

# Danske Daily

## Market Movers

- In Sweden focus turns to Prospera inflation expectations, see *Scandi Markets*.
- The UK unemployment rate (3M average) is expected to be unchanged for September at 5.4%. Despite the unchanged print, the labour market is still tightening, albeit at a slower pace than in 2013-14. As a result, wage growth as measured by average weekly earnings excluding bonuses (core AWE) has accelerated so far this year. This said, we estimate the annual growth rate in core AWE (3M average) to have declined to 2.6% y/y in September, from 2.8% y/y in August, due to base effects explained by a very large jump in wages in September 2014.
- ECB president Mario Draghi speaks at a Bank of England event in London. We expect him to strike a dovish tone repeating that more stimulus measures are on the table at the meeting in December.

## Selected Market News

**Both stocks and bond markets have been trading water overnight** with little change in indices and yields. EUR/USD has climbed a bit after falling below 1.07 yesterday.

**Chinese data released this morning were mixed.** Industrial production undershot expectations once again with October production up 5.6% y/y (consensus 5.8% y/y), down from 5.7% y/y in September. It is back to the low in March, which was the lowest level since 2008. The monthly increase in October was 0.5%, slightly up from 0.4% but still low. Hence, so far we only see stabilisation in industrial production on a m/m basis but no recovery yet as hinted at by PMIs lately. Asset investment growth (fixed investment) increased 10.2% y/y in line with expectations. On a brighter note, retail sales beat expectations, up 11.0% y/y from 10.9% y/y in September. Since inflation has been going lower lately, the improvement is bigger in real terms and suggests consumption growth has picked up slightly. In that sense the data today fit well with China's goal to rebalance from investment to consumption.

According to *China Daily* Chinese premier Li Keqiang promised to a business audience in China to use several powerful policy weapons to boost growth. Li said that the economy is experiencing a lingering slowdown and a historic transition. He hinted that China will launch initiatives to lift growth through lower taxes for businesses, help upgrade businesses, improve competition and invest in infrastructure in central and western China. Finance was also mentioned, which suggests that interest rates might be cut further to ease the burden of companies. As in the new Five-Year Plan he said innovation should be at the core of the national strategy.

Yesterday **Minneapolis Fed named Neel Kashkari to replace Narayana Kocherlakota** as of 1 January 2016. With Kocherlakota leaving the Fed it will lose its most dovish member. Kashkari is a former PIMCO executive and has also worked for Goldman Sachs previously.

## Market overview

	07:30	1 day +/- %	
S&P500 (close)	2081.7	↑	0.15
S&P500 fut (chng from close)	2080.0	↑	0.09
Nikkei	19686.1	↑	0.08
Hang Seng	22333.0	↓	-0.31
	17:00	07:30	+/- bp
US 2y gov	0.86	0.87	↑ 1.2
US 10y gov	2.33	2.33	↑ 0.1
iTraxx Europe (IG)	72	72	↑ 0.2
iTraxx Xover (Non IG)	302	303	↑ 1.4
			+/- %
EUR/USD	1.070	1.075	↑ 0.50
USD/JPY	123.210	122.910	↓ -0.24
EUR/CHF	1.08	1.08	↑ 0.23
EUR/GBP	0.708	0.709	↑ 0.20
EUR/SEK	9.315	9.324	↑ 0.09
EUR/NOK	9.25	9.25	↓ -0.03
			USD
Oil Brent, USD	47.4	47.2	↓ -0.51
Gold, USD	1089.1	1091.9	↑ 0.26

### 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

- US: Doves also appear ready to fly in December*

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## Scandi Markets

After yesterday's Riksbank minutes, which suggest that the Riksbank remains vigilant and ready to act if needed, we turn to surveyed money market's inflation expectations released by Prospera at 8.00 CET. In the minutes Mr Jansson commented that 'expectations of inflation one and two years ahead have successively increased [...]. As regards more long-term inflation expectations, there is now a stronger impression that the downward trend has been stopped [...].' This makes it slightly easier for the Riksbank to 'see through' variations in energy prices and other more temporary effects on inflation in its monetary policy. Mr Flodén said that 'the scope for pursuing a flexible monetary policy, that does not just consider inflation, will be more limited if confidence in the target is weak and inflation expectations are not in line with the target'.

## Fixed Income Markets

In the EUR FI market the battle between the anticipated ECB easing and US tightening continues, with the market yesterday being driven by high expectations of aggressive ECB cuts. The market is currently pricing in a total of 18bp (by Sep-16) cut, which looks a bit aggressive in our view. Draghi will be speaking today so let us see if he has a desire to influence expectations at this stage. The periphery rallied strongly with 10Y Spain dropping 9bp recovering a bit of the recent underperformance.

Also Portugal recovered a bit with market focus now turning to the DBRS rating review on Friday after PM Coelho, as expected, was voted down yesterday. The President most likely will wait until next week before naming Costa to become the new PM. That means after the DBRS rating on Friday. A lowering of the outlook to negative is definitely a possibility, while we think an actual downgrade is quite unlikely.

We have an interesting day in the Scandi sphere. Both Sweden and Norway are tapping, while Denmark is printing in the March 2016 bill. Sweden is tapping SEK4bn in the Nov-23 and the May-25. Sweden has been underperforming Germany a bit recently and with the prospect of another rate cut from Riksbank in December we would expect good demand. Norway is tapping NOK3bn in the May-23, see details in [preview](#). The Danish T-bills remains very attractive, in particular swapped into USD or GBP.

## FX Markets

There was broad based EUR weakness in FX markets yesterday with the all important December ECB meeting drawing closer – notably EUR/USD dropped below 1.07. With both ECB's Draghi and Constancio scheduled to speak today we could see bearish EUR sentiment extend. Wage and unemployment figures due in the UK today could disappoint the market and weigh on GBP, nevertheless, we stand firm on our positive view on GBP in relation to our forecast of a rate hike from Bank of England in February next year.

### US S&P500 future



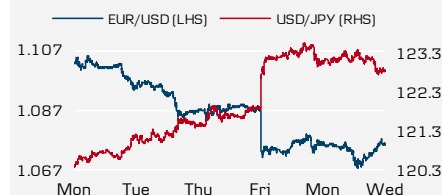
Source: Danske Bank Markets

### US 10y gov yield



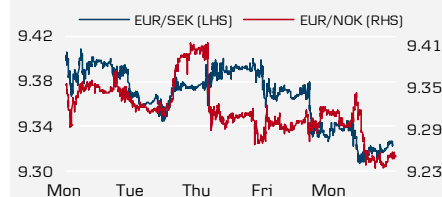
Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

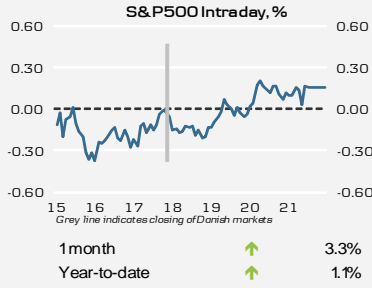
Key figures and events

Wednesday, November 11, 2015			Period	Danske Bank	Consensus	Previous
-	EUR	ECB's Constancio speaks in Madrid				
8:00	SEK	PES unemployment	%			4.1%
8:00	SEK	Prospera inflation expectations				
10:30	GBP	Average weekly earnings (3M)	y/y			3%
10:30	GBP	Average weekly earnings ex bonus (3M)	y/y	2.6%	2.7%	2.8%
10:30	GBP	ILO Unemployment rate	%	5.4%	5.4%	5.4%
13:00	USD	MBA Mortgage Applications	%			-0.8%
14:15	EUR	ECB's Draghi speaks in London				

Source: Bloomberg, Danske Bank Markets

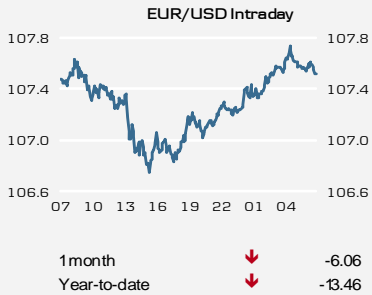
Today's market data: 11 November 2015

STOCKS



	Close		+/-
DJSTOXX50	3227	↑	0.2%
OMXC20	970	↓	-0.2%
OMXS30	1499	↓	-0.8%
OSE BX	624	↓	-0.7%
<b>Close +/-</b>			
DOW JONES	17758	↑	0.2%
NASDAQ	5083	↓	-0.2%
S&P500	2082	↑	0.2%
NIKKEI (07:30)	19686	↑	0.2%

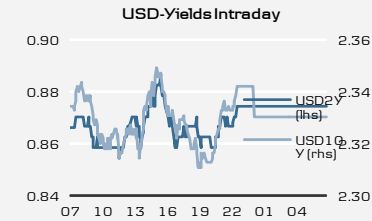
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	106.99	107.52	↑ 0.53
JPY	131.82	132.16	↑ 0.34
GBP	70.79	70.94	↑ 0.14
NOK	925.44	925.15	↓ -0.29
SEK	931.53	932.40	↑ 0.87
DKK	746.05	746.02	↓ -0.03
PLN	424.13	423.96	↓ -0.17
<b>USD</b>			
JPY	123.21	122.91	↓ -0.30
GBP	151.13	151.57	↑ 0.44
CHF	100.68	100.41	↓ -0.27

	Gold, \$	Oil, Brent, \$
07:30	1091.94	47.20
1day	↑ 2.31	↓ -0.24
1month	↓ -65.34	↓ -5.45
Year-t-date	↓ -92.92	↓ -10.13
<b>CRB</b>		
07:30	189.42	403.38
1day	↑ 0.19	↑ 0.10
1month	↓ -13.27	↓ -20.19
Year-t-date	↓ -40.54	↓ -88.73

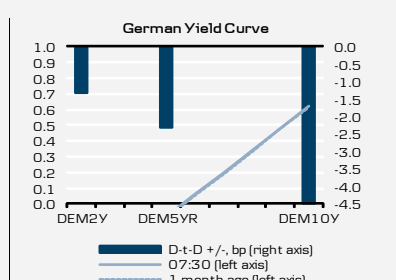
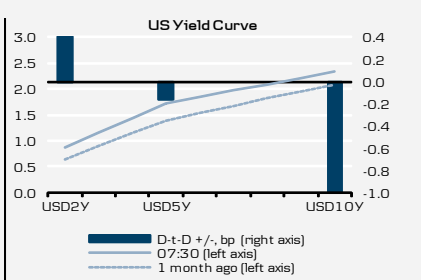
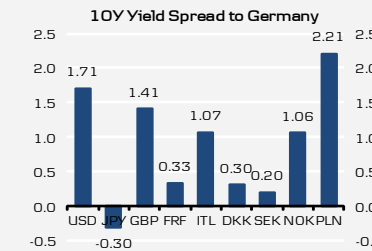
YIELDS & INTEREST RATES



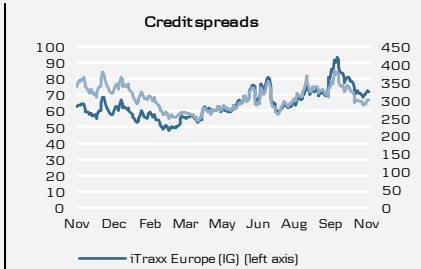
	Policy Rate	3M	Spread, bp
USD	0.25	0.36	11
EUR	0.05	-0.08	-13
GBP	0.50	0.58	8
DKK	0.05	-0.14	-19
SEK	-0.35	-0.36	-1
NOK	0.75	1.15	40
PLN	1.50	1.63	13

	17:00	07:30	+/-, bp
USD 10Y	2.33	2.33	↑ 0
USD 30Y	3.10	3.12	↑ 1
JPY 10Y	0.32	0.32	↑ 0
<b>07:30(-)* 17:00 +/-, bp</b>			
DEM 10Y	0.67	0.63	↓ -4
DKK 10Y	1.04	0.94	↓ -11
SEK 10Y	0.87	0.83	↓ -4
NOK 10Y	1.68	1.68	↑ 0
PLN 10Y	2.93	2.83	↓ -11

\* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	72	↓ 0	↓ -6
HiVol	83	↑ 0	↑ 8
Xover (N-IG)	303	↑ 0	↓ -22
<b>Finan. Sr.</b>			
Finan. Sr.	72	↑ 0	↓ -7
Finan. Sub.	157	↑ 1	↓ -10
<b>Non-finan.</b>			



	17:00	07:30	+/-
USD 10Y	-11	-9	↑ 3
JPY 10Y	-11	-9	↑ 3
<b>07:30(-)* 17:00 +/-</b>			
EUR 10Y	0	15	↑ 15
DKK 10Y	31	33	↑ 2
SEK 10Y	36	40	↑ 4
NOK 10Y	63	63	↓ 0

\* As of closing previous trading day

\*\* Ask price

\* Ask price

Source: Bloomberg, Danske Bank Markets

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