

# Danske Daily

## Market movers today

- In terms of global data releases, today is quite boring. We get the **ECB minutes** from the March meeting but we doubt it will provide new insight about the timing of the next step in the normalisation process.
- In **Sweden**, we get CPI inflation data today, see page 2 for details.

## Selected market news

**Risk sentiment turned sour yesterday** driven by geopolitics. Potential US action in Syria in Russian supported areas adds tensions to an already tough dilemma following last week's sanctions on Russia. Oil surged yesterday and now stands at USD66.7 per barrel.

As expected, there was no major news in the **FOMC minutes** released last night. There are a few things worth highlighting: (1) The Fed says trade policy poses a downside risk to the US economy, (2) the Fed thinks the expansionary policy will boost growth over the next years but thinks it is difficult to estimate the magnitude, as the output gap is already nearly closed, (3) 'several' Fed members think it is likely necessary to increase the Fed funds rate above the natural/neutral rate over the next couple of years to avoid overheating the economy and (4) the Fed will continue to shrink its balance sheet despite the USD liquidity situation. We still expect two more hikes this year with risk skewed towards three more hikes. The next hike will most likely come at the June meeting.

**US CPI figures yesterday rose at the fastest pace during the past year, in line with expectations.**

Overnight, sentiment from a joint PBoC/IMF conference suggested that China will **'unquestionably' retaliate** if the US introduces more measures in the trade war. China also said that it already has a detailed plan if needed.

### Selected readings from Danske Bank

- [China Leading Indicators - More signs of \(moderate\) slowdown](#)

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## Scandi markets

Today's March inflation is the last input ahead of the Swedish Riksbank's 26 April decision. For this reason, it is very important. In short, we expect inflation to rebound in March from rates below the Riksbank's forecasts in January and February. However, the picture is split. Higher energy will pull both CPI and CPIF temporarily above the Riksbank's forecast. However, we estimate core inflation, CPIF excluding energy, to remain below, even though we assume a significant Easter effect on international airline tickets, according to the pattern in recent years.

## Fixed income markets

US yields edged lower yesterday amid geopolitical risks. As expected, there was no major news in the FOMC minutes released last night. The Fed will continue the balance sheet despite the recent widening in USD FRA/OIS. Moreover, 'several' Fed members think it is likely necessary to increase the Fed funds rate above the natural/neutral rate over the next couple of years to avoid overheating the economy. As such, we still think the USD money market forward curve is too flat in 2019.

Today, we get the ECB minutes from the March meeting. At the March meeting, the ECB removed the QE flexibility. We doubt the minutes will provide new insights about the timing of the next step in the normalisation process. In fact, recent indicators in the euro area have been sluggish, which could postpone the next step in the ECB announcement. We still disagree on the market-based expectation of the ECB being ahead of the curve.

Today, in European government bond markets, Italy is set to tap in the 0.05% BTPS-21, 1.45% BTPS-25, BTPS-38 and BTPS-48 today. See more in *Government Bond Weekly*.

## FX markets

EUR/USD continued the rally yesterday as the **Russia-Syrian** issue moved to the fore but the uptick was halted by the **slightly hawkish FOMC minutes** last night. While souring risk appetite has recently been a USD positive when deriving from cyclical weakness as was the case last week, it still seems to be a USD negative when the US president is involved in driving it. Today watch out for ECB minutes but note that euro-zone data have deteriorated markedly since the early March meeting. This should make the ECB less eager to move fast and thus less inclined to spur more capital inflows than those already provided by notably the Japanese, see *Strategy - Japanese investor flows into US, UK, EU and Scandi for February*, 10. April 2018.

EUR/CHF jumped yesterday to post-SNB-floor-abandonment highs on what appears to be CHF outflows related to the ceasing of trading with Sulzer, a company partly owned by sanctioned Russians. The cross has come a long way since early March and as the ECB increasingly has to consider the loss of cyclical momentum in the euro zone and the impairment of consumer and investor confidence deriving from the trade issue as Draghi pointed to yesterday. In this setting **EUR/CHF could prove vulnerable to the downside near term**, even if we still think the SNB will want to see the pair higher before a 'policy exit'.

We note that EUR/SEK spot now looks elevated relative to our medium-term valuation (fundamental) estimate, which stands at 9.64 for the cross. Together with the fact that we see a case for a slight pause in repricing of the Riksbank, this suggests **the next leg higher in EUR/SEK will be more difficult to achieve**. That goes especially if we see a stronger-than-expected Swedish inflation print today.

EUR/DKK dropped to 7.4450 yesterday as high EUR/DKK FX forwards driven by the tighter DKK liquidity continued to weigh on the pair. It is now trading around our 1-6M target of 7.4450.

## Key figures and events

Thursday, April 12, 2018

				Period	Danske Bank	Consensus	Previous
1:01	GBP	RICS house price balance	Index	Mar		0.0	0.0
8:45	FRF	HICP, final	m/m/y/y	Mar		1.1% 1.7%	1.1% 1.7%
9:30	SEK	Average house prices	SEK m	Mar			3.114
9:30	SEK	CPI	m/m/y/y	Mar	<b>0.4% 2.0%</b>	0.3% 2.0%	0.7% 1.6%
9:30	SEK	Underlying inflation CPIF	m/m/y/y	Mar	<b>0.4% 2.1%</b>	0.3% 2.1%	0.7% 1.7%
11:00	EUR	Industrial production	m/m/y/y	Feb		0.4% 4.3%	-1.0% 2.7%
13:30	EUR	ECB minutes from the March policy meeting released					
14:30	USD	Initial jobless claims	1000				
14:30	USD	Import prices	m/m/y/y	Mar		0.1% 3.8%	0.4% 3.5%
23:00	USD	Fed's Kashkari (non-voter, dovish) speaks					

Source: Bloomberg, Danske Bank

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