

Danske Daily

Market Movers

- A very light international agenda today. We will keep an eye on Fed's Mester (voter, hawkish) and Fed's Williams (non-voter, neutral) who are both scheduled to speak today.
- In the UK focus will be on the PMI release and whether or not the Brexit uncertainty has affected the outlook. Note though, that the weaker GBP should work in the other direction.
- In Scandinavia attention turns to Danish FX reserve data and Swedish industrial production and order data, see Scandi Markets.

Selected Market News

This morning the Chinese Caixin PMI fell to 49.4 slightly below the consensus forecast at 49.8 and down from 49.7 in March. Readings below 50 signal deteriorating conditions. The non-official measure comes after the official PMI on Sunday painted a somewhat better picture for the Chinese economy. Nevertheless, it underlines that despite the ongoing stimuli from the Chinese authorities the Chinese economy is still struggling.

In the US session focus was on the ISM indicator that dropped to 50.8 in April from 51.8 in March. The lower headline number came on the back of the relatively steep decline in new orders to 55.8 from 58.3 in the previous month. Our US economists believe that ISM manufacturing will continue to stay subdued, only slightly above 50 in the coming months, but will recover in 3-6M ahead. Some of the weakness in the US manufacturing sector is the result of the sharp decline in oil investments on which manufacturing has become increasingly dependent. The fall in oil investments is a 'one off' that is now at a 16-year low and with oil now close to USD50 investments should stabilise. The weaker USD and stabilisation in China are also set to support US manufacturing.

The bond market took its lead from the IS 'prices paid' that increased sharply from 51.5 in March to 59.0 in April among other things reflecting the higher commodity prices. Remember, the measure was just 38.5 in February. 10Y Treasury yields rose some 5bp and the curve 2Y10Y steepened 3bp. Next important focal point for the US bond market is the labour market report on Friday.

In the FX market focus continues to be on USD/JPY that traded as low as 106.05 this morning. The JPY-support comes after BoJ did not ease monetary policy further last week but it also reflects general USD-weakness in the aftermath of the ISM indicator, as seen from EUR/USD at 1.1540 - the highest level since August 2015.

Market overview

	07:30	1 day +/-,%	
S&P500 (close)	2081.4	↑ 0.78	
S&P500 fut (chng from close)	2073.0	↓ -0.06	
Nikkei	16147.4	↓ -3.11	
Hang Seng	20833.3	↓ -1.11	
	17:00	07:30	
		+/-,bp	
US 2y gov	0.80	0.79	↓ -0.8
US 10y gov	1.86	1.87	↑ 1.2
iTraxx Europe (IG)	73	74	↑ 0.3
iTraxx Xover (Non IG)	312	313	↑ 1.4
			+/-,%
EUR/USD	1.151	1.153	↑ 0.21
USD/JPY	106.560	105.970	↓ -0.55
EUR/CHF	1.10	1.10	↑ 0.17
EUR/GBP	0.784	0.786	↑ 0.23
EUR/SEK	9.186	9.189	↑ 0.03
EUR/NOK	9.24	9.26	↑ 0.18
			USD
Oil Brent, USD	46.6	46.2	↓ -0.90
Gold, USD	1294.2	1293.3	↓ -0.06

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

- [IMM Positioning Update](#)
- [US: Signs of more tailwind despite fall in ISM manufacturing in April](#)

Follow us on [Twitter](#) :



@Danske_Research

Chief Analyst

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

Scandi Markets

Danmarks Nationalbank (DN) will publish currency reserves data for April today. March was the first month in a year that the central bank did not intervene in the currency market to support the DKK. In April EUR/DKK traded 'well' below the central parity rate, which could indicate purchase of foreign currency (selling DKK) to weaken the DKK. However, when we compare the estimated and the actual net position for banks, there was a slight discrepancy here at the end of April of around DKK3bn, which points to only modest or no FX purchases (sale of DKK) at all by DN in the market.

In **Sweden** focus will be on industrial data, both production and new orders. Yesterday we saw a general improvement in the euro zone PMIs and the Swedish PMI rose to 54.0 in April from 53.0 in March. Hence, today's numbers might surprise on the upside.

Fixed Income Markets

We had a very calm start to the week but with the UK back in the game today activity should pick up. Top performer yesterday was Portugal on the back of the DBRS verdict Friday. In term of data there is little to trade on today and no scheduled EUR govie primary market activity. Instead take a look at the surprisingly interesting QE details released yesterday. The step up in QE to 80bn per month was further boosted by pre-summer frontloading bringing total QE purchases to 85.2bn in April. The increase was entirely done through higher PSPP purchases, which in April amounted to 92% (versus 84% previously). Monthly purchases in both the CBPP3 and ABSPP actually decreased in April. PSPP purchases were lifted 48% in April compared to the Q1 average. For all the larger countries the April figure was actually more than 50% higher than the Q1 average. However, that was not the case for Portugal and Ireland where April purchases were only lifted by 16% and 35%, respectively. For Portugal that means that purchases amounted to only 2.0% (of PSPP ex supras) versus a capital key share of 2.6%, see note for details, see *QE Details: Step up and front loading - all going to the PSPP in April, 3 May 2016*.

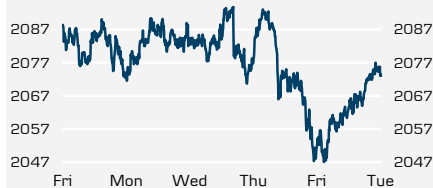
FX Markets

This morning, the Reserve Bank of Australia (RBA) cut the policy rate 25bp to 1.75%. In the statement, the RBA goes through the various factors rationalising the rate cut. The comments on a too strong AUD complicating the economic adjustments were unchanged. It appears that the very low inflation print late last week has been the trigger for the cut. The economic prospects suggest that the RBA could cut again at a later stage in 2016 – especially given the lagged AUD headwinds looming where a cut in Q4 is possible. AUD/USD has fallen sharply on the announcement but given that the cut was only 50% priced we see further downside near term.

EUR/USD broke through the top end of the 1.05-1.15 range, which has been holding since August 2015 where a clean break of the 1.15-1.16 area would open the door for further gains. ECB's nominal effective euro is around 1ppt below the peak reached during the market turmoil in mid-February suggesting that the EUR/USD could strengthen a bit further near term. Fundamentally, EUR/USD is supported by valuations and current account differentials but we think that relative rates will cap EUR/USD strength. Note that the euro zone April core CPI was revised lower to 0.7% y/y, which should worry the ECB and it may lower its inflation forecasts at the next meeting in June. ECB's Coeure is due to speak today.

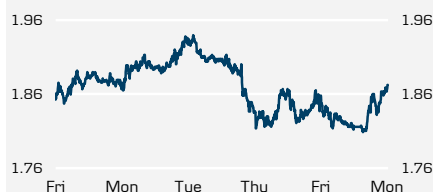
In recent weeks, EUR/GBP has come off sharply as the Brexit risk premium has been reduced. However, we note that recent polls have been more mixed, which should cap

US S&P500 future



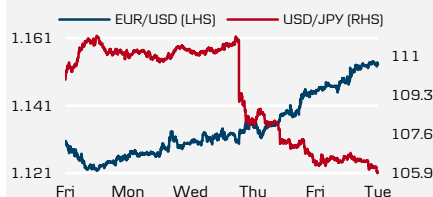
Source: Danske Bank Markets

US 10y gov yield



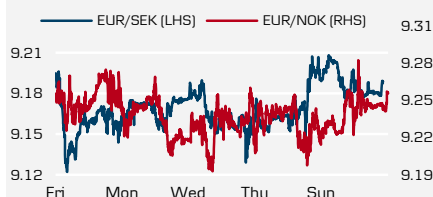
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

GBP strength. We estimate that the Brexit risk premium is now only 3.5% in EUR/GBP falling from 5.8% in early April. Note that we have the mayoral and regional elections on Thursday. With that out of the way, the campaign for the EU referendum may gain further traction.

Key figures and events

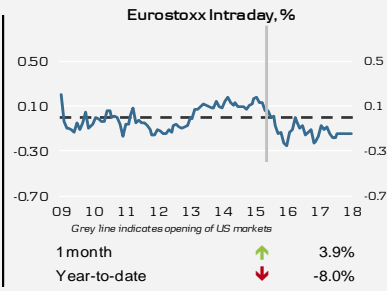
Tuesday, May 3, 2016

				Period	Danske Bank	Consensus	Previous
-	USD	Total vehicle sales	m	Apr		17.3	16.46
3:45	CNY	Caixin Manufacturing PMI	Index	Apr		49.8	49.7
6:30	AUD	Reserve Bank of Australia rate decision	%		2.0%	2.0%	2.0%
9:30	SEK	Industrial production s.a.	m/m/y/y	Mar			0.1% 3.8%
9:30	SEK	Service production	m/m/y/y	Mar			-0.5% -0.2%
9:30	SEK	Industrial orders	m/m/y/y	Mar			-3.1% 2.0%
10:30	GBP	PMI manufacturing	Index	Apr	51.0	51.2	51.0
11:00	EUR	PPI	m/m/y/y	Mar		-4.6% -0.1%	-4.2% -0.7%
16:00	DKK	Currency reserves	DKK bn	Apr			412.4
16:30	USD	Fed's Mester (voter, hawkish) speaks					
17:30	EUR	EU-Japan summit					
20:00	USD	Fed's Williams (non-voter, neutral) speaks					

Source: Bloomberg, Danske Bank Markets

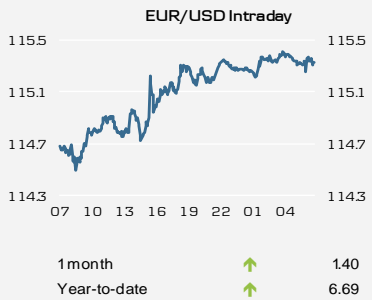
Today's market data: 03 May 2016

STOCKS



Index	Close	Change	%
DJUSTOXX50	2852	↓	-0.1%
OMXC20	952	↓	-0.6%
OMXS30	1353	↓	-0.6%
OSE BX	601	↓	-0.8%
DOW JONES			
DOW JONES	17891	↑	0.7%
NASDAQ	4818	↑	0.9%
S&P500	2081	↑	0.8%
NIKKEI (07:30)	16147	↓	-0.1%

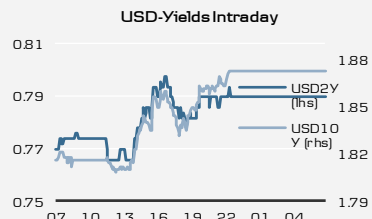
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	115.07	115.31	↑ 0.24
JPY	122.64	122.21	↓ -0.43
GBP	78.43	78.61	↑ 0.18
NOK	923.87	925.52	↑ 1.65
SEK	918.61	918.89	↑ 0.28
DKK	744.21	744.17	↓ -0.04
PLN	439.10	437.98	↓ -1.12
USD	17:00	07:30	+/-
JPY	106.56	105.97	↓ -0.59
GBP	146.72	146.69	↓ -0.03
CHF	95.51	95.47	↓ -0.04

Oil, Brent, \$	07:30	1 day	1 month	Year-t-date
Oil, Brent, \$	46.19	↑	↑	↑
Gold, \$	1293.34	↑	↑	↑
CRB	177	↑	↑	↑
CRB, Raw Industrials	70.84	↑	↑	↑
CRB 1M future	231.92	↑	↑	↑
CRB 1M future	182.53	↓	↓	↑
CRB 1 day	-2.08	↓	↑	↑
CRB 1 month	14.50	↑	↑	↑
CRB Year-t-date	6.38	↑	↑	↑

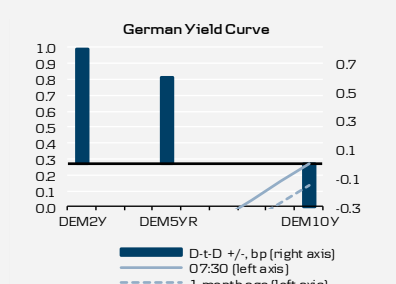
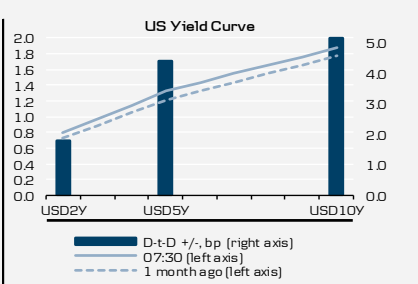
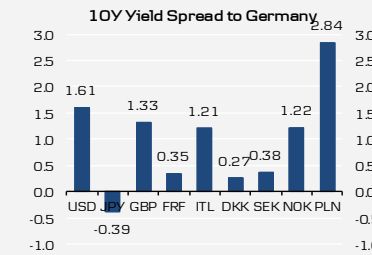
YIELDS & INTEREST RATES



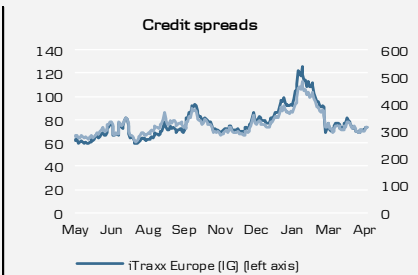
Policy Rate	3M	Spread, bp	
USD	0.50	0.64	14
EUR	0.00	-0.25	-25
GBP	0.50	0.59	9
DKK	0.05	-0.08	-13
SEK	-0.50	-0.45	5
NOK	0.50	0.97	47
PLN	1.50	1.57	7

Yield	17:00	07:30	+/-, bp
USD 10Y	1.86	1.87	↑ 1
USD 30Y	2.71	2.72	↑ 1
JPY 10Y	-0.08	-0.12	↓ -5
07:30(-1)*			
DEM 10Y	0.27	0.28	↑ 1
DKK 10Y	0.54	0.55	↑ 1
SEK 10Y	0.65	0.00	↓ -65
NOK 10Y	1.49	1.49	↑ 0
PLN 10Y	3.09	3.10	↑ 1

* As of closing previous trading day



Credit spread, iTraxx s. 11*	07:30	1 day	1 month
Europe (IG)	74	↑ 0	↑ 0
HiVol	72	↓ -9	↓ -9
Xover (N-IG)	313	↓ 0	↑ 8
Finan. Sr.	91	↓ 0	↓ -1
Finan. Sub.	207	↓ 0	↑ 2
Non-finan.			



Swap Spread, bp**	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-12	-10	↑ 2
07:30(-1)*			
EUR 10Y	0		
DKK 10Y	40	38	↓ -1
SEK 10Y	49	48	↓ -1
NOK 10Y	62	62	↓ 0

* 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.