

# Danske Daily

## Market Movers

- Q3 GDP growth in the US is estimated to have been revised up from 1.5% q/q AR to around 2.0% q/q AR as data have been better than expected since the first release, indicating that growth was not that bad in Q3 after all. German GDP components are due, which are expected to show that Q3 growth in Germany was driven by strong growth in private consumption. The data for the decomposition could still attract some attention as it will reveal the degree of weakness in exports and investments.
- We expect German IFO expectations to have improved slightly in November supported by signs of stabilisation in China, the weaker euro and less financial stress.
- The conference board consumer confidence index in the US is expected to have risen, signalling that US consumers are still optimistic.
- BoE members Carney, Haldane, Forbes and Vlieghe testify for the UK Treasury Committee and ECB's Mersch also speaks today. We will listen carefully to what they have to say on monetary policy.
- Today's oil investment survey out of Norway will be one of several key releases ahead of Norges Bank's monetary policy meeting on 17 December. We tentatively predict that the survey will now point to a 10% decline in investment in 2016, which would be neutral not only for us but also for Norges Bank. For more details see *Scandi Markets*.

## Selected Market News

**In general, markets are awaiting the upcoming Fed and ECB policy meetings in December.** The US closed slightly in red the first day of trading this week following the largest weekly increase so far this year last week. S&P 500 futures is trading at unchanged level. At the time of writing Chinese equity indices are down while the Japanese Nikkei225 is up. Commodities are still under pressure from the Chinese slowdown and the strong USD. Oil gained yesterday as Saudi Arabia will work with OPEC to stabilise the crude market. Brent oil is trading at USD45/barrel. OPEC has produced more than target for the past 17 months. Divergent monetary policy continues to affect bond yields. 2Y government bond yields in Germany stayed around record-low territory (-0.392%) due to the increasing expectations of new easing measures from the ECB while 2Y government bond yields in the US continued higher and closed at 0.9382%, the highest since May 2010, as a Fed hike in December looks like a done deal.

Despite France, the US and Russia moving closer to each other in order to fight against Islamic State, three European diplomats have said that **EU sanctions against Russia are likely to be extended due to the situation in Ukraine**. The issue will be discussed at the next EU council meeting.

**In Belgium, Brussels will be locked down for the fourth consecutive day due to threats of terror attacks.** Prime Minister Charles Michel said late Monday that Belgium is still 'confronted by the same type of threat'.

## Market overview

	07:30	07:30	1 day +/- %
S&P500 (close)	2086.6		↓ -0.12
S&P500 fut (chng from close)	2083.0		↓ -0.06
Nikkei	19933.5		↑ 0.27
Hang Seng	22472.8		↓ -0.85
	17:00	07:30	+/- bp
US 2y gov	0.93	0.94	↑ 1.7
US 10y gov	2.26	2.24	↓ -1.2
iTraxx Europe (IG)	71	71	↑ 0.2
iTraxx Xover (Non IG)	295	296	↑ 1.0
			+/- %
EUR/USD	1.062	1.063	↑ 0.09
USD/JPY	122.940	122.730	↓ -0.17
EUR/CHF	1.08	1.08	↓ -0.05
EUR/GBP	0.702	0.702	↑ 0.09
EUR/SEK	9.269	9.271	↑ 0.02
EUR/NOK	9.19	9.20	↑ 0.03
Oil Brent, USD	45.3	45.1	↓ -0.64
Gold, USD	1069.6	1071.7	↑ 0.20

### 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

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## Scandi Markets

In **Norway** the Q4 oil investment survey is due at 10.00 CET. The previous report indicated only a very moderate decline in investment in 2016 relative to consensus but the oil price has since fallen by more than USD20/bl and we expect this to trigger a further decline in investment in exploration, pulling the overall estimate down. We tentatively predict that the survey will now point to a 10% decline in investment in 2016, which would be neutral not only for us but also for Norges Bank. The survey will be crucial for the outlook for 2016 and could affect Norges Bank's growth projections and so its interest rate decision in December.

## Fixed Income Markets

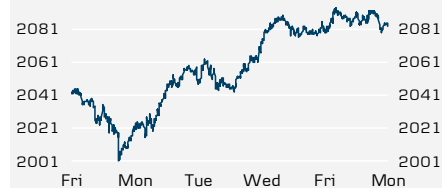
The aggressive pricing of ECB easing continues with the front hitting new lows as we entered the week. We now have some 13-14bp cut priced for the ECB December meeting. The curve steepened sharply yesterday on a combination of high supply this week (incl. 40Y ESM deal), Fed lift-off spill-over and maybe early signs that the market is pricing in that the ECB will not be in easing mode forever. Let us see – expectations about Draghi's fireworks in December continue to build and market moves suggest that it could potentially be the last easing move.

In this week's dense supply calendar both Finland and the Netherlands will tap in their 10Y benchmark today, at what is set to be the last auction in both countries this year. The Netherlands has outperformed Finland this year on the back of a stronger recovery and improving public finances. On the other hand, the Finnish government has underperformed peers due to weak growth and downgrade fears. Finland is now trading closer to France. The move seems too aggressive in our view taking into account the strong Finnish fundamental starting point. Looking at the Finnish curve, the 10Y point offers the most attractive spread versus peers and we see value in using the auction to switch to the 10Y point. Both the outright level to peers and the cheapness on the curve should attract investors, see *Tap of Finnish 25s – economy bad, pricing worse*, 23 November.

## FX Markets

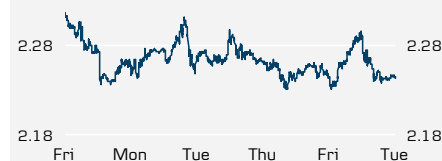
Today's oil investment survey out of Norway will be one of several key releases ahead of Norges Bank's monetary policy meeting on 17 December. As of now markets have priced out the probability of a December cut and, although we do not expect a cut, we do see some downside risk to NOK rates in the coming weeks. We do, however, not think today's release will be the catalyst for lower NOK rates as we look for a 2016 oil investment estimate of -10%, which is in line with Norges Bank's projection from September. The last oil investment survey from August coincided with the re-collapse in the oil price and hence there is significant uncertainty related to today's print. Should the release surprise in either direction, it will be an important indicator for economic activity in the oil-dependent economy for next year. Since domestic growth and employment over the last year have taken centre stage in Norges Bank's loss function, the oil investment survey will serve as a very important input to the bank's economic forecast and thereby interest rate setting. We still think risks in EUR/NOK remain skewed to the upside going into year-end where liquidity tends to worsen. Adding to this our short-term financial model's fair value estimate of 9.28 suggests that the cross already at current fundamentals is oversold.

### US S&P500 future



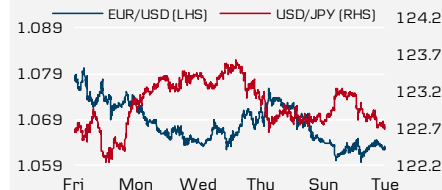
Source: Danske Bank Markets

### US 10y gov yield



Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

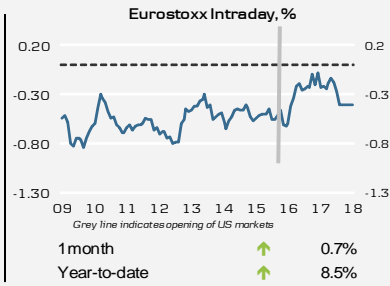
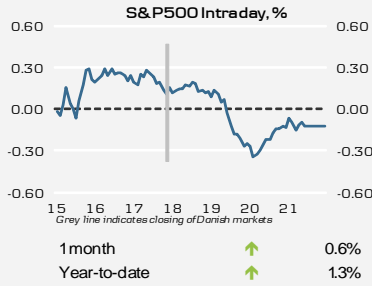
Key figures and events

Tuesday, November 24, 2015					Period	Danske Bank	Consensus	Previous
2:35	JPY	Nikkei Manufacturing PMI, preliminary	Index	Nov				52.4
6:30	NOK	Consumer confidence	Net. bal.	4th quarter				-4.1
8:00	DEM	GDP, final	q/q y/y	3rd quarter			0.3% 1.7%	0.3% 1.7%
8:00	DEM	Private consumption	q/q	3rd quarter			0.5%	0.2%
8:00	DEM	Government consumption	q/q	3rd quarter			0.3%	0.3%
8:00	DEM	Gross fixed investments	q/q	3rd quarter			-0.1%	-0.4%
8:45	FRF	Business confidence	Index	Nov			101.0	101.0
10:00	DEM	IFO - business climate	Index	Nov	<b>108.4</b>		108.1	108.2
10:00	DEM	IFO - current assessment	Index	Nov	<b>112.8</b>		112.3	112.6
10:00	DEM	IFO - expectations	Index	Nov	<b>104.3</b>		104.0	103.8
10:00	NOK	Statistics Norway releases Q4 oil investment survey						
10:20	NOK	Norway's Olsen speaks in Aalesund						
11:00	GBP	BoE's Carney, Haldane, Forbes and Vlieghe testify to UK Treasury Committee						
13:00	TRY	Central Bank of Turkey rate decision	%		<b>7.5%</b>		7.5%	7.5%
14:00	EUR	ECB's Merch speaks						
14:30	USD	Personal consumption	q/q	3rd quarter			3.2%	3.2%
14:30	USD	PCE core	q/q	3rd quarter			1.3%	1.3%
14:30	USD	GDP, second release	q/q ann.	3rd quarter			2.0%	1.5%
14:30	USD	GDP price deflator, second release	q/q	3rd quarter			1.2%	1.2%
15:00	USD	S&P Case Shiller House prices	Index	Sep				182.5
16:00	USD	Conference Board consumer confidence	Index	Nov			99.2	97.6

Source: Bloomberg, Danske Bank Markets

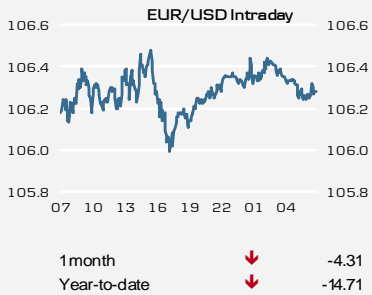
Today's market data: 24 November 2015

STOCKS



	Close		+/-
DJSTOXX50	3259	↓	-0.4%
OMXC20	991	↓	-0.1%
OMXS30	1516	↓	-0.4%
OSE BX	625	↓	-0.1%
<hr/>			
	Close		+/-
DOW JONES	17793	↓	-0.2%
NASDAQ	5102	↓	0.0%
S&P500	2087	↓	-0.1%
NIKKEI (07:30)	19934	↓	-0.4%

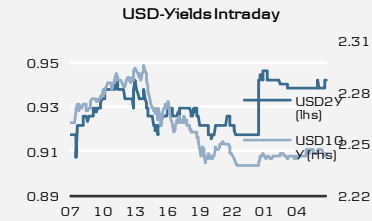
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	106.17	106.27	↑ 0.10
JPY	130.52	130.43	↓ -0.09
GBP	70.17	70.23	↑ 0.06
NOK	919.33	919.65	↑ 0.32
SEK	926.88	927.08	↑ 0.20
DKK	746.07	746.04	↓ -0.03
PLN	424.46	425.03	↑ 0.57
<hr/>			
USD	17:00	07:30	+/-
JPY	122.94	122.73	↓ -0.21
GBP	151.31	151.32	↑ 0.01
CHF	102.01	101.86	↓ -0.15

	Gold, \$	Oil, Brent, \$
07:30	1071.69	45.05
1day	↑ 2.49	↑ 0.22
1month	↓ -92.87	↓ -2.94
Year-t-date	↓ -113.17	↓ -12.28
<hr/>		
	CRB 1M future	CRB, Raw Industrials
07:30	183.43	399.23
1day	↓ -0.30	↑ 0.07
1month	↓ -10.28	↓ -21.21
Year-t-date	↓ -46.53	↓ -92.88

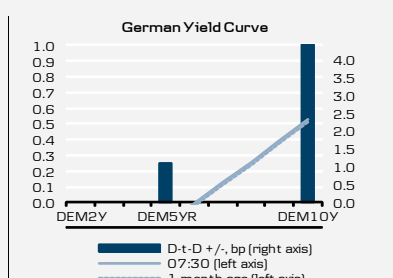
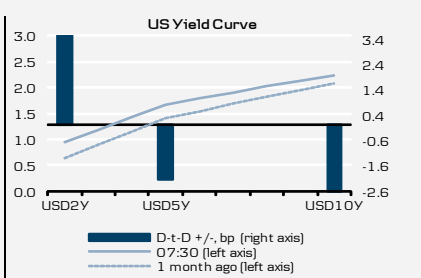
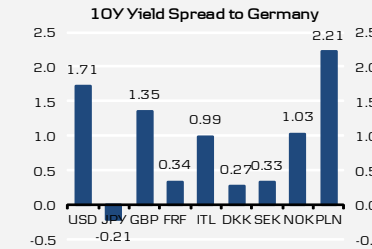
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.25	0.38	13
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	1.20	45
PLN	1.50	1.63	13

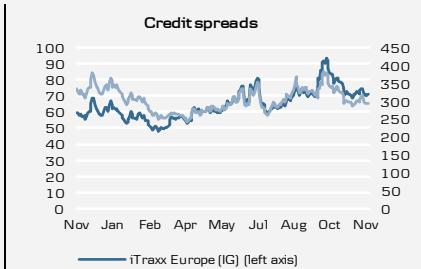
	17:00	07:30	+/-, bp
USD 10Y	2.26	2.24	↓ -1
USD 30Y	3.01	3.00	↓ -1
JPY 10Y	0.32	0.32	↓ -1
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	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.49	0.54	↑ 5
DKK 10Y	0.84	0.81	↓ -3
SEK 10Y	0.82	0.86	↑ 4
NOK 10Y	1.56	1.56	↑ 0
PLN 10Y	2.72	2.74	↑ 3

\* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	71	↓ 0	↓ 0
HiVol	86	↓ -1	↑ 13
Xover (N-IG)	296	↓ 0	↓ -4
<hr/>			
Finan. Sr.	70	↓ 0	↑ 1
Finan. Sub.	148	↓ -1	↑ 4
Non-finan.			

\* Ask price



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-17	-13	↑ 5
<hr/>			
	07:30(-1)*	17:00	+/-
EUR 10Y	0		
DKK 10Y	39	33	↓ -7
SEK 10Y	43	42	↓ -1
NOK 10Y	55	54	↓ 0

\* As of closing previous trading day

\*\* Ask price

Source: Bloomberg, Danske Bank Markets

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