

Danske Daily

Market movers today

- The likelihood of a cut in either the refi rate or the deposit rate in connection with today's ECB meeting is, in our view, extremely low – not least after PMIs released across the euro area showed tentative signs of stabilisation across the board. The ECB might present an ABS purchasing programme to support lending to small- and medium-sized companies but we doubt it is ready to give details and the programme might underwhelm, see *ECB Preview: The end of monetary easing*.
- BoE is also unlikely to announce new stimulus today in connection with its last meeting with Mervin King as governor. Recent data including yesterday's service PMI suggests that growth is moving up a gear and for that reason it also looks increasing questionable whether Mark Carney will deliver additional easing when he assumes the BoE governorship.
- In the data calendar the most interesting release today is German factory orders. Following two months of strong gains in factory orders, it would be a surprise if there had been no payback in April. The weekly initial unemployment claims in the US will as usual also be interesting as an indicator for the strength of the labour market.
- We expect Nationalbanken to follow the ECB and keep rates on hold. March house prices for Denmark are likely to show further stabilisation. *For more on Scandi markets see page 2.*

Selected market news

The **US ADP report** released yesterday showed a disappointing gain of 136,000 in private payrolls which is below our estimate for Friday's employment report. However, ADP has missed actual job growth several times on the downside lately and hence we take the numbers with a pinch of salt. More important is the employment index in the non-manufacturing ISM survey which declined despite an overall gain in the headline index. This leads us to adjust our above-consensus forecast for **Friday's nonfarm payrolls** to 180,000 from a previous 190,000.

The **Fed's Beige Book** released yesterday evening showed the economy growing at a 'modest to moderate' pace compared with a 'moderate' pace in the previous Beige Book. This is consistent with some slowing in growth in Q2 which is in line with our forecast. Interesting was the comments that the manufacturing sector expanded in most districts in May – this is not as downbeat as might have been expected following the weak manufacturing ISM survey released on Monday. Otherwise, residential real estate and construction stands out as strong which is in line with other data received lately.

In a *WSJ article* the IMF admits that it made mistakes when handling the **Greek bailout**.

In general, **risk markets** had a bad day yesterday and US and German yields moved lower. This morning the negative sentiment has carried over to Asian markets. JPY/USD is now trading below 100 again after a short spike yesterday while EUR/USD has remained broadly stable.

Market overview

| | 07:30 | 1 day +/- % |
|------------------------------|---------|-------------|
| S&P500 (close) | 1608.9 | ↓ -1.38 |
| S&P500 fut (chng from close) | 1612.4 | ↑ 0.27 |
| Nikkei | 12882.5 | ↓ -1.02 |
| Hang Seng | 21814.7 | ↓ -1.15 |
| | 17:00 | 07:30 |
| | | +/-, bp |
| US 2y gov | 0.29 | 0.29 |
| US 10y gov | 2.09 | 2.10 |
| iTraxx Europe (IG) | 108 | 109 |
| iTraxx Xover (Non IG) | 445 | 447 |
| | | +/-, % |
| EUR/USD | 1.310 | 1.310 |
| USD/JPY | 99.170 | 99.400 |
| EUR/CHF | 1.23 | 1.23 |
| EUR/GBP | 0.851 | 0.851 |
| EUR/SEK | 8.638 | 8.627 |
| EUR/NOK | 7.61 | 7.61 |
| | | USD |
| Oil Brent, USD | 103.7 | 103.2 |
| Gold, USD | 1406.8 | 1398.3 |

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

Selected readings from Danske

- [ECB preview](#)
- [Nationalbanken preview](#)

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Scandi markets today

In our *Nationalbanken Preview* we look at likely reactions from Danmarks Nationalbank (DN) in the unlikely event that the ECB cuts rates today. If the ECB remains on hold as expected, we expect DN to remain quiet today. EUR/DKK has been reasonably stable below the central rate since the 24 January rate hike and DN has not needed to intervene in the FX markets to support DKK in this period – an independent DN rate hike is therefore not imminent. March's property price figures will probably show that the fragile Danish property market has stabilised further.

Fixed Income markets

Today's key event for EUR swap markets is the ECB meeting policy meeting and the following press conference. In our view risks are skewed for rates moving lower during these events. Draghi is unlikely to repeat the mistakes made in January, where a hawkish tone fuelled a sharp sell-off. Rather he will keep all options open, which will be perceived as dovish given the current pricing of the short end of the EUR curve. Spain and France are both coming to the markets today: Spain to sell 2.75% 2015, 3.3% 2016 and 4.4% 2023 bonds; France to sell 3.5% 2020, 1.75% 2023 and 2.75% 2027 bonds.

The push for higher rates in Europe from the US has faded with US Treasury markets stabilising. An oversold Treasury market increases the likelihood of US Treasury yields moving lower in the near term. We would not be surprised to see 10Y Treasury yields dipping below 2% again if the labour market reports disappoints on Friday.

FX markets

Which way for EUR/USD on ECB is today's million-dollar question. On the one hand, while a refi rate cut cannot be ruled out, it is the deposit rate that really matters for FX markets as this determines the level of EONIA rates – and we think the ECB is far from going negative. This coupled with stretched EUR short positioning speaks in favour of a positive EUR reaction. But, on the other hand, longer-end EONIA swaps have sold off in the past month, which suggests to us that there could be room for the FX-sensitive part of the curve to move lower today, if we are right that Draghi will be talking soft and no grand ABS programme is launched. On the whole, we thus see a chance of EUR/USD edging lower on today's meeting, likely testing the 1.30 level. Sterling is unlikely to see any significant reaction to Bank of England keeping things as they are; everyone is waiting for Carney and the August review of policy.

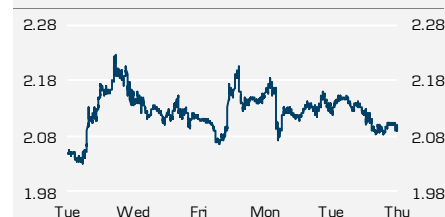
In the Scandi sphere, focus will also be on the ECB. Should the ECB cut the refi rate (contrary to our expectations), Nationalbanken will likely deliver another 10bp cut in the lending rate to 0.10% and a minor move lower in EUR/DKK could be the result. With Norges Bank very focused on relative rates and NOK moves, an ECB cut could fuel speculation of a Norwegian cut at the June policy meeting whereas Riksbanken is less likely to pay attention in this case; we could thus see NOK/SEK head lower again in the (unlikely) event of an ECB cut today.

US S&P500 future



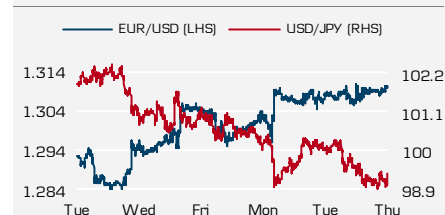
Source: Danske Bank Markets

US 10y gov yield



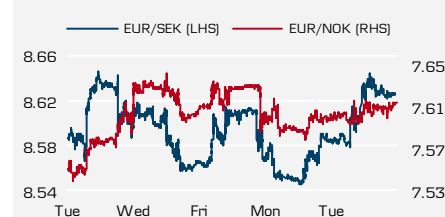
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

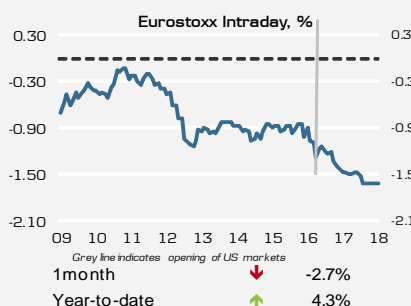
Key figures and events

| Thursday, June 6, 2013 | | | Period | Danske Bank | Consensus | Previous |
|------------------------|-----|--|--------|-------------|-----------|----------|
| 7:30 | FRF | Unemployment | % | 1st quarter | 10.5 | 10.6% |
| 9:00 | DKK | House price index | m/m/y | Mar | 1.8% | 1.5% |
| 9:15 | CHF | CPI | m/m/y | May | -0.1% | -0.4% |
| 12:00 | DEM | Factory orders | m/m/y | Apr | -0.5% | -1.3% |
| 13:00 | GBP | BoE rate announcement | % | 0.50% | 0.50% | 0.50% |
| 13:00 | GBP | BoE announces asset purchase target | GBP bn | 375 | 375 | 375 |
| 13:45 | EUR | ECB announces refi rate | % | 0.50% | 0.50% | 0.50% |
| 13:45 | EUR | ECB announces deposit rate | % | 0.00% | 0.00% | 0.00% |
| 14:00 | USD | Fed's Plosser (non-voter, hawk) speaks | | | | |
| 14:30 | USD | Initial jobless claims | 1000 | 345 | 354 | |
| 14:30 | EUR | ECB press conference | | | | |

Source: Bloomberg and Danske Bank Markets

Today's market data: 06 June 2013

STOCKS



| | Close | +/- |
|----------------|-------|-------|
| DJSTOXX50 | 2689 | -16% |
| OM XC20 | 537 | 0.7% |
| OM XS30 | 185 | -19% |
| OSE BX | 483 | -0.8% |
| DOW JONES | 14961 | -14% |
| NASDAQ | 3401 | -13% |
| S&P500 | 1609 | -14% |
| NIKKEI (07:30) | 12883 | -16% |

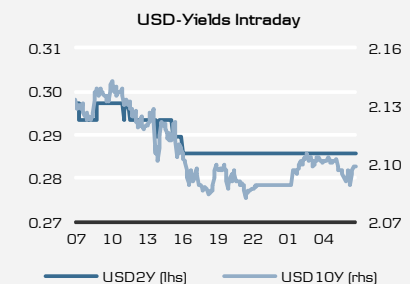
FX & COMMODITIES



| | 17:00 | 07:30 | +/- |
|------------|--------|--------|-------|
| EUR | | | |
| USD | 130.95 | 131.03 | 0.08 |
| JPY | 129.86 | 130.24 | 0.38 |
| GBP | 85.07 | 85.06 | -0.01 |
| NOK | 761.11 | 761.39 | 0.28 |
| SEK | 863.82 | 862.70 | -1.12 |
| DKK | 745.46 | 745.47 | 0.01 |
| PLN | 427.24 | 429.04 | 1.80 |
| USD | | | |
| JPY | 99.17 | 99.40 | 0.23 |
| GBP | 153.95 | 154.04 | 0.09 |
| CHF | 94.12 | 94.20 | 0.08 |

| | Gold, \$ | Oil, Brent, \$ |
|-------------|----------------|----------------------|
| 07:30 | 1398.29 | 103.16 |
| 1day | -5.11 | 0.12 |
| 1month | -71.11 | -2.30 |
| Year-t-date | -277.06 | -7.95 |
| | CRB, 1M future | CRB, Raw Industrials |
| 07:30 | 285.97 | 528.19 |
| 1day | 0.03 | 0.32 |
| 1month | -4.08 | 0.76 |
| Year-t-date | -9.04 | -2.21 |

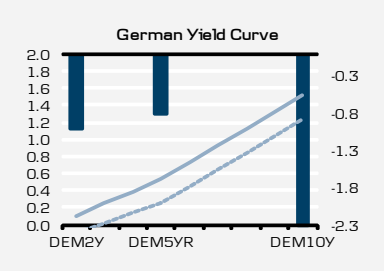
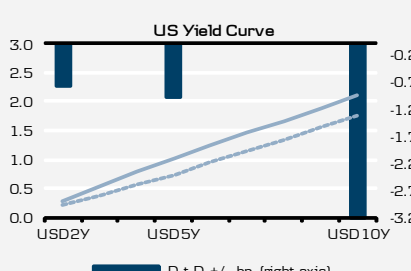
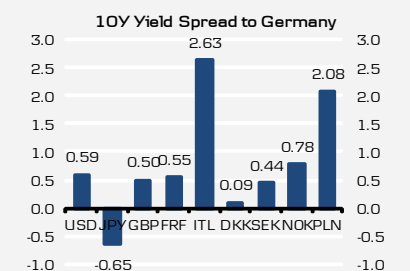
YIELDS & INTEREST RATES



| | 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 | 0.24 | 4 |
| SEK | 1.00 | 1.22 | 22 |
| NOK | 1.50 | 1.76 | 26 |
| PLN | 3.00 | 2.64 | -36 |

| | 17:00 | 07:30 | +/-, bp |
|---------|------------|-------|---------|
| USD 10Y | 2.09 | 2.10 | 1 |
| USD 30Y | 3.26 | 3.25 | -1 |
| JPY 10Y | 0.85 | 0.86 | 1 |
| | 07:30(-1)* | 17:00 | +/-, bp |
| DEM 10Y | 153 | 151 | -2 |
| DKK 10Y | 163 | 161 | -2 |
| SEK 10Y | 197 | 195 | -2 |
| NOK 10Y | 2.29 | 2.29 | 0 |
| PLN 10Y | 3.48 | 3.59 | 11 |

* As of closing previous trading day

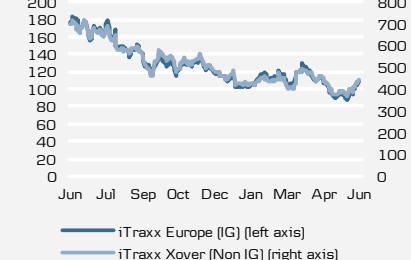


Credit spread, iTraxx s. 11*

| | 07:30 | 1day | 1month |
|--------------|-------|------|--------|
| Europe (IG) | 109 | 4 | 16 |
| HiVol | 160 | 5 | 17 |
| Xover (N-IG) | 447 | 21 | 67 |
| Finan. Sr. | 157 | 7 | 25 |
| Finan. Sub. | 228 | 9 | 11 |
| Non-finan. | 22 | 1 | 1 |

* Ask price

Credit spreads



Swap Spread, bp**

| | 17:00 | 07:30 | +/- |
|---------|------------|-------|-----|
| USD 10Y | 19 | 20 | 0 |
| JPY 10Y | 19 | 20 | 0 |
| | 07:30(-1)* | 17:00 | +/- |
| EUR 10Y | 0 | 16 | 16 |
| DKK 10Y | 23 | 24 | 1 |
| SEK 10Y | 30 | 31 | 1 |
| NOK 10Y | 45 | 46 | 1 |

* As of closing previous trading day

** Ask price

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First date of publication

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