

16 May 2013

# Danske Daily

## Key news

- Japanese Q1 GDP beat expectations.
- Positive risk sentiment continued yesterday but Asian session has been mixed.
- Focus on CPI data and Fed speeches today.

## Markets Overnight

Japanese GDP beat consensus expectations in Q1 rising 0.9% q/q boosted by private consumption growth and exports. Business investments were subdued suggesting that companies have remained somewhat cautious. Nevertheless, this cautiousness may change in Q2 as JPY has depreciated more than 20% versus USD over the past six months.

Despite the better-than-expected GDP data, **Japanese equities** declined overnight, with the Nikkei down 1%, driven by disappointing earnings reports from two of the major Japanese banks. While most other major Asian indices are down, **Chinese stocks** are up driven by technology shares. Yesterday the **US S&P500** ended higher once again, up 0.5%, as the general risk positive sentiment continued. The increase came despite weaker US data that showed that price pressure at producer level is very limited, disappointing manufacturing production growth in April and a weak Empire manufacturing index for May. An increase in the NAHB housing index countered some of the disappointment, though.

**US 10-year treasury yields** ended the day slightly lower after a sell-off in the past three days. The decline was helped along by a stabilisation in Japanese government bond yields after Bank of Japan stepped in to calm recent volatility with a JPY2trn 1-year liquidity injection and the disappointing Q1 GDP growth numbers in Europe, which sent Bunds higher.

In **FX markets** EUR/USD has slid to a five-week low as speculation about a rate cut from the ECB got further support from disappointing Q1 GDP data out of the euro area yesterday and markets have moved their expectations for the Fed's QE exit closer in time.

## Market movers today:

- Norwegian Q1 GDP
- Euro area and US CPI
- Fed speeches

## Market overview

		07:30		1 day +/- %
S&P500 (close)		1658.8	↑	0.51
S&P500 fut (chng from close)		1652.7	↓	-0.10
Nikkei		14899.2	↓	-1.30
Hang Seng		23083.3	↑	0.17
	17:00	07:30		+/-, bp
US 2y gov	0.24	0.24	↑	0.0
US 10y gov	1.95	1.93	↓	-2.6
iTraxx Europe (IG)	94	94	↑	0.3
iTraxx Xover (Non IG)	386	386	↑	0.4
				+/-, %
EUR/USD	1.287	1.288	↑	0.08
USD/JPY	102.430	102.230	↓	-0.20
EUR/CHF	1.25	1.24	↓	-0.14
EUR/GBP	0.845	0.845	↑	0.01
EUR/SEK	8.586	8.591	↑	0.06
EUR/NOK	7.53	7.53	↓	0.00
				USD
Oil Brent, USD	101.4	103.2	↑	1.79
Gold, USD	1396.1	1396.3	↑	0.02

### 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

## Senior Analyst

Signe Roed-Frederiksen  
+45 45 12 82 29  
sroe@danskebank.dk

## Global Daily

**Focus today.** Another day with a bunch of data both in Europe and the US. Euro area inflation for April should be confirmed at 1.2% but there might be some focus on core inflation, which is running quite low now at 1.0%. Consensus is for an unchanged rate but if it falls further it could put pressure on ECB to ease further. It is also CPI day in the US where inflation is very low as well. Headline is expected to fall 0.3% m/m taking the y/y rate to 1.2% and core inflation is projected to be flat on the month. In the US focus will also be on initial jobless claims, which have fallen strongly recently suggesting that activity is picking up in the US and that the labour market is improving. Consensus looks for a rise to 330k from 323k last week. Philadelphia Fed survey is expected to rise slightly to 2.0 from 1.3 in April. US housing starts are expected to fall in April after a strong rise in March. Finally, there are speeches by Fed's Plosser (hawk) and Rosengren (dove).

**Fixed income markets.** The sell-off took a breather yesterday with 10Y German Bund yields closing 1bp higher and 10Y US Treasury yields 1bp lower on the day. Overnight the 10Y Japanese yields have been rather stable, after the heavy sell-off since last Friday. Core fixed income markets are starting to look slightly oversold, hence are becoming more vulnerable to negative surprises.

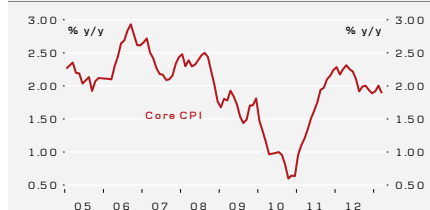
This week's syndicated deals for a 10Y Spanish benchmark bond and a 30Y Italian one give another indication of the persistent strong demand for peripheral bonds despite the strong rally most of this year. With less tail-risk in the system, investors show an increased appetite for bonds that offer a pick-up to low-yielding core rates. Indeed, ECB has managed to decrease the tail-risks with the announcement of the OMT programme as a powerful backstop. Today France will come to the market tapping EUR 7-8bn of nominal bonds (Nov-15, Apr-17 and May-18) and EUR 0.8-1.2bn of inflation-linked bonds (Jul-18, Jul-19 and Jul-24).

**FX markets.** The euro has been under pressure recently and a new low eurozone inflation reading could push EUR/USD towards 1.28. Yesterday we published new FX Forecasts, see [FX Forecast Update: Peak in EUR/USD behind us](#). We conclude that Q1 probably marked the peak in EUR/USD in 2013. Range trading should continue to be the order of the day in the cross for the near future, as relative central bank policies still favour the euro but we now see the range more likely to be in the high 1.20s for H2. Soon the market will have to price the Fed scaling back on QE and, in our view, this will lead to more broad-based USD strength. We now target EUR/USD at 1.27 in 12M but underline that risks are skewed on the downside for the cross. The FX markets will also follow the Fed speeches closely for any hints of the exact timing of the Fed exit that will be the big driver for the currency market in H2 13.

## Scandi Daily

**Norway.** GDP data for Q1 will be published at 10:00 CET. The Norwegian economy has recovered after a weak end to 2012, driven by private consumption, residential investments and oil investments. However, as power production dropped significantly in Q1, we expect mainland-GDP to have grown by 0.6 % q/q in Q1. Adjusted for this weather-related effect, mainland growth was probably 0.9 % q/q, which is above the trend rate (around 0.75%). If so, this is also higher than forecasted by Norges Bank in the MPR in March. Hence, domestic growth should not be an argument for cutting rates.

### US core CPI at a low level



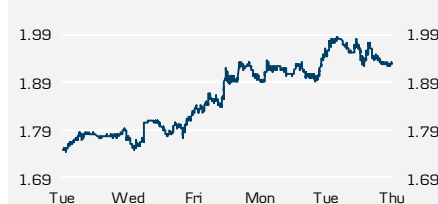
Source: Reuters EcoWin

### US S&P500 future



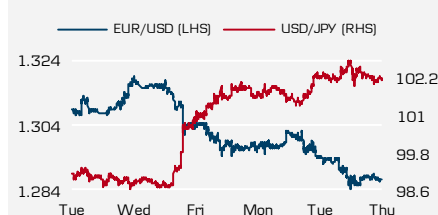
Source: Danske Bank Markets

### US 10y gov yield



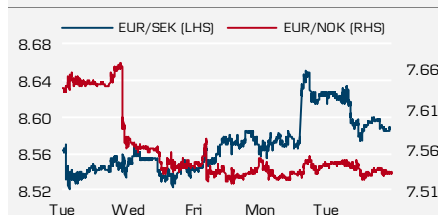
Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

## Key figures and events

Thursday, May 16, 2013			Period	Danske Bank	Consensus	Previous
-	OTH	Earnings: Wal-Mart				
9:45	USD	Fed's Plosser (non-voter, hawk) speaks				
10:00	NOK	GDP (total)	q/q	1st quarter		0.4%
10:00	NOK	GDP (mainland)	q/q y/y	1st quarter	0.9% ...	0.3% ...
11:00	EUR	CPI	m/m y/y	Apr	.. 1.2%	1.2% 1.2%
11:00	EUR	CPI - core	y/y	Apr		1.5%
11:00	EUR	Trade balance	EUR bn	Mar		12.0
13:45	USD	Fed's Rosengren (voter, dove) speaks				
14:30	USD	CPI	m/m y/y	Apr	-0.3% 1.2%	-0.2% 1.4%
14:30	USD	CPI ex. food & energy	m/m y/y	Apr	0.0% 1.7%	0.2% 1.8%
14:30	USD	Initial jobless claims	1000			0.1% 1.9%
14:30	USD	Housing starts	1000 (m/m)	Apr	967 (-6.5%)	980 (-5.4%)
14:30	USD	Building Permits	1000 (m/m)	Apr	925 (2.0%)	945 (4.2%)
15:00	USD	Fed's Fisher (non-voter, hawk) speaks				1036 (7.0%)
16:00	USD	Philly Fed manufacturing PMI	Index	May	3.0	1.3
21:05	USD	Fed's Williams (non-voter, dove) speaks				

Source: Bloomberg, Danske Bank Markets

Today's market data: 16 May 2013

Thursday, May 16, 2013

## STOCKS



	Close		+/-
DJSTOXX50	2821	↑	0.8%
OMXC20	557	↑	0.2%
OMXS30	1230	↑	0.4%
OSE BX	489	↓	-0.1%
	Close		+/-
DOW JONES	15276	↑	0.4%
NASDAQ	3472	↑	0.3%
S&P 500	1659	↑	0.5%
NIKKEI (07:30)	14899	↑	0.8%

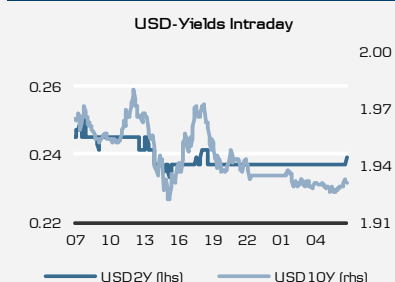
## FX &amp; COMMODITIES



EUR	17:00	07:30	+/-
USD	128.67	128.77	↑ 0.10
JPY	131.79	131.63	↓ -0.16
GBP	84.53	84.55	↑ 0.01
NOK	752.98	752.96	↓ -0.02
SEK	858.55	859.06	↑ 0.51
DKK	745.37	745.35	↓ -0.02
PLN	418.91	418.53	↓ -0.38
USD	17:00	07:30	+/-
JPY	102.43	102.23	↓ -0.20
GBP	152.22	152.30	↑ 0.08
CHF	96.77	96.57	↓ -0.20

	Gold, \$	Oil, Brent, \$
07:30	1396.31	103.22
1day	↑ 3.28	↓ -0.46
1month	↑ 28.42	↑ 3.31
Year-t-date	↓ -279.04	↓ -7.89
	CRB 1M future	CRB, Raw Industrials
07:30	286.53	524.42
1day	↓ -1.14	↓ -0.77
1month	↑ 3.30	↓ -4.31
Year-t-date	↓ -8.48	↓ -5.98

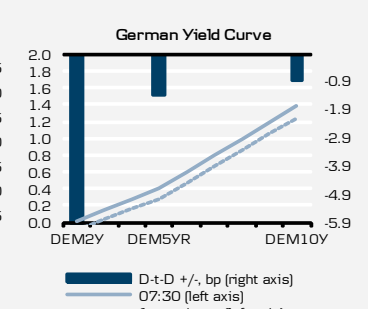
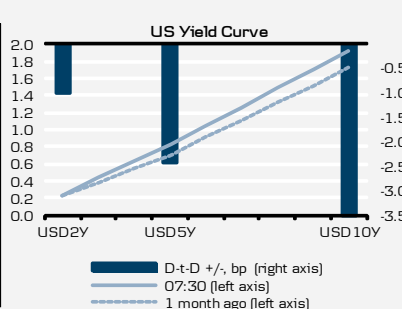
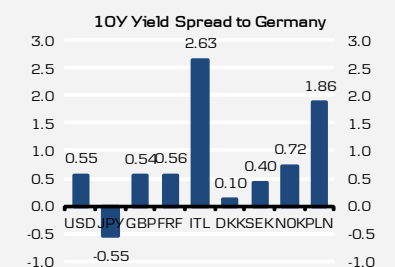
## YIELDS &amp; INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.25	0.27	2
EUR	0.50	0.20	-30
GBP	0.50	0.51	1
DKK	0.20	0.25	5
SEK	1.00	1.20	20
NOK	1.50	1.78	28
PLN	3.00	2.77	-23

	17:00	07:30	+/-, bp
USD 10Y	1.95	1.93	↓ -3
USD 30Y	3.17	3.14	↓ -3
JPY 10Y	0.86	0.84	↓ -2
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	1.39	1.38	↓ -1
DKK 10Y	1.51	1.48	↓ -2
SEK 10Y	1.76	1.78	↑ 2
NOK 10Y	2.11	2.11	↑ 0
PLN 10Y	3.20	3.25	↑ 4

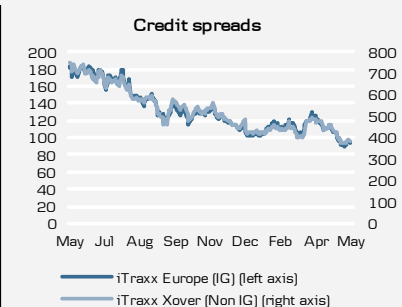
\* As of closing previous trading day



## Credit spread, iTraxx s. 11\*

	07:30	1day	1month
Europe (IG)	94	↓ -2	↓ -17
HiVol	145	↓ -2	↓ -20
Xover (N-IG)	386	↓ -3	↓ -60
Finan. Sr.	137	↓ -4	↓ -30
Finan. Sub.	223	↓ -4	↓ -43
Non-finan.	20	↑ 0	↓ -9

\* Ask price



## Swap Spread, bp\*\*

	17:00	07:30	+/-
USD 10Y			
JPY 10Y	14	14	↑ 0
	07:30(-1)*	17:00	+/-
EUR 10Y	0		
DKK 10Y	25	24	↓ 0
SEK 10Y	29	28	↓ -1
NOK 10Y	43	43	↑ 0

\* As of closing previous trading day

\*\* Ask price

## Disclosure

This research report has been prepared by Danske Bank Markets, a division of Danske Bank A/S ('Danske Bank').

### Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

### Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Services Authority (UK). Details on the extent of the regulation by the Financial Services Authority are available from Danske Bank upon request.

The research reports of Danske Bank are prepared in accordance with the Danish Society of Financial Analysts' rules of ethics and the recommendations of the Danish Securities Dealers Association.

### Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

### Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors upon request.

### Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

### Expected updates

Danske Daily is updated on a daily basis.

### First date of publication

Please see the front page of this research report for the first date of publication. Price-related data is calculated using the closing price from the day before publication.

## General disclaimer

This research has been prepared by Danske Bank Markets (a division of Danske Bank A/S). It is provided for informational purposes only. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change, and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

## Disclaimer related to distribution in the United States

This research report is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to "U.S. institutional investors" as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to "U.S. institutional investors".

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA, but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.