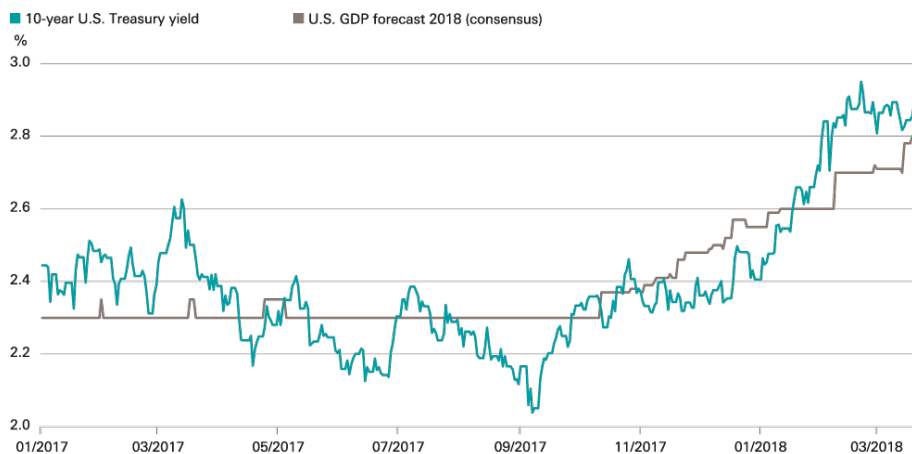




Chart of the week

For now, rising interest rates mainly look like a healthy sign of a healing economy

Just how worried should markets be about rising interest rates? Following the latest rate hike by the U.S. Federal Reserve (Fed), our position remains: "Not too much." As our "Chart of the Week" shows, the upward trend in 10-year U.S. Treasury yields has been underpinned by steadily improving consensus forecasts of U.S. economic growth for 2018. At 2.8% these are now a touch above our forecast of 2.6%. The Fed's median projections have similarly gone up, and are now in the middle between our and consensus forecasts. We continue to expect two more rate hikes this year and currently see a total of three more hikes in 2019. As long as this is underpinned by solid economic growth and inflation only rises slightly, however, this does not need to be detrimental to financial markets. Our base case is that on a 12-month basis, 10-year U.S. Treasury yields should be at 3.25%. Along the way, however, there could be plenty of rate volatility.



Sources: Bloomberg Finance L.P., Deutsche Asset Management Investment GmbH, as of 3/21/18

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Glossary

U.S. Federal Reserve Board (the Fed)

The **U.S. Federal Reserve Board**, often referred to as "**the Fed**", is the central bank of the United States.

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