

# Danske Daily

## Market Movers

- No major data releases today but financial markets will be digesting the impact of the failed oil talks in Doha and whether this will give rise to a renewed downward trend in the oil price that could weigh on commodity producing countries and risk assets in general.
- Markets will also be looking forward to this week's ECB meeting on Thursday. We do not expect any policy changes but we believe Draghi will sound dovish as inflation expectations are still very low and the effective EUR is stronger. Specifically we expect Draghi to re-open the door for rates cuts.

## Selected Market News

While it is relatively quiet on economic releases, it has been quite an eventful weekend in terms of international meetings (OPEC/non-OPEC in Doha and the IMF spring meetings in Washington DC). In relation to the Doha talks, OPEC and non-OPEC producers on Sunday failed to reach a production freeze accord. The striking point looks to have been the absence of Iran at the meeting and reluctance of Saudi Arabia to go ahead without Iran participating in the deal. Brent crude opened USD3/bl lower this morning at USD40/bl following the disappointing outcome but recovered later in today's trading session. Despite the failed Doha talks, we still expect the price of Brent crude to recover to USD46/bl in Q4 16 and to USD52/bbl in 2017 on the back of a lower USD, stronger global economic activity and a decline in non-OPEC oil output.

Adding to the general negative sentiment in the market was a relatively pessimistic view on global growth potential at the weekend's IMF spring meetings. The communiqué calls for member countries to rigorously pursue structural reforms and growth-friendly fiscal policies (although IMF staff notes that fiscal trends have worsened in many countries, not least emerging markets). Furthermore, the meeting highlighted a potential Brexit as an important global economic risk.

Following the events over the weekend, Asian markets opened on a sour note this morning with the Nikkei index down almost 3% and the Chinese CSI 300 index falling 1% despite relative strong Chinese property price increases, indicating that the prices rose in 62 major cities in March, up from 47 in February, which shows that the rebound in the property market is taking hold, which supports our call of a rebound in the Chinese construction sector. The JPY is also stronger against the USD by about 0.7%, despite IMM positioning data showing that long Japanese speculative bets reached new highs last week (see our latest publication on *IMM positioning* data out this morning).

## Market overview

	07:30	1 day +/- %	
S&P500 (close)	2080.7	↓ -0.10	
S&P500 fut (chng from close)	2061.0	↓ -0.67	
Nikkei	16358.9	↓ -2.90	
Hang Seng	21060.0	↓ -1.20	
	17:00	07:30	+/- bp
US 2y gov	0.73	0.72	↓ -1.6
US 10y gov	1.75	1.73	↓ -2.3
iTraxx Europe (IG)	73	73	↑ 0.2
iTraxx Xover (Non IG)	316	318	↑ 1.2
			+/- %
EUR/USD	1.130	1.129	↓ -0.12
USD/JPY	108.770	108.000	↓ -0.71
EUR/CHF	1.09	1.09	↓ -0.08
EUR/GBP	0.796	0.797	↑ 0.04
EUR/SEK	9.177	9.189	↑ 0.13
EUR/NOK	9.31	9.37	↑ 0.70
			USD
Oil Brent, USD	42.5	41.3	↓ -2.75
Gold, USD	1229.6	1236.2	↑ 0.54

### 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 Today

- [Scandi Markets Ahead](#)
- [IMM positioning](#)

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## Scandi Markets

The main event in **Sweden** this week will be the Riksbank meeting on Thursday. We think that the probability that the Riksbank will expand and extend its current QE programme has fallen below 50%. The reason for our shift in opinion – we previously assessed the likelihood to be higher that the Riksbank would expand and extend the purchase programme by another SEK50bn in April – is that Deputy Governor Cecilia Skingsley expressed herself clearly that the strong economy and rising inflation give respite for the Riksbank, suggesting it is ‘time to look further ahead’.

## Fixed Income Markets

The failed OPEC talks on reducing oil supply should ensure a solid bid to Bunds as we enter the week. The 30% increase in the oil price over the past two months has been a supportive factor for inflation and BEIs.

Yesterday it was exactly one year ago that the German 10Y benchmark yield hit an all-time low (4.9bp intraday) – let us see of the postponement/failure in the oil freeze talks will push the market to a new record low this week. The increased ECB buying is pushing in the same direction and today’s release of the weekly purchases will show whether the entire 20bn increase really is done in the public sector programme as was the pattern in the first week of April, see [chart](#). The ECB meeting on Thursday is this week’s main event. We think Draghi will re-open the door for further rate cuts although we doubt that they will be delivered – see [preview](#).

Supply this week is kicked off by Belgium today tapping EUR2.6bn in 21s, 26s, 32s and 35s. Spain will today announce the size of Thursday’s duration heavy tap in 26s, 32s and 41s.

## FX Markets

The week has started with a negative appetite for risk assets as there was no deal following the talks between the largest oil-producing countries in Doha over the weekend. In particular commodity currencies like the NOK, CAD and AUD fell along a USD2/bl decline in the Brent oil price, while USD/JPY dropped back below 108 on safe-haven demands and a lower oil price, which is a clear positive for the Japanese current account. In terms of data releases, the calendar is quite thin in the coming days and price actions will likely be dominated by a ‘wait-and-see’ stance ahead of the ECB and the Riksbank meetings on Thursday.

On Friday we published our monthly FX Forecast Update. The main takeaway is that the challenging FX environment so far this year is most likely to continue. Especially the UK’s upcoming EU referendum on 23 June is a big uncertainty as a Brexit vote will have large implications for the FX market. In terms of EUR/USD, we are entering a period in which relative rates could increasingly play a role again due to a softer positioning (less short EUR/USD). Moreover, a Brexit risk premium could also be factored in adding further downside pressure in the coming months. We kept our forecast unchanged targeting 1.12 in 1-3M. Longer term, we still forecast a sustained move higher towards 1.18 in 12M as valuation continues to drive the cross higher.

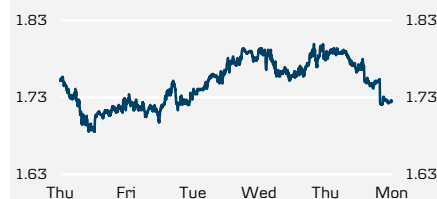
In the Scandies, we revised our EUR/SEK targets lower now targeting 9.10 in 1-3M (from 9.20), 6M at 9.00 (from 9.10) and 12M at 8.90 (from 9.10) as we think that the Riksbank will stay on hold and taking into account the fundamental backdrop which continues to suggest that the pair should move lower. We also revised down our forecast for EUR/DKK and now forecast 7.4425 on 1-12M (down from 7.4490) due to a narrower spread between DN and ECB policy rates, tight liquidity in the DKK money market and

### US S&P500 future



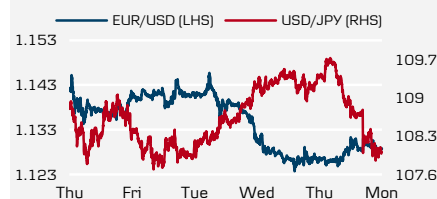
Source: Danske Bank Markets

### US 10y gov yield



Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

likely also increased demand for DKK as a safe haven against potential spill over to the EUR from a Brexit vote in June. We look for DN to cap EUR/DKK downside around 7.4350-7.4400. We kept our EUR/NOK forecast unchanged, still targeting the cross at 9.00 in 12M as we expect an improved growth outlook both in Norway and globally, a gradually higher oil price and a corresponding reduction in the NOK risk premium to send the cross lower in 6-12M. For more details, see *FX Forecast Update: Warning - speed bump ahead*, 15 April.

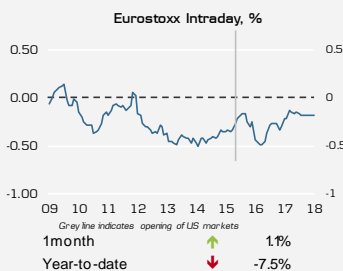
Key figures and events

Monday, April 18, 2016			Period	Danske Bank	Consensus	Previous
0:45	NZD	CPI	q/q y/y	1st quarter	0.1% 0.4%	-0.5% 0.1%
1:01	GBP	Rightmove House Prices	m/m y/y	Apr		1.3% 7.6%
3:30	CNY	Property prices	y/y			
14:30	USD	Fed's Dudley (voter, dovish) speaks				
16:00	USD	NAHB Housing Market Index	Index	Apr	59.0	58.0
18:30	USD	Fed's Kashkari (non-voter, dovish) speaks				

Source: Bloomberg, Danske Bank Markets

Today's market data: 18 April 2016

STOCKS



	Close	±/-
DJSTOXX50	2868	↓ -0.2%
OMXC20	956	↓ -0.2%
OMXS30	1381	↓ -0.2%
OSE BX	585	↓ -0.8%
<b>Close ±/-</b>		
DOW JONES	17897	↓ -0.2%
NASDAQ	4938	↓ -0.2%
S&P500	2081	↓ -0.1%
NIKKEI (07:30)	16359	↓ -0.2%

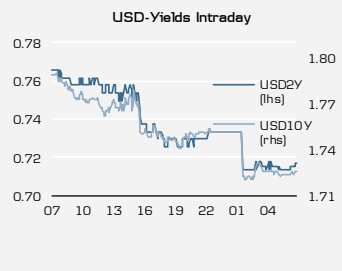
FX & COMMODITIES



	17:00	07:30	±/-
<b>EUR</b>			
USD	113.00	112.87	↓ -0.13
JPY	122.91	12190	↓ -1.01
GBP	79.63	79.66	↑ 0.03
NOK	930.96	937.48	↑ 6.52
SEK	917.72	918.89	↑ 1.17
DKK	744.08	744.12	↑ 0.04
PLN	429.30	429.55	↑ 0.25
<b>USD</b>			
JPY	108.77	108.00	↓ -0.77
GBP	14190	14169	↓ -0.21
CHF	96.67	96.70	↑ 0.03

	07:30	±/-
<b>Gold, \$</b>		
1day	↑ 2.08	↓ -1.76
1month	↓ -19.09	↑ 0.14
Year-t-date	↑ 174.81	↑ 4.06
<b>Oil, \$</b>		
Brent	4134	
CRB	173.64	45104
CRB, Raw		
1M future		
Industrials		
1day	↓ -1.14	↓ -0.23
1month	↓ -2.71	↑ 12.98
Year-t-date	↓ -2.51	↑ 46.33

YIELDS & INTEREST RATES

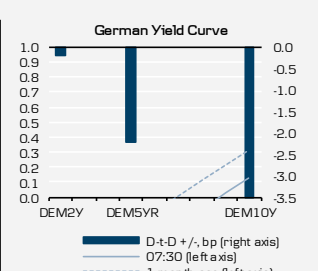
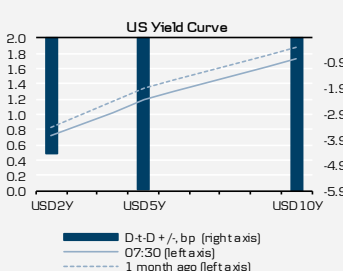
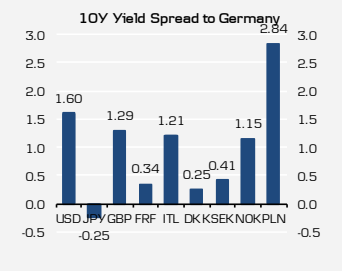


	Policy Rate	3M	Spread, bp
USD	0.50	0.63	13
EUR	0.00	-0.25	-25
GBP	0.50	0.59	9
DKK	0.05	-0.10	-15
SEK	-0.50	-0.41	9
NOK	0.50	1.00	50
PLN	1.50	1.57	7

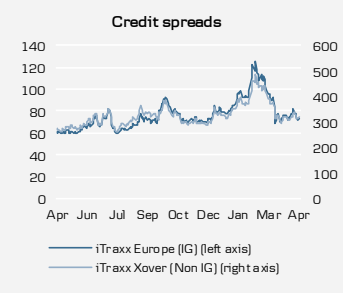
	17:00	07:30	±/-, bp
USD 10Y	1.75	1.73	↓ -2
USD 30Y	2.55	2.54	↓ -2
JPY 10Y	-0.12	-0.12	↓ 0
<b>07:30(-1)* 17:00 ±/-, bp</b>			
DEM 10Y	0.16	0.13	↓ -4
DKK 10Y	0.41	0.37	↓ -3
SEK 10Y	0.57	0.54	↓ -3
NOK 10Y	1.27	1.27	↑ 0
PLN 10Y	2.97	2.97	↓ 0

\* 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)	73	↓ 0	↑ 2
HiVol	78	↑ 0	↓ -15
Xover (N-IG)	38	↓ -1	↑ 7
<b>Finan. Sr.</b>			
Finan. Sub.	92	↑ 0	↑ 10
Non-finan.	202	↑ 0	↑ 7



	17:00	07:30	±/-
<b>Swap Spread, bp**</b>			
USD 10Y			
JPY 10Y	-14	-14	↑ 0
<b>07:30(-1)* 17:00 ±/-</b>			
EUR 10Y	0		
DKK 10Y	40	39	↓ -1
SEK 10Y	50	48	↓ -2
NOK 10Y	59	60	↑ 1

\* Ask price

\* As of closing previous trading day

\*\* Ask price

7:30(-1) og 17:00 refers to the previous (trade) day

Source: Bloomberg, Danske Bank Markets

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