

27 February 2017

Danske Daily

Market movers today

- In the **US**, **capital goods orders data** for January is due out. These figures will give us a first impression of whether investments continue to gain momentum as seen during the second half of 2016.
- In the **euro area**, we face a week with many interesting data releases. Monday kicks off with **M3 money supply** growth and private sector loan growth for January. **Loans to households** increased 2.0% in December, up from 1.9% in November, while loans to non-financial corporations were up 2.3% in December from 2.1% in November. We expect loan growth to the private sector in January to remain around the December levels.
- In the **UK**, focus continues to be on the passing of the EU exit legislation, enabling the UK government to trigger Article 50. The bill is currently in the House of Lords and the so-called **committee stage** begins on today, where the Lords will discuss and vote on amendments. It remains our base case that the Lords will not delay the bill and the UK remains on track to trigger Article 50 by the end of March, perhaps at the EU summit in Malta on 9-10 March. If the Lords agree the amendments, the bill will go back to the House of Commons for approval and then back and forth between the two chambers until the wording is agreed upon.
- In **Denmark**, the week kicks off with **business confidence data**. Manufacturing confidence fell slightly in January after climbing strongly in December, so it will be interesting to see which way the wind blows in February. In **Sweden**, household lending data is due to be released today.

Selected market news

As we await the budget proposal from the White House, a *Reuters story* reported that it will contain lofty defence spending increases and will among other things establish 'a more robust presence in key international waterways and chokepoints'. The increase in defence spending is expected to be financed partly by cuts to the US State Department, Environmental Protection Agency and other non-defence programmes. However, as stated by Treasury Secretary Steven Mnuchin in an interview on Sunday, the budget proposal will spare big social welfare programmes such as Social Security and Medicare from any cuts.

President Trump's pick for secretary of the Navy, Philip Bilden, withdrew from consideration yesterday citing government conflict-of-interest rules. In an area where the presidency has placed such high strategic importance, it now leaves Trump without nominees to head both the Navy and the Army, as Vincent Viola withdrew his considerations to head the Army earlier this month.

Following a week with new all-time highs in the major US stock indices, the Asian morning has been off to a sluggish start with Nikkei and Hang Seng trading slightly below par at the time of writing. With most major currencies 'on hold' as we await Trump's speech on Tuesday, we have seen the downward pressure on EURDKK ease a bit and it is now trading slightly above the central bank's intervention target of 7.4330.

Selected readings from Danske Bank

- [Le Pen - What if?](#)
- [Scandi Markets Ahead](#)

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Scandi markets

In **Denmark**, the week kicks off with **business confidence data**. Manufacturing confidence fell slightly in January after climbing strongly in December, so it will be interesting to see which way the wind blows in February. In **Sweden**, household lending data is due to be released today.

Fixed income markets

Following a week with heavy focus on French political/redenomination risk, OATs could see some support in the coming days, albeit temporarily, as a larger-than-usual month-end extension is coming up. Also, Belgium, Spain and Italy are due to get a boost from the extension. See more in *FI Research*.

In the US, Donald Trump's speech to Congress on Tuesday will be monitored closely, as he has promised that he would announce 'something phenomenal in terms of tax'.

This week, we also have interesting data releases: in the US, PCE core inflation for January, which is due on Wednesday, could be important for timing the next FOMC rate hike and in the euro area we expect HICP inflation, due to be published on Tuesday, to have risen further in February.

In terms of EGB supply, the week kicks off the week with taps in the 22s, 26's and 27s today, while Germany will introduce a new Schatz on Tuesday (the CTD bond in the M7 future contract) and tap the 10Y benchmark on Wednesday. Furthermore, we have French (26s, 36s and 66s) and Spanish (21s, 22s and 27s) supply on Thursday.

In the Scandies, we have supply in Norway with a likely tap in the new 10Y on Wednesday (bond announcement today at 12:00 CET) and Swedish linkers (22s and 27s) on Thursday. In respect of the Swedish govie curve, we like the 5Y segment asset swapped. For more, see *Reading the Markets Sweden*. See also *Scandi Markets Ahead*.

FX markets

In the majors, the market looks to be on hold before Trump's speech on Tuesday where he might reveal some details on his tax policies. We think announcements on taxes and fiscal policy will most likely be bearish for EUR/USD and we see short-term potential down to around 1.035-1.04.

GBP fell on Friday amid an article in The Times, where unidentified government sources suggested that the UK government is preparing for Scotland to potentially call for an independence referendum in March. A new Scottish referendum is likely, in our view, and if announced it would increase upside potential in EUR/GBP. However, we do not think the government will accept a referendum until after the UK has left the EU. Today, the House of Lords begin the so-called committee stage, where the Lords will discuss and vote on amendments to the EU exit legislation. It remains our base case that the Lords will not delay the bill and the UK remains on track to trigger Article 50 by the end of March, perhaps already at the EU summit in Malta on 9-10 March. However, given that the government does not have a majority in the Upper House, there is a risk that the Lords do not agree to the amendments. This could potentially lead to some short-term GBP support. We see EUR/GBP in the range of 0.8420-0.8650 in the coming with risks skewed to the upside.

In the Scandies, the downwards pressure on EUR/DKK eased a bit on Friday with the pair now trading around 7.4340 and a slight distance away from the perceived central bank intervention target of 7.4330. We do not see much upside potential for EUR/DKK on 12M. In particular, on this side of the French election, but in general because Danmarks Nationalbank (DN) is refraining from cutting policy rates. On Thursday, the Nationalbank is due to publish its currency reserves data, which will show whether it has intervened in February in order to curb DKK appreciation.

Key figures and events

Monday, February 27, 2017

			Period	Danske Bank	Consensus	Previous
-	GBP	House of Lords debate Article 50 bill (until Wednesday)				
8:00	NOK	Wage index manufacturing	q/q 4th quarter			0.9%
9:00	ESP	HICP, preliminary	m/m y/y Feb	.. 3.3%	-0.2% 3.1%	-1.0% 2.9%
9:00	DKK	Confidence indicator, industry, s.a.	Net balance Feb			-4
9:30	SEK	Household lending	y/y Jan			7.2%
10:00	EUR	Money supply (M3)	y/y Jan	5.0%	4.9%	5.0%
10:00	EUR	Loans to households (adj. for sales and sec.)	% Jan			
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	% Jan			
11:00	EUR	Service confidence	Net bal. Feb		13.3	12.9
11:00	EUR	Business climate indicator	Net bal. Feb		0.8	0.8
11:00	EUR	Industrial confidence	Net bal. Feb		1.0	0.8
11:00	EUR	Economic confidence	Index Feb		108.0	107.9
11:00	EUR	Consumer confidence	Net bal. Feb		-6.2	-6.2
14:30	USD	Core capital goods orders, preliminary	% Jan		0.6%	0.7%
16:00	USD	Pending home sales	m/m y/y Jan		0.9% ...	1.6% -2.0%
17:00	USD	Fed's Kaplan (voter, dovish) speaks				

Source: Bloomberg, Danske Bank Markets

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