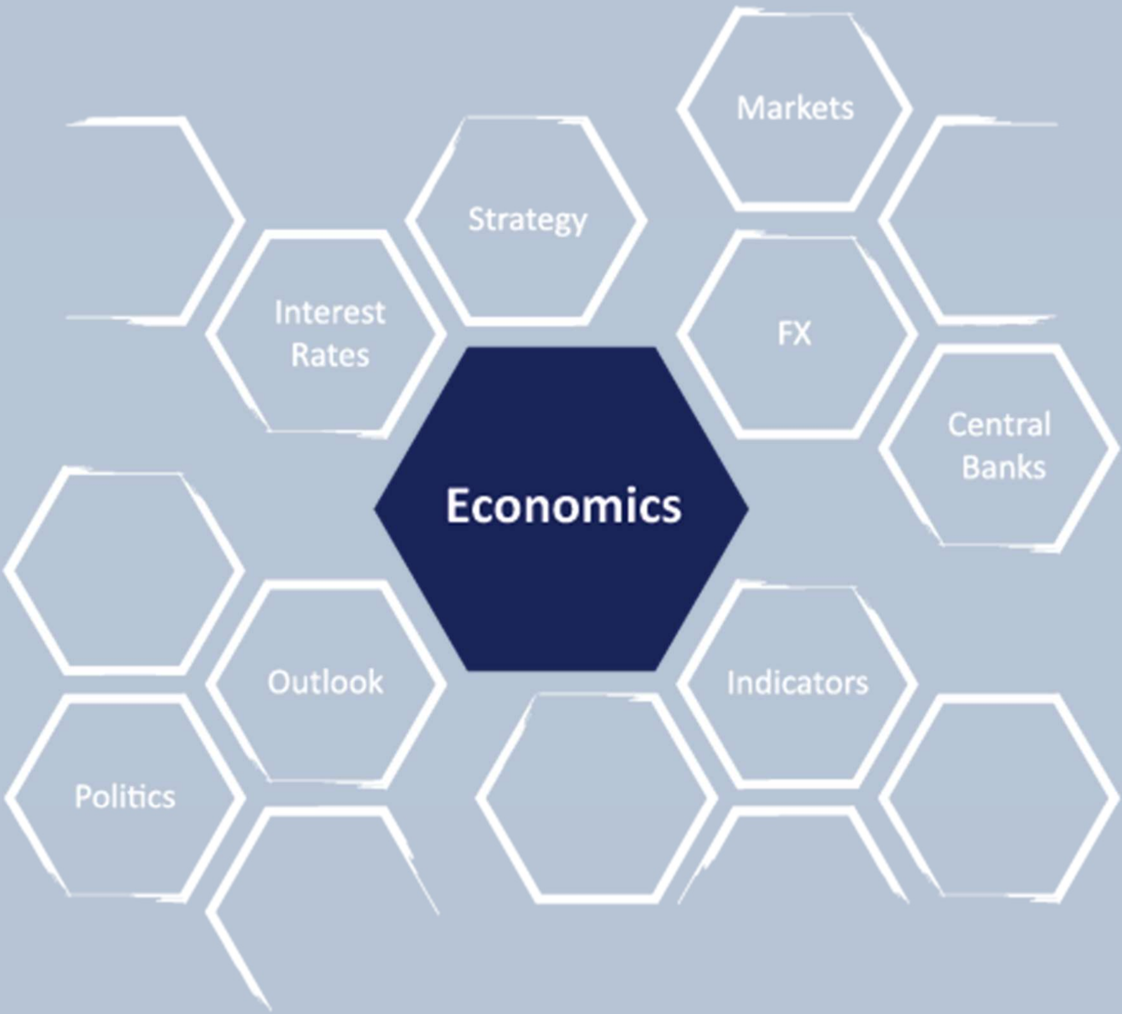

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Special
Transitory or not? Implications of the recent rise in inflation

Analysts: Tobias Basse // Bernd Krampen // Christian Lips, Chief Economist

Rising US inflation will not leave the Federal Reserve indifferent

Already for some months now, market participants have been increasingly focussing their attentions on price developments again – for good reason. The latest inflation data from the USA – like those in the labour market report already from two weeks ago – come as quite a surprise. That the inflation rate would rise was anticipated but, with a year-on-year figure of over 4.2 percent, it is already at a 12-year high and now well above the Federal Reserve's target range. Moreover, we will likely see inflation climb a little further again in May. Does this mean the spectre of inflation from the 1970s is back? Do the financial market participants and central banks on both sides of the Atlantic now have grounds for serious concerns? In this context it should first be noted that an already foreseeable statistical base effect was co-responsible for part of the surge in the annual rate – namely that the month-on-month minus of -0.7 percent from April last year has now dropped out of the annual statistics. There were also other factors from April this year: first, interruptions in supply drove up prices for goods and services, which was reflected in freight costs in maritime transport and with a number of technical products. This problem could continue for some time. Ultimately, however, high prices (and profits) in the market economy attract a growing number of providers and suppliers, so that sooner or later bottlenecks will be reduced. Second, April saw reopenings after the lockdown and rising (consumer) demand lead to further upward movement in prices, with those of pre-owned cars, events and flights rising particularly steeply. This easing of corona-induced restrictions unleashed a pent-up surge in consumption, but this is likely to cool down again in the course of the year. Third, the wage increases due to the labour shortage also appear to have made for an initial passing on of the costs involved to end consumers. Fourth, supply bottlenecks in special, in particular technological areas have led to price increases. In our view, however, it is foreseeable that inflation will by no means continue at this upward pace. The bottom line: the current price movements are due to a number of special effects of the kind frequently seen in the wake of recessions.

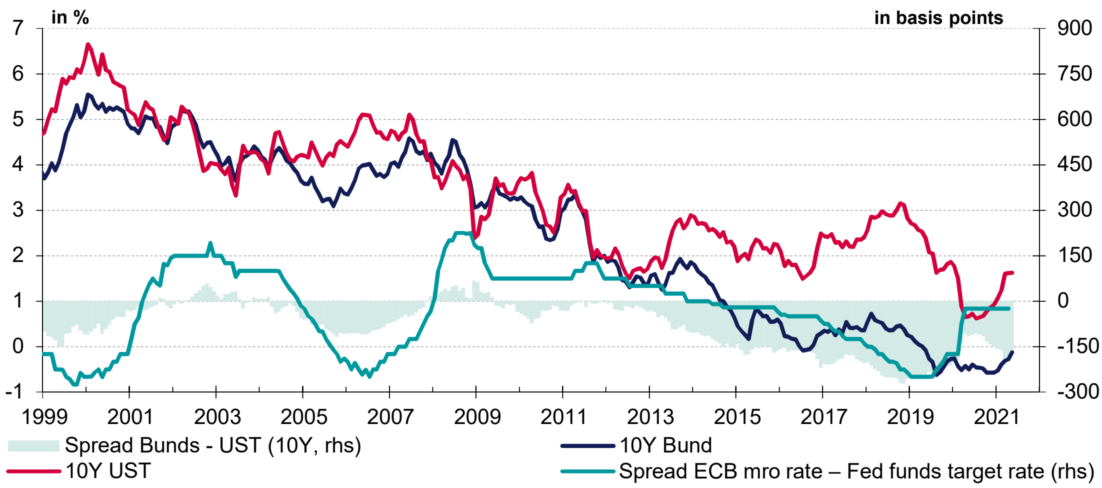
Monetary and fiscal policy in the meantime excessively expansive?

Voices questioning the extremely expansive monetary and fiscal policy strategies are naturally becoming louder now: for how much longer do the economic stimulus measures need be maintained at their current levels? Answering this question is becoming increasingly difficult for the Fed, which will tolerate temporarily surging inflation. In the minutes of the last FOMC meeting the central bankers indicate quite explicitly that they would like to start discussions on a plan towards tapering the Fed's bond purchasing programme in the event of persistently strong economic data. They also emphasize that the special price-driving effects (bottlenecks in some primary products) could well last a little longer. They will at any rate be closely monitoring inflation expectations. These should remain anchored low, which is indeed still the case where the long-term expectations are concerned. With an inflation rate of over 4 percent, discussions on tapering will certainly remain an issue for the Fed in the months ahead. Against this background we will likely see a scaling back of the purchasing programme (which the BoC already has done) in the course of Q4/2021 or Q1/2022. Although the inflation rate will unlikely drop below the 3 percent mark in 2021, we expect a slow decline in the medium term. The reason for this lies in the fact that this pandemic will have a long-lasting negative impact on some population segments – having led to the loss of what still come to 8 million jobs. The expected bounceback phase – after initial euphoric months – is likely to be more moderate, which, moreover, could already be brought about by higher prices as a corrective. However, the fiscal policymakers, too, should bear in mind that their extremely expansive stance ought not to be a permanent strategy. Rising US yields are to be expected and justified, but the increase should take place at a moderate pace.

Big differences between the USA and Euroland

The inflation rate is admittedly rising on this side of the Atlantic as well, but, with an annual rate currently standing at 1.6 percent yoy, not anywhere near as markedly as in the USA and, apart from a few distortions in the second half of the year, will also remain significantly lower in the medium term. There are a whole series of reasons behind this. For instance the fact that the economic catch-up process in the USA is much more advanced than here in Euroland – with the significantly more expansionary policy measures there being contributory factors in this context. The direct fiscal stimulus in the USA in the form of additional government spending or lower revenues is significantly greater than in the eurozone. While this accounts for over 25 percent of GDP (2020) in the United States in the years 2020-21, it is more in the single-digit percentage range in the major eurozone states. This is also due to the fact that fiscal policy in the eurozone has placed greater emphasis on indirect measures such as guarantees, loans and sureties. The general government deficit ratio in the US is almost twice that of the eurozone. In particular private consumption has received a massive boost in the USA; disposable income has risen sharply as a result of transfers compared to the pre-crisis level, unlike in the eurozone in Q1/21. This demand shock comes us against a supply side that has not (yet) normalized. Correspondingly, domestic price pressure (ex volatile price components) is significantly higher in the USA. While it has risen to 3.0 percent yoy over there, it has declined even further here of late. In the short term, therefore, a number of special effects are primarily responsible for the rise in inflation in Euroland: in addition to the bounceback to be expected after the deep corona-induced recession and base effects, the distortion caused by the temporary lowering of VAT rates in Germany in the second half of 2020 is particularly worthy of mention. As the economy opens up, the situation on the supply side will also gradually ease and thus open up opportunities for consumption, so that current shortages can be expected to end in the medium term through the relative prices.

Chart: Monetary policy, long-term government bond yields and transatlantic spread



Sources: Bloomberg, Feri, NORD/LB Macro Research

Eurozone inflation rates far lower in the medium term as well – ECB monetary policy will remain expansionary longer than the Fed

Underutilization is more pronounced in Euroland. In particular, unlike in the USA, there are no signs yet of any shortages on the labour market, and wage growth in the eurozone will remain correspondingly low for the foreseeable future. The correlation between inflation and unemployment has in any case changed significantly in the last decade, and even more pronounced falls in unemployment have hardly led to increased inflationary pressure (flattened Phillips curve). This, however, means that classic second-round effects in the form of a wage-price spiral, which otherwise could result in a high inflation plateau arising from the temporary inflation hump, are unlikely. Likewise, despite the current uncertainties regarding inflation, no high-inflation scenario for the eurozone is being priced in on the markets in the medium term. While remaining moderate and well below the 2 percent yoy mark in the medium to long term range, the inflation expectations have risen somewhat more in the short-term. Since the yield curve has also steepened significantly, this means that short-term real interest rates have rather tended to fall, whereas higher term premiums are now being demanded where long maturities are concerned. This is likely due to greater uncertainty as to future inflation and interest rate developments. For the ECB it will therefore also be a matter of countering an upward trend in capital market rates that is viewed as excessive (or premature). In their June projections the central bankers will likely continue to signal that inflation will only rise temporarily (2021) before falling back again in 2022 and only normalizing very slowly in the medium term. ECB chief economist Philip Lane recently pointed out that the ECB still has a long way to go before it can achieve a sustainable return to its inflation target. ECB president Lagarde will reaffirm in June that the central bank in Frankfurt will tolerate the temporary inflationary impulse. Despite the significantly improved economic outlook at the current time, account must be taken of the fact that the economy is not yet back on its own two feet. The recovery perspective is still based to a large extent on the monetary and fiscal support measures. Given the ongoingly high risks to the eurozone's macroeconomic development, that support must not be withdrawn too early. In this respect the ECB’s starting position differs significantly from that of the Fed. Christine Lagarde had already pointed out in April that the ECB would not act in tandem with the Fed. Apart from possible adjustments, the ECB's PEPP programme will continue to run until at least March 2022. Moreover, Governing Council members have already indicated that additional instruments will be used in the event that an exit from the PEPP crisis programme should become a distinct option in the wake of positive progress in the fight against the pandemic. The ECB will in any event avoid cliff effects. It follows from all of the foregoing facts of the matter that, as already in the last cycle, the Fed will very likely exit its ultra-expansionary strategy well before the ECB once again. As regards the transatlantic spread, even higher levels could accordingly quite well be expected in the medium term.

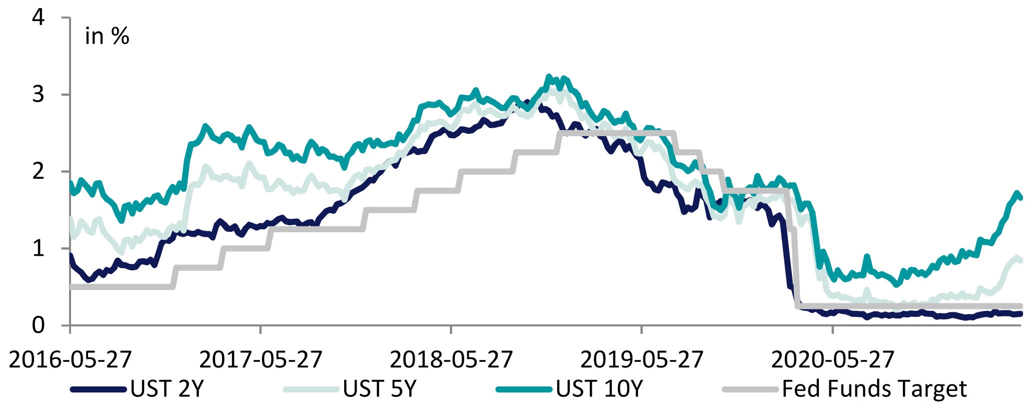
USA
US monetary policymakers in a dilemma?

Analysts: Tobias Basse // Bernd Krampen

April retail sales figures ought not be viewed too critically

The as yet preliminary data on the development of retail sales in April came as a surprise on the downside for almost all interested observers at first glance, indicating a month-on-month change rate of just 0.0 percent. Indeed, excluding automobiles there was actually a decline of -0.8 percent mom. It should however be noted that the already buoyant data for March were revised even further upwards. With a rate of change of an extremely pleasing +10.7 percent, month on month, the US consumer party in March now looks even more highly spirited. The stagnation in sales in April as month under review therefore ought not to be interpreted too negatively either. Consequently, the consumer will very likely remain a reliable mainstay of the economy. That said, some interested observers appear to have harboured somewhat excessively ambitious expectations as regards the US economy, so there are now certain "disappointments" to be faced. The two ISM PMIs registered downward movements in April as well. That said, both time series managed to remain above the 60-point mark and thus still clearly indicate growth. The US economy can thus be expected to continue its strong expansion. Only the expectations among some observers now appear to be proving a bit too positive. The problem of what could already be excessively strong stimulus from the monetary and fiscal policymakers in Washington therefore remains.

Chart: Interest rates in the USA



Sources: Bloomberg, NORD/LB Macro Research

US monetary policymakers in a dilemma?

The Federal Reserve will without doubt continue to bolster the North American economy by way of its monetary policy. The rising inflation rates are slowly becoming a problem for the central bankers in Washington, however. Though the CPI data is not focally monitored, April's year-on-year increase of 4.2 percent in this time series has exceeded the market participants' expectations. The currently reported level, which is likely to move even further upwards in May, is probably already almost outside the FOMC's "comfort zone". In addition to base effects, problems with the shortage of primary products and raw materials are increasingly impacting consumer prices. The US monetary policymakers need to keep an eye on this development. The unemployment rate (U3) rose slightly in April to 6.1 percent, in addition to which there are reports of a merely rather sluggish pace of workforce expansion among the companies. These reports give the Fed more reason to remain in watch and wait mode. it should however be said that the figures from the labour market are merely a situational snapshot. Moreover, it should be borne in mind that the lacking availability of qualified personnel may have slowed the creation of new jobs of late, as clearly indicated by the feedback in the most recent company surveys. The Fed conference in Jackson Hole could be a good starting point for a discussion on a gradual realignment of US monetary policy; it will undoubtedly be a long time before key rate hikes are placed on the Fed's agenda, however!

US dollar likely to remain only briefly under pressure

The US currency remains under pressure. In the FX segment, too, some market participants had banked on even more encouraging economic data from the USA and expected a rapid increase in 10Y Treasury yields towards the 2.0 percent mark. The current disappointment is unlikely to last, however.

Fundamental forecasts, USA

	2020	2021	2022
GDP	-3.5	5.7	3.0
Private consumption	-3.9	5.3	2.5
Govt. consumption	0.3	2.2	1.5
Fixed investment	-0.8	9.5	7.0
Exports	-12.9	8.0	5.0
Imports	-9.3	6.0	5.0
Inflation	1.2	3.4	2.7
Unemployment rate [1]	8.1	6.0	5.0
Budget balance [2]	-15.4	-11.6	-8.3
Current acc. balance [2]	-3.1	-2.6	-2.6

Change vs previous year as percentage; [1] as percentage of the labour force; [2] as percentage of GDP

Sources: Feri, NORD/LB Macro Research

Quarterly forecasts, USA

	III/20	IV/20	I/21	II/21	III/21
GDP qoq ann.	33.4	4.3	6.4	7.4	4.1
GDP yoy	-2.8	-2.4	0.4	12.3	5.5
Inflation yoy	1.2	1.2	1.9	4.2	3.7

Change as percentage

Sources: Feri, NORD/LB Macro Research

Interest and exchange rates, USA

	20.05.	3M	6M	12M
Fed funds target rate	0.25	0.25	0.25	0.25
3M rate	0.15	0.20	0.25	0.30
10Y Treasuries	1.63	1.60	1.70	1.90
Spread 10Y Bund	173	170	170	180
EUR in USD	1.22	1.17	1.17	1.16

Sources: Bloomberg, NORD/LB Macro Research

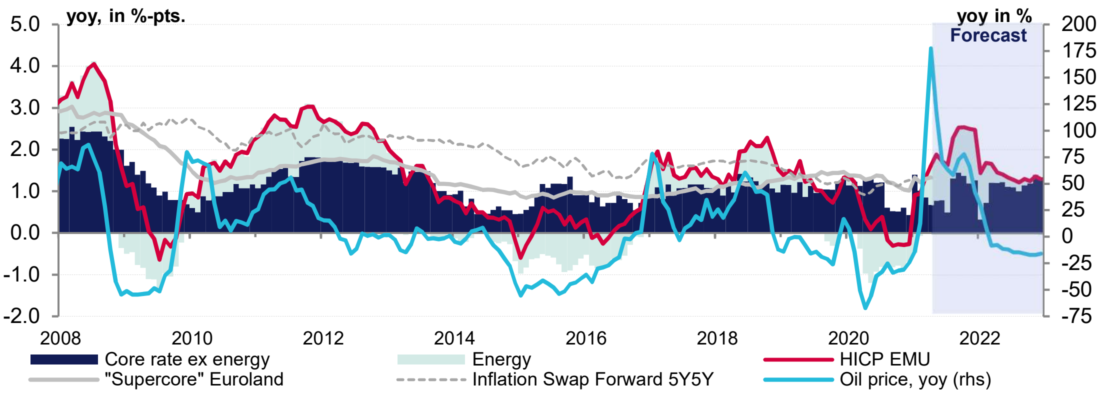
Euroland
Q1 with slight downturn in GDP – focus on ECB June meeting

Analyst: Christian Lips, Chief Economist

Q1 with second GDP downturn in a row – strong recovery on the horizon

At the beginning of the year, too, large parts of Europe suffered from the high infection rates and the governmental containment measures in the corona crisis. Despite the length of the lockdowns, overall economic development was slowed to a much lesser extent than during the first wave a year ago, however, with a merely moderate downturn in price and seasonally adjusted GDP of 0.6 percent qoq. This makes for an annualized decline of 1.8 percent. The robust development in the manufacturing sector partially compensated for the losses in the economic sectors particularly affected by restrictions on contact. Compared to other Euroland states, Germany proved a brake on growth, with GDP down significantly in Q1 (-1.7 percent qoq). The overall trend in economic activity otherwise remained remarkably stable. While Italy (-0.4 percent qoq) and Spain (-0.5 percent) registered moderate declines, France surprised with growth of + 0.4 percent. Taken together, GDP in the rest of the eurozone – excluding Germany – stagnated at the previous quarter's level. The rapid upward movement among the sentiment indicators shows that the economy is currently back on the up again. We expect strong GDP growth of around 4.5 percent in both 2021 and 2022.

Chart: Massive base effect (oil price) drives inflation rate higher in April



Sources: Bloomberg, Feri, Eurostat, NORD/LB Macro Research

Inflation gradually climbing upwards – high divergences in the eurozone

As expected, inflation in the eurozone has continued to rise. In April the HICP stood 1.6 percent above the level of the same month last year after a yoy rate of 1.3 percent in March. At the same time, the core rate (ex energy, food, alcohol, tobacco) dropped from 0.9 to 0.7 percent yoy. The largest contribution to headline inflation of almost one percentage point came from energy prices. This is attributable to a base effect, namely that the oil price was extremely low in April 2020, at around USD 20/barrel, due to the pandemic, and has since recovered by over 170 percent (see chart). We expect the inflation rate to rise to around 2.5 percent yoy in the second half of the year. Indeed, we can expect rates in Germany briefly just short of 4 percent yoy and an annual average of over 2.5 percent due to distortions caused by the temporary lowering of the VAT rates last year. In the eurozone, however, even apart from these distortions, there is still a marked divergence in price trends, with countries such as Portugal and Greece still registering negative inflation rates in April.

ECB: Suspense ahead of the June meeting – 10Y Bund yield climbs towards 0% mark

We expect an annual average inflation rate of 1.9 percent yoy for Euroland in 2021 before price pressure subsides in 2022. The ECB's June projections will likely be similar and therefore be revised significantly upwards as against March. The ECB Governing Council’s June meeting is being awaited with suspense in light of the review of the PEPP purchasing pace. Compared with March, capital market yields in the eurozone continued their rise. Despite the accelerated PEPP purchases, the yield on 10Y Bunds has since climbed by around 20 basis points and the peripheral spreads have also widened at the same time (Bund/BTP spread (10Y) by around 30 bp at times). Admonishing voices were accordingly to be heard of late from southern Europe, to the effect that interest rates ought not to be allowed to rise too sharply or prematurely. At the same time, the ECB has not particularly exerted itself against the interest rate trend, neither via even greater bond purchases nor verbal interventions. This could indicate marked disagreement among the council's members, the majority of whom will likely remain dovishly inclined. ECB chief economist Lane has pointed out that underutilization will remain high for a longer period of time in the economy as a whole. Against this background the ECB will wish to maintain its cautious strategy for the time being; a formal tapering decision with an explicit (lower) target for the purchasing pace is rather unlikely. On the other hand, upward revisions of the projections make communication difficult. The easiest option for the ECB would be to initially proceed with caution at the beginning of the second half of the year and, depending on the development of the financing conditions, continue keeping the tool of accelerated purchases at the ready.

Fundamental forecasts, Euroland

	2020	2021	2022
GDP	-6.8	4.6	4.3
Private consumption	-8.0	3.0	4.9
Govt. consumption	1.2	3.8	1.2
Fixed investment	-8.4	7.3	6.1
Net exports [1]	-0.6	0.9	-0.1
Inflation	0.3	1.9	1.4
Unemployment rate [2]	8.0	8.0	7.5
Budget balance [3]	-7.2	-7.5	-4.5
Current acc. balance [3]	2.2	2.5	2.3

Change vs previous year as percentage; [1] as contribution to GDP growth; [2] as percentage of the labour force; [3] as percentage of GDP

Sources: Feri, NORD/LB Macro Research

Quarterly forecasts, Euroland

	III/20	IV/20	I/21	II/21	III/21
GDP sa qoq	12.5	-0.7	-0.6	1.6	3.0
GDP sa yoy	-4.1	-4.9	-1.8	12.8	3.3
Inflation yoy	0.0	-0.3	1.1	1.8	2.2

Change as percentage

Sources: Feri, NORD/LB Macro Research

Interest rates, Euroland

	20.05.	3M	6M	12M
Repo rate ECB	0.00	0.00	0.00	0.00
3M rate	-0.55	-0.53	-0.52	-0.50
10Y Bund	-0.11	-0.10	0.00	0.10

Sources: Bloomberg, NORD/LB Macro Research

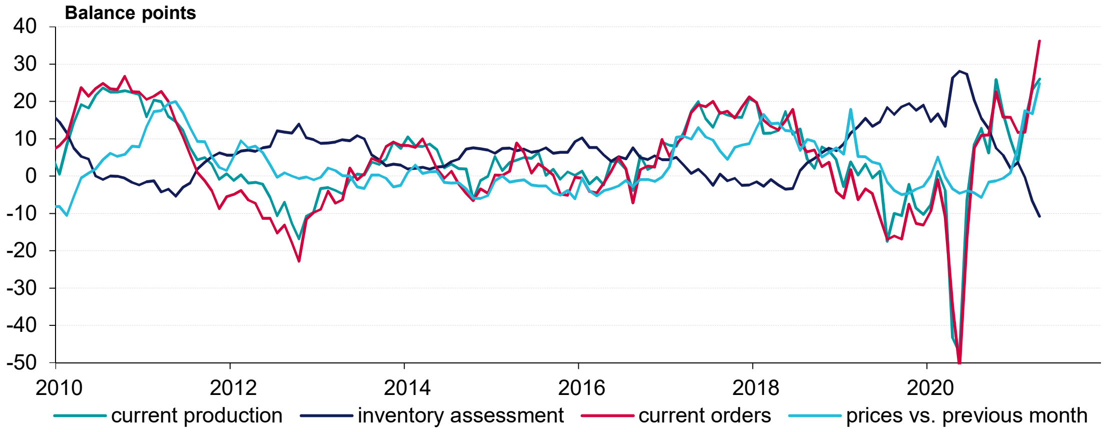
Germany
Q1 sees economic trough bottom out

Analyst: Christian Lips, Chief Economist

GDP drops steeply in Q1 – lockdown and special effects as burdening factors

As expected, German's economic output dropped steeply at the start of the year, with real GDP 1.7 percent down on the previous quarter. At the same time, however, the data for the second half of 2020 were revised upwards. The result is a negative year-on-year GDP growth rate of -3.0 percent at the end of Q1. Still, the German economy was at least able to avoid a double-dip recession despite the extended phase of sweeping restrictions in the second and third waves of infection. Private consumption and building investments proved particularly burdensome factors on the expenditure side, while foreign trade had a supportive effect for the economy. In this context account must be taken of the fact that the corona-induced restrictions on economic activity had once again increased significantly, especially with the tightening of the lockdown at year-end 2020. Along with the course of infection and the lockdown measures there were other special factors that temporarily braked Germany's economic performance. The unusually adverse weather conditions led to losses in construction output, and the VAT rate reductions in place until the turn of the year likely led consumers to bring forward purchases, especially of durable goods. This made for an additional gap in Q1. January and February experienced a drastic collapse in retail sales, though this was followed by a strong bounceback in March. Further catch-up effects are likely in the spring, which should give the in any case anticipated recovery an additional boost. High-frequency indicators, too, confirm that this year's economic trough bottomed out in the first quarter and that the catch-up process has been back in progress since March.

Chart: Industry survey (ifo) – increasing supply-side restrictions



Sources: ifo, Bloomberg, NORD/LB Macro Research

Optimism given a further boost – supply-side restrictions slow output

The key factor for sustainably getting the economic engine back on the road to pre-pandemic performance levels lies in ensuring rapid immunization coverage so as to gradually enable the economy to reopen as permanently as possible. The significant acceleration in the vaccination rates since Easter gives hope that this objective can be achieved in a few months. This positive development is also reflected in the now highly optimistic mood among the financial market experts. May saw the ZEW economic expectations given a further marked boost from 70.7 to 84.4 balance points. The last time the expectations component registered such a high level was back in February 2000, shortly before the dotcom bubble burst. What's more, the current-situation assessment has gradually improved over the past few months (May: -40.1 balance points). The current situation was also rated significantly better in the sentix business survey, and the expectations climbed to an all-time high at the same time. However, the companies poured a little cold water on these developments in April. The sentiment among them has admittedly brightened further somewhat, but the upward movement in the ifo business climate to 96.8 points was unexpectedly meagre. While the companies saw their current business situation in a better light, they were somewhat more sceptical than in March as regards business expectations. Overall, the picture of a two-tier economy remains. While the business climate in the manufacturing sector improved again slightly, the sentiment in the retail sector remains particularly poor overall despite a marginal upward movement. The problem in the industrial sector is more that production is currently unable to keep pace with the rapidly growing levels of demand. Inventories have contracted rapidly in the past few months (see chart), with the reasons for this lying in growing bottlenecks in the supply of key primary products - about which almost every second company is in the meantime complaining - and in transport capacities. The construction sector is also reporting considerable constraints. In the short term, these supply-side restrictions could throw a spanner in the works of the industrial upswing, for which reason the industrial companies have curbed their expectations somewhat despite the excellent order situation. All the same, we consider this to be a temporary phenomenon and for 2021 are maintaining our optimistic forecast for the German economy. Indeed, we have actually raised our growth forecast for 2021 slightly again to 3.5 percent in light of the upward revision for 2020.

Fundamental forecasts, Germany

	2020	2021	2022
GDP	-4.8	3.5	4.2
Private consumption	-6.1	1.6	6.9
Govt. consumption	3.3	2.1	1.3
Fixed investment	-3.1	2.6	5.7
Exports	-9.4	10.9	5.6
Imports	-8.5	7.7	8.5
Net exports [1]	-0.9	1.9	-0.9
Inflation [2]	0.4	2.6	1.4
Unemployment rate [3]	5.9	5.9	5.5
Budget balance [4]	-4.2	-6.9	-2.5
Current acc. balance [4]	6.8	6.9	6.5

Change vs previous year as percentage; [1] as contribution to GDP growth; [2] HICP; [3] as percentage of the civil labour force (Federal Employment Office definition); [4] as percentage of GDP

Sources: Feri, NORD/LB Macro Research

Quarterly forecasts, Germany

	III/20	IV/20	I/21	II/21	III/21
GDP sa qoq	8.7	0.5	-1.7	1.9	3.0
GDP nsa yoy	-3.7	-2.3	-3.3	9.9	3.7
Inflation yoy	-0.2	-0.6	1.7	2.1	3.0

Change as percentage

Sources: Feri, NORD/LB Macro Research

NORD/LB

Switzerland
Growing euphoria in industry

Analyst: Christian Lips, Chief Economist

Growing euphoria in industry – falling infection rates despite easing of restrictions
The euphoria in the manufacturing sector has grown further. The procure.ch Manufacturing PMI climbed to 69.5 points in April as month under review – the highest level since the survey's inception, and the KOF Economic Barometer, which is more broadly oriented to the developments at the macroeconomic level, hit a historic high of 134 points last month. For the first time since the onset of the corona-induced recession the majority of companies are planning workforce build-ups again. The expansion of capacity was meanwhile progressing merely slowly due to the prevailing uncertainty as to the persistence of the upswing. The only branch of the economy that has not yet been able to join in the omnipresent euphoria is the severely afflicted hospitality industry. According to a KOF survey, close on 50 percent of the companies involved in the Swiss hospitality industry see their own existence as "strongly" to "very strongly" at risk. The easing measures decided in late April are making for some alleviation, however. High-frequency data from the "Monitoring Consumption Switzerland" project on credit card use show that the transaction volume in the catering sector rose from CHF 27.2m in calendar week 15 to CHF 59.9m in the following week as a result of the opening of the outdoor areas. Despite the scaling back of the restrictions on contact, the pandemic did not worsen. According to the official daily reports by the Swiss health ministry, the 7-day average of daily new infections fell steadily from around 2000 before the start of the easing to a figure of 1360 on May 12, 2021. Even if Q1 is likely to have been weak, we have raised our GDP forecast for 2021 slightly to 3.5 percent in light of the rapid upward trend in economic activity.

EUR/CHF exchange rate hardly changed –easing of tensions on the financial markets
The past few weeks have seen the EUR/CHF exchange rate hovering closely around the psychologically important mark of 1.10. The ongoing optimism on the global financial markets is currently dampening demand for the Swiss franc – a currency coveted in times of crisis. Domestic sight deposits at the SNB have developed more or less sideways since mid-March, an indication of a lower level of FX market interventions of late. Moreover, the SNB also announced its intention to gradually scale back its swap agreements with the Fed, the ECB, the Bank of England and the Bank of Japan. As of 1 July, 84-day US dollar liquidity operations will no longer be offered, though shorter-term operations will remain in effect for the time being, however. The planned scale-back can be seen as a further sign of the increasing easing of tensions on the financial markets.

Fundamental forecasts*, Switzerland

	2020	2021	202"
GDP	-2.9	3.5	3.4
Inflation (CPI)	-0.7	0.2	0.5
Unemployment rate [1]	3.1	3.0	2.5
Budget balance [2]	-4.4	-2.2	-0.6
Current acc. balance [2]	4.1	7.0	8.5

Interest and exchange rates, Switzerland

	20.05.	3M	6M	12M
SNB key rate	-0.75	-0.75	-0.75	-0.75
3M rate	-0.75	-0.75	-0.75	-0.75
10Y	-0.16	-0.10	-0.10	0.00
Spread 10Y Bund	-5	0	-10	-10
EUR in CHF	1.10	1.10	1.11	1.11

* Change vs previous year as percentage; [1] as percentage of the labour force; [2] as percentage of GDP

Sources: Feri, Bloomberg, NORD/LB Macro Research

Japan
Inflation target as indicative expression of interest

Analysts: Tobias Basse // Bernd Krampen

Bank of Japan: Inflation target as indicative expression of interest

At its recent monetary policy meeting the Bank of Japan resolved to leave its interest rate strategy unchanged for the moment as well, holding the traditional key interest rate and the target yield on 10-year government bonds at their current levels. This decision by no means came as a surprise for the financial markets. There can be no doubt that the central bankers in Tokyo are still playing for time and hoping for better news in the future. Indeed, the monetary policymakers in Japan now appear to be seeing the future in a somewhat more optimistic light and, overall, expecting somewhat stronger economic growth. Their GDP projections were accordingly adjusted upwards. However, with the price trend in mind the central bankers are stressing rather more the risks of lower inflation rates. This news is not really surprising. These expectations as to the future price environment in the Land of the Rising Sun certainly have implications for the Bank of Japan's further plans and likely enable the central bankers to hold fast to their policy of cheap money, even against a background of more buoyant economic data. Moreover, central bank governor Haruhiko Kuroda's comments at the monetary policy meeting in Tokyo further put the practical significance of the "inflation target" into perspective. This is increasingly becoming an indicative expression of interest on the part of the Bank of Japan.

Covid-19 becoming a burdening factor again

Q1 saw the Japanese economy with quarter-on-quarter contraction of 1.3 percent in real terms – a figure pretty much in line with our expectations. A look at the details shows above all that the trend in investments was not as satisfying as might have been expected. It should at any rate be noted that Japan is again struggling with rising Covid-19 infection rates. Emergency regulations have accordingly been imposed in further prefectures in the meantime, which will negatively impact economic growth in Q2 as well. The Summer Olympics remain the great imponderable for all forecasts. The powers that be in Tokyo have no plans for cancelling the event as yet, though extremely contemplative comments on the part of high-ranking government officials have been heard just recently. A clear majority of the population are at any rate against the Games being held. Athletes, too, are expressing growing concerns, and tennis players Roger Federer and Rafael Nadal, for example, are apparently considering withdrawing their participation in the event.

Fundamental forecasts*, Japan

	2020	2021	2022
GDP	-4.7	2.8	2.1
Inflation	0.0	0.1	0.6
Unemployment rate [1]	2.8	3.0	2.8
Budget balance [2]	-13.0	-8.0	-5.3
Current acc. balance [2]	3.2	3.5	3.4

* Change vs previous year as percentage

Interest and exchange rates, Japan

	20.05.	3M	6M	12M
Key rate	-0.10	-0.10	-0.10	-0.10
3M rate	-0.09	0.05	0.05	0.10
10Y	0.08	0.10	0.15	0.20
Spread 10Y Bund	19	20	15	10
EUR in JPY	133	128	129	128
USD in JPY	109	109	110	110

[1] as percentage of the labour force; [2] as percentage of GDP

Sources: Feri, Bloomberg, NORD/LB Macro Research

China
Progress in normalization

Analysts: Tobias Basse // Bernd Krampen

Sentiment brightening again – outlook remains solid

The latest series of economic indicators confirm the quite positive economic picture presented by China to date, with the national sentiment surveys registering levels well above the expansion threshold of 50 points – as they already have done over the past 14 months. Growth and sentiment have limits in China as well, however, with, for example, the official CFLP PMI polled by the China Federation of Logistics and Purchasing for the manufacturing sector falling slightly in April from 51.9 to 51.1 points. There was a special effect to be noted in the form of the negative growth impact of the festivities in early April. The CFLP PMI Non-Manufacturing reported a decline as well: the index, which covers the services and construction sectors, dropped from 56.3 to 54.9 points while nevertheless remaining at a very high level. The pace of recovery on the services front in the course of a catching-up process remains faster than in the manufacturing sector which already gained strength earlier on. The Caixin survey on the manufacturing sector rose from 50.6 to 51.9 points. The upswing in corporate sentiment is now normalizing somewhat again after having hit lows in February as result of, in particular, the restrictions on travel which made the New Year celebrations in mid-February a celebrate-at-home affair. However, supply bottlenecks and rising production costs evidently had an increasingly burdensome impact as well over the entire period. The data on industrial output and retail sales remain strong due to the massive, ongoingly prevailing catch-up effects.

Worldwide recoveries remain important for China – renminbi appreciating again

This set of data provides justified reason to assume continuing growth in China's economic activity, though the pace appears to have slowed at the moment. That could change somewhat if, in the wake of the worldwide vaccination campaign and the gradual scaling back of the lockdown measures, the demand in other countries for Chinese export goods increases. Moreover extensive fiscal packages provide grounds for anticipating the setting in of a certain surge in consumption, at least in North America – and, with a time lag, in Europe as well. On the other hand, however, competitors of Chinese providers are increasingly entering the market again. The monetary and fiscal policymakers will want to wait and watch. With the situation in the USA having brightened due to the successful vaccination campaign, the renminbi briefly came under some pressure, though the US dollar has dipped back below the CNY 6.45 mark of late. Over the next twelve months we expect to see the US dollar gradually appreciate in the wake of the American economy's dynamic bounceback.

Fundamental forecasts*, China

	2020	2021	2022
GDP	2.3	8.5	5.5
Inflation	1.6	1.5	2.3
Unemployment rate [1]	3.8	3.8	3.7
Budget balance [2]	-11.4	-5.2	-4.3
Current acc. balance [2]	1.9	1.7	1.2

* Change vs previous year as percentage

Interest and exchange rates, China

	20.05.	3M	6M	12M
Deposit rate	1.50	1.50	1.50	1.50
3M SHIBOR	2.50	2.60	2.70	2.80
10Y	3.09	3.15	3.20	3.20
Spread 10Y Bund	320	325	320	310
EUR in CNY	7.87	7.72	7.78	7.77
USD in CNY	6.43	6.60	6.65	6.70

[1] as percentage of the labour force; [2] as percentage of GDP

Sources: Feri, Bloomberg, NORD/LB Macro Research

Britain
Between lockdown termination and QE adjustments

Analysts: Tobias Basse // Bernd Krampen

Weak GDP again in Q1 – but rebound expected in Q2

The past few weeks have been marked by reports of an end to various lockdown measures, a decline in GDP growth in Q1, a Bank of England in wait and watch mode, and the parliamentary elections – especially those in Scotland. Britain has left the third wave of the pandemic behind. 17 May saw the government ring in the third of four phases of easing lockdown restrictions. The final step is scheduled for 21 June unless the emergence of new mutants thwart this plan. That needs to be kept an eye on. At any rate, retail sales registered massive growth in March (and especially April) thanks to easing. Industrial output and construction investments, too, grew significantly in March. A quarterly decline in GDP in Q1 could no longer be avoided but, at -1.5 percent qoq, it was more moderate than originally feared. Q2 is set to see a resounding plus in economic output.

BoE acts – Scotland has not yet decided whether it wants to decide

In light of the brightened outlook, the BoE resolved at its monetary policy meeting in early May to adjust its QE programme, cutting the purchases of gilts from GBP 4.4bn to GBP 3.4bn per week. At the former pace the QE would have ended in November; it will now run until the end of the year. The total volume for QE (of £895bn) remained unchanged. In order to avoid an abrupt end to the stimuli, the BoE needs to adjust the weekly purchases and thus stretch the programme. This is what has now been done. The BoE statement had a more optimistic note than previously, with the growth forecast for 2021 adjusted significantly upwards from 5 to 7.25 percent. Inflation is predicted to remain below 2 percent until 2024. The statement informs that interest rate hikes will only be due in the wake of a sustained economic stabilization. We do not expect to see interest rates raised until 2023 at the earliest. The elections in Scotland on 6 May also attracted attention: The SNP sees the results as a mandate for securing separation from London, and will therefore endeavour to bring about a fresh referendum on independence. This will take time, however. Boris Johnson wishes to avoid a referendum during this legislative period, so a rapid "news flow" is not to be reckoned with in this context. Nevertheless, the financial markets need to keep a close eye on Scotland's aspirations to independence. New political uncertainties lie in wait, and any great turbulences in the future could negatively impact the pound sterling. The decision-makers in Edinburgh and London still have a substantial incentive to play for time.

Fundamental forecasts*, Britain

	2020	2021	2022
GDP	-9.8	6.0	5.5
Inflation (CPI)	0.9	1.6	2.0
Unemployment rate [1]	4.5	6.0	5.4
Budget balance [2]	-17.3	-9.8	-5.0
Current acc. balance [2]	-3.5	-4.0	-4.0

* Change vs previous year as percentage

Interest and exchange rates, Britain

	20.05.	3M	6M	12M
Repo rate	0.10	0.10	0.10	0.10
3M	0.08	0.10	0.10	0.10
10Y	0.84	0.90	0.95	1.10
Spread 10Y Bund	95	100	95	100
EUR in GBP	0.86	0.90	0.90	0.90
GBP in USD	1.42	1.30	1.30	1.29

[1] as percentage of the labour force as per ILO concept; [2] as percentage of GDP

Sources: Feri, Bloomberg, NORD/LB Macro Research

Canada
Rising raw material prices boost the Canadian dollar

Analysts: Tobias Basse // Bernd Krampen

Rising raw material prices boost the Canadian dollar

The current boom in raw material prices has catapulted the "loonie" to lofty heights. The Canadian dollar has appreciated markedly against the US dollar lately, making for an exchange rate of CAD 1.21 per USD in late May. Now emerging strongly from the corona-induced doldrums, the global economy is currently driving demand for traditional Canadian export goods such as timber, oil and metals. The price of construction timber, for example, has increased by around 85 percent since the beginning of the year. Catch-up effects in housing construction, both in Canada and in the United States, are encountering inadequate supply, with the result of exploding costs. The prices of agricultural products also increased significantly. In this market segment, Canada additionally benefited from the current trade conflict between Australia and China, with, for example, barley exports to China doubling to 2.3 million tonnes in Q1. It is at present not possible to predict with any certainty whether the rally on the commodity markets will lead to a years-long “super cycle”. A development of this nature would certainly not be to Canada's disadvantage; after all, above-average oil prices already helped the Canadian economy surmount the consequences of the financial crisis at the beginning of the last decade.

Inflation gathering pace – rising prices in the real estate sector

In April as month under review, Statistics Canada reported the highest CPI increase in 10 years, with a year-on-year figure of 3.4 percent. Base year effects distort the result, however, as the price level actually slumped for a short time in April 2020 due to the sharp drop in demand. Central bank governor Macklem had already announced in advance that the BoC would tolerate a temporary increase in the inflation rate this year, seeing as the Canadian economy is still struggling with the consequences of the pandemic. The inflation rate is not expected to return to its target level of 2 percent until early next year. The low interest rate environment has in the meantime made for rising real estate prices. Figures published by the Canadian Real Estate Association show that real estate sales prices in April 2021 were 42 percent up on those in the same month last year. Single-family homes in the hinterland of metropolises such as Toronto or Montreal were particularly popular among workers from the big cities. Even if the upward momentum in real estate prices has slowed down slightly of late, the planned adjustment of the mortgage stress test parameters and rising long-term interest rates will cool the overheated market somewhat.

Fundamental forecasts*, Canada

	2020	2021	2022
GDP	-5.4	6.2	4.1
Inflation	0.7	2.3	2.0
Unemployment rate [1]	9.6	7.5	6.1
Budget balance [2]	-16.0	-5.8	-3.1
Current acc. balance [2]	-1.9	-1.6	-1.6

* Change vs previous year as percentage

Interest and exchange rates, Canada

	20.05.	3M	6M	12M
O/N target rate	0.25	0.25	0.25	0.25
3M	0.09	0.15	0.20	0.20
10Y	1.54	1.60	1.70	1.85
Spread 10Y Bund	165	170	170	175
EUR in CAD	1.47	1.45	1.46	1.45
USD in CAD	1.21	1.24	1.25	1.25

[1] as percentage of the labour force; [2] as percentage of GDP

Sources: Feri, Bloomberg, NORD/LB Macro Research

Australia
Weaker labour market data ought not to be overrated

Analysts: Tobias Basse // Bernd Krampen

Weaker labour market data ought not to be overrated

The labour market data recently released in Australia for April as month under review came as a negative surprise for the financial markets, revealing that the companies Down Under had to cut 30,600 jobs compared to the previous year; part-time employment relationships were particularly hard hit, with 64,400 people losing their jobs. The unemployment rate currently stands at 5.5 percent. The financial markets had reckoned with more encouraging figures. Besides the reaction it triggered on the FX market, the announcement of the fresh data also made for a somewhat increased demand for Australian government bonds. However, the financial markets very quickly shed the briefly prevailing nervousness that followed the publication of the data by the Australian Bureau of Statistics. As is the case in the USA, the current developments are of course merely a situational snapshot. Moreover, there is no doubt that special factors have led to certain distortions so, in sum, the economic significance of the figures ought not to be overrated. Indeed, the Australian labour market can be expected to generate more satisfying data again in the months ahead, although the fight against the coronavirus will continue to be a burdening factor. For example, Australia's prime minister Scott Morrison recently emphasized unusually clearly (in response to comments from sports officials) that, given the current situation, it is completely premature to already make concrete plans for the Formula 1 event in Melbourne, which had been postponed from March to November, or for the major tennis tournament in January 2022. In his view, consideration should be given to June or July 2022 as the earliest time for an easing of restrictions on travel.

Central bank with a keen eye on the unemployment rate

The Australian central bank is at any rate continuing to keep a keen eye on the unemployment rate Down Under. RBA governor Philip Lowe recently stressed that he expects a sustained recovery on the country's labour market. However, he also put on record that the unemployment rate will probably have to fall in the direction of 4 percent before wage growth and inflation rates pick up sufficiently to force the central bank to realign its monetary policy on a more long-term basis. That said, the central bankers are to a certain extent concerned about overheating tendencies in the country's real estate market, but this will likely be no reason for action to be taken in the near term.

Fundamental forecasts*, Australia

	2020	2021	2022
GDP	-2.4	4.5	3.1
Inflation	0.8	1.8	1.8
Unemployment rate [1]	6.5	5.7	5.2
Budget balance [2]	-8.0	-8.4	-4.9
Current acc. balance [2]	2.5	1.9	0.6

* Change vs previous year as percentage

Interest and exchange rates, Australia

	20.05.	3M	6M	12M
Cash target rate	0.10	0.10	0.10	0.10
3M	0.04	0.05	0.10	0.15
10Y	1.71	1.80	1.90	2.00
Spread 10Y Bund	182	190	190	190
EUR in AUD	1.57	1.56	1.58	1.58
USD in AUD	0.78	0.75	0.74	0.74

[1] as percentage of the labour force; [2] as percentage of GDP

Sources: Feri, Bloomberg, NORD/LB Macro Research

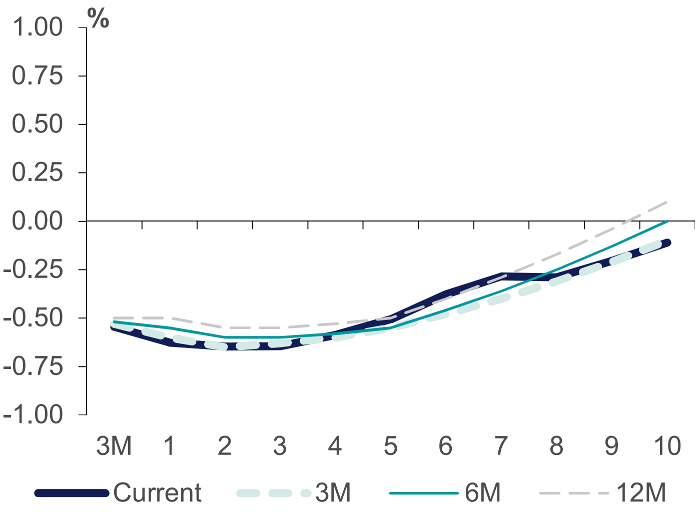
Portfolio strategies
Yield curve, Euroland

Yields and forecasts (Bunds/Swap)

Yields (in %)		NORD/LB forecast for horizons		
	Current	3M	6M	12M
3M	-0.55	-0.53	-0.52	-0.50
1Y	-0.63	-0.60	-0.55	-0.50
2Y	-0.65	-0.65	-0.60	-0.55
3Y	-0.65	-0.63	-0.60	-0.55
4Y	-0.59	-0.60	-0.58	-0.53
5Y	-0.51	-0.55	-0.55	-0.50
6Y	-0.38	-0.48	-0.46	-0.40
7Y	-0.29	-0.40	-0.36	-0.29
8Y	-0.29	-0.31	-0.25	-0.17
9Y	-0.21	-0.21	-0.13	-0.04
10Y	-0.11	-0.10	0.00	0.10
2Y (Swap)	-0.46	-0.45	-0.40	-0.35
5Y (Swap)	-0.21	-0.25	-0.25	-0.20
10Y (Swap)	0.18	0.25	0.35	0.45

Sources: Bloomberg, NORD/LB Macro Research

Yield curve forecasts (Bunds)



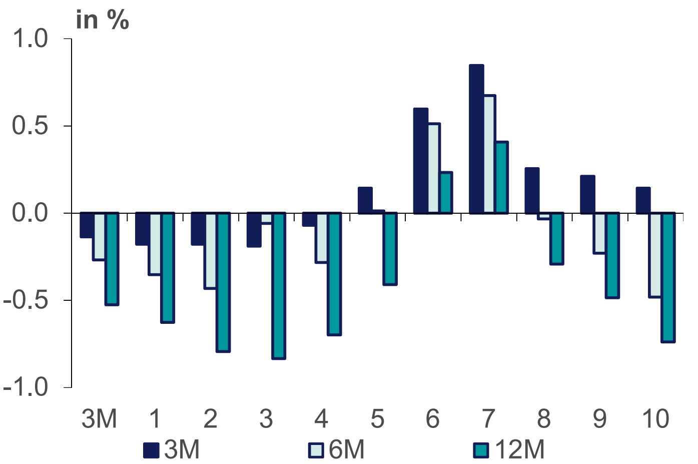
Sources: Bloomberg, NORD/LB Macro Research

Forecasts and total returns

	Total returns (in %) for horizons...		
	3M	6M	12M
3M	-0.14	-0.27	-0.53
1Y	-0.18	-0.35	-0.63
2Y	-0.18	-0.43	-0.79
3Y	-0.19	-0.06	-0.83
4Y	-0.07	-0.28	-0.70
5Y	0.14	0.01	-0.41
6Y	0.60	0.51	0.23
7Y	0.85	0.67	0.41
8Y	0.26	-0.03	-0.29
9Y	0.21	-0.23	-0.48
10Y	0.14	-0.48	-0.74

Sources: Bloomberg, NORD/LB Macro Research

Expected total returns



Sources: Bloomberg, NORD/LB Macro Research

A total return is the absolute profit from an investment in the time period under consideration, with account being taken of the pro-rata yields plus the price gains or losses to be anticipated on the basis of the forecast yield curve change.

Portfolio strategies
International yield curve: 3-month & 12-month horizons

3-month horizon

Expected total returns (as %) in euro

	EUR	USD	GBP	JPY	CHF
1Y	-0.2	4.4	-4.3	3.8	-0.5
2Y	-0.2	4.4	-4.3	3.8	-0.5
3Y	-0.2	4.5	-4.3	3.7	-0.5
4Y	-0.1	4.7	-4.3	3.6	-0.4
5Y	0.1	4.9	-4.2	3.6	-0.3
6Y	0.6	5.5	-3.9	3.5	-0.3
7Y	0.8	5.8	-3.9	3.5	-0.7
8Y	0.3	6.0	-3.4	3.4	-0.5
9Y	0.2	5.9	-3.2	3.5	-0.6
10Y	0.1	5.9	-4.3	3.8	-0.6

Sources: Bloomberg, NORD/LB Macro Research

Expected total returns (as %) in national currencies

	USD	GBP	JPY	CHF
1Y	-0.1	-0.1	-0.1	-0.2
2Y	-0.1	-0.1	-0.2	-0.2
3Y	-0.1	0.0	-0.2	-0.2
4Y	0.2	-0.1	-0.3	-0.1
5Y	0.4	0.0	-0.3	0.0
6Y	1.0	0.3	-0.4	-0.1
7Y	1.3	0.4	-0.4	-0.4
8Y	1.4	0.8	-0.5	-0.2
9Y	1.3	1.1	-0.4	-0.4
10Y	1.3	0.0	-0.2	-0.4

Sources: Bloomberg, NORD/LB Macro Research

12-month horizon

Expected total returns (as %) in euro

	EUR	USD	GBP	JPY	CHF
1Y	-0.6	5.5	-4.3	3.8	-1.9
2Y	-0.8	5.5	-4.3	3.6	-1.9
3Y	-0.8	5.7	-4.3	3.6	-1.8
4Y	-0.7	5.9	-4.4	3.5	-1.5
5Y	-0.4	6.2	-4.3	3.4	-1.4
6Y	0.2	6.3	-4.0	3.2	-1.4
7Y	0.4	6.5	-4.1	3.2	-1.7
8Y	-0.3	6.6	-3.7	3.0	-1.6
9Y	-0.5	6.4	-3.5	3.0	-1.9
10Y	-0.7	6.1	-4.6	3.2	-2.1

Sources: Bloomberg, NORD/LB Macro Research

Expected total returns (as %) in national currencies

	USD	GBP	JPY	CHF
1Y	0.1	0.0	-0.1	-0.8
2Y	0.1	-0.1	-0.3	-0.8
3Y	0.2	0.0	-0.3	-0.6
4Y	0.5	-0.1	-0.4	-0.4
5Y	0.7	-0.1	-0.5	-0.3
6Y	0.8	0.2	-0.7	-0.3
7Y	1.0	0.2	-0.7	-0.6
8Y	1.1	0.6	-0.9	-0.5
9Y	0.9	0.7	-0.9	-0.8
10Y	0.6	-0.4	-0.7	-0.9

Sources: Bloomberg, NORD/LB Macro Research

A total return is the absolute profit from an investment in the time period under consideration, with account being taken of the pro-rata yields plus the price gains or losses to be anticipated on the basis of the forecast yield curve and exchange rate change.

Portfolio strategies
Stock market strategy; 3-month, 6-month & 12-month horizons

Levels and performance

Index	Level as at 20.05.2021	Status		Performance since	
		Prev. month	Start of year	Prev. month	Start of year
DAX	15,113.56	15,135.91	13,718.78	-0.15%	10.17%
MDAX	31,899.33	32,704.67	30,796.26	-2.46%	3.58%
EuroSTOXX50	3,936.74	3,974.74	3,552.64	-0.96%	10.81%
STOXX50	3,380.14	3,382.70	3,108.30	-0.08%	8.75%
STOXX600	436.34	437.39	399.03	-0.24%	9.35%
Dow Jones	33,896.04	33,874.85	30,606.48	0.06%	10.75%
S&P 500	4,115.68	4,181.17	3,756.07	-1.57%	9.57%
Nikkei	28,098.25	28,812.63	27,444.17	-2.48%	2.38%

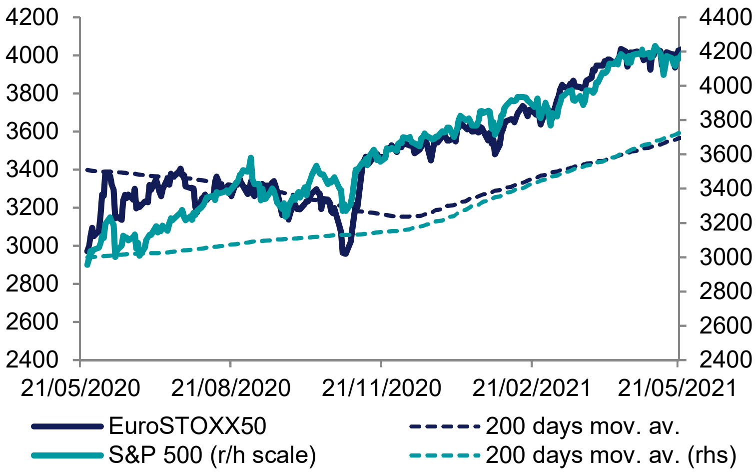
Sources: Bloomberg, NORD/LB Macro Research

Index forecasts

Index	NORD/LB forecast for horizons ...		
	3M	6M	12M
DAX	14,500	15,300	16,300
MDAX	30,500	32,300	34,300
EuroSTOXX50	3,750	3,950	4,150
STOXX50	3,210	3,380	3,550
STOXX600	415	436	458
Dow Jones	33,500	34,500	36,500
S&P 500	4,050	4,200	4,400
Nikkei	27,000	28,250	29,500

Sources: Bloomberg, NORD/LB Macro Research

EuroSTOXX50 and S&P500



Sources: Bloomberg, NORD/LB Macro Research

Date of going to press for data, forecasts and texts was **Friday, 21 May 2021**.

The next English issue of Economic Adviser will be appearing on **28 June 2021**.

Overview of forecasts

Fundamental forecasts

in %	GDP growth			Rate of inflation			Unemployment rate[1]			Budgetary balance [2]		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
USA	-3.5	5.7	3.0	1.2	3.4	2.7	8.1	6.0	5.0	-15.4	-11.6	-8.3
Euroland	-6.8	4.6	4.3	0.3	1.9	1.4	8.0	8.0	7.5	-7.2	-7.5	-4.5
Germany	-4.8	3.5	4.2	0.4	2.6	1.4	5.9	5.9	5.5	-4.2	-6.9	-2.5
Japan	-4.7	2.8	2.1	0.0	0.1	0.6	2.8	3.0	2.8	-13.0	-8.0	-5.3
Britain	-9.8	6.0	5.5	0.9	1.6	2.0	4.5	6.0	5.4	-17.3	-9.8	-5.0
Switzerland	-2.9	3.5	3.4	-0.7	0.2	0.5	3.1	3.0	2.5	-4.4	-2.2	-0.6
China	2.3	8.5	5.5	1.6	1.5	2.3	3.8	3.8	3.7	-11.4	-5.2	-4.3
Canada	-5.4	6.2	4.1	0.7	2.3	2.0	9.6	7.5	6.1	-16.0	-5.8	-3.1
Australia	-2.4	4.5	3.1	0.8	1.8	1.8	6.5	5.7	5.2	-8.0	-8.4	-4.9

Change vs previous year as percentage; [1] as percentage of the labour force (Germany: as per Federal Employment Office definition); [2] as percentage of GDP

Sources: Feri, NORD/LB Macro Research

Key rates

In %	20.05.21	3M	6M	12M
USD	0.25	0.25	0.25	0.25
EUR	0.00	0.00	0.00	0.00
JPY	-0.10	-0.10	-0.10	-0.10
GBP	0.10	0.10	0.10	0.10
CHF	-0.75	-0.75	-0.75	-0.75
CNY	1.50	1.50	1.50	1.50
CAD	0.25	0.25	0.25	0.25
AUD	0.10	0.10	0.10	0.10

Sources: Bloomberg, NORD/LB Macro Research

Exchange rates

EUR in...	20.05.21	3M	6M	12M
USD	1.22	1.17	1.17	1.16
JPY	133	128	129	128
GBP	0.86	0.90	0.90	0.90
CHF	1.10	1.10	1.11	1.11
CNY	7.87	7.72	7.78	7.77
CAD	1.47	1.45	1.46	1.45
AUD	1.57	1.56	1.58	1.58

Sources: Bloomberg, NORD/LB Macro Research

Interest rates (government bonds)

	3M rates				Yields 2Y				Yields 5Y				Yields 10Y			
	20.05.	3M	6M	12M	20.05.	3M	6M	12M	20.05.	3M	6M	12M	20.05.	3M	6M	12M
USD	0.15	0.20	0.25	0.30	0.15	2.60	0.25	0.40	0.81	0.90	1.00	1.20	1.63	1.60	1.70	1.90
EUR	-0.55	-0.53	-0.52	-0.50	-0.65	-0.65	-0.60	-0.55	-0.50	-0.55	-0.55	-0.50	-0.11	-0.10	0.00	0.10
JPY	-0.09	0.05	0.05	0.10	-0.14	-0.10	-0.05	-0.05	-0.09	-0.03	0.03	0.04	0.08	0.10	0.15	0.20
GBP	0.08	0.10	0.10	0.10	0.05	0.10	0.15	0.25	0.36	0.40	0.45	0.57	0.84	0.90	0.95	1.10
CHF	-0.75	-0.75	-0.75	-0.75	-0.78	-0.75	-0.75	-0.75	-0.50	-0.50	-0.50	-0.45	-0.16	-0.10	-0.10	0.00

Sources: Bloomberg, NORD/LB Macro Research

Spreads (bp)

	3M EURIBOR				2Y Bunds				5Y Bunds				10Y Bunds			
	20.05.	3M	6M	12M	20.05.	3M	6M	12M	20.05.	3M	6M	12M	20.05.	3M	6M	12M
USD	70	73	77	80	79	90	85	95	131	145	155	170	173	170	170	180
JPY	46	58	57	60	51	55	55	50	41	53	58	54	19	20	15	10
GBP	63	63	62	60	69	75	75	80	86	95	100	107	95	100	95	100
CHF	-20	-22	-23	-25	-13	-10	-15	-20	0	5	5	5	-5	0	-10	-10

Sources: Bloomberg, NORD/LB Macro Research

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