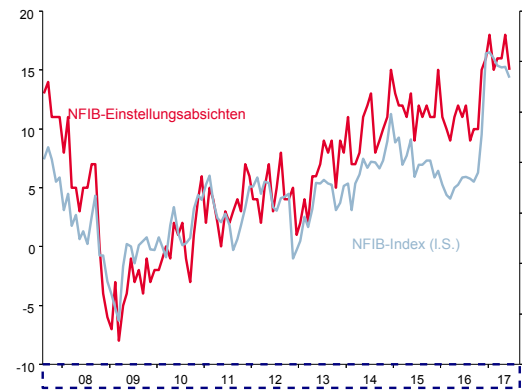


US: post-euphoria letdown?

In the US, the focus of attention today will be on data points that however tend to be second and third tier. The **NFIB index**, the so-called small business barometer, had surged immediately after



Donald Trump's election victory to touch its highest level since 20014. Optimism among small and medium-sized businesses has eroded since the turn of the year. This is probably also related – quite apart from the satirical value – to the poor performance of the Trump administration in Washington. Early plaudits were resounding, and now sobriety has set in. Accordingly, it remains to be seen whether the euphoric sentiment can be maintained for an extended period, or even enhanced – or, on the other hand, whether setbacks are in store. For this year,

we no longer expect to see any positive effects from a tax reform, and even potential government spending programmes should have little if any impact. We are factoring in at best one stimulative effect for the coming year, but our emphasis is squarely on the uncertainty concerning when and how this will come about in light of the chaotic developments engulfing the White House.

The **JOLTS report** will be of no little interest today, specifically the job openings component. The number of unfilled positions stood at nearly 6 million in April, marking a provisional high. The numbers have seemed to plateau since 2016 at the very latest, but a trend reversal is not yet in sight. Accordingly, the picture is compatible with a falling unemployment rate. We would need to see a sharp drop in job openings to suggest a trend reversal in unemployment.

Foreign trade figures in Germany and France are on tap for today, with German industrial production, which came as a disappointment to most observers, auguring poorly here. A decline in German exports should not be ruled out.

Latest news

- Fed: Bullard (St. Louis) sees no need for another near-term rate hike and backs September start to balance sheet reduction. Kashkari (Minneapolis) sees wind-down of balance sheet as no risk to financial markets.

Economic Indicators and Events

Time	Period	Indicator / Event	Poll	Prior	Impact
8:00	DE	Jun Exports	+0.2%	+1.5%	low
		Imports	+0.2%	+1.3%	
		Trade balance	EUR +23.0bn	+22.0bn	
8:45	FR	Jun Trade balance	EUR -5.05bn	-4.88bn	low
12:00	US	Jul NFIB small business barometer	103.5	103.6	low
16:00	US	Jul JOLTS: job openings	5.70 million	5.67 million	low

Sources: Bloomberg, Reuters, Helaba Research

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Bond market: is sentiment at risk of turning?

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Primary Market Calendar

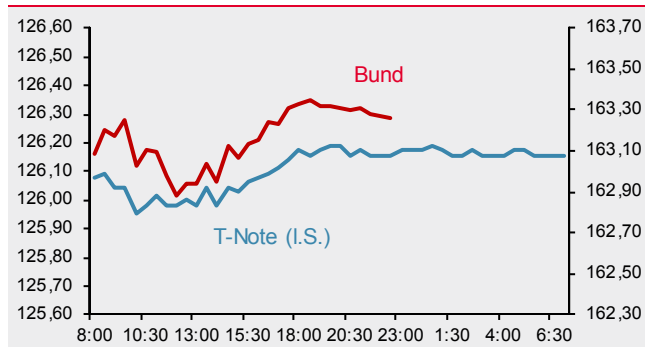
Time	Bond / Coupon	Volume
11:15	AT AGB 1.75%, October 2023; AGB 1.5%, February 2047	n/a
11:30	UK Gilt I/L 0.125%, March 2026	GBP 1bn
19:00	US 3-year UST notes	USD 24bn

Sources: Bloomberg, Reuters, nationale Finanzagenturen, Helaba Research

Bund-Future

On balance, the German bond market was on the front foot, albeit the Bund future is hovering around the 100-day moving average (163.14). Accordingly, little remains initially from the previous week's momentum. Key to the outlook for the next few days will likely be whether a renewed break above the 61.8% retracement (163.48) proves successful on a sustainable basis. Should this be the case, the conviction might arise that given the weakness from the second half of June onwards the recovery is pretty much over. As a result, the outlook for the Bund future would start deteriorating significantly again. But things are not quite that bad yet, nor is there any supply-side pressure exerted on European government bonds at the moment. **Our favoured trading range: 162.70 – 163 60.**

Bund future / T-note future (Price, 30 minutes)



Sources: Reuters, Helaba Research

Spread AGB 10J vs. Bund



Sources: Reuters, Helaba Research

Spreads/ primary market

Today's EUR primary market activity will be limited to Austrian auctions in the medium and long-term maturity segment. The spread versus German Bunds has been moving sideways for a good long time now, with the lower bound at 13 basis points and the upper bound at around 30 basis points. We see no reason for a departure from this scenario over the medium term. Additional auctions today will include an inflation-linked gilt and a three-year UST note.

Market data

	last	gg. 1T	gg. 1W		last	gg. 1T	gg. 1W		last	gg. 1T	gg. 1W
Bund Future	163,30	0,10%	0,31%	DAX	12.257,17	0,00%	0,05%	Nikkei	20045,8	-0,24%	0,11%
Bund 2y	-0,676	0,004	0,022	EuroStoxx	3.505,80	0,00%	0,81%	Oil Future	48,39	-0,33%	0,14%
Bund 10y	0,461	0,001	-0,026	S&P 500	2.480,91	0,16%	0,18%	Gold	1259,7	0,19%	-0,70%
UST 10y	2,258	0,001	0,005	Dow Jones	22.118,42	0,12%	0,70%	Swap 10y	0,86	-0,01	-0,02

Quellen: Reuters, Helaba Volkswirtschaft/Research



Euro: signals still point to correction.

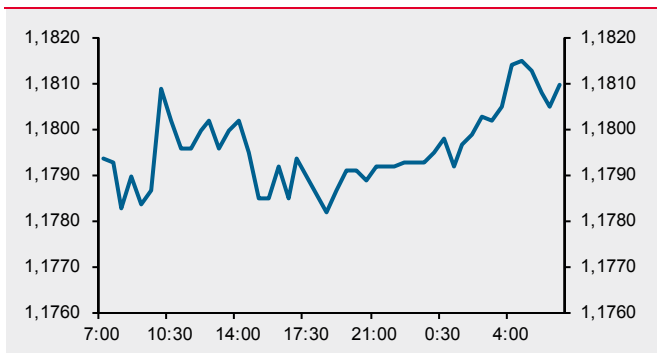
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EUR-USD

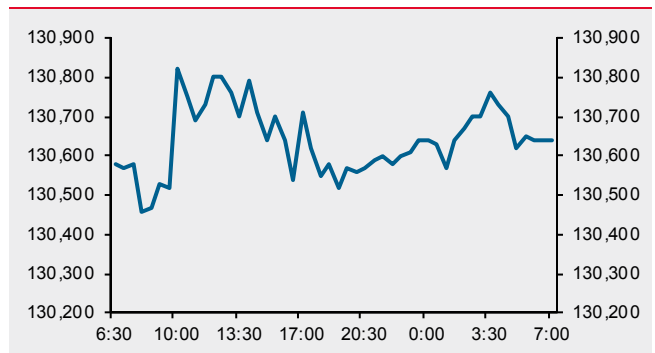
The euro is initially holding in the region of 1.18 so a major correction has been averted for the time being. Notwithstanding, MACD and stochastic are pointing south, with the latter still in overbought territory. Although yesterday the euro was relatively unfazed by the unexpectedly weak German production data, it could still ultimately be weighed down by foreseeable export weakness. **Our favoured trading range: 1.1730 – 1.1890.**

EUR-USD (30 minutes)



Sources: Reuters, Helaba Research

EUR-JPY (30 minutes)



Sources: Reuters, Helaba Research

EUR-GBP

According to Halifax, house price growth momentum in the UK slowed to its lowest level since 2013 (+2.1% y/y). Although this had been widely expected, the pound subsequently weakened on the news. The boost to the euro continued thereafter also in other currency pairs, albeit we increasingly see risks to the general euro trend (see above).

EUR-JPY

The euro continues to firm also against the Japanese yen, albeit indicators in the daily chart are still not all that compelling. Solely the DMI is seen as supportive, but the ADX is falling. Meanwhile, the weekly chart technical outlook remains encouraging, which is why we make out upside potential. If a break above the previous week's high at 131.40 is successful, the next hurdles will be found at 132.32 and around 134.50. With the latter level, the 61.8% retracement of the downtrend from end-2014 to mid-2016 would also be reached. Is the recovery over?

	last	chg. 1T	chg. 1W		last	chg. 1T	chg. 1W		last	chg. 1T	chg. 1W
EUR-USD	1,1812	0,08%	0,09%	EUR-CZK	26,127	-0,01%	-0,05%	EUR-RUB	70,944	0,26%	-0,32%
EUR-GBP	0,9052	0,04%	1,31%	EUR-PLN	4,2526	0,04%	-0,01%	EUR-TRY	4,1688	0,18%	0,15%
EUR-CHF	1,1494	0,16%	0,89%	EUR-HUF	304,01	0,06%	0,21%	EUR-CNY	7,9123	-0,15%	-0,10%
EUR-JPY	130,66	0,04%	0,34%	EUR-CAD	1,4959	-0,01%	1,10%	EUR-KRW	1327,8	-0,02%	0,41%
EUR-SEK	9,6151	0,05%	0,49%	EUR-AUD	1,4917	0,08%	0,74%	EUR-SAR	4,4224	0,08%	0,05%
EUR-NOK	9,3493	0,04%	-0,08%	EUR-NZD	1,6058	0,24%	1,59%	EUR-BRL	3,6921	0,15%	0,10%

Sources: Reuters, Helaba Research ■