

## No pressure on the ECB

The inflation data in Germany and Spain provided a taster of the **flash estimate of EMU inflation rates**, which will be the focus of attention today. Further guidance will come from the French readings beforehand. Previous indications were mixed. While Spain announced a slight decline in the EU-harmonised annual rate, Germany reported a stable result. Inflationary pressure therefore looks set to remain muted at the EMU level. This should particularly apply to core inflation, as the price-driving effect of higher energy and food costs seems to have been offset elsewhere. The breakdown of the German preliminary results suggests that the core inflation rate will remain unchanged. Accordingly, there is no pressure on the ECB.

Core price trends are also of interest in the **US**. The **PCE deflator** excluding energy and food prices is the preferred inflation measure of the central bank. An unchanged reading of 1.4% y/y is anticipated, which would underpin the generally moderate environment for prices. Fed chair Yellen recently advocated a continuation of the gradual rate hikes, but also warned against proceeding "too gradually". Yellen said that it would be imprudent to wait for a rise in core inflation to 2% given the lagging effect of monetary policy. A December rate hike is now priced in by the market at a probability of some 70%. However, despite the slight increase in interest rate expectations, the forecast for 2018 still seems too low, also given the strong business sentiment readings. The **Chicago PMI** will provide a final indication of the national purchasing managers' index (ISM), which was already at a very high level in August at 58.8. Previous regional data have been convincing on balance and the benign economic outlook should therefore be confirmed overall.

### Latest news

- Japan: industrial production in August at +2.1% m/m and +5.4% y/y, up from -0.8% and +4.7%, respectively.
- Japan: consumer prices (Tokyo) in September +0.5% y/y; ex fresh food and energy: 0.0% y/y.

### Economic indicators and events

| Time  | Period | Indicator / event | Poll                                        | Prior     | Impact         |        |
|-------|--------|-------------------|---------------------------------------------|-----------|----------------|--------|
| 8:00  | DE     | Aug               | Retail sales                                | +3.2% y/y | +2.7%          | low    |
| 8:45  | FR     | Sep               | Consumer prices, EU-harmonised, preliminary | +1.0% y/y | +1.0%          | medium |
| 9:55  | DE     | Sep               | Unemployed, seasonally adjusted change      | -5k       | -5k            | low    |
|       |        |                   | Unemployment rate                           | 5.7%      | 5.7%           |        |
| 11:00 | EZ     | Sep               | Consumer prices, flash estimate             | +1.6% y/y | +1.5%          | high   |
|       |        |                   | Core consumer prices                        | +1.2% y/y | +1.2%          |        |
| 14:00 | UK     |                   | BoE speeches: Cunliffe, Broadbent (14:30)   |           |                |        |
| 14:30 | US     | Aug               | Consumer spending                           | +0.1% m/m | +0.3%          | medium |
|       |        |                   | Personal incomes                            | +0.2% y/y | +0.4%          |        |
| 14:30 | US     | Aug               | PCE core deflator                           | +1.4% y/y | +1.4%          | medium |
| 15:45 | US     | Sep               | Chicago PMI                                 | 58.7      | 58.9           | medium |
| 16:00 | US     | Sep               | Michigan sentiment                          | 95.3      | 95.3 (prelim.) | low    |
| 17:00 | US     |                   | Fed speech: Harker                          |           |                |        |

Sources: Bloomberg, Reuters, Helaba Research

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## Bund future remains under pressure

### Primary Market Calendar

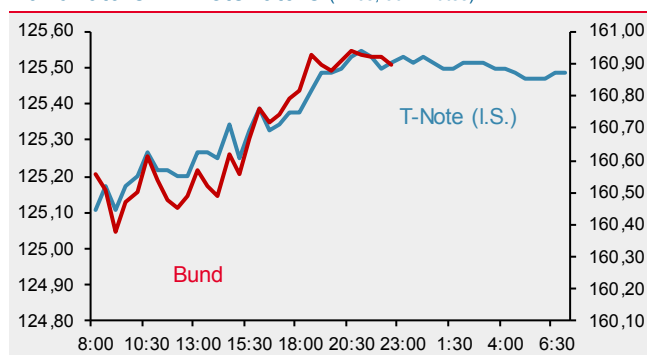
| Time  | Bond / Coupon                                | Volume |
|-------|----------------------------------------------|--------|
| 11:00 | FR Announcement of OAT auction on 5 October  |        |
| 14:00 | ES Announcement of SPGB auction on 5 October |        |

Sources: Bloomberg, Reuters, nationale Finanzagenturen, Helaba Research

### Bund-Future

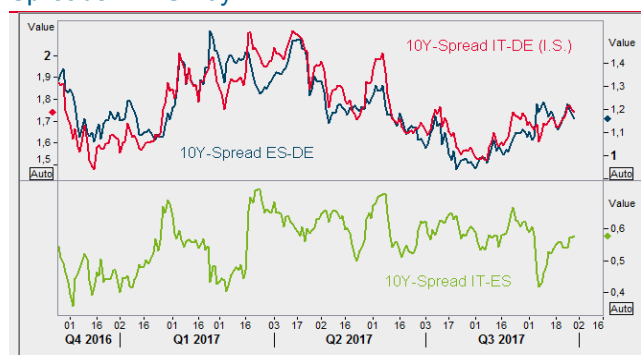
The comprehensive tax plans in the US led to a temporary rise in US yields, similar to that seen after President Trump's election. Inflation expectations are also trending upwards from a low level. However, the flash estimate of EMU inflation is unlikely to create any additional pressure for the bond market today. The technical environment remains difficult. Given the fall below the support zone of 160.50-66, a test of the 61.8% retracement of the uptrend from July to September at 159.80 and the July high of 159.77 is possible. The first supports below this are at 158.50. **Our favoured trading range: 159.80 – 161.00**

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



Sources: Reuters, Helaba Research

Spreads IT/ES 10y



Sources: Bloomberg, Helaba Research

### Primary market

Despite considerable resistance, the controversial referendum on Catalonia's separation from Spain is set to take place on Sunday. The central government will not give up trying to prevent the vote, which has been deemed illegal by the constitutional court. Escalating events on election day cannot be ruled out, although it is completely unknown whether the majority of the public will vote for independence. Spanish bonds are performing relatively well despite the high political uncertainty. While the spread versus Bunds is trending upwards, the rise in yields in Italy is more pronounced. The yield differential between 10-year Italian bonds and their Spanish counterparts has widened by around 15 to 58 basis points in the last three weeks.

### Market data

|             | last   | gg. 1T | gg. 1W |           | last      | gg. 1T | gg. 1W |            | last    | gg. 1T | gg. 1W |
|-------------|--------|--------|--------|-----------|-----------|--------|--------|------------|---------|--------|--------|
| Bund Future | 160,80 | -0,14% | -0,20% | DAX       | 12.704,65 | 0,37%  | 0,88%  | Nikkei     | 20045,8 | -0,02% | 0,31%  |
| Bund 2y     | -0,701 | -0,005 | -0,016 | EuroStoxx | 3.563,64  | 0,24%  | 0,62%  | Oil Future | 48,39   | -0,08% | 1,67%  |
| Bund 10y    | 0,474  | -0,005 | 0,023  | S&P 500   | 2.510,06  | 0,12%  | 0,31%  | Gold       | 1284,8  | -0,17% | -0,95% |
| UST 10y     | 2,316  | 0,007  | 0,063  | Dow Jones | 22.381,20 | 0,18%  | 0,14%  | Swap 10y   | 0,90    | 0,00   | 0,03   |

Quellen: Reuters, Helaba Volkswirtschaft/Research



## #MAGA fails to impact the forex market

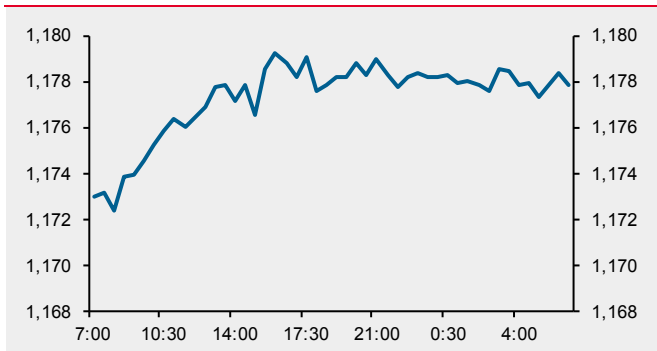
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### EUR-USD

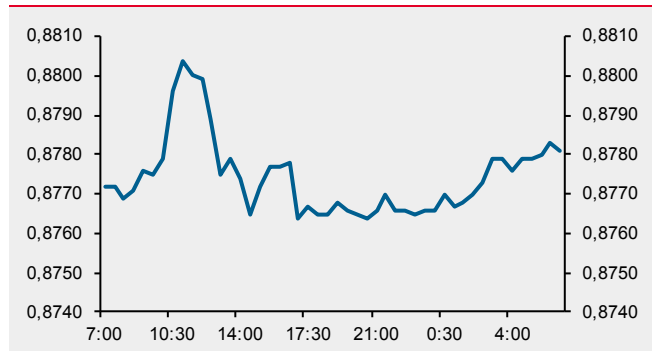
Make America great again! (#MAGA). Donald Trump's mantra was reiterated with his tax reform plans, but failed to impact the forex market. At the same time, the euro remains on the defensive in technical terms. With the lows around 1.1720, the 38.2% retracement of the last price surge from 1.1119 to 1.2092 was reached, but the overriding correction scenario remains intact. If the above level is breached, there would be potential for a move to 1.1661 initially. Below that, there are levels at around 1.1610 and at 1.15. **Our favoured trading range: 1.1700 – 1.1850.**

EUR-USD (30 minutes)



Sources: Reuters, Helaba Research

EUR-GBP (30 minutes)



Sources: Reuters, Helaba Research

### EUR-GBP

There seems to be a majority in favour of a near-term increase in the base rate at the Bank of England. Representatives of the central bank have made clear recently that such a move may be necessary. The statement issued at the last monetary policy meeting in mid-September was hawkish, as it indicated that tightening could be more significant than the market anticipates. This fuelled the appreciation in sterling. However, BoE governor Carney made reference to economic risks resulting from Brexit yesterday, undermining speculation of a steeper rate hike path. The euro temporarily recovered. It is positive to note that neither the July low of 0.8740 nor the 200-day moving average at 0.8720 has been undershot. Moreover, the uptrend seen since mid-2016 withstood a test. The support level is at 0.8737 today. The indicators in the daily chart are heading upwards. Hopes that the euro will recover above the key support zone of 0.8720 – 0.8740 and return to the overriding uptrend are justified.

|         | last   | chg. 1T | chg. 1W |         | last   | chg. 1T | chg. 1W |         | last    | chg. 1T | chg. 1W |
|---------|--------|---------|---------|---------|--------|---------|---------|---------|---------|---------|---------|
| EUR-USD | 1,1779 | 0,08%   | -1,47%  | EUR-CZK | 26,010 | -0,01%  | -0,10%  | EUR-RUB | 68,353  | 0,14%   | -0,48%  |
| EUR-GBP | 0,8778 | 0,14%   | -0,83%  | EUR-PLN | 4,3171 | 0,11%   | 1,19%   | EUR-TRY | 4,1976  | 0,07%   | 0,52%   |
| EUR-CHF | 1,1442 | 0,09%   | -1,18%  | EUR-HUF | 310,81 | 0,02%   | 0,34%   | EUR-CNY | 7,8666  | 0,29%   | -0,07%  |
| EUR-JPY | 132,66 | 0,20%   | -0,84%  | EUR-CAD | 1,4647 | -0,01%  | -0,68%  | EUR-KRW | 1348,3  | -0,13%  | -0,31%  |
| EUR-SEK | 9,5626 | 0,03%   | 0,32%   | EUR-AUD | 1,5021 | 0,13%   | 0,13%   | EUR-SAR | 15,9355 | 0,05%   | 71,91%  |
| EUR-NOK | 9,3566 | 0,03%   | 0,41%   | EUR-NZD | 1,6330 | 0,27%   | 0,34%   | EUR-BRL | 3,7483  | -0,04%  | 0,41%   |

Sources: Reuters, Helaba Research ■