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MACROECONOMICS

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A COMPLICATED YEAR AHEAD FOR EZ INVESTORS

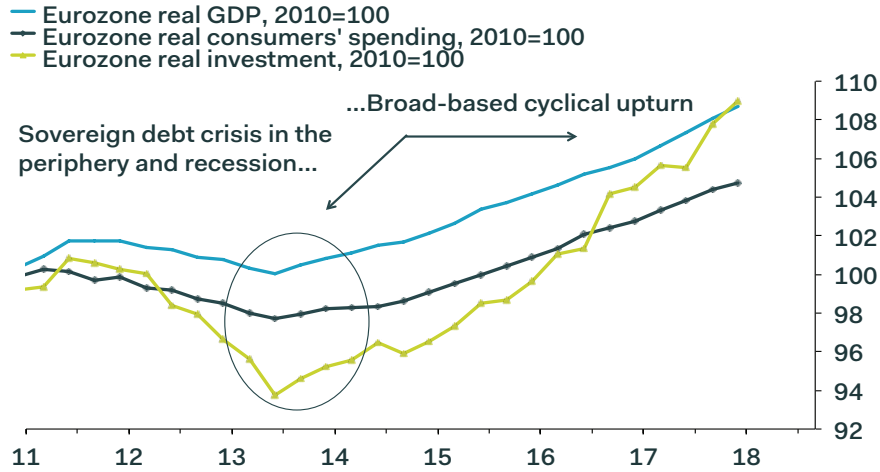
...BUT THE ECONOMY STILL LOOKS ROBUST

EUROZONE CONFERENCE CALL CHARTS, JANUARY 2018

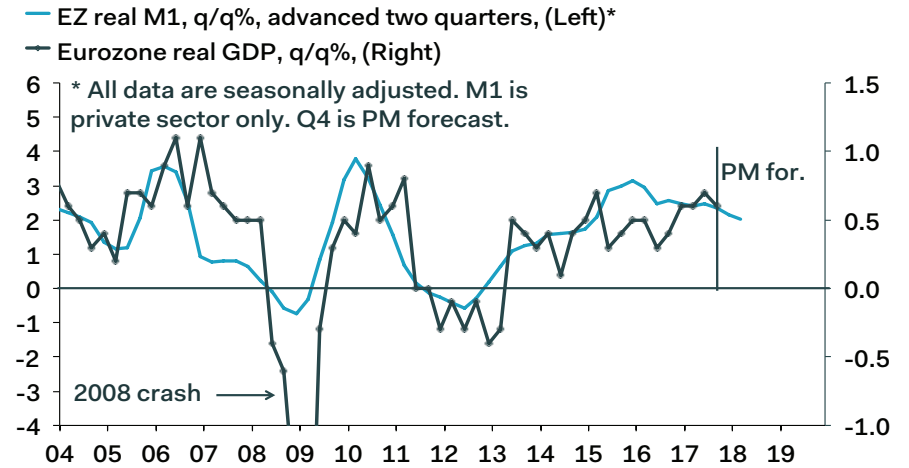
DATA AS AT JANUARY 24TH | CLAUD VISTESEN, CHIEF EUROZONE ECONOMIST
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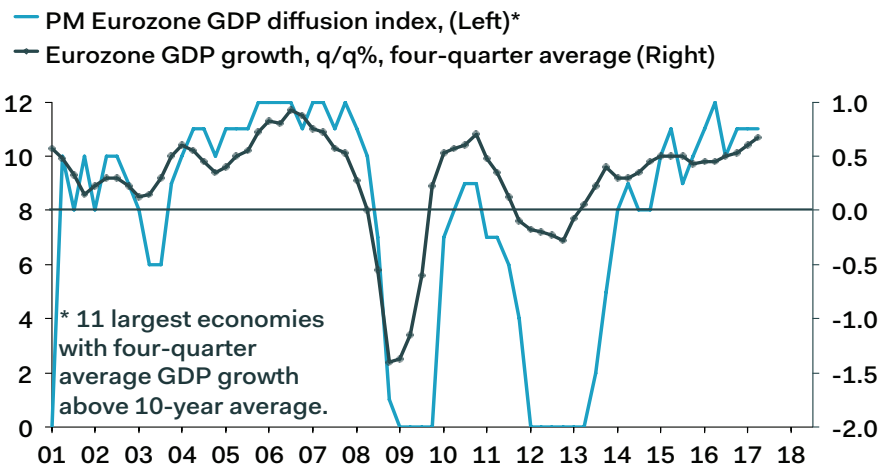
1. A STRONG AND STABLE CYCLICAL UPTURN IN THE EUROZONE



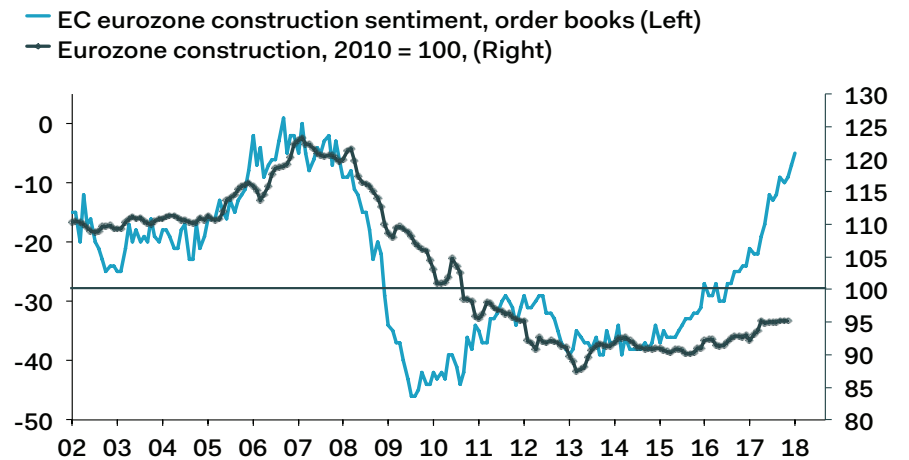
3. ... BUT THE PACE OF GDP GROWTH LIKELY IS SLOWING, SLIGHTLY



2. ALMOST ALL ECONOMIES ARE PARTICIPATING IN THE RECOVERY...



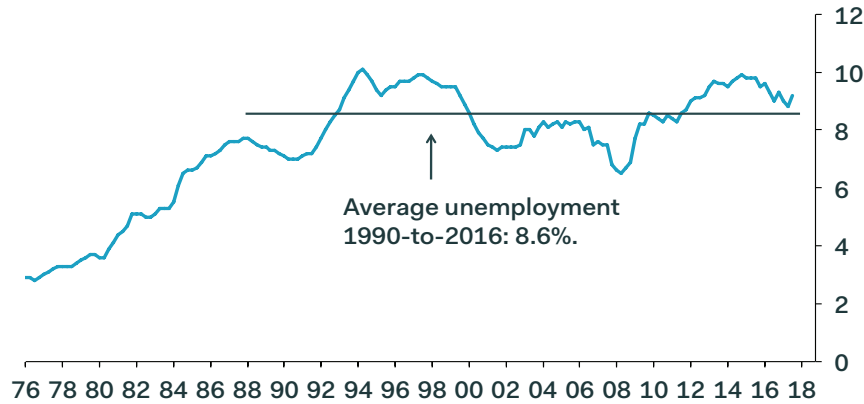
4. THE UPTURN IN CONSTRUCTION IS SET TO GATHER PACE IN 2018





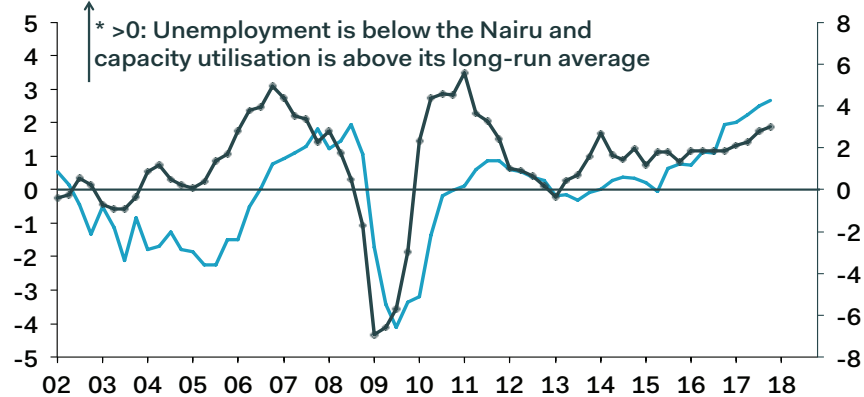
5. MARKETS NOW DARE HOPE FOR REAL IMPROVEMENT IN FRANCE

— France, unemployment, workers aged 25-to-49, %



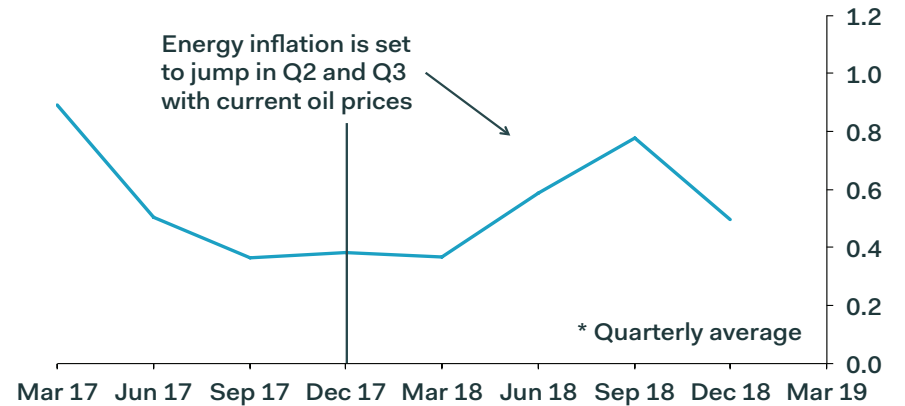
6. HOW MUCH MORE GAS DOES GERMANY HAVE LEFT IN THE TANK?

— PM output measure, Germany (Left)*
— Germany, real GDP, y/y% (Right)



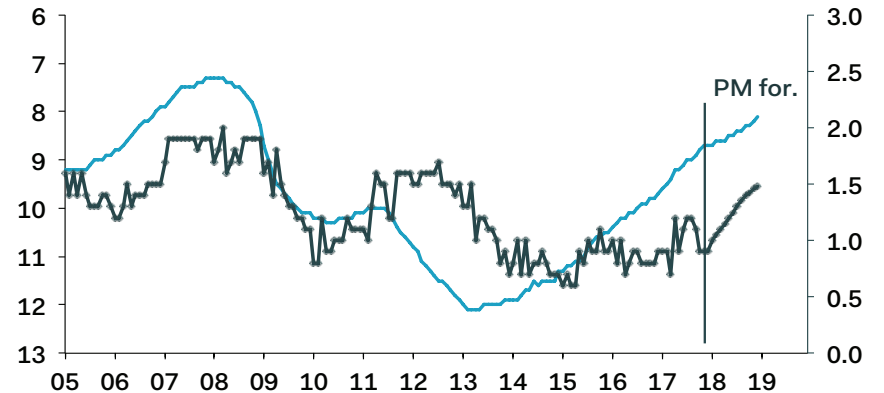
7. BEWARE THE LIKELY JUMP IN ENERGY INFLATION LATER THIS YEAR

— EZ energy inflation, y/y pp CPI contribution*



8. ...AND CORE INFLATION ALSO SHOULD EDGE HIGHER

— Eurozone unemployment, inverted, % (Left),
— Eurozone core inflation, y/y% (Right)



9. WE EXPECT QE TO BE DIALLED DOWN TO ZERO AT THE END OF Q4

— ECB Balance Sheet, €B

QE of €80B per month until end March 2017, €60B until December 2017, a reduction to €30B starting January 2018 until September, and then a taper to zero at the end of the year.



10. ...BUT BANKS ARE WAITING IN THE WINGS TO BUY SOVEREIGNS

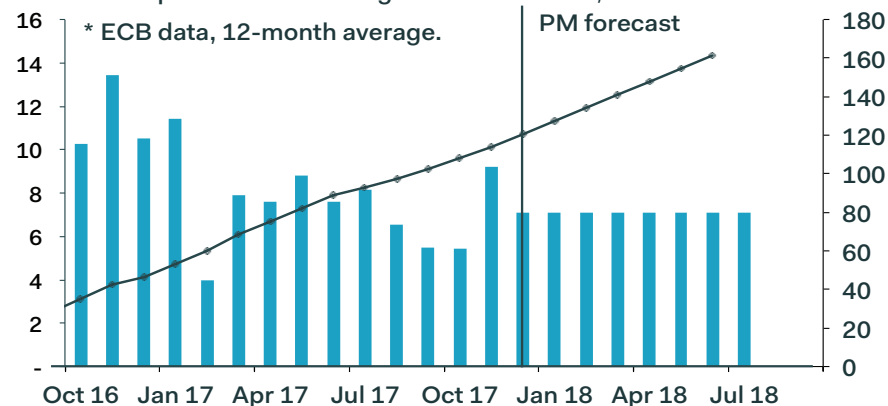
— Periphery bank purchases of government bonds, 12-month average, €B — Core*, bank purchases of sovereign bonds 12-month average, €B

* Germany and France.



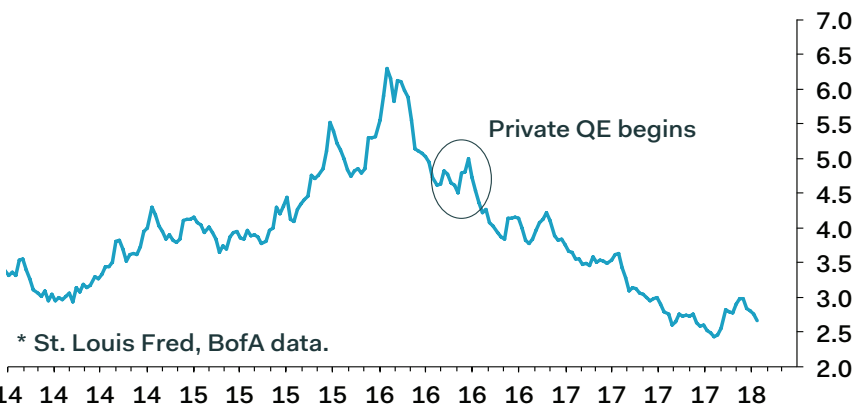
11. THE OUTLOOK IS TRICKIER FOR CORPORATE BONDS AFTER QE...

■ ECB corporate bond purchases, as % of net issuance* — ECB corporate bond holdings as share of total, %*



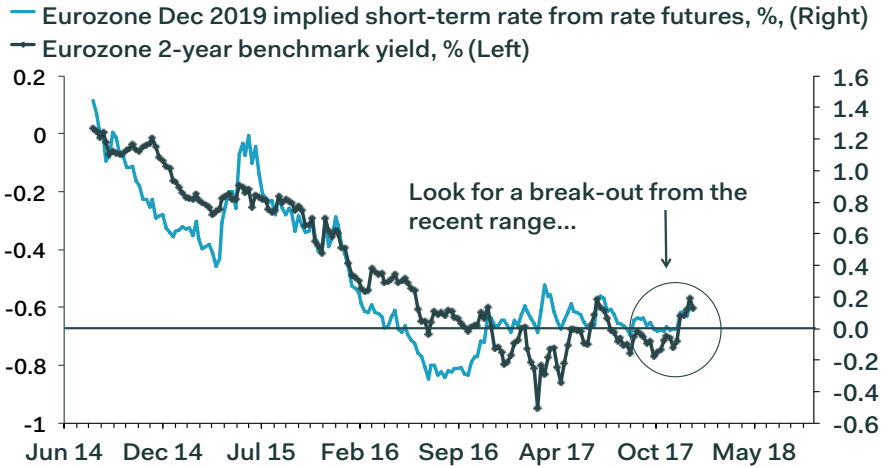
12. ...ESPECIALLY GIVEN VERY TIGHT SPREADS IN PARTS OF THE MARKET

— EZ high yield corporate bonds* less EZ 5-year sovereign bond yield, %

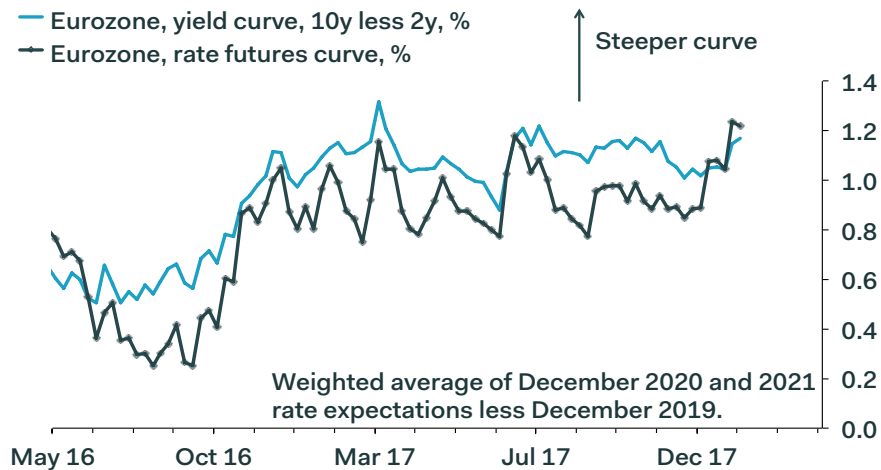




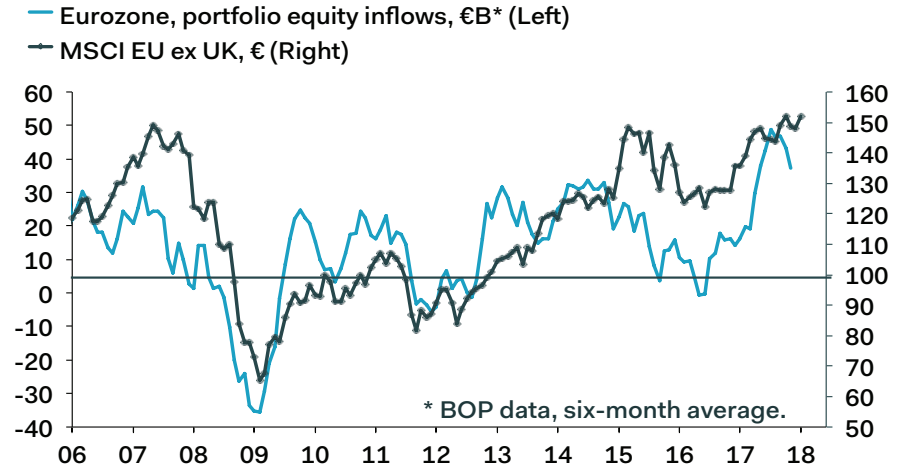
13. IS THE ECB FLIRTING WITH A CHANGE IN ITS FORWARD GUIDANCE?



14. AS LONG AS THE CURVE STEEPENS, THE ECB WON'T BE TOO UPSET



15. FOREIGN INFLOWS CAME BACK LAST YEAR, MAINLY IN EQUITIES



16. ...BUT GROSS OUTFLOWS REMAIN STRONGER AS EVER

