



Wednesday, 25 April 2018

KBC Sunrise Market Commentary

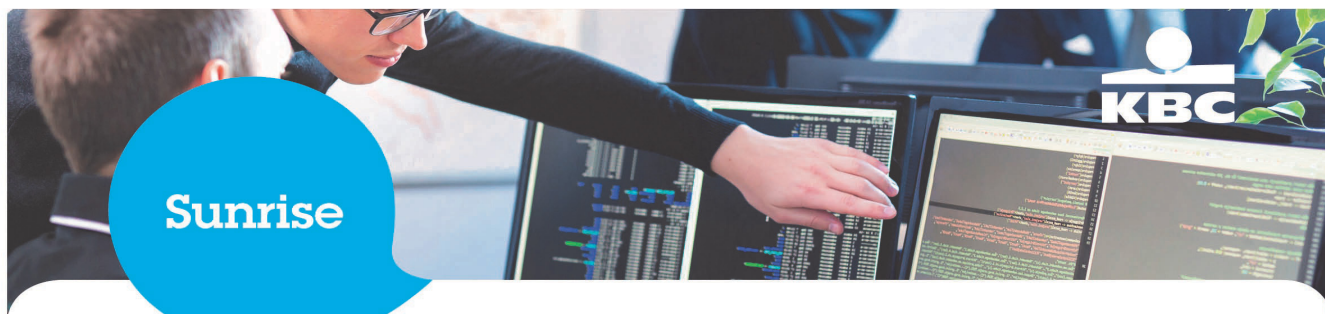
Markets

- Yesterday, the US 10-y yield testing the psychological barrier of 3.0% was the key feature for global bond trading.** The outcome of the this market battle was **also important for other markets.** EMU confidence data, including the German IFO business survey, were again soft, but didn't improve bond sentiment in a profound way. Selling reaccelerated in US dealings. It even looked that a stronger than expected US consumer confidence and US new home sales would be able to force the 10-y yield break. **The 3.0% level flashed on the screens, but the test was rejected.** The rise in (US) yields (and other, corporate related issues) finally triggered a setback on the equity markets. This equity correction counterbalanced/blocked the upward momentum in core yields. **In a daily perspective, the US yield curve bear steepened, with the 10 and 30-year rising 4bp +.** The US 10-y closed at 2.99951. German yields finished the day little changed, even marginally lower.

Today, the US and EMU eco calendar is almost empty. This won't prevent the battle for key US yield levels to continue. Asian equities show modest losses. A further stock market correction might slow the rise in core bond yields. However, a test/ break **of the key resistance in the US 10-yr (3.05%/3.07%) and 30-yr yield (3.22%) might still be on the cards if upcoming US eco data remain solid. The German 10-yr yield bounced off key support levels (0.46%/0.48%), consolidating since the end of March. Last week's move suggests the start of a new upleg, but the approaching ECB meeting is a hampering factor short term.**
- Yesterday, the **dollar initially maintained a positive momentum.** USD/JPY jumped temporary north of 109 and EUR/USD set a minor new correction low below 1.22. However, the dollar rally was blocked later in the session as the rise in US yields eased and as sentiment turned risk-off. **Even so, the correction of the US currency remained modest.** This morning, the dollar is holding within reach of the recent peaks against most majors. **A correction on the equity market markets might make the picture a bit murky for the dollar.** However, we have the impression that the dollar maintains the benefit of the doubt. The **EUR/USD 1.2155 rang bottom** is again on the radar. The trade-weighted USD (DXY) is close to a comparable level (91 range top). A break would improve the ST picture of the USD.
- Yesterday, EUR/GBP continued the consolidation pattern in the mid 0.87 area. UK eco data (Budget data and CBI order data) were mixed and had little impact on sterling. Sterling held off the recent lows despite ongoing noise on Brexit and despite reduced market expectations on a BoE rate hike. Today, there are no important eco data in the UK. So global sentiment and **Brexit headlines (debate on the customs union) will again set the tone for sterling trading.** For now, the EUR/GBP 0.88 resistance looks quite solid short term.

News Headlines

- US equity indices turned south after a positive open.** Higher bond yields and uncertainty on the outlook for corporate earnings after strong Q1 earnings weighed on equities. The Dow Jones and the Nasdaq closed the session 1.70% lower. Asians equities are also trading in negative territory, but losses are more modest than in the US.
- U.S. President Trump indicated that **a new NAFTA agreement could reached in the near future.** Foreign trade Ministers from Canada, the US and Mexico met in Washington. Especially the progress made on the key issue of automobile production looks promising.
- Today, the eco calendar in the US and European only contains **second tier data releases.** The **earnings season is in full swing** with, amongst many others, Boeing, Twitter, Visa, AT&T and Facebook reporting results. Markets will also look forward to tomorrow's ECB policy meeting/press conference.

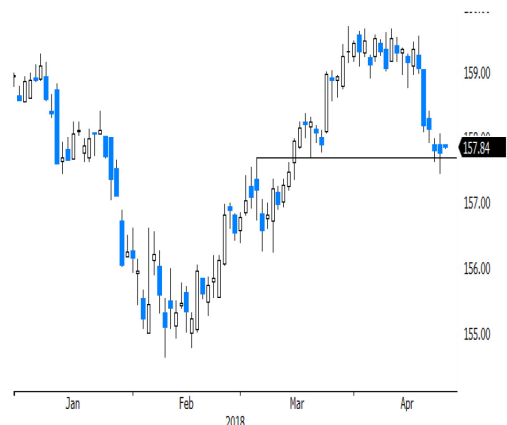


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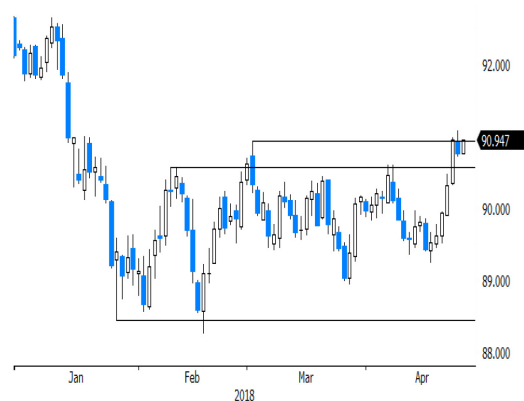
Graphs & Table



US 10-year yield testing the key 3.0%/3.07% resistance area:



Bund future contract: decline slows ahead of ECB meeting



USD trade-weighted: testing MT range top. :



EUR/USD: 1.2155 range bottom coming on the radar :

Calendar

Wednesday, 25 April		Consensus	Previous
France			
08:45	Consumer Confidence (Apr)	100	100
Spain			
09:00	PPI MoM / YoY (Mar)	--/--	0.1%/1.3%
Events			
Q1 Earnings	Boeing (Bef mkt), Twitter (13:00), Visa (Aft-mkt), AT&T (22:01), Facebook (22:05),...		
09:00	ECB's Villeroy, Knot, Lane Speak in Paris		
11:00	Italy holds zero-coupon and inflation-linked auction		
17:30 & 19:00	US To Sell \$17bn 2-yr FRN & \$35bn 5-yr Notes		

10-year	Close	-1d		2-year	Close	-1d		Stocks	Close	-1d
US	3.00	0.02		US	2.47	0.00		DOW	24024.13	-424.56
DE	0.63	-0.01		DE	-0.55	0.00		NASDAQ	7007.353	-121.25
BE	0.88	-0.01		BE	-0.48	0.00		NIKKEI	22215.32	-62.80
UK	1.54	0.00		UK	0.88	0.01		DAX	12550.82	-21.57
JP	0.06	0.01		JP	-0.13	0.00		DJ euro-50	3510.88	-2.18
IRS	EUR	USD	GBP	EUR	-1d	-2d		USD	-1d	-2d
3y	0.06	2.85	1.26	Eonia	-0.3670	0.0010		Libor-1	1.8971	0.0000
5y	0.42	2.93	1.43	Euribor-1	-0.3720	0.0000		Libor-3	2.3595	0.0000
10y	1.03	3.03	1.64	Euribor-3	-0.3280	0.0000		Libor-6	2.5156	0.0000
				Euribor-6	-0.2700	0.0000				
Currencies	Close	-1d		Currencies	Close	-1d		Commodities	Close	-1d
EUR/USD	1.2233	0.0024		EUR/JPY	133.11	0.40		CRB	200.08	-0.64
USD/JPY	108.82	0.11		EUR/GBP	0.8751	-0.0006		Gold	1333.00	9.00
GBP/USD	1.3978	0.0038		EUR/CHF	1.1976	0.0033		Brent	73.86	-0.85
AUD/USD	0.7604	-0.0001		EUR/SEK	10.4067	0.0059				
USD/CAD	1.2833	-0.0016		EUR/NOK	9.6661	0.0367				

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