

# Danske Daily

## Market Movers

- In the euro area 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 spill-over effect on economic sentiment. We expect the improved financial risk sentiment to result in a stabilisation but not a strong rebound in the three figures. The biggest increase should be seen in the financial ZEW expectations, whereas the economic survey indicators (PMI manufacturing and IFO expectations) are still faced with headwinds from weakness in global manufacturing, the stronger effective EUR and Brexit risks. On the other hand, the low oil price supports private consumption and hence the domestic-driven PMI services.
- In the US will see the release of the Markit PMI. After better regional indicators the US PMI is expected to rebound from 51.3 in February to 51.9 in March. The Richmond Fed Manufacturing index is also expected to rebound. We keep an eye on Fed's Evans when he speaks tonight after the somewhat hawkish comments from Lockhart and Williams yesterday. He is known to be dovish and he is a non-voting member of the FOMC.

## Selected Market News

In the US Treasury market comments from Fed's Williams and Lockhart pushed up yields. Both said that the FOMC may raise rates as soon as its 26-27 April meeting. That is way earlier than priced in the market and also much earlier than the Fed's 'dots' predict and suddenly a June hike seems like a fair comprise for the FOMC.

The Fed funds futures market indicates a 10% chance that the Fed will raise rates by April and an around 40% probability of an increase by June. We look for a September hike. See in that respect our *Yield Forecast Update* that we published yesterday. We doubt that the comments from Williams and Lockhart are shared by the FOMC majority including Yellen.

The somewhat hawkish Fed comments come as inflation expectations over the past month have moved higher in the US. 10Y break-even rates have gone up by more than 45bp since mid February and at 1.66% are at the highest level since August 2016 – but still low in a historical context. Note also that Fed's Lacker said that he is 'reasonably confident that, barring subsequent shocks, inflation will move back to the FOMC's 2 percent objective over the medium term'. He added 'Inflation has been held down recently by two factors, the falling price of oil and the rising value of the dollar. But neither factor is likely to depress inflation indefinitely. After the price of oil bottoms out, I would expect to see headline inflation move significantly higher'.

There was little action in the US stock market yesterday and the hawkish Fed comments did not spoil the sentiment. M&A activity also supported sentiment. The positive sentiment has been carried over to Asia, where especially Nikkei is performing supported by a weaker JPY.

## Market overview

		07:30	1 day +/- %
S&P500 (close)	2051.6	↑	0.10
S&P500 fut (chng from close)	2039.0	↓	-0.18
Nikkei	17025.1	↑	1.80
Hang Seng	20676.0	↓	-0.04
		17:00	07:30
			+/- bp
US 2y gov	0.86	0.87	↑ 1.2
US 10y gov	1.90	1.92	↑ 1.8
iTraxx Europe (IG)	71	71	↑ 0.3
iTraxx Xover (Non IG)	294	296	↑ 1.5
			+/- %
EUR/USD	1.125	1.126	↑ 0.05
USD/JPY	111.640	112.130	↑ 0.44
EUR/CHF	1.09	1.09	↑ 0.09
EUR/GBP	0.782	0.782	↑ 0.06
EUR/SEK	9.252	9.258	↑ 0.06
EUR/NOK	9.46	9.46	↓ -0.01
			USD
Oil Brent, USD	41.4	41.7	↑ 0.80
Gold, USD	1246.3	1246.8	↑ 0.04

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

- [Yield Forecast Update](#)
- [Swedish wage negotiations](#)

[Research Finland: Slow growth to continue](#)

[Follow us on Twitter:](#)



@Danske\_Research

### Chief Analyst

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

## Scandi Markets

No key data releases today.

## Fixed Income Markets

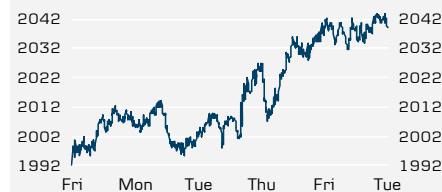
Yesterday comments from Fed’s Williams and Lockhart pushed up US Treasury yields. Both said that the FOMC may raise rates as soon as its 26-27 April meeting. The hawkish Fed comments come as inflation expectations has once again started to move higher, especially in the US. 10Y Break-even rates have gone up by more than 45bp since mid February and at 1.66% are at the highest level since August 2016, see [graph](#). One reason is the higher oil price but it might also reflect that the market is actually starting to believe that the Fed will do ‘whatever it takes’ to bring up inflation and inflation expectations. A better Markit PMI and/or Richmond Fed today could add to the upside for US yields.

Today, the Netherlands will sell EUR4-6bn of the new Jul-26 10Y benchmark with a 0.5% coupon. Yesterday the DSTA said that the preliminary initial spread guidance vis-à-vis the reference bond (DBR 0.5% Feb-26) was set at +22 to +25 basis points. The DSTA reserves the right to adjust the spread guidance before opening the book if market circumstances change. We expect to see good demand at this indicative spread given that the NETHER JUL-25 trades with a spread of approx. 9bp against the same Bund.

## FX Markets

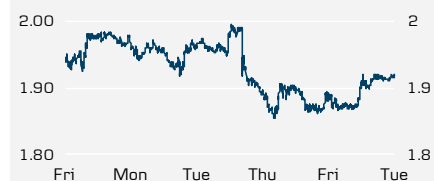
GBP was the main loser in the G10 sphere yesterday after the CBI published a report on the negative consequences of a possible Brexit and as the split within the Conservative party regarding the issue flared up once again. Today’s euro figures could be instrumental in deciding whether the positive EUR sentiment will be sustained: we look for decent figures across the PMI, IFO and ZEW surveys which should help keep EUR/USD afloat. That said, USD crosses in general look somewhat oversold suggesting there might be room for some USD strength near term if the upbeat data flow continues – not least after positioning data revealed another drop in USD longs ahead of the Fed meeting last week. In the Scandi sphere, SEK attention is on the outcome of the Swedish wage negotiations with the 31 March deadline approaching fast; we look for a disappointing outcome from a Riksbank point of view, which could put more pressure on the central bank at a time when the board has signalled an increasing willingness to tolerate SEK strength. We continue to see EUR/SEK trapped in the 9.10-9.50 interval for now.

### US S&P500 future



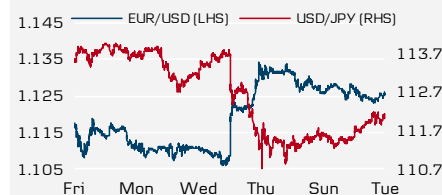
Source: Danske Bank Markets

### US 10y gov yield



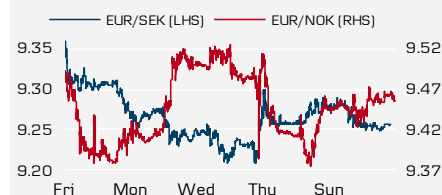
Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

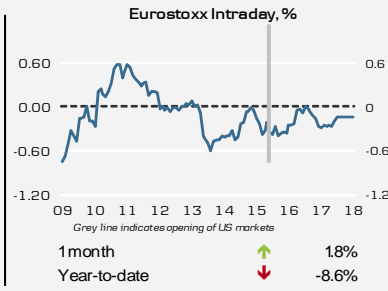
Key figures and events

Tuesday, March 22, 2016					Period	Danske Bank	Consensus	Previous
5:30	JPY	All industry activity index	m/m	Jan		1.9%	-0.9%	
8:00	CHF	Trade balance	CHF bn	Feb			3.51	
9:00	DKK	Retail sales	m/m y/y	Feb			0.5% 0.3%	
9:00	FRF	PMI manufacturing, preliminary	Index	Mar	50.4	50.2	50.2	
9:00	FRF	PMI services, preliminary	Index	Mar	49.5	49.5	49.2	
9:30	DEM	PMI manufacturing, preliminary	Index	Mar	50.8	50.8	50.5	
9:30	DEM	PMI services, preliminary	Index	Mar	55.5	55.0	55.3	
10:00	EUR	PMI manufacturing, preliminary	Index	Mar	51.6	51.4	51.2	
10:00	EUR	PMI composite, preliminary	Index	Mar		53.0	53.0	
10:00	EUR	PMI services, preliminary	Index	Mar	53.6	53.3	53.3	
10:00	DEM	IFO - business climate	Index	Mar	106.0	106.0	105.7	
10:00	DEM	IFO - current assessment	Index	Mar	112.9	112.5	112.9	
10:00	DEM	IFO - expectations	Index	Mar	99.5	99.5	98.8	
10:30	GBP	PPI - input	m/m y/y	Feb		0.4% -7.5%	-0.7% -7.6%	
10:30	GBP	PPI - output	m/m y/y	Feb		0.0% -1.2%	-0.1% -1.0%	
10:30	GBP	CPI	m/m y/y	Feb	0.4% 0.4%		-0.8% 0.3%	
10:30	GBP	CPI core	y/y	Feb		1.2%	1.2%	
11:00	DEM	ZEW current situation	Index	Mar	54.0	53.0	52.3	
11:00	DEM	ZEW expectations	Index	Mar	6.0	6.2	1.0	
14:00	HUF	Central Bank of Hungary rate decision	%		1.35%	1.35%	1.35%	
14:00	USD	FHFA house price index	m/m	Jan		0.5%	0.4%	
14:45	USD	Markit manufacturing PMI, preliminary	Index	Mar		51.5	51.3	
18:30	USD	Fed's Evans (non-voter, dovish) speaks						

Source: Bloomberg, Danske Bank Markets

Today's market data: 22 March 2016

STOCKS



	Close		+/-
DJUSTOXX50	2833	↓	-0.1%
OMXC20	947	↓	-0.8%
OMXS30	1378	↓	-1.0%
OSE BX	588	↓	-0.3%
	Close		+/-
DOW JONES	17624	↑	0.1%
NASDAQ	4809	↑	0.3%
S&P500	2052	↑	0.1%
NIKKEI (07:30)	17025	↓	-0.1%

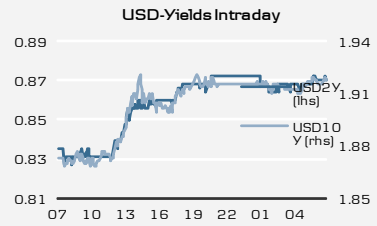
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	112.52	112.58	↑ 0.06
JPY	125.63	126.24	↑ 0.61
GBP	78.18	78.22	↑ 0.05
NOK	945.74	945.62	↓ -0.12
SEK	925.22	925.75	↑ 0.53
DKK	745.42	745.39	↓ -0.03
PLN	425.87	425.73	↓ -0.14
USD	17:00	07:30	+/-
JPY	111.64	112.13	↑ 0.49
GBP	143.94	143.93	↓ -0.01
CHF	96.89	96.92	↑ 0.03

	Gold, \$	Oil, Brent, \$
07:30	1246.77	4170
1 day	↑ 3.08	↑ 0.16
1 month	↑ 38.14	↑ 7.01
Year-t-date	↑ 185.35	↑ 4.42
	CRB 1M future	CRB, Raw Industrials
07:30	176.37	443.55
1 day	↑ 0.02	↑ 4.84
1 month	↑ 13.73	↑ 22.58
Year-t-date	↑ 0.22	↑ 38.84

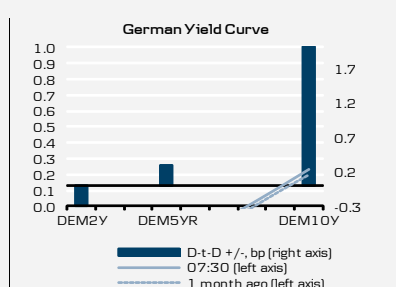
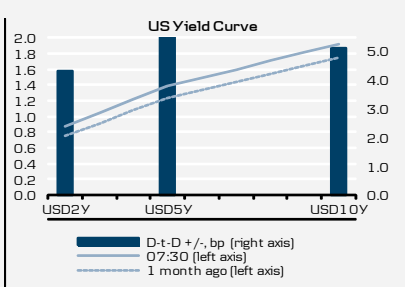
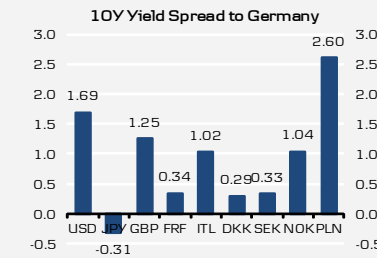
YIELDS & INTEREST RATES



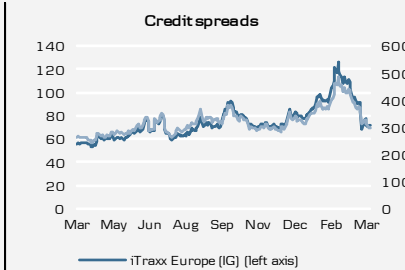
	Policy Rate	3M	Spread, bp
USD	0.50	0.62	12
EUR	0.00	-0.24	-24
GBP	0.50	0.59	9
DKK	0.05	-0.09	-14
SEK	-0.50	-0.47	4
NOK	0.50	1.02	52
PLN	1.50	1.57	7

	17:00	07:30	+/-, bp
USD 10Y	1.90	1.92	↑ 2
USD 30Y	2.70	2.72	↑ 2
JPY 10Y	-0.09	-0.08	↑ 1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.21	0.23	↑ 2
DKK 10Y	0.52	0.51	↓ 0
SEK 10Y	0.55	0.56	↑ 1
NOK 10Y	1.27	1.27	↑ 0
PLN 10Y	2.84	2.84	↓ 0

\* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	71	↓ 0	↓ -38
HiVol	93	↑ 0	↓ -43
Xover (N-IG)	296	↓ 0	↓ -131
Finan. Sr.	87	↓ 0	↓ -30
Finan. Sub.	198	↓ 0	↓ -68
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-17	-16	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0		
DKK 10Y	36	36	↑ 0
SEK 10Y	43	45	↑ 2
NOK 10Y	59	62	↑ 2

\* 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.