# Rates Spark: Post-trade deal, the spotlight shifts to data

Rates didn't move much in reaction to the EU trade deal. If anything, eurozone markets seemed slightly disappointed by the details. The focus will now be on upcoming data releases. In the US, we have important jobs data this week, which may drive the next rates move. Meanwhile, Dutch pension reforms could leave an important mark on fixed-income markets

Now that an EU-US trade deal has been reached, the focus will shift to economic data releases

## With an EU trade deal reached, focus will shift to the data

There has been a muted market reaction to the announcement of a US-EU trade deal, shifting the focus to the numerous data points this week. The little movement in rates reflects a mix of two things. For one, the idea of a trade deal being reached was in the making for a couple of weeks, already pushing the curve higher. Second, the details of the deal don’t seem great for the eurozone, offsetting the positive headlines with a slightly disappointing aftertaste. Equities, for instance, opened higher but reversed the gains throughout the day. In any case, in our view, a significant amount of uncertainty has been taken away, which should still be positive for risk sentiment and the near-term economic outlook. We therefore stick to our bearish call for euro rates.

US markets seem to be benefiting more from reaching an agreement, driven by Trump's more market-friendly approach to his negotiations of late. But the real test will be this week's data. Today, we have consumer confidence data and the JOLTS jobs report. And then on Friday, the important payroll numbers. Until then, we don't think there will be much scope for US rates taking on a new direction. The Fed meeting will be of interest, but will unlikely provide clear answers about the Fed's next move.

## Fixed-income players should be aware of the ongoing Dutch pension reforms

Meanwhile, Dutch pension reforms are underway, adding to the upward pressure on longer-dated euro rates. The eventual flows are hard to estimate, but the DV01 impact from unwinding interest rate hedges could be as high as €500m. We may also see a broader rebalancing of the fixed-income portfolio, whereby government bonds will be reduced. But delays are still a risk. Read more about the four things to watch.

## Tuesday's events and market views

We start the day with Spain's GDP figures, which the consensus sees as stable at 0.6% quarter-on-quarter. This will be a sneak preview before the more important eurozone aggregate GDP growth estimates on Wednesday. From the US, we'll have wholesale inventories, JOLTS job openings and consumer confidence data. All three play an important role in gauging the health of the business cycle. Consumer confidence is seen to improve slightly, but job openings are expected to weaken a notch.

For supply, we have the UK with a 3Y Gilt auction for £5bn and from Germany a 5Y Bobl auction totalling €4.5bn. The US will also issue a 2Y FRN and 7Y Note for a total of $74bn.

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