

24 February 2017

Danske Daily

Market movers today

- Today is another quiet day in terms of major economic data releases.
- In the **US** today, we are due to get the final figures from the University of Michigan in February. Although the preliminary figure suggests that the index has fallen a bit in February, it remains well above the historical average. Optimistic consumers tend to spend more and hence the high consumer confidence is a good sign for economic growth.
- In **Sweden** today, we are due to get business and consumer confidence data from the National Institute for Economic Research (NIER), which is interesting but, alas, not as good an indicator for the Swedish economy as it once was.

Selected market news

Yesterday, US Treasury Secretary Steven Mnuchin said that he will explore issuing ultra-long debt, i.e. debt maturing in more than 30 years, in line with previous comments that he will 'take a look at everything' when it comes to maturities (see [Bloomberg](#) and [Bloomberg](#)). With interest rates expected to be historically low for a long period of time, it 'makes sense' for the US Treasury to explore 50- and 100-year maturities, he said in a CNBC interview. While the Federal Reserve has signalled that interest rates may go up this year (currently the markets have priced in approximately two hikes this year), it is 'really about where we are not relative to just today but where we are relative to interest rates over a long period of time', he said. However, so far, the US Treasury has been reluctant to issue debt with maturity longer than the current maximum of 30 years, perhaps as one of the previous administration's goals was to keep issuance regular and predictable. Though the market's reactions were quite modest, the US government benchmark 2Y30Y bond yields steepened some few basis points after Mnuchin's comments. In addition, Mnuchin signalled that it is too early to judge China as a currency manipulator and that he wants to have a process within the US Treasury looking at currency manipulators across the board (see [Bloomberg](#)).

French government bonds, in particular bonds with maturities less than 10 years, continued to perform relative to Germany yesterday on the back of the increased Oddschecker implied probability indicator of Emmanuel Macron winning the French Presidential Election as the centrist politician François Bayrou offered to form an alliance on Wednesday (see [Bloomberg](#)). However, there is a long time to the first round (23 April) and even longer to the second round (7 May), so it is likely to be only a 'bump' in the road. See [Le Pen – What If? Implications for Euro and Nordic markets](#), 23 February, where we lay out our take on the market implications if Le Pen wins, with a particular focus on euro and Nordic markets. We focus on the immediate market implications following a Le Pen win. However, we do not look at the market implications of a 'Frexit', which would require a separate analysis.

Selected readings from Danske Bank

- [Yield Forecast Update: Higher yields an H2 17 theme](#), 13 February
- [Flash Comment China: Rise in inflation set to trigger monetary tightening](#), 14 February.

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Scandi markets

There are no major data releases in Scandinavia today.

Fixed income markets

{FR} This morning we expect the consumer confidence print out of France. This could give us some indication of whether the French risk-off move has affected the real economy. Interestingly, the French PMIs released on Tuesday signalled an acceleration in growth. France continued to perform relative to Germany yesterday on the back of increased probability of a Macron win as Bayrou offered to form an alliance {ODCHFREM Index}. However, there is a long time to the first round of voting (23 April) and even longer until the second round (7 May), so it is likely to be only a 'bump' in the road. See *Le Pen – What If? Implications for Euro and Nordic markets*, 23 February.

{GE} With ASW once again widening as cash rallied, a spokesperson from Buba stated 'If there was a danger of a squeeze in the futures contract, then we would be willing to interfere by providing more paper in that security'. See full [article](#).

{GE} {AS} Germany and Austria are up for review by Moody's. Any changes to the ratings or outlook would be a genuine surprise.

{GR} Greece can still steal the limelight from time to time and any comments on the negotiations with its creditors (second review of third bailout package), when both Moody's and Fitch have the country up for review, will be in focus.

{DE} The 'safe haven' bid in the DKK seems to have eased a bit on the back of the news out of France. This is also backed by increasing speculation that the Danish Central bank will sell DKK in FX intervention to fend off the upward pressure on DKK. The price action in FX forwards resembles that seen in the run up to the Brexit vote last year.

FX markets

While yesterday's oil investment survey out of Norway was no game changer in terms of the near-term monetary policy outlook, the release clearly reduces the downside risk to growth in 2017. As long as argued, a normalisation in growth and real rate spreads together with valuation arguments should work in favour of a stronger NOK. As long as data does not warrant a re-widening of the NOK risk premium, we should see NOK support. EUR/SEK moved higher yesterday, following comments from the Riksbank's Per Jansson on SEK, when he said the Riksbank cannot steer it forever. Not long ago he said that it was getting tiresome to chase the currency. Downward pressure on EUR/DKK eased slightly yesterday. Speculation has started on whether Danmarks Nationalbank (DN) will need to sell DKK in FX intervention to fend off the upward pressure on the DKK. FX intervention would increase DKK liquidity correspondingly – the prospect of this has started to weigh on EUR/DKK FX forwards, in particular the 1-2Y part of the curve. We still look for EUR/DKK spot to trade close to the lower bound under Governor Lars Rohde on 12M and for DN to cap the EUR/DKK lower bound around 7.4330 using FX intervention. We could see some temporary support up to around 7.44 at end-March and early-April around dividend payments and tightening of the LCR requirement in significant currencies on Danish banks.

Key figures and events

Friday, February 24, 2017			Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish Germany's debt rating				
-	EUR	Fitch may publish Greece's debt rating				
-	EUR	Moody's may publish Greece's debt rating				
-	EUR	Moody's may publish Austria's debt rating				
8:45	FRF	Consumer confidence	Index		100.0	100.0
9:00	SEK	Consumer confidence	Index		104.1	104.6
9:00	SEK	Economic Tendency Survey	Index			112.0
9:00	SEK	Manufacturing confidence	Index		117.0	119.1
9:00	DKK	Retail sales	m/m\y/y			-1.1% 0.0%
14:30	CAD	CPI	m/m\y/y		... 1.6%	... 1.5%
16:00	USD	New home sales	1000 (m/m)		575	536.0 (-10.4%)
16:00	USD	University of Michigan Confidence	Index	95.7	96.0	95.7

Source: Bloomberg, Danske Bank Markets

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