







## Key Views – March 2018

Macro		Real GDP growth		Inflation	
		2018	2019	2018	2019
	<b>Global growth</b> will benefit from a synchronised expansion that centers on continued respectable economic activity in the U.S. and China along with a pick-up in EZ economies, but inflationary pressures will largely remain contained.	4.0%	3.9%	2.9%	2.9%
	<b>U.S.:</b> The private economy is quite sound, with growth supported by rising employment. Fiscal policy has become quite expansionary, which will require the Fed to remove accommodation at a somewhat faster pace than had been planned. The U.S. is creating trade frictions for the rest of the world at the same time that the White House policy making apparatus is deteriorating.	2.8%	2.3%	2.3%	2.1%
	<b>EZ:</b> The economic momentum that emerged last year is likely to continue through 2018, helped both by domestic factors and the stronger global economy, with upside risks at least to growth. Inflation is likely to remain benign, something that may help bolster consumer spending in particular.	2.5%	2.1%	1.6%	1.8%
	<b>China:</b> The Chinese economy started 2018 on solid footing, and we expect domestic fundamentals to remain resilient in the near-term. There are also signs that positive longer-term trends are slowly taking hold, such as the shift from manufacturing-to services-led growth.	6.5%	6.1%	2.5%	2.6%
	<b>UK:</b> Economic growth in the UK has shown some resilience, but this is more a reflection of the boost from the strong global backdrop. More likely, the economy will be subdued by Brexit-related factors that will add to headwinds emanating from high-debt ratios.	1.3%	1.2%	▼ 2.5% 2.7%	2.2%
	<b>Japan:</b> Japan's economic outlook remains positive, although some challenges lie ahead. Wage growth and protectionism will be the swing factors for the economy in 2018.	1.3%	0.8%	1.1%	1.5%

\* Blue indicates previous forecasts

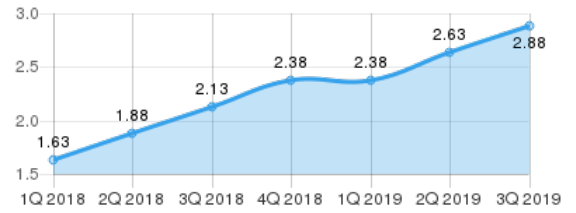
Policy

Rate Path



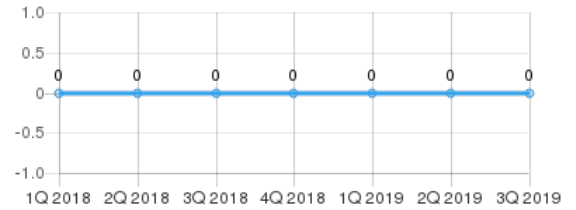
**The Fed:** We expect three more 25-bp hikes in 2018, with the next one in June. The risk is for more rate hikes because of fiscal policy expansion and the risk of inflation due to trade friction.

FED FUNDS RATE



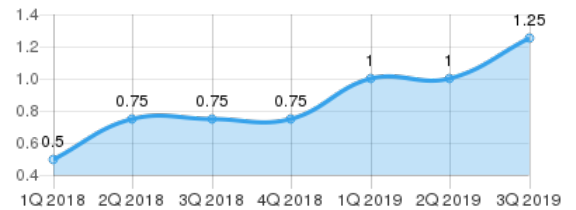
**The ECB:** We expect the ECB's asset purchase program to come to an end this September. The Bank is unlikely to hike rates before Q2 2019.

REFI RATE



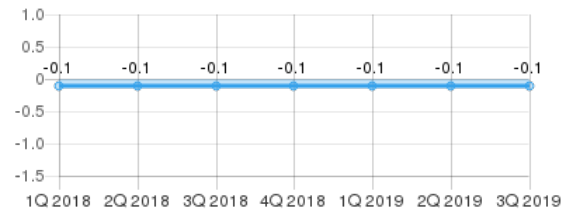
**The BoE** is concerned that the economy cannot grow any faster than at present. Hence, the threat of another hike soon. However, we believe the Bank will not hike until August.







BANK RATE



**The BoJ** will keep its monetary policy unchanged through 2018-19. The board is, however, likely to be data-dependent and may make subtle tweaks to its policy stance should conditions warrant it.

DEPOSIT RATE



Markets		2018	2019
 <b>UST</b>	<b>10y UST yield:</b> Persistent Fed tightening and a worsening U.S. twin deficit will push up yields.	3.3%	3.7%
 <b>BUND</b>	<b>10y bund yield:</b> ECB tapering, above trend EZ growth and rising U.S. yields prompts 10y bund yields to rise in EZ.	1.4%	2.0%
 <b>CNY</b>	<b>USD/CNY:</b> Weak USD and Chinese acceptance of a firmer CNY, will keep the CNY high.	6.20	6.10
 <b>EUR/USD</b>	<b>EUR/USD:</b> U.S. trade action and a soft USD policy will produce a weak USD trend.	1.24	1.26
 <b>OIL</b>	<b>WTI:</b> EM demand for oil and modest responsiveness of U.S. shale will see oil prices trending higher.	51	57
 <b>S&amp;P</b>	<b>S&amp;P 500:</b> Earnings growth offset by rising U.S. yields to provide a flat U.S. equity market in 2018.	2650	2500

## GDP and CPI Forecasts

Country	Real GDP (% , y/y)				CPI (% , y/y, avg)			
	2018	2019	2020	2021	2018	2019	2020	2021
Global Aggregates								
Advanced Economies	2.4%	2.0%	—	—	1.9%	2.0%	2.1%	1.9%
All Markets	4.0%	3.9%	—	—	2.9%	2.9%	—	—
Asia/Pacific	5.7%	5.5%	5.4%	5.2%	2.8%	2.9%	2.7%	2.9%
Emerging EMEA	2.8%	2.8%	2.3%	2.3%	4.5%	4.9%	4.6%	4.6%
Emerging Markets	5.3%	5.2%	5.0%	4.9%	3.6%	3.6%	—	—
Latin America	2.5%	2.6%	2.7%	2.7%	5.7%	5.1%	—	—
North America								
Canada	2.4%	2.2%	2.3%	2.0%	2.2%	2.1%	2.0%	2.0%
United States	2.8%	2.3%	2.1%	1.9%	2.3%	2.1%	2.1%	2.1%

Country	Real GDP (% , y/y)				CPI (% , y/y, avg)			
	2018	2019	2020	2021	2018	2019	2020	2021
Latin America								
Brazil	2.8%	2.6%	2.5%	2.5%	3.1%	4.3%	4.2%	4.0%
Chile	2.9%	3.1%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Colombia	2.8%	3.0%	3.5%	3.5%	3.5%	3.2%	3.3%	3.3%
Mexico	1.7%	2.3%	2.5%	2.5%	4.7%	4.0%	3.3%	3.3%
Europe								
Czech Republic	3.6%	3.2%	2.6%	2.5%	2.0%	2.6%	2.2%	2.0%
France	2.1%	1.7%	1.5%	1.0%	1.7%	1.8%	1.7%	1.7%
Germany	2.5%	2.0%	1.3%	1.3%	1.8%	2.0%	1.9%	1.8%
Hungary	4.0%	3.2%	2.0%	2.0%	2.2%	3.0%	3.0%	3.0%
Italy	1.5%	1.6%	1.2%	—	1.3%	1.6%	1.9%	2.0%
Norway	1.9%	2.2%	—	—	1.9%	1.9%	2.1%	2.1%
Poland	4.1%	3.4%	3.0%	3.0%	1.9%	2.4%	2.5%	2.5%
Russia	1.8%	1.9%	1.5%	1.5%	2.6%	3.6%	4.0%	4.0%
Spain	2.7%	2.2%	1.8%	1.8%	1.7%	1.8%	1.7%	1.8%
Sweden	2.3%	2.2%	2.1%	2.0%	1.8%	2.2%	1.9%	1.8%
Switzerland	1.6%	1.5%	2.2%	2.3%	0.6%	0.9%	0.9%	1.1%
Turkey	4.2%	4.4%	3.3%	3.5%	10.0%	9.2%	7.0%	7.0%
United Kingdom	1.3%	1.2%	1.2%	1.3%	2.5%	2.2%	2.3%	2.0%
Pacific								
Australia	2.4%	2.8%	2.7%	2.7%	2.3%	2.5%	2.5%	2.5%
Northeast Asia								
China	6.5%	6.1%	5.5%	5.0%	2.5%	2.6%	2.1%	2.5%
Japan	1.3%	0.8%	1.0%	1.0%	1.1%	1.5%	2.1%	1.5%
South Korea	3.0%	2.9%	2.9%	2.9%	1.8%	1.9%	2.0%	2.6%
Southeast Asia								

Country	Real GDP (% , y/y)				CPI (% , y/y, avg)			
	2018	2019	2020	2021	2018	2019	2020	2021
India	7.5%	7.8%	8.0%	8.2%	4.7%	4.5%	4.5%	4.5%
Indonesia	5.2%	5.5%	5.8%	6.0%	3.5%	3.8%	3.6%	3.8%
Malaysia	5.3%	5.1%	5.0%	5.0%	2.9%	3.0%	3.0%	2.5%
Philippines	6.7%	6.8%	6.8%	6.8%	3.5%	3.5%	3.5%	3.5%
Thailand	4.0%	3.8%	4.0%	3.5%	1.5%	1.4%	2.0%	2.4%
Sub-Saharan Africa								
South Africa	1.6%	1.8%	1.8%	2.0%	5.0%	5.1%	5.2%	5.2%

## FX and Policy Rate Forecasts

Country	Policy Rate (%)				Currency Pair	Exchange Rate			
	2018	2019	2020	2021		2018	2019	2020	2021
North America									
Canada	1.75%	2.50%	3.00%	3.00%	USD/CAD	1.31	1.33	—	—
United States	2.38%	3.13%	3.38%	2.88%	EUR/USD	1.24	1.26	1.18	1.18
Latin America									
Brazil	6.50%	8.00%	8.50%	8.00%	USD/BRL	3.45	3.50	3.70	3.75
Chile	2.75%	3.50%	4.00%	4.00%	USD/CLP	630.00	620.00	615.00	680.00
Colombia	4.50%	5.00%	5.00%	5.00%	USD/COP	3100.00	3150.00	3200.00	3250.00
Mexico	7.25%	6.00%	5.00%	4.50%	USD/MXN	18.50	17.50	17.50	18.00
Europe									
Czech Republic	1.25%	2.25%	3.00%	3.00%	EUR/CZK	24.70	24.50	24.10	23.70
Hungary	0.90%	1.25%	1.50%	—	EUR/HUF	314.00	314.00	310.00	310.00
Norway	0.75%	1.25%	1.50%	1.75%	EUR/NOK	9.25	9.00	8.91	8.91
Poland	1.50%	1.75%	2.75%	—	EUR/PLN	4.20	4.19	4.20	—

Country	Policy Rate (%)				Currency Pair	Exchange Rate			
	2018	2019	2020	2021		2018	2019	2020	2021
Russia	6.50%	6.50%	6.50%	6.50%	USD/RUB	58.00	59.00	60.00	60.00
Sweden	-0.25%	0.25%	0.75%	1.00%	EUR/SEK	9.50	9.40	9.50	9.50
Switzerland	-0.75%	-0.50%	-0.25%	0.50%	EUR/CHF	1.16	1.16	1.10	1.10
Turkey	8.00%	8.00%	-	-	USD/TRY	4.00	4.15	3.30	3.30
United Kingdom	0.75%	1.25%	1.75%	2.00%	EUR/GBP	0.89	0.90	—	—
Pacific									
Australia	1.75%	2.50%	3.00%	3.00%	AUD/USD	0.75	0.75	0.79	0.82
Northeast Asia									
China	1.50%	2.00%	2.50%	2.80%	USD/CNY	6.20	6.10	6.00	6.00
Japan	-0.10%	-0.10%	-0.10%	0.10%	USD/JPY	110.00	108.00	—	—
South Korea	1.75%	2.00%	2.50%	3.00%	USD/KRW	1055.00	1065.00	1170.00	1170.00
Southeast Asia									
India	6.00%	6.50%	7.00%	7.50%	USD/INR	61.50	60.50	60.00	59.00
Indonesia	4.25%	4.75%	5.25%	6.00%	USD/IDR	13600.00	13300.00	13250.00	13200.00
Malaysia	3.25%	3.50%	4.00%	4.00%	USD/MYR	3.85	3.75	3.71	3.68
Philippines	3.50%	4.00%	4.50%	5.00%	USD/PHP	50.50	50.00	49.00	48.00
Thailand	1.75%	2.00%	2.00%	2.00%	USD/THB	31.50	30.50	30.00	—
Sub-Saharan Africa									
South Africa	6.50%	6.50%	-	-	USD/ZAR	12.60	13.50	14.00	14.00