

Danske Daily

Market Movers

- There are no real market movers today. Only release of interest is **euro area industrial production** where we look for a healthy monthly increase in line with the German number last week. This may be due to volatility more than real strength, as business surveys have weakened lately.
- **This week focus continues to be on the central banks – not least the Fed meeting on Wednesday.** No rate changes are expected but the communication from the Fed including new dots will be scrutinised for clues on the next Fed hike. Our call for the next hike is September but given the improvement in market sentiment and increase in core inflation, the probability of an earlier hike has increased.
- **Bank of England (BoE), Bank of Japan (BoJ) and Norges Bank are also meeting this week.** We do not expect any change from BoE or BoJ but look for a rate cut of 25bp at the Norges Bank meeting.
- On the data front focus will be on US retail sales Tuesday and US inflation Wednesday. In Scandi Sweden releases inflation data Tuesday and Prospera inflation expectations Wednesday, whereas Norway publishes unemployment Friday.

Selected Market News

Asian stock markets are catching up with the rally in Europe and the US on Friday seeing robust gains across the board. Chinese offshore stocks are up close to 2% hitting the highest level in two months.

Weak Chinese data over the weekend have not been able to ruin the mood. Industrial production increased only 5.4% y/y year-to-date (consensus 5.6% y/y year-to-date). China retail sales also disappointed rising 10.2% y/y year-to-date versus an expected 11.0% y/y year-to-date. The financial stress in January has added to the economic headwinds but we still look for a moderate improvement during 2016 on stimulus and a gradual recovery in the construction sector, which will also underpin raw material markets.

In the commodity markets the oil price is holding steady around USD40-41 per barrel (Brent) whereas the iron ore price continues its move higher to the highest level in close to nine months (futures). It increasingly looks like we have found a bottom in base metals, which could have a spill-over effect on EM commodity exporters like Brazil and Chile.

On Friday the CNY hit the strongest level versus the USD since December as USD/CNY went below 6.49. This is another sign that the capital outflows into USD have eased. At the same time, though, the trade weighted CNY basket is trading at the weakest level in more than a year, which reflects that the USD has weakened during the past months. This is interesting as China says it is managing against the basket now. Hence, in principle, PBoC should intervene to strengthen the currency more versus the USD. We believe it will allow the basket to weaken gradually to allow for a bigger role for market forces as long as it does not threaten financial stability (as was the case in January).

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2022.2	↑ 1.64	
S&P500 fut (chng from close)	2009.2	↓ -0.06	
Nikkei	17236.2	↑ 1.76	
Hang Seng	20443.2	↑ 1.21	
	17:00	07:30	
		+/- bp	
US 2y gov	0.96	0.96	↓ -0.4
US 10y gov	1.98	1.97	↓ -0.2
iTraxx Europe (IG)	68	68	↑ 0.1
iTraxx Xover (Non IG)	312	314	↑ 2.1
			+/- %
EUR/USD	1.116	1.116	↑ 0.03
USD/JPY	113.570	113.810	↑ 0.21
EUR/CHF	1.10	1.10	↑ 0.07
EUR/GBP	0.776	0.776	↑ 0.12
EUR/SEK	9.309	9.308	↓ -0.01
EUR/NOK	9.41	9.39	↓ -0.21
			USD
Oil Brent, USD	40.2	40.5	↑ 0.65
Gold, USD	1256.8	1256.0	↓ -0.06

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

- [Weekly Focus: ECB surprises - what will its colleagues do?](#)
- [ECB's easing package and markets zig-zag](#)

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Scandi Markets

There are no key movers today in Scandinavia.

Fixed Income Markets

The rally in the semi-core and peripheral markets gained momentum on Friday as the market turned its focus towards the easing of credit as well as expansion of QE. On top of this ECB will not just scale up QE to EUR80bn but we are also getting close to the Easter holidays and thus ECB is likely to scale up on the QE given the holiday season. Finally, in April we have a significant positive net cash flow in the European government bond market given a total of almost EUR170bn in redemptions and coupons through late March and through April (see table below). We expect a total of EUR70bn in gross issuance from European government bond issuers. So, unless something really strange happens, we expect issuance of corporate as well as financials to pick up dramatically. Note that the ECB's purchase of IG corporates (excl. financials) opens the door for banks to issue debt that can be used as TLAC/MREs etc.

We have a string of central bank meetings this week: Bank of Japan, Federal Reserve, Bank of England and Norges Bank. There is significant focus on BoJ - will it increase stimulus to counter the strengthening of the JPY? Negative JGB yields out 10Y as well as very low 30Y JGB yields are having a significant impact on other markets. On top of this there is the Federal Reserve - are the markets too complacent regarding future hikes? Both BoJ and the Federal Reserve need to surprise on the 'negative' side with significant divergent monetary policies relative to the ECB before we change the positive sentiment. Hence, short term we go for more tightening between semi-core versus swaps as well as periphery versus swaps. The peripheral banks (especially Italian banks) stand to gain significantly from both T-LTRO II as well as the corporate QE (even though ECB is not buying financials), but it will suppress corporate and financial spreads.

FX Markets

We will probably have a relatively quiet start to the week in the FX market, as we await the BoJ monetary policy announcement tomorrow to launch this week's series of central bank meetings including FOMC on Wednesday, BoE and Norges Bank on Thursday. We have changed our view on BoJ and now expect it to stay put in March. Previously, we called for a 20bp cut in the key policy rate to -0.3%. See *Weekly Focus: ECB surprises - what will its colleagues do?* (11 March), for more details. Financial markets have stabilised and US recession fears have eased substantially over the past month, which has eased the imminent pressure on the BoJ to ease again. Instead, we now expect the BoJ to cut its key policy rate by 20bp to -0.3% in July while keeping its QE programme unchanged at JPY80trn per month. Our new call on BoJ to stay put tomorrow is fully in line with the consensus view among analysts and the market's pricing also implies very little probability of easing in March. It cannot be ruled out that the BoJ once again surprises the market, and given the very low easing expectations, risks are probably skewed to the upside for USD/JPY as we see little potential of JPY appreciation if the BoJ stays put.

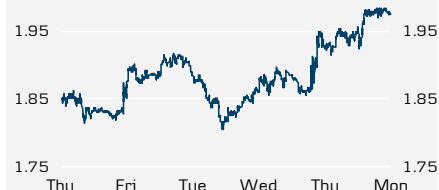
As argued in Strategy: *The ECB exits the currency war* (11 March), we generally see the ECB's shift from targeting the exchange rate to targeting the credit/bank lending channel as positive for risky assets, but bullish for the EUR against other low yielding currencies such as the USD, GBP and JPY. We continue to see EUR/USD in a 1.05-1.15 range where a more hawkish Fed should cap the top side. However, the ECB exiting the currency war supports our long held view that EUR/USD will head substantially higher in 2016, eventually breaking the 1.15 level.

US S&P500 future



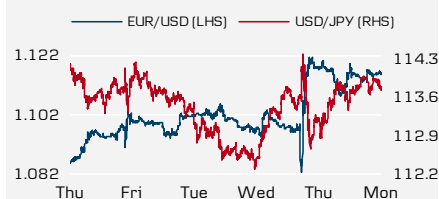
Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

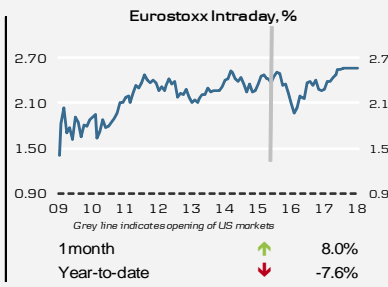
Key figures and events

Thursday, March 10, 2016					Period	Danske Bank	Consensus	Previous
-	CNY	Total Social Financing	bn CNY	Feb		1790		3417.3
0:50	JPY	PPI	m/m y/y	Feb		-0.3% -3.4%		-0.9% -3.1%
1:01	GBP	RICS house price balance	Index	Feb		0.5		0.5
2:30	CNY	CPI	y/y	Feb		1.8%		1.8%
2:30	CNY	PPI	y/y	Feb		-4.9%		-5.3%
8:00	SEK	PES unemployment	%	Feb				4.3%
8:00	DEM	Trade balance	EUR bn	Jan		17.5		19
8:00	DEM	Labour costs	q/q y/y	4th quarter				0.0% 2.4%
8:45	FRF	Industrial production	m/m y/y	Jan		0.8% -0.1%		-1.6% -0.7%
9:00	ESP	Retail sales	y/y	Jan				2.2%
9:00	DKK	Current account (nsa sa)	DKK bn	Jan		8.7 11.3		11.1 11.9
9:00	DKK	CPI	m/m y/y	Feb		0.8% 0.4%		-0.4% 0.6%
9:00	DKK	Trade balance ex ships	DKK bn	Jan				5.3
9:00	DKK	Exports	m/m	Jan				
10:00	NOK	Core inflation(CPI-ATE)	m/m y/y	Feb		0.7% 3.1%		-0.1% 3.0%
10:00	NOK	CPI	m/m y/y	Feb		0.7% 3.1%	0.3% 3.0%	0.6% 3.0%
10:00	NOK	PPI	m/m y/y	Feb				-4.5% -10.7%
13:45	EUR	ECB announces refi rate	%			0.05%	0.05%	0.05%
13:45	EUR	ECB announces deposit rate	%			-0.40%	-0.40%	-0.30%
14:30	USD	Initial jobless claims	1000					278
14:30	EUR	ECB's Draghi speaks at press conference						
20:00	USD	Budget statement	USD bn	Feb				-200

Source: Bloomberg, Danske Bank Markets

Today's market data: 14 March 2016

STOCKS



	Close		+/-
DJSTOXX50	2865	↑	2.6%
OMXC20	974	↑	1.2%
OMXS30	1418	↑	2.4%
OSE BX	585	↑	0.5%
	Close		+/-
DOW JONES	17213	↑	1.3%
NASDAQ	4748	↑	1.9%
S&P500	2022	↑	1.6%
NIKKEI (07:30)	17236	↑	2.6%

FX & COMMODITIES

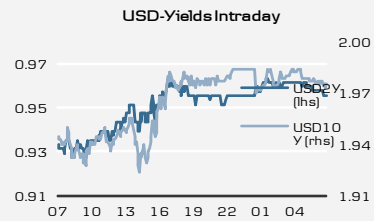


EUR	17:00	07:30	+/-
USD	111.59	111.62	↑ 0.03
JPY	126.74	127.04	↑ 0.30
GBP	77.55	77.64	↑ 0.09
NOK	940.71	938.76	↓ -1.95
SEK	930.87	930.80	↓ -0.07
DKK	745.91	745.89	↓ -0.02
PLN	429.41	429.53	↑ 0.12
USD	17:00	07:30	+/-
JPY	113.57	113.81	↑ 0.24
GBP	143.90	143.76	↓ -0.14
CHF	98.36	98.41	↑ 0.05

	Gold, \$	Oil, Brent, \$
07:30	1256.04	40.46
1day	↑ 5.34	↑ 0.07
1month	↑ 18.12	↑ 7.10
Year-t-date	↑ 194.62	↑ 3.18
	CRB 1M future	CRB, Raw Industrials
07:30	173.53	437.09
1day	↑ 1.64	↑ 0.15
1month	↑ 13.16	↑ 15.57
Year-t-date	↓ -2.62	↑ 32.38

* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

YIELDS & INTEREST RATES

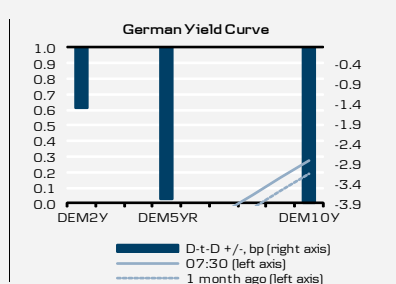
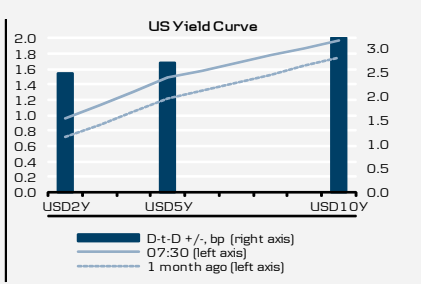
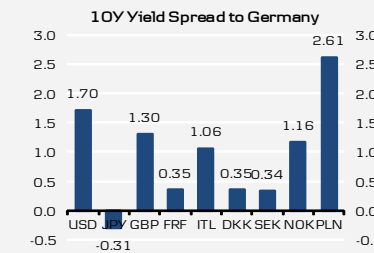


	Policy Rate	3M	Spread, bp
USD	0.50	0.63	13
EUR	0.00	-0.23	-23
GBP	0.50	0.59	9
DKK	0.05	-0.04	-9
SEK	-0.50	-0.48	2
NOK	0.75	1.01	26
PLN	1.50	1.57	7

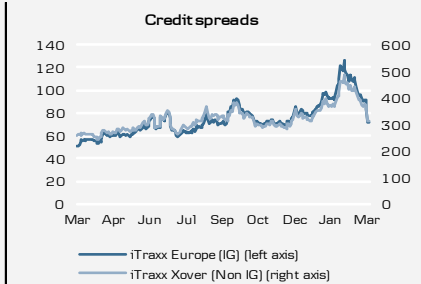
	17:00	07:30	+/-, bp
USD 10Y	1.98	1.97	↓ 1
USD 30Y	2.73	2.75	↑ 2
JPY 10Y	-0.01	-0.03	↓ -2
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.31	0.27	↓ -4
DKK 10Y	0.67	0.62	↓ -5
SEK 10Y	0.54	0.61	↑ 7
NOK 10Y	1.43	1.43	0
PLN 10Y	2.92	2.89	↓ -3

* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	68	↓ 0	↓ -47
HiVol	94	↓ 0	↓ -51
Xover (N-IG)	314	↓ -1	↓ -139
Finan. Sr.	77	↓ -1	↓ -47
Finan. Sub.	185	↑ 8	↓ -107
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-15	-15	↑ 0
	07:30(-1)*	17:00	+/-
EUR 10Y	0	19	↑ 19
DKK 10Y	35	38	↑ 3
SEK 10Y	40	43	↑ 3
NOK 10Y	57	60	↑ 3

* Ask price

* 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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