

Danske Daily

Focus on German economic growth expectations

Market movers today

- **In Germany, focus is on the ZEW reading for April today**, ahead of the important PMIs on Thursday. After a difficult start to the year, we already saw rays of light in the March ZEW reading with the expectations-current conditions spread turning positive for the first time since 2012. In April, we see scope for further upside for the expectations component in light of better recent data not least out of China, while we expect the current situation assessment to stabilise around the current level.
- **In the UK, the jobs report for February is due out**, which will likely point to solid employment growth, after GDP growth surprised on the upside last week.
- **In the US, markets will keep an eye on the industrial production figures for March** ahead of the first estimate of Q1 GDP growth to be released next week.

Selected market news

Equities in Asia stopped rallying below their nine-month high as markets faced sourer bank earnings in the US on Monday. In the US, stocks slid from their six-month highs. More US bank earnings are due out today. There have been some signs that the global economy is likely to slow down softly, which is keeping the markets from falling sharply.

In the US, the Empire State Manufacturing survey posted a slightly stronger-than-expected recovery in April. Chicago Fed President Charles Evans (voter in 2019) reiterated his concerns about moderate inflation, admitting hypothetically that rates could be on hold until autumn 2020. Markets also remain fuelled by expectations that a benign China-US deal would be agreed pretty soon. US Treasury data showed that China increased its holdings of US government debt for a third month in a row, reaching USD1.13tn in February 2019. The second-biggest holder, Japan, also raised its US government debt up to USD1.07tn.

The Brent oil price has hovered around USD71/bbl as global supply is becoming tighter on shrinking output in Iran and Venezuela. The US is preparing to impose tougher sanctions on those nations soon. Markets also fear that the escalating civil war in Libya is set to affect oil production in the country.

In the US Congress, Democrats issued “friendly subpoenas” to several banks to attain documents that could prove other countries aimed to influence US politics. This hints at further escalation of Congressional probes into US President Donald Trump’s finances and interaction with Russia.

Selected reading from Danske Bank

- *Harr's View - Spring is in the air*, 14 April 2019
- *Brexit Monitor: “See you in October”*, 11 April 2019
- *Flash ECB Review - Little news but tiering system still part of a discussion*, 10 April 2019
- *Global Research - What a US-China trade deal will bring to the markets*, 8 April 2019

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Fixed income markets

After the strong fixed income sell-off on Friday, markets started the Easter week more calmly though the sentiment remained negative. We saw some periphery widening with 10Y BTP widening 4bps to a 252bp spread versus Bunds.

Today, the Netherlands will tap in the NETHER 0.25% Jul-29 bond (EUR 1-2 bn). It will be the last tap before the DSTA on 21 May will issue a new 20Y green bond. NETHER 0.25% Jul-29 is trading close to the tightest spread to the German curve (18bp to DBR Feb-29) since it was introduced back in February. However, the Netherlands have already issued 37% of the EUR21bn issuance target for 2019, and with the new 20Y green bond due in May the supply in 10Y segment will be modest for the time being. Hence, also considering the 'hunt for carry', we expect a strong auction today and we look for further tightening versus Bunds.

In respect of the discussion regarding the next move from the Fed, we note that the Fed's Evans last night said that the Fed might need to cut rates, if inflation falls. We also note that Chinese holdings of US treasuries rose for a second month in a row in February.

FX markets

In Scandies, EUR/SEK stays within the 10.40-50 range under low volatility in anticipation of next week's Riksbank decision. A rather news-thin agenda ahead of the holidays, one might think that EUR/SEK goes to sleep in Easter week as liquidity is rather thin. However, as we show in FX Strategy – *Does EUR/SEK go to sleep in Easter week? No!*, 12 April, the historical patterns tell us that there might still be some scope for movements in the cross. EUR/NOK traded in a narrow 9.59-9.61 range yesterday and largely mirrored movements in the oil price. The latter traded around the level of USD71/bbl as the oil market awaits the batch of key global macroeconomic data to be released on Wednesday and Thursday.

Majors were almost unchanged yesterday with EUR/USD trading close to 1.13 and USD/JPY sticking to the 112 level. The market likely remembers 22 March, when the last round of euro area flash manufacturing PMIs were published, which greatly disappointed and caused EUR/USD to drop sharply on the day. As we note in FX Strategy – *Another PMI disappointment to send EUR/USD back down*, 15 April, we look for a repeat on Thursday when April's flash PMIs are published.

Key figures and events

Tuesday, April 16, 2019			Period	Danske Bank	Consensus	Previous
2:00	USD	Fed's Rosengren (non-voter, hawk) speaks				
10:30	GBP	Unemployment rate (3M)	%	Feb	4.0%	3.9%
10:30	GBP	Average weekly earnings ex bonuses (3M)	y/y	Feb	3.4%	3.4%
11:00	DEM	ZEW current situation	Index	Apr	8.0	11.1
11:00	DEM	ZEW expectations	Index	Apr	0.5	-3.6
15:15	USD	Capacity utilization	%	Mar	79.2%	79.1%
15:15	USD	Industrial production	m/m	Mar	0.3%	0.0%
15:15	USD	Manufacturing production	m/m	Mar	0.2%	-0.4%
16:00	USD	NAHB Housing Market Index	Index	Apr	64.0	62.0
20:00	USD	Fed's Kaplan (non-voter, neutral) speaks				

Source: Bloomberg, Danske Bank

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