FIXED INCOME DAILY

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- **US administration plans to present tax plans shortly; approval by the end of 2017.**
- **Kuroda (BoJ): no clear evidence of inflation; loose monetary policy to continue.**

"It is clear that the current macroeconomic environment does not call for a recalibration." ECB Governing Council member Francois Villeroy de Galhau

The last day of the week is set to be dominated by the flash purchasing managers' indices in France, Germany and the euro area. The guidance provided by the Sentix and ZEW surveys is positive. The latter surprisingly posted sharp increases in the expectations and current situation components. However, it is worth noting that the purchasing managers' indices have reached very high levels. There is also growing evidence to suggest that the massive rise in US sentiment triggered by President Trump is already undergoing a correction. In this setting, we see potential for slight declines but, ultimately, the indices are likely to signal a continuation of the favourable economic trend in the second quarter. At the same time, there should be no reason for the European Central Bank to adjust its forward guidance at the Governing Council meeting next week. Instead, the comments from various ECB representatives and the fall in EMU core inflation suggest that the central bank will maintain its rhetoric of not raising the key rate until the bond purchase programme has come to an end. Existing home sales will be of interest in the US, having exhibited a solid level with readings around an annualised 5.5 million. If sales activity maintains the same momentum, it should only take 3.8 months for all homes on the market to be sold. This is a very low level. The housing market is in robust shape and the indications from pending home sales are favourable. Accordingly, the growth scenario in the US should be confirmed by today's figures.

Bund futures: The correction in the bond market continued in the wake of fading risk aversion. Support also came from surveys on the French presidential elections showing the candidate Macron already ahead of the right-wing extremist Le Pen in the first round. The futures fell to a low of 162.52, briefly undershooting the uptrend channel in place since March. The next supports are in the 161.98/162.02 zone, where the most recent lows and the 38.2% retracement of the upside impulse March to April can be found. **Trading range: 162.00 – 163.40.**

	20.04.	+/-
Bund-Fut.	162,74	-0,51
Bobl-Fut.	132,23	-0,11
Schatz-Fut.	112,38	-0,01
T-Note-Fut.	126,02	+0,06
Dow Jones	20578,71	+0,9%
S&P 500	2355,84	+0,8%
DAX	12027,32	+0,1%
EUR-USD	1,0746	-0,3%
Öl US-LCF	50,80	+0,2%
Gold	1279,90	-0,2%

Source: Bloomberg

Time	Country	Period	Indicator/event	Consensus	Prior	Impact
9:00	FR	Apr	Manufacturing PMI, preliminary	53.1	53.3	medium
			Service PMI, preliminary	57.0	57.5	
9:30	DE	Apr	Manufacturing PMI, preliminary	58.0	58.3	medium
			Service PMI, preliminary	55.5	55.6	
10:00	EZ	Apr	Manufacturing PMI, preliminary	56.0	56.2	medium
			Service PMI, preliminary	55.9	56.0	
10:30	UK	March	Retail sales	-0.5% m/m	+1.4%	low
15:30	US		Fed speech: Kashkari			
16:00	US	March	Existing home sales	5.6 million	5.48 million	medium

Source: Bloomberg

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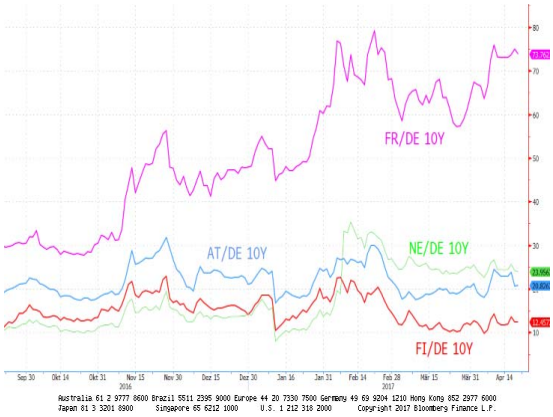
Primary market calendar

Time	Country	Bond/coupon	Volume
	BE	Announcement of auction volume for OLO auctions for 24 April	
	PT	Potential announcement of an auction for 26 April	
	IT	Announcement of BTP auctions for 27 April	

Sources: Bloomberg; Reuters, national debt agencies

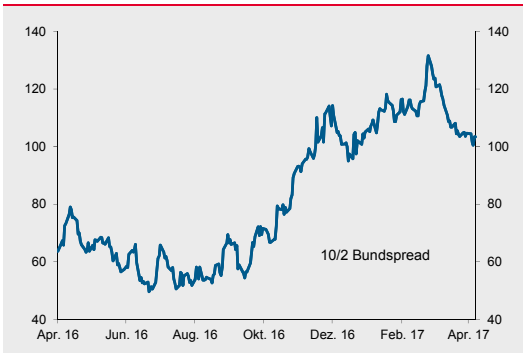
Primary market: There are no auctions on the calendar shortly before the weekend and the eagerly awaited presidential election in France. Looking ahead to next week, there will be considerable issuance activity. Countries set to issue include Germany, the Netherlands, Belgium and Italy, with the latter due to announce corresponding details in the course of today. If Portugal also plans to make use of its regular auction slot next Wednesday, it will have to make an announcement today. Yesterday's extensive auctions were well received by the market. The Spanish Tesoro reached the middle of its pre-advised range, raising just under EUR 5bn. The 10-year benchmark bond was allotted at 1.68%, which is 7bp more than two weeks ago. Levels of slightly less than 1.9% were recorded on the secondary market only a month ago.

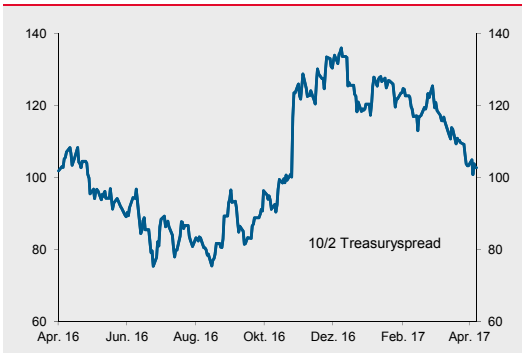
Spreads



The French bonds were also placed easily and attained high oversubscription rates, although the reduced scale of the auctions probably had a role to play, with only two conventional OATs at a target volume of up to EUR 5.5bn. The French debt agency AFT had to offer a yield of 0.09% for the OAT 2022. This equates to a decline of as much as 9bp compared to the last auction in mid-March. At the time, political uncertainty such as the imminent election in the Netherlands, the omnipresent French election and the conflict in Turkey pushed yields to cyclical highs throughout the EMU. The OAT/Bund spread has moderately contracted recently in response to the latest French opinion polls, which show a narrow lead for Emmanuel Macron versus Marine Le Pen. However, at 71bp, the spread remains significantly higher than its counterparts in the Netherlands (24bp) and Austria (21bp).■

Charts and table





	Bunds	Spread zu Bund 10J	Euro Swap	Swap/Bund-Spread	Treasuries	Spread zu UST 10J
2J	-0,79	103	-0,15	64	1,19	105
5J	-0,44	69	0,15	59	1,77	47
7J	-0,22	47	0,38	61	2,05	19
10J	0,24	0	0,72	47	2,24	0
30J	0,96	-71	1,28	33	2,89	-65

Source: Bloomberg