

Press release

Belgrade, December 15th 2017.

Outlook 2018: UniCredit Research expects solid growth, higher yields and stronger euro

- 2018 is likely to be another year of strong global economic growth, by about 3.9%
- The eurozone GDP should grow by about 2.3%
- Central banks' monetary policies will be only marginally less accommodative
- EUR/USD will soon resume its upward trend, ending next year around 1.25

Erik F. Nielsen, UniCredit Chief Economist and Global Head of CIB research says: "We expect 2018 to be a year of solid growth, higher yields and a stronger euro. With key central banks' monetary policies only marginally less accommodative, we see further upside for risky asset classes, particularly eurozone equities and emerging markets."

In the **U.S.**, economic growth will likely get a small short-term boost in 2018 from the planned tax reform, while the Fed is likely to increase interest rates three times next year. UniCredit Research expects the 10-year US Treasury bond to reach yields of 2.75% towards the end of 2018.

The **eurozone** economy is set to continue through next year at good and well distributed growth rates of about 2.3% annualized, thereby continuing to close the output gap and generate a moderate upward drift in core inflation.

But headline inflation will remain below the ECB's target for the whole forecast horizon (2018-2019), and for this reason net asset purchases will probably continue until the end of 2018, with the forward guidance on interest rates likely to remain in place.

In this context, the Global Economic Outlook sees 10-year Bund yields to end 2018 around 0.80%, caught between an upward pull from the US, continued ECB purchases and strong eurozone growth amid low inflation.

UniCredit Research expects the **EUR/USD** to resume its upward trend, ending next year around the fair-value estimate of 1.25.

UniCredit Research 2018 forecasts are based on an assumption that the recent increase in oil prices will stay with us for several months, but that the tensions in the Middle East will not lead to measurable supply shocks. As a result, the report forecasts a gradual decline in **oil prices** starting next spring, back to the USD 55-60/bbl range. The report also notes that the recent elevation of tensions between Saudi Arabia and Iran presents the single greatest short-term risk to the forecasts.