

No pressure on Fed from US producer prices

We made a point yesterday to note that the environmental disaster in the **US** caused by Hurricanes Harvey and Irma has been impacting economic data. For example, petrol prices having risen significantly. This will not be reflected in today's **producer prices**, however, as the data pre-date Hurricane Harvey.

But since petrol prices were already seen to be somewhat higher in early August, a month-on-month price increase of 0.3% at the producer level is realistic in our view. The annual rate could climb to 2.5% owing to base effects. Tomorrow's **consumer prices** are also seen coming in correspondingly higher on the month. We expect an annual rate of 1.8%. However, it is the trend in core inflation, rather, that is decisive for monetary policy. As there is still no discernible evidence to date of an acceleration in core inflation, the **US central bank** is under

no pressure to act. As for next week's FOMC meeting, it should be noted that although a degree of caution is visible among many central bank representatives they continue to favour gradual rate hikes. This contrasts with market expectations as only one rate hike is fully priced in before end-2018.

Inflation data for **Germany** and **Spain** are also on the calendar this morning, but they are not anticipated to show any revisions and no market-moving impact is expected as a result. With regard to the **European Central Bank's** monetary policy, it is clear that its inflation target will continue to be missed by a wide margin, which is now being attributed also to the high external value of the euro. Although the ECB is likely to start tapering its volume of bond purchases at the start of 2018, a near-term hike in key rates will not be signalled for now at least.

Latest news

- US President Trump describes sanctions against North Korean as merely a small step while warning of much tougher steps possibly to follow.
- The UK has delayed the next round of "Brexit" talks by one week to 25 September

Economic indicators and events

Time	Period	Indicator / event	Poll	Prior	Impact	
8:00	DE	Aug	Consumer prices, EU-harmonised (final)	+1.8% y/y	+1.8% (prelim.)	low
9:00	ES	Aug	Consumer prices, EU-harmonised (final)	+2.0% y/y	+2.0% (prelim.)	low
11:00	EZ	Jul	Industrial production	+0.1% m/m	-0.6%	low
				+3.3% y/y	+2.6%	
13:00	US	Wk 36	MBA mortgage market index	n/a	+3.3%	low
14:30	US	Aug	Producer prices	+0.3% m/m	-0.1%	medium
				+2.5% y/y	+1.9%	
19:00	EZ		ECB speech: Praet			

Sources: Bloomberg, Reuters, Helaba Research

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Bund future: uptrend getting closer

Primary Market Calendar

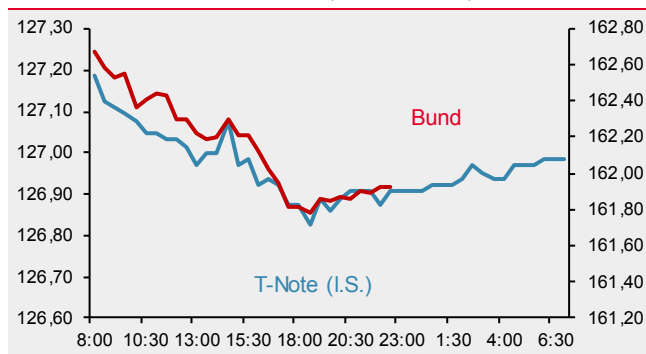
Time	Bond / Coupon	Volume
11:00	IT New BTP 1.45%, November 2024 BTP 0.35%, June 2020; BTP 2.25%, September 2036	EUR 3.5-4bn EUR 3-4bn
11:30	DE Bund 0.5%, August 2027	EUR 3bn
11:30	PT OT 4.125%, April 2027	EUR 0.75-1bn
11:30	UK Gilt 1.25%, July 2027	GBP 2.5bn
19:00	US 30-year bond	USD 12bn

Sources: Bloomberg, Reuters, nationale Finanzagenturen, Helaba Research

Bund-Future

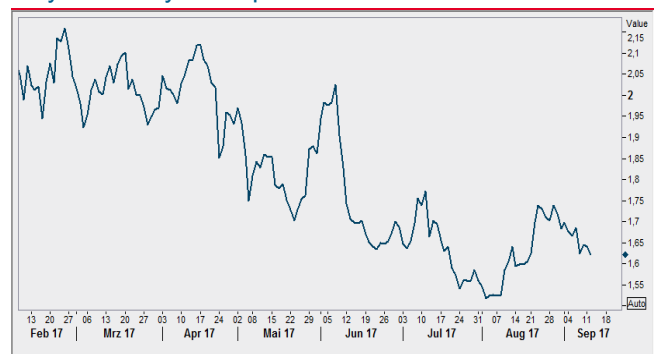
Risk aversion has recently started pulling back again (with hurricanes in the US having subsided and with no more missile tests in North Korea), which acts as a drag on the German bond market. In the December contract, the July uptrend was broken to the downside. The support line is sitting at 162.04 today. The next support is at 161.66, and the 38.2% retracement of the upmove is found at 161.18. **Our favoured trading range: 161.20 – 162.50.**

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



Sources: Reuters, Helaba Research

Italy/Germany 10Y spread



Sources: Reuters, Helaba Research

Primary market

Italy, Germany and Portugal will be hitting the EMU primary market today. On aggregate, the auction volume could total up to EUR 12bn. However, this is set against extensive redemptions – those of the OBL 2017 alone total EUR 16bn. This should tend to have a supportive effect. The placement of the new 7-year BTP will garner attention. The Italian spread has started to narrow significantly again over the past few days and is currently at 161bp in the 10-year segment.

Market data

	last	gg. 1T	gg. 1W		last	gg. 1T	gg. 1W		last	gg. 1T	gg. 1W
Bund Future	161,87	-0,56%	-2,23%	DAX	12.524,77	0,40%	2,48%	Nikkei	20045,8	0,52%	2,63%
Bund 2y	-0,737	-0,015	0,002	EuroStoxx	3.512,56	0,49%	2,24%	Oil Future	48,39	-0,04%	-1,97%
Bund 10y	0,393	-0,008	0,053	S&P 500	2.496,48	0,34%	1,24%	Gold	1330,3	-0,09%	-0,26%
UST 10y	2,159	-0,008	0,053	Dow Jones	22.118,86	0,28%	1,41%	Swap 10y	0,82	-0,01	0,04

Quellen: Reuters, Helaba Volkswirtschaft/Research



EUR-USD: consolidation in uptrend channel

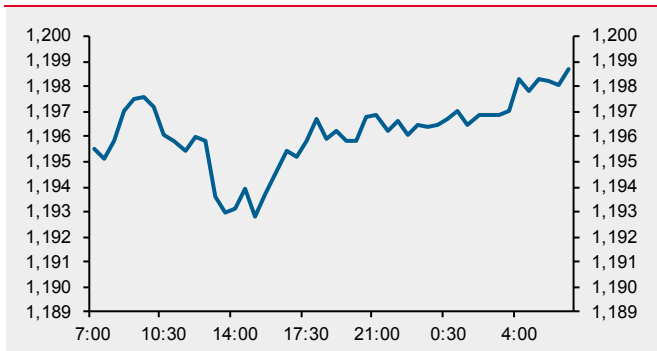
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EUR-USD

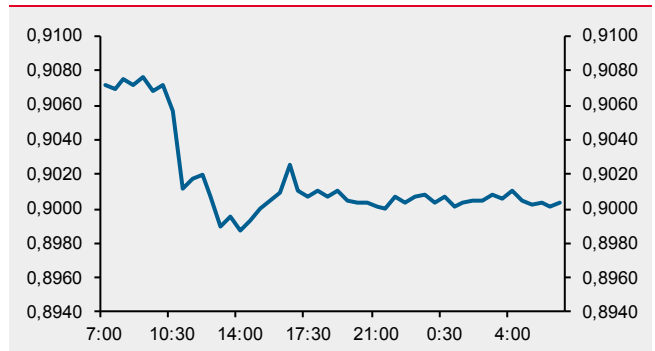
The euro initially continued to weaken on persistently high risk appetite, trading as low as USD 1.1924. It is now in the middle in the uptrend channel dating back to May. Although the euro saw a minor recovery, the indicators on the daily chart lost some momentum and show a mixed picture at present. Should the 1.1900/10 support zone be undershot, this would open up downside potential to 1.1821. Resistances are pegged at 1.2040 and 1.2092. **Our favoured trading range: 1.1910 – 1.2040.**

EUR-USD (30 minutes)



Sources: Reuters, Helaba Research

EUR-GBP (30 minutes)



Sources: Reuters, Helaba Research

EUR-GBP

Yesterday's consumer price data surprised on the upside, reaching their highest level since May at +2.9% y/y – far surpassing the BoE's inflation target of 2.0%. The pound, which had fallen to a cyclical low in late August, has evidently pushed up prices for imports higher than expected. The debate surrounding a rate hike will likely be reignited as a result, albeit the Bank of England's hands are initially tied owing to the uncertain political and economic situation. At the next central bank meeting on Thursday, however, the number of MPC members joining the camp favouring a rate hike might just possibly grow again. There have been but two "hawks" in the MPC of late, compared to previously three. A corresponding increase should support the latest downmove in EUR-GBP. Having recently dropped below GBP 0.9060, the exchange rate has undercut the May uptrend, with risks also on the technical front increasing as a result.

	last	chg. 1T	chg. 1W		last	chg. 1T	chg. 1W		last	chg. 1T	chg. 1W
EUR-USD	1,1982	0,08%	0,56%	EUR-CZK	26,093	-0,03%	0,02%	EUR-RUB	68,978	0,04%	0,91%
EUR-GBP	0,9001	-0,06%	-1,47%	EUR-PLN	4,2551	-0,02%	0,20%	EUR-TRY	4,1072	0,02%	0,65%
EUR-CHF	1,1495	0,08%	0,85%	EUR-HUF	307,01	0,00%	0,23%	EUR-CNY	7,8162	0,07%	0,30%
EUR-JPY	131,94	0,09%	1,35%	EUR-CAD	1,4575	-0,03%	0,05%	EUR-KRW	1350,6	0,10%	0,15%
EUR-SEK	9,5396	0,00%	0,32%	EUR-AUD	1,4929	0,05%	0,23%	EUR-SAR	15,5543	-0,06%	71,27%
EUR-NOK	9,3793	0,04%	0,90%	EUR-NZD	1,6438	0,12%	-0,69%	EUR-BRL	3,7444	0,16%	1,39%

Sources: Reuters, Helaba Research ■