

Flash Comment Denmark

Back at record-low policy rate of -0.75%

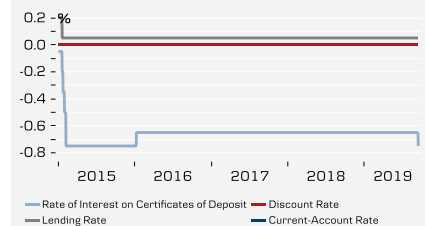
- Danmarks Nationalbank today cut its key policy rate by 10bp to minus 0.75%.
- The move follows a 10bp rate cut from the ECB earlier today.
- For now, we look for the ECB to keep its policy rate unchanged and, therefore, we expect the key policy rate in Denmark to stay at minus 0.75% for 12M.

Danmarks Nationalbank today announced that it is cutting its key policy rate, the rate of interest on certificates of deposit, to minus 0.75%. It left the current account rate and the lending rate unchanged at 0.00% and 0.05%, respectively. Danmarks Nationalbank also kept banks' current account limit unchanged. The move follows the 10bp rate cut from the European Central Bank (ECB) announced earlier today.

The decision brings the key policy rate in Denmark back down to the recent record-low level of minus 0.75%. We do not look for further interest rate cuts from the ECB at present and, thus, we expect the key policy rate to stay at minus 0.75% for 12M.

On top of the 10bp rate cut, the ECB today also introduced a tiered deposit system. This could potentially hamper part of the pass through of the rate cut to market rates. Hence, there is a risk that the spread between DKK and EUR rates could widen further after today and the discount in EUR/DKK FX forwards could increase. This would in turn tend to push EUR/DKK higher. EUR/DKK ticked marginally higher following the announcement.

Back at record-low levels



Source: Macrobond Financial

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Expected updates

None.

Date of first publication

See the front page of this research report for the date of first publication.

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