

# Danske Daily

## Equities and oil rebound as efforts to contain the virus strengthen

### Market movers today

- In the absence of major economic releases, focus will continue to be on the coronavirus and how fast it is spreading. In the US, we get the weekly consumer comfort survey, which could be affected by some consumer anxiety, though most likely not, as the virus has not really spread to the US.
- In Europe, the ECB's President Lagarde will address the European Parliament. While we don't expect it to be a near-term market mover, she may reflect on the strategic review, the Green new deal and the ECB's role in climate change.
- As expected, US President Trump was acquitted by the US Senate yesterday evening.

### Selected market news

The positive sentiment in global equity markets continued this morning as China cut tariffs on some US goods. Furthermore, efforts continue to halt the spread of the coronavirus. Hence, we are seeing further reversal in global fixed income markets and currencies, where yields are rising, while the yuan is strengthening and the yen is weakening.

Oil is rebounding on the back of the efforts to contain the virus and on the back of OPEC+ meeting in Vienna to reach a consensus to deal with virus. The discussion is to keep the production cuts for longer or make deeper ones.

US president Trump was cleared in the impeachment trial. This was expected, as the republicans hold the majority in the Senate. Only one Republican senator voted against Trump.

### Selected reading from Danske Bank

- *Flash Comment Denmark: FX intervention continues, we now expect a hike in H1*
- *Research: V-shape scenario for global growth on the back of coronavirus*
- *Brexit Monitor*
- *Euro Area monitor. Housing inflation*

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### Read more in Danske Bank's recent forecasts and publications

- *Nordic Outlook*
- *Yield Outlook*
- *FX Forecast Update*
- *Weekly Focus*

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## Scandi markets

No news out of Scandinavian today.

## Fixed income markets

In the global fixed income markets, the sell-off has continued and pushed yields upwards on the back of news that China may have found a possible cure for the coronavirus. 10Y US Treasury yields have risen almost 10bp from the lows yesterday morning. The Bund ASW-spread continues to trade in a tight range between 37bp and 40bp. We expect the net purchase of German government bonds to pick up after the very modest net purchase in January. Hence, this is likely to be positive for the Bund spread and support the widening.

Today, France and Spain are coming to the market with two regular auctions. France plans to sell in the long end of the curve, including the ultralong bond OAT 1.75% 2066, while Spain will sell in 3Y to 10Y nominals and the 7Y linker. We expect that both auctions will be met with decent demand as there is plenty of liquidity.

## FX markets

The continuation of encouraging virus news alongside better-than-expected service sector data has created a strong cocktail for energy and cyclically sensitive currencies. Not least, the recently battered NOK stands out in that regard. What is more, in yesterday's session both wage and house prices data beat Norges Bank's projections, supporting our view that it is still much too early to draw conclusions over rate cuts. Given the recent sharp selling of the NOK, see chart here, we think we could be in for more near-term NOK strength. For more on the NOK, see here: <http://bit.ly/2vKnhPY>

Like its Scandi neighbour, the SEK has strengthened in the past couple of days. Primarily driven by risk sentiment turning positive, it received an added boost yesterday as services PMI beat expectations, outweighing the weaker-than-expected industrial data. However, given our view on the Swedish economy, EUR/SEK remains a 'buy-on-dips'.

In the majors, lower uncertainty and strong US data have lowered market perception of the risk of a US recession. Consequently, the short end of the US curve has rebounded, the broad USD has strengthened and EUR/USD is back close to the 1.10 level. Near-term risks are for an extension of this move alongside lower G10 FX vols.

In the CEE space, the PLN has continued its strong rally. The NBP meeting yesterday didn't change the PLN's fortunes, despite the governor signalling a bias toward a cut rather than a hike despite inflation hovering around the upper tolerant inflation band in the coming months. The central bank base case is for unchanged rates, as the central bank sees waning economic growth tempering inflation medium term. Near term, we think PLN developments will be in the hands of global risk sentiment, hovering around current levels, as the March NBP meeting is proving to be very important given that the policy committee will have new macro projections.

## Key figures and events

Thursday, February 6, 2020			Period	Danske Bank	Consensus	Previous
8:00	DEM	Factory orders	m/m/y	Dec	0.6% -6.6%	-1.3% -6.5%
8:00	DKK	Bankruptcies (s.a.)		Jan		
8:00	DKK	Enforced sales (s.a.)		Jan		
10:00	EUR	ECB Publishes Economic Bulletin				
14:30	USD	Unit labour cost, preliminary	q/q	4th quarter	0.9%	2.5%
14:30	USD	Initial jobless claims	1000			216
15:15	USD	Fed's Kaplan (non-voter, neutral) speaks				

Source: Bloomberg, Danske Bank

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