

Danske Daily

Market Movers

- German factory orders for August are expected to rebound slightly after a drop of 1.4% m/m in July. We look for a bounce of 0.3% m/m (consensus 0.5% m/m). The data are quite volatile but have generally been strong going into the summer with some signs of levelling off the past few months. Germany is quite exposed to emerging markets (EM) through its exports and the data will provide some insight in how much the EM weakness is hitting Germany.
- FOMC member John Williams (dove/neutral, voter) will speak tonight about the economic outlook. Focus will be on how he views the situation following Friday's weak job report.

Selected Market News

The US, Japan and 10 other Pacific Rim nations have agreed on a trade deal, which essentially will cover 40% of the global economy. Although the short-term economic effect from the Transpacific trade deal is limited, it will likely have significant impact on global trade in the medium term. It also more puts pressure on the EU to conclude its negotiations with the US on a Transatlantic trade deal.

US ISM non-manufacturing dropped to 56.9 in September from 59.0 in August, which was weaker than expected. It follows a string of disappointing key figures for the US economy released last week, e.g. ISM manufacturing and the job report. ISM non-manufacturing comes from a very high level though, and is now in more normal territory still pointing to above-trend growth in the US service sector.

The broad based improvement in risk sentiment in financial markets since the beginning of the week has been supportive for commodity prices. More notably, the price on Brent crude has risen firmly above USD49/bbl tracking the 2-3% gain in equity markets yesterday.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	1987.1	↑ 1.83	
S&P500 fut (chng from close)	1971.3	↓ -0.17	
Nikkei	18271.9	↑ 1.48	
Hang Seng	21881.7	↑ 0.12	
	17:00	07:30	
		+/- bp	
US 2y gov	0.60	0.60	↑ 0.0
US 10y gov	2.03	2.04	↑ 1.1
iTraxx Europe (IG)	88	88	↓ -0.1
iTraxx Xover (Non IG)	356	355	↓ -1.0
			+/- %
EUR/USD	1.121	1.119	↓ -0.23
USD/JPY	120.320	120.460	↑ 0.12
EUR/CHF	1.09	1.09	↓ -0.06
EUR/GBP	0.739	0.738	↓ -0.14
EUR/SEK	9.323	9.313	↓ -0.11
EUR/NOK	9.41	9.39	↓ -0.26
			USD
Oil Brent, USD	49.3	49.4	↑ 0.16
Gold, USD	1135.8	1136.6	↑ 0.07

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

- *IMM Positioning: Speculative G10 bets virtually unchanged*

Senior Analyst

Jens Nærvig Pedersen
+45 45 12 80 61
jenpe@danskebank.dk

Scandi Markets

Denmark. Figures for bankruptcies and repossessions in September are due for release today. While the number of repossessions is more or less back to ‘normal’, the number of bankruptcies is still elevated, which underlines that although things are going better, this is not necessarily the same as them going well.

Fixed Income Markets

With a very buoyant risk sentiment yesterday core fixed income underperformed and lost all of Friday’s performance. Yields on both 10Y Germany and US Treasuries are now above their pre-non-farm payroll levels as fixed income markets were able to withstand the strong performance in the equity market. However, yesterday’s decline in US non-manufacturing ISM reminds us of the growing concern about US data and today’s release of German factory orders is worth paying attention to with the country being quite exposed to emerging markets through its exports. We continue to like duration exposure and recommend using the set-back in rates to overweight duration.

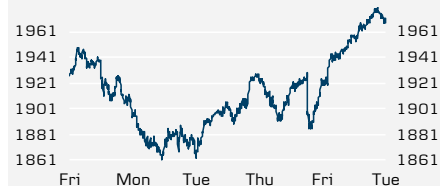
Austria and Germany are coming to the market today with Austria tapping in the 8Y and 10Y benchmarks. Germany is tapping in the 30Y linker, which has put pressure on German linkers lately with decline in BEI rates. However, the tap is modest and given the re-pricing, the auction should be well received.

FX Markets

This morning the Reserve Bank of Australia (RBA) maintained the cash rate target unchanged at 2%. The decision was widely expected by analysts (all analysts in Bloomberg survey) as well as market participants (market price implied probability of c.90% of an unchanged decision). The AUD has risen somewhat on the announcement.

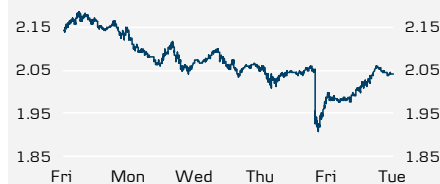
The NOK benefitted from yesterday’s strong move higher in the oil price with EUR/NOK temporarily falling to 9.38. As we wrote in *Scandi Markets Ahead*, in the short term we expect the NOK to track risk sentiment and the oil price closely, which in the current environment still allows for significant intra-day movements, i.e. we expect the NOK to trade volatile and trendless in the coming months around current levels.

US S&P500 future



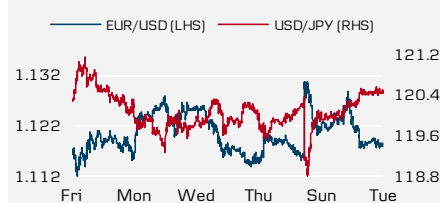
Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

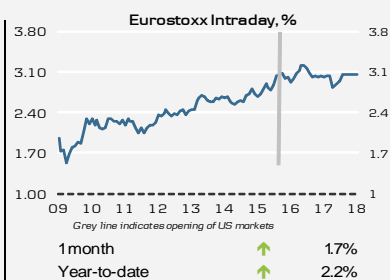
Key figures and events

Tuesday, October 6, 2015				Period	Danske Bank	Consensus	Previous
-	PLN	Polish central bank rate decision	%		1.5%	1.5%	1.5%
2:30	AUD	Trade balance	AUD m	Aug		-2400m	-2460m
5:30	AUD	Reserve Bank of Australia rate decision	%		2.0%	2.0%	2.0%
8:00	DEM	Factory orders	m/mly/y	Aug	0.3% ..	0.5% 5.6%	-1.4% -0.6%
9:00	DKK	Forced sales (s.a.)	Number	Aug			
9:00	DKK	Bankruptcies (s.a.)	Number	Sep			
9:15	CHF	CPI	m/mly/y	Sep		0.0% -1.5%	-0.2% -1.4%
9:30	EUR	EU Parliament debates migration policy					
14:30	USD	Trade balance	USD bn	Aug		-42.50b	-41.86b
15:00	EUR	Eurogroup meeting in Luxembourg					
19:00	EUR	ECB's Draghi speaks in Frankfurt					
23:30	USD	Fed's Williams (voter, dovish) speaks					

Source: Bloomberg, Danske Bank Markets

Today's market data: 06 October 2015

STOCKS



	Close		+/-
DJSTOXX50	3069	↑	3.0%
OMXC20	943	↑	2.1%
OMXS30	1457	↑	3.1%
OSE BX	601	↑	3.4%
	Close		+/-
DOW JONES	16776	↑	1.8%
NASDAQ	4781	↑	1.6%
S&P500	1987	↑	1.8%
NIKKEI (07:30)	18272	↑	3.0%

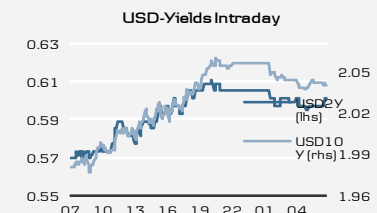
FX & COMMODITIES



	17:00	07:30		+/-
EUR				
USD	112.11	111.85	↓	-0.26
JPY	134.89	134.73	↓	-0.16
GBP	73.87	73.77	↓	-0.10
NOK	941.32	938.91	↓	-2.41
SEK	932.32	931.29	↓	-1.03
DKK	746.07	746.15	↑	0.08
PLN	424.47	424.43	↓	-0.04
USD				
JPY	120.32	120.46	↑	0.14
GBP	151.77	151.63	↓	-0.14
CHF	97.43	97.59	↑	0.16

	Close		+/-	
Gold, \$				
07:30	1336.55		49.41	
1day	↑	0.89	↑	0.16
1month	↑	13.10	↓	-0.20
Year-t-date	↓	-48.31	↓	-7.92
	CRB	CRB, Raw	Industrials	
07:30	196.38		432.07	
1day	↑	2.28	↓	-2.60
1month	↓	-0.32	↓	-11.67
Year-t-date	↓	-33.58	↓	-60.04

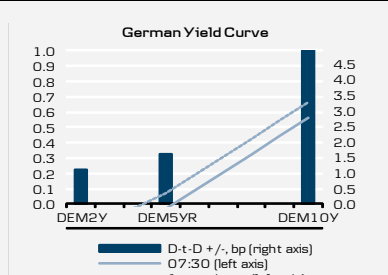
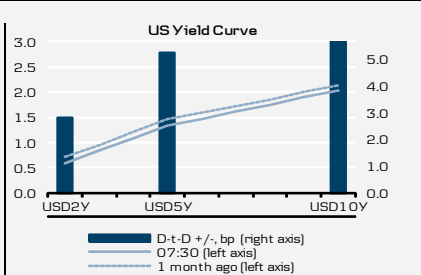
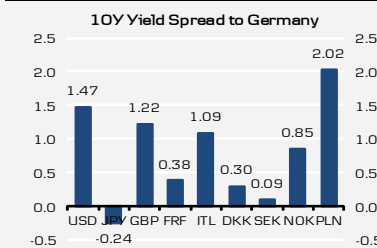
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.25	0.33	8
EUR	0.05	-0.05	-10
GBP	0.50	0.58	8
DKK	0.05	-0.05	-10
SEK	-0.35	-0.30	5
NOK	0.75	1.12	37
PLN	1.50	1.63	13

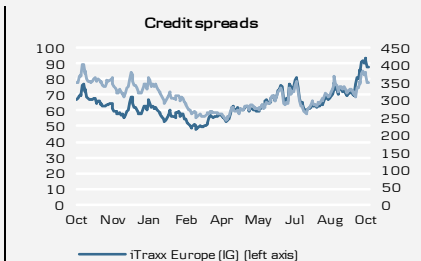
	17:00	07:30		+/-, bp
USD 10Y	2.03	2.04	↑	1
USD 30Y	2.87	2.88	↑	1
JPY 10Y	0.31	0.33	↑	1
	07:30(-1)*	17:00		+/-, bp
DEM 10Y	0.52	0.57	↑	5
DKK 10Y	0.83	0.87	↑	4
SEK 10Y	0.60	0.66	↑	6
NOK 10Y	1.42	1.42	↓	0
PLN 10Y	2.65	2.59	↓	-6

* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	88	↓ -1	↑ 15
HiVol	88	↑ 0	↑ 17
Xover (N-IG)	355	↓ -3	↑ 15
Finan. Sr.	89	↓ -1	↑ 5
Finan. Sub.	187	↓ -2	↑ 17
Non-finan.			

* Ask price



	17:00	07:30		+/-
USD 10Y				
JPY 10Y	-2	0	↑	2
	07:30(-1)*	17:00		+/-
EUR 10Y	0			
DKK 10Y	38	38	↓	0
SEK 10Y	44	45	↑	0
NOK 10Y	67	66	↓	-1

* As of closing previous trading day

** Ask price

Source: Bloomberg, Danske Bank Markets

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First date of publication

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