FX & MONEY MARKETS DAILY

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JYSKE MARKETS

JYSKE BANK

The GBP continues its descent

Today's comment

Majors & Scandies

By the Majors & Scandis Team

Yesterday the **GBP** pared most of the gains made ahead of the weekend as details of the scheme to relive tensions in credit markets in the UK were released. According to the scheme banks are allowed to swap certain assets for safer government bonds for up to three years. Banks can then use these bonds raise the liquidity they need. However banks who wish to make the asset swap will be required to pay a fee corresponding to the spread between the 3-mth Libor rate and the 3-mth repo rate but no less than 20 bps. Thus in effect banks will end up paying 3-mth Libor for liquidity according to the liquidity scheme. In addition banks will have to provide assets of "significantly greater value" than the bonds they have received. If the value of these assets fall or are downgraded banks will have to provide more assets or return some of the government bonds they received in the asset swap.

As mentioned the GBP dropped after details of the liquidity scheme was released – presumably because market participants find that the cost of liquidity seems rather expensive in the current environment.

We have chosen to **maintain a neutral stance for now but stick to the view that risks regarding the GBP remain on the downside**.

The **AUD** has been supported lately by the positive market sentiment and inflation data above expectations. Thus AUDUSD has broken through the upper boundary of our interval. At this point technical indicators suggest that momentum on upward movement is wearing off. Furthermore with stock markets in the red this wouldn't be the time to go long. Hence we have chosen to maintain a neutral stance and have adjusted our interval slightly.

Emerging Markets

By the Emerging Markets Team

Following a couple of positive days, EM traded with a more negative tone yesterday on a day

without any interesting data whatsoever. Today hardly looks too exciting on the data front, unless one is obsessed with the finer points of the polish macro economy. We have for some time been neutral on most EM crosses as the more positive mood in the financial markets engage in a tug of war with more negative domestic stories in e.g. Turkey and Iceland - and we do not really see an end to this stalemate just yet. EUR/TRY has been moving in a 2.05 to 2.12 range for a couple of weeks, and we lack an obvious trigger to break out of this range short-term. We are still concerned, however, that the domestic dispute makes a break to the upside more likely than to the downside. In Iceland, S&P yesterday downgraded one of the 3 big banks, Glitnir, which follows hard on the heels of the downgrade of Iceland last week. While the domestic story here also remains challenging - and while **EUR/ISK** has once again touched 120 as we feared it would - the central bank ought to stand ready should the cross push too much above 120 - unless it wants to lose all credibility. As in **Turkey,** we thus **remain neutral but see the risks mainly on the downside** for the local currency.

Today's Key Events

- **N/A Monetary policy meeting in Riksbanken starts (SEK)**
- **N/A Monetary policy meeting in Bank of Canada (CAD)**
- **15:00 Rate announcement from Bank of Canada (CAD)**
- **16:00 Existing home sales**
- **03:30 Consumer prices (AUD)**

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Majors Short Term (0-1 Month) FX Recommendations

Currency	Spot	Short Term	Entry Date	Entry Price	Target**	Stop Loss**	
EURUSD	159,08	neutral	mar 06		153,00 - 160,00	-	
USDDKK	468,98	neutral	mar 06		466,28 - 487,62	-	
EURGBP	80,28	neutral	apr 21		78,50 - 81,00	-	
GBPDKK	929,31	neutral	apr 21		921,05 - 950,38	-	
EURJPY	163,91	neutral	apr 17		159,56 - 165,75	-	
JPYDKK	4,5516	neutral	apr 17		450,11 - 4,68	-	
EURCHF	160,42	sell	apr 08	159,01	155,00	161,75	
CHFDKK	465,06	buy	apr 08	469,06	481,32	461,24	
EURNOK	794,6	neutral	feb 20		783,00 - 803,00	-	
NOKDKK	93,89	neutral	feb 20		92,91 - 95,28	-	
EURSEK	936,68	neutral	mar 31		930,00 - 943,15	-	
SEKDKK	79,649	neutral	mar 31		79,10 - 80,22	-	
AUDUSD	94,19	neutral	apr 07		92,60 - 95,00	-	<<
NZDUSD	79,47	neutral	apr 08		78,15 - 80,80	-	
USDCAD	100,75	neutral	feb 19		97,30 - 103,70	-	
USDJPY	103,03	neutral	feb 08		98,80 - 105,15	-	

* Adjusted against DKK to daily EURDKK exchange rate << = Recommendation updated

Emerging Markets Short Term (0-1 Month) FX Recommendations

Currency	Spot	Short Term	Entry Date	Entry Price	Target*	Stop Loss*
EURCZK	25,08	neutral	apr 14		24,50 - 25,50	-
CZKDKK	29,75	neutral	apr 14		29,26 - 30,45	-
EURISK	118,46	neutral	apr 14		112,00 - 122,00	-
ISKDKK	6,30	neutral	apr 14		6,12 - 6,66	-
EURTRY	2,09	neutral	apr 02		2,00 - 2,20	-
TRYDKK	357,08	neutral	apr 02		339,15 - 373,06	-
EURZAR	12,37	neutral	mar 19		12,00 - 13,00	-
ZARDKK	60,34	neutral	mar 19		57,39 - 62,18	-

* Adjusted against DKK to daily EURDKK exchange rate << = Recommendation upda

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