

# Danske Daily

## Market movers today

- **There are no significant market movers today. We have a few speeches from Federal Reserve members as well as ECB members.**
- **Focus in the market will continue to be on the risk of a trade war between the US and China.**
- **On top of the tariffs, the US Treasury will sell a record amount of T-bills and Treasury bonds this week as they will sell USD294bn.**

## Selected market news

The negative sentiment in the equity market continues this morning with a decline in most Asian equity markets. The focus is still on the risk of a possible trade war with China. However, the US and South Korea reached an agreement on trade as well as on the tariffs over the weekend. Hence, US Treasury Secretary Steven Mnuchin said that he was optimistic that an agreement between the US and China could be reached.

In the currency markets, USD/JPY seems to have found a ‘bottom’ around the 104-105 level this morning, with the yen trading stronger for most of March.

The USD Libor fixings continued to rise last week. One of the drivers for the increase in the USD Libor has been the increased supply of US T-bills and with the record sale of T-bills and Treasury bonds from the US Treasury department this week, the risk is that the USD Libor will continue to rise this week.

Last Friday, the central bank of Russia (CBR) cut its key rate by 25bp as we expected with the majority of both Bloomberg’s and Reuters’ consensus. Approximately one third of interbank traders presumed a 50bp cut. In its statement, the CBR emphasised sustainably low inflation (2.2% y/y currently) and decreasing inflation expectations. Yet, the CBR expects inflation to accelerate by end-2018 to 3-4%, anchoring around the desired target of 4% in 2019. The CBR communicated clearly that it will continue to cut rates to achieve the neutral rate in 2018, which is somewhere between 6-7%. Given the current path, we expect the key rate to fall to 6.25% by end-2018. RUB’s reaction to the decision was neutral as we expected and the central bank governor’s dovish tone at the press conference did not spark any turbulence. Looking forward, we see geopolitical risks being major movers for the RUB in both directions.

## Selected readings from Danske Bank

- [Government bonds weekly](#)

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- [FX Forecast Update](#)
- [Weekly Focus](#)

### Chief Analyst

Jens Peter Sørensen  
+45 45148882  
jenssr@danskebank.dk

## Scandi markets

No events in the Scandi markets today.

## Fixed income markets

As expected, Spain was upgraded to 'A-' by S&P on Friday. Importantly, S&P kept the positive outlook for Spain. The statement read, *'We raised our ratings on Spain in view of the country's continuously strong economic performance, accompanied by a solid current account surplus and ongoing budgetary consolidation...if the government achieves greater consolidation of public finances than we currently expect, and we observe further improvement in the monetary transmission mechanism'* and *'further easing of political tensions in Catalonia would also support an upgrade'*, according to S&P. It is obvious that the comparison between the Spanish and Irish recovery is likely to gather more pace going forward and thus we see room for more performance in Spain versus peers. Hence, our long position in the new 10Y SPGB versus swaps should do well when the markets opens today.

Risk appetite remained under pressure on Friday after the European close and we should see support for Bunds this morning. In respect of Bunds, note that last week we saw a downward revision to supply in Q2, reflecting the underlying strength of the German economy. Furthermore, we are now about to go into April, where we are seeing high PSPP/ECB reinvestment flow support to Bunds. For more see slide 5 in *Government Bonds Weekly*, which we published on Friday.

Gross issuance next week will be modest as we are entering the Easter holiday period. Italy is the only issuer coming to the market with linkers, zero-coupons and nominals. Greece is up for review on Friday by Moody's. Greece is on positive outlook and will most likely be upgraded.

## FX markets

Given the fairly uneventful data calendar this week, global risk appetite is likely to set the tone for FX markets with most notably USD/JPY vulnerable to sentiment shifts. For now, we still see the balance of risks skewed for more USD/JPY downside even if positioning recently has become more balanced. EUR/USD remains caught between counteracting factors (relative rates, flows, risk appetite) and we still pencil in a range bound cross in the months to come.

In the Scandies, we have as expected seen both EUR/NOK and EUR/SEK edge higher. For EUR/NOK our fundamental predisposition remains to re-sell the cross after having taken profit, see *Danske Bank FX Trading Portfolio – Take profit on short EUR/NOK; look to re-sell on rallies*. Meanwhile, we still think it is a little too early as the combination of a thin domestic data calendar and external headwinds from growth moderation and trade war fears in our view leaves the NOK vulnerable to further profit taking. For the SEK, the dividends season is now starting, which on balance could add a further argument to stay negative on the SEK as the payouts reflect net SEK selling in the coming month. That said, we note that timing is key and indeed the first large payout (from Nordea) could involve SEK buying. For more information on the specific payouts please see *FX Strategy – Dividends, Seasonality and the SEK*, 16 March.

## Key figures and events

## Monday, March 26, 2018

				Period	Danske Bank	Consensus	Previous
8:45	FRF	GDP, final		q/qly/y	4th quarter	0.6% 2.5%	0.6% 2.5%
18:30	USD	Fed's Dudley (voter, neutral) speaks					
22:30	USD	Fed's Mester (voter, hawkish) speaks					

Source: Bloomberg, Danske Bank

**INSERT DANISH CALENDAR BELOW (to be deleted when inserted in Markedsnyt)**

## Nøgletal og begivenheder

## Mandag den 26. marts 2018

				Periode	Danske Bank	Konsensus	Seneste
8:45	FRF	BNP, endelig		k/kjå/å	4. kvartal	0.6% 2.5%	0.6% 2.5%
18:30	USD	Fed's Dudley (stemmebr., neutral) taler					
22:30	USD	Fed's Mester (stemmebr., høj) taler					

Kilde: Bloomberg, Danske Bank

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