

# Danske Daily

## Market Movers

- A lot of data to chew on today. Euro area kicks off with French and Spanish GDP data for Q4. France is expected to have grown 0.2% q/q, while Spain likely had stronger growth around 0.8% q/q. Later this morning we look for a rise in euro flash CPI to 0.5% y/y from 0.2% y/y and core inflation to move up to 1.1% y/y from 0.9% y/y. M3 and credit data are expected to continue to show solid gains.
- In the US focus turns to Q4 GDP which we expect only increased by 0.2% q/q (consensus 0.8% y/y). Some of the weakness, however, reflects another quarter with a negative contribution from inventories. Also, falling oil investments due to the oil price collapse are likely to have weighed on total investments.
- The US Employment Cost Index is also worth keeping an eye on as this will give an indication of how tight the US labour market is. Consensus is for an unchanged rate of 0.6% q/q pointing to a moderate rise in wage growth but not yet something to cause concern for the Fed. A bigger worry is the decline in the oil price and global uncertainty as highlighted in the statement this week.
- In Scandi we get Swedish household lending, while Norway releases retail sales, credit indicator and unemployment. See *Scandi Markets*.

## Selected Market News

**The Bank of Japan joined the easing camp and surprised markets with the introduction of negative interest rates** of -0.1% this morning. Governor Haruhiko Kuroda got the move through with a split 5-4 vote. The BoJ also continues its record-high asset purchase programme. The JPY weakened in response and Nikkei is up close to 2%.

BoJ's move spurred a global risk rally with other Asian markets up as well and US stock futures moving higher, see *Bloomberg*. Chinese stocks are up around 3% this morning. The USD/CNY fixing fell slightly again and thus continues the grind lower.

**The oil price spiked higher yesterday** moving above USD35 per barrel briefly after indications from Russia that it is willing to meet with OPEC next month. The price fell back a bit during the evening but is still above USD34 per barrel. It is uncertain whether such talks are likely but it may be a sign that the pain threshold is being reached as the war of attrition is starting to cause severe stress in some countries.

## Market overview

	07:30	1 day +/- %	
S&P500 (close)	1893.4	↑	0.55
S&P500 fut (chng from close)	1893.0	↑	0.65
Nikkei	17556.0	↑	3.02
Hang Seng	19572.9	↑	1.96
	17:00	07:30	+/- bp
US 2y gov	0.83	0.79	↓ -3.8
US 10y gov	2.00	1.96	↓ -4.7
iTraxx Europe (IG)	93	94	↑ 0.5
iTraxx Xover (Non IG)	376	378	↑ 1.8
			+/- %
EUR/USD	1.094	1.091	↓ -0.33
USD/JPY	118.720	120.760	↑ 1.72
EUR/CHF	1.11	1.11	↓ -0.09
EUR/GBP	0.760	0.757	↓ -0.39
EUR/SEK	9.306	9.286	↓ -0.21
EUR/NOK	9.45	9.38	↓ -0.70
			USD
Oil Brent, USD	34.3	34.5	↑ 0.73
Gold, USD	1116.1	1114.5	↓ -0.14

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

- *Flash Comment: German inflation increased in January - euro inflation set to follow*
- *Flash Comment UK - Growth rebounded to 0.5% q/q in Q4 15*

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## Scandi Markets

**Norway.** Statistics Norway will publish retail sales figures for December. Following a collapse in consumer confidence and extremely weak trade data over the summer and into Q3, retail sales grew in both October and November. On the other hand, we know that the extension of Black Friday to a whole week brought a lot of Christmas trading forward from December to November. Therefore, we expect a correction in December, with retail sales falling 0.6% m/m. However, this would still be enough for private consumption to climb around 0.5% q/q, reducing the downside risk to Q4 GDP. We also get January jobless data from NAV, giving us a first hint of what might be in store in 2016. We expect registered unemployment to climb to 3.3%, due mainly to seasonal factors. However, underlying joblessness is also rising and we expect gross unemployment to increase by around 1,200 people from December to January. This would be in line with the trend in the autumn, while unemployment grew much faster (by almost 2,000 people per month) from Easter through to the summer, which suggests that the main rounds of downsizing took place in the winter and spring.

**Sweden.** Household lending data for December are released. The y/y rate is relatively stable but we expect an insignificant decline from 7.3% y/y to 7.2% y/y. Still, the fact remains that the Swedish households' debt-to-income continues to rise.

## Fixed Income Markets

We are experiencing a continuation of the very volatile fixed income markets with outright levels setting new lows. Except for the 2Y point, the whole EUR swap curve now stands at the lowest levels since the spring 2015 sell-off and 5Y set a new all-time low print at 0.12%. However, one needs to compare to the Euribor 6M fixing currently at -8.3bp (another record low!) and with the 2s5s curve still being relatively steep we like to being received in the 5Y segment of the curve but against the 2Y point, as we think there are limits to how much should be priced in terms of ECB deposit cuts with 18bp in total for 2016.

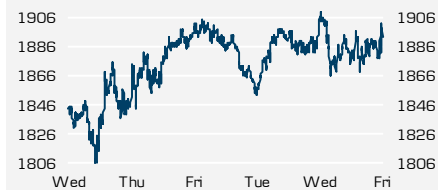
Spain is up for review by Fitch tonight. Spain is on stable outlook and we do not expect a change to the rating nor the outlook given the current political situation.

## FX Markets

Norges Bank's FX transaction statistics show that foreign banks (proxy for speculative flows) in the past two weeks have net bought the Norwegian currency for a total amount of NOK10.8bn. This is the largest two-week net purchase amount since April last year when a sudden rebound in the oil price sparked heavy NOK interest. This time the NOK buying interest comes amid the import-weighted NOK reaching the weakest level recorded since 1989 as well as a stabilisation in global risk sentiment and a higher oil price. While the buying interest – according to our Microstructure model on FX flows - has narrowed the NOK liquidity risk premium, the Norwegian currency remains roughly 4% weaker than what a flow-based historical relationship would suggest.

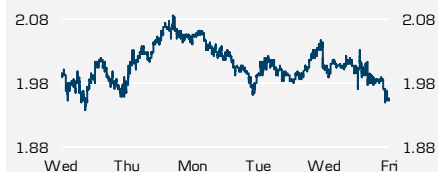
The bounce in the oil price together with higher NOK-rates have returned the NOK to Norges Bank's (NB) projection from December and consequently the currency is no longer an argument for a higher rate path. Global rates have fallen significantly since the NB December meeting and despite the latest rebound in the oil price, it remains significantly below NB's projections. The latter increases the tail risk of the Norwegian economy falling over and thereby the need for lower NOK rates. Ample supply and global growth worries will in our view limit the short-term upside potential in oil and with little indications of the Norwegian business cycle turning, the risk of a March cut has

### US S&P500 future



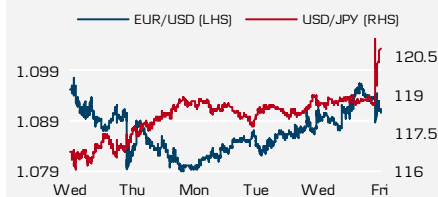
Source: Danske Bank Markets

### US 10y gov yield



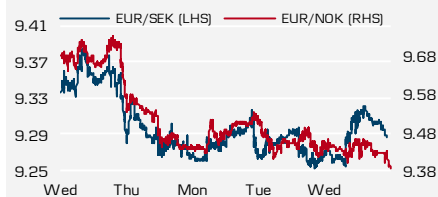
Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

in our view risen significantly in 2016. In December NB hinted at a forecast-conditioned 40-60% probability of a cut at the meeting in March; markets price roughly a 30% probability. In sum, we think risks to EUR/NOK for the coming month are skewed to the upside and we forecast the cross at 9.60 in 1M.

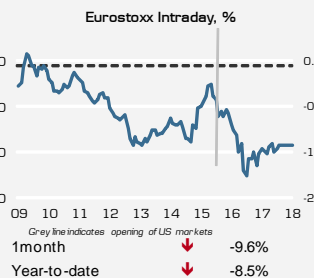
Key figures and events

Friday, January 29, 2016				Period	Danske Bank	Consensus	Previous
7:30	FRF	GDP, preliminary	q/q y/y	4th quarter	<b>0.2%</b>  ..	0.2% 1.2%	0.3% 1.1%
8:45	FRF	Household consumption	m/m y/y	Dec		0.7% 1.0%	-1.1% 1.0%
8:45	FRF	HICP inflation, preliminary	m/m y/y	Jan	...  <b>0.5%</b>	-1.0% 0.4%	0.2% 0.3%
9:00	DKK	CB's securities statistics		Dec			
9:00	DKK	Foreign portfolio investments		Dec			
9:00	ESP	HICP inflation, preliminary	m/m y/y	Jan	...  <b>0.0%</b>	-2.0% 0.0%	-0.4% -0.1%
9:00	ESP	GDP, preliminary	q/q y/y	4th quarter	<b>0.8%</b>  ..	0.8% 3.5%	0.8% 3.4%
9:30	SEK	Wages (blue collars/white collars)	y/y	Nov			2.5%
9:30	SEK	Household lending	y/y	Dec	<b>7.2%</b>	7.3%	7.3%
10:00	NOK	Retail sales, s.a.	m/m	Dec	<b>-0.6%</b>	-0.5%	0.6%
10:00	NOK	Credit indicator (C2)	y/y	Dec	<b>5.3%</b>	5.3%	5.4%
10:00	NOK	Norges Bank's daily FX purchases	m	Feb	<b>-500</b>		-500
10:00	NOK	Unemployment	%	Jan	<b>3.3%</b>	3.4%	3.0%
10:00	EUR	Money supply (M3)	y/y	Dec	<b>5.2%</b>	5.2%	5.1%
11:00	EUR	HICP inflation, preliminary	y/y	Jan	<b>0.5%</b>	0.4%	0.2%
11:00	EUR	HICP - core inflation, preliminary	%	Jan	<b>1.1%</b>	0.9%	0.9%
11:30	RUB	Central Bank of Russia rate decision	%		<b>11.0%</b>	11.0%	11.0%
14:30	USD	Employment cost index	m/m	4th quarter		0.6%	0.6%
14:30	CAD	GDP	m/m y/y	Nov			0.0% -0.2%
14:30	USD	Personal consumption, preliminary	q/q	4th quarter	<b>1.8%</b>	2.0%	3.0%
14:30	USD	PCE core, preliminary	q/q	4th quarter		1.2%	1.4%
14:30	USD	GDP price deflator, first release, preliminary	q/q	4th quarter		0.8%	1.3%
14:30	USD	GDP, first release, preliminary	q/q ann.	4th quarter	<b>0.2%</b>	0.8%	2.0%
15:45	USD	Chicago PMI	Index	Jan		45.3	42.9
16:00	USD	University of Michigan Confidence, final	Index	Jan		93.0	93.3
21:30	USD	Fed's Williams (non-voter, neutral) speaks					

Source: Bloomberg, Danske Bank Markets

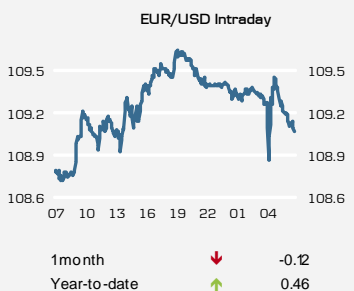
Today's market data: 29 January 2016

STOCKS



	Close	±	%
DJSTOXX50	2837	↓	-1.8%
OMXC20	949	↓	-2.0%
OMXS30	1333	↓	-2.4%
OSE BX	552	↑	1.0%
	Close	±	%
DOW JONES	16070	↑	0.8%
NASDAQ	4507	↑	0.9%
S&P500	1893	↑	0.6%
NIKKEI (07:30)	17556	↓	-1.8%

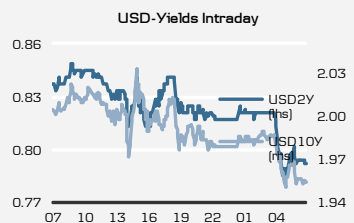
FX & COMMODITIES



	17:00	07:30	±	%
<b>EUR</b>				
USD	109.44	109.08	↓	-0.36
JPY	129.92	131.72	↑	1.80
GBP	76.02	75.72	↓	-0.30
NOK	945.08	938.49	↓	-6.59
SEK	930.61	928.61	↓	-2.00
DKK	746.28	746.29	↑	0.01
PLN	446.87	445.01	↓	-1.86
<b>USD</b>				
JPY	118.72	120.76	↑	2.04
GBP	143.96	144.06	↑	0.10
CHF	10143	10168	↑	0.25

	07:30	±	%
<b>Gold, \$</b>			
07:30	1114.52		
1day	↓	-0.82	↑
1month	↑	45.42	↓
Year-t-date	↑	53.10	↓
<b>Oil, \$</b>			
Brent, \$	34.50		
1day	↑	0.61	
1month	↓	-3.29	
Year-t-date	↓	-2.78	
<b>CRB</b>			
1M future	165.22		
1day	↑	104	↑
1month	↓	-12.13	↑
Year-t-date	↓	-10.93	↑
<b>CRB, Raw Industrials</b>			
07:30	413.84		
1day	↑	195	
1month	↑	10.98	
Year-t-date	↑	9.13	

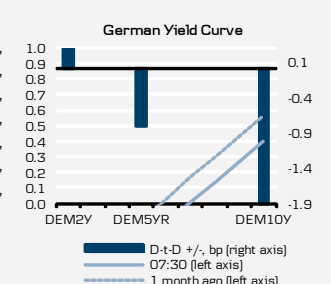
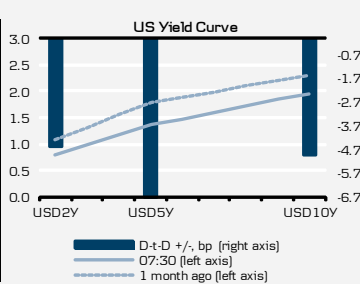
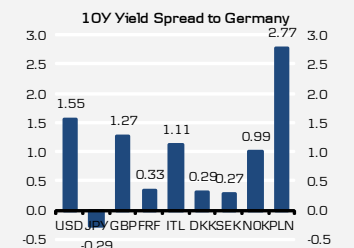
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.50	0.62	12
EUR	0.05	-0.16	-21
GBP	0.50	0.59	9
DKK	0.05	-0.06	-11
SEK	-0.35	-0.30	5
NOK	0.75	1.18	43
PLN	150	160	10

	17:00	07:30	±	bp
USD 10Y	2.00	1.96	↓	-5
USD 30Y	2.80	2.78	↓	-2
JPY 10Y	0.23	0.12	↓	-11
	07:30(-1)*	17:00	±	bp
DEM 10Y	0.42	0.41	↓	-1
DKK 10Y	0.79	0.70	↓	-9
SEK 10Y	0.71	0.68	↓	-3
NOK 10Y	1.39	1.39	↑	0
PLN 10Y	3.22	3.17	↓	-5

\* As of closing previous trading day

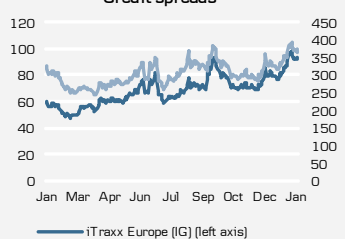


Credit spread, iTraxx s. 11\*

	07:30	1day	1month
Europe (IG)	94	↑ 0	↑ 16
HiVol	127	↑ 0	↑ 19
Xover (N-IG)	378	↑ 0	↑ 57
Finan. Sr.	92	↑ 1	↑ 17
Finan. Sub.	204	↑ 2	↑ 45
Non-finan.			

\* Ask price

Credit spreads



Swap Spread, bp\*\*

	17:00	07:30	±
USD 10Y			
JPY 10Y	-12	-11	↑ 1
	07:30(-1)*	17:00	±
EUR 10Y	0	16	↑ 16
DKK 10Y	30	33	↑ 3
SEK 10Y	42	42	↓ -1
NOK 10Y	66	65	↓ -1

\* As of closing previous trading day

\*\* Ask price

Source: Bloomberg, Danske Bank Markets \* 7:30(-1) og 17:00 refers to the previous (trade) day

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### First date of publication

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