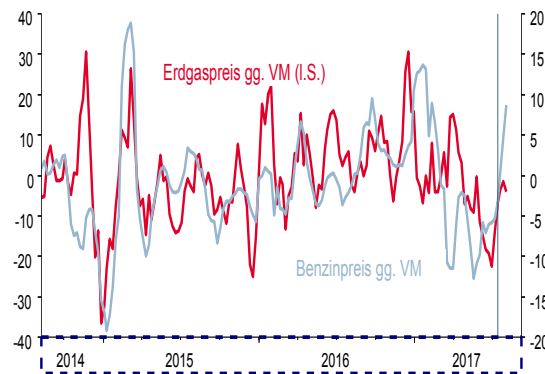


## Focus on the inflation trend

Risk aversion on the financial markets remains high; there have been no signs of tension easing between Washington and Pyongyang. Accordingly, safe-haven assets are continuing to receive latent support.

In terms of data, the **inflation numbers** will be the focus of interest today. The final readings for the major **euro economies** are on the agenda this morning, but are unlikely to show any revisions and should therefore have no impact on the market. With regard to the European Central Bank, inflation is still falling clearly short of its target rate. Accordingly, all eyes will be on the **release of the CPI data in the US** early this afternoon. The consensus estimate for the headline rate is +0.2% m/m, which means that a rise in the annual rate to 1.8% is foreseeable due to a base effect. We



remain slightly cautious as the data were polled in the first half of the respective month. However, increases in petrol prices were mainly visible in mid-July, while the price of natural gas was little changed overall. Nonetheless, prices have probably climbed and the annual rate should therefore come in higher too. As usual, core consumer prices will attract the most interest. The indications are heading upwards for the medium term, but today's data are not yet likely to show an accelerating annual rate. The base effect from July 2016 will have a dampening impact

and the monthly rate of growth would have to be 0.3% or more to make a difference. However, this has only been the case for four monthly rates since 2010.

### Latest news

- Donald Trump steps up warnings against North Korea.
  - Global stock markets under pressure – Dow Jones -0.93 %, S&P 500 -1.45 %.
- Gold price rises to 2-month high at USD 1289/oz.

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### Economic Indicators and Events

Time	Period	Indicator / Event	Poll	Prior	Impact	
8:00	DE	Jul	Consumer prices, final	+1.5% y/y	+1.5% (prelim.)	low
8:45	FR	Jul	Consumer prices, final	+0.8% y/y	+0.8% (prelim.)	low
10:00	IT	Jul	Consumer prices, final	+1.2% y/y	+1.2% (prelim.)	low
14:30	US	Jul	Consumer prices	+0.2% m/m	0.0%	medium
				+1.8% y/y	+1.6%	
14:30	US	Jul	Core consumer prices	+0.2% m/m	+0.1%	high
				+1.7% y/y	+1.7%	
15:40	US	Fed speeches: Kaplan, Kashkari (17:30)				

Sources: Bloomberg, Reuters, Helaba Research



## Bund future: new uptrend

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### Primary Market Calendar

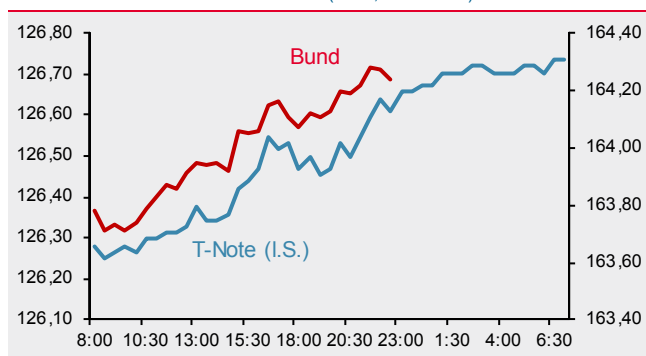
Time	Bond / Coupon	Volume
IT	BTP auction cancelled	

Sources: Bloomberg, Reuters, nationale Finanzagenturen, Helaba Research

### Bund-Future

The Bund future has firmed dynamically above the 163.48 mark. As a result, the correction that began in early July has effectively come to an end and a new trend has become established. The overriding target is now the starting point for the steep downtrend from late June at 165.44. Further resistances are found on the way at around 164.55 and 164.73. As the ADX is now above the 20 mark, this lends added weight to the new trend. **Our favoured trading range: 163.80 – 164.70.**

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



Sources: Reuters, Helaba Research

US/GE 10Y Spread



Sources: Reuters, Helaba Research

### Primary market

While the Bund yield has declined on balance in recent weeks (low of 0.402%), US Treasuries have generally moved sideways. Consequently, the tightening trend in the transatlantic spread (US/DE yield differential) has come to an end for the time being. The spread reached a cyclical low of some 170bp in the middle of July, which was preceded by a volatile downtrend starting at a high of more than 230bp. The spread is currently 181bp. While the overriding downtrend is intact, robust US consumer price data could lead to further upside stimulus in the medium term. Accordingly, there is potential for an adjustment to Fed interest rate expectations, which have been dampened recently. Inflation expectations in the US have increased slightly to 2.27% in the last 1.5 months and this trend could continue in the months ahead. It remains to be seen whether the resistance level of the spread downtrend can be tested in the medium term.

### Market data

	last	gg. 1T	gg. 1W		last	gg. 1T	gg. 1W		last	gg. 1T	gg. 1W
Bund Future	164,11	0,13%	0,60%	DAX	12.014,30	0,00%	-2,36%	Nikkei	20045,8	-0,05%	-1,52%
Bund 2y	-0,688	-0,001	-0,013	EuroStoxx	3.433,54	0,00%	-2,15%	Oil Future	48,39	-0,91%	-2,97%
Bund 10y	0,405	-0,007	-0,074	S&P 500	2.438,21	-1,47%	-1,58%	Gold	1285,6	-0,03%	2,16%
UST 10y	2,201	0,000	-0,063	Dow Jones	21.844,01	-0,94%	-1,14%	Swap 10y	0,81	-0,01	-0,05

Quellen: Reuters, Helaba Volkswirtschaft/Research



## Euro: limited stimulus

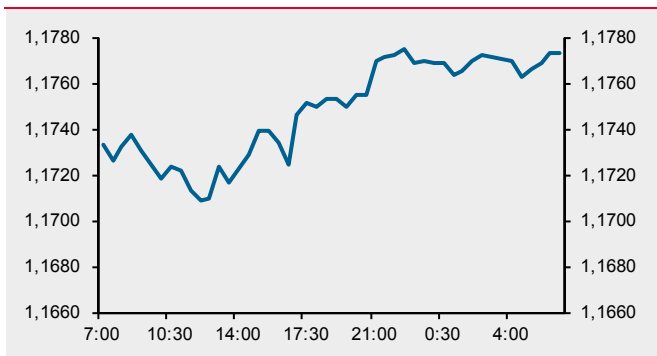
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### EUR-USD

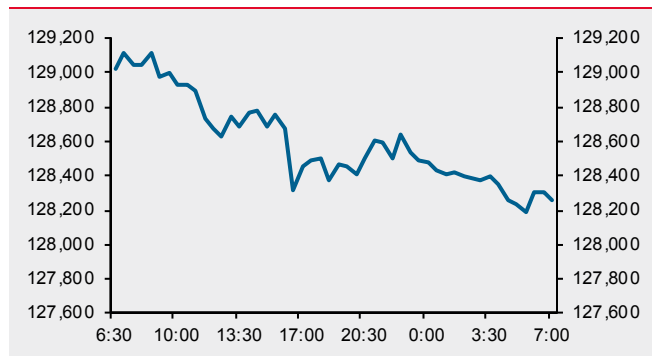
The EUR-USD exchange rate moved within tight limits yesterday as there was no further escalation in the geopolitical situation and the data reports did not significantly move the markets. Overall, however, market developments should initially remain dominated by the threat of a heated conflict on the Korean peninsula. Detrimental factors prevail in terms of the technical indicators as the MACD and stochastic are heading south below their signal lines. If the low at 1.1689 is undershot, further supports are seen at 1.1613 and 1.1479. The 38.2% correction level of the euro's ascent since March is found at 1.1372. **Our favoured trading range: 1.700 – 1.1830.**

EUR-USD (30 minutes)



Sources: Reuters, Helaba Research

EUR-JPY (30 minutes)



Sources: Reuters, Helaba Research

### EUR-JPY

The geographical proximity to a potential conflict has not harmed the Japanese currency so far. While a flight to the safe-haven yen on the part of foreign investors is not really a dominant issue, it is more likely that Japanese investors will withdraw their investments in foreign currencies and repatriate capital accordingly. Both EUR-JPY and USD-JPY are in the region of key supports. For the euro exchange rate, the zone around 128.50 was undershot recently, while 108/109 is a decisive level for the USD rate. Below this, the latter could tumble sharply towards JPY 100. In that case, movements below 120 would be possible for the euro rate.

	last	chg. 1T	chg. 1W		last	chg. 1T	chg. 1W		last	chg. 1T	chg. 1W
EUR-USD	1,1772	0,08%	0,03%	EUR-CZK	26,176	0,00%	0,29%	EUR-RUB	70,794	0,06%	0,37%
EUR-GBP	0,9060	-0,12%	0,39%	EUR-PLN	4,2795	0,06%	0,86%	EUR-TRY	4,1740	0,05%	0,49%
EUR-CHF	1,1304	-0,21%	-1,31%	EUR-HUF	305,57	0,09%	0,38%	EUR-CNY	7,8494	0,53%	-0,52%
EUR-JPY	128,26	-0,22%	-1,59%	EUR-CAD	1,4998	-0,01%	0,71%	EUR-KRW	1349,7	0,31%	1,67%
EUR-SEK	9,5730	-0,03%	-0,16%	EUR-AUD	1,5002	0,37%	1,01%	EUR-SAR	4,4224	0,00%	0,51%
EUR-NOK	9,3760	0,14%	0,22%	EUR-NZD	1,6189	0,06%	1,88%	EUR-BRL	3,7377	0,01%	1,44%

Sources: Reuters, Helaba Research ■