

Danske Daily

Market Movers

- In the US, preliminary consumer confidence figures from the University of Michigan are due to be released.
- In the euro area, data for euro area labour costs for Q4 15 is due to be released. This will be interesting, as the ECB is worried about the low wage growth, which is contributing to inflation being suppressed. Note in this regard that the labour costs data due to be released next week is from Eurostat, while the ECB is using its own official data as a measure for wage growth. In addition, ratings news from the Eurozone is due out as S&P has Finland, Portugal and Austria up for review.
- Norwegian unemployment data is due out. *See Scandi markets, page 2.*

Selected Market News

Yesterday was day one after the surprisingly dovish Fed meeting on Wednesday night. However, the awaited risk rally in global equity markets did not materialise from the opening in the European session. though sentiment improved over the session as especially commodity stocks recovered. Market participants were among other things concerned about the strengthening of the euro in the aftermath of the Fed and the impact of negative rates for a prolonged period of time on the European banking sector, not least whether a stronger euro would endanger a possible economic recovery.

Yesterday, we got some strong US numbers. The Philly Fed manufacturing survey rebounded to 12.4 from -2.8. Also, the details were strong with new orders jumping to 15.7 from -5.3. In ISM-adjusted terms, Philly suggested an ISM of 54.5. Remember that Empire also showed a significant rebound in March. Overall, it suggest that the US manufacturing cycle has turned. See a graphic illustration [here](#). US initial jobless claims came in at 265,000 versus 258,000 the previous week. Thus, the labour market indicator continues to hover around the level before the January spike. Hence, the labour market seems to have been alright in early March.

The better US data coupled with the dovish Fed stance was a positive cocktail for US stocks indices, which all ended the day in positive territory. Especially those stocks benefiting from a weaker USD and higher commodity prices (Brent at USD41.5 a barrel) had a good run. Dow Jones is now marginally up YTD and S&P 500 is down only marginally. Nasdaq is still down 4.6% YTD.

The rally in the global fixed income market continued yesterday and overnight. Japan might be an indication of how much yields could potentially drop also in Europe. The 10Y JGB is again below the negative deposit rate at -0.10% and has been trading as low as -0.135%. The 30Y JGB is once again below 0.50% - down 17bp overnight. The move came after a new overnight drop in USD/JPY to 111.38. It is the strongest yen against the US dollar since 2014 when the Bank of Japan (BoJ) introduced a significant easing package among other things to weaken the yen. The yen move has strengthened calls for further BoJ easing or intervention in the FX market. If anyone thought that the global currency war was over after the ECB meeting last week they might have been far too optimistic.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2040.6	↑	0.66
S&P500 fut (chng from close)	2030.4	↓	0.00
Nikkei	16727.3	↓	-1.23
Hang Seng	20630.2	↑	0.62
	17:00	07:30	+/- bp
US 2y gov	0.86	0.84	↓ -2.0
US 10y gov	1.88	1.88	↓ -0.7
iTraxx Europe (IG)	72	72	↓ -0.1
iTraxx Xover (Non IG)	311	314	↑ 2.6
			+/- %
EUR/USD	1.132	1.131	↓ -0.09
USD/JPY	111.260	111.390	↑ 0.12
EUR/CHF	1.10	1.09	↓ -0.16
EUR/GBP	0.781	0.782	↑ 0.08
EUR/SEK	9.265	9.259	↓ -0.06
EUR/NOK	9.44	9.41	↓ -0.28
			USD
Oil Brent, USD	41.4	41.6	↑ 0.41
Gold, USD	1264.7	1264.1	↓ -0.05

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

[Norges Bank review](#)

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Scandi Markets

In Norway, unemployment data from the NAV for March is due out. We expect an unchanged jobless rate of 3.3% and the number of unemployed to increase by 1,000. The rise is due largely to the February figures being abnormally low due to the winter break across much of the country, and to a slight upward correction in March. Either way, the figures should show that unemployment is climbing much less quickly than it was six to nine months ago. We doubt the numbers will get the regular amount of attention as the market will be evaluating the Norges Bank news from yesterday. See our review [here](#).

Fixed Income Markets

We get the feeling that central banks of the world's major economies have recently converged in sending a common message that it is appropriate to keep their respective policy rates 'lower for longer'. Hence, we reiterate our call from yesterday that the outlook for global FI income is very positive at the moment. In the Eurozone, plenty of redemptions in April should support sentiment further.

The positive sentiment was very visible in Japan overnight with 10Y yields dropping to a record low of -0.13% and with a new drop in 30Y yields of 17bp to below 0.50%. It bodes well for a positive opening for bunds this morning.

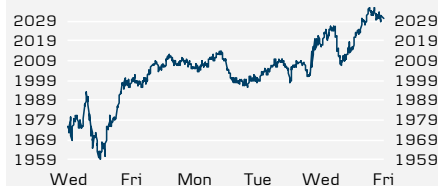
There are no EGB auctions today – instead focus will turn to rating news. S&P has Finland, Portugal and Austria up for review today. It has both Portugal and Austria on stable outlook, so we should not expect more than a change in the outlook, but Portugal is likely to be set on negative outlook given the recent events regarding the budget outlook for 2016. Finland is on negative outlook, and with last week's downgrade from Fitch, there is a significant risk of a downgrade to AA. This would bring Finland closer to EU peers such as France and Belgium.

Furthermore, there will be focus on S&P's review of Catalonia, which was delayed from 4 March by two weeks. Hence, we should see an announcement today. Earlier this week, the media reported that Catalonia would be downgraded from BB- to 'selective default', apparently as 'Madrid' would not release aid money. We do not believe this media story, which is probably part of the political wrangling in Spain between Catalonia and Madrid. But if turns out to be correct, SPGBs would underperform.

FX Markets

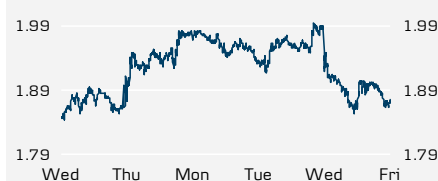
Yesterday saw more USD weakness across the board and EUR/USD broke above 1.13 following the dovish stance communicated by the FOMC on Wednesday. While we still expect the Fed to hike interest rates in September, this is close to market pricing and we think the case for USD upside from Fed repricing in the near term looks increasingly weak. At the same time, the ECB appears to have left the currency war and we continue to see a strong case for EUR/USD range-trading in the coming months. With less support to USD from relative rates, the fair range has probably shifted higher. Our short-term financial models signal that EUR/USD is currently overbought, implying a short-term fair value at 1.0940. Speculators have become markedly less short EUR/USD, according to IMM positioning data, and thus positioning implies that risks are probably fairly symmetrical. Longer term, we still expect that fundamental factors and not least valuation to drag EUR/USD higher.

US S&P500 future



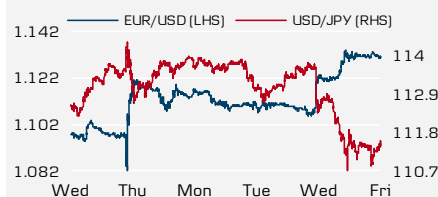
Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

In the Scandi FX market, we saw some very volatile price actions in EUR/NOK yesterday. Despite the more dovish-than-expected rate path indicated by Norges Bank at its rate setting meeting, the EUR/NOK spot initially fell on the announcement. The move was triggered by a comment on the lower bound in the released statement. Since then, the spot has bounced back up but was pushed lower again last night by an increase in the oil price and is now trading lower than before the announcement. We have changed our call on Norges Bank and now forecast another rate cut to 0.25% in June. See *'Norges Bank Review: A 25bp cut, a dovish bias and a June cut in store'*, 17 March 2016 for more details. In the short term, EUR/NOK continues to be closely tied to global risk appetite both directly (via the EUR's status as a preferred funding currency) and indirectly (via global growth expectations and oil prices). While the NOK is fundamentally undervalued, we maintain the view that we will have to wait until H2 before we see a more sustainable appreciation trend materialise. However, given the latest rebound in the oil price and as the Fed now seems to incorporate global growth concerns to a much larger extent, tail risks for a weaker NOK have been reduced significantly.

Key figures and events

Friday, March 18, 2016

				Period	Danske Bank	Consensus	Previous
-	EUR	S&P may publish Portugal's debt rating					
-	EUR	S&P may publish Finland's debt rating					
-	EUR	S&P may publish Austria's debt rating					
-	EUR	EU summit in Brussels					
2:30	CNY	Property prices	y/y				
10:00	NOK	Unemployment	%	Mar	3.3%	3.3%	3.3%
11:00	EUR	Labour costs	q/q	4th quarter			1.1%
11:30	RUB	Central Bank of Russia rate decision	%		11.0%	11.0%	11.0%
13:30	CAD	CPI	m/m y/y	Feb		... 1.4%	0.2% 2.0%
13:30	CAD	Retail sales	m/m	Jan		0.8%	-2.2%
14:00	USD	Fed's Dudley (voter, dovish) speaks					
15:00	USD	University of Michigan Confidence, preliminary	Index	Mar		92.2	91.7
16:00	USD	Fed's Rosengren (voter, dovish) speaks					
19:00	USD	Fed's Bullard (voter, hawkish) speaks					

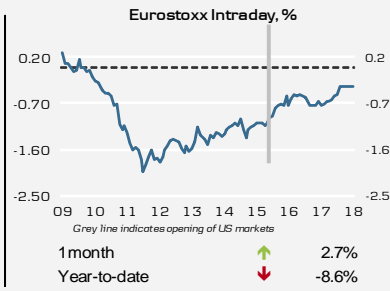
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Source: Bloomberg, Danske Bank Markets

Today's market data: 18 March 2016

STOCKS



	Close		+/-
DJUSTOXX50	2834	↓	-0.4%
OMXC20	956	↓	-1.8%
OMXS30	1391	↓	-0.2%
OSE BX	586	↓	0.0%
	Close		+/-
DOW JONES	17481	↑	0.9%
NASDAQ	4775	↑	0.2%
S&P500	2041	↑	0.7%
NIKKEI (07:30)	16727	↓	-0.4%

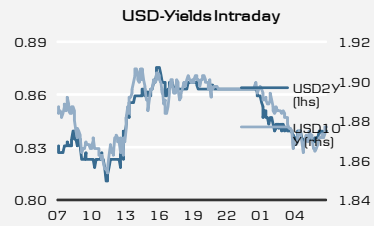
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	113.22	113.12	↓ -0.10
JPY	125.97	126.01	↑ 0.04
GBP	78.11	78.18	↑ 0.07
NOK	944.11	941.44	↓ -2.67
SEK	926.49	925.93	↓ -0.56
DKK	745.31	745.33	↑ 0.02
PLN	427.33	427.68	↑ 0.35
USD	17:00	07:30	+/-
JPY	111.26	111.39	↑ 0.13
GBP	144.94	144.69	↓ -0.25
CHF	96.77	96.70	↓ -0.07

	Gold, \$	Oil, Brent, \$
07:30	1264.12	4158
1 day	↑ 6.17	↑ 0.04
1 month	↑ 33.25	↑ 7.30
Year-t-date	↑ 202.70	↑ 4.30
	CRB 1M future	CRB, Raw Industrials
07:30	177.66	438.07
1 day	↑ 3.90	↑ 128
1 month	↑ 15.77	↑ 16.78
Year-t-date	↑ 1.51	↑ 33.36

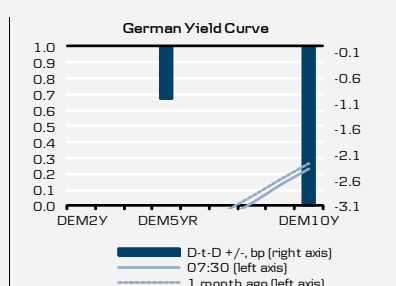
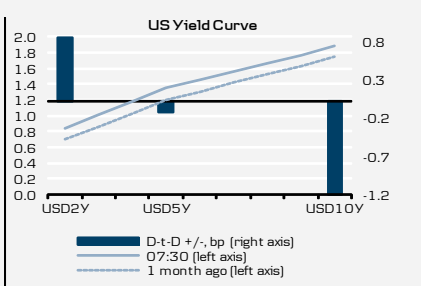
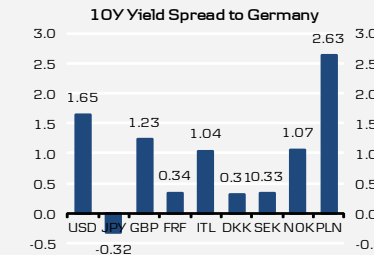
YIELDS & INTEREST RATES



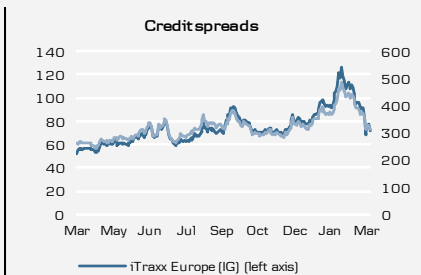
	Policy Rate	3M	Spread, bp
USD	0.50	0.64	14
EUR	0.00	-0.23	-23
GBP	0.50	0.59	9
DKK	0.05	-0.07	-12
SEK	-0.50	-0.47	3
NOK	0.50	1.00	50
PLN	1.50	1.57	7

	17:00	07:30	+/-, bp
USD 10Y	1.88	1.88	↓ -1
USD 30Y	2.67	2.67	↓ 0
JPY 10Y	-0.04	-0.09	↓ -5
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.26	0.23	↓ -3
DKK 10Y	0.58	0.54	↓ -4
SEK 10Y	0.61	0.56	↓ -5
NOK 10Y	1.30	1.30	↑ 0
PLN 10Y	2.90	2.86	↓ -4

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	72	↓ -1	↓ -38
HiVol	96	↑ 0	↓ -45
Xover (N-IG)	314	↑ 0	↓ -127
Finan. Sr.	82	↓ -1	↓ -36
Finan. Sub.	198	↑ 0	↓ -70
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-16	-16	↑ 0
	07:30(-1)*	17:00	+/-
EUR 10Y	0	18	↑ 18
DKK 10Y	30	35	↑ 5
SEK 10Y	43	40	↓ -3
NOK 10Y	59	61	↑ 2

* As of closing previous trading day

** Ask price

* Ask price

Source: Bloomberg, Danske Bank Markets

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