

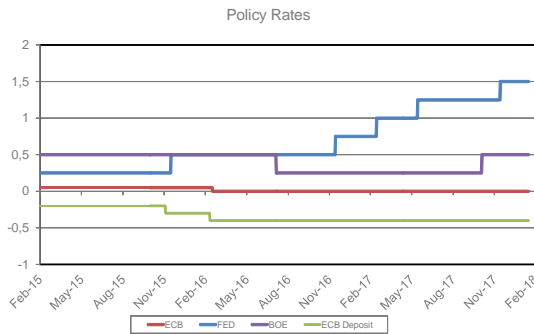


# Monthly Chartbook

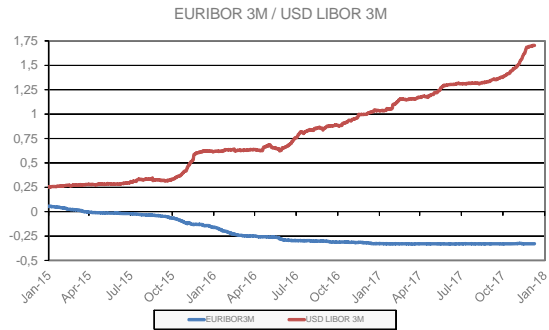
Thursday, 15 February 2018

## Markets

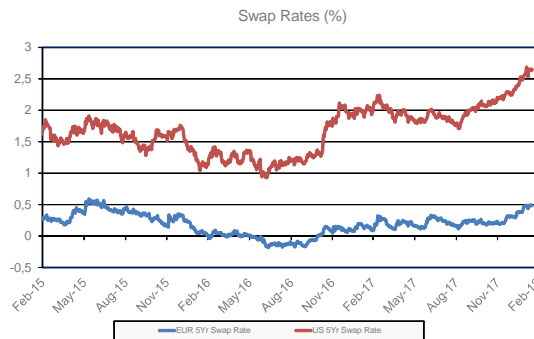
### Rates



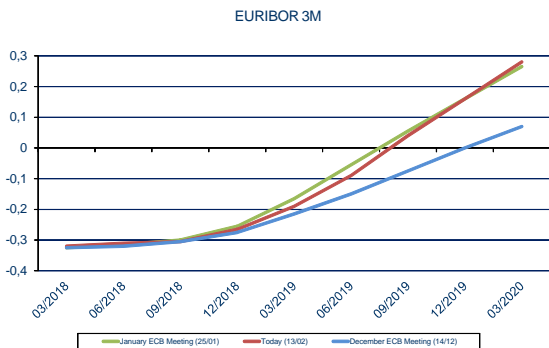
Main central banks kept policy rates unchanged at the start of the year, but the Bank of England indicated more and faster tightening going forward. A second rate hike can now be expected in May. A third one perhaps already in November.



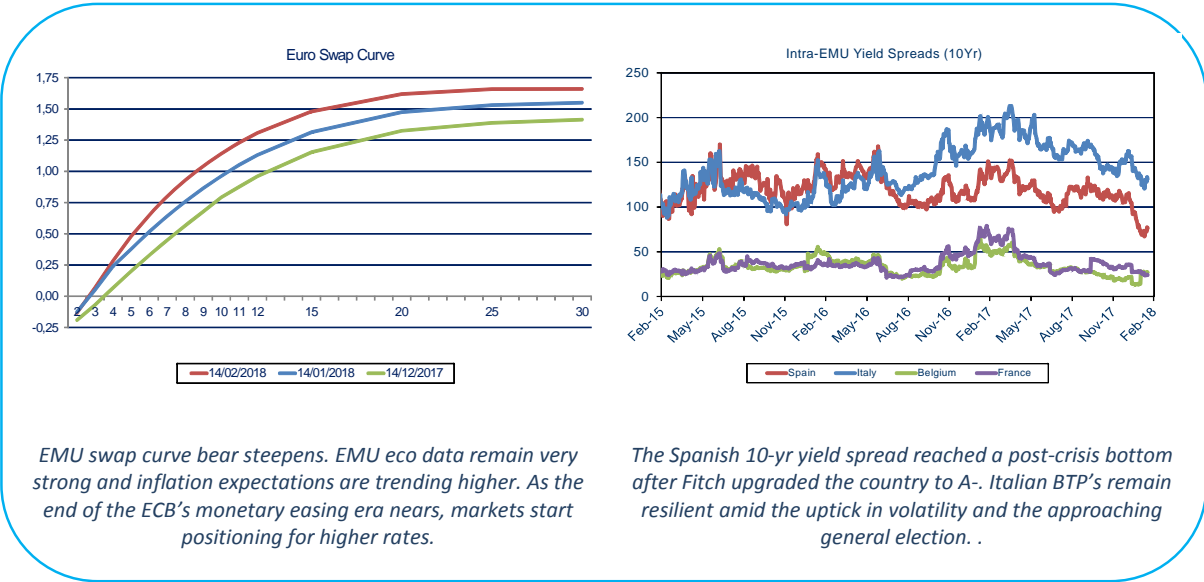
US Libor rose further with markets aligning with the Fed's 3 rate hike scenario. The balance of risks is even shifting in favour of 4 rates hikes instead of 2. Euribor rates remain flat as a first ECB hike isn't expected before mid-2019



The US 5-yr swap rate moved above 2.75% for the first time since 2010. The latest upleg was inspired by rising inflation (expectations). Underlying growth momentum and the global normalisation turn remain at play as well. The European 5-yr swap rate rose above 0.5% for the first time since mid-2015.



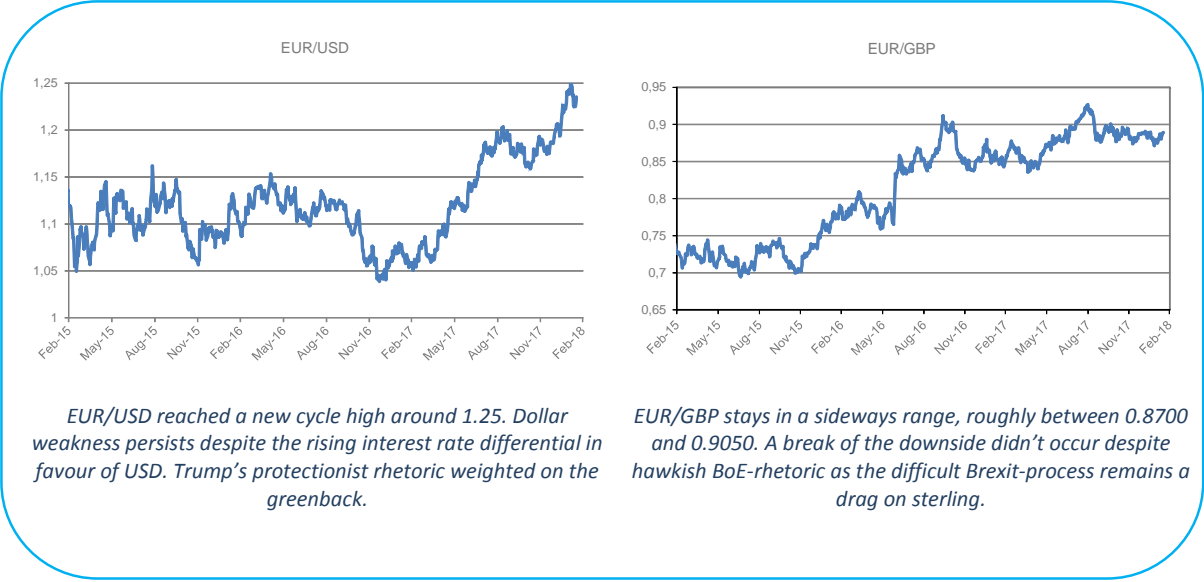
The Euribor 3 m strip curve bear steepened immediately after the January ECB meeting as ECB president Draghi hinted at the press conference that a first rate hike would be possible by mid-2019 after first ending APP. The timing of that first hike was sooner than earlier anticipated by markets.



EMU swap curve bear steepens. EMU eco data remain very strong and inflation expectations are trending higher. As the end of the ECB's monetary easing era nears, markets start positioning for higher rates.

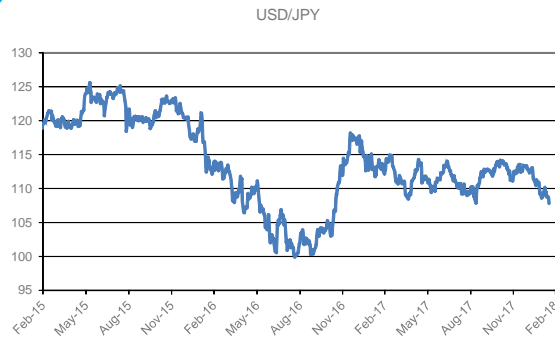
The Spanish 10-yr yield spread reached a post-crisis bottom after Fitch upgraded the country to A-. Italian BTP's remain resilient amid the uptick in volatility and the approaching general election. .

### Currencies

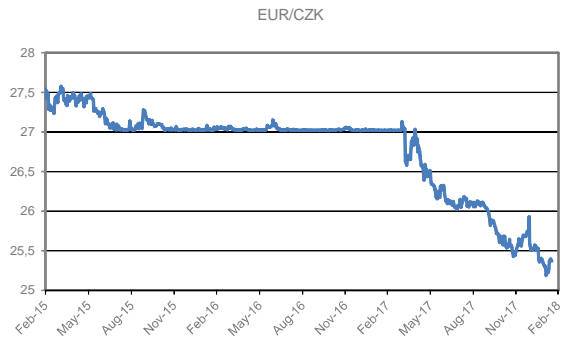


EUR/USD reached a new cycle high around 1.25. Dollar weakness persists despite the rising interest rate differential in favour of USD. Trump's protectionist rhetoric weighted on the greenback.

EUR/GBP stays in a sideways range, roughly between 0.8700 and 0.9050. A break of the downside didn't occur despite hawkish BoE-rhetoric as the difficult Brexit-process remains a drag on sterling.



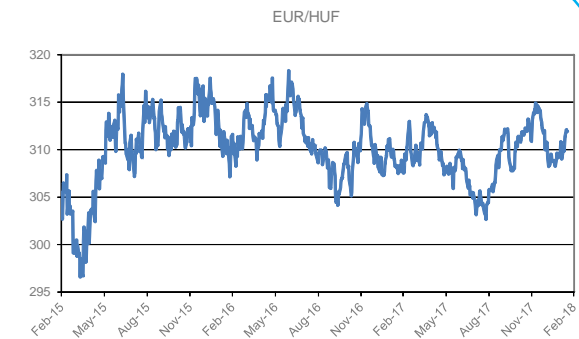
*USD/JPY is the exponent of dollar weakness. The pair tests key support around 106.50. Investors seem to challenge Japanese officials as they say that current levels of the yen don't warrant FX interventions.*



*EUR/CZK: the CNB hiked its policy rate from 0.5% to 0.75%. We expect two additional tightening moves during the year and a strengthening of the koruna towards EUR/CZK 25. Governor Rusnok sounded slightly dovish though after the policy meeting.*

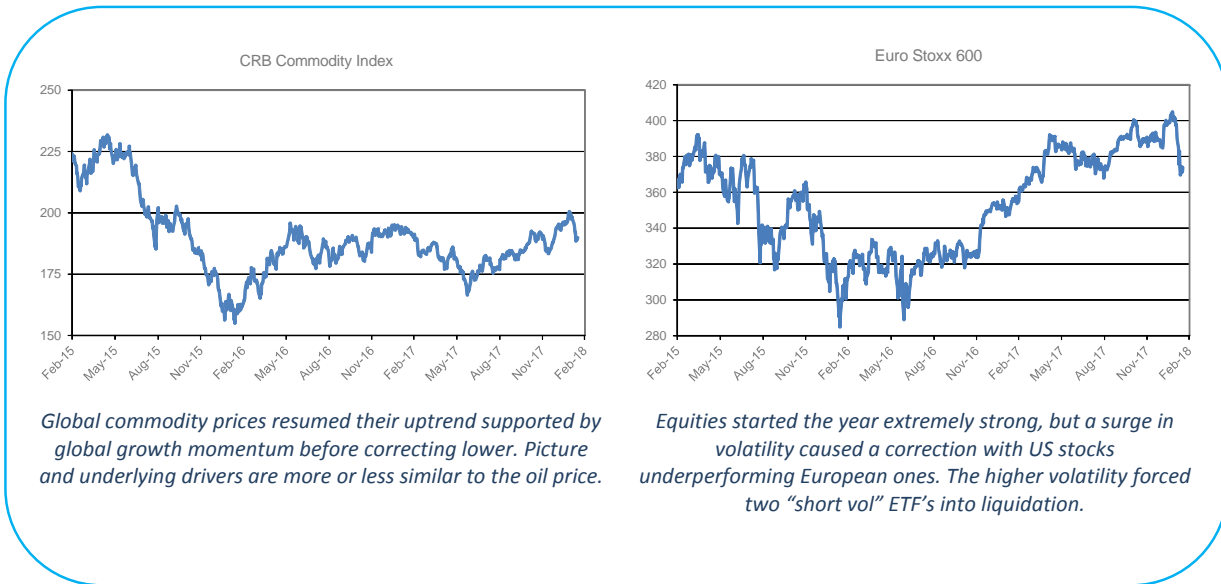
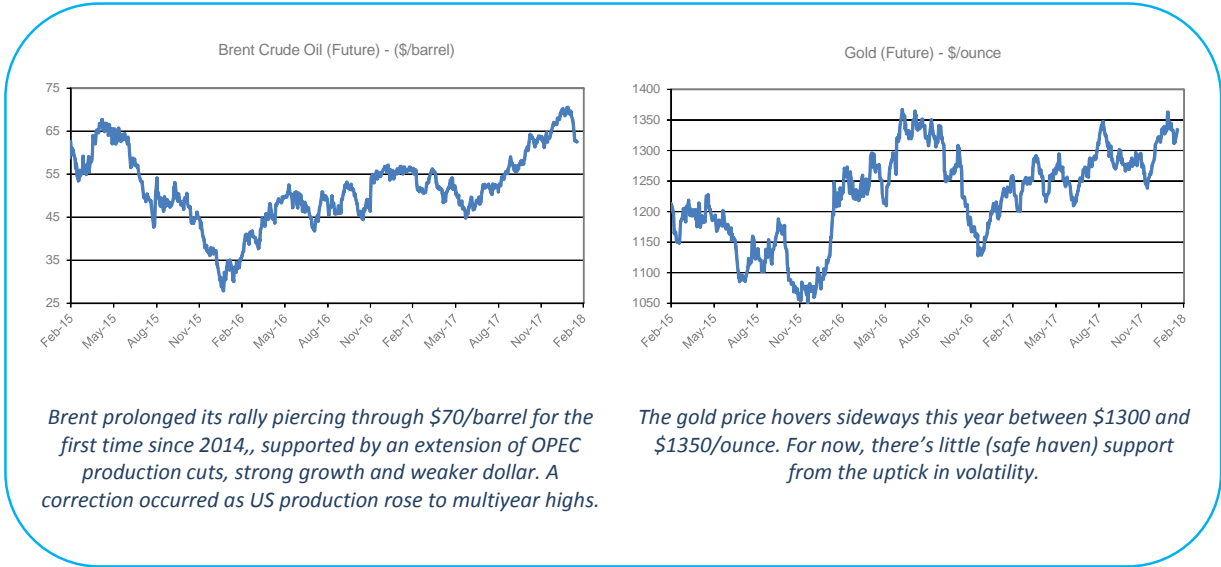


*The Polish zloty lost some ground this month because of the uptick in market volatility and as the NBP downplayed normalisation expectations. Governor Glapinski delayed the expected timing of a first hike from the end of this year to next year.*



*EUR/HUF: The forint trades stable between 305 and 315 already for a remarkable amount of time. The MNB continues pursuing an extremely easy policy despite strong underlying growth and inflation momentum.*

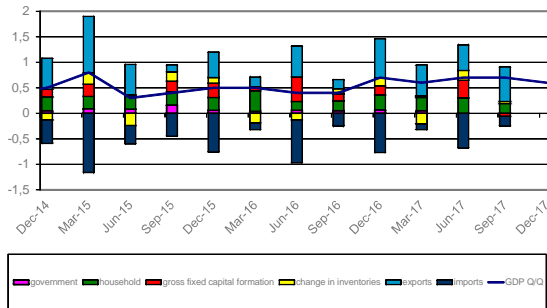
Others



# Economic Overview

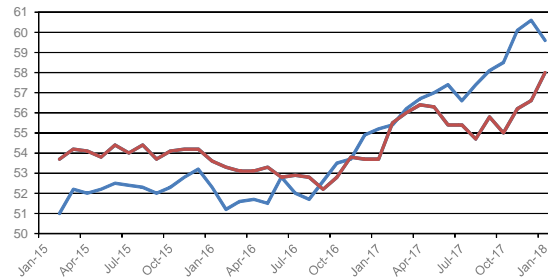
## Eurozone

Euro zone GDP (Q/Q contribution to growth)



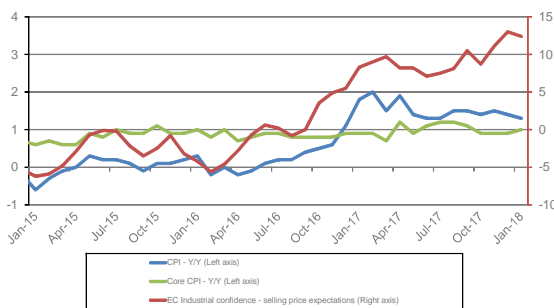
EMU growth reached 0.6% Q/Q and 2.7% Y/Y in Q4 2017. The 2017 growth rate was the strongest since 2007 and EMU growth is expected to remain above trend in coming years.

Euro zone PMI Manufacturing (blue) & Services (red)



Sentiment in the euro zone manufacturing sector and services sector remains at very elevated levels. The combined composite PMI (58.8) suggests that the EMU economy enjoys its fastest growth pace in almost 12 years.

Euro zone Inflation

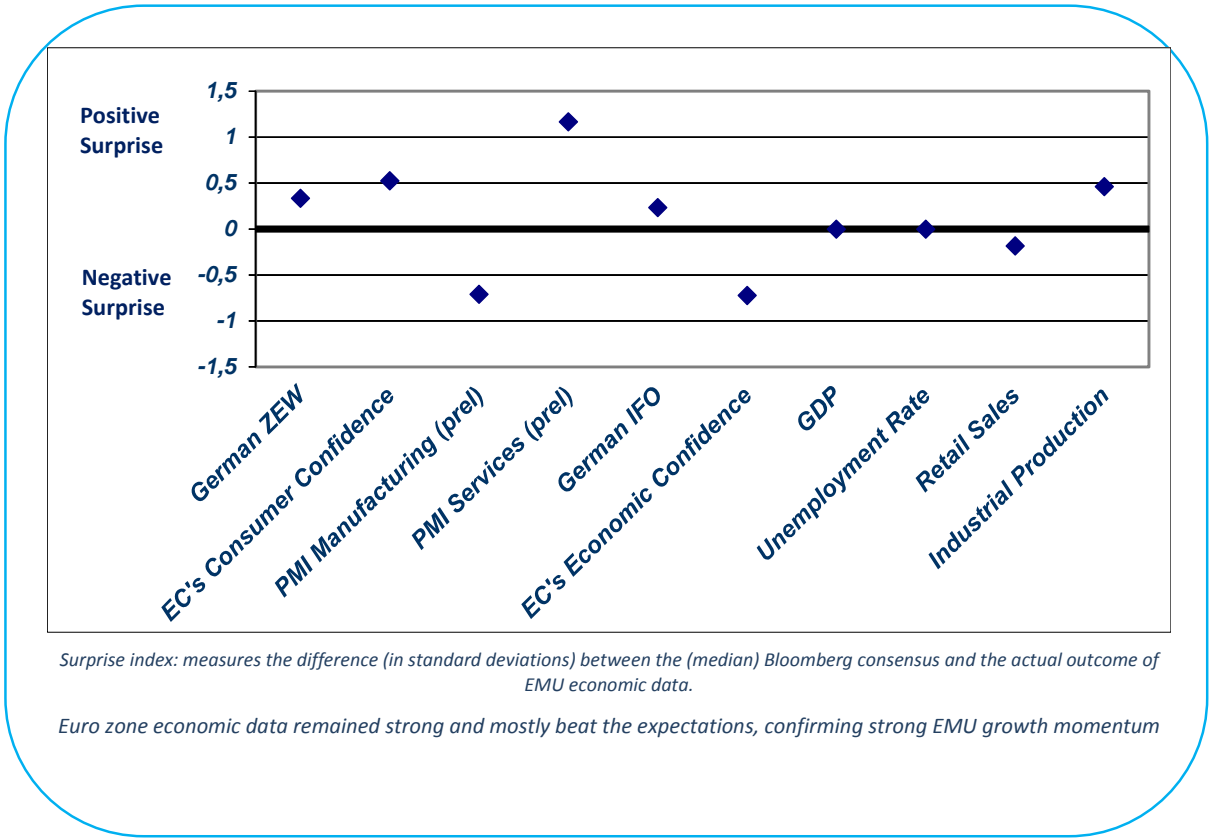
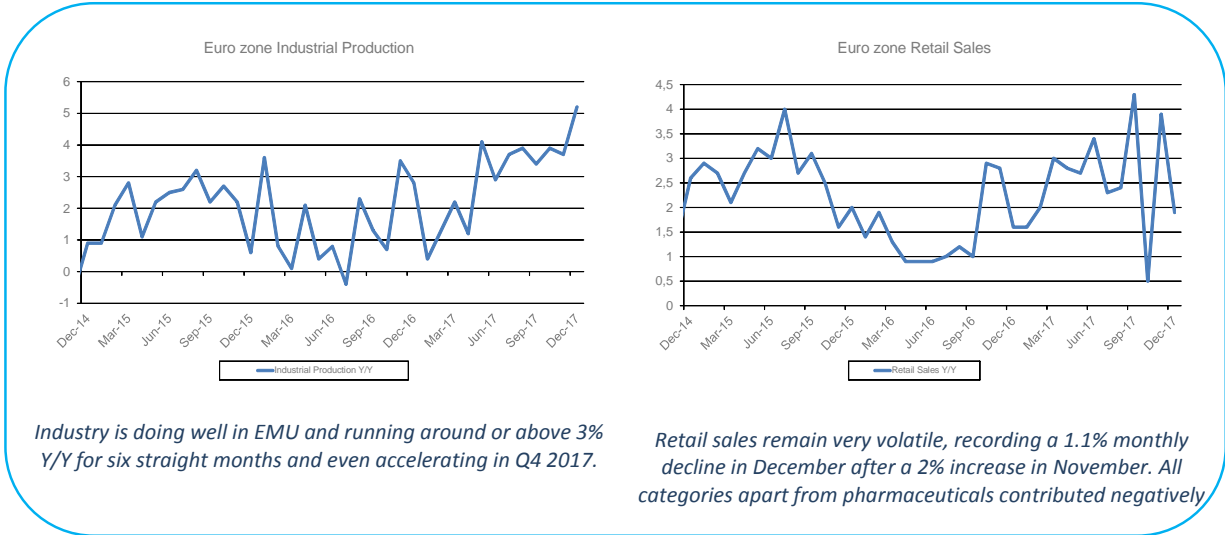


EMU headline inflation fell to 1.3% Y/Y in January. Core inflation unexpectedly increased to 1.0% Y/Y. No signs that inflation is sustainably moving towards the ECB target (2%) but the selling price expectations component of EC industrial confidence might be an omen.

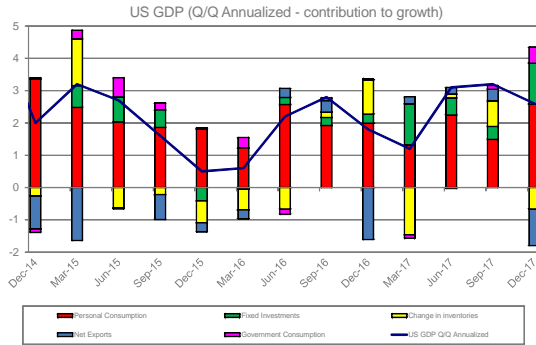
Euro zone Unemployment



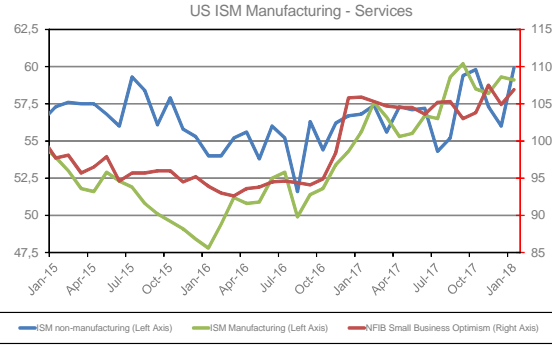
The euro zone unemployment rate stabilized at 8.7%, matching the lowest level since January 2009. Survey evidence suggests that the decline will continue.



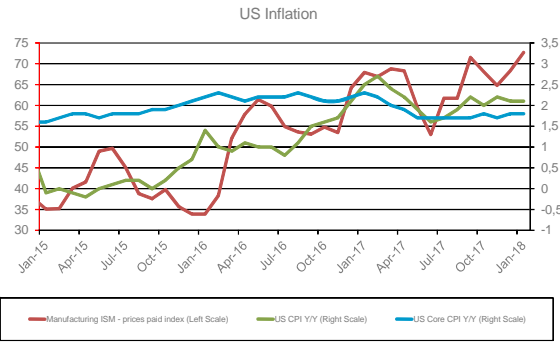
US



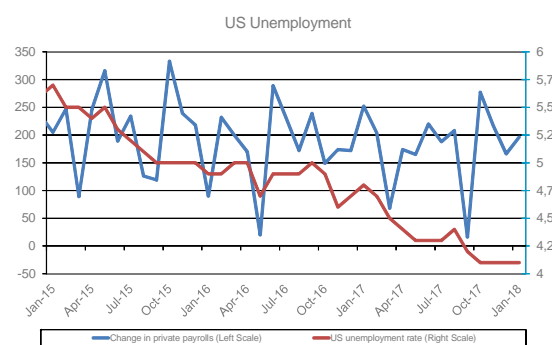
The US economy grew by 2.6% Q/Qa in Q4, slightly below Q3's 3.1% Q/Qa. Personal consumption and investments made a strong positive contribution while net exports dragged.



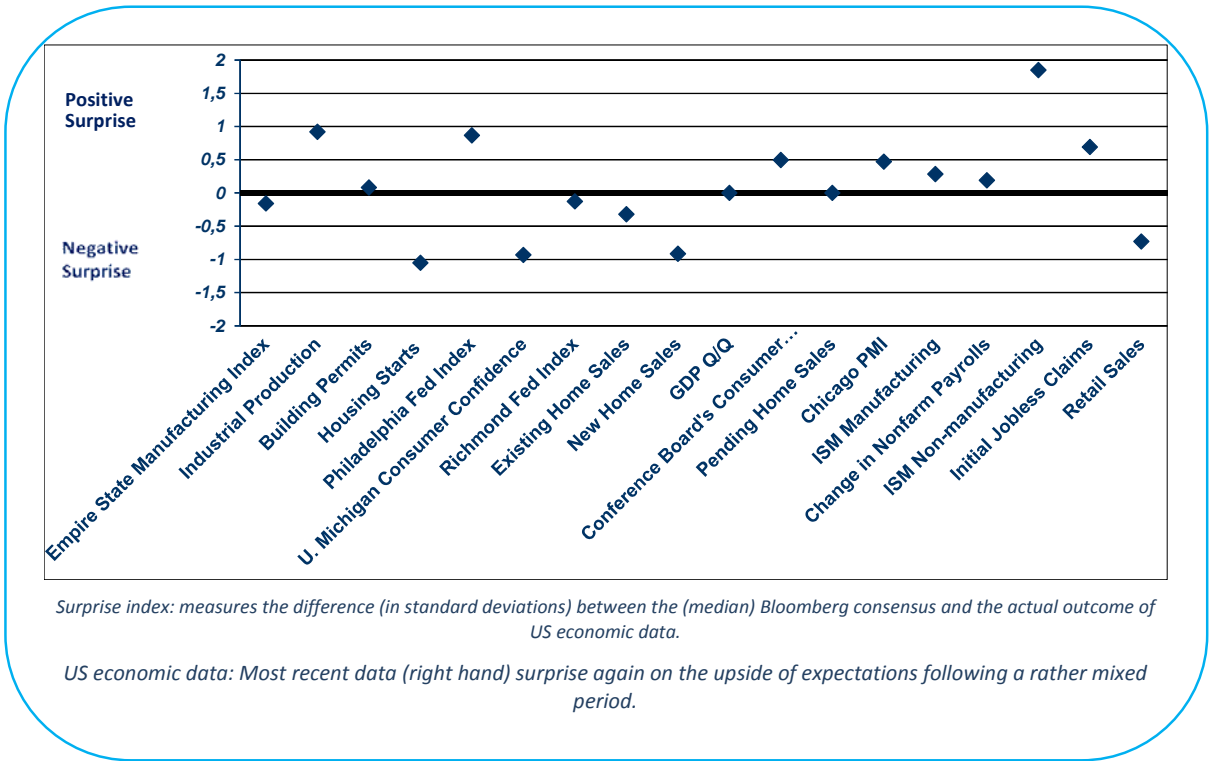
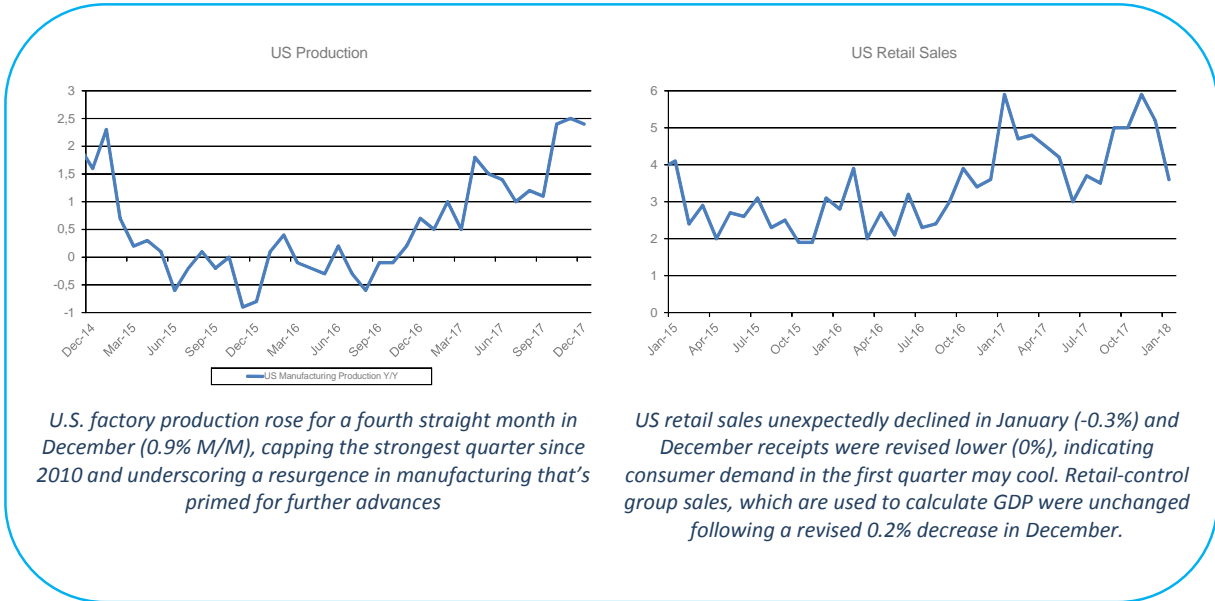
Business sentiment indicators remain at very high levels in the US as well. We pay especially attention to the manufacturing ISM's prices paid component, which surged to an incredibly high 72.7!



US headline inflation (2.1% Y/Y) and core inflation (1.8% Y/Y) both stabilized while consensus expected a setback. Current inflation readings and rising inflation expectations both warrant a continuation of the Fed's tightening cycle.



December payrolls beat expectations (200k) while the unemployment rate stabilized at a multiyear low (4.1%). The US labour market keeps humming at a very healthy rate and tightness finally translates into higher wages (2.9% Y/Y)





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