

# Danske Daily

## Market Movers

- **The calendar of economic data releases is relatively thin today.**
- Euro area industrial production for November is released today and we look for a small decline in line with the **German** figure.
- **In the US** a large number of Fed members are speaking this week. The time after the FOMC meeting in December has been quiet due to Christmas and the New Year, so not much information from the Fed members has come out yet. Remember, as the calendar now says 2016, voting rights have changed. Today we will hear more from the dovish camp of the Fed board as both Rosengren (voter, dovish) and Evans (voter, dovish) will give speeches on the economic outlook. The Fed Beige Book is due for release tonight.
- In **Canada** GDP and retail sales figures are due for release.

## Selected Market News

### Market focus remains on developments in China and commodity markets.

This morning **trade figures out of China** surprised to the upside as the December trade balance rose (in both USD and CNY terms) against market expectations of a drop. In USD-terms exports dropped by only 1.4% y/y (consensus of -8.0%) and actually rose 2.3% when measured in local currency. Imports also surprised by dropping less than expected. Overall the release offers support to the Chinese currency at a time where Chinese authority intervention is fighting off currency depreciation (see next paragraph).

**Over the last days the People's Bank of China has drawn a line in the sand** by stepping up efforts significantly to halt the depreciation of the CNY and CNH versus the USD. Today USD/CNY fixed at a stable level for the fourth consecutive day and the CNY-CNH spread remains closed. Also China's FX regulator (SAFE) is said to have instructed some banks operating on the mainland to limit yuan outflows and to limit CNH holdings.

In the short term a halt in the CNY and CNH decline will be **supportive for risk sentiment** (see *PBoC draws a line in the sand*, 12 January). This morning most **Asian stock indices** are trading in green territory, as illustrated by the MSCI Asia Pacific index, halting a seven-day period of drops by rallying the most in four weeks.

While WTI-oil yesterday temporarily breached the psychological barrier of USD30/bl, the **oil price has since stabilised** on the back of the above. The global benchmark Brent crude trades around 31 USD/bl this morning.

**In Japan**, Takatoshi Ito, a former colleague of Bank of Japan governor Kuroda, stated that the Japanese economy has breathing space to allow a stronger JPY but that it would be a problem if USD/JPY 'goes to 115 from 117 and heads to 110', which would likely prompt policy action.

## Market overview

	07:30	1 day +/- %	
S&P500 (close)	1938.7	↑	0.78
S&P500 fut (chng from close)	1942.3	↑	0.90
Nikkei	17698.0	↑	2.78
Hang Seng	20168.7	↑	2.32
	17:00	07:30	+/- bp
US 2y gov	0.93	0.94	↑ 0.8
US 10y gov	2.14	2.13	↓ -0.7
iTraxx Europe (IG)	86	87	↑ 0.4
iTraxx Xover (Non IG)	353	354	↑ 1.4
			+/- %
EUR/USD	1.084	1.083	↓ -0.06
USD/JPY	117.840	118.280	↑ 0.37
EUR/CHF	1.09	1.09	↑ 0.22
EUR/GBP	0.753	0.749	↓ -0.59
EUR/SEK	9.268	9.253	↓ -0.16
EUR/NOK	9.64	9.62	↓ -0.15
			USD
Oil Brent, USD	31.0	31.2	↑ 0.39
Gold, USD	1088.3	1084.7	↓ -0.33

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

- *The repercussions of the oil price collapse: themes and market views*
- *Conference call on the repercussions of the oil price collapse*
- *IMM Positioning Update*
- *FX Strategy: PBoC draws a line in the sand*

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## Scandi Markets

**In Sweden**, the PES labour market statistics for December are due for release. Markets are looking for an unchanged unemployment rate of 4.1%. For the Riksbank, however, tomorrow's inflation print will be of far more interest.

## Fixed Income Markets

Strong rally in the US session overnight with 10Y treasury yields pushed 6bp lower fuelled by lower commodity prices. For once, the move was accompanied by rising equities.

In the **EUR FI market** focus remains on the dense issuance calendar. The 10Y syndicated deal from Belgium was pushed one day ahead and is set to be conducted today. Germany is launching a new Bund (Feb-26) with a EUR5bn tap. Italy is tapping EUR5.25-6.75bn in the Oct-18, Sep-22 and the Mar-32. A lot of risk was added to the market this week and Spain is back tomorrow. Spain had a very strong result in the 10Y deal yesterday with +29bn in bids and 9bn printed. The amount was unchanged compared to last year's 10Y January deal despite Spain having a lower issuance target this year of 125bn versus 140bn in 2015. The strong demand was also helped by a decent new issue premium and we expect the bond to perform well in the coming sessions despite the high supply.

**In Scandinavia**, Norway is tapping NOK3bn in the Mar-25. We expect limited demand from domestics. There is foreign interest in NOK FX exposure but the maturity of the tap could imply less non-domestics interest, see [Norway auction preview](#), 12 January.

## FX Markets

EUR and JPY declined overnight supported by an improvement in risk appetite. While it probably is too early to call the end of the sell-off in risk assets, further signs of stabilisation are likely to support EUR/USD downside and a higher USD/JPY. The Chinese currency has also stabilised after stepped up efforts to halt the depreciation of the CNY and CNH versus the USD by interventions in the offshore market. The CNH-CNY has narrowed significantly to a slight negative after it was at +0.16 last week. The CNH money market rates have declined substantially from a record high yesterday but money market rates remain at elevated levels and the PBoC may want to keep rates high for some time in order to dampen the appetite for further speculative CNH selling. However, China will also sooner or later add liquidity back to the CNH market when things have calmed down, reducing money market rates again. In the medium term we continue to look for a weaker CNH and CNY as fundamentals are working in favour of this – but the pace of CNY and CNH depreciation may be slow going forward.

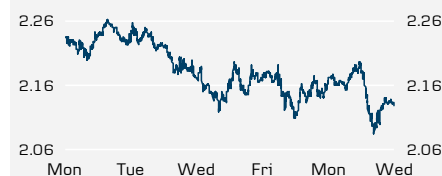
GBP was sold off again yesterday on weaker than expected production data that fell the most in nearly three years. Manufacturing output is affected negatively by the strong GBP and the slowdown in manufacturing globally. UK growth continues to be driven by domestic demand, especially private consumption, and the NIESR GDP estimate for Q4 still points towards GDP growth at 0.6% q/q – which is still above trend. However, yesterday's price actions underscore the very bearish GBP sentiment at the moment and while GBP could remain under pressure in the short term due to weak risk appetite and a dovish stance from the Bank of England tomorrow, a lot of negativity has been priced in to the market, in our view. Moreover, GBP is significantly oversold, both technically and according to our short-term financial models, which indicates that EUR/GBP at 0.728 would be fair given the latest decline in UK interest rates. We still expect GBP to recover in the coming months and target EUR/GBP at 0.71 in 6M on relative growth and relative rates.

### US S&P500 future



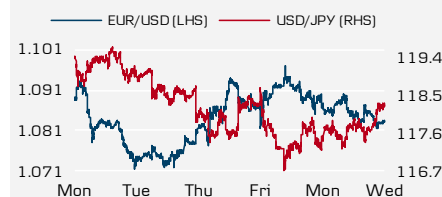
Source: Danske Bank Markets

### US 10y gov yield



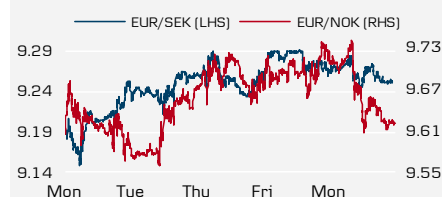
Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

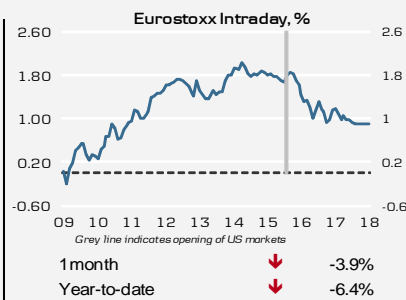
Key figures and events

Wednesday, January 13, 2016				Period	Danske Bank	Consensus	Previous
8:00	SEK	PES unemployment	%	Dec			4.1%
8:45	FRF	HICP	m/m y/y	Dec	... 0.2%	0.1% 0.2%	-0.2% 0.1%
11:00	EUR	Industrial production	m/m y/y	Nov	-0.2% ...	0.1% 1.8%	0.6% 1.9%
12:00	EUR	ECB's Lautenschlaeger speaks in Frankfurt					
13:00	USD	MBA Mortgage Applications	%				-11.6%
14:00	USD	Fed's Rosengren (voter, dovish) speaks					
16:30	USD	DOE U.S. crude oil inventories	K				-5085
18:30	USD	Fed's Evans (voter, dovish) speaks					
20:00	USD	Budget statement	USD bn	Dec		-2.7	1.9
14:30	CAD	Retail sales	m/m	Oct			-0.5%
14:30	CAD	GDP	m/m y/y	Oct			-0.5% 0.0%

Source: Bloomberg, Danske Bank Markets

Today's market data: 13 January 2016

STOCKS



	Close		+/-
DJSTOXX50	2902	↑	0.9%
OMXC20	969	↑	1.4%
OMXS30	1351	↑	0.2%
OSE BX	555	↓	0.0%
	Close		+/-
DOW JONES	16516	↑	0.7%
NASDAQ	4686	↑	1.0%
S&P500	1939	↑	0.8%
NIKKEI (07:30)	17698	↑	0.9%

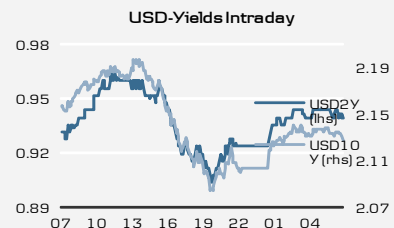
FX & COMMODITIES



<b>EUR</b>	17:00	07:30		+/-
USD	108.38	108.32	↓	-0.06
JPY	127.71	128.12	↑	0.41
GBP	75.35	74.91	↓	-0.44
NOK	963.50	962.07	↓	-1.43
SEK	926.78	925.31	↓	-1.47
DKK	746.09	746.14	↑	0.05
PLN	436.03	435.55	↓	-0.48
<b>USD</b>	17:00	07:30		+/-
JPY	117.84	118.28	↑	0.44
GBP	143.84	144.61	↑	0.77
CHF	100.21	100.48	↑	0.27

	<b>Gold, \$</b>			<b>Oil, Brent, \$</b>
07:30	1084.65			31.15
1day	↓ -1.92	↑		0.29
1month	↑ 9.91	↓		-6.78
Year-t-date	↑ 23.23	↓		-6.13
	<b>CRB</b>			<b>CRB, Raw Industrials</b>
	<b>1M future</b>			
07:30	162.07			409.16
1day	↓ -2.16	↑		1.06
1month	↓ -12.78	↑		7.49
Year-t-date	↓ -14.07	↑		4.45

YIELDS & INTEREST RATES

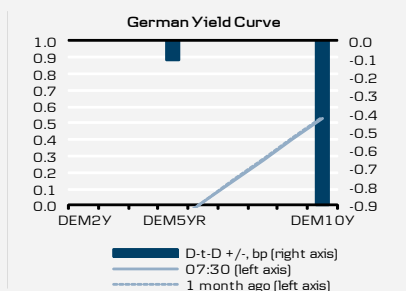
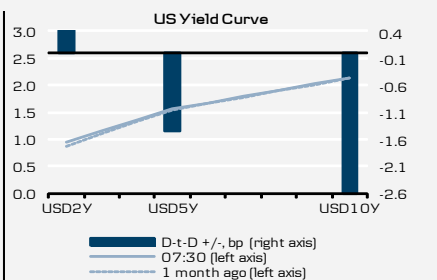
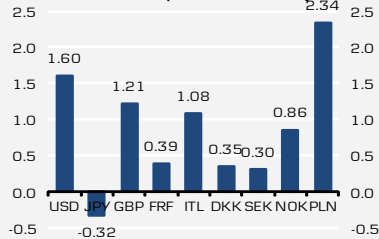


	<b>Policy Rate</b>	<b>3M</b>	<b>Spread, bp</b>
USD	0.50	0.62	12
EUR	0.05	-0.14	-19
GBP	0.50	0.59	9
DKK	0.05	-0.07	-12
SEK	-0.35	-0.30	5
NOK	0.75	1.13	38
PLN	1.50	1.61	11

	17:00	07:30		+/-, bp
USD 10Y	2.14	2.13	↓	-1
USD 30Y	2.92	2.90	↓	-2
JPY 10Y	0.22	0.21	↓	-1
	07:30(-1)*	17:00		+/-, bp
DEM 10Y	0.54	0.54		0
DKK 10Y	0.97	0.89	↓	-8
SEK 10Y	0.87	0.84	↓	-2
NOK 10Y	1.39	1.39	↑	0
PLN 10Y	2.93	2.88	↓	-5

\* As of closing previous trading day

10Y Yield Spread to Germany



Credit spread, iTraxx s. 11\*

	07:30	1day	1month
Europe (IG)	87	↑ 0	↑ 2
HiVol	119	↓ -6	↑ 16
Xover (N-IG)	354	↑ 0	↓ -1
Finan. Sr.	82	↑ 0	↑ 0
Finan. Sub.	172	↑ 0	↑ 4
Non-finan.			

Credit spreads



Swap Spread, bp\*\*

	17:00	07:30		+/-
USD 10Y				
JPY 10Y	-16	-15	↑	1
	07:30(-1)*	17:00		+/-
EUR 10Y	0	17	↑	17
DKK 10Y	36	35	↓	-2
SEK 10Y	37	36	↓	-1
NOK 10Y	63	63	↑	0

\* As of closing previous trading day

\*\* Ask price

\* Ask price

Source: Bloomberg, Danske Bank Markets

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