

# Danske Daily

## ECB stokes further EURphoria

### Market movers today

- The key release today is the US jobs report for May due out 14:30 CEST. We have pencilled in an employment drop of 10 million but given the ‘strong’ private sector ADP jobs report earlier this week, which ‘only’ showed a drop of 2.7 million, we may be too pessimistic. Nonetheless, we have other, newer data suggesting that the US economy is bottoming out, which was also reflected in yesterday’s claims data, which, however, remain elevated. One positive sign is that private consumption is gradually improving (see *US Macro Monitor: Early signs the bleeding is stopping but the wound has not healed, 26 May*).
- The fourth round of EU-UK future relationship negotiations is concluding today (scheduled to end 12:30 CEST). We do not expect there to have been any major breakthroughs, which is the main reason why we are still negative on GBP (see *FX Strategy: Repricing of Brexit premium near term, 27 May*).
- Spanish industrial production and Italian retail sales in April are also due out today – both most likely looked dismal.
- In Norway, we expect mainland GDP fell by 6% m/m in April based on how unemployment has moved (see more overleaf). In Denmark, today is Constitution Day, which is a Bank Holiday and hence the Danish markets are closed.

### Selected market news

ECB policymakers left no doubt about their commitment to support the euro area recovery and contain any undue tightening of financial conditions on the back of increased government bond issuance. They extended the Pandemic Emergency Purchase Programme (PEPP) by another EUR 600bn until June 2021, while confirming that PEPP reinvestments will lend support to markets at least until end-2022 (see *ECB Research: ECB gave markets a PEPP talk, 4 June*). Credit growth, especially to corporations, has accelerated in recent months in a sign that the ECB’s stimulus is supporting the real economy and we think the ECB’s measures are an important element to help the euro area economy back on its feet (see *Euro Area Macro Monitor: Spring is in the air, 5 June*).

Yesterday’s PEPP boost adds to the string of positive surprises that have recently come out of Europe, including the EU’s recovery fund and another German stimulus package, and hence the risk rally in markets showed no signs of abating. Especially Italian bonds cheered the ECB announcement, with the 10Y yield spread to Germany falling by 20bp, while EUR/USD continued to edge higher above 1.13. However, while markets overall remain in a constructive mood, risks still loom in the background from rising tensions between the US and China. The worsening relationship was again illustrated earlier this week, when the Trump administration blocked Chinese airlines from operating in American airspace unless Beijing relaxes restrictions on US airlines. Also in the tech space, China is increasingly working towards independence from the US (see *Research China: NPC vows more support to private sector and SOE reform, 4 June*).

### Selected reading from Danske Bank

- *ECB Research: ECB gave markets a PEPP talk, 4 June*
- *Euro Area Macro Monitor: Spring is in the air, 5 June*
- *Research China: NPC vows more support to private sector and SOE reform, 4 June*
- *The Big Picture: Reopening, recovery and risks, 2 June*

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- *FX Forecast Update*
- *Weekly Focus*

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## Scandi markets

Based on how unemployment moved, we estimate mainland GDP in **Norway** fell a further 6% m/m in April, although the data suggest an improvement following Easter. It is also possible that productivity growth increased, resulting in a smaller fall in output than the rise in unemployment would suggest. It is also worth keeping an eye on the latest economic forecast from Statistics Norway, as recent developments may bring an upward revision of its growth forecast for 2020 from -5.5% last time around.

### Key figures and events

Friday, June 5, 2020			Period	Danske Bank	Consensus	Previous
1:01	GBP	GfK consumer confidence, final	Index	May	-34.0	-34.0
7:00	JPY	Leading economic index, preliminary	Index	Apr	76.3	84.7
8:00	NOK	GDP (mainland)	m/m	Apr	-6.0%	-6.9%
8:00	DEM	Factory orders	m/m/y/y	Apr	-20.0% -31.9%	-15.6% -16.0%
8:00	NOK	Manufacturing production	m/m/y/y	Apr		-3.0% -1.3%
8:00	NOK	Industrial production	m/m/y/y	Apr		1.4% 7.6%
9:00	CHF	SNB balance sheet, intervention	CHF bn	May		799.9
9:30	SEK	Budget balance	SEK bn	May		-38.9
14:30	USD	Unemployment	%	May	20.0%	19.5%
14:30	USD	Average hourly earnings, non-farm	m/m/y/y	May	1.0% 8.9%	4.7% 7.9%
14:30	USD	Non farm payrolls	1000	May	-10000	-8000
14:30	CAD	Net change in full time employment	1000	May		-20537
21:00	USD	Consumer credit	USD bn	Apr	-15.00	-1472
						-12.044

Source: Bloomberg, Danske Bank

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**Report completed:** 5 June 2020, 06:37 CEST

**Report first disseminated:** 5 June 2020, 07:15 CEST