DAILY REPORT FI/FX

11 September 2017

US data releases in focus – but Fed under no pressure to act

Ralf Umlauf
phone: +49 69/91 32-18

This week's batch of data will be overwhelmingly dominated by US releases, the more so as market participants are likely to have their sights already set on mid-next week's FOMC meeting. All new data will be closely scrutinised with a view to the Fed's potential rate hike path. The market still does not even fully price in one more hike before end-2018. This contrasts with recent comments from Fed officials to the effect that further tightening remained possible even later this year. It is foreseeable, moreover, that the FOMC will also soon announce the gradual tapering of the Fed's bond portfolio. Against this backdrop, not only the low yields but also the fall in the external value of the US dollar must be called into question. All eyes will initially be on producer and consumer prices for the month of August. Month-on-month rates of change are seen coming in higher compared to July due to higher petrol prices caused by Hurricane Harvey. With respect to monetary policy, however, core inflation is likely to gain relatively greater prominence on market participants' radars. There are still no signs of any acceleration, albeit against the backdrop of the solid labour market upward pressure is foreseeable in the medium term.

The extent to which the hurricane season will bring about distortions in the current economic data is still unclear. This was already evident in last week's first-time claims for jobless benefits, and we should see elevated levels this week as well. As for industrial production, a negative contribution from the oil industry in the Gulf of Mexico cannot be ruled out. As both overlying sentiment and indications from the labour market are positive, however, a higher reading is conceivable. However, weak auto sales prompt caution. This could weigh also on retail sales otherwise expected to come in robust, mainly resulting in a potential nominal increase driven by higher petrol prices. The first manufacturing sentiment gauge (region of New York) will round out the picture for the current month. All in all, the growth scenario looks set to be underpinned.

In Europe, more industrial production data of interest include today's figures for Italy, followed on Wednesday by the print for the euro area as a whole. Previous national data broadly disappointed. First and foremost, the stagnation in German production following June's sharp decline raises questions. The consensus estimate looks overly optimistic due also to the declines in the Netherlands and Spain.

EDITOR
Ralf Umlauf
phone: +49 69/91 32-1891

PUBLISHER
Dr. Gertrud R. Traud
Chefvolkswirt/ Leitung
Research

Helaba
Landesbank Hessen-
Thüringen
MAIN TOWER
Neue Mainzer Str. 52-58
60311 Frankfurt am Main
phone: +49 69/91 32-20 24
fax: +49 69/91 32-22 44
www.helaba.de.

Latest news

- Hurricane Irma causes heavy flooding in Florida.
- Asian equity markets open the week on a largely upbeat note; Japanese levels strong.
- Oil price (LCF) levels off below USD 48/barrel.

Economic indicators and events

Time		Period	Indicator / event	Poll	Prior	Impact
8:30	FR	Aug	Banque de France: Business sentiment	n/a	105	low
10:00	IT	Jul	Industrial production	-0.3% m/m	+1.1%	low
				n/a	+5.3%	

Sources: Bloomberg, Reuters, Helaba Research

DAILY REPORT FI/FX

11. September 2017

Future: lack of impetus after contract high

Viola Julien
phone: +49 69/91 32-18 91

Primary Market Calendar

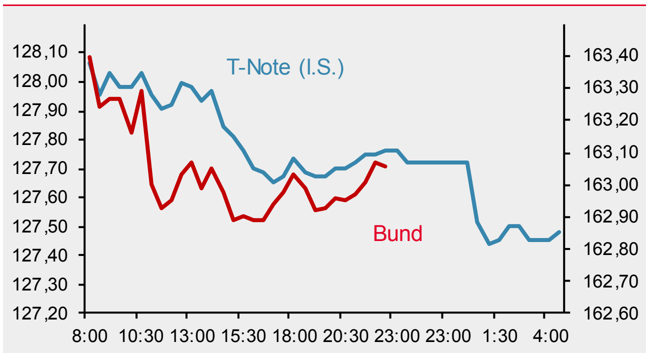
Time		Bond / Coupon	Volume
	IE	Announcement of IRISH auction for 14 September	
	BE	Announcement of OLO auction for 18 September	
19:00	US	US T-notes, 3-year	USD 24bn

Sources: Bloomberg, Reuters, nationale Finanzagenturen, Helaba Research

Bund-Future

The Bund future charted a new contract high at 163.43 on Friday, only to subsequently pull back due also no doubt to the fact that further impetus was lacking from the fundamental side. Risk aversion is elevated as a result of geopolitical risks and the hurricane damage in the US. On the technical front as well, the outlook for the Bund future remains constructive, albeit first signs of an overbought market have emerged. **Our favoured trading range: 162.60 – 164.00**

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



Sources: Reuters, Helaba Research

Spread US/DE 10Y

Sources: Reuters, Helaba Research

Primary market

be tapping its 10-year benchmark bond by up to EUR 3bn tomorrow. The German finance agency will also be active, reopening its 10-year benchmark bond. Investors should not count on a high coupon as the Bund yield has shed some 35 basis points since mid-July to around 0.30%. This can be attributed equally to geopolitical risks and to expectations that the ECB will start reversing its monetary policy only at a very cautious pace. Similarly in the US the Fed does seem to be in all that much of a hurry to implement its next rate hike. The decline in the 10-year US yield since July has been just as pronounced as in the German yield. The spread has changed little if any on balance since then, but the overlying downtrend channel dating from end-December is intact.

Market data

	last	gg. 1T	gg. 1W
Bund Future	162,96	-1,48%	-1,28%
Bund 2y	-0,757	-0,003	-0,024
Bund 10y	0,309	-0,007	-0,059
UST 10y	2,089	0,035	#WERT!

	last	gg. 1T	gg. 1W
DAX	12.303,98	0,06%	1,64%
EuroStoxx	3.447,69	0,00%	0,51%
S&P 500	2.461,43	-0,15%	#WERT!
Dow Jones	21.797,79	0,06%	#WERT!

	last	gg. 1T	gg. 1W
Nikkei	20045,8	1,34%	0,14%
Oil Future	48,39	0,88%	#NV
Gold	1337,8	-0,64%	0,26%
Swap 10y	0,78	0,01	0,00

Quellen: Reuters, Helaba Volkswirtschaft/Research

DAILY REPORT FI/FX

11. September 2017

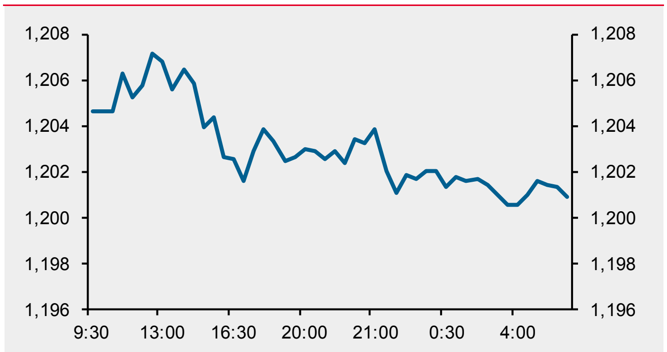
Euro touches cyclical high – no upside momentum

Ulrich Wortberg
phone: +49 69/91 32-18

EUR-USD

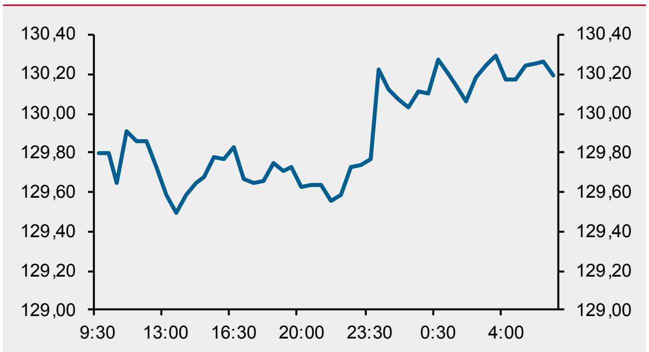
The euro hit a new cyclical high at 1.2092, but upside momentum has since been anything but robust. The uptrend is intact all the same, with indicators also having begun to improve again. Although stimuli from the fundamental side in favour of the euro have been few and far between, neither do we see any potential triggers for a pullback. **Our favoured trading range: 1.1920 – 1.2120.**

EUR-USD (30 minutes)



Sources: Reuters, Helaba Research

EUR-JPY (30 minutes)



Sources: Reuters, Helaba Research

EUR-GBP

UK production data were in line with expectations, with the manufacturing component even surprising to the upside a bit. Still, this offered little help to the pound so the euro continues to hold above 0.91. As a result, the correction off the high at 0.9306 failed to continue although the technical indicators on the daily chart are signalling the existence of risks.

EUR-JPY

The EUR-JPY exchange rate has been hovering above the 130 level for over two months now. Risks exist on the technical front given that the weekly chart indicators have lost momentum. Nevertheless, RSI and stochastic are in overbought territory, making a correction conceivable. The trend-following indicators have yet to generate sell signals, however, and no clear trend is evident in the daily technicals. What is crucial now is that the low from mid-August at 127.56 is not breached to the downside so as not to see a break below the current consolidation range. If this should occur, potential down to 122.40 would be generated.

	last	chg. 1T	chg. 1W
EUR-USD	1,2014	0,08%	0,99%
EUR-GBP	0,9120	0,04%	-0,87%
EUR-CHF	1,1411	0,41%	0,13%
EUR-JPY	130,18	0,34%	-0,21%
EUR-SEK	9,5417	-0,05%	0,73%
EUR-NOK	9,3019	-0,13%	0,11%

	last	chg. 1T	chg. 1W
EUR-CZK	26,101	-0,01%	0,15%
EUR-PLN	4,2384	-0,10%	-0,01%
EUR-HUF	306,25	-0,09%	0,15%
EUR-CAD	1,4586	-0,29%	-1,19%
EUR-AUD	1,4920	-0,15%	-0,35%
EUR-NZD	1,6562	-0,06%	-0,28%

	last	chg. 1T	chg. 1W
EUR-RUB	68,823	-0,31%	0,16%
EUR-TRY	4,1038	0,00%	0,48%
EUR-CNY	7,8139	0,33%	0,43%
EUR-KRW	1358,2	-0,24%	0,83%
EUR-SAR	15,5175	-0,31%	71,26%
EUR-BRL	3,7093	-0,21%	-0,73%

Sorces: Reuters, Helaba Research ■

Published by: Helaba Research, Publisher: Dr. G. R. Traud, Chief Economist/ Head of Research, Neue Mainzer Straße 52-58, 60311 Frankfurt am Main, phone + 49 69/91 32-20 24, Internet: http://www.helaba.de.This publication was very carefully researched and prepared. However, it contains analyses and forecasts regarding current and future market conditions that are for informational purposes only. The data is based on sources that we consider reliable, though we cannot assume any responsibility for the sources being accurate, complete, and up-to-date. All statements in this publication are for informational purposes. They must not be taken as an offer or recommendation for investment decisions.