

04 May 2016

Danske Daily

Market Movers

- **US ISM non-manufacturing** for April is due today. After a big decline from October to February, the index rebounded in March. There should be scope for a further increase in April. Consensus is for a rise to 54.8 from 54.5 in March.
- **ADP employment** for April will be a good guide for where to look for payrolls on Friday. ADP employment is expected to be broadly unchanged around 200k. US unit labour cost and trade data are also due today.
- In Europe Italy and Spain release service PMI for May but otherwise no data of interest. There are no big movers in Scandi today.

Selected Market News

US senator Ted Cruz withdrew from the race of becoming the Republican candidate running for president making Donald Trump the presumptive candidate. It comes after Trump staged a crushing defeat over Cruz in the Indiana primary.

Equity markets continued the correction lower yesterday and Asian stocks are also lower overnight. The oil price fell back as well, moving below USD45 per barrel (Brent).

Risk markets are in correction mode after two months of decent rally from mid-February to mid-April. It seems fair that markets are treading water for a while awaiting further signals on the sustainability of the recent cyclical improvement in the US and China. We believe the cyclical recovery will continue in coming quarters and that the current set-back will prove temporary.

Bond yields have fallen back in a response to lower risk appetite and this move continued yesterday. **EUR/USD moved lower yesterday** and is back below 1.15 this morning. A too dovish priced Fed will in our view cap EUR/USD to the upside in the short term.

Data on US car sales disappointed a bit rising only to 17.32m in April (consensus 17.4m) up from 16.46m in May. Car sales have softened in the past months but from high levels.

Yesterday UK PMI manufacturing for April fell below 50 to 49.2. It is the lowest level since February 2013 and another sign that the UK economy is slowing ahead of the EU referendum next month.

Market overview

		07:30		1 day +/- %
S&P500 <small>(close)</small>		2063.4	↓	-0.87
S&P500 fut <small>(chng from close)</small>		2053.5	↓	-0.17
Nikkei		16147.4	↓	-3.11
Hang Seng		20469.6	↓	-1.00
	17:00	07:30		+/- bp
US 2y gov	0.74	0.75	↑	1.2
US 10y gov	1.79	1.80	↑	0.5
iTraxx Europe [IG]	76	76	↑	0.5
iTraxx Xover [Non IG]	321	323	↑	2.8
				+/- %
EUR/USD	1.151	1.149	↓	-0.22
USD/JPY	106.320	107.220	↑	0.85
EUR/CHF	1.10	1.10	↑	0.16
EUR/GBP	0.791	0.790	↓	-0.19
EUR/SEK	9.231	9.262	↑	0.34
EUR/NOK	9.30	9.33	↑	0.34
				USD
Oil Brent, USD	44.9	44.9	↑	0.11
Gold, USD	1283.7	1279.2	↓	-0.36

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

- *Denmark: No FX intervention but DKK7bn of DGB buybacks in April*

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Scandi Markets

Riksbank minutes out 09.30 this morning. We look for any comments suggesting how much tolerance the different Board members have for a SEK appreciation and what instrument they prefer to cope with it.

Fixed Income Markets

Yesterday, global fixed income rallied strongly as new growth concerns dominated in the wake of softer PMI from China and the UK, the lower oil price and as the EU commission revised both its growth and inflation forecasts lower and warned about excessive debt in the euro zone. Hawkish comments from Fed's Lockhart did little to change the sentiment.

Today, focus in the EGB market will be on France that will tap EUR7-8bn in the 9Y,10Y and 15Y bonds. 10Y FRTR has lost a few bp to Germany the past two weeks after the substantial 50Y FRTR risk came to the market in April. However, remember that especially Japanese investors favour FRTRs and given the positive fixed income sentiment we look for healthy demand.

Germany will tap OBL Apr '21 for EUR4bn. In yield terms the bond rallied 4bp yesterday to -0.33% but is still some 6bp above its April low.

Denmark is set to tap the usual 2Y and 10Y bonds. Denmark has after a strong March started to underperform Germany recently as Brexit fears have eased and as tight liquidity has put upward pressure on the very short end of the curve. See our [preview](#).

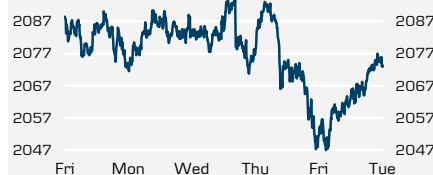
Norges Bank is set to tap the government bond NST 478 (Feb '26). This is the fourth tap so far this year, after the bond was introduced in February. Demand should be fair – in line with recent auctions – reflecting the stabilisation of the Norwegian economic and FX outlook in the wake of the recent improved oil market. See our [preview](#).

FX Markets

The sell-off in the DXY Index accelerated early on Tuesday, only to reverse later in the day. This could be a sign that we are approaching the end of the USD sell-off. We also note the change in correlation compared to earlier in the year. Yesterday the USD strengthened during the day versus EUR and JPY alongside a sell-off in risks. EUR/USD reached an intra-day high of 1.1616 but we have not yet got a clean break of the 1.15-1.16 area, suggesting that we could be consolidating here for a while. As expected, we are seeing renewed GBP underperformance on the crosses reflecting weak data and more mixed polls for the UK's EU referendum. We expect EUR/GBP to head back towards 0.80 near term.

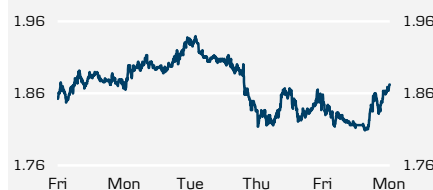
The broader risk sell-off also spread to the Scandies where EUR/SEK rose sharply despite strong March industrial and service production data. Long SEK is a favoured position and we see yesterday's price action as reflecting a position squeeze. We expect the 9.10-9.30 range in EUR/SEK to hold unless a more dramatic risk sell-off unfolds. In EUR/NOK, the short-term risks are to the upside given weaker risk appetite and a lower oil price. Still, we expect the squeeze to be contained given signs that the Norwegian economy is stabilising and that there is investor appetite for buying the NOK. Finally, we note that Denmark's Nationalbank refrained from FX intervention in April reflecting that EUR/DKK stabilised slightly above 7.44 during the month.

US S&P500 future



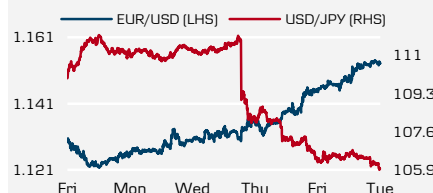
Source: Danske Bank Markets

US 10y gov yield



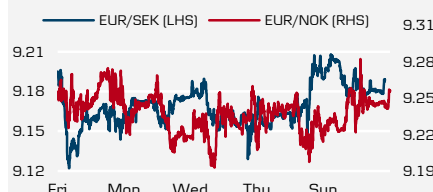
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

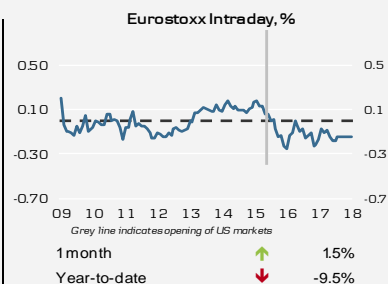
Key figures and events

Wednesday, May 4, 2016					Period	Danske Bank	Consensus	Previous
8:30	SEK	PMI services	Index	Apr				54.9
9:00	DKK	House and apartment prices		Feb				
9:00	DKK	Forced sales (s.a.)	Number	Apr				
9:00	DKK	Bankruptcies (s.a.)	Number	Apr				
9:15	ESP	PMI services	Index	Apr	54.4			55.3
9:30	SEK	Riksbank monetary minutes April 27th released						
9:45	ITL	PMI services	Index	Apr	51.8			51.2
9:50	FRF	PMI services, final	Index	Apr	50.8			50.8
9:55	DEM	PMI services, final	Index	Apr	54.6	54.6		54.6
10:00	EUR	PMI composite, final	Index	Apr		53.0		53.0
10:00	EUR	PMI services, final	Index	Apr	53.2	53.2		53.2
10:30	GBP	PMI construction	Index	Apr		54.0		54.2
11:00	EUR	Retail sales	m/m y/y	Mar	-0.4% ...	0.0% 2.7%		0.2% 2.4%
12:15	EUR	ECB's Weidmann speaks in Frankfurt						
13:00	USD	MBA Mortgage Applications	%					-4.1%
14:15	USD	ADP employment	1000	Apr		198		200
14:30	USD	Unit labour cost, preliminary	q/q	1st quarter		2.5%		3.3%
14:30	USD	Trade balance	USD bn	Mar		-46.0		-47.1
15:45	USD	Markit service PMI, final	Index	Apr		52.4		52.1
15:45	USD	Markit composite PMI, final	Index	Apr				51.7
16:00	USD	Capital goods orders, non-defense ex air, final	%	Mar				0.0%
16:00	USD	Factory orders	m/m	Mar		0.7%		-1.7%
16:00	USD	ISM non-manufacturing	Index	Apr	55.0	54.8		54.5
16:00	USD	Durable goods orders, final	m/m	Mar				0.8%
16:30	USD	DOE U.S. crude oil inventories	K					1999

Source: Bloomberg, Danske Bank Markets

Today's market data: 04 May 2016

STOCKS



	Close		+/-
DJSTOXX50	2805	↓	-1.7%
OMXC20	941	↓	-1.1%
OMXS30	1335	↓	-1.3%
OSE BX	593	↓	-1.5%
	Close		+/-
DOW JONES	17751	↓	-0.8%
NASDAQ	4763	↓	-1.1%
S&P500	2063	↓	-0.9%
NIKKEI (07:30)	16147	↓	-1.7%

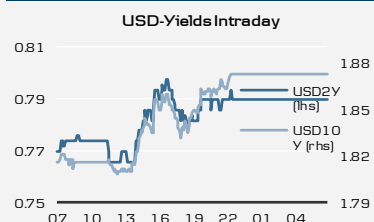
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	115.11	114.86	↓ -0.25
JPY	122.40	123.16	↑ 0.76
GBP	79.12	78.97	↓ -0.15
NOK	930.17	933.30	↑ 3.13
SEK	923.07	926.22	↑ 3.15
DKK	744.23	744.19	↓ -0.04
PLN	440.18	440.12	↓ -0.06
USD	17:00	07:30	+/-
JPY	106.32	107.22	↑ 0.90
GBP	145.48	145.44	↓ -0.04
CHF	95.32	95.68	↑ 0.36

	Close		+/-
Gold, \$	1279.15		
Oil, Brent, \$	44.92		
1day	↓ -7.37	↓	-0.05
1month	↑ 63.56	↑	7.23
Year-t-date	↑ 217.73	↑	7.64
CRB	1M future	CRB, Raw	Industrials
07:30	179.84		454.60
1day	↓ -2.68	↓	-1.66
1month	↑ 14.05	↑	14.17
Year-t-date	↑ 3.70	↑	49.89

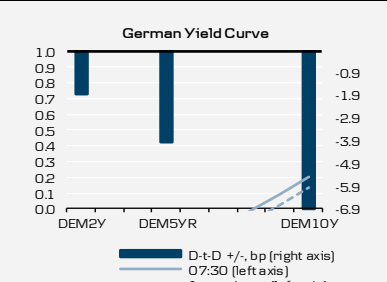
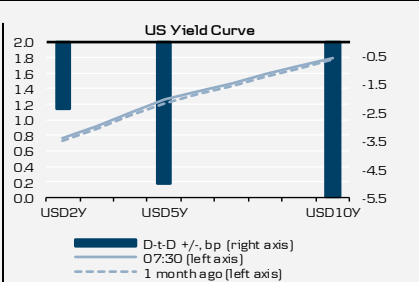
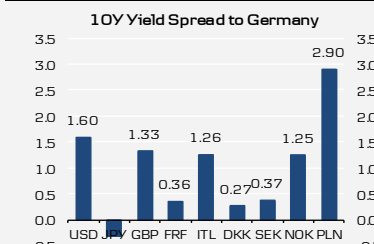
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.50	0.64	14
EUR	0.00	-0.25	-25
GBP	0.50	0.59	9
DKK	0.05	-0.07	-12
SEK	-0.50	-0.45	5
NOK	0.50	0.96	46
PLN	1.50	1.57	7

	17:00	07:30	+/-, bp
USD 10Y	1.79	1.80	↑ 1
USD 30Y	2.65	2.66	↑ 1
JPY 10Y	-0.12	-0.12	↑ 0
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.27	0.20	↓ -7
DKK 10Y	0.53	0.47	↓ -7
SEK 10Y	0.65	0.57	↓ -8
NOK 10Y	1.45	1.45	↑ 0
PLN 10Y	3.11	3.10	↓ -1

* As of closing previous trading day



Credit spread, iTraxx s. 11*

	07:30	1day	1month
Europe (IG)	76	↑ 0	↑ 3
HiVol	72		↓ -9
Xover (N-IG)	323	↑ 1	↑ 18
Finan. Sr.	96	↑ 1	↑ 4
Finan. Sub.	217	↑ 2	↑ 11
Non-finan.			

* Ask price

Credit spreads



Swap Spread, bp**

	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-11	-11	↑ 0
	07:30(-1)*	17:00	+/-
EUR 10Y	0		
DKK 10Y	40	39	↓ -1
SEK 10Y	49	50	↑ 1
NOK 10Y	62	62	↑ 0

* 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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