

# Danske Daily

## Market Movers

- The main event today is the release of the FOMC minutes from the October meeting. Here we will get more details on why the Fed flagged a clear tightening bias. The FOMC revealed that it will determine *'whether it will be appropriate to RAISE the target range at its NEXT meeting'* (our emphasis). We think that with the strong job report FOMC will consider a hike 'appropriate' (see also *First Fed hike in December due to very strong job report*, 10 November) but it will be interesting to see what conditions made the FOMC flag a tightening bias before the strong job report. Look for possible details on how the FOMC will proceed next year.
- Denmark is set to auction the new 2Y (Nov-18) and the 10Y (Nov-25) benchmarks.
- Not many data releases scheduled for today. Numbers for US housing starts and building permits in October are due today. We expect them to support our overall view that the housing market is improving.
- The Fed and the ECB continue to be in the spotlight. Several ECB and FOMC members are speaking today and the market will listen to what they may have to say about the upcoming meetings in December.

## Selected Market News

Focus continues to be on terror attack threats from IS. Yesterday a football match in Hannover between Germany and the Netherlands was cancelled due to a tip that a bomb attack was planned inside the stadium. During the night, two Air France flights from the US to Paris were diverted due to bomb threats. According to Bloomberg, there has been shooting during an anti-terrorist operation 9 kilometres from Paris. The anti-terrorist operation is still under way at the time of writing.

The Chinese housing market recovery slowed in October according to new housing data released overnight. New-home prices rose in 27 cities in October against 39 in September. Prices dropped in 33 cities. Also the pace of home sales slowed. The housing market recovery is still weak especially in the smaller cities despite many different easing measures this year. This suggests that housing investments will continue to be weak.

US CPI inflation data releases yesterday showed that headline CPI inflation increased from 0.0% y/y to 0.2% y/y, while core CPI inflation was unchanged at 1.9% y/y in October. The FOMC is targeting PCE core inflation but the pickup in CPI services excluding rents should provide some relief for the doves.

Risk sentiment is generally positive. Stock markets in Japan and China are slightly up this morning (at the time of writing), while US equity indices closed almost unchanged. Europe's stocks advanced the most in six weeks yesterday.

## Market overview

	07:30	1 day +/- %	
S&P500 (close)	2050.4	↓ -0.13	
S&P500 fut (chng from close)	2047.8	↓ -0.06	
Nikkei	19660.8	↑ 0.15	
Hang Seng	22210.8	↓ -0.24	
	17:00	07:30	
		+/- bp	
US 2y gov	0.87	0.86	↓ -1.8
US 10y gov	2.30	2.26	↓ -4.2
iTraxx Europe (IG)	72	71	↓ -0.4
iTraxx Xover (Non IG)	302	299	↓ -3.6
			+/- %
EUR/USD	1.065	1.065	↓ -0.08
USD/JPY	123.410	123.250	↓ -0.13
EUR/CHF	1.08	1.08	↓ -0.01
EUR/GBP	0.700	0.700	↑ 0.08
EUR/SEK	9.324	9.314	↓ -0.11
EUR/NOK	9.24	9.25	↑ 0.21
			USD
Oil Brent, USD	43.9	44.0	↑ 0.14
Gold, USD	1075.8	1070.9	↓ -0.46

### 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](#)
- [Yield Forecast Update](#)

### Analyst

Mikael Olai Milhoj  
+45 45 12 76 07  
milh@danskebank.dk

## Scandi Markets

Today the Swedish FSA will release a report on risks in the life insurance industry due to lastingly low rates. The report is released (at least in Swedish) at 08.00 and forms the basis for a discussion that will take place in a FSA-hosted seminar at 09.00. It will concentrate (1) on what risks low rates for long will produce, (2) can the life insurance companies endure and (3) how is the life insurance industry handling risks associated with a low interest environment. If anything new comes out, which has the potential to affect future FSA policies, we will keep you updated.

## Fixed Income Markets

With the hawkish October FOMC statement, the very strong labour market report and many FOMC members having embraced the outlook for a December hike (including the doves), the market heads into tonight's FOMC minutes with a hawkish lean. While we expect little news from the minutes, look out for any discussion on the rate hike path after lift-off with markets currently priced for less than 60bp cumulative tightening in 2016 while the recent FOMC projections suggest 100bp. We think the chances are on the downside to Fed's projections rather than the upside, thereby a bullish market outcome.

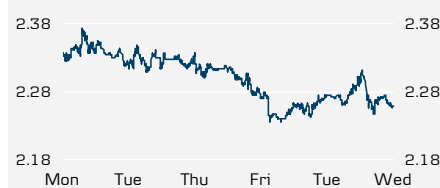
In the primary market, Denmark is set to auction the new 2Y (Nov-18) and the 10Y (Nov-25) benchmarks. We expect the same pattern as the auction two weeks ago with more bids on the 2Y than the 10Y and a total size of above 5bn. Furthermore, Germany is opening a new Schatz (Dec-17) with a 5bn issue (incl. retained amount). Currently we are pricing in almost two cuts of 10bp from the ECB until September 2016 and the bond therefore looks a bit expensive from an outright perspective.

### US S&P500 future



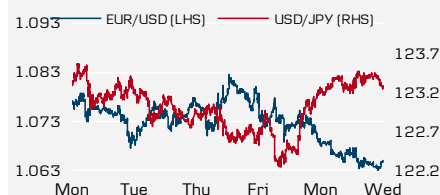
Source: Danske Bank Markets

### 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, November 18, 2015			Period	Danske Bank	Consensus	Previous
2:30	CNY	Property prices	y/y			
9:00	EUR	ECB's Mersch speaks in Frankfurt				
9:00	DKK	Auction over Danish government bonds	DKK bn			
13:00	USD	MBA Mortgage Applications	%			-1.3%
14:00	USD	Fed's Dudley (voter, dovish) speaks				
14:00	USD	Fed's Mester (non-voter, hawkish) speaks				
14:00	USD	Fed's Lockhart (voter, neutral) speaks				
14:30	USD	Building permits	1000 (m/m)	Oct	1140	1105.0 [-4.8%]
14:30	USD	Housing starts	1000 (m/m)	Oct	1160	1206.0 [6.5%]
15:15	EUR	ECB's Coene speaks				
16:30	USD	DOE U.S. crude oil inventories	K			4224
19:30	EUR	ECB's Lautenschlaeger speaks in Frankfurt				
20:00	USD	FOMC minutes from meeting Oct. 27-28				

Source: Bloomberg, Danske Bank Markets

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### First date of publication

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