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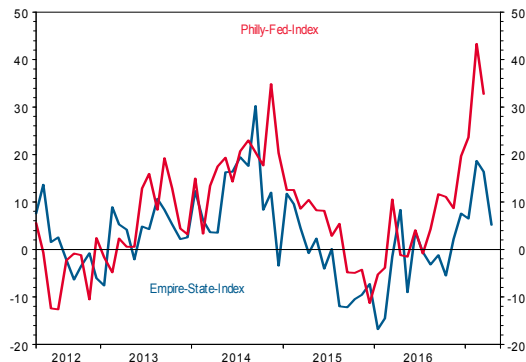
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- **Fed: Beige Book reports about moderate price increases, a tighter labour market and growing moderate wage pressure.**
- **Oil price (WTI futures) falls to just below USD 50/barrel for a time.**

**"A lot of news have been relatively positive but they haven't yet translated into wage growth or core inflation, but it will happen sooner or later." ECB Council member Hansson**

The Philly Fed index for this month will be the main focus of interest for market participants today. The increasing euphoria in business and consumer surveys since Donald Trump's electoral victory has also been primarily reflected by the Philly Fed index. The sentiment indicator reached its highest level since the early 80s in February, at 43.3 points. While the index was subject to a correction in March, it remained at a very high level of 32.8 points. However, it seems that disenchantment is becoming more widespread at present. Not only have the equity markets been weakening for some time, the US dollar is also relinquishing its gains. Moreover, the Philly Fed index's counterpart, the Empire State index from the New York Fed, fell unexpectedly sharply in April. Accordingly, there is also potential for disappointment today and rate hike speculation is unlikely to be fuelled as a result. As the latter has retreated since reaching a high in April, an increase in the range for the Fed funds rate to 1.00 – 1.25% in June does not seem to be priced in by the



majority at present. The other data reports in the US should do little to alter this situation. While continuously low initial jobless claims are foreseeable and the index of leading indicators looks set to rise, we do not consider upside surprises likely.

**Bund futures:** After hitting a new daily high for the six straight day, the futures weakened yesterday. As a result, it once again undershot the 200-day line at 163.79. The technical picture has in the meantime not yet changed significantly. The MACD remains in buy territory, while the stochastic, which has been stuck on its signal line in overbought territory, is sending the first warning signs. Today's data releases are at least unlikely to exert any downside pressure. **Trading range: 162.80 – 164.00.**

|             | 19.04.   | +/-   |
|-------------|----------|-------|
| Bund-Fut.   | 163,25   | -0,43 |
| Bobl-Fut.   | 132,34   | -0,34 |
| Schatz-Fut. | 112,39   | -0,13 |
| T-Note-Fut. | 126,25   | -0,03 |
| Dow Jones   | 20404,49 | -0,6% |
| S&P 500     | 2338,17  | -0,2% |
| DAX         | 12016,45 | +0,1% |
| EUR-USD     | 1,0711   | +0,1% |
| ÖI US-LCF   | 50,56    | +0,2% |
| Gold        | 1279,70  | -0,1% |

Source: Bloomberg

| Time  | Country | Period | Indicator/event                               | Consensus              | Prior          | Impact |
|-------|---------|--------|---|------------------------|----------------|--------|
| 8:00  | DE      | March  | Producer prices                               | +0.2% m/m<br>+3.2% y/y | +0.2%<br>+3.1% | low    |
| 14:00 | US      |        | Fed speech: Powell                            |                        |                |        |
| 14:30 | US      | Wk 15  | Initial jobless claims                        | 240k                   | 234k           | low    |
| 14:30 | US      | Apr    | Philly Fed index                              | 25.8                   | 32.8           | high   |
| 15:45 | US      | Wk 15  | Bloomberg consumer confidence                 | n/a                    | 51.0           | low    |
| 16:00 | US      | March  | Index of leading indicators, Conference Board | +0.2% m/m              | +0.6%          | low    |
| 16:00 | EZ      | Apr    | Consumer confidence, preliminary              | -4.8                   | -5.0           | low    |

Source: Bloomberg

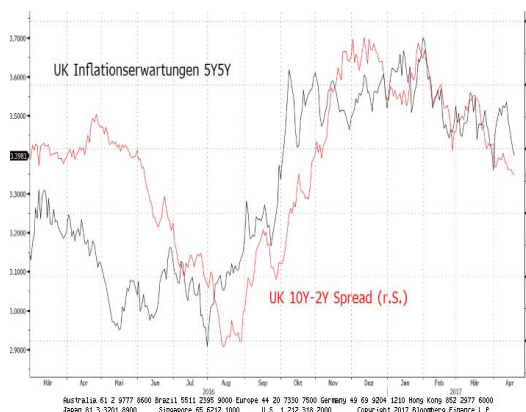
Primary market calendar

| Time  | Country | Bond/coupon  | Volume          |
|-------|---------|--|-----------------|
| 10:30 | ES      | SPGB 0.4%, April 2022; SPGB 1.5%, April 2027; SPGB 6%, January 2029; SPGB 2.9%, October 2046                     | EUR 4.5-5.5bn   |
| 10:50 | FR      | OAT 0.0%, February 2020; OAT 0.0%, May 2022  | EUR 4.5-5.5bn   |
| 11:30 | UK      | Gilt 0.5%, July 2022   | GBP 2.75bn      |
| 11:50 | FR      | OAT€i 0.10%, March 2021; OATi 0.1%, March 2025; OAT€i 0.1%, July 2047  | EUR 0.75-1.25bn |
| 17:00 | US      | Announcement of new 2Y, 5Y and 7Y notes for 25, 26 and 27 April<br>Announcement of a new 2Y floater for 26 April |                 |
| 19:00 | US      | New 5-year TIPS  | USD 16bn        |

Sources: Bloomberg; Reuters, national debt agencies

**Primary market:** Once again, Thursday will be the busiest day of the week in terms of issues, with the debt agencies in Spain and France accounting for a large portion of the activities as usual. The Tesoro will reopen four SPGB series with medium to ultra-long maturities totalling up to EUR 5.5bn, for example. However, market participants will probably focus on the French auctions given the forthcoming presidential election. The yields of OATs with maturities exceeding seven years have continued to fall recently, but the decline has been disproportionately low compared to other core countries. Agence France Trésor has two conventional OATs and three inflation-indexed bonds on offer today. The OAT 2022 is currently yielding 0.1% on the secondary market – a rise of a good 10bp over the last two weeks.

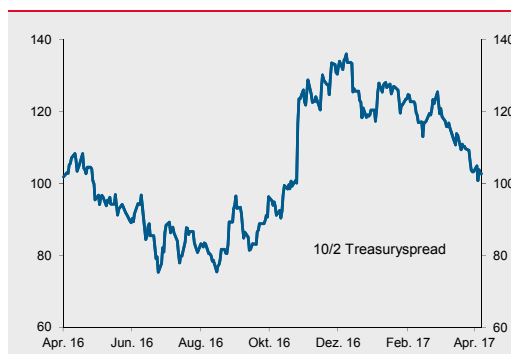
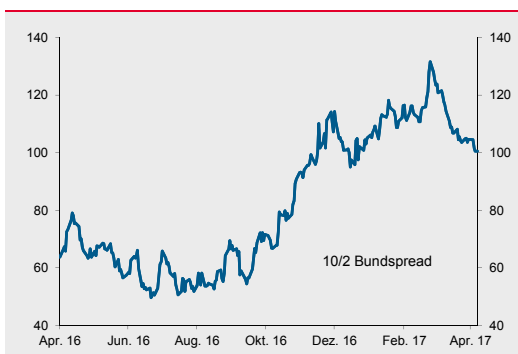
Spreads



The announcement by British prime minister May that she plans to hold a snap election in early June triggered movement on the forex markets. GBP clearly rose against EUR and USD. However, the reactions on the bond market were rather limited. Two and ten-year gilt yields climbed slightly to 0.13% and 1.06%, respectively. The flattening trend in the British yield curve since the beginning of the year therefore continues, supported by significantly lower inflation expectations. The latter are weighed down by the unexpectedly weak consumer price data of late, as well as

the stronger GBP. ■

Charts and table



|     | Bunds | Spread zu Bund 10J | Euro Swap | Swap/Bund-Spread | Treasuries | Spread zu UST 10J |
|-----|-------|--------------------|-----------|------------------|------------|-------------------|
| 2J  | -0,80 | 101                | -0,16     | 64               | 1,18       | 103               |
| 5J  | -0,47 | 68                 | 0,13      | 60               | 1,73       | 47                |
| 7J  | -0,26 | 46                 | 0,36      | 61               | 2,02       | 19                |
| 10J | 0,20  | 0                  | 0,68      | 48               | 2,20       | 0                 |
| 30J | 0,92  | -71                | 125       | 34               | 2,86       | -66               |

Source: Bloomberg