Rabo Rate Directions

Financial Markets Research

3 June 2016 | **Marketing Communication** | **Bloomberg: RABR<GO> | www.rabobank.com**

"Stuck on a 'money-go-round'"

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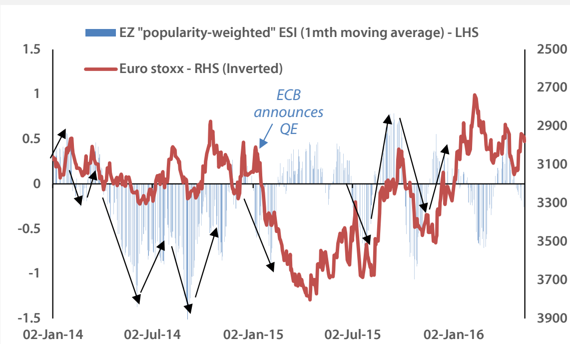
- We examine an apparent change in market reaction function...
- ..consider why confidence in central bank policy is weakening...
- ...and detail how this feeds into our duration outlook

In this edition of *Rabo Rate Directions* we revisit an important theme we have been developing in recent months which is, namely, the apparent reversal of the market's reaction function at the turn of the year. We then expand upon this theme to discuss why investors are right to question the efficacy of post crisis monetary policy and the difficulty central banks face in terms of extricating themselves from these policies even as their self-defeating nature appears to be increasingly understood. We conclude by honing in on the negative impact these policies have had in terms of perpetuating an inequality gap that has been widening for decades. Academic as this might sound, this discussion arguably explains a number of seemingly disparate but potentially hugely impactful developments that are unfolding in the political sphere. More substantively, when one joins all the dots in terms of the story we summarise here, it should become clear that the outlook for duration is anything but bearish.

Is bad news now actually bad news?

In recent weeklies we have expounded the theory that the pronounced sell-off in risky assets/rally in safe havens witnessed at the outset of this year reflected a 180 degree shift in the market's reaction function. To recap, we argue that the souring of risk appetite seen in the early weeks of this year occurred not so much despite the slew of positive developments on the policy front (these including dovish rhetoric from the Fed and the BoE, Mr Draghi promising more ECB action in March at the Bank's January meeting and, more substantively, the PBoC pumping liquidity into the banking system and the BoJ cutting policy rates into negative territory) but *because* of them.

Chart 1: Bad news now just that?



Sources: Bloomberg, Rabobank

In essence, we believe that this far after the global crisis, investors are beginning to believe that further stimulus now simply highlights the fact that the easing delivered thus far has not worked rather than giving rise to confidence that a sustainable recovery is finally around the corner. By extension, this promise/delivery of easing arguably did not simply underpin concern that risky asset valuations are not fundamentally justified but rather that they may *never* be fundamentally justified.

The first of our charts above attempts to provide some additional support for this theory. This graphic shows the results of an economic surprise index (ESI) that we have created for the Eurozone which measures the ratio of upside to downside surprises in terms of the region's data vs. consensus. We provide something of a twist here relative to such indices produced elsewhere by "popularity weighting" the data releases (this is done according to the number of Bloomberg users who have set an alert on each given data point). Alongside this popularity-weighted ESI we have charted the Euro Stoxx index but on a reverse scale (i.e. such that a lower reading here represents a firming of this stock index and vice versa).

The arrows within this graphic attempt to highlight the negative relationship between European risky assets and the regional data tone that held through 2014 (softer data occurring alongside a firming of stocks and stronger data coinciding with equity weakness). The very notable gap between these two series that opened up at the beginning of last year can be attributed to the impact of ECB QE – risk appetite being buoyed by the ECB's asset purchase programme even as the data tone turned positive. This, though, proved relatively short lived with the rout in European fixed income in April/May seeing the negative relationship between data and risk reassert itself.

At the right hand side of this graphic, one can see that the relationship between these two series, once again, turned positive at the outset of this year with a weak data tone coinciding with falling stocks. To us this exemplifies the shift in market reaction function detailed above. To be more specific, we argue that this highlights a change in investor behaviour whereby "bad news" is no longer viewed as the support for risky assets it once was. Previously, a case could be made for going long risky assets whether the data tone was positive (fundamentally justifying valuations) or negative (a poor data tone promising further risky asset boosting stimulus).

Now that the market appears to be beginning to question the post crisis policy premise/promise that where asset valuations lead, fundamentals will ultimately follow, this "heads I win, tails you lose" approach to risk is, at the very least, being challenged. In so far as we are correct in believing the "central bank put" behind risky assets is now much less effective than it once was, then this view argues in favour of taking a cautiously tactical rather than strategic approach to trading risk. The degree of caution required, meanwhile, depends on how confident one is in terms of one's expectations as regards the data tone. As a final rejoinder here, this implies that as policy liquidity loses its power to inform asset valuations fundamentals may be making a comeback.

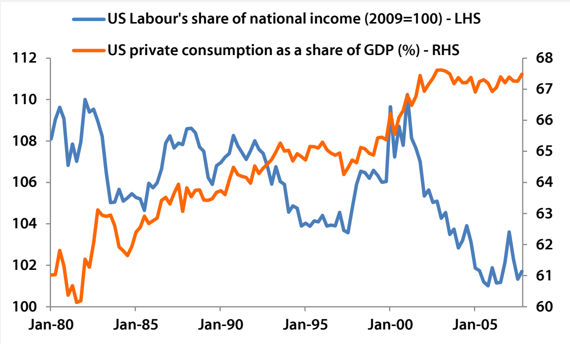
The drugs don't work....but, then, they never did

Notably, this view that investors are losing confidence in the efficacy of post-crisis policy is one that is clearly also on policymakers' radars. This is evidenced by the following noteworthy comment contained within the minutes to the ECB's April meeting: "There was general agreement that there was a need to counter the perception that monetary policy could no longer contribute to a return of inflation to the Governing Council's aim of below, but close to, 2%. In this context, counterfactual scenarios deserved emphasis, i.e. pointing out how the euro area economy would have fared had the ECB not acted. Monetary policy was geared towards achieving price stability over the medium term and remained effective via a number of channels, including asset purchases and negative interest rates".

Ignoring the fact that employing counterfactuals as a yardstick of success itself arguably justifies a loss of confidence (i.e. it makes recourse to unknowable alternative scenarios to explain away a lack of success in the real world), we would argue that not only have post-crisis policies failed to generate the recovery in demand/inflation they have been aiming for but that they have actually prevented such an outcome. Looking at this from a top down perspective, we argue that the seeds of the global crisis were sown by the "financialisation" of developed economies from the 1980s onwards.

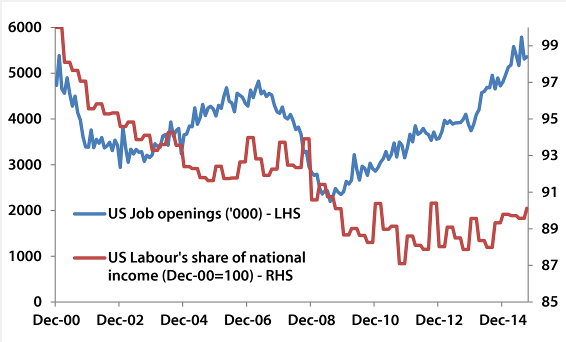
As we have previously detailed, this process of financialisation can be simply defined as the growing power of shareholders through this period which served to divert gross profits away from compensation. This in turn saw labour's share of national income undergo a long run structural decline in the ensuing decades. The flip side of this process, though, was a larger financial sector and, as a consequence, ever more opportunities to borrow. As a result, consumers were able to make an outsized contribution to growth even though they were taking an ever smaller slice of the pie they themselves were helping to produce. This as they were able to borrow to fund consumption, building up imbalances that would ultimately lead to the global financial crisis in the process. Chart 2 below shows the decline in US labour's share of national income from the 1980s to 2007 alongside the growing contribution US consumers were able to make toward GDP.

Chart 2: Labour pains soothed by debt



Source: St Louis Fed, Rabobank

Chart 3: Labour's lack of bargaining power



Source: St Louis Fed, Rabobank

Fast forwarding to the post crisis period, the onset of QE perpetuated the process of financialisation. To a notable extent, it did this by creating the impression that financial assets were a one-way bet – this serving to divert gross profits away from not only compensation but also, this time, investment. After all, why would a corporate invest in a dirty risky real world project when investing in financial securities looked an easier and safer option? In addition, in lowering borrowing costs, post crisis policies (initially in terms of asset purchases and, more recently, via negative rates) made it more cost effective for corporates to issue debt to buy back their shares and/or beef up dividend payments. Furthermore, in lowering corporate borrowing costs, post crisis polices have arguably provided a soft budget constraint for companies which in limiting the risk of default (debt can simply be rolled over at ever cheaper rates of interest) reduces the need for efficiency. With less need to be efficient, the imperative to invest also diminishes. In tandem with the siphoning off of profits into financial assets, this soft-budget constraint theory also helps explain why investment demand in the Western world is puzzlingly low despite the low cost of capital and corporates' high cash balances.

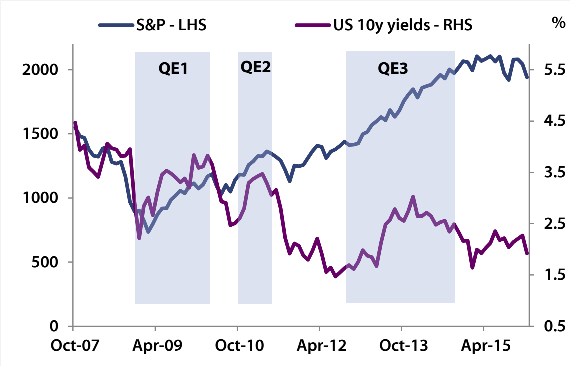
Meanwhile, in limiting the risk of default, QE (and negative interest rates) limits the possibility of market exit and, by extension, reduces the likelihood of market entry (i.e. resources are frozen rather than recycled). In essence, QE is the "anti-Schumpeter" device leading to the gloomy conclusion that we *are* turning Japanese but not because we share exactly the same problems but rather as we have made recourse to exactly the same solutions. Forging on, with investment capital being diverted away from "real world" ends and soft budget constraints limiting a rebalancing of the economy, this also provides an intuitively appealing way of explaining the conspicuous lack of productivity growth this far into the "recovery".

This lack of productivity growth, in turn, also provides some explanation as to why labour appears to enjoy such limited bargaining power. This, in tandem with the continuing diversion of profit away from compensation, has seen labour's share of national income continue to fall even as demand for labour's services has been rising. This development is graphically portrayed in Chart 3 above which shows an updated version of US labour's share of national income (at an historical low) alongside US job openings (JOLTS – at an historical high). We argue that corporates have been hiring because labour is cheap. This, in turn, perhaps helps explain the conundrum as to why developed world wage growth has been so insensitive to the notable decline in unemployment rates.

Crucially, the diabolical pact that was made during the pre-crisis period of financialisation (i.e. consumers took home an ever smaller share of the output they were helping to produce but were offered the possibility of borrowing to consume) no longer holds. This is because the post crisis financialisation period has been accompanied by a shrinking financial sector and a tightening of banking regulations which has reduced the availability of consumer credit and seen a worsening of the terms under which credit is extended. Still high levels of private sector leverage and possible suspicion of risky asset valuations (either due to fresh memories of the crisis – what economists call "dread risk" – or concern over central banks' policy experimentation) also help explain why consumer borrowing has failed to drive a recovery.

Against the backdrop of the above considerations, it is no surprise that financial engineering on the part of central banks in the post crisis period has proven very successful from an asset valuation perspective but failed to engender the recovery in demand/inflation it was hoping for. This financial-fundamental disconnect is encapsulated in Chart 4 below which shows the positive performance on the part of both risky (S&P 500) and safe haven (10y USTs) in the post QE period. If risky asset valuations were fundamentally justified, one would not expect countercyclical assets to also be doing so well.

Chart 4: Everyone's a winner!



Sources: Bloomberg, Rabobank

It is, of course, easy to be a critic and we do acknowledge that there is an important counterfactual in terms of what might have happened if central banks would have been happy to stand by and let rebalancing occur on such a large scale as our view of the world implies was necessary. We would also acknowledge that the concerns we highlight here are likely not lost on policymakers themselves but that they are effectively powerless to pursue any other course. Chart 5 below shows a simplistic and stylised view of the negative feedback loop in which we believe monetary policymakers find themselves caught (or "money-go-round" as we term it here).

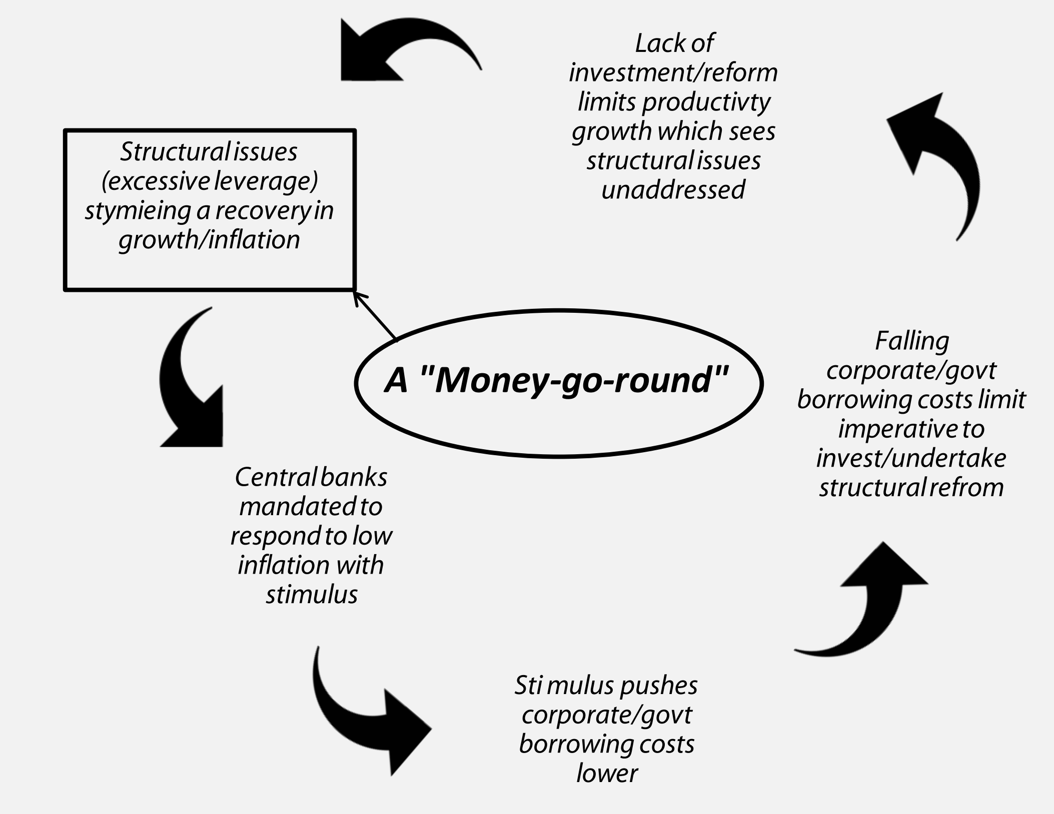
The loop begins within the highlighted text box in the left hand corner in which we note that the world economy is beset by a structural issue – this namely being that after decades of pursuing a paradigm of debt=growth, the global debt overhang is preventing a recovery in demand/inflation. As an aside, we estimate that global private non-financial and public sector debt now stands at circa 260% of world GDP. Following the arrow downwards, central banks have no choice but to respond according to their mandates and counter the lack of inflation with an easier policy stance. As we follow this loop in an anti-clockwise fashion, the lower government and corporate borrowing costs that result from this easier policy limit the need for corporates to invest (as detailed above) and reduce the incentive/imperative for either corporates to invest or for governments to initiate structural reforms. Optimists argue that central bank policies are "buying time" – we argue that is precisely the problem.

In the absence of investment/structural reform, productivity growth remains depressed thereby preventing us from growing our way out of our current debt funk. With demand therefore limited, inflation continues to disappoint, taking us back to the starting point of our stylised loop. Trapped by their mandates, central banks have no option but to further ease policy. Once conventional tools are exhausted, new unconventional measures need to be found. As these are self-defeating, however, the "money-go-round" keeps on spinning.

This troublesome view is also making its way further toward the centre of policy makers' radars. As the OECD notes in the editorial to its economic outlook published in the week this article went to press: "Monetary policy has been the main tool, used alone for too long. In trying to revive economic growth alone, with little help from fiscal or structural policies, the balance of benefits-to-risks is tipping". The question is, with the negative fallout from additional stimulus now being increasingly appreciated, how can central banks break out of this loop if their mandates are not changed (an adjustment no government will want to make given the benefits they themselves are reaping in terms of lower debt servicing costs)? In this regard, our theory that the sell-off in risky assets at the beginning of this year reflected a loss of investor confidence in central banks' ability to underpin asset valuations represents something of a silver lining. This is because if central banks find their asset-boosting efforts are proving ineffective, then they will no longer be able to pursue the post-crisis policy premise of engendering a recovery through rising notional wealth. This, then, would effectively break our "money go round" loop thereby seeing the onus of finding a solution shift to the government sphere (a development that arguably stands a much greater chance of success).

Crucially, as we detail in our final section below, this loop cannot be pursued in perpetuity. While a positive take on counterfactuals argues that central banks avoided a breakdown in social cohesion by acting the way they did in the aftermath of the crisis, the fact that their stimulatory efforts are continuing to this day is itself giving rise to societal tensions. If this loop is not broken, then the likelihood increases that populations will seek a political solution – an outcome that could have potentially disastrous consequences.

Chart 5: Around and around we go....



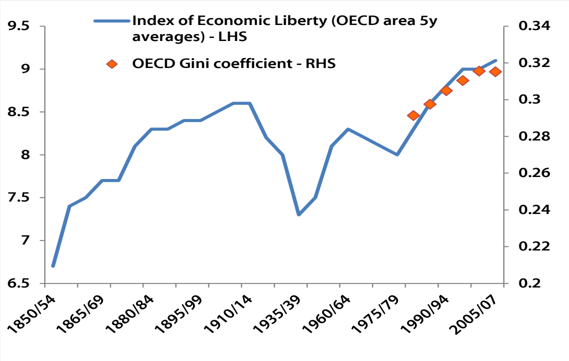
Source: Rabobank

What do Donald Trump, Brexit and Catalonia have in common?

Chart 6 below shows the Index of Economic Liberty from the OECD area going all the way back to the mid-nineteenth century and ending in 2007. This index is based upon a number of criteria including strength of the rule of law, property rights, openness to trade and openness to capital flow. The latter criterion highlights the fact that liberalisation and financialisation are two sides of the same coin. As can be seen here, the financialisation period we briefly discussed above coincided with an historically unprecedented period of liberalisation within the OECD area. Both financialisation and liberalisation, though, result in a trade-off whereby economic wealth rises but so too does economic inequality. This can be see via the orange diamonds within this graphic that show the OECD gini coefficient (a measure of income inequality) from 1980 onwards. The firmly positive correlation between liberalisation through this period and rising income inequality is clear.

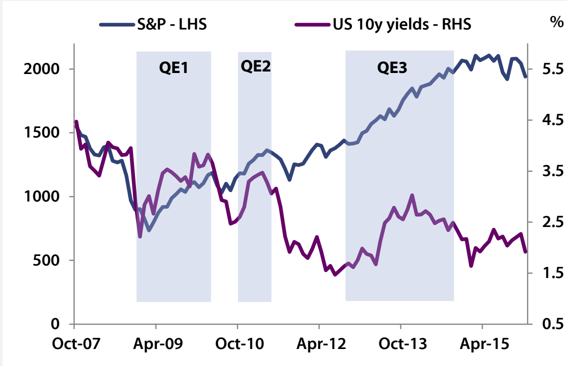
Perspicacious readers will realise that Chart 7 is a reproduction of the graphic in Chart 4. This time, though, we look at it from a different perspective. The S&P 500 can be viewed as reflecting the improving fortunes (on paper at least) of those who are long assets (typically the older generation). 10y US yields, meanwhile, could be seen as reflecting the much poorer lot of those who are long income (QE, as we argue above, helping to prevent higher inflation/higher yields by helping to shift profit away from wages thereby weighing on demand). The gap between these two series can then be seen to reflect the fact that post-crisis policies have only served to increase inequality yet further.

Chart 6: Liberalisation and rising inequality



Source: OECD, Rabobank

Chart 7: Deja vu

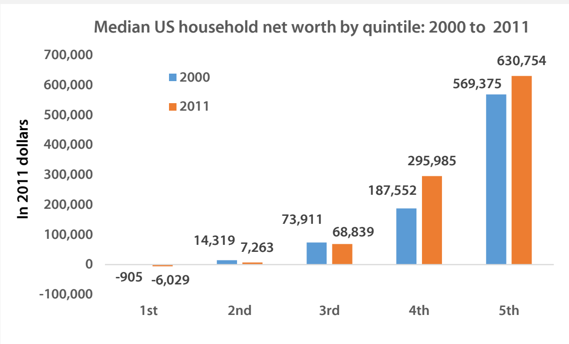


Source: Bloomberg, Rabobank

Academic as all this might sound, this theme of inequality is of key importance from an economic, political and, of course, strategic perspective. This topic too is receiving an increasing focus in policy circles with the IMF the same week this article hit the press publishing a piece criticising liberalisation (entitled "Neoliberalism: Oversold?", this article can be found via this link). As the authors of this critique note: "There is now strong evidence that inequality can significantly lower both the level and durability of growth".

From a post-crisis policy perspective, we would argue this holds for a number of reasons. First, targeting higher asset valuations disproportionately benefits the wealthier elements of society (see Chart 8 below). Given the lower marginal propensity to consume on the part of wealthier economic agents, the hoped for spillover of easier policy into higher demand is significantly muted. Second, in so far as it becomes increasingly accepted that being long assets is the surest way to achieving economic wellbeing, this sees those who are unfortunate enough to be long income devoting their efforts to acquiring assets. As this is a moving train, however, (incessant stimulus seeing asset values continuing to rise), this segment of the population (mostly the younger generation) are deferring consumption in order to have the wherewithal to make the leap from the "have nots" to the "haves". By way of example, the average age of the first time home buyer in the UK is currently 37 vs 27 in 1975.

Chart 8: Money makes money?



Sources: US Census Bureau, Rabobank

Thirdly, inequality is resulting in the disenfranchised becoming disenchanted. This, in turn, is resulting in a popular backlash against liberalisation/financialisation and, given its close relationship, globalisation. The resultant push towards "localisation" can be seen in the rise of anti-establishment and far-right parties in Europe (the narrow defeat of Austria's far right candidate for the presidency in the second round vote days before this article was published is a timely example), the desire to break away from larger administrative units (Catalonia, Brexit) and a related groundswell of opposition to immigration (Donald Trump's US-Mexican wall being a colourful example). The rising fortunes of illiberal political forces, in turn, is likely to remain a notable, and most probably increasing, threat to market sentiment and to hopes of an accelerating global recovery going forward.

Whichever way we look at it, then, the outlook firmly favours bullish duration plays. As we have argued, post crisis policies are themselves disinflationary (bullish) but also self-perpetuating (bullish as the hunt for yield is further galvanised). A renewed loss of confidence in these policies represents a possible means of breaking the "money go round" but this too stands to support safe havens with the correction of risky assets this implies underpinning a flight-to-quality bid. Unchecked, though, this policy feedback loop threatens to further increase inequality and, by the same token, the risk of market unfriendly political outcomes (again bullish).

Relative Value Trades

The tables below display the top ten bonds from both a country-switch and curve-play perspective that look particularly cheap according to Rabo's Rich/Cheap Model (with cheapness defined here as a yield spread that is a significant number of standard deviations above its 60-day moving average). The model covers bonds issued by Germany, France, the Netherlands, Austria, Belgium and Finland that have a remaining maturity of greater than one year. The 'Spread' column shows the current basis point spread of the cheap bond in relation to the rich bond while the 'No. of Stdevs' column shows the number of standard deviations that this current spread is away from its 60-day moving average.

Country Switch

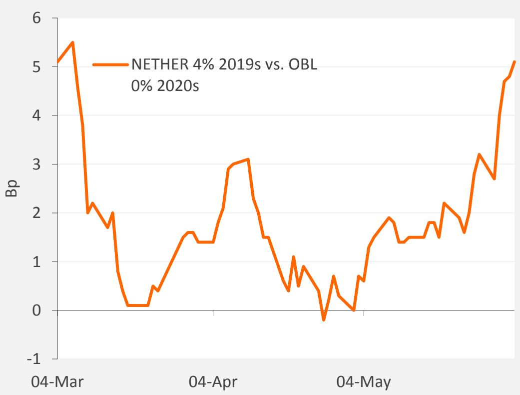
Cheap Bond	Spread	No. of Stdevs	Rich Bond
NETHER 4 07/15/19 Govt	4.63	2.90	OBL 0 04/17/20 Govt
NETHER 4 07/15/19 Govt	-11.96	2.72	RFGB 0.375 09/15/20 Govt
NETHER 4 07/15/19 Govt	-3.61	2.59	RAGB 0.25 10/18/19 Govt
NETHER 1.25 01/15/19 Govt	7.97	2.57	DBR 3.75 01/04/19 Govt
NETHER 1.25 01/15/19 Govt	-3.59	2.51	RAGB 4.35 03/15/19 Govt
BGB 4 03/28/22 Govt	2.89	2.42	RAGB 3.65 04/20/22 Govt
NETHER 0.25 01/15/20 Govt	8.73	2.35	DBR 3.25 01/04/20 Govt
BGB 4.5 03/28/26 Govt	7.22	2.29	RAGB 4.85 03/15/26 Govt
DBR 4.75 07/04/40 Govt	-26.12	2.25	RAGB 4.15 03/15/37 Govt
NETHER 3.5 07/15/20 Govt	-13.16	2.19	RFGB 3.5 04/15/21 Govt

Curve Switch

Cheap Bond	Spread	No. of Stdevs	Rich Bond
BKO 0 06/15/18 Govt	-76.92	2.21	DBR 6.25 01/04/30 Govt
NETHER 0.25 07/15/25 Govt	-41.65	2.18	NETHER 2.5 01/15/33 Govt
NETHER 4 07/15/19 Govt	-3.92	2.18	NETHER 3.5 07/15/20 Govt
BKO 0 06/15/18 Govt	-103.28	2.14	DBR 4.75 07/04/34 Govt
BKO 0 06/15/18 Govt	-131.78	2.13	DBR 2.5 08/15/46 Govt
NETHER 0.5 07/15/26 Govt	-29.02	2.02	NETHER 2.5 01/15/33 Govt
RFGB 1.625 09/15/22 Govt	-17.28	1.95	RFGB 2 04/15/24 Govt
NETHER 2.25 07/15/22 Govt	-79.00	1.92	NETHER 2.5 01/15/33 Govt
NETHER 1.75 07/15/23 Govt	-67.48	1.88	NETHER 2.5 01/15/33 Govt
RAGB 0.25 10/18/19 Govt	-20.89	1.85	RAGB 3.65 04/20/22 Govt

Best Country Switch

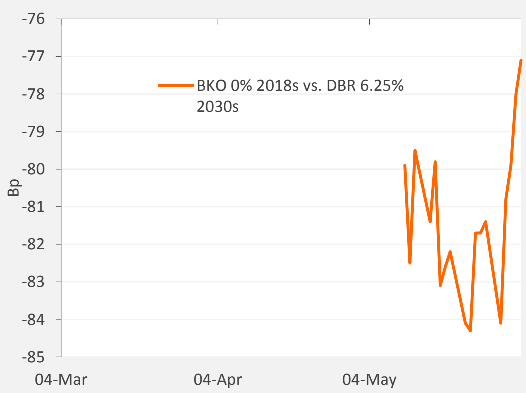
Long Netherlands 2019s vs. German 2020s



Source: Bloomberg, Rabobank

Best Curve Switch

Long German 2018s vs. German 2030s



Source: Bloomberg, Rabobank

Market Bias Indicator

The charts below provide some basic analysis on the Request for Quote data seen by our government bond trading desk with regards to Dutch Govvies. This analysis is based on two measurements:

i) Number of inquiries – An individual inquiry consists of a client asking for a price to buy/sell a particular bond from/to our trading desk.

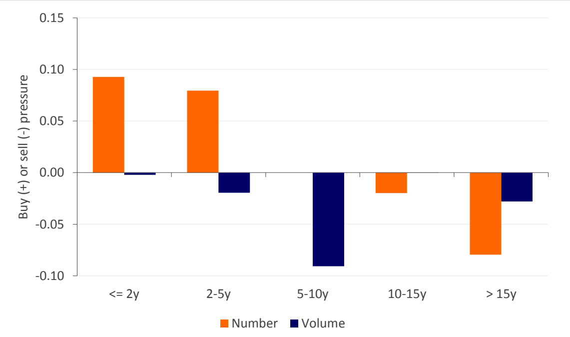
ii) Volumes of inquiries – The size in EUR of each inquiry.

All of the data are from the perspective of the client and we are only looking at bonds (i.e. no bills included).

Charts 1 & 2 - Buy/ Sell pressure for the week and historic comparison

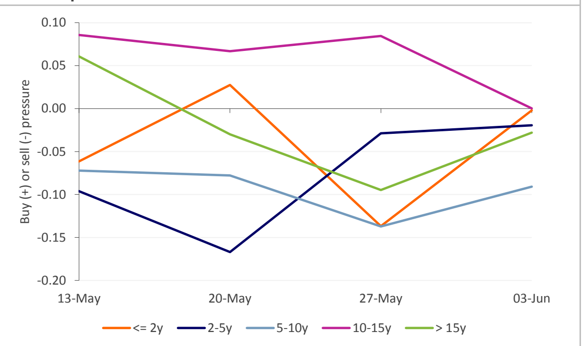
In terms of calculation, in each week a net amount of inquiries is calculated for each of the five maturity buckets. A positive number therefore indicates that there were more buy than sell inquiries from clients. This net amount of inquiries is then divided by the total amount of inquiries (not netted) received over all buckets. Thus the charts aim to show not only interest in a particular bucket but also how this compares relatively to the other buckets. Exactly the same methodology is followed for the volume data. Chart 1 shows this data for this week while Chart 2 gives an historic comparison with regards to the volume data (i.e. the actual market mover) only.

Chart 1: Buy (+) or sell (-) pressure this week



Source: Rabobank Govvie desk

Chart 2: Historical volume of inquiries buy (+) or sell (-) pressure

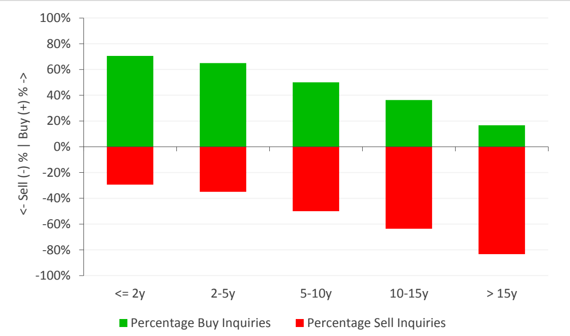


Source: Rabobank Govvie desk

Charts 3 & 4 - Buy/Sell pressure per bucket for the week

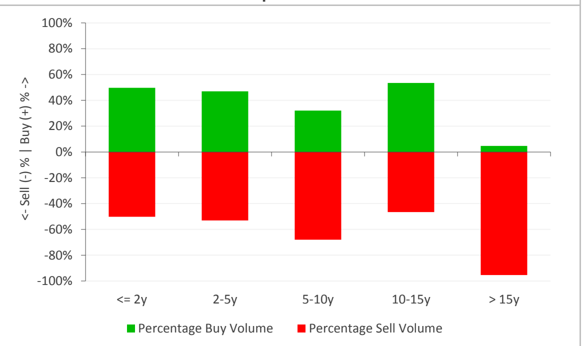
These two charts provide a simple graphic showing the strength of the buy/sell signal within each individual bucket – but not relative to the other buckets (differentiating it from the methodology used for Chart 1-2). The green portion of the bar shows the number of buy inquiries divided by the total number of inquiries in that bucket while the red portion shows the number of sell inquiries divided by the total number of inquiries in that bucket. The same methodology is used for the volume data.

Chart 3: Buy (+) and sell (-) pressure per bucket for the week (number of inquiries)



Source: Rabobank Govvie desk

Chart 4: Buy (+) and sell (-) pressure per bucket for the week (volume of inquiries)



Source: Rabobank Govvie desk

Auction Calendar

(all times in CET, international bonds not included)

Date	Time	Auction	Redemption	Coupon
Jun-06				EFSF: EUR 30mn [1]
Jun-07	10:00 11:00 12:00	Netherlands: EUR 4-6bn new 0% 15 Jan 2022 Austria: Tap EUR 1.1bn 1.75% 20 Oct 2023 and 0.75% 20 Oct 2026 Germany: Tap EUR 1bn 0.1% I/L 15 Apr 2026 (DBRI)		EFSF: EUR 69mn
Jun-08	11:30	Germany: Tap EUR 5bn 0% 15 Jun 2018 (BKO)		
Jun-10			Germany: EUR 13bn 0.25% 2016s	Germany: EUR 33mn
Jun-13	11:00	Italy: Medium-long term bonds	Italy: EUR 1.7bn 3.55% 2016s [2]	Italy: EUR 31mn [2]
Jun-14				Portugal: EUR 491mn
Jun-15	11:30	Germany: Tap EUR 4bn 0.5% 15 Feb 2026 (DBR)		Portugal: EUR 895mn (2 different issues combined) Italy: EUR 562mn (6 different issues combined)
Jun-16	10:30 10:50/ 11:50	Spain: Bonds France: Bonds (OAT/ Inflation-Linked)		
Jun-20	12:00	Belgium: Bonds Slovakia: Tap 0% 13 Nov 2023 and 1.375% 21 Jan 2027	Germany: EUR 3.8bn 6% 2016s	Ireland: EUR 619mn (8 different issues combined) [3] Austria: EUR 142mn [3] Greece: EUR 85mn (2 different issues combined) [4] Austria: EUR 214mn Germany: EUR 225mn
Jun-22	11:30	Germany: Tap EUR 1bn 2.5% 15 Aug 2046 (DBR)		Belgium: EUR 1.8bn (11 different issues combined) Italy: EUR 132mn
Jun-27	11:00	Italy: I/L Bonds		EFSF: EUR 79mn
Jun-28				Belgium: EUR 463mn
Jun-30	11:00	Italy: Medium-long term bonds		Slovenia: EUR 2mn
Jul-01			Italy: EUR 13.4bn 2016s	Italy: EUR 17mn
Jul-04			Germany: EUR 23bn 4% 2016s	Finland: EUR 714mn (4 different issues combined) Germany: EUR 9.7bn (14 different issues combined)

1 Scheduled for Sunday 05 June 2016
2 Scheduled for Saturday 11 June 2016
3 Scheduled for Saturday 18 June 2016
4 Scheduled for Sunday 19 June 2016

Auction Highlights:

Onn Tuesday the Netherlands will be issuing EUR 4-6bn of the new 0% 15 Jan 2022. We will be sending out an Auction Preview for this on Monday June 06 (initial spread guidance is also due to be announced on this day).

On Wednesday Germany will be tapping EUR 5bn of the 0.5% 15 Feb 2026 (10yr benchmark). The last time this bond was auctioned, on

Rating Review Calendar

June 2016				
Week 22 (Friday 03)	**Week 23 (Friday 10)**	**Week 24 (Friday 17)**	**Week 25 (Friday 24)**	
ESM *(Moody's)*	**EFSF** *(Moody's)*	**Spain** *(Moody's)*	**Austria** *(Moody's)*	
Finland *(Moody's)*	**Italy** *(Moody's)*	**Slovenia** *(S&P)*	**Belgium** *(Moody's)*	
Ireland *(S&P)*	**Latvia** *(Moody's)*		**Germany** *(Moody's)*	
	EFSF *(Fitch)*		**Greece** *(Moody's)*	
	ESM *(Fitch)*		**Luxembourg** *(Moody's)*	
	France *(Fitch)*			
	Estonia *(S&P)*			
	Greece *(DBRS)*			

July 2016				
Week 26 (Friday 01)	**Week 27 (Friday 08)**	**Week 28 (Friday 15)**	**Week 29 (Friday 22)**	**Week 30 (Friday 29)**
Belgium *(Fitch)*	**Netherlands** *(Moody's)*	**Ireland** *(Fitch)*	**Estonia** *(Moody's)*	**Slovakia** *(Moody's)*
	EFSF *(S&P)*	**Belgium** *(S&P)*	**Greece** *(S&P)*	**Spain** *(Fitch)*
	Germany *(S&P)*			**Slovakia** *(S&P)*
	Malta *(S&P)*			**Germany** *(DBRS)*

August 2016				
Week 31 (Friday 05)	**Week 32 (Friday 12)**	**Week 33 (Friday 19)**	**Week 34 (Friday 26)**	
Austria *(Fitch)*	**Slovakia** *(Fitch)*	**Malta** *(Fitch)*		
	EFSF *(DBRS)*	**Portugal** *(Fitch)*		
	ESM *(DBRS)*	**Netherlands** *(DBRS)*		

September 2016				
Week 35 (Friday 02)	**Week 36 (Friday 09)**	**Week 37 (Friday 16)**	**Week 38 (Friday 23)**	**Week 39 (Friday 30)**
Malta *(Moody's)*	**Lithuania** *(Moody's)*	**France** *(Moody's)*	**ESM** *(Moody's)*	**EFSF** *(Moody's)*
Portugal *(Moody's)*	**Finland** *(DBRS)*	**Slovenia** *(Moody's)*	**Germany** *(Fitch)*	**Spain** *(S&P)*
Finland *(Fitch)*	**Malta** *(DBRS)*	**Austria** *(S&P)*	**Lithuania** *(Fitch)*	
Greece *(Fitch)*		**Finland** *(S&P)*	**Slovenia** *(Fitch)*	
Belgium *(DBRS)*		**Lithuania** *(S&P)*		
Ireland *(DBRS)*		**Luxembourg** *(S&P)*		
		Portugal *(S&P)*		
		Italy *(DBRS)*		

Legend

Negative Outlook	Negative Watch
Positive Outlook	Positive Watch

Current ratings

Country	Moody's		S&P		Fitch		DBRS	
	Rating	Effective as of*	Rating	Effective as of*	Rating	Effective as of*	Rating	Effective as of*
Austria	Aaa	23/10/2015	AA+	29/01/2013	AA+	13/02/2015	AAA	21/06/2011
Belgium	Aa3	16/12/2011	AA	28/02/2014	AA	14/11/2014	AAH	21/03/2014
Finland	Aaa	05/06/2015	AA+	25/09/2015	AA+	11/03/2016	AAA	11/09/2015
France	Aa2	18/09/2015	AA	10/10/2014	AA	12/12/2014	AAA	29/04/2016
Germany	Aaa	28/02/2014	AAA	13/01/2012	AAA	06/11/2007	AAA	16/06/2011
Greece	Caa3	25/09/2015	B-	22/01/2016	CCC	18/08/2015	CCCH	11/12/2015
Ireland	A3	14/05/2016	A+	05/06/2015	A	05/02/2016	AH	11/03/2016
Italy	Baa2	14/02/2014	BBB-	05/12/2014	BBB+	25/04/2014	AL	25/09/2015
Netherlands	Aaa	07/03/2014	AAA	20/11/2015	AAA	11/07/2014	AAA	12/05/2011
Portugal	Ba1	25/07/2014	BB+	18/09/2015	BB+	04/03/2016	BBBL	23/05/2014
Spain	Baa2	19/02/2016	BBB+	02/10/2015	BBB+	25/04/2014	AL	08/04/2016

** This date represents the date on which the last change to the country's rating or outlook was made. Reviews in which the rating/outlook was affirmed are not included in this.*

Legend

Negative Outlook	Negative Watch
Positive Outlook	Positive Watch
Recent Change (Last 7 days)	

Event Calendar

(all times CET)

Date	Economic Event	Period	Cons	Prev
Jun-06				
08:00	GE: Factory Orders (MoM, SA)	Apr	-0.5%	1.9%
08:00	GE: Factory Orders (YoY, NSA)	Apr	0.2%	1.7%
10:10	IT: PMI Retail	May	- -	42.6
10:10	FR: PMI Retail	May	- -	48.2
10:10	GE: PMI Retail	May	- -	51.0
10:10	EZ: PMI Retail	May	- -	47.9
	US: Yellen speaking at World Affairs Council of Philadelphia			
	Holiday: IR			
Jun-07				
06:30	AU: RBA Rate Decision		1.8%	1.8%
08:00	GE: Industrial Production (MoM, SA)	Apr	0.6%	-1.3%
08:00	GE: Industrial Production (YoY, NSA)	Apr	0.7%	0.3%
11:00	EZ: Household consumption expenditure (QoQ)	1Q	0.5%	0.2%
11:00	EZ: General government consumption expenditure	1Q	0.4%	0.6%
11:00	EZ: Gross fixed capital formation (QoQ)	1Q	1.1%	1.3%
11:00	EZ: GDP (QoQ)	1Q F	- -	0.5%
11:00	EZ: GDP (YoY)	1Q F	- -	1.5%
	ECB: MRO allotment			
Jun-08				
	CH: Trade balance	May	55.7Bn	45.6Bn
	CH: Imports (YoY)	May	-6.8%	-10.9%
	CH: Exports (YoY)	May	-4.1%	-1.8%
01:50	JN: Current Account Balance (NSA)	Apr	2307.9Bn	2980.4Bn
01:50	JN: GDP (QoQ)	1Q F	- -	0.4%
01:50	JN: GDP (QoQ, annualized)	1Q F	- -	1.7%
16:00	US: Job Openings (000s)	Apr	- -	5757.0%
23:00	NZ: RBNZ Rate Decision		2.0%	2.3%
	EZ: Start of reserve maintenance period			
Jun-09				
01:50	JN: Weekly net buying of foreign bonds	Jun 3	- -	-549.4Bn
03:30	CH: PPI (YoY)	May	-3.1%	-3.4%
03:30	CH: CPI (YoY)	May	2.3%	2.3%
06:30	NL: Industrial Sales (YoY, NSA)	Apr	- -	-4.0%
06:30	NL: Industrial Production (MoM, SA)	Apr	- -	-2.4%
06:30	NL: Industrial Production (YoY, NSA)	Apr	- -	0.3%
06:30	NL: CPI (EU Harmonized, MoM)	May	- -	0.1%
06:30	NL: CPI (EU Harmonized, YoY)	May	- -	-0.2%
10:00	IT: Unemployment rate (Quarterly, SA)	1Q	- -	11.5%
10:30	UK: Total Trade Balance (SA)	Apr	-3550.0Mn	-3830.0Mn
11:00	GR: CPI (EU harmonised, YoY)	May	- -	-0.4%
11:00	GR: Unemployment rate (SA)	Mar	- -	24.2%
12:00	IE: CPI (EU harmonised, MoM)	May	- -	0.3%
12:00	IE: CPI (EU harmonised, YoY)	May	- -	-0.2%
12:00	PT: CPI (EU harmonised, MoM)	May	- -	0.4%
12:00	PT: CPI (EU harmonised, YoY)	May	- -	0.5%
14:30	US: Initial Jobless Claims (SA)	Jun 4	- -	267k
16:00	US: Wholesale Inventories (% MoM)	Apr	0.1%	0.1%

Jun-10				
	CH: All-system Aggregate Financing	May	950.0Bn	751.0Bn
08:00	GE: CPI (EU harmonised, MoM)	May F	- -	0.4%
08:00	GE: CPI (EU harmonised, YoY)	May F	- -	0.0%
08:45	FR: Industrial Production (MoM, SA)	Apr	- -	-0.3%
08:45	FR: Industrial Production (YoY, SA)	Apr	- -	-0.8%
10:00	IT: Industrial Production (MoM, SA)	Apr	- -	0.0%
10:00	IT: Industrial Production (YoY, NSA)	Apr	- -	-0.4%
16:00	US: Univ. of Michigan 5-10yr inflation expectations	Jun P	- -	2.5%
16:00	US: Univ. of Michigan 1yr inflation expectations	Jun P	- -	2.4%
16:00	US: Univ. of Michigan Consumer Confidence	Jun P	94.5	94.7
	Holiday: PT			

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