

01 April 2016

# Danske Daily

## Market Movers

- We estimate non-farm payrolls increased 220,000 in March, slightly above the current consensus of 210,000. Job growth is mainly driven by private service payrolls, which we estimate increased 180,000 in March down from a high of 245,000 in February. Signals for the labour market have been mixed lately. Jobless claims data continue to look solid, with initial claims back at cycle lows. On the other hand, the ISM non-manufacturing index declined (though marginally) for the fourth consecutive month to 53.4 in February and the employment sub-index declined to 49.7, raising downside risks to employment growth in the service sector. We estimate the unemployment rate was unchanged at 4.9 % in March.
- In the US, one should also keep an eye on the ISM manufacturing index in March. As the regional indices were strong on a broad scale in March, we see this as a sign that the manufacturing sector has rebounded and estimate ISM manufacturing increased to 50.9 in March from 49.5 in February.
- In Scandi markets, the focus today will be on the release of the manufacturing PMIs in Norway and Sweden as well as the release of the credit indicator in Norway. Also, the Swedish market will digest the wage deal agreed late yesterday.

## Selected Market News

In Asia, activity in the Chinese manufacturing sector looks to be improving. Both the official NBS manufacturing PMI and the private Caixin manufacturing PMI rose in March to 50.2 and 49.7 respectively – the highest levels recorded since November 2014 and February 2015. In addition, the official non-manufacturing PMI rose to 53.8. It suggests that the Chinese economy is benefitting from recent monetary easing from, e.g. ECB and BoJ, as well as internal stimulus from PBoC. In Japan, on the other hand, businesses are turning less confident. The Tankan index of confidence among Japan's largest manufacturers dropped to 6 in March from 12 in December – the lowest level since mid-2013. This will put pressure on BoJ to ease monetary policy further, which likely includes cutting the key policy rate further into negative territory.

Yesterday, 600,000 Swedish employees agreed to a deal that will see their wages increase 2.2-2.3% over the next year. The deal is in line with the expiring agreements but substantially below the initial wage claims from the industry at 2.8%. In addition, note that the deal only runs for one year and only involves around 600,000 employees, substantially below the three-year planned agreements and the 1.3m that were supposed to be involved. More details are likely to be released in coming days. The preliminary news supports our view that the Riksbank has been too optimistic in its expectations for wage increases where it had hoped for 3.5% annual increases. The news supports our view that Swedish inflation will continue to undershoot the Riksbank's CPIF forecasts implying that the central bank is likely to maintain a dovish stance by extending QE at the April meeting.

## Market overview

	07:30	1 day +/- %
S&P500 (close)	2059.7	↓ -0.20
S&P500 fut (chng from close)	2047.1	↓ -0.21
Nikkei	16175.3	↓ -3.48
Hang Seng	20501.6	↓ -1.32
	17:00	07:30 +/- bp
US 2y gov	0.75	0.74 ↓ -0.9
US 10y gov	1.81	1.79 ↓ -1.6
iTraxx Europe (IG)	73	73 ↑ 0.5
iTraxx Xover (Non IG)	304	305 ↑ 0.5
		+/- %
EUR/USD	1.139	1.138 ↓ -0.08
USD/JPY	112.460	112.170 ↓ -0.26
EUR/CHF	1.09	1.09 ↑ 0.10
EUR/GBP	0.792	0.794 ↑ 0.15
EUR/SEK	9.236	9.242 ↑ 0.07
EUR/NOK	9.42	9.42 ↓ -0.06
Oil Brent, USD	39.7	39.8 ↑ 0.33
Gold, USD	1233.9	1231.2 ↓ -0.22

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

*China: A turn in construction to be a game changer*

*No quick fix for US potential GDP growth*

*US Labour Market Monitor*

*Follow us on Twitter:*



@Danske\_Research

## Senior Analyst

Jens Nærvig Pedersen  
+45 45 12 80 61  
jenpe@danskebank.dk

## Fixed Income Markets

The global fixed income market will be focusing on the ISM and the US labour market report today. Despite signs that both reports will be relatively healthy with ISM expected to crawl back above 50 and non-farm to stay around 200k treasuries continue to rally this week supported by the dovish Fed stance.

In the EGB market focus is on the ECB QE programme, where the monthly purchases are set to rise from EUR60bn to EUR80bn in April. The corporate bond purchases are not planned to start before 'towards the end of Q2'. Hence, the monthly purchase under the PSPP programme will rise from around EUR50bn to EUR70bn in April – a 40% rise. In Germany alone we estimate that the government bond purchases will go from EUR22bn in Q1 to around EUR28bn in Q2, slowing down to around EUR25bn in Q3 and Q4 as corporate QE starts. In addition, the net cash flow for April is very positive with redemptions and coupons of some EUR144bn and an estimated issuance of 55-60bn. Hence, the positive net cash flow could be around EUR85-90bn. In Germany alone the net cash flow is positive by an estimated EUR25bn in April. All in all, some strong supportive flows for EGBs in April adding fuel to the current positive fixed income sentiment. In respect of rating events focus turns to Spain that is up for review by S&P (BBB+ and stable outlook). Yesterday, Spain's budget minister said that the budget deficit would be 5.2% in 2015. The news came after acting Prime Minister Rajoy said last month that the deficit would be 'just' 4.5%. The budget news coupled with the focus on Catalonia and the unclear political situation means that a change to negative outlook by S&P this afternoon is very likely. There is no bond issuance in the EGB market today.

## FX Markets

Going into a day packed with important US data releases the USD remains under pressure. Yesterday EUR/USD broke through the 1.14 barrier for the first time since October last year. The move is very notable amid solid US data and shows that even a strong non-farm and/or ISM manufacturing release today is unlikely to trigger a sustained USD rally as previously seen. In our view the move higher in EUR/USD illustrates that the cross is increasingly giving into fading policy divergence in terms of ECB versus Fed; partly a result of the Fed now to a much larger extent internalising external developments into its reaction function. Having said this, we still stress that time is not yet ripe for a move towards the 1.18 level at which we project the cross in 12M: (i) our short-term models suggest USD crosses are in general oversold, (ii) USD positioning is now close to neutral (i.e. some scope for longs to be added again), (iii) clearly room for more hikes to be priced on Fed. Also, EUR/USD seems to have gone somewhat ahead of the drop in EU inflation expectations, which could fuel ECB easing expectations yet again. In sum we maintain our view that EUR/USD will remain range bound in the short term, albeit in a little higher range than anticipated some weeks ago.

In Sweden, yesterday's wage negotiations deal underlines that the Riksbank has been too optimistic on its expectations for wage increases where it had hoped for 3.5% annual increases. The news supports our view that Swedish inflation will continue to undershoot the Riksbank's CPIF forecasts implying that the central bank is likely to maintain a dovish stance by extending QE at the April meeting. EUR/SEK remains in a 9.10-9.50 range and the short end of the SEK curve is too steep, in our view.

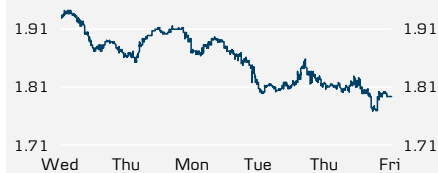
EUR/DKK continued to inch lower yesterday and approached the 7.4500 mark. DKK has gained support from 30bp of accumulated tightening of the policy rate spread to ECB since December and low liquidity in the money market. Notably, the carry on shorter-dated FX forwards has turned positive. We forecast EUR/DKK at 7.4490 on 3-12M.

### US S&P500 future



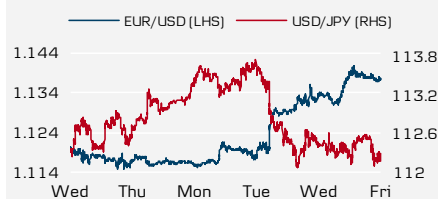
Source: Danske Bank Markets

### US 10y gov yield



Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

## Key figures and events

Friday, April 1, 2016

				Period	Danske Bank	Consensus	Previous
-	EUR	Fitch may publish Germany's debt rating					
-	EUR	S&P may publish Spain's debt rating					
-	USD	Total vehicle sales	m	Mar			17.43
1:50	JPY	Tankan large manufacturers index (outlook)	Index	1st quarter			12.0 7.0
1:50	JPY	Tankan large non-manufacturers index (outlook)	Index	1st quarter			25.0 18.0
3:00	CNY	PMI manufacturing	Index	Mar	49.2		49.0
3:00	CNY	PMI non-manufacturing	Index	Mar			52.7
3:45	CNY	Caixin Manufacturing PMI	Index	Mar	48.2		48.0
8:30	SEK	PMI manufacturing	Index	Mar			51.7
9:00	NOK	PMI manufacturing	Index	Mar			48.4
9:15	CHF	Retail sales	y/y	Feb			0.2%
9:15	ESP	PMI manufacturing	Index	Mar	54.0		54.1
9:30	CHF	PMI manufacturing	Index	Mar			51.6
9:45	ITL	PMI manufacturing	Index	Mar	52.5		52.2
10:00	NOK	Credit indicator (C2)	y/y	Feb			5.3%
10:30	GBP	PMI manufacturing	Index	Mar			50.8
11:00	EUR	Unemployment	%	Feb	10.3%		10.3%
14:30	USD	Non farm payrolls	1000	Mar			242
14:30	USD	Average hourly earnings, non-farm	m/m y/y	Mar			-0.1% 2.2%
14:30	USD	Unemployment	%	Mar			4.9%
14:30	USD	Manufacturing payrolls	1000	Mar			-16
14:30	USD	Private payrolls	1000	Mar			230
14:30	USD	Average weekly hours	Hours	Mar			34.4
16:00	USD	University of Michigan Confidence, final	Index	Mar			
16:00	USD	Construction spending	m/m	Feb			1.5%
16:00	USD	ISM manufacturing	Index	Mar			49.5
16:00	USD	ISM prices paid	Index	Mar			38.5

Source: Bloomberg, Danske Bank Markets

# Today's market data: 01 April 2016

## STOCKS



	Close	+/-
DJSTOXX50	2790	↓ -1.1%
OMXC20	948	↓ -0.7%
OMXS30	1366	↓ -0.8%
OSE BX	578	↓ -1.3%
	Close	+/-
DOW JONES	17685	↓ -0.2%
NASDAQ	4870	↑ 0.0%
S&P500	2060	↓ -0.2%
NIKKEI (07:30)	16175	↓ -1.1%

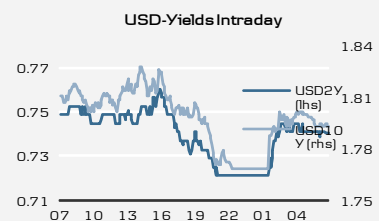
## FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	113.87	113.78	↓ -0.09
JPY	128.06	127.63	↓ -0.43
GBP	79.25	79.36	↑ 0.12
NOK	942.39	941.85	↓ -0.54
SEK	923.60	924.24	↑ 0.64
DKK	745.05	745.18	↑ 0.13
PLN	423.93	424.68	↑ 0.75
USD	17:00	07:30	+/-
JPY	112.46	112.17	↓ -0.29
GBP	143.68	143.36	↓ -0.32
CHF	95.88	96.05	↑ 0.17

	Gold, \$	Oil, Brent, \$
07:30	1231.18	39.79
1day	↓ -1.52	↓ -0.54
1month	↓ -0.89	↑ 2.98
Year-t-date	↑ 169.76	↑ 2.51
	CRB 1M future	CRB, Raw Industrials
07:30	170.52	440.21
1day	↓ -0.45	↓ -0.09
1month	↑ 6.65	↑ 18.08
Year-t-date	↓ -5.62	↑ 35.50

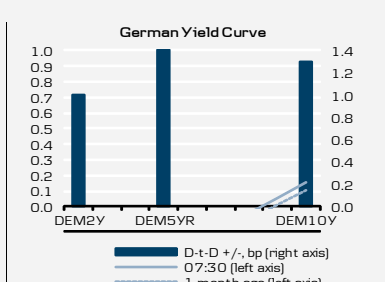
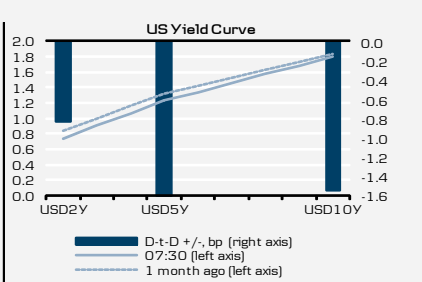
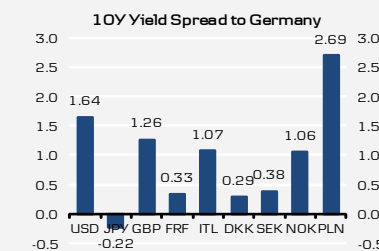
## YIELDS & INTEREST RATES



	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	-0.08	-13
SEK	-0.50	-0.45	5
NOK	0.50	1.00	50
PLN	1.50	1.57	7

	17:00	07:30	+/-, bp
USD 10Y	1.81	1.79	↓ -2
USD 30Y	2.63	2.63	↑ 0
JPY 10Y	-0.03	-0.07	↓ -4
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.14	0.16	↑ 2
DKK 10Y	0.44	0.45	↑ 1
SEK 10Y	0.54	0.53	↓ 0
NOK 10Y	1.21	1.21	↑ 0
PLN 10Y	2.87	2.84	↓ -2

\* As of closing previous trading day

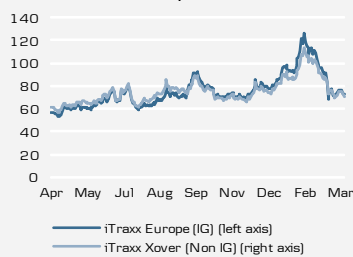


## Credit spread, iTraxx s. 11\*

	07:30	1day	1month
Europe (IG)	73	↑ 0	↓ -23
HiVol	80	↑ 0	↓ -43
Xover (N-IG)	305	↓ -1	↓ -86
Finan. Sr.	90	↓ 0	↓ -15
Finan. Sub.	206	↑ 1	↓ -26
Non-finan.			

\* Ask price

## Creditspreads



## Swap Spread, bp\*\*

	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-15	-13	↑ 2
	07:30(-1)*	17:00	+/-
EUR 10Y	0	18	↑ 18
DKK 10Y	40	39	↓ -1
SEK 10Y	48	48	↓ 0
NOK 10Y	62	62	↑ 0

\* As of closing previous trading day

\*\* Ask price

Source: Bloomberg, Danske Bank Markets

## Disclosure

This research report has been prepared by Danske Bank Markets, a division of Danske Bank A/S ('Danske Bank').

### Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

### Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request..

The research reports of Danske Bank are prepared in accordance with the Danish Society of Financial Analysts' rules of ethics and the recommendations of the Danish Securities Dealers Association.

### Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

### Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors upon request.

### Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

### Expected updates

Danske Daily is updated on a daily basis.

### First date of publication

Please see the front page of this research report for the first date of publication. Price-related data is calculated using the closing price from the day before publication.

## General disclaimer

This research has been prepared by Danske Bank Markets (a division of Danske Bank A/S). It is provided for informational purposes only. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change, and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

## Disclaimer related to distribution in the United States

This research report was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/S, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to "U.S. institutional investors" as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to "U.S. institutional investors".

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA, but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.