

**Focus**

Last month, Deutsche Bank announced it will reduce its global investment banking activities, the last major European bank to do so. After this withdrawal, the international investment banking sector will mainly be the terrain of the American banks. What position do major international investment banks have in the economic system, and what does the withdrawal mean for the European economy?

Commercial banks are primarily focused on consumers and commercial retail, while investment banks are mainly dealing with larger businesses and public entities. Investment banks aid in accruing large amounts of capital, the issuance and sale of securities, advise in mergers, acquisitions and initial public offerings, and facilitate other financial transactions. In this role, investment banks play a major part in the development of corporate entities and subsequently in economic developments.

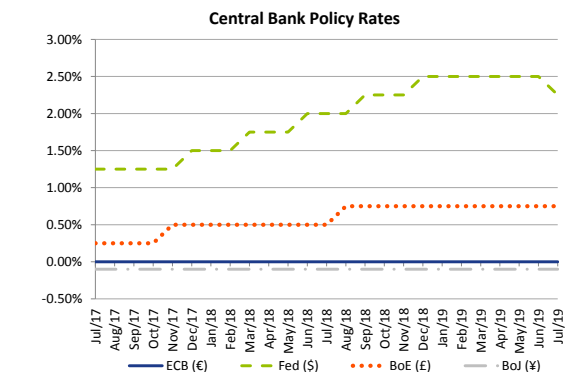
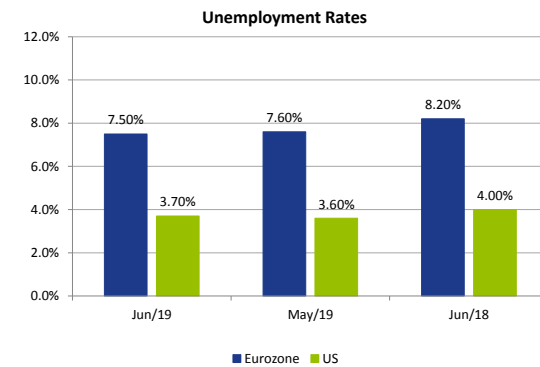
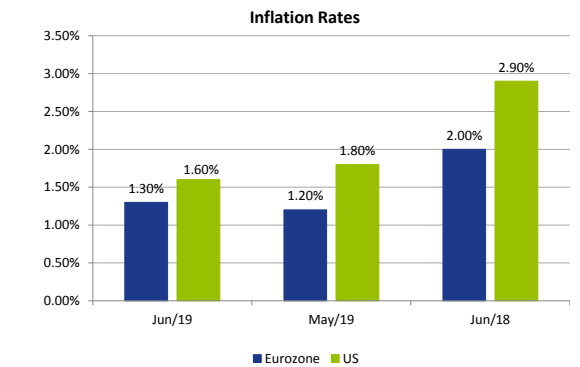
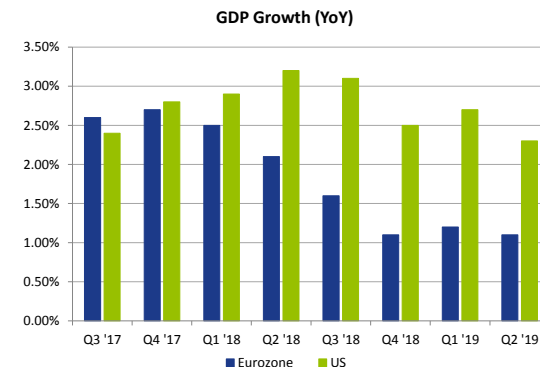
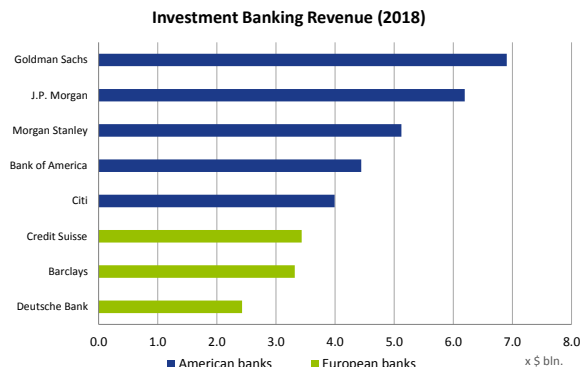
Deutsche Bank is not the first European financial institution to alter its course. At an earlier stage, other banks like Barclays, Credit Suisse and ABN Amro announced they would scale back their investment banking ambitions. This withdrawal is, among other reasons, a result of the effects the Eurocrisis had on European banks and the capital restrictions imposed on European banks. According to analysts, these effects together have gradually led to a competitive advantage for American banks.

The withdrawal of the European banks has increased the influence of American investment banks in international investment banking. As a result, European businesses might become very dependent on American banks. It remains to be seen if American banks are as able and willing to provide services to European businesses as they are to American corporates.

A side note should be made that American investment banks have played a major part in European business in the last couple of year. One could ask to what extent global investment banking will change now that it has become a mainly American playing field, in particular in uncertain economic times.

**Upcoming publications of macroeconomic indicators**

- 06 August 2019 Interest rate decision AU
- 07 August 2019 Interest rate decision NZ
- 09 August 2019 Gross Domestic Product UK
- 09 August 2019 Producer price index US
- 13 August 2019 Consumer Price Index US
- 14 August 2019 Consumer Price Index UK
- 14 August 2019 Gross Domestic Product NL
- 14 August 2019 Gross Domestic Product DE
- 14 August 2019 Gross Domestic Product EU
- 19 August 2019 Consumers Price Index EU



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-	Baa3	BBB-
United States	AA+	Aaa	AAA
Japan	A+	A1	A
China	A+	A1	A+
Australia	AAA	Aaa	AAA

**Review**

Statistics Netherlands (CBS) reported that consumer confidence in the Netherlands increased to 2.0 in July 2019, compared to 0.0 in June. According to CBS, consumers were more positive about the economic climate. Consumers' willingness to buy also increased.

For the first time in more than a decade, the United States (US) Federal Reserve (Fed) has cut policy interest rates by 25 basis points to a bandwidth of 2.0% and 2.25% on July 31. Fed chairman Jerome Powell explained that the cut would be necessary to boost the US economy. Powell stressed that prolonging economic expansion is one of the main goals of the policy, and that current global economic conditions are a threat to economic growth.

European Union (EU) finance ministers in Brussels have formally agreed with the appointment of Christine Lagarde as President of the European Central Bank (ECB) per 1 November 2019. Last week, Lagarde was nominated as candidate. However, before she can officially start, a consultation round with the ECB board is needed and she needs approval from the European Parliament. She is expected to be definitively appointed by EU leaders at the end of October.

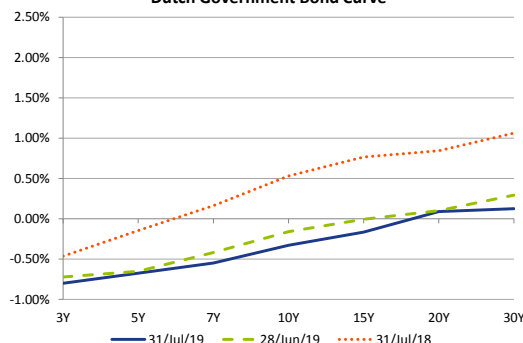
According to Eurostat, the economic growth of the eurozone was 0.2% in the second quarter of 2019, down from 0.4% in the first quarter. Inflation was at a 17-month low at 1.1% in July, compared to 1.3%.

**Outlook**

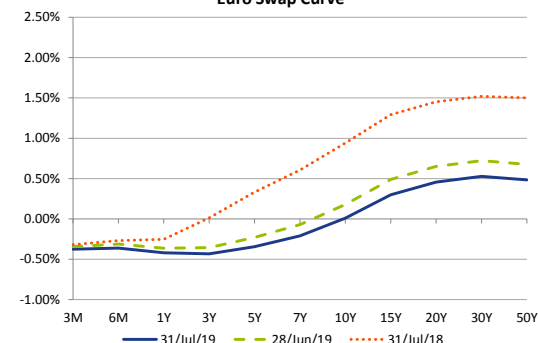
The International Monetary Fund (IMF) has further reduced its growth forecast for the global economy. The ongoing trade war between the United States and China is, according to the IMF, the main cause for this reduction. For 2019, the IMF estimates 3.2% growth for the world economy.

In the last press conference, ECB President Draghi announced that the ECB will not lower its official interest rate in the next month(s). Instead, Draghi suggested that the ECB might start a QE programme. Draghi mentioned a stimulus package might be needed to support the European industry, which is suffering the consequences of the trade war. Draghi particularly mentioned in the weak state of the industry in Germany and Italy. Several working groups were appointed to look at options for the size and composition of possible new net debt purchases. The next ECB interest rate decision will be announced on 9 September.

**Dutch Government Bond Curve**



**Euro Swap Curve**



Bank Ratings	S&P	Moody's	Fitch
Rabobank	A+	Aa3	AA-
ING Bank	A+	Aa3	AA-
ABN AMRO	A	A1	A+
BNG Bank	AAA	Aaa	AAA
NWB Bank	AAA	Aaa	n.a.
Deutsche Bank	BBB+	A3	BBB
BNP Paribas	A+	Aa3	AA-
Barclays Bank	A	A2	A+
Credit Suisse Int.	A+	A1	A-

Currencies	31/Jul/19	28/Jun/19	31/Jul/18
EUR/USD	1.108	1.137	1.169
EUR/GBP	0.911	0.896	0.891
EUR/CHF	1.101	1.110	1.158
EUR/JPY	120.475	122.660	130.785
EUR/DKK	7.468	7.466	7.452
EUR/SEK	10.705	10.560	10.278
EUR/CAD	1.461	1.489	1.521
EUR/AUD	1.618	1.620	1.575
EUR/CNY	7.626	7.808	7.963

**Yields 10Y Government Bonds**

