

Danske Daily

Market Movers

- Today's calendar contains a series of US data releases with February's retail sales report as the most important release. The retail sales control group is expected to increase 0.2% m/m in February following a solid 0.6% increase in January, suggesting that US households continue to spend what they have saved on lower gasoline prices. Moreover, another solid retail sales print for February means that private consumption has been little affected by the turmoil on financial markets so far this year.
- Other US data releases are expected to show moderate improvements. The Empire State manufacturing index is expected to increase to -10 in March from -16.64 in February, while the NABH housing market index is forecasted to tick up to 59 in March from 58 in the previous month.
- Note that due to daylight savings time (DST), US data will be released one hour earlier than usual in CET time.
- In Sweden, we expect inflation to come in a tad above the Riksbank's latest forecast, see *Scandi Markets*.

Selected Market News

As widely expected, the Bank of Japan (BoJ) this morning kept its asset purchase programme unchanged at JPY80trn per month and kept its key policy rate at -0.1% with a 7-2 vote. The two dissenting members, Mr. T. Sato and Mr. T. Kiuchi, both objected against negative interest rates. In its statement, the BoJ noted that exports and production have been sluggish due to weak demand in primarily emerging markets. We see a high probability that the Japanese economy will be hit by a technical recession in Q4-Q1 with yet another negative GDP growth in Q1. Inflation printed at 0.0% y/y in January and is likely to remain subdued due to the combination of the falling oil price and appreciation of the yen. In our view, it is only a matter of time before the BoJ will ease further - we forecast the BoJ to ease in July when it publishes its quarterly Outlook Report with updated growth and inflation forecasts. Here, we expect the BoJ to cut its key policy rate by 20bp to -0.3% while keeping its QE programme unchanged at JPY80trn per month.

USD/JPY initially fell from 113.80 to 113.40 after the BoJ's monetary policy announcement while the Nikkei equity index dropped 0.7%. Both USD/JPY and Nikkei have since dropped further as weak risk appetite has dragged all Asian bourses in negative this morning

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Scandi Markets

Sweden. We expect inflation to come in a tad above the Riksbank's latest forecast. The much cited CPI ex energy measure, which excludes interest rates and energy, has the potential to come in higher than the latest Riksbank forecast. We forecast CPI at 0.2% m/m and 1.0% y/y and CPI ex energy at 0.2% m/m and 0.3% y/y, respectively.

Fixed Income Markets

The sentiment in the European fixed income market will be dominated by the outcome of the Bank of Japan meeting. We have seen a substantial increase in 30Y JGBs after they fell below 50bp last week. 10Y JGBs are trading below 0bp and with expectations for a weaker JPY and lower yields, this will be supportive for the European government bond market. Later in the day, we have a number of US economic data such as retail sales and Empire Manufacturing PMI but the data are not crucial for the markets.

Yesterday, Spain announced a smaller-than-expected size for the upcoming auction on Thursday, 17 March. The Spanish debt office is planning to sell only EUR2bn to 3bn rather than the 'normal' EUR4bn to 5bn. Italy is launching a new 8Y BTP Italia on 4-7 April. This inflation-linked bond is meant for retail investors but can be and is also bought by institutional investors. Demand is likely to be strong as EUR7.3bn is maturing of the BTP Italia at the end of March. In total some EUR26.5bn is maturing in the BTP Italia bonds in 2016 and part of this is most likely to be funded in the traditional linkers. See *Tap auction in DGB 0.25% '18 and DGB 1.75% '25*, 14 March, for more information on the Danish government bond auction on Wednesday.

FX Markets

It has been a relatively quiet start to the week in the FX market as risk sentiment has stabilised in the absence of important data releases. The Bank of Japan's decision to keep its monetary policy unchanged was widely expected in the market, which explains the limited reaction in USD/JPY immediately after the announcement this morning. With the BoJ now out of the way, focus will turn to the FOMC meeting on Wednesday. We think that the Fed will keep the door open for a rate hike in June but given that markets have re-priced Fed with the next hike now fully priced in for November this year and an implied 66% probability of a hike in June, it will probably take a relatively hawkish Fed on Wednesday to push short-end rates higher. However, with improved risk sentiment and a more hawkish pricing of the Fed, we think the top side in EUR/USD is likely to be capped in the short term. We continue to see EUR/USD in a 1.05-1.15 range in the coming months but still hold the view that EUR/USD will head substantially higher in 2016.

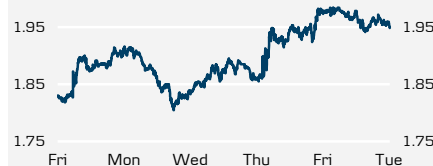
In the Scandi FX market, EUR/SEK fell back below 9.30 yesterday and if we are right in our inflation forecasts where we look for February's figures to print a tad above the Riksbank's forecast, the SEK could strengthen further in the short term. We continue to see EUR/SEK range bound in the coming months but we have become slightly more bearish with respect to the near-term outlook after Riksbank member Skingsley last week reiterated her standpoint of greater tolerance towards SEK appreciation in excess of its own forecast. Indeed, we do not know whether her view is shared by Ingves and Jochnick but it is possible that the pain threshold has been lowered somewhat. To the extent that the Riksbank is ok with a stronger SEK, we think that the fair range for EUR/SEK has shifted down to 9.15-9.40.

US S&P500 future



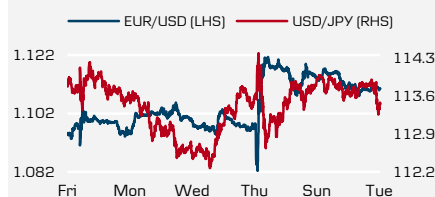
Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

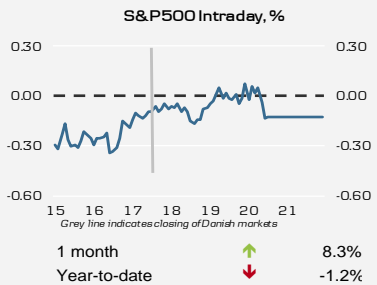
Key figures and events

Tuesday, March 15, 2016					Period	Danske Bank	Consensus	Previous
9:30	SEK	CPI	m/m y/y	Feb	0.2% 1.0%	0.3% 0.4%	-0.3% 0.8%	
9:30	SEK	Underlying inflation CPIF	m/m y/y	Feb	0.2% 0.3%		-0.4% 1.6%	
10:00	ITL	HICP inflation, final	m/m y/y	Feb		... -0.2%	... -0.2%	
11:00	EUR	Employment	q/q y/y	4th quarter			0.3% 1.1%	
13:30	USD	Retail sales	m/m	Feb		-0.1%	0.2%	
13:30	USD	Retail sales less autos	m/m	Feb		-0.2%	0.1%	
13:30	USD	Retail sales less autos and gas	m/m	Feb		0.2%	0.4%	
13:30	USD	Retail sales control group	m/m	Feb		0.2%	0.6%	
13:30	USD	PPI	m/m y/y	Feb		-0.1% 0.1%	0.1% -0.2%	
13:30	USD	PPI core	m/m y/y	Feb		0.1% 1.2%	0.4% 0.6%	
13:30	USD	Empire Manufacturing PMI	Index	Mar		-10.0	-16.6	
15:00	USD	NAHB Housing Market Index	Index	Mar		59.0	58.0	
21:00	USD	TICS international capital flow, Net inflow	USD bn	Jan			-114.0	

Source: Bloomberg, Danske Bank Markets

Today's market data: 15 March 2016

STOCKS



	Close		+/-
DJSTOXX50	2881	↑	0.6%
OMXC20	988	↑	1.4%
OMXS30	1424	↑	0.4%
OSE BX	590	↑	0.8%
	Close		+/-
DOW JONES	17229	↑	0.1%
NASDAQ	4750	↑	0.0%
S&P500	2020	↓	-0.1%
NIKKEI (07:30)	17125	↑	0.6%

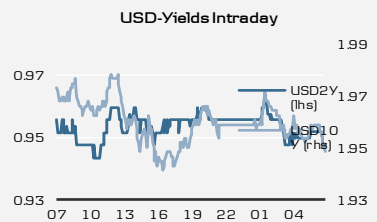
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	111.1	111.0	↓ -0.13
JPY	126.27	125.90	↓ -0.37
GBP	77.56	77.87	↑ 0.32
NOK	941.88	941.89	↑ 0.01
SEK	925.95	927.47	↑ 1.52
DKK	745.77	745.82	↑ 0.05
PLN	427.99	427.97	↓ -0.02
USD	17:00	07:30	+/-
JPY	113.57	113.37	↓ -0.20
GBP	143.35	142.61	↓ -0.74
CHF	98.52	98.72	↑ 0.20

	Gold, \$	Oil, Brent, \$
07:30	1228.37	39.22
1 day	↓ -6.88	↓ -0.31
1 month	↑ 19.02	↑ 5.83
Year-t-date	↑ 166.95	↑ 1.94
	CRB	CRB, Raw
	1M future	Industrials
07:30	172.38	438.10
1 day	↓ -1.14	↑ 1.01
1 month	↑ 12.02	↑ 16.21
Year-t-date	↓ -3.76	↑ 33.39

YIELDS & INTEREST RATES

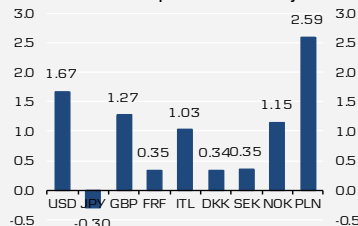


	Policy Rate	3M	Spread, bp
USD	0.50	0.63	13
EUR	0.00	-0.23	-23
GBP	0.50	0.59	9
DKK	0.05	-0.05	-10
SEK	-0.50	-0.47	3
NOK	0.75	1.02	27
PLN	1.50	1.57	7

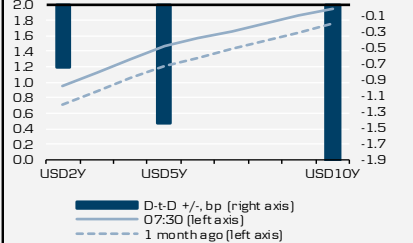
	17:00	07:30	+/-, bp
USD 10Y	1.95	1.95	↑ 1
USD 30Y	2.71	2.73	↑ 1
JPY 10Y	-0.04	-0.02	↑ 2
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.27	0.27	↑ 0
DKK 10Y	0.66	0.63	↓ -3
SEK 10Y	0.61	0.63	↑ 2
NOK 10Y	1.43	1.43	↑ 0
PLN 10Y	2.89	2.88	↓ -1

* As of closing previous trading day

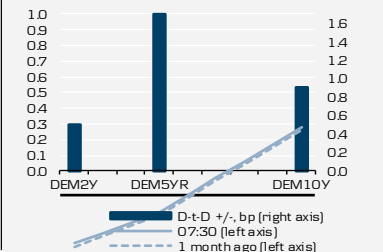
10Y Yield Spread to Germany



US Yield Curve



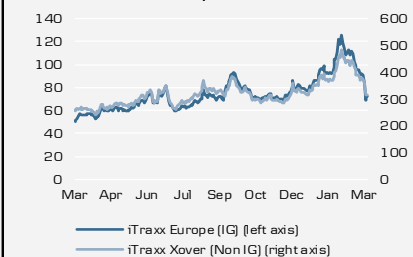
German Yield Curve



Credit spread, iTraxx s. 11*

	07:30	1 day	1 month
Europe (IG)	72	↑ 0	↓ -43
HiVol	89	↑ 0	↓ -57
Xover (N-IG)	317	↓ -1	↓ -135
Finan. Sr.	78	↑ 0	↓ -45
Finan. Sub.	179	↓ -1	↓ -113
Non-finan.			

Credit spreads



Swap Spread, bp**

	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-16	-15	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0	20	↑ 20
DKK 10Y	37	37	↑ 0
SEK 10Y	43	42	↓ -1
NOK 10Y	60	59	↓ -1

* As of closing previous trading day

** Ask price

* Ask price

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