20 July 2018 Investors Press release Banks

Markets and Trends 2018: Much going on – nobody cares!

Helaba Research takes stock halfway through the year

Dr. Gertrud Traud, Helaba's Chief Economist, and her team take stock of Markets and Trends 2018 and find that the need for adjustment is very limited. Referring to the overall forecast, Traud commented: "The key messages of our baseline scenario are still valid. However, in view of elevated political risks, we have raised the probability of our negative alternative scenario from 10 % to 15 % and reduced that of our positive alternative scenario from 20 % to 15 %".

Economic sentiment: The United States ahead of the rest

In 2018, the global economy will grow at a similarly dynamic rate as in the previous year. For the United States, there are signs of an acceleration in growth in 2018 from 2.3 % to 2.8 %, even if the unpredictable nature of trade policy continues to weigh on the investment climate. The euro area and Germany will not be able to maintain their high growth rates – and inflation has returned: price rises are hovering at around the European Central Bank's (ECB) inflation target of 2 %.

Central banks less expansionary

The US Federal Reserve and the ECB are both gradually reducing the extent of monetary expansion in their own ways: while the Fed is unwinding its portfolio of securities as planned, the ECB will initially halve its purchasing programme from EUR 30 billion to EUR 15 billion before terminating it completely in December. However, it is unlikely to make any changes to the key interest rate until the second half of 2019, when it is expected to raise it from zero to 0.25 percent.

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Dr. Gertrud Traud
Chief Economist of Helaba

Recommendations for investors

Although continuing (geo)political tensions, trade disputes and looming question marks over the economy are the subject of intense discussions among market participants, investors have so far remained fairly relaxed. A correction of high valuation levels is still outstanding. Since there is a danger of declining prices on bond markets, shorter and medium durations should be the first choice for new investments. Over the next few months, the DAX is likely to test the lower end of a range of between 10,500 and 13,500 points. In terms of its level at the end of the year, we stick to our previous forecast of 12,300 index points. Real estate remains attractive. Thanks to robust demand for land and a persistently low level of interest rates, prices are still rising in many submarkets. Furthermore, it is likely that the price of gold will soon bottom out. That is why Dr. Gertrud Traud strongly recommends putting this asset class onto the “shopping list”, adding: “Due to a renewed increase in the need for security, the gold price is likely to rise towards a level of 1,400 USD/oz”.

You can find a detailed update to Markets and Trends 2018 here:

maerkteundtrends.helaba.de ↗

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