

Danske Daily

Market Movers

- Following a set of packed days in terms of economic data releases today's calendar is relatively thin.
- Today the ECB's Executive Board member Benoît Coeuré speaks in Frankfurt with investors continuing to look for further hints on possible easing measures (after Draghi's letter, see below) as the ECB meeting on 10 March is approaching.
- In the US the release of the ADP employment report may give some indications to the direction of the all important US labour market report on Friday. Also the releases of the Fed's Beige Book and MBA Mortgage Applications will get attention.
- In the **Scandis** focus is on Nationalbanken's FX reserves, see *Scandi Markets*.

Selected Market News

Yesterday, US ISM manufacturing surprised to the upside reaching the highest level since September at 49.5 (consensus 48.5). Also the details were encouraging with new orders and output driving the rise, while the employment index rebounded significantly.

The ISM release has been **one out of several US releases recently beating expectations**, thereby limiting the very recent market concerns that the world's largest economy was on the verge of recession. Noteworthy, the US economic surprise index is now at the highest level in more than a year. On the back of the release global stocks, led by the US, rallied while 2Y US swap rates jumped almost 6bp. With markets now pricing the first Fed hike in Q4 16 Friday's labour market report will be even more crucial for a further short-term re-pricing of Fed monetary policy.

In a letter to the European Parliament, **ECB President Draghi** added to current market expectations of an aggressive move at the 10 March meeting by underlining that the central bank's review of monetary policy 'has to be seen against the background of increased downside risks to the earlier outlook amid heightened uncertainty about emerging market economies' growth prospects, volatility in financial and commodity markets, and geopolitical risk'. In the letter Draghi also stated that the ECB has a 'variety of instruments' and that 'there are no limits to how far we are willing to deploy our instruments within our mandate to achieve our objective'. We expect Draghi to cut the deposit rate by 10bp, to introduce a two-tier deposit rate system and to frontload QE.

The oil price remains supported by a reduction in global growth concerns, not least driven by the better-than-expected data out of the US and increased expectations of more easing to come in the eurozone and in China. This morning **Moody's cut China's credit rating** outlook to negative (from stable) on worries of surging debt growth but so far the market reaction has been muted.

In **Australia**, Q4 GDP surprised to the upside advancing 0.6% q/q (consensus 0.4%) with positive revisions in previous quarters. The surprise was driven by household spending.

In the **US primary elections** the first results point to Hillary Clinton (Democrat) and Donald Trump (Republican) being the clear winners of 'Super Tuesday'.

Market overview

	07:30	1 day +/-, %	
S&P500 (close)	1978.4	↑	2.39
S&P500 fut (chng from close)	1983.0	↑	0.26
Nikkei	16762.6	↑	4.21
Hang Seng	19985.7	↑	2.98
	17:00	07:30	+/-, bp
US 2y gov	0.83	0.85	↑ 2.0
US 10y gov	1.81	1.83	↑ 2.3
iTraxx Europe (IG)	96	96	↓ -0.1
iTraxx Xover (Non IG)	390	391	↑ 1.4
			+/-, %
EUR/USD	1.084	1.086	↑ 0.17
USD/JPY	113.690	113.990	↑ 0.26
EUR/CHF	1.08	1.09	↑ 0.18
EUR/GBP	0.779	0.778	↓ -0.21
EUR/SEK	9.364	9.360	↓ -0.04
EUR/NOK	9.42	9.39	↓ -0.31
			USD
Oil Brent, USD	36.2	36.8	↑ 1.58
Gold, USD	1230.8	1227.4	↓ -0.27

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

- [Eastern European economies powering ahead for now](#)
- [China adds to stimulus - cuts reserve requirement ratio](#)
- [Euro area core inflation fell in Feb. - additional pressure on ECB](#)

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Scandi Markets

In **Denmark**, Danmarks Nationalbank (DN) is set to publish February's currency reserve and central bank balance sheet figures. EUR/DKK traded above the central rate in February so the market will look to see if DN needed a FX intervention to cap EUR/DKK upside.

Fixed Income Markets

Solid improvement in risk sentiment with **core-EU** yields rising and equity markets performing. We saw a solid investor interest at both the new 10Y **Finnish** deal as well as the 30Y deal from **Belgium** but investors also got a decent new issue premium. **Spain** and **Italy** continue to perform relative to core-EU, corporate bond issuance is picking up and the Bund ASW-spread begins to tighten. Finally, a solid rise in US Treasury yields on the back of some better economic data and solid gains in oil and equities.

Today it will be another active day in the European government bond market with **Denmark, Sweden** and **Norway** all coming to the market with tap auctions. Norway is tapping NOK4bn in the new 10Y benchmark, Sweden is tapping SEK4bn in the 7Y and 10Y benchmark, while Denmark is expected to sell up to DKK4bn to 5bn in the 2Y and 10Y benchmarks. Finally, Germany is tapping EUR4bn in the 5Y benchmark. We expect more of the same today in the European government bond markets - thus more spread tightening.

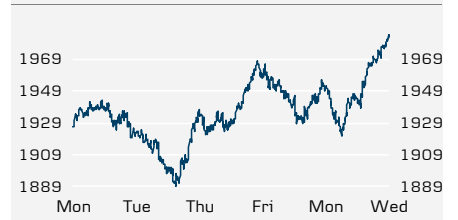
Finally, in **Ireland** the search for a new government starts before the new parliament meets on 10 March. Given the election result with basically a hung parliament, there are some tough negotiations ahead. So far there has been limited impact on Irish government bonds but we do not expect much relief given the uncertain outcome of the forthcoming political negotiations.

FX Markets

The **EUR** continues to trade on a weak note vis-à-vis most other countries and in particular the US following yet another better-than-expected US release sending short-term US rates soaring. Despite weak UK PMI numbers yesterday, the GBP strengthened further against the EUR. The NOK continued to trade stronger against the EUR given the further rise in the oil price and improving risk sentiment, while the SEK lost ground following weak Swedish PMI numbers and after reaching a multi-week high.

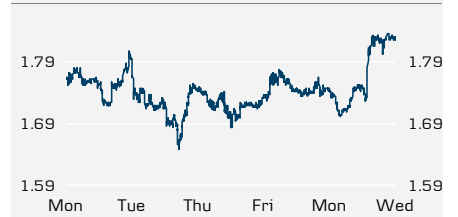
In Poland, the PLN strengthened further as PMI numbers released yesterday pointed to continuing strong growth in the Polish economy. The currency has now gained 3.5% against the EUR since the political turmoil in mid-January. **Will the CEE currencies continue to trade strongly?** They may well if the strong economic growth continues in these economies. In the case of the PLN, we remain cautious, however, about the possible flaring up of the conflict between the EU and Poland over the constitutional court issue in Poland. A negative EU verdict could weigh on the PLN. The EU's Venice commission has delivered its report to the Polish authorities and is waiting for the Polish government reaction before coming up with its recommendation. Hence, we stick to our 1M and 3M forecasts for EUR/PLN at 4.45 and 4.40, respectively, but we do see significant downside risks if the political risk is contained. We also stick to our EUR/HUF forecasts.

US S&P500 future



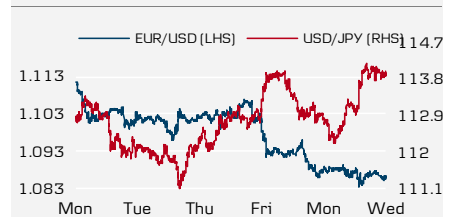
Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

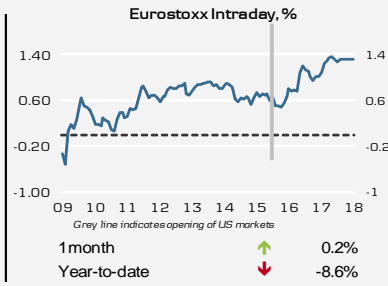
Key figures and events

Wednesday, March 2, 2016			Period	Danske Bank	Consensus	Previous
-	BRL	Central Bank of Brazil rate decision	%			14.25%
7:45	CHF	GDP	q/q y/y	4th quarter	0.2% 0.1%	0.0% 0.8%
9:00	DKK	House and apartment prices		Dec		
9:30	SEK	Current account	SEK bn	4th quarter		76.4
9:30	EUR	ECB's Coeure speaks in Frankfurt				
10:30	GBP	PMI construction	Index	Feb	55.5	55.0
11:00	EUR	PPI	m/m y/y	Jan	-2.9% -0.7%	-3.0% -0.8%
13:00	USD	MBA Mortgage Applications	%			-4.3%
14:15	USD	ADP employment	1000	Feb	190	205
16:00	USD	Fed's Williams (non-voter, neutral) speaks				
16:30	USD	DOE U.S. crude oil inventories	K			3502
20:00	USD	U.S. Federal Reserve releases Beige Book				

Source: Bloomberg, Danske Bank Markets

Today's market data: 02 March 2016

STOCKS



	Close		+/-
DJUSTOXX50	2835	↑	1.3%
OMXC20	961	↑	1.4%
OMXS30	1391	↑	1.4%
OSE BX	575	↑	0.4%
<hr/>			
	Close		+/-
DOW JONES	16865	↑	2.1%
NASDAQ	4690	↑	2.9%
S&P500	1978	↑	2.4%
NIKKEI (07:30)	16763	↑	1.3%

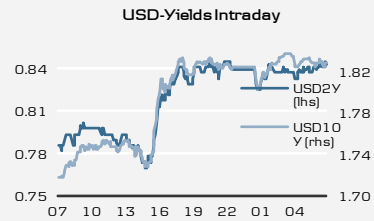
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	108.44	108.62	↑ 0.18
JPY	123.28	123.82	↑ 0.54
GBP	77.93	77.76	↓ -0.17
NOK	941.84	938.96	↓ -2.88
SEK	936.38	935.98	↓ -0.40
DKK	745.90	745.90	↑ 0.00
PLN	433.52	432.89	↓ -0.63
<hr/>			
USD	17:00	07:30	+/-
JPY	113.69	113.99	↑ 0.30
GBP	139.14	139.68	↑ 0.54
CHF	99.90	99.91	↑ 0.01

	Gold, \$	Oil, Brent, \$
07:30	1227.40	36.75
1 day	↓ -4.67	↓ -0.06
1 month	↑ 98.33	↑ 4.03
Year-t-date	↑ 165.98	↓ -0.53
<hr/>		
	CRB 1M future	CRB, Raw Industrials
07:30	163.87	422.60
1 day	↑ 0.65	↑ 0.47
1 month	↑ 3.69	↑ 4.90
Year-t-date	↓ -12.27	↑ 17.89

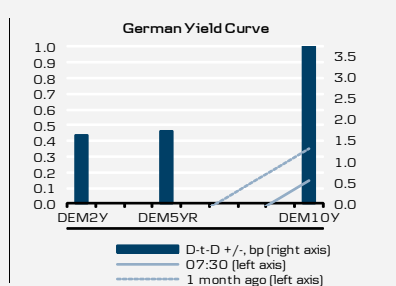
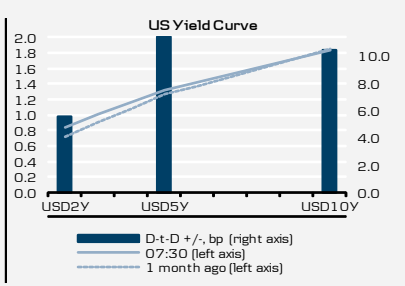
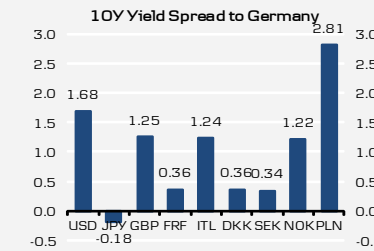
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.50	0.63	13
EUR	0.05	-0.21	-26
GBP	0.50	0.59	9
DKK	0.05	-0.09	-14
SEK	-0.50	-0.49	1
NOK	0.75	1.04	29
PLN	1.50	1.58	8

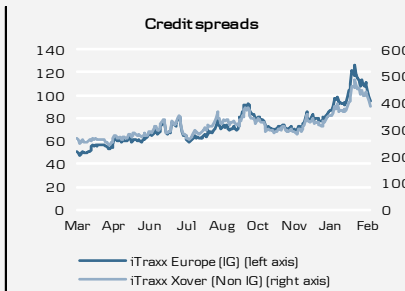
	17:00	07:30	+/-, bp
USD 10Y	1.81	1.83	↑ 2
USD 30Y	2.68	2.69	↑ 2
JPY 10Y	-0.06	-0.03	↑ 3
<hr/>			
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.11	0.15	↑ 4
DKK 10Y	0.46	0.51	↑ 5
SEK 10Y	0.48	0.49	↑ 1
NOK 10Y	1.37	1.37	↑ 0
PLN 10Y	2.95	2.95	↑ 0

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	96	↓ -1	↓ -2
HIVol	123	↑ 0	↓ -9
Xover (N-IG)	391	↓ 0	↑ 4
<hr/>			
Finan. Sr.	104	↓ -1	↑ 6
Finan. Sub.	231	↓ -3	↑ 1
Non-finan.			

* Ask price



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-17	-17	↑ 1
<hr/>			
	07:30(-1)*	17:00	+/-
EUR 10Y	0	16	↑ 16
DKK 10Y	39	38	↓ -1
SEK 10Y	44	42	↓ -2
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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