

# *FI and FX Daily Brief: New high for EUR/USD*

19.3.2025

**Summary:** EUR/USD rose to a new high yesterday following the passing of the German fiscal package in the Bundestag and progress on Russia-Ukraine ceasefire. The Bund ASW spread was about unchanged on the news. In Scandies, EUR/SEK fell back below 11.00, which also send NOK/SEK lower again. The NOK curve steepened considerably driven by a decline in the short end.

**Majors FX:** EUR/USD consolidated above the 1.09 mark after the German Bundestag approved the large fiscal package with a 2/3 majority. This was largely expected by markets and the reaction in EUR/USD was muted. The package must now also pass the Bundesrat, which is the upper chamber of the parliament, in a vote on Friday. Here the bill is also expected to pass. Today, focus turns to the FOMC meeting where we do not anticipate strong market reactions. We do not expect Powell to guide explicitly towards a cut in May, but we do still anticipate three 25bp reductions later in the year starting from June, see more in [Research US - Fed preview: Aiming for stability](#), 14 March. We expect EUR/USD to consolidate around current levels in the near term, with risks still skewed to the upside. The key risk to further EUR/USD upside is that if upcoming data fails to validate market concerns about the US economy, the USD could rebound quickly.

**Majors FI:** Yesterday's approval of the German fiscal package in the Bundestag did not rock the boat for German curve, which was close to unchanged through the session. The Bund-ASW spread held steady at -10bp, suggesting that markets continue to price a significant term premium in long-end bond yields. A lower price on duration seems justified given the prospect of a significant increase in supply going forward, which is not isolated to Germany. In that regard, it is bit puzzling that the softer German stance on EU fiscal rules has not raised any concerns in markets with regards to countries with much less fiscal space such as France. The OAT-Bund spread has tightened roughly 5bp to 68bp since the end of February. With Germany less inclined to discipline the rest of union, debt sustainability and warnings from credit agencies could soon start to pop up again. In the US, yesterday's session was also a very quiet one with marginal declines across the curve. We expect the FOMC to abstain from providing any clear direction for US rates at tonight's policy announcement. Today's EGB issuance calendar features long-end Germany supply (EUR1bn of 0% 2050 and EUR1.5bn of 1.8% 2053 nominals).

**Scandies FX:** We took profit on our long position in a 12M EUR/DKK FX forward yesterday from FX Top Trades. The trade had benefited from the recent surge in

EUR/DKK FX forwards amid tighter liquidity conditions - the 1M tenor turned positive this week for the first time since 2022. We will look to re-enter the trade when liquidity conditions have eased again over the coming months. For more info see [FX Strategy - We take profit on our long position in EUR/DKK](#), 18 March.

The rotation out of the US and into Europe is still ongoing as indicated by relative equity performance month-to-date and it is clearly manifested in stronger European currencies including the SEK and a weaker USD. The triggers have been the regime shift in Europe, Sweden included, with respect to expansionary and growth-supportive fiscal programmes alongside signs of a less constructive outlook for the US economy. The move lower in USD/SEK goes hand in hand with relative rates, although the drop which has taken the cross closer to 10.00, has become somewhat stretched. Barring a dovish Fed surprise tonight, the cross seems prone for a correction. EUR/SEK has been trading a wide range of 10.90 to 11.10 in the last few weeks but most recently it has spent most of the time close to 11.00. A hawkish/dovish surprise from the Riksbank tomorrow could send EUR/SEK toward and possibly outside of said range, although base case is for muted response. For a Riksbank preview, see [Reading the Markets Sweden](#), 14 March.

We are beginning to see the NOK underperform European peer FX which is in according with our view. While we have opted for a longer-term 6M bullish USD/NOK option structure we think it makes sense for clients to look at shorter-term NOK selling opportunities as well.

**Scandies FI:** The NOK curve steepened considerably during yesterday's session driven by the short-end coming lower. This supports our strategic view and we are looking for cross-market opportunities to receive the short-end of the NOK curve vs peers. While the Regional Network Survey marks a risk we increasingly see the balance of risk as asymmetrically skewed towards receiving the short-end of the NOK curve. Norges Bank will tap NOK4bn in NGB 3.75% 06/35 [NST 489] and NGB 3.625% 05/39 [NST 488]. These are the same bonds it tapped in early March. There was solid demand at the auction in March, and we expect a similar result at the auction on Wednesday as yields are higher now than in March and close to some of the recent SPIRE deals (see our preview: [Link](#)).

The Swedish National Debt Office will today auction SEK10bn of the September T-bill and SEK7.5bn of December (11.00 CET). Over the upcoming three T-bill auctions (until 16 April) the SNDO will sell a total of SEK55bn T-bills, which we believe may put further upside pressure on Swedish front-end yields. T-bills currently trade a 3-4 bps below the Riksbank pricing.

Denmark will issue in the new 10Y Benchmark DGB 2.25% 11/2035 and the 5Y linker DGBi 0.1% 11/30. We expect total sales between DKK3bn and DKK3.5bn as we expect decent demand (See our preview (in Danish): [Link](#). Furthermore,

**Tactical views:**

## **FX**

EUR/USD - tactical upside potential - we seek strategic selling opportunities

EUR/NOK - look to fade CPI-induced drop, buy strategic topside exposure

EUR/SEK - Room for near-term bounce higher in SEK-crosses

EUR/GBP - strategic downside

USD/JPY - we favour the downside

EUR/DKK - to trade just below the central rate on strong DKK fundamentals

USD/CNY - tactical view neutral, strategic view bullish on trade war 2.0 in 2025

## **Fixed Income**

Europe - We have taken profit on our Bund ASW-spread as we have reached our target, but the spread can go wider (Bunds underperform)

US - Long-end US rates have reached our 12M target. We see near-term risks as being tilted to the upside.

Sweden - We expect steeper curves primarily driven by the long end.

Norway - Look for opportunities to re-enter steepeners and receiver strategies, possibly on the Regional Network Survey released on Thursday

Denmark - We expect further performance in DGBs versus matching German government bonds.

## **Commodities/Energy**

Oil - low and steady on benign supply conditions and trade war woes

Jens Nærvig Pedersen, Director, FX and Rates Strategy...