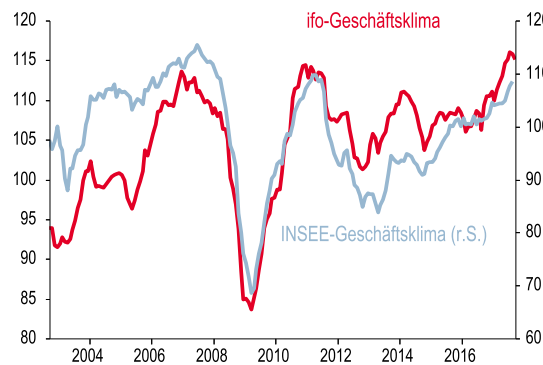


Eurozone / US: robust economic environment

The **Bundestag election** had only limited impact on financial markets. The SPD's refusal to participate in a government coalition means that difficult coalition negotiations lie ahead, but – with the exception of the euro, which suffered modest losses – risk aversion did not increase in general. The new legislative period will start amid a robust economic environment. Although the **ifo business climate index** took a slight dip to 115.2 points, this is only a tad below its all-time high charted at 116.1 in July. Moreover, the flash PMIs shot significantly higher, beating consensus estimates. This is likely to keep pressure on the ECB to announce next month the tapering of its bond purchases. This undoubtedly also holds for today's release of the **business climate index in France**, which advanced by 1 point in the previous month to 109.0 – its highest level since April 2011. So there is good reason to hope that France will be able to maintain its growth momentum (Q2 growth: 0.5% q/q).



On tap in the **US** is likewise a sentiment survey in the form of the **Conference Board's consumer confidence index**. Its market impact is limited, however, as preliminary Michigan Sentiment data have already been released. Consumer sentiment softened only slightly at a very high level so Hurricanes Harvey and Irma had little if any negative effect here – in spite of sharply higher energy prices. The **Richmond Fed index** will provide additional insight into the national purchasing managers index. Surveys to date suggest a stable print. **New home sales** will round out the batch of data releases. The indications are positive, but the numbers have no major market impact as a rule

Latest news

- Evans (Fed) is sceptical about low inflation being only temporary.
- North Korea regards Trump's statements before the UN General Assembly as tantamount to a declaration of war and is threatening to shoot down US fighter planes; US is making efforts to defuse the situation; elevated risk aversion.

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Economic indicators and events

Time	Period	Indicator / event	Poll	Prior	Impact	
8:45	FR	Sep	INSEE business climate	110	109	low
9:00	EZ		ECB speeches: Rimsevic, Praet (14:00)			
15:00	US	Jul	S&P/Case-Shiller home price index	+5.7% y/y	+5.65%	low
15:30	US		Fed speeches: Mester, Brainard (16:30), Bostic (17:30), Yellen (18:45)			
16:00	US	Aug	New home sales	588k	571k	low
16:00	US	Sep	Conference Board's consumer confidence	120.0	122.9	medium

Sources: Bloomberg, Reuters, Helaba Research



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Bund future: key hurdles cleared

Primary Market Calendar

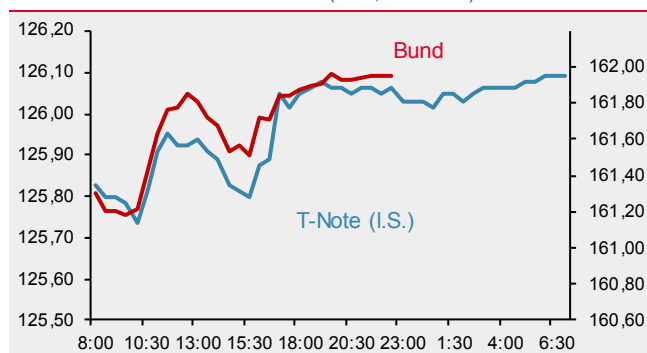
Time	Bond / Coupon	Volume
11:00	IT CTZ May 2019	EUR 1-1.5bn
	BTP€i 0.1%, May 2022; BTP€i 1.25%, September 2032	EUR 1-1.5bn
11:30	DE Schatz 0.0%, September 2019	EUR 4bn
12:30	EZ EFSF 0.0%, November 2022	up to EUR 1bn
19:00	US New 2-year note	USD 26bn

Sources: Bloomberg, Reuters, nationale Finanzagenturen, Helaba Research

Bund-Future

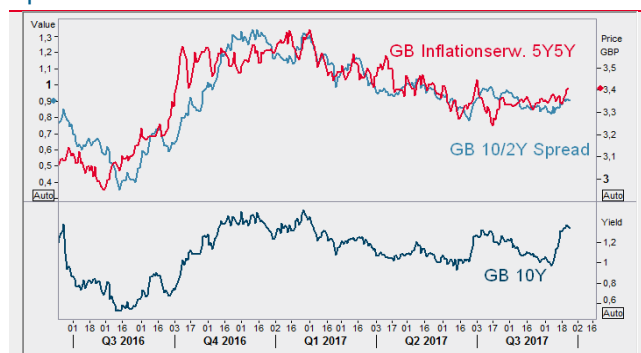
Bunds were initially little moved at the start of the week by the outcome of the German Bundestag election. In the aftermath of the lower ifo index, however, the Bund future clocked an increase – in spite of the continued patchy technical picture. New threats from North Korea also pushed the Bund future higher. The steep downtrend in place since 8 September was overcome on Friday already, and the MACD is starting to turn in oversold territory. Moreover, the upmove above the previous resistance at 161.72 is improving the chart picture. The next resistances are at 162.05/07 and in the 162.70/81 zone. **Our favoured trading range: 161.40 – 162.50.**

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



Sources: Reuters, Helaba Research

Spread Gilts 10/2Y



Sources: Reuters, Helaba Research

Primary market

Hawkish commentary from the Bank of England recently brought some movement into the UK yield landscape. Ten-year gilts reached a seven-month high just shy of 1.4%, with two-year paper climbing to more than 0.5% – its highest level since the Brexit vote in June 2016. On balance, the UK yield curve has steepened by some 8bp since the beginning of the yield uptrend. Further upside potential is signalled by inflation expectations, with those for the UK having risen back to nearly 3.4% of late – due also to the weak pound.

Market data

	last	gg. 1T	gg. 1W		last	gg. 1T	gg. 1W		last	gg. 1T	gg. 1W
Bund Future	161,93	0,50%	0,52%	DAX	12.594,81	0,02%	0,26%	Nikkei	20045,8	-0,46%	0,02%
Bund 2y	-0,717	-0,021	-0,031	EuroStoxx	3.537,81	-0,10%	0,19%	Oil Future	48,39	0,11%	5,36%
Bund 10y	0,395	-0,006	-0,055	S&P 500	2.496,66	-0,22%	-0,40%	Gold	1313,1	0,23%	0,15%
UST 10y	2,215	-0,007	-0,031	Dow Jones	22.296,09	-0,24%	-0,34%	Swap 10y	0,83	-0,02	-0,04

Quellen: Reuters, Helaba Volkswirtschaft/Research



EUR-USD: uptrend broken to the downside

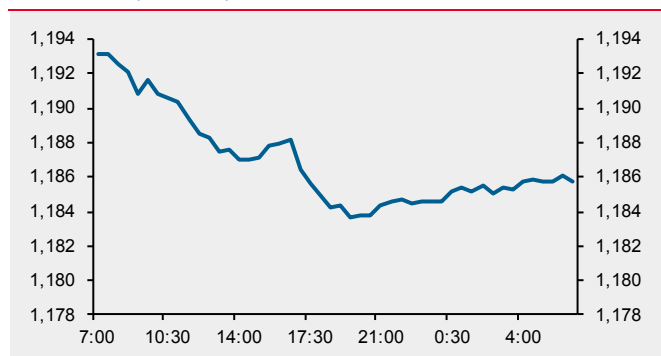
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EUR-USD

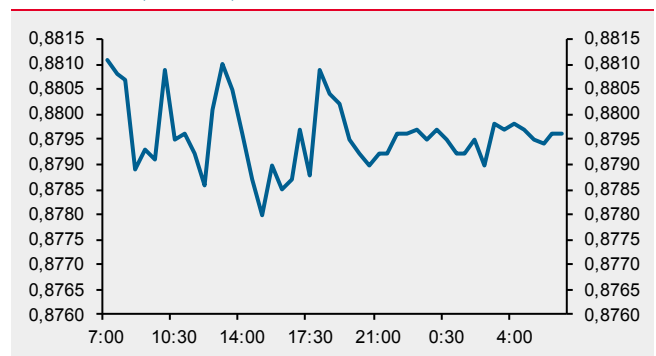
On the heels of the Bundestag election and the weaker-than-expected ifo business climate index, the euro weakened and pierced below the support line of its uptrend dating back to April. Should the the 1.1821/36 zone now also be broken to the downside, the picture would further deteriorate. The next support would then be seen at 1.1661, home to the notable low from mid-August of this year. Resistances are found at the trend line broken to the downside, which sits at 1.1931 today, and are also found at 1.2000. However, the quantitative indicators suggest slippage. MACD and stochastic are heading south below their signal lines, and price momentum has dipped into negative territory. **Our favoured trading range: 1.1770 – 1.1920.**

EUR-USD (30 minutes)



Sources: Reuters, Helaba Research

EUR-GBP (30 minutes)



Sources: Reuters, Helaba Research

EUR-GBP

Brexit negotiations recommenced this week, causing uncertainty and in turn weighing on the pound. By contrast, the UK currency is generally supported by monetary policy while the euro is trending weaker in the wake of the Bundestag election. Owing to these mixed leads, the currency pair is expected to consolidate within the 0.8740-0.8900 range.

Euro Currency Index

The euro not only came under pressure against the US dollar but also softened against the yen, the pound and the Swiss franc. Accordingly, the effective exchange rate (as calculated by the ECB) of the euro against 12 currencies (EER Index) is down, dropping to 102.8 yesterday as compared to 103.47 points last Friday. It touched its provisional high at 104.6 in late August. The euro has since lost 2% in value.

	last	chg. 1T	chg. 1W		last	chg. 1T	chg. 1W		last	chg. 1T	chg. 1W
EUR-USD	1,1854	0,08%	-1,16%	EUR-CZK	26,041	-0,01%	-0,19%	EUR-RUB	68,108	-0,08%	-2,33%
EUR-GBP	0,8792	-0,06%	-0,97%	EUR-PLN	4,2750	0,04%	-0,11%	EUR-TRY	4,1988	-0,10%	0,35%
EUR-CHF	1,1458	0,08%	-0,74%	EUR-HUF	310,30	0,04%	0,72%	EUR-CNY	7,8419	0,08%	-0,46%
EUR-JPY	132,20	-0,12%	-1,23%	EUR-CAD	1,4660	0,04%	-0,55%	EUR-KRW	1345,4	0,17%	-0,74%
EUR-SEK	9,5285	0,00%	-0,07%	EUR-AUD	1,4919	-0,05%	-0,36%	EUR-SAR	15,7759	-0,07%	71,54%
EUR-NOK	9,2659	0,09%	-0,94%	EUR-NZD	1,6354	0,28%	-0,23%	EUR-BRL	3,7443	0,05%	-0,39%

Sources: Reuters, Helaba Research ■