

Focus

In June, the government of Argentina has asked the IMF for financial support. Just when most economies seem to recover from the financial crisis, Argentina is facing financial difficulties.

The crisis in Argentina does not surprise analysts. Argentina is known for its debt position. However, in the last years the economic unstable situation was less noticeable. Historically low interest rates in the financial markets pushed investors to emerging markets where returns could still be earned, such as Argentina, ignoring the higher risks.

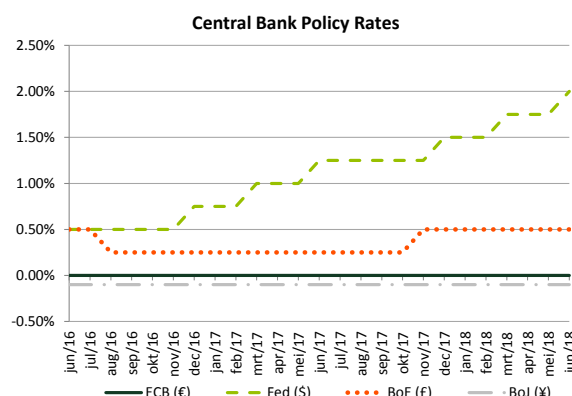
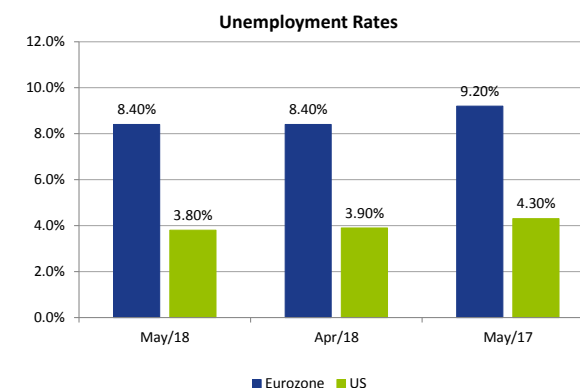
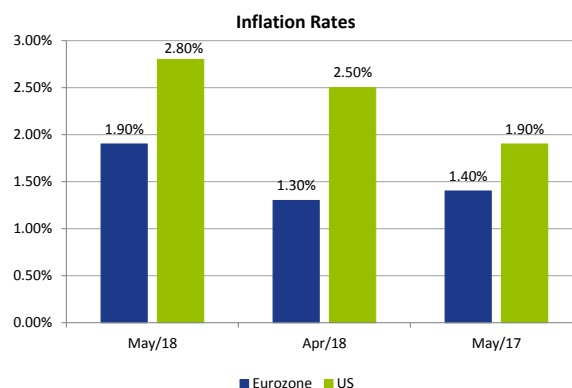
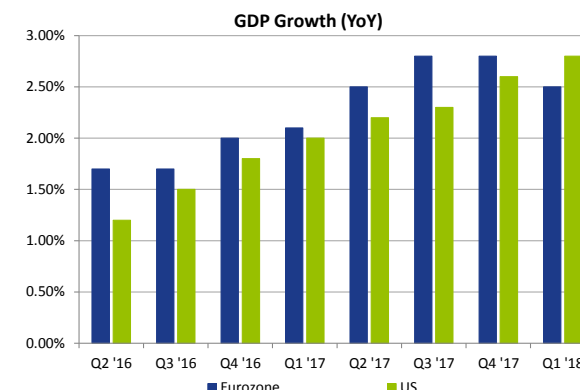
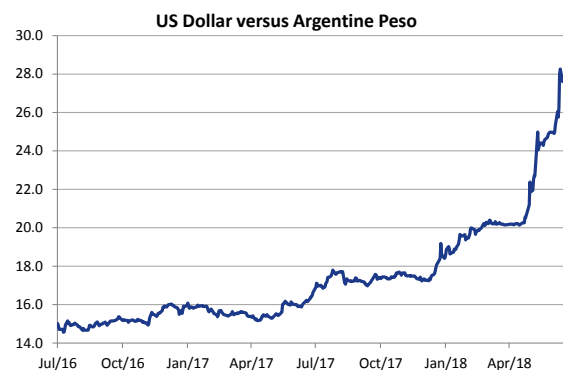
With the recent benchmark rate increases by the Federal Reserve (Fed) it is possible for investors to earn returns in less risky markets. Therefore, investors are withdrawing their money from Argentina and investing in more stable markets like the US. This, amongst other causes, has resulted in dramatic decreases of the peso in the last months (see graph). Due to the fact that a large part of Argentina's debt is denominated in dollars, a depreciation of the peso against the dollar leads to an expanding debt burden for the country.

Despite the measures taken by the Central Bank of Argentina, the situation seems untenable. The EUR 50 billion loan from the IMF could be a last resort to control the financial situation. With new possible interest rate increases by the Fed and the European Central Bank (ECB), the question remains whether this emergency loan is sufficient.

June in Review

In the beginning of June Deutsche Bank (DB) lost its last A-rating after credit rating agency S&P's decision to downgrade the rating of the bank from A- to BBB+. Credit rating agency Fitch also decided to revise the banks' outlook from stable to negative mid-June. Reason for the revisions, among other things, is the "substantial risk" of the restructuring strategy. Furthermore, the American subsidiary of DB failed the stress tests of the Fed, testing the bank's resilience with respect to new financial shocks.

As expected, the Fed raised its most important interest rate in June with 25 basis points to a bandwidth between 1,75% and 2,00%. In March, the policy interest rate had already been increased with 25 basis points. In the remainder of 2018, two additional interest rate adjustments are expected.



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

In July global tensions are expected to increase further with the imposition of new import tariffs. The announced import tariffs against China by the American president Donald Trump are expected to take effect on the 6th of July 2018. The new trade tariffs would affect 1102 products with a total value of USD 50 billion. In reaction, China already announced to adopt strong countermeasures.

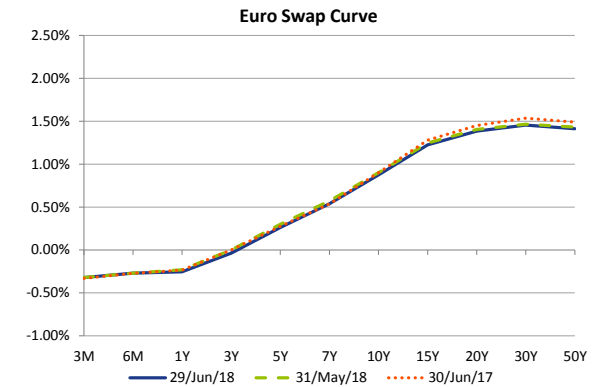
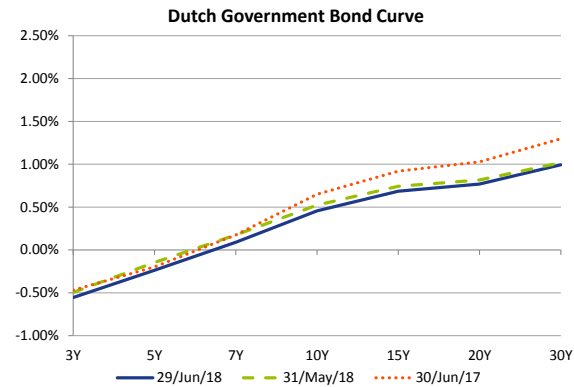
Besides new import tariffs, Trump announced that the investigation by the US Commerce Department into the effects of the import of European cars on the US is almost finished. The results could lead to new import tariffs and measurements on European cars. The EU already announced to impose counter measurements if needed. These new tensions seem to make a worldwide tradewar more likely.

On July 16th, the Russian president Vladimir Putin and the US president Donald Trump will meet in Helsinki. On this first summit, the current status and the future perspectives of the Russian-American relations, as well as Syria and disarmament issues will be discussed. Additionally, Trump wants to talk about the current situation in Ukrain.

On July 11th and July 12th, twenty-nine head of states will meet in Brussels for the NATO-summit. The summit will focus on the changing security situation, such as enhancing the NATO's Deterrence & Defence Posture, military mobility, the Resolute Support Mission in Afghanistan and modernisation of the NATO.

Timeline macroeconomic indicators:

- 06 July 2018: Unemployment rate United States May 2018
- 10 July 2018: Inflation China June 2018
- 11 July 2018: ECB non-monetary policy meeting
- 12 July 2018: Inflation United States June 2018
- 16 July 2018: Economic growth rates China Q2 2018
- 18 July 2018: Inflation rate UK June 2018
- 26 July 2018: Interest rate decision ECB
- 31 July 2018: Interest rate decision Japan (BoJ)



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	BBB+	Baa2	BBB+
BNP Paribas	A	Aa3	A+
Barclays Bank	A	A2	A
Credit Suisse Int.	A	A1	A-

Currencies	29/Jun/18	31/May/18	30/Jun/17
EUR/USD	1.168	1.169	1.143
EUR/GBP	0.885	0.879	0.877
EUR/CHF	1.157	1.153	1.095
EUR/JPY	129.365	127.230	128.400
EUR/DKK	7.451	7.443	7.436
EUR/SEK	10.449	10.305	9.632
EUR/CAD	1.535	1.515	1.481
EUR/AUD	1.579	1.545	1.486
EUR/CNY	7.738	7.496	7.746

