



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)

	11-Jan	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. The ECB will probably lower its key rates as of summer as inflation cools. However, we expect fewer rate cuts than the market which apparently assumes that the inflation problem will be solved this year. The recession, rate cuts, cooling inflation and lower Treasury yields suggest that Bund yields should fall this 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	5.31	5.35	4.75	4.35	3.80	3.40		
2 years*	4.34	4.20	3.80	3.60	3.40	3.40		
5 years*	3.95	3.80	3.70	3.70	3.90	4.00		
10 years*	4.00	3.90	3.70	3.60	3.60	3.70		
Spread 10-2 years	-34	-30	-10	0	20	30		
Swap-Spread 10 years	-39	-25	-25	-25	-25	-25		
Euro area								
Depo rate	4.00	4.00	3.75	3.50	3.25	3.00		
3-months Euribor	3.94	4.00	3.75	3.50	3.25	3.00		
2 years*	2.65	2.50	2.60	2.60	2.50	2.50		
5 years*	2.16	2.20	2.40	2.30	2.30	2.40		
10 years*	2.23	2.00	1.90	1.90	2.00	2.20		
Spread 10-2 years	-42	-50	-70	-70	-50	-30		
Swap-Spread 10 years	41	45	40	35	35	35		
UK								
Bank rate	5.25	5.25	5.25	4.75	4.25	3.75		
3-months OIS	5.20	5.25	5.15	4.65	3.95	3.70		
2 years*	4.24	4.30	4.30	3.60	3.50	3.60		
10 years*	3.82	3.80	3.70	3.60	3.50	3.50		

Exchange rates (end-of-quarter)

	11-Jan	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 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	145	148	145	145	148	150	
EUR-CHF	0.93	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	11.34	11.20	10.90	10.70	10.60	10.50	
EUR-PLN	4.34	4.50	4.55	4.60	4.65	4.70	
EUR-HUF	378	375	380	390	410	410	
EUR-CZK	24.56	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	7.16	7.20	7.10	7.00	6.95	6.90	

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

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