

# Danske Daily

## Market Movers

- In the US we get data on retail sales in March, which we expect to show control group sales increased by 0.3% m/m. In line with other data, retail sales have been weak in recent months but we expect a rebound as consumers are still optimistic and employment continues to rise. Our base case is that private consumption growth will accelerate in Q2 and Q3 after the slowdown in Q1. We also see the release of the Beige Book in the US.
- Bank of Canada is widely expected to keep the policy rate unchanged at 0.50%.
- Euro area industrial production for February is due for release today. We expect industrial production to fall in line with the monthly decline of 0.5% for the German figure, which was released last week. The decline in February is likely to be accompanied by a downward revision to the strong print in January as also seen in Germany. In Sweden we have Prospera's inflation survey and the government's spring budget. See Scandi Markets.

## Selected Market News

The combination of higher oil prices, higher than expected UK inflation data as well as positive US equity markets led to a sell-off in the US fixed income market with 10Y yields rising some 5bp.

This morning the Asian equity markets follow the trend from US equities, boosted by a solid rise in Chinese exports of almost 19% in March as well as rising commodity prices that suggest a rebound is forthcoming in the Chinese economy. The main equity indices gained some 2% to 3% this morning.

As in the US, there has also been a decent rise in government bond yields in Asia with 10Y yields in Japan rising some 2bp-3bp as well as a bearish steepening of the yield curves.

## Market overview

	07:30	1 day +/- %	
S&P500 (close)	2061.7	↑	0.97
S&P500 fut (chng from close)	2061.2	↑	0.27
Nikkei	16347.3	↑	2.63
Hang Seng	20993.8	↑	2.39
	17:00	07:30	+/- bp
US 2y gov	0.72	0.75	↑ 2.6
US 10y gov	1.76	1.79	↑ 2.6
iTraxx Europe (IG)	77	78	↑ 0.4
iTraxx Xover (Non IG)	329	331	↑ 1.6
			+/- %
EUR/USD	1.137	1.136	↓ -0.10
USD/JPY	108.620	108.930	↑ 0.29
EUR/CHF	1.09	1.09	↓ -0.09
EUR/GBP	0.800	0.797	↓ -0.37
EUR/SEK	9.190	9.207	↑ 0.18
EUR/NOK	9.32	9.29	↓ -0.27
			USD
Oil Brent, USD	43.9	44.4	↑ 0.96
Gold, USD	1253.5	1248.7	↓ -0.38

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

- *FX Strategy: BoJ set to stabilise USD/JPY, 12 April*

*Will the ECB be forced to re-enter the currency war?*

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## Scandi Markets

We guess that the Riksbank prefers to be wrong rather than right in its inflation forecasts when the error is on the upside. The March numbers support our view that the Riksbank is set to be on hold next week. The SEK appreciated and KIX is now some 1% below the Riksbank forecast. Hardly a concern for Skingsley and Flodén and most likely not for the other Board members given the fact that the reason is underlying strength in the economy topped by inflation coming in higher than forecast. Today, we get the monthly Prospera inflation expectations survey, where we will see if the positive trend remains intact. Finally, the government presents its spring budget.

## Fixed Income Markets

Will long-end supply trigger another April sell-off? We don't think so. Last year 10Y Germany surged 60bp from mid-April to mid-May. Despite this painful memory we prefer to fade the current sell-off. It seems to be mainly supply driven with the market in need of some re-pricing on a substantial EUR9bn issuance in 20Y and 50Y French government bonds. The 30Y yield in Germany this week jumped 10bp. The 10Y German benchmark was just a few bps from the all-time low on Monday – almost exactly one year after we hit the low (4.9bp on 17 April 2015). Increased ECB buying will proceed mechanically – we think 10Y Bunds will be pushed to a new low. The next round of BoJ easing could be the trigger for the next move.

Today, long-end supply continues out of Italy that is tapping 19s, 23s, 30s and 47s. In Scandinavia, Sweden is tapping 25s/26s, while Denmark is issuing bills, which still look somewhat attractive swapped into EUR and USD.

Yesterday, the Swedish FSA published a statement (in Swedish) that the SEK should be considered a major currency for LCR purposes for Swedish banks. This is a significant change from the previous stance, where the FSA did not consider SEK to be a major currency. If a new rule by which the banks have to be 100% compliant in SEK is going to be implemented, this is very likely to lead to a decent demand for SEK government bonds.

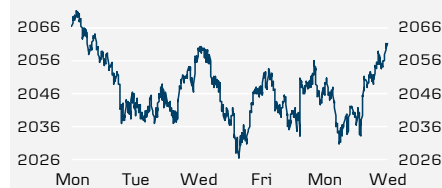
## FX Markets

EUR/SEK fell sharply on Tuesday following the higher-than-expected March inflation data. The data only make us more confident that the Riksbank will stay put next week. We still see EUR/SEK in a broad 9.10-9.50 range but clearly with the bias shifting to the lower end of the range. Near-term psychological support comes in at 9.15 ahead of the low from 30 December last year at 9.1220, which was the day when the Riksbank issued a statement warning against SEK strength. A break through 9.15 could trigger verbal intervention from the Riksbank again protecting the downside.

EUR/NOK fell further on Tuesday following news that Russia and Saudi Arabia have reached consensus on an oil output freeze. Strong risk appetite and the sharp rise in the oil price are the driving forces behind the NOK rally. Technically, the next near-term support level comes in at the year low at 9.2766. However, profit taking in long NOK positioning is likely to emerge ahead of the meeting in Doha on Sunday where OPEC and non-OPEC members are set to discuss a production freeze.

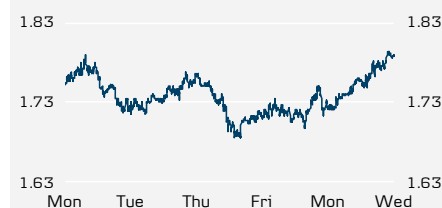
In the majors, we issued an FX strategy report on Tuesday in which we argued that the Bank of Japan (BoJ) will cut its policy rate by 20bp to -0.3% on 28 April and step up its purchases of ETFs and J-REITS. Near term, downside risk to USD/JPY remains but stretched short JPY positioning implies that BoJ easing could counter the strong downward pressure on the cross. We look for a stabilisation in USD/JPY above 110 after BoJ easing.

### US S&P500 future



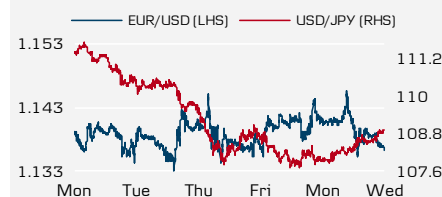
Source: Danske Bank Markets

### US 10y gov yield



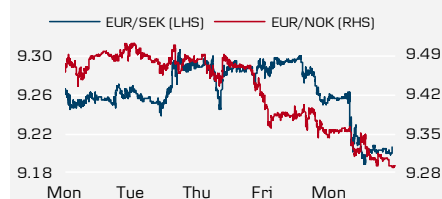
Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

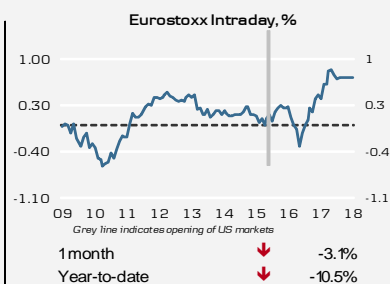
Key figures and events

Wednesday, April 13, 2016					Period	Danske Bank	Consensus	Previous
-	CNY	Trade balance	USD bn	Mar		35.0	32.6	
-	CNY	Imports	y/y	Mar		-10.1%	-13.8%	
-	CNY	Exports	y/y	Mar		10.0%	-25.4%	
1:50	JPY	PPI	m/m y/y	Mar		0.0% -3.5%	-0.2% -3.4%	
1:50	JPY	Money supply M2	y/y	Mar		3.1%	3.1%	
2:30	AUD	Westpac Consumer Confidence	Index (% m/m)	Apr			99.1 -2.2	
8:00	SEK	Prospera inflation expectations						
8:45	FRF	HICP, final	m/m y/y	Mar		0.7% -0.1%	0.7% -0.1%	
9:00	ESP	HICP, final	m/m y/y	Mar		2.0% -1.0%	2.0% -1.0%	
11:00	EUR	Industrial production	m/m y/y	Feb	-0.3% ...	-0.6% 1.3%	2.1% 2.8%	
13:00	USD	MBA Mortgage Applications	%				2.7%	
14:30	USD	PPI	m/m y/y	Mar		0.3% 0.3%	-0.2% 0.0%	
14:30	USD	PPI core	m/m y/y	Mar		0.1% 1.3%	0.0% 1.2%	
14:30	USD	Retail sales control group	m/m	Mar	0.3%	0.3%	0.0%	
14:30	USD	Retail sales	m/m	Mar		0.1%	-0.1%	
14:30	USD	Retail sales less autos	m/m	Mar		0.4%	-0.1%	
14:30	USD	Retail sales less autos and gas	m/m	Mar		0.4%	0.3%	
16:00	CAD	Bank of Canada rate decision	%		0.5%	0.5%	0.5%	
16:30	USD	DOE U.S. crude oil inventories	K				-4937	
20:00	USD	U.S. Federal Reserve releases Beige Book						

Source: Bloomberg, Danske Bank Markets

Today's market data: 13 April 2016

STOCKS



	Close		+/-
DJSTOXX50	2775	↑	0.7%
OMXC20	945	↓	-0.8%
OMXS30	1367	↓	-0.1%
OSE BX	574	↑	0.5%
	Close		+/-
DOW JONES	17721	↑	0.9%
NASDAQ	4872	↑	0.8%
S&P500	2062	↑	1.0%
NIKKEI (07:30)	16347	↑	0.7%

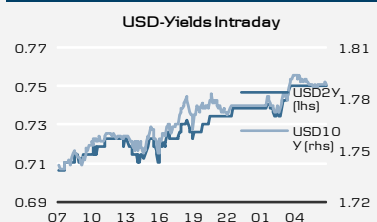
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	113.74	113.63	↓ -0.11
JPY	123.54	123.78	↑ 0.24
GBP	79.99	79.69	↓ -0.30
NOK	931.76	929.28	↓ -2.48
SEK	919.03	920.68	↑ 1.65
DKK	744.30	744.34	↑ 0.04
PLN	429.45	428.11	↓ -1.34
USD	17:00	07:30	+/-
JPY	108.62	108.93	↑ 0.31
GBP	142.19	142.59	↑ 0.40
CHF	95.73	95.73	↑ 0.00

	Gold, \$	Oil, Brent, \$
07:30	1248.69	44.36
1 day	↓ -6.84	↓ -0.33
1 month	↓ -2.01	↑ 3.97
Year-t-date	↑ 187.27	↑ 7.08
	CRB 1M future	CRB, Raw Industrials
07:30	175.49	447.73
1 day	↑ 3.66	↑ 0.86
1 month	↑ 1.96	↑ 10.64
Year-t-date	↓ -0.66	↑ 43.02

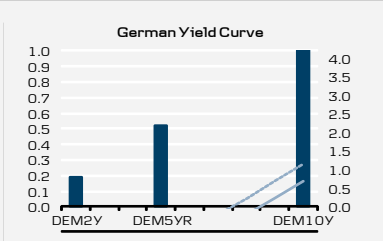
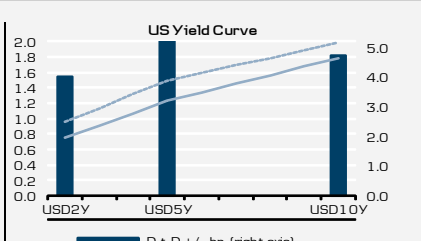
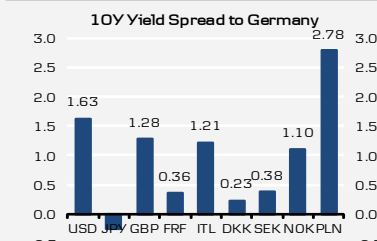
YIELDS & INTEREST RATES



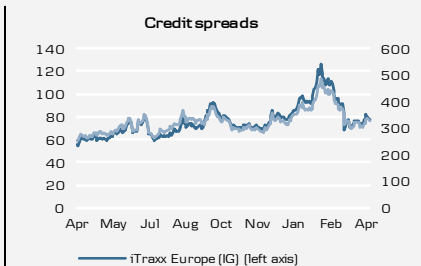
	Policy Rate	3M	Spread, bp
USD	0.50	0.63	13
EUR	0.00	-0.25	-25
GBP	0.50	0.59	9
DKK	0.05	-0.10	-15
SEK	-0.50	-0.43	7
NOK	0.50	0.99	49
PLN	1.50	1.57	7

	17:00	07:30	+/-, bp
USD 10Y	1.76	1.79	↑ 3
USD 30Y	2.59	2.61	↑ 2
JPY 10Y	-0.10	-0.08	↑ 2
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.12	0.16	↑ 3
DKK 10Y	0.38	0.40	↑ 3
SEK 10Y	0.49	0.54	↑ 5
NOK 10Y	1.27	1.27	↑ 0
PLN 10Y	2.91	2.94	↑ 3

\* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	78	↑ 0	↑ 6
HiVol	83	↑ 0	↓ -5
Xover (N-IG)	331	↓ 0	↑ 13
Finan. Sr.	100	↑ 0	↑ 22
Finan. Sub.	225	↓ 0	↑ 50
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-13	-13	↑ 0
	07:30(-1)*	17:00	+/-
EUR 10Y	0	22	↑ 22
DKK 10Y	41	40	↓ -1
SEK 10Y	48	48	↓ 0
NOK 10Y	61	57	↓ -4

\* As of closing previous trading day

\*\* Ask price

\* Ask price

Source: Bloomberg, Danske Bank Markets

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