Investec Economics

Investec
Investec Bank plc (UK)

Global Economic Overview

25 June 2024

Positives punctured by protectionism and populism?

Global

Economic activity since the turn of the year has shown a rebound following the stagnation seen in many western economies over 2023. Indicators for Q2 have largely been in line with our base case assumptions, solidifying our view that momentum has continued to build. As such our forecasts for global growth are unchanged at 3.2% in 2024 and 3.3% in 2025. Easier monetary policy is a key factor underpinning this view and we continue to believe that the Fed and BoE will lower interest rates in H2, joining the likes of the ECB in cutting rates this year. This comes with the caveat that the timing and pace of easing will be dependent on more encouraging news on inflation and wages. But there are downside risks related to elections (France is a case in point) and growing protectionist policies.

United States

The latest FOMC meeting saw rates held at the current target range of 5.25-5.50%, as expected. The accompanying projections garnered interest though due to a shift in the 'dot plot', with the median view on the committee being for just one interest rate reduction this year (prior: three). This hides a more nuanced picture though: it was close between one and two cuts, and the end-26 point remained unchanged, suggesting merely a delay to easing, rather than a fundamental change in the outlook for policy. We maintain our view for two 25bp rate cuts this year, with the first in September, followed by four reductions next. Our expectations for a slowing in economic momentum coincides with this view. We pencil in GDP growth of 2.4% this year, and 1.6% next.

Eurozone

The ECB delivered what we think will be the first of a series of measured rate cuts. Some niggling concerns relate to wage and services price data, which did not fit the disinflation narrative as neatly. But although the ECB did not outline a path for future policy, 25bp rate cuts at each *Staff Projections* meeting still look plausible this year and next. The main focus though is on French politics, after President Macron called a snap National Assembly election following a heavy defeat for his party in EU Parliamentary elections. The two-stage voting process and strong polling for the far-left as well as the far-right makes the final outcome uncertain. Political worries may hold back EUR in the near term, but for now we foresee only a limited GDP impact, keeping our forecast for '23 at 0.8%, but cutting our '24 forecast by 0.1%pt to 1.6%.

United Kingdom

Judging by opinion polls, Labour looks almost certain to sweep into power with a landslide win on 4 July. What is outlined in its election manifesto is a very conservative (with a small 'c') approach to fiscal policy, raising borrowing by just £3.5bn thanks to extra expenditure on its Green Prosperity Plan. Labour has committed to not raising tax rates for its four major revenue streams, but the need to boost funding via some other tax rises may well arise. Still, for now, inflation falling faster than wage growth is a boon to the economy, supporting our call for above-consensus GDP growth of 1.0% and 1.8%, respectively, in 2024 and 2025. We continue to see scope for a first MPC rate cut as soon as at the next (August) meeting, and a gradual path of 25bp per quarter of Bank rate cuts over the remainder of this year and next as inflation expectations fall.

	2024	2025
GDP growth (%)		
Global	3.2	3.3
US	2.4	1.6
China	5.0	4.2
UK	1.0	1.8
EU20	0.8	1.6
Key official interest rates (%, end-year)		
US Fed funds	4.75-5.00	4.00-4.25
ECB Deposit rate	3.25	2.25
UK Bank rate	4.75	3.75
FX rates (end-year)		
€:$	1.08	1.11
€:£	0.84	0.85
£:$	1.29	1.31
$:¥	152	140
AUD:$	0.65	0.69
€:CHF	0.96	1.00

Please click here for a summary of our economic and market forecasts

Philip Shaw
+44 (0) 20 7597 4302
philip.shaw@investec.co.uk

Ryan Djajasaputra
+44 (0) 20 7597 4039
ryan.djajasaputra@investec.co.uk

Ellie Henderson
+44 (0) 20 7597 6714
ellie.henderson@investec.co.uk

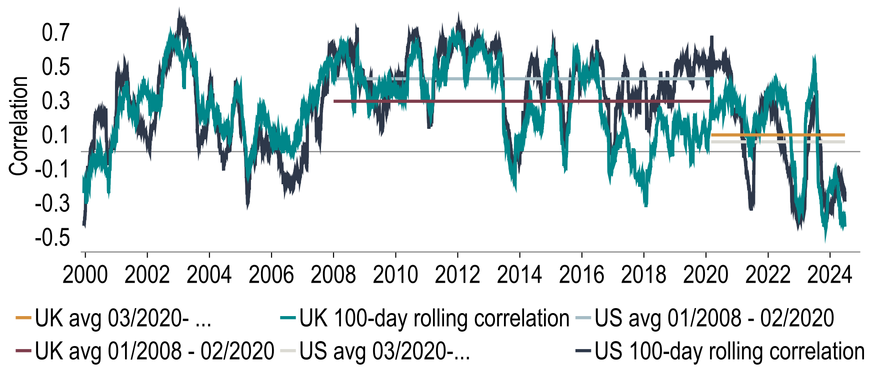
Sandra Horsfield
+44 (0) 20 7597 5882
sandra.horsfield@investec.co.uk

Lottie Gosling
+44 (0) 20 7597 4774
lottie.gosling@investec.co.uk

Global

Markets have generally been in a buoyant mood this year. Equity indices have seen record highs, whilst corporate bond spreads have tightened. Investor excitement over AI has been one theme. What is also apparent is the return to a negative correlation between bond yields and equity prices. This is inextricably linked to the outlook for interest rates, with rises or falls in yields and equities having often been driven by single data points and the signals they have sent on monetary policy prospects. US CPI is a prime example. Whilst there has been a degree of volatility as rate expectations have fluctuated, things should become clearer in the months ahead, particularly as the Fed begins easing policy. Alongside a global economic recovery, this should prove positive for sentiment, we think.

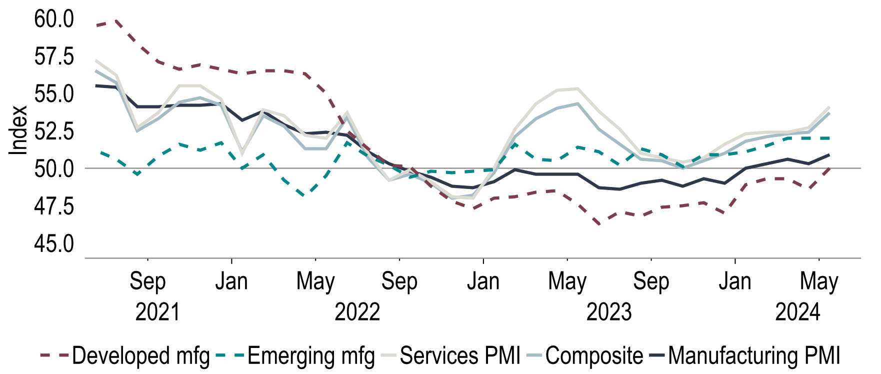
Chart 1: 100-day rolling correlation S&P500 and FTSE100 price indices with 10y yields: -ve again



Source: Macrobond, Investec Economics

Indeed, recent data have largely been consistent with our baseline views. These are for a strengthening in global economic activity following stagnation in several western economies over H2 2023. Q1 GDP outturns for both the UK and EU20 as well as for China were better than expected, and monthly data published so far for Q2 have pointed to continued momentum. The PMIs are one reference point with the global Composite index rising to 53.7, a one-year high. Strength in the service sector has been a driving force in this regard, but there are also further indicators that manufacturing may be stabilising in developed countries. As such we remain upbeat on 2024, our forecasts for global growth being unchanged at 3.2%.

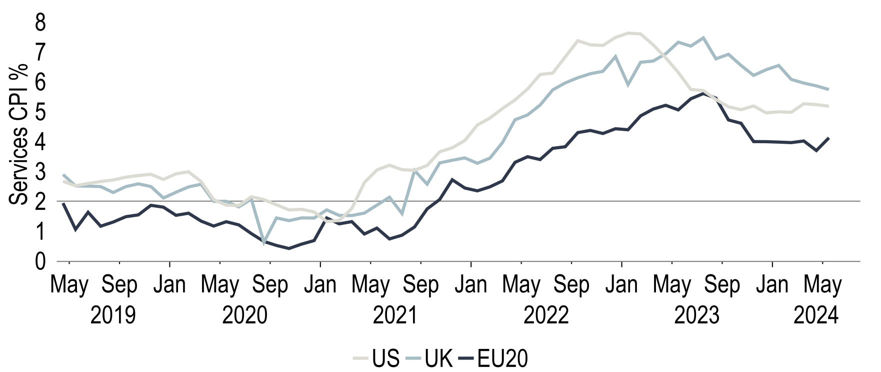
Chart 2: Global PMIs point to a continued rebound in activity in Q2



Source: Macrobond, Investec Economics

The turn in the monetary policy cycle, with major western central banks gradually turning towards looser policy, will be a supporting factor to this outlook. This month saw the ECB become the latest to cut interest rates, following in the footsteps of the SNB (which has now cut twice), the Riksbank and the BoC earlier this year. We continue to believe that others will follow shortly, predicting cuts from the BoE (Aug) and the Fed (Sep). But the timing and pace of cuts will be dependent on inflation and wage outturns in the coming months providing sufficient confidence that price pressures are easing despite accelerating GDP. The pace of easing is therefore likely to be gradual. Our own projections are two cuts from the Fed, BoE and ECB across the rest of this year, a view which is more or less shared by the curve.

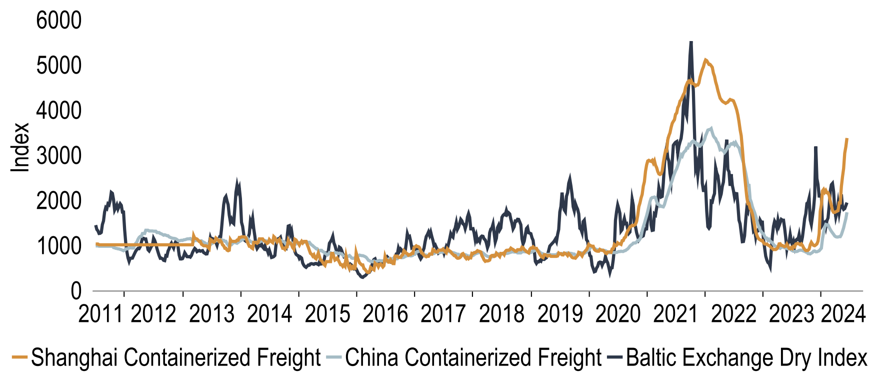
Chart 3: Rate cuts are expected, but better news on services inflation is needed



Source: Macrobond, Investec Economics:

Although we expect a continuation of the global disinflationary trends, the outlook is not without risks. For example, goods price inflation has been a key feature of the global moderation in price pressures. However a recent surge in freight costs represents a renewed headwind, at a point where goods price disinflation may be reaching its nadir. For example, non-energy goods price inflation in both the UK and Euro area is well below 1%. The turn in freight costs is primarily attributable to the ongoing disruptions in the Red Sea. The resulting detour around the Cape of Good Hope is leaving containers out of place, at a time when China is attempting to front-load shipments for Christmas given concerns over US tariff increases in the event of a Trump win in the Presidential election.

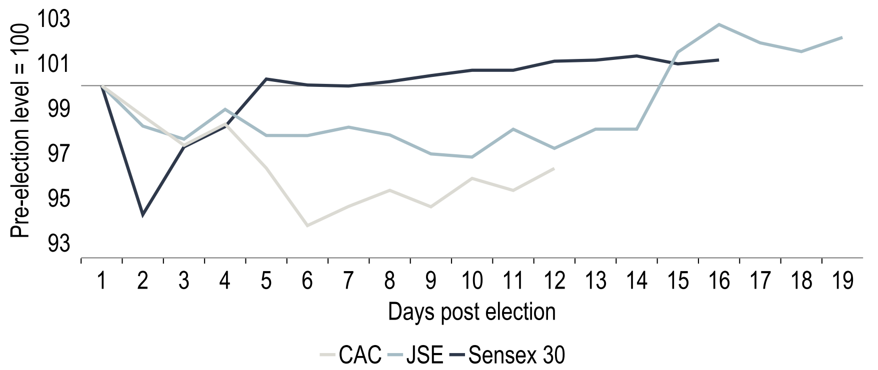
Chart 4: Prolonged Red Sea disruptions are contributing to rising freight costs



Source: Macrobond, Investec Economics

2024 has been touted as a year of political risk given the number of elections taking place. Indeed, results from India and South Africa triggered an initial sell-off in their currencies and equities. Some of the political worries have eased: a key Modi ally pledged its support, and SA has forged a Government of National Unity. This has led to a rebound, with the Sensex and JSE now 1% and 2% above pre-election levels (Chart 5). However in Europe a swing to the right in European Parliament elections and a strong showing of France's far-right (RN) has subsequently seen President Macron call snap national elections, which has undermined the euro and led to a sell-off in French assets. The biggest risk event though is still to come with the US Presidential election on 5 November.

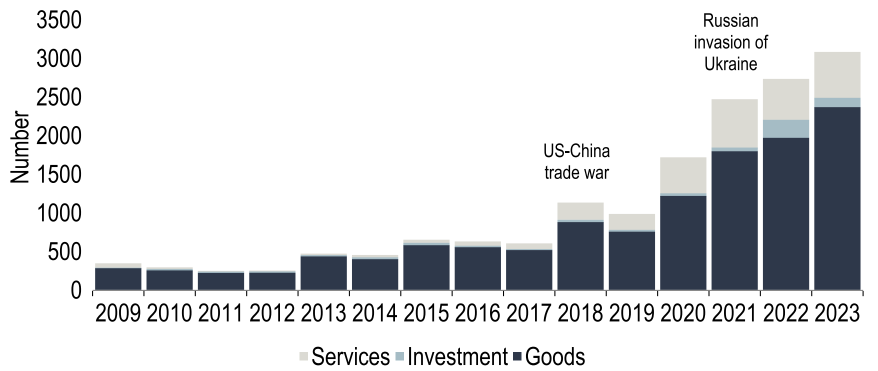
Chart 5: Equity market performance following election results: a mixed bag, so far



Source: Macrobond, Investec Economics

Should former President Trump be re-elected one risk to the global outlook is a further rise in protectionist policies. 2024 has already seen such policies with the US announcing tariffs on Chinese electric vehicles and the EU following quickly on its heels, introducing its own tariffs of up to 38%. Chinese retaliatory measures are surely set to follow. However a Trump Presidency would ratchet up trade tensions significantly having already proposed a universal 10% tariff and a threat to 'tariff the hell' out of those countries that do not stop illegal immigration to US. The rise of such protectionist policies poses a risk to the outlook. For example, the IMF has estimated the economic cost of trade wars and wider trade fragmentation at between 0.2 - 7% of world GDP, depending on severity.

Chart 6: Harmful trade policies are rising worldwide



harmful trade policies classified as government policy that are likely or almost certain to worsen the treatment of one or more foreign commercial interest relative to domestic rivals

Source: Macrobond, Investec Economics, IMF, Global Trade Alert

United States

The latest FOMC meeting saw the Federal funds target range kept on hold at 5.25-5.50%, as widely expected. What was less certain was where the committee saw rates moving from there. The dot plot was helpful in this sense. The latest release saw members pare back expectations for rate cuts this year, with the median view on the committee now for just one 25bp rate cut, rather than the three expected in March. This was far from a unanimous view though - eight members saw one easing, with seven members expecting two (four expected no rate cuts at all). It is evidently a close call for committee members, with Chair Powell making clear that both one and two cuts this year are potentially on the table. We still think the latter.

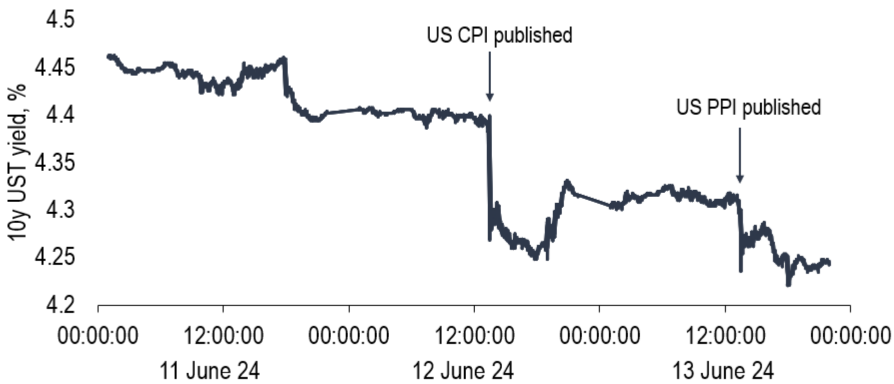
Chart 7: FOMC expects just one cut this year, but endgame is the same

	2024	2025	2026	Longer run
Change in real GDP (Q4 y/y)	2.1	2.0	2.0	1.8
March projection	*2.1*	*2.0*	*2.0*	*1.8*
Unemployment rate	4.0	4.2	4.1	4.2
March projection	*4.0*	*4.1*	*4.0*	*4.1*
PCE inflation (Q4 y/y)	2.6	2.3	2.0	2.0
March projection	*2.4*	*2.2*	*2.0*	*2.0*
Core PCE inflation (Q4 y/y)	2.8	2.3	2.0	
March projection	*2.6*	*2.2*	*2.0*	
Fed funds rate	5.1	4.1	3.1	2.8
March projection	*4.6*	*3.9*	*3.1*	*2.6*

Source: Federal Reserve, Investec Economics

Mr Powell also guided attention towards the end-2026 rate projection, which was unchanged from March, making the point that this is merely a delay to the start of the easing cycle – the endpoint is the same. The hesitancy to start rate cutting stems from concerns that inflation has made little progress since June '23, with the CPI measure stuck above the 3% mark. But the first below consensus CPI print in seven months, released on the day of the rate announcement, provided some faith that inflation will return to target. Bond markets thought so, with a c.15bp decline in 10y UST yields to a 0.1%pt undershoot on the headline measure, which also illustrated the ongoing sensitivity of financial markets to macro data.

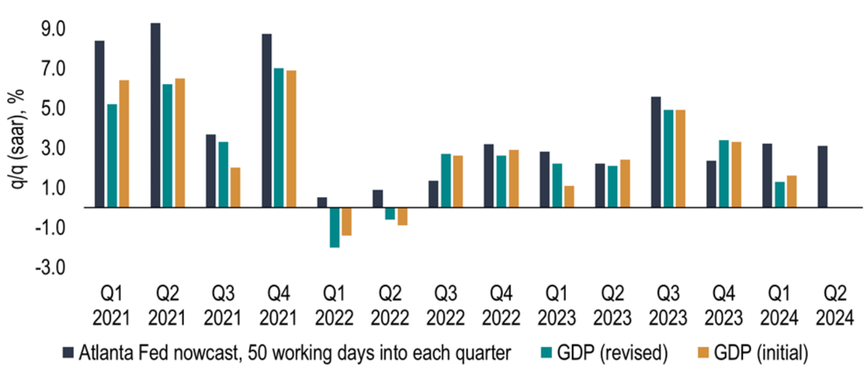
Chart 8: Soft CPI and PPI prints for May contributed to 20bp fall in 10y Treasury yields in a week



Source: Bloomberg, Investec Economics

But the data in the interim between meetings has not universally supported a rate cut. The economy is still running hot: the Atlanta Fed nowcast is pointing to 3.0% (q/q saar) growth in Q2, although we would note that at this stage in the quarter the margin of error can be large. The latest non-farm payrolls print lifted the nowcast, with job gains reported at 272k, over 100k above the consensus estimate. In his press conference, Powell seemed to dismiss this strong NFP print saying that 'there's an argument that they may be a bit overstated'. It is possible that the numbers are revised down next month, but job gains are likely to continue to be elevated due to higher immigration. On this, we note though that southwest land 'border encounters' have dipped in recent months, a trend we will continue to monitor.

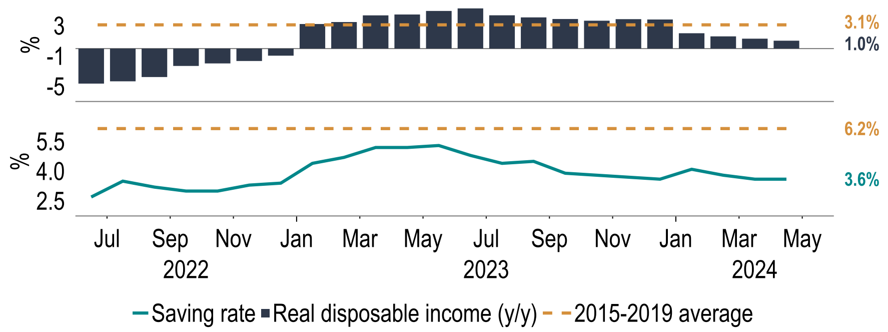
Chart 9: Atlanta Fed pointing to 3.0% growth in Q2, but it is yet to incorporate full information



Source: Macrobond, Atlanta Fed, Investec Economics

Our own view is that the Atlanta Fed forecast is on the toppish side of estimates. There are cracks appearing in the consumer economy. Real household disposable income growth is slowing and with the saving rate already historically low, there is not much room to save less to maintain consumption growth. We have already seen weaker retail sales reports and rising credit card delinquencies, which do not even account for the climbing use of Buy Now Pay Later (BNPL) schemes (a recent survey has suggested 39% of Americans have used these services). It does raise the question whether citizens are living beyond their means, explaining part of the robust economic growth seen. Another factor pointing to a moderation in growth would be the waning boost from fiscal support.

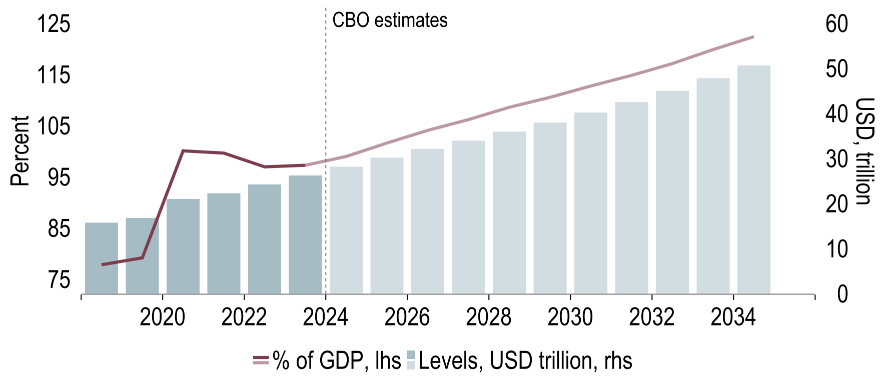
Chart 10: Real household disposable income growth is slowing - will this impact consumption?



Source: Macrobond, BEA, Investec Economics

We are sceptical about the Fed's assessment that growth will be above trend next year, but nor do we expect a nosedive in economic activity. We pencil in GDP growth of 2.4% this year and 1.6% next, which will allow for a gradual pace of monetary easing, starting in September. One risk that might impact the longer-term economic outlook is fiscal concerns. This is a theme that is playing out across developed markets, with debt build ups appearing unsustainable. For now, investors seem to be looking through sharp upward revisions to US debt projections. This month the CBO lifted its deficit forecast for this year by $400bn. Bond markets reacted to a 0.1%pt undershoot on CPI, but barely trembled on these numbers. At what point does the insatiable demand for USTs end?

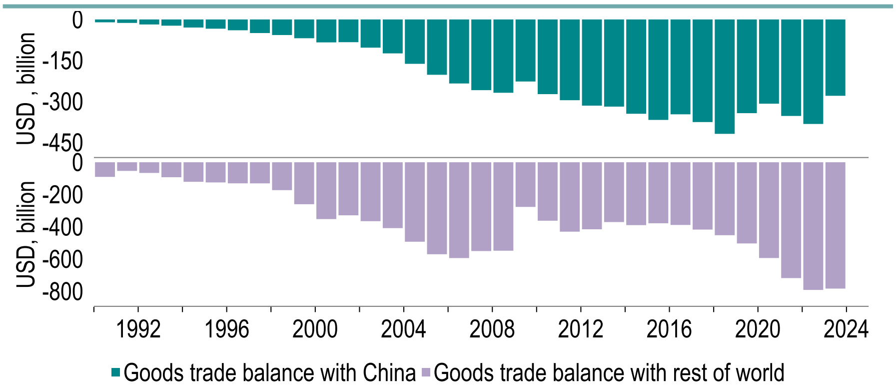
Chart 11: US government debt set to exceed 120% of GDP - at what point is enough, enough?



Source: Macrobond, CBO, Investec Economics

The potential for investor concern over the health of the US public finances in the coming years is not party specific – the CBO's estimates are conditioned on government spending and tax rates remaining broadly unchanged. But at this early-stage Trump's policies do seem to be the more fiscally expansive. Recent reports suggest that Mr Trump is considering a cut to corporation tax, to 20% (reportedly, because it is a round number). In contrast Biden would raise the rate to 28%. But the most airtime has been devoted to Trump's plans for protectionist measures, which seem to have evolved from a just economic measure to a punitive tool (see Global section). This is not costless for Americans as tariffs often imply higher prices.

Chart 12: Tariffs can achieve some desired aims, but at what cost?

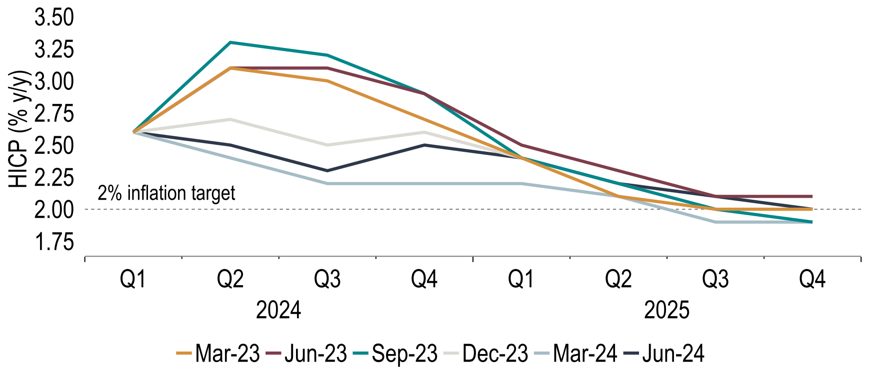


Source: Macrobond, Investec Economics

Eurozone

The ECB delivered on its near-promise of a rate cut at the June meeting. Nine months of peak rates proved 'sufficiently long' to see a lower inflation outlook, weaker underlying inflation and evidence of transmission of monetary policy to bank lending. President Lagarde noted the relative stability of staff inflation projections for Q4 2025 in recent rounds at around the 2% target (Chart 13), highlighting this had increased the Governing Council's (GC) confidence in the inflation outlook. Yet, when it came to the outlook for monetary policy from here, she sounded considerably less willing to lay out any particular path, agreeing merely that there was a 'strong likelihood' that the ECB was entering a dialling back phase of policy restrictiveness.

Chart 13: ECB projections for end-2025 inflation have changed little in recent forecasting rounds

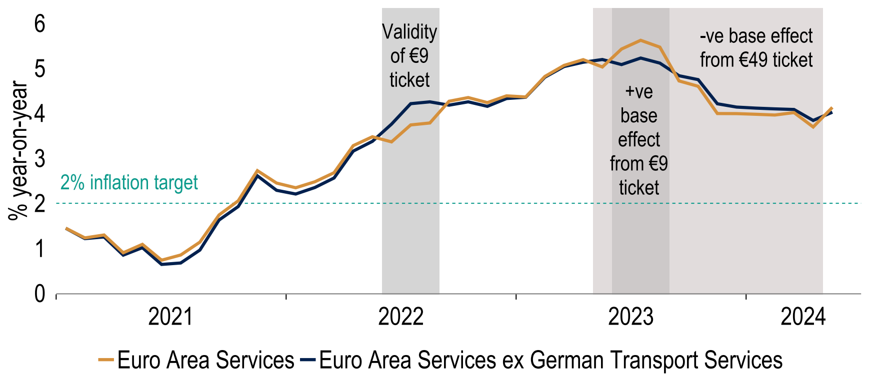


Dates refer to ECB quarterly staff projection rounds

Source: ECB, Macrobond, Investec Economics

This, we suspect, was partly because the very latest wage and inflation figures did not fit the disinflation story as neatly as hoped. Negotiated wage growth strengthened to 4.7% in Q1 from 4.5% in Q4, and services inflation rose to a seven-month high of 4.1% in May, more than reversing the previous month's 0.3%pt fall. Base effects from German transport subsidies played an important part in the latter though; excluding them, there still seems to be a shallow downtrend (Chart 14). And the ECB was very swift to point, in a blog post, to one-off payments in the German public sector as a reason for acceleration in negotiated wages. More reassuringly, the Q1 compensation per employee growth figures, published after the ECB decision, met the Staff Projections of a 0.1%pt rise to 5.0% y/y.

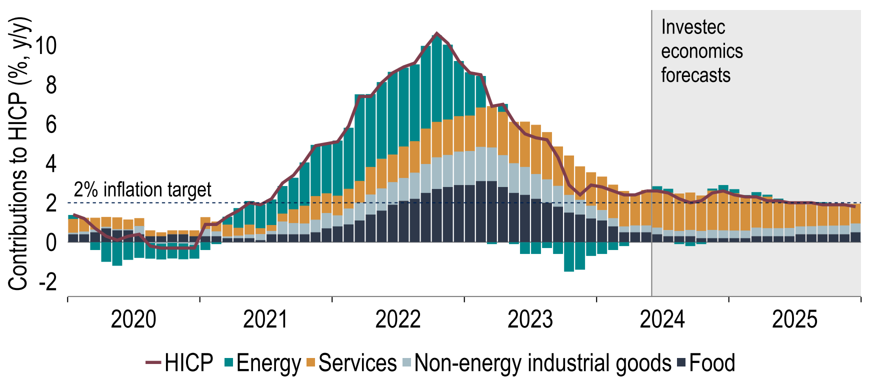
Chart 14: Distortions from German transport subsidies mask the downtrend in services inflation



Source: Eurostat, Macrobond, Investec Economics

Looking ahead, we agree with the ECB's assessment that inflation could follow a bumpy path for the rest of this year, without showing a clear further easing. When it comes to 2025, we see a more compelling picture emerging, whereby services inflation takes over as the driver of disinflation. By mid-2025, inflation could be sustainably at the 2% target (Chart 15). If so, and if inflation expectations respond to this trend as we think they will, the ECB could cut rates at each quarterly Staff Projection meeting for the remainder of 2024 and throughout 2025. This would leave the ECB's key Deposit rate at 3.25% at end-2024 and 2.25% at end-2025 – slightly lower than currently priced in.

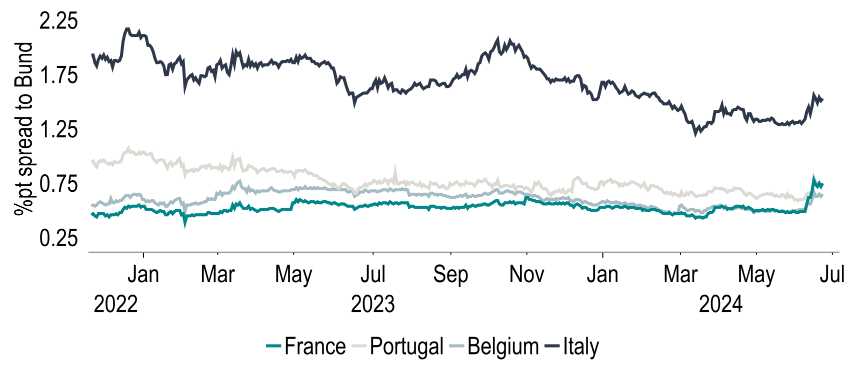
Chart 15: The contribution of services to inflation will need to fall to achieve the 2% target



Source: Eurostat, Macrobond, Investec Economics

European Parliamentary elections this month saw a swing to the right, as was expected. The centre-right European People's Party increased its number of seats to 190; far-right parties also made further inroads. Nationally gains by the latter were most prominent in France, Marine Le Pen's Rassemblement National (RN) wining 31% of the vote. In a surprise move, this saw French President Macron call snap National Assembly elections. The first round will take place on 30 June and the second on 7 July. Political risk has certainly been felt in French markets: the CAC is down 5% since the announcement and has underperformed the wider Euro Stoxx 50. Bonds have also been hurt with 10y OAT-Bund spreads their widest since 2017.

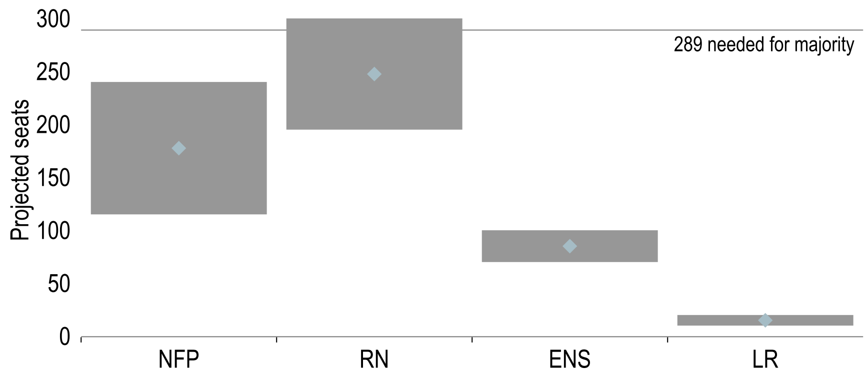
Chart 16: 10y yield spreads: French spread surpasses Portugal's for the first time since 2005



Source: Macrobond, Investec Economics

The situation looks messy. A market concern is that France could enter an arrangement known as 'cohabitation', where the PM is from a different party to the President – in this case RN, given it is expected to win the most seats. However, the situation is further complicated by the forging of a far-left bloc, Nouveau Front Populaire, to counter the right. They look set to be the second largest group in Parliament, an outturn that could result in a very polarised and gridlocked National Assembly should RN not win an outright majority. The potential for political paralysis comes at a time when France is already under the microscope given its high deficit and debt metrics, which has seen the European Commission recommend it be placed under EDP alongside four other EU20 countries including Belgium and Italy.

Chart 17: National Assembly seat projections point to a RN win (High/ low of polls + median)

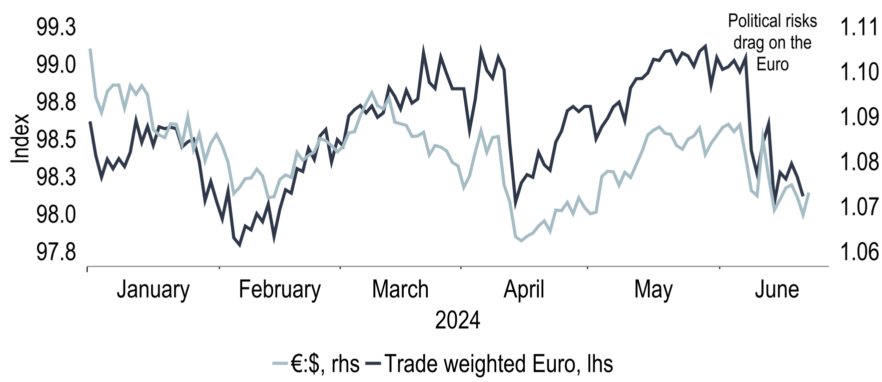


NFP- Nouveau Front Populaire, RN- Rassemblement National, ENS- Ensemble pour la Republique, LR- Les Republicains

Source: Macrobond, Investec Economics, Harris, Elabe, Cluster17, Odoxa, Ifop

A period of political deadlock and an inability to enact deficit reduction measures recommended by the EC could put France at the mercy of 'bond vigilantes' and risk higher yields and wider spreads. However we would note that the Euro area is better equipped to address such financial stability risks. Whilst it is true that if France were not to abide by EC fiscal recommendations it would be ineligible for the ECB's TPI# bond buying programme, there are other levers the ECB could pull, OMT being one. At the same time the Euro is not immune to developments in France, €:$ having dropped 1½ct to $1.074 and €:£ now at 84.4p. Given the political risk hanging over France, we have downgraded our near-term €:$ view, now seeing it being volatile around current levels for the next two quarters before ending 2024 at $1.09.

Chart 18: French political risks weigh on Euro sentiment



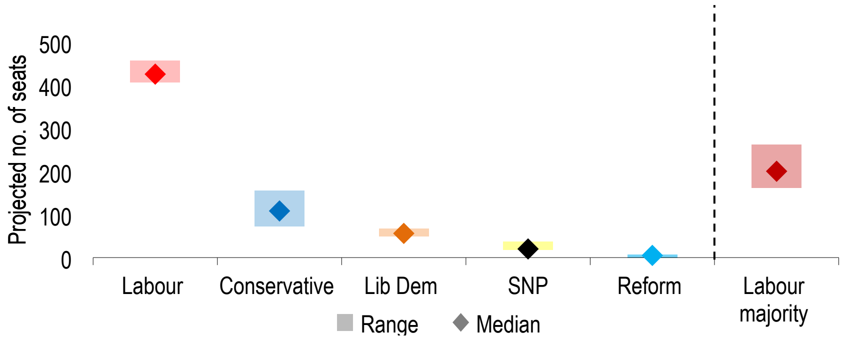
TPI- Transmission Protection Instrument, OMT-Outright Monetary Transactions

Source: Macrobond, Investec Economics

United Kingdom

As 4 July approaches, the Conservatives continue to trail Labour in opinion polls by 20%-22%. While Nigel Farage's decision to lead and stand for Reform UK has boosted the party's share of the vote by some 5% pts, it is taking votes from various parties. Translating the polls into seat totals is difficult and so we put some weight on MRP* polls which estimate outturns on a seat-by-seat basis. These results vary, but three recent MRP polls estimate a Labour overall majority of between 162-262 (Chart 19) with one estimating the Tories would return less than 100 MPs, their worst ever performance. With Labour on course to win a landslide, attention has been focused on its manifesto and what the party will do if and when it gains power.

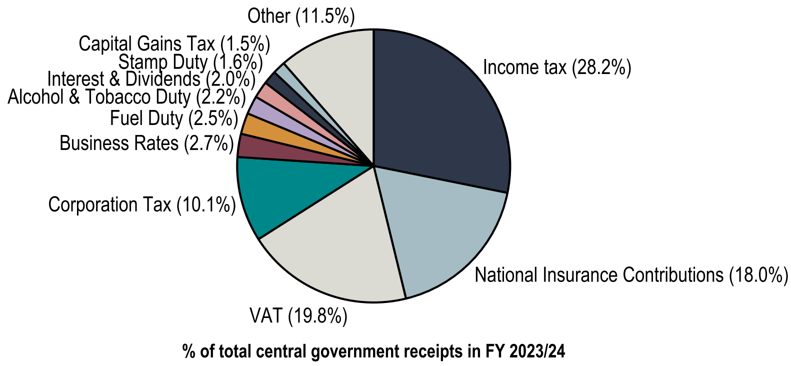
Chart 19: Recent MRP* poll results vary, but all point to a huge Labour majority on 4 July



Source: YouGov, More in Common, Survation, Macrobond, Investec Economics
* Multi-level regression and post stratification

Judging by its manifesto, an incoming Labour government intends to chart a careful fiscal course with very little extra borrowing (£3.5bn p.a.). The spending boost outlined – c.£9.5bn p.a., centred on healthcare and education – is modest (0.3% of GDP) and mainly covered by other proposed funding rises. The latter include closing non-dom tax loopholes and reducing tax avoidance as well as applying VAT and business rates to private school fees. By committing to no hikes in National Insurance, income tax, corporation tax or VAT rates, the remaining levers to pull should more tax revenue be needed are rather limited; capital gains tax is one option (Chart 20). That more spending is required is very plausible: Health Foundation estimates are that an extra £38bn p.a. are needed by 2028/29 for sustained improvements in NHS.

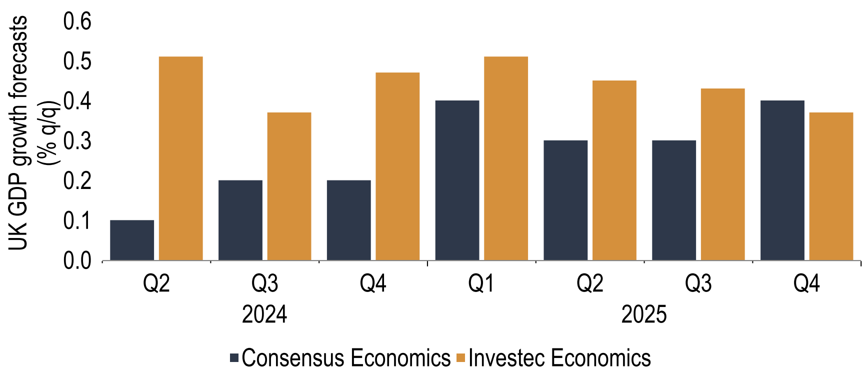
Chart 20: Few large levers remain if tax rates in the main four revenue categories are frozen



Source: ONS, Macrobond, Investec Economics

But higher capital gains tax can only raise a fraction of that, and sharp real-term spending cuts for other departments are baked into current plans for the coming years. To arrive at a better outcome, Labour hopes to foster conditions for stronger GDP growth and thereby more tax revenues. Economic momentum, for now, is on its side: growth has surprised on the upside: GDP flatlined in April instead of reversing a part of Q1's strength, as the consensus, we and, it turns out, the Bank of England had expected. Indeed, BoE staff have lifted their forecast for Q2 GDP growth from 0.2% quarter-on-quarter to 0.5%, which matches our own prediction. Our GDP growth forecasts for 2024 and 2025 remain unchanged, at 1.0% and 1.8%, respectively, still above consensus (Chart 21).

Chart 21: Consensus GDP growth forecasts look too pessimistic, especially in the near term

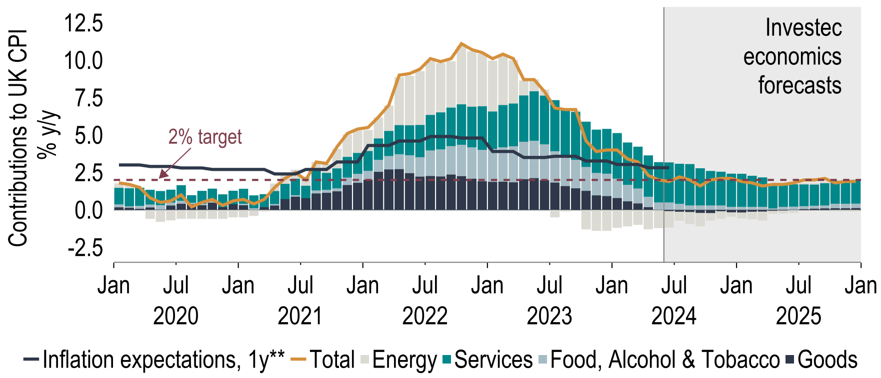


Source: Consensus Economics, Macrobond, Investec Economics

Investec

Despite stronger growth and some stickiness in services and wage inflation, the MPC fanned the flames of near-term rate cut hopes at its June meeting. It was even more explicit that some of those who voted to keep rates on hold saw their decision as 'finely balanced' relative to cutting, mainly because surveys show household inflation expectations to be receding (Chart 22). We suspect this reflects households extrapolating from recent trends of actual inflation falls into the future. Even if the drivers of that* soon turn, this should translate into lower wage demands and make on-target inflation achieved more sustainably in future. We continue to forecast a first rate cut in August, and the Bank rate falling to 4.75% by end-2024 and 3.75% by end-2025.

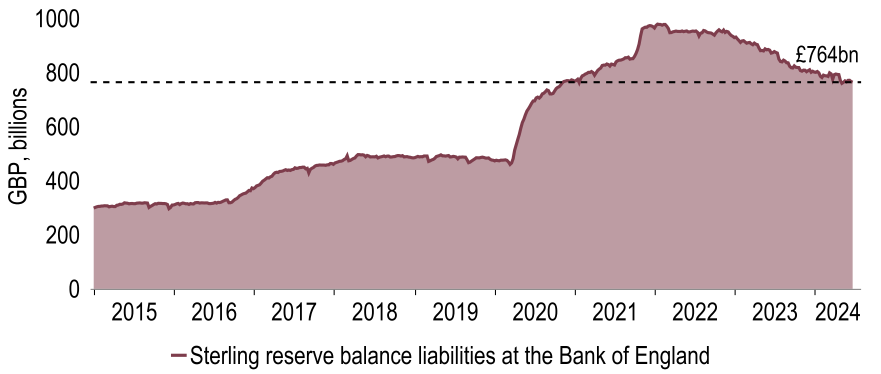
Chart 22: Lower inflation could translate into further falls in household inflation expectations



* Lower energy, food and goods prices, **BoE Household expectations   Source: Macrobond, Investec Economics

Commercial banks currently hold £764bn of reserve balances at the BoE. These soared post-GFC, thanks to schemes such as QE and the TFSME*, but are now falling (Chart 23), due to QT plus TFSME expiries. Even so, interest payments on reserves to commercial banks are still very high, at £40.1bn p.a. given today's Bank rate of 5.25%, prompting some to suggest public finances could be shored up by the BoE no longer remunerating reserves. This is currently not feasible. Banks would be incentivised to lend to each other at rates just a little above zero, de-anchoring interbank rates from the policy rate and breaking the monetary policy transmission mechanism. But re-introducing a minimum reserve system (suspended in 2009) could facilitate a 'tiered' rate structure, allowing the BoE to pay 0.0% on requirements and the Bank rate on the surplus, the system now in use at the ECB.

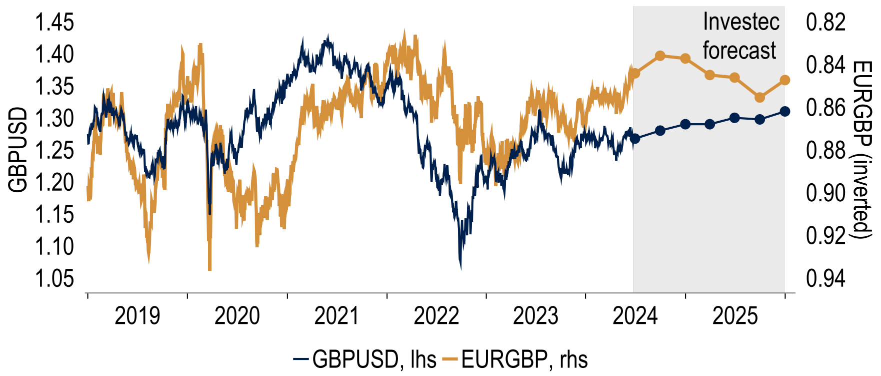
Chart 23: Banks' reserve balances at the BoE are declining but still large – as is interest paid



*Term Funding Scheme with additional incentives for SMEs   Source: BoE, Macrobond, Investec Economics

Over the past month, sterling has appreciated slightly against EUR but slipped versus USD. Political news in France seems to explain the former; the latter may be due to US rate expectations receding slightly less than in the UK, where on-target inflation and the MPC's leaning to near-term rate cuts are more of a drag. We have not changed our predictions for policy rate differentials, nor have we altered our forecasts for macro outturns much besides factoring in a little more caution in France in the near term. The outcome of the UK election looks sufficiently clear at this point that it should already be priced into GBP. As a result, our end-2024 sterling forecasts remain $1.29 and 85p, and our end-2025 forecasts $1.31 and 85p, respectively.

Chart 24: The election outcome in France could matter more for GBP than that in the UK



Source: Macrobond, Investec Economics

Investec

Global Forecasts

GDP Growth (%)

	Global	US	Japan	China	UK	EU20	Germany	France	Italy
2019	2.8	2.5	-0.4	6.0	1.6	1.6	1.1	1.9	0.5
2020	-2.7	-2.2	-4.2	2.2	-10.4	-6.2	-4.2	-7.7	-9.0
2021	6.5	5.8	2.6	8.4	8.7	5.9	3.1	6.4	8.3
2022	3.5	1.9	1.0	3.0	4.3	3.5	1.9	2.5	4.1
2023	3.2	2.5	1.8	5.2	0.1	0.6	0.0	0.9	1.0
2024	3.2	2.4	0.1	5.0	1.0	0.8	0.2	0.9	0.9
2025	3.3	1.6	1.2	4.2	1.8	1.6	1.4	1.1	1.2

Source: Macrobond, Investec Economics IMF, Macrobond, Investec forecasts

Key Official Interest rates (%, end quarter):

	US Fed funds	Eurozone refi rate	Eurozone deposit rate	UK Bank rate	Australia cash rate
Current	5.25-5.50	4.25	3.75	5.25	4.35
2024					
Q1	5.25-5.50	4.50	4.00	5.25	4.35
Q2	5.25-5.50	4.25	3.75	5.25	4.35
Q3	5.00-5.25	3.65	3.50	5.00	4.35
Q4	4.75-5.00	3.40	3.25	4.75	4.10
2025					
Q1	4.50-4.75	3.15	3.00	4.50	3.85
Q2	4.25-4.50	2.90	2.75	4.25	3.60
Q3	4.00-4.25	2.65	2.50	4.00	3.35
Q4	4.00-4.25	2.40	2.25	3.75	3.35

Source: Macrobond, Investec Economics Macrobond, Investec

10-year government bond yields (%, end quarter):

	US	Germany	UK
Current	4.24	2.41	4.05
2024			
Q2	4.25	2.50	4.00
Q4	4.00	2.25	4.00
2025			
Q2	4.00	2.25	3.75
Q4	3.75	2.25	3.50

Source: Macrobond, Investec Economics Refinitiv, Investec

FX rates (end quarter/ annual averages)

		Current	2024				2025				2023	2024	2025
		25-Jun	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	average	average	average
Euro	€:$	1.07	1.08	1.07	1.07	1.08	1.09	1.10	1.11	1.11	1.08	1.08	1.10
Sterling	€:£	0.85	0.86	0.84	0.84	0.84	0.84	0.85	0.86	0.85	0.87	0.85	0.85
	(£:€)	1.18	1.17	1.18	1.20	1.19	1.18	1.18	1.17	1.18	1.15	1.18	1.18
	£:$	1.27	1.26	1.27	1.28	1.29	1.29	1.30	1.30	1.31	1.24	1.27	1.28
Yen	$	159.50	151	159	155	152	150	145	143	140	141	154	146
	€	171.11	163	170	166	164	164	160	159	155	152	165	160
	£	202.49	191	202	198	196	194	189	186	183	175	195	189
Aussie Dollar	$	0.67	0.65	0.66	0.65	0.65	0.66	0.67	0.68	0.69	0.66	0.66	0.67
	€:AUD	1.61	1.65	1.62	1.65	1.66	1.65	1.64	1.63	1.61	1.63	1.64	1.64
	¥	106.34	98.6	104.9	100.8	98.8	99.0	97.2	97.2	96.6	93.3	100.6	97.8
	£:AUD	1.90	1.94	1.92	1.97	1.98	1.95	1.94	1.91	1.90	1.87	1.94	1.94
Swiss Franc	€	0.96	0.98	0.95	0.95	0.96	0.97	0.98	0.99	1.00	0.97	0.96	0.98
	$	0.89	0.91	0.89	0.89	0.89	0.89	0.89	0.89	0.90	0.90	0.89	0.89
	£	1.13	1.14	1.13	1.14	1.15	1.15	1.16	1.16	1.18	1.12	1.13	1.16

Source: Macrobond, Investec Economics Refinitiv, Investec

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