

Danske Daily

Market Movers

- Minutes from the FOMC meeting on 15-16 December when the Fed increased the federal funds rate for the first time since 2006 are released today at 20:00 CET. We do not expect the minutes to include any major news as we already got a lot of information from the meeting statement, the updated projections and Yellen's press conference. That said, there have not been many Fed speeches since the meeting due to Christmas and New Year and thus we could get some information on individual views.
- We expect US ISM non-manufacturing to have been 56 in December, suggesting further growth in the sectors outside manufacturing (mainly services).
- The weekly US oil inventories will likely also attract attention today. So far there has not been a need for the usual December seasonal draw on oil inventory partly due to very warm winter weather in the US, which has further exacerbated the global oil glut.
- The market will also keep an eye on further escalation in the tense relationship between Iran and Saudi Arabia.

Selected Market News

The Caixin Chinese service PMI dropped to 50.2 in December from 51.2 in November, which means that the Chinese service sector is now on the brink of contraction along with the manufacturing sector. Consequently, the composite PMI dropped to 49.4, which indicates that economic growth is currently slowing in China. In response to the slowing growth and rising interest rates in the US, People's Bank of China allowed the CNY to weaken 0.5% today. It thus continues the depreciation trend – it has now weakened more than 2%.

Adding to the fragile geopolitical situation in parts of the world, North Korea has announced that it earlier today successfully tested a hydrogen bomb. It marks the second time Kim Jong Un has tested a hydrogen bomb since he became leader of North Korea four years ago

Denmark's FX reserve fell to DKK434bn in December, following DKK50bn of FX intervention by Danmarks Nationalbank (DN). DN thereby needed to step up FX intervention in December to cap EUR/DKK upside. With the ECB expected to stay on hold, we expect DN to deliver a 10bp rate hike to minus 0.65% in the near term, perhaps already on Thursday at 16:00 CET, to support DKK and limit need for additional FX intervention.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2016.7	↑	0.20
S&P500 fut (chng from close)	1995.3	↓	-0.82
Nikkei	18180.0	↓	-1.06
Hang Seng	21048.7	↓	-0.66
	17:00	07:30	+/- bp
US 2y gov	1.02	1.01	↓ -1.2
US 10y gov	2.24	2.22	↓ -2.1
iTraxx Europe (IG)	80	80	↑ 0.0
iTraxx Xover (Non IG)	329	330	↑ 0.7
			+/- %
EUR/USD	1.072	1.074	↑ 0.19
USD/JPY	119.070	118.710	↓ -0.30
EUR/CHF	1.08	1.08	↑ 0.02
EUR/GBP	0.732	0.733	↑ 0.19
EUR/SEK	9.246	9.239	↓ -0.07
EUR/NOK	9.58	9.59	↑ 0.01
Oil Brent, USD	36.5	36.5	↓ -0.25
Gold, USD	1077.8	1078.9	↑ 0.10

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

- Denmark: The central bank stepped up FX intervention in December

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Scandi Markets

No key financial releases in Scandinavia today.

Fixed Income Markets

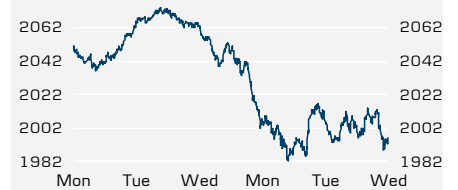
The rally in core euro area bond markets continued yesterday supported by further decreases in the oil price and slightly lower than expected euro area inflation. The December HICP numbers came out unchanged at 0.2% y/y with the December oil decline taking out the upward push from base effects. Inflation markets are now pricing deflation throughout Q2 and this continues to keep the ECB in the hot chair. The Eonia curve pricing is now implying 70% probability of a 10bp cut in the summer. In the primary market Germany will be tapping EUR5bn in the Dec-17 Schatz. In Denmark focus is on today's auction and the prospect of an independent Danish rate hike moving closer (see front page). Denmark is tapping the new 2Y (Nov'18) and the 10Y (Nov'25). A number of factors suggest just modest demand in the coming months, as both overseas and domestic investors can buy cheaper alternatives and liquidity remains a double-edged sword. The DMO plans to sell DKK75bn in 2016 and no reinvestment need will arise until the autumn, see *DGB 2Y and 10Y auctions: no reason to bid aggressively*, 5 January.

FX Markets

EUR/USD continued to drop yesterday, falling below the 1.08 mark again. We note that the cross has been under pressure on two consecutive days of souring risk appetite, which contrasts (likely due to the geopolitical nature of the latter) with the change seen during the course of 2015 when the single currency was increasingly perceived to be a funding currency and witnessed a negative correlation with risk appetite. Currently, our short-term financial models suggest that EUR/USD is overbought with 'fair' being around 1.08. Note that the batch of US data and FOMC minutes out this afternoon has the potential to send the cross back up again if these confirm the recent negative trend in US economic data.

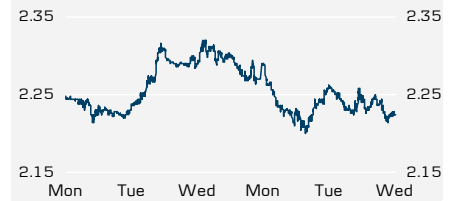
Following the recent warnings that it may resort to intervention to limit SEK strength, we stress that the Riksbank is now very close to use this option if the SEK appreciation trend continues, see *FX Edge*, 5 January. Intervention is likely to be defensive, i.e. intervention in response to an 'excessive' appreciation of the SEK, and would likely be backed by further rate cuts. We continue to see 9.10-9.50 as a fair range for EUR/SEK near term.

US S&P500 future



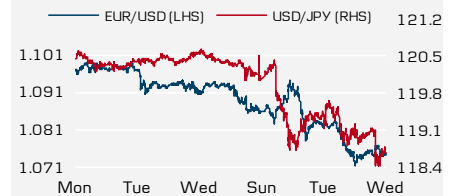
Source: Danske Bank Markets

US 10y gov yield



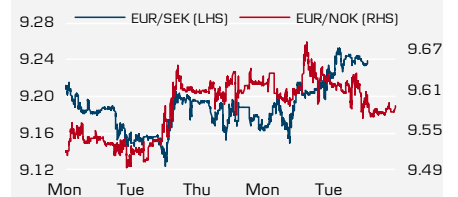
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

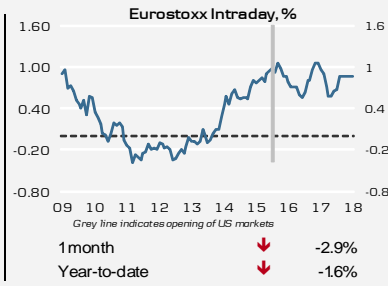
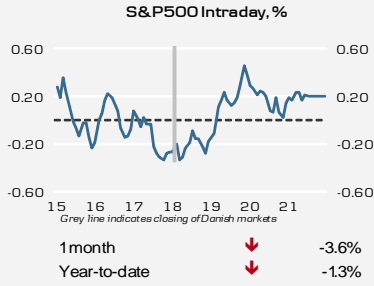
Key figures and events

Wednesday, January 6, 2016					Period	Danske Bank	Consensus	Previous
2:35	JPY	Markit PMI services	Index	Dec				51.6
2:45	CNY	Service PMI	Index	Dec				51.2
8:45	FRF	Consumer confidence	Index	Dec		95.0		96.0
9:00	DKK	CB's securities statistics		Nov				
9:00	DKK	Foreign portfolio investments		Nov				
9:00	DKK	Confidence indicator, industry, s.a.	Net balance	Dec				-7
9:15	ESP	PMI services	Index	Dec	56.7	56.7		56.7
9:45	ITL	PMI services	Index	Dec	53.6	53.6		53.4
9:50	FRF	PMI services, final	Index	Dec	50.0	50.0		50.0
9:55	DEM	PMI services, final	Index	Dec	55.4	55.4		55.4
10:00	EUR	PMI composite, final	Index	Dec		54.0		54.0
10:00	EUR	PMI services, final	Index	Dec	53.9	53.9		53.9
10:30	GBP	PMI services	Index	Dec	56.0	55.9		55.9
10:30	GBP	PMI composite	Index	Dec				55.8
11:00	EUR	PPI	m/mly/y	Nov		-3.2% -0.2%		-3.1% -0.3%
13:00	USD	MBA Mortgage Applications	%					7.3%
14:15	USD	ADP employment	1000	Dec		198		217
14:30	USD	Trade balance	USD bn	Nov		-44.1		-43.9
15:45	USD	Markit service PMI, final	Index	Dec		55.8		53.7
15:45	USD	Markit composite PMI, final	Index	Dec				53.5
16:00	USD	Factory orders	m/m	Nov		-0.3%		1.5%
16:00	USD	ISM non-manufacturing	Index	Dec	56.0	56.0		55.9
16:00	USD	Durable goods orders, final	m/m	Nov				0.0%
16:30	USD	DOE U.S. crude oil inventories	K					
20:00	USD	Minutes from FOMC Meeting 15-16 dec.						

Source: Bloomberg, Danske Bank Markets

Today's market data: 06 January 2016

STOCKS



	Close		+/-
DJSTOXX50	3052	↑	0.9%
OMXC20	1013	↑	1.5%
OMXS30	1387	↓	-0.5%
OSE BX	590	↓	-1.7%
Close			
DOW JONES	17159	↑	0.1%
NASDAQ	4891	↓	-0.2%
S&P500	2017	↑	0.2%
NIKKEI (07:30)	18180	↑	0.9%

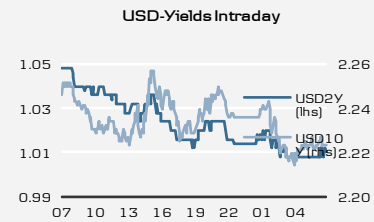
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	107.24	107.44	↑ 0.20
JPY	127.69	127.54	↓ -0.15
GBP	73.20	73.34	↑ 0.14
NOK	958.37	958.50	↑ 0.13
SEK	924.56	923.88	↓ -0.68
DKK	746.00	745.98	↓ -0.02
PLN	430.71	430.67	↓ -0.04
USD			
JPY	119.07	118.71	↓ -0.36
GBP	146.51	146.50	↓ -0.01
CHF	101.13	100.97	↓ -0.16

	Gold, \$	Oil, Brent, \$
07:30	1078.93	36.45
1day	↑ 1.25	↑ 0.03
1month	↓ -7.91	↓ -6.55
Year-t-date	↑ 17.51	↓ -0.83
CRB		
	1M future	CRB, Raw Industrials
07:30	173.07	406.58
1day	↓ -1.42	↑ 187
1month	↓ -10.18	↑ 6.16
Year-t-date	↓ -3.08	↑ 187

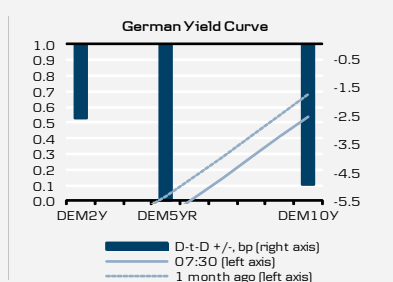
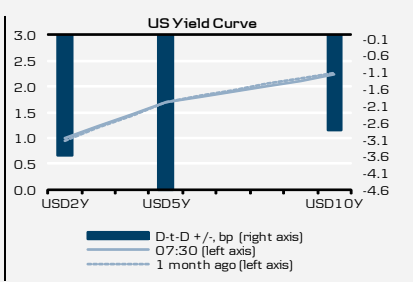
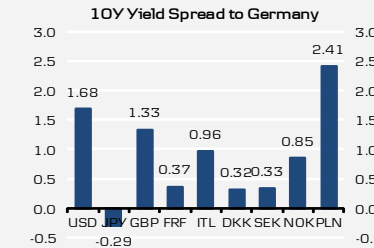
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.50	0.61	11
EUR	0.05	-0.13	-18
GBP	0.50	0.59	9
DKK	0.05	-0.07	-12
SEK	-0.35	-0.31	4
NOK	0.75	1.13	38
PLN	1.50	1.62	12

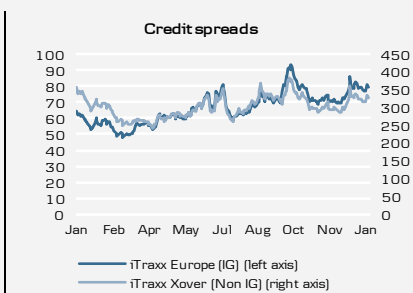
	17:00	07:30	+/-, bp
USD 10Y	2.24	2.22	↓ -2
USD 30Y	3.01	2.99	↓ -2
JPY 10Y	0.26	0.25	↓ -1
07:30(-1)* 17:00 +/-, bp			
DEM 10Y	0.59	0.55	↓ -4
DKK 10Y	0.89	0.88	↓ -1
SEK 10Y	0.92	0.88	↓ -4
NOK 10Y	1.39	1.39	↑ 0
PLN 10Y	3.16	2.95	↓ -21

* As of closing previous trading day



Credit spread, iTraxx s. 11*

	07:30	1 day	1 month
Europe (IG)	80	↓ 0	↑ 8
HiVol	106	↓ -1	↑ 14
Xover (N-IG)	330	↓ -1	↑ 32
Finan. Sr.			
Finan. Sr.	78	↓ -1	↑ 7
Finan. Sub.	166	↓ -2	↑ 18
Non-finan.			



Swap Spread, bp**

	17:00	07:30	+/-
USD 10Y	-8	-9	↓ 0
JPY 10Y	-8	-9	↓ 0
07:30(-1)* 17:00 +/-			
EUR 10Y	0	16	↑ 16
DKK 10Y	39	37	↓ -2
SEK 10Y	42	41	↓ -1
NOK 10Y	66	67	↑ 1

* 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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