

Danske Daily

Market Movers

- Tonight's FOMC meeting is unlikely to provide us with much new information. We expect to receive a statement but no updated projections or press conference. Along with consensus, we expect no change in policy at the meeting. We believe the Fed wants to keep all doors open at this point and will try to signal that a December rate hike is an option but by no means a given. The tone on recent economic developments is likely to be more downbeat than in September but global economic and financial developments should have become less of a risk. In our view, the forward-looking part of the statement is likely to be kept broadly unchanged, as the Fed awaits more data before changing its view on the outlook.
- ECB's Preat and Constanzio speak today. Markets will look for clues on what kind of easing the ECB has in mind.
- Today could turn out to be hectic in Sweden. First, the debt office's (delayed) borrowing forecast (revised for 2016 and the first for 2017) is released at 9.00 CET. Half an hour later the Riksbank announces its policy decision from yesterday's executive board meeting. In Norway it is time for manufacturing confidence, retail sales and labour market numbers. See *Scandi Markets*.

Selected Market News

US key numbers set the tone yesterday. Durable goods orders declined 1.2% m/m in September and August order growth was revised down to -3.0% from -2.0%. The headline was dragged down by non-defence aircraft orders, which was -35.7% in September and -11.2% in August. However, even ex aircraft, durable goods orders were down 0.4% m/m in September and 0.9% in August, so still a weak trend but not as bad as the headline. The gauge on business capex, the capital goods orders ex defence and aircraft was -0.3% in September and -1.6% in August after two strong months, which leaves the three-month annualised growth rate unchanged at 6.2% but the trend into Q4 is on the weak side. US consumer confidence was also on the weak side as it fell to 97.6 from a revised 103. Consensus had expected a roughly unchanged reading.

Oil was also high on the agenda yesterday, as Brent oil dropped below USD47 a barrel on expectations that today's stock data from the Department of Energy will show another build and on fears that the Chinese rate cut earlier this week might reflect a more protracted weakness in the Chinese economy.

The weak numbers together with further comments from ECB members confirming the dovish stance of the ECB made both Bunds and US treasuries rally and the futures market postponed the first Fed rate hike further into 2016 ahead of tonight's FOMC meeting. Note though, that the market is still pricing roughly a 30% probability of a Fed hike at the December meeting but hardly no probability for a move tonight.

The news weighed on the US equity market and the major indices all ended with small losses although the losses for the European indices were actually higher. Nikkei is also up slightly this morning after Apple published its positive earnings after the US close.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2065.9	↓ -0.26	
S&P500 fut (chng from close)	2063.7	↑ 0.16	
Nikkei	18879.2	↑ 0.54	
Hang Seng	23033.2	↓ -0.47	
	17:00	07:30	+/- bp
US 2y gov	0.61	0.63	↑ 1.6
US 10y gov	2.01	2.04	↑ 2.3
iTraxx Europe (IG)	72	73	↑ 0.7
iTraxx Xover (Non IG)	301	304	↑ 2.1
			+/- %
EUR/USD	1.105	1.103	↓ -0.15
USD/JPY	120.290	120.420	↑ 0.11
EUR/CHF	1.09	1.09	↑ 0.08
EUR/GBP	0.722	0.721	↓ -0.12
EUR/SEK	9.382	9.385	↑ 0.04
EUR/NOK	9.34	9.36	↑ 0.20
Oil Brent, USD	46.7	46.8	↑ 0.41
Gold, USD	1167.4	1170.9	↑ 0.30

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 Preview: Waiting for green light*
- *Norway auction preview*

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Scandi Markets

Today could turn out to be hectic in **Sweden**. First, the debt office's (delayed) borrowing forecast (revised for 2016 and the first for 2017) is released at 9.00 CET. Half an hour later the Riksbank announces its policy decision from yesterday's executive board meeting.

The debt office originally planned to release its forecast a week ago but considering the substantial increase in refugees of late, it saw reason to await an updated projection by the Migration Agency. The latter revised up the estimated cost for migration (compared with the July figures by SEK30bn in 2016 and 40bn in 2017). So it seems likely that the debt office will have to revise up its borrowing forecast quite substantially and raise the amount financed by government bonds.

The Riksbank started to buy securities (government bonds) in February and has extended its purchases three times since. The current programme runs through December and we expect another prolongation for another quarter to be announced.

Finally, the Swedish Debt Office will tap in the 5Y and 10Y segment at 11.00 CET.

In **Norway** the oil-led slowdown continues and the risk of a broad-based downturn is growing. The manufacturing confidence has been hit by the downturn in the oil supply sector and fell to its lowest levels since 2009 in Q2. However, the PMI showed signs of stabilising in September, in the sense that it is now pointing to a somewhat slower decline and a similar development in the confidence indicator would be very encouraging. However, we forecast a moderate decrease to -8.0 in Q3. Retail sales have been highly volatile since Easter but the underlying trend shows a slowdown through to July and signs of the tide turning in August. Since the really big risk to the Norwegian economy relates to household demand, the September data will be crucial. Based on anecdotal evidence from the trade, we predict that retail sales will rise 0.3% m/m in September. Although this would still mean only a very weak contribution to growth from private consumption in Q3, it would nevertheless confirm that the downward trend in spending is over, thereby reducing the downside risk to the Norwegian economy somewhat. We expect the LFS unemployment rate for August (July-September) to be unchanged at 4.3%, but the more important labour market data from NAV are due on Friday.

Fixed Income Markets

The strong rally in core markets continued yesterday with the Bund yield dropping to the lowest level since early May (0.44%). There was no particular trigger but some dovish comments from ECB speakers and soft data out of the US. Germany will tap EUR3bn in Bunds today. For tonight's FOMC meeting we expect a muted market reaction as we expect FOMC to provide very little news. Market is priced around 30% for a December hike and with plenty of data being released before the December FOMC (including two labour market reports), we see very little incentive for the Committee to send any new signal tonight.

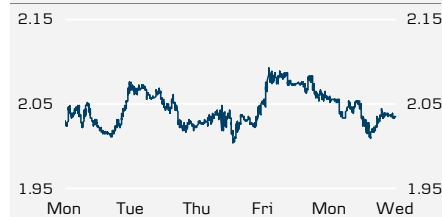
Portugal continues to be trade weak with political uncertainty weighing on sentiment. PM Coelho named his Cabinet yesterday with the government set to be sworn in on Friday. The minority government then has 10 days to present its programme to Parliament. The majority left-wing opposition has already vowed to reject the programme which would force the government's resignation. Coelho could then be replaced by Costa (Socialist) with support from the Left Bloc and the Communists. In short, uncertainty about the outcome will most likely prevail for the next couple of weeks. Portugal has lost

US S&P500 future



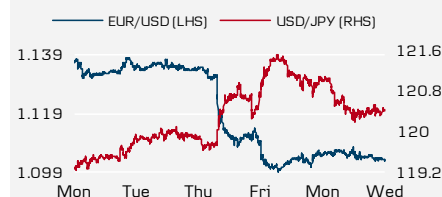
Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

significantly to peers recently with the 10Y widening to as much as 200bp versus Germany.

In the Swedish market all eyes are on the Riksbank decision at 9.30 CET and the SNDO announcement half an hour before. Note also that the debt office will tap SEK2bn in both the 2019 and the 2025 bonds. Given that we expect an extension of the QE programme from the Riksbank (and despite the possible upward revision of the borrowing requirement) we look for strong demand at the auction. We prefer the 5Y segment in Sweden. For more see our [update](#).

Norges Bank is set to tap NOK 3bn NGB Mar '25. The long end of the NGB curve has underperformed recently both against Bunds and swaps. We see a risk that demand will be rather weak at the auction today and we might see further underperformance. That said, we are getting closer to a level – especially asset swapped - where NGBs again offer value. Foreign investors should note the risk of a further depreciation of the NOK as market liquidity can be thin as year-end approaches and as the oil price is under renewed pressure. See our [NGB auction preview](#).

FX Markets

Scandi FX will take centre stage today ahead of tonight's FOMC meeting.

Mario Draghi's clear indication that further easing measures are to be expected in December has raised the heat on the Riksbank. We doubt that the Riksbank can remain passive next year with the bond purchase programme set to continue only in EUR. An appreciation of the SEK remains a clear risk for the Riksbank's inflation projection and it remains our view that should Governor Ingves provide no further guidance today, the Riksbank could risk sparking another round of SEK-appreciation. Consequently, we expect an extension of the current QE programme today of SEK45bn (i.e. the same size as the previous extension) to send EUR/SEK higher but we think the effect will be temporary and we still forecast the cross at 9.40 in 1M and 3M.

While the Riksbank decision will have immediate spill-over effects on the NOK, Norwegian figures that are released 30 minutes after the Riksbank announcement will also be important. In particular retail sales will give us an indication as to whether private consumption still holds up, despite the lower oil price and associated uncertainties to future personal finances. In our base case we expect this to be the case. Fundamentally, however, we do not expect the undervalued NOK to strengthen before Norges Bank has seen clear confirmation that the business cycle has turned and that no further rate cuts are needed. In our view this will be a story for 2016 and we project the NOK to remain under pressure for the rest of 2015, partly due to the seasonal effect of worsening liquidity.

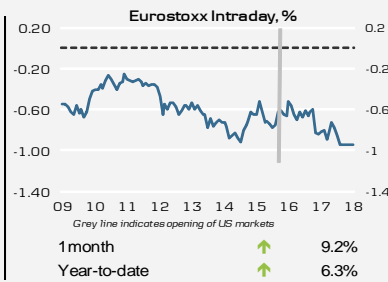
Key figures and events

Wednesday, October 28, 2015					Period	Danske Bank	Consensus	Previous
0:50	JPY	Large retailers' sales	y/y	Sep		1.4%	1.8%	
0:50	JPY	Retail trade	m/m y/y	Sep		1.1% 0.4%	0.0% 0.8%	
1:30	AUD	CPI	q/q y/y	3rd quarter		0.7% 1.7%	0.7% 1.5%	
6:00	JPY	Small business confidence	Index	Oct		49.2	49.0	
8:00	DEM	GfK consumer confidence	Net. Bal.	Nov		9.4	9.6	
8:45	FRF	Consumer confidence	Index	Oct		97.0	97.0	
9:00	SEK	Swedish Debt Office's new borrowing forecast: we expect bigger deficit and higher bond supply						
9:00	DKK	CB's securities statistics		Oct				
9:00	DKK	Foreign portfolio investments		Oct				
9:30	SEK	Riksbank, QE decision				another quarter same volume		
9:30	SEK	Riksbank, rate decision	%			-0.35%	-0.35%	
10:00	NOK	Retail sales, s.a.	m/m	Sep		0.1%	-0.4%	
10:00	NOK	Unemployment (LFS)	%	Aug		4.4%	4.3%	
10:00	ITL	Business confidence	Index	Oct			104.2	
10:15	EUR	ECB's Praet Speaks in Riga						
12:00	USD	MBA Mortgage Applications	%				11.8%	
15:30	USD	DOE U.S. crude oil inventories	K				8028k	
15:45	EUR	ECB's Constancio speaks in Berlin						
19:00	USD	FOMC meeting	%			0.25%	0.25%	
21:00	NZD	Reserve Bank of New Zealand (cash rate decision)	%			2.75%	2.75%	

Source: Bloomberg, Danske Bank Markets

Today's market data: 28 October 2015

STOCKS



	Close		+/-
DJSTOXX50	3193	↓	-0.9%
OMXC20	958	↓	-0.2%
OMXS30	1487	↓	-1.3%
OSE BX	616	↓	-1.2%
	Close		+/-
DOW JONES	17581	↓	-0.2%
NASDAQ	5030	↓	-0.1%
S&P500	2066	↓	-0.3%
NIKKEI (07:30)	18879	↓	-0.9%

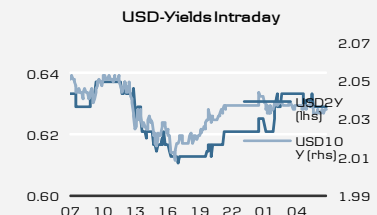
FX & COMMODITIES



	17:00	07:30		+/-
EUR				
USD	110.50	110.33	↓	-0.17
JPY	132.93	132.86	↓	-0.07
GBP	72.16	72.07	↓	-0.09
NOK	933.92	935.80	↑	1.88
SEK	938.16	938.49	↑	0.33
DKK	746.01	746.02	↑	0.01
PLN	428.41	428.23	↓	-0.18
USD				
JPY	120.29	120.42	↑	0.13
GBP	153.13	153.08	↓	-0.05
CHF	98.46	98.69	↑	0.23

	07:30		Oil, Brent, \$
Gold, \$	1170.87		46.84
1day	↑	4.00	0.03
1month	↑	38.90	-0.50
Year-t-date	↓	-13.99	-10.49
	07:30		CRB, Raw Industrials
CRB, 1M future	191.34		419.43
1day	↓	-0.94	0.60
1month	↓	-1.47	-14.10
Year-t-date	↓	-38.62	-72.68

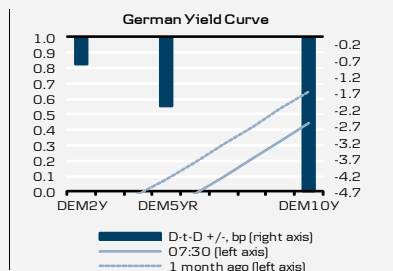
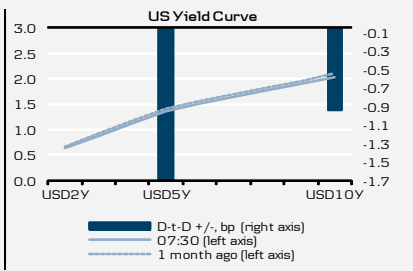
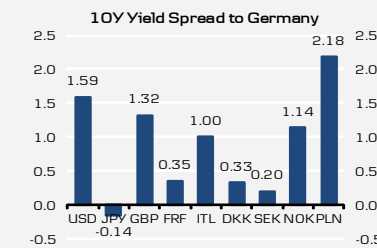
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.25	0.32	7
EUR	0.05	-0.07	-12
GBP	0.50	0.58	8
DKK	0.05	-0.09	-14
SEK	-0.35	-0.32	3
NOK	0.75	1.11	36
PLN	1.50	1.63	13

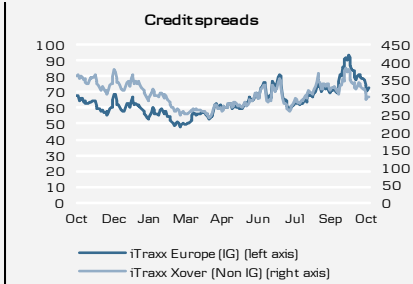
	17:00	07:30	+/-, bp
USD 10Y	2.01	2.04	↑ 2
USD 30Y	2.83	2.85	↑ 2
JPY 10Y	0.31	0.30	↓ -1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.49	0.44	↓ -5
DKK 10Y	0.90	0.77	↓ -12
SEK 10Y	0.67	0.64	↓ -3
NOK 10Y	1.58	1.58	0
PLN 10Y	2.68	2.62	↓ -6

* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	73	↓ 0	↓ -17
HiVol	73	↓ 0	↓ -11
Xover (N-IG)	304	↑ 1	↓ -66
Finan. Sr.	71	↑ 0	↓ -25
Finan. Sub.	149	↑ 1	↓ -46
Non-finan.			

* Ask price



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-6	-6	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0	17	↑ 17
DKK 10Y	38	38	0
SEK 10Y	42	41	↓ 0
NOK 10Y	64	64	0

* 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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