

# Danske Daily

## Market Movers

- In the euro area the new week will be kicked off with the release of the preliminary PMI figures. We expect the manufacturing figure to improve moderately mainly due to the signs of stabilisation in the Chinese PMI. Moreover, we have started to see the effective euro weakening, which will support exports while the financial stress has also eased off.
- This afternoon we will also get preliminary Markit PMI manufacturing figures for the US. The manufacturing PMI has not painted the same negative picture as the ISM manufacturing and the question is whether the PMI is too high or the ISM too low (or both?).
- This week there will be a lot of focus on Norway as there are several important data releases. Most important is the oil investment survey due tomorrow. The survey will say a lot about activity and growth contributions in 2016, which could affect Norges Bank's growth projections and so its interest rate decision in December.
- In the Scandi markets focus is on a speech by Norges Bank governor Olsen and employment figures in Denmark. For more details see [Scandi Markets](#).

## Selected Market News

During the weekend, Fed's Williams (neutral, voter in December but not next year) said he sees a strong case for a December hike if data hold. **Stocks performed well in the US last week despite the expectations of the first hike in 11 years.** S&P 500 increased 3.3% last week, the largest increase so far this year. 2Y US government bond yield closed at 0.9172%, the highest since May 2010. The USD has continued to strengthen. The combination of lower demand from China and the strong USD continues to put pressure on commodity prices.

**The expectations of further ECB easing in December continues to impact front-end rates, reaching new all-time low levels** (2Y Germany to -0.38% and 1Y1Y Eonia at -0.33%).

**Many European countries remain on high alert due to threats of terror attacks.** The Belgian Prime Minister Charles Michel has said that there is a 'very serious and imminent' threat that Brussels will be hit by 'an attack similar to the one that unfolded in Paris'. 16 people were arrested in a police action during the night. Brussels is still locked down with schools and the metro system in Brussels being closed today. From an economic point of the view, the impact on financial markets has so far been limited but the question is whether fear and uncertainty may result in lower confidence among European consumers and corporations hurting the small recovery.

**In Argentina, the centre-right opposition leader Mauricio Macri won the election ending 12-years' leadership of Front of Victory.** Mauricio Macri wants more liberalisations and a tighter relationship with the US.

## Market overview

	07:30	1 day +/- %	
S&P500 (close)	2089.2	↑	0.38
S&P500 fut (chng from close)	2090.8	↑	0.10
Nikkei	19879.8	↑	0.10
Hang Seng	22681.1	↓	-0.32
	17:00	07:30	+/- bp
US 2y gov	0.88	0.92	↑ 3.3
US 10y gov	2.24	2.26	↑ 2.5
iTraxx Europe (IG)	71	71	↑ 0.3
iTraxx Xover (Non IG)	294	295	↑ 1.0
			+/- %
EUR/USD	1.066	1.062	↓ -0.39
USD/JPY	122.860	123.190	↑ 0.27
EUR/CHF	1.09	1.08	↓ -0.14
EUR/GBP	0.701	0.700	↓ -0.15
EUR/SEK	9.272	9.275	↑ 0.03
EUR/NOK	9.19	9.19	↑ 0.04
			USD
Oil Brent, USD	44.3	43.9	↓ -1.06
Gold, USD	1079.1	1070.0	↓ -0.84

### 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

- Strategy: Global recovery but China deleveraging a drag further out
- Russian output and demand heading for improvement

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## Scandi Markets

In Denmark, employment has been on the up since the start of 2013 and we expect this to continue in coming years as the ongoing moderate recovery rolls on. We predict an increase in the number of people in work of 1,100 from August to September.

## Fixed Income Markets

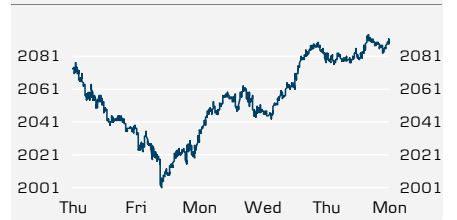
In core EUR curves, the ECB deposit cut pricing continues to impact front-end rates, reaching new all-time low levels (2Y Germany to -0.38% and 1Y1Y Eonia at -0.33%). This record-move is having its effect out to 5Y that stands only 1bp from the bottom of the significant curve flattening from April (-0.16%). 10Y Germany stands at 0.48% (+40bp from the April levels), which in this environment paints the picture of relatively steep curves but also very little appetite from investors chasing longer-duration assets too far into 'no carry land'. Combined with a little too aggressive ECB depo pricing to our liking we think the scope for further declines in 10Y Germany is limited and that the past 3m range of 0.40-0.80% will hold.

The EUR government bond market has a busy issuance calendar this week with supply being kicked off with Belgium today (10Y and 13Y). This week we also have taps in the Netherlands (10Y), Finland (10Y), Portugal (10Y), Germany (10Y), and Italy (5Y, 10Y + linker 8Y and 17Y). Despite the high supply, the net cash flow is only modestly negative due to EUR16bn in coupon and redemptions out of France, see *Government Bond Weekly*, 20 November. Note that the rating for the Netherlands was lifted back to AAA by S&P on Friday on the back of the stronger growth outlook.

## FX Markets

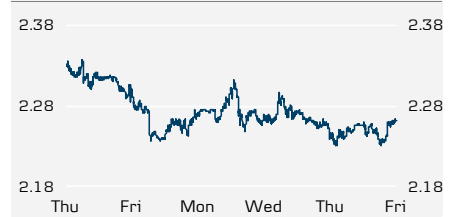
IMM positioning data released Friday showed how speculators in the week to 17 November for the fourth consecutive report significantly added bullish USD bets. Speculative greenback positioning is consequently now back at the 97<sup>th</sup> percentile which is the most bullish level since March. The latest price action in EUR/USD highlights our view that positioning itself limits the downside potential in the cross as skewed investor positioning creates an asymmetric risk profile for the cross in an environment characterised by 'sell the rumour buy the fact'. We expect EUR/USD to move lower in the coming month on the back of aggressive ECB easing on 3 December and Fed hiking rates on the 16 December – but positioning and already aggressive rates pricing should prevent the cross from reaching parity. Indeed we think the coming month will mark the final leg lower in the cross as we expect medium to long-term fundamentals to gain importance. We forecast EUR/USD at 1.04 in 1M, 1.06 in 3M, 1.12 in 6M and 1.20 in 12M.

### US S&P500 future



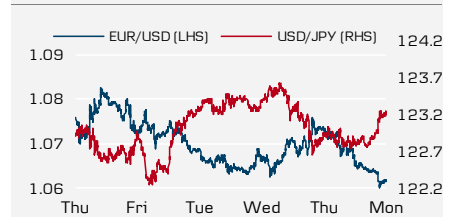
Source: Danske Bank Markets

### US 10y gov yield



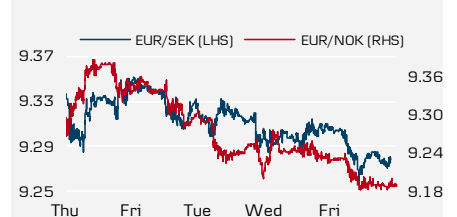
Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

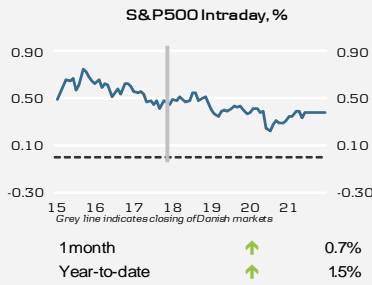
Key figures and events

Monday, November 23, 2015					Period	Danske Bank	Consensus	Previous
9:00	CHF	Total sight deposits	CHF bn					467.7
9:00	DKK	Employment (monthly)	1.000 m/m	Sep				265 0.1%
9:00	FRF	PMI manufacturing, preliminary	Index	Nov	<b>50.8</b>	50.8		50.6
9:00	FRF	PMI services, preliminary	Index	Nov	<b>52.5</b>	52.5		52.7
9:30	DEM	PMI manufacturing, preliminary	Index	Nov	<b>52.3</b>	52.0		52.1
9:30	DEM	PMI services, preliminary	Index	Nov	<b>54.6</b>	54.3		54.5
10:00	EUR	PMI manufacturing, preliminary	Index	Nov	<b>52.4</b>	52.2		52.3
10:00	EUR	PMI composite, preliminary	Index	Nov	<b>54.0</b>	54.0		53.9
10:00	EUR	PMI services, preliminary	Index	Nov	<b>54.1</b>	54.1		54.1
15:00	EUR	Eurogroup meeting in Brussels						
15:45	USD	Markit manufacturing PMI, preliminary	Index	Nov		54.0		54.1
16:00	NOK	Norway's Olsen speaks outside Oslo						
16:00	USD	Existing home sales	m (m/m)	Oct		5.40		5.55 4.7%

Source: Bloomberg, Danske Bank Markets

Today's market data: 23 November 2015

STOCKS



	Close		+/-
DJSTOXX50	3273	↑	0.2%
OMXC20	992	↑	0.2%
OMXS30	1522	↑	0.6%
OSE BX	626	↓	-0.4%
	Close		+/-
DOW JONES	17824	↑	0.5%
NASDAQ	5105	↑	0.6%
S&P500	2089	↑	0.4%
NIKKEI (07:30)	19880	↑	0.2%

FX & COMMODITIES

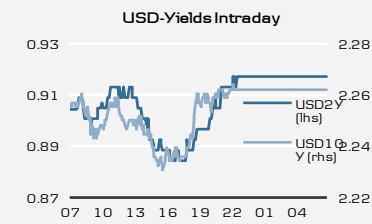


EUR	17:00	07:30	+/-
USD	106.59	106.17	↓ -0.42
JPY	130.95	130.79	↓ -0.16
GBP	70.09	69.99	↓ -0.10
NOK	918.66	919.02	↑ 0.36
SEK	927.18	927.49	↑ 0.31
DKK	746.04	746.02	↓ -0.02
PLN	424.27	423.77	↓ -0.50
USD	17:00	07:30	+/-
JPY	122.86	123.19	↑ 0.33
GBP	152.07	151.70	↓ -0.37
CHF	101.81	102.07	↑ 0.26

	07:30	Gold, \$	Oil, Brent, \$
07:30	1070.03		43.86
1day	↓ -7.85	↓	-0.80
1month	↓ -94.53	↓	-4.13
Year-t-date	↓ -114.83	↓	-13.47
	CRB 1M future	CRB, Raw Industrials	
07:30	183.73	399.16	
1day	↓ -0.38	↓ -0.39	
1month	↓ -9.98	↓ -24.68	
Year-t-date	↓ -46.22	↓ -92.95	

\* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

YIELDS & INTEREST RATES

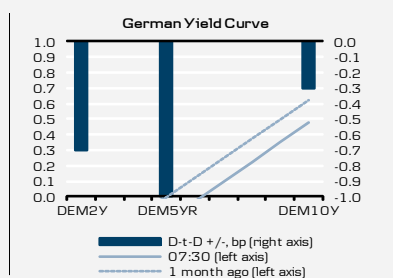
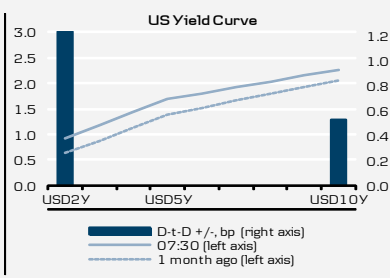
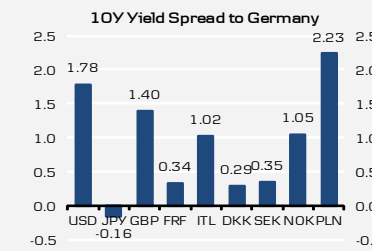


	Policy Rate	3M	Spread, bp
USD	0.25	0.38	13
EUR	0.05	-0.10	-15
GBP	0.50	0.57	7
DKK	0.05	-0.14	-19
SEK	-0.35	-0.39	-4
NOK	0.75	1.20	45
PLN	1.50	1.63	13

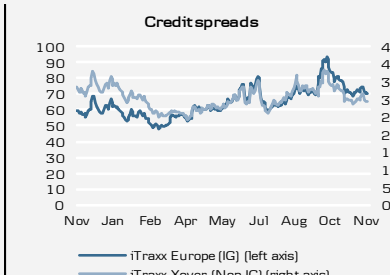
	17:00	07:30	+/-, bp
USD 10Y	2.24	2.26	↑ 2
USD 30Y	3.01	3.02	↑ 1
JPY 10Y	0.30	0.32	↑ 2
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.48	0.48	↓ 0
DKK 10Y	0.76	0.77	↑ 1
SEK 10Y	0.87	0.83	↓ -4
NOK 10Y	1.53	1.53	↑ 0
PLN 10Y	2.75	2.71	↓ -4

\* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

\* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	71	↑ 0	↓ -1
HiVol	85	↓ 0	↑ 9
Xover (N-IG)	295	↓ 0	↓ -5
Finan. Sr.	71	↑ 0	↑ 1
Finan. Sub.	150	↓ 0	↑ 5
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-16	-16	↑ 0
	07:30(-1)*	17:00	+/-
EUR 10Y	0	14	↑ 14
DKK 10Y	37	36	↓ -1
SEK 10Y	43	42	↓ -1
NOK 10Y	53	54	↑ 1

\* Ask price

\* As of closing previous trading day

\*\* Ask price

Source: Bloomberg, Danske Bank Markets

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