

Danske Daily

Market Movers

- Today Fed Chair Yellen will testify on bank regulation before the House panel. Given the topic we doubt that there will be much talk about monetary policy. Later in the evening, New York Fed President Dudley (voter, dovish) is scheduled to speak on income variance in the US but he might also comment on the current state of the US economy and give his views on the timing of the first rate hike.
- In terms of US data releases, the ADP private employment estimate for October will likely attract some attention ahead of the October employment report due on Friday. Consensus looks for a 180,000 gain in private employment.
- The US non-manufacturing ISM has held up much better than its manufacturing counterpart in recent months. This underlines the current divergence in global weakness which, in tandem with the stronger USD, is weighing on the more export-exposed manufacturing sector and solid domestic demand which is benefiting the service sector. We forecast the US ISM non-manufacturing to decline modestly to 56.5 in October but this would still be a healthy level.
- In the euro area, the final revisions for October service and composite PMIs are due along with the first release of the Spanish and Italian service PMI and the final revisions of the French and German figures. We do not expect any changes in the figures relative to the recent estimates and thus forecast October composite PMI for the euro zone at 54.0.
- In the UK, the service PMI index has declined by 5.2 index points in the past three months. We think that it has come down too far and in line with consensus, we expect a rebound to 54.5 in October from 53.3 in September.

Selected Market News

Risk appetite has returned to markets and US equities gained yesterday, while all regional Asian markets trade higher this morning. In particular, the ECB's indications of more easing in December and not least the latest rate cut from the People's Bank of China have helped improve sentiment. Yesterday, ECB President Mario Draghi reinforced the signals that were given at the latest ECB meeting on 22 October, namely that the ECB is willing and able to act in December. Moreover, fears of a hard landing in China appear to have eased substantially, especially after Chinese PMI manufacturing for October, released on Sunday, showed clear signs of bottoming. At the same time, it now seems more likely that a US rate hike might be just around the corner and after the relatively hawkish statement from the 28 October FOMC meeting, the market-implied probability of a December rate hike has increased from around 30% before the FOMC meeting to currently around 50%.

With the ECB expected to cut its deposit rate and expand its bond purchase programme in December, focus on the Danish peg could re-emerge. Yesterday, Danish currency reserve data showed that the pace of FX intervention slowed further in October and with EUR/DKK below the central rate, there is no imminent need for continued FX intervention purchase of DKK. We expect DN to stay on hold and EUR/DKK to trade at 7.4550 in 3M-6M. Should downward pressure on EUR/DKK return, we expect DN to cap EUR/DKK downside around 7.4500 using FX intervention.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2109.8	↑ 0.27	
S&P500 fut (chng from close)	2102.6	↓ -0.01	
Nikkei	18952.8	↑ 1.44	
Hang Seng	23050.3	↑ 2.13	
	17:00	07:30	
		+/- bp	
US 2y gov	0.77	0.77	↓ -0.4
US 10y gov	2.20	2.21	↑ 0.4
iTraxx Europe (IG)	69	69	↓ -0.2
iTraxx Xover (Non IG)	289	288	↓ -1.6
			+/- %
EUR/USD	1.095	1.095	↑ 0.05
USD/JPY	121.180	121.030	↓ -0.12
EUR/CHF	1.08	1.09	↑ 0.13
EUR/GBP	0.711	0.710	↓ -0.10
EUR/SEK	9.369	9.368	↓ -0.01
EUR/NOK	9.33	9.32	↓ -0.17
			USD
Oil Brent, USD	49.9	50.5	↑ 1.16
Gold, USD	1123.5	1121.2	↓ -0.21

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 labour market monitor: October job growth to keep December hike in play*
- *Denmark: Pace of FX intervention slowed further in October*

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Scandi Markets

Norway. We expect housing prices to have moved sideways in October, confirming the recent trend of a cooling down of the housing market. In our view, the stabilisation is partly due to increased unemployment and partly due to a supply-side catch-up effect. In isolation, a slowdown in the housing market will improve Norges Bank's room to manoeuvre. However, as real housing prices remain elevated and the household debt burden is at record levels, the slowdown needs to be more severe to justify any rate cuts.

Statistics **Denmark** will publish housing prices for August. While both houses and apartments have risen strongly in price over the past year, the housing market appears to have cooled over the summer. Fundamentally, though, there are still grounds for price increases in the slightly longer term given the very low level of interest rates, rising employment and general economic recovery.

Fixed Income Markets

In a speech yesterday Draghi 'confirmed' the easing bias of the ECB and that it is ready to act at the upcoming meeting in December as 'the degree of monetary policy accommodation will need to be re-examined at the Governing Council's December meeting'. This should be supportive for the European bond markets and the periphery in particular.

Today Denmark will tap in the new '2Y' benchmark and the 10Y benchmark. We expect decent demand at the auction as Danish government bonds are attractive versus EU core and semi-core bonds. On top of this, the currency outflow continues to decrease as shown by the FX flows for October and with EUR/DKK below 746 and the ECB on an easing bias, the risk of a hike seems more and more distant. See more [here](#).

FX Markets

Services PMIs in focus today but we doubt these will be able to move the FX market as the drop we look for in e.g. the ISM non-manufacturing is in line with consensus. Even if we foresee some US data weakness near term, we stress that the US job market is in good shape and wage pressure just around the corner, which will pave the way for a first Fed hike; this should be confirmed by Fed speeches tonight. The ECB will most certainly ease further (10bp cut in deposit plus extension and expansion of QE) but our models suggest that relative rates in isolation will merely be able to take EUR/USD to 1.07 mid next year, everything else equal. We still think the low in the cross will be seen around New Year and do not expect the March lows to be broken (we still see 1.08 in 3M).

Both EUR/NOK and EUR/SEK continue to linger at elevated levels ahead of the Norges Bank meeting tomorrow. We expect little reaction in EUR/NOK on the announcement and do not look for a NOK appreciation trend to materialise until sometime next year.

US S&P500 future



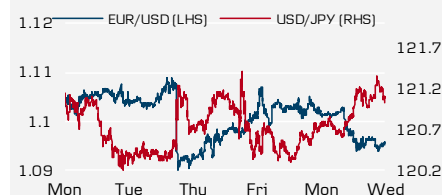
Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

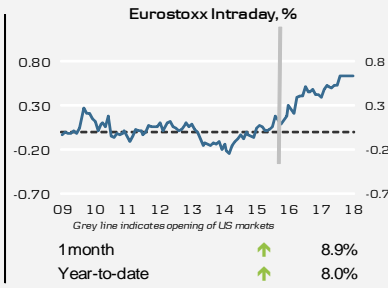
Key figures and events

Wednesday, November 4, 2015					Period	Danske Bank	Consensus	Previous
8:30	SEK	PMI services	Index	Oct				57.0
9:00	DKK	House and apartment prices		Aug				
9:15	ESP	PMI services	Index	Oct		55.5		55.1
9:45	ITL	PMI services	Index	Oct				53.3
9:50	FRF	PMI services, final	m/m/y/y	Oct	52.3	52.3		52.3
9:50	FRF	PMI composite, final	Index	Oct	52.3	52.3		52.3
9:55	DEM	PMI composite, final	m/m/y/y	Oct	54.5	54.5		54.5
9:55	DEM	PMI services, final	Index	Oct	55.2	55.2		55.2
10:00	EUR	PMI composite, final	Index	Oct	54.0	54.0		54.0
10:00	EUR	PMI services, final	Index	Oct	54.2	54.2		54.2
10:30	GBP	PMI services	Index	Oct	54.5	54.5		53.3
10:30	GBP	PMI composite	Index	Oct		53.8		53.3
11:00	EUR	PPI	m/m/y/y	Sep		-3.3% -0.5%		-2.6% -0.8%
11:00	NOK	House price statistics		Oct				
11:30	USD	Fed's Brainard (voter, dovish) speaks	m/m					
13:00	USD	MBA Mortgage Applications	%					-3.5%
14:15	USD	ADP employment	1000	Oct		180k		200k
14:30	USD	Trade balance	USD bn	Sep		-44.50b		-48.33b
15:45	USD	Markit service PMI, final	Index	Oct		54.6		54.4
15:45	USD	Markit composite PMI, final	Index	Oct				54.5
16:00	USD	ISM non-manufacturing	Index	Oct	56.5	56.5		56.9
16:00	USD	Fed's Yellen (voter, dovish) speaks						
16:30	USD	DOE U.S. crude oil inventories	K					3376k
20:30	USD	Fed's Dudley (voter, dovish) speaks	m/m					

Source: Bloomberg, Danske Bank Markets

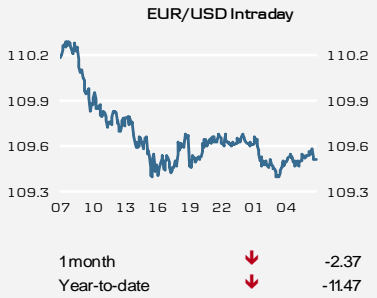
Today's market data: 04 November 2015

STOCKS



	Close		+/-
DJUSTOXX50	3243	↑	0.6%
OMXC20	956	↑	1.0%
OMXS30	1507	↑	0.3%
OSE BX	624	↑	0.9%
	Close		+/-
DOW JONES	17918	↑	0.5%
NASDAQ	5145	↑	0.4%
S&P500	2110	↑	0.3%
NIKKEI (07:30)	18953	↑	0.6%

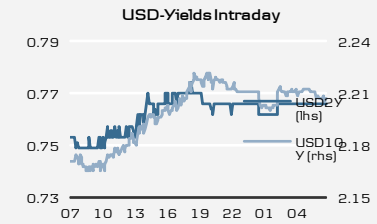
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	109.45	109.51	↑ 0.06
JPY	132.63	132.55	↓ -0.08
GBP	71.07	71.01	↓ -0.07
NOK	933.35	931.72	↓ -1.63
SEK	936.87	936.81	↓ -0.06
DKK	745.90	745.92	↑ 0.02
PLN	424.97	425.20	↑ 0.23
USD	17:00	07:30	+/-
JPY	121.18	121.03	↓ -0.15
GBP	154.00	154.23	↑ 0.23
CHF	99.11	99.18	↑ 0.07

	Gold, \$	Oil, Brent, \$
07:30	1121.15	50.50
1 day	↑ 3.36	↓ -0.04
1 month	↓ -17.67	↑ 2.37
Year-t-date	↓ -63.71	↓ -6.83
	CRB 1M future	CRB, Raw Industrials
07:30	197.56	412.72
1 day	↑ 2.64	↓ -0.84
1 month	↑ 3.45	↓ -21.95
Year-t-date	↓ -32.40	↓ -79.39

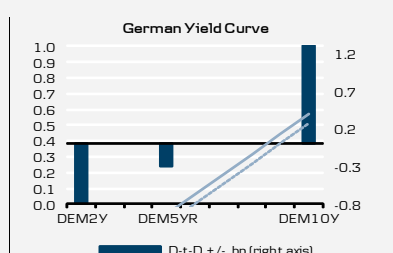
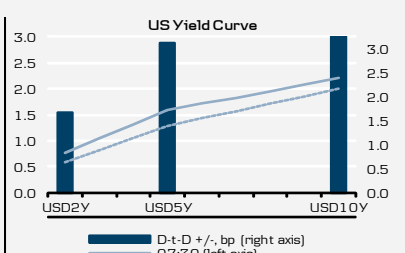
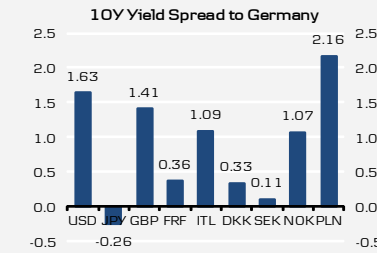
YIELDS & INTEREST RATES



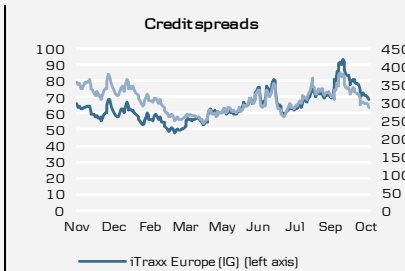
	Policy Rate	3M	Spread, bp
USD	0.25	0.33	8
EUR	0.05	-0.07	-12
GBP	0.50	0.58	8
DKK	0.05	-0.13	-18
SEK	-0.35	-0.34	1
NOK	0.75	1.09	34
PLN	1.50	1.63	13

	17:00	07:30	+/-, bp
USD 10Y	2.20	2.21	↑ 0
USD 30Y	2.98	2.99	↑ 1
JPY 10Y	0.32	0.32	↑ 0
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.56	0.58	↑ 2
DKK 10Y	0.97	0.91	↓ -6
SEK 10Y	0.67	0.68	↑ 2
NOK 10Y	1.64	1.64	↑ 0
PLN 10Y	2.70	2.73	↑ 3

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	69	↓ 0	↓ -19
HiVol	80	↓ -1	↓ -7
Xover (N-IG)	288	↓ -3	↓ -69
Finan. Sr.	68	↓ 0	↓ -21
Finan. Sub.	148	↓ -1	↓ -40
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-9	-9	↓ 0
	07:30(-1)*	17:00	+/-
EUR 10Y	0		
DKK 10Y	39	37	↓ -1
SEK 10Y	42	42	↑ 0
NOK 10Y	73	71	↓ -2

* As of closing previous trading day

** Ask price

* Ask price

Source: Bloomberg, Danske Bank Markets

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First date of publication

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