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- **France: Macron movement secures absolute majority of parliamentary seats.**
- **Asian equity markets trending largely positive.**
- **Price of oil stabilises just above USD 44/barrel, up from low.**

"We'll have to see exactly when, but in the not too distant future. This is obviously a very important aspect for a country with a high government debt like Italy". Italy's Finance Minister Padoan on the end of the ECB's QE

Data-wise, this week gets off to a quiet start as construction industry figures at the EMU level normally provide no impetus. Meanwhile, speeches from Fed representatives could be of greater interest after the US central bank raised its key rate range by 25bp to 1%-1.25% last week and hinted that it would continue its tightening cycle, albeit the rate hike path is likely to remain very tentative. The Fed also signalled that it would start the process of winding down its balance sheet this year. This too is bound to be a gradual process, however, beginning first with the implementation of a cap on reinvestment of maturing bond holdings. William Dudley (New York Fed president) will be giving a speech today; no fewer than eight Fed representatives will also be taking the podium this week. It looks like market players will be turning their attention mainly to this week's preliminary estimates of purchasing managers indices (PMIs) from Germany, France and the euro area. Since 2016, sentiment readings in Europe have been significantly improving across the board, at both the regional and sectoral level. Not only purchasing managers indices but also business climate indices are well in expansion territory on balance, suggesting continued growth. Furthermore, based on indications from financial market surveys (ZEW balances, sentix investor confidence), the PMIs should be able to defend their high levels. Given the levels already attained, the likelihood of significant increases is remote in our view. It should also be borne in mind that sentiment indicators have been significantly outperforming the real economic data trend, German factory orders being one example worth noting.

In the US, attention will focus predominantly on housing data. Existing home sales already plunged in April, with indications for May's sales anything but positive. For instance, pending home sales shrank for the second consecutive month while a similar trend cannot be ruled out for existing home sales. House price trends, the MBA mortgage market index and new home sales complete the picture yet for the most part are not market movers. The index of leading indicators and the Kansas City Fed index round out this week's economic reports. We do not anticipate any negative surprises.

Bund future: The Bund future temporarily broke through the uptrend established in May, and the technical indicators are also deteriorating. MACD and stochastic are pointing south, with the latter below its signal line. A test of the 38.2% retracement of the May movement at 164.07 should not be ruled out. Political risks are currently abating, providing no support. Moreover, we are unlikely to see any stimulus from the fundamental side as this week's European PMIs are not expected to post major declines. **Our favoured trading range: 164.00 – 165.10.**

Time	Country	Period	Indicator/event	Consensus	Prior	Impact
11:00	EZ	Apr	Construction output	n/a	-1.1% m/m	low
14:00	US		Fed speech: Dudley			

Sources: Bloomberg, Helaba Volkswirtschaft/Research

	18.06.	+/-
Bund-Fut.	164,73	+0,14
Bobl-Fut.	132,87	+0,14
Schatz-Fut.	112,08	+0,02
T-Note-Fut.	126,94	+0,02
Dow Jones	21384,28	+0,1%
S&P 500	2433,15	+0,0%
DAX	12752,73	+0,5%
EUR-USD	1,1198	-0,0%
ÖI US-LCF	44,56	-0,4%
Gold	1252,20	-0,1%

Source: Bloomberg

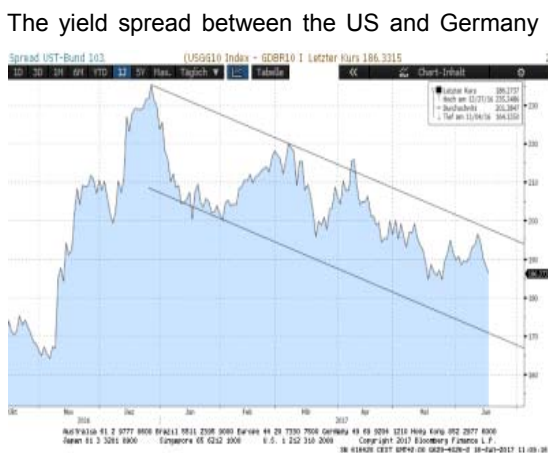
Primary market calendar

Date	Country	Bond/coupon	Volume
19 June	SK	SLOVGB 0.625%, May 2026; SLOVG 1.875%, March 2037	EUR 0.3bn
	BE	OLO 0.5%, October 2024; OLO 0.8%, June 2027; OLO 1.6%, June 2047	
20 June	FI	Announcement of RFGB auction for 28 June	
21 June	DE	Bund 2.5%, July 2044	EUR 1bn
22 June	IT	Announcement of BTP€i/CTZ auctions for 27 June	
	UK	Gilt 1.5%, July 2047	GBP 2.25bn
	US	30-year TIPS, reopening	USD 5bn
	US	Announcement of 2-year floating rate note for 28 June	
23 June	PT	Announcement of potential OLO auction for 28 June	

Sources: Bloomberg; Reuters, national debt agencies

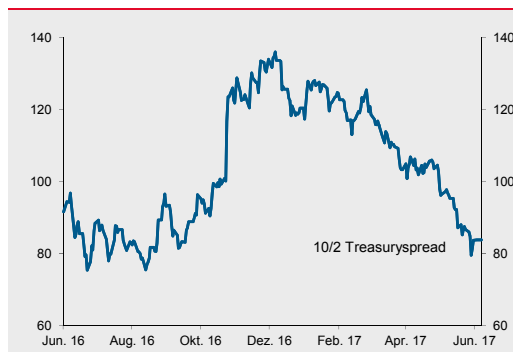
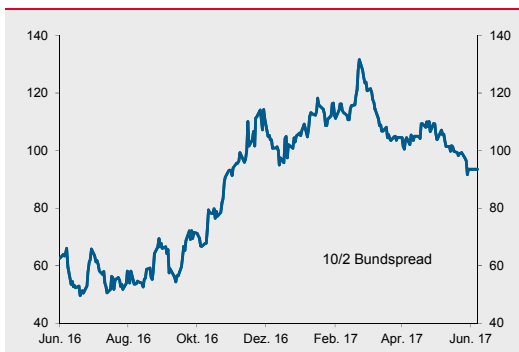
Primary market: Compared to last week, primary market supply will be very limited over the next few days. Activity starts today with Slovakia's auction of two bonds (maturities of 9 and 20-years) with – as always – a modest volume of up to EUR 0.3bn. The Belgian Debt Agency is also poised to auction three OLO series. The German Finance Agency follows suit on Wednesday in the ultra-long maturity segment. The Bund July 2044 will be reopened for the last time, its volume likewise low at EUR 1bn. The last reopenings of the paper and the recently successful auctions of 10-year bonds bode well for a smooth auction. 30-year bonds in the US and in the UK are on the agenda, with the USD paper featuring a reopening of the TIPS with of volume USD 5bn.

Spreads



Although US monetary policymakers opted to raise the key rate range by 25bp to 1.00%-1.25%, this ultimately did nothing to stoke rate expectations. Furthermore, the BoE decision weighed on the market. In the second half of the week Bunds came more heavily under pressure than their US counterparts on balance, with the widening evident since mid-May all but coming to a halt. The overlying tightening trend observed since end-2016 is intact. ■

Charts and table



	Bunds	Spread zu Bund 10J	Euro Swap	Swap/Bund-Spread	Treasuries	Spread zu UST 10J
2J	-0,66	94	-0,18	48	1,32	84
5J	-0,40	68	0,14	54	1,75	41
7J	-0,18	46	0,39	57	1,97	19
10J	0,28	0	0,75	47	2,16	0
30J	1,11	-83	1,44	33	2,78	-62

Source: Bloomberg