

# Danske Daily

## Market Movers

- ECB and Fed continue to be in the spotlight ahead of their important meetings in December. There are several speeches scheduled for today and we will listen carefully for any comments on monetary policy.
- It could be that the ECB account from the latest meeting will attract some attention. The information level of the minutes has in general not been high but Mario Draghi was very dovish at the press conference and we may (or may not?) get some details.
- UK retail sales in October are due. Overall, retail sales should not be over interpreted as they account for less than 6% of GDP but markets seem to follow them. Retail sales were very strong in September due to the hosting of the Rugby World Cup and thus we will likely see a downward correction. We look for a decline of 0.7% m/m.
- Initial jobless claims in the US are estimated to have stayed more or less unchanged around 275,000. This is a low figure suggesting that the slack in the labour market has almost vanished. Multiple FOMC members have said that we have or are close to have met the full employment criteria.
- Today unemployment figures in Sweden are due, see *Scandi Markets*.

## Selected Market News

**The minutes of the 27-28 October FOMC meeting were more or less as expected and thus the market reaction was limited, see *FOMC minutes: Outdated due to the strong jobs report – December hike seems very likely*, 18 November. Due to the very strong jobs report for October we think a December hike is more or less a done deal and thus the FOMC minutes were in fact already outdated even before publication.** The reason why the FOMC included a sentence stating that it would assess whether it was 'appropriate to raise the target range at its next meeting' was that the FOMC wanted to keep 'policy options open for the next meeting'. The minutes reveal that most FOMC members think the domestic part of the US economy has been quite robust to the negative external shock.

**We expect four additional hikes in 2016 corresponding to a hike every other meeting, i.e. in total five hikes from now until year-end 2016.** This is in line with the latest Fed's median projection from September but more hawkish than market pricing. The market prices in total three hikes from now until year-end 2016.

**As expected, Bank of Japan kept its monetary base target unchanged at JPY80trn despite inflation being weak and Japan being in recession. We expect Bank of Japan to stay on hold until 2017** as the relatively complacent stance from the BoJ suggests that the bar for additional easing is 'very high'. The statement says that 'Inflation expectations appear to be rising up [...]' and 'Japan's economy is expected to continue recovering moderately'. We agree with the latter as we should see some stabilisation in exports due to the expected rebound in China. GDP growth in Japan should also be supported by a moderate uptrend in private consumption and capex. The next BoJ meeting is on 17-18 December.

## Market overview

|                              | 07:30   | 1 day +/- % |         |
|------------------------------|---------|-------------|---------|
| S&P500 (close)               | 2083.6  | ↑           | 1.62    |
| S&P500 fut (chng from close) | 2083.1  | ↑           | 0.16    |
| Nikkei                       | 19848.0 | ↑           | 1.01    |
| Hang Seng                    | 22459.4 | ↑           | 1.22    |
|                              | 17:00   | 07:30       | +/- bp  |
| US 2y gov                    | 0.88    | 0.88        | ↑ 0.0   |
| US 10y gov                   | 2.28    | 2.26        | ↓ -2.1  |
| iTraxx Europe (IG)           | 70      | 71          | ↑ 0.3   |
| iTraxx Xover (Non IG)        | 295     | 295         | ↓ 0.0   |
|                              |         |             | +/- %   |
| EUR/USD                      | 1.064   | 1.071       | ↑ 0.61  |
| USD/JPY                      | 123.560 | 123.260     | ↓ -0.24 |
| EUR/CHF                      | 1.09    | 1.09        | ↑ 0.19  |
| EUR/GBP                      | 0.700   | 0.701       | ↑ 0.14  |
| EUR/SEK                      | 9.301   | 9.298       | ↓ -0.03 |
| EUR/NOK                      | 9.26    | 9.25        | ↓ -0.10 |
|                              |         |             | USD     |
| Oil Brent, USD               | 43.8    | 44.6        | ↑ 1.76  |
| Gold, USD                    | 1068.2  | 1077.8      | ↑ 0.90  |

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 show 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 Bank

- *FOMC minutes: Outdated due to the strong jobs report*
- *FX Forecast Update*
- *Yield Forecast Update*

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## Scandi Markets

In Sweden today we receive the labour force survey, which includes employment, unemployment rate, hours worked etc. We believe that employment should continue its upward trend, while the technical – post-summer months – recoil up in the unemployment rate should also continue. From a Riksbank perspective, today's data are not in focus currently, which is why any major market reaction should prove temporary.

## Fixed Income Markets

The market reaction following the release was above all very muted. Pricing in the front of the US curve did not change and reactions longer out on the curve remained within a 1-2bp range closing the day unchanged. Lift-off pricing thus continues to be 85% for December and a total of 75bp from now and till end-16.

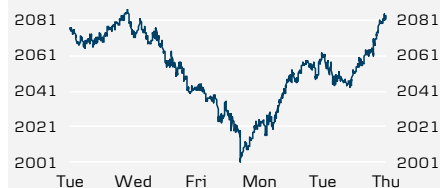
Spanish tap tomorrow in 04/18, 07/20, 01/23. The size is EUR3-4bn - equivalent to the last tap. This is in the low end of the range. There are two more taps in the calendar this year, so up to EUR8bn in remaining issuance after tomorrow's tap. This is roughly the same amount as the remaining QE buying this year. Spain has started to recover a bit versus Italy possibly helped by the fact that bonds being tapped are all in sub 8Y.

## FX Markets

EUR/SEK broke down through the 9.30 level on Wednesday following Riksbank Deputy Governor Martin Floden's comments that SEK intervention 'feels rather remote' and that it 'ought to take quite a lot' to intervene in the FX market. This is an interesting comment as the market is likely to use this as an excuse to test the Riksbank. As such, the trading range for EUR/SEK has moved lower to 9.20-9.45 from 9.30-9.60 previously where a test of the downside could occur into the ECB meeting on 3 December. Still, we expect aggressive ECB easing will be followed up by Riksbank action on 15 December.

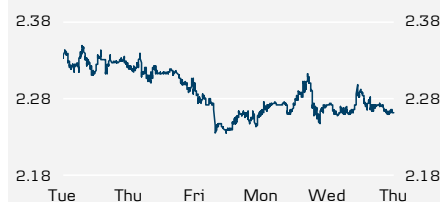
The USD continues to strengthen particularly versus interest rate sensitive currencies like JPY and EUR. The October FOMC minutes supported our view that the Fed will raise interest rates in December. Expect the USD to strengthen further ahead of the likely first Fed hike since 2006 especially versus low-yielding funding currencies like EUR, JPY and CHF.

### US S&P500 future



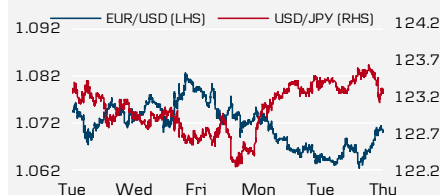
Source: Danske Bank Markets

### US 10y gov yield



Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

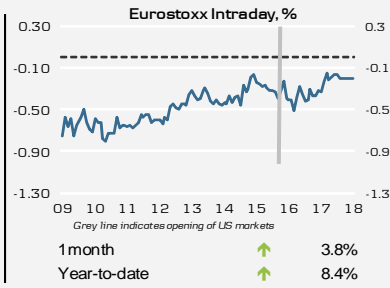
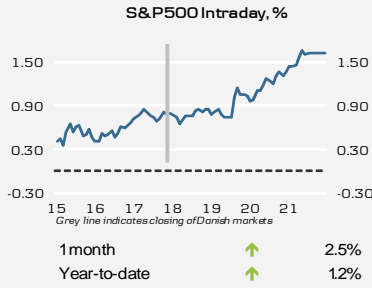
Key figures and events

| Thursday, November 19, 2015 |     |  |         | Period | Danske Bank | Consensus  | Previous  |
|-----------------------------|-----|--|---------|--------|-------------|------------|-----------|
| -                           | JPY | BoJ annual rise in monetary base           | trn     |        | 80          |            | 80        |
| -                           | JPY | BoJ monetary policy announcement           |         |        |             |            |           |
| 0:50                        | JPY | Exports                                    | y/y (%) | Oct    |             | -2.0       | 0.5       |
| 0:50                        | JPY | Import                                     | y/y (%) | Oct    |             | -8.9       | -11.0     |
| 0:50                        | JPY | Trade balance, s.a.                        | JPY bn  | Oct    |             | -377.4     | -355.7    |
| 4:00                        | JPY | Kuroda press conference                    |         |        |             |            |           |
| 5:30                        | JPY | All industry activity index                | m/m     | Sep    |             | 0.2%       | -0.2%     |
| 8:00                        | CHF | Trade balance                              | CHF bn  | Oct    |             |            | 3.05      |
| 9:00                        | EUR | ECB's Weidmann speaks in Frankfurt         |         |        |             |            |           |
| 9:00                        | EUR | ECB's Coeure speaks in Frankfurt           |         |        |             |            |           |
| 9:30                        | SEK | Unemployment                               | %       | Oct    |             | 6.7%       | 6.7%      |
| 9:30                        | SEK | Unemployment s.a.                          | %       | Oct    |             | 7.3%       | 7.3%      |
| 9:30                        | EUR | ECB's Praet speaks in Frankfurt            |         |        |             |            |           |
| 10:00                       | EUR | Current account                            | EUR bn  | Sep    |             |            | 17.7      |
| 10:30                       | GBP | Retail sales                               | m/m y/y | Oct    | -0.7% 4.1%  | -0.3% 4.5% | 1.9% 6.5% |
| 10:30                       | GBP | Retail sales ex fuels                      | m/m y/y | Oct    | -0.7% 3.5%  | -0.7% 3.8% | 1.7% 5.9% |
| 13:00                       | SEK | Riksbank's Ingves speaks                   |         |        |             |            |           |
| 13:30                       | EUR | ECB account of the monetary policy meeting |         |        |             |            |           |
| 14:30                       | USD | Initial jobless claims                     | 1000    |        |             | 270        | 276       |
| 18:30                       | CHF | SNB's Andrea Maechler Speaks in Geneva     |         |        |             |            |           |
| 18:30                       | USD | Fed's Lockhart (voter, neutral) speaks     |         |        |             |            |           |

Source: Bloomberg, Danske Bank Markets

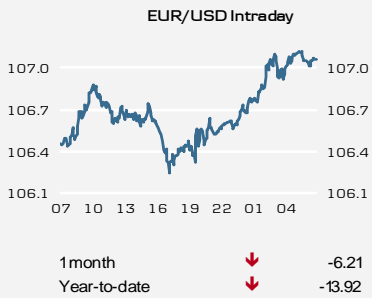
Today's market data: 19 November 2015

STOCKS



|                       | Close |   | +/-   |
|-----------------------|-------|---|-------|
| DJUSTOXX50            | 3255  | ↓ | -0.2% |
| OMXC20                | 986   | ↓ | -0.3% |
| OMXS30                | 1514  | ↑ | 0.0%  |
| OSE BX                | 627   | ↑ | 0.8%  |
| <b>DOW JONES</b>      |       |   |       |
|                       | 17737 | ↑ | 14%   |
| <b>NASDAQ</b>         |       |   |       |
|                       | 5075  | ↑ | 1.8%  |
| <b>S&amp;P500</b>     |       |   |       |
|                       | 2084  | ↑ | 1.6%  |
| <b>NIKKEI (07:30)</b> |       |   |       |
|                       | 19848 | ↓ | -0.2% |

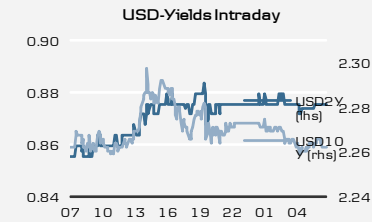
FX & COMMODITIES



| EUR        | 17:00  | 07:30  | +/-     |
|------------|--------|--------|---------|
| USD        | 106.41 | 107.06 | ↑ 0.65  |
| JPY        | 131.48 | 131.96 | ↑ 0.48  |
| GBP        | 69.96  | 70.06  | ↑ 0.10  |
| NOK        | 925.65 | 924.68 | ↓ -0.97 |
| SEK        | 930.07 | 929.81 | ↓ -0.26 |
| DKK        | 746.08 | 746.03 | ↓ -0.05 |
| PLN        | 424.59 | 424.66 | ↑ 0.07  |
| <b>USD</b> |        |        |         |
|            | 17:00  | 07:30  | +/-     |
| JPY        | 123.56 | 123.26 | ↓ -0.30 |
| GBP        | 152.09 | 152.80 | ↑ 0.71  |
| CHF        | 101.99 | 101.55 | ↓ -0.44 |

|             | Gold, \$  | Oil, Brent, \$       |
|-------------|-----------|----------------------|
| 07:30       | 1077.84   | 44.55                |
| 1day        | ↑ 7.14    | ↑ 0.41               |
| 1month      | ↓ -92.88  | ↓ -4.06              |
| Year-t-date | ↓ -107.02 | ↓ -12.78             |
| <b>CRB</b>  |           |                      |
|             | 1M future | CRB, Raw Industrials |
| 07:30       | 183.60    | 400.67               |
| 1day        | ↓ -0.11   | ↓ -1.86              |
| 1month      | ↓ -13.12  | ↓ -24.71             |
| Year-t-date | ↓ -46.35  | ↓ -91.44             |

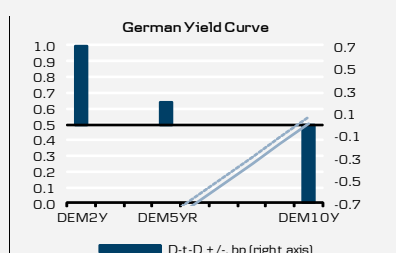
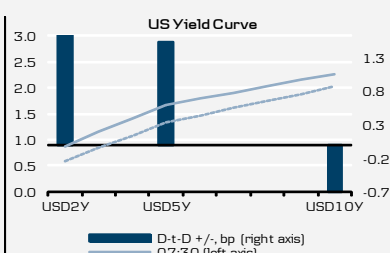
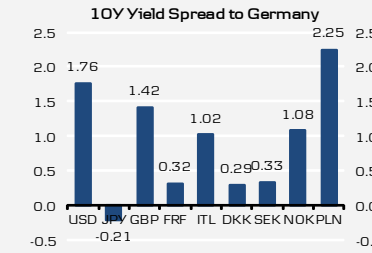
YIELDS & INTEREST RATES



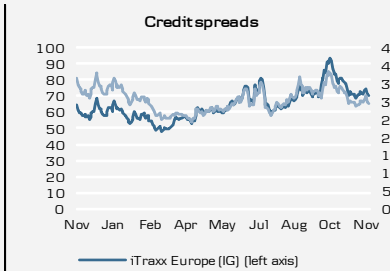
|     | Policy Rate | 3M    | Spread, bp |
|-----|-------------|-------|------------|
| USD | 0.25        | 0.37  | 12         |
| EUR | 0.05        | -0.09 | -14        |
| GBP | 0.50        | 0.57  | 7          |
| DKK | 0.05        | -0.14 | -19        |
| SEK | -0.35       | -0.39 | -4         |
| NOK | 0.75        | 1.15  | 40         |
| PLN | 1.50        | 1.63  | 13         |

|                                 | 17:00 | 07:30 | +/-, bp |
|---------------------------------|-------|-------|---------|
| USD 10Y                         | 2.28  | 2.26  | ↓ -2    |
| USD 30Y                         | 3.06  | 3.02  | ↓ -4    |
| JPY 10Y                         | 0.30  | 0.30  | ↑ 0     |
| <b>07:30(-1)* 17:00 +/-, bp</b> |       |       |         |
| DEM 10Y                         | 0.51  | 0.51  | ↓ 0     |
| DKK 10Y                         | 0.88  | 0.80  | ↓ -8    |
| SEK 10Y                         | 0.85  | 0.84  | ↓ -1    |
| NOK 10Y                         | 1.58  | 1.58  | ↑ 0     |
| PLN 10Y                         | 2.73  | 2.76  | ↑ 2     |

\* As of closing previous trading day



|                    | 07:30 | 1day | 1month |
|--------------------|-------|------|--------|
| Europe (IG)        | 71    | ↓ 0  | ↓ -8   |
| HiVol              | 86    | ↓ 0  | ↑ 6    |
| Xover (N-IG)       | 295   | ↓ -1 | ↓ -33  |
| <b>Finan. Sr.</b>  |       |      |        |
|                    | 70    | ↓ 0  | ↓ -6   |
| <b>Finan. Sub.</b> |       |      |        |
|                    | 149   | ↓ -1 | ↓ -12  |
| <b>Non-finan.</b>  |       |      |        |



|                                 | 17:00 | 07:30 | +/-  |
|---------------------------------|-------|-------|------|
| USD 10Y                         |       |       |      |
| JPY 10Y                         | -14   | -14   | ↑ 0  |
| <b>07:30(-1)* 17:00 +/-, bp</b> |       |       |      |
| EUR 10Y                         | 0     | 16    | ↑ 16 |
| DKK 10Y                         | 35    | 37    | ↑ 2  |
| SEK 10Y                         | 42    | 44    | ↑ 2  |
| NOK 10Y                         | 57    | 58    | ↑ 1  |

\* As of closing previous trading day

\*\* Ask price

Source: Bloomberg, Danske Bank Markets

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