

# Danske Daily

## Market Movers

- It's time for **Swedish inflation** today. We look for a rise of 1.1% y/y in underlying inflation in line with consensus, see *Scandi Markets*.
- **ECB president Mario Draghi will testify** in the European Parliament, a good opportunity to guide market expectations ahead of the December meeting.
- **Three Fed members will speak today:** Lacker (voter, hawk), Evans (voter, dovish) and Dudley (voter, dovish). We expect them to reiterate the message that the Fed will raise rates in December unless data slow unexpectedly.
- **US initial jobless claims** should stay at a low level around 275k pointing to a continued robust labour market.
- We look for a soft number for **euro area industrial production** for October driven by the weakness in the German numbers last week. We expect the weakness to be temporary, though, as exports should improve towards the end of the year on a moderate recovery in China.

## Selected Market News

**Very quiet markets overnight with no major news out.** US and Asian stock markets continue to move broadly sideways following the strong rally over the past month.

**In UK the RICS housing survey surprised to the upside** highlighting the underlying strength of the UK economy. The index rose to 49 in October (consensus 45) from 44 in September – a level that signals robust activity in the housing market. In combination with strong real wage gains and low unemployment, this is giving strong support to consumers and will in our view pave the way for a hike from Bank of England in Q1 next year. Yesterday's employment report showed slightly lower wage growth but medium-term pressures are still intact with unemployment hitting a fresh low.

**ECB's Coeure in an interview with Le Figaro made some slightly hawkish comments last night** (at least compared to market expectations). He said that 'the debate is still open' and added that the ECB does not have to act in December. A weaker euro, higher inflation expectations and better Chinese data ease the pressure on the ECB. However, we believe ECB president Mario Draghi has set his eyes on more stimulus to defend the ECB's credibility and to avoid the risk of a disappointment that leads to a stronger euro and a hit to sentiment at a vulnerable stage of the business cycle.

**Japanese machine orders rose more than expected overnight** by 7.5% m/m in September (consensus 3.1% m/m). Note, though, that the series is very volatile and the increase followed a drop in August of 5.7% m/m. Japanese PPI inflation was lower than expected in October at -3.8% y/y (consensus -3.5% y/y) highlighting the downward pressure on inflation from commodity prices.

## Market overview

	07:30	1 day +/- %	
S&P500 (close)	2075.0	↓ -0.32	
S&P500 fut (chng from close)	2069.7	↑ 0.03	
Nikkei	19703.8	↑ 0.06	
Hang Seng	22606.3	↑ 1.14	
	17:00	07:30	
		+/- bp	
US 2y gov	0.00	0.87	↑ 87.4
US 10y gov	0.00	2.33	↑ ###
iTraxx Europe (IG)	71	71	↓ -0.1
iTraxx Xover (Non IG)	297	297	↓ -0.4
			+/- %
EUR/USD	1.073	1.076	↑ 0.24
USD/JPY	122.890	122.910	↑ 0.02
EUR/CHF	1.08	1.08	↑ 0.13
EUR/GBP	0.706	0.707	↑ 0.07
EUR/SEK	9.323	9.334	↑ 0.11
EUR/NOK	9.25	9.30	↑ 0.57
			USD
Oil Brent, USD	46.3	46.1	↓ -0.48
Gold, USD	1087.9	1088.4	↑ 0.04

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

- *UK: Lowest single month unemployment rate since May 2008 indicates tighter labour market*
- *China - mixed hard data for October, Premier Li hints at more stimulus*

**Chief Analyst**  
Allan von Mehren  
+45 45 12 80 55  
alvo@danskebank.dk

## Scandi Markets

**Sweden.** October CPI/CPIF data are released today. Judging by reported estimates all will either be broadly correct or wrong because forecasts are almost identical +0.1% m/m or +0.2% m/m. By the way, the Riksbank is also aligned with other forecasters regarding October. The Riksbank minutes released two days ago show that board members are happy to see that underlying inflation (CPIF excluding energy) reached 1.8% y/y in September, a sign that inflation is on the rise. At the same time, the higher inflation over the past year is mainly stemming from a weaker SEK (hence higher import prices) and that's why the Riksbank is so concerned about a too rapid appreciation of the SEK, for instance as a result of more stimulus by the ECB.

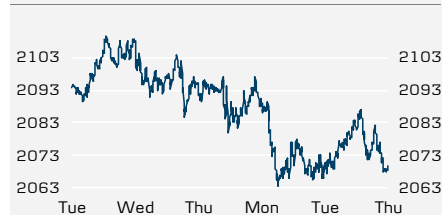
## Fixed Income Markets

In the EUR FI market the positive sentiment continued yesterday driving the Italian spread versus Germany tighter for the third day in a row, now approaching 100bp again. Italy is coming to the market with a small tap of just EUR4.0-5.5bn in the Oct-18, the Sep-22 and the Aug-39/Sep-40. The tap should easily be digested with Italy facing a supportive net cash flow in the remainder of this year. Italy will probably print another EUR15-20bn but is supported by 48bn in redemptions and around EUR10bn in PSPP buying in the remainder of this year. In Portugal the market has recovered a bit and focus has turned to the DBRS rating on Friday.

## FX Markets

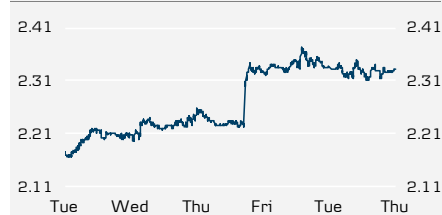
The USD has traded broadly sideways this week after last week's strong non-farm payroll figures. With little new information expected from the data side, investors continue to keep their eyes fixed on the ECB and the upcoming meeting on 3 December. Speculative bearish EUR/USD bets have probably reached stretched levels suggesting that momentum in EUR/USD could remain weak for a while as markets consolidate. However, as was seen during the December 2014 to March 2015 decline in EUR/USD, the cross sometimes takes a breather and then falls sharply again. Overall risks are still skewed to the downside for EUR/USD ahead of the FOMC meeting on 16 December.

US S&P500 future



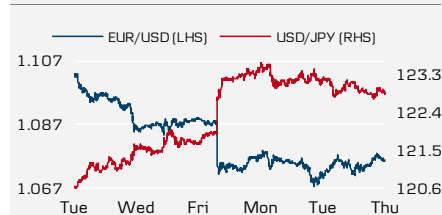
Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

Key figures and events

Thursday, November 12, 2015

				Period	Danske Bank	Consensus	Previous
-	OPC	OPEC publishes monthly oil market report		Nov			
8:00	DEM	HICP, final	m/mly/y	Oct	...  <b>0.2%</b>	0.0% 0.2%	0.0% 0.2%
8:45	FRF	HICP	m/mly/y	Oct	...  <b>0.0%</b>	0.1% 0.1%	-0.4% 0.1%
9:30	SEK	Underlying inflation CPIF	m/mly/y	Oct	<b>0.2%</b>   <b>1.1%</b>	0.2% 1.1%	0.4% 1.0%
9:30	SEK	CPI	m/mly/y	Oct	<b>0.1%</b>   <b>0.1%</b>	0.1% 0.1%	0.4% 0.1%
10:00	NOK	Norges Bank releases 2015 financial stability report					
11:00	EUR	Industrial production	m/mly/y	Sep	<b>-0.6%</b>  ...	0.0% 1.4%	-0.5% 0.9%
14:30	EUR	EU summit in Malta					
14:30	USD	Initial jobless claims	1000				276
15:15	USD	Fed's Bullard (non-voter, hawkish) speaks					
15:45	USD	Fed's Lacker (voter, hawkish) speaks					
16:15	USD	Fed's Evans (voter, dovish) speaks					
17:00	USD	DOE U.S. crude oil inventories	K				2847
18:15	USD	Fed's Dudley (voter, dovish) speaks					
20:00	USD	Budget statement	USD bn	Oct		<b>-130.0</b>	

Source: Bloomberg, Danske Bank Markets

Today's market data: 12 November 2015

STOCKS



Index	Close	Change	%
DJUSTOXX50	3246	↑	0.6%
OMXC20	982	↑	1.3%
OMXS30	1511	↑	0.8%
OSE BX	624	↓	-0.1%
Index	Close	Change	%
DOW JONES	17702	↓	-0.3%
NASDAQ	5067	↓	-0.3%
S&P500	2075	↓	-0.3%
NIKKEI (07:30)	19704	↑	0.6%

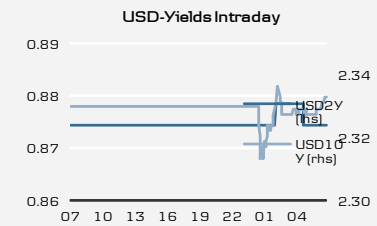
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	107.29	107.55	↑ 0.26
JPY	131.85	132.19	↑ 0.34
GBP	70.61	70.66	↑ 0.05
NOK	924.71	930.01	↑ 5.30
SEK	932.30	933.37	↑ 1.07
DKK	746.05	746.01	↓ -0.04
PLN	421.41	421.40	↓ -0.01
USD	17:00	07:30	+/-
JPY	122.89	122.91	↑ 0.02
GBP	151.94	152.20	↑ 0.26
CHF	100.44	100.33	↓ -0.11

Commodity	07:30	Change	%
Gold, \$	1088.35		
Oil, Brent, \$	46.07		
1 day	↑	2.03	↑ 0.26
1 month	↓	-75.50	↓ -3.79
Year-t-date	↓	-96.51	↓ -11.26
CRB	1M future	CRB, Raw	CRB, Raw
07:30	188.35	402.91	
1 day	↓	-1.07	↓ -0.47
1 month	↓	-14.34	↓ -20.66
Year-t-date	↓	-41.61	↓ -89.20

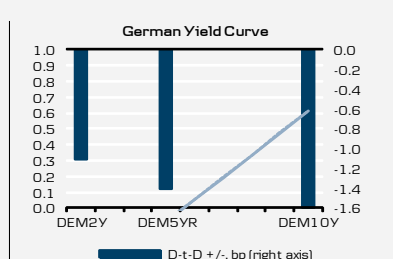
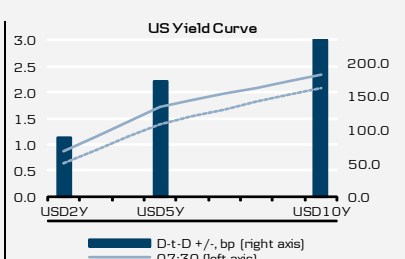
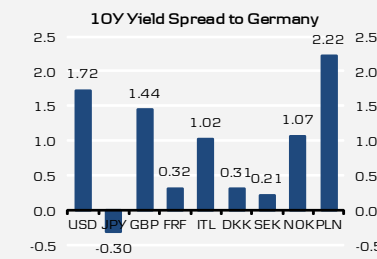
YIELDS & INTEREST RATES



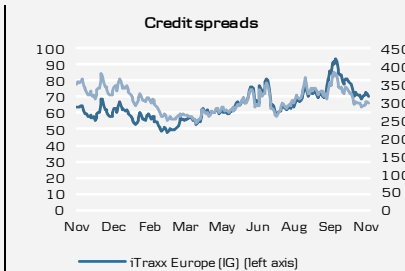
Policy Rate	3M	Spread, bp
USD 0.25	0.36	11
EUR 0.05	-0.08	-13
GBP 0.50	0.58	8
DKK 0.05	-0.15	-20
SEK -0.35	-0.36	-1
NOK 0.75	1.16	41
PLN 1.50	1.63	13

Yield	17:00	07:30	+/-, bp
USD 10Y	0.00	2.33	↑ 233
USD 30Y	0.00	3.12	↑ 312
JPY 10Y	0.32	0.31	↓ -1
Yield	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.63	0.61	↓ -2
DKK 10Y	0.99	0.91	↓ -8
SEK 10Y	0.83	0.82	↓ -1
NOK 10Y	1.68	1.68	0
PLN 10Y	2.83	0.00	↓ -283

\* As of closing previous trading day



Credit spread, iTraxx s. 11*	07:30	1 day	1 month
Europe (IG)	71	↓ 0	↓ -8
HiVol	83	↓ -1	↑ 7
Xover (N-IG)	297	↓ -2	↓ -28
Finan. Sr.	71	↓ 0	↓ -8
Finan. Sub.	155	↓ -1	↓ -12
Non-finan.			



Swap Spread, bp**	17:00	07:30	+/-
USD 10Y			
JPY 10Y		-9	
Swap Spread, bp**	07:30(-1)*	17:00	+/-
EUR 10Y	0		
DKK 10Y	34	34	↑ 0
SEK 10Y	41	41	↑ 0
NOK 10Y	63	62	↓ 0

\* As of closing previous trading day

\*\* Ask price

Source: Bloomberg, Danske Bank Markets

## Disclosure

This research report has been prepared by Danske Bank Markets, a division of Danske Bank A/S ('Danske Bank').

### Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

### Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

The research reports of Danske Bank are prepared in accordance with the Danish Society of Financial Analysts' rules of ethics and the recommendations of the Danish Securities Dealers Association.

### Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

### Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors upon request.

### Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

### Expected updates

Danske Daily is updated on a daily basis.

### First date of publication

Please see the front page of this research report for the first date of publication. Price-related data is calculated using the closing price from the day before publication.

## General disclaimer

This research has been prepared by Danske Bank Markets (a division of Danske Bank A/S). It is provided for informational purposes only. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change, and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

## Disclaimer related to distribution in the United States

This research report is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to "U.S. institutional investors" as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to "U.S. institutional investors".

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA, but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.