

# Danske Daily

## Market Movers

- **Euro area** economic confidence data for December is released at 16:00 CET. Consumer confidence has been trending downwards since March 2015 but unexpectedly improved in November. We expect another - albeit slight - increase in December to -5.4 from -5.9 in November. Note that although consumer confidence has been trending downwards since March, the indicator is still the highest it has been for several years.
- In **Sweden**, NIER is due to release the December business and consumer confidence surveys and a new economic forecast (released at 9:00 CET and 9:15 CET, respectively). We think it is especially important to monitor what businesses are saying about price plans. **Danish consumer confidence** also coming up (9:00 CET). For more details see *Scandi Markets*.

## Selected Market News

The price of Brent crude oil continues to edge lower after yet another slide last week. This morning the Brent oil price broke below the 2008-low at USD36.20/barrel (on 24 December 2008) and fell to the lowest level since July 2004 at USD36.17/barrel, according to Bloomberg. As such, risk sentiment remains negative as focus has shifted from the Fed interest rate hike to the global growth outlook and as year-end is approaching. Hence, US equity markets traded lower on Friday with the SP500 index closing 1.78% lower, while trading this morning in Asia is mixed with Chinese equity indices trading in positive, while Japan is down.

The collapse in the oil price has been the biggest macro shock in the past one and a half years and while a lower oil price in isolation should be positive for US and European consumers and thus for global growth, the equity markets tell us that this might not be the case right now. We earlier flagged the risks to the US high-yield market and EM leverage from the lower oil price but the Fed could still hike three times next year with oil at current levels as long as data are strong. Hence, our view on higher short-end US rates and a modestly stronger USD versus EM and commodity currencies still stands even if we are wrong about the oil price stabilising. For more details, see *Getting started but will it have the desired effect?*, 18 December.

In Spain the ruling conservative Popular Party (PP) became the biggest party in the 350-seat parliament in yesterday's elections. However, the election outcome was very fragmented and there is no clear picture of who will take power as the only possible two-party coalition is PP together with the Spanish Socialist Workers' party (PSOE), which seems very unlikely. It might take some time before we get clarity about the new government and the uncertainty is likely to weigh on Spanish markets in the near term. Hence, expect yields on Spanish government bonds to widen relative to e.g. Italian bonds.

Market overview				
		07:30	1 day +/- %	
S&P500 (close)		2005.6	↓	-1.78
S&P500 fut (chng from close)		2000.6	↑	0.44
Nikkei		18909.4	↓	-0.41
Hang Seng		21829.1	↑	0.34
		17:00	07:30	+/-, bp
US 2y gov	0.96	0.96	↓	-0.4
US 10y gov	2.21	2.21	↑	0.0
iTraxx Europe (IG)	80	81	↑	0.8
iTraxx Xover (Non IG)	334	336	↑	2.1
				+/-, %
EUR/USD	1.085	1.088	↑	0.28
USD/JPY	121.460	121.310	↓	-0.12
EUR/CHF	1.08	1.08	↓	-0.06
EUR/GBP	0.728	0.729	↑	0.10
EUR/SEK	9.284	9.303	↑	0.20
EUR/NOK	9.49	9.51	↑	0.20
				USD
Oil Brent, USD	37.4	36.4	↓	-2.62
Gold, USD	1064.5	1069.0	↑	0.42

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

- *Weekly Focus: 'Post the first hike' era begins*
- *Yield Forecast Update: Central banks have now set the direction for 2016*

### Senior Analyst

Morten Helt  
 +45 45 12 85 18  
 mohel@danskebank.dk

## Scandi Markets

**Swedish** data today come from NIER which releases both the December confidence survey and a new forecast. The latter is the prime focus and it is perhaps mainly the outlook for government finances that we are interested in this time against the background of soaring flows of asylum seekers.

**Denmark.** Consumer confidence typically falls in December but on this occasion we expect the fall in the oil price to pull in the other direction.

## Fixed Income Markets

In Spain, the ruling conservative PP (122 seats) became the biggest party in the 350-seat parliament. The Spanish two-party system that has been in place for 30 years has come to an end but the election outcome failed to provide a clear picture of who will take power. PP+Ciudanos won 160 seats, while the possible opposition PSOE+Podemos got 161 seats. The only possible two-party alliance would be PP with PSOE, which seems very unlikely. The situation is similar to what happened in Portugal but a new election can already be called after two months.

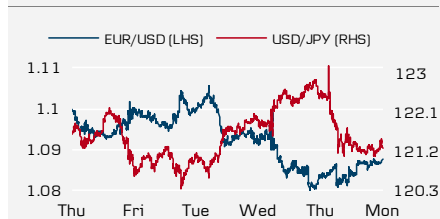
It is likely to take time before we get clarity and uncertainty is not a friend of the market. Spain could widen up to 10bp versus Italy today, potentially taking the spread back to the November highs. ECB QE buying could cushion some of the knee-jerk reaction but as today is the last day before the QE goes on pause we probably should not expect much help from that side. Liquidity is set to be poor into year-end and with elevated uncertainty, higher volatility is likely to follow. Looking towards next year and beyond the political uncertainty we are positive on Spain. Spanish fundamentals are stronger than the Italian ones as also reflected by the higher rating level. The recovery is solid with GDP growth trailing around 3%. We expect Spanish yields to drop below Italy again next year reversing the 2015 underperformance. Spain should also be helped by lower bond issuance. We estimate that QE purchases will amount to around 55% of Spanish bond issuance, while the figure for Italy will be around 39%.

In Scandinavia focus is on Norway where the debt office at Norges Bank will publish its funding plan for 2016 today at 16:00 CET. We expect supply of NOK50bn in 2016 as the budget indicated.

## FX Markets

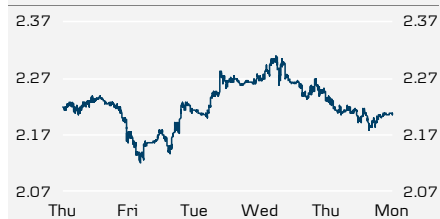
A quiet week in terms of data releases but FX moves could still be ahead as liquidity dries out as the holiday period approaches. The USD has entered the post-the-first-hike era and we expect relative rates to weigh on USD crosses on a broad scale in the months ahead. However, we stress that notably for EUR/USD this requires decent US data for markets to keep the faith in Yellen. Canadian CPI disappointed on the downside on Friday and coupled with weakness in oil this is putting increasing pressure on the BoC. We maintain our view that the central bank will stay on hold but it surely requires new highs in USD/CAD to keep BoC sidelined.

### US S&P500 future



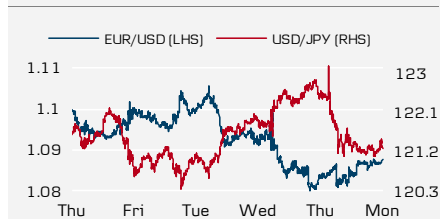
Source: Danske Bank Markets

### US 10y gov yield



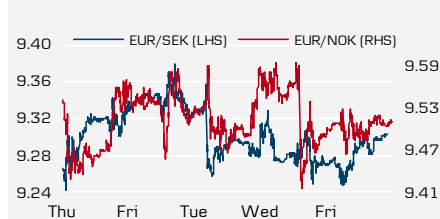
Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

Key figures and events

Monday, December 21, 2015				Period	Danske Bank	Consensus	Previous
9:00	DKK	Consumer confidence	Net. bal.	Dec		4.5	5.6
9:00	CHF	Total sight deposits	CHF bn				467.7
9:00	SEK	Consumer confidence	Index	Dec		95.6	95.8
9:00	SEK	Economic Tendency Survey	Index	Dec		106.9	106.5
9:00	SEK	Manufacturing confidence	Index	Dec		108.1	107.6
9:15	SEK	NIER economic forecasts					
16:00	EUR	Consumer confidence, preliminary	Net bal.	Dec	-5.4	-5.8	-5.9

Source: Bloomberg, Danske Bank Markets

Today's market data: 21 December 2015

STOCKS



	Close		+/-
DJUSTOXX50	3065	↓	-1.0%
OMXC20	990	↓	-0.8%
OMXS30	1423	↓	-1.1%
OSE BX	590	↓	-1.8%
	Close		+/-
DOW JONES	17129	↓	-2.1%
NASDAQ	4923	↓	-1.6%
S&P500	2006	↓	-1.8%
NIKKEI (07:30)	18909	↓	-1.0%

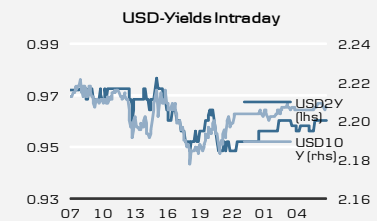
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	108.46	108.76	↑ 0.30
JPY	131.74	131.94	↑ 0.20
GBP	72.82	72.90	↑ 0.08
NOK	949.18	951.12	↑ 1.94
SEK	928.39	930.28	↑ 1.89
DKK	746.10	746.15	↑ 0.05
PLN	426.18	427.43	↑ 1.25
USD	17:00	07:30	+/-
JPY	121.46	121.31	↓ -0.15
GBP	148.94	149.19	↑ 0.25
CHF	99.46	99.12	↓ -0.34

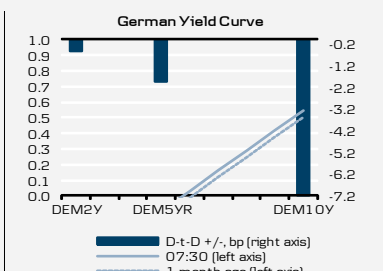
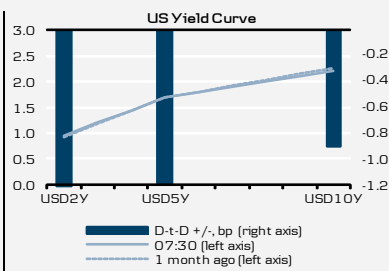
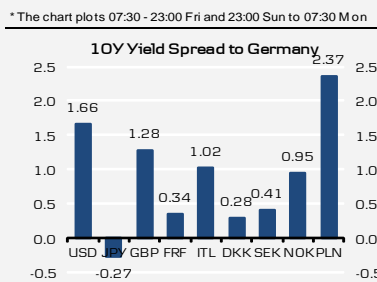
	07:30	Gold, \$	Oil, Brent, \$
		1068.95	36.44
1day	↑	2.81	↓ -0.44
1month	↓	-8.93	↓ -8.22
Year-t-date	↓	-115.91	↓ -20.89
	07:30	CRB 1M future	CRB, Raw Industrials
		172.16	401.02
1day	↑	1.46	↑ 1.04
1month	↓	-11.58	↑ 0.35
Year-t-date	↓	-57.80	↓ -91.09

YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.50	0.59	9
EUR	0.05	-0.13	-18
GBP	0.50	0.59	9
DKK	0.05	-0.11	-16
SEK	-0.35	-0.40	-5
NOK	0.75	1.20	45
PLN	1.50	1.62	12

	17:00	07:30	+/-, bp
USD 10Y	2.21	2.21	↑ 0
USD 30Y	2.92	2.92	↑ 0
JPY 10Y	0.27	0.28	↑ 1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.62	0.56	↓ -6
DKK 10Y	0.87	0.84	↓ -3
SEK 10Y	1.01	0.96	↓ -4
NOK 10Y	1.49	1.49	↑ 0
PLN 10Y	2.97	2.91	↓ -5



Credit spread, iTraxx s. 11\*

	07:30	1day	1month
Europe (IG)	81	↑ 0	↑ 10
HiVol	103	↑ 0	↑ 15
Xover (N-IG)	336	↑ 0	↑ 39
Finan. Sr.	77	↑ 0	↑ 7
Finan. Sub.	161	↑ 0	↑ 12
Non-finan.			

Credit spreads



Swap Spread, bp\*\*

	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-6	-5	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0	15	↑ 15
DKK 10Y	34	35	↑ 1
SEK 10Y	40	42	↑ 1
NOK 10Y	60	61	↑ 1

\* Ask price

\* 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.