

Danske Daily

Market movers today

- The main release will be US consumer confidence for April from University of Michigan. We expect it to be unchanged at 80.0. While the labour market has picked up a bit recently as seen by the strong jobless claims yesterday, a rise in gasoline prices has worked in the other direction on sentiment.
- US PPI is expected to rise 0.1% m/m in March but there may be some upside risk to this as import prices released yesterday rose a bit more than expected in March.
- In Europe final inflation data for March in Germany and Spain are released but we do not expect any revisions. ECB will also announce the repayment on the 3-year LTRO at noon.
- S&P and Moody's will publish sovereign debt ratings for Denmark and Sweden respectively. *For more on Scandi markets see page 2.*

Selected market news

Yesterday Russian President Vladimir Putin threatened to shut down natural gas exports to Ukraine including gas that passes through Ukraine to the rest of Europe. It was only a matter of time before Russia's energy supplies would become a part of the geopolitical conflict over Ukraine. A loss of Russian gas would be a significant blow to the European economy, which gets around 25% of its gas from Russia and around half of that via the Ukraine pipeline, and push energy prices higher. However, it would also be a major loss for the freefalling Russian economy that needs every rouble in gas export revenue it can get. At the G7 meeting in Washington yesterday, finance ministers discussed whether to implement further sanctions on Russia.

Moody's cut its outlook for Turkey's Baa3 rating from stable to negative yesterday citing the heightened political uncertainty as one of the main reasons for the changed outlook. The lira weakened some on the news, which may halt the recent rebound in the currency.

Chinese CPI inflation rose to 2.4% y/y in March from 2.0% y/y in February, which was in line with consensus and a bit above our own expectations. Although inflation accelerated it remains below the government's full year target of 3.5% y/y and the 2.3% y/y drop in PPI highlights that there is currently no inflationary pressure in China.

Base metals, most notably nickel and aluminium, continued to rally yesterday climbing around 2% higher – the nickel price is up more than 20% since the beginning of the year. The Indonesian ban of mineral ore export, which came into effect in January, has engineered the surge in prices by tightening global supplies. However, a recent pickup in China's base metal demand has added further support to prices.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	1833.1	↓ -2.09	
S&P500 fut (chng from close)	1828.6	↑ 0.08	
Nikkei	13988.2	↓ -2.18	
Hang Seng	23010.9	↓ -0.76	
	17:00	07:30	+/- bp
US 2y gov	0.36	0.35	↓ -0.4
US 10y gov	2.64	2.65	↑ 0.6
iTraxx Europe (IG)	71	71	↑ 0.2
iTraxx Xover (Non IG)	277	277	↑ 0.4
			+/- %
EUR/USD	1.388	1.389	↑ 0.06
USD/JPY	101.470	101.630	↑ 0.16
EUR/CHF	1.22	1.22	↑ 0.02
EUR/GBP	0.828	0.829	↑ 0.10
EUR/SEK	9.063	9.077	↑ 0.16
EUR/NOK	8.21	8.23	↑ 0.24
			USD
Oil Brent, USD	107.3	107.2	↓ -0.07
Gold, USD	1320.7	1320.7	↑ 0.00

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

- *China: no export crisis despite weak headline number*
- *EMEA Weekly, Week 16*
- *Research DKK - Another year of negative rates ahead*

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Scandi markets today

S&P will present its rating of Denmark's sovereign debt today and Moody's its rating of Sweden's sovereign debt. Both are expected to confirm the two countries' AAA ratings. Also on the agenda today is unemployment data in Sweden.

Fixed Income markets

Core fixed income markets extend their performance even though the US jobless claims yesterday came out at the lowest level since May 2007. While this is a good indication that activity is improving in the US labour market, it was not enough to change the bullish tone in Treasuries and it adds to the notion that positioning is already for higher rates and that expectations of a weather-related rebound are quite high. Our current recommended trades are biased towards seeing this stabilisation in US fixed income markets and they perform well right now. We continue to see value in being positioned for lower spreads in USD rates versus EUR rates, both on a tactical and a strategic horizon.

The ECB Vice-President last night hinted further at a possible QE programme, as he said that private assets will be included if such a programme were to be undertaken. If QE were to work properly, in the sense that it creates an acceleration in the money supply growth and lift inflation expectations, the ECB will probably also have to make purchases in the government bond markets due to its vast size. We see a good chance that the ECB eventually will be forced to do QE, however, the bar is probably still quite high before any announcements are made.

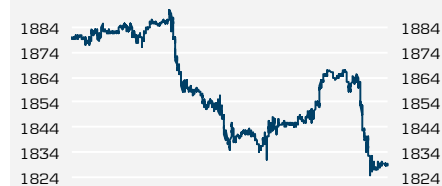
FX markets

The low Swedish inflation and the higher-than-expected Norwegian inflation numbers yesterday once again underlined that monetary policy in Sweden and Norway is on a divergent path at the moment, putting further upward pressure on NOK/SEK. From a technical point of view the next target is 1.1115. Note however, that our short-term financial model cannot explain the latest move higher as the fair-value estimate is currently at 1.085 for NOK/SEK. But all in all we continue to see upside for the cross.

EUR/USD yesterday traded higher in the aftermath of the dovish Fed minutes Wednesday night. Further upside in the short term for EUR/USD is very likely and a test of 1.40 seems likely. However, comments from Bundesbank's Weidmann yesterday that the ECB should discuss what assets a QE programme should buy underlined that eventually the current support to EUR/USD will reverse. However, a new trend lower in the cross should probably not be expected before the ECB starts a new easing round.

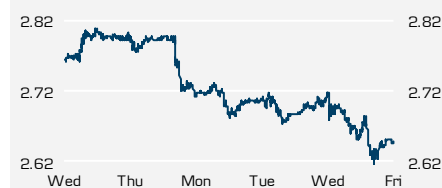
Today we will publish our new FX forecasts in FX Forecast Update.

US S&P500 future



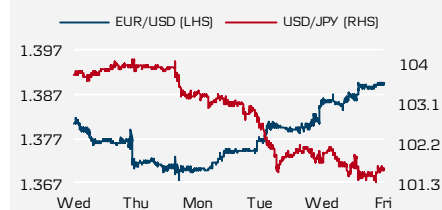
Source: Danske Bank Markets

US 10y gov yield



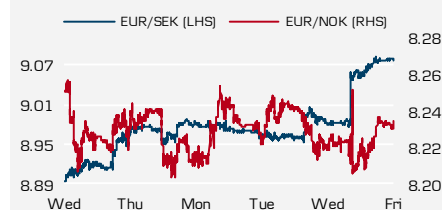
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

Key figures and events

Friday, April 11, 2014

			Period	Danske Bank	Consensus	Previous
-	DKK	Sovereign debt rating (S&P)				AAA
-	SEK	Sovereign debt rating (Moody's)	Apr			AAA
1:50	JPY	Domestic CGPI	Mar	0.10%	1.70%	-0.20% 1.80%
1:50	JPY	Money supply M2	Mar	4.00%		4.00%
1:50	JPY	BoJ Board Minutes				
3:30	CNY	PPI	Mar		-2.30%	-2.00%
3:30	CNY	CPI	Mar	2.30%	2.40%	2.00%
8:00	SEK	PES Unemployment	Mar			4.5%
8:00	DEM	HICP, final	Mar	- 0.90%	0.30%	0.90% 0.30%
9:00	ESP	HICP, final	Mar	- 0.20%		-0.10% -0.20%
12:00	EUR	ECB announces 3-year LTRO repayment				
14:30	USD	PPI	Mar	0.10% 1.10%	0.10%	1.20% -0.10% 0.90%
14:30	USD	PPI core	Mar	0.10% 1.00%	0.20%	1.10% -0.20% 1.10%
15:55	USD	University of Michigan Confidence, preliminary	Apr	80.0	81.0	80.0

Source: Bloomberg, Danske Bank Markets

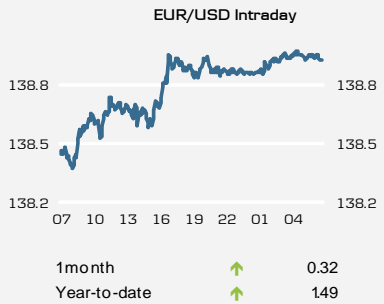
Today's market data: 11 April 2014

STOCKS



	Close	±	%
DJSTOXX50	2918	↓	-0.4%
OMXC20	688	↓	-0.9%
OMXS30	1355	↓	-0.8%
OSE BX	554	↓	0.0%
Close			
DOW JONES	16170	↓	-1.6%
NASDAQ	4054	↓	-3.1%
S&P500	1833	↓	-2.1%
NIKKEI (07:30)	13988	↓	-0.4%

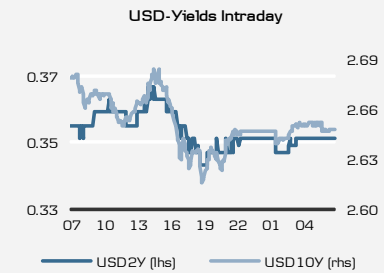
FX & COMMODITIES



EUR	17:00	07:30	±
USD	138.84	138.92	↑ 0.08
JPY	140.87	141.18	↑ 0.31
GBP	82.77	82.85	↑ 0.09
NOK	82147	823.47	↑ 2.00
SEK	906.28	907.71	↑ 143
DKK	746.62	746.63	↑ 0.01
PLN	417.26	417.42	↑ 0.16
USD	17:00	07:30	±
JPY	10147	10163	↑ 0.16
GBP	167.74	167.67	↓ -0.07
CHF	87.69	87.66	↓ -0.03

	07:30	±	%
Oil, Brent, \$	120.65	↓	-0.23
1day	176	↓	-132
1month	-28.32	↓	-3.57
Year-t-date	15.00	↓	
CRB, Raw Industrials	310.19	↓	-0.09
1day	0.67	↓	3.88
1month	5.25	↑	7.07
Year-t-date	30.01	↑	

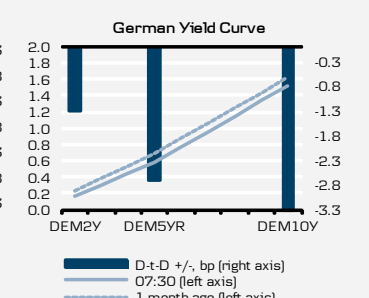
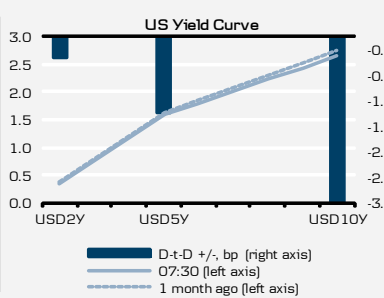
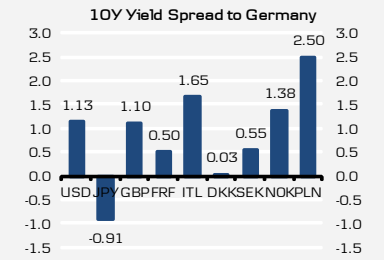
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.25	0.23	-2
EUR	0.25	0.33	8
GBP	0.50	0.52	2
DKK	0.20	0.29	9
SEK	0.75	0.91	16
NOK	1.50	1.76	26
PLN	2.50	2.62	12

	17:00	07:30	±, bp
USD 10Y	2.64	2.65	↑ 1
USD 30Y	3.53	3.52	↓ 0
JPY 10Y	0.61	0.61	↓ 0
07:30(-1)* 17:00 ±, bp			
DEM 10Y	1.55	1.53	↓ -3
DKK 10Y	1.57	1.55	↓ -1
SEK 10Y	2.12	2.07	↓ -6
NOK 10Y	2.90	2.90	↑ 0
PLN 10Y	4.09	4.01	↓ -8

* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	71	↓ 0	↓ -2
HiVol	96	↑ 2	↓ -12
Xover (N-IG)	277	↓ 0	↑ 18
Finan. Sr.	82	↓ 0	↓ -6
Finan. Sub.	121	↑ 1	↓ -11
Non-finan.			



	17:00	07:30	±
USD 10Y	12	12	↑ 1
JPY 10Y	12	12	↑ 1
07:30(-1)* 17:00 ±			
EUR 10Y	0	0	±
DKK 10Y	21	23	↑ 2
SEK 10Y	46	45	↓ 0
NOK 10Y	34	35	↑ 1

* As of closing previous trading day

** Ask price

* Ask price

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First date of publication

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