Focus

The political situation in Italy led to considerable stress on the financial markets and fueled the fear of a new euro crisis. This is reflected in the volatility of the spread between the German and Italian government bonds (see graph).

The stagnating formation meetings between the populist, Eurosceptic Five Star Movement and Lega Nord reassured investors at the end of April that a eurosceptic government might be avoided. The spread between Italian and German 10-year government bonds, which generally is an indicator of the level of stress in the market, even approached the lowest level since August 2016 with no more than 113 basis points.

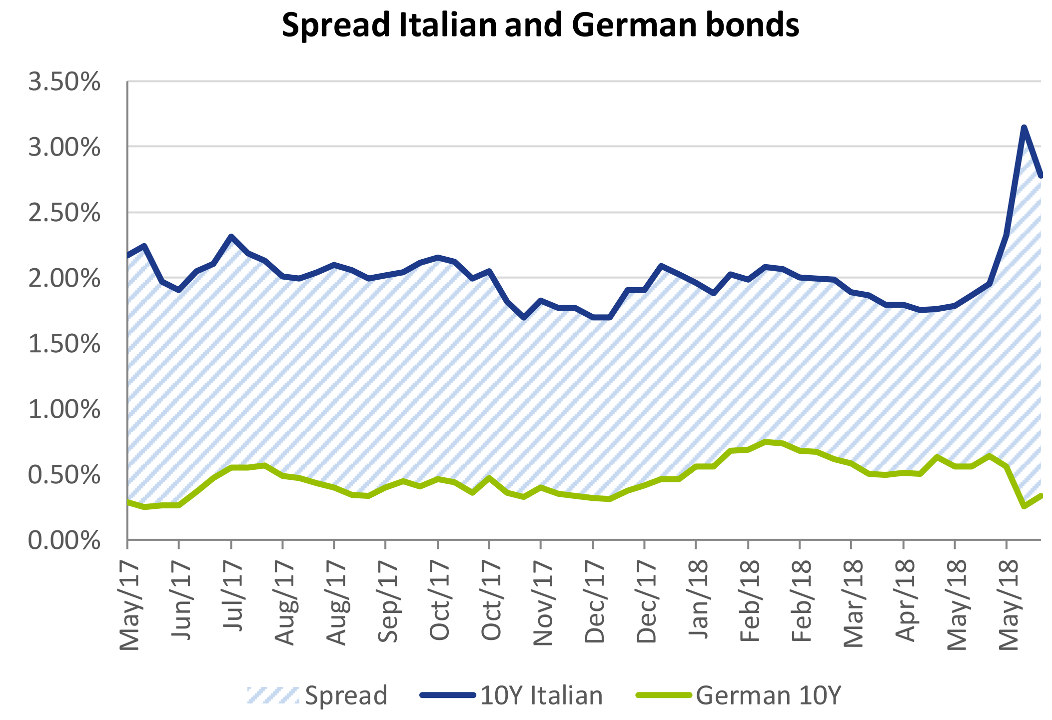
Within a month, the spread between Italian and German 10-year government bonds increased to nearly 289 basis points, the highest level since September 2013. The widening is partly due to the threat of new elections in Italy, the turmoil over the political course of the country, and possible rating downgrades by the rating agencies.

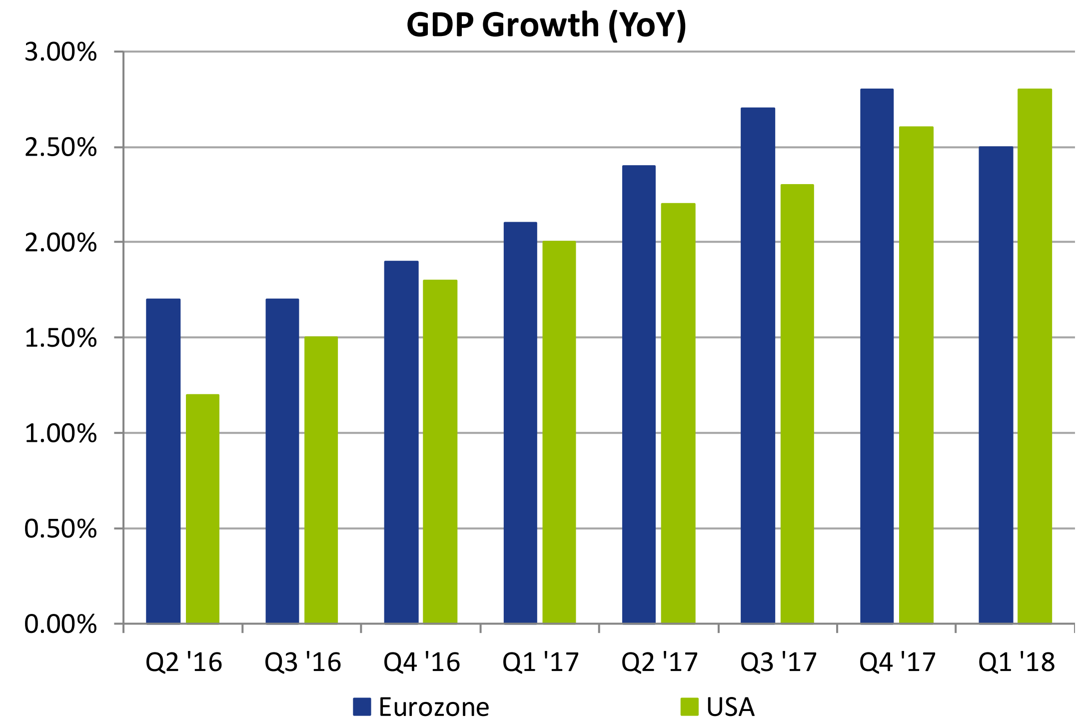
Early June, markets seemed to de-stress after a final attempt to form a new Italian government succeeded. The difference in the interest rate between the 10-year German and Italian government bonds decreased to around 216 basis points on 5 June 2017. However, the question remains whether the plans of the newly formed Italian government will not lead to new turmoil and higher interest rates in the long term.

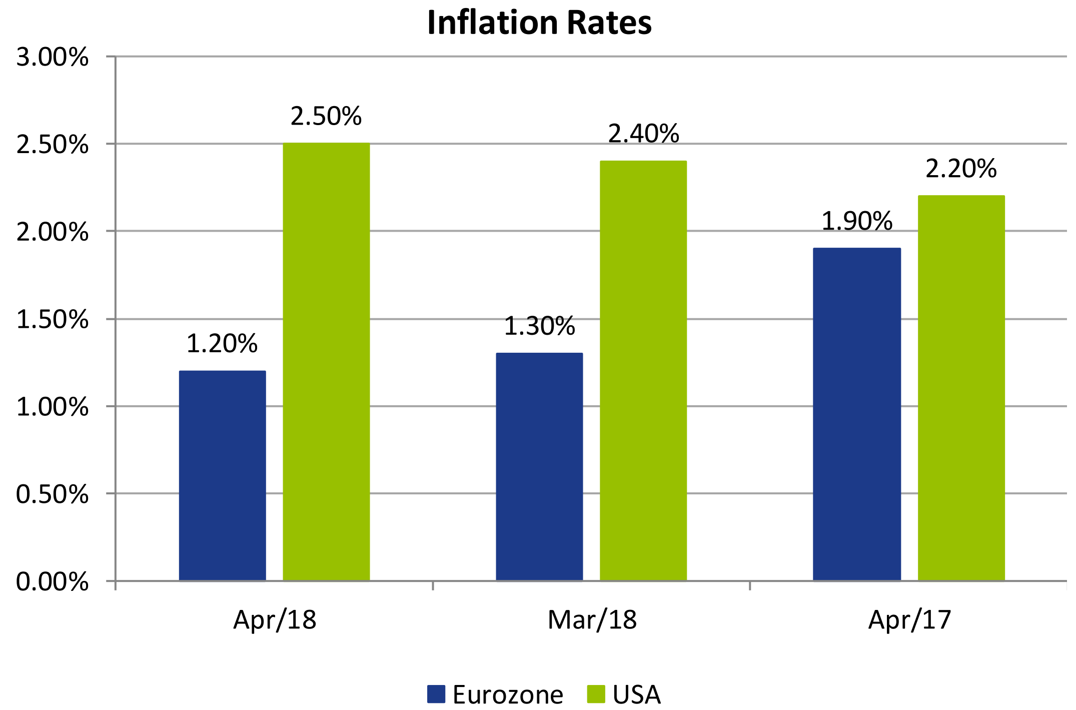
May in Review

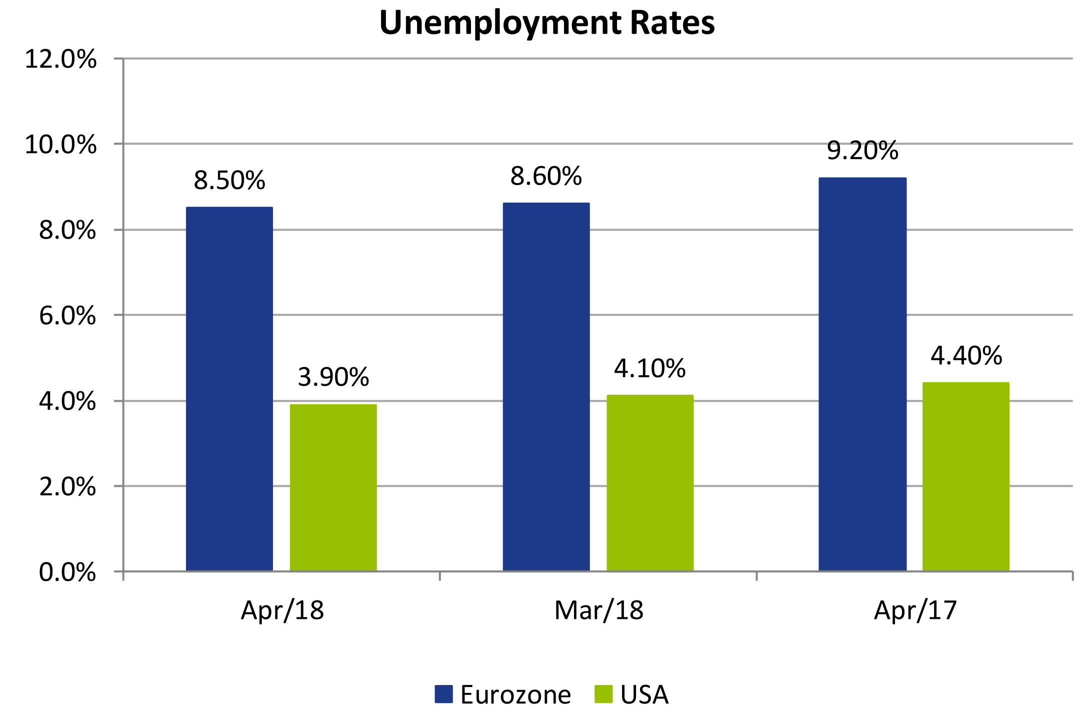
The European bureau of statistics Eurostat reported that the Eurozone economy experienced a growth of 0.4% in the first quarter of 2018 compared to the end of 2017. This growth rate was in line with Eurostat's previous forecasts. The economic growth rate in the fourth quarter of 2017 was higher at 0.7%. Furthermore, Eurostat reported that European Union quarterly economic growth was 0.4% for the first quarter of 2018, compared to 0.6% for the last quarter of 2017.

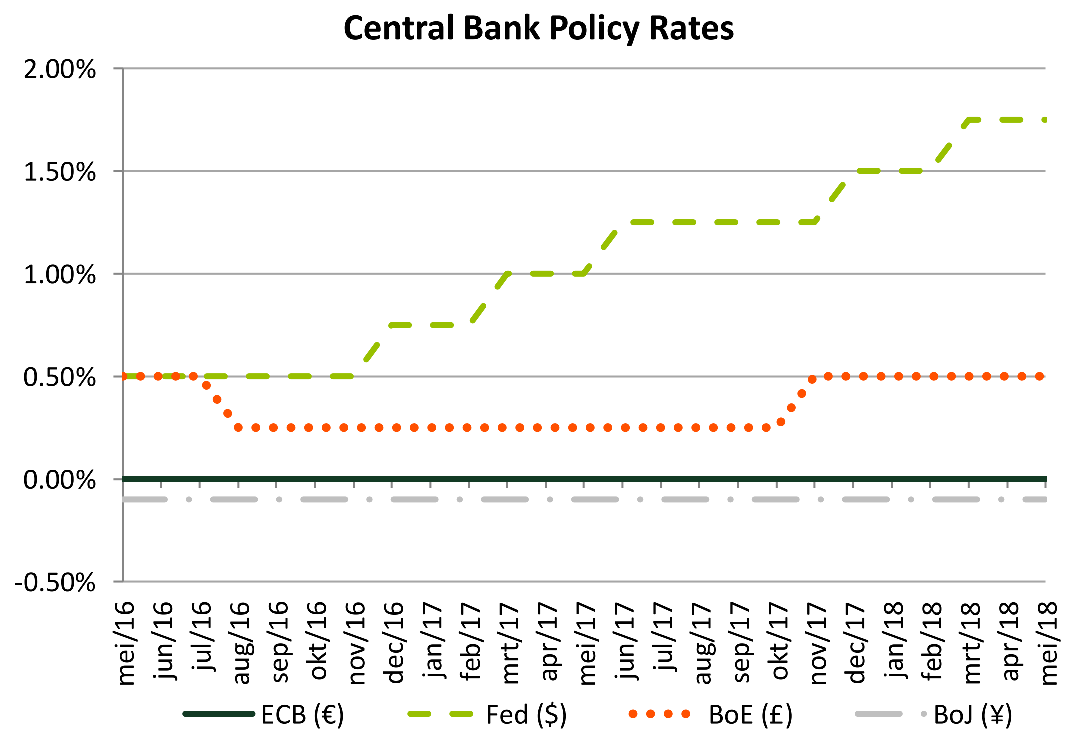
Credit rating agency Standard & Poor's (S&P) maintains its highest credit status (AAA) for the Netherlands. S&P points, among other things, to the healthy public finances of the Netherlands, leading to budget surpluses. The rating agency expects the national debt level will decrease by close to 10 percentage in the coming years to 46% of gross domestic product (GDP) in 2021.











Country Ratings	S&P	Moody's	Fitch
Netherlands	AAA	Aaa	AAA
Germany	AAA	Aaa	AAA
France	AA	Aa2	AA
United Kingdom	AA	Aa2	AA
Russia	BBB-	Ba1	BBB-
United States	AA+	Aaa	AAA
Japan	A+	A1	A
China	A+	A1	A+
Australia	AAA	Aaa	AAA

Monthly Preview

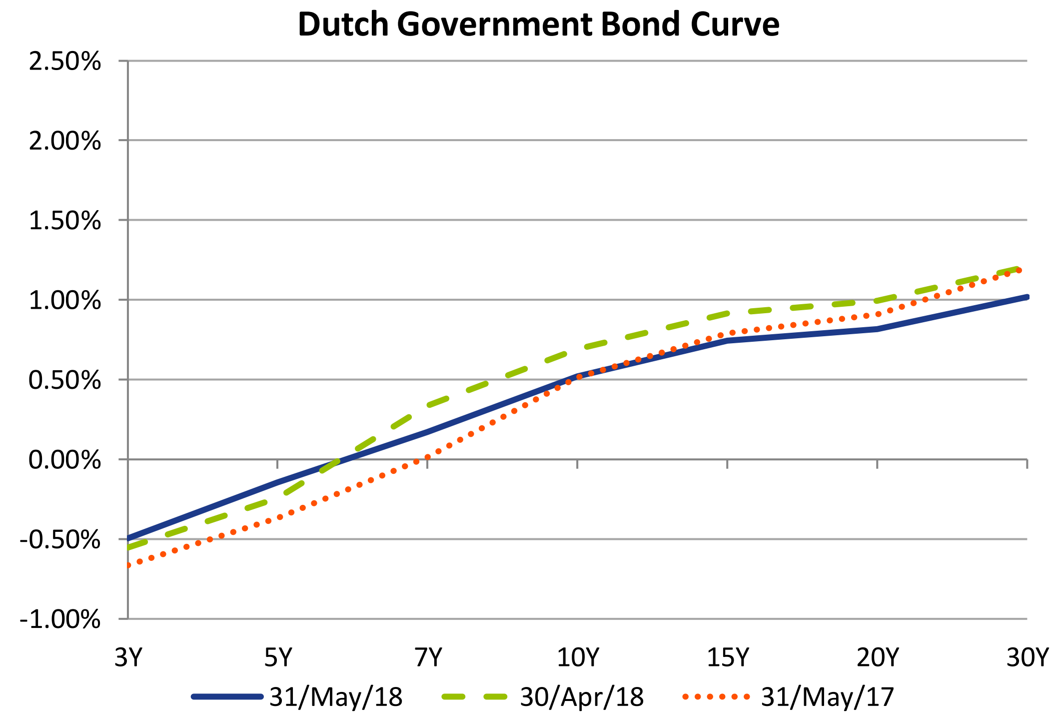
On the 6th of June, investors reacted strongly to statements by Peter Praet about a possible policy change of the European Central Bank (ECB). The chief economist of the ECB argued that the policy meeting on Tuesday 12 June in the Latvian capital Riga will be a "crucial" one. The central bankers will then decide if and when they will end the Quantitative Easing program. A possible end would be the result of increasing confidence of the ECB board members that inflation is moving towards the inflation target of 2%. As a reaction to these statements, stock markets rose, the yield on several 10-year government bonds of Eurozone countries increased and the EUR/USD exchange rate increased.

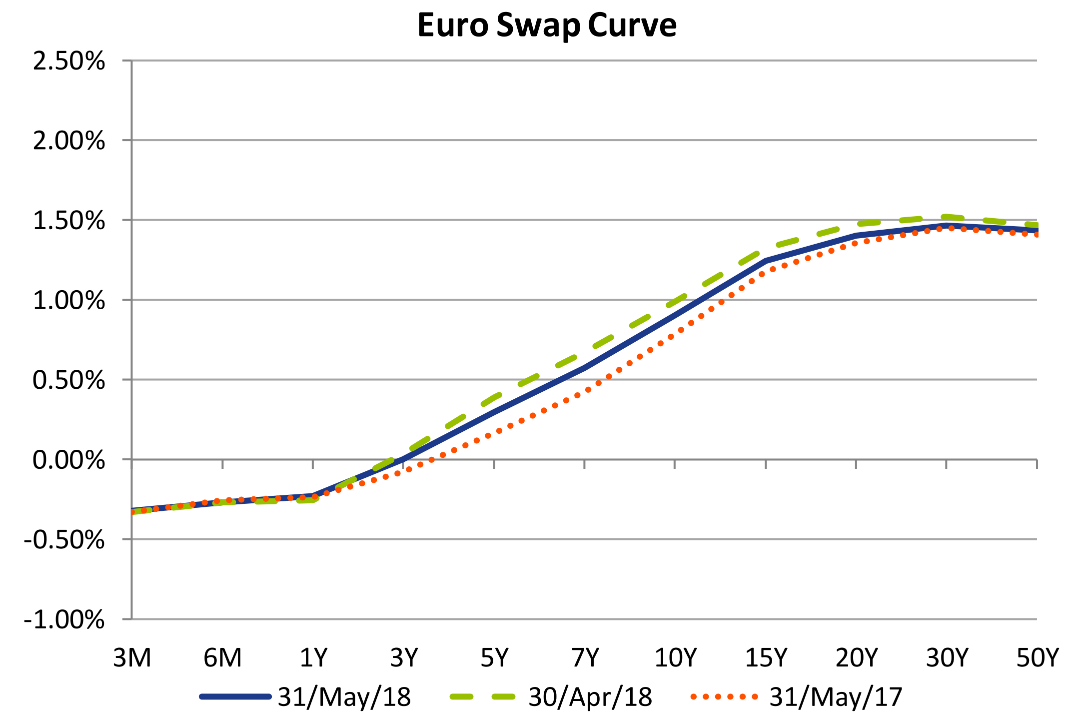
The outbreak of the trade conflict between the United States and Europe put pressure on the trading floor at the end of May. The announcement of the US of import duties on steel and aluminum leaves the European Commission no choice but to file a formal complaint with the World Trade Organization (WTO). In addtion, Brussels announced it will impose tariffs on several US products, such as Levi's jeans and bourbon. Mexico and Canada also imposed counter actions against the import tarifs.

The G7 leaders will meet in Canada on Friday 8th of June. The aforementioned trade conflict is expected to dominate the agenda. Analysts referring to this summit as the G6 plus one. Macron and Merkel have already indicated that they will not sign a joint declaration if insufficent progess is made on the most important issues such as the trade tariffs, the Paris climate agreement and the Iranian nuclear deal.

Timeline macroeconomic indicators:

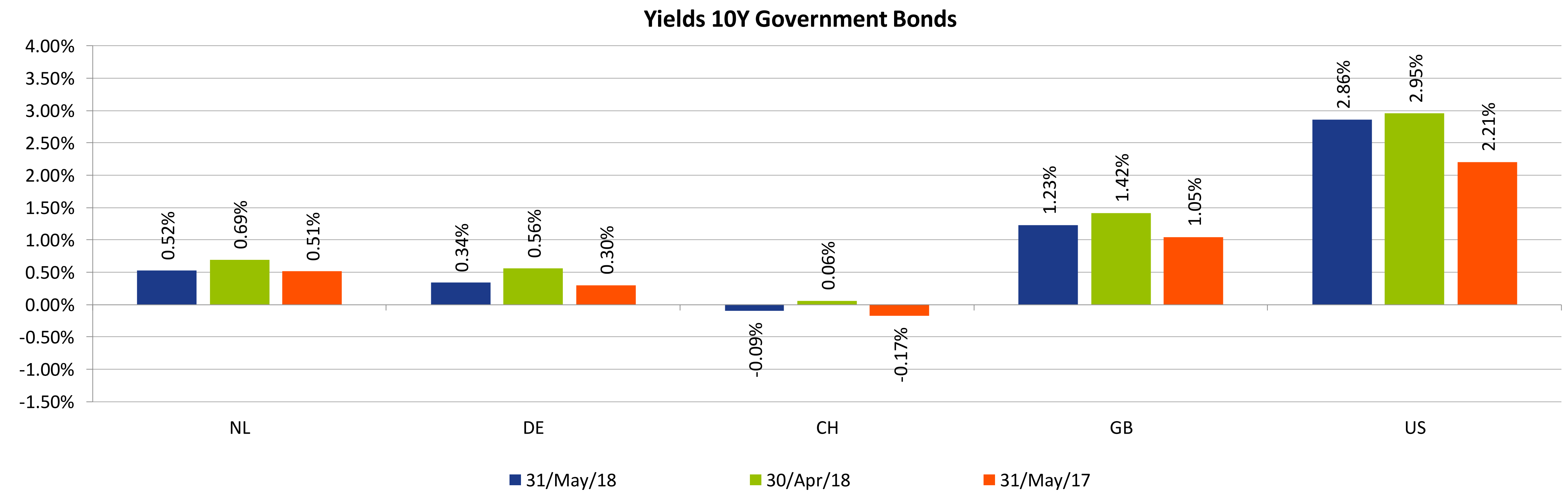
12 June 2018	Inflation in the US May 2018
14 June 2018:	Interest rate decision ECB
15 June 2018:	Interest rate decision BoJ
15 June 2018:	Inflation EU May 2018
15 June 2018:	Trade balance EU April 2018





Bank Ratings	S&P	Moody's	Fitch
Rabobank	A+	Aa3	AA-
ING Bank	A+	Aa3	A+
ABN AMRO	A	A1	A+
BNG Bank	AAA	Aaa	AA+
NWB Bank	AAA	Aaa	n.a.
Deutsche Bank	A-	Baa2	BBB+
BNP Paribas	A	Aa3	A+
Barclays Bank	A	A2	A
Credit Suisse Int.	A	A1	A-

Currencies	31/May/18	30/Apr/18	31/May/17
EUR/USD	1.169	1.208	1.124
EUR/GBP	0.879	0.878	0.872
EUR/CHF	1.153	1.197	1.088
EUR/JPY	127.230	132.055	124.555
EUR/DKK	7.443	7.450	7.438
EUR/SEK	10.305	10.567	9.769
EUR/CAD	1.515	1.551	1.518
EUR/AUD	1.545	1.604	1.513
EUR/CNY	7.496	7.651	7.655



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