Focus

We have reached an era of historic negative interest rates. Since mid-July the interest rates decreased rapidly. For example, the Dutch 10-year government bond yield decreased to -0.549% as of 30 August 2019. It cannot be excluded that in the near future we have to pay for our savings and will receive interest to invest. This is mainly the result of the expansive monetary policy of the European Central Bank (ECB). The ECB bought hundreds of billions of loans (until the end of 2018) and keeps the interest rates historically low. Other reason can be found in the ongoing trade war between China and the United States (US).

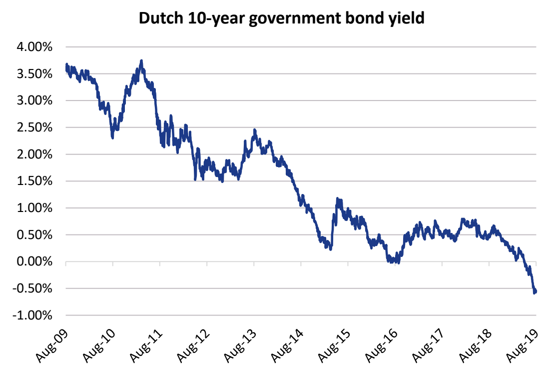
Besides the above reasons, it is important to keep an eye on the structural developments. A simple case of supply and demand has been contributing to the decreasing interest rates for years. Savings increased because the population is aging. In addition, the demand of money decreased because the worldwide economic growth is weakening.

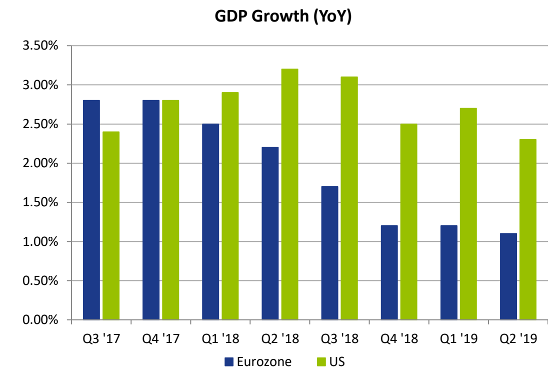
The consequence for banks of these exceptionally low interest rates are their suppressed margins. Banks currently must pay to store their money at the ECB, due to a negative deposit rate. However, savings interest rates for consumers remains above the zero limit, which means that banks cannot charge their paid negative interest rate on to their customers. Economists argue whether banks dare to enter the unknown territory of negative interest rates on savings. Currently, only business customers pay negative interest in certain cases. Banks are facing a huge risk by imposing negative savings interest rates, because there is a considerable chance that consumers will withdrawal their savings from the banks.

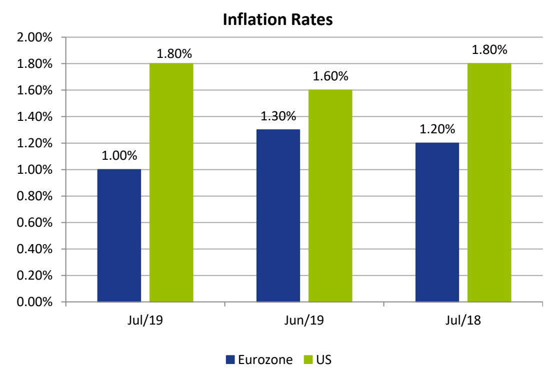
The issue of negative savings interest rates is a delicate one, consumers are preprogrammed to be rewarded when they are saving, rather than consuming. Negative savings interest rates may result in a loss of confidence among consumers, this will be an "unwanted counter-effect" according to the Dutch Central Bank (DNB). To soften the interest pain of banks, increasing prices for payment services seems to be the only option for now.

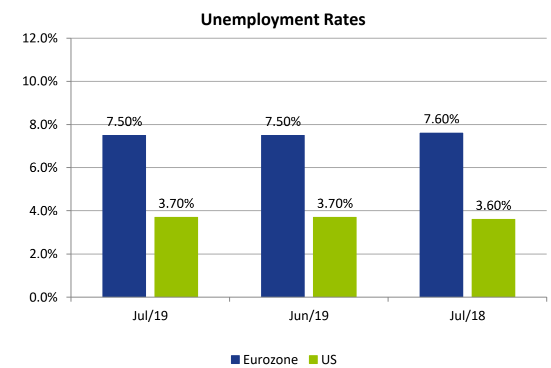
Upcoming publications of macroeconomic indicators

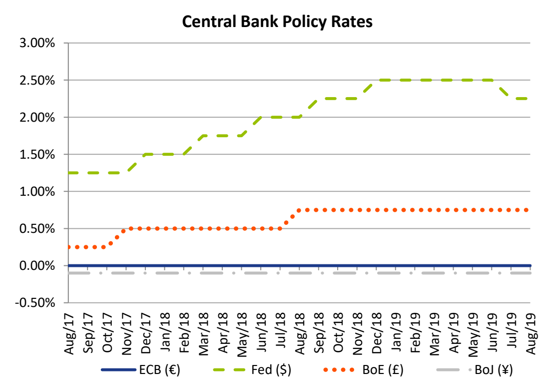
6 September 2019	Gross domestic product EU
6 September 2019	Unemployment figures US
12 September 2019	Interest rate decision EU
12 September 2019	Industrial production EU
13 September 2019	Nominal wages EU
13 September 2019	Export and import price index US
18 September 2019	Interest rate decision US











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

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Review

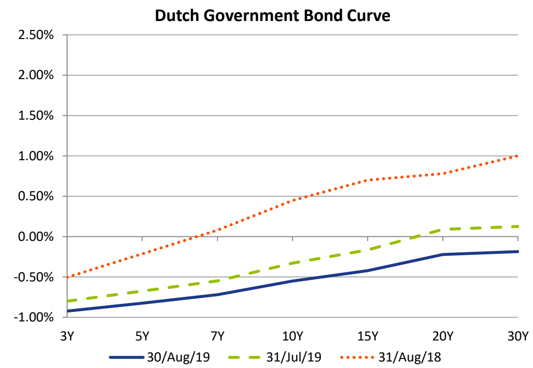
The trade ware between US and China continues. The US has officially labelled China as a currency manipulator, because of the strong depreciation of the Yuan relative to the Dollar at the beginning of August. The US accuses China of not using their substantial reserves in foreign currency to oppose the depreciation. China denies the accusations and states that the currency rates are determined by the market. However, China has taken steps to oppose further depreciation.

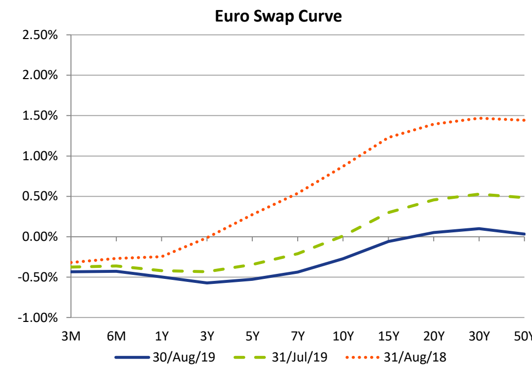
Besides, the President of the US, Donald Trump, announced that he will impose a 10% tariff on a further USD 300 billion on Chinese imports. These import duties will apply from September onwards. Consequently, China announced during August that it will impose import duties on USD 75 billion of American products, such as soy, cars and crude oil. In response to the news, Donald Trump said that American companies should look for alternatives to producing goods in China.

The Italian Prime Minister Giuseppe Conte resigned, he announced his resignation on August 20 in the Senate. Conte blamed vice-president Matteo Salvini for placing his self-interest above that of the state. This brings an end to the coalition government of the Lega and the Five Star Movement. President Sergio Mattarella will have to determine whether a new government can be formed. Otherwise, new elections will be held this fall.

Preview

The ECB is expected to decrease their interest rates in September, analysts expect a decrease of 10 basis points. This is the consequence of the low inflation, caused by various economic developments. The main development is the trade war between the US and China. In addition, a hard Brexit seems on its way. These developments cause a stagnation of economic growth to and result in a weakening of inflation. This hard Brexit seems to be confirmed by the closure of the British parliament, which the British Prime Minister Boris Johnson announced at the end of August. This means that in de period leading up to the official Brexit date, 31 October, members of parliament have less influence on the decision-making.





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	30/Aug/19	31/Jul/19	31/Aug/18
EUR/USD	1.098	1.108	1.160
EUR/GBP	0.904	0.911	0.896
EUR/CHF	1.089	1.101	1.124
EUR/JPY	116.825	120.475	128.840
EUR/DKK	7.458	7.468	7.456
EUR/SEK	10.799	10.705	10.603
EUR/CAD	1.462	1.461	1.513
EUR/AUD	1.632	1.618	1.614
EUR/CNY	7.866	7.626	7.926