

05 February 2016

Danske Daily

Market Movers

- The most important release today is the jobs report for January. The labour market tightened significantly in 2015, which was the main reason why the Fed raised the target rate in December. The financial turmoil partly reflects rising growth concerns due to tighter monetary policy in the US and weak economic data and hence a strong jobs report could calm the markets. We expect non-farm payrolls to have increased 200,000 in January in line with the recent trend. The unemployment rate is likely to be unchanged at 5.0%.
- We are also set to receive data for German factory orders for December, which we overall expect to have declined slightly. Looking at the components, we expect the foreign orders to remain weak but to increase in line with stronger import data from China for December. Similarly, we expect the domestic orders component to remain relatively solid relative to its usual volatile pattern and therefore only look for a small decline in total.
- Scandi markets will focus on the release of industrial production data in Denmark, Norway and Sweden.

Selected Market News

A new poll shows that the 'leave EU' side in the UK has gained support following the draft deal that was published earlier this week. In the poll the 'leave EU' side has support from 45%, while the 'stay in EU' side has support from 36%. There is still a large group that is undecided.

Equity prices and commodity prices declined overnight and the dollar has continued to slide as market sentiment remains fragile ahead of the all important release of the US job market report today.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	1915.5	↑	0.15
S&P500 fut (chng from close)	1904.6	↓	-0.17
Nikkei	16820.9	↓	-1.31
Hang Seng	19315.7	↑	0.69
	17:00	07:30	+/- bp
US 2y gov	0.71	0.70	↓ -0.8
US 10y gov	1.87	1.84	↓ -2.8
iTraxx Europe (IG)	104	105	↑ 0.3
iTraxx Xover (Non IG)	404	405	↑ 0.9
			+/- %
EUR/USD	1.118	1.120	↑ 0.13
USD/JPY	117.070	116.780	↓ -0.25
EUR/CHF	1.11	1.11	↓ -0.05
EUR/GBP	0.767	0.769	↑ 0.33
EUR/SEK	9.396	9.409	↑ 0.13
EUR/NOK	9.49	9.53	↑ 0.37
			USD
Oil Brent, USD	35.0	34.4	↓ -1.80
Gold, USD	1153.6	1155.6	↑ 0.17

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

- BoE Review: BoE is not 'Fed light' - we now expect first hike in Q1 17

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Scandi Markets

Norway. The downturn in oil has hit manufacturing particularly hard through a sharp drop in activity in the supply sector. Manufacturing production fell steadily in 2015 until climbing 1.0% m/m in November. We think it is too early for the downward trend to have reversed and we expect a correction of 0.5% m/m in December. The good news is that even then it would mean that manufacturing production fell just 1.3% in Q4, compared with 2.4% and 2.5% in the two preceding quarters. Thus the downturn is continuing, but at a slower pace than 4-9 months ago.

Fixed Income Markets

The periphery continues to be under pressure with spreads widening yesterday amid fresh supply from Spain, uncertainty regarding how much the ECB will do at the upcoming meeting in March and Portugal disputing with IMF, EU and ECB on the growth and budget outlook. IMF has been commenting on the Portuguese growth outlook and has stressed the need for maintaining the economic reform process and that there is limited room to ease fiscal policy given the high level of debt. Similar comments from EU and ECB that stressed that the effort to reduce the underlying structural budget deficit needs to be increased 'significantly'. The Portuguese Ministry of Finance stated that these comments are based on old data. This kind of difference is clearly not something that supports investor confidence in the short term ahead of a possible tap from Portugal next week.

10Y Treasury yields declined some 4-5bp yesterday ahead of the non-farm payrolls data due out this afternoon. The near-term outlook for the US economy is becoming more and more uncertain, which is reflected in a weaker USD and lower yields as the markets are 'postponing' the hikes from the Federal Reserve - a strong non-farm payroll report today will push yields higher and strengthen the USD short term. The consensus forecast is 190k.

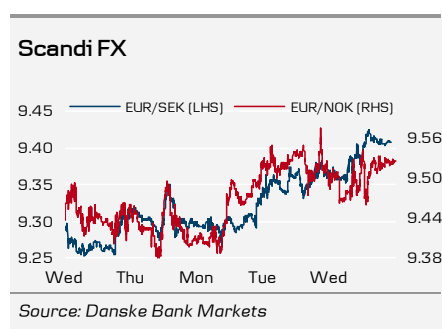
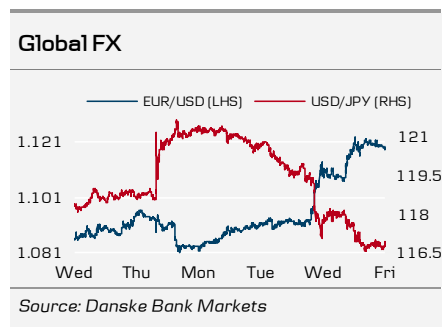
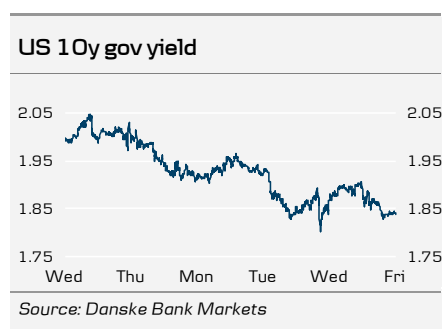
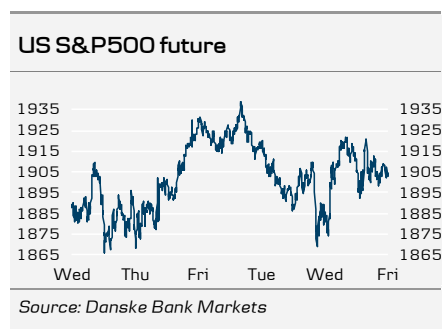
Finland is up for review by Moody's - the outlook is negative and there is a risk that Finland will lose its Aaa-rating. Fitch has Ireland and Austria up for review - we do not expect any changes.

Finally, the Danish mortgage banks will start the refinancing auction for April. The mortgage banks are selling some DKK125bn of Danish non-callable covered bonds (DKK- and EUR-denominated). The bulk is in DKK-denominated covered bonds (DKK118bn), of which DKK70bn is in the 1Y non-callable covered bonds. As always there is plenty of excess liquidity as there is DKK168bn maturing on 1 April. We expect decent demand as the auctions are the chance for investors to buy these bonds 'in size' and afterwards the supply is going to be modest until the next auction in August. We favour the 3Y segment as there is a solid roll-down on the curve and plenty of supply.

FX Markets

The broad USD sell-off continued on Thursday but at a slower pace than on Wednesday. Bloomberg consensus expectations for January non-farm payrolls reads at 190k but expectations have likely moved lower after the latest string of weak data. As such, the balance of risks ahead of the data is for a better number in our view and a stronger USD. The market has moved to price in the next full Fed rate hike by August 2017. That is too dovish and will eventually provide some support for the broad DXY index.

The trade-weighted EUR, which the ECB monitors, is now at its strongest level since January 2015. This will worry the ECB and should mitigate a continued EUR rally. The



Bank of England was dovish at Thursday's monetary policy meeting and we have moved our expectations for the first rate hike to February 2017 from May 2016. In line with this, EUR/GBP will be choppy and trend-less as relative interest rates will lose the influence on the cross and focus will be on news flows regarding Brexit.

EUR/SEK continued its march higher and the market is now pricing in around 8bp for the Riksbank meeting on 11 February. We expect the Riksbank to cut by 10bp and hence the easing is broadly priced. Expect EUR/SEK to stabilise ahead of 9.50 and gradually head lower. We continue to see the risks in EUR/NOK as skewed to the upside following the latest oil market rally while the market is pricing less than 50% probability of a 25bp Norges Bank rate cut in March.

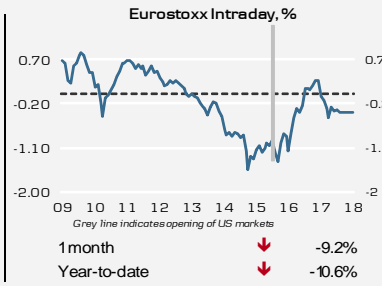
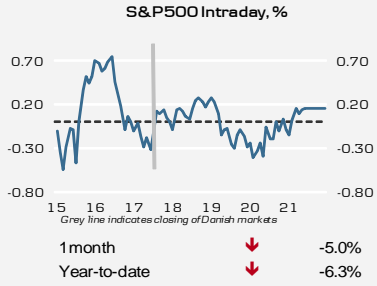
Key figures and events

Friday, February 5, 2016				Period	Danske Bank	Consensus	Previous
-	GBP	Halifax house prices	m/m 3Ms/YoY	Jan		0.3% 9.0%	1.7% 9.5%
-	EUR	Moody's may publish EFSF's debt rating					
-	EUR	Fitch may publish Ireland's debt rating					
-	EUR	Fitch may publish Austria's debt rating					
1:30	AUD	Retail sales	m/m	Dec		0.4%	0.4%
6:00	JPY	Leading economic index, preliminary	Index	Dec		102.7	103.5
8:00	DEM	Factory orders	m/m y/y	Dec	-0.3% ...	-0.5% -1.5%	1.5% 2.1%
9:00	DKK	Industrial production	m/m	Dec	0.3%	0.5%	-0.9%
9:30	SEK	Budget balance	SEK bn	Jan			-98.5
9:30	SEK	Industrial production s.a.	m/m y/y	Dec		-0.5% 3.5%	1.4% 6.2%
9:30	SEK	Service production	m/m y/y	Dec		0.4% 2.7%	-0.2% 2.3%
9:30	SEK	Industrial orders	m/m y/y	Dec			9.3% 15.1%
10:00	NOK	Manufacturing production	m/m y/y	Dec	-0.5% ...	-0.6% ...	1.0% -6.6%
10:00	NOK	Industrial production	m/m y/y	Dec			-0.8% -1.8%
13:00	EUR	ECB's Constancio speaks in Madrid					
14:30	CAD	Net change in full time employment	1000	Jan			-9.6
14:30	USD	Non farm payrolls	1000	Jan	200	200	292
14:30	USD	Average hourly earnings, non-farm	m/m y/y	Jan	0.3% 2.2%	0.3% 2.2%	0.0% 2.5%
14:30	USD	Unemployment	%	Jan	5.0%	5.0%	5.0%
14:30	USD	Private payrolls	1000	Jan		188	275
14:30	USD	Manufacturing payrolls	1000	Jan		0	8
14:30	USD	Average weekly hours	Hours	Jan		34.5	34.5
14:30	USD	Trade balance	USD bn	Dec		-42.5	-42.4
21:00	USD	Consumer credit	USD bn	Dec		15.5	14.0

Source: Bloomberg, Danske Bank Markets

Today's market data: 05 February 2016

STOCKS



	Close		+/-
DJSTOXX50	2771	↓	-0.4%
OMXC20	909	↓	-1.5%
OMXS30	1334	↑	2.2%
OSE BX	552	↑	2.2%
	Close		+/-
DOW JONES	16417	↑	0.5%
NASDAQ	4510	↑	0.1%
S&P500	1915	↑	0.2%
NIKKEI (07:30)	16821	↓	-0.4%

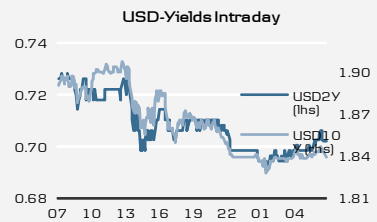
FX & COMMODITIES



	17:00	07:30	+/-
EUR			
USD	111.81	111.95	↑ 0.14
JPY	130.89	130.74	↓ -0.15
GBP	76.66	76.91	↑ 0.25
NOK	949.10	952.65	↑ 3.55
SEK	939.63	940.86	↑ 1.23
DKK	746.34	746.30	↓ -0.04
PLN	441.36	442.30	↑ 0.94
USD	17:00	07:30	+/-
JPY	117.07	116.78	↓ -0.29
GBP	145.85	145.56	↓ -0.29
CHF	99.62	99.44	↓ -0.18

	07:30	Gold, \$	Oil, Brent, \$
		165.59	34.40
1day	↓	-0.01	↓ -0.06
1month	↑	77.91	↓ -2.02
Year-t-date	↑	94.17	↓ -2.88
	07:30	CRB 1M future	CRB, Raw Industrials
		163.45	421.97
1day	↓	-0.73	↑ 0.66
1month	↓	-9.61	↑ 15.73
Year-t-date	↓	-12.69	↑ 17.26

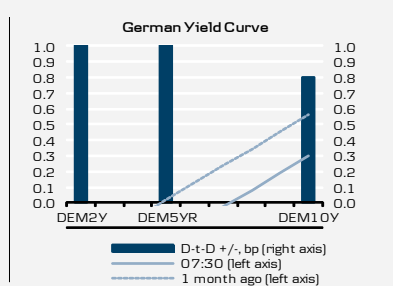
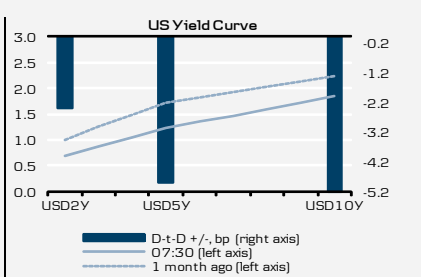
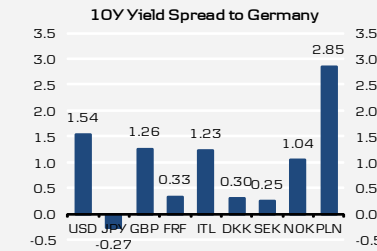
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.50	0.62	12
EUR	0.05	-0.17	-22
GBP	0.50	0.59	9
DKK	0.05	-0.07	-12
SEK	-0.35	-0.35	0
NOK	0.75	1.13	38
PLN	1.50	1.59	9

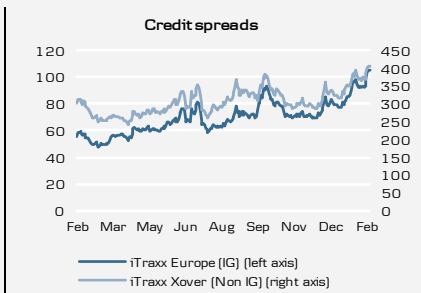
	17:00	07:30	+/-, bp
USD 10Y	1.87	1.84	↓ -3
USD 30Y	2.71	2.68	↓ -3
JPY 10Y	0.06	0.03	↓ -3
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.30	0.31	↑ 2
DKK 10Y	0.60	0.61	↑ 2
SEK 10Y	0.55	0.55	0
NOK 10Y	1.34	1.34	0
PLN 10Y	3.21	3.14	↓ -7

* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	105	↑ 0	↑ 24
HiVol	135	↑ 0	↑ 28
Xover (N-IG)	405	↓ -1	↑ 75
Finan. Sr.	108	↑ 0	↑ 29
Finan. Sub.	246	↑ 1	↑ 79
Non-finan.			

* Ask price



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-11	-10	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0	18	↑ 18
DKK 10Y	36	34	↓ -2
SEK 10Y	42	42	0
NOK 10Y	68	68	0

* As of closing previous trading day

** Ask price

Source: Bloomberg, Danske Bank Markets

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First date of publication

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