

08 February 2016

# Danske Daily

## Market Movers

- We expect the Sentix investor confidence for February to follow the direction from January and decrease once again due to the continued global market uncertainty. If this uncertainty persists, it could end up being a drag on economic growth in 2016. In this case, we would have to revise our forecast of a reacceleration in growth.
- We are also due to get data on German industrial production for December today, which we expect to increase slightly on the back of the pickup in new orders. Moreover, several key economic variables indicate a solid domestic demand, which would be supportive for industrial production.
- In Denmark, foreign trade data and balance of payment data for December are scheduled for release today.

## Selected Market News

Chinese FX reserve data for January published yesterday showed that People's Bank of China (PBoC) made FX intervention for USD98bn in support of the CNY. That leaves China's FX reserve at the lowest level since 2012. Although intervention was slightly smaller than in December it marked another month of significant depreciation pressure on the CNY.

In our view, the US jobs report released on Friday generally brought good news, even though the headline was weaker than expected. Employment grew by 151,000 in January, significantly lower than employment growth in Q4 (which was also revised down) but trend growth still seems solid, in our view.

With respect to our current Fed call, today's release was no smoking gun. A smoking gun could be when Fed chair Janet Yellen speaks on Wednesday. This is the first time we will hear from her since the Fed increased the target range in December and we will listen carefully to hear what she has to say.

The weekly US oil rig count dropped to 467 last week. It has not been this low since 2010, which means that the boost in US oil rig count during the boom in shale oil production has been more-or-less reversed and it is now at less than a third compared to the peak in 2014. The decline in the oil price is thus taken its toll on investment and future production.

## Market overview

	07:30	1 day +/- %
S&P500 (close)	1880.1	↓ -1.85
S&P500 fut (chng from close)	1881.6	↑ 0.34
Nikkei	17023.6	↑ 1.21
Hang Seng	19288.2	↑ 0.55
	17:00	07:30 +/- bp
US 2y gov	0.75	0.73 ↓ -1.2
US 10y gov	1.89	1.86 ↓ -3.1
iTraxx Europe (IG)	109	110 ↑ 1.1
iTraxx Xover (Non IG)	422	424 ↑ 2.6
		+/- %
EUR/USD	1.114	1.114 ↓ -0.03
USD/JPY	117.030	117.370 ↑ 0.29
EUR/CHF	1.11	1.11 ↓ 0.00
EUR/GBP	0.769	0.768 ↓ -0.11
EUR/SEK	9.438	9.436 ↓ -0.01
EUR/NOK	9.56	9.54 ↓ -0.12
Oil Brent, USD	34.5	34.4 ↓ -0.32
Gold, USD	1154.3	1165.2 ↑ 0.95

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

- *US: Wage inflation surprised on the upside as employment growth slowed somewhat*

*Weekly Focus: Riksbank's time to ease*

*Follow us on Twitter for the latest on macroeconomic and financial market developments*

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## Scandi Markets

In Denmark, foreign trade and balance of payments data for December are due today. November brought a current account surplus of DKK12bn and we expect something similar in December. The figures for exports and imports in December will give us a good idea of what contribution foreign trade made to growth in Q4.

## Fixed Income Markets

With US wage inflation surprising on the upside as employment growth slowed somewhat according to Friday's labour market report, front-end US rates increased some 3-4bp. Focus in the US now turns to Yellen's Humphrey Hawkins Testimony (Wed) where focus will be on how significantly tighter financial conditions, poor activity data and weak inflation expectations feed into the Fed's economic analysis.

In Scandinavia, the main event is the Riksbank meeting (Thu) where we expect a repo rate cut of 10bp and the repo rate path to be flattened considerably. Therefore, we see further potential to be positioned for lower SEK rates up to the 5Y point of the curve.

## FX Markets

Following a very strong sell-off in the first week of February, the USD stabilised on Friday on the back of the mixed but overall positive US labour report. In particular higher wage growth is supportive for Fed's case although the slowing momentum in labour growth is noteworthy. Focus this week will be on Fed chair Janet Yellen's testimonies on the Fed's semi-annual Monetary Policy Report to congress (two days before two different committees) including Q&A. This is the first time we get to hear from Yellen since the initial lift-off in December and it might give us more insight into what to expect from the Fed this year. We still expect three hikes this year from the Fed (April, September and December) but we recognise that risks are skewed towards later and fewer hikes as the Fed will not risk tightening too much, too quickly. That said, the market is probably too dovish on the Fed at the moment and we think that the USD is likely to stabilise in the coming days on the back of a possible re-pricing in the US money market. According to our short-term financial models, the USD remains slightly oversold versus the EUR and JPY indicating fair values for EUR/USD at 1.0958 and USD/JPY at 119.69.

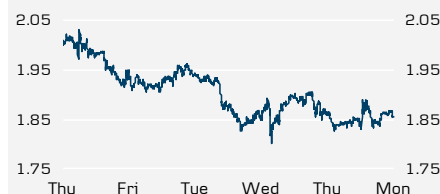
EUR/SEK continued to edge higher on Friday as the Riksbank meeting moves closer. We expect the Riksbank to cut by 10bp on Thursday (11 February) and believe that the Riksbank will signal that the first hike will not come until 2018. In our view, easing is broadly priced and we see little prospect of EUR/SEK above 9.50. Hence, we expect any rally in EUR/SEK after a rate cut to be fairly short lived.

### US S&P500 future



Source: Danske Bank Markets

### US 10y gov yield



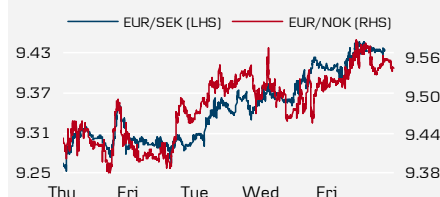
Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

## Key figures and events

Monday, February 8, 2016

				Period	Danske Bank	Consensus	Previous
0:50	JPY	Bank lending	y/y	Jan			2.2%
2:30	JPY	Labor cash earnings	y/y	Dec		0.7%	0.0%
6:00	JPY	Eco Watchers Survey Outlook (Current)	Index	Jan		48.4 48.4	48.2 48.7
8:00	DEM	Industrial production	m/m y/y	Dec	0.3% ...	0.5% -0.5%	-0.3% 0.1%
9:00	DKK	Current account (nsa sa)	DKK bn	Dec	12.0 12.4	12.0 ...	12.2 11.9
9:00	DKK	Trade balance ex ships	DKK bn	Dec	6.0	6.0	5.7
9:00	DKK	Exports	m/m	Dec			
10:30	EUR	Sentix Investor Confidence	Index	Feb	6.0	8.8	9.6
16:00	USD	Fed's LMCI	m/m	Jan			2.9%

Source: Bloomberg, Danske Bank Markets

# Today's market data: 08 February 2016

## STOCKS



	Close	+/-
DJUSTOXX50	2749	-0.8%
OMXC20	900	-1.0%
OMXS30	1330	-0.3%
OSE BX	561	15%
DOW JONES	16205	-1.3%
NASDAQ	4363	-3.2%
S&P500	1880	-1.8%
NIKKEI (07:30)	17024	-0.8%

## FX & COMMODITIES

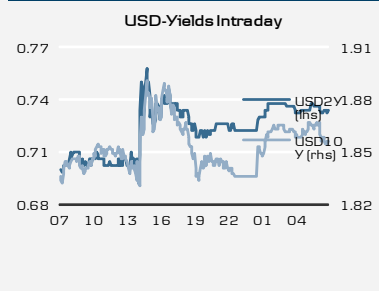


EUR	17:00	07:30	+/-
USD	111.41	111.38	-0.03
JPY	130.38	130.72	0.34
GBP	76.87	76.78	-0.08
NOK	955.53	954.43	-1.10
SEK	943.76	943.64	-0.12
DKK	746.34	746.35	0.01
PLN	441.44	440.69	-0.75
USD	17:00	07:30	+/-
JPY	117.03	117.37	0.34
GBP	144.94	145.06	0.12
CHF	99.36	99.39	0.03

	Gold, \$	Oil, Brent, \$
07:30	1165.21	34.40
1day	-8.61	0.34
1month	61.16	0.85
Year-t-date	103.79	-2.88
	CRB 1M future	CRB, Raw Industrials
07:30	161.93	421.93
1day	-1.52	-0.04
1month	-6.65	15.35
Year-t-date	-14.21	17.22

\* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

## YIELDS & INTEREST RATES

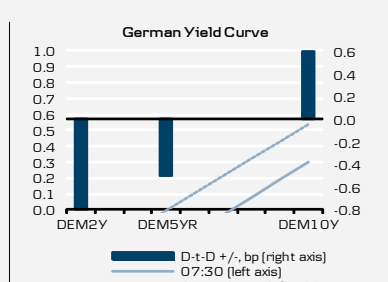
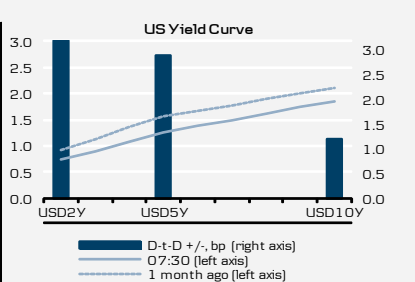
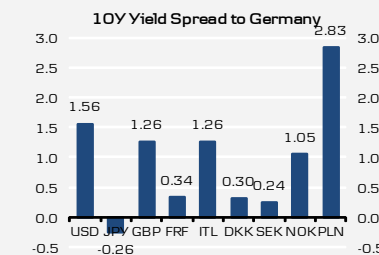


	Policy Rate	3M	Spread, bp
USD	0.50	0.62	12
EUR	0.05	-0.17	-22
GBP	0.50	0.59	9
DKK	0.05	-0.07	-12
SEK	-0.35	-0.35	0
NOK	0.75	1.10	35
PLN	1.50	1.59	9

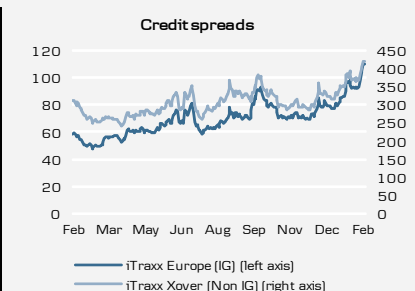
	17:00	07:30	+/-, bp
USD 10Y	1.89	1.86	-3
USD 30Y	2.72	2.69	-4
JPY 10Y	0.03	0.04	1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.29	0.31	2
DKK 10Y	0.66	0.61	-5
SEK 10Y	0.57	0.54	-2
NOK 10Y	1.35	1.35	0
PLN 10Y	3.17	3.13	-4

\* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

\* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	110	1	25
HiVol	136	0	14
Xover (N-IG)	424	0	72
Finan. Sr.	118	-2	36
Finan. Sub.	270	0	97
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-9	-8	1
	07:30(-1)*	17:00	+/-
EUR 10Y	0	16	16
DKK 10Y	34	35	1
SEK 10Y	42	42	0
NOK 10Y	68	69	1

\* Ask price

\* As of closing previous trading day

\*\* Ask price

Source: Bloomberg, Danske Bank Markets

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