

Danske Daily

Market Movers

- There are few key releases today in the US. Existing home sales is expected to continue the positive development seen in 2015 but the market impact should be small. We will also keep an eye on the speeches from Fed's Lockhart and Lacker. Lacker is viewed as a hawk at the FOMC so interesting to hear his comments after the latest FOMC meeting.
- The two most important US data releases this week will be Markit manufacturing PMI and durable goods orders due tomorrow and Thursday respectively.
- ECB's Constancio speaks in London, otherwise there is little on the agenda in the euro zone today. Later this week the ZEW, IFO and PMI business surveys for March will attract attention after all three figures declined in January and February, with the financial uncertainty having a negative effect on economic sentiment.

Selected Market News

We have seen a strong recovery over the past month in oil and during the Friday session the Brent front-contract traded above USD42.5 for the first time since November last year. However, overnight oil has once again drifted lower as the USD has strengthened slightly and as oil rig count data on Friday showed that US oil producers for the first time this year added news rig – though the rise was very small.

US equity markets ended Friday and the week in positive territory and both the Dow Jones and the S&P 500 are now in green for the year. Especially commodity-related stocks and financials had a good day, supported by the general dovish sentiment among major central banks witnessed recently. The view that the Fed is ready to do 'whatever it takes' is also visible in markets for inflation: 5Y5Y inflation forward swaps have moved to 2.05% after trading below 1.80% a month ago.

After a negative opening in Asia the positive sentiment has also gained momentum in Asia. Note that Japan is closed for holiday today.

We had some interesting news from Chinese policy makers over the weekend. People's Bank of China Governor Zhou underlined his concern about a surge in Chinese debt leverage. The warning comes just weeks after the national legislature said that the top priority is to secure at least 6.5% annual growth for years to come. The comment shows that the Chinese authorities are aware that a target growth rate of 6.5% comes with a risk of creating an unsustainable overhang of debt. However, note that the comments come after the Chinese authorities loosened rules on margin trading for securities firms, adding renewed support to the Chinese stock market.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2049.6	↑	0.44
S&P500 fut (chng from close)	2033.6	↓	-0.19
Nikkei	16724.8	↓	-1.25
Hang Seng	20676.9	↑	0.03
	17:00	07:30	+/- bp
US 2y gov	0.84	0.84	↑ 0.0
US 10y gov	1.88	1.87	↓ -0.9
iTraxx Europe (IG)	71	71	↑ 0.8
iTraxx Xover (Non IG)	309	311	↑ 1.9
			+/- %
EUR/USD	1.129	1.127	↓ -0.20
USD/JPY	111.420	111.470	↑ 0.04
EUR/CHF	1.09	1.09	↓ -0.08
EUR/GBP	0.779	0.781	↑ 0.33
EUR/SEK	9.284	9.277	↓ -0.07
EUR/NOK	9.42	9.44	↑ 0.20
			USD
Oil Brent, USD	41.8	40.9	↓ -1.99
Gold, USD	1253.8	1246.1	↓ -0.61

Note:

* The iTraxx Europe Index shows the spread development for the most liquid investment grade CDS contracts in the euro credit market.

**The iTraxx Europe Crossover show the spread development of the most liquid non-investment grade CDS contracts in the euro credit market.

***The Markit CDX North America Investment Grade Index shows the spread development for the most liquid investment grade CDS contracts in the US credit market.

Source: Bloomberg

Selected readings from Danske Bank

- [Weekly Focus](#)
- [FX Forecast Update](#)

CBR rate decision: unchanged, no spring doves

Follow us on Twitter:

 @Danske_Research

Chief Analyst

Arne Lohmann Rasmussen
+45 45 12 85 32
arr@danskebank.dk

Scandi Markets

No important market data today.

Fixed Income Markets

On Friday S&P affirmed Portugal's BB+ rating and the outlook was kept unchanged at 'stable'. S&P says that it thinks that 'the new government will remain committed to policies that underpin further fiscal consolidation'. The S&P view should calm market fears and underline that the risk of a downgrade from DBRS to below investment grade is now relatively small. The Portuguese debt office said on Friday that it will tap EUR0.75 to 1.0bn in the 5Y and the 15Y on Wednesday. After the S&P rating announcement the auctions should go well.

Note that S&P also affirmed Finland's AA+ rating but that the outlook remains negative. Ahead of the announcement there were some market fears that S&P like Fitch a week ago could decide to announce a downgrade. RFGBs could see some small relief today.

There are no auctions in the EGB market today (Belgium cancelled) but tomorrow the Netherlands plans to sell EUR4-6bn of the new Jul-26 10Y benchmark with a 0.5% coupon. It will announce the initial spread guidance against the reference bond DBR 0.5% Feb-26 later today.

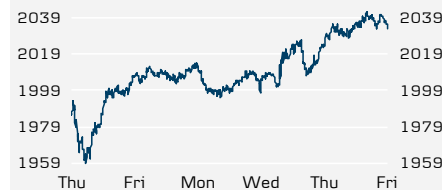
On Wednesday Germany is set to tap at the ultra-long end of the curve, with a seventh tap in the Aug-46 Bund. The demand history for this particular bond is not impressive as the past several auctions have been technically uncovered. However, the step-up in QE from the ECB and better demand when the Jun-44 was tapped at the end of February could indicate that demand for the ultra-long end of Germany has improved.

For more on the EGB market and why we still see value in global Fixed Income after last week's rally see *Government Bonds Weekly: Supportive FI environment following Fed, ECB and a stronger JPY* that we published on Friday.

FX Markets

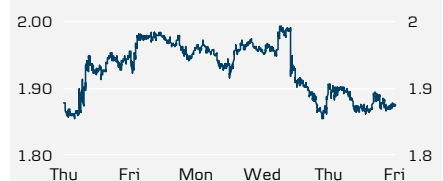
The comments from ECB's Praet regarding the ECB's options on rate cuts have weighed on EUR crosses but EUR/USD continues to trade close to the 1.13 level. In Friday's *FX Forecast Update* we rolled out our forecasts for the cross, now looking for 1.14 (previously 1.10) in 6M and 1.18 (previously 1.16) in 12M and stress that it will take a combination of Brexit fears and a re-pricing of the Fed in a more hawkish direction to send the cross below 1.10 near term. More broadly we stress that the skies are clearing for the Scandies and have revised our outlook for the SEK, NOK and DKK against the EUR. Whether the BoJ will keep the currency war alive will be seen at the late April meeting. We now expect Kuroda to cut rates by 20bp (previously we called for a cut in July). However, the effect on the currency might be limited in the short run as the BoJ is currently fighting gravity as fundamental factors, flows and stretched valuations provide substantial support for the JPY at the moment. We now forecast USD/JPY at 118 in 6-12M (120).

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

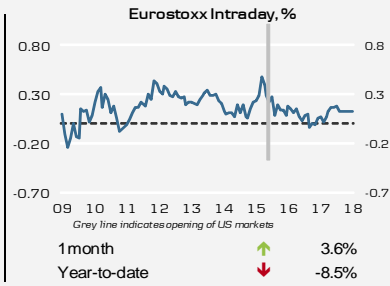
Key figures and events

Monday, March 21, 2016			Period	Danske Bank	Consensus	Previous
1:01	GBP	Rightmove House Prices	m/m y/y	Mar		2.9% 7.3%
8:45	EUR	ECB's Coeure speaks in Paris				
9:00	DKK	Consumer confidence	Net. bal.	Mar	4	4
9:00	DKK	Employment (monthly)	1.000 m/m	Jan	.. 3.000	2630 5200
9:15	USD	Fed's Lacker (non-voter, hawkish) speaks				
10:00	EUR	Current account	EUR bn	Jan		25.5
10:30	EUR	ECB's Constancio speaks in London				
15:00	USD	Existing home sales	m (m/m)	Feb	5.31	5.47 0.004
17:40	USD	Fed's Lockhart (non.voter, neutral) speaks				

Source: Bloomberg, Danske Bank Markets

Today's market data: 21 March 2016

STOCKS



	Close		+/-
DJSTOXX50	2837	↑	0.1%
OMXC20	955	↓	-0.2%
OMXS30	1391	↑	0.0%
OSE BX	590	↑	0.8%
	Close		+/-
DOW JONES	17602	↑	0.7%
NASDAQ	4796	↑	0.4%
S&P500	2050	↑	0.4%
NIKKEI (07:30)	16725	↑	0.1%

FX & COMMODITIES

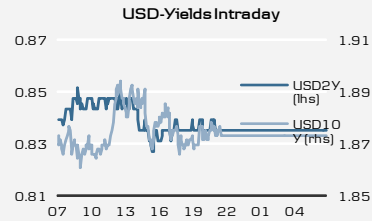


EUR	17:00	07:30	+/-
USD	112.89	112.66	↓ -0.23
JPY	125.79	125.57	↓ -0.22
GBP	77.87	78.13	↑ 0.25
NOK	942.26	944.19	↑ 1.93
SEK	928.38	927.73	↓ -0.65
DKK	745.26	745.30	↑ 0.04
PLN	425.94	426.39	↑ 0.45
USD	17:00	07:30	+/-
JPY	111.42	111.47	↑ 0.05
GBP	144.97	144.20	↓ -0.77
CHF	96.87	96.99	↑ 0.12

	Gold, \$	Oil, Brent, \$
07:30	1246.11	40.92
1day	↓ -9.21	↓ -0.28
1month	↑ 19.81	↑ 7.91
Year-t-date	↑ 184.69	↑ 3.64
	CRB 1M future	CRB, Raw Industrials
07:30	176.35	438.71
1day	↓ -1.31	↑ 0.64
1month	↑ 16.71	↑ 17.80
Year-t-date	↑ 0.20	↑ 34.00

* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

YIELDS & INTEREST RATES

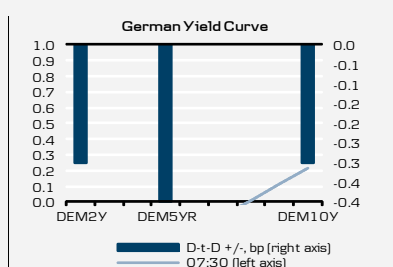
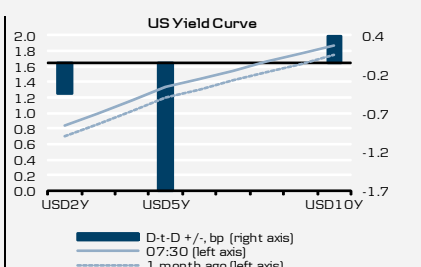
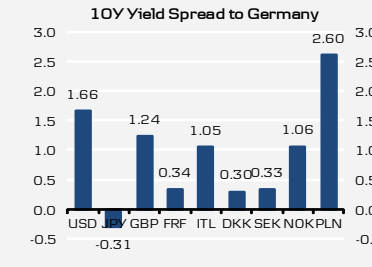


	Policy Rate	3M	Spread, bp
USD	0.50	0.62	12
EUR	0.00	-0.24	-24
GBP	0.50	0.59	9
DKK	0.05	-0.10	-15
SEK	-0.50	-0.47	3
NOK	0.75	1.02	27
PLN	1.50	1.57	7

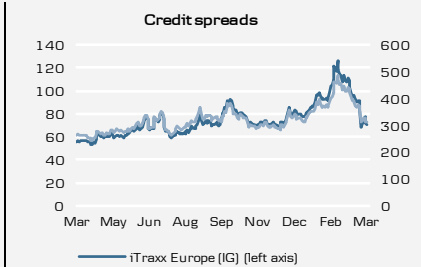
	17:00	07:30	+/-, bp
USD 10Y	1.88	1.87	↓ -1
USD 30Y	2.69	2.68	↓ -1
JPY 10Y	-0.04	-0.09	↓ -5
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.22	0.22	↑ 1
DKK 10Y	0.53	0.52	↓ -1
SEK 10Y	0.57	0.55	↓ -2
NOK 10Y	1.27	1.27	0
PLN 10Y	2.86	2.81	↓ -6

* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	71	↑ 0	↓ -39
HiVol	93	↓ -1	↓ -43
Xover (N-IG)	311	↓ 0	↓ -17
Finan. Sr.	81	↓ 0	↓ -36
Finan. Sub.	198	↓ -1	↓ -71
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-17	-15	↑ 2
	07:30(-1)*	17:00	+/-
EUR 10Y	0	21	↑ 21
DKK 10Y	35	36	↑ 2
SEK 10Y	39	43	↑ 4
NOK 10Y	61	61	↓ 0

* Ask price

* As of closing previous trading day

** Ask price

Source: Bloomberg, Danske Bank Markets

Disclosure

This research report has been prepared by Danske Bank Markets, a division of Danske Bank A/S ('Danske Bank').

Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

The research reports of Danske Bank are prepared in accordance with the Danish Society of Financial Analysts' rules of ethics and the recommendations of the Danish Securities Dealers Association.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors upon request.

Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

Danske Daily is updated on a daily basis.

First date of publication

Please see the front page of this research report for the first date of publication. Price-related data is calculated using the closing price from the day before publication.

General disclaimer

This research has been prepared by Danske Bank Markets (a division of Danske Bank A/S). It is provided for informational purposes only. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change, and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

Disclaimer related to distribution in the United States

This research report was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/S, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to "U.S. institutional investors" as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to "U.S. institutional investors".

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA, but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.