

# Euro wrap-up

## Overview

- Gilts made very modest losses today as figures from the UK showed a slowdown in employment growth, while wage growth remained disappointingly subdued.
- Bunds ended the day little changed on a relatively quiet day for euro area economic news.
- Tomorrow brings the final estimate of euro area CPI in October, while in the UK retail sales figures for the same month are due.

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### Daily bond market movements

Bond	Yield	Change*
BKO 0 12/18	-0.628	-0.002
OBL 0 10/21	-0.327	+0.006
DBR 0 08/26	0.303	-0.005
UKT 1½ 07/18	0.199	-
UKT 3½ 09/21	0.659	+0.015
UKT 1½ 07/26	1.394	+0.015

\*Change from close as at 4.30pm GMT.  
 Source: Bloomberg

## UK

### Mixed signals from the labour market

The solid performance of the labour market has been a key factor underpinning the UK's economic recovery in recent years, and while the latest figures released today confirmed that employment continued to rise in September, the report had a softish tone to it. Headline employment growth eased from 106k3M/3M to 49k3M/3M, primarily reflecting downward revisions to previously released figures. And while the three-month unemployment rate inched down to an eleven-year low of 4.8%, the one-month unemployment rate was unchanged, at 4.9%, while the jobless claims figures signalled a potentially notable rise in unemployment in October. Meanwhile, there was little change on the earnings front, with total pay growth unchanged at 2.3%3M/Y and regular wages rising by 2.4%3M/Y, a touch higher than in the previous month. But changes in the one-month rates, in particular in regular wage growth, which reached 2.7%Y/Y, the highest since July 2015, on the back of increases in the financial and business services and wholesale and retail sector pay, were potentially more encouraging. However, a shift to higher wage growth seems unlikely now, not least given that low productivity growth in recent years has been among the major factors behind depressed wages, and today's figures showed that growth of output per hour fell from 0.6%Q/Q in Q2 to 0.2%Q/Q in Q3 to match its average over the last three years. And looking ahead, productivity growth is set to remain subdued, not least if output growth moderates as expected thanks to Brexit uncertainty, while employment itself remains relatively resilient.

### The day ahead in the UK

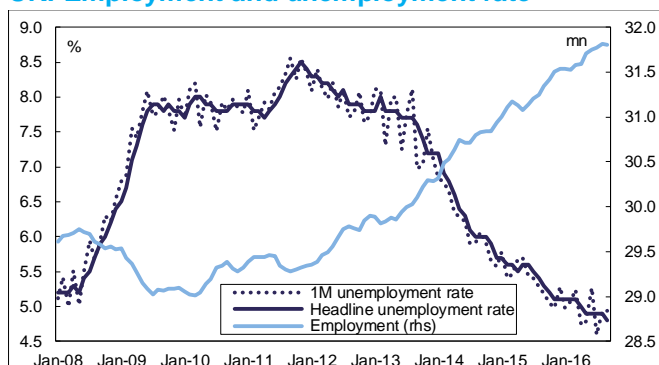
Retail sales growth moderated in September to 4.1%Y/Y, but the pace remained consistent with relatively firm consumer spending growth. And tomorrow's figures seem likely to show that this positive momentum on the High Street was maintained in October, with sales growth expected to rise back above 5.0%Y/Y.

## Euro area

### The day ahead in the euro area and US

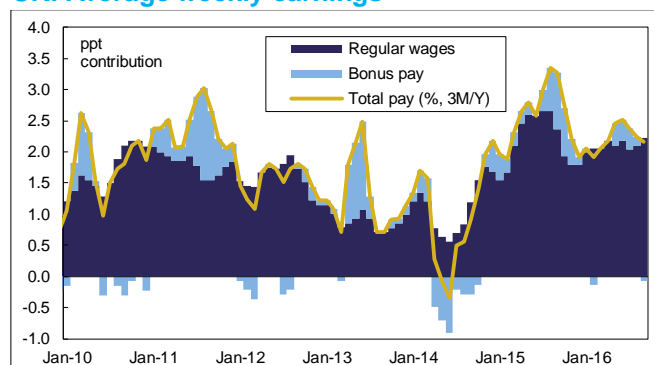
After a quiet day for economic news from the euro area today, Thursday brings various data releases, including the final estimate of euro area inflation in October. Yesterday saw the French and Spanish figures left unrevised from the flash estimates, both at 0.5%Y/Y, with the former unchanged from September and the latter up 0.5ppt on the month at a more than three-year high. With the German and Italian numbers released previously also left unrevised, at a two-year high of 0.7%Y/Y

### UK: Employment and unemployment rate



Source: Thomson Reuters and Daiwa Capital Markets Europe Ltd.

### UK: Average weekly earnings



Source: Thomson Reuters and Daiwa Capital Markets Europe Ltd.








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and down 0.2ppt at -0.1%Y/Y respectively, the euro area figure looks set to be confirmed at the flash CPI estimate of 0.5%Y/Y, up 0.1ppt on the month and the highest since June 2014. But with the national measures having confirmed that the improvements principally reflected higher energy price inflation, the euro area core CPI rate is also likely to be left unchanged from the preliminary estimate of 0.8%Y/Y for the third consecutive month. Tomorrow also brings new car registrations figures for October, as well as September's construction output data. Supply-wise, France and Spain will sell bonds with various maturities, while the ECB's Praet and Mersch are scheduled to speak publicly.









The data focus in the US tomorrow will also be October's consumer price inflation, with the headline rate expected to have risen to a two-year high of 1.6%Y/Y on the back of higher energy prices. So, core CPI is expected to have remained unchanged at 2.2%Y/Y for the fifth month out of the past six. October's housing starts figures, November's Philly Fed index and the weekly jobless claims figures are also due. But attention will also inevitably be on Janet Yellen's semi-annual testimony to the Senate's joint economic committee, as well as Bill Dudley's speech at a New York Fed conference, for further insights into the near-term outlook for monetary policy. Supply-wise, the Treasury will sell 10Y TIPS.

## European calendar










Today's results						
Economic data						
Country	Release	Period	Actual	Market consensus/ <i>Daiwa forecast</i>	Previous	Revised
UK	 Average earnings incl. bonuses (excl. bonuses) 3M/Y%	Sep	<b>2.3 (2.4)</b>	<u>2.4 (2.4)</u>	2.3 (2.3)	-
	 ILO unemployment rate 3M%	Sep	<b>4.8</b>	<u>4.9</u>	4.9	-
	 Employment change 3M/3M '000s	Sep	<b>49</b>	<u>120</u>	106	-
	 Claimant count rate % (change 000s)	Oct	<b>2.3 (9.8)</b>	2.3 (2.0)	2.3 (0.7)	- (5.6)
Country	Auction					
UK	 BoE APF operation purchased £1bn of 7-15Y Gilts (3.58 cover ratio)					

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

**Tomorrow's data releases**
**Economic data**

Country		GMT	Release	Period	Market consensus/ <i>Daiwa forecast</i>	Previous
EMU		07:00	EU27 new car registrations	Oct	-	7.2
		10:00	Construction output M/M% (Y/Y%)	Sep	-	-0.9 (0.9)
		10:00	Final CPI (core CPI) Y/Y%	Oct	<u>0.5 (0.8)</u>	0.4 (0.8)
France		06:30	Unemployment rate %	Q3	9.9	9.9
Italy		09:00	Trade balance total €bn	Sep	-	2.5
UK		09:30	Retail sales excluding petrol M/M% (Y/Y%)	Oct	0.4 (5.4)	0.0 (4.0)
		09:30	Retail sales including petrol M/M% (Y/Y%)	Oct	0.5 (5.3)	0.0 (4.1)
		15:00	BoE corporate bond purchases £mn	Weekly	-	2690

**Auctions and events**

Country		GMT	Auction / Event
France		09:50	Auction: To sell 3.75% 2021 bonds (25-Apr-2021)
		09:50	Auction: To sell 0% 2022 bonds (25-May-2022)
		10:50	Auction: To sell 2.1% 2023 index-linked bonds (25-Jul-2023)
		10:50	Auction: To sell 0.7% 2030 index-linked bonds (25-Jul-2030)
		10:50	Auction: To sell 0.1% 2047 index-linked bonds (25-Jul-2047)
Spain		09:30	Auction: To sell 0.25% 2019 bonds (31-Jan-2019)
		09:30	Auction: To sell 0.75% 2021 bonds (30-Jul-2021)
		09:30	Auction: To sell 1.3% 2026 bonds (31-Oct-2026)
UK		10:30	Auction: To sell £1.1bn of 0.125% 2026 index-linked bonds (22-Mar-2026)

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

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