Trend Macrolytics, LLC
Donald Luskin, Chief Investment Officer
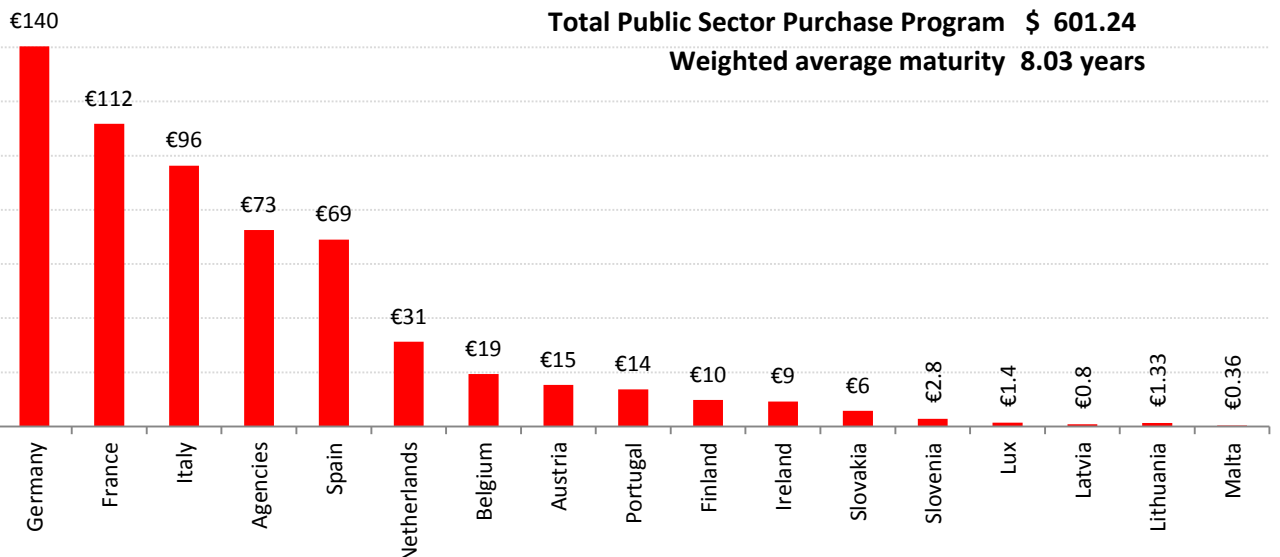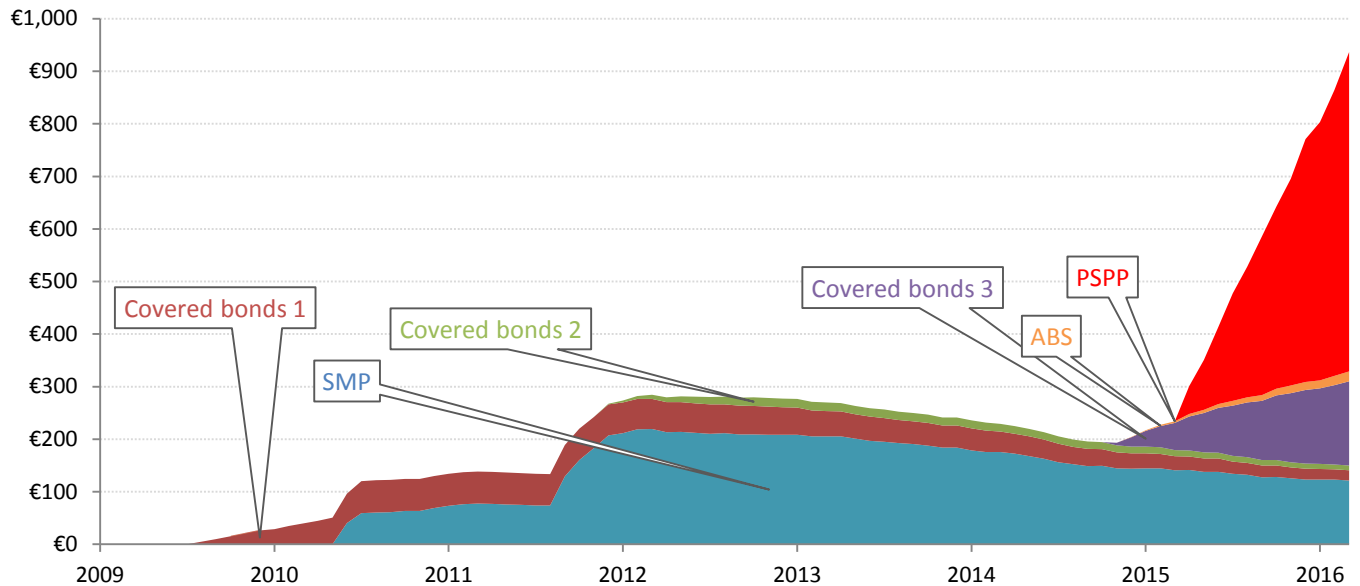Thomas Demas, Managing Director
Michael Warren, Energy Strategist

Data Insights: Euro Area Recovery Monitor
Thursday, March 10, 2016

The ECB's struggle to build purchased assets (€ billions)

Covered bonds 1

SMP

Covered bonds 2

Covered bonds 3

ABS

PSPP

Total Public Sector Purchase Program $ 601.24
Weighted average maturity 8.03 years

Country	Value
Germany	€140
France	€112
Italy	€96
Agencies	€73
Spain	€69
Netherlands	€31
Belgium	€19
Austria	€15
Portugal	€14
Finland	€10
Ireland	€9
Slovakia	€6
Slovenia	€2.8
Lux	€1.4
Latvia	€0.8
Lithuania	€1.33
Malta	€0.36

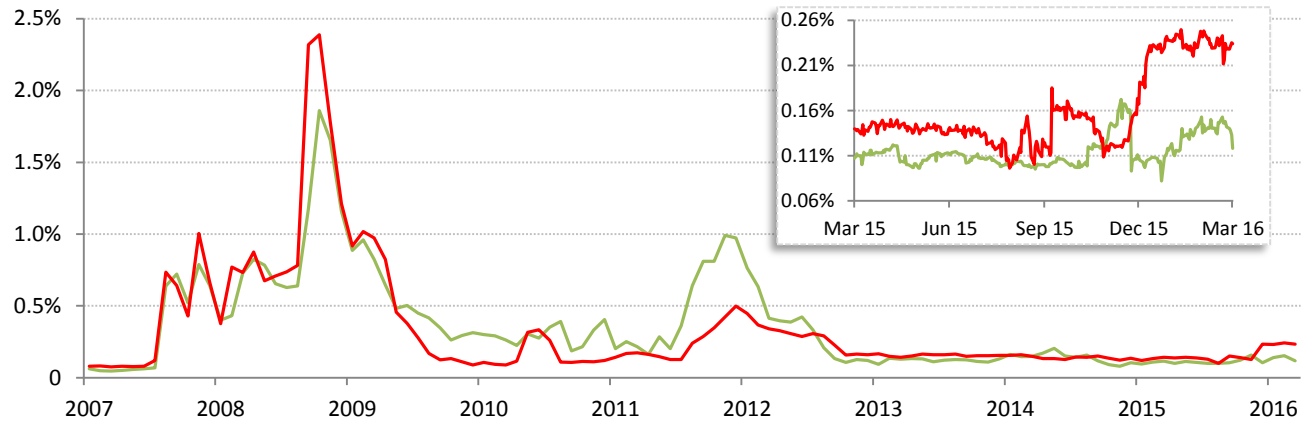Source: ECB, TrendMacro calculations

Banking system dependency: borrowing from the ECB (€ billions)

···· Total LTRO ■ Spain ■ Italy ■ Portugal ■ Ireland ■ Greece ■ France ■ Germany ■ Other
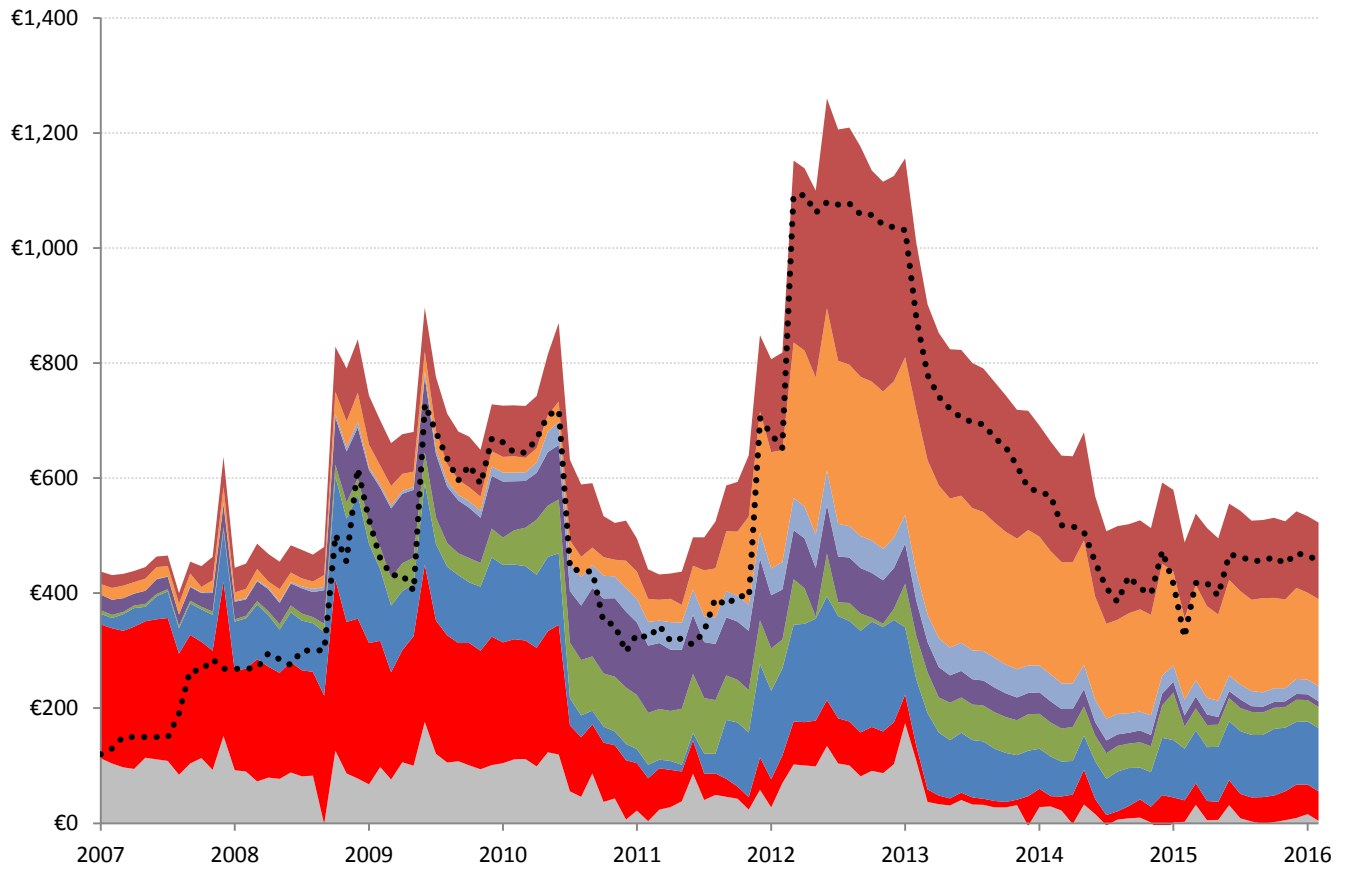
Source: ECB, National central banks, TrendMacro calculations
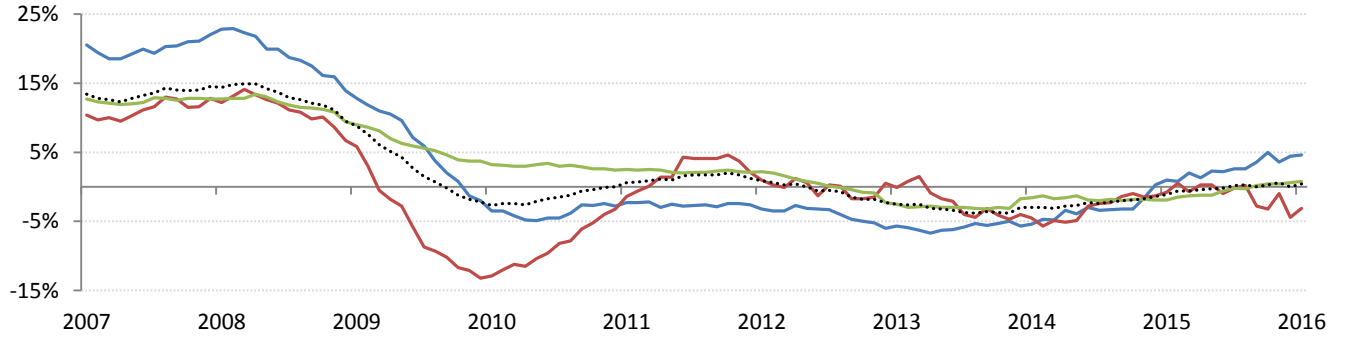
Bank stability: 90-day LIBOR/OIS spreads — USD — EUR

Source: Bloomberg, TrendMacro calculations

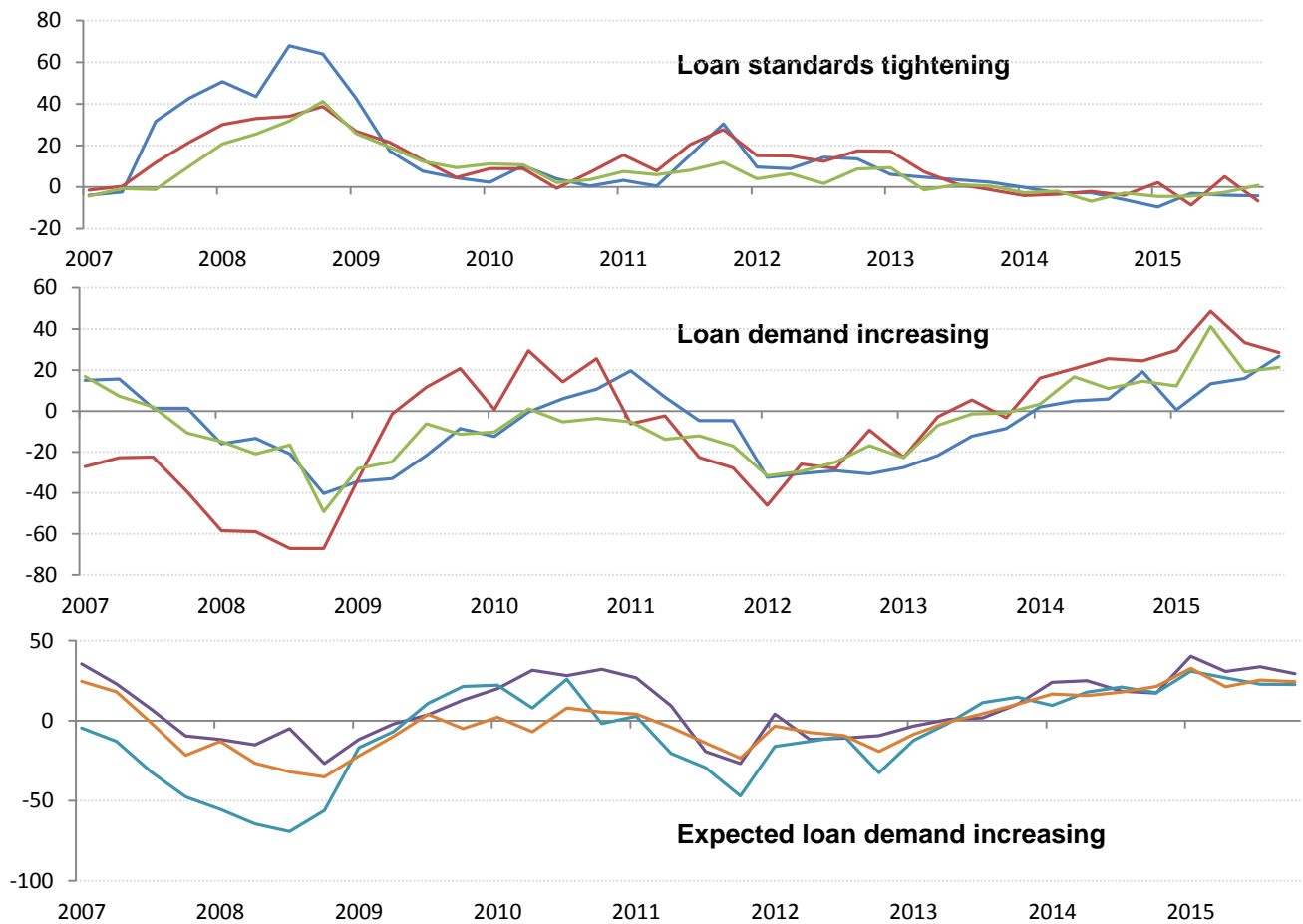## The credit drought: loans to non-financial businesses   (YOY growth)

— Loans to 1 year — Loans 1-5 years — Loans 5 years plus ···· Total

Source: ECB, TrendMacro calculations

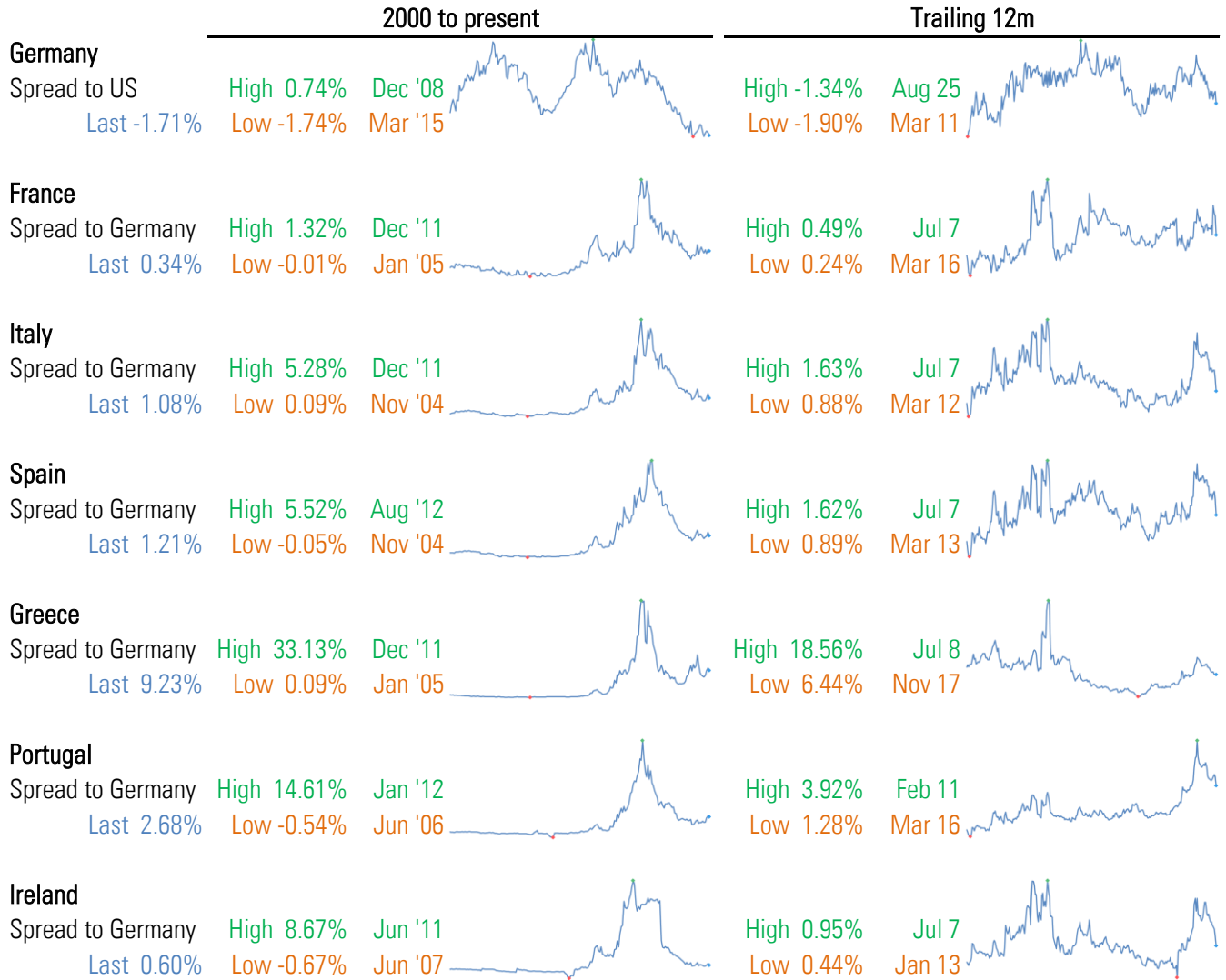## Supply and demand for lending: ECB Bank Survey

Net number of banks reporting for: — Enterprises — Home mortgage — Consumer
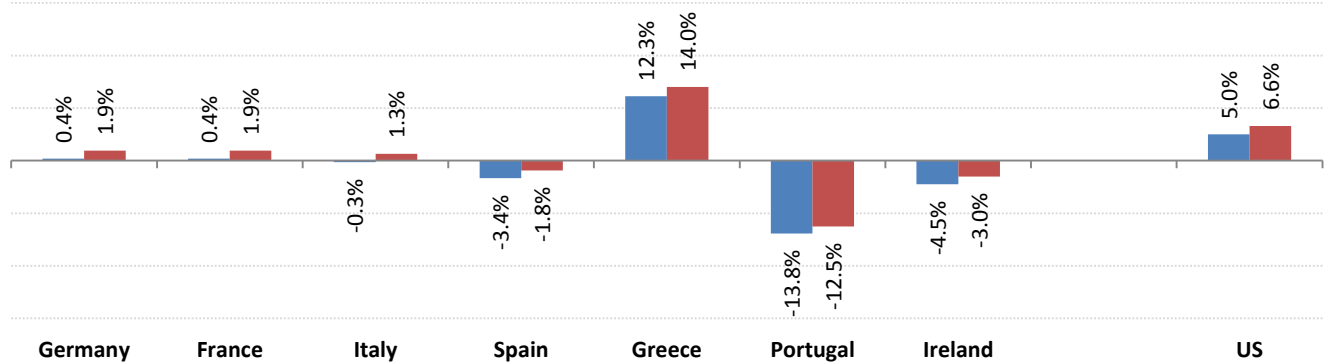

Loan standards tightening

Loan demand increasing

Expected loan demand increasing

Source: ECB, TrendMacro calculations

3

Sovereign stress monitor: 10-year bond spreads · High · Low · Last

	2000 to present	Trailing 12m

Germany
Spread to US
High 0.74% Dec '08
Last -1.71% Low -1.74% Mar '15
High -1.34% Aug 25
Low -1.90% Mar 11

France
Spread to Germany
High 1.32% Dec '11
Last 0.34% Low -0.01% Jan '05
High 0.49% Jul 7
Low 0.24% Mar 16

Italy
Spread to Germany
High 5.28% Dec '11
Last 1.08% Low 0.09% Nov '04
High 1.63% Jul 7
Low 0.88% Mar 12

Spain
Spread to Germany
High 5.52% Aug '12
Last 1.21% Low -0.05% Nov '04
High 1.62% Jul 7
Low 0.89% Mar 13

Greece
Spread to Germany
High 33.13% Dec '11
Last 9.23% Low 0.09% Jan '05
High 18.56% Jul 8
Low 6.44% Nov 17

Portugal
Spread to Germany
High 14.61% Jan '12
Last 2.68% Low -0.54% Jun '06
High 3.92% Feb 11
Low 1.28% Mar 16

Ireland
Spread to Germany
High 8.67% Jun '11
Last 0.60% Low -0.67% Jun '07
High 0.95% Jul 7
Low 0.44% Jan 13

10-year sovereign bond total returns, trailing 12-months ■ EUR ■ USD

	Germany	France	Italy	Spain	Greece	Portugal	Ireland	US
EUR	0.4%	0.4%	-0.3%	-3.4%	12.3%	-13.8%	-4.5%	5.0%
USD	1.9%	1.9%	1.3%	-1.8%	14.0%	-12.5%	-3.0%	6.6%

Source: Bloomberg, TrendMacro calculations

Labor market in intensive care

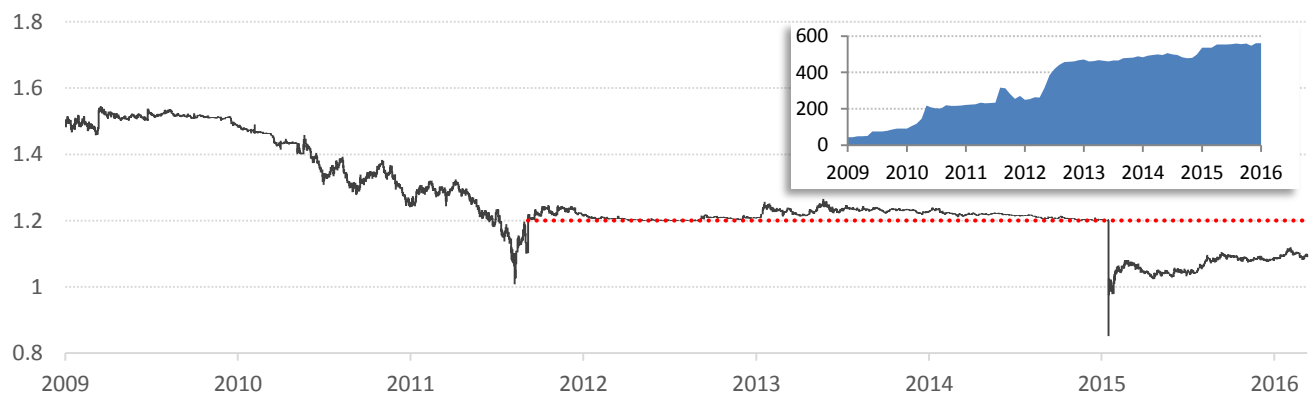ULC: Nominal, quarterly YOY   UE: · High   12m pulse: monthly ■improvement or ■worsening in rate of change

2000 to present

	Unit labor costs	Unemployment	Youth unemployment
Euro Area	+1.1%	10.3%	22.0%
Germany	+2.4%	4.3%	7.1%
France	+1.1%	10.2%	25.9%
Italy	-0.4%	11.5%	39.3%
Spain	+0.3%	20.5%	45.0%
Greece		24.6%	48.0%
Portugal	-2.8%	12.2%	29.9%
Ireland	+1.8%	8.6%	19.1%

Purchasing Manager Indices

Manufacturing	Last	Prev	13-month history	Services	Last	Prev	13-month history
Eurozone Feb	51.2	52.3		Eurozone Feb	53.3	53.6	
UK Feb	50.8	52.9		UK Feb	52.7	55.6	
Germany Feb	50.5	52.3		Germany Feb	55.3	55.0	
France Feb	50.2	50.0		France Feb	49.2	50.3	
Italy Feb	52.2	53.2		Italy Feb	51.6	53.1	
Spain Feb	54.1	55.4		Spain Feb	54.1	54.6	
Ireland Feb	52.9	54.3		Ireland Feb	62.1	64.0	
Netherlands Feb	51.7	52.4					
Austria Feb	51.9	51.2					
Greece Feb	48.4	50.0					
Czech Rep Feb	55.5	56.9					

Regional currency flight — Euro vs Swiss franc ···· Swiss National Bank floor ■ SNB FX reserves

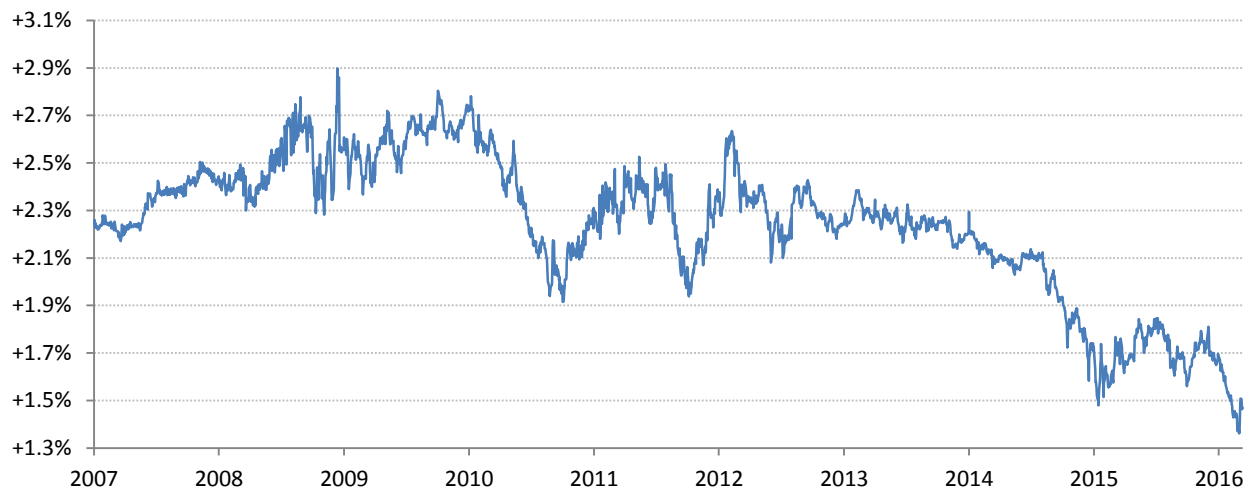## Euro area consumer inflation, year on year

Country: 🟥 Headline 🟦 Ex-food and energy 🟩 Ex-energy   Euro area: ▬ Headline ▬ Energy ▬ Ex-energy
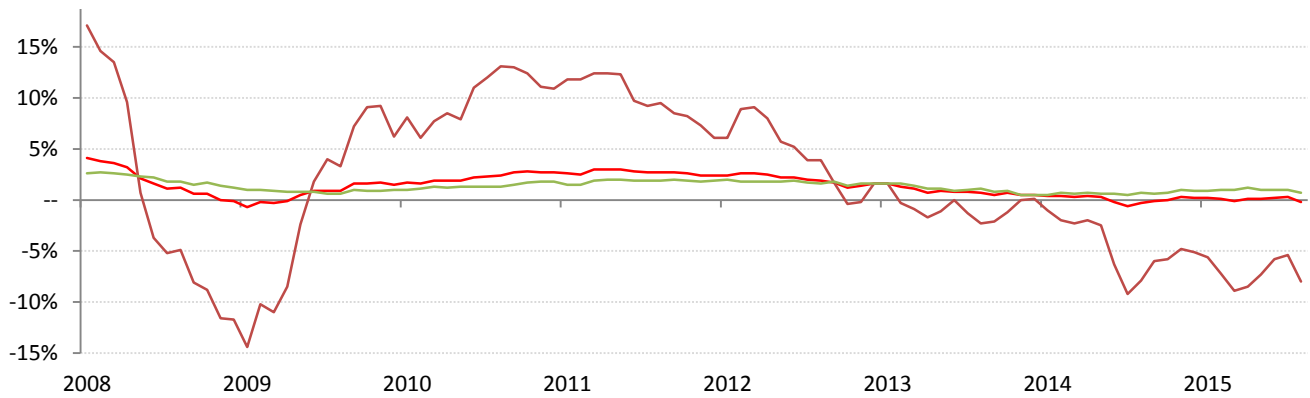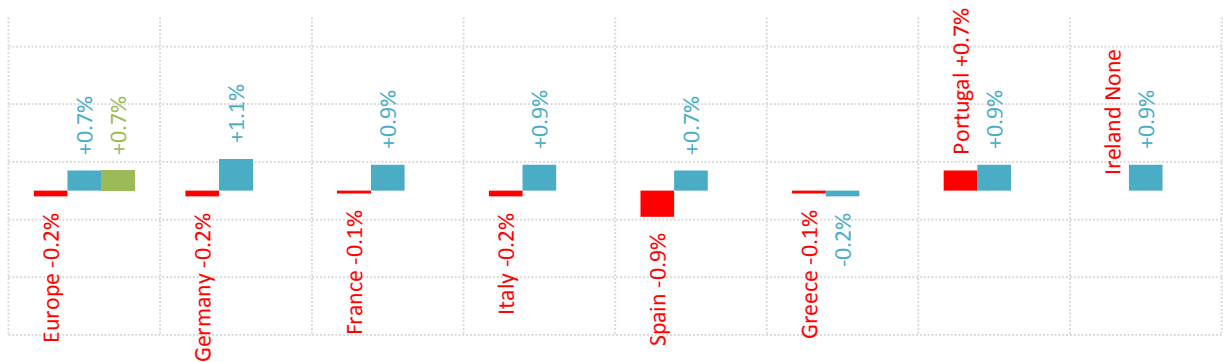
Source: Eurosat, TrendMacro calculations

Draghi's dashboard: swap-implied inflation expectations

▬ 5-year inflation-swap rate, 5 years forward

Source: Bloomberg, TrendMacro calculations