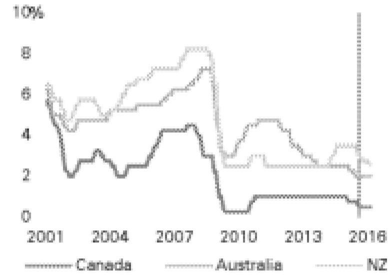
Dollar bloc

Canada
As expected by 15 out of 29 analysts surveyed by Bloomberg Finance LP and not by DB, the Bank of Canada announced that it was cutting its target for the overnight rate from 0.75% to 0.5%, its lowest point since June of 2010. Given the improving domestic and external outlook and the BoC's relatively dovish policy stance year to date, we expect that it will remain on hold well into next year and don't expect it to begin to adopt a less stimulative policy stance until mid-2016.

Australia
The RBA has left the cash rate unchanged, retaining the easing bias at the end of the July board meeting. There have been some minor tweaks in the statement this month and there is nothing much strong enough to shift our view that the cash rate is likely to remain at 2.00% for some time.

New Zealand
The RBNZ will reveal the outcome of its latest review of policy settings on 10 September. When it completed its last review in late July, the Bank concluded that "At this point, some further easing seems likely." We think that it is highly likely that the Bank will act on that bias and reduce the OCR by a further 25bps to 2.75% at this review. At the time of writing, the market is essentially fully priced for such a cut and newswire surveys suggest that a rate cut is widely expected amongst analysts.

Figure 3: Dollar bloc policy rates



%	Current	Sep-15	Dec-15	Mar-16	Jun-16
BoC	0.50	0.50	0.50	0.50	0.75
RBA	2.00	2.00	2.00	2.00	2.00
RBNZ	2.75	2.75	2.50	2.50	2.50

Source: Deutsche Bank Research

BRICs

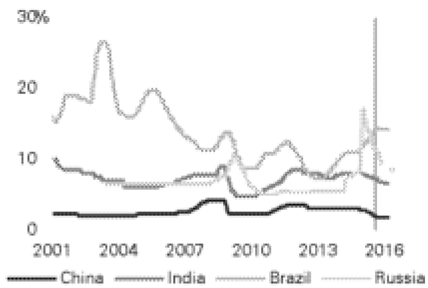
China
PBoC cut interest rate and RRR in August. Fiscal easing continued. We expect growth may pick up in Q4 to 7.2% yoy from 7% in Q3 and Q2. The government tried to depeg the currency from the US dollar, but it triggered global repercussions, which forced the government to stabilize the RMB exchange rate by intervention. We expect one RRR cut in Q4 and four cuts in 2016. We expect no more interest rate cuts at least until the end of 2016.

India
The RBI surprised with a 50bps rate cut in the September policy, reflecting its comfort with the path of inflation in the next 12-15 months, while recognizing the need to support the economy in an increasingly challenging global backdrop. Based on our inflation projection for FY17 (average CPI inflation of 5.0%), we think there could be scope for RBI to cut the repo rate one last time by 25bps, but this will likely happen only after the government presents the Union Budget in February of next year.

Brazil
In light of hawkish COPOM minutes reinforcing the BCB's commitment to bring inflation to the 4.5% target in 2016, we expect another 50bp rate hike in July.

Russia
On 15 June, the CBR cut the key rate – from 12.5% to 11.5% – for the fourth time in a row (from 17% introduced in December 2014) due to the shift in the balance of risks towards support for economic growth vs. a lower inflation environment. The CBR noted that it is ready to continue with policy easing if inflation expectations decline further.

Figure 4: BRICs policy rates



%	Current	Sep-15	Dec-15	Mar-16	Jun-16
PBoC	2.00	2.00	1.75	1.75	1.75
RBI	6.75	6.75	6.75	6.50	6.50
BCB	13.75	13.75	14.25	14.25	13.50
CBRF	11.00	11.00	9.00	8.50	8.50

Source: Deutsche Bank Research