

Danske Daily

Market Movers

- US mortgage applications is the only key data release today.
- Markets are in wait-and-see mode ahead of the all-important ECB meeting tomorrow with the rate decision at 13:45 CET and the press conference starting at 14:30 CET. We expect the ECB to cut the deposit rate by 10bp to -0.4%, to introduce a two-tier deposit rate system aimed at reducing the cost to the banking sector and to signal that the deposit rate can go even lower. We also look for the ECB to front-load the QE purchases by EUR20bn p/m in spring to signal willingness to support inflation.
- Bank of Canada will announce its rate decision at 16.00 CET. There is a strong consensus that the policy rate will be kept unchanged at 0.5%.

Selected Market News

The weak Chinese data released yesterday showing a 25% y/y drop in Chinese exports measured in USD weighed on risk sentiment and all major equity indices in Europe and the US ended the day in red.

Especially China-sensitive commodity stocks came under pressure after the gains seen last week, when commodity prices recovered somewhat. Commodities were under renewed pressure as well and Brent oil is once again below USD40 a barrel. That said, oil is still up more than 40% from the January low. In fact we argue in our China Flash Comment (see link to the right) that one should be careful reading too much into the February export data. Both a base effect and the Chinese New Year distort the numbers.

However, the market does not seem to share our view on the Chinese numbers and overnight Asian stock markets have seen strong selling pressure. Chinese stocks in Shanghai are down close to 3% and Nikkei is down 1.3% at the time of writing.

The new growth concerns have been very supportive for global fixed income markets and especially Japanese yields were sent lower this week after a very strong auction in the 30Y segment yesterday that pushed 30Y JGB down by more than 20bp to as low as 0.46% last night. Overnight we have seen some profit-taking in long JGBs though, and yields on the 30Y have edged some 10bp higher again but the ultra long end of the Japanese curve is still down 80bp since December last year. It seems that the negative deposit rates are pushing investors further and further out on the curve in Japan. The very low JGB yields supported both the European and the US fixed income market and 10Y Germany is once again below 0.20% and 10Y Treasury yields dropped 5bp during the session to currently 1.85%. The rally in JGBs might be a 'warning' of what could be in store if the ECB steps up its easing significantly tomorrow. Remember, the German yield curve is still significantly steeper than it was April last year when 10Y yields in Germany reached 7bp.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	1979.3	↓	-1.12
S&P500 fut (chng from close)	1985.1	↑	0.21
Nikkei	16645.5	↓	-0.82
Hang Seng	19926.2	↓	-0.43
	17:00	07:30	+/- bp
US 2y gov	0.86	0.88	↑ 1.6
US 10y gov	1.81	1.85	↑ 4.0
iTraxx Europe (IG)	92	92	↑ 0.5
iTraxx Xover (Non IG)	379	380	↑ 1.5
			+/- %
EUR/USD	1.104	1.098	↓ -0.61
USD/JPY	112.560	112.590	↑ 0.03
EUR/CHF	1.10	1.10	↓ -0.05
EUR/GBP	0.777	0.774	↓ -0.40
EUR/SEK	9.361	9.340	↓ -0.22
EUR/NOK	9.43	9.42	↓ -0.09
			USD
Oil Brent, USD	39.9	39.8	↓ -0.30
Gold, USD	1268.6	1255.8	↓ -1.01

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: Exports not as weak as it seems](#)

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Scandi Markets

Sweden. Riksbank's Deputy Governor Cecilia Skingsley takes a hawkish stance in morning paper SvD, saying she now has greater tolerance for oil price shocks and a stronger currency as long as it does not change the long-term prospects for growth and inflation. In principle, she does not rule out further rate cuts but more is now required for that. Arguably, this is bearish for rates and bullish for the SEK. In addition, the Swedish consumption indicator in January is expected to print 2.5-3.0% y/y, as suggested by retail sales.

Fixed Income Markets

In the European Fixed Income markets all eyes are on the ECB meeting tomorrow. The recent rally in the long end of the JGB curve that yesterday pushed 30Y JGB yields below 0.50% (though somewhat higher this morning) shows that if the ECB surprises on the upside there is still room for further flattening of the Euro curves as well. In that respect the 2Y10Y curve is still 40bp steeper compared to the absolute low April last year when 10Y Germany dropped to 7bp.

Today, focus in the EGB market will be on Portugal that will reopen the PGB Apr-21 and the PGB Jul-26 for a total tap of EUR1.25bn. The taps come despite the concern about the Portuguese budget situation and despite the removal of the positive outlook from Fitch on Friday.

Germany will tap in the Mar-18 Schatz for the first time to the amount of EUR4bn. Despite a record low yield the auction is expected to go well ahead of the ECB. Note that last week's tap in the 5Y Bund benchmark went well.

Finally, Norway will be tapping in the new 10Y bond for a second time. Norges Bank also tapped the 10Y last week and after a disappointing inaugural auction demand was better at this auction. Given the outlook for further easing from Norges Bank and indications that the oil price has stabilised together with the NOK, we start to see some value in NGBs again. Also the spread against Bunds at around 115bp looks interesting. For more see [our auction preview](#), 8 March.

US S&P500 future



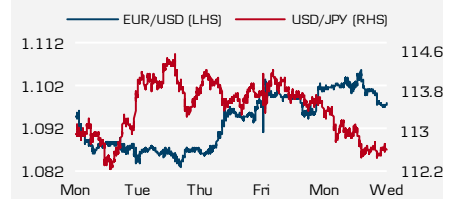
Source: Danske Bank Markets

US 10y gov yield



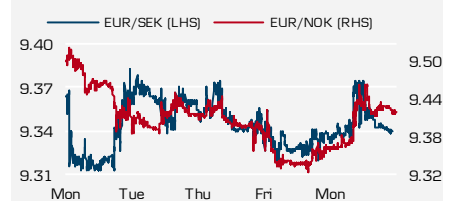
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

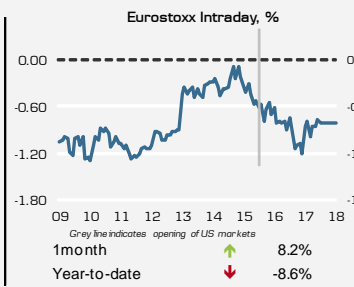
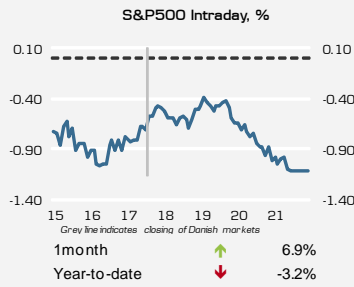
Key figures and events

Wednesday, March 9, 2016				Period	Danske Bank	Consensus	Previous
0:30	AUD	Westpac Consumer Confidence	Index (% m/m)	Mar			101.3 4.2%
0:50	JPY	Money supply M2	y/y	Feb		3.2%	3.2%
9:00	ESP	House price index	q/q y/y	4th quarter			0.7% 4.5%
9:30	SEK	Household consumption	m/m y/y	Jan			-1.0% 2.6%
10:30	GBP	Industrial production	m/m y/y	Jan		0.5% 0.1%	-1.1% -0.4%
10:30	GBP	Manufacturing production	m/m y/y	Jan		0.2% -0.7%	-0.2% -1.7%
13:00	USD	MBA Mortgage Applications	%				-4.8%
16:00	CAD	Bank of Canada rate decision	%		0.5%	0.5%	0.5%
16:30	USD	DOE U.S. crude oil inventories	K				
21:00	NZD	Reserve Bank of New Zealand (cash rate decision)	%			2.5%	2.5%

Source: Bloomberg, Danske Bank Markets

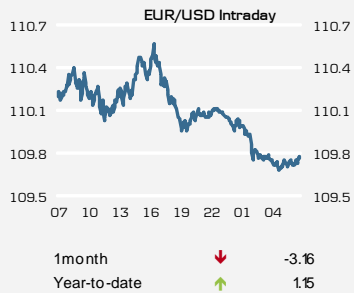
Today's market data: 09 March 2016

STOCKS



	Close	Δ	%
DJSTOXX50	2832	↓	-0.8%
OMXC20	973	↓	-1.5%
OMXS30	1391	↓	-0.5%
OSE BX	586	↑	0.1%
Close			
DOW JONES	16964	↓	-0.6%
NASDAQ	4649	↓	-1.3%
S&P500	1979	↓	-1.1%
NIKKEI (07:30)	16646	↓	-0.8%

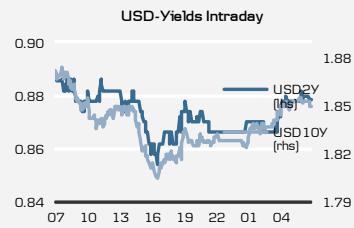
FX & COMMODITIES



EUR	17:00	07:30	Δ
USD	110.44	109.77	↓ -0.67
JPY	124.31	123.58	↓ -0.73
GBP	77.71	77.39	↓ -0.31
NOK	942.58	941.74	↓ -0.84
SEK	936.08	933.99	↓ -2.09
DKK	746.23	746.21	↓ -0.02
PLN	432.57	432.18	↓ -0.39
USD			
JPY	112.56	112.59	↑ 0.03
GBP	142.13	141.83	↓ -0.30
CHF	99.26	99.82	↑ 0.56

	Close	Δ	%
Gold, \$	1255.82		
Brent, \$	39.82		
1day	↓ -5.60	↑	0.17
1month	↑ 66.69	↑	9.50
Year-t-date	↑ 194.40	↑	2.54
CRB			
CRB, Raw	169.47		429.11
1day	↓ -2.23	↑	175
1month	↑ 12.89	↑	6.44
Year-t-date	↓ -6.67	↑	24.40

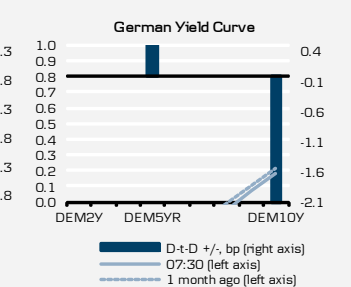
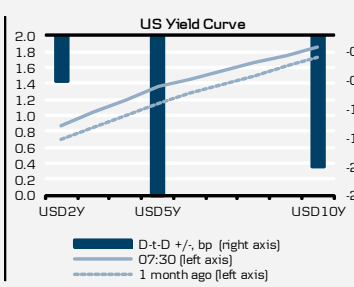
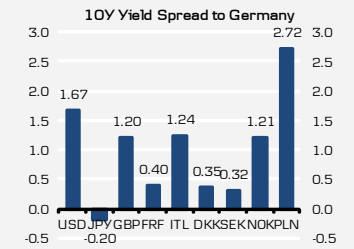
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.50	0.64	14
EUR	0.05	-0.22	-27
GBP	0.50	0.58	8
DKK	0.05	-0.08	-13
SEK	-0.50	-0.49	1
NOK	0.75	1.02	27
PLN	1.50	1.57	7

	17:00	07:30	Δ	%
USD 10Y	1.81	1.85	↑	4
USD 30Y	2.60	2.66	↑	5
JPY 10Y	-0.10	-0.02	↑	8
07:30(-1)* 17:00				
DEM 10Y	0.20	0.17	↓	-3
DKK 10Y	0.56	0.53	↓	-3
SEK 10Y	0.55	0.49	↓	-5
NOK 10Y	1.39	1.39	↓	0
PLN 10Y	2.94	2.91	↓	-2

* As of closing previous trading day



Credit spread, iTraxx s. 11*

	07:30	1day	1month
Europe (IG)	92	↑ 0	↓ -29
HiVol	111	↑ 0	↓ -35
Xover (N-IG)	380	↓ 0	↓ -83
Finan. Sr.			
Finan. Sr.	103	↑ 0	↓ -32
Finan. Sub.	229	↓ 0	↓ -82
Non-finan.			

Credit spreads



Swap Spread, bp**

	17:00	07:30	Δ
USD 10Y	-16	-15	↑ 1
JPY 10Y	-16	-15	↑ 1
07:30(-1)* 17:00			
EUR 10Y	0	19	↑ 19
DKK 10Y	36	38	↑ 1
SEK 10Y	42	42	↑ 0
NOK 10Y	60	62	↑ 2

** As of closing previous trading day

* Ask price

** Ask price

Source: Bloomberg, Danske Bank Markets

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First date of publication

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