THE UNICREDIT MACRO & MARKETS WEEKLY

Govies and USD unimpressed with bold Fed cut

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This week, the Fed kicked off a rate-cutting cycle with a larger-than-expected 50bp cut. Fed Chair Powell said that progress on disinflation and the cooling of the labor market required a “recalibration” of monetary policy, although he claimed that the economy remains in “good shape”. Retail-sales and jobless-claims data published this week support his assessment. The BoJ kept rates unchanged and indicated that the next hike might not be imminent. The BoE was on hold and sees "gradual" cuts ahead. European Commission President Ursula von der Leyen unveiled her proposed team of commissioners. In China, data continued to signal economic weakness. Rates markets were not particularly impressed with the Fed’s decision, with UST and EGB curves bear-steepening. French govies underperformed Bunds. Stocks edged higher, and credit spreads tightened in the eurozone, especially in lower-rated segments. The Fed’s move did not spark a USD sell-off, with EUR-USD remaining below 1.12 and USD-JPY even rising to 143. USD-CNY dropped to a 16M low below 7.05. CEE currencies steadied, helped by widening carry.

- **Macro:** Following this week’s bold rate cut by the Fed, our expected trajectory for the Fed funds rate shifts down by 25bp as we confirm our forecast for a further 50bp of cuts this year and 125bp in 2025. In the eurozone, the composite PMI for September is likely to stabilize at a low level (due on Monday) while the Ifo index will probably record a fourth consecutive decline (Tuesday). In the US, the core PCE deflator for August likely rose by a contained 0.2% mom (Friday).
- **FI:** USTs were unfazed by the Fed's move and we see 10Y UST yields facing modest upside risk in the coming months. Government bonds have posted a positive performance YTD, although in core eurozone markets duration has not paid off. Seeking credit-risk exposure and a favorable curve rolldown is key for performance until year end.
- **FX:** EUR-USD and USD-JPY will probably not easily break above 1.12 and below 140 for now, respectively, as the Fed is not set to rush with regard to further easing. A last rate cut by the SNB is unlikely to harm the CHF. We think another 25bp NBH cut is unlikely to trigger HUF weakness, whereas the CNB's 25bp cut may support CZK stability.
- **Credit:** Corporate ESG bond supply appears set to rise again in 2025 based on the maturity profile of key industries. Sustaining this growth in the medium term will require greater industry diversification.

MARKETS AT A GLANCE

	Current			Total return (%)			
Equities	**Price**	**1M**	**3M**	**6M**	**12M**	**YTD**	**QTD**
MSCI World (USD)	3,690	2.2	5.2	9.2	28.1	18.1	5.4
MSCI EM (USD)	1,100	-0.1	1.5	8.7	16.6	10.0	2.2
S&P 500	5,714	2.2	4.8	10.1	31.7	21.0	5.0
Nasdaq Composite	18,014	1.2	1.8	10.5	34.8	20.7	1.8
Euro STOXX 50	4,897	0.8	-0.8	0.4	18.2	11.4	0.3
DAX	18,822	2.5	3.1	4.5	19.3	12.4	3.2
MSCI Italy	89.24	3.1	3.0	3.7	24.5	19.1	4.4

Rates (government bonds)	**Yield (%)**	**1M**	**3M**	**6M**	**12M**	**YTD**	**QTD**
1-3Y US	3.58	1.0	3.0	4.0	7.1	4.1	2.9
7-10Y US	3.71	1.2	5.4	6.7	10.0	4.4	6.1
1-3Y Germany	2.21	0.5	1.6	2.4	4.2	2.0	1.5
7-10Y Germany	2.18	0.5	2.8	3.5	7.0	0.7	3.2
1-3Y Italy	2.65	0.7	2.2	2.8	5.5	2.7	2.2
7-10Y Italy	3.54	1.2	4.6	4.1	12.2	4.6	5.4

Credit	**OAS (bp)**	**1M**	**3M**	**6M**	**12M**	**YTD**	**QTD**
iBoxx Non-Financials (EUR)	89	0.7	2.8	3.3	8.2	2.6	2.7
iBoxx Non-Financials Sen (EUR)	*85*	*0.7*	*2.8*	*3.3*	*8.0*	*2.5*	*2.7*
iBoxx Non-Financials Sub (EUR)	*197*	*0.6*	*3.1*	*4.0*	*11.8*	*5.7*	*2.6*
iBoxx Financials (EUR)	103	0.9	3.0	3.9	9.3	4.1	2.9
iBoxx Financials Sen (EUR)	*92*	*0.9*	*2.9*	*3.8*	*8.9*	*3.9*	*2.8*
iBoxx Financials Sub (EUR)	*164*	*1.1*	*3.6*	*4.5*	*11.7*	*5.5*	*3.4*
iBoxx High Yield NFI (EUR)	299	0.8	2.5	3.5	10.1	4.8	2.4
EM hard currency (USD)	253	2.0	5.4	7.5	15.1	8.1	5.8

	Current			Price change (%)			
Commodities	**Price**	**1M**	**3M**	**6M**	**12M**	**YTD**	**QTD**
Oil (Brent, USD bbl)	74.6	-3.4	-13.0	-13.2	-20.2	-3.2	-13.7
Gold (USD oz)	2,610	3.8	10.6	19.4	35.2	26.5	12.2
Bloomberg Commodity Index	98	2.0	-4.5	-1.1	-8.5	-0.5	-2.8

Exchange rates	**Price**	**1M**	**3M**	**6M**	**12M**	**YTD**	**QTD**
EUR-USD	1.12	0.3	4.3	2.2	4.7	1.2	4.2
EUR-GBP	0.84	1.7	0.7	1.8	2.9	3.3	0.9
EUR-CHF	0.95	0.4	0.8	2.4	1.2	-1.8	1.7
EUR-JPY	160.62	0.7	5.9	2.9	-1.5	-3.1	7.3
EUR-NOK	11.72	-0.4	-3.6	-1.6	-1.9	-4.3	-2.4
EUR-SEK	11.36	0.0	-1.0	-0.1	4.6	-1.9	0.0
EUR TWI	*97.20*	*1.0*	*3.0*	*2.1*	*0.2*	*0.4*	*0.0*
EUR-PLN	4.28	0.0	1.1	0.8	7.8	1.5	0.8
EUR-HUF	394.33	-0.3	0.7	-0.2	-2.6	-2.8	0.2
EUR-CZK	25.10	0.1	-0.7	0.4	-2.8	-1.6	-0.2
EUR-RON	4.97	0.0	0.0	-0.1	-0.1	0.0	0.0
EUR-TRY	38.12	-1.0	-7.6	-7.1	-24.4	-14.6	-8.0
EUR-RUB	103.92	-2.7	-10.2	-3.5	-1.4	-3.6	-11.4

Returns are shown in domestic currency *Bloomberg Index
Prices on 20 September 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 21-27 Sep 2024	Time (CET)	Country	Indicator/Event	Period	UniCredit estimates	Consensus (Bloomberg)	Previous
Sun, 22 Sep		GE	Federal state election in Brandenburg				
Mon, 23 Sep	**09:15**	**FR**	**Composite PMI (index)**	**Sep**	**52.8**	**53.3**	**53.1**
	09:15	**FR**	**Services PMI (index)**	**Sep**	**54.5**	**54.0**	**55.0**
	09:15	**FR**	**Manufacturing PMI (index)**	**Sep**	**44.2**	**45.0**	**43.9**
	09:30	**GE**	**Composite PMI (index)**	**Sep**	**48.4**	**48.5**	**48.4**
	09:30	**GE**	**Services PMI (index)**	**Sep**	**51.7**	**51.0**	**51.2**
	09:30	**GE**	**Manufacturing PMI (index)**	**Sep**	**41.7**	**42.0**	**42.4**
	10:00	**EMU**	**Composite PMI (index)**	**Sep**	**51.0**	**50.8**	**51.0**
	10:00	**EMU**	**Services PMI (index)**	**Sep**	**53.1**	**52.5**	**52.9**
	10:00	**EMU**	**Manufacturing PMI (index)**	**Sep**	**45.6**	**45.6**	**45.8**
	10:00	IT	Istat releases revised GDP annual series				
	10:30	**UK**	**Services PMI (index)**	**Sep**	**52.5**	**53.5**	**53.7**
	10:30	**UK**	**Manufacturing PMI (index)**	**Sep**	**51.5**	**52.2**	**52.5**
Tue, 24 Sep	**06:30**	**AU**	**RBA announces Key Rate (%)**	**Sep**	**4.35**	**4.35**	**4.35**
	10:00	**GE**	**Ifo Business Climate (index)**	**Sep**	**85.5**	**86.1**	**86.6**
	10:00	**GE**	**Ifo Expectations (Index)**	**Sep**	**85.2**	**87.0**	**86.8**
	10:00	**GE**	**Ifo Current Assessment (Index)**	**Sep**	**86.0**	**86.0**	**86.5**
	14:00	**HU**	**NBH announces Key Rate (%)**	**Sep**	**6.50**	**6.50**	**6.75**
	15:00	US	S&P/Case-Shiller Home Price Index (% mom)	Jul		0.4	0.4
	16:00	**US**	**Conference Board Consumer Confidence**	**Sep**	**102.0**	**102.9**	**103.3**
Wed, 25 Sep	**09:30**	**SW**	**Riksbank announces Key Rate (%)**	**Sep**	**3.25**	**3.25**	**3.50**
	11:00		OECD Publishes Interim Economic Outlook				
	14:30	**CZ**	**CNB announces Key Rate (%)**	**Sep**	**4.25**	**4.25**	**4.50**
	16:00	US	New Home Sales (thousands)	Aug		690	739
Thu, 26 Sep	**08:00**	**GE**	**GfK Consumer Confidence**	**Oct**	**-20.0**	**-22.3**	**-22.0**
	09:30	**SZ**	**SNB announces Key Rate (%)**	**Sep**	**1.00**	**1.00**	**1.25**
	10:00	**IT**	**Business Confidence (ISTAT, index)**	**Sep**	**87.4**		**87.1**
	10:00	**IT**	**Consumer Confidence (ISTAT, index)**	**Sep**	**97.0**		**96.1**
	10:00	**EMU**	**M3 Money Supply (% yoy)**	**Aug**	**2.5**	**2.5**	**2.3**
	14:30	**US**	**Real GDP (% qoq annualized)**	**2Q**	**2.9**	**2.9**	**3.0**
	15:30	EMU	ECB's Lagarde speaks				
	16:00	US	Pending Home Sales (% mom)	Aug			-5.5
Fri, 27 Sep	**08:45**	**FR**	**Household Consumption (% mom)**	**Aug**	**-0.1**		**0.3**
	08:45	**FR**	**Consumer Price Index, CPI (% yoy)**	**Sep**	**1.6**	**1.6**	**1.8**
	09:00	**SP**	**Harmonized CPI (% yoy)**	**Sep**	**2.0**		**2.4**
	09:55	**GE**	**Unemployment Rate (%)**	**Sep**	**6.0**	**6.0**	**6.0**
	09:55	**GE**	**Unemployment Change (thousands, sa)**	**Sep**	**15.0**	**15.0**	**2.0**
	11:00	**EMU**	**EC Economic Sentiment (index)**	**Sep**	**96.6**	**96.5**	**96.6**
	14:30	**US**	**PCE Core Inflation (% yoy)**	**Aug**	**2.7**	**2.7**	**2.6**
	14:30	**US**	**PCE Core Inflation (% mom)**	**Aug**	**0.2**	**0.2**	**0.2**
	14:30	**US**	**Personal Expenditures (% mom)**	**Aug**	**0.2**	**0.3**	**0.5**
	14:30	**US**	**Personal Income (% mom)**	**Aug**	**0.4**	**0.4**	**0.3**

Source: Bloomberg, UniCredit Group Investment Strategy

MAJOR EVENTS AND DATA RELEASES OF THE WEEK

FED FORECAST REVISION

- The Fed kicked-off a rate-cutting cycle with a 50bp cut this week, a larger move than the 25bp cut we had expected. The updated "dot plot" indicates a fairly gradual rate-cutting cycle hereafter, with the median "dot" indicating a cumulative 50bp of cuts at the remaining two meetings of this year (although a large minority expects just one 25bp cut or none during the rest of this year), and 100bp of cuts for next year. Fed Chair Powell said all options were open and that the actual size and pace of cuts would depend on the totality of incoming data, with decisions made meeting-by-meeting.
- We are revising our Fed forecast to account for the Fed's strong start to the cutting cycle. We still expect the Fed to cut by a cumulative 50bp at the remaining two meetings of this year, which would take the target range for the fed funds rate down to 4.25-4.50% by end-2024 (25bp lower than we previously expected). We confirm our expectation of another 125bp of rate cuts next year, taking the target range to 3.00-3.25% (25bp lower than our previous prediction), a level that we consider to be broadly (or slightly above) neutral. The neutral rate is the rate that would neither put upward nor downward pressure on inflation and would keep the economy growing at around its potential rate in the absence of shocks.
- In terms of the pace, we expect cuts of 25bp per meeting from now until the end of 1Q25, and then 25bp per quarter through end-2025. This modest frontloading of cuts reflects two main considerations. First, even after the first few rate cuts, monetary policy will still be restrictive, and the pace of cuts is likely to slow as the Fed feels its way to the new (uncertain) neutral rate. As long as rates are clearly restrictive, the incentive for the Fed to take out further insurance against a deterioration in the labor market is strong. Second, the labor market is likely to continue to gradually deteriorate given the negative feedback loop of higher unemployment on demand and hiring, still restrictive monetary policy and lags in the effects of monetary-policy changes on output and inflation. We still expect a soft landing, with GDP growth slowing to below its potential rate for a few quarters but no recession. The unemployment rate is likely to rise gradually to around 4.5% by the end of this year and a little further next year. The Fed's stronger start to the rate-cutting cycle will, at the margin, increases the chances of a soft landing, but the risks to growth remain skewed to the downside, in our view.

RIKSBANK PREVIEW: ONE MORE RATE CUT ON THE TABLE (25 SEPTEMBER, 9:30 CET)

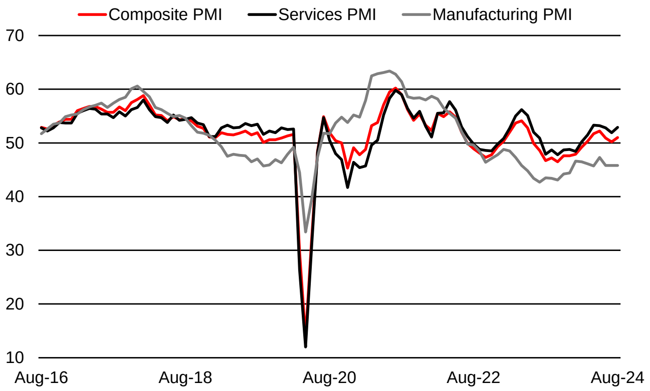
- We are changing our call for the Riksbank's policy rate and now see a 25bp rate cut to 3.25% in September compared to our previous forecast of unchanged monetary policy. On the back of this new assumption, we now expect the policy rate to reach 3% by the end of this year and 2% by year-end 2025.
- In August, the Riksbank changed its guidance, signaling that it expects to deliver two or three rate cuts this year. Moreover, recent surprising GDP and CPI inflation developments justify another policy-rate cut. GDP contracted by 0.3% qoq in 2Q24, challenging the growth outlook for Sweden as downside risks prevail. Core CPI remained stable at 2.2% yoy in August, i.e. close to target, inflation expectations dropped below 2% and the labor market is continuing to become less tight.
- A no-move decision in September cannot be ruled out, but it is no longer our main scenario. Concerns related to Sweden's economic outlook and job-market situation are starting to dominate the debate within the Riksbank's policy committee.

SNB PREVIEW: THIRD CONSECUTIVE RATE CUT LIKELY (26 SEPTEMBER, 9:30 CET)

- We have changed our forecast for the SNB's quarterly meeting on Thursday and now expect the central bank to cut its key rate by 25bp to 1.0%, a third consecutive step of monetary easing. Previously, we expected the SNB to remain on hold and to only cut at the December meeting. The major reason for our forecast change is the strengthening of the Swiss franc since the previous meeting in June and the recent surprisingly weak data out of Germany, Switzerland's most important export market.
- The meeting on Thursday will be the last chaired by SNB chairman Thomas Jordan after more than 12 years in the post. In a speech at the end of August, Mr. Jordan signaled his openness to a swift rate cut by referring to the weak outlook for Swiss exports and the recent appreciation of the Swiss franc. He said that both factors would be factored into the SNB's quarterly update of the inflation forecast, a clear signal of an imminent rate cut.
- As was the case at previous meetings, SNB policymakers are unlikely to provide any strong guidance on future monetary policy. We continue to expect a "final" key rate level of 1.0% and, hence, unchanged monetary policy after the cut on Thursday.

EUROZONE

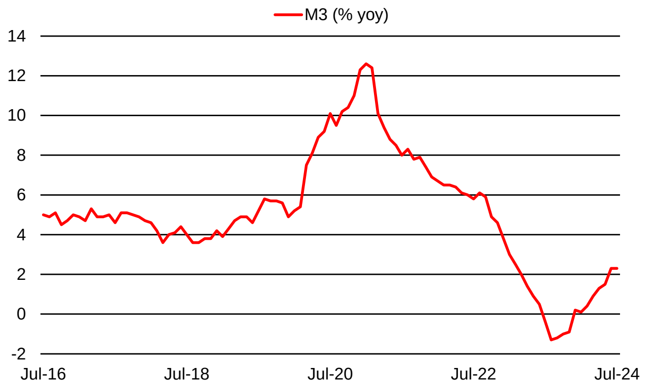
COMPOSITE PMI LIKELY TO REMAIN LOW



Mon, 23 Sep, 10:00 CET		UniCredit	Consensus	Last
Composite PMI	Sep	51.0	50.8	51.0
Services PMI	Sep	53.1	52.5	52.9
Manufacturing PMI	Sep	45.6	45.6	45.8

- The eurozone composite PMI for September is likely to stabilize at 51.0. The manufacturing index will probably remain in contractionary territory amid weak domestic and global demand. The services index is likely to continue to point to expansion, although at a moderate pace.
- Last month, the output-price index for manufacturing rose above 50 for the first time since spring 2023 while the same index for services showed further weakening of firms' pricing power.

GROWTH IN MONEY SUPPLY TO IMPROVE FURTHER

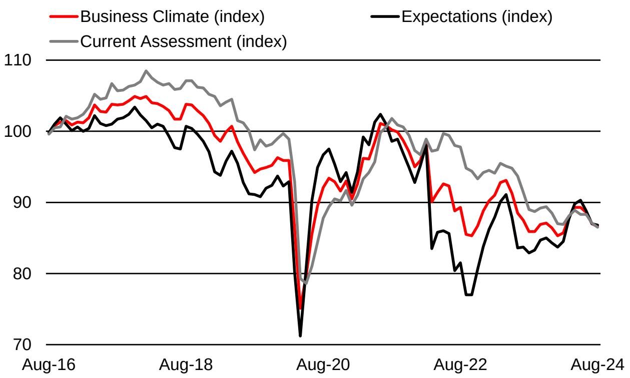


Thu, 26 Sep, 10:00 CET		UniCredit	Consensus	Last
M3 money supply (% yoy)	Aug	2.5	2.5	2.3

- We expect the annual growth rate of broad money (M3) increased slightly to 2.5% in August, moving back close to the level observed at the beginning of 2023.
- Progress in the growth of money supply would likely also reflect an improvement in the annual growth of M1 amid a gradual downward adjustment in interest rates.
- Still, the credit dynamic is likely to remain subdued as weak investment activity weighs on loan demand.

GERMANY

IFO INDEX LIKELY TO POST A FOURTH CONSECUTIVE DECLINE



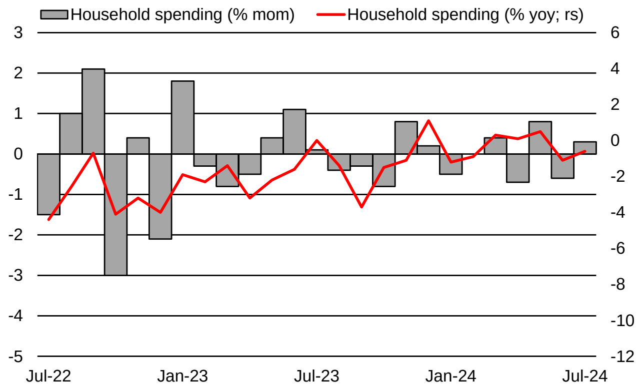
Tue, 24 Sep, 10:00 CET		UniCredit	Consensus	Last
Ifo Business Climate	Sep	85.5	86.1	86.6
Ifo expectations	Sep	85.2	87.0	86.8
Ifo current assessment	Sep	86.0	86.0	86.5

- We expect the Ifo index to decline to 85.5 from 86.6, its fourth consecutive decline and the lowest level since January 2024. The forward-looking business expectations component is likely to post a particularly marked decline.
- The major trigger will probably be concern about the recent announcement by VW that it might shut down plants in Germany. This could have negative implications not only for the auto industry but also for other areas such as the chemicals and machinery sectors.

Source: Bloomberg, UniCredit Group Investment Strategy

FRANCE

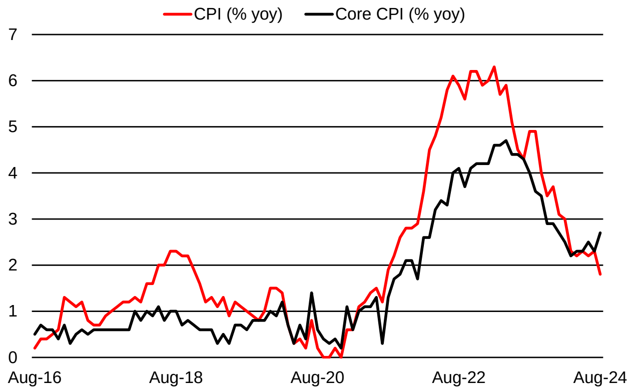
CONSUMER SPENDING IS SET TO REMAIN SUBDUED



Fri, 27 Sep, 8:45 CET		UniCredit	Consensus	Last
Household consumption (% yoy)	Aug	-0.1		0.3

- Household spending on goods is likely to have broadly stabilized in August.
- Spending on goods remains subdued as households continue to cut purchases of non-durable goods (spending on which was still 5% below pre-covid levels in 2Q24).
- The contribution of goods spending to private consumption is likely to be nil in 3Q24, mirroring still low levels of consumer confidence.

INFLATION LIKELY TO EASE FURTHER

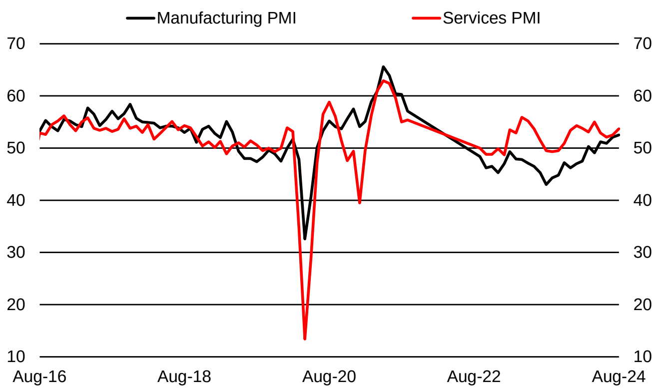


Fri, 27 Sep, 8:45 CET		UniCredit	Consensus	Last
CPI (% yoy)	Sep	1.6	1.6	1.8

- Consumer inflation for September is likely to ease by a further 0.2pp, to 1.6% yoy. This would be the lowest reading since July 2021.
- The slowdown in headline inflation is likely to reflect a further decline in energy prices, the impact of which will be amplified by a base effect.
- We expect inflation to remain below the 2% threshold through to the end of the year.

UK

PMIS LIKELY TO LOSE MOMENTUM



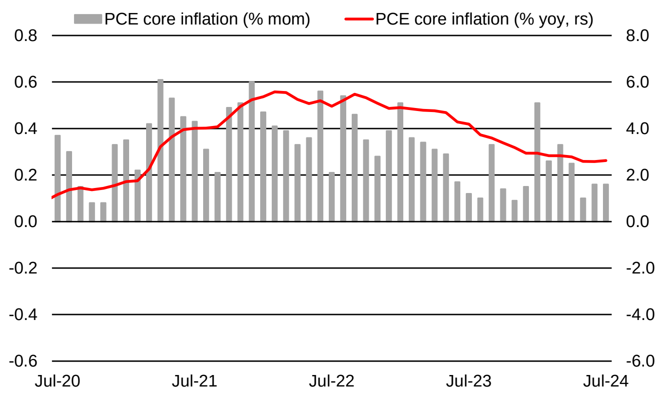
Mon, 23 Sep, 10:30 CET		UniCredit	Consensus	Last
Services PMI	Sep	52.5	53.5	53.7
Manufacturing PMI	Sep	51.5	52.2	52.5

- We expect the flash PMIs to lose momentum in September, with the services PMI easing to 52.5 from 53.7 and the manufacturing PMI declining to 51.5 from 52.5.
- The services PMI is likely to fall back somewhat as the labor market continues to soften and households cut back on discretionary spending.
- The UK manufacturing PMI has outperformed its US and eurozone peers recently, although this is unlikely to last. New export orders remain weak and domestic orders are unlikely to be able to decouple for long amid still-high interest rates and with tighter fiscal policy in prospect.

Source: Bloomberg, UniCredit Group Investment Strategy

US

CORE PCE INFLATION WAS LIKELY CONTAINED



Fri, 27 Sep, 14:30 CET		UniCredit	Consensus	Last
PCE core deflator (% yoy)	Aug	2.7	2.7	2.6
PCE core deflator (% mom)	Aug	0.2	0.2	0.2
Personal spending (% mom)	Aug	0.2	0.3	0.5
Personal income (% mom)	Aug	0.4	0.4	0.3

- We expect the core PCE deflator (the Fed's preferred measure of inflation) to show a contained rise of 0.2% mom for August, with the risks skewed towards a 0.1% mom print. The year-on-year rate will likely edge up to 2.7% from 2.6% due to a base effect. The components of the August PPI that enter directly into the PCE price index were contained.
- Nominal personal spending likely rose 0.2% mom in August, with real spending broadly flat after growing strongly in the prior three months. Control-group retail sales rose a decent 0.3% mom in August.
- Personal income likely rose 0.4% mom in August. The savings rate probably edged up from its low of 2.9% in July.

Source: Bloomberg, UniCredit Group Investment Strategy

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FI STRATEGY

YTD PERFORMANCE OF GOVIES AND WHAT TO EXPECT UNTIL YEAR-END

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- The Fed cut rates by 50bp this week. Money-market (MM) forwards discount an additional 200bp in rate cuts by end-2025. Expectations are thus stronger compared to recent easing cycles and we regard the balance of risks for Fed expectations as asymmetric. Risks for UST yields from current levels are to the upside albeit the room for a repricing is limited.
- Government bonds have posted a positive performance YTD, although in core eurozone markets duration has not paid off. Seeking credit-risk exposure and investing in sovereign curves that provide a favorable rolldown is key for performance in the months until year-end.

Fed cut by 50bp this week and revised dots lower

On Wednesday, the Fed cut its policy rate by 50bp, taking it to 5% and updated its dot plot to show an additional 50bp of cuts this year and 100bp more in 2025. The long-run dot has increased modestly, from 2.8% to 2.9%. The bold start to the easing cycle has been described as a recalibration of monetary policy in light of the Fed's dual mandate.

The move did not spur much reaction in fixed-income markets

The move has been partly anticipated after recent press leaks and led to virtually no change in the curve. Investors did not interpret the move as a signal that the central bank is behind the curve nor that the economy may be deteriorating fast.

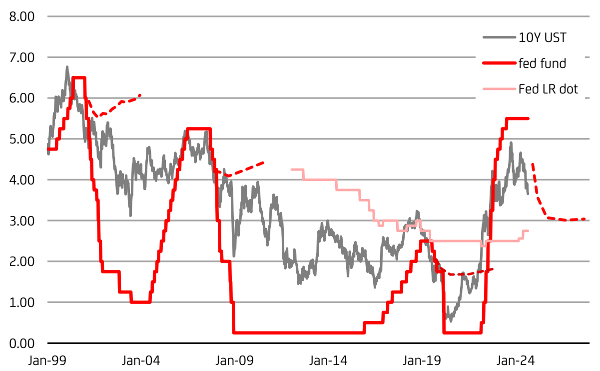
Forwards continue to price in very deep easing ahead

Looking beyond the short term, MM forwards are discounting an additional 200bp of rate cuts by end-2025, which would take the fed funds rate to 3%. MM forwards are thus discounting more front-loaded cuts compared to the dots. Furthermore, markets are discounting considerably stronger cuts compared to the most recent easing cycles. Given our baseline of a soft landing of the US economy, we see the case for pricing in even more rate cuts as limited.

We see modestly higher 10Y UST yields but no strong case for a big repricing

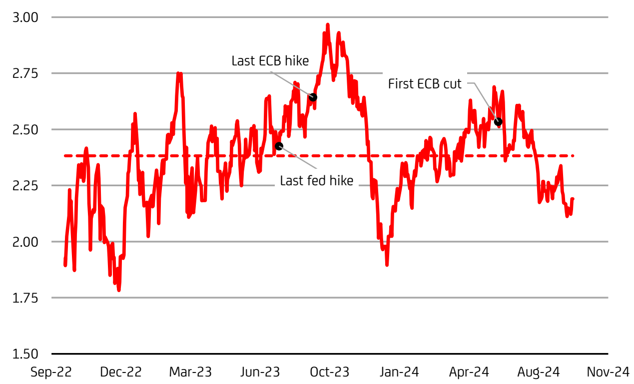
While trimming our US yield forecasts by some 10-20bp to account for more frontloaded Fed action, we maintain the view that risks for US yields from current levels are moderately to the upside, due to **1.** bold easing expectations being priced in already, **2.** uncertainty stemming from the US election, and **3.** very high net issuance in the coming years. However, room for an increase at the long end of the US curve is moderate. First, at 3.70%, 10Y USTs offer around 70bp of pickup relative to the Fed's declared level of neutral rates. Second, as Chair Powell said during the press conference, the direction of travel for monetary policy is clearly to the downside, which is also a supportive factor for bond markets. A significant increase in 10Y UST yields to 4% or above would require either strong upside surprises in economic data or a shock to the term premium, for example due to higher expected fiscal spending.

CHART 1: FED CUTS BY 50BP, FORWARDS PRICE IN A LOT MORE TO COME



Dashed lines indicate forwards at the beginning of each easing cycle

CHART 2:
10Y BUND YIELD OVER THE LAST TWO YEARS



Source: Bloomberg, UniCredit Group Investment Strategy

Next week's data: we expect soft message from eurozone confidence indicators

The data calendar will be relatively light next week. With respect to the US, the main highlight will be core PCE inflation but, coming right after the FOMC meeting, the data are unlikely to meaningfully affect UST yields unless they deliver a strong surprise. In the eurozone, the focus will be on confidence indicators. The eurozone composite PMI for September, due on Monday, is likely to stabilize at 51.0 with the manufacturing sub-index still in contractionary territory. We expect the Ifo Index to provide a bearish message, posting its fourth consecutive decline. Overall, the data – combined with the recent Fed decision – should contribute to keeping Bunds supported.

A look back at performance of fixed income in euro govies…

In the last two years, 10Y Bund yields have averaged 2.40%, moving mostly in the 2-3% range with no clear trend emerging (Chart 1). For long-term buy-and-hold investors, staying in Bills would have been the right choice given the curve inversion. In fact, during this two-year period, the BBG German government bond index with a maturity of 7-10Y would have provided a performance around 2pp worse than that of a German Bubill index, and with a lot more volatility. On the other hand, increasing duration when the ECB delivered its last hike (almost exactly one year ago) would have led to an outperformance of 3pp versus a MM investment.

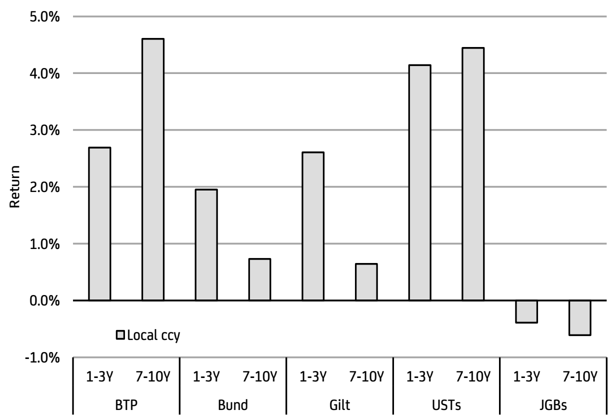
If we focus on YTD performance, MM is still the winner in core govies, as Chart 3 shows. The story is broadly similar when looking at the UST market: investing in the 7-10Y area would have generated a modest 1pp outperformance versus a portfolio of T-bills, and with much higher volatility. As depicted in Chart 4, exposure to credit, be it in the sovereign space or in corporate bonds, would have been a good choice to enhance portfolio performance.

…and what to expect until year-end

With major central banks set to cut policy rates, expected returns from T-bills will decline. Based on our Fed and ECB forecasts, a portfolio of UST bills should return 1.5% until year-end and a portfolio of Bubills a bit less than 1%. With bond valuations already reflecting strong monetary policy easing, extending duration now is risky, especially in the eurozone where core curves at levels very close (if not lower) to the level of ECB policy rate deemed as neutral. A 5Y Bund, trading at just above 2%, generates around 0.5% in performance until year-end if the curve remains unchanged. Expectations of even deeper cuts by the ECB are key for performance here. The 10Y Bund, currently at 2.20%, is also not attractive in our baseline scenario of no recession in the eurozone or the US.

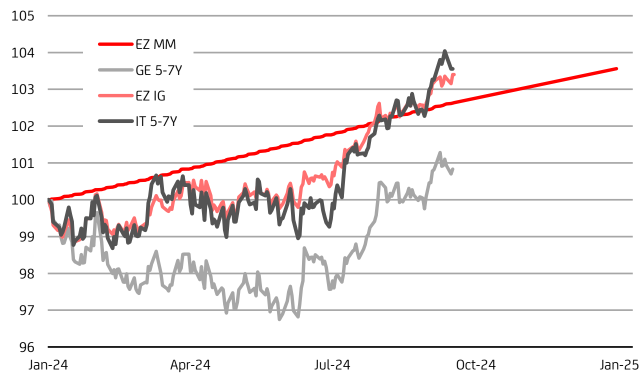
Seeking credit risk exposure to ensure a better running yield and investing in sovereign curves that provide a favorable rolldown, such as BTPs, SPGBs or OATs, is key for performance in the months until the end of the year, and even in this case it will be challenging to keep up with the performance of bills.

CHART 3:
YTD PERFORMANCE IN SOVEREIGN BOND MARKETS



Performance of BBG indices in local currency

CHART 4:
CREDIT RISK EXPOSURE HAS PAID OFF



Source: Bloomberg, UniCredit Group Investment Strategy

FX STRATEGY

NO RUSH IN FED EASING, NO RUSH IN THE FALL OF THE USD

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- The USD is set to remain broadly sluggish, but Fed Chair Powell's making it clear that 50bp of easing did not represent a new pace of rate cuts will likely prevent a new selloff of the US unit. EUR-USD probably will not rally much above 1.12, and USD-JPY will not break below 140 that easily for now. A last rate cut by the SNB will unlikely harm the CHF.
- The Fed's 50bp step increases the room for the NBH to deliver another 25bp cut on Tuesday without fueling HUF weakness. With core inflation trends still exceeding targets, CNB cuts may lag those projected by market forwards, and this is likely to support CZK stability.

The 50bp rate cut the Fed carried out did not spark a USD sell-off

In the end, the Fed opted for a 50bp rate cut, but the USD managed to hold the line against other currency majors after a mildly bearish knee-jerk reaction. This was probably because the move did not come out of the blue after recent adjustments in market rate-cut expectations and because Mr. Powell made it clear that the Fed's 50bp of easing did not represent a new pace of easing and that further decisions will remain data-dependent. EUR-USD remains above 1.11 after experiencing a brief slide, and USD-JPY even climbed above 143 after temporarily falling below 141 (see Chart 1). Elsewhere, the BoE remained on hold after its hawkish cut in August, and this helped GBP-USD stay above 1.32. Norges Bank reiterated its intention to keep its policy rate at the current 4.50% until the end of the year, dragging EUR-NOK back towards 11.65. The BoJ remained on hold as well and forward rates are now pricing in further 16bp of tightening before the end of the Japanese fiscal year in March. Meanwhile, USD-CNY and USD-CNY broke below 7.05, a 16-month low, after China unexpectedly left rates steady as well.

More easing by the SNB and the Riksbank is too anticipated to hurt the CHF and the SEK; the RBA will probably remain on hold

Central-bank meetings are set to dominate the scene in the coming days too. The SNB and the Riksbank are expected to continue their easing cycles by cutting rates by 25bp to 1.00% and 3.25%, respectively. The two moves are quite expected and we doubt that they might represent a drag for the CHF and the SEK. Still, looking ahead, the prospects for the two central banks will probably diverge. The SNB might be done with the new rate cut, as Swiss CPI-inflation, which dropped close to 1% yoy in August, might not call for more easing beyond this month. However, forward rates are flagging more SNB rate cuts ahead (see Chart 2). Some repricing there might thus provide the CHF with fresh support in the near term. We expect, on the other hand, easing to continue in Sweden (down to 2% from the current 3.50% by 4Q25). Lastly, the RBA will likely remain on hold at the current 4.35%. The starting of an easing cycle in Australia will likely be delayed to December, if it all, and this might help the AUD in the meantime. However, forward rates suggest that rate cuts might gain more momentum next year (see Chart 2).

CHART 1: THE FED'S 50BP RATE CUT FAILED TO DRIVE THE EUR AND THE JPY TO NEW HIGHS AGAINST THE USD

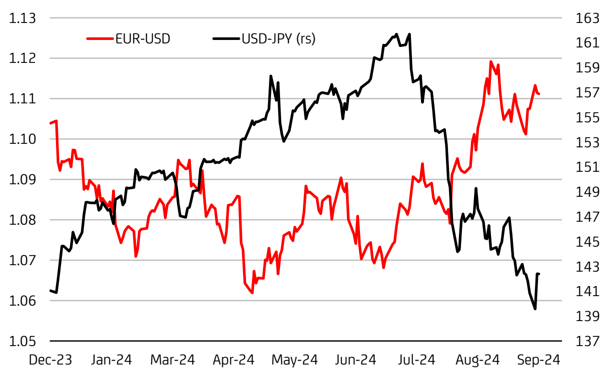
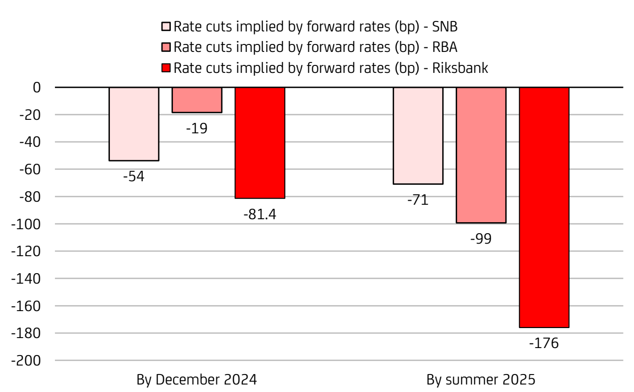


CHART 2: RATE CUTS ARE SET TO BE HEAVIER IN AUSTRALIA AND SWEDEN THAN IN SWITZERLAND, MAINLY IN 2025



Source: Bloomberg, UniCredit Group Investment Strategy

Note: summer 2025 refers to June for the SNB and August for the RBA and the Riksbank.

The agenda for the coming days will continue to be full, but data releases will likely have less impact on FX following the latest central-bank meetings

The weekly agenda will also include the releases in the US of the Conference Board's consumer-confidence survey, data on durable goods orders and personal-income/PCE data, and in Germany the Ifo Business Climate Index. Preliminary PMIs for September are also to be published across the eurozone and in the UK and the US. In Japan, the ruling LDP party will hold election on 27 September to choose a new leader, which will take on the role of prime minister. However, as major central banks have already clarified their policy intentions, new data releases will probably have a smaller impact on FX than in the recent past. EUR-USD probably will not find it easy to rally much above 1.12, the August high, while USD-JPY might still have difficulty breaking below 139.58, a low reached just on Monday. The PBoC did not counteract the new appreciation of the CNY, but we still see its strength as excessive given the status of the Chinese economy. As we now expect another 50bp worth of easing to occur by 4Q24 in the US, for a total of 100bp of easing including this week's move (vs. 75bp previously) and still 125bp of rate cuts by the Fed next year, we have made only marginal adjustments to our FX forecast.

The Fed's decision increases our confidence that another 25bp cut will be carried out by the NBH

In CEE, both central-bank meetings are likely to deliver a 25bp cut next week. The Fed's decision to start its rate-cutting cycle with a bolder, 50bp step increases confidence in our forecast that another 25bp cut will be announced by the NBH on Tuesday, given the sensitivity of the NBH to FX moves. A faster decline in short-term USD yields is helping to shore up carry in CEE FX, a factor that is particularly relevant for the HUF, given that ample-liquidity conditions result in more sensitivity to changes in global risk sentiment. While the prospect of lower imported inflation on the back of decelerating Chinese consumption will increase room for NBH cuts in the remainder of the year, fiscal risks and that core inflation measures remain close to 5% will remain important factors that will weigh on the HUF and warrant a cautious approach by the NBH. Overall, we think a sustained cautious NBH tone will balance risks to the outlook, and we expect EUR-HUF to trade inside the 395-400 range in 4Q24.

The CNB is more focused on core inflation trends, which still warrant a cautious stance despite downside external risks

The CNB board's decision will be, in our view, less directly influenced by the outcome of this week's FOMC meeting. However, the CZK has also benefited from the recent rise in FX carry. While core inflation trends in Czechia are the lowest in the CEE, they remain above the CNB's 2% inflation target, which is why the CNB prefers to stick to 25bp steps, maintaining tight monetary conditions, despite that headline inflation has already reached the CNB's target. As inflation may pick up towards the end of the year, we expect the board to be likely to underdeliver market expectations of rate cuts. While slowing 2Q24 wage growth and weaker-than-expected external demand pose downside risks to our two-week repo-rate forecast of 4% for year-end, we think the bar for a further dovish shift at the front end of the CZK curve looks high. This supports our view that EUR-CZK will remain around 25.0 until end-2024 and that it will slightly firm throughout 2025.

CHART 3: THE NBH MAY STICK TO A CAUTIOUS TONE AS CORE INFLATION MEASURES REMAIN CLOSE TO 5%

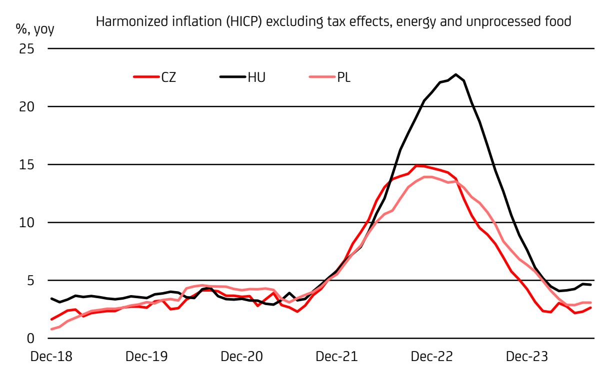
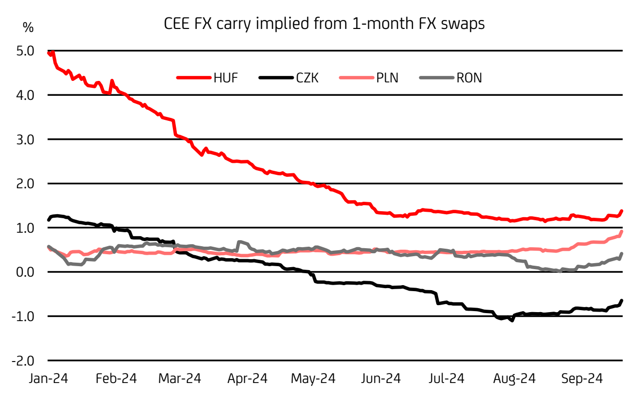


CHART 4: EROSION IN CARRY PARTLY REVERSED IN SEPTEMBER, SUPPORTING STABILITY IN CEE CURRENCIES



Source: Macrobond, Bloomberg, UniCredit Group Investment Strategy

ESG CREDIT STRATEGY

NEAR-TERM CORPORATE MATURITIES SUPPORT FURTHER SUPPLY GROWTH

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- Upcoming bond maturities are set to rise in some key industries that have been driving recent ESG bond-supply growth. We therefore expect further issuance growth in 2025.
- While utilities should continue to underpin near-term supply growth, issuance from other energy-intensive sectors has been inconsistent. Raising supply growth in these industries is important for sustaining ESG supply growth over the medium term.

Investments in the energy transition underpin ESG bond-supply growth

The corporate segment has been a key driver of ESG bond-supply growth in recent years. We see the main source of this supply growth as sustained investment growth in the energy transition since the industries that have experienced the most rapid supply growth have been the most energy-intensive sectors. In addition to sustained supply growth from utilities, high growth in other industries has improved, diversifying the outstanding stock of ESG bonds. In this article, we will look at upcoming maturities in the corporate sector and evaluate what the industry profile of those upcoming maturities could mean for ESG supply growth in the near term and how supply could be impacted by recent trends in green-bond and SLB issuance.

Utilities should support sustained supply growth, while other key sectors show a mixed outlook

The overall near-term refinancing needs of corporate issuers look flat in 2025 relative to 2024, with a significant increase of 21% in maturities scheduled for 2026. The utilities sector should remain the core of corporate ESG bonds (54% of new supply through 8M24) for the foreseeable future; therefore, the outlook for utilities refinancing is decisive for overall corporate ESG issuance. Maturities of utility bonds are scheduled to rise in the coming two years, with the greatest growth (33%) to come in 2025 followed by a further expansion (+10%) in 2026 (Chart 1). The ESG share of total utilities bond supply has continued to be high over the last four years, at 69% (8M24: 79%), which bodes well for sustained ESG supply growth. The outlook is more mixed in some other key sectors. Automotive has seen some of the strongest supply growth since 2022 as companies invested heavily in electric-vehicle production. However, a recent decline in the percentage of ESG bonds as a share of the total issued as well as an expected near-term decline in maturities could stall growth in this previously dynamic sector. The industrials, materials and energy sectors are also important for overall ESG issuance. However, these industries have shown more mixed issuance trends since 2021, with some years showing a contraction in new supply and others showing a rapid expansion. The maturity profile of these industries shows potential for meaningful growth in the near term, but given the erratic recent issuance trends, it is unclear how much of the supply growth will be captured by ESG bonds.

CHART 1: NEAR-TERM MATURITIES VS. ESG SHARE

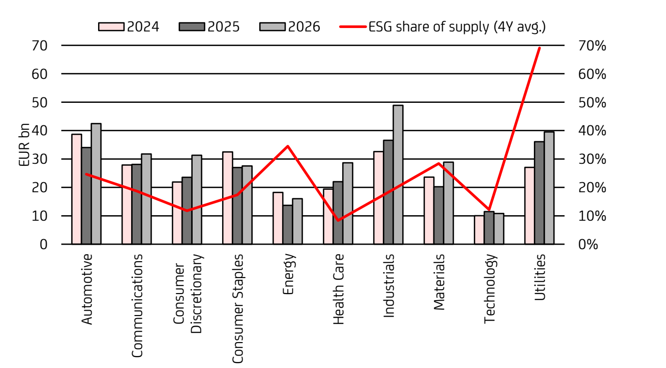
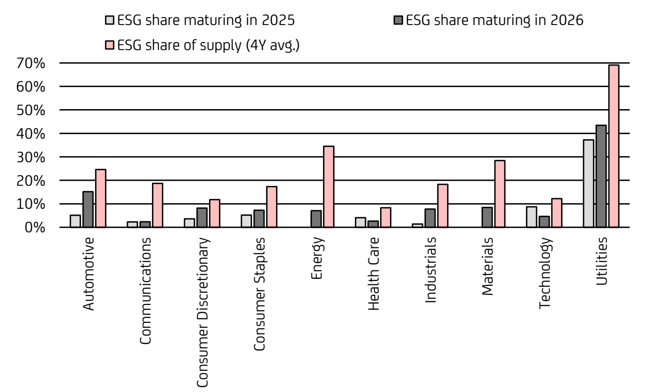


CHART 2: SHARE OF ESG NEAR-TERM MATURITIES VS. ESG SHARE OF TOTAL ISSUANCE



Source: Bloomberg, UniCredit Group Investment Strategy

Low ESG maturities in most sectors should further diversify the industry profile of outstanding corporate bonds and raise net supply growth

Since the ESG debt sector remains relatively young, most of the stock of outstanding bonds is not set to mature in the coming years. The only sector that faces a meaningful share of maturities is utilities, although this share of forthcoming ESG maturities is still well below the sector's share of recent ESG issuance (Chart 2). This should lead to sustained growth in net ESG issuance and should expand the stock of outstanding ESG bonds. Low levels of ESG-bond refinancing outside of the utilities industry should continue to improve industry diversification of the stock of ESG corporate bonds as standard bonds are increasingly refinanced in ESG formats in the coming years. The heavy refinancing and investment needs of utilities in the energy transition should keep them at the core of the ESG corporate sector for the foreseeable future.

Weak SLB issuance trend appears to have impacted supply from some key industries

Another factor that may have led to choppier ESG issuance trends in some industries is a growing preference from investors for green bonds relative to SLBs. Some of the industries noted above that have had inconsistent issuance patterns in recent years (e.g. industrials, materials and energy) are among the largest SLB issuers (Chart 3). While automotive and utilities companies appear to have increasingly shifted the balance of their ESG issuance from SLBs to green bonds, the transitional nature of these other heavy energy-consuming industries tends to fit better within an SLB-financing framework rather than within a green-financing framework. Improved SLB standards and, consequently, greater acceptance from investors would therefore likely support more consistent ESG issuance growth from these industries.

Near-term growth outlook appears to be intact; medium-term growth requires greater contribution from lagging industries

The sustained growth in corporate ESG issuance is somewhat surprising in light of weakening demand data on the primary market (Chart 4). While order books and new issue premiums (NIPs) reflected excess demand for green bonds (and to a degree for SLBs) relative to standard bonds in 2023 (especially in 1H23), that advantage has eroded in 2024 as investor demand for standard and ESG bonds has increased. Although issuance of ESG bonds has continued to grow despite the weakening of a pricing premium for ESG bonds, we believe that higher greeniums would attract more debut issuers, especially in sectors where the share of ESG issuance is relatively low (e.g. industrials). The near-term growth outlook appears to be well underpinned by the growing investment and refinancing needs of the utilities sector as it continues to drive Europe's evolving energy infrastructure; however, attracting more debut issuers would also help to diversify the outstanding stock of ESG bonds away from the current dominance of utilities. While near-term growth in corporate ESG issuance appears likely to continue into 2025 based on the outlook for forthcoming maturities, sustaining this growth over the medium term will require greater contributions from some of the laggard industries, similar to the dynamic growth seen in recent years from the auto industry.

CHART 3: SLB INDUSTRY BREAKDOWN 2023-8M24

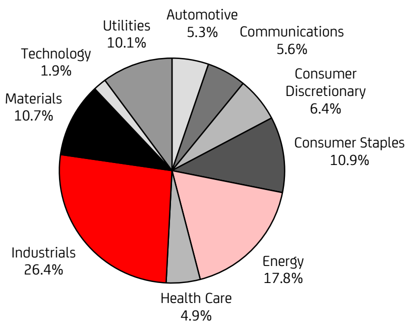
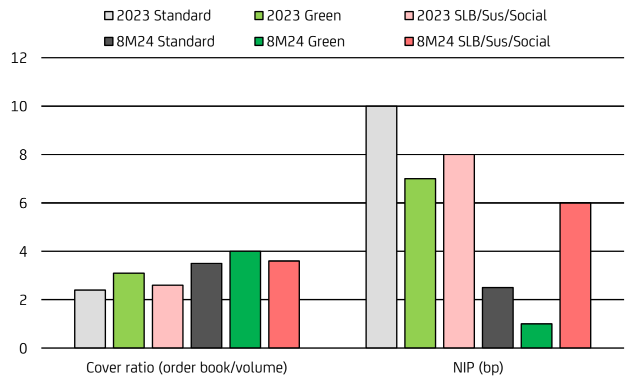


CHART 4: ESG VS. STANDARD PRIMARY DEMAND



Source: Bloomberg, 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	**2.5**	**2.2**	**1.3**	**4.1**	**2.9**	**1.8**	**-8.8**	**-7.4**	**-7.4**
Euro Area	**0.5**	**0.6**	**1.2**	**5.4**	**2.4**	**1.8**	**-3.6**	**-3.3**	**-2.9**
Germany	-0.3*	0.4*	1.3*	5.9	2.2	1.5	-2.4	-2.0	-2.0
France	1.1	1.1	1.2	4.9	2.1	1.6	-5.5	-5.3	-4.5
Italy	1.0	0.8	1.1	5.7	1.2	1.8	-7.4	-4.5	-4.0
Spain	2.5	2.6	1.5	3.4	3.0	1.9	-3.6	-3.0	-2.9
Austria	-0.8	0.0	1.5	7.8	3.3	2.3	-2.6	-3.0	-2.9
Greece	2.0	1.9	1.7	3.5	2.3	1.7	-1.6	-1.3	-1.0
Portugal	2.3	1.8	1.4	4.3	2.3	1.6	1.2	0.2	0.3
UK	**0.1**	**0.7**	**0.8**	**7.3**	**2.5**	**1.8**	**-4.5**	**-4.5**	**-3.5**
Switzerland	**0.7**	**1.4**	**1.6**	**2.1**	**1.2**	**0.5**	**0.8**	**0.5**	**0.3**
Sweden	**-0.1**	**1.0**	**1.6**	**6.0**	**2.0**	**1.5**	**-0.6**	**-0.3**	**-0.8**
Norway **	**0.7**	**0.6**	**1.0**	**5.5**	**3.5**	**2.1**	**14.9**	**14.0**	**12.1**
Japan	**1.9**	**0.4**	**1.0**	**3.3**	**2.3**	**1.7**	**-5.2**	**-4.3**	**-3.5**
Developing countries									
Central & Eastern Europe									
Poland	0.2	3.5	3.5	6.2	4.7	4.0	-5.1	-5.3	-4.5
Czechia	-0.1	1.0	2.6	6.9	2.8	2.7	-3.5	-2.8	-2.6
Hungary	-0.9	1.5	2.5	5.5	4.3	3.7	-6.7	-4.9	-4.3
Turkey	5.1	3.6	3.3	64.8	46.0	28.0	-6.4	-6.0	-4.6
Emerging Asia									
China	5.2	4.8	4.3	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)	1.2	0.8	0.4	0.7	0.2	0.2	0.3	0.4	0.4	0.4
Euro Area	0.0	0.1	0.3	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Germany	0.2	-0.4	0.2	-0.1	0.3	0.3	0.4	0.4	0.4	0.4
France	0.1	0.4	0.3	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Italy	0.3	0.1	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.3
Spain	0.5	0.7	0.8	0.8	0.4	0.4	0.4	0.4	0.5	0.5
Austria	-0.4	0.1	0.1	-0.4	0.0	0.3	0.4	0.4	0.4	0.4
UK	-0.1	-0.3	0.7	0.6	0.1	0.0	0.2	0.3	0.3	0.3
Switzerland	0.2	0.3	0.5	0.7	0.3	0.4	0.4	0.4	0.4	0.4
Sweden	0.3	-0.2	0.8	-0.3	0.3	0.3	0.3	0.5	0.5	0.5
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	1.5	2.5	3.0	3.6	4.7	3.9	3.8	3.0	3.5
Czechia	-0.8	0.4	0.5	0.7	0.6	0.7	0.6	0.6	0.6	0.6
Hungary (%yoy)	-0.4	0.0	1.1	3.5	1.7	1.9	2.8	3.7	3.6	2.7
Turkey (%yoy)	6.1	4.0	5.9	2.2	2.8	2.4	2.0	4.0	4.7	4.9

Consumer prices (% yoy)***	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**	**4Q25**
US	3.5	3.2	3.2	3.2	2.7	2.5	2.0	1.7	1.8	1.9
Core rate (ex food & energy)	4.4	4.0	3.8	3.4	3.2	2.9	2.3	2.0	2.1	2.2
Euro Area	5.0	2.7	2.6	2.5	2.2	2.2	1.9	1.7	1.8	1.9
Core rate (ex food & energy)	5.1	3.7	3.1	2.8	2.8	2.9	2.5	2.2	1.9	1.8
Germany	5.6	3.6	2.5	2.3	1.9	2.2	2.0	1.3	1.3	1.3
France	4.7	3.7	2.8	2.2	1.9	1.6	1.5	1.5	1.6	1.7
Italy	5.6	1.0	0.9	0.8	1.2	1.5	1.7	2.0	1.7	1.6
Spain	2.6	3.3	3.2	3.6	2.4	2.6	2.3	1.7	1.5	2.0
Austria	6.8	5.4	4.3	3.3	2.5	2.2	2.4	2.2	2.0	2.0
UK	6.7	4.2	3.5	2.1	2.1	2.3	2.0	1.6	1.8	1.8
Switzerland	1.6	1.6	1.2	1.4	1.2	1.2	0.8	0.4	0.5	0.5
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	3.2	3.2	2.3	2.2	2.2	2.2
Poland, eop	8.2	6.2	2.0	2.6	4.8	4.7	5.5	5.1	4.1	4.0
Czechia, eop	6.9	6.9	2.0	2.0	2.2	2.8	2.3	3.0	2.8	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	48.8	46.0	38.6	35.3	30.4	28.0

*Non-wda figures. Adjusted for working days: -0.1% (2023), 0.4% (2024) and 1.4% (2025)
**Mainland economy figures. Overall GDP: 0.5% (2023), 0.7% (2024), 1.2% (2025)
****CEE CPI figures are end-of-period.

Source: UniCredit Group Investment Strategy

UNICREDIT INTEREST RATE AND YIELD FORECASTS

	Current	4Q24	1Q25	2Q25	3Q25	4Q25
EMU						
Refi rate	3.65	3.40	3.15	2.90	2.65	2.40
Depo rate	3.50	3.25	3.00	2.75	2.50	2.25
3M Euribor	3.46	**3.20**	2.95	2.70	2.45	**2.24**
Euribor future		*2.93*	*2.43*	*2.14*	*2.01*	*1.96*
2Y Schatz	2.22	**2.30**	2.15	2.00	1.95	**1.90**
fwd		*2.01*	*1.85*	*1.78*	*1.71*	*1.76*
5Y Obl	2.05	2.20	2.10	2.05	2.00	2.00
10Y Bund	2.19	**2.40**	2.35	2.30	2.30	**2.30**
fwd		*2.19*	*2.19*	*2.21*	*2.22*	*2.25*
30Y Bund	2.48	2.70	2.75	2.75	2.75	2.75
2/10	-3	10	20	30	35	40
2/5/10	-31	-30	-30	-20	-25	-20
10/30	29	30	40	45	45	45
2Y EUR swap	2.47	2.65	2.50	2.35	2.30	2.25
5Y EUR swap	2.34	2.55	2.45	2.40	2.35	2.35
10Y EUR swap	2.44	2.70	2.65	2.60	2.60	2.60
10Y BTP	3.54	4.00	3.95	3.85	3.85	3.80
US	**Current**	**4Q24**	**1Q25**	**2Q25**	**3Q25**	**4Q25**
Fed fund	5.00	4.50	4.00	3.75	3.50	3.25
3M OIS SOFR	4.75	**4.20**	3.90	3.65	3.40	**3.10**
fwd		*3.88*	*3.37*	*3.16*	*2.96*	*2.76*
2Y UST	3.58	**3.60**	3.55	3.50	3.40	**3.30**
fwd		*3.37*	*3.26*	*3.24*	*3.23*	*3.27*
5Y UST	3.48	3.55	3.55	3.50	3.45	3.40
10Y UST	3.71	**3.80**	3.75	3.70	3.65	**3.60**
fwd		*3.72*	*3.72*	*3.75*	*3.78*	*3.82*
30Y UST	4.04	4.15	4.15	4.10	4.05	4.00
2/10	14	20	20	20	25	30
2/5/10	-32	-30	-20	-20	-15	-10
10/30	33	35	40	40	40	40
2Y USD swap	3.38	3.40	3.40	3.35	3.30	3.20
10Y USD swap	3.26	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	**Current**	**4Q24**	**1Q25**	**2Q25**	**3Q25**	**4Q25**
10Y UST-Bund	153	140	140	140	135	130
10Y BTP-Bund	135	160	160	155	155	150
10Y EUR swap-Bund	25	30	30	30	30	30
10Y USD swap-UST	-46	-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	1.12	1.11	1.11	1.12	1.12	1.13	1.11	1.11	1.12
EUR-CHF	0.95	0.95	0.96	0.97	0.98	0.99	0.95	0.96	0.98
EUR-GBP	0.84	0.85	0.85	0.87	0.88	0.90	0.85	0.85	0.88
EUR-JPY	161	158	157	155	153	153	158	157	153
EUR-NOK	11.73	11.65	11.60	11.55	11.50	11.45	11.65	11.60	11.50
EUR-SEK	11.36	11.25	11.20	11.15	11.10	11.10	11.25	11.20	11.10
EUR-AUD	1.64	1.63	1.61	1.60	1.60	1.59	1.63	1.61	1.60
EUR-NZD	1.79	1.76	1.73	1.72	1.72	1.71	1.76	1.73	1.72
EUR-CAD	1.51	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	97.3	97.4	97.8
CEEMEA & CHINA									
EUR-PLN	4.28	4.35	4.39	4.44	4.48	4.50	4.35	4.39	4.48
EUR-HUF	394	400	402	409	411	413	400	402	411
EUR-CZK	25.10	25.00	25.00	24.90	24.80	24.70	25.00	25.00	24.80
EUR-TRY	38.11	40.52	43.29	45.92	46.76	50.29	40.52	43.29	46.76
EUR-CNY	7.87	7.86	7.83	7.86	7.84	7.91	7.86	7.83	7.84

USD	Current	4Q24	1Q25	2Q25	3Q25	4Q25	3M	6M	12M
G10									
EUR-USD	1.12	1.11	1.11	1.12	1.12	1.13	1.11	1.11	1.12
USD-CHF	0.85	0.86	0.86	0.87	0.88	0.88	0.86	0.86	0.88
GBP-USD	1.33	1.31	1.30	1.29	1.27	1.26	1.31	1.30	1.27
USD-JPY	144	142	141	138	137	135	142	141	137
USD-NOK	10.50	10.50	10.45	10.31	10.27	10.13	10.50	10.45	10.27
USD-SEK	10.18	10.14	10.09	9.96	9.91	9.82	10.14	10.09	9.91
AUD-USD	0.68	0.68	0.69	0.70	0.70	0.71	0.68	0.69	0.70
NZD-USD	0.62	0.63	0.64	0.65	0.65	0.66	0.63	0.64	0.65
USD-CAD	1.36	1.35	1.34	1.33	1.32	1.30	1.35	1.34	1.32
USTW$	90.8	95.4	95.1	94.4	94.3	93.4	95.4	95.1	94.3
DXY	100.7	101.2	101.1	100.2	100.3	99.4	101.2	101.1	100.3
CEEMEA & CHINA									
USD-PLN	3.83	3.92	3.95	3.96	4.00	3.98	3.92	3.95	4.00
USD-HUF	353	360	362	365	367	365	360	362	367
USD-CZK	22.50	22.50	22.50	22.20	22.10	21.90	22.50	22.50	22.10
USD-TRY	34.11	36.50	39.00	41.00	41.75	44.50	36.50	39.00	41.75
USD-CNY	7.05	7.08	7.05	7.02	7.00	7.00	7.08	7.05	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.	74.6	83	80
Equities			
Euro STOXX 50	4,897	5,200	5,450
STOXX Europe 600	518	540	565
DAX	18,822	19,400	20,400
MSCI Italy	89	93	97
S&P 500	5,714	5,500	5,775
Nasdaq 100	19,840	19,500	20,500
Credit			
iBoxx Non-Financials Senior	85	80	75
iBoxx Banks Senior	88	85	80
iBoxx High Yield NFI	299	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	-48
Banks	0.5	10.5	5
Basic Resources	-0.5	1.5	-25
Chemicals	0.5	3.0	20
Construction & Materials	0	3.8	0
Consumer Products & Services	0	6.0	0
Energy	-0.5	3.8	-12
Financial Services	0	4.3	0
Food, Beverage & Tobacco	0	6.2	0
Health Care	0.5	18.2	3
Industrial Goods & Services	0	14.4	0
Insurance	1	7.0	17
Media	0	1.7	0
Personal Care, Drug & Grocery Stores	1	3.5	41
Real Estate	-0.5	1.1	-32
Retail	0.5	1.3	60
Technology	-1	4.9	-17
Telecommunications	0	2.9	0
Travel & Leisure	-0.5	0.7	-42
Utilities	0	4.3	0

Source: STOXX Ltd., UniCredit Group Investment Strategy

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» BoE Review - MPC sees gradual cuts, but we think they will move faster - 19 September 2024

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