

Danske Daily

Market Movers

- **Today, US markets are closed due to Martin Luther King Jr. Day. There are no important data releases during the day.**
- However, during the week several important data releases and events are due. On Tuesday Chinese GDP figures for Q4 and industrial production and retail sales data for December are set to be released. **The Chinese data releases will be watched closely by the market in the wake of the recent financial turmoil and could therefore be important for sentiment in financial markets after a very weak start to the year.** We expect the positive trade numbers for December to be reflected in all three sets of data, so they will probably come out on the positive side.
- **We expect ECB to express a patient view on Thursday** and given the market pricing of additional rate cuts, the meeting could likely be a disappointment if Draghi does not point to further rate cuts.
- Also watch out for US CPI inflation data for December on Wednesday and preliminary PMIs for Europe and the US on Friday.

Selected Market News

So far this year, the main theme has been the sell-off in risky assets, not least visible in the equity markets. Friday was no different as US retail sales and the Empire manufacturing index came out very weak. The S&P500 fell by 2.2% and ended at the lowest level since the turmoil in August. The index is down 8% year-to-date. **The Brent oil price briefly dipped below 28 dollar but is currently trading at 28.6 dollar per barrel.** The market anxiety is not only due to China concerns and the collapse in the oil price. Also the fear that Fed tightens too much too quickly seems to play a role, see *Monetary tightening, oil collapse and currency adjustments*, 15 January. There is a **risk that the latter will continue to weigh on market sentiment going into the Fed's blackout period ahead of the FOMC meeting next week.**

Iran is set to return to the oil market following the removal of sanctions and will seek to raise production and exports back to pre-sanction levels. This is likely already reflected in prices and we keep our Q4 16 forecast unchanged at USD58/bl.

Overnight, data for Chinese house prices in December were released. New home prices rose in 39 cities in December compared to 33 in November (out of 70). They declined in 26 cities (27 in November) and were unchanged in 5. The housing market recovery is still very different across regions. House prices are increasing in first-tier cities and some second-tier cities, while they are declining in third-tier cities. The recovery is supported by easier monetary policy, which has lowered borrowing costs. **PBoC has announced that it will impose reserve-requirement on offshore yuan deposits.** The new rules will take effect on 25 January in an effort to make it more expensive to speculate against the Chinese currency by cutting liquidity. According to Bloomberg citing people familiar with the matter, the ratios will 17.5%, the same as for mainland banks. **The CNY fixing continues to be stable and was set at 6.5590 vs 6.5637 on Friday.**

Market overview

	07:30	1 day +/- %	
S&P500 (close)	1880.3	↓	-2.16
S&P500 fut (chng from close)	1882.0	↑	0.37
Nikkei	16979.7	↓	-0.98
Hang Seng	19349.5	↓	-0.88
	17:00	07:30	+/- bp
US 2y gov	0.83	0.85	↑ 1.6
US 10y gov	2.02	2.03	↑ 1.9
iTraxx Europe (IG)	95	96	↑ 1.8
iTraxx Xover (Non IG)	380	381	↑ 0.5
			+/- %
EUR/USD	1.095	1.090	↓ -0.46
USD/JPY	116.800	117.120	↑ 0.27
EUR/CHF	1.09	1.10	↑ 0.10
EUR/GBP	0.765	0.764	↓ -0.21
EUR/SEK	9.384	9.359	↓ -0.27
EUR/NOK	9.66	9.67	↑ 0.11
			USD
Oil Brent, USD	29.5	28.4	↓ -3.46
Gold, USD	1090.9	1090.4	↓ -0.05

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

- *Strategy: Monetary tightening, oil collapse and currency adjustments*
- *Weekly Focus: Tumbling markets unlikely to rock ECB's patience*

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Scandi Markets

There are no Scandi market movers today.

Fixed Income Markets

It has been a dramatic week with plenty of volatility but also hefty demand at the syndicated deals from Spain, Belgium and Portugal. Investor appetite is there, when there is a solid new issue premium for the investors. Gross issuance next week is more 'modest' but this is again an opportunity for new syndicated deals. Spain and France are coming to the market with regular auctions, where Spain is set to launch a new 3Y benchmark as well as tapping in the 15Y segment. France will launch a new 4Y benchmark as well as tapping in the 5Y and 7Y segment. On top of this, the French debt office is also tapping in the 10Y and 15Y linkers. In Scandinavia Denmark, Sweden and Finland are coming to the market, see more in *Government Bonds Weekly*, 15 January.

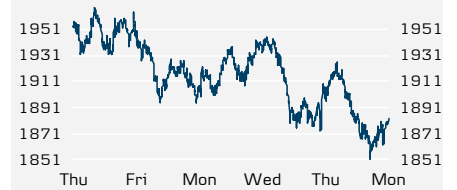
The main event is the ECB meeting on Thursday but, despite the turmoil in the markets and the decline in the oil price, ECB is expected to be on hold and no new QE measures are expected. Volatility is likely to remain high in the equity markets with the focus on China and the oil price as well as soft economic data from the US, where the forecast for growth in Q4 15 is being lowered and expectations for Fed rate hikes are gradually being pushed further out in 2016. However, 10Y Bunds have been remarkably 'range-bound' despite the volatile equity markets and the markets gradually pricing in a rate cut from the ECB in summer/autumn 2016.

FX Markets

EUR/USD saw good support on Friday from the batch of weak US data out in the afternoon, as US rates came under pressure on expectations that the latest US data weakness could lead the Fed to postpone further tightening. This is clearly a risk if US data continue to surprise on the downside and the fact that EUR/USD has been remarkably stable around 1.07-1.10 since New Year is testament to the stretched positioning short the cross. The weekly IMM positioning data suggest that speculators became slightly less short EUR/USD in the week ending 12 January; notably investors became markedly more long JPY instead. EUR/SEK came close to 9.40 on Friday as speculation of a Q1 Riksbank cut is mounting (we now look for a February cut); similarly EUR/NOK also went up as oil stayed under pressure on indications that the Iranian sanctions are indeed about to be lifted.

With little in the calendar for today focus will remain on oil-price gyrations to which EUR/USD is also notably resilient for a range of reasons, see details in last week's *Oil-price repercussions*, 11 January. Gradually market attention should turn to the Bank of Canada meeting on Wednesday, where market pricing is now in favour of a rate cut while we look for unchanged, and of course the ECB meeting on Thursday, which could end as a hawkish surprise given current aggressive pricing of more easing during H1. Thus we could see a test of the 1.10 level in EUR/USD this week if we are right about the ECB.

US S&P500 future



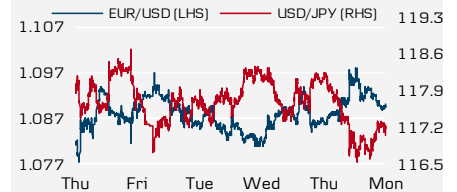
Source: Danske Bank Markets

US 10y gov yield



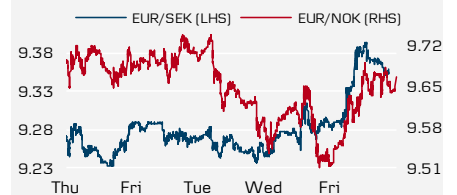
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

Key figures and events

Monday, January 18, 2016			Period	Danske Bank	Consensus	Previous
-	OPC	OPEC publishes monthly oil market report	Jan			
1:01	GBP	Rightmove House Prices	Jan			-1.1% 7.4%
2:30	CNY	Property prices	y/y			
5:30	JPY	Industrial production, final	Nov			-1.0% 1.6%
5:30	JPY	Tertiary industry index	Nov		-0.7%	0.9%

Source: Bloomberg, Danske Bank Markets

Today's market data: 18 January 2016

STOCKS



	Close		+/-
DJUSTOXX50	2801	↓	-2.8%
OMXC20	919	↓	-3.6%
OMXS30	1305	↓	-2.6%
OSE BX	536	↓	-1.2%
<hr/>			
	Close		+/-
DOW JONES	15988	↓	-2.4%
NASDAQ	4488	↓	-2.7%
S&P500	1880	↓	-2.2%
NIKKEI (07:30)	16980	↓	-2.8%

FX & COMMODITIES

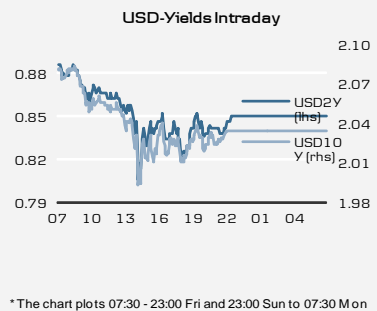


EUR	17:00	07:30	+/-
USD	109.52	109.02	↓ -0.50
JPY	127.92	127.68	↓ -0.24
GBP	76.54	76.38	↓ -0.16
NOK	965.52	966.63	↑ 1.11
SEK	938.44	935.91	↓ -2.53
DKK	746.34	746.35	↑ 0.01
PLN	441.28	448.43	↑ 7.15
<hr/>			
USD	17:00	07:30	+/-
JPY	116.80	117.12	↑ 0.32
GBP	143.10	142.74	↓ -0.36
CHF	99.90	100.47	↑ 0.57

	Gold, \$	Oil, Brent, \$
07:30	1090.42	28.43
1 day	↑ 1.54	↓ -0.51
1 month	↑ 24.27	↓ -8.45
Year-t-date	↑ 29.00	↓ -8.85
<hr/>		
	CRB 1M future	CRB, Raw Industrials
07:30	159.93	407.82
1 day	↓ -3.19	↑ 0.00
1 month	↓ -12.22	↑ 6.71
Year-t-date	↓ -16.21	↑ 3.11

* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

YIELDS & INTEREST RATES

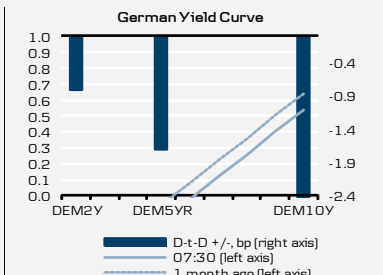
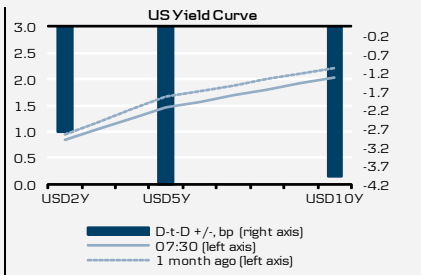
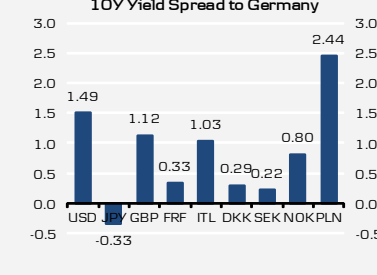


	Policy Rate	3M	Spread, bp
USD	0.50	0.62	12
EUR	0.05	-0.14	-19
GBP	0.50	0.59	9
DKK	0.05	-0.05	-10
SEK	-0.35	-0.28	7
NOK	0.75	1.18	43
PLN	1.50	1.60	10

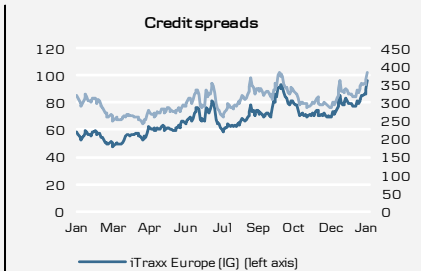
	17:00	07:30	+/-, bp
USD 10Y	2.02	2.03	↑ 2
USD 30Y	2.81	2.81	↑ 0
JPY 10Y	0.22	0.21	↓ -1
<hr/>			
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.56	0.54	↓ -3
DKK 10Y	0.93	0.82	↓ -11
SEK 10Y	0.78	0.76	↓ -3
NOK 10Y	1.34	1.34	↑ 0
PLN 10Y	2.92	2.99	↑ 7

* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	96	↑ 1	↑ 16
HiVol	125	↓ -7	↑ 23
Xover (N-IG)	381	↓ -1	↑ 45
<hr/>			
Finan. Sr.	88	↑ 1	↑ 11
Finan. Sub.	188	↑ 0	↑ 26
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-15	-13	↑ 2
<hr/>			
	07:30(-1)*	17:00	+/-
EUR 10Y	0		
DKK 10Y	37	38	↑ 1
SEK 10Y	39	40	↑ 1
NOK 10Y	61	60	↓ 0

* Ask price

* As of closing previous trading day

** Ask price

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First date of publication

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