

Danske Daily

Key news

- Markets calming on easier Cyprus budget terms and decent US, Chinese data.
- Fed speakers reiterating the case for continued Fed balance-sheet expansion.
- Focus today on Norwegian PMI and jobs data; ADP and non-manufacturing ISM in the US ahead of ‘the big central bank day’ tomorrow.

Markets Overnight

A little calm on markets yesterday after Cyprus was granted two additional years (to 2018) to meet budget requirements, Italian policymakers started work on government programme proposals, and data showing US factory orders rose a stronger-than-expected 3.0% in February and that China staged a rise in both of its two non-manufacturing PMIs in March. Notably, Italian, Spanish and Greek bond yields dropped markedly yesterday (by some 10-20bp) underlining that past weeks’ turmoil is retreating a little.

Loads of Fed talking with both Lockhart and Kocherlakota providing the case for further monetary easing when speaking on Tuesday. Overnight, Fed’s Evans (voter) and Lacker (non-voter) speaking at an event in Richmond debated the merits of the Fed’s QE programme, both repeating their well-known stances that the Fed must do more versus the potential negative consequences of the set-up, respectively. However, watch out for more Fed speeches later in the week with notably Bernanke and Yellen (potentially Bernanke’s successor) both speaking on Thursday ahead of the March FOMC minutes next week.

In **equity markets** the US session generally saw small gains, whereas the Asian one has been somewhat mixed albeit Nikkei taking back some of yesterday’s lost territory, up around 2% at the time of writing on a JPY weakness, as the ‘new’ Bank of Japan convenes. **US bond yields** slightly higher led by the long end with the 10Y and 30Y up 2bp at the close, thus reversing some of curve flattening seen in the past session. In **FX markets**, USD is also fighting back with gains against most other major currencies except AUD, which has been propped up by a smaller-than-forecast trade deficit in February. Overnight the uncertainty over who to head the Reserve Bank of Australia beyond Q3 was taken out of the equation as current governor Stevens was reappointed for three years; his term due to run out mid September just ahead of the country’s general election.

Today markets will likely stay sidelined in the absence of key events ahead of ‘the big central bank day’ tomorrow; see our [ECB Preview: An instrument for SMEs](#), 2 April. for details on possible ECB outcomes and likely reactions in rates and EUR. We estimate the likelihood of a 25bp refi-rate cut to be around 25%.

Market movers today:

- NOK: PMI, unemployment
- EUR: CPI
- DKK: currency reserve
- USD: ADP report, non-manufacturing ISM

Market overview

	07:30	1 day +/-, %	
S&P500 (close)	1570.3	↑ 0.52	
S&P500 fut (chg from close)	1564.8	↑ 0.03	
Nikkei	12289.9	↑ 2.39	
Hang Seng	22328.7	↓ -0.18	
	17:00	07:30	+/-, bp
US 2y gov	0.24	0.24	↓ -0.4
US 10y gov	1.85	1.85	↑ 0.0
iTraxx Europe (IG)	121	121	↑ 0.5
iTraxx Xover (Non IG)	469	471	↑ 1.5
			+/-, %
EUR/USD	1.283	1.281	↓ -0.23
USD/JPY	93.490	93.510	↑ 0.02
EUR/CHF	1.22	1.22	↓ -0.09
EUR/GBP	0.849	0.849	↑ 0.03
EUR/SEK	8.312	8.314	↑ 0.03
EUR/NOK	7.46	7.46	↓ -0.03
Oil Brent, USD	110.5	110.3	↓ -0.18
Gold, USD	1582.8	1568.1	↓ -0.93

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

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Global Daily

Focus today. Today Bank of Japan (BoJ) starts a two-day policy meeting with new governor Kuroda at the helm. The new leadership will announce its decision early Thursday morning and we expect further easing. In the euro area, Italy will step out of the spotlight for a while, as President Napolitano said yesterday that advisers need 8-10 days for results. Focus will then turn to the ECB meeting on Thursday. We do not expect a rate cut by the ECB but put the likelihood at 25%. Instead we think Mario Draghi will present a new non-standard measure targeted at improving credit conditions for small and medium-sized companies, see more in our *ECB preview*, 2 April. Today we get euro-area CPI for March, which is expected to decline to 1.6% from 1.8% in February. In the US, the ISM non-manufacturing index is expected to decrease to 55.6 in March from 56.0 in February. The index has been relatively upbeat for some time now and we expect it to decline in line with ISM manufacturing.

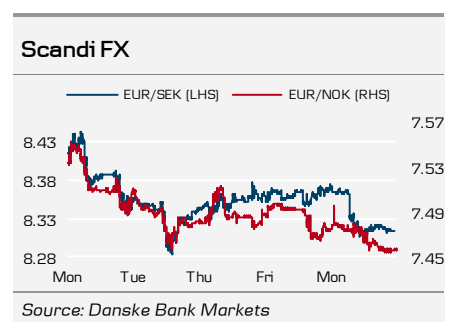
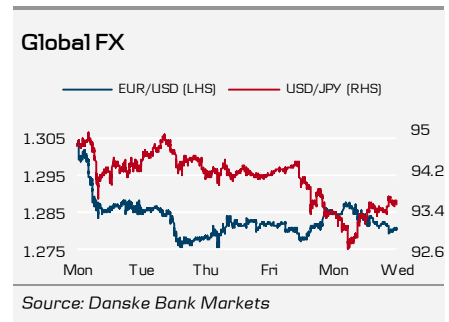
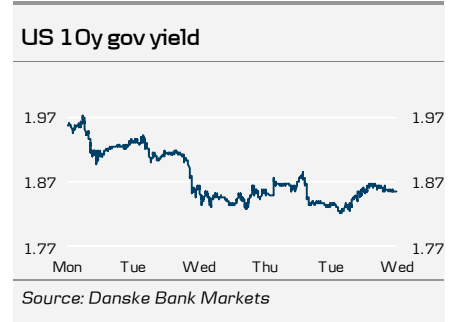
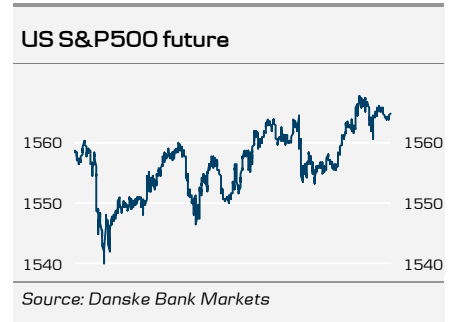
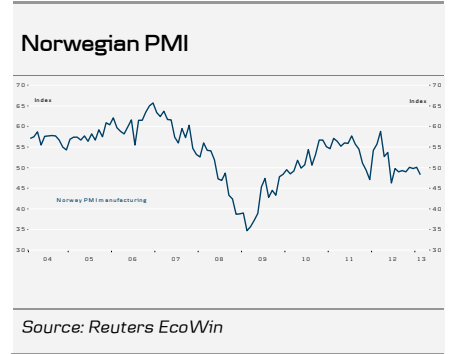
Fixed income markets. With 10Y Bund yields closing yesterday at 1.31% (+2bp on the day) we are only 15bp from an all-time low. Despite this remarkably low level, we think the market will be in waiting mode until tomorrow's ECB meeting and press conference and will go into the meeting with expectations tilted towards further easing. The short-term direction will depend on the meeting's outcome. Today, Sweden will tap SEK3.5bn of the Nov-23 bond (SGB1057).

FX markets. Scandi and US data in focus ahead of the key policy meetings tomorrow. We look for Norwegian PMI to rise and the unemployment rate to decline, underscoring the health of Norway's economy – not least relative to the rest of Europe – which could act to extend the recent drop in EUR/NOK. With our economists looking for a drop in the non-manufacturing ISM, the greenback could be in for some weakness today but for USD much will likely depend on how the ADP report plays out, as this will set the scene for payroll expectations ahead of Friday's release.

Scandi Daily

Denmark. Currency reserve data due for release. DKK has been reasonably stable below its central parity rate against the euro in March, so we expect the data to show that the central bank did not need to intervene.

Norway. PMI and unemployment data set for release. Regarding the LFS unemployment for January (December-February), there has been a growing gap between the LFS and NAV jobless measures in recent months, which we believe is due to mismatch problems in the labour market. We expect LFS unemployment to fall to 3.5%. In addition, we will see the first signs of how hard the slowdown in oil-related industries hits industrial activity with the release of PMI data for March. We expect a moderate increase in the index to 49.5.



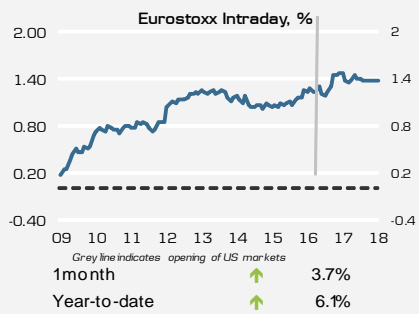
Key figures and events

Wednesday, April 3, 2013			Period	Danske Bank	Consensus	Previous
-	EUR	ECB announces allotment in 7-day (USD)				
1:30	USD	Fed's Evans (voter, dove) speaks				
2:30	AUD	Trade balance	AUD m.	Feb		-1057
3:45	CNY	HSBC services PMI	Index	Mar		52.1
9:00	NOK	PMI	Index	Mar	49.5	48.3
10:00	NOK	Unemployment (LFS)	%	Jan	3.5%	3.6%
10:30	GBP	PMI construction	Index	Mar		46.8
11:00	EUR	CPI estimate	y/y	Mar	1.6%	1.7%
13:00	USD	MBA Mortgage Applications				1.8%
14:15	USD	ADP employment	1000	Mar	186	198
16:00	USD	ISM (NAPM) non-manufacturing	Index	Mar	55.6	56.0
16:00	DKK	Currency reserves	DKKbn	Mar		483.2
21:30	USD	Fed's Williams (non-voter, due) speaks				

Source: Bloomberg, Danske Bank Markets

Today's market data: 03 April 2013

STOCKS



Index	Close	Change	%
DJSTOXX50	2735	↑	14%
OMXC20	541	↑	12%
OMXS30	1210	↑	0.7%
OSE BX	475	↑	0.8%
DOW JONES	14662	↑	0.6%
NASDAQ	3255	↑	0.5%
S&P500	1570	↑	0.5%
NIKKEI (07:30)	12290	↑	14%

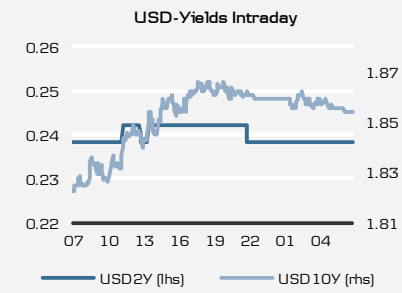
FX & COMMODITIES



EUR	17:00	07:30	Change	%
USD	128.34	128.05	↓	-0.29
JPY	119.99	119.74	↓	-0.25
GBP	84.86	84.89	↑	0.02
NOK	745.86	745.62	↓	-0.24
SEK	831.22	831.43	↑	0.21
DKK	745.45	745.43	↓	-0.02
PLN	418.91	418.27	↓	-0.64
USD	17:00	07:30	Change	%
JPY	93.49	93.51	↑	0.02
GBP	151.24	150.85	↓	-0.39
CHF	94.89	95.01	↑	0.12

Commodity	07:30	Change	%
Gold, \$	1568.11	↓	-0.39
Brent, \$	110.30	↓	-0.10
CRB	293.52	↓	-0.16
CRB, Raw Industrials	538.62	↑	3.35

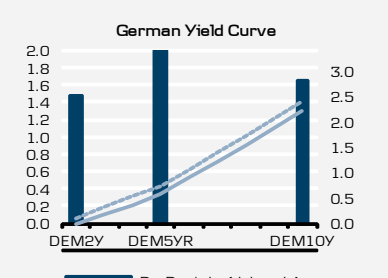
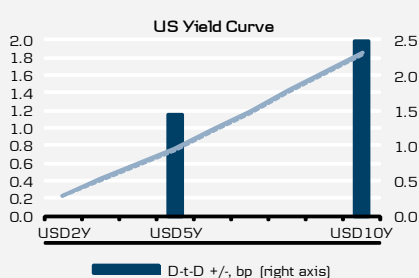
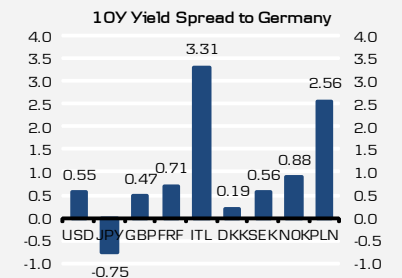
YIELDS & INTEREST RATES



Policy Rate	3M	Spread, bp	
USD	0.25	0.28	3
EUR	0.75	0.21	-54
GBP	0.50	0.51	1
DKK	0.30	0.26	-4
SEK	1.00	1.24	24
NOK	1.50	1.87	37
PLN	3.25	3.28	3

Yield	17:00	07:30	Change	bp
USD 10Y	1.85	1.85	↑	0
USD 30Y	3.10	3.09	↓	0
JPY 10Y	0.56	0.56	↓	0

* As of closing previous trading day



Credit spread, iTraxx s. 11*	07:30	1day	1month
Europe (IG)	121	↓ -5	↑ 4
HiVol	179	↓ -6	↑ 6
Xover (N-IG)	471	↓ -17	↑ 21
Finan. Sr.	186	↓ -9	↑ 26
Finan. Sub.	301	↓ -14	↑ 25
Non-finan.	31	↓ 0	↓ -10



Swap Spread, bp**	17:00	07:30	Change
USD 10Y			
JPY 10Y	16	16	↑ 0
EUR 10Y	0		
DKK 10Y	37	35	↓ -2
SEK 10Y	35	31	↓ -4
NOK 10Y	51	49	↓ -2

* Ask price

* As of closing previous trading day

** Ask price

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