

Danske Daily

Market Movers

- On a day with a very thin calendar in terms of data releases focus will be on **US MBA mortgage applications**. The overall picture is of a US housing market continuing to benefit from a favourable mix of low interest rates and positive real income growth. Homebuilding activity is also still below the long-term trend, which points to further improvements in the housing market.
- We expect **Bank of Canada** to keep its policy rate unchanged at 0.5%. Last month's policy statement was very balanced and suggested that Governor Poloz is comfortable remaining sidelined for now post the two rate cuts earlier in the year.
- Turkey's central bank** will also make its rate decision today and is expected to keep its key rate unchanged at 7.50%.
- Fed member Powell who is a voter and considered neutral will speak tonight.
- There are no Scandi market movers today.

Selected Market News

Japanese trade data disappointed and fuel concerns about weakness in the global manufacturing sector. Export growth was the weakest in more than a year increasing 0.6% y/y in September down from 3.1% in August and against consensus of an increase of 3.8% y/y. Import growth was also very weak declining 11.1% y/y, reflecting that there is weakness in Japanese domestic demand as well.

We expect Bank of Japan to add further stimulus at the 30 October meeting. Today's data confirm our view of sluggish GDP data in Q3, which should result in a substantial downward revision of Bank of Japan's growth and inflation forecast in the semi-annual outlook report for FY 16. We expect the monetary easing to be in the form of additional QE with an increase of its target for the annual monetary base expansion from JPY80trn to JPY100trn.

Asian stocks are higher this morning despite the disappointing Japanese export figures. Japan's Nikkei is trading 1.1% higher amid spurring speculation about more monetary easing from Bank of Japan. EUR/USD continues to trade without clear direction ahead of the ECB meeting on Thursday.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2030.8	↓ -0.14	
S&P500 fut (chng from close)	2030.2	↑ 0.48	
Nikkei	18550.3	↑ 1.88	
Hang Seng	22989.2	↓ -0.37	
	17:00	07:30	
		+/- bp	
US 2y gov	0.63	0.63	↑ 0.2
US 10y gov	2.07	2.06	↓ -0.4
iTraxx Europe (IG)	78	79	↑ 0.5
iTraxx Xover (Non IG)	326	327	↑ 1.5
			+/- %
EUR/USD	1.134	1.136	↑ 0.18
USD/JPY	119.910	119.970	↑ 0.05
EUR/CHF	1.08	1.09	↑ 0.23
EUR/GBP	0.734	0.736	↑ 0.28
EUR/SEK	9.422	9.429	↑ 0.07
EUR/NOK	9.22	9.23	↑ 0.09
			USD
Oil Brent, USD	48.8	48.6	↓ -0.37
Gold, USD	1176.9	1178.1	↑ 0.10

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

- Russian output and demand: Trough reached*
- ECB Preview: More wait and see*

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Fixed Income Markets

In the primary market, Denmark will launch a new ‘two-year’ benchmark bond – DGB 0.25% Nov. We expect solid demand at the auction as (1) there is a solid yield pick-up to EU peers in same maturities, (2) there are significant reinvestment needs coming up with coupon and redemptions of DKK85bn in November and (3) ‘regulatory’ demand from the domestic banks for their LCR portfolios (see our *preview*).

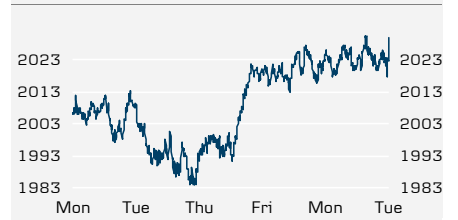
Furthermore, Germany is tapping in the Schatz and this should be uneventful, although the Schatz has become 'cheaper' versus swaps. However, the outright level is not far from the levels seen in late March and early April and thus the Schatz looks expensive from an outright level.

FX Markets

The rally in EUR/SEK faded on Tuesday underlining our view that the trading range in EUR/SEK has moved lower as Swedish data are improving. In our view, Riksbank is unlikely to cut rates at its upcoming meeting on 28 October with EUR/SEK trading at current levels. Instead, we expect another rate cut of 10bp to -45bp and extension of the current QE programme at the December meeting. In line with this view, on Tuesday we took profit on our long EUR/SEK trade recommendation in our FX Trading Portfolio.

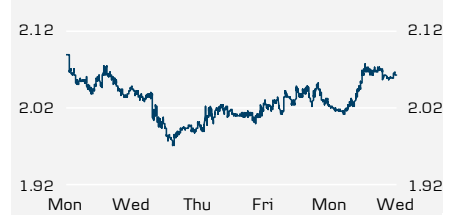
In the majors, EUR/USD is trading in a choppy and trendless pattern ahead of the ECB meeting on Thursday. We expect EUR/USD to be little changed on the ECB meeting with risks tilted to the upside, as the ECB will fail to deliver fuel to expectations on ECB-Fed divergence for now.

US S&P500 future



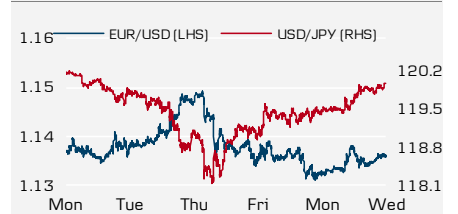
Source: Danske Bank Markets

US 10y gov yield



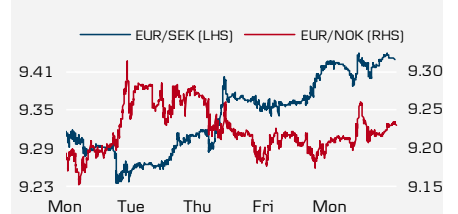
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

Key figures and events

Wednesday, October 21, 2015				Period	Danske Bank	Consensus	Previous
13:00	USD	MBA Mortgage Applications	%				-27.6%
13:00	TRY	Central Bank of Turkey rate decision	%		7.5%	7.5%	7.5%
16:00	CAD	Bank of Canada rate decision	%		0.5%	0.5%	0.5%
16:30	USD	DOE U.S. crude oil inventories	K				
19:30	USD	Fed's Powell (voter, neutral) speaks					

Source: Bloomberg, Danske Bank Markets

Today's market data: 21 October 2015

STOCKS



	Close		+/-
DJSTOXX50	3112	↓	-0.8%
OMXC20	939	↓	-0.9%
OMXS30	1467	↑	0.6%
OSE BX	613	↓	-0.1%
<hr/>			
	Close		+/-
DOW JONES	17217	↓	-0.1%
NASDAQ	4881	↓	-0.5%
S&P500	2031	↓	-0.1%
NIKKEI (07:30)	18550	↓	-0.8%

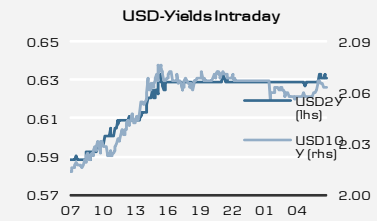
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	113.41	113.61	↑ 0.20
JPY	135.98	136.29	↑ 0.31
GBP	73.35	73.55	↑ 0.20
NOK	922.18	922.97	↑ 0.79
SEK	942.22	942.88	↑ 0.66
DKK	745.95	746.00	↑ 0.05
PLN	425.77	426.24	↑ 0.47
USD	17:00	07:30	+/-
JPY	119.91	119.97	↑ 0.06
GBP	154.62	154.45	↓ -0.17
CHF	95.49	95.55	↑ 0.06

	Gold, \$	Oil, Brent, \$
07:30	1178.09	48.57
1day	↑ 2.04	↓ -0.14
1month	↑ 44.70	↓ -0.35
Year-t-date	↓ -6.77	↓ -8.76
<hr/>		
	CRB 1M future	CRB, Raw Industrials
07:30	197.42	423.84
1day	↑ 0.70	↓ -0.17
1month	↑ 0.58	↓ -14.93
Year-t-date	↓ -32.53	↓ -68.27

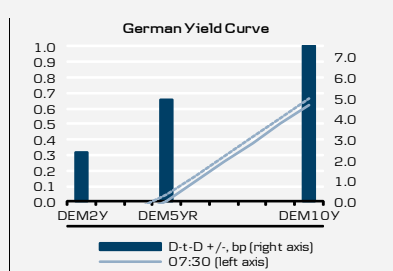
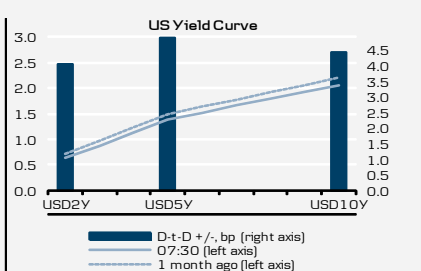
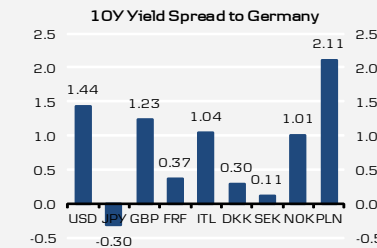
YIELDS & INTEREST RATES



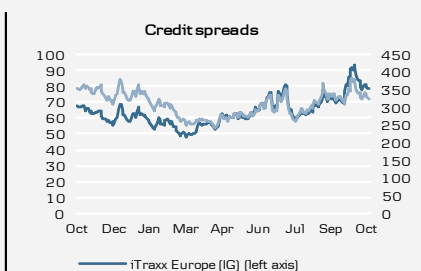
	Policy Rate	3M	Spread, bp
USD	0.25	0.32	7
EUR	0.05	-0.05	-10
GBP	0.50	0.58	8
DKK	0.05	-0.06	-11
SEK	-0.35	-0.30	5
NOK	0.75	1.13	38
PLN	1.50	1.63	13

	17:00	07:30	+/-, bp
USD 10Y	2.07	2.06	↓ 0
USD 30Y	2.92	2.91	↓ -1
JPY 10Y	0.31	0.32	↑ 1
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	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.55	0.62	↑ 7
DKK 10Y	0.92	0.93	↑ 1
SEK 10Y	0.65	0.73	↑ 8
NOK 10Y	1.63	1.63	↑ 0
PLN 10Y	2.70	2.74	↑ 4

* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	79	↓ 0	↑ 2
HIVol	80	↑ 0	↑ 13
Xover (N-IG)	327	↑ 0	↑ 17
<hr/>			
Finan. Sr.	76	↓ 0	↓ -10
Finan. Sub.	159	↓ -1	↓ -15
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-4	-3	↑ 1
<hr/>			
	07:30(-1)*	17:00	+/-
EUR 10Y	0	19	↑ 19
DKK 10Y	38	37	↓ -1
SEK 10Y	46	44	↓ -2
NOK 10Y	69	64	↓ -5

* 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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