

10 November 2015

Danske Daily

Market Movers

- We do not expect any big changes to **Norwegian CPI**, see *Scandi Markets*.
- It's a quiet day on the global agenda with only tier-2 data. **French industrial production** for September is set for a big drop following a strong monthly rise in August.
- US NFIB small business optimism** is expected to rise slightly to 96.4 from 96.1.
- US import price inflation** is expected to rise to -9.4% y/y in October from -10.7% y/y. The downward pressure on inflation from commodity prices will gradually ease and push up import price inflation as also indicated by the Fed lately.

Selected Market News

Chinese inflation released overnight fell more than expected to 1.3% y/y in October (consensus 1.5% y/y) from 1.6% y/y in September. The drop was mostly due to lower food price inflation, although the core inflation rate (ex food and energy) also fell from 1.6% y/y to 1.5% y/y. The data may fuel expectations of more easing from PBoC. However, if the economy continues to show signs of bottoming, we expect the central bank to be close to the end of the current easing cycle. We look for one last cut in the reserve requirement ratio of 50bp by year-end. PPI inflation stayed unchanged at -5.9% y/y in October held down by declining import prices.

In Japan the Eco Watchers Expectations index (a good leading indicator) held steady at 49.1, which is still a decent level (the long term average is 46.0.).

A **new stand-off between Greece and the EU** is a reminder that the Greek issue is still looming in the background, see *FT*. A EUR2bn tranche of the EUR86bn bailout package was withheld yesterday due to a failure from Greece to meet conditions on protection of homeowners in case of repossession. EU creditors are demanding weaker protection to avoid abuse of the system.

After a month of strong rally, **US stocks turned lower** yesterday falling 1%. It seems investors are taking profit as uncertainty is still looming over a December Fed hike and the effects of a stronger USD.

Despite the drop in risk appetite **US bond yields held steady** as comments from dovish Fed member Charles Evans (voter in 2015) added to expectations that the Fed is ready for lift-off in December. The message was echoed overnight by another dovish member of the Fed, Eric Rosengren, who said December lift-off is appropriate unless the economy slows unexpectedly.

A *Reuters story* yesterday that a consensus is building for a deposit rate cut at the ECB December meeting sent **2-year German yields sharply lower** and pulled 10-year yields lower as well.

Market overview

		07:30		1 day +/- %
S&P500 (close)		2078.6	↓	-0.98
S&P500 fut (chng from close)		2077.1	↑	0.20
Nikkei		19673.0	↑	0.15
Hang Seng		22428.4	↓	-1.31
	17:00	07:30		+/-, bp
US 2y gov	0.89	0.87	↓	-2.0
US 10y gov	2.36	2.33	↓	-2.6
iTraxx Europe (IG)	72	73	↑	0.7
iTraxx Xover (Non IG)	300	303	↑	2.9
				+/-, %
EUR/USD	1.075	1.075	↓	-0.02
USD/JPY	123.200	123.240	↑	0.03
EUR/CHF	1.08	1.08	↑	0.12
EUR/GBP	0.711	0.711	↑	0.00
EUR/SEK	9.333	9.341	↑	0.09
EUR/NOK	9.31	9.30	↓	-0.10
				USD
Oil Brent, USD	47.3	47.3	↑	0.06
Gold, USD	1089.6	1093.0	↑	0.31

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

- IMM Positioning: Investors add bullish USD bets**

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Scandi Markets

Norway. We do not expect any big changes in the October inflation data but still expect core inflation up at 3.1% y/y, in line with consensus. Inflation has faded into the background as a result of the considerable patience Norges Bank displayed in September with respect to the temporary currency-driven rise in consumer prices. Wage growth will slow as unemployment climbs, so inflation will gradually recede once the exchange rate effect fades. Import prices for consumer goods (prices at the border) climbed further in Q3, which indicates that both imported inflation and overall CPI inflation will rise further.

Sweden. The Riksbank releases its Monetary Policy Minutes today at 9.30 CET. Although the Riksbank surprised with a bigger than expected package, focus is likely to be on its potential response to an ECB rate cut/QE extension in December. In addition, comments on how to further extend monetary policy stimulus if the current one proves insufficient (i.e. what bonds to buy, if/or FX intervention).

Fixed Income Markets

Very volatile start to the week in the EUR FI market. In the core 2Y and 5Y yields were pushed down 3bp and 5bp, respectively, on the Reuters story that highlighted that a rate cut of even more than 10bp might be on the ECB hand and ready to be played in December.

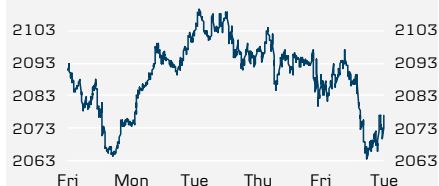
In the periphery 10Y Spain versus Italy has widened to the widest level year-to-date. The Catalanian lawmakers' approval of the plan for secession was weighing on Spain and the move was probably exaggerated on Monday by Madrid (incl. PSPP) being out due to local holiday. Portugal was the big underperformer yesterday with the 10Y widening 20bp to Italy. The Socialists are set to issue a motion and vote down PM Coelho later today. The next step is most likely President Silva announcing a Socialist leader as PM, although a caretaker government remains an option in theory.

In the primary market the Netherlands is tapping up to EUR3bn in the Apr-18 today. The auction should go down easy with the pricing being neutral on the Dutch curve and rate cut expectations building. Germany is tapping the 15Y linker today.

FX Markets

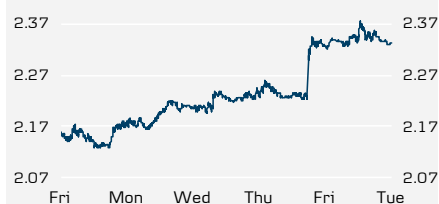
The USD rally took a breather yesterday along with a decline in equity markets as investor's appetite for risk assets waned on the prospect for higher US interest rates. As such, this week's price actions illustrate some of the conflicting factors that currently are in play in the FX market. Thus, while we still expect the USD to strengthen further on relative rates, especially against low yielders such as the EUR, JPY and CHF, it is difficult to see EUR/USD testing parity prior or around the time of the Fed hike in December unless markets generally are in risk-on mode. In addition, we note that the latest IMM positioning data showed that speculative EUR/USD positioning returned to the most bearish level since June in the week ending 3 November and we suspect that EUR/USD positioning has since become even more stretched as the coverage period does not include Friday's non-farm payrolls release nor Janet Yellen's hawkish comments last week. Hence, an already stretched positioning is another factor that can ease USD momentum, cause more volatility and higher sensitivity to USD negative news.

US S&P500 future



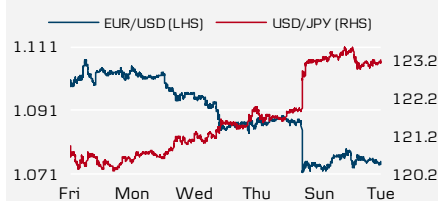
Source: Danske Bank Markets

US 10y gov yield



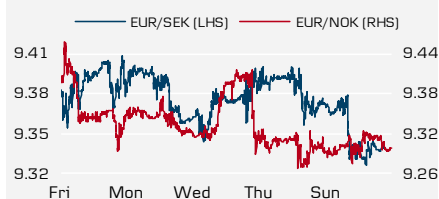
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

Key figures and events

Tuesday, November 10, 2015					Period	Danske Bank	Consensus	Previous
-	EUR	ECB's Constancio speaks in Brussels						
-	CNY	Money supply M2	y/y	Oct			13.2%	13.1%
-	CNY	New Yuan loans	CNY bn.	Oct			800	1050
-	CNY	Aggregate financing	bn CNY	Oct			1000	1302.8
0:50	JPY	Bank lending	y/y	Oct			2.6%	2.6%
1:30	AUD	NAB Business Conditions	Index	Oct				9.0
2:30	CNY	PPI	y/y	Oct			-5.9%	-5.9%
2:30	CNY	CPI	y/y	Oct			1.5%	1.6%
6:00	JPY	Eco Watchers Survey Outlook (Current)	Index	Oct			49.3	49.1 47.5
7:45	CHF	Unemployment	%	Oct				3.4%
8:45	FRF	Industrial production	m/mly/y	Sep			0.2% 2.0%	1.6% 1.6%
9:00	DKK	CPI	m/mly/y	Oct		0.1% 0.5%	0.1% 0.5%	0.2% 0.5%
10:00	ITL	Industrial production	m/mly/y	Sep			0.6% ...	-0.5% 1.0%
10:00	NOK	CPI	m/mly/y	Oct			0.4% 2.4%	0.6% 2.1%
10:00	NOK	PPI	m/mly/y	Oct				-0.2% -10.1%
10:00	NOK	Core inflation(CPI-ATE)	m/mly/y	Oct		0.4% 3.1%	0.3% 3.1%	0.8% 3.1%
12:00	USD	NFIB small business optimism	Index	Oct			96.3	96.1
12:15	EUR	ECB's Coeure speaks in Berlin						
14:30	USD	Import prices	m/mly/y	Oct			-0.1% -9.3%	-0.1% -10.7%

Source: Bloomberg, Danske Bank Markets

Today's market data: 10 November 2015

STOCKS



	Close		+/-
DJSTOXX50	3219	↓	-1.1%
OMXC20	972	↓	-0.9%
OMXS30	1512	↓	-1.0%
OSE BX	629	↑	0.3%

	Close		+/-
DOW JONES	17730	↓	-1.0%
NASDAQ	5095	↓	-1.0%
S&P500	2079	↓	-1.0%
NIKKEI (07:30)	19673	↓	-1.1%

FX & COMMODITIES

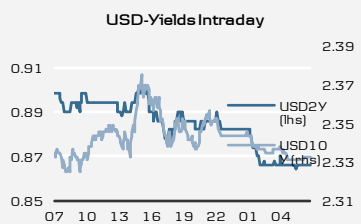


EUR	17:00	07:30	+/-
USD	107.51	107.49	↓ -0.02
JPY	132.45	132.47	↑ 0.02
GBP	71.13	71.13	↑ 0.00
NOK	930.82	929.87	↓ -0.95
SEK	933.33	934.14	↑ 0.81
DKK	746.00	746.00	↑ 0.00
PLN	425.68	425.34	↓ -0.34
USD	17:00	07:30	+/-
JPY	123.20	123.24	↑ 0.04
GBP	151.15	151.10	↓ -0.05
CHF	100.30	100.45	↑ 0.15

		Gold, \$		Oil, Brent, \$
07:30		1092.96		47.32
1 day	↑	0.66	↑	0.13
1 month	↓	-64.32	↓	-5.33
Year-t-date	↓	-91.90	↓	-10.01

		CRB 1M future		CRB, Raw Industrials
07:30		189.22		410.12
1 day	↓	-1.81	↓	-1.40
1 month	↓	-13.47	↓	-22.12
Year-t-date	↓	-40.74	↓	-81.99

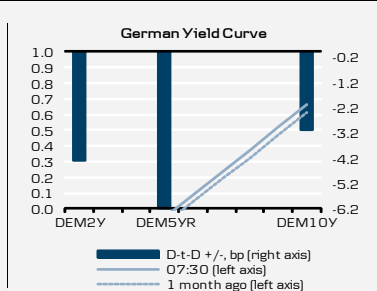
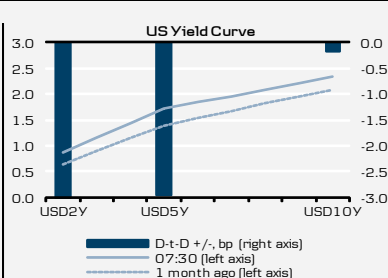
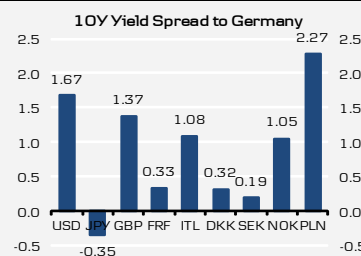
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.25	0.34	9
EUR	0.05	-0.07	-12
GBP	0.50	0.58	8
DKK	0.05	-0.12	-17
SEK	-0.35	-0.37	-2
NOK	0.75	1.13	38
PLN	1.50	1.63	13

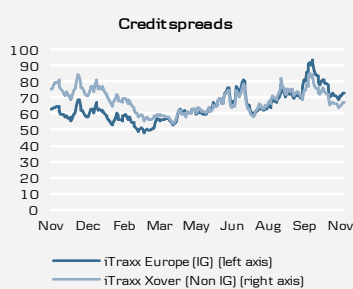
	17:00	07:30		+/-, bp
USD 10Y	2.36	2.33	↓	-3
USD 30Y	3.13	3.10	↓	-2
JPY 10Y	0.34	0.32	↓	-2
	07:30(-1)*	17:00		+/-, bp
DEM 10Y	0.69	0.67	↓	-2
DKK 10Y	1.08	0.99	↓	-9
SEK 10Y	0.86	0.87	↑	1
NOK 10Y	1.71	1.71	↑	0
PLN 10Y	2.91	2.93	↑	3

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	73	0	-6
HiVol	82	1	7
Xover (N-IG)	303	2	-22
Finan. Sr.	72	1	-8
Finan. Sub.	154	1	-14
Non-finan.			

* Ask price



	Swap Spread, bp**			
	17:00	07:30		+/-
USD 10Y				
JPY 10Y	-10	-10	🔴	0
	07:30(-7)*	17:00		+/-
EUR 10Y	0			
DKK 10Y	31	31	🔴	0
SEK 10Y	37	36	🔴	-1
NOK 10Y	61	63	🟢	2

* 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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