

Danske Daily

US jobless claims hit record 3.3 million last week

Market movers today

- **COVID-19 developments continues to drive markets.** Today at 10.30 CET we host a conference call on the latest developments, see link to invitation [here](#). We will offer our views on the developments and market implications. You can follow our daily updates on COVID-19 [here](#).
- **In the US the House of Representatives is expected to pass the USD2,000bn fiscal stimulus tonight.** It was approved unanimously in the Senate on Wednesday.
- The US releases data for personal spending and core PCE inflation in February. However, since the numbers are from before the COVID-19 virus really hit, we doubt it will get much interest.
- **In Norway the government is set to announce another stimulus package** (see page 2). Sweden releases retail sales for February.
- **We published our Nordic Outlook with updated economic forecasts for the Nordic countries.** For more details see next page or read the full publication [here](#).

Selected market news

US stocks have been rising for three days in a row for the first time since February. While both central banks and governments have done a lot to tackle the economic side of the coronavirus crisis, we think one should be careful stating that this is the bottom. US futures are down around 1.6% this morning. That said, we think both central banks and governments will do more if necessary. It is interesting that the US spending package includes more money to the Exchange Stabilization Fund, which US Treasury uses to inject money into the Fed's various credit programmes. (US Treasury provides 10% of credit protection to the Fed). This means the Fed's various credit programmes can be expanded significantly if needed. In our view, the credit market and the liquidity situation are key to whether the Fed will do more or not.

US initial jobless claims rose by 3.3 million last week, which was a new record high, see [chart \(Twitter\)](#). There is no doubt that the US is in the middle of a deep recession, which is also why we think it is positive that the politicians have agreed on a huge spending package and the Fed has gone all in. That is what is needed to avoid this developing into a prolonged recession.

New data for Fed's balance sheet shows an increase of USD586bn to USD5,254bn, a new record high, due to the Fed's new credit and liquidity programmes and increasing QE buying. The balance sheet is expected to rise much further in the near future for the same reasons.

Selected reading from Danske Bank

- [Nordic Outlook March 2020](#)
- [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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Read more in Danske Bank's recent forecasts and publications

- [Nordic Outlook](#)
- [Yield Outlook](#)
- [FX Forecast Update](#)

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Scandi markets

We published our *Nordic Outlook* with updated economic forecasts for the Nordic countries. We are in deep recessions in all the Nordic countries now, even though the Nordics are relatively well placed to handle the economic effects of the coronavirus compared to other countries in Europe. We expect to see a strong rebound, but damage from the crisis will be with us for some time and overall growth in 2020 will be sharply negative.

In Norway, the government will announce another stimuli package, mainly aimed at small and medium-sized enterprises not able to utilise the state guaranteed loan scheme. Also, there might be some direct transfers to municipalities. These measures will add to the 3.9 % of GDP (direct stimuli ex. loan and guarantees) already announced.

In both **Sweden** and **Norway**, the February retail sales are already outdated.

Fixed income markets

Yesterday was all dominated by the start of the PEPP. The details laid out prove that the ECB effectively has full flexibility of the purchase rate, jurisdiction, asset class, maturity, which will all be very important to support any fragmentation in the market. The significant bond rally was led by periphery and semi-core, but even Bunds performed 10bp yesterday. Italian and Greek yields declined 32bp and 75bp, respectively. Most of the performance was seen in the 5-10Y area, which ultimately led to some steepening in the long end. The much debated BTP-Bund spread is now significantly below the level of Lagarde's famous spread comment and some 20bp higher than the level seen at the first Italian coronavirus case. We expect the strong performance to continue, although we expect volatility to remain elevated as no guidance on the PEPP programme to steer the market.

We have seen solid demand in the primary activity as a sign of investors' appetite gradually reappears. Austria saw orders for over EUR43bn in its syndicated 3Y and 30Y paper (EUR5bn and EUR2.5bn, respectively).

There are no rating announcements tonight.

FX markets

In the Scandies, the **NOK** rally has continued sending EUR/NOK below 11.50 for the first time since 17 March. Noteworthy NOK has performed despite a coinciding move lower in oil. To us it highlights the importance of global asset prices, capital/hedging flows and liquidity in the recent violent NOK swings. We believe in more short-term NOK strength. For more information see [here](#).

Liquidity continues to tighten and push **EUR/DKK** FX forwards higher. Yesterday, the 3M EUR/DKK FX forward moved above zero, which means that DKK-based investors are now paid to hedge EUR FX exposure. With stock markets rising that is a win-win for DKK. In turn, EUR/DKK dropped below 7.4650 yesterday. In *Reading the Markets Denmark*, we look further at the outlook for liquidity, FX forwards and EUR/DKK spot.

EUR/USD has broken above 1.10 and in the short run it may trade in the 1.10-1.12 range. We continue to see coronavirus numbers peaking over the next few weeks, financial stress is coming down with the economic help from global fiscal policy. As we have highlighted, EUR/USD trades as a credit bond, so good news is good news for EUR and bad news, irrespective of the country origin, is bad news for EUR. Looking ahead to H2, we stick to our call for 1.07 (a regime shift in Fed's approach to handling inflation is the joker to be more upbeat here as well).

Key figures and events

Friday, March 27, 2020		Period	Danske Bank	Consensus	Previous	
-	DEM	Retail sales	m/m y/y	Feb	0.0% 1.5%	1.0% 2.1%
-	EUR	Fitch may publish <PLACE>'s debt rating				
8:00	DKK	CB's securities statistics		Feb		
8:00	DKK	Foreign portfolio investments		Feb		
8:00	NOK	Retail sales, s.a.	m/m	Feb		0.5%
8:45	FRF	Consumer confidence	Index	Mar	90.0	104.0
9:30	SEK	Retail sales s.a.	m/m y/y	Feb		0.9% 2.7%
13:30	USD	PCE headline	m/m y/y	Feb	0.1% 1.7%	0.1% 1.7%
13:30	USD	PCE core	m/m y/y	Feb	0.2% 1.7%	0.1% 1.6%
13:30	USD	Personal spending	m/m	Feb	0.3%	0.2%
13:30	USD	Fed's George (non-voter, hawkish) speaks				
15:00	USD	University of Michigan Confidence, final	Index	Mar	94.0	95.9

Source: Bloomberg, Danske Bank

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