

# Danske Daily

## Market Movers

- Following the Fed meeting yesterday (see below) focus today will be on the weekly jobless claims. These have edged higher in the past week pointing to weaker activity and a softer labour market.
- German CPI for January will give the first input to where Euro inflation (released Friday) will be this month. Consensus is a decline of -1.0% m/m (harmonised CPI) and increase in the annual inflation rate from 0.0% to 0.2%. The first Länder release CPI at 09:00 CET and the overall number for Germany will be published at 14:00 CET.
- The first release of UK GDP for Q1 is due at 10:30 CET. We look for a rise of 0.5% q/q in line with consensus.
- The EU Commission's business and consumer surveys is expected to show a small decline but from an overall strong level.
- In Scandi we get Swedish retail sales and unemployment and industrial confidence in Norway, see *Scandi Markets*.

## Selected Market News

**The FOMC statement yesterday was a slight disappointment** for equity markets and stocks saw moderate declines, see *Less 'confident' Fed likely to stay on hold in March as well*, 27 January. The Fed did soften its language and mentioned that it was 'monitoring global economic and financial developments'. It is also no longer 'reasonably confident' that inflation will reach 2% in the medium term. This sent bond yields lower. However, the overall tone of the statement was not as dovish as the equity markets had hoped for and the door is still kept open for a hike in March, although it is likely to come later (we look for an April hike). US stocks ended around 1% lower.

Following the market rout this year, investors are looking for central banks to step in and either ease or postpone rate hikes meaningfully. A continuation of Fed hikes - albeit postponed a bit - is a bit hard for the markets to swallow right now given the uncertainty about the oil price and China. Asian stocks are mixed but overall the moves are small.

**A rise in the oil price** yesterday has supported risk sentiment. Brent oil rose to USD33 per barrel after a story that Russia and its oil industry are discussing whether to work with OPEC on coordinating production.

**IMF and World Bank are moving to forestall oil-fuelled defaults**, see *FT*. They are heading for Azerbaijan to discuss an emergency plan in what could be a range of bailouts of oil-dependent countries suffering from the low oil price. According to FT IMF and the World Bank are also monitoring developments in countries such as Brazil closely.

**The Chinese currency remains fairly stable**. CNY has strengthened moderately and the USD/CNY fixing continues a slight drift lower. Today it was 6.5528, the lowest level in three weeks. It seems the measures taken in the offshore market over the past weeks have helped to dampen fears over a devaluation and thus capital outflows.

## Market overview

	07:30	1 day +/- %	
S&P500 (close)	1883.0	↓ -1.09	
S&P500 fut (chng from close)	1877.8	↑ 0.14	
Nikkei	17074.4	↓ -0.52	
Hang Seng	19024.6	↓ -0.15	
	17:00	07:30	+/- bp
US 2y gov	0.86	0.84	↓ -2.8
US 10y gov	2.03	2.01	↓ -1.9
iTraxx Europe (IG)	92	92	↑ 0.6
iTraxx Xover (Non IG)	368	369	↑ 1.8
			+/- %
EUR/USD	1.087	1.088	↑ 0.10
USD/JPY	118.710	118.690	↓ -0.02
EUR/CHF	1.11	1.11	↑ 0.07
EUR/GBP	0.763	0.763	↑ 0.10
EUR/SEK	9.262	9.264	↑ 0.02
EUR/NOK	9.43	9.42	↓ -0.04
			USD
Oil Brent, USD	32.2	32.7	↑ 1.77
Gold, USD	1116.3	1118.7	↑ 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

- FOMC review: Less 'confident' Fed likely to stay on hold in March as well*

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## Scandi Markets

**Sweden.** There is plenty of data to watch in Sweden today. We expect the unemployment rate to continue to drop (at least the trend), retail sales to continue to show strong growth, while the trade balance is likely to remain in negative territory. This mirrors the split economy where the domestic sectors have been the drivers of growth.

**Norway.** Statistics Norway will release its Q4 manufacturing tendency survey. As the decline in oil investment is hitting the Norwegian economy mainly via manufacturing, this is where we need to look for signs of stabilisation. Given the fresh slide in the oil price in H2 last year, we think it is still too early for this but, with contracts for the Johan Sverdrup field now being awarded, we still see the main indicator rising from -7.6 in Q3 to -6.0 in Q4, which would be in keeping with the monthly PMI data.

## Fixed Income Markets

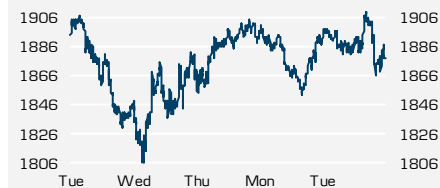
The initial market interpretation of the Fed meeting was dovish with money market rates taking back the increases leading up to the statement release. The largest declines happened in the 5Y segment (5bp decline on the release), which is the area on the curve most sensitive to the aggregate hiking cycle rather than the immediate timing of a second hike. The general interpretation can thus be translated to 'dovish, but with options kept open' and that is reflected in the implied probability of a hike in March that now stands around 20%, down 10%-points from before the meeting.

A light schedule in terms of issuance - only Italy in the market with a 7Y -FRN as well as nominals BTPS 11/20, BTPS 12/25. We expect decent demand at the auction given the yield pick that investors receive buying Danish assets with an FX-hedge. They plan to sell up to EUR7bn. Sweden is tapping in two linkers.

## FX Markets

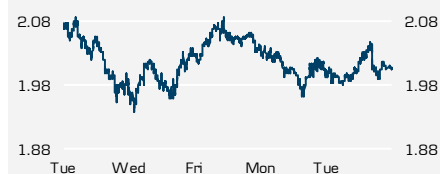
While the relatively soft Fed initially managed to send EUR/USD above 1.09, the spike proved somewhat short-lived. Notably, USD/JPY fell on impact - not quite your usual risk-on reaction - alongside falling equities and oil, suggesting the Fed did not manage to fuel a genuine risk rally. We note that while the (small) drop in US short rates is negative for USD here, souring risk appetite is a EUR positive due to the status of the single currency as a safe haven. As we have stressed previously, with market pricing already soft ahead of the meeting it was indeed difficult for the Fed to send a message dovish enough without backtracking completely on it now having entered tightening mode, and we would not be surprised to see some USD strength against both the majors and EM currencies materialise in the coming days. With USD/JPY close to 119 there is little pressure on the Bank of Japan to deliver more at this stage, confirming our view that it is too early for Kuroda and co to deliver this week, see *BoJ preview*, 27 January. Finally, with the Fed failing to prop up risk appetite to any great extent the Scandies could stay under pressure near term.

### US S&P500 future



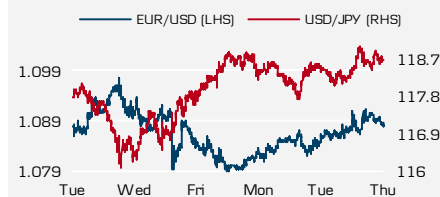
Source: Danske Bank Markets

### US 10y gov yield



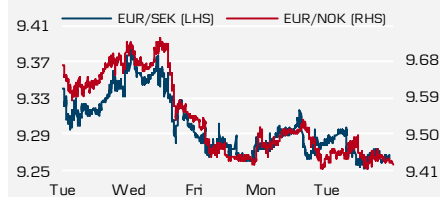
Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

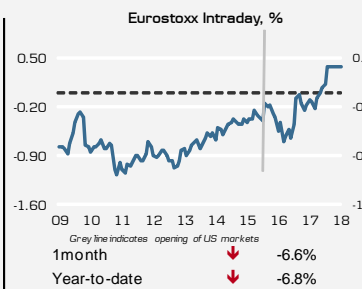
Key figures and events

Thursday, January 28, 2016				Period	Danske Bank	Consensus	Previous
9:00	DKK	Confidence indicator, industry, s.a.	Net balance	Jan			-7
9:00	DKK	Gross unemployment s.a.	K (%)	Dec	<b>4.5%</b>	4.5%	119 (4.5%)
9:00	ESP	Unemployment rate	%	4th quarter		21.2%	21.2%
9:00	ESP	Retail sales	y/y	Dec		2.6%	3.3%
9:30	SEK	Unemployment (n.s.a./s.a.)	%	Dec	<b>6.0% 6.6%</b>	6.4%	6.2% 6.8%
9:30	SEK	Retail sales s.a.	m/m y/y	Dec	<b>0.0% 6.0%</b>	-0.2% 4.6%	0.4% 5.2%
9:30	SEK	Trade balance	SEK bn	Dec	<b>-2.5</b>	0.0	-5.2
9:30	NOK	Industrial confidence		4th quarter	<b>-6</b>		-8
10:30	GBP	GDP, first estimate	q/q y/y	4th quarter	<b>0.5% 1.9%</b>	0.5% 1.9%	0.4% 2.1%
10:30	GBP	Index of services	m/m 3m/3m	Nov		0.2% 0.6%	0.1% 0.5%
11:00	EUR	Business climate indicator	Net bal.	Jan		0.4	0.4
11:00	EUR	Industrial confidence	Net bal.	Jan		-2.4	-2.0
11:00	EUR	Economic confidence	Index	Jan		106.5	106.8
11:00	EUR	Consumer confidence, final	Net bal.	Jan		-6.3	-6.3
11:00	EUR	Service confidence	Net bal.	Jan		13.0	13.1
14:00	DEM	HICP inflation, preliminary	m/m y/y	Jan	<b>... 0.4%</b>	-1.0% 0.4%	0.0% 0.2%
14:30	USD	Initial jobless claims	1000			281	293
14:30	USD	Durable goods orders, preliminary	m/m	Dec		-0.7%	0.0%
16:00	USD	Pending home sales	m/m y/y	Dec		1.0% 4.8%	-0.9% 5.1%

Source: Bloomberg, Danske Bank Markets

Today's market data: 28 January 2016

STOCKS



	Close		+/-
DJSTOXX50	2888	↑	0.4%
OMXC20	969	↑	0.7%
OMXS30	1366	↓	-0.7%
OSE BX	547	↓	-0.7%
<b>Close +/-</b>			
DOWJONES	15944	↓	-1.4%
NASDAQ	4468	↓	-2.2%
S&P500	1883	↓	-1.1%
NIKKEI (07:30)	17074	↑	0.4%

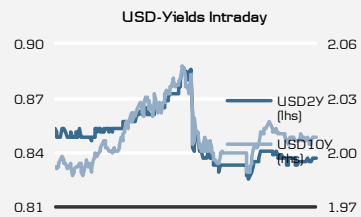
FX & COMMODITIES



EUR	17:00	07:30		+/-
USD	108.68	108.79	↑	0.11
JPY	129.01	129.13	↑	0.12
GBP	76.26	76.34	↑	0.08
NOK	942.72	942.35	↓	-0.37
SEK	926.17	926.40	↑	0.23
DKK	746.27	746.24	↓	-0.03
PLN	447.33	447.62	↑	0.29
<b>USD</b>				
JPY	118.71	118.69	↓	-0.02
GBP	142.51	142.51	↑	0.00
CHF	101.76	101.73	↓	-0.03

	Close		+/-
<b>Gold, \$</b>	1118.65		32.73
<b>Brent, \$</b>			
1day	↓	-6.30	-0.37
1month	↑	49.27	-3.89
Year-t-date	↑	57.23	-4.55
<b>CRB</b>			
1M future	164.18		413.84
CRB, Raw			
1day	↑	150	195
1month	↓	-10.28	10.98
Year-t-date	↓	-11.96	9.13

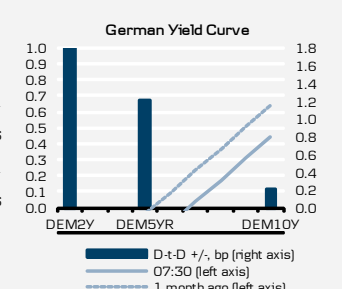
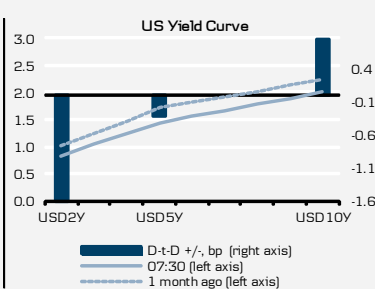
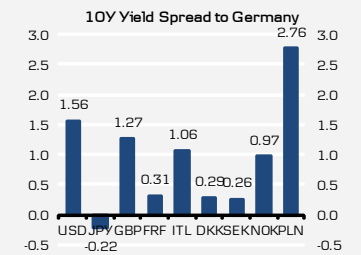
YIELDS & INTEREST RATES



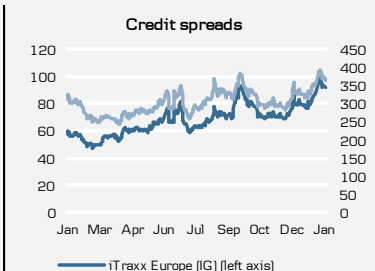
	Policy Rate	3M	Spread, bp
USD	0.50	0.62	12
EUR	0.05	-0.16	-21
GBP	0.50	0.59	9
DKK	0.05	-0.06	-11
SEK	-0.35	-0.30	5
NOK	0.75	1.20	45
PLN	1.50	1.60	10

	17:00	07:30	+/-, bp
USD 10Y	2.03	2.01	↓ -2
USD 30Y	2.81	2.81	↓ -1
JPY 10Y	0.21	0.22	↑ 1
<b>07:30(-1)* 17:00 +/-, bp</b>			
DEM 10Y	0.44	0.45	↑ 0
DKK 10Y	0.79	0.73	↓ -6
SEK 10Y	0.69	0.70	↑ 1
NOK 10Y	1.41	1.41	↑ 0
PLN 10Y	3.25	3.20	↓ -4

\* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	92	↑ 0	↑ 13
HiVol	129	↑ 0	↑ 27
Xover (N-IG)	369	↑ 0	↑ 43
<b>Finan. Sr.</b>			
Finan. Sr.	89	↓ 0	↑ 14
Finan. Sub.	194	↑ 0	↑ 39
<b>Non-finan.</b>			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-12	-11	↑ 1
<b>07:30(-1)* 17:00 +/-</b>			
EUR 10Y	0	17	↑ 17
DKK 10Y	32	32	↑ 0
SEK 10Y	41	41	↑ 0
NOK 10Y	66	66	↑ 0

\* As of closing previous trading day

\*\* Ask price

Source: Bloomberg, Danske Bank Markets \* 7:30(-1) og 17:00 refers to the previous [trade] day

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