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# Bond market outlook and main developments

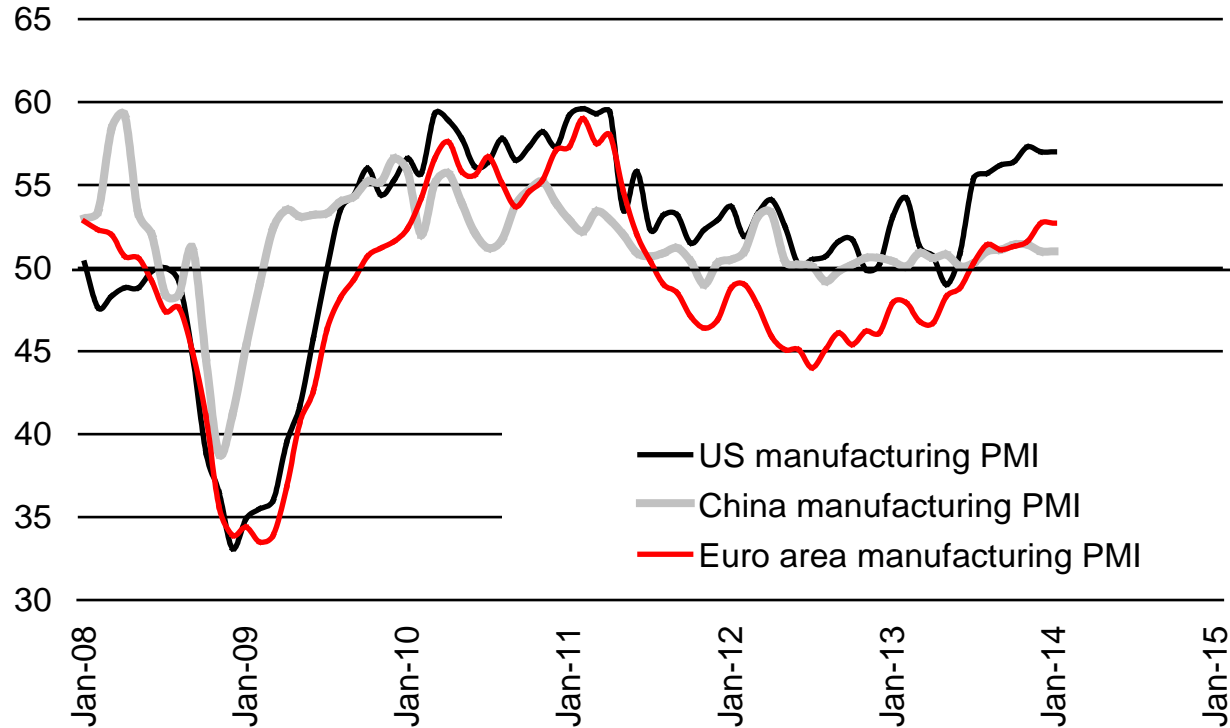
Karl-Heinz Riehm  
ECB Bond Market Contact Group  
21 January 2014

## GDP - improving in the Euro Area

Real GDP (qoq)	4Q13	1Q14	2Q14	3Q14	4Q14	annual 2014	
						UC	Cons.
<b>Euro area</b>	0.2	0.4	0.4	0.5	0.5	1.5	1.0
<b>Germany</b>	0.5	0.6	0.8	0.9	0.7	2.5	1.7
<b>France</b>	0.2	0.3	0.4	0.4	0.5	1.1	0.8
<b>Italy</b>	0.1	0.3	0.3	0.4	0.4	0.7	0.5
<b>Spain</b>	0.1	0.2	0.3	0.3	0.4	0.8	0.5
CPI yoy	4Q13	1Q14	2Q14	3Q14	4Q14	annual 2015	
						UC	Cons.
<b>Euro area</b>	0.9	0.9	1.2	1.1	1.4	1.2	1.4
<b>Germany</b>	1.4	1.5	1.4	1.3	1.5	1.4	1.8
<b>France</b>	0.7	1.1	1.4	1.4	1.8	1.4	1.4
<b>Italy</b>	0.8	1.0	1.3	1.2	1.5	1.3	1.4
<b>Spain</b>	0.3	0.4	1.2	1.0	1.6	1.1	1.0

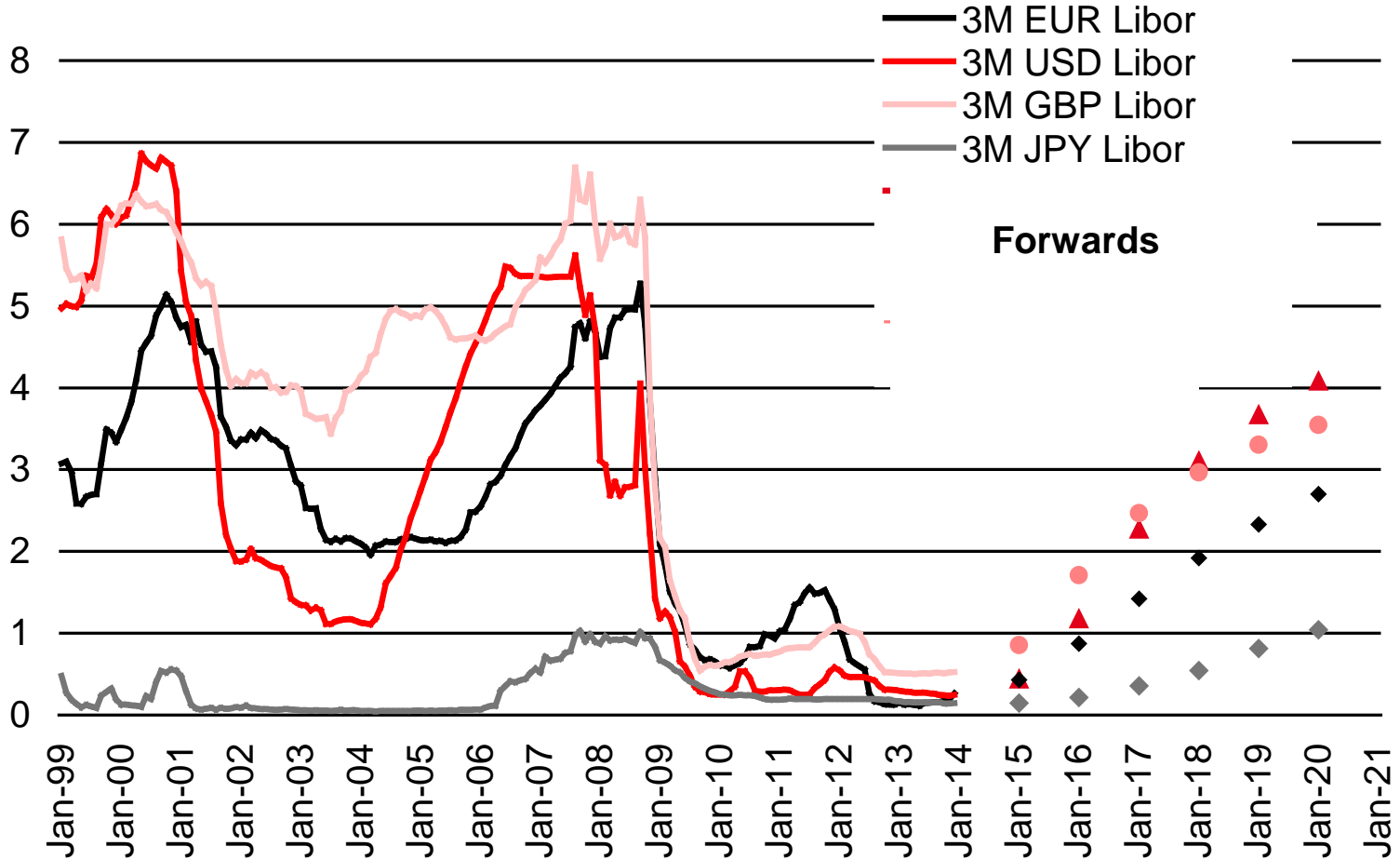
source: UniCredit Research / Bloomberg

## Manufacturing PMI - Trends Positive



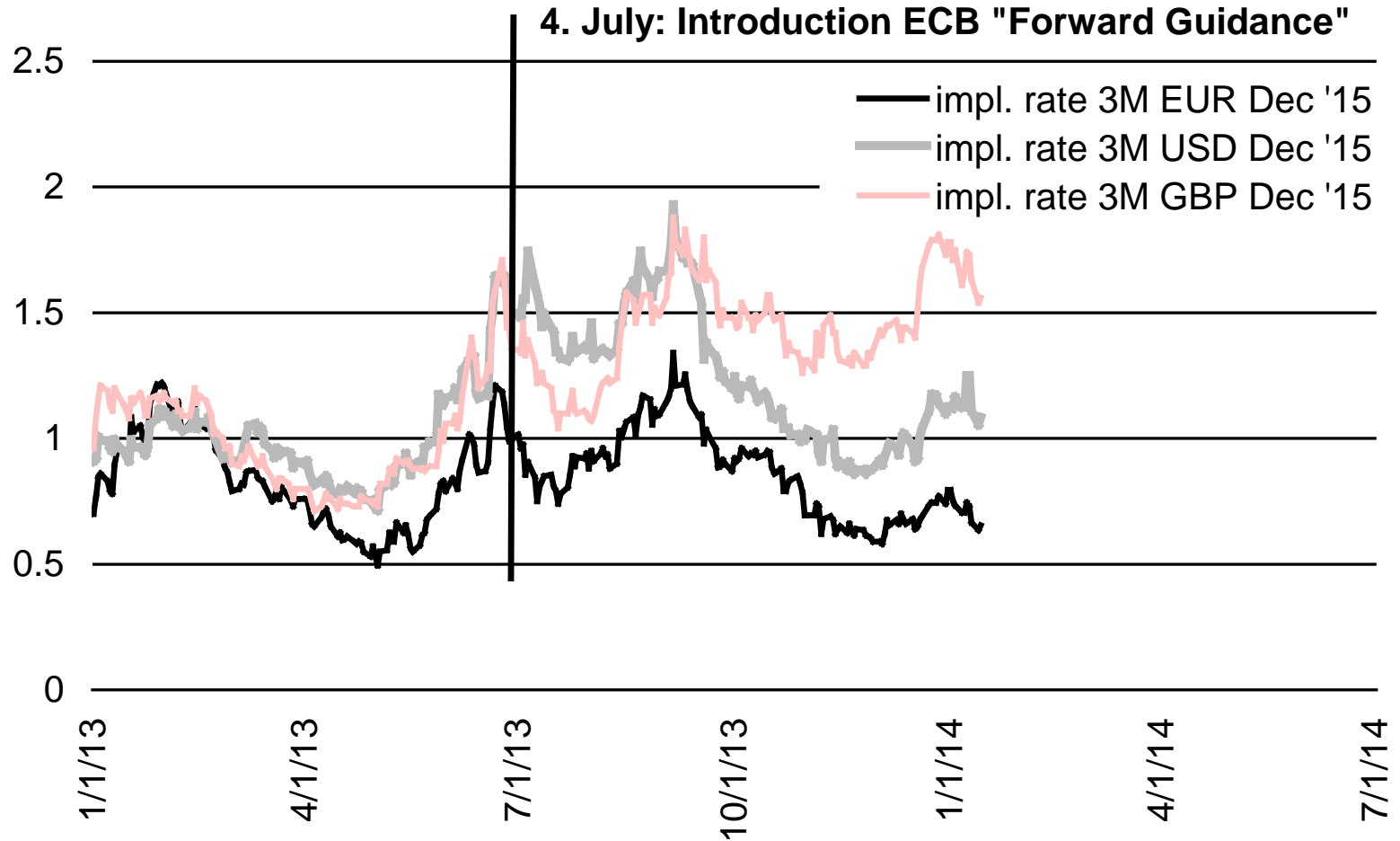
source: UniCredit Research / Bloomberg

## Money Market Expectations - Cautious



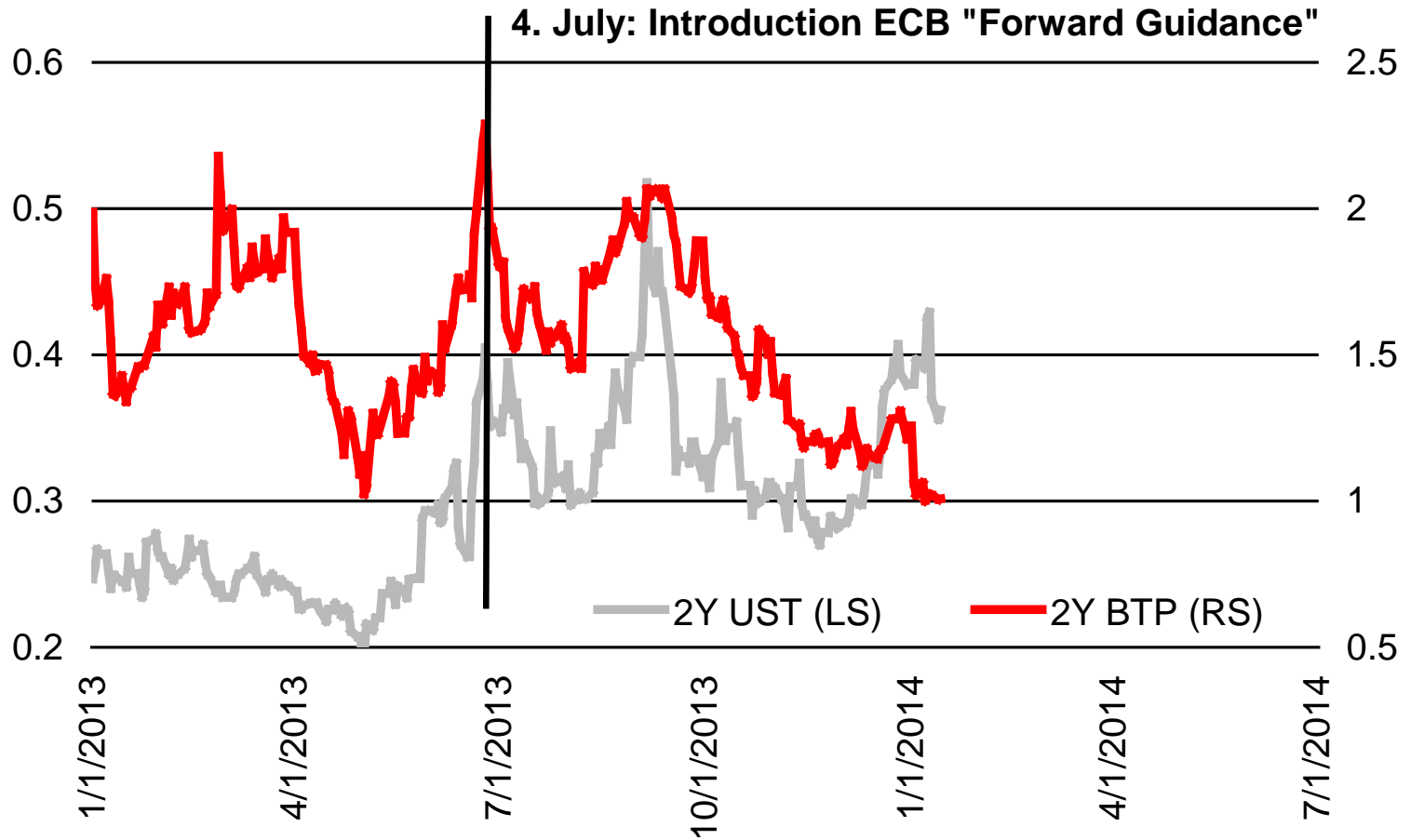
source: UniCredit Research / Bloomberg

## ECB "Forward Guidance" - effective ?



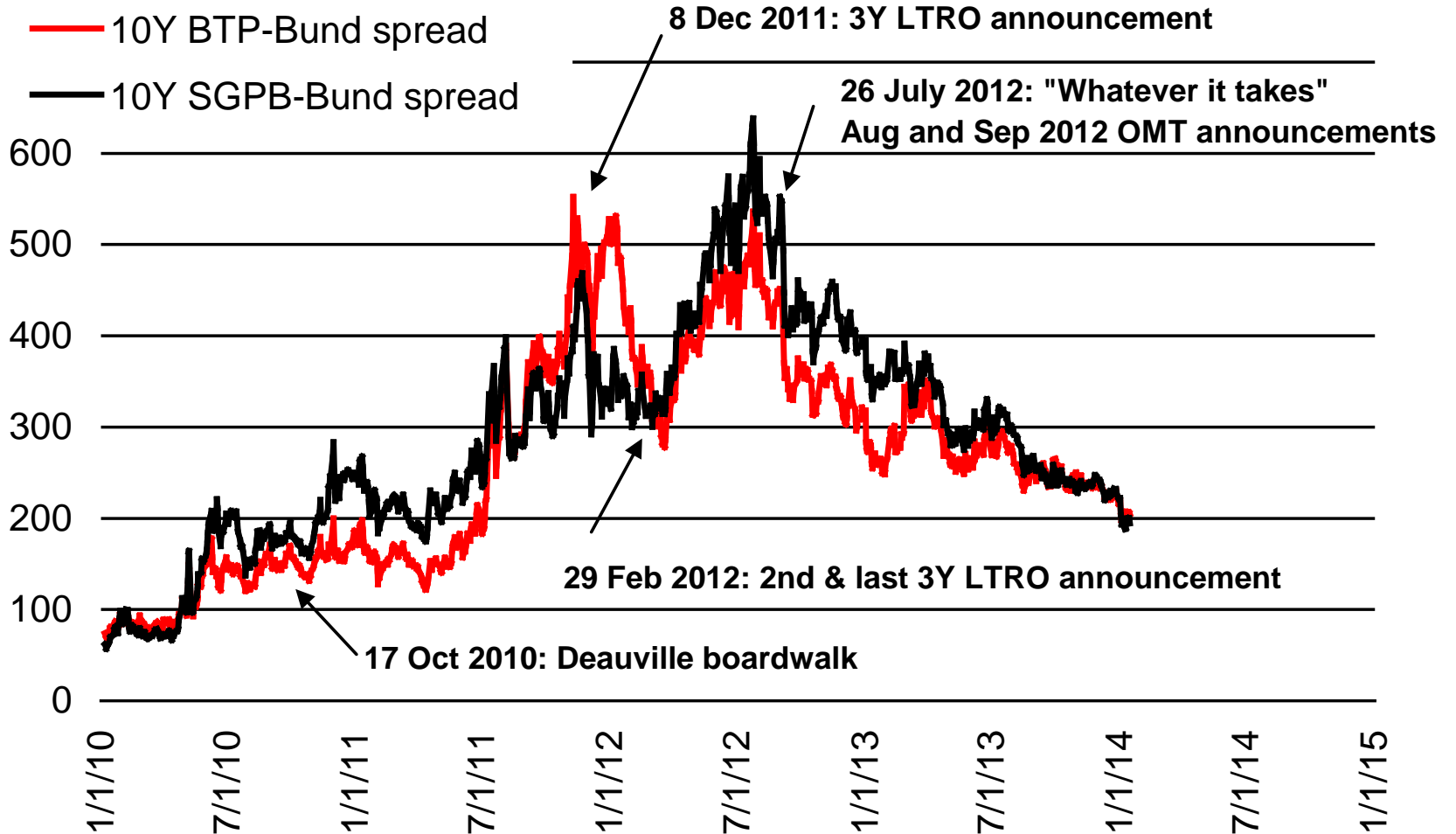
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## Yes for Periphery



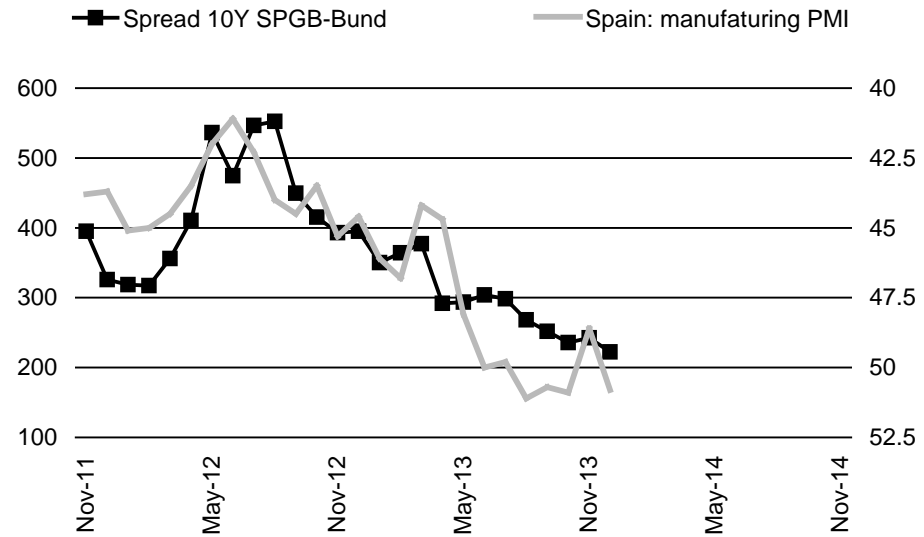
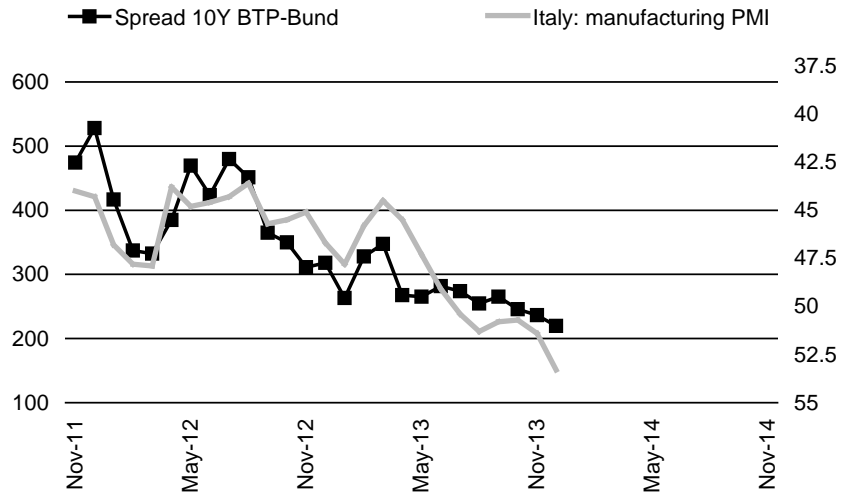
source: UniCredit Research / Bloomberg

## Pro EUR investment awarded



source: UniCredit Research / Bloomberg

## Periphery - not only depending on Domestic Banks



source: UniCredit Research / Bloomberg

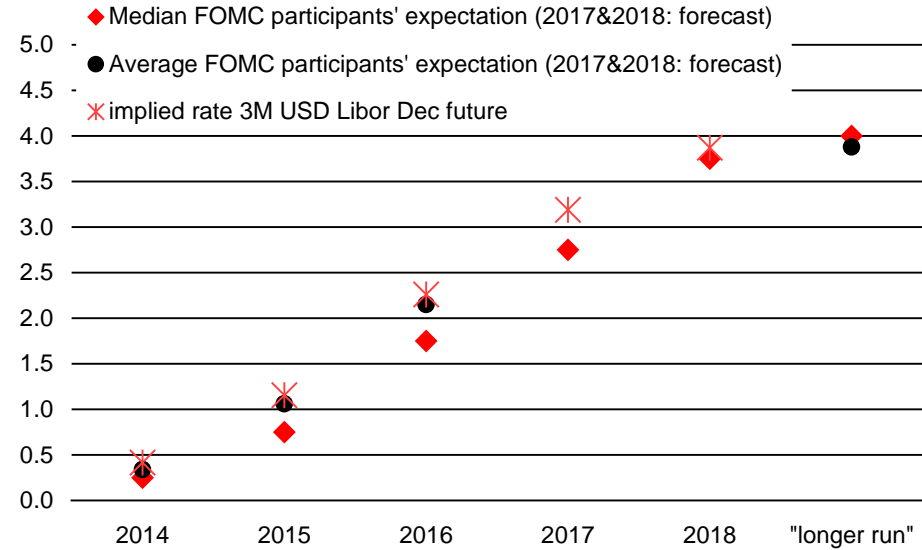
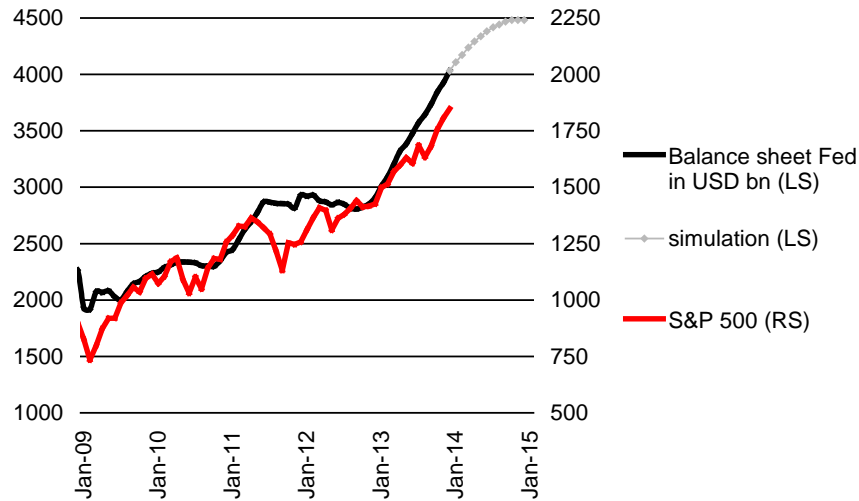


## Unicredit forecasts

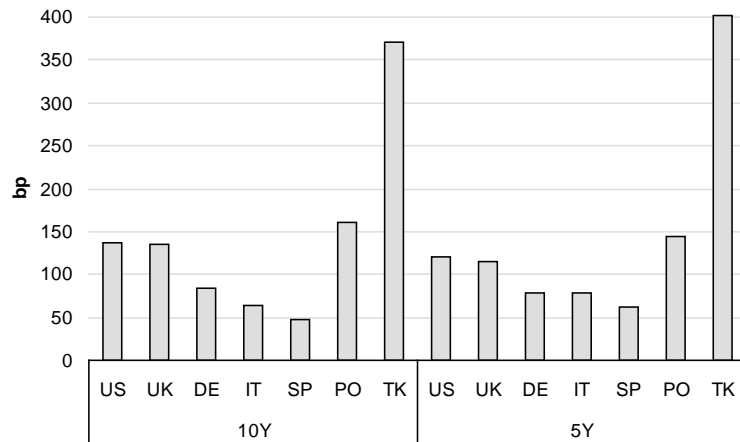
EU	Current	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Key rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50
3M	0.28	0.20	0.20	0.25	0.25	0.25	0.30	0.60	0.70
2Y	0.21	0.20	0.30	0.40	0.55	0.75	1.00	1.35	1.65
5Y	0.88	0.85	1.00	1.15	1.35	1.60	1.90	2.15	2.35
10Y	1.89	1.95	2.15	2.35	2.50	2.70	2.90	3.05	3.20
30Y	2.76	2.85	3.05	3.25	3.40	3.50	3.60	3.75	3.80
2/10	168	175	185	195	195	195	190	170	155
2/5/10	-35	-45	-45	-45	-35	-25	-10	-10	-15
10/30	87	90	90	90	90	80	70	70	60
2Y SwSp	33	30	25	25	25	20	20	20	20
10Y SwSp	27	20	20	20	15	15	15	15	15
10Y BTP/bund	200	225	200	190	180	170	160	155	150

source: UniCredit Research / Bloomberg

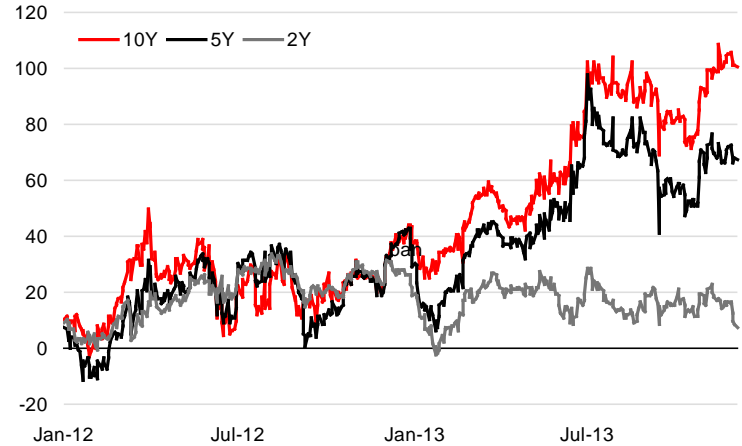
## FED Tapering and Forward Guidance



### Fed tapering: Impact on other FI Markets

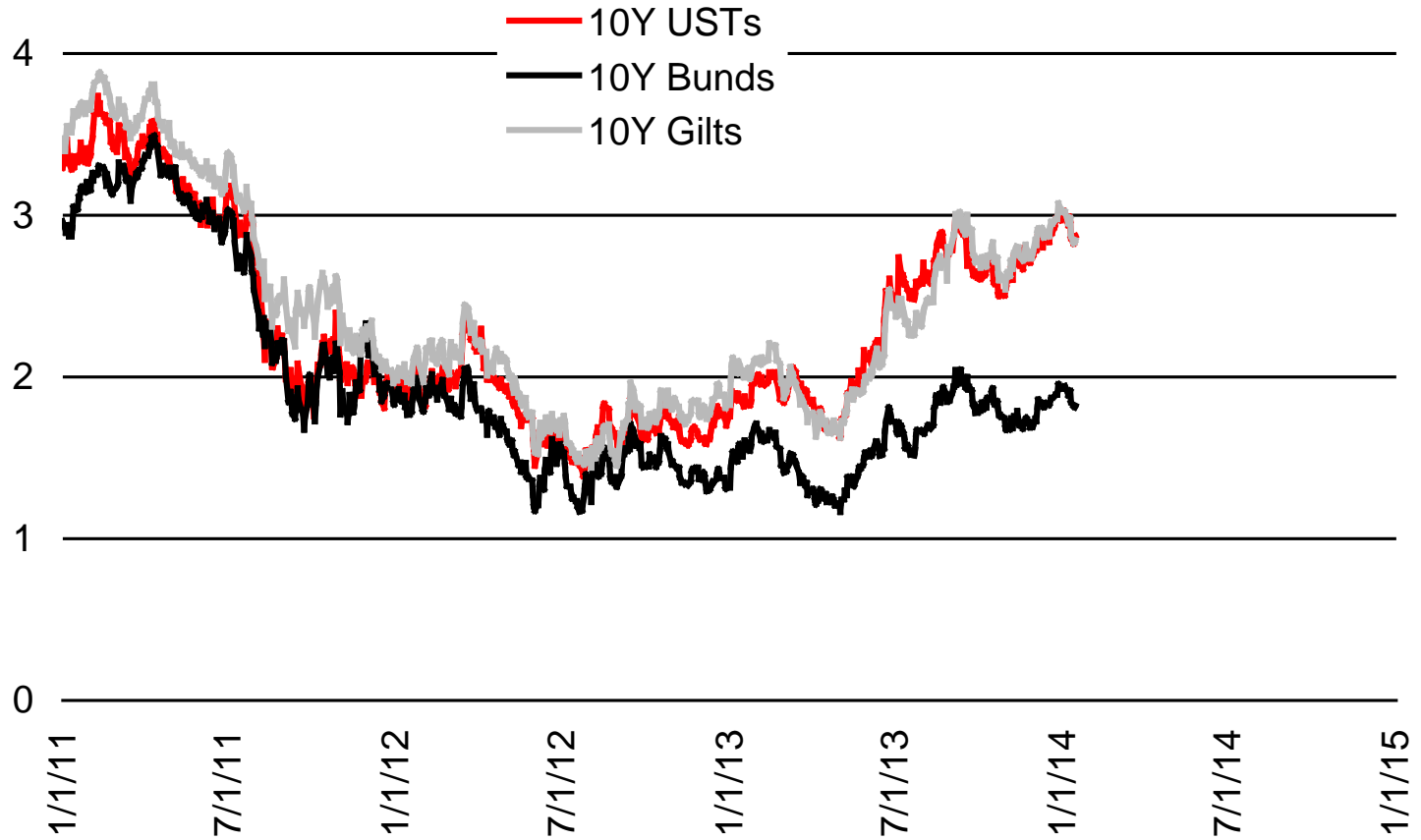


### UST vs. Bunds – Recent spread performance



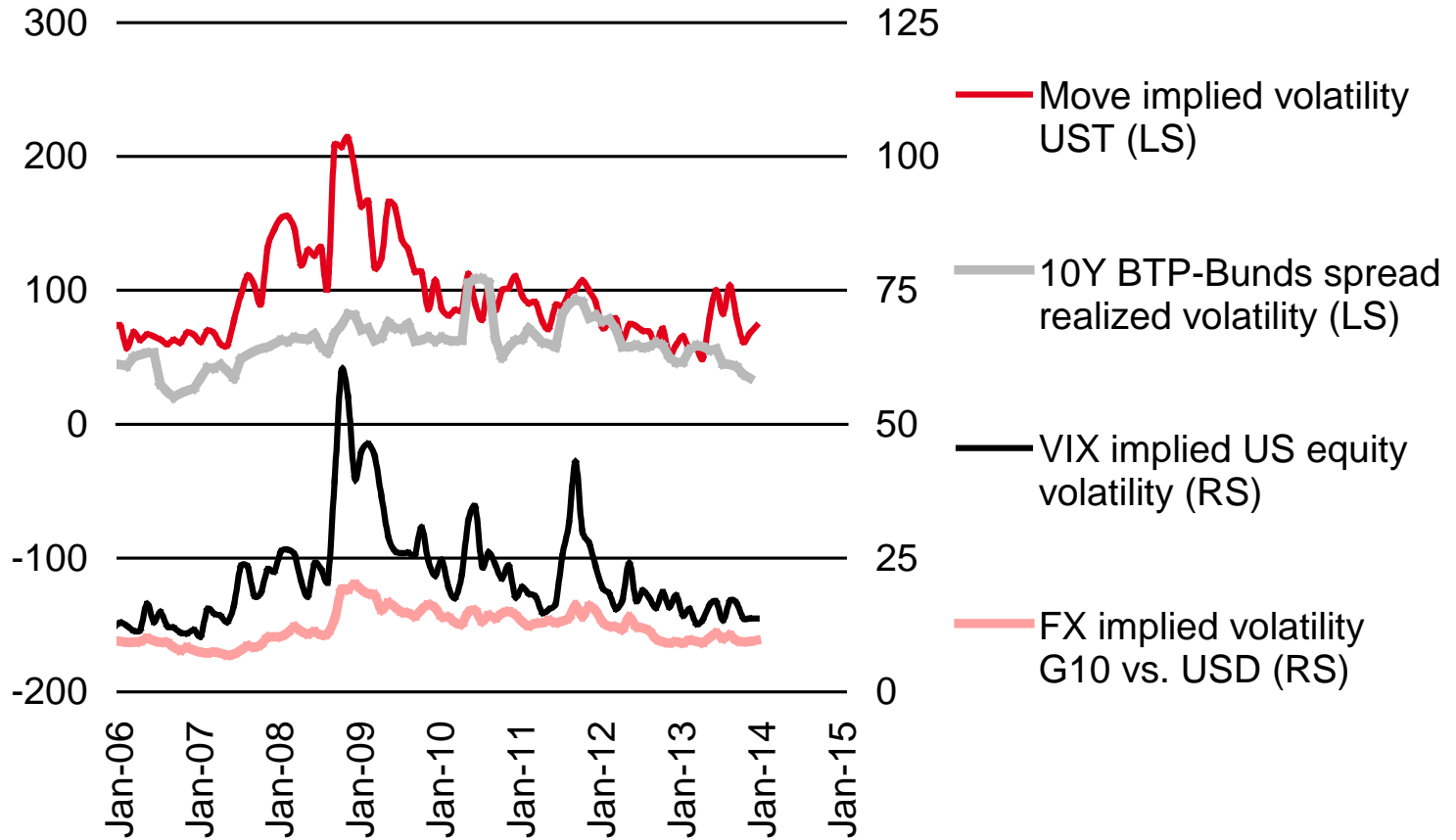
source: UniCredit Research / Bloomberg

## UST - further Decoupling ?



source: UniCredit Research / Bloomberg

## Core / Risk - What will be more volatile ?



source: UniCredit Research / Bloomberg

## Further Regulatory Effects on Market and Liquidity ?

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- Holding Period Limitations
- Short Selling Restrictions
- Mifid and Transparency
- FTT

## Topics for discussion

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- Economic uptrend sustainable ?
- Efficiency of Central Bank Guidance
- Political and Regulatory Risks
- Market Liquidity