



Commerzbank Forecasts

Growth and inflation

	Real GDP (%)			Inflation rate (%)			
	2025	2026	2027	2025	2026	2027	
USA	2.1	2.4	2.3	2.7	3.7	2.4	<ul style="list-style-type: none"> We expect a rollercoaster of easing tensions and new escalation in the Iran war through the end of July. Afterwards, the oil price should fall. The U.S. economy should weather the crisis fairly well, not least because of its relatively high trend growth. The eurozone economy is hit by high energy prices and the increased uncertainty. Because the central banks are not tackling inflation vigorously enough, it is likely to remain above 2% longer term.
China	5.0	4.6	4.5	0.1	1.3	1.0	
Euro area	1.4	0.6	1.0	2.1	2.9	2.1	
- Germany	0.2	0.6	1.0	2.2	3.0	2.4	
- France	0.7	0.7	0.9	1.0	2.3	1.9	
- Italy	0.5	0.3	0.5	1.7	2.9	1.9	
- Spain	2.9	1.8	1.3	3.1	3.3	2.3	
- Netherlands	1.5	0.8	1.0	3.0	3.2	2.3	
- Austria	0.3	0.6	1.2	3.5	3.1	2.3	
UK	1.4	0.9	1.0	3.4	3.5	2.5	
Switzerland	1.2	1.1	1.4	0.3	1.0	0.8	
Japan	1.1	0.6	0.8	3.2	1.8	2.0	
World	3.4	3.1	3.2				

Interest rates (end-of-quarter)

	28-May	Q3 26	Q4 26	Q1 27	Q2 27	Q3 27		
USA								
Fed funds, upper bound	3.75	3.75	3.75	3.75	3.50	3.25	<ul style="list-style-type: none"> The ECB is likely to hike rates due to inflation risks. When inflation falls again, it is likely to cut the depo rate again to 2.0%, the level prevailing before the Iran war. The Fed is under considerable political pressure to cut interest rates further. We expect it to resume rate cuts around mid-2027, as inflation should have eased somewhat by then. Hopes of an end of the Iran war suggest that yields on 10-year Bunds could fall a bit initially. If, as we anticipate, setbacks occur in the negotiation process, yields are likely to rise again, however. In the longer term, yields are likely to remain at elevated levels. While demand for capital is rising in many countries due to excessive budget deficits, we also expect rate cuts by the Fed and the ECB starting in mid-2027, which should limit upward pressure on yields. 	
3-months OIS	3.65	3.65	3.65	3.65	3.40	3.10		
2 years*	4.06	4.00	3.90	3.70	3.40	3.10		
5 years*	4.21	4.10	4.00	3.90	3.60	3.30		
10 years*	4.50	4.45	4.40	4.30	4.20	4.10		
Spread 10-2 years	44	45	50	60	80	100		
Swap-Spread 10 years	41	45	45	45	45	45		
Euro area								
Depo rate	2.00	2.50	2.50	2.50	2.50	2.25		
3-months Euribor	2.23	2.50	2.50	2.50	2.50	2.25		
2 years*	2.61	2.80	2.50	2.40	2.20	2.10		
5 years*	2.71	2.75	2.60	2.50	2.40	2.30		
10 years*	3.00	3.00	2.90	2.90	2.80	2.75		
Spread 10-2 years	39	20	40	50	60	65		
Swap-Spread 10 years	-4	5	5	10	15	15		
UK								
Bank rate	3.75	3.75	3.75	3.75	3.75	3.50		
3-months OIS	3.80	3.70	3.70	3.65	3.55	3.40		
2 years*	4.28	4.25	4.10	3.90	3.70	3.40		
10 years*	4.87	4.80	4.70	4.60	4.50	4.50		

Exchange rates (end-of-quarter)

	28-May	Q3 26	Q4 26	Q1 27	Q2 27	Q3 27	
EUR-USD	1.16	1.18	1.19	1.20	1.20	1.21	<ul style="list-style-type: none"> The dollar is likely to be under pressure again after the end of the war with Iran because the Fed is unlikely to raise rates as markets have priced in. Rather, the Fed is likely to embark on pronounced and ultimately excessive interest rate cuts again in 2027, also because of the political pressure. Furthermore, the dollar is vulnerable because it is more than one standard deviation above purchasing power parity against the euro and is therefore significantly overvalued.
USD-JPY	159	153	150	145	142	142	
EUR-CHF	0.91	0.94	0.93	0.92	0.92	0.91	
EUR-GBP	0.87	0.89	0.89	0.88	0.88	0.87	
EUR-SEK	10.80	10.60	10.50	10.50	10.50	10.50	
EUR-NOK	10.77	10.90	10.90	10.80	10.80	10.70	
EUR-PLN	4.23	4.20	4.25	4.30	4.35	4.37	
EUR-HUF	356	360	370	370	375	380	
EUR-CZK	24.30	24.15	24.20	24.30	24.50	24.50	
USD-CAD	1.38	1.36	1.35	1.35	1.34	1.34	
USD-CNY	6.78	6.75	6.70	6.70	6.65	6.65	

Source: Bloomberg, Commerzbank Research; bold: change on last week; Swap spreads calculated as government bond yield minus swap rate in basis points. * Treasuries, Bunds, Gilts



Analysts

^{AC}
Dr. Jörg Krämer
Chief Economist
+49 69 136 23650
joerg.kraemer@commerzbank.com

^{AC}
Bernd Weidensteiner
Senior Economist
+49 69 9353 45625
bernd.weidensteiner@commerzbank.com

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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