

Danske Daily

Market Movers

- **In the US the ISM manufacturing index for November is to be released.** Regional indices for November and the ISM order-inventory balance in October indicate that the ISM should not fall below 50 and we expect a marginal increase from 50.1 to 50.3 in November. Note also that Fed's Evans tonight will kick off a series of Fed speeches this week.
- **In the UK we anticipate that the manufacturing PMI declined in November from 55.5 last month to around 53.** This should mainly be seen as a correction as the index made an oddly large jump from 51.8 to 55.5 in October. This level is usually associated with growth in manufacturing production of around 1.0% q/q, which seems very unlikely since the manufacturing sector is struggling due to the strong GBP and the slowdown in manufacturing globally.
- **Euro-area and German unemployment figures are due for release and we expect both to remain unchanged.** In the euro area, low potential growth has implied that the unemployment rate has declined to the lowest level since the beginning of 2012 despite modest GDP growth. We expect the downward trend towards the structural unemployment rate to continue in 2016.
- Today we publish our Top Trades 2016 across the FX and FI sphere, see [FX Top Trades 2016](#) and [FI Top Trades 2016](#) for details.
- **Swedish and Norwegian manufacturing PMIs due.** See [Scandi Markets](#).

Selected Market News

Sentiment somewhat mixed in the Asian session after Chinese PMIs painted a two-sided – and overall somewhat downbeat – picture of the Chinese economy: the official (NBS) manufacturing PMI dropped to 49.6 (last and expected: 49.8, Danske Bank: 50.1) in November while the non-manufacturing PMI rose to 53.6 (from 53.1). Separately, the Caixin PMI manufacturing fell to 48.3 (last and expected: 48.6). Thus, the slight recovery that we had been looking for is yet to materialise in the manufacturing sector. We continue to look for another 25bp PBoC rate cut before year-end and a cut in the reserve requirement ratio of 50bp.

Yesterday the IMF announced the long-awaited inclusion of CNY in the IMF's reserve currency basket (SDR): the Chinese currency is set to enter with a 10.92% weight, ahead of the JPY and GBP. As the yuan has now got the IMF 'stamp of approval' global reserve managers are likely to gradually add more CNY assets. We still expect a gradual weakening of the CNY from here but no sharp devaluation as this could backfire via significant capital outflows and deterioration in global sentiment.

The Reserve Bank of Australia (RBA) this morning maintained its cash rate target unchanged at 2.00% as widely expected. The issued policy statement left little surprises and was in many aspects a copy of that released in November. We continue to look for unchanged rates from the RBA over the next 12M.

Market overview

	07:30	1 day +/- %
S&P500 (close)	2080.4	↓ -0.46
S&P500 fut (chng from close)	2092.0	↑ 0.59
Nikkei	19961.4	↑ 1.08
Hang Seng	22448.4	↑ 2.05
	17:00	07:30 +/- bp
US 2y gov	0.93	0.94 ↑ 1.0
US 10y gov	2.21	2.23 ↑ 1.1
iTraxx Europe (IG)	70	70 ↑ 0.2
iTraxx Xover (Non IG)	290	291 ↑ 0.8
		+/- %
EUR/USD	1.057	1.058 ↑ 0.06
USD/JPY	123.210	122.960 ↓ -0.20
EUR/CHF	1.09	1.09 ↓ -0.02
EUR/GBP	0.702	0.701 ↓ -0.14
EUR/SEK	9.208	9.210 ↑ 0.03
EUR/NOK	9.17	9.16 ↓ -0.04
Oil Brent, USD	45.6	44.8 ↓ -1.58
Gold, USD	1063.1	1072.0 ↑ 0.83

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

- [FX Top Trades 2016](#)
- [FI Top Trades 2016](#)
- [US Labour Market Monitor: Employment growth would have to slow significantly to become a concern for Fed](#)

Senior Analyst
Christin Tuxen
+45 45 13 78 67
tux@danskebank.dk

Scandi Markets

Swedish PMI is set to remain flat. It is already at elevated levels in comparison to Germany and the euro zone.

Norwegian PMI is due at 9.00 CET. The past two months' increases in the index point to the industry stabilising, as mentioned above, so the November figures should tell us whether that was just noise and perhaps whether the drop in the oil price since the summer has sparked a further decline in the industrial sector. Consensus is expecting a moderate drop from 48.3 to 47.8.

Fixed Income Markets

We now turn to December, with great attention to central-bank policy in the fixed-income markets. During the next three weeks all G10 central banks have scheduled policy meetings with quite a few of them expected to announce policy changes. So 'buckle up' for easing from the ECB, the SNB and the Riksbank and tightening from the Fed. The RBA kicked off overnight (unchanged) and near-term centre of attention will obviously be the ECB meeting on Thursday and the FOMC meeting on 16 December. Policy divergence is very clear as also reflected in the US-German spread developments the past two months (+45bp in both 2Y and 5Y maturities, +25bp in 10Y). With US hikes being priced on the soft side of our expectations, there is room for further widening. That said, the aggressive ECB pricing warrants some caution and we do not think the risk-reward for chasing further widening is attractive at the moment.

FX Markets

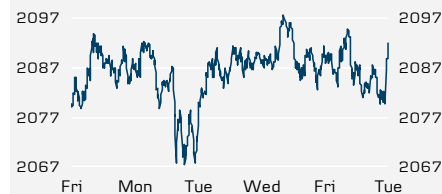
EUR/SEK dived close to 9.20 on the strong Swedish GDP report yesterday, confirming the picture of an economy that looks increasingly healthy across the board. We maintain that the Riksbank will likely react if EUR/SEK drops too quickly and due to foreign matters but we stress that the tight range that the cross used to be kept in by the Riksbank is set to gradually slip - not least if driven by Swedish fundamentals. Watch out for any Riksbank comments ahead of and following the ECB meeting this week: we still project a 10bp cut from the Riksbank on 15 December which should be enough to stem a continued downtrend in EUR/SEK near term and we look for the 9.10-9.50 range to persist. That said, a break lower in EUR/SEK will be a key Scandi story for 2016.

While the RBA kept rates unchanged today and is likely to do so over the next year at least, we still expect AUD/USD to edge lower in the coming months as relative terms of trade and a looming Fed hike will weigh on the cross. We do not expect AUD/USD to collapse as (i) long-term fundamentals, (ii) already aggressive pricing of monetary policy divergence, (iii) China stabilisation and (iv) stretched short speculative positioning will limit the downside potential. We forecast the cross at 0.68 in 12M.

Today also watch out for Swiss GDP and retail sales: while these should confirm that the Swiss economy is in decent shape, we still think the SNB prefers EUR/CHF closer to 1.10 than, say, 1.05 and thus will be forced to at least partially match the ECB on easing.

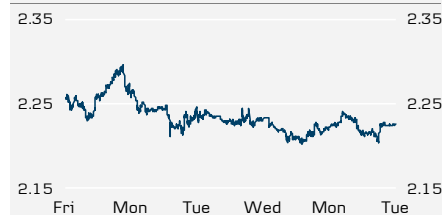
This morning we publish our *FX Top Trades 2016*. This year's publication is based on five themes which we think will drive FX performance next year: (i) Monetary policy surprises, (ii) Fundamental misalignments, (iii) Carry trades revisited, (iv) Volatility and (v) The wild card; the first four themes constitute our baseline while the latter is a tail-risk scenario.

US S&P500 future



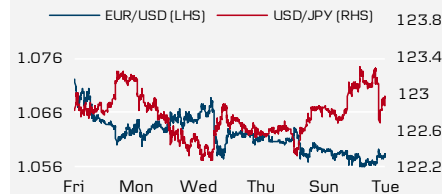
Source: Danske Bank Markets

US 10y gov yield



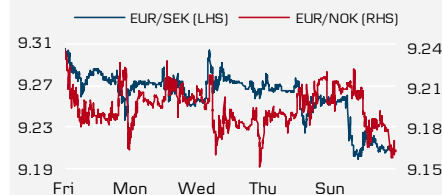
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

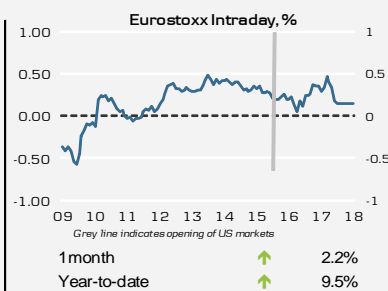
Key figures and events

Tuesday, December 1, 2015					Period	Danske Bank	Consensus	Previous
-	USD	Total vehicle sales	m	Nov			18	18.12
2:00	CNY	PMI manufacturing	Index	Nov	50.1	49.9		49.8
2:00	CNY	PMI non-manufacturing	Index	Nov				53.1
2:35	JPY	Nikkei Manufacturing PMI, final	Index	Nov				52.8
2:45	CNY	Caixin service PMI	Index	Nov	52.0			52.0
2:45	CNY	Caixin Manufacturing PMI	Index	Nov	48.8	48.3		48.3
4:30	AUD	Reserve Bank of Australia rate decision	%		2.0%	2.0%		2.0%
7:45	CHF	GDP	q/q y/y	3rd quarter			0.2% 0.8%	0.2% 1.2%
8:30	SEK	PMI manufacturing	Index	Nov	53.5			53.5
9:00	NOK	PMI manufacturing	Index	Nov				48.3
9:15	CHF	Retail sales	y/y	Oct				0.2%
9:15	ESP	PMI manufacturing	Index	Nov	51.7			51.3
9:30	CHF	PMI manufacturing	Index	Nov		50.5		50.7
9:45	ITL	PMI manufacturing	Index	Nov	54.4			54.1
9:50	FRF	PMI manufacturing, final	Index	Nov	50.8	50.8		50.8
9:55	DEM	PMI manufacturing, final	Index	Nov	52.6	52.6		52.6
9:55	DEM	Unemployment	%	Nov	6.4%	6.4%		6.4%
10:00	EUR	PMI manufacturing, final	Index	Nov	52.8	52.8		52.8
10:30	GBP	PMI manufacturing	Index	Nov	53.0	53.6		55.5
11:00	EUR	Unemployment	%	Oct	10.8%	10.8%		10.8%
11:00	ITL	GDP, final	q/q y/y	3rd quarter				0.2% 0.9%
14:30	CAD	GDP	m/m y/y	Sep		0.1% ...		0.1% 0.9%
15:45	USD	Markit manufacturing PMI, final	Index	Nov		52.6		52.6
16:00	USD	Construction spending	m/m	Oct		0.5%		0.6%
16:00	USD	ISM manufacturing	Index	Nov	50.3	50.5		50.1
16:00	USD	ISM prices paid	Index	Nov		40.0		39.0
18:45	USD	Fed's Evans (voter, dovish) speaks						

Source: Bloomberg, Danske Bank Markets

Today's market data: 01 December 2015

STOCKS



	Close		+/-
DJUSTOXX50	3288	↑	0.1%
OMXC20	1015	↑	14%
OMXS30	1536	↑	0.9%
OSE BX	629	↑	0.5%
<hr/>			
	Close		+/-
DOW JONES	17720	↓	-0.4%
NASDAQ	5109	↓	-0.4%
S&P500	2080	↓	-0.5%
NIKKEI (07:30)	19961	↑	0.1%

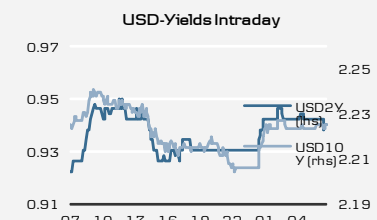
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	105.73	105.79	↑ 0.06
JPY	130.27	130.08	↓ -0.19
GBP	70.20	70.10	↓ -0.10
NOK	916.81	916.40	↓ -0.41
SEK	920.79	921.04	↑ 0.25
DKK	746.02	746.03	↑ 0.01
PLN	426.93	426.87	↓ -0.06
USD	17:00	07:30	+/-
JPY	123.21	122.96	↓ -0.25
GBP	150.61	150.92	↑ 0.31
CHF	102.71	102.62	↓ -0.09

	Gold, \$	Oil, Brent, \$
07:30	1071.95	44.83
1 day	↑ 7.18	↑ 0.22
1 month	↓ -70.21	↓ -4.73
Year-t-date	↓ -112.91	↓ -12.50
<hr/>		
	CRB 1M future	CRB, Raw Industrials
07:30	182.54	399.96
1 day	↓ -0.70	↑ 0.20
1 month	↓ -13.07	↓ -14.32
Year-t-date	↓ -47.42	↓ -92.15

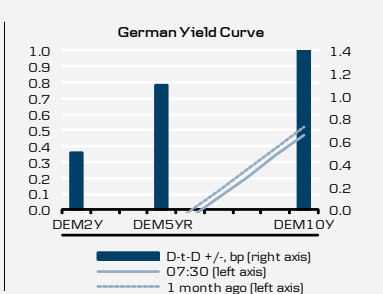
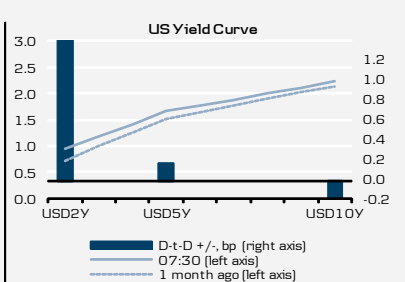
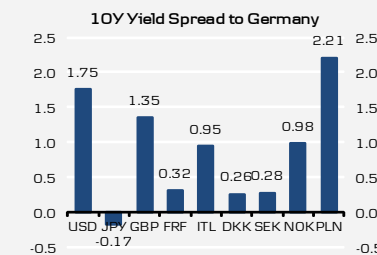
YIELDS & INTEREST RATES



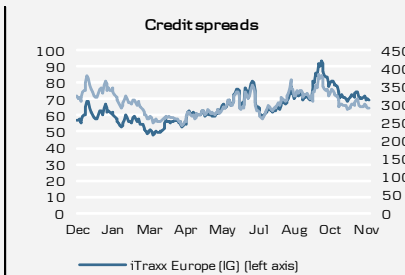
	Policy Rate	3M	Spread, bp
USD	0.25	0.41	16
EUR	0.05	-0.11	-16
GBP	0.50	0.57	7
DKK	0.05	-0.16	-21
SEK	-0.35	-0.40	-5
NOK	0.75	1.18	43
PLN	1.50	1.63	13

	17:00	07:30	+/-, bp
USD 10Y	2.21	2.23	↑ 1
USD 30Y	2.99	2.99	↑ 0
JPY 10Y	0.31	0.30	↓ -1
<hr/>			
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.46	0.48	↑ 2
DKK 10Y	0.80	0.74	↓ -6
SEK 10Y	0.73	0.75	↑ 3
NOK 10Y	1.45	1.45	↑ 0
PLN 10Y	2.62	2.68	↑ 6

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	70	↓ 0	↓ -1
HiVol	87	↓ -3	↑ 2
Xover (N-IG)	291	↓ 0	↓ -8
<hr/>			
Finan. Sr.	69	↓ 0	↓ -1
Finan. Sub.	145	↓ -1	↓ -5
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-14	-13	↑ 1
<hr/>			
	07:30(-1)*	17:00	+/-
EUR 10Y	0	15	↑ 15
DKK 10Y	37	37	↓ 0
SEK 10Y	45	45	↑ 0
NOK 10Y	59	61	↑ 2

* As of closing previous trading day

** Ask price

* Ask price

Source: Bloomberg, Danske Bank Markets

Disclosure

This research report has been prepared by Danske Bank Markets, a division of Danske Bank A/S ('Danske Bank').

Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

The research reports of Danske Bank are prepared in accordance with the Danish Society of Financial Analysts' rules of ethics and the recommendations of the Danish Securities Dealers Association.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors upon request.

Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

Danske Daily is updated on a daily basis.

First date of publication

Please see the front page of this research report for the first date of publication. Price-related data is calculated using the closing price from the day before publication.

General disclaimer

This research has been prepared by Danske Bank Markets (a division of Danske Bank A/S). It is provided for informational purposes only. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change, and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

Disclaimer related to distribution in the United States

This research report is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to "U.S. institutional investors" as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to "U.S. institutional investors".

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA, but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.