

# Euro wrap-up

## Overview

- Bunds made modest gains, as euro area car registration and construction output figures provided mixed messages.
- Ahead of this evening's televised leaders' debate, Gilts made gains as a UK survey suggested ongoing weakness in the manufacturing sector.
- The coming two days will bring the Commission's flash consumer confidence index for November, while the ECB will publish the account from October's Governing Council meeting and its Financial Stability Report.

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### Daily bond market movements

Bond	Yield	Change
BKO 0 12/21	-0.645	-0.007
OBL 0 10/24	-0.583	-0.001
DBR 0 08/29	-0.343	-0.005
UKT 3% 09/21	0.563	-0.016
UKT 1 04/24	0.525	-0.013
UKT 0% 10/29	0.734	-0.015

\*Change from close as at 4:30pm GMT.  
Source: Bloomberg

## Euro area

### Euro area car registration data provide mixed messages

Against the backdrop of recent weakness in global auto sales, today's European car registration figures offered some cautious encouragement that demand in the region held up at the start of the fourth quarter. Indeed, total registrations in the euro area rose 3.8%M/M on a seasonally adjusted basis in October, to leave them more than 10% higher than a year earlier. At the country level, there was a striking increase of more than 10%M/M in Germany, to leave registrations there up 12.7%Y/Y. But while registrations were also higher on a year-on-year basis in France (8.7%), Italy (6.7%) and Spain (6.3%), these growth rates were flattered by the very low base as new emissions testing regulations came into effect in September last year. Indeed, with the exception of Germany, year-to-date sales were lower than a year earlier in October in each of the large member states. And with further regulatory changes providing an additional distortionary factor, registrations on a seasonally adjusted basis have been especially volatile over recent months. So, the improvement in October should be viewed with some caution. According to the ECB's data, despite the pickup last month, the level of euro area registrations was still almost 5% lower than the Q3 average, with similar declines in Germany (-7%), France (-2.8%) and Spain (-4.4%).

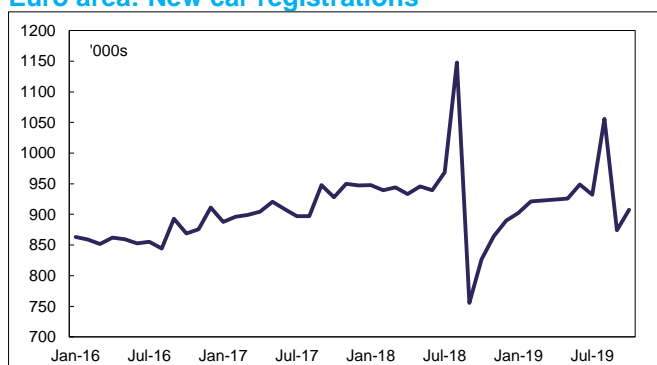
### Euro area construction activity falls in Q3

While confidence among euro area construction firms fell in September to its lowest level since 2017, today's output figures from the sector that month were, at face value, stronger. In particular, construction activity rose 0.7%M/M in the euro area, with an increase of more than 1%M/M in civil engineering and a rise of ½%M/M in building work. At the country level, there was solid growth in Germany (1.8%M/M) and France (1.9%M/M), which contrasted with a notable decline in Spain (-2.4%M/M). But the improvement in the two largest member states followed weakness in previous months. So, over the third quarter as a whole, construction output was flat in Germany, but considerably weaker in France (-1.8%Q/Q) and Spain (-1.3%Q/Q). And overall, aggregate euro area activity was down 0.3%Q/Q in Q3, the second successive quarterly contraction, as building work declined 0.6%Q/Q and civil engineering fell 0.2%Q/Q. Moreover, with construction output down and IP having declined by a steeper 0.9%Q/Q in Q3, today's release suggested that services output posted the twenty-sixth consecutive quarter of positive growth in Q3 and at a faster pace than the 0.3%Q/Q rate seen in Q2.

### The coming two days in the euro area and US

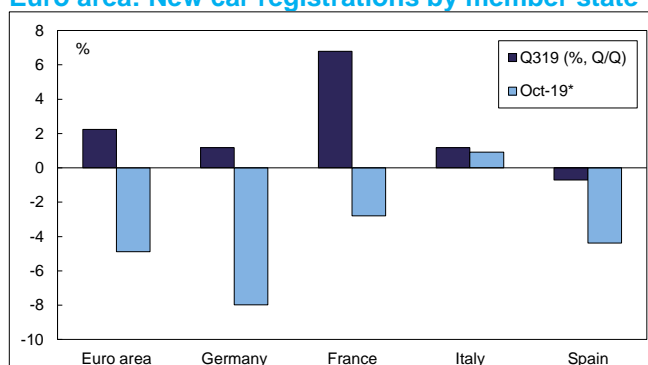
After a quiet day for economic news tomorrow with just German PPI figures for October due for release, Thursday will bring the European Commission's flash consumer confidence indicator for November. In line with the oscillating trend seen since the start of the year, this is expected to report a modest increase this month by 0.4pt to -7.2, to remain well within the recent

### Euro area: New car registrations



Source: Thomson Reuters and Daiwa Capital Markets Europe Ltd.

### Euro area: New car registrations by member state



\*October level compared with the Q3 average. Source: ECB and Daiwa Capital Markets Europe Ltd.



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narrow range. That day will also bring the French INSEE business confidence survey for November. The account of the ECB's October policy meeting is also due for release on Thursday, although – if the respective press conference was anything to go by – that is likely to be a non-event. Meanwhile, the ECB will publish its latest Financial Stability Report tomorrow, while ECB Chief Economist Philip Lane is due to speak in Milan. In the markets, Germany will sell longer-dated Bunds on Wednesday, while France and Spain will sell bonds with various maturities on Thursday.

In the US, the main release tomorrow will be the minutes from the Fed's October policy meeting. These will be followed on Thursday by existing home sales figures for October, the Conference Board's leading indicators for the same month and the Philly Fed index for November. In the markets, the Treasury will sell 10Y TIPS on Thursday.

## UK

### Manufacturers remain downbeat about outlook

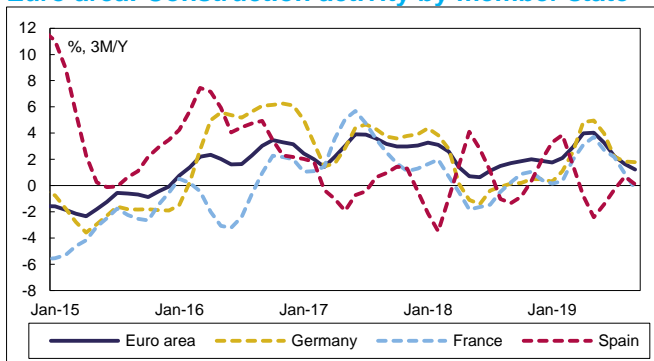
While near-term uncertainty about a no-deal Brexit was alleviated late last month as EU leaders agreed to a three-month Article 50 extension to end-January 2020, today's CBI industrial trends survey predictably suggested that conditions in the UK's manufacturing sector remained challenging. In particular, the survey's output component implied that production in November continued to fall at a similar pace to October – the 1pt increase to -9 still left the index at its fourth-lowest reading since 2011 – with only five out of seventeen sub-sectors recording an increase and notable weakness reported in the autos sector. And while there was a pickup in the survey's orders index in November, at -26 (up 11pts from October's nine-year low) it still indicated that order books remained significantly lower than their long-run average. As such, manufacturers remained broadly downbeat about the near-term production outlook, anticipating no growth over the coming three months compared with a year earlier.

### The coming two days in the UK

While this evening's televised debate between PM Boris Johnson and Labour leader Jeremy Corbyn seems unlikely to provide any further clarity on the election manifestos of the two main parties, it might yet have some bearing on the parties support ratings, not least given that both are highly gaffe-prone. And politics will certainly continue to dominate the news flow over coming days. Data-wise, however, tomorrow will bring the previously delayed estimate of unit labour cost growth in Q2. Given weak economic growth but a pickup in wage growth and still-positive employment growth, expect an acceleration in unit labour costs to suggest that domestically generated price pressures increased in the second quarter. Meanwhile, on Thursday the latest public sector finance figures are due. These are expected to show that net borrowing in October was higher than a year earlier, and the fiscal policy pledges of the various political parties suggest that the underlying state of the public finances is likely to deteriorate over the coming year too.

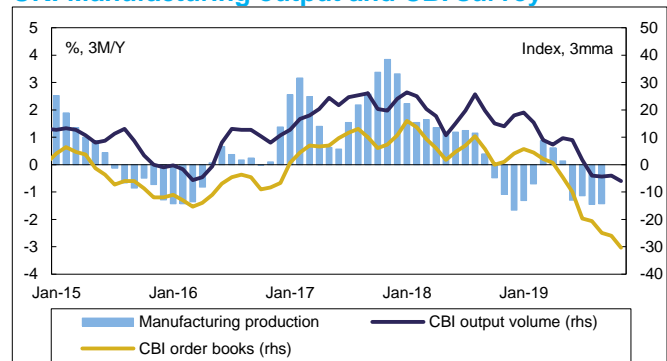
*In the absence of significant news, the next edition of the Euro wrap-up will be published on 21 November 2019*

### Euro area: Construction activity by member state



Source: Thomson Reuters and Daiwa Capital Markets Europe Ltd.

### UK: Manufacturing output and CBI survey









Source: Thomson Reuters and Daiwa Capital Markets Europe Ltd.

## European calendar

### Today's results

#### Economic data

Country	Release	Period	Actual	Market consensus/ <i>Daiwa forecast</i>	Previous	Revised
EMU	 EU27 new car registrations Y/Y%	Oct	<b>8.7</b>	-	14.5	-
	 Construction output M/M% (Y/Y%)	Sep	<b>0.7 (-0.7)</b>	-	-0.5 (1.2)	<b>-0.8 (0.8)</b>
	 Current account balance €bn	Sep	<b>28.2</b>	-	26.6	<b>28.5</b>
Italy	 Industrial sales M/M% (Y/Y%)	Sep	<b>0.2 (-1.6)</b>	-	-0.3 (-2.2)	-
	 Industrial orders M/M% (Y/Y%)	Sep	<b>1.0 (0.3)</b>	-	1.1 (-10.0)	<b>0.8 (-10.4)</b>
UK	 CBI industrial trends survey, total orders	Nov	<b>-26</b>	-30	-37	-


#### Auctions

Country	Auction
- Nothing to report -	

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

### Yesterday's results



#### Economic data

Country	Release	Period	Actual	Market consensus/ <i>Daiwa forecast</i>	Previous	Revised
UK	 Rightmove house price index M/M% (Y/Y%)	Nov	<b>-1.3 (0.3)</b>	-	0.6 (-0.2)	-




Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

### Tomorrow's data releases

#### Economic data

Country	BST	Release	Period	Market consensus/ <i>Daiwa forecast</i>	Previous
Germany		07.00 PPI M/M% (Y/Y%)	Oct	0.0 (-0.4)	0.1 (-0.1)
UK		09.30 Unit labour costs Y/Y%	Q2	-	2.1






#### Auctions and events

Country	BST	Auction / Event
EMU		09.00 ECB publishes its Financial Stability Review
		17.00 ECB's Chief Economist Lane scheduled to speak
Germany		10.30 Auction: €1.5bn of 0% 2050 bonds











Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

## Thursday's data releases

### Economic data

Country	BST	Release	Period	Market consensus/ <i>Daiwa forecast</i>	Previous
EMU		15.00 Preliminary Commission's consumer confidence	Nov	-7.2	-7.6
France		07.45 INSEE business confidence indicator	Nov	105	105
		07.45 Manufacturing confidence indicator (production outlook)	Nov	100 (1)	99 (-1)
Spain		09.00 Trade balance €bn	Sep	-	-4.0
UK		09.30 Public sector net borrowing £bn	Oct	9.3	9.4

### Auctions and events

Country	BST	Auction / Event
EMU		12.30 ECB publishes its account of October 's 23-24 October Governing Council policy meeting
	-	ECB's Mersch and de Guindos scheduled to speak at separate events
France		09.50 Auction: 0% 2023 bonds
		09.50 Auction: 0% 2024 bonds
		09.50 Auction: 0% 2025 bonds
		10.50 Auction: 0.1% 2028 index-linked bonds
		10.50 Auction: 0.1% 2029 index-linked bonds
		10.50 Auction: 0.1% 2047 index-linked bonds
Spain		09.45 Auction: 0.25% 2024 bonds
		09.45 Auction: 0.6% 2029 bonds
		09.45 Auction: 3.45% 2066 bonds

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

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