



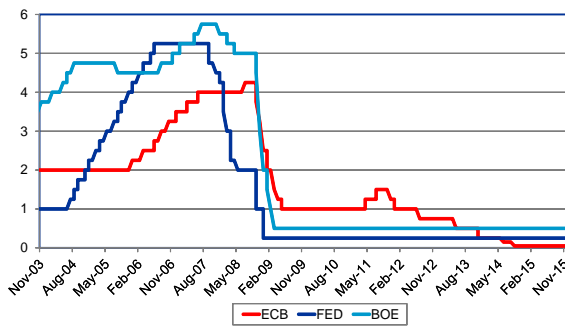
Monthly Chartbook

Friday, 27 November 2015

Markets

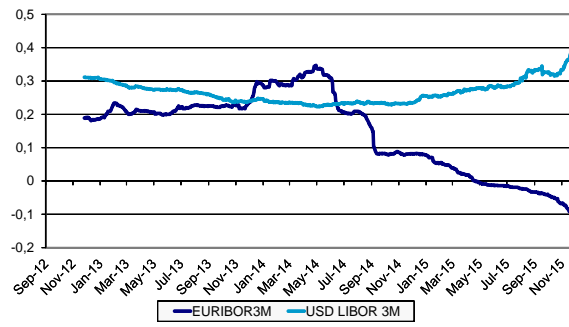
Rates

Policy Rates



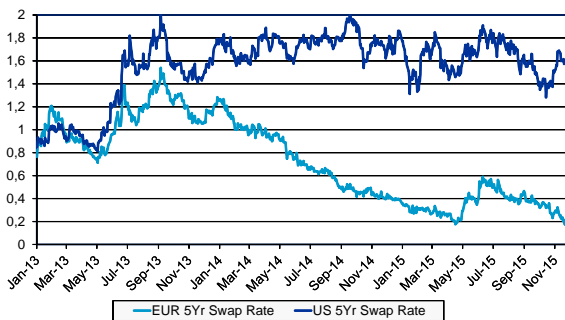
The ECB kept policy unchanged, but Draghi signalled in strong wordings that the ECB will ease in December. Also a Fed lift-off looks to be in the cards for December.

EURIBOR 3M / USD LIBOR 3M



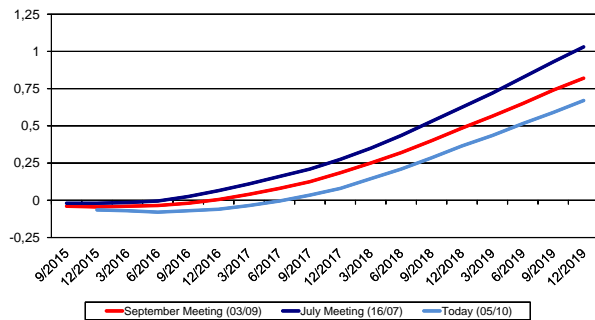
The possibility of further extending/increasing of the European QE programme pushed EURIBOR further below zero. USD LIBOR increased in lockstep with expectations for a December lift-off.

Swap Rates (%)



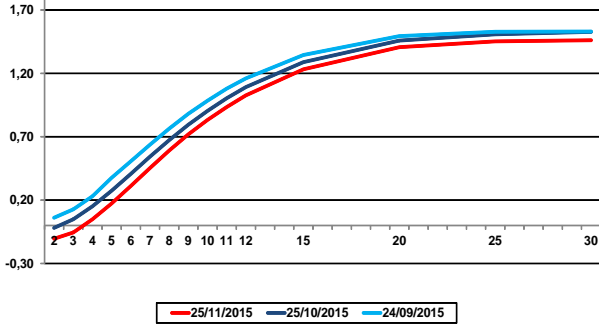
EUR and US swap rates parted ways. EUR swaps declined and test lows on ECB easing expectations, while US swaps are higher, but still in the range due to Fed lift-off expectations and promise the tightening cycle will be very gradual.

EURIBOR 3M



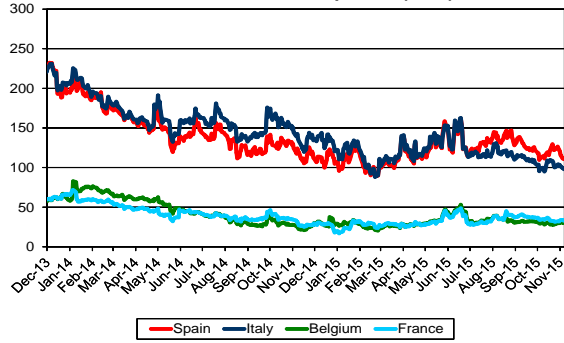
Draghi strongly suggested that the QE will be extended and likely to be increased, while a lowering of the deposit rate is likely as well. As a consequence, rate hike expectations, as represented in the graph by the strip curve, are pushed further out in time, flattening the curve ever more.

Euro Swap Curve



Similar story for the European swaps curve: Additional ECB easing trumps stronger growth outlook, as ECB focusses exclusively on too low inflation.

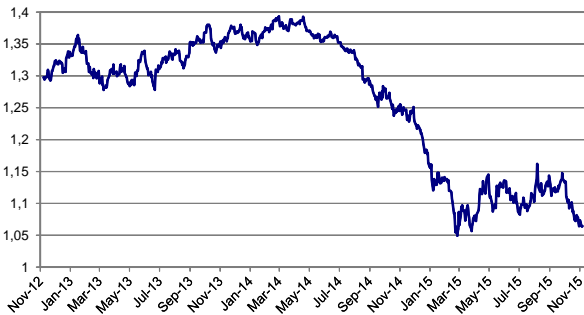
Intra-EMU Yield Spreads (10Yr)



Further spread narrowing as QE2 is coming and growth returning. Italy outperformed Spain on a relative basis (growth), while Spanish national election looms, a political risk.

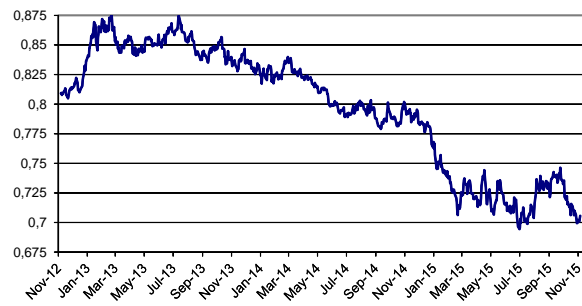
Currencies

EUR/USD



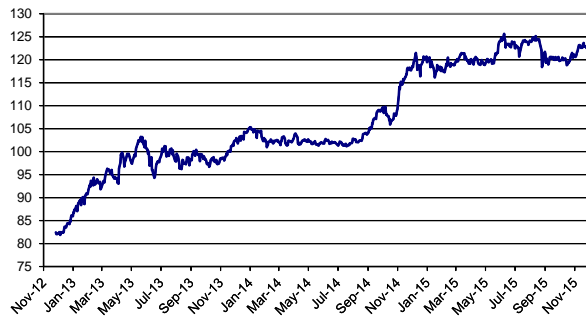
EUR/USD started a new downleg in October as de ECB signalled more easing and as the Fed reopened the door for a December rate hike. The cycle low (1.0458) is coming within reach but no test occurred so far.

EUR/GBP



EUR/GBP to a large extent followed the price pattern of EUR/USD last month. However, the gains of sterling against the euro were far less as the BoE leaves markets in doubt on the timing of a first rate hike.

USD/JPY



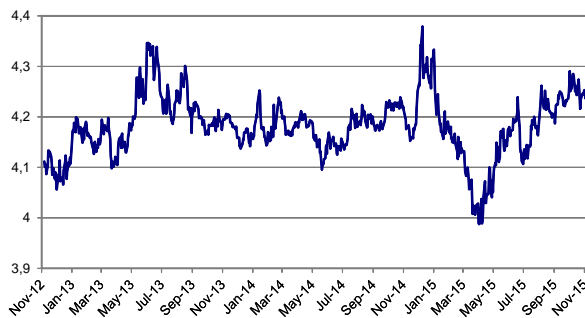
USD/JPY jumped higher after a strong US payrolls report published early November. From there, the pair resumed sideways trading. The BoJ fended off calls for further easing, preventing further yen losses.

EUR/CZK



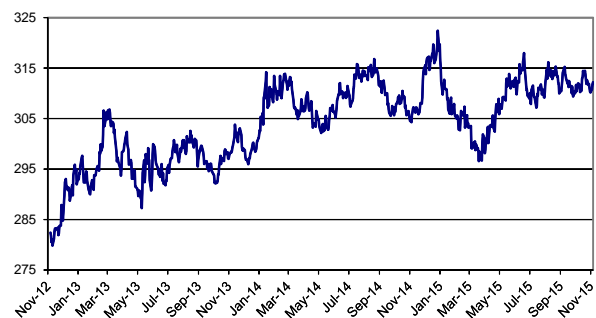
The Czech koruna settled close to the central bank's (CNB) floor of EUR/CZK 27. The CNB probably intends to defend this barrier at least till the end of 2016

EUR/PLN



The new Polish government is expected to run an expansive fiscal policy. At the same time, it tries to 'convince' the NBP to keep monetary policy accommodative. This potential 'unorthodox' policy mix weighs on the zloty.

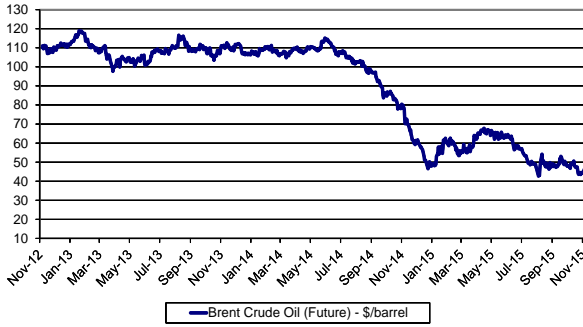
EUR/HUF



EUR/HUF found a new equilibrium in the 310/315 area. The NBH will keep its policy rate at current extremely low levels as long as possible to prevent a strengthening of the forint.

Others

Brent Crude Oil



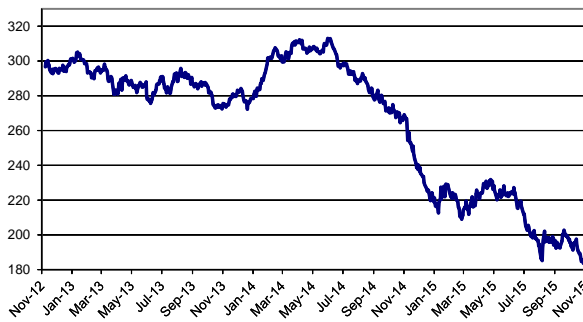
Brent crude oil price fluctuated within the 43\$/barrel – 51\$/barrel range during November, but on balance is still near the lows at 42\$/barrel. So, no reliable sign of bottoming out yet.

Gold



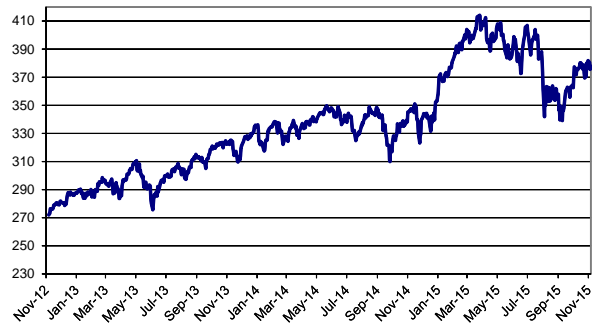
The gold price was again hit, now by the prospect of higher US rates, which makes gold unattractive. Gold set a new cycle low at \$1062/ounce, but the break of the previous low triggered till now no new down-leg.

CRB Commodity Index



The broader CRB commodity index fell rather sharply in November, setting even a new low. There are some early and fragile signs the selling wave is over, but it is too early to speak about a turnaround.

Euro Stoxx 600

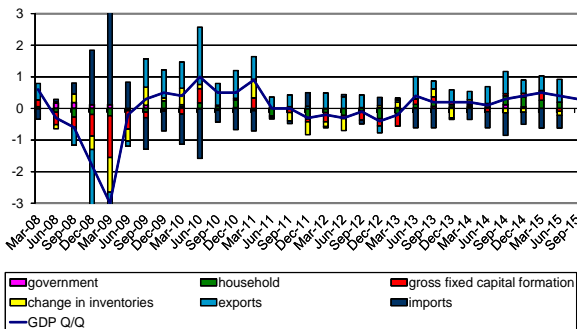


European shares corrected sharply (20%) lower in mid-August. In October a rebound occurred, while the price action was more sideways in November. However, compared to the S&P, the EuroStoxx remains further from the highs.

Economic Overview

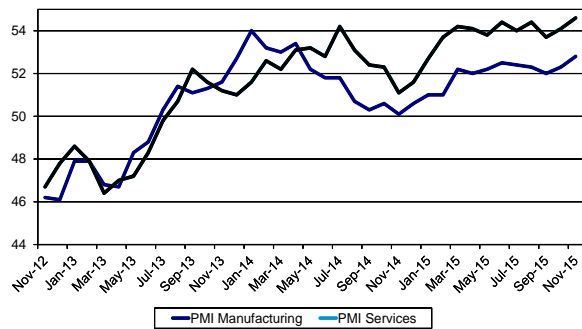
Eurozone

Euro zone GDP (Q/Q contribution to growth)



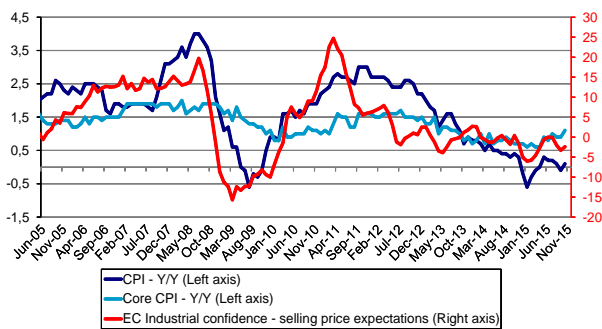
Euro zone eco growth increased by 0.3% Q/Q in Q3, slightly below the 0.4% Q/Q in Q2. Details have not been released yet. We suspect that domestic demand was the driving force while net-exports might have been a drag. Confidence indicators (see aside) suggest no loss of momentum though.

Euro zone PMI Manufacturing & Services



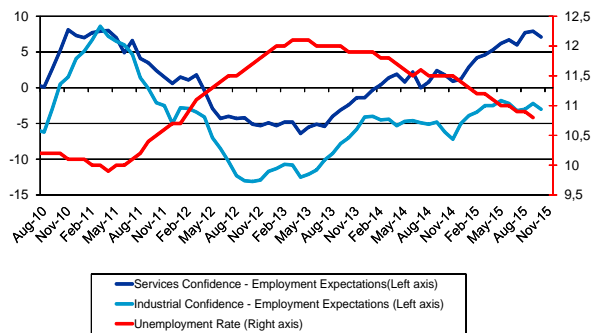
Both the euro zone manufacturing and services PMI rose in November, suggesting that the fears about the China slowdown and its impact on the European economy are overdone. Levels of 52.8 (manufacturing) and 54.6 (services) suggest the economy is growing moderately going into 2016.

Euro zone Inflation



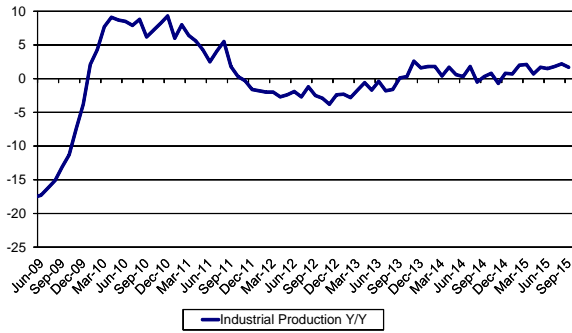
Euro HICP inflation turned positive again in October (0.1% Y/Y), while core inflation ticked higher too (1.1% Y/Y), well away from the 0.6% Y/Y lows in Spring. It seems that the worst has passed in terms of core inflation, but the renewed decline of energy prices will postpone the return of headline inflation to levels well above 1%. In December/January a basis effect may push headliner inflation somewhat higher.

Euro zone Unemployment



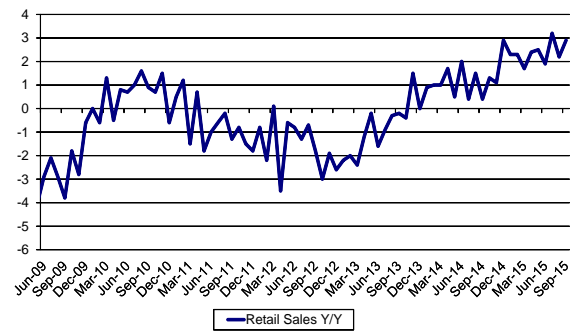
The decline of euro zone unemployment rate continued in September, when it fell to 10.8% from 10.9% in August and compares to a cycle high of 12.1% in May 2013. We expect the improvement to continue, but stronger growth would accelerate the decline in unemployment.

Euro zone Industrial Production

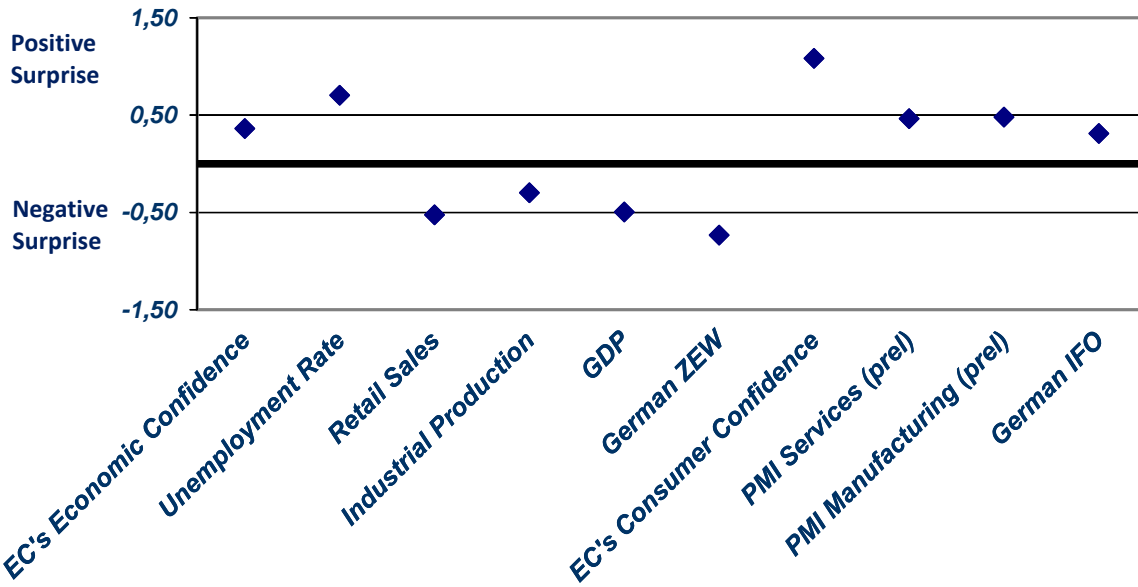


Euro zone industrial production remains very weak, just like the global industrial sector does. In September production fell 0.3% M/M to be up 1.7% Y/Y, following a decline in August.

Euro zone Retail Sales



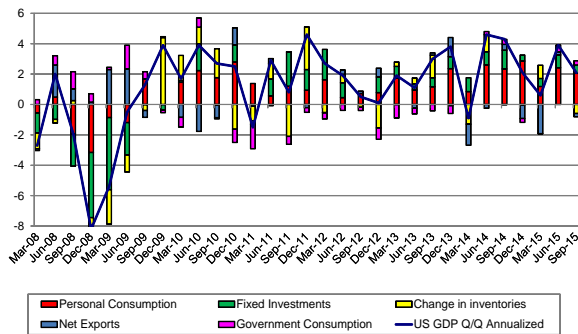
Retail sales rose by 2.9% Y/Y in September, despite a small dip on a monthly basis. The graph clearly shows an upward trend, underscoring the domestic nature of the recovery. Lower energy prices and higher employment support disposable income, allowing households to consume more.



Surprise index: measures the difference (in standard deviations) between the (median) Bloomberg consensus and the actual outcome of EMU economic data. The most recent eco releases came out better than expected. Will it become a trend?

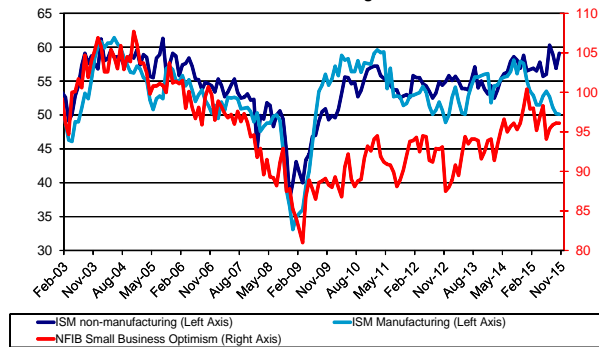
US

US GDP (Q/Q Annualized - contribution to growth)



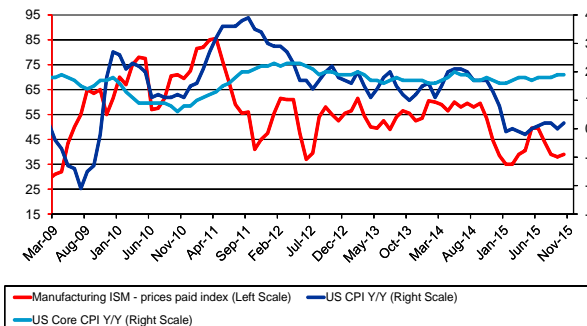
The US economy slowed to 2.1% Q/Qa in Q3 from 3.9% Q/Qa in Q2. However, the headline figure is somewhat misleading as inventories weighted on the result while it contributed strongly in Q2. More importantly, private consumption remained strong and investment contributed positively.

US PMI Manufacturing - Services



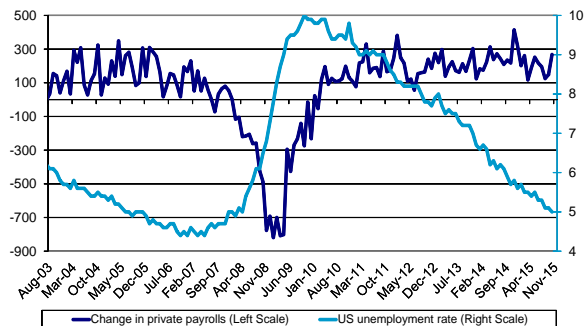
The US manufacturing and non-manufacturing ISM business confidence shows an unusually sharp divergence. Manufacturing ISM stabilized at 50.1, near the boom/bust line, while the Non-manufacturing index jumped to 59.1, suggesting strong growth. So, the services sector is booming, but the good producing sector stabilizes.

US Inflation



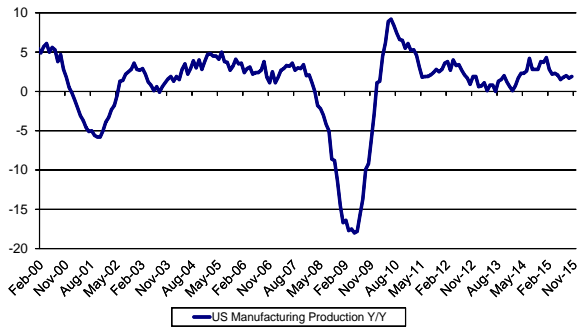
US CPI inflation rose to 0.2% Y/Y in October, following a flat reading in September. The low inflation is mainly due to energy prices. Core inflation stabilized near 1.9% Y/Y, suggesting that demand/supply is near equilibrium. Price surveys in the manufacturing sector still point to downside pressures (red line)s

US Unemployment



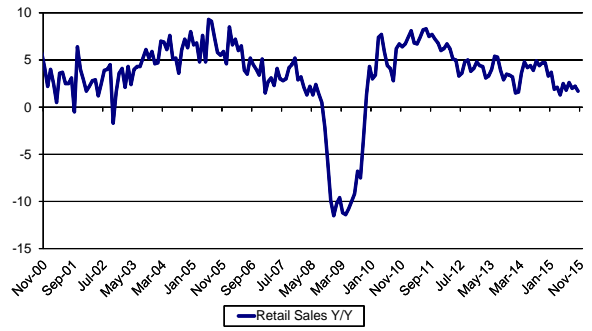
In October, net payrolls growth (271K) was very strong, erasing the weak results for August and September. Overall the report was very strong as the unemployment rate fell to 5% (from 5.1%) and wage growth at least showed signs of life, being up 0.4% M/M and 2.5% Y/Y. The unemployment rate is now well inside the Fed's metric of full employment.

US Production

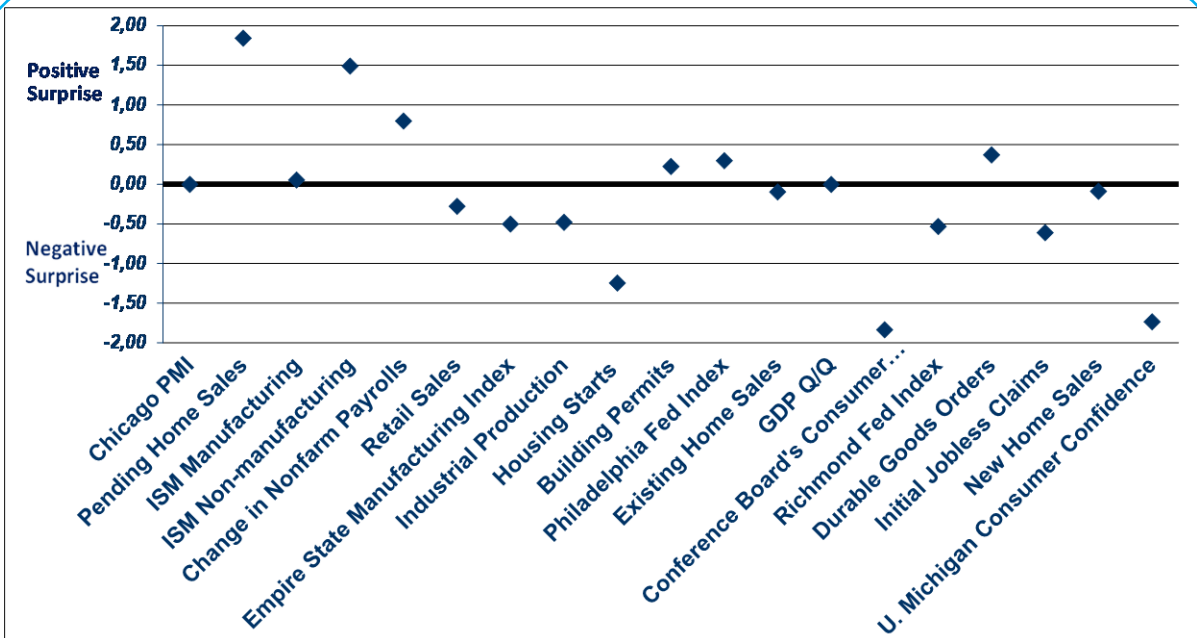


US industrial production remained weak, also in October when they fell 0.2% M/M. The graph shows the tepid growth path of production. The industrial sector remains globally weak.

US Retail Sales



US retail sales were disappointing in October, as they rose an uninspiring 0.1% M/M following a flat September figure. Lower gasoline sales, a price effect, played some role. Excluding these and cars, retail sales rose 0.3% M/M in October, but after a flat September. So, early indications suggest that Q3 household spending might be soft, or have households waited on the Christmas sales period to open their wallet?



Surprise index: measures the difference (in standard deviations) between the (median) Bloomberg consensus and the actual outcome of US economic data. Recent eco data mostly disappointed, raising fears that growth won't strengthen much going into 2016.

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