

Danske Daily

Danish spending has dropped significantly amid lockdown

Market movers today

- **COVID-19 will continue to be in focus.** Yesterday we published *Research COVID-19: Closer to the peak in bad news*, where we look at what to expect. You can also follow our daily updates on the virus [here](#).
- **We do not expect any changes from the Bank of England today.** It recently cut rates down to 0.1%, started a GBP200bn QE programme and yesterday a Contingent Term Repo Facility was announced to ease signs of stress in the UK money market. If anything, we think the Bank of England may increase its QE programme further at some point, as it remains small compared to peers.
- **Today we get a bunch of sentiment indicators in Europe.** France and Sweden release business confidence for March, which is likely to show a steep decline due to the spread of COVID-19. Swedish consumer confidence will also be interesting to see how households are affected by the crisis.
- **In the US the weekly initial jobless claims will give more insight to how much unemployment is set to rise.** Consensus looks for a record increase from 281k to 1500k (1.5 million!) but we will not be surprised to see an even higher number given some of the regional news stories.
- The US also releases data on core PCE inflation.

Selected market news

While we may have seen early signs of improvement in Italy, things are looking worse in Spain. Yesterday, fatalities in Spain rose by 738 to a total of 3,434. In the US, fatalities have risen above 1,000. On a global scale, the number of cases is now above 451,000 and there are more than 20,000 deaths. **Yesterday we published *Research COVID-19: Closer to the peak in bad news*, where we look at what to expect.**

The US Senate approved the USD2,000bn spending package. The deal includes USD500bn in direct payments to Americans, USD500bn for large companies including more money into the Exchange Stabilization Fund, which can be used as guarantees in the Fed's various credit facilities, USD350bn for loans to small businesses, USD350bn worth of tax cuts mainly by cutting payroll taxes, higher unemployment benefits and USD150bn funding for hospitals. The House is set to vote on the deal tomorrow and it is expected to pass without too many problems although it may hit some obstacles.

Yesterday, we published our weekly Danish spending monitor tracking total spending on a daily basis during the COVID-19 crisis. Data up to and including 23 March shows that the significant shifts in consumption since early March, notably since the announcement of extensive lockdown measures on 11 March, have continued. For more see *Spending Monitor: Significant shifts in Danish spending continue, as overall consumption drops*, 25 March.

Selected reading from Danske Bank

- *Research COVID-19: Closer to the peak in bad news*
- *Spending Monitor: Significant shifts in Danish spending continue, as overall consumption drops*
- *Research US: Overview of state policy actions*
- *Nordic Research: Update no 2: Policy measures in the Nordic countries*
- *Macro US: Sharp GDP contraction but we still expect a rebound in H2*
- *Flash Comment Euro Area: Europe's economy in free fall*
- *Fed Monitor: Overview of policy actions*

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- *Weekly Focus*

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Scandi markets

Look out for **Swedish** confidence indicators due out this morning.

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Fixed income markets

The stabilisation in the global markets continue with equity prices rising and credit spreads slowly tightening. **In the European government bond markets**, core-EU yields rise, while the periphery performs. The long end of the core-EU curves (10Y-30Y) continues to steepen. Today, Italy will sell linkers and zero-coupon bonds in a fairly small auction. It plans to sell EUR2.75bn in the zero-coupon bond. The discussion regarding joint Eurobonds to finance the increased fiscal spending continued as ECB's Lagarde also urged EU governments to consider Eurobonds.

In Scandinavia, the Swedish central bank conducted its first buy-back of Swedish covered bonds as it bought SEK10bn in the 4Y-5Y segment from seven different covered bond issuers in a reverse auction. There were 'bids' for a total of SEK20.5bn. The reaction in the market was fairly muted but the spread to government bonds tightened. However, the introduction of covered bonds into the QE programme has stabilised Swedish mortgage bond spreads versus swaps and government bonds. The Swedish Debt Office launched the new 10Y benchmark yesterday, where it sold SEK2bn with a bid to cover of 3. There will be an exchange auction today with the old 10Y benchmark SGB 0.75% 2029 for SEK4bn.

It is similar picture in Denmark where both callable and non-callable mortgage bonds perform relative to swaps and Danish government bonds. On Friday the mortgage banks will hold auctions in non-callable as well as callable mortgage bonds. Realkredit Danmark has announced between DKK4-5bn in both callables and non-callables. We expect to see solid demand at the auction as the spreads are still wide even after the latest spread tightening.

FX markets

In the Scandies, the recent **NOK** rally continued amid higher foreign asset prices and improved liquidity conditions. While uncertainty remains high we believe more NOK strength is in store. For more information on why that is the case see *Reading the Markets Norway*, 25 March.

EUR/DKK seems to have settled around the 7.4660-80 level after the recent tightening of monetary policy and stabilisation of global equity markets. Higher policy rates and tighter liquidity conditions have pushed EUR/DKK FX forward points out to 1M above zero and 3M closer to zero. Hence, should equity markets continue to rebound there is grounds for a move lower in EUR/DKK. In the short term, Novo Nordisk will pay dividends (ex date tomorrow), which normally tends to push EUR/DKK temporarily higher. Danmarks Nationalbank will offer USD10bn on 1W and USD10bn on 3M via FX swap facility with the Fed today.

Key figures and events

Thursday, March 26, 2020			Period	Danske Bank	Consensus	Previous
-	USD	Fed's George (non-voter, hawkish) speaks				
8:00	DEM	GfK consumer confidence	Net. Bal.	Apr	7.8	9.8
8:00	DKK	Retail sales	m/m y/y	Feb		0.5% 2.7%
8:45	FRF	Business confidence	Index	Mar	92.0	105.0
9:00	SEK	Consumer confidence	Index	Mar		98.5
9:00	SEK	Economic Tendency Survey	Index	Mar		99.1
9:00	SEK	Manufacturing confidence	Index	Mar		104.7
9:30	SEK	Household lending	y/y	Feb		5.1%
9:30	SEK	Trade balance	SEK bn	Feb		9.9
10:00	EUR	Money supply (M3)	y/y	Feb	5.2%	5.2%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Feb	5.2%	5.2%
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Feb	5.2%	5.2%
10:00	EUR	ECB Publishes Economic Bulletin				
10:30	GBP	Retail sales ex fuels	m/m y/y	Feb	0.1% 1.2%	1.6% 1.2%
13:00	GBP	BoE minutes			0.001	0.001
13:00	GBP	BoE government bond purchases (APF)	GBP bn	Apr	630	635
13:00	GBP	BoE corporate bond purchases (CBPP)	GBP bn	Apr	15	10
13:00	GBP	BoE Bank rate	%		0.10%	0.10%
13:30	USD	GDP, third release	q/q AR	4th quarter	0.021	0.021
13:30	USD	Initial jobless claims	1000			281
13:30	USD	PCE core	q/q AR	4th quarter		0.012
13:30	USD	Advance goods trade balance	USD bn	Feb	-64.2	-65.9
14:30	USD	Fed's Bullard (non-voter, dovish) speaks				
16:30	USD	Fed's George (non-voter, hawkish) speaks				
22:30	USD	Fed's George (non-voter, hawkish) speaks				

Source: Bloomberg, Danske Bank

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