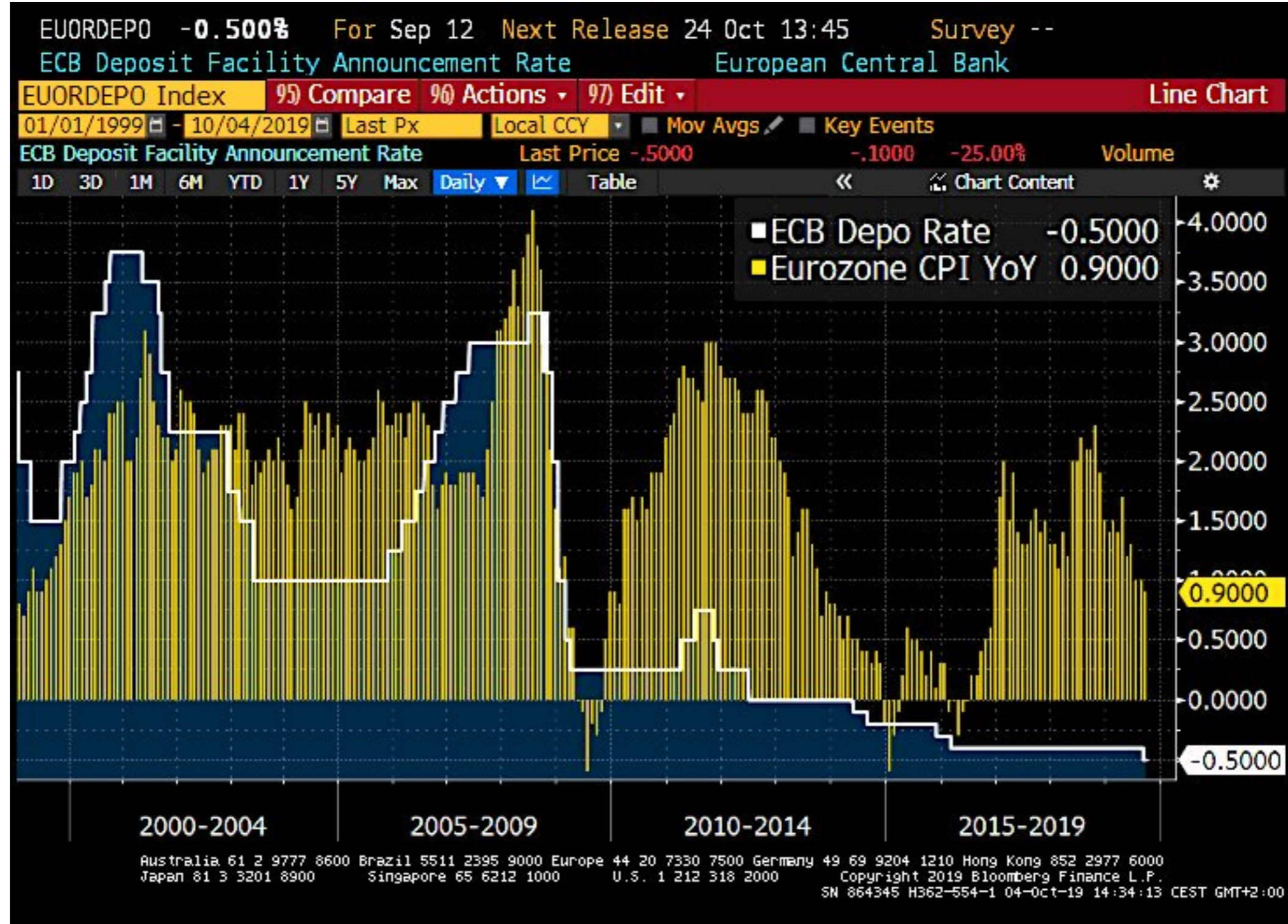


Outlook for Economies of Germany and Slovakia



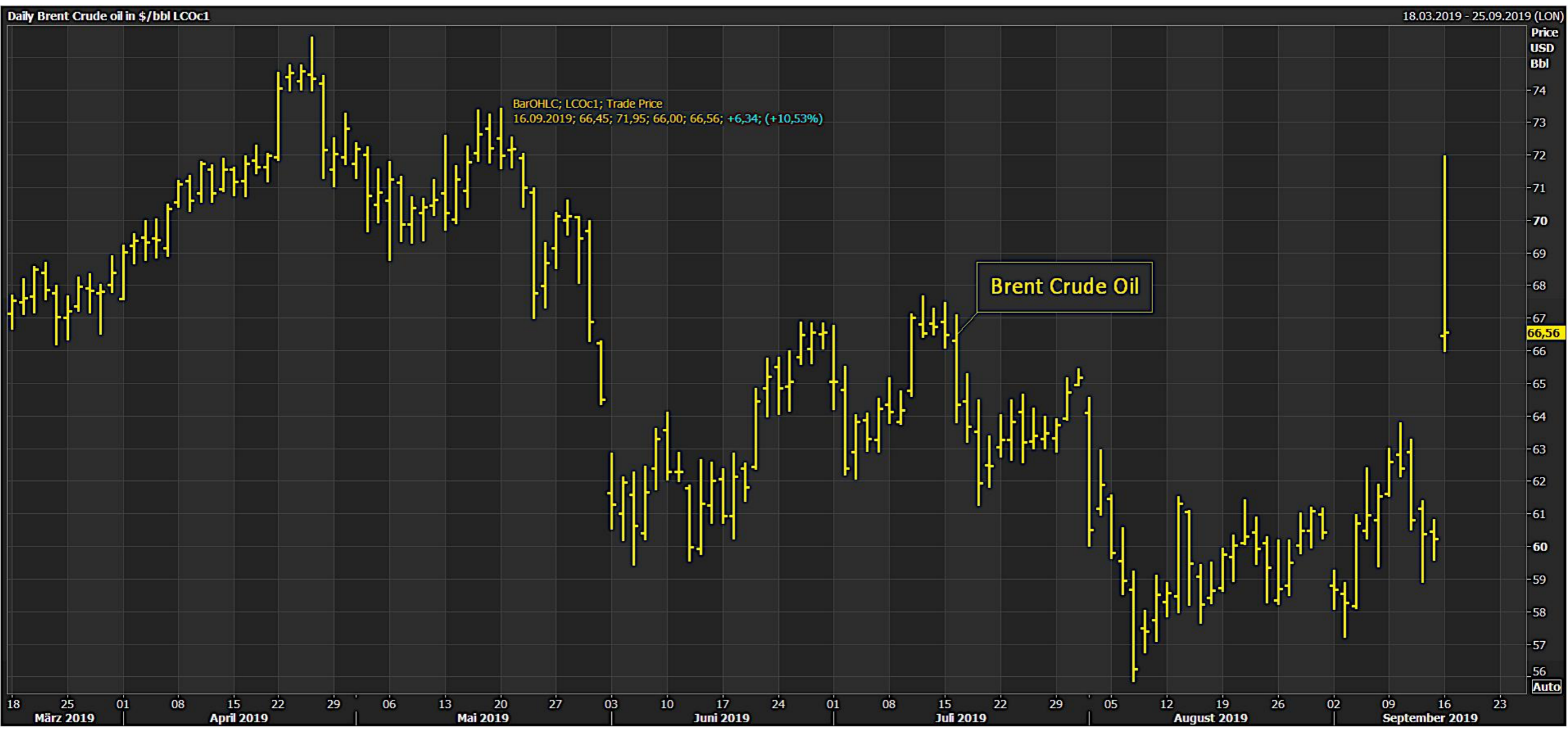
Overview of major upcoming risks and macroeconomic trends

SNOPK, October 10, 2019, Bratislava, Vladimir Vano



ECB: Unprecedented Times

Key Interest rates vs. Consumer Price Inflation

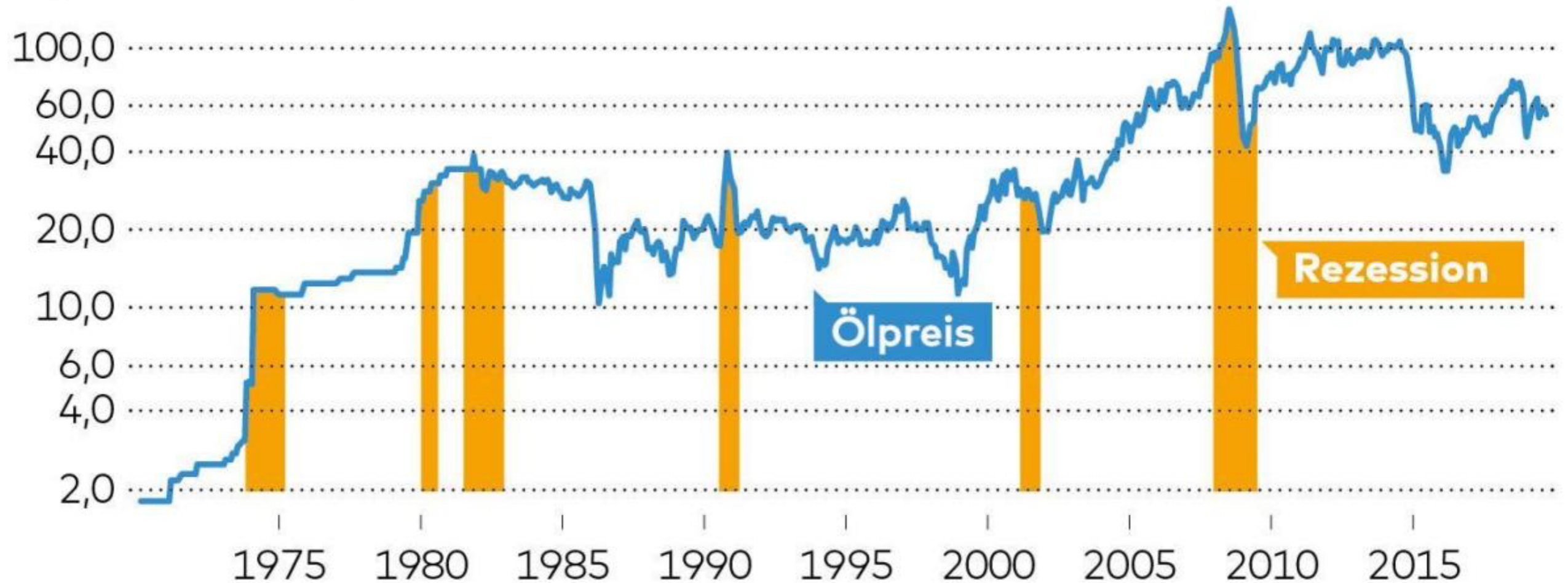


11th Anniversary of Lehman Brothers

Aramco Attacks, September 14, 2019

Auf die Preisrallye folgt oft die Rezession

Ölpreis in Dollar je Barrel, Dauer der US-Rezessionen (orange Balken)



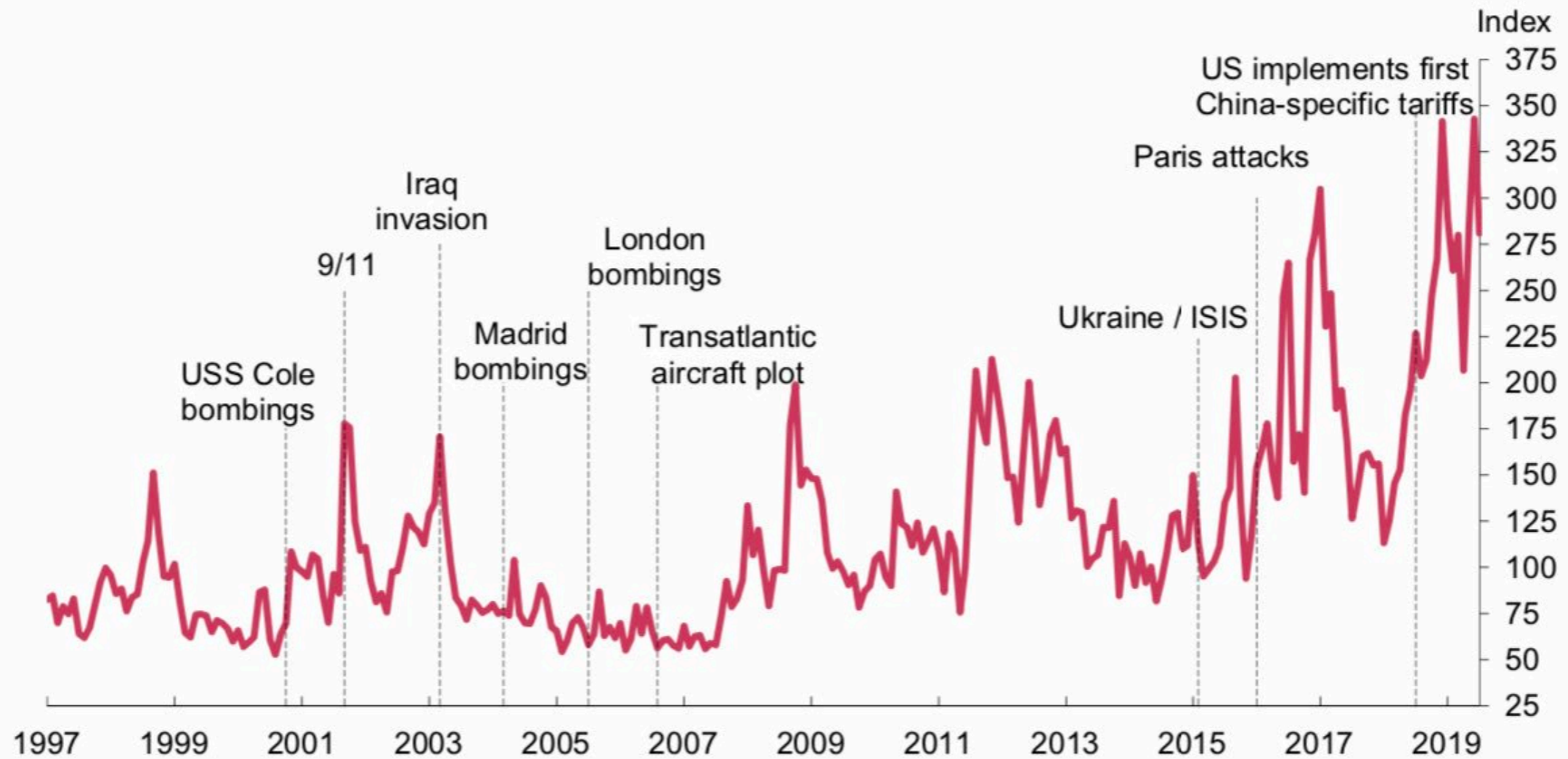
welt

Quelle: Bloomberg, Gavekal Data, Macrobond

Oil and business cycle

Each US Recession was preceded by oil spike

Chart 2: Global economic policy uncertainty has reached record highs



Source: Baker, S, Bloom, N and Davis, S (2015), 'Measuring economic policy uncertainty', NBER Working Paper No. 21633.

Non-economic risks

Trade war has spiked geopolitical risk up to new highs

Nothing, Nada

Spanish and Portuguese bonds yield next-to-nothing after global rally



Source: Bloomberg

Monetary policy and price of risk

Support to economic growth causes subdued risk spreads

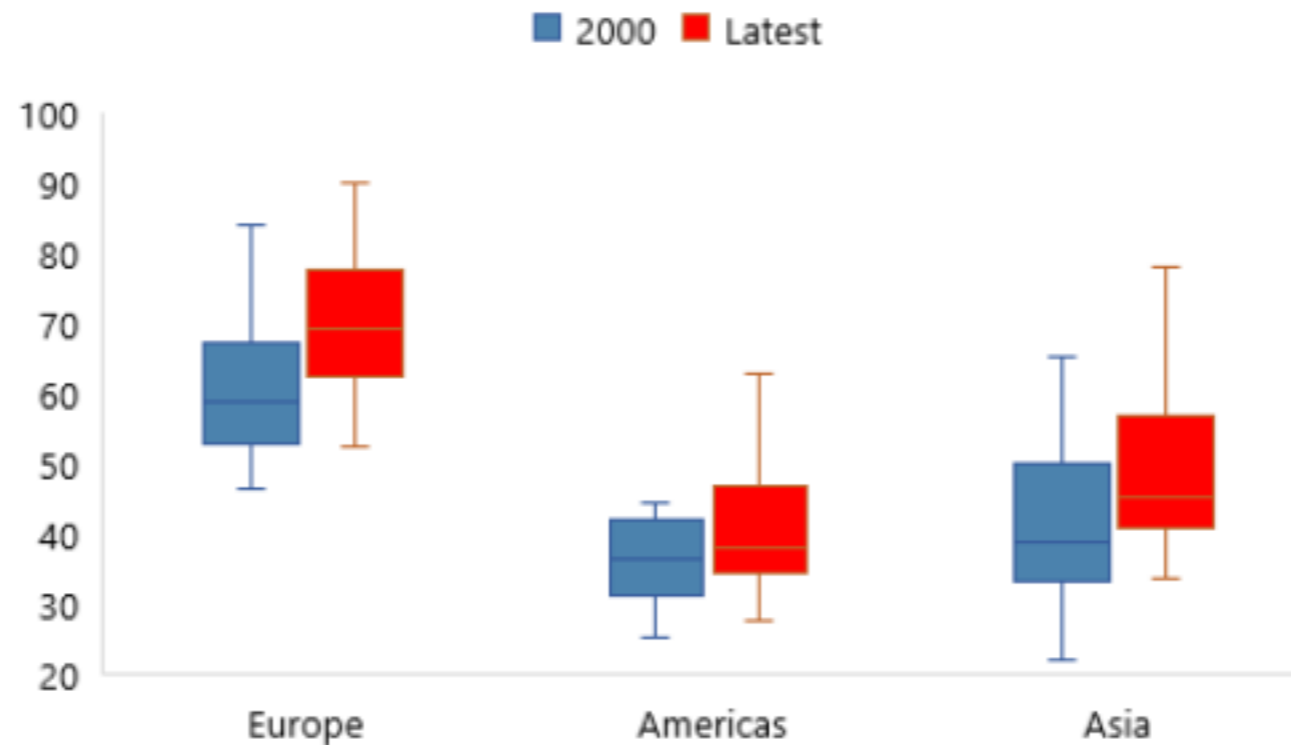


Trade WAR: US-China...

Deeper integration

Europe is more closely integrated into global value chains than the Americas or Asia.

(percent of exports linked to global value chains)



Sources: United Nations Conference on Trade and Development-EORA Global Value Chain Database; and IMF staff calculations.

Note: The line refers to the median, the box to the 25-75 percentile range, and the error bars to the minimum-maximum range. Latest data available in the United Nations Conference on Trade and Development-EORA Global Value Chain Database are for 2013.

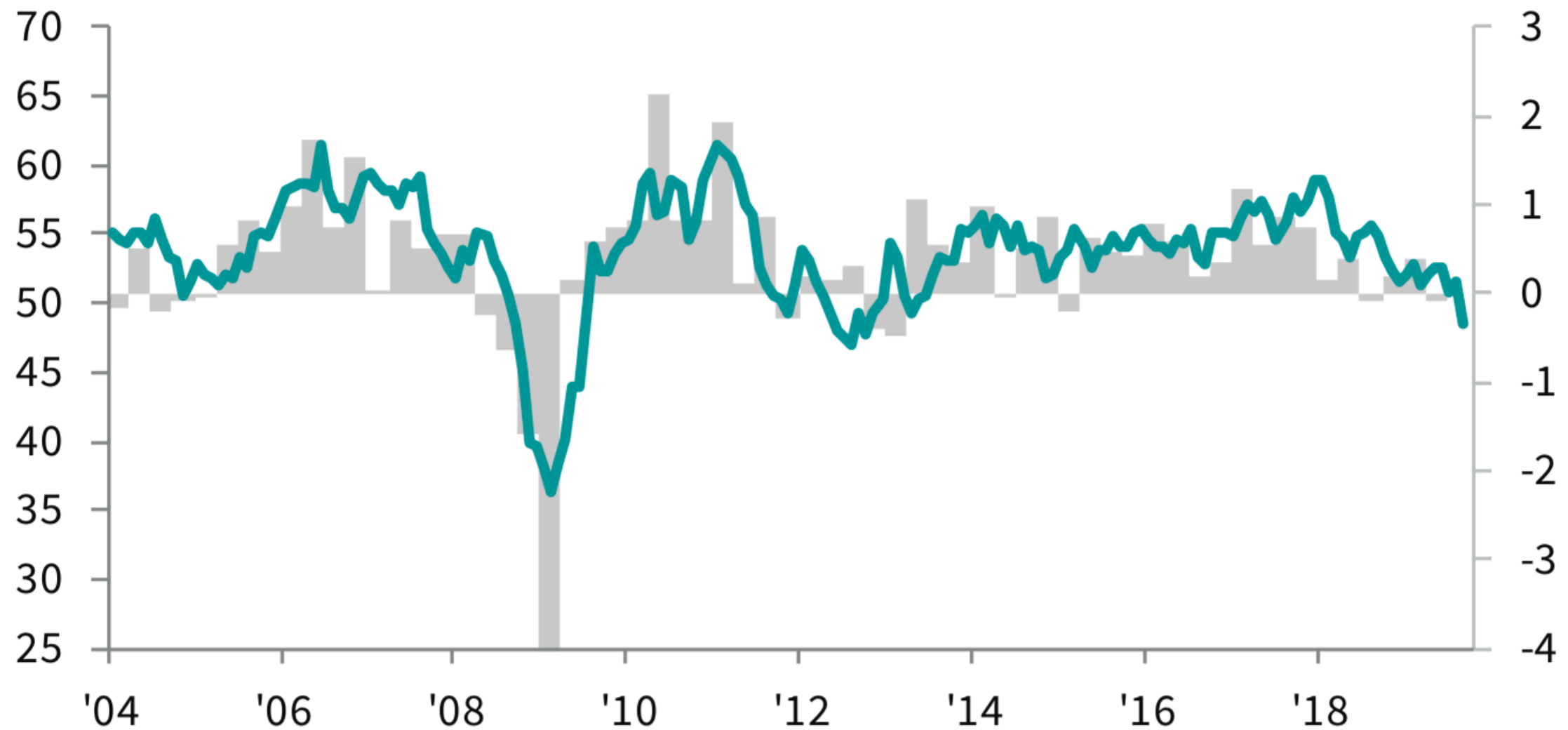
Trade WAR: US-China...

Composite Output Index

sa, >50 = growth since previous month

Gross Domestic Product (GDP)

%qr/qr

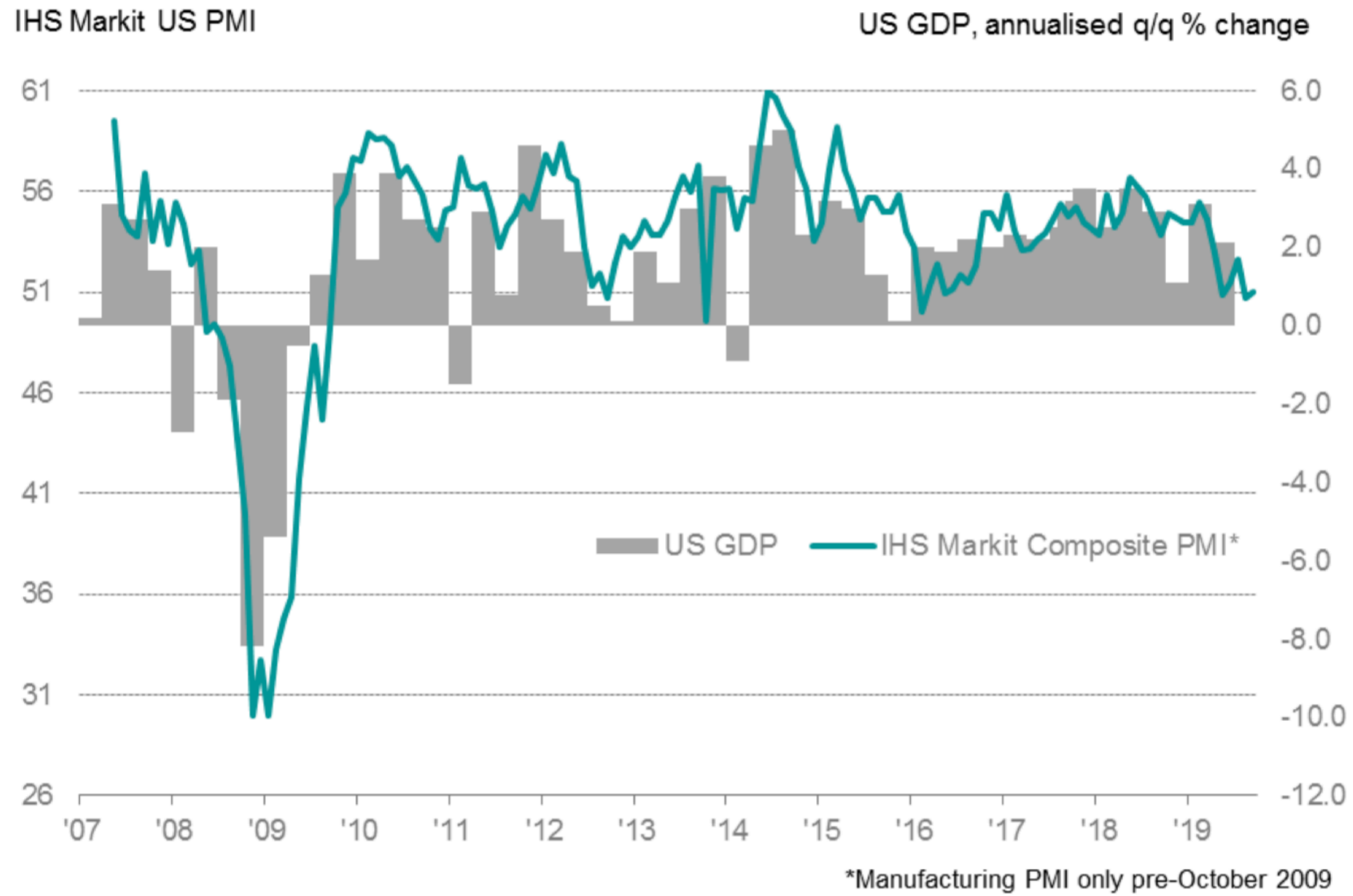


Sources: IHS Markit, Eurostat.

Germany: Forward-Looking Indicators

PMI - Purchasing Managers Index

IHS Markit Composite PMI and U.S. GDP

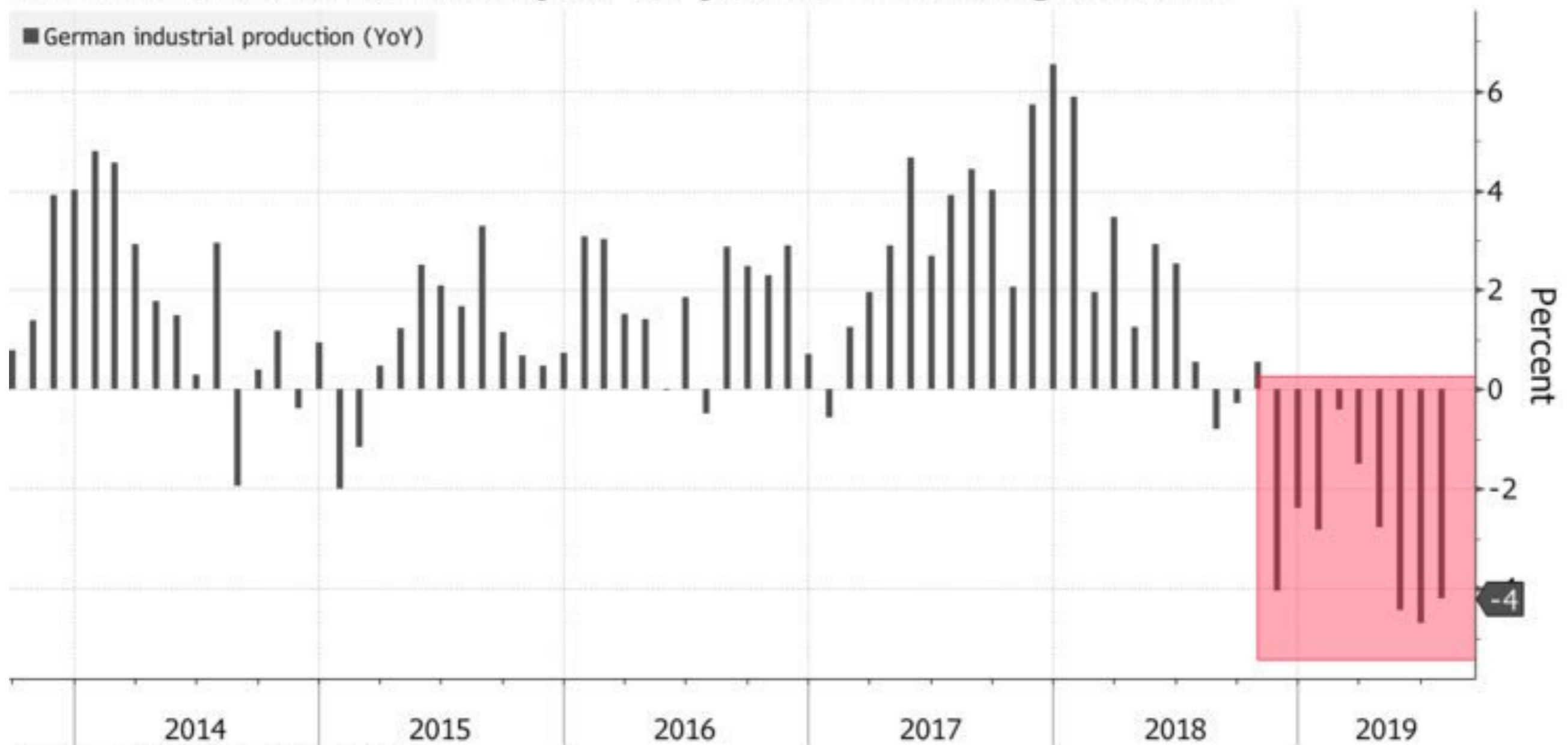


Sources: IHS Markit, U.S. Bureau of Economic Analysis.

US Forward-Looking Indicators

Not a Good Look

German industrial has fallen year-on-year for nine straight months



EUropean Locomotive

Recession of German Industry



Does German Industry Stop Bleeding?

August surprise in manufacturing production growth



2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

German new industrial orders

New manufacturing orders still in warning territory

GERMANY CONSENSUS GDP FORECAST 2020



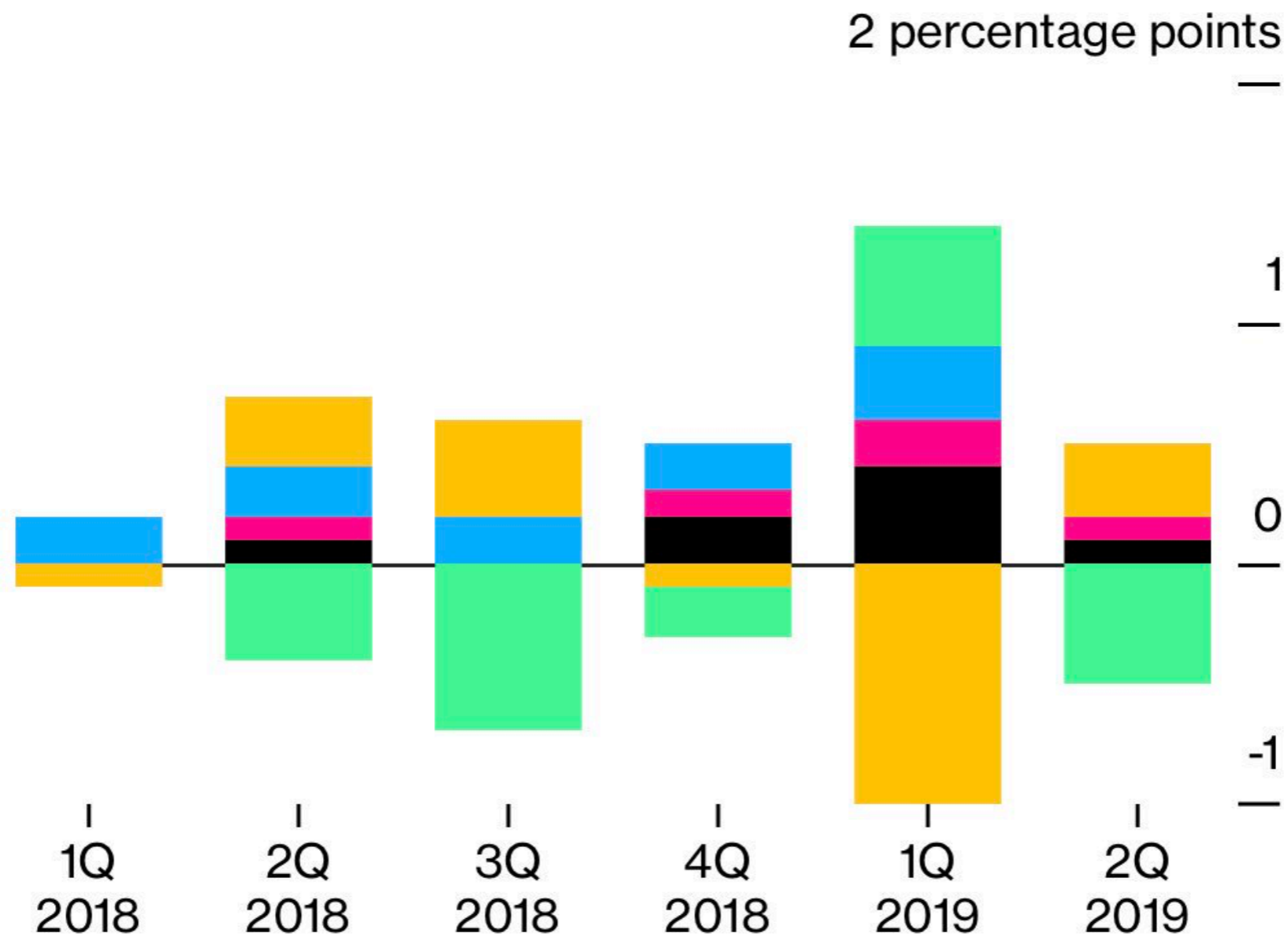
German Locomotive

Growth Outlook for Next Year

Trade Drag

Net trade weighed on German GDP in the second quarter

- Household consumption
- Government spending
- Capital investment
- Change in inventories
- Net trade

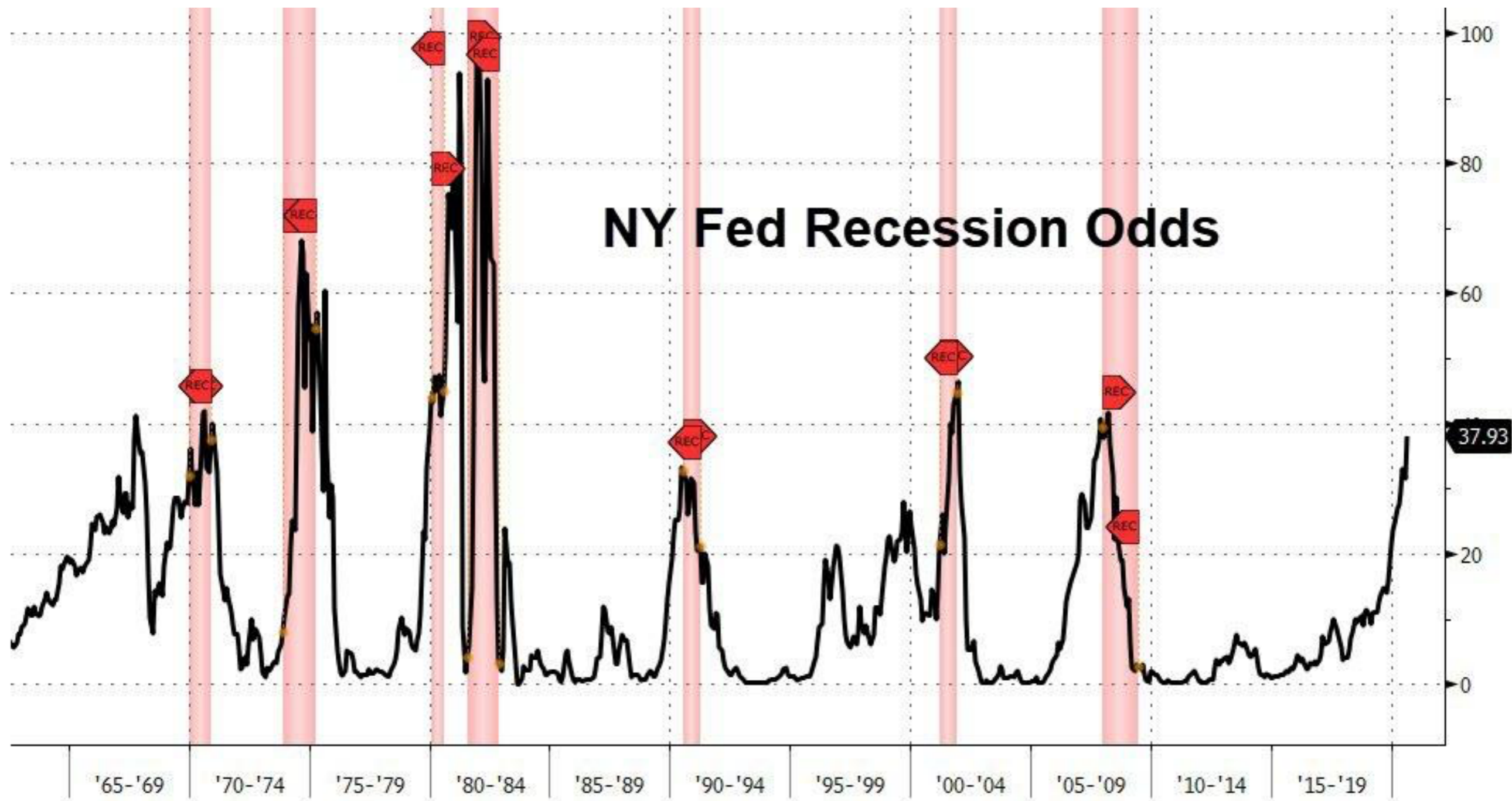


Source: Federal Statistics Office



Ifo Index Warning

Surprising Drop in September

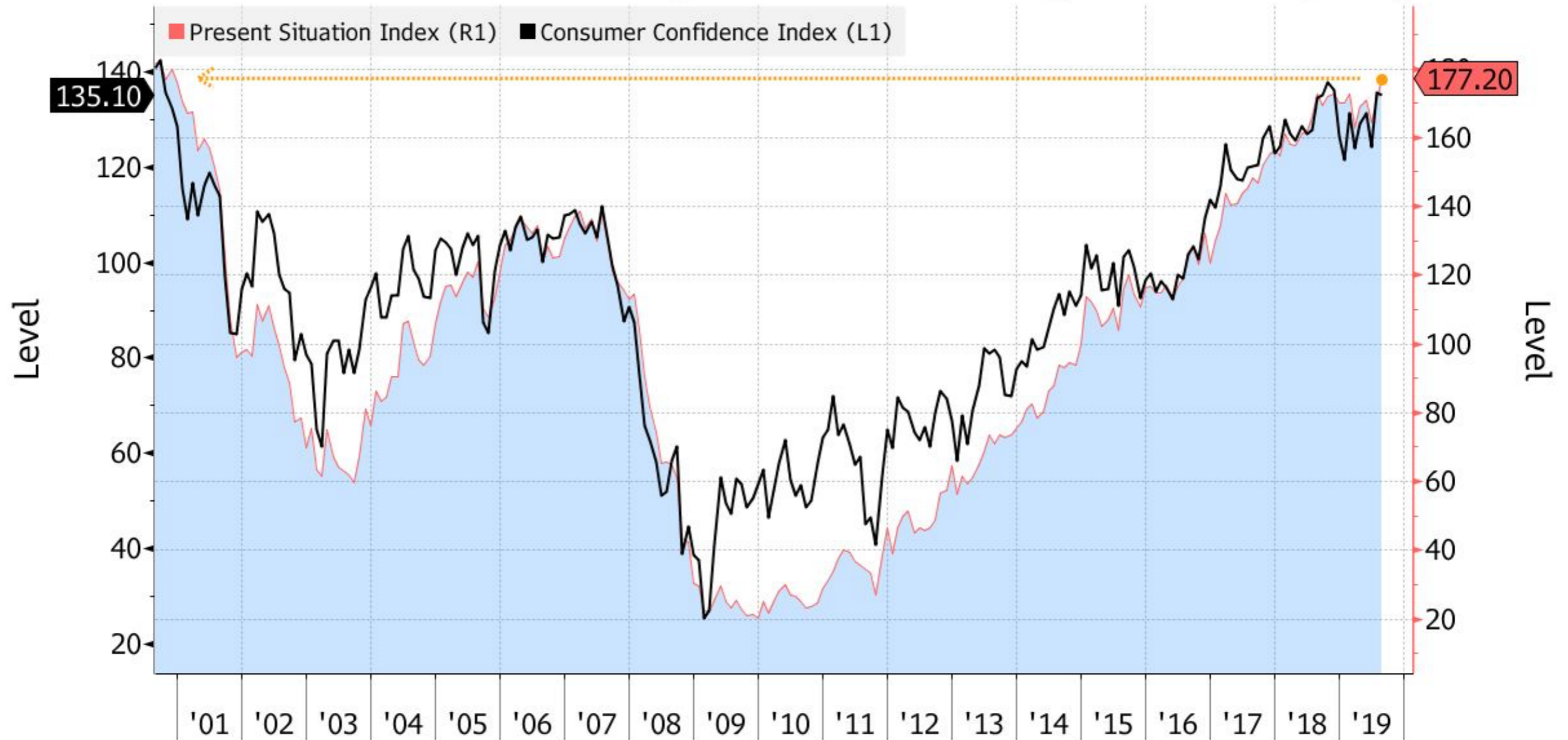


Recession Probability

Highest since 2009 as per NY Fed Model

Brimming With Confidence

American consumers' assessment of present conditions highest in nearly 19 years

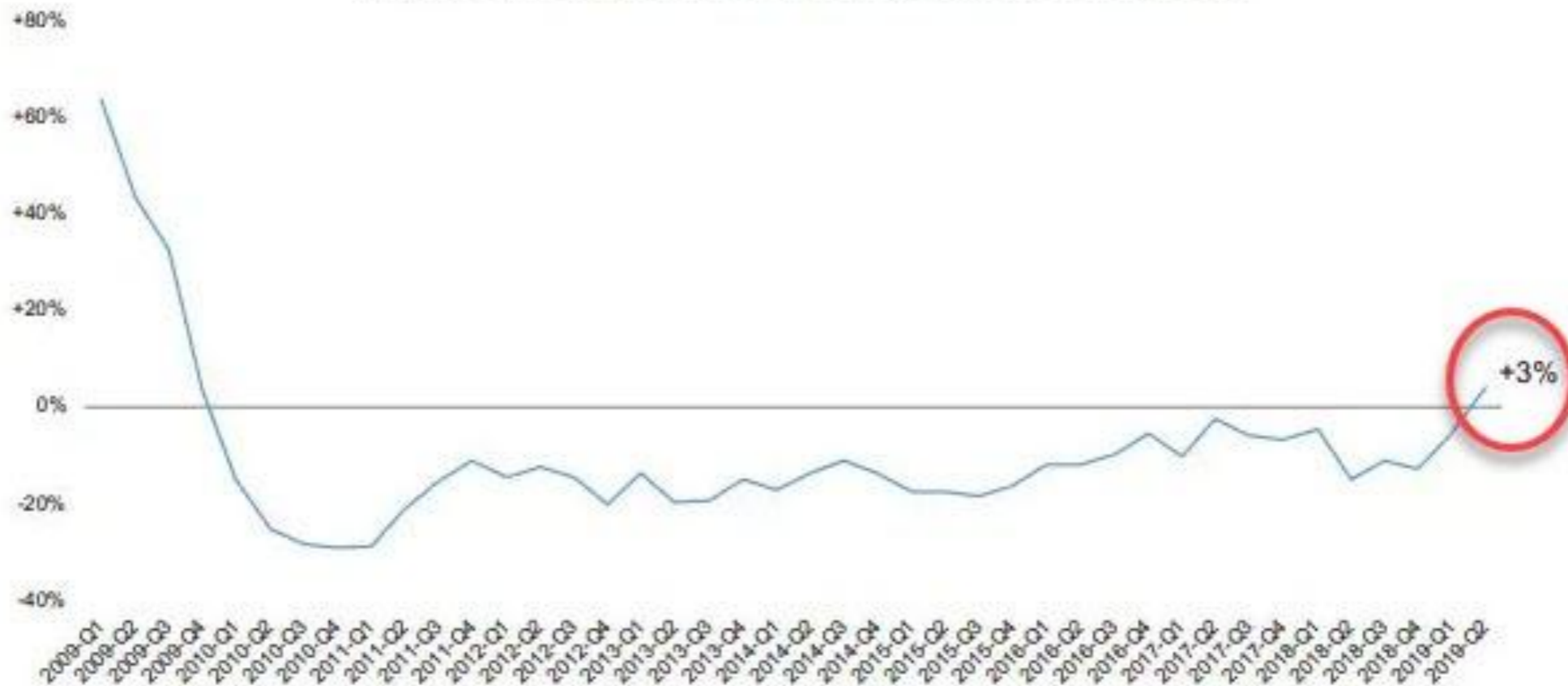


Source: Conference Board

What recession risk: US Consumer Confidence

First Annual Rise in Defaults Since the Financial Crisis

ANNUAL CHANGE IN DEFAULT RATE
(EXCLUDING IMPACT FROM 2017 HURRICANE SEASON)



MishTalk

Mortgage loans risk

The first annual growth of defaulted mortgages since 2009



Slowdown in China

The slowest growth of Chinese industry since 2002

China's renminbi falls past key Rmb7 a dollar threshold

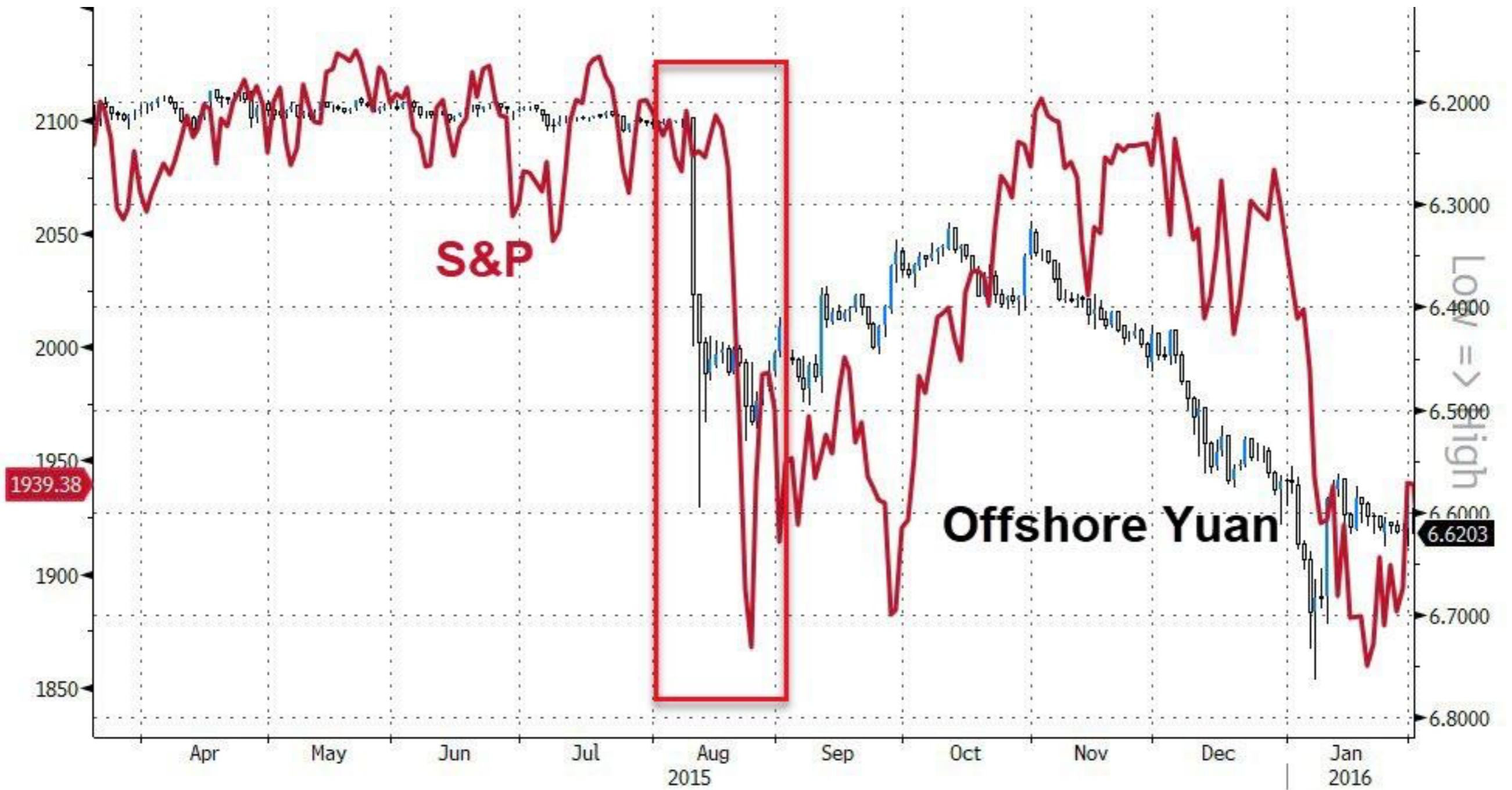
Renminbi per dollar



Source: Bloomberg data

© FT

Chinese Trade War



Chinese Trade War and Wall Street



Nils Davey

End of Free Trade?

SG Global Economic Newsflow Indicator (ECNI) and global industrial production



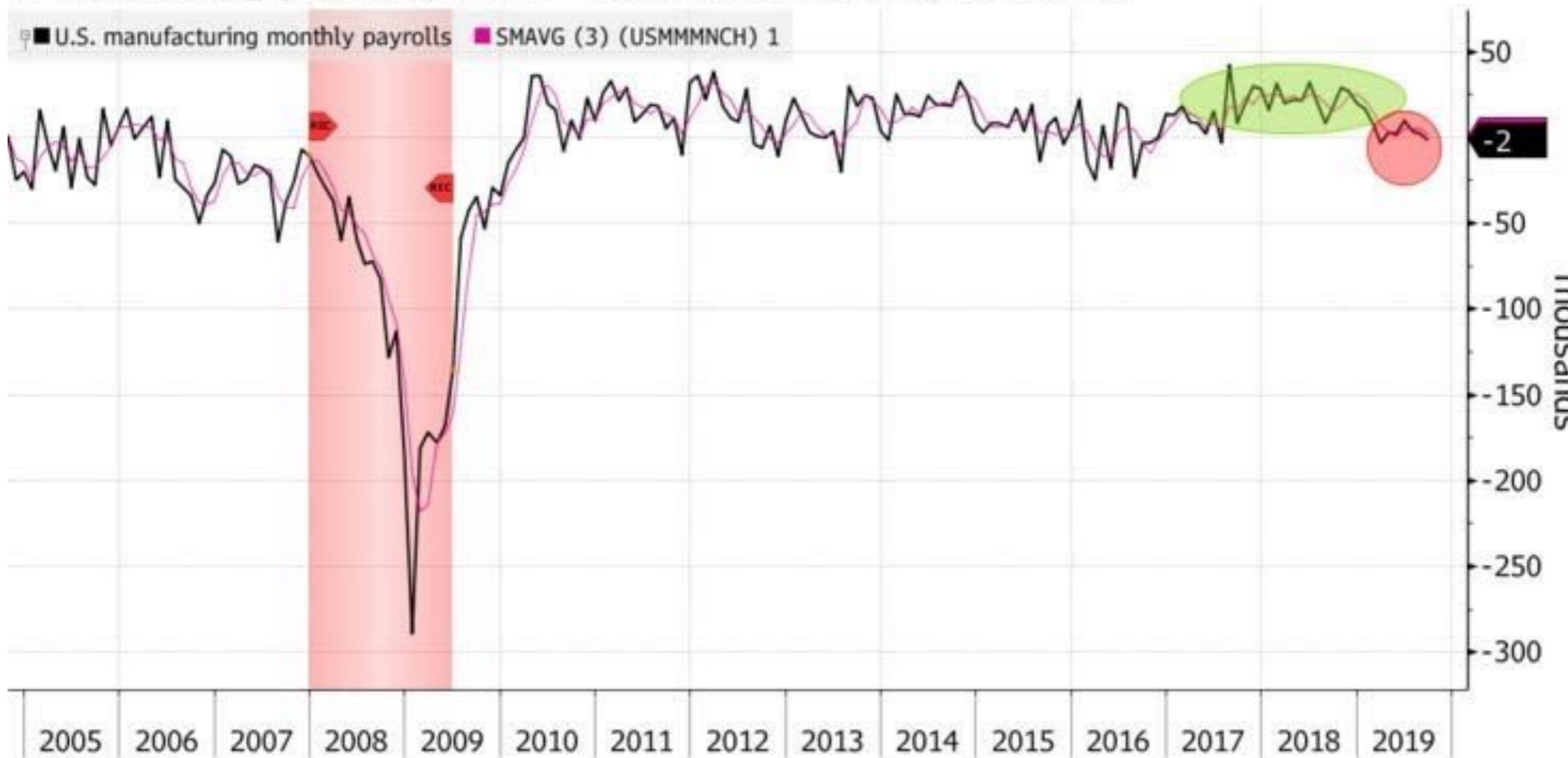
Red: Leading indicator (+13 weeks). SG Global Economic Newsflow indicator: news articles on economic strength as a % of all news articles. Latest data 26/08/2019. **Grey:** Global Industrial Production: weighted average of US, euro area, UK, Japan, Taiwan, South Korea, Norway, Sweden, South Africa. Data as of May 2019. Source: Dow Jones, MSCI, Datastream, SG Cross Asset Research/Global Asset Allocation

War or Reelection?

Trade war is increasing risk of recession before 2020 elections

Off the Factory Floor

Manufacturing jobs cut in the month amid industry slowdown



Source: BLS

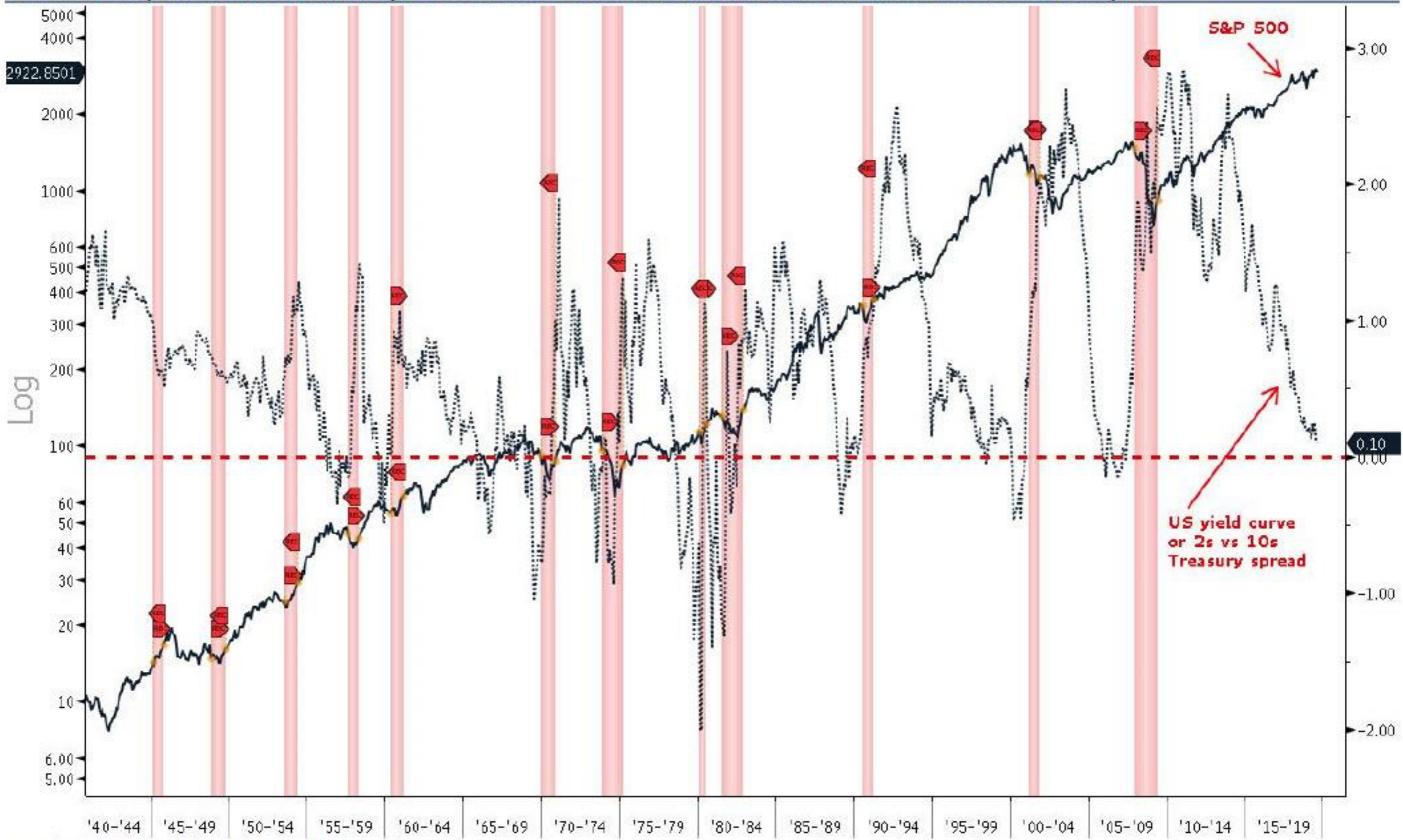
Employment in Manufacturing

First warning signals despite 50-year low in US rate of unemployment



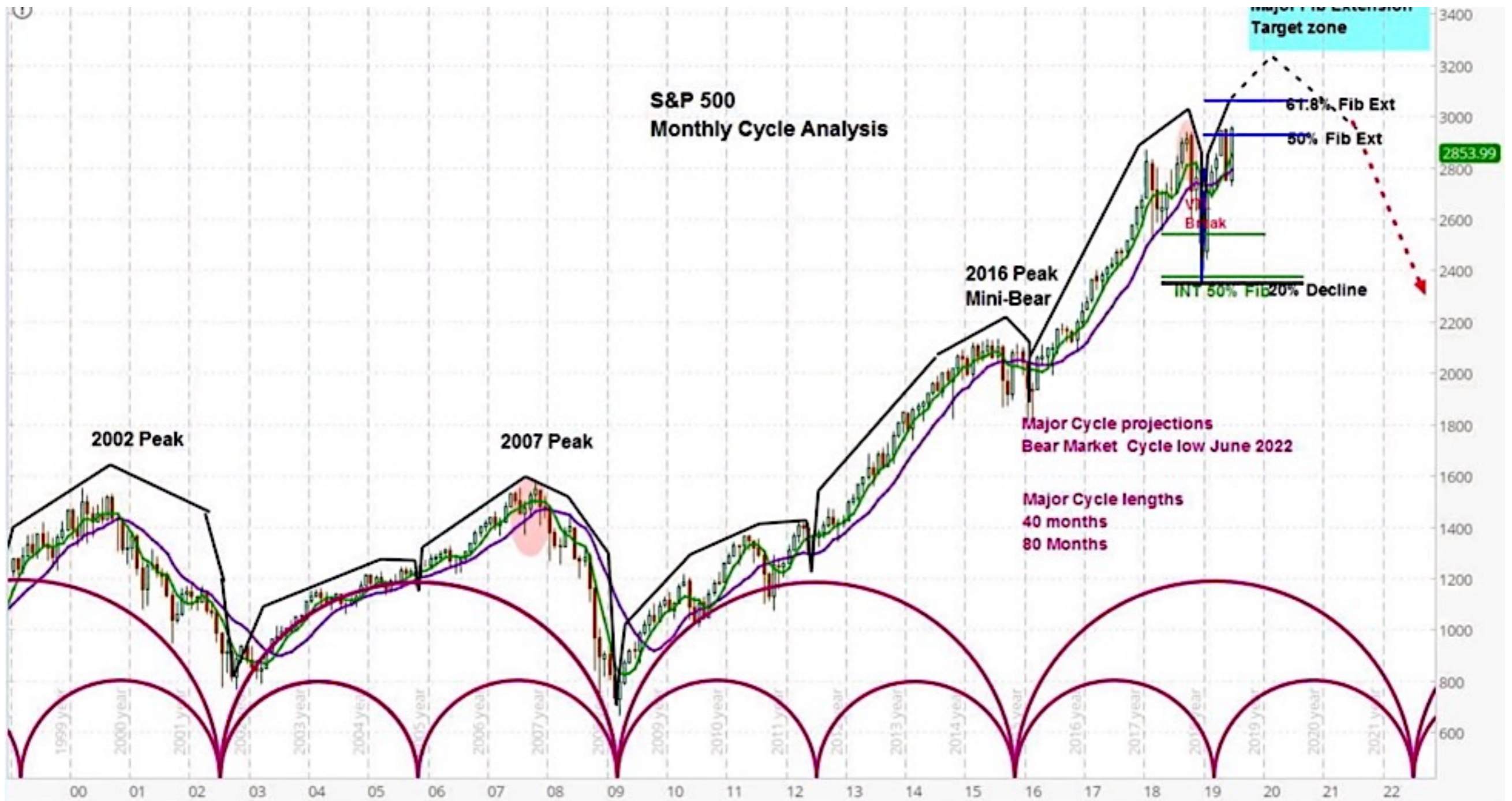
Inverse Yield Curve

Chart 1: 2s-10s yield curve inversions have preceded the last seven recessions and nine out of the last 12 recessions - monthly chart



Source: BofA Merrill Lynch Global Research, Bloomberg

Drop of Long-term Interest Rates below Short-Term Interest Rates



Long-term Development

Cycles in Economy and in Markets

Stock Prices

Dow Jones Industrial Average (extended), 1789 to date

Monthly high-low bars, log scale

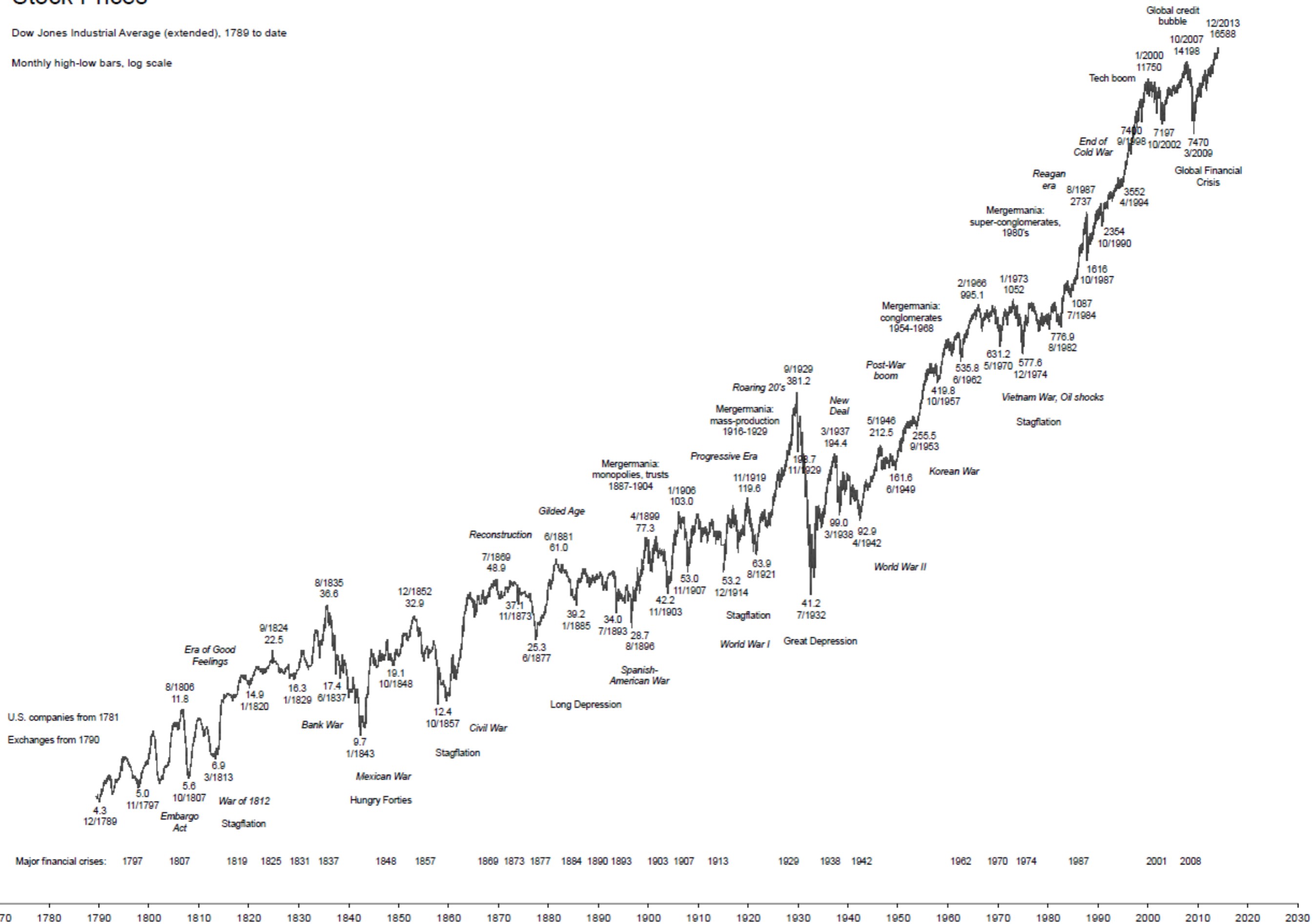
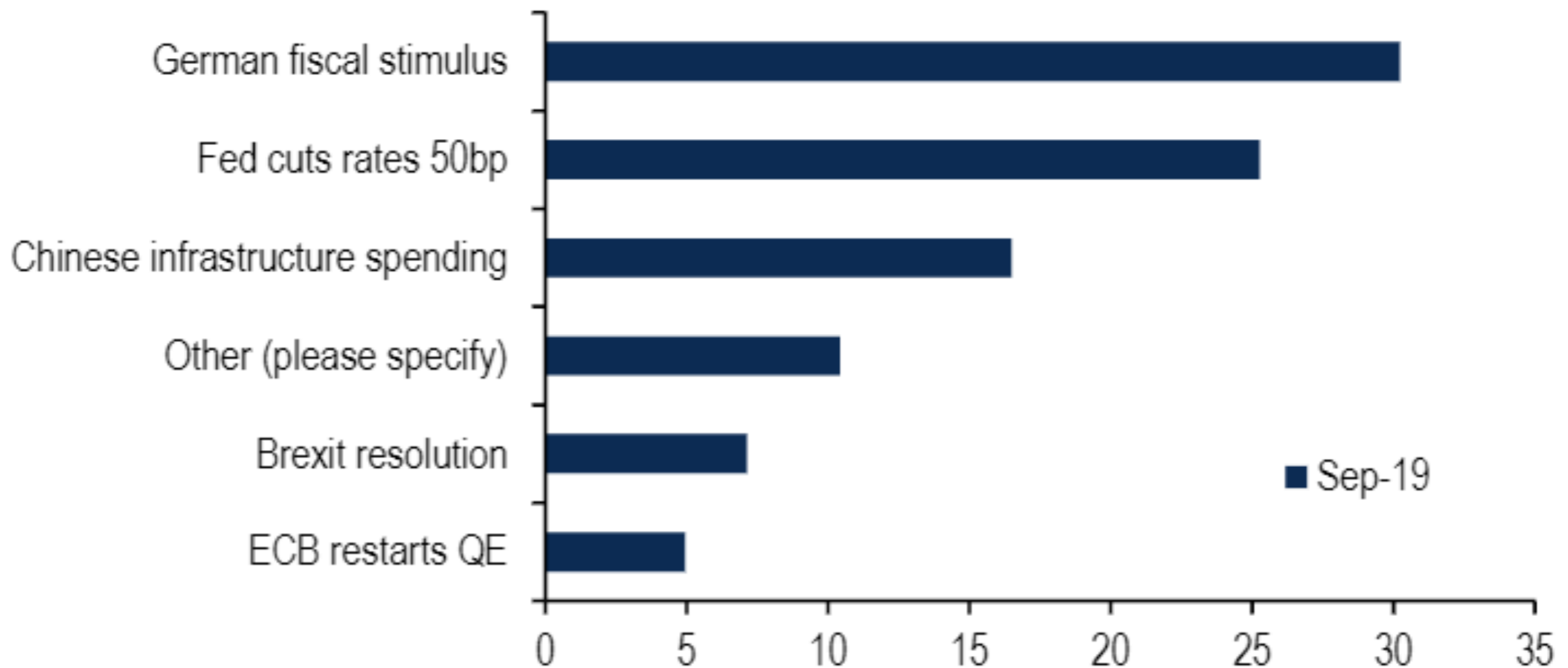


Exhibit 8: Which of the following policies in the next 6-months would be most bullish for risk assets?



Source: BofA Merrill Lynch Global Fund Manager Survey, Bloomberg

Hopes for Turnaround

Major factors which could benefit to stabilisation