



Economic Summit 2005

Outlook for EMU rates and yields

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February 17th 2005



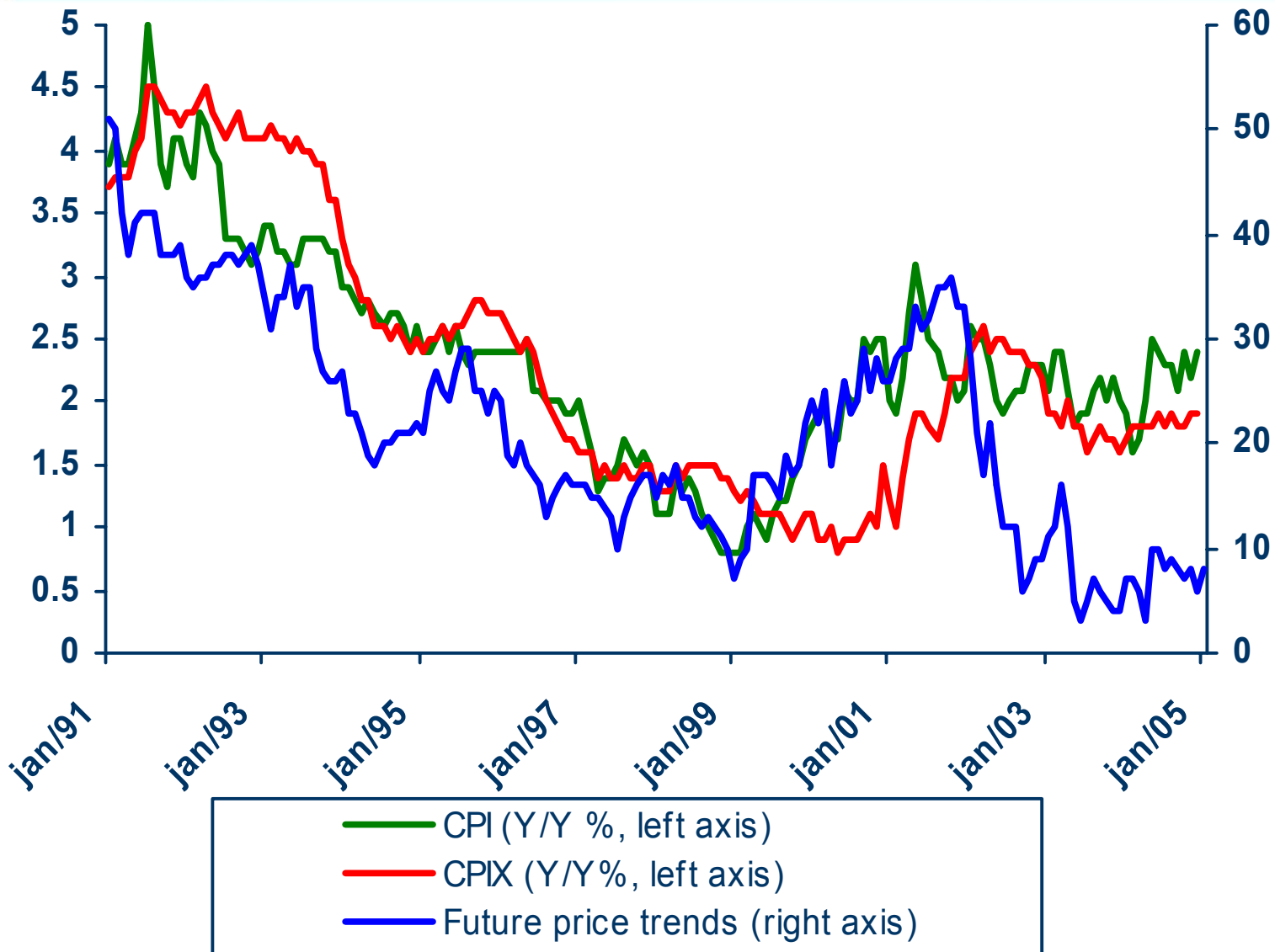
EMU Forecasts

Real growth (%)	2004	2005
GDP	1.7	1.5
Private Consumption	1.1	1.4
Public Consumption	1.7	1.6
Investment	1.2	2.2
Export	5.9	4.2
Import	6.4	5.5
Inventories (growth contribution)	0.6	0.3
Deficit/GDP (%)	-2.9	-2.7



EMU

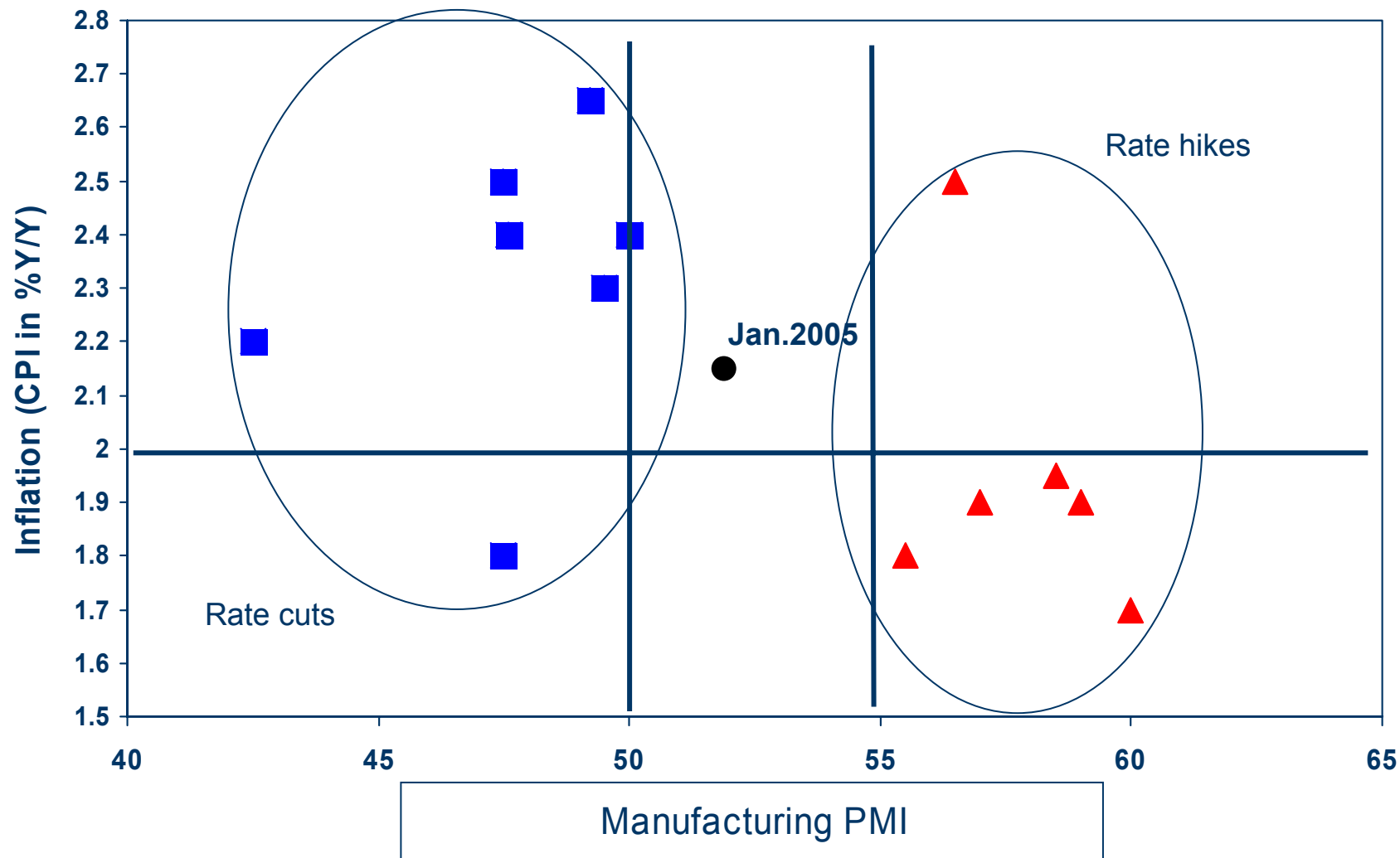
Inflation outlook benign





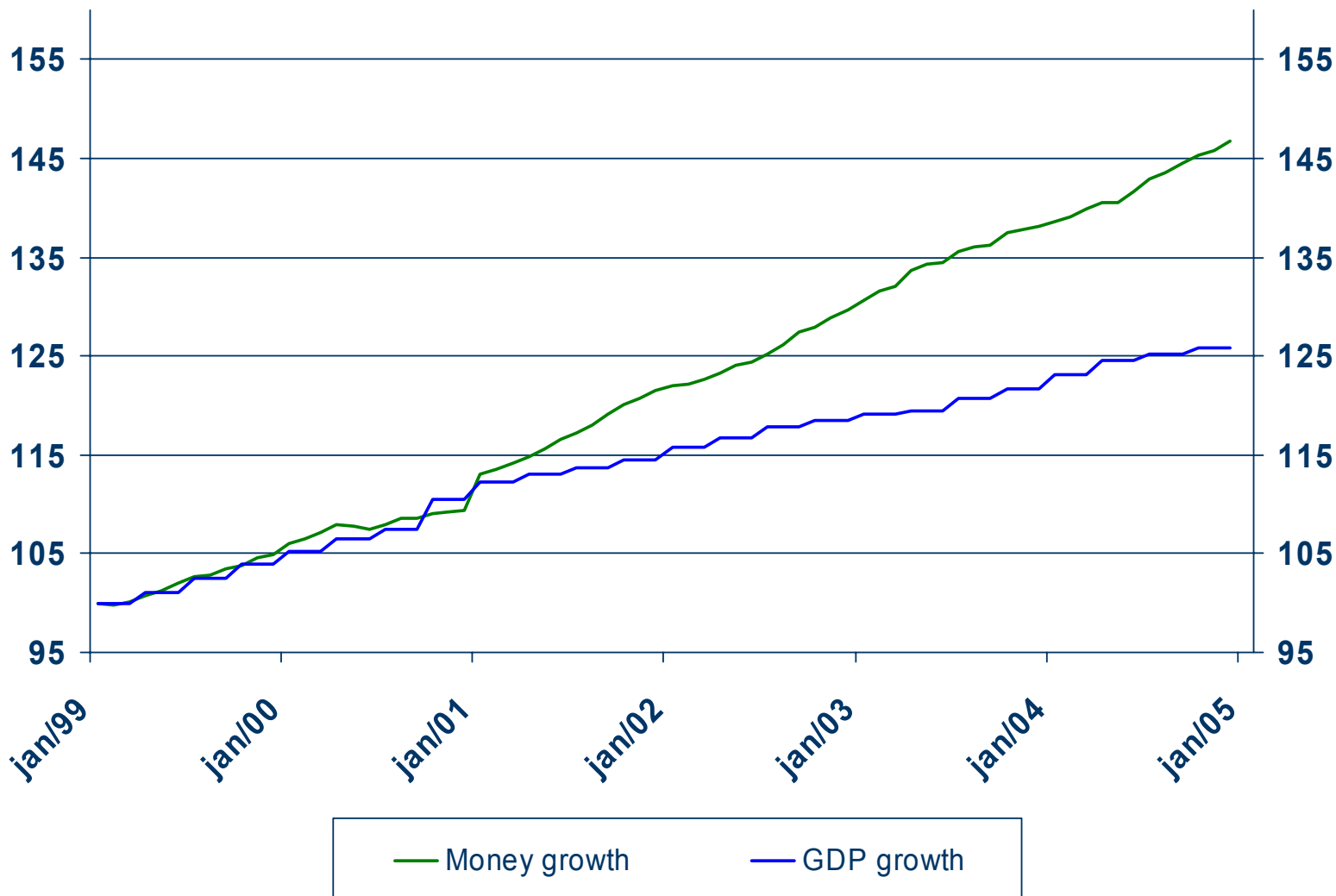
ECB

No rate change expectation in H1 2005





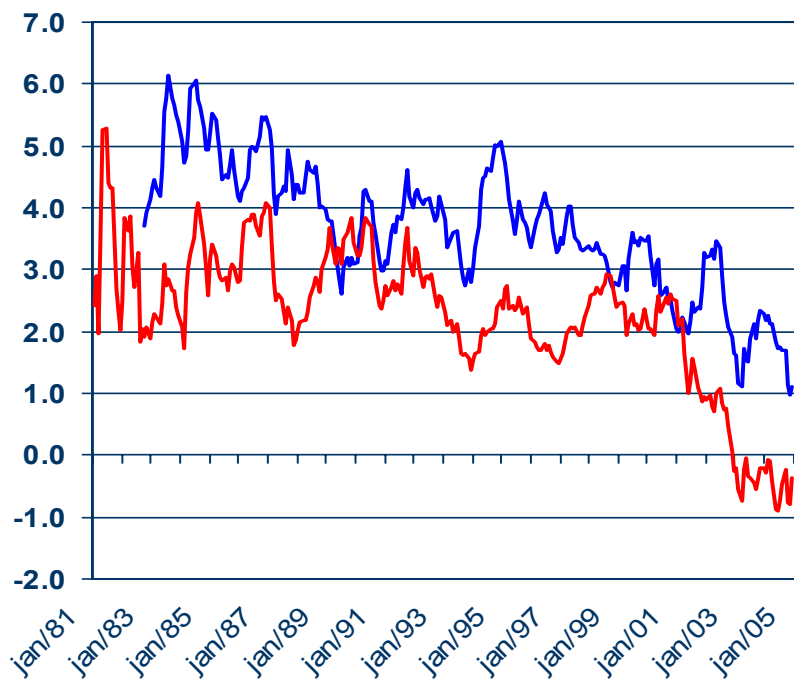
EMU: Money growth vs. GDP growth





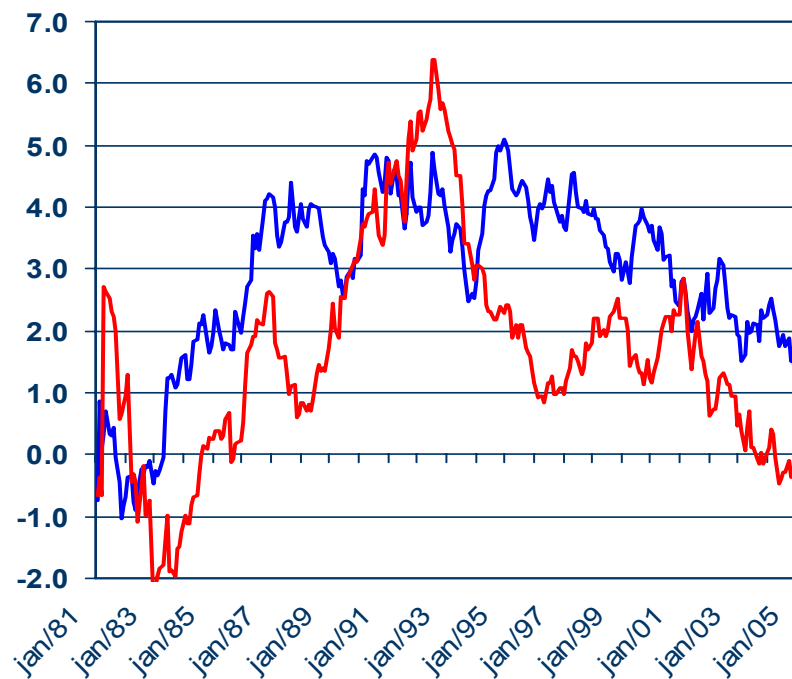
G4/EMU real interest rates

Real interest rates G4



— bond rate — policy rate

Real interest rates EMU



— bond rate — policy rate



Abundant Liquidity

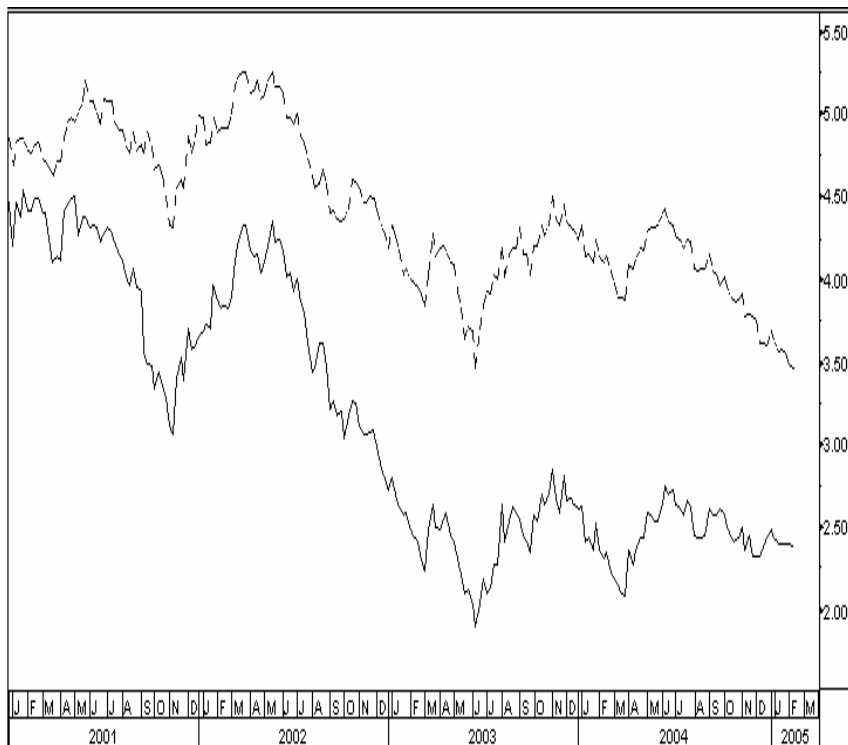
- 2004: all asset classes did well
 - **Real estate**
 - Corporate spreads - M&A activity
 - Emerging market
 - Bonds (the longer duration, the better)
- Central Bankers are considering “excessive risk taking”
- Inflation no big problem
- Should Central Banks act to keep asset inflation in check?
 - Risks for deflation?
 - Is asset inflation needed to keep economy going?



EMU

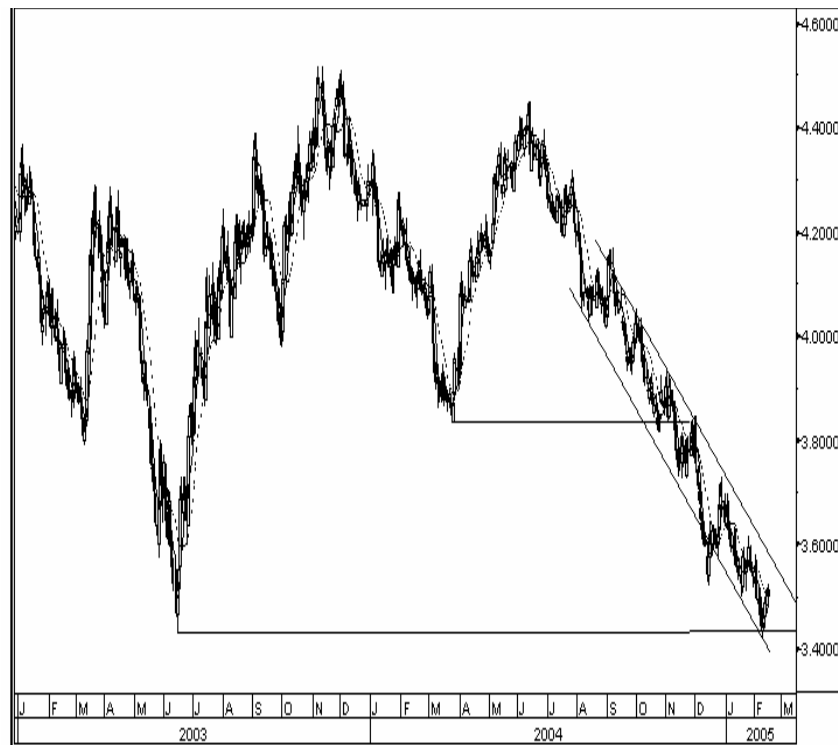
Short and long term rates

German 10 yr yield versus 2 yr yield



— 2 yr yield - - - 10 yr yield

German 10 yr yield



— 10 yr yield