



**Authors:**

Viola Julien  
Ulrich Wortberg  
Tel.: +49 69/91 32-18 91  
research@helaba.de

- Asian stock markets trading friendly after supportive US-data and hopes for economic stimulus in China.
- EUR-USD remains above 1.27.

**“Indeed, I would not consider it to be right for the euro system to further increase its level of risk for Greece.” Bundesbank chairman Jens Weidmann**

**Sales:**

Sales Banks/Saving Banks  
Tel.: +49 69/91 32-1706/-1715/-1815

Institutional Sales  
Tel.: +49 69/91 32-1830

Corporate Sales  
Tel.: +49 69/91 32-1700

International Sales  
Tel.: +49 69/91 32-1444/-1196

Sales Public Authorities  
Tel.: +49 69/91 32-2664/-4078  
/-4820/-2436

Sales Small & Mid Caps  
Tel.: +49 69/91 32-1442

Prior to the EU summit on Wednesday, it is becoming clear that there is growing disagreement within the monetary union about how to control the debt crisis. French president Hollande, for example, would like to introduce eurobonds and possibly link this subject to the appointment of the head of the Eurogroup, as there are reports that he has reservations about German finance minister Schäuble. Italy also favours joint European government bonds, while Germany is clearly against the idea. The basis of a common fiscal policy in Europe, which could also lead to eurobonds in the distant future, is the as yet unratified fiscal compact. This could be extended to include economic stimulus elements, but a general dilution of the austerity resolutions would exacerbate the debt crisis and undermine credibility. At the moment, we see little prospect of market participants being surprised by a compromise at Wednesday’s meeting. There is considerable uncertainty due to the lack of consensus within the EU, the question about Greece remaining in the monetary union and news from Spain that the deficit in 2011 was even higher than originally assumed at 8.9%, while the 5.3% target for this year will probably be clearly missed as well. In this setting, today’s economic data from the US should recede into the background slightly. The Richmond Fed index and existing home sales are worth noting. The pending home sales and California sales data have provided positive indications for the housing market. The consensus forecast of a rise to more than 4.6 million units sold therefore seems justified. The Richmond Fed index will provide guidance for the national purchasing managers’ index (ISM). Its New York and Philadelphia counterparts have shown very different trends. The former posted a strong recovery in May and the latter slumped into negative territory. It is hoped that today’s result will provide greater clarity about the economic outlook. The EU Commission’s consumer survey is the only event on the agenda in Europe. We do not see potential for an upside surprise given the persistent uncertainty surrounding the EMU debt crisis.

**Bund future:** Bunds have witnessed a temporary correction after reaching new all-time highs almost daily. However, risk aversion and interest in safe investments remain at a high level, although the debate about eurobonds is increasing ahead of the EU summit. The indicators in the daily chart point to a temporary consolidation, but there are no signs of a turnaround. The slide below the uptrend at 143.71 should not be overvalued given the steepness of this trend. The next supports are seen at 142.83 and 142.26, while the first key resistance is at the existing all-time high of 144.06. **Our favoured trading range: 142.83 – 144.00.**

Resists	Supports
143.69	143.00
144.06	142.83
145.00	142.26

	21.05.	+/-
Bund-Fut.	143,47	-0,07
Bobl-Fut.	126,01	+0,01
Schatz-Fut.	110,65	+0,02
T-Note-Fut.	133,44	-0,19
Dow Jones	12504,48	+1,1%
S&P 500	1315,99	+1,6%
DAX	6331,04	+1,0%
EUR-USD	1,2817	-0,2%
Öl US-LCF	92,64	+0,1%
Gold	1588,70	+0,0%

Time	Country	Period	Indicator / event	Consensus	Prior	Impact
10:30	GB	Apr	Consumer prices	+0.6% m/m +3.1% y/y	+0.3% +3.5%	low
12:15	US		Fed speech: Lockhart			
16:00	EZ	May	Consumer confidence	-20.5	-19.8	low
16:00	US	May	Richmond Fed index	11.0	14.0	medium
16:00	US	Apr	Existing home sales	4.62m	4.48m	medium
18:00	EZ		ECB speech: Nowotny			

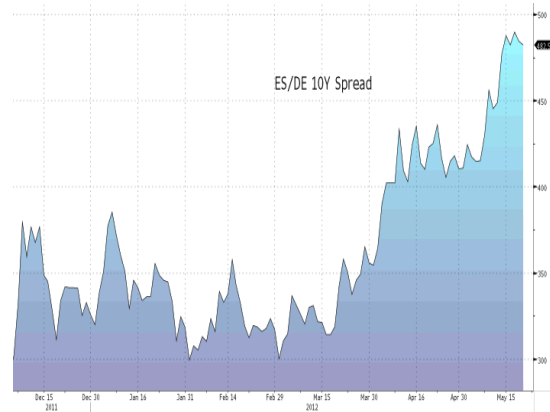
New Issue Calendar

Date	Country	Bond / Coupon	Volume (e)
10:00	NE	DSL 0.75%, April 2015	EUR 2.5 - 3.5bn
17:00	US	Bond sales by New York Fed, March 2013 – September 2013	USD 8 - 8.75bn
19:00	US	New 2Y note	USD 35bn

Sources: Bloomberg, Reuters, national debt agencies

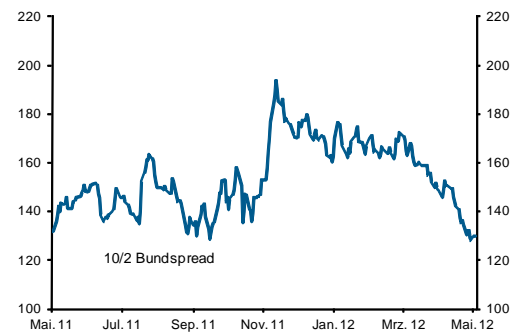
**Primary market:** Greece and the general situation in periphery countries will be the driving theme on the financial markets again this week. The markets are unlikely to calm down. The re-elections in Greece on 17 June are a source of uncertainty, while the question of whether Greece will stay in the Eurozone has not been clarified after the G8 summit. G8 countries voiced their support for Greece remaining a member of the monetary union, but at the same time made clear that the agreed commitments will have to be adhered to. The situation in Spain is also escalating. The downgrade of 16 Spanish banks by Moody's and the bond auctions led to turmoil last week. The Tesoro reopened three SPGB series simultaneously and had to offer considerably higher yields than at previous auctions. The SPGB April 2016 was allocated at 5.106%, for example, after investors demanded only 3.37% in March. The extremely high level of demand, reflected by bid/cover ratios of up to 4.47, offers little consolation. Spain will return to the primary market today, albeit only with short-dated money market papers. The EFSF will also issue a new bill with a 6-month maturity. The Netherlands will be the focus of interest on the capital market today. The DSTA is set to reopen the DSL 2015 by up to EUR 3.5bn. Like Germany, the Netherlands has top ratings from the three main rating agencies. Government bonds correspondingly remain in demand in the current market setting. At around 0.49%, the yield in the 4Y DSL segment is now at a record-low level, at almost 20bp over comparable Bunds.

Spreads



The 10Y Spanish spread has widened substantially in recent weeks. The level of around 450bp, which was thought to be a thing of the past since last November, has now been clearly exceeded. The news situation remains detrimental. Reports that the Spanish government has revised up last year's deficit for the third time are not very supportive. Given the uncertain situation, the risk premium has probably not peaked at 484bp. ■

Charts and Table



	21.05.	+/-
Bund-Fut.	1 43,47	-0,07
Bobl-Fut.	1 26,01	+0,01
Schatz-Fut.	1 10,65	+0,02
T-Note-Fut.	1 33,44	-0,19
Dow Jones	12 504,48	+1,1%
S & P 500	1 315,99	+1,6%
DAX	6 331,04	+1,0%
EUR -USD	1,2817	-0,2%
ÖIUS-LCF	92,64	+0,1%
Gold	1 588,70	+0,0%

Resists

1 43,69  
1 44,06  
1 45,00

Supports

1 43,00  
1 42,83  
1 42,26