



FIXED INCOME DAILY

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AUTHOR
Viola Julien
Ulrich Wortberg
+49 69/ 91 32-17 06/
research@helaba.de

EDITOR
Ralf Umlauf

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

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+49 69/91 32-18 30
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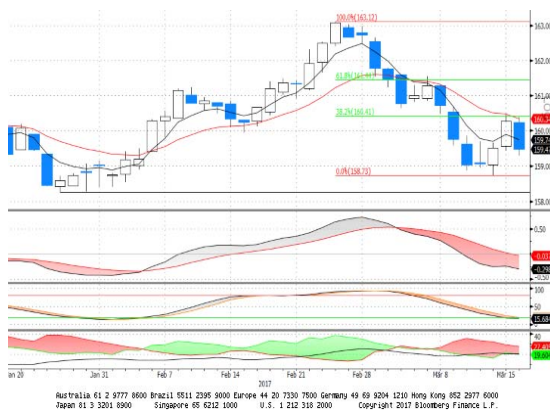
- **Praet (ECB): Economic risks less pronounced, but still predominate.**
- **Nowotny (ECB): Benchmark rates could also be raised before the QE programme ends. Sequence remains open.**

“Economic data have improved “for some time,” and “especially over the past six months, growth has become more broad-based and solidified.” ECB Council member Erkki Liikanen

US data publications dominate the calendar again at the end of the week. Industrial production will be the focus of attention initially. The outlook is mixed. While sentiment indicators for the manufacturing sector (such as the purchasing managers’ index) rose sharply in February, the index of hours worked increased only slightly according to the labour market report. Like January, February was also unusually warm based on heating degree day values. This should lead to a significant fall in utility output, which accounts for some 11% of total industrial production. On balance, only a modest month-on-month rise seems possible despite very solid business sentiment and should be supported by activity in the manufacturing sector. The weak start to the quarter (-0.3% m/m) is unlikely to be offset as a result. Accordingly, there is no reason for interest rate speculation in the US to be fuelled. The indications for the Michigan sentiment index (preliminary data for this month) are also mixed. The weekly Bloomberg survey has shown another significant improvement, while IPSOS consumer confidence and the TIPP index have declined at a high level. As a result, an increase in Michigan sentiment is not guaranteed after the moderate decline a month earlier. However, the Conference Board index of leading indicators has shown a favourable trend on balance. All in all, there is no reason to doubt the growth scenario and the prospect of continued gradual tightening in monetary policy by the Fed should not be undermined for the time being.

	16.03.	+/-
Bund-Fut.	159,72	-0,37
Bobl-Fut.	131,38	-0,18
Schatz-Fut.	12,28	-0,06
T-Note-Fut.	124,14	-0,09
Dow Jones	20934,55	-0,1%
S&P 500	2381,38	-0,2%
DAX	12083,18	+0,6%
EUR-USD	1,0715	+0,5%
ÖI US-LCF	48,86	+0,2%
Gold	1226,30	-0,1%

Source: Bloomberg



Bund futures: The futures contract failed to overcome the 38.2% retracement of the latest downward impulse at 160.41. A correction has now begun and the technical picture remains clouded by risks with intact sell signals from MACD, stochastic and DMI. The focus on the downside are 158.73 (March low) and 158.26 (cyclical low from the end of January). **Trading range: 158.30 – 160.00.**

Time	Country	Period	Indicator/event	Consensus	Prior	Impact
11:00	EZ	Jan	Trade balance	EUR 22.0bn	24bn	low
14:15	US	Feb	Industrial production	+0.2% m/m	-0.3%	medium
			Capacity utilisation	75.5%	75.3%	
15:00	US	March	Michigan sentiment	97.0	96.3	high
15:00	US	Feb	Index of leading indicators	+0.5% m/m	+0.6%	medium

Source: Bloomberg

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Primary market calendar

Time	Country	Bond/coupon	Volume
	BE	Announcement of issue volume for OLO auction on 20 March	
	PT	Potential announcement of an OT auction on 22 March	

Sources: Bloomberg; Reuters, national debt agencies

Primary market: An eventful week is drawing to a close. It will remain quiet today after the rate hike in the US, the tensely awaited general election and the extensive supply on the European capital markets. The only entries on the primary market calendar are the details of next week's auctions. The Belgian treasury is set to publish the volume for Monday's issues, for example. Overall, three OLO series with maturities ranging from ten to 24 years will be reopened. The Portuguese debt agency will also have the opportunity to announce an auction for next Wednesday. The timing would not be unfavourable given that market conditions have eased on the back of the Dutch election and the moderate approach pursued by the US central bank. While the 10-year Portuguese/German yield spread recently soared from almost 360 to 377bp, this was attributable to a change in the underlying benchmark OT. Supply pressure will also be rather limited next week as the only issuers on the EMU calendar will be Slovakia and Germany, in addition to Belgium and, potentially, Portugal. Auctions in the UK and the US will round off the events.

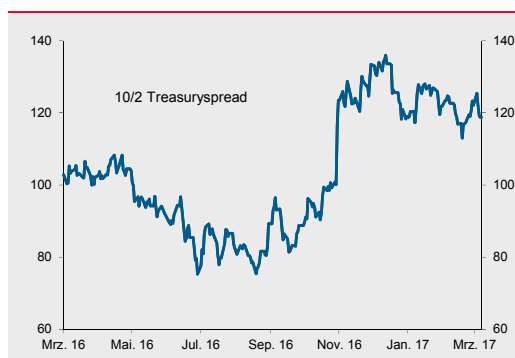
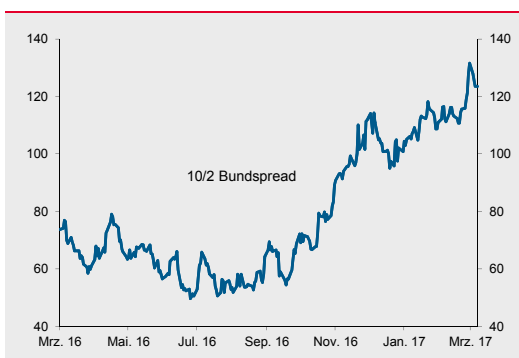
Spreads



As risk aversion increased slightly in response to the major events of the Dutch election and the Fed rate hike, Spain and France have had no problems placing conventional government bonds totalling almost EUR 12bn on the market. Demand was solid and generated bid/cover ratios ranging from 1.7 to 2.3 in France and 1.3 to 1.6 in Spain. Financing costs increased in both cases, as expected. Overall, EMU spreads remained stable despite the risk factors at the end of this week. Spreads in France, Spain and Italy widened by 14bp in each case, while Portugal posted a rise of 26bp due to factors including the aforementioned change of benchmark. ■

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Charts and table



	Bunds	Spread zu Bund 10J	Euro Swap	Swap/Bund-Spread	Treasuries	Spread zu UST 10J
2J	-0,79	124	-0,11	69	1,33	120
5J	-0,32	77	0,27	59	2,05	49
7J	-0,05	50	0,56	61	2,34	19
10J	0,45	0	0,86	41	2,53	0
30J	1,21	-76	1,52	31	3,14	-61

Source: Bloomberg