

Germany goes to the polls: Fog of uncertainty and what it means for Europe

Research Webcast

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Banking that matters.



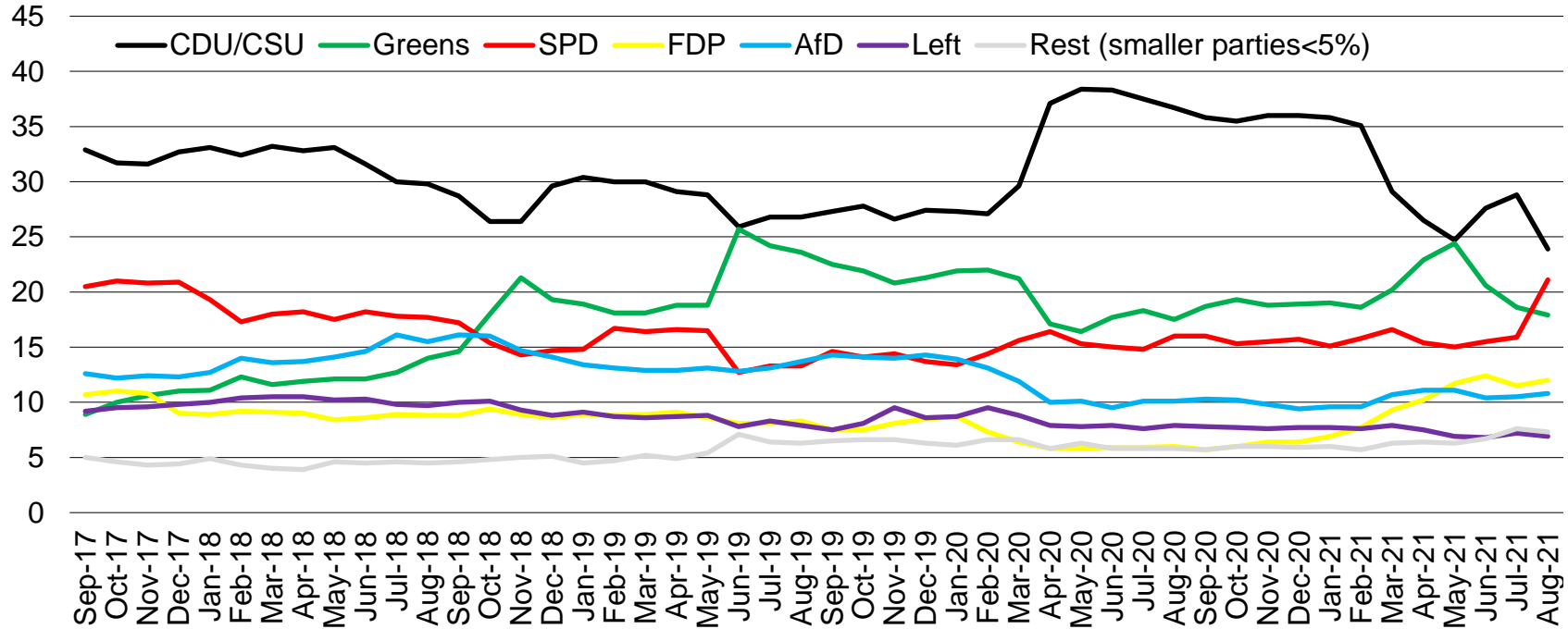
Summary of views

- Increasing probability of three-party coalition in Germany
- Decision on debt brake crucial for Germany's stance on European Stability & Growth Pact
- ECB likely to reduce slightly the pace of PEPP purchases
- The ECB's action is set to limit the impact of domestic and external risks (e.g. Fed tapering talk) on euro area fixed income



Germany: latest opinion polls in a state of flux

In % (poll of polls, monthly averages; last figure covers the last two weeks in August)

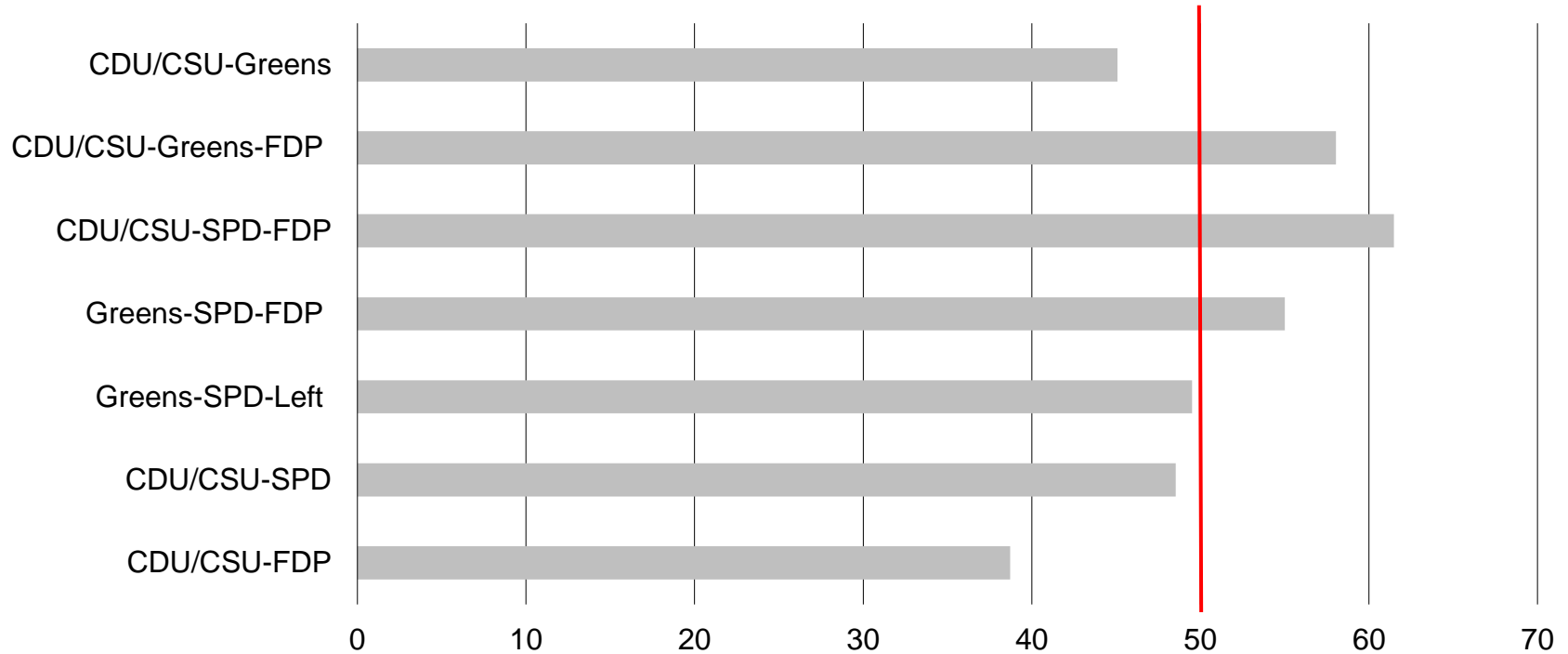


Source: wahlrecht.de, UniCredit Research



Government coalitions based on latest opinion polls

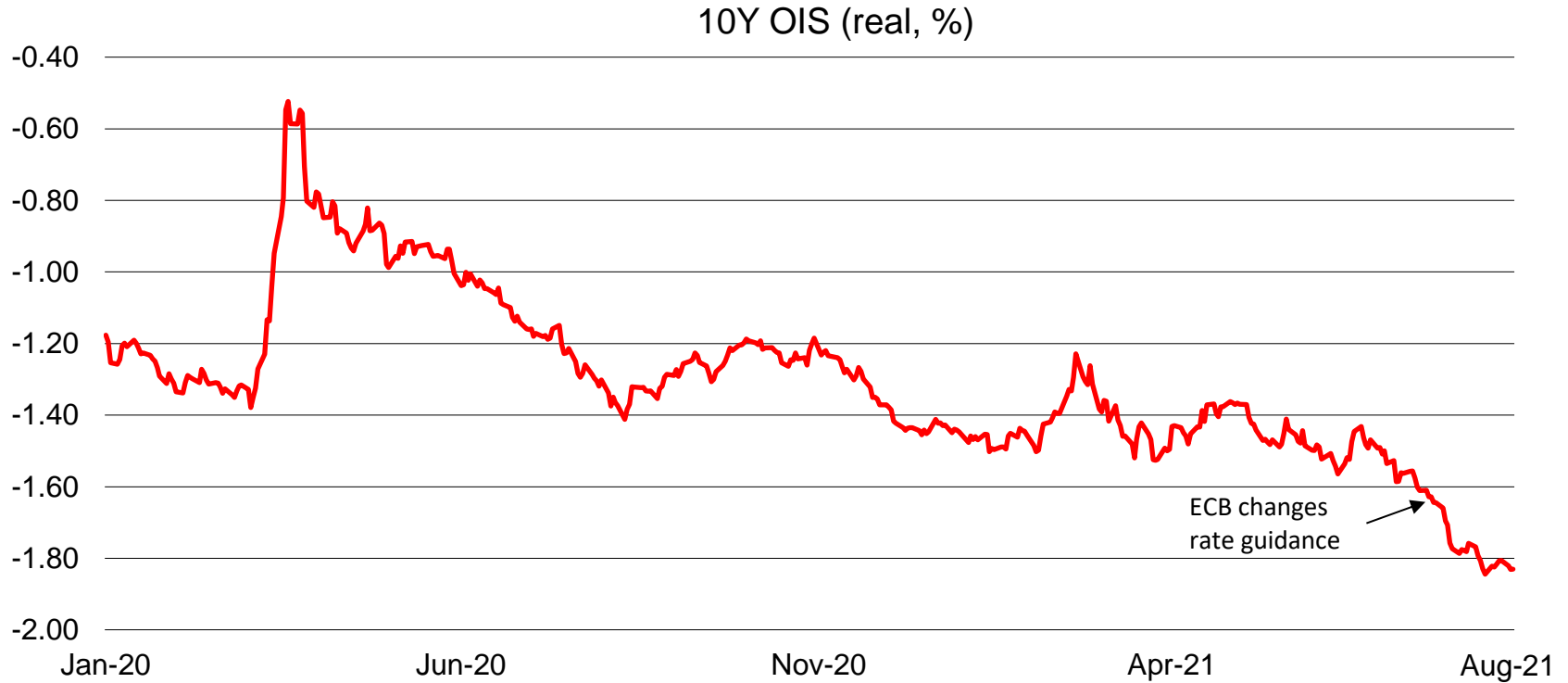
In % (poll of polls, last two weeks in August; adjusted for smaller parties below 5%-hurdle)



Source: wahlrecht.de, UniCredit Research



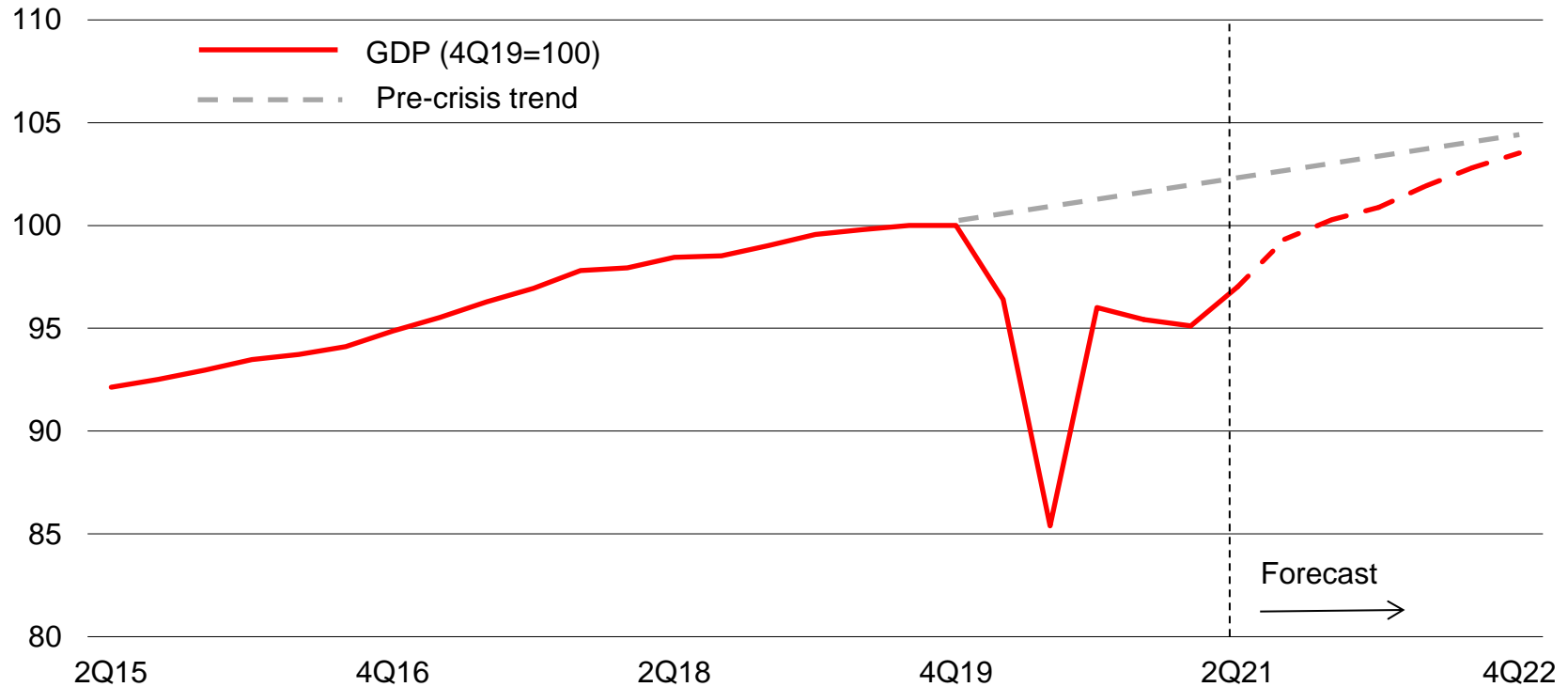
ECB: financing conditions have eased further



Source: Bloomberg, UniCredit Research



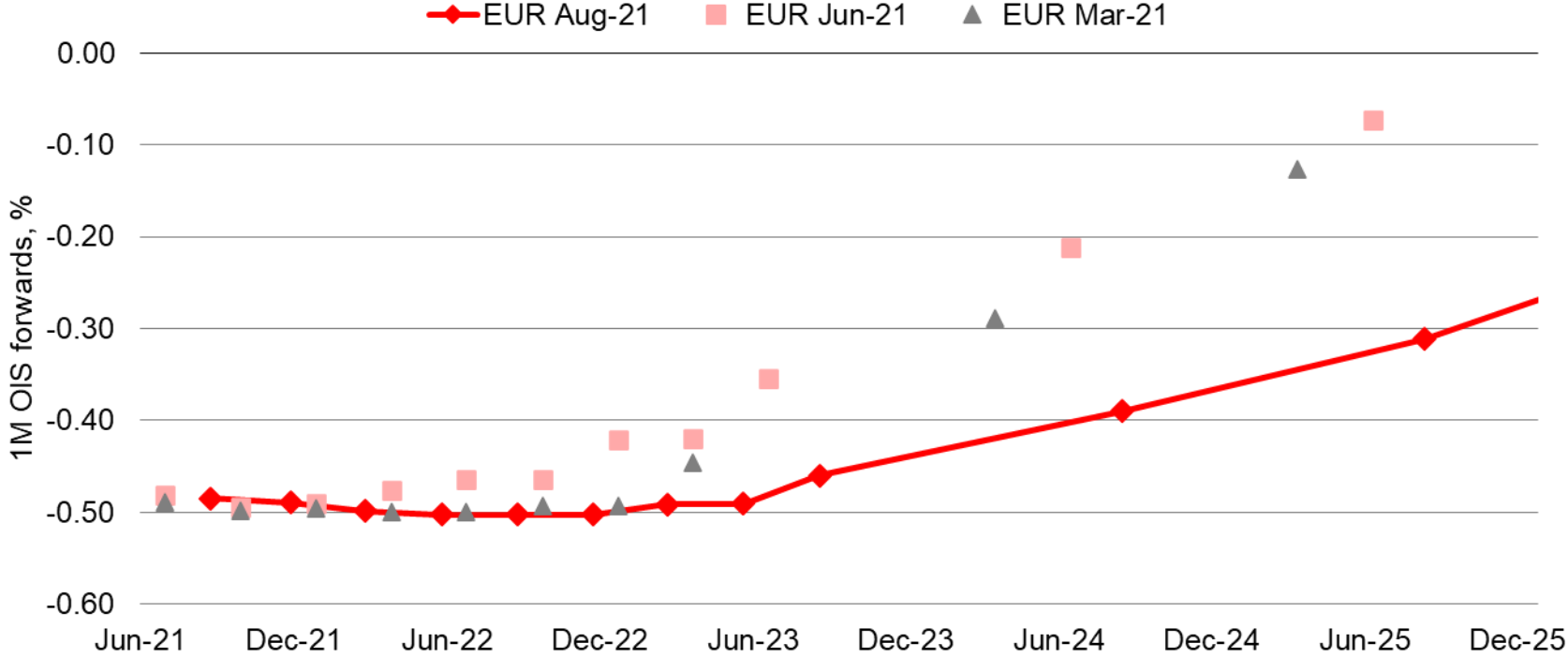
Eurozone activity to remain below pre-pandemic trend for a long time



Source: Eurostat, UniCredit Research



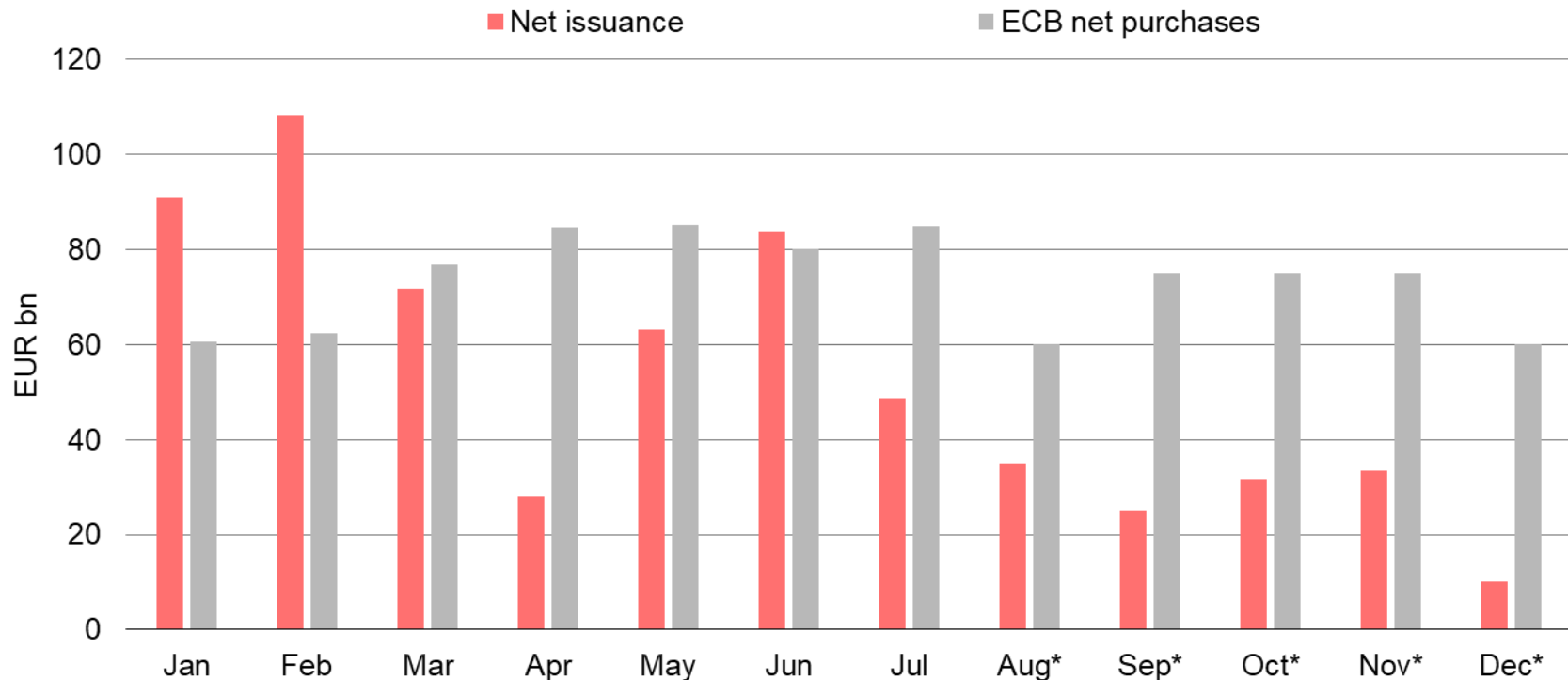
The path for euro short-term rates: low for longer



Source: Bloomberg, UniCredit Research



ECB QE and sovereign issuance: lingering support for the bond market



*UniCredit Research forecasts. Net issuance and ECB net purchases refer to public securities ex-supras
Source: ECB, debt agencies, UniCredit Research



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