

# Danske Daily

## Market movers

- Today we have a relatively light calendar with the **US flash estimate for Markit services PMI** in April as the only notable data release. The services PMI has been much more resilient than the manufacturing PMI but it is expected to have eased slightly from its high level above 59 in March.
- **ECB Council members Coeure and Constancio** are both scheduled to speak today in connection with a conference on ‘European Financial Integration and Stability’ in Brussels.
- Outside Scandinavia focus should at least temporarily turn from Greece to the Fed and US data this week. We expect the Fed to largely repeat the message from the previous meeting in its statement on Wednesday and to view the current weakness as temporary, see *FOMC preview* released this morning.
- US data this week include Q1 GDP (Wednesday), the employment cost index (Thursday) and ISM manufacturing (Friday). In the euro area the main data releases are money and credit growth (Wednesday) and preliminary CPI (Thursday) where we look for an end to deflation with a rise in the inflation rate from -0.1% y/y to 0.1% y/y.
- On Wednesday focus turns to the Riksbank meeting where we look for a rate cut of 10bp and an expansion of the QE programme of SEK30bn to a total of SEK70bn, see *Weekly Focus: Riksbanken to add fuel to the currency war*, 24 April.

## Selected market news

As expected, the **Eurogroup meeting on Friday did not get us any closer to a solution between Greece and the EU**. Despite signals from the Greek prime minister and finance minister that the parties were getting closer to a deal, there were no such signals from the meeting. Instead euro-area finance ministers expressed great frustration over what one finance minister described as Varoufakis’s lecturing style and failure to make good on his pledges, see *Bloomberg* and *FT*. The Greek finance minister is also facing challenges at home, as a poll showed declining support for his confrontational style to 46% from 56% one month ago. We continue to expect a solution during summer but not until it is absolutely necessary to keep Greece in the euro, see *Grexist – what if? Don’t expect any solution before the summer crunch time*, 22 April.

**US stock markets rose further Friday as S&P500 closed at a new high** on the back of decent earnings reports. Asian markets were mostly higher overnight. On Friday US durable goods orders showed more weakness in April likely due to continued declines in investments in the hard hit energy sector. US bond yields fell in response and the first Fed hike priced in the market has been pushed to Dec/Jan. However, we expect data surprises to go higher over coming months and continue to look for a September hike, see *Strategy: US-euro surprise gap set to close*, 24 April.

## Market overview

	07:30	1 dag +/- %	
S&P500 (lukning)	2117.7	↑	0.23
S&P500 fut (ændr. fra lukning)	2112.6	↓	0.04
Nikkei	19953.2	↓	-0.33
Hang Seng	28426.7	↑	1.30
	17:00	07:30	+/- bp
US 2 års stat	0.51	0.51	↓ -0.4
US 10 års stat	1.91	1.90	↓ -1.0
iTraxx Europe (IG)	62	62	↑ 0.2
iTraxx Xover (Non IG)	271	272	↑ 1.0
			+/- %
EUR/USD	1.087	1.086	↓ -0.02
USD/JPY	118.99	119.00	↑ 0.01
EUR/CHF	1.04	1.04	↑ 0.08
EUR/GBP	0.716	0.715	↓ -0.13
EUR/SEK	9.377	9.388	↑ 0.12
EUR/NOK	8.46	8.46	↓ -0.06
			USD
Olje Brent, USD	65.1	65.1	↑ 0.09
Guld, USD	1178.0	1183.1	↑ 0.44

### 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

- *FOMC preview: Fed to downplay Q1 data weakness*, 27 April 2015

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## Scandi markets

There are no key movers today. See FX markets below for more on SEK and the Riksbank meeting.

## Fixed income markets

Focus this week will once again be on central banks. At the FOMC meeting (Wednesday, statement only) we expect the statement to acknowledge the weakness in recent data but that the Committee views this as temporary. We do not expect a change in FOMC's approach of being data dependent in its timing of normalisation of rates and we continue to view the September meeting as most likely.

In Sweden, we expect the Swedish Riksbank (Wednesday) to cut the repo rate by an additional 10bp and expand the QE programme by SEK30bn to a total of SEK70bn. Great expectations are built into this meeting (also more than we expect) and the important thing to keep in mind is that the Riksbank is in a catch-22. Should it decide to do nothing, the SEK will strengthen and rates rise, effectively forcing the Riksbank to act as it has promised to do should monetary policy conditions tighten.

This week more than EUR60bn will be returned to investors in coupon and redemptions and the high month-end index extension flow should support the govie market (see *Very high month-end index boost*, 21 April).

## FX markets

The USD sold off again on Friday with EUR/USD temporarily touching 1.09 following the weaker-than-expected US durable goods order data. For some time there has been a very large gap between the euro economic surprise index and the US economic surprise index, reflecting that euro-area data consistently have been beating expectations in early 2015, whereas the opposite has been the case in the US. We expect the tendency for negative US data surprises to reverse in the coming months – in particular driven by an improvement in private consumption data. At the same time, we expect the series of positive euro-zone data surprises to end for now, as expectations have been raised for economic data making it harder to beat them. Moreover, we note that euro-area surveys have now reached quite high levels, making it harder to deliver further increases. As the surprise gap closes, this should eventually pave the way for another leg down in EUR/USD and we still expect the cross to test parity in the coming three to six months ahead of a Fed lift-off in September.

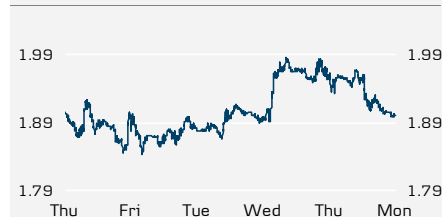
In the Scandi FX markets, focus this week will be on the Riksbank meeting on Wednesday where we expect a small repo rate cut (10bp) to -0.35% and an expansion of the Riksbank QE programme of SEK30bn (to SEK70bn in total). While we acknowledge that our forecast is accompanied by considerable uncertainty, we do not think that our call is very aggressive compared with our perception of consensus. Hence, if the Riksbank only cut interest rates and generally express a readiness to do more if needed, it would probably trigger a lower EUR/SEK. In our view, the Riksbank would not want to see that outcome so we think that if it just cut the rate it would soon have to return with further action. We expect EUR/SEK to remain caught between the ECB and the Riksbank and expect the cross to continue to range trade in the coming months targeting EUR/SEK at 9.40 in three months.

### US S&P500 future



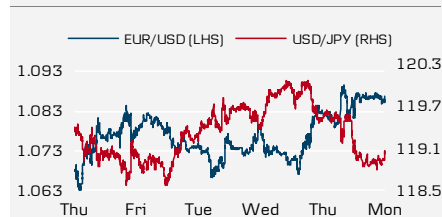
Source: Danske Bank Markets

### US 10y gov yield



Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

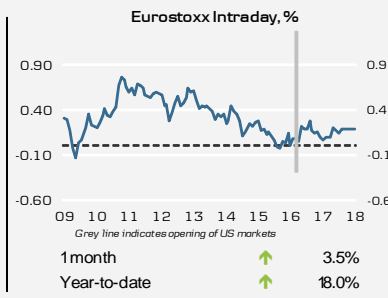
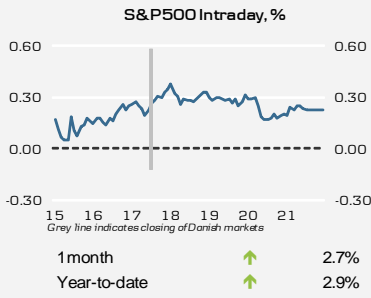
Key figures and events

Monday, April 27, 2015			Period	Danske Bank	Consensus	Previous
9:00	CHF	SNB Sight Deposits				
10:30	EUR	ECB's Constancio & Coeure speaks in Brussels				
15:45	USD	Markit service PMI, preliminary	Index	Apr	59.5	59.2
15:45	USD	Markit composite PMI, preliminary	Index	Apr		59.2

Source: Bloomberg, Danske Bank Markets

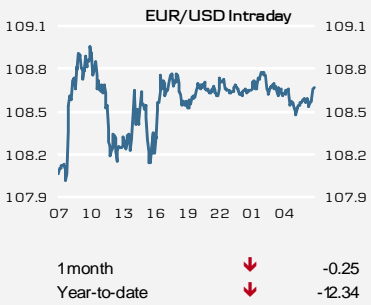
Today's market data: 27 April 2015

STOCKS



	Close		+/-
DJSTOXX50	3545	↑	0.2%
OMXC20	995	↑	1.0%
OMXS30	1699	↑	0.5%
OSE BX	651	↑	0.0%
<b>Close +/-</b>			
DOW JONES	18080	↑	0.1%
NASDAQ	5092	↑	0.7%
S&P500	2118	↑	0.2%
NIKKEI (07:30)	19953	↑	0.2%

FX & COMMODITIES

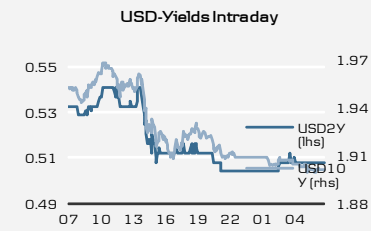


EUR	17:00	07:30	+/-
USD	108.66	108.64	↓ -0.02
JPY	129.29	129.28	↓ -0.01
GBP	71.63	71.54	↓ -0.09
NOK	846.40	845.90	↓ -0.50
SEK	937.66	938.80	↑ 1.14
DKK	746.16	746.15	↓ -0.01
PLN	402.72	403.47	↑ 0.75
<b>USD</b>			
JPY	118.99	119.00	↑ 0.01
GBP	151.70	151.87	↑ 0.17
CHF	95.29	95.39	↑ 0.10

	07:30		+/-
<b>Gold, \$</b>	1183.12		
1 day	↑	3.68	↓ -0.15
1 month	↓	-15.63	↑ 8.72
Year-t-date	↓	-1.74	↑ 7.80
<b>Oil, Brent, \$</b>			
07:30			65.13
1 day	↑	3.68	↓ -0.15
1 month	↓	-15.63	↑ 8.72
Year-t-date	↓	-1.74	↑ 7.80
<b>CRB</b>			
1M future	224.05		467.71
1 day	↑	0.36	↑ 2.01
1 month	↑	8.89	↓ -4.96
Year-t-date	↓	-5.90	↓ -24.40

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

YIELDS & INTEREST RATES

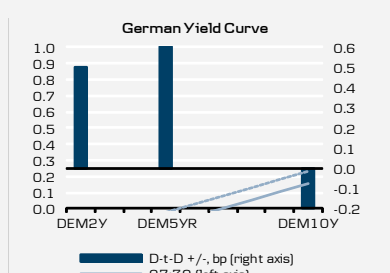
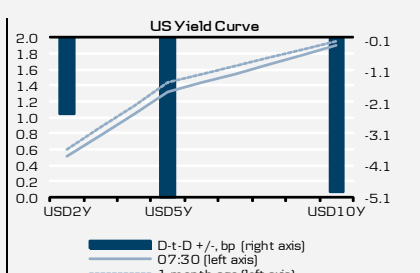
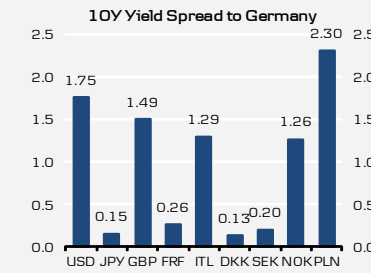


	Policy Rate	3M	Spread, bp
USD	0.25	0.28	3
EUR	0.05	0.00	-5
GBP	0.50	0.57	7
DKK	0.05	-0.23	-28
SEK	-0.25	-0.20	5
NOK	1.25	1.49	24
PLN	1.50	1.55	5

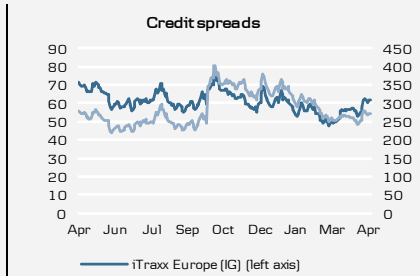
	17:00	07:30	+/-, bp
USD 10Y	1.91	1.90	↓ -1
USD 30Y	2.61	2.60	↓ -1
JPY 10Y	0.29	0.31	↑ 2
<b>As of closing previous trading day</b>			
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.16	0.16	0
DKK 10Y	0.29	0.28	↓ -1
SEK 10Y	0.35	0.36	↑ 1
NOK 10Y	1.42	1.42	0
PLN 10Y	2.49	2.46	↓ -3

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

\* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	62	↓ 0	↑ 6
HiVol	61	↑ 0	↑ 1
Xover (N-IG)	272	↓ 0	↑ 9
<b>Finan. Sr.</b>			
Finan. Sr.	74	↑ 0	↑ 7
Finan. Sub.	151	↑ 0	↑ 14
<b>Non-finan.</b>			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	8	8	↑ 0
<b>As of closing previous trading day</b>			
	07:30(-1)*	17:00	+/-
EUR 10Y	0	22	↑ 22
DKK 10Y	35	35	↓ 0
SEK 10Y	49	50	↑ 1
NOK 10Y	56	56	↓ 0

\* Ask price

\*\* Ask price

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