

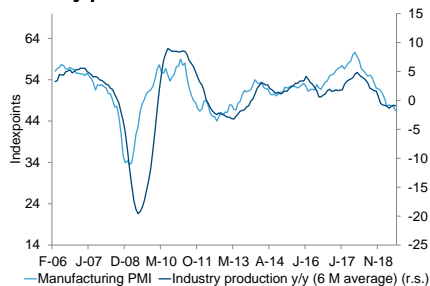
Week Ahead

Focus: Eurozone manufacturing sentiment

Analyst:

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Eurozone manufacturing sentiment vs. Industry production



Source: Bloomberg, Erste Group Research

Tailwind for Eurozone industry?

Next week (September 23), a first flash estimate of the manufacturing sentiment of the Eurozone, Germany and France for September will be released. In August, Eurozone manufacturing sentiment brightened slightly for the first time in a long while, but remained at very low levels. Data on industrial production in July confirmed the weak sentiment with a further drop of 0.4% from the previous month. European industry continues to suffer from the global trade conflict, the threat of a hard Brexit and structural problems in the automotive industry.

On the other hand, the last few weeks have seen a slight easing in the key political hotspots. The UK parliament passed a law that bans a no-deal Brexit (a hard Brexit can nevertheless not be ruled out), and there has been a slight rapprochement in the trade dispute between the US and China.

If this positive development continues in the coming weeks, we believe that the manufacturing sentiment in the Eurozone should also benefit from this further. After the sharp downturn of the last 12 months, industrial activity thus appears to be bottoming out. Nevertheless, we do not expect a rapid turnaround in the economy, since the growth outlook for emerging markets remains subdued, which means that we continue to expect weak growth momentum in Eurozone exports. Thanks to a robust domestic economy, we nevertheless expect stable growth momentum in Eurozone GDP of around +0.2% to +0.3% q/q in 3Q19.

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Note: Past performance is not necessarily indicative of future results

Economic calendar

Ctry	Date	Time	Release	Period	Consens	Prior
Eurozone						
FR	23-Sep	9:15	PMI Index	Sep P	50.8 Index	51.1 Index
DE	23-Sep	9:30	PMI Index	Sep P	44.2 Index	43.5 Index
EA	23-Sep	10:00	PMI Index	Sep P	47.3 Index	47.0 Index
DE	24-Sep	10:00	Ifo Index	Sep	95 Index	94 Index
USA						
	26-Sep	14:30	GDP q/q	2Q T	2.0%	2.0%
	27-Sep	14:30	PCE Deflator	Aug	1.4%	1.4%

China

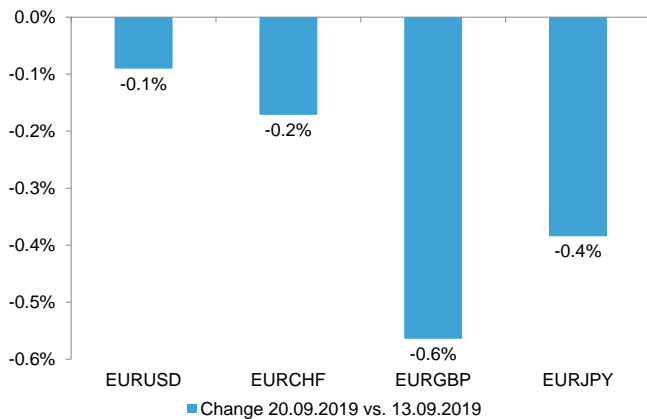
Central bank events

	Date	Time	Event
ECB			
	23.Sep	15:00	Mario Draghi, introductory statement before the Committee on Economic and Monetary Affairs of the European Parliament
	23.Sep	18:00	Philip Lane, speech at the ECB conference <i>Inflation in an changing economic environment</i>
	24.Sep	16:30	Luis de Guindos, closing remarks at the ECB conference <i>Inflation in an changing economic environment</i>
Fed			
			No events relevant for monetary policy

Source: Bloomberg, Central Banks, Erste Group Research

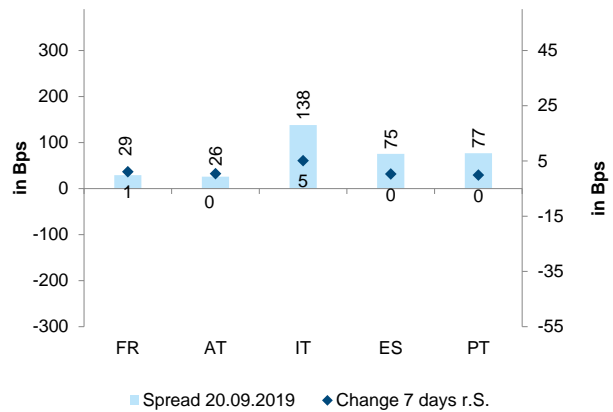
Forex and government bond markets

Exchange rates EUR: USD, CHF, GBP and JPY
 Changes compared to last week



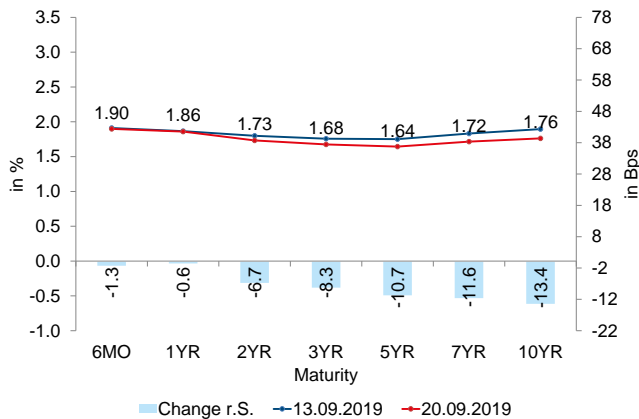
Source: Bloomberg, Erste Group Research

Eurozone spreads vs. Germany
 10Y government bonds



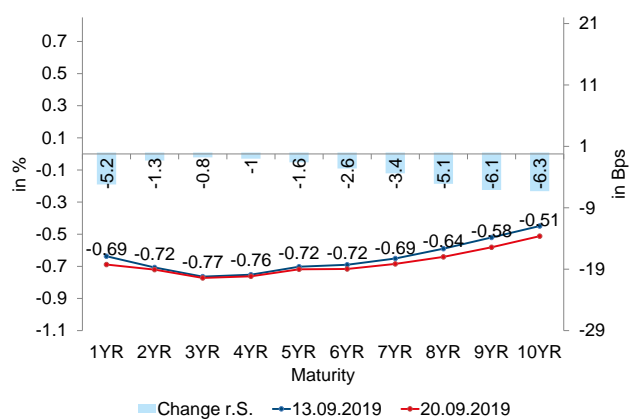
Source: Bloomberg, Erste Group Research

US Treasuries yield curve
 Changes compared to last week



Source: Bloomberg, Erste Group Research

DE Bund yield curve
 Changes compared to last week



Source: Bloomberg, Erste Group Research

Forecasts¹

GDP	2017	2018	2019	2020
Eurozone	2.4	1.8	1.1	1.0
US	2.3	2.9	2.3	2.1

Inflation	2017	2018	2019	2020
Eurozone	1.5	1.7	1.3	1.5
US	2.2	2.4	1.8	2.0

Interest rates	current	Dec.19	Mar.20	Jun.20	Sep.20
ECB MRR	0.00	0.00	0.00	0.00	0.00
3M Euribor	-0.40	-0.50	-0.50	-0.50	-0.50
Germany Govt. 10Y	-0.51	-0.40	-0.40	-0.40	-0.30
Swap 10Y	-0.10	-0.10	-0.10	-0.10	0.00

Interest rates	current	Dec.19	Mar.20	Jun.20	Sep.20
Fed Funds Target Rate*	2.13	1.63	1.63	1.63	1.63
3M Libor	2.16	1.80	1.80	1.80	1.80
US Govt. 10Y	1.77	1.80	2.00	2.00	2.10
EURUSD	1.11	1.10	1.12	1.15	1.15

*Mid of target range

In case of changes to our forecasts compared to the previous issue, arrows show the direction of the change.

Source: Bloomberg, Erste Group Research

¹ Note: In accordance with regulations, we are obliged to issue the following statement:
Forecasts are not a reliable indicator of future performance.

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