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Weekly

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Viewpoint

ECB to announce new stimulus, but how much? The European economy's failure to show signs of reaccelerating will inevitably prompt the European Central Bank to announce new stimulus at the meeting on 12 September. The staff's macroeconomic forecasts will have to be revised down, although probably not by much. But what measures should we expect? A deposit rate cut is very probable, possibly even by 20bps, and could be accompanied by confirmation of the central bank's easing bias. A revision of the terms of the TLTRO III is also possible. A reopening of net assets purchases under the APP seems premature, given the absence of deflation risks on the horizon, although given the present climate this constraint could also be removed, as expected by the market and by the majority of analysts. A **note of caution: the Council seems far from unanimous in considering aggressive action necessary**, and over the past few weeks some important ECB officials have voiced their criticism in this sense.

Italy: the **new government's programme** contains several general principles, but details will be clearer with the PM inauguration speech, and during the next few weeks, when the update of public finance targets and the 2020 budget are due. **Intentions are expansionary**, but the government will have to deal with **challenging budget constraints**. However, the public finance path today looks significantly less narrow than it was only a few weeks ago.

Brexit: **snap elections and a further delay of Brexit seems likely, but not certain.** Once again, the approach of the deadline to exit the EU has triggered political storm in the UK and a fierce arm-wrestle between Parliament and government. Parliament is attempting to prevent the government from pursuing a no-deal exit (and therefore forcing it to request a further delay), while the Prime Minister aims to turn the likely **snap elections** into a referendum on Brexit, but lacks the necessary majority to dissolve Parliament. As a result, **the exit date could be pushed back again**, this time to the first quarter of 2020, but there is no certainty on the matter.

The week's market movers

In the **euro area**, focus will be on the ECB meeting, which should bring an update of macroeconomic forecasts and, in light of the latter, a new "package" of accommodative measures. Data on industrial output in July are expected to outline a moderate recovery in France and Italy, after the previous month's decline, and stagnation in average Eurozone terms (due to the decline incurred in Germany).

This week a number of important data releases are lined up in the **United States**. In light of weakness in the manufacturing sector, the contribution made by consumption to growth takes on greater importance: therefore, August retail sales will be in the spotlight, forecast on the rise by 0.3% m/m, after a string of very solid monthly changes. For what concerns inflation, the core CPI should be up by 0.2% m/m, confirming that the inflation trend is recovering moderately after losing steam at the beginning of the year. Confidence surveys will also be important: the University of Michigan consumer confidence index, which in August dropped sharply due to concerns over the effects of trade tariffs, is forecast to improve, whereas the index of confidence among small businesses should worsen.

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Viewpoint

ECB to announce new stimulus, but how much? The European economy's failure to show signs of reaccelerating will inevitably prompt the European Central Bank to announce new stimulus at the council meeting on 12 September. The staff's macroeconomic forecasts will have to be revised downwards, although probably not by much. But what measures should we expect? A deposit rate cut is very probable, possibly even by 20bps, and could be accompanied by confirmation of the central bank's easing bias. A revision of the terms of the TLTRO III is also possible. A reopening of net assets purchases under the APP seems premature, given the absence of deflation risks on the horizon, although given the present climate, this constraint could also be removed, as expected by the market and by the majority of analysts. A note of caution: the Governing Council seems far from unanimous in considering aggressive action necessary, and over the past few weeks some important ECB officials have voiced their criticism in this sense.

- The ECB Governing Council meeting on 25 July ended with the statement that "if the medium-term inflation outlook continues to fall short of its aim, the Governing Council is determined to act", by adjusting "all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner". Data released between the end of July and August offered no grounds on which to consider a convergence of inflation to target more likely. In general, the manufacturing sector is still contracting, due to industry-related issues and to the contraction of global trade, and the ongoing expansion in the construction and services sectors is only just sufficient to guarantee a marginal expansion of the European economy. Furthermore, business confidence is starting to deteriorate outside the industrial sector as well. Several risk factors are materialising (US-China trade war, Brexit), although Italy risk is now off the radar. Consequently, **the ECB staff's new macroeconomic forecasts will have to include some downward revisions,** consistently with the invalidation of the recovery scenario for the second half of the year. Consensus forecasts for GDP growth decreased in August to 1.1% and 1.2% for 2019 and 2020 respectively, versus the ECB's forecasts of 1.2 and 1.4%. **Our internal forecasts are edging down towards 1.1 and 1.0% respectively in 2019 and 2020**, as we are now starting to think that the German economy will not reaccelerate before 2020. **On inflation as well, consensus forecasts, as also our own estimates, are lower than the ECB's by two tenths**.

- **Based on the reaction rule announced in July, therefore, the Governing Council will have to announce new measures.** The accounts of the meeting held on 25 July report the idea of presenting the various intervention options as "**a package,** i.e. a combination of instruments with significant complementarities and synergies", that a part of the Council considers "more effective than a sequence of selective actions". In particular, reference is made to the "combination of rate cuts and asset purchases". This is consistent with the relatively widespread view among central bankers, nowadays, that the stimulus should be front-loaded. However, the accounts also clarify that "the choice of instruments and the design of a possible package should reflect the relative effectiveness of different instruments in addressing future contingencies".

- The accounts did not indicate how widespread support for this position is, nor did they report any specific dissent. However, **evidence of the existence of a certain level of internal resistance to very aggressive measures** emerged from central banker interviews and speeches over the past few weeks. **Knot** (Holland) and **Lautenschläger** (Executive Committee) said that the APP is the right instrument to use when faced with deflation risk, but pointed out that the latter does not exist at present. **Weidmann** (Germany), who will not vote in July, is opposed to an easing of the constraints imposed on the APP; furthermore, he does not think further stimulus measures are necessary in the present phase, also considering that their effectiveness will be watered down, whereas negative side effects will increase. Criticism was also voiced, in this case on the negative rate regime as well, by the new Austrian Governor, **Holzmann**.

Weidmann also said that he does not consider appropriate making significant changes to monetary policy strategy before the new president, Christine Lagarde, takes office, and he opposed the idea that the inflation target be symmetrical. Only the Governor of Finnish central bank, **Rehn**, spoke on 19 August of the intention to "overdo" stimulus rather than to proceed gradually. Others simply reasserted the official line of 25 July.

- Despite the dissent described above, which seem to have been geared to cooling market expectations somewhat, **a large majority of analysts and investors still takes for granted that the ECB will cut rates** (Reuters consensus: 10bps) **and will reopen the Asset Purchase Programme** (Reuters consensus: 30 billion euros per month). The markets are pricing in an immediate deposit rate cut to -0.6%, followed by a further reduction in 2020 to -0.8%; the evolution of the yield curve signals that the resumption of net purchases is largely priced in. However, despite this widespread opinion that the ECB *must* do something, there is also strong agreement on the idea that the measures will fail to restore inflation to target. The ECB itself, in fact, is regularly ending its post-monetary policy meeting press conferences by asking that fiscal leeway be used. Even Weidmann seems convinced that fiscal measures would prove more effective than monetary ones. Activism on the monetary front is in some ways reminiscent of the solemn processions organised against the plagues in past centuries. In Milan, on 11 June 1630, after giving in to repeated pressures the powerful Cardinal Federigo Borromeo led a very impressive one with which the population implored to be relieved of a sweeping bubonic plague epidemic, with the ritual including the exposition of the much-revered remains of Saint Charles Borromeo. There were no miracles, of course, the plague did not end (in fact, it worsened), but apparently the people felt very reassured. In our case, at least monetary accommodation should not add to the slowdown of the economy. At worst, it will increase the future risk of speculative excesses on financial assets and on the real estate market.

- We expect the announcement to include a 20bps deposit rate cut, maybe some changes to the terms of the TLTRO III programme to increase its appeal, and possibly further steps towards introducing a compensation system for the cost of excess reserves (mostly as a measure aimed at keeping alive expectations for further cuts, to reinforce the easing bias which is likely to be confirmed). The Governing Council will probably be split on the idea of resuming net purchases under the APP. Should consensus not be sufficient to reopen the programme immediately, the press conference and the statement will probably be designed to keep alive expectations that this may happen in the coming months, in order to contain the negative reaction of the markets. This message could be reinforced by a possible loosening of the constraints imposed on the operational aspects of the programme, although in this front as well there will probably be dissenters. All considered, the forthcoming meeting will therefore be a delicate and very important one.

Italy: the new government's programme contains several general principles, but details will be clearer with the PM inauguration speech, and during the next few weeks, when the update of public finance targets and the 2020 budget are due. Intentions are expansionary, but the government will have to deal with challenging budget constraints. However, the public finance path today looks significantly less narrow than it was only a few weeks ago.

The new Italian government will face confidence votes on Monday in the Chamber of Deputies and on Tuesday in the Senate. **The vote should not prove insidious, although the government's majority is very small in the Senate**, where the forces that form the coalition (Five-Star Movement, PD and LEU) account for 162 seats, a single seat more than required (161); furthermore, at least one vote is at risk among the ranks of the 5SM. Additional explicit support, or at least abstentions, could come from the former 5SM members of the mixed parliamentary group (five votes; two additional votes from the Più Europa and PSI deputies are more in doubt). As yet, it is still not clear whether the six representatives of the local autonomies, and an equal number of senators for life, will vote in favour of the government or abstain. In essence, the government should be able to count on around 168 votes, but the number is subject to some uncertainty (range 161-178), and may change case by case.

The list of ministers includes as Minister of the Economy Roberto Gualtieri, of the Democratic Party (PD), currently Chairman of the Committee on Economic and Monetary Affairs of the European Parliament, who could command a **change of course, in a more collaborative sense, in relations with the European institutions.** The main points of the programme will only be clarified when the government presents itself before parliament, with the PM inauguration speech. In the meantime, a document has been released that contains, in definitive form, 29 "programme guidelines" the main points of which are the following:

- An **"expansionary" Budget Law 2020** to avert the VAT hikes and relaunch growth, **but "without placing at risk the equilibrium of public finances"** (to date, it is not clear how the two objectives can be reconciled: the only funding measures included in the programme are "an effective spending review" and a remodulation of the tax expenditure system: the former is a very lengthy process, unlikely to be completed in a matter of a few weeks; the latter would imply a cost in terms of consensus, as it would translate into higher taxes);
- The request for greater **flexibility** at the European level, aimed in particular at relaunching investment and strengthening social cohesion, to overcome "excessively strict" European budget constraints (however, this is not entirely in the hands of the new government, as it will need to be accepted by the European Commission and at least by a majority of Member States);
- Increased public spending on **education, research and welfare**;
- Commitment to reducing the **tax wedge on the labour market** (fully to the advantage of workers) and to introduce a form of **minimum wage**;
- A **Green New Deal** to relaunch environmental policies and measures to fight hydro-geological instability, while at the same time drafting a plan to modernise existing **infrastructures** and build new ones;
- A **public housing plan** to tackle the housing emergency;
- Confirmation and strengthening of **incentives to encourage private investment,** with explicit reference to the "Industry 4.0" plan;
- **Reduction of the number of members of parliament** and initiation of a process to **reform the electoral system** ("seeking the widest possible consensus in Parliament"), presumably embracing an almost entirely proportional system;
- A **reform of** civil, criminal and tax **justice,** aimed at shortening the length of judicial proceedings;
- **Fight against crime and tax evasion**, with "a harshening of penalties, including detention measures, for major tax evaders";
- New legislation on **conflict of interest**, with a contextual reform of the broadcasting system;
- A change in **migration and security policies**: the new government will promote a "strong European response" to managing migration flows (explicit reference is made to reforming the Dublin Regulation), and will support a review of the recently approved "security decrees", taking into account the observations made by the President of the Republic;
- A special plan to support **development in Southern Italy,** also through the strengthening of the scope of action of the **public investment bank**;
- Completion of the differentiated **regional autonomy** process, but in a "fair and cooperative" version, "safeguarding the principle of national cohesion and solidarity", through the creation of an "equalisation fund" aimed at guaranteeing the same quality of services to all citizens and to avoid worsening the gap between the North and South of the country;

- The **protection of savers** and of savings ("by acting on the banking system as well": the details of which are not clear);
- The **protection of common goods**, such as education, water and healthcare, and the review of motorway concessions;
- The introduction of a **web tax** for multinationals that "move profits and information to countries other than the ones in which they sell their products";
- Lastly, measures are also promised to **reduce bureaucracy** and support administrative simplification.

Therefore, the information available to date on the government programme is rather generically outlined. The main question mark is what approach the government will take when drafting the next Budget Law (which needs to be unveiled by mid-October), preceded by the review of public finance objectives, to be included already in the Update Note to the DEF economic and financial planning document, due to be published by 27 September. The government programme contains a whole set of expansionary measures, although **the government is unlikely to be able to avoid a tightening** of fiscal policy in net terms, of at least moderate entity. In other words, new stimulus measures, the most important of which we believe are the reduction of the tax wedge on labour and the infrastructure plan, will require either important funding measures (all of which are yet to be defined) or a downsizing of some of the expansionary programmes implemented by the previous administration.

However, the new government can count on the favourable disposition of financial markets, that will make the **path of public finances less narrow and challenging.** Thanks to the positive effects of the "budget adjustment" implemented in July, as well as the sharp reduction of interest expenditure, the no-policy change deficit projection for next year could be lowered from 2.1% to around 1.6%. Sterilisation of the VAT hikes with no funding measures would inflate the deficit to close to 3%, whereas a deficit of around 2% would be consistent with roughly respecting EU rules. As the European Council and the European Commission could embrace a more flexible interpretation of fiscal rules than could have been expected only a few weeks ago, we believe a deficit of between 2% and 2.5% could be "tolerated" by Brussels (and probably taken relatively positively by the markets). A deficit of 2.4% would mean that the **23 billion in cuts originally planned could be reduced to around 9 billion, or even less,** as long as the EU guarantees a generous dose of flexibility. The task is a difficult one, but not impossible: after all, it would be a moderate fiscal tightening, with limited effects on the economic cycle, and the **risks of new financial tensions** in correspondence with the budget session, as was the case last year, **seem to have eased considerably.** A much brighter scenario than could have been feared only a few weeks ago.

Brexit: snap elections and a further delay of Brexit seems likely, but not certain. Once again, the approach of the deadline to exit the EU has triggered political storm in the UK and a fierce arm-wrestle between Parliament and government. Parliament is attempting to prevent the government from pursuing a no-deal exit (and therefore forcing it to request a further delay), while the Prime Minister aims to turn the elections into a referendum on Brexit, but lacks the necessary majority to dissolve Parliament. As a result, the exit date could be pushed back again, this time to the first quarter of 2020, but there is no certainty on the matter.

- Yet again, the approach of the deadline for the United Kingdom's exit from the EU has triggered a political storm. The government attempted to make an exit on 31 October inevitable, by proroguing Parliament for five weeks, but the move failed: this week, the House of Commons approved a bill preventing the government from exiting the EU without a deal, thus effectively forcing it to ask the EU for a postponement of Brexit. The attempt to hinder passage through the House of Lords by adopting filibustering techniques also seems to have failed. As also the attempt to dissolve Parliament and call a snap election on 15 October, with the opposition preventing the necessary majority of two thirds from being reached.

- So what now? Probably **the government will table a new motion on Monday calling for a snap election.** However, the oppositions will only allow this to happen once they are certain Brexit will not take place on 31 October (this would only be possible following the presentation of the request to the EU, after mid-October). There is talk of further ways to force an election: a **no-confidence motion against the government tabled by the majority itself:** if approved, however, elections could not be held before 29 October, considering the 14 days allowed to the oppositions to try to form a new government; therefore, the government would still have the problem of how to behave faced with Parliament's imposition to prevent a no-deal exit. Another option could be to seek a simple majority to change the Fixed Term Parliament Act, so as to authorise, limitedly to this specific case, dissolution of the House of Commons. However, this latter path seems highly risky for a government that no longer holds a parliamentary majority.

- At this point, the conclusion would seem to be that the snap election, in any case inevitable, will be associated with a (brief) extension of article 50. However, **the Prime Minister has made it clear that he will never ask for an extension, and would rather resign**; in this case, the new Prime Minister (plausibly Corbyn) would have to submit the application – on condition of it being possible to form an alternative government. Some political analysts claim that **the government may even decide to take the risk of not respecting a law voted by Parliament**, which would represent, however, another serious blow to the already wavering credibility of the country's government system.

- In the event of an extension of article 50, the snap election would turn into a referendum of sorts on Brexit, with a radicalised Tory party set on winning back the votes lost to the Brexit Party to re-bolster its majority. In case of victory, which seems to be the most probable outcome based on the latest voting intention polls, exit on the new date (end of January 2020?), in all likeliness without a deal, would become a certainty. If on the other hand the Conservatives fail to win a majority, the impasse would continue.

- In the meantime, as time goes by the prospect of a no-deal exit seems destined to lose at least part of its aura or terror. Rising preparedness makes a high degree of disruption less likely. As noted by the Bank of England in the letter sent to the Treasury Select Committee on 3 September, preparations are under way in both the public and private sector and will reduce the risks of a paralysis of international trade. Furthermore, 87% of the goods imported will not be subject to tariffs, based on the announcements made by the government in March 2019. Therefore, the Bank of England also acknowledges that the worst case scenario is currently less disruptive than assumed a year ago. However, even so the simulation results in a 5.5% reduction of British GDP compared to the baseline scenario.

The week's market movers

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This week a number of important data releases are lined up in the **United States**. In light of weakness in the manufacturing sector, the contribution made by consumption to growth takes on greater importance: therefore, August retail sales will be in the spotlight, forecast on the rise by 0.3% m/m, after a string of very solid monthly changes. For what concerns inflation, the core CPI should be up by 0.2% m/m, confirming that the inflation trend is recovering moderately after losing steam at the beginning of the year. Confidence surveys will also be important: the University of Michigan consumer confidence index, which in August dropped sharply due to concerns over the effects of trade tariffs, is forecast to improve, whereas the index of confidence among small businesses should worsen.

Monday 9 September

Euro area

- **Italy**. The new government will address the Chamber to seek a confidence vote. The vote should not have pitfalls. In his speech PM Conte could unveil more details on the main programmatic points of his new government agenda.

Tuesday 10 September

Euro area

- **France. Industrial output** is forecast to recover moderately in July (+0.5% m/m), after dropping sharply in June (-2.2% m/m). The year-on-year change would increase to +0.3%, after stagnant output the previous month. In the summer quarter, output would in any case be on course for a decline (-0.4% q/q, from +0.3% in the spring months), signalling a possible slowdown of GDP (and of the investment component in particular), from 0.3% q/q in the first half of the year.

- **Italy. Industrial output** is forecast to recover in July, in our estimation by two tenths month-on-month, perfectly balancing the previous month's drop. The energy component is expected to contribute positively. In year-on-year terms, output is expected to increase by +1% (adjusted by calendar effects), from -1.2% in June. This would be the largest annual change since September last year. However, the indices of business confidence in the manufacturing sector are still not pointing to a clear upward reversal of activity.

United States

- The index of **confidence among small businesses** drawn up by the National Federation of Independent Business is forecast to drop in August, to 103 from 104.7 in July. Confidence remains at high levels, although the escalation of the tariff war is expected to affect the tone of the survey.

Wednesday 11 September

United States

- In August, the **PPI** should be higher by 0.1% m/m, held back by energy prices. The core index is expected to increase by 0.2% m/m, from -0.1% m/m in July, in the wake of price increases in the services sector, as opposed to a weak trend in the prices of goods, also as a result of the strengthening of the dollar.

Thursday 12 September

Euro area

- **Euro area. Industrial output** should remain weak in July. Despite the rebound already announced in Ireland and Portugal, we believe the trend in the major economies will result in a zero monthly change, after the -1.6% contraction recorded in June, mostly due o the decline registered in Germany. Utilities could make a positive contribution. The PMI survey's production index worsened further in June and July, to 46.9, and only rebounded in August.

- **Euro area.** The **ECB Governing Council** should announce an update of its macroeconomic forecasts and, in light of the latter, a new "package" of accommodative measures. The lack of indications of a reacceleration means that the medium-term outlook for inflation will remain below the target rate; this makes the announcement of new stimulus measures inevitable, as also signalled by the Council. At least, the deposit rate should be cut by 20bps to -0.6%; on the other hand, we do not expect changes to the rate on the main refinancing operations, which would stay at zero. It is not clear which other measures have gained sufficient consensus to be approved already on 12 September: over the past few weeks, several members of the Council, including one member of the Executive Committee (Lautenschläger) are not in favour of reopening the asset purchase programme (APP) in the absence of deflation risks. Weidmann (Bundesbank) was very open in signalling his opposition even to a pre-emptive loosening of constraints on the APP. Other, less controversial measures which could be included in the package, include changes to the terms of the TLTRO III programme, to increase their appeal, and new changes to forward guidance on policy rates, which at present points to an easing bias until mid-2020. An upward revision of the inflation target would be scarcely credible in a context in which the central bank is unable even to approach the existing objective.

- **Germany. Final CPI and HICP** data should confirm stronger-than-expected decrease of inflation in August, in line with preliminary numbers released two weeks ago. Over the month, prices decreased 0.2% in national measurement and 0.1% in EU-norm methodology, resp. This resulted into a decrease of headline year-on-year inflation to 1.4% in August from 1.7% in July. Harmonized year-on-year inflation slipped down to 1.0% in August from 1.1% in July, well below the ECB's target for the Eurozone. A significant difference between EU-norm and national annual inflation is caused by change of weight of package holidays in EU-norm methodology in 2019.

United States

- The August **CPI** is estimated on the rise by 0.1% m/m, with gasoline prices on the decline. The change of the core index should be 0.2% m/m, after two consecutive +0.3% m/m increases in June and July; year-on-year core inflation should level off at 2.3%. Recently, the trend of core prices has risen back, resuming a monthly trend of around +0.2%, signalling that the slowdown seen at the beginning of the year will probably prove transitory, as was expected. Several measures of core prices (deflator and core CPI trimmed means, sticky price index) remain at levels of between 2% and 2.2%, with indications of a modest uptrend. The core deflator, the sole measure which remains well below the 2% mark (1.6% in July) is also picking up, and should return to around 2% at the beginning of 2020. Despite concerns over the weak price trend voiced by some FOMC participants, the expected path of inflation should not per se justify further monetary stimulus.

- **Italy. Quarterly data on the labour market** should outline a reduction of the unemployment rate to 9.9% in the spring months (while the winter quarter reading could be revised down by one tenth to 10.3%). Youth unemployment is also expected to have decreased to 29.2% from a previous reading of 31.2%. In the quarter, the decline of the jobless rate was driven by higher employment numbers (+0.5% q/q) as opposed to an expansion of labour forces limited to one tenth. Based on monthly data, the unemployment rate in June hit its lowest level in seven and a half years, at 9.8%, subsequently rising back to 9.9% in July. However, we believe the downtrend could end in the next few months, given the essentially stagnant economic cycle.

Friday 13 September

United States

- **Import prices** are expected to rise by 0.1% m/m, from +0.2% m/m in July.

- **Retail sales** should slow in August, increasing by 0.3% m/m from 0.7% m/m in July. Sales net of autos are also expected to grow, by 0.3% m/m. Consumption in 3Q 2019 is forecast to grow at a solid pace (3% q/q ann.) while remaining on a physiological slowdown from +4.7% q/q ann. in the spring.

- **Consumer confidence** as surveyed by the University of Michigan in September (advance) should recover, with the index rising back to 94.5 after dropping sharply in August to 89.8 in the wake of fears tied to the introduction of new trade tariffs against China.

Calendar of macroeconomic data and events

Calendar of macroeconomic data (9 – 13.09)

Date		Time	Country	Data release	*	Period	Previous		Consensus	Intesa Sanpaolo
Mon	9/9	01:50	JP	GDP Annualized final	*	Q2	prel 1.8	%	1.3	
		01:50	JP	Gross Domestic Product (QoQ) final	*	Q2	prel 0.4	%	0.3	
		08:00	GE	Trade Balance SA		Jul	18.1	Bn €		
		10:30	GB	Industrial Production sa (MoM)	*	Jul	-0.1	%	-0.1	
		10:30	GB	Trade Balance Non EU (GBP/Mn)		Jul	-0.186	Bn £		
		10:30	GB	Total Trade Balance (GBP/Mln)		Jul	-7.01	Bn £		
Tue	9/10	08:45	FR	Industrial Production (MoM)	*	Jul	-2.3	%		0.5
		10:00	IT	Industrial Production sa (MoM)	**	Jul	-0.2	%		0.2
		10:30	GB	ILO Unemployment Rate		Jul	3.9	%	3.9	
		10:30	GB	Average Earnings		Jul	3.7	%	3.7	
Wed	9/11	09:00	SP	Industrial Production YoY (cal adj nsa)		Jul	1.8	%		
		14:30	US	Producer Price Index (MoM)		Aug	0.2	%	0.1	0.1
		14:30	US	PPI Ex Food & Energy (MoM)	*	Aug	-0.1	%	0.2	0.2
Thu	9/12	01:50	JP	Machine Orders (MoM)		Jul	13.9	%	-9.9	
		08:00	GE	Consumer Price Index (MoM) final	*	Aug	prel -0.2	%	-0.2	-0.2
		08:00	GE	CPI - EU Harmonised (MoM) final	*	Aug	prel -0.1	%	-0.1	-0.1
		08:00	GE	CPI - EU Harmonised (YoY) final		Aug	prel 1.0	%	1.0	1.0
		08:00	GE	Consumer Price Index (YoY) final		Aug	prel 1.4	%	1.4	1.4
		08:45	FR	CPI - EU Harmonised (YoY) final		Aug	prel 1.3	%	1.2	1.3
		08:45	FR	CPI (MoM) Ex Tob	*	Aug	-0.2	%		
		08:45	FR	CPI - EU Harmonised (MoM) final	*	Aug	prel 0.5	%	0.5	0.5
		11:00	EA	Euro-Zone Ind. Prod. sa (MoM)	**	Jul	-1.6	%	0.1	0.0
		14:30	US	Initial Jobless Claims		weekly	217	k		
		14:30	US	Consumer Price Index (MoM)	*	Aug	0.3	%	0.1	0.1
		14:30	US	CPI Ex Food & Energy (YoY)		Aug	2.2	%	2.3	2.3
		14:30	US	Consumer Price Index (YoY)		Aug	1.8	%	1.8	
		14:30	US	CPI Ex Food & Energy (MoM)	**	Aug	0.3	%	0.2	0.2
Fri	9/13	06:30	JP	Industrial Production (MoM) final		Jul	prel 1.3	%		
		09:00	SP	CPI (EU Harmonised) (YoY) final		Aug	prel 0.5	%	0.4	0.5
		11:00	EA	Eurostat Labor Costs Nominal Values NSA		Q2	2.4	%		
		14:30	US	Import Price Index (MoM)		Aug	0.2	%	-0.4	
		14:30	US	Retail Sales	**	Aug	0.7	%	0.3	0.3
		14:30	US	Retail Sales Less Autos	**	Aug	1.0	%	0.3	0.2
		16:00	US	Business Inventories		Jul	0.0	%	0.1	
		16:00	US	U. of Michigan Confidence flash		Sep	89.8		94.0	94.5

(?) First likely date; (**) very important; (*) important. Source: Research Department – Intesa Sanpaolo S.p.A.

Calendar of events (9 – 13.09)

Date		Time	Country	*	Event
Mon	9/9	10:00	UK		BOE's Vlieghe Speaks in London
Thu	9/12	13:45	EA	**	ECB Announces Interest Rates (ISP forecast refi rate 0.0%, depo rate from -0.40% to -0.60%)
		14:30	EA	**	ECB's Draghi Speaks in Frankfurt After Policy Decision

(**) very important; (*) important
Source: Research Department – Intesa Sanpaolo S.p.A.

The week in review

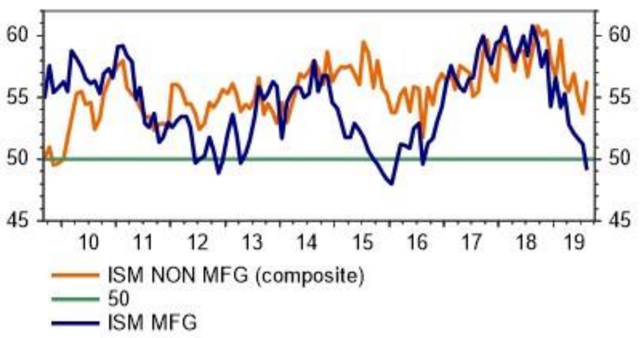
United States						
Data release	Period	Previous			Consensus	Effective
ISM Manufacturing	Aug	51.2			51.1	49.1
Construction Spending MoM	Jul	-0.7	~~(-1.3)~~	%	0.3	0.1
Trade Balance	Jul	-55.5	~~(-55.2)~~	Bn $	-53.5	-54.0
ADP Employment Change	Aug	+142	~~(156)~~	k	149	195
Nonfarm Productivity final	Q2	2.3		%	2.2	2.3
Unit Labor Costs final	Q2	2.4		%	2.5	2.6
Factory Orders	Jul	0.5	~~(0.6)~~	%	1.0	1.4
Durable Goods Orders final	Jul	2.1		%		2.0
Durables Ex Transp final	Jul	-0.4		%		-0.4
ISM Non-Manf. Composite	Aug	53.7			54.0	56.4
Unemployment Rate	Aug	3.7		%	3.7	3.7
Change in Nonfarm Payrolls	Aug	+159	~~(164)~~	k	158	+130
Avg Hourly Earning MOM All Emp	Aug	0.3		%	0.3	+0.4

In column "Previous" in parenthesis data before the revision.
Source: Bloomberg

The **manufacturing ISM** dipped back down below the 50-point threshold for the first time since mid-2016, worsening in August to 49.1 from 51.2 in July. The entire survey was weak with widespread contractions, particularly sharp for orders, down to 47.2 from 50.8, affected by plunging foreign orders (to 43.3 from 48.1). The other components also fell below the 50-point mark: production to 49.5 from 50.8, employment to 47.4 from 51.7, orders backlog to 46.3, imports to 46 and prices paid to 46. The survey signals a contraction of demand from businesses (orders) and of the utilisation of resources (production and employment) that is consistent with the weakening on the input side (deliveries, inventories, imports). The adjustment of inventories to in reaction to the evolution of new orders indicates that businesses are responding to weakening demand swiftly, and that in case of an improvement/stabilisation of the trend, activity could recover. Businesses report that trade policy is the main source of concern, as they start to take action to shift away from China in their supply chains. In general, the comments made by survey respondents were mixed, with some sectors incurring a slowdown and others reporting a stabilisation. According to the survey director, an index of 49.1, based on the relation with GDP, implies growth of 1.8%.

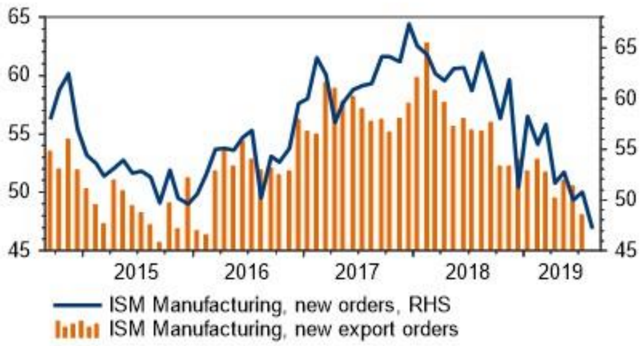
The correction of the manufacturing ISM to below 50 does not in itself indicate that a recession is on its way, as evident in the chart below, as the services sector remains in expansionary territory. What is worrying is the global synchronisation of the weakening of manufacturing activity, and the risk that services may also slow, due to the uncertainties generated by the tariff war. The ISM reading further supports expectations (already very strong) for a fed funds rate cut at the FOMC meeting in September and sets the stage for a possible further cut in the course of the autumn, to counter the escalation of trade tensions and the pervasively weak signals being sent by global demand. We stick to our view that monetary stimulus will be almost entirely ineffective in supporting demand for investment and could in fact increase the risk of bubbles forming on the bond markets. However, faced with indications of a slowdown, in our view the Fed is prepared to inject stimulus using the tools at its disposal (as ineffective as they may be).

The manufacturing ISM dropped below 50 in August, adding to existing signals of a slowdown, but the non-manufacturing index picks up some steam



Source: Thomson Reuters-Datastream

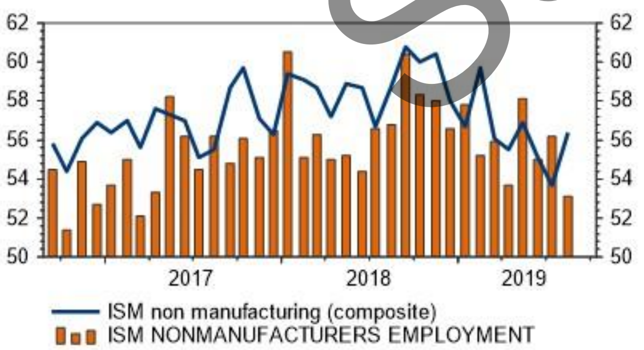
Orders are contracting, in the wake of plunging foreign orders



Source: Thomson Reuters-Datastream

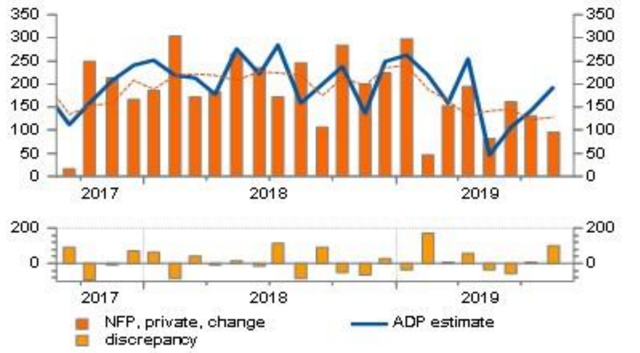
The **non-manufacturing ISM index** improved to 56.4 in August from 53.7 in July, sending an encouraging signal for the continuation of the recovery. Survey data draw a markedly positive picture: activity up to 61.5 from 53.1, orders to 60.3 from 54.1, despite a weakening of the foreign orders index to 50.5 from 53.5. The employment component corrected to 53.1 from 56.2 but continues to point to an expansion. By business sector, only wholesalers reported a contraction of activity. The comments made by businesses were generally positive, with optimistic indications in terms of the outlook for 4Q, although the negative effects of the trade war were pointed out. The message sent by the survey points to ongoing expansion at a solid pace in several sectors, and to a moderate trend in most others. Based on the ISM, a non-manufacturing index level of 56.4 implies GDP growth of 2.7%. Data limit the negative scope of the manufacturing index's drop to 49.1 in August.

The non-manufacturing ISM recovered in August, easing concerns generated by the manufacturing index's drop to below 50



Source: Thomson Reuters-Datastream

The ADP estimate of non-farm payrolls was also encouraging



Source: Thomson Reuters-Datastream

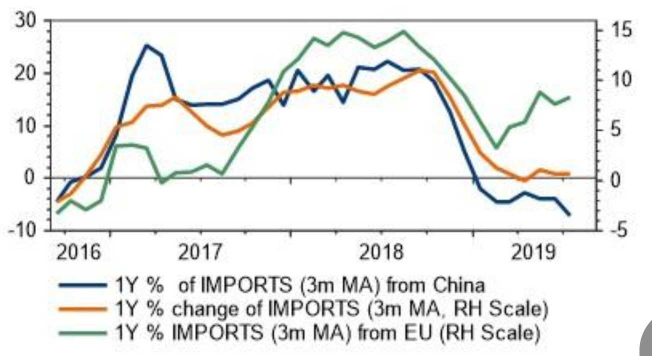
The **ADP estimate of non-farm payrolls in the private sector** increased in August by 195k, beating consensus expectations for a 149k rise. Employment numbers are estimated higher for businesses of all sizes. Services created 184k jobs, with solid increases in business services, healthcare and education, transport and hospitality. In the industrial sector, job gains amounted to 11k, with positive changes both in construction (+6k) and manufacturing (+6k), as opposed to a decline in the extraction sector (-2k).

Jobless claims in the week ending on 31 August were little changed, at 217k from 216k the previous week, and are sending no indication of a cyclical shift.

Construction spending increased in July by 0.1% m/m and the June reading was revised upwards to -0.7% m/m from -1.3% m/m. Data point to a modest improvement in residential spending, with indications of a recovery in residential investment in 3Q.

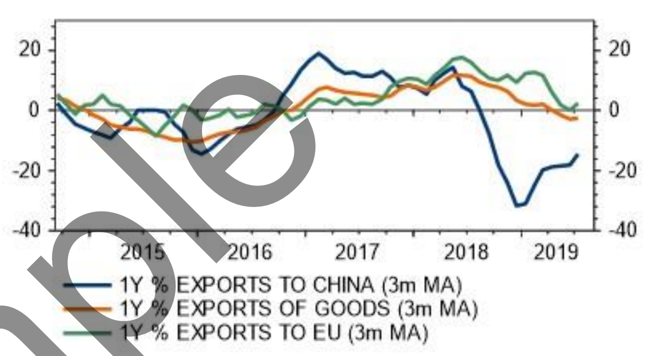
The **trade balance** deficit decreased in July to -54 billion dollars from -55.5 billion in June, with exports on the rise by 0.6% m/m and imports lower by -0.1% m/m. Based on data available to date, net exports are likely to contribute negatively to overall growth in 3Q. Despite the tariff war engaged by Trump, in the past year the overall deficit has widened further: while the trade deficit has decreased towards China, it has increased towards other countries (Vietnam, Mexico, the EU), due in part to trans-shipping and in part to an adjustment of the production chain.

The tariff war has shifted trade flows from China…



Source: Thomson Reuters-Datastream

…to other areas, including the EU



Source: Thomson Reuters-Datastream

The August Employment Report provided positive indications on the labour market, even if nonfarm payroll growth slowed to 130 k from 159k in July (revised from 164k). The average monthly change since the beginning of the year, at 158 k, confirms that the **employment trend is slowing** compared to 2018 (monthly average: +224 k), while continuing to outpace the average expansion of labour forces. Job gains in the **private sector** amounted to 96k, after 148k in July, still on an expansion path. Data by sector outline widespread growth, still driven by **services** (84k), in particular by healthcare and education (48k), business services (37k) and leisure/hospitality (12k). As for **goods-producing industries**, jobs are up in construction (+14k) and manufacturing (+3k, after 4k, revised from +16k in July), but lower in mining (-5k). In the public sector, federal employees are up by a strong 28k, in the wake of temporary hiring for census data collection (25k).

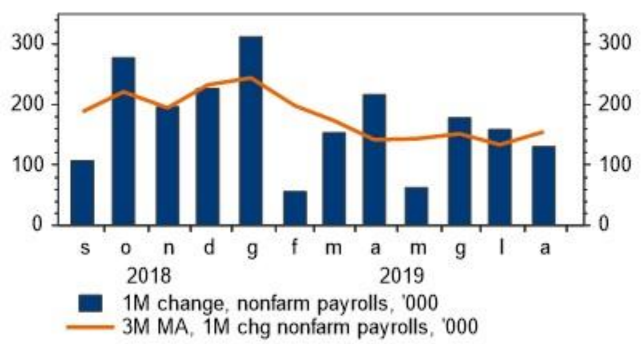
Employment measured with the household survey is up by a strong 590k (3-month average, 373 k). The **labour force** jumps by 571k (3m ave.: 425k).

The **participation rate moves up to** 63.2%, a high since February 2019, from 63% in July. The **unemployment rate** was unchanged at 3.7% for the third month in a row and has stayed in an interval of between 3.6 and 3.8% since February, persistently below the longer-term rate estimated by the FOMC at 4.2%. **Hourly wages** increased by 0.4% m/m (3.2% y/y), accelerating further on the upward trend associated with falling slack in the labor market. Hours worked increase by 0.3% m/m; the 0.5% m/m change in manufacturing bodes well for last month's industrial production.

The data confirmed the still **positive picture of the labour market**, still supportive of consumption in coming quarters. The main points to note are favourable to the survival of the expansion: higher participation, faster wage growth, higher hours worked. The positive employment trend should continue in the next few quarters, while slowing towards monthly changes between

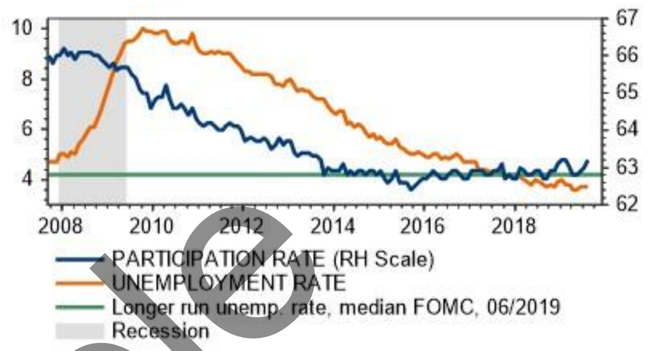
100k and 150k, more consistent with GDP growth of close to 2%, and labour force growth of around 0.5% y/y. Overall the recent macro data are compatible with an ongoing recovery, despite the tariff war and increasing uncertainty tied to trade policies, but this will not change the accommodative stance taken by the FOMC and the Fed's intention to act by implementing pre-emptive rate cuts.

Employment growth has slowed, but continues to outpace labour force expansion



Source: Thomson Reuters Datastream

Unemployment rate at the same levels as at the end of the 1960s, below the long-term average



Source: Thomson Reuters Datastream

Japan

Data release	Period	Previous			Consensus	Effective
Adjusted Merchnds Trade Bal.	Jun	-968.3	~~(-967.1)~~	Bn ¥	420.0	+589.5
Avg Hourly Earning MOM All Emp	Aug	0.3		%	0.3	+0.4

In column "Previous" in parenthesis data before the revision.
Source: Bloomberg

United Kingdom

Data release	Period	Previous			Consensus	Effective
PMI Manufacturing	Aug	48.0			48.4	47.4
PMI Services	Aug	51.4			51.0	50.6

In column "Previous" in parenthesis data before the revision.
Source: Bloomberg

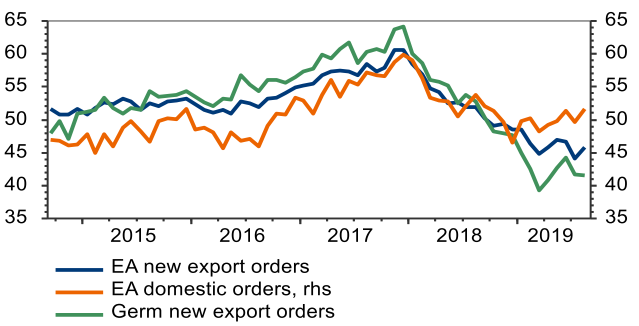
Euro area

Country	Data release	Period	Previous			Consensus	Effective
EA	Eurozone Employment QoQ	Q2	0.4	(0.2)	%	0.2	0.2
EA	Euro-Zone PPI (YoY)	Jul	0.7		%	0.2	0.2
EA	Euro-Zone Retail Sales (MoM)	Jul	1.2	(1.1)	%	-0.6	-0.6
EA	GDP (QoQ) final	Q2	0.2		%	0.2	0.2
EA	GDP (YoY) final	Q2	1.3	~~(1.1)~~	%	1.1	1.2
EA	PMI Composite final	Aug	51.8			51.8	51.9
EA	PMI Manufacturing final	Aug	47.0			47.0	47.0
EA	PMI Services final	Aug	53.4			53.4	53.5
FR	PMI Manufacturing final	Aug	51.0			51.0	51.1
FR	PMI Services final	Aug	53.3			53.3	53.4
GE	Factory Orders MoM (sa)	Jul	2.7	~~(2.5)~~	%	-1.5	-2.7
GE	Industrial Production MoM (sa)	Jul	-1.1	~~(-1.5)~~	%	0.3	-0.6
GE	PMI Manufacturing final	Aug	43.6			43.6	43.5
GE	PMI Services final	Aug	54.4			54.4	54.8
IT	PMI Manufacturing	Aug	48.5			48.5	48.7
IT	PMI Services	Aug	51.7			51.6	50.6
IT	Retail Sales (YoY)	Jul	1.30		%		2.6

In column "Previous" in parenthesis data before the revision.
Source: Bloomberg

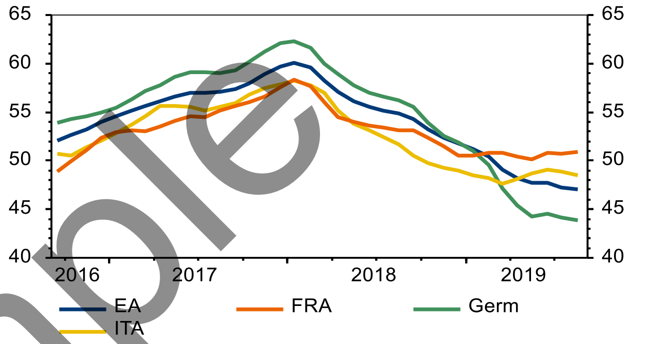
Euro area. The **manufacturing PMI** levelled off in August at **47.0**, up by 0.5 points compared to July. The improvement, as preannounced by the flash estimate, mostly reflects **an improvement in the trend of foreign orders** and of production, although both remain in negative growth territory. The improvement was marginal in Italy (from 48.5 to 48.7) and modest in Spain (from 48.2 to 48.8). The German manufacturing sector was confirmed to be underperforming the other major economies of the area, whereas France once again posted the best performance: the manufacturing PMI surged from 49.7 to 51.1, with improvements for both total orders (+1.9 points to 51.65) and foreign orders (+1.6 to 50.63). Another country still experiencing positive growth in the manufacturing sector is Holland, with a PMI of 51.6. However, while new orders are on the rise, unlike in France, the order book shrank notably (45.22), which may indicate that growth is not sustainable at the moment.

Eurozone: moderate recovery of orders, but not in Germany



Source: IHS Markit

manufacturing PMI: the major Eurozone economies compared



Source: IHS Markit

Euro area. The August services and composite PMIs were both revised up by one tenth, respectively to 53.5 and 51.9 (in both cases on the recovery compared to the previous month, from 53.2 and 51.5 respectively). The upward revision was stronger in Germany (services index up by four tenths) than in France. The first readings of the Italian and Spanish services PMIs for July brought a decline to 50.6 from 51.7 for the former country (approximately in line with the Istat survey) as opposed to a recovery to 54.3 from 52.6 for Spain. The indices are still at levels consistent with GDP growth in the 0.2% q/q area in the summer quarter, in line with the performance achieved in the spring.

Euro area. Retail sales were lower by -0.6% m/m in July, after having surged by +1.2% m/m in June. Negative changes were recorded by all the main product categories except fuels. The decline was mostly driven by Germany (-2.2% m/m), whereas sales remained in positive territory in France and Spain (data on the trend in Italy is still not available). In year-on-year terms sales slowed to +2.2% from +2.8% the previous month. The level of confidence among households is consistent with a further deceleration of the pace of growth of the consumption trend.

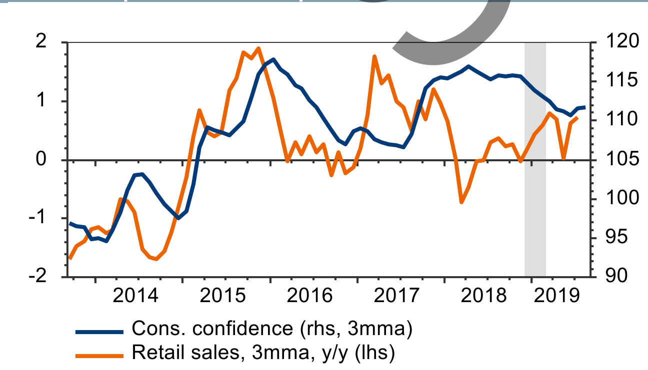
Germany. Industrial orders remained very volatile, as was also the case in the previous months. After having achieved surprisingly strong growth in June, of 2.7% m/m (revised from 2.5% m/m), significantly at odds with the indications provided by monthly surveys, in July orders decreased by -2.7% m/m. The weakening of the foreign component (-4.2% m/m) followed a solid reading in June (+5.2% m/m) and outlined a positive orders trend in the euro area (+0.3% m/m). On the other hand, the change in domestic orders, while smaller (-0.5% m/m), marked the second consecutive monthly decline (-0.9% m/m in June). Orders were weak across product categories. The surveys conducted among businesses are very clear in signalling the weakness of orders. The July PMI survey reported the sharpest contraction of foreign orders since 2009.

Germany. Industrial production posted another month-on-month decrease -0.6% in July following -1.1% m/m in June, even a tenth below our cautious forecast, which was though well below market consensus (+0.3% m/m). Manufacturing alone posted another decrease -0.6% m/m, energy component –1.3% m/m, while construction kept slightly increasing 0.2% m/m. The weakness of manufacturing is widespread among individual sectors. The most worrying information is the decrease of the automotive and chemical sectors. Over the year, overall industrial production decreased 4.2% in July. Real activity thus opened 3Q on a persistently weak note, supporting our view of imminent recession in Germany. In 3Q, we expect industry to shed 0.5 pp from overall q/q GDP growth. Decelerating growth of services will most likely not fully counter balance this decrease.

Germany. The final PMI data revised preliminary August indices released two weeks ago. The manufacturing PMI index was revised downward by a tenth to 43.5 points, still three tenths higher than in July. Anyway, the revised value is still consistent with contraction in German industry. Services PMI was revised 4 tenths up which means that the index rebounded in August to 54.8 after it slipped to 54.5 in July. As a result, composite index was revised upwards by three tenths to 51.7, eight points up from July.

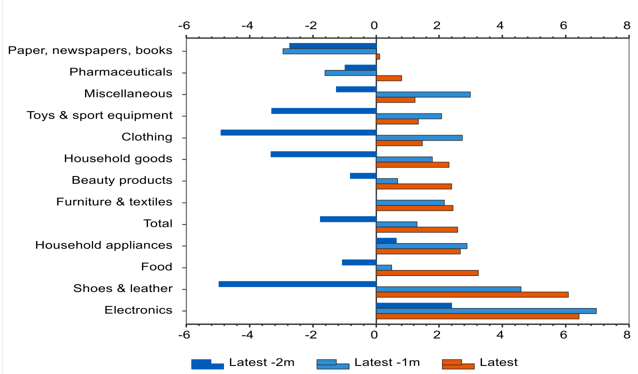
Italy. Retail sales dropped back down in July, by -0.5% m/m in value and -0.7% m/m in volume (after surging by +1.9% and +2% m/m respectively in June). The year-on-year change increased in any case to +2.6% from +1.3% previous (in value). The chain retail sector confirmed its more upbeat trend compared to the smaller retailers (+3.3% vs. +0.9% y/y), led by food discount outlets (+7.2% y/y); e-commerce accelerated (+23.2% y/y). Year-on-year progress was made across product categories: equipment for information technology, telecommunications and telephony continued to drive the growth trend (+6.4%), followed by shoe-wear, leather articles and travel goods (+6.1%), whereas the rear was brought up by the little more than stagnant segment of stationery, books, newspapers and periodicals (+0.1%). In the summer quarter sales were on course for 0.6% q/q growth in value and 0.4% q/q in volume, from 0.2% q/q in the spring months. This suggests that **households' consumption could grow by one or two tenths in the current quarter,** after stagnating in 2Q.

Italy – The current pace of growth of retail sales is consistent with the level of households' confidence and points to a moderate uptrend in consumption



Note: shaded area = recession. Source: Thomson Reuters-Datastream Charting

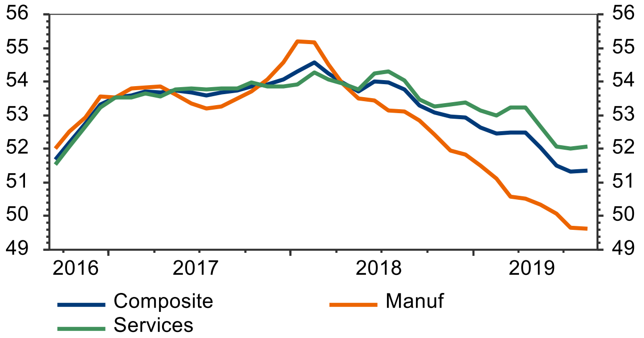
Italy – Year-on-year sales growth widespread to all product categories, driven by electronics



Source: Thomson Reuters-Datastream Charting

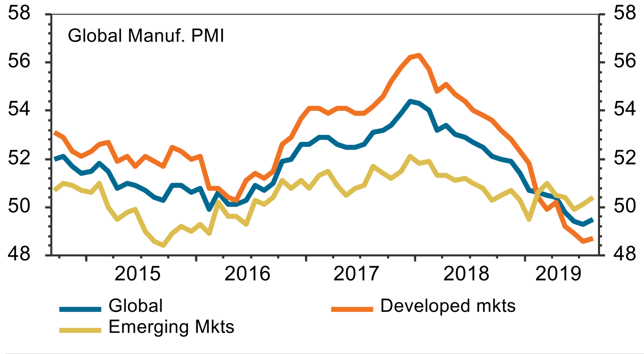
Global economic trends

Global PMIs



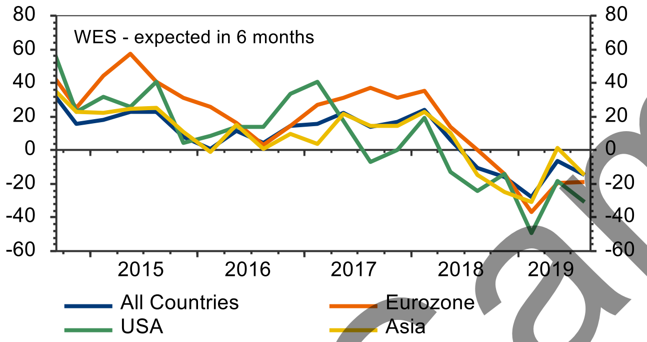
Source: IHS Markit

Manufacturing PMI: advanced vs. emerging markets



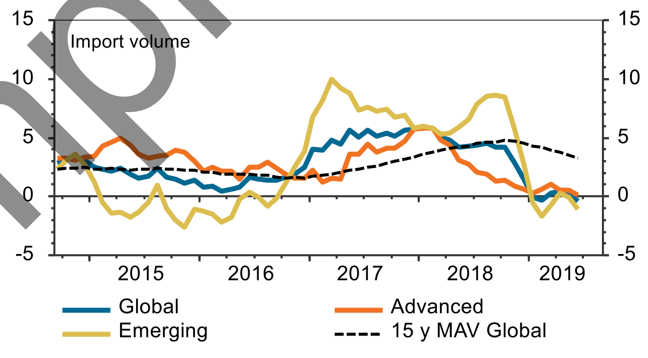
Source: IHS Markit and ISP calculations

Ifo: WES, 6-month outlook



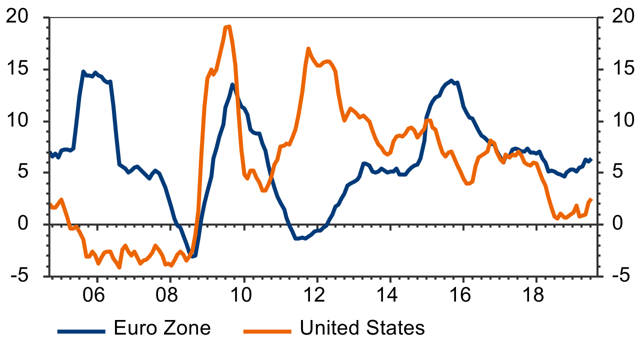
Source: IFO

Global trade growth (y/y % change)



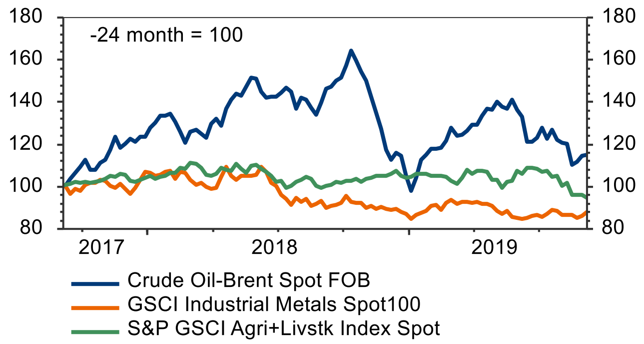
Source: CPB Trade monitor and ISP calculations

Real M1, y/y % change



Source: ISP analysis froma Fed, ECB, Eurostat e BLS data. M1 deflated with current CPI.

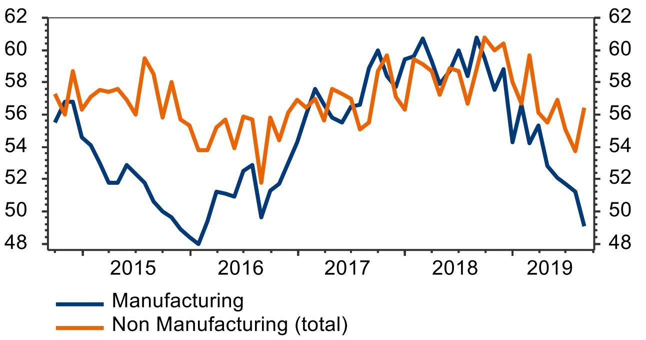
Commodity prices



Source: Thomson Reuters

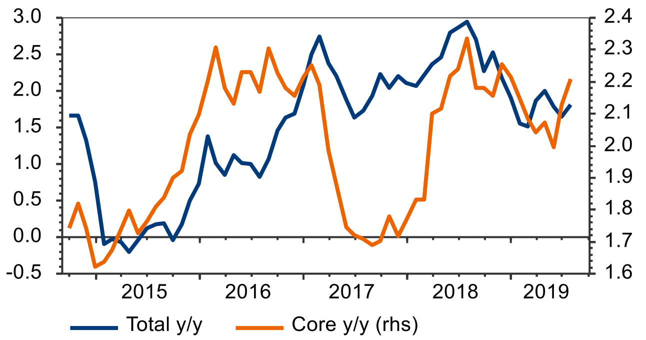
United States

ISM surveys



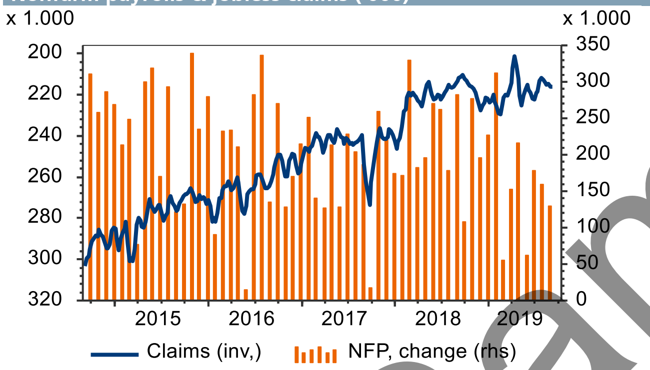
Source: Thomson Reuters

CPI – y/y % change



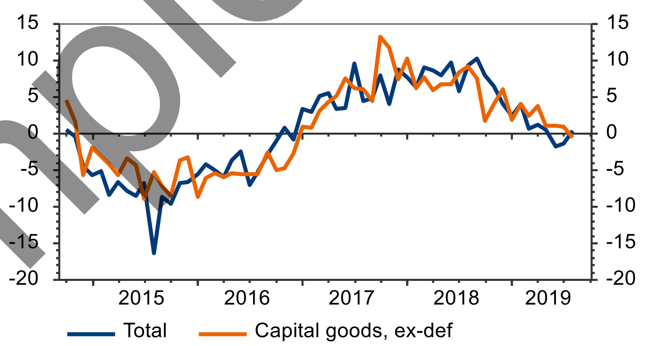
Source: Thomson Reuters

Nonfarm payrolls & jobless claims ('000)



Source: Thomson Reuters

New orders – y/y % change



Source: Thomson Reuters

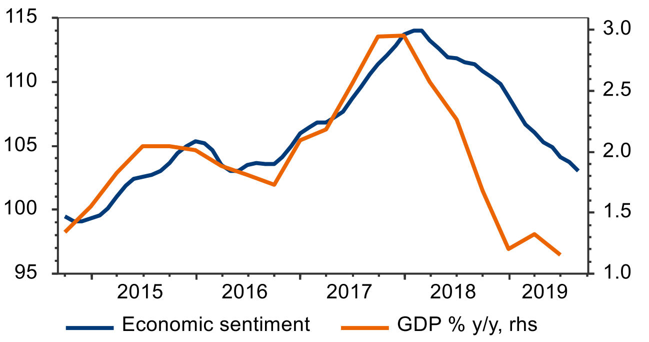
Forecasts Table

	2018	2019e	2020e	2018	2019				2020		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GDP (constant prices,y/y)	2.9	2.3	1.8	2.5	2.7	2.3	1.9	2.3	1.9	1.8	1.8
q/q annual rate				1.1	3.1	2.0	1.5	2.6	1.6	1.6	1.5
Private consumption	3.0	2.7	2.5	1.4	1.1	4.7	3.0	2.8	2.2	2.0	2.2
Fixed investment - nonresid.	6.4	2.7	1.3	4.8	4.4	-0.6	0.2	0.8	1.5	1.8	2.3
Fixed investment - residential	-1.5	-2.2	0.8	-4.7	-1.0	-2.9	1.3	1.0	0.8	1.2	1.0
Government consumption	1.7	2.5	1.8	-0.4	2.9	4.5	3.5	2.4	1.1	1.4	0.3
Export	3.0	0.1	1.3	1.5	4.1	-5.8	2.2	2.0	1.5	1.4	1.8
Import	4.4	1.7	2.2	3.5	-1.5	0.1	2.3	1.2	2.8	2.3	3.0
Stockbuilding (% of GDP)	0.1	0.1	-0.1	0.1	0.5	-1.0	-0.2	0.0	-0.1	-0.1	-0.1
Current account (% of GDP)	-2.4	-2.6	-2.7								
Gen. Gov. Deficit (% of GDP)	-6.4	-6.8	-6.9								
Gen. Gov. Debt (% of GDP)	137.1	136.7	138.7								
CPI (y/y)	2.4	1.8	1.9	2.2	1.6	1.8	1.8	1.9	2.1	1.8	1.9
Industrial production	3.9	0.7	0.8	1.0	-0.5	-0.5	0.0	0.1	0.3	0.3	0.4
Unemployment (%)	3.9	3.7	3.5	3.8	3.9	3.6	3.7	3.6	3.5	3.4	3.5

Note: Percentage annualised growth rates over previous period, if not otherwise specified. Source: Thomson Reuters, Intesa Sanpaolo

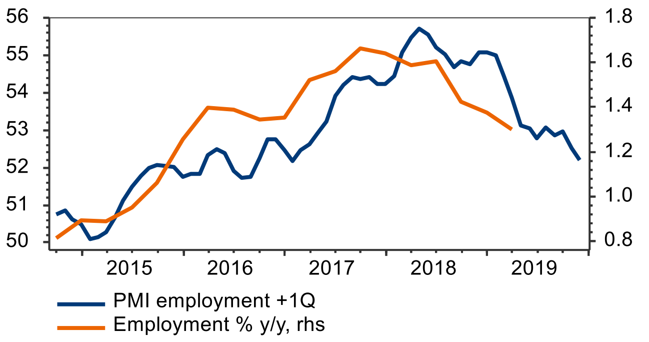
Euro Area

GDP



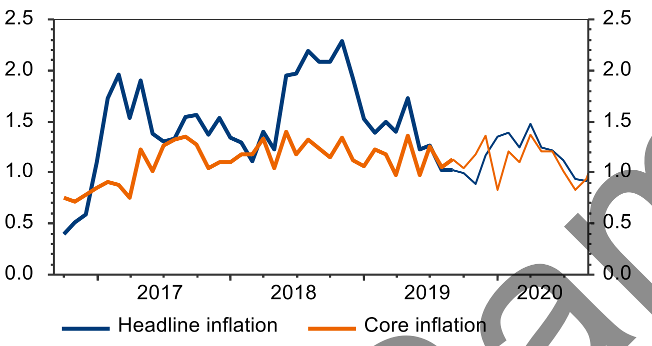
Source: Eurostat, UE Commission

Employment



Source: Eurostat, Markit Economics

Inflation



Source: Eurostat, Intesa Sanpaolo forecasts

Inflation forecasts

%	2018	2019	2020
January	1.3	1.4	1.4
February	1.1	1.5	1.2
March	1.4	1.4	1.5
April	1.2	1.7	1.2
May	2.0	1.2	1.2
June	2.0	1.3	1.1
July	2.2	1.0	0.9
August	2.1	1.0	0.9
September	2.0	1.0	1.3
October	2.3	0.9	1.2
November	1.9	1.2	1.3
December	1.5	1.4	1.4

Source: Eurostat, Intesa Sanpaolo forecasts

Forecasts Table

	2018	2019e	2020e	2018	2019				2020		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GDP (constant prices, y/y)	1.9	1.0	0.9	1.2	1.2	1.1	1.0	0.9	0.7	0.8	1.0
- q/q change				0.2	0.4	0.2	0.1	0.1	0.3	0.3	0.3
Private consumption	1.3	1.2	1.3	0.3	0.5	0.1	0.4	0.3	0.4	0.3	0.3
Fixed investment	2.0	1.8	1.5	1.5	0.1	-0.5	0.4	0.4	0.5	0.4	0.4
Government consumption	1.0	1.0	1.0	0.6	0.1	0.2	0.3	0.3	0.3	0.3	0.3
Export	3.4	2.6	1.8	1.1	0.7	0.5	0.6	-0.1	0.5	0.6	0.6
Import	2.6	2.6	3.2	1.0	0.3	-0.1	1.0	1.0	1.0	0.7	0.6
Stockbuilding (% contr. to GDP)	0.1	-0.3	0.2	-0.5	0.0	-0.1	-0.1	0.3	0.1	0.0	-0.1
Current account (% of GDP)	3.5	3.3	3.0								
Deficit (% of GDP)	-0.9	-0.9	-1.0								
Debt (% of GDP)	87.1	85.8	84.3								
CPI (y/y)	1.8	1.2	1.2	1.9	1.4	1.4	1.0	1.1	1.4	1.2	1.1
Industrial production (y/y)	0.9	-1.0	0.8	-1.9	-0.5	-1.4	-1.8	-0.5	-0.3	0.5	1.4
Unemployment (%)	8.2	7.6	7.6	7.9	7.8	7.6	7.5	7.6	7.6	7.6	7.6
3-month Euribor	-0.32	-0.40	-0.56	-0.32	-0.31	-0.32	-0.42	-0.55	-0.55	-0.56	-0.57

Note: Percentage annualised growth rates over previous period, if not otherwise specified. Source: Thomson Reuters, Intesa Sanpaolo

Interest Rates and Exchange Rates Forecasts

Eurozone

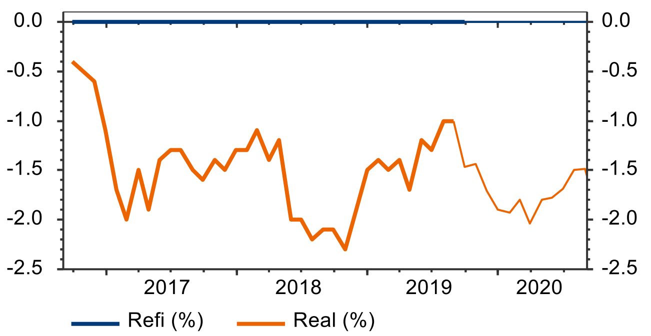
	Dec	Mar	Jun	5/9	Sep	Dec	Mar	Jun
Refi rate	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00
1m Euribor	-0.37	-0.37	-0.37	**-0.37**	-0.47	-0.55	-0.56	-0.56
3m Euribor	-0.31	-0.31	-0.35	**-0.44**	-0.47	-0.55	-0.56	-0.56

Source: Intesa Sanpaolo Research elaboration on Thomson Reuters data

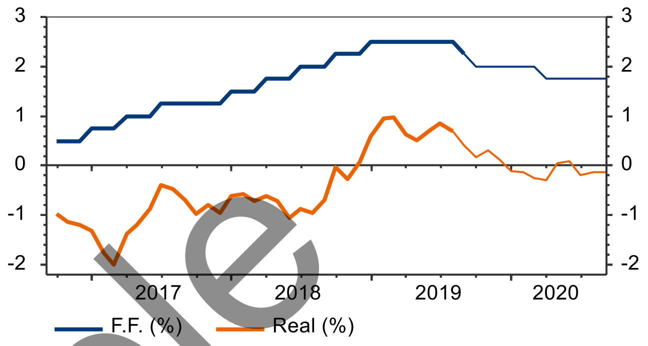
United States

	Dec	Mar	Jun	5/9	Sep	Dec	Mar	Jun
Fed Funds	2.50	2.50	2.50	**2.25**	2.00	2.00	1.75	1.75
3m Libor USD	2.81	2.60	2.32	**2.11**	2.14	1.94	1.86	1.74

Source: Intesa Sanpaolo Research elaboration on Thomson Reuters data



Source: Intesa Sanpaolo Research elaboration on Thomson data



Source: Intesa Sanpaolo Research elaboration on Thomson data

Japan

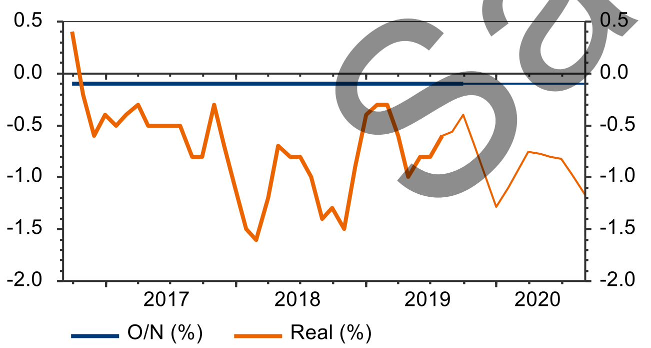
	Dec	Mar	Jun	5/9	Sep	Dec	Mar	Jun
O/N target	-0.10	-0.10	-0.10	**-0.10**	-0.10	-0.10	-0.10	-0.10
3m Libor JPY	-0.07	-0.06	-0.07	**-0.10**	-0.04	-0.05	-0.05	-0.05

Source: Intesa Sanpaolo Research elaboration on Thomson Reuters data

United Kingdom

	Dec	Mar	Jun	5/9	Sep	Dec	Mar	Jun
Bank rate	0.75	0.75	0.75	**0.75**	0.75	0.75	0.75	0.75
3m Libor GBP	0.91	0.85	0.77	**0.76**	0.77	0.80	0.82	0.85

Source: Intesa Sanpaolo Research elaboration on Thomson Reuters data



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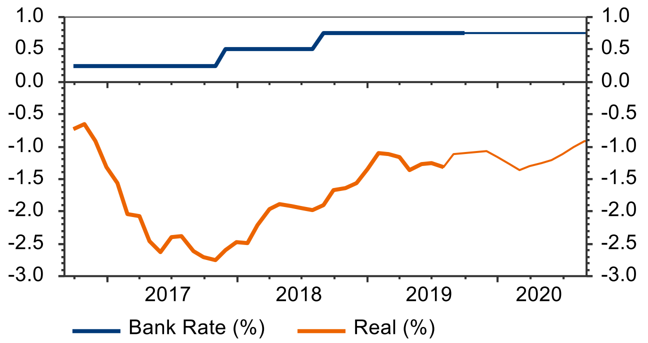

Source: Intesa Sanpaolo Research elaboration on Thomson Reuters data

Exchange rates

	-24m	-12m	-6m	-3m	-1m	6/9	1m	3m	6m	12m	24m
EUR/USD	1.19	1.16	1.13	1.13	1.12	**1.1030**	1.12	1.14	1.15	1.17	1.20
USD/JPY	109	111	112	108	106	**107.06**	105	107	108	110	110
GBP/USD	1.31	1.29	1.32	1.27	1.22	**1.2301**	1.20	1.22	1.23	1.25	1.35
EUR/CHF	1.14	1.13	1.14	1.12	1.09	**1.0915**	1.08	1.10	1.12	1.13	1.15
EUR/JPY	130	130	126	122	119	**118.11**	118	122	124	129	132
EUR/GBP	0.91	0.90	0.86	0.89	0.92	**0.8967**	0.94	0.93	0.93	0.93	0.89

Source: Intesa Sanpaolo Research elaboration on Thomson Reuters data

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Appendix

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