

Harvey and Irma skew economic data

The damage being caused by **Hurricane Irma** is now visible although it will take some time before the full extent of the damage is known. As was the case with Hurricane Harvey, the impact of Irma will certainly show up in the economic data. This was already evidenced by last week's **jobless claims**,

and we will continue to see distortions in the weeks ahead as well. We might even see the **third-quarter growth rate** come in somewhat lower than previously expected, with growth in subsequent quarters possibly coming in moderately higher in turn. This should not have any effect on the overlying growth scenario, however, so we can expect further improvements in the labour market situation in the medium term also. Although recent **NFIB survey results** on hiring plans and wage growth moderated a bit, as a result of which the headline small

business optimism index is also seen coming in lower today, the high level and the leading indicator of wage growth continue to signal upside potential. This should tend to result in higher **inflation and interest rate expectations**, which have been trending lower over the past weeks and months, leaving financial markets looking vulnerable to themes that make the case for an uptick in inflation rates.

Inflation will also be a theme in **the UK** today as the latest data will be released today in the form of **consumer and producer prices** for the month of August. Slightly higher annual rates are anticipated, which should partly also reflect the prior weakness in the British pound. Whether this will be enough to fuel rate hike expectations by the market, however, remains to be seen (see page 3).

Latest news

- North Korea: UN Security Council imposes new sanctions; crude oil shipments to be capped, sale of natural gas to be prohibited entirely and country's textile exports to be banned.
- UK parliament vote in favour of EU withdrawal bill.
- Asian equity markets trending broadly positive.
- Oil price (LCF) stabilises at USD 48.0/barrel; gold price tumbles to USD 1,323.

Economic indicators and events

| Time | Period | Indicator / event | Poll | Prior | Impact | |
|-------|--------|-------------------|-------------------------------|--------------|--------------|--------|
| 10:30 | UK | Aug | Consumer prices | +0.5% m/m | -0.1% | medium |
| | | | +2.8% y/y | +2.6% | | |
| | | | +2.5% y/y | +2.4% | | |
| 12:00 | US | Aug | NFIB small business barometer | 104.9 | 105.2 | low |
| 15:45 | EZ | | ECB speech: Constancio | | | |
| 16:00 | US | Jul | JOLTS report, job openings | 5.98 million | 6.16 million | low |

Sources: Bloomberg, Reuters, Helaba Research

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Bund future: correction continues apace

Primary Market Calendar

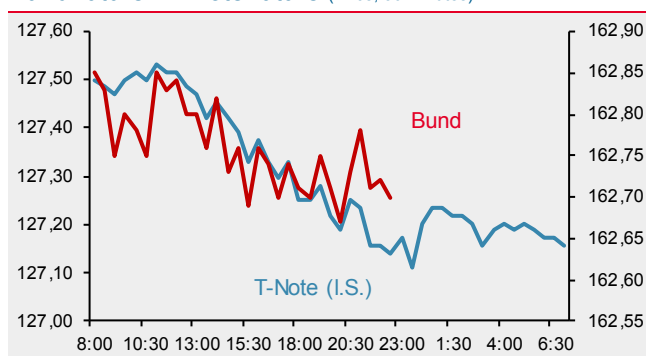
| Time | Bond / Coupon | Volume |
|-------|----------------------------|---------------|
| 10:00 | NL DSL 0.75%, July 2027 | EUR 2-3bn |
| 11:30 | DE Bund€i 0.1%, April 2046 | EUR 0.5bn |
| 12:30 | EZ EFSF 0.5%, July 2025 | up to EUR 1bn |
| 19:00 | US 10-year note | USD 20bn |

Sources: Bloomberg, Reuters, nationale Finanzagenturen, Helaba Research

Bund-Future

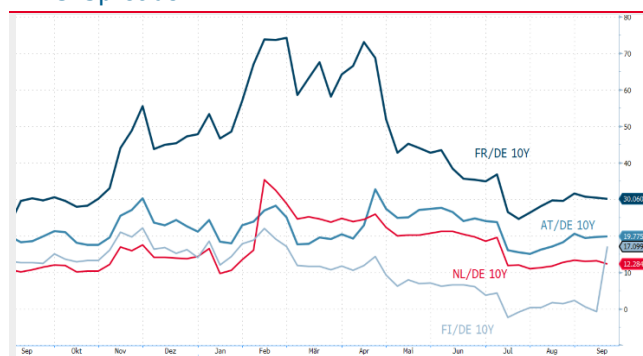
The renewed weakening resulted in a deterioration of the technical situation in the December contract while the 100- and 200-day moving averages on the continuous contract are being tested at 162.79 and 162.70, respectively. A break below would open up further downside. **Our favoured trading range: 162.00 – 163.30.**

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



Sources: Reuters, Helaba Research

EWU-Spreads



Sources: Reuters, Helaba Research

Primary market

Today will bring the first EMU auctions of this week's extensive issuance activity. To start off, the Dutch DSTA will raise up to EUR 3bn with its 10-year benchmark DSL. This will shortly thereafter be followed by the German finance agency's first of two taps this week. The focus will initially be on today's low-volume linker auction while tomorrow the spotlight will be on the 10-year maturity segment. EMU government bonds recovered from their yield lows reached after the ECB meeting. At currently 0.33%, however, Bunds are still at the lower end of the downtrend dating back to mid-July. In the case of the Netherlands, its financing costs currently stand at around 0.45%. With a corresponding yield gap of a good 12bp, the country tops the list of EMU core spreads. In Austria and France, 10Y spreads stand at 20bp and 30bp, respectively, while the risk premium for Finland – following the benchmark shift to the RFGB 09/2027 – now also ranks higher again than for the Netherlands.

Market data

| | last | gg. 1T | gg. 1W | | last | gg. 1T | gg. 1W | | last | gg. 1T | gg. 1W |
|-------------|--------|--------|--------|-----------|-----------|--------|--------|------------|---------|--------|--------|
| Bund Future | 162,77 | -0,12% | -1,69% | DAX | 12.475,24 | 1,37% | 2,82% | Nikkei | 20045,8 | 1,20% | 2,01% |
| Bund 2y | -0,757 | -0,007 | 0,000 | EuroStoxx | 3.495,19 | 1,36% | 2,13% | Oil Future | 48,39 | -0,15% | -1,37% |
| Bund 10y | 0,335 | 0,002 | 0,002 | S&P 500 | 2.488,11 | 1,07% | 1,22% | Gold | 1323,9 | -0,23% | -1,09% |
| UST 10y | 2,136 | 0,002 | 0,073 | Dow Jones | 22.057,37 | 1,18% | 1,38% | Swap 10y | 0,78 | 0,00 | 0,04 |

Quellen: Reuters, Helaba Volkswirtschaft/Research



ECB limits euro upside potential

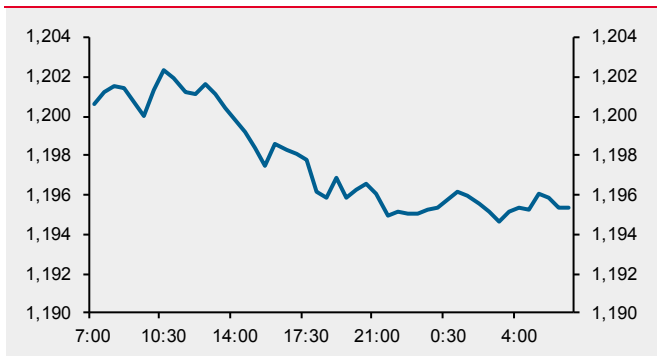
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EUR-USD

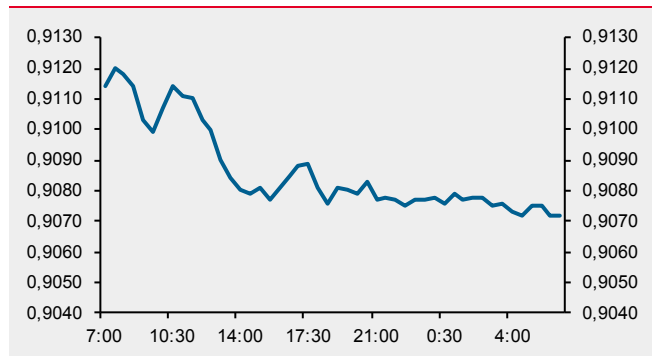
ECB executive board member Benoît Coeuré ascribes a portion of the "sizeable euro appreciation" to uncertainties on the geopolitical front such as, for example, the conflict between the US and North Korea. He went on to say that this could result in an unwarranted tightening of financing conditions, as well as undesirable consequences for the inflation outlook. He also added that current volatility in the exchange rate represents a "source of uncertainty". Coeuré makes it clear then that monetary policymakers do not favour a further appreciation of the euro and that a reversal of monetary policy would be difficult to implement in such an environment. Consequently, appreciation potential for the euro appears to be limited. The technical situation weakened after the euro failed to breach the resistance line of the uptrend channel. The next supports are found at 1.1900/10. **Our favoured trading range: 1.1900 – 1.2020.**

EUR-USD (30 minutes)



Sources: Reuters, Helaba Research

EUR-GBP (30 minutes)



Sources: Reuters, Helaba Research

EUR-GBP

After the euro had reached an 11-month high at GBP 0.9307, the pound recovered on balance in the past few trading days. Yesterday's parliamentary vote in favour of the EU withdrawal bill provided additional support. Today's release of UK consumer prices could give the currency pair a further boost. Following the relatively weak July readings, a modest pickup in core inflation is expected for August. Overall, however, its cyclical high-water mark is likely to have been reached in May at +2.9%. We should therefore see little if any interest rate speculation emerges in light of the political and economic uncertainties.

| | last | chg. 1T | chg. 1W | | last | chg. 1T | chg. 1W | | last | chg. 1T | chg. 1W |
|---------|--------|---------|---------|---------|--------|---------|---------|---------|---------|---------|---------|
| EUR-USD | 1,1950 | 0,08% | 0,32% | EUR-CZK | 26,085 | 0,03% | -0,03% | EUR-RUB | 68,356 | 0,01% | -0,16% |
| EUR-GBP | 0,9070 | -0,08% | -0,77% | EUR-PLN | 4,2436 | -0,01% | 0,30% | EUR-TRY | 4,0802 | 0,18% | -0,36% |
| EUR-CHF | 1,1435 | 0,06% | 0,50% | EUR-HUF | 306,37 | 0,01% | 0,13% | EUR-CNY | 7,8171 | 0,09% | 0,35% |
| EUR-JPY | 130,76 | 0,02% | 0,89% | EUR-CAD | 1,4476 | 0,03% | -1,82% | EUR-KRW | 1350,0 | 0,02% | 0,16% |
| EUR-SEK | 9,5806 | 0,03% | 0,90% | EUR-AUD | 1,4913 | 0,19% | 0,10% | EUR-SAR | 15,5040 | -0,04% | 71,20% |
| EUR-NOK | 9,3775 | 0,04% | 1,17% | EUR-NZD | 1,6527 | 0,28% | 0,38% | EUR-BRL | 3,7076 | -0,01% | -0,13% |

Sources: Reuters, Helaba Research ■