funds, upper bound</td>
<td>5.50</td>
<td>5.50</td>
<td>5.50</td>
<td>5.50</td>
<td>5.00</td>
<td>4.50</td>
</tr>
<tr>
<td>3-months OIS</td>
<td>5.38</td>
<td>5.45</td>
<td>5.45</td>
<td>5.25</td>
<td>4.85</td>
<td>4.25</td>
</tr>
<tr>
<td>2 years*</td>
<td>4.93</td>
<td>5.00</td>
<td>4.70</td>
<td>4.20</td>
<td>3.80</td>
<td>3.60</td>
</tr>
<tr>
<td>5 years*</td>
<td>4.51</td>
<td>4.60</td>
<td>4.30</td>
<td>3.90</td>
<td>3.70</td>
<td></td>
</tr>
<tr>
<td>10 years*</td>
<td>4.50</td>
<td>4.60</td>
<td>4.40</td>
<td>4.10</td>
<td>3.80</td>
<td>3.60</td>
</tr>
<tr>
<td>Spread 10-2 years</td>
<td>-43</td>
<td>-40</td>
<td>-30</td>
<td>-10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Swap-Spread 10 years</td>
<td>-35</td>
<td>-25</td>
<td>-25</td>
<td>-25</td>
<td>-25</td>
<td>-25</td>
</tr>
<tr>
<td>Euro area</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depo rate</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>3.75</td>
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<tr>
<td>3-months Euribor</td>
<td>3.97</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>3.75</td>
</tr>
<tr>
<td>2 years</td>
<td>3.01</td>
<td>3.00</td>
<td>2.90</td>
<td>2.80</td>
<td>2.70</td>
<td>2.50</td>
</tr>
<tr>
<td>5 years*</td>
<td>2.58</td>
<td>2.60</td>
<td>2.50</td>
<td>2.40</td>
<td>2.30</td>
<td>2.20</td>
</tr>
<tr>
<td>10 years*</td>
<td>2.83</td>
<td>2.60</td>
<td>2.50</td>
<td>2.40</td>
<td>2.20</td>
<td>2.00</td>
</tr>
<tr>
<td>Spread 10-2 years</td>
<td>-38</td>
<td>-40</td>
<td>-40</td>
<td>-40</td>
<td>-50</td>
<td>-50</td>
</tr>
<tr>
<td>Swap-Spread 10 years</td>
<td>49</td>
<td>50</td>
<td>45</td>
<td>40</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank rate</td>
<td>5.25</td>
<td>5.25</td>
<td>5.25</td>
<td>5.25</td>
<td>5.00</td>
<td>4.50</td>
</tr>
<tr>
<td>3-months OIS</td>
<td>5.24</td>
<td>5.25</td>
<td>5.25</td>
<td>5.15</td>
<td>4.70</td>
<td>4.30</td>
</tr>
<tr>
<td>2 years</td>
<td>4.61</td>
<td>4.70</td>
<td>4.70</td>
<td>4.60</td>
<td>4.20</td>
<td>3.70</td>
</tr>
<tr>
<td>10 years*</td>
<td>4.22</td>
<td>4.30</td>
<td>4.10</td>
<td>4.00</td>
<td>3.90</td>
<td>3.80</td>
</tr>
</tbody>
</table>

- The Federal Reserve likely reached the peak in rates. When inflation decreases more clearly, rates should be lowered next year.
- US Treasury yields should fall temporarily once there are more indications of a recession and Fed rate cuts draw nearer.
- In contrast to market expectations, the ECB will probably lower its key rates only towards the end of 2024 slightly as the underlying inflation problem remains unsolved.
- We expect 10-year Bund yields to fall temporarily next year because of lower US yields, a drop in euro area inflation and speculations about ECB rate cuts.

### Exchange rates (end-of-quarter)

<table>
<thead>
<tr>
<th></th>
<th>9-Nov</th>
<th>Q4 23</th>
<th>Q1 24</th>
<th>Q2 24</th>
<th>Q3 24</th>
<th>Q4 24</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR-USD</td>
<td>1.07</td>
<td>1.06</td>
<td>1.09</td>
<td>1.12</td>
<td>1.10</td>
<td>1.09</td>
</tr>
<tr>
<td>USD-JPY</td>
<td>151</td>
<td>150</td>
<td>148</td>
<td>145</td>
<td>145</td>
<td>148</td>
</tr>
<tr>
<td>EUR-CHF</td>
<td>0.96</td>
<td>0.96</td>
<td>0.98</td>
<td>0.99</td>
<td>0.99</td>
<td>0.98</td>
</tr>
<tr>
<td>EUR-GBP</td>
<td>0.87</td>
<td>0.88</td>
<td>0.89</td>
<td>0.90</td>
<td>0.90</td>
<td>0.90</td>
</tr>
<tr>
<td>EUR-SEK</td>
<td>11.66</td>
<td>11.60</td>
<td>11.60</td>
<td>11.50</td>
<td>11.40</td>
<td>11.30</td>
</tr>
<tr>
<td>EUR-NOK</td>
<td>11.97</td>
<td>11.50</td>
<td>11.20</td>
<td>10.90</td>
<td>10.70</td>
<td>10.60</td>
</tr>
<tr>
<td>EUR-PLN</td>
<td>4.44</td>
<td>4.45</td>
<td>4.50</td>
<td>4.55</td>
<td>4.60</td>
<td>4.65</td>
</tr>
<tr>
<td>EUR-HUF</td>
<td>379</td>
<td>375</td>
<td>375</td>
<td>380</td>
<td>390</td>
<td>410</td>
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<tr>
<td>USD-CAD</td>
<td>1.38</td>
<td>1.34</td>
<td>1.33</td>
<td>1.32</td>
<td>1.31</td>
<td>1.29</td>
</tr>
<tr>
<td>USD-CNY</td>
<td>7.29</td>
<td>7.30</td>
<td>7.20</td>
<td>7.10</td>
<td>7.00</td>
<td>6.95</td>
</tr>
</tbody>
</table>

- The prospect of bigger interest rate cuts by the Fed than the ECB argues in favor of a stronger euro for the time being. When it becomes clear in the medium term that the underlying inflation problems will not be solved, this should weigh on the euro rather than the dollar, as the markets are more likely to trust the Fed than the ECB to take decisive action against inflation.

Source: Bloomberg, Commerzbank Research; bold: change on last week; * Treasuries, Bunds, Gilts
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