

# Danske Daily

## Market Movers

- **In the UK** the first estimate of Q3 GDP growth is released. Based on the key economic figures for Q3 released so far (we only have 44% of all information), we estimate GDP growth slowed to 0.5% q/q in Q3 from 0.7% q/q in Q2. If right, this would, however, still be at trend growth.
- **Euro area money supply figures** for September are also due for release and we expect a further improvement to 5.0% y/y. This should follow as the bank lending survey released last week showed a continued increase in demand for loans. For enterprises, the increase in demand for loans was due mainly to the general level of interest rates, as well as to increased needs for fixed investments. Late in the evening (CET) ECB's Coeure speaks in Mexico City.
- **In the US**, Real US capital goods orders ex aircraft and defence showed a significant increase in Q3 after a very weak run over the prior three quarters. August data showed a moderation in growth and September durable goods order data will show whether this was a one-off or if order growth is coming down further in response to global weakness. Also in the US, October data for the Conference Board's measure of consumer confidence will give us valuable input about the strength of the labour market with the gauge on 'jobs plentiful' and 'jobs hard to get'. The preliminary Markit PMIs and the S&P Case Shiller House price index will also attract attention.

## Selected Market News

**Global risk sentiment** has lost steam after the ECB and People Bank of China (PBoC) induced rally over the previous two sessions. Markets have gone into wait-and-see mode ahead of the upcoming central bank meetings with not least FOMC tomorrow and Bank of Japan on Friday. **Sentiment in Asia overnight** has also been influenced by **Chinese industrial profit figures** revealing a y/y and YTD y/y decline of 0.1% and 1.7%, respectively.

**Commodities prices** remain under pressure. While base metals and oil initially rallied on PBoC's announcement on Friday of additional easing, markets soon questioned the motivation behind further stimulus amid speculations of the validity of last week's Chinese GDP figures. **Brent crude** has shredded almost 2% in the last 24 hours, also aided by renewed US stockpile concerns.

New home sales in the **US** surprised significantly to the downside yesterday, dropping 11.5% y/y and bringing the pace back to 2014 levels. The release was at odds with a series of recent data that suggested that the housing market remains solid. Importantly, the new home sales release is notoriously volatile.

In **New Zealand** trade balance figures revealed a wider-than-expected trade deficit. The decline was especially due to disappointing export figures but imports also surprised to the upside. The NZD weakened on the release.

The **US Navy** has tested Chinese territorial claims as a US destroyer has sailed through two artificial islands in the South China Sea (for more info see [FT](#)).

## Market overview

		07:30	1 dag +/- %
S&P500 (lukning)	2071.2		↓ -0.19
S&P500 fut (ændr. fra lukning)	2059.4		↓ -0.14
Nikkei	18761.1		↓ -0.98
Hang Seng	23007.8		↓ -0.47
		17:00	07:30
			+/- bp
US 2 års stat	0.63	0.63	↓ -0.4
US 10 års stat	2.06	2.05	↓ -1.1
iTraxx Europe (IG)	71	72	↑ 0.7
iTraxx Xover (Non IG)	298	301	↑ 3.0
			+/- %
EUR/USD	1.105	1.106	↑ 0.11
USD/JPY	120.90	120.65	↓ -0.21
EUR/CHF	1.08	1.09	↑ 0.07
EUR/GBP	0.719	0.721	↑ 0.16
EUR/SEK	9.393	9.400	↑ 0.08
EUR/NOK	9.21	9.23	↑ 0.26
			USD
Olje Brent, USD	47.7	47.2	↓ -1.19
Guld, USD	1166.3	1165.5	↓ -0.07

### 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

- [FOMC Preview – Still waiting for the green light](#)
- [Yield Forecast Update – Extra update after dovish ECB](#)
- [Emerging Markets Briefer: – EM economic growth – another round of disappointment](#)

### Analyst

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## Scandi Markets

**Sweden.** While the big event of the week remains tomorrow's Riksbank meeting, today contains a series of noteworthy releases. First we will get NIER business and consumer confidence data, at 09.00 CET and half an hour later, Statistics Sweden releases September trade balance figures and PPI-data.

## Fixed Income Markets

In a fixed income market that started the week without any material direction, the **Dutch debt office** will do a small tap in two of the off-the-run bonds, NETHER 4% 2019 and NETHER 2.5% 2033. The size of the tap is between EUR1.5bn-2.5bn but as the Dutch debt office does not publish bid-to-cover ratios, it is to some extent difficult to gauge the investor interest. Given the focus on an expansion on the QE with possible focus on 'size, composition and duration' as the ECB talks about, a tight 'pricing' at the auction for the NETHER 2.5% 2033 is very likely. We see limited value in the old high coupon 5Y benchmark even though expectations for a ECB deposit rate cut are increasing with Dec ECB Eonia pricing a 10bp cut with up to 70% probability.

The **Italian debt office** has cancelled its auction in the linkers and is only tapping in the ICTZ 0% 2017 for EUR1.75bn. This should be fairly uneventful - it provides a small positive yield pick-up to matching BTPS bonds.

## FX Markets

The **EUR/USD** move lower has lost steam, which is likely to be a combined result of reduced risk appetite as people await the FOMC and profit taking after the significant dip in the past few days. Indeed, according to IMM positioning data, bearish EUR/USD bets were significantly short-covered prior to ECB and consequently we expect the re-adding of these bets to have increased the magnitude of the move lower. However, as we have seen earlier, stretched short EUR/USD positioning limits the cross's downside sensitivity to relative rates. We expect short covering to be a contributing factor in lifting the cross from our 3M forecast low of 1.08 towards 1.20 in 12M as EUR inflation and the importance of medium-term fundamentals rise.

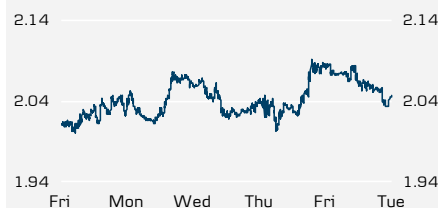
In the G10-sphere, the biggest winner so far this week has been the JPY with **USD/JPY** down almost 1%. While this to a certain degree is due to the cross's high correlation to risk sentiment – the JPY has a higher correlation to global equities than the other preferred funding currencies – it also suggests a reduction in the spot market's implied probability of additional Bank of Japan (BoJ) easing. Noteworthy, however, this is at odds with option market pricing where short-dated USD/JPY risk reversals over the same period are trading slightly higher. While we already prior to the ECB meeting expected additional easing from the BoJ, the very dovish tone from Draghi has in our view increased the probability of this call materialising at the upcoming 30 October meeting. BoJ-governor Kuroda has at several occasions emphasised the importance of surprise and with the outlook for a substantial downward revision of both the inflation and growth forecast we think this will trigger further BoJ-action. When BoJ last eased monetary policy (exactly one year ago) it was in a similar environment, which drove a significant weakening of the JPY – only that time positioning was according to IMM data even significantly more bearish. As a consequence, we expect a new round of bearish JPY-builds to support USD/JPY towards our 1M target of 124.

### US S&P500 future



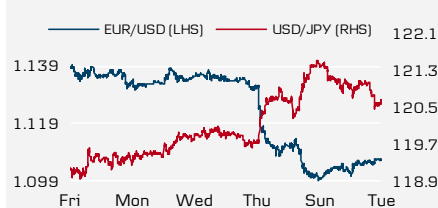
Source: Danske Bank Markets

### US 10y gov yield



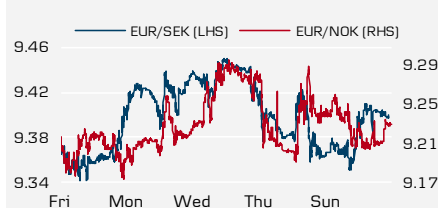
Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

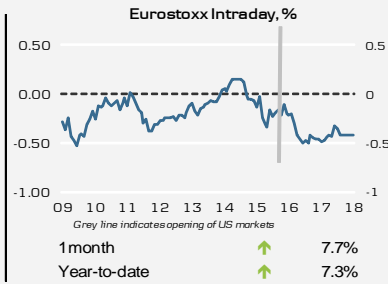
Key figures and events

Tuesday, October 27, 2015			Period	Danske Bank	Consensus	Previous	
9:00	SEK	Consumer confidence	Index	Oct	<b>98.0</b>	97.9	98.7
9:00	SEK	Economic Tendency Survey	Index	Oct	<b>105.0</b>		106.8
9:00	SEK	Manufacturing confidence	Index	Oct	<b>105.0</b>	105.0	110.1
9:30	SEK	PPI	m/m y/y	Sep			0.2% -1.4%
9:30	SEK	NIER economic forecasts					
9:30	SEK	Household lending	y/y	Sep	<b>7.2%</b>		7.1%
9:30	SEK	Trade balance	SEK bn	Sep	<b>1.0</b>		-3.6
10:00	EUR	Money supply (M3)	y/y	Sep	<b>5.0%</b>	5.0%	4.8%
10:30	GBP	GDP, first estimat	q/q y/y	3rd quarter	<b>0.5% 2.3%</b>	0.6% 2.4%	0.7% 2.4%
10:30	GBP	Index of services	m/m 3m/3m	Aug		0.2% 1.0%	0.2% 0.8%
13:30	USD	Durable goods orders	m/m	Sep		-1.2%	-2.3%
14:00	USD	S&P Case Shiller House prices	Index	Aug			181.9
14:45	USD	Markit service PMI, preliminary	Index	Oct		55.2	55.1
14:45	USD	Markit composite PMI, preliminary	Index	Oct			55.0
15:00	USD	Conference Board consumer confidence	Index	Oct		102.4	103.0
23:00	EUR	ECB's Coeure speaks in Mexico City					

Source: Bloomberg, Danske Bank Markets

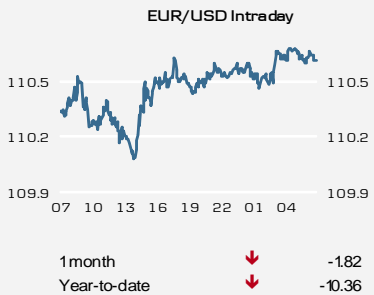
Today's market data: 27 October 2015

STOCKS



	Close		+/-
DJUSTOXX50	3224	↓	-0.4%
OMXC20	960	↑	0.3%
OMXS30	1506	↑	0.0%
OSE BX	624	↓	0.0%
	Close		+/-
DOW JONES	17623	↓	-0.1%
NASDAQ	5035	↑	0.1%
S&P500	2071	↓	-0.2%
NIKKEI (07:30)	18761	↓	-0.4%

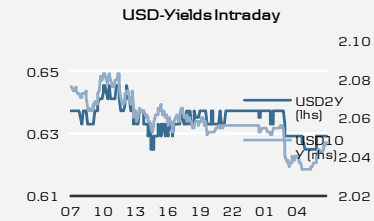
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	110.50	110.62	↑ 0.12
JPY	133.59	133.46	↓ -0.13
GBP	71.95	72.06	↑ 0.11
NOK	920.53	922.92	↑ 2.39
SEK	939.26	940.00	↑ 0.74
DKK	746.05	745.98	↓ -0.07
PLN	427.10	427.69	↑ 0.59
USD	17:00	07:30	+/-
JPY	120.90	120.65	↓ -0.25
GBP	153.59	153.51	↓ -0.08
CHF	98.16	98.12	↓ -0.04

	Gold, \$	Oil, Brent, \$
07:30	1165.50	47.17
1day	↑ 2.46	↓ -0.37
1month	↑ 19.10	↓ -1.43
Year-t-date	↓ -19.36	↓ -10.16
	CRB 1M future	CRB, Raw Industrials
07:30	192.28	418.83
1day	↓ -1.43	↓ -1.61
1month	↓ -3.43	↓ -14.70
Year-t-date	↓ -37.68	↓ -73.28

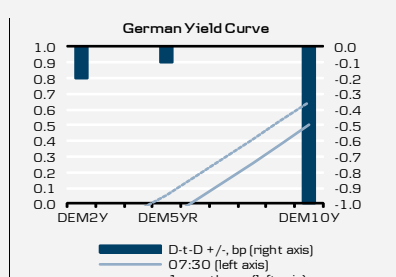
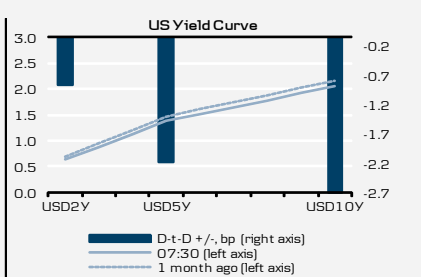
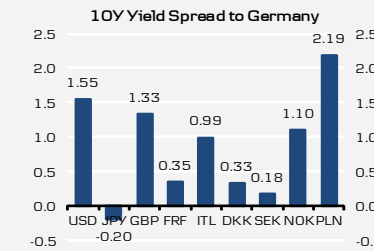
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.25	0.32	7
EUR	0.05	-0.06	-11
GBP	0.50	0.58	8
DKK	0.05	-0.09	-14
SEK	-0.35	-0.32	3
NOK	0.75	1.12	37
PLN	1.50	1.63	13

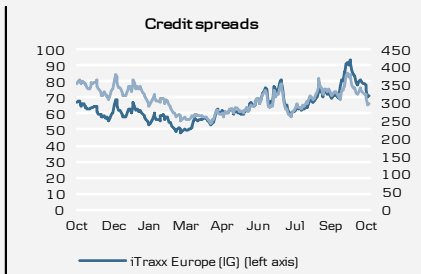
	17:00	07:30	+/-, bp
USD 10Y	2.06	2.05	↓ -1
USD 30Y	2.86	2.86	↓ -1
JPY 10Y	0.32	0.31	↓ -2
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.51	0.50	↓ -1
DKK 10Y	0.90	0.83	↓ -7
SEK 10Y	0.70	0.67	↓ -3
NOK 10Y	1.60	1.60	↑ 0
PLN 10Y	2.60	2.69	↑ 8

\* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	72	↑ 0	↓ -18
HiVol	73	↓ -1	↓ -12
Xover (N-IG)	301	↑ 1	↓ -68
Finan. Sr.	70	↑ 0	↓ -27
Finan. Sub.	146	↑ 2	↓ -50
Non-finan.			

\* Ask price



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-6	-6	↑ 0
	07:30(-1)*	17:00	+/-
EUR 10Y	0	17	↑ 17
DKK 10Y	40	39	↓ -1
SEK 10Y	45	42	↓ -2
NOK 10Y	63	64	↑ 1

\* As of closing previous trading day

\*\* Ask price

Source: Bloomberg, Danske Bank Markets

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