

## Week ahead

EZ – Inflation should remain rather stable in September

DE-parliamentary elections – union parties should remain strongest force

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### EZ – Inflation expected at stable level of around + 1.5% y/y

Next week (September 29), the first flash estimate of September inflation for the euro area will be released. In August, headline inflation slightly accelerated to +1.5% y/y from the previous +1.3% y/y. This increase was mainly driven by the energy component, which rose from +2.2% y/y to +4.0% y/y. On the country level, mixed development with regard to core inflation is visible. Based on a 12-month average, a clear uptrend can be seen in Spain. In Italy and Germany, a moderate positive tendency, in line with the economic recovery, can also be observed. In France, core inflation remains at the unchanged low level of around +0.6 % y/y.

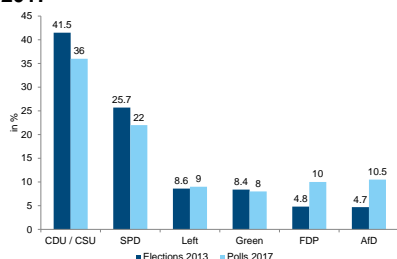
*Due to the expected moderate base effects from energy prices, we forecast stable development of headline inflation in September of between +1.4% y/y and +1.5% y/y. Core inflation should remain in the range of between +1.0% y/y and +1.2% y/y. Based on the current economic upswing, we expect core inflation to stabilize at around +1.2% y/y until year-end. For FY17, we continue to forecast an average headline inflation level of +1.5% y/y.*

### Germany – Union parties should remain strongest force

On September 24, Germany will elect a new Parliament. Germany is now governed by a grand coalition consisting of union parties (CDU/CSU) and social democrats under Chancellor Merkel. Despite an expected loss of votes, the union parties should remain the strongest political power in Germany with approx. 36% of the votes (based on current surveys). The strongest gains are predicted for the right-wing populist AfD (around 11% of the votes) as well as the liberal FDP (approx. 10% of the votes).

*In light of the expected comfortable majority for the union parties, there is no reason to expect a fundamental political transition in Germany after the elections. The outstanding issue is who will be the union parties' junior partner. Either the grand coalition with the social democrats goes into extra time, or the union parties acquire the necessary parliamentary majority via cooperation with FDP and/or the Green Party.*

DE election result 2013 vs. poll data 2017



Sources: Allensbach, SPON-Wahltrend, Erste Group Research

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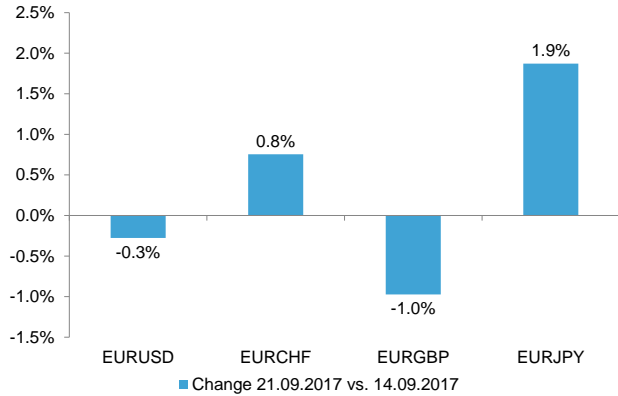
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Indications of past performance are no guarantee of a positive performance in the future

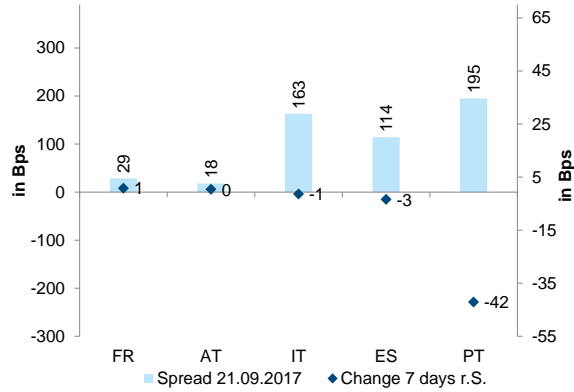
**Forex and government bond markets**

**Exchange rates EUR: USD, CHF, GBP and JPY**  
change last week  
(+ stronger euro / - weaker euro)



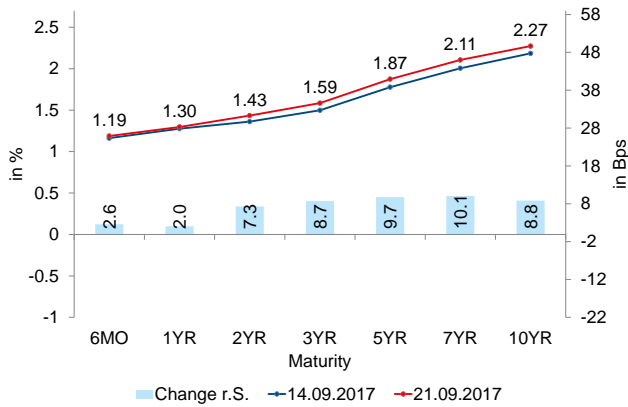
Source: Bloomberg, Erste Group Research

**Eurozone – spreads vs. Germany**  
10Y government bonds



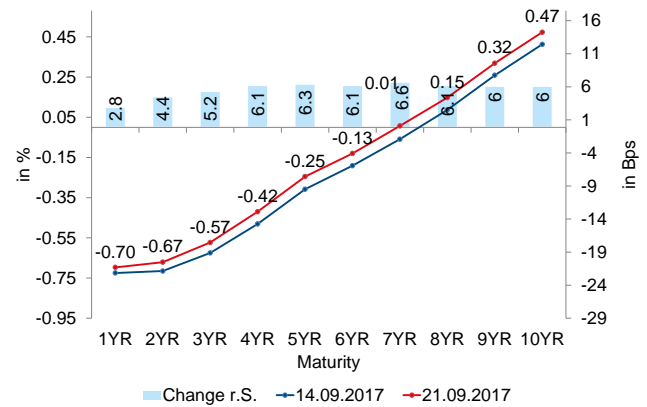
Source: Bloomberg, Erste Group Research

**US Treasuries yield curve**  
change last week



Source: Bloomberg, Erste Group Research

**DE Bund yield curve**  
change last week



Source: Bloomberg, Erste Group Research

**Economic calendar**

Date	Time	Ctry	Release	Period	Consens	Prior
21-Sep	14:30	US	Jobless Claims	-	306.3 thd	284.0 thd
	16:00	EA	Consumer Conf.	Sep A	-1.5 index	-1.5 index
22-Sep	8:45	FR	GDP y/y	2Q F	1.7%	1.7%
		FR	GDP q/q	2Q F	0.5%	0.5%
	9:00	FR	PMI Manufacturing	Sep P	55.5 index	55.8 index
	9:30	DE	PMI Manufacturing	Sep P	59.0 index	59.3 index
25-Sep	10:00	EA	PMI Manufacturing	Sep P	57.2 index	57.4 index
		AT	GDP q/q	2Q F		0.8%
	AT	Ind. Prod. y/y	Jul		4.5%	
	AT	GDP y/y	2Q F		2.2%	
26-Sep	16:00	US	New Home Sales	Aug	592.9 thd	571.0 thd
		US	Consumer Conf.	Sep	118.9 index	122.9 index
27-Sep	n.a.	DE	Retail Sales y/y	Aug	-1.7 index	2.7%
	14:30	US	Durable Goods Orders	Aug P	1.0%	-6.8%
28-Sep	n.a.	FR	Consumer Conf.	Sep		-4.2 index
		DE	Consumer Conf.	Sep		3.3 index
		IT	Consumer Conf.	Sep		-12.1 index
		AT	Consumer Conf.	Sep		4.9 index
	10:00	AT	PMI Manufacturing	Sep		61.1 index
	11:00	EA	Business Conf.	Sep		111.9 index
	14:00	DE	Inflation y/y	Sep P		1.8%
		DE	CPI m/m	Sep P		0.2%
		EA	CPI y/y	Jul	1.3%	1.3%
		EA	CPI Core y/y	Jul A	1.1%	1.1%
29-Sep	14:30	US	GDP q/q	2Q T	3.1%	3.0%
	3:45	CN	PMI Manufacturing	Sep		51.6 index
		FR	CPI m/m	Sep P		0.6%
	8:45	FR	PPI y/y	Sep P		1.5%
		FR	Inflation y/y	Sep P		1.0%
	9:00	AT	PPI y/y	Aug		1.3%
	11:00	IT	Inflation y/y	Sep P		1.4%
		IT	CPI m/m	Sep P		0.1%
	12:00	IT	PPI y/y	Aug		0.9%
	14:30	US	PCE Deflator	Aug	1.5%	1.4%

Source: Bloomberg, Erste Group Research

**FORECASTS<sup>1)</sup>**

<b>GDP</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Eurozone</b>	1.2	2.0	1.8	2.0	1.8
<b>US</b>	2.6	2.9	1.5	2.1	2.2

<b>Inflation</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Eurozone</b>	0.5	0.1	0.2	1.5	1.5
<b>US</b>	1.6	0.1	1.2	2.1	1.9

<b>Interest rates</b>	<b>current</b>	<b>Dec.17</b>	<b>Mar.18</b>	<b>Jun.18</b>	<b>Sep.18</b>
<b>ECB MRR</b>	0.00	0.00	0.00	0.00	0.00
<b>3M Euribor</b>	-0.33	-0.30	-0.30	-0.30	-0.30
<b>Germany Govt. 10Y</b>	0.47	0.80	1.00	1.20	1.30
<b>Swap 10Y</b>	0.90	1.10	1.30	1.50	1.60

<b>Interest rates</b>	<b>current</b>	<b>Dec.17</b>	<b>Mar.18</b>	<b>Jun.18</b>	<b>Sep.18</b>
<b>Fed Funds Target Rate*</b>	1.16	1.38	1.63	1.88	2.13
<b>3M Libor</b>	1.33	1.70	1.90	2.20	2.40
<b>US Govt. 10Y</b>	2.27	2.50	2.80	2.90	3.00
<b>EURUSD</b>	1.19	1.15	1.13	1.14	1.16

\*Mid of target range

Source: Bloomberg, Erste Group Research

<sup>1</sup> By regulations we are obliged to issue the following statement: Forecasts are no reliable indicator for future performance

## Erste Group Research

Week ahead | Macro, Fixed Income | Eurozone, USA

21 September 2017

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## **Erste Group Research**

Week ahead | Macro, Fixed Income | Eurozone, USA

21 September 2017

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