

Flash Comment Denmark

DN ‘only’ hikes 60bp to end DKK strength

- **Danmarks Nationalbank (DN) hiked its key policy rate 60bp today to 1.25%.**
- **The hike follows ECB’s 75bp rate hike earlier today, but DN opted for a smaller hike after recent large scale FX intervention selling of DKK.**
- **The spread to ECB’s key policy rate is now -0.25%, which we think will be enough to weaken DKK and end the need for FX intervention.**

As we expected, Danmarks Nationalbank (DN) opted for a smaller rate hike than ECB – ECB hiked its key policy rate 75bp today, but DN only 60bp. It widens the spread to ECB’s key policy rate to -0.25%. The decision comes after large-scale FX intervention.

We had expected DN to hike 10bp less. That is the usual increment for unilateral policy rate adjustments. The fact that DN upped that to 15bp underscores the magnitude of downwards pressure on EUR/DKK in the current macroeconomic environment. DN did not want to risk having to make a further adjustment, e.g. when ECB likely hikes again on 15 December.

We expect the adjustment today is enough to send EUR/DKK higher and end the need for further FX intervention selling and more adjustments of the interest rate spread. We look for EUR/DKK to rise towards the top end of this year’s trading range, i.e. to around 7.4450, and for DN to follow ECB 1:1 from here, i.e. to hike to 2.25% in February

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