

25 November 2015

Danske Daily

Market Movers

- We have several important releases in the US today ahead of Thanksgiving on Thursday and Black Friday. Most important is the release of PCE inflation in November. Consensus anticipates that PCE core (the inflation measure FOMC targets) increased 0.1% m/m in October (1.3% y/y). The subdued core inflation is the number one worry for the FOMC as growth remains solid and the labour market continues to tighten.
- The slowdown in China and the strong USD weigh on the US manufacturing sector. This is likely to be reflected in the durable goods orders which, however, is quite volatile from month to month.
- Also due today in the US is the October report on personal income and spending, preliminary data for Markit PMI services in November, initial jobless claims and final University of Michigan consumer sentiment for November. New home sales in October could also attract attention as the September figure was very weak.
- In the Scandis, focus is on Swedish PPI figures and Norwegian LFS-unemployment data. For more see [Scandi Markets](#).

Selected Market News

In general, markets are still awaiting the policy actions by the Fed and the ECB at their meetings in December. Risk appetite is mixed. Euro closed in red yesterday. In the US, S&P500 closed slightly higher despite trading lower most of the day thus reversing Monday's decline. Chinese Shanghai and Shenzhen equity indices are up while the Hong Kong Hang Seng and the Japanese Nikkei225 indices are down at the time of writing. **Oil has rebounded somewhat and Brent oil is currently trading above USD46/barrel**, up from a level around USD44/barrel between 12-23 November.

Against our expectations, Bank of Japan kept its monetary policy unchanged at its 29-30 October meeting. **Minutes from the meeting revealed that the view among most members had not changed significantly, supporting our new view that BoJ will not ease further.** BoJ thinks that growth will be above trend next year driven by increasing domestic demand. BoJ believes that it will reach its inflation target in H2 16. Especially the board members think that the increasing trend in core inflation is encouraging.

Markit/Caixin does not publish a flash estimate for manufacturing and services PMIs in China anymore. **Unofficial PMIs published by Mixxin have painted a much more negative picture than the official Chinese PMIs this year.** The November figures suggest that the Chinese economy continued to struggle this month. Chinese Westpac-MNI consumer confidence increased to 113.1 in November from 109.7 in October.

The Syria conflict took a surprising turn yesterday as Turkey shot down a Russian war plane around the Turkey-Syria border. It is unclear how this new situation will affect a possible alliance between Europe, the US and Russia against Islamic State.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2089.1	↑	0.12
S&P500 fut (chng from close)	2087.1	↑	0.12
Nikkei	19853.0	↓	-0.36
Hang Seng	22572.9	↓	-0.07
	17:00	07:30	+/-, bp
US 2y gov	0.92	0.93	↑ 0.8
US 10y gov	2.23	2.23	↑ 0.4
iTraxx Europe (IG)	72	73	↑ 0.6
iTraxx Xover (Non IG)	299	302	↑ 3.0
			+/-, %
EUR/USD	1.064	1.066	↑ 0.24
USD/JPY	122.510	122.360	↓ -0.12
EUR/CHF	1.08	1.08	↑ 0.12
EUR/GBP	0.706	0.706	↓ -0.05
EUR/SEK	9.273	9.254	↓ -0.21
EUR/NOK	9.21	9.20	↓ -0.10
			USD
Oil Brent, USD	45.8	46.5	↑ 1.33
Gold, USD	1074.2	1078.8	↑ 0.43

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

Analyst

Mikael Olai Milhoj
+45 45 12 76 97
milh@danskebank.dk

Scandi Markets

In **Norway** September LFS-unemployment are data due at 10.00 CET. As usual, we attach less importance to this volatile – and so more uncertain – measure. We expect the LFS unemployment rate to have edged down to 4.5%, consensus is 4.6%.

Swedish figures today should give clues about whether the positive impact from the SEK has peaked or whether price hikes are still looming. Import prices on consumption goods at the producer level (part of PPI) suggest this is the case. Furthermore, retail price expectations have fallen in the past months and another decline today will confirm that view. Needless to say, such an outcome will put pressure on the Riksbank at the upcoming December meeting.

Fixed Income Markets

The busy supply calendar continues today with the most interesting being the 10Y tap in Portugal. IGCP has announced an indicative range of EUR0.75-1.00bn at what is the last auction this year. Political uncertainty and the tail risk of a DBRS downgrade has weighed on PGBs the past month. Despite having recovered around 30bp, the 10Y spread to Italy is still trading some 40-50bp wider compared to before the political woes. The 10Y area weakened again this week post the auction announcement. We expect PGBs to continue to recover relative to Italy, as the market attention to the political situation fades again. President Cavaco Silva yesterday announced that the Socialist leader Costa is set to become the new PM, see *FI Strategy*, 24 November.

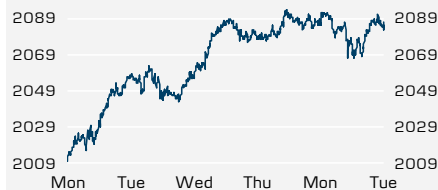
Germany is also coming to the market with a 3bn tap in Bunds and Italy is tapping EUR2-3.5bn in 23 and 32 linker plus the Aug-17 zero coupon. Note also that the Italian Tesoro announced last night that Friday's tap will be in the Nov-20, the Dec-25 and Dec-22 floater.

In Denmark the DMO will use the Switch Facility today, buying back in the Nov-2023 against the Nov-25. The switch is risk-neutral and the maximum nominal amount to be issued is set to DKK3bn.

FX Markets

Going into the third day of the week we turn to our FX short-term financial models to identify FX market mispricings. Noteworthy, despite some sizeable spot moves over the past weeks, we do not observe any statistic significant misalignments in the G10 sphere. Having said that, commodity currencies like the AUD, NZD, CAD and NOK now seem overvalued against the USD with not least AUD/USD and NZD/USD trading above fair value estimates of 0.7128 and 0.6415, respectively. According to the models both EUR/USD and EUR/GBP trade close to fair value although the GBP/USD estimate points to some slight downside risk in the coming days. Finally, the SEK seems undervalued against most majors. In standard deviation terms the biggest misalignment is seen for NOK/SEK with spot trading 0.9 standard deviations above the model fair value estimate of 0.9950.

US S&P500 future



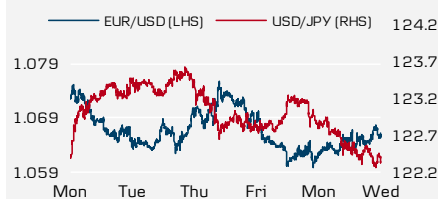
Source: Danske Bank Markets

US 10y gov yield



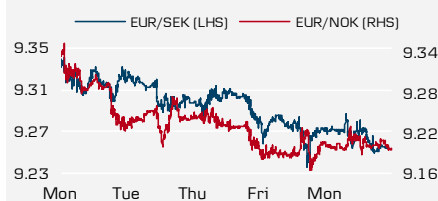
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Key figures and events

Wednesday, November 25, 2015			Period	Danske Bank	Consensus	Previous
0:50	JPY	Minutes from BoJ meeting on Oct. 30				
6:00	JPY	Leading economic index, final	Index	Sep		101.4
6:00	JPY	Small business confidence	Index	Nov		48.7
8:45	FRF	Consumer confidence	Index	Nov	96.0	96.0
9:00	SEK	Consumer confidence	Index	Nov	99.0	97.6
9:00	SEK	Economic Tendency Survey	Index	Nov	108.5	108.3
9:00	SEK	Manufacturing confidence	Index	Nov	112.5	112.7
9:30	SEK	PPI	m/m y/y	Oct		-0.3% -1.4%
9:30	SEK	Riksbank Financial Stability Report				
10:00	NOK	Unemployment (LFS)	%	Sep	4.5%	4.6%
13:00	USD	MBA Mortgage Applications	%			6.2%
14:30	USD	Personal income	m/m	Oct	0.4%	0.1%
14:30	USD	Personal spending	m/m	Oct	0.3%	0.1%
14:30	USD	Durable goods orders, preliminary	m/m	Oct	1.5%	-1.2%
14:30	USD	PCE inflation	m/m y/y	Oct	0.1% 0.3%	-0.1% 0.2%
14:30	USD	Initial jobless claims	1000			271
14:30	USD	PCE core	m/m y/y	Oct	0.1% 1.3%	0.1% 1.3%
15:45	USD	Markit service PMI, preliminary	Index	Nov		54.8
15:45	USD	Markit composite PMI, preliminary	Index	Nov		55.0
16:00	USD	University of Michigan Confidence, final	Index	Nov	93.0	93.1
16:00	USD	New home sales	1000 (m/m)	Oct	500	468.0 (-11.5%)
16:30	USD	DOE U.S. crude oil inventories	K			252
22:45	NZD	Trade balance	NZD M	Oct	-1000	-1222

Source: Bloomberg, Danske Bank Markets

Today's market data: 25 November 2015

STOCKS



	Close		+/-
DJSTOXX50	3225	↓	-1.0%
OMXC20	980	↓	-1.1%
OMXS30	1489	↓	-1.8%
OSE BX	625	↓	0.0%
	Close		+/-
DOW JONES	17812	↑	0.1%
NASDAQ	5103	↑	0.0%
S&P500	2089	↑	0.1%
NIKKEI (07:30)	19853	↓	-1.0%

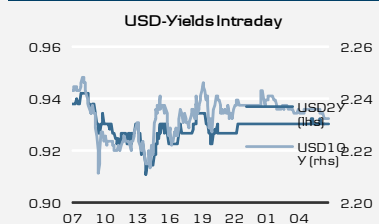
FX & COMMODITIES



	17:00	07:30	+/-
EUR			
USD	106.36	106.61	↑ 0.25
JPY	130.31	130.44	↑ 0.13
GBP	70.62	70.58	↓ -0.03
NOK	920.72	919.83	↓ -0.89
SEK	927.29	925.38	↓ -1.91
DKK	746.08	746.08	0.00
PLN	426.12	426.17	↑ 0.05
USD			
JPY	122.51	122.36	↓ -0.15
GBP	150.62	151.03	↑ 0.41
CHF	101.74	101.63	↓ -0.11

	07:30	Gold, \$	Oil, Brent, \$
		1078.81	46.45
1day	↑	3.26	0.33
1month	↓	-85.75	-1.54
Year-t-date	↓	-106.05	-10.88
	07:30	CRB 1M future	CRB, Raw Industrials
		185.27	397.31
1day	↑	1.83	-1.92
1month	↓	-8.45	-23.13
Year-t-date	↓	-44.69	-94.80

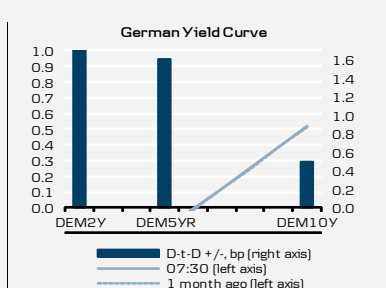
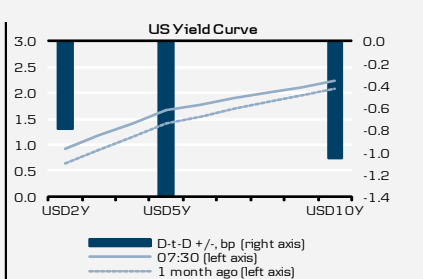
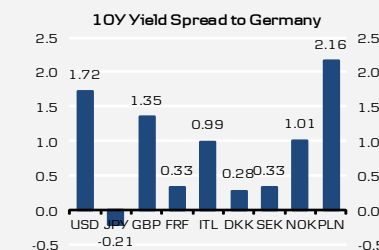
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.25	0.39	14
EUR	0.05	-0.10	-15
GBP	0.50	0.57	7
DKK	0.05	-0.14	-19
SEK	-0.35	-0.39	-4
NOK	0.75	1.19	44
PLN	1.50	1.63	13

	17:00	07:30	+/-, bp
USD 10Y	2.23	2.23	0
USD 30Y	3.00	2.99	↓ 0
JPY 10Y	0.32	0.31	↓ -1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.51	0.51	0
DKK 10Y	0.86	0.79	↓ -7
SEK 10Y	0.86	0.84	↓ -2
NOK 10Y	1.53	1.53	0
PLN 10Y	2.73	2.67	↓ -6

* As of closing previous trading day



Credit spread, iTraxx s. 11*

	07:30	1day	1month
Europe (IG)	73	↑ 0	↑ 1
HiVol	87	↓ -1	↑ 14
Xover (N-IG)	302	↑ 2	↑ 3
Finan. Sr.	71	↑ 0	↑ 2
Finan. Sub.	152	↑ 1	↑ 7
Non-finan.			

* Ask price

Creditspreads



Swap Spread, bp**

	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-12	-13	↓ -1
	07:30(-1)*	17:00	+/-
EUR 10Y	0	15	↑ 15
DKK 10Y	31	34	↑ 3
SEK 10Y	40	43	↑ 3
NOK 10Y	54	54	0

* As of closing previous trading day

** Ask price

Source: Bloomberg, Danske Bank Markets

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