



Commerzbank Forecasts

Growth and inflation

	Real GDP (%)			Inflation rate (%)			
	2023	2024	2025	2023	2024	2025	
USA	2.4	1.0	1.0	4.1	2.8	3.0	<ul style="list-style-type: none"> 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.
China	5.1	4.0	4.0	0.5	1.3	1.7	
Euro area	0.4	0.1	0.9	5.4	2.5	3.0	
- Germany	-0.4	-0.3	0.5	6.0	2.7	2.5	
- France	0.8	0.2	0.9	4.9	2.2	2.8	
- Italy	0.7	0.0	0.7	6.3	2.6	3.0	
- Spain	2.3	1.3	1.6	3.7	2.8	2.7	
- Netherlands	0.1	0.3	1.3	4.5	2.9	2.6	
- Austria	-0.8	-0.3	0.8	7.9	3.2	2.9	
UK	0.5	0.2	1.2	7.4	3.0	2.8	
Switzerland	0.7	0.7	1.4	2.1	0.8	1.1	
Japan	2.0	0.8	0.8	3.2	1.8	1.2	
World	3.0	2.7	3.0				

Interest rates (end-of-quarter)

	14-Dec	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25		
USA								
Fed funds, upper bound	5.50	5.50	5.00	4.50	4.00	3.50	<ul style="list-style-type: none"> The Federal Reserve is likely to cut rates as of spring as inflation slows. The US bond market has already priced in the rate cuts to some extent. That said, the recession and the actual rate cuts should depress Treasury yields somewhat further next year. The ECB will probably lower its key rates as of next summer as inflation cools. However, we expect fewer rate cuts than the market which apparently assumes that the inflation problem will be solved next year. The recession, rate cuts, cooling inflation and lower Treasury yields suggest that Bund yields should fall next year. However, the market has already anticipated much of this backdrop. We expect yields to rise again in 2025 because of higher inflation. 	
3-months OIS	5.34	5.35	4.75	4.35	3.80	3.40		
2 years*	4.37	4.20	3.80	3.60	3.40	3.40		
5 years*	3.90	3.80	3.70	3.70	3.90	4.00		
10 years*	3.95	3.90	3.70	3.60	3.60	3.70		
Spread 10-2 years	-42	-30	-10	0	20	30		
Swap-Spread 10 years	-37	-25	-25	-25	-25	-25		
Euro area								
Depo rate	4.00	4.00	3.75	3.50	3.25	3.00		
3-months Euribor	3.93	4.00	3.75	3.50	3.25	3.00		
2 years*	2.56	2.50	2.60	2.60	2.50	2.50		
5 years*	2.09	2.20	2.40	2.30	2.30	2.40		
10 years*	2.13	2.00	1.90	1.90	2.00	2.20		
Spread 10-2 years	-43	-50	-70	-70	-50	-30		
Swap-Spread 10 years	48	45	40	35	35	35		
UK								
Bank rate	5.25	5.25	5.25	4.75	4.25	3.75		
3-months OIS	5.21	5.25	5.15	4.65	3.95	3.70		
2 years*	4.31	4.30	4.30	3.60	3.50	3.60		
10 years*	3.76	3.80	3.70	3.60	3.50	3.50		

Exchange rates (end-of-quarter)

	14-Dec	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25	
EUR-USD	1.10	1.12	1.15	1.14	1.12	1.12	<ul style="list-style-type: none"> The euro should initially benefit in 2024 from the fact that the ECB is likely to cut interest rates less aggressively than the market is pricing in. However, the euro is likely to lose ground again in the second half of the year. This is because it should become clear that the ECB has not solved the inflation problem, while at the same time the US overcomes the recession and its better long-term growth prospects become apparent once again.
USD-JPY	142	148	145	145	148	150	
EUR-CHF	0.95	0.98	0.99	0.99	0.98	0.98	
EUR-GBP	0.86	0.89	0.90	0.90	0.90	0.89	
EUR-SEK	11.21	11.20	11.10	11.00	11.00	10.90	
EUR-NOK	11.54	11.20	10.90	10.70	10.60	10.50	
EUR-PLN	4.32	4.50	4.55	4.60	4.65	4.70	
EUR-HUF	380	375	380	390	410	410	
EUR-CZK	24.39	24.25	24.10	24.25	24.30	24.35	
USD-CAD	1.34	1.33	1.32	1.31	1.29	1.29	
USD-CNY	7.12	7.20	7.10	7.00	6.95	6.90	

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



Research contacts (E-Mail: firstname.surname@commerzbank.com)

Chief EconomistDr Jörg Krämer
+49 69 136 23650**Economic Research**Dr Jörg Krämer (Head)
+49 69 136 23650Dr Ralph Solveen (Deputy Head; Germany)
+49 69 9353 45622Dr Christoph Balz (USA, Fed)
+49 69 9353 45592Dr Marco Wagner (ECB, Germany, Italy)
+49 69 9353 45623Bernd Weidensteiner (USA, Fed)
+49 69 9353 45625Christoph Weil (Euro area, France,
Switzerland)
+49 69 9353 45589Tung On Tommy Wu (China)
+65 6311 0166**Interest Rate & Credit Research**Christoph Rieger (Head)
+49 69 9353 45600Michael Leister (Head Rates)
+49 69 9353 45610Rainer Guntermann
+49 69 9353 45629Hauke Siemßen
+49 69 9353 45619Ted Packmohr
(Head Covered Bonds and Financials)
+49 69 9353 45635Marco Stoeckle
(Head Corporate Credit)
+49 69 9353 45620**FX & Commodities Research**Ulrich Leuchtmann (Head)
+49 69 9353 45700Antje Praefcke (FX)
+49 69 9353 45615Tatha Ghose (FX)
+44 20 7475 8399Charlie Lay (FX)
+65 63 110111You-Na Park (FX)
+49 69 9353 45616Michael Pfister (FX)
+49 69 9353 45614Thu-Lan Nguyen (FX, Commodities)
+49 69 9353 45617Carsten Fritsch (Commodities)
+49 69 9353 45647Barbara Lambrecht (Commodities)
+49 69 9353 45611Tung On Tommy Wu (China)
+65 6311 0166**Other publications (examples)**

Economic Research:	Economic Briefing (up-to-date comment on main indicators and events) Economic Insight (detailed analysis of selected topics) Economic and Market Monitor (chart book presenting our monthly global view)
Commodity Research:	Commodity Update (comment and news on commodities markets, two times per week) Commodity Spotlight (detailed analysis and forecasts of commodities markets)
Interest Rate & Credit Research:	Ahead of the Curve (flagship publication with analysis and trading strategy for global bond markets) European Sunrise (daily comment and trading strategy for euro area bond markets) Rates Radar (ad-hoc topics and trading ideas for bond markets) Covered Bonds Weekly (weekly analysis of the covered bonds markets)
FX Strategy:	Daily Currency Briefing (daily comment and forecasts for FX markets) FX Hot Spots (ad hoc analysis of FX market topics)

To receive these publications, please ask your Commerzbank contact.



Analysts

Dr. Jörg Krämer

Chief Economist

+49 69 136 23650

joerg.kraemer@commerzbank.com

Bernd Weidensteiner

Senior Economist

+49 69 9353 45625

bernd.weidensteiner@commerzbank.com

In accordance with ESMA MAR requirements this report was completed 15/12/2023 07:13 CET and disseminated 15/12/2023 07:13 CET.

This document has been created and published by the Group Research department (GM-R) within the Group Management division of Commerzbank AG, Frankfurt/Main or Commerzbank's non-US branch offices mentioned in the document.

Please note that the author(s) certify that (a) the views expressed in this report accurately reflect their personal view about the subject securities and issuers; and (b) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document.

It has not been determined in advance whether and in what intervals this document will be updated. Unless otherwise stated current prices refer to the most recent trading day's closing price or spread which may fluctuate.

Conflicts of interest

Disclosures of potential conflicts of interest relating to Commerzbank AG, its affiliates, subsidiaries (together "Commerzbank") and its relevant employees with respect to the issuers, financial instruments and/or securities forming the subject of this document valid as of the end of the month prior to publication of this document*:

Please refer to the following link for disclosures on companies included in compendium reports or disclosures on any company covered by Commerzbank analysts: <https://commerzbank.bluematrix.com/sellside/Disclosures.action>*

*Updating this information may take up to ten days after month end.

Disclaimer

This document is for information purposes only and has been prepared for recipients who, like professional clients according to MiFID II, have the experience, knowledge and expertise to understand information related to the financial markets. The document does not take into account specific circumstances of any recipient and the information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments and/or securities mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever. Investors should seek independent professional advice and draw their own conclusions regarding suitability of any transaction including the economic benefits, risks, legal, regulatory, credit, accounting and tax implications.

The information in this document is based on public data obtained from sources believed by Commerzbank to be reliable and in good faith, but no representations, guarantees or warranties are made by Commerzbank with regard to accuracy, completeness or suitability of the data. Commerzbank has not performed any independent review or due diligence of publicly available information regarding an unaffiliated reference asset or index. The opinions and estimates contained herein reflect the current judgement of the author(s) on the date of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of Commerzbank. Commerzbank does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

In order to address potential conflicts of interest Commerzbank's Research department operates independently of other business units of the bank. This is achieved by way of physical and administrative information barriers and separate reporting lines as well as by written internal policies and procedures.

This communication may contain trading ideas where Commerzbank may trade in such financial instruments with customers or other counterparties. Any prices provided herein (other than those that are identified as being historical) are indicative only, and do not represent firm quotes as to either size or price. The past performance of financial instruments is not indicative of future results. No assurance can be given that any financial instrument or issuer described herein would yield favourable investment results. Any forecasts or price targets shown for companies and/or securities discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by Commerzbank or by other sources relied upon in the document were inapposite.

Commerzbank and or its affiliates may act as a market maker in the instrument(s) and or its derivative that has been mentioned in our research reports. Employees of Commerzbank and or its affiliates may provide written or oral commentary, including trading strategies, to our clients and business units that may be contrary to the opinions conveyed in this research report. Commerzbank may perform or seek to perform investment banking services for issuers mentioned in research reports.



Neither Commerzbank nor any of its respective directors, officers or employees accepts any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document.

Commerzbank may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Commerzbank endorses, recommends or approves any material on the linked page or accessible from it. Commerzbank does not accept responsibility whatsoever for any such material, nor for any consequences of its use.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Commerzbank. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

Additional notes to readers in the following countries:

Germany: Commerzbank AG is registered in the Commercial Register at Amtsgericht Frankfurt under the number HRB 32000. Commerzbank AG is supervised by both the German regulator, Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Strasse 108, 53117 Bonn, Marie-Curie-Strasse 24-28, 60439 Frankfurt am Main and the European Central Bank, Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany.

United Kingdom: This document is not for distribution to retail customers and has been issued or approved for issue in the United Kingdom by Commerzbank AG, London Branch, which is authorised and regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and the European Central Bank. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

United States: To the extent this report is distributed to U.S. investors, it is restricted from being sent to U.S. retail investors. Commerz Markets LLC ("CMLLC") is a U.S. registered broker-dealer and wholly owned subsidiary of Commerzbank AG. For securities purposes, Commerzbank AG provides this report as a third-party report, therefore the involved research analysts may not be registered with FINRA and the reports are not subject to the full provisions of FINRA Rule 2242. Any securities transactions by US investors resulting from this report must be effected with CMLLC. CMLLC is a member of FINRA and SIPC. Banking and swap services in the U.S. will be provided by Commerzbank AG in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act. Commerzbank AG is not a member of SIPC and is a provisionally registered swap dealer with the CFTC.

Canada: The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. In Canada, the information contained herein is intended solely for distribution to Permitted Clients (as such term is defined in National Instrument 31-103) with whom Commerzbank AG and/or Commerz Markets LLC deals pursuant to the international dealer exemption. The information contained herein is not permitted to reference securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, as Commerzbank AG and Commerz Markets LLC operates under the international dealer exemption pursuant to National Instrument 31-103. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence.

European Economic Area: Where this document has been produced by a legal entity outside of the EEA, the document has been re-issued by Commerzbank AG, London Branch for distribution into the EEA. Commerzbank AG, London Branch is authorised and regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and the European Central Bank. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

Switzerland: Neither this research report nor the information contained herein should be regarded as personal recommendations for transactions in financial instruments within the meaning of the Financial Services Act.

Singapore: This document is furnished in Singapore by Commerzbank AG, Singapore branch. It may only be received in Singapore by an institutional investor, an accredited investor or an expert investor as respectively defined in section 4A of the Securities and Futures Act, Chapter 289 of Singapore ("SFA") pursuant to section 274 or section 275 (as applicable) of the SFA. Nothing in this document constitutes accounting, legal, regulatory, tax, financial or other advice and/or recommendations to the recipient of this communication. Further, the communication/information provided herein does not constitute a "financial advisory service" within the meaning of the Financial Advisers Act, Chapter 110 of Singapore ("FAA") and therefore, the regulatory requirements and duties that may be owed to a client pursuant to or in connection with the FAA are not applicable to the recipient in connection with this communication. Recipients are advised to seek independent advice from their own professional advisers about the information contained discussed herein.

Japan: This information and its distribution do not constitute and should not be construed as a "solicitation" under the Financial Instrument Exchange Act (FIEA) of Japan. This information may be distributed from Commerzbank international branches outside Japan solely to "professional investors" as defined in Section 2(31) of the FIEA and Section 23 of the Cabinet Ordinance Regarding Definition of Section 2 of the FIEA. Please note that Commerzbank AG, Tokyo Branch has not participated in its preparation. Any instruments referred in this report cannot be introduced by the Branch. You should contact the Corporate Clients division of Commerzbank AG for inquiries on availability of such instruments.

Australia: Commerzbank AG does not hold an Australian financial services licence. This document is being distributed in Australia to wholesale customers pursuant to an Australian financial services licence exemption for Commerzbank AG under Class Order O4/1313.



Commerzbank AG is regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) under the laws of Germany which differ from Australian laws.

People's Republic of China (PRC): This document is furnished by Commerzbank AG and is only intended for eligible entities in the PRC. No-one else may rely on any information contained within this document. The products and services in this document only apply to entities in the PRC where such products and services are permitted to be provided by PRC laws and regulations. For any person who receives this document, the information in this document shall neither be regarded as promotion or solicitation of the business nor accounting, legal, regulatory, tax, financial or other advice and/or recommendations to the recipient of this communication, and the recipient is advised to seek independent advice from its own professional advisers about the information contained herein and shall understand and abide by PRC laws and regulations while conducting any related transactions.

© Commerzbank AG 2023. All rights reserved. Version 23.05

Commerzbank Offices

Frankfurt

Commerzbank AG
DLZ - Gebäude 2,
Händlerhaus
Mainzer Landstraße 153
60327 Frankfurt
Tel: + 49 69 136 21200

London

Commerzbank AG
PO BOX 52715
30 Gresham Street
London, EC2P 2XY
Tel: + 44 207 623 8000

New York

Commerz Markets LLC
225 Liberty Street, 32nd
floor,
New York,
NY 10281-1050
Tel: + 1 212 703 4000

Singapore

Commerzbank AG
128 Beach Road
#17-01 Guoco Midtown
Singapore 189773
Tel: +65 631 10000