

04 April 2016

Danske Daily

Market Movers

- In the euro area, **Sentix investor confidence** for April is due for release at 10:30 CET. While the index has been declining for three months, we expect it to have bottomed out and we look for a small increase due to the improved market sentiment.
- The **euro area unemployment rate**, which has been on a downward trend since mid-2013, is released at 11:00 CET and we expect the figure was unchanged at 10.3% in February. Although this is a high level of unemployment, it is not that far from the European Commission's estimate of the structural unemployment rate of 9.8%. When the unemployment rate reaches this level, the upward pressure on wages should start to pick up.
- ECB board member **Peter Praet** will be speaking at 10:30 CET on 'The ECB's fight against low inflation: reason and consequences'. Together with the speeches later in the week by fellow board members Daniëlle Nouy, Vitor Constancio, Benoit Coeure and Yves Mersch, as well as the ECB minutes released on Thursday, this should provide further information about the monetary policy decisions on 10 March.
- In the afternoon, data on **US factory orders, durable goods and capital goods orders** are released (all at 16:00 CET).
- In Denmark, today brings unemployment figures for February (09:00 CET) and in the afternoon at 16:00 CET currency reserve data for March are released. See [Scandi Markets](#).

Selected Market News

Global bourses ended the week on a mixed footing. Economic data released on Friday were generally encouraging; the job report for March showed 215,000 jobs added and above-trend growth in hourly earnings. Furthermore, the ISM manufacturing index rose more than expected and is now in expansionary territory for the first time since August 2015, clearly suggesting that the manufacturing cycle has turned (see [US: Solid jobs growth continues and manufacturing cycle has turned](#), 1 April, for further details). In addition, last Tuesday's dovish comments from Fed Chair Janet Yellen have limited expectations of near-term rate hikes. Taken together, these factors generally supported US equities on Friday. On the other hand, renewed weakness in the oil price following reports ([link](#)) that Saudi Arabia will not freeze its output without Iran and other major producers joining in weighed on the performance of shares in energy companies.

Leak suggests IMF considers exit from Greek bailout, pressuring Germany. Over the weekend, a transcript of a purported conversation taking place on 19 March published by WikiLeaks ([link](#)) indicates that IMF officials considered putting pressure on German Chancellor Angela Merkel to give Greece debt relief or the IMF would withdraw from the EUR86bn bailout programme. IMF views Greek debt restructuring as pivotal to achieve long-term sustainability. The German government, on the other hand, has so far been opposed to debt reliefs but has also repeatedly said that IMF involvement is crucial. Thus, the leak shows continued strains between Greece's creditors, raising the stakes ahead of the next large debt repayment looming in July.

Market overview

	07:30	1 day +/- %
S&P500 (close)	2072.8	↑ 0.63
S&P500 fut (chng from close)	2065.1	↑ 0.66
Nikkei	16164.2	↓ -3.55
Hang Seng	20498.9	↓ -1.34
	17:00	07:30 +/- bp
US 2y gov	0.76	0.72 ↓ -4.2
US 10y gov	1.80	1.77 ↓ -2.6
iTraxx Europe (IG)	74	74 ↑ 0.4
iTraxx Xover (Non IG)	306	308 ↑ 1.8
		+/- %
EUR/USD	1.135	1.139 ↑ 0.36
USD/JPY	112.340	111.690 ↓ -0.58
EUR/CHF	1.09	1.09 ↑ 0.01
EUR/GBP	0.800	0.801 ↑ 0.05
EUR/SEK	9.238	9.269 ↑ 0.34
EUR/NOK	9.46	9.47 ↑ 0.03
Oil Brent, USD	38.8	38.7 ↓ -0.21
Gold, USD	1213.2	1222.5 ↑ 0.76

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

- [US: Solid jobs growth continues and manufacturing cycle has turned](#)

- [Weekly Focus](#)

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Scandi Markets

Denmark. Today Danmarks Nationalbank (DN) is set to release March's FX reserve data. Since EUR/DKK traded close to the central rate through most of March, following the 30bp accumulated tightening of the spread between DN and ECB policy rates, DN probably did not have to intervene in the FX market in March in which case the figure will have limited market impact.

Fixed Income Markets

It is April and there has been a lot of speculation of another sell-off in bonds as we experienced last year, when the 10Y German government bond yields rose by almost 100bp within a month. At that time the ECB had just begun its QE-programme and bond yields in Europe had collapsed as the European sovereign yield curves as well as the swap curve had flattened. As an indicator for the hunt for yield, at that time 10Y Portuguese government rates were at a historical low of 1.5% and 30Y German government bond yield were as low as 45bp.

So what is different as we enter Q2 in 2016? Firstly, more central banks have gone from ZIRP (zero-interest-rate policy) to NIRP (negative-interest rate policy) (such as BoJ, the ECB, Riksbanken) and have scaled up on QE. The market inflation expectations measured by the 5Y5Y EUR forward inflation are lower and more importantly, we have not seen a rise in the EUR inflation expectations as we saw back in Q1 15 (ahead of the sell-off). We still have a fragile recovery combined with a significant uncertainty about the outlook for the Chinese economy and on top of this we have the vote in the UK with all the uncertainties surrounding a possible Brexit. Finally, the Federal Reserve has become much cautious in raising rates despite the recent underlying inflation data and decent labour market data.

It can be seen from the BoJ flow data that Japanese investors are piling into especially US Treasuries and to some extent French government bonds as the major holders of JGBs are domestic investors. These are faced with a significant problem with the negative yields that drives them into other assets such as US Treasuries.

FX Markets

The USD was remarkably stable despite the string of better-than-expected US data on Friday. To us this is further confirmation that the rally in the USD is coming to an end as risk appetite is stabilising and the 'USD smile', i.e. stable but modest US data is USD negative, is playing out. The range in EUR/USD has moved up to 1.10-1.15, in our view, and the short-term risks to USD/JPY are to the downside. GBP/USD is the outlier where Brexit risks are increasingly weighing on the cross.

The news out on Friday from the wage negotiations in Sweden on Thursday last week has provided a temporary floor in EUR/SEK. This is in line with our view that the wage settlement will prove too low for the Riksbank and it will be forced to do more, most likely by enacting more QE in April. EUR/SEK is caught in a 9.10-9.50 range in our view, albeit risks are skewed to the downside.

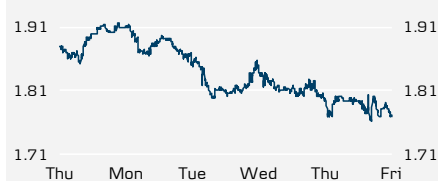
Today Danmarks Nationalbank (DN) is set to release March's FX reserve data. Since EUR/DKK traded close to the central rate through most of March, following the 30bp accumulated tightening of the spread between DN and ECB policy rates, DN probably did not have to intervene in FX market in March in which case the figure will have limited market impact.

US S&P500 future



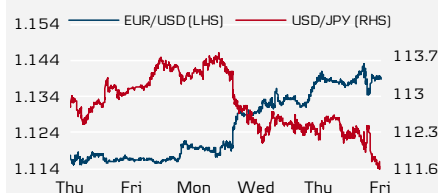
Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

Key figures and events

Monday, April 4, 2016

				Period	Danske Bank	Consensus	Previous
3:30	AUD	Retail sales	m/m	Feb		0.4%	0.3%
9:00	DKK	Gross unemployment s.a.	K (%)	Feb	115.5 (4.4%)		116 (4.4%)
10:30	GBP	PMI construction	Index	Mar		54.0	54.2
10:30	EUR	ECB's Praet Speaks in Rome					
10:30	EUR	Sentix Investor Confidence	Index	Apr	6.8	7.0	5.5
11:00	EUR	PPI	m/m/y/y	Feb		-4.0% -0.6%	-2.9% -1.0%
11:00	EUR	Unemployment	%	Feb	10.3%	10.3%	10.3%
15:30	USD	Fed's Rosengren (voter, dovish) speaks					
16:00	DKK	Currency reserves	DKK bn	Mar			421.5
16:00	USD	Fed's LMCI	m/m	Mar			-2.4
16:00	USD	Capital goods orders, non-defense ex air	%	Feb			-1.8%
16:00	USD	Durable goods orders	m/m	Feb			-2.8%
16:00	USD	Factory orders	m/m	Feb		-1.7%	1.6%

Source: Bloomberg, Danske Bank Markets

Today's market data: 04 April 2016

STOCKS



	Close	+/-
DJSTOXX50	2746	↓ -1.6%
OMXC20	951	↑ 0.2%
OMXS30	1358	↓ -0.5%
OSE BX	570	↓ -1.4%
	Close	+/-
DOW JONES	17793	↑ 0.6%
NASDAQ	4915	↑ 0.9%
S&P500	2073	↑ 0.6%
NIKKEI (07:30)	16164	↓ -1.6%

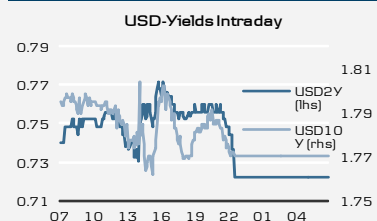
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	113.50	113.91	↑ 0.41
JPY	127.51	127.21	↓ -0.30
GBP	80.04	80.08	↑ 0.04
NOK	946.26	946.53	↑ 0.27
SEK	923.84	926.94	↑ 3.10
DKK	744.84	745.00	↑ 0.16
PLN	424.15	424.75	↑ 0.60
USD	17:00	07:30	+/-
JPY	112.34	111.69	↓ -0.65
GBP	141.81	142.27	↑ 0.46
CHF	96.16	95.80	↓ -0.36

	Close	+/-
Gold, \$	1222.50	↓ -1.66
1day	↓ -10.20	↓ -1.66
1month	↓ -9.57	↓ -1.66
Year-t-date	↑ 161.08	↑ 1.39
	Close	+/-
Oil, Brent, \$	38.67	↓ -1.66
1day	↓ -2.49	↓ -1.66
1month	↓ -0.52	↓ -1.66
Year-t-date	↓ -8.12	↓ -1.66
	Close	+/-
CRB	168.03	↓ -2.49
1M future	↓ -2.49	↓ -2.49
1day	↓ -0.52	↓ -2.49
1month	↓ -0.52	↓ -2.49
Year-t-date	↓ -8.12	↓ -2.49
	Close	+/-
CRB, Raw Industrials	440.43	↓ -2.49
1day	↓ -2.49	↓ -2.49
1month	↓ -0.52	↓ -2.49
Year-t-date	↓ -8.12	↓ -2.49

YIELDS & INTEREST RATES

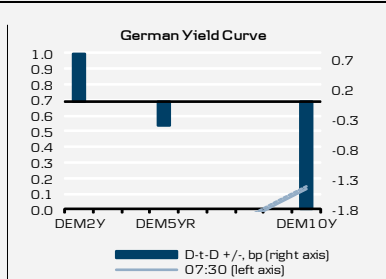
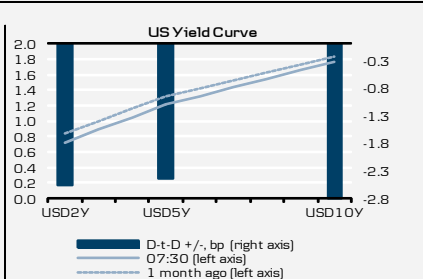
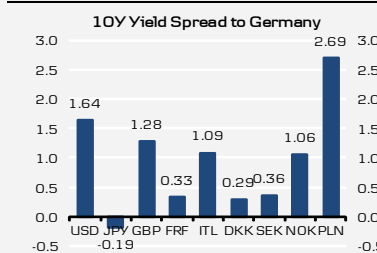


	Policy Rate	3M	Spread, bp
USD	0.50	0.63	13
EUR	0.00	-0.25	-25
GBP	0.50	0.59	9
DKK	0.05	-0.07	-12
SEK	-0.50	-0.45	6
NOK	0.50	1.02	52
PLN	1.50	1.57	7

	17:00	07:30	+/-, bp
USD 10Y	1.80	1.77	↓ -3
USD 30Y	2.63	2.60	↓ -3
JPY 10Y	-0.03	-0.06	↓ -3
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.15	0.14	↓ -1
DKK 10Y	0.44	0.44	↓ -1
SEK 10Y	0.52	0.50	↓ -2
NOK 10Y	1.20	1.20	0
PLN 10Y	2.84	2.82	↓ -2

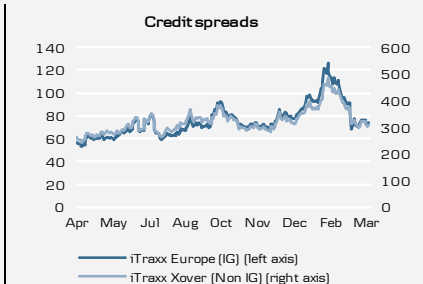
* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	74	↑ 1	↓ -22
HiVol	81	↑ 1	↓ -38
Xover (N-IG)	308	↑ 1	↓ -83
Finan. Sr.	92	↑ 1	↓ -10
Finan. Sub.	207	↑ 1	↓ -13
Non-finan.			

* Ask price



	17:00	07:30	+/-
USD 10Y	-13	-12	↑ 1
JPY 10Y	-13	-12	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0	40	↓ -1
DKK 10Y	41	40	↓ -1
SEK 10Y	48	45	↓ -3
NOK 10Y	62	63	↑ 1

* 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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