

Danske Daily

Market Movers

- German trade balance for August could attract some attention after weak numbers for both factory orders and industrial production. German exports were quite strong over the summer driven especially by car exports. However, this is unlikely to continue to drive exports following the VW scandal. Order data suggests that demand from outside the euro area - most likely Emerging Markets - took a hit in August.
- We expect the Bank of England to keep the Bank Rate unchanged at 0.50%. We anticipate another 8-1 split vote on whether to keep the Bank Rate unchanged against increasing it immediately. We think the tone in the minutes will be more or less as in the minutes from the September meeting. The MPC members should be positive about the domestic development (especially about the labour market) but slightly worried about the global market turmoil and the slowdown in China.
- This afternoon the Fed's Bullard (non-voter, hawk) is to give a welcome at a symposium on savings. It is unclear if he will touch on the current situation and being a non-voter this year, his views are less important. He will be a voter in 2016 though.
- Tonight, FOMC minutes from the September meeting will be released. The minutes are likely to reveal a lengthy discussion about whether the Fed should lift rates with a clear majority, expressing some concern over the global developments as signalled by the soft tone by Janet Yellen at the press conference following the meeting.
- US initial jobless claims continue to hover at low levels, pointing to a still robust job market. If the economy is slowing down as some indicators suggest, we would normally see claims trend a bit higher. Today's data will reveal whether this is starting to happen. Consensus is for a broadly flat reading of 274k from 277k.
- No key data releases in Scandinavia today.

Selected Market News

Risk sentiment is still decent and US stocks closed +0.7-0.9% across the leading indices despite yesterday being a quiet day. US stocks posted their sixth gain in seven sessions.

China's markets reopened after a week-long holiday break. Shanghai and Shenzhen are up (at the time of writing) +3.8% and 4.5%, respectively, catching up with the recent rally in global equity markets. CNY was fixed lower at 6.3503, which is the strongest level since the shift in monetary policy regime on 11 August. Reuters reports that PBoC deputy governor Yi Gang has stated that the exchange rate is more or less at fair value.

Japanese machine orders declined for the third consecutive month in August. Machine orders declined a further 5.7% m/m. Consensus was looking for an increase of +2.3% m/m. Although machine orders are quite volatile from month to month, the weak data fuels speculation that the BoJ will ease monetary policy at its next meeting on 30 October. The weak machine orders weighed on Nikkei, which is currently 0.9% down.

Yesterday, oil dropped as data showed that US crude inventories and production climbed. Oil has regained some since following a statement from OPEC's El-Badri to the IMF's International Monetary and Financial Committee stating that global oil demand is increasing. Brent oil is currently trading around USD51.5/bbl.

Market overview

| | 07:30 | 1 day +/- % | |
|------------------------------|---------|-------------|---------|
| S&P500 (close) | 1995.8 | ↑ | 0.80 |
| S&P500 fut (chng from close) | 1973.9 | ↓ | -0.67 |
| Nikkei | 18144.3 | ↓ | -0.98 |
| Hang Seng | 22360.6 | ↓ | -0.69 |
| | 17:00 | 07:30 | +/- bp |
| US 2y gov | 0.62 | 0.61 | ↓ -1.6 |
| US 10y gov | 2.06 | 2.04 | ↓ -1.8 |
| iTraxx Europe (IG) | 84 | 84 | ↑ 0.0 |
| iTraxx Xover (Non IG) | 341 | 342 | ↑ 1.0 |
| | | | +/- % |
| EUR/USD | 1.124 | 1.126 | ↑ 0.12 |
| USD/JPY | 119.880 | 119.850 | ↓ -0.03 |
| EUR/CHF | 1.09 | 1.09 | ↑ 0.21 |
| EUR/GBP | 0.734 | 0.735 | ↑ 0.17 |
| EUR/SEK | 9.269 | 9.283 | ↑ 0.15 |
| EUR/NOK | 9.23 | 9.24 | ↑ 0.15 |
| Oil Brent, USD | 52.3 | 51.5 | ↓ -1.45 |
| Gold, USD | 1146.8 | 1143.7 | ↓ -0.27 |

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

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Scandi Markets

No key data releases in Scandinavia today.

Fixed Income Markets

Ireland is coming to the market with this year's last tap of EUR1bn in the 2.4% May-30. The IRISH 15Y is looking attractive on the Irish curve with the yield spread to Germany in the 15Y being almost as wide as the 30Y point after underperformance this year. There has been no concession on the announcement, reflecting both that the issuance was expected and also that the 10-15Y segment was trading at an attractive level. Ireland is on course for 5-6% growth this year – see more in the preview. ECB buying in the remainder of this year will amount to around EUR2bn. We expect the next supply in Ireland to be a syndicated deal in Q1 16. For more details please see [preview](#).

The Danish central bank announced on Wednesday that it will be auctioning the new DGB 0.25 15/11/2018 government bond at its next auction on 21 October. The new bond will replace the DGB Nov-16 as the key on-the-run issue together with the DGB Nov-25. The Danish central bank also announced that its total sale at the first auction will not exceed DKK5bn at nominal value. This fits very well with its historical introduction of new benchmark bonds and we expect the new DGB Nov-18 to be the only bond on sale in two weeks time.

FX Markets

EUR/USD and USD/JPY continue to range trade with risk sentiment currently being the main (but weak) driver for the two safe havens. As such, it would probably require actions from either the ECB or BoJ in order for EUR/USD or USD/JPY to break away from their current ranges. Although the BoJ did not signal any imminent easing at its meeting yesterday, we still think that the JPY will weaken further going in to the 30 October meeting as the market should price in a higher probability of BoJ easing. Hence, from a risk/reward perspective, we still think that sub-120 levels are attractive entry levels to go long USD/JPY.

In the majors, focus today will be on the Bank of England's monetary policy meeting. We expect another 8-1 vote and we think that the tone in the minutes will be more or less as in the minutes from the September meeting with a slightly dovish balance between the positive domestic developments on the one hand and weak near-term inflation outlook and higher global risk factors on the other hand. In the short term, we see little prospect of directions in both GBP/USD and EUR/GBP but look for a stronger GBP on a six-month horizon supported by higher UK interest rates following a BoE rate hike. We target EUR/GBP at 0.70 and GBP/USD at 1.57 in 6M.

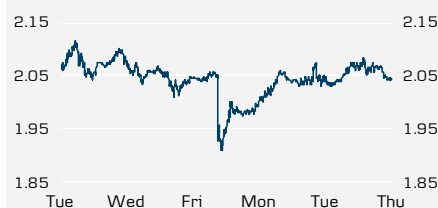
In the Scandi FX sphere, NOK gained substantially yesterday on the back of an unexpected expansionary 2016 budget proposal, implying a fiscal stimulus of 0.7% of GDP, where we expected roughly 0.5%. In our view, this should, in isolation, take some pressure off Norges Bank and supports our call that it will not cut rates further. While NOK is likely to continue to trade in tandem with risk sentiment and oil in the short term, we still expect EUR/NOK to trade substantially lower on a six- to 12-month horizon, targeting the cross at 8.80 in 12M. EUR/SEK continues to trade slightly below the lower bound of the 9.30-9.60 range that we have argued it should stay within in the coming

US S&P500 future



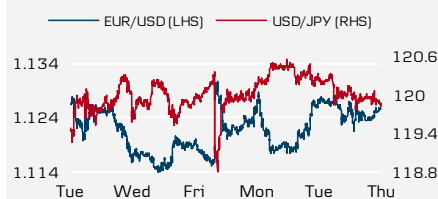
Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

months. While EUR/SEK could still go lower from here, comments from the Riksbank's Flodén yesterday underline that the Riksbank remains focused on the currency. Among others, he reiterated that the Riksbank is ready to do more, even between ordinary meetings, and said that the recent SEK appreciation is not due to good domestic 'news' but rather due to developments abroad – something they are less tolerant of. We expect another cut of 10bp and extension of the current QE programme at the December meeting at the latest. There is a good chance that it could move even in October though – or even outside a regular policy meeting - which is not fully reflected in market pricing. Hence, we expect to see some upward pressure in EUR/SEK over the next few weeks.

Key figures and events

Thursday, October 8, 2015

| | | | | Period | Danske Bank | Consensus | Previous |
|-------|-----|---|---------|--------|-------------|-----------|------------|
| - | JPY | Eco Watchers Survey Outlook (Current) | Index | Sep | | 49.0 | 48.2 49.3 |
| 1:01 | GBP | RICS house price balance | Index | Sep | | 0.6 | 0.5 |
| 1:50 | JPY | Machine orders | m/m y/y | Aug | | 3.0% 3.9% | -3.6% 2.8% |
| 7:45 | CHF | Unemployment | % | Sep | | 3.4% | 3.3% |
| 8:00 | DEM | Trade balance | EUR bn | Aug | | 18.9b | 25.0b |
| 9:30 | SEK | Average house prices | SEK m | Sep | | | 2.521m |
| 13:00 | GBP | BoE announces asset purchase target | GBP bn | Oct | 375 | 375 | 375 |
| 13:00 | GBP | BoE rate announcement | % | | 0.5% | 0.5% | 0.5% |
| 13:00 | GBP | BoE minutes | | | | | |
| 13:10 | EUR | ECB's Praet Speaks in Germany | | | | | |
| 13:30 | EUR | ECB account of the monetary policy meeting | | | | | |
| 14:30 | USD | Initial jobless claims | 1000 | | | | 277k |
| 15:30 | USD | Fed's Bullard (non-voter, hawkish) speaks | | | | | |
| 19:00 | USD | Fed's Kocherlakota (non-voter, dovish) speaks | | | | | |
| 20:00 | USD | Minutes from FOMC Meeting 16-17 Sep | | | | | |
| 21:30 | USD | Fed's Williams (voter, dovish) speaks | | | | | |

Source: Bloomberg, Danske Bank Markets

Today's market data: 08 October 2015

STOCKS



| | Close | | +/- |
|----------------|-------|---|-------|
| DJUSTOXX50 | 3091 | ↑ | 0.1% |
| OMXC20 | 942 | ↓ | -0.4% |
| OMXS30 | 1452 | ↓ | -0.4% |
| OSE BX | 623 | ↑ | 16% |
| | | | |
| | Close | | +/- |
| DOW JONES | 16912 | ↑ | 0.7% |
| NASDAQ | 4791 | ↑ | 0.9% |
| S&P500 | 1996 | ↑ | 0.8% |
| NIKKEI (07:30) | 18144 | ↑ | 0.1% |

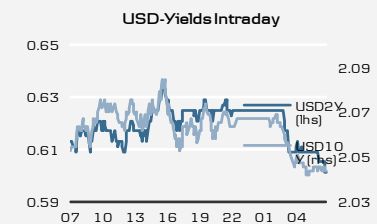
FX & COMMODITIES



| EUR | 17:00 | 07:30 | +/- |
|-----|--------|--------|---------|
| USD | 112.42 | 112.56 | ↑ 0.14 |
| JPY | 134.77 | 134.91 | ↑ 0.14 |
| GBP | 73.40 | 73.53 | ↑ 0.12 |
| NOK | 922.94 | 924.31 | ↑ 1.37 |
| SEK | 926.87 | 928.26 | ↑ 1.39 |
| DKK | 746.12 | 746.09 | ↓ -0.03 |
| PLN | 423.37 | 423.56 | ↑ 0.19 |
| USD | 17:00 | 07:30 | +/- |
| JPY | 119.88 | 119.85 | ↓ -0.03 |
| GBP | 153.16 | 153.09 | ↓ -0.07 |
| CHF | 97.15 | 97.23 | ↑ 0.08 |

| | 07:30 | Gold, \$ | Oil, Brent, \$ |
|-------------|----------|---------------|----------------------|
| 07:30 | 1143.71 | | 51.49 |
| 1 day | ↓ -1.82 | ↑ | 0.16 |
| 1 month | ↑ 22.16 | ↑ | 1.97 |
| Year-t-date | ↓ -41.15 | ↓ | -5.84 |
| | | | |
| | 07:30 | CRB 1M future | CRB, Raw Industrials |
| 07:30 | 199.59 | | 432.00 |
| 1 day | ↓ -0.54 | ↓ | -0.24 |
| 1 month | ↑ 1.21 | ↓ | -11.74 |
| Year-t-date | ↓ -30.36 | ↓ | -60.11 |

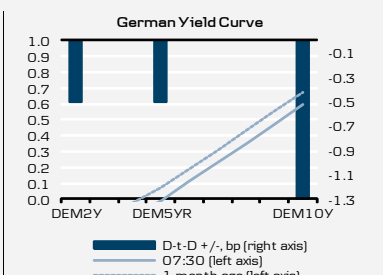
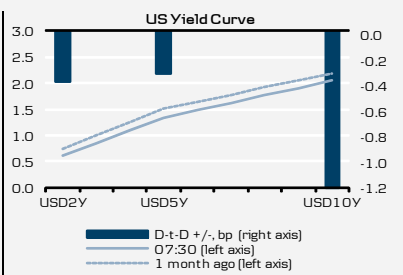
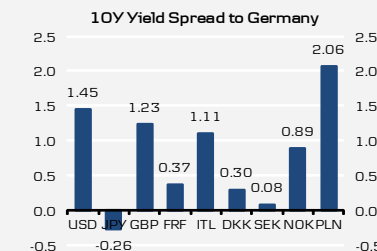
YIELDS & INTEREST RATES



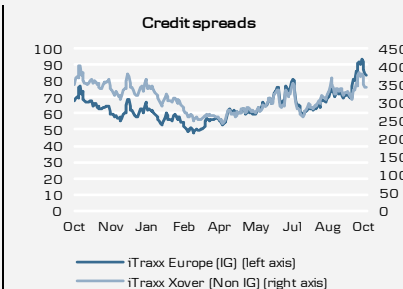
| | Policy Rate | 3M | Spread, bp |
|-----|-------------|-------|------------|
| USD | 0.25 | 0.32 | 7 |
| EUR | 0.05 | -0.05 | -10 |
| GBP | 0.50 | 0.58 | 8 |
| DKK | 0.05 | -0.08 | -13 |
| SEK | -0.35 | -0.29 | 6 |
| NOK | 0.75 | 1.11 | 36 |
| PLN | 1.50 | 1.63 | 13 |

| | 17:00 | 07:30 | +/-, bp |
|---------|------------|-------|---------|
| USD 10Y | 2.06 | 2.04 | ↓ -2 |
| USD 30Y | 2.89 | 2.88 | ↓ -2 |
| JPY 10Y | 0.34 | 0.33 | ↓ -1 |
| | | | |
| | 07:30(-1)* | 17:00 | +/-, bp |
| DEM 10Y | 0.61 | 0.60 | ↓ -1 |
| DKK 10Y | 0.89 | 0.90 | ↑ 1 |
| SEK 10Y | 0.69 | 0.68 | ↓ -1 |
| NOK 10Y | 1.49 | 1.49 | ↑ 0 |
| PLN 10Y | 2.63 | 2.65 | ↑ 2 |

* As of closing previous trading day



| | 07:30 | 1 day | 1 month |
|--------------|-------|-------|---------|
| Europe (IG) | 84 | ↓ 0 | ↑ 12 |
| HIVol | 78 | ↓ -2 | ↑ 8 |
| Xover (N-IG) | 342 | ↓ 0 | ↑ 10 |
| | | | |
| Finan. Sr. | 83 | ↓ -1 | ↓ -1 |
| Finan. Sub. | 174 | ↓ -1 | ↑ 8 |
| Non-finan. | | | |



| | 17:00 | 07:30 | +/- |
|---------|------------|-------|------|
| USD 10Y | | | |
| JPY 10Y | -2 | -1 | ↑ 1 |
| | | | |
| | 07:30(-1)* | 17:00 | +/- |
| EUR 10Y | 0 | 17 | ↑ 17 |
| DKK 10Y | 37 | 38 | ↑ 0 |
| SEK 10Y | 43 | 43 | ↓ 0 |
| NOK 10Y | 68 | 71 | ↑ 3 |

* As of closing previous trading day

** Ask price

Source: Bloomberg, Danske Bank Markets

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