



Sunset

Tuesday, 26 April 2016

Headlines

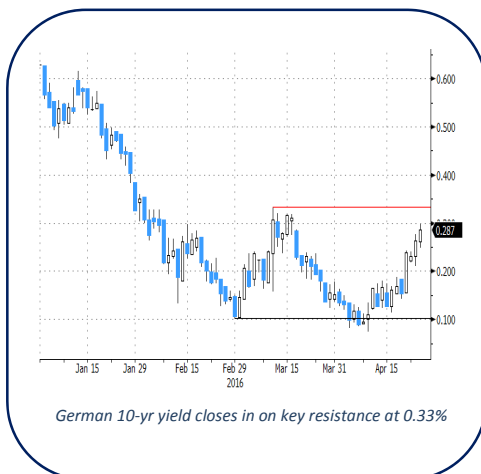
- **European shares failed to safeguard early gains to trade mixed currently** in a session devoid of important eco data or other news items. **In the US, Equities opened slightly stronger**, ignoring weak durables.
- **US Conference Board's consumer confidence weakened more than expected in April**, falling from 96.1 to 94.2 as consumers grew less optimistic about their future.
- **Hungary's central bank decided today to lower its benchmark interest rate by 15 basis points to 1.05%**, in line with market expectations and signaled further slight rate reductions in the coming months as inflation is expected to reach its target only in the first half of 2018. The impact on the forint is remarkably small.
- **Proctor & Gamble reported better than expected earnings**, boosted by higher selling prices and cost-cutting, while sales declined for a 7th straight quarter. **BP reported better than expected earnings** as weak oil prices and costs from the Gulf spill were offset by stronger than expected refining activity and a better trading performance.
- Today, **both Republican and Democratic primaries are held** in Pennsylvania, Maryland, Delaware, Rhode Island and Connecticut. According to the polls, both Clinton and Trump are poised for a victory in all five states.

Rates

German 10-yr yield closes in on 0.33% resistance

The story of today's trading session was similar to yesterday's. **Global core bonds lost ground despite intraday weakness on equity markets, a more or less stable oil price and disappointing eco data (US durable goods orders). German Bunds underperformed US Treasuries again during the process, confirming recent Bund weakness.** In first instance, we target more losses towards 160.81, the March low. In yield terms, the technical picture only changes in case of a break above 0.33%. That's the neckline of a double bottom (see graph) with targets at 0.56% and 0.58%. **The outperformance of US Treasuries is also due to tomorrow's FOMC statement which keeps many investors sidelined and weak durable goods orders which caused a temporary uptick.** Later today, the Treasury continues its refinancing operation with a \$34B 5-yr Note auction. Currently, the WI trades around 1.38%.

At the time of writing, the German yield curve trades 0.5 bps (2-yr) to 2 bps (10-yr) higher. Changes on the US yield curve vary between -0.7 bps (10-yr) and +1.7 bps (2-yr; benchmark change). **On intra-EMU bond markets**, 10-yr yield spread changes versus Germany varied are nearly unchanged with Portugal outperforming (-6 bps).



Currencies

USD in the defensive ahead of the FOMC decision

Today, the dollar extended the correction that started yesterday as investors turned cautious on the US currency ahead of tomorrow's Fed decision. During the day, dollar selling intensified as US durable orders were again weaker than expected, confirming the expectation for very limited US growth in Q1. EUR/USD jumped north of 1.13 and trades currently around 1.1330. The loss in USD/JPY remains modest. The pair hovers near 111 as investors don't want to be overly long yen ahead of Thursday's BOJ policy decision.

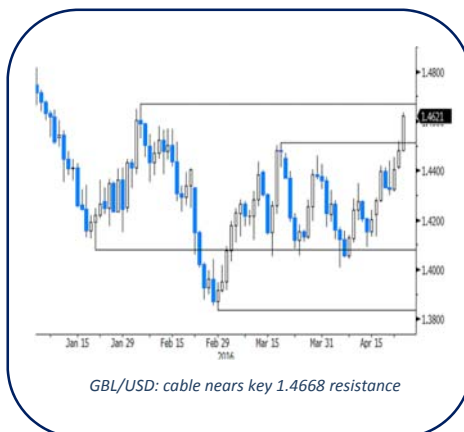
Overnight, Asian equities traded mixed to modestly lower with Japan underperforming. The yen traded marginally stronger, with USD/JPY drifting back lower to the 111 area. Investors took a wait-and-see approach ahead of the Fed policy decision tomorrow and the BOJ meeting on Thursday. EUR/USD hovered in the 1.1260 area in Asia, little changed from yesterday's close.

European equities opened with decent gains, despite the mixed performance in Asia. There were no data with market moving potential in Europe. The positive start of equities this time didn't help the dollar. USD/JPY drifted below the 111 pivot. EUR/USD also started a gradual intraday upmove. This dollar decline accelerated a bit as European equities lost most of the opening gains later in the morning session. EUR/USD tested the 1.13 barrier.

The decline of the dollar slowed temporary as US traders joined the fray. However, **the US durable goods orders rebounded less than expected providing another indication that US Q1 growth (to be published on Thursday) will be very shallow**. The dollar spiked lower upon the publication of the release. EUR/USD jumped to new intraday highs north of 1.13. The pair trades currently at 1.1330. USD/JPY slipped also temporary below the 111 mark. However, the downside in this cross rate looks fairly well protected as markets are cautious to be yen long ahead of Thursday's BOJ policy decision. USD/JPY hovers currently around the 111 big figure.

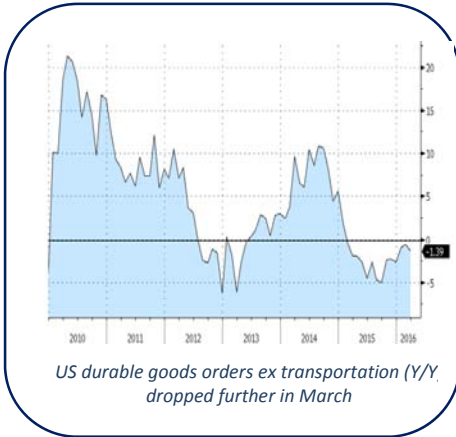
Sterling comeback continues unabatedly

Sterling extended its rebound against the euro and the dollar. Investors apparently adapt positions further as the anti-Brexit campaign is gaining traction. The number of UK loans for home purchases was lower than expected, but the amount of lending is still at a very high level. Cable and EUR/USD both moved higher on dollar weakness. Cable broke above the 1.4520 resistance, accelerating the sterling buying momentum. In this move, cable again outperformed EUR/USD. EUR/GBP trades currently around 0.7745. Cable is changing hands around 1.4625. The key 1.4668 February top is coming within reach.



News

US durables rebound only slightly in March



In March, **US durable goods orders** rebounded by 0.8% M/M following a 3.1% M/M decline in February. The outcome was well below the market consensus, which was looking for a rebound by 1.9% M/M. The headline reading was boosted by a 48.4% M/M rise in defence orders. Excluding defence, durable goods orders dropped by 1.0% M/M. Looking at the details, transportation orders increased by 2.9% M/M, although non-defence aircraft orders dropped for a second straight month (-5.7% M/M) and also orders for vehicles and parts fell (by 3.0% M/M). Durables ex-transportation dropped for a second straight month (-0.2% M/M from -1.3% M/M), while a rebound by 0.5% M/M was expected. Orders for electrical equipment (-3.0% M/M), fabricated metals (-1.6% M/M) and computers & electronics (-0.6% M/M) fell too, while machinery (0.5% M/M) and primary metals (0.8% M/M) rebounded in March. Shipments remained poor, falling for a fourth consecutive month, although at a slower pace than in the previous months. **Shipments of non-defence capital goods excluding aircraft, which is seen as a proxy for investments in the GDP data, rose by 0.3% M/M following significant drop in the previous two months, suggesting that investments will remain a drag on growth in the first quarter. The data add to recent evidence that US growth slowed further at the start of the year and might even come out close to zero.**

16:00 CET

Daily EMU spread changes (bps)

	5-yr			10-yr			30-yr		
	Yield	Spread	Change	Yield	Spread	Change	Yield	Spread	Change
Germany	-0.29%			0.29%			1.01%		
Greece	#VALUE!	#VALUE!	#VALUE!	8.60%	831	-0.3	#VALUE!	#VALUE!	#VALUE!
Portugal	1.99%	228	-6.9	3.25%	296	-7.7	4.16%	315	-8.0
Italy	0.43%	72	-2.1	1.53%	124	-2.6	2.65%	164	-3.5
Spain	0.63%	92	17.7	1.63%	134	-3.1	2.84%	183	5.6
Ireland	0.03%	33	-0.8	0.97%	68	-0.2	1.96%	94	0.0
Belgium	-0.23%	7	-0.4	0.68%	39	-0.4	1.78%	76	0.1
France	-0.11%	18	6.0	0.63%	34	-0.6	1.62%	60	0.1
Austria	-0.28%	2	-0.2	0.48%	19	0.1	1.46%	45	0.1
Netherlands	-0.32%	-3	-0.2	0.50%	21	-0.1	1.16%	15	0.2
Finland	-0.16%	13	-0.3	0.57%	28	-0.4	1.19%	17	0.2
US	1.38%	167	-1.3	1.92%	163	-2.2	2.75%	173	-0.4
UK	1.02%	131	2.9	1.65%	136	1.9	2.46%	145	3.7

Contacts

Brussels Research (KBC)		Global Sales Force	
Piet Lammens	+32 2 417 59 41	Brussels	
Peter Wuyts	+32 2 417 32 35	Corporate Desk	+32 2 417 45 82
Joke Mertens	+32 2 417 30 59	Institutional Desk	+32 2 417 46 25
Mathias van der Jeugt	+32 2 417 51 94	France	+32 2 417 32 65
Dublin Research		London	+44 207 256 4848
Austin Hughes	+353 1 664 6889	Singapore	+65 533 34 10
Shawn Britton	+353 1 664 6892		
Prague Research (CSOB)		Prague	+420 2 6135 3535
Jan Cermak	+420 2 6135 3578		
Jan Bures	+420 2 6135 3574		
Petr Baca	+420 2 6135 3570		
Bratislava Research (CSOB)		Bratislava	+421 2 5966 8820
Marek Gabris	+421 2 5966 8809		
Budapest Research		Budapest	+36 1 328 99 85
David Nemeth	+36 1 328 9989		

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