MACRO IN A NUTSHELL: OUR MACRO SCENARIO

GLOBAL GROWTH WEIGHED DOWN BY UNCERTAINTY – BUT RECESSION TO BE AVOIDED

	GROWTH	INFLATION	MONETARY POLICY
USA	Economic growth is improving at the beginning of the second quarter as internal demand – in particular consumer spending – is accelerating. Industrial activity continues to suffer but the housing sector remains a support for economic growth. Our baseline foresees **GDP to grow below 2%** this year.	Wage growth is moderate but accelerating – with a labour market near full employment – but inflation remains subdued. The strong US dollar keeps a lid on imported goods price. The **inflation target of 2% will not be achieved in the short term.**	**We expect no FED rate hike this year.** The Fed will remain in wait-and-see mode, given high global economic uncertainty, in parallel to a stronger US dollar.
EUROZONE	Growth rates remain at modest levels. Early second quarter indicators point to an improvement in core countries, with weaker peripheral activity. 'Brexit' will be significantly negative in the medium term. **Growth is likely to be 0.25ppts lower and reach 1.25% this year.**	Inflation pressures remain moderate and inflation expectations remain far below the 2% official price target of the ECB. Deflationary pressures are significant in peripheral countries.	We believe the **ECB is likely to announce further easing measures in H2.** This will include not only a maturity extension of the current QE program but also additional quantitative targets.
UK	The 'Leave' vote will lead to an **economic downturn in the near-term but we exclude a sustainable recession**. The main channels will be felt via lower investment and higher consumer uncertainty, which will negatively affect internal demand.	The weaker pound sterling will lift imported goods prices that could come closer to the 2% inflation target in 2017. A 10% depreciation in the exchange rate could add a minimum of 1 percentage point to inflation	Given the high uncertainty following the 'Leave' vote, the **Bank of England is likely to pro-actively try to calm market fears**. Interest rate declines could be forthcoming only if the value of Sterling stabilises.
JAPAN	Economic momentum is lackluster. In parallel to more generous fiscal policy, domestic demand seems to hold up. Business confidence does not show concrete signs of improvement. Overall, we **expect GDP growth to reach 0.5% this year.**	**Inflation will remain far below the 2% target**, with the 'core core' inflation rate likely to continue to underperform. No significant price rises are in sight, with the Yen strength further complicating the BoJ objective to end deflation. Wage payment growth momentum remains subdued.	We expect an **expansion of BoJ's quantitative and qualitative program to be announced this summer,** possible on July 29. At this date, the Bank of Japan will also reveal new inflation and economic forecasts.
SWITZERLAND	After an acceleration in the beginning of the second quarter, economic growth is likely to remain more subdued during the second half of the year. **We continue to expect below-consensus GDP growth** of 1% this year.	Inflation pressures are non-existent. Rising energy prices since January and fading base effect will push prices higher but **CPI inflation will remain far below the price stability objective of the SNB.**	The SNB will rely on its two main pillars: negative interest rates and foreign exchange interventions. We believe that FX interventions will be the main channel used to fight against CHF strength, and believe that the **EUR/CHF exchange rate will trade in the 1.07-1.10 range.**

As of June 28, 2016