



## Central Banks & Financial Forecasts

### Euro Area

We expect a 10bp deposit rate cut in March. Unless data surprise to the upside, a temporary acceleration in QE seems likely. If data surprise to the downside, this might not even be a front-loading but an increase in the QE envelope. The ECB also has an opportunity to think about a negative rate shield.

### UK

We recently updated our call. Our view of liftoff in May 2016 was becoming difficult to justify with inflation rising slowly, wages disappointing, growth slower and financial markets fragile. We now see the first hike in November.

### Switzerland

The SNB left policy on hold at its last meeting with rates well below zero. We see further gradual depreciation of CHF vs. EUR going forward.

### Sweden

In December, the Riksbank left its rates profile broadly unchanged, suggesting rates will remain sub-zero until end-2017.

### Norway

Norges Bank surprised with a rate cut in September. We expect a final further 25bp rate cut this quarter.

### Denmark

Denmark was forced to cut its deposit rate four times last year, 10bp of which was reversed in January (to -0.65%). We expect the DKK ERMII peg to hold.

### Poland

The NBP cut by 50bps at the March meeting and signaled the easing cycle had ended. We see rates on hold for the coming quarters with the longer-term outlook complicated by the appointment of a new MPC in early 2016.

### Hungary

The NBH signaled that the easing cycle is now over and that the policy rate will remain at the current level for a very long time. We do not expect any rate hikes before 2017.

### Czech Republic

The CNB recently confirmed it had intervened to defend the 27/EUR floor. With sterilization costs minimal and intervention probably modest, we expect the floor is here to stay for the coming quarters.

### Financial Forecasts

Euro Area	Latest	Mar-16	Jun-16	Dec-16
Refi rate	0.05	0.05	0.05	0.05
3m Euribor	-0.17	-0.20	-0.25	-0.15
10Y govt bond	0.25	0.50	0.70	1.05
EUR/USD	1.12	1.05	1.02	0.95
<b>UK</b>				
Bank Rate	0.50	0.50	0.50	0.75
3m Libor	0.59	0.61	0.62	0.91
10Y govt bond	1.57	1.70	1.80	2.10
GBP/USD	1.46	1.46	1.40	1.28
EUR/GBP	0.77	0.72	0.73	0.74
<b>Switzerland</b>				
3m Libor Tgt	-0.75	-0.75	-0.75	-0.75
EUR/CHF	1.12	1.08	1.10	1.12
<b>Sweden</b>				
Repo rate	-0.35	-0.35	-0.35	-0.35
EUR/SEK	9.45	9.10	8.90	8.75
<b>Norway</b>				
Deposit rate	0.75	0.75	0.50	0.50
EUR/NOK	9.54	9.58	9.57	9.21
<b>Denmark</b>				
Lending rate	0.05	0.05	0.05	0.05
EUR/DKK	7.46	7.46	7.46	7.46
<b>Poland</b>				
2w repo rate	1.50	1.50	1.50	1.50
EUR/PLN	4.43	4.43	4.37	4.25
<b>Hungary</b>				
Base rate	1.35	1.35	1.35	1.35
EUR/HUF	310.5	316.3	317.5	320.0
<b>Czech Rep.</b>				
Repo rate	0.05	0.05	0.05	0.05
EUR/CZK	27.0	27.1	27.1	26.0
<b>Memo</b>				
<b>Japan</b>				
O/N Call Rate	-0.10	-0.05	-0.05	-0.15
3m Tibor	0.15	0.15	0.15	0.15
10Y govt bond	0.60	0.20	0.20	0.20
USD/JPY	118	123	125	128
<b>US</b>				
Fed Funds Eft	0.375	0.625	0.875	1.125
3m Libor	0.62	0.83	1.08	1.33
10Y govt bond	1.82	2.00	2.25	1.75

Sources: DB, Bloomberg Finance LP, National Central Banks