



# The House View: Anything but dull

## Macro views

### World

- ❑ Global growth at 3.4% in 2025 and 3.2% in 2026.
- ❑ Rationale: Trade uncertainty is easing, a global structural shift towards fiscal impulse is boosting growth, and the accelerating impact of AI continues to drive the broader macro outlook.
- ❑ Key risks: Renewed trade hostility between the US and China; geopolitical volatility in Europe, the Middle East and Taiwan. Upside risks from potential invalidation of IEEPA tariffs, more lasting US-China truce, and further momentum from AI adoption/investment.

### Europe

- ❑ Growth to slow from 1.4% in 2025 to 1.1% in 2026. Quarterly GDP shows stronger underlying momentum: 1% Q4 2025 to 1.5% in Q4 2026.
- ❑ Rationale: Robust domestic demand, supported by recovering real income, strong labour market, and impact of ECB rate cuts. Substantial fiscal easing from Germany and EU defence to boost growth.
- ❑ Key risks: Direct cost of US tariffs estimated at 0.5% of GDP; Germany's fiscal stimulus disappoints; uncertainty regarding French politics escalates or spreads.

### China

- ❑ GDP at 5.0% in 2025 and 4.5% in 2026.
- ❑ Rationale: Slower production and decline in fixed-asset investment due to government's "anti-involution policies." Robust external demand, driven by strong exports and easing US-China tensions, and accelerated RMB internationalisation also anticipated.
- ❑ Key risks: Success of "anti-involution" policy drive will be key to restoring inflation and corporate profitability. CPI at 1.5% in 2026; PPI turns positive in H2 on targeted supply-side measures.

### United States

- ❑ 2026 growth forecast at 2.4%, supported by easy financial conditions, fiscal support, and fading trade uncertainty.
- ❑ Rationale: Labour market expected to dip below 4.4%, payrolls stabilize around ~50k breakeven. AI productivity boom will continue to benefit.
- ❑ Key risks: Recession likelihood elevated due to fragile labour market. Ongoing debt sustainability concerns worsened by potentially lower tariff revenue. AI could either weaken jobs or lift productivity by 0.5–0.7pp.

### Germany

- ❑ Real GDP up from 0.2% in 2025 to 1.5% in 2026 and 2027 due to large-scale fiscal stimulus.
- ❑ Rationale: Fiscal impulse of about 1ppt next year. Fiscal impulse remains key to German growth, seeing an expansionary pick-up in defence and infrastructure public spending.
- ❑ Key risks: Fiscal spending comes later/smaller than expected; exporters continue to face headwinds from higher trade barriers and stiff Chinese competition.

### India

- ❑ Real GDP to moderate to 6.4% in 2026 (vs ~7.5% in 2025), rising to 6.7% in 2027.
- ❑ Rationale: Private consumption and central government capex to remain key supports for growth, while private sector capex investment is likely to grow at a slower pace due to persistent global uncertainty.
- ❑ Key risks: Potentially 50bp downgrade in growth from a combination of either (i) tariff tensions with the US; (ii) geopolitical tensions with neighbouring countries; (iii) weather-related disruptions; (iv) increased global financial sector volatility; and (v) loss of domestic demand momentum.

## Key downside risks



**Trade war.** Despite easing trade uncertainty, US-China competition continues to bifurcate supply chains, with critical minerals and semiconductors ongoing flashpoints for escalation.



**Debt sustainability.** The expected structural shift towards fiscal impulse in 2026 further widens deficits and heightens concern about ongoing debt sustainability issues for major high debt-to-GDP economies.



**Geopolitics.** Russia-Ukraine war, fragile peace in the Middle East, plus flare-ups in Taiwan, Venezuela, and Pakistan continue to heighten investor fears of broader market impact.



## Market views

	<b>Market Sentiment</b>	<ul style="list-style-type: none"> <li>AI-driven boom-and-bust narratives will likely continue to dominate market sentiment and influence the broader macroeconomic outlook.</li> <li>Market also remains at risk of escalation across US-China supply-chain chokepoints (specifically rare earths and semiconductors), policy signalling in the US, and ongoing debt sustainability concerns across major high-debt-to-GDP economies.</li> </ul>
	<b>Equities</b>	<ul style="list-style-type: none"> <li>S&amp;P 500 YE-2026 target: 8000; STOXX 600 YE-2026 target: 650.</li> <li>Solid earnings, cross-asset inflows continue to boom, and buybacks rising in line with earnings are driving higher growth.</li> <li>Overweight US &amp; Europe, underweight Japan, neutral emerging markets.</li> </ul>
	<b>Rates</b>	<ul style="list-style-type: none"> <li>10yr UST at 4.45% YE-2026; 10yr Bund at 3.10% YE-2026.</li> <li>Downside risks if fiscal policy is tighter than assumed, limiting upside pressure on yields; oil prices more depressed than expected, or if AI spend leads to overinvestment, higher aggregate savings, possible unemployment and stronger disinflation.</li> </ul>
	<b>Credit</b>	<ul style="list-style-type: none"> <li>YE 2026 targets: \$IG 105bp; \$HY 380bp. €IG 103bps; €HY 355bp.</li> <li>Moderate spread widening &amp; volatility into 2026.</li> <li>Preference for €-credit over \$-credit.</li> </ul>
	<b>FX</b>	<ul style="list-style-type: none"> <li>EUR/USD to 1.25 by YE-2026; USD/JPY to 145 by YE-2026.</li> <li>Maintain long EUR/USD and JPY supported by European upswing, BoJ tightening, and reserve diversification flows.</li> <li>Renminbi cheaper than it appears, with low inflation enabling real appreciation.</li> </ul>
	<b>Oil &amp; Gold</b>	<ul style="list-style-type: none"> <li>\$Brent forecast lowered to \$55/bbl for 2026 (previously \$61).</li> <li>Supply growth exceeds demand growth, creating ~2mmbd surplus and sustained bearish pressure. Upside risks from rejected Russian/Iranian supply or ongoing Ukrainian disruptions.</li> <li>Gold forecast raised to \$4,450/oz for 2026 (previously \$4,000) thanks to central bank demand, ETF accumulation, and supply/demand imbalances.</li> </ul>
	<b>Monetary Policy</b>	<ul style="list-style-type: none"> <li>Fed: 25bps of cuts (Dec &amp; Sep 2026), bringing Fed Funds rate into 3.5-3.75% range.</li> <li>ECB: Terminal rate: 2.0% has likely been reached; expect 25bps hike by mid-2027.</li> <li>BoJ: 25bps hike in Dec, Jul 2026, and Jan 2027, taking policy rate to 1.25%.</li> <li>BoE: Quarterly 25bps cuts, taking Bank Rate to 3.25% by early summer 2026.</li> <li>PBoC: Unchanged at 1.4% through 2026.</li> </ul>

### Key macro & markets forecasts

GDP growth (%)			Central bank policy rate (%)			Key market forecasts		
	2025F	2026F	Current	Dec-25F	Jun -26F	Current	Dec-25F	Dec-26F
Global	3.4	3.2	US: Federal Funds Rate	3.875	3.625	3.625	US 10Y yield (%)	4.08
US	2.0	2.4	Eurozone: Deposit Facility Rate	2.00	2.00	2.00	EUR 10Y yield (%)	2.75
Eurozone	1.4	1.1	Japan: Policy Balance Rate	0.50	0.75	0.75	S&P 500	6829
Germany	0.2	1.5	UK: Bank Rate	4.00	3.75	3.25	Oil WTI (USD/bbl)	58
Japan	1.4	0.9	China: 7d OMO Rate	1.40	1.40	1.40	Oil Brent (USD/bbl)	62
UK	1.4	1.1				Gold	4213	4.075
China	5.0	4.9				EUR/USD	1.16	1.17
						USD/JPY	155	153
								145

### 2026 Macro events calendar

December				January				February		
11	US	Federal Reserve Decision	22-23	JN	Bank of Japan Decision	5	EZ	ECB Decision		
18	EZ	ECB Decision	28	US	Federal Reserve Decision	5	UK	Bank of England Decision		
17-18	EU	European Council Meeting	28	CA	Bank of Canada Decision					
18	UK	Bank of England Decision								
19	JN	Bank of Japan Decision								

	<b>Recent editions</b>	<ul style="list-style-type: none"> <li><a href="#">Anything but dull</a>, 1 December 2025</li> <li><a href="#">A rocky equilibrium</a>, 24 September 2025</li> <li><a href="#">The Limitations of Liberation....</a>, 10 June 2025</li> </ul>
---	------------------------	---

### Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s). In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Marion Laboure / Camilla Siazon



## Appendix 1

This material has been prepared by the Deutsche Bank Research Institute and is provided to you for general information purposes only. The Institute leverages the views, opinions, and research from Deutsche Bank Research, economists, strategists, and research analysts. Accordingly, you should assume that content in this document is based on or was previously published and provided to Deutsche Bank clients who may have already traded on the basis of it.

Any views or estimates expressed in this material reflect the current views of the author(s) and may differ from the views and estimates of Deutsche Bank AG, its affiliates, other Deutsche Bank personnel, and other materials published by Deutsche Bank. The content in this material is valid as of the date shown on the first page and may change without notice. Deutsche Bank has no obligation to provide any updates or changes to the information herein.

This material should not be used as a basis for trading securities or other financial products and should not be considered to be a recommendation or individual investment advice for any particular person. It does not constitute an offer, solicitation, or an invitation by or on behalf of Deutsche Bank to any person to buy or sell any security or financial instrument. Nothing in this material constitutes investment, legal, accounting or tax advice. Deutsche Bank engages in securities transactions, including on a proprietary basis, and may do so in a manner inconsistent with the views or information expressed in this material.

While information in this material has been obtained from sources believed to be reliable, neither Deutsche Bank AG nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this material and therefore any liability is expressly disclaimed. This material is provided without any obligation, whether contractual or otherwise. Information regarding past transactions or performance is not indicative of future results.

In the U.S. this report is approved and/or distributed by Deutsche Bank Securities Inc., a member of FINRA. In Germany this information is approved and/or communicated by Deutsche Bank AG Frankfurt, licensed to carry on banking business and to provide financial services under the supervision of the European Central Bank (ECB) and the German Federal Financial Supervisory Authority (BaFin). In the United Kingdom this information is approved and/or communicated by Deutsche Bank AG, London Branch, a member of the London Stock Exchange, authorized by UK's Prudential Regulation Authority (PRA) and subject to limited regulation by the UK's Financial Conduct Authority (FCA) (under number 150018) and by the PRA. This information is distributed in Hong Kong by Deutsche Bank AG, Hong Kong Branch, in Korea by Deutsche Securities Korea Co. and in Singapore by Deutsche Bank AG, Singapore Branch. In Japan this information is approved and/or distributed by Deutsche Securities Limited, Tokyo Branch. In Australia, retail clients should obtain a copy of a Product Disclosure Statement (PDS) relating to any financial product referred to in this report and consider the PDS before making any decision about whether to acquire the product.

By accessing this material, you agree that its content may not be reproduced, distributed or published by any person for any purpose, in whole or part, without Deutsche Bank's prior written consent. You also agree that you shall not scrape, extract, download, upload, sell or offer for sale any of the content in this material, and you agree not to use, or cause to be used, any computerized or other manual or automated program or mechanism, tool, or process, including any scraper or spider robot, to access, extract, download, scrape, data mine, display, transmit, or publish, any of the content in this material.