

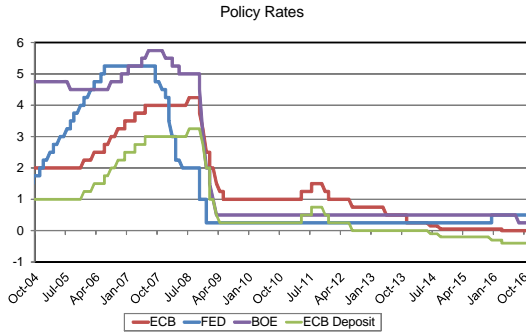


Monthly Chartbook

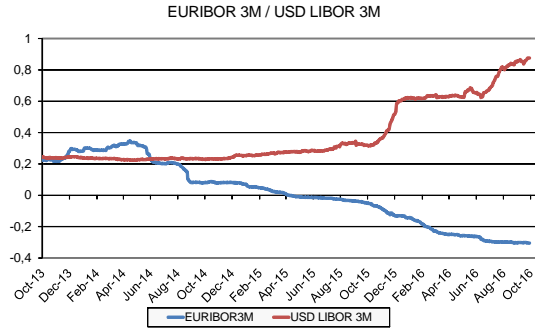
Wednesday, 12 October 2016

Markets

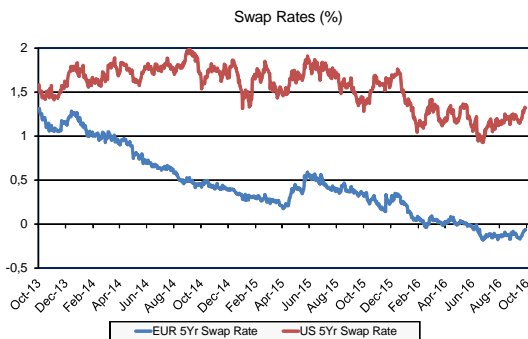
Rates



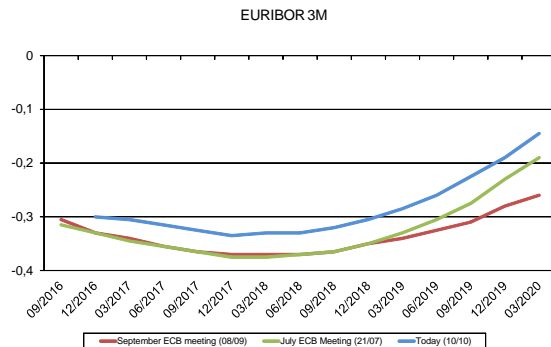
Did we reach the bottom of the rate cycle at the 4 big central banks or does the BoE surprise with another rate cut at the end of the year?



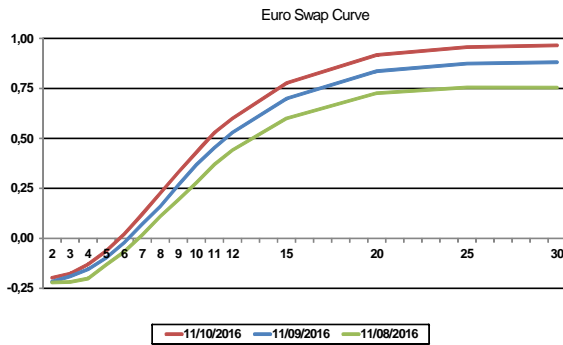
Euribor rates stabilized over the past month. US Libor rates rose to a new cycle high in anticipation of a (December?) rate hike.



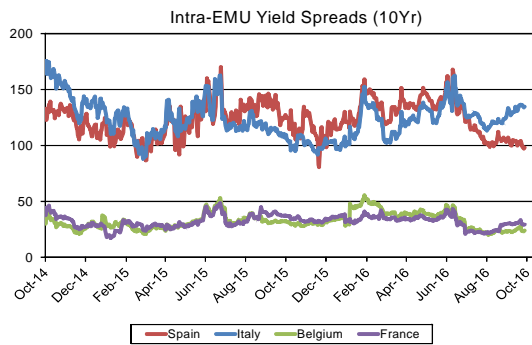
EUR and US 5yr swap rate: Bottoming out process as the end of the ECB easing cycle could be near and the Fed is expected to continue its tightening cycle.



The Euribor forward curve shifted significantly higher since the September meeting as the ECB seems no longer willing to ease monetary policy at whatever cost, while first QE tapering rumours already hit the screens.

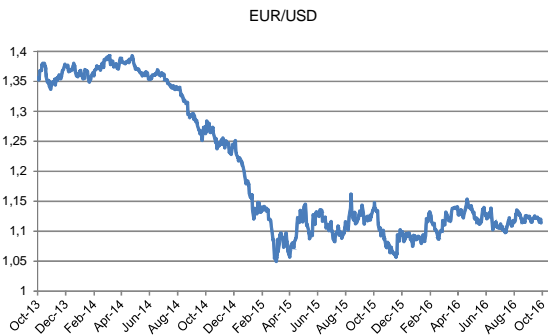


The European swap curve shifted higher and steepened as some investors position for ECB QE tapering after March 2017.

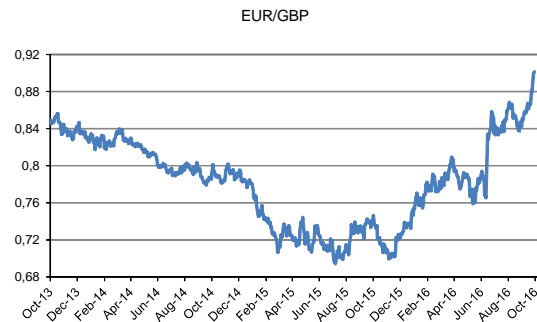


Italy underperforms Spain as uncertainty over the outcome of Renzi's referendum rises and as the Italian banking sector remains very fragile.

Currencies

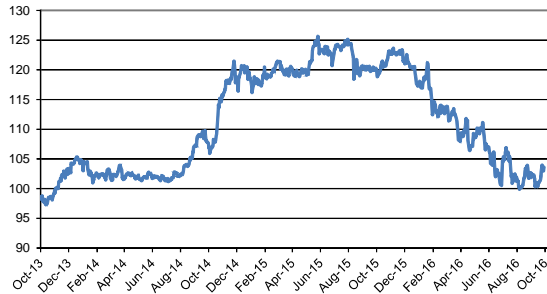


During summer, EUR/USD held a tight sideways range as the relative policy shifts between the Fed and ECB were limited. Currently, Fed rate hike expectations prevail again, pushing EUR/USD lower in the range



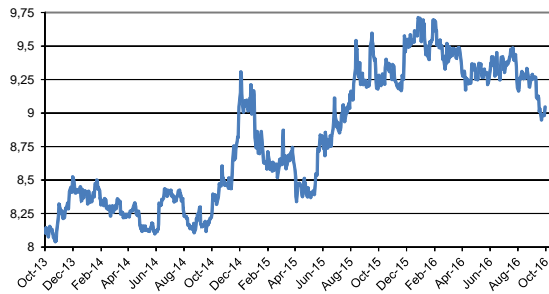
Sterling was hammered immediately after the Brexit vote. The UK economy withstood the first Brexit shock well, but the prospect of further BoE easing and uncertainty on a "hard Brexit" keep sterling in the defensive .

USD/JPY



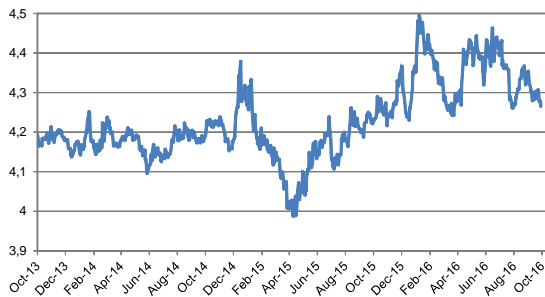
The yen didn't weaken after the September BOJ policy meeting. However, USD/JPY finally gained ground on overall USD strength as US bond yields trended higher. A break above first resistance at 104.32 didn't occur.

EUR/NOK



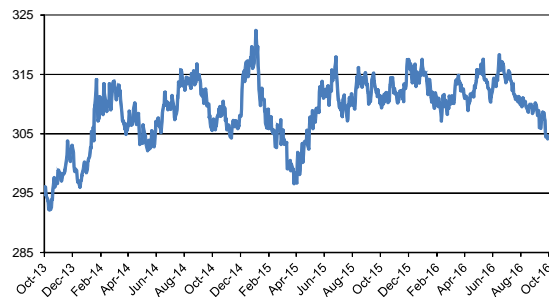
The Norwegian Krone strengthened as higher inflation reduced the chances for further policy easing. Rising oil prices helped the pair return to the EUR/NOK 9.00 barrier

EUR/PLN



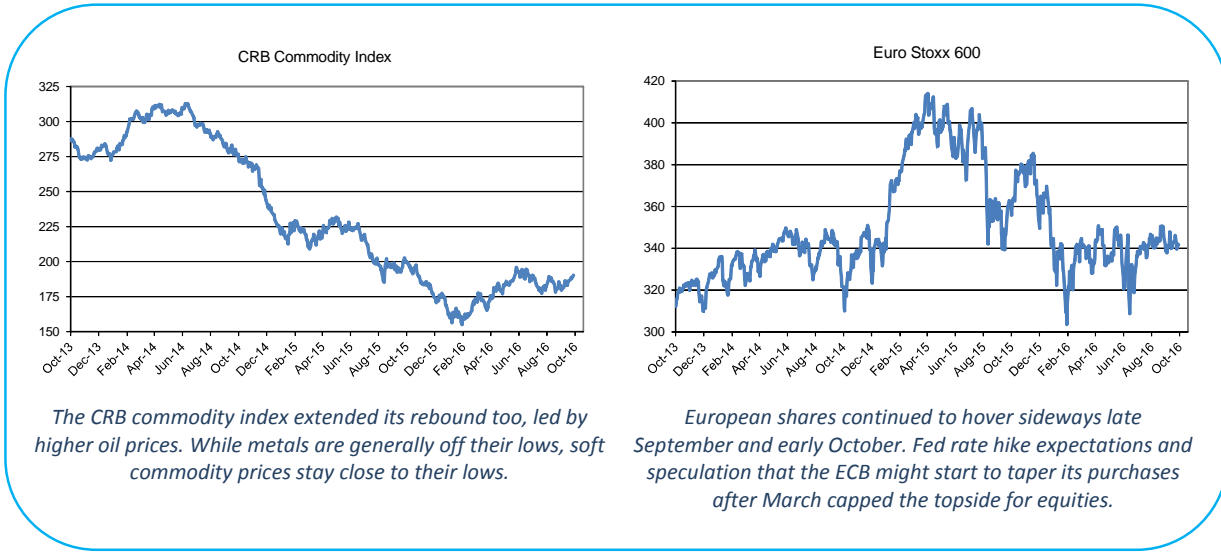
The zloty rebounded as market fears on the appointment of new NBP members by the government eased. The fundamentals are modestly PLN supportive. The zloty probably won't lose any further interest rate support anymore.

EUR/HUF



The forint was already better bid earlier this year as the MNB easing cycle halted. The currency was additionally supported by improving economic fundamentals. This improvement was illustrated by a credit rating upgrade.

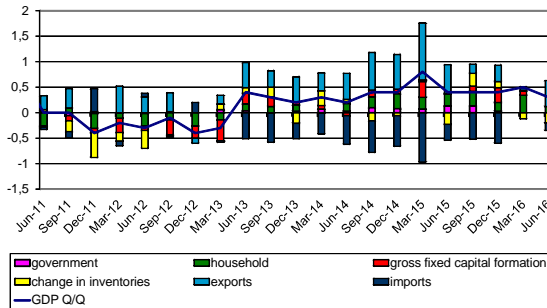
Others



Economic Overview

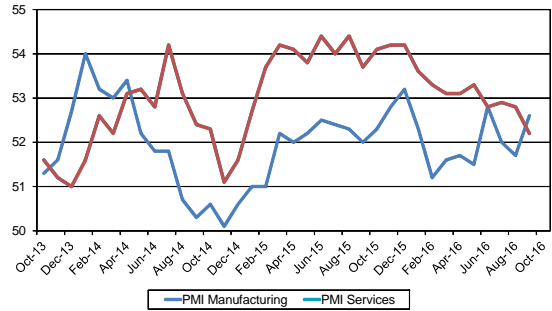
Eurozone

Euro zone GDP (Q/Q contribution to growth)



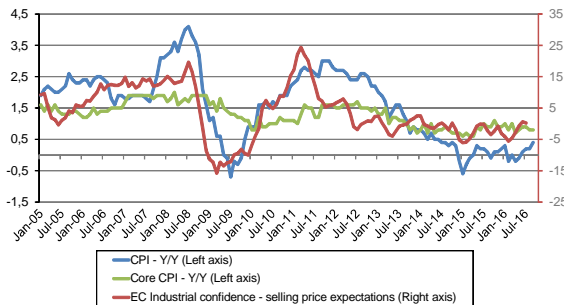
Euro zone economic growth slowed to 0.3% Q/Q in the second quarter, down from 0.5% Q/Q at the start of the year. Growth in personal consumption slowed, but export growth picked up, which was however offset by a bigger drag from inventories.

Euro zone PMI Manufacturing & Services



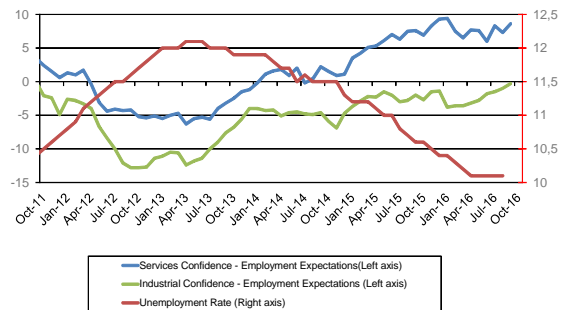
Growth in the euro zone services sector slowed further in September, to its weakest pace since the end of 2014. Sentiment in the manufacturing sector however picked up, above the services sector's measure.

Euro zone Inflation

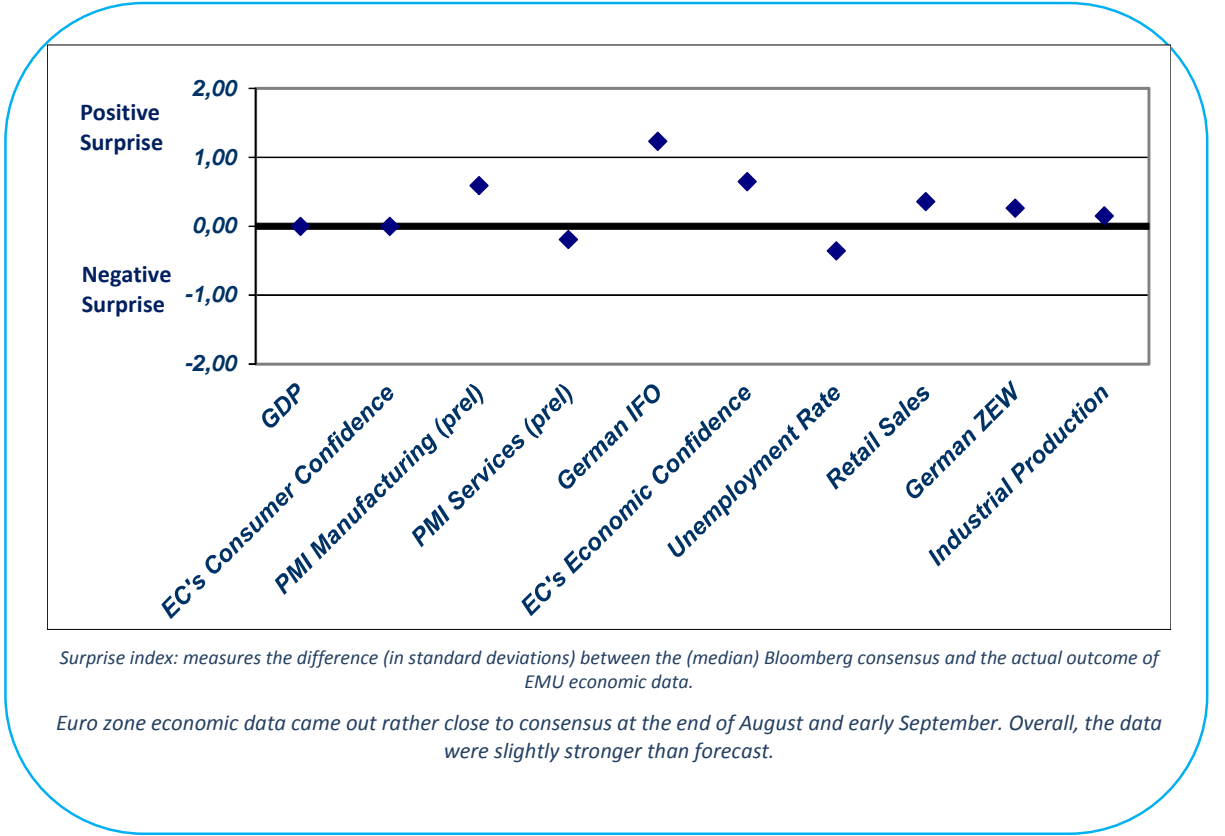
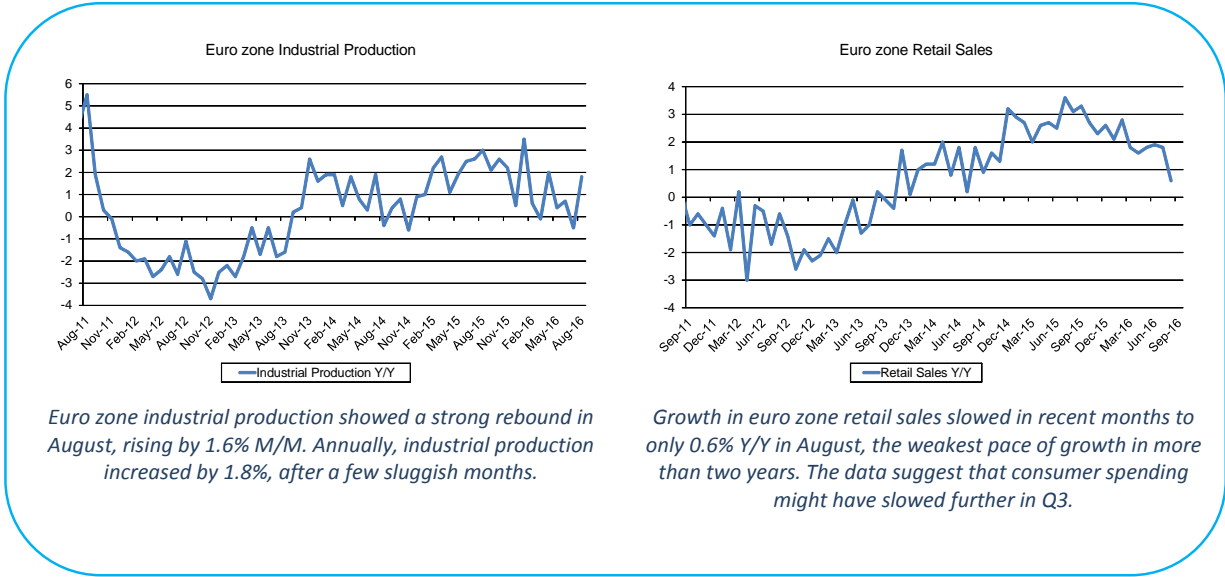


EMU headline inflation extended its uptrend in September as the drag from energy prices eases. Headline inflation rose from 0.2% Y/Y to 0.4% Y/Y, its highest level since January. Core inflation stabilized at 0.8% Y/Y.

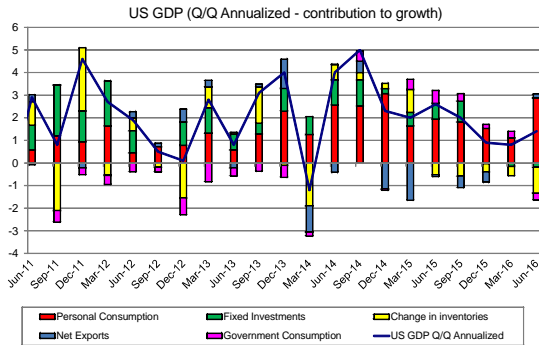
Euro zone Unemployment



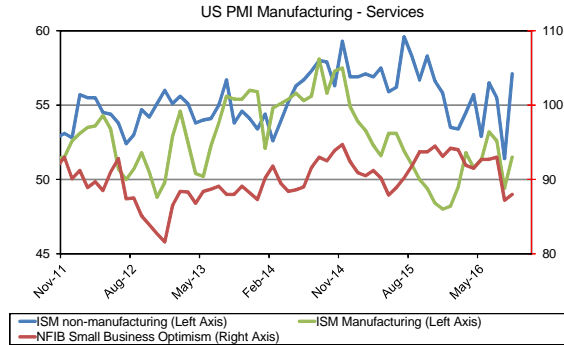
The downtrend in the euro zone unemployment rate has stalled. In August, the unemployment rate stabilized at 10.1%, for a fourth straight month. Most survey data show labour market conditions continue to improve, suggesting that the unemployment rate will trend further down.



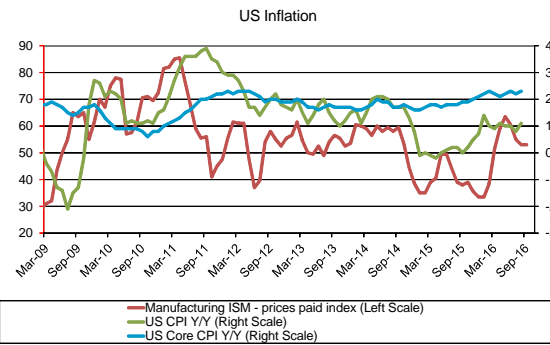
US



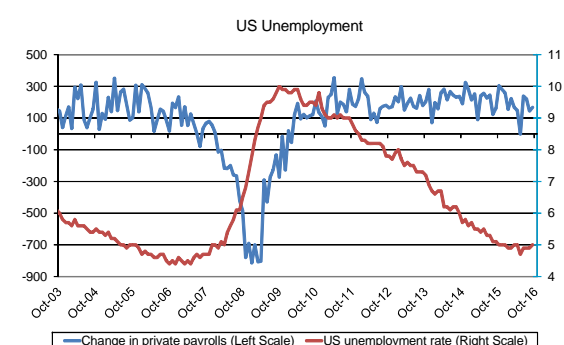
US economic growth picked up only marginally in the second quarter, to 1.4% Q/Qa from 1.1% Q/Qa at the start of the year. Growth in personal consumption picked up again, but the drag from inventories increased too.



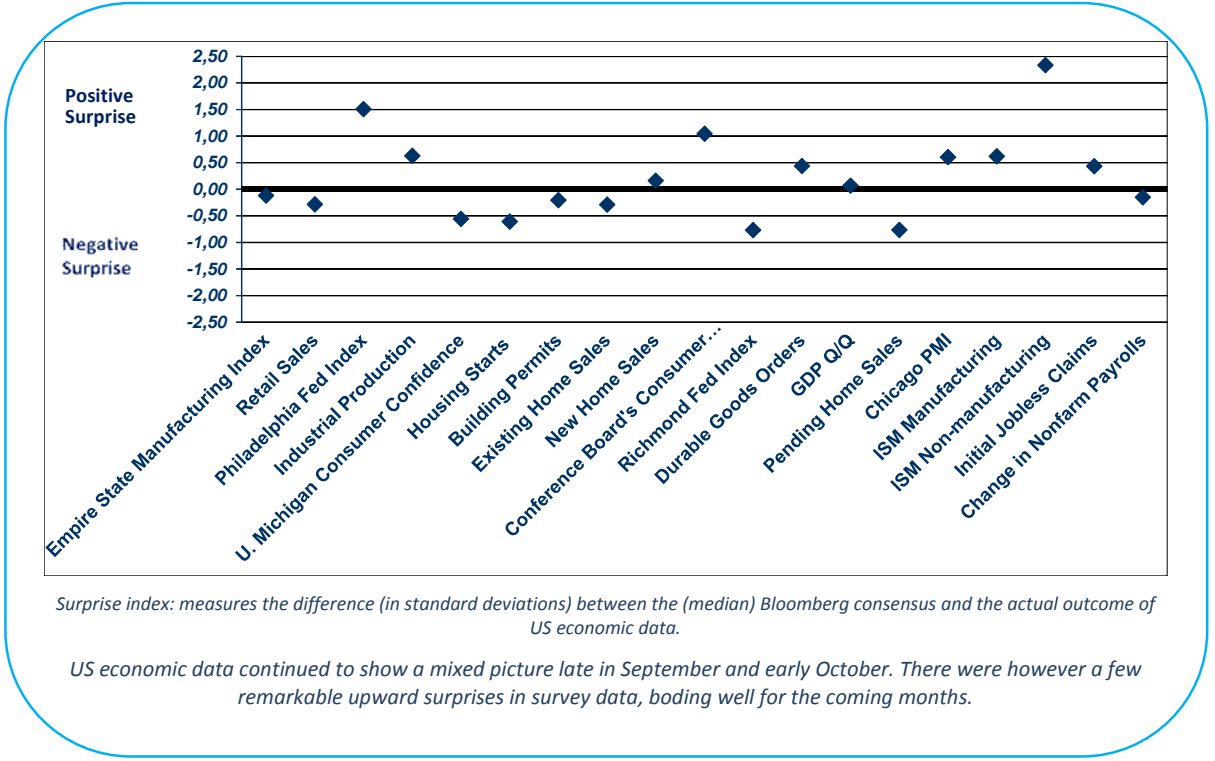
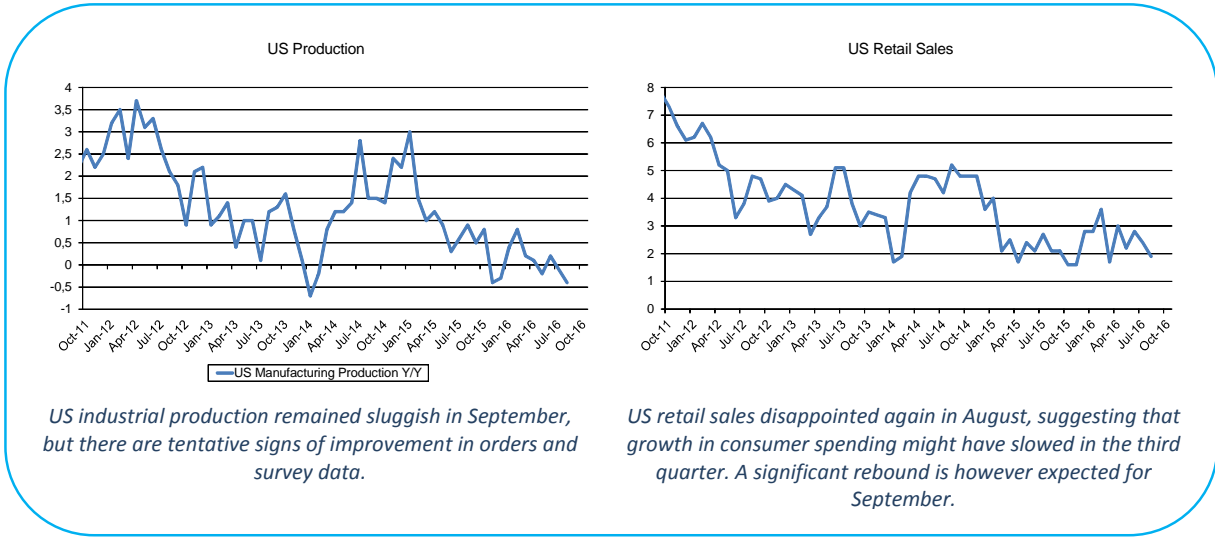
After very poor August figures, both the US manufacturing and non-manufacturing ISM rebounded in September. Especially the rebound in the non-manufacturing ISM was impressive, suggesting that the upcoming elections are not yet weighing on sentiment.



US headline inflation picked up from 0.8% Y/Y to 1.1% Y/Y in August as the drag from energy prices is easing, which will push the headline rate further up in the coming months. Core inflation picked up too, from 2.2% Y/Y to 2.3% Y/Y.



In September, the payrolls report failed again to convince. Private sector payrolls picked up from 144 000 to 167 000, broadly in line with the recent trend. The unemployment rate picked up from 4.9% to 5%, but the underlying picture strengthened.



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