Helaba

FIXED INCOME DAILY

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SALES
Savings Banks
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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

	19.03.	+/-
Bund-Fut.	159,82	+0,10
Bobl-Fut.	131,34	-0,04
Schatz-Fut.	112,22	-0,06
T-Note-Fut.	124,39	+0,16
Dow Jones	20914,62	-0,1%
S&P 500	2378,25	-0,1%
DAX	12095,24	+0,1%
EUR-USD	1,0738	+0,2%
Öl US-LCF	48,36	-0,9%
Gold	1234,10	+0,3%

Source: Bloomberg

- **Asian equity markets mixed; Japanese exchanges closed due to holiday.**
- **Oil price (WTI futures) back below USD 48.50/barrel at start of week.**

"It would be misguided for banks to wait for changes in monetary policy to come to the rescue." ECB chief economist Peter Praet

This week market participants will initially be watching for further data on inflation in Germany. Not only the inflation theme but also the solid-looking economic growth outlook had already unleashed speculation that the ECB might decide to hike policy rates earlier than previously signalled and (broadly) expected. ECB Governing Council member Ewald Nowotny stoked such speculation last week with statements to the effect that a rate hike would not necessarily have to wait until the end of the ECB's QE programme. This starkly contrasts with Mario Draghi's forward guidance reiterated mid-month, suggesting that interest rates would stay low or even head lower for a considerable time after bond purchases come to an end. Now it looks as though the ECB's communication policy is also becoming more unclear, as we have seen at the US central bank for a long while now. Today's release of producer prices should be evaluated against the backdrop of the oil price trend. The annual rate for the month of February will be significantly higher, driven also by the base effect. This month's rate already looks set to ease, however, as the price of oil has recently fallen a good 10% and the euro has also recovered, dampening upside pressure on the import side. The data calendar for later this week will bring the preliminary estimates of purchasing managers indices for both the manufacturing and services sectors in the euro area, as well as in Germany and France. Indications from surveys among financial market participants are favourable. Notable among these are the ZEW and sentix indices. Not only the current situation but also the expectations component showed improvement. With respect to the manufacturing PMI, however, it should be borne in mind that it has already posted five consecutive months of expansion and that the German PMI has also only declined once in the last six months. Accordingly, consolidation at a high level should come as no surprise and should not be misinterpreted as a general downturn in the growth outlook. Although the political Sword of Damocles continues to hang over the sentiment indicators, any major influence would come unexpectedly owing to the absence of sustained pressure so far. For the medium term, however, this cannot be ruled out. In the US, durable goods orders are on tap. Boeing orders came in weaker and provide negative indications. We expect to see a stagnation, thereby positioning ourselves slightly below the consensus forecast. Moreover, existing home sales are on the decline so on balance interest rate speculation will probably not be fuelled.

Bund future: In spite of the negative indications the bond market recovered on Friday, temporarily supported by new surveys in France suggesting that right-wing populist Le Pen had widened her lead over Macron in the first round of presidential elections. The technical picture for the Bund future remains clouded, however. We would need to see a move above 160.41/45 for the picture to brighten. However, intact sell signals could make this tricky to pull off initially. Key supports are found at 158.73 and at the cyclical low from end-January at 158.26. **Our favoured trading range: 158.50 – 160.40.**

Time	Country	Period	Indicator/event	Consensus	Prior	Impact
8:00	DE	Feb	Producer prices	+0.3% m/m +3.2% y/y	+0.7% +2.4%	low
17:45	EZ		ECB speech: Weidmann			
18:10	US		Fed speech: Evans			

Source: Bloomberg

Primary market calendar

Date	Country	Bond/coupon	Volume
20 March	SK	SLOVGB230 0%, November 2023; SLOVGB228 1.375%, January 2027	EUR 0.3bn
	BE	OLO81 0.8%, June 2027; OLO76 1.9%, June 2038; OLO60 4.25%, March 2041	EUR 2.7-3.2bn
22 March	DE	Bund 0.25%, February 2027	EUR 3bn
	UK	Gilt 1.5%, July 2047	GBP 2bn
	PT	Potential OT auction	
23 March	IT	Announcement of BTP€i/CTZ auctions for 28 March	
	US	Announcement of new 2Y, 5Y and 7Y notes for 27, 28 and 29 March	
	US	Announcement of 2Y floater for 29 March	
	US	10-year TIPS	USD 11bn
24 March	PT	Potential announcement of an OT auction for 29 March	

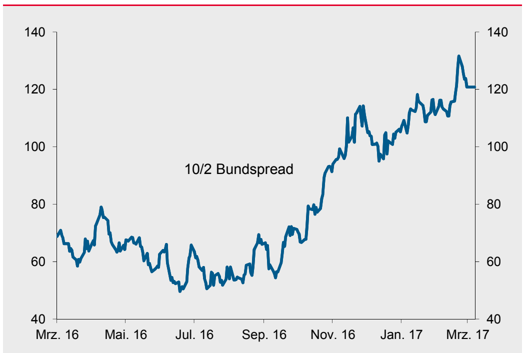
Sources: Bloomberg; Reuters, national debt agencies

Primary market: This week's issuance will kick off with two small-volume taps in Slovakia. In addition, the Belgian Debt Agency will conduct its first regular OLO auctions of the year after having come to the capital market in January and February via a consortium each time. The third reopening of the 10-year Bund, which is scheduled for this Wednesday, will meet with particular interest. The volume, including the amount set aside for secondary market operations, stands at only EUR 3bn, justifying hopes for a smooth auction. This week's total issuance volume will be low at under EUR 10bn. Next week will bring more activity, including also from Germany and Italy.

Spreads

Barely two weeks ago we underlined the divergence of monetary policy stances on both sides of the Atlantic, speculating in this connection about whether the spread between five-year Bunds and comparable US bonds would clear the all-time high from end-2016 at 260bp. This did not come to pass. Whereas rate hike speculation in the US is already well advanced and will unlikely be further fuelled in this setting, the European Central Bank's rhetoric has gradually shifted, portraying the economic growth outlook a little less riskier. Governing Council member Ewald Nowotny has recently signalled that a rate hike could be conceivable already before the end of the bond-buying programme, whereby it was likely that he was specifically referring to the negative deposit rate. The five-year spread between the US and Germany has recently narrowed to around 235bp, compared to 252bp as recently as 9 March. ■

Charts and table



	Bunds	Spread zu Bund 10J	Euro Swap	Swap/Bund-Spread	Treasuries	Spread zu UST 10J
2J	-0,77	121	-0,10	68	1,31	119
5J	-0,33	76	0,26	59	2,02	48
7J	-0,06	49	0,51	57	2,31	19
10J	0,44	0	0,85	41	2,50	0
30J	1,18	-74	1,44	26	3,11	-61

Source: Bloomberg