

Danske Daily

Market Movers

- The G20 finance minister and central bank governors' meeting has started.** Earlier this week, the IMF called for 'a strong policy response, both national and multilateral' if downside risks materialise, while the OECD now also calls for an urgent policy response as global growth fails to pick up. In our view, we have not reached a stage of market turmoil that would trigger a global co-ordinated policy response but we will be watching the G20 meeting, see more in *Market Turmoil, Policy Responses and Market Implications*, 12 February.
- In the euro area, the first release of inflation in February is published with the German, French and Spanish figures.** In Germany, we expect a decline from 0.4% y/y to 0.0% y/y mainly because the yearly inflation rate in energy prices will head lower, although the oil price in monthly terms has increased a bit from the lows in January. The move in the German figure should overall be in line with the aggregate euro-area inflation rate although we look for a smaller aggregate decline.
- In the US, core PCE inflation, which the Fed targets, is due for release.** US inflation also continues to be subdued and we expect core PCE increased 0.1% m/m in January bringing the yearly inflation rate to 1.5% from 1.4%. Note that core CPI surprised on the upside in January bringing the yearly inflation rate to 2.2%.
- US consumer spending should show a strong gain in January in line with retail sales.** The strong retail sales followed despite falling equities and somewhat weaker consumer confidence (though still at healthy levels). We estimate that overall consumer spending was up 0.5% m/m with personal income increasing 0.3% m/m.
- The Irish election** will likely result in some weeks of political uncertainty, see page 2.
- In Norway unemployment figures are due for release and in Sweden retail trade data are published, see *Scandi Markets*.

Selected Market News

The risk-on sentiment continues with most Asian equities trading higher. The positive sentiment was supported by comments from People's Bank of China governor Zhou Xiaochuan that 'China still has some monetary policy space and multiple policy instruments to address possible downside risks' although he sees the current policy as 'prudent with a slight easing bias', confirming earlier reassurances that the country would not support the economy by another currency devaluation. **US stocks rose yesterday with S&P 500 back at levels not seen since the start of the year.** The moves were supported by strong durable goods orders in January. Core capex orders rebounded in January and rose 3.9% m/m, which is the highest increase since mid-2014 but only reversing the 3.7% decline in December. **The oil price is slightly higher with Brent trading around USD35/bl but inflation markets continue to suffer.** ECB's preferred measure for inflation expectations, the 5Y5Y inflation swap, has been on a downward trend since the disappointment at the ECB meeting in December last year and is now below 1.4%. Draghi expressed concern about the measure when it declined below 2% in 2014 and the continued decline puts pressure on the ECB ahead of its meeting on 10 March.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	1951.7	↑ 1.13	
S&P500 fut (chng from close)	1950.8	↑ 0.02	
Nikkei	16228.2	↑ 0.54	
Hang Seng	19162.7	↑ 1.45	
	17:00	07:30	
		+/- bp	
US 2y gov	0.72	0.73	↑ 0.8
US 10y gov	1.71	1.72	↑ 1.2
iTraxx Europe (IG)	109	109	↑ 0.1
iTraxx Xover (Non IG)	440	441	↑ 1.3
			+/- %
EUR/USD	1.104	1.106	↑ 0.20
USD/JPY	112.640	112.640	↑ 0.00
EUR/CHF	1.09	1.09	↑ 0.08
EUR/GBP	0.791	0.791	↑ 0.03
EUR/SEK	9.390	9.369	↓ -0.22
EUR/NOK	9.55	9.52	↓ -0.39
			USD
Oil Brent, USD	33.5	35.2	↑ 5.08
Gold, USD	1238.0	1238.3	↑ 0.02

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

- [Central Bank Fatigue? ECB has plenty of tools](#)

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Scandi Markets

Norway. Today, NAV will publish unemployment data for February. We expect an unchanged jobless rate of 3.4% (consensus: 3.3%), indicating a slightly weaker labour market when adjusting for seasonal factors. We expect this to be reflected in an increase in gross unemployment of around 1,000 people m/m. This is roughly in line with consensus.

Sweden. SCB will release retail trade data for January, which should continue to post decent growth rates.

Fixed Income Markets

Main focus today is the Irish election. The coalition government between Fine Gael and Labour looks to lose its absolute majority as the polls indicate a very modest support for Labour. However, the main opposition parties, Fianna Fail and Sinn Fein, are not expected to gain an absolute majority. Hence, we could be in for some weeks with political uncertainty in Ireland. This is already reflected in the recent underperformance of Irish government bonds relative to e.g. France and Belgium. A divided parliament with no clear majority can create more uncertainty and further underperformance but Ireland has some very solid underlying fundamentals, which should be supportive for the long-term performance of Irish government bonds.

Ratings. Austria (Aaa, negative outlook) and Germany (Aaa, stable outlook) are up for review by Moody's tonight. We do not expect any rating events, even though Austria is at risk of losing its Aaa-rating. However, it should have limited market impact.

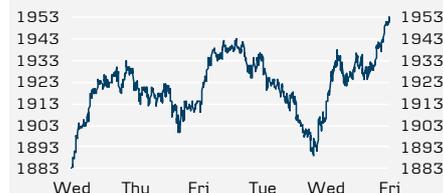
Issuance. Italy is launching a new 10Y benchmark at its auction today, where it is also tapping in a 7Y floater and the 5Y benchmark. It will sell up to EUR8.25bn in total. Denmark is tapping in the T-bills.

Finally, we saw solid performance in the Portuguese government bonds after the buy-back of EUR1bn in 1Y, 2Y and 3Y PGBs as well as the positive credit comment from Moody's regarding the amended budget that has been passed by the Portuguese parliament.

FX Markets

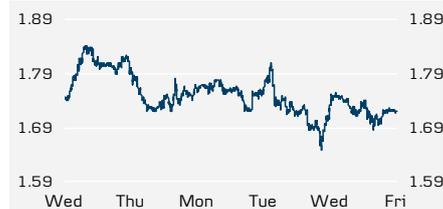
A batch of US data out this afternoon with notably PCE core having the potential to move USD; not least if we get an upside surprise there is room for higher US money-market rates. Also, FX Markets will be looking to Shanghai for the G20 to possibly include the undesirability of a continued currency war in this weekend's communiqué. Although the meeting may result in a pledge to avoid competitive devaluations, one should clearly not expect a Plaza accord-like USD weakness trend to be the outcome. However, the G20 may express concerns that monetary policy increasingly seems to have lost its potency with notably BoJ struggling to bring about that much-needed JPY depreciation.

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

Friday, February 26, 2016			Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish Germany's debt rating				
-	EUR	Moody's may publish Greece's debt rating				
-	EUR	Moody's may publish Austria's debt rating				
-	EUR	Ireland General Election				
-	G20	G20 Finance Ministers' and Central Bank Governors' Meeting in Shanghai				
8:45	FRF	Household consumption	m/mly/y	Jan	0.6% 0.3%	0.7% 0.3%
8:45	FRF	HICP inflation, preliminary	m/mly/y	Feb	0.4% 0.1%	-1.1% 0.3%
8:45	FRF	GDP, preliminary	q/qly/y	4th quarter	0.2% 1.3%	0.2% 1.3%
9:00	DKK	Confidence indicator, industry, s.a.	Net balance	Jan		-4
9:00	ESP	HICP inflation, preliminary	m/mly/y	Feb	-0.1% -0.6%	-2.5% -0.4%
9:00	DKK	CB's securities statistics		Jan		
9:00	DKK	Foreign portfolio investments		Jan		
9:30	SEK	Retail sales s.a.	m/mly/y	Jan	1.5% 3.7%	1.5% 3.7%
10:00	NOK	Wage index manufacturing	q/q	4th quarter		1.0%
10:00	NOK	Unemployment	%	Feb	3.4%	3.4%
11:00	EUR	Business climate indicator	Net bal.	Feb	0.3	0.3
11:00	EUR	Industrial confidence	Net bal.	Feb	-3.5	-3.2
11:00	EUR	Economic confidence	Index	Feb	104.5	105.0
11:00	EUR	Consumer confidence	Net bal.	Feb		
11:00	EUR	Service confidence	Net bal.	Feb	11.5	11.6
14:00	DEM	HICP inflation, preliminary	m/mly/y	Feb	... 0.0%	0.6% 0.1%
14:30	USD	PCE core	q/q	4th quarter		1.2%
14:30	USD	Personal consumption	q/q	4th quarter	2.2%	2.2%
14:30	USD	GDP price deflator, second release	q/q	4th quarter	0.8%	0.8%
14:30	USD	GDP, second release	q/q ann.	4th quarter	0.5%	0.7%
14:30	USD	Advance goods trade balance	USD bn	Jan	-61.2	-61.5
16:00	USD	Personal income	m/m	Jan	0.3%	0.4%
16:00	USD	Personal spending	m/m	Jan	0.5%	0.3%
16:00	USD	University of Michigan Confidence	Index	Feb	89.0	91.0
16:00	USD	PCE core	m/mly/y	Jan	0.1% 1.5%	0.1% 1.5%
16:00	USD	PCE deflator	m/mly/y	Jan	0.0% 1.0%	0.0% 1.0%
16:15	USD	Fed's Powell (voter, neutral) speaks				
19:30	USD	Fed's Brainard (voter, dovish) speaks				
19:30	EUR	ECB's Praet Speaks in New York				

Source: Bloomberg, Danske Bank Markets

Today's market data: 26 February 2016

STOCKS



	Close		+/-
DJSTOXX50	2738	↑	2.0%
OMXC20	931	↑	2.3%
OMXS30	1361	↑	2.5%
OSE BX	556	↑	2.0%
	Close		+/-
DOW JONES	16697	↑	1.3%
NASDAQ	4582	↑	0.9%
S&P500	1952	↑	1.1%
NIKKEI (07:30)	16228	↑	2.0%

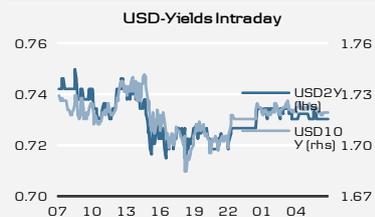
FX & COMMODITIES



	17:00	07:30		+/-
EUR				
USD	110.37	110.59	↑	0.22
JPY	124.33	124.57	↑	0.24
GBP	79.12	79.14	↑	0.02
NOK	955.42	951.73	↓	-3.69
SEK	939.03	936.92	↓	-2.11
DKK	746.10	746.12	↑	0.02
PLN	436.41	435.97	↓	-0.44
USD				
JPY	112.64	112.64	↑	0.00
GBP	139.51	139.74	↑	0.23
CHF	98.91	98.79	↓	-0.12

	07:30		Oil, Brent, \$
Gold, \$	1238.27		35.18
1day	↑	5.24	↓ -0.11
1month	↑	118.35	↑ 3.38
Year-t-date	↑	176.85	↓ -2.10
	07:30		CRB, Raw Industrials
CRB 1M future	162.64		421.60
1day	↑	1.14	↓ -0.80
1month	↓	-0.04	↑ 10.57
Year-t-date	↓	-13.51	↑ 16.89

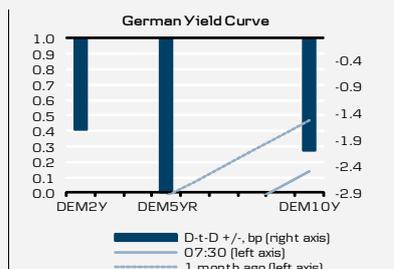
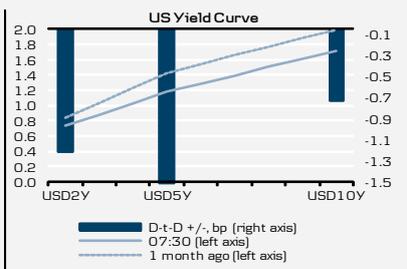
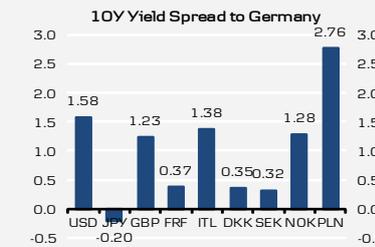
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.50	0.63	13
EUR	0.05	-0.20	-25
GBP	0.50	0.59	9
DKK	0.05	-0.08	-13
SEK	-0.50	-0.51	-1
NOK	0.75	1.06	31
PLN	1.50	1.58	8

	17:00	07:30		+/-, bp
USD 10Y	1.71	1.72	↑	1
USD 30Y	2.58	2.59	↑	2
JPY 10Y	-0.07	-0.06	↑	1
	07:30(-1)*	17:00		+/-, bp
DEM 10Y	0.16	0.14	↓	-2
DKK 10Y	0.55	0.50	↓	-5
SEK 10Y	0.47	0.46	↓	-1
NOK 10Y	1.41	1.41	↑	0
PLN 10Y	2.89	2.89	↑	0

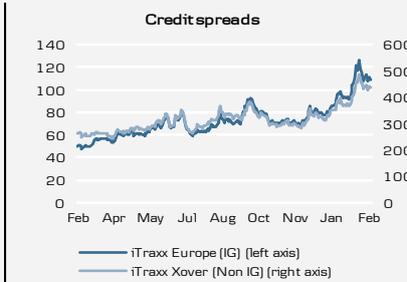
* As of closing previous trading day



Credit spread, iTraxx s. 11*

	07:30	1 day	1 month
Europe (IG)	109	↓ 0	↑ 16
HiVol	137	↑ 0	↑ 10
Xover (N-IG)	441	↓ -1	↑ 68
Finan. Sr.	122	↓ 0	↑ 32
Finan. Sub.	273	↓ 0	↑ 74
Non-finan.			

* Ask price



Swap Spread, bp**

	17:00	07:30		+/-
USD 10Y				
JPY 10Y	-17	-16	↑	1
	07:30(-1)*	17:00		+/-
EUR 10Y	0			
DKK 10Y	39	39	↑	0
SEK 10Y	44	44	↑	0
NOK 10Y	63	64	↑	1

* As of closing previous trading day
** Ask price

Source: Bloomberg, Danske Bank Markets

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First date of publication

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