

18 March 2013

# Danske Daily

## Key news

- Cyprus has negotiated a rescue package – but on unprecedented terms.
- Most controversial is a hair-cut on deposits, also on accounts smaller than EUR100k.
- EUR is weaker, Asian stock markets are down and safe havens are in demand.
- Focus today will be on the expected vote in Cyprus's parliament.

## Markets Overnight

**Cyprus has been offered a EUR10bn rescue package** but on unprecedented terms – the most controversial being a one-off levy on resident and non-resident depositors (including wealthy Russians). Read more in *Flash Comment: Cyprus deal is a dangerous game*.

Cyprus, and in particular its banks, needs a rescue package as a result of the financial crisis and the developments in Greece. An initial assessment of Cyprus's finances revealed a shortfall of about EUR17.5bn, with EUR10bn of that just for its two biggest banks. However, a bailout of this size would leave debt-to-GDP at unsustainable levels and Cyprus has therefore been requested to 'mobilise internal resources'.

According to the Wall Street Journal the ECB more or less threatened to send Cyprus's two biggest banks into liquidation if a deal was not reached – hence, pressure is on Cyprus to pass a deal in parliament.

**Markets have not responded well** to the Eurogroup decision: the euro is sold off (EUR/USD is down 1.4% to below 1.29), Asian equity markets are down (the Nikkei index more than 2%), and safe havens have rallied (the 10-year Treasury yield is testing 1.9%).

**Several questions are left unanswered** which is likely to sustain market stress for now: (i) Will parliament approve an agreement and can banks reopen as planned on Tuesday?, (ii) Can an agreement be reached with Russia regarding its EUR2.5bn loan?, (iii) How will depositors react in other European countries and not least Greece? and (iv) Can European officials convince investors that Cyprus is a unique case (as was Greece)?

What is positive for financial markets, however, is that this shock comes today and not 10 months ago. The ECB's OMT programme is in place, global economic data have improved and both the Federal Reserve and Bank of Japan are supporting risk markets by printing money on a large scale.

## Market movers today:

- EUR: Cyprus's parliament expected to vote on deposit levy
- USD: NAHB housing market index

## Market overview

	07:30	1 day +/- %	
S&P500 (close)	1560.7	↓	-0.16
S&P500 fut (chg from close)	1531.6	↓	-1.42
Nikkei	12239.4	↓	-2.56
Hang Seng	22043.3	↓	-2.17
	17:00	07:30	+/-, bp
US 2y gov	0.25	0.24	↓ -1.2
US 10y gov	2.00	1.91	↓ -8.9
iTraxx Europe (IG)	105	105	↑ 0.6
iTraxx Xover (Non IG)	402	403	↑ 1.6
			+/-, %
EUR/USD	1.306	1.290	↓ -1.17
USD/JPY	95.300	94.360	↓ -0.99
EUR/CHF	1.23	1.22	↓ -0.69
EUR/GBP	0.864	0.855	↓ -1.02
EUR/SEK	8.354	8.333	↓ -0.25
EUR/NOK	7.54	7.50	↓ -0.58
			USD
Oil Brent, USD	109.9	108.4	↓ -1.37
Gold, USD	1593.1	1597.2	↑ 0.26

### 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 show 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

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## Global Daily

**Focus today.** In terms of data releases it is a quiet start to an otherwise busy week with the FOMC meeting Tuesday/Wednesday and the German IFO and global flash PMIs on the agenda. The only data worth keeping an eye on today is the US NAHB index, which we expect will increase another notch in March. Of interest is also ECB's Asmussen's speech on the banking union and the press conference with the German duo Weidmann and Schäuble this afternoon.

**Fixed income markets.** With the news about Cyprus dominating the headlines over the weekend, markets will start the week in a volatile way. It will take some time for the markets to digest the details of the settlement and not least to balance the uncertainties posed by the political implementation in the Cypriot parliament. In terms of market reaction, the big move down in EUR/USD and the rally in the bond futures in the Asian session so far are early warnings of the near-future market environment. In the days to come the litmus test of a broader risk sentiment change will be the periphery bond market.

The **FX markets** will be preoccupied with gauging the risk of the euro debt crisis budding again. Notably, the reminder that investors are not being kept insulated from losses could lead to a widening of peripherals' spreads and weigh on the euro. Even though confidence in the ECB's OMT and the fact that speculators are already net short euro should limit the downside in EUR/USD, if Cyprus fails to negotiate more favourable terms we could see a continuation of the move out of the euro and into the safe havens (USD, CHF, JPY and GBP) and the small AAAs (SEK, NOK and DKK).

## Scandi Daily

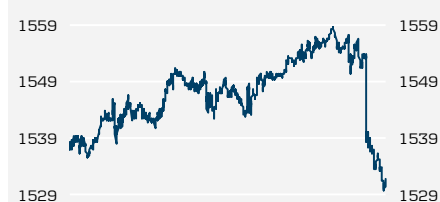
Only minor data releases in Scandinavia today.

### Will sovereign spreads widen again?



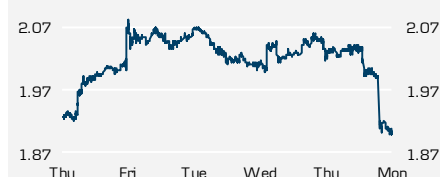
Source: Reuters EcoWin

### 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

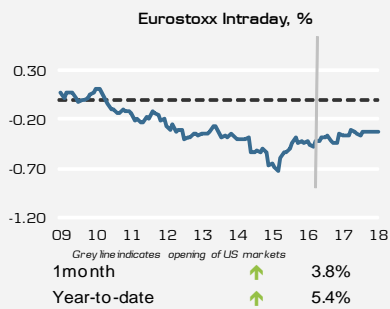
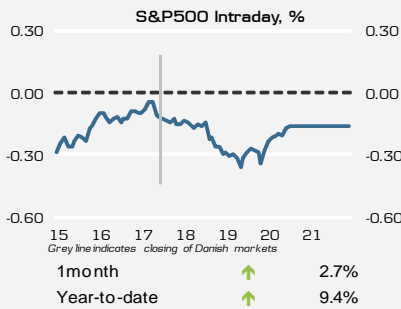
### Key figures and events

Monday, March 18, 2013				Period	Danske Bank	Consensus	Previous
1:01	GBP	Rightmove House Prices	m/m/y/y	Mar			2.8% 1.1%
2:30	CNY	Property prices	y/y	Feb			
9:00	DKK	Houseprices (Association of Danish Mortgage Banks)	q/q/y/y	4th quarter			-0.7% -3.3%
11:00	EUR	Trade balance	EUR bn	Jan			12.0
15:00	USD	NAHB Housing Market Index	Index	Mar	47	48	46
18:00	EUR	ECB's Asmussen speaks in Berlin					

Source: Bloomberg, Danske Bank Markets

## Today's market data: 18 March 2013

## STOCKS



	Close	+/-
DJSTOXX50	2718	↓ -0.3%
OM XC20	555	↓ 0.0%
OM XS30	1217	↓ -0.4%
OSE BX	480	↓ -0.3%
DOW JONES	14514	↓ -0.2%
NASDAQ	3249	↓ -0.3%
S&P500	1561	↓ -0.2%
NIKKEI (07:30)	12239	↓ -0.3%

## FX &amp; COMMODITIES

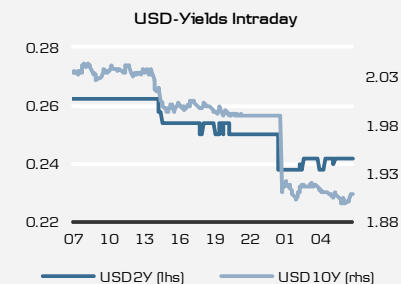


	17:00	07:30	+/-
<b>EUR</b>			
USD	130.57	129.04	↓ -1.53
JPY	124.43	121.76	↓ -2.67
GBP	86.36	85.48	↓ -0.88
NOK	754.35	749.96	↓ -4.39
SEK	835.40	833.33	↓ -2.07
DKK	745.80	745.68	↓ -0.12
PLN	414.42	415.50	↑ 1.08
<b>USD</b>			
JPY	95.30	94.36	↓ -0.94
GBP	151.19	150.96	↓ -0.23
CHF	93.98	94.44	↑ 0.46

	Gold, \$	Oil, Brent, \$
07:30	1597.20	108.39
1day	↑ 5.25	↓ -143
1month	↓ -12.85	↓ -8.99
Year-t-date	↓ -78.15	↓ -2.72
	<b>CRB</b>	<b>CRB, Raw</b>
	<b>1M future</b>	<b>Industrials</b>
07:30	296.44	544.13
1day	↑ 0.18	↑ 0.23
1month	↓ -2.01	↓ -0.24
Year-t-date	↑ 143	↑ 13.73

\* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

## YIELDS &amp; INTEREST RATES

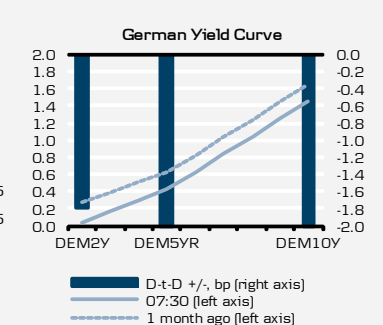
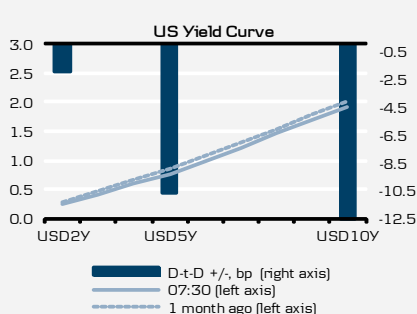
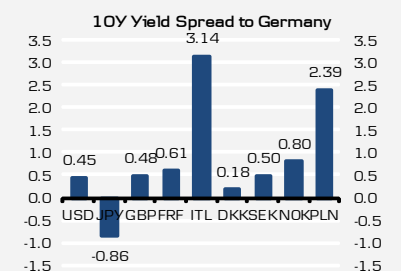


	Policy Rate	3M	Spread, bp
USD	0.25	0.28	3
EUR	0.75	0.20	-55
GBP	0.50	0.51	1
DKK	0.30	0.28	-2
SEK	1.00	1.23	23
NOK	1.50	1.82	32
PLN	3.25	3.32	7

	17:00	07:30	+/-, bp
USD 10Y	2.00	1.91	↓ -9
USD 30Y	3.21	3.12	↓ -9
JPY 10Y	0.63	0.60	↓ -3
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	1.48	1.45	↓ -3
DKK 10Y	1.66	1.65	↓ -2
SEK 10Y	1.97	1.95	↓ -2
NOK 10Y	2.25	2.25	↑ 0
PLN 10Y	3.89	0.00	↓ -389

\* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

\* As of closing previous trading day

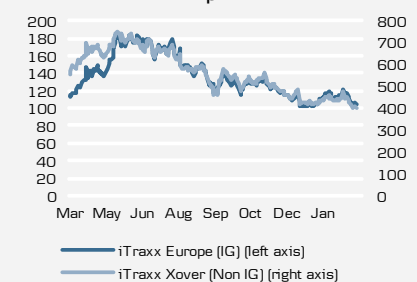


## Credit spread, iTraxx s. 11\*

	07:30	1day	1month
Europe (IG)	105	↑ 1	↓ -8
HiVol	157	↓ 0	↓ -16
Xover (N-IG)	403	↓ 0	↓ -37
Finan. Sr.	144	↑ 2	↓ -1
Finan. Sub.	246	↑ 2	↓ -1
Non-finan.	34	↑ 0	↓ -7

\* Ask price

## Credit spreads



## Swap Spread, bp\*\*

	17:00	07:30	+/-
USD 10Y			
JPY 10Y	9	10	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0		
DKK 10Y	27	28	↑ 1
SEK 10Y	29	29	↑ 0
NOK 10Y	46	46	↓ 0

\* As of closing previous trading day

\*\* Ask price

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