

Danske Daily

Market Movers

- It's a very thin calendar today with only tier-2 data. French industrial production is expected to rebound 0.6% m/m in August after a big drop in July of 0.8% m/m.
- This afternoon, US release import prices and the Fed's Lockhart (voter, dove) will speak. Later tonight, the Fed's Evans will speak as well (voter, dove).
- In Denmark, current account figures are due. In Sweden, the Riksbank's Business Survey will shed light on whether retailers will raise prices on the back of higher import costs. In Norway, inflation figures are due which, however, are less important than usual, as Norges Bank accepts inflation above the 2.5% target. For more details please see *Scandi markets, page 2*.

Selected Market News

FOMC minutes from the September meeting showed a greater concern on the inflation outlook and confirmed that although the domestic economy is in good shape, the US economy is facing headwinds from China and emerging markets. The FOMC thought 'it was prudent to wait for additional information confirming that the economic outlook had not deteriorated and bolstering members' confidence that inflation would gradually move up toward 2% over the medium term'. The FOMC thinks that the recent turmoil is 'likely to put further downward pressure on inflation in the near term'. Despite some members stating that they still see a lift-off later this year, **we think the minutes support our view that the first hike will be pushed into the beginning of next year.** We expect the first hike in January.

The stock markets reacted well on the FOMC minutes and the global equity rally continued. US stocks closed higher and Asian stocks are up this morning. The weaker USD has been good for emerging markets currencies, which have appreciated recently. CNY was again fixed lower at 6.3493 (from 6.3503) on the back of the weaker USD.

Oil prices continue to rise supported by signs of increasing oil demand and the weaker USD. Currently, Brent oil is trading around USD53.8/barrel, which is nearly eight dollars (or 12%) higher compared with last Friday. If the oil price stays at this level, it would be a helping hand for many central banks as this would boost inflation at the beginning of next year when the base effects from the oil price drop in early 2014 begin to fall out of the consumer price indices.

Initial jobless claims in the US fell to 263k from 276k and thus continued the downward trend. Lay-offs do not appear to have picked up (yet?) despite the very weak job report in September, which showed that hiring has slowed. The US labour market still seems to be in good shape and the unemployment rate is likely to crawl below NAIRU soon.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2013.4	↑	0.88
S&P500 fut (chng from close)	2011.0	↑	0.22
Nikkei	18413.5	↑	1.50
Hang Seng	22738.4	↑	1.72
	17:00	07:30	+/- bp
US 2y gov	0.64	0.63	↓ -0.8
US 10y gov	2.08	2.09	↑ 1.6
iTraxx Europe (IG)	83	84	↑ 0.3
iTraxx Xover (Non IG)	341	342	↑ 1.5
			+/- %
EUR/USD	1.128	1.129	↑ 0.09
USD/JPY	119.890	119.970	↑ 0.07
EUR/CHF	1.09	1.09	↓ -0.05
EUR/GBP	0.737	0.734	↓ -0.43
EUR/SEK	9.286	9.305	↑ 0.20
EUR/NOK	9.18	9.18	↓ -0.02
Oil Brent, USD	52.3	53.8	↑ 3.00
Gold, USD	1144.5	1147.3	↑ 0.24

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

- *BoE review: Slightly dovish as inflation outlook is lowered*

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Scandi Markets

In **Denmark**, Statistics Denmark will be releasing figures for the current account and exports of goods in August. We expect the current account to show a surplus of DKK13bn, up from DKK12.2bn in July. Despite a helping hand from a number of factors, exports disappointed during the spring. Part of this, though, was down to falling commodity prices and so not a reflection of real developments. Things then levelled off over the summer, so it will be interesting to see whether the fuss about China and emerging markets had any effect in August. We expect exports in current prices to climb 1.3% m/m.

In **Sweden**, we will dig into the Riksbank's Business Survey ('Beige Book'). In the last survey (from May), we read that retailers for the first time for some years actually planned to raise prices on the back of higher import costs related to the stronger dollar. Fierce competition has made it hard to do that but in the May survey many reasoned that enough is enough. The Riksbank would certainly like to see these plans materialise and indeed we have seen small tendencies in the data. The problem is that this is likely to be a one-off.

In **Norway**, the inflation figures will probably be somewhat less important than usual in September, given that Norges Bank has made it clear that it both expects and accepts that core inflation will be well above the 2.5% target for a while. The reason, of course, is that the high rate of inflation is being driven by weakness in the NOK, which is expected to be only temporary. Further ahead, inflation is set to fall as wage growth slows and capacity utilisation decreases. This is a textbook example of flexible inflation targeting. We expect core inflation to climb to 3.0% y/y in line with consensus and Norges Bank's projections but it should be noted that there were abnormally high levels of uncertainty in September.

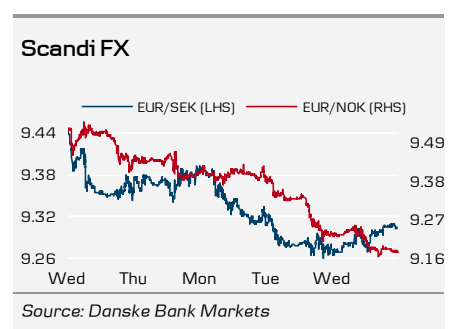
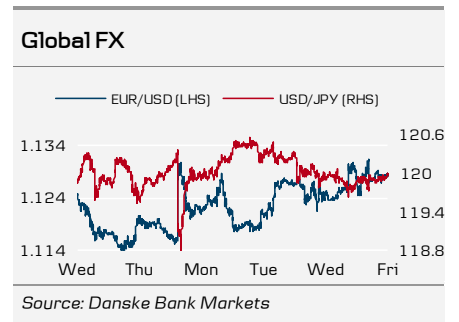
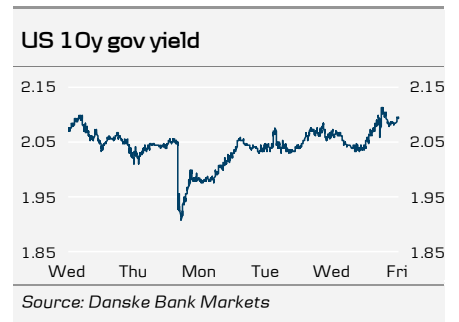
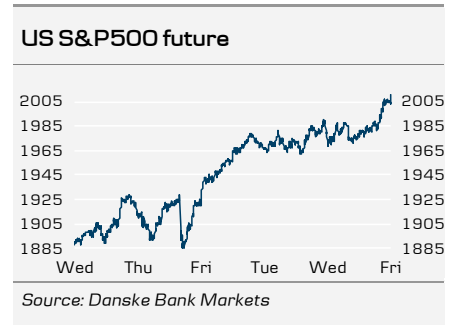
Fixed Income Markets

Although US rates increased in the hours up to the release of FOMC minutes and the minutes revealed a FOMC of a somewhat greater concern on the inflation outlook, US rates extended the past days' yield increase also fuelled by a positive equity market. As the rebound in oil prices continues, markets are downplaying this disinflationary concern within the FOMC, and this is thus a contributing factor to the small weakness in the fixed income market.

Italy announced last night that next week's tap will be in the 7Y and 15Y as well as an inaugural auction in the new 3Y benchmark 0.3% Oct-2018. In the EUR market, Spain will announce details on next week's tap today at 14:00 CET. It has been a while since the 15Y has been tapped and we see a good chance that it will be included this time. Tonight, Italy is up for review by Moody's. While the rating cycle has turned in the periphery, we still haven't seen the first upgrade on Italy and we doubt it will be tonight. The growth outlook in Italy has been improving somewhat and it is possible that Moody's could lift the outlook to 'positive' in line with the rating and outlook on Spain.

FX Markets

Investor's risk appetite was encouraged by the dovish tone in the FOMC minutes released last night. Especially in relation to the downside risks to growth stemming from overseas factors and the strong dollar's impact on inflation, the tone fuelled expectations that the Fed will not raise rates this year. Consequently, the USD was sold off – in particular against EM and commodity currencies. EUR/USD is trading slightly higher this morning



while USD/JPY remains supported by positive risk sentiment and is also higher this morning. We still expect USD/JPY to trade higher ahead of the 30 October BoJ meeting on raising easing expectations. A general positive risk environment is expected to support USD/JPY while further USD weakness due to lower Fed rate hike expectations could dampen the upside potential somewhat. However, we still see a case for USD/JPY breaking above the top of the range since September at 121.26.

In the Scandi FX markets, EUR/NOK continued to grind lower yesterday and trades below the 9.20 mark this morning. In the short term, we still expect NOK to trade highly in tandem with risk sentiment and oil but maintain our medium- to long-term bullish NOK view targeting EUR/NOK at 8.80 in 12M. EUR/SEK increased slightly yesterday and is now back above 9.30, supported by a series of dovish comments from the Riksbank's Skingsley and Ohlsson suggesting that the Riksbank is not content with the recent SEK appreciation. As such, the comments signals that the Riksbank is ready to act, and if KIX stays at current levels, 2% below the Riksbank's forecast, a move even in October is quite possible. Hence, we expect to see some upward pressure in EUR/SEK over the next few weeks.

Key figures and events

Friday, October 9, 2015

				Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish Italy's debt rating					
8:45	FRF	Industrial production	m/mly/y	Aug		0.6% 0.2%	-0.8% -0.8%
9:00	DKK	Trade balance ex ships	DKK bn	Aug	6.5b		5.2b
9:00	DKK	Exports	m/m	Aug	1.3%		
9:00	DKK	Current account (s.a.)	DKK bn	Aug	10.5b		9.3b
9:00	DKK	Current account (not s.a.)	DKK bn	Aug	13.0b		12.2b
10:00	ITL	Industrial production	m/mly/y	Aug		-0.5% ...	1.1% 2.7%
10:00	NOK	CPI	m/mly/y	Sep	0.7% 3.0%		-0.1% 2.0%
10:00	NOK	PPI	m/mly/y	Sep			-4.3% -10.0%
10:00	NOK	Core inflation(CPI-ATE)	m/mly/y	Sep		... 3.1%	-0.2% 2.9%
10:30	GBP	Construction output	m/mly/y	Aug	1.0% 1.4%	1.0% 1.4%	-1.0% -0.7%
10:30	GBP	Trade balance	GBP mio.	Aug		-1950	-3371
14:30	USD	Import prices	m/mly/y	Sep		-0.5% -11.0%	-1.8% -11.4%
14:30	CAD	Net change in full time employment	1000	Sep			54.4
15:10	USD	Fed's Lockhart (voter, dovish) speaks					
19:30	USD	Fed's Evans (voter, dovish) speaks					

Source: Bloomberg, Danske Bank Markets

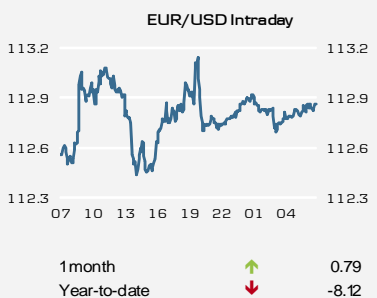
Today's market data: 09 October 2015

STOCKS



	Close		+/-
DJUSTOXX50	3093	↑	0.1%
OMXC20	936	↓	-0.6%
OMXS30	1464	↑	0.9%
OSE BX	615	↓	-1.3%
	Close		+/-
DOW JONES	17051	↑	0.8%
NASDAQ	4811	↑	0.4%
S&P500	2013	↑	0.9%
NIKKEI (07:30)	18413	↑	0.1%

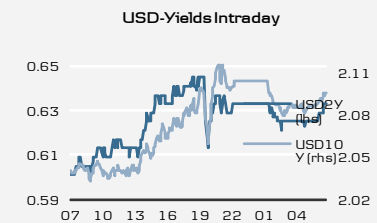
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	112.76	112.86	↑ 0.10
JPY	135.18	135.40	↑ 0.22
GBP	73.74	73.43	↓ -0.31
NOK	918.25	918.03	↓ -0.22
SEK	928.60	930.49	↑ 1.89
DKK	746.13	746.13	↑ 0.00
PLN	422.66	422.14	↓ -0.52
USD	17:00	07:30	+/-
JPY	119.89	119.97	↑ 0.08
GBP	152.90	153.70	↑ 0.80
CHF	96.72	96.59	↓ -0.13

	Gold, \$	Oil, Brent, \$
07:30	1147.27	53.82
1 day	↑ 8.25	↑ 0.77
1 month	↑ 39.44	↑ 6.24
Year-t-date	↓ -37.59	↓ -3.51
	CRB 1M future	CRB, Raw Industrials
07:30	20130	43120
1 day	↑ 1.71	↓ -0.80
1 month	↑ 5.51	↓ -12.14
Year-t-date	↓ -28.65	↓ -60.91

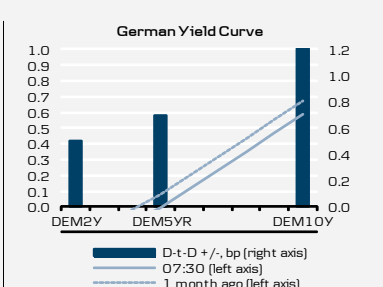
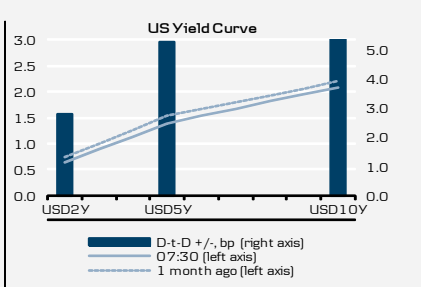
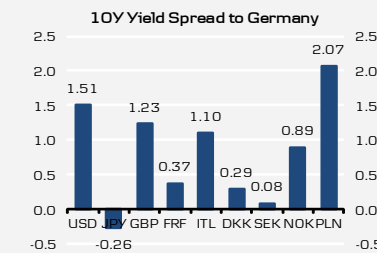
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.25	0.32	7
EUR	0.05	-0.05	-10
GBP	0.50	0.58	8
DKK	0.05	-0.07	-12
SEK	-0.35	-0.30	6
NOK	0.75	1.11	36
PLN	1.50	1.63	13

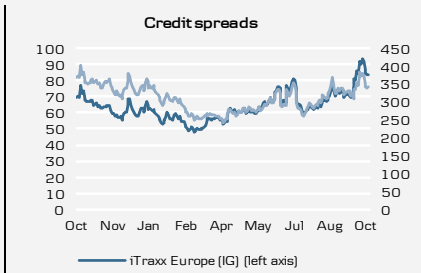
	17:00	07:30	+/-, bp
USD 10Y	2.08	2.09	↑ 2
USD 30Y	2.90	2.93	↑ 3
JPY 10Y	0.33	0.33	↓ -1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.57	0.59	↑ 2
DKK 10Y	0.88	0.88	↑ 0
SEK 10Y	0.68	0.67	↓ -1
NOK 10Y	1.47	1.47	↑ 0
PLN 10Y	2.64	2.66	↑ 2

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	84	↓ 0	↑ 14
HiVol	79	↑ 0	↑ 11
Xover (N-IG)	342	↓ 0	↑ 21
Finan. Sr.	84	↑ 0	↑ 3
Finan. Sub.	176	↑ 1	↑ 16
Non-finan.			

* Ask price



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-2	-1	↑ 0
	07:30(-1)*	17:00	+/-
EUR 10Y	0	18	↑ 18
DKK 10Y	39	38	↓ 0
SEK 10Y	44	45	↑ 1
NOK 10Y	71	70	↓ -2

* As of closing previous trading day

** Ask price

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First date of publication

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