

Danske Daily

Market movers today

- In the **UK**, the labour market report for March is due. We estimate the unemployment rate (3M average) will be unchanged at 4.7% while we estimate the annual growth rate in average weekly earnings (3M average) declined to 2.0% y/y from 2.3% y/y. The combination of higher inflation and slower wage growth means real wage growth is turning negative, implying less scope for private consumption growth. This is one of the reasons why we expect UK GDP growth to slow this year. Indeed, we have seen the first signs that this is actually happening. In recent months, retail sales have plunged the most since the financial crisis and although it is a weak indicator, it is a sign that private consumption growth has actually slowed.
- Otherwise, there is very little happening on the data and macro front ahead of the Easter holiday
- **Note.** Due to the Easter holidays, the next publication of Danske Daily will be Tuesday 18 April.

Selected market news

Geopolitical tensions keep rising as the US Secretary of State Rex Tillerson accused Russia of trying to shield Syria's government from the blame for a deadly gas attack (full story [Reuters](#)). However, in a Fox interview, Donald Trump stated that he has no plans of 'going into Syria'. Tensions are also rising on the Korean peninsula, where the Japanese navy plans to join the US navy in deterring the North Korean regime from further missile tests.

Swedish inflation decreased in March (CPI: 1.3% and CPIF: 1.5%) and printed well below both market expectations and the Riksbank's target. While the timing of Easter holds some of the explanation (some rebound can be expected in April), the Riksbank's chances of reaching the 2% inflation target over the next couple of years seem slim, given that significant wage drift on top of central wages will be necessary, a trend not observed in recent years. See [Strategy - Sweden: Pressure on Riksbank amid low inflation and low wage deals](#), 11 April.

The Bank of Japan (BoJ) and Ministry of Finance have released their balance of payment data (i.e. **Japanese investor flows**) for February. While the Japanese investor decreased their holdings of foreign debt generally, the most noteworthy was the fact that Japanese investors accounted for net selling of more than EUR12bn of French government bonds, while increasing their purchases of German government bonds. This 'safe haven' flow is likely to be closely related to the political uncertainty stemming from the upcoming French election. See [Strategy: Japanese investor flows into US, UK, EU and Scandi sovereigns](#), 11 April.

Yesterday's risk-off moves seen in the European and American markets have spilled into the Asian session, with Hang Seng trading slightly lower and Nikkei losing some 1.2% at the time of writing. It should be noted that USD/JPY has moved below the 110 mark for the first time since mid-November last year and has been trading in the 109.40-109.50 range this morning.

Customer satisfaction

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Selected readings from Danske Bank

- [Flash Comment Czech Republic: EUR/CZK to head lower over medium-term after CNB removes floor](#)
- [Research Germany: Status-quo after the 2017 parliamentary election?](#)
- [Fed's 'Quantitative Tightening': Fixed Income Implications](#)
- [French Election Monitor # 1](#)
- [Research: Global deflation set to lose steam](#)

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Fixed income markets

French election fears are once again setting the tone in market with the 2Y OAT yield now having jumped 10bp since the end of last week.

There is extremely heavy EGB supply today in the slow Easter market. The Irish NTMA will be in the market with a dual tap (EUR1-1.5bn) in the 23s and 26s. See *FI Strategy - Ireland is tapping in the Mar-23 and the May-26 bonds*, 11 April.

Portugal is also active in the belly with taps in the Oct 22s and Oct 25s. See *FI Strategy - Portugal is tapping in the PGB '22 and PGB '25*, 11 April. We also have up to EUR10bn of Italian supply in the new Jun 20s, Mar 24s, Mar 30s and Sep 36s and a EUR3bn German tap in the benchmark 10Y.

The pressure is mounting on the Riksbank as the March inflation print again undershot its target and market expectations. While a fair bit of the decline is due to 'Easter effects' and some rebound in April is expected, the chances of reaching the 2% target seem slim. See more *Strategy - Sweden: Pressure on Riksbank amid low inflation and low wage deals*, 11 April.

FX markets

On a day where Swedish inflation surprised on the downside relative to consensus and the Riksbank's projection, we only got a EUR/SEK rallying in yesterday's session initially. As previously seen, EUR/SEK spikes on data releases have opened up for selling interests and this time was no different. To us, the inflation print is not enough to change our call on the Riksbank ahead of the 27 April meeting: we still pencil in an end to QE on worsening bond liquidity and that the Riksbank will counter SEK strength by flattening the rate path. That, however, does not change the fact that the inflation outlook will prove more challenging than the Riksbank expects, not least as the industrial wage negotiations have provided little inflationary support (see our *tweet*, 11 April). As a result, we still see the downside potential for EUR/SEK as rather limited and consider the cross to be a tactical range play... also in coming months.

On the Swedish CPI release, EUR/NOK moved lower initially, highlighting the importance of understanding NOK/SEK interests. The cross reached the 200D-MA but has since erased its gains as the SEK rallied. Relative rates and the oil price still suggest some 'NOK catch-up' given the latest reversals and as long as risk sentiment/oil does not tumble, tactically we like being short EUR/NOK.

Key figures and events

Wednesday, April 12, 2017

| | | | | Period | Danske Bank | Consensus | Previous |
|-------|-----|---|---------|--------|-------------|------------|-----------|
| 3:30 | CNY | PPI | y/y | Mar | | 7.5% | 7.8% |
| 3:30 | CNY | CPI | y/y | Mar | | 1.0% | 0.8% |
| 8:00 | SEK | Prospera inflation expectations | | | | | |
| 9:00 | ESP | HICP, final | m/m y/y | Mar | | 1.1% 2.1% | 1.1% 2.1% |
| 10:30 | GBP | Average weekly earnings ex bonuses (3M) | y/y | Feb | 2.0% | 2.1% | 2.3% |
| 10:30 | GBP | Unemployment rate (3M) | % | Feb | 4.7% | 4.7% | 4.7% |
| 14:30 | USD | Import prices | m/m y/y | Mar | | -0.2% 4.0% | 0.2% 4.6% |
| 16:00 | CAD | Bank of Canada rate decision | % | | 0.50% | 0.50% | 0.50% |
| 16:30 | USD | DOE U.S. crude oil inventories | K | | | | 1566 |
| 20:00 | USD | Budget statement | USD bn | Mar | | -150.0 | -108.0 |

Source: Bloomberg, Danske Bank Markets

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