

# Danske Daily

## Market Movers

- In terms of data releases, today is set to be a fairly quiet day.
- In the UK, focus will be on the release of **NIESR GDP estimate for March**, as the estimate in February suggests that growth in Q1 has been around 0.3% q/q, much lower than in Q4 when the economy grew 0.6%. Also, **industrial and manufacturing production figures for February** are due.
- In Europe, the ECB's Mersch and Nowotny will be speaking, while the Fed's Dudley and George will present their views on the US economy.
- In **Sweden**, SCB is due to report the March consumer spending indicator. Based on the retail sales number, we expect flat sales m/m. In **Denmark**, current account and trade data are due.

## Selected Market News

**Cameron involved in Panama scandal.** Yesterday, reports emerged that the UK Prime Minister's father had links to a fund cited in the leaked files of a Panamanian law firm, from which David Cameron had personal gains (see [link](#)). While it is quite uncertain what the potential political impact will be, timing could be critical as Cameron is currently trying to persuade voters to vote to remain within the EU at the 23 June referendum.

**The yen is touching new highs, intervention could be imminent.** Following last week's dovish comments by Fed Chair Janet Yellen, the yen has strengthened nearly 6% versus the USD, causing USD/JPY to dip below 108. Yesterday's Japanese officials issued warnings about 'one-sided moves', a phrase that has previously been used to signal that intervention could be imminent.

**Sentiment on financial markets turns sour again.** After sentiment improved slightly in the middle of the week, most bourses ended in the red yesterday as worries on global growth returned to the forefront. Also, focus is gradually shifting to the US corporate earnings season, which is due to be kicked off by Alcoa Inc on 11 April. According to Bloomberg ([link](#)), profits are expected to fall 9.5%, the worst in more than six years and the fourth straight decline. Treasuries were well supported, with the 10-year yield falling below 1.70%. In Europe, equities also fell. The 10-year Bund yield closed below 0.10%, while the weaker sentiment saw particularly Italy and Portugal being sold off.

## Market overview

	07:30	1 day +/- %	
S&P500 (close)	2041.9	↓ -1.20	
S&P500 fut (chng from close)	2040.6	↑ 0.27	
Nikkei	15860.3	↑ 0.70	
Hang Seng	20124.5	↓ -0.70	
	17:00	07:30	+/- bp
US 2y gov	0.70	0.71	↑ 1.1
US 10y gov	1.70	1.71	↑ 1.7
iTraxx Europe (IG)	81	81	↑ 0.7
iTraxx Xover (Non IG)	332	336	↑ 4.4
			+/- %
EUR/USD	1.139	1.136	↓ -0.22
USD/JPY	107.790	108.850	↑ 0.98
EUR/CHF	1.09	1.09	↓ -0.04
EUR/GBP	0.809	0.808	↓ -0.13
EUR/SEK	9.281	9.288	↑ 0.07
EUR/NOK	9.49	9.47	↓ -0.18
			USD
Oil Brent, USD	38.8	40.1	↑ 3.24
Gold, USD	1240.4	1235.7	↓ -0.38

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

- [Reading the Markets Sweden](#)
- [Strategy: How the increase in ECB QE will affect the Eurozone government bond market](#)

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## Fixed Income Markets

We have a relatively light schedule in terms of data being issued today. Hence, we focus on the risk-off sentiment, which continues to dominate the markets – yesterday, the Bund again traded below 10bp, while the periphery lost again. Equity markets declined and credit spreads widened.

In this kind of environment, the periphery loses relative to core EU markets, and yesterday was no different with Portugal being under significant pressure and as Spain did a tap auction yesterday.

The combination of Novo Banco, the new socialist government’s fiscal measures being ‘monitored’ by the EU commission, the possibility of a downgrade by DBRS, a downward revision of the growth forecast by both the IMF and the Portuguese Central Bank have not been supportive for PGBs. However, the markets seem to be ignoring the increase in the ECB QE programme, and the reforms made so far by the Portuguese government.

There are no rating events today.

## FX Markets

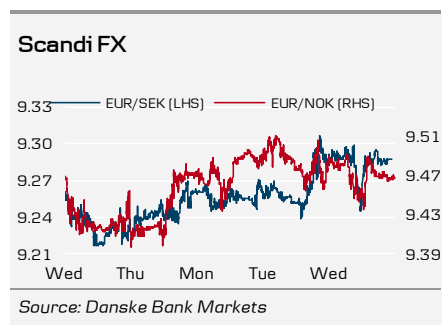
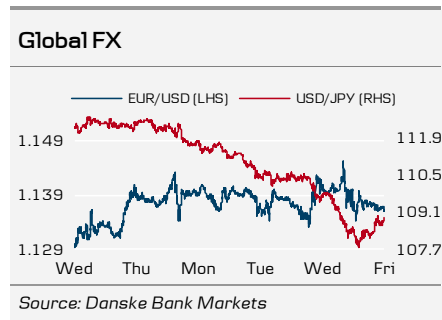
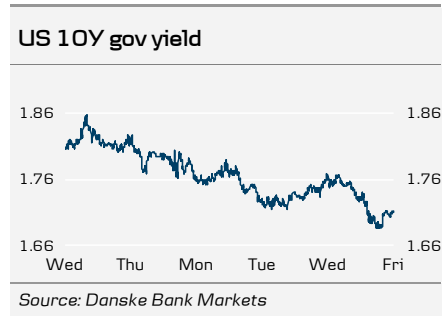
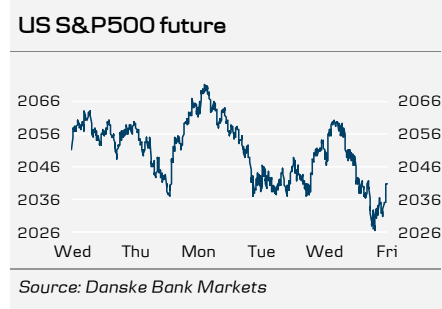
The Japanese yen continued strengthening against the USD, breaking through several technical levels including 109 for the first time since late 2014. We think the Japanese central bank will be under increasing pressure to act and see whether it can stay on the sidelines until end-April when the next central bank policy meeting takes place, especially if the yen continues to firm up against major currencies.

The Chinese renminbi received support from data showing that the foreign reserves were fairly stable in March, highlighting that capital outflows have waned. China is facing a new dilemma though. While outflows have stopped and CNY is stronger against the USD, the CNY basket is actually at the weakest level in a year. This is due to the broadbased USD depreciation. Hence, CNY is weakening against, for example, EUR and JPY. This raises the question whether China will let markets weaken the basket without intervention as long as it does not disturb financial stability. If it continues it will be at odds with their new policy of managing the basket around the ‘equilibrium level’.

In relation to SEK, deputy Skingsley said in a speech today that only if there are significant downward revisions of inflation and economic forecasts would she consider further stimulus. We think more members of the monetary policy committee may share her opinion as Floden and Ohlsson were against the recent interest rate cut. Hence, it is quite likely that the Riksbank will refrain from further QE in April. A relatively less dovish Riksbank would yield support to the undervalued SEK, in our view.

EUR/DKK continued to trade close to the 7.4400 mark yesterday and FX forwards stabilised after the significant move to the left earlier this week. The EUR/DKK 2Y forward outright is trading around 7.42 and thus around the historical lower bound for the EUR/DKK spot.

The Norwegian krona continues to trade sideways in an unclear direction for oil prices. The somewhat stronger-than-expected manufacturing production number did not lend support to the krona even though it suggests moderate growth for mainland GDP, which should, in theory, be positive for the currency.



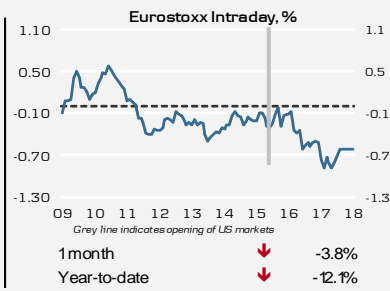
Key figures and events

Friday, April 8, 2016				Period	Danske Bank	Consensus	Previous
-	EUR	ECB's Mersch speaks					
8:00	DEM	Trade balance	EUR bn	Feb		18	13.4
8:00	JPY	Eco Watchers Survey Outlook (Current)	Index	Mar		48.3	48.2 44.6
8:45	FRF	Industrial production	m/mly/y	Feb		-0.4% 1.5%	1.3% 2.0%
9:00	DKK	Current account (nsa sa)	DKK bn	Feb			9.8 11.6
9:00	DKK	Trade balance ex ships	DKK bn	Feb			6.2
9:00	DKK	Exports	m/m	Feb			
9:15	CHF	CPI	m/mly/y	Mar			0.2% -0.8%
9:30	SEK	Household consumption	m/mly/y	Feb			0.8% 3.0%
10:30	GBP	Trade balance	GBP mio.	Feb		-3700	-3459
10:30	GBP	Industrial production	m/mly/y	Feb		0.1% -0.1%	0.3% 0.2%
10:30	GBP	Manufacturing production	m/mly/y	Feb		-0.2% -0.7%	0.7% -0.1%
14:30	CAD	Net change in full time employment	1000	Mar			-51.8
14:30	USD	Fed's Dudley speaks on the economy					
15:15	EUR	ECB's Nowotny speaks on panel discussion					
16:00	GBP	NIESR GDP Estimate	q/q	Mar			0.3%

Source: Bloomberg, Danske Bank Markets

Today's market data: 08 April 2016

STOCKS



	Close		+/-
DJUSTOXX50	2724	↓	-0.6%
OMXC20	955	↓	-0.1%
OMXS30	1331	↓	-1.3%
OSE BX	560	↓	-0.4%
<b>Close</b>			
DOW JONES	17542	↓	-1.0%
NASDAQ	4848	↓	-1.5%
S&P500	2042	↓	-1.2%
NIKKEI (07:30)	15860	↓	-0.6%

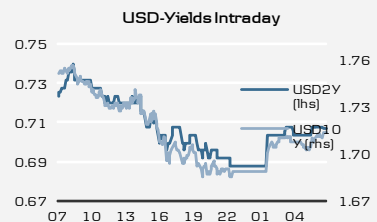
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	113.87	113.62	↓ -0.25
JPY	122.75	123.68	↑ 0.93
GBP	80.87	80.77	↓ -0.10
NOK	948.51	946.84	↓ -1.67
SEK	928.12	928.78	↑ 0.66
DKK	744.11	744.10	↓ -0.01
PLN	429.88	429.40	↓ -0.48
<b>USD</b>			
JPY	107.79	108.85	↑ 1.06
GBP	140.81	140.68	↓ -0.13
CHF	95.54	95.71	↑ 0.17

	07:30		+/-
<b>Gold, \$</b>	1235.68		
Oil, Brent, \$	40.09		
1day	↓ -4.78	↑	0.66
1month	↓ -25.74	↑	0.44
Year-t-date	↑ 174.26	↑	2.81
<b>CRB</b>			
1M future	166.84		
CRB, Raw Industrials	438.85		
1day	↓ -0.69	↓	-0.85
1month	↓ -2.63	↑	11.49
Year-t-date	↓ -9.31	↑	34.14

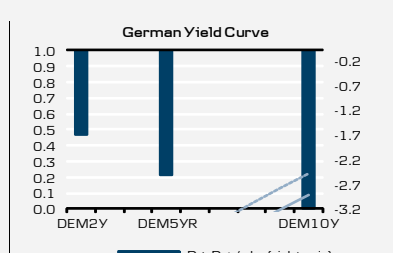
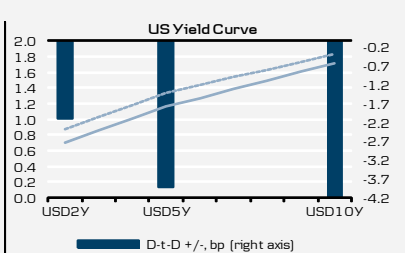
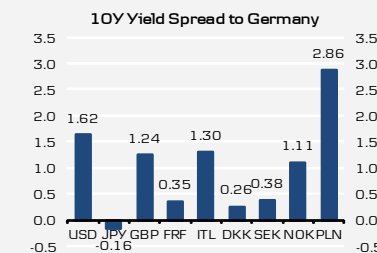
YIELDS & INTEREST RATES



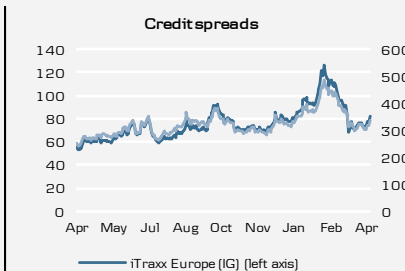
	Policy Rate	3M	Spread, bp
USD	0.50	0.63	13
EUR	0.00	-0.25	-25
GBP	0.50	0.59	9
DKK	0.05	-0.10	-15
SEK	-0.50	-0.45	5
NOK	0.50	0.99	49
PLN	1.50	1.57	7

	17:00	07:30	+/-, bp
USD 10Y	1.70	1.71	↑ 2
USD 30Y	2.52	2.54	↑ 1
JPY 10Y	-0.05	-0.08	↓ -2
<b>07:30(-1)* 17:00</b>			
DEM 10Y	0.12	0.09	↓ -3
DKK 10Y	0.38	0.35	↓ -4
SEK 10Y	0.44	0.47	↑ 3
NOK 10Y	1.20	1.20	↑ 0
PLN 10Y	2.90	2.95	↑ 5

\* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	81	↑ 1	↓ -10
HiVol	85	↑ 0	↓ -28
Xover (N-IG)	336	↑ 2	↓ -44
<b>Finan. Sr.</b>			
Finan. Sub.	103	↑ 1	↑ 1
Non-finan.	249	↑ 6	↑ 20



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-13	-12	↑ 1
<b>07:30(-1)* 17:00</b>			
EUR 10Y	0	19	↑ 19
DKK 10Y	40	41	↑ 0
SEK 10Y	47	48	↑ 1
NOK 10Y	65	63	↓ -2

\* As of closing previous trading day

\*\* Ask price

Source: Bloomberg, Danske Bank Markets

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