



FIXED INCOME DAILY

16 March 2017

AUTHOR
Viola Julien
Ulrich Wortberg
+49 69/ 91 32-18 91
research@helaba.de

EDITOR
Ralf Umlauf

SALES
Savings Banks
+49 69/91 32-17 06/
-17 15/-18 15
+49 211/ 30174-9286

Institutionals
+49 69/91 32-18 30
+49 211/ 30174-92 83

Banks
+49 69/91 32-20 45/
-11 96

Corporates
+49 69/91 32-17 00/
-14 42

Public Authorities
+49 69/91 32-26 64/
-48 20/-24 36
+49 211/ 30174-59 52

- **NL: Projection puts Rutte’s VVD on 21.2%, well ahead of Wilders’ PVV (13.1%), followed by Christian democrats and left-wing liberals. Forming a coalition likely to prove difficult.**
- **Fed: Assessment of rate path for 2017 and 2018 not raised – 3 hikes in each year implied in total.**
- **Global equity markets in positive territory.**

“It is important for the public to understand that we’re getting closer to reaching our objectives.” Fed Chair Janet Yellen

The US central bank has raised the key rate range by 25bp to 0.75-1.00% as expected. The statement accompanying the interest rate decision, comments from Fed chair Yellen and the key rate projections have had little impact on interest rate expectations going forward overall. Two further moves this year and three hikes in 2018 are considered appropriate by the majority of FOMC members. The preconditions for the interest rate path are sustained economic growth and a stable inflation trend. In this setting, incoming economic and inflation data will continue to play a significant role. The Philadelphia Fed index, construction data and weekly initial jobless claims are on the calendar today. We believe a fall in sentiment is likely as the regional Fed survey rose surprisingly sharply to 43.3 points a month earlier to reach its highest level for more than 33 years. The comparable Empire State index has already declined slightly. However, as all of the readings are clearly in expansion territory, the growth scenario remains intact. Construction figures are also unlikely to undermine the growth outlook, even though upside momentum has slowed somewhat recently. The uptrend is still intact and the high level of the sector’s sentiment indicator (NAHB housing market index) also points to a continued recovery. Moreover, jobless claims and the report on job openings should not cast doubt over the robustness of the US labour market. The central bank meetings in the UK and Switzerland are also worth mentioning. However, as no monetary policy changes are foreseeable, the meetings should have a limited impact on the financial markets.

Bund futures: Two uncertainty factors have been eliminated following the Fed’s meeting and the election in the Netherlands. Even so, demand for Bunds is not abating. The technical picture for the futures is improving somewhat, but there cannot yet be any talk of a breakout, as we have not yet had any buy signals. To begin with, a rise above the 38.2 retracement of the latest downside impulse at 160.41 would be important. Further hurdles can be found in the 160.63/66 range, supports at 159.50 and 158.73. **Trading range: 159.00 – 160.60.**

	15.03.	+/-
Bund-Fut.	160,09	+0,53
Bobl-Fut.	131,56	+0,18
Schatz-Fut.	112,34	+0,04
T-Note-Fut.	124,48	+0,09
Dow Jones	20950,10	+0,5%
S&P 500	2385,26	+0,8%
DAX	12009,87	+0,2%
EUR-USD	1,0734	-0,1%
Oil US-LCF	49,14	+0,6%
Gold	1226,10	+2,1%

Source: Bloomberg

Time	Country	Period	Indicator/event	Consensus	Prior	Impact
9:30	CH		Interest rate decision, CHF 3M Libor range	-0.25%/-1.0%	0.25%/-1.0%	medium
11:00	EZ	Feb	Consumer prices, final	+2.0% y/y	+2.0% (prelim.)	low
			Core consumer prices, final	0.9% y/y	+0.9% (prelim.)	
13:00	UK		Interest rate decision	0.25%	0.25%	medium
			Target bond volume	GBP 435bn	435bn	
13:30	US	March	Philadelphia Fed Index	30.0	43.3	high
13:30	US	Feb	Housing starts	1,263k	1,246k	low
			Housing permits	1,267k	1,293k	
13:30	US	Wk 10	Initial jobless claims	240k	243k	medium
14:45	US	Wk 10	Bloomberg consumer confidence	n/a	50.6	low
15:00	US	Jan	JOLTS report, job openings	5.56 million	5.50 million	low
19:00	EZ		ECB speech: Praet			

Source: Bloomberg

Published by: Helaba Research, Publisher: Dr. G. R. Traud, Chief Economist/ Head of Research, Neue Mainzer Straße 52-58, 60311 Frankfurt am Main, phone + 49 69/91 32-20 24, Internet: <http://www.helaba.de>. This publication was very carefully researched and prepared. However, it contains analyses and forecasts regarding current and future market conditions that are for informational purposes only. The data is based on sources that we consider reliable, though we cannot assume any responsibility for the sources being accurate, complete, and up-to-date. All statements in this publication are for informational purposes. They must not be taken as an offer or recommendation for investment decisions.

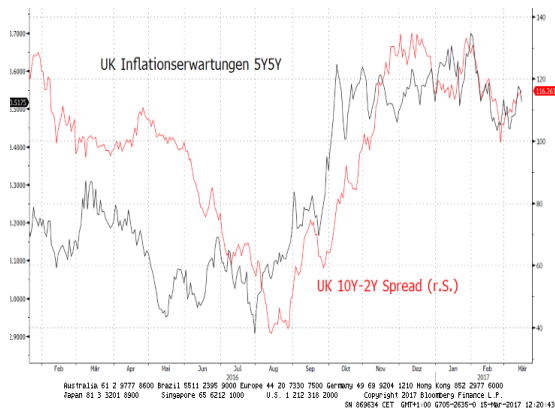
Primary market calendar

Time	Country	Bond/coupon	Volume
10:30	ES	SPGB 0.4%, April 2022; SPGB 1.3%, October 2026; SPGB 5.15%, October 2028; SPGB 2.9%, October 2046	EUR 4-5bn
10:50	FR	OAT 0%, February 2020; OAT 0%, May 2022; OAT 2.25%, October 2022 OATi 2.1%, July 2023; OAT€i 0.7%, July 2030; OAT€i 1.8%, July 2040	EUR 6-7bn EUR 1.5-2bn
16:00	US	Announcement of 10Y TIPS auction on 23 March	

Sources: Bloomberg; Reuters, national debt agencies

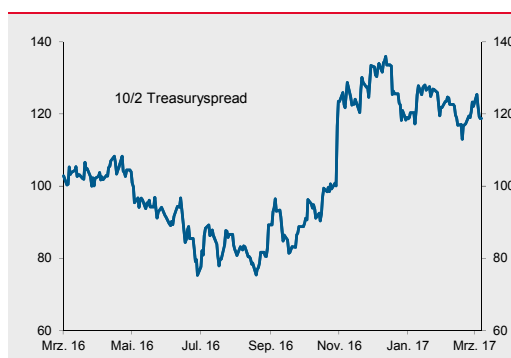
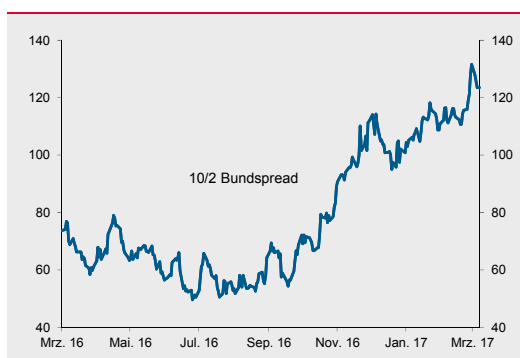
Primary market: While this week's risk events are behind us, investors have barely any time to pause for breath given the well-stocked primary market calendar. Spain will be the focus of interest initially, as it will auction government bonds across the entire curve spectrum. The SPGB 2022 that was launched in mid-January is set to be reopened for the third time. The bond is currently yielding some 0.58%, which is around 8bp higher than at the last auction in early March. The other three bonds have also seen yields rise on balance, as in other EMU countries. France is no exception in this regard. The 5-year OAT yield is currently close to a 1.5-year high of 0.2%. Financing costs amounted to 0.09% for the last tap in mid-February. While the situation has settled down overall as polls have shown a decline in support for the euro-sceptical, right-wing Marine Le Pen, the markets remain preoccupied by the Fillon affair. The conservative candidate is now under official investigation due to allegations relating to fake jobs and has already lost considerable support as a result. The former favourite ranks third behind Macron and Le Pen in the polls for the first ballot. Meanwhile, we do not expect any problems with today's issues, especially as the supply of conventional bonds is limited to the short to medium maturity segment. Three linkers are also on offer today, with the total volume estimated at up to EUR 9bn.

Spreads



The central bank in the UK will also convene today. However, unlike in the US, monetary tightening is not foreseeable. Uncertainty relating to Brexit and a possible second independence referendum in Scotland remains high, although real economic and sentiment indicators have not slumped so far. At the same time, inflationary pressure remains muted and inflation expectations have been trending sideways for months. Accordingly, widening potential for the British yield curve remains limited for the time being. ■

Charts and table



	Bunds	Spread zu Bund 10J	Euro Swap	Swap/Bund-Spread	Treasuries	Spread zu UST 10J
2J	-0,82	124	-0,11	71	1,30	19
5J	-0,36	77	0,24	60	2,00	49
7J	-0,09	50	0,51	59	2,29	20
10J	0,42	0	0,84	43	2,49	0
30J	1,17	-76	1,44	26	3,10	-61

Source: Bloomberg