

Danske Daily

Market Movers

- **The German trade balance figures for October are published this morning.** Focus will be on export growth, which rebounded somewhat in September after the August figure showed the largest monthly decline since 2009. The signs of stabilisation in the Chinese industrial sector should support German exports but the weakness in US manufacturing remains a headwind.
- **Q3 German labour costs are also due for release.** In line with the very low unemployment rate the labour costs recovered in 2014 and H1 15 but so far it has not resulted in higher German core inflation. On the other hand, very low inflation implies real wage growth is high and supportive of private consumption.
- In **Scandi markets** focus is on Swedish household consumption, which should post a pronounced rise on the back of strong retail sales.

Selected Market News

The oil price is still very low with Brent trading just below USD41/bl after dipping below USD40/bl yesterday. The final push below the USD40/bl mark was delivered by an OPEC in disarray as illustrated at Friday's meeting. The lack of consensus on how to best serve the joint interest of the cartel has left OPEC conducting the oil equivalent of QE: each country is largely pumping as much as current facilities allow.

In the short term, it is difficult to see what should fundamentally lift the oil price particularly going into next week's FOMC meeting where a first Fed hike would likely result in a hit to risk appetite. A list of possibly necessary – but not individually sufficient – conditions for what will set the bottom (or even fuel a rebound) in the oil price include: (1) USD rally coming to a halt (we expect this in 3-6M), (2) non-OPEC supply cuts (we see this as likely in 2016), (3) OPEC coordination to cut (in our view, this is doubtful in 2016), (4) positive growth surprises in China/EM region (we also consider this doubtful in 2016), (5) oil production costs stop plunging – watch shale costs (in our view, if oil production costs are unchanged from here we should get notable US supply cuts in 2016).

The lower oil price has hit commodity-exporting countries and in particular the NOK was the big loser. EUR/NOK broke above 9.50 in a very thin market yesterday and given the risk that the oil price will fall further we would be careful in trying to catch the falling NOK-knife. The weakening of the currency is a strong argument against a December Norges Bank cut and we expect it to keep rates unchanged but admittedly the risk of Norges Bank delivering another 'insurance cut' has significantly increased with Brent crude trading USD8/bl below Norges Bank's latest projection.

In China, People's Bank of China has reduced the yuan reference rate to 6.4140, which is the lowest since August 2011. The CNY weakened just 0.1% to 6.425 following the new fixing but has declined 0.4% since the IMF decided to include the currency in the SDR basket. The weaker CNY could also reflect bets being placed on a weakening as the Fed is expected to hike next week.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2063.6	↓ -0.65	
S&P500 fut (chng from close)	2062.2	↑ 0.17	
Nikkei	19320.4	↓ -0.88	
Hang Seng	21811.4	↓ -0.43	
	17:00	07:30	
		+/- bp	
US 2y gov	0.94	0.93	↓ -1.4
US 10y gov	2.23	2.22	↓ -1.2
iTraxx Europe (IG)	73	74	↑ 0.7
iTraxx Xover (Non IG)	301	304	↑ 3.1
			+/- %
EUR/USD	1.087	1.091	↑ 0.40
USD/JPY	122.940	122.760	↓ -0.15
EUR/CHF	1.08	1.08	↑ 0.19
EUR/GBP	0.725	0.727	↑ 0.22
EUR/SEK	9.261	9.274	↑ 0.13
EUR/NOK	9.54	9.54	↓ -0.07
			USD
Oil Brent, USD	41.1	40.8	↓ -0.51
Gold, USD	1074.3	1077.1	↑ 0.25

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: 'ECB light' leaves currencies range-bound](#)

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Fixed Income Markets

In the EUR govie market issuance is fading as we approach year-end. However, today Germany is conducting this week's only EUR government bond issuance with a EUR3bn tap launch of the new Schatz Dec-17.

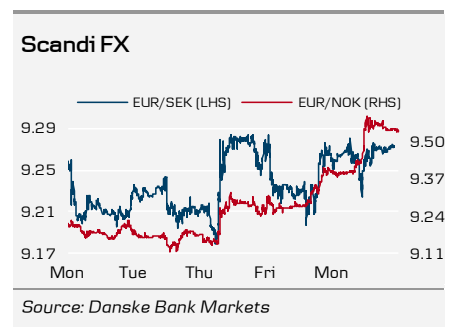
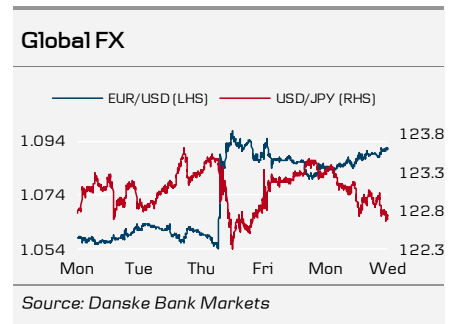
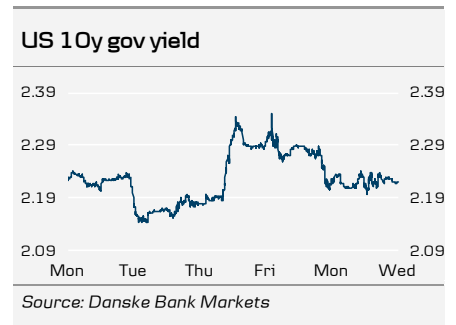
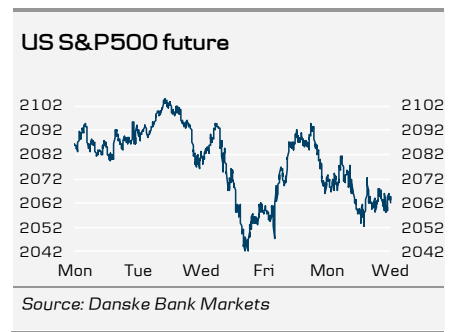
We have more activity in the Scandi primary market today. Norway is tapping NOK2bn in the Mar-24. The current downward trend in the oil price and high FX volatility may reduce foreign demand at the auction. However, the cheapening versus swaps - below 25bp now - should attract some domestic demand. Sweden is tapping SEK4bn in the Mar-19 and the Dec-20. We continue to see value in the 5Y segment of the curve, while we are more hesitant in longer dated bonds.

Denmark will be selling T-bills, Mar-2016 and Jun-16, at 10:15 CET. At the last auctions two weeks ago bids were low and we do also expect this to be the case today. However, we do expect to see some interest from foreign investors as both Mar-16 and Jun-16 offer great value when combined with a FX forward. The Mar-16 T-bill can be swapped into EUR and USD, respectively, with a pick-up of almost 10 and 40bp to maturity equivalent domestic government bonds. The pick-up for Jun-16 is identical for a EUR investor, 10bp, but around 20bp for USD investors.

FX Markets

EUR and especially CHF gained substantially yesterday in a broad based sell-off in risk assets. Brent crude oil dipped below USD40/bl and once again currencies of commodity exporting countries took large hits. In particular the NOK was the big loser yesterday and EUR/NOK broke above 9.50 in a very thin market. In the short-term it is difficult to see what fundamentally should lift the oil price - especially going into next week's FOMC meeting - and we would be careful in trying to catch the falling NOK-knife. Noteworthy, the weakening of the currency is a strong argument against a December Norges Bank cut as the NOK is currently significantly weaker than what Norges Bank projected back in September. Markets price roughly 8bp worth of cuts for the 17 December meeting; we expect an 'unchanged' call but admittedly the risk of Norges Bank delivering another 'insurance cut' has significantly increased with Brent crude trading USD8/bl below Norges Bank's latest projection.

The GBP also suffered substantially yesterday both against the EUR and USD and according to our short-term financial models EUR/GBP now trades in overbought territory, 1.2 standard deviation above the model's estimate of 0.7260. Strategically we still like to be long GBP due to the very low Bank of England rate hike expectations for the coming 12 months (first full 25bp rate hike priced in November 2016), which we still think is out sync with the strong labour market. However, while the recent move higher indeed looks like an attractive selling opportunity, we think that the recent decline in the oil price and current poor risk environment will weigh substantially on Bank of England's overall assessment, thus increasing the odds that the Bank of England is likely to maintain a fairly dovish stance at its meeting on 10 December.



Key figures and events

Wednesday, December 9, 2015			Period	Danske Bank	Consensus	Previous
0:30	AUD	Westpac Consumer Confidence	Index [% m/m]	Dec		101.7 0.039
0:50	JPY	Machine orders	m/m y/y	Oct	-1.6% 0.4%	7.5% -1.7%
0:50	JPY	Money supply M2	y/y	Nov	3.5%	3.6%
2:30	CNY	PPI	y/y	Nov	-5.9%	-5.9%
2:30	CNY	CPI	y/y	Nov	1.4%	1.3%
7:00	EUR	ECB's Lautenschlaeger speaks in Abu Dhabi				
7:45	CHF	Unemployment	%	Nov	3.4%	3.4%
8:00	SEK	Prospera inflation expectations				
8:00	DEM	Trade balance	EUR bn	Oct	21.5	22.8
8:00	DEM	Labour costs	q/q y/y	3rd quarter		0.9% 3.1%
9:00	DKK	Trade balance ex ships	DKK bn	Oct		4.8
9:00	DKK	Exports	m/m	Oct		
9:00	DKK	Current account (nsa sa)	DKK bn	Oct		17.0 12.5
9:30	SEK	Household consumption	m/m y/y	Oct		0.2% 2.4%
13:00	USD	MBA Mortgage Applications	%			-0.2%
16:30	USD	DOE U.S. crude oil inventories	K			1177
21:00	NZD	Reserve Bank of New Zealand (cash rate decision)	%		2.5%	2.8%

Source: Bloomberg, Danske Bank Markets

Today's market data: 09 December 2015

STOCKS



	Close		+/-
DJSTOXX50	3104	↓	-1.7%
OMXC20	1003	↓	-1.4%
OMXS30	1455	↓	-2.6%
OSE BX	607	↓	-1.6%
	Close		+/-
DOW JONES	17568	↓	-0.9%
NASDAQ	5098	↓	-0.1%
S&P500	2064	↓	-0.6%
NIKKEI (07:30)	19320	↓	-1.7%

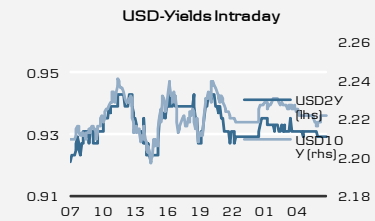
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	108.71	109.14	↑ 0.43
JPY	133.65	133.98	↑ 0.33
GBP	72.51	72.67	↑ 0.16
NOK	954.47	953.79	↓ -0.68
SEK	926.12	927.36	↑ 1.24
DKK	746.13	746.08	↓ -0.05
PLN	433.84	434.45	↑ 0.61
USD	17:00	07:30	+/-
JPY	122.94	122.76	↓ -0.18
GBP	149.91	150.19	↑ 0.28
CHF	99.40	99.19	↓ -0.21

	Gold, \$	Oil, Brent, \$
07:30	1077.05	40.84
1day	↑ 2.10	↑ 0.58
1month	↓ -15.25	↓ -6.35
Year-t-date	↓ -107.81	↓ -16.49
	CRB 1M future	CRB, Raw Industrials
07:30	177.39	399.89
1day	↓ -1.17	↓ -0.57
1month	↓ -11.83	↓ -10.23
Year-t-date	↓ -52.56	↓ -92.22

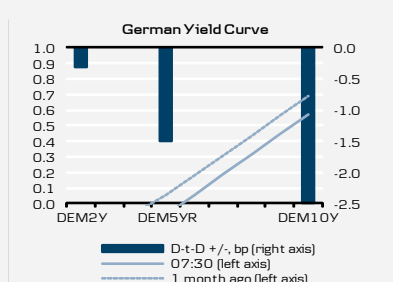
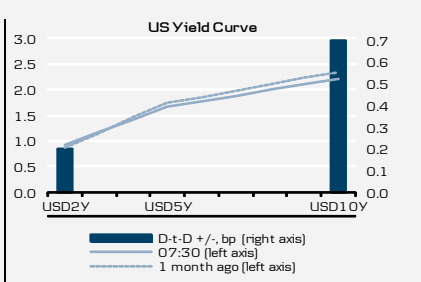
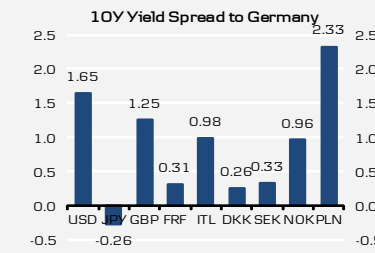
YIELDS & INTEREST RATES



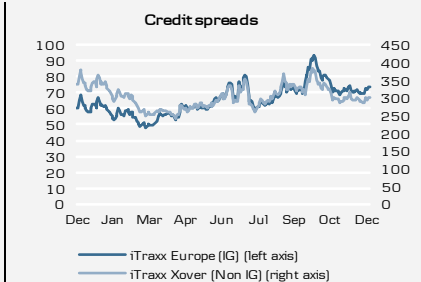
	Policy Rate	3M	Spread, bp
USD	0.25	0.48	23
EUR	0.05	-0.12	-17
GBP	0.50	0.58	8
DKK	0.05	-0.15	-20
SEK	-0.35	-0.43	-8
NOK	0.75	1.06	31
PLN	1.50	1.62	12

	17:00	07:30	+/-, bp
USD 10Y	2.23	2.22	↓ -1
USD 30Y	2.97	2.96	↓ -1
JPY 10Y	0.32	0.31	↓ -1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.60	0.58	↓ -2
DKK 10Y	0.93	0.84	↓ -9
SEK 10Y	0.90	0.90	↑ 0
NOK 10Y	1.53	1.53	↑ 0
PLN 10Y	2.84	2.90	↑ 6

* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	74	↑ 0	↑ 1
HiVol	93	↑ 1	↑ 11
Xover (N-IG)	304	↑ 2	↑ 3
Finan. Sr.	72	↑ 0	↑ 1
Finan. Sub.	149	↑ 1	↓ -4
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-11	-10	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0	13	↑ 13
DKK 10Y	34	33	↓ -1
SEK 10Y	41	40	↓ -1
NOK 10Y	62	62	↓ 0

* As of closing previous trading day

** Ask price

* Ask price

Source: Bloomberg, Danske Bank Markets

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First date of publication

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