



## THE WEEK THAT WAS

	current	-1W	-1M	YTD
<b>10-Year Bond Yields</b>				
			change (bps)	
US Treasuries	1.61	14	27	69
Bunds	-0.15	7	18	43
BTPs	0.88	6	13	36
OATs	0.16	3	14	50
JGBs	0.08	3	4	6
Gilts	1.16	16	42	97
<b>Spreads over Bunds</b>				
			change (bps)	
GIIPS	82	-1	-6	-5
Covered Bonds	59	2	6	15
<b>EMU Corporates (OAS)</b>				
			change (bps)	
Non-Fin.	86	1	1	-7
Fin.	86	1	1	-6
<b>Forex</b>				
			%-change	
EUR/USD	1.16	-0.2	-2.1	-5.3
USD/JPY	112	1.0	1.8	8.7
EUR/GBP	0.85	-0.9	-1.3	-5.2
EUR/CHF	1.07	-0.5	-1.6	-0.8
<b>Equities</b>				
			%-change (total return)	
S&P500	4 391	0.8	-2.6	18.2
MSCI EMU	146.6	0.8	-2.6	16.7
TOPIX	1 962	-1.2	-4.9	10.8
FTSE	7 096	1.0	0.1	13.2
MSCI EM (\$)	1 257	0.9	-4.0	-0.7

Current as of closing 8/10/2021

## MARKET MOVES

- Natural gas prices have doubled since early September. The surge in commodity prices is currently the biggest threat to global recovery.
- Inflation surprises to the upside both in Europe and in the US.
- Reassuring PMIs and ISM: The ISM services index rose by 0.2pp to 61.9 in Sep., against expectations for a decline. The EA composite PMI was revised up a tenth to 56.2.
- Lagarde suggested that the ECB will not overreact to the recent surge in energy prices
- The ECB is also reportedly studying a new bond-buying program to replace the existing PEPP and to complement the APP.
- September payrolls report is probably not weak enough for the Fed to deviate from its plans to start tapering at the November meeting

## KEY EVENTS

- The US CPI data on Wednesday will be under strong scrutiny after the strong PCE last week, which will be the last before the Fed's next meeting.
- The Federal Reserve will also release its minutes, which could give some indications on their plans regarding tapering for the November meeting.
- The Q3 reporting season will start and the focus will likely be on supply chain issues and costs and wages pressure. US financials will come first.
- EU Commission to unveil 'toolbox' for responding to energy crisis.

	Time	Market	Event	Period	Consensus	Previous
12-Oct	11:00	Germany	ZEW Economic Sentiment	Oct	25.8	26.5
13-Oct	08:00	Germany	CPI Final YY	Sep	4.1%	4.1%
13-Oct	11:00	Euro Zone	Industrial Production YY	Aug	5.2%	7.7%
13-Oct	14:30	United States	CPI MM, SA	Sep	0.3%	0.3%
13-Oct		China (Mainland)	Exports YY	Sep	21.5%	25.6%
14-Oct	14:30	United States	FPI exFood/Energy MM	Sep	0.4%	0.6%
15-Oct	08:45	France	CPI (EU Norm) Final YY	Sep	2.7%	2.7%
15-Oct	14:30	United States	Retail Sales Ex-Autos MM	Sep	0.4%	1.8%
15-Oct	16:00	United States	U Mich Sentiment Prelim	Oct	74.0	72.8

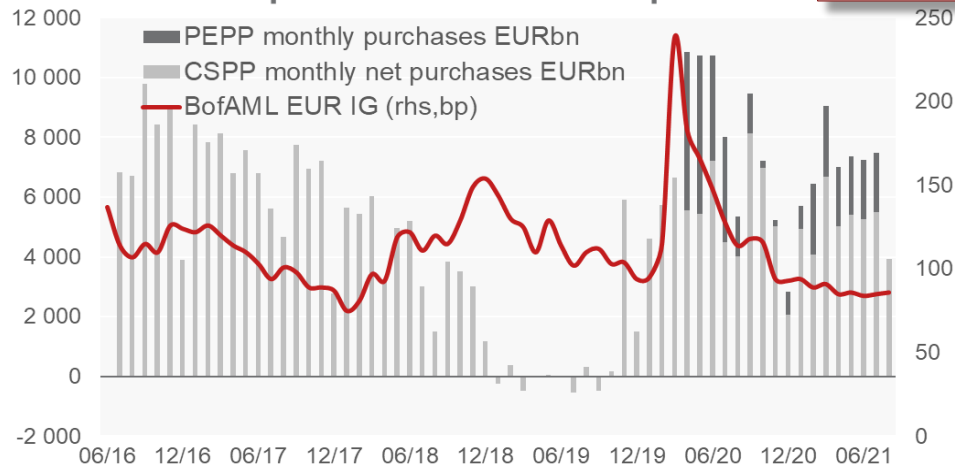
Rating updates: Romania (S&P and Moody's)

## TO THE CORE

The European Union is scheduled to hold a syndication this week, where the inaugural green NGEU is widely expected. The EU to become the world's largest green bond issuer mid term.

## A CHART SPEAKS A THOUSAND WORDS

### Credit spreads vs central bank purchases



Source: Bloomberg, BofAML indices, ECB, GIAM

## IGNORE AT YOUR PERIL

### Technicals remain strong for IG credit into year-end

The IG credit market has proved highly resilient to the recent phase of volatility, and we believe it will remain the case until year-end. The key underpinning behind the extremely low volatility in IG spreads is the ECB purchases. The European central bank has made very clear that credit is one of the key variables they watch as part of their financing conditions assessment. In that respect, the much-expected tapering of the PEPP is not an issue per se as the bulk of the credit purchases are not made in the PEPP but in the APP that the ECB is supposed to maintain shortly before it will start raising rates, most likely beyond 2023. Technicals in IG are also strong at the moment as the reporting season is mechanically reducing supply as corporates can't issue debt while being in their black-out periods while the ECB purchases continue. Also, fundamentals will continue to improve, although likely at a slower pace than in the current quarter, as the Q3 reporting season will start. Hence we view IG credit spreads ending 2021 5bp tighter than current levels.

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