

# Danske Daily

## Market Movers

- The market is expected to continue to focus on **China's** exchange rate management and the state of its economy more broadly. Concerns about the impact on the rest of the world has been the key market mover both in emerging markets and in advanced economies over the past few days.
- Developments in the **oil price** will also continue to remain in focus. The oil price slumped further on Wednesday to its lowest level since 2004, causing significant falls in currencies of oil-producing countries and oil-related assets.
- In the **euro area**, the unemployment rate and retail sales for November are set to be released. The unemployment rate reached 10.7% in October 2015, down from 11.5% a year earlier. We expect the downward trend to continue, as activity should pick up and potential growth remains very low. The progress in the labour market, together with the low oil price, supported growth in private consumption in 2015. We expect this to continue to be reflected in the retail sales figure for November, where we look for an increase of 0.4% m/m.
- In **Germany** we get numbers for factory production. Following three months of declines, factory orders recovered somewhat in October, when they were up 1.8% m/m. We look for them to start following their usual volatile pattern and expect a monthly decline of 0.9% but we see potential upside risk to our forecasts as the latest German survey indicators have improved.

## Selected Market News

Chinese shares fell sharply, leading to a closure of the Chinese equity markets as losses on the CSI 300 exceeded 7%, triggering for the second time this week the newly implemented circuit breaker system requiring a close of the stock exchange. The sell-off was caused by pressures in the foreign exchange markets, after the People's Bank of China reduced its fixing by 0.5% to 6.56, the lowest level since 2011, prompting concerns that further currency depreciation could lead to liquidity problems in the wider economy. The offshore Yuan initially lost ground but then later strengthened, probably as the central bank stepped in to support the currency. After the trading halt on Thursday, the regulator published new permanent rules restricting share purchases by large shareholders as well as corporate management and directors.

The Chinese problems sent jitters through Asian stock and currency markets. The Nikkei is down 2.25%, while other Asian markets are falling by 0.5% to 1.5%. On the FX side, most Asian currencies lost ground versus the USD. The oil price continues its slide this morning, falling over 2% with Brent trading at USD33.42 per barrel.

In the US last night, the minutes of the 15-16 December FOMC meeting, where the Fed delivered its first hike since June 2006, were more dovish than the statement and Janet Yellen's tone at the press conference. The minutes revealed that, although the hike was unanimous, it was a 'close call' for 'some' FOMC members. However, the market reaction was fairly muted after the release.

## Market overview

	07:30	1 day +/- %	
S&P500 (close)	1990.3	↓	-1.31
S&P500 fut (chng from close)	1957.0	↓	-1.46
Nikkei	17779.1	↓	-2.27
Hang Seng	20443.6	↓	-2.56
	17:00	07:30	+/- bp
US 2y gov	1.00	0.97	↓ -3.0
US 10y gov	2.19	2.15	↓ -4.4
iTraxx Europe (IG)	81	82	↑ 0.6
iTraxx Xover (Non IG)	335	338	↑ 3.6
			+/- %
EUR/USD	1.075	1.082	↑ 0.67
USD/JPY	118.650	117.950	↓ -0.59
EUR/CHF	1.09	1.08	↓ -0.07
EUR/GBP	0.735	0.740	↑ 0.55
EUR/SEK	9.250	9.264	↑ 0.15
EUR/NOK	9.65	9.68	↑ 0.38
			USD
Oil Brent, USD	34.6	33.2	↓ -4.01
Gold, USD	1089.0	1099.8	↑ 0.99

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 minutes: Not all members are as confident as Yellen despite the unanimous hike*
- *Research UK: 'Brexit' uncertainty biggest threat to the upturn*
- *Denmark: The central bank stepped up FX intervention in December*

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## Scandi Markets

Today at 09:00 CET we publish our **quarterly Nordic Outlook** including our new forecasts on the Nordic economies. In Denmark, GDP growth disappointed in 2015 but the outlook for the coming years is slightly brighter. In Sweden, low inflation is likely to prompt further monetary easing despite strong GDP growth. In Norway, the slowdown in the oil industry has been offset by public and consumer spending. In Finland, the economy will stop contracting but is unlikely to recover much in 2016.

In **Denmark**, there are many key economic figures due for release today. We expect gross unemployment rate to be unchanged at 4.5% in November. Nationwide house and apartment prices in October will show how the housing market performed in the first month of Q4 15. Also figures for bankruptcies and repossessions in December are due for release today.

A lot of attention will also be devoted to the **Danish central bank's** policy meeting this afternoon. 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 as early as this afternoon, to support DKK and limit the need for additional FX intervention. Any decision is expected to be announced at 16:00 CET.

## Fixed Income Markets

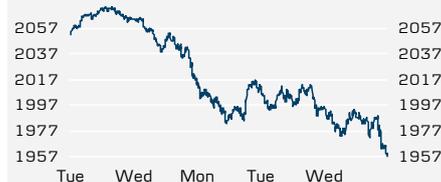
The syndicated issuance season in the EUR government bond market is also this year kicked off by **Ireland** launching a new 10Y (expected today's business). The past two years Ireland has printed around 4bn. Also France is in the market today with a EUR8-9bn duration heavy tap. France is printing in the Nov-25, the May-31 and the May-45. The **French** Tresor is looking to extend duration on government debt this year and has indicated plans to explore the possibility of doing an ultra-long bond in 2016. The Tresor is exploring the possibility of a 50Y bond which could come already in Q1. See *Supply vs QE in 2016 – zooming in on Q1 issuance*, 1 January.

## FX Markets

As oil took another dive yesterday **EUR/NOK** and **USD/CAD** continue to see upward pressure. Notably the market is upping expectations of a Bank of Canada rate cut with some 15bp priced by autumn. The uptick in USD/CAD that has sent the cross above the 1.40 mark takes some pressure off the central bank as it helps to facilitate the rebalancing of the Canadian economy to an oil price that will stay lower for longer. BoC governor Poloz is due to speak this afternoon and the CAD will be very sensitive to any hints for or against a possible BoC move at the policy meeting on 20 January. Our base case is no further rate cuts but risks are certainly tilted towards the Fed-BoC divergence being spelled out further near term.

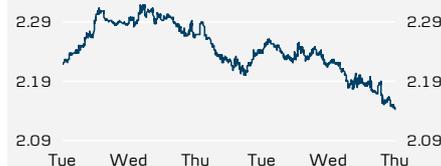
**EUR/USD** little changed yesterday as a strong ADP job report and decent durable goods were balanced by a somewhat weak non-manufacturing ISM reading. Today focus will be on Fed speakers following the December FOMC minutes released last night. We maintain that EUR/USD should remain heavy still near term as US money markets are still pricing too little on the Fed.

### 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

Thursday, January 7, 2016				Period	Danske Bank	Consensus	Previous
-	CNY	Foreign exchange reserves	bn. USD	Dec		3450	3438.3
1:30	AUD	Trade balance	AUD m	Nov		-2970	-3305
8:00	DEM	Factory orders	m/m/y/y	Nov	-0.9% ...	0.2% 1.1%	1.8% -1.4%
8:30	SEK	PMI services	Index	Dec			56.3
9:00	DKK	Gross unemployment s.a.	K (%)	Nov			120.4(4.5%)
9:00	DKK	House and apartment prices		Oct			
9:00	DKK	Forced sales (s.a.)	Number	Dec			
9:00	DKK	Bankruptcies (s.a.)	Number	Dec			
11:00	EUR	Retail sales	m/m/y/y	Nov	0.4% ...	0.2% 2.0%	-0.1% 2.5%
11:00	EUR	Unemployment	%	Nov	10.7%	10.7%	10.7%
11:00	EUR	Business climate indicator	Net bal.	Dec		0.4	0.4
11:00	EUR	Industrial confidence	Net bal.	Dec		-3.0	-3.2
11:00	EUR	Economic confidence	Index	Dec		106.0	106.1
11:00	EUR	Service confidence	Net bal.	Dec		12.6	12.8
11:00	EUR	Consumer confidence, final	Net bal.	Dec		-5.7	-5.7
14:30	USD	Initial jobless claims	1000				
14:45	USD	Fed's Lacker (non-voter, hawkish) speaks					
20:15	USD	Fed's Evans (non-voter, dovish) speaks					

Source: Bloomberg, Danske Bank Markets

Today's market data: 07 January 2016

STOCKS



	Close		+/-
DJUSTOXX50	3013	↓	-1.3%
OMXC20	1003	↓	-0.9%
OMXS30	1387	↓	-0.5%
OSE BX	582	↓	-1.4%
	Close		+/-
DOW JONES	16907	↓	-1.5%
NASDAQ	4836	↓	-1.1%
S&P500	1990	↓	-1.3%
NIKKEI (07:30)	17779	↓	-1.3%

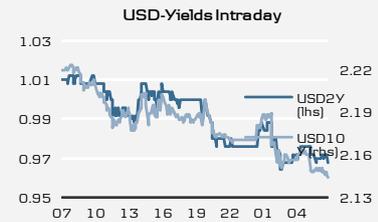
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	107.46	108.18	↑ 0.72
JPY	127.51	127.60	↑ 0.09
GBP	73.55	73.95	↑ 0.41
NOK	964.74	968.44	↑ 3.70
SEK	924.98	926.37	↑ 1.39
DKK	746.11	746.05	↓ -0.06
PLN	435.34	435.45	↑ 0.11
USD	17:00	07:30	+/-
JPY	118.65	117.95	↓ -0.70
GBP	146.11	146.29	↑ 0.18
CHF	100.98	100.24	↓ -0.74

	07:30	Gold, \$	Oil, Brent, \$
1 day	↑	1099.75	33.24
1 month	↑	6.08	-0.99
Year-t-date	↑	28.21	-7.49
		38.33	-4.04
	07:30	CRB 1M future	CRB, Raw Industrials
1 day	↓	169.45	410.50
1 month	↓	-3.61	3.92
Year-t-date	↓	-9.11	10.08
		-6.69	5.79

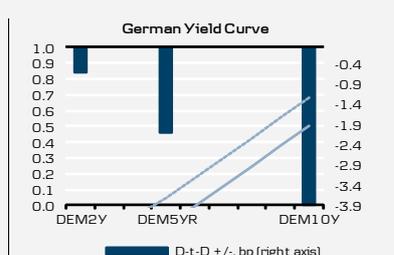
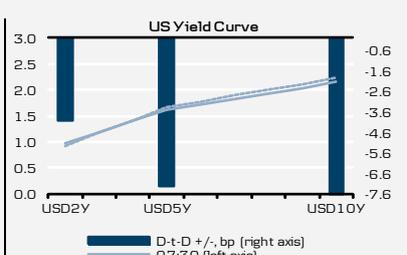
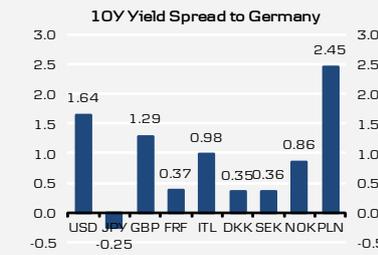
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.50	0.62	12
EUR	0.05	-0.14	-19
GBP	0.50	0.59	9
DKK	0.05	-0.05	-10
SEK	-0.35	-0.31	4
NOK	0.75	1.12	37
PLN	1.50	1.62	12

	17:00	07:30	+/-, bp
USD 10Y	2.19	2.15	↓ -4
USD 30Y	2.94	2.91	↓ -4
JPY 10Y	0.25	0.25	↓ 0
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.54	0.51	↓ -4
DKK 10Y	0.87	0.85	↓ -2
SEK 10Y	0.85	0.84	↓ -1
NOK 10Y	1.36	1.36	↑ 0
PLN 10Y	2.95	0.00	↓ -295

\* As of closing previous trading day



Credit spread, iTraxx s. 11*	07:30	1 day	1 month
Europe (IG)	82	↑ 0	↑ 9
HiVol	114	↑ 6	↑ 22
Xover (N-IG)	338	↑ 2	↑ 41
Finan. Sr.	79	↑ 0	↑ 8
Finan. Sub.	167	↑ 1	↑ 19
Non-finan.			



Swap Spread, bp**	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-9	-9	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0	16	↑ 16
DKK 10Y	38	38	↑ 0
SEK 10Y	41	39	↓ -2
NOK 10Y	67	67	↑ 0

\* As of closing previous trading day

\*\* Ask price

Source: Bloomberg, Danske Bank Markets

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