

Danske Daily

Market Movers

- **The ECB meeting is finally** here and the suspense will be over as the ECB announces its new round of stimulus. We expect the ECB to cut the deposit rate by 10bp to -0.4%, to introduce a two-tier deposit rate system aimed at reducing the cost to the banking sector and to signal that the deposit rate could go even lower. We also look for the ECB to frontload QE purchases by EUR20bn per month in the spring (see *ECB preview: Another 'menu' of easing, but will it be enough*, 7 March 2016).
- The market reaction to this 'package' is likely to be a small disappointment in fixed income markets, where a slightly bigger deposit rate cut is priced in and some analysts are looking for a 20bp cut. However, it seems that many equity investors have feared a 'December deja vu', when the ECB disappointed, and have been reluctant to buy ahead of the ECB meeting. Hence, the measures we look for in combination with a clear easing bias might be a small relief for the stock market.
- **We will also have data on German trade balance, German labour costs and US jobless claims.** But it will be overshadowed by the ECB meeting.
- In Scandi, **inflation data in Norway** is due, see page 2.

Selected Market News

Stocks have continued to move broadly sideways over past days ahead of the ECB meeting as markets await further guidance from the ECB as to how much stimulus we are likely to get. Asian markets have seen small gains in Nikkei and offshore Chinese stocks.

Oil prices moved a bit higher yesterday, hitting USD41 per barrel again as the market is setting its hopes on an OPEC/Non-OPEC meeting later this month or early April. No date has been confirmed though. The lift to oil gave some support to risk sentiment yesterday.

Chinese CPI inflation increased more than expected to 2.3% y/y in February (consensus 1.8% y/y) from 1.8% in January. The increase was purely due a jump in food prices while core inflation declined to 1.3% y/y from 1.5% y/y. Hence, outside food there is very limited inflation pressure in China. The newly announced inflation target for 2016 is 3.0%. **PPI inflation in China rose to -4.9% y/y in February from -5.3% y/y in January.** We expect PPI inflation to continue to move higher over the next six months as it is highly correlated with global raw materials prices, which have shown decent increases this year.

The UK RICS housing survey rose to 50 in February as expected from 48 in January. It is quite a high level and points to a continued robust housing market in the UK.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	1989.3	↑ 0.51	
S&P500 fut (chng from close)	1990.1	↑ 0.06	
Nikkei	16848.9	↑ 1.24	
Hang Seng	20105.8	↑ 0.55	
	17:00	07:30	
		+/- bp	
US 2y gov	0.89	0.89	↓ -0.2
US 10y gov	1.87	1.88	↑ 0.7
iTraxx Europe (IG)	91	92	↑ 0.2
iTraxx Xover (Non IG)	375	377	↑ 1.4
			+/- %
EUR/USD	1.102	1.098	↓ -0.37
USD/JPY	112.920	113.730	↑ 0.72
EUR/CHF	1.10	1.10	↓ -0.16
EUR/GBP	0.774	0.773	↓ -0.15
EUR/SEK	9.281	9.292	↑ 0.12
EUR/NOK	9.38	9.38	↓ -0.05
			USD
Oil Brent, USD	40.8	40.8	↑ 0.10
Gold, USD	1257.3	1247.3	↓ -0.79

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

- *Chinese export not as weak as it seems*

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@Danske_Research

Chief Analyst

Allan von Mehren
+45 45 12 80 55
alvo@danskebank.dk

Scandi Markets

We estimate Norwegian underlying inflation rose to 3.1% y/y in February in line with consensus. Inflation has been held up by the weak NOK lifting imported inflation.

Fixed Income Markets

All eyes in the European Fixed Income market will be on the ECB meeting later today. Our view is that the ECB will (1) lower the policy rate by 10bp, (2) introduce a two-tier system, (3) frontload QE over the next three months and finally (4) strengthen the forward guidance. It is our general perception that there are many investors out there fearing another disappointment from the ECB – a December déjà vu. Hence, a ‘package’ such as we suggest might be seen as positive for risk sentiment.

Risk sentiment did improve yesterday and we saw upward pressure on US yields, which will put pressure on bunds when we open this morning.

There is no issuer activity in the EGB market today as the market is focused on the ECB. But the ‘day off’ comes after a relatively busy start to the week. In general, it seems that investors are ‘ready to buy’ and we saw, for example, good demand for the 30Y Spain on Tuesday, and yesterday Portugal saw a decent bid-to-cover – despite the generally negative Portuguese news – when they were in the market in the 5Y and 10Y segments.

Note that the Swedish debt office will be selling 5Y and 10Y linkers today.

FX Markets

Today, the focus will be on the ECB meeting. If the ECB delivers as we expect (see above), we expect EUR/USD to rise slightly on the announcement as our call is below market expectations. If the ECB cuts by, say, 20bp, we expect that EUR/USD would drop close to the 1.08 level immediately following the announcement. If the ECB decides to expand the QE programme by more than we expect, for example, through buying corporate bonds, it is unlikely to have a large impact on EUR/USD.

Our expectations of EUR/USD will broadly be reflected in other crosses as well. If the ECB eases as expected EUR crosses are likely to rise slightly but more aggressive ECB rate cuts would drive EUR losses against, for example, GBP, SEK and, in particular, NOK, which would also be supported by a positive boost to oil prices. EUR/DKK will react differently as it will depend on how Nationalbanken reacts following the ECB decision. If it decides to not follow the ECB rate cut, it is unlikely to have much impact on EUR/DKK, which is currently trading slightly above the parity fixing.

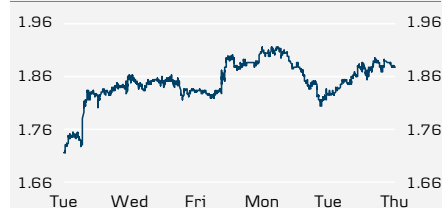
Yesterday, EUR/SEK fell sharply following comments from the Riksbank’s Cecilia Skingsley that she is becoming more long term and has greater tolerance for oil price shocks. She also indicated that she will accept a stronger currency and that it could become stronger than the central bank’s forecast. As such, Skingsley is now sending the same signals as Martin Floden and Henry Olsson from the Riksbank. The comments could be interpreted as a sign that the Riksbank is nearing the lower bound on policy rates. We continue to see EUR/SEK in a 9.10-9.50 range but after Skingsley’s comments the risks are skewed to the lower half of the range.

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

Thursday, March 10, 2016					Period	Danske Bank	Consensus	Previous
-	CNY	Total Social Financing	bn CNY	Feb		1790		3417.3
0:50	JPY	PPI	m/mly/y	Feb		-0.3% -3.4%		-0.9% -3.1%
1:01	GBP	RICS house price balance	Index	Feb		0.5		0.5
2:30	CNY	CPI	y/y	Feb		1.8%		1.8%
2:30	CNY	PPI	y/y	Feb		-4.9%		-5.3%
8:00	SEK	PES unemployment	%	Feb				4.3%
8:00	DEM	Trade balance	EUR bn	Jan		17.5		19
8:00	DEM	Labour costs	q/qly/y	4th quarter				0.0% 2.4%
8:45	FRF	Industrial production	m/mly/y	Jan		0.8% -0.1%		-1.6% -0.7%
9:00	ESP	Retail sales	y/y	Jan				2.2%
9:00	DKK	Current account (nsa sa)	DKK bn	Jan		8.7 11.3		11.1 11.9
9:00	DKK	CPI	m/mly/y	Feb		0.8% 0.4%		-0.4% 0.6%
9:00	DKK	Trade balance ex ships	DKK bn	Jan				5.3
9:00	DKK	Exports	m/m	Jan				
10:00	NOK	Core inflation(CPI-ATE)	m/mly/y	Feb		0.7% 3.1%		-0.1% 3.0%
10:00	NOK	CPI	m/mly/y	Feb		0.7% 3.1%	0.3% 3.0%	0.6% 3.0%
10:00	NOK	PPI	m/mly/y	Feb				-4.5% -10.7%
13:45	EUR	ECB announces refi rate	%			0.05%	0.05%	0.05%
13:45	EUR	ECB announces deposit rate	%			-0.40%	-0.40%	-0.30%
14:30	USD	Initial jobless claims	1000					278
14:30	EUR	ECB's Draghi speaks at press conference						
20:00	USD	Budget statement	USD bn	Feb				-200

Source: Bloomberg, Danske Bank Markets

Today's market data: 10 March 2016

STOCKS



	Close		+/-
DJUSTOXX50	2845	↑	0.4%
OMXC20	971	↓	-0.2%
OMXS30	1398	↑	0.6%
OSE BX	583	↓	-0.5%
	Close		+/-
DOW JONES	17000	↑	0.2%
NASDAQ	4674	↑	0.5%
S&P500	1989	↑	0.5%
NIKKEI (07:30)	16849	↑	0.4%

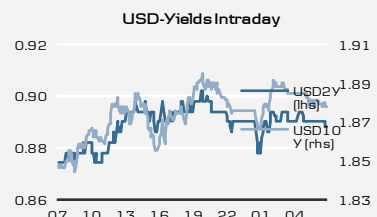
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	110.18	109.77	↓ -0.41
JPY	124.43	124.84	↑ 0.41
GBP	77.43	77.31	↓ -0.11
NOK	938.34	937.84	↓ -0.50
SEK	928.10	929.20	↑ 1.10
DKK	746.08	746.01	↓ -0.07
PLN	431.37	431.46	↑ 0.09
USD	17:00	07:30	+/-
JPY	112.92	113.73	↑ 0.81
GBP	142.31	141.99	↓ -0.32
CHF	99.56	99.77	↑ 0.21

	Gold, \$	Oil, Brent, \$
07:30	1247.29	40.83
1day	↓ -5.92	↓ -0.24
1month	↑ 50.17	↑ 9.99
Year-t-date	↑ 185.87	↑ 3.55
	CRB 1M future	CRB, Raw Industrials
07:30	172.22	428.37
1day	↑ 2.75	↓ -0.74
1month	↑ 15.82	↑ 6.81
Year-t-date	↓ -3.92	↑ 23.66

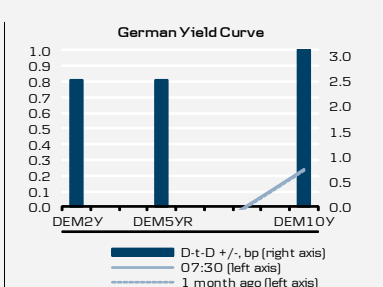
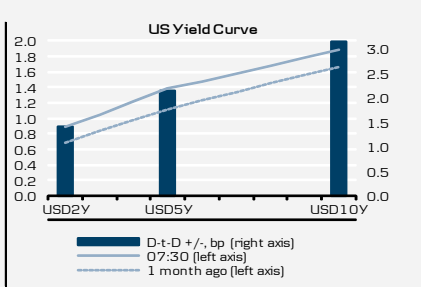
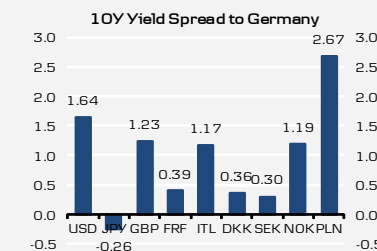
YIELDS & INTEREST RATES



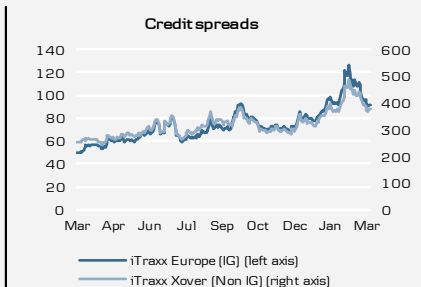
	Policy Rate	3M	Spread, bp
USD	0.50	0.64	14
EUR	0.05	-0.22	-27
GBP	0.50	0.58	8
DKK	0.05	-0.09	-14
SEK	-0.50	-0.48	2
NOK	0.75	1.02	27
PLN	1.50	1.57	7

	17:00	07:30	+/-, bp
USD 10Y	1.87	1.88	↑ 1
USD 30Y	2.67	2.66	↓ -1
JPY 10Y	-0.02	-0.02	↑ 0
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.21	0.24	↑ 3
DKK 10Y	0.53	0.59	↑ 6
SEK 10Y	0.50	0.54	↑ 4
NOK 10Y	1.43	1.43	↑ 0
PLN 10Y	2.94	2.92	↓ -3

* As of closing previous trading day



Credit spread, iTraxx s. 11*	07:30	1day	1month
Europe (IG)	92	↓ 0	↓ -26
HiVol	111	↓ 0	↓ -31
Xover (N-IG)	377	↓ 0	↓ -79
Finan. Sr.	99	↓ -1	↓ -29
Finan. Sub.	222	↑ 1	↓ -75
Non-finan.			



Swap Spread, bp**	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-16	-16	↓ 0
	07:30(-1)*	17:00	+/-
EUR 10Y	0	16	↑ 16
DKK 10Y	39	37	↓ -2
SEK 10Y	43	43	↑ 0
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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