

Danske Daily

Market movers today

- **There are no significant market movers today. Focus will be on the US and China relationship and the risk of a trade war between the two.**
- **The EU Summit in Brussels continues today. A rate decision by the Russian Central Bank is due. The market consensus is for a rate cut of 25bp.**
- **We have a number of rating reviews. We expect Spain to be upgraded by S&P.**

Selected market news

The markets continue to be dominated by the fear of a trade war between China and US. China has responded with tariffs against the US, after the US announced tariffs of at least USD50bn. China has put tariffs of USD3bn on US goods, which includes pork and steel.

This sent equities tumbling yesterday and the Asian markets are all in negative territory this morning with a decline of 2-4%. Safe haven assets such as US Treasuries and Bunds have gained significantly. Treasuries continued their gains this morning in Asian trade and 10Y US Treasury yields are now close to breaking through 2.8%.

Oil prices continue to rise and are now close to breaking through USD70.

Yesterday, Spain's Luis de Guindos was, as expected, formally appointed as new ECB Vice President by EU leaders yesterday. We view de Guindos as less dovish than outgoing Vitor Constâncio, but still as a leaning dove. De Guindos will start on 1 June for a non-renewable eight-year period. We do not expect a market impact on the appointment.

Selected readings from Danske Bank

- *Reading the Markets. Denmark*
- *Strategy: new 10Y NOK benchmark*
- *Preview for BoE meeting next week.*

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

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Scandi markets

Norway. The NAV jobless measure has trended steadily downwards since the end of 2016, although monthly volatility has increased recently, resulting in slightly greater uncertainty, but we still expect the figures to show a clear improvement in the labour market and believe it is actually a little tighter than expected. As the collection date has been moved forward ahead of Easter, we expect an unchanged jobless rate of 2.5%, with gross unemployment falling by 500 people m/m in March.

Fixed income markets

The possibility of a trade war between the US and China has sent bond yields lower and 10Y Germany is now trading very close to 0.5%. On top of the trade war, the German Debt Agency has revised downwards its issuance for Q2 by EUR2bn, as it will sell EUR1bn less in both the 5Y and 10Y benchmarks in Q2. It is only a small downwards revision, but in previous years the German Debt Agency usually waits until Q4 to adjust its borrowing target. Hence, given the lower supply, we keep our long position in the 10Y Germany versus swaps.

Spain and Belgium is up for review by S&P. We expect that Belgium will be unchanged both for the rating and the outlook. Spain is expected to be upgraded by S&P to a single 'A' given the solid performance in the economy and the improvement in the public finances. We recommend to buy the new 10Y Spain.

Yesterday, we published our bi-weekly publication on the Danish Fixed income market. The topics are the low issuance of Danish callable mortgage bonds, foreign interest remaining strong and to look out for increased buy-backs in Danish government bonds. See more [here](#).

We also published a note on the upcoming 10Y Benchmark deal in Norway. Here, we look at the NOK government bond market as well as the pricing of the new 10Y benchmark. See more [here](#).

FX markets

Martin Flodén repeated yesterday that the Riksbank maintains its current strategy, which means continuing to pursue sufficiently supportive monetary policy to bring inflation up to 2% and have it stay there. His comments are dovish to our ears given the inflation misses since the previous meeting. We perceive that he is close to voting to lower the interest rate path in April. We guess also that Cecilia Skingsley, who is due to speak on Monday (published), is in that camp, considering how she reasoned last time. 'The downward revision prior to today's meeting is of such a size that I have asked myself whether shifting the repo rate path towards postponed rate rises would be a better balanced monetary policy'. As such, we remain bullish on EUR/SEK. Next week, the Swedish dividend season starts for real where there is a reason to keep track of individual days with big dividends. See *FX Strategy: Dividends, seasonality and the SEK*, 16 March 2018.

We still see EUR/NOK as vulnerable to the topside on the back of a thin NOK calendar, Easter coming up and technicals paving a setup for profit taking. Also, we still think the global environment could be challenging for the NOK in the weeks to come amid the global cycle losing further momentum and the risk of trade wars looming. Last Friday, we took profit on our short EUR/NOK position. Our fundamental predisposition remains to re-enter a short position on spikes being higher but for now, we prefer to stay sidelined, awaiting better entry levels. Note that even if today's registered labour market report is important for Norges Bank, we rarely see any significant market movements upon the release (a bit of a puzzle).

Key figures and events

Friday, March 23, 2018			Period	Danske Bank	Consensus	Previous
-	EUR	EU summit in Brussels				
-	EUR	S&P may publish Spain's debt rating				
-	EUR	S&P may publish Belgium's debt rating				
0:30	JPY	CPI - national	y/y Feb		1.5%	1.4%
0:30	JPY	CPI - national ex. fresh food	y/y Feb		1.0%	0.9%
8:00	DKK	Retail sales	m/m y/y Feb			-0.2% 1.6%
10:00	NOK	Unemployment (NAV)	% Mar	2.5%	2.4%	2.5%
11:30	RUB	Central Bank of Russia rate decision	%	7.25%	7.25%	7.5%
13:30	USD	Core capital goods orders, preliminary	% Feb			-0.3%
13:30	CAD	CPI	m/m y/y Feb		.. 2.0%	.. 1.7%
13:30	CAD	Retail sales	m/m Jan		1.3%	-0.8%
15:00	USD	New home sales	1000 (m/m) Feb		620	593.0 (-7.8%)
15:30	USD	Fed's Kashkari (non-voter, dovish) speaks				

Source: Bloomberg, Danske Bank

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