

Euro wrap-up

Overview

- Euro govies rallied, global oil prices fell and equities rose after an Iranian official announced that the Strait of Hormuz was 'completely open' during the ceasefire in Lebanon.
- Gilts also followed the global trend higher on a quiet day for UK economic news.
- The coming week will bring various European April business and consumer surveys, including the flash PMIs, and the latest UK inflation, retail sales and labour market data.

Emily Nicol
+44 20 7597 8331

Edward Maling
+44 20 7597 8030

Daily bond market movements

Bond	Yield	Change
BKO 2.1 03/28	2.409	-0.102
OBL 2½ 04/31	2.610	-0.082
DBR 2.9 02/36	2.958	-0.070
UKT 4¾ 03/28	4.110	-0.107
UKT 4¾ 03/31	4.240	-0.104
UKT 4¾ 10/35	4.755	-0.092

*Change from close as at 4:30pm BST.

Source: Bloomberg

Euro area

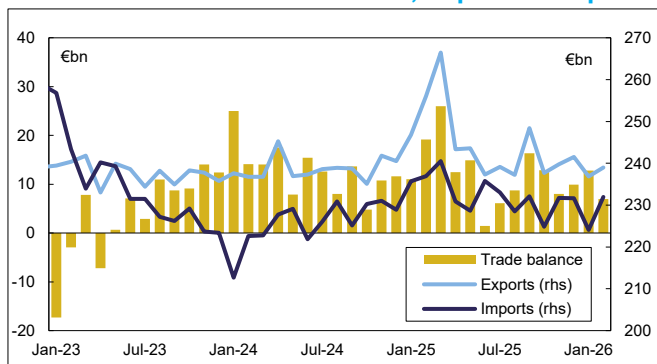
February's trade surplus smallest since last July as imports rebounded ahead of the Iran war

As expected, today's euro area goods trade data for February showed the seasonally adjusted surplus narrowing markedly from January's four-month high, from €12.8bn to €7.0bn, the smallest since last July. But the deterioration reflected a notable rise in the value of imports that month (3.5%MM) after a similar decline at the start of the year, which seems likely to in part reflect developments in prices in certain categories. In particular, the value of imports of 'other' commodities that include precious metals such as gold and silver leapt a whopping 143%M/M in February, to account for almost 60% of the total monthly rise. Imports of chemicals (10%M/M) and mineral fuels (7.4%M/M) also rose to a five-month high. Meanwhile, the value of exports partially reversed the decline at the start of the year (0.9%M/M) due a bounce back in shipments to Switzerland (9.5%M/M) and the US (4.8%M/M). This took the value of exports to the US to a five-month high in February, perhaps helped by threats of additional trading barriers across the Atlantic, but still left the overall bilateral goods surplus with the US some €5bn below the 2024 average and down roughly €25bn from the pre-tariff hike peak in March 2025. The trade deficit with China (€26bn) also hit a record high in February due to an ongoing downtrend in exports of machinery, transport equipment and other manufactured goods, although this may in part relate to the timing of the Lunar New Year. Overall, total exports were trending some 0.7% below the Q4 average. And while global trade seems bound to have been disrupted in March (and beyond), today's data showed a similar drop in import values compared with Q4, suggesting that net trade in the first two months of the year had a negligible impact on GDP growth.

The week ahead in the euro area

April's business and consumer sentiment surveys will be the focus of the euro area's dataflow in the coming week, of which the flash euro area PMIs on Thursday will mark one highlight. Unsurprisingly, the March PMIs suggested that events in the Middle East and associated energy price shock had an immediate dampening effect on growth momentum at the end of Q1, as supply chain disruption and surge in operating costs hit business expectations. Indeed, while the survey suggested that manufacturing output remained firm, weaker services activity saw the composite euro area PMI slip to a nine-month low (50.7). With global energy prices still elevated, the input price PMI is likely to have risen further from March's three-year high. And as those higher costs and supply-chain disruptions flow downstream, manufacturing seems likely to slow too, which should imply a further slowdown in overall economic growth momentum at the start of Q2. The more comprehensive French INSEE (also Thursday) and German ifo business indices (Friday) will provide additional insight into economic conditions this month. And tallying the downbeat assessment presented by the past week's Sentix survey, the ZEW investor indices (Tuesday) might point to a further modest worsening of expectations for Germany's economic outlook. Notwithstanding fiscal support measures to combat high fuel prices in certain member states, the Commission's flash euro area consumer

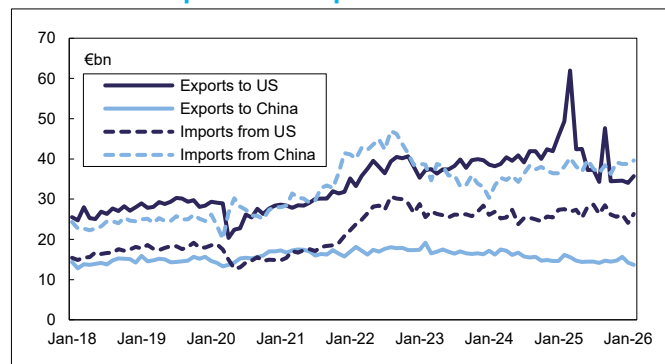
Euro area: Goods trade balance, imports & exports*



*Seasonally adjusted values.

Source: Macrobond and Daiwa Capital Markets Europe Ltd.

Euro area: Export to & imports from US & China

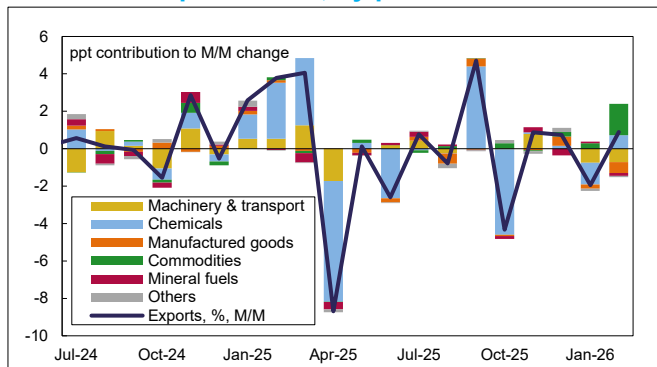


Source: Macrobond and Daiwa Capital Markets Europe Ltd.

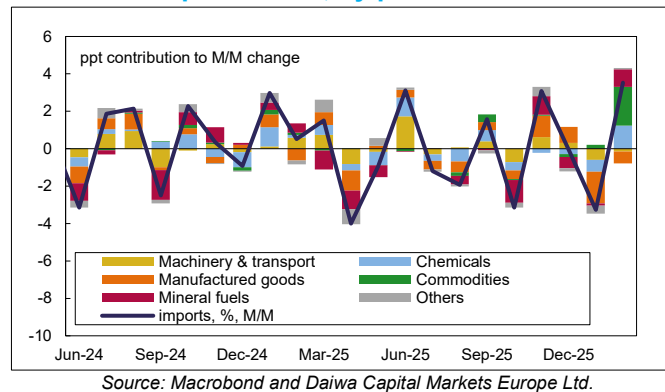
confidence indicator (Wednesday) is likely to report a further weakening this month from March's near-2½-year low as the protracted energy shock continues to weigh on income expectations and purchase intentions. The French INSEE consumer survey (Friday) will provide some complimentary detail to that release.

In terms of hard data, March PPI figures from Germany (due Monday) – the first official measure to incorporate the impact of the energy shock on prices at the factory gate – will be of interest. Meanwhile, the euro area construction data should report a second consecutive monthly drop in February, following declines in each of Germany (-1.2%M/M) and France (-1.4%M/M). Government financial accounts data for end-2025 will also be published (Wednesday).

Euro area: Export values, by product



Euro area: Import values, by product












The week ahead in the UK

Ahead of the end-April BoE monetary policy meeting and publication of updated macroeconomic projections, the week ahead in the UK will bring a swathe of top-tier economic data, including the latest labour market (Tuesday) and inflation reports (Wednesday), as well as April's flash PMIs (Thursday) and GfK consumer confidence survey (Friday). Given the global energy price shock, we expect the March inflation figures to show the headline CPI rate increasing 0.3ppt to 3.3%Y/Y. Higher liquid fuel costs should underpin virtually all of that increase, pushing energy inflation up some 5½ppts to around 4½%Y/Y. In contrast, we expect core inflation to move sideways at 3.2%Y/Y, but acknowledge that indirect effects on transport services and certain core goods components could risk some additional upside risk to that estimate. March PPI data will also give an indication as to what extent goods producers are absorbing the higher cost pressures.

Indeed, March's PMIs already flagged that firms failed to fully pass on higher input costs to consumers. And so policymakers will be wary of further signs of additional inflationary pressures in the flash April PMI. Still, faced by a steep rise in operating costs, the energy supply shock seems bound to keep weighing on economic activity indicators as well. The UK composite output index flagged a sharp loss of growth momentum at the end of Q1 (down more than 3pts to 50.3 in March), and a modest contractionary reading this month seems a strong possibility. The CBI's industrial trends survey (also Thursday) will provide a cross-check for the findings of the manufacturing PMIs. The gloomier economic outlook and further erosion of purchasing power will have likely weighed further on consumer confidence and households' willingness to spend over the past couple of months. And while the past week's BRC retail survey was suggestive of a pickup thanks to Easter-related food sales, the initial deterioration in sentiment will have likely proved a headwind to retail sales volumes in March (for which data are due Friday).



Despite the upside risks to the inflation outlook, a number of BoE policymakers have reiterated their alertness to the softness of the labour market. Surveys continue to point towards modest loosening in conditions. But while the HMRC measure of payrolled employment saw its best monthly rise for 16 months in February, the increase in economic uncertainties seems bound to have put firms' hiring plans on ice. Meanwhile, the unemployment rate in February is expected to have moved sideways at 5.2%3M, a 5-year high. We also expect to see further moderation in pay growth, albeit owing mostly to fading base effects related to the timing of last year's public sector pay settlements. Still, the BoE's preferred wage measure – private sector regular pay – might see growth soften only marginally to 3.2%3M/Y, the softest since October 2020. Finally, March's public finances data (Thursday) will give an update on government borrowing through to the end of FY25/26.

Daiwa economic forecast

	2025		2026				2026	2027	2028
	Q3	Q4	Q1	Q2	Q3	Q4			
GDP	%, Q/Q						%, Y/Y		
Euro area 	0.3	0.2	0.2	0.0	0.1	0.2	0.6	1.0	1.4
UK 	0.1	0.1	0.5	0.0	0.1	0.2	0.7	1.1	1.6
Inflation, %, Y/Y									
Euro area									
Headline HICP 	2.1	2.1	2.0	3.1	3.0	3.1	2.8	2.5	2.1
Core HICP 	2.3	2.4	2.3	2.3	2.5	2.7	2.5	2.8	2.0
UK									
Headline CPI 	3.8	3.4	3.1	3.1	3.7	3.7	3.4	2.9	1.8
Core CPI 	3.6	3.3	3.2	2.9	3.2	3.4	3.2	3.1	2.1
Monetary policy, %									
ECB									
Deposit Rate 	2.00	2.00	2.00	2.25	2.50	2.50	2.50	2.25	2.25
Refi Rate 	2.15	2.15	2.15	2.40	2.65	2.65	2.65	2.40	2.40
BoE									
Bank Rate 	4.00	3.75	3.75	4.00	4.00	4.00	4.00	3.75	3.50

Source: Bloomberg, ECB, BoE 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	
Euro area 	ECB current account €bn	Feb	24.9	-	37.9	40.4	
	Trade balance €bn	Feb	7.0	-	12.1	12.8	
Auctions							
Country	Auction						
- Nothing to report -							

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.








The next edition of the Euro wrap-up will be published on 21 April 2026

The coming week's data calendar

The coming week's key data releases						
Country	BST	Release	Period	Market consensus/ <i>Daiwa forecast</i>	Previous	
Monday 20 April 2026						
Euro area		10.00	Construction output M/M% (Y/Y%)	Feb	-	-0.1 (-1.9)
Germany		07.00	PPI Y/Y%	Mar	-1.2	-3.3
UK		00.01	Rightmove house prices M/M% (Y/Y%)	Apr	-	0.8 (-0.2)
Tuesday 21 April 2026						
Germany		10.00	ZEW current situation (expectations) balance	Apr	-70.7 (-7.0)	-62.9 (-0.5)
France		-	Retail sales Y/Y%	Mar	-	-0.4
UK		07.00	Average wages (excluding bonuses) 3M/Y%	Feb	3.6 (3.5)	3.9 (3.8)
		07.00	Private sector regular wages 3M/Y%	Feb	3.2	3.3
		07.00	Unemployment rate 3M%	Feb	5.2	5.2
		07.00	Employment 3M/3M change 000s	Feb	35	84
		07.00	Payrolled employees M/M change 000s	Mar	-3	20
		07.00	Claimant count rate % (change 000s)	Mar	-	4.4 (24.7)
Wednesday 22 April 2026						
Euro area		15.00	Preliminary Commission consumer confidence indicator	Apr	-17.2	-16.3
UK		07.00	Headline (core) CPI Y/Y%	Mar	<u>3.3 (3.2)</u>	3.0 (3.2)
		07.00	PPI – output (input) prices Y/Y%	Mar	2.4 (3.4)	1.7 (0.5)
		09.30	House price index Y/Y%	Feb	-	1.3
Thursday 23 April 2026						
Euro area		05.00	New car registrations Y/Y%	Mar	-	2.0
		09.00	Preliminary services (manufacturing) PMI	Apr	49.8 (50.9)	50.2 (51.6)
		09.00	Preliminary composite PMI	Apr	50.0	50.7
Germany		08.30	Preliminary services (manufacturing) PMI	Apr	50.3 (51.4)	50.9 (52.2)
		08.30	Preliminary composite PMI	Apr	51.2	51.9
France		07.45	INSEE business (manufacturing) confidence indicator	Apr	96 (99)	97 (99)
		07.45	INSEE production outlook (own-company) indicator	Apr	-12 (10)	-9 (8)
		08.15	Preliminary services (manufacturing) PMI	Apr	48.5 (49.5)	48.8 (50.0)
		08.15	Preliminary composite PMI	Apr	48.5	48.8
UK		07.00	Public sector net borrowing £bn	Mar	10.3	14.3
		09.30	Preliminary services (manufacturing) PMI	Apr	50.0 (50.4)	50.5 (51.0)
		09.30	Preliminary composite PMI	Apr	49.8	50.3
		11.00	CBI industrial trends survey – total orders (selling prices) net balance %	Apr	-34 (21)	-27 (12)
		11.00	CBI industrial trends survey – business optimism net balance %	Apr	-25	-19
Friday 24 April 2026						
Germany		09.00	ifo current assessment (expectations) indicator	Apr	86.2 (85.0)	86.7 (86.0)
		09.00	ifo business climate indicator	Apr	85.5	86.4
France		07.45	INSEE consumer confidence indicator	Apr	88	89
Spain		08.00	PPI Y/Y%	Mar	-	-7.0
UK		00.01	GfK consumer confidence indicator	Apr	-25	-21
		07.00	Retail sales – incl. auto fuel M/M% (Y/Y%)	Mar	0.0 (1.2)	-0.4 (2.5)
		07.00	Retail sales – excl. auto fuel M/M% (Y/Y%)	Mar	-0.1 (2.0)	-0.4 (3.4)

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

The coming week's key events & auctions

Country	BST	Event / Auction
Monday 20 April 2026		
- Nothing scheduled -		
Tuesday 21 April 2026		
Germany		10.30 Auction: to sell up to €6bn of 2028 bonds
UK		10.00 Auction: to sell up to £5bn of 4% 2029 bonds
Wednesday 22 April 2026		
Euro area		10.00 Eurostat to publish quarterly (Q425) and annual (2025) Government financial accounts
		18.30 ECB President Lagarde participates in panel discussion on global challenges at the London School of Economics
Germany		10.30 Auction: to sell up to €1bn of 2.6% 2041 bonds
		10.30 Auction: to sell up to €1bn of 3.4% 2047 bonds
Thursday 23 April 2026		
- Nothing scheduled -		
Friday 24 April 2026		
Italy		10.00 Auction: to sell inflation-linked bonds*

*Details to be announced. Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

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