

**Tuesday, 30 April 2019**

## Rates: Eco data are expected to be bond supportive

The March rebound in Chinese PMI data doesn't persist in this morning's April figures. Weaker data and disappointing earnings push core bonds higher. The **Q1 EMU GDP** reading could be a reality check. Downside risks to most of today's eco data suggests core bonds will hold their upward momentum.

## Currencies: dollar to cede some ground ahead of tomorrow's Fed meeting.

EUR/USD initially hovered sideways on mixed US and EMU eco data yesterday. However, the dollar finally met some modest selling pressure. Investors area maybe reducing some USD long exposure as recent soft US price data will dominate the Fed's assessment at tomorrow's policy meeting. Today's data might allow this EUR/USD rebound to continue.

## Calendar

# Headlines

S&P	→
Eurostoxx 50	↗
Nikkei	→
Oil	→
CRB	→
Gold	→
2 yr US	→
10 yr US	→
2yr DE	→
10 yr DE	↘
EUR/USD	↘
USD/JPY	↗
EUR/GBP	→

- **US equities** eked out small gains yesterday. The Nasdaq “outperformed” (+0.19%). **Asian shares** are trading mixed. China manages to stay in positive territory despite softer than expected PMI's. India underperforms (-0.75%).
- **Chinese PMI's came in weaker than expected.** Caixin's private manufacturing PMI also decreased to 50.2 (down from 50.8). The official manufacturing PMI edged lower from 50.5 to 50.1. Services slipped from 54.8 to 54.3.
- **Belgian preliminary GDP growth increased 0.2% QoQ** (1.1% YoY) during the first quarter, the lowest rate since 2017Q3 and down from an upwardly revised 0.4% QoQ in 2018Q4.
- **IMF's Christine Lagarde said she expects the US and China to reach a trade deal**, adding she did not see the US slipping into a recession after the stronger than expected US GDP growth figures.
- **French GDP expanded 0.3% QoQ** (1.1% YoY), matching expectations. Household consumption (0.4%) rebounded after flatlining in 2018Q4 while exports slumped (0.1%). Fixed investment (0.3%) more or less stabilized vs. the previous quarter.
- **UK's opposition Labour party is to unveil its Brexit strategy** during the party's ruling council today. Labour is divided by pro EU members seeking a second referendum and lawmakers from Leave voting districts.
- **Today's economic calendar** is of high importance. Inflation and Q1 GDP growth in the EMU will be closely watched. The US publishes the Conference Board consumer confidence and Chicago PMI. US-Sino trade negotiations restart.

# Rates

## EMU Q1 GDP: reality check?

	US yield	-1d
2	1,19	0,00
5	1,93	0,00
10	2,44	0,00
30	3,07	0,00

	DE yield	-1d
2	-0,79	-0,02
5	-0,56	-0,03
10	0,18	-0,03
30	0,92	-0,03

Core bonds suffered some losses in yesterday's bizarre trading session which mainly centered around disappointing EMU/US eco data. Stock markets and oil prices hovered near opening levels with new highs for main US indices. The German yield curve bear steepened with yields 1.6 bps (2-yr) to 2.6 bps (30-yr) higher. The US yield curve moved in similar fashion with yields adding 1 bp (2-yr) to 3.1 bps (30-yr). 10-yr yield spreads vs Germany narrowed with Spain (-4 bps) outperforming with political event risk out of the way.

Asian stock markets are mixed overnight amid disappointing from Alphabet and Samsung. April Chinese PMI data suggest that the March rebound might have been a one-off. Official PMI's (manufacturing & services) and the Caixin manufacturing gauge all faced an unexpected setback. The silver lining of the report might be a rebound of new export orders, but that component still remains in contraction territory (<50). Core bonds regain most of yesterday's lost ground with US Treasuries outperforming. Japanese markets are closed through May 6 with Chinese markets closed for the remainder of the week.

Today's eco calendar heats up with Q1 EMU GDP, German inflation data, US housing prices, April Chicago Manufacturing PMI and consumer confidence. French Q1 GDP matched forecasts this morning (0.3% Q/Q) with Belgian growth at 0.2% Q/Q. Consensus expects 0.3% Q/Q for the euro zone as a whole, but we fear downside risks. German (and EMU later this week) are expected to show a significant rebound, but we expect little reaction to this Easter-related, one-month, bounce. The notoriously volatile Chicago PMI is expected to stabilize, but we see downside risks following other regional surveys. Consumer confidence is forecast to rebound from 124.1 to 126.8. We side with consensus. Overall, we think that today's mix of eco data will remain supportive for core bonds. German Bunds could outperform in the process with US investors keeping the Fed meeting, ADP employment, ISM's and payrolls in mind.

Long term view: markets concluded that the ECB missed out on this cycle. They even start pondering the possibility of an additional deposit rate cut. The downtrend in the German 10-yr remains in place so far. Regarding Fed policy, markets now discount a 65% probability of a Fed rate cut by December. The US 10-yr yield earlier this month returned above the lower bound of the previous 2.5%-2.79%. This turned the picture more neutral again, but the move lacks conviction.



German 10-yr yield: downtrend remains in place so far.



US 10-yr yield manages to regain previous support area after several failed tests, but move lacks conviction.

# Currencies

## Some USD caution ahead of Fed policy decision?

R2	1,1145	-1d
R1	1,0851	
<b>EUR/USD</b>	<b>1,0487</b>	<b>-0,0036</b>
S1	1,0518	
S2	1,0458	

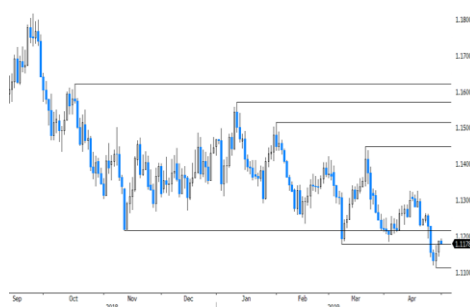
EMU EC confidence data disappointed again yesterday but US spending an income data also failed to convince, keeping EUR/USD in balance. Later, the dollar gradually came under selling pressure. Investors maybe started to reduce some USD long exposure as soft US price data will also get ample attention in the Fed assessment when deciding on monetary policy tomorrow. EUR/USD closed at 1.1186 (from 1.1151 on Friday). USD/JPY again failed to regain the 112 big figure and closed at 111.65.

R2	0,8828	-1d
R1	0,8689	
<b>EUR/GBP</b>	<b>0,8510</b>	<b>-0,0015</b>
S1	0,846	
S2	0,8333	

**Asian equity** markets are trading mixed to slightly lower. China outperforms even as the both the official and the Caixin PMI's disappointed, raising caution on a hoped-for improvement in economic activity going forward. The impact of the data on the yuan is limited. Dollar softness still prevails this morning. EUR/USD is trading in the high 1.11 area. USD/JPY (111.50 area) is also losing some further ground.

The eco calendar is well filled **today**. French GDP expanded at 0.3% QoQ. EMU Q1 growth is expected to pick up to 0.3% Q/Q (from 0.2%). Italy will also publish Q1 growth data. **Germany** will publish **April CPI data**. In the US, the **Chicago PMI and Consumer confidence** have market moving potential. We are not convinced on the expected 'pick-up' in EMU growth. That said, yesterday's price action suggests that the (FX) market is becoming a bit less sensitive to poor EMU data and is giving more weight to potentially soft US data going into tomorrow's Fed decision. We don't draw any LT conclusions yet, but if EMU data come out as expected and US data don't bring a big positive surprise, there is maybe room for some further USD selling/reduction of euro shorts. EUR/USD tries to regain the previous 1.1177/87 support area. A sustained return above could ease the downside pressure short-term. For now, the EUR/USD 1.1110/19 support area looks quite solid.

**EUR/GBP** regained some ground in the 0.86 big figure yesterday. The move was mainly inspired by a similar EUR/USD rebound at that time. This morning, UK GFK consumer confidence stabilised at a soft level (-13). For now, there is no indication that the negotiations between the conservative party and labour will yield a Brexit compromise anytime soon as both parties are internally divided on the Brexit process. We expect the BoE to maintain a neutral assessment at Thursday's policy meeting. **More sideways trading in the 0.86 big figure is likely.**



EUR/USD tries to regain the 1.1177/87 previous bottom going into tomorrow's Fed policy decision.



EUR/GBP: holding in the 0.86 big figure as Brexit talks continue. Investors look forward to the BoE policy meeting.

# Calendar

Tuesday, 30 April		Consensus	Previous
<b>US</b>			
14:30	Employment Cost Index (1Q)	0.7%	0.7%
15:00	S&P CoreLogic CS 20-City MoM/YoY (Feb)	0.20%/2.95%	0.11%/3.58%
<b>15:45</b>	<b>MNI Chicago PMI (Apr)</b>	<b>58.5</b>	<b>58.7</b>
16:00	Pending Home Sales MoM (Mar)	1.5%/-4.0%	-1.0%/-5.0%
<b>16:00</b>	<b>Conf. Board Consumer Confidence (Apr)</b>	<b>126.8</b>	<b>124.1</b>
16:00	Conf. Board Present Situation (Apr)	--	160.6
16:00	Conf. Board Expectations (Apr)	--	99.8
<b>Canada</b>			
<b>14:30</b>	<b>GDP MoM/YoY (Feb)</b>	<b>0.0%/1.4%</b>	<b>0.3%/1.6%</b>
<b>UK</b>			
01:01	GfK Consumer Confidence (Apr)	-13A	-13
01:01	Lloyds Business Barometer (Apr)	14A	10
<b>EMU</b>			
11:00	Unemployment Rate (Mar)	7.8%	7.8%
<b>11:00</b>	<b>GDP SA QoQ/YoY (1Q A)</b>	<b>0.3%/1.1%</b>	<b>0.2%/1.1%</b>
<b>Germany</b>			
	CPI Baden Wuerttemberg MoM/YoY (Apr)	--	0.3%/1.5%
08:00	GfK Consumer Confidence (May)	10.3	10.4
09:00	CPI Saxony MoM/YoY (Apr)	--	0.5%/1.4%
09:00	CPI Saxony YoY (Apr)	--	1.4%
09:55	Unemployment Change (000's) (Apr)	-7k	-7k
09:55	Unemployment Claims Rate SA (Apr)	4.9%	4.9%
10:00	CPI Brandenburg MoM/YoY (Apr)	--	0.4%/1.4%
10:00	CPI Hesse MoM/YoY (Apr)	--	0.5%/1.1%
10:00	CPI Bavaria MoM/YoY (Apr)	--	0.5%/1.5%
10:30	CPI North Rhine Westphalia MoM/YoY (Apr)	--	0.4%/1.5%
14:00	CPI MoM/YoY (Apr P)	0.5%/1.5%	0.4%/1.3%
<b>14:00</b>	<b>CPI EU Harmonized MoM/YoY (Apr P)</b>	<b>0.5%/1.7%</b>	<b>0.5%/1.4%</b>
<b>France</b>			
<b>07:30</b>	<b>GDP QoQ/YoY (1Q P)</b>	<b>0.3%/1.1%</b>	<b>0.3%/1.0%</b>
08:45	PPI MoM/YoY (Mar)	--/--	0.4%/2.1%
08:45	Consumer Spending MoM/YoY (Mar)	0.5%/-1.4%	-0.4%/-1.8%
<b>08:45</b>	<b>CPI EU Harmonized MoM/YoY (Apr P)</b>	<b>0.3%/1.4%</b>	<b>0.9%/1.3%</b>
<b>Italy</b>			
10:00	Unemployment Rate (Mar P)	10.7%	10.7%
<b>11:00</b>	<b>CPI EU Harmonized MoM/YoY (Apr P)</b>	<b>0.7%/1.3%</b>	<b>2.3%/1.1%</b>
12:00	GDP WDA YoY/QoQ (1Q P)	-0.1%/0.1%	0.0%/-0.1%
<b>Belgium</b>			
11:00	Unemployment Rate (Mar)	--	5.7%
<b>China</b>			
03:00	Composite PMI (Apr)	53.4A	54.0
03:00	Non-manufacturing PMI (Apr)	54.3A	54.8
<b>03:00</b>	<b>Manufacturing PMI (Apr)</b>	<b>50.1A</b>	<b>50.5</b>
<b>03:45</b>	<b>Caixin China PMI Mfg (Apr)</b>	<b>50.2A</b>	<b>50.8</b>
<b>Norway</b>			
08:00	Retail Sales W/Auto Fuel MoM (Mar)	0.6%	-1.3%
08:00	Unemployment Rate AKU (Feb)	3.8%	3.9%
<b>Spain</b>			
<b>09:00</b>	<b>GDP QoQ/YoY (1Q P)</b>	<b>0.6%/2.3%</b>	<b>0.6%/2.3%</b>
09:00	CPI EU Harmonised MoM/YoY (Apr P)	1.1%/1.5%	1.4%/1.3%
<b>Events</b>			
2019Q1 earnings	General Electric (bef-mkt), McDonald's (bef-mkt), General Motors (14:00), Apple (22:30), AMD (aft-mkt) ...		
<b>30APR</b>	<b>USTR Lighthizer and Treasury Secretary Mnuchin travel to Beijing to continue trade talks</b>		
09:40	BOE Deputy Governor Ramsden Speaks in London		

10-year	td	-1d		2-year	td	-1d		Stocks	td	-1d
US	2,44	0,00		US	1,19	0,00		DOW	19762,6	0,00
DE	0,18	-0,03		DE	-0,79	-0,02		NASDAQ	5383,117	0,00
BE	0,51	-0,04		BE	-0,69	-0,02		NIKKEI	19114,37	0,00
UK	1,24	0,00		UK	0,08	0,00		DAX	11575,57	94,51
JP	0,05	0,00		JP	-0,18	0,00		DJ euro-50	3302,48	11,96
IRS	EUR	USD	GBP	EUR	-1d	-2d		USD	td	-1d
3y	-0,11	1,69	0,69	Eonia	-0,3290	0,0000		Libor-1	0,7717	0,0000
5y	0,06	2,00	0,86	Euribor-1	-0,3680	0,0000		Libor-3	0,9979	0,0000
10y	0,64	2,34	1,23	Euribor-3	-0,3190	0,0000		Libor-6	1,3177	0,0000
				Euribors-6	-0,2210	0,0000				
Currencies	td	-1d		Currencies	td	-1d		Commodities	td	-1d
EUR/USD	1,0487	-0,0036		EUR/JPY	123,15	0,11		CRB	192,51	0,00
USD/JPY	117,43	0,52		EUR/GBP	0,8510	-0,0015		Gold	1151,70	0,00
GBP/USD	1,2326	-0,0018		EUR/CHF	1,0714	-0,0008		Brent	56,82	0,00
AUD/USD	0,717	-0,0040		EUR/SEK	9,5408	-0,0323				
USD/CAD	1,3417	-0,0024		EUR/NOK	9,0556	-0,0236				

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