Danske Daily

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Today's key points

- **S&P drops 2%, Nikkei drops 3%. FX markets very volatile overnight. GM's Wagoner sacked by US government. Industrial production in Japan declines as expected.**
- **Focus today: Thin data calendar; most important are UK mortgage approvals and euro area consumer confidence. G20 warm-up.**

Markets Overnight

The S&P500 index fell 2% on Friday as lower oil and metal prices dragged down commodity producers and profit taking was seen in info tech and financials. Still the index managed to climb 6.2% on the week and is now up 21% from a 12-year low on 9 March which is the most in 14 days since 1938. The US yield curve was pushed a little lower as the 2Y note dropped 2bp to 0.89% while the yield on the 10Y note declined 4bp to 2.71%. All Asian stock indices have fallen overnight with the Nikkei225 and Hang Seng down 3%.

Lots of action in FX markets overnight with massive JPY strengthening while commodity currencies AUD and NZD have been under pressure. EUR/USD has fallen 0.5% to 1.3220 while EUR/GBP is unchanged at 0.93. EUR/SEK is 0.5% higher at 10.93 while EUR/NOK is 0.2% lower at 8.80. EUR/DKK is trading around 7.4488.

Data released overnight showed that Japanese industrial production took another dive in February by falling 9.4%, 0.3 percentage points worse than the consensus expectation. Stabilisation signs were, however, observed as the decline in shipments eased and inventories shrank for the second month in a row.

The chief executive of General Motors, Rick Wagoner, has resigned at the request of the White House. He will be replaced by Fritz Henderson, GM's chief operating officer. The US government plans to give GM enough aid to restructure over the next 60 days, while Chrysler has been told to complete a deal with Fiat, according to a government official. Also Christian Streiff was ousted on Sunday night as chief executive of Peugeot Citroen in a surprise boardroom coup.

G20 heads of state will meet this week in London. The agenda will be dominated by the simultaneous implosion of industrial activity and exports, the amount of fiscal stimulus needed to bring the global economy back on track, financial regulations, the future role of the IMF and perhaps also foreign reserve management. President Barack Obama said yesterday that leaders know they must "deliver a strong message of unity" for the sake of the global economy.

Today's events				Period	Our forecast	Consensus	Latest
	DEM	Retail sales, real s.a.	m/m|y/y	Feb		-0.2%| ..	-0.9%|-1.3%
01:50	JPY	Industrial production, preliminary	m/m|y/y	Feb	-8.5%| ..	-9.1%| ..	-10.2%|-31.0%
09:00	ESP	Inflation (HICP), preliminary	m/m|y/y	Mar			
10:00	NOK	Retail sales, s.a.	m/m|y/y	Feb	0.3%|-0.2%		1.1%|0.6%
10:30	GBP	Mortgage approvals	'000	Feb		34	31
11:00	EUR	Consumer confidence	Net balanc	Mar	-33	-33	-33
11:00	EUR	Economic Confidence	Index	Mar	65.6	65.8	65.4
11:00	EUR	Business confidence	Net balanc	Mar	-36	-35	-36
12:00	LVL	Retail trade	y/y	Feb	-24.6%		-19.8%

Global Daily

The agenda this week is heavy with economic data and events. Two of the most important releases in the US – the ISM and the employment report – are due later in the week and in Europe the main event will be the ECB meeting on Thursday which is also the day of the G20 meeting in London. Today's calendar is nevertheless light with the only interesting data being Euroland consumer and business confidence released this morning. There are a number of ECB members due to speak today but Trichet's statement before the European parliament is likely to attract the most attention.

Markets are probably in wait-and-see mode ahead of the more important economic events later this week and general risk appetite is likely to set the tone for Euroland bond yields today. In the US the Fed continues its purchases of Treasuries and will be buying in the long end of the curve (20-30 years Treasury bonds) today. This could put some downward pressure on longer-term yields later in the day.

Another round of news suggesting that the financial system's insatiable need for capital support continues, spooked the market last week. With little important data, apart from US retail sales, on the economic agenda this week, efforts from global authorities to shore up financial institutions around the world and new developments regarding the situation in CEE will continue to be decisive for markets.

There are no interesting economic releases at the agenda today but the ECB's Stark is scheduled to speak at 10:00 CET. The earnings report from Fortis could attract some market attention as well. Remember that the US has shifted to Daylight Saving Time, implying that US releases will be one hour earlier in CET than usual this week.

Turning to bond markets, yields trended downwards again last week. The move was driven by renewed flight to quality, as risk markets collapsed, combined with soft tones from European central banks with the Bank of England announcing direct purchases of Gilts and the ECB moving closer to credit easing. In the coming week, focus could turn back to supply issues as this week will see another wave of supply. The Treasury will auction a total of USD 63bn in 3-year, 10-year and 30-year bonds while the issuance schedule is busy in Euroland as well with an estimate issuance of EUR17bn in euro government bonds. However, given the negative market sentiment developing in Asia trading, European bond yields are likely to open lower this morning.

FX markets will focus on comments, remarks and statements from the G20 meeting this week. While the meeting indeed is much more exciting than usual, the outcome is likely to be less influential for exchange rates, at least in the short term. No 'hard' FX topics are on the agenda and G20 leaders will probably not do much to adjust the misalignments (undervalued GBP and SEK, overvalued EUR) that exist. It seems like the dollar fears have eased in the past couple of days and we expect focus soon will be on the problems surrounding the euro, which means that we might test the downside of 1.30 again in the next few weeks.

Scandi Daily

With equity markets under pressure, Scandinavian currencies might be under pressure today. We prefer therefore to stay on the sidelines and also keep in mind that markets might starting to prepare for near zero-rates in Sweden, the likely outcome of the policy rate meeting on 21 April.

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First date of publication

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