

Danske Daily

Market Movers

- **A few ECB appearances scheduled with both Lautenschlaeger and Weidmann set to speak today.** After ECB chief economist Praet was out last week stressing that rate cuts remain part of the ECB toolbox, the other German members of the ECB Governing Council will be listened to for any clues regarding ECB preferences for QE versus rates if more easing is needed from here.
- **Scandi markets will be watching the Swedish releases with NIER data** on business and consumer confidence as well as its outlook for the Swedish economy, see *Scandi Markets*.

Selected Market News

While the euro-zone releases yesterday generally came out on the strong side, the Brussels attacks weighed on sentiment: equities were sold off with notably airlines being dragged lower and in the fixed-income markets German bonds were in demand. Gold also rose and JPY, CHF and USD crosses appreciated notably against EUR and GBP as Brexit risks again moved to the fore. The haven demand gradually faded during the day though, and equity markets ended the day mixed in both the European and US sessions while Asia is generally lower this morning.

Although the US Markit PMI yesterday came in lower than expected, rising to 51.4 in March (from 51.3 last), at the same time **the rise in the Richmond Fed index added to the picture from both the Philly Fed and Empire surveys of a US manufacturing sector that is starting to recover more broadly.** Thus, we could soon see the ISM manufacturing index rise above the 50 boom/bust level when released early April, see *chart*. Regarding sentiment towards the US, it is worth noting the relatively hawkish comments from the usually rather dovish FOMC's Evans last night: while he remains worried insofar as the inflation outlook is concerned, he noted that two rate hikes this year is a realistic setting in his view. Markets have continued to up expectations about Fed hikes in 2016 after a mid February low, notably now pricing in more than 50% probability of a June hike. We still look for merely a September hike this year but current Fed pricing looks increasingly reasonable given the continued stream of better US data.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2049.8	↓	-0.09
S&P500 fut (chng from close)	2039.7	↓	-0.14
Nikkei	16997.0	↓	-0.30
Hang Seng	20531.5	↓	-0.65
	17:00	07:30	+/- bp
US 2y gov	0.85	0.88	↑ 2.9
US 10y gov	1.89	1.94	↑ 4.4
iTraxx Europe (IG)	73	73	↑ 0.6
iTraxx Xover (Non IG)	301	303	↑ 2.6
			+/- %
EUR/USD	1.122	1.121	↓ -0.13
USD/JPY	111.810	112.320	↑ 0.46
EUR/CHF	1.09	1.09	↑ 0.19
EUR/GBP	0.789	0.790	↑ 0.11
EUR/SEK	9.232	9.225	↓ -0.08
EUR/NOK	9.43	9.42	↓ -0.07
Oil Brent, USD	41.7	41.4	↓ -0.84
Gold, USD	1252.3	1235.8	↓ -1.32

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

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Scandi Markets

Sweden. Today the National Institute for Economic Research (NIER) publishes its survey on business and consumer confidence, which tends to attract some attention from market participants. Note, however, that in the wake of the financial crisis the information content has generally been low in survey data and today's number is no exception. We expect that the order components as well as any information on a tightening labour market situation will be the main focal points. In addition, the NIER publishes its forecasts and we expect it to make strong upward revisions (both inflation and GDP) based on a view of considerable strains on resources. Albeit sharing the main thrust of that view, we have taken a more cautious approach as the all important goods industry sector is still performing miserably with tensions building up with the very strong domestic sectors.

Fixed Income Markets

Despite Easter approaching we still have some activity in the European government-bond market. Germany will tap EUR1bn in the ultra-long end of the curve, with a seventh tap in the Aug-46 Bund. The demand history for this particular bond is not impressive as the past several auctions have been technically uncovered. However, the step-up in QE from the ECB and better demand when the Jun-44 was tapped end February could indicate that demand for the ultra-long end of Germany has improved.

On Friday, S&P affirmed Portugal's BB+ rating and the outlook was kept unchanged at 'stable'. The S&P view should calm market fears and underline that the risk of a downgrade from DBRS to below investment grade is now relatively small. Hence, fewer 'rating concerns' should indicate that today's two Portuguese auctions should go well. The debt office will tap EUR 0.75 to 1.0bn in the 3.85% in Apr-21 and the 3.875% Feb-30 bonds. We prefer the 5Y segment on the PGB curve given the spread to Bunds and the good carry and roll, see *chart*.

FX Markets

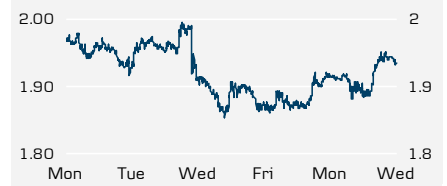
GBP crosses were once again sold off yesterday after the Brussels attacks raised concerns of a higher likelihood of a UK exit from the EU; EUR crosses were also under pressure, not least against the traditional funding currencies such as the JPY and CHF. The single currency will be looking to the German ECB speakers today for clues on ECB preferences regarding QE versus rates going forward as the FX market is much more sensitive should the ECB decide to go for the latter once again. In the Scandi sphere, the batch of NIER releases could be key for SEK: EUR/SEK remains in the lower end of the 9.10-9.50 range in which we see it trade for now, but if wage negotiations and economic data continue to come out less upbeat we could see a new leg higher in the cross yet again.

US S&P500 future



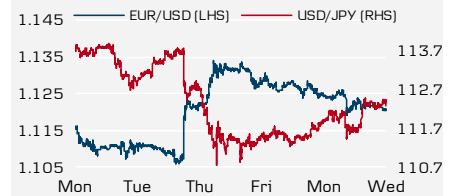
Source: Danske Bank Markets

US 10y gov yield



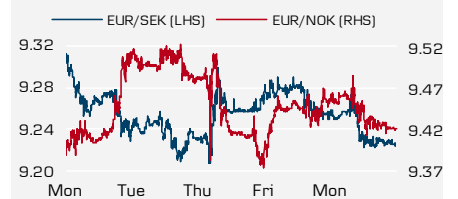
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

Key figures and events

Wednesday, March 23, 2016			Period	Danske Bank	Consensus	Previous
-	USD	Fed's Harker (non-voter, hawkish) speaks				
9:00	SEK	Consumer confidence	Index Mar	98.0	98.4	98.0
9:00	SEK	Economic Tendency Survey	Index Mar			108.4
9:00	SEK	Manufacturing confidence	Index Mar	114.0	114.0	115.7
9:00	DKK	House prices	q/q y/y 4th quarter			-0.3% 5.9%
9:15	SEK	NIER economic forecasts				
10:30	EUR	ECB's Lautenschlaeger speaks in Frankfurt				
12:00	USD	MBA Mortgage Applications	%			
13:40	EUR	ECB's Weidmann speaks in Liechtenstein				
15:00	USD	New home sales	1000 (m/m) Feb		510	494.0 (-9.2%)
15:30	USD	DOE U.S. crude oil inventories	K			1317
16:00	EUR	Consumer confidence, preliminary	Net bal. Mar	-7.8	-8.5	-8.8
22:45	NZD	Trade balance	NZDM Feb		90	8

Source: Bloomberg, Danske Bank Markets

Today's market data: 23 March 2016

STOCKS



	Close		+/-
DJUSTOXX50	2824	↓	-0.3%
OMXC20	950	↑	0.4%
OMXS30	1382	↑	0.4%
OSE BX	589	↑	0.1%
	Close		+/-
DOW JONES	17583	↓	-0.2%
NASDAQ	4822	↑	0.3%
S&P500	2050	↓	-0.1%
NIKKEI (07:30)	16997	↓	-0.3%

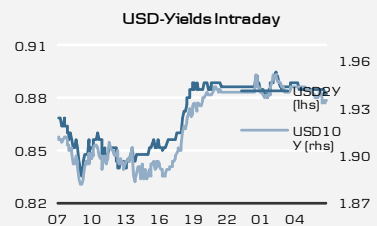
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	112.22	112.07	↓ -0.15
JPY	125.48	125.86	↑ 0.38
GBP	78.90	78.99	↑ 0.09
NOK	942.90	942.25	↓ -0.65
SEK	923.20	922.48	↓ -0.72
DKK	745.41	745.20	↓ -0.21
PLN	425.63	425.65	↑ 0.02
USD	17:00	07:30	+/-
JPY	111.81	112.32	↑ 0.51
GBP	142.22	141.88	↓ -0.34
CHF	97.12	97.44	↑ 0.32

	07:30		Oil, Brent, \$
Gold, \$	1235.79		41.36
1 day	↓	-12.51	↓ -0.43
1 month	↑	10.19	↑ 8.09
Year-t-date	↑	174.37	↑ 4.08
	07:30		CRB, Raw Industrials
CRB 1M future	177.12		444.32
1 day	↑	0.75	↑ 0.77
1 month	↑	16.68	↑ 22.14
Year-t-date	↑	0.97	↑ 39.61

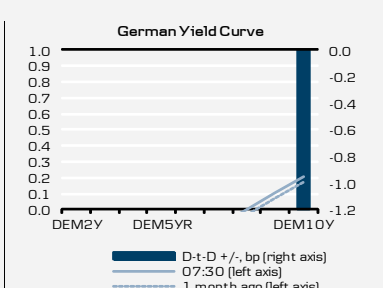
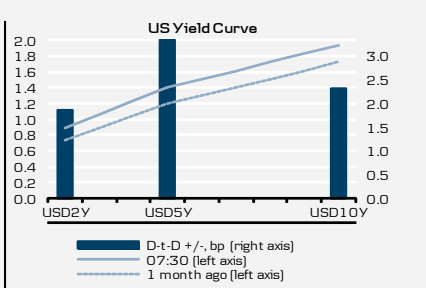
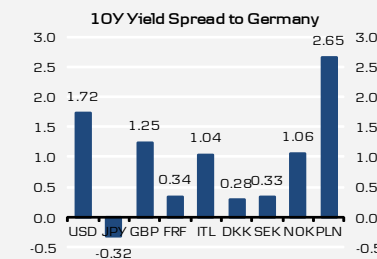
YIELDS & INTEREST RATES



	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	-0.08	-13
SEK	-0.50	-0.46	4
NOK	0.50	1.02	52
PLN	1.50	1.57	7

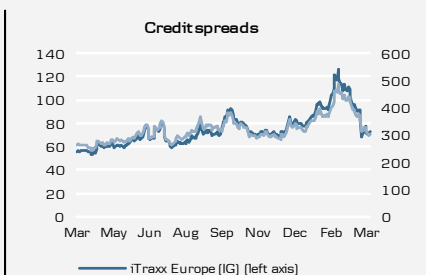
	17:00	07:30	+/-, bp
USD 10Y	1.89	1.94	↑ 4
USD 30Y	2.69	2.72	↑ 3
JPY 10Y	-0.10	-0.10	↓ -1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.22	0.22	↓ -1
DKK 10Y	0.50	0.50	↓ 0
SEK 10Y	0.56	0.54	↓ -2
NOK 10Y	1.27	1.27	↑ 0
PLN 10Y	2.84	2.86	↑ 2

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	73	↑ 0	↓ -35
HiVol	89	↑ 0	↓ -47
Xover (N-IG)	303	↑ 1	↓ -125
Finan. Sr.	89	↑ 0	↓ -29
Finan. Sub.	206	↑ 1	↓ -56
Non-finan.			

* Ask price



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-15	-14	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0	23	↑ 23
DKK 10Y	38	37	↓ -1
SEK 10Y	44	46	↑ 1
NOK 10Y	62	63	↑ 1

* As of closing previous trading day

** Ask price

Source: Bloomberg, Danske Bank Markets

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