



Macro & Markets Weekly

25 October 2024

Macroeconomic Analysis & Strategy

Macro & Markets Weekly

USTs likely to remain under pressure ahead of presidential election

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This will be the last edition of Macro & Markets Weekly before the US election on 5 November. In case you missed it, we published a special analysis of the expected impact of the election on the economic outlook and markets: [UniCredit Macro & Markets Weekly – US Election Special: Policy Agendas and Market Implications](#). We will take a break from publishing the Macro & Markets Weekly to focus on preparing our 2025 outlook.

This week, eurozone PMIs signaled ongoing weakness in economic activity, while in Germany the Ifo index rose for the first time since April. ECB rhetoric was dovish, indicating further rate cuts lie ahead as risks to inflation and growth shift. However, a 50bp cut in December remains unlikely. The IMF broadly confirmed its global growth forecast for this year and the next at an underwhelming 3.2%, with upward revisions to US numbers offsetting downward revisions for the eurozone. USTs came under selling pressure due to the increased likelihood of a Trump victory in the US presidential election. EGBs outperformed USTs, especially at shorter tenors, in light of weak PMIs and ECB rhetoric. Stock markets traded without a clear direction, reflecting how close the election race is in the US and mixed corporate earnings. Corporate seniors widened slightly this week, while higher-beta credit tightened. EUR-USD rebounded after dropping below 1.08 and USD-JPY broke back above 150. In CEE, the CZK steadied, while the PLN and the HUF fell further.

- **Macro:** In the eurozone, GDP probably rose by a modest 0.2% qoq in 3Q24 (due on Wednesday), while headline and core inflation likely moved in opposite directions in October, to 1.9% yoy and 2.6% respectively (Thursday). In the US, 3Q24 GDP likely expanded by a solid annualized 2.8% (Wednesday), whereas one-off factors likely limited an increase in October nonfarm payrolls to 100k (Friday). Core PCE inflation probably rose by 0.3% mom in September (Thursday).
- **FI:** Healthy US GDP for 3Q and accelerating PCE inflation may keep USTs under selling pressure, with risks to the upside if the likelihood of a Trump victory rises. Euro area data should point to sluggish economic performance, posing no threat to EGBs.
- **FX:** Eurozone CPI and US labor data might offer a cushion, but the EUR-USD outlook remains weak. The JPY will likely stay on offer after the election in Japan and ahead of a probably steady BoJ meeting outcome. A tough UK budget for 2025 might weigh on sterling. CEE currencies will likely be driven by global factors in the run up to the US election.
- **Equities:** We are increasing our 2024 year-end index targets for the S&P 500 to 6,000 (from 5,500) and for the Nasdaq 100 to 21,000 index points (from 19,500).
- **Credit:** Banks have so far reported constructive 3Q24 results, which support their tight credit valuations. In the near term, we expect to see limited spread-tightening potential for bank seniors from current levels.

Markets at a glance

	Current	Total return (%)					
Equities	Price	1M	3M	6M	12M	YTD	QTD
MSCI World (USD)	3,707	0.4	6.6	13.2	36.4	18.9	-0.4
MSCI EM (USD)	1,135	-0.1	6.2	12.3	26.7	13.6	-3.1
S&P 500	5,810	1.6	8.0	15.9	40.8	23.2	0.9
Nasdaq Composite	18,415	1.9	7.4	18.4	44.8	23.4	1.3
Euro STOXX 50	4,930	0.3	2.7	1.8	25.1	12.4	-1.3
DAX	19,427	2.7	6.2	8.4	30.5	16.0	0.5
MSCI Italy	90.83	2.3	3.6	5.3	34.7	21.4	1.9

Rates (government bonds)	Yield (%)	1M	3M	6M	12M	YTD	QTD
1-3Y US	4.07	-0.6	1.6	3.7	6.1	3.6	-0.5
7-10Y US	4.20	-2.8	1.5	6.2	10.4	1.2	-2.8
1-3Y Germany	2.10	0.2	1.5	2.8	4.2	2.4	0.1
7-10Y Germany	2.28	-0.3	2.0	4.6	7.7	0.5	-0.8
1-3Y Italy	2.58	0.3	1.8	3.3	5.9	3.2	0.2
7-10Y Italy	3.49	0.9	3.9	6.8	16.3	5.7	0.2

Credit	OAS (bp)	1M	3M	6M	12M	YTD	QTD
iBoxx Non-Financials (EUR)	88	0.6	2.3	4.5	9.6	3.4	0.3
<i>iBoxx Non-Financials Sen (EUR)</i>	<i>84</i>	<i>0.6</i>	<i>2.3</i>	<i>4.5</i>	<i>9.5</i>	<i>3.3</i>	<i>0.3</i>
<i>iBoxx Non-Financials Sub (EUR)</i>	<i>195</i>	<i>0.8</i>	<i>2.7</i>	<i>4.7</i>	<i>13.2</i>	<i>6.6</i>	<i>0.7</i>
iBoxx Financials (EUR)	99	0.7	2.6	5.1	10.8	5.1	0.4
<i>iBoxx Financials Sen (EUR)</i>	<i>89</i>	<i>0.7</i>	<i>2.5</i>	<i>4.9</i>	<i>10.4</i>	<i>4.8</i>	<i>0.4</i>
<i>iBoxx Financials Sub (EUR)</i>	<i>156</i>	<i>0.8</i>	<i>3.1</i>	<i>5.8</i>	<i>13.5</i>	<i>6.7</i>	<i>0.6</i>
iBoxx High Yield NFI (EUR)	300	0.7	2.5	4.6	12.3	5.6	0.6
EM hard currency* (USD)	232	-1.1	3.3	7.2	17.3	6.7	-1.4

	Current	Price change (%)					
Commodities	Price	1M	3M	6M	12M	YTD	QTD
Oil (Brent, USD bbl)	74.6	1.5	-9.4	-16.2	-17.2	-3.2	3.9
Gold (USD oz)	2,719	2.3	15.0	16.6	37.3	31.8	3.2
Bloomberg Commodity Index	99	-0.9	2.5	-3.7	-5.5	0.6	-1.1

Exchange rates	Price	1M	3M	6M	12M	YTD	QTD
EUR-USD	1.08	-2.8	-0.2	0.9	2.4	-1.9	-2.8
EUR-GBP	0.83	0.2	1.2	2.8	4.6	3.9	-0.2
EUR-CHF	0.94	0.9	1.9	4.3	1.0	-1.0	0.4
EUR-JPY	164.45	-2.0	1.5	1.6	-3.5	-5.3	-2.7
EUR-NOK	11.83	-0.5	1.2	-0.6	0.0	-5.2	-0.8
EUR-SEK	11.45	-0.9	2.6	2.0	2.9	-2.7	-1.2
<i>EUR TWI</i>	<i>97.20</i>	<i>1.0</i>	<i>3.0</i>	<i>2.1</i>	<i>0.2</i>	<i>0.4</i>	<i>0.0</i>
EUR-PLN	4.35	-1.9	-1.6	-0.9	2.8	-0.2	-1.6
EUR-HUF	404.02	-2.2	-2.9	-2.8	-4.8	-5.1	-1.7
EUR-CZK	25.24	-0.3	0.5	-0.4	-2.1	-2.1	-0.1
EUR-RON	4.97	0.0	-0.1	0.1	-0.2	0.0	0.1
EUR-TRY	37.17	2.3	-3.5	-5.9	-20.0	-12.5	2.5
EUR-RUB	104.85	-2.0	-12.1	-5.5	-5.5	-4.4	-1.2

Returns are shown in domestic currency *Bloomberg Index
Prices on 25 October 2024 at 11:00 CET

Source: S&P Global, Bloomberg, UniCredit Group Investment Strategy

Major data releases and economic events of the week ahead

Date 26 Oct - 01 Nov 2024	Time (CET)	Country	Indicator/Event	Period	UniCredit estimates	Consensus (Bloomberg)	Previous
Mon, 28 Oct	15:30	US	Dallas Fed Manuf. Activity (index)	Oct		-9.0	-9.0
Tue, 29 Oct	08:00	GE	GfK Consumer Confidence	Nov	-18.0	-20.5	-21.2
	10:30	UK	Mortgage Approvals (thousands)	Sep			64.9
	14:00	US	S&P/Case-Shiller Home Price Index (% mom)	Aug			0.3
	15:00	US	JOLTS Job Openings (thousands)	Sep	8000	7900	8040
	15:00	US	Conference Board Consumer Confidence	Oct		98.8	98.7
Wed, 30 Oct	07:30	FR	Household Consumption (% mom)	Sep	0.1		0.2
	07:30	FR	Real GDP (% qoq)	3Q	0.4	0.2	0.2
	08:30	HU	Real GDP (% yoy)	3Q	0.7	0.6	1.5
	09:00	SP	Harmonized CPI (% yoy)	Oct	1.6		1.7
	09:00	SP	Real GDP (% qoq)	3Q	0.8	0.6	0.8
	09:00	CZ	Real GDP (% qoq)	3Q	0.5	0.5	0.4
	09:00	SZ	KOF Leading Indicator	Oct	106.0	105.0	105.5
	09:55	GE	Unemployment Rate (%)	Oct	6.0	6.1	6.0
	09:55	GE	Unemployment Change (thousands, sa)	Oct	10	15	17
	10:00	IT	Real GDP (% qoq)	3Q	0.1	0.3	0.2
	10:00	GE	Real GDP (% qoq)	3Q	0.0	-0.1	-0.1
	10:30	PO	Real GDP (% qoq)	3Q	0.2		0.1
	11:00	EMU	European Commission Economic Sentiment (index)	Oct	95.5	96.3	96.2
	11:00	EMU	Real GDP (% qoq)	3Q	0.2	0.2	0.2
	13:15	US	ADP Employment Index (change thousands mom)	Oct	100	98	143
	13:30	US	Real GDP (% qoq annualized)	3Q	2.8	3.0	3.0
	13:30	UK	UK Autumn Budget				
	14:00	GE	Consumer Price Index, CPI (% yoy)	Oct	1.8	1.9	1.6
	15:00	US	Pending Home Sales (% mom)	Sep			0.6
Thu, 31 Oct		JP	BoJ announces Key Rate (%)	Oct		0.25	0.25
	00:50	JP	Industrial Production (% mom)	Sep		0.8	-3.3
	02:30	CH	Non-manufacturing PMI (index)	Oct		50.5	50.0
	02:30	CH	Manufacturing PMI (index)	Oct		50.1	49.8
	08:45	FR	Consumer Price Index, CPI (% yoy)	Oct	1.0	1.1	1.1
	10:00	PL	Consumer Price Index, CPI (% yoy)	Oct	5.0	5.0	4.9
	10:00	IT	Unemployment rate (%)	Sep	6.1	6.2	6.2
	11:00	IT	Consumer Price Index, CPI (% yoy)	Oct	0.8	0.9	0.7
	11:00	EMU	Core CPI (% yoy)	Oct	2.6	2.6	2.7
	11:00	EMU	Consumer price index, CPI (% yoy)	Oct	1.9	1.9	1.7
	11:00	EMU	Unemployment Rate (%)	Sep	6.5	6.4	6.4
	13:30	US	PCE Core Inflation (% yoy)	Sep	2.6	2.6	2.7
	13:30	US	PCE Core Inflation (% mom)	Sep	0.3	0.3	0.1
	13:30	US	Personal Expenditure (% mom)	Sep	0.4	0.4	0.2
	13:30	US	Personal Income (% mom)	Sep	0.3	0.4	0.2
	13:30	US	Employment Cost Index (% qoq)	3Q	0.9	0.9	0.9
Fri, 01 Nov	08:30	SZ	Consumer Price Index, CPI (% yoy)	Oct	0.8	0.8	0.8
	09:30	SZ	Manufacturing PMI (index)	Oct	49.5	49.5	49.9
	13:30	US	Non-farm Payrolls (change thousands mom)	Oct	100	120	254
	13:30	US	Unemployment Rate (%)	Oct	4.2	4.1	4.1
	13:30	US	Average Hourly Earnings (% mom)	Oct	0.3	0.3	0.4
	15:00	US	Construction Spending (% mom)	Sep		0.0	-0.1
	15:00	US	ISM Manufacturing Index	Oct	47.5	47.6	47.2

Source: Bloomberg, UniCredit Group Investment Strategy

Macro overview

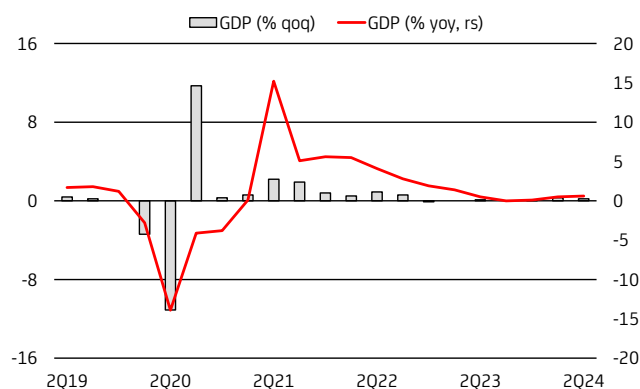
MAJOR EVENTS AND DATA RELEASES OF THE WEEK

UK AUTUMN BUDGET (30 OCTOBER)

- On 30 October, UK Chancellor Rachel Reeves will deliver her Autumn Budget, which will be the new Labour government's first fiscal event. Judging from media reports, the budget will have two main themes: **1.** significant tax rises and spending cuts to fill a reported GBP 40bn shortfall in meeting the Ms. Reeves's "golden rule" of balancing day-to-day spending with tax revenues and **2.** a tweak to the government's fiscal rule on debt to provide more headroom to increase public investment.
- The GBP 40bn (about 1.5% of GDP) shortfall is made up of three parts. First, the UK Treasury claimed it found a "black hole" (an overspend) in departmental spending of GBP 22bn for this fiscal year (more than half of this is due to the new government's accepting higher pay recommendations of public-sector pay boards). Second, it includes the funding needed to protect key government departments from real term spending cuts beyond the current fiscal year. Third, Ms. Reeves wants to build up a buffer for the remainder of the current parliamentary term to defend against shocks and meet her "golden rule" of balancing day-to-day spending with tax revenues by the fifth year of the projection. According to media reports, Ms. Reeves is considering raising employers' National Insurance, capital gains tax and inheritance tax and freezing tax brackets through 2028.
- Ms. Reeves is likely to tweak her second fiscal rule, which was to get the public-sector net debt (PSND) as a share of GDP falling between the fourth and fifth year of the projection. In her speech at the Labour party conference in September, she suggested that the fiscal rule should recognize the benefits of investment as well as the costs. One option is to use public-sector net financial liabilities, which are a broader measure of indebtedness than PSND, as the former include a range of future liabilities while leaving out assets from which the government anticipates it will receive a financial return (such as university tuition fees). This would likely give Ms. Reeves more headroom to increase public investment. In our view, this would be a welcome move, given the UK's chronic underinvestment and resulting low productivity growth.

EUROZONE

EXPANSION LIKELY CONTINUED AT A SLOW PACE



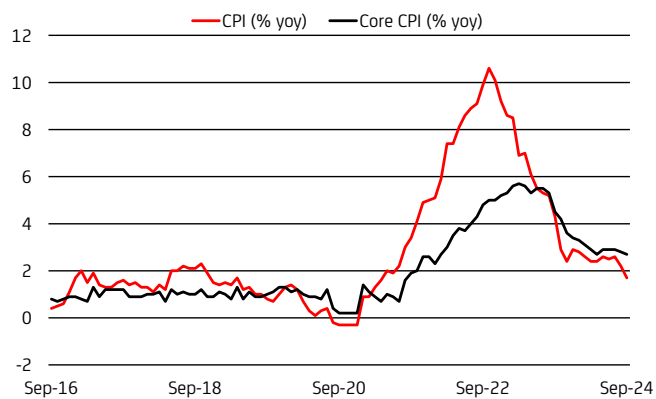
Wed, 30 Oct, 11:00 CET	UniCredit	Consensus	Last
Real GDP (% qoq)	3Q	0.2	0.2

- GDP likely rose by 0.2% qoq in 3Q24, which would be the same pace as in the previous quarter, confirming that growth remains stuck in a low gear.
- We think that industrial and construction activity continued to weigh on overall output, leaving the service sector as the only driver of growth. On the demand side, private consumption might have expanded slightly, while fixed investment likely remained weak, if not for a possible technical rebound in the volatile intellectual-property component. Net exports likely acted as a drag.
- The near-term outlook is clouded by weak sentiment among firms and households amid subdued demand and high uncertainty.

Source: Bloomberg, UniCredit Group Investment Strategy

EUROZONE (CONTINUED)

HEADLINE INFLATION LIKELY REMAINED BELOW 2%

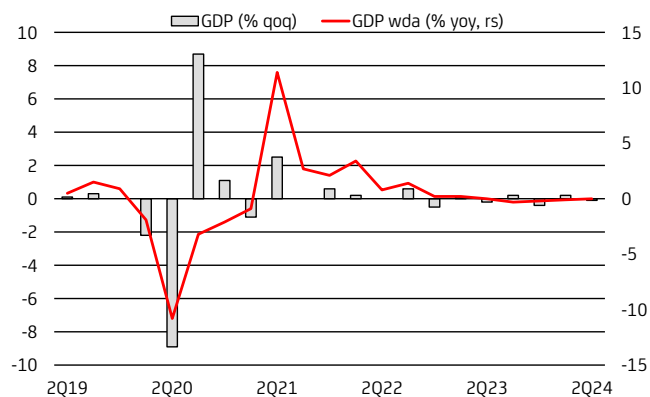


Thu, 31 Oct, 11:00 CET		UniCredit	Consensus	Last
Core CPI (% yoy)	Oct	2.6	2.6	2.7
CPI (% yoy)	Oct	1.9	1.9	1.7

- We expect headline inflation to have risen to 1.9% yoy in October, from the previous 1.7%. Such an increase is likely to be explained by energy prices, largely due to a base effect.
- Core inflation probably eased slightly further, to 2.6% yoy. Service-price inflation should be monitored closely after the slowdown recorded in September. Further progress here would signal a broadening of the disinflation process.
- Headline inflation is likely to rise temporarily above 2% in November-December before easing again next year.

GERMANY

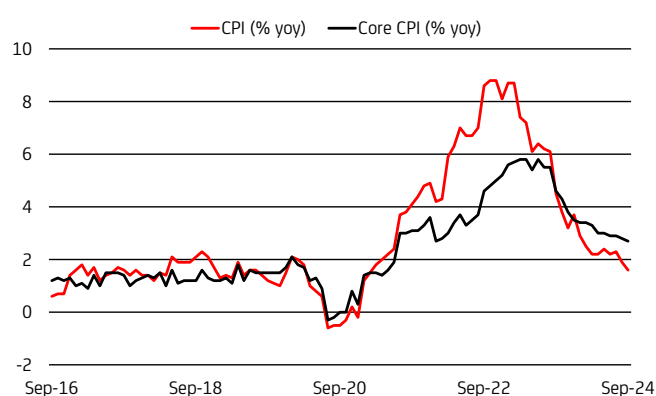
GDP IS LIKELY TO HAVE STAGNATED



Wed, 30 Oct, 10:00 CET		UniCredit	Consensus	Last
Real GDP (% qoq)	3Q	0.0	-0.1	-0.1

- We have revised downward our GDP forecast for 3Q24, to flat development from +0.1% qoq previously (2Q24: -0.1%).
- On the expenditure side, private consumer expenditures likely expanded markedly, as signaled by a strong rise in retail sales in July/August (the latest date for which data are available). Both construction investment and net exports probably weighed on overall economic activity.

HEADLINE INFLATION LIKELY ROSE SLIGHTLY



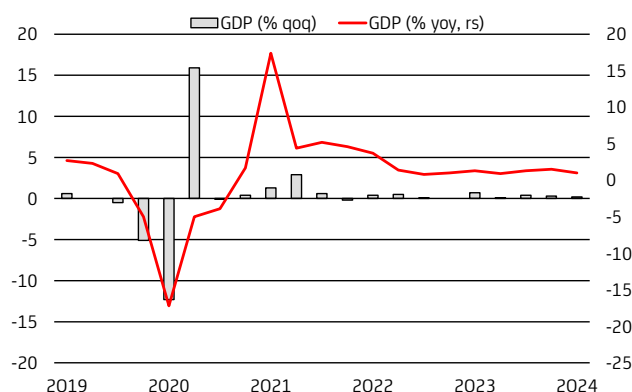
Wed, 30 Oct, 14:00 CET		UniCredit	Consensus	Last
CPI (% yoy)	Oct	1.8	1.9	1.6

- We expect headline inflation, largely driven by energy prices, to show a rise to 1.8% yoy in October, after it was at 1.6% in the previous month.
- The core rate is likely to have eased slightly further, to 2.6% yoy (from 2.7%). This would be its lowest rise since June 2021.
- Barring any downward pressure on energy prices, headline inflation is likely to rise further in the remainder of the year, probably even rising slightly above 2% in December, before it starts to decline again from the start of 2025.

Source: Bloomberg, UniCredit Group Investment Strategy

FRANCE

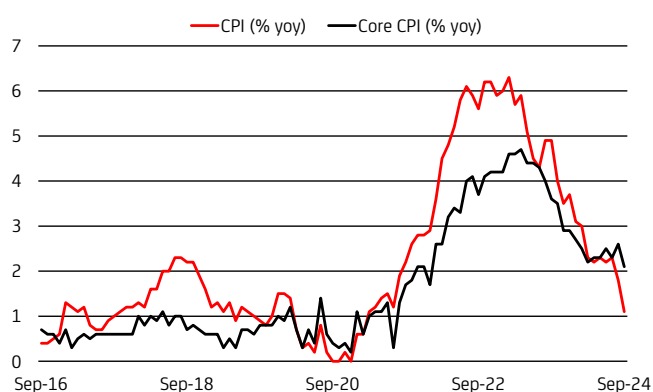
PARIS OLYMPICS LIKELY BOOSTED GDP GROWTH



Wed, 30 Oct, 7:30 CET		UniCredit	Consensus	Last
Real GDP (% qoq)	3Q	0.4	0.2	0.2

- GDP likely increased by 0.4% qoq in 3Q24, partly reflecting an effect from the Paris Olympics, which lifted the production of recreational services.
- Upside risks to our forecast are associated with a stronger-than-expected performance of industrial activity (up by 0.7% in July-August over the 2Q average) and are likely to have been offset by growing political uncertainty.
- Business surveys point to a loss of GDP momentum in 4Q24 as the factors that boosted service activity in the summer fade.

INFLATION LIKELY TO HAVE HIT 1.0% IN OCTOBER

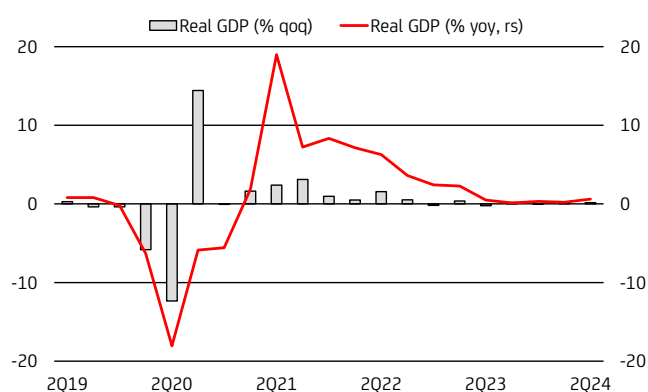


Thu, 31 Oct, 8:45 CET		UniCredit	Consensus	Last
CPI (% yoy)	Oct	1.0	1.1	1.1

- French inflation is likely to have edged downward by 0.1pp, to 1.0% yoy, in October. This would be its lowest reading since February 2021.
- While energy-price inflation is likely to have continued to ease, a decline in overall inflation will probably mainly reflect a further moderate decline in core inflation.
- We expect inflation to remain broadly stable or to rise slightly until the end of the year.

ITALY

GDP LIKELY EXPANDED MODESTLY



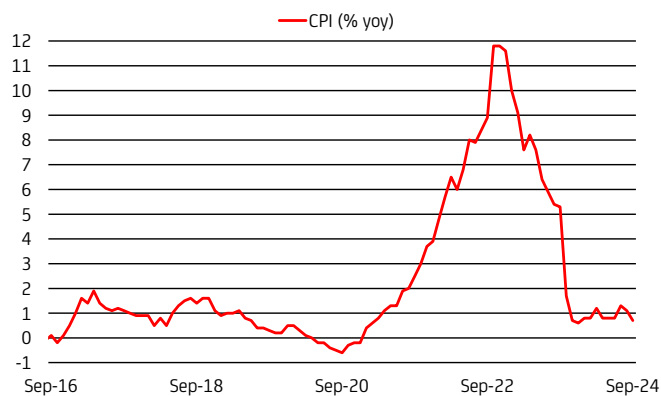
Wed, 30 Oct, 10:00 CET		UniCredit	Consensus	Last
Real GDP (% qoq)	3Q	0.1	0.3	0.2

- We expect GDP to have expanded modestly in the third quarter, by 0.1% qoq, which would be slightly weaker than we initially expected.
- The value added of industry is likely to have acted as a drag, while service activity provided a positive contribution, although one that was likely more contained than in 2Q24. Industrial output probably contracted in 3Q24, showing a sixth consecutive decline, while construction activity is likely to have been subdued.
- Domestic demand, and especially private consumption, is likely to have been the main growth driver, while net exports probably acted as a drag.

Source: Bloomberg, UniCredit Group Investment Strategy

ITALY (CONTINUED)

CPI INFLATION IS LIKELY TO HAVE EDGED UPWARD SLIGHTLY

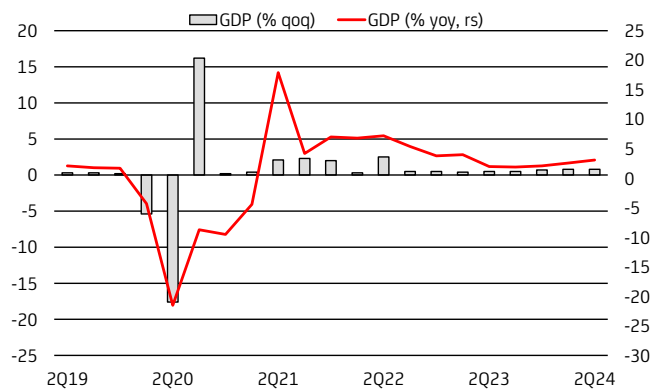


Thu, 31 Oct, 11:00 CET	UniCredit	Consensus	Last	
CPI (% yoy)	Oct	0.8	0.9	0.7

- We expect CPI inflation to have edged upward slightly in October, to 0.8% yoy.
- Energy prices remain very volatile, and their decline probably moderated again at the beginning of 4Q24. Such moderation would probably be due to a recovery in fuel prices in October, after they were significantly down in September, as well as due to an increase in electricity prices. Core inflation is likely to have broadly stabilized.
- We expect CPI inflation to move above 1% yoy in the final months of the year, mainly due to a base effect.

SPAIN

SPAIN'S GDP LIKELY CONTINUED TO GROW AT A STRONG PACE



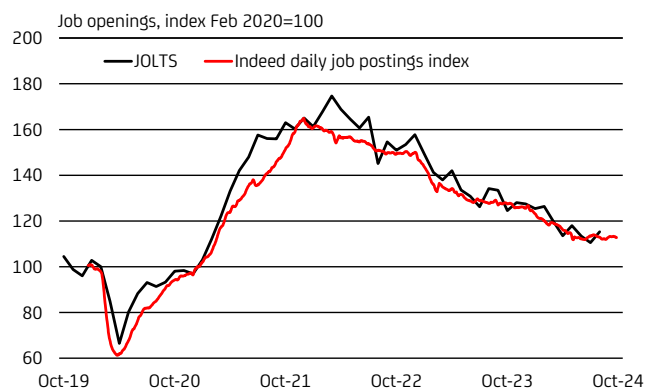
Wed, 30 Oct, 9:00 CET		UniCredit	Consensus	Last
Real GDP (% qoq)	3Q	0.8	0.6	0.8

- Spanish GDP growth is likely to have expanded by about 0.8% qoq in 3Q24, a pace similar to that which was recorded in the second quarter.
- While Spanish PMIs indicated some loss of momentum, hard data point to resilient GDP growth in the third quarter due to acceleration in private consumption.
- The contribution from net exports is likely to have been lower than in the previous quarter (when they contributed 0.5pp to GDP growth) due to weaker export growth and stronger import growth.

Source: Bloomberg, UniCredit Group Investment Strategy

US

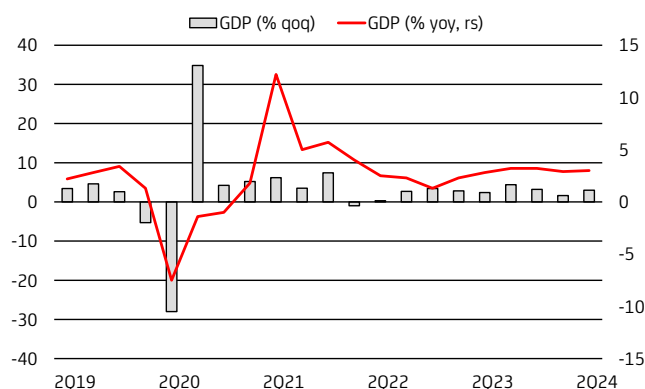
JOLTS JOB OPENINGS LIKELY LITTLE CHANGED



Tue, 29 Oct, 15:00 CET		UniCredit	Consensus	Last
JOLTS Job Openings (thousands)	Sep	8000	7900	8040

- We expect JOLTS to show a slight decline in job openings in September, to 8,000k from 8,040k in the prior month. The timelier and smoothed daily job posting index compiled by Indeed has recently trended sideways (see chart).
- The ratio of JOLTS job openings to unemployed persons likely rose in September to 1.17 but remained below its pre-pandemic (February 2020) level of 1.22. The JOLTS quits rate, a leading indicator of labor-market tightness, likely continued to fall.

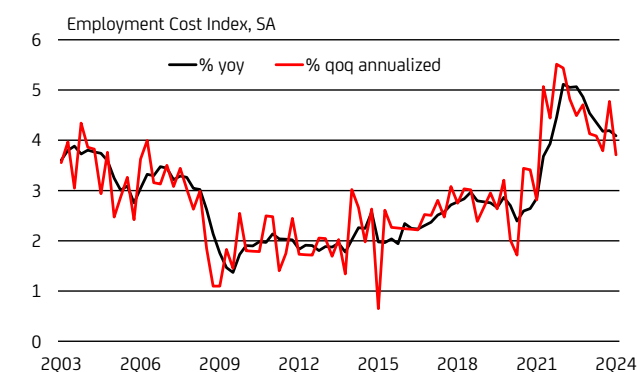
GDP GROWTH WAS LIKELY STRONG IN 3Q



Wed, 30 Oct, 13:30 CET		UniCredit	Consensus	Last
Real GDP (% qoq)	3Q	2.8	3.0	3.0

- We expect GDP growth to amount to an annualized 2.8% qoq in 3Q24 (0.7% non-annualized). This is an upward revision from our previous forecast for 2.0% growth. The Atlanta Fed's GDPNow estimate signaled 3.4% on 18 October.
- Personal consumption likely rose by a strong annualized 3.2%, contributing 2.2pp to GDP growth. Non-residential investment and government spending likely increased, with net exports and inventories broadly flat and residential investment falling.
- We still expect personal consumption growth to slow around the turn of the year.

EMPLOYMENT COST INDEX IS LIKELY TO SHOW CONTAINED COSTS



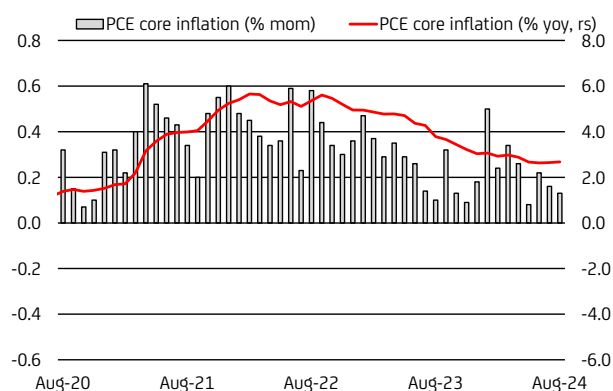
Thu, 31 Oct, 13:30 CET		UniCredit	Consensus	Last
Employment Cost Index (% qoq)	3Q	0.9	0.9	0.9

- The Employment Cost Index (ECI) is likely to show a rise of 0.9% qoq (non-annualized) in 3Q24. This would be consistent with annualized growth of about 3.7%, which would be marginally above the 3.5% that Fed officials deem consistent with meeting the 2% inflation target over time.
- Timelier indicators of wage pressure were mixed in 3Q. Average hourly earnings rose 1.0% qoq, up from 0.8% in 2Q24. The Atlanta Fed's Wage Tracker, which follows the same individuals over time, averaged 4.7% yoy in 3Q, down from 5.3% yoy in 2Q.

Source: Bloomberg, UniCredit Group Investment Strategy

US (CONTINUED)

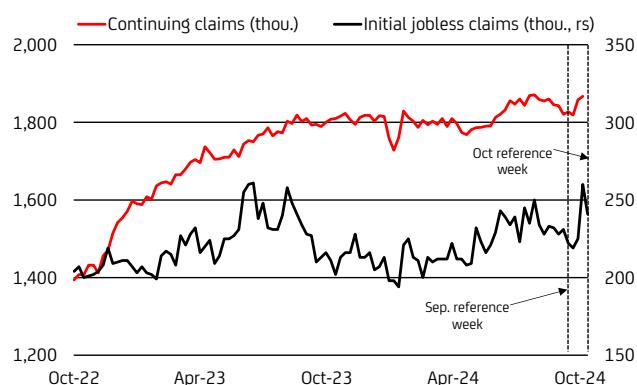
MONTHLY CORE PCE INFLATION LIKELY PICKED UP



Thu, 31 Oct, 13:30 CET		UniCredit	Consensus	Last
PCE Core Inflation (% yoy)	Sep	2.6	2.6	2.7
PCE Core Inflation (% mom)	Sep	0.3	0.3	0.1
Personal Expenditure (% mom)	Sep	0.4	0.4	0.2
Personal Income (% mom)	Sep	0.3	0.4	0.2

- We expect the core PCE deflator to show a rise of 0.3% mom (0.25% to two decimal places) in September, with the yoy rate likely easing to 2.6% from 2.7%. We would view such a pickup in the mom rate as monthly volatility after a string of lower prints. Still, this would be another reason for the Fed to slow rate cuts.
- Personal spending likely rose by a strong 0.4% mom in September, according to the strength of the control group: retail sales. Personal income probably rose by 0.3% mom.

JOBS REPORT AFFECTED BY HURRICANES AND STRIKES



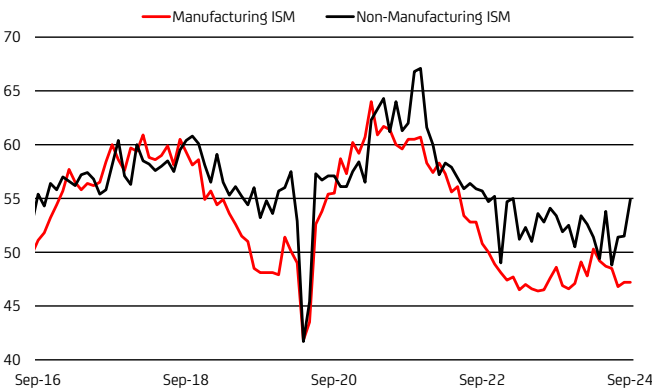
Fri, 1 Nov, 13:30 CET		UniCredit	Consensus	Last
Non-farm Payrolls (chg. thousands mom)	Oct	100	120	254
Unemployment rate (%)	Oct	4.2	4.1	4.1
Average Hourly Earnings (% mom)	Oct	0.3	0.3	0.4

- The impact of Hurricanes Helene and Milton and a strike at a large aircraft manufacturer will have temporarily weighed on October payroll data. Absences from work due to bad weather are only included in payrolls if pay is received for any part of the pay period including the 12th of the month. Workers who strike for the whole reference period (about 30k) are not counted in payroll data. We expect a rise of just 100k in nonfarm payrolls for October, but uncertainty is very high.
- The unemployment rate is likely to be less affected by the factors mentioned above, since it is compiled from a household survey, where a worker on strike for the whole reference period is counted as employed but not at work due to a labor dispute, and a worker who is absent from their job for weather-related reasons is counted as employed whether or not they received pay during the period. We expect the unemployment rate to have edged up to 4.2%.

Source: Bloomberg, UniCredit Group Investment Strategy

US (CONTINUED)

ISM MANUFACTURING INDEX IS LIKELY TO REMAIN WEAK



Fri, 1 Nov, 15:00 CET		UniCredit	Consensus	Last
ISM Manufacturing Index	Oct	47.5	47.6	47.2

- The ISM Manufacturing Index is likely to remain in contractionary territory, at 47.5, in October. Regional manufacturing surveys published so far have been mixed but point to ongoing weakness.
- Hurricanes Helene and Milton may have temporarily weighed on the production index. Underlying weakness reflects still-tight credit conditions, election-related uncertainty and subdued global growth.

Source: Bloomberg, UniCredit Group Investment Strategy

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FI Strategy

HEALTHY DATA AND INCREASING FOCUS ON ELECTIONS TO KEEP USTs UNDER PRESSURE

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UST yields have risen by more than 40bp since last payroll data...

...and the next release, due on 1 November, will be closely scrutinized albeit blurred by hurricanes

US GDP and core PCE expected to point to a strong economy

Investors focus also likely to turn to US elections

Eurozone inflation should be largely neutral

- Healthy US GDP for 3Q and accelerating PCE inflation may keep USTs under selling pressure, with risks to the upside if the likelihood of a Trump victory rises. The US job report will be highly scrutinized, but its information content may be blurred by the impact of hurricanes. Euro area data should point to sluggish economic performance, ultimately posing no threat to EGBs.
- BTPs have performed very well since Fitch improved its outlook on Italy. A carry-supportive environment and light supply into year-end (net issuance is expected to be negative by around EUR 15bn) should provide ongoing support to the BTP market. That said, the tightening of the BTP-Bund spread seen this week has outpaced the general trend in risk appetite.

Government bonds have been under selling pressure, especially in the US, since much stronger-than-expected US jobs data were published on 4 October. Since then, the 10Y UST yield has risen by around 45bp as investors have scaled back their expectations for Fed easing. Money-market forwards currently indicate that the fed funds rate may level off at around 3.75%, well above the Fed dot plot and the 3% that had been priced in before the data were released.

The October jobs report, due on 1 November, will be blurred by the impact of hurricanes, which will make it somewhat difficult to interpret it. That said, another higher-than-consensus reading will weigh on USTs. Based on the historical relationship over the past twelve months, 10Y UST yields tend to rise or fall by 1bp for every 10k surprise relative to consensus. For example, the change in September nonfarm payrolls was 254k compared to an expected 150k and this resulted in a 10bp rise in 10Y yields (comparing the closing figure on the release day with that of the day before). This relationship has become particularly strong in the last year or so.

The week will be packed with important data, which we expect to show the US economy remains robust. US GDP for 3Q should print a healthy 2.8% qoq annualized and core PCE inflation may accelerate to 0.3% mom. Signals that the economy remains healthy may foster debate with respect to how much room the Fed has to cut. We see 10Y UST yields rising towards the 4.5% area if investors start to price in a landing point of 4% for the fed funds rate (Chart 1).

On top of the data releases, investor attention is likely to increasingly turn to the US presidential election on 5 November. As Chart 2 suggests, an increasing likelihood that Donald Trump will be elected president tends to go hand in hand with higher UST yields, mainly reflecting investor concern regarding loose fiscal policy and inflation.

Looking at the euro area, investor focus should be on inflation data and GDP data for 3Q. Headline inflation is likely to post an increase relative to the previous month while remaining below 2%. The increase should be explained by energy prices, largely due to a base effect, as ECB President Lagarde warned during her press conference, and this should keep the market reaction relatively muted. We expect GDP data to point to sluggish economic performance, ultimately posing no threat to EGBs.

CHART 1: 10Y UST YIELD AND NFP SURPRISES

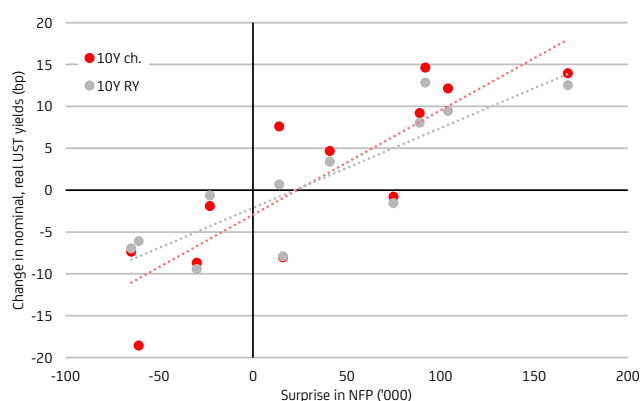
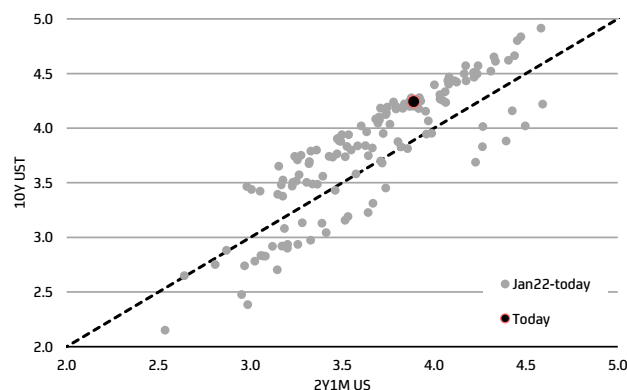


CHART 2: 10Y UST YIELD AND EXPECTED SHORT TERM RATES



Source: Bloomberg, UniCredit Group Investment Strategy

Macroeconomic Analysis & Strategy

BTPs have performed strongly over the past week...

BTPs have performed well recently, with the 10Y BTP-Bund spread tightening to 120bp and the 10Y spread to OATs tightening to around 45bp. The positive performance reflects Fitch's decision to improve its rating outlook on Italy (and to some extent the relative improvement compared to France, whose rating outlook was changed to negative the previous week) as well as the general market environment characterized by expectations of falling ECB rates and appetite for carry.

...with Italy receiving record bids for its dual syndicated tranche

In this favorable market environment, Italy issued EUR 10bn of a new 7Y BTP Nov31 and tapped the 30Y BTP Oct54 for EUR 3bn, via a dual-tranche syndication. Demand was exceptionally strong, with books closing in excess of EUR 200bn. Supply now stands at EUR 310bn (90% of the total amount expected for the year). Net supply is expected to be negative until year end by around EUR 15bn, which should continue to support the market.

BTPs: no clear risks in the near term but tightening has outpaced general risk appetite

Chart 4 shows that demand for BTPs has outpaced the general risk appetite. The chart shows the fit from a model that explains the 10Y BTP-Bund spread based on the behavior of the iTraxx, rates volatility (S-Move index) and the STOXX Europe 600 over the last six months. The idea is that these financial variables are good proxy for general risk appetite. In turn, this is likely to be an important driver of BTPs, which are a typical high-beta asset. The chart shows that the model's fit is around 140bp, while the actual spread is almost 20bp tighter. This may reflect a structural improvement in demand for BTPs, related to the rating-risk perception.

CHART 3: USTS UNDER PRESSURE AS TRUMP GAINS GROUND

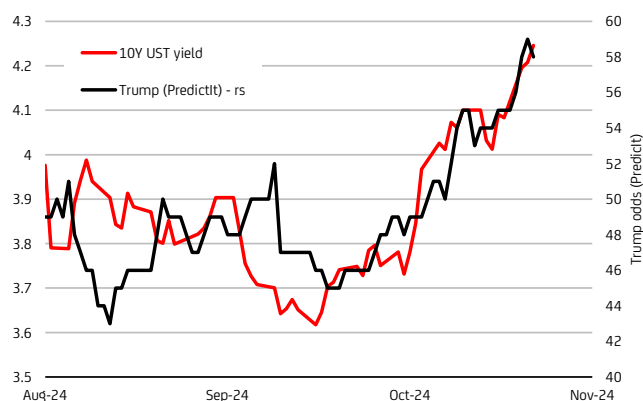
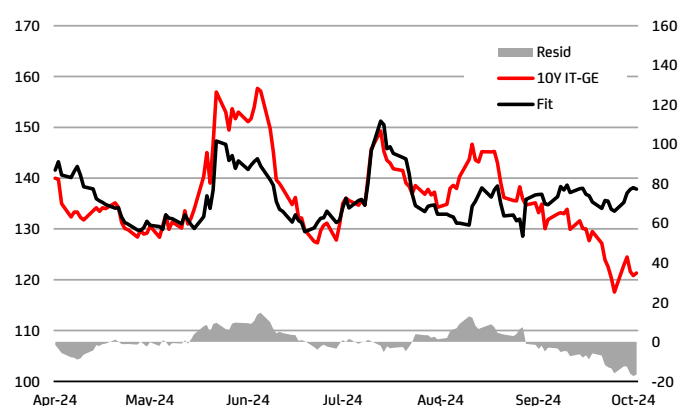


CHART 4: DEMAND FOR BTPS HAS OUTPACED GENERAL RISK APPETITE



Source: Bloomberg, UniCredit Group Investment Strategy

FX Strategy

EUR-USD REMAINS SOFT, BUT DATA RELEASES MIGHT LIMIT A HEAVIER DROP

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EUR-USD has already fallen below the key 1.08 baseline

A rise in eurozone headline CPI inflation and a less-buoyant US jobs report might provide the euro with a cushion

The UK government is set to unveil a tough 2025 budget, which might weigh on sterling

The JPY is likely to remain weak ahead of another steady BoJ meeting outcome

Foreign positioning makes the PLN more vulnerable to rising US yields

- A rise in headline eurozone CPI inflation and less-buoyant US labor data might provide a cushion to EUR-USD. The JPY will likely remain weak following this Sunday's election in Japan and ahead of another steady BoJ meeting outcome. A tough UK budget for 2025 might weigh on sterling.
- Rising UST yields and a stronger USD have weighed on CEE currencies, which will likely be driven by global factors in the run up to the US election. The recent increase in non-resident positioning on Polish debt and in equity markets has increased the PLN's vulnerability to rising UST yields.

The USD has benefited across the board from the new rise in US long-term yields, as shown in Chart 1, in which the US Dollar Index (DXY) is plotted against the 10Y UST yield. Prudent remarks about easing by Fed members, a Reuters story suggesting ECB officials would consider cutting rates below neutrality if needed and a possible victory by Mr. Trump in the upcoming US presidential election also offered support. EUR-USD has already tested 1.0761 before steadying back at around 1.08.

In the coming days, most countries, including the US and the eurozone, will publish GDP-growth data for 3Q24. CPI data for October are to be released for the eurozone, while the PCE, the ISM Manufacturing Index and the latest jobs report are due in the US. We expect to see a rise in eurozone headline CPI inflation, while US labor data might show deceleration from the net +254k jobs created in September. This mix might put a floor under EUR-USD, but its outlook remains soft at present.

The UK government is set to present a tough 2025 budget on 30 October, which might favor more easing by the BoE now that UK CPI inflation has dropped below the BoE's 2.0% target. This prospect is set to further weaken sterling against the US dollar and, to a lesser extent, against the euro.

Widening rate differentials between the US and Japan have pushed USD-JPY above 150. The outcome of Japan's general election this Sunday might keep the JPY volatile if the Liberal Democratic Party (LDP) does not gain a full majority in the Diet. Still, Japanese authorities have already warned against "one-sided" currency moves. In addition, the BoJ meets on Thursday. We do not expect another rate hike despite the fall in JPY, but prospects of tighter yield spreads between the two countries still point to a lower USD-JPY in 2025.

We expect CEE currencies to move sideways in the run up to the US election. In the absence of major domestic drivers, markets remain focused on downside risks related to eurozone growth and the results of the US election. Rising UST yields have also impacted yield curves in the CEE and have cooled rate-cut expectations. The HUF curve was most impacted, as HUF rates have moved higher, also in the 3-12-month segment, reflecting the NBH's signal that it will leave rates on hold for a sustained period in reaction to a recent shift in the risk environment. We think that, among the CEE currencies, the PLN is likely to be most adversely exposed to rising US yields, given that foreign positioning in Polish debt and equity markets has increased significantly since 2023, in contrast to Hungary and Czechia, which have registered slightly negative capital flows over the last 12 months.

CHART 1: THE USD IS RALLYING ACROSS THE BOARD (DXY) IN THE FACE OF UST YIELDS SHARPLY RISING AGAIN

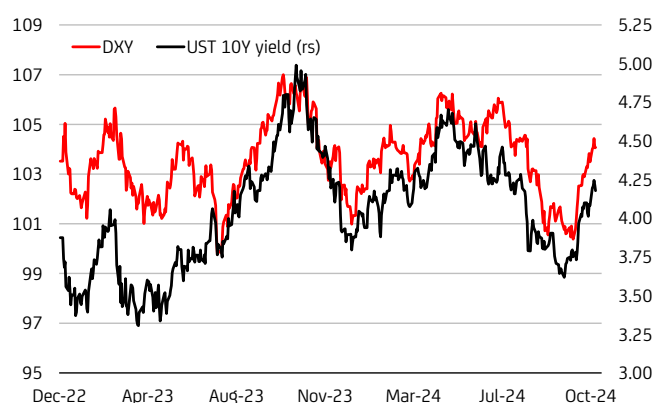
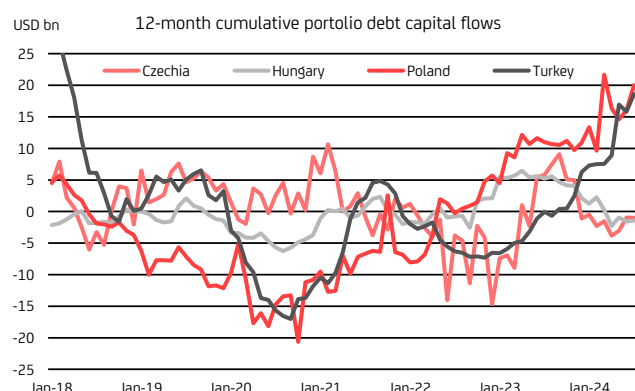


CHART 2: STRONG PORTFOLIO CAPITAL INFLOWS TO POLAND EXPOSE THE PLN TO WEAKNESS IF US YIELDS RISE



Source: Bloomberg, Institute of International Finance, UniCredit Group Investment Strategy

Equity Strategy

HIGHER 2024 YEAR-END TARGETS FOR THE US STOCK MARKET

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- We are increasing our 2024 year-end index targets for the S&P 500 to 6,000 (from 5,500) and for the Nasdaq 100 to 21,000 index points (from 19,500).
- On a forward basis, the S&P 500 equally weighted index is trading at a P/E ratio of 17, about the same as its five-year average. This contradicts the thesis that valuations in the US are generally high.

We are increasing our 2024 year-end index targets for the S&P 500 to 6,000 (from 5,500) and for the Nasdaq 100 to 21,000 index points (from 19,500). The primary rationale behind this adjustment is not that we are more optimistic for 2025, but rather that the US economy has performed better in recent months than we had expected. We think the macro backdrop will remain conducive to modest margin expansion, also supported by the recent trend towards lower central bank rates. This has resulted in higher earnings for US companies in the last two quarters, which is likely to persist in the fourth quarter. However, we continue to expect the US economic environment to be softer and more uneven in 2025. This means that another year of more than 20% stock-market increases is difficult to reach. We will provide a deeper insight into next year with our 2025 outlook, which will be published in a few weeks.

The conditions for a further rise in the S&P 500 are in place

In general, temporary swings aside, stock-market returns are driven by earnings growth and changes in valuation. Chart 1 shows that S&P 500 12M forward earnings estimates continue to rise solidly. This picture is also confirmed by the current 3Q24 earnings season, which is still in its early stages. Current consensus estimates are for the earnings of S&P 500 companies to increase by 9.3% this year and 15% next year (Nasdaq 100 13.4% in 2024 and 22.3% in 2025). We consider the high profit expectations for 2025 to be very ambitious and expect an increase in the high single-digit range for the S&P 500. Nevertheless, if there is no break in the underlying positive earnings trend, the conditions for a further rise in the S&P 500 are in place.

A trend towards lower interest rates supports valuations

The rapid rise in US stocks amounting to 23% YTD has sparked renewed talk about a bubble forming. Led by a rally in several large technology companies since the start of this year and recently also supported by banks, the S&P 500 set its forty-eighth all-time high in 2024 this week. However, it is still difficult to interpret the signals these stock valuations are sending out. US technology stocks, especially the mega-caps, which have been the main driver of this year's strength in the S&P 500, are trading at high multiples. However, a big force behind the rapid rise in technology stocks has been the sector's booming profit-growth outlook, which has defied expectations and made the rest of the S&P 500 look lackluster in comparison. However, on a forward basis, the S&P 500 equally weighted index is trading at a P/E ratio of 16.7, about the same as its five-year average of 16.8 (see Chart 2). Overall, assuming the US economy experiences a soft landing in 2025, in combination with lower central-bank rates, it is highly likely that the performance basis of the US stock-market will broaden, becoming less dependent on the Magnificent 7 stocks and increasingly supported by the remaining 493 companies in the S&P 500.

CHART 1: THE S&P 500 IS WELL SUPPORTED BY COMPANY EARNINGS ESTIMATES

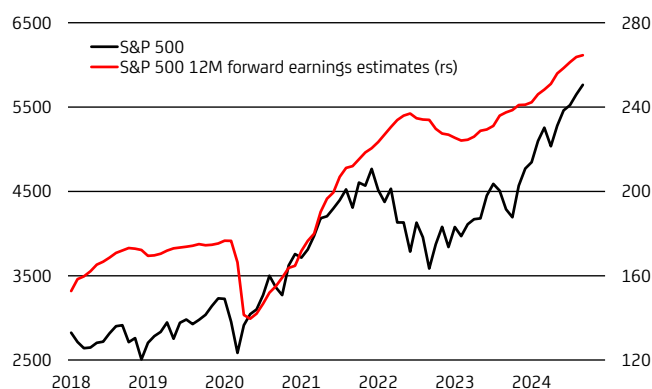
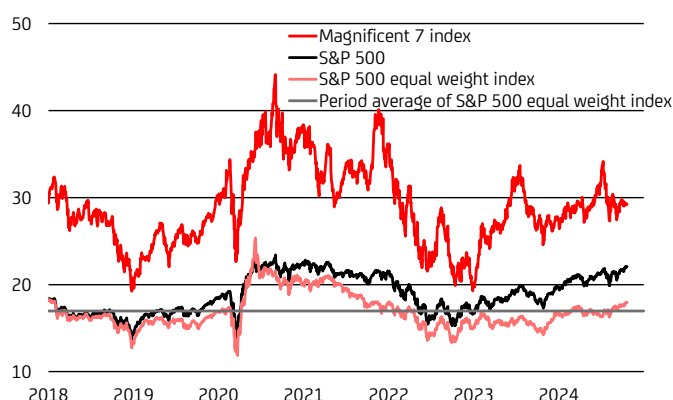


CHART 2: US VALUATIONS ARE STRETCHED, BUT NOT EXCESSIVE



Source: Bloomberg, UniCredit Group Investment Strategy

Credit Strategy

EARLY 3Q24 BANK RESULTS SUPPORT CREDIT VALUATIONS

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The 3Q24 results of European banks released so far support credit valuations

- Banks have reported constructive 3Q24 results so far, which supports their tight credit valuations.
- In the near term, we expect to see limited spread-tightening potential for bank seniors from current levels.

So far, 11 out of 45 banks included in the STOXX 600 Banks (Price) index have reported their 3Q24 results. The majority of these banks are from the Nordics and the UK. Their aggregated reported operating income is 3.2% above consensus expectations, and their net profit is 19.4% above consensus. Of those companies that have reported results so far, banks are again the best-performing sector in the STOXX Europe 600 index (Chart 1). Most banks have reported a high-quality beat of consensus forecasts, meaning that revenues (net interest income [NII] and fees and commissions) surprised to the upside and that banks have managed to keep operating costs under control and reported cost of risk below expected levels.

NII surprised to the upside with a constructive outlook

Banks have so far delivered a constructive outlook with regard to NII. However, banks have mainly only provided guidance for 4Q24, with 2025 outlooks generally being provided as part of their full year 2024 results. NII performance in 3Q24 and outlooks are supported by structural hedges, which, in our view, support 2025 NII performance. With regard to lending volumes, the ECB's bank lending survey from October showed a strong recovery in lending-growth expectations for 4Q24 for housing loans but only moderate improvement in expectations for corporate lending. We expect, in combination for 2025, a modest recovery in lending growth and support for net interest margins from structural hedges. This should support banks' profitability outlook for 2025.

Cost of risk remains low

Cost of risk continued to be very low for Nordic banks (below 10bp), confirming a resilient asset-quality picture. On the other hand, one large German bank reported higher cost of risk (of 41bp) in 3Q24 but projected lower cost of risk in 2025. We still expect to see a normalization of cost of risk in 2025 but expect the magnitude to remain manageable for banks given improved profitability.

Bank senior-bond credit spreads are again at the level of non-financial senior bonds'

The average credit spread for the iBoxx EUR Banks Senior Index tightened this year by 12bp, while that of the iBoxx EUR Non-Financials Index widened by 13bp (Chart 2). Bank senior bonds' credit spreads are now trading again slightly inside the credit spreads of non-financials' senior bonds for the first time since March 2022. From a fundamental viewpoint, there are two arguments in favor of senior bank bonds: **1.** Bonds in the iBoxx Banks Senior Index are rated, on average, A-, which is better than the average BBB+ rating for non-financial bonds. **2.** The average duration of bonds in the iBoxx Banks Senior Index is just 3.6 years, versus an average of 5.0 years for bonds in the iBoxx Non-Financials Senior Index. We see senior bank bonds as fairly priced currently. The positive 3Q24 results and 2025 profitability outlook support currently tight spreads. In the near term, we expect to see limited spread-tightening potential from current levels.

CHART 1: 3Q24 RESULTS PERFORMANCE OF COMPANIES IN THE STOXX EUROPE 600 INDEX BY SECTOR

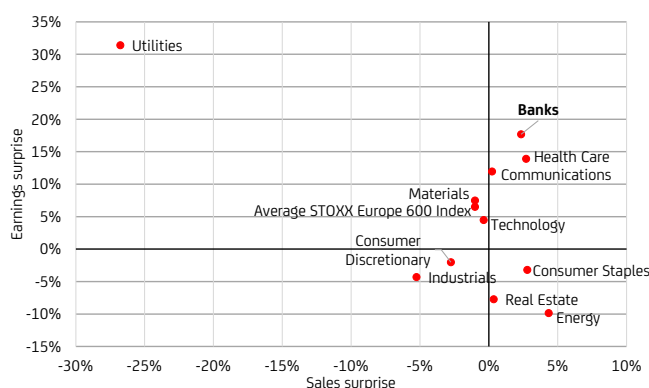
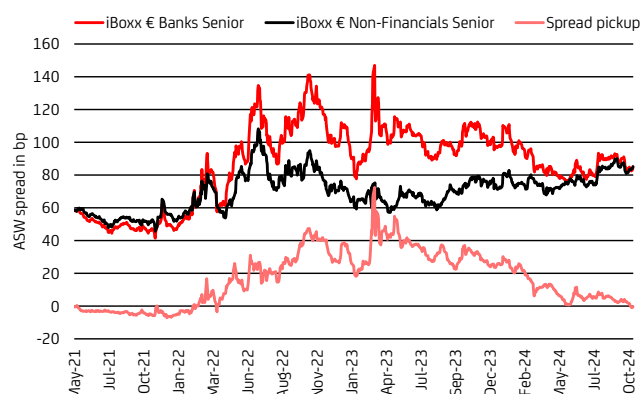


CHART 2: BANK SENIOR BONDS TIGHTENED VS. NON-FINANCIAL SENIORS



As of 25 October, 28% of companies in the STOXX Europe 600 Index had reported their 3Q24 results.

Source: S&P Global, UniCredit Group Investment Strategy

UNICREDIT ECONOMIC FORECASTS

	Real GDP (% yoy)			Consumer prices (% yoy)			Budget balance (% of GDP)		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Industrialized countries									
US	2.9	2.6	1.3	4.1	2.8	1.8	-8.8	-7.4	-7.4
Euro Area	0.5	0.7	1.1	5.4	2.4	1.8	-3.6	-3.0	-2.8
Germany	-0.3*	0.0*	1.0*	5.9	2.2	1.5	-2.4	-2.0	-2.0
France	1.1	1.1	1.2	4.9	2.0	1.3	-5.5	-5.8	-5.3
Italy	1.0	0.8	1.1	5.7	1.0	1.8	-7.2	-4.0	-3.5
Spain	2.7	2.7	1.6	3.4	2.9	1.6	-3.6	-3.1	-3.0
Austria	-1.0	-0.5	1.0	7.8	3.1	2.2	-2.6	-3.2	-3.0
Greece	2.0	2.3	1.7	3.5	2.6	1.8	-1.6	-1.1	-1.0
Portugal	2.5	1.8	1.5	4.3	2.2	1.6	1.2	0.5	0.1
UK	0.3	0.9	0.9	7.3	2.5	1.9	-4.9	-4.5	-3.5
Switzerland	0.7	1.4	1.3	2.1	1.1	0.5	0.6	0.5	0.3
Sweden	-0.1	0.7	1.6	6.0	2.0	1.5	-0.3	-0.5	-0.3
Norway **	0.5	0.6	1.0	5.5	3.2	2.1	14.9	14.0	12.1
Japan	1.7	0.1	1.0	3.2	2.4	1.8	-5.2	-4.3	-3.5
Developing countries									
Central & Eastern Europe									
Poland	0.2	3.3	3.5	6.2	5.0	4.2	-5.1	-5.7	-5.5
Czechia	-0.1	1	2.6	6.9	3.0	2.7	-3.5	-2.8	-2.6
Hungary	-0.9	1.2	2.5	5.5	4.3	3.7	-6.7	-4.9	-4.3
Turkey	5.1	3.0	2.8	64.8	44.0	26.0	-6.4	-5.9	-4.5
Emerging Asia									
China	5.2	4.8	4.5	0.2	0.6	1.6	-7.1	-7.4	-7.6

Real GDP (% qoq sa)	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
US (non-annualized)	1.1	0.8	0.4	0.7	0.7	0.2	0.2	0.3	0.4	0.4
Euro Area	0.0	0.1	0.3	0.2	0.2	0.2	0.3	0.3	0.4	0.4
Germany	0.2	-0.4	0.2	-0.1	0.0	0.2	0.3	0.3	0.4	0.4
France	0.1	0.4	0.3	0.2	0.4	0.1	0.3	0.3	0.4	0.4
Italy	0.2	0.0	0.3	0.2	0.1	0.2	0.3	0.3	0.3	0.3
Spain	0.7	0.7	0.9	0.8	0.8	0.4	0.4	0.4	0.5	0.5
Austria	-0.8	-0.5	0.2	0.0	0.0	0.2	0.3	0.3	0.4	0.4
UK	-0.1	-0.3	0.7	0.5	0.3	0.1	0.1	0.3	0.3	0.3
Switzerland	0.2	0.3	0.5	0.7	0.2	0.2	0.3	0.3	0.4	0.4
Sweden	0.3	-0.2	0.8	-0.3	0.3	0.3	0.4	0.5	0.5	0.6
Norway (mainland)	0.0	0.3	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.3
Poland (%yoy)	0.8	1.4	1.4	4.4	3.5	3.9	4.1	3.6	3.5	2.9
Czechia	-0.4	0.3	0.4	0.3	0.5	0.5	0.7	0.8	0.7	0.8
Hungary (%yoy)	-0.4	0.0	1.1	1.5	0.7	1.4	1.5	1.9	2.8	3.4
Turkey (%yoy)	6.5	4.6	5.3	2.5	2.3	2.1	0.0	1.8	3.6	5.1

Consumer prices (% yoy)***	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
US	3.5	3.2	3.2	3.2	2.6	2.3	1.8	1.6	1.8	2.1
Core rate (ex food & energy)	4.4	4.0	3.8	3.4	3.2	3.0	2.4	2.1	2.1	2.2
Euro Area	5.0	2.7	2.6	2.5	2.2	2.1	1.9	1.7	1.8	1.9
Core rate (ex food & energy)	5.1	3.7	3.1	2.8	2.8	2.7	2.4	2.1	1.9	1.8
Germany	5.6	3.6	2.5	2.3	1.9	2.0	1.7	1.3	1.5	1.7
France	4.7	3.7	2.8	2.2	1.8	1.2	1.2	1.2	1.3	1.6
Italy	5.6	1.0	0.9	0.8	1.0	1.3	1.5	1.8	1.8	1.9
Spain	2.6	3.3	3.2	3.6	2.3	2.3	1.9	1.2	1.2	1.3
Austria	6.8	5.4	4.3	3.3	2.3	2.3	2.5	2.2	2.0	2.0
UK	6.7	4.2	3.5	2.1	2.1	2.4	2.2	1.8	1.9	1.8
Switzerland	1.6	1.6	1.2	1.4	1.1	0.9	0.6	0.2	0.4	0.6
Sweden	5.0	3.3	2.7	2.0	1.7	1.7	1.6	1.4	1.4	1.6
Norway	4.5	4.5	4.4	3.1	2.7	2.7	2.7	2.2	1.8	1.8
Poland, eop	8.2	6.2	2.0	2.6	4.9	5.0	6.0	5.4	4.4	4.2
Czechia, eop	6.9	6.9	2.0	2.0	2.6	3.0	2.4	3.1	2.7	2.7
Hungary, eop	12.2	5.5	3.6	3.7	3.0	4.3	3.7	4.6	3.6	3.7
Turkey, eop	61.5	64.8	68.5	71.6	49.4	44.0	36.3	32.0	27.3	26.0

Non-wda figures. Adjusted for working days: -0.1% (2023), 0.1% (2024) and 1.1% (2025)

Source: UniCredit Group Investment Strategy

**Mainland economy figures. Overall GDP: 0.5% (2023), 0.7% (2024), 1.2% (2025)

****CEE CPI figures are end-of-period.

UNICREDIT INTEREST RATE AND YIELD FORECASTS

	Current	4Q24	1Q25	2Q25	3Q25	4Q25
EMU						
Refi rate	3.40	3.15	2.65	2.40	2.15	2.15
Depo rate	3.25	3.00	2.50	2.25	2.00	2.00
3M Euribor	3.07	2.75	2.43	2.20	1.99	2.02
<i>Euribor future</i>		<i>2.67</i>	<i>2.20</i>	<i>1.99</i>	<i>1.90</i>	<i>1.89</i>
2Y Schatz	2.11	2.10	2.05	2.00	2.00	2.00
<i>fwd</i>		<i>1.99</i>	<i>1.87</i>	<i>1.82</i>	<i>1.78</i>	<i>1.80</i>
5Y Obl	2.10	2.10	2.10	2.10	2.10	2.10
10Y Bund	2.28	2.30	2.30	2.30	2.30	2.30
<i>fwd</i>		<i>2.27</i>	<i>2.28</i>	<i>2.30</i>	<i>2.32</i>	<i>2.35</i>
30Y Bund	2.59	2.65	2.70	2.75	2.75	2.75
2/10	17	20	25	30	30	30
2/5/10	-18	-20	-15	-10	-10	-10
10/30	31	35	40	45	45	45
2Y EUR swap	2.30	2.45	2.40	2.35	2.35	2.35
5Y EUR swap	2.28	2.45	2.45	2.45	2.45	2.45
10Y EUR swap	2.41	2.60	2.60	2.60	2.60	2.60
10Y BTP	3.49	3.70	3.70	3.70	3.80	3.80
US						
Fed fund	5.00	4.50	4.00	3.75	3.50	3.25
3M OIS SOFR	4.62	4.21	3.88	3.63	3.38	3.12
<i>fwd</i>		<i>4.39</i>	<i>4.01</i>	<i>3.84</i>	<i>3.64</i>	<i>3.45</i>
2Y UST	4.07	3.60	3.55	3.50	3.40	3.30
<i>fwd</i>		<i>3.98</i>	<i>3.91</i>	<i>3.88</i>	<i>3.87</i>	<i>3.88</i>
5Y UST	4.02	3.55	3.55	3.50	3.45	3.40
10Y UST	4.20	3.80	3.75	3.70	3.65	3.60
<i>fwd</i>		<i>4.19</i>	<i>4.20</i>	<i>4.22</i>	<i>4.25</i>	<i>4.27</i>
30Y UST	4.46	4.15	4.15	4.10	4.05	4.00
2/10	13	20	20	20	25	30
2/5/10	-22	-30	-20	-20	-15	-10
10/30	27	35	40	40	40	40
2Y USD swap	3.85	3.40	3.40	3.35	3.30	3.20
10Y USD swap	3.72	3.40	3.35	3.35	3.30	3.30
UK						
Key rate	5.00	4.50	4.00	3.50	3.00	2.75
Spreads						
10Y UST-Bund	192	150	145	140	135	130
10Y BTP-Bund	121	140	140	140	150	150
10Y EUR swap-Bund	13	30	30	30	30	30
10Y USD swap-UST	-48	-40	-40	-35	-35	-30

Forecasts are end-of-period

Source: Bloomberg, UniCredit Group Investment Strategy

UNICREDIT FX FORECASTS

EUR	Current	4Q24	1Q25	2Q25	3Q25	4Q25	3M	6M	12M
G10									
EUR-USD	1.08	1.11	1.11	1.12	1.12	1.13	1.11	1.11	1.12
EUR-CHF	0.94	0.95	0.96	0.97	0.98	0.99	0.95	0.96	0.98
EUR-GBP	0.83	0.85	0.85	0.87	0.88	0.90	0.85	0.86	0.89
EUR-JPY	165	158	157	155	153	153	158	156	153
EUR-NOK	11.85	11.65	11.60	11.55	11.50	11.45	11.63	11.58	11.48
EUR-SEK	11.45	11.25	11.20	11.15	11.10	11.10	11.23	11.18	11.10
EUR-AUD	1.63	1.63	1.61	1.60	1.60	1.59	1.62	1.61	1.60
EUR-NZD	1.81	1.76	1.73	1.72	1.72	1.71	1.75	1.73	1.72
EUR-CAD	1.50	1.50	1.49	1.49	1.48	1.47	1.50	1.49	1.48
EUR TWI	97.2	97.3	97.4	97.6	97.8	98.1	97.4	97.5	97.9
CEEMEA & CHINA									
EUR-PLN	4.35	4.35	4.39	4.44	4.48	4.50	4.36	4.41	4.49
EUR-HUF	404	400	402	409	411	413	401	404	412
EUR-CZK	25.24	25.10	25.00	24.90	24.80	24.70	25.07	24.97	24.77
EUR-TRY	37.19	41.07	43.57	46.48	47.32	50.29	41.90	44.54	48.31
EUR-CNY	7.71	7.86	7.83	7.86	7.84	7.91	7.85	7.84	7.86

USD	Current	4Q24	1Q25	2Q25	3Q25	4Q25	3M	6M	12M
G10									
EUR-USD	1.08	1.11	1.11	1.12	1.12	1.13	1.11	1.11	1.12
USD-CHF	0.87	0.86	0.86	0.87	0.88	0.88	0.86	0.86	0.88
GBP-USD	1.30	1.31	1.30	1.29	1.27	1.26	1.31	1.30	1.27
USD-JPY	152	142	141	138	137	135	142	140	136
USD-NOK	10.94	10.50	10.45	10.31	10.27	10.13	10.48	10.40	10.22
USD-SEK	10.57	10.14	10.09	9.96	9.91	9.82	10.12	10.05	9.88
AUD-USD	0.66	0.68	0.69	0.70	0.70	0.71	0.68	0.69	0.70
NZD-USD	0.60	0.63	0.64	0.65	0.65	0.66	0.63	0.64	0.65
USD-CAD	1.38	1.35	1.34	1.33	1.32	1.30	1.35	1.34	1.31
USTW\$	90.8	95.4	95.1	94.4	94.3	93.4	95.3	94.9	94.0
DXY	104.0	101.2	101.1	100.2	100.3	99.4	101.2	100.8	100.0
CEEMEA & CHINA									
USD-PLN	4.02	3.92	3.95	3.96	4.00	3.98	3.93	3.95	4.00
USD-HUF	373	360	362	365	367	365	361	363	367
USD-CZK	23.30	22.60	22.50	22.20	22.10	21.90	22.60	22.40	22.10
USD-TRY	34.28	37.00	39.25	41.50	42.25	44.50	37.75	40.00	42.25
USD-CNY	7.12	7.08	7.05	7.02	7.00	7.00	7.07	7.04	7.00

Forecasts are end of period.

Source: Bloomberg, UniCredit Group Investment Strategy

UNICREDIT RISKY ASSETS FORECASTS

COMMODITY, EQUITY AND CREDIT FORECASTS

	Current	End-2024	Mid-2025
Oil			
Brent USD/bbl.	74.4	72	75
Equities			
Euro STOXX 50	4,930	5,200	5,450
STOXX Europe 600	518	540	565
DAX	19,428	19,500	20,400
MSCI Italy	90.8	93	97
S&P 500	5,810	6,000	6,000
Nasdaq 100	20,233	21,000	21,000
Credit			
iBoxx Non-Financials Senior	84	80	75
iBoxx Banks Senior	84	85	80
iBoxx High Yield NFI	300	320	300

Source: Bloomberg, S&P Global, UniCredit Group Investment Strategy

EQUITY SECTOR ALLOCATION WESTERN EUROPE

STOXX Europe 600 Sector	Portfolio weight over/underweight – (% points)	Portfolio position (%)	Strength of over/underweight in % of sector weight
Automobiles & Parts	-1	1.1	-49
Banks	0.5	10.8	5
Basic Resources	-1	1.2	-46
Chemicals	0	2.4	0
Construction & Materials	0	3.6	0
Consumer Products & Services	-0.5	5.7	-8
Energy	-1	3.3	-23
Financial Services	0	4.5	0
Food, Beverage & Tobacco	0	6.1	0
Health Care	1	18.1	6
Industrial Goods & Services	0	15.0	0
Insurance	1	7.0	17
Media	0	1.6	0
Personal Care, Drug & Grocery Stores	1	3.4	41
Real Estate	-0.5	1.0	-33
Retail	0.5	1.3	61
Technology	0	5.9	0
Telecommunications	0.5	3.4	17
Travel & Leisure	-0.5	0.4	-57
Utilities	0	4.2	0

Source: STOXX Ltd., UniCredit Group Investment Strategy

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