

Danske Daily

Market Movers

- **Euro-area HICP inflation for April is due for release and we expect a negative print of -0.1% y/y, slightly lower than in March when it was 0.0%.** Core inflation should drop to 0.8% from 1.0% last, when it was supported by the early timing of Easter. The low core inflation also reflects headwind from the stronger euro, a lagged indirect impact from the low oil price and very subdued wage pressure.
- **Euro-area GDP growth for Q1 is also due and we expect growth to come in at 0.3% q/q in line with the pace in H2 15.** Private consumption has probably been the main driver of growth as suggested by the solid retail sales. We expect investments were supported by progress in construction, whereas financial market turmoil and global growth weakness should have added uncertainty. We also get data for the euro-area unemployment rate for March and we expect the declining tendency has continued.
- **In the US, PCE prices for March are due and, in line with the CPI figures, we expect to see some reversion of the increases in the more volatile components.** We expect PCE core rose 0.1% m/m in March implying a fall in the core inflation rate to 1.5% from 1.7%. That said, yesterday's strong quarterly PCE figures suggest upside risks to this call.
- **We and consensus expect unchanged rates from the Russian central bank today.**
- **Norwegian releases in focus, see *Scandi Markets*.**

Selected Market News

Following a disappointing US Q1 GDP report and downward pressure on Treasury yields yesterday, broad-based USD weakness has continued overnight with notably USD/JPY edging lower still to now trade just above the 107 mark after the Bank of Japan's inaction yesterday. The weaker greenback also led the People's Bank of China (PBoC) to fix the USD/CNY midpoint as low as 6.4589, thus landing the largest daily increase since the CNY was de-pegged from the USD a decade ago. We note however, that this move should merely be regarded as deriving from the general USD weakness rather than as a change in PBoC policy as such.

Separately, talk is evolving of the Chinese authorities looking to bring forward a national financial work conference this year to intensify efforts to implement regulatory measures in order to curb financial risks. This could again put the ongoing deleveraging process in China in focus from a structural point of view but we maintain that the Chinese cyclical situation is set to improve, see *China: A turn in construction*, 5 April.

Equities in the red in both the US and Asian sessions with losses again concentrated in Japanese indices on JPY strength. The oil rally continues with Brent crude trading USD48/bl for the first time this year. Overnight, the GfK consumer confidence index dropped more than expected in a sign that the 'Brexit' risk is now feeding through to the average Briton and could weigh on UK activity down the road.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2075.8	↓ -0.92	
S&P500 fut (chng from close)	2070.5	↓ -0.09	
Nikkei	16666.1	↓ -3.61	
Hang Seng	21099.5	↓ -1.35	
	17:00	07:30	+/- bp
US 2y gov	0.82	0.78	↓ -3.6
US 10y gov	1.86	1.82	↓ -3.4
iTraxx Europe (IG)	71	71	↑ 0.4
iTraxx Xover (Non IG)	302	304	↑ 1.4
			+/- %
EUR/USD	1.131	1.140	↑ 0.72
USD/JPY	108.590	107.270	↓ -1.22
EUR/CHF	1.10	1.10	↑ 0.08
EUR/GBP	0.777	0.778	↑ 0.14
EUR/SEK	9.155	9.154	↓ -0.01
EUR/NOK	9.22	9.24	↑ 0.14
			USD
Oil Brent, USD	47.5	48.1	↑ 1.16
Gold, USD	1257.8	1275.5	↑ 1.41

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: Profit growth up in March - more to come*

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Scandi Markets

Denmark. Today brings figures for foreign portfolio investments and the Nationalbank's securities statistics, both for March.

Norway. An interim round of Norges Bank's regional network survey is released. We expect firms to report limited changes since the main round in February. As usual, among the labour-market indicators we will attach most importance to the NAV unemployment data. While we expect the jobless rate to fall to 3.2% in April for seasonal reasons, we reckon gross unemployment will climb by 800 people m/m following the surprise fall in March, which has to be put down to the timing of Easter. Although a correction is to be expected, the trend in unemployment will still be a deceleration.

Fixed Income Markets

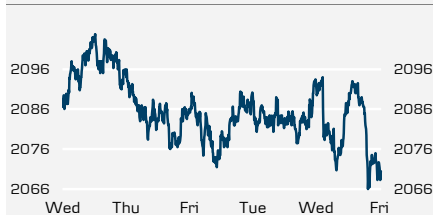
Index-extension flows are in focus today and we are in for a high duration increase of 0.12 this month in line with the April 2015 figure of 0.13. France is set to get the biggest boost, contributing 41% to the overall duration increase. On the domestic curves, the duration increase is highest in Finland, amounting to 0.35 followed by the Netherlands and France with 0.27, *see details*.

Portugal is up for review by DBRS tonight and a downgrade would, at least initially, mean exclusion from ECB QE. We are confident that this will not happen as the fiscal outlook presented at the end of last week projects a budget deficit of 2.2% of GDP in 2016 (versus DBRS at 2.9%), *see here*. Recent communication from the Portuguese government also suggests that a downgrade tonight would be a huge surprise. 'The first-quarter budget execution is in line with budget projections, public debt is declining, the economy is growing, unemployment is falling,' foreign affairs minister Augusto Santos Silva said this week.

FX Markets

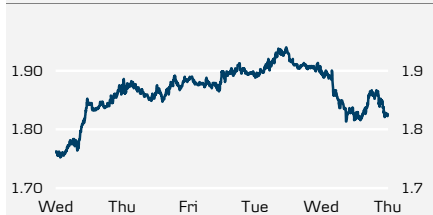
EUR/USD edged higher yesterday now trading around the 1.1350 level following the Fed's lack of commitment to a June hike and weak US activity data; we continue to see the cross headed lower near term leading up to a September Fed hike and an upside surprise to US PCE data today may help fuel such expectations. USD/JPY is still under pressure following BoJ's complacency yesterday. The oil surge has notably left EUR/NOK remarkably unscathed in recent days and overall the Scandies remain surprisingly stable against the single currency amid miscellaneous chatter regarding reviews of both the Norges Bank and Riksbank mandates. The Riksbank has been in the limelight on this issue recently with focus now centring on the central bank's right to decide on and carry out currency intervention. Yesterday the Norwegian finance minister also put the Norwegian central-bank mandate on the agenda: while the inflation target seems indisputable, the aim for a stable exchange rate could be reviewed in due time.

US S&P500 future



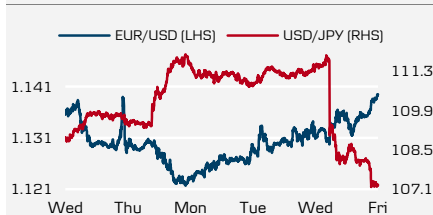
Source: Danske Bank Markets

US 10y gov yield



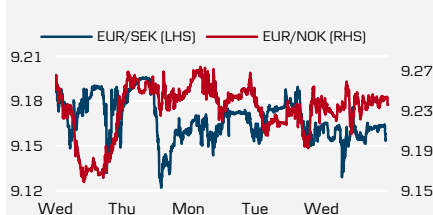
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

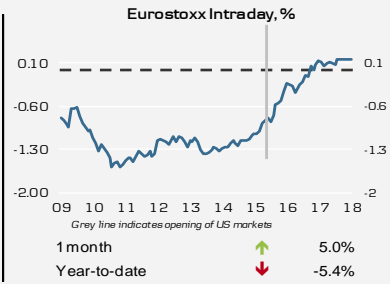
Key figures and events

Friday, April 29, 2016			Period	Danske Bank	Consensus	Previous	
1:05	GBP	GfK consumer confidence	Index	Apr	-2.0	-1.0	0.0
7:30	FRF	GDP, preliminary	q/q y/y	1st quarter			0.3% 1.4%
8:45	FRF	Household consumption	m/m y/y	Mar			0.6% 1.8%
8:45	FRF	HICP, preliminary	m/m y/y	Apr			0.8% -0.1%
9:00	ESP	GDP, preliminary	q/q y/y	1st quarter			0.8% 3.5%
9:00	DKK	CB's securities statistics		Mar			
9:00	DKK	Foreign portfolio investments		Mar			
9:30	SEK	Wages (blue collars/white collars)	y/y	Feb			
10:00	NOK	Regional network survey					
10:00	NOK	Credit indicator (C2)	y/y	Mar			5.2%
10:00	NOK	Norges Bank's daily FX purchases	m	May			-900
10:00	NOK	Unemployment	%	Apr			3.3%
10:30	GBP	Mortgage approvals	1000	Mar			73.9
10:30	GBP	Broad money M4	m/m y/y	Mar			0.9% 2.0%
11:00	ITL	HICP, preliminary	m/m y/y	Apr			2.1% -0.2%
11:00	EUR	Unemployment	%	Mar	10.2%		10.3%
11:00	EUR	HICP - core inflation	y/y	Apr	0.8%		1.0%
11:00	EUR	HICP inflation, preliminary	y/y	Apr	-0.1%		
11:00	EUR	GDP, preliminary	q/q y/y	1st quarter	0.3% ...		0.3% 1.6%
12:30	USD	Fed's Kaplan (non-voter, dovish) speaks					
12:30	RUB	Central Bank of Russia rate decision	%		11.0%	11.0%	11.0%
14:30	USD	Employment cost index	m/m	1st quarter		0.6%	0.6%
14:30	CAD	GDP	m/m y/y	Feb			0.6% 1.5%
14:30	USD	PCE core	m/m y/y	Mar	0.1% 1.5%	0.1% ...	0.1% 1.7%
14:30	USD	PCE deflator	m/m y/y	Mar	0.1% 0.8%	0.1% ...	-0.1% 1.0%
14:30	USD	Personal income	m/m	Mar		0.3%	0.2%
14:30	USD	Personal spending	m/m	Mar		0.2%	0.1%
15:45	USD	Chicago PMI	Index	Apr		53.2	53.6
16:00	USD	University of Michigan Confidence, final	Index	Apr		90.2	89.7

Source: Bloomberg, Danske Bank Markets

Today's market data: 29 April 2016

STOCKS



	Close		+/-
DJUSTOXX50	2932	↑	0.2%
OMXC20	965	↑	0.7%
OMXS30	1390	↑	0.2%
OSE BX	611	↑	0.8%
	Close		+/-
DOW JONES	17831	↓	-1.2%
NASDAQ	4805	↓	-1.2%
S&P500	2076	↓	-0.9%
NIKKEI (07:30)	16666	↑	0.2%

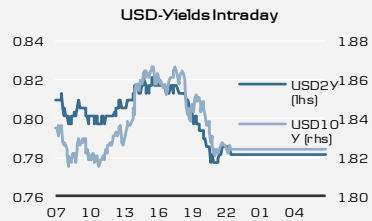
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	113.14	113.95	↑ 0.81
JPY	122.87	122.25	↓ -0.62
GBP	77.66	77.76	↑ 0.11
NOK	922.30	923.58	↑ 1.28
SEK	915.50	915.42	↓ -0.08
DKK	744.33	744.31	↓ -0.02
PLN	439.48	440.34	↑ 0.86
USD	17:00	07:30	+/-
JPY	108.59	107.27	↓ -1.32
GBP	145.70	146.54	↑ 0.84
CHF	96.95	96.33	↓ -0.62

	07:30	Gold, \$	Oil, Brent, \$
		1275.49	48.09
1 day	↑	9.24	↓ -0.05
1 month	↑	33.17	↑ 8.95
Year-t-date	↑	214.07	↑ 10.81
	07:30	CRB 1M future	CRB, Raw Industrials
		183.16	454.28
1 day	↑	0.67	↓ -0.01
1 month	↑	11.69	↑ 11.26
Year-t-date	↑	7.02	↑ 49.57

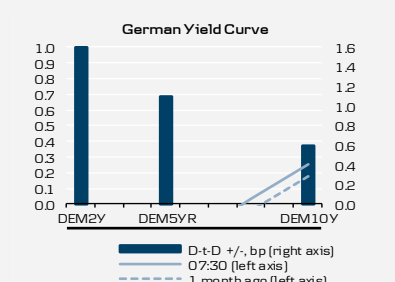
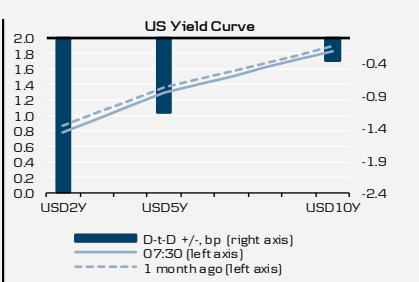
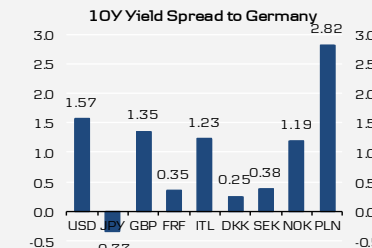
YIELDS & INTEREST RATES



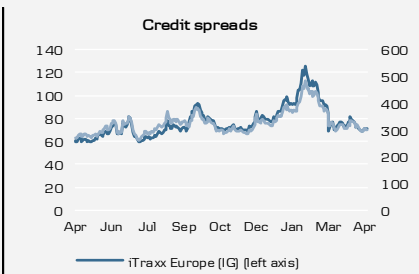
	Policy Rate	3M	Spread, bp
USD	0.50	0.64	14
EUR	0.00	-0.25	-25
GBP	0.50	0.59	9
DKK	0.05	-0.09	-14
SEK	-0.50	-0.45	5
NOK	0.50	0.96	46
PLN	1.50	1.57	7

	17:00	07:30	+/-, bp
USD 10Y	1.86	1.82	↓ -3
USD 30Y	2.71	2.68	↓ -3
JPY 10Y	-0.05	-0.08	↓ -3
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.25	0.26	↑ 0
DKK 10Y	0.50	0.51	↑ 2
SEK 10Y	0.66	0.64	↓ -2
NOK 10Y	1.45	1.45	↑ 0
PLN 10Y	3.07	3.08	↑ 1

* As of closing previous trading day



Credit spread, iTraxx s. 11*	07:30	1 day	1 month
Europe (IG)	71	↑ 0	↓ -5
HiVol	72	↑ 0	↓ -17
Xover (N-IG)	304	↓ 0	↓ -19
Finan. Sr.	87	↑ 0	↓ -9
Finan. Sub.	195	↑ 0	↓ -22
Non-finan.			



Swap Spread, bp**	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-12	-11	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0		
DKK 10Y	36	39	↑ 3
SEK 10Y	47	50	↑ 3
NOK 10Y	62	60	↓ -1

* As of closing previous trading day

** Ask price

Source: Bloomberg, Danske Bank Markets

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