



Friday, 14 September 2018

## KBC Sunrise Market Commentary

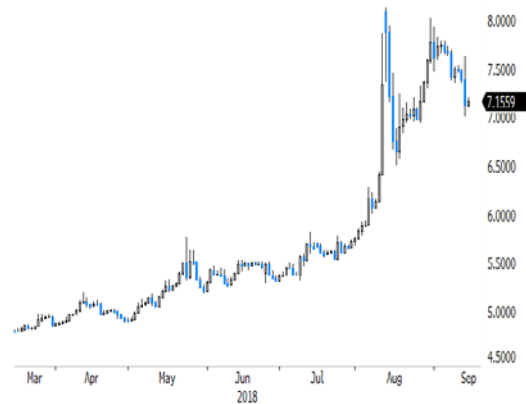
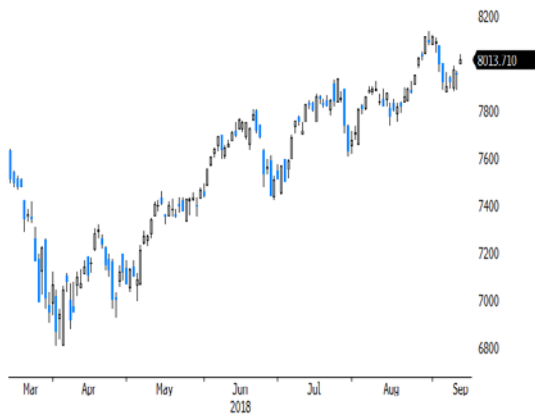
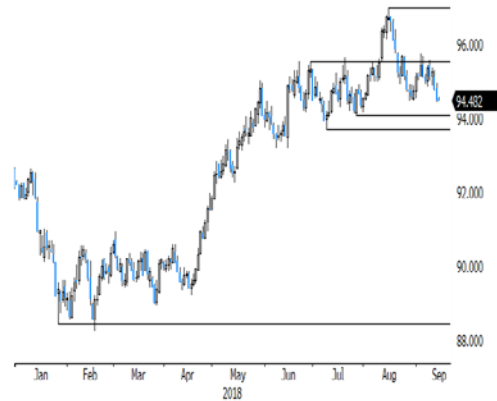
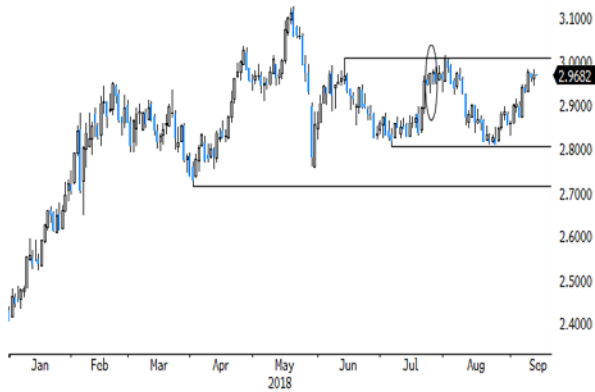
### Markets

- Yesterday, global bonds faced a series of conflicting drivers. Turkey raising its policy rate to 24%, easing uncertainty on EM. It was a slightly positive for global risk sentiment. Bonds lost slightly ground going into the publication of the US CPI. **US August price rises disappointed and propelled US Treasuries.** At the same time, European bond market kept a close eye on the ECB press conference. **The ECB basically confirmed its assessment from the June meeting.** 2018 & 2019 growth was revised marginally lower, but inflation was seen unchanged at 1.7% for the 2018/2020 period. The ECB still sees risks to the outlook as balanced and Draghi showed confident that inflation is moving toward the ECB target further out. **Draghi's conviction on inflation finally weighed on EGB's.** A further improvement in global sentiment also reversed part of the post-CPI gains in US Treasuries. US yields even closed marginally higher (up to 1 bp). Changes in German yields were similar with the belly of the curve slightly underperforming (+1.1/1.2 bp). **Today,** global risk sentiment (is any progress possible in the US-China trade dispute?) and the US data (retail sales, production data and Michigan consumer confidence) will be the main drivers for bond markets. Yesterday, US Treasuries couldn't keep the post-CPI gains. **Today's US eco data are expected to confirm the scenario of ongoing solid US growth.** Will such an outcome allow the US 10-y yield to return (or even surpass) the 3.0% mark?
- Yesterday, soft **US August inflation and a positive risk sentiment weighed on the dollar** (ex USD/JPY). At the same time, **the euro profited as ECB's Draghi showed convinced that EMU inflation remains on track** to meet the bank's inflation target over time. EUR/USD tested the 1.17 big figure and close the session at 1.1690 (from 1.1626). USD/JPY was supported by the improved risk sentiment and finished at 111.92 (from 111.26). This morning, risk sentiment remains constructive. Pressure on EM currencies showed tentative signs of easing, but gains of most EM currencies (if any) remain modest. **The dollar consolidates yesterday's loss.** EUR/USD is holding within reach of the 1.17 big figure. Today's environment might be more neutral for the US currency. USD eco data might be USD supportive, but this might be counterbalanced by an ongoing positive risk sentiment. If so, USD/JPY might still outperform.
- Yesterday, sterling hardly reacted to the BoE policy decision. The bank slightly raised its ST growth outlook. At the same time, Carney and co didn't change their assessment from August in any profound way. EUR/GBP closed the session marginally higher at 0.8920. There are no UK eco data today. BoE's Carney will speak in Dublin. Sterling trading most probably will continue to be guided by Brexit headlines.

### News Headlines

- Bank of England governor, Mark Carney, has addressed PM May's cabinet, warning for the risks of a no-deal brexit.** He says it could lead to economic chaos, including a crash in property prices. He added that this time, the BoE will not be able to avert a crisis by cutting interest rates, as it did after the 2016 referendum vote.
- Chinese retail sales** rose slightly in August, from 8.8% in July to 9.0% (YoY), while the year-to-date figure remained stable. **Industrial production** (YoY) also gained some pace with a 6.1% increase last month against 6.0% in July. **Investment growth in fixed assets** slowed further to 5.3%, coming from 6.0% in June and 5.5% in July.
- The Atlanta Federal Reserve President **Bostic said he's taking a "wait and see" attitude whether one or two hikes are appropriate by the end of 2018.** He feels the US labour market has room to improve, despite its already solid condition. The process of interest rates gradually moving higher should continue for at least "a handful of quarters".

## Graphs & Table



Source: Bloomberg

# Calendar

Friday, 14 September		Consensus	Previous
<b>US</b>			
14:30	Retail Sales Advance MoM (Aug)	0.4%	0.5%
14:30	Retail Sales Ex Auto MoM (Aug)	0.5%	0.6%
14:30	Retail Sales Ex Auto and Gas (Aug)	0.5%	0.6%
14:30	Retail Sales Control Group (Aug)	0.4%	0.5%
14:30	Import Price Index MoM/YoY (Aug)	-0.2%/4.1%	0.0%/4.8%
14:30	Export Price Index MoM/YoY (Aug)	0.0%/4.1%	-0.5%/4.3%
15:15	Industrial Production MoM (Aug)	0.3%	0.1%
15:15	Capacity Utilization (Aug)	78.3%	78.1%
16:00	Business Inventories (Jul)	0.6%	0.1%
16:00	U. of Mich. Sentiment (Sep P)	96.6	96.2
16:00	U. of Mich. Current Conditions (Sep P)	--	110.3
16:00	U. of Mich. Expectations (Sep P)	--	87.1
16:00	U. of Mich. 1 Yr Inflation (Sep P)	--	3.0%
16:00	U. of Mich. 5-10 Yr Inflation (Sep P)	--	2.6%
<b>Japan</b>			
06:30	Industrial Production MoM/YoY (Jul F)	-0.1%/2.2%A	-0.1%/2.3%
06:30	Capacity Utilization MoM (Jul)	-0.6%A	-2.2%
<b>EMU</b>			
11:00	Labour Costs YoY (2Q)	--	2.0%
<b>China</b>			
04:00	Surveyed Jobless Rate (Aug)	5.0%A	5.1%
04:00	Retail Sales YoY (Aug)	9.0%A	8.8%
04:00	Industrial Production YoY (Aug)	6.1%A	6.0%
04:00	Fixed Assets Ex Rural YTD YoY (Aug)	5.3%A	5.5%
<b>Sweden</b>			
09:30	CPI MoM/YoY (Aug)	0.0%/2.2%	0.5%/2.1%
09:30	CPIF MoM/YoY (Aug)	0.0%/2.3%	0.5%/2.2%
<b>Events</b>			
10:00	ECB's Nowotny speaks on panel in Vienna		
12:00	BOE's Carney speaks in Dublin		
15:00	Fed Evans Speaks in Fort Wayne, Indiana		
16:00	Fed's Rosengren Speaks at Brookings Conference		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	2,97	0,01		US	2,76	0,01	DOW	26145,99	147,07
DE	0,42	0,01		DE	-0,54	0,00	NASDAQ	8013,71	59,48
BE	0,75	0,01		BE	-0,45	0,00	NIKKEI	23094,67	273,35
UK	1,50	0,02		UK	0,80	0,01	DAX	12055,55	23,25
JP	0,11	0,00		JP	-0,11	0,00	DJ euro-50	3333,68	7,08
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	0,00	2,99	1,24	Eonia	-0,3650	0,0060			
5y	0,32	3,00	1,39	Euribor-1	-0,3720	-0,0010	Libor-1	2,1344	0,0000
10y	0,93	3,04	1,59	Euribor-3	-0,3190	0,0000	Libor-3	2,3315	0,0000
				Euribor-6	-0,2690	0,0000	Libor-6	2,5606	0,0000
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1690	0,0064		EUR/JPY	130,85	1,49	CRB	191,41	-1,95
USD/JPY	111,92	0,66		EUR/GBP	0,8920	0,0006	Gold	1208,20	-2,70
GBP/USD	1,3108	0,0063		EUR/CHF	1,1287	-0,0002	Brent	78,18	-1,56
AUD/USD	0,7195	0,0026		EUR/SEK	10,468	0,0275			
USD/CAD	1,2998	0,0000		EUR/NOK	9,6085	0,0038			

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