

Danske Daily

Market Movers

- The release of the ADP employment data for March should give us an early indication of what to expect from the official job report for March due on Friday although, admittedly, the ADP report is not always the best indicator for official job growth. We look for another solid US employment report on Friday with total payrolls above 200,000, see also our *US Labour Market Monitor: Powering on* from yesterday.
- We will also keep an eye on the release of the euro area confidence data for March as the survey indicators for consumers, manufacturing and services have all been declining in recent months, possibly partly due to the negative spill-over from the financial turmoil to economic sentiment.
- Preliminary HICP data for Germany in March are due at 14:00 CET.
- Fed's Evans (dovish, voter) is speaking tonight. He is a known dove and will likely express a similar view to Yellen's.
- Today at 9:00 CET we publish our quarterly Nordic Outlook including our new economic forecasts for the Nordic countries. Also Norwegian LFS unemployment data are due. For more see *Scandi Markets*.

Selected Market News

Yesterday, Fed chair Yellen's speech attracted a lot of attention in the markets. Although her overall message in our view was more or less a repetition of the concerned message from the last FOMC meeting in mid-March, her comments weakened the USD and sent US yields lower. The reason is that Yellen showed the markets 'who is the boss' by indirectly denouncing some of the more hawkish FOMC members who in recent weeks have expressed that they have not yet ruled out a hike in April – comments that came only shortly after the March meeting where the Fed was more dovish than expected. **Yellen's speech confirmed that she is still in the dovish camp together with the majority of the voting FOMC members.** In her speech, Yellen expressed her concerns about the global economic and financial market developments and their potential spill-over effects on the US economy, about whether the pick-up in core inflation will 'prove durable' and about the lower inflation expectations, which she thinks are worrisome. Yellen definitely put more weight on the downside risks than on the upside risks through the speech. She seems to support that Fed could raise the target rate once or twice this year (in line with most of the 'dots' from the March projections) assuming Fed's baseline scenario materialises. Markets have priced in slightly below one.

US consumer confidence rose to 96.2 in March from 94.0 in February (revised up from 92.2) suggesting that US consumers are still quite upbeat despite the turmoil in Q1. Recent spending data show that private consumption has been weak in Q1 and thus there is potential for higher consumption growth in the coming quarter as optimism is relatively high, employment continues to increase and real wages are growing.

Japanese industrial production fell 6.2% m/m in February, the largest decline since 2011 and one of the biggest since 1978 when the data series begun, adding to the pressure on Bank of Japan for more stimuli.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2055.0	↑	0.88
S&P500 fut (chng from close)	2049.2	↑	0.08
Nikkei	16973.8	↓	-0.76
Hang Seng	20654.9	↑	1.42
	17:00	07:30	+/- bp
US 2y gov	0.84	0.78	↓ -5.9
US 10y gov	1.85	1.81	↓ -4.9
iTraxx Europe (IG)	76	76	↑ 0.2
iTraxx Xover (Non IG)	321	323	↑ 1.8
			+/- %
EUR/USD	1.119	1.130	↑ 0.95
USD/JPY	113.420	112.330	↓ -0.96
EUR/CHF	1.09	1.09	↑ 0.01
EUR/GBP	0.784	0.786	↑ 0.19
EUR/SEK	9.255	9.257	↑ 0.02
EUR/NOK	9.49	9.47	↓ -0.23
			USD
Oil Brent, USD	38.9	39.3	↑ 1.16
Gold, USD	1226.0	1236.9	↑ 0.88

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

- [US Labour Market Monitor: Powering on](#)

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Scandi Markets

At 9:00 CET today, we publish **Nordic Outlook**, our quarterly economic forecast for the Nordic countries. Job growth in Denmark is strong but GDP growth is very weak. The Swedish economy is booming but expected to slow down somewhat. The oil slowdown has hit Norway hard but domestic demand keeps wheels spinning. Reforms should help growth recover in Finland but the near-term outlook is dull. There are no new financial forecasts.

Norwegian LFS unemployment figures for January are due. We do not expect this release to be a market mover for EUR/NOK.

Fixed Income Markets

Global monetary policy coordination continues with yesterday's dovish speech from Yellen. The US bond market rallied after the speech and 2Y and 10Y yields ended the day some 9bp and 8bp lower. This will be supportive for the European government bond markets this morning and thus more of the same - spread compression between core and periphery.

It is going to be an active day in the European government bond market with issuance from Italy and Germany. Italy is selling some EUR8bn in split between 3.5bn in a new 5Y benchmark, 3bn in the 10Y benchmark and 1.5bn in a 7Y floater. Germany is tapping EUR4bn in the 5Y benchmark. We expect to see solid demand for the Italian bonds given the solid support from monetary policy as well as redemptions and coupons.

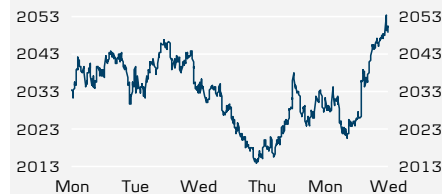
In Scandinavia the Swedish debt office is tapping SEK4bn distributed evenly between the 7Y and 10Y benchmarks. The recent Swedish bond auction was met with strong demand and we expect a similar pattern tomorrow,

FX Markets

With a relatively thin calendar today focus in FX markets will primarily be on general risk sentiment and the link to global commodity prices. On the back of yesterday's dovish comments from Yellen we could see some support to G10 commodity currencies. Especially EUR/NOK could see a reversal of yesterday's move higher as a stabilisation in oil and risk appetite both act as a negative for the cross. While the calendar brings January LFS unemployment figures out of Norway we do not expect this release to be a market mover for EUR/NOK, which currently trades close to our models' short-term fair value estimates.

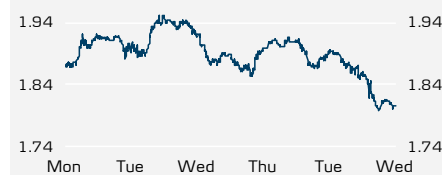
On the other hand, our regression models suggest that the last months' appreciation of the JPY is somewhat overdone, not least vis-à-vis the USD. According to the latest *IMM Positioning report* non-commercial JPY bets are now at the highest level in four years, which naturally increases the JPY's sensitivity to the downside, especially in an environment of improved risk sentiment. Having said this, we are less certain that more Bank of Japan easing next month – we look for a 20bp rate cut – on a more sustained basis can weaken the JPY as BoJ is fighting gravity in terms of valuation and flows. As a result we see the upside potential in USD/JPY as limited in the coming months forecasting the cross at 112 in 1M and 115 in 3M. On a longer time horizon we still look for more USD/JPY upside although less so than previously. Specifically we expect cyclical divergence and relative monetary policy to act as supportive factors for the cross towards a level around 118 in 12M.

US S&P500 future



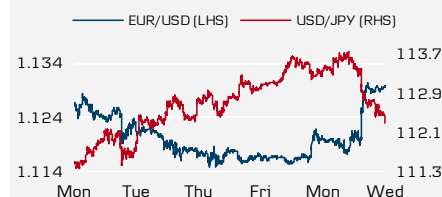
Source: Danske Bank Markets

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, March 30, 2016			Period	Danske Bank	Consensus	Previous
-	EUR	EU summit in Brussels				
1:50	JPY	Industrial production, preliminary	m/m y/y			3.7% -3.8%
9:00		Danske Bank publishes Nordic Outlook				
9:00	DKK	Confidence indicator, industry, s.a.	Net balance			-7
10:00	NOK	Unemployment (LFS)	%	4.5%		4.5%
11:00	EUR	Business climate indicator	Net bal.			0.1
11:00	EUR	Industrial confidence	Net bal.			-4.4
11:00	EUR	Economic confidence	Index			103.8
11:00	EUR	Service confidence	Net bal.			10.6
14:00	DEM	HICP inflation, preliminary	m/m y/y	.. -0.3%		0.4% -0.2%
14:15	USD	ADP employment	1000			214
19:00	USD	Fed's Evans (voter, dovish) speaks				

Source: Bloomberg, Danske Bank Markets

Today's market data: 30 March 2016

STOCKS



	Close		+/-
DJSTOXX50	2793	↓	0.4%
OMXC20	948	↓	-0.4%
OMXS30	1349	↑	0.2%
OSE BX	570	↓	-2.8%
	Close		+/-
DOW JONES	17633	↑	0.6%
NASDAQ	4847	↑	1.7%
S&P500	2055	↑	0.9%
NIKKEI (07:30)	16974	↑	0.4%

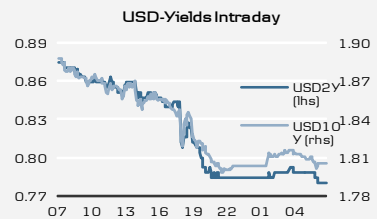
FX & COMMODITIES



	17:00	07:30		+/-
EUR				
USD	111.94	113.00	↑	1.06
JPY	126.96	126.93	↓	-0.03
GBP	78.43	78.58	↑	0.15
NOK	949.25	947.08	↓	-2.17
SEK	925.47	925.66	↑	0.19
DKK	745.40	745.43	↑	0.03
PLN	425.41	424.85	↓	-0.56
USD				
JPY	113.42	112.33	↓	-1.09
GBP	142.72	143.80	↑	1.08
CHF	97.52	96.61	↓	-0.91

	07:30		Oil, Brent, \$	
Gold, \$	1236.87		39.33	
1day	↓	-5.45	↑	0.19
1month	↓	-1.87	↑	3.36
Year-t-date	↑	175.45	↑	2.05
	07:30		CRB, Raw Industrials	
CRB, 1M future	171.47		440.30	
1day	↓	-1.10	↓	-2.72
1month	↑	8.25	↑	18.17
Year-t-date	↓	-4.68	↑	35.59

YIELDS & INTEREST RATES

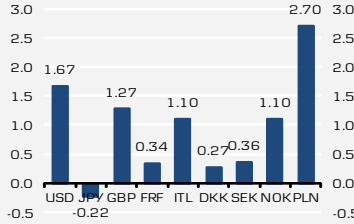


	Policy Rate	3M	Spread, bp
USD	0.50	0.63	13
EUR	0.00	-0.24	-24
GBP	0.50	0.59	9
DKK	0.05	-0.09	-14
SEK	-0.50	-0.44	6
NOK	0.50	1.00	50
PLN	1.50	1.57	7

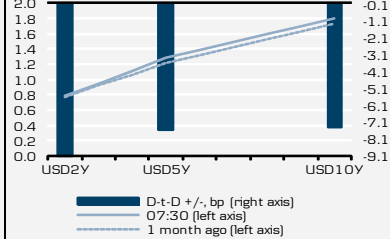
	17:00	07:30	+/-, bp
USD 10Y	1.85	1.81	↓ -5
USD 30Y	2.63	2.60	↓ -3
JPY 10Y	-0.08	-0.09	↓ 0
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.17	0.15	↓ -2
DKK 10Y	0.43	0.42	↓ 0
SEK 10Y	0.51	0.51	↑ 0
NOK 10Y	1.24	1.24	↑ 0
PLN 10Y	2.86	0.00	↓ -286

* As of closing previous trading day

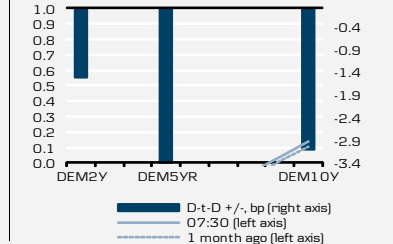
10Y Yield Spread to Germany



US Yield Curve



German Yield Curve



Credit spread, iTraxx s. 11*

	07:30	1day	1month
Europe (IG)	76	↓	0
HiVol	90	↓	-37
Xover (N-IG)	323	↑	0
Finan. Sr.	95	↑	0
Finan. Sub.	217	↓	0
Non-finan.			

* Ask price

Credit spreads



Swap Spread, bp**

	17:00	07:30	+/-	
USD 10Y				
JPY 10Y	-13	-13	↑	0
	07:30(-1)*	17:00	+/-	
EUR 10Y	0	21	↑	21
DKK 10Y	39	39	↑	0
SEK 10Y	33	48	↑	15
NOK 10Y	62	63	↑	0

* As of closing previous trading day

** Ask price

Source: Bloomberg, Danske Bank Markets

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