

02 May 2013

Danske Daily

Key news

- Fed opens door slightly for increase in asset purchases
- Stocks lower despite upward surprise in ISM
- US yields at five-month low
- Decline in US vehicle sales suggests weak start to Q2 consumption
- Focus turns to ECB today

Markets overnight

The **Fed statement** last night was somewhat surprising as the tone on growth and employment was kept fairly unchanged despite the recent weakness in data – see *Flash Comment*. However, the Fed turned more dovish on the policy description as it said it is prepared to either increase or reduce asset purchases. This opens a door for a rise in asset purchases if growth deteriorates more than expected. However, as we expect the soft patch to be fairly short, we expect the Fed to keep the current pace of asset purchases until the end of the year and then start reducing its purchases.

US stocks were under pressure for most of the day following a weaker-than-expected ADP employment report that showed the private sector only added 119k jobs in April. Even an upward surprise to ISM manufacturing didn't halt the move lower. ISM fell only slightly from 51.3 in March to 50.7 in April. Consensus was at 50.5 but some very soft regional surveys had clearly indicated downside risks. We believe ISM is likely to go sideways before turning higher in late summer.

US bond yields reached a five-month low at 1.61% as the declining trend continued yesterday on the back of weak ADP job numbers. The Fed statement had very little impact on the bond market as a softer tone was expected in the market. EUR/USD also reacted very little to Fed's message but has given up some of yesterday's gains in overnight trading.

US vehicle sales released last night were soft and point to a weak start for private consumption in Q2. Sales fell to 14.9m in April (consensus 15.2m) from 15.2m in March (annualised levels).

Market movers today

- Swedish PMI
- UK and Euro PMI (final)
- Norway credit indicator
- ECB meeting
- US jobless claims
- Danish currency reserve

Market overview

	07:30	1 day +/- %
S&P500 (close)	1582.7	↓ -0.93
S&P500 fut (chng from close)	1581.2	↑ 0.25
Nikkei	13680.8	↓ -0.86
Hang Seng	22669.8	↓ -0.30
	17:00	07:30 +/- bp
US 2y gov	0.20	0.20 ↑ 0.0
US 10y gov	1.63	1.63 ↓ -0.3
iTraxx Europe (IG)	100	101 ↑ 0.1
iTraxx Xover (Non IG)	404	405 ↑ 0.2
		+/- %
EUR/USD	1.320	1.317 ↓ -0.17
USD/JPY	97.330	97.230 ↓ -0.10
EUR/CHF	1.22	1.22 ↓ -0.09
EUR/GBP	0.848	0.847 ↓ -0.10
EUR/SEK	8.531	8.526 ↓ -0.07
EUR/NOK	7.60	7.60 ↑ 0.01
		USD
Oil Brent, USD	99.7	100.0 ↑ 0.33
Gold, USD	1446.7	1454.4 ↑ 0.53

Note:

* The iTraxx Europe Index shows the spread development for the most liquid investment grade CDS contracts in the euro credit market.

**The iTraxx Europe Crossover shows the spread development of the most liquid non-investment grade CDS contracts in the euro credit market.

***The Markit CDX North America Investment Grade Index shows the spread development for the most liquid investment grade CDS contracts in the US credit market.

Source: Bloomberg

Chief Analyst

Allan von Mehren
+45 45128055
alvo@danskebank.dk

Global Daily

Focus today: All eyes will be on today's ECB meeting, where we expect the ECB to cut its refi rate by 25bp to 0.5%, see [ECB preview](#). A cut in the deposit rate appears unlikely at this stage but it is possible that the ECB will introduce a non-standard instrument targeted at improving conditions for small- and medium-sized companies. Italian Prime Minister Enrico Letta continues his tour for less fiscal austerity. He is scheduled to meet EU Commission President Jose Barroso with a press briefing at 08:40 CET. In the data calendar manufacturing PMIs will be released across Europe today. In the euro area the most interesting releases in that respect are the first estimates for manufacturing PMIs in Spain and Italy. There is a relatively light calendar in the US today with main focus on the weekly initial unemployment claims data.

Fixed income markets: Even though we believe the ECB will cut the refi rate by 25bp, we acknowledge the risk of an unchanged rate decision (as one-third of forecasters in a Bloomberg Survey do). The recent rally at the front end of the EUR curve and the tightening of the FRA Eonia basis suggests that a refi rate cut is priced in. Taking this into account, we would rather be positioned for the ECB under-delivering than the opposite given the pricing – hence, a steepening of the money market curve and a flattening of the swap curve. Elsewhere, France will come to the market with 8Y, 10Y and 20Y bonds for an amount of EUR7-8bn and Sweden will tap its 1.5% SGB 2023 bond for SEK3.5bn.

FX markets: As we have argued extensively over the past month, a 25bp rate cut at today's ECB meeting should not move the euro much beyond intraday, as: (i) there should be no significant impact on money market spreads given that a 25bp cut is already more or less fully priced, and (ii) that ECB president Draghi is expected to indicate that a negative deposit rate is not on the cards. The intraday market reaction is likely to be determined by: (i) Draghi's response to questions about a negative deposit rate (speculation about such would be very euro negative), (ii) whether unorthodox measures are announced – euro positive if these do not add significantly to the ECB balance sheet, and (iii) the reaction on risk markets – though the 'EUR/USD versus global equities' correlation is low at the moment.

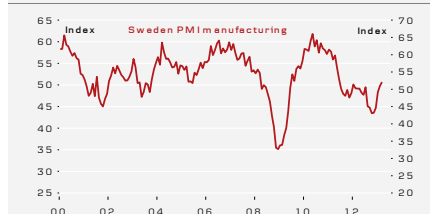
In Scandinavia, NOK and SEK had a relatively quiet session yesterday with both markets closed due to Labour Day. The release of Swedish PMI for April will receive some attention this morning. Given the unexpected decline in German PMIs, we see a risk of yet another disappointment in the Swedish data today. However, we continue to see both NOK and SEK appreciating over the next couple of weeks and would consider selling EUR/SEK and EUR/NOK on upticks.

Scandi Daily

Denmark: We expect Danmarks Nationalbank (DN) to follow a 25bp ECB refinancing rate cut and lower the lending rate by 15-25bp from the current level of 0.30% – see [DKK: Nationalbanken preview](#) and DKK update for a detailed preview. Furthermore, DN is scheduled to publish April's currency reserve figures today at 16:00 CET. EUR/DKK was reasonably stable below the central rate in April, hence we expect data to show that DN did not need to intervene to support DKK in April.

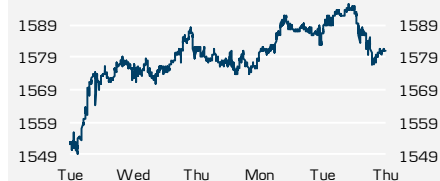
Sweden: We suspect that Swedish April PMI will take a step back this morning towards the 50-level on the back of weaker European and primarily German PMI data. There is, however, a chink of light. The order/inventory spread rose to new highs for this cycle in March and this is usually a good indicator for further gains in PMI.

Sweden PMI



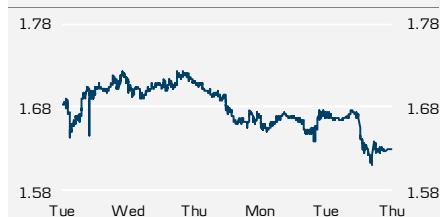
Source: Reuters EcoWin

US S&P500 future



Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

Key figures and events

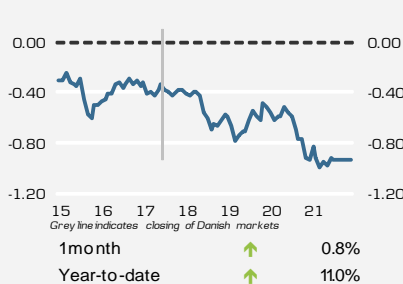
Thursday, May 2, 2013			Period	Danske Bank	Consensus	Previous
-	OTH	Earnings: Swiss Re, Statoil, Shell, BMW, Lufthansa, Siemens, General Motors				
8:30	SEK	PMI	Index Apr			52.1
9:15	ESP	PMI manufacturnig	Index Apr	44.0		44.2
9:30	CHF	PMI manufacturing	Index Apr			48.3
9:45	ITL	PMI manufacturing	Index Apr	44.2		44.5
9:50	FRF	PMI manufacturing, final	Index Apr			44.4
9:55	DEM	PMI manufacturing, final	Index Apr		47.9	47.9
10:00	EUR	PMI manufacturing, final	Index Apr		46.5	46.5
10:00	NOK	Credit indicator (C2)	y/y Mar	6.2%		6.3%
10:30	GBP	PMI Construction	Index Apr		47.9	47.2
13:45	EUR	ECB Announces deposit rate	%	0.0%	0.0%	0.0%
13:45	EUR	ECB Announces refi rate	%	0.5%	0.5%	0.75%
14:30	EUR	ECB press conference				
14:30	USD	Trade balance	USD bn Apr		-42.3	-43.0
14:30	USD	Unit labour cost	q/q 1st quarter		0.3%	4.6%
14:30	USD	Initial jobless claims	1000			
16:00	DKK	Change in currency reserves	DKK bn Apr			-1.3

Source: Bloomberg, Danske Bank Markets

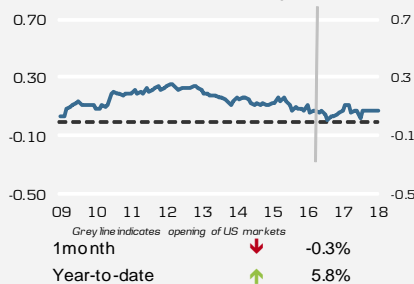
Today's market data: 02 May 2013

STOCKS

S&P500 Intraday, %



Eurostoxx Intraday, %



	Close	+/-
DJSTOXX50	2727	↑ 0.1%
OMXC20	537	↓ -0.5%
OMXS30	199	↑ 0.1%
OSE BX	480	↑ 0.5%
DOW JONES	14701	↓ -0.9%
NASDAQ	3299	↓ -0.9%
S&P 500	1583	↓ -0.9%
NIKKEI (07:30)	13681	↑ 0.1%

FX & COMMODITIES

EUR/USD Intraday

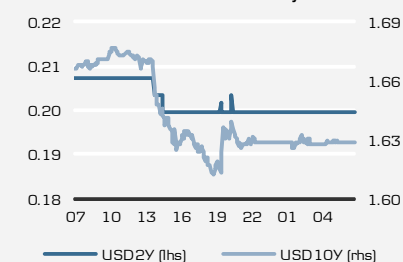


	17:00	07:30	+/-
EUR			
USD	131.95	131.72	↓ -0.23
JPY	128.43	128.06	↓ -0.37
GBP	84.81	84.72	↓ -0.09
NOK	760.26	760.32	↑ 0.06
SEK	853.14	852.56	↓ -0.58
DKK	745.59	745.56	↓ -0.03
PLN	416.86	416.81	↓ -0.05
USD			
JPY	97.33	97.23	↓ -0.10
GBP	155.58	155.47	↓ -0.11
CHF	92.73	92.81	↑ 0.08

	Oil, \$	Brent, \$
07:30	1454.35	99.98
1day	↓ -3.24	↑ 0.03
1month	↓ -12155	↓ -10.71
Year-t-date	↓ -22100	↓ -11.13
CRB		
1M future	283.27	523.29
1day	↓ -4.87	↓ -5.39
1month	↓ -10.26	↓ -15.49
Year-t-date	↓ -11.74	↓ -7.11

YIELDS & INTEREST RATES

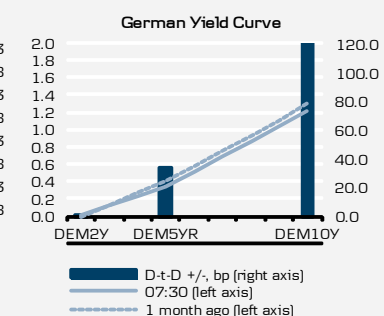
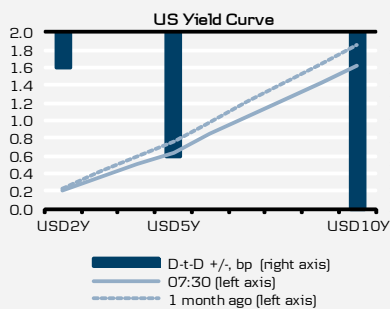
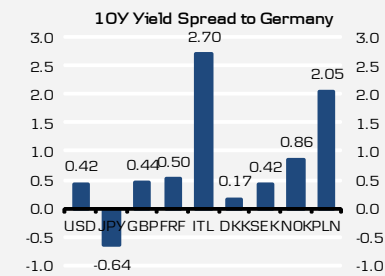
USD-Yields Intraday



	Policy Rate	3M	Spread, bp
USD	0.25	0.27	2
EUR	0.75	0.21	-54
GBP	0.50	0.51	1
DKK	0.30	0.25	-5
SEK	100	123	23
NOK	150	179	29
PLN	3.25	2.98	-27

	17:00	07:30		+/-, bp
USD 10Y	163	163	↓	0
USD 30Y	2.84	2.83	↓	-1
JPY 10Y	0.59	0.57	↓	-2
	07:30(-1)*	17:00		+/-, bp
DEM 10Y	0.00	121	↑	121
DKK 10Y	136	138	↑	2
SEK 10Y	162	162	↑	0
NOK 10Y	2.07	2.07	↑	0
PLN 10Y	3.26	3.26	↓	0

* As of closing previous trading day



Credit spread, iTraxx s. 11*

	07:30	1day	1month
Europe (IG)	101	↑ 2	↓ -20
HiVol	153	↑ 2	↓ -26
Xover (N-IG)	405	↑ 7	↓ -66
Finan. Sr.	148	↑ 1	↓ -38
Finan. Sub.	239	↑ 2	↓ -61
Non-finan.	22	↑ 0	↓ -9

* Ask price

Credit spreads



Swap Spread, bp**

	17:00	07:30		+/-
USD 10Y				
JPY 10Y	18	20	↑	1
	07:30(-1)*	17:00		
EUR 10Y	0			
DKK 10Y	26	27	↑	1
SEK 10Y	27	27	↑	1
NOK 10Y	47	46	↓	-1

* As of closing previous trading day

** Ask price

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