

Danske Daily

Market Movers

- **Norges Bank meeting to take centre stage in Scandi markets.** We look for a rate cut, whereas market pricing and consensus are for unchanged rates. For details see *Scandi markets, page 2*.
- **German Ifo expectations are expected to decline in line with the German PMI and ZEW figure** but if the decline is modest like the PMI's, it suggests that the latest weakness is mainly in the financial sector, which might reduce some of the growth concerns. However, we expect the euro area PMI to weaken further.
- **In the US durable goods orders are due for release.** The core measure in the report, non-defence capital goods orders ex aircraft, rebounded in July, suggesting a healthy momentum in business capex into August and it will be interesting to see if the August data look equally strong.
- **Fed chair Yellen speaks late tonight and any elaboration on the FOMC's decision to take the cautious approach will be in focus.** Earlier this week Fed members Lockhart, Williams, Bullard and Lacker signalled that it is most likely that the Fed will raise rates later this year.
- **Nordic Outlook is due for publication at 09:00 CET.**

Selected Market News

Sentiment soured overnight not least in Japan after the September manufacturing PMI came in at a disappointing 50.9, down from 51.7 last month. Nikkei is down more than 2% at the time of writing but USD/JPY remains around the 120 level. Although our baseline remains that Bank of Japan will simply continue its existing QE programme until 2017, speculation is mounting that BoJ will be forced to do more, not least if USD/JPY dips to the 115 level. US equities ended the day slightly lower after small gains in Europe; the Volkswagen emission scandal yesterday led CEO, Winterkorn, to step down and the company expects to announce a new head on Friday.

Yesterday's ECB member communication did not succeed in pricing out the likelihood of a deposit rate cut despite both Nowotny and Draghi emphasising that the QE scheme can be adjusted if the inflation target is at risk and that this is the preferred option; Weidman's comments that deflation fears were 'exaggerated' should not come as a surprise in any case. **The market is now pricing in close to a 50/50 chance of a 10bp cut in the deposit rate from the ECB, which we do not expect to happen at this stage given that Draghi has consistently dismissed it as a likely option after the cut to -20bp in spring 2014.** Bund yields have been under pressure recently but rose a tad on Wednesday; US Treasury yields were little changed on the day with benchmarks up a few bp across the curve.

The crude oil price fell with Brent crude back at USD48/bbl after EIA data showed a climb in US production and as seasonal refinery shutdowns are starting to take their toll on demand.

Market overview

	07:30	1 dag +/- %	
S&P500 (lukning)	1938.8	↓	-0.20
S&P500 fut (ændr. fra lukning)	1923.4	↓	-0.27
Nikkei	17672.0	↓	-2.20
Hang Seng	21103.8	↓	-0.93
	17:00	07:30	+/- bp
US 2 års stat	0.71	0.70	↓ -0.8
US 10 års stat	2.16	2.13	↓ -3.0
iTraxx Europe (IG)	80	80	↑ 0.4
iTraxx Xover (Non IG)	333	334	↑ 2.0
			+/- %
EUR/USD	1.115	1.120	↑ 0.45
USD/JPY	120.54	120.00	↓ -0.45
EUR/CHF	1.09	1.10	↑ 0.31
EUR/GBP	0.732	0.734	↑ 0.21
EUR/SEK	9.407	9.410	↑ 0.04
EUR/NOK	9.24	9.24	↑ 0.02
			USD
Olje Brent, USD	49.8	48.0	↓ -3.73
Guld, USD	1130.6	1134.5	↑ 0.34

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

- *China - decline in PMI manufacturing fuels growth fears*
- *Euro area PMIs decline - more is likely to come*

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Scandi Markets

Norway. Norges Bank (NB) meeting in focus, see *Norges Bank Preview: A 25bp rate cut and an easing bias: EUR/NOK to move higher* for details. The current rate path from Norges Bank has a 68% implied probability of another 25bp rate cut and a 61% probability of a 25bp rate cut already at the 24 September meeting. We expect a 25bp rate cut at the 24 September meeting based on (1) the deteriorating domestic growth outlook, (2) a higher tail risk of the Norwegian economy falling over a cliff as a result of the re-collapse in the oil price and, finally, (3) lower global rates on global growth concerns. In addition to the rate cut, we expect an easing bias with the revised rate path, suggesting a 25% probability of a new rate cut. Although core inflation is higher than expected, the spike higher has primarily been driven by a faster transmission of a weaker NOK to import prices than anticipated. With a weakening demand outlook and lower wage pressures, we do not believe inflation is a hindrance to a repetition of the Dec 2014 'insurance cut'. Importantly, we acknowledge that our rate cut expectation is a close call and we cannot rule out a repetition of the March 2015 meeting decision where rates are left unchanged - amid higher-than-expected credit growth - while another rate cut is implicitly guaranteed in the revised rate path.

Sweden. Riksbank's Ingves and Skingsley are attending a hearing in Riksdag's finance committee this morning (09:00 CET) explaining monetary policy. The members of this committee are not very tough, suggesting that the Riksbank to a large extent will be able to send its own message, i.e. that 'inflation is on an evidently upward trend'. In our view this is only a lagged, temporary effect from the previous SEK depreciation that is currently fading out. There is also NIER's confidence survey to consider and this time we would suggest to focus on retail price expectations as emphasised by Riksbank's Per Jansson as evidence of the upward underlying trend. Again, we believe these only signal a previous, one-off need to compensate importers for higher costs.

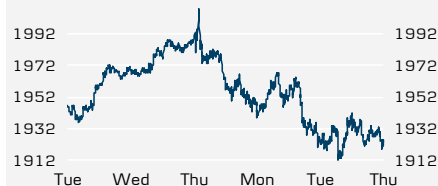
Today at 09:00 CET we publish our quarterly Nordic Outlook including our new forecasts on the Nordic economies. In **Denmark**, the recovery is set to continue but at a slower pace than previously forecast due to the global turbulence. In **Sweden**, the domestic economy is likely to cool a bit but exports are slowly taking over. In **Norway**, we expect slower growth but no recession. The oil sector is a drag but the economy is robust. In **Finland**, the new government is set to increase growth potential through reforms but tighten in the short term.

Fixed Income Markets

Yesterday, Draghi's remarks in Brussels were more or less a repeat of the latest ECB meeting and the conclusion is that 'more time is needed' in order to gauge the recent development on the outlook and need for more monetary easing. Furthermore, he repeated that focus remains on the QE purchases, implicitly confirming our view that rate cuts are very far down the list. Hence, we still expect the October meeting to be too early for the ECB to announce an extension of the QE programme beyond September 2016 (we expect this in December or Q1 16).

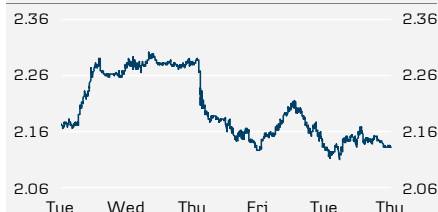
In Norway we expect a rate cut and a downward revision of the rate path at the Norges Bank meeting today. However, consensus surprisingly enough looks for unchanged rates and the market is only pricing in some 8bp worth of cuts for today's meeting and an accumulated 42bp worth of easing on a 12M horizon. NGBs have underperformed recently as Bunds have rallied. Hence, with our Norges Bank view it now looks quite interesting to buy NGBs in the mid-segment versus Germany. This part of the curve

US S&P500 future



Source: Danske Bank Markets

US 10y gov yield



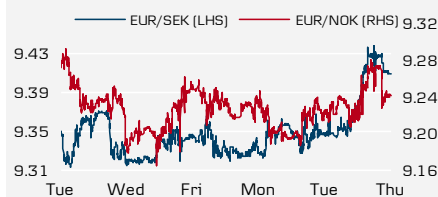
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

should also be relatively sensitive to monetary policy. For those that prefer swaps we see value in receiving the 2y2y swap or simple selling the DEC 15 3M FRA.

Sweden will tap SEK700m and SEK300m in the 2022 and 2032 linkers today.

FX Markets

Norges Bank meeting to take centre stage in the Scandi sphere. Most analysts and the market are looking for unchanged rates but we believe this is underestimating the risk of Governor Olsen lowering the sight deposit rate today. According to our short-term financial models, EUR/NOK should - for a given oil price - move 15 figures higher on a 25bp rate cut. Importantly, should Norges Bank decide on leaving rates unchanged while guaranteeing a future rate cut, this would be close to current market pricing and should only have a minor NOK positive effect.

More broadly, the FX market remains focused on central-bank communication – not least from the ECB with a bunch of Governing Council members out speaking this week. Draghi’s comments yesterday support our call that the ECB’s thoughts currently centre on adjusting the QE scheme rather than taking the more drastic – and EUR-negative - option of lowering the deposit rate further. The down-move in EUR/USD post the spike on Fed last week indeed stalled yesterday but we stress that some limited upside potentially remains in the cross from the fact that the market has - in our view- got a little ahead of itself in pricing close to a 50/50 chance of a 10bp cut in the deposit rates.

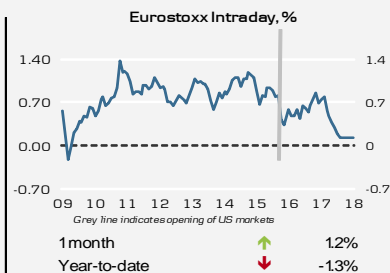
Key figures and events

Thursday, September 24, 2015				Period	Danske Bank	Consensus	Previous
0:45	NZD	Trade balance	NZD M	Aug		-875M	-649M
3:35	JPY	Nikkei Manufacturing PMI, preliminary	Index	Sep		51.2	51.7
6:30	JPY	All industry activity index	m/m	Jul		0.0%	0.3%
8:00	DEM	GfK consumer confidence	Net. Bal.	Oct		9.8	9.9
8:45	FRF	Business confidence	Index	Sep			100.0
9:00		Danske Bank publishes Nordic Outlook					
9:00	DKK	House and apartment prices (Statistics Denmark)		2nd quarter			
9:00	SEK	Consumer confidence	Index	Sep			100.1
9:00	SEK	Economic Tendency Survey	Index	Sep			104.6
9:00	SEK	Manufacturing confidence	Index	Sep			104.8
9:30	SEK	PPI	m/m y/y	Aug			-1.1% -0.6%
10:00	NOK	Norges Banks monetary policy meeting					
10:00	NOK	Norges Banks deposit	%		0.75%	1.0%	1.0%
10:00	DEM	IFO - business climate	Index	Sep	107.3	107.9	108.3
10:00	DEM	IFO - current assessment	Index	Sep	115.0	114.8	114.8
10:00	DEM	IFO - expectations	Index	Sep	100.5	101.6	102.2
10:30	NOK	Norway's Olsen speaks at press conference after rate decision					
11:10	EUR	ECB's Sep TLTRO auction result					
14:30	USD	Initial jobless claims	1000				264K
14:30	USD	Durable Goods Orders	m/m	Aug		-2.2%	2.2%
16:00	USD	New Home Sales	1000 (m/m)	Aug	499K (-1.6%)	515K	507K (5.4%)

Source: Bloomberg, Danske Bank Markets

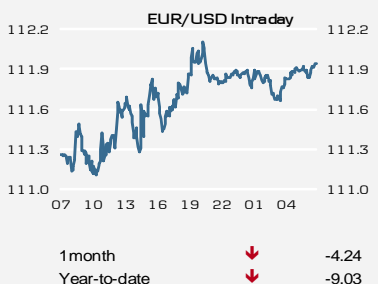
Today's market data: 24 September 2015

STOCKS



	Close		+/-
DJSTOXX50	2965	↑	0.1%
OMXC20	940	↑	0.5%
OMXS30	1421	↓	-0.3%
OSE BX	575	↓	-0.7%
	Close		+/-
DOW JONES	16280	↓	-0.3%
NASDAQ	4753	↓	-0.1%
S&P500	1939	↓	-0.2%
NIKKEI (07:30)	17672	↑	0.1%

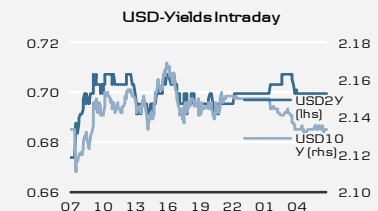
FX & COMMODITIES



	17:00	07:30		+/-
EUR				
USD	111.45	111.95	↑	0.50
JPY	134.34	134.34	↑	0.00
GBP	73.20	73.35	↑	0.15
NOK	924.07	924.30	↑	0.23
SEK	940.65	941.02	↑	0.37
DKK	746.03	746.07	↑	0.04
PLN	421.16	422.27	↑	1.11
USD				
JPY	120.54	120.00	↓	-0.54
GBP	152.24	152.62	↑	0.38
CHF	97.95	97.82	↓	-0.13

	07:30		Oil, Brent, \$	
Gold, \$	134.47		47.98	
1 day	↑	4.14	↑	0.23
1 month	↓	-20.63	↑	5.29
Year-t-date	↓	-50.39	↓	-9.35
	07:30		CRB, Raw Industrials	
CRB 1M future	192.38		434.26	
1 day	↓	-2.44	↓	-2.95
1 month	↑	6.16	↓	-12.85
Year-t-date	↓	-37.58	↓	-57.85

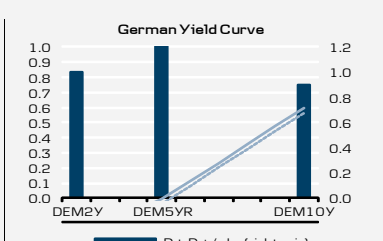
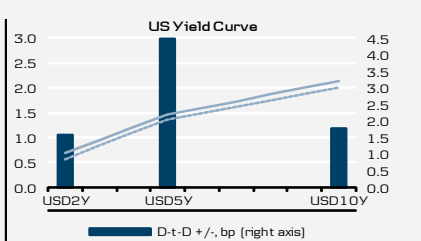
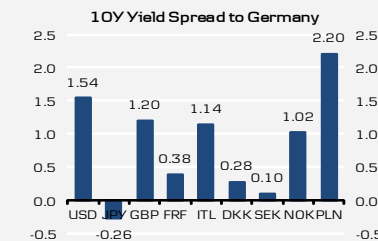
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.25	0.33	8
EUR	0.05	-0.04	-9
GBP	0.50	0.58	8
DKK	0.05	0.03	-3
SEK	-0.35	-0.28	7
NOK	1.00	1.20	20
PLN	1.50	1.62	12

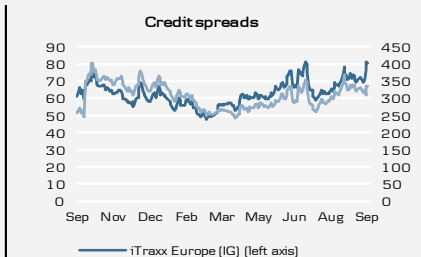
	17:00	07:30		+/-, bp
USD 10Y	2.16	2.13	↓	-3
USD 30Y	2.98	2.93	↓	-5
JPY 10Y	0.31	0.33	↑	2
	07:30(-1)*	17:00		+/-, bp
DEM 10Y	0.59	0.61	↑	2
DKK 10Y	0.89	0.88	↓	-1
SEK 10Y	0.70	0.71	↑	1
NOK 10Y	1.61	1.61	↑	0
PLN 10Y	2.81	2.80	↓	-1

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	80	↓	0
HiVol	72	↑	0
Xover (N-IG)	334	↑	0
Finan. Sr.	88	↓	0
Finan. Sub.	182	↓	0
Non-finan.			

* Ask price



	17:00	07:30		+/-
USD 10Y				
JPY 10Y	0	1	↑	1
	07:30(-1)*	17:00		+/-
EUR 10Y	0			
DKK 10Y	38	37	↓	-1
SEK 10Y	49	48	↓	-1
NOK 10Y	66	63	↓	-2

* As of closing previous trading day

** Ask price

Source: Bloomberg, Danske Bank Markets

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First date of publication

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