

20 October 2015

Danske Daily

Market Movers

- Today's calendar for economic data releases is relatively thin.
- Main focus will be on **US monetary policy** as Fed's Dudley (voter, dovish), Powel (voter, neutral) and Fed Chair Yellen will speak this afternoon (CET). Also in the US, data for housing starts and building permits for September will attract some attention. The rise in building permits in August is expected to be reflected in an increase in starts in September, while permits are expected to fall back slightly. The overall picture is of a housing market continuing to benefit from a favourable mix of low interest rates and positive real income growth. Homebuilding activity is also still below the long-term trend, which points to further improvements in the housing market. Yesterday's US NAHB housing market index release supports this view.
- Today will also bring current account figures for **Switzerland** and the **euro area**.
- We expect the **National Bank of Hungary** to leave rates unchanged today at 1.35%.
- **There are no important data releases in Scandinavia today.**

Selected Market News

Commodities markets tumbled on the back of yesterday's Chinese GDP data revealing the slowest growth since the financial crisis (see *Chinese Q3 GDP in line with expectations but industrial growth continues to disappoint*). In particular disappointing industrial production figures suggest a falling Chinese demand, which has contributed in sending not least oil and base metals lower. Adding to the concerns, economists are questioning the accuracy of the headline GDP figure, see *WSJ*.

In FX markets the **USD** has strengthened somewhat partly aided by comments from Fed's Williams that he saw the time to start raising rates 'in the near future'. In its semi-annual report to Congress the **US Treasury** dropped previous comments that the Chinese Renminbi is 'significantly undervalued'.

Otherwise markets are still very much awaiting Thursday's ECB meeting. We expect the ECB to keep its powder dry at the meeting but to retain a dovish tone and reiterate that it can adjust the size, duration and composition of the QE programme (see *ECB preview: More wait and see*)

In **Australia**, minutes from the 6 October monetary policy decision confirmed the impression from the initial statement that the bank sees no immediate need to reduce rates further. The minutes re-iterated that future decisions remain data dependent. Our base case remains that Governor Stevens will leave rates unchanged in the next 12M.

In **Canada**, the Liberal Party is set to win the national election ousting the Conservative Party that has been in power for almost a decade. The CAD has weakened on the prospect.

Market overview

		07:30		1 day +/-%
S&P500 (close)		2033.7	↑	0.03
S&P500 fut (chng from close)		2025.7	↓	-0.08
Nikkei		18213.8	↑	0.46
Hang Seng		22965.0	↓	-0.48
	17:00	07:30		+/-, bp
US 2y gov	0.60	0.59	↓	-1.6
US 10y gov	2.05	2.01	↓	-3.2
iTraxx Europe (IG)	79	79	↑	0.3
iTraxx Xover (Non IG)	327	328	↑	0.3
				+/-, %
EUR/USD	1.131	1.133	↑	0.15
USD/JPY	119.460	119.500	↑	0.03
EUR/CHF	1.08	1.08	↑	0.18
EUR/GBP	0.731	0.732	↑	0.19
EUR/SEK	9.419	9.412	↓	-0.08
EUR/NOK	9.20	9.21	↑	0.14
				USD
Oil Brent, USD	49.0	48.9	↓	-0.37
Gold, USD	1170.7	1168.7	↓	-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

- *FX Forecast Update: BoJ to reclaim driving seat - more easing in October*
- *IMM Positioning Update*
- *Chinese Q3 GDP in line with expectations but industrial growth continues to disappoint*
- *ECB Preview: More wait and see*

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Fixed Income Markets

Fixed income markets are set to be caught in another range-trading session with focus being on Thursday's ECB meeting. However, the Fed speeches scheduled this afternoon (Dudley, Powell and Yellen) might catch some attention as it is the last chance to express their views before we later in the week head into the Fed's blackout period ahead of next week's FOMC meeting.

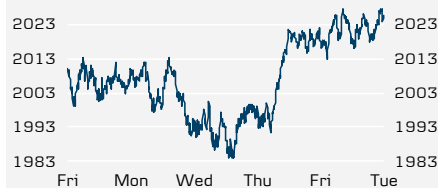
Portugal's rally extended and tightened further yesterday. After the supply last week caused some weakness and a widening of more than 15bp in the 10Y against Germany, Portugal has led the periphery rally since mid-Thursday. With yesterday's performance we have a full reversal of the spread widening and the 10Y spread now stands at the 180bp level as before the auction.

FX Markets

EUR/SEK rose sharply on Monday in line with our view. We expected the dip in EUR/SEK below 9.30 to be short-lived, which has been proven right. The rally in EUR/SEK may be driven by NOK/SEK flows as EUR/NOK remains remarkably stable despite the recent drop in the oil price. In our FX Trading Portfolio, we are long EUR/SEK while we in our recent FX Quant Strategy recommended long NOK/SEK via 6M risk reversal. We also see the near-term risks to EUR/NOK to the upside as the market has now fully priced out risks of a Norges Bank rate cut this year.

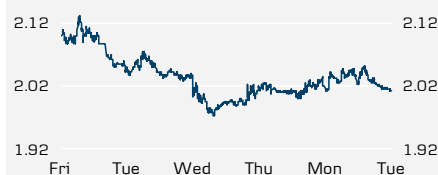
In the majors, the most significant move in recent sessions has been the down-move in EUR/GBP. We see more downside in EUR/GBP and are short EUR/GBP in our FX Trading Portfolio. Relative interest rates should support a gradual move lower in EUR/GBP.

US S&P500 future



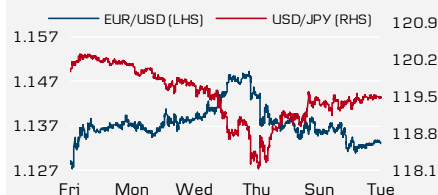
Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

Key figures and events

Tuesday, October 20, 2015				Period	Danske Bank	Consensus	Previous
8:00	CHF	Trade balance	CHF bn	Sep			2.86
10:00	EUR	Current account	EUR bn	Aug			22.6
14:00	HUF	Central Bank of Hungary rate decision	%		1.35%	1.35%	1.35%
14:30	USD	Building permits	1000 (m/m)	Sep		1163	1170 (3.5%)
14:30	USD	Housing starts	1000 (m/m)	Sep		1142	1126 (-3.0%)
15:00	USD	Fed's Dudley (voter, dovish) speaks					
15:00	USD	Fed's Powell (voter, neutral) speaks					

Source: Bloomberg, Danske Bank Markets

Today's market data: 20 October 2015

STOCKS



	Close		+/-
DJSTOXX50	3135	↑	0.3%
OMXC20	947	↑	1.4%
OMXS30	1458	↑	0.4%
OSE BX	614	↓	0.0%
	Close		+/-
DOW JONES	17231	↑	0.1%
NASDAQ	4905	↑	0.4%
S&P500	2034	↑	0.0%
NIKKEI (07:30)	18214	↑	0.3%

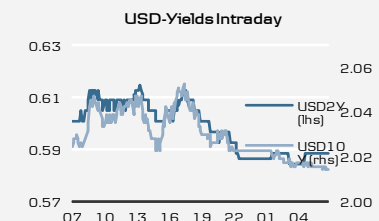
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	113.13	113.30	↑ 0.17
JPY	135.14	135.38	↑ 0.24
GBP	73.06	73.20	↑ 0.14
NOK	919.93	921.21	↑ 1.28
SEK	941.90	941.18	↓ -0.72
DKK	745.92	745.94	↑ 0.02
PLN	424.42	424.82	↑ 0.40
USD	17:00	07:30	+/-
JPY	119.46	119.50	↑ 0.04
GBP	154.84	154.76	↓ -0.08
CHF	95.60	95.63	↑ 0.03

	Gold, \$	Oil, Brent, \$
07:30	1168.71	48.85
1 day	↓ -2.01	↑ 0.24
1 month	↑ 29.69	↑ 1.38
Year-t-date	↓ -16.15	↓ -8.48
	CRB 1M future	CRB, Raw Industrials
07:30	196.73	424.01
1 day	↓ -2.72	↓ -1.37
1 month	↑ 2.54	↓ -14.76
Year-t-date	↓ -33.23	↓ -68.10

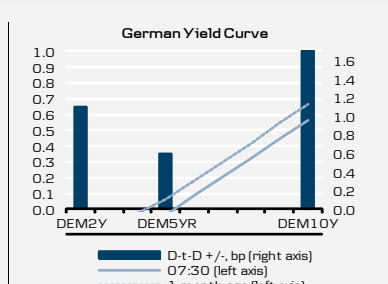
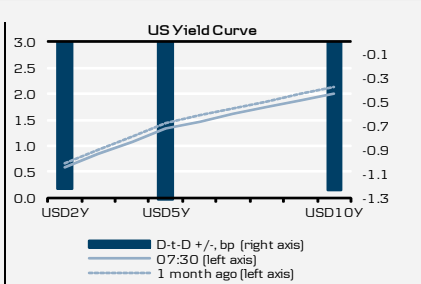
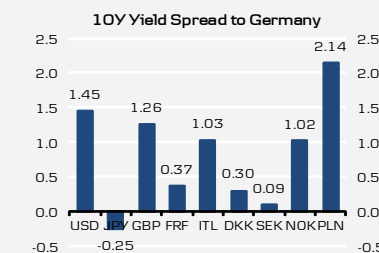
YIELDS & INTEREST RATES



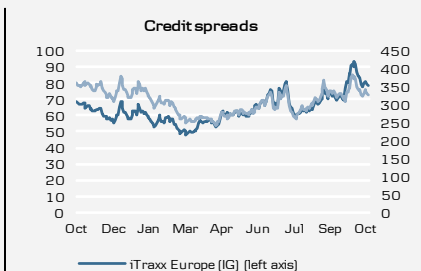
	Policy Rate	3M	Spread, bp
USD	0.25	0.32	7
EUR	0.05	-0.05	-10
GBP	0.50	0.58	8
DKK	0.05	-0.06	-11
SEK	-0.35	-0.30	5
NOK	0.75	1.12	37
PLN	1.50	1.63	13

	17:00	07:30	+/-, bp
USD 10Y	2.05	2.01	↓ -3
USD 30Y	2.90	2.87	↓ -3
JPY 10Y	0.33	0.32	↓ -1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.55	0.56	↑ 2
DKK 10Y	0.91	0.86	↓ -6
SEK 10Y	0.64	0.65	↑ 1
NOK 10Y	1.58	1.58	0
PLN 10Y	2.68	2.70	↑ 2

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	79	↓ 0	↑ 2
HiVol	79	↓ -1	↑ 12
Xover (N-IG)	328	↓ -1	↑ 18
Finan. Sr.	76	↓ 0	↓ -9
Finan. Sub.	161	↓ -2	↓ -14
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-3	-3	↑ 0
	07:30(-1)*	17:00	+/-
EUR 10Y	0	18	↑ 18
DKK 10Y	39	38	↓ -1
SEK 10Y	48	46	↓ -1
NOK 10Y	69	69	0

* As of closing previous trading day

** Ask price

Source: Bloomberg, Danske Bank Markets

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