FX Briefs, Danish Fixed Income, Swedish Fixed Income, Norwegian Fixed Income

FI and FX Daily Brief: Markets hold breath before German vote

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Summary: Bond yields slipped on both sides of the Atlantic yesterday ahead of the vote on the German fiscal package today and on a relatively quiet day, where risk sentiment held up amid solid retail sales data in the US. EUR/USD traded around the 1.09 level and the top from last week. EUR/SEK held steady just above 11.00 as the market digested the outlook for increased government borrowing amid a coming rise in defence spending.

Majors FX: EUR/USD was supported by risk-sentiment during yesterdays' session rising back above the 1.09 mark with US retail sales not sending any firm signals. Today, focus turns to the important vote in the German Bundestag where a 2/3 majority is needed to pass a range of fiscal measures including a reform of the constitutional enshrined debt brake. While not our base case, failing to secure the necessary 2/3 majority would trigger a broad EUR-weakening. More broadly, we expect EUR/USD to consolidate around current levels in the near term, with risks still skewed to the upside. However, we increasingly believe US pessimism is overstretched. 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.

Amid risk-on sentiment yesterday USD/JPY traded above 149 yesterday. Early Wednesday, the BoJ is widely expected to keep rates unchanged. Reflation momentum remains intact in Japan after big corporates decided to meet their unions' quite high wage in demands last week. The spring will show to what extent, this spills over to smaller businesses, which will be key to further rate hike potential. We expect the BoJ will be ready to hike rates again in July and believe the FOMC meeting on Wednesday to be a bigger deal for yen crosses than the BoJ. We still favour short USD/JPY on a strategic horizon.

The big event for CHF this week is the SNB meeting on Thursday where we expect a 25bp cut to 0.25%. This is in line with consensus and markets price in around 20bp for the meeting. We believe it is a close decision amplified by the recent weakening of the CHF and the limited space left for easing. Ultimately, we believe that the very muted inflationary pressure with headline currently around 0.3% y/y will leave the SNB opting for a cut. We continue to be bullish on CHF an expect the recent weakening to prove temporary.

Majors FI: EUR rates edged lower throughout yesterday's session as markets positioned for today's pivotal Bundestag vote. The SPD, CDU/CSU, and Greens collectively control 70% of seats, exceeding the 2/3 threshold required to relax the debt brake. However, passage remains uncertain, with several party members publicly opposing the bill and the risk related to abstentions—particularly from MPs who will lose their seats when the new Bundestag convenes next week. While not the base case, failure to secure the necessary majority today will trigger a sharp rally in long-end rates. Today's calendar features Finish taps in the 10Y-15Y segment. See our preview: Tap auction in Finland, March 17.

Scandies FX: In Norway anticipation builds ahead of Thursday's Regional Network Survey. The week started with a steepening pressure on the NOK curve but this later turned to an overall flattening of 2s10s mirroring global curve-moves. We still favour steepeners driven by the short-end to the extent that not least global curves are driven by a bullish steepening pressure. On the FX side our long USD/NOK has been off to a slightly rough start amid energy prices rising and Norwegian equities outperforming here in the beginning of the week. We do highlight that the timing of this trade is tricky which is also why we have opted for an option structure in positioning for an eventual rebound in USD/NOK (driven not least by the NOK leg) in the next 3-6M. Importantly, this trade is not based on the view that Norges Bank will cut rates next week.

Scandies FI: The Danish Debt Management Office is selling DGB 2.25% 11/35 and DGBi 0.1% 11/30 on Wednesday. We expect a sale between DKK3bn and DKK 3.5bn, since there will likely be solid demand for the 5Y index bond after the real interest rate has risen from 0.49% (at the auction in January) to approximately 0.65% today. Conversely, there is likely more modest demand for the 10Y nominal government bond given the ongoing issuance throughout 2025 and uncertainty about a potential rise in defence expenditures. Thus, we have closed our recommendation to buy DGB 11/35 against Germany and instead bought DGB 11/31 against DBR 02/35. We continue to have DGBi 11/30 as a top trade for 2025 against DGB 11/29 and DGB 11/31, given the risk of rising inflation.

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

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