

Danske Daily

Market movers today

- ECB's Asmussen speaks on Europe's fundament this morning. Otherwise, the calendar is very thin.
- US and UK markets are closed and liquidity is likely to be lower than usual.
- There are several important Scandi data releases. In Sweden April retail sales will be one of the first activity indicators that are released for Q2 and in Norway labour market data are due. *For more on Scandi markets see page 2.*

Selected market news

Minutes of Bank of Japan April meeting released. Overnight *minutes from the 26 April Bank of Japan (BoJ) meeting* were released. This was the first meeting after the step-up in quantitative easing on 4 April and saw the BoJ commit to reaching its inflation target within three fiscal years. However, the minutes showed some division developing across the board, with a few members doubting whether it would be possible to reach the 2% inflation target towards the latter half of the projection period to March 2016. BoJ board members Kiuchi and Sato both dissented against the economic forecasts, holding the view that they were too ambitious, and both made proposals to water down the commitment to monetary easing. Notably, Kiuchi suggested limiting the period of ultra-loose monetary policy to two years and review it thereafter. However, the proposal was defeated by majority vote, as only Kiuchi voted in favour of it.

BoJ Governor Kuroda backs bullish asset market views. Speaking in Tokyo, Kuroda said that there are no signs investors have 'excessively bullish expectations' and that Japanese financial institutions have sufficient buffer against losses from rises in yields, citing an April BoJ report (see wrap-up on *Reuters*). However, the comments from the BoJ Governor have so far failed to ease market volatility, as witnessed by the sharp moves this morning.

Downward correction in Japanese equities resumes. Japanese stocks are tumbling this morning, trading at levels close to the trough reached on Friday before selling pressure eased. The downside correction has thus taken Japanese equities 11% lower (at the time of writing) since the peak on Thursday. Although last week saw the release of disappointing economic data from China and further discussion on Fed tapering, it seems hard to justify a move of such magnitude by fundamental factors. Rather, it seems like a correction overdue, following the recent strong gains in Japanese equities (Japanese equities are still up 18% since early April). However, this morning the minutes from the April BoJ meeting may have contributed to the fall. There are several Japanese key data releases this week (see *Weekly Focus*) and the Chinese PMI on Saturday will also be important for market participants, following the soft data last week.

Market overview				
	07:30	1 day +/- %		
S&P500 (close)	1649,6	↓	-0,06	
S&P500 fut (chng from close)	1653,0	↑	0,15	
Nikkei	14244,3	↓	-2,52	
Hang Seng	22667,9	↑	0,22	
	17:00	07:30		+/-, bp
US 2y gov	0,24	0,25	↑	0,4
US 10y gov	2,00	2,01	↑	0,8
iTraxx Europe (IG)	98	98	↑	0,1
iTraxx Xover (Non IG)	401	402	↑	1,3
				+/-, %
EUR/USD	1,292	1,293	↓	0,06
USD/JPY	101,060	101,050	↓	-0,01
EUR/CHF	1,24	1,24	↑	0,16
EUR/GBP	0,854	0,854	↓	0,09
EUR/SEK	8,591	8,589	↓	-0,03
EUR/NOK	7,54	7,53	↓	-0,08
				USD
Oil Brent, USD	101,9	102,5	↑	0,54
Gold, USD	1387,0	1392,8	↑	0,41

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

- *Weekly Focus: Dark clouds over global markets*
- *Government bonds weekly: Focus on next week's Nordic auctions*

Senior Analyst
 Sverre Holbek
 +45 45 14 88 82
 holb@danskebank.dk

Scandi markets today

In **Sweden** this week we receive the first few indicators on activity in Q2, namely retail sales (today at 09:30 CET) and trade balance. We expect a rise in retail sales of 0.5% m/m in April.

Norway. This week brings the latest labour market statistics from both the LFS and the Labour and Welfare Administration (NAV). These sources have diverged somewhat in recent months but in April we saw slight rises in employment in the LFS data and unemployment in the NAV data, so the gap seems to have narrowed slightly. As an early indication of the state of the labour market, we like to use the NAV's figures for job vacancies. These climbed sharply in April on the back of March figures affected by Easter. Another month of healthy growth in vacancies would, however, convince us that the Norwegian labour market is picking up. This would also confirm our belief that growth is holding around trend in Q2.

Denmark. The ministry for economic affairs and the interior is set to publish updated growth and budget forecasts in May's Economic Survey today at 10:30 CET.

Fixed Income markets

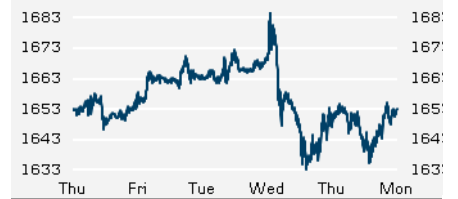
Currently, both the Bund and the US treasury markets are testing the upper part of their recent ranges with the key support levels in 2.00-08% for 10yr Treasuries and 1.45-50% for Bunds. Given the subtle change in Bernanke's communication, the very volatile JGB market and a low bar for a positive data surprise in the euro area, we are not so confident that these levels will hold this time around. For the EUR money market curve we also see heightened risks of further steepening as excess liquidity is declining rapidly. Further positioning remains skewed against low-for-longer and the ECB is already priced to deliver something in terms of either refi or the deposit cut in the coming months. This week is off to a slow start as liquidity is hampered by both the UK and US markets being closed. Further, there are no scheduled bond auctions for today.

FX markets

Last week Bernanke opened the door for an early exit of Fed's QE programme. While an exit is likely to be a very important driver for broad-based USD strength, we think it is still too early to position for a significant move lower in EUR/USD as we still see some support to the cross in the coming months from 1) higher ENIOA rates as we do not expect a cut in the deposit rate by the ECB and 2) we expect European peripheral bond markets to improve further, which according to our models is also a positive factor for the cross, and finally 3) the economic surprise index for the eurozone is at very low levels at the moment and if we start to see some positive macro data surprises it should support the euro. However, while we expect EUR/USD to trade in the high 1.20s in the coming months, we acknowledge that risks are skewed to the downside as the likelihood of an early Fed exit has clearly increased. Moreover, we expect volatility to remain elevated due to the high uncertainty about the timing of the exit.

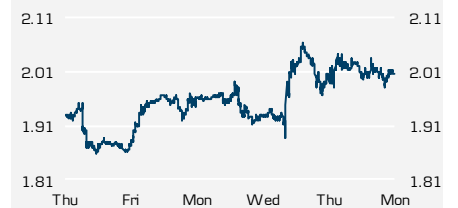
In Scandinavia a very interesting week kicks off today with the release of Swedish retail sales at 09:30 CET and Norwegian unemployment (LFS) data at 10:00 CET. All in all, we look for a weaker Swedish krona over the next couple of weeks and in terms of data, the release of Swedish Q1 GDP data on Wednesday is probably this week's most important event. We expect a weak Q1 GDP, well below the Riksbank's forecast, and if we are right, it will likely strengthen calls for a new rate cut from the Riksbank in July, which is not fully priced in, and a temporary break above 8.70 cannot be ruled out.

US S&P500 future



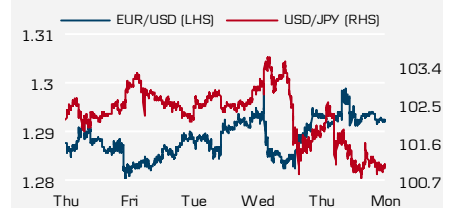
Source: Danske Bank Markets

US 10y gov yield



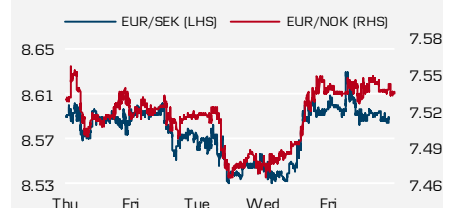
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

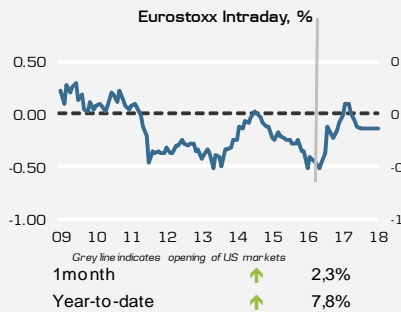
Key figures and events

Monday, May 27, 2013		Period	Danske Bank	Consensus	Previous	
-	EUR	Eurogroup president Dijsselbloem visits Lisbon				
8:30	EUR	ECB's Asmussen speaks in Berlin				
9:30	SEK	Retail sales s.a.	m/mly/y	Apr	0.5% 3.0%	-0.4% 1.8%
9:30	SEK	Sweden's Riksbank releases Financial Stability Report				
10:00	NOK	Unemployment (LFS)	%	Mar	3.4%	3.5%
10:30	DKK	Government presents new Economic Forecast				

Source: Bloomberg, Danske Bank Markets

Today's market data: 27 May 2013

STOCKS



	Close	+/-
DJSTOXX50	2780	↓ -0,1%
OMXC20	544	↑ 0,2%
OMXS30	1217	↓ -0,6%
OSE BX	487	↑ 0,2%
DOW JONES	15303	↑ 0,1%
NASDAQ	3459	↓ 0,0%
S&P 500	1650	↓ -0,1%
NIKKEI (07:30)	14244	↓ -0,1%

FX & COMMODITIES

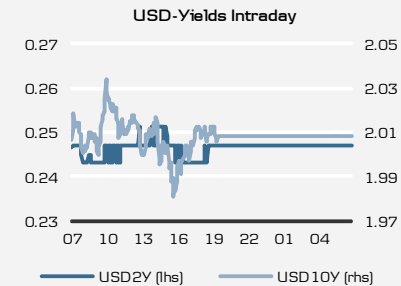


	17:00	07:30	+/-
EUR			
USD	129,17	129,25	↑ 0,08
JPY	130,54	130,60	↑ 0,06
GBP	85,37	85,45	↑ 0,07
NOK	754,08	753,47	↓ -0,61
SEK	859,14	858,88	↓ -0,26
DKK	745,34	745,39	↑ 0,05
PLN	419,54	419,96	↑ 0,42
USD			
JPY	101,06	101,05	↓ -0,01
GBP	151,30	151,26	↓ -0,04
CHF	96,21	96,30	↑ 0,09

	07:30	Oil, Brent, \$	+/-
Gold, \$	1392,78	102,47	
1day	↑ 6,13	↓ -0,17	
1month	↓ -69,31	↓ -0,69	
Year-t-date	↓ -282,57	↓ -8,64	
CRB		CRB, Raw Industrials	
1M future	284,89	522,84	
07:30			
1day	↓ -1,14	↓ -0,19	
1month	↓ -0,51	↓ -2,49	
Year-t-date	↓ -10,12	↓ -7,56	

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

YIELDS & INTEREST RATES

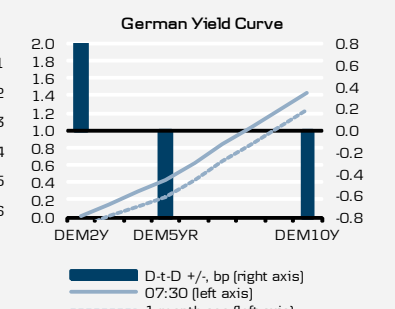
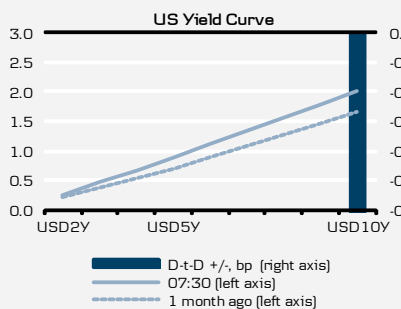
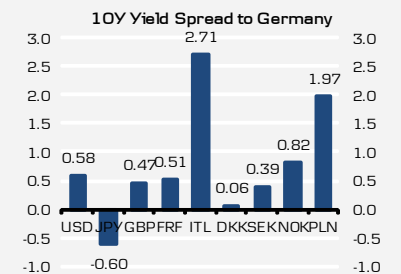


	Policy Rate	3M	Spread, bp
USD	0,25	0,27	2
EUR	0,50	0,20	-30
GBP	0,50	0,51	1
DKK	0,20	0,24	4
SEK	1,00	1,19	19
NOK	1,50	1,76	26
PLN	3,00	2,66	-34

	17:00	07:30	+/-, bp
USD 10Y	2,00	2,01	↑ 1
USD 30Y	3,17	3,17	↓ 0
JPY 10Y	0,83	0,83	↓ 0
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	1,44	1,43	↓ -1
DKK 10Y	1,51	1,49	↓ -2
SEK 10Y	1,84	1,82	↓ -3
NOK 10Y	2,25	2,25	↑ 0
PLN 10Y	3,49	3,41	↓ -8

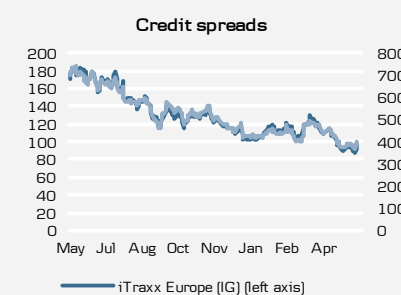
* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

* As of closing previous trading day



Credit spread, iTraxx s. 11*

	07:30	1day	1month
Europe (IG)	98	↑ 5	↓ -2
HiVol	146	↑ 3	↓ -13
Xover (N-IG)	402	↑ 12	↓ -6
Finan. Sr.	143	↑ 6	↓ -11
Finan. Sub.	206	↑ 10	↓ -42
Non-finan.	20	↑ 0	↓ -3



Swap Spread, bp**

	17:00	07:30	+/-
USD 10Y			
JPY 10Y	14	17	↑ 2
	07:30(-1)*	17:00	+/-
EUR 10Y	0		
DKK 10Y	22	24	↑ 2
SEK 10Y	30	32	↑ 2
NOK 10Y	41	41	↑ 0

* Ask price

** Ask price

Disclosure

This research report has been prepared by Danske Bank Markets, a division of Danske Bank A/S ('Danske Bank').

Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Services Authority (UK). Details on the extent of the regulation by the Financial Services Authority are available from Danske Bank upon request.

The research reports of Danske Bank are prepared in accordance with the Danish Society of Financial Analysts' rules of ethics and the recommendations of the Danish Securities Dealers Association.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors upon request.

Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

Danske Daily is updated on a daily basis.

First date of publication

Please see the front page of this research report for the first date of publication. Price-related data is calculated using the closing price from the day before publication.

General disclaimer

This research has been prepared by Danske Bank Markets (a division of Danske Bank A/S). It is provided for informational purposes only. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change, and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

Disclaimer related to distribution in the United States

This research report is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to "U.S. institutional investors" as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to "U.S. institutional investors".

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA, but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.